

Event: 1H 2017 Financial Results Presentation

Date: 4th August 2017

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

Mr. Roberto Zoia (Director of Asset Management and Development)

Mr. Andrea Bonvicini (Director of Finance Division)

OPERATOR: GOOD MORNING. THIS IS THE CHORUS CALL OPERATOR. WELCOME TO THE IGD'S 2017 HALF YEAR RESULTS PRESENTATION. LET ME REMIND YOU THAT ALL PARTICIPANTS ARE IN LISTEN-ONLY MODE. AFTER THE PRESENTATION A Q&A SESSION WILL BE HELD.

AND I WILL TURN THE CONFERENCE OVER TO MR. CLAUDIO ALBERTINI, CEO OF IGD. MR. ALBERTINI, YOU HAVE THE FLOOR.

CLAUDIO ALBERTINI: GOOD MORNING TO ALL OF YOU. I AM TALKING FROM BOLOGNA FROM IGD'S HEADQUARTERS, TOGETHER WITH THE COLLEAGUES AND THE CHAIRMAN, MR. GASPERONI, AND WE HERE THEN READY TO TAKE QUESTIONS AFTER THE PRESENTATION. AS YOU READ FROM THE PRESS RELEASE ABOUT HALF AN HOUR AGO, THE BOARD MEETING WAS CLOSED AND IGD HAS APPROVED THE H1 2017 RESULTS.

LET'S START FROM PAGE 3, AND DIVE INTO THE COMMENTS. SO WE'LL START FROM THE HIGHLIGHTS FOR H1 2017. CORE REVENUES LANDED AT €71.6 MILLION, UP 6%. WE ARE TALKING ABOUT CORE BUSINESS REVENUE. THE OVERALL REVENUES WENT UP ABOUT 11%. EBITDA FROM CORE BUSINESS IS AROUND €50 MILLION, UP ALMOST 7 PERCENTAGE POINTS VERSUS H1 2016. EBITDA MARGIN IS UP 60 BASIS POINTS TO 69.8% AND EBITDA MARGIN FROM FREEHOLD 79.5%, EVEN HIGHER GROWTH, 90 BASIS POINTS UP. SO THIS PERCENTAGE IS VERY CLOSE TO THE GUIDANCE WE GAVE IN THE BUSINESS PLAN FOR 2018. NET PROFIT IS STRONGLY UP, WE WILL SEE THE REASONS BEHIND THIS GROWTH €48.9 MILLION, UP 84.6%. AND THE FFO LANDS AT €31.9 MILLION, UP 17.8%. FFO PER SHARE IS €0.039, SO THE MARKET VALUE OF OUR PORTFOLIO EXCEEDS FOR THE FIRST TIME, EXCEEDS THE €2 BILLION OF TOTAL AMOUNT €2.210 BILLION, UP 1.5%, ON A LIKE-FOR-LIKE BASIS, IT WOULD BE 0.7%. TRIPLE NET NAV PER SHARE, CALCULATED ACCORDING TO EPRA

CRITERIA, IS €1.31, UP 1.6% VERSUS THE 1.9% FULL YEAR 2016 FIGURE. AND THAT'S ALSO FACTORING IN THE DIVIDEND PAYOUT IN MAY OF €0.045.

LET'S NOW MOVE ON TO PAGE 5 OF THE PRESENTATION. WE HAVE A MACROECONOMIC SCENARIO. WE ARE TALKING ABOUT ITALY, BOTH GDP WISE AND CONSUMPTION WISE, THIS IS THE OUTLOOK. GDP WISE THERE WAS A SPEEDING UP OF THE GROWTH OF GDP, WAS SUPPOSE TO BE 1.3/1.4 BY YEAR-END, CERTIFIED BY THE IMF RECENTLY. SO THE MAIN DRIVERS BEHIND THIS GROWTH ARE INVESTMENTS AND EXPORTS AND PRIVATE CONSUMPTION WITH AN INFLATION RATE THAT IS BACK TO THE POSITIVE DOMAIN, WITH AN EXPECTATION FOR YEAR-END OF UP 1.3%. OVER THE LAST FEW DAYS, WE HAD OUR NATIONAL INSTITUTE FOR STATISTICS TELLING US THAT UNEMPLOYMENT IN THE FIRST HALF OF 2017 WENT DOWN TO 11.1%, THE LOWEST SINCE 2012. CONSUMPTION, AS YOU CAN SEE ON THE CHART, SHOULD BE LANDING AT 1.2%, SLIGHTLY UP VERSUS LAST YEAR. AND THE SAME SLIDE SHOWS NPLS PERFORMANCE IN ITALY. MOST OF THE CONCERNS, ESPECIALLY FROM FOREIGN INVESTORS WERE ON THE HUGE LEVEL OF NPLS IN ITALIAN BANKS. SO THE PERCEIVED RISK IS DECLINING BECAUSE THE NPL STOCK IN ITALIAN BANKS IS DECLINING, IT'S BEING REDUCED, MAINLY THROUGH DISPOSALS. AND FINALLY, THE DISPOSAL IS PICKING UP IN THE FIRST HALF WERE EITHER €42 BILLION WORTH OF DISPOSALS WERE EITHER ANNOUNCED OR ACTUALLY PERFORMED, €42 BILLION, FOR A TOTAL AMOUNT OF €100 BILLION BY YEAR-END. THAT SHOULD BE THE NPL SALES. AND THEN THE EUROPEAN POLITICAL RISK HAS ALSO DECREASED AFTER THE OUTCOME OF THE DUTCH ELECTION FIRST AND THE FRENCH ELECTION AT A LATER STAGE. AND THEN IN ITALY, THE RISK IN ADVANCE ELECTION SHOULD BE FURTHER AHEAD IN TIME SO THIS GOVERNMENT SHOULD GET TO ITS OWN EXPIRATION SPRING NEXT YEAR.

AS TO ITALY; DRILLING DOWN INTO A GREATER LEVEL OF DETAIL ON PAGE 6 OF THE PRESENTATION. TOTAL TRANSACTION IN ITALIAN REAL ESTATE IS €5.8 BILLION, UP 58% VERSUS H1 2016. YOU SEE THE BREAKDOWN OF ASSET CLASSES. AND OFFICES, SHARE 35%, SLIGHTLY MORE THAN €2 BILLION, BUT ANOTHER MAJOR CHUNK, 21% IS TO BE FOUND IN OUR OWN RETAIL SEGMENT, UP 76%. LET ME HIGHLIGHT ALWAYS ON THIS VERY PAGE A TRANSACTION WHICH IS A BENCHMARK TRANSACTION, THAT IS TO SAY THE DISPOSAL OF A MAJOR SHOPPING CENTER IN RIMINI, WE ARE TALKING ABOUT RIMINI, NOT A PRIMARY ITALIAN CITY, I HOPE THE RIMINI PEOPLE WON'T TAKE OFFENSE. SO WE ARE NOT TALKING ABOUT MILAN OR ROME, BUT IT WAS A TRANSACTION WORTH €300 MILLION WITH A NET YIELD BELOW 5%. AND 80% OF THE INVESTED CAPITAL IS STILL FROM FOREIGN INVESTORS. AND THE OUTLOOK FOR THE SECOND HALF OF THE YEAR IS STILL POSITIVE AND STABLE, AS FAR AS, YIELD AND RENTS ARE CONCERNED.

GOOD NEWS ALSO ON THE ROMANIAN FRONT, YOU FIND THEM ON PAGE 7 OF THE PRESENTATION. THE GDP FOR THIS YEAR IS EXPECTED TO GROW IN EXCESS OF 4%, AND IS ROUGHLY TO LAND AT THE SAME LEVEL AS LAST YEAR SLIGHTLY LESS THAN 2015. HERE AGAIN, THE GROWTH IS DRIVEN BY

A STRONG DOMESTIC DEMAND, SUPPORTED BY A SET OF MANY TAX MEASURES THAT WERE ADOPTED BY THE GOVERNMENT, A CUT IN VAT AND INCREASE IN MINIMUM WAGE. THE YIELD OF PRIME SHOPPING CENTERS HAS DECREASED, AND ROMANIA IS STILL A VERY ATTRACTIVE MARKET FOR INTERNATIONAL RETAILERS. I WAS RECENTLY IN ROMANIA. AND THE LEVEL OF INTERNATIONAL BRANDS THEY WERE FRANCHISED IN ROMANIA HAS NOTHING TO ENVY FROM OTHER WESTERN EUROPEAN COUNTRIES. REFURBISHMENTS ON EXISTING SHOPPING CENTERS AND ALSO DEVELOPMENT ACTIVITIES ARE AFFECTING ALSO SECONDARY CITIES AND TERTIARY CITIES.

AND THEN ON PAGE 8 YOU FIND THE OPERATING PERFORMANCE. TENANT SALES, WE HAVE A POSITIVE RESULT, UP 0.5%. AND THEN INCLUDING THE ESP EXTENSION THAT IS ONLY ACCOUNTED FOR 1 MONTHS, WE WOULD BE UP TO 1.3%. BUT ON A LIKE-FOR-LIKE BASIS, WE ARE PLUS 0.5% WITH FOOTFALLS THAT ARE FLAT. BEAR IN MIND THAT H1 2017 WAS STRONGLY AFFECTED BY AN UNFAVORABLE CALENDAR YEAR EFFECT, BECAUSE IT WAS LEAP YEAR LAST YEAR. SO WE HAVE ONE DAY LESS AND ONE WEEKEND LESS IN 2017. SAME APPLIES FOR ROMANIA, WHERE WE HAVE FIT OUT WORKS THAT WERE CARRIED OUT IN THE FIRST HALF AND THAT SLIGHTLY DECREASED THE FOOTFALLS.

LET'S MOVE TO PAGE 9 OF THE PRESENTATION, COMMERCIAL PERFORMANCE, ITALY. WE RECORDED 70 CONTRACTS SIGNED, 25 TURNOVERS AND 49 RENEWALS, SO IT'S 75 SIGNED CONTRACTS IN ALL. THE AVERAGE UPSIDE WE RECORDED IS VERY POSITIVE, UP 4.7% PROBABLY WON'T BE REPLICATED IN THE SECOND HALF EVEN THOUGH WE SHOULD STILL BE IN THE POSITIVE AND 2% ROTATION RATE AND OCCUPANCY FLAT AT 97.2%.

IN THE FOLLOWING PAGE, WE ARE ON PAGE 10 OF THE PRESENTATION, SAME INDICATORS FOR ROMANIA. WE HAVE MORE CONTRACTS HERE; THE AVERAGE DURATION IS SHORTER SO THERE IS A GREATER TURNOVER. 237 CONTRACTS WERE SIGNED, 136 WERE TURNOVER, RENEWALS WERE 101, AVERAGE UPSIDE IS 2.5%, AND THE ROTATION RATE LANDS AT 17.4%. AND OCCUPANCY IS UP 90 BASIS POINTS AND IT IS VERY CLOSE TO 97%. SO WE ARE ON THE SAME FOOTING AS THE ITALIAN OCCUPANCY RATE.

LET'S NOW MOVE TO PAGE 11 OF THE PRESENTATION. AND HERE YOU FIND THE MAIN KEY DRIVERS FOR RENTAL REVENUE GROWTH THAT WENT UP 5.2% AS A WHOLE STARTING FROM ALMOST 65% IN H1 2017. AND THE GROWTH, AS YOU CAN SEE ON A LIKE-FOR-LIKE BASIS IS POSITIVE FOR 1.5 PERCENTAGE POINTS, AND WE ALREADY HAVE A POSITIVE GROWTH OF 1.3% IN THE FIRST QUARTER, ALWAYS FOR ITALY, ONE OF THE GROWTH CONTRIBUTORS WERE ACQUISITION AND EXTENSION ACTIVITIES PERFORMED WITHIN 2016 AND 2017. AND ROMANIA ALWAYS ON A LIKE-FOR-LIKE BASIS, GROWTH WITH AN ADDITIONAL €300,000, UP 7%, WHEREAS TOTAL REVENUES FOR THE FIRST HALF OF 2017 IS €68 MILLION. AND THEN GROWTH IS BROKEN DOWN BETWEEN SHOPPING CENTERS AND

HYPERMARKETS. AND THIS WAS NOT AFFECTED BY INFLATION BECAUSE OUR CONTRACTS ARE INDEXED. SO THE INFLATION, THE MARGINAL CONTRIBUTION APPROXIMATELY 25 BASIS POINTS, 0.25% OUT OF THE 1.5% INCREASE. ROMANIA, ON A LIKE-FOR-LIKE BASIS, ROMANIA WENT UP 7% DUE TO THE MARKETING AND RENEGOTIATION ACTIVITIES WE CARRIED OUT OVER THE TIME FRAME.

IN THE FOLLOWING PAGES, WE SHARE WITH YOU, THE MARKETING INITIATIVES WE UNDERTOOK IN OUR SHOPPING CENTERS. YOU SEE ON PAGE 12, WE GIVE YOU, AN EXAMPLE, OF THE LAST EXPANSION IN ORDER IN TIME. AND THE FOOD COURT WAS STRONGLY EXPANDED, AND IT'S ALMOST 12% OF THE GLA, BUT THIS IS TYPICAL FOR OTHER SHOPPING CENTERS AS WELL. WE HAVE NEW SERVICES OFFERED AS WELL; IT'S A PET SHOP, FOR INSTANCE, AND A CHILDREN AREA OF ABOUT 800 SQUARE METERS.

SERVICES AND NEW BRANDS, NEW BRANDS TO MAKE OUR SHOPPING CENTERS AND MALLS MORE ATTRACTIVE, AND IF POSSIBLE TO STANDOUT FROM OUR COMPETITORS' SHOPPING MALLS, SO ELECTRONICS, FOOD COURT, CLOTHING, PET SHOP AND HEALTH CARE.

AND THEN TECHNOLOGY INNOVATION, WERE ADDED TO OUR SHOPPING CENTERS. PAGE 14, OF THE PRESENTATION, WE HAVE DIGITAL COMMUNICATION. WE HAVE A ROLLOUT PLAN TO BE INCLUDED IN OTHER SHOPPING CENTERS BY SEPTEMBER, 17 OF THESE DIGITAL BOXES ARE ALREADY APPLIED, AND WE HAVE BATTERIES FOR ELECTRICAL BIKES.

AND THEN ON PAGE 15, WE HAVE TWO PROJECTS THAT WE HAVE AT HEART FOR SUSTAINABILITY. WE HAVE WASTE-2-VALUE WHICH IS A CIRCULAR ECONOMY INNOVATIVE PROJECT. IT'S GOING TO BE A PILOT PROJECT AT THE CENTRO NOVA IN BOLOGNA. AND THEN ANOTHER INITIATIVE WE ARE VERY PROUD OF IT'S HAPPY HAND IN TOUR, YOU KNOW, THAT WILL BE TAKEN TO ALL OF OUR SHOPPING CENTERS. IT'S THE THIRD YEAR IN A ROW WE'VE RUN THIS INITIATIVE, AND IT WAS AWARDED BY THE CNCC AWARDS IN 2016.

LET'S MOVE ON TO PAGE 17, IT'S OUR PORTFOLIO. AS I TOLD YOU IN THE INTRODUCTORY HIGHLIGHTS, WE ARE IN EXCESS OF €2.2 BILLION OVERALL. AND YOU SEE THE BREAKDOWN BY ASSET CLASS, MALLS ITALY, €1,287 MILLION, HYPER ITALY, €650 MILLION, ROMANIA, €162 MILLION, DEVELOPMENT AND PROJECTS FOR PORTA A MARE, €110 MILLION, 1.5%, THE GROWTH, WITH AN OCCUPANCY OF 97.22%, ITALY, ON AVERAGE. WEIGHTED AVERAGE BETWEEN MALLS AND HYPERMARKETS, AND 96.91% AS FAR AS ROMANIA INSTEAD IS CONCERNED. BELOW IN THE LOWER PART OF THE SLIDE, YOU SEE THE BUILDING BLOCKS THAT MAKE UP OUR GROWTH VERSUS 2017 YEAR-END.

WELL, WE ARE CONFIDENT WE GENERATED VALUE. WE CREATED VALUE THROUGH OUR SHARE PRICE, STARTING FROM THE TRIPLE-NET NAV AT END OF 2016, AND DESPITE THE PAYING OUT OF A DIVIDEND THAT AFFECTS THE NAV FOR THE FIRST QUARTER, IT WAS €0.045 PAID OUT IN MAY, THE DIVIDEND. AND WE STILL EXPERIENCED FFO GENERATED €0.039, AND POSITIVE ASSET FAIR VALUE. AND THAT LED TO AN EPRA, TRIPLE-NET NAV END OF JUNE 2017 AND OF H1 OF €1.31. FOR YEARS, WE NEVER HAD THIS KIND OF A NET NAV FOR MANY YEARS NOW IN A ROW. SO IT'S...PORTFOLIO-WISE, WE STILL SEE A BREAKDOWN ON PAGE 19 IN THE PRESENTATION.

THE MALLS COMPONENT IS GROWING VERSUS Q1. THANKS TO THE ESP EXTENSION, SLIGHTLY MORE THAN 3 PERCENTAGE POINTS, 58.3% IS THE WEIGHT OF MALLS AS AN ASSET CLASS. ON THE TOTAL, HYPER, ARE BELOW 30%, SO THEY LAND AT 29.4%. AND LET'S SEE THE BREAKDOWN BETWEEN THE KEY MALLS. KEY MALLS, IN EXCESS OF €70 MILLION; MEDIUM MALLS, €30 TO €70 MILLION; AND SMALL MALLS, MARKET VALUE BELOW €30 MILLION. SO KEY MALLS, THEIR WEIGHT IS GROWING 2 PERCENTAGE POINTS, AND THESE ARE THE SEVEN KEY MALLS; CENTRO SARCA IN MILAN, CONÈ IN CONEGLIANO, PUNTA DI FERRO IN FORLÌ, ESP IN RAVENNA TIBURTINO IN ROME, PORTE DI NAPOLI IN AFRAGOLA AND KATANÈ IN CATANIA.

IN THE FOLLOWING THREE SLIDES, AND WE ARE VERY PROUD AND VERY HAPPY AND SATISFIED WITH THE RESULTS, DO ALLOW US TO BE A BIT BOASTFUL FOR OUR RESULTS. LET ME SHOW YOU THE EXTENSION OF ESP THAT WAS VERY SUCCESSFUL. YOU CAN SEE SOME SNAPSHOTS OF THE CUTTING OF THE RIBBON THE ACTUAL OPENING AND THE CLOUD.

AND THEN ON PAGE 21, YOU HAVE A BIRD'S EYE VIEW OF THE SHOPPING MALL BASED AT RAVENNA IN AN AREA WITH A GDP THAT'S NORMALLY HIGHER. IT'S A WEALTHY AREA THAT'S OVER AND ABOVE THE ITALIAN AVERAGE, DISPOSABLE INCOME PER CAPITA IS HIGHER THAN THE ITALIAN AVERAGE AND IT'S NOW 46,000 SQUARE METERS, 30,000 FOR THE MALL AND 16,000 FOR THE HYPERMARKET.

IN JUNE ALONE, THAT IS TO SAY, WE OPENED ON JULY THE 1ST; WE HAD IN EXCESS OF 500,000 FOOTFALLS, .510,000, TO BE PRECISE. SLIGHTLY LESS THAN 500,000 IN JULY, THAT MEANS THAT THIS IS A SHOPPING MALL THAT WILL DO ABOUT 6 MILLION FOOTFALLS PER YEAR. AND SO, IT'S FULLY FLEDGED, IT HAS A FULLY FLEDGED ROLE AS A MAIN MALL. AND THEN YIELD ON COST IN EXCESS OF 8%, TOTAL INVESTMENT €51 MILLION, AND IT'S VERY CLOSE TO MAREMÀ, YIELD ON COST WAS 8% FOR MAREMÀ A GROSSETO AS WELL WITH MAJOR BRANDS. THESE ARE SOME OF THEM, INDITEX, BERSHKA, MAISONS DU MONDE, PULL&BEAR, ET CETERA, SO THESE ARE THE MAIN BRANDS THAT ARE REPRESENTED THERE.

WE ARE ALSO WORKING ON THE REMODELING OF ANOTHER SHOPPING MALL, PAGE 23. THIS IS ANOTHER VERY GOOD EXAMPLE OF REMODELING OF THE DIFFERENT AREAS, REDUCTION OF

HYPERMARKET IN FAVOR OF THE MALLS. HYPERMARKET WAS REDUCED; IT WAS RESTYLED, OPENED ON MARCH 24TH, 2017. WE ARE NOW WORKING ON THIS OTHER PART, THAT IS TO SAY THIS IS A NEW REMODEL AREA WITH A PRE-LETTING, THAT TO THE PRESENT DATE, EXCEEDS 90%. AND BY THE WAY WE ARE PLANNING TO CLOSE AND THEN TO CLOSE THE WORKS BY EARLY NOVEMBER AND THEN BE ABLE TO OPEN THE AREA.

AND SO PIPELINE UPDATE; GRAN RONDÒ, TOTAL INVESTMENT ABOUT €7 MILLION, EXPECTED INVESTMENT BOTH FOR THE GLA AND THE RESTYLING OF THE SHOPPING MALLS. AND THEN WE HAVE OFFICINE STORICHE IN LIVORNO, THIS IS ONE OF THE THREE MAJOR PROJECTS WE HAVE LISTED IN OUR BUSINESS PLAN. WHILE GROSSETO MAREMÀ WAS COMPLETED AND OPENED IN OCTOBER LAST YEAR AND THEN THE EXTENSION OF ESP EARLY JUNE ABOUT A COUPLE OF MONTHS AGO. AND NOW THIS OTHER PROJECT, OFFICINE STORICHE. WE'RE WORKING ON IT, ON THE CORE PART, THE COMMERCIAL PART. IT'S A FORMER SHIPYARD.

AND THEN ON PAGE 25, YOU SEE A RENDERING OF THE PORTA A MARE PROJECT AND THE RESIDENTIAL UNITS BEING SOLD. WELL, ALMOST 80% WERE SOLD ON THE RESIDENTIAL PART. AND WE EITHER SOLD OR HAVE COMMITTED ABOUT 60 FLATS, MEANING RESERVED, MEANING THE PRELIMINARY AGREEMENT WAS SIGNED AND THE DOWN PAYMENT. OUT OF 73, 60 WERE SOLD. PALAZZO ORLANDO IS THE OTHER ONE, AND IT'S MAINLY OFFICES. WE ARE IN TOTAL SOLD OR RENTED 53.4%. WORK IN PROGRESS IS ABOUT TO END AT THE END OF 2018, SO ROUGHLY, END OF WORK DATE WE EXPECT TO HAVE LESS.

MOVE ON TO THE FINANCIAL, WE ARE ON PAGE 27 OF THE PRESENTATION. HERE, WE HAVE OUR MILESTONES OF THE WORK WE PERFORMED OVER THE FIRST HALF. IN MAY LAST YEAR, WE WERE AWARDED AN INVESTMENT-GRADE RATING BY MOODY'S. LAST DECEMBER, MOODY'S RECONFIRMED OUR RATING, AND ALSO THEY RETAINED STABLE OUTLOOK FOR THE COMPANY. IN JANUARY, THROUGH A PRIVATE PLACEMENT, WE PLACED A BOND OF ABOUT €100 MILLION AT 2.25% 7-YEARS, AND IT WAS SUBSCRIBED BY THE PRUDENTIAL GROUP OF THE PRICOA ENTITY, SUBSCRIBED IT IN FULL. AND THEN WE HAVE A PUBLIC BOND THAT WAS ISSUED SOON AFTER WE GOT THE RATING. AND TODAY, IT'S TRADED IN THE MARKET AT 105.14. AND TAKING INTO ACCOUNT THE 3.5-YEAR MATURITY, IT GIVES AN IMPLIED YIELD OF 1.15%. THAT MEANS THAT CREDIT RISK IGD IS PRICED ON THIS DURATION ON THE BOND MARKET, ON THE FIXED INCOME, IS PRICED AT 1.15%. IF YOU LOOK AT THE LOWER PART OF THE SLIDE, YOU SEE THAT THE NEW...IT'S A REFINANCING ACTUALLY THAT WE RECEIVED, THAT WE GOT AFTER CLOSING AN IRS EXPIRING. THAT WAS THE MOST EXPENSIVE WE HAD IN OUR DEBT STOCK. WE CLOSED THAT IRS NATURAL EXPIRY, AND WE HAVE 2 MORE ON A NOTIONAL THAT WAS MORE OR LESS THE SAME, COST 0.59%, SPREAD WAS THE SAME, 10 YEAR, €69,250,000 AT A COST OF 1.14%. AS YOU PROBABLY READ AT THE END OF THE PRESS RELEASE, TODAY WE'VE RESOLVED UPON AND WE HAVE UNDERWRITTEN A CONTRACT TO SUPPORT OUR

LIQUIDITY. THE AGREEMENT WAS SIGNED WITH KEPLER CHEUVREUX, AND IT WILL COME INTO FORCE STARTING FROM THE 4TH OF SEPTEMBER 2017.

LET'S MOVE ON TO PAGE 28. THESE ARE THE FINANCIAL HIGHLIGHTS. LOAN-TO-VALUE AND GEARING RATIO ARE BASICALLY FLAT VERSUS YEAR-END 2016. LOAN-TO-VALUE, 48.5% VERSUS 48.3%; GEARING RATIO, 0.98 VERSUS 0.97 END OF 2016. COST OF DEBT IS BELOW 3%, LANDS AT 2.9% VERSUS 3.3% FOR FULL YEAR 2016. INTEREST COVER RATIO IS 2.8 TIMES VERSUS 2.2 TIMES FULL YEAR 2016. LET ME REMIND YOU THAT IN OUR BUSINESS PLAN, WE'RE VERY CLOSE TO IT. OUR GUIDANCE WAS ABOUT 3 TIMES IN THE BUSINESS PLAN, AND AVERAGE RESIDUAL MATURITY OF LONG-TERM DEBT, 5.3 YEARS; HEDGING ON LONG-TERM DEBT AND BOND, WHICH IS SLIGHTLY UP, 94.5%.

NOW ON THE FOLLOWING SLIDE, PAGE 29, YOU FIND OUR DEBT STRUCTURE, WHICH OVERALL IS €1,076,000,000, OF WHICH €64 MILLION, SHORT-TERM; AND €1,015,000,000 OF MEDIUM LONG-TERM DEBT. THE BREAKDOWN IS 63% MARKET, SO BONDS, FIXED INCOME; AND ABOUT ONE-THIRD, BANKING SYSTEM. AND IN THE CHART NEXT TO IT, YOU SEE THE MATURITY PROFILE FOR OUR DEBT. THERE ARE NO MAJOR NEEDS FOR EITHER THIS YEAR OR NEXT YEAR. THE FIRST MATURITIES ARE 2019, €125 MILLION WORTH OF BONDS THAT EXPIRE. IT'S GOING TO BE THE MOST EXPENSIVE FOR US. SO IT'S GOOD FOR US THAT IT'S THE FIRST ONE TO BE REFINANCED. AND THEN OTHERS WILL FOLLOW IN THE FOLLOWING YEARS.

AND I AM ABOUT TO WRAP UP WITH PAGE 31, FFO, FUNDS FROM OPERATIONS, €31.9 MILLION, UP 17.8% VERSUS LAST YEAR. LET ME REMIND YOU THAT IN Q1, IT WAS 10.2% BUT WE'D ALSO ANNOUNCED AND SAID THAT AN EXPECTED SPEEDING UP, AN INCREASE, IN THE SECOND QUARTER AND IN THE FOLLOWING QUARTERS AS WELL, DRIVEN BY AN IMPROVEMENT, ON THE ONE HAND, OF OUR REDUCTION OF FINANCIAL MANAGEMENT AND INCREASED ACTIVE MANAGEMENT.

WE THEREFORE REVISED OUR GUIDANCE, THE GUIDANCE WE GAVE THE MARKET WHEN OUR 2016 ACCOUNTS WERE APPROVED. AS TO THE FFO GROWTH, THE GUIDANCE WE GAVE WAS IN THE RANGE BETWEEN 18% AND 19% VERSUS 2016. NOW WE REVISE THAT OUTLOOK UPWARDS, AND WE REVISE IT UP 20% VERSUS 2016.

THAT'S IT AS FAR AS I'M CONCERNED. BUT NOW WE ARE READY, I'M READY TO TAKE THE QUESTIONS TOGETHER WITH THE COLLEAGUES AND OUR CHAIRMAN, WHO ARE HERE WITH ME.

OPERATOR: THIS IS THE CHORUS CALL OPERATOR. LET'S NOW OPEN THE Q&A. FIRST QUESTION COMES FROM FEDERICO PEZZETTI WITH INTERMONTE. YOU HAVE THE PHONE, MR. PEZZETTI.

FEDERICO PEZZETTI: GOOD MORNING TO ALL OF YOU. A COUPLE OF QUESTIONS. [TECHNICAL DIFFICULTY] IN THIS CONTRACT RENEWALS YOU HAD MAJOR UPSIDE IN THE SECOND QUARTER. AND THEN COULD YOU ELABORATE ON THAT AND TELL US WHAT YOUR EXPECTATIONS ARE FOR THE SECOND HALF OF THE YEAR? THIS 4.7% OF THE FIRST HALF SEEMS TO BE VERY POSITIVE. BUT I WOULD LIKE YOU TO ELABORATE ON WHAT YOU EXPECT ABOUT CONTRACT RENEWALS. MAYBE RENEWALS FOR OTHER ASSETS ARE NOT SO SUCCESSFUL OR TENANTS THAT ARE UNDERGOING DIFFICULTIES. SO WHAT ARE YOUR EXPECTATIONS FOR YEAR-END AS FAR AS THE OUTLOOK IS CONCERNED? ALSO YOUR FEELING FOR 2018 AS WELL WHEN IT COMES TO UPSIDE? SECOND QUESTION ON THE ROMANIAN PORTFOLIO VALUATION, LET ME TRY AND UNDERSTAND THE DETAIL. I SAW THAT RENTS ARE GROWING 7% ON A LIKE-FOR-LIKE BASIS. WHAT IS THE GROWTH THAT YOU EXPECT AT AS REPORTED GROWTH, GROSS INITIAL YIELD IS BASICALLY FLAT VERSUS END OF 2016. THERE'S A DECLINE IN PORTFOLIO VALUE OF 1.5%. SO IF RENTS GO UP, YIELD SHOULD ALSO INCREASE MORE. SO I WOULD EXPECT A LARGER INCREASE, NOT FROM 6.5% TO 6.55%. SO COULD YOU ELABORATE ON THAT? AND THEN COULD YOU TELL ME WHAT ARE THE APPRAISERS SAYING, RENTS AND THE ECONOMY, THE MACROECONOMIC INDICATORS ARE UP. SO WHY ARE THE INDICATORS DOWN? SO DO YOU THINK WE'LL SEE IT FLATTENING OUT AND SO FROM THE NEXT QUARTER, MAYBE THERE COULD BE AND EVEN INCREASE IN THE VALUE OVER THE NEXT FEW MONTHS. AND THEN TENANT SALES IN HYPERMARKETS. COULD YOU GIVE US THE YEAR-ON-YEAR VALUE FOR THE FIRST 6 MONTHS?

CLAUDIO ALBERTINI: LET ME ANSWER THE DIFFERENT QUESTIONS. SO AS TO CONTRACT RENEWALS, AS I SAID IN THE PRESENTATION, MAYBE I WAS NOT EFFECTIVE ENOUGH IN MY COMMUNICATION. WE THINK THAT THIS UP 4.7% WAS AN EXCEPTIONALLY OUT-OF-THE-ORDINARY, EXTRAORDINARY PERFORMANCE THAT WILL NOT BE REPEATED OR MIRRORED IN THE SECOND HALF. WE THINK IT'S GOING TO BE 2% TO 3% AS AVERAGE UPSIDE IN THE SECOND HALF. WE HAVE SOME VERY POSITIVE CONTRACT RENEWALS, AND MANY CONTRACTS HAD EXPIRED ALSO ON THE OLD PART OF THE RAVENNA ASSETS. AND ALSO IN VIEW OF THE EXPANSION, THERE WAS A LOT OF EXPECTATIONS. SO WE HAVE THAT UPSIDE, TOO. WELL, IT'S GOING TO BE A POSITIVE, LESS THAN 4.7%, WHICH, OBJECTIVELY SPEAKING WAS A VERY, VERY HIGH PERFORMANCE.

TALKING ABOUT ROMANIA, TO ANSWER YOUR QUESTION, WE ARE RENTING AREAS THAT WERE VACANT BEFORE, RENEGOTIATING CONTRACTS THAT HAD BEEN DRAWN UP WITH HIGHER RENTS. BUT IT'S A POSITIVE BALANCE, SO IT'S UP 7%. SO WE ARE LETTING AREAS ON THE TOP FLOORS THAT HAS LOWER RENTS THAN THE APPRAISERS INCLUDED IN THEIR OPINION, IN THEIR APPRAISALS. SO WE SOMEHOW PREFERRED TO CHECK IN TOMORROW, I DON'T EVEN KNOW HOW...MAKING THE MOST OF IT TODAY RATHER THAN WAIT FOR THE FUTURE. SO WE STILL MANAGED TO LET THOSE AT A LOWER

RENT, AND WE RETAINED YIELD AT A FLAT OR STABLE LEVEL. AND WE'VE GOT IMPROVEMENT OF ABOUT €2 MILLION VERSUS THE ACTUAL APPRAISAL.

ON THE HYPER SALES, WE ARE ON THE DECLINE SIDE VERSUS Q1, A DECLINE OF 1.5% VERSUS SALES IN H1 2016. SO MAY AND JUNE, HOWEVER, ARE BASICALLY FLAT. SO OVER THE LAST COUPLE OF MONTHS IN PARTICULAR, THE DECLINING TREND HAS COME TO A STOP, TO A STANDSTILL, SO THANK YOU VERY MUCH. 2018 RENEWALS, IT'S A BIT TOO EARLY TO SAY SOMETHING. BUT THE PERFORMANCE, WE EXPECT BETWEEN 2% AND 3% WHAT WE EXPECTED THIS YEAR; WE THINK WILL BE REPLICATED IN 2018. SO STILL WITH A PLUS SIGN BETWEEN 2% AND 3% OF THE RANGE, TO GIVE YOU A GUIDE, SOME IDEA.

OPERATOR: THE NEXT QUESTION COMES FROM THE LINE OF MERIS TONIN WITH INTESA SANPAOLO.

MERIS TONIN: GOOD MORNING TO ALL OF YOU. WE KNOW THAT FAIR VALUE ADJUSTMENT DURING THE FIRST HALF WAS IN EXCESS OF €18 MILLION. COULD YOU ELABORATE ON THAT? WHAT ARE THE ASSETS THAT BENEFITED FROM THIS BETTER VALUATION BY THE APPRAISERS? AND WHAT ARE YOUR EXPECTATIONS WHEN IT COMES TO THE FULL YEAR PORTFOLIO, SO SECOND PART OF THE YEAR AS WELL? AND THEN ANOTHER QUESTION, MORE...KIND OF A STRATEGIC QUESTION, WE ARE GETTING CLOSE TO THE BUSINESS PLAN OBJECTIVES, AND YOU ARE WELL AHEAD OF TIME ALSO WHEN IT COMES TO DELIVERING WHAT YOU ANNOUNCED IN YOUR PLAN. SO COULD YOU ELABORATE ON WHAT IS GOING TO BE YOUR NEXT STRATEGIC UPDATE OVER THE NEXT FEW MONTHS OR MAYBE NEXT YEAR?

CLAUDIO ALBERTINI: THANK YOU VERY MUCH, MS. TONIN. ON THE FIRST QUESTION, OUR DIRECTOR FOR ASSET AND DEVELOPMENT WILL TAKE THAT QUESTION. HE IS AWARE OF ALL THE APPRAISALS. THEY WERE CERTIFIED BY OUR AUDITORS, PRICEWATERHOUSECOOPERS. ROBERTO, PLEASE CAN YOU ANSWER THIS, AND THEN I'LL ANSWER THE QUESTION ABOUT THE BUSINESS PLAN.

ROBERTO ZOIA: GOOD MORNING TO YOU. THE €18 MILLION INCREASE IS MAINLY DRIVEN BY A GROWTH, ON A LIKE-FOR-LIKE BASIS, OF HYPERMARKETS 0.54%; AND THEN MALLS, 1.10%. AND I UNDERLINE ON A LIKE-FOR-LIKE BASIS BECAUSE AS THE CEO SAID DURING THE PRESENTATION, WE ALSO HAD A BENEFIT STEMMING FROM THE ESP EXTENSION AS THE YIELD ON COST WAS 8%. AND AS IT WAS AN EXTENSION OF A SHOP, OF AN EXISTING SHOPPING MALL, SO NOT A NEW OPENING. THEREFORE THAT EXTENSION ALSO WAS UP THE RATE OF THE OLD ESP. SO 3 MAIN FACTORS THAT ARE INCREASING: HYPER, 0.50%; 1.10% MALLS; AND POSITIVE FAIR VALUE VERSUS THE ESP ACTUAL OPENING TIME FRAME. AND THEN WITHIN THESE ITEMS, THERE ARE A NUMBER OF WRITE-DOWNS OF IMPAIRMENTS, NOT SO MATERIAL IN ABSOLUTE TERMS, BUT PERCENTAGE-WISE, IF YOU WISH, ON SOME OF THE ASSETS THAT PERFORMED DIFFERENTLY FROM OTHERS. AND THEN AS WE SAW DURING THE

PRESENTATION, WE HAVE €2.2 MILLION CONTRIBUTED BY ROMANIA AS AVERAGE DELTA OR DEVIATION AND THEN A SMALL DELTA FROM LIVORNO, PORTA A MARE, STEMMING FROM THE FACT THAT THE 3 SUB-AREAS OFFICINE STORICHE, AS CLAUDIO ALBERTINI SAID, THEY ARE THE VERY HEART ON WHICH WE ARE FOCUSING WHEN IT COMES TO THAT AREA. THE OTHER ONES WHERE THE SUBURBS WERE PUT OFF IN TIME, AND THAT, OF COURSE, HAS AN IMPACT ON THE APPRAISAL. SO THE FREEHOLD PORTFOLIO BENEFITED FROM THAT, THE ESP EXPANSION, AS IT HAPPENED FOR GROSSETO, HAD AN INCREASE DRIVEN BY A VERY POSITIVE YIELD ON COST VERSUS THE APPLIED RATE. AND THEN THE TWO EVENTS, THE DOWNWARD FOR ROMANIA, THE EFFECTS OF DOWNWARDS OR DECLINE IN ROMANIA IN PORTA A MARE.

CLAUDIO ALBERTINI:

ON THE EXISTING BUSINESS PLAN AND THE BUSINESS PLAN GOING FORWARD, AS IT WAS SAID, WE ARE HALFWAY THROUGH DEVELOPING OUR 2016-2018 BUSINESS PLAN. OUR BUSINESS PLAN OBJECTIVES ARE WITHIN OUR REACH. SOME OF THEM HAVE ALREADY BEEN DELIVERED UPON OR REACHED. SO WE ARE VERY POSITIVE, VERY CONFIDENT ON THE FACT THAT WE CAN DELIVER ON THE BUSINESS PLAN OBJECTIVES AND GOALS. AS TO A NEW BUSINESS PLAN, OF COURSE, THE BOARD OF DIRECTORS ARE ALSO EXPIRING. IT'S MANDATED EXPIRING, APRIL NEXT YEAR. SO THE NEW BUSINESS PLAN WILL BE DRAFTED WHEN THE BOARD IS RENEWED. THE NEW BOARD WILL DRAFT THE NEW PLAN BEYOND 2019 WHERE THE INVESTMENT PIPELINE WILL BE SMALLER THAN IN THE PAST BECAUSE WITH THE INVESTMENTS WE'VE MADE IN THIS BUSINESS PLAN, WE'RE ABOUT TO COMPLETE OR AT LEAST TO REDUCE OUR STOCK OF INVESTMENT, OUR CAPEX STOCK. AND SO WE'LL NO LONGER BE GROWING PROBABLY INTERNALLY OR ORGANICALLY BUT RATHER BY EXTERNAL LINES. BUT THIS, INDEED, WILL HAVE TO BE DEBATED WITH THE NEW BOARD THAT WILL COME INTO FORCE ON THE OCCASION OF THE AGM IN APRIL OF 2018.

IF I MAY, AS FAR AS YOUR YEAR-END EXPECTATIONS ARE CONCERNED IN THE WRITING OFF OF YOUR PORTFOLIO, I WOULD NEED A CRYSTAL BALL, AND WE, FOR SURE, THINK WE'RE GOING TO FURTHER CONSOLIDATE THE POSITIVE APPRAISALS WE GOT FOR THE FIRST HALF. THAT'S EASY TO ANSWER. BUT FOR SURE, THE SHOPPING MALLS THAT WE CONSIDER AS KEY SHOPPING MALLS ARE THE ONES THAT EXPERIENCED THE STRONGEST GROWTH. THERE MIGHT STILL BE A FURTHER YIELD COMPRESSION, NOT AS STRONG AS WE SAW LAST YEAR, BUT WE THINK WE CAN STILL BENEFIT FROM THEM, WE ALSO THINK WE'LL BENEFIT FROM THE ESP EXTENSION AS MUCH HAD BEEN FULLY ALIGNED YIELD-WISE WITH THE AVERAGE YIELD. ESP HAD A YIELD ON COST EQUAL TO 8%. SO PARTLY, IT WAS PARTLY ALIGNED TO THE AVERAGE YIELD DURING THE HALF. BUT MAYBE WE WILL STILL SEE A TRAIL EFFECT OF THAT IN THE SECOND HALF AND THE TRAIL EFFECT FROM GROSSETO AS WELL. FOR THE REST, THE YIELD COMPRESSION IS A GENERALIZED PHENOMENON. AND THERE ARE TWO OR MORE SIGNED [PH] HAS TO RATE IN THE MARKET, AND SO THERE MIGHT BE SOME POSITIVE EFFECT IN THE SECOND HALF, BUT NOT AS MEANINGFUL AS THE ONE WE HAD IN THE FIRST ONE.

OPERATOR: NEXT QUESTION COMES FROM SIMONETTA CHIRIOTTI WITH MEDIOBANCA

SIMONETTA CHIRIOTTI: MOST OF MY QUESTIONS WERE ANSWERED ALREADY WITH THE ANSWERS YOU GAVE. JUST ONE MORE POINT ON YIELD. SO THE TREND YOU FORESEE FOR YIELD COMPRESSION WHEN IT COMES TO SHOPPING MALLS, YIELD COMPRESSION HAS COME TO A STOP. SO THAT WAS A POSITIVE TREND, BUT THE GROSS INITIAL YIELD WENT UP, IF I'M NOT MISTAKEN. SO DO WE HAVE TO READ THIS BOTH ON WHAT YOU JUST SAID, THAT IS TO SAY, THAT THE ESP EXTENSION WAS NOT YET FULLY ALIGNED TO OTHER ASSETS YIELD-WISE?

CLAUDIO ALBERTINI: ANDREA WILL ANSWER THE QUESTION.

ANDREA BONVICINI: LET'S SAY THAT GROSS INITIAL YIELD IS GROWING, DRIVEN BY UPSIDE FROM RENEWALS BUT ALSO ENTAILS AN IMPROVEMENT OF ERB VERSUS THIS ECF DISCOUNTED CASH FLOW AT 10 YEARS. AS MR. ALBERTINI WAS SAYING, WE FORESEE NO MAJOR CONTRACTIONS THERE. WE HAVE ESP, HOWEVER, AND WE SEE A LOT OF FOCUS ALSO, BUT I'M SAYING THAT, BUT ALSO WE'RE RATED EVERY DAY IN THE FOCUS ON WHAT WE SAY THE MAJOR MALL, WHAT WE CALL KEY MALLS. AND THERE WE MIGHT FURTHER AIM FOR A LITTLE MORE COMPRESSION ON THE YIELD SIDE. BUT WE HAVE TO BE CONSERVATIVE, MEANING THAT WE DO NOT YET HAVE A NUMBER OF TRANSACTIONS ON SUCH ASSETS THAT COULD LEAD TO REAL YIELD COMPRESSIONS. IF I THINK OF FRANCE OR SPAIN, THAT IS HAPPENING A LOT MORE FREQUENTLY AND ON A MORE CONSISTENT BASIS BECAUSE THE FRENCH OR SPANISH RATES ARE BETWEEN 100, 150 BASIS POINTS LOWER THAN THE ITALIAN ONES. AND THE REASON IS THAT THERE'S NOT A LOT OF ASSET LOCATION YET OR THE PRIME ASSET LOCATIONS. SO IT'S HARD TO HAVE VISIBILITY ON YIELDS AND ON WHETHER OR NOT YIELDS WILL BE FURTHER COMPRESSED. SO I'M FULLY IN LINE WITH WHAT CLAUDIO WAS SAYING BEFORE. WE WANT TO BE CONSERVATIVE. WE KNOW THAT WE HAVE STILL SOME STOCK. WE KNOW THAT WE HAVE RENTS THAT ARE GROWING WITH THE RENEWALS. SO IF THE GROSS INITIAL YIELD GROWS, IT SHOULD BE THEN VALUED UPWARD. IT SHOULD GIVE AN UPSIDE FOR THE ASSETS APPRAISAL AND VALUATION AS SUCH.

OPERATOR: MR. ALBERTINI, THERE ARE NO MORE QUESTIONS FOR THE TIME BEING.

CLAUDIO ALBERTINI: THANK YOU VERY MUCH. I WOULD LIKE TO THANK YOU ALL, AND TALK TO YOU IN NOVEMBER WITH Q3 RESULTS. ENJOY YOUR HOLIDAYS. THANK YOU.