

**Event:** 1Q 2014 Financial results presentation  
**Date:** 9th May 2014  
**Speakers:** Mr. Claudio Albertini, CEO  
Mr. Daniele Cabuli, COO

**OPERATOR:** GOOD MORNING. THIS IS THE CHORUS CALL OPERATOR. WE'D LIKE TO WELCOME YOU TO Q1, 2014 FINANCIAL RESULTS PRESENTATION OF IGD. NOW, I'D LIKE TO TURN THE CALL OVER TO CLAUDIO ALBERTINI, CEO OF IGD. PLEASE, SIR, YOU HAVE THE FLOOR.

**CLAUDIO ALBERTINI:** GOOD MORNING, EVERYBODY. AS YOU'VE PROBABLY READ IN THE PRESS RELEASE THAT WAS MADE PUBLIC YESTERDAY, OUR COMPANY'S BOARD OF DIRECTORS MET IN LIVORNO YESTERDAY. THE BOARD OF DIRECTORS WAS HELD AT OUR SECOND LARGEST SHAREHOLDERS' PREMISES, SO THE BOARD OF DIRECTORS MET APPROVING THE FINANCIAL RESULTS ENDING Q1 2014. THIRTY MINUTES AGO OR SO, WE HAVE RELEASED A MEMO DOCUMENT. NOW, BY THAT MEANING, SORRY, THE SLIDE FOR THIS PRESENTATION.

LET'S START FROM PAGE 3 AND HERE, YOU CAN SEE AS USUAL, THE HIGHLIGHTS. TOP LINE IS REPRESENTED BY REVENUES WHICH ON AN OVERALL BASIS, REACHED €31 MILLION, SLIGHTLY LESS THAN TWO POINTS UP COMPARED TO THE SAME PERIOD LAST YEAR, WHILST CORE BUSINESS REVENUES AMOUNTED TO SLIGHTLY LESS THAN 30 MILLION, €29.7 MILLION, MINUS 2.4%. I WILL GIVE YOU BETTER COLOR AND MORE COLOR ON ALL THESE NUMBERS LATER.

EBITDA, WE ARE STILL TALKING ABOUT CORE BUSINESS, IT'S SLIGHTLY ABOVE €20 MILLION OR DOWN 5.5 PERCENTAGE POINTS COMPARED TO THE SAME PERIOD IN 2013, WHILST THE EBITDA MARGIN OF THE CORE BUSINESS IS DOWN 2.3 PERCENTAGE POINTS REACHING 67.8%. AS IT HAS BEEN OUR HABIT FOR QUITE SOME TIME, WE WANT TO SHOW OUR EBITDA, FOR THE EBITDA MARGIN FOR FREEHOLD PROPERTIES. AND AS YOU CAN SEE, HERE YOU CAN SEE 10 POINTS MORE THAN 63.3 WITH A DECLINE WHICH IS MORE MODEST, COMPARED TO OTHER ITEMS.

GROUP NET PROFIT AMOUNTED TO €6.2 MILLION, DOWN APPROXIMATELY 25% COMPARED TO THE END OF Q1, 2013, WHILST OUR FUNDS FROM OPERATION, AGAIN, WE ARE TALKING ABOUT CORE BUSINESS, AMOUNTED TO €8.7 MILLION OR DOWN 11 PERCENTAGE POINTS COMPARED TO Q1 2013. I WILL GIVE YOU INFORMATION ABOUT THE DRIVERS UNDERLYING THIS CHANGE.

FINANCIAL OCCUPANCY AT THE END OF Q1, IN ITALY THE NUMBER STOOD AT 97.2%, SLIGHTLY DOWN COMPARED TO THE PREVIOUS YEAR 97.4% WHILST ROMANIA IS PRETTY SLOW AT 84.3%.

NOW, HAVING SAID THIS AND BUT BEFORE GETTING INTO A GREATER DETAIL, GIVEN THE FACT THAT THE CURRENT Q WAS QUITE INTENSE IN TERMS OF A SIGNIFICANT TRANSACTIONS OF ONE-OFFS, WE'VE DECIDED TO SUMMARIZE ALL THESE POINTS IN SLIDE 4.

AS YOU ALL KNOW, WE SOLD THE MALL OF LIVORNO SHOPPING CENTER FOR A TOTAL AMOUNT OF €47 MILLION TO A PRIVATE REAL ESTATE FUND MANAGED BY BNP PARIBAS. SO THAT'S NOW ACCOUNTED FOR IN OUR BOOKS.

ON MARCH 5<sup>TH</sup> WE SOLD ALL OUR TREASURY SHARES. WE SOLD IT TO UNICOOP TIRRENO, SORRY, TOGETHER WITH UNICOOP TIRRENO; WE SOLD TREASURIES TO QUANTUM STRATEGIC PARTNERS. AS FOR US, WE CASHED IN APPROXIMATELY €12 MILLIONS.

SOMETHING ELSE OCCURRED ALTHOUGH THAT DOES NOT INVOLVE THE Q1, HOWEVER, WE THINK IT'S NOTEWORTHY AND HERE IT IS. ON APRIL THE 11<sup>TH</sup> WE EXECUTED A PRIVATE PLACEMENT FOR A TOTAL AMOUNT OF €150 MILLION WITH MORGAN STANLEY AT A RATE OF 3.875% WITH A MATURITY OF FIVE YEARS.

I WILL GET BACK TO THIS WHEN I WILL TALK ABOUT OUR FINANCIAL HIGHLIGHTS, BUT IN MARCH, WE RE-NEGOTIATED WITH BANCA INTESA TWO LOANS, €89 MILLIONS FOR MATURITY 2024, 0.64% I THINK YOU SAID IS THE RATE THAT WAS NEGOTIATED WHICH REPRESENTS QUITE AN IMPROVEMENT COMPARED TO ONLY A FEW MINUTES AGO. THIS HAD AN IMPACT, QUITE A MATERIAL IMPACT ON OUR P&L AND BALANCE SHEET INDICATORS.

ON PAGE 6 AND ON PAGE 7, AS IT IS OUR TRADITION, WE HAVE OUTLINED THE ECONOMIC MACRO SCENARIO AS IT WAS IN Q1 2014, BOTH IN ITALY AND IN ROMANIA. WE HAVE SHOWN AND SINGLED OUT THE INDICATORS TO WHICH WE ARE MOST SENSITIVE. THE ONE THAT HAS A STRONGEST IMPACT ON OUR PERFORMANCE IS REPRESENTED BY CONSUMPTIONS. APPARENTLY, CONSUMPTIONS ARE PRETTY MUCH IN LINE WITH THE PREVIOUS YEARS, WITH QUITE A DIFFERENT DYNAMICS BETWEEN Q1 AND Q2, AS A CONSEQUENCE OF SOME STATUTORY PROVISIONS ENACTED BY THE ITALIAN GOVERNMENT.

SO IN A NUTSHELL, THE FIRST HALF OF THE YEAR SHOULD SHOW A SLIGHT DECLINE, WHILST THERE SHOULD BE A SLIGHT PICK UP IN THE SECOND HALF OF THE YEAR. GROWTH IN 2015 WILL STILL BE MODEST, AND WILL BECOME MORE REMARKABLE IN THE FOLLOWING YEAR. GDP IS HOVERING BETWEEN AROUND 0.5%, 0.6% AND A PICKUP IN CONSUMPTIONS WILL BE PERCEIVED IN 2015 AND 2016.

IF YOU LOOK ON THE RIGHT HAND SIDE, AND IF YOU LOOK AT THE CHART OF REAL ESTATE INVESTMENTS IN ITALY, YOU CAN SEE THAT INVESTMENTS WERE UP 15% COMPARED TO LAST YEAR. LAST YEAR WAS A VERY GOOD ONE, MORE IN THE SECOND HALF THAN IN THE FIRST HALF. BUT WHAT'S IMPORTANT TO NOTE IS THAT THE MAJOR DRIVER IS REPRESENTED BY THE RETAIL ASSET CLASS.

LET'S NOW GO TO PAGE 7, AND LET'S HAVE A LOOK AT ROMANIA. THE ECONOMIC CONTEXT IS BETTER THAN ITALY, ALTHOUGH THE SCALE OF THE ECONOMY IS SMALLER. IF WE LOOK AT GDP AND CONSUMPTION, WE CAN SEE AN INCREASE ABOVE 2, 2.4 AND 2.1 FOR GDP AND CONSUMPTIONS RESPECTIVELY.

AS IT IS THE CASE FOR ITALY, GROWTH WILL START THIS YEAR ALTHOUGH IT WILL NOT BE MATERIAL. IT WILL BECOME MORE SIZABLE IN 2015 AND 2016.

ON THE NEXT PAGE YOU CAN SEE THE CONSOLIDATED RE-CLASSIFIED INCOME STATEMENT. THE KEY HIGHLIGHTS HAVE BEEN ALREADY SHOWN TO YOU, SO LET ME WALK YOU BRIEFLY AND QUICKLY THROUGH THIS SLIDE BEFORE PASSING ON TO COMMENTS. SO REVENUES ARE SLIGHTLY ABOVE €31 MILLION AND WE SPLIT IT BETWEEN CORE BUSINESS WHICH IS BASICALLY RENTAL AND THE PORTA A MARE PROJECT PORTION OF OUR REVENUES.

IN THE FIRST QUARTER OF THIS YEAR, WE HAD REACHED €1.3 MILLION REVENUES, THAT'S MAINLY THE RENTAL INCOME STREAM FROM PALAZZO ORLANDO. PALAZZO ORLANDO IS REALLY A LANDMARK BUILDING WHICH IS DEVOTED TO THE RENTAL OF OFFICE SPACE. IT'S JUST LOCATED ACROSS FROM PIAZZA MAZZINI AND THIS IS WHAT IS MOST IMPORTANT FOR Q1; WE ALSO SAW THE TRAIL OF THE EXECUTION AND THE CLOSING OF THE CONTRACTS THAT HAD BEEN SIGNED ON A PRELIMINARY BASIS. SO THAT ALL ULTIMATELY LED TO THE AMOUNT THAT YOU SEE ON THE LINE OF REVENUES.

SO REVENUES, OUR OPERATING REVENUES ARE UP 2 PERCENTAGE POINTS OR MORE. EBITDA, AS I SAID, AMOUNTED TO 22, 131 DOWN 5.5%, THAT'S FOR THE CORE BUSINESS PORTION WHILST EBITDA REMAINED PRETTY FLAT, AS FAR AS THE PORTA A MARE PROJECT IS CONCERNED, EBIT €19,306,000 WITH THE FINANCIAL INCOME WHICH IS UP ALTHOUGH NOT CONSIDERABLY, WE HAD ALREADY BUDGETED IT AND FORECASTED IT. WE HAD FORECAST A HIGHER CONTRIBUTION FROM FINANCIAL INCOME. AND AS A MATTER OF FACT, WE HAVE ALREADY OUTPERFORMED OUR BUDGET.

PRE-TAX PROFIT €7,751,000 AND WE WILL REACH A €6 MILLION NET OF DEFERRED TAXES, AND WE WILL THEN GO TO €6.2 MILLION WHICH IS THE GROUP NET PROFIT BECAUSE THAT'S ADJUSTED FOR PROFIT OR LOSSES RELATED TO THIRD PARTIES.

ON THE NEXT PAGE, YOU SEE, MARGIN FROM ACTIVITIES. SO YOU CAN SEE THAT MARGINS FROM FREEHOLD AMOUNTED TO 88.6%, WHICH IS ONLY 0.4% DOWN WHILST COMPARED TO THE PREVIOUS YEAR, WHILST THIRD PARTY-OWNED PROPERTIES SAW AN INCREASE IN DIRECT COSTS. SO PLEASE REMEMBER THAT CAPTIONS ALSO INCLUDE OUR...THE SHOPPING MALL OF LIVORNO THAT WAS SOLD, AS I OUTLINED WHEN I COMMENTED ON ONE OF THE FIRST SLIDES.

SO NEXT PAGE, MINUS 2.4%, THAT'S THE CORE BUSINESS REVENUE CHANGE AND HERE YOU CAN SEE THIS DUAL DYNAMICS, GROWING REVENUES AND THE CONTRACTION OF CORE REVENUES. ON THE RIGHT HAND SIDE, YOU CAN SEE THE BREAKDOWN OF REVENUES BY ASSET CLASS. AND YOU CAN SEE THAT 59.3% IS THE REVENUES GENERATED BY SHOPPING MALLS, 31.4% INSTEAD WAS GENERATED BY HYPERMARKETS AND 7.2% IS THE CONTRIBUTION COMING OR GENERATED BY OUR CONTROLLED COMPANY IN ROMANIA WINMARKT. IN THE SECOND PART OF THE SLIDE, YOU CAN SEE THE CHANGES THAT ARE UNDERLINED THE 7.4 DECLINE.

LIKE-FOR-LIKE REVENUE THAT YOU CAN SEE WERE UP 0.7%, SO BASICALLY THEY ARE EQUAL TO INFLATION, INFLATION IN Q1 AMOUNTED TO APPROXIMATELY 0.5%. SO THE NUMBER I MENTIONED IS SLIGHTLY ABOVE INFLATION. SO WE HAVE ADJUSTED THESE NUMBERS FOR THE SO-CALLED STRATEGIC VACANCY, A VACANCY WHICH WAS ARTIFICIALLY CREATED BY US IN ORDER TO GIVE MORE SPACE TO THOSE TENANTS THAT HAVE ALREADY SIGNED THE CONTRACT WITH US, THAT AMOUNTED €310,000. HAVING SAID THIS, ROMANIA WAS DOWN 14%, WE ARE TALKING AGAIN ON A LIKE-FOR-LIKE BASIS, AND THAT'S BECAUSE OF THE VALUE ADJUSTMENT WHICH WE MADE FOR THE POSITION OF VARIOUS TENANTS. WE AGAIN HAVE BEEN LEVERAGING THE SO-CALLED STRATEGIC VACANCY.

WE ALREADY INCLUDED H&M IN Q1, WHILST THE NEW ENTRY WILL BE IN MARCH AND THE LAST ONE WILL BE SLATED OR IS ENVISAGED FOR 2015, SPRING 2015. SO NET OF THE STRATEGIC VACANCY, AND WE ARE CURRENTLY EXECUTING OR DOING WORKS, REFURBISHING OR WORKS WHICH OBVIOUSLY CURBED DOWN VISITORS BECAUSE IF YOU HAVE WORK IN PROGRESS, YOU WILL SEE FEWER REVENUES. SO WE HAVE A DECLINE IN...TOTAL CHANGE AMOUNTING TO A DECLINE OF €705 MILLION.

LET'S GO TO THE NEXT PAGE. AS YOU CAN SEE, THERE IS A SPLIT AMONG THREE AREAS. SO, FIRST OF ALL WE HAVE THE IMU TAX WHICH GREW BUT WE HAD LARGELY ENVISAGED IT AND WE HAD ALREADY INCLUDED IN OUR ESTIMATES AT THE END OF JUNE 2013 BECAUSE OF THE SO-CALLED D8 COEFFICIENTS THAT HAS BEEN IMPLEMENTED BY THE VARIOUS MUNICIPALITIES, THIS WILL NO LONGER BE HERE. SO WE DO NOT EXPECT THIS PROPERTY TAX TO INCREASE DRAMATICALLY UNLESS THERE WILL BE SURPRISES TRIGGERED BY THE NEWLY INTRODUCED REPLACEMENT TAX, KNOWN AS TASSI (PH).

SO, IF TASSI DOES NOT BRING ABOUT ANY CHANGE, THE OVERALL TAX SHOULD AMOUNT TO LOWER THAN €100,000. THEN WE SAW A DECLINE IN SLIGHTLY LESS THAN €100,000 IN THE PROVISIONS AND G&A WHERE WE SAW A DECLINE IN BANKRUPTCY. WE ONLY HAD TWO BANKRUPTCIES AMONG OUR TENANTS FOR A LIMITED AMOUNT, SO OVERALL €70,000. AND THIS IS ANOTHER POSITIVE NOTE; AS A MATTER OF FACT THESE POSITIVES THAT IS A DECLINE IN DEFAULTING TENANTS PLUS OTHER POSITIVE WILL LEAD US TO BE OPTIMISTIC.

OTHER COST INCREASED BECAUSE OF THE MASTERLEASE CONTRACT WHICH WE SIGNED WITH BNP AND WHICH I MENTIONED, ALREADY THAT TOOK PLACE IN Q1. SO WE SIGNED THIS MASTERLEASE CONTRACTOR WITH THE NEW ACQUIRER WHICH IS BNP FUNDS. AND THEN WE CASH IN INCOME FROM OTHER TENANTS. SO WE HAVE TO BOOK THE MASTERLEASE AS A COST ITEM AND THEREFORE, OVERALL COST WENT UP. G&A INCREASED 4.6%, BUT IN ABSOLUTE NUMBERS WE ARE TALKING ABOUT A SHEER €100,000.

ON PAGE 13, WE CAN SEE THE VARIOUS DRIVERS THAT SHOWED THE CHANGE OF FOUR EBITDA WHICH MOVED AS YOU CAN SEE FROM THE SLIDE. WE HAD AN INCREASING COST OF SOLD GOODS. SO BASICALLY, IT IS THE COST OF THE PORTA A MARE PROJECT PERTAINING TO

THE UNITS THAT WERE SOLD, €294,000 FOR CHANGE IN DIRECT COSTS, 129 IS CHANGE IN G&A AND THAT GIVES US THE €20 MILLION EBITDA THAT YOU SEE AT THE END OF Q1. SO EBITDA MARGIN, IT WENT DOWN FROM 70.1% TO 67.8% WHILST THE EBITDA MARGIN FROM FREEHOLD MANAGEMENT WAS EQUAL TO 78.3% OR DOWN 1 PERCENTAGE POINT COMPARED TO LAST YEAR.

NEXT PAGE, PAGE 14, HERE TOO YOU CAN SEE THE MAJOR CHANGES IN OUR NET PROFIT, WHICH WENT DOWN 24.8%. ON THE UPPER PART OF THE CHART, YOU CAN SEE THE MAIN CHANGES. THE MOST IMPORTANT ONE THAT HAD A DIRECT IMPACT WAS A CHANGE IN EBITDA CORE BUSINESS, €1,170,000 WHICH REALLY SIMPLY FED THROUGH ALL THE OTHER LINES HAVING A DIRECT IMPACT ON THE BOTTOM LINE. THE PORTA A MARE PROJECT CONTRIBUTED €85,000 IN POSITIVE EBITDA. THEN WE HAD CHANGES IN DEPRECIATIONS AND AMORTIZATION, DEVALUATION AND FAIR VALUE 194, AND IMPROVED OUR FINANCIAL EXTRAORDINARY PERFORMANCE.

SO FINANCIAL INCOME WAS DOWN, BUT WE SAW €500,000 IMPROVEMENT IN SO-CALLED, EXTRAORDINARY MANAGEMENT. THEN WE HAVE A CHANGE IN TAXES, €676,000 PLUS THE CHANGE IN THE LOSS RELATED TO THIRD PARTIES. ALL THESE LED TO A GROUP NET PROFIT OF €6.1 MILLION AT THE END OF Q1.

LET'S COMMENT IN OUR FFO ON PAGE 15, HERE YOU CAN SEE THE TABLE THAT SHOWS WE MOVED FROM THE PRE-TAX PROFIT TO OUR FFO AT THE END OF Q1 WITH A DECLINE OF €1 MILLION, €1.1 MILLION. AS YOU CAN SEE ON THE RIGHT HAND SIDE, THAT WAS MAINLY TRIGGERED BY A LOWER EBITDA WHILST WE HAD AN IMPROVEMENT OF OUR CURRENT TAXES AND CHANGE IN G&A AND THEY ARE MUTUALLY AFFECTING.

NOW, LET ME GIVE YOU THE COMMERCIAL HIGHLIGHTS ON PAGE 17, WE HAVE A BRIGHT AND DARK AREAS, PROBABLY THE BRIGHT AREAS ARE BIGGER AND LARGER IN NUMBERS

OVERALL, WE CAN SAY THAT SALES AND SALE TREND, THE NUMBERS WERE POSITIVE. AS FAR AS SALES ARE CONCERNED, THIS IS THE FIRST TIME WE HAVE A POSITIVE TREND AFTER THREE NEGATIVE YEARS. THE LAST TIME, WE HAD POSITIVE SALES RESULTS WERE BACK IN 2011. WE ALWAYS SAW NEGATIVE QUARTERS, QUARTER-ON-QUARTER WITH A PEAK IN THE SECOND HALF OF 2013. AND AGAIN TO SEE A POSITIVE TREND, WE HAVE TO GO BACK THREE YEARS.

NOW, I WILL GET INTO GREATER DETAILS AND GIVE YOU A DRILL DOWN OF THESE NUMBERS. BUT BEFORE DOING SO, LET ME STRESS THE IMPACT OF EASTER. EASTER, THIS TIME, TOOK PLACE IN MID-APRIL, WHILE LAST YEAR IT WAS AT THE END OF THE MARCH, AND THAT HAD AN IMPACT. SO THAT POINT HAS TO BE STRESSED BY US. SO WE HAD FOOTFALLS GROWING 0.8% AGAINST THE OVERALL 0.9% RECORDED AT FULL YEAR RESULT IN 2013. THE TREND WAS BETTER IN JANUARY AND FEBRUARY, SLIGHTLY LESS GOOD IN MARCH.

TENANT SALES, 0.9%, LAST YEAR THE NUMBER WAS 1.4% WITH A DIFFERENT TREND IN 1/8/2013, WHICH WAS IN THE NEGATIVE AND A PICK-UP IN THE SECOND HALF OF THE YEAR. SO WE HAD POSITIVE SALES RECORDED BY OUR TENANTS DESPITE THE FACT THAT OVERALL, THE

ECONOMIC SCENARIO WAS ADVERSE... WAS A CRISIS SCENARIO. BUT IF WE CONSIDER ALSO THE DIFFERENT TIME PLACEMENT OF EASTER, THIS IS THE POSITIVE NOTE FOR US. HYPERMARKET SALES IN THE NEGATIVE 5.4%, AGAIN, HYPERMARKETS ARE MORE SENSITIVE TO SALES IN THE EASTER HOLIDAY SEASON, BUT THAT'S AGAIN STRESSES THE POSITIVE PERFORMANCE OF OUR MALLS. IN ROMANIA, THE DECLINE EQUALS 7.6% THAT WAS TRIGGERED BY EASTER, YOU KNOW, THAT ROMANIA IS MAINLY A CATHOLIC COUNTRY... SORRY IT'S... WELL, THE MAIN RELIGION IS THAT THEY ARE ORTHODOX. BUT WHAT WAS THE MOST IMPORTANT FACTOR WAS THE WORKS IN PROGRESS IN ORDER TO INTRODUCE NEW BRANDS.

ON PAGE 18, YOU CAN SEE ANOTHER BREAKDOWN GIVING YOU ADDITIONAL COLOR. BUT I HAVE ALREADY MENTIONED THIS, SO I WILL GO DIRECTLY TO PAGE 19. AS IT IS CUSTOMARY, THIS IS OUR TOP 10 LIST, SHOWING OUR TOP 10 TENANTS. SO YOU CAN SEE THAT WELL, THEY AMOUNT TO 118 CONTRACTS AND 18.9% ON OUR CONTRACTS, SO TOTAL CONTRACTS AND TURNOVER, RESPECTIVELY. YOU CAN ALSO SEE THAT 66% OF TURNOVER WAS ACCOUNTED FOR BY NATIONAL BRANDS FOLLOWED BY 17% INTERNATIONAL BRANDS AND 15% LOCAL BRANDS.

THE SAME THING ON THE NEXT PAGE, THE TOP 10 TENANTS IN ROMANIA, AS IT WAS ALWAYS THE CASE; WE HAVE A STRONGER CONCENTRATION WITH THE PERCENTAGE IN THE REGION OF 32% AMOUNTING TO 53 OF TOTAL COUNTRIES. AS FOR LOCAL BRANDS, THEY AMOUNT TO 45%; INTERNATIONAL BRANDS HAVE A GREATER SHARE 31%, WITH NATIONAL BRANDS AT 24%.

ON PAGE 21, YOU CAN SEE THE MATURITIES OR DEADLINES OF THE EXPIRY DATES OF OUR CONTRACTS BROKEN DOWN BY VALUE AND BY TYPE OF UNDERLYING ASSETS. IN THE FIRST HALF, WE HAVE 57 CONTRACTS THAT WERE RENEWED, 23 OF THEM WERE FOR TURN OVER, MINUS 8 OF THAT'S THE DOWNSIDE. BUT THAT'S MAINLY ATTRIBUTABLE TO THE RENEWAL OF THE CENTRO SARCA AND AFRAGOLA. WE HAVE RENEGOTIATED CONTRACTS IN ONE CASE WITH THE NEW TENANT IN ONE CASE, WITH THE INCUMBENT WITH THE EXISTING ONE. SO THE WORKS ALSO ARE ONE OF WHICH IS REPRESENT... WHICH, THEREFORE LED TO AN ALMOST STABLE SITUATION. IN ROMANIA, WE HAD NEW TENANTS AND THEN WE HAD RELOCATION OR A TURNAROUND BECAUSE OF NEW OPENINGS, AND ALL THAT TRANSLATING IN 11% DECLINE IN THE 29 CONTRACTS THAT WERE RENEWED, THAT WAS THE DOWNSIDE, 11%.

ON PAGE 22 AND PAGE 23, WE HAVE TRIED TO GIVE YOU... CATCH A PICTURE TO CONVEY THE MESSAGE RESTATING OUR COMMITMENT TO THE SUSTAINABILITY PROCESS. WE PRESENTED THAT YESTERDAY TO OUR BOARD, WE HAVE ALREADY PUBLISHED OUR FOURTH SUSTAINABILITY REPORT, WHICH IS AVAILABLE ONLINE AND THAT HAS BEEN INTEGRATED WITH THE REPORTS OF OUR INDUSTRIAL PLANNING DEPARTMENT. SO YOU CAN FIND ON PAGE 23, THE TARGETS VERY RAPIDLY INCREASE WITH THE EFFICIENCY OF OUR CENTERS TO INTERPRET THE NEEDS OF AN ECONOMIC SCENARIO THAT HAVE BEEN CHANGING CONSTANTLY. AND TO STRENGTHEN THE CONCEPT OF OUR SPACE WHICH FOR US MEANS SPACES TO BE LIVED IN. AND THEREFORE THE IDEA IS THAT OF MAKING OUR CENTERS MORE LIVABLE, MORE ENJOYABLE, AND MORE

PLEASURABLE FOR OUR CUSTOMERS AND THE VISITORS. LAST YEAR, WE INCREASED THE NUMBER OF EVENTS STAGED IN OUR CENTERS BY 9% FOR A TOTAL AMOUNT OF MORE THAN 500 EVENTS.

ON PAGE 25, YOU CAN SEE THE HIGHLIGHTS, THE FINANCIAL HIGHLIGHTS SPLIT ON PAGE 25 AND 26. AND HERE YOU CAN SEE THE MOST MEANINGFUL DELTAS, ALL IN THE POSITIVE AND THEY ARE ALL THE RESULTS OF THE ONE-OFFS, SUCH AS THE SELLING OF THE LIVORNO MALL AS WELL AS THE DISPOSAL OF OUR TREASURY STOCK AND ALSO THE RENEGOTIATIONS OF OUR LOAN FROM BANCA INTESA. GEARING RATIO AS YOU CAN SEE IS MEANINGFULLY DOWN FROM 1.38 TO 1.27, WHILST LOAN TO VALUE WENT DOWN FROM 57.4% TO 55.5%. THE COST OF DEBT WAS SLIGHTLY ABOVE COMPARED TO WHAT WAS THE LEVEL AT YEAR END 2013 I.E. 3.94%. THE NUMBER AT THE END OF Q1 HAD BEEN LARGELY ENVISAGED AND TO A LARGE EXTENT IT'S THE RESULT OF THE €135 MILLION LOAN CONTRACT WHICH WE HAD WITH BNP IN ORDER TO REPLACE THE CONVERTIBLE BOND DUE TO EXPIRE AT THE END OF 2013. SO THE TIME WINDOW WHICH WE TOOK WAS NOT THE SAME AS WE TOOK THIS YEAR WITH THE PRIVATE PLACEMENT WITH THE OTHER BANK WHICH ASSISTED US IN THE PRIVATE PLACEMENT. BY THAT MEANING THAT IT WAS COSTLIER.

THE INTEREST COVER RATIO OF 1.73, WHILST THE AVERAGE LENGTH OF LONG-TERM DEBT IS GOOD, 8.3 YEARS WITH 75.6% OF OUR MID/LONG-TERM DEBT RATE.

ON THE NEXT PAGE, HEDGING ON LONG-TERM DEBT AND BOND IS ALMOST 80% WHILST HEDGING ON LONG TERM DEBT IS 75.5%. BANKING CONFIDENCE IS STABLE AT THE END OF 2013, THEY AMOUNTED TO €273.5 MILLION AND THAT'S THE SAME NUMBER WHICH WE HAVE. BANKING CONFIDENCE AVAILABLE IS LARGER BECAUSE WE HAVE RELEASED THE CREDIT LINES THAT ARE STILL AVAILABLE TO US. THEN WE HAVE THE MARKET VALUE OF MORTGAGE-FREE ASSETS/LANDS FOR APPROXIMATELY €350 MILLION.

ON PAGE 27, YOU CAN SEE THE ON THE LEFT HAND SIDE A BAR CHART THAT GIVES YOU THE BREAKDOWN OF OUR NFPs, IT CHANGED CONSIDERABLY. THAT DOES NOT SHOW AT THE END OF MARCH THIS YEAR, BUT AS THE CONSEQUENCE OF THE DEAL WITH MORGAN STANLEY FOR A TOTAL AMOUNT OF €150 MILLION, WE HAVE COMPLETELY BROUGHT DOWN TO ZERO, OUR SHORT-TERM DEBT. HERE YOU CAN €139 MILLION, WHILST OUR DEBT STRUCTURE HAS A LARGER PORTION OF MEDIUM LONG-TERM, THAT HOWEVER OVER THE COURSE OF THE CURRENT YEAR, THE STRUCTURE WILL BE CHANGED IN THE SENSE THAT THERE WILL BE A REBALANCING OF THAT MAKEUP.

AS YOU CAN SEE, AS A CONSEQUENCE OF WHAT WE DID BETWEEN 2013 AND 2014, WE HAVE DONE QUITE A LOT OF DE-BANKING. ON MARCH 8, OUR NON-BANKING DEBT SHARE WAS 27.2%, BUT AS YOU CAN SEE, AT THE BOTTOM CHART, AS A CONSEQUENCE OF THE €150 MILLION DEAL WITH MORGAN STANLEY, THAT GOES DOWN TO SLIGHTLY LESS THAN 42%. ON THE RIGHT HAND SIDE AT THE BOTTOM OF THE SLIDE, YOU CAN SEE OUR DEBT MATURITY PROFILE. AS FOR THE EVOLUTION OF OUR NFP, WE MOVED FROM A NET DEBT AT THE END OF 2013 OF €1 BILLION

TO...MORE THAN €1 BILLION TO NET DEBT OF €1.022 BILLION. NOW, TRUE WE HAD ONE-OFF IN Q1, I'D LIKE TO LIST THEM AGAIN €47 MILLION, THAT'S THE DISPOSAL OF THE LIVORNO MALL. THEN THE CASH IN COMING FROM THE DISPOSAL OF TREASURY BONDS, AND THEN THE PORTA A MARE SHOPPING CENTER, SO APPROXIMATELY €60 MILLION OR SO; SO WE INVESTED SLIGHTLY LESS THAN €11 MILLION IN NEW INVESTMENTS AND CAPEX, SO WE GENERATED CASH WHICH HAD A POSITIVE IMPACT ON OUR NFP, BUT WE ALSO HAD OTHER BENEFITS AS YOU CAN SEE FROM THIS SLIDE.

ON PAGE 29, OUR RECLASSIFIED BALANCE SHEET, WITH SOURCES AND USE OF FUNDS. SO YOU CAN SEE, USE OF FUNDS APPROXIMATELY 1.839, THEN WE HAVE NET FINANCIAL POSITION COVERING A BIG PART OF IT, AND 778 INSTEAD THAT'S SHAREHOLDERS' EQUITY. SHAREHOLDERS' EQUITY INCREASED MORE THAN THE PROFIT LEVEL FOR THE Q1, 2014 PROFIT, BECAUSE WE SAW A DECREASE IN NFP, BUT THEN WE HAD A CHANGE IN NET EQUITY GEARING IS DOWN FROM 1.38 TO 1.27.

WE HAVE PREPARED SOME FINAL REMARKS WHICH WE WOULD LIKE YOU CONVEY TO YOU. NOW, THE MACROECONOMIC ENVIRONMENT IT'S STILL SEVERE, IT'S STILL CRITICAL. BUT AS WE HAVE ALREADY BEEN WITNESSING AT OUR SHOPPING CENTERS, THERE ARE MILD SIGNAL OR SIGNS OF RECOVERY. OBVIOUSLY, WE ARE NOT TOO UPBEAT. SO HAVING SAID THIS, WE BELIEVE THAT IN THE FIRST FEW MONTHS OF THE CURRENT YEAR, IGD HAS UNDERTAKEN BOTH, ORDINARY AS WELL AS EXTRAORDINARY ACTIONS IN LINE WITH THE NEW BUSINESS PLAN WHICH WAS APPROVED AND PRESENTED TO THE MARKET IN DECEMBER, WHICH IS PROOF...FURTHER PROOF OF THE VALIDITY AND BEAUTY AND GOODNESS OF OUR BUSINESS MODEL.

THANK YOU VERY MUCH FOR LISTENING TO OUR MANAGEMENT'S PRESENTATION AND WE WILL TAKE YOUR QUESTIONS.

## Q&A

OPERATOR: THIS IS THE CHORUS CALL OPERATOR. WE WILL NOW START THE Q&A SESSION. THE FIRST QUESTION COMES FROM ANDREA BONFÀ WITH BANCA ALETTI. PLEASE, SIR.

ANALYST: GOOD MORNING, EVERYBODY. MY QUESTIONS ARE ABOUT THE LIKELIHOOD FOR YOU TO GO BACK TO GROWTH CONSIDERING THE RE-NEGOTIATIONS YOU HAD WITH BANCA INTESA, CONSIDERING THE OVERALL MARKET CONDITIONS OR THE INDUSTRY SCENARIO, AND CONSIDERING ALSO WHAT CREDIT LINES YOU MIGHT ADDITIONALLY SIGN. AND AS FOR ROMANIA, THERE IS AN ASSET WHICH I'D LIKE TO KNOW, WHETHER YOU WOULD LIKE TO SELL OR NOT AND WHAT'S YOUR TAKE ON THE REAL ESTATE MARKET IN THAT COUNTRY?

CLAUDIO ALBERTINI: LET ME TAKE YOUR FIRST QUESTION ON GROWTH. THIS YEAR WE HAVE BEEN QUITE PRUDENT IN ELABORATING OUR FORECAST. WE BELIEVE THAT WE WILL BE VERY, VERY PLEASED WITH



REVENUES GROWTH AND REVENUES PERFORMANCE IN 1H 2014. IF THIS WILL BE CONFIRMED IN THE SECOND PART OF THE YEAR TOO, AND ALSO IN THE NEXT YEAR, THEN WE THINK...AND INCIDENTALLY LET ME SAY THAT PARALLEL TO THIS, WE MIGHT EVEN SEE A REDUCTION IN TERMS OF THE TEMPORARY REBATES WHICH WE HAVE GRANTED TO OUR CUSTOMERS. SO IF WE CONTINUED TO SEE AN IMPROVEMENT IN ECONOMY AND CONSUMPTIONS, THEN I THINK THAT WE WILL BE IN A POSITION TO REDUCE...GRADUALLY REDUCE THAT AMOUNT. AS WELL AS TO SUCCESSFULLY FACE POSSIBLE CHANGES IN INTEREST RATES. WELL, ALL THESE ON A LIKE-FOR-LIKE BASIS. PLEASE BEAR IN MIND THAT WE ARE GOING ON WITH NEW OPENINGS IN APRIL.

WE EXTENDED THE PESCARA SHOPPING MALL WHICH WAS VERY, VERY SUCCESSFUL IN JUST FOUR DAYS, 80,000 VISITORS. IN JULY, WE WILL OPEN THE COMMERCIAL PORTION OF THE PORTA A MARE PROPERTY, WHERE WE WANT TO COMPLETE AS SOON AS POSSIBLE THE SHOPPING MALL. SO AGAIN, WE RESTATE OUR CONSERVATIVE VIEW ON THE CURRENT YEAR, AS WELL AS NEXT YEAR. THE OUTLOOK WE HAVE AND WE WANT TO SHARE WITH YOU IS MODEST GROWTH THIS YEAR, BUT MORE SUSTAINED GROWTH WILL BE RECORDED REFERRING TO OUR PROJECTS OF EXPANSION.

AS FOR RATES, THE LATEST DEALS WHICH WE STRUCK WITH BANKS REASSURES ABOUT AN IMPROVEMENT ON FINANCIAL MARKETS. WELL, IF WE COMPARE RATES TO THOSE WE HAD IN 2011, OF COURSE, THEY ARE HIGHER. WE COULD FUND OURSELVES AT RATES BELOW 300 BPS; WE ARE TALKING ABOUT MEDIUM AND LONG-TERM. HERE THIS TIME INSTEAD WE ARE TALKING ABOUT DIFFERENT RATES, AND THE RATES WE HAVE BEEN SEEING NOW WILL PROBABLY PUSH OUR COST OF DEBT A LITTLE BIT UP FROM 4.1, THE COST OF DEBT SHOULD BE BETWEEN 4.1, 4.2 ROUGHLY, SPEAKING.

LAST BUT NOT LEAST, FEW WORDS ABOUT ROMANIA. AS I SAID ON PRIOR OCCASIONS, WE ARE DOING A MAJOR WORK, AND WE HAVE UNDERTAKEN VALUABLE ACTIONS IN ORDER TO ENHANCE THE SPACE RENTED TO OUR TENANTS, ATTRACTING THEREFORE NEW NAMES, AND NEW BRANDS. JUST THINK ABOUT THE REFURBISHMENT OF OUR SHOPPING CENTERS. AND THE ULTIMATE TARGET IS THAT OF EXITING ROMANIA AT THE BEST CONDITIONS...SO THE BEST POSSIBLE CONDITION. YOU HAVE HEARD THAT THE ECONOMIC MARKET SCENARIO IN THAT COUNTRY POINTS TOWARDS GROWTH OF GDP AND CONSUMPTIONS ALTHOUGH ARE NOT AT VERY, VERY HIGH LEVEL OR AT VERY, VERY HIGH RATES. SO THE EXIT MIGHT TAKE PLACE, ALTHOUGH NOT SOONER THAN 2011. SO THAT'S WHY WE HAVE BEEN VERY CONSERVATIVE AND WE HAVE NOT INCLUDED THAT IN OUR BUSINESS PLAN ASSUMPTIONS.

ANALYST:

IF I MAY, HERE IS ANOTHER QUESTION. GIVEN THE CURRENT RATES, CAN YOU AFFORD TO GROW AND DEVELOP YOUR BUSINESS CONSIDERABLY OR THIS IS SOMETHING WHICH IS NOT AFFORDABLE.

- CLAUDIO ALBERTINI: WELL, IF YOU SEE THE TERMS THE CONDITIONS OF THE AGREEMENT, TYPICALLY WE ARE TALKING ABOUT SOME LEEWAY THAT GIVES US ENOUGH BUFFERS AND ENOUGH LEEWAY FOR INVESTING. ALTHOUGH, IT'S LEEWAY WHICH IS QUITE STRETCHED, THESE ARE THE BEST AVAILABLE CONDITIONS, THE BEST CONDITIONS AVAILABLE ON THE MARKET. AND AT THE END OF 2011 OR AT THE OUTBREAK OF THE SOVEREIGN DEBT OUTBREAK, RATES WERE QUITE DIFFERENT. PLEASE REMEMBER THAT WE ARE STILL AVAILING OURSELVES OF THE STOCK OF SO-CALLED GOOD DEBT THAT HAD CONDITIONS. SO I AM HERE TO RESTATE THE COST OF DEBT BETWEEN 4.1% TO 4.2%, AS WE ASSUMED IN OUR BUSINESS PLAN, THAT'S ENOUGH TO GO ON INVESTING. OBVIOUSLY, THERE IS A GAP, A COMPETITIVE GAP BETWEEN US AND OUR EUROPEAN COUNTERPARTIES IN FRANCE, THE UK OR GERMANY THAT CAN HAVE BETTER RATES AND THAT THEY CAN MAKE INVESTMENTS IN ITALY. BUT THE TERMS AND CONDITIONS THAT I'VE MENTIONED IN MY OPINION ARE GOOD AND THEY STILL ALLOW US TO AFFORD INVESTING.
- OPERATOR: NEXT, QUESTION COMES FROM FEDERICO PEZZETTI WITH INTERMONTE. PLEASE, SIR.
- FEDERICO PEZZETTI: GOOD MORNING, EVERYBODY. I JUST NEED A CLARIFICATION ABOUT THE STRATEGIC VACANCY. IF WE LOOK AT THE DELTA BETWEEN THIS YEAR'S Q1 AND LAST YEAR'S, I THINK THAT THERE ARE \$2.5 MILLION ON AN ANNUALIZE BASIS.
- CLAUDIO ALBERTINI: THAT'S JUST TEMPORARY, LET ME INTERRUPT YOU. THIS IS NOT MEANT TO STAY THERE THROUGHOUT THE YEAR BECAUSE YOU ARE NOT MULTIPLYING THAT BY 4. THAT'S THE METHOD OF MR. ALBERTINI.
- COMPANY REPRESENTATIVE: SORRY, BUT THEY ARE TALKING AT THE SAME TIME, AND I CANNOT TRANSLATE.
- CLAUDIO ALBERTINI: SO WE HAVE HIGHLIGHTED THIS, BECAUSE THAT'S QUITE AN IMPORTANT IMPACT. BUT IT'S NOT MEANT TO STAY THERE FOR THE REST THE YEAR.
- FEDERICO PEZZETTI: AND HERE IS THE CORE OF MY QUESTION. WHEN WILL THESE AREAS GOING BACK TO CONTRIBUTE TO THE RENTAL?
- CLAUDIO ALBERTINI: COULD YOU PLEASE REPEAT THE QUESTIONS?
- FEDERICO PEZZETTI: WHEN WILL THESE BUSINESS SEGMENTS AREA WILL GO BACK TO PROFITABLE?
- CLAUDIO ALBERTINI: IMMEDIATELY.
- FEDERICO PEZZETTI: THE STRATEGIC VACANCY HAS BEEN CLASSIFIED AT THE START...

CLAUDIO ALBERTINI: NO, NO, NO I UNDERSTAND WHAT YOU MEAN. SO IT SIMPLY MEANS THAT WE ARE RELEASING SPACES TO GIVE SPACE FOR TENANTS FOR WHICH WE HAVE CONTRACTS. SO WE ARE TALKING ABOUT 2 TO 3, 4 MONTHS TIME. THEN I THINK THAT DANIELE CABULI...

FEDERICO PEZZETTI: NO, NO, NO STOP, STOP. I WOULD LIKE JUST TOO...HOLD IT, HOLD IT. I'D LIKE JUST TO HEAR WHETHER THERE IS AN UPSIDE THAT'S TO SAY, WHETHER THE NEW INCOME STREAM WILL OFFSET THE DECLINE WHICH WE HAVE BEEN SEEING. IN OTHER WORDS, WHETHER THE NEW RENTAL INCOME WILL IT BE HIGHER? THAT'S THE SENSE OF MY QUESTION.

DANIELE CABULI: MR. CABULI SPEAKING. WELL, LET ME TAKE YOUR FIRST QUESTION. FIRST OF ALL, GOOD MORNING, EVERYBODY. AS MR. ALBERTINI SAID, OVER THE COURSE OF FEW MONTHS WE WILL COMPLETE THE TURNAROUND OR THE REPLACEMENT OF THE SO-CALLED INSTRUMENTAL EXITS, WHICH WE INDUCED IN ORDER TO CHANGE THE LAYOUT OF THE EXISTING SPACE TO ACCOMMODATE FOR OTHER TENANTS, SUCH AS THE REDUCTION OF CERTAIN CLASSES OR CERTAIN SIZES OF SPACES. SO THE SITUATION IS QUITE DIVERSIFIED COMPARED TO Q1. IF YOU LOOK AT CENTRO SARCA, WE ALREADY SEE A NEW ENTRY SCARPE&SCARPE (PH) TO REPLACE EURONICS (PH), AND IN APRIL THEY OPENED...THAT WAS THE OPENING OF THEIR NEW OUTLET.

THEN, LET ME ADDRESS YOUR SECOND QUESTION. WE WILL NOT GET THE SAME RENTAL INCOME AS WE HAD IN THE PAST, NOT IN ALL CASES. FOR INSTANCE, OUT OF €440,000 OF INSTRUMENTAL VACANCY OUTSTANDING FOR WHICH WE HAVE ALREADY SIGNED A CONTRACT WITH NEW TENANTS, THE DELTA IS APPROXIMATELY €60,000 TO €70,000. SO THAT'S THE ORDER OF MAGNITUDE, AND THAT'S THE SITUATION WE WILL BE FACING, NOT SO MUCH BECAUSE WE ARE GIVING (PH) REBATES OR WE ARE SIGNING IN CONTRACTS AT WAY LOWER CONTRACTS. SO STARTING FROM THE SECOND PART OF THE YEAR, THE STRATEGIC VACANCY IN ITALY, AT LEAST AS FAR AS ITALY IS CONCERN, WILL DISAPPEAR.

CLAUDIO ALBERTINI: YES, IT WILL BE REDUCED. THEN, IF WE FACE OTHER CASES OF TENANTS THAT REQUIRE NEW SPACE, WE WILL TAKE THREE, FOUR MONTHS TO DO SO TO MAKE THAT REQUESTED SPACE AVAILABLE. AS MR. SAID, WE CONSIDERED...NO, NO, NO MR. CABULI SAID, WE CONSIDER...

FEDERICO PEZZETTI: NO, NO, MR. ALBERTINI, DON'T GET INTO THE EXPLANATION. WELL, WE HAVE A CONTRACT WITH NEW TENANTS. MY QUESTION WAS ON TIMES THERE, IS THIS APPLICABLE TO ROMANIA?

CLAUDIO ALBERTINI: YES, IN ROMANIA, THE CASE IS EVEN MORE MARKED BECAUSE WE HAVE CREATED NEW SPACE FOR TRAFFIC GENERATOR SUCH AS H&M. ONE NEW TENANT ALREADY GOT IN APRIL, AND IN ROMANIA, WORKS ARE MORE DEMANDING, AND OBVIOUSLY WE HAVE LOWER STRATEGIC VACANCY AND THAT'S WHY YOU SEE THE NUMBERS THAT WE HAVE BEEN ILLUSTRATING TO YOU FOR MARCH.

OPERATOR: TO ASK ANOTHER QUESTION, PLEASE PRESS “\*” FOLLOWED BY “1” ON YOUR TELEPHONE KEYPAD. MR. ALBERTINI, THERE ARE NO FURTHER QUESTIONS.

CLAUDIO ALBERTINI: VERY WELL, THEREFORE, THIS IS THE END OF OUR CONFERENCE CALL. THANK YOU FOR JOINING US.