

Event: FY 2014 Financial Results Presentation
Date: 26th February 2015
Speakers: Mr. Claudio Albertini, CEO
Mr. Daniele Cabuli, COO

OPERATOR: GOOD AFTERNOON. THIS IS THE CHORUS CALL OPERATOR. WE'D LIKE TO WELCOME YOU TO FULL YEAR 2014 IGD FINANCIAL RESULTS PRESENTATION. I'D LIKE TO TURN THE CALL OVER TO CLAUDIO ALBERTINI, CEO OF IGD. PLEASE, SIR.

CLAUDIO ALBERTINI: THANK YOU. GOOD AFTERNOON, EVERYBODY. AS YOU'VE PROBABLY READ, OUR BOARD MET THIS MORNING TO APPROVE FULL YEAR 2014 FINANCIAL RESULTS. YOU'VE RECEIVED FULL DETAILS ABOUT WHAT HAS BEEN APPROVED AND EVERYTHING IS AVAILABLE ON OUR WEBSITE.

LET'S START RIGHT AWAY WITH THE PRESENTATION THAT HAS BEEN PUT TOGETHER AND THAT SHOULD BE AVAILABLE TO ALL OF YOU. THIS YEAR, WE DECIDED TO, BEFORE ADDRESSING THE HIGHLIGHTS TO SHARE SOME MORE GENERAL REMARKS WITH YOU THAT ARE SUMMARIZED ON PAGE 3.

FISCAL YEAR 2014 IN OUR OPINION WAS A MAKEOVER OR A MAJOR TRANSFORMATION YEAR WITH A VIEW TO THE COMPANY'S FUTURE GROWTH. WE HAVE WORKED IN TWO MAJOR AREAS. ONE AREA CAN BE TERMED AS THE ORDINARY CONDUCT OF BUSINESS WHERE WE HAVE KEPT WITH OUR OPERATING ACTIVITIES. THE OCCUPANCY RATE, THE RENTAL LEVELS AND THE FUNDS FROM OPERATION OF THE COMPANY THIS YEAR REMAIN STABLE, ALSO, IF WE CONSIDER THE DISPOSAL OF THE SHOPPING MALL IN LIVORNO, WHICH HAD QUITE AN IMPACT ON OUR PROFITABILITY.

AGAIN ON THE SIDE OF OPERATIONS, WE'VE KEPT WORKING ON OUR PORTFOLIO. WE WENT ON BY EXECUTING OUR INVESTMENT PIPELINE BY OPENING AND EXPANDING CENTRO D'ABRUZZO IN APRIL, THEN WE DID THE REMODELING OF OUR SHOPPING CENTER IN AFRAGOLA NEAR NAPLES WHERE WE HAVE REDUCED THE AREA COVERED BY THE HYPER TO THE BENEFIT OF AN EXTENDED AND EXPANDED SHOPPING MALL, AND IN EARLY JULY, WE OPENED THE FIRST SHOPPING CENTER IN LIVORNO, PIASTRA MAZZINI.

IN ADDITION TO THIS, WE KEPT ON INVESTING IN TERMS OF CAPEX AND OUR CAPEX PLAN ALLOWED US TO MAINTAIN OUR VALUE, THE VALUE OF OUR ASSET PORTFOLIO STABLE WITH A REDUCTION, WHICH WAS LOWER THAN LAST YEAR OR THE PRIOR YEARS.

PROFITABILITY IS UP BOTH IN THE FORM OF NET PROFIT, AS WELL AS IN THE FORM OF DIVIDEND PER SHARE AS IT WILL BE PROPOSED AND SUBJECT TO OUR AGM 10.4. SO THE DIVIDEND WILL BE €0.0375 (PH), ALL THIS CONSIDERING ALSO THE IMPACT OF THE CAPITAL INCREASE THAT WAS COMPLETED IN OCTOBER LAST YEAR. SO THIS IS WHAT I HAVE TO REPORT ON THE SIDE OF SO-CALLED ORDINARY CONDUCT OF BUSINESS.

HOWEVER, 2014 WAS CHARACTERIZED BY A LOT OF EXTRAORDINARY MANAGEMENT ACTIVITIES. FIRST OF ALL, THE CAPITAL INCREASE AIMED AT STRENGTHENING OUR CAPITAL POSITION. THE TRANSACTION WAS QUITE SUCCESSFUL, AND IT WAS COMPLETED IN OCTOBER LAST YEAR, BUT BEFORE THE CAPITAL INCREASE, WE HAD QUITE A GOOD PERFORMANCE IN MAY TO BE MORE SPECIFIC, THANKS TO THE DRO OR DIVIDEND REINVESTMENT OPTIONS WITH THE HIGHEST POSSIBLE ACCEPTANCE RATE, 78%.

THANKS TO THESE TWO TRANSACTIONS, BUT NOT JUST THAT OUR LOAN TO VALUE WENT DOWN FROM 57.4% TO 48.3% WHICH IS THE YEAR END 2014 NUMBER. IN ADDITION, WE WENT ON DISPOSING WITH OUR DISPOSAL PLAN IN FEBRUARY. WE DISPOSED OFF THE SHOPPING MALL IN LIVORNO, LE FONTI DEL CORALLO THAT WAS FOLLOWED BY THE PRELIMINARY AGREEMENT SIGNED THIS YEAR ON JANUARY THE 15, TO DISPOSE VIA RIZZOLI.

NOW, WE WILL GET BACK TO THESE LATER DURING THE PRESENTATION, BUT THE TRANSACTION VALUE IN BOTH CASES WAS IN LINE OR ABOVE OUR BOOK VALUE. IN MARCH, WE SOLD OUR TREASURY SHARES. LAST YEAR, WE TAPPED FINANCIAL MARKETS AND WE EXPLOITED A GOOD CONDITION FOR THE FIRST HALF OF THE YEAR BY PLACING A SENIOR BOND FOR A TOTAL AMOUNT OF €150 MILLION WITH MORGAN STANLEY AND AT THE BEGINNING OF THE YEAR, WE HAD A MORTGAGE LOAN THAT WAS SIGNED AT THE END OF 2013, WHICH WILL ALLOWED US TO HAVE CONVERTIBLE BONDS AND THAT WAS SECURITIZED BY BNP AND THEN PLACED WITH INSTITUTIONAL FOR A TOTAL CORRESPONDING VALUE OF A €135 MILLION.

LAST BUT NOT LEAST, WE ALSO WORKED ON THE EXTERNAL GROWTH SITE. WE STARTED WITH THE ACQUISITION OF A CORE PORTFOLIO FROM OUR REFERENCE SHAREHOLDERS FOR A TOTAL AMOUNT OF €95 MILLION ALLOWING US TO REACH ALMOST A TOTAL AMOUNT OF REAL ESTATE PORTFOLIO IN THE REGION OF 2 BILLIONS, SLIGHTLY BELOW THAT, AT THE YEAR END 2014. AND THEN, WE PURCHASED 20% OF THE STOCK CAPITAL OF UNIPOLSAI INVESTIMENTI SGR WHICH IS THE ASSET MANAGEMENT COMPANY WITH WHICH WE HAVE AGREED TO LAUNCH A SPECIALIZED RETAIL FUND. WE ARE IN THE PROCESS OF DOING SOME FINE TUNINGS AND DEFINING THE MAIN TERMS AND CONDITIONS.

LET'S MOVE ON TO THE HIGHLIGHTS, WE ARE NOW ON PAGE 4 AND 5 WITH NUMBERS WHICH YOU CAN SEE, REVENUES REMAINED PRETTY MUCH FLAT, AND €120 MILLION OR SLIGHTLY ABOVE THAT. EBITDA IS €79.3 MILLION OR DOWN 4.3%. HOWEVER, THESE NUMBERS LET ME STRESS

IT AGAIN, SHOULD BE PUT OR SEEN IN THE LIGHT OF THE DISPOSAL OF THE LIVORNO SHOPPING MALL, WHICH IS RELATED TO A MASTER LEASE WHICH WE SIGNED WITH THE BUYER.

IF WE LOOK AT OUR FREEHOLD EBITDA MARGIN ON A STANDALONE BASIS, YOU WILL SEE THAT THE DECLINE IS ONLY 77.3% OR MINUS 0.9%, SO MORE CONTAINED. PRE-TAX PROFIT HAS MOVED UP REACHING €9.4 MILLION, NET PROFIT IS €7.3 MILLION WITH A WEAKER INCREASE, BUT AGAIN WE HAVE GIVEN GREATER DETAILS IN THE PRESS RELEASE THAT HAS BEEN SENT OUT AT THE END OF OUR BOARD MEETING. AND THAT'S ALL THE IMPLICATION OF THE SO CALLED "UNLOCK ITALY" DECREE.

THERE IS ANOTHER INPUT AND FACTOR WHICH IS RELATED TO THE FFO. IN ABSOLUTE TERMS, WE ARE TALKING ABOUT SOMETHING ABOVE €35 MILLION WITH ALMOST A ONE PERCENTAGE POINT DECLINE COMPARED TO LAST YEAR AND WE ALSO HAVE THE FFO PER SHARE WHICH IS 0.046.

ON PAGE 5, YOU CAN SEE OUR FINANCIAL OCCUPANCY, THAT'S EPRA COMPLIANCE AT THE END OF DECEMBER, 96.2% AND 86.4% ITALY AND ROMANIA, RESPECTIVELY. OUR MARKET VALUE IS €1.951 BILLIONS WITH A LOAN TO VALUE WHICH HAS GONE DOWN TO 48.3% GIVING A DEBT TO EQUITY RATIO OF 0.95.

SO THESE ARE THE TWO INDICATORS OR THE TWO RATIOS THAT HAVE BEING POSITIVELY AFFECTED BY THE STRENGTHENING OF OUR CAPITAL POSITION. WE HAVE TRIPLE NET NAV AGAIN EPRA COMPLIANT €1.23 DIVIDEND PER SHARE, WHICH WILL BE SUBMITTED TO THE AGM TO BE HELD IN APRIL, ITS €0.0375 OR €0.0350. IF WE ADJUSTED OR IF WE ADJUST THE LAST YEAR'S NUMBER WITH THE NUMBER OF OUTSTANDING SHARES WITH NAV, WE WILL HAVE A DIFFERENT NUMBER OR WE WILL HAVE AN INCREASE OF 25.4% ON 2013 ADJUSTED EPS.

A COUPLE OF WORDS ABOUT THE ITALIAN MACROECONOMIC INDICATORS ON PAGE 7. AS YOU CAN SEE, LAST YEAR, THE VOLUME OF FOREIGN INVESTMENTS IN ITALY WENT BACK TO THE LEVELS RECORDED IN 2007. WE ARE TALKING ABOUT OVER 4 BILLIONS WORTH INVESTMENT. AND AS I SAID, THAT'S UP AGAINST THE PRIOR YEAR END, WHICH WAS SOMETHING UNSEEN AND UNHEARD OF FOR QUITE A FEW YEARS IN ITALY.

ON PAGE 8, YOU CAN SEE THE ROMANIAN MACROECONOMIC INDICATORS WITH BETTER GDP AND CONSUMPTION NUMBERS. GDP UP 2.8% WITH A POSITIVE OR STABLE OUTLOOK GOING FORWARD, AND THEN CONSUMPTIONS REACHED 4% LAST YEAR, YET CONSUMPTIONS WILL REMAINED AT HIGH LEVELS ALSO GOING FORWARD, AND THE SOURCE FOR THESE DATA ARE REPRESENTED BY AUTHORITATIVE ROMANIAN INSTITUTE.

ON PAGE 10, VERY, VERY QUICKLY OR IT'S BETTER TO SPEAK. I WILL ENTIRELY SKIP IT, BECAUSE IT'S TOO DETAILED A CHART, IF YOU WANT TO, WE MIGHT TAKE ANY QUESTION DURING THE Q&A.

WE ARE NOW THEREFORE ON PAGE 11, AND HERE YOU CAN SEE REVENUES. OVERALL REVENUES WENT DOWN 3.6%, HOWEVER, THE IMPACT WAS ALMOST ENTIRELY DRIVEN BY THE LOWER SALES OF THE PROJECT PORTA A MARE. WE HAD A WHOLE SERIES OF CONTRACTS SIGNED BETWEEN THE END OF 2012 AND 2013. SO WE HAD QUITE A HIGH LEVEL OF CONTRACTS SIGNED WHILST LATER THE AMOUNT OF CONTRACTS WAS LOWER, HENCE THE DROP YOU SEE THERE. AND THEREFORE, OUR OPERATIONS WERE DOWN 0.2%.

ON THE RIGHT HAND SIDE ON THE PIE CHART YOU CAN SEE THE BREAKDOWN OF REVENUES BY CLASS OR TYPE OF ASSET. SO HYPERMARKETS 31.4%, SLIGHTLY UP, THEY ARE MEANT TO GO UP FURTHER BECAUSE THE PORTFOLIO WE ACQUIRED IN OCTOBER WAS MAINLY MADE UP BY HYPERMARKETS. SO IT WILL GROW UP BETWEEN 32% AND 33%.

ON PAGE 12, LET'S HAVE A QUICK LOOK AT THE MAIN RENTAL INCOME DRIVERS AND LET'S BENCHMARK AGAINST THE PREVIOUS YEAR. LET'S START FROM THE LIKE-FOR-LIKE ITALIAN REVENUES. AS YOU CAN SEE, THEY WERE UP 0.2% CORRESPONDING TO THE 2014 AVERAGE INFLATION RATE IN ITALY. WE EXPECTED HIGHER INFLATION, BUT THEN WE EVEN WERE ON VERGE OF DEFLATION. SO ON A LIKE-FOR-LIKE BASIS; WE POSTED A GROWTH WHICH WE CONSIDER AS A POSITIVE PERFORMANCE OR AS A GOOD RESULT.

THIS YEAR WE SAW VERY, VERY GOOD POSITIVE COMPONENT WHICH WAS THE CONTRIBUTION COMING FROM HYPERMARKETS, WHICH WAS UP 1.3% AS A CONTRIBUTOR WHILST THE SHOPPING MALL ASSET CLASS REMAINED STABLE CONTRIBUTION WISE. WE THEN HAVE APPROXIMATELY 2 BILLIONS IN HIGHER REVENUES ON A LIKE-FOR-LIKE BASIS. SO THANKS TO THE ACQUISITIONS, EXTENSIONS AND THE POSITION WHICH WE HAVE POST-CAPITAL INCREASE AND THAT OFFSET THE DECLINES GENERATED BY THE SO-CALLED INSTRUMENTAL VACANCIES. AND THEN WE ALSO OFFSET THE DECLINE RECORDED BY ROMANIA REACHING 0.2% WHICH IS THE OVERALL DECLINE ON TOTAL CORE REVENUES.

WE ARE NOW ON PAGE 13; HERE TOO WE HAVE TO GET INTO GREATER DETAILS. SO DIRECT COSTS WENT UP 11% AS YOU CAN SEE, BUT YOU CAN EQUALLY SEE FROM THE SAME CHART THAT THIS 11% WAS MAINLY DETERMINED BY SO-CALLED NON-PROPERTY LEASES, FROM €8.56 MILLION THEY MOVED TO €11.067 MILLION. IF WE STRIP THE NUMBERS FROM THIS, AND PLEASE, NON-PROPERTY LEASES ARE LINKED MAINLY TO THE LIVORNO DEAL, THAT'S TO SAY THE FACT THAT WE SOLD THE SHOPPING CENTER TO THE FUND MANAGED BY BNP.

SO ON THE ONE HAND, WE HAVE WHAT WE CASH-IN FROM TENANTS IN THE FORMS OF RENTAL, BUT THROUGH A MASTER LEASE, WE PAY RENT TO THE NEW OWNER OF THE SHOPPING MALL,

THAT'S WHAT'S DRIVING COST UP. NET OF THIS, THE INCREASE WOULD HAVE BEEN SLIGHTLY LESS THAN 3%. HERE, A SLIGHT INCREASE AND WE THINK THAT THIS WILL JUST BE A TRAILING OFF OF THE IMU AND TASI PROPERTY TAXES. IN THE PAST TWO TO THREE YEARS, WE WITNESSED QUITE SURGE IN THESE TAXES THAT WE PLACE EACH YEAR IN IMU, WAITING TWICE AS MUCH AS THE OLD AMOUNT OF THE EACH YEAR IN IMU. AND THEN WE SAW €100,000 IN ADDITIONAL FEES.

AND THEN, WE HAD AN INCREASE IN BUILDING SERVICE FEES, MOST OF THAT WAS OFFSET BY LOWER D&A AND LOWER PROVISIONING ON POTENTIAL BAD DEBTS THIS YEAR. COMPARED TO THE 24 DEFAULTS WHICH WE HAD IN 2013, WE ONLY SAW 12 DEFAULTING TENANTS. AND THAT REALLY LED US TO A REDUCTION OF OUR PROVISION AGAINST BAD DEBT. SO THIS APPROXIMATELY 2% GROWTH BETWEEN THE 2.9 AND THE 10.1 OF LAST YEAR AND THE PRIOR YEAR IS TO BE EXPLAINED BY VARIOUS ITEM SUCH AS FOR INSTANCE, COMMUNICATION PROJECTS AND OTHERS THAT YOU SEE LISTED IN THE SLIDE.

WE ARE NOW ON PAGE 14, VERY QUICKLY A FEW WORDS ABOUT OUR CONSOLIDATED EBITDA AND ABOUT OUR CORE BUSINESS EBITDA. IF WE LOOK AT THE CONSOLIDATED EBITDA, WE MOVED FROM €82.9 MILLION TO €78.8 MILLION. AND AS YOU CAN SEE CLEARLY IN THE CHART, THE €3 MILLIONS THAT AFFECTED OR DROVE THIS DROP IN TURN DEPEND FROM DIRECT COST AND THEIR RELATED PERFORMANCE, AS COMMENTED EARLIER. AT THE BOTTOM OF THE CHART, YOU CAN SEE THE EBITDA MARGIN MOVING ON FROM 68.6% TO 65.8%. IF WE CONSIDER EBITDA MARGIN FROM FREEHOLD MANAGEMENT ON A STANDALONE BASIS, WE HAVE 77.3% WHICH SAW A DECLINE OF LESS THAN ONE PERCENTAGE POINT COMPARED TO THE PRIOR YEAR.

PRE-TAX PROFIT OR PT SO THIS IS NOT PRE-TAX PROFIT ITSELF, THAT'S A TYPO ON THE SLIDE, SO WE ARE TALKING ABOUT 46% AS THE GROWTH, BUT HERE YOU CAN SEE WHAT AFFECTED OUR NET PROFIT STARTING FROM THE €5 MILLION IN 2013, THEN WE HAD €3.5 MILLION THAT WAS A DECLINE IN D&A, 2.5 IS JUST THE DECLINE IN THE NON-PROPERTY LEASES. SO POSITIVES INCLUDE A DECLINE OF APPROXIMATELY 10 MILLION, €10.3 MILLION OF WRITE-DOWNS AT FAIR VALUE. LAST YEAR THAT AMOUNTED TO OVER €33 MILLION. THIS YEAR THEY AMOUNTED TO A SHEER €23 MILLION. WE ALSO SAW AN IMPROVEMENT AND WE WILL SEE DETAILS LATER ON, €2.2 MILLION THAT'S THE IMPROVED FINANCIAL PERFORMANCE OR LOWER FINANCIAL EXPENSES.

AND THEN THERE WAS THE IMPACT THE SO-CALLED "SBLOCCA ITALIA" OR "UNLOCK ITALY" LAW WHICH OVERALL POSITIVELY AFFECTED OUR NUMBERS. HOWEVER, AT THE LEVEL OF TAXATION, WE SAW QUITE AN IMPACT COMING FROM THIS "UNLOCK ITALY" LAW, €1.9 MILLION, BUT THAT'S A ONE-OFF. SO ALL THIS HAD AN IMPACT OF €6.3 MILLION. SO ADJUSTING THESE NUMBERS FOR THIS IMPACT, WE WOULD HAVE SEEN QUITE A MORE BRILLIANT PERFORMANCE. OVERALL, OUR PERFORMANCE IS UP, REACHING 7.3% OR UP 46.1% COMPARED TO THE PRIOR YEAR.

PAGE 16, FUNDS FROM OPERATIONS, SO AS I SAID, WHEN I COMMENTED ON OUR FIRST HIGHLIGHTS, HERE WE SAW APPROXIMATELY 300,000 OR MINUS 0.9%, SO QUITE A CONTAINED DECLINE. ON THE RIGHT HAND SIDE, YOU CAN SEE THE MACRO DRIVERS AFFECTING OUR FFO, €3.5 MILLION, THAT'S THE DECREASE IN EBITDA AND THEN €2.4 MILLION, WHICH IS THE IMPROVED FINANCIAL MANAGEMENT, PLUS €900,000 OTHER CHANGES, SO DOWN 0.9%. WHAT I CAN SHARE WITH YOU AND SOMETHING WHICH IS NOT WRITTEN THERE IS THE FOLLOWING, IF WE HAD THE IMPACT OF THE MASTER LEASE IN LIVORNO IN 2013 TOO, THE IMPROVEMENT WOULD BE 7.6%, THAT'S TO SAY OUR ADJUSTED FFO WOULD HAVE BEEN BETTER 7.6% JUST AS A SHEER IMPACT OF NON-PROPERTY LEASES.

NOW, LET'S MOVE ONTO THE NEXT SECTION, AND LET'S START FROM PAGE 18. WE HAVE COMMERCIAL HIGHLIGHTS, AND WHERE WE HAVE GOOD NEWS DEFINITELY. SO THE FOOTFALLS ARE BASICALLY FLAT AND IN LINE WITH WHAT THE CNCC IDENTIFIED, MINUS 0.1% THAT IS ABSOLUTELY IN LINE WITH THE FIGURE OF THE OVERALL INDUSTRY. AND ON SALES, INSTEAD WE OUTPERFORMED THE INDUSTRY. THE INDUSTRY GOES UP 0.7 STILL POSITIVE AFTER A NUMBER OF YEARS OF NEGATIVE PERFORMANCE. SO WHILST IN OUR CONSOLIDATION SCOPE FOR OUR SHOPPING MALL, WE ARE TALKING SHOPPING MALLS AND NOT HYPERMARKETS, IT'S UP 3.4% FOR US.

SO DEFINITELY VERY, VERY POSITIVE PERFORMANCE, ESPECIALLY IF WE SEE IT AGAINST THE BACKDROP OF A YEAR SUCH AS 2014 WHERE THERE WERE STILL QUITE A FEW PROBLEMS, AND HYPERMARKET SALES OVERALL COOP ITALIA, AT NATIONAL LEVEL DOWN 3.9%, WHILST IGD HYPERMARKETS AND SUPERMARKETS DID A LITTLE BETTER. SO THEY DECLINED LESS MINUS 2.6% A PROGRESSIVE CHANGE.

SO LET ME TELL YOU ALSO THAT THESE DATA, THESE FIGURES I CAN'T GIVE YOU THE EXACT FIGURES. BUT THIS IMPROVEMENT GROWTH TREND IS TO BE SEEN IN JANUARY 2015 AS WELL. THE PERFORMANCE IS EVEN BETTER THAN THE FIGURES I HAVE JUST GIVEN HERE. AND AS FAR AS HYPERMARKET SALES ARE CONCERNED, WE HAVE A CLEAR SHRINK OF 3.9, EVEN THOUGH WE ARE NOT YET IN THE POSITIVE, BUT THERE IS AN IMPROVEMENT TREND TO BE WITNESSED.

NOW, LET'S MOVE ONTO PAGE 19. LET'S HAVE A LOOK AT THE PERFORMANCE OF OUR SHOPPING MALLS. IN 2014, YOU SEE IGD'S TENANT SALES PERFORMANCE BETWEEN 2012 AND 2014. SO THREE YEAR TIME SPAN, THIS YEAR AS WE SEE IN THE BOX ON THE LEFT IS THE FOURTH CONSECUTIVE QUARTER OF GROWTH WE ARE RECORDING. SO 2014, POSITIVE AS A WHOLE UP 3.4%, BUT Q4 POSITIVE GROWTH AND STILL ON GOING, SO THIS PIECE OF INFORMATION WE HAVE, WHILE THIS KIND OF PERFORMANCE WE HAVEN'T SEEN EVER SINCE 2010. WE ARE BACK TO 2011 YEAR-END FOOTFALLS OR FOOTFALL LEVELS YOU SEE A ZERO, THE ARROW WITH A ZERO, WHILST AS FAR AS SALES ARE CONCERNED ON A LIKE-FOR-LIKE BASIS UNTIL 2011 IT'S MINUS 1.3% STILL WE ARE HOPING THIS YEAR TO OUTPERFORM THIS NEGATIVE

DEALT. JANUARY IS ALREADY LOOKING GOOD, HOWEVER STILL TOO EARLY YET TO DRAW MORE GENERAL CONCLUSION.

BOTTOM PART OF THE SLIDE, YOU SEE A COMPARISON OF OUR PERFORMANCE, IGD'S PERFORMANCE AS FAR AS TENANT SALES ARE CONCERNED. AGAIN, COMPARISON 2013-2014 UP 3.4% VERSUS MINUS 1.4% IN THE PREVIOUS YEAR, AND WHAT WE ARE RECORDING HERE IS THE ISTAT CONSUMPTION DATA; IT IS THE NATIONAL INSTITUTE FOR STATISTICS FIGURES. IT'S DOWN 1.3% LAST YEAR. AND I WOULD MAKE OUR PERFORMANCE LOOK EVEN BETTER BECAUSE WHEREAS LAST YEAR IT'S MINUS 2.7% AND OUR FIGURE IS SLIGHTLY BETTER BECAUSE IT'S MINUS 1.4%.

LET'S MOVE ONTO PAGE 20, PERFORMANCE OF OUR SHOPPING MALLS IN 2014, LET ME SHOW YOU THE FOLLOWING. WE WITNESSED A GROWTH IN SALES AND A SIZABLE INCREASE IN THE APPAREL AND CLOTHING AND ACCESSORIES DOMAIN, WHICH IS MOST PART OF OUR TENANT IN THE SHOPPING MALLS AND ALSO CONSUMPTION WHICH MAKE UP TWO THIRDS OF OUR SALES IN OUR SHOPPING MALLS.

CONSUMER ELECTRONICS, LET'S HAVE A COMPARISON BETWEEN ITALY AND ROMANIA, CONTRACTS EXPIRED LAST YEAR AND DOWNSIDE IN RENEWALS 7.2% FOR ITALY. ITALY, WE HAVE CONTRACTS THAT WERE RENEWED, ITALY WAS DOWN 7.2%. THERE WERE CONTRACTS THAT WERE RENEWED IN PRE-CRISIS HERE SO WE RECONDITIONED, WE RENEGOTIATED THE CONDITIONS IN ROMANIA. THE DECLINE WAS LOWER. THE DOWNSIDE WAS MINUS 4% WITH RESPECT TO ITALY, WHICH WAS DOWN 7.2%.

ON THE RIGHT HAND SIDE YOU SEE THE CONTRACTS, THE BREAKDOWN OF CONTRACTS PROJECTED OVER THE YEARS. AS WE DID OVER 2014, WE THOUGHT IT WOULD BE INTERESTING FOR YOU TO SEE WHAT WE HAVE DONE IN OUR MAIN SHOPPING MALLS. YOU CAN SEE THE RESULT, THE OUTCOME OF THE WORK WE'VE PUT IN OVER THE YEARS. SO CENTRO D'ABRUZZO WE HAVE EXTENDED IT AND OPENED IT AGAIN IN APRIL. FOOTFALLS WENT UP 9.3%, YOU SEE BOTTOM RIGHT ON THE SLIDE, PAGE 22 AND SALES WENT UP 35% VERSUS 2013 AND THEY ARE NOT ON A LIKE-FOR-LIKE BASIS BECAUSE OF COURSE, WE EXTENDED THE SHOPPING MALL, BUT THEY TELL YOU HOW THE EXTENSION DEFINITELY WAS A SUCCESS CASE.

PAGE 23 TIBURTINO ANOTHER BIGGER SHOPPING MALL THIS TIME, AND THANKS TO SOME REFURBISHING ACTIONS THAT WE PERFORMED AND THE ENTRY OF NEW TENANTS THAT WERE BOTH ON THE HARDWARE SIDE AND THE SOFTWARE SIDE. WE ACHIEVED SUCH A PERFORMANCE AS DEPICTED IN THE BOTTOM RIGHT PART OF THE SLIDE. SO FOOTFALLS UP 13.1%, IN EXCESS OF 5 MILLION VISITORS AND SALES MORE THAN €75 MILLION, UP 12.6% VERSUS 2013.

VERY INTERESTING PAGE 24, AS WELL THE PRESENTATION IS THE WORK WE CARRIED OUT IN AFRAGOLA VERY CLOSE TO NAPLES, AND THERE WAS A HYPERMARKET WITH A SURFACE THAT

WAS TOO HIGH AND NON-PERFORMING WE'VE CUT THAT BY 50% ROUGHLY WITH A NEW HYPERMARKET 4,200 SQUARE METERS THE NEW SALES FACE NOW THE NEW HYPERMARKET AND THE FREED UP SURFACE WAS TURNED INTO A SHOPPING MALL WITH KIOSKS AND THIS DISPLAY AREAS. AND THE FIRST FIGURES WE HAVE AS EARLY DECEMBER ARE DEFINITELY REASSURING UP 11% FOOTFALL AND UP 51.2% TENANT SALES.

AND THEN YOU SEE ALL THE OTHER SHOPPING MALLS AND WITH SHOPPING CENTERS WE WORKED ON MONDOVICINO FOR INSTANCE WE SUFFERED A LOT OVER THESE YEARS OF CRISIS. BUT IN 2014, THERE WAS A TREND REVERSAL AGAIN THEY WERE SHOWING, AGAIN GROWTH, BOTH IN FOOTFALLS AND SALES AND THEN WE HAVE A MASTER LEASE FOR CENTRO NOVA AND PERFORMANCE IS DEFINITELY GOOD IN DECEMBER. AND HERE AGAIN, IT'S A QUITE BIG SHOPPING MALL OR SHOPPING CENTER.

AND THEN LAST BUT NOT LEAST PORTA A MARE, THE LAST OPENING WE OPENED IT IN JULY AND THEN THE OPENING OF PIAZZA MAZZINI AND THE COOP AND UNIEURO POINT OF SALES WERE OPENED THERE AND DEFINITELY IT WAS A VERY SUCCESSFUL ACTION WE UNDERTOOK HERE AS THE PREVIOUS ONES DESCRIBED.

IF I LOOK AT THE ROMANIAN SITUATION PAGE 26 IN THE PRESENTATION, WE WORKED BOTH ON THE TENANT MIX AND THE RESTYLING AND REFURBISHING OF OUR SHOPPING MALLS. WE HAVE PICTURES FROM GALATI FOR INSTANCE AND THEN PLOIESTI AND VALCEA SOME OF THE PICTURES YOU CAN TELL THAT THE IMAGE THESE SHOPPING MALLS CONVEY IS MUCH MORE WESTERN LIKE THAN IT WAS IN THE PAST.

WE ARE NOW ON PAGE 27 OF THE PRESENTATION, A VERY BRIEF SLIDE FOR US HOWEVER VERY, VERY MEANINGFUL MAYBE NOT SO MUCH FOR YOU BECAUSE WE ARE STILL WORKING ON SUSTAINABILITY REPORT AND WE HAVE ACHIEVED VERY MEANINGFUL RESULTS ALSO HAVING AN IMPACT ON OUR P&L, NOT JUST IN OUR P&L'S BUT ALL OF THE OPERATORS P&L AND TENANTS P&L BECAUSE WE REDUCED ENERGY CONSUMPTION BY 12.4% BETWEEN 2013 AND 2014 IN ITALY.

SO WE ARE STILL WORKING ON THE ROLLOUT PLAN FOR ISO 14001 CERTIFICATION AND IN MAY WE WILL BE GRANTED THE FIRST BREEAM CERTIFICATION FOR OUR CENTRO SARCA, THANKS TO RESTYLING. AND THEN WE HAVE OTHER INDEPENDENT AUDITS WE HAVE STAKEHOLDER ENGAGEMENT ACTIVITIES, AND THEN WE ARE EXPERIMENTING WITH THE FIRST APPS FOR OUR SHOPPING MALLS AND SHOPPING CENTERS.

LET'S MOVE ONTO PAGE 28, YOU SEE, WE HAVE RENEWED CENTERS ALSO FROM THE TECHNOLOGY VIEWPOINT, MAIN TWO AREAS, THE EXPERIMENTATION WAS DIGITAL TOTEMS WERE INTRODUCED IN THE SHOPPING MALLS AND SHOPPING CENTERS, ALL CENTERS ARE NOW EQUIPPED WITH THE WEBSITE AND WE HAVE REDESIGNED AND REVISED THE GRAPHICS WE'VE

MADE THEM MORE CONSISTENT NOW AND THEN OF COURSE SOCIAL NETWORK, SOCIAL MEDIA. WE HAVE OUR FACEBOOK PAGE. WE HAVE INCREASING LIKES, WE'VE WITNESSED INCREASING LIKES THROUGHOUT THE YEAR, AND WE HAVE FOLLOWERS. WE HAVE AN OFFICIAL TWITTER ACCOUNT TO ACTUALLY SEE HOW MANY FOLLOWERS WE ARE GOING TO GET.

LET'S HAVE A LOOK AT PORTFOLIO CHARACTERISTICS PAGE 30, IN THE PRESENTATION. FINANCIAL OCCUPANCY, HYPERMARKETS 100% OCCUPANCY, MALLS 94.3% OCCUPANCY, AND THE AVERAGE THEREFORE IS 96.2%, ITALY VERSUS 86.4% AND ROMANIA, THE FOLLOWING LINE YOU SEE MARKET VALUE AS OF DECEMBER 31, 2014 FOR INDIVIDUAL ASSET CLASSES AND WHILST FOR THE GROSS INITIAL YIELD IS 6.52% FOR HYPERMARKETS, 6.58% FOR MALLS AND 6.72% FOR ROMANIA, WITH THE RELEVANT GLA.

VERY INTERESTING IS ALSO THE CHART WE ARE PRESENTING ON THE BOTTOM PART OF THIS SLIDE. IF WE COMPARE OUR GROSS INITIAL YIELD OVER THE LAST SIX YEARS BETWEEN 2009 AND 2014 WHAT YOU CAN SEE IS THAT OUR YIELD STAYED FLAT IF NOT GROWING. WE ARE TALKING ABOUT SHOPPING MALL YIELD. WHILST IF WE LOOK AT THE YIELD OF THE FIVE YEAR BTP, WHY FIVE YEARS, BECAUSE WE HAVE RENTAL CONTRACTS THAT SPAN OVER 6 YEARS. SO WE WERE VERY SIMILAR IN MAKING THIS COMPARISON. SO THE AVERAGE IS 1.67% FOR THE FIVE YEAR BTP, AND THE SPREAD HERE IS BETWEEN THE GROSS INITIAL YIELD OUR SHOPPING MALLS HAS PROVIDED, AND THE FIVE YEAR BTP.

YOU SEE THE SPREAD IS IN EXCESS OF 5 BASIS POINTS, AND IT WAS EVEN LOWER OVER THE LAST FEW YEARS. IF YOU CONSIDER THAT BETWEEN YESTERDAY AND TODAY A FIVE YEAR BTP ISSUE HAD THE RATE OF 0.56%. SO YOU SEE THERE WOULD BE A SIX POINTS SPREAD THERE, THAT REALLY MAKES US BE VERY OPTIMISTIC AS TO THE REAL ESTATE INVESTMENTS GOING FORWARD, AND THE TYPE OF ASSET CLASSES WE ARE RELYING ON, BECAUSE THEY ARE PROVIDING YIELD, OF COURSE, THIS IS A GROSS INITIAL YIELD FIGURE AND THE NET YIELD, BUT EVEN THE BTP YIELD IS A GROWTH FIGURE. SO IT'S QUITE COMPARABLE AND WE HAVE ALL THE NECESSARY FOUNDATIONS TO WITNESS A FURTHER COMPRESSION OF THESE YIELD.

WE ARE NOW ON PAGE 31 OF THE PRESENTATION. HERE YOU SEE A BREAKDOWN OF OUR MARKET VALUE EVOLUTION OVER 2014 FROM €1.891 BILLION TO €1.95 BILLION. LET'S HAVE A LOOK AT THE WRITE-DOWN €23 MILLION AND THEN €19 MILLION OF WRITE-DOWNS IMPAIRMENTS DUE TO CAPEX THAT WE ROLLED OUT IN 2014, AND FOR THAT CAPEX WE HAVE NOT YET HAD ANY UPSIDE REVENUE WISE ON RENTALS MEANING, AND SO THEY HAD AN IMPACT INDEED HAD AN IMPACT ON THE INCOME STATEMENT.

HYPERMARKETS YOU SEE IF YOU LOOK IN THE BOX AT THE BOTTOM OF THE SLIDE IN FAIR VALUE LIKE-FOR-LIKE BASIS THERE WAS AN INCREASE OF 1.1%, WHILST THERE WAS A DECREASE OF €11.1 MILLION FOR MALLS, AND CITY CENTERS THEY WERE UP ABOUT 3%. SO THIS €23 MILLION, 90% OF THIS €23 MILLION ARE DRIVEN BY CAPEX THAT ENABLED US TO KEEP THE

QUALITY OF OUR PORTFOLIO HIGH, AND THE OCCUPANCY RATES HIGH. BUT OF COURSE, OUR CONTRACTS, OUR SPAN OVER SIX YEAR TIME DURATION. SO WE WILL TRY AND RECOVER AND GET MORE OUT OF THESE INVESTMENTS. THANKS TO AN INCREASE IN RENTS AND RATES, BUT SO FAR THIS CAPEX HAVE PENALIZED US.

LET'S HAVE A LOOK AT THE INVESTMENT PORTFOLIO. WE ARE NOW ON PAGE 32 AND 33 OF THE PRESENTATION. YOU SEE WORK IN PROGRESS, AND THESE ARE PROJECTS WE'VE HAD IN OUR PORTFOLIO FOR A NUMBER OF YEARS NOW. CHIOGGIA FOR INSTANCE IS ONE OF THESE, EVENTUALLY ACCRUED OVER THE YEARS IT'S GOING TO BE A €39 MILLION WORTH INVESTMENT. TOTAL EXPECTED INVESTMENT IS €39 MILLION BETWEEN END OF MAY AND EARLY JUNE, WE ARE GOING TO OPEN THE RETAIL PARK IN CHIOGGIA. AND THEN OFFICINE STORICHE WE'VE ALREADY MENTIONED IT WAS ALREADY OPENED. WE ARE ABOUT TO START WORK ON THE MOST VALUABLE AND PRESTIGIOUS PART OF THIS MALL.

I AM TALKING ABOUT OFFICINE STORICHE, WORK IS STARTING NOW H1, 2015 AND SHOULD BE COMPLETED IN H2, 2017. AND THEN SHOPPING CENTER ESP, RAVENNA WE ARE DOUBLING THE SURFACE OF THE SHOPPING MALL STARTED WORKING ON DECEMBER 2014, END THE WORK ASSUMED TO BE DECEMBER 2016. AND PORTOGRANDE ASCOLI, WE ARE GOING TO START WORKING ON IT H1, 2015 END OF WORK H2, 2016 OVERALL INVESTMENT €10 MILLION.

AND THEN WE ALSO HAVE RESTYLING PROJECTS THAT ARE BEING RUN, ONE IS CENTROSARCA AND VERY CLOSE TO MILAN IN THE SESTO SAN GIOVANNI AREA WORTH ABOUT €8 MILLION AND THEN RESTYLING OF CENTRO BORGO WHICH IS A LOCATION NEAR BOLOGNA, IT'S A NEW GENERATION SHOPPING MALL, SHOPPING CENTER AND THROUGH THE RESTYLING EFFORT WE ARE SOMEHOW REVIVING IT. AND €3.5 MILLION, AND IT WAS THE FIRST SHOPPING CENTER FOR THE CITY OF BOLOGNA NOT JUST INVESTMENTS, BUT ALSO DISPOSAL.

PAGE 34 YOU FIND OUR DISPOSAL PLAN. IF WE COMPARE IT TO THE BUSINESS PLAN THAT WAS DISCUSSED FOR 2014-2016, TWO-THIRDS OF THE DISPOSALS HAVE ALREADY BEEN COMPLETED. AND WE ARE EVEN AHEAD OF TIME. SO THESE DISPOSALS WERE PERFORMED AT A VALUE THAT WAS EITHER EQUAL OR HIGHER THAN THE ASSET BOOK VALUE.

LET ME REMIND YOU THAT DISPOSAL OF LE FONTI €47 MILLION IN LINE WITH BOOK VALUE. CAPITAL GAIN OF A €150,000 ROUGHLY AND THEN MARCH THE 5TH, DISPOSAL OF TREASURY SHARE TO THE QUANTUM STRATEGIC PARTNER FUND AND THEN ON JANUARY THE 15, 2015 WE DID NOT HAVE AN IMPACT ON LAST YEAR'S RESULTS. WE SIGNED A PRELIMINARY CONTRACT FOR A REAL ESTATE COMPLEX LOCATED IN THE HEART OF BOLOGNA TO APPLE AN IBF BOOKSTORE; IT WAS THE VIA RIZZOLI CENTRE FOR €29.4 MILLION. LET ME REMIND YOU THAT THIS WAS PURCHASED IN 2010 FOR A VALUE 2011. WE BOUGHT IT AT ABOUT €25 MILLION PLUS TRANSFER. SO INDEED THIS TRANSACTION WAS SATISFACTORY FOR US.

PAGE 35, TRIPLE NET NAV RESULTS CALCULATED WITH A PROCESS THAT IS EPRA COMPLIANT €1.933 AND VERSUS THE PREVIOUS YEAR NAV €2.20 (PH) LAST YEAR. SO THE DELTA IS ENTIRELY DRIVEN BY THE CAPITAL INCREASE.

LET'S NOW MOVE ONTO THE FINANCIAL STRUCTURE. AS WE SAID, WHEN WE INTRODUCED THE PRESENTATION WE HAD MAIN TRANSACTIONS IN 2014. LET'S START FROM PAGE 37. THE ISSUE OF A SENIOR BOND €150 MILLION WITH MORGAN STANLEY TOOK PLACE IN MAY AND THEN THERE WAS A DAY POSITIVE DRO DIVIDEND REINVESTMENT OPTION, IT WAS SUCCESSFULLY COMPLETED ALWAYS IN MAY ABOUT 70%; WE HAD ABOUT 78% OF SUBSCRIPTIONS VERY, VERY SUCCESSFUL. WE HAVE BEEN PROPOSING IT FOR ABOUT 3 YEARS NOW ALWAYS BEEN VERY SUCCESSFUL. AND THEN EVENTUALLY OCTOBER CAPITAL INCREASE WAS €200 MILLION AND IT WAS SUCCESSFULLY COMPLETED WITH A SUBSCRIPTION RATE OF 99.7%, A RECORD RESULT IN THE CORPORATE SEGMENT OF COURSE OF THE CAPITAL MARKET.

WE ARE NOT INCLUDED THE BANKING INDUSTRY, BUT WE ARE VERY CLOSE TO THE TOP OF THE RANK WITH 0.25 UNEXERCISED RIGHTS. AND SO, THE DEBT CAPITAL WE GATHERED IN 2014 THE FUND RAISED THROUGH DEBT OPERATIONS IS €237.2 MILLION, SENIOR BOND ISSUE ON THE ONE HAND AND THE DELTA AT €87 MILLION DELTA A NEW LOAN FACILITIES WE RECEIVED FROM BANKS. AND YOU SEE THE FINANCIAL HIGHLIGHTS, IF YOU COMPARE TO THE OVERALL STOCK FOR NFP WHICH IS €942 MILLION, 90% LONG-TERM ABOUT 10% SHORT-TERM FACILITIES IS VERY WELL BALANCED. OUR NFP BETWEEN BANKS AND MARKET, BANKS ACCOUNT FOR 54% MARKET ACCOUNT FOR 46% ROUGHLY.

WE ARE NOW ON PAGE 38, FINANCIAL HIGHLIGHTS, AS I SAID BEFORE. GEARING RATIO, NET TO EQUITY WENT FROM 1.38% TO 0.95%. LOAN TO VALUE WENT FROM 57.4% TO 48.3%. AND THEN A TREND REVERSAL FOR THIS ITEM LINE, IF THIS IS GROWING THE COST OF DEBT BECAUSE OF THE DEBT STOCK WAS RECEIVED AS A LEGACY FROM THE PREVIOUS YEAR BECAUSE WE HAVE TRANSACTIONS AT A WORSE CONDITION TO ACTUALLY GO AHEAD WITH THE CONVERTIBLE BOND PROJECT, FINANCE FUNCTION IS WORKING, AND MR. BONVICINI, CAN GIVE YOU SOME DETAILS ABOUT IT.

WE ARE WORKING ON SOME TRANSACTIONS AND ACTIONS TO REVIVE SOME OF THE EXISTING INSTRUMENTS AND FACILITIES. SO THAT WITHIN 2015, EARLY 2016 WE CAN GET TO A COST OF DEBT THAT'S DEFINITELY LOWER THAN 4%. INTEREST COVER RATIOS, IS THE SNAPSHOT AT YEAR END. WE EXPECT TO BE VERY CLOSE TO TWO AT YEAR END AND THIS FIGURE IS ONLY PARTIALLY AFFECTED BY THE CAPITAL INCREASE AND THIS YEAR BECAUSE OF THE COMBINED EFFECT OF EBITDA GROWTH ALSO THE INTEREST COVERAGE RATIO SHOULD BE CLOSE TO TWO TIMES WITH AN AVERAGE LENGTH OF LONG TERM DEBT, ALSO CONSIDERING THE BOND ISSUE AND WHAT WE DID FOR COST IS AROUND 6.2 YEARS HEDGING ON LONG-TERM DEBT AND BOND IS VERY HIGH. WE ARE IN EXCESS OF 90%, WHILST LET ME STRESS THAT BANKING CONFIDENCE IS STILL FLAT, BUT WHAT WE INCREASED WAS THE MARKET VALUE OF ASSETS THAT ARE FREE FROM

MORTGAGE. AND THEN WE CLOSED MOST OF THE MORTGAGE LOANS WE HAD OPENED, AND WE HAVE OTHER ASSETS, WE GET TO €618.9 MILLION OF MARKET VALUE OF MORTGAGE FREE ASSETS AND LAND.

AND THEN WE ARE ON PAGE 40 FOR DEBT MATURITY. WHAT WE EXPECT BETWEEN 2015 AND 2016, THERE ARE NO MAJOR DIFFERENCES AND THEN STARTING FROM 2016 AND 2017 WE WILL SEE THE MATURITY OF BONDS WE'VE ISSUED OVER THE LAST FEW YEARS. THE BOND WE ISSUED IN MAY 2013, €144.9 MILLION, THE BNP FINANCING LOAN THAT WAS ISSUED LAST YEAR IN THE SENIOR BOND. THESE ARE THE THREE INSTRUMENTS WE ARE STILL WORKING. SO I CANNOT SHARE TOO MANY DETAILS WITH YOU. BUT I THINK THAT, ONCE THE Q1 RESULTS ARE APPROVED, I WILL BE ABLE TO SHARE MORE INFO WITH YOU THAT WOULD BE BASICALLY APRIL.

LAST BUT NOT LEAST, WE ARE NOW ON PAGE 41 DIVIDEND. TO CLOSE THIS PRESENTATION, LET ME SAY THAT THIS MORNING BOARD RESERVED TO PROPOSE OUR NEXT AGM TO PAY A DIVIDEND OF €0.0375 PER SHARE. IF WE WERE TO CONSIDER ALSO THE NEW OUTSTANDING SHARES, LAST YEAR WE HAD €0.065. SO THIS IS SIMPLY TO SAY THAT LAST YEAR'S ADJUSTED DIVIDEND WOULD HAVE BEEN EQUAL TO €0.03. SO, €0.0375 MEANS 25% INCREASE COMPARED TO LAST YEAR WITH A 5.8% DIVIDEND YIELD AND A DIVIDEND YIELD ON THE FEBRUARY 25 THE PRICE IS SOMETHING THAT WAS DETECTED LAST YEAR CONSIDERING TODAY'S TRADING PRICE THAT WOULD HAVE BEEN QUITE DIFFERENT 4.6%.

NOW, THE DIVIDEND POOL IS €28.4 MILLION AND APPROXIMATELY THE PROPOSED DIVIDEND IS VERY SUSTAINABLE AND THAT'S A DIVIDEND WE WANTED TO GIVE AND TO PAY IN ORDER TO REWARD SHAREHOLDERS WHO SUPPORTED US AND UNDERWROTE OUR CAPITAL INCREASE. SO IT WAS QUITE DUE ACT ON OUR PART TO REWARD THEM.

AND AGAIN, WHEN WE MADE A CAPITAL INCREASE, WE TOOK ANOTHER PLEDGE. THAT TO SAY, THIS YEAR WE WILL NOT PROPOSE A DRO. SO WE THINK THAT OUR CAPITAL RATIOS AND OUR CAPITAL STRUCTURE IS ON A SOUND FOOTING, SO WE DON'T NEED ANY DRO.

THAT'S THE END OF THE PRESENTATION. WE THEN HAVE ENCLOSED A FEW ATTACHMENTS AT THE END OF THE HANDOUT. YOU CAN SEE MARGINS FROM ACTIVITIES ON PAGE 43, PAGE 44 THE LIST OF THE TOP TENANTS IN ITALY. SO THE TOP 10 TENANTS IN ITALY FOLLOWED BY THOSE IN ROMANIA AND THEN MARKET VALUE EVOLUTION, AND SO ON AND SO FORTH IN THE FOLLOWING PAGES.

TOGETHER WITH THE REST OF THE MANAGEMENT TEAM, WE ARE NOW GLAD TO TAKE ANY QUESTION OR REQUEST FOR CLARIFICATION YOU MAY HAVE. THANK YOU.

I WOULD LIKE TO THANK YOU VERY MUCH FOR LISTENING TO US AND NOW WE OPEN THE Q&A SESSION.

Q&A

OPERATOR: THIS IS THE CHORUS CALL OPERATOR. WE WILL NOW HAVE Q&A SESSION. THE FIRST QUESTION WILL COME FROM THE LINE OF ANDREA BONFÀ OF BANCA ALETTI. PLEASE SIR.

ANDREA BONFÀ: GOOD AFTERNOON EVERYBODY. I HOPE YOU CAN HEAR ME LOUD AND CLEAR. I HAVE A SERIES OF QUESTION. THE FIRST QUESTION IS THE CORRELATION BETWEEN YOUR SALES AND YOUR FOOTFALL SALES AND YOUR POSSIBILITY OF RAISING RENTS AND HOW MUCH OF A PICKUP IN CONSUMPTION LEVEL SHOULD BE WITNESSED BEFORE YOU CAN GO AND ASK FOR HIGHER RENTS? AND THEN AS FAR AS RESCHEDULING OF OUR DEBT IS CONCERNED DO YOU ENVISAGE ANY IMPROVEMENT IN TERMS OF YOUR FINANCIAL EXPENSE OR FINANCIAL FEES?

CLAUDIO ALBERTINI: THANK YOU FOR YOUR QUESTIONS. I WILL TRY TO ADDRESS YOUR QUESTIONS NOW. NOW IT IS CLEAR THAT IS THE TREND OF GROWING SALES RECORDED BY TENANTS IS HERE TO BE WITNESSED IN 2015 PLEASE BEAR IN MIND THAT WE HAVE SOME OUTSTANDING CONTRACTS THAT CANNOT BE AMENDED BEFORE THEY EXPIRE. WE WILL DO FROM €3.1 MILLION TO €2.1 MILLION THAT WAS THE OVERALL AMOUNT OF DISCOUNTS. WE ARE TALKING ABOUT TEMPORARY DISCOUNT. THIS YEAR THE AMOUNT OF TEMPORARY DISCOUNTS SHOULD GO FURTHER DOWN.

NOW RENEWAL UPSIDE WELL, WE WILL PUT IT FORWARD, BUT WE HAVE TO WITNESS A PROLONGED INCREASE IN CONSUMPTIONS THROUGHOUT 2015 THEN I WILL PROBABLY HAND THE CALL OVER TO OUR GENERAL MANAGER TO SHARE A FEW HIGHLIGHTS ABOUT OUR MARKETING POLICIES THEN ADDRESSING YOUR SECOND QUESTION WHICH I FORGOT, THE FINANCIAL EXPENSES. WELL, WE ARE BENEFITING FROM THE OUTSTANDING STOCK OF OUR DEBT WHICH IS FLOATING RATE, BUT THAT'S NOT A LOT. AS FAR AS OUR SHORT TERM DEBT IS CONCERNED, MARKET CONDITIONS WERE REALLY EXCEPTIONAL, SO THROUGH THE CAPITAL INCREASE WE MANAGED TO IMPROVE OUR CREDITWORTHINESS VIS-À-VIS BANKS.

SO WHEN IT COMES TO SHORT-TERM DEBT WE ARE BETWEEN 0.45, 0.50. SO IT'S BELOW ONE PERCENTAGE POINTS WELL FROM MEDIUM-TERM DEBT WE DON'T HAVE ANYTHING, BUT I THINK THAT THE CONDITIONS TO GET 200 BPS OR EVEN BELOW THAT ARE THERE FOR CREDIT FACILITIES IN THE FIVE YEARS TIME HORIZON. NOW CONSIDERING THE FACT THAT THAT WE HAVE QUITE A BULK OF OUR DEBT WHICH IS LONG-TERM AND THAT'S HEDGED, WE ARE IN A BENEFICIAL POSITION, WE CAN BENEFIT FROM THAT. WE HAVE ALREADY EXCHANGED REVIEWS WITH OUR COUNTERPARTIES. SO WE ARE MODERATELY OPTIMISTIC ABOUT THE POSSIBILITY OF RESCHEDULING OR REMODELING OUR DEBT PROFILE SUCH AS EXTENDING THE MATURITY OF OUR DEBT. NOW IF WE WILL SEE ANY CHANGE IN THAT AREA, WE WILL SEE IT IN THE SECOND PART OF THE CURRENT YEAR AND NEXT YEAR WITH EVEN POTENTIALLY MEANINGFUL DROPS

TACKLING MORE SPECIFIC PART OF YOUR QUESTIONS THAT TO SAY OUR MARKETING ACTIVITIES I THINK THAT MR. CABULI (PH) IS HERE AND CAN JUST FILL YOU IN.

DANIELE CABULI:

GOOD AFTERNOON EVERYBODY. I'LL TRY TO SUPPLEMENT A LITTLE BIT WHAT MR. ALBERTINI SAID, THIS IS QUITE AN IMPORTANT POINT FOR US. WELL TO REPLY CORRECTLY TO YOUR QUESTION, WE SHOULD NOT FORGET WHAT OUR BACKGROUND IS OR WHAT LIE BEHIND OF US THAT TO SAY YEARS WHEN TENANTS SAW QUITE A DROP IN THEIR CONSUMPTIONS AND SALES. SO IN THE PAST FEW QUARTERS WE SAW A REVERSE IN MATHEMATICAL SIGN BEFORE THE NUMBERS OF OUR TENANT SALES. SO THAT'S THE OVERALL SCENARIO WHEN IT COMES TO OUR TENANTS' SALES AND CONSUMPTION LEVELS. THERE IS A VARIABLE COMPONENT AND I THINK THAT'S PROBABLY ALSO COVERED BY PART OF YOUR QUESTIONS. SO THAT'S A GOOD VARIABLE EFFECTING OUR RENTAL LEVELS AND IN THE PAST FEW YEARS, WE HAD TO FACE POTENTIALLY DEFAULTING CUSTOMERS ALREADY IN 2015 WE SAW A FEW POSITIVE RESULTS SO WE SEE MORE POSITIVE THERE THAT WE COULD LEVERAGE ON. AND HAVING SAID THIS, WE EXPECT AND WE DO HOPE 2015 TO SHOW A PROLONGING POSITIVE TREND ON THIS SIDE AS FOR RAISING OUR RENTALS, WELL A LOT DEPENDS ON THE RATE OF RENEWAL.

IN 2014 AND THAT MIGHT FOUND ODD FOR YOU, BUT WE HAD A DOWNSIDE OF OUR CONTRACTS, BUT THAT WAS DRIVEN BY SEVERAL SECTORS INCLUDING FIRST OF ALL THE REMODELING OF CERTAIN SALES AREAS WHICH WE DID AS TO SAY TRANSFORMING IT FROM SMALL TO MID SIZED AREAS, THEREFORE CHANGING THE PER SQUARE METER RENTAL. AND THEN, THERE WAS THE TEMPORARY REDUCTION IN RENTALS IN THE FORM OF TEMPORARY DISCOUNTS THAT TRIED TO SOMEWHAT MITIGATE OR OFFSET CONTRACTUAL RENEWALS. A LOT DEPENDS ON THE SPECIFICITY OF EACH CASE THAT TO SAY A LOT DEPENDS ON WHERE WE CAN RENEW CONTRACTS AND WILL WE START FROM WE HAVE CERTAIN CONTRACTS WHERE RENEWING THAT CONTRACT WITH A GREAT UPSIDE IT'S NOT FEASIBLE.

ANDREA BONFÀ:

I HAVE ANOTHER QUESTION. I DON'T HAVE THE NUMBERS, BUT TO SEE YOUR TENANTS GET BACK TO 2007 SALES. WHAT KIND OF MACROECONOMIC CONSUMPTION LEVELS SHOULD WE WITNESSED. ARE WE TALKING ABOUT A 10% INCREASE?

CLAUDIO ALBERTINI:

WELL, WE SHOWED YOU THREE YEAR NUMBERS UNTIL 2011. WE ARE WELL BELOW THAT. I DON'T HAVE NUMBERS TILL 2007, BUT THERE IS STILL SOMEWAY WE NEED TO GO AND I LIKE TO TIE BACK IN WITH WHAT DANIELE CABULI SAID, THIS YEAR I WOULD PROBABLY SEE A POSITIVE SECTOR REPRESENTED BY A GRADUAL REDUCTION OF OUR TEMPORARY DISCOUNTS RATHER THAN SEEING AN UPSIDE RENEWAL. SO WE CAN REALLY AIM AT SOMETHING IN LINE WITH INFLATION, BUT NOTHING MORE THAN THAT. SO SHOULD THIS TREND BE CONSUMED AND INCIDENTALLY JANUARY NUMBERS WERE VERY, VERY GOOD COMPARED TO 2014. SO IF 2015 NUMBERS WERE TO BE GOOD ONES, WELL WE MIGHT START TO THINK ABOUT CHANGING RENEWAL TERMS AND CONDITIONS ONCE CERTAIN CONTRACTS REACH EXPIRY. I DON'T HAVE 2007 NUMBERS.

ANDREA BONFA': NO, NO, IT WAS JUST TO USE IT TO DO A LITTLE BIT OF NUMBER CRUNCHING, BUT THAT'S FINE IT DOESN'T MATTER IF YOU DON'T HAVE THEM.
THANK YOU VERY MUCH. THANK YOU VERY MUCH.

OPERATOR: NEXT QUESTION COMES FROM SIMONETTA CHIRIOTTI WITH MEDIOBANCA. YOU HAVE THE FLOOR.

SIMONETTA CHIRIOTTI: GOOD AFTERNOON TO ALL OF YOU. I LIKE TO HAVE A BETTER GRAPH OF THE LIKE-FOR-LIKE GROWTH FIGURES FOR HYPERMARKETS AND PAGE 12 OF THE PRESENTATION 1.3 VERSUS INFLATION IS EQUAL TO 0.02. SO WHAT'S THE DRIVER BEHIND THIS GROWTH ON THE RENTAL INCOME ON THE HYPERMARKET SIDE? AND THEN I HAVE ANOTHER QUESTION ON THE LIVORNO PROJECT. I WOULD LIKE TO KNOW THE NUMBER OF ASSET IN STOCK THAT COULD BE DISPOSED OFF AND THAT ARE ACTUALLY AVAILABLE FOR SALE FOR THE RESIDENTIAL PART OF THE PORTFOLIO? HYPERMARKET GROWTH IS DRIVEN THANKS FOR THE RENTS WE HAVE GONE TO HYPERMARKETS WHERE WE HAD A STEP RENT PROCESS IN PLACE AND WE HAD SIGNED THE CONTRACT. WE HAD THE SAME PHENOMENON IN THE PREVIOUS YEAR BETWEEN 2009 AND 2010 WE INTRODUCED THE STEP RENT PROCESS FOR HYPERMARKETS AND UNTIL THE HYPERMARKETS ARE ACTUALLY WERE FULLY UP AND RUNNING AND SO THERE IS A POSITIVE IMPACT BY THE STEP RENTS THAT COULD END, END OF 2014. SO IN 2015 WE ARE GOING TO GROW ON THE HYPERMARKET ASSETS CLASS JUST BECAUSE OF INFLATION THEN WE WILL HAVE CHIOGGIA THAT WILL BE OPENED. WE WILL SEE WHAT KIND OF CONTRACT WE ARE GOING TO SIGN THERE FOR LIVORNO WE SOLD 28 FLATS OUT OF 73 AND SO 28 YES 28 OUT OF 73 I REMEMBER IT WELL SO WE STILL HAVE THE OUTSTANDING, THE DELTA THAT'S OUTSTANDING IN THE MARKET 45 UNITS. AND SO THESE FLATS WE ARE OF COURSE TRYING TO SELL THEM, SOME GOOD SIGNS ARE TO BE SEEN ON THE OFFICE SIDE, WE'VE JUST RECENTLY SIGNED A LEASE CONTRACT, BUT [INDISCERNIBLE] BETWEEN SOLD AND LEASE IT'S ABOUT 50% OF THE TOTAL SQUARE METERS. SO HALF OF THEM WERE EITHER LEASED, RENTED OR SOLD. AND THIS YEAR WE EXPECT TO SELL ABOUT 10 UNITS, 10 FLATS ONE PER MONTH. SO 10, 12, WE SHOULD BE DISPOSING, FOR THE FULL DISPOSAL IT WILL TAKE 3 TO 4 YEARS TO DISPOSE THE FULL STOCK WE HAVE IN LIVORNO. BUT WE EXPECT H2 TO BE LIVELY MORE OR LESS AS WE HAD IN 2014 AND WE ARE GOING TO SEE RENEWED INTERESTS FOR RESIDENTIAL PROPERTY. SO REVENUES FROM SALES WILL BE LOWER. WE EXPECT THEM TO BE LOWER IN 2015 VERSUS 2014.

CLAUDIO ALBERTINI: NO, NO WE DON'T EXPECT THEM TO BE LOWER. THEY WERE LOWER VERSUS 2013, BECAUSE THERE WERE A REDUCTION IN THE PRELIMINARY CONTRACTS FOR SALE WE SIGNED, BUT IF WE CONFIRMED THE 10 UNITS SOLD, WE SHOULD HAVE ON THE CONTRARY AN INCREASE IN THE INCOME DRIVEN BY SALES AND LAST YEAR WE HAD FIVE UNITS THAT WERE SOLD. SO WE EXPECT TO SELL 10 THIS YEAR, SO WE SHOULD HAVE AN INCREASE ROUGHLY SALES WE HOPE 10 UNITS PER YEAR IN THE NEXT THREE, FOUR YEARS TO COMPLETE THE UNSOLD STOCK SO FAR.

OPERATOR: NEXT QUESTION COMES FROM THE LINE OF FRANCESCO SALA WITH BANCA AKROS. PLEASE SIR.

FRANCESCO SALA: GOOD AFTERNOON. I ONLY HAVE TWO QUESTIONS. THE FIRST QUESTION IS ON YOUR DIVIDEND IN PARTICULAR WHAT SHOULD WE EXPECT IN TERMS OF PAYOUT GOING FORWARD. IN OTHER WORDS WILL YOU CONFIRM AND STAY IN LINE WITH WHAT [INDISCERNIBLE] THIS YEAR. AND THEN A SECOND QUESTION ON ROMANIA, WILL THE LONG-TERM PROJECT TO ACCESS THIS COUNTRY STILL VIABLE IN YOUR PIPELINE AND IF SO WHAT ABOUT YOUR NEGOTIATIONS?

CLAUDIO ALBERTINI: LET ME TAKE YOUR QUESTION ABOUT DIVIDEND. WE SAID THAT, DIVIDENDS FOR US SHOULD BE LINKED TO OUR FFO OR CASH GENERATION. SO THIS YEAR YOU'VE SEEN QUITE A HIGH DIVIDEND AS SHARE ON OUR FFO 80%, BUT THAT'S NOT SUSTAINABLE. WHAT I MEAN IS WE WILL STILL BE PAYING DIVIDEND IN THE RANGE BETWEEN 70% TO 80%, SO I AM SORRY BUT YOU SAID THIS IS VIABLE, THIS IS SUSTAINABLE SO NEXT YEAR WE WILL SEE GROWING DIVIDEND ALTHOUGH WE WILL NOT SEE A DOUBLE-DIGIT GROWTH AS WE SAW THIS YEAR, WHICH MEANS FOR SURE A GROWING DIVIDEND BASED ACCORDING TO OUR PLANS IF WE CAN CONFIRM AND HIT OUR BUDGET TARGETS.

TAKING YOUR QUESTION ABOUT ROMANIA WE ARE HERE TO CONFIRM OUR EXIT STRATEGY. THE TIMING IS NOT THE RIGHT ONE; I MEAN IT'S NOT THE RIGHT TIMING NOW TO EXIT THAT COUNTRY. THERE IS NO NEGOTIATIONS THAT SHOULD NOT BE RIGHT TERM. WE ARE WORKING ON IT THE 2015-2018 BUSINESS PLANS FOR ROMANIA. SO SOME INITIATIVES INTRODUCED AND I THINK THAT YOU PROBABLY READ MY OFFICIAL STATEMENT, WE ARE ALREADY WORKING ON THE BUSINESS PLAN 2015-2018 THAT SHOULD BE PRESENTED BY THE END OF THE FIRST HALF THIS YEAR TO ALL OF YOU.

WE HAVEN'T PICKED THE DATE YET, BUT THAT WILL BE BY THE END OF THE FIRST HALF OF THE CURRENT YEAR FOR SURE. WE MEANING THE GROUP WE HAVE STARTED TO WORK ON THE BUSINESS PLAN FOR ROMANIA AND WE ARE CONFIDENT THAT WE MUST DISPOSE OUR OPERATIONS THERE BY THE END OF THE BUSINESS PLAN. WE WILL NOT INCLUDE IT AS A PART OF THE BUSINESS PLAN, BUT INDEED WE ARE WORKING BEARING THIS AS A TARGET IN MIND AND WE WOULD LIKE TO SEE A TREND REVERSAL WHICH INCIDENTALLY WE CAN FORESEE AS A REALITY IN ROMANIA THIS YEAR IN TERMS OF BOTH INCOME AND RENTAL. SO 2015 WILL BE REALLY A PIVOTAL YEAR FOR US BECAUSE THAT SHOULD TRIGGER A VIRTUE OF CYCLE BRINGING ROMANIA BACK TO VALUE AT WHICH A SALE OR A DISPOSAL COULD BE COMPLETED WITHOUT HAVING TOO MUCH OF DISCOUNT ON OUR BOOK VALUE.

OPERATOR: THE NEXT QUESTION IS A FOLLOW UP QUESTION FROM SIMONETTA CHIRIOTTI WITH MEDIOBANCA.

SIMONETTA CHIRIOTTI: LET ME TIEBACK IN WITH THE PREVIOUS QUESTION ABOUT DIVIDENDS. IF I REMEMBER CORRECTLY WHEN YOU ANNOUNCED YOUR CAPITAL INCREASE DEAL OR TRANSACTION, YOU SAID FFO WAS GOING TO INCREASE 10 MILLION THAT WAS THE INCREASE YOU EXPECTED AS A CONSEQUENCE OF THE CAPITAL INCREASE, BUT EVEN THOUGH WE ASSUMED A REDUCTION OF THE PAYOUT ON FFO A SINGLE DIGIT INCREASE IN DIVIDEND AS YOU SAID BEFORE TENDS TO BE SOMETHING QUITE DIFFERENT FROM WHAT WE COULD EXPECT, THAT'S MY QUESTION.

CLAUDIO ALBERTINI: I DIDN'T UNDERSTAND THE QUESTION. IF FFO IS SUPPOSED TO GO UP 10 MILLION, THAT'S A CONSEQUENCE IF IT'S GO TO 45 IS THAT WHAT YOU ARE SAYING.

SIMONETTA CHIRIOTTI: YEAH.

CLAUDIO ALBERTINI: THIS YEAR THE DIVIDEND THE TOTAL AMOUNT WAS 28.3 MILLION. SO IF IT WERE 43 EVEN 70% WOULD STILL MEAN AN INCREASING DIVIDEND, BUT IN FEBRUARY I CANNOT TELL YOU HOW MUCH DIVIDEND WE ARE GOING TO PAYOUT IN A YEAR'S TIME. WE CAN GIVE YOU A RANGE BETWEEN 70 AND 80% OF FFO THAT'S ALL I CAN TELL YOU, THEN OF COURSE THE DIVIDEND AMOUNT WE WILL SEE IF THE FFO IS 42, 43 MILLION ROUGHLY 70% OF THAT INDEED IS GOING TO BE HIGHER THAN THE DIVIDEND AMOUNT WE HAVE THIS YEAR. IT WOULD BE 75 WOULD BE EVEN HIGHER. SO WE BELIEVE THAT WE CAN REMAIN BETWEEN IN A RANGE BETWEEN 70 AND 80% OF THE FFO. IF WE CAN GIVE A GROWING DIVIDEND WE WILL BE HAPPY, SO 70, 80% OF THE FFO THAT'S ALL I CAN GIVE YOU THE GUIDANCE.

OPERATOR: MR. ALBERTINI, LADIES AND GENTLEMEN, THERE ARE NO MORE QUESTIONS IN THE QUEUE.

CLAUDIO ALBERTINI: OKAY, VERY WELL, THANK YOU ALL ALSO ON BEHALF OF THE ATTENDING COLLEAGUES AND SEE YOU AT THE NEXT TIME WHEN WE PRESENT RESULTS OF Q1, 2015. THANK YOU VERY MUCH.