

Event: FY 2016 Financial Results Presentation

Date: 28th February 2017

Speaker: Mr. Claudio Albertini, CEO

OPERATOR: GOOD AFTERNOON. THIS IS THE CHORUS CALL OPERATOR. WE'D LIKE TO WELCOME YOU TO 2016 FINANCIAL RESULTS PRESENTATION OF IGD. ALL PARTICIPANT LINES HAVE BEEN MUTED DURING MANAGEMENT'S PRESENTATION. AFTER MANAGEMENT PRESENTATION, THERE WILL BE A Q&A SESSION, TO BE ASSISTED BY AN OPERATOR DURING THE CONFERENCE CALL, PRESS "*" AND "0" ON YOUR TELEPHONE KEYPAD.

THE FLOOR IS TO IGD'S CEO, CLAUDIO ALBERTINI. PLEASE, SIR.

CLAUDIO ALBERTINI: THANK YOU, EVERYBODY. GOOD AFTERNOON AND WELCOME TO OUR CONFERENCE CALL. YOU'VE PROBABLY READ OUR PRESS RELEASE, THE BOARD OF IGD HAS JUST APPROVED FISCAL FINANCIAL YEAR 2016 FINANCIAL RESULTS, AND WE ARE VERY PROUD TO SAY THAT THESE ARE AN ALL TIME RECORD.

ON PAGES 3 AND 4, YOU CAN HAVE AN OVERVIEW SPANNING THE MAIN HIGHLIGHTS OR THE MAIN 2016 FINANCIAL HIGHLIGHTS. REVENUES WERE SLIGHTLY BELOW €137 MILLION OR UP 8.4% AGAINST 2015. CORE EBITDA IS UP 11.6% WITH AN EBITDA MARGIN OF 69.3%, UP 200 BPS AGAINST THE PREVIOUS YEAR. NET PROFIT REACHES €68.3 MILLION, UP 49.7% AND THE FREEHOLD EBITDA MARGIN GENERATED BY ALL THE ASSETS DIRECTLY OWNED BY THE COMPANY IS UP 150 BPS REACHING 78.7%. THE MARKET PORTFOLIO ALREADY EXCEEDED €2 BILLION IN THE PREVIOUS YEARS; IT HOVERS AROUND €2.178 BILLION OR UP 4.6%.

I'D LIKE TO STRESS AN IMPORTANT POINT. THE TRIPLE NET NAV EPRA REACHED €1.29 PER SHARE OR UP 3.2% AGAINST THE PREVIOUS YEAR.

LET'S MOVE ON TO THE NEXT PAGE. HERE YOU CAN HAVE A LOOK AT OUR FFO; IT AMOUNTS TO APPROXIMATELY €54 MILLION OR UP 18.9% COMPARED TO THE PREVIOUS YEAR.

SO AS YOU CAN SEE IN THE CAPTION, IT EXCEEDED THE GUIDANCE WHICH WE GAVE IN AUGUST AND WHICH IN TURN HAD ALREADY BEEN IMPROVED BETWEEN THE 13/15% RANGE, WE HAD GIVEN ON A

PRIOR OCCASION. FFO PER SHARE IS €0.66 AND WE HAVE A COMMITMENT OF TWO THIRDS OF OUR FFO, SO THIS IS OUR COMMITMENT TO OUR SHAREHOLDERS OR GIVING THEREFORE, A PROPOSED DIVIDEND OF €0.45 PER SHARES OR UP 12.5%.

LET'S MOVE ON TO PAGE 6. FIRST OF ALL, LET'S PUT OUR PERFORMANCE AND OUR RESULTS INTO PERSPECTIVE VIS-À-VIS THE TWO MAIN GEOGRAPHIES WE OPERATE IN ITALY AND ROMANIA. LET'S START WITH ITALY AND LET'S STRESS THAT IT KEEPS STANDING AS THE EIGHTH STRONGEST ECONOMY IN THE WORLD WITH THE EXCLUSION OF THE UK ON THE WAKE OF THE BREXIT REFERENDUM. GDP WAS UP 0.9% AND CONSTRUCTIONS WERE UP 1.2% IN 2016. THE 2017 OUTLOOK IS IN LINE WITH EXPECTED GROWTH, GDP SHOULD BE UP 0.9% AND CONSUMPTION, 0.9% TOO.

LET'S HAVE A LOOK AT ROMANIA. ROMANIA IS ONE OF THE FASTEST GROWING ECONOMIES IN EUROPE. GDP WAS UP APPROXIMATELY 5%, CONSUMPTION OF APPROXIMATELY 9%. THE OUTLOOK GIVES AN INDICATION OF AN EXPECTED 3.9% GDP GROWTH AND AN EXPECTED 5.9% OF CONSUMPTION GROWTH.

SO THE MACRO SCENARIOS ARE BETTER THAN IN THE PREVIOUS YEARS, WHICH LEAD TO WHAT YOU CAN SEE ON PAGE 7, OPERATING PERFORMANCE. TENANT SALES IN ITALY WERE UP 2.6% AND ON A CONSOLIDATED BUSINESS AND WE SAW A CONCENTRATION OF THIS GROWTH IN THE MALLS AND CENTERS THAT WERE HEAVILY RESTRUCTURED OR MODERNIZED. COUPLED WITH THAT, WE HAVE A SLIGHT DECLINE IN FOOTFALLS WHICH COMPARES FAVORABLY AGAINST 2015. THAT YEAR WE HAD OUTPERFORMED THE CNCC BENCHMARK, SO IF YOU HAVE A LOOK THERE YOU WILL SEE THAT IN 2015 WE OUTPERFORMED THE CNCC BENCHMARK BY 1.4%. IN 2016, WE HAD A SLIGHT DECLINE. FOOTFALLS IN ROMANIA ARE UP 2.5% THANKS TO THE CONSTRUCTION WORKS THAT HAVE ALMOST BEEN COMPLETED, ENVISAGING RESTRUCTURING AND REFURBISHING AT VARIOUS SITES.

ON PAGE 8, YOU CAN SEE A FEW HIGHLIGHTS ABOUT OUR COMMERCIAL PERFORMANCES WITH A BREAKDOWN OF THE VARIOUS CENTERS. FIRST OF ALL, THE NUMBER OF SIGNED CONTRACTS TOTALED 206, 89 WERE RELATED TO TURNOVER WITH A ROTATION RATE OF 9%. 29 NEW BRANDS AND 117 RENEWALS. THE UPSIDE THIS YEAR SEES A PLUS SIGN, SO IT'S UP 1.8%, OCCUPANCY IS UP 2 APPROXIMATELY 40 BPS EXCEEDING 97%. WE HAVE ALMOST REACHED THE OCCUPANCY RATE WHICH WE HAD BEFORE THE ONSET OF ECONOMIC CRISIS. WE HAVE INCLUDED NEW BRANDS AND YOU CAN SEE THEM AT THE BOTTOM OF THE SLIDE ON PAGE 8.

WE ARE ALSO WORKING RESHUFFLING OUR CENTER'S MERCHANDIZING MIX WITH A FOCUS ON THOSE PRODUCTS CATEGORIES AND SERVICES THAT ARE MORE E-COMMERCE ORIENTED OR THAT ARE

MORE VIRTUAL IN NATURE. WE ARE DEVELOPING FOOD COURTS AT OUR CENTERS, THERE WE HAVE A STILL A LONG WAY TO GO, BUT THESE ARE TWO SNAPSHOTS OF THE EXCELLENT LEVELS WHICH WE HAVE ACHIEVED AT CENTRO SARCA, THANKS TO A MASSIVE RESTYLING WITH THE FOOD COURTS, WHICH SEES, WHICH ACCOUNTS FOR 11% OF THE TOTAL AREA, AND THEN MAREMA, THE NEW CENTER THAT WAS OPENED IN OCTOBER IN GROSSETO WITH A FOOD COURT ACCOUNTING FOR 9% OF THE TOTAL MALL SURFACE OR AREA.

NEXT PAGE ANOTHER IMPORTANT PILLAR OF THIS SHIFT FROM PHYSICAL TO VIRTUAL IS THE DEVELOPMENT OF NEW SERVICES. FIRST OF ALL MEDICAL CLINICS, WE ALREADY HAVE A TOTAL OF 11 UP AND RUNNING PLUS THREE THAT WILL BE SLATED FOR OPENING IN 2017.

ON PAGE 11, YOU CAN SEE THE STRONG FOCUS ON INNOVATION AND TECHNOLOGY. THERE IS A NEW SERVICE WHICH IS BEING TESTED AT RAVENNA, IT IS CALLED BOOK ONLINE AND COLLECT AT SITE AND THAT'S BEING TESTED IN RAVENNA. WE ALSO HAVE A STRONG FOCUS ON SOCIAL MEDIA. OUR CENTERS ARE ALL DISPLAYED ON A FACEBOOK PAGE WHICH IS STANDARDIZED FOR ALL OF THEM, AND YOU CAN SEE AGAIN ALL THE VARIOUS INDICATORS SUCH AS LIKES, ENGAGEMENT, TRADE OR THE NUMBER OF TOTAL HITS OR CONTRACTS.

RESTYLING, WE ARE NOW ON PAGE 12, AND HERE YOU CAN SEE THE TWO BEST-IN-CLASS EXAMPLES OF OUR RESTYLING EFFORTS WHICH DATES BACK TO THE PAST FEW YEARS. I AM TALKING MAINLY ABOUT CENTRO BORGIO, WHICH THANKS TO A FAR REACHING RESTYLING EFFORT; IT WAS OPENED IN 1989, SO WE INCREASED THE OCCUPANCY LEVEL WHICH IS NOW AT 97%, OR UP 4.5%, AN INCREASE IN FOOTFALLS AND SALES TOO. WE DID EVEN BETTER AT CENTRO SARCA, IT WAS RESTYLED COMPLETELY IN 2015, FOOTFALLS REACHED A GROWTH RATE OF ALMOST 6% WITH 100% OCCUPANCY, UP 13.6%.

WE ARE NOW ON PAGE 13, AND HERE YOU CAN HAVE ANOTHER IDEA OF HOW WE ARE REDEVELOPING OUR ASSETS. WE HAVE EXTENDED A MALL TO THE DETRIMENT OF THE HYPERMARKET AND THE SAME TYPE OF EXERCISE IS BEING IMPLEMENTED IN NAPOLI. AND WE EXPECT THE WORKS TO BE COMPLETED IN THE SECOND HALF OF THE CURRENT YEAR. THE IDEAS IS THAT OF SCALING DOWN THE AREA OF THE HYPER MARKET TO THE BENEFIT OF THE MALL. THE SHOPPING AREA DEVOTED TO A MEDIUM SIZED AREA HAS ALREADY POINTED TO A 1.3% INCREASE IN FOOTFALLS PLUS AN INCREASE IN SALES UP 11%. FROM AN OPERATIONAL STANDPOINT, AND INCIDENTALLY, WE ARE NOW ON PAGE 14, YOU CAN SEE THE MOST RECENT OR THE BIGGEST NEWS, THE OPENING OF MAREMÀ WITH APPROXIMATELY 10,000 VISITORS DAILY, A 150,000 AFTER THE FIRST TWO MONTHS, FULL OCCUPANCY AND INVESTMENT OF 47 MILLION, AND A YIELD ON COST IN EXCESS OF 8%.

I MENTIONED ROMANIA WE ARE NOW ON PAGE 15, WHERE YOU CAN HAVE A FEW HIGHLIGHTS. LAST YEAR, WE SIGNED 454 CONTRACTS, APPROXIMATELY TWO-THIRDS OF THE OUTSTANDING CONTRACTS, 207 WERE MAINLY TURNOVER CONTRACTS, 247 RENEWALS WITH A 34.3% ROTATION RATE OUT OF THE TOTAL OUTSTANDING CONTRACTS. UPSIDE AGAIN IN THE POSITIVE FOR THE FIRST NINE MONTHS AFTER MANY YEARS, UP 1.1% IN OCCUPANCY, UP 220 BPS REACHING 96.1%. ON THE RIGHT HAND SIDE OF THE SAME SLIDE, YOU CAN SEE A SNAPSHOT OF MID-SIZED AREA IN PLOIESTI THAT WAS RESTYLED, THAT'S PLOIESTI, THE BRAND IS H&M, IT'S THE SIXTH H&M WHICH CAN INCLUDE AMONG OUR TENANTS. AND AGAIN, THIS HAS BEEN PROBABLY THE LARGEST RESTYLING WE ENGAGED IN, NO WITH THE 11,000 VISITORS DAILY AND GLA OF 17,000 OR MORE SQUARE METERS.

NEXT PAGE, YOU CAN SEE LIKE-FOR-LIKE REVENUES THAT REACHED A 131,296, UP 3.1% THAT'S ROMANIA, AND 1.7% THAT'S A GROWTH RATE RECORDED BY ITALY. THE MAIN DRIVERS WERE, MALLS UP 2.7%, WHILST HYPERMARKETS REMAIN PRETTY FLAT. PLEASE BEAR IN MIND THAT INFLATION HAS ALMOST ZERO IMPACT ON THESE NUMBERS SINCE INFLATION WAS ALMOST FLAT THROUGHOUT THE YEAR. WE HAD A SIGNS OF PICKUP IN INFLATION AT THE END OF DECEMBER, WE SAW THE NUMBERS, LET'S SAY, THIS MORNING AND YESTERDAY, SO WE HAVE AN OUTLOOK OF A VERY MILD OR 1.5% INFLATION PICKUP OVER THE COURSE OF THE CURRENT YEAR. THE MAIN DRIVERS WERE PURCHASES IN RESTYLED AREAS, YOU CAN SEE THE BLOCK OR THE BAR IN BLUE €8.6 MILLION THAT'S THE GROWTH AND WE SAW A DECLINE IN DISPOSALS. I AM TALKING MORE SPECIFICALLY ABOUT THE LAST CONTRIBUTION OF THE CITY CENTER IN VIA RIZZOLI. ROMANIA IS UP 3.1% ON A LIKE-FOR-LIKE BASIS, AND THIS IS ANOTHER POSITIVE WHICH WE SAW DURING THE YEAR, THEREFORE BACKING A TREND WHICH LASTED FOR THE PRIOR YEARS.

NOW, I WOULD LIKE TO MENTION A FEW WORDS ABOUT OUR REPORTS. WE HAVE APPROVED FOR THE FIRST TIME, OUR SEVENTH SUSTAINABILITY REPORT, BUT WE HAVE BEEN VERY COMMITTED AND WE HAVE WORKED VERY, VERY HARD IN ORDER TO APPROVE IT TOGETHER WITH THE SET OF FINANCIAL ACCOUNTS FOR FULL YEAR 2016. IT'S ALREADY AVAILABLE AND VIEWABLE AT OUR WEBSITE TOGETHER WITH THE PRESENTATIONS I AM PAGING THROUGH. SUSTAINABILITY REPORT, I WILL NOT DWELL ON THIS TOO MUCH, WE ARE NOW ON PAGE 18, AND HERE YOU CAN JUST SEE HOW STRONG OUR COMMITMENT VIS-À-VIS ENVIRONMENTAL PROTECTION IS CONCERNED, APPROXIMATELY 57% OF OUR PORTFOLIO IS 14001 ISO CERTIFIED, AND THE TARGET IS THAT REACHING A LEVEL OF 90%. STRONG FOCUS ALSO TO REDUCE OUR ENVIRONMENTAL IMPACT, ON A YEARLY BASIS WE HAVE BEEN STEADILY REDUCING GREEN HOUSE EMISSIONS. HERE YOU CAN SEE THE INTENSITY ON SQUARE METER BASIS. AND AS YOU CAN SEE THERE HAS BEEN QUITE A DROP.

2016, FOR SURE, FROM A FINANCIAL STANDPOINT SHOW OUR BEST PERFORMANCE EVER. BUT I WOULD LIKE ALSO TO STRESS THAT WE ARE NOW ON PAGE 19, CERTAIN RECOGNITIONS OR CERTAIN

AWARDS WHICH WERE GIVEN TO US NATIONALLY AND INTERNATIONALLY. FIRST OF ALL, WE GOT BAA3 RATING FROM MOODY'S WHICH IS OUR INVESTMENT GRADES. THEN WE HAD TWO AWARDS FROM EPRA, BOTH SUSTAINABILITY REPORTING AND FINANCIAL REPORTING RELATED. THEN THE BREEAM CERTIFICATION FOR CENTRO SARCA IN MILANO WHICH IS THE FIRST CENTER, WHICH IS ISO 14000 AND BREEAM CERTIFIED, AND WHICH UNDERWENT RESTRUCTURING. THEN THE LEGALITY RATING WITH THE HIGHEST POSSIBLE THREE STAR RATING WE ARE SCORING. WE WERE SHORTLISTED FOR THE OSCAR DI BILANCIO AWARD FOR FISCAL YEAR 2015. SO WE WERE AMONG THE THREE COMPANIES THAT WERE SHORTLISTED AMONG SMALL AND MID CAP, AND MAPIC SHORTLISTED US AS WELL FOR THE RESTRUCTURED CENTER SHORTLIST.

LET'S NOW MOVE ON TO PAGE 21, I AM TALKING ABOUT PORTFOLIO. AND HERE LET ME GIVE YOU AN OUTLOOK OF THE REAL ESTATE RETAIL IN ITALY, AND IT IS BEEN A VERY INTERESTING YEAR IN EXCESS OF €9 BILLION WORTH OF TRANSACTIONS TAKING PLACE IN THE MARKET. SO BETTER PIECE OF DATA VERSUS LAST YEAR; SO UP 15%, BUT EVEN MORE MEANINGFUL ARE THE €2.6 BILLION THAT WERE TRADED IN THE RETAIL INVESTMENT, UP 80% VERSUS 2015. AS YOU CAN SEE, THIS IS A CHART WE TOOK FROM A CBRE CHART AS A SOURCE, AS YOU CAN SEE, WE SEE A SHRINKING OF YIELDS ALSO FOR GOOD SECONDARY SHOPPING MALLS WHICH WE ALSO HAVE IN OUR PORTFOLIO.

AND ON PAGE 22, WE SEE ANOTHER VERY INTERESTING CHART ALSO SOURCE FROM CBRE, THE SPREAD HAS REACHED RECORD LEVELS UP 300 BPS VERSUS THE 10 YEAR BTP IN ITALY. AND THEN, WE HAVE 3.25 REAL ESTATE, OFFICE 3.75, 5% SHOPPING CENTERS AND LOGISTICS 6.25 SO THE RECORD SPREAD IN EXCESS OF 300 BASIS POINTS BETWEEN PRIME SHOPPING CENTERS AND THE ITALIAN 10 YEAR BTP. AND ITALY AS YOU SEE AT THE BOTTOM OF THE SLIDE, WE IDENTIFIED IT THROUGH THE FLAGS, ITS 5%, AND THEN YOU HAVE AGAIN A DELTA VERSUS OTHER EUROPEAN COUNTRIES, SUCH AS SPAIN 4.5%, GERMANY 4%, FRANCE 3.5% AND IRELAND 4%. AND SO, ONCE AGAIN THERE IS ROOM FOR US FOR FURTHER SHRINKING OF YIELDS.

IN ROMANIA TO AND NOW ARE ON PAGE 23 OF THE PRESENTATION. IN ROMANIA TO WE SAW A VERY ACTIVE MARKET, VOLUMES ARE IN LINE WITH THE VOLUMES THAT WE HAD IN 2016 €700 MILLION. AND HERE AGAIN, WE SAW A SHRINKING OF YIELDS AND INTERNATIONAL RETAILERS MOVING TO SECONDARY MEDIUM TO LARGE CITIES AND IN ITALY TOO THAT'S WHERE WE HAVE MOST OF OUR PORTFOLIO ITEMS.

WE ARE NOW ON PAGE 24, SHOWING YOU HOW OUR PORTFOLIO IS BEING GROWING €2.82 BILLION AT THE END OF 2015 TO €2.177 BILLION IN 2016, THE TWO BLUE BLOCKS ARE ACQUISITION PROJECT IN ITALY, AND CAPEX €67.3 MILLION, AND THEN MARKET VALUE €34 MILLION, AGAIN IT'S ON THE UPSIDE. AND EVER SINCE I HAVE BEEN WITH THE IGD, 2009, I HADN'T SEEN A PLUS SIDE.

AND THEN, STRONG DELTA AND MARKET VALUE MINUS 5.7 FOR ROMANIA, AND A SLIGHT DECLINE ALSO FOR PORTA MEDICEA. AND THAT ENABLES US THAT INCREASE IN MARKET VALUE ENABLED US AS YOU CAN SEE ON PAGE 25, OUR SHARE PRICE WENT FROM EPRA NAV, ACCORDING TO THE EPRA CRITERIA 1.25 END OF 2015, IT'S UP TO 1.29 AT THE END OF 2016. THANKS TO THE FFO €0.07 DUE TO THE FFO AND €0.02 FOR THE ASSETS FAIR VALUE, ADDING UP TO AS I SAID BEFORE 1.29.

ON PAGE 26 AND 27, YOU SEE SOME DATA ON OUR PORTFOLIO; IT'S A BALANCED PORTFOLIO FROM A GEOGRAPHICAL PERSPECTIVE. AS YOU CAN SEE, WE ARE BREAKING DOWN THE PORTFOLIO BY GEOGRAPHY, NORTHEAST AND NORTHWESTERN ITALY ACCOUNTS FOR ABOUT 55% OF OUR PORTFOLIO, CENTER ACCOUNTS FOR 28%, SOUTHERN ISLAND ACCOUNTS FOR 17%. AND WE AS A FRANCHISE IN 11 ITALIAN REGIONS IN MEDIUM TO LARGE SIZE CITIES. AND AS YOU SEE IN THE BOXES, AT THE BOTTOM, IN THE CIRCLES OF THE BOTTOM OF THE SLIDE, YOU SEE SOME OF THE MAIN CITIES WHERE WE HAVE A FRANCHISE.

AND THEN WE TALK ABOUT RELEVANT MALLS ON PAGE 27, HERE WE HAVE A BREAKDOWN OF OUR MALLS BY SIZE, SEVEN OF THE MALLS ARE DESCRIBED AS RELEVANT WITH A MARKET VALUE IN EXCESS OF €70 MILLION, THESE ARE THE ONES LISTED HERE, PUNTA DI FERRO, CENTRO SARCA, TIBURTINO, LE PORTE DI NAPOLI, KATANÈ, CATANIA, CONÈ, AND ESP RAVENNA, THESE ARE THE RELEVANT MALLS THAT ACCOUNT FOR ABOUT 55% OF OUR PORTFOLIO IN THE MALL ASSET CLASS, 30% ARE MEDIUM SIZED MALL, AND BY MEDIUM WE MEAN FROM €30 MILLION TO €70 MILLION MARKET VALUE, SO RELEVANT AND MEDIUM ADD UP TO 85% OF THE MALL ASSET CLASS AND THEN THE REMAINING 15% IS SMALL MALLS.

AND WE STILL SEE THE TREND WE SAW ON PAGE 27, OUR MALL ASSET CLASS IS GROWING BETWEEN 2014 AND 2016 WENT UP ABOUT 6 PERCENTAGE POINTS, AND THE HYPERMARKET IS AROUND THE DECLINE SIDE BELOW 30% FOR THE FIRST TIME, SO 29.7% AND YOU SEE THROUGH THE ARROWS MALLS ARE GROWING, AND WE WILL BE OPENING BETWEEN END OF MAY AND EARLY JUNE WE WILL BE OPENING ANOTHER EXTENSION A MAJOR EXTENSION IN RAVENNA. AND NEXT YEAR, WE WILL OPEN OFFICINE STORICHE, SO THESE TWO OPENINGS WILL LEAD TO MALLS FURTHER INCREASE, FURTHER GROWING AND HYPERMARKET IS FURTHER DECLINING.

PAGE 28, PERFORMING AN EFFECTIVE PORTFOLIO, WE THINK THE PORTFOLIO IS AGAIN PERFORMING AND EFFECTIVE. YOU SEE THE OCCUPANCY RATE ON THE SLIDE HOW IT HAS BEEN PERFORMING OVER THE LAST THREE YEARS, 96.2% IN 2014 TO 97.3% IN 2016, WITH ROMANIA GROWING ALMOST 10 PERCENTAGE POINT ALMOST ALIGNED WITH THE ITALIAN OCCUPANCY RATES.

OUR PORTFOLIO IS DEFINITELY FLEXIBLE AND ADOPTABLE, RESILIENT, RESTYLING ACTIONS WE UNDERTOOK OUR TOTAL PROOF OF THAT, AND THE AVERAGE MALL DIMENSION IS 15.000 SQUARE METERS, AVERAGE NUMBER OF SHOPS 55, AND WE HAVE FULL OWNERSHIP OF THE SHOPPING CENTRE IN 14 CASES.

ON PAGE 29, WE SEE THE INVESTMENTS PIPELINE. THE FIRST PART OF THE PLAN WAS COMPLETED AT THE END OF 2016, €80 MILLION BETWEEN DEVELOPMENT AND CAPEX GROWTH AND CAPEX. AND IN THE PLAN, WE HAD A NEW MALL EVERY YEAR. ONE WAS COMPLETED, THAT WAS GROSSETO AND THEN RAVENNA IS DUE TO BE OPENED. IT'S ACTUALLY A NEW GALLERY; IT'S A MAJOR EXTENSION WITH AN INVESTMENT VALUE SIMILAR TO THAT OF GROSSETO IN EXCESS OF €50 MILLION, AND THEN THE OPENING OF OFFICINE STORICHE IN LIVORNO THAT WE EXPECT TO COMPLETE BY 2018. AND WE REALLY HAVE A STRONG FOCUS ON SUSTAINABILITY AND ON ENERGY SAVING, BUT ALSO WE WANT TO FURTHER START LARGE REACTIONS TO IMPROVE THE SAFETY OF BOTH CUSTOMERS' AND EMPLOYEES WHEN IT COMES TO QUAKE RISK THAT AFFECTED AS YOU KNOW THREE OF OUR MALLS IN CENTRAL ITALY.

IN THE FOLLOWING PAGE, WE ARE NOW ON PAGE 30, AND AFTER PAGE YOU SEE A NUMBER OF PICTURES AND RENDERINGS, IT'S MAINLY RENDERINGS YOU WILL BE SEEING. YOU WILL BE SEEING THE ESP EXTENSION IN RAVENNA, RESTYLING IS 19,000 SQUARE METERS EXTENSION, 10 MEDIUM SURFACES AND 50 SHOPS, 1,100 PACKING PLACES, PRE-LETTING HAS LANDED AT 85%, AND IT'S INCREASING, SO WE ARE MODESTLY OPTIMISTIC TO ACTUALLY REACH NEARLY FULL OCCUPANCY AT THE TIME OF THE ACTUAL OPENING WHICH IS DUE BETWEEN END OF MAY AND EARLY JUNE.

TOTAL INVESTMENT BETWEEN THIS YEAR AND THE PREVIOUS YEAR WILL BE APPROXIMATELY €53 MILLION. WE WILL SOON START THE RESTYLING AND EXTENSION OF OUR CREMA MALL THE GRAN RONDÒ MALL. WE HAVE ALREADY STARTED MARKETING ALMOST 3,000 SQUARE METERS OF GLA, THAT VIA TOTAL RESTYLING OF THE SHOPPING MALL AS WELL, SO AND THE WORK SHOULD BE FIRST HALF OF 2018 WITH AN INVESTMENT OF APPROXIMATELY €7 MILLION. AND THEN LAST BUT NOT LEAST OUR BUSINESS PLAN FACTORS IN OFFICINE STORICHE LIVORNO. WE ARE ALREADY WORKING ON THE CORE PART, IF YOU WISH OF THE PROJECT, MOST APPEALING PART FOR US THAT IS THE COMMERCIAL PART. AND THEN THE OFFICINE STORICHE PART WE ARE REFURBISHING THE SHIPYARD, THE CANTIERI NAVALI ORLANDO. THE PRE-LETTING HAS ONLY JUST STARTED, SO I CAN'T GIVE YOU ANY MEANINGFUL INFORMATION, WE JUST HAD EXPRESSIONS OF INTEREST. WE COLLECTED THEM AND EXPECT THE OPENING IN SECOND HALF OF 2018. IN THE NEXT FEW MONTHS, WE WILL START REALLY FOCUSING ON THE SALES. THE TOTAL INVESTMENT IS APPROXIMATELY €52 MILLION.

LET'S NOW MOVE TO PAGE 34, IT'S THE FINANCIALS, AND FINANCIAL RESULTS. LET ME REMIND YOU OF THE EXCELLENT RATING WE GOT FROM MOODY'S LAST YEAR. OUR INVESTMENT GRADE WITH STABLE OUTLOOK WAS RECENTLY RECONFIRMED BY MOODY'S. WE FULLY LEVERAGED THE LOW INTEREST RATE ENVIRONMENT SUPPORTED BY THE ECB LAST YEAR, AND WE HAVE REDUCED THE AVERAGE COST OF DEBT AND WE EXTEND THE MATURITY PROFILE OF THE MEDIUM AND LONG TERM DEBT. WE VENTURED INTO TWO MAJOR TRANSACTIONS, ONE IMMEDIATELY AFTER WE GOT THE RATING, WE HAD A FIRST PUBLIC BOND WORTH 300 MILLION, 2.5% RATE FIVE YEARS THE DURATION, AND ANOTHER ISSUE, PRIVATE PLACEMENT BETWEEN END OF 2016 EARLY 2017. PRIVATE PLACEMENT PLACED ON THE US MARKET €100 MILLION, SEVEN YEAR DURATION, 2.25% INTEREST RATE, AND FULLY UNDERWRITTEN BY THE PRUDENTIAL GROUP. THAT REALLY ENABLED US TO FULLY REPAY THE LARGEST CHUNK OF OUR DEBT, THE CMBS STARTED A FEW YEARS BEFORE, AND SO WE REPAID IT. THERE WAS AN EARLY REPAYMENT OF THAT DEBT THAT HAD A COST OF 5.2%, SO WE WON'T HAVE THAT COST AGAIN IN 2017. WITH THOSE DEALS, WE ACTUALLY LAY THE FOUNDATIONS FOR FURTHER IMPROVEMENT, FOR THE FURTHER REDUCTION OF COSTS OF DEBT, WHICH HAS BEEN DECLINING BY THE WAY EVER SINCE 2014 WHERE WE WOULD REACH THE PEAK 4%, ROUGHLY AND IT'S GONE DOWN TO 367 IN 2015 AND 330 IN 2016. BUT WE EXPECT IT TO FURTHER DECLINE BELOW 3% IN 2017, AND WE WILL REACH OUR BUSINESS PLAN OBJECTIVE IN 2018, SO ONE YEAR AHEAD OF TIME.

SO THE 2018 TARGET WILL BE REACHED IN 2017, AND THEN LAST 2.24 THIS YEAR AT THE ICR. THE PLAN TARGET IS, IN EXCESS OF 3 TIMES. LOAN-TO-VALUE, WE ARE VERY CLOSE TO OUR COMFORT ZONE IN A RANGE BETWEEN 45% AND 50%. WE HAVE IT IN A SLOT TREND FOR THE LAST THREE YEARS, SO WE WANT TO KEEP ON APPLYING A STRICT FINANCIAL DISCIPLINE TO IT. AS WE ALSO ACHIEVED, WERE AWARDED THE RATING BY MOODY'S, WE ARE FORCED TO RETAIN IT ALSO GOING FORWARD.

THE DEBT PROFILE AS I SAID BEFORE HAS IMPROVED, AS YOU CAN SEE ON PAGE 36 OF THE PRESENTATION. AND FIRST OF ALL, LET ME SAY THAT OUR DEBT STOCK IS 1 BILLION AND 55 MILLION, AND IT'S ONE THIRD WITH THE BANKING SYSTEM, AND IT'S ALL COMMITTED BY THE WAY. IT'S ALL MORTGAGE LOANS, UN-REVOCABLE MORTGAGES, SO OUR TOTAL DEBT IS COMMITTED DEBT WITH THE BANKING SYSTEM IS COMMITTED. AS I SAID, MOST OF IT HAS A FIXED RIGHT HEDGING IN EXCESS OF 90%, WITH AN EXTENDED DEBT MATURITY PROFILE. THANKS TO THE TWO ISSUES WE ENGAGED IN LAST YEAR €300 MILLION 2021 AND €100 MILLION 2024.

AND LET ME WRAP UP, ON PAGE 37, YOU SEE OUR FFO LANDING AT NEARLY €54 MILLION, UP 18.9% VERSUS LAST YEAR, AND THERE WAS A GROWTH TREND OF 28.5% EVEN BETWEEN 2014 AND 2015, AND THE GROWTH WAS MAINLY DRIVEN BY THE EBITDA INCREASE. AND LAST YEAR WE

HAVE A FURTHER GROWTH, WE SEE IT LATER ON. HALF OF IT WILL BE DRIVEN THROUGH THE EBITDA GROWTH AND HALF OF IT THROUGH THE REDUCTION OF FINANCIAL CHARGES.

SO WE OUTPERFORMED OUR TARGETS END OF AUGUST ALREADY. NET PROFIT GOES FROM €45.6 MILLION TO €68.3 MILLION, AND YOU SEE THE DIFFERENT BUILDING BLOCKS DRIVING THE NET PROFIT GROWTH VERSUS LAST YEAR. THE GROWTH WAS MAINLY DRIVEN BY EBITDA GROWTH, BUT ALSO ONCE IN A WHILE ALSO THROUGH A CHANGE IN FAIR VALUE, UP €18.4 MILLION VERSUS LAST YEAR, AND THEN, OF COURSE, 50% GROWTH OF NET PROFIT.

ALL THIS LEADS US TO PAGE 39, PROPOSED DIVIDEND THAT I HAVE ALREADY HIGHLIGHTED AT THE BEGINNING OF THE PRESENTATION. SO THE PROPOSED DIVIDEND IS TO BE PUT FORWARD FOR THE PROPOSAL OF THE AGM TO BE HELD IN MID APRIL, SO WE ARE TALKING ABOUT 0.045 OR UP 12.5%. THE DIVIDEND YIELD COMPUTED AT YEAR END PRICES THAT ARE BASICALLY CONSISTENT WITH THE PRICES WE SAW YESTERDAY, ALTHOUGH TODAY WE SAW QUITE A MEANINGFUL GROWTH, SO THAT WOULD GIVE US A DIVIDEND YIELD ABOVE 6%. WE ARE TALKING DIVIDEND POOL €36.6 MILLION OR 68% OF THE FFO. WE WILL NOT PROPOSE OR PUT FORWARD DRO, DIVIDEND REIMBURSEMENT OPTION.

WE ARE NOW AT PAGE 40, SO THE EXPECTED FFO FOR 2017 OR OUR 2017 GUIDANCE. WE ARE HERE TO GIVE YOU GUIDANCE IN LINE WITH THE LAST YEAR, SO AN FFO EXPECTED GROWTH, IN A NARROWER RANGE 18%/19%. SO WE WILL STAY COMMITTED TO AN ATTRACTED DIVIDEND POLICY, AND IN SO DOING WE EXPECT TO DISTRIBUTE OR REPAY TWO THIRDS OF THE FFO WE WILL GENERATE PAYING 2017 DIVIDEND.

SO THANK YOU VERY MUCH FOR YOUR ATTENTION. WE ARE NOW GLAD TO TAKE YOUR QUESTION, MYSELF AND THE REST OF THE MANAGEMENT TEAM. A FINAL SHORT NOTE, THIS YEAR TOGETHER WITH THE TRADITIONAL PRESS RELEASE COMMUNICATION WHICH I'VE JUST WALKED YOU THROUGH, THERE WILL BE TWO VIDEOS, ONE IN ENGLISH AND ONE IN ITALIAN A VERY SHORT, SEVEN MINUTE EACH. WITH ME SPEAKING AND TALKING YOUR THROUGH THE 2016 FULL YEAR RESULTS, IT'S PROBABLY GOING TO BE A SMARTER WAY TO PRESENT RESULTS ESPECIALLY FOR THOSE WHO ARE NOT ATTRACTED TO READING SLIDES. AGAIN, WE WILL NOW TAKE YOUR QUESTIONS.

Q&A

OPERATOR:

THIS IS THE CHORUS CALL OPERATOR. WE WILL NOW HAVE A Q&A SESSION. TO ASK A QUESTION PRESS “*” AND “1” ON YOUR TELEPHONE KEYPAD, TO EXIT THE QUESTION QUEUE, PRESS “*” AND “2”

ON YOUR TELEPHONE KEYPAD. PLEASE SPEAK DIRECTLY AND CLOSE INTO YOUR SPEAKERPHONE OR TELEPHONE, AGAIN TO ASK A QUESTION, PRESS “*” AND “1” ON YOUR TELEPHONE KEYPAD.

NOW THE FIRST QUESTION COMES FROM THE LINE OF FEDERICO PEZZETTI WITH INTERMONTE.

FEDERICO PEZZETTI:

GOOD AFTERNOON, GOOD EVENING EVERYBODY. I HAVE THREE SHORT QUESTIONS. FIRST QUESTION, YOUR TENANT SALES AT THE HYPERMARKETS; CAN YOU GIVE US THE FULL YEAR 2016 NUMBER, MAYBE THAT WAS INCLUDED IN YOUR PRESENTATION, BUT I DIDN'T SEE IT, SO APOLOGIES FOR THAT. AND THEN, COULD YOU GIVE US SOME GUIDANCE AND COLOR ABOUT SALES EVOLUTIONS COVERING BOTH HYPER AND MALLS. AND THEN, I HAVE ANOTHER QUESTION ABOUT THE AVERAGE UPSIDE OF 1.8% FULL YEAR 2016 MALLS, WHAT'S YOUR GUIDANCE FOR THE CURRENT YEAR? AND THEN, FINALLY, THE ASSESSMENT AND EVALUATION OF YOUR PORTFOLIO IS GROWING APPROXIMATELY 1% COMPARED TO THE NUMBERS, WHICH WE SAW IN 1H 2016. I HAVE A FIRST QUESTION ABOUT ITALIAN COMPONENT. AGAIN, YOU ARE POINTING TO GROSSETO WITH YIELD IN EXCESS OF 8%. WHEN ELABORATING YOUR FULL YEAR YEAR-END 2016 NUMBER, YOU ALREADY FACTORED IN THE IMPACT OF A POTENTIAL REDUCTION IN GROSSETO'S YIELD? A QUESTION ON THE ROMANIAN PART OF YOUR PORTFOLIO, AS I CAN SEE YIELDS ARE ON THE UPPER TREND DESPITE THE FACT THAT YOU HAVE GROWN LEASES ON A LIKE-FOR-LIKE BASIS DESPITE THE HIGHER OCCUPANCY RATE. SO HERE IS MY QUESTION, COULD YOU EXPLAIN US THE REASONS OR THE DRIVERS UNDERLYING THE INCREASE IN ROMANIAN YIELDS?

CLAUDIO ALBERTINI:

LET ME TAKE YOUR QUESTION ON HYPER, BUT I LIKE TO THEN HAND THE QUESTION OVER TO ONE MANAGER, WHO IS IN-CHARGE OF THAT. SO WE HAD MINUS 3.5% IN 2016. WHILST DECEMBER 2016 WHILE REMAINING IN THE NEGATIVES PERFORMED A LITTLE BIT BETTER OR SHOWED A BETTER PERFORMANCE JUST MINUS ONE. HYPERMARKETS, AS I MENTIONED DURING THE PRESENTATION, WE ARE WORKING WITH OUR SHAREHOLDERS, THE COOPERATIVE AND THERE ARE PROBABLY CASES THAT ARE NO LONGER SUSTAINABLE. SO WE ARE TRYING TO DO A CLEANUP. WE ARE DOING THIS, AND WE ARE DOING THAT AT ASCOLI, IN THE SENSE THAT WE ARE REALLY WILLING TO REVIEW ANY CLEANING UP MEASURE, AND I THINK THAT, DANIELE CABULI SHOULD TAKE THE NEXT QUESTION.

WELL, GROSSETO ALREADY HAD A POSITIVE IMPACT APPROXIMATELY €11 MILLION THAT'S THE INCREASE IN SHARE VALUE OF GROSSETO AND ITS WEIGHT ON FULL YEAR 2016 VALUATIONS. AS FAR AS, ROMANIA IS CONCERNED, AS I SAID DURING THE PRESENTATION, WE ARE STARTING TO REAP A LITTLE BIT THE RESULTS OF THE PREVIOUS YEARS. I AM TALKING ABOUT CAPEX RESTYLING, INVESTMENTS, RESHUFFLING OUR MERCHANDIZING MIX. SO THESE ARE POSITIVE RESULTS WHICH WE EXPECT TO REAP GOING FORWARD TO. SO WE HAVE SEEN THAT ROMANIA HAS GROWN MORE MATERIALLY THAN ITALY. ALSO THANKS TO THE MACRO SCENARIO I HAVE OUTLINED DURING THE

PRESENTATION, THEREFORE WITH THE BACKDROP WHICH IS BETTER THAN ITALY. LET ME CONFIRM NONETHELESS EFFECT THAT ROMANIA IS NO LONGER STRATEGIC WITHIN OUR PORTFOLIO, BUT GIVEN THESE RESULTS AND THIS PERFORMANCE, WE ARE FIRMLY BELIEVING AND THE FACT THAT WE WANT TO SELL AND NOT SELL OFF. DANIELE CABULI, HEAD OF MANAGEMENT WILL TAKE THE OTHER QUESTION.

DANIELE CABULI:

GOOD EVENING EVERYBODY. I WOULD LIKE TO MENTION SOMETHING ABOUT HYPER'S. THE PERFORMANCE OF HYPERMARKETS, AS WE SAW IN THE PAST THREE YEARS HAS BEEN SHOWING SOME, SIGNS OF DIFFICULTIES. SO WE TRY TO WORK TOGETHER WITH COOP ALLEANZA 3.0 TO SEE WHAT'S THE WAY FORWARD FOR HYPERMARKET. AND SO, THE IDEA IS GOING FORWARD TO REVIEW IN SOME CASES THE OVERALL SQUARE FOOTAGE DEVOTED TO HYPERMARKETS, AND THE REMIXING OF THE FOOD, NON-FOOD MIX, INTRODUCING OR ENLARGING FOOD COURTS OR INTRODUCING NEW FOOD PRODUCT CATEGORIES OR THE RESTYLING OF FOOD COURTS OR FOOD COUNTER. SO THE IDEA IS THAT OF RE-LAUNCHING HYPERMARKETS TOGETHER WITH COOP ALLEANZA. IF WE LOOK AT OUR SHOPPING MALL SALES AT THE END OF JANUARY PRE-CLOSING NUMBERS POINT TOWARDS A 0.6% DECLINE, BUT PLEASE BEAR IN MIND, THAT IF WE BENCHMARK JANUARY-ON-JANUARY, WE WILL HAVE ONE FEWER WEEK TO BE REPLACED WITH OTHER BUSINESS DAYS WHICH OBVIOUSLY HAS AN IMPACT IN TERMS OF LOWER FOOD COURTS.

LET ME TAKE YOUR A QUESTION ON THE UPSIDE, AS MR. ALBERTINI SAID WE POSTED GROWTH OF 1.8%, WHICH WE PLAN TO SEE ALSO FOR THE REST OF THE CURRENT YEAR. AT CERTAIN MAJOR CENTERS, WE ARE APPROACHING THE RENEWAL OR THE EXPIRY OF CERTAIN IMPORTANT CONTRACT. BUT OVERALL, I WOULD SAY THAT WE CAN COMFORTABLY RESTATE THE NUMBER THAT WE SAW IN 2016. PLEASE BEAR IN MIND THAT WE ARE ALSO GRADUALLY REDUCING THE TEMPORARY REBATES, WHICH WE GRANTED DURING THE STRONGEST YEARS MEANING THE ONES THAT WERE MOST BADLY HIT BY THE ECONOMIC CRISIS, IN ORDER TO HELP OUR TENANTS. THANK YOU VERY MUCH.

OPERATOR:

NEXT QUESTION COMES FROM THE LINE OF MERIS TONIN OF BANCA IMI.

MERIS TONIN:

GOOD AFTERNOON TO ALL OF YOU. MOST OF THE QUESTIONS I WANTED TO ASK HAVE ALREADY BEEN ASKED BY FEDERICO, AND MORE SPECIFICALLY THE BREAKDOWN FOR THIS 19 MILLION IN FAIR VALUE INCREASE, SO MOST OF IT IS DRIVEN BY GROSSETO, IF I UNDERSTAND CORRECTLY?

CLAUDIO ALBERTINI:

NO, MOST OF IT IS NOT DRIVEN BY GROSSETO, IT'S DRIVEN BY SOME SHOPPING MALLS, AND MORE SPECIFICALLY THE ONES THAT WERE RECENTLY RESTYLED AND REFURBISHED, AND WHERE WE HAD EXCELLENT RESULTS CENTRO SARCA ITSELF BENEFITTED FROM A CHANGE IN FAIR VALUE. SO IT'S

NOT ONLY GROSSETO DEFINITELY, GROSSETO IS PROBABLY THE HIGHEST FIGURE THERE, BUT IT'S NOT THE ONLY MALL THAT HAD A POSITIVE FAIR VALUE VALUATION.

MERIS TONIN: AND THEN, ANOTHER QUESTION, ARE YOU GOING TO PROPOSE A NEW DRO FOR NEXT YEAR? AND THEN, TAXES, I SEE 3 MILLION IN TAXES, IS IT A ONE-OFF OR NOT?

CLAUDIO ALBERTINI: AS TO THE DRO, RIGHT NOW, WE ARE NOT PLANNING TO PROPOSE IT FOR NEXT, IT'S AN OPTION, OF COURSE, WE KEEP IN STORE, BUT IT WAS NOT INCLUDED, FACTORED INTO OUR 2017 BUDGET, AND WHEN WE PRESENTED OUR BUSINESS PLAN, WE SAID WE WOULD PROPOSE IT, SHOULD THE MARKET CONDITIONS ALLOW FOR IT, BUT WE WANT TO RETAIN OUR LOAN TO VALUE LEAVE ABOVE 50%, SO WE DON'T THINK WE HAVE THE CONDITION. WE DON'T THINK WE WILL BE IN EXCESS OF 50% EVEN NEXT YEAR. THE DRO, THE DIVIDEND REINVESTMENT OPTION HAS SLIGHTLY DILUTIVE EFFECT, SO IT'S NOT VERY WELCOME TO THE MARKET, AND WE WILL PROPOSE IT WHEN THE CONDITIONS ARE FAVORABLE FOR IT TO BE RENEWED. FOR 2017, WE THINK WE ARE NOT GOING TO PROPOSE IT AFTER TAXES, PART OF THEM ARE ONE-OFF, PART OF THEM ARE DTLs DEFERRED TAX LIABILITIES, THERE WAS A WRITE-OFF FOR ONE OF THE SUBSIDIARY THAT HAD A POSITIVE ITEM. WHILE WE CALCULATED THE TAX DELTA IN COMPLIANCE WITH ITALIAN ACCOUNTING PRINCIPLES THAT'S THE EFFECT OF THE €3 MILLION. OF COURSE, CURRENT TAXES ARE €3.6 MILLION, BUT €3 MILLION ARE DTL €600-€700 MILLION IN THE CURRENT TAXES INSTEAD. I MIGHT BE WRONG BUT IT SHOULD BE ROUGHLY THE EXACT FIGURES.

OPERATOR: NEXT QUESTION COMES FROM THE LINE OF GIOVANNI OVI WITH KEPLER-CHEUVREUX.

GIOVANNI OVI: GOOD EVENING, EVERYBODY. I HAVE A COUPLE OF QUESTIONS. DEADLINES OR EXPIRY ENVISAGED FOR HYPERMARKETS RENT CONTRACT. I AM TALKING ABOUT HYPERMARKETS, HAVE YOU ALREADY STARTED RE-DISCUSSING THEM? SECONDLY, YOUR COST OF DEBT IN 2017, WHAT'S YOUR OUTLOOK? WHAT'S YOUR GUIDANCE?

CLAUDIO ALBERTINI: NOW, COST OF DEBT; LET ME TAKE YOUR SECOND QUESTION FIRST. SO WE EXPECT A QUITE DROP GOING BELOW 3% OF AVERAGE COST OF DEBT, BECAUSE THIS YEAR WE WILL BENEFIT FROM THE €35 MILLION CMBS IT WILL BE FULL REPAYMENT, AND THEN WE WILL HAVE AN IRS SWAP AT THE END OF APRIL, WHICH HAS A STRONG IMPACT ON OUR DEBT. SO THE COMBINED EFFECT OF THESE TWO THINGS PLUS THE IMPACT OF THE TWO BOND ISSUES COMBINED WITH THE ONE SLATED OR FOURTH COMING THAT WE SAY SHORT-TERM DEBT. SO ALL THIS WILL GIVE US A 3% COST OF DEBT OR EVEN BELOW THAT WHICH WAS IN LINE WITH OUR BUSINESS PLAN TARGET. SO WE WILL REACH THE TARGET ONE YEAR IN ADVANCE.

TAKING YOUR QUESTION ABOUT HYPERMARKETS, SO THE NEXT EXPIRES ARE IN 2018, THERE IS JUST A COUPLE OF THEM, WE HAVEN'T STARTED NEGOTIATIONS, BUT WE WILL START THIS YEAR RENEGOTIATING. YOU CAN FIND THEM ON PAGE 48, AND ON THAT PAGE, YOU CAN SEE THE MATURITY PROFILE OR THE MATURITY BREAKDOWN OF OUR CONTRACTS WITH THE BREAKDOWN BY ASSET CLASS. ON THE ONE HAND, YOU WILL SEE THE MALLS COMPONENT IN LIGHT BLUE AND THE YELLOW ONE IS HYPER. SO PLEASE GO TO PAGE 48, AND YOU WILL SEE THAT WE HAVE TWO CONTRACTS DUE TO EXPIRE IN 2018, ONE IN 2019, AND THE BULK BEYOND 2019. SO THAT LEAVES US QUITE COMFORTABLE ABOUT RENEWING THEM.

GIOVANNI OVI:

VERY WELL. THANK YOU.

OPERATOR:

THE NEXT QUESTION COMES FROM THE LINE OF ANDREA BONFA OF BANCA ALETTI.

ANDREA BONFA:

I HOPE YOU CAN HEAR ME. GOOD EVENING TO ALL OF YOU.

CLAUDIO ALBERTINI:

WE CAN HEAR YOU FINE.

ANDREA BONFA:

MR. ALBERTINI, I WANTED TO ASK YOU A QUESTION, CONSIDERING YOUR BUSINESS PLAN, WHAT DO YOU THINK, HOW CAN YOU ACHIEVE...GO THROUGH ACQUISITIONS, AND HOW CAN YOU RECONCILE THAT WITH THE SHARE PRICE OF THESE LEVELS, WHICH IS NOT HELPING YOU ALONG THAT LINE?

CLAUDIO ALBERTINI:

LET SAY THAT OUR PLAN, AS YOU SAID MR. BONFA, IS NOT INCLUDING ACQUISITION, IT'S INCLUDING OPENINGS WE HAVE ALREADY STARTED GROSSETO MAREMA, RAVENNA, AND THEN LIVORNO. WE ARE VERY CAREFUL WHEN IT COMES TO THE WAY THE MARKET IS MOVING AND EVOLVING. WE WILL ASSESS ANY OPPORTUNITIES ON CASE-BY-CASE BASIS, ANY PORTFOLIO OPPORTUNITIES THAT MAYBE PUT ON THE MARKET. BUT WE DO NOT TAKE PART IN TENDERS, IT'S NOT OUR POLICY, WE HAVE ALWAYS ENTERED INTO BILATERAL AGREEMENTS. AND IF WE WERE TO GROW THROUGH ACQUISITIONS, WE WOULD HAVE SEE WHETHER THE MARKET CONDITIONS ARE THERE TO, OF COURSE, FAVOR AND SUPPORT OUR DEBT EQUITY MIX, IN LINE WITH OUR LOAN TO VALUE WHICH AS I SAID IS AROUND 48%, NOW. SO WE ARE NOT GOING TO PERFORM ACQUISITION AT DEBT OR USING LEVERAGE, BUT SHOULD RE-FOUND A QUALITY ASSET IN CORE GEOGRAPHIES WHICH WE KNOW WHERE THEY ARE IN FOUR/FIVE REGIONS. WE THINK A CORE, WE WILL LOOK INTO THEM, AND WE WILL ALSO SEE WHETHER THE MARKET CONDITIONS ARE THERE TO ACQUIRE THEM, AS WE DID AT THE END OF DECEMBER 2015, WHEN WE ACQUIRED PUNTA DI FERRO, AND IT WAS A DEAL THAT WAS FINANCED THROUGH A CAPITAL INCREASE.

THROUGH AN ACCELERATED BOOK BUILDING AND WITH THE MEDIUM LONG-TERM FINANCING, BUT DO YOU HAVE A COPY; YOU HAVE A THRESHOLD, BELOW WHICH YOU WOULD NOT OR ABOVE WHICH YOU WOULD NOT MOVE ON TO A CAPITAL INCREASE. IT WAS €1 FOR PUNTA DI FERRO. WE ARE TALKING ABOUT THINGS WE ARE NOT FORESEEING FOR THE TIME BEING. SO WE CANNOT MAKE ASSUMPTIONS FOR SOMETHING WE ARE NOT FORESEEING IT. THE TOTAL RETURN SHOULD WE MAKE A DEAL, SHOULD HAVE A PLUS BEFORE IT, A PLUS FOR AND BEFORE PUNTA DI FERRO OR OTHER TOTAL RETURN BETWEEN ACCRETIVE AND DILUTIVE. IF YOU LOOK AT THE FFO, IT WAS A POSITIVE DEAL. SO THIS IS SOMETHING WE CAN COMMIT TO, BUT STATING NOW THAT WE ARE GOING TO ENGAGE IN A CAPITAL INCREASE FOR AN EXTRA GROWTH AT €1, AND NOW THIS IS SOMETHING WE CAN OFFER. TODAY, THERE ARE NO CONDITIONS FOR US TO ENGAGE IN ANY TRANSACTION OR DEAL LIKE THE ONES WE ENGAGED IN 2015. THANK YOU VERY MUCH. WE ARE NOT GOING TO ENGAGE IN TRANSACTIONS THAT ARE NOT CREATING VALUE FOR SHAREHOLDERS AND THAT ARE EXCEEDINGLY DILUTIVE.

OPERATOR: NEXT QUESTION COMES FROM THE LINE OF HENRI QUADRELLI WITH SOCIÉTÉ GÉNÉRALE.

HENRI QUADRELLI: GOOD EVENING, EVERYBODY. LET'S STAY ON THE SAME TOPIC, LET'S SAY PURCHASES, DO YOU ENVISAGE ANY TRANSACTIONS INVOLVING PROPERTY THAT BENI STABILI WOULD LIKE TO SELL, I REMEMBER THAT FEW YEARS AGO YOU SIGNED AN AGREEMENT WITH BENI STABILI, IT'S SOMETHING WHICH WE CAN ASSUME?

CLAUDIO ALBERTINI: HENRI, WELL FIRST OF ALL, YOU ARE TELLING ME THAT BENI STABILI'S PORTFOLIO IS ON SALES. SO THANK YOU SO MUCH FOR DISCLOSING THIS. HOWEVER, THIS PORTFOLIO IS NOT IN LINE WITH THE ASSET PROFILE WHICH WE WOULD LIKE TO USE AS A GROWTH DRIVER, THAT'S NOT THE ASSET CLASS WE ARE INTERESTED IN.

HENRI QUADRELLI: OKAY, FAIR ENOUGH. BUT, THIS IS PUBLIC INFORMATION BENI STABILI SAID THAT, THEY HAD PLANS TO DISPOSE ANY REAL ESTATE WHICH WAS NOT 100% OFFICE SPACE. A CLARIFICATION ABOUT ROMANIA, WE HAVE 3% OR MORE GROWTH OF LEASES, HOW CAN VALUATION GO DOWN CONSIDERING THE EXPECTED HIGHER LEASE LEVEL. SO HOW IS IT SO, THAT TO SAY DESPITE LEASE TRENDS VALUATIONS SHOULD GO DOWN IN ROMANIA, IS THAT YOUR ASSUMPTION?

CLAUDIO ALBERTINI: WELL, WE ARE INCREASING THE OCCUPANCY RATE, AND WE ARE RAISING LEASE LEVELS, BUT LOWER THAN THE LEVELS OF APPRAISERS, AND HENCE WE HAVE AN IMPACT ON OUR FAIR VALUE. SO THE POSITIVE NOTE IS THAT WE ARE IN THE PROCESS OF INCREASING OUR OCCUPANCY RATE. SO WE ARE IN EXCESS OF 96% AS I TOLD YOU. SO THE RENT PER SQUARE METER LEVEL IS LOWER THAN THOSE ASSUMED BY PREVIOUS APPRAISERS, HENCE THE NEGATIVE DELTA OR DIFFERENTIAL IN

TERMS OF VALUE. NONETHELESS YIELDS STILL HAVE AN UPSIDE, THANKS TO THE COMBINED EFFECT OF THE DECREASE IN VALUES AND THE INCREASE IN RENTS WHICH IS SOMETHING WHICH WE ASSUME TO SEE IN 2017. MAYBE, IF YOU WANT TO GET GREATER DETAILS, MAYBE TOMORROW WE CAN HAVE A CONFERENCE CALL.

HENRI QUADRELLI: YES, WITH PLEASURE. A FINAL QUESTION ABOUT YOUR 2017 YOUR PORTFOLIO, IS 2017 A TARGET FOR ITS DISPOSALS OR IS IT TOO SOON?

CLAUDIO ALBERTINI: WELL, AS I SAID, WE ARE IN NO HURRY TO SELL OR DISPOSE OF, ROMANIA FROM THE MACROECONOMIC STANDPOINT IS GOING UP, CONSUMPTION WISE AND GDPs WISE, WHERE PORTFOLIO IS PERFORMING WELL. SO LET ME RESTATE IT, SHOULD WE RECEIVE AN ADEQUATE OR A FAIR OFFER AND PROPOSAL, FAIR THAT MEANING IN LINE WITH OUR EXPECTATIONS AND BOOK VALUE. IF SO, WE WILL SIT AROUND THE TABLE AND REVIEW IT. BUT AS OF NOW, WE ARE REALLY IN NO HURRY, AND THE YIELD IN ROMANIA ARE GOING DOWN, SO THERE IS NO LONGER SUCH A BIG GAP BETWEEN MARKET YIELDS AND OUR YIELDS, SO THE SPREAD IS GETTING NARROW AND NARROW. SO ROMANIA IS NO LONGER EXTREMELY IMPORTANT FROM THE STRATEGIC STANDPOINT. AGAIN, MY REPLY IS, IF WE RECEIVE A PROPOSAL WHICH IS IN LINE WITH OUR EXPECTATIONS, WE WILL CONSIDER IT. BUT THAT'S NOT THE CASE AS OF NOW. AND WE WILL NOT GO ON THE SEARCH FOR POTENTIAL BUYERS. THANK YOU.

OPERATOR: NEXT QUESTION COMES FROM THE ENGLISH CONFERENCE LINE FROM EXANE. YOU HAVE THE FLOOR GO AHEAD.

VALERIE GUEZI: HELLO, GOOD EVENING. THIS IS VALERIE GUEZI FROM EXANE. YOU KNOW, ON PAGE 27, YOU SEE YOU WANT TO REDUCE THE SHARE OF HYPERMARKET AND INCREASE THE SIZE OF THE SHARE OF THE MALLS. AND THEN YOU SHOW YOUR MALLS BY DIFFERENT SIZES. SO I WAS WONDERING, IF YOU COULD AND MAYBE GIVE US A BIT OF COLOR OF, YOU KNOW, WHAT IS YOUR TARGET, HOW YOU SEE YOUR PORTFOLIO IN A FEW YEARS. AND ALSO SHALL WE UNDERSTAND THAT YOU WANT TO REDUCE THE SHARE OF THE SMALLER MALLS OR DO YOU WANT TO SELL ANY MALLS WITHIN YOUR PORTFOLIO? THANK YOU.

CLAUDIO ALBERTINI: WHEN IT COMES TO THE HYPERMARKET COMPONENT, IT WILL BE REDUCED AS I SAID BEFORE, AND GRADUALLY REDUCED GOING FORWARD, WE WILL REDUCED ABOUT 25% STARTING FROM 2018. THANKS TO THE NEW OPENING THAT ARE FORESEEN IN RAVENNA AND LIVORNO. IT WILL BE REDUCED OVER FEW PERCENTAGE POINT VERSUS THE ONE WE SAW AT THE END OF 2016.

AS TO THE SMALL MALL COMPONENTS, IT HAS ALREADY BEEN REDUCED OVER THE LAST TWO YEARS DUE TO THE ACQUISITION OF SHOPPING MALLS THAT WERE DEFINED AS RELEVANT IN OUR CLASSIFICATION, FOR INSTANCE, PUNTA DI FERRO, AND THE TWO OPENINGS WE WILL DO, WILL BE OPENINGS THAT WILL BE MEDIUM TO LARGE MALLS. SO IT WILL BE A NATURAL DECLINE, IT WILL GO DOWN TO 10%, MEANING THE SMALL MALL CATEGORY. FOR THE TIME BEING, WE ARE NOT GOING TO DISPOSE ANY INDIVIDUAL ASSET, EVEN SMALL ONES, WE ARE NOT GOING TO DISPOSE THEM FOR THE TIME BEING.

VALERIE GUEZI:

OKAY. THANK YOU.