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Speakers:	**Mr. Claudio Albertini, CEO**

OPERATOR: Good afternoon, this is the Chorus Call Conference Operator. Welcome and thank you for joining the conference call to present IGDs Third Quarter 2012 Results. After the initial presentation, there will be an opportunity to ask questions.

At this time, I would like to turn you over to Claudio Albertini IGDs Chief Executive Officer. Mr. Albertini, please.

CLAUDIO ALBERTINI: Good afternoon. As you all have noticed from the press release that was published about an hour ago, this morning IGD's Board of Directors adopted interim accounts as at the 20th of September. There is nothing particularly new compared with what had already been seen in previous quarters, but as I continue with the performance of the first half of 2012 and I expect that in management terms and net-of any consideration on our fair value assets, it is expected to show a similar performance in the fourth quarter as well.

Part of the documents that you will have received together with the press release and which you all have downloaded from our website; I would like to start from Page 3, with the usual economic and financial highlights.

As you can see, revenues from core business which as you will then see on the next slide are total revenues basically, are slightly more than €92 million, plus 2.6% over the same period of 2011. EBITDA, again core business EBITDA, at €64.6 million, minus 2.7% year-on-year and EBITDA margin 70.1%, down 3.8 percentage points, again it was over the same period last year. Such changes are elaborated in subsequent slides where that will be explained.

The Group net profit was €16.1 million, down slightly less than 60% versus the 30th of September 2011 and this is something I will go to later on too. And funds from operations €27.1 million, minus 18%, and the gearing ratio which is the equity ratio is 1.37, down from 1.39 at the end of June in line with the more general objectives for the gearing ratio as mentioned in our business plan, which you will have examined after the presentation of our business plan early in October.

Coming now to Page 5, there you can find income statement, where you can find a high level of detail of the figures identified before. As you will see, operating revenues are €92.15 million are more or less equal to revenues from core business. Then to the level of EBITDA margin, we are breaking down core business which is rental activities from the Porta A Mare projects, which is a different type of project.
So operating revenues are almost derived from our core business because in the first nine months of this year, we haven't yet had revenues coming from our Porta A Mare project, which we expect to do next year when between September and October we should start actually finalizing the deals for the properties, with both direct costs up considerably because of the introduction of the Italian property tax, IMU that was already mentioned at the end of March and at the end of June.

I would like to emphasize that in these financial segments as at the end of September, we have included order changes that have been introduced by the several municipalities where our shopping centers are to be found. In particular, for five such municipalities was taken from the Ministry website, the tax rates that were published there, so we are of course on prorate level. We are aligned with what we will have by year-end provided the government doesn't come with some other negative surprise. The average IMU tax rate for property is 9.3 per thousand roughly. And I have to say very frankly that is higher than what we had expected in November 2011 when the usual budget yearly exercise was carried out.

In terms of G&A expenses, there is an increase as you will see later on, which is not significant though, and anyway the G&A expenses over revenues remains stable. And for the EBITDA margin for our core business as I said before, this is down but absolute terms from €66.4 million to €64.6 million at the end of September 2012, with a fall of 3.8 percentage points in terms of our overall EBITDA margin.

For impairments which are done twice a year at the end of June and at the end of December, so in this quarter we haven't done anything on this level that would be done at the end of year. So, we kept the valuations as of the end of June with the addition of several Capex that we made and this brings the EBIT down by 34% to €51.254 million vis-à-vis €77.736 million at the end of 2011.

Financial income sees an increase by about €4 million over the past three months from €31.8 million at the end of December 2011 to €35.821 million at the end of September 2012. And then pre-tax income is down by 67.2% and it is based on deferred taxes on capital losses and brings to the result that you can see here as compared to €39.6 also in the previous year, then it is the net profit.

Here you see a breakdown of our rental revenues that is to say from freehold properties and leasehold properties for a total of €88.2 million broken down between malls, hypermarkets and other lower revenues for €282,000.

The following slide on Page 6 shows a restatement of our revenues by margin and we start at the gross margin. And here I would like to tell you that the margin from freehold properties is in line with previous quarters, it's 85.1% vis-à-vis 88.8% at the end of September 2011, again because of an increase in direct costs, so whereas the margin from leasehold properties is 18.1%.

On Page 7, you find a further breakdown of revenues from core business which is up 2.6% whereas total revenues as you can see on the slide, there is an increase by 0.7% and as I said, core business is up by 2.6%. To the right hand side, you find a breakdown of total revenues by type of assets, and you can see that 61.3% is accounted for revenues from rentals of our shopping malls, 28.1% comes from our 19 hypermarkets and 9.2 is revenue from our Romanian Company, Winmark. And then at the bottom of the slide you find the revenue income drivers for our rental activities, starting from a like-for-like basis of 0.8%, so less than the inflation so far which is about 3 percentage points.
So as you can see, growth was driven by purchases in 2011 for €2,300,000 this is more or less overall growth, whereas there has been a small change in the Darsena City Mall, as you will know there is an open district here and its economic impact is minimized and about €400,000 from Romanian Company and this production by 4.8% of Winmarkt is due mainly to insolvency with significant tenants, which has several stores in our Winmarkt network. So was an important weight and the insolvency of these tenants led to a substantial reorganization plan for the shopping centers, but this tenant was present.

On Page 8, you will find something that we have seen for the third consecutive quarter that is to say you see that there was an increase in direct cost, they were up in the first nine months of this year by 22.2%. And as shown in the box to the right, this increase is mainly due to the Italian property tax IMU, which had a considerable impact on our activity as you will know there was an absolute value increase by €2.1 million.
At year-end there will be an overall cost not only for Italian property tax because we also have the Romanian property tax despite the fact that the rate there is lower, but by year-end we will have an overall cost of over €7 million, which means that and compared with the old Italian property tax, the ICI or EFC (Ph) there will be a further reduction EBITDA by 2.2 percentage point, we don't think that by year-end there will be other impacts coming from the Italian property tax, because we have already calculated on a pro-rata level, the increases that we've had also with an update taken from the most recent decisions by several Municipalities. And more or less most of

them have opted for a high rate and on average it is 9.3 to 9.4 per thousand so slightly less than 1%, of the actual book value not the fair value.

Another negative element this year was an increase in provisions evidently the situation of NPLs has worse and it is still under control though, so we opted for cautious provisioning, which led to growing this item by about €500,000, 40% more compared with last year. Then there is another box showing that the impact of G&A expenses was up by about 7.4%, and is concerned to be a steady, sort of 7.4% vis-à-vis 7.2%…well actually 7.7% I apologize, as the CEO.

On the following page, Page 9, you will find a bridge of consolidated EBITDA that goes from €66,889 (Ph) million the end of the September 2011 to €64 million something at the end of September this year, this is the result of several components, so there is a change in operating revenues plus €607 million, and then there is an increase in direct cost of slightly less than €4 million, €3.9 million to be more precise, and then 1,129,000 change in cost of sales and others, and then change in G&A by 320. And then the EBITDA margin is shown on the chart before from 63…73.9% to 70.1%, and the introduction of the Italian property tax, and I am not mentioning the increase in provisioning and other items related to the crisis had the negative impact on EBITDA margin for about 2 percentage points. So if were to compare the two EBITDA it would be 73.9% as against about 72.3%, just because of the IMU the Italian property tax effect, which I believe is now impacting about 5.8 percentage points on EBITDA.

On the following slide, you will find the Group net profit, as I said it was down by slightly less than 60% from 39.6 to 16.07, and then you see the net profit evolution, starting from €39.6 million there was a decrease by 1.8 in the core business EBITDA there was also a reduction by €690,000 the Porta A Mare project which hasn't yet generated revenues, whereas they were present in the first nine months of 2011. But then the most significant change by about 24 million is the different impact of fair value valuations, which was positive at the end of June of 2011…at the end of September of 2011 by about €12 million.

And were in fact negative by over €11 million at the end of June this year, and with an impact also at the end of September. So the overall total is about €24 million, there was also a growth in financial charges for series of reasons that will be explained in greater detail in further slides for less than 4 million, and a change in taxes, which is positive in this case, because they were applied on the deferred tax liabilities. And so, we get to a group net profit of €16 million something at the end of September 2012.

Then on Page 11, you see funds from operations €27,100,000 down by 18%, inline with what was seen in previous quarters as compared to the end of September 2011.

On Page 12, you will find a few commercial highlights. There is a positive element that is worth emphasizing. I am referring to shopping malls on a like-for-like basis, and there was a growth by 1.6% in the first nine-month period, because of the larger number of days of opening, particular Sunday openings. Overall, in our existing shopping center basis we had quite a few days more in terms of opening days, and this led to an increase in visits, which had a positive impact on sales, these figures are still negative compared with the market benchmark are slightly better, in particular hypermarkets sales on a like-for-like basis went down by 0.6% vis-à-vis at the end of September 2011, and tenant sales which were over 3 percentage points in line with the fall at the end of June went to minus 2.7%. And this was due because of a very good month of September that saw tenant sales about growing by about 8 percentage points.

So, well I can't say that we are optimistic, but we are less pessimistic then we were in the past on this. And this should have an effect also in 2013; evidently shopping centers being more highly structured can actually provide or meet consumer requirements more easily in terms of opening days. In Romania to there was a growth by about 3 percentage points and this is due to the introduction of our food anchors Carrefour and they in particular which are having a good impact in terms of inflows.

On Page 13, you find a further breakdown of such figures. So, this shows the performance of our malls in the first nine months of 2012, 2.7% on a like-for-like basis…in the first nine months of the year and footfalls 1.6% also in absolute terms.

Then you see a correlation between footfalls, which are the red line and sales which are the blue line. There is a close correlation apart from a few exceptions towards the middle of the year, between sales and opening days. As I said, in particular that is the September figure that it is worth mentioning, where there is a growth by 8 percentage points vis-à-vis other months.

Now, what are the sectors which are suffering most, well electronics is down by slightly less than 5% and catering 3.4%, culture leisure time and gifts slightly more than 5 percentage points. Here you find also the best performances. Over the past nine months, Gran Rondo and others have certainly shown the best performance vis-à-vis 2011, and is something that we are particularly pleased with because it's a new opening and the shopping mall, shopping center and the hypermarket are beginning to perform very well.

Romania, so there is still a problem in the electronics sector and this is due to the fact that several international supermarkets opened one was opened in the current quarter, as we will see later on. And this is the result of the good commercial policy that we have implemented over the past few years.

On Page 14, you will find a benchmark of our hypermarket and supermarket, which as I mentioned in the box here, they performed well, minus 0.6% in sales terms, are 19

hypermarkets, 13 are Coop Adriatica, 4 Coop Tirreno and 2 Ipercoop Sicilia, actually down by 0.6%, but they performed better than the general Coop troop.
And please consider the hypermarket line because we certainly are not comparing us with other type of the markets. So on a like-for-like basis there was a fall by 1.2%, Coop Adriatica 0.9% and Coop Tirreno 1.3%, Ipercoop Sicilia performed particularly well, plus 3%, but they were in startup stage. So it was to be expected and to be hoped so I don't know how the markets performed better than the overall coop system in general, but also better than the individual cooperatives managing them.

On Page 15, you will find a detail of our 10, top 10 tenants, below 20% in Italy with 1,040 contracts, 1,021 are the malls as indicated on the slide. And then you will find the brands breakdown in malls and there is the 69% of local brands, 16% of international brands and 15% of national brands. And then finally, you will find the financial occupancy to the end of September. You see that the 19 Hypermarkets, we thought would give about 100% and the Galleries are 94.3, down by slightly more than 1 percentage point vis-à-vis the end of June.
For the first time, you also find a weighted average of our Hypermarkets and Malls, because when we come to the occupancy level, we must consider that we have more than €500 million investments in Hypermarkets which have a 100% occupancy rate. So that financial occupancy is indeed 94.3 in Malls, but if you consider the situation, this grows the financial occupancy by a couple of percentage points.

On the following slide, you will find a very same breakdown for the top 10 tenants in Romania. I'd like to tell you that at #6 you find the tenant where we have those problems on the 9 House of Art contracts that has an impact of about 3.3%. So it is important to actually go on segmenting our tenants. So that in case of problems, that can be reduced, so we have 604 outstanding contracts in Romania and here you see the brands breakdown, in Malls it is more balanced compared with the Italian picture, because local brands or local tenants are more prevalent and they account for 26%, 35% or actually, I beg your pardon international brands are 26%, local brands are 35% and national brands are 39%.

On the following slide you will find a lot of figures, they refer to contracts we developed relative maturity. In the first nine months of this year in Italy 98 contracts were renewed, 51 for turned over and 47 they were actually fully renewed. The average upside on renewal was slightly more than 1.5% at the end of June, that was of about 3%, but we had already factored in this fall as I mentioned in the previous conference call at the end of June, because renewals after that date concerned the best performing centers and we were about to renew contracts for less performing shopping centers. We confirm this by year end about 1%, 1.5% which is also the value that was included in our business plan. We expect an average upside for 2012/2015 of about 1.4%.

Romania, there was a fall by about 2 percentage points, an average downside equal minus 2% over 125 renewed contracts. In the third quarter 43 contracts renewed with a downside of minus 1.6%. Interestingly for Romania, as you can see on Page 18, we are still pursuing our policy of introducing international brands and in particular, supermarket brands. We opened in the third quarter, the eighth Carrefour in Vaslui, which on top of the two will brings to 10 the overall number of supermarkets in our 15 shopping centers in Romania.

Here you can also see what we are doing in Ploiesti, a city or town 60 kilometers away from Bucharest, where we have the most important investment of ours. We have two shopping centers joining one, then closed one, for an overall value of about €50 million, so 32% of our total investment in Romania which is 178 million. So we actually doubling the overhead pedestrian bridge this was not that important, but this is just to show you that we keep working on upgrading, introducing new brands and improving our assets in Romania. We review to selling the entire portfolio which is not expected in the business plan horizon, but which we expect to do in 3 to 4 years from now.

On Page 20 and 21, you find the main financial highlights. As I said, the gearing ratio is down to 1.37 from 1.39. It should be slightly further down at the year end with net debt which should remain stable. There was an absolute value fall off of several millions. The loan to value is stable at 57%. The cost of debt, this is something to be welcomed because over the few weeks we found a gradual though slower narrowing of spread. So we are at about 4.2% of average cost of debt. The interest cover ratio, as a ratio between EBITDA and the cost of our financial management to remain stable, whereas we confirm the average length of our long-term debt, bond excluded, of over 10 years, the bonds will actually expire at the end of next year.

Our debt structure is balanced as indicated on Page 21, 76% is long-term debt plus bond, which is still considered to be long-term. And of this 77.6% I beg your pardon, but they are stable, it was actually hedged with IRS contracts and long-term debt is hedged for about 78% in line with at the end of June 2012. These are…we have €291 million of short-term debt still €95 million are available with €580 million roughly of properties free of mortgages that can be used for guarantees.

On Page 22, you will find the net debt composition or breakdown. You will see the long-term debts being quite prominent accounting for over 76%, €133 million is the current share of long-term debts, which expires in 12 months. And this turns our financial structure into a structure which is strongly oriented towards long-term. Then there is the debt maturity. We have refinanced the entire debt expiring in 2012. You will have read our press release that was published yesterday, where we communicated the closure of this deal was €18 million. Did we actually drew it down, yes we did. So they are already in our pockets, so this is €18 million at 5 years with the cost as indicated in our press release of 365 basis points over EURIBOR, but slightly less than 4%.

But in the same release, we also mentioned another deal that we completed in the last few weeks, again with the Intesa Group for the refinancing of an 18 month term out option that was expiring and this was closed at 210 basis points over the 3 months EURIBOR.

This remind you of the fact that the bonds have the deadline of next year. And as we mentioned in the conference calls, to present the business plan this is something that we are working on right now to actually find a refinancing solution possibly by the end of the first few months of 2013.

On Page 23 you see our net debt change 1.095 billion by the end of June and at the end of September 2011, it's 1.090 billion. Then on Page 24 reclassified or restated balance sheet, sources and uses our funds, about 99% is fixed assets, investments in shopping centers and work in progress and this is expanded by 1,090 billion by our net debt, and for about 760 million by net equity. The gearing ratio as I mentioned goes from 1.39 down to 1.37 and this is expected to remain stable by year-end.

With this, I have finished my presentation of business plan and our results at the end of September, and I remain available to answer any questions you might have.

Q&A

OPERATOR: This is the Chorus Call conference, operator. We'll now begin the question and answer session.

The first question is from Federico Pezzetti of Intermonte. Please, sir.

FEDERICO PEZZETTI: Good afternoon. Can you hear me?

CLAUDIO ALBERTINI: Yes, we can.

FEDERICO PEZZETTI: Thank you. I have three short questions. The first concerns growth of your rental income like-for-like basis, can you give us the inflation components? And then secondly, the uplift or rather, if I am not mistaken on renewals, it was actually negative, you had already factored that in you said, but can you give us some further color, and what was actually the size of such renewals in tens of millions [indiscernible]. And what was the percentage level of such new rentals which appear to be lower than previous ones?

CLAUDIO ALBERTINI: So you want to know about the last three months.

FEDERICO PEZZETTI: So, how much actually was renewed in the quarter. Well, in this case there is a downside of course, and so it was 3.2, now it is 1.5, so can you give us some sort of detail on this? And then I have one last question, can you give us an estimate on your cost of debt for 2013, of course, assuming no refinancing of your convertible. Thank you.

CLAUDIO ALBERTINI: Well the cost of debt in 2013 is considered to be substantially stable, vis-à-vis what we have seen at the end of September and what we expect to have for the full year at the end of September, but that 4.2% is probably slightly lower than that. This morning not only did we approve the first nine months, we also approved the preliminary end of year results, and I can give you some general guidance and also the budget for 2013. For the budget we were particularly conservative, we see rates that will fall less this year you know, the short-term rate will not change much.

Well, I am referring to spread obviously. So the EURIBOR rate is seen up slightly based on the Bloomberg curve (Ph) whereas the spread appears to be slightly down. Despite the fact that, in the recent period we saw that reached a level of 300 bps in the short-term. And it appears difficult to go below this, whereas on the medium and long-term, as you saw for the new line, for the refinance lines we are at the higher rates, but there is a distribution between short-term rates, which are too high compared with medium and long-term rates, which are acceptable despite the current situation 365 at 5 years, as I said what we actually paid half of that level before the crisis we closed a few deals at 170, 180 bps before the crisis in June, July 2011 and now we pay 360, 365 at 5 years and we are pleased with this. Whereas in the short-term, we see this flow…in certain cases we are down to 180, but on average this year we expect an average cost of about 300, 310. But then we are moderately optimistic for 2013, where we expect the cost of debt to be of about 4.2 overall. As for as rental revenue growth, well I'd like to ask Daniele Cabuli to tell you something about this on your first two questions that is to say rentals and renewals in the quarter.

DANIELE CABULI: Good afternoon. Concerning the…if that (Ph) is applied at 3.1% and then of course, there are cases, which do not consider the entire year, and therefore this has a low effect on total revenues. Whereas, for the issue of renewals in the last quarter we renewed 48 contracts out of the 98 of our yearly total. The average upside, well in this case it wasn't an upside it was a downside, I have to say or which reduced the initial 3% level was 1.58% less. I do not have the absolute value figure with me. I only have the percentage reduction of such…pertaining to such renewals. In particular, these are renewals that in shopping centers that we consider to be less performing than others. So, with greater difficulties in obtaining upside, whereas in the first half year period, we had renewals in particular in two shopping centers Ravenna and the Centro d'Abruzzo, which were quite appealing, fresh renewals that were quite favorable even above the average 3% for the half year period.

FEDERICO PEZZETTI: May I interject, for 2013 I know that in your business plan you have referred to a slight uplift by 1%, 1.5%, is there anything special next year or overall 2013 renewals can be considered in line.

CLAUDIO ALBERTINI: Well, we set for ourselves a 1% objective, as a favorable signal in terms of renewals. In a mix, that sees very good situations because they still have quite a few renewals that are upcoming in Ravenna and other situations, which are slightly more difficult for example Mondovi, Mondovicino, where instead it will probably be more difficult to renew under the same terms as today. The mix we expect to see…sees a small positive signs of 1% for 2013. Yes, this is in line with the 1% that was mentioned in the business plan, so this is the average upside level for 2013, on expiring contracts. As you can see in the maturity figures, on page…I believe on Page 17.

FEDERICO PEZZETTI: Very well, thank you.

OPERATOR: Next question comes from Simonetta Chiriotti of Mediobanca. Please, ma'am.

SIMONETTA CHIRIOTTI: Good evening. Can you hear me? I have a question on your performance in the third quarter. So considering the third quarter as such, your freehold property revenues should be up by 0.6%, and then if you put together the several different drivers there shouldn't be any impact coming from new openings. Now, what was the impact of the situation in Romania, and what was the performance in Italy in the third quarter. Secondly, how do you expect the situation in Romania to evolve going forward? For the fourth quarter, can we expect a similar impact, what is the situation about the default? Thank you.

CLAUDIO ALBERTINI: Yes, we confirm revenue is slightly down in Romania. We believe that this year we have reached the [indiscernible] at about €11 million overall revenues. We expect these to grow slightly not significantly though in 2013 and something more between 2014 and 2015 up to the 12 million by the end of the plan so much for Romania. As for Italy, we confirm the growth level at the end of June. Now, for the third quarter alone, I haven't got the percentage with me, well 0.6% is total. Give us a minute, maybe we can have another question and then we will…meanwhile we will try and find what you are looking for. Are there any further questions?

OPERATOR: There are no further questions at the moment.

CLAUDIO ALBERTINI: Well, then on your last question asked by Mrs. Chiriotti, so it's not to keep others waiting. Claudia Contarini, will call you after…at the end of this conference call, whereas not to keep everyone else waiting. Anyway, it should be 0.52, but then Claudia will give you conformation of this. So this is Italy for the third quarter and these are revenues on freehold property. So positive, but with the situation I described before with positive inflation, with contract renewals. As I mentioned before, which compared with the first half year period, actually was slightly down, and a few situations that actually led to an increase in [indiscernible] about €3 million overall for this year including Romania. Thank you.

OPERATOR: Mr. Albertini, there are no further questions at this time.

CLAUDIO ALBERTINI: Thank you and goodbye.