

Event: 1H2015 Financial Results
Date: 6th August 2015
Speakers: Mr. Claudio Albertini, CEO

OPERATOR: GOOD MORNING. THIS IS THE CHORUS CALL OPERATOR. WE WOULD LIKE TO WELCOME YOU TO IGD'S 1H 2015 RESULTS PRESENTATION. LET ME REMIND YOU THAT ALL PARTICIPANTS ARE IN LISTEN-ONLY MODE. AFTER THE PRESENTATION, A Q&A WILL BE HELD.

LET ME NOW TURN THE CALL OVER TO CLAUDIO ALBERTINI, CEO OF IGD. PLEASE SIR.

CLAUDIO ALBERTINI: GOOD AFTERNOON TO ALL OF YOU. AS YOU READ FROM THE PRESS RELEASE, WE'VE JUST COMPLETED OUR BOARD MEETING AND WE LOOKED INTO OUR HALF YEAR REPORT AND IN ADDITION TO THAT WE ALSO SENT YOU THE DOCUMENTATION AND THE PRESENTATION DISCLOSING DATA ABOUT THE HALF YEAR REPORT.

LET'S START FROM PAGE 3, THERE IS A MEANINGFUL TITLE, A VERY INTENSE AND POSITIVE FIRST HALF, VERY INTENSE. AS WE HAD THE FIRST HALF OF 2015, SO THERE WERE A NUMBER OF EVENTS THAT CHARACTERIZED THE HALF YEAR AND HAD AN IMPACT ON IT. HERE THEY ARE SUMMARIZED ON THE SCREEN. ON JANUARY THE 15 WE SIGNED THE PRELIMINARY AGREEMENT FOR THE DISPOSAL TO A COMPANY OF THE UBS REAL ESTATE GROUP OF A REAL ESTATE COMPLEX AT VIA RIZZOLI IN THE HEART OF BOLOGNA, APPLE STORE THAT'S HOW IT WAS KNOWN. IT WAS A BOOK STORE AND AN APPLE STORE. SO WE DISPOSED THAT REAL ESTATE UNIT WITH A CLOSING THAT WAS SIGNED ON THE 21 OF MAY FOR AN OVERALL VALUE OF €29.4 MILLION.

ON APRIL, 15TH WE ELECTED THE NEW BOARD FOR THE THREE YEARS BETWEEN 2015 AND 2018 AND WE REDUCED NUMBER OF DIRECTORS THAT HAD BEEN ASKED MANY TIMES BY MANY INVESTORS ESPECIALLY FOREIGN INVESTORS SO WE REDUCED FROM 15 TO 13 DIRECTORS AND, THAT'S VERY IMPORTANT, WE APPOINTED TWO DIRECTORS AND THE CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS FROM THE MINORITY LIST, AND AT THE SAME TIME WE ALSO PRESENTED OUR SUSTAINABILITY REPORT. ON APRIL, 21TH WE LAUNCHED AN EXCHANGE OFFER IN RESPECT WITH

EXISTING BONDS, €144.9 MILLION PAYING A 4.335 COUPON AND ANOTHER BOND €150 MILLION THAT WAS PAYING A COUPON EQUAL TO 3.875%, FOR A NEW SENIOR BOND FOR THE AMOUNT OF €162 MILLION WITH A 2.65 COUPON AND THE MATURITY OF THE NOTES IS EXTENDED TO 2022, SO EXTENSION OF THE DEBT LENGTH OF 7 YEARS.

THEN ON MAY, 7TH WE PRESENTED OUR THREE YEARS BUSINESS PLAN FOR THE PERIOD 2015 - 2018, AND ON MAY, 14TH WE DID THE ONLY OPENING WE HAD ACCOUNTED FOR THIS YEAR, THAT IS THE NEW RETAIL PARK CLODÌ IN CHIOGGIA AND WE HAD A VERY POSITIVE FEEDBACK ABOUT THAT OPENING. ALSO IN THE FOLLOWING WEEKS BOTH THE NUMBER OF VISITORS AND THE TENANTS SALES SHOWED A GOOD TREND AND THE OCCUPANCY RATE IS VERY CLOSE TO 100%, JUST TWO SMALL SHOPS HAVE NOT YET BEEN RENTED, BUT THEY WILL BE RENTED OVER THE NEXT FEW MONTHS.

TO WRAP UP THIS OVERVIEW ABOUT THE FIRST HALF OF 2015, ON MAY, 28TH, WE PAID A 0.0375 DIVIDEND PER SHARE WITH A TOTAL AMOUNT ALLOCATED TO DIVIDENDS WHICH WAS €28.4 MILLION. DESPITE IGD IS PAYING OUT €28.4 MILLION AND THE FINANCIAL POSITION IN THE FIRST HALF WENT DOWN OF A FEW MILLIONS, THE TRIPLE NET NAV REMAINED UNCHANGED.

LET'S NOW MOVE ON PAGE 4 AND 5, YOU'LL FIND HERE THE MAIN FINANCIALS AND ECONOMIC HIGHLIGHTS. LET'S START FROM PAGE 4. REVENUES FROM CORE BUSINESS ARE UP 3.3% TO €62.3 MILLION. EBITDA FROM CORE BUSINESS IS UP 3.9% TO €41.4 MILLION JUST LIKE THE EBITDA MARGIN ALWAYS FROM CORE BUSINESS UP 4 POINT PERCENTAGE POINTS TO 66.5% AND EBITDA MARGIN FROM FREEHOLD IS QUITE FLAT AT 76.7%.

THE MAIN GROWTH WAS EXPERIENCED IN THE GROUP NET PROFIT WHICH REACHED A TOTAL AMOUNT OF €20.4 MILLIONS, MORE THAN FOUR TIMES THE NET PROFIT WE HAD LAST QUARTER, WHICH WAS €4.5 MILLION. VERY POSITIVE NEWS ALSO FROM CORE BUSINESS FFO FROM €21.3 MILLION, UP 23.8% VERSUS JUNE LAST YEAR. FFOs PER SHARE IS €0.03 WITH A FORECAST FOR YEAR END WHICH IS ABOUT €0.06.

NEXT PAGE YOU SEE SOME HIGHLIGHTS OF FIRST HALF 2015: FINANCIAL OCCUPANCY 96.2% UP 0.2% VERSUS MARCH THIS YEAR, WHILST ROMANIA GOES FROM 86.2 AT THE END OF MARCH TO 88.9 AT THE END OF JUNE 2015. REGARDING MARKET VALUE, LOAN TO VALUE AND GEARING, THERE ARE NO MAJOR NOVELTY VERSUS END OF YEAR 2014, THE PORTFOLIO IS BASICALLY FLAT. WE WILL SEE THE DIFFERENT MOVEMENTS FOR THE HALF YEAR. LOAN TO VALUE AT 48.3 AND GEARING DEBT TO EQUITY AT 0.95 ARE FLAT VERSUS VALUES AT YEAR END 2014. EPRA TRIPLE NET NAV CALCULATED ACCORDING TO EPRA CRITERIA IS 1.23 SO IT IS FLAT VERSUS END OF YEAR 2014.

LET'S NOW MOVE TO PAGE 7, WE ARE HIGHLIGHTING HERE VERY BRIEFLY THE MACROECONOMIC SCENARIO IN ITALY. INDEED, WE ARE GOING THROUGH A RECOVERY STAGE AND WEEK-AFTER-WEEK THE RECOVERY IS GETTING STRONGER AND MORE AND MORE CONSOLIDATED. WE STARTED TO SEE

THE FIRST SIGNS LAST YEAR BUT WE ARE STILL VERY CONSERVATIVE THIS YEAR. BUT WE CAN START SAYING THAT IN ITALY, WE ARE SEEING A RECOVERY THAT SHOULD CARRY ON ALSO IN THE SECOND HALF OF 2015 AND BE FURTHER CONSOLIDATED IN 2016. THE INDUSTRIAL ASSOCIATION ENTITIES ARE SAYING THAT GDP SHOULD BE AROUND 0.7 IN 2015 AND 1.4 IN 2016 AND THEN CONSUMERS ASSOCIATIONS ARE STATING THAT CONSUMERS CONFIDENCE INDEX IS INCREASING UP 23% VERSUS THE MINIMUM WE RECORDED IN APRIL 2013. THERE ARE POSITIVE DATA ALSO ON LENDING TO COMPANIES, ON MORTGAGE LOANS, INVESTMENTS ETCETERA AND MANUFACTURING THAT IS ACTIVITIES THAT ARE INCREASING THEN ROMANIA, BUT IN ROMANIA AND THIS IS SOMETHING WE SAW ALSO IN THE PREVIOUS TWO YEARS, THE RECOVERY IS MUCH STRONGER, AND GDP IS EXPECTED TO GROW 2.8% AND 3.1% RESPECTIVELY THIS YEAR AND NEXT YEAR DRIVEN BY DOMESTIC DEMAND AND PUBLIC INVESTMENTS THAT ARE GROWING. SO THE MACROECONOMIC SCENARIO IN WHICH WE ARE WORKING IS INDEED A POSITIVE ONE.

LET'S NOW HAVE A LOOK AT THE NEXT SLIDE, THE RETAIL REAL ESTATE INDUSTRY. SO RETAIL IN REAL ESTATE HOW INVESTMENTS ARE GOING. IT'S STILL A POSITIVE TREND DESPITE THE FACT THAT THERE HAS BEEN A SLOWING DOWN, BUT AS YOU SEE THE AVERAGE OF INVESTMENTS FOR THIS QUARTER IS HIGHER THAN QUARTERLY AVERAGE WE HAD OVER THE LAST FIVE YEARS AND ITALY IS REALLY CONSIDERED AS A STRONGLY APPEALING MARKET FOR INTERNATIONAL INVESTORS.

LET ME REMIND YOU OF THE APPLE STORE DISPOSAL TO THE UBS GROUP, AN INTERNATIONAL GROUP; THE 80% OF THE VOLUME INVESTED IN H1, 2015 COMES FROM FOREIGN INVESTORS AND THAT REALLY LED TO A STEPWISE REDUCTION IN YIELDS. SO, WE ARE HOPING FOR THIS YIELD COMPRESSION THAT WE HAD ALSO IDENTIFIED IN OUR BUSINESS PLAN.

LET'S NOW MOVE TO PAGE 10, STARTING FROM REVENUES, LET'S BREAKDOWN REVENUES. ON THE LEFT HAND SIDE, YOU SEE REVENUES FROM CORE BUSINESS. THEY WENT UP 3.3% LESS THAN THE TOTAL REVENUES AND WE HAD LESS REVENUES ON THE PORTA A MARE PROJECT MEANING LESS SALES WHERE IN THE FIRST HALF OF 2014, WE BENEFITED FROM A NUMBER OF PRELIMINARY AGREEMENTS AND NOTARY PUBLIC DEEDS THAT HAD BEEN COMPLETED THE PREVIOUS YEAR. SO WE BENEFITED FROM THOSE SALES IN THE FIRST HALF OF 2014. BUT THIS YEAR WE ARE FULLY IN LINE WITH OUR EXPECTATIONS AND FORECASTS ALSO DISCLOSED IN THE BUSINESS PLAN BETWEEN THE FIRST HALF OF 2015 AND THE SECOND HALF OF 2015, WE HAVE COMPLETED THE NOTARY AND TITLE DEEDS FOR TWO FLATS AND THEN THERE ARE 8 WITH PRELIMINARY AGREEMENTS THAT WE'VE SOLD THEM VERSUS 10 THAT WE HAD INCLUDED IN THE PLAN, SO AND 2.4 IS THE GROWTH WITH A REVENUE BREAKDOWN WHICH IS FLAT ONE-THIRD OF REVENUES FROM RENTAL BUSINESS FROM HYPERMARKET ASSET CLASSES 58.3% FROM SHOPPING MALLS AND 7% FROM ROMANIA.

IF YOU MOVE ON TO PAGE 11, YOU SEE THE RENTAL INCOME DRIVERS. AS YOU CAN SEE, THERE IS A SPLIT BETWEEN ITALY AND ROMANIA ON A LIKE-FOR-LIKE BASIS IN ITALY WE ARE FLAT. SO ON A LIKE-FOR-LIKE BASIS, WE ARE FLAT ON HYPERMARKET AND SHOPPING MALLS AND WE HAVE HIGHER REVENUES DRIVEN BY INVESTMENTS MADE LAST YEAR. THE EXTENSION OF CENTRO D'ABRUZZO AND THE REMODELLING OF LE PORTE DI NAPOLI WITH THE MOVING CHANGING PART OF THE SERVICE

FROM HYPERMARKET TO SHOPPING MALL AND THEN LIVORNO AND THE PURCHASING POST SHARE CAPITAL INCREASE AT THE END OF OCTOBER 2014 AND THEN WE ARE STARTING TO SEE THE FIRST REVENUES AFTER THE OPENING OF DI CLODI RETAIL PARK WHICH TOOK PLACE IN MAY THIS YEAR.

AND WHEN IT COMES TO DISMISSALS AND DISPOSALS €217,000 FOR THE DISPOSAL OF RIZZOLI AND NEGATIVE EFFECT ALSO OF ABOUT €400,000 FOR THE DISPOSAL OF VIA RIZZOLI INSTRUMENTAL VACANCY AND THEN ROMANIA ON A LIKE-FOR-LIKE BASIS WE ARE UP 3% ROUGHLY AND WE HAVE INSTRUMENTAL IS MINUS 140, BUT IT WILL BE REDUCING BECAUSE NOW WE HAVE COMPLETED THE RENTAL TO INTERNATIONAL TENANTS AND THEN INCREASE IN REVENUES FROM PORTA A MARE €28,000. AND THEN OVERALL GROWTH IS SLIGHTLY OVER €2 MILLION, SO UP 3.7% TOTAL GROWTH.

ON THE COST SIDE AT PAGE 12, DIRECT COSTS AND G&A EXPENSES. HERE WE SEE AS FAR AS DIRECT COSTS ARE CONCERNED, WE HAVE A FLAT RENT SLIGHTLY ON THE UPWARD ON THE INCREASING TREND AND THIS IN THE PREVIOUS YEARS IT'S AN ITEM THAT WAS LET TO BIT OF SURPRISE IF YOU REMEMBER WHEN THE IMU TAX WAS INTRODUCED, IN THIS CASE THE IMU TAX PROPERTY TAX WENT UP A BIT, BUT JUST FOR THE PORTFOLIO ACQUIRED IN OCTOBER, THE PORTFOLIO PORTION ACQUIRED IN OCTOBER, BUT GENERALLY SPEAKING DIRECT COSTS ARE FLAT 0.4%, WHILST CORE BUSINESS G&A EXPENSES ARE UP 7.4% ESPECIALLY THIS FIRST HALF WE HAD SOME ONE-OFF COSTS THAT WON'T BURDEN US IN THE SECOND HALF.

LET'S MOVE ONTO PAGE 13, THE MAIN DRIVERS LEADING TO THE GROUP NET PROFIT FROM €4.4 MILLION TO €20.4 MILLION, THIS YEAR YOU SEE WE HAD A €1.5 MILLION INCREASE IN CORE BUSINESS EBITDA AND ALSO MAINLY IT'S NOT YET CHANGED AND SIGNED BECAUSE THIS IS JUST SLIGHTLY NEGATIVE WITH A STRONG REDUCTION AND THE IMPACT OF THE APPRAISALS ON OUR P&L INDEPENDENT APPRAISALS ON OUR P&L LAST YEAR WAS MINUS 14, THIS YEAR IS 400 MINUS 400 FOR POSITIVE DELTA AND LET'S HOPE THAT THERE IS SLIGHTLY NEGATIVE TREND FOR THE HALF YEAR CAN BE TURN INTO A SLIGHTLY POSITIVE TREND FOR THE SECOND HALF OF THE YEAR. BUT I WILL TALK ABOUT THIS LATER ON WHEN WE TALK ABOUT OUR PORTFOLIO.

WE ALSO EXPERIENCED A 2.2 DECREASE IN THE FINANCIAL CHARGES. YOU SEE THE EFFECTS OF THE SHARE CAPITAL INCREASE BY REDUCING THE DEBT STOCK AND ALSO BY REDUCING OUR FINANCIAL PROVISIONING CONDITIONS IN ADDITION TO THE SHARE CAPITAL INCREASE, SO WE INCREASED OUR CREDIT WORTHINESS WITH BANKS AND THEN WE HAVE PROFIT BEFORE TAX WHERE DTA IS LESS DEFERRED TAXES ON CHARGES AND SURVEYS TO GET TO THE €20.4 MILLION WORTH OF NET PROFIT, GOOD NET PROFIT END OF 30 OF JUNE. SO WE HADN'T SEEN THIS TYPE OF RESULTS FOR FOUR YEARS IN A ROW NOW EVER SINCE H1, 2011. SO IT'S QUITE MEANINGFUL.

NOW FOR THE ANALYSTS ATTENDING THERE IS A LOT OF ATTENTION TO THIS CASH GENERATION. SO CORE BUSINESS FFO, PAGE 14 IN THE PRESENTATION IS NOW €21.3 MILLION, UP 23.8% VERSUS H1, 2014 AND GROWING FURTHER VERSUS Q2, THE GROWTH WAS LED BY THE FACTORS IN THE BOX ON THE TOP RIGHT. SO EBITDA INCREASED IMPROVEMENT IN FINANCIAL MANAGEMENT AND

CHANGES IN INCOME TAXES AND OTHER MINOR CHANGES. THOSE ARE THE MAIN DRIVING FACTORS LEADING TO FURTHER GROWTH.

AND PAGE 16, COMMERCIAL HIGHLIGHTS. THESE ARE DATA THAT WE'D ALREADY RECORDED IN Q1, 2015. WE CAN RECONFIRM THAT WE ARE GOING THROUGH A PHASE WHERE CONSUMPTION IS PICKING UP AGAIN, SO SIXTH QUARTER THAT'S POSITIVE IN A ROW THROUGHOUT 2014 AND THE FIRST TWO QUARTERS OF 2015 POSITIVE IN SALES, SO PROGRESSIVE GROWTH UP 6.7% PROGRESSIVE CHANGE AND UP 3.5% ON A LIKE-FOR-LIKE BASIS.

THE FOOTFALLS IN SHOPPING MALLS ARE SLIGHTLY NEGATIVE, BUT THAT IS SIMILAR TO THE CNCC DATA 0.9%, BUT WE RECEIVED THE JULY DATA A FEW HOURS AGO AND THEY SHOW A FLAT TREND, PROBABLY BECAUSE IT WAS VERY HOT AND WHEN THE WEATHER IS VERY HOT PEOPLE TEND TO GO TO THE SHOPPING MALLS WELL TO COOL DOWN. AND SO, JULY DATA ON A PROGRESSIVE IS 0.01 AND THEY TELL US THAT THE SHOPPING MALLS FORMAT ESPECIALLY IN ITALY OR AT LEAST IN ITALY IT'S STILL A WINNING FORMAT AND IT'S STARTING TO WORK AGAIN; ALSO CONSUMPTION AND THE AVERAGE TICKET PRICE IS INCREASING IN SHOPPING MALLS. BUT EVEN IN ROMANIA, WE ARE STARTING TO SEE POSITIVE FOOTFALLS FIGURES 1.7. HERE AGAIN IT'S THE EFFECTS WE SEE BY INTRODUCING NEW TENANTS: WE OPENED A FIFTH H&M IN ROMANIA EARLIER ON THIS YEAR AND WE HOPE THIS WILL LEAD TO FURTHER CONSOLIDATION OF THE TREND IN THE SECOND PART OF THE YEAR. HYPERMARKET SALES ARE NOT SO REASSURING. THIS IS THE COOP ITALIA DOWN 2.8% PROGRESSIVE CHANGE AND IT'S NOT NEGATIVE JUST FOR NON-FOOD BUT ALSO NEGATIVE ON THE FOOD SIDE OF THE BUSINESS.

MOVE ONTO PAGE 17, CONTRACTS IN ITALY AND ROMANIA. HERE WE CAN SEE THE CHARTS ON THE EXPIRY DATE FOR HYPERMARKET AND MALL CONTRACTS IN ITALY AND ROMANIA.

AS TO RENEWALS IN ITALY, 63 CONTRACTS WERE SIGNED, OF WHICH 36 WERE TURNOVER AND 27 RENEWALS. AND THERE WAS RENEWALS WITH DOWNSIDE EQUAL TO MINUS 2.3% THAT WAS MAINLY DUE TO THE FACT THAT THESE CONTRACTS WERE DRAWN UP BEFORE THE CRISIS. SO THERE WAS AN ADJUSTMENT TO MARKET VALUE.

AND WE THINK THAT IN THE SECOND HALF OF 2015 AND IN THE FIRST MONTHS OF 2016 THESE DATA WILL GET TO PARITY SOMEHOW AND THE DOWNSIDE WILL BE UPSET, SO DISCOUNTS WERE LOWER, THE TEMPORARY REBATES WERE LOWER €400,000 THAN WHAT WE HAD IN 2014. WHILST FOR ROMANIA ANOTHER POSITIVE COMP TREND, WE HAD UPSIDE UP 0.4% MORE FINAL IN THE Q2, 2015 ON 86 NEW CONTRACTS.

LET'S MOVE ONTO PAGE 18, HERE WE ARE FOCUSING ON COMMERCIAL AND ASSET MANAGEMENT ACTIVITIES IN FIRST HALF OF 2015. SO FIRST OF ALL, WE CARRY ON WITH THE RESTYLING ACTIONS AND THE INTRODUCTION OF NEW TENANTS AT THE NEW CENTERS THAT ARE VERY IMPORTANT FOR US: ONE IS A HISTORICAL CENTRE, CENTRO BORGIO IN BOLOGNA WITH HISTORICAL IMPORTANCE

FOR US, IT REQUIRED A MAJOR RESTYLING WHICH IS ABOUT TO BE COMPLETED AFTER THE HOLIDAYS AND ABOUT 3 MILLION WERE SPENT THERE.

AND THEN FOR CENTRO SARCA THE END OF WORK SHOULD BE AROUND NOVEMBER 2015. THIS INVESTMENT IS MUCH MORE SIZABLE IN NATURE ABOUT €10 MILLION WORTH OF INVESTMENT FOR RESTYLING PURPOSES MOST OF WHICH ALREADY CARRIED OUT DURING THE FIRST HALF OF 2015. AND THEN EXPO WILL CLOSE AND WE ARE VERY CLOSE TO THE EXPO EXHIBITION AND THE OPENING SHOULD BE BY YEAR-END WHEN THE EXPO, WELL THE EXPO EXHIBITION WILL FINISH IN OCTOBER, END OF OCTOBER. AND THEN, ON THE MAY 14 WE OPENED THE NEW RETAIL PARK IN CLODI, CHIOGGIA. HERE SOME OF THE PICTURES FROM THE OPENING DAY, IT'S NOT A RENDERING, IT'S THE ACTUAL SHOPPING CENTER.

AND THEN NEW TENANTS WERE INTRODUCED IN THE FIRST HALF, 19 NEW BRANDS; THESE ARE THE MAIN ONES THAT WERE INTRODUCED DURING THE FIRST HALF OF 2015. SO WE CARRY ON THIS. WE KEEP ON WORKING ON TENANT MIX. WE ARE VERY MUCH AWARE OF TRENDS, CONSUMPTIONS AND CONSUMER NEEDS.

AND ON PAGE 19, YOU FIND A FOCUS ON PORTA A MARE BECAUSE THERE ARE SOME MAJOR NOVELTIES TO BE IDENTIFIED WITH THE OPENING OF THE CHANNEL AND NEXT OPENING OF THE FOOD COURT AREA CLOSE TO OFFICINE STORICHE. WE STARTED THE WORKS ON OFFICINE STORICHE AND AFTER THE HOLIDAYS, WE WILL HAVE THE OPENING OF THE FOOD COURT WHO HAS A FINANCIAL OCCUPANCY IN EXCESS OF 80%, ACTUALLY 83.5%. SO OVER THE FIRST FEW MONTHS OF 2015, WE SOLD ABOUT FIVE FLATS, THREE ALREADY SIGNED FOR AND WITH A NOTARY PUBLIC AT THE END OF JUNE AND WE'VE ALREADY CLOSED THE NEGOTIATION FOR THREE MORE FLATS AND WE HAVE NEW RENTAL AGREEMENT FOR AN OFFICE IN PALAZZO ORLANDO. OCCUPANCY IS ABOUT 50%, SLIGHTLY LESS THAN 50%.

ASSET MANAGEMENT ACTIVITIES IN ROMANIA AS WELL FOCUS ON ROMANIA PAGE 20 OF THE PRESENTATION, WE HAVE TWO SUBS, AND THEN WE HAVE THE 5TH H&M THAT WILL BE OPENED WAS OPENED IN APRIL. THIS IS A RENDERING OF THE CENTER PLOIESTI; WE HAVE FAÇADE RESTYLING THAT IS ABOUT TO BE COMPLETED. YOU SEE THE PICTURE IS MORE OR LESS OF THE SAME. WE ARE FILLING UP THE TOP FLOORS BY INTRODUCING NEW TENANTS AND IT'S NOT THE TYPICAL TENANTS WE ARE TALKING ABOUT, BUT WE HAVE ENTERTAINMENT ACTIVITIES AND WE HAVE TWO SHOPPING MALLS IN PLOIESTI. WITH THE OPENING OF THE LA PLĂCINTE RESTAURANT OCCUPANCY REACHED ABOUT 90%. WE ARE HOPING TO EXCEED 90% IN THE SECOND HALF OF 2015 BY INTRODUCING A NEW INTERNATIONAL TENANT PEPCO WITH WHICH, AS YOU CAN SEE IN THE BOX ON THE RIGHT, WE HAVE ALREADY SIGNED THREE CONTRACTS FOR THREE SHOPPING MALLS AND FOUR MORE CONTRACTS ARE BEING NEGOTIATED.

PAGE 21, YOU SEE THE MAIN RESULTS ACHIEVED IN TERMS OF SUSTAINABILITY REPORT. SO CSR, HERE WE HAVE QUALITY AND EFFICIENCY IN SHOPPING MALLS AND THEN THE CHANGING ENVIRONMENT AND WE ARE ADAPTING TO A CHANGING ENVIRONMENT. AS TO SHOPPING MALL

EFFICIENCY, WE HAVE INTRODUCED THE FIRST IGD PHOTOVOLTAIC SYSTEM ON THE ROOF OF THE NEW RETAIL PARK CLODI. WE ARE INSTALLING LED LIGHTING SYSTEM IN 6 SHOPPING CENTERS. WE ARE SAVING ABOUT 20% ON LIGHTING. AND THEN OTHER RELATED ACTIVITIES. AND CHANGING ENVIRONMENT, WE WILL HAVE INSTITUTIONAL COMMUNICATIONS ON IGD'S ENVIRONMENTAL EFFORTS IN THE SHOPPING CENTERS CERTIFIED IN COMPLIANCE WITH ISO 14001.

PAGE 23, PORTFOLIO CHARACTERISTICS, YOU SEE THE TYPICAL, WELL THE USUAL TABLE IT'S FINANCIAL OCCUPANCY IN COMPLIANCE WITH EPRA CRITERIA. SO 100% IN HYPERMARKET, ASSET CLASS AND MALLS 94.3% AVERAGE IS 96.24, UP ON THE UPWARD ON THE GROWTH TREND VERSUS YEAR-END 2014 AND IN ROMANIA OCCUPANCY RATE IS CLOSE TO 89%. THERE WAS AN INCREASE IN THE FAIR VALUE OF ASSETS. WE WILL SEE THAT IN THE FOLLOWING SLIDE THAT HAD AN IMPACT ON THE ITALIAN PORTFOLIO ESPECIALLY WITH THE INITIAL YIELDS THAT WENT DOWN SLIGHTLY.

PAGE 24, YOU SEE THE MARKET VALUE EVOLUTION GOING FROM €1.951 MILLION END OF 2014 TO €1.942 BILLION IN H1, 2015. WE HAVE A NUMBER OF INITIATIVES THE DISPOSAL OF THE LIVORNO MALL AND THEN THE DISPOSAL OF THE APPLE STORE THAT REALLY FINANCE ALL OF THE OTHER INVESTMENTS THAT WE HAD IN THE PIPELINE. SO WE DISPOSED ASSETS FOR €30 MILLION, INVESTED €20 MILLION IN DEVELOPMENT ACTIVITIES, ESPECIALLY THE CAPEX INVESTMENTS WERE COVERED BY THIS POSITIVE FAIR VALUE DELTA THAT AFFECTED OUR TWO MAIN ASSET CLASS, HYPERMARKET UP €9 MILLION PLUS 1.5% AND MALLS AND RETAIL PARKS UP €11.6 MILLION PLUS 1.2% AND CITY CENTERS MINUS €3 MILLION, A DECREASE IN FAIR VALUE AND 1.5% IN ROMANIAN MALLS. SO MINUS €3 MILLION, BUT THAT LEADS TO A POSITIVE SIGN THAT ENABLED US TO COVER CAPEX FOR THE HALF YEAR WITH AN OVERALL DELTA, NEGATIVE OF ABOUT €400,000 A BALANCE IN P&L

PAGE 25, TRIPLE NET NAV IN COMPLIANCE WITH EPRA GUIDELINES IS FLAT. PAGE 27, THE FINANCIAL HIGHLIGHTS, WE HAVE STABILITY IN OUR RATIOS, GEARING RATIO IS THE SAME AS YEAR-END 0.95, LOAN TO VALUE IS THE SAME AS YEAR-END 2014, AND WE'D ALREADY EXPERIENCED A POSITIVE IMPACT DERIVING FROM THE SHARE CAPITAL INCREASE AT YEAR-END. THEREFORE THERE ARE NO MAJOR DELTAS OF VARIATION, WOULD THAT BE A VARIATION IN THE AVERAGE COST OF DEBT THAT WENT DOWN OVER THE FIRST HALF OF 2014 FROM 4.03 TO 3.88. THIS IS A DECLINE WE ENCOMPASS AND ENVISAGE IN OUR BUSINESS PLAN. SO WITH AN AVERAGE COST OF DEBT AROUND 3%, SO THIS DECLINE IN THE FIRST QUARTER AND THE SECOND QUARTER IT WENT ON THERE IS A MORE FAVOURABLE ENVIRONMENT.

FINANCIAL MARKET CONDITIONS ARE BETTER, BUT ALSO OUR FINANCIAL PROFILE, OUR CREDIT WORTHINESS HAS IMPROVED. SO WE CAN GET BETTER CONDITIONS. WE CAN GET SHORT-TERM MONEY ABOUT 10% OF OUR DEBT STOCK WE CAN GET THAT AT COMPETITIVE RATES. WE ARE TALKING ABOUT RATES THAT ON AVERAGE ARE BETWEEN 25, 30 BPS FROM SHORT-TERM DEBT ALSO THREE MONTHS AND IN SOME INSTANCES WE EVEN HAVE RATES THAT ARE BELOW 0.5%, 0.2% IT'S 0.15%.

MEDIUM LONG-TERM, WE HAVE RATES, WHICH ARE 220, 230 BPS, THAT REALLY ENABLED US TO IMPROVE OUR SITUATION REDUCING OUR COST OF DEBT IMPROVING OUR INTEREST COVER RATIO, IT'S ABOVE TWO TIMES CONSTANTLY AND SHOULD BE GETTING EVEN BETTER CONSIDER THAT IN THE SECOND HALF, WE SHOULD HAVE A POSITIVE IMPACT. THESE POSITIVE IMPACTS SHOULD COME FROM THE BOND SWAP TRANSACTION ENDED IN APRIL. SO IT WOULD BE ABOUT €1 MILLION POSITIVE IMPACT IN H2, 2015 TAX WISE. SO OUR INTEREST COVER RATIO PROFILE SHOULD IMPROVE AND OUR CASH GENERATION, RECURRING CASH GENERATION SHOULD ALSO IMPROVE IN THE SECOND HALF.

AS TO FINANCIAL HIGHLIGHTS WE ARE ON PAGE 28, AVERAGE LENGTH OF LONG-TERM DEBT WENT UP, THANKS TO THE EXTENSION WITH THE ISSUANCE OF THE NEW BOND SEVEN YEAR EXTENSION. MATURITY EXTENSION WE ARE 6.8 YEARS NOW MEDIUM LONG TERM DEBT BOTH QUOTA 90.2 END OF YEAR 2014 TO 85.3 FIRST HALF. SO 15% HEDGING IN EXCESS OF 90%, €90 MILLION WORTH OF BANKING CONFIDENCE, AND BANKING CONFIDENCE AVAILABLE AS A DIFFERENCE OF ABOUT 210, MARKET VALUE OF MORTGAGE FREE ASSET AND LANDS IS 663 MILLION.

NEXT PAGE DEBT MATURITY PROFILE, AND IN THIS CASE, WE ARE ALSO SHOWING THE OPTION FOR EARLY CLOSURE OF THE MORTGAGE LOAN. WE STARTED IN 2013 WITH BNP (PH) IT WAS SECURITIZED. BUT WE HAVE A CONTRACT WITH WHICH WE COULD TERMINATE IT EARLIER NOVEMBER 2016. SO IN THE CURRENT SITUATION WE ARE GOING TO USE THAT OPTION TO FURTHER REDUCE THE COST OF DEBT. AND THIS IS THE ONLY COST OF DEBT ABOUT 5% THAT WE STILL HAVE. SO €938 MILLION COST OF DEBT YOU SEE IT IN THE LOWER PART OF PAGE 29 WITH A BREAKDOWN WHICH IS 46% ROUGHLY MARKET AND 54% BANKING SYSTEM. GOING FORWARD THESE TWO PERCENTAGES COULD BE REVERSED.

IN 2015, WE ARE GOING TO BE MORE ON THE BOND MARKET THAN ON THE BANKING SYSTEM AS WE MOVE FORWARD. I THINK THAT'S IT AS FAR AS I AM CONCERNED FOR THE MAIN DATA PRESENTATION.

FROM PAGE 31 ONWARDS YOU SEE THE ANNEXES AND IN THE FOLLOWING PAGES OF THE PRESENTATION FROM THE CONSOLIDATED INCOME STATEMENT, MARGIN FROM ACTIVITIES PAGE 32 AND MORE DETAILS WITH A DIFFERENT TOP TENANTS, PAGE 34, TOP TENANTS, ITALY, 35 TOP TENANTS ROMANIA. THERE IS A MARKET VALUE EVOLUTION. AND THEN BREAKDOWN OF APPRAISALS, WE HAVE THREE MAIN INDEPENDENT (PH) [INDISCERNIBLE] CBRE, REAG, AND CUSHMAN & WAKEFIELD. ITALIAN AND ROMANIAN PORTFOLIO PAGE 37. ITALIAN ROMANIAN PORTFOLIO DISTRIBUTION BREAKDOWN BY MARKET VALUE BETWEEN ROMANIA AND ITALY.

AND THEN WE HAVE NFB AND THEN PAGE 40, RESTATED BALANCE SHEET OR ACCOUNTS. THAT'S IT AS FAR AS I AM CONCERNED. I AM READY TO TAKE QUESTIONS WITH THE COLLEAGUES ATTENDING WITH ME, READY TO TAKE YOUR QUESTIONS. THANK YOU VERY MUCH.

OPERATOR: THIS IS THE CHORUS CALL OPERATOR. WE ARE NOW STARTING THE Q&A SESSION. FIRST QUESTION COMES FROM THE LINE OF FEDERICO PEZZETTI WITH INTERMONTE. YOU HAVE THE FLOOR.

FEDERICO PEZZETTI: GOOD AFTERNOON TO ALL OF YOU. I HAVE A COUPLE OF QUESTIONS.

CLAUDIO ALBERTINI: PLEASE, SPEAK UP.

FEDERICO PEZZETTI: YES JUST A SECOND, CAN YOU HEAR ME NOW? FIRST QUESTION IS ABOUT SALES IN HYPERMARKETS AND SUPERMARKETS. COULD YOU GIVE US A DETAIL ABOUT THE ONES YOU OWN, THE FREEHOLD ONES? AND I WOULD LIKE YOU TO ELABORATE ON HOW DO YOU THINK THIS BUSINESS IS GOING TO PERFORM. IT'S BEEN UNDER PRESSURE AS FAR AS SALES WERE CONCERNED OVERTIME. SO HOW DO YOU SEE IT DEVELOPING IN THE MEDIUM AND LONG-TERM? WHAT DO YOU EXPECT WHEN IT COMES TO RENTAL GROWTH BECAUSE WE GET CLOSE TO 2017 WHEN YOU HAVE PART OF THE CONTRACTS WHICH ARE EXPIRING FOR HYPERMARKETS AND SUPERMARKETS? HOW DO YOU VIEW THAT? COULD YOU ELABORATE AND SHARE YOUR VIEW WITH US CONCERNING THIS PART OF THE INDUSTRY? AND THEN A QUESTION ON ROMANIA, WHERE YOU ARE DOING REALLY WELL THE OCCUPANCY IS REDUCING.

CLAUDIO ALBERTINI: IN THE FIRST HALF, WE SAW AN IMPACT ON RENTS IN ROMANIA OR THE OCCUPANCY, THE OCCUPANCY IMPROVED BY REDUCING RENTS GIVING GREATER DISCOUNTS OR WE ARE GOING TO SEE AN IMPACT IN H2, IMPROVED RENTS IN H2.

FEDERICO PEZZETTI: BETWEEN SIX AND 18 MONTHS WHAT IS OCCUPANCY GOING TO BE LIKE IN ROMANIA. DO YOU EXPECT ANY MAJOR CHANGES OVER THE NEXT 6 TO 18 MONTHS?

CLAUDIO ALBERTINI: LET ME START WITH A QUESTION ON HYPERMARKETS. THE DATA WE ARE PROVIDING YOU WITHIN THE PRESENTATION IS THE COOP ITALIA DATA. SO THE GLOBAL OVERALL DATA FOR OUR 2.8% FOR OUR HYPERMARKET WITHIN OUR PORTFOLIO, IN OUR PORTFOLIO TOTAL PORTFOLIO IS 3.5% OF THE OVERALL DECREASE IN SALES. IT'S A PHENOMENON THAT'S BEEN GOING ON FOR QUITE SOMETIME NOW AND WE ARE OF COURSE TAKING ACTION TO TRY AND MAYBE ANTICIPATE SOME REQUEST THAT MAY COME FROM TENANTS TO REMODEL OR RE-MODULATE SPACE AND WE TOOK A POSITIVE ACTION IN AFRAGOLA WHERE WE REDUCED THE SURFACE BY 50% THE HYPERMARKET SURFACE. IT WAS MORE THAN 9,000 SQUARE METER. SO TO THE ADVANTAGE OF THE SHOPPING MALLS, I WENT TO SEE IT WAS A SUCCESS DETAIL FOR BOTH.

HYPERMARKET HAS FOUND A NEW BALANCE SALES OF COURSE WERE NOT DOWN TO 52%. SO THEY ARE REBALANCING THE COST OCCUPANCY RATIO AND AT THE SAME TIME THE SHOPPING MALL IS HAVING A POSITIVE RESULT. SO THAT KIND OF EXPERIENCE THAT KIND OF MODEL COULD BE USED AS A REFERENCE, BECAUSE WE TOO ARE WORRIED ABOUT THE DECLINE IN SALES THAT IS TAKING PLACE IN HYPERMARKET SALES. THIS DECLINE IN THE PAST IT WAS MAINLY DRIVEN BY THE NON-FOOD AREAS. NOW EVEN THE FOOD PART IS SUFFERING. WE ARE READY TO COMPLY WITH REMODELLING

REQUEST FROM OUR TENANTS. AND IN OUR CENTERS WE ARE READY TO REMODEL THE LARGE SURFACES MAYBE TO EXTEND THE MALLS INSTEAD OF THE SHOPPING MALLS. IN ROMANIA SALES GENERALLY SPEAKING, IT'S THE SIXTH QUARTER IN A ROW WHERE WE HAVE A POSITIVE TREND, BUT THINK THAT WE DO UP CONTRACTS BEFORE THE CRISIS WE HAVE BEEN THROUGH A VERY LONG CRISIS.

WE HAVE REDUCED OUR TEMPORARY DISCOUNTS BELOW €1 MILLION, WE STARTED TWO YEARS AGO WITH ABOUT €3 MILLION, NOW IT'S BELOW €1 MILLION AND OUR GROWTH ON A LIKE-FOR-LIKE BASIS SHOULD BE DRIVEN BY A NUMBER OF FACTORS AND IN THIS INFLATION WAS EQUAL TO ZERO IN THIS FIRST HALF. SO REMEMBER THAT TOO. SO WE HAD A ZERO IMPACT INFLATION WISE. SO LUCKILY WE HAVE A FLOW THAT'S PRESERVING US FROM NEGATIVE VALUATION. BUT WE ARE REDUCING DISCOUNT, TEMPORARY DISCOUNTS IN REBATES AND IF THIS GROWTH TREND IN SALES AND THE COST OCCUPANCY WILL BE REDUCED, AND SO MAYBE NOTHING IN SHORT TERM, BUT MAYBE NEXT YEAR THERE WILL BE ROOM FOR FURTHER GROWTH ALSO FOR RENEWALS TO INCREASE RENTAL IN RENEWALS.

WE ARE NOT PUSHING TOO MUCH ON THIS, WE ARE NOT PUTTING TOO MUCH STRESS ON RENTS, BECAUSE WE MAY END UP WITH HEADWINDS, IF WE HAVE RENTS THAT ARE NOT SUSTAINABLE IT'S NOT VIABLE. WE HAD A SMALL DECLINE IN BANKRUPTCIES ONLY 7 DEFAULTS WERE RECORDED VERSUS LAST YEAR FOR A FEW THOUSAND DOZENS OF EUROS AND WE'VE HAD LOWER LITIGATIONS AND LESS LITIGATIONS, LET ME SAY SOMETHING TO THE OPPOSITE WE HAVE A SHOPPING MALL WITH FULL OCCUPANCY WITH SLIGHTLY LOWER RENTS THEN HAVE A SHOPPING MALL WITH HIGHER RENTS, BUT THAT IN ONE OR TWO YEARS ARE NO LONGER SUSTAINABLE OR VIABLE FOR THE TENANTS.

FOR ROMANIA, ROMANIA IT'S A TREND WE ARE THAT IT'S FINALLY BEEN REVERSED AND CARLO BARBAN OUR CEO FOR ROMANIA HAS BEEN WORKING THERE FOR QUITE A FEW YEARS. IT'S A REVERSE TREND. IT SHOULD BE CONSOLIDATED IN H2. OCCUPANCY SHOULD BE CONSOLIDATED IN H2. THANKS TO THESE FILLING UP OF THE TOP FLOORS WHICH ARE THE MOST DIFFICULT TO RENT OUT WITH NEW TENANTS WHO ARE NOT PAYING VERY HIGH RENTS, BUT IT'S NEW INTERNATIONAL TENANTS THAT WE WANT TO RELY ON TO EXCEED 90% OCCUPANCY RATE.

AND HERE TOO THE IMPACT AND THE UPSIDE OF RENTS, THE UPSIDE OF RENTS WON'T BE SOLD STRAIGHT AWAY. THE FIRST SIGNAL WAS IN ROMANIA WITH THIS PLUS SIGN IN RENEWALS. WE DON'T EXPECT MAJOR GROWTH IN H2, BUT WE THINK THAT THIS TREND CAN CARRY ON INTO NEXT YEAR 2016 AND AS DISCLOSED IN OUR BUSINESS PLAN WHERE WE ARE SHOWING A GRADUAL GROWTH OF ROMANIA AND WE ARE GOING ALONG THOSE LINES BOTH FOR ITALY AND ROMANIA.

FEDERICO PEZZETTI: THANK YOU VERY MUCH.

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

SIMONETTA CHIRIOTTI: GOOD AFTERNOON. I HAVE A QUESTION ON ROMANIA. AS TRENDS ARE BASICALLY POSITIVE, I WAS WONDERING WHY THIS LIKE-FOR-LIKE REDUCTION IN THE PORTFOLIO VALUE, REDUCTION OF 1.5% IN THE PORTFOLIO OF VALUE THAT COMES AFTER A POSITIVE VALUATION LAST YEAR, A POSITIVE APPRAISAL LAST YEAR. SO ARE THERE ANY SPECIAL ITEMS THAT YOU LIKE TO MENTION THERE. AND THEN AS TO P&L, THE P&L YOU PRESENTED US MAKING CALCULATIONS FOR Q2, YOU END UP WITH POSITIVE TAXES, €1.2 MILLION POSITIVE TAXES. CAN YOU REPEAT PLEASE AS MR. ALBERTINI CALCULATING TAXES FOR Q2? YOU END UP POSITIVE TAXES 1.2 POSITIVE. YOU HAD ACCOUNTED FOR 0.6 IN THE NEGATIVE, NOW THEY ARE POSITIVE. WHAT HAPPENED? IS THERE ANYTHING YOU'D LIKE TO ELABORATE ON OR HIGHLIGHT TO US?

CLAUDIO ALBERTINI: AS TO RENTS, RENTS IN ROMANIA ARE GETTING CLOSER AND CLOSER TO THE ACTUAL MORE AND MORE IN LINE WITH MARKET RENTS. THANKS TO THE NEW OCCUPANCY. THEY ARE GROWING, BUT RENT WISE OF COURSE THEY ARE LOWER THAN THE PREVIOUS ONES. SO APPRAISALS OF COURSE ARE ADJUSTING FAIR VALUE AND A NEGATIVE DOMAIN. SO WE ARE WITH RENEWALS, WE ARE TRYING TO GET TO MARKET LEVELS, BUT THESE MARKET LEVELS ARE THE SAME LEVELS AND THEY ARE GROWING VERSUS ON THE UPTREND VERSUS THE PREVIOUS ONES. AND HAVE A HIGHER OCCUPANCY RATE BUT THEY ARE LOWER THAN THE PREVIOUS ONES, HENCE THE WRITE DOWNS. WHEN IT COMES TO THE SIGN REVERSAL IN TAXES DUE TO DTAs THAT'S WHY WE HAD DTAs TO DTOs OR VICE A VERSA SO THAT'S WHY WE MOVE ON TO DTAs, DEFERRED TAX ASSETS WITH A POSITIVE SIGN BEFORE THEM.

SIMONETTA CHIRIOTTI: THANK YOU.

OPERATOR: LADIES AND GENTLEMEN, THERE ARE NO MORE QUESTIONS.

CLAUDIO ALBERTINI: THANK YOU VERY MUCH FOR JOINING US AND ENJOY YOUR HOLIDAYS. WE'LL TALK TO YOU AGAIN ON THE 4TH OF NOVEMBER FOR Q3 RESULTS. THANK YOU VERY MUCH. 10TH OF NOVEMBER SAYS MR. ALBERTINI FOR Q3 RESULTS. THANK YOU VERY MUCH.