Financial Statements

at 31.12.2018

AEDES SiiQ
COMMERCIAL PROPERTIES

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at 31.12.2018

1° Financial Year

AEDES SIIQ
COMMERCIAL PROPERTIES

Contents

01 Company Profile

1.1 Letter to Shareholders

Shareholders,

2018 saw the completion, on 28 December, of a partial and proportional demerger, resulting in the transfer to this Company, today Aedes SIIQ S.p.A., of the SIIQ complex previously held by Aedes SIIQ S.p.A., renamed Restart SIIQ S.p.A..

Sedea SIIQ S.p.A., today Aedes SIIQ S.p.A., hence benefited from the SIIQ complex for only 4 days of its financial year. We should, therefore, focus on illustrating the main activities carried out in the context of this complex throughout 2018, although carried out by the demerged company Aedes SIIQ S.p.A., now Restart SIIQ S.p.A.. These activities, as far as the consolidated reporting formats are concerned, are presented in the following pro-forma consolidated statements.

In 2018, we continued, in the context of the SIIQ complex, to move further ahead with our development projects to implement additional revenue assets in the short and medium term, and marginally to pursue purchases of revenue properties, in accordance with the property company model adopted in our capacity as a SIIQ.

The main activities revolving around the SIIQ complex are summarized below:

a) Preliminary activities continued on the development of the Caselle Open Mall project (114,000 sqm of GLA), namely:

1. completion of the administrative and town-planning process for the receipt of building permits in 2019;
2. execution of the works required for the lifting of the existing urban constraints in the area covered by the project (water systems);
3. execution of administrative activities for the last expropriations on the areas affected by future road works;
4. execution of pre-letting activities, assisted by leading consultants, ascertaining the tangible and prior interest of the market (expressions of interest and Head of Terms) to prepare an advanced business plan instrumental to the future financing of the works;

b) development activities were completed on the Serravalle Retail Park (Phase C1), while letting activities continued on this complex, with occupancy of available space reaching approximately 90% at 31 December 2018. The new phase of the initiative was inaugurated on 14 June 2018;

c) the lease contract with a primary Tenant was concluded on one of the two office towers in via Richard, Milan. Following completion of the refurbishment planning, the renovation work agreed with the Tenant and scheduled for delivery by fourth quarter 2019 is currently in progress;

d) the sale of the property located in via Agnello, Milan, was completed on 29 June 2018. The office property, with a GLA of over 4,400 sqm, at 31 December 2017, had been valued € 48.5 million by the independent expert. The sale of the property generated a capital gain of € 2.25 million. The sale of a core property such as the one in via Agnello 12 falls into the strategy of focusing on income investments with returns above industry average in order to maximize the return for investors;

e) at 31 December 2018, with regard to the investment agreement on “The Market San Marino” between Aedes SIIQ S.p.A. and BG Asset Management S.A. (Borletti Group) and other partners, for

the acquisition by Aedes of 40% of the company acting as General Partner of the initiative, the total investment of Aedes in this project amounts to € 17.8 million against a total commitment of € 23.6 million. The development of the first phase of the project is expected to be completed by spring 2020. The investment agreements concluded in 2017 include, *inter alia*, a call option granted to Aedes for the purchase of the entire project, exercisable in 2022.

Mention should be made that, in light of the financial position and results of operations of the Parent Company at 31 December 2018, the first reference year for verifying the parameters set by the Special Regime of SIIQs, the asset and profit requirements have both been met.

In 2018, Aedes SIIQ joined the EPRA - European Public Real Estate Association - conforming with the main international Reits on financial reporting which, given the demerger transaction, refers to pro-forma figures for 2018. The 2018 Annual Report contains the explanatory section of the EPRA financial measures applied to the pro-forma figures for the same year.

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

The Aedes SIIQ S.p.A. Group ended 2018 with a loss of € 0.265 million, relating mainly to the 4 days of operation of the SIIQ complex, net of the net costs for the demerger and listing of approximately € 0.9 million, and with a pro-forma consolidated profit of € 9.01 million. Aedes SIIQ S.p.A. intends to continue on its growth path in the forthcoming years, consistent with its ability to finance the growth.

The Chairman

Carlo A. Puri Negri

The Chief Executive Officer

Giuseppe Roveda

1.2 Governance

BOARD OF DIRECTORS

Giuseppe Roveda	**Carlo A. Puri Negri**	**Benedetto Ceglie**
Chief Executive Officer	Chairman	Vice-Chairman [4]
Alessandro Gandolfo	**Giorgio Gabrielli**	**Adriano Guarneri**
Director	Director	Director [1]
Annamaria Pontiggia	**Rosanna Ricci**	**Serenella Rossano**
Independent Director [1 2 3]	Independent Director [2 3]	Independent Director [2 3]

BOARD OF STATUTORY AUDITORS

Cristiano Agogliati	**Fabrizio Capponi**	**Sabrina Navarra**
Chairman [5]	Standing Auditor [5]	Standing Auditor [5]

INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.

(1) 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
(5) Supervisory Body

1.3 Shareholder structure

At the date of approval of this Report, the share capital of Aedes SIIQ S.p.A. amounts to € 210,000,000.00 and is divided into 32,030,344 ordinary shares with no par value.

As a result of the partial and proportional demerger pursuant to the project approved by the Board of Directors of Aedes SIIQ S.p.A. (now Restart SIIQ S.p.A.) and Sedea SIIQ S.p.A. (now Aedes SIIQ S.p.A.) on 8 August 2018 and by the Shareholders' Meetings of the companies on 27 September 2018, the Company issued no. 86,953,470 warrants named "Warrant Aedes SIIQ S.p.A. 2018-2020" (the "Warrants"), incorporating the right to subscribe to ordinary shares of the newly issued company, with no par value and with regular dividend entitlement, to be exercised by 7 July 2020, at the price (including share premium) of € 6.35 (six and thirty-five cents) for each new ordinary share, in the ratio of no. 1 (one) ordinary share for each group of no. 30 (thirty) Warrants exercised, and also resolved to increase its share capital to service the exercise of the Warrants, in divisible form against payment, by a maximum amount (including share premium) of € 18,405,151.15, through issue of a maximum of 2,898,449 new ordinary shares, with no par value and with regular dividend entitlement, at the price (including share premium) of € 6.35 each, in the ratio of no. 1 new ordinary share for each group of no. 30 Warrants held (the "Warrant Increase"), it being understood that, if not fully subscribed by 7 July 2020, the Warrant Increase will remain unchanged within the limits of the subscriptions collected by such date.

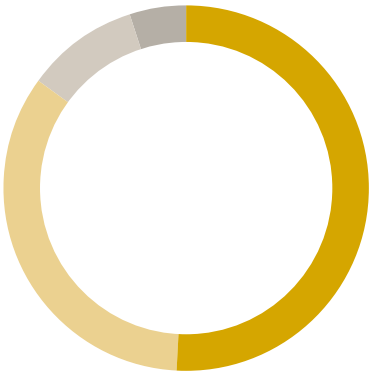
The table below shows the list of shareholders holding over 5 (five) percent of the issued share capital at 31 December 2018, based on Consob[1] communications and on the updated Shareholders' Register, as well as on other information available to the Company at that date[2].

(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

Shareholder	no. of shares	% of share capital
Augusto S.p.A.	16,425,242 *	51.280%
Vi-Ba S.r.l.	3,170,000	9.897%
Aurelia S.r.l. through Itinera S.p.A.	1,693,554	5.287%
Market	10,741,548	33.536%
Total Shares	**32,030,344**	**100.00%**

* of which 50,000 shares held through Restart SIIQ S.p.A.

Given the relevant shareholder structure, calculated on the basis of 32,030,344 ordinary shares outstanding at 31 December 2018, the shareholder base is composed as shown in the chart.
Mention should be made that at 31 December 2018, 86,953,470 Warrants were still outstanding, entitling their holders to subscribe at a price of € 6.35 (including share premium), no. 1 new Aedes ordinary share resulting from the Warrant Increase for each group of no. 30 Warrants held.



51%
Augusto S.p.A.

34%
Market

10%
Vi-Ba S.r.l.

5%
Aurelia S.r.l. through Itinera S.p.A.

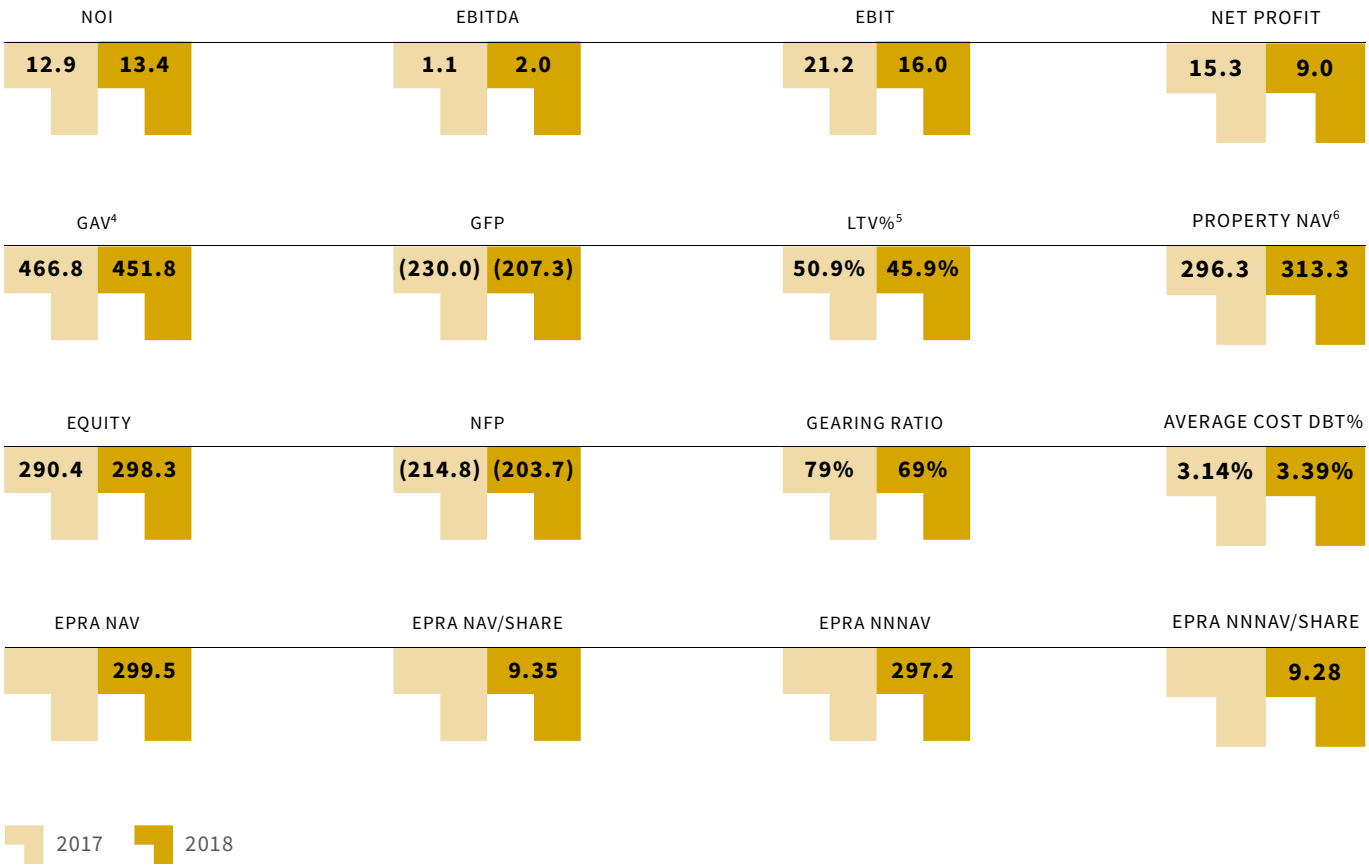
Treasury shares

At 31 December 2018, Aedes did not hold any treasury shares.

02 Directors' Report on Operations

2.1 Performance measures

Financial Highlights [3]



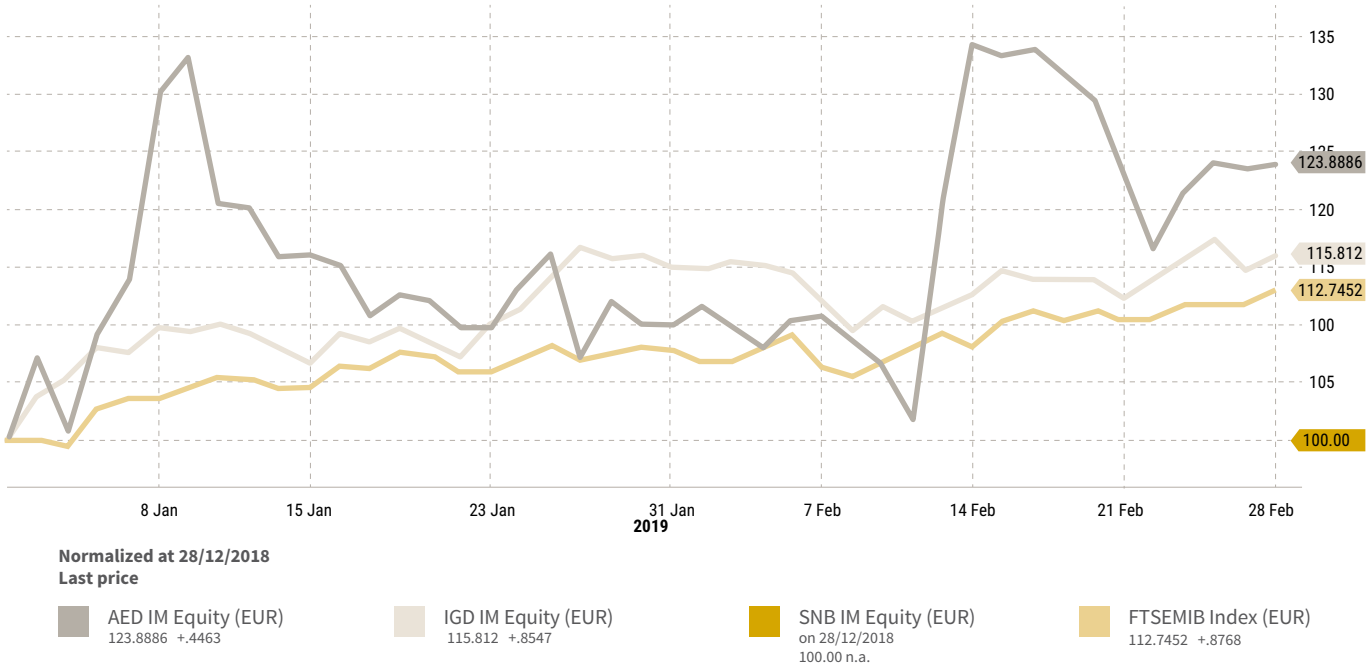
(3) Figures in Euro millions.
(4) Consolidated figures. The 2017 statement of financial position figures refer to pro-forma figures. The 2017 and 2018 income statement figures refer to pro-forma figures.
(5) GFP / GAV. Taking account of the debt allocated on properties alone, the LTV ratio stands at 30.7%.
(6) Consolidated figures.
(7) Source Bloomberg

Market performance[7]

Aedes share on the Stock Exchange

Following the effectiveness of the partial and proportional demerger, which took place on 28 December 2018, the Company changed its name to Aedes SIIQ S.p.A. (MTA: AED); on the same date, trading began on the Company's ordinary shares and warrants (ISIN codes IT0005350449 and IT0005353195 respectively) on the Electronic Stock Market ("MTA") organized and managed by Borsa Italiana.

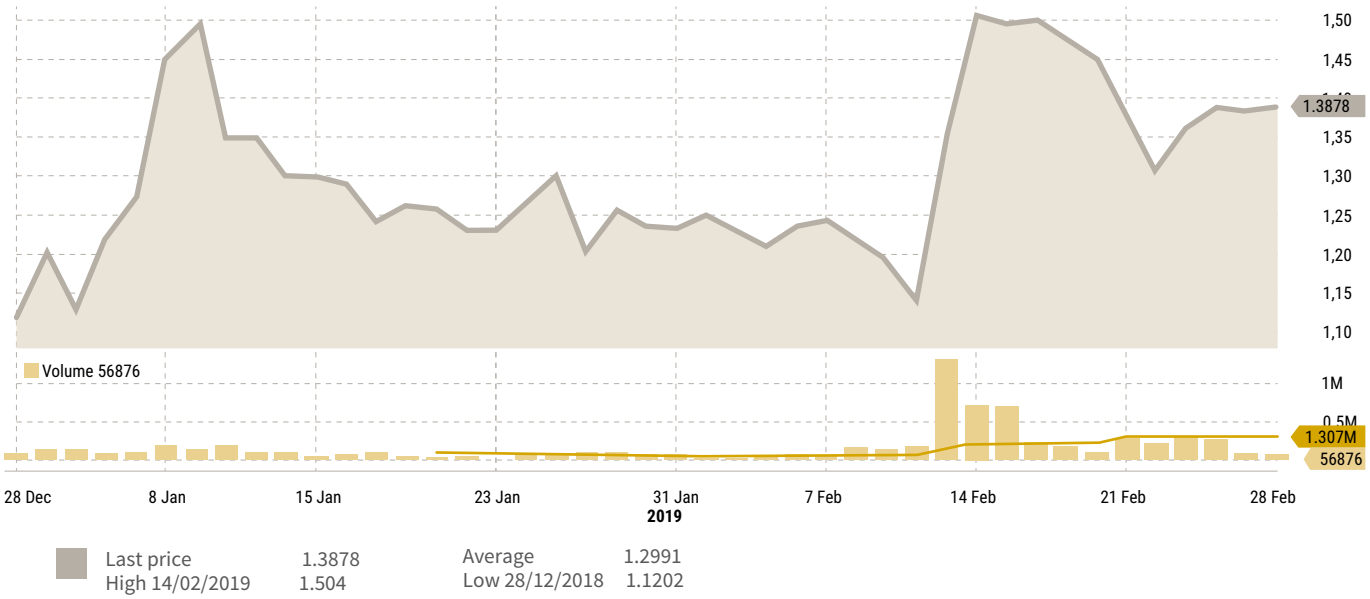
The chart below shows the trend of the Aedes share versus its main competitors and the market index from the date of listing until 28 February 2019.



Key statistics and price trend of the Aedes share:

Price at 28 December 2018:	€ 1.1202
Price at 28 February 2019:	€ 1.3878
Change for the period:	24%
High:	€ 1.5004 (14 February 2019)
Low:	€ 1.1202 (28 December 2018)
Average Price:	€ 1.1291

Market capitalization at 28 February 2019: € 44.45 million

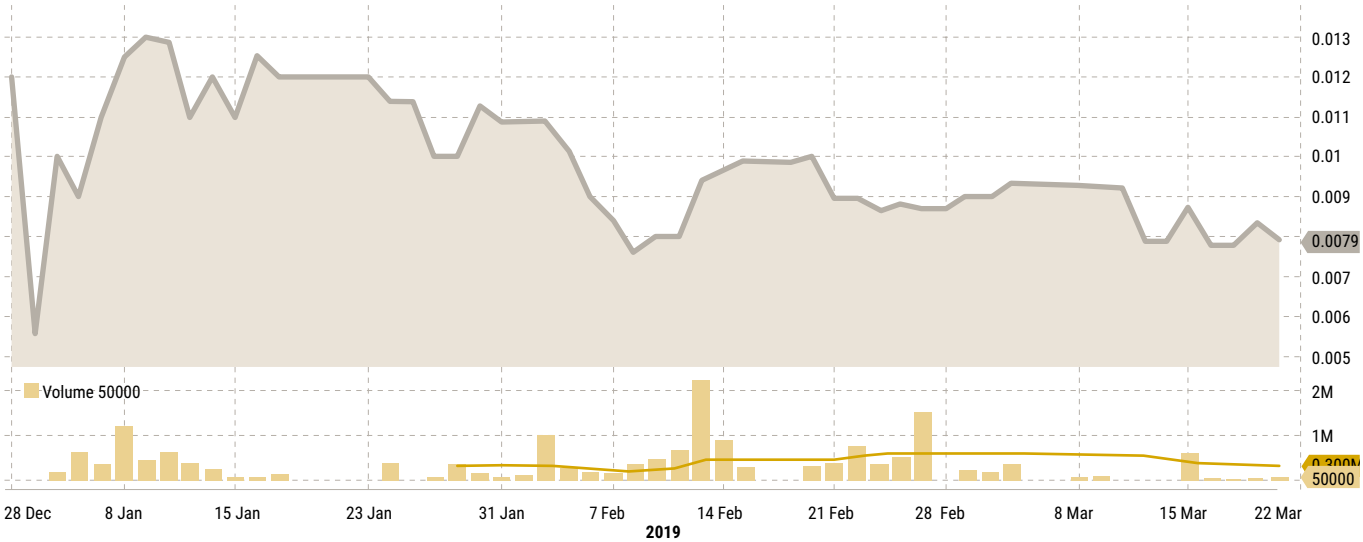


Warrant performance

With the effectiveness of the Demerger, no. 1 Warrant for every no. 1 Warrant of the Demerged Company held was assigned free of charge to the holders of the Warrants of the Demerged Company.

As a result of the Demerger, Aedes also resolved to increase its share capital to service the exercise of the Warrants, in divisible form against payment, by a maximum amount (including share premium) of € 18,405,151.15, through issue of a maximum of 2,898,449 new ordinary shares, with no par value and with regular dividend entitlement, at the price (including share premium) of € 6.35 each, in the ratio of no. 1 new ordinary share for each group of no. 30 Warrants held (the "Warrant Increase").

Trading of the Aedes Warrant started on 28 December 2018, with an initial price of € 0.012. The chart below shows the Aedes Warrant in the first 2 months of 2019.



Last price	0.0079	Average	0.0099
High 09/01/2019	0.013	Low 02/01/2019	0.0055

2.2 Net Asset Value

At end 2018, the EPRA NNNAV of the Aedes Group amounted to € 297.2 million, including the pro-rata share of equity held through joint ventures, real-estate funds and associates measured at equity, taking account of the market value of the properties owned by them.

The table below shows the NAV and NNNAV of the Aedes Group:

(Euro/000)	**31/12/2018**
Outstanding shares	*32,030,344*
EPRA Net Asset Value	
Equity	298,316
NAV	
Includes:	
Revaluation of investment property	0
Revaluation of inventory	227
Excludes:	
Fair value of derivative financial instruments	968
EPRA NAV	**299,511**
EPRA NAV per share	***9.35***
Fair value of derivative financial instruments	(968)
Fair value of financial debt	(1,309)
EPRA NNNAV	**297,234**
EPRA NNNAV per share	***9.28***

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

With a NNNAV per share of € 9.28 and a NAV per share of € 9.35, the price of the Aedes share has offered a considerable discount so far.

In relation also to Consob Recommendation no. DIE/0061944 of 18 July 2013, for the preparation of the Consolidated Financial Statements at 31 December 2018, the Group appointed CB Richard Ellis as the primary independent expert in order to carry out appraisals of the property portfolio to assist the Directors in their assessments. CB Richard Ellis was also appointed as independent expert for the Group's property portfolio held through the Petrarca Fund, on behalf of the Fund's Management Company. 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.

Attached are the property portfolio Evaluation Reports reviewed by CB Richard Ellis.

VALUATION REPORT

In respect of:
AEDES SIIQ

56 mixed-use properties located in Italy

Date of Valuation: 31 December 2018

(This copy of the Report has been translated for information purposes only. In case of doubt or discrepancies the Italian version shall be read and it shall prevail)

On behalf of:
Aedes SIIQ S.p.A | CBRE Project Reference 18-64VAL-0334

Legal Notice and Disclaimer

This valuation report (the "Report") has been prepared by CBRE Valuation S.p.A. ("CBRE") exclusively for AEDES SIIQ (the "Client") in accordance with the terms of engagement 76bis/16 entered between CBRE and the client dated 7 April 2016 ("the Instruction"). The Report is confidential to the Client and any other Addressees named herein and the Client and the Addressees may not disclose the Report unless expressly permitted to do so under the Instruction.*

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

(ii) €10 million (10,000,000.00 Euro).

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None of the information in this Report constitutes advice as to the merits of entering into any form of transaction.

If you do not understand this legal notice then it is recommended that you seek independent legal advice.

****on 12 December 2018, Aedes SIIQ S.p.A., with headquarter in Milan, Via Tortona 37, tax code and registration number in the Commercial Register of Milan, Monza – Brianza and Lodi 00824960157, VAT number 13283620154, REA no. MI-112395 (the "Divided Company" "Restart"), and Sedea SIIQ S.p.A., with headquarter in Milano, Via Tortona no. 37, tax code, registration number in the Commercial Register of Milan, Monza – Brianza and Lodi and VAT number 09721360965, REA no. MI-2109526 (the "Beneficiary Company") have signed the partial proportional deed of division of Aedes SIIQ S.p.A. in favour of Sedea SIIQ S.p.A. with notary deed Notaio Stefano Rampolla of Milan, Rep. no. 61539, Racc. no. 16400 (the "Division") – please refer to the attached communication.***

CBRE

CONTENTS

PART I

VALUATION REPORT

CBRE

CBRE

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VALUATION REPORT

Report Date	27 February 2019
Addressee (or Client)	**Aedes** SIIQ S.p.A Via Tortona, 37 20144 Milano (MI) For the attention of: **Dott. Alessandro Vitucci** **Arch. Cristiano Ciappolino**
The Properties	Various - refer to schedule
Property Description	n. 56 mixed use properties located in Italy. For further details please refer to the summary table attached below.
Ownership Purpose	Investment
Instruction	To update the value asset by asset the unencumbered freehold interest in the subject properties (the Property) on the basis of Market Value, as at Valuation Date, in accordance with our engagement letter n. 76bis/16 dated 7 April 2016 and your confirmation dated 27 April 2016 - please refer to the attached communication.
Valuation Date	31 December 2018
Capacity of Valuer	Independent Valuer, as defined in our instructions.
Purpose	Financial
Market Value	Market Value as at 31 December 2018: €389,897,000.00 (THREE HUNDRED EIGHTY NINE MILLION EIGHT HUNDRED NINETY SEVEN THOUSAND/00 EUROS) exclusive of V.A.T.
Service Agreement	Our opinion of value is based upon the Scope of Work and Valuation Assumptions attached.
Special Assumptions	None
Compliance with Valuation Standards	The Valuation has been prepared in accordance with the RICS Valuation – Global Standards 2017 which incorporate the International Valuation Standards [“the Red Book”].

We confirm that we have sufficient current local and national knowledge of the particular property market involved, and have the skills and understanding to undertake the Valuation competently.

Where the knowledge and skill requirements of the Red Book have been met in aggregate by more than one valuer within CBRE, we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of the Red Book.

This Valuation is a professional opinion and is expressly not intended to serve as a warranty, assurance or guarantee of any particular value of the subject property. Other valuers may reach different conclusions as to the value of the subject property. This Valuation is for the sole purpose of providing the intended user with the Valuer's independent professional opinion of the value of the subject property as at the Valuation date.

Assumptions

The Property details on which each Valuation are based are as set out in this report. We have made various assumptions as to tenure, letting, taxation, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below.

If any of the information or assumptions on which the Valuation is based are subsequently found to be incorrect, the Valuation figures may also be incorrect and should be reconsidered.

Variation from Standard Assumptions

None.

Valuer

The Properties have been valued by a valuer who is qualified for the purpose of the Valuation in accordance with the Red Book.

Conflicts of Interest

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

Reliance

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

Publication

Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval.

Such publication of, or reference to this report will not be permitted unless it contains a sufficient contemporaneous reference to any departure from the Red Book or the incorporation of the special assumptions referred to herein.

Yours faithfully

Davide Cattarin
Amministratore Delegato

For and on behalf of
CBRE Valuation S.p.A.

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Davide.cattarin@cbre.com

Yours faithfully

Manuel Messaggi
Executive Director
For and on behalf of
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SOURCES OF INFORMATION AND SCOPE OF WORKS

Sources of Information

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

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

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

AEDES SIIQ provided us with all costs for the development areas to be paid by the Property owner, then CBRE checked these costs and considered them adequate. Asset n° 10 is an exception (CBRE assumptions)

The Property

Our report contains a brief summary of the Property details on which our Valuation has been based.

Inspection

In this semester, we inspected assets n°33-39(external inspection) -48-50-51-54-55-56; referring to other assets we have carried out our work based on desk top Valuation

Areas

We have not measured the Properties but have relied upon the floor areas provided to us by Client as set out in this report, which we have assumed to be correct and comprehensive

Environmental Matters

We have not undertaken, nor are we aware of the content of, any environmental audit or other environmental investigation or soil survey which may have been carried out on the Properties and which may draw attention to any contamination or the possibility of any such contamination.

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

Services and Amenities

We understand that all main services including water, drainage, electricity and telephone are available to the Properties. None of the services have been tested by us.

Repair and Condition

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

Town Planning

We have made planning enquiries by the Public Administration and consulted the institutional website. We cannot, therefore, accept responsibility for incorrect information or for material omissions in the information supplied to us

For the portion Serravalle Scrivia/Novi Ligure we have not undertaken planning enquiries. We have taken into consideration what has been provided to us by the Client. We cannot, therefore, accept responsibility for incorrect information or for material omissions in the information supplied to us.

Titles, Tenures and Lettings

Details of title/tenure under which the Properties are held and of lettings to which it is subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents. We should emphasise, however, that the interpretation of the documents of title [including relevant deeds, leases and planning consents] is the responsibility of your legal adviser.

We have not conducted credit enquiries on the financial status of any tenants. We have, however, reflected our general understanding of purchasers' likely perceptions of the financial status of tenants.

VALUATION ASSUMPTIONS

Capital Values

The Valuation has been prepared on the basis of "Market Value", which is defined in the Red Book as:

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

The Valuation represents the figure that would appear in a hypothetical contract of sale at the Valuation date. No adjustment has been made to this figure for any expenses of acquisition or realisation - nor for taxation which might arise in the event of a disposal.

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

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

Rental Values

Unless stated otherwise rental values indicated in our report are those which have been adopted by us as appropriate in assessing the capital value and are not necessarily appropriate for other purposes, nor do they necessarily accord with the definition of Market Rent in the Red Book, which is as follows:

"*The estimated amount for which an interest in real property should be leased on the Valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.*".

The Property

Where appropriate we have regarded the shop fronts of retail and showroom accommodation as forming an integral part of the building.

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

Process plant and machinery, tenants' fixtures and specialist trade fittings have been excluded from our Valuations.

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

Environmental Matters

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

[a] the Properties are not contaminated and are not adversely affected by any existing or proposed environmental law;

[b] any processes which are carried out on the Properties which are regulated by environmental legislation are properly licensed by the appropriate authorities;

[c] the Properties possess current the energy performance certificates [APE - Attestato di Prestazione Energetica or equivalent] as required under government directives;

[d] the Properties are either not subject to flooding risk or, if they are, that sufficient flood defences are in place and that appropriate building insurance could be obtained at a cost that would not materially affect the capital value.

[e] the Properties are not subject to any seismic risk or if it is, possesses building characteristics in line with the relevant legislation. In addition, an appropriate insurance policy could be obtained without such affecting the Value Assumptions considered within this report.

Repair and Condition

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

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

[b] the Properties are free from rot, infestation, structural or latent defect;

[c] no currently known deleterious or hazardous materials or suspect techniques have been used in the construction of, or subsequent alterations or additions to, the Properties; and

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

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

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

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

[a] the Properties possesses a good and marketable title free from any onerous or hampering restrictions or conditions;

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

[c] the Properties are not adversely affected by town planning or road proposals;

[d] the buildings comply with all statutory and local authority requirements including building, fire and health and safety regulations;

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

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

[g] tenants will meet their obligations under their leases;

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

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

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

[k] in Italy, it is common and often advantageous from a fiscal standpoint for transfers of real estate to take place via transfers of the capital of real estate companies [so-called share deal as opposed to asset deal]: the taxation level applied cannot be standardized, but must be evaluated on a case-by-case basis. In order to define the Total Purchase Price, the purchaser's costs or acquisition fees [i.e. technical and legal fees, stamp duty, agent fees, etc.], as at the Valuation Date should be added. All rents and capital values, costs and other figures stated in this report are exclusive of V.A.T.

PART II

PROPERTY REPORT

CBRE

CONTENTS

CBRE

AEDES SIIQ S.P.A | CBRE PROJECT REFERENCE 18-64VAL-0334
56 MIXED-USE PROPERTIES LOCATED IN ITALY
DATE OF VALUATION: 31 DECEMBER 2018

PORTFOLIO OVERVIEW

ASSET CODE	TOWN	ADDRES
02-Pragaundici SIINQ S.p.A.	Serravalle Scrivia	Serravalle Outlet Village - Fase 7
03_1-Novipraga SIINQ S.p.A.	Serravalle Scrivia / Novi L.	Serravalle Retail Park - Fase A+B+C1
03_2-Novipraga SIINQ S.p.A.	Serravalle Scrivia / Novi L.	Serravalle Retail Park - Fase C2
04-Pragaquattro SIINQ S.p.A.	Serravalle Scrivia	La Bollina - Market Place
05-Pragaquattro SIINQ S.p.A.	Serravalle Scrivia	La Bollina - Sport & Recreational
06-Pragaquattro SIINQ S.p.A.	Serravalle Scrivia	La Bollina - CMS-Sviluppo residenziale
07-Pragaquattro SIINQ S.p.A.	Serravalle Scrivia	La Bollina - CAS1-Sviluppo residenziale Luxury
08-Aedes SIIQ S.p.A.	Santa Vittoria d'Alba	Roero Center - Fase C
09-Pragaquattro SIINQ S.p.A.	Santa Vittoria d'Alba	Roero Center - Fase D
10-Pragaquattro SIINQ S.p.A.	Castellazzo Bormida	Castellazzo Design Center
11-Satac SIINQ S.p.A.	Caselle	Caselle Designer Village - sviluppo
11-Satac SIINQ S.p.A.	Caselle	Caselle Designer Village - edificabilità
11-Satac SIINQ S.p.A.	Caselle	Caselle Designer Village - locazioni temporanee
12_1-AEDES SIIQ S.p.A.	Serravalle Scrivia	Praga Business Park
12_2-AEDES SIIQ S.p.A.	Serravalle Scrivia	Praga Business Park - Capacità edificatoria
13-Aedes SIIQ S.p.A.	Santa Vittoria d'Alba	Roero Center - Fase B
14-Pragaquattro SIINQ S.p.A.	Serravalle Scrivia	Serravalle Golf Hotel
15-Pragaquattro SIINQ S.p.A.	Serravalle Scrivia	Hotel Villa Bollina
16-Pragaquattro SIINQ S.p.A.	Serravalle Scrivia	Cascina Nuova
17-Pragaquattro SIINQ S.p.A.	Serravalle Scrivia	Cascina Vittoria
18_2-Satac SIINQ S.p.A.	Serravalle Scrivia	SS 35-Piazza XXVI Aprile- Res P.ta Genova
21-Pragaquattro SIINQ S.p.A.	Serravalle Scrivia	CAS1 - Comparto agricolo (Vigneti)
22-Pragaquattro SIINQ S.p.A.	Castellazzo Bormida-Borgoratto Alessandrino	Lotto Agricolo - Castellazzo-Borgoratto Alessandrino
23_1-AEDES SIIQ S.p.A.	Serravalle Scrivia	Capacità edificatoria urbanistica - produttivo
23_2-AEDES SIIQ S.p.A.	Serravalle Scrivia	Lotto 9C - commerciale
24_1-Novipraga SIINQ S.p.A.	Novi Ligure	Capacità edificatoria urbanistica - commerciale
24_2-Novipraga SIINQ S.p.A.	Novi Ligure	Capacità edificatoria urbanistica - produttivo
24_3-Novipraga SIINQ S.p.A.	Novi Ligure	Capacità edificatoria urbanistica - residenziale
25_1-Aedes SIIQ S.p.A.	Santa Vittoria d'Alba	Capacità edificatoria urbanistica - commerciale
25_2-Pragaquattro SIINQ S.p.A.	Santa Vittoria d'Alba	Capacità edificatoria urbanistica - produttivo
28-Aedes SIIQ S.p.A.	Milano	Via San Vigilio 1
32-Aedes SIIQ S.p.A.	Catania	Via Etnea 116 - 124
33-Aedes SIIQ S.p.A.	Roma	Via Veneziani, 56
34-Aedes SIIQ S.p.A.	Brescia A	Via Rieti, 6 - Sub.9 MAXISPORT
35-Aedes SIIQ S.p.A.	Brescia B	Via Rieti, 6 - Sub.8 - Happy Casa
36-Aedes SIIQ S.p.A.	Bra	Borgo San Martino (Strada Statale 231)
37-Aedes SIIQ S.p.A.	Acqui Terme	Via Cassarogna 46
39-Aedes SIIQ S.p.A.	S. Giovanni Teatino	Via Vittorio Emanuele 57
40-Aedes SIIQ S.p.A.	Rosà	Via Capitan Alessio, 132
41_1-Aedes SIIQ S.p.A.	Caleppio di Settala	S.S. Paullese Km 10 - SAPORI ARITIGIANALI
41_2-Aedes SIIQ S.p.A.	Caleppio di Settala	S.S. Paullese km 10 - ex EURONICS

AEDES SIIQ S.P.A | CBRE PROJECT REFERENCE 18-64VAL-0334
56 MIXED-USE PROPERTIES LOCATED IN ITALY
DATE OF VALUATION: 31 DECEMBER 2018

42-Aedes SIIQ S.p.A.	La Spezia	Via Carducci
43-Aedes SIIQ S.p.A.	Genola A	Via Frasinetto 24 - Unieuro
44-Aedes SIIQ S.p.A.	Genola B	Via Frasinetto 24 - Facit
45-Aedes SIIQ S.p.A.	Saluzzo	Via Torino 73
46-Aedes SIIQ S.p.A.	Castagnito A	S.P. Neive 16 - Unieuro
47-Aedes SIIQ S.p.A.	Castagnito B	S.P. Neive 69
48-Aedes SIIQ S.p.A.	Roma	Via Salaria, 1272
49-Aedes SIIQ S.p.A.	Feroleto Antico - Lamezia Terme	Località Carrube, Blocco B6
50-Aedes SIIQ S.p.A.	Tavagnacco	Via Nazionale, 116
51-Aedes SIIQ S.p.A.	Trezzano S.N.	Via C. Colombo, 18/20
52_1 - Aedes SIIQ S.p.A.	Milano	Viale Giulio Richard 3-5 Torre C
52_2 - Aedes SIIQ S.p.A.	Milano	Viale Giulio Richard 3-5 Torre E
54-Aedes SIIQ S.p.A	Milano	Via Ancona, 4
55-Aedes SIIQ S.p.A	Senago	Via Risorgimento, 51
56-Aedes SIIQ S.p.A	Gallarate	Via Don Reina ang. Via Gorizia

VALUATION

INTRODUCTION

We summarise below our approach to undertaking the valuations. The valuations have been prepared on the basis of 'Market Value' which is defined as:

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

VALUATION CRITERIA

Our valuation is based on internationally accepted valuation methods.

In particular, considering the specific features of the subject Property(ies), we have used the following valuation criteria:

Comparable or Market Method

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

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

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

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

Discounted Cash Flow Method

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

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

The elements considered in the DCF are:

- gross annual income deriving from the lease contracts;
- indexation of the current rents;
- time schedule relative to spaces occupation according to the lease contracts (use plan);
- management costs of the rented buildings (Property tax - I.M.U., TA.S.I. -, administration, insurance, reserve for extraordinary maintenance, recording fee);
- potential investments necessary for the use optimization;

- time schedule for the optimization and re-lease;
- Capital Gain assumption;
- market rents;
- discounted and capitalization rates for each asset.

Residual (or Transformation) method

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

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

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

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

VALUATION METHODOLOGIES

Floor areas

We have not measured the property but, as instructed, we have relied upon floor areas provided to us by the Client, which we assume to be correct and comprehensive and which we understand have been calculated using the Italian market practices measurement methodology as set out below.

In Italy the market practice uses the Gross Leasable Area (GLA).

The Gross Leasable Area (GLA) is defined as the total, typically un-weighted, amount of floor space, with the exception of parking areas, capable of producing income within a commercial property. It does not include portions that do not produce income for the property owner. Therefore, areas such as the following are typically, but not always, excluded: vertical connections (stairwells, lifts and landings), technical spaces, shafts, common spaces (lobby, meeting rooms), etc. Should a building be let to a single tenant having exclusive use of the common areas or should the common areas of a multi-tenant property be particularly prestigious, for example, these areas may be included within the calculation of GLA.

It is to note that parking areas, excluded from GLA, are included within the potential rent build-up of a property on a unitary basis (total number of covered and uncovered units).

The floor area breakdown of the Properties is included in each valuation short report.

Tenancies

We have assumed the information provided by Client

State of Repair

CBRE have not undertaken a structural survey, nor tested the services. We have not been supplied with a survey report prepared by any other firm. We have undertaken only a limited inspection for valuation purposes.

In forming our opinion of value, in case of poor state of repair of the properties, we have considered appropriate costs (capex) in line with the current real estate market practices.

Law Verification

We have carried out the subject valuation assuming that all Properties (built or under construction) are perfectly in line with the in-force regulation relative to their use as at the date of valuation. No urban and administrative verification has been carried out.

Information

We have relied on information provided to us by the Client. We have therefore considered that all of the information provided to us is correct and complete in every aspect.

Portfolio Valuation, Discontinuation of Business, Deferred Payments

The property has been valued independently and not as a part of a greater real estate portfolio.

In Italy, it is not uncommon that buildings are transferred at the discontinuation of the capital of a real estate company, due to its possible fiscal advantages. Our valuations do not take into account such possibility, where it might exist.

It is common practice to use deferred payments over time, with obvious effects on the actual sale price. Our valuation assumes the full payment in cash, or equivalent, at the date of valuation.

Therefore, even in cases in which we assumed the disposal after split-up, we have not considered the financial impact resulting from the payments of the single units.

Mortgage, Liabilities

We have not taken into consideration the possible existence of mortgages and or other liabilities of any nature that may be connected to the subject properties, unless explicitly indicated.

VALUATION COMMENTARY

As agreed with the Client, in order to determine the value, CBRE has inspected some assets of the Property in order to understand, in addition to the information provided (floor area, uses), the current real estate situation as at the date of valuation (quality, conditions, characteristics, etc.).

We have inspected the following assets:

ID	CITY	ADDRESS	INSPECTION DATE	INSPECTION TYPE
33	Roma	Via Veneziani, 56	20/12/2018	internal
39	S.Giovanni Teatino	Via Vittorio Emanuele 57	28/11/2018	external
48	Roma	Via Salaria 1272	10/12/2018	internal
50	Tavagnacco	Via Nazionale 116	03/01/2019	internal
51	Trezzano SN	Via Colombo 18/20	12/01/2019	internal
54	Milano	Via Ancona 4	13/02/2019	internal
55	Senago	Via Risorgimento 51	12/02/2019	internal
56	Gallarate	Via Don Reina ang. Via Gorizia	12/02/2019	internal

For each asset, we have collected information on local market, in order to determine all data necessary to develop valuation considerations (rental values and current prices, demand and supply levels, operators' expectations).

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

Highest & Best Use

The highest and best use of an asset is the use of an asset that maximises its productivity and that is possible, legally permissible and financially feasible.

Monetary Indicators

The monetary indicators used within our valuation (price, costs, rental values) are a result of our analyses carried out on the subject markets directly on site, from our benchmark databases and from sector publications, with respect to the date of this present valuation.

It is to note that the above considerations are used to develop the forecasted cash flow, in accordance with valuation methodologies adopted, at **nominal** value or at **real** value.

Time schedule

In order to develop the valuation considerations, we have considered the revenues deriving from the existing lease contract as at the date of valuation in addition to refurbishment schedule, in necessary, lease and disposal of the property, assuming the intervention of operators aiming to the highest development of the properties.

Where relevant, we have also considered the state of the site / building site, in relationship with the time schedule assumed for completion of the urban process (where not completed yet).

Consequently, each intervention presents a different time schedule.

Costs

The following costs have been entirely or partially adopted, asset by asset, according to the relative building typology.

Site Arrangement Costs

Where relevant, we have considered as preliminary costs the costs necessary to arrange the development area such as, for instance, asbestos removal, demolition of the existing buildings, land reclamation, etc.

If not provided by the Client, these costs have been assumed by us on the basis of inspections carried out, according to our experience in similar context and in line with sector handbooks (as for instance building price lists printed by the local Chamber of Commerce).

In order to determine the preliminary remaining costs as at the date of valuation, we have considered the Project Status Report provided by the Client as at the date of valuation.

Hard Costs

Where relevant, the hard costs (direct costs) are the pure building costs: in case of lack of contract between the Client and a contracting company for the building works (even as general contractor), we have applied the unit building costs according to the building use. These costs have been assumed by us on the basis of our experience in similar context and in line with sector handbooks (as for instance building price lists printed by the local Chamber of Commerce). In order to determine the remaining hard costs as at the date of valuation, we have considered the Project Status Report provided by the Client as at the Date of Valuation.

Soft Costs

Where relevant, the soft costs (indirect costs) are all costs not included in the building activity, but related to the building site, such as for instance planning, works supervision, security, etc.

In order to determine the remaining soft costs as at the date of valuation, we have considered the Project Status Report provided by the Client as at the Date of Valuation, discounting the effective costs already sustained as at that date.

The total costs include the following elements:

- Urbanization fees ('Urbanizzazione Primaria', 'Urbanizzazione Secondaria' and 'Contributo Costo di Costruzione': provided by Client, estimated by CBRE for asset n° 10;
- Architectural & Engineering, Project & Construction Management: estimated by CBRE for asset n° 10;
- Property Tax: Imposta Municipale Unica Comunale (I.M.U.), Tassa sui Servizi Indivisibili (TA.S.I.), etc. estimated by CBRE;
- Marketing Costs: estimated by CBRE;
- All Risk Insurance: estimated by CBRE;
- Contingencies: provided by Client/ estimated by CBR – please refer to each valuation report;

Management Costs

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

- Management for Lease Period: estimated by CBRE as a percentage on rental income, (monotenant/ multitenant accordingly);
- Provisions: please refer to each valuation report, due to the various features of each assets the amount is different accordingly;
- Insurance: provided by Client;
- Property Tax: Imposta Municipale Unica Comunale (I.M.U.), Tassa sui Servizi Indivisibili (TA.S.I.), etc. provided by Client;
- Register Tax: equal to 0.50%, or 1% for the residence units, oh the rental income;
- Service Charges: provided by Client;
- Agency / Letting fees: estimated by CBRE on passing rent/ERV (please refer to each valuation report)

Capital Expenditure

Other than the Reserves for extraordinary maintenance, the "Capital Expenditure" or "CapEx" are exact costs necessary to optimize and/or redevelop the Property before re-lease/disposal.

The amounts shown in the report, as at the Date of Valuation, are subject to inflation in accordance with valuation methodologies adopted (nominal value or real value).

Gross Rental Income

Current Leases

The lease summaries necessary for the subject valuation, identified by Tenant, updated rent and lease expiration, have been provided by the Client.

Market Rents

Market rents, adopted at the end of the current leases or applied on vacant spaces, are determined according to our market analysis.

Sale Revenues

Market revenues

The market revenues refer to unsold units and are determined according to collected market data.

Expected Inflation (CPI)

We assume an annual trend inflation equal to 1,5% for the whole period considered.

The data relative to the inflation trend corresponds to the average 2015-2026 of the most recent forecast of consumer's price index trend developed by Oxford Economics, used as source of information[1].

Market Growth

We assumed a market growth of 1,5% (in line with the inflation trend) for the whole period considered.

Rates & Yields

In accordance with the valuation methodology adopted, the rates taken as basis of valuation are:

- Discount rate of the perceived rent;
- Discount rate of the re-lease;
- Capitalization rate of the net final income;
- Developer's profit on costs and equivalent yield.

Discount rate

The parameter used to discount the cash flows applied has been defined through the Weighted Average Cost of Capital (or WACC).

The Weighted Average Cost of Capital is the minimum return that a company expects to compensate all its different investors. The weights of the WACC are the fraction of each financing source in the company's target capital structure, that is they depend on an appropriate mix of debt and equity. The financial structure of the company affects strongly the calculation of the cost of capital[2].

For the **equity** we have considered the following factors:

- *Risk free*: interest rate of a risk free activity equal to the Rendistato Index (source: Banca d'Italia).
- *Lack of liquidity*: parameter which states the difficulty to convert, in a short-term period, the investment value in cash; it is connected to the transaction period and to the building features.
- *Urban risk*: specific element for the development operations. It reflects the difficulty and/or temporary uncertainty to obtain the necessary titles to carry on the subject operation.
- *Segment risk*: risk connected to the specific characteristics of the investment; the higher is the possibility that an expected result is not achieved, the higher is the risk of that investment.

[1] https://www.oxfordeconomics.com/my-oxford/country-economic-forecasts/europe/italy

[2] Source: Borsaitaliana

The **debt** has been defined on the basis of:

- *Interest Rate Swap (I.R.S.)*: is the reference rate, determined by the European Banking Federation, which represents the average interest rate on which the main European banks determine the swap to cover the interest risk; the I.R.S. is used as indexation parameter in the financial markets and to issue bank funding (source: CBRE EMEA Research on Macrobond data).
- *Estimated Spread*: additional difference which the banks sum to the above-mentioned index to determine the rate for granting loans. This parameter depends on the guarantees which the investors can provide and on the specific risk of the investment.

Net capitalization rate

The capitalization rate represents the "synthetic" factor, which allows the conversion from expected income into current value: this rate is deduced from the market as it represents the ratio between net rent and net value to be found, used as basis for the definition of price in real estate transactions.

More in details, the net capitalization rate used in the valuation process reflects the following parameters:

- *Stabilised rent*: rent receivable on the year of disposal of the subject asset.
- *Non-recoverable costs*: administration costs for active leases, insurance, property taxes and recording fee.
- *Provisions*: funds for extraordinary maintenance.

Developer's Profit on Costs and Equivalent yield

Specifically, for development opportunities, ordinary operators are potentially interested to buy them on the basis of returns reflecting the risk inherent in the project, in costs necessary to acquire and complete the development, in the potential revenues and relative time schedule.

The aforementioned analysis reflects an Equivalent Yield (or unlevered target I.R.R.), which represents the required return on investment expected by an ordinary operator for the development activity subject to valuation; such yield reflects the risk profile of the initiative (size, location, planning quality, competition, local market, etc.). In other words, the Equivalent Yield represents the discount rate applied to the net cash flows generated by the property or by a portfolio over a fixed holding period, in order to equate the net present value of the cash flows with total development costs.

Should the development be comprised within a 5-years' timeline, the main driver for the investment initiative is usually the Developer's Profit on Cost, which represents the ratio between the expected margin (revenues-costs) and the total development costs, including the acquisition costs for the Property.

Otherwise, should the development last more than 5 years, the main driver for the investment initiative is usually the unlevered Internal Rate of Return or Equivalent Yield (Unlevered I.R.R.).

Rates Fundamental Datum

In order to remove the values from the short-term fluctuations, when acquiring the fundamental data (Rendistato Index and I.R.S. rate) we have considered, instead of the exact data, the relative mobile average data referred to 12 months before the valuation date. The fundamental data as at the Valuation Date are:

- *Equity*: 50% of the invested capital
- *Equity – mobile average on 12 months gross Rendistato*: 1,66%
- *Debt*: 50%of the invested capital
- *Debt - mobile average on 12 months 15-year I.R.S.*: 1,31%

LEGAL CONSIDERATION

TAXES AND OTHER PURCHASER'S COSTS

The Market Value represents the figure that would appear in a hypothetical contract of sale, or equivalent legal document, at the valuation date (Red Book VPS4.1.2.2). Within our valuation, purchaser's costs (professional costs and taxes) have already been taken into account either explicitly or implicitly and therefore, no further deduction or adjustment is required.

In order to define the Total Purchase Price, the purchaser's costs or acquisition fees (i.e. technical and legal fees, stamp duty, agent fees, etc.), as at the Valuation Date should be added to the Market Value. Please note that in Italy, the taxation level applied for real estate transfers varies depending on the nature of the transaction and therefore cannot be standardized, but must be evaluated on a case-by-case basis.

VAT

All rents and capital values stated in this report are exclusive of VAT.

CBRE

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VALUATION REPORT

Report Date	30 January 2019
Addressee (or Client)	**Sator Immobiliare SGR SpA| CBRE PROJECT REFERENCE 18-64VAL-0394** Via Santa Maria alla Porta 1 20123 Milano (MI) For the attention of: **Tatiana Bianchi**
The Properties	Assets owned by the Real Estate Fund called "Petrarca" as detailed in the attached table.
Property Description	Properties mainly for office use situated in Milan and in hinterland as detailed in the attached table.
Ownership Purpose	Investment
Instruction	To value the unencumbered Freehold interest in the Properties on the basis of Market Value as at the valuation date in accordance with the terms of engagement entered into between CBRE and the addressee dated 12 November 2018.
Valuation Date	31 December 2018
Capacity of Valuer	Independent Valuer, as defined in our instructions.
Purpose	Financial reporting purpose.
Market Value	Market Value as at 31 December 2018: € 59,680,000.00 (EURO FIFTY NINE MILLION SIX HUNDRED EIGHTY THOUSAND /00) exclusive of V.A.T..
Service Agreement	Our opinion of value is based upon the Scope of Work and Valuation Assumptions attached. However, for the avoidance of doubt, we confirm that our Valuation has been prepared in accordance with the criteria indicated under Title V, Chapter IV, Part II, Paragraph 2.4.5, 2.4.6, and 2.5 of the measure provided by Bank of Italy dated 19 January 2015 ["Regolamento sulla gestione collettiva del risparmio"], in the Guidelines by Assogestioni and in the joined communication Bank of Italy – Consob dated 29 July 2010 relative to the valuation process of properties part of

Common Investment Funds, as well as according to the Decree DM 30/2015 dated 5 March 2015.

Special Assumptions

None

Compliance with Valuation Standards

The Valuation has been prepared in accordance with the RICS Valuation – Global Standards 2017 which incorporate the International Valuation Standards ["the Red Book"].

We confirm that we have sufficient current local and national knowledge of the particular property market involved, and have the skills and understanding to undertake the Valuation competently.

Where the knowledge and skill requirements of the Red Book have been met in aggregate by more than one valuer within CBRE, we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of the Red Book.

This Valuation is a professional opinion and is expressly not intended to serve as a warranty, assurance or guarantee of any particular value of the subject property. Other valuers may reach different conclusions as to the value of the subject property. This Valuation is for the sole purpose of providing the intended user with the Valuer's independent professional opinion of the value of the subject property as at the Valuation date.

Assumptions

The Property details on which each Valuation are based are as set out in this report. We have made various assumptions as to tenure, letting, taxation, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below.

If any of the information or assumptions on which the Valuation is based are subsequently found to be incorrect, the Valuation figures may also be incorrect and should be reconsidered.

Variation from Standard Assumptions

None.

Valuer

The Properties have been valued by a valuer who is qualified for the purpose of the Valuation in accordance with the Red Book. We confirm that the valuation has been written in accordance with the criteria indicated under Title V, Chapter IV, Part II, Paragraph 2.4.5, 2.4.6, and 2.5 of the measure provided by Bank of Italy dated 19 January 2015 ["Regolamento sulla gestione collettiva del risparmio"], in the Guidelines by Assogestioni and in the joined communication Bank of Italy – Consob dated 29 July 2010 relative to the valuation process of properties part of Common Investment Funds, as well as according to the Decree DM 30/2015 dated 5 March 2015.

Independence

The total fees, including the fee for this assignment, earned by CBRE Valuation S.p.A. [or other companies forming part of the same group of companies within the Italy] from the Addressee [or other companies forming part of the same group of companies] is less than 5.0% of the total Italy revenues.

Conflicts of Interest

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

Reliance

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

We would draw your attention to the fact that where our appointment is from an entity to which the European Parliament and Council Directive 2011/61/EU ['the Directive'], concerning Alternative Investment Fund Managers ['AIFM'], applies, our role is limited to providing Valuations of individual property assets or liabilities [based on the assumptions as set out within our Valuation report] – not the net asset value ['NAV'] of either the Fund or the individual properties within the Fund. Furthermore, and for the avoidance of doubt, we are acting in the capacity of a 'Valuation adviser' to the AIFM and not as an 'external valuer' as defined in the Directive. Details of any limitations to our liability in respect of the Valuations we carry out are as set out within this report and our terms of engagement. You have confirmed that the 'Valuation function' under the Directive is performed by the Alternative Investment Fund Manager of Fund Petrarca [the fund] itself – not CBRE.

Publication

Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval.

Yours faithfully

Laura Mauri MRICS
Executive Director
RICS Registered Valuer

For and on behalf of
CBRE Valuation S.p.A.

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laura.mauri@cbre.com

Yours faithfully

Manuel Messaggi
Executive Director

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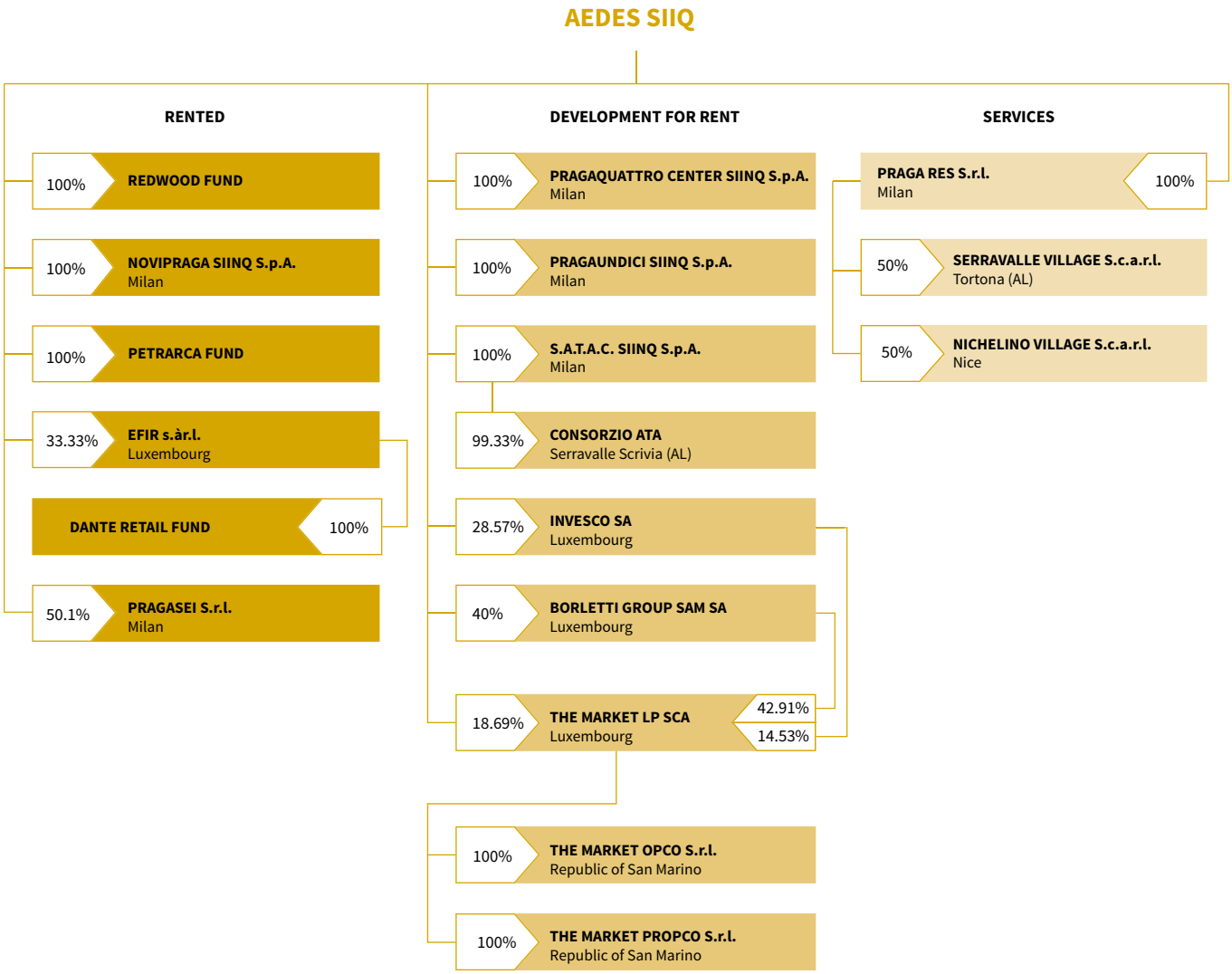
2.3 Group Structure

Aedes SIIQ S.p.A. ("Aedes", the "Company" or the "Parent Company"), following the decision to join the statutory and tax regime typical of listed property investment companies (so-called SIIQ Regime), switched to SIIQ status on 1 January 2018.

An annex to these financial statements provides further information on investments held directly and indirectly by the Parent Company.

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 the value of its property assets, generating benefits for all its stakeholders.

The simplified structure of the Group at 31 December 2018 was as follows:



2.4 Strategy and business model

The Aedes strategy aims to create and optimize in the medium to long term a revenue property portfolio, primarily for Retail use and secondarily for Office use, with a sustainable resort to debt such as to generate cash flows consistent with the SIIQ model.
Additionally, Aedes provides, also through Group companies, services (asset management, administration and finance) addressed exclusively to subsidiaries. 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 in the year

Results

Following the listing of Aedes SIIQ S.p.A. on 28 December 2018, the partial and proportional demerger of Restart SIIQ S.p.A. in favour of Aedes SIIQ S.p.A. came to completion, with the resulting formation of the new Aedes Group.
Below is a reclassification of the consolidated result of operations, which corresponds to the result of the individual financial statements:

Description (Euro/000)	31/12/2018
Gross rental revenue	106
Sundry revenue	676
Total revenue	**782**
Net losses from vacancies	(3)
Opex	(2)
Other non-rechargeable costs	(5)
Total direct external costs	**(10)**
Net Operating Income	**772**
Direct Personnel Expense	(10)
Total internal direct costs	**(10)**
HQ Personnel Expense	(36)
Consultancy	(1,053)
G&A	(111)
Total general expenses	**(1,200)**
EBITDA	**(438)**
Fair value adjustment of investment property	141
Amortization, depreciation, provisions and other non-property write-downs	(8)
EBIT (Operating profit)	**(305)**
Financial income/(expense)	(45)
EBT (Profit before tax)	**(350)**
Tax/tax charges	85
Profit/(loss) from continuing operations	**(265)**
Result - Non-controlling interests	0
Result - Group	**(265)**

For a clearer understanding of the Group's performance, the pro-forma income statement for 2018 is shown versus the prior year:

Description (Euro/000)	31/12/2018	31/12/2017	
	Aedes Proforma	Aedes Proforma	Change
Gross rental revenue	15,745	17,385	(1,640)
Margin from sale of properties	2,710	752	1,958
Margin from sale of investments	0	198	(198)
Other revenue	1,906	853	1,053
Total revenue	**20,361**	**19,188**	**1,173**
Net losses from vacancies	(1,367)	(606)	(761)
IMU, other tax and insurance on properties	(3,514)	(3,267)	(247)
Opex	(249)	(601)	352
Commissions and fees	(766)	(926)	160
Other non-rechargeable costs	(1,061)	(914)	(147)
Total direct external costs	**(6,957)**	**(6,314)**	**(643)**
Net Operating Income	**13,404**	**12,874**	**530**
Direct Personnel Expense	(2,790)	(2,392)	(398)
Internal direct capitalized costs on properties	1,483	1,556	(73)
Total direct costs	**(1,307)**	**(836)**	**(471)**
HQ Personnel Expense	(2,779)	(2,924)	145
Consultancy	(3,060)	(2,505)	(555)
G&A	(4,286)	(5,482)	1,196
Total general expenses	**(10,125)**	**(10,911)**	**786**
EBITDA	**1,972**	**1,127**	**845**
Fair value adjustment of investment property	12,196	20,874	(8,678)
(Write-down)/write-back of inventory	0	(1,530)	1,530
Amortization, depreciation, provisions and other non-property write-downs	(1,693)	105	(1,798)
Income/(expense) from associates	3,528	597	2,931
EBIT (Operating profit)	**16,003**	**21,173**	**(5,170)**
Financial income/(expense)	(7,501)	(5,274)	(2,227)
EBT (Profit before tax)	**8,502**	**15,899**	**(7,397)**
Tax/tax charges	508	(206)	714
Profit/(Loss) from continuing operations	**9,010**	**15,693**	**(6,683)**
Profit (Loss) from assets/liabilities sold and/or held for sale	0	(375)	375
Profit/(Loss)	**9,010**	**15,318**	**(6,308)**
Result - Non-controlling interests	0	(65)	65
Result - Group	**9,010**	**15,383**	**(6,373)**

All the margins of the Aedes Group's pro-forma income statement are positive and, up to the EBITDA level, appear to have improved versus 2017. The net result for 2018 shows a profit of € 9.0 million versus a profit of € 15.4 million in 2017.

The drop in EBIT versus the prior year is explained by lower fair value adjustments of investment property and higher depreciation calculated on the assets relating to the previous registered office of the Company, following the decision to transfer it.

The pro-forma consolidated income statement figures reclassified by item are analyzed below.

Total revenue

Total revenue amounted to € 20.4 million, up by 6% versus the prior year. The percentage of rental revenue dropped to 77% of total consolidated revenue versus 91% in the prior year.
Gross rental revenue amounted to € 15.7 million versus € 17.4 million at 31 December 2017. The € 1.7 million decrease is attributable to lower lease payments on a number of properties vacated in 2018 and undergoing redevelopment (€ 0.6 million), to lower rents on properties sold in 2018 (€ 1 million) and lower rents on the property in Via Veneziani (€ 0.4 million), only partly offset by higher revenue of € 1.9 million from the Serravalle Retail Park (acquired in May 2017).

The margin from the sale of properties, amounting to € 2.7 million, includes income from the sale of investment property of € 2.3 million (€ 0.8 million in 2017) and of property inventory of € 0.4 million (nil in 2017).

The margin from the sale of investments was nil in 2018, while in 2017 it had included € 0.2 million attributable to the disposal of the investment held in Roma Development S.r.l.

Other revenue includes:

- the margin from Construction Management services, which amounted to € -0.1 million (€ -0.4 million in 2017);
- the margin from Project Management services, which amounted to € -0.2 million (€ +0.1 million in 2017);
- sundry revenue of € 2.2 million versus € 1.2 million in 2017. The 2018 figure includes the contribution received for the transfer to the new registered office, amounting to € 0.7 million, € 0.2 million for services provided under "The Market", and the proceeds from the write-off of a financial payable (€ 0.7 million) and of trade payables (€ 0.4 million). In 2017, the item had included € 0.2 million in services provided for "The Market", in addition to € 0.3 million in income from the write-off of a payable to a trade partner.

Direct external costs

Direct costs amounted to € 7.0 million at 31 December 2018, increasing by € 0.7 million versus € 6.3 million at 31 December 2017, attributable to the growth in property assets.

The increase is attributable mainly to higher property tax as a result of the growth in property assets after first quarter 2017 (purchase of the Serravalle Retail Park in May 2017 and of two office towers in Viale Richard, Milan, in December 2017), as well as to losses from vacancies and non-rechargeable costs related to properties awaiting conclusion of refurbishment activities.

Net Operating Income

Net Operating Income, as a result of the items relating to total revenue and total direct external costs commented above, amounted to € 13.4 million versus € 12.9 million at 31 December 2017.

Direct costs

Direct personnel expense at 31 December 2018 increased versus 31 December 2017, as a result of the development of the organizational structure, following the expansion of the revenue portfolio and the pipeline for the development of revenue properties.
Internal direct capitalized costs at 31 December 2018 relate mainly to the capitalization of operating costs from the planning and construction of phase C of the Serravalle Retail Park, absent in the prior year.

General expenses

General expenses amounted to € 10.1 million, falling by € 0.8 million versus € 10.9 million at 31 December 2017.

The reduction in head office personnel expense and general costs is due mainly to lower variable compensation paid to the Chief Executive Officer and to employees (€ 0.6 million in 2018 versus € 1.6 million in 2017), as well as to net income of € 0.3 million generated by the release of the accounting effects of the normalization of the rental of the former registered office of the Company.

The increase in consultancy is attributable to the listing costs, amounting to € 0.9 million.

EBITDA

As a result of the items referring to revenue, direct costs and general expenses commented on above, EBITDA came to a positive figure of approximately € 2 million, up by approximately € 0.9 million versus 31 December 2017.

Fair value adjustments of investment property

In 2018, investment property recorded positive net adjustments of € 12.2 million versus positive adjustments of € 20.9 million in the prior year.

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 (€ 4.6 million), of the development area located in the Municipality of Caselle (€ 3.1 million), the office buildings located in Via Richard, Milan (€ 2.6 million), and a number of development areas previously classified under inventory (€ 1.6 million). In 2017, the item had included the revaluation of the fair value on acquisition of the Serravalle Retail Park for € 5.7 million and the revaluation of the development area located in the Municipality of Caselle, following conclusion of the town-planning agreement with the Municipality for € 8.3 million, as well as the revaluation of the office buildings located in Via Richard, Milan, and acquired in 2017 (€ 9.6 million).

(Write-down)/write-back of inventory

At 31 December 2018, the item amounted to zero (€ 1.5 million in write-downs in 2017).

Amortization and depreciation, provisions and other non-property write-downs

Amortization, depreciation, provisions and other non-property write-downs at 31 December 2018 amounted to € 1.7 million (basically nil in 2017). The item is broken down as follows:

- € 1.6 million in depreciation (€ 0.5 million in 2017), the increase due mainly to the restatement of the useful life of the furnishings and plant of the former registered office following the Company's decision to transfer it;
- write-downs of trade receivables basically nil (€ 0.2 million of write-downs released in 2017);
- € 0.1 million in provisions for risks and charges (€ 0.4 million in releases in 2017).

Income/(Expense) from associates and joint ventures

The item at 31 December 2018 showed a positive balance of € 3.5 million (a positive € 0.6 million at 31 December 2017), due mainly to the adjustment to higher market values of the assets held by the same investments, in line with the policies adopted by the Group.

EBIT

EBIT came to a positive € 16 million versus € 21.2 million in 2017; the difference is due essentially to the significant revaluations made on properties in 2017.

Financial Income/(Expense)

Financial expense net of financial income, including the effects of fair value adjustments of interest rate hedging derivatives, amounted to € 7.5 million in expense (€ 5.3 million in 2017) as a result of higher average financial debt.
The item is composed mainly of:

- financial income: € +0.5 million (€ +0.8 million in 2017);
- financial expense: € -8 million (€ -6.2 million in 2017); the increase is due to the increase in negotiable debt (bonds issued in April and December 2017) which is unsecured and thus pays higher interest;
- fair value adjustment of derivative instruments: basically nil (€ +0.1 million in 2017).

Income tax for the year

Tax for the year came to € +0.5 million (versus € -0.2 million in 2017) and consists of:

- current tax basically nil (versus € 0.3 million in 2017); and
- € 0.5 million the net positive effect from deferred and prepaid tax (€ 0.1 million the net positive effect in 2017).

Profit (loss) from assets and liabilities held for sale

The item amounted to zero at 31 December 2018 versus € -0.4 million at 31 December 2017. The figure in the prior year had included the results generated by Golf Club Castello Tolcinasco SSD S.r.l. and the income statement effects of its disposal, completed on 16 June 2017.

Financial position

The Group's financial position at 31 December 2018 and the corresponding pro-forma figure at 31 December 2017 are summarized below:

Description (Euro/000)	31/12/2018	31/12/2017 proforma	Change
Fixed capital	508,326	478,731	29,595
Net working capital	(5,393)	28,344	(33,737)
Invested capital	**502,933**	**507,075**	**(4,142)**
Equity attributable to the owners of the parent	298,316	290,360	7,956
Consolidated equity	**298,316**	**290,360**	**7,956**
Other non-current (assets) and liabilities	**861**	**1,927**	**(1,066)**
Non-current payables to banks and other lenders	134,909	167,169	(32,260)
Current payables to banks and other lenders	72,427	62,871	9,556
Cash and cash equivalents	(3,580)	(15,252)	11,672
Net financial debt	**203,756**	**214,788**	**(11,032)**
Sources of financing	**502,933**	**507,075**	**(4,142)**

Fixed capital

The item amounted to € 508.3 million (€ 478.7 million at 31 December 2017) and is composed mainly of:

- investment property and other tangible fixed assets of € 445 million (€ 432.9 million at 31 December 2017); the change versus the prior year in investment property is due mainly to the sale of a property in Via Agnello, Milan (€ 48.5 million book value), capitalization of costs (€ 21.4 million), acquisition of three retail properties (€ 4.9 million) and fair value adjustments (€ 12.2 million), in addition to the reclassification of development projects for € 22.2 million previously classified under inventory;
- capital investment in affiliates and joint ventures for € 63.3 million (€ 45.8 million at 31 December 2017); the change is due mainly to payments made on equity investments of "The Market" (€ 15.5 million).

Net working capital

Net working capital came to € -5.4 million (€ +28.3 million at 31 December 2017), and is composed of:

- inventory of € 8.6 million (€ 34.1 million at 31 December 2017); the change is attributable mainly to the sale of a property in Via Umbria, Milan (€ 3.7 million) and to the reclassification to investment property for € 22 million;
- trade and other receivables of € 9 million (€ 17.1 million at 31 December 2017); the change is attributable mainly to the collection in 2018 of the receivable deriving from the disposal of Lot 10B for € 4.4 million, as well as to the change in trade receivables for contracts with third parties;
- trade and other payables of € 23 million (€ 22.9 million at 31 December 2017); this item includes the balance of € 2.3 million due to Restart SIIQ S.p.A. following completion of the demerger.

Invested capital

Invested capital amounted to € 502.9 million, and is funded by equity of € 298.3 million (59%), by net financial debt of € 203.7 million (41%) and by other non-current net liabilities of € 0.9 million.

Consolidated equity

Consolidated equity, fully attributable to the Group, amounts to € 298.3 million, of which € 0.2 million from Aedes SIIQ S.p.A. equity prior to the demerger (excluding the result), € 298.5 million from completion of the demerger and subsequent transfer of the equity investments included in the scope of consolidation, € 0.3 million from loss for the year and € 0.1 million from actuarial losses.

Other non-current (assets) and liabilities

Other non-current assets and liabilities show a negative balance of € 0.9 million and are composed as follows:

- liabilities of € 1.3 million from the provision for severance indemnity (€ 1.0 million at 31 December 2017);
- net tax assets of € 2.8 million as the difference between deferred tax assets and deferred tax liabilities (€ 2.3 million at 31 December 2017);
- liabilities of € 0.7 million relating to provisions for risks (€ 2.7 million), mainly for contractual charges (€ 0.3 million), tax risks (€ 0.2 million), to provisions for the management of property assets (€ 0.1 million), provisions for future charges (€ 0.1 million); following FIH's request to pay the compensation amount as per the arbitration award, in December 2018 the Company, prior to the counterparty's consent and under ample right of restitution based on the Court of Cassation's ruling, made an initial partial payment of € 0.8 million to the benefit of FIH. The residual amount of € 1.3 million, to be shortly paid to FIH, net of credit positions, resulting from the rulings against FIH, claimed respectively by Restart and Satac, has been reclassified under other short-term payables.
- liabilities from non-current net payables of € 0.7 million (€ 0.3 million at 31 December 2017);
- net liabilities of € 1 million from the fair value measurement of derivative instruments (€ 0.2 million at 31 December 2017).

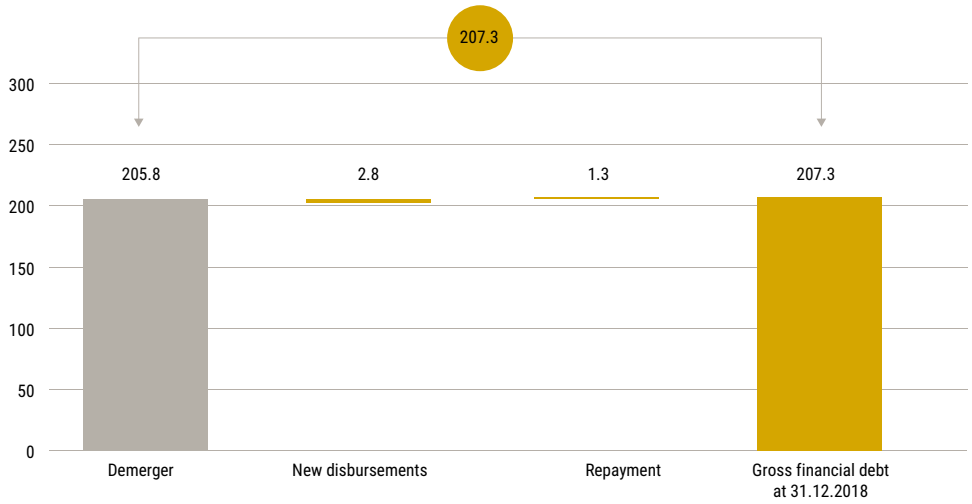
Consolidated net financial debt

The net financial debt of the Group at 31 December 2018 amounted to € 203.7 million.

The net financial debt in 2018 is the result of the difference between gross payables of € 207.3 million and bank deposits of € 3.6 million. The table below shows the net financial debt of the Group at end 2018 versus 2017 pro-forma:

	31/12/2018	31/12/2017 proforma	Change
Bonds maturing within 12 months	(175)	(145)	(30)
Payables to banks maturing within 12 months	(71,984)	(62,640)	(9,344)
Payables to other lenders maturing within 12 months	(268)	(86)	(182)
Bonds maturing beyond 12 months	(44,447)	(43,992)	(455)
Payables to banks maturing after 12 months	(79,230)	(113,324)	34,094
Payables to other lenders maturing after 12 months	(11,232)	(9,853)	(1,379)
Escrow deposits	606	7,038	(6,432)
Cash and cash equivalents	2,974	8,214	(5,240)
Net financial position-(Debt)/Cash on hand	**(203,756)**	**(214,788)**	**11,032**

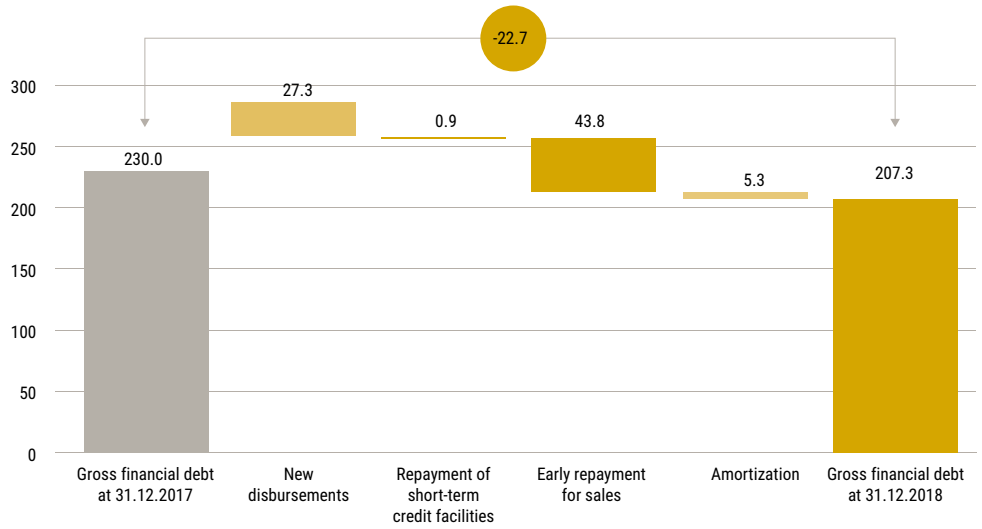
The increase in gross debt is due mainly to the effects of the demerger completed on 28 December 2018, which transferred € 205.8 million in debt to Aedes forming part of the SIIQ Business Complex, as explained in the chart below.



Amounts in € millions

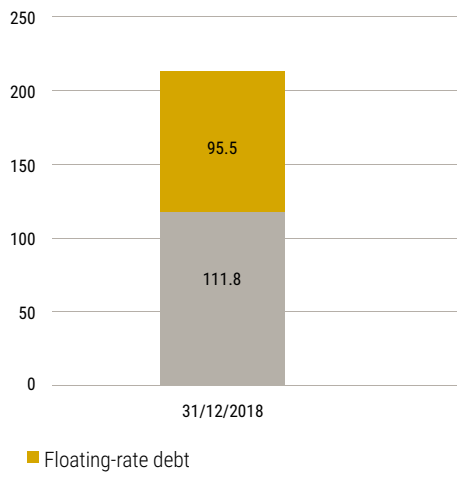
Specifically, the effects on the change in debt are attributable to increases from the new loans concluded on 28 December 2018 for approximately € 2.8 million, and to decreases from period repayments of approximately € 1.3 million.

The table below also shows the changes in gross debt starting with the pro-forma figures at 31 December 2017:



Amounts in € millions

At 31 December 2018, the floating-rate gross debt accounted for 46.8% of the Group's total financial exposure.
The portion of debt not exposed to interest rate risk is due to the subscription by Aedes in November 2015 of an Interest Rate Collar, with 0% strike rates for floor and 1% for cap, with a notional amount of € 50 million and bullet maturity in December 2020. The purpose of the hedging agreement is that of reducing the rate of risk on the overall debt of the Group.
Additionally, the Company issued a fixed-rate bond worth € 29.8 million at year end.



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

(Euro/000)	31/12/2018
Investment property: mortgages	*107.8*
Investment property: leases	*1.6*
GFP Investment property	**109.4**
Properties under development: mortgages	*19.3*
Properties under development: other loans	*8*
GFP Properties under Development	**27.3**
GFP Subtotal investments	**136.7**
Inventory: mortgages	1.7
GFP Subtotal inventory	**1.7**
GFP property portfolio	**138.4**
Other bank payables	**14.4**
Other payables	**54.5**
Gross financial position	**207.3**

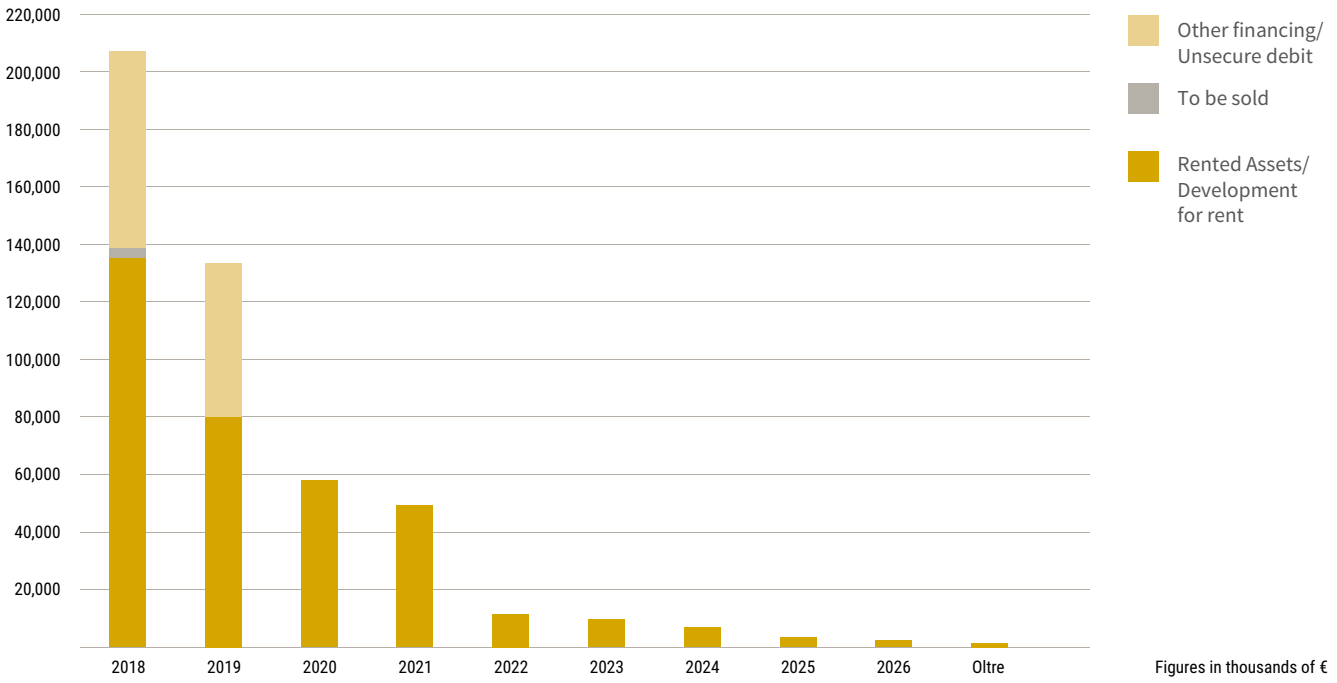
At 31 December 2018, the gross debt has an average duration of 1.98 years.

Short-term financial debt at 31 December 2018 amounted to € 72.4 million.
Out of the € 72.4 million in short-term maturities, approximately (i) € 1.9 million refers to the bullet tranche of a loan maturing on 27 February 2019 held by Pragaundici; (ii) € 11.7 million refers to the bullet tranche of a loan maturing on 30 June 2019 held by Aedes; (iii) € 8.0 million refers to the bullet tranche of a loan maturing on 15 December 2019 held by Satac; and (iv) € 39.1 million refers to the balloon tranche of a loan maturing on 31 December 2019 held by the Petrarca fund.

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

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

AVERAGE DURATION OF DEBT



2.6 EPRA performance measures

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

The income statement figures for 2018 have been calculated on the basis of the pro-forma results set out in paragraph 2.5 of this Directors' Report on Operations.

	EPRA – PERFORMANCE MEASURE	Definition	2018	Key rate
1.	EPRA EARNINGS (Euro/000)	Net adjusted income from operations	(7,551)	this paragraph
2.	EPRA NAV (Euro/000)	Net Asset Value, which includes investment property at fair value and excludes fair value of financial instruments	299,511	this paragraph
3.	EPRA NNNAV (Euro/000)	Adjusted EPRA NAV to include fair value of financial instruments and financial payables	297,234	this paragraph
4.	(I) EPRA NET INITIAL YIELD (%)	Ratio between annualized lease rents, net of non-recurring expense, and gross market value of investment property	2.9%	this paragraph
	(II) EPRA 'TOPPED-UP' NIY (%)	Ratio between stabilized lease rents, net of non-recurring expense, and gross market value of investment property	4.6%	this paragraph
5.	EPRA VACANCY RATE (%)	Ratio between market value (ERV) of vacant space and market value of the entire portfolio	40.21%	this paragraph
6.	EPRA COST RATIO (including costs for vacant properties) (%)	Ratio between operating costs of the company and lease rents	84%	this paragraph
	EPRA COST RATIO (excluding costs for vacant properties) (%)		65%	this paragraph

(Euro/000)	31/12/2018
Earnings per IFRS income statement	**9,009**
*Adjustments to calculate EPRA Earnings, **exclude**:*	
Changes in value of investment properties, development properties held for investment and other interests	12,196
Profits or losses on disposal of investment properties, development properties held for investment and other interests	2,250
Profits or losses on sales of trading properties including impairment charges in respect of trading properties.	460
Changes in fair value of financial instruments and associated close-out costs	730
Adjustments to above in respect of joint ventures (unless already included under proportional consolidation)	924
Non-controlling interests in respect of the above	0
EPRA Earnings	**(7,551)**
Basic number of shares	32,030,344
EPRA Earnings per Share (EPS)	**(0.236)**
Company specific adjustments:	
Listing Costs	*(863)*
Provisions for risks	(114)
Company specific Adjusted Earnings	**(6,574)**
Company specific Adjusted EPS	**(0.205)**
Company specific Adjusted EPS diluted	**(0.188)**

EPRA Earnings

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

In the item relating to specific adjustments, the Group includes the listing costs and allocations to provisions for risks, considering that they are of a non-recurring nature.

(Euro/000)	31/12/2018
Outstanding shares	*32,030,344*
EPRA Net Asset Value	
Equity	298,316
NAV	**298,316**
Includes:	
Revaluation of investment property	0
Revaluation of inventory	227
Excludes:	
Fair value of derivative financial instruments	968
EPRA NAV	**299,511**
EPRA NAV per share	**9.35**
Fair value of derivative financial instruments	(968)
Fair value of financial debt	(1,309)
EPRA NNNAV	**297,234**
EPRA NNNAV per share	**9.28**

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

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

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

“Fair value of derivative financial instruments” represents the net value of derivative instruments recognized in the financial statements, which shows a net negative balance.

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

EPRA NIY (Net Initial Yield) and EPRA "topped up" NIY

"Notional rent expiration of rent-free periods" relates mainly to incentives granted to a number of tenants.

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

- EPRA NIY would be 4.4%;
- EPRA "topped up" NIY would be 6.7%.

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

(Euro/000)	31/12/2018
EPRA NIY and 'topped-up' NIY	
Investment property – wholly owned	444,463
Trading property (including share of JVs)	7,127
Less: developments	(139,197)
Completed property portfolio	**312,393**
Allowance for estimated purchasers' costs	12,496
Gross up completed property portfolio valuation	**324,889**
Annualised cash passing rental income	13,045
Property outgoings	(3,481)
Annualised net rents	**9,564**
Add: notional rent expiration of rent free periods or other lease incentives	5,448
Topped-up net annualised rent	**15,012**
EPRA NIY	**2.9%**
EPRA "topped-up" NIY	**4.6%**

EPRA Vacancy Rate

This index is influenced by the properties undergoing renovation. Net of these properties, the vacancy rate would be 18%.

It should be noted that the table takes into account only "Rented Assets", that is, properties held for revenue generation to be kept in the portfolio, excluding properties "to be sold" intended for disposal.

(Euro/000)	31/12/2018
EPRA Vacancy Rate	
Estimated Rental Value of vacant space	11,071
Estimated rental value of the whole portfolio	27,529
EPRA Vacancy Rate	**40.21%**

EPRA Cost Ratio

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

(Euro/000)	31/12/2018
EPRA Cost Ratios	
Includes:	
Administrative/operating expense line per IFRS income statement	(17,879)
Net service charge costs/fees	1,981
Other operating income/recharges intended to cover overhead expenses less any related profits	164
EPRA Costs (including direct vacancy costs)	**(15,733)**
Direct vacancy costs	(3,481)
EPRA Costs (excluding direct vacancy costs)	**(12,252)**
Gross Rental Income less ground rents – per IFRS	18,798
Gross Rental Income	**18,798**
EPRA Cost Ratio (including direct vacancy costs)	**84%**
EPRA Cost Ratio (excluding direct vacancy costs)	**65%**

Property portfolio - Completed assets

Euro/000								
Information on completed investment properties								
Sub-portfolio	**GLA (sqm)**	**Average rent per sqm**	**Annualised net rent**	**ERV**	**Net rental income**	**Fair Value**	**WALT**	**% of reversion**
Retail	111,336	74	8,275	11,083	7,587	152,730	5.12	33.92%
Office	100,818	45	4,507	5,194	3,077	141,280	1.57	15.26%
Other uses	8,983	29	258	218	156	11,256	0.07	-15.37%
	221,136		**13,040**	**16,495**	**10,820**	**305,266**		

Information on each major completed investment property				
Location	**GLA (sqm)**	**Type of property**	**% of ownership**	**Form of ownership**
Roma - Via Veneziani	16,722	Office	100%	Whole ownership
Milano - San Vigilio	11,921	Office	100%	Whole ownership
Milano - Via Roncaglia 12-14	7,472	Office	100%	Whole ownership
Cinisello Balsamo - Via Gorky	26,174	Office	100%	Whole ownership
Agrate Brianza "Colleoni" Office District – Palazzo Andromeda	16,422	Office	100%	Whole ownership
Catania - Via Etnea	8,162	Retail	100%	Whole ownership
Milano - Via Giulio Richard 3, 5 - Torre C	16,638	Office	100%	Whole ownership
Santa Vittoria d'Alba - Roero Center - Phase B	9,113	Retail	100%	Whole ownership
Trezzano - Via Colombo	9,492	Retail	100%	Whole ownership
Serravalle Retail Park Phases A +B +C1	39,688	Retail	100%	Whole ownership
	161,804			

List of main tenants

Top 10 tenants	**%**
Unieuro	18%
Wind Tre S.p.A.	15%
Huawei Technologies Italia S.r.l.	14%
Coin	11%
Metro Italia	9%
Calzature Pittarello Glg S.r.l.	9%
Peonia Mobili Srl	7%
Cvg Max Genova S.r.l.	6%
Selfitalia S.r.l.	6%
Emmeduepì S.r.l. - Brico	5%

Property portfolio under development

Euro/000

		Breakdown of GLA according to regions		Breakdown of GLA according to usage									
Type of property	GLA (sqm)	Italy (Piedmont)	Abroad	Retail	Productive	Entertainment	Services	Office	Residential	Cost to date (Euro/000)	Cost to completion (Euro/000)	ERV at completion	% of the development which has been let as of 31/12/2017
Retail	169,049	271,054	0	134,503	383	0	953	33,210	0	109,897	306,209	36,722	0.4%
Other	182,219	80,214	0	6,795	108,442	57,684	0	0	9,298	29,300	114,708	n.a.	0%
	351,268	**351,268**	**0**	**141,298**	**108,825**	**57,684**	**953**	**33,210**	**9,298**	**139,197**	**420,917**		

Information on each major development asset

			Breakdown of GLA according to usage (sqm)					
Location	GLA (sqm)	Type of property	Retail	Productive	Entertainment	Services	Office	Residential
Serravalle Scrivia - Praga Business Park	3,146	Retail	1,936	0	0	0	1,210	0
Santa Vittoria d'Alba - Roero Center - Phase C	6,300	Retail	6,300	0	0	0	0	0
Serravalle Retail Park - Phase C2	6,376	Retail	6,376	0	0	0	0	0
Serravalle Outlet Village - Phase 7	4,149	Retail	3,196	0	0	953	0	0
Caselle Designer Village	145,941	Retail	113,941	0	0	0	32,000	0
	165,912		**131,749**	**0**	**0**	**953**	**33,210**	**0**

The value of cost to date shown in the table above coincides with the carrying amount of the properties under development.

Information on each major development asset

Location	Cost to date (Euro/000)	Cost to completion (Euro/000)	ERV at completion	% of the development which has been let as of 31/12/2017	Expected date of completion	% of ownership	Status
Serravalle Scrivia - Praga Business Park	7,490	440	698	20%	n.a.	100%	Town-planning agreement concluded
Santa Vittoria d'Alba - Roero Center - Phase C	1,750	6,402	756	0%	Apr-21	100%	P.d.C. withdrawable
Serravalle Retail Park - Phase C2	6,130	4,678	880	0%	Mar-21	100%	P.d.C. obtained
Serravalle Outlet Village - Phase 7	9,150	16,833	2,155	0%	n.a.	100%	P.d.C. withdrawable
Caselle Designer Village	84,500	277,856	32,233	0%	Apr-22	100%	Preliminary opinions obtained for issue of permits
	109,020	**306,209**	**36,722**				

Like-for-like rental growth

Euro/000					
		Like for Like rental growth			
Sub-portfolio	**Market value 2018**	**Net Rental Income 2017**	**LfL growth**	**Net Rental Income 2018**	**LfL growth %**
Retail	147,700	8,008	-863	7,144	-11%
Office	141,280	5,999	-2,922	3,077	-49%
Other	11,256	138	18	156	13%
	300,236	**14,145**	**-3,767**	**10,378**	**-27%**

The table shows, broadly speaking, a drop in net lease rents in 2018.
The trend is linked mainly to the vacancy (€ -2,089 thousand) of the property located in Via San Vigilio, Milan, as a result of its renovation.

The difference of € 5,030 thousand between market value of the like-for-like portfolio (€ 300,236 thousand) and the total rented portfolio (€ 305,266 thousand) is due mainly to the fair value at 31 December 2018 of the properties acquired during the year, in particular Via Ancona 4 in Milan, Senago (MI) and Gallarate (VA).

Capex

Property related capex	Euro/000
Acquisitions	4,889
Development	4,657
Like for like portfolio	16,803
Total capital expenditure	**26,349**

The above information refers to the consolidated property assets.

Capital expenditure includes overheads and operating expenses of € 1,483 thousand, related almost entirely to Development investments.

Investments related to acquisitions refer to the purchase of three retail revenue properties located in Via Ancona in Milan, Senago (MI), Gallarate (VA).

Development capex refers mainly to the projects regarding the Caselle Designer Center and the Serravalle Outlet Village.

Investments on the like-for-like portfolio refer mainly to the Serravalle Retail Park property.

Colleoni Office District, Agrate Brianza (MB)

2.7 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)
- Goodwill and other intangible fixed assets
- Investments in companies measured at equity
- Financial assets available for sale
- 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)
- Financial assets held to maturity
- Trade payables (current portion)
- Tax payables

• GAV (Gross Asset Value)
This is 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:
- Liquidity, or cash (cash on hand and term deposits), cash equivalents and securities
- Current financial receivables

• EPRA performance measures
Reference is made to paragraph 2.6 "EPRA Performance Measures" for the definition of the measures used.

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

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".

Total revenue stated in the Report	**782**
Revenue from chargebacks to tenants	10
Total revenue from sales and other revenue stated in the financial statements	**792**

Total costs stated in the Report	**(1,220)**
Revenue from chargebacks to tenants	(10)
Total costs stated in the financial statements	**(1,230)**

2.8 Actual figures versus the Plan

The Registration Document, in the context of the Prospectus, linked to the listing of Aedes SIIQ S.p.A. on 28 December 2018, contains forecasts on rental revenue and EBITDA in 2018 for the SIIQ complex, shown on a pro-forma basis. These forecasts, amounting respectively to approximately € 16 million and € -800 thousand, are shown versus pro-forma consolidated final figures of € 15.7 million and approximately € 1.97 million respectively. Figures on revenue are basically confirmed, while the final estimate of EBITDA shows a sharp improvement. The financial position is basically confirmed as well versus the 2018 forecasts.

2.9 Analysis of the financial performance of the Parent Company Aedes SIIQ S.p.A.

The Parent Company, Aedes SIIQ S.p.A., closed 2018 with a loss of € 0.3 million versus € 0.2 million at 31 December 2017.

Company equity stands at € 267.5 million versus € -0.1 million at end 2017. The change is almost entirely attributable to the partial and proportional demerger which became effective on 28 December 2018 as a result of the listing of the Parent Company Aedes SIIQ S.p.A.

The table below breaks down net financial debt of the Parent at end 2018:

(Euro/000)	31/12/2018	31/12/2017
A. Cash on hand	1,753	16
B. Other cash and cash equivalents	349	0
C. Securities held for trading	0	0
D. Liquidity (A)+(B)+(C)	**2,102**	**16**
E. Current financial receivables	**0**	**0**
F. Current payables to banks	(15,581)	0
G. Current portion of non-current debt	(175)	0
H. Other current financial payables	(267)	0
I. Current financial debt (F) + (G) + (H)	**(16,023)**	**0**
J. Current net financial debt (I) + (E) + (D)	**(13,921)**	**16**
K. Non-current payables to banks	(32,986)	0
L. Bonds issued	(44,447)	0
M. Other non-current payables	(11,232)	0
N. Non-current net financial debt (K) + (L) + (M)	**(88,665)**	**0**
O. Net financial debt	**(102,586)**	**16**

2.10 Significant events

Company events in the year

On 13 November 2018, the Board of Directors of Aedes SIIQ approved the proposal for the appointment of the new board of Sedea SIIQ, now Aedes SIIQ, the beneficiary of the demerger.

On 12 December 2018, the deed of partial and proportional demerger of Aedes SIIQ S.p.A. was signed in favour of Sedea SIIQ S.p.A.

On 13 December 2018, the shareholders of Augusto S.p.A., majority shareholder of Aedes SIIQ with 51.204%, signed two new shareholders' agreements to regulate the Corporate Governance rules of Sedea SIIQ, now Aedes SIIQ, (the beneficiary company) and Aedes SIIQ, now Restart SIIQ (the demerged company).

On 28 December 2018, Sedea SIIQ S.p.A. changed its name to Aedes SIIQ S.p.A. and was listed on the MTA, organized and managed by Borsa Italiana.

Transactions in the period on the SIIQ pre-demerger complex

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 16 May 2018, Aedes SIIQ inaugurated the "Nuovo Ramo Trasversale" road system in Serravalle Scrivia, as envisaged in the project to expand the Serravalle Retail Park.

On 14 June 2018, Aedes SIIQ inaugurated the renovated and expanded Serravalle Retail Park, following acquisition by Aedes SIIQ in 2017. Thanks to the opening of "Phase C", the Serravalle Retail Park reaches a total GLA of approximately 40,000 sqm, an occupancy rate of over 80% and annual rents for a total of approximately € 4.3 million.

On 25 June 2018, Aedes SIIQ announced that on 22 June 2018, Sator Immobiliare SGR S.p.A., management company of the Petrarca Real Estate Fund, in which Aedes holds 100% of the shares, signed the final contract for the sale of the property located in Viale Umbria 32, Milan. The property was sold to Abitare In Development 3 s.r.l., a wholly-owned subsidiary of Abitare In S.p.A., listed on the AIM Italia market, at a price of € 3.7 million, in line with the fair value of the property at 31 December 2017.

On 29 June 2018, Aedes SIIQ signed a contract with a top institutional investor for the sale of the property located in Via Agnello 12, Milan, at a price of € 50.75 million, equal to a Net Cap Rate of approximately 3.3%.
On 31 October 2018, the bond of € 15 million and the shareholder loan granted by the controlling shareholder Augusto S.p.A. of € 10 million were extended for a further 18 months, expiring on 30 April 2020.

On 8 November 2018, Aedes SIIQ and Maxi Sport signed the business lease contract on the property, 100% owned by Aedes SIIQ, located in Brescia.
On 10 November 2018, Aedes SIIQ and Conforama Italia signed the business lease contract on the property, 100% owned by Aedes SIIQ, located in Trezzano sul Naviglio.

Transactions in the period on the SIIQ post-demerger complex

On 28 December 2018, Aedes SIIQ completed the purchase of three leased commercial properties (small supermarkets) for a total value of approximately € 4.8 million.

2.11 Property portfolio

Property market trend

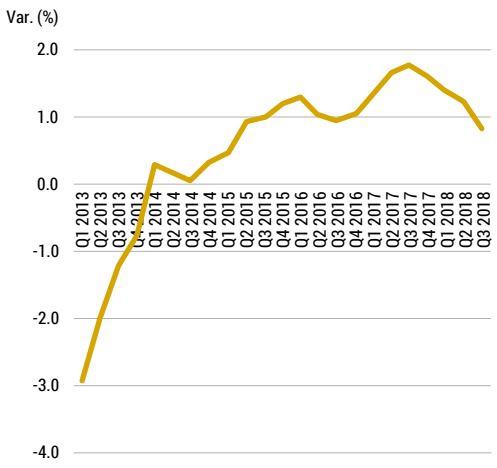
Economic outlook - Italy

The pace of business in Italy at end 2018 reflects the slowdown in global and European growth, dropping into negative territory in the third quarter, a period in which the rate of economic growth recorded an unexpected -0.1%, industrial production in November fell by 1.6% MoM, and the manufacturing SME index dropped below 50.

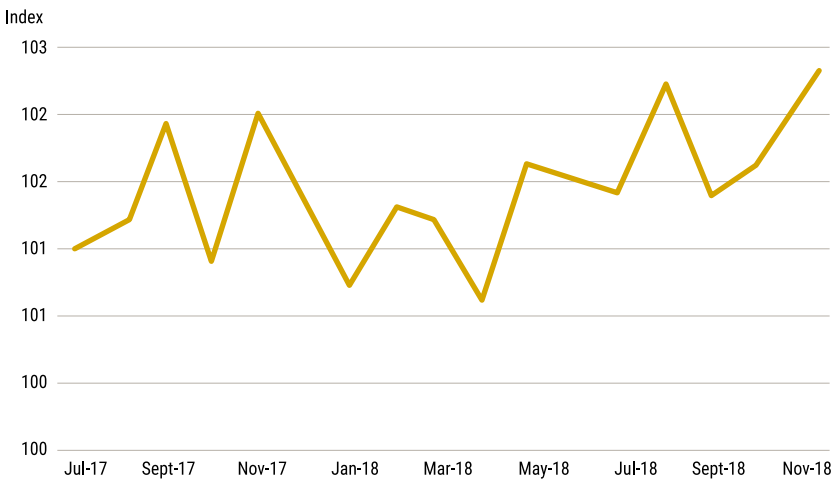
The consumer confidence index remains positive, recovering part of the ground lost in May, thanks to brighter expectations on the overall economic situation and on unemployment. Sales continue to rebound. A few indicators remain steady, though mixed, such as the index of new orders for industrial products. The labour market, on the other hand, shows positive signs, with the employment rate on the rise and the jobless rate down throughout the year; the labour market, however, is delivering a generally delayed response to changes in activity levels. Likewise, GFCF shows a slight increase, while consumption is steady.

The general elections have brought a deep change of direction in the Government's budgetary policies, initially outlining a potential derogation from the debt repayment targets agreed with the European Commission. The concerns sparked by the change of policy generated an increase in the risk premium on sovereign debt and a widening of the BTP-BUND spread of approximately 200 bps in the period April-November 2018. Concurrently, macroeconomic risks have risen, owing to uncertainty arising from the effects of the budget package (on interest rates and credit), as well as to the difficulty of gauging the repercussions of the measures on the level of economic activity. The EPU index (indicator of economic policy uncertainty) for Italy, which had returned to pre-crisis levels in mid 2017, shot up in 2018, reaching levels close to 2011. At the conclusion of a lengthy decision-making process and negotiations with the European Commission, the budget law was changed sufficiently to bring the BTP-BUND spread back well below 300 bps.

EVOLUTION OF ITALIAN GDP



ITALY RETAIL SALES INDEX



Retail - Italy

OFFER

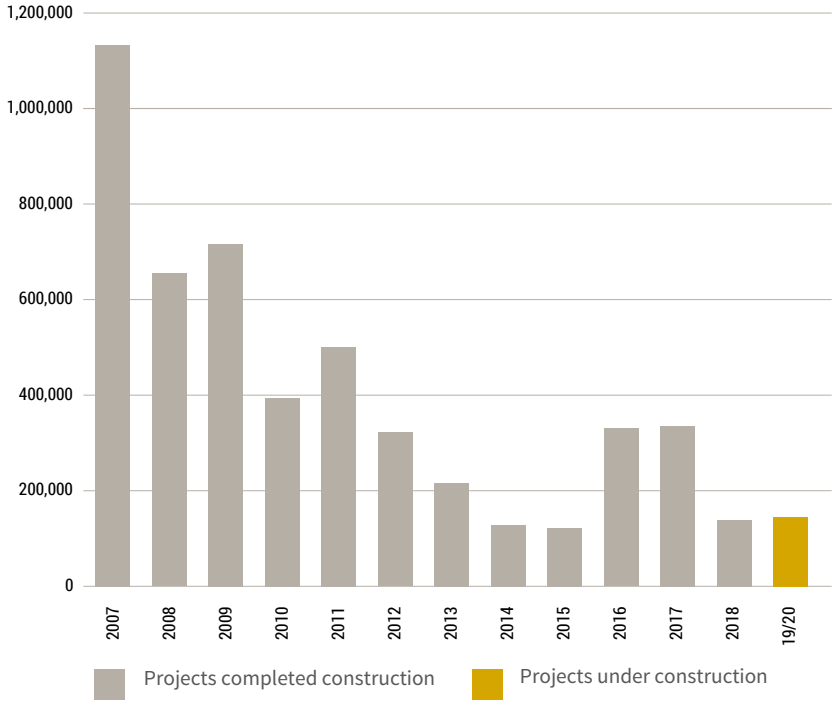
While 2017 witnessed multiple openings and expansions, 2018 was marked by a slower pace in inaugurations across Italy. The slowdown represents one of the strengths of the Italian retail offer, with shopping centers neatly scattered across the country and an average density of sqm/inhabitant positioned half way in the ranking of European countries, giving a good competitive advantage. Despite the weaker momentum, approximately 150,000 sqm were added to the total stock throughout the year, the last quarter marked by the opening of a new shopping center of approximately 27,000 sqm in Brescia.

Several international brands landed on the Italian market during the year. The most notable openings include: Xiaomi Tatras, Boots, Victoria's Secret, Balmain, Origins, V-Grass, Bimba Y Lola and Save The Duck. Catering too, in all its expressions, continues to show an avid interest in Italy, despite the strong national tradition. The brands that landed in Italy during the year include: Starbucks (standard and Roastery formulas), Five Guys, Jollibeee Wagamama (for its first store located downtown). Most of the above brands picked Milan as their first Italian destination, reaffirming the city's national supremacy, followed by Rome and the many other Italian high street locations. Proof of the good performance of the sector are the prime rents that reward Milan and Rome.

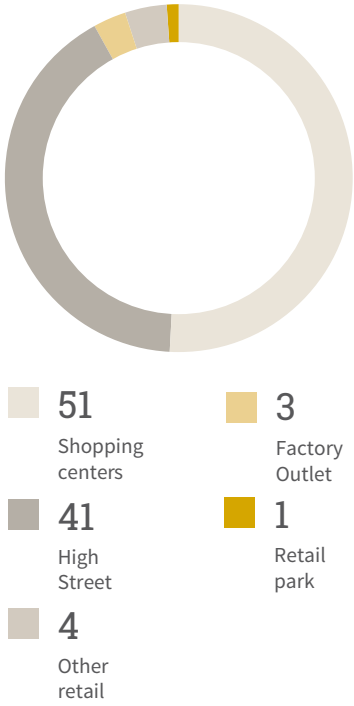
INVESTMENTS

Despite the contraction in investments in Italy, the retail sector managed to stay in line with the performance achieved in 2017. The year ended with a slight drop (-6%) and with investments neatly allocated between shopping centers and the Italian high street. In fact, while the first 9 months saw shopping centers taking the lion's share, the last quarter gave more space to the high street, which accounted for approximately 40% of total retail investment in the year, with a slight preference in the shopping center sector. The most significant retail transactions of the year include: 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; the purchase by the AXA-Pradera JV of the 8 Gallery shopping center in Turin for € 105 million. The two major high street deals were the acquisition of Corso Matteotti 12 for over € 100 million and the Galleria del Corso 4 purchased by Fabrica, part of a portfolio, for an estimated unit value of € 146 million. Investors showed a positive mood, compared to the rest of Europe, which rewards the Italian retail sector, with foreign capital representing approximately 80% of total. The high street prime yield kept steady in the quarter, while prime shopping centers experienced a slight rise in rates.

VOLUME OF NEW DEVELOPMENTS COMPLETED AND UNDER CONSTRUCTION (GLA >10,000 SQM)

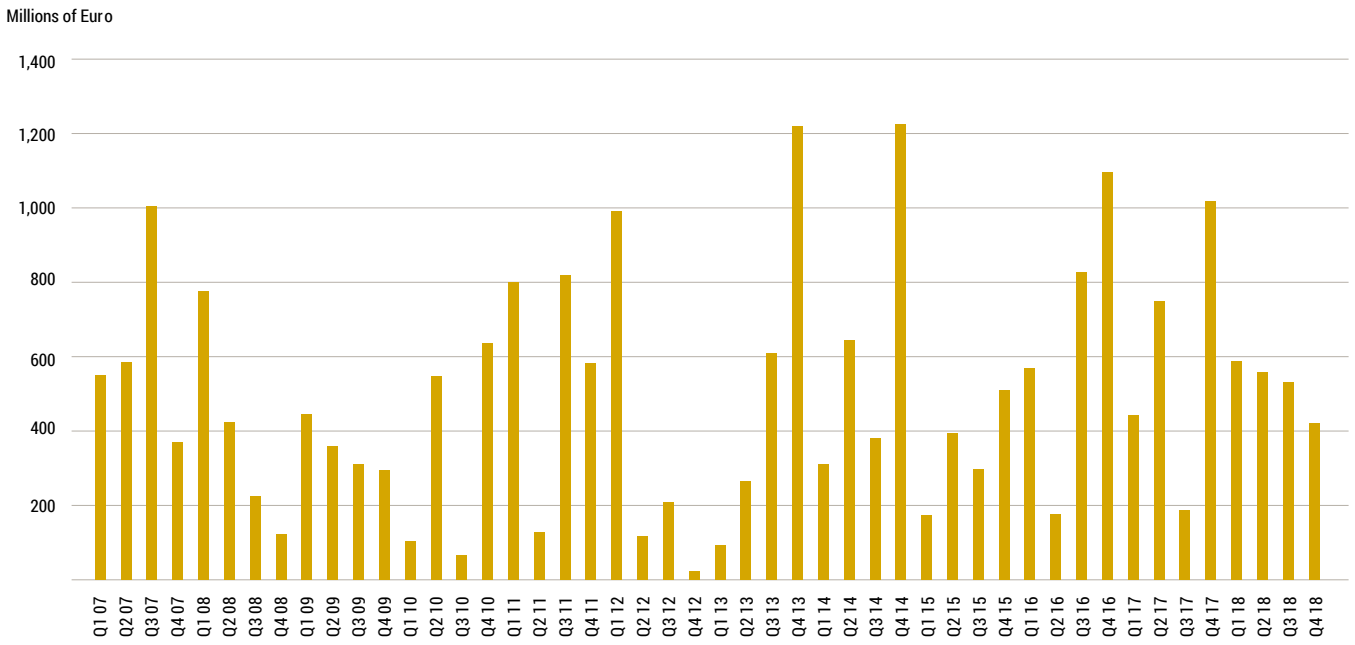


RETAIL INVESTMENTS BY TYPE OF FORMAT 2018



SOURCE: CBRE RESEARCH, 4Q18

RETAIL INVESTMENTS SCENARIO IN ITALY



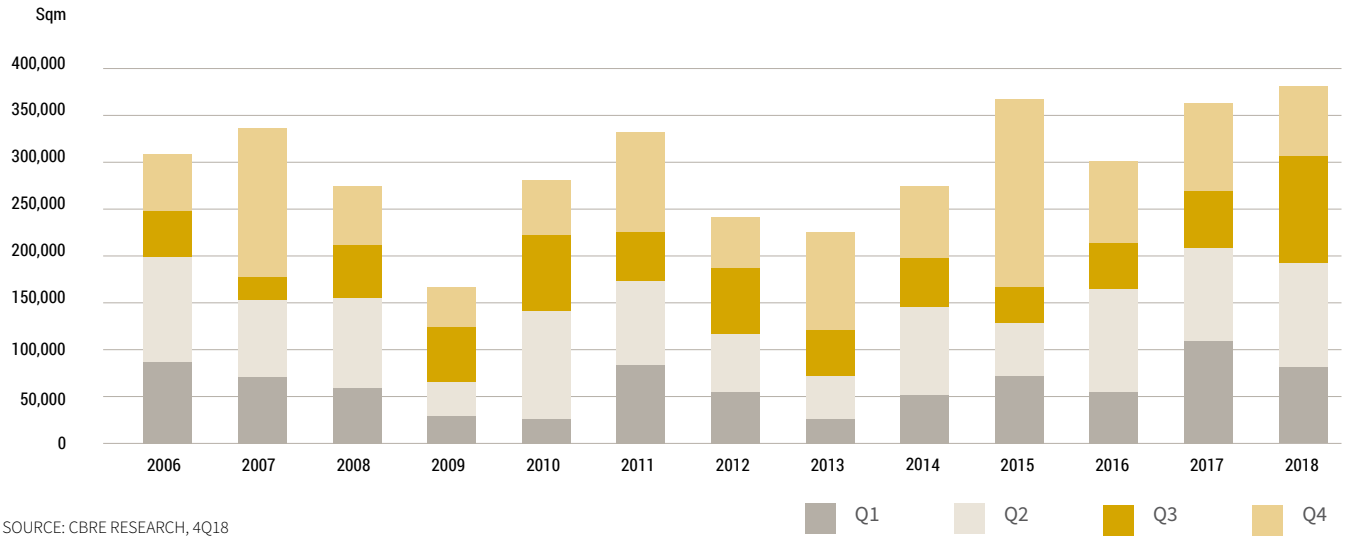
PROPERTY YIELDS IN ITALY, RETAIL

Yields (%)	Q3 17	Q4 17	Q1 18	Q2 18	Q3 18	Q4 18
High Street Prime	3.15	3.00	3.00	3.00	3.00	3.00
High Street Secondary	4.75	4.50	4.50	4.50	4.50	4.50
Shopping Centre Prime	4.90	4.90	4.90	4.90	4.90	5.00
SC Good Secondary	5.90	5.90	6.00	6.00	6.25	6.25
Retail Park Prime	5.90	5.90	5.90	5.90	5.90	6.00
Retail Park Secondary	6.50	6.50	6.75	6.75	6.75	6.90

Offices - Milan

In the last quarter of the year, the volume of office investments in Milan amounted to € 760 million, up by approximately 31.6% versus the prior quarter. 2018 closes at € 2.078 billion, representing the largest share (60%) of the Italian office market. Still, the context sees a shortage of quality products for both Core and Value Added investors. The downward trend in the average investment ticket (€ 35.8 million) continues, with the concurrent increase in the number of transactions versus the quarter (+25%) and the prior year (+38%). Additionally, Milan reaffirms its multi-centric identity: halfway between the traditional centres such as the CBD (where investors' interest remains high and the prime yield steady at 3.4%), Porta Nuova and the good secondary locations (City Life and Bicocca, where returns are steady at 5.0%); investors are showing a growing interest in upcoming locations that offer great potential for development. Proof of such trend are the former railway stations, especially Scalo Farini and Scalo di Porta Romana, whose yields in recent months have dropped below 4.5%.

QUARTERLY ABSORPTION IN MILAN, Sqm



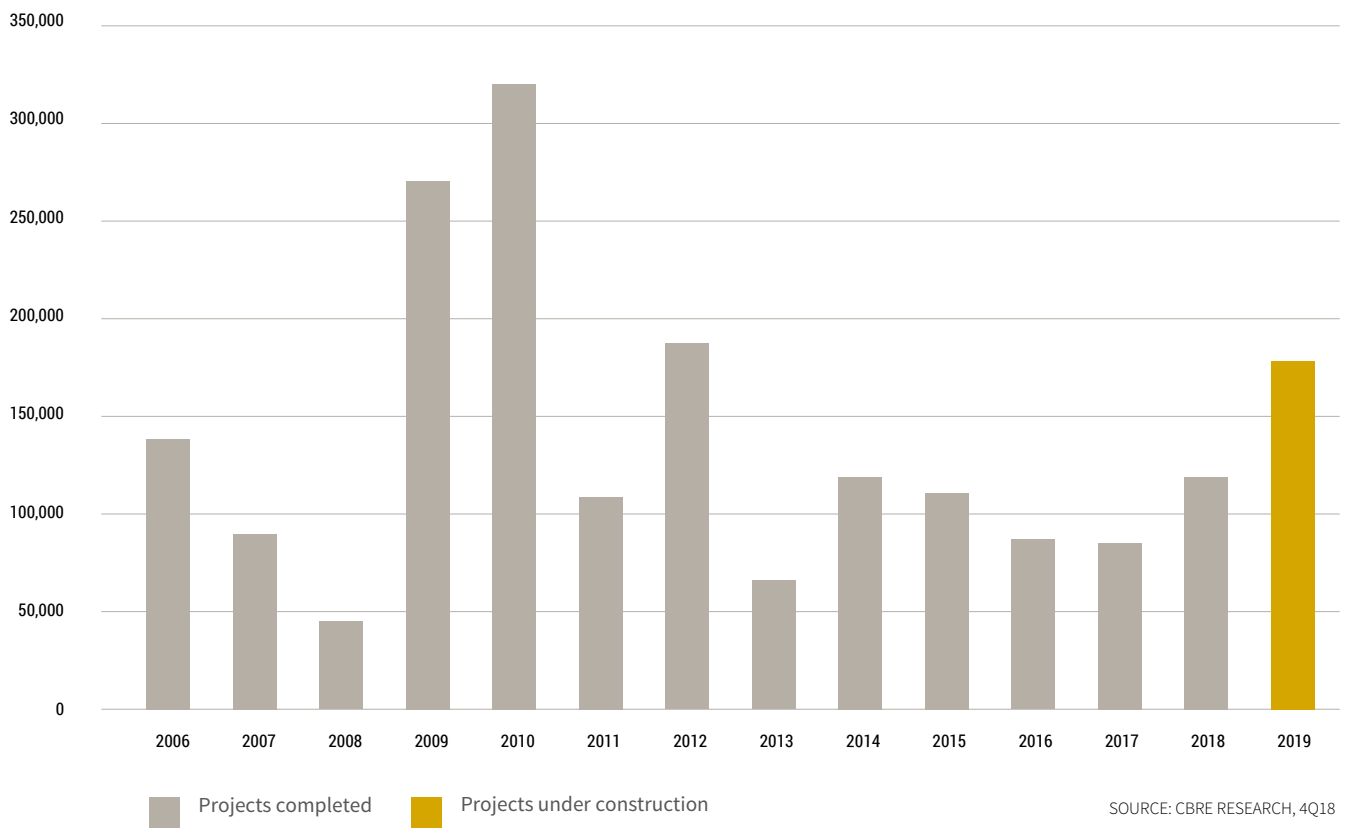
SOURCE: CBRE RESEARCH, 4Q18

• Absorption exceeded 380,000 sqm, beating the record value of 2017. Absorption in Q4 however was approximately 74,900 sqm, down from the prior quarter. The vacancy rate rose slightly to 11.1%.
• The number of transactions closed in Milan in Q4 fell by approximately 25% versus Q3; the YoY trend, however, remains on the rise, up by 11% versus the prior year.
• Take-up was driven by Business Services (34.9%), followed by Manufacturing (22.4%) and Finance (18%). YoY, the Consulting and Co-working sector accounted for over 60% of absorption in the Business Services area.
• The best sub-market performers in terms of sqm absorbed are the Historical Centre (29%) and the Outskirts (24%), while the most coveted sizes by occupiers remain those between 1,000 and 5,000 sqm, which make for 49% of take-up.
• The CBD, Porta Nuova and Hinterland prime rents increased to € 570/sqm/year, € 550/sqm/year and € 210/sqm/year respectively.
• Net prime and good secondary yields kept steady at 3.4% and 5.0% respectively.
• The major completion was the approximately 10,000 sqm of the iconic Cordusio 2.0 development. The Milan pipeline boasts a strong pace, with approximately 330,000 sqm in completion by 2020.
• Milan office investments grew by 31.6% versus Q3. YoY, however, the performance drops by -14% versus the record year of 2017.

KEY INDICATORS IN THE MILAN OFFICE SECTOR

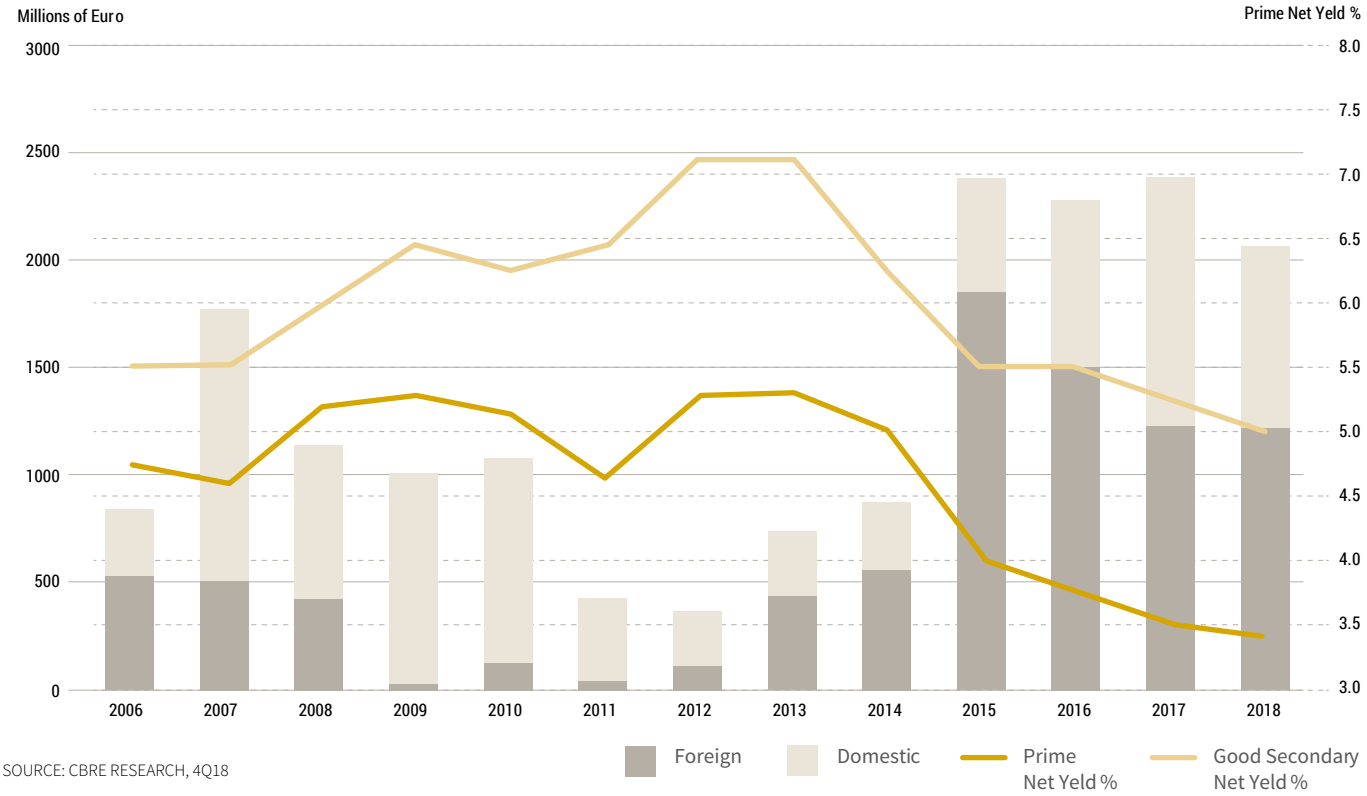
	Q4 2017	2018	Q4 2018
Vacancy rate (%)	11.5	11.1	**11.1**
Take-up (,000 sqm)	94,0	381,8	**74,9**
New stock (.000 sqm) (Excl. Refurbishment)	-	73.5	**-**
Prime rent (€ sqm year)	550	570	**570**
Weighted Average rent (€ sqm per year)	261	309	**313**
Prime net yield (%)	3.50	3.40	**3.40**
Secondary net yield (%)	5.25	5.00	**5.00**
Investment volume, offices (€ mln)	970	2077	**760**

PROJECTS COMPLETED AND UNDER CONSTRUCTION IN MILAN, Sqm



SOURCE: CBRE RESEARCH, 4Q18

INVESTMENTS BY SOURCE OF CAPITAL AND YIELDS FOR OFFICES IN MILAN



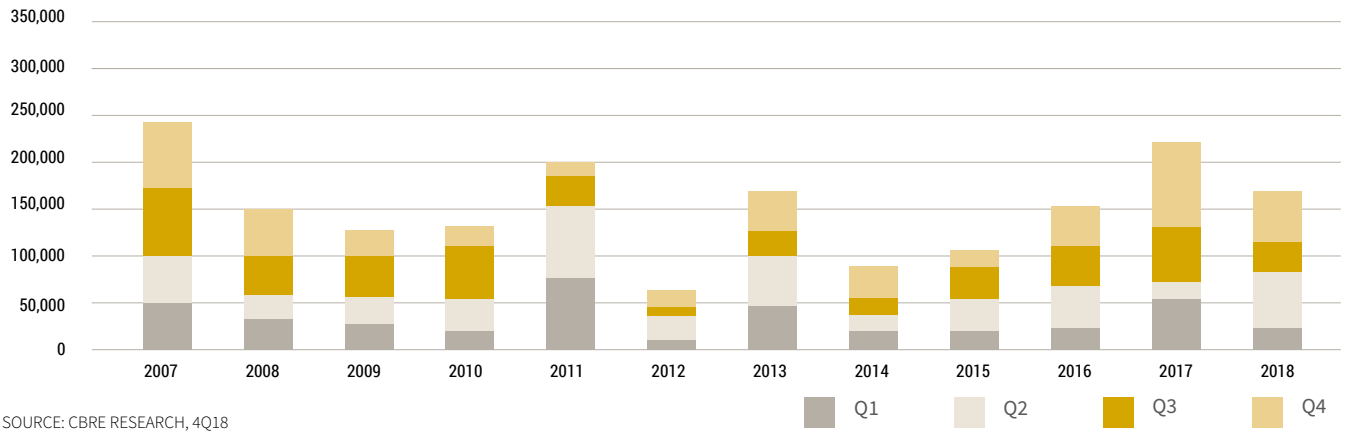
SOURCE: CBRE RESEARCH, 4Q18

Milan, Via Giulio Richard 3

Offices - Rome

In last quarter 2018, office investments gathered huge momentum, recording a record value of € 786.5 million, approximately 15 times higher than the prior quarter. Thanks to this performance, 2018 marked a record year for the Rome office market, beating the volumes recorded in 2017 (+3) with € 1,114 million in investments. In Q4, foreign investors accounted for 54% of investments, but YoY domestic capital captured the lion's share, and accounted for 53% of the total (unlike in 2017 when foreign capital made for 77%). Transactions in the quarter were closed mainly in the sub-markets of EUR Centro (32%), CBD (27.7%) and EUR Laurentina (20.9%). Despite the shortage of prime products and political uncertainty, investors continue to have a strong appetite for both core and opportunistic value-added products. The net prime yield was steady at 3.90%. The outlook for the coming months remains positive.

QUARTERLY ABSORPTION (*) IN ROME, Sqm



SOURCE: CBRE RESEARCH, 4Q18

- The last quarter of 2018 saw an absorption of 53,960 sqm, rising sharply (+74.4%) versus the prior quarter.
- An outstanding performance throughout 2018, with 167,808 sqm, confirming the bubbly trend over the last 3 years (if compared to the last 10 years, the result is lower only than 2011 and 2017).
- There were 35 transactions in the quarter versus 31 in the prior quarter. The entire 2018 figure, with 137 transactions, is almost in line (-3%) with the 2017 figure and 17% higher than in 2016.
- Prime rent steady in CBD at € 420 sqm/year and in the EUR at € 340 sqm/year.
- Quarterly absorption was driven by 3 transactions for a total of 34,000 sqm (Central and EUR Laurentina areas), equal to approximately 63% of total quarterly absorption.
- Centro and EUR remain the most dynamic areas with approximately 76% of transactions over the whole year, almost in line (-1%) with 2017. Remarkable performance of the EUR Laurentina sub-market with approximately 33,000 sqm (+313% versus 2017).
- The pipeline of developments was positive, with about 120,000 sqm under construction/ renovation (completion expected between 2019 and 2020); 4 completions in the quarter with approximately 54,000 sqm.
- Record performance of investments with approximately € 786.5 million and net prime yields, steady at 3.90%.

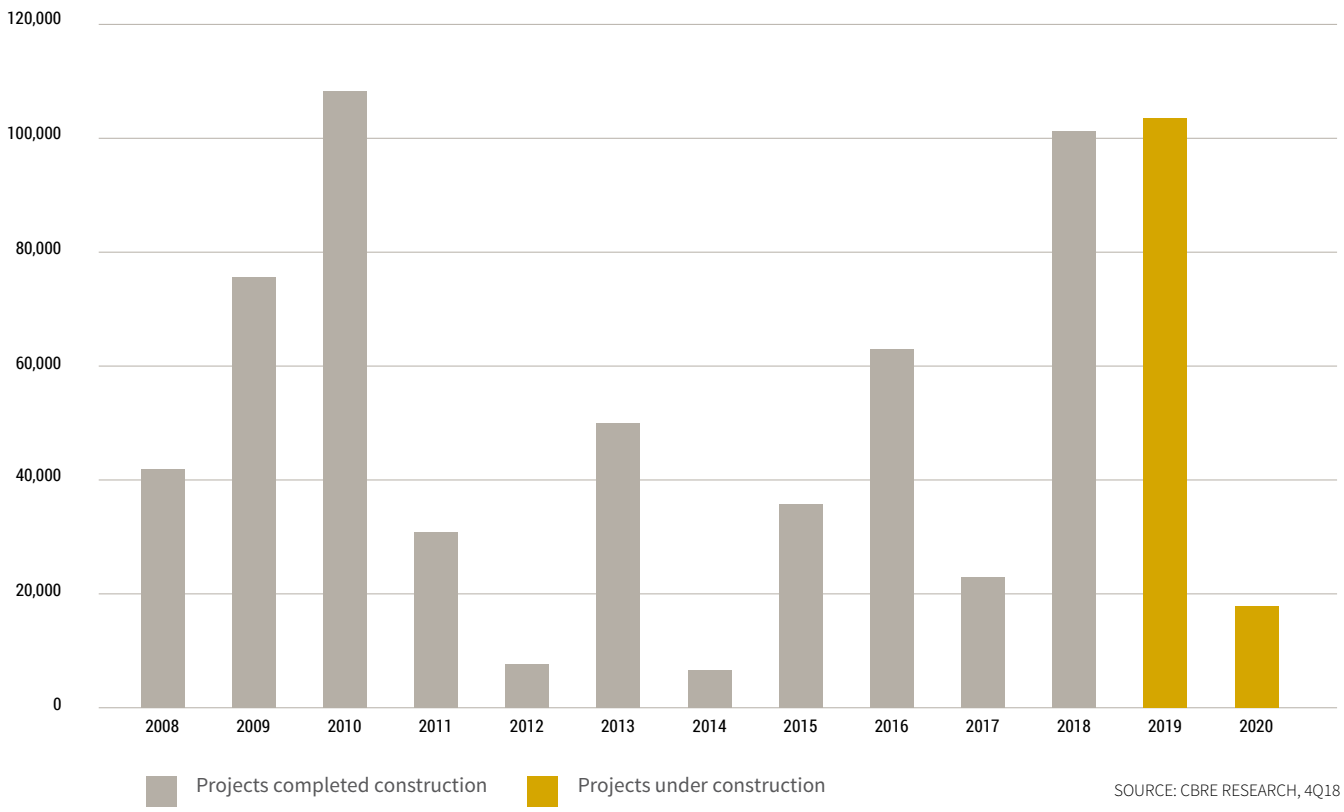
(*) Absorption figures have been amended for 2014, 2015 and 2016 to reflect changes following the signing of preliminary lease agreements that led to the cancellation of previous agreements. Specifically, this involved: Q414 (-27,000 sqm); Q415 (-33,000 sqm) and Q116 (-50,000 sqm). In 2017, there were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

KEY INDICATORS IN THE ROME OFFICE SECTOR

	2017	2018	Q4 2018
Stock (thousand sqm)	7 (*)	7 (*)	**7 (*)**
Vacancy rate (%)	12.5	12.8	**12.8**
Take-up (,000 sqm)	220,6	167,8	**53,9**
Prime rent CBD (€ sqm year)	420	420	**420**
Prime rent EUR (€ sqm year)	330	340	**340**
Prime net yield	4.00	3.90	**3.90**
Investment volume, offices (€ mln)	1,074	1,114.53	**786.58**

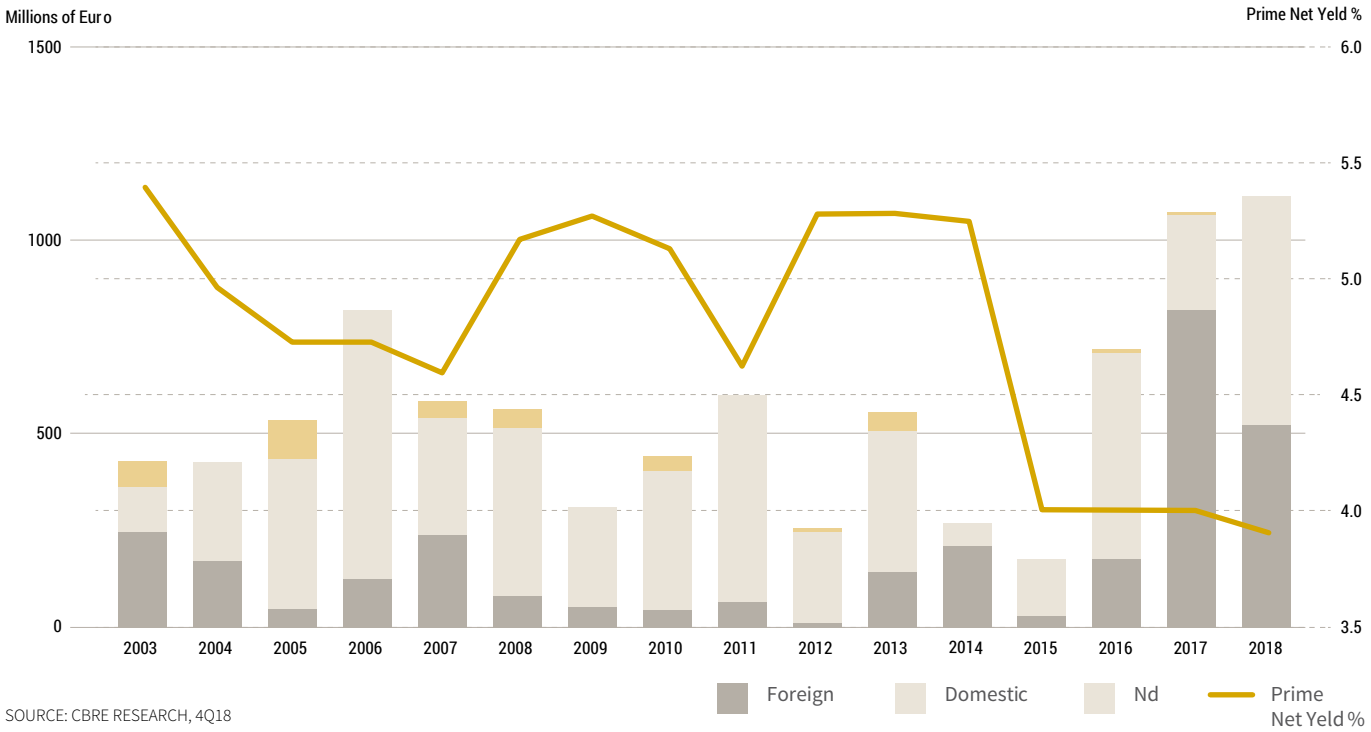
(*) The stock indicated does not include the area owned by the public sector.

PROJECTS COMPLETED AND UNDER CONSTRUCTION IN ROME, Sqm



SOURCE: CBRE RESEARCH, 4Q18

INVESTMENTS BY SOURCE OF CAPITAL AND YIELDS FOR OFFICES IN ROME



SOURCE: CBRE RESEARCH, 4Q18


Rome, Via Carlo Veneziani

Independent expert appraisals

In relation also to Consob Recommendation no. DIE/0061944 of 18 July 2013, for the preparation of the Consolidated Financial Statements at 31 December 2018, the Group appointed CB Richard Ellis as the primary independent expert in order to carry out appraisals of the property portfolio to support the Directors in their assessments.

On completion of the portfolio appraisal process at 31 December 2018, after reviewing the reports prepared by the independent experts, the Company incorporated the relevant results at the Meeting of the Board of Directors held on 6 March 2019.

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 expense), 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 classification includes assets held for sale in the short and 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 31 December 2018:

	GAV				NAV			
Euro/000	**Consolidated**	**Not consolidated Funds & JV**	**Total Portfolio**	**% on Total Portfolio**	**Consolidated**	**Not consolidated Funds & JV**	**Total Portfolio**	**% on Total Portfolio**
Retail	152,730	77,912	230,642	40.3%	94,768	39,439	134,207	33.9%
Office	141,280	-	141,280	24.7%	89,655	-	89,655	22.6%
Other Uses	11,256	-	11,256	2.0%	6,761	-	6,761	1.7%
Rented asset	**305,266**	**77,912**	**383,178**	**66.9%**	**191,184**	**39,439**	**230,623**	**58.2%**
Retail Development for Rent	109,897	43,210	153,107	26.7%	93,388	43,210	136,598	34.5%
Other Uses Development for Rent	27,700	-	27,700	4.8%	21,562	-	21,562	5.4%
Development for Rent	**137,597**	**43,210**	**180,807**	**31.6%**	**114,950**	**43,210**	**158,160**	**39.9%**
Subtotal Portfolio Rented/for Rent	**442,863**	**121,122**	**563,985**	**98.4%**	**306,134**	**82,649**	**388,783**	**98.2%**
Other Uses	8,954	-	8,954	1.6%	7,196	-	7,196	1.8%
Subtotal Portfolio to be sold	**8,954**	**-**	**8,954**	**1.6%**	**7,196**	**-**	**7,196**	**1.8%**
Total Group Portfolio	**451,817**	**121,122**	**572,939**	**100.0%**	**313,331**	**82,649**	**395,979**	**100.0%**

At 31 December 2018, the property assets owned by the Aedes Group, pro rata, amounted to a market value of € 572.9 million, including non-controlling

(*) Under Consob Recommendation no. 9017965 of 26 February 2009.

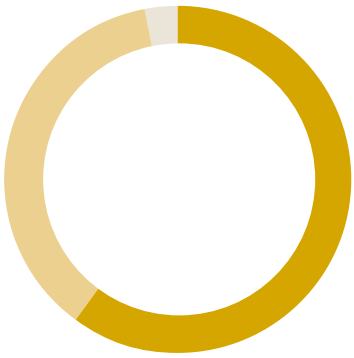
interests and real-estate funds.
The consolidated GAV (Gross Asset Value) was € 451.8 million.
The Group has lease agreements in place for a total of € 18.5 million on an annual basis.
Regarding the property portfolio held by the Parent and subsidiaries, additional details are shown as follows*:

Euro/000	Criterion	Book value	Market Value
Investment property: properties for investment	IAS 40 - Fair Value	305,266	305,266
Rented Assets		**305,266**	**305,266**
Fixed assets: Properties under development	IAS 40 - Fair Value	137,597	137,597
Development for Rent		**137,597**	**137,597**
Subtotal Portfolio Rented/for Rent		**442,863**	**442,863**
Inventory	IAS 2	7,127	7,274
Investment property: properties under development	IAS 40 - Cost	1,600	1,680
Subtotal Portfolio to be sold		**8,727**	**8,954**
Total Portfolio		**451,590**	**451,817**

"Revenue" Portfolio - Rented Assets

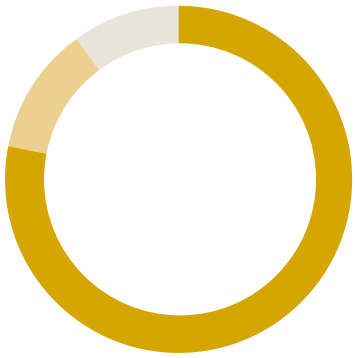
At 31 December 2018, the pro-rata share of the Group's revenue properties at market value was € 383.2 million, of which 79.7% owned directly or through companies and funds within the scope of consolidation, and 20.3% through joint ventures and other real-estate funds.
The breakdown by intended use shows that 60.2% consists in Retail properties, 36.9% in Office properties, and the remaining 2.9% in properties for Other Uses.

RENTED BY USE



60.2 Retail
36.9 Office
2.9 Other uses

GEOGRAPHIC BREAKDOWN



78.3 North
11.7 South
10.0 Centre

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

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

Below: Caselle Open Mall, Caselle Torinese (TO)
- Satac SIINQ 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.

The regions of investment in revenue properties are Northern Italy (78.3%), Southern Italy (11.7%), and Central Italy (10%).

Leverage on revenue properties is approximately 43% on average, in line with the targets set by the Group for the core investments of the SIIQ model.

Revenue portfolio - Development for Rent

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

During the year, development work continued in Caselle Torinese (TO) on the COM project "Caselle Open Mall", which led to the obtaining of all the preliminary opinions necessary for the issue of the qualifying certificates for construction.
At 31 December 2018, the market value of the Group's pro-rata share of investments in properties under development was € 180.8 million, of which 76.1% held directly or through companies and funds included in the scope of consolidation and 23.9% through joint ventures.
Leverage is on average lower than the rest of the portfolio and stands at 12.5%.

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

Asset	Spv	Location	Intended use	Scheduled town-planning building capacity (sqm)	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 licenses 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 licenses 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/ Offices	153,000	Master plan approved. Executive town-planning tool approved. Town-planning agreement concluded. Commercial licenses obtained. Positive outcome of environmental audit. Building permits application submitted. All the opinions required to obtain the qualifying certificates for construction obtained.

"To Be Sold" Portfolio

The "To Be Sold" portfolio includes areas (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, as well as the residual volumes resulting from completed and/or ongoing developments.

The Portfolio to be sold is owned 100% directly or through companies. Leverage at end 2018 stands at 19.6% on average.

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 licenses and environmental audits, chief engineer/tenant coordinator, facility management, mainly at intra-group level.

2.12 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 or EU 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 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.

Once the satisfaction of the subjective, investment and bylaw requirements had been ascertained, on 27 November 2017 Aedes SIIQ S.p.A. (formerly Sedea SIIQ S.p.A.) exercised the option for joining the Special Regime, effective as from 1 January 2018. On 28 January, following the proportional demerger of Aedes SIIQ S.p.A. (now Restart SIIQ S.p.A.) into Sedea SIIQ S.p.A. (now Aedes SIIQ S.p.A.) and the admission to listing of the latter's shares, the Company announced that it met all the requirements of the SIIQ regime.

With regard to Statutory Requirements, in brief, under the Company Bylaws, 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.

In light of the financial position and results of operations of the Parent Company at 31 December 2018, the first reference year for verifying the parameters set by the Special Regime of SIIQs, 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. For further information, reference should be made to paragraph 5.7 of the financial statements, section "Significant estimates and assumptions". 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 or EU 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
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Objective Requirements

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  - 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.

Once the satisfaction of the subjective, investment and bylaw requirements had been ascertained, on 27 November 2017 Aedes SIIQ S.p.A. (formerly Sedea SIIQ S.p.A.) exercised the option for joining the Special Regime, effective as from 1 January 2018. On 28 January, following the proportional demerger of Aedes SIIQ S.p.A. (now Restart SIIQ S.p.A.) into Sedea SIIQ S.p.A. (now Aedes SIIQ S.p.A.) and the admission to listing of the latter's shares, the Company announced that it met all the requirements of the SIIQ regime.

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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.

In light of the financial position and results of operations of the Parent Company at 31 December 2018, the first reference year for verifying the parameters set by the Special Regime of SIIQs, 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. For further information, reference should be made to paragraph 5.7 of the financial statements, section "Significant estimates and assumptions".

Catania, Via Etnea

2.13 Main risks and uncertainties

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

Strategic risks

Market risk

Market risk lies in 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 top-tier assets located in major urban centres or primary areas for commercial use that have shown high rental potential even during negative market cycles, thanks to demand being less volatile than for smaller assets located 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 mainly consists in the possibility that clients, in particular the tenants of assets owned, are insolvent. 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.
Maximum 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 27. 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.

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 2018 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 impact 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.
In addition, the Company pays special attention to the aspect governing administrative liability, safety and environmental concerns about the risk of commission of offences, as defined by Legislative Decree 231/01.

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 and Conduct of Aedes SIIQ S.p.A. (the "Code"), that applies to the entire Group staff, who are committed to comply and enforce the principles of the Code as part of their duties and responsibilities.

The Company has additionally appointed a Supervisory 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 Report on Corporate Governance and Ownership Structure for 2018, 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.

The Company, in accordance with the regulatory provisions of Law 28 December 2005 n. 262 "Savings Law" adopted an administrative and accounting control system related to financial disclosures, with the aim of (i) ascertaining that the current Internal Control System in place is adequate to provide reasonable certainty about the true representation and fair economic information produced and financial capital; (ii) implementing adequate administrative-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 31 December 2018, the first reference year for verifying the parameters set by the Special Regime of SIIQs, 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, amortized
Floating rate	Euribor 6-month, 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 39.5% of the Group's gross financial debt at 31 December 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 46.1%.

EXCHANGE RATE RISK

At 31 December 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 Group fails to meet its 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 Group is forced to incur additional costs to meet its commitments or, in a worst-case scenario, a condition of insolvency endangering business continuity.

The Group keeps a watchful eye on cash and 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

Agrate Brianza
Colleoni Office District,
Palazzo Andromeda

management of property sales and assumption of financial commitments.
For the purposes of assessing such risk and in drafting these consolidated financial statements, the Group has prepared financial projections (the "Projections") that take account of the operating cash flows and financial commitments involving all Group companies over a period of 12 months from the date of approval of these financial statements until 31 March 2020, including the planned investment activities and the forthcoming maturity of certain loan agreements currently in place. Specifically, these consolidated financial statements at 31 December 2018 show current net financial debt (within 12 months) of approximately € 68.8 million.
Based on current net debt and the requirements resulting from the Projections, the Company has identified the main funding sources, deriving mainly from:

A) refinancing of certain assets; preliminary activities are in the advanced stage on financing and refinancing for approximately € 20 million, net of maturities and repayments;
B) sale of certain assets as part of the recurring portfolio rotation; preliminary binding sales contracts for approximately € 23 million are already in place; further initiatives for the sale of other assets are underway;
C) rescheduling of short-term credit lines; credit lines for approximately € 2 million have already been rescheduled in the medium/long-term; negotiations are underway to reschedule additional short-term credit lines for approximately € 12 million;
D) capital strengthening (of the Company or its subsidiaries) as emphasized in the Listing Prospectus.

Based on the information and the evidence available at the date of preparing the Financial Statements at 31 December 2018, and on the progress of the initiatives currently in place with regard to the above funding sources, there are no significant risks of a possibility of not completing the actions according to schedule and to the procedures set out in the "Projections", although a number of actions required to cover the financial requirements are not certain to date. Whether or not, in fact, these actions are fully or partly achieved according to schedule and to the procedures set, also depends on factors outside the Company's control, such as the economic cycle, property market trends, accessibility of credit and capital market trends.

The Directors also assessed the repercussions that would derive from the failed raising of risk capital resources envisaged in the "Projections". The assessment led the Directors to conclude that, despite such a scenario, the Group's ability to meet its obligations, both current and prospective, in the period covered by the "Projections" would not be compromised, but this could compromise the Group's ability to fully implement the property investments planned as from 2019, with consequent negative impacts on the growth of the property portfolio and on the Group's profitability, as emphasized in the Listing Prospectus.

Main outstanding disputes and tax audits

Information on the main disputes and tax audits involving Group companies pending at end 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. It should be noted that paragraph 3.2 of the demerger project states, *inter alia*, that "any contingent assets or liabilities that may arise as from the Effective Date in relation to the SIIQ Business Complex or in relation to the Non-SIIQ Business Complex will remain, respectively, to the benefit or at the expense, as the case may be, of the Beneficiary Company and of the Demerged Company".

Main disputes as defendant

As a result of the Demerger, the Company was assigned all civil and administrative disputes falling under the SIIQ Business Complex, which the demerged company Aedes SIIQ S.p.A. (now Restart SIIQ S.p.A.) was part of at the effective date of the Demerger, as explained in the demerger project.

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.) on the subject of the appeal against the recapitalization resolutions passed by the shareholders of Satac of 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. With notice dated 26 February 2019, the Court of Cassation set the public hearing for 4 April 2019.

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


Cinisello Balsamo, Via Gorky

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. On 23 August 2018, the Milan Court of Appeal dismissed all the grounds of appeal submitted by FIH and, concurrently, ordered FIH to pay Aedes the costs of the proceedings, amounting to € 22,915.00, plus legal fees and charges. On 31 October 2018, FIH notified Aedes of its appeal to the Court of Cassation against the ruling of the Milan Court of Appeal, and on 10 December 2018, Aedes filed its counter-appeal. With regard to this dispute, if the demerged company Aedes SIIQ S.p.A. (now Restart SIIQ S.p.A.) were not excluded from the trial, any attributable contingent assets and liabilities will remain, respectively, to the exclusive benefit or expense of the Company.

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 TAR (Regional Administrative Tribunal) against the Municipality of Serravalle Scrivia - 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 limitation periods therein, including the delivery of a bank/insurance surety on first demand in favour of RFI S.r.l.. By order dated 28 July 2016, the Piedmont T.A.R dismissed the suspension request by Retail Park One S.r.l., which then filed a cautionary appeal against the dismissal order. At the hearing held on 19 January 2017, the Council of State upheld the cautionary appeal and, by order no. 167/2017, suspended the limitation period of the building permit relating to the delivery of a bank/insurance surety on first demand, without prejudice to the other limitation periods.

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.

To settle the position, Novipraga SIINQ S.p.A. (acquirer of Retail Park One S.r.l.), RFI and the Municipality of Serravalle Scrivia signed, on 28 January 2019, an agreement pursuant to art. 11 of Law 241/1990 under which the parties agreed to fully replace the limitation periods subject to appeal, including the period relating to the delivery of a bank/insurance surety on first demand and its amount. In light of the above, at the hearing held on 30 January 2019, the parties requested a brief postponement in order to allow the filing of a declaration of lack of interest in the appeal, aimed at declaring that the proceedings may not be pursued, with each side to pay its own legal costs. The case was therefore adjourned to the hearing of 17 April 2019. An application was filed for the declaration of proven lack of interest and, given the consent of all the parties to the proceedings, it is believed that at the next hearing, the Piedmont TAR may declare the proceedings not to be pursued.

Main tax audits and disputes

It should be noted that all tax disputes involving the demerged company Aedes SIIQ S.p.A. (now Restart SIIQ S.p.A.) as the Parent Company at the date of effectiveness of the demerger, are still borne by the latter, as explained in the demerger project.

The main tax disputes directly involving Aedes Group companies are explained below.

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 (now Restart SIIQ S.p.A.), 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.

Novipraga S.r.l., subsequently named Novipraga SIINQ S.p.A., received two assessment notices on 23 February 2012 relating to 2007 IRAP and 2007 IRES (the latter also notified to Praga Holding S.p.A, now Restart SIIQ S.p.A., as the consolidating company) issued by the Revenue Agency - Provincial Office of Alessandria. The notices stem from the so-called "shell companies" issue, pursuant to art. 30 of Law 724/1994. On 20 July 2012, the company 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. The Revenue Agency filed an appeal on 2 January 2018. The company appeared before the court, requesting rejection of the encumbrance.

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 issued 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.

It should be noted that, with regard to the disputes with the Revenue Agency - Provincial Office of Alessandria, without prejudice to the obvious reasons of the Aedes Group companies, an out-of-court settlement attempt is being assessed (which also regards certain positions of the Restart Group) and is underway with the Revenue Agency, which will also be mediated by means of the amendment to Law Decree no. 119/2018, converted through amendments into Law 136/2018.

Roero Retail Park,
Santa Vittoria d'Alba (CN)

2.14 Corporate Governance and direction and coordination activities

Information on Aedes SIIQ S.p.A.'s Corporate Governance system is provided in the Report on Corporate Governance and Ownership Structure, approved by the Board of Directors at its meeting of 3 April 2019 for approval of – *inter alia* – the draft financial statements and the consolidated financial statements at 31 December 2018. 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 in this context – is published in accordance with the regulatory procedures, regulations and other laws and is available at the registered office, on the website of the Company www.aedes-siiq.com and on the authorized distribution 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 Bylaws;
- 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 set up an internal Investment Committee which, also in compliance with the provisions of art. 2.2.41, par. 15, of the Stock Exchange Regulations, has advisory roles with the power to formulate proposals supporting, with adequate preliminary activities, the assessments and decisions of the Board of Directors relating to certain investment and/or divestment operations.

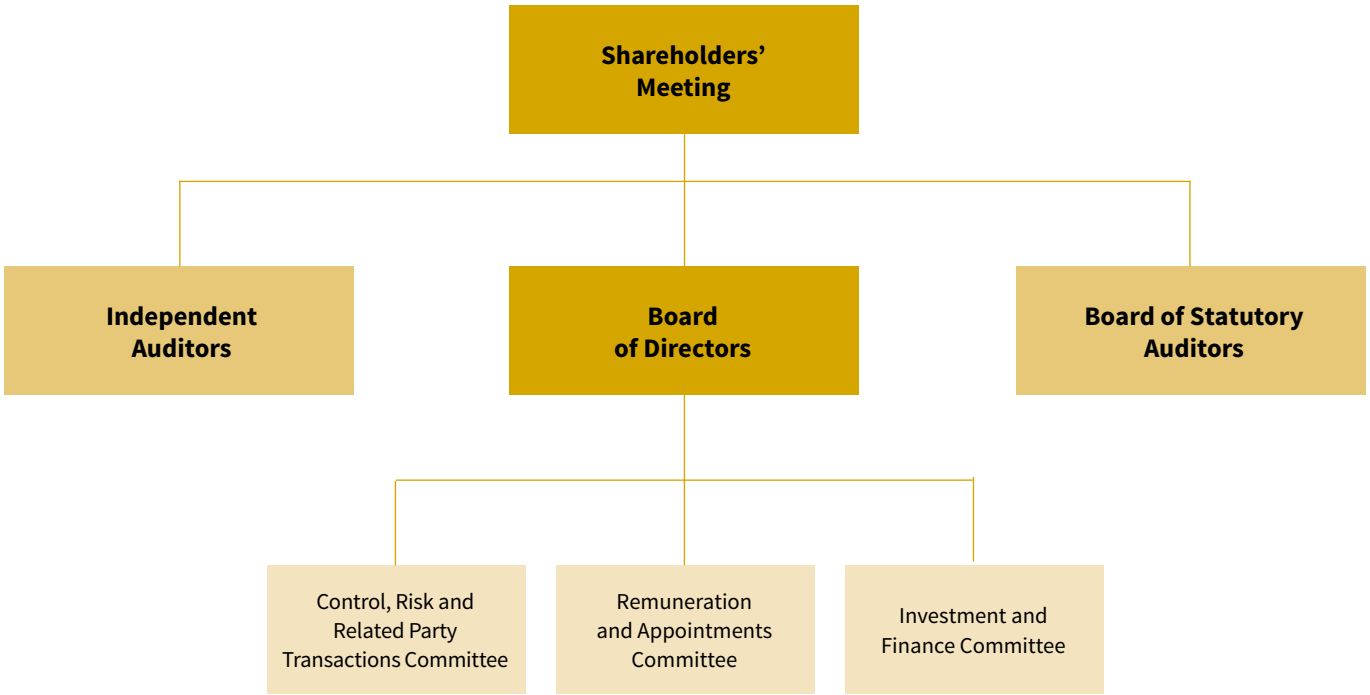
The Corporate Governance system represents the set of standards and behavioural guidelines adopted by Aedes SIIQ to ensure the efficient and transparent operation of the governing bodies and the company's control systems. Aedes SIIQ, in developing its traditional governance structure, has adopted the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

The Bodies

Board of Directors

The current Board of Directors was appointed by the Ordinary Shareholders' Meeting of 12 November 2018 for a period of three financial years until the approval of the financial statements for the year ending 31 December 2020, and is composed of the following members: Carlo A. Puri Negri, Benedetto Ceglie, Giuseppe Roveda, Alessandro Gandolfo, Adriano Guarneri, Giorgio Gabrielli, Annamaria Pontiggia, Rosanna Ricci and Serenella Rossano.

The Ordinary Shareholders' Meeting of 12 November 2018 appointed Carlo A. Puri Negri as Chairman of the



Board of Directors, while the Board of Directors, which met on the same date, appointed Benedetto Ceglie as Executive Deputy Chairman and Giuseppe Roveda as Chief Executive Officer, effective as of the first day of listing of the Company.

At its meeting of 12 November 2018, the Board of Directors resolved to appoint the following Committees, effective as of the first day of listing of the Company:

(i) the Control, Risk and Related Party Transactions Committee, composed of three non-executive and independent Directors: Rosanna Ricci (Chairman), Annamaria Pontiggia and Serenella Rossano;

(ii) the Remuneration and Appointments Committee, composed of three non-executive and independent Directors: Rosanna Ricci (Chairman), Annamaria Pontiggia and Serenella Rossano;

(iii) the Investment Committee, composed of three non-executive and independent Directors: Serenella Rossano (Chairman), Annamaria Pontiggia and Adriano Guarneri.

Board of Statutory Auditors

The Board of Statutory Auditors was appointed on the date of incorporation of the Company on 14 December 2016 and will remain in office until the approval of the financial statements for the year ended 31 December 2018.

On 12 November 2018, the Shareholders' Meeting resolved to integrate the composition of the Board of Statutory Auditors with the appointment of the Alternate Auditor Leonardo Grassi, replacing the outgoing Alternate Auditor Roberta Moscaroli, and the appointment of the Alternate Auditor Giuliana Maria Converti, effective as from the date of effectiveness of the Demerger, concurrent to entry into force of the new Bylaws.

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.

By resolution adopted on 16 January 2017, the Shareholders' Meeting appointed the Independent Auditors to perform the statutory audit of the Company's financial statements for the years 2016 to 2018, tasking them also with signing tax returns, assessing that the accounts are properly kept, and that operations are correctly registered in the accounting records. On 12 November 2018, the Shareholders' Meeting, in view of the listing and consequent assumption of the status of public-interest entity, pursuant to art. 16 of Legislative Decree no. 39 of 27 January 2010, as amended, resolved to appoint the Independent Auditors to audit the statutory and consolidated financial statements of the Aedes Group pursuant to Legislative Decree no. 39 of 27 January 2010, and to Regulation (EU) no. 537/2014, as well as to perform a limited audit of the condensed half-year financial statements for the period from 2019 to 2026.

2.15 Other information

Research & Development

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

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 2018, net costs of € 4 thousand were incurred for transactions with other related parties, mainly for property services on certain development projects, for Parent Company financing transactions, and for service contracts provided by Aedes SIIQ S.p.A. to Restart. Payables to Restart SIIQ S.p.A. include € 2,322 thousand relating to the balance resulting from the Demerger, as the difference between the value of the SIIQ Business Complex resulting from the individual statements of Restart SIIQ at 27 December 2018 (€ 270,045 thousand) and the value of the SIIQ Business Complex at 30 June 2018 (€ 267,723 thousand) as resulting from the demerger project.

The effects of transactions with related parties are shown in the statement of financial position, the income statement and the notes.

Serravalle Retail Park,
Serravalle Scrivia

Dealings with Group companies and other related parties show no atypical and/or unusual transactions during the reporting period.

Atypical or unusual transactions

In 2018, no atypical and/or unusual transactions were carried out by the Group*.

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

Following entry into force of General Data Protection Regulation EU 679/2016 and in view of its application as from 25 May 2018, Aedes has embarked on a path of alignment to achieve compliance by the first quarter of 2018. 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. Aedes will monitor regulatory developments expected in the quarter 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.

Certification pursuant to art. 2.6.2 of the Regulations of the Markets organized and managed by Borsa Italiana S.p.A.

With regard to the provisions of art. 2.6.2, par. 9 of the Regulations of the Markets organized and managed by Borsa Italiana S.p.A., the Board of Directors of Aedes SIIQ S.p.A. certifies the fulfilment of the conditions set out under art. 16 of the Regulations on markets adopted by Consob Resolution no. 20249 dated 28 December 2017 (formerly art. 37 of Consob Regulations 16191/2007).
With regard to the provisions of art. 2.6.2, par. 8 of the Regulations of the Markets organized and managed by Borsa Italiana S.p.A., it is clarified that Aedes SIIQ S.p.A. does not control companies incorporated under and governed by the laws of countries outside the European Union.

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

On application for the admission to listing, the Company announced its decision to "opt-out" as per articles 70, par. 8, and 71, par. 1-bis, of Consob Regulation no. 11971 of 14 May 1999 as subsequently amended (the "Issuer Regulation"), availing itself of the right to depart from the obligations to publish the information documents prescribed therein.

(*) 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.

2.16 Reconciliation between Parent Company equity and results and Group consolidated equity and results

Euro/000		31/12/2018
	Net result	Equity
Balance per Parent Company financial statements	**(265)**	**267,524**
Elimination of the effects of transactions between consolidated companies net of tax effects:		
- Reversal of measurement of shareholder loans based on IFRS9		1,171
Effect of change and of standard use of measurement criteria within the Group, net of tax effects:		
- Measurement at equity of companies recorded in the financial statements at cost	0	7,766
Elimination of carrying amount of consolidated equity investments:		
- Equity and pro rata result for the year of consolidated companies	0	19,153
Allocation of differences to the assets of consolidated companies and relating amortization:		
- Inventory		(84)
Effect of other adjustments:		
- Other adjustments	0	(150)
- Deferred tax		2,936
Balance per consolidated financial statements – Group share	**(265)**	**298,316**
Balance per consolidated financial statements	**(265)**	**298,316**

2.17 Business outlook

In 2019, the Company reaffirms its willingness to continue along the path embarked on in 2016, opting for the SIIQ regime, leading to the dimensional growth of rental revenue through i) the enhancement of the value of the assets held in the portfolio, including through normal rotation of the assets on the market where potential opportunities can be seized, and ii) the sale and purchase of investments that are not consolidated to date, with the aim again of increasing the Rented portfolio. Attention remains high as well as the actions to be taken - where market conditions are ripe - on capital strengthening (of the Company or its subsidiaries), as emphasized in the Listing Prospectus, which would allow a more solid and timely growth of the Rented property portfolio in the second half of the year.

2.18 Proposed allocation of profit for the year

Shareholders,

we submit for your approval the financial statements of Aedes SIIQ S.p.A. for the year ended 31 December 2018, which show a loss of € 265,081, which we propose to carry forward, without prejudice to the obligations required by law.

Milan, 3 April 2019

For the Board of Directors

The Chairman

Carlo A. Puri Negri

Milan, Via San Vigilio

03 Financial Statements and Explanatory Notes of the Aedes Group

3.1 Consolidated Statement of Financial Position

Assets

(Euro/000)	Note	31/12/2018	of which related parties	31/12/2017	of which related parties
Non-current assets					
Investment property	1	442,996		0	
Other tangible fixed assets	2	1,981		0	
Intangible fixed assets	3	50		0	
Investments booked at equity	4	53,450		0	
Deferred tax assets	5	3,236		0	
Financial receivables	6	9,849	9,807	0	
Trade and other receivables	7	0		0	
Total non-current assets		**511,562**		**0**	
Current assets					
Inventory	8	8,593		0	
Trade and other receivables	7	9,018	620	10	
Financial receivables	6	0		0	
Derivative financial instruments	9	4		0	
Cash and cash equivalents	10	3,580	1	16	
Total current assets		**21,195**		**26**	
Total assets		**532,757**		**26**	

Equity

(Euro/000)	Note	31/12/2018	of which related parties	31/12/2017	of which related parties
Equity attributable to the owners of the Parent					
Share capital		210,000		50	
Treasury shares		0		0	
Other reserves		28,605		0	
Retained earnings/(losses carried forward)		59,976		(13)	
Profit/(Loss)		(265)		(161)	
Total Group equity	**11**	**298,316**		**(124)**	
Equity attributable to non-controlling interests	12	**0**		**0**	
Total equity		**298,316**		**(124)**	
Liabilities					
Non-current liabilities					
Payables to banks and other lenders	13	134,909	15,652	0	
Derivative financial instruments	9	709		0	
Deferred tax liabilities	5	467		0	
Payables for severance indemnity	14	1,260		0	
Provisions for risks and charges	15	693		0	
Tax payables	16	0		0	
Trade and other payables	17	709		0	
Total non-current liabilities		**138,747**		**0**	
Current liabilities					
Payables to banks and other lenders	13	72,427	95	0	
Tax payables	16	161		0	
Trade and other payables	17	22,843	3,975	150	
Derivative financial instruments	9	263		0	
Provisions for risks and charges	15	0		0	
Total current liabilities		**95,694**		**150**	
Total liabilities		234,441		150	
Total liabilities and equity		**532,757**		**26**	

3.2 Consolidated Income Statement

(Euro/000)	Note	31/12/2018	of which non-recurring	of which related parties	31/12/2017	of which related parties
Revenue from sales and services	18	121		17	0	
Other revenue	19	671			0	
Costs for raw materials and services	20	(1,144)	(863)	(20)	(161)	
Personnel expense	21	(46)			0	
Other operating costs	22	(40)			0	
Amortization, depreciation and impairment losses	23	(8)			0	
Fair value adjustments	23	141			0	
EBIT		**(305)**			**(161)**	
Financial income	24	25		10	0	
Financial expense	24	(70)		(3)	0	
Profit before tax		**(350)**			**(161)**	
Tax	25	85			0	
Profit/(Loss) from continuing operations		**(265)**			**(161)**	
Gains/(Losses) after tax from assets and liabilities held for sale		0			0	
Result		**(265)**			**(161)**	
of which Profit/(Loss) attributable to non-controlling interests		0			0	
of which Profit/(Loss) attributable to the owners of the Parent		(265)			(161)	

3.2.1 Consolidated Comprehensive Income Statement

(Euro/000)	Note	31/12/2018	31/12/2017
Result		**(265)**	**(161)**
Other items recognized in equity that will be reclassified to the income statement in a subsequent period:			
Adoption of Fair Value Model			
Hedge accounting of derivatives		0	0
Other items recognized in equity that will not be reclassified to the income statement in a subsequent period:			
Actuarial (gains)/Losses		(163)	**0**
Total Other Profit/(Loss)		*(163)*	*0*
Total comprehensive profit/(Loss)		**(428)**	**(161)**
of which attributable to non-controlling interests		0	0
of which attributable to the owners of the Parent		(428)	(161)
Earnings per share			
Basic	29	n/a	n/a

3.3 Consolidated Statement of Changes in Equity

(Euro/000)	Share capital	Other reserves				Profit/ Losses) carried forward	Result for the year	Equity attributable to the owners of the Parent	Equity attributable to non-controlling interests	Total
		Merger surplus	Legal reserve	Other for increase of capital	Sharehol-ders' contri-butions for share capital increase					
31/12/2017	**50**	**0**	**0**	**0**	**0**	**(13)**	**(161)**	**(124)**	**0**	**(124)**
Allocation of profit for 2017					(161)		161	0		0
Shareholders' contributions to cover losses					350			350		350
Change in scope of consolidation from Demerger	209,950	(3,516)	2,283	29,649		60,152		298,518		298,518
Profit/(Loss) for the period							(265)	(265)	0	(265)
Actuarial (gains)/losses						(163)		(163)		(163)
Total comprehensive profit/(loss)						*(163)*	*(265)*	*(428)*	*0*	*(428)*
Change in non-controlling interests' share capital and reserves								0		0
31/12/2018	**210,000**	**(3,516)**	**2,283**	**29,649**	**189**	**59,976**	**(265)**	**298,316**	**0**	**298,316**

3.4 Consolidated Statement of Cash Flows

(Euro/000)	31/12/2018	31/12/2017
Result for the year	(265)	(161)
Amortization and depreciation	8	0
Fair value adjustments of investment property	(141)	0
Other provisions	2	0
Financial expense/(income)	44	0
Change in trade and other receivables	779	0
Change in trade and other payables	1,776	132
Change in other assets and liabilities	(59)	(0)
Other changes	(707)	(5)
Interest (paid)/received	(175)	0
Cash flow from operations	**1,262**	**(34)**
Change in investment property and other tangible fixed assets	(4,889)	0
Cash and cash equivalents acquired as a result of the Demerger	5,833	0
Cash flow from investing activities	**944**	**0**
Effects of changes in payables to banks and other lenders	1,008	0
Capital contributions (prior to Demerger)	350	0
Cash flow from financing activities	**1,358**	**0**
Change in net liquidity available	**3,564**	**(34)**
Cash and cash equivalents at beginning of period	**16**	**50**
Cash and cash equivalents at end of period	**3,580**	**16**

3.5 Introduction

On 27 September 2018, the Extraordinary Shareholders' Meetings of Aedes SIIQ S.p.A. and Sedea SIIQ S.p.A. approved the partial and proportional demerger of Aedes SIIQ in favour of Sedea SIIQ S.p.A. ("Demerger").

On such date, the Extraordinary Shareholders' Meeting of Sedea SIIQ S.p.A. resolved to increase the share capital to service the Demerger from € 50,000 to € 210,000,000, through issue of no. 31,980,344 new ordinary shares, with no par value and with regular dividend entitlement, to be assigned to the shareholders of the demerged company at a ratio of no. 1 ordinary share of the Company for each ordinary share of the demerging company held.

On 28 December 2018, the Demerger became effective and Sedea SIIQ S.p.A. changed its name to Aedes SIIQ S.p.A. (hereinafter also the "Company", "Aedes" or the "Parent Company"); trading also began on its ordinary shares and warrants (ISIN codes IT0005350449 and IT0005353195 respectively) on the MTA organized and managed by Borsa Italiana.

The Demerger consisted of a partial and proportional demerger and regarded the assets and liabilities relating to the core business of Aedes SIIQ S.p.A., i.e. the revenue properties, the shares of the main real-estate funds and the interests in the SIINQs.

The Demerger falls into a broader reorganization scheme, as a result of which the business complex owned by the demerging company was transferred to Aedes SIIQ S.p.A., which – either directly or through subsidiaries, associates or interests in real-estate funds – leases properties for commercial use and develops areas suitable for the construction of commercial properties (mainly retail) to be leased, consistent with the SIIQ model (the so-called SIIQ Business Complex); the demerging company (today Restart SIIQ S.p.A.) has remained the owner of the business complex that performs - either directly or through subsidiaries, associates or interests in real-estate funds - the activity of buying, developing and managing properties that are not consistent with the SIIQ model (Non-SIIQ Business Complex).

The Demerger has therefore generated two distinct companies, each focused on its own business and each having its own goals. Specifically, Aedes SIIQ S.p.A. will focus on the core business typical of the SIIQ model (management of revenue properties and revenue development), enhancing the value of the pipeline in the portfolio and acquiring additional revenue properties, accessing the capital market in order to raise the resources needed to grow.

Additionally, to effectively separate the activities falling, respectively, in the SIIQ and Non-SIIQ Business Complexes, the Shareholders' Meetings of Pragaotto, La Bollina and Pragaquattro – all at the Date of the Registration Document fully owned by Aedes, the first two part of the Non-SIIQ Business Complex, the third of the SIIQ Business Complex – approved on 2 August 2018 the partial demergers of Pragaotto and La Bollina in favour of Pragaquattro. These operations fall in the context of a single scheme, where the individual phases are preliminary to the transfer of the activities covered by the SIIQ Business Complex of Aedes to the Company.

The financial statements and consolidated financial statements are audited by Deloitte & Touche S.p.A., pursuant to art. 14 of Legislative Decree no. 39 of 27 January 2010, and taking account of Consob recommendation of 20 February 1997.

The consolidated financial statements were approved by the Board of Directors of the Company on 3 April 2019.

3.6 Assets and liabilities acquired as a result of the Demerger

The partial and proportional demerger in favour of the Company envisaged the assignment to the Company of all the assets and liabilities covered by the SIIQ Business Complex, which performs - either directly or through subsidiaries, associates or interests in real-estate funds - the leasing of properties for commercial use and the development of areas suitable for the construction of revenue properties for commercial use (mainly retail), to be leased consistent with the SIIQ Model.

Assets

(Euro/000)	Consolidated statement of financial position of the SIIQ Business Complex at 27 December 2018
Investment property	437,974
Other tangible fixed assets	1,981
Intangible fixed assets	50
Investments in associates and other companies	53,448
Receivables for prepaid tax	3,236
Financial receivables	7,826
Trade and other receivables	-
Total non-current assets	**504,515**
Inventory	8,593
Trade and other receivables	10,495
Derivative instruments	4
Cash and cash equivalents	5,833
Total current assets	**24,925**
Total assets	**529,440**

Liabilities

(Euro/000)	Consolidated statement of financial position of the SIIQ Business Complex at 27 December 2018
Payables to banks and other lenders	134,008
Derivative instruments	709
Deferred tax liabilities	467
Provision for post-employment benefits	1,098
Provisions for risks and charges	770
Trade and other payables	552
Total non-current liabilities	**137,604**
Trade and other payables	21,225
Payables to banks and other lenders	71,791
Derivative instruments	302
Total current liabilities	**93,318**
Total liabilities	**230,922**
Total equity	**298,518**

Based on the financial position resulting from the financial statements at 30 June 2018 (included in the demerger project), the difference between the book value of the assets and liabilities assigned to the Company was calculated as being € 267,723 thousand. At the effective date of the Demerger, on 28 December 2018, the difference between the amounts relating to the demerged complex and those identified in the demerger project at 30 June 2018 led to an adjustment in favour of Restart SIIQ S.p.A. for an amount equal to € 2,322 thousand.

The book value of the complex acquired through the Demerger is € 298,518 thousand, with a consequent increase in consolidated equity of a corresponding amount, while the increase in cash and cash equivalents as a result of the Demerger is equal to € 5,833 thousand, as recognized in the statement of cash flows, where this amount represents the cash and cash equivalents of the SIIQ Business Complex that were transferred to the Aedes Group as a result of the Demerger.

Additionally, as the legal effectiveness of the Demerger took place at a date close to the end of the year, the above changes in the consolidation scope had no significant impact on the income statement of the Aedes Group at 31 December 2018, since the Parent Company acquired control of the companies forming part of the demerged complex only at the end of the year. In addition, the Demerger has been accounted for on a going concern basis, being a “Combination of entities or businesses under common control” since the companies involved in the Demerger are and will remain consolidated, in accordance with IFRS 10 - Consolidated Financial Statements, by the same entity (i.e. Augusto S.p.A.).

The assets and liabilities acquired by the Group as a result of the above Demerger are shown in the chart.

3.7 Basis for preparation and new accounting standards

The consolidated financial statements at 31 December 2018 are the first consolidated financial statements of the Company, and 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 financial statements have been prepared based on the conventional historic cost standard, except for the measurement of investment property at fair value and the financial assets and liabilities, including derivative instruments, in cases where the fair value method is applied.

The statements and disclosures contained in this statement of financial position have been prepared in compliance with IAS 1, pursuant to CONSOB Communication no. DEM 6064313 of 28 July 2006.

The financial statements have been prepared on a going concern basis. The Directors, in fact, have assessed that there are no uncertainties regarding the ability of the Company and the Group to operate as a going concern, even on the basis of estimates contained in the section below "Main types of risk - Liquidity risk", to which reference is made.

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

The financial statements used for consolidation are those prepared by the managing bodies of the individual companies, appropriately reclassified and adjusted, where necessary, to comply with the International Accounting Standards (IAS/IFRS) and Group criteria.

These financial statements have been prepared using the € as the reporting currency and all values are rounded to the nearest thousandth unless otherwise indicated.
The effects of transactions with related parties are shown in the income statement and statement of financial position, and in the relevant Explanatory Notes.

The consolidated financial statements at 31 December 2018 are the first consolidated financial statements of the Company; comparative figures, therefore, are unrepresentative as the Parent Company did not carry out any operational activity at 31 December 2017. As commented in the introduction, following the effectiveness of the Demerger, the Company changed its name to Aedes SIIQ S.p.A. and the consolidated financial statements include the statement of financial position and income statement figures of the Parent Company Aedes and of the companies directly or indirectly controlled as a result of the Demerger. Mention should be made that the Demerger has been accounted for on a going concern basis, being a "Combination of entities or businesses under common control", since the companies involved in the Demerger are and will remain consolidated, in accordance with IFRS 10 - Consolidated Financial Statements, by the same entity (i.e. Augusto S.p.A.).

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:

- On 28 May 2014, the IASB published IFRS 15 – Revenue from Contracts with Customers which, along with additional clarifications published on 12 April 2016, will replace IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services. The standard establishes a new revenue recognition model, 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 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.

• On 24 July 2014, the IASB published the final version of IFRS 9 – Financial Instruments: recognition and measurement. The document includes the results of the IASB project aimed at superseding IAS 39. The new standard must be applied to financial statements beginning on or after 1 January 2018.

It introduces new criteria for the classification and measurement of financial assets and liabilities. More specifically, for financial assets, the new standard adopts a single approach based on the financial instrument management methods and on the characteristics of contractual cash flow of the financial assets in order to determine the measurement criteria, replacing the alternative rules established by IAS 39. For financial liabilities, the main change introduced regards the recognition of variations in the fair value of financial liabilities designated as a financial liability measured at fair value in the income statement, whenever these changes are due to a change in the credit rating of the issuer of the liability. According to

the new standard, these amendments must be recognized in the statement of "Other comprehensive income", and no longer in the income statement. Additionally, for non-substantial modifications to financial liabilities, entities can no longer spread the income statement effects of the renegotiation on the residual duration of the debt by changing the effective interest rate at such date, but are required to recognize the relating effect in the income statement.
With regard to impairment, the new standard requires an entity to base its measurement of expected credit losses (not on the incurred losses model used by IAS 39) on reasonable and supportable information that is available without undue cost or effort, and that includes historical, current and forecast information. The standard requires that the impairment model apply to all financial instruments, i.e. financial assets measured at amortized cost, those measured at fair value through other comprehensive income, receivables arising from lease agreements and trade receivables.

Lastly, the standard introduces a new hedge accounting model in order to adapt the requirements of the current IAS 39, which were considered at times too stringent and unsuitable to reflect company risk management policies. The main amendments of the document regard:

- increase in the types of transactions eligible for hedge accounting, also including the risks of non-financial assets/liabilities eligible to be managed in hedge accounting;
- change in the accounting method for forward contracts and options when included in a hedge accounting relation in order to reduce volatility of the income statement;
- changes to the effectiveness test through the replacement of the current methods based on the parameter of 80-125% with the standard of "economic relation" between the hedged item and the hedging instrument; in addition, an evaluation of the retrospective effectiveness of the hedging relation shall no longer be required.

The greater flexibility of the new accounting rules is balanced by additional requests for disclosure on the Company's risk management activities.
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 portfolios held by the various Group companies, the Group has applied the simplified approach which estimates ECL on trade receivables using a provision matrix. As the demerger became effective near year end, the change in the impairment model had no significant impact on the Group's results.

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.

Other aspects of IFRS 9: amendments to liabilities

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.

• On 20 June 2016, the IASB published an 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 introduction of the new amendment had no significant impact on the Group's consolidated financial statements.

• On 8 December 2016, the IASB published "Annual Improvements to IFRSs: 2014-2016 Cycle", which partly supplements the pre-existing standard into the annual improvement process. The main amendments regard:

- IFRS 1 First-Time Adoption of International Financial Reporting Standards
- Deletion of short-term exemptions for first-time adopters. The amendment has been applied as from 1 January 2018 and regards the deletion of a number of short-term exemptions under section E3-E7 of Appendix E of IFRS 1, as the benefit of such exemptions is considered outdated.
- 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. The amendment clarifies that the option for a venture capital organization or other entity classified as such (such as a mutual fund or similar entity) to measure investments in associates and joint ventures at fair value through profit or loss (rather than the equity method) is exercised for each single investment on initial recognition. The amendment has been applied as from 1 January 2018.
- IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the Standard. The amendment clarifies the scope of IFRS 12, specifying that the disclosures required by the standard, with the exception of the disclosures under sections B10-B16, apply to all interests that are classified as held for sale, held for distribution to owners, or as discontinued operations in accordance with IFRS 5. The amendment has been applied as from 1 January 2018.

The adoption of these amendments had no effects on the Group's consolidated financial statements.

• On 8 December 2016, the IASB published the amendment to IAS 40 "Transfers of Investment

Property". These changes clarify the requirements for transferring a property 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 already 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 adoption of these amendments had no effects on the Group's consolidated financial statements.

• On 8 December 2016, the IASB published the interpretation "Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)". The purpose of the interpretation is to provide guidelines on foreign currency transactions when non-monetary advance consideration paid or received is recognized (as a balancing entry to cash received/paid), before recognition of the relating asset, expense or income. The adoption of this interpretation had no effects on the Group's consolidated 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 31 DECEMBER 2018

• On 13 January 2016, the IASB published IFRS 16 – Leases, which will supersede 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, the right to replace the asset, right to obtain substantially all economic benefits deriving from use of the asset and the right to direct the use of the asset underlying the contract. The standard introduces a single lessee accounting model, by which an asset under a lease, including an operating lease, is recognized in assets with an offsetting financial liability. The standard, instead, introduces no material changes for the lessor.

The standard applies as from 1 January 2019, but early adoption is allowed.

The Company completed its preliminary assessment of the potential impacts of applying the new standard at the transition date (1 January 2019). This process was divided into several phases, including the complete mapping of contracts potentially suitable for containing a lease, and their analysis in order to understand the main clauses relevant for the purposes of IFRS 16.

The implementation process of the standard is nearing completion, which involves setting up the IT infrastructure to handle the standard from an accounting perspective, and aligning administrative processes and audits to monitor the critical areas covered by the standard.

The Company has chosen to apply the standard retrospectively, but has recognized the cumulative effect of applying the standard in equity at 1 January 2019, in accordance with paragraphs IFRS 16:C7-C13. Specifically, the Company will record, with regard to lease contracts previously classified as operating:

a) a financial liability, equal to the present value of the remaining future payments at the transition date, discounted using for each contract the incremental borrowing rate applicable at the transition date;

b) a right of use, equal to the value of the financial liability at the transition date, net of any accruals and deferrals from the lease and recorded in the statement of financial position at the balance sheet date of these financial statements.

The estimated impacts of the adoption of IFRS 16 at the transition date are shown below:

- recognition under non-current assets of rights of use for a total of € 3.6 million;
- recognition of a financial liability for a total of € 3.5 million.

In adopting IFRS 16, the Company intends to make use of the exemption granted by paragraph IFRS 16:5(a) with regard to short-term leases. The Company intends to equally make use of the exemption granted by IFRS 16:5(b) with regard to lease contracts for which the underlying asset is a low-value asset (i.e. the assets underlying the lease contract do not exceed

€ 5 thousand when new). The contracts for which exemption has been applied fall mainly within the following categories:

- Computers, phones and tablets;
- Printers;
- Other electronic devices;
- Furniture and fittings.

For such contracts, the introduction of IFRS 16 will not result in the recognition of the financial liability of the lease and the related right of use, but lease payments will be recorded in the income statement on a straight-line basis for the duration of the respective contracts.

Additionally, with regard to transition rules, the Company intends to make use of the following practical expedients permitted in the event it chooses the modified retrospective transition method:

- use of the assessment made at 31 December 2018 in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets relating to the accounting of onerous contracts as an alternative to the application of the impairment test on the value of the right of use at 1 January 2019;
- classification of contracts expiring within 12 months from the transition date as short-term leases. For such contracts, lease payments will be recorded in the income statement on a straight-line basis;
- exclusion of initial direct costs from the measurement of the right of use at 1 January 2019;
- use of the information available at the transition date to determine the lease term, with particular regard to the exercise of extension and early closure options.

The transition to IFRS 16 introduces a number of elements requiring professional judgment that lead to the establishment of certain accounting policies and the use of assumptions and estimates regarding the lease term and the determination of the incremental borrowing rate. The main are summarized below:

- the Company has decided not to apply IFRS 16 for contracts containing a lease that has an intangible asset as the underlying asset;
- lease term: the Group has reviewed all the lease contracts, defining the lease term for each one, given by the "not cancellable" period together with the effects of any extension or early termination clauses, the exercise of which was considered reasonably certain. Specifically, in the case of properties, the analysis took into account the specific facts and circumstances of each asset. With regard to the other categories of assets, mainly company cars and equipment, the Group generally considered it unlikely that any extension or early termination clauses would be exercised given the Group's customary practice;
- definition of incremental borrowing rate: since most lease contracts entered into by the Group do not include an implicit interest rate, the discount rate to be applied to future lease payments has been taken as the risk-free rate in each country in which the contracts were entered into, with maturities commensurate with the term of the specific lease contract, plus the specific credit spread of the Group.

Reconciliation with lease commitments

In order to provide a clear picture of the impacts from the first-time adoption of the standard, the following table provides a reconciliation between future commitments relating to lease contracts and the expected impact of the adoption of IFRS 16 at 1 January 2019.

Mention should be made that the final amount of the financial liability for leases will likely change between the balance sheet date and the date of publication of the half-year report at 30 June 2019 due to both to the change in the estimated terms for certain leases and to the future technical accounting practices and related interpretations of the standard.

- On October 12, 2017, the IASB published an amendment to IFRS 9 "Prepayment Features with Negative Compensation". The document specifies that prepayable instruments may meet the Solely Payments of Principal and Interest ("SPPI") test, even if the reasonable additional compensation to be paid in the event of prepayment is a negative compensation

Reconciliation of lease commitments

(Euro millions)	1 January 2019
Commitments for operating leases at 31 December 2018	**€ 4.0**
Payments for short-term leases (exemption)	<€ 0.2>
Payments for low-value leases (exemption)	<€ 0.0>
Financial liabilities not discounted for leases at 1 January 2019	**€ 3.8**
Discounting effect	€ 0.3
Financial liabilities for leases at 1 January 2019	**€ 3.5**

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.

• On 7 June 2017, the IASB published the interpretation "Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)" (published on 7 June 2017). The interpretation addresses the issue of uncertainty over income tax treatments. Specifically, the Interpretation requires an entity to analyze uncertain tax treatments (individually or as a whole, depending on their characteristics) on the assumption that the taxation authority will examine the tax position in question, with full knowledge of all relevant information. If the entity concludes that it is not probable that the taxation authority will accept the tax treatment used, the entity shall reflect the effect of the uncertainty in measuring its current and deferred income tax. Additionally, the document does not provide for any new disclosure requirements, stressing however that the entity should need to determine whether it will be necessary to provide disclosure on the Management's considerations on uncertainty from the accounting of tax, in accordance with IAS 1.
The new interpretation 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 this interpretation.

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

At the date of this document, the competent bodies of the European Union have not yet completed the endorsement process required for the adoption of the amendments and the standards described below.

• On 18 May 2017, the IASB issued IFRS 17 – Insurance Contracts, intended to supersede IFRS 4 - Insurance Contracts.
The aim of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations deriving from insurance contracts issued.
The Directors do not expect the Group's consolidated financial statements to be affected by the adoption of this standard.

• On 12 October 2017, the IASB published "Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)". 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 do not expect the Group's consolidated financial statements to be materially affected by the adoption of these amendments.

• On 12 December 2017, the IASB published "Annual Improvements to IFRSs: 2015-2017 Cycle", adopting the amendments to the standards in the context of the annual process for their improvement. The main amendments regard:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendment clarifies that when an entity obtains control of a business that is a joint operation, it must

re-measure previously held interests in that business. This process is not provided for when joint control is obtained.

- IAS 12 Income Taxes: the amendment clarifies that all the tax effects from dividends (including payments on financial instruments classified as equity) must be recognized consistently with the transaction that generated those profits (profit or loss, OCI or equity).
- IAS 23 Borrowing costs: the amendment clarifies that borrowings that remain outstanding even after the related qualifying asset is ready for use or sale should be calculated as part of the borrowing costs.

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.

• On 7 February 2018, the IASB published "Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)". 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 Directors are assessing the possible effects of the introduction of these amendments on the Group's consolidated financial statements.

• On 22 October 2018, the IASB published "Definition of a Business (Amendments to IFRS 3)". The document provides a number of clarifications regarding the definition of business for the purposes of the correct application of IFRS 3. Specifically, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. However, to meet the definition of business, an integrated set of activities/processes and assets must include, as a minimum, a substantial input and process that together contribute significantly to the ability to create output. For this purpose, the IASB has replaced the term "ability to create output" with "ability to contribute to the creation of outputs" to clarify that a business can exist even without the presence of all the inputs and processes needed to create an output.

The amendment also introduced a concentration test, optional for the entity, to determine whether a set of assets/processes and assets purchased is not a business. If the test is successful, the set of activities/processes and assets purchased is not a business and the standard does not require further testing. If the test fails, the entity must carry out further analysis of the activities/processes and assets purchased to identify the presence of a business. To this end, the amendment has added a number of illustrative examples to IFRS 3 in order to provide a clear picture of the practical application of the new definition of business in specific cases. The amendments apply to all business combinations and acquisitions of assets after 1 January 2020, but early application is allowed. The Directors are assessing the possible effects of the introduction of this amendment on the Group's consolidated financial statements.

• On 31 October 2018, the IASB published "Definition of Material (Amendments to IAS 1 and IAS 8)". The document introduced a change in the definition of 'material' contained in IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. This amendment aims to make the definition of 'material' more specific and introduces the concept of 'obscured information' alongside the concepts of omitted or incorrect information already present in the two standards being amended. The amendment clarifies that information is obscured if it is provided in such a way as to produce for general users of financial statements an effect similar to that which would be produced if such information had been omitted or misstated. The Directors do not expect the Group's consolidated financial statements to be materially affected by the adoption of this amendment.

• On 11 September 2014, the IASB published an amendment to IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture. The document was published to solve the current conflict between IAS 28 and IFRS 10. Under IAS 28, the gain or loss resulting from the sale or contribution of a non-monetary asset to a joint venture or an associate in return for an investment in the latter is limited to the investment held in the joint venture or associate by other unrelated investors. By contrast, IFRS 10 requires the recording of the entire gain or loss in the event of loss of control of a subsidiary, even if the entity continues to hold a non-controlling interest in it, including in this case also the sale or contribution of a subsidiary to a joint venture or associate. The amendments require that for a sale/contribution of an asset or a subsidiary to a joint venture or associate, the measure of the gain or loss to be recognized in the financial statements of the seller/contributor depends on whether the asset or subsidiary sold/contributed constitute a business under IFRS 3. If the assets or the subsidiary sold/contributed represent a business, the entity shall recognize the gain or loss on the entire investment held; otherwise, the portion of the gain or loss related to the investment still held by the entity shall be eliminated. To date, the IASB has suspended the application of this amendment. The Directors do not expect the Group's consolidated financial statements to be materially affected by the adoption of these amendments.

3.8 Financial statements

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

Consolidated statement of financial position

The consolidated statement of financial position is presented with separate disclosures of Assets, Liabilities and Equity.
In turn, assets and liabilities are shown in the consolidated financial statements based on their classification as current and non-current.
An asset/liability is classified as current when it satisfies one of the following criteria:

- it is expected to be realized/settled or is expected to be sold or used in the normal operating cycle, or
- it is held principally to be traded or
- it is expected to be realized/settled within twelve months from the balance sheet date.

In absence of all three conditions, assets/liabilities are classified as non-current.
Lastly, a liability is classified as current when the entity does not have an unconditional right to defer settlement of the liability for at least 12 months from the balance sheet date.

Consolidated income statement

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

- EBIT;
- profit before tax;
- profit/(loss) from continuing operations;
- net profit/(loss).

Consolidated comprehensive income statement

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

Consolidated statement of changes in equity

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

Consolidated statement of cash flows

The Consolidated Statement of Cash Flows is divided into cash flow generating areas as required by international accounting standards, prepared according to the indirect method.
Mention should finally be made that the Aedes Group has applied the provisions of Consob Resolution no. 15519 of 27 July 2006, relevant to the financial statements and of Consob Communication no. 6064293 of 28 July 2006 relevant to company disclosure.

3.9 Consolidation principles

For the purposes of consolidation, the financial statements at 31 December 2018 of the companies included in this area have been used, prepared in accordance with Group accounting principles, which relate to IFRSs.
The consolidation of the income statement figures takes place from the date on which the Parent Company acquires control of the other entities. As the legal effectiveness of the Demerger took place at a date close to the end of the year, the changes in the consolidation scope had no impact on the income statement of the Aedes Group at 31 December 2018, since the Parent Company acquired control of the companies forming part of the demerged complex only at the end of the year.

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

- subsidiaries are consolidated using the full consolidation method, based on which assets and liabilities, costs and revenue of the financial statements of the subsidiaries in their overall amount are taken, regardless of the amount of the investment held; the book value of investments is eliminated against the underlying equity shares; balance sheet and income statement transactions between fully consolidated companies, including dividends distributed within the Group are eliminated; non-controlling interests are recorded in the specific equity item and, similarly, the share of profits or losses of non-controlling interests is shown separately in the income statement;
- all intragroup balances and transactions, including any unrealized profits arising from transactions carried out with Group companies, are eliminated in full. Unrealized losses are eliminated except where they represent an impairment loss to be recorded in the income statement;
- investments in associates and joint ventures

are measured at equity. The book value of investments is adjusted to reflect the investor's share in the results of the investee achieved after acquisition date;
• gains arising from transactions between companies included in the consolidation scope and measured at equity, not realized through transactions with third parties, are eliminated based on the percentage of the investment held.

The financial statements of the subsidiaries are drawn up using the currency of the primary economic environment in which they operate ("functional currency"). The consolidated financial statements are presented in Euro, the functional currency of the Parent and for the presentation of the consolidated financial statements of the Aedes Group. It should be noted that, in the scope of consolidation, there are no companies that prepare their financial statements in currencies other than the Euro.

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

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

Goodwill represents the excess of the aggregate of the acquisition price, the equity attributable to third-controlling interest and the fair value of any holding previously held in the acquired entity over the fair value of net assets and liabilities acquired at the date of acquisition.
If the net assets and liabilities acquired at the acquisition date exceed the amount of the consideration for the acquisition, the net equity attributable to third parties and the fair value of any previously held shareholding in the acquiree, that excess is recognized in the income statement of the year in which the transaction was concluded.

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

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

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

For the purposes of preparing this Report, the Group has taken account of the legal guidelines, expressed in particular in the Exposure Draft issued in June 2016 by the IASB (ED/2016/1).
Taking account of the Exposure Draft, the Group has developed an internal policy aimed at identifying the criteria and evaluations to distinguish a business combination from purchases of assets. Where, in the context of an acquisition, the fair value acquired is basically focused on an asset or homogeneous category of assets, the acquisition transaction is classified as a purchase of assets and related liabilities. Where the fair value cannot be focused on a specific category of assets, the presence of resources and structured processes is assessed as part of the net assets acquired, which are able, in their combination and

interaction, to generate specific results. Only in such circumstances is the acquisition transaction classified and accounted for as a business combination.

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

3.10 Valuation criteria

Non-current assets and liabilities

Intangible fixed assets

An intangible fixed asset is recognized only if identifiable, verifiable and if it is expected to generate future economic benefits and if its cost can be reliably measured. Intangible fixed assets are recorded at purchase cost, net of accrued amortization and impairment. Amortization is recognized starting from when the asset is available for use or is capable of operating in the manner expected by management, and is terminated at the date in which the asset is classified as owned for sale or is written off for accounting purposes.

Concessions, licenses and trademarks are booked at their historic cost, net of accrued amortization and impairment. Amortization is recognized based on the lesser period between the contractual duration and the period within which the asset is expected to be used.

Software licenses purchased are booked based on the costs incurred for the purchase and installation of the specific software, net of accrued amortization and impairment. These costs are amortized based on their useful life.

Costs associated with the development or maintenance of computer programmes are recorded as costs at the time they are incurred. Costs for the development of computer software booked as assets are amortized over their estimated useful life.

Investment property

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

- Properties for investment: initially recognized at cost, including transaction costs. After initial recognition, this investment property is recorded at fair value, reflecting market conditions at the balance sheet date. Gains and losses deriving from the change in the fair value of investment property are recorded in the income statement for the year in which they occur;
- Properties under development: accounted for using the cost criterion until the fair value can be reliably determined on a continuous basis and, after that time, recorded at fair value with an equal treatment of properties for investment. It should be noted that, as indicated in Consob Recommendation no. DIE/0061944 of 18 July 2013, based on the procedure approved on 28 September 2016 by the Board of Directors, the Group has identified the approval of the town-planning agreement by the competent Body as the moment when the property projects in progress are measurable at fair value in a reliable and continuous manner.

Investment property is initially recognized at cost, including transaction costs, and subsequently measured at fair value, recognizing in the income statement under “fair value adjustments” effects from changes in fair value of the investment property.

Investment property is eliminated from the financial statements when it is sold or permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses arising from the withdrawal or disposal of an investment property are recognized in the income statement in the year of the withdrawal

or disposal. Reclassifications from/to investment property usually occur when there is a change of use. For investment property reclassifications to direct use (instrumental property), the reference value of the property for subsequent accounting is the fair value at the date of change in use. The property portfolio, including the portfolio held through associates and joint ventures, is assessed every six months with the help of independent experts with recognized and relevant professional qualification and recent experience in the location and features of the properties assessed.

Fair value represents the amount for which an asset could be exchanged or that would need to be paid to transfer the liability (exit price) in a free transaction between knowledgeable, independent parties. Consequently, it is assumed that the company is a going concern and that neither party has the need to liquidate their assets in a forced sale on unfavourable conditions.

For the measurement of the individual properties, the type of tenant currently occupying the property, the division of insurance responsibilities and maintenance between the lessor and lessee and residual economic life of the property are taken into consideration.

Other tangible fixed assets

Other tangible fixed assets are booked at purchase or production cost, including directly attributable ancillary costs, net of depreciations and impairments accrued. Depreciation is calculated starting from when the property is available for use or is potentially able to provide the associated economic benefits.

Depreciation is calculated on a straight-line basis at rates that reflect the useful life or, in the case of disposal, until the end of use. Subsequent costs are included in the book value of the asset and are recorded as a separate asset, depending on the more appropriate method, only when it is probable that the future economic benefits associated to the item will benefit the Group and the cost of the item can be reliably measured. All other costs for repairs and maintenance are recorded in the income statement during the year in which they are incurred.

The rates of depreciation, unchanged versus the prior year, are the following:

- Plant and equipment	20%
- Equipment	20% or, if lower, duration of the rental contract
- Other assets - Motor vehicles	25%
- Office equipment	20%-50%
- Furniture and fittings	12%

Financial expense relating to the purchase is charged to the income statement unless it is directly attributable to the purchase, construction or production of an asset that justifies the capitalization, in which case it is capitalized. The capitalization of financial expense terminates when all of the necessary activities to render the asset available for use are completed. Leasehold improvements are classified under tangible fixed assets, on the basis of the cost incurred. The depreciation period corresponds to the lower of the remaining useful life of the tangible fixed asset and the residual duration of the lease contract.

Leases

The definition of a contractual agreement as a lease transaction (or containing a lease transaction) is based on the substance of the agreement and requires an assessment whether the fulfilment of the agreement itself depends on the use of one or more specific assets or if the agreement transfers the right of use of such asset. The verification that an agreement contains a lease is performed at the beginning of the agreement. A lease contract is classified as finance or operating lease at the beginning of the lease. A lease contract that basically transfers to the Group all of the risks and benefits arising from ownership of the leased asset is classified as finance lease.

Finance leases are capitalized at the start date of the lease at the fair value of the asset leased or, if lower, at the current value of the instalments. The instalments are allocated between principal and interest in order to apply a constant interest rate on the remaining balance of the debt. Financial expense is recognized in the income statement. Operating lease payments are recognized as costs in the income statement on a straight-line basis over the duration of the contract.

Impairment

At each reporting date, the Company reviews the book value of its property, plant, equipment, intangible assets and investments to determine whether there are any signs of impairment. If so, the recoverable amount of the assets is estimated to determine any impairment loss.
The verification consists in the estimate of the recoverable value of the asset comparing it with the relevant net book value.
If the recoverable amount of an asset is less than the net book value, the latter is reduced to its recoverable amount. This reduction constitutes an impairment loss, which is recognized in the income statement in the period in which it occurs. The recoverable amount of an asset is the higher of net selling price and value in use. The value in use is the current value of expected cash flows generated by the asset. In order to assess impairment, assets are analyzed starting from the lowest level for which the separate cash generating units can be identified.

Intangible and tangible fixed assets not subject to amortization/depreciation (indefinite useful life), as well as intangible fixed assets not yet available for use, are subject to an annual impairment test.
In the presence of an impairment reversal indicator, the recoverable value of the asset is recalculated and the book value is increased up to this new amount. The increase in the book value cannot, in any case, exceed the net book value that the fixed asset would have had should the impairment loss not have occurred.
Impairment losses of goodwill cannot be reversed.
With regard to property assets, assessments are performed for each individual property based on appraisals prepared by independent third parties. In this context, in consideration of the asset subject to assessment, the methods used are the following:

- conversion method: based on discounting at the appraisal date of the cash flows generated in the period in which the property transaction is executed; cash flows are the result of the difference between costs and revenue;
- direct comparison method: based on the comparison between the asset at hand and other similar assets subject to sale or currently offered on the same market or trade markets;
- income method: based on the present value of the potential future earnings of a property obtained by capitalizing income at a market rate.

For investments, given their nature (mainly property), the impairment assessments are developed on the basis of book equity appropriately adjusted in order to consider the fair value for the property units owned by each investee, taken from the above property appraisals, net of tax effects where applicable.

With regard to non-property investments, assessments are developed based on the values recoverable through use, determined based on the predictable developments in the activity prepared by management.

Investments in joint ventures

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

Investments in associates

These are companies in which the Group exercises significant influence, but not control or joint control, over financial and operating policies. The consolidated financial statements include the Group's share in the results of the associates, accounted for at equity, from the date when significant influence starts until it ceases to exist.

Financial assets

Receivables (with the exception of trade receivables) and other financial assets are initially recognized at fair value, plus (in the case of a financial asset classified at fair value with changes recognized in the income statement) any purchase-related costs. With the exception of the general rule, trade receivables at initial recognition are measured at the price set in the transaction. Management determines upon initial recognition how financial assets are to be classified, in accordance with IAS 9 criteria and as required by IFRS 7.
After initial recognition, financial assets are measured in accordance with their classification within one of the following categories. More specifically:

- Receivables and other financial assets are measured at amortized cost using the effective interest method, in other words, recognizing in profit or loss the interest calculated using a rate that exactly discounts the financial asset's estimated future net cash flows to its carrying amount. Losses are

recognized in profit or loss when the loans and receivables are derecognized or when they become impaired. Receivables are subject to impairment and recognized at their estimated realizable value (fair value) by means of the allowance for impairment directly deducted from their carrying amount. Receivables are impaired when there is objective evidence that the receivable is unlikely to be collected and also on the basis of past experience and statistics (expected losses). If, in a subsequent period, the amount of previous impairment losses decreases, the carrying amount of the assets is reinstated but to not more than what the amortized cost would have been had the impairment loss not been recognized. The Group mainly reports in this category assets due within twelve months, which are recognized at nominal amount as an approximation of amortized cost. If the terms of payment are longer than normal market terms and the loan or receivable does not earn interest, the amount recognized in the financial statements contains an implicit time value component and so must be discounted by recognizing the discount in profit or loss.

• Other non-current equity instruments (ex available for sale) are initially recognized at cost (fair value of the initial consideration given in exchange), increased by any directly-attributable transaction costs, as the Group generally chooses to measure the instrument at fair value with changes recognized in the income statement. All investments in equity instruments must be measured at fair value. In the case of securities traded on active markets, the fair value is determined with reference to the closing price on the last trading day of the reporting period. In the case of assets for which there is no active market, fair value is determined on the basis of the price used in recent transactions between independent parties in instruments that are substantially the same, or using other measurement techniques, such as income valuations or based on discounted cash flow analysis.

• "Financial assets, designated upon initial recognition at fair value through profit or loss" are measured at fair value at the reporting date; in the case of unquoted instruments, this amount is determined using generally accepted valuation techniques based on market information. Fair value gains and losses on assets in this category are recognized in profit or loss.

Derivative financial instruments

Derivatives are classified as "Hedging derivatives" when they meet the requirements for hedge accounting, otherwise, even if they have been taken out with the intent of managing exposure to risks, they are recognized as "Non-hedging derivatives".

Under the provisions of IFRS 9, the Group has availed itself of the option to continue applying the methods and requirements established for hedge accounting by IAS 39, previously in force, and thus define the hedge effectiveness relationship relating to the derivative financial instrument. Specifically, financial instruments are accounted for according to the methods adopted by the Group for hedge accounting, only if the relationship between the derivative and the item being hedged is formally documented and the hedge is highly effective.

The effectiveness of hedging transactions is documented both at the inception of the hedge and periodically thereafter (quarterly or at least at every reporting date) and is measured by comparing changes in the hedging instrument's fair value with those in the hedged item (dollar offset method) for back testing effectiveness.

Prospectively testing effectiveness involves developing aggregate discounted cash flows by year for the hedged item and its hedging derivative (regression method). When derivatives hedge the risk of fair value changes in the instrument being hedged (fair value hedge), the derivatives are recognized at fair value and gains/losses are taken to profit or loss.

The effective portion of changes in the fair value of cash flow hedges, which hedge the exposure to changes in cash flows for the items hedged, is recognized in other comprehensive income and presented in the hedging reserve. The ineffective portion of changes in the fair value of the derivative financial instrument is immediately recognized in profit/(loss) for the year. If the derivative instrument is disposed of or no longer qualifies as an effective hedge against the risk for which it was originally arranged, or if the underlying transaction is no longer highly likely to take place, the portion of the cash flow hedge reserve relating to that derivative is immediately released to profit or loss.

Regardless of classification, all derivatives are stated at fair value, determined using valuation techniques based on market data (such as discounted cash flows, forward exchange rate method, Black-Scholes model and its variants).
Specifically, this value is determined by the "Administration and Finance" department, using specific pricing instruments based on market parameters (i.e. interest rates, exchange rates and volatility), recognized on individual valuation dates and compared with the figures communicated by the counterparties.

Non-current assets held for sale

A non-current asset is classified separately as a non-current asset held for sale, if its book value will be recovered principally through a sale transaction rather than through continuing use. For sale to be highly probable, an entity should start the activities leading up to the sale and complete the sale within a year of the classification date. The Company measures a non-current asset classified as held for sale at the lower of its book value and fair value less costs to sell.
Under IFRS 5, the figures relevant to assets held for sale are shown in two specific items of the statement of financial position: "non-current assets held for sale" and "liabilities relevant to non-current assets held for sale".
From the date on which such assets are classified as fixed assets held for sale, their depreciation is suspended.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are calculated based on temporary differences between the carrying amount of assets and liabilities and their tax basis (full liability method).
Deferred tax assets and liabilities are calculated based on the tax rates expected to be applicable at the time such deferments are realized, considering the rates in force or those expected to be issued.
They cannot be discounted back and are classified among non-current assets/liabilities.
Prepaid and deferred tax is credited or charged to equity if it relates to items that are credited or charged directly to equity in the year or in prior years.
Prepaid tax is booked only when recovery is probable in future years. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced in the measure that it is no longer probable that sufficient income deriving from taxable operations exists in order to allow the total or partial review of such assets.

Equity

Treasury shares are classified as a reduction in equity.
The original cost of treasury shares and gains/losses from subsequent sale are recognized as changes in equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity.
Should any Group company acquire capital shares within the Company equity (treasury shares), the amount paid, including incremental costs attributable (net of income tax), is subtracted from equity attributable to the holders of the Company capital until the shares are not cancelled, reissued or disposed. Should such shares be subsequently sold or reissued, whatever price is received, net of all additional costs of directly attributable transactions and relevant effects of income tax, is included in the equity attributable to the holders of capital of the Company.

Provisions for risks and charges

Provisions for risks and charges relate to costs and charges of a definite nature and whose existence is certain or probable and that, at the reporting date, are indeterminable for amount or date of occurrence. Allocations are recognized when:
(i) it is probable that a present, legal or implicit obligation exists arising from past events;
(ii) it is probable that the fulfilment of the obligation involves a cost; (iii) the amount of the obligation can be reliably estimated. Allocations are booked at the amount representing the best estimate of the amount that the company would rationally pay to extinguish the obligation or to transfer it to third parties at the reporting date. When the financial effect of timing is significant and the dates of payment can be reasonably estimated, the allocation is subject to discounting; the increase in the provision to reflect the passing of time is recognized in the income statement under "Financial income (expense)".
When the liability is relevant to tangible assets (i.e. land reclamation), the provision is recorded as a balancing entry to the relating asset; the charging of the amount to the income statement takes place as amortization.
Provisions are periodically updated to reflect changes

in cost estimates, timing of implementation and the discounting rates; changes in estimates of the provisions are charged to the same item of the income statement that previously reported the allocation or, when the liability is relevant to tangible assets (i.e. land reclamation), as a balancing entry to the relating asset.
Potential liabilities are shown in the Explanatory Notes, represented by: (i) possible obligations (but not probable), deriving from past events, whose existence will be confirmed only on the occurrence, or less, of one or more future events not totally under the control of the company; (ii) present obligations arising from past events whose amount cannot be reasonably estimated or whose settlement is not likely to involve a cost; (iii) obligations of the types described in paragraphs (i) and (ii) relating to associates or joint ventures, both in the case where the potential liability is proportionate to the interest held and in the event that the Company is fully liable for contingent liabilities of the associate or joint ventures.

Employee benefits

Post-employment benefits and other long-term benefits are subject to actuarial evaluations.
Using this method, the liability booked in the financial statements represents the current value of the obligation, net of any other plan asset, adjusted for any actuarial losses or profits not booked.

Accordingly, for Group companies with less than 50 employees, the measurement of the liability continues to be performed by using the actuarial method called "projected unit credit method".
Following the amendment to IAS 19 "Employee benefits", effective as from 1 January 2013, the Group recognizes actuarial profits and losses immediately in the statement of other comprehensive profits (losses) so that the entire net amount of the provisions for defined benefits (net of plan assets) is recorded in the Consolidated Statement of Financial Position. The amendment also provides that changes between one financial year to the next in the provision for defined benefit plans and plan assets must be broken down into three components: cost components relevant to the service period of the financial year must be recognized in the income statement as "service costs"; net financial expense, calculated applying the appropriate discount rate to the net balance of the provision for defined benefits net of the assets resulting at the beginning of the financial year, must be recognized in the income statement as such; the actuarial profits and losses that result from the re-measurement of the liabilities and assets must be recognized in the Statement of Other comprehensive income (losses).

Financial payables

Financial payables are initially recognized at fair value net of the transaction costs and subsequently measured at amortized cost using the effective interest rate method. The amortized cost is calculated taking account of the issue costs and any discount or premium expected on settlement.
Loans are classified as current liabilities unless the Group does not have the unconditional right to defer the payment of the liability for at least 12 months after the reporting date.

Trade and other payables

Payables are initially recognized at fair value of the consideration to be paid and subsequently at amortized cost, which generally corresponds to the nominal value.

Current assets and liabilities

Inventory

Inventory consists mainly in land – also to be built on –, properties under construction and renovation, completed properties, intended for sale to third parties and not to be kept in the owned portfolio in order to earn rental revenue.
Land to be built on is measured at the lower of the cost of acquisition and the corresponding presumed realization value, net of the relating estimated cost to sell. The cost is increased by incremental expenses and financial charges eligible for capitalization where the following conditions are met:

- Management has taken a decision to use, develop or directly sell the areas;
- costs are being incurred to obtain the asset;
- financial expense is being incurred.

Properties under construction and/or being renovated are measured at the lower of cost, including incremental expenses of their value and capitalizable financial charges, and the corresponding estimated realizable value.

Properties to be sold are measured at the lower of cost and market value based on similar property transactions by area and type. The purchase cost is increased by any incremental costs incurred at the time of sale.

Receivables booked in current assets, trade and other receivables

Receivables are initially recognized at fair value of the consideration to receive, which for this type generally coincides with the nominal value indicated in the invoice, adjusted (where necessary) to the estimated realizable value by provisions for the adjustment of the nominal values, in accordance with the expected loss method. Subsequently, receivables are measured using the amortized cost method, which generally coincides with the nominal value.
Payables are initially recognized at fair value of the consideration to pay and generally their amount is easily identified with a high degree of certainty. Subsequently, payables are measured using the amortized cost method, which generally coincides with the nominal value.

Cash and cash equivalents

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

Income Statement

Sale of property assets

Revenue from the sale of assets is recognized only when all of the conditions under IFRS 15 are met. In the case of property, these conditions are deemed normally fulfilled by the notarial deed.

Provision of services and lease contract receivables

Revenue from a transaction for the supply of services must be recognized only when it can be reliably estimated, by reference to the stage of completion of the transaction at the reporting date. The result of a transaction can be reliably estimated when all of the following conditions are met:

1. the amount of revenue can be reliably measured;
2. it is probable that the company makes use of the economic benefits of the transaction;
3. the stage of completion of the transaction at the reporting date can be measured reliably and the costs incurred for the transaction and the costs to incur for its completion can be reliably calculated.

With particular regard to lease contracts, should they provide financial incentives in favour of tenants for initial lease periods, these incentives are recognized on a straight-line basis over the contractual term as required by IAS 17.

Interest

Financial income is recognized in the income statement on an accrual basis, based on the interest accrued using the effective interest rate method.

Financial expense incurred for investments in assets that normally require a specific amount of time in order for the asset to be ready for use or sale (qualifying asset pursuant to IAS 23 – Borrowing costs) is capitalized and amortized over the useful life of the asset class to which it relates. All the other financial expense is recognized in the income statement during the year in which it is incurred.

Dividends

Dividends are recognized at the time when shareholders have the right to receive payment, which generally corresponds to the date of the Shareholders' Meeting called to resolve on dividend payout.

Current tax

Current tax is calculated on the basis of a realistic estimate of tax payable pursuant to the tax laws in force.
The estimated liability is recognized under "Tax payables". Tax assets and liabilities for current tax are recorded at the amount expected to be paid/recovered to/from the tax authorities applying the rates and tax law in force or substantively approved at the balance sheet date.
As previously mentioned, Sedea SIIQ S.p.A. (now Aedes SIIQ S.p.A. – the "Beneficiary" company) was involved in 2018, as a beneficiary, in the partial and proportional demerger of Aedes SIIQ S.p.A. (which concurrently changed its name to Restart SIIQ S.p.A. – the "Demerged" company). The

subsidiaries of the Demerged Company which, for the tax year 2018, continue to be taxed on a group basis pursuant to art. 117 et seq. of Presidential Decree 917/86 even after the Demerger, are: Pragasette S.r.l. in liquidation, Pragaotto S.r.l. and Società Agricola La Bollina S.r.l..

The remaining companies participating in the tax consolidation scheme before the demerger Novipraga SIINQ S.p.A., Pragaquattro Center SIINQ S.p.A., Praga Res S.r.l., Pragasei S.r.l., Pragaundici SIINQ S.p.A. and S.A.T.A.C. SIINQ S.p.A., in accordance with the results of a special application to the taxation authorities, continue to be covered by the group taxation scheme pursuant to art. 117 et seq. of Presidential Decree 917/86 with the Beneficiary company, the latter acting as parent.

As is generally known, the national tax consolidation scheme allows the calculation by the Beneficiary Aedes SIIQ S.p.A. (consolidating company) of a single taxable base, resulting from the algebraic sum of the taxable amount or tax loss of each participating company. Joining the group taxation scheme is optional and, once exercised, is irrevocable, binding the participating companies for three years. The operating effects arising from the national tax consolidation scheme are governed by appropriate regulations signed by the consolidating company and the consolidated companies; under these regulations:

1) subsidiaries, for financial years with positive taxable income, transfer to Aedes SIIQ S.p.A. the amount equal to the tax payable in respect of the above tax (subsidiaries with taxable income reduce their tax liability with their losses from prior years);

2) subsidiaries with negative taxable income are split up into those with profitability prospects that allow, with reasonable certainty, in the absence of national tax consolidation, the recognition of deferred tax assets associated with the negative taxable income on the financial statements, and those without such profitability prospects:

- subsidiaries with negative taxable income in the first category receive from Aedes SIIQ S.p.A. compensation corresponding to the lower of the tax savings realized by Aedes SIIQ S.p.A. and the deferred tax assets associated with the negative taxable income on the financial statements; compensation, therefore, will be paid and will be due if and when the tax savings will be effectively realized by Aedes SIIQ S.p.A.;
- subsidiaries with a negative taxable income in the second category are not entitled to any compensation.

Earnings per share

Basic earnings per share are calculated by dividing the total profit/loss for the period attributable to ordinary shareholders of Aedes SIIQ S.p.A. for the weighted average number of ordinary shares outstanding during the period, excluding the treasury shares.

Diluted earnings per share are calculated by adjusting the weighted average number of shares in circulation, to take account of all the potential ordinary shares, having a dilutive effect.

Significant estimates and assumptions

The preparation of the 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 on a regular basis 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 (€ 443 million at 31 December 2018) and property inventory (€ 8.6 million at 31 December 2018), it should be noted that the assessment of fair value and the net realizable 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 properties and related implementation timelines;
- inflation rates, discount rates and capitalization rates.

Similar considerations apply to the measurement of investments in associates and joint ventures (€ 53.5 million at 31 December 2018), whose equity reflects the fair value measurement of investment property held.

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

3.11 Main types of risk

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

Strategic risks

Market risk

Market risk lies in 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 top-tier assets located in major urban centres or primary areas for commercial use that have shown high rental potential even during negative market cycles, thanks to demand being less volatile than for smaller assets located 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 mainly consists in the possibility that clients, in particular the tenants of assets owned, are insolvent. 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 27. 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.

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 2018 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 impact 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.

In addition, the Company pays special attention to the aspect governing administrative liability, safety and environmental concerns about the risk of commission of offences, as defined by Legislative Decree 231/01.

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 and Conduct of Aedes SIIQ S.p.A. (the "Code"), that applies to the entire Group staff, who are committed to comply and enforce the principles of the Code as part of their duties and responsibilities.

The Company has additionally appointed a Supervisory 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 Report on Corporate Governance and Ownership Structure for 2018, 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 31 December 2018, the first reference year for verifying the parameters set by the Special Regime of SIIQs, 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 on 4 November 2015 a derivative contract 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 amortization
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 39.5% of the Group's gross financial debt at 31 December 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 46.1%.

Exchange rate risk

At 31 December 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 Group fails to meet its 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 Group is forced to incur additional costs to meet its commitments or, in a worst-case scenario, a condition of insolvency endangering business continuity.

The Group keeps a watchful eye on cash and 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.

For the purposes of assessing such risk and in drafting these consolidated financial statements, the Group has prepared financial projections (the "Projections") that take account of the operating cash flows and financial commitments involving all Group companies over a period of 12 months from the date of approval of these financial statements until 31 March 2020, including the planned investment activities and the forthcoming maturity of certain loan agreements currently in place. Specifically, these consolidated financial statements at 31 December 2018 show current net financial debt (within 12 months) of approximately € 68.8 million.

Based on current net debt and the requirements resulting from the Projections, the Company has identified the main funding sources, deriving mainly from:

A) refinancing of certain assets; preliminary activities are in the advanced stage on financing and refinancing for approximately € 20 million, net of maturities and repayments;
B) sale of certain assets as part of the recurring portfolio rotation; preliminary binding sales contracts for approximately € 23 million are already in place; further initiatives for the sale of other assets are underway;
C) rescheduling of short-term credit lines; credit lines for approximately € 2 million have already been rescheduled in the medium/long-term; negotiations are underway to reschedule additional short-term credit lines for approximately € 12 million;
D) capital strengthening (of the Company or its subsidiaries) as emphasized in the listing prospectus.

Based on the information and the evidence available at the date of preparing the financial statements at 31 December 2018, and on the progress of the initiatives currently in place with regard to the above funding sources, there are no significant risks of a possibility of not completing the actions according to schedule and to the procedures set out in the "Projections", although a number of actions required to cover the financial requirements are not certain to date. Whether or not, in fact, these actions are fully or partly achieved according to schedule and to the procedures set, also depends on factors outside the Company's control, such as the economic cycle, property market trends, accessibility of credit and capital market trends.
The Directors also assessed the repercussions that would derive from the failed raising of risk capital resources envisaged in the "Projections". The assessment led the Directors to conclude that, despite such a scenario, the Group's ability to meet its obligations, both current and prospective, in the period covered by the "Projections" would not be compromised, but this could compromise the Group's ability to fully implement the property investments planned as from 2019, with consequent negative impacts on the growth of the property portfolio and on the Group's profitability, as emphasized in the listing prospectus.

3.12 Events after year end

There were no significant events after year end.

3.13 Consolidation scope

These consolidated financial statements for the year ended 31 December 2018 are the first consolidated financial statements of the Company which, following the effectiveness of the Demerger, changed its name to Aedes SIIQ S.p.A. and include the statement of financial position and income statement figures of the Company 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.

Following the legal effectiveness of the Demerger, which took place on 28 December 2018, the Parent Company acquired control of the following subsidiaries that fall under the SIIQ business complex and are therefore included in the scope of consolidation:

Consorzio ATA: consortium set up for the development of the project owned by SATAC SIINQ S.p.A. in Caselle Torinese (TO), holder of 99.33% of the shares.
Petrarca Fund: fund specialized in the office segment, 100% owned 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..
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..
Pragaundici SIINQ S.p.A.: unlisted property investment company (SIINQ), owner of properties under development (Serravalle Outlet Village Phase B for commercial use) in the Municipality of Serravalle Scrivia (AL). Held 100% by Aedes SIIQ S.p.A..

Investment	Head office	Share capital	Stake held
Consorzio ATA	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 Tortona, 37	€ 100,000	100% Aedes SIIQ S.p.A
Pragaquattro Center SIINQ S.p.A.	Milan Via Tortona, 37	€ 54,000	100% Aedes SIIQ S.p.A
Pragaundici SIINQ S.p.A.	Milan Via Tortona, 37	€ 100,000	100% Aedes SIIQ S.p.A
Praga RES S.r.l.	Milan Via Tortona, 37	€ 100,000	100% Aedes SIIQ S.p.A
SATAC SIINQ S.p.A.	Milan Via Tortona, 37	€ 620,000	100% 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..
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..

It should also be noted that, as a result of the Demerger, the following associates and joint ventures have been assigned to the Parent Company and are therefore accounted for at equity.

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.
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. (formerly Praga Construction S.r.l.) and Itinera S.p.A., each holding 50%, for the construction of a shopping center in Nichelino (TO) 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.
Borletti Group SAM S.A., InvesCo S.A. and The Market LP SCA: companies operating in the activities related to "The Market".

As the legal effectiveness of the Demerger took place at a date close to the end of the year, the above changes in the consolidation scope had no significant impact on the income statement of the Aedes Group at 31 December 2018.

Additionally, the Demerger has been accounted for on a going concern basis, being a "Combination of entities or businesses under common control", since the companies involved in the Demerger are and will remain consolidated, in accordance with IFRS 10 - Consolidated Financial Statements, by the same entity (i.e. Augusto S.p.A.).
The list of subsidiaries and companies consolidated at equity are shown in Annex 1.

Investment	Head office	Share capital	Stake held
Efir S.àr.l.	5 Allé Scheffer L - 2520 Luxembourg	€ 22,279,300	33.33% Aedes SIIQ S.p.A.
Dante Retail Fund	-	-	100% Efir S.àr.l.
Nichelino S.c.ar.l.	Tortona (AL) S.S. per Alessandria 6°	€ 10,000	50% Praga RES S.r.l.
Pragasei S.r.l.	Milan Via Monte Napoleone n. 29	€ 100,000	50.1% Aedes SIIQ S.p.A.
Serravalle Village S.c.ar.l.	Tortona (AL) S.S. per Alessandria 6°	€ 10,000	50% Praga RES S.r.l. (formerly Praga Construction S.r.l.)
Borletti Group SAM S.A.	L-1136 Luxembourg Place d'Armes 1T	€ 51,667	40% Aedes SIIQ S.p.A.
InvesCo S.A.	Dogana - Repubblica di San Marino Via Cesare Cantù 104	€ 143,500	28.57% Aedes SIIQ S.p.A.
The Market LP SCA	Milan Via Tortona, 37	€ 72,250	18.69% Aedes SIIQ S.p.A. 14.53% InvesCo S.A. 42.91% Borletti Group SAM S.A.

3.14 Explanatory Notes to the consolidated statement of financial position, cash flows and Income Statement

Assets

Note 1. Investment property

(Euro/000)	Investment property	Properties under development	Total
Balance at 01/01/2018	**0**	**0**	**0**
Net book value at 01/01/2018	0	0	0
Change in scope of consolidation due to Demerger	300,236	137,731	437,967
Increases	4,888	0	4,888
Fair value adjustment	141	0	141
Net book value at 31/12/2018	**305,265**	**137,731**	**442,996**

The Company has a balance from investment property of € 442,996 thousand, up versus the prior year, as a result of the demerger.

The change in the scope of consolidation as a result of the demerger of "Investment property", equal to € 300,236 thousand, refers to the investment properties held by the SIIQ business complex assigned to the Aedes Group through the demerger.

Likewise, the change in the scope of consolidation of "Properties under development", amounting to € 137,731 thousand, refers to the properties under development that are part of the SIIQ business complex assigned to the Aedes Group through the demerger.

The increases of € 4,888 thousand in the year refer to three properties acquired by Aedes SIIQ S.p.A. under the agreement with the Leopardi Fund, which provided for the offsetting of items, the transfer of properties and surface rights and the assumption of the related loan, in order to adjust the Group's receivables and payables from and to the Leopardi Fund and its subsidiaries.

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 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.

In preparing these consolidated financial statements, the Group appointed CB Richard Ellis as the primary independent expert to carry out appraisals of the property portfolio.
The table below shows the changes in investment property acquired through leases, already included in the movements of the table above, and an integral part thereof:

(Euro/000)	Total
Balance at 31/12/2017	
Net book value at 01/01/2017	**0**
Book value from demerger	0
Increases	0
Decreases	0
Fair value adjustment	0
Book value at 31/12/2017	**0**
Balance at 31/12/2018	
Net book value at 01/01/2018	0
Book value from demerger	0
Increases	2,201
Decreases	0
Fair value adjustment	(61)
Net book value at 31/12/2018	**2,140**

Future payments from investment property acquired under finance leases are as follows:

(Euro/000)	Payments	Principal
Within one year	226	181
Over one year, but within 5 years	886	763
Over 5 years	700	668
Total lease payments	**1,812**	**1,612**
Interest	(200)	–
Total present value of lease payments	**1,612**	**1,612**

Note 2. Other tangible fixed assets

(Euro/000)	Specific plants	Industrial and commercial equipment	Other assets	Total
Balance at 01/01/2018				
Historical cost	0	0	0	0
Depreciation fund	0	0	0	0
Net book value at 01/01/2018	**0**	**0**	**0**	**0**
Net book value at 01/01/2018	0	0	0	0
Change in scope of consolidation due to Demerger	89	1,356	544	1,989
Increases	0	0	0	0
Decreases	0	0	0	0
Reclassifications	0	0	0	0
Depreciation and impairment losses	0	(4)	(4)	(8)
Net book value at 31/12/2018	89	1,352	540	1,981
Balance at 31/12/2018				
Historical cost	2,100	3,644	4,180	9,924
Depreciation fund	(2,011)	(2,292)	(3,640)	(7,943)
Net book value	**89**	**1,352**	**540**	**1,981**

Other tangible fixed assets amounted to € 1,981 thousand at 31 December 2018. The change is attributable entirely to the change in the scope of consolidation as a result of the Demerger and the depreciation charge for the period.

Note 3. Intangible fixed assets

(Euro/000)	Other	Goodwill	Total
Balance at 01/01/2018			
Historical cost	0	0	0
Amortization fund	0	0	0
Net book value	**0**	**0**	**0**
Net book value at 01/01/2018	0	0	0
Change in scope of consolidation due to Demerger	50	0	50
Increases	0	0	0
Decreases	0	0	0
Reclassifications	0	0	0
Amortization and impairment losses	0	0	0
Net book value at 31/12/2018	50	0	50
Balance at 31/12/2018			
Historical cost	254	0	254
Amortization fund	(204)	0	(204)
Net book value	**50**	**0**	**50**

Other intangible fixed assets amounted to € 50 thousand and relate entirely to the change resulting from the Demerger.

Note 4. Investments in companies measured at equity

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

(Euro/000)	Amounts at 31/12/2017	Change scope of consolidation from demerger	Amounts at 31/12/2018	% of investment
Investments booked at equity				
Borletti Group SAM S.A.	0	181	181	40.00%
Efir S.ar.l.- Dante Retail Fund	0	21,039	21,039	33.33%
Invesco S.A.	0	4,849	4,849	28.57%
Nichelino S.c.ar.l.	0	5	5	50.00%
Pragasei S.r.l.	0	13,567	13,567	50.10%
Serravalle Village S.c.ar.l.	0	5	5	50.00%
The Market LP SCA	0	13,804	13,804	40.00%
Total	**0**	**53,450**	**53,450**	

At 31 December 2018, this item amounted to € 53,450 thousand.

Movements in the year are attributable entirely to the effects of the partial demerger that took place during the year. Following the Demerger, in fact, Borletti Group SAM S.A., Efir S.ar.l.- Dante Retail Fund, Invesco S.A., Nichelino S.c.ar.l., Pragasei S.r.l., Serravalle Village S.c.ar.l. and The Market LP SCA. were assigned to Aedes SIIQ S.p.A..

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 31 December 2018 of € -287 thousand.

Pragasei S.r.l. has the following derivative contracts in place:

- CAP with a notional amount of € 4,213 thousand Bullet, rate at 1.5%, concluded on 4 July 2016 and expiring on 27 January 2023, with a fair value at 31 December 2018 of € +5 thousand;
- CAP with a notional amount of € 17,495 thousand Bullet, rate at 1.5%, concluded on 17 January 2017 and expiring on 27 January 2023, with a fair value at 31 December 2018 of € +23 thousand;
- CAP with a notional amount of € 4,300 thousand Bullet, rate at 1.5%, concluded on 18 July 2017 and expiring on 27 January 2023, with a fair value at 31 December 2018 of € +6 thousand.

The table below shows the reconciliation between the net assets held by the main associates and joint ventures and their carrying amount:

(Euro/000)	EFIR S.ar.l Dante Retail Fund 31/12/2018	Pragasei S.r.l. 31/12/2018	The Market* 31/12/2018
Net assets of associate/JV	57,425	115	39,009
Adjustment of equity of the companies (net tax effect where applicable)	5,698	26,966	8,077
% of ownership	33.33%	50.10%	40.00%
Carrying amount	**21,039**	**13,567**	**18,834**

(*) Includes the valuation of Borletti, Invesco and The Market LP.

Summary information on the financial statement figures of companies accounted for at equity is shown in Annex 3.

Note 5. Deferred tax

(Euro/000)	31/12/2018	31/12/2017
Deferred tax assets		
- Prepaid tax recoverable within 12 months	0	0
- Prepaid tax recoverable after 12 months	3,236	0
	3,236	**0**
Deferred tax liabilities		
- Deferred tax recoverable within 12 months	0	0
- Deferred tax recoverable after 12 months	(467)	0
	(467)	**0**
Total	**2,769**	**0**

Deferred tax assets and liabilities showed a net positive balance of € 2,769 thousand at 31 December 2018, attributable entirely to the demerger.

The Group has assessed the recoverability of deferred tax assets taking account of the future results deriving from taxable operations.

The Group has no prior losses emerging from the National and Worldwide Consolidation Form. Mention should be made that, as acknowledged in response to a specific application filed before the Demerger, with regard to the effects of the partial Demerger on tax consolidation, the Demerger does not interrupt the consolidation of the Demerged Company with respect to those companies that fall outside the partial Demerger. Accordingly, the tax loss carryforwards of the tax unit remained fully available in the consolidated financial statements of the Demerged company (now Restart SIIQ S.p.A). However, the Parent Company Aedes SIIQ S.p.A. has own losses of approximately € 12 million.

Note 6. Financial receivables

(Euro/000)	31/12/2018	31/12/2017
Non-current receivables		
Receivables from associates	9,807	0
Receivables from others	42	0
Total	**9,849**	**0**

(Euro/000)	31/12/2018	31/12/2017
Current receivables		
Receivables from associates	0	0
Receivables from others	0	0
Total	**0**	**0**

Non-current financial receivables amounted to € 9,849 thousand at 31 December 2018.
Receivables from associates, amounting to € 9,807 thousand, refer to loans granted at normal market conditions all with maturity over 12 months. The breakdown of receivables 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.

There were no current financial receivables at 31 December 2018.

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

Note 7. Trade and other receivables

Current (Euro/000)	31/12/2018	31/12/2017
Receivables from clients	*9,483*	*0*
Provision for bad debts	*(4,417)*	*0*
Net receivables from clients	5,066	0
Receivables from subsidiaries	0	0
Receivables from associates and other related parties	*509*	*0*
Provision for bad debts	*0*	*0*
Receivables from associates and other related parties	509	0
Receivables from parent companies	111	0
Receivables from others	837	0
Tax receivables	1,619	10
Accrued income and prepaid expenses	876	0
Total	**9,018**	**10**

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

(Euro/000)	Falling due	Overdue by						
Ageing of trade receivables		**Less than 30 days**	**30 - 60 days**	**61 - 90 days**	**91 - 180 days**	**181 - 360 days**	**Over 360 days**	**Total**
Gross Value	3,215	553	45	217	247	321	5,505	10,103
Provision for bad debts	(59)	(3)	(20)	(8)	(76)	(103)	(4,148)	(4,417)
Net trade receivables	**3,156**	**550**	**25**	**209**	**171**	**218**	**1,357**	**5,686**

RECEIVABLES FROM CLIENTS

Receivables from clients refer basically to lease revenue and to revenue from the provision of services to third parties, amounting to € 5,066 thousand at 31 December 2018. The increase is attributable to the partial demerger that took place during the year, as these are clients forming part of the SIIQ Business Complex.

Receivables from clients are stated net of the relevant bad debts provisions, and are also attributable to the change in the scope of consolidation as a result of the Demerger.

RECEIVABLES FROM OTHERS

"Current receivables from others", amounting to € 837 thousand at 31 December 2018 versus nil at 31 December 2017, is composed mainly of receivables from employees as well as of receivables for advances to suppliers. The increase is due mainly to the partial demerger that took place during the year.

Current (Euro/000)	31/12/2018	31/12/2017
Advances to suppliers	59	0
Other	778	0
Current receivables from others	**837**	**0**

TAX RECEIVABLES

Current (Euro/000)	31/12/2018	31/12/2017
Receivables from the Revenue Agency for VAT	279	10
Receivables from the Revenue Agency for tax	1,340	0
Current tax receivables	**1,619**	**10**

Current tax receivables amount to € 1,619 thousand versus € 10 thousand in the prior year, and refer to € 279 thousand for VAT receivables from the Revenue Agency (€ 10 thousand in the prior year) and € 1,340 thousand for tax receivables (€ 0 in the prior year).
Receivables from the Revenue Agency for tax are composed mainly of:

- € 500 thousand for tax receivables accrued by Aedes SIIQ S.p.A., in accordance with the provisions of law no. 205 of 27 December 2017, for SMEs that decide to list on a regulated market;
- € 755 thousand for receivables deriving from the instalment payment by Praga RES S.r.l. of assessed tax arrears following the start of a forced recovery process pending judgement, which is deemed recoverable;
- € 85 thousand in tax receivables held by subsidiaries.

Before the Demerger, Restart SIIQ S.p.A. (formerly Aedes SIIQ S.p.A.) adopted the Group VAT settlement procedure pursuant to art. 73, par. 3, of Presidential Decree no. 633/1972 and Ministerial Decree of 13 December 1979 with its subsidiaries.
As a result of the Demerger, Restart SIIQ S.p.A. discontinued the group VAT settlement procedure with Novipraga SIINQ S.p.A., Pragaquattrocenter SIINQ S.p.A., Pragares S.r.l., Pragaundici SIINQ S.p.A. and SATAC SIINQ S.p.A. from the VAT settlement for December 2018, since it no longer has a controlling relationship with these companies following the Demerger. The excess VAT receivable resulting from the application of the Group VAT settlement procedure until 30 November 2018 remained available to the consolidating company Restart SIIQ.
Aedes SIIQ S.p.A. continued the Group VAT settlement procedure with Novipraga SIINQ S.p.A., Pragaquattrocenter SIINQ S.p.A., Pragares S.r.l., Pragaundici SIINQ S.p.A. and SATAC SIINQ S.p.A. as early as the December 2018 settlement, without interruption with the previous procedure adopted by the demerged company Restart SIIQ S.p.A..

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 ASSOCIATES AND OTHER RELATED PARTIES

The change is due entirely to the effects of the partial demerger that took place in 2018.

The breakdown of receivables from parent companies, associates and other related parties is shown in Annex 2.

ACCRUED INCOME AND PREPAID EXPENSES

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

Accrued income and prepaid expenses (Euro/000)	31/12/2018	31/12/2017
Prepayments on property management	644	0
Prepayments for sureties	31	0
Other accrued income and prepaid expenses	201	0
Current accrued income and prepaid expenses	**876**	**0**

"Accrued income and prepaid expenses" shows a balance of € 876 thousand, attributable mainly to the demerger.

"Other accrued income and prepaid expenses" consists primarily of membership fees and subscriptions, and of various insurance premiums paid in advance but relating to future periods.

Note 8. Inventory

(Euro/000)	31/12/2018	31/12/2017
Properties and licenses	8,593	0
Non-property inventory	0	0
Total	**8,593**	**0**

The table below shows the changes in inventory versus the prior year:

(Euro/000)	Properties and licenses	Non-property inventory	Total
Balance at 31/12/2017	**0**	**0**	**0**
Change in scope of consolidation due to Demerger	8,593	0	8,593
Balance at 31/12/2018	**8,593**	**0**	**8,593**

As a result of the partial demerger, which took place at end 2018, inventory of properties and licenses increased by € 8,593 thousand.

The item includes the property assets of the SIIQ Business Complex relating to properties to be sold in the short and medium term. Inventory comprises two segments:

- existing property expected to be sold in bulk or piecemeal;
- areas for which the sale is to be made at any stage of the production cycle, from the status of agricultural land to the conclusion of the administrative authorization process, without proceeding with the relating development.

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

(Euro/000)	31/12/2018		31/12/2017	
	Assets	Liabilities	Assets	Liabilities
Derivatives not treated under hedge accounting				
Fair Value Cap	4	0	0	0
Fair Value Floor	0	263	0	0
Total current portion	**4**	**263**	**0**	**0**

(Euro/000)	31/12/2018		31/12/2017	
	Assets	Liabilities	Assets	Liabilities
Derivatives treated under hedge accounting				
Fair value IRS	0	653	0	0
Fair Value Floor	0	56	0	0
Total non-current portion	**0**	**709**	**0**	**0**

The item includes the fair value of two derivative contracts:

(i) contracts concluded by Aedes SIIQ S.p.A. with Banco BPM (formerly Banca Popolare di Milano S.c.ar.l.), aimed at reducing the risk of increasing the Group's overall interest rate exposure.

At 31 December 2018, the fair value measurements amounted to € 4 thousand in assets from the fair value of the "Cap" derivative contract, and to € 263 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 31 December 2018, the fair value measurements amounted to € 653 thousand in liabilities from the fair value of the "IRS" derivative contract, and to € 56 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 at 31 December 2018 and with the development of the effectiveness test on the derivative concluded by Novipraga.

The fair value of outstanding derivative financial instruments at 31 December 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

(Euro/000)	31/12/2018	31/12/2017
Cash on hand	2	0
Bank and postal deposits	2,972	16
Term current accounts	606	0
Total	**3,580**	**16**

Cash and cash equivalents show a balance of € 3,580 thousand versus € 16 thousand in the prior period.

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

With regard to the change in equity, on 27 September 2018, the Extraordinary Shareholders' Meetings of Aedes SIIQ S.p.A. and Sedea SIIQ S.p.A. approved the partial and proportional demerger of Aedes SIIQ in favour of Sedea SIIQ S.p.A..

On such date, the Extraordinary Shareholders' Meeting of Sedea SIIQ S.p.A. resolved to increase the share capital to service the Demerger from € 50,000 to € 210,000,000, through issue of n. 31,980,344 new ordinary shares, with no par value and with regular dividend entitlement, to be assigned to the shareholders of the demerged company at a ratio of no. 1 ordinary share of the Company for each ordinary share of the demerging company held. The book value of the complex acquired through the Demerger is € 298,518 thousand, with a consequent increase in consolidated equity of a corresponding amount.

At 31 December 2018, the fully subscribed and paid-in share capital of the Parent Company amounted to € 210,000,000, divided into 32,030,344 ordinary shares with no par value.

Note 12. Equity attributable to non-controlling interests

At 31 December 2018, equity attributable to non-controlling interests came to zero as there are no consolidated companies in which the Group holds an interest of less than 100%.

Liabilities

Note 13. Payables to banks and others lenders

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

(Euro/000)	31/12/2018	31/12/2017
Non-current		
Bonds	44,448	0
Loans with properties granted as surety	80,660	0
Payables to leasing companies for properties under finance lease	*1,431*	*0*
Mortgage loans	*79,229*	*0*
Payables to other lenders	9,801	0
Other loans	0	0
	134,909	**0**
Current		
Bonds	175	0
Loans with properties granted as surety	49,813	0
Payables to leasing companies for properties under finance lease	*181*	*0*
Mortgage loans	*49,632*	*0*
Payables to other lenders	86	0
Other loans	22,353	0
	72,427	**0**
Total	**207,336**	**0**

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.

(Euro/000)		31/12/2018
A.	Cash on hand	3,580
B.	Other cash and cash equivalents	0
C.	Securities held for trading	0
D.	**Liquidity (A) + (B) + (C)**	**3,580**
E.	**Current financial receivables**	**0**
F.	Current payables to banks	(71,984)
G.	Current portion of non-current debt	(175)
H.	Other current financial payables	(268)
I.	**Current financial debt (F)+(G)+(H)**	**(72,427)**
J.	**Current net financial debt (I) + (E) + (D)**	**(68,847)**
K.	Non-current payables to banks	(79,230)
L.	Bonds issued	(44,447)
M.	Other non-current payables	(10,523)
N.	**Non-current financial debt (K) + (L) + (M)**	**(134,200)**
O.	**Net financial debt (J) + (N)**	**(203,047)**

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

(Euro/000)	31/12/2018
Net financial debt included in the Directors' Report on Operations	(203,756)
Other non-current financial payables from derivative contracts	709
Net financial debt included in the Notes	**(203,047)**

The change in debt is almost entirely due to the effect of the Demerger, as a result of which the Group has taken over all of the financial liabilities attributable to the SIIQ Business Complex.

Type of loan (Euro/000)	Project/Property assets	Short-term payable within 1 month	Short-term payable from 2 to 3 months	Short-term payable from 4 to 12 months	Long-term payable	Total payable	Maturity	Mortgage on properties/ guarantees	Financial covenants	Compliance with covenants
Mortgage Loan	Santa Vittoria d'Alba (CN) - Phase B	0	112	316	5,670	6,098	30/11/30	16,000	LTV≤80 %	YES
Mortgage Loan	Santa Vittoria d'Alba (CN) - Phase B	18	11	54	250	333	30/04/23	1,000	LTV≤80 %	YES
Mortgage Loan	Serravalle Scrivia (AL) - Cascina Nuova	196	0	163	2,166	2,525	01/07/25	5,000	LTV≤80 %	YES
Mortgage Loan	Torre Richard C3	0	0	0	4,703	4,703	30/06/25	22,000	LTV≤55%; DSCR≥1.3	YES
Mortgage Loan	Serravalle Scrivia (AL) - Bollina	0	71	3,461	3,461	6,993	31/12/20	37,500	LTV≤80 %	YES
Leases	Milan - Via Ancona	15	30	136	1,431	1,612	28/12/26	n.a.	n.a.	n.a.
Mortgage Loan	Serravalle Scrivia (AL) - Bollina	30	0	18	724	772	25/07/34	1,350	LTV≤80 %	YES
Mortgage Loan	Serravalle Scrivia (AL) - Via Novi	0	182	139	2,678	2,999	01/03/24	8,000	LTV≤80 %	YES
Mortgage Loan	Serravalle Scrivia (AL) - Via Novi	0	1,877	0	0	1,877	27/02/19	3,700	LTV≤80 %	YES
Mortgage Loan	Castellazzo Bormida (AL)	0	67	200	400	667	30/06/21	1,400	LTV≤80 %	YES
Mortgage Loan	Castellazzo Bormida (AL)	0	109	330	693	1,132	22/06/21	5,600	LTV≤80 %	YES
Mortgage Loan	Castellazzo Bormida (AL)	28	0	79	195	302	22/07/21	1,400	LTV≤80 %	YES
Mortgage Loan	Portfolio	0	0	39,116	0	39,116	31/12/19	78,232	LTV≤65 %; ISCR≥1.35	YES
Mortgage Loan	Portfolio	0	251	1,124	9,254	10,629	11/04/20	112,000	Consolidated LTV ≤55%; ICR≥2.5; LTV Portfolio ≤35%; DSCR Portfolio ≥1.25	YES
Mortgage Loan	Serravalle Retail Park	0	0	0	38,605	38,605	18/12/22	90,200	LTV≤55%; LTC ≤65% ; ICR≥1.75; DYR≥5.5%	YES
Mortgage Loan	Portfolio	26	0	1,650	9,250	10,926	31/12/21	30,000	LTV≤50%; ICR≥1.3; DSCR≥1.3	YES
Mortgage Loan	Gallarate e Senago	4	0	0	1,180	1,184	30/06/22	2,370	NO	n.a.
Total loans with properties granted as surety		**317**	**2,710**	**46,786**	**80,660**	**130,473**				
Current account overdraft	Pledge Shares Dante Retail	0		11,694	0	11,694	30/06/19	Other Guarantees	n.a.	n.a.
Loan	n.a.	0	14	7,977	0	7,991	15/12/19	Other Guarantees	n.a.	n.a.
Current account overdraft	n.a.	1,985	23	0	0	2,008	Committed	Unsecured	n.a.	n.a.
Current account overdraft	n.a.	396	21	0	0	417	Committed	Other Guarantees	n.a.	n.a.
Current account overdraft	n.a.	235	8	0	0	243	Committed	Unsecured	n.a.	n.a.
Total other loans		**2,616**	**66**	**19,671**	**0**	**22,353**				
Bonds	n.a.	129	0	0	14,701	14,830	30/04/20	Unsecured	n.a.	n.a.
Bonds	n.a.	0	0	46	29,747	29,793	20/12/20	Unsecured	EQ/NFP ≥ 1; NFP/VPA ≤ 60%	YES
Total bonds		**129**	**0**	**46**	**44,448**	**44,623**				
Total financial payables		**3,062**	**2,776**	**66,503**	**125,108**	**197,449**				
Payables to other lenders		86	0	0	9,801	9,887				
Total payables to other lenders		**86**	**0**	**0**	**9,801**	**9,887**				
Total gross debt at 31/12/2018		**3,148**	**2,776**	**66,503**	**134,909**	**207,336**				

BONDS

As a result of the demerger, the bonds were assigned to Aedes SIIQ S.p.A..

On 12 April 2017, Aedes SIIQ S.p.A. issued a non-convertible bond of € 15 million, finalized on 20 April 2017, of which € 5 million subscribed on 18 December 2017.

The unlisted and unrated bond has the following characteristics:

- maturing in fourth quarter 2018, it may be extended for an additional 18 months at the Company's discretion and therefore classified as non-current financial debt;
- 3-month Euribor rate + 5% spread.

Subsequently, on 18 December 2017 the Company issued a bond of € 30 million aimed at professional and institutional investors through Banca Profilo, which acted as arranger and placement agent and subscribed to a portion of the bond. On 19 December, the bond was admitted to trading on the ExtraMOT PR market, with the following characteristics:

- 18 months maturity extendable for a further 18 months at the discretion of the issuer;
- fixed rate of 5% for the first 18 months and, if extended, of 5.5% for the following 18 months.

OTHER LOANS

At 31 December 2018, the situation includes only the current portion of "Other loans", amounting to € 22,353 thousand. This item is composed of current portions of financial liabilities relating to the SIIQ Business Complex, assigned to Aedes SIIQ S.p.A. as a result of the demerger.

PAYABLES TO OTHER LENDERS

As a result of the partial demerger that took place during the year, the shareholder loan of € 10,000 thousand granted by the controlling shareholder Augusto S.p.A., expiring on 31 October 2018, with the possibility of extending the loan for a further 18 months, at a 3-month Euribor rate plus a 5% spread, was assigned to Aedes SIIQ S.p.A..

LOANS WITH PROPERTIES GRANTED AS SURETY

At 31 December 2018, the amount of loans with properties granted as surety consisted of mortgage loans and finance leases. Almost all of this item derives from the effect of the partial demerger that took place during the year.

In 2018, the Group carried out the following significant transactions:

- the assumption of the existing loan on the properties in Gallarate (VA) and Senago (MI) as provided for by the deed of sale signed with the Leopardi Fund (€ 1,185 thousand);
- a new finance lease for the purchase, again from the Leopardi Fund, of the property located in Via Ancona, Milan (€ 1,613 thousand).

For further details, see the section "Consolidated net financial debt" in the Directors' Report.

Note 14. Payables for post-employment benefits

(Euro/000)	31/12/2018	31/12/2017
Payables for post-employment benefits		
Post-employment benefits	1,260	0
	1,260	**0**
Provisions under the income statement		
Service cost	2	0
Interest cost	0	0
	2	**0**

The provision for post-employment benefits in the income statement is classified, for service cost, under personnel expense referred to in Note 22 and, for interest cost, under financial expense.

The changes are shown below:

(Euro/000)	
Balance at 31/12/2017	**0**
Service cost	2
Interest cost	0
Actuarial (gains)/losses under equity	163
Indemnities paid in the period	0
Transfers to other pension funds	(2)
Change in scope of consolidation due to Demerger	1,097
Balance at 31/12/2018	**1,260**

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

Units	31/12/2018	31/12/2017
Executives	8	0
Managers	30	0
Employees	17	0
Workers/Porters	0	0
Total	**55**	**0**

The increase in headcount is due to the partial demerger that took place during the year.

Under IAS 19, payables from post-employment benefits are recognized according to the accrued benefits method using the Projected Unit Credit Method, determining:

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

Under the Projected Unit Credit Method, costs to incur in the year to make up the post-employment benefits are determined according to the portion of benefits accrued in the same year. According to the accrued benefits method, the obligation towards the employee is determined on the basis of work already rendered at the date of assessment and on the basis of the salary earned at the date of termination of employment (only for companies with an average number of employees in 2006 of less than 50 units).

Specifically:

- the Past Service Liability is the present value in demographical - financial terms of the benefits owed to the employee (severance payments) arising from seniority acquired;
- the Current Concern Provision is the value of the post-employment benefits provision according to the Italian accounting rules at the valuation date;
- the Service Cost is the present value in demographical - financial terms of the benefits accrued by the worker only in the current period;
- the Net Interest Cost on net liability is the change in the year of the net value of liabilities due to the passing of time, and is equal to the product of the net liability of the plan determined at the beginning of the period and the discount rate, taking account of any change in the value of the liability (asset) during the year due to contributions or benefit payments.

- Actuarial (Gains)/Losses measure the change in liabilities during the year, generated by:
  - a deviation between the assumptions used in the calculation models and the actual dynamics of the magnitudes being verified;
  - changes in assumptions in the period under review.

In view also of the evolving nature of the economic fundamentals, the actuarial valuations were carried out in "dynamic" economic conditions; such an approach requires the formulation of economic and financial assumptions that can summarize in the medium-long term:

- the average annual changes in wages and inflation in line with the expectations on the general macroeconomic scenario;
- the trend of expected interest rates in the financial market.

With regard to the choice of the interest rate to use in the simulations, one should bear in mind that IAS 19, at point 83 and ensuing points, provides for the correspondence between rates used and the expiry of the amounts to be assessed. It should also be noted that, in the assessments, account was taken, according to statistics provided by the company, of the probability of:

- resignation;
- requests for severance advances.

Advances are regulated in accordance with art. 2120 of the Italian Civil Code.

Lastly, the assessments have assumed the annual tax of 17% on the revaluation of the provision for post-employment benefits.

For the actuarial valuations of post-employment benefits at 31 December 2018, the following assumptions were adopted:

Economic-financial assumptions

1. Technical annual discounting rate 1.30%
2. Annual inflation rate 1.50%
3. Total annual salary increase rate 2.50%
4. Annual post-employment benefits increase rate 2.63%

With regard to the discounting rate, the iBoxx Eurozone Corporates AA 10+ index was used as reference to measure the above parameter, with a duration calculated on the average residual permanence of the collective subject to assessment at 31 December 2018.

Demographic assumptions

1. probability of death: determined by the General State Accounting Office denominated RG48, split up by gender;
2. probability of disability: split up by gender, adopted in the INPS model for projections at 2010. These probabilities were built starting from the distribution by age and gender of the pensions in force at 1 January 1987 effective from 1984, 1985, 1986 relevant to the staff of the credit line of business;
3. retirement age: for active employees, achievement of the first pensionable requirements valid for the Mandatory General Insurance was assumed;
4. probability of leaving employment for reasons other than death, annual frequency was considered as follows:
   - Aedes SIIQ S.p.A. 10.00%
   - Praga Res S.r.l. 3.00%
5. for the probability of anticipation, a yearly value of 3.00% for all Group companies was assumed.

Sensitivity analysis

The sensitivity analysis, carried out in scenarios of upward or downward movement of the average annual discount rate of half a point, showed no significant changes from the booked liability.

Note 15. Provisions for risks and charges

The provisions for risks and charges are shown below:

(Euro/000)	31/12/2017	Change in scope of consolidation from Demerger	Increases	Decreases	31/12/2018
Provision for contractual charges	0	311	0	0	311
Provision for contractual risks	0	100	0	0	100
Provision for tax-related risks	0	173	0	0	173
Provision for future charges	0	109	0	0	109
Total	**0**	**693**	**0**	**0**	**693**

The change is due entirely to the demerger.

The provisions for risks and charges at 31 December 2018 comprise:

- contractual charges: the item refers mainly to contractual charges from the sale of investments made in prior years. The change in the scope of consolidation as a result of the demerger resulted in a value of € 311 thousand;
- contractual risks: the item includes mainly the risks associated with disputes involving the parent, which were fully demerged during the year;
- tax risks: the balance includes the estimate of probable liabilities for disputes involving subsidiaries;
- future charges: the change in the year is attributable entirely to the effect of the partial demerger.

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. 2.13 in the Directors' Report on Operations.

Note 16. Tax payables

The breakdown of tax payables is shown below:

(Euro/000)	31/12/2018	31/12/2017
Payables to the Revenue Agency for VAT	0	0
Tax payables	161	0
Total current tax payables	**161**	**0**
Tax payables	0	0
Total non-current tax payables	**0**	**0**

Current tax payables totaled € 161 thousand at 31 December 2018 and were made up as follows:

- IRES payable relating to subsidiaries and amounting to € 66 thousand;
- payables for withholding tax on income from salaried work, self-employed work and kindred income for the residual portion.

There was no overdue and unpaid tax at 31 December 2018.

Note 17. Trade and other payables

(Euro/000)	31/12/2018	31/12/2017
Non-current		
Other payables	709	0
	709	**0**
Current		
Payables to suppliers	14,274	120
Payables to associates and other related parties	3,886	0
Payables to parent companies	90	25
Payables to welfare and social security entities	67	0
Other payables	4,140	5
Accrued expenses and deferred income	386	0
	22,843	**150**

There was no overdue and unpaid tax towards social security institutions and employees at 31 December 2018.

At year-end 2018, overdue payments amounted to € 4,239 thousand. As these suppliers have ongoing business relations with the Company, no debt collection action has been taken against the Company.

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

PAYABLES TO ASSOCIATES AND OTHER RELATED PARTIES

The increase in this item is due to the effects of the partial demerger that took place in 2018.

The breakdown of current payables to associates is shown in Annex 2.

OTHER PAYABLES

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

(Euro/000)	31/12/2018	31/12/2017
Non-current		
Security deposits/tenants' interest	709	0
Non-current payables to others	**709**	**0**

(Euro/000)	31/12/2018	31/12/2017
Current		
Confirmation deposits	250	0
Payables to employees for severance payments, bonuses, accrued leave and holidays	821	0
Other payables	3,069	0
Current payables to others	**4,140**	**0**

Other non-current payables refer mainly to guarantee deposits and payables to tenants for guarantees issued; at 31 December 2018, the balance amounts to € 709 thousand.

Other current payables, amounting to € 4,140 thousand at 31 December 2018, include mainly the following movements, resulting from the effects of the partial demerger in 2018:

- € 240 thousand current, referring to confirmation deposits received for the signing of the preliminary sales agreement of the property located in San Giovanni Teatino (CH);
- € 1,343 thousand relating mainly to the payable accrued with FIH SA in the context of the pending litigation, previously classified under provisions for risks and charges.

The residual amount refers to payables due to the Managing Body for remuneration and bonuses, as well as payables due to employees for leave and holidays accrued but not taken, in addition to bonuses to management and employees.

PAYABLES TO SUPPLIERS

Payables to suppliers rose sharply versus the prior year, due mainly to the change in the consolidation scope, as a result of the partial demerger that took place during the year.

ACCRUED EXPENSES AND DEFERRED INCOME

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

(Euro/000)	31/12/2018	31/12/2017
Accrued expenses and deferred income		
Accrued expenses on property management	342	0
Deferred income on property management	38	0
Other accrued expenses	6	0
Current accrued expenses and deferred income	**386**	**0**

Accrued expenses and deferred income amounted to € 386 thousand at 31 December 2018.

Income Statement

Note 18. Revenue from sales and services

Revenue from property leases refers to the portion of revenue pertaining to the period from 28 to 31 December 2018, recognized as a result of the Demerger. "Provision of services" includes the amounts from the provision of property services in the areas of asset management, financial and administrative services, general services, EDP and human resources to Group companies between 28 and 31 December 2018.

Revenue from sales and services (Euro/000)	31/12/2018	31/12/2017
Property leases and chargebacks to tenants	113	0
Provision of services	8	0
Total	**121**	**0**

Note 19. Other revenue

Income from non-property chargebacks refers to the portion for the period from 28 to 31 December 2018 accrued as a result of the Demerger.

Other income refers to an extraordinary income accrued on 28 December 2018 and equal to the difference between the cost incurred for the purchase of a receivable due from the Leopardi Fund by Società per la Gestione di Attività S.p.A. (€ 2,050 thousand) and the repayment, made at nominal value (€ 2,718 thousand), by the Leopardi Fund.

Other revenue (Euro/000)	31/12/2018	31/12/2017
Other non-property chargebacks	3	0
Other income	668	0
Total	**671**	**0**

Note 20. Costs for raw materials and services

(Euro/000)	31/12/2018	31/12/2017
Costs for purchase of raw materials and other goods	5	0
Costs for services on owned properties	11	0
Services	1,128	161
Total	**1,144**	**161**

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

(Euro/000)	31/12/2018	31/12/2017
Property management costs	5	0
Subtotal a) Costs for raw materials	**5**	**0**
Maintenance	6	0
Service charges	1	0
Other	4	0
Subtotal b) Costs for services on owned properties	**11**	**0**
Fees to Directors	39	0
Fees to the Board of Statutory Auditors	16	15
Professional services	1,051	146
Commissions and bank charges	3	0
Cleaning, telephone and maintenance	2	0
Energy	1	0
Sundry	5	0
Subtotal d) General expenses	**1,117**	**161**
Rental charges	*9*	*0*
Lease rent	*2*	*0*
Subtotal e) Rentals and leases	**11**	**0**
Total	**1,144**	**161**

COSTS AND SERVICES ON OWNED PROPERTY

These refer mainly to costs for utilities, water, electricity and gas for heating, maintenance and service expenses relating to the portion for the period from 28 to 31 December 2018, accrued as a result of the Demerger.

GENERAL EXPENSES

The cost of Directors' fees refers to fees accrued on an accrual basis from the date of appointment (12 November 2018).

Professional services include mainly the costs for legal and tax advice and auditing incurred in connection with the demerger and listing transaction.

RENTAL CHARGES

The item basically includes the "normalized" cost for the period between 28 and 31 December 2018 relating to the rental cost for the Via Tortona offices accrued as a result of the Demerger.

LEASE AND RENTAL PAYMENTS

The item refers to the portion for the period from 28 to 31 December 2018 accrued as a result of the Demerger, and includes the long-term rental fees for cars supplied to employees and/or operational directors, in addition to the operating lease payments for the provision of IT and telephone equipment.

Note 21. Personnel expense

(Euro/000)	31/12/2018	31/12/2017
Wages and salaries	33	0
Social charges	11	0
Post-employment benefits	2	0
Total	**46**	**0**

Personnel expense increased as a result of the transfer of employment contracts envisaged in the demerger transaction. The expense relates to the portion pertaining to the period from 28 to 31 December 2018.

Note 22. Other operating costs

(Euro/000)	31/12/2018	31/12/2017
General company charges	1	0
Shareholders' Meetings, financial statements, Consob obligations, Stock Exchange	39	0
Total	**40**	**0**

The item consists mainly of sundry expense incurred for the demerger and listing on the MTA managed by Borsa Italiana.

Note 23. Amortization/depreciation, fair value adjustments, impairment losses and provisions

(Euro/000)	31/12/2018	31/12/2017
Amortization of intangible fixed assets	0	0
Depreciation of tangible fixed assets:		
equipment	4	0
other assets	4	0
Amortization and depreciation	**8**	**0**
Fair value adjustment of investment property	(141)	0
Write-downs and allocations	**(141)**	**0**
Total	**(133)**	**0**

Equipment and other assets refer mainly to the fitting out of the new premises in Via Tortona, the depreciation of which follows the term of the relevant lease. The portion relates to the period from 28 to 31 December 2018 accrued as a result of the Demerger.
The fair value adjustment of the investment properties, amounting to € 141 thousand and relating to the properties in Gallarate (VA), Senago (MI) and Milan (MI) purchased on 28 December 2018, was recognized based on the market value resulting from the appraisals at 31 December 2018, as requested by the Directors. For further details, see Note 1.

Note 24. Income and (Financial Expense)

(Euro/000)	31/12/2018	31/12/2017
Income		
Interest on loans to associates	5	0
Interest on loans to parents	5	0
Interest on loans to subsidiaries	15	0
Total financial income	**25**	**0**
Expense		
Interest on bank accounts	5	
Interest on bank loans	31	
Interest on loans from subsidiaries	7	
Interest expense on other payables	27	
Total financial expense	**70**	**0**
Total	**(45)**	**0**

Interest income and expense from associates, subsidiaries and parents relate to the portions of loans receivable and payable transferred as part of the demerger. They are calculated on the basis of normal market conditions.
Interest expense on current accounts, mortgage loans and bank loans, totaling € 36 thousand, relates to the portion accrued on the payable transferred as a result of the Demerger.

Interest expense on other payables refers to interest and other amortized financial costs relating to the bond transferred as a result of the Demerger.
These are the portions accrued on an accrual basis in the period from 28 to 31 December 2018.

Note 25. Income tax for the year

(Euro/000)	31/12/2018	31/12/2017
Current IRES and IRAP	0	0
Income/(expense) from tax consolidation scheme	85	0
Prior-years' tax	0	0
Current tax		
Prepaid/(deferred) tax	**0**	**0**
Total	**85**	**0**

In 2018, starting from an overall negative result from taxable operations of € 350 thousand, the Company accrued taxable income deriving mainly from the tax loss from tax-exempt operations, which was fully neutralized by the losses incurred by the Company.

Income from the inclusion in tax consolidation amounted to € 85 thousand, attributable to the taxable amounts carried to tax consolidation by a number of Group companies.

Note 26. Earnings per share

As the Group ended 31 December 2018 with a loss, earnings per share cannot be calculated.
Since the outstanding warrants would have an anti-dilutive effect, diluted earnings/(loss) per share were not calculated.

Note 27. Commitments

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

The item includes mainly:

- € 398 thousand for a bank guarantee issued by Banca Popolare di Milano in favour of Y & R Italia S.r.l. in the interest of Aedes to guarantee the provisions of the lease contract of Via Tortona, Milan;
- € 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 includes mainly:

- € 632 thousand for an insurance surety issued by Elba Assicurazioni S.p.A. in favour of the Municipality of Santa Vittoria d'Alba (CN) in the interest of Aedes SIIQ S.p.A. for infrastructure work on PEC (Agreed Executive Plan) standard areas, Lot C;
- € 190 thousand for an insurance surety issued by Aviva in favour of the Municipality of Milan in the interest of Aedes SIIQ S.p.A. for the deferred payment of the construction grant;
- € 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;
- € 201 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;
- € 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 Pragaquattro Center SIINQ S.p.A., 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;
- € 111 thousand for an insurance surety issued by Elba Assicurazioni S.p.A. in favour of the Municipality of Santa Vittoria d'Alba (CN) in the interest of the subsidiary Pragaquattro Center SIINQ S.p.A. as a guarantee of the infrastructure work on Standard PV2;
- € 207 thousand for an insurance surety issued by Elba Assicurazioni S.p.A. in favour of the Municipality of Santa Vittoria d'Alba (CN) in the interest of the subsidiary Pragaquattro Center SIINQ S.p.A. as a guarantee of the infrastructure work on Standard PV1;
- € 130 thousand for an insurance surety issued by Elba Assicurazioni S.p.A. in favour of the Municipality of Santa Vittoria d'Alba (CN) in the interest of the subsidiary Pragaquattro Center SIINQ S.p.A. as a guarantee of the infrastructure work on Internal road services;
- € 466 thousand for an insurance surety issued by Elba Assicurazioni S.p.A. in favour of the Municipality of Santa Vittoria d'Alba (CN) in the interest of the subsidiary Pragaquattro Center SIINQ S.p.A. as a guarantee of the infrastructure work on PEC (Agreed Executive Plan) Road Services;
- € 124 thousand for an insurance surety issued by Elba Assicurazioni S.p.A. in favour of the Municipality of Santa Vittoria d'Alba (CN) in the interest of the subsidiary Pragaquattro Center SIINQ S.p.A. as a guarantee of the infrastructure work on Strada Gorreto;
- € 135 thousand for an insurance surety issued by Elba Assicurazioni S.p.A. in favour of the Municipality of Santa Vittoria d'Alba (CN) in the

interest of the subsidiary Pragaquattro Center SIINQ S.p.A. as a guarantee of the infrastructure work on the roundabouts;
• € 304 thousand for insurance sureties issued by Elba Assicurazioni S.p.A. in favour of the Municipalities of Novi Ligure and Serravalle Scrivia in the interest of the subsidiary Novipraga SIINQ S.p.A. in relation to the development work on the Retail Park.

Mention should also be made that Aedes has issued:

• € 39,946 thousand for an autonomous guarantee on first demand issued in favour of Crédit 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.ar.l., holding 49.9%, has issued an identical guarantee;
• € 39,100 thousand for the commitment undertaken by Aedes SIIQ S.p.A. towards Borromini SPV S.r.l. in the interest of the Petrarca Fund as a guarantee of the loan granted.

Guarantees on assets owned by the Group
A pledge has been granted to banks over the shares held in Pragasei S.r.l., Efir S.ar.l., and the Petrarca Fund.

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 S.ar.l., holding 49.9% in Pragasei S.r.l., has issued a similar commitment;
• € 5,500 thousand for the remaining financial commitment on the San Marino - The Market transaction;
• € 3,000 thousand for the commitment undertaken by Aedes SIIQ S.p.A. to maintain share capital and shareholder loans at a minimum level vis-à-vis Banca Popolare di Milano in respect of the loan granted.

It should be noted that, in respect of the sum of all the undertakings set out in this Note 27, the Group has made provisions for risks where deemed necessary.

Note 28. Segment reporting

In order to present the new business model, the Business Units (the "BU") are shown by segment.

Shown below are the consolidated pro-forma income statement and the consolidated statement of financial position by segment.

2018 pro-forma income statement

Group pro-forma consolidated income statement by segment (Euro/000)	Investment & Asset Management	Investment Development Management	Holding	31/12/2018 Proforma
Gross rental revenue	15,101	643	1	15,745
Margin from sale of properties	2,710	0	0	2,710
Other revenue	1,211	(145)	840	1,906
Total revenue	**19,022**	**498**	**841**	**20,361**
Total direct external costs	**(7,142)**	**(321)**	**506**	**(6,957)**
Net Operating Income	**11,880**	**177**	**1,347**	**13,404**
Direct personnel expense	(538)	(2,252)	0	(2,790)
Internal direct capitalized costs on properties	201	1,147	135	1,483
Total direct costs	**(337)**	**(1,105)**	**135**	**(1,307)**
HQ personnel expense	0	0	(2,779)	(2,779)
Consultancy	(46)	(11)	(3,003)	(3,060)
Advertising and promotion	0	0	(312)	(312)
G&A	(80)	(351)	(3,543)	(3,974)
Total general expenses	**(126)**	**(362)**	**(9,636)**	**(10,124)**
EBITDA	**11,417**	**(1,290)**	**(8,155)**	**1,972**
Value adjustment of properties	7,557	4,648	(9)	12,196
Amortization, depreciation, provisions and other non-property write-downs	(244)	(32)	(1,417)	(1,693)
Income/(expense) from associates	3,224	304	0	3,528
EBIT (Operating profit)	**21,953**	**3,630**	**(9,580)**	**16,003**
Financial income/(expense)	(3,037)	(901)	(3,563)	(7,501)
EBT	**18,916**	**2,730**	**(13,143)**	**8,502**
Tax/tax charges	0	2	506	508
Profit/(Loss) from continuing operations	**18,916**	**2,732**	**(12,638)**	**9,010**
Profit (Loss) from assets/liabilities sold and/or held for sale	0	0	0	0
Profit/(Loss)	**18,916**	**2,732**	**(12,638)**	**9,010**

2018 statement of financial position

Group consolidated statement of financial position (Euro/000)	Investment & Asset Management	Investment Development Management	Holding	31/12/2018
Investment property and inventory	300,240	151,349	0	451,589
Investments and real-estate funds	34,606	18,844	0	53,450
Financial receivables	8,781	1,024	2	9,807
Other fixed assets	0	0	2,073	2,073
Deferred tax assets	0	0	3,236	3,236
Trade and other receivables	0	0	7,403	7,403
Tax receivables	0	0	1,619	1,619
Cash and cash equivalents and other securities	0	0	3,580	3,580
Total assets	**343,627**	**171,217**	**17,913**	**532,757**
Payables to banks	117,737	20,729	68,870	207,336
Provision for post-employment benefits	0	0	1,260	1,260
Trade and other payables within the year	0	0	24,524	24,524
Tax payables	0	0	161	161
Deferred tax liabilities	0	0	467	467
Provision for risks and charges	0	0	693	693
Equity	225,890	150,488	(78,063)	298,316
Total liabilities	**343,627**	**171,217**	**17,913**	**532,757**

Note 29. 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 Regulation 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 or minimizes the amount paid to extinguish 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 should be measured according to the "Highest and best use" method i.e. taking into account the best use of the assets from the perspective of market participants;
- liabilities (financial and non-financial) and equity instruments (i.e. shares issued as consideration in a business combination) must be transferred to a market participant 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):
- Adequate 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.

• Maximize the observable inputs: inputs are divided into observable and unobservable, providing various examples of markets from which fair values can be calculated.

• Measurement techniques of fair value are classified in three hierarchical levels according to the type of input used:

- Level 1: inputs are quoted prices in active markets for identical assets or liabilities to assess. 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 approach method is based on prices and other important 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 that will 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 as at the measurement date to substitute the capability of the service of the asset subject to measurement. Fair value will be equal to the cost that a market participant would incur to acquire or build an asset of adjusted comparable use (taking 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.

Valuation 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:

(Euro/000)	Comparative		DCF		Residual		Total book value	Total market value
Description	**Book value**	**Market value**	**Book value**	**Market value**	**Book value**	**Market value**	**Book value**	**Market value**
Office			141,280	141,280			141,280	141,280
Other	9,342	9,570	1,240	1,240	37,100	37,100	47,682	47,910
Retail	2,077	2,077	159,020	159,020	101,530	101,530	262,627	262,627
Grand total	**11,420**	**11,647**	**301,540**	**301,540**	**138,630**	**138,630**	**451,589**	**451,817**

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 67% of total fair value):
  - Retail: the discount period ranges from 2 to 12 years; a 1.50% inflation rate was mainly used over the entire time horizon. The discount rate used, on the other hand, ranges from 6.00% and 9.00%; the net capitalization rate ranges between 5.60% and 8.50%;
  - Office: the discount period ranges from 3 to 12 years; a 1.50% inflation rate was mainly used over the entire time horizon. The discount rate used, instead, ranges from 5.80% to 8.10%; the net capitalization rate is between 5.30% and 7.30%;
  - Other: it includes a single property for hotel use; the discount period used is equal to 10 years; a 1.50% inflation rate was used over the entire time horizon; the market growth rate was assumed equivalent to the inflation rate. The discount rate, instead, is 8.10%; the gross capitalization rate amounted to 6.60%.

- Residual Method (approximately 31% of overall fair value):
This measurement method was used almost exclusively for development projects; profit for the developer ranged between 8.00% and 32.00% of development costs, while the net capitalization rate used to determine the final value of the property ranged between 5.50% and 8.50%.

- Comparative Method (approximately 2% of total fair value):
This measurement method was used for properties on which an economic-financial approach as in other methods used does not apply; these refer mainly to the residual construction capacities on development projects, agricultural land and residential units; the method compares the assets in question and similar assets, recently acquired/sold or currently offered on the same market or on competitive markets.

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.

Note 30. Significant non-recurring events and transactions

With the exception of the demerger transaction that took place in 2018, under Consob Communication of 28 July 2006, the Aedes Group did not carry out significant non-recurring transactions.

Note 31. Transactions deriving from atypical and/or unusual transactions

In 2018, no atypical and/or unusual transactions were carried out by the Group*.

Note 32. Information on financial risks

CLASSES OF FINANCIAL INSTRUMENTS

There follows a breakdown of the financial assets and liabilities required by IFRS 7 in the scope of the categories of IAS 39.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of trade assets and liabilities and other financial receivables and payables corresponds to the nominal value booked in the financial statements.

The fair value of payables to banks and derivatives is identified in detail in Note 14.

Under IFRS 7, derivative financial instruments measured at fair value are classified on the basis of a hierarchy of levels that reflect the significance of the inputs used for the calculation of fair value. This hierarchy has the following levels:

Level 1 - quoted prices in active markets for assets or liabilities subject to measurement;
Level 2 - inputs other than the quoted prices mentioned above, which are observable directly (prices) or indirectly (derived from prices) on the market;
Level 3 - that are not based on observable market data.

(*) 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.

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

Description (Euro/000)	31/12/18	
	Book value	Fair value
Mortgages	128,861	128,623
Bonds	44,623	45,604
Payables to leasing companies	1,612	1,596
Lines of credit	22,353	22,716
Other lenders	9,887	10,106
Total	**207,336**	**208,645**
Fair Value Cap	(4)	(4)
Fair Value Floor	972	972
Total Fair Value of Derivatives	**968**	**968**
Total	**208,304**	**209,613**
Difference	(1,309)	

With regard to the fair value hierarchy levels, the valuations of derivatives and liabilities outstanding at 31 December 2018 can be classified as Level 2, i.e. deriving from measurement techniques (Discounted Cash Flow for financial liabilities and for IRS contracts and Black & Scholes Model for optional structures) populated with input data (interest rates, volatility and CDS spreads) directly observable on the market (through the 'Bloomberg' and 'Thomson Reuters' platforms).

The table below summarizes the conditions of the existing payables due to banks and other lenders at 31 December 2018, grouped by interest rate range, with the relevant indication of the book value.

Description (Euro/000)	31/12/2018
Interest rate (current)	
less than 2%*	8,251
2% - 3%	38,908
3% - 5.5%	161,145
5.5% - 6.5%	0
>6.5%	0
Total	**208,304**

* The item includes the positive and negative fair value of derivative, amounting to € 968 thousand at 31 December 2018.

The table below shows the assets and liabilities (derivative instruments commented on in Note 7) measured at fair value at 31 December 2018.

Amounts at 31 December 2018

(Euro/000)	Level 1	Level 2	Level 3	Total
Derivative financial instruments	0	4	0	4
Total assets	**0**	**4**	**0**	**4**
Derivative financial instruments	0	(972)	0	(972)
Total liabilities	**0**	**(972)**	**0**	**(972)**
Total	**0**	**(968)**	**0**	**(968)**

Derivative financial instruments are measured using the Discounted Cash Flow Method. Future cash flows are discounted based on the forward rate curves expected at the end of the observation period and on the contractual fixing rates, also taking the counterparty credit risk into account, in compliance with IFRS 13.

The Group is exposed to financial risks:

- interest rate risk;
- exchange rate risk;
- liquidity risk;
- credit risk.

Risk management policies are shown in section 4.10 Main types of risk. The following section provides qualitative and quantitative disclosures on the effect of those risks on the Group.

INTEREST RATE RISK

With regard to interest rate risk, IFRS 7 requires a sensitivity analysis that shows the impact on the financial statements of changes in the interest rate curve. Specifically, the analysis was carried out only on derivative financial instruments in the portfolio, which currently represent the only financial assets/liabilities subject to measurement at fair value; loans payable at year-end were not, however, considered for the purposes of fair value sensitivity, as they are represented by accounting entries measured at amortized cost.

The table below shows the higher financial income/expense that would have been recorded in the income statement during the year in the event of interest rates higher or lower than those actually recorded, respectively, by +0.5% and -0.5% with regard to both derivative financial instruments and floating rate loan agreements.

The table below shows the change in the operating result for the year and in equity following the sensitivity analysis.

(Euro/000)	Profit or (Loss)	
	Increase of 50 bps	Decrease of 50 bps
Mortgages	(500)	500
Bonds	(70)	70
Payables to leasing companies	(0)	0
Lines of credit	(5)	5
Other lenders	(46)	46
Derivative financial instruments	206	(192)
Net sensitivity of cash flows	**(415)**	**429**

FLOATING-RATE LOANS

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 are recorded in the income statement as period adjustments to the fair value of the derivative instrument.

(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 amortization
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 are recorded in equity (other comprehensive income/loss).

The notional amount of subscribed derivatives is equal to approximately 39.5% of the Group's gross financial debt at 31 December 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 at 31 December 2018 stands at approximately 46.1%.

EXCHANGE RATE RISK

At 31 December 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 keeps a watchful eye on cash and 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 of certain assets;
B) disposal of certain assets;
C) rescheduling of short-term credit lines;
D) financial support from Shareholders.

Based on the information and the documentary evidence available at the date of preparing the Financial Statements at 31 December 2018, and on the progress of the initiatives currently in place with regard to the above funding sources, there are no significant risks of a possibility of not completing the actions according to the schedule and 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 through debt, via the market and/or by disposing of existing assets during the year. Whether or not, in fact, these actions are fully or partly achieved according to schedule and to the procedures set, also depends on factors outside the Company's control, such as the economic cycle, property market trends, accessibility of credit and capital market trends.

Accordingly, the Directors believe there are no material uncertainties on the Company and Group's ability to meet their current and prospective financial obligations in the foreseeable future.

31/12/2018 (Euro/000)	Book value	Contractual cash flows	Within 1 year	1-2 years	2-5 years	over 5 years
Non-derivative financial liabilities						
Mortgages	128,861	144,259	53,681	23,103	53,167	14,308
Bonds	44,622	49,216	2,301	46,915	0	0
Payables to leasing companies	1,613	2,508	232	231	698	1,347
Lines of credit	22,353	23,166	23,166	0	0	0
Other lenders	9,887	10,589	555	10,034	0	0
Total non-derivative liabilities	**207,336**	**229,738**	**79,935**	**80,283**	**53,865**	**15,655**
Derivative financial instruments						
Hedge derivatives	709	748	278	248	222	0
Non-hedge derivatives	259	240	147	93	-	-
Purchased Cap	(4)	0	0	0	0	0
Sold floor	263	240	147	93	0	0
Total	**208,304**	**230,726**	**80,360**	**80,624**	**54,087**	**15,655**

Analysis of liabilities by maturity

To complete the disclosures contained in the specific notes to the financial position, here below are the balances at 31 December 2018.

Analysis of liabilities by maturity at 31/12/2018 (Euro/000)	Book value	committed	within 1 year	1-5 years	over 5 years
Non-current payables to banks and other lenders	134,909	0	0	124,754	10,155
Other non-current financial liabilities	1,418	0	0	709	709
Current payables to banks and other lenders	72,427	0	72,427	0	0
Payables to suppliers/advances from customers	18,250	0	18,250	0	0
Other current financial liabilities	3,069	0	3,069	0	0
Total	**230,073**	**0**	**93,746**	**125,463**	**10,864**

CREDIT RISK

The Group's credit risk is related mainly to trade receivables from the sale of properties or investments and the provision of services. For the latter, see the specific sections in the Explanatory Notes.

Note 33. Information pursuant to Law 124/2017 art. 1, paragraphs 125 and 129

It should be noted that during the year, the Group did not receive any disbursements, contributions, remunerated assignments or economic benefits from public bodies or agencies or state-controlled entities.

3.15 Annex 1 - Company information

Subsidiaries consolidated line-by-line

Investment	Head office	Share capital	Stake held
Consorzio ATA	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 Tortona, 37	€ 100,000	100% Aedes SIIQ S.p.A.
Pragaquattro Center SIINQ S.p.A.	Milan Via Tortona, 37	€ 54,000	100% Aedes SIIQ S.p.A.
Pragaundici SIINQ S.p.A.	Milan Via Tortona, 37	€ 100,000	100% Aedes SIIQ S.p.A.
Praga RES S.r.l.	Milan Via Tortona, 37	€ 100,000	100% Aedes SIIQ S.p.A.
SATAC SIINQ S.p.A.	Milan Via Tortona, 37	€ 620,000	100% Aedes SIIQ S.p.A.

Consorzio ATA
Consortium established for the development of the project owned by SATAC 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..

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), and of revenue properties (for tourism/reception and residential use) and under development (la Bollina for tourism/reception, sports/recreation and residential use) in the Municipality of Serravalle Scrivia (AL). Held 100% 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..

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..

Associates and joint ventures consolidated at equity

Investment	Head office	Share capital	Stake held
Borletti Group SAM S.A.	L-1136 Luxembourg Place d'Armes 1T	€ 51,667	40% Aedes SIIQ S.p.A.
Efir S.àr.l.	5 Allé Scheffer L - 2520 Luxembourg	€ 22,279,300	33.33% Aedes SIIQ S.p.A.
Dante Retail Fund	-	-	100% Efir S.àr.l.
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	€ 143,500	28.57% Aedes SIIQ S.p.A.
Pragasei S.r.l.	Milan Via Monte Napoleone n. 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. (già Praga Construction S.r.l.)
The Market LP SCA	Dogana - Republic of San Marino Via Cesare Cantù 104	€ 72,250	18.69% Aedes SIIQ S.p.A. 14.53% InvesCo S.A. 42.91% Borletti Group SAM S.A.

Borletti Group SAM S.A., InvesCo S.A. and The Market LP SCA
Companies operating in the activities related to "The Market".

Efir S.àr.l. and Dante Retail Fund
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.

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. (formerly Praga Construction S.r.l.) and Itinera S.p.A., each holding 50%, for the construction of a shopping center in Nichelino (TO) 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.

3.16 Annex 2 - Transactions with related parties

Transactions carried out over the year 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.

Counterparty (Euro/000)	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	Costs for raw materials and services	Financial income	Financial expense
Parent companies										
Augusto S.p.A.	0	0	111	86	10,000	90	0	0	0	0
Total from parents	**0**	**0**	**111**	**86**	**10,000**	**90**	**0**	**0**	**0**	**0**
Associates										
InvesCo S.A.	0	0	3	0	0	0	0	0	0	0
Nichelino Village S.c.ar.l.	1,024	0	0	0	0	1,492	0	0	0	0
Pragasei S.r.l.	8,783	0	0	0	0	0	0	0	5	0
Borletti Group SAM S.A.	0	0	3	0	0	0	0	0	0	0
Serravalle Village S.c.ar.l.	0	0	38	0	0	0	0	0	0	0
The Market Propco S.r.l.	0	0	133	0	0	0	3	0	0	0
The Market Opco S.r.l.	0	0	7	0	0	0	0	0	0	0
Total from associates	**9,807**	**0**	**184**	**0**	**0**	**1,492**	**3**	**0**	**5**	**0**
Other related parties										
Banca Profilo S.p.A.	0	1	0	8	4,958	0	0	0	0	(3)
Sator Immobiliare SGR S.p.A.	0	0	226	0	0	26	0	0	0	0
Società Investimenti Mobiliari Uno SS	0	0	0	1	694	0	0	0	0	0
Leopardi Fund	0	0	12	0	0	0	12	0	0	0
Società agricola Bollina S.r.l.	0	0	5	0	0	2	0	0	0	0
Agarp S.r.l.	0	0	1	0	0	0	0	0	0	0
Arepo Ad Sarl	0	0	2	0	0	0	0	0	0	0
Restart SIIQ S.p.A	0	0	2	0	0	2,362	2	(20)	5	0
Pragaotto S.r.l.	0	0	75	0	0	3	0	0	0	0
Prarosa S.r.l.	0	0	1	0	0	0	0	0	0	0
Tiepolo S.r.l.	0	0	1	0	0	0	0	0	0	0
Total other related parties	**0**	**1**	**325**	**9**	**5,652**	**2,393**	**14**	**(20)**	**5**	**(3)**
Total related parties	**9,807**	**1**	**620**	**95**	**15,652**	**3,975**	**17**	**(20)**	**10**	**(3)**

The overall fees resolved for the Directors, including Directors with Proxies, Statutory Auditors and Key Management Personnel are shown in the table below:

(Euro/000)	Aedes SIIQ S.p.A.	Subsidiaries and associates	Total
Fees to members of the Board of Directors	37	0	37
of which paid back	0	0	0
Fees to members of the Board of Statutory Auditors	15	34	49
Fees to Directors and Statutory Auditors for positions held in the Supervisory Body	0	5	5
of which Statutory Auditors of Aedes SIIQ S.p.A.	0	5	5
Fees to Key Management Personnel	3	0	3
Total	**55**	**39**	**94**

For further details, reference should be made to the Remuneration Report of the Company, prepared pursuant to art. 123-ter of the TUF, which will be published pursuant to the law also on the Company website.

3.17 Annex 3 - Investments in companies measured at equity

Investment (Euro/000)	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Associates				
Efir S.ar.l.	57,288	303	0	166
Dante Retail Fund	119,462	14,490	70,309	648
The Market	44,117	10,872	0	7,904
Pragasei S.r.l.	43,251	14,694	17,557	38,154
Total	**264,118**	**40,359**	**87,866**	**46,872**

Investment (Euro/000)	Revenue from sales and services	Other revenue	Change in inventory	Costs for raw materials and services	Personnel expense	Other operating costs
Associates						
Efir S.ar.l.	0	0	0	(43)	0	0
Dante Retail Fund	9,421	50	0	(2,019)	0	(931)
The Market	44	0	0	(1,685)	0	(1)
Pragasei S.r.l.	6,930	0	0	(3,221)	0	(174)
Total	**16,395**	**50**	**0**	**(6,968)**	**0**	**(1,106)**

Investment (Euro/000)	Amortization and depreciation	Write-downs and allocations	Net financial income/(expense)	Income/(expense) from investments	Tax	Profit/(Loss) for the period
Associates						
EFIR S.ar.l.	0	0	(3)	0	(110)	(156)
Dante Retail Fund	0	710	(1,758)	363	0	5,836
The Market	(4)	0	(676)	0	0	5,740
Pragasei S.r.l.	(28)	(117)	(1,910)	0	50	1,530
Total	**(32)**	**593**	**(4,347)**	**363**	**(60)**	**12,950**

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

Investment (Euro/000)	% of investment	NFP 100%	NFP pro-rata
EFIR S.ar.l.	33.33%	212	71
Dante Retail Fund	33.33%	(56,618)	(18,871)
Pragasei S.r.l.	50.10%	(28,692)	(14,375)
The Market	40.00%	9,251	3,700
Total		**(85,098)**	**(33,175)**

Taking the listed debt into account, mention should be made that debt is, in turn, secured mainly by property guarantees. See Note 27 for any Group commitments.

3.18 Annex 4 - Information pursuant to art. 149-duodecies of the Consob Issuer Regulation

The following statement, prepared in accordance with art. 149-duodecies of the Consob Issuer Regulation, shows the fees for 2017 for external auditing and for services other than auditing rendered by the Independent Auditors.

(Euro/000)	
Towards the Parent Company:	
a) from the Independent Auditors for the provision of audit services	114
b) from the Independent Auditors:	
for audit services resulting in the issuance of a certification	325
for the provision of other services	
Towards subsidiaries:	
a) from the Independent Auditors for the provision of audit services	104
b) from the Independent Auditors:	
for audit services resulting in the issuance of a certification	
for the provision of other services	
c) from entities that are part of the network of the Independent Auditors:	
for audit services resulting in the issuance of a certification	
for the provision of other services	
Total	**543**

3.19 Certification of the Consolidated Financial Statements*

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 administrative and accounting procedures for the preparation of the consolidated financial statements in 2018.

We also certify that

1. the Consolidated 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 financial position, results of operations and cash flows of the Company and of the companies included in the consolidation scope of the Aedes Group as a whole.

2. the Directors' Report contains a reliable analysis of the performance, results of operations and 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, 3 April 2019

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

(*) Pursuant to art. 81-ter of CONSOB Regulation no. 11971 of 14 May 1999 as subsequently amended and supplemented.

3.20 Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Aedes SIIQ S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated income statement, the consolidated comprehensive income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Aedes SIIQ S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Spin-off of the SIIQ Business Unit

Description of the key audit matter	On September 27, 2018, the shareholders' of Aedes SIIQ S.p.A. and of Sedea SIIQ S.p.A. approved the partial and proportional spin-off of Aedes SIIQ S.p.A. (now "Restart SIIQ S.p.A.") to Sedea SIIQ S.p.A. from (hereinafter the "Spin-off").

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On December 28, 2018, the Spin-off became effective and the company Sedea SIIQ S.p.A. changed its legal name to Aedes SIIQ S.p.A.; on the same date, the ordinary shares and warrants of the Company began trading on the Mercato Telematico Azionario organized and managed by Borsa Italiana (the Italian Stock Exchange).

The Spin-off was used to carry out a reorganization which resulted in the Group acquiring control of the business unit that carries out the leasing of commercial properties and the development of areas suitable for the construction of commercial properties, consistent with the SIIQ model (hereinafter the "SIIQ Business Unit").

The consolidated book value of the SIIQ Business Unit at the effective date of the Spin-off was equal to Euro 298,5 million, with a consequential increase in the Group's net equity of the same amount. Regarding the accounting of the Spin-off, Management has considered the fact that it is configured as a "Business combination under common control", as the companies participating in the Spin-off are, and will remain, consolidated into the same parent company. Therefore, the assets and liabilities acquired through the Spin-off have been recognized at the same values recorded in the financial statements of the demerged company, in line with the practice adopted for this type of transaction.

Given the materiality of the SIIQ Business Unit acquired through the Spin-off and the relevance of the transaction for the purpose of understanding the consolidated financial statements, we considered the transaction in question and the related disclosure as a key audit matter of the of the Group's consolidated financial statements at 31 December 2018.

The paragraphs "Introduction" and "Assets and liabilities acquired as a result of the demerger" of the notes report a description of the Spin-off and the main effects on the Group's consolidated financial statements.

Audit procedures performed

As part of our audit, we have carried out, among other procedures, the following:

- analyzed the main corporate documentation available on the transaction in question, including the minutes of the meetings of those charged with governance;
- analyzed the accuracy and completeness of the assets and liabilities related to the SIIQ Business Unit acquired through the Spin-off;
- examined the criteria used for the accounting of the Spin-off;
- verified the disclosure reported in the notes.

Valuation of property portfolio

Description of the key audit matter

The Group's consolidated financial statements include investment properties, measured at fair value according to IAS 40, for Euro 443 million. In addition, the Group holds the property portfolio through investments in associates and joint ventures accounted for using the equity method, whose carrying amount is equal to Euro 53,5 million, and property inventories, measured at the lower of cost and net realizable value, for a value of Euro 8,6 million. The aforementioned assets were acquired by the Group primarily due to the Spin-off, which became effective on December 28, 2018.

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The Group's property portfolio includes properties under development, investment properties and inventories held for sale, and the valuation methods and assumptions underlying the determination of fair value and net realizable value with regard to inventories vary according to the type of investment.

The valuation process of the Group's property portfolio, which was conducted by the Directors based on appraisals prepared by independent experts, is complex and derives from variables and assumptions concerning future trends influenced by economic and market conditions that are difficult to forecast. In particular, the assumptions underlying the valuations made by the Directors in relation to the property portfolio mainly relate to the following variables: *(i)* the net cash flows expected from the properties and the relative timing of completion; *(ii)* inflation rates, discount rates and capitalization rates.

Given the materiality of the property portfolio and the complexity and subjectivity of the valuation process conducted by the Directors, with particular regard to the aforementioned variables, we considered the valuation of the property portfolio a key audit matter of the Group's consolidated financial statements as at December 31, 2018.

Notes 1, 4 and 8 of the consolidated financial statements provide information on investment properties, investments in associates and joint ventures and inventories held by the Group, respectively. Note 29 and the paragraph "Significant estimates and assumptions," describes the assumptions underlying the valuations relating to the property portfolio.

Audit procedures performed

As part of our audit, along with the support of our valuation specialists, we have carried out, among other procedures, the following:

- developed an understanding of the significant processes and controls implemented by the Aedes Group on the selection of the independent experts used by the Directors for the valuation of the property portfolio;
- assessed the competence, capabilities and objectivity of the independent experts by verifying their professional qualifications, examining the terms of their engagements and obtaining information from the Management;
- performed an analysis of the adequacy of the valuation methods and of the reasonableness of the main assumptions adopted for the valuation of the property portfolio through interviews conducted with both Management and the independent experts, as well as through an in-depth analysis and critical reading of the appraisals;
- verified, on a sample basis, the consistency of the data communicated by Management to the independent experts with those used in the appraisals;
- performed a comparison of inflation rates, discount rates, capitalization rates and market rents used for the preparation of appraisals with external sources (data and market information available from public sources and comparable transactions);
- verified, on a sample basis, the mathematical accuracy of the models used by the independent experts for their evaluations;
- verified the adequacy of the disclosure reported by the Group in the notes with reference to the various types of investments held.

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Liquidity risk	
Description of the key audit matter	The consolidated financial statements at December 31, 2018 present a net current financial debt equal to Euro 68,8 million, which represents a liquidity risk for the Group. For the purposes of assessing this risk, the Directors have prepared economic and financial projections that take into account the operating cash flows and financial commitments of the Group through March 31, 2020, including the anticipated investment activities and the upcoming maturities of certain loan agreements (the "Projections"). To meet the funding requirements that emerge from the Projections, the Directors have identified the following solutions to help secure funding: • refinancing of certain assets; • disposal of certain assets; • renegotiating terms of credit lines that are currently short-term; • issuance of new equity (of the Company or its subsidiaries). On the basis of the information available at the date of preparation of the financial statements as at December 31, 2018, as well as the progress of the initiatives with regard to the aforementioned solutions to help secure funding described in the notes, the Directors did not find significant risks that the actions taken would not be finalized according to the timetables and terms provided for in the Projections, although certain actions necessary to cover the funding requirements are still not certain. The Directors also verified the repercussions that would result from the failure to secure new equity. This verification led the Directors to conclude that, even in this scenario, the Group's ability to meet its obligations over the period covered by the Projections would not be affected. The Directors highlighted, however, that the lack of new equity could compromise the Group's ability to fully realize the property investments planned starting from 2019, with consequently negative repercussions on the growth of the property portfolio and on the profitability of the Group overall. Given the significance of the assessments made by the Directors for the purposes of assessing liquidity risk, as well as the uncertainties inherent in the solutions to help secure funding, we considered these assessments a key audit matter of the Group's consolidated financial statements. The paragraph "Main types of risk" of the consolidated financial statements includes the disclosure reported by the Group regarding the aspects highlighted above.
Audit procedures performed	Our audit procedures have included, among others, the following: • developed an understanding of the analysis carried out by the Directors in the preparation of the financial budget and in the estimate of the expected cash flows; • analyzed the reasonableness of the main assumptions adopted by the Directors for the estimate of cash flow forecasts and assessed the reliability of the underlying data used for these forecasts; • held meetings and discussions with Management in order to obtain information deemed useful in the circumstances;

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- analyzed the budget versus actual results in order to assess the nature of the deviations and the reliability of the planning process;
- performed a critical reading of the minutes of the meetings of the Board of Directors;
- examined the progress of the initiatives currently in place regarding the solutions to help secure funding;
- analyzed subsequent events occurring between the end of the reporting period and the date of this audit report;
- examined the adequacy of the disclosure reported by the Directors in the notes.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Aedes SIIQ S.p.A. has appointed us on November 12, 2018 as auditors of the Company for the years from December 31, 2018 to December 31, 2026.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Aedes SIIQ S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of the Group as at December 31, 2018, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of the Group as at December 31, 2018 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of the Group as at December 31, 2018 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Giacomo Bellia
Partner

Milan, Italy
April 8, 2019

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

04 Financial Statements and Explanatory Notes of Aedes SIIQ S.p.A.

4.1 Statement of financial position*

Assets

(Euro)	Note	31/12/2018	of which related parties	31/12/2017	of which related parties
Non-current assets					
Investment property	1	173,270,000		0	
Other tangible fixed assets	2	1,823,436		0	
Intangible fixed assets	3	47,534		0	
Investments in subsidiaries	4	114,198,639		0	
Investments in associates and other companies	5	45,674,326		0	
Receivables for prepaid tax	6	250,362		0	
Derivative instruments	7	3,623		0	
Financial receivables	8	44,668,789	44,658,539	0	
Total non-current assets		**379,936,709**		**0**	
Non-current assets held for sale		0		0	
Current assets					
Inventory	9	1,867,028		0	
Trade and other receivables	10	9,607,600	5,824,307	10,200	
Cash and cash equivalents	11	2,102,284	0	16,140	
Total current assets		**13,576,912**		**26,339**	
Total assets		**393,513,621**		**26,339**	

Equity

(Euro)	Note	31/12/2018	of which related parties	31/12/2017	of which related parties
Equity attributable to the owners of the Parent					
Share capital		210,000,000		50,000	
Other reserves		28,605,480		0	
Retained earnings/(losses carried forward)		29,182,244		(13,177)	
Result for the year		(265,081)		(161,292)	
Total equity	**12**	**267,522,643**		**(124,469)**	
Liabilities					
Non-current liabilities					
Payables to banks and other lenders	13	88,665,316	18,268,145	0	
Provision for post-employment benefits	14	1,062,113		0	
Provisions for risks and charges	15	756,419		0	
Trade and other payables	16	2,773,291		0	
Derivative instruments	7	262,336		0	
Payables for deferred tax	6	363,808		0	
Total non-current liabilities		**93,883,283**		**0**	
Current liabilities					
Trade and other payables	16	16,001,278	6,715,098	150,426	
Payables to banks and other lenders	13	16,023,126	94,819	0	
Current tax payables	17	83,291		382	
Total current liabilities		**32,107,695**		**150,808**	
Total liabilities		125,990,978		150,808	
Total liabilities and equity		**393,513,621**		**26,339**	

(*) Under Consob Resolution no. 15519 of 27 July 2006, the effects of transactions with related parties are shown in the statement of financial position and income statement, and in the relevant Explanatory Notes.

4.2 Income Statement

Income Statement

(Euro)	Note	31/12/2018	of which related parties	31/12/2017	of which related parties
Revenue from sales and services	18	120,552	16,134	0	
Other revenue	19	671,324		0	
Costs for raw materials and services	20	(1,144,297)	(20,234)	(160,866)	
Personnel expense	21	(46,190)		0	
Other operating costs	22	(39,807)		(430)	
Fair value adjustment	23	140,684		0	
Amortization and depreciation	23	(7,982)		0	
EBIT		**(305,716)**		**(161,296)**	
Financial income	24	25,425	4,851	4	
Financial expense	24	(69,885)	(8,722)	0	
Income (expense) from investments	29	0		0	
Profit before tax		**(350,176)**		**(161,292)**	
Tax	25	85,095		0	
Result for the year		**(265,081)**		**(161,292)**	

4.3 Comprehensive Income Statement

Comprehensive Income Statement

(Euro)	31/12/2018	31/12/2017
Profit/(Loss) for the period	(265,081)	(161,292)
Other items recognized in the comprehensive income statement:	0	0
Actuarial (gains)/losses on post-employment benefits	(160,602)	0
Total comprehensive profit/(loss) after tax	**(425,683)**	**(161,292)**

4.4 Statement of changes in equity

(Euro)	Share capital	Treasury shares	Other reserves				Retained earnings (losses carried forward)	Profit (loss) for the year	Total
			Merger surplus	Legal reserve	Other for share capital increase	Capital contributions			
01/01/2017	**50,000**	**0**	**0**	**0**	**0**	**0**	**0**	**(13,177)**	**36,823**
Allocation of 2016 result			0	0	0		(13,177)	13,177	0
Profit/(Loss) for the year								(161,292)	(161,292)
Total comprehensive profit							*0*	*(161,292)*	*(161,292)*
31/12/2017	**50,000**	**0**	**0**	**0**	**0**	**0**	**(13,177)**	**(161,292)**	**(124,469)**

(Euro)	Share capital	Treasury shares	Other reserves				Retained earnings (losses carried forward)	Profit (loss) for the year	Total
			Merger surplus	Legal reserve	Other for share capita increase	Capital contributions			
01/01/2018	**50,000**	**0**	**0**	**0**	**0**	**0**	**(13,177)**	**(161,292)**	**(124,469)**
Allocation of 2017 result	0		0	0	0	(161,292)		161,292	0
Capital contributions						350,000		0	350,000
Demerger effect	209,950,000		(3,515,575)	2,283,381	29,648,966		29,356,023		267,722,795
Profit/(Loss) for the year								(265,081)	(265,081)
Actuarial (gains)/losses on post-employment benefits							(160,602)		(160,602)
Total comprehensive profit	*0*	*0*					*(160,602)*	*(265,081)*	*(425,683)*
31/12/2018	**210,000,000**	**0**	**(3,515,575)**	**2,283,381**	**29,648,966**	**188,708**	**29,182,244**	**(265,081)**	**267,522,643**

4.5 Statement of cash flows

(Euro)	31/12/2018	31/12/2017
Result for the year	(265,081)	(161,292)
Amortization and depreciation	7,982	0
Fair value adjustments of investment property	(140,684)	0
Other provisions	1,738	0
Financial expense/(income)	44,460	0
Change in trade and other receivables	778,928	0
Change in trade and other payables	1,775,688	132,209
Change in other assets and liabilities	(59,099)	(24)
Other changes	(706,618)	(4,753)
Interest (paid)/received	(175,000)	0
Cash flow from operations	**1,262,314**	**(33,860)**
Change in investment property and other tangible fixed assets	(4,889,316)	0
Change in financial fixed assets	(600,000)	0
Cash and cash equivalents acquired as a result of the Demerger	4,355,211	0
Cash flow from investing activities	**(1,134,105)**	**0**
Effects of changes in payables to banks and other lenders	1,607,935	0
Capital contributions (prior to demerger)	350,000	0
Cash flow from financing activities	**1,957,935**	**0**
Change in net liquidity available	**2,086,144**	**(33,860)**
Cash and cash equivalents at beginning of period	**16,140**	**50,000**
Cash and cash equivalents at end of period	**2,102,284**	**16,140**

4.6 Significant non-recurring transactions

On 8 August 2018, the managing bodies of Restart SIIQ S.p.A. (formerly Aedes SIIQ S.p.A.) and Aedes SIIQ S.p.A. (formerly Sedea SIIQ S.p.A.) approved, pursuant to articles 2506-bis and 2501-ter of the Italian Civil Code, the joint project for the partial and proportional demerger (the "Transaction") of Restart SIIQ S.p.A. (formerly Aedes SIIQ S.p.A., the "Demerged Company") in favour of Aedes SIIQ S.p.A. (formerly Sedea SIIQ S.p.A., the "Beneficiary Company").

The Demerger falls into a broader reorganization scheme, as a result of which the business complex owned by the demerged company was transferred to the beneficiary company which – either directly or through subsidiaries, associates or interests in real-estate funds – leases properties for commercial use and develops areas suitable for the construction of commercial properties (mainly retail) to be leased, consistent with the model of listed property investment companies pursuant to art. 1, paragraphs 119 et seq., of Law no. 296 of 27 December 2006, as amended by art. 20 of Legislative Decree no. 133 of 12 September 2014, converted, through amendments, by Law no. 164 of 11 November 2014 (SIIQ regime) (the "SIIQ Business Complex"). The Demerged Company has remained the owner of the business complex that performs – either directly or through subsidiaries, associates or interests in real-estate funds – the activity of buying, developing and managing properties that are not consistent with the SIIQ model (Non-SIIQ Business Complex).

The effectiveness of the Demerger was subject to the concurrent admission to listing of the shares of Aedes SIIQ S.p.A. (formerly Sedea SIIQ S.p.A.) on the MTA managed by Borsa Italiana.

On 27 September 2018, the Extraordinary Shareholders' Meeting of Restart SIIQ S.p.A. (formerly Aedes SIIQ S.p.A.) approved the partial and proportional demerger of Restart SIIQ S.p.A. (formerly Aedes SIIQ S.p.A., the "Demerged Company") in favour of Aedes SIIQ S.p.A. (formerly Sedea SIIQ S.p.A., the "Beneficiary Company").

The Demerger Deed was signed by notary Stefano Rampolla in Milan on 12 December 2018, index no. 61,539/16,400; the transaction became effective on 28 December 2018 following the go-ahead to listing issued by Borsa Italiana and Consob. At the effective date of the Demerger, Sedea SIIQ S.p.A. and Aedes SIIQ S.p.A. changed their names, respectively into Aedes SIIQ S.p.A. and Restart SIIQ S.p.A..

The following page shows the financial effects of the Demerger.

Based on the financial position resulting from the financial statements at 30 June 2018 (included in the demerger project), the difference between the book value of the assets and liabilities assigned to the Company was calculated as being € 267,723 thousand. At the effective date of the Demerger, on 28 December 2018, the difference between the amounts relating to the demerged business and those identified in the demerger project at 30 June 2018 led to an adjustment in favour of Restart SIIQ S.p.A. for an amount equal to € 2,322 thousand.

The Demerger has been accounted for on a going concern basis, being a "Combination of entities or businesses under common control", since the companies involved in the Demerger are and will remain consolidated, in accordance with IFRS 10 - Consolidated Financial Statements, by the same entity (Augusto S.p.A.).

(*) As envisaged by the demerger project and the new Bylaws, the share capital is increased to € 210,000,000.00 by reclassifying € 2,004,399.00 from "other reserves for share capital increase"
(**) The effects of the Demerger include the demerger adjustment acknowledged to Restart SIIQ S.p.A.

(Euro/000)	(A) Aedes SIIQ S.p.A. 27/12/2018	Restart SIIQ S.p.A. 27/12/2018	(B) Effect Demerger	(A+B) Post Demerger 28/12/2018
Assets				
Non-current assets				
Investment property	0	168,240	168,240	168,240
Other tangible fixed assets	0	1,831	1,831	1,831
Goodwill and consolidation differences	0	0	0	0
Intangible fixed assets	0	48	48	48
Investments in subsidiaries	0	114,199	114,199	114,199
Investments in associates and other companies	0	45,674	45,674	45,674
Financial assets available for sale	0	0	0	0
Receivables for prepaid tax	0	250	250	250
Financial assets held to maturity	0	0	0	0
Derivative instruments	0	4	4	4
Financial receivables	5	43,817	43,817	43,822
Trade and other receivables	0	0	0	0
Total non-current assets	**5**	**374,063**	**374,063**	**374,068**
Current assets				
Inventory	0	1,867	1,867	1,867
Financial receivables	0	0	0	0
Trade and other receivables	598	9,833	9,833	10,431
Investments in associates and other companies	0	0	0	0
Financial assets available for sale	0	0	0	0
Derivative instruments	0	0	0	0
Financial assets at fair value recognized under income statement	0	0	0	0
Cash and cash equivalents	323	4,355	4,355	4,678
Total current assets	**921**	**16,055**	**16,055**	**16,976**
Total assets	**926**	**390,118**	**390,118**	**391,044**

(Euro/000)	(A) Aedes SIIQ S.p.A. 27/12/2018	Restart SIIQ S.p.A. 27/12/2018	(B) Effect Demerger	(A+B) Post Demerger 28/12/2018
Equity				
Share capital	50	207,946	209,950	210,000
Other reserves	189	30,421	28,417	28,605
Retained earnings/(losses carried forward)	(13)	31,678	29,356	29,343
Net profit/(Loss)	(1,022)	0	0	(1,022)
Total equity	**(796)**	**270,045**	**267,723**	**266,927**
Liabilities				
Non-current liabilities				
Payables to banks and other lenders	0	87,763	87,763	87,763
Payables for deferred tax	0	364	364	364
Provision for post-employment benefits	0	900	900	900
Provisions for risks and charges	0	756	756	756
Total non-current liabilities	**0**	**89,783**	**89,783**	**89,783**
Current liabilities				
Trade and other payables	1,722	14,600	16,922	18,644
Payables to banks and other lenders	0	15,388	15,388	15,388
Derivative instruments	0	302	302	302
Total current liabilities	**1,722**	**30,290**	**32,612**	**34,334**
Total liabilities	1,722	120,073	122,395	124,117
Total liabilities and equity	**926**	**390,118**	**390,118**	**391,044**

4.7 Introduction

Aedes SIIQ S.p.A. ("Aedes", the "Company" or the "Parent Company") was established following the demerger of the pre-existing Aedes (now Restart), founded in 1905 and listed on the Milan Stock Exchange since 1924. Aedes SIIQ following the demerger – approved by the Shareholders' Meeting of 27 September 2018 – and concurrently listed on the MTA managed by Borsa Italiana (MTA:AED.MI) on 28 December 2018, in line with the strategy typical of a SIIQ, owns a property portfolio consisting of revenue properties and properties under development for commercial use (Retail and Office).

The Aedes SIIQ strategy aims to create and maintain in the medium to long term a revenue property portfolio for commercial use, mainly retail and office, with a sustainable resort to debt such as to generate cash flows consistent with the SIIQ model.

The recurring cash flow will stem from both properties that are already owned, for retail and office use, currently revenue-generating or about to be marketed, as well as from areas that will be developed in-house for revenue properties primarily for retail use.
Aedes SIIQ is building its future by investing in its two lines of business acquiring, on the one hand, revenue properties to compete with the performance of European REITs and, on the other, by creating new-generation shopping and leisure centres through its development pipeline, with limited use of debt and low levels of financial risk taking.

The Company and the Group will continue to acquire properties and property portfolios that already generate revenue, located in Northern and Central Italy, and will finalize the construction of a new generation of shopping and leisure centers through the pipeline of developments already in the portfolio.

Mention should be made that, in light of the financial position and results of operations of the Company at 31 December 2018, the asset and profit requirements set by the Special Regime of SIIQs have been met.

The financial statements are audited by Deloitte & Touche S.p.A., pursuant to art. 159 of Legislative Decree no. 58 of 24 February 1998.

The publication of the financial statements of Aedes SIIQ S.p.A. for the year ended 31 December 2018, was authorized by resolution of the Board of Directors on 3 April 2019.

Basis for Preparation

The 2018 financial statements of the Parent Company Aedes SIIQ S.p.A. have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, as well as with the provisions arising from art. 9 of Legislative Decree no. 38/2005. The IFRS also include all the revised international accounting standards ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly the Standing Interpretations Committee ("SIC").

The statements and disclosures contained in this statement of financial position have been prepared in compliance with IAS 1, pursuant to Consob Communication no. DEM 6064313 of 28 July 2006.

The financial statements have been prepared on a going concern basis. The Directors, in fact, have assessed that there are no uncertainties regarding the ability of the Company and the Group to operate as a going concern, even on the basis of estimates contained in the Explanatory Notes in the section "Main types of risk - Liquidity risk", to which reference is made.

The risks and uncertainties relevant to the business are described in the dedicated sections of the Directors' Report on Operations. The description of how the Company manages financial risks, including liquidity and capital risks, is contained in the section Additional information on financial instruments and risk management policies in these Explanatory Notes.

The financial statements have been prepared based on the conventional historic cost standard, except for the measurement of investment property at fair value and the financial assets and liabilities, including derivative instruments, in cases where the fair value method is applied.

With regard to the format of the financial statements, the Company opted to present the following types of financial statements:

Statement of financial positiona

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

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

- it is expected to be realized/settled or is expected to be sold or used in the normal operating cycle, or
- it is held principally to be traded or
- it is expected to be realized/settled within twelve months from the balance sheet date.

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

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

Income Statement

The income statement is presented in its classification by nature.

To provide a better understanding of the typical results of normal operations and of financial and tax management, the income statement shows the following interim results:

- EBIT;
- Profit before tax;
- Result for the year.

Comprehensive income statement

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

Statement of changes in equity

The following is the statement of changes in equity as required by international accounting standards, with separate disclosure of profit or loss for the year and other changes not recorded in the income statement, but directly to other comprehensive revenue (loss) based on specific IAS/IFRS accounting standards.

Statement of cash flows

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

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

The effects of transactions with related parties are shown in the income statement and statement of financial position, and in the relevant Explanatory Notes.

In preparing the financial statements at 31 December 2018, the same measurement criteria adopted for the financial statements at 31 December 2017 were used, except for 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 Company for the first time as from 1 January 2018:

- On 28 May 2014, the IASB published IFRS 15 – Revenue from Contracts with Customers which, along with additional clarifications published on 12 April 2016, will replace IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services. The standard establishes a new revenue recognition model, 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;
- allocation of the price to the performance obligations of the contract;
- revenue recognition criteria when the entity meets each performance obligation.

The standard applies as from 1 January 2018. The amendments to IFRS 15, Clarifications to IFRS 15 – Revenue from Contracts with Customers, published by the IASB in April 2016.

The application of IFRS 15 had no material impact on the amounts recorded as revenue and on the relating disclosures in the separate financial statements of the Company, since revenue originates mainly in lease rent, which is covered by IFRS 16, in revenue and margins from property sales, and in revenue from property services. The Company has therefore adopted a simplified transition approach without stating comparative data.

• On 24 July 2014, the IASB published the final version of IFRS 9 – Financial Instruments: recognition and measurement. The document includes the results of the IASB project aimed at superseding IAS 39. The new standard must be applied to financial statements beginning on or after 1 January 2018.

It introduces new criteria for the classification and measurement of financial assets and liabilities. More specifically, for financial assets, the new standard adopts a single approach based on the financial instrument management methods and on the characteristics of contractual cash flow of the financial assets in order to determine the measurement criteria, replacing the alternative rules established by IAS 39. For financial liabilities, the main change introduced regards the recognition of variations in the fair value of financial liabilities designated as a financial liability measured at fair value in the income statement, whenever these changes are due to a change in the credit rating of the issuer of the liability. According to the new standard, these amendments must be recognized in the statement of "Other comprehensive income", and no longer in the income statement. Additionally, for non-substantial modifications to financial liabilities, entities can no longer spread the income statement effects of the renegotiation on the residual duration of the debt by changing the effective interest rate at such date, but are required to recognize the relating effect in the income statement.

With regard to impairment, the new standard requires an entity to base its measurement of expected credit losses (not on the incurred losses model used by IAS 39) on reasonable and supportable information that is available without undue cost or effort, and that includes historical, current and forecast information. The standard requires that the impairment model apply to all financial instruments, i.e. financial assets measured at amortized cost, those measured at fair value through other comprehensive income, receivables arising from lease agreements and trade receivables.

Lastly, the standard introduces a new hedge accounting model in order to adapt the requirements of the current IAS 39, which were considered at times too stringent and unsuitable to reflect company risk management policies.
The main amendments of the document regard:

- increase in the types of transactions eligible for hedge accounting, also including the risks of non-financial assets/liabilities eligible to be managed in hedge accounting;
- change in the accounting method for forward contracts and options when included in a hedge accounting relation in order to reduce volatility of the income statement;
- changes to the effectiveness test through the replacement of the current methods based on the parameter of 80-125% with the standard of "economic relation" between the hedged item and the hedging instrument; in addition, an evaluation of the retrospective effectiveness of the hedging relation shall no longer be required.

The greater flexibility of the new accounting rules is balanced by additional requests for disclosure on the Company's risk management

activities.

The standard has been applied as from 1 January 2018 and had no significant impact on the Company's financial statements. The Company has therefore adopted a simplified transition approach without stating comparative data.

• On 20 June 2016, the IASB published "Classification and measurement of share-based payment transactions (Amendments to IFRS 2)" containing amendments to IFRS 2. The amendments provide 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 these amendments had no effects on the Company's financial statements.

• On 8 December 2016, the IASB published "Annual Improvements to IFRSs: 2014-2016 Cycle", adopting the amendments to the standards in the context of the annual process for their improvement. The main amendments regard:

- IFRS 1 First-Time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters. The amendment is applicable at the latest for financial years beginning on 1 January 2018, and regards the deletion of a number of short-term exemptions under section E3-E7 of Appendix E of IFRS 1, as the benefit of such exemptions is considered outdated.
- 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. The amendment clarifies that the option for a venture capital organization or other entity classified as such (such as a mutual fund or similar entity) to measure investments in associates and joint ventures measured at fair value through profit or loss (rather than the equity method) is carried out for each single investment on initial recognition. The amendment has been applied as from 1 January 2018.
- IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the Standard. The amendment clarifies the scope of IFRS 12, specifying that the disclosures required by the standard, with the exception of the disclosures under sections B10-B16, apply to all interests that are classified as held for sale, held for distribution to owners, or as discontinued operations in accordance with IFRS 5. The amendment has been applied as from 1 January 2018.

The adoption of these amendments had no effects on the Company's financial statements.

• On 8 December 2016, the IASB published "Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)". The purpose of the interpretation is to provide guidelines on foreign currency transactions when non-monetary advance consideration paid or received is recognized before recognition of the relating asset, expense or income. This document clarifies how an entity has to determine the date of the transaction and, consequently, the spot exchange rate to be used for foreign currency transactions, whose consideration is paid or received in advance. The interpretation clarifies that the transaction date is the earlier of:

a) the date when the advance payment or advance receipt are recognized in the entity's financial statements; and
b) the date when the asset, cost or revenue (or part of it) is recognized (with consequent reversal of the advance payment or the advance receipt).

If there are numerous payments or amounts collected in advance, a transaction date must be identified for each one. IFRIC 22 has been applied as from 1 January 2018.
The adoption of these amendments had no effects on the Company's financial statements.
• On 8 December 2016, the IASB published "Transfers of Investment Property (Amendments to IAS 40)" containing amendments to IAS 40. 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. This change must be tied to a specific event that has occurred and, thus, should not be limited to a change in Management's intentions for the use of the asset. The amendments have been applied as from 1 January 2018.
The adoption of these amendments had no effects on the Company's 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 COMPANY AT 31 DECEMBER 2018

• On 13 January 2016, the IASB published IFRS 16 – Leases, which will supersede 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, lastly, right to direct the use of the asset underlying the contract. The standard introduces a single lessee accounting model, by which an asset under a lease, including an operating lease, is recognized in assets with an offsetting financial liability. The standard, instead, introduces no material changes for the lessor.
The standard applies as from 1 January 2019, but early adoption is allowed.

The Company completed its preliminary assessment of the potential impacts of applying the new standard at the transition date (1 January 2019). This process was divided into several phases, including the complete mapping of contracts potentially suitable for containing a lease, and their analysis in order to understand the main clauses relevant for the purposes of IFRS 16.
The implementation process of the standard is nearing completion, which involves setting up the IT infrastructure to handle the standard from an accounting perspective, and aligning administrative processes and audits to monitor the critical areas covered by the standard.
The Company has chosen to apply the standard retrospectively, but has recognized the cumulative effect of applying the standard in equity at 1 January 2019, in accordance with paragraphs IFRS 16:C7-C13. Specifically, the Company will record, with regard to lease contracts previously classified as operating:

a) a financial liability, equal to the present value of the remaining future payments at the transition date, discounted using for each contract the incremental borrowing rate applicable at the transition date;
b) a right of use, equal to the value of the financial liability at the transition date, net of any accruals and deferrals from the lease and recorded in the statement of financial position at the balance sheet date of these financial statements.
The estimated impacts of the adoption of IFRS 16 at the transition date are shown below:
- recognition under non-current assets of rights of use for a total of € 3.5 million;
- recognition of a financial liability for a total of € 3.4 million.

In adopting IFRS 16, the Company intends to make use of the exemption granted by paragraph IFRS 16:5(a) with regard to short-term leases.

The Company intends to equally make use of the exemption granted by IFRS 16:5(b) with regard to lease contracts for which the underlying asset is a low-value asset (i.e. the assets underlying the lease contract do not exceed € 5 thousand when new). The contracts for which exemption has been applied fall mainly within the following categories:

- Computers, phones and tablets;
- Printers;
- Other electronic devices;
- Furniture and fittings.

For such contracts, the introduction of IFRS 16 will not result in the recognition of the financial liability of the lease and the related right of use, but lease payments will be recorded in the income statement on a straight-line basis for the duration of the respective contracts.
Additionally, with regard to transition rules, the Company intends to make use of the following practical expedients permitted in the event it chooses the modified retrospective transition method:

- Use of the assessment made at 31 December 2018 in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets relating to the accounting of onerous contracts as an alternative to the application of the impairment test on the value of the right of use at 1 January 2019;
- Classification of contracts expiring within 12 months from the transition date as short-term leases. For such contracts, lease payments will be recorded in the income statement on a straight-line basis;
- Exclusion of initial direct costs from the measurement of the right of use at 1 January 2019;
- Use of the information available at the transition date to determine the lease term, with particular regard to the exercise of extension and early closure options.

The transition to IFRS 16 introduces a number of elements requiring professional judgment that lead to the establishment of certain accounting policies and the use of assumptions and estimates regarding the lease term and the determination of the incremental borrowing rate. The main are summarized below:

- The Company has decided not to apply IFRS 16 for contracts containing a lease that have an intangible asset as their underlying asset;
- Lease term: the Group has reviewed all the lease contracts, defining the lease term for each one, given by the "not cancellable" period together with the effects of any extension or early termination clauses, the exercise of which was considered reasonably certain. Specifically, in the case of properties, the analysis took into account the specific facts and circumstances of each asset. With regard to the other categories of assets, mainly company cars and equipment, the Group generally considered it unlikely that any extension or early termination clauses would be exercised given the Group's customary practice;
- Definition of incremental borrowing rate: since most lease contracts entered into by the Group do not include an implicit interest rate, the discount rate to be applied to future lease payments has been taken as the risk-free rate in each country in which the contracts were entered into, with maturities commensurate with the term of the specific lease contract, plus the specific credit spread of the Group.

Reconciliation with lease commitments

In order to provide a clear picture of the impacts from the first-time adoption of the standard, the following table provides a reconciliation between future commitments relating to lease contracts and the expected impact of the adoption of IFRS 16 at 1 January 2019.

(Euro millions)	1 January 2019
Commitments for operating leases at 31 December 2018	**Euro 3.9**
Payments for short-term leases (exemption)	<Euro 0.2>
Payments for low-value leases (exemption)	<Euro 0.0>
Financial liabilities not discounted for leases at at 1 January 2019	**Euro 3.7**
Discounting effect	Euro 0.3
Financial liabilities for leases at 1 January 2019	**Euro 3.4**

Mention should be made that the final amount of the financial liability for leases will likely change between the balance sheet date and the date of publication of the financial statements at 31 December 2019, due to both to the change in the estimated terms for certain leases and to the future technical accounting practices and related interpretations of the standard.

- On 12 October 2017, the IASB published "Prepayment Features with Negative Compensation (Amendments to IFRS 9)". The document specifies that a debt instrument

with a prepayment option could comply with the contractual cash flow characteristics ("SPPI" test), and could, therefore, be measured using the amortized cost method, or at fair value through other comprehensive income even when the "reasonable additional compensation" provided for 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 Company's financial statements to be materially affected by the adoption of these amendments.

• On 7 June 2017, the IASB published IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments. The document addresses the issue of uncertainty over income tax treatments.
Under the document, an entity is required to reflect uncertainties in the determination of tax liabilities or assets in the financial statements only when the entity is likely to pay or recover the amount in question. Additionally, the document does not provide for any new disclosure requirements, stressing however that the entity should need to determine whether it will be necessary to provide disclosure on the Management's considerations on uncertainty from the accounting of tax, in accordance with IAS 1.
The new interpretation applies as from 1 January 2019, but early adoption is allowed.
The Directors do not expect the Company's 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 these financial statements, the competent bodies of the European Union have not yet completed the endorsement process required for the adoption of the amendments and the standards described below.

• On 18 May 2017, the IASB issued IFRS 17 – Insurance Contracts, intended to supersede IFRS 4 – Insurance Contracts.
The aim of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations deriving from insurance contracts issued. The IASB developed the standard to eliminate the inconsistencies and weaknesses of the existing accounting standards, providing a single principle-based framework to take account of all types of insurance contracts, including reinsurance contracts, that an insurer holds.
The Directors do not expect the Company's financial statements to be materially affected by the adoption of these amendments.

• On 12 October 2017, the IASB published "Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)". 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 do not expect the Company's financial statements to be materially affected by the adoption of these amendments.

• On 12 December 2017, the IASB published "Annual Improvements to IFRSs: 2015-2017 Cycle", adopting the amendments to the standards in the context of the annual process for their improvement. The main amendments regard:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendment clarifies that when an entity obtains control of a business that is a joint operation, it must re-measure previously held interests in that business. This process is not provided for when joint control is obtained.
- IAS 12 Income Taxes: the amendment clarifies that all the tax effects from dividends (including payments on financial instruments classified as equity) must be recognized consistently with the transaction that generated those profits (profit or loss, OCI or equity).
- IAS 23 Borrowing costs: the amendment clarifies that borrowings that remain outstanding even after the related qualifying asset is ready for use or sale should be calculated as part of the borrowing costs.

The amendments apply as from 1 January

2019, but early adoption is allowed.
The Directors are assessing the possible effects of the introduction of these amendments on the Company's financial statements.

• On 7 February 2018, the IASB published "Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)". 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 Directors are assessing the possible effects of the introduction of these amendments on the Company's financial statements.

• On 22 October 2018, the IASB published "Definition of a Business (Amendments to IFRS 3)". The document provides a number of clarifications regarding the definition of business for the purposes of the correct application of IFRS 3. Specifically, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. However, to meet the definition of business, an integrated set of activities/processes and assets must include, as a minimum, a substantial input and process that together contribute significantly to the ability to create output. For this purpose, the IASB has replaced the term "ability to create output" with the "ability to contribute to the creation of outputs" to clarify that a business can exist even without the presence of all the inputs and processes needed to create an output. The amendment also introduced a concentration test, optional for the entity, to determine whether a set of assets/processes and assets purchased is not a business. If the test is successful, the set of activities/processes and assets purchased is not a business and the standard does not require further testing. If the test fails, the entity must carry out further analysis of the activities/processes and assets purchased to identify the presence of a business. To this end, the amendment has added a number of illustrative examples to IFRS 3 in order to provide a clear picture of the practical application of the new definition of business in specific cases. The amendments apply to all business combinations and acquisitions of assets after 1 January 2020, but early application is allowed.
Given that this amendment will be applied to new acquisition transactions that will be concluded as from 1 January 2020, any effects will be recorded in the financial statements closed after that date.

• On 31 October 2018, the IASB published "Definition of Material (Amendments to IAS 1 and IAS 8)". The document introduced a change in the definition of 'material' contained in IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. This amendment aims to make the definition of 'material' more specific and introduces the concept of 'obscured information' alongside the concepts of omitted or incorrect information already present in the two standards being amended. The amendment clarifies that information is "obscured" if it is provided in such a way as to produce for general users of financial statements an effect similar to that which would be produced if such information had been omitted or misstated.
The Directors do not expect the Company's financial statements to be materially affected by the adoption of these amendments.

• On 11 September 2014, the IASB published an amendment to IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture. The document was published to solve the current conflict between IAS 28 and IFRS 10.
Under IAS 28, the gain or loss resulting from the sale or contribution of a non-monetary asset to a joint venture or an associate in return for an investment in the latter is limited to the investment held in the joint venture or associate by other unrelated investors. By contrast, IFRS 10 requires the recording of the entire gain or loss in the event of loss

of control of a subsidiary, even if the entity continues to hold a non-controlling interest in it, including in this case also the sale or contribution of a subsidiary to a joint venture or associate. The amendments require that for a sale/contribution of an asset or a subsidiary to a joint venture or associate, the measure of the gain or loss to be recognized in the financial statements of the seller/contributor depends on whether the asset or subsidiary sold/contributed constitute a business under IFRS 3. If the assets or the subsidiary sold/contributed represent a business, the entity shall recognize the gain or loss on the entire investment held; otherwise, the portion of the gain or loss related to the investment still held by the entity shall be eliminated. To date, the IASB has suspended the application of this amendment.
The Directors are assessing the possible effects of the introduction of these amendments on the Company's financial statements.

4.8 Valuation criteria

Non-current assets and liabilities

Intangible fixed assets

An intangible fixed asset is recognized only if identifiable, verifiable and expected to generate future economic benefits and its cost can be reliably measured. Intangible fixed assets are recorded at purchase cost, net of accrued amortization and impairment. Amortization is recognized starting from when the asset is available for use or is capable of operating in the manner expected by management, and is terminated at the date in which the asset is classified as owned for sale or is written off for accounting purposes.
Concessions, licenses and trademarks are booked at their historic cost, net of accrued amortization and impairment. Amortization is recognized based on the lesser period between the contractual duration and the period within which the asset is expected to be used.
Software licenses purchased are booked based on the costs incurred for the purchase and installation of the specific software, net of accrued amortization and impairment. These costs are amortized based on their useful life.
Costs associated with the development or maintenance of computer programmes are recorded as costs at the time they are incurred. Costs for the development of computer software booked as assets are amortized over their estimated useful life.

Investment property

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

- Properties for investment: initially recognized at cost, including transaction costs. After initial recognition, this investment property is recorded at fair value, reflecting market conditions at the balance sheet date. Gains and losses deriving from the change in the fair value of investment property are recorded in the income statement for the year in which they occur;
- Properties under development: accounted for using the cost criterion until the fair value can be reliably determined on a continuous basis

and, after that time, recorded at fair value with an equal treatment of investment properties. It should be noted that, as indicated in Consob Recommendation no. DIE/0061944 of 18 July 2013, based on the procedure approved on 28 September 2016 by the Board of Directors, the Company has identified the approval of the town-planning agreement by the competent Body as the moment when the property projects under development are measurable at fair value in a reliable and continuous manner.

Investment property is initially recognized at cost, including transaction costs, and subsequently measured at fair value, recognizing in the income statement under "fair value adjustment" effects from changes in fair value of the investment property.
Investment property is eliminated from the financial statements when it is sold or permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses arising from the withdrawal or disposal of an investment property are recognized in the income statement in the year of the withdrawal or disposal. Reclassifications from/to investment property usually occur when there is a change of use. For investment property reclassifications to direct use (instrumental property), the reference value of the property for subsequent accounting is the fair value at the date of change in use. The property portfolio, including the portfolio held through subsidiaries, associates and joint ventures, is assessed every six months with the help of independent experts with recognized and relevant professional qualification and recent experience in the location and features of the properties assessed.
Fair value represents the amount for which an asset could be exchanged or that would need to be paid to transfer the liability (exit price) in a free transaction between knowledgeable, independent parties. Consequently, it is assumed that the company is a going concern and that neither party has the need to liquidate their assets in a forced sale on unfavourable conditions.

For the measurement of the individual properties, the type of tenant currently occupying the property, the division of insurance responsibilities and maintenance between the lessor and lessee and residual economic life of the property are taken into consideration.

Other tangible fixed assets

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

- Equipment	20% or, if lower, duration of the rental contract
- Other assets - Motor vehicles	25%
- Office equipment	20%
- Furniture and fittings	12%

Financial expense relating to the purchase is charged to the income statement unless it is directly attributable to the purchase, construction or production of an asset that justifies the capitalization, in which case it is capitalized.
The capitalization of financial expense terminates when all of the necessary activities to render the asset available for use are completed. Leasehold improvements are classified under tangible fixed assets, on the basis of the cost incurred. The depreciation period corresponds to the lower of the remaining useful life of the tangible fixed asset and the residual duration of the lease contract.

Leases

The definition of a contractual agreement as a lease transaction (or containing a lease transaction) is based on the substance of the agreement and requires an assessment whether the fulfilment of the agreement itself depends on the use of one or more specific assets or if the agreement transfers the right of use of such asset. The verification that an agreement contains a lease is performed at

the beginning of the agreement. A lease contract is classified as finance or operating lease at the beginning of the lease. A lease contract that basically transfers to the Company all of the risks and benefits arising from ownership of the leased asset is classified as finance lease.
Finance leases are capitalized at the start date of the lease at the fair value of the asset leased or, if lower, at the current value of the instalments. The instalments are allocated between principal and interest in order to apply a constant interest rate on the remaining balance of the debt. Financial expense is recognized in the income statement. Operating lease payments are recognized as costs in the income statement on a straight-line basis over the duration of the contract.

Investments

Investments in subsidiaries and associates are recorded at cost, adjusted in presence of impairment losses. In the event that the reasons that led to the recognition of losses no longer exist, the value of investments is restored.
Investments in other companies are classified as available-for-sale financial assets and are measured at fair value, except for cases where a market price or the fair value cannot be determined; in this case, the cost method is used, adjusted for impairment losses.
Gains and losses arising from changes in fair value are entered in the overall income statement.
In the presence of an impairment loss or in the event of sale, gains and losses recognized up to such time within equity, are booked in the income statement.

Impairment

At each reporting date, the Company reviews the book value of its property, plant, equipment, intangible assets and investments to determine whether there are any signs of impairment. If so, the recoverable amount of the assets is estimated to determine any impairment loss.

The verification consists in the estimate of the recoverable value of the asset comparing it with the relevant net book value.
If the recoverable amount of an asset is less than the net book value, the latter is reduced to its recoverable amount. This reduction constitutes an impairment loss, which is recognized in the income statement in the period in which it occurs. The recoverable amount of an asset is the higher of the fair value of assets less costs to sell and value in use. The value in use is the current value of expected cash flows generated by the asset. In order to assess impairment, assets are analyzed starting from the lowest level for which the separate cash generating units can be identified.

Intangible and tangible fixed assets not subject to amortization/depreciation (indefinite useful life), as well as intangible fixed assets not yet available for use, are subject to an annual impairment test.
In the presence of an impairment reversal indicator, the recoverable value of the asset is recalculated and the book value is increased up to this new amount. The increase in the book value cannot, in any case, exceed the net book value that the fixed asset would have had should the impairment loss not have occurred.
Impairment losses of goodwill cannot be reversed.

With regard to property assets, assessments are performed for each individual property based on appraisals prepared by independent experts. In this context, in consideration of the asset subject to assessment, the methods used are the following:

- conversion method: based on discounting at the appraisal date of the cash flows generated in the period in which the property transaction is executed; cash flows are the result of the difference between costs and revenue;
- direct comparison method: based on the comparison between the asset at hand and other similar assets subject to sale or currently offered on the same market or trade markets;
- discounted cash flow method: based on the present value of the potential future earnings of a property obtained by capitalizing revenue at a market rate.

For investments, given their nature (mainly property), the impairment assessments are developed on the basis of book equity appropriately adjusted in order to consider the fair value for the property units owned by each investee, taken from the above property appraisals, net of tax effects where applicable.

With regard to non-property investments, assessments are developed based on the values recoverable through use, determined based on the predictable developments in the activity prepared by Management.

Financial assets

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used for hedging purposes in order to reduce the interest risk rate variability. All derivative financial instruments are measured at fair value, pursuant to IAS 39.

When the financial instruments have the characteristics to be booked in hedge accounting, the following accounting treatments apply:

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

LOANS AND RECEIVABLES

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

They are included in current assets except for the portion falling due beyond 12 months from the date of the financial statements, which is classified as a non-current asset.

Loans are initially recognized at cost as represented by the fair value of the amount received, net of the accessory costs of transacting the loan.

After this initial recognition, loans are recognized using the amortized cost accounting approach by applying the effective interest rate.

The amortized cost is calculated taking account of the issue costs and any discount or premium expected on settlement.

FINANCIAL ASSETS AVAILABLE FOR SALE

Under IAS 39, investments in companies other than subsidiaries and associates, consisting in non-current financial assets not held for trading, are classified as available-for-sale financial assets and are measured at fair value, except for cases where the fair value cannot be reliably determined; in this case, the cost method is used.

Profit and loss resulting from value adjustments are recorded in a specific reserve of other comprehensive income (loss) until they are either sold or become impaired. The moment the asset is sold, the comprehensive profit or loss previously recognized in other actuarial income (loss) is charged to the income statement in the period.

Non-current assets held for sale

A non-current asset is classified separately as a non-current asset held for sale, if its book value will be recovered principally through a sale transaction, considered highly probable rather than through continuing use. For sale to be highly probable, an entity should start the activities leading up to the sale and complete the sale within a year of the classification date. The Company measures a non-current asset classified as held for sale at the lower of its book value and fair value less costs to sell.

Under IFRS 5, the figures relevant to assets held for sale are shown in two specific items of the balance sheet: “non-current assets held for sale” and “liabilities relevant to non-current assets held for sale”. From the date on which such assets are classified as fixed assets held for sale, their depreciation is suspended.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are calculated based on temporary differences between the carrying amount of assets and liabilities and their tax basis.

Deferred tax assets and liabilities are calculated based on the tax rates expected to be applicable at the time such deferments are realized, considering the rates in force or those expected to be issued.

They cannot be discounted back and are classified among non-current assets/liabilities.
Prepaid and deferred tax is credited or charged to equity if it relates to items that are credited or charged directly to equity in the year or in prior years.
Prepaid tax is booked only when recovery is probable in future years. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced in the measure that it is no longer probable that sufficient taxable income exists in order to allow the total or partial review of such assets.

Equity

Costs directly attributable to the issue of new shares or options are shown in equity.
The purchase cost of treasury shares is recorded as a reduction in equity; the effects of any subsequent transactions are also recognized directly in equity.

Provisions for risks and charges

Provisions for risks and charges relate to costs and charges of a definite nature and whose existence is certain or probable and that, at the reporting date, are indeterminable for amount or date of occurrence. Allocations are recognized when: (i) it is probable that a present, legal or implicit obligation exists arising from past events; (ii) it is probable that the fulfilment of the obligation involves a cost; (iii) the amount of the obligation can be reliably estimated. Allocations are booked at the amount representing the best estimate of the amount that the company would rationally pay to extinguish the obligation or to transfer it to third parties at the reporting date. When the financial effect of timing is significant and the dates of payment can be reasonably estimated, the allocation is subject to discounting; the increase in the provision to reflect the passing of time is recognized in the income statement under "Financial incomes (charges)".
When the liability is relevant to tangible assets (i.e. land reclamation), the provision is recorded in offset to the asset to which it relates; the charging of the amount to the income statement takes place as amortization.
Provisions are periodically updated to reflect changes in cost estimates, timing of implementation and the discounting rates; changes in estimates of the provisions are charged to the same item of the income statement that previously reported the allocation or, when the liability is relevant to tangible assets (i.e. land reclamation), as a balancing entry to the relating asset. Potential liabilities are shown in the financial statements, represented by: (i) possible obligations (but not probable), deriving from past events, whose existence will be confirmed only on the occurrence, or less, of one or more future events not totally under the control of the company; (ii) present obligations arising from past events whose amount cannot be reasonably estimated or whose settlement is not likely to involve a cost.

Employee benefits

Post-employment benefits and other long-term benefits are subject to actuarial evaluations.
Using this method, the liability booked in the financial statements represents the current value of the obligation, net of any other plan asset, adjusted for any actuarial losses or profits not booked.

Accordingly, for Group companies with less than 50 employees, the measurement of the liability continues to be performed by using the actuarial method called "projected unit credit method". Following the amendment to IAS 19 "Employee benefits", effective as from 1 January 2013, the Group recognizes actuarial gains and losses immediately in the statement of other comprehensive income (losses), so that the entire net amount of the provisions for defined benefits (net of plan assets) is recorded in the consolidated statement of financial position. The amendment also provides that changes between one financial year to the next in the provision for defined benefit plans and plan assets must be broken down into three components: cost components relevant to the service period of the financial year must be recognized in the income statement as "service costs"; net financial expense, calculated applying the appropriate discount rate to the net balance of the provision for defined benefits net of the assets resulting at the beginning of the financial year, must be recognized in the income statement as such; the actuarial profits and losses that result from the re-measurement of the liabilities and assets must be recognized in the statement of other comprehensive income (losses).

Financial payables

Financial payables are initially recognized at fair value net of the transaction costs and

subsequently measured at amortized cost using the effective interest rate method.
Loans are classified as current liabilities unless the Group does not have the unconditional right to defer the payment of the liability for at least 12 months after the reporting date.

Trade and other payables

Payables are initially recognized at fair value of the consideration to be paid and subsequently at amortized cost, which generally corresponds to the nominal value.

Current assets and liabilities

Inventory

Inventory consists in land – also to be built on –, properties under construction and renovation, completed properties, intended for sale to third parties and not to be kept in the owned portfolio in order to earn rental revenue. Land to be built on is measured at the lower of the cost of acquisition and the corresponding presumed realization value, net of the relating estimated cost to sell. The cost is increased by incremental expenses and financial charges eligible for capitalization where the following conditions are met:

- management has taken a decision to use, develop or directly sell the areas;
- costs are being incurred to obtain the asset;
- financial expense is being incurred.

Properties under construction and/or being renovated are measured at the lower of cost, including incremental expenses of their value and capitalizable financial charges, and the corresponding estimated realizable value.
Properties to be sold are measured at the lower of cost and market value based on similar property transactions by area and type. The purchase cost is increased by any incremental costs incurred at the time of sale.
The property portfolio is assessed every six months with the help of an independent expert with recognized and relevant professional qualification and recent experience in the location and features of the properties assessed.

Receivables booked in current assets, trade and other receivables

Receivables are initially recognized at fair value of the consideration to receive, which for this type generally coincides with the nominal value indicated in the invoice, adjusted (where necessary) to the estimated realizable value by provisions for the adjustment of the nominal values.
Payables are initially recognized at fair value of the consideration to pay and generally their amount is easily identified with a high degree of certainty. Subsequently, payables are measured using the amortized cost method calculated using the interest method.

Cash and cash equivalents

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

Income Statement

Sale of property assets

Revenue from the sale of assets is recognized only when all of the following conditions are met:

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

In the case of property, these conditions are deemed normally fulfilled by the notarial deed.

Provision of services

Revenue from a transaction for the supply of services must be recognized only when it can be reliably estimated, by reference to the stage of completion of the transaction at the reporting date. The result of a transaction can be reliably estimated when all of the following conditions are met:

1. the amount of revenue can be reliably measured;
2. it is probable that the company makes use of the economic benefits of the transaction;
3. the stage of completion of the transaction

at the reporting date can be measured reliably and the costs incurred for the transaction and the costs to incur for its completion can be reliably calculated.

With particular regard to lease contracts, should they provide financial incentives in favour of tenants for initial lease periods, these incentives are recognized on a straight-line basis over the contractual term as required by IAS 17.

Interest

Financial income is recognized in the income statement on an accrual basis, based on the interest accrued using the effective interest rate method. Financial expense incurred for investments in assets that normally require a specific amount of time in order for the asset to be ready for use or sale (qualifying asset pursuant to IAS 23 - Borrowing costs) is capitalized and amortized over the useful life of the asset class to which it relates. Financial expense is entirely recognized in the income statement during the year in which it was incurred. Interest is recognized on an accrual basis that considers the effective yield of the asset.

Dividends

Dividends are recognized at the time when shareholders have the right to receive payment, which generally corresponds to the date of the Shareholders' Meeting called to resolve on dividend payout.

Current tax

Current tax is calculated on the basis of a realistic estimate of tax payable pursuant to the tax laws in force.

The estimated liability is recognized under "Tax payables". Tax assets and liabilities for current tax are recorded at the amount expected to be paid/recovered to/from the tax authorities applying the rates and tax law in force or substantively approved at the balance sheet date.

As Parent Company, under art. 2359 of the Italian Civil Code, Aedes SIIQ S.p.A. has joined, through joint exercise of the option with various subsidiaries, the Group taxation scheme pursuant to art. 117 and ensuing articles of Presidential Decree 917/86 (so-called national tax consolidation).

As is generally known, the national Tax Consolidation Scheme allows the calculation by Aedes SIIQ S.p.A. (consolidating company) of a single taxable base, resulting from the algebraic sum of the taxable amount or tax loss of each participating company. Joining the group taxation scheme is optional and, once exercised, is irrevocable, binding the participating companies for three years. Subsidiaries of Aedes SIIQ S.p.A. which, for the 2018 tax year, opted for group taxation pursuant to art. 117 and ensuing articles of Presidential Decree 917/86, are: Novipraga SIINQ S.p.A., Pragaquattro Center SIINQ S.p.A., Praga Res S.r.l., Pragasei S.r.l., Pragaundici SIINQ S.p.A. and SATAC SIINQ S.p.A..

The operating effects arising from the national tax consolidation scheme are governed by appropriate regulations signed by the consolidating company and the consolidated companies; under these regulations:

1) subsidiaries, for financial years with positive taxable income, transfer to Aedes SIIQ S.p.A. the amount equal to the tax payable in respect of the above tax (subsidiaries with taxable income reduce their tax liability with their losses from prior years);

2) subsidiaries with negative taxable income are split up into those with profitability prospects that allow, with reasonable certainty, in the absence of national tax consolidation, the recognition of deferred tax assets associated with the negative taxable income on the financial statements, and those without such profitability prospects:

- subsidiaries with negative taxable income in the first category receive from Aedes SIIQ S.p.A. compensation corresponding to the lower of the tax savings realized by Aedes SIIQ S.p.A. and the deferred tax assets associated with the negative taxable income on the financial statements; compensation, therefore, will be paid and will be due if and when the tax savings will be effectively realized by Aedes SIIQ S.p.A.;
- subsidiaries with a negative taxable income in the second category are not entitled to any compensation.

Earnings per share

Basic earnings per share are calculated by dividing the total profit/loss for the period attributable to ordinary shareholders of Aedes SIIQ S.p.A. for the weighted average number of ordinary shares outstanding during the period, excluding the treasury shares.

Diluted earnings per share are calculated by

adjusting the weighted average number of shares in circulation, to take account of all the potential ordinary shares, having a dilutive effect.

Significant estimates and assumptions

The preparation of the 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 financial statements. Estimates and assumptions are reviewed on a regular basis 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 (€ 173,270 thousand at 31 December 2018) and property inventory (€ 1,867 thousand at 31 December 2018), it should be noted that the assessment of fair value and the net realizable 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 properties and related implementation timelines;
- inflation rates, discount rates and capitalization rates.

Similar considerations apply to the measurement of investments in subsidiaries (€ 114,199 thousand at 31 December 2018), associates and joint ventures (€ 45,674 thousand at 31 December 2018), whose equity reflects the fair value measurement of the investment property held.

See Note 30 - 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.

Information on the Special Regime of listed property investment companies - SIIQ

The special regime of Listed Property Investment Companies ("SIIQ") introduced and regulated by Law no. 296/2006 as subsequently amended, as well as by Ministerial Decree no. 174/2007 (the "Special Regime"), involves the exemption taxation for IRES and IRAP purposes of revenue arising from property leasing (so-called "tax-exempt operations").
The rules governing the Special Regime were subject to amendments as a result of Decree Law no. 133/2014 (hereinafter "Decree Law no. 133/2014"), in force since 13 September 2014 and converted by Law no. 164 of 11 November 2014. For the application of the Special Regime, revenue from tax-exempt operations is intended to be taxed to shareholders as a result of its distribution. Distribution must be decided (subject to revocation of the Special Regime) on approval of the financial statements in the year when revenue was generated. Specifically, the Special Regime entails the obligation, for each year, to distribute to shareholders, (i) at least 70% of profit from lease activities, possession of shares in SIIQ/SIINQ and qualified real-estate funds (such as resulting from the income statement of the relevant financial statements), if the total profit available for distribution is equal to or higher than the profit of tax-exempt operations, or (ii) at least 70% of total profit for the year available for distribution, if this is lower than profit from tax-exempt operations.
Through Legislative Decree no. 133/2014, a further compulsory system of profit distribution is set out, which complements the existing system, consisting in the obligation to distribute, in the two years following the year in which profit was realized, 50% of proceeds from net

gains originating in the sale of properties held for lease, of SIIQ/SIINQ shares and qualified real-estate funds (which are treated as an investment company with fixed capital - SICAF - real-estate company).
Once the satisfaction of the subjective, investment and bylaw requirements had been ascertained, on 27 November 2017 Aedes SIIQ S.p.A. (formerly Sedea SIIQ S.p.A.) exercised the option for joining the Special Regime, effective as from 1 January 2018. On 28 December, following the proportional demerger of Aedes SIIQ S.p.A. (now Restart SIIQ S.p.A.) into Sedea SIIQ S.p.A. (now Aedes SIIQ S.p.A.) and the admission to listing of the latter's shares, the Company announced that it met all the requirements of the SIIQ regime.

1. Information on compliance with the requirements to remain in the Special Regime

(1) Objective Requirements

Under art. 1, par. 121, of Law no. 296/2006, the SIIQs must, predominantly conduct property leasing activities. This activity is considered predominant if property held by way of ownership or other real right to be leased, SIIQ/SIINQ shares and qualified real-estate funds (or SICAF) represent at least 80% of the assets (asset parameter) and if, in each year, relating revenue represents at least 80% of the positive components of the income statement (profit parameter).
Failure to comply for three consecutive financial years with one of the two above parameters results in final termination of the special regime from the second of the three financial years; failure to comply with both parameters with regard to the same financial year results in termination of the special regime as from the financial year in relation to which the termination condition occurs.

The results of the calculation of the above parameters are shown below. Both the asset and the profit parameter have been met in 2018.

Asset parameter

(Euro/000)		31/12/2018	31/12/2017
Value of properties to lease	(A)	160,460	0
Value of the properties involved in the development of the property complex	(B)	9,340	0
Shares in SIINQs and in qualified real-estate investments funds	(C)	133,843	0
Total numerator	**(D)=(A)+(B)+(C)**	**303,643**	**0**
Total assets	**(E)**	**393,514**	**50**
Items excluded from the denominator of the ratio:			
Cash and cash equivalents		(2,102)	(16)
Intragroup loans		(44,658)	0
Receivables from consideration yet to cash in		(8,523)	0
Assets from derivative instruments		(4)	0
Deferred tax assets		(250)	0
Tax receivables		(760)	(10)
Prepayments		(222)	0
Total adjustments	**(F)**	**(56,518)**	(26)
Total denominator: adjusted assets	**(G)=(E)+(F)**	**336,996**	**24**
Asset parameter	**(D)/(G)**	**90%**	**0%**

The asset parameter, as shown in the table above, is the result of the ratio between:

- the numerator, totaling € 303,643 thousand, which includes the book value: (i) of properties intended for lease, amounting to € 160,460 thousand, (ii) of "properties under development" (€ 9,340 thousand) and (iii) of shares in SIINQs and real-estate investment funds (shares held directly in the Petrarca and Redwood real-estate funds, and indirectly in the Dante Retail real-estate fund (through Efir S.àr.l, as confirmed by the Agency's reply to the application filed);
- the denominator, amounting to € 336,996 thousand, which includes total adjusted assets (€ 393,514 thousand) to exclude, in accordance with the criteria set out in art. 6 of Ministerial Decree 174/2007: i) the value of cash and cash equivalents (€ 2,102 thousand); ii) the value of loans to Group companies (€ 44,658 thousand); iii) the value of trade receivables deriving from both tax-exempt operations and, as clarified by Revenue Agency circular 8/E of 2008, from taxable operations (€ 8,523 thousand). Additionally, in order not to affect the ratio with other items that are not directly related to tax-exempt or taxable operations, whose inclusion in the denominator of the ratio could alter the result of the assessment of the asset prevalence criterion, the following have been excluded: iv) the value of assets from derivative contracts (€ 4 thousand); v) the value of deferred tax assets (€ 250 thousand); vi) the value of tax receivables (€ 760 thousand); vii) prepaid expenses related to the activity of leasing exempt amounting to € 222 thousand).

Profit parameter

(Euro/000)		31/12/2018
Rental payments and kindred revenue	(A)	103
Net margin on property sales	(B)	0
Dividends from SIINQs and qualified real-estate funds	(C)	0
Gains from investments forming financial fixed assets in other SIIQs or SIINQs	(D)	0
Total numerator	**(E)=(A)+(B)+(C)+(D)**	**103**
Total positive economic components	**(F)**	**958**
Items excluded from the denominator of the ratio:		
Revaluation of properties		(141)
Income from chargeback of costs		(11)
Interest income on loans to subsidiaries and associates		(25)
Contingent assets, release of provisions and other reversals		(668)
Total adjustments	**(G)**	**(845)**
Total denominator	**(H)=(F)+(G)**	**113**
Profit parameter	**(F)/(H)**	**91%**

The profit parameter, as shown in the table above, is given by the ratio between:

- the numerator, totaling € 103 thousand, includes revenue from rental revenue of properties held for such activity (investment property, properties under development and properties included in assets held for sale). It should be noted that this amount is inclusive of revenue equivalent to rents, such as compensation from tenants (but not also income from the chargeback of costs to tenants). Dividends from holdings in SIINQ and qualified real-estate funds are nil in 2018;
- the denominator, totaling € 113 thousand. This amount corresponds to the total positive components of the income statement, equal to € 958 thousand, adjusted to exclude the revaluations of property, as per circular 8/E of 2008 from the Revenue Agency (€ 141 thousand). Additionally, in order not to affect the ratio with other items that are not directly related to tax-exempt or taxable operations, whose inclusion in the denominator of the ratio could alter the result of the assessment of the economic prevalence criterion, the following have been excluded:
  - i) proceeds from chargebacks of costs such as, mainly, those related to personnel detachment, chargebacks of costs to tenants of properties to be leased (also excluded from the numerator of the profit parameter), chargebacks to subsidiaries of costs and financial expense incurred in the interest of the investee. The adjustments for these financial components totaled € 11 thousand;
  - ii) interest income on loans to subsidiaries and associates of € 25 thousand;
  - iii) contingent assets, releases of provisions and other recoveries totaling € 668 thousand.

With regard, on the other hand, to the provisions of art. 1, par. 123, of Law 296/2006 and concerning the distribution obligation to shareholders, in each financial year, of part of the accounting profit from tax-exempt operations amounting to (i) at least 70% of the amount, if the total profit available for distribution is equal to or higher than profit from tax-exempt operations resulting from the income statement of the relevant financial statements or (ii) at least 70% of total profit available for distribution, if this is lower than profit from tax-exempt operations, it should be noted that the 2018 financial statements include a loss from tax-exempt operations of € 939 thousand and a profit from taxable operations of € 674 thousand, therefore an overall loss of € 265 thousand. The Company, therefore, does not record profit from tax-exempt operations available for distribution.
As a result, in accordance with applicable law, with regard to the 2018 result, there was no obligation to distribute profit from tax-exempt operations.
Lastly, with regard to the additional distribution obligation set out in art. 1, par. 123-bis, of Law no.

296/2006, following the legislative amendments introduced by Decree Law no. 133/2014, of 50% of proceeds from net gains earned in the year from leased properties and from the sale of SIIQ/SIINQ shares or qualified real-estate funds (SICAFs), it should be noted that in 2018, the conditions for compulsory distribution were not met.

(2) Subjective requirements

Aedes SIIQ S.p.A., which draws up the financial statements in accordance with the international accounting standards, complies with the subjective requirements set out in the reference rules to remain in the Special Regime, as it is a: i) joint-stock company; ii) has its residence for fiscal purposes in Italy; iii) its shares are traded on the Italian stock exchange.

(3) Requirements relating to the ownership structure

Based on the information held by the Company, there are no shareholders who hold directly or indirectly, under art. 1, par. 119, of Law no. 296/2006 as amended by Law no. 164/2014, over 60% of voting rights in the Ordinary Shareholders' Meeting, and over 60% of profit-sharing rights.

2. Breakdown of economic components into tax-exempt and taxable operations and relating allocation criteria

The Company has divided the income statement at 31 December 2018 into tax-exempt and taxable operations.

Separate accounting has the purpose of identifying the operating results of tax-exempt and taxable operations by: i) allocating the relating economic components to each type of operations; ii) allocating to each a reasonable pro rata percentage of the "common" economic components (as they do not refer specifically to one of the two types of operations).

Mention should be made that Aedes SIIQ S.p.A, for the purpose of allocating these "common" components to tax-exempt (or taxable) operations, has adopted the abovementioned profit parameter as it is considered the most appropriate percentage parameter for the allocation, since, net of the economic components that do not refer to any activity performed, it actually reflects the percentage impact of lease activities on overall activities carried out by the Company.

Mention should also be made that income generated by tax-exempt operations is governed by the regulations set out in art. 1, par. 119 and ensuing paragraphs, of Law no. 296/2006 and its implementing decree, while income generated by taxable operations is governed by the ordinary rules of taxation for IRES and IRAP purposes.

For each economic component, the following shows the main components within the scope of the two types of operations.

Net lease revenue: within this margin, revenue and costs have been divided into tax-exempt and taxable operations, based on the specific relevance of such components to the originating property.

Specifically: i) lease payments, chargebacks of costs to tenants, revenue from insurance indemnification and revenue "classed" as lease payments and, in any case, related to leasing; ii) costs for property management and maintenance, indirect tax on lease contracts, municipal property tax and all costs related to leasing, are charged to (a) tax-exempt operations if they relate to property intended to be leased, understood as meaning properties included in the accounting categories of "investment property" (with the exception, for shopping centers, of the portion of revenue and costs referring, based on specific appraisals, to the rental of business units and not of the property component), to "properties under development" and to properties included in "assets held for sale", (b) to taxable operations if referred to the rental of "business units" (for the portion that does not refer to the property component, as identified by specific appraisals) and to "trading properties".

Losses and write-downs of receivables arising from leasing have all been recognized as taxable operations where relating to receivables from leasing arising in financial years prior to the Company's inclusion in the Special Regime of SIIQs.

Net revenue from services: includes revenue and costs specifically related to the property, administrative, accounting and tax services provided by Aedes SIIQ S.p.A. to subsidiaries. As such activity differs from the leasing activity that falls within the scope of tax-exempt operations, the economic components recognized within such margin are fully booked to

taxable operations.

Operating costs: all the costs within this category are considered "common" to the two types of operations and, as such, distributed between each type, based on the profit parameter as calculated above.

Other revenue and income and other costs and expense: revenue and income within this category are specifically related to taxable operations, except for the release of exempt provisions for risks and bad debts and contingencies for the adjustment of tax-exempt costs. Revenue from tax-exempt operations is, in fact, limited only to rental revenue (included in the relevant statement item) and dividends from investments in SIINQs and in "qualified" real-estate funds, included within income from subsidiaries.

Other costs and charges are mainly costs "common" to the two types of operations and, as such, distributed between each type, based on the profit parameter as calculated above.

Profit/(Loss) from the sale of properties: the margins earned from the sale of properties to be leased, equal to the difference between selling price and relating carrying amount, net of brokerage costs and other costs directly related to the sale, are included in tax-exempt operations. On the other hand, the margins earned from the sale of "trading properties", equal to the difference between selling price and relating carrying amount, net of brokerage costs and other costs directly related to the sale, are included in taxable operations.

Revaluations/(Write-downs) of properties: include revenue and costs, recognized mainly following the fair value measurement of property assets, which are allocated to tax-exempt operations when referring to properties to be leased, or to taxable transactions when referring to "trading properties".

Net financial income/(expense): financial income is fully attributed to taxable operations, except as indicated below for financial income from hedges against interest rate fluctuations in loans (which are adjustment entries to financial expense).
The main categories of financial expense are explained below:

- financial expense relating to mortgage loans that are also structured in such a way as to bind, in various ways, the proceeds arising from property management to guarantee repayment of the loan are regarded as "specifically" related to tax-exempt and/or taxable operations, according to the assignment of the mortgage property to the tax-exempt or taxable activity. Consequently, for loans that (i) are backed by properties held for leasing and which (ii) are at the same time accompanied by formats that bind the related proceeds from operations to guarantee repayment of the loan, the related financial expense has been attributed to tax-exempt operations, while for loans backed by trading properties, the related financial expense has been attributed to taxable operations;
- in cases where the loans giving rise to the abovementioned financial charges are hedged against interest rate fluctuations, the related hedging income and charges are attributed to tax-exempt or taxable operations, depending on how the hedged cash flows were recognized while any ineffective portion is recognized under income or costs "common" to both types of operations;
- financial expense relating to short-term and medium/long-term loans that are not mortgage loans, nor backed by the abovementioned restrictions on proceeds to serve the related loan, such as bonds and short-term credit facilities, is considered as a cost that is "common" to the two types of operations and consequently allocated according to the profit parameter as calculated above.

Income and expense from subsidiaries, associates and other companies: all financial income was entirely attributed to taxable operations, with the exception of income from investments in SIIQ/SIINQ and in qualified real-estate funds, which is recognized under tax-exempt operations in accordance with the law.
Expense from subsidiaries, associates and other companies is attributed to taxable operations, with the exception of expense arising from loans to investees, which is considered as a "common" cost, as the financial expense on short-term and long-term loans that are not mortgage loans, and is consequently attributed according to the profit parameter calculated above.

Tax for the year: both current and deferred tax for the year are recognized under taxable operations as they are not associated with tax-exempt operations.

As to income and expense that are adjustments to economic components accounted for in financial statements from years prior to inclusion in the Special Regime, or to contingencies representing costs and expense that would have been attributable to financial years prior to inclusion in the Special Regime, these components – irrespective of their classification within margins or of the other above items – are entirely attributed to taxable operations as they are closely related (through adjustment) to components accrued in financial years in which the entire income was taxable.

4.9 Main types of risk

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

Strategic risks

Market risk

Market risk lies in 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 Company monitors the general performance of the economy through appropriate research and analyzes the performance of the property market every six months. The Company has a suitable strategy for diversifying its property portfolio, taking into account both geographical area and asset type. Additionally, the Company's strategy is mainly focused on top-tier assets located in major urban centres or primary areas for commercial use that have shown high rental potential even during negative market cycles, thanks to demand being less volatile than for smaller assets located in secondary cities.
To reduce vacancy risk, the Company 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 Company's property assets.

Operating risks

Credit risk

Credit risk mainly consists in the possibility that clients, in particular the tenants of assets owned, are insolvent. The Company is not 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 Company 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 26. Most of the financial assets come from subsidiaries and associates. The financial assets consist mainly of receivables, whose collection is tied to the development/disposal cycle of the property assets of group companies. 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 Company to a reduction in cash flows from rents and an increase in property costs.

The Company has adopted a policy based on ongoing relations with tenants, with a view to their retention.

The current property market situation 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 Company monitors this risk by maintaining ongoing relations also with leading specialized real-estate agencies.

Occupational health and safety risk and 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 2018 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 impact 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.

In addition, the Company pays special attention to the aspect governing administrative liability, safety and environmental concerns about the risk of commission of offences, as defined by Legislative Decree 231/01.

Compliance risks

Liability pursuant to Legislative Decree 231/01

The risk pursuant to Legislative Decree 231/01 is that the Company may incur penalties related to the regulations governing the liability of legal entities in the perpetration of offences pursuant to Legislative Decree 231/01.

In order to reduce such risk, the Company has adopted an “Organizational Model” or “Model 231”, divided into a General Section, which presents targets, structural guidelines and implementation procedures of the Organizational Model, and a Special Section that provides an overview of the offences pursuant to Legislative Decree 231/01 considered relevant as a result of risk assessment, establishes rules of conduct for Model 231 recipients, and sets standards for the preparation of the procedures in the business areas involved.

The Company has also drawn up a Code of Ethics that applies to the entire Group staff, who are committed to comply 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.

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 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 31 December 2018, the first reference year for verifying the parameters set by the Special Regime of SIIQs, 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 interest rate risk to which the Company is exposed is mainly due to medium and long-term financial debts.
Floating-rate payables expose the Company to a cash flow risk; fixed-rate payables expose the Company to a fair value risk.
The Company'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 Company's overall exposure to interest rate risk, as a result of the demerger, the Company took over the derivative contract concluded by Restart SIIQ S.p.A. (formerly Aedes SIIQ S.p.A.) 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.

Exchange rate risk

At 31 December 2018, the Company does not have

an exchange rate risk since it has no exposure in foreign currencies.

Liquidity risk

Liquidity risk is the risk that the Company fails to meet its 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 is forced to incur additional costs to meet its commitments or, in a worst-case scenario, a condition of insolvency endangering business continuity.

The Company keeps a watchful eye on cash and financial commitments. For this purpose, the Company 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.
For the purposes of assessing such risk and in drafting these separate financial statements, the Company has prepared financial projections (the "Projections") that take account of the operating cash flows and financial commitments involving all Group companies over a period of 12 months from the date of approval of these financial statements until 31 March 2020, including the planned investment activities and the forthcoming maturity of certain loan agreements currently in place. Specifically, these separate financial statements at 31 December 2018 show current net financial debt (within 12 months) of approximately € 13.9 million and current net consolidated financial debt of € 68.8 million.
Based on current net debt and the requirements resulting from the Projections, the Company has identified the main funding sources, deriving mainly from:

A) refinancing of certain assets; preliminary activities are in the advanced stage on financing and refinancing for approximately € 20 million, net of maturities and repayments;
B) sale of certain assets as part of the recurring portfolio rotation; preliminary binding sales contracts for approximately € 23 million are already in place; further initiatives for the sale of other assets are underway;
C) rescheduling of short-term credit lines; credit lines for approximately € 2 million have already been rescheduled in the medium/long-term; negotiations are underway to reschedule additional short-term credit lines for approximately € 12 million;
D) capital strengthening (of the Company or its subsidiaries) as emphasized in the Listing Prospectus.

Based on the information and the evidence available at the date of preparing the financial statements at 31 December 2018, and on the progress of the initiatives currently in place with regard to the above funding sources, there are no significant risks of a possibility of not completing the actions according to schedule and to the procedures set out in the "Projections", although a number of actions required to cover the financial requirements are not certain to date. Whether or not, in fact, these actions are fully or partly achieved according to schedule and to the procedures set, also depends on factors outside the Company's control, such as the economic cycle, property market trends, accessibility of credit and capital market trends.
The Directors also assessed the repercussions that would derive from the failed raising of risk capital resources envisaged in the "Projections". The assessment led the Directors to conclude that, despite such a scenario, the Company's ability to meet its obligations, both current and prospective, in the period covered by the "Projections" would not be compromised, but this could compromise the Group's ability to fully implement the property investments planned as from 2019, with consequent negative impacts on the growth of the property portfolio and on the Group's profitability, as emphasized in the Listing Prospectus.

4.10 Explanatory Notes to the statement of financial position and Income Statement

Assets

Note 1. Investment property

The changes in the year are as follows:

(Euro/000)	Investment property	Properties under development	Total
Balance at 31/12/2017			
Book value at 01/01/2017	0	0	0
Increases	0	0	0
Decreases	0	0	0
Fair value adjustment	0	0	0
Book value at 31/12/2017	**-**	**0**	**-**
Balance at 31/12/2018			
Book value at 01/01/2018	0	0	0
Book value from demerger	158,900	9,340	168,240
Increases	4,890	0	4,890
Fair value adjustment	140	0	140
Book value at 31/12/2018	**163,930**	**9,340**	**173,270**

For the purpose of preparing the Financial Statements at 31 December 2018, the Company tasked CB Richard Ellis Valuation S.p.A., a leading independent expert, with evaluating its property portfolio.

The changes versus the prior year are due to:

- the effects of the demerger of Restart SIIQ S.p.A. (formerly Aedes SIIQ S.p.A.), amounting to € 168,240 thousand, as a result of which the Company acquired, on the effective date of the demerger (28 December 2018), all of the revenue property portfolio and almost all of the properties under development of the demerged company, as further explained in the demerger deed signed on 12 December 2018;
- the purchase, from the Leopardi Fund, of three revenue retail properties located in the municipalities of Milan (MI), Senago (MI) and Gallarate (VA). The deeds of sale were signed on 28 December 2018 by notary Urbano Franchi (Ind. no. 61677 and 61678, Folder no. 16467 and 16468) The total investment, including directly attributable expense, amounted to € 4,890 thousand.

The fair value adjustment, a positive € 140 thousand, refers only to the three retail properties acquired on 28 December 2018 as the book value of the property portfolio transferred from the demerger was already in line with the appraisal values.

The property transactions concluded are part of the Company and Group's strategy to increase the percentage of the revenue-generating or to-generate property portfolio, for office or retail use, which is able to guarantee long-term cash flows, and to sell the remaining part of the non-core portfolio.

It should be noted that a number of owned properties included as investment property are subject to mortgages, for a total value of € 191,370 thousand, to secure bank loans commented on in the specific section of liabilities. The value of mortgages securing loans relates in a few 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 are

maintained for the full amount, but encumber only on the residual properties or portions. On the latter's sale, the mortgages are fully cancelled. The book value of the properties encumbered by mortgages amounts to € 173,170 thousand.

The table below shows the changes in investment property acquired through leases, already included in the movements of the table above, and an integral part thereof:

(Euro/000)	Total
Balance at 31/12/2017	
Net book value at 01/01/2017	**0**
Book value from demerger	0
Increases	0
Decreases	0
Fair value adjustment	0
Book value at 31/12/2017	**0**
Balance at 31/12/2018	
Book value at 01/01/2018	**0**
Book value from demerger	0
Increases	2,201
Decreases	0
Fair value adjustment	(61)
Book value at 31/12/2018	**2,140**

Future payments from investment property acquired under finance leases are as follows:

(Euro/000)	Payments	Principal
Within one year	226	181
Over one year, but within 5 years	886	763
Over 5 years	700	668
Total lease payments	**1,812**	**1,612**
Interest	(200)	
Total present value of lease payments	**1,612**	**1,612**

Note 2. Other tangible fixed assets

Changes in the year are as follows:

(Euro/000)	Specific plants	Industrial and commercial equipment	Other assets	Total
Opening balance 01/01/2017				
Historical cost	0	0	0	0
Depreciation fund	0	0	0	0
Net book value	**0**	**0**	**0**	**0**
Balance at 31/12/2017				
Net book value at 01/01/2017	0	0	0	0
Increases	0	0	0	0
Decreases	0	0	0	0
Net book value at 31/12/2017	0	0	0	0
Balance at 31/12/2018				
Net book value at 01/01/2018	0	0	0	0
Historical cost from demerger	1,927	3,441	3,617	8,985
Depreciation fund from demerger	(1,665)	(2,143)	(2,533)	(6,341)
Provision for bad debts from demerger	(250)	0	(563)	(813)
Depreciation in the year and impairment	0	(4)	(4)	(8)
Net book value at 31/12/2018	12	1,294	517	1,823
Final balance 31/12/2018				
Historical cost	1,677	3,441	3,054	8,172
Depreciation fund	(1,665)	(2,147)	(2,537)	(6,349)
Net book value	**12**	**1,294**	**517**	**1,823**

SPECIFIC PLANT

The increase versus the prior year is attributable to the effects of the demerger.

INDUSTRIAL AND COMMERCIAL EQUIPMENT

The increase versus the prior year is attributable to the effects of the demerger.

OTHER ASSETS

The item consists of furniture and fixtures for € 375 thousand and electronic machinery for € 142 thousand; motor vehicles and other assets are fully depreciated. The increase versus the prior year is attributable to the effects of the demerger.

Note 3. Intangible fixed assets

The changes in the year are as follows:

(Euro/000)	Other
Opening balance 01/01/2017	
Historical cost	0
Amortization fund	0
Net book value	**0**
Balance at 31/12/2017	
Net book value at 01/01/2017	**0**
Increases	0
Decreases	0
Amortization in the year and impairment	0
Net book value at 31/12/2017	**0**
Final balance 31/12/2017	
Historical cost	0
Amortization fund	0
Net book value	**0**
Balance at 31/12/2018	
Net book value at 01/01/2018	**0**
Historical cost from demerger	811
Amortization fund from demerger	(763)
Increases	0
Decreases	0
Amortization in the year and impairment	0
Net book value at 31/12/2018	**48**
Final balance 31/12/2018	
Historical cost	811
Amortization fund	(763)
Net book value	**48**

This item mainly includes software licenses. The increase versus the prior year is attributable to the effects of the demerger.

Note 4. Investments in subsidiaries

Changes in investments in subsidiaries in 2018 were the following:

(Euro/000)	Amounts at 31/12/2017	Effects of the Demerger	Increases	Disposals and decreases	Other movements	(Write-downs)/ Reversals	Reclassification to/(from) provisions	Amounts at 31/12/2018	% of invest-ment
Investments									
Petrarca Fund	0	12,323	0	0	0	0	0	12,323	100%
Redwood Fund	0	3,694	0	0	0	0	0	3,694	100%
Novipraga SIINQ S.p.A.	0	27,983	0	0	0	0	0	27,983	100%
Praga Res S.r.l.	0	0	0	0	0	0	0	0	100%
Pragaquattro Center SIINQ S.p.A.	0	9,075	0	0	0	0	0	9,075	100%
Pragaundici SIINQ S.p.A.	0	5,636	0	0	0	0	0	5,636	100%
SATAC SIINQ S.p.A.	0	55,488	0	0	0	0	0	55,488	100%
Total	**0**	**114,199**	**0**	**0**	**0**	**0**	**0**	**114,199**	

INCREASES, DISPOSALS AND DECREASES AND OTHER CHANGES

The increase versus the prior year is attributable to the effects of the demerger. The book values transferred from Restart SIIQ S.p.A. (formerly Aedes SIIQ S.p.A.) as part of the demerger transaction, are already in line with the results of the impairment test carried out by the Directors of the demerged company. The impairment test takes account of the unrealized gains from the owned property units of each investee, inferred from property appraisals prepared by independent third parties, net of taxes, where due. On the outcome of this test, also taking into consideration the estimated losses for the year, the amount of each investment is adjusted.

Set out below are the main figures relating to investments in subsidiaries at 31 December 2018:

(Euro/000)	Registered office		Share capital	Equity	of which profit (loss) for the year	Value of production	% of investment	Share of equity	Impairment losses	Carrying amount
Investments										
Petrarca Fund	Milan Vicolo Santa Maria alla Porta, 1	(1) (*)	n.a.	21,254	113	3,089	100%	21,254	0	12,323
Redwood Fund	Milan Via G. Puccini 3	(2) (*)	n.a.	3,765	97	225	100%	3,765	0	3,694
Novipraga SIINQ S.p.A.	Milan Via Tortona, 37	(**)	100	27,623	989	5,070	100%	27,623	0	27,983
Praga Res S.r.l.	Milan Via Tortona, 37	(**)	100	(237)	(419)	9,739	100%	(237)	0	0
Pragaquattro Center SIINQ S.p.A.	Milan Via Tortona, 37		54	9,074	2,547	61	100%	9,074	0	9,075
Pragaundici SIINQ S.p.A.	Milan Via Tortona, 37		100	5,636	3	53	100%	5,636	0	5,636
SATAC SIINQ S.p.A.	Milan Via Tortona, 37		620	65,392	2,541	1	100%	65,392	0	55,488
Total									**0**	**114,199**

(1) Registered office of the management company Sator Immobiliare SGR S.p.A.
(2) Registered office of the management company Castello SGR S.p.A.
(*) The value relates to the company statement at 31/12/2018 adjusted by the appropriate alignment adjustments to the Group's principles.
(**) The value relates to the financial position of the company at 31/12/2018 adjusted for the appropriate alignment adjustments to the Group's principles.

Note 5. Investments in associates and other

Changes in investments in associates in the year are as follows:

(Euro/000)	Amounts at 31/12/2017	Effects of the Demerger	Increases/ (decreases)	Other movements	(Write-downs)/ Reversals	Amounts at 31/12/2018	% of investment
Investments							
Borletti Group SAM S.A.	0	182	0	0	0	182	40.00%
EFIR S.ar.l. - Dante Retail Fund	0	19,644	0	0	0	19,644	33.33%
InvesCo S.A.	0	4,849	0	0	0	4,849	40.00%
Pragasei S.r.l.	0	7,499	0	0	0	7,499	50.10%
The Market LP SCA	0	13,500	0	0	0	13,500	18.69%
Total	**0**	**45,674**	**0**	**0**	**0**	**45,674**	

The increase versus the prior year is attributable to the effects of the Demerger.

Set out below are the main figures relating to investments in associates at 31 December 2018:

(Euro/000)	Registered office		Share capital	Equity	of which profit (loss) for the year	Value of production	% of investment	Share of equity	Impairment losses	Carrying amount
Investments										
Borletti Group SAM S.A.	1, Place d'Armes L - 1136 Luxembourg		52	19	(22)	0	40.00%	8	0	182
EFIR S.ar.l. - Dante Retail Fund	5, Allé Scheffer L - 2520 Luxembourg	(*)	22,279	57,425	3,281	0	33.33%	19,140	0	19,644
InvesCo S.A.	1, Place d'Armes L - 1136 Luxembourg		144	10,740	(6)	0	28.57%	3,068	0	4,849
Pragasei S.r.l.	Milan Via Monte Napoleone 29	(**)	100	2,200	14	0	50.10%	1,102	0	7,499
The market LP SCA	Milan Via Monte Napoleone 29	(**)	72	41,242	(99)	0	40.00%	16,497	0	13,500
Total									**0**	**45,674**

(*) The value relates to the company statement at 31/12/2018 adjusted by the appropriate alignment adjustments to the Group's principles.
(**) The value relates to the financial position of the company at 31/12/2018 adjusted for the appropriate alignment adjustments to the Group's principles.

The book values transferred from Restart SIIQ S.p.A. (formerly Aedes SIIQ S.p.A.) as part of the demerger transaction, are already in line with the results of the impairment test carried out by the Directors of the demerged company, hence, the book value of the individual equity investments is already in line with the recoverable value.

Note 6. Receivables for prepaid tax and payables for deferred tax

Deferred tax assets and liabilities are analyzed in the table below:

(Euro/000)	31/12/2018	31/12/2017
Receivables for prepaid tax		
- Prepaid tax recoverable after 12 months	250	0
	250	**0**
Deferred tax provision		
- Deferred tax recoverable after 12 months	364	0
	364	**0**

The increase versus the prior year is attributable to the effects of the demerger. These refer to deferred tax generated by the differences in value relating to properties recorded as inventory, for SIIQ purposes subject to taxable operations.

Note 7. Derivative instruments

(Euro/000)	31/12/2018		31/12/2017	
	Assets	Liabilities	Assets	Liabilities
Current portion				
Fair Value Cap	4	0	0	0
Fair Value Floor	0	263	0	0
Total	**4**	**263**	**0**	**0**

The increase versus the prior year is attributable to the effects of the demerger. This item refers to two derivative contracts concluded in 2015 with Banco BPM (formerly Banca Popolare di Milano S.c.ar.l.), aimed at reducing the risk of increasing the Company and Group's overall interest rate exposure. In preparing the Financial Statements, the Company was assisted by Ernst & Young S.p.A. as an independent expert to carry out the fair value measurements, which amounted at 31 December 2018 to € 4 thousand in assets from the fair value of the "Cap" derivative contract, and to € 263 thousand in liabilities from the fair value of the "Floor" derivative contract.

The table below shows derivative financial instruments at 31 December 2018:

Hedge provider (Euro/000)	Type	Notional amount	Fair Value	Contract deadline	Borrowing rate	Lending rate
Banco BPM (formerly Banca Popolare di Milano Scarl)	Cap	50,000	4	31/12/2020	1%	3M Euribor q,A/360
Banco BPM (formerly Banca Popolare di Milano Scarl)	Floor	50,000	(263)	31/12/2020	0%	3M Euribor q,A/360
Total		**100,000**	**(259)**			

The fair value of outstanding derivative financial instruments at 31 December 2018 can be classified in the level 2 hierarchy (fair value determined on the basis of valuation models that use observable market inputs).

Note 8. Financial receivables

(Euro/000)	31/12/2018	31/12/2017
Non-current receivables		
Receivables from subsidiaries	35,876	0
Receivables from associates	8,783	0
Receivables from others	10	0
Total	**44,669**	**0**
Total financial assets by maturity		
Within 1 year	0	0
1-5 years	44,669	0
Over 5 years	0	0
Total	**44,669**	**0**

RECEIVABLES FROM SUBSIDIARIES

The balance of receivables from subsidiaries is broken down as follows:

Subsidiary (Euro/000)	31/12/2018							31/12/2017							Difference
	Non-current			Current			Total	Non-current			Current			Total	
	Receivables	Prov. for bad debts	Total	Receivables	Prov. for bad debts	Total		Receivables	Prov. for bad debts	Total	Receivables	Prov. for bad debts	Total		
Novipraga SIINQ S.p.A.	5,904	(258)	5,646	0	0	0	5,646	0	0	0	0	0	0	0	5,646
Praga Res S.r.l.	81	0	81	0	0	0	81	0	0	0	0	0	0	0	81
Petrarca Fund	1,326	(58)	1,268	0	0	0	1,268	0	0	0	0	0	0	0	1,268
Pragaquattro Center SIINQ S.p.A.	24,350	(619)	23,731	0	0	0	23,731	0	0	0	0	0	0	0	23,731
Pragaundici SIINQ S.p.A.	222	(10)	212	0	0	0	212	0	0	0	0	0	0	0	212
SATAC SIINQ S.p.A.	5,164	(226)	4,938	0	0	0	4,938	0	0	0	0	0	0	0	4,938
Total	**37,047**	**(1,171)**	**35,876**	**0**	**0**	**0**	**35,876**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**35,876**

Financial receivables due from subsidiaries generally relate to balances on current accounts, on which interest accrues in the year at a rate equal to the 3-month Euribor plus 3.75% and/or receivables from the transfer of tax on taxable income as part of the tax consolidation scheme and Group VAT, including the related accrued interest.

The increase versus the prior year is attributable to the effects of the demerger for € 35,149 thousand, new disbursements net of reimbursements for € 600 thousand, VAT credit transferred by the subsidiaries as part of the Group VAT settlement in December for € 81 thousand, receivables from subsidiaries accrued under tax consolidation for € 30 thousand and interest accrued in the period from 28 to 31 December for € 16 thousand. The provision for bad debts corresponds to the portion of write-down resulting from the impairment test carried out by the Directors of the demerged company.

Aedes SIIQ S.p.A., together with various subsidiaries, avails itself of the special VAT offsetting procedure provided by Ministerial Decree of 13 December 1979, containing the regulations for the implementation of the provisions pursuant to art. 73, last paragraph (so-called Group VAT settlement procedure).

Here below is the list of the subsidiaries that participate in Group VAT settlement: Novipraga SIINQ S.p.A., Praga Res S.r.l., Pragaquattro Center SIINQ S.p.A., Pragaundici SIINQ S.p.A. and SATAC SIINQ S.p.A..

It is believed that the book value of receivables from subsidiaries approximates their fair value.

RECEIVABLES FROM ASSOCIATES

The balance of receivables from associates is broken down as follows:

Associate (Euro/000)	31/12/2018				31/12/2017				Difference
	Non-current			Total	Non-current			Total	
	Receivables	Prov. for bad debts	Total		Receivables	Prov. for bad debts	Total		
Pragasei S.r.l.	8,783	0	8,783	8,783	0	0	0	0	8,783
Total	**8,783**	**0**	**8,783**	**8,783**	**0**	**0**	**0**	**0**	**8,783**

Receivables from associates relate to loans granted at normal market conditions. The above receivables are contractually renewable or subordinate to the repayment of amounts due to lenders and therefore to be retained permanently.

The increase versus the prior year is attributable to the effects of the demerger for € 8,656 thousand, the receivable accrued under tax consolidation for € 121 thousand and the interest accrued in the period from 28 to 31 December for € 6 thousand.

It is believed that the book value of receivables from associates approximates their fair value.

RECEIVABLES FROM OTHERS BEYOND THE YEAR

The increase versus the prior year is attributable to the effects of the demerger (€ 11 thousand) and refers to the security deposits relating to the long-term car rental contracts reserved to employees.
It is believed that the book value of receivables from others approximates their fair value.

Note 9. Inventory

(Euro/000)	31/12/2018	31/12/2017
Property initiatives in progress	1,867	0
Total	**1,867**	**0**

(Euro/000)	Property initiatives in progress
Balance at 31/12/2017	**0**
Contribution from Demerger	1,867
Balance at 31/12/2018	**1,867**

The increase versus the prior year is attributable to the effects of the Demerger.

Note 10. Trade and other current receivables

Current (Euro/000)	31/12/2018	31/12/2017
Receivables from clients	5,588	0
Provision for bad debts from clients	*(2,890)*	*0*
Net receivables from clients	**2,698**	**0**
Receivables from subsidiaries	5,384	0
Provision for bad debts from subsidiaries	*0*	*0*
Net receivables from subsidiaries	**5,384**	**0**
Receivables from affiliates	85	0
Provision for bad debts from affiliates	***0***	***0***
Net receivables from affiliates	**85**	**0**
Net receivables from other related parties	245	0
Net receivables from parent companies	111	0
Receivables from others	103	0
Tax receivables	760	10
Accrued income and prepaid expenses	222	0
Total	**9,608**	**10**

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

RECEIVABLES FROM CLIENTS

Receivables from clients for a net amount of € 2,698 thousand consist of amounts due from tenants and clients of services for € 5,588 thousand, shown net of a provision for impairment of € 2,890 thousand.

The increase versus the prior year is attributable mainly to the effects of the Demerger (€ 2,720 thousand), of which a part collected by the end of the financial year.

The breakdown by maturity of trade receivables, equal to the sum of receivables from clients, receivables from subsidiaries, receivables from associates, receivables from other related parties and receivables from the Parent is shown in the following table:

Ageing of trade receivables (Euro/000)		Overdue by						Total
	Falling due	Within 1 month	30 - 60 days	61 - 90 days	91 - 180 days	181 - 360 days	Over 360 days	
Gross Value	1,845	512	0	95	434	1,495	7,032	11,413
Provision for bad debts	(35)	(1)	0	(2)	(66)	(34)	(2,752)	(2,890)
Net trade receivables	**1,810**	**511**	**0**	**93**	**368**	**1,461**	**4,280**	**8,523**

RECEIVABLES FROM SUBSIDIARIES

Subsidiary (Euro/000)	31/12/2018				31/12/2017				Difference
	Trade	Other	Prov. bad debts	Total	Trade	Other	Prov. bad debts	Total	
Novipraga SIINQ S.p.A.	419	1	0	420	0	0	0	0	420
Praga Res S.r.l.	116	7	0	123	0	0	0	0	123
Pragaquattro Center SIINQ S.p.A.	102	0	0	102	0	0	0	0	102
Pragaundici SIINQ S.p.A.	1,461	0	0	1,461	0	0	0	0	1,461
SATAC SIINQ S.p.A.	3,274	4	0	3,278	0	0	0	0	3,278
Total	**5,372**	**12**	**0**	**5,384**	**0**	**0**	**0**	**0**	**5,384**

Receivables from subsidiaries originate mainly in the provision of management services, enhancement and transformation of property assets or projects (asset management), administrative, accounting, tax, economic and financial coordination services (advisory and administrative-financial services), general, legal-corporate and EDP services, the chargeback of serviced areas of the registered offices, and costs incurred in the year in the name and on behalf of the subsidiaries.

The increase versus the prior year is attributable to the effects of the demerger for € 5,432 thousand and to fees accrued for services provided to subsidiaries in the period from 28 to 31 December 2018 for € 44 thousand.

RECEIVABLES FROM ASSOCIATES

Associate (Euro/000)	Amounts at 31/12/2018			Amounts at 31/12/2017			Difference
	Trade receivables	Prov. for bad debts	Total	Trade receivables	Prov. for bad debts	Total	
Borletti Group SAM SA	3	0	3	0	0	0	3
Invesco SA	3	0	3	0	0	0	3
The Market Opco S.r.l.	6	0	6	0	0	0	6
The Market Propco S.r.l.	73	0	73	0	0	0	73
Total	**85**	**0**	**85**	**0**	**0**	**0**	**85**

The increase versus the prior year is attributable to the effects of the demerger of € 82 thousand. These receivables originate from the provision of technical services to associates.

RECEIVABLES FROM RELATED PARTIES

The increase versus the prior year is attributable to the effects of the demerger for € 228 thousand. This item consists of the residual receivable from Sator Immobiliare SGR S.p.A., amounting to € 228 thousand from the sale in November 2016 to Sator Immobiliare SGR S.p.A. of 100% of the shares held in the share capital of Aedes Real Estate SGR S.p.A., of the receivable from the Leopardi Fund for the pro-rata share accrued in the period from 28 to 31 December 2018 on the lease contracts in place on the properties in Gallarate (VA), Senago (MI) and Milan (MI) for € 12 thousand, and of consideration accrued from other related parties for a total of € 5 thousand.

It should be noted that the receivable from the Leopardi Fund, acquired as part of the demerger for an amount of € 894 thousand, was fully offset on the same date as partial settlement of the payable to the Fund arising from the purchase and sale of the properties in Gallarate (VA) and Senago (MI).

RECEIVABLES FROM PARENT COMPANIES

The increase versus the prior year is attributable to the effects of the demerger of € 111 thousand. This item originated in the provision of administrative and corporate coordination services to the Parent and in the chargeback of costs incurred in the year in the name and on behalf of Augusto S.p.A..

RECEIVABLES FROM OTHERS

The balance is broken down as follows:

(Euro/000)	31/12/2018	31/12/2017
Advances to suppliers	34	0
Other	69	0
Current receivables from others	**103**	**0**

The increase versus the prior year is attributable to the effects of the demerger for € 101 thousand.

CHANGES IN PROVISION FOR BAD DEBTS

(Euro/000)	from clients	from subsidiaries	from associates	total
Balance at 31/12/2017	**0**	**0**	**0**	**0**
Book value from demerger	(2,890)	0	0	(2,890)
Balance at 31/12/2018	**(2,890)**	**0**	**0**	**(2,890)**

TAX RECEIVABLES

(Euro/000)	31/12/2018	31/12/2017
Receivables from the Revenue Agency for VAT	260	10
Tax receivables	500	0
Current tax receivables	**760**	**10**

The increase versus the prior year is due to:

- the receivable accrued on the group VAT settlement for December, amounting to € 260 thousand;
- the tax receivable of € 500 thousand accrued on 28 December 2018 as a result of the admission of the Company's shares to listing on the MTA managed by Borsa Italiana.

Under the 2018 Budget Law, companies that start and complete the admission to listing (IPO) process in the 2018-2020 three-year period, receive a tax receivable equal to 50% of the consulting costs incurred for the listing, up to a maximum of € 500 thousand.

The recoverability of these receivables was assessed with the help of the Company's tax consultants.

ACCRUED INCOME AND PREPAID EXPENSES

(Euro/000)	31/12/2018	31/12/2017
Prepayments on property management	46	0
Other deferred income	176	0
Current accrued income and prepaid expenses	**222**	**0**

The increase versus the prior year is attributable to the effects of the demerger for € 265 thousand, partly released for the portion accrued from 28 to 31 December 2018 (€ 43 thousand). Prepayments consist of prepaid costs relating to future years and refer to properties for € 46 thousand, bank and surety commissions for € 29 thousand, and maintenance fees/leasing of electronic machinery, membership fees and subscriptions for € 147 thousand.

Note 11. Cash and cash equivalents

(Euro/000)	31/12/2018	31/12/2017
Cash on hand	2	0
Bank and postal deposits	1,751	16
Term current accounts	349	0
Total	**2,102**	**16**

The increase versus the prior year is attributable to the effects of the demerger, net of the payment of payables due at year-end. Short-term restricted current accounts are held for credit facilities and guarantees granted by financial institutions.

Credit risk related to cash and cash equivalents is limited as the counterparties are major domestic and international banking institutions.

For a clearer picture of the changes in cash and cash equivalents, see the statement of cash flows.

Equity

Note 12. Equity

The changes in the year are as follows:

(Euro/000)	Share capital	Other reserves				Retained earnings (losses carried forward)	Profit (Loss) for the year	Total
		Merger surplus	Legal reserve	Other for share capital increase	Capital contributions			
01/01/17	**50**	**0**	**0**	**0**	**0**	**0**	**(13)**	**37**
Allocation of 2016 result		0	0	0		(13)	13	0
Profit (Loss) for the year							(161)	(161)
Actuarial gains/(losses) on post-employment benefits							0	0
Total comprehensive profit						*0*	*(161)*	*(161)*
31/12/2017	**50**	**0**	**0**	**0**	**0**	**(13)**	**(161)**	**(124)**

(Euro/000)	Share capital	Other reserves				Retained earnings (losses carried forward)	Profit (Loss) for the year	Total
		Merger surplus	Legal reserve	Other for share capital increase	Capital contributions			
01/01/2018	**50**	**0**	**0**	**0**	**0**	**(13)**	**(161)**	**(124)**
Allocation of 2017 result	0	0	0	0	(161)		161	0
Capital contributions					350		0	350
Contribution from Demerger	209,950	(3,516)	2,284	29,649		29,356		267,723
Profit (Loss) for the year							(265)	(265)
Actuarial (gains)/losses on post-employment benefits						(161)		(161)
Total comprehensive profit	*0*					*(161)*	*(265)*	*(426)*
31/12/2018	**210,000**	**(3,516)**	**2,284**	**29,649**	**189**	**29,182**	**(265)**	**267,523**

SHARE CAPITAL

At 31 December 2018, the share capital, fully subscribed and paid in, amounted to € 210,000,000.00, divided into 32,030,344 ordinary shares, with no par value. The increase versus the prior year is due to the effects of the Demerger.

(Euro/000)	No. of ordinary shares	No. of "C" special shares	Value of ordinary shares	Value of "C" special shares	Value of treasury shares	Total value
Amounts at 01/01/2017	50,000	0	50	0	0	50
Amounts at 31/12/2017	50,000	0	50	0	0	50
Amounts at 31/12/2018	**32,030,344**	**0**	**210,000**	**0**	**0**	**210,000**

CAPITAL CONTRIBUTIONS

At 31 December 2018, the item amounted to € 189 thousand versus zero in the prior year. During the year, the reserve increased by € 350 thousand following payment made by the sole Shareholder Restart SIIQ S.p.A. (formerly Aedes SIIQ S.p.A.) in February and November 2018, and decreased by € 161 thousand due to coverage of loss for the year ended 31 December 2017 (resolution of the Shareholders' Meeting of 26 April 2018).

Reserves in equity at 31 December 2018 are available except as noted in the table below:

(Euro/000)				Summary of utilizations made in past three years	
	Amount	Eligibility for use	Available	for coverage of losses	for other reasons
Share capital	**210,000**				
Equity reserves:					
Treasury shares reserve					
Other reserves for capital increase	29,649	A,B	29,649	0	
Capital contributions	189	A,B	189	161	
Merger surplus	(3,516)		0		
Income reserves:					
Legal reserve	2,283	B	2,283	0	
Retained earnings (losses carried forward) (*)	29,182	A,B (*)	29,182	0	
Profit (Loss) for the year	(265)	-	0	0	
Total	**267,522**		**61,303**	**161**	
Non-distributable portion (**)			61,303		
Remaining distributable portion			0		

Key: A: for capital increase;
B: to cover losses;
C: dividends.

(*) fully subject to the non-distribution obligation pursuant to art. 6 of Legislative Decree 38/2005 (€ 48,784 thousand).

(**) Non-distributable portion as a result of: i) the loss for 2018 (€ 265 thousand) ii) the merger surplus reserve (€ -3,516 thousand) iii) the effect of distribution constraints pursuant to art. 6 of Legislative Decree 38/2005 (€ 48,784 thousand); iv) replenishment of the legal reserve.

Liabilities

Note 13. Payables to banks and other lenders

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

(Euro/000)	31/12/2018	31/12/2017
Non-current		
Bonds	44,447	0
Payables for shareholders' contributions	9,801	
Payables to other lenders	1,431	0
Mortgage loans	32,986	0
	88,665	**0**
Current		
Bonds	175	0
Payables for shareholders' contributions	86	0
Payables to other lenders	181	0
Mortgage loans	3,887	0
Lines of credit	11,694	0
	16,023	**0**
Total	**104,688**	**0**

Amounts at 31/12/2018 (Euro/000)	within 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
Total payables to banks	47	556	14,978	24,577	8,409	48,567
Total	**47**	**556**	**14,978**	**24,577**	**8,409**	**48,567**

Amounts at 31/12/2018 (Euro/000)	within 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
Total payables to other lenders	231	30	181	55,011	668	56,121
Total	**231**	**30**	**181**	**55,011**	**668**	**56,121**

The increase versus the prior year is due mainly to:

- the effects of the Demerger for € 103,151 thousand;
- the assumption of the existing loan on the properties in Gallarate (VA) and Senago (MI) under the deed of sale signed with the Leopardi Fund (€ 1,185 thousand);
- a new finance lease for the purchase, again from the Leopardi Fund, of the property located in Via Ancona, Milan (€ 1,613 thousand).

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

(Euro/000)	31/12/2018	31/12/2017
A. Cash on hand	1,753	16
B. Other cash and cash equivalents	349	0
C. Securities held for trading	0	0
D. Liquidity (A)+(B)+(C)	***2,102***	***16***
E. Current financial receivables	***0***	***0***
F. Current portion of payables to banks	(15,581)	0
G. Current portion of non-current debt	(175)	0
H. Other current financial payables	(267)	0
I. Current financial debt (F)+(G)+(H)	***(16,023)***	***0***
J. Current net financial debt (I)+(E)+(D)	**(13,921)**	**16**
K. Non-current payables to banks	(32,986)	0
L. Bonds issued	(44,447)	0
M. Other non-current payables	(11,495)	0
N. Non-current net financial debt (K)+(L)+(M)	**(88,928)**	**0**
O. Net financial debt	**(102,849)**	**16**

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

(Euro/000)	31/12/2018
Net financial debt included in the Directors' Report on Operations	(102,586)
Other non-current financial payables from derivative contracts	(263)
Total	**(102,849)**

Set out below is a reconciliation of the changes in current and non-current financial debt with monetary and non-monetary items being shown separately:

(Euro/000)	31/12/2017	Non-monetary movements		Monetary movements		31/12/2018
		Financial expense (share)	Effects of the Demerger	Financial expense (paid/received)	Change payables to banks and other lenders	
Current and non-current payables to banks and other lenders and other lenders	0	70	103,151	(141)	1,608	104,688
Derivative financial instruments	0	0	302	(39)	0	263
Gross financial debt	**0**	**70**	**103,453**	**(180)**	**1,608**	**104,951**

There were no overdue and unpaid financial obligations at 31 December 2018.

BONDS

The increase versus the prior year is attributable to the effects of the Demerger.

The debt refers to a non-convertible loan of € 15,000 thousand issued on 12 April 2017 and subscribed by investors for € 10,000 thousand on 20 April 2017 and for € 5,000 thousand on 18 December 2017.

The unlisted and unrated bond has the following characteristics:

- maturing in Q4 2018, it may be extended for an additional 18 months at the Company's discretion;
- 3-month Euribor rate + 5% spread.

On 31 October 2018, the maturity of the loan was extended, on equal terms, until 30 April 2020.

On 18 December 2017, a bond with a value of € 30,000 thousand addressed to professional and institutional investors was placed through Banca Profilo, which acted as arranger and placement agent and subscribed to a portion. On 19 December, the bond was admitted to trade on the ExtraMOT PR market, with the following characteristics:

- 18 months extendable for a further 18 months at the discretion of the issuer;
- fixed rate of 5% for the first 18 months and, if extended, of 5.5% for the following 18 months.

PAYABLES FOR SHAREHOLDERS' CONTRIBUTIONS

The increase versus the prior year is attributable to the effects of the demerger.

The payable refers to a shareholder loan agreement for € 10,000 thousand signed on 20 April 2017 by the controlling shareholder Augusto S.p.A. with original maturity on 31 October 2018 and possibility of extending it for a further 18 months. The loan has a 3-month Euribor rate plus a 5% spread. On 31 October 2018, the maturity of the loan was extended, on equal terms, until 30 April 2020. The shareholder loan concluded with Augusto S.p.A. confirms the major shareholders' commitment to supporting the further growth of the Company.

MORTGAGE LOANS

The increase versus the prior year is attributable to the effects of the Demerger (€ 48,682 thousand), the assumption of the existing loan on the properties in Gallarate (VA) and Senago (MI) under the deed of sale signed on 28 December 2018 with the Leopardi Fund (€ 1,185 thousand), and the booking

of the portion of interest accrued in the period from 28 to 31 December 2018. As 31 December 2018, repayments of the amortizing loans were made for an amount equal to € 1,283 thousand in principal and interest.

PAYABLES TO OTHER LENDERS

The increase versus the prior year is attributable mainly to the effects of the Demerger.

The breakdown of payables to banks and other lenders is shown in the following table:

Type of loan (Euro/000)	Project/Property assets	Short-term payable within 1 month	Short-term payable from 2 to 3 months	Short-term payable from 4 to 12 months	Long-term debt	Total payable	Maturity	Mortgage on properties/ guarantees	Financial covenants	Compliance covenant
Mortgage Loan	Santa Vittoria d'Alba (CN) - Phase B	0	112	316	5,670	6,098	30/11/2030	16,000	LTV≤80 %	YES
Mortgage Loan	Santa Vittoria d'Alba (CN) - Phase B	18	11	54	250	333	30/04/2023	1,000	LTV≤80 %	YES
Mortgage Loan	Torre Richard C3	0	0	0	4,703	4,703	30/06/2025	22,000	LTV≤55%; DSCR≥1.3	YES
Leases	Milan - Via Ancona	15	30	136	1,431	1,612	28/12/2026	n,a,	n.a.	n.a.
Mortgage Loan	Serravalle Scrivia (AL) - Via Novi	0	182	139	2,678	2,999	01/03/2024	8,000	LTV≤80 %	YES
Mortgage Loan	Portfolio	0	251	1,124	9,254	10,629	11/04/2020	112,000	Consolidated LTV ≤55%; ICR≥2.5; LTV Portfolio ≤35%; DSCR Portfolio ≥1.25	YES
Mortgage Loan	Portfolio	26	0	1,650	9,250	10,926	31/12/2021	30,000	LTV≤50%; ICR≥1.3; DSCR≥1.3	YES
Mortgage Loan	Gallarate e Senago	4	0	0	1,180	1,184	30/06/2022	2,370	NO	n.a.
Total loans with properties granted as surety		**63**	**586**	**3,419**	**34,416**	**38,484**				
Current account overdraft	Pledge Shares Dante Retail	0	0	11,694	0	11,694	30/06/2019	Other guarantees	n.a.	n.a.
Total overdrafts		**0**	**0**	**11,694**	**0**	**11,694**				
Bonds	n.a.	129	0	0	14,701	14,830	30/04/2020	Unsecured	n.a.	n.a.
Bonds	n.a.	0	0	46	29,747	29,793	20/12/2020	Unsecured	PN/PFN ≥ 1; PFN/VPI ≤ 60%	YES
Total bonds		**129**	**0**	**46**	**44,448**	**44,623**				
Total financial expense		**192**	**586**	**15,159**	**78,864**	**94,801**				
Payables to other lenders		86	0	0	9,801	9,887				
Total payables for shareholders' contributions		**86**	**0**	**0**	**9,801**	**9,887**				
Total gross debt at 31/12/2018		**278**	**586**	**15,159**	**88,665**	**104,688**				

The liquidity and market risk analysis is shown in Note 30.

Note 14. Payables for post-employment benefits

(Euro/000)	31/12/2018	31/12/2017
Payables for post-employment benefits		
Post-employment benefits	1,062	0
Other employee benefits		
	1,062	**0**
Provisions under the income statement for:		
Service costs	2	0
POST-EMPLOYMENT BENEFITS IAS	**2**	**0**

The increase versus the prior year is attributable to the effects of the demerger of € 899 thousand.
There were no overdue and unpaid payables for employees at 31 December 2018.
The final balance reflects the current value of the Company's obligations towards employees for post-employment benefits, calculated based on the legislative provisions in force and collective labour agreements and underlying actuarial dynamics. The provision for post-employment benefits in the income statement is classified as service cost for € 2 thousand under personnel expense, and relates to the provision accrued by employees in the period from 28 to 31 December 2018.

Under IAS 19, actuarial gains and losses on employee for post-employment benefits (€ 161 thousand) are recognized under other comprehensive income and are permanently excluded from the income statement.

The change in the composition of post-employment benefits is shown below:

(Euro/000)	
Balance at 31/12/2017	**0**
Contribution from Demerger	899
Portion accrued and posted to the income statement	2
Actuarial gains/(losses) recognized in equity	161
Balance at 31/12/2018	**1,062**

The actual and average number of employees at 31 December 2018 and at 31 December 2017, divided by category, is respectively as follows:

Title (units)	31/12/2018	31/12/2017
Executives	6	0
Managers/Employees	39	0
Total	**45**	**0**

Title	31/12/2018	31/12/2017
Executives	0.06	0.00
Managers/Employees	0.39	0.00
Total	**0.45**	**0.00**

The increase in employees is due to the effects of the Demerger.

Under IAS 19, payables from post-employment benefits are recognized according to the accrued benefits method using the Projected Unit Credit Method, based on the following actuarial assumptions:

Economic-financial assumptions:

1. Technical annual discounting rate 1.57%;
2. Annual inflation rate 1.50%;
3. Total annual salary increase rate 3.00%;
4. Annual post-employment benefits increase rate 2.63%.

With regard to the discounting rate, the iBoxx Eurozone Corporates AA 10+ index was used as reference to measure the above parameter, with a duration calculated on the average residual permanence of the collective subject to assessment at 31 December 2018.

Demographic assumptions:

1. probability of death: determined by the General State Accounting Office denominated RG48, split up by gender;
2. probability of disability: split up by gender, adopted in the INPS model for 2010 projections. These probabilities were built starting from the distribution by age and gender of the pensions in force at 1 January 1987 effective from 1984, 1985, 1986 relevant to the staff of the credit line of business;
3. retirement age: for active employees, achievement of the first pensionable requirements valid for the Mandatory General Insurance was assumed;
4. probability of leaving employment for reasons other than death, an annual frequency of 10.00% was considered.

Sensitivity analysis

The sensitivity analysis, carried out in scenarios of upward or downward movement of the average annual discount rate of half a point, showed no significant changes from the booked liability.

Note 15. Provisions for risks and charges

(Euro/000)	Initial balance 31/12/2017	Contribution from Demerger	Increases/ Decreases in the income statement	Utilizations	Reclassifications	Final balance 31/12/2018
Provision for risks on investments	0	237	0	0	0	237
Provision for contractual charges	0	311	0	0	0	311
Provision for contractual risks	0	100	0	0	0	100
Provision for future charges	0	108	0	0	0	108
Total	**0**	**756**	**0**	**0**	**0**	**756**

The increase versus the prior year is attributable to the effects of the Demerger.
At 31 December 2018, the items forming the provision for risks consist in:

- € 237 thousand relating to the investment in Praga Res S.r.l.;
- € 311 thousand to cover contractual obligations mainly from the disposal of investments;
- € 100 thousand for existing disputes on properties sold in prior years;
- € 108 thousand for future charges.

Note 16. Trade and other payables

The following table summarizes the situation of trade and other payables at 31 December 2018:

(Euro/000)	31/12/2018	31/12/2017
Non-current		
Payables to subsidiaries	2,616	0
Other payables	157	0
Total	**2,773**	**0**
Current		
Payables to suppliers	6,128	120
Payables to subsidiaries	4,237	0
Payables to affiliates	2,388	0
Payables to parent companies	90	25
Payables to welfare and social security entities	8	0
Other payables	3,125	5
Accrued expenses and deferred income	25	0
Total	**16,002**	**150**

The increase versus the prior year is attributable to the effects of the Demerger of € 14,600 thousand.
There was no overdue and unpaid tax towards social security institutions and employees at 31 December 2018.
Transactions with related parties (explained in par. 5.11 Annex 1) referring to Company subsidiaries or joint ventures and associates (so-called "Intra-group"), and transactions with related parties other than intra-group ("Other Related Parties"), regard trade and financial dealings falling under normal operations and regulated at market conditions.

CURRENT AND NON-CURRENT PAYABLES TO SUBSIDIARIES

Subsidiary (Euro/000)	Amounts at 31/12/2018					Amounts at 31/12/2017					Difference
	current			non-current	Total	current			non-current	Total	
	Trade	Other	Total	Financial		Trade	Other	Total	Financial		
Novipraga SIINQ S.p.A.	0	0	0	63	63	0	0	0	0	0	63
Praga Res S.r.l.	336	26	362	2,491	2,853	0	0	0	0	0	2,853
Pragaquattro Center SIINQ S.p.A.	0	0	0	5	5	0	0	0	0	0	5
Pragaundici SIINQ S.p.A.	64	0	64	5	69	0	0	0	0	0	69
Redwood Fund	3,801	0	3,801	0	3,801	0	0	0	0	0	3,801
SATAC SIINQ S.p.A.	0	10	10	52	62	0	0	0	0	0	62
Total	**4,201**	**36**	**4,237**	**2,616**	**6,853**	**0**	**0**	**0**	**0**	**0**	**6,853**

The contribution from the demerger amounted to a total of € 6,732 thousand.

Financial payables consist of the balance of the transfer current account and of payables arising from the transfer of the balance of tax on taxable income falling under the national tax consolidation scheme and Group VAT. The latter are, on contractual dates, capitalized on the transfer current accounts which pay in the year interest at Euribor 3-month plus 3.75%. Trade payables due within one year relate mainly to the subsidiaries Redwood Fund and Praga Res S.r.l..

PAYABLES TO PARENT COMPANIES

The balance with Augusto S.p.A. amounted to € 90 thousand and increased as a result of the Demerger. This refers to the chargeback of costs from the shareholder loan.

PAYABLES TO OTHER RELATED PARTIES

Current payables to other related parties amounted to € 2,388 thousand and increased as a result of the Demerger (€ 260 thousand) and of the payable to Restart SIIQ S.p.A. (€ 2,362 thousand including the balance of the Demerger, equal to € 2,322 thousand).

OTHER CURRENT AND NON-CURRENT PAYABLES

The item is composed as follows:

(Euro/000)	31/12/2018	31/12/2017
Other payables from equity measurement	0	0
Security deposits/tenants' interest	157	0
Other payables	0	0
Non-current payables to others	**157**	**0**

(Euro/000)	31/12/2018	31/12/2017
Confirmation deposits	240	0
Bonuses, accrued leave, 13th monthly salary bonus and other payables to employees	598	0
Security deposits/tenants' interest	0	0
Other payables	2,287	5
Current payables to others	**3,125**	**5**

The contribution from the demerger amounted to a total of € 3,232 thousand, broken down as follows:

- € 157 thousand non-current, regarding payables to tenants for security deposits;
- € 240 thousand current, regarding confirmation deposits received from the signing of the preliminary agreement for the sale of the property located in San Giovanni Teatino (CH);
- € 60 thousand for remuneration accrued by the Board of Directors for compensation and bonuses;
- € 598 thousand for payables due to employees for leave and holidays accrued but not taken, in addition to bonuses to management and employees;
- € 2,177 thousand relating mainly to the payable accrued with Fih SA in the context of the current legal dispute.

There are no other payables falling due beyond 5 years other than those mentioned in the previous notes.

PAYABLES TO SUPPLIERS

The contribution from the Demerger amounts to a total of € 4,393 thousand, plus the costs for the consultants who assisted in the demerger and for the listing on the MTA managed by Borsa Italiana.

The balance of payables to suppliers amounted to € 6,128 thousand and consists, for € 3,300 thousand, in invoices received and, for € 2,828 thousand, in invoices to receive.

The breakdown by maturity of payables to suppliers is shown in the table below:

(Euro/000)	Falling due	Overdue by				Total
		0-60 days	60-90 days	90-120 days	Over 120 days	
Total payables to suppliers	4,147	943	90	0	948	6,128
	4,147	**943**	**90**	**0**	**948**	**6,128**

At year-end 2018, overdue payments amounted to € 1,981 thousand. As these suppliers have ongoing business relations with the Company, no debt collection action has been taken against the Company.

CURRENT ACCRUED EXPENSES AND DEFERRED INCOME

The item increased as a result of the demerger for € 127 thousand, partly released for the portions pertaining to the period from 28 to 31 December 2018. The balance at year-end amounted to € 24 thousand and includes rental revenue and reimbursements to tenants, already invoiced but pertaining to 2019.

Note 17. Tax payables

Current (Euro/000)	31/12/2018	31/12/2017
Payables to the Revenue Agency for current tax	84	0
Total	**84**	**0**

There was no overdue and unpaid tax at 31 December 2018.

Current tax payables include withholding tax on income from wages for € 17 thousand, withholding tax on income from self-employment and kindred income for € 1 thousand and the IRES payable of € 66 thousand accrued under tax consolidation.

Income Statement

Note 18. Revenue from sales and services

Revenue from sales and services (Euro/000)	31/12/2018	31/12/2017
Property leases and chargebacks to tenants	113	0
Provision of services	8	0
Total	**121**	**0**

Revenue from property leases refers to the portion of revenue pertaining to the period from 28 to 31 December 2018, recognized as a result of the Demerger. "Provision of services" includes the amounts from the provision of property services in the areas of asset management, financial and administrative services, general services, EDP and human resources to Group companies between 28 and 31 December 2018.

Note 19. Other revenue

Other revenue (Euro/000)	31/12/2018	31/12/2017
Other non-property chargebacks	3	0
Other income	668	0
Total	**671**	**0**

Income from non-property chargebacks refers to the portion for the period from 28 to 31 December 2018 accrued as a result of the Demerger.
Other income refers to an extraordinary income accrued on 28 December 2018 and equal to the difference between the cost incurred for the purchase of a receivable due from the Leopardi Fund by Società per la Gestione di Attività S.p.A. (€ 2,050 thousand) and the repayment, made at nominal value (€ 2,718 thousand), by the Leopardi Fund.

Note 20. Costs for raw materials and services

(Euro/000)	31/12/2018	31/12/2017
Costs for purchase of raw materials and other goods	5	0
Costs for services on owned properties	11	0
Costs for services	1,128	161
Total	**1,144**	**161**

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

(Euro/000)	31/12/2018	31/12/2017
Property management costs	5	0
Subtotal a) Costs for raw materials	**5**	**0**
Maintenance	6	0
Service charges	1	0
Other	4	0
Subtotal b) Costs for services on owned properties	**11**	**0**
Fees to Directors	39	0
Fees to the Board of Statutory Auditors	16	15
Professional services	1,051	146
Commissions and bank charges	3	0
Head office maintenance, cleaning and telephone	2	0
Energy	1	0
Sundry	5	0
Subtotal d) General expenses	**1,117**	**161**
Rental charges	9	0
Lease rent	2	0
Subtotal e) Rentals and leases	**11**	**0**
Total	**1,144**	**161**

COSTS AND SERVICES ON OWNED PROPERTY

These refer mainly to costs for utilities, water, electricity and gas for heating, maintenance and service expenses relating to the portion for the period from 28 to 31 December 2018, accrued as a result of the Demerger.

GENERAL EXPENSES

The cost of Directors' fees refers to fees accrued on an accrual basis from the date of appointment (12 November 2018).

Professional services include mainly the costs for legal and tax advice and auditing incurred in connection with the demerger and listing transaction.

RENTAL CHARGES

The item basically includes the "normalized" cost for the period between 28 and 31 December 2018 relating to the rental cost for the Via Tortona offices accrued as a result of the Demerger.

LEASE AND RENTAL PAYMENTS

The item refers to the portion for the period from 28 to 31 December 2018 accrued as a result of the Demerger, and includes the long-term rental fees for cars supplied to employees and/or operational directors, in addition to the operating lease payments for the provision of IT and telephone equipment.

Note 21. Personnel expense

(Euro/000)	31/12/2018	31/12/2017
Wages and salaries	33	0
Social charges	11	0
Post-employment benefits	2	0
Total	**46**	**0**

Personnel expense increased as a result of the transfer of employment contracts envisaged in the demerger transaction. The expense relates to the portion pertaining to the period from 28 to 31 December 2018.

Note 22. Other operating costs

(Euro/000)	31/12/2018	31/12/2017
General company charges	1	0
Shareholders' Meetings, financial statements, Consob obligations, Stock Exchange	39	0
Total	**40**	**0**

The item consists mainly of sundry expense incurred for the demerger and listing on the MTA managed by Borsa Italiana.

Note 23. Amortization/depreciation, fair value adjustments, impairment losses and provisions

(Euro/000)	31/12/2018	31/12/2017
Amortization of intangible fixed assets	0	0
Depreciation of tangible fixed assets:		
equipment	4	0
other assets	4	0
Amortization and depreciation	**8**	**0**
Fair value adjustment of investment property	(141)	0
Write-downs and allocations	**(141)**	**0**
Total	**(133)**	**0**

Equipment and other assets refer mainly to the fitting out of the new premises in Via Tortona, the depreciation of which follows the term of the relevant lease. The portion relates to the period from 28 to 31 December 2018 accrued as a result of the Demerger.

The fair value adjustment of the investment properties, amounting to € 141 thousand and relating to the properties in Gallarate (VA), Senago (MI) and Milan (MI) purchased on 28 December 2018, was recognized based on the market value resulting from the appraisals at 31 December 2018 requested by the Directors. For further details, see Note 1.

Note 24. Income and (Financial Expense)

(Euro/000)	31/12/2018	31/12/2017
Income		
Interest on loans to associates	5	0
Interest on loans to parents	5	0
Interest on loans to subsidiaries	15	0
Total financial income	**25**	**0**
Expense		
Interest on bank accounts	5	
Interest on bank loans	31	
Interest on loans from subsidiaries	7	
Interest expense on other payables	27	
Total financial expense	**70**	**0**
Total	**(45)**	**0**

Interest income and expense from associates, subsidiaries and parents relate to the portions of loans receivable and payable transferred as part of the demerger. They are calculated on the basis of normal market conditions.
Interest expense on current accounts, mortgage loans and bank loans, totaling € 36 thousand, relates to the portion accrued on the payable transferred as a result of the Demerger.
Interest expense on other payables refers to interest and other amortized financial costs relating to the bond transferred as a result of the Demerger.
These are the portions accrued on an accrual basis in the period from 28 to 31 December 2018.

Note 25. Income tax for the year

(Euro/000)	31/12/2018	31/12/2017
Current tax	85	0
Prepaid/(deferred) tax	0	0
Total	**85**	**0**

(Euro/000)	31/12/2018	31/12/2017
Current IRES and IRAP	0	0
Income/(expense) from tax consolidation scheme	85	0
Prior-years' tax	0	0
Current tax	**85**	**0**
Prepaid/(deferred) tax	**0**	**0**
Total	**85**	**0**

In 2018, starting from an overall negative result from taxable operations of € 350 thousand, the Company accrued taxable income deriving mainly from the tax loss from tax-exempt operations, which was fully neutralized by the losses incurred by the Company.

Income from the inclusion in tax consolidation amounted to € 85 thousand, attributable to the taxable amounts carried to tax consolidation by a number of Group companies.

Note 26. Commitments

Guarantees issued by banks in the interest of the Company in favour of third parties

The item includes:

- € 398 thousand for a bank guarantee issued by Banco BPM S.p.A. in favour of Y&R S.r.l. in the interest of Aedes SIIQ S.p.A. to guarantee the provisions of the lease contract for the property located in Via Tortona, Milan.

Guarantees issued by insurance companies in the interest of the Company in favour of third parties

- € 190 thousand for an insurance surety issued by Aviva S.p.A. in favour of the Municipality of Milan (MI) in the interest of Aedes SIIQ S.p.A. to guarantee the infrastructure charges from the renovation of the Richard C3 Tower.

Guarantees issued by Aedes in the interest of Group companies

The item includes mainly:

- € 67,650 thousand for an autonomous guarantee on first demand given in the interest of the subsidiary Novipraga SIINQ S.p.A. in favour of Unicredit as a guarantee of the loan granted;
- € 3,500 thousand for the letter of Patronage given in the interest of the subsidiary Pragaquattro Center SIINQ S.p.A. in favour of UBI Banca as a guarantee of the loans granted;
- € 1,300 thousand for the letter of Patronage given in the interest of the subsidiary Pragaquattro Center SIINQ S.p.A. in favour of Unicredit as a guarantee of the credit facility granted;
- € 12,000 thousand for the letter of Patronage given in the interest of the subsidiary Pragaquattro Center SIINQ S.p.A. in favour of Banca Popolare di Milano as a guarantee of the loan granted;
- € 8,000 thousand for the letter of Patronage given in the interest of the subsidiary SATAC SIINQ S.p.A. in favour of Cassa di Risparmio di Asti as a guarantee of the loan granted;
- € 1,850 thousand for the letter of Patronage given in the interest of the subsidiary Pragaundici SIINQ S.p.A. in favour of Banca Intesa San Paolo as a guarantee of the loan granted;
- € 900 thousand for the letter of Patronage given in the interest of the subsidiary Pragaquattro Center SIINQ S.p.A. in favour of Cassa di Risparmio di Parma e Piacenza as a guarantee of the loans granted;
- € 400 thousand for the letter of Patronage given in the interest of the subsidiary Praga Res S.r.l in favour of Cassa di Risparmio di Parma e Piacenza as a guarantee of the credit facility granted.

Guarantees issued by third parties in the interest of Group companies in respect of which the Company is jointly obligated

The item includes mainly:

- € 111 thousand for an insurance surety issued by Elba Assicurazioni S.p.A. in favour of the Municipality of Santa Vittoria d'Alba (CN) in the interest of the subsidiary Pragaquattro Center SIINQ S.p.A. as a guarantee of the infrastructure work on Standard PV2;
- € 207 thousand for an insurance surety issued by Elba Assicurazioni S.p.A. in favour of the Municipality of Santa Vittoria d'Alba (CN) in the interest of the subsidiary Pragaquattro Center SIINQ S.p.A. as a guarantee of the infrastructure work on Standard PV1;
- € 130 thousand for an insurance surety issued by Elba Assicurazioni S.p.A. in favour of the Municipality of Santa Vittoria d'Alba (CN) in the interest of the subsidiary Pragaquattro Center SIINQ S.p.A. as a guarantee of the infrastructure work on Internal road services;
- € 466 thousand for an insurance surety issued by Elba Assicurazioni S.p.A. in favour of the Municipality of Santa Vittoria d'Alba (CN) in the interest of the subsidiary Pragaquattro Center SIINQ S.p.A. as a guarantee of the infrastructure work on PEC (Agreed Executive Plan) Road Services;
- € 124 thousand for an insurance surety issued by Elba Assicurazioni S.p.A. in favour of the Municipality of Santa Vittoria d'Alba (CN) in the interest of the subsidiary Pragaquattro Center SIINQ S.p.A. as a guarantee of the infrastructure work on Strada Gorreto;
- € 135 thousand for an insurance surety issued by Elba Assicurazioni S.p.A. in favour of the Municipality of Santa Vittoria d'Alba (CN) in the interest of the subsidiary Pragaquattro Center SIINQ S.p.A. as a guarantee of the infrastructure work on the roundabout;
- € 16,496 thousand for an insurance surety issued by Elba Assicurazioni S.p.A. in favour of the Municipality of Caselle Torinese in the interest of the subsidiary SATAC SIINQ S.p.A.

with regard to the development of the Caselle Open Mall;
• € 266 thousand for an insurance surety issued by Atradius Credit Insurance N.V. in favour of the Municipality of Novi Ligure (AL) in the interest of the subsidiary 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 no. 9949 - Series 1 T;
• € 304 thousand for insurance sureties issued by Elba Assicurazioni S.p.A. in favour of the Municipalities of Novi Ligure and Serravalle Scrivia in the interest of the subsidiary Novipraga SIINQ S.p.A. in relation to the development work on the Retail Park;

• Mention should also be made that Aedes issued € 39,946 thousand for an autonomous guarantee on first demand issued in favour of Crédit 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.ar.l., holding 49.9%, has issued an identical guarantee.

Guarantees on assets owned by the Company
A pledge has been granted to banks over the stakes held in Novipraga SIINQ S.p.A., Pragasei S.r.l., Efir S.a.r.l. and the Petrarca Fund.

Commitments towards third parties

• € 5,500 thousand for the remaining financial commitment on the San Marino - The Market transaction;
• € 6,688 thousand for the commitment undertaken by Aedes SIIQ S.p.A. 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 S.ar.l., holding 49.9% in Pragasei S.r.l., has issued a similar commitment;
• € 39,100 thousand for the commitment undertaken by Aedes SIIQ S.p.A. towards Borromini SPV S.r.l. in the interest of the Petrarca Fund as a guarantee of the loan granted;
• € 3.000 thousand for the commitment undertaken by Aedes SIIQ S.p.A. to maintain share capital and shareholder loans at a minimum level vis-à-vis Banca Popolare di Milano in respect of the loan granted;
• € 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 26, the Company has made provisions for risks where deemed necessary.

Note 27. 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 as 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 valuation techniques should be adjusted based on the circumstances, configured in order to maximize the observable inputs and established in accordance with the valuation method used (multiples method, income method, cost method):

- Adequate 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.
- Maximize the observable inputs: inputs are divided into observable and unobservable, providing various examples of markets from which fair values can be calculated.
- Measurement techniques of fair value are classified in three hierarchical levels according to the type of input used:
  - Level 1: inputs are quoted prices in active markets for identical assets or liabilities to assess. 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 approach method is based on prices and other important information for market transactions involving identical or comparable assets and liabilities. The models used are the multiples method and matrix pricing;
- the income method is obtained from the discounted sum of future amounts that will 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 as at the measurement date to substitute the capability of the service of the asset subject to measurement. Fair value will be equal to the cost that a market participant would incur to acquire or build an asset of adjusted comparable use (taking 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 Aedes, classified by measurement method used and intended use:

(Euro/000)	Discontinued Cash Flow (DCF)		Comparative Method		Residual Method		Total	
Main use	**Book value**	**Fair value**	**Book value**	**Fair value**	**Book value**	**Fair value**	**Book value**	**Fair value**
Retail	90,620	90,620	1,200	1,200	1,750	1,750	93,570	93,570
Office	79,600	79,600	-	-	-	-	79,600	79,600
Other	-	-	100	100	-	-	100	100
Grand total	**170,220**	**170,220**	**1,300**	**1,300**	**1,750**	**1,750**	**173,270**	**173,270**

The above amounts are shown in Euro and do not include inventory that is 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.

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

Note 28. Significant non-recurring events and transactions

Pursuant to Consob Communication of 28 July 2006, it should be noted that Aedes SIIQ S.p.A. incurred costs in the year for the demerger and listing on the MTA managed by Borsa Italiana:

(Euro/000)	31/12/2018
Demerger and listing costs	1,363
Tax receivable	(500)
Total	**863**

Note 29. Transactions deriving from atypical and/or unusual transactions

In 2018, no atypical and/or unusual transactions were carried out by Aedes.

Note 30. Information on financial risks

Classes of financial instruments

There follows a breakdown of the financial assets and liabilities required by IFRS 7 in the scope of the categories of IAS 39.

(*) 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.

Amounts at 31 December 2018

Financial instruments - Assets at 31 December 2018 (Euro/000)	Assets at fair value	Investments held up to maturity	Receivables and loans	Assets at amortized cost	Assets available for sale	Book value at 31 December 2018	Notes
Non-current financial assets	4	0	44,669	0	0	44,673	7-8
Trade receivables	0	0	8,626	0	0	8,626	10
Current financial assets	0	0	0	0	0	0	8
Cash and cash equivalents	0	0	2,102	0	0	2,102	11
Total	**4**	**0**	**55,397**	**0**	**0**	**55,401**	

Financial instruments - Liabilities at 31 December 2018 (Euro/000)	Liabilities at fair value	Liabilities at amortized cost	Book value at 31 December 2018	Notes
Non-current payables to banks and other lenders	0	88,665	88,665	13
Other non-current financial liabilities	263	157	420	7-16
Current payables to banks and other lenders	0	16,023	16,023	13
Payables to suppliers/advances from customers	0	15,459	15,459	16
Other current financial liabilities	0	2,411	2,411	16
Total	**263**	**122,715**	**122,978**	

Amounts at 31 December 2017

Financial instruments - Assets at 31 December 2017 (Euro/000)	Assets at fair value	Investments held up to maturity	Receivables and loans	Assets at amortized cost	Assets available for sale	Book value at 31 December 2017	Notes
Non-current financial assets	0	0	0	0	0	0	7-8
Trade receivables	0	0	0	0	0	0	10
Current financial assets	0	0	0	0	0	0	8
Cash and cash equivalents	0	0	16	0	0	16	11
Total	**0**	**0**	**16**	**0**	**0**	**16**	

Financial instruments - Liabilities at 31 December 2017 (Euro/000)	Liabilities at fair value	Liabilities at amortized cost	Book value at 31 December 2017	Notes
Non-current payables to banks and other lenders	0	0	0	13
Other non-current financial liabilities	0	0	0	7-16
Current payables to banks and other lenders	0	0	0	13
Payables to suppliers/advances from customers	0	145	145	16
Other current financial liabilities	0	5	5	16
Total	**-**	**150**	**150**	

Financial income and expense recorded in the financial statements

The table shows the financial income and expense recorded in the financial statements.

Amounts at 31 December 2018

Income and expense generated by financial instruments - 2018 (Euro/000)	From interest	From changes in fair value	From equity reserve	Exchange gains and losses	Book value at 31 December 2018	Notes
Loans and receivables	25	0	0	0	25	24
Assets at fair value	0	0	0	0	0	24
Assets available for sale	0	0	0	0	0	24
Liabilities at fair value	0	0	0	0	0	24
Liabilities at amortized cost	(70)	0	0	0	(70)	24
Total	**(45)**	**0**	**0**	**0**	**(45)**	

Amounts at 31 December 2017

Income and expense generated by financial instruments - 2017 (Euro/000)	From interest	From changes in fair value	From equity reserve	Exchange gains and losses	Book value at 31 December 2017	Notes
Loans and receivables	0	0	0	0	0	24
Assets at fair value	0	0	0	0	0	24
Assets available for sale	0	0	0	0	0	24
Liabilities at fair value	0	0	0	0	0	24
Liabilities at amortized cost	0	0	0	0	0	24
Total	**0**	**0**	**0**	**0**	**0**	

Fair value of financial assets and liabilities

The application of IFRS 7 "Financial Instruments: Disclosure" requires the disclosure in the Notes of information that allows users of the financial statements to assess the significance of the Company's financial instruments and the nature of the risks arising from the instruments.

An analysis was performed on how information about the instruments is presented in the financial statements, specifically:

- fair value of financial assets and liabilities outstanding at 31 December 2018;
- classification of fair value levels under IFRS 13, with regard to both the fair value of derivative instruments accounted for and the fair value of financial assets and liabilities recognized in the Notes;
- liquidity risk analysis and Maturity Analysis of instruments classifiable as financial liabilities (loans and derivatives);
- analysis of interest rate risk (sensitivity analysis) of the entire portfolio of interest rate derivatives and loans.

The table below shows, for each financial liability analyzed, the carrying amount recorded in the statement of financial position at the balance sheet date and the relating fair value.

With regard to the fixed-rate bond issued by Aedes Siiq S.p.A. (ISIN IT0005317174), it should be noted that the relating fair value was calculated on the basis of its value provided at year end by "Bloomberg" (equal to 100.9).

Aedes SIIQ SpA	31/12/2018		31/12/2017		Difference	
(Euro/000)	Book value	Fair value	Book value	Fair value	Book value	Fair value
Mortgage loans	36,873	36,704	0	0	36,873	36,704
Lines of credit	11,694	12,039	0	0	11,694	12,039
Payables to leasing companies	1,612	1,596	0	0	1,612	1,596
Bonds	44,622	45,604	0	0	44,622	45,604
Other lenders	9,887	10,106	0	0	9,887	10,106
Derivatives	259	259	0	0	259	259
Total	**104,947**	**106,307**	**0**	**0**	**104,947**	**106,307**
Unrecognized loss profit	(1,360)		0			

Fair value hierarchy levels

With regard to the fair value hierarchy levels, the valuations of derivatives and liabilities outstanding at 31 December 2018 can be classified as Level 2, i.e. deriving from measurement techniques (Discounted Cash Flow for financial liabilities and for IRS contracts and Black & Scholes Model for optional structures) populated with input data (interest rates, volatility and CDS spreads) directly observable on the market (through the Bloomberg and Thomson Reuters platforms).

The table below summarizes the conditions of the existing payables to banks and other lenders at 31 December 2018, grouped by interest rate range, with the relevant indication of the book value, versus the figures reported in the prior year.

(Euro/000)	31/12/2018	31/12/2017
Interest rate (current)		
<2% (*)	7,542	-
2% - 3%	10,631	-
3% - 5.5%	86,774	-
5.5% - 6.5%	-	-
>6.5%	-	-
Total	**104,947**	**-**

(*) The item includes the positive and negative fair value of the Collar, amounting to € 259 thousand at 31 December 2018.

The table below shows the assets and liabilities (derivative instruments commented in Note 7) measured at fair value at 31 December 2018, by hierarchical level of fair value measurement:

(Euro/000)	Level 1	Level 2	Level 3	Total
Derivative financial instruments	0	4	0	4
Total assets	**0**	**4**	**0**	**4**
Derivative financial instruments	0	(263)	0	(263)
Total liabilities	**0**	**(263)**	**0**	**(263)**
Total	**0**	**(259)**	**0**	**(259)**

Derivative financial instruments are measured using the Discounted Cash Flow Method. Future cash flows are discounted based on the forward rate curves expected at the end of the observation period and on the contractual fixing rates, also taking the counterparty credit risk into account, in compliance with IFRS 13.

The Company is exposed to financial risks:

- interest rate risk;
- exchange rate risk;
- liquidity risk;
- credit risk.

Risk management policies are shown in section 5.9. The following section provides qualitative and quantitative disclosures on the effect of these risks on the Company and the Group.

Interest rate risk

With regard to interest rate risk, IFRS 7 requires a sensitivity analysis that shows the impact on the financial statements of changes in the interest rate curve. Specifically, the analysis was carried out only on derivative financial instruments in the portfolio, which currently represent the only financial assets/liabilities subject to measurement at fair value; loans payable at year-end were not, however, considered for the purposes of fair value sensitivity, as they are represented by accounting entries measured at amortized cost.

The table below shows the higher financial income/expense that would have been recorded in the income statement during the year in the event of interest rates higher or lower than those actually recorded, respectively, by +0.5% and -0.5% with regard to both derivative financial instruments and floating rate loan agreements.

(Euro/000)	Profit or loss	
	Increase of 50 bps	Decrease of 50 bps
Mortgage loans	(177)	177
Bonds	(70)	70
Payables to leasing companies	0	0
Lines of credit	(3)	3
Other lenders	(46)	46
Derivative financial instruments	125	(192)
Net sensitivity of cash flows	**(171)**	**104**

Floating-rate loans

In order to reduce the Aedes Group's overall exposure to the interest rate risk, the Company concluded a derivative contract on 4 November 2015 with the following characteristics:

(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.

Exchange rate risk

At 31 December 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 keeps a watchful eye on cash and 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 of certain assets;
B) disposal of certain assets;
C) rescheduling of short-term credit lines;
D) financial support from Shareholders.

Based on the information and the documentary evidence available at the date of preparing the financial statements at 31 December 2018, and on the progress of the initiatives currently in place with regard to the above funding sources, there are no significant risks of a possibility of not completing the actions according to the schedule and 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 through debt, via the market and/or by disposing of existing assets during the year. Whether or not, in fact, these actions are fully or partly achieved according to schedule and to the procedures set, also depends on factors outside the Company's control, such as the economic cycle, property market trends, accessibility of credit and capital market trends.

Accordingly, the Directors believe there are no material uncertainties on the Company and Group's ability to meet their current and prospective financial obligations in the foreseeable future.

Here below are the summary tables of the analysis performed comparing the situations at 31 December 2018 and 31 December 2017.

31/12/2018 (Euro/000)	Book value	Contractual cash flows	Within 1 year	1-2 years	2-5 years	over 5 years
Non-derivative financial liabilities						
Mortgage loans	36,873	44,187	5,025	15,668	11,345	12,149
Bonds	44,622	49,216	2,301	46,915	0	0
Payables to leasing companies	1,612	2,508	232	231	698	1,347
Lines of credit	11,694	12,238	12,238	0	0	0
Other lenders	9,887	10,589	555	10,034	0	0
Total non-derivative liabilities	**104,688**	**118,738**	**20,351**	**72,848**	**12,043**	**13,496**
Derivative financial instruments						
Hedge derivatives						
Non-hedge derivatives	-	-	-	-	-	-
Purchased Cap	(4)	0	0	0	-	-
Sold floor	262	240	147	93	-	-
Total derivatives	**258**	**240**	**147**	**93**	**0**	**0**
Total	**104,946**	**118,978**	**20,498**	**72,941**	**12,043**	**13,496**

31/12/2017 (Euro/000)	Book value	Contractual cash flows	Within 1 year	1-2 years	2-5 years	over 5 years
Non-derivative financial liabilities						
Mortgage loans	0	0	0	0	0	0
Bonds	0	0	0	0	0	0
Payables to leasing companies	0	0	0	0	0	0
Lines of credit	0	0	0	0	0	0
Other lenders	0	0	0	0	0	0
Total non-derivative liabilities	**0**	**0**	**0**	**0**	**0**	**0**
Derivative financial instruments						
Hedge derivatives						
Non-hedge derivatives	0	0	0	0	0	0
Purchased Cap	0	0	0	0	0	0
Sold floor	0	0	0	0	0	0
Total derivatives	**0**	**0**	**0**	**0**	**0**	**0**
Total	**0**	**0**	**0**	**0**	**0**	**0**

The Company, through its Finance Department and ongoing supervision by the Parent Company's executive bodies, keeps a watchful eye on cash. For this purpose, the Company and the Group monitor the liquidity risk by preparing a detailed financial budget considering a time horizon of at least one year and the effective management of property sales and assumption of financial commitments.

Analysis of liabilities by maturity

To complete the disclosures contained in the specific notes to the financial position, here below are the balancing items for the years ended 31 December 2018 and 31 December 2017.

Analysis of liabilities by maturity - 2018 (Euro/000)	Book value	committed	within 1 year	1-5 years	over 5 years
Non-current payables to banks and other lenders	88,665	0	0	79,588	9,077
Other non-current financial liabilities	420	0	0	420	
Current payables to banks and other lenders	16,023	0	16,023	0	0
Payables to suppliers/advances from customers	15,459	0	15,459	0	0
Other current financial liabilities	2,411	0	2,411	0	0
Total	**122,978**	**0**	**33,893**	**80,008**	**9,077**

Analysis of liabilities by maturity - 2017 (Euro/000)	Book value	committed	within 1 year	1-5 years	over 5 years
Non-current payables to banks and other lenders	0	0	0	0	0
Other non-current financial liabilities	0	0	0	0	
Current payables to banks and other lenders	0	0	0	0	0
Payables to suppliers/advances from customers	145	0	145	0	0
Other current financial liabilities	5	0	5	0	0
Total	**150**	**0**	**150**	**0**	**0**

Credit risk

The Company's credit risk is related mainly to trade receivables from the sale of properties or investments and the provision of services. For the latter, see the specific sections in the Explanatory Notes.

Note 31: information pursuant to Law 124/2017 art. 1, paragraphs 125 and 129

It should be noted that during the year, the Group did not receive any disbursements, contributions, remunerated assignments or economic benefits from public bodies or agencies or state-controlled entities.

4.11 Annex 1 - Transactions with related parties

Counterparty (Euro/000)	Non-current financial receivables	Cash and cash equivalents	Trade and other current receivables	Non-current payables	Current financial payables	Current debt	Revenue from sales and services	Interest income	Costs for raw materials and services	Interest expense
Augusto S.p.A.	0	0	111	10,000	86	90	0	0	0	(6)
Borletti Group SAM SA	0	0	3	0	0	0	0	0	0	0
Petrarca Fund *	1,268	0	0	0	0	0	0	1	0	0
Redwood Fund *	0	0	0	0	0	3,801	0	0	0	0
Invesco SA	0	0	3	0	0	0	0	0	0	0
Novipraga SIINQ S.p.A. *	5,646	0	420	63	0	0	0	2	0	0
Praga Res S.r.l.*	81	0	123	2,491	0	362	0	0	0	0
Pragaquattro Center SIINQ S.p.A. *	23,731	0	102	5	0	0	0	10	0	0
Pragasei S.r.l.	8,783	0	0	0	0	0	0	5	0	0
Pragaundici SIINQ S.p.A. *	212	0	1,461	5	0	64	0	0	0	0
SATAC SIINQ S.p.A. *	4,938	0	3,278	52	0	10	0	2	0	0
The Market Opco S.r.l.	0	0	6	0	0	0	0	0	0	0
The Market Propco S.r.l.	0	0	73	0	0	0	3	0	0	0
Total Parent Company, subsidiaries and associates	**44,659**	**0**	**5,580**	**12,616**	**86**	**4,327**	**3**	**20**	**0**	**(6)**
Other Related Parties										
Agarp S.r.l.	0	0	1	0	0	0	0	0	0	0
Arepo Ad Sarl	0	0	2	0	0	0	0	0	0	0
Banca Profilo S.p.A.	0	1	0	4,958	8	0	0	0	0	(3)
Leopardi Fund	0	0	12	0	0	0	12	0	0	0
Prarosa S.r.l.	0	0	1	0	0	0	0	0	0	0
Restart SIIQ S.p.A.	0	0	2	0	0	2,362	2	5	(20)	0
Sator Immobiliare SGR S.p.A.	0	0	226	0	0	26	0	0	0	0
Società investimenti Mobiliari Uno SS	0	0	0	694	1	0	0	0	0	0
Tiepolo S.r.l.	0	0	1	0	0	0	0	0	0	0
Total other related parties	**0**	**1**	**245**	**5,652**	**9**	**2,388**	**14**	**5**	**(20)**	**(3)**
Total related parties	**44,659**	**1**	**5,825**	**18,268**	**95**	**6,715**	**17**	**25**	**(20)**	**(9)**

(*) Companies subject to the direction and coordination of Augusto S.p.A.

Transactions with related parties were conducted at market value.
The overall fees resolved for the Directors, including Directors with Proxies, Statutory Auditors and Key Management Personnel are shown in the table below:

(Euro/000)	Aedes SIIQ S.p.A.	Subsidiaries and associates	Total
Fees to members of the Board of Directors	37	0	37
of which paid back	0	0	0
Fees to members of the Board of Statutory Auditors	15	34	49
Fees to Directors and Statutory Auditors for positions held in the Supervisory Body	0	5	5
of which Statutory Auditors of Aedes SIIQ S.p.A.	0	5	5
Fees to Key Management Personnel	3	0	3
Total	**55**	**39**	**94**

For further details, reference should be made to the Remuneration Report of the Company, prepared pursuant to art. 123-ter of the TUF, which will be published pursuant to the law also on the Company website.

Augusto S.p.A. exercises the direction and coordination activities of the Aedes Group, in accordance with art. 2497 and ensuing articles of the Italian Civil Code.

Below are the figures of the most recent financial statements approved by Augusto S.p.A.:

Assets

(Euro)	31/12/2017	31/12/2016
B) Fixed assets		
I. Intangible fixed assets		
3) Start-up and expansion costs	46,567	46,567
- Accumulated amortization	(27,940)	(18,627)
Total intangible fixed assets	*18,627*	*27,940*
III. Financial fixed assets		
1) Equity investments:		
a) from subsidiaries	101,820,711	101,820,711
2) Receivables:		
a) from subsidiaries		
within the year	86,111	0
beyond one year	10,000,000	0
Total financial fixed assets	*111,906,822*	*101,820,711*
Total fixed assets (B)	**111,925,449**	**101,848,651**
C) Current assets		
II. Receivables		
2) From subsidiaries		
within the year	47,210	0
4-bis) Tax receivables		
within the year	36	21
Total receivables	*47,246*	*21*
IV. Cash and cash equivalents		
1) Bank and postal deposits	95,926	36,428
3) Cash on hand	0	72
Total cash and cash equivalents	*95,926*	*36,500*
Total current assets (C)	**143,172**	**36,521**
E) Accrued income and prepayments	**17**	**17**
Total assets	**112,068,638**	**101,885,189**

Equity and liabilities

(Euro)	31/12/2017	31/12/2016
A) Equity		
I. Share capital	44,479,728	44,479,728
II. Share premium reserve	57,490,984	57,490,984
VIII. Retained earnings (losses carried forward)	(673,834)	(414,269)
IX. Profit (loss) for the period	(201,828)	(259,565)
Total equity (A)	**101,095,050**	**101,296,878**
D) Payables		
1) Bonds		
within the year	86,111	0
beyond one year	10,000,000	0
3) Payables for shareholders' contributions		
within the year	708,293	5,253
beyond one year	0	450,000
7) Payables to suppliers	67,798	69,493
8) Payables to subsidiaries		
within the year	71,739	32,124
12) Tax payables		
within the year	1,728	1,723
13) Payables to social security and welfare institutions		
within the year	605	604
14) Other payables		
within the year	37,314	29,114
Total payables (D)	**10,973,588**	**588,311**
Total liabilities	**10,973,588**	**588,311**
Total equity and liabilities	**112,068,638**	**101,885,189**

Income Statement

(Euro)	31/12/2017	31/12/2016
A) Value of production		
5) Other revenue and income	269,292	1
Total value of production (A)	**269,292**	**1**
B) Costs of production		
7) For services	(452,908)	(244,229)
10) Depreciation, amortization and impairment:		
a) amortization of intangible fixed assets	(9,313)	(9,314)
14) Sundry operating expense	(638)	(850)
Total costs of production (B)	**(462,859)**	**(254,393)**
Difference between value and costs of production (A+B)	**(193,567)**	**(254,392)**
C) Financial income/(expense)		
16) Other financial income:		
d) income other than above		
from subsidiaries	344,444	0
from third parties	58	81
17) interest and other financial expense:		
expense from parent companies	(8,293)	(5,253)
expense from third parties	(344,470)	(1)
Total financial income and expense (C)	**(8,261)**	**(5,173)**
22) income tax for the year		
a) Current tax	0	0
Profit (Loss) for the period	**(201,828)**	**(259,565)**

4.12 Annex 2 - Fees to the Independent Auditors

The table below shows the fees charged for services provided by Deloitte & Touche S.p.A. and other entities belonging to its network:

(Euro/000)	
Towards the Parent Company:	
a) from the Independent Auditors for the provision of audit services	114
b) from the Independent Auditors:	
for audit services resulting in the issuance of a certification	325
for the provision of other services	
Towards subsidiaries:	
a) from the Independent Auditors for the provision of audit services	104
b) from the Independent Auditors:	
for audit services resulting in the issuance of a certification	
for the provision of other services	
c) from entities that are part of the network of the Independent Auditors:	
for audit services resulting in the issuance of a certification	
for the provision of other services	
Total	**543**

4.13 Certification of the Financial Statements*

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 Company and
- the effective application of administrative and accounting procedures for the preparation of the financial statements in 2018.

We also certify that

1. the 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. correspond to the Company's records, ledgers and accounting entries;
   c. give a true and fair view of the financial position, results of operations and cash flows of the Company.

2. the Directors' Report contains a reliable analysis of the performance, results of operations and the situation of the Issuer, together with a description of the principal risks and uncertainties to which it is exposed.

Milan, 3 April 2019

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

(*) Pursuant to art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 as subsequently amended and supplemented.

4.14 Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Aedes SIIQ S.p.A. (the "Company"), which comprise the statement of financial position as at December 31, 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Spin-off of the SIIQ Business Unit	
Description of the key audit matter	On September 27, 2018, the shareholders' of Aedes SIIQ S.p.A. and of Sedea SIIQ S.p.A. approved the partial and proportional spin-off of Aedes SIIQ S.p.A. (now "Restart SIIQ S.p.A.") to Sedea SIIQ S.p.A. from (hereinafter the "Spin-off"). On December 28, 2018, the Spin-off became effective and the company Sedea SIIQ S.p.A. changed its legal name to Aedes SIIQ S.p.A.; on the same date, the ordinary shares and warrants of the Company began trading on the Mercato Telematico Azionario organized and managed by Borsa Italiana (the Italian Stock Exchange).

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The Spin-off was used to carry out a reorganization which resulted in the Company acquiring control of the business unit that carries out - directly or indirectly - the leasing of commercial properties and the development of areas suitable for the construction of commercial properties, consistent with the SIIQ model (hereinafter the "SIIQ Business Unit").

The book value of the SIIQ Business Unit at the effective date of the Spin-off was equal to Euro 267,7 million, with a consequential increase in the Company's net equity of the same amount. Regarding the accounting of the Spin-off, Management has considered the fact that it is configured as a "Business combination under common control", as the companies participating in the Spin-off are, and will remain, consolidated into the same parent company. Therefore, the assets and liabilities acquired through the Spin-off have been recognized at the same values recorded in the financial statements of the demerged company, in line with the practice adopted for this type of transaction.

Given the materiality of the SIIQ Business Unit acquired through the Spin-off and the relevance of the transaction for the purpose of understanding the financial statements, we considered the transaction in question and the related disclosure as a key audit matter of the of the Company's financial statements at 31 December 2018."

The paragraph "Significant non-recurring transactions" of the notes report a description of the Spin-off and the main effects on the Company's financial statements.

Audit procedures performed	As part of our audit, we have carried out, among other procedures, the following: • analyzed the main corporate documentation available on the transaction in question, including the minutes of the meetings of those charged with governance; • analyzed the accuracy and completeness of the assets and liabilities related to the SIIQ Business Unit acquired through the Spin-off; • examined the criteria used for the accounting of the Spin-off; • verified the disclosure reported in the notes.

Valuation of property portfolio

Description of the key audit matter	The Company's financial statements include investment properties, measured at fair value according to IAS 40, for Euro 173,3 million. In addition, the Company holds the property portfolio through investments in subsidiaries, associates and joint ventures accounted for using the cost method, whose carrying amount is equal to Euro 159,5 million, and property inventories, measured at the lower of cost and net realizable value, for a value of Euro 1,9 million. The aforementioned assets were acquired by the Company primarily due to the Spin-off, which became effective on December 28, 2018. The property portfolio, held by the Company as well as its subsidiaries, associates and joint ventures, includes properties under development, investment properties and inventories held for sale, and the valuation methods and assumptions underlying the determination of fair value and net realizable value with regard to inventories vary according to the type of investment.

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The valuation process of the property portfolio, which was conducted by the Directors based on appraisals prepared by independent experts, is complex and derives from variables and assumptions concerning future trends influenced by economic and market conditions that are difficult to forecast. In particular, the assumptions underlying the valuations made by the Directors in relation to the property portfolio mainly relate to the following variables: *(i)* the net cash flows expected from the properties and the relative timing of completion; *(ii)* inflation rates, discount rates and capitalization rates.

Given the materiality of the property portfolio and the complexity and subjectivity of the valuation process conducted by the Directors, with particular regard to the aforementioned variables, we considered the valuation of the property portfolio a key audit matter of the Company's financial statements as at December 31, 2018.

Notes 1, 4, 5 and 9 of the financial statements provide information on investment properties, investments in subsidiaries, investments in associates and joint ventures and inventories held by the Company, respectively. Note 27 and the paragraph "Significant estimates and assumptions," describes the assumptions underlying the valuations relating to the property portfolio.

Audit procedures performed

As part of our audit, along with the support of our valuation specialists, we have carried out, among other procedures, the following:

- developed an understanding of the significant processes and controls implemented by the Company on the selection of the independent experts used by the Directors for the valuation of the property portfolio;
- assessed the competence, capabilities and objectivity of the independent experts by verifying their professional qualifications, examining the terms of their engagements and obtaining information from the Management;
- performed an analysis of the adequacy of the valuation methods and of the reasonableness of the main assumptions adopted for the valuation of the property portfolio through interviews conducted with both Management and the independent experts, as well as through an in-depth analysis and critical reading of the appraisals;
- verified, on a sample basis, the consistency of the data communicated by Management to the independent experts with those used in the appraisals;
- performed a comparison of inflation rates, discount rates, capitalization rates and market rents used for the preparation of appraisals with external sources (data and market information available from public sources and comparable transactions);
- verified, on a sample basis, the mathematical accuracy of the models used by the independent experts for their evaluations;
- verified the adequacy of the disclosure reported by the Company in the notes with reference to the various types of investments held.

Liquidity risk

Description of the key audit matter

The financial statements at December 31, 2018 present a net current financial debt equal to Euro 13,9 million, while the consolidated net current debt is equal to Euro 68,8 million which represents a liquidity risk for the Company.

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For the purposes of assessing this risk, the Directors have prepared, on a consolidated basis, economic and financial projections that take into account the operating cash flows and financial commitments of the Group through March 31, 2020, including the anticipated investment activities and the upcoming maturities of certain loan agreements (the "Projections").

To meet the funding requirements that emerge from the Projections, the Directors have identified the following solutions to help secure funding:

- refinancing of certain assets;
- disposal of certain assets;
- renegotiating terms of credit lines that are currently short-term;
- issuance of new equity (of the Company or its subsidiaries).

On the basis of the information available at the date of preparation of the financial statements as at December 31, 2018, as well as the progress of the initiatives with regard to the aforementioned solutions to help secure funding described in the notes, the Directors did not find significant risks that the actions taken would not be finalized according to the timetables and terms provided for in the Projections, although certain actions necessary to cover the funding requirements are still not certain.

The Directors also verified the repercussions that would result from the failure to secure new equity. This verification led the Directors to conclude that, even in this scenario, the Company's ability to meet its obligations over the period covered by the Projections would not be affected. The Directors highlighted, however, that the lack of new equity could compromise the Company's ability to fully realize the property investments planned starting from 2019, with consequently negative repercussions on the growth of the property portfolio and on the profitability of the Company overall.

Given the significance of the assessments made by the Directors for the purposes of assessing liquidity risk, as well as the uncertainties inherent in the solutions to help secure funding, we considered these assessments a key audit matter of the Company's financial statements.

The paragraph "Main types of risk" of the financial statements includes the disclosure reported by the Company regarding the aspects highlighted above.

Audit procedures performed

Our audit procedures have included, among others, the following:

- developed an understanding of the analysis carried out by the Directors in the preparation of the financial budget and in the estimate of the expected cash flows;
- analyzed the reasonableness of the main assumptions adopted by the Directors for the estimate of cash flow forecasts and assessed the reliability of the underlying data used for these forecasts;
- held meetings and discussions with Management in order to obtain information deemed useful in the circumstances;
- analyzed the budget versus actual results in order to assess the nature of the deviations and the reliability of the planning process;
- performed a critical reading of the minutes of the meetings of the Board of Directors;
- examined the progress of the initiatives currently in place regarding the solutions to help secure funding;

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- analyzed subsequent events occurring between the end of the reporting period and the date of this audit report;
- examined the adequacy of the disclosure reported by the Directors in the notes.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Aedes SIIQ S.p.A. has appointed us on November 12, 2018 as auditors of the Company for the years from December 31, 2018 to December 31, 2026.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Aedes SIIQ S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Aedes SIIQ S.p.A. as at December 31, 2018, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Aedes SIIQ S.p.A. as at December 31, 2018 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Aedes SIIQ S.p.A. as at December 31, 2018 and are prepared in accordance with the law.

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With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Giacomo Bellia
Partner

Milan, Italy
April 8, 2019

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

4.15 Board of Statutory Auditors' Report

Board of Statutory

AEDES SIIQ S.P.A.
Via Tortona 37 - 20144 Milan
Subject to the direction and coordination of Augusto S.p.A.
Tax code and registration with the Company Register of Monza Brianza and Lodi
no. 09721360965 Milan, Monza Brianza and Lodi R.E.A. no. 2109526
Share capital € 210,000,000.00 fully paid-up

BOARD OF STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING
OF AEDES SIIQ SPA (in short "Aedes" and/or the "Company") ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
PURSUANT TO ART. 153 OF LEGISLATIVE DECREE NO. 58/1998 AND ART. 2429
OF THE ITALIAN CIVIL CODE (in short the "Report")

Shareholders,
pursuant to the combined provisions of art. 153 of Legislative Decree no. 58/1998 (the "TUF") and art. 2429 of the Italian Civil Code, the Board of Statutory Auditors is called upon to report to the Shareholders' Meeting on the supervisory activity performed during the year and on any omissions or reprehensible acts found. The Board of Statutory Auditors is also called upon to put forward proposals to the Shareholders' Meeting regarding the financial statements and their approval, as well as the matters within its responsibilities.
The Board of Statutory Auditors in office was appointed for the three-year period 2016 - 2019 by the Shareholders' Meeting of 14 December 2016, in accordance with the provisions of the Bylaws and applicable legislation.
The term of the current Board of Statutory Auditors, therefore, expires with the approval of the financial statements for the year ended 31 December 2018.
In the 2018 financial year, the Board of Statutory Auditors performed its supervisory activity in compliance with the provisions of current legislation and taking account of the standards of conduct recommended by the Italian Association of Public Accountants and Accounting Professionals, and the CONSOB recommendations concerning corporate control and the activities of the Board of Statutory Auditors.

***

As far as Aedes (formerly Sedea SIIQ S.p.A.) is concerned, 2018 saw the completion (on 28 December 2018) of a partial and proportional demerger resulting in the transfer to Aedes of the SIIQ complex previously owned by Restart SIIQ S.p.A. (formerly Aedes SIIQ S.p.A.) (in short the "Demerger"). The Demerger has led to significant changes in Aedes' shareholder base, administrative/organizational structure and status, given the admission to listing on the MTA managed by Borsa Italiana S.p.A.. The Aedes Group will, therefore, focus on the typical SIIQ business model, specifically (i) property management (so-called asset management), with the intent of enhancing the value of the property assets owned by the Group (mainly invested in the commercial segment, both retail and office) over a medium-long term horizon, through

the marketing of available space, as well as the management of existing lease and rental contracts of business units, with the aim of optimizing the return on the properties held in the portfolio. The properties comprised in this line of business are classified as "rented assets"; (ii) integrated project and construction management activity, in support mainly of the initiatives to develop the Group's property assets. This type of activity consists in planning and managing the design and construction process in an integrated manner, through ongoing and effective monitoring of the activities associated with the fulfilment of the project; (iii) development management activity, with the purpose of creating new revenue properties for the Group. The properties comprised in this line of business are classified, in an operational perspective, as "development assets"; (iv) valuation of the Group's residual non-core assets through the sale of non-strategic assets (so-called trading assets), and reinvestment of the deriving amounts in new revenue investments or in support of property developments. The properties comprised in this line of business are classified as "assets to be sold".

***

The undersigned Board of Statutory Auditors provides below the information referred to in CONSOB communication no. 1025664 of 6 April 2001 as subsequently amended and supplemented.

1. INDICATION ON THE TRANSACTIONS HAVING A SIGNIFICANT IMPACT ON THE BALANCE SHEET, INCOME STATEMENT AND CASH FLOWS CARRIED OUT BY THE COMPANY.

At the date of the Report, the Board of Statutory Auditors attended the meetings of the Board of Directors, the Control, Risk and Related Party Transactions Committee, and the Remuneration and Appointments Committee, and received regular information from the Directors on the overall business performance, on the outlook, as well as on the transactions having a significant impact on the balance sheet, income statement and cash flows carried out by the Company, including through its subsidiaries, in compliance with art. 150, par. 1, of the TUF.

The Board of Statutory Auditors may reasonably deem that the transactions approved and implemented comply with the law and the Bylaws and do not appear to be openly incautious, risky, in potential conflict of interest (unless previously declared and conducted pursuant to art. 2391 of the Italian Civil Code), in conflict with the resolutions passed by the corporate bodies or, in any case, such as to compromise the integrity of the Company's assets.

It should be noted that, until 12 November 2018, the managing body of the Company was made up of a Sole Director. The Ordinary Shareholders' Meeting held on 12 November 2018 resolved to entrust the management of the Company to the Board of Directors currently in office.

For the sake of full disclosure, there follows a summary of the main corporate transactions and those on the SIIQ complex (pre-Demerger) that took place in 2018; in this regard, it should be noted that the Directors' Report on Operations - to which reference should be made - provides an exhaustive description of the transactions and the reasons that led the managing body to carry them out.

A) Corporate events in 2018

8 August 2018 - The managing bodies of Aedes and Restart SIIQ S.p.A. (formerly Aedes SIIQ S.p.A.) approved the demerger project to separate the activities typical of a SIIQ from the property trading and opportunistic line of business.

27 September 2018 - The Extraordinary Shareholders' Meetings of Restart (formerly Aedes SIIQ S.p.A.) and Aedes SIIQ S.p.A. (formerly Sedea SIIQ S.p.A.) approved the partial and proportional

demerger of Restart SIIQ S.p.A. (formerly Aedes SIIQ S.p.A.) in favour of Aedes SIIQ S.p.A. (formerly Sedea SIIQ S.p.A.).
13 November 2018 - The Board of Directors of Restart (formerly Aedes SIIQ S.p.A.) approved the proposal of the appointment of the new board of Aedes SIIQ S.p.A. (formerly Sedea SIIQ S.p.A.), beneficiary of the demerger.
13 November 2018 - Aedes (formerly Sedea SIIQ S.p.A.) submitted its application for admission to the MTA (electronic stock market).
12 December 2018 - The deed of partial and proportional demerger of Restart (formerly Aedes SIIQ S.p.A.) in favour of Aedes (formerly Sedea SIIQ S.p.A.) was signed.
13 December 2018 - The shareholders of Augusto S.p.A. signed two new shareholders' agreements to regulate the Corporate Governance rules of both the demerged and the beneficiary company.
28 December 2018 - Following the effectiveness of the demerger on 28 December 2018, Sedea SIIQ S.p.A. changed its name to Aedes SIIQ S.p.A. and was admitted to the MTA managed by Borsa Italiana S.p.A..
B) Transactions in 2018 on the SIIQ pre-demerger complex
28 February 2018 - Restart SIIQ S.p.A. (formerly Aedes SIIQ S.p.A.) signed the lease contract for the entire office tower located in Viale Richard 3, Milan, with WPP Marketing Communications (Italy) S.r.l., a company belonging to the WPP Group. The lease will have a 9-year term, renewable for a further 6 years, with an annual rent of € 1.8 million.
16 May 2018 - Restart SIIQ S.p.A. (formerly Aedes SIIQ S.p.A.) inaugurated the "Nuovo Ramo Trasversale" road system in Serravalle Scrivia, as envisaged in the project to expand the Serravalle Retail Park.
14 June 2018 - Restart SIIQ S.p.A. (formerly Aedes SIIQ S.p.A.) inaugurated the renovated and expanded Serravalle Retail Park, following acquisition by Aedes SIIQ in 2017.
25 June 2018 - Restart SIIQ S.p.A. (formerly Aedes SIIQ S.p.A.) announced that on 22 June 2018, Sator Immobiliare SGR S.p.A., management company of the Petrarca Real Estate Fund, in which Restart (formerly Aedes SIIQ S.p.A.) holds 100% of the shares, signed the final contract for the sale of the property located in Viale Umbria 32, Milan.
29 June 2018 - Restart SIIQ S.p.A. (formerly Aedes SIIQ S.p.A.) signed a contract with a top institutional investor for the sale of the property located in Via Agnello 12, Milan, at a price of € 50.75 million, equal to a Net Cap Rate of approximately 3.3%.
31 October 2018 - The bond of € 15 million and the shareholder loan granted by the controlling shareholder Augusto S.p.A. of € 10 million were extended for a further 18 months, expiring on 30 April 2020.

2. ATYPICAL AND/OR UNUSUAL TRANSACTIONS, INTRA-GROUP TRANSACTIONS OR RELATED PARTY TRANSACTIONS

During the 2018 financial year and up to the date of the Report, the Board of Statutory Auditors did not find any atypical and/or unusual transactions carried out by the Company, including through its subsidiaries*.
The transactions generally undertaken by the Aedes Group with related parties, namely subsidiaries, joint ventures and associates (so-called "Intra-Group"), and transactions with other related parties other than Intra-Group (so-called "Other Related Parties"), consist mainly

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

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 and in compliance with the provisions of the specific procedure on related party transactions, which was definitively adopted by the Company on 23 January 2019.
In this regard, it should be noted that, as previously disclosed to the market on 12 November 2018, the Board of Directors resolved to approve the draft procedure on related party transactions of the Aedes Group, and to postpone its final approval to a board meeting to be held after the start of negotiations and after obtaining the opinion of the Control, Risk and Related Party Transactions Committee (23 January 2019).
In 2018, net costs of € 4 thousand were recorded, mainly from transactions with Other Related Parties for Parent Company financing transactions, and for service contracts provided by Aedes to Restart SIIQ S.p.A..
The effects of transactions with related parties are shown in the Statement of Financial Position, the Income Statement and in the relevant explanatory notes.

3. ASSESSMENT OF THE ADEQUACY OF INFORMATION PROVIDED BY THE DIRECTORS WITH REGARD TO ATYPICAL AND/OR UNUSUAL TRANSACTIONS, INCLUDING INTRA-GROUP AND RELATED PARTY TRANSACTIONS

The Board of Statutory Auditors deems that the information provided by the Board of Directors with regard to the above transactions, including those indicated in the separate and consolidated financial statements for the year ended 31 December 2018, is sufficiently adequate.

4. KEY REMARKS AND ELEMENTS CONTAINED IN THE INDEPENDENT AUDITORS' REPORT

By resolution adopted on 16 January 2017, the Shareholders' Meeting of Aedes (formerly Sedea SIIQ S.p.A.) appointed the Independent Auditors Deloitte & Touche S.p.A. to perform the statutory audit of the Company's financial statements for the years 2016 to 2018, tasking them also with signing tax returns, assessing that the accounts are properly kept, and that operations are correctly registered in the accounting records.
On 12 November 2018, the Shareholders' Meeting, in view of the listing and consequent assumption of the status of public-interest entity, pursuant to art. 16 of Legislative Decree no. 39 of 27 January 2010, as amended, resolved to appoint Deloitte & Touche S.p.A. to audit the separate and consolidated financial statements of the Aedes Group pursuant to Legislative Decree no. 39 of 27 January 2010, and to Regulation (EU) no. 537/2014, as well as to perform a limited audit of the condensed half-year financial statements for the period from 2018 to 2026.
In this regard, it should be noted that on 6 November 2018, the Board of Statutory Auditors issued its reasoned proposal on the above appointment.
The separate and consolidated financial statements for the year ended 31 December 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 separate and consolidated financial statements for the year ended 31 December 2018 have been audited by the above Independent Auditors. On completion of its assignment, on 8 April 2019, Deloitte & Touche S.p.A. issued its reports on the 2018 separate and consolidated financial statements pursuant to articles 14 of Legislative Decree 39/2010 and 10 of Regulation (EU) no. 537/2014,

rendering an unqualified opinion, also with regard to the consistency of the Directors' Report on Operations and of certain specific information contained in the Report on Corporate Governance and Ownership Structure with the separate and consolidated financial statements and their compliance with legal requirements.
Deloitte & Touche S.p.A. highlighted the following key elements of the audit of the 2018 separate and consolidated financial statements:
a) with regard to the separate financial statements, (i) the demerger of the SIIQ business complex in favour of the Company, (ii) the valuation of the property portfolio and (iii) the liquidity risk;
b) with regard to the consolidated financial statements, (i) the demerger of the SIIQ business complex in favour of the Group, (ii) the valuation of the property portfolio and (iii) the liquidity risk.
For further information on the key elements of the audit of Aedes' 2018 separate and consolidated financial statements, reference should be made to the Independent Auditors' Reports pursuant to the above legislation.
In this regard, it should be noted that the Board of Statutory Auditors ascertained, by means of information obtained from the Independent Auditors and the Company managers, the compliance in the preparation of the separate financial statements, the consolidated financial statements and the accompanying Directors' Report on Operations with the international accounting standards adopted and with other statutory and regulatory provisions.
The Board of Statutory Auditors has no particular remarks to make in this regard to the Shareholders' Meeting.
On April 8 2019, Deloitte & Touche S.p.A. also submitted to the Board of Statutory Auditors, in its capacity as Internal Control and Audit Committee (in short "ICAC"), the Additional Report pursuant to and for the purposes of art. 11 of Regulation (EU) no. 537/2014, which shows no significant shortcomings in the internal control system with regard to the financial reporting process worthy of being brought to the attention of the subjects tasked with governance activities.
In its additional report, Deloitte & Touche S.p.A. also submitted to the Board of Statutory Auditors a statement of independence, in compliance with the provisions of art. 6, par. 2, letter a) of Regulation (EU) 537/2014, which shows no situations that have compromised its independence.

5. INDICATION OF THE SUBMISSION OF ANY COMPLAINTS PURSUANT TO ARTICLE 2408 OF THE ITALIAN CIVIL CODE AND INITIATIVES TAKEN

In 2018 and up to the date of the Report, no complaint was filed pursuant to art. 2408 of the Italian Civil Code. Therefore, no initiative was taken by the Board of Statutory Auditors in this regard.

6. INDICATION OF THE SUBMISSION OF ANY OBJECTIONS, OF ANY INITIATIVES TAKEN AND OF THE COSTS THERETO

In 2018 and up to the date of the Report, no objections were received from shareholders and/or third parties. Therefore, no initiative was taken by the Board of Statutory Auditors in this regard.

7. INDICATION OF ANY ADDITIONAL TASKS ASSIGNED TO THE INDEPENDENT AUDITORS AND COSTS THERETO

In 2018, the Company did not assign to Deloitte & Touche S.p.A. any (permitted) task other than

the statutory audit of the accounts.

8. INDICATION OF ANY FURTHER ASSIGNMENTS TO ENTITIES CONNECTED WITH THE INDEPENDENT AUDITORS THROUGH ONGOING RELATIONSHIPS AND COSTS THERETO

Reference should be made to point 7 of the Report.

9. INDICATION OF OPINIONS ISSUED IN ACCORDANCE WITH THE LAW IN THE 2018 FINANCIAL YEAR BY THE BOARD OF STATUTORY AUDITORS

In 2018, the Board of Statutory Auditors issued its opinions in accordance with the provisions of Law, the Bylaws and the applicable regulatory provisions.

In addition to the matters referred to in point 7 above, at the date of the Report, the Board of Statutory Auditors acknowledges that it had, inter alia, issued:

(i) an opinion on the appointment of Deloitte & Touche S.p.A. for the statutory audit of the separate and consolidated financial statements of the Aedes Group, pursuant to Legislative Decree no. 39 of 27 January 2010 and Regulation (EU) no. 537/2014, as well as the limited audit of the condensed half-year financial statements for the period from 2018 to 2026;

(ii) an opinion on the appointment of PricewaterhouseCoopers Advisory S.r.l., in the person of Mario Cristina, to outsource Internal Audit activities for 2019;

(iii) an opinion on the annual work plan prepared by the Head of Internal Audit for 2019;

(iv) an opinion on the adoption of the procedure on related party transactions;

(v) an opinion on the adoption of the Guidelines of the Internal Control and Risk Management System;

(vi) an opinion on the corporate organizational chart adopted following the Demerger;

(vii) an opinion on the recognition of the variable component of remuneration to both key management personnel and executive bodies.

10. INDICATION OF THE FREQUENCY AND NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS, OF THE EXECUTIVE COMMITTEE AND OF THE BOARD OF STATUTORY AUDITORS.

As highlighted by the Directors in the Annual Report on Corporate Governance and Ownership Structure for 2018, on 12 November 2018, the Company's Board of Directors, in compliance with the provisions of the Corporate Governance Code for Listed Companies, resolved to appoint with effect from the first day of listing of the Company, the Risk Control Committee and the Remuneration and Appointments Committee. Additionally, the Board of Directors assigned the Risk Control Committee with the function of Committee for Related Party Transactions and also set up an Investment Committee.

At the date of the Report:

(i) the Board of Directors met 8 times;

(ii) the Control, Risk and Related Party Transactions Committee met 5 times;

(iii) the Remuneration and Appointments Committee met 3 times;

(iv) the Investment Committee met 0 times.

At the date of the Report, the Board of Statutory Auditors met 9 times.

The Board of Statutory Auditors also attended all the meetings of the Board of Directors, the Control, Risk and Related Party Transactions Committee, and the Remuneration and Appointments Committee in the presence of the Chairman of the Board of Statutory Auditors and/or at least one member of the Board of Statutory Auditors.

11. REMARKS ON COMPLIANCE WITH CORRECT MANAGEMENT PRACTICES

The Board of Statutory Auditors oversaw, within the scope of its responsibilities, the compliance with correct management practices. In the opinion of the Board of Statutory Auditors, the

Company is managed in accordance with the law and the Bylaws.
Specifically, also with regard to the decision-making processes of the managing body, the Board of Statutory Auditors ascertained, also through direct participation in the meetings, that the management strategies adopted by both the Sole Director and the Board of Directors were in compliance with the law and the Bylaws, and verified that the relating resolutions were backed by specific analysis and opinions drawn up - if the case - also by consultants, with particular regard to the financial fairness of the transactions and their correspondence with the interests of the Company.
The structure of the powers and proxies - as last assigned at the Board meeting held on 12 November 2018 - appears to be appropriate to the size and operations of the Company.

12. REMARKS ON THE ORGANIZATIONAL STRUCTURE

In 2018 and at the date of the Report, the Board of Statutory Auditors oversaw, within the scope of its responsibilities, the adequacy of the Company's organizational structure and its operation.
Following the Demerger, on 6 March 2019, the Board of Directors approved the new corporate organizational chart.
In the opinion of the Board of Statutory Auditors, the organizational setup is appropriate to the size and operational requirements of the Company.
The organization and services, both those structured within the Company and those in outsourcing, are appropriate and fulfil the necessary obligations in a more than satisfactory manner.
The Board of Statutory Auditors did not identify any particular critical issues to report and/or significant remarks to make with regard to the organizational structure.

13. REMARKS ON THE ADEQUACY OF THE INTERNAL CONTROL AND ADMINISTRATIVE-ACCOUNTING SYSTEM AND ON THE RELIABILITY OF THE LATTER IN CORRECTLY PRESENTING OPERATIONS

The Board of Statutory Auditors oversaw the adequacy of the Company's internal control system, and in its capacity as the Internal Control and Audit Committee (in short "ICAC").
Following the Demerger, the Company immediately initiated a process of formalization/updating of the entire set of company procedures, with the intent of ensuring the completeness and constant updating of the internal control system of both Aedes and its subsidiaries. For the sake of full disclosure, it should be noted that at the date of the Report, the Company had adopted (i) the Guidelines of the Internal Control System; (ii) the policy for managing conflicts of interest; (iii) the procedure for related party transactions; (iv) the market abuse procedure; (v) the Organization, Management and Control Model pursuant to Legislative Decree no. 231/01.
On the date, again, of the Report, the Board of Directors approved the assignment for the outsourcing of Internal Audit activities and approved the 2019 Annual Internal Audit Plan.

14. REMARKS ON THE ADEQUACY OF THE ADMINISTRATIVE-ACCOUNTING SYSTEM AND ON THE RELIABILITY OF THE LATTER IN CORRECTLY PRESENTING OPERATIONS

The Board of Statutory Auditors oversaw the adequacy of the administrative and accounting system, and its reliability in correctly presenting operations, by obtaining information from the managers of the departments involved, reviewing company documents and analyzing the results of the work carried out by the Independent Auditors and by Internal Audit.
The administrative-accounting function appears to be adequately structured and suitable to meet the Company's needs, both in terms of resources employed and professional skills.

With regard to the figures contained in the separate and consolidated financial statements at 31 December 2018, it should be noted that the CEO (Giuseppe Roveda) and the Financial Reporting Manager (Achille Mucci) have rendered their certification, without remarks, on the adequacy and effective application of the administrative and accounting procedures for the preparation of the separate and consolidated financial statements, drawn up in compliance with the applicable international accounting standards, consistent with the accounting books and records, and suitable to 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, and with the information held in the Directors' Report on Operations, which contains a reliable analysis of the performance and results of operations, together with a description of the main risks and uncertainties to which the Group companies are exposed.

15. REMARKS ON THE ADEQUACY OF THE INSTRUCTIONS GIVEN TO THE SUBSIDIARIES PURSUANT TO ART. 114 OF LEGISLATIVE DECREE NO. 58/98

The Board of Statutory Auditors oversaw the adequacy of the instructions given by the Company to its subsidiaries pursuant to art. 114 of Legislative Decree no. 58/98, and has deemed them to be suitable for the purpose of fulfilling the disclosure obligations envisaged by law.

With regard to the stringent operational and functional links, given also the presence of Aedes persons of reference in the subsidiaries, assurance is given on correct, constant and adequate information flows. Mention should be made that Aedes and its subsidiaries are subject to the direction and coordination of Augusto S.p.A..

16. REMARKS ON THE MEETINGS HELD WITH THE INDEPENDENT AUDITORS

In 2018 and up to the date of the Report, the Board of Statutory Auditors held regular meetings with the representatives of the Independent Auditors Deloitte & Touche S.p.A. in order to comply with the disclosure requirements set out in art. 150 of the TUF.

At these meetings, an analysis was conducted, inter alia, on the application of the accounting standards, and the best recording and presentation in the financial statements of significant items regarding the balance sheet, income statement and cash flows.

The Independent Auditors shared with the Board of Statutory Auditors the planning and feedback of their work, also with regard to the partial demerger of Restart SIIQ S.p.A. in favour of Aedes SIIQ S.p.A.. During these meetings, no significant aspects worthy to be mentioned in the Report were found.

17. COMPANY'S ADOPTION OF THE CORPORATE GOVERNANCE CODE FOR LISTED COMPANIES

The Board of Statutory Auditors oversaw the compliance with the corporate governance rules set out in the Corporate Governance Code for Listed Companies pursuant to art. 149, par. 1, letter c-bis, of the TUF, which the Company adopted in the terms presented in the 2018 Report on Corporate Governance and Ownership Structure.

For the sake of full disclosure, it should be noted that on 21 December 2018, the Chairman of Corporate Governance sent a letter containing the Committee's Recommendations for 2019 to the Chairmen, Chief Executive Officers and the Chairmen of the Board of Statutory Auditors of listed companies, paying "special attention to the recommendations that are the most relevant for the correct and effective operation of the Board of Directors".

The Recommendations expressed in the above letter were reviewed initially by the Control, Risk and Related Party Transactions Committee and then by all the Directors and Statutory Auditors. For further details, reference should be made to the 2018 Report on Corporate Governance and Ownership Structure.

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In light of the above, based on the supervisory activity performed during the year, the Board of Statutory Auditors issues a favourable opinion on the approval of the financial statements for the year ended 31 December 2018, and has no objections to make with regard to the proposal expressed by the Board of Directors to carry forward the loss for the year of € 265,081, except as provided for by legal obligations.

Milan, 8 April 2019. Respectfully.

The members of the Board of Statutory Auditors of Aedes SIIQ S.p.A.

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AEDES SIIQ
COMMERCIAL PROPERTIES