Real Estate SIIQ

COIMARES

COIMA RES
Interim financial statements
for the period ending
September 30th, 2018

INDEX

CORPORATE INFORMATION

COIMA RES S.p.A. SIIQ, (the “**Company**” or “**COIMA RES**”), with legal incorporation in Milan, Piazza Gae Aulenti 12, with Tax Code, Register of Companies and VAT No. n. 09126500967, is a commercial real estate company listed on Borsa Italiana.

COIMA RES manages commercial real estate properties with primary focus on the office segment, in order to generate rental income. The company operates with the beneficial tax status granted to SIIQs (Società di Investimento Immobiliare Quotata) which is similar to the designation of Real Estate Investment Trusts (REITs) in other jurisdictions. COIMA RES’ investment strategy is focused on creating a high-quality real estate portfolio – underpinned by stable, growing and sustainable cash flows – through acquisition, management, and selective disposals of commercial properties with the potential for medium term capital-value appreciation.

CORPORATE STRUCTURE

Established by Manfredi Catella in agreement with COIMA S.r.l., COIMA SGR S.p.A. and with Qatar Holding LLC, as primary sponsor of the venture, COIMA RES is listed on the Mercato Telematico Azionario organized and managed by Borsa Italiana S.p.A..

GOVERNANCE

Board of Directors [1]

Caio Massimo Capuano	Chairman, Non-Executive Director
Feras Abdulaziz Al-Naama	Vice Chairman, Independent Director
Manfredi Catella	Key Manager (CEO), Executive Director
Luciano Gabriel	Independent Director
Olivier Elamine	Independent Director
Agostino Ardissone	Independent Director
Alessandra Stabilini	Independent Director
Michel Vauclair	Independent Director
Ariela Caglio	Independent Director

Board of Statutory Auditors [2]

Massimo Laconca	Chairman
Milena Livio	Statutory Auditor
Marco Lori	Statutory Auditor
Emilio Aguzzi De Villeneuve	Alternate Auditor
Maria Stella Brena	Alternate Auditor
Maria Catalano	Alternate Auditor

Compensation Committee

Alessandra Stabilini	Chairman
Caio Massimo Capuano	Member
Olivier Elamine	Member

Investment Committee

[1] In charge from April 12th, 2018 until the approval of the financial statements as of December 31st, 2018.
[2] In charge from April 12th, 2018 until the approval of the financial statements as of December 31st, 2020.

Manfredi Catella	Chairman
Gabriele Bonfiglioli	Member
Matteo Ravà	Member
Feras Abdulaziz Al-Naama	Member
Michel Vauclair	Member

Control and Risk Committee

Agostino Ardissone	Chairman
Alessandra Stabilini	Member
Luciano Gabriel	Member

Internal Audit and Compliance

The Internal Audit and Compliance functions are outsourced to a specialized company named Tema S.r.l., which has designated Mr. Paolo Costanzo as responsible for the Internal Audit function and Mr. Stefano Carlino for the Compliance function.

Risk Manager

Risk management is outsourced to a specialized company called Macfin Management Consultants S.r.l., which has designated Mr. Emerico Amari di Sant'Adriano as responsible for such function.

External Auditors

The shareholders' meeting held on February 1st, 2016 appointed Ernst & Young S.p.A. as auditor of the Company for the period 2016-2024 in accordance with articles 14 and 16 of Legislative Decree n. 39/2010.

Executive responsible for the preparation of the company's accounting documents

Fulvio Di Gilio	Chief Financial Officer

BOARD OF DIRECTORS' REPORT

The financials as of September 30th, 2018 are summarized in the table below.

(in million Euro)	September 30th, 2018	per share	December 31st, 2017	per share	Δ	Δ%
Total property value	642.8		575.6		67.2	11.7%
EPRA NAV	399.8	11.10	384.6	10.68	15.2	3.9%
EPRA NNNAV	395.9	10.99	380.2	10.56	15.6	4.1%
Debt position	288.4		263.1		25.2	9.6%
Cash position	33.8		27.0		6.8	25.1%
Net Loan to Value	39.6%		37.1%		2.5 p.p.	n.m.
EPRA Net Initial Yield	5.2%		5.3%		(0.1 p.p.)	n.m.
EPRA "topped-up" NIY	5.3%		5.5%		(0.2 p.p.)	n.m.
EPRA vacancy rate	4.0%		4.8%		(0.8 p.p.)	n.m.

(in million Euro)	September 30th, 2018	per share	September 30th, 2017	per share	Δ	Δ%
Rents	26.7		25.1		1.6	6.3%
NOI	23.8		22.4		1.4	6.4%
EBITDA	15.1		15.6		(0.4)	(2.7%)
EBIT	25.2		21.4		3.8	17.7%
Recurring FFO	12.6	0.35	12.2	0.34	0.4	3.4%
Net profit	21.0	0.58	16.0	0.44	5.0	31.3%
EPRA Earnings	11.7	0.33	10.2	0.28	1.5	14.7%
EPRA cost ratio (including direct vacancy costs) [3]	41.7%		38.3%		3.4 p.p.	n.m.
EPRA cost ratio (excluding direct vacancy costs) [3]	40.5%		36.5%		4.0 p.p.	n.m.
Like for like rental growth	2.5%		1.1%		1.4 p.p.	n.m.
WALT (years)	6.1		7.8		(1.7)	n.m.

EPRA Net Asset Value per share as of September 30th, 2018 was Euro 11.10, an increase over the first nine months of the year of 3.9%. The increase in the NAV is related to positive operating results generated over the first nine months of 2018 and revaluations gains on the real estate portfolio.

The key factors affecting the NAV increase in the first nine months of 2018 are:

- EPRA Earnings for the period of Euro 11.7 million;
- fair value adjustment related to the real estate portfolio, net of minorities of Euro 9.9 million;
- reduction due to dividend payment for Euro 6.5 million.

An improvement of the EPRA Cost Ratio from 38.3% as of September 30th, 2017 to 35.9% % (excluding the promote fees), is mainly due to the increase in revenues compared to the first nine months of 2017 and the corporate costs which are in line with previous period. Considering non-recurring costs related to Promote fees, the EPRA cost ratio is 41.7%.

[3] Excluding non-recurring costs related to Promote Fees, the EPRA Cost Ratio is equal to 35.9% (including direct vacancy costs) and 34.7% (excluding direct vacancy costs).

The following table summarizes the balance sheet of the Company with the subsequent reclassification of the investment in the Bonnet Fund based on proportional consolidation in order to obtain the total amount of the COIMA RES real estate properties at September 30th, 2018.

(in million Euro)	September 30th, 2018	December 31st, 2017	Δ	Δ%	September 30th, 2018 Look-Through adjusted
Investment properties	642.8	575.6	67.3	11.7%	680.8
Other assets	3.9	4.2	(0.4)	(8.6%)	3.9
Investments accounted for using the equity method	20.0	16.9	3.1	18.4%	1.5
VAT receivable	-	-	-	0.0%	-
Total LT assets	**666.7**	**596.6**	**70.0**	**11.7%**	**686.2**
Trade receivables	10.1	8.2	1.9	23.2%	10.3
Other assets	0.0	0.0	0.0	0.0%	0.0
Cash	33.8	27.0	6.8	25.1%	33.9
Total current assets	**43.9**	**35.2**	**8.7**	**24.7%**	**44.2**
Held for sale assets	-	38.0	(38.0)	100.0%	-
Total assets	**710.6**	**669.9**	**40.7**	**6.1%**	**730.4**
			-		
Debt	288.4	240.4	48.0	20.0%	307.8
Provisions	0.2	0.1	0.0	17.5%	0.2
Other liabilities	1.2	0.1	1.1	>100%	1.2
Trade payables	9.6	11.2	(1.6)	(14.0%)	10.1
Current Financial Debt	-	22.7	(22.7)	100.0%	-
Total liabilities	**299.4**	**274.6**	**24.8**	**9.0%**	**319.2**
Minorities	13.1	11.9	1.1	9.6%	13.1
NAV	**398.2**	**383.4**	**14.8**	**3.9%**	**398.2**
NAV per share	11.06	10.65	0.41	3.9%	11.06
Net Loan to Value	*39.6%*	*37.1%*			*40.2%*

The column "*look-through adjusted*" shows our 35.7% equity investment in the Porta Nuova Bonnet Fund on a proportionally consolidated basis, instead of on the basis of equity-method accounting, only for management purposes.

Investment properties includes Euro 98.9 million related to the Deutsche Bank portfolio, Euro 209.1 million related to the real estate complex Vodafone, Euro 77 million related to Gioiaotto, Euro 87 million related to EurCenter, Euro 51.9 million related to Deruta, Euro 60.4 million related to Monte Rosa and Euro 58.5 million related to Tocqueville, acquired on July 27th, 2018.

Investments in associated companies increased by Euro 3.1 million mainly due to the profit of the period amounting to Euro 0.9 million and recalls of the period made by the Bonnet Fund, amounting to Euro 2.2 million.

Other assets are mainly related to the investment in equity funds of part of the excess liquidity through a management mandate given to Pictet, equal to Euro 1.5 million, derivative instruments, equal to Euro 0.4 million and non-current financial receivables and trade receivables amounting to Euro 1.6 million receivables relating to loans granted by the investee company MHREC Sarl to the associate company Co–Investment 2SCS.

Trade receivable refer the ordinary activities of the Company.

Compared to December 31st, 2017, the current assets held for sale show a zero-balance due to the disposal of 21 Deutsche Bank branches finalised in January 2018 for an amount of Euro 38 million.

As of September 30th, 2018, the net LTV is equal to 39.6%.

The trade payables mainly include amounts payable to suppliers and invoices to be paid in an amount of Euro 5.5 million (Euro 4.2 million as of December 31st, 2017) and deferred income in an amount of Euro 2.2 million (Euro 1.6 million as of December 31st, 2017).

The other liabilities mainly include the financial instrument, amounting to Euro 0.8 million.

As of September 30th, 2018, the weighted average debt maturity is 4.4 years and the weighted average “all in” cost of debt is about 2% (79% of debt is hedged by derivatives).

The Group equity amounts to Euro 398.2 million corresponding to a NAV per share of Euro 11.06.

The interim consolidated figures show a net profit of Euro 21 million for the period ending September 30th, 2018.

(in million Euro)	Nine months ended September 30th 2018	Nine months ended September 30th 2018	Δ	Δ%
Rents	26.7	25.1	1.6	6.3%
Net real estate operating expenses	(2.9)	(2.7)	(0.2)	5.7%
NOI	**23.8**	**22.4**	**1.4**	**6.4%**
Other revenues	(0.0)	0.0	(0.0)	>(100%)
G&A	(6.3)	(5.8)	(0.5)	9.3%
Other expenses	(0.7)	(0.3)	(0.4)	>100%
Non-recurring general expenses	(1.6)	(0.8)	(0.8)	>100%
EBITDA	**15.1**	**15.6**	**(0.4)**	**(2.7%)**
Net depreciation	(0.9)	(0.0)	(0.9)	>100%
Net movement in fair value	11.0	5.9	5.1	86.6%
EBIT	**25.2**	**21.4**	**3.8**	**17.7%**
Finance income	0.0	0.5	(0.5)	(98.4%)
Income from investments	0.9	(0.1)	1.0	>(100%)
Financial expenses	(3.7)	(5.0)	1.3	(26.1%)
Profit before taxation	**22.4**	**16.8**	**5.6**	**33.6%**
Income tax	(0.0)	0.0	(0.0)	0.0%
Profit after taxation	**22.4**	**16.8**	**5.6**	**33.6%**
Minorities	(1.4)	(0.8)	(0.6)	79.3%
Profit of the Group	**21.0**	**16.0**	**5.0**	**31.3%**
EPRA adjustments[4]	(9.3)	(5.8)	(3.5)	60.6%
EPRA Earnings	**11.7**	**10.2**	**1.5**	**14.7%**
EPRA Earnings per share	0.33	0.28	0.04	14.7%
FFO	**11.4**	**11.0**	**0.4**	**3.7%**
FFO adjustments[5]	1.2	1.2	0.0	0.0%
Recurring FFO	**12.6**	**12.2**	**0.4**	**3.4%**
Recurring FFO per share	0.35	0.34	0.01	3.4%

The NOI margin includes rents generated by the Deutsche Bank portfolio, Vodafone complex, Gioiaotto, EurCenter, Deruta, Monte Rosa and Tocqueville, net of direct property operating costs (such as property taxes, property management costs, utilities and maintenance costs).
The NOI margin as of September 30th, 2018 is 89.2% and the current in-place NOI yield is 5.2%.

The corporate expenses (G&A) include personnel expenses, asset management fees, governance and control function costs as well as costs related to consultants, auditors, IT, marketing and communication and other operating costs.

Net depreciation, amounting to Euro 0.9 million, mainly includes the effect of the valuation of receivables in place.

The net movement in fair value, amounting to Euro 11 million, is related to Vodafone complex for an amount equal to Euro 0.6 million, to the Deutsche Bank branches for Euro 1.4 million, to Gioiaotto for Euro 4.9 million, to EurCenter for Euro 3.2 million and to Tocqueville for Euro 0.9 million.

[4] Include non-recurring costs, mainly related to the 21 Deutsche Bank branches disposal finalised in January 2018.
[5] Include mainly the amortised costs related to the reimbursement of the loan linked to 21 Deutsche Bank branches disposal finalised in January 2018 and the related disposal expenses.

Income from investments, amounting to Euro 0.9 million, is related to the profit of the investments accounted for using the equity method.

The financial expenses are mainly related to debt in place.

The Group profit per share amounts to Euro 0.58 (Euro 21 million overall) and is calculated according to the international accounting principles IFRS, considering the average number of shares outstanding during the period.

PORTFOLIO AS OF SEPTEMBER 30th, 2018

As of September 30th, 2018, COIMA RES' portfolio totals Euro 642.8 million (Euro 680.8 million considering Bonnet on proportionally consolidated basis)[6] and includes the Deutsche Bank portfolio, Vodafone complex, Gioiaotto, EurCenter, the Bonnet complex, Deruta, Monte Rosa and Tocqueville.

The net rentable area is equal to approx. 199,000 square meters and gross initial rents are approximately Euro 37.8 million. The overall initial portfolio WALT is approximately 6.1 years, the EPRA net initial yield is equal to 5.2%.

[6] Considering the acquisition of Pavilion, the real estate portfolio would amount to Euro 727.0 million.

Main figures of real estate portfolio as at September 30th, 2018

	Deutsche Bank	**Vodafone Village**	**Gioiaotto**	**Eurcenter**	**Bonnet**	**Deruta**	**Monte Rosa**	**Tocqueville**	**Portfolio June 30th, 2018**
City	Various	Milan	Milan	Rome	Milan	Milan	Milan	Milan	-
Address	Various	Lorenteggio 240	Melchiorre Gioia 6-8	Piazzale Sturzo 23-31	Via Bonnet	Via Deruta 19	Via Monte Rosa 93	Via Tocqueville 13	-
Sub-market	Various	Lorenteggio BD	Porta Nuova BD	EUR BD	Porta Nuova BD	Piazza Udine BD	Lotto-Citylife BD	Porta Nuova BD	-
Asset class	Bank Branches	Office	Office Hotel Retail	Office Retail	Office Retail	Office	Office	Office	-
% of ownership	100.0%	100.0%	86.7%	86.7%	35.7%	100.0%	100.0%	100.0%	-
NRA excluding parkings (sqm)	43,857	46,323	14,545	15,805	20,210	27,571	19,539	11,013	**198,863**
EPRA occupancy rate	82%	100%	100%	99%	n.a.	100%	91%	100%	**96.0%**
Tenants (#)	1	1	10	10	7	1	5	4	**39**
WALT (years)	8.1	8.3	5.8[7]	3.7[7]	1.9	3.3	4.3	1,8	**6.1**
Gross initial rents (€/m)	5.1	14.0	3.5[7]	5.2[7]	0.3[8]	3.6	3.7	2.4	**37.8**
Net initial rents (€/m)	4.3	13.0	3.1[7]	4.6[7]	0.1[8]	3.3	3.0	2.1	**33.5**
Gross stabilised rents (€/m)	5.1	14.0	4.2[7]	5.2[7]	0.4[8]	3.6	3.8	2.4	**38.7**
Net stabilised rents (€/m)	4.3	13.0	3.8[7]	4.6[7]	0.2[8]	3.3	3.1	2.1	**34.3**
Expected gross stabilised rents (€/m)	5.1	14.0	4.2[7]	5.0[7-12]	3.2[8]	3.6	4.1	3.6	**42.7**
Expected net stabilised rents (€/m)	4.4	13.0	3.8[7]	4.4[7-12]	2.9[8]	3.3	3.6	3.3	**38.5**
Fair Value (€/m)	98.9	209.1	77.0[7]	87.0[7]	38.0[8]	51.9	60.4	58.5	**680.8**
Gross initial yield [9]	5.2%	6.7%	4.5%	5.9%	n.a.	6.9%	6.1%	4.1%	**5.9%**
EPRA net initial yield [9]	4.3%	6.2%	4.0%	5.3%	n.a.	6.3%	5.0%	3.6%	**5.2%**
Gross stabilised yield [9]	5.2%	6.7%	5.4%	5.9%	n.a.	6.9%	6.3%	4.1%	**6.0%**
EPRA topped-up NIY[9]	4.3%	6.2%	4.9%	5.3%	n.a.	6.3%	5.2%	3.6%	**5.3%**
Expected gross stabilised yield	5.9%[10]	6.7%	5.4%	5.7%	6.2%[11]	6.9%	6.5%	5.4%[11]	**6.2%**
Expected net stabilised yield	5.0%[10]	6.2%	4.9%	5.1%	5.7%[11]	6.3%	5.6%	4.9%[11]	**5.6%**

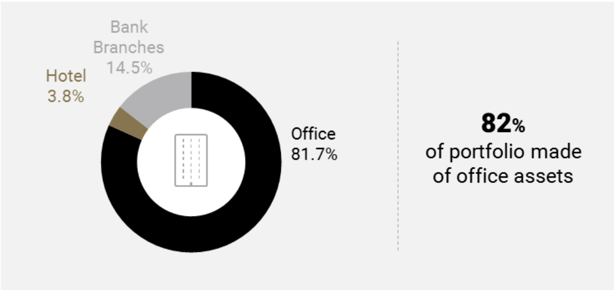
[7] Accounted 100%
[8] Pro-rata (35.7%)
[9] Excluding the redevelopment of Bonnet
[10] Excluding vacant buildings
[11] Including expected capex (hard & soft costs)
[12] Assuming to rent the spaces to 320 Euro/sqm and additional rents related to the extension area "piano casa".

The acquisition plan executed to date is in line with our investment strategy focused on the development of a portfolio focused on:

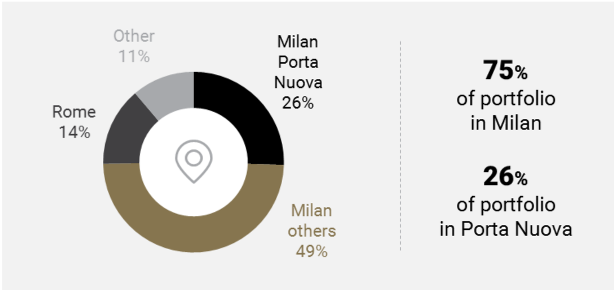
- office use;
- Italy's most attractive markets (Milan 75% and Rome 14%);
- primarily income-producing assets;
- Grade A buildings or buildings to be converted to Grade A.

Portfolio breakdown as of September 30th, 2018

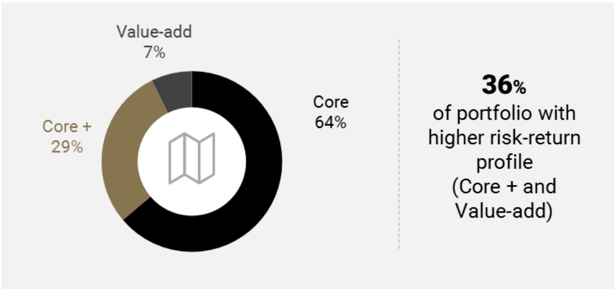
BREAKDOWN BY USE



BREAKDOWN BY GEOGRAPHY

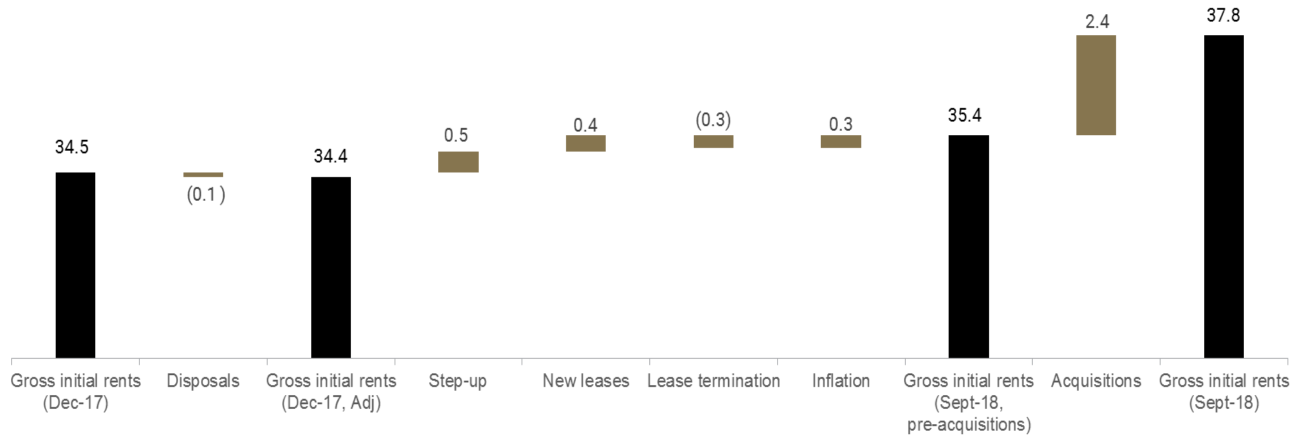


BREAKDOWN BY STRATEGY



Evolution on annual gross initial rents

The graph below summarises the evolution of our annual gross initial rents for the period ending September 30th, 2018 in Euro million.



Like-for-like rents grew by 2.5% in the first nine months of 2018, driven by rental step-ups agreed, indexation and additional asset-management initiatives. Like-for-like rents grew by 2.9%, excluding the bank branch portfolio and by 3.2% if we consider only the Milan portfolio.

SIGNIFICANT EVENTS OF THE PERIOD

Deutsche Bank branches disposals remain in focus

In September 2018, COIMA RES has closed, through COIMA CORE FUND IV, the sale of 2 Deutsche Bank branches for a combined price of Euro 1.5 million, at a premium of 6.2% vs the last book value as of June 30th, 2018. The 2 branches are in Desio and Varenna (secondary locations in Lombardy, North of Italy).
Since its IPO, COIMA RES has disposed of 26 Deutsche Bank branches for an aggregate sale price of Euro 41.5 million and in line with the contribution value at the time of the IPO. Discussions are ongoing for the sale of additional Deutsche Bank branches.
In terms of cost savings, we have achieved property tax reductions in Q1 2018 for 11 branches in an amount of c. Euro 94 thousand (annualised), resulting in a 190-bps boost to the Deutsche Bank portfolio NOI margin (from 80.1% to 82.0%).
We are also having active leasing discussion on the vacant branches for c. 5,500 sqm (c. 60% of total vacant surface within the Deutsche Bank portfolio).

Vodafone Consolidates in the COIMA RES Campus

In January 2018, Vodafone completed the consolidation in our premises by concentrating all its employees in the two buildings of the Vodafone Village owned by COIMA RES. Vodafone was thereby able to reduce its cost per employee. COIMA RES has also activated a new property management contract for the buildings which will result in cost reduction of circa Euro 70 thousand per annum and boost the property’s NOI margin by around 50 bps (from 92.2% to 92.7%).

Refurbishment for NH Hotel and Net Release with Upgrade for Office Portion at Gioiaotto

With the aim of upgrading the hotel’s standard to the NH Collection level, the NH Hotel Group has performed renovation works in an amount of c. Euro 4.0 million. The fund which owns the Gioiaotto property, which is 87% owned and fully consolidated by COIMA RES, will contribute Euro 1.4 million to this amount. The works started in Q4 2017 and were completed in July 2018. Regarding Gioiaotto’s office portion, two existing tenants released c. 1,400 sqm in aggregate in the first nine months of 2018 and were replaced by two new tenants which signed leases at an aggregate premium of 21% vs the previous in place rent (on a stabilised basis). In particular, axélero S.p.A. (“**axélero**”) vacated c. 700 sqm in Q1 2018 and was replaced by Angelini Beauty S.p.A. (“**Angelini Beauty**”) as a new tenant on a 6 years + 6 years lease. The new lease was signed at a 14% premium to the rental level previously paid by axélero.

In addition, Gibson Innovations Italy S.r.l. (“**Gibson**”) vacated c. 700 sqm in Q3 2018 and was replaced by the Italian branch of RGA International Reinsurance Company (“**RGA**”) as a new tenant on a 7 years + 6 years lease (effective from April 2019). The new lease was signed at a 28% premium to the rental level previously paid by Gibson.

Eurcenter NRA expansion project underway and re-letting activity ongoing

As for the property located in Rome, in May 2017, the relevant authorities approved our application to increase the Eurcenter net rentable area (“NRA”) by 3.1% or 458 sqm: 419 sqm pertaining to the development of a rooftop and 39 sqm to a mezzanine floor. In relation to the rooftop, the design was finalised and preliminary works have started in Q2 2018. Meanwhile, preliminary leasing activity with current tenants is underway. Estimated cost for the increase in the rooftop NRA amounts to c. Euro 830 thousand and could yield additional gross rent of c. Euro 134 thousand (16% Yield on Cost). We expect to conclude the works in 2019.

In addition, we are actively working on the re-letting of c. 3,240 sqm of space at the Eurcenter which will be vacated by AXA Assicurazioni S.p.A. ("**AXA**") on December 31st, 2018, according to the lease agreement. AXA gross rent represents c. Euro 1.4 million, i.e. 3.6% of COIMA RES gross initial rents of Euro 39.1 million.

Bonnet Project on Track for Delivery in 2020, refinancing extends maturity to 5 years

The Bonnet project is well on track for delivery in 2020 within the overall budgeted cost of Euro 164 million. Demolition works and excavations began in November 2017 and were completed in H1 2018. In July 2018, we obtained the final approval for construction works and we initiated the construction phase with the appointment of the general contractor (on budget). The overall completion of the project is planned for 2020. Formal pre-leasing activity has commenced in September 2018, with brokers already appointed. Early feedback from prospective tenants is positive.

In Q2 2018, the Porta Nuova Bonnet Fund (35.7% owned by COIMA RES) agreed financing for the Bonnet value-add project in an amount of Euro 95.6 million, of which Euro 56.4 million as refinancing of the existing acquisition and pre-development lines and Euro 39.2 million as new financing for redevelopment capex and VAT. The maturity of the overall financing package was extended by 18 months (now a 5-year maturity) with a marginal improvement in some of the step-down mechanics of the financing.

Pavilion leasing to IBM accretive to NAV growth and cash flow

On May 22nd, 2018, COIMA RES has signed with UniCredit S.p.A. ("**UniCredit**") a preliminary purchase agreement to acquire the Pavilion complex (the "**Pavilion**") in Milan Porta Nuova (Piazza Gae Aulenti, 10) for Euro 45.0 million (or Euro 46.3 million including transfer tax and due diligence costs). The closing of the acquisition is expected by year end.

COIMA RES signed on August 1st, 2018 a leasing agreement with IBM Italia S.p.A., the Italian subsidiary of International Business Machines Corporation ("**IBM**"), for 100% of the Pavilion. The lease agreement with IBM will be effective from Q1 2019 and features a 9 years + 6 years structure, 100% linked to inflation, with gross initial rent of c. Euro 400 / sqm (for the first 12 months) and a contractual gross stabilised rent of c. Euro 1,000 / sqm (kicking in after the first 12 months). The Pavilion net rentable area is c. 3,200 sqm. IBM will be the sole tenant of the Pavilion. No material capex will be spent by COIMA RES to host IBM in the property.

Based on the acquisition price of Euro 46.3 million, the economics of the IBM lease imply an EPRA Net Initial Yield of 2.4% and an EPRA Topped-up Net Yield of 7.2%. A meaningful revaluation of the Pavilion property can be expected to be recognised by the independent appraiser CBRE in COIMA RES accounts once the acquisition is closed.

Tocqueville acquisition synergistic with the Bonnet project

On July 27th, 2018, COIMA RES completed the acquisition of the office complex in Via Alessio di Tocqueville, 13, Milan ("Tocqueville"). The purchase price amounts to Euro 56.0 million (Euro 57.7 million including transfer tax and due diligence costs). The asset's fair value of Euro 58.5 million (as estimated by independent appraiser CBRE) implies an EPRA Net Initial Yield of 3.5%. The seller of the property was Mediolanum Real Estate, a real estate investment fund listed on the Italian Stock Exchange.

Tocqueville is a 10-storey building with NRA of 9,600 sqm, located between the Microsoft and UniCredit headquarters in Porta Nuova, Milan. The fully-let asset generates Euro 2.4 million in annual gross rents and represents a sizeable Core + opportunity: average in-place rents of Euro 245 / sqm are more than 50% below Porta Nuova prime rents of Euro 550 / sqm. The main tenant's lease covers 89% of NRA and expires in early 2021.

The acquisition contemplates a medium-term capex plan which would bring Tocqueville's estimated net stabilized yield to a level of c. 5% (based on expected net rents post refurbishment, acquisition price and capex). Capex is expected to amount to c. 15% of the purchase price.

FY 2018 interim dividend of Euro 0.10 per share payable in November 2018

COIMA RES Board of Directors resolved to distribute to shareholders an interim dividend for the fiscal year 2018 of Euro 3,600,700 (Euro 0.10 per share) with an ex-dividend date on November 19th, 2018, record date on November 20th, 2018 and payment date on November 21st, 2018. Today, COIMA RES independent auditors have issued their report pursuant to Article 2433-bis, paragraph 5, of the Italian Civil Code. The Board's resolution on the interim dividend was made based on the accounts of the parent company COIMA RES S.p.A. SIIQ as of September 30th, 2018, which were prepared in accordance with IFRS.

Investment Strategy and Outlook for 2018

We are considering on an opportunistic basis the disposal of mature assets and of further bank branches in order to crystallise value and to generate additional firepower in order to further increase the growth component of our portfolio.

The strategy for further acquisitions envisages office assets with growth potential and where the COIMA platform can generate value also through sustainability and technology upgrades.

Milan and possibly Porta Nuova are our tactical focus at this particular point in time as they are relatively more resilient areas through the cycle.

We are aiming to achieve a stabilised LTV below 40% in the medium term whilst retaining the flexibility to increase our leverage tactically to secure assets.

In terms of further acquisition, Core / Core + offices remain our prime focus. We will also consider selective co-investments in Value-add projects with the COIMA Opportunity Fund II.

SUBSEQUENT EVENTS

On October 31st, 2018, COIMA RES entered into a new financing agreement with UniCredit for Euro 27.0 million, plus Euro 4,5 million related to VAT line, for the Pavilion acquisition. The new facility is secured against the property and features respectively a 5-year and 3-year maturity with respectively 150-bps margin and 130-bps margin.

DIVIDENDS

In line with our announcement on April 27th, 2017, COIMA RES Board of Directors resolved to distribute to shareholders an interim dividend for the fiscal year 2018 of Euro 3,600,700 (Euro 0.10 per share) with an ex-dividend date on November 19th, 2018, record date on November 20th, 2018 and payment date on November 21st, 2018. COIMA RES independent auditors, today have issued their report pursuant to Article 2433-bis, paragraph 5, of the Italian Civil Code. The Board's resolution on the interim dividend was made based on the accounts of the parent company COIMA RES S.p.A. SIIQ as of September 30th, 2018, which were prepared in accordance with IFRS.

The Board of Directors report relating to the interim dividend distribution for the fiscal year 2018 is available for review at COIMA RES Headquarters (Piazza Gae Aulenti, no. 12, 20154, Milano, Italy) and is available in electronic form upon request.

ITALY: ECONOMIC AND REAL ESTATE MARKET CONDITIONS

Macroeconomic conditions in Italy

Italy's macroeconomic performance improved significantly in 2017 compared to 2016. GDP growth in 2017 was 1.5% (Source: IMF) compared to a level of 0.9% in 2016. The trend of growth is expected to continue in 2018 although at slightly lower levels of c. 1.2% (Source: IMF). The Italian macroeconomic recovery is more attenuated than other European countries (both core and peripheral) with the Eurozone GDP expected to grow by 2.0% in 2018 (Source: IMF). Inflation in Italy remains positive, with a level that should stand at 1.3% in 2018 (Source: IMF).

After the improvement recorded in August 2018, the estimated employment level in September 2018 fell slightly (-0.1% on a monthly basis, equal to -34 thousand units). The employment rate drops to 58.8% (-0.1 percentage points). The unemployment rate rises to 10.1% (+0.3 percentage points on a monthly basis).

The yield on 10-year Italian government bonds remained high during the third quarter of 2018 mainly due to the expansive features of the 2019 budget law which led to a heated debate between the Italian Government and the European Commission. The yield on 10-year Italian government bonds remained at an average level of 2.9% in the third quarter of 2018 (i.e. 80 basis points higher vs. the average level in the first half of 2018, equal to 2.1%) and as of September 28th, 2018 it remained at a level equal to 3.1% (with 100 basis points higher than the 2017 average of 2.1%)

Update on the office sector in Milan

The Milan office market remains favourable with a rising prime rent at a level of 585 / sqm at September 30, 2018 (Source: JLL), which is a 9% increase over the last 12 months. Green Street Advisors estimates that the combined growth of rents and occupancy over the period 2018-2020 will be equal to +18.5% at Milano Porta Nuova, +10.2% at Milan CDB and +3.8% for the secondary and semi-central locations in Milan.

The third quarter of 2018 saw a take-up equal to about 116,000 square meters (Source: CBRE), up 3.9% compared to the previous quarter, presage the possibility of beating the record value of the take-up of 2017. The vacancy rate it is down to 10.9% (Source: CBRE), while vacancy in the Grade A office segment in Milan is c. 2% (Source: JLL).

The investment market for the Milan offices remains solid with Euro 520 million of transactions recorded in the third quarter of 2018 (Source: CBRE), a level fairly in line with the third quarter of 2017. The net yield for the Milan prime offices stands 3.40% down 10 basis points compared to the end of 2017 (Source: CBRE).

Update on the office sector in Rome

The office market in Rome remains favourable with a stable initial rent at a level of Euro 440 / sqm at September 30th, 2018 (Source: JLL), i.e. an increase of 2% in the last 12 months.

The first nine months of the third quarter of 2018 saw an absorption equal to about 114,000 square meters (Source: CBRE), down by 13% compared to 2017 but up by 5% compared to 2016. The vacancy rate is slightly higher and equal at 12.8% (Source: CBRE), the availability of Grade A spaces in the historic center, on the other hand, remains very limited.

The investment market for the Rome offices remains solid with Euro 330 million of transactions recorded in the first nine months of 2018 (Source: CBRE). The net yield for the Rome prime offices stands at 3.90%, down 10 basis points compared to the end of 2017 (Source: CBRE).

CONSOLIDATED INCOME STATEMENT

(in thousands Euro)	Notes	Nine months ended September 30th, 2018	*of which related parties*	Nine months ended September 30th, 2017	*of which related parties*
Income statement					
Rents	1	26,709	-	25,123	-
Net real estate operating expenses	2	(2,923)	(318)	(2,938)	(67)
Net rents		**23,786**	**(318)**	**22,185**	**(67)**
Revenues / (loss) from disposal		(10)	-	30	-
Costs of sales		-	-	-	-
Net revenues from disposal		**(10)**	**-**	**30**	**-**
G&A expenses	3	(7,840)	(4,960)	(6,454)	(3.771)
Other operating expenses		(799)	(603)	(210)	(24)
Gross operating income		**15,137**	**(5,880)**	**15,551**	**(3,862)**
Net depreciation		(1,189)	-	(5)	-
Net movement in fair value		11,269	-	5,884	-
Net operating income		**25,217**	**(5,880)**	**21,430**	**(3,862)**
Net income attributable to non-controlling interests		908	-	(119)	-
Financial income	4	8	-	488	-
Financial expenses	4	(3,702)	-	(5,007)	-
Profit before tax		**22,431**	**(5,880)**	**16,792**	**(3,862)**
Income tax		(2)	-	(10)	-
Profit after tax		**22,429**	**(5,880)**	**16,782**	**(3,862)**
Minorities		(1,414)	-	(789)	-
Profit for the Group		**21,015**	**(5,880)**	**15,993**	**(3,862)**

NOTES TO THE CONSOLIDATED INCOME STATEMENT

Below are the main items of profit and loss that have most significantly affected Group profit as of September 30th, 2018.

1. Revenues

The revenues amount to Euro 26,709 thousand as of September 30th, 2018 and include rents accrued on the real estate portfolio.

(in thousands Euro)	Investments	September 30th, 2018	September 30th, 2017
COIMA RES SIIQ	Vodafone	10,471	10,407
	Monte Rosa	2,815	-
	Tocqueville	439	-
CCFIV	Deutsche Bank branches	3,601	5,476
CCFVI (ex MHREC)	Gioiaotto	2,836	2,891
	Eurcenter	3,855	3,830
COIMA RES SIINQ I	Deruta	2,692	2,519
Rents		**26,709**	**25,123**

The increase compared to Euro September 30th, 2017 is due to the acquisitions of the properties located in Via Monte Rosa and A. Tocqueville respectively on October 24th, 2017 and July 27th, 2018.

About the fees accrued on the Deutsche Bank portfolio, the reduction of Euro 1,875 thousand compared to the previous period is mainly due to the disposal of 21 branches in January 2018.

2. Net real estate operating expenses

The net real estate operating expenses amount to Euro 2,923 thousand for the nine months ended September 30th, 2018 and are detailed as follows:

(in thousands Euro)	Vodafone	Tocqueville Monte Rosa	Deutsche Bank branches	Gioiaotto Eurcenter	Deruta	September 30th, 2018	September 30th, 2017
Recovery of costs from tenants	1,695	785	29	615	13	3,137	1,514
Property management fee	(224)	(44)	(71)	(223)	(27)	(589)	(523)
Maintenance charges	(582)	(371)	(27)	(180)	(5)	(1,165)	(317)
Utilities	(895)	(394)	(7)	(194)	-	(1,490)	(905)
Insurance	(52)	(24)	(39)	(39)	(19)	(173)	(145)
Property tax (IMU)	(520)	(382)	(573)	(494)	(173)	(2,142)	(2,114)
Property tax (TASI)	(35)	(26)	(19)	(32)	(12)	(124)	(107)
Stamp duties	(105)	(29)	(56)	(70)	(27)	(287)	(233)
Other real estate costs	-	(69)	-	(21)	-	(90)	(108)
Net real estate expenses	**(718)**	**(554)**	**(763)**	**(638)**	**(250)**	**(2,923)**	**(2,938)**

The item *recovery of costs from tenants* refers to the reversal of ordinary property management charges to tenants.

Property management fee mainly relate to ordinary activities of the administration and maintenance of the buildings.

Maintenance and service charges concern the expenses incurred for the maintenance of the buildings (lifts, systems, office cleaning) and for the upkeep of the green spaces of the properties.

The item *utilities* refers to the cost of providing electricity, water and gas for the buildings.

The item *insurance costs* refers to the all-risk policies signed by the Company and Funds to protect the asset value and ownership of the buildings.

The items *IMU, TASI, stamp duties*, are related to the property taxes applied on the portfolio.

Other real estate costs mainly include the fees for the occupation of public areas and other expenses related to the operation of the buildings.

3. General and administration expenses

General and administration expenses amount to Euro 7,840 thousand for the nine months ended September 30th, 2018. The detailed summary table is attached below:

(in thousands Euro)	COIMA RES	CCFIV IV	CCFIV VI (ex MHREC)	SIINQ I	Others	June 30th, 2018	June 30th, 2017
Asset management fee	(2,181)	(357)	(757)	-	-	(3,295)	(3,107)
Personnel costs	(1,286)	-	-	-	-	(1,286)	(1,181)
Consulting costs	(536)	(88)	(214)	(21)	(81)	(940)	(1,119)
Control functions	(232)	(13)	(12)	(11)	-	(268)	(234)
Audit	(149)	(22)	(21)	(11)	(7)	(210)	(199)
Marketing	(236)	-	-	-	-	(236)	(207)
IT service	(132)	-	-	-	-	(132)	(104)
Independent appraisers	(29)	(26)	(40)	(5)	-	(100)	(84)
Promote fee	(740)	-	-	-	-	(740)	-
Other operating expenses	(336)	(290)	6	-	(13)	(633)	(219)
G&A expenses	**(5,857)**	**(796)**	**(1,038)**	**(48)**	**(101)**	**(7,840)**	**(6,454)**

Asset Management fees relate to the agreement signed by the Company and COIMA SGR for scouting activities for investment transactions and the management of the real estate portfolio, as well as for other activities provided by the asset management agreement. These fees are calculated quarterly, based on the Net Asset Value (NAV) recorded by the company in the previous three months.

The item *consulting costs* mainly includes expenses for support activities carried out by professionals for the ordinary management of the Company; in particular:

- legal, tax and notarial consulting for corporate services;
- technical consulting on real estate properties.

Personnel costs include:

- wages, salaries and similar expenses, amounting to Euro 549 thousand, related to wages for the Company's employees.

- social security contributions, amounting to Euro 162 thousand, paid by the Company to social security funds.
- other personnel costs, amounting to Euro 575 thousand, include mainly the Board of Directors' remuneration.

Governance and other control functions costs are mainly related to the Board of Statutory Auditors, amounting to Euro 93 thousand, risk management, amounting to Euro 52 thousand, and other control functions, amounting to Euro 123 thousand.

The expenses related to the *independent appraisers* are due in respect of the agreement in place with the independent expert CBRE Valuation and Duff & Phelps REAG for the preparation of the evaluation reports.

IT service costs include technical assistance, administrative software and IT management expenses.

The item *promote fee* refers to the accrual recorded on the basis of the agreements in place with COIMA SGR and 2018 results forecast.

Marketing costs are mainly related to digital and media relations expenses, amounting to Euro 142 thousand; website maintenance, amounting to Euro 70 thousand and other marketing costs related to corporate events and conferences for Euro 24 thousand.

Other expenses include mainly the brokerage fee related to the Deutsche Bank disposal and other corporate costs (insurances, travel costs, membership fees, Borsa Italiana's services).

4. Financial income and expenses

Financial income, amounting to Euro 8 thousand (Euro 488 thousand for the nine months ended September 30th, 2017), they refer mainly to exchange rate gains accrued on the financial assets portfolio, classified in the balance sheet as "financial assets at fair value".

Interest expenses amount to Euro 3,702 thousand (Euro 5,007 thousand for the nine months ended September 30th, 2017) and mainly include interests accrued on existing financings.

The all-in weighted average cost of the Group's debt as of September 30th, 2018 is about 2% and 79% of the outstanding debt has been hedged with "interest rate caps". The remaining weighted average maturity of the financing is 4.4 years.

CONSOLIDATED BALANCE SHEET

(in thousands Euro)	Notes	September 30th, 2018	*of which related parties*	December 31st, 2017	*of which related parties*
Assets					
Real estate investments	5	630,939	-	563,410	-
Other tangible assets		327	-	351	-
Intangible assets		56	-	24	-
Investments accounted for using the equity method	6	19,984	-	16,879	-
Financial assets at fair value	7	1,484	-	1,492	-
Non-current deferred tax assets		11	-	9	-
Derivatives	8	359	-	723	-
Non-current financial receivables	9	1,620	1,620	1,620	1,620
Total non - current assets		**654,780**	**1,620**	**584,508**	**1,620**
Inventories	10	11,887	-	12,140	-
Trade and other current receivables	9	10,091	46	8,194	46
Cash and cash equivalents	11	33,842	-	27,042	-
Total current assets		**55,820**	**46**	**47,376**	**46**
Non-current assets available for sale		-	-	38,000	-
Total assets		**710,600**	**1,666**	**669,884**	**1,666**
Liabilities					
Capital stock		14,451	-	14,451	-
Share premium reserve		335,549	-	335,549	-
Valuations reserve		(281)	-	29	-
Interim dividend		-	-	(3,240)	-
Other reserves		27,441	-	7,733	-
Profit for the period		21,015	-	28,889	-
Group shareholders' equity		**398,175**	**-**	**383,411**	**-**
Minorities		**13,054**	**-**	**11,915**	**-**
Shareholders' equity	**12**	**411,229**	**-**	**395,326**	**-**
Bank borrowings and other non-current lenders	13	288,390	-	240,420	-
Deferred tax liabilities		6	-	7	-
Payables for post-employment benefits		39	-	20	-
Provisions for risks and charges		128	-	123	-
Derivatives	8	284	-	-	-
Trade and other non-current liabilities	14	903	-	554	243
Total non-current liabilities		**289,750**	**-**	**241,124**	**243**
Bank borrowings and other current lenders	13	-	-	22,720	-
Trade and other current liabilities	14	9,575	3,885	10,653	2,306
Current tax payables		46	-	61	-
Total current liabilities		**9,621**	**3,885**	**33,434**	**2,306**
Total liabilities		**299,371**	**3,885**	**274,558**	**2,549**
Total liabilities and shareholders' equity		**710,600**	**3,885**	**669,884**	**2,549**

NOTES TO THE BALANCE SHEET

The following are the main items on the consolidated balance sheet which explain the performance of the Group's activities.

5. Real estate investments

The changes in property investments for the six months ended September 30th, 2018, are listed below:

(in thousands Euro)	Investments	December 31st, 2017	Acquisitions / (disposals)	Other charges / capitalisations	Revaluations/ (write-downs)	September 30th, 2018
COIMA RES SIIQ	Vodafone	208,500	-	-	600	209,100
	Monte Rosa	60,400	-	38	(15)	60,423
	Tocqueville	-	56,000	1,634	866	58,500
CCFIV	DB branches	86,750	(1,460)	-	1,712	87,002
CCFVI (ex MHREC)	Gioiaotto	72,070	-	27	4,912	77,009
	Eurcenter	83,790	-	21	3,194	87,005
COIMA RES SIINQ I	Deruta	51,900	-	-	-	51,900
Real estate investments		**563,410**	**54,540**	**1,720**	**11,269**	**630,939**

The item "*acquisitions/(disposals)*" refers to the operations carried out by the Company during this period, summarized below:

- on July 27th, 2018 the property located in Milan, via A. Tocqueville, was acquired at a price of Euro 56,000 thousand, in addition to taxes and other accessory charges;
- on September 24th and 25th, 2018 two bank branches were sold, located in Varenna (LC) and Desio (MB), recorded at the book value of Euro 1,460 thousand and sold at a total price of Euro 1,450 thousand.

The item "*revaluations/(write-downs)*" includes changes in the fair value of property values as a result of the appraisals issued by the independent experts appointed by the Company and by the Funds as of June 30th, 2018.
Regarding the property located in via A. Tocqueville, the revaluation of Euro 866 thousand is due to the alignment of the value to the appraisal prepared by the independent expert in the context of the acquisition made by the Company.

6. Investments accounted for using the equity method

The item, amounting to Euro 19,984 thousand (Euro 16,879 thousand as of December 31st, 2017), includes Porta Nuova Bonnet investment of Euro 18,502 thousand and Co – Investment 2 SCS investment of Euro 1,482 thousand, owned indirectly through MHREC Sarl.

The increase of Euro 3,105 thousand compared to the previous year is due to the recalls made by Porta Nuova Bonnet Fund during this half year, amounted to Euro 2,196 thousand, and the profit for the period attributable to the companies.

7. Financial assets at fair value

Financial assets at fair value, amounting to Euro 1,484 thousand (Euro 1,492 thousand as of December 31st, 2017), relate to an investment of part of our excess cash into certain investment funds through an investment mandate entrusted to the company Pictet.

8. Derivatives

Derivative financial instruments classified as assets amounted to Euro 359 thousand (Euro 723 thousand at December 31st, 2017) and refer to interest rate caps which hedge the change rate financial exposure of part of the loans in the portfolio.

The derivative financial instruments classified as liabilities amount to Euro 284 thousand and refer to interest rate swaps which hedge the cash flows relating to the mortgage loan for properties located in via Monte Rosa and in via A. Tocqueville.

These instruments cover 79% of the floating-rate financial exposure.

The Company has recognized the continuity hedging transactions based on the hedging accounting, verifying the effectiveness of the hedging relationship.

9. Trade and other receivables

Non-current financial receivables relate to loans granted by MHREC Sàrl to the associated company Co – Investment 2 SCS.

Trade and other current receivables, amounting to Euro 10,091 thousand (Euro 8,194 thousand as of December 31st, 2017), include:

- the down payment of Euro 5,000 thousand made by the Company for the acquisition of the property called "Pavilion", located in Milan, in Porta Nuova district;
- prepayments and accrued income in an amount of Euro 1,863 thousand;
- rental receivables in an amount of Euro 1,829 thousand;
- other VAT receivables in an amount of Euro 823 thousand;
- deposits, advance and other receivables in an amount of Euro 576 thousand.

10. Inventories

Inventories, amounting to Euro 11,887 thousand (Euro 12.140 thousand as of December 31st, 2017), include the remaining vacant Deutsche Bank branches.
The decrease of Euro 253 thousand compared to the previous year is related to the adjustment of the fair value amounting to Euro 290 thousand, based on the evaluation report prepared by the independent expert and capitalised costs equal to Euro 37 thousand.

11. Cash and cash equivalents

The Company's cash and cash equivalents, amounting to Euro 33,842 thousand (Euro 27,042 thousand as of December 31st, 2017) increased significantly, mainly due to the cash collected deriving from the sale of the Deutsche Bank branches in January 2018 and to the profits deriving from leasing activities.

12. Shareholders' equity

As of September 30th, 2018, the net equity of the Company amounts to Euro 398,175 thousand (Euro 383,411 thousand as of December 31st, 2017).

The share capital comprises Euro 36,007,000 ordinary shares with no nominal value and amounts to Euro 14,451 thousand.

Reserves, which amounted to Euro 362,709 thousand, include:

- share premium reserve of Euro 335,549 thousand;
- legal reserve of Euro 2,890 thousand;
- fair value valuation reserve of Euro 6,063 thousand;
- other reserves of Euro 18,207 thousand.

Minority interests are related to the participation of other investors (13.33%) in the results of COIMA CORE FUND VI (ex MHREC).

13. Bank borrowings and other lenders

The non-current bank borrowings, amounting to Euro 288,390 thousand (Euro 240,420 thousand as of December 31st, 2017), include:

- Euro 196,515 thousand related to two credit-facility lines granted by Banca IMI, Unicredit, BNP Paribas and ING Bank to the Company;
- Euro 72,098 thousand related to a loan-facility granted by UBI Banca, ING Bank and Credit Agricole to COIMA CORE FUND VI (ex "MHREC");
- Euro 19,777 thousand related to a loan-facility granted by ING Bank to COIMA RES SIINQ I.

The increase of Euro 47,970 thousand compared to the previous year is mainly due to the subscription by the Company of a new loan agreement with Banca IMI (Agent), BNP Paribas, ING Bank and UniCredit for a total of Euro 70,000 thousand, of which Euro 50,000 thousand used for the purchase of the property located in Milan, via A. Tocqueville, net of bank commissions.

During the first quarter of 2018 the Company repaid a portion of the senior line outstanding loan for an amount of Euro 23,000 thousand, mainly classified in the item "*bank borrowings and other current lenders*" as of December 31st, 2017.

(in thousands Euro)	**September 30th, 2018**	**Maturity**	**Rate**	**% hedged**
COIMA RES SIIQ – Senior line	147,020	July 16th, 2023	Eur 3M + 180 bps	70%
COIMA RES SIIQ – Tranche A	49,495	July 16th, 2023	Eur 3M + 160 bps	100%
CCFVI (ex MHREC)	72,098	Mar. 31st, 2022	Eur 3M + 150 bps	81%
COIMA RES SIINQ I	19,777	Jan. 16th, 2022	Eur 3M + 160bps	81%

14. Trade payables and other liabilities

Trade payables and other non-current liabilities, amounting to Euro 903 thousand (Euro 554 thousand as of December 31st, 2017), mainly include cash deposits received from tenants.

The trade payables and other current liabilities, amounting to Euro 9,575 thousand (Euro 10,653 thousand as of December 31st, 2017), include the following:

- trade payables to suppliers and invoices to be received of Euro 5,537 thousand;
- accruals and deferred income of Euro 2,240 thousand;
- security provisions, personnel debts and other payables of Euro 956 thousand;
- the fair value of the financial instruments granted to some key managers of Euro 842 thousand.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands Euro)	Nine months ended September 30th, 2018	Nine months ended September 30th, 2017
Profit for the period	22,430	16,782
Adjustments to reconcile the profit to net cash flow:		
Net depreciation	1,152	5
Severance pay	48	69
Net movement in fair value of the properties	(11,269)	(5,884)
Net income attributable to non-controlling interests	(908)	119
Financial income	(8)	(437)
Financial expenses	(162)	1,039
Net movement in fair value of derivatives	599	11
Changes in working capital:		
(Increase) / decrease in trade and other current receivables	2,244	482
(Increase) / decrease in deferred tax assets	(2)	-
Increase / (decrease) in trade payables and other current liabilities	(1,921)	(2,160)
Increase / (decrease) in current tax payables	(16)	48
Increase / (decrease) in trade payables and other current liabilities	569	-
Net cash flows generated (absorbed) from operating activities	**12,756**	**10,074**
Investment activities		
(Acquisition) / disposal of real estate properties	(23,260)	(46,402)
(Acquisition) / disposal of other tangible and intangible assets	(35)	(378)
(Acquisition) / disposal of other non-current receivables	-	(1,388)
Purchase of associated companies	(2,197)	(119)
Net cash flow generated (absorbed) from investment activities	**(25,492)**	**(48,287)**
Financing activities		
Shareholders' contribution / (dividends paid)	(6,481)	(4,067)
Dividends paid to minorities	(378)	(786)
Acquisition of derivatives		(708)
Increase / (decrease) in bank borrowings and other non-current lenders	49,395	19,180
Reimbursement	(23,000)	(7,483)
Net cash flows generated (absorbed) from financing activities	**19,536**	**6,136**
Net increase / (decrease) in cash and cash equivalents	6,799	(32,077)
Cash and cash equivalents at the beginning of the period	27,042	113,102
Cash and cash equivalents at the end of the period	**33,842**	**81,025**

Risks, guarantees and commitments

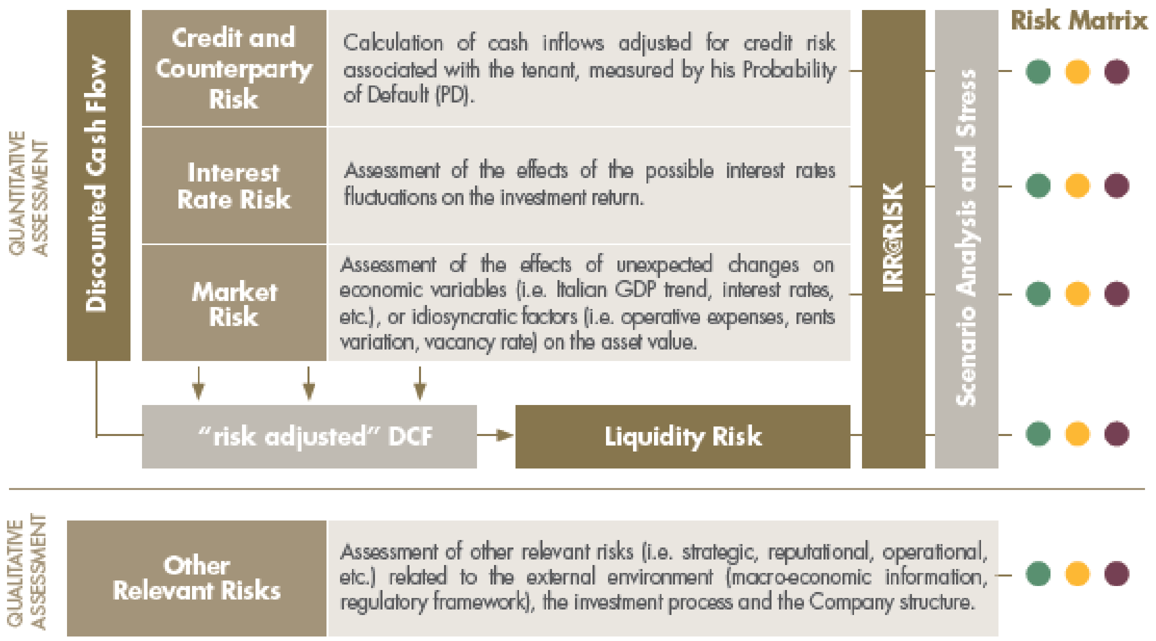
Risks

The table below summarizes the main risks and the mitigating measures of the Company:

	Risks	COIMA RES mitigation
1	**Market risk** - the risk of losses related to the fluctuation in the prices of properties in the portfolio resulting from adverse changes of macroeconomic variables, the property market and/or the specific characteristics of the properties owned by the Company. This risk also includes the effects resulting from properties in the portfolio that are vacant (vacancy risk) and potential losses associated with investment in "value-added" projects, in particular relating to restructuring or refurbishment works of certain real estate projects.	The Company's investment strategy is focused on high-quality assets (real estate or fund units) in large urban areas, specifically in Milan, which have demonstrated high income capacities and good resilience during negative market cycles, partly due to a less volatile level of demand compared with smaller assets located in secondary cities. Regarding vacancy risk, the Company deals with long-term rental agreements with adequate protection clauses. Tenant-specific asset management initiatives are designed in order to understand the situation and needs of each tenant, and to identify and address potential problems proactively. Furthermore, the high quality of the Company's real estate assets mitigates the vacancy risk.
2	**Credit and counterparty risk** - the risk of losses resulting from the non-compliance of counterparties due to the deterioration of their creditworthiness, with them defaulting in extreme cases with reference to: - tenants; - counterparties in real estate development operations (manufacturer, operator); - counterparties in real estate transactions.	During the on-boarding phase, the Company analyses and continuously monitors the risks of non-compliance of tenants and other significant counterparties (e.g. solvency and creditworthiness analyses, analysis of the financial situation, references, prejudicial and negative information, etc.), also resorting to external databases. In this regard, the Company's investment strategy favours reputable and well-capitalized counterparties and those belonging to large international groups.
3	**Concentration risk** - the risk resulting from properties leased to individual counterparties or groups of legally connected counterparties, counterparties from the same economic sector or which carry out the same activity, or are located in the same geographical area.	The Company analyses and monitors this risk regularly and has also defined the limits in its Articles of Association with regard to concentration of individual properties/tenants. The Company's strategy involves increasing the number of tenants and the number of industrial sectors in which our tenants are active, in order to mitigate the risks associated with excessive concentration.
4	**Interest rate risk** - the risk related to adverse changes in the rate curve that change the current value of assets, liabilities and their net value (ALM), and cash flows (assets and liabilities) based on changes in interest expense (assets and liabilities).	The Company purchases hedging instruments or otherwise contractually fixes an adequate amount of its floating rate exposure in order to reduce the impact of adverse changes in interest rates.
5	**Liquidity risk** - the risk of not being able to meet one's payment obligations due to: - the inability to obtain funds in the market (funding liquidity risk); - the inability to monetise one's assets (market liquidity risk).	The Company continuously monitors the level of its liquidity based on detailed cash-flow analyses and projections as well as through cash flow and ALM risk management activities, utilizing among other tools scenario analyses and stress tests. From the perspective of optimising the financial and capital structure, the Company limits financial leverage to 45% of the total value of assets.
6	**Other financial risks** - other financial risks not associated with real estate assets such as, for example, counterparty risks and/or other market risks on any financial instruments in the portfolio.	The strategy currently adopted by the Company involves a limited investment in assets other than real estate assets except for treasury bills and instruments needed to hedge interest rate risk; this also takes into account statutory restrictions related to the SIIQ status to which we are subject. Exposure to any financial risks, not connected with real estate assets, is subject to periodic monitoring and is also mitigated through our use of reputable and well-capitalized banking counterparties.

7	**Operating risk** - the risk of suffering losses resulting from the inadequacy or malfunction of procedures, human resources and internal systems or external events. This risk includes the risk of outsourcing, i.e. the operating losses arising from the performance of the outsourced activities.	Operating risks are addressed by adopting adequate internal procedures and the structuring of the internal control system on three levels: - Level One: Scheduled checks carried out by the business units and staff functions; - Level Two: Checks carried out by the Legal, Compliance and Risk Management functions; - Level Three: Checks carried out by the internal audit function based on the Audit Plan.
8	**Legal and compliance risk** - the risk of changes in performance due to changes in the legislative framework.	The Company continuously monitors the risk of non-compliance with current legislation and compliance requirements. Our compliance checks include asset and profit tests to ensure that legal requirements, necessary to maintain the SIIQ status are met now and in the future, as indicated in the Articles of Association.
9	**Reputational risk** - the current or future risk of a fall in profits or capital, resulting from a negative perception of the Company's image by customers, counterparties, shareholders, investors or the Regulatory Authorities.	Reputational risk, like operating risk, is mitigated by adopting an adequate organizational and control structure, consistent with international best-practices. We also mitigate reputational risk by putting in place stringent and specific procedures such as supervising external communication, overseeing interaction with stakeholders (e.g. governmental authorities) and monitoring contact with investors (e.g. complaint management).
10	**Strategic risk** - Pure risk and business risk; this consists of the current or prospective risk of a fall in profits or capital, resulting from changes in the operating environment or from incorrect corporate decisions, inadequate implementation of decisions, poor reaction to changes in the competitive environment, customer behaviour or technological developments.	In addition to a comprehensive strategic planning and evaluation process for analysis of investments, strategic risk is mitigated by the high level of experience and professionalism of Company management, with regard to the real estate market, operational/financial management, and internal controls.

The Company adopts an advanced Risk Management Model that combines quantitative analysis of interest rates, credit, and markets and qualitative analysis for other risks (operational, reputational and strategic risks), and considers the use of scenario analysis and stress testing in order to assess the degree of exposure to the main risks under adverse conditions, and to determine the IRR @ Risk.



The last survey on the Company's portfolio, based on the model described above, outlined the risk profile shown in the chart below:

Guarantees and commitments

Regarding bank loans taken on by COIMA RES, the Company has agreed with the lending banks on the following *security package*:

- first mortgage of Euro 438,550 thousand;
- pledge on the CCFIV units;
- pledge on operating bank accounts linked to the loan agreements, except for the account to which any amounts distributed as dividends will be paid;
- disposal of receivables related to rents, insurance claims and any other receivables arising from disputes against consultants engaged for the due diligence on the properties.

Regarding the loan of our 100% owned subsidiary COIMA RES SIINQ I, the Company has agreed with the lending banks on the following *security package*:

- first mortgage of Euro 40,000 thousand;
- pledge on the subsidiary shares;
- pledge on operating bank accounts linked to the loan agreement, except for the ordinary account;
- disposal of receivables related to Deruta rents, insurance claims and any other receivables arising from disputes against consultants engaged for the due diligence on the building.

CCFVI (ex “MHREC”) has granted the following guarantees to banks in relation to the loan it has taken on:

- pledge on bank accounts held at State Street Bank;
- disposal of receivables, in favour of the bank, related to rents, insurance contracts and warranties issued to the fund, to guarantee the proper fulfilment of obligations of tenants.

Mortgage debt encumbering real estate is as follows:

Date	Amount	Grade	Bank
June 24th, 2016	146,000,000	I	UBI Bank

Furthermore, CCFVI will contribute Euro 1,400 thousand for the modernisation and redevelopment works on Gioiaotto carried out by NH Hotel.

As for the lease agreement signed on July 21st, 2017 with COIMA RES and Porta Nuova Garibaldi, managed by COIMA SGR S.p.A., the Company has granted a guarantee to the landlord amounting to ca. Euro 25 thousand.

Regarding the VAT reimbursement, COIMA RES has granted a guarantee to the Italian Inland Revenue Agency amounting to Euro 41,187 thousand.

The Company has a commitment of Euro 25,000 thousand to the Porta Nuova Bonnet Fund. Note that as of September 30th, 2018 the Porta Nuova Bonnet Fund drew Euro 16,054 thousand and therefore has a residual claim of Euro 8,946 thousand on the Company.

Criteria for the preparation of the interim consolidated financial statements

The interim consolidated financial statements have been prepared adopting the same principles of consolidation and measurement criteria described in the last annual report as at December 31st, 2017 and in the half-year financial statement as of June 30th, 2018. The interim consolidated financial statements do not disclose all the information required during preparation of the annual consolidated financial statements nor all the information required by IAS 34.

The consolidation perimeter includes COIMA RES S.p.A. SIIQ as parent company, COIMA CORE FUND IV, COIMA CORE FUND VI (ex “MHREC”), MHREC Sàrl, COIMA RES S.p.A. SIINQ I and Lorenteggio Village Consortium as funds and companies consolidated using the full consolidation method, Porta Nuova Bonnet Fund and Co-Investment 2 SCS as related fund and company consolidated in accordance with the equity method.

STATEMENT OF THE MANAGER RESPONSIBLE FOR PREPARING THE COMPANY’S FINANCIAL REPORTS

Pursuant to art. 154-bis, subsection 2 of the Italian Consolidated Law on Finance, the Manager responsible for preparing the Company’s financial reports, Fulvio Di Gilio, hereby declares that the accounting information contained in this Interim Consolidated Financial Statement as at September 30th, 2018 corresponds to corporate records, books and accounts.

Milan, November 8th, 2018

Manager responsible for preparing the Company’s financial reports

Fulvio Di Gilio

GLOSSARY

	Definition
Accounting Period	Accounting period means each successive period of 12 calendar months each of which starts on 1 January and ends at midnight on December 31st in each year.
ALM	Asset Liabilities Management is the practice of managing risks stemming from mismatches between assets and liabilities. The process is a mix between risk management and strategic planning.
Asset Management Agreement	The agreement entered into on October 15th, 2015, by and between COIMA RES and COIMA SGR and modified on November 15th, 2015.
Bonnet	Bonnet is the building located in Milan, in via Bonnet, held through the Porta Nuova Bonnet investment (35.7%).
Break Option	The right of the tenant to withdraw from the lease agreement.
CBD	Central Business District, which is the area where the prime office market is mainly located.
CBRE	CBRE Valuation S.p.A., with registered office in Milan, Via del Lauro, 5/6.
CO - Investment 2SCS	A subsidiary owned indirectly via MHREC Real Estate S.à.r.l., which owns 33.33% of the units.
COIMA CORE FUND IV	Fund in which the Company owns 100% of the shares.
COIMA CORE FUND VI (ex "MHREC")	Fund of which the Company acquired 86.67% of the shares on July 27th, 2016.
COIMA RES SIINQ I	COIMA RES S.p.A. SIINQ I, of which COIMA RES owns 100% of the capital stock.
COIMA S.r.l.	COIMA S.r.l., with registered office in Milan, Piazza Gae Aulenti no.12.
COIMA SGR	COIMA SGR S.p.A., with registered office in Milan, Piazza Gae Aulenti no.12.
Company or COIMA RES	COIMA RES S.p.A. SIIQ, with registered office in Milan, Piazza Gae Aulenti no.12.
Consortium Lorenteggio Village	Consortium Lorenteggio Village, established on January 25th, 2018, of which COIMA RES owns 69.21% of the shares.
Core	The *core* assets are characterized mainly by high liquidity and low risk. This type of property is located in strategic areas and is intended to be held in the portfolio on a long-term basis so as to fortify the company's risk-return profile.
Core plus	The *core plus* assets are similar to the *core* category, except that some investments may exhibit enhancement potential (such as partially vacant areas or tenancies with short term expiries). For this type of risk, the profile is considered medium-low.
Coupon	The value accrued on the Financial Instrument.
Deruta 19 or Deruta	Deruta is the building complex located in Milan, Via Deruta 19, acquired on January 16th, 2017, by COIMA RES SIINQ I.
Deutsche Bank Portfolio	The bank branches of COIMA CORE FUND IV, leased to Deutsche Bank
EBITDA	Earnings before Interest, Taxes, Depreciation & Amortisation, is the most widely used measure of a company's operating performance as it isolates operating earnings, excluding the effects of capital structure, taxes or depreciation regime. EBITDA is a proxy for the operating cash flow that the company is able to generate.
EPRA Cost Ratio	Calculated as administrative & operating costs (including & excluding costs of direct vacancy) divided by gross rental income.
EPRA Earnings	Recurring earnings from core operational activities. EPRA Earnings is a key measure of a company's operational performance and represents the net income generated from the operational activities.
EPRA NAV	EPRA Net Asset Value is calculated based on the consolidated shareholders' equity adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallize in a long-term investment property business model, as per EPRA's recommendations.
EPRA Net Initial Yield	Calculated as Net Initial Rent divided by the gross market value of the property.
EPRA NNNAV	Triple Net Asset Value is the EPRA NAV adjusted to include the fair value of financial instruments, debt and deferred taxes.
EPRA topped up Net Initial Yield	Calculated as Net Stabilised Rent divided by the gross market value of the property.

EPS	Earnings Per Share calculated as net income divided by the basic number of shares outstanding.
Expected Gross Stabilised Rent	Gross Stabilised Rent adjusted for selected active asset management initiatives.
FFO	Funds From Operations calculated as Core Business EBITDA less net interest expense.
Gioiaotto	Gioiaotto is the building located in Milan, in Melchiorre Gioia 6-8, held through the MHREC Fund.
Good Secondary	High quality properties located in central or peripheral areas of primary cities.
Gross Expected Stabilised Yield	Calculated as Expected Gross Stabilised Rent divided by the gross market value of the property.
Gross Initial Rent	Annualised rents being received as at a certain date considering lease incentives such as rent-free periods, discounted rent periods and step rents.
Gross Initial Yield	Calculated as Gross Initial Rent divided by the gross market value of the property.
Gross Stabilised Rent	Annualised rents being received as at a certain date adjusted for unexpired lease incentives. The adjustment includes the annualised cash rent that will apply at the expiry of the lease incentive.
Gross Stabilised Yield	Calculated as Gross Stabilised Rent divided by the gross market value of the property.
Initial Portfolio	The Deutsche Bank branches and the Vodafone properties.
Interest Coverage Ratios	Ratio between the EBITDA and interest expense.
LEED Certification	Certification of building efficiency issued by the U.S. Green Building Council.
MHREC S.à.r.l.	MHREC Real Estate S.à.r.l., subsidiary of COIMA CORE FUND VI (ex “MHREC”).
Monte Rosa	Monte Rosa is the building complex located in Milan, Via Monte Rosa 93, acquired on October 24th, 2017 by COIMA RES.
Net Expected Stabilised Rent	Corresponds to Expected Gross Stabilised Rent for the period less, service charge expenses and other non-recoverable property operating expenses such as insurance, real estate taxes, marketing and other vacant property costs.
Net Expected Stabilised Yield	Calculated as Expected Net Stabilised Rent divided by the gross market value of the property.
Net Initial Rent	Corresponds to gross initial rent for the period less service charge expenses and other non-recoverable property operating expenses such as insurance, real estate taxes, marketing and other vacant property costs.
Net Liquidity	Net Liquidity or Net Financial Position is the effective Net Debt of the Company.
Net Stabilised Rent	Corresponds to Gross Stabilised Rent for the period less service charge expenses and other non-recoverable property operating expenses such as insurance, real estate taxes, marketing and other vacant property costs.
Palazzo Sturzo or "Eurcenter"	The building located in Roma, in Piazza Don Luigi Sturzo, held through COIMA CORE FUND VI (“ex MHREC”).
Porta Nuova Bonnet	Fund established on October 20th, 2016, of which COIMA RES owns 35.7%.
Promote Fee	Performance fee payable by COIMA RES to SGR, related to the Asset Management Agreement.
Qatar Holding	Qatar Holding LLC, a company with principal offices in Doha, Qatar, Q-Tel Tower, PO Box 23224, wholly-owned by Qatar Investment Authority, sovereign fund of the State of Qatar.
Recurring FFO	Calculated as FFO adjusted to exclude non-recurring income and expenses.
Shareholder Return	Shareholder Return means, in respect of each Accounting Period, the sum of (a) the change in the EPRA NAV of the Company during such year less the net proceeds of any issues of ordinary shares during such year; and (b) the total dividends (or any other form of remuneration or distribution to the shareholders) that are paid in such year.
Shareholder Return Outperformance	Shareholder Return Outperformance means, in respect of each Accounting Period, the amount in Euro by which the Shareholder Return for the year exceeds the Shareholder Return that would have produced a determined Shareholder Return.
SIINQ	Unlisted real estate investment company regulated by article 1, paragraph 125 of the Finance Act 2007.
SIIQ	Listed real estate investment company regulated by article 1, paragraphs 119-141-bis of the Finance Act 2007.

Tocqueville	Tocqueville is the building located in Milan, Via A. Tocqueville, acquired on July 27th, 2018, by COIMA RES.
Weighted Average Debt Maturity	It is the length of time the principal of a debt issue is expected to be outstanding. The average life is an average period before a debt is repaid through amortisation or sinking fund payments.
Value-added	This type of assets includes buildings undergoing redevelopment and refurbishment, usually vacant or with high rate of vacancy. Compared to the core category, value added real estate has a medium-high risk profile and is expected to generate returns through real estate value appreciation over time.