

Event: 1Q 2017 Financial Results Presentation

Date: 9th May 2017

Speakers: Mr. Claudio Albertini, CEO

Mr. Daniele Cabuli (COO)

OPERATOR: GOOD AFTERNOON. THIS IS THE CHORUS CALL OPERATOR. WELCOME TO THE PRESENTATION OF THE FIRST QUARTER 2017 FINANCIAL RESULTS OF THE IGD GROUP PRESENTATION. I WOULD LIKE TO REMIND YOU THAT ALL PARTICIPANTS ARE IN A LISTEN-ONLY MODE. FOLLOWING THE INITIAL PRESENTATION, YOU WILL HAVE A CHANCE OF ASKING QUESTIONS. TO RECEIVE SUPPORT FROM A CONFERENCE OPERATOR, PLEASE KEY “*” FOLLOWED BY “0” AND NOW, I’D LIKE TO GIVE THE FLOOR TO MR. CLAUDIO ALBERTINI, THE CEO OF IGD.

CLAUDIO ALBERTINI: THANK YOU. GOOD AFTERNOON, EVERYONE. AS YOU MAY HAVE HEARD RIGHT ON THE PRESS RELEASE, WHICH WAS PUBLISHED 4 PM, ITALIAN TIME, THE BOARD OF DIRECTORS MET AND APPROVED THE FIRST QUARTER RESULTS.

FOR THE FIRST TIME, IT WAS CHAIRED BY THE NEWLY ELECTED CHAIRMAN, ELIO GASPERONI, WHO WAS ELECTED IN THE LAST BOARD MEETING. AND ELIO GASPERONI IS ACTUALLY ATTENDING THIS CONFERENCE CALL. HE’S HERE WITH ME, AND HE WILL BE PRESENT THROUGHOUT THE CONFERENCE CALL. WELL, 0.5 HOUR FOLLOWING THE PUBLICATION OF OUR REPORT AND PRESS RELEASE, YOU WILL HAVE RECEIVED ALSO THE FINANCIAL RESULTS PRESENTATION.

SO LET’S START FROM PAGE 3, HIGHLIGHTS OF THE FIRST QUARTER. THERE, YOU’LL FIND 6 INDICATORS. AS YOU CAN SEE, REVENUES €35.4 MILLION, UP 4.6%, WE ARE TALKING ABOUT CORE BUSINESS REVENUES. CORE BUSINESS EBITDA AMOUNTED TO €25 MILLION, UP 5.8% AGAINST THE FIRST QUARTER 2016. IT HAS GROWN BY 80 BPS, THEREBY EXCEEDING THE GOAL OF OUR PLAN, WHICH IS SET AT 70%. SO IN THE FIRST QUARTER, WE GOT 70.7%, AND I’D LIKE TO REMIND YOU THAT, USUALLY, THE FIRST QUARTER IS THE ONE PERFORMING BETTER.

SO THERE IS ALSO A SEASONALITY EFFECT. WHAT I’D LIKE TO CONFIRM, THE END OF PLAN IS 70% GOAL, WHICH MAY BE ACCOMPLISHED 1 YEAR EARLIER. NET PROFIT HAS GROWN BY 13%, AMOUNTED TO €14.3 MILLION, AND THE FREEHOLD EBITDA MARGIN IS ALMOST AT 80%. ONCE AGAIN, OUR GOAL WAS 80%. SO OUR GROWTH RATE IS MORE OR LESS IN LINE WITH THE CORE

BUSINESS GROWTH. SO WE ARE TALKING ABOUT 70 BPS. AND HERE, TOO, WE'LL PROBABLY REACH THE GOAL 1 YEAR EARLIER.

FUNDS FROM OPERATIONS AMOUNTED TO 15.6%, UP 10.2%. WE REMIND YOU THAT WE SET A GUIDANCE BETWEEN 18% AND 19% FOR THE FULL FINANCIAL YEAR 2017. BUT I'LL DISCUSS IT AGAIN WHEN THERE IS A SPECIAL SLIDE. THE NNNAV IS THE SAME AS THE END OF LAST YEAR. WE RECOMPUTED AT THE END OF MARCH, AND WE HAVE NOW COMPUTED IT TO BE AROUND €1.29 PER SHARE.

AS FOR OPERATING PERFORMANCE, ONCE AGAIN, I WILL START WITH BOTH THE ITALIAN AND ROMANIAN OUTLOOK. AND HERE, YOU SEE THE MOST RECENT DATA FOR ITALY. GDP IS ESTIMATED TO BE AT AROUND PLUS 1% WITH CONSUMPTION SLIGHTLY DECLINING BY 1%. BUT THERE ARE 3 POSITIVE INDICATORS ON THE RIGHT-HAND SIDE.

FIRST OF ALL, THAT IN APRIL THIS YEAR, THE FIRM'S OR CORPORATE CONFIDENCE IN THIS HAS REACHED THE PEAK SINCE 2007, AS YOU CAN SEE ON THE RED LINE CHART. Q1 OF '17, GDP HAS ALSO BEEN GROWING, FOLLOWING THE PREVIOUS QUARTER, GROWING BY 0.2%.

SO AS YOU CAN SEE, THE HEADLINE INFLATION IS AROUND 1.3% IN THE FIRST QUARTER. HEADLINE INFLATION SHOULD BE BETWEEN 1.7%, 1.8%, AND THEREFORE, THE GOAL OF 1% THAT WAS SET AT THE EUROPEAN-LEVEL SHOULD BE QUITE CLOSE HAND FOR US.

AS FOR ROMANIA, DATA IS QUITE POSITIVE, JUST LIKE LAST YEAR, GDP HAS GROWN BY 4%, CONSUMPTION ALMOST BY 6%, ALSO AS A RESULT OF A NEW SET OF PRO GROWTH FISCAL MEASURES, WHICH IS EXPECTED TO BE IMPLEMENTED ALREADY THIS YEAR. GROWTH WILL BE MAINLY DRIVEN BY STRONG DOMESTIC DEMAND.

MORE SPECIFICALLY FOR THE REAL ESTATE INDUSTRY, PLEASE GO TO PAGE 6. IN THE FIRST QUARTER, REAL ESTATE INVESTMENTS WERE JUST BELOW €1.9 BILLION, UP BY 12%, MAINLY DRIVEN BY FOREIGN INVESTORS, TWO-THIRDS OF THAT ACCOUNTED FOR 67%. AND RETAIL INVESTMENTS WERE €445 MILLION, DOWN VERSUS Q1 '16. BUT I'D LIKE TO POINT OUT, THIS DOES NOT INCLUDE A MAJOR DEAL THAT WAS CLOSED LAST WEEK. I'M TALKING ABOUT RIMINI LE BEFANE SHOPPING CENTER. SO THAT DEAL WAS JUST CLOSED LAST WEEK AND SHOULD BE WORTH ABOUT €300 MILLION.

PLEASE GO TO PAGE 7 FOR OPERATING PERFORMANCE FOR OUR GROUP. FOOTFALLS HAVE DECLINED BY 2.7%. AND THIS IS CAUSED BY MULTIPLE FACTORS AGAINST SUCH A NEGATIVE CALENDAR, BECAUSE IN THE FIRST QUARTER, THERE WAS ONE WEEKEND LESS AND ALSO ONE DAY LESS SINCE LAST YEAR WAS A LEAP YEAR AND ALSO SOME CLIMACTIC FACTORS, ESPECIALLY IN CENTRAL ITALY, SUCH A STRONG SNOWFALL IN JANUARY, WHICH NEGATIVELY AFFECTED THE PERFORMANCE OF SOME OF OUR SHOPPING CENTERS AND MALLS.

HOWEVER, THERE HAS BEEN A 1.1% INCREASE IN TENANT SALES AT SHOPPING MALLS, WHICH CONCENTRATED MAINLY IN MARCH SINCE PERFORMANCE WAS QUITE SLUGGISH IN JANUARY AND FEBRUARY. BUT IN MARCH, AS I SAID, I THINK WE HAVE RECOVERED QUITE WELL. AND I'D SAY THAT DESPITE THE DECREASE OF FOOTFALLS, THERE HAS BEEN A HIGHER AVERAGE SALES LEADS. AS FOR ROMANIA, FOOTFALLS HAVE GROWN BY 0.6%, ALSO IT'S AN ENHANCEMENT OF OUR COMMERCIAL OFFERING AND RESTYLING.

ON PAGE 8, THERE, WE SEE COMMERCIAL PERFORMANCE, OUT OF 36 SIGNED CONTRACTS IN THE FIRST QUARTER, OF WHICH 13 FOR TURNOVER AND 23 WERE RENEWALS. SO WE HAD 3.8% UPSIDE WITH A 1.1% ROTATION RATE, NAMELY, NEW BRANDS. AND OUR OCCUPANCY RATE IS MORE OR LESS STABLE, NAMELY 97.2% MORE OR LESS THE SAME AS AT THE END OF 2016. AS FOR ROMANIA, 134 CONTRACTS WERE SIGNED, 51 OF WHICH WERE TURNOVERS, 75 WERE RENEWALS, WITH 2.8% UPSIDE, AND 10% ROTATION RATE...HERE TO STABLE OCCUPANCY RATE. OBVIOUSLY, WE ARE TALKING ABOUT FINANCIAL OCCUPANCY.

AS FOR RENTAL REVENUES, PLEASE GO TO PAGE 10. WE GO FROM 32.6 IN THE FIRST QUARTER 2016 TO THE CURRENT FIGURE OF 33.871 IN 2017. GROWTH WAS MAINLY DRIVEN BY THE BROADENING OF OUR LIKE-FOR-LIKE BASIS. I AM REFERRING TO GROWTH RATE WHICH WAS INCLUDED INTO OUR PORTFOLIO IN OCTOBER 2016.

AS YOU KNOW, THERE HAS BEEN A MAJOR INAUGURATION. HOWEVER, THE LIKE-FOR-LIKE BASIS GROWTH HAS GROWN BY 1.3%, MAINLY DRIVEN BY SHOPPING MALLS WHICH PERFORMED EVEN BETTER, PLUS 2% THAN HYPERMARKETS. THIS IS EVEN MORE POSITIVE.

IF YOU CONSIDER THAT THERE WAS ONLY MARGINAL CONTRIBUTION FROM INFLATION OVER THE PERIOD, NAMELY €35,000 WHICH HAVE AFFECTED THE END RESULT. ONCE AGAIN, GOOD NEWS FROM ROMANIA WHICH HAS GROWN BY ALMOST 7% TO BE PRECISE 6.8%, AND RENTAL REVENUES IN ROMANIA KEEP ON GROWING, JUST LIKE WE SAW LAST YEAR.

ON PAGE 11, FUNDS FROM OPERATION, €15.6 MILLION, HERE YOU SEE THE BIGGEST COMPONENTS THAT HAVE CONTRIBUTED TO THIS GROWTH. SO MAINLY AN INCREASE IN EBITDA, PLUS €1.4 MILLION AND ALSO THE IMPROVEMENT IN FINANCIAL MANAGEMENT OF ALMOST €1 MILLION, SO THIS DATA SHOULD GET REBALANCED, YOU MAY RECALL THAT THE GUIDANCE WE GAVE FOR THE FULL YEAR, WE WERE TALKING ABOUT GROWTH BETWEEN 18% AND 19% WHICH IS HIGHER THAN THE CURRENT GROWTH OF 10.2%.

WE CONFIRM THIS GUIDANCE, BECAUSE IT WILL BE AN ACCELERATION IN FINANCIAL MANAGEMENT IMPROVEMENT IN THE FOLLOWING QUARTERS, AND ALSO AN IMPROVEMENT IN EBITDA, AS A RESULT OF THE 1ST OF JUNE INAUGURATION OF THE ESP RAVENNA EXTENSION. SO WE CONFIRM

OUR PREVIOUS GUIDANCE ANY CHANGE IN THIS GUIDANCE, HOPEFULLY, FOR THE BETTER WILL ONLY BE DISCLOSED WHEN WE APPROVE THE HALF YEARLY ACCOUNTS.

ON PAGE 12, SOMETHING I ALREADY MENTIONED IS OPENING OF THE ESP EXTENSION IN RAVENNA. THIS IS THE MOST IMPORTANT COMMERCIAL EVENT IN 2017. AS YOU CAN SEE THERE IS A DATE, SO THE 1ST OF JUNE, THAT'S WHEN WE SCHEDULED THE OPENING OF THIS EXTENSION. AND HERE ON THE RIGHT-HAND SIDE, YOU SEE SOME OF THE HIGHLY PRESTIGIOUS BRANDS WHICH WILL OCCUPY THIS NEW EXTENSION. AND THIS SHOPPING CENTER HAS A 19,000 SQUARE METERS GLA, 10 MIDSIZED STORES, PLUS 51 SHOPS AND 1,100 PARKING SPACES.

PRE-LETTING IS ALMOST COMPLETED, IT IS JUST ONE OF THE MIDSIZED STORES IS STILL MISSING. WE ARE STILL NEGOTIATING. AND BY THE END OF THE YEAR OR EVEN JUST AFTER THE OPENING, WE WILL HAVE A FULL OCCUPANCY OF THIS EXTENSION, JUST LIKE WE DID IN GROSSETO.

LET ME COME NOW MORE SPECIFICALLY TO THE FINANCIAL PERFORMANCE, PAGE 14. THE LOAN TO VALUE GROWTH FROM 14.8% TO 47.9%, ALSO, THE GEARING RATIO GOES FROM 0.97 TO 0.95. THE COST OF DEBT HAS DECLINED BY AN ADDITIONAL 20 BPS, SO WE KEEP GOING ALONG THIS ROAD. SO BY THE END OF THE YEAR, IT SHOULD BE 2.8 TO 2.8. SO WE WILL BE MEETING OUR PLANNED GOAL 1 YEAR EARLIER THAN EXPECTED. SO 3.10 IS THE FIGURE AT THE END OF MARCH. THE INTEREST COVER RATIO IS QUITE CLOSER TO OUR BUSINESS PLAN GOAL. SO IT'S GOING TO BE BETWEEN 2.8 AND 2.9 BY THE END OF THE YEAR, THUS THE ICR MULTIPLIER IN 2.72 AT THE END OF MARCH. A LONG-TERM DEBT AVERAGE RESIDUAL MATURITY OF 5.8, AND HEDGING THEN WENT FROM 93.8% AT THE END OF 2016 TO 94.4% AT THE END OF MARCH.

ON THE FOLLOWING PAGE, YOU SEE A DETAIL OF FINANCIAL INDICATORS FOR OUR GROUP. AS YOU CAN SEE THE AVERAGE COST OF DEBT, HERE YOU SEE THE CURVE STARTING FROM 2013 WITH A SLIGHT PEAK IN 2014, TOUCHING 4.03% AND THEN A GRADUAL DECLINE DOWN TO 3.10% AT THE END OF MARCH THIS YEAR. BUT AS I SAID IT IS SUPPOSED TO GO BELOW 3% BY THE END OF THE YEAR. AND THEN ICR, WHICH HAD ITS LOWEST POINT IN 2014, JUST LIKE THE AVERAGE COST OF DEBT, BUT IT HAS PICKED UP AGAIN, AND IT IS NOW AROUND 2.8%.

THE LOAN TO VALUE IS KEPT MORE OR LESS IN THE SAME RANGE, SOMETHING THAT WE COMMITTED TO WHEN WE FIRST PRESENTED THE BUSINESS PLAN. SO IT SHOULD BE BETWEEN 45%-48%, BECAUSE THAT'S COMFORT ZONE, WE WOULD LIKE TO HAVE OVER THE NEXT FEW YEARS. SO WE SHOULD TRY AND REDUCE THE LOAN-TO-VALUE FIGURE.

ON PAGE 17, YOU SEE OUR DEBT STRUCTURE. AS YOU CAN SEE THE MAJORITY OF OUR DEBT IS LONG TERM, 1.040 ON A TOTAL OF 1.046. SO AT THE END OF MARCH, WE ONLY HAD €10 MILLION

FOR THE SHORT TERM. THIS COMPONENT IS LIKELY TO INCREASE OVER THE REST OF THE YEAR, BUT IT IS GOING TO BE BELOW 10%.

HERE, YOU SEE ALSO THE BREAKDOWN OF OUR SOURCES, TWO THIRDS, IS MARKET, BONDS. I WOULD LIKE TO REMIND YOU ABOUT THE 5-YEAR BOND. AND THEN IN JANUARY, WE HAD THE SETTLEMENT OF THE 100 ISSUE THAT WAS WHOLLY UNDERWRITTEN BY PRUDENTIAL. AND THEN AS FOR THE BANK SYSTEM, THEY CANCELED ABOUT ONE THIRD OF OUR NET FINANCIAL POSITION. AS WE TOLD YOU ALREADY, THE DEBT MATURITY HAS EXTENDED AS A RESULT OF THE TWO ISSUES I'VE JUST TALKED.

I THINK, THAT'S IT. OVER THE NEXT FEW PAGES, YOU WILL FIND SOME MORE DETAILS, SUCH AS, CONSOLIDATED INCOME STATEMENT, MARGINS FROM ACTIVITIES AND OTHER FINANCIAL INDICATORS. CLEARLY, TOGETHER WITH MY COLLEAGUES HERE, I WILL BE MORE THAN HAPPY TO ANSWER ANY QUESTIONS YOU MIGHT HAVE.

Q&A

OPERATOR:

HERE IS THE CHORUS CALL OPERATOR. WE WILL NOW START THE Q&A SESSION. THE FIRST QUESTION COMES FROM SIMONETTA CHIRIOTTI FROM MEDIOBANCA, PLEASE.

SIMONETTA CHIRIOTTI:

GOOD AFTERNOON. I HAVE A QUESTION ABOUT YOUR LIKE-FOR-LIKE GROWTH. AS YOU SAID, THAT DOES NOT YET INCLUDE THE INFLATION COMPONENT, AND THEREFORE, IT IS MAINLY DRIVEN, I SUPPOSE, BY RENEWALS OF YOUR CONTRACTS. OR ARE THERE ANY OTHER DRIVERS? AND WHEN DO YOU EXPECT INFLATION TO POSITIVELY AFFECT THIS PERFORMANCE? AND THEN ANOTHER QUESTION, WHICH IS YOUR MOST IMPORTANT ASSET, IS GOING TO INCLUDE IT IN YOUR PERIMETER. I MEAN, COULD YOU PLEASE RECAP THE EXPECTED RETURN OF THIS INVESTMENT? AND WHEN WILL IT BE INCLUDED INTO YOUR PERIMETER AND TO YOUR SCOPE?

CLAUDIO ALBERTINI:

WELL, IN THIS QUARTER, WE APPLIED INFLATION TO CONTRACTS EXPIRING IN THAT QUARTER, CONSIDERING THE INFLATION RATE OVER THE NEXT FEW QUARTERS; THAT WILL ALSO APPLY TO OTHER CONTRACTS. SO WE HADN'T SEEN SUCH INFLATION FOR A FEW YEARS, SO THAT'S WHY GRADUALLY THIS INFLATION RATE WILL ALSO AFFECT CONTRACTS ON A LIKE-FOR-LIKE BASIS. SO THE BIGGEST EFFECTS WOULD BE IN THIS CURRENT QUARTER, BUT ALSO IN THE FOLLOWING QUARTERS, INCLUDING Q1 '18. BUT THEN IT WILL DEPEND AS CONTRACTS EXPIRE. I WOULD LIKE TO REMIND YOU THAT THIS QUARTER, WE ALSO HAD FEWER TEMPORARY REDUCTIONS, €105,000. AND TOGETHER WITH RENEWALS, THAT HAS CONTRIBUTED TO A SHOPPING MALL GROWTH ON A LIKE-FOR-LIKE BASIS. AS FOR ESP SHOPPING CENTER THE OPENING IS SCHEDULED TO BE ON THE 1ST OF JUNE. SO WE'LL HAVE 6 MONTHS REVENUES. SO IT SHOULD BE ABOUT €52 MILLION IN TERMS OF EXPECTED RETURN

WITH THE YIELD ON COST, WHICH IS EXPECTED TO BE CONSERVATIVELY, AROUND 7%, 7.5% ON SOME THEN RENTAL LEASES. SO WE HAVE A FEW BOOKINGS. SO THE YIELD ON COST SHOULD BE HIGHER BY ONE POINT THAN THE AVERAGE YIELD WE HAVE IN OUR PORTFOLIO. SO THE YIELD ON COST WON'T BE COMPARABLE TO THE GROSSETO SHOPPING MALL, WHERE THE YIELD ON COST IS AROUND 8%. BUT THIS SHOULD BE QUITE CLOSE TO THAT.

SIMONETTA CHIRIOTTI: THANK YOU.

OPERATOR: THE NEXT QUESTION COMES FROM MERIS TONIN FROM INTESA SANPAOLO, PLEASE.

MERIS TONIN: THANK YOU, GOOD AFTERNOON, EVERYONE. I HAVE A COUPLE OF QUESTIONS.

CLAUDIO ALBERTINI: COULD YOU PLEASE SPEAK UP, MERIS, BECAUSE WE CANNOT HEAR YOU.

MERIS TONIN: SORRY. THE FIRST QUESTION IS ABOUT THE FFO GROWTH, WHICH, ON A YEAR-ON-YEAR BASIS, IS SUPPOSED TO GROW BY ABOUT €10 MILLION ACCORDING TO YOUR GUIDANCE. IN THE LIGHT OF BOTH ORGANIC GROWTH AND BASED ON THE NEW PIPELINE, IS IT LEGITIMATE TO SAY THAT ABOUT 50% IS GOING TO COME FROM HIGHER RENTAL REVENUES AND 50% FROM LOWER FINANCIAL CHARGES? AND THEN I'VE GOT ANOTHER QUESTION ABOUT RESIDENTIAL APARTMENTS, SALES IN PIAZZA MAZZINI, WHICH SORT OF STOPPED DURING THIS QUARTER. COULD YOU PLEASE GIVE US SOME UPDATE ABOUT THE FUTURE EXPECTATIONS?

CLAUDIO ALBERTINI: I CONFIRM THAT, THIS YEAR, FFO SHOULD GROW BY ABOUT €10 MILLION WITH A 50:50 SPLIT, AS YOU SAID. CONSIDER THAT AT THE BEGINNING OF THE APRIL, OUR IFS WAS CLOSE AS EXPECTED. IT WAS MORE BURDENSOME AND THAT WILL BE THE WORTH OVER €2 MILLION IN TERMS OF LOWER FINANCIAL CHARGES. AND THEN CONSIDER ALSO THE REDUCTION IN THE COST OF FINANCIAL MANAGEMENT. SO THIS YEAR, OUR FFO IS SUPPOSED TO GROW IN A MORE MODEST WAY. SO 50% OF IT WILL COME FROM SAVINGS IN FINANCIAL MANAGEMENT. THE REMAINING 50% WILL BE DUE TO AN INCREASE IN EBITDA, WHICH WILL RESULT FROM A GROWTH ON A LIKE-FOR-LIKE BASIS AND ALSO BECAUSE OF COMPONENTS LIKE THE NEW OPENINGS; I MEAN, ON THE ONE HAND, GROSSETO AND ALSO ESP RAVENNA, WHICH WILL BECOME PART OF OUR PORTFOLIO STARTING FROM THE 1ST OF JUNE.

AS FOR PIAZZA MAZZINI, I'LL TELL YOU WHAT WE KNOW. WE HAVE 36 STORES SOLD, 2 PRELIMINARY AGREEMENTS ALREADY SIGNED AND FOR NEGOTIATIONS, ALMOST CLOSED, SO 42 APARTMENTS. THAT'S WHAT WE'RE TALKING ABOUT, UNLESS WE GET SOME NASTY SURPRISE WHEN THE PRELIMINARY AGREEMENT IS TO BE SIGNED. I MEAN, IN THE FIRST QUARTER, WE HAD NO FORMAL RESULTS IN TERMS OF REVENUES BECAUSE WE HAVE TO WAIT UNTIL THE SIGNING OF THE FINAL

AGREEMENT. I MEAN, YOU COMPARE IT TO THE FIRST QUARTER 2016, THERE HAS BEEN NO CHANGE. BUT WE CONTINUE ALONG THE SAME PATH FOR PIAZZA MAZZINI. SO OUR GOAL IS TO COMPLETE ALMOST ALL SALES AS FORECAST. AND I'D LIKE TO REMIND YOU THERE ARE 73 REAL ESTATE PROPERTIES. SO WELL, WITH THE ONES I MENTIONED, IT TOTALS ABOUT 42.

MERIS TONIN:

MAY I ASK YOU A FOLLOW-UP QUESTION? OVER THE LAST QUARTER, CAN YOU TELL US SALES FIGURES FOR HYPERMARKETS IN MALLS, AND THEN ALSO IN ABSOLUTE FIGURE ABOUT THE PERFORMANCE OF THE MONTH OF APRIL.

CLAUDIO ALBERTINI:

AS FOR MALLS, THE MONTH OF APRIL PERFORMED QUITE WELL. WE HAD ALSO A PICKUP IN FOOTFALLS, AS YOU SAW FROM OUR FINANCIAL DATA PRESENTATION. WE HAD MINUS 2.7%, THAT'S WHY THE CUMULATIVE FIGURE ALMOST BREAKS EVEN MINUS 2, SO WE RECOVER SOMETHING WITH THE FOOTFALLS. AS FOR SALES FIGURES, IT'S STILL EARLY DAYS, BUT FROM WHAT I BELIEVE, WE SHOULD HAVE A POSITIVE PERFORMANCE FOR SALES WHICH IS SOMETHING WE GET BETWEEN THE THIRD AND FOURTH WEEK OF THE FOLLOWING MONTH.

AND THEN WHAT WAS YOUR SECOND QUESTION? OH, ABOUT HYPERMARKETS, IN THE FIRST QUARTER IT WAS NEGATIVE MINUS 3% OR 4% IN Q1. AS FOR HYPERMARKETS, I WOULD LIKE TO REMIND YOU THAT THERE IS A MAJOR PROJECT GOING ON, UNDERTAKEN BY OUR MAJORITY SHAREHOLDER COOP, BECAUSE THEY ARE CHANGING THE FORMAT OF THE LAYOUT, BUT IT IS STILL EARLY DAYS JUST STARTED. AND I THINK THE REPERCUSSIONS OF THE HYPERMARKET, RESTYLING WILL ONLY BE VISIBLE IN THE SECOND HALF OF THE YEAR AND ESPECIALLY IN 2018. IT'S A MAJOR RESTYLING PROJECT WITHIN THE COOP ALLEANZA BUSINESS PLAN PARAMETER, BECAUSE THEY HAVE PLANNING TO INVEST ABOUT €900 MILLION, AND THE LARGE PORTION OF THAT INVESTMENT WILL BE USED TO RESTYLE THE HYPERMARKET FORMAT.

MERIS TONIN:

IF I MAY ASK YOU ONE FINAL QUESTION. COULD YOU GIVE US AN UPDATE ON THE SHAREHOLDINGS, CONSIDERING THE LATEST NEWS ABOUT MORGAN STANLEY NO LONGER BEING PART OF THE SHAREHOLDERS?

CLAUDIO ALBERTINI:

AS OF TO-DATE, WE HAVE HAD NO FORMAL NOTICE, YOU KNOW, THAT ACCORDING TO THE LATEST DATA, MORGAN STANLEY ACCOUNTED FOR ABOUT 5.4% OF OUR SHARES, SOME INVESTORS BOUGHT SOME STAKES, BUT THOSE STAKES ARE BELOW 5%, AND THEREFORE WE HAVE NO FORMAL EVIDENCE SO FAR. BUT WE SHOULD BE ABLE TO KNOW THAT SOON ENOUGH BECAUSE THE EXIT EVENT DATE WAS BETWEEN THE 22ND AND 24TH OF MAY, SO WE WILL BE INFORMED ABOUT THE NEW SHAREHOLDERS TAKING OVER MORGAN STANLEY STAKE, BUT SO FAR, WE HAVE HAD NO NOTICE. THANK YOU.

OPERATOR: FOR ANY FURTHER QUESTION, PLEASE KEY “*” FOLLOWED BY “1” ON YOUR KEYPAD. THE NEXT QUESTION IS A FOLLOW-UP FROM SIMONETTA CHIRIOTTI, MEDIOBANCA.

SIMONETTA CHIRIOTTI: I WANTED TO FOLLOW-UP ON WHAT YOU SAID ABOUT COOP ALLEANZA BUSINESS PLAN AND THIS CONSIDERABLE AMOUNT OF MONEY THEY ARE INVESTING. YOU WERE TALKING ABOUT THE HYPERMARKET LAYOUT RESTYLING. DOES IT MEAN THEY ARE GOING TO RELEASE SOME SPACE, SOME AREAS? WILL THAT IMPACT YOUR INDICATORS, ESPECIALLY FOR THE CREATION OF MIDSIZED STORES OR MORE GENERALLY SPEAKING, WHAT IMPACT COULD THAT HAVE ON YOUR ACTIVITY?

CLAUDIO ALBERTINI: QUITE THE CONTRARY IS TRUE. THERE IS A MAJOR A COMPREHENSIVE RE-LAUNCH OF THE NEW HYPERMARKET, WE WILL BE SHOWING SOME RENDERINGS AND IT'S GREAT. WE HAVE NO NEWS ABOUT PLANNING TO REDUCE THESE SPACES, ONLY IN AFRAGOLA OR ASCOLI. SO ACCORDING TO THE NEWER FORMAT, NO REDUCTIONS WILL TAKE PLACE. QUITE THE OPPOSITE IS TRUE, THERE IS GOING TO BE A MAJOR RE-LAUNCH OF THIS FORMAT WITH AN INNOVATIVE HYPERMARKET LAYOUT, NEW PRODUCTS YOU KNOW, CAPEX FOR LARGE HYPERMARKET AMOUNT TO €10 MILLION. SO WE ARE TALKING ABOUT A LARGE INVESTMENT ALL MADE BY OUR SHAREHOLDER COOP ALLEANZA. SO THEY WAS VERY GOOD NEWS. AND WE SEE THAT OUR EUROPEAN PLAYERS ARE ACTUALLY TURNING DOUBT WHILST WE ARE JUST SEEING THE COOP ALLEANZA HAS ALL INTENTIONS OF FOCUSING ON THIS HYPERMARKET FORMAT. THANK YOU. SO THERE WON'T BE AN IMPACT ON OUR RENTALS, IF THAT'S WHAT YOU WERE ASKING ABOUT.

OPERATOR: THE NEXT QUESTION COMES FROM GIOVANNI OVI FROM KEPLER.

GIOVANNI OVI: GOOD AFTERNOON. I HAVE A QUESTION ABOUT YOUR GUIDANCE ON CAPITAL EXPENDITURE IN 2017. COULD YOU ALSO TELL US WHAT YOU HAVE DONE IN THIS QUARTER? JUST TO MAKE IT EASIER FOR US TO MODEL YOUR TOTAL DEBT BY YEAR-END.

CLAUDIO ALBERTINI: WE DIDN'T DO A LOT IN THIS QUARTER; WE SHOULD HAVE DONE ABOUT €2.6 MILLION IN EUROPE AND €0.6 MILLION IN ROMANIA. THAT'S WHAT WE SHOULD HAVE DONE IN THE QUARTER AND WE INVESTED FOR A TOTAL OF ABOUT €1 MILLION. TOTAL INVESTMENT IN THE QUARTER AMOUNTED TO €8.5 MILLION, MORE OR LESS, BUT MOST OF IT WAS USED FOR THE ESP EXTENSION, WE INVESTED ABOUT €6 MILLION. SO OUR FIRST PRIORITY IS TO COMPLETE THE ESP EXTENSION, AND I'VE REPEATEDLY SAID IT SHOULD BE INAUGURATED ON THE 1ST OF JUNE.

GIOVANNI OVI: THANK YOU. AND WHAT ABOUT 2017 FULL FINANCIAL YEAR?

CLAUDIO ALBERTINI: TOTAL 2017 INVESTMENT AMOUNT TO ABOUT €60 MILLION, THANK YOU. INCLUDING EXTENSIONS CAPEX BOTH IN ITALY AND ROMANIA, BUT AS I SAID, ROMANIA DOESN'T ACCOUNT FOR MUCH. SO JUST OVER €60 MILLION IN TOTAL. AND I WOULD LIKE TO REMIND YOU THAT THE OTHER PROJECT WE ARE HEAVILY INVESTING IN THIS YEAR IS LIVORNO. SO IN Q1, THERE WAS A POSTPONEMENT OF INVESTMENTS THAT HAVE BEEN PUT OFF UNTIL THE FOLLOWING QUARTERS.

GIOVANNI OVI: THANK YOU.

OPERATOR: I WOULD LIKE TO REMIND YOU THAT IF YOU WANT TO ASK A QUESTION YOU AN KEY "*" FOLLOWED BY "1" ON YOUR TELEPHONE KEYPAD. THE NEXT QUESTION COMES FROM FEDERICO PEZZETTI, INTERMONTE SECURITIES.

FEDERICO PEZZETTI: GOOD AFTERNOON, EVERYONE. JUST ONE FINAL QUESTION FROM ME, ABOUT THE OVERALL REAL ESTATE INDUSTRY. SO I WAS WONDERING WHETHER THE 3.8% UPSIDE FOR Q1, AS YOU MENTIONED WAS PECULIAR BECAUSE OF CERTAIN CONTRACTS EXPIRING OR WHETHER THERE IS AN OVERALL UPSIDE TREND BECAUSE IF I'M NOT MISTAKEN, LAST YEAR THE UPLIFT WAS IN AVERAGE LOWER THAN 3%, AND THAT'S QUESTION #1. I ALSO HAVE A SECOND QUESTION ABOUT THE OVERALL MARKET. COULD YOU GIVE US AN IDEA ABOUT THE YIELD PERFORMANCE FROM YOUR POINT OF VIEW? AND THEN IN TERMS OF POTENTIAL OPPORTUNITIES, ARE YOU TAKING A LOOK AROUND? DO YOU SEE ANY INTERESTING ASSETS? OR ARE YOU JUST FOCUSING ON DELIVERING YOUR PLAN AND YOU ARE NOT THINKING OF BUYING ANYTHING ELSE? THANK YOU.

CLAUDIO ALBERTINI: AS FOR THE UPSIDE, I CAN TELL YOU THAT THIS FIGURE WAS POSITIVELY AFFECTED BY SOME VERY POSITIVE RENEWALS. SO I THINK IT'S A NON-RECURRING UPSIDE, AND SO A NON-RECURRING FACTOR. I DON'T THINK SUCH A GOOD UPSIDE WILL BE REPEATED IN THE FOLLOWING QUARTERS OF THE YEAR. ALTHOUGH ON THE OTHER HAND, AS DANIEL CABULI WAS SUGGESTING, WE'LL KEEP PURSUING OUR TEMPORARY DISCOUNT POLICIES. WHAT WAS THE QUESTION ABOUT YIELDS?

FEDERICO PEZZETTI: NO, IT WAS A GENERAL QUESTION ABOUT THE MARKET YIELDS.

CLAUDIO ALBERTINI: THERE HAS BEEN A MAJOR DEAL, LE BEFANE IN RIMINI, WHICH I MENTIONED IN MY PRESENTATION. SO THIS DEAL SIMPLY BEING CLOSED WITH A NET YIELD AROUND 5 BPS OR EVEN A FEW BPS LOWER. SO WE ARE TALKING ABOUT A BIG ASSET. THIS IS A SHOPPING CENTER WORTH €300 MILLION. BUT THEN ON THE OTHER HAND, WE ARE NOT TALKING ABOUT ROME NOR ARE WE TALKING ABOUT MILAN. WE ARE TALKING ABOUT RIMINI, WHICH IS A MID-SIZED PERIPHERAL TOWN. SO THIS IS DEFINITELY GOOD NEWS. AND I SUPPOSE TO A CERTAIN EXTENT, THIS MIGHT BECOME A SORT OF BENCHMARK.

AS FOR THE REST, I MEAN, THINGS SHOULD CONTINUE ALONG THE SAME WAY. SO THERE SHOULD BE A GRADUAL DECREASE IN YIELD. SO FROM 20, 30 BPS, I MEAN, SUCH A SLOW DECLINE, IT SHOULD CONTINUE THIS YEAR. AND BY THE WAY, TODAY, WE JUST RENEWED THE MANDATES OF OUR 4 OPERATORS. THEY WERE RECONFIRMED EVEN THOUGH WITH A SLIGHTLY DIFFERENT, MORE BALANCED PORTFOLIO. SO SUMMING UP, SO WE WILL GET IN TOUCH WITH THEM, WITH THESE OPERATORS ONCE AGAIN TO SEE WHICH IMPACT THEY HAVE ON OUR PORTFOLIO. SO IN THIS FIRST HALF YEAR, WORKING CLOSE, WE HAVE THE OPENING OF ESP RAVENNA SHOPPING MALLS SINCE THE YIELD THERE TOOK OFF, AS I SAID, IS HIGHER THAN 7%.

AS FOR MARKET OPPORTUNITIES, SO WE KEEP TAKING A LOOK AROUND AT THE MARKET. AND I REPEAT WHAT I'VE ALREADY SAID MANY TIMES, I MEAN, IGD HAS ALL THE POTENTIAL TO GROW OVER AND BEYOND OUR BUSINESS PLAN, BUT WE WANT TO GROW IN THE RIGHT MANNER. WE WANT TO GROW IN OUR CORE REGIONS. WE WANT TO GROW WITH THE PERFORMING NAMES INSTEAD OF DISTRESSED ASSETS. WE ARE A MARKET PLAYER. WE ARE NOT OBSESSED WITH GROWTH BECAUSE WE'VE GOT A VERY GOOD BUSINESS PLAN, WHICH ACTS AS A COMPASS. AND Q1 '17 HAS CONFIRMED THAT WE'VE TAKEN THE RIGHT DIRECTION. BUT WE DO TAKE A LOOK AROUND, BECAUSE THE ASSETS WE'D LIKE TO BUY ARE PART OF THE PORTFOLIO OF OWNERS WHO DO NOT SEEM TO BE WILLING TO SELL THEM AT THE MOMENT. SO WE KEEP AN EYE ON THESE ASSETS. WE WANT TO GROW LITTLE BY LITTLE, SO WE WILL WAIT AND SEE. BUT WE ARE LOOKING TO THE MARKET WITH A LOT OF ATTENTION.

FEDERICO PEZZETTI: THANK YOU.

OPERATOR: THE NEXT QUESTION IS A FOLLOW-UP QUESTION COMING FROM MERIS TONIN, INTESA SANPAOLO.

MERIS TONIN: ONE FINAL QUESTION. DID YOU CONFIRM YOUR RENTAL REVENUES LIKE-FOR-LIKE, THIS GUIDANCE AROUND 2%? AND COULD YOU PLEASE PROVIDE US SOME ADDITIONAL INFORMATION ABOUT TEMPORARY DISCOUNTS? I MEAN, AS YOU STAND AT THE MOMENT, WHAT DO YOU EXPECT TO HAVE BY THE END OF THE YEAR?

CLAUDIO ALBERTINI: I MEAN, I CAN CONFIRM THE FULL YEAR GROWTH GUIDANCE. AS I SAID, THIS QUARTER, WE ONLY HAD VERY MARGINAL CONTRIBUTION COMING FROM INFLATION. AND STARTING FROM THE CURRENT QUARTER AND THE FOLLOWING MONTHS, IT WILL BE HIGHER. IN ORDER TO GET AN OVERALL VIEW ABOUT OUR RENTAL GROWTH, I'D LIKE TO INVITE DANIELE CABULI.

DANIELE CABULI: GOOD AFTERNOON. WE CONFIRM THIS GROWTH GUIDANCE ALSO FOR THE NEXT FEW QUARTERS, JUST AS WE DID FOR THE FIRST QUARTER. THEREFORE, THE UPSIDE, WHAT MATTERS A LOT IS THE QUALITY OF OUR CONTRACTS EXPIRING. ON THE OTHER HAND, WILL BE ACHIEVED WHAT WE

ACHIEVED IN THE FIRST QUARTER. BUT IF YOU CONSIDER INFLATION CONTRIBUTION FROM NOW UNTIL YEAR-END AND ALSO OUR POLICY WE ARE PURSUING TO REDUCE THE TEMPORARY DISCOUNTS, WHICH WE HAVE BEEN IMPLEMENTING FOR A FEW YEARS, I MEAN, WE WERE HIGH WITH €3 MILLION TEMPORARY DISCOUNTS IN THE PAST. BUT THIS YEAR, WE'D LIKE TO REDUCE EVEN FURTHER. SO WE'LL TRY TO REDUCE IT BY €600,000 OR €700,000, SO FOR A TOTAL OF €700,000, €800,000 IN TOTAL THIS YEAR. SO WE THINK THAT THROUGH ALL OF THESE ACTIONS, INITIATIVES, WE SHOULD BE ABLE TO ACHIEVE, ON A LIKE-FOR-LIKE BASIS, THE SAME AMOUNT, NOT JUST FOR THE PAST QUARTER, BUT ALSO FOR THE CURRENT QUARTER AND THE FOLLOWING QUARTERS.

OPERATOR:

FOR ANY ADDITIONAL QUESTIONS, I'D LIKE TO REMIND THAT YOU CAN KEY "*" FOLLOWED BY "1" IN YOUR KEYPAD. MR. ALBERTINI, NO QUESTIONS HAVE BEEN SUBMITTED AT THE MOMENT

CLAUDIO ALBERTINI:

THANK YOU THEN. I'D LIKE TO THANK YOU ALL FOR BEING WITH US, AND I'LL SEE YOU ALL LATER, AT THE BEGINNING OF AUGUST. THANK YOU.