

Event: 1Q 2016 Financial Results Presentation
Date: 12nd May 2016
Speakers: Mr. Claudio Albertini, CEO

OPERATOR: GOOD EVENING. THIS IS THE CHORUS CALL OPERATOR. WE WOULD LIKE TO WELCOME YOU TO Q1 2016 FINANCIAL RESULTS PRESENTATION OF IGD. THE PRESENTATION WILL ALSO COVER THE RENEWED VERSION OF THE BUSINESS PLAN 2016 THROUGH 2018. ALL LISTENERS' LINES HAVE BEEN MUTED. AFTER MANAGEMENT PRESENTATION, THERE WILL BE A Q&A SESSION.

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

CLAUDIO ALBERTINI: GOOD AFTERNOON OR GOOD EVENING, EVERYBODY. AS YOU HAVE PROBABLY ALREADY READ IN OUR PRESS RELEASE, IGD'S BOARD MET TODAY APPROVING BOTH THE QUARTERLY RESULTS FOR Q1 AS WELL AS THE UPDATE OF THE BUSINESS PLAN. WE SUCCEEDED TO RELEASE THE PRESS RELEASE WITH QUITE ENOUGH NOTICE BEFORE THIS CONFERENCE CALL, SO I DO HOPE THAT HAS GIVEN YOU ENOUGH TIME TO GO THROUGH BOTH DOCUMENTS.

NOW LET'S START FROM Q1 2016 RESULTS. LET'S HAVE A LOOK AT THE HIGHLIGHTS. OVERALL, THEY ARE POSITIVE, I WILL LIMIT MYSELF TO THIS STATEMENT, ALL THESE PARAMETERS ARE ON THE UPPER TREND AND YOU CAN SEE THIS FROM PAGE 3 THROUGH PAGE 5.

LET'S START FROM PAGE 4. CORE BUSINESS REVENUES AMOUNTED TO €33.8 MILLION OR UP 8.7 PERCENTAGE POINTS COMPARED TO THE SAME PERIOD LAST YEAR. MOVING ON TO OUR EBITDA, LET'S HAVE A LOOK AT OUR CORE BUSINESS EBITDA, OVERALL IT STANDS AT €23.6 MILLION OR UP 12.4% WHILE THE EBITDA MARGIN AGAIN FROM CORE BUSINESS WAS IN THE REGION OF 70% WHICH WAS THE BUSINESS PLAN TARGET.

LET ME STRESS ONE POINT. Q1 AS IS CUSTOMARY, IS TYPICALLY A BETTER PERFORMING QUARTER THAN THE REST OF THE YEAR, AND THEREFORE THESE NUMBERS SHOULD BE REALLY PUT INTO THE PROSPECTIVE OF A FULL YEAR PERFORMANCE. EBITDA MARGIN FOR FREEHOLD 79.2% OR 1.7%

ON LAST YEAR. GROUP NET PROFIT WAS UP 37.4% REACHING €12.7 MILLION. EVEN MORE INTERESTINGLY, OUR CORE BUSINESS FFO REACHED €14.1 MILLION OR UP 33.7%. IF YOU REMEMBER, THIS YEAR WHEN WE PRESENTED OUR FULL YEAR 2015 NUMBERS, WE GAVE OUR GUIDANCE FOR 2016 WHICH POINTS TOWARDS AN FFO GROWING FROM 13% TO 15%. SO I COULD SAY THAT WE ARE A LITTLE BIT AHEAD OF SCHEDULE. SO THIS NUMBERS WILL PROBABLY BE RESIZED SO TO SPEAK IN THE NEXT FEW QUARTERS, BUT NONETHELESS, THIS IS A GOOD START INDEED.

WE ARE NOW ON PAGE 5, AGAIN OTHER HIGHLIGHTS MORE COMMERCIAL IN NATURE. FINANCIAL OCCUPANCY 97.2% IN ITALY, GROWING BY 0.3% COMPARED TO THE FULL YEAR 2015 NUMBER. THE SAME GOES FOR ROMANIA, UP 94.2% COMPARED TO 93.9% WHICH WAS THE GROWTH POSTED IN 2015. LOAN-TO-VALUE AND GEARING RATIO ARE MORE OR LESS FLAT; PROBABLY GEARING RATIO IS SLIGHTLY DOWN FROM 0.93% TO 0.92%.

LET'S DRILL DOWN INTO THE NUMBERS, WE ARE NOW ON PAGE 7, A FEW WORDS ABOUT OUR REVENUES UP €33.8 MILLION, YOU CAN SEE THE MAKEUP, SO YOU CAN SEE RENTAL ACTIVITIES CONTRIBUTION, YOU CAN SEE THE NUMBER €32.5 MILLION WHILST REVENUES FROM SERVICES IS €1.2 MILLION.

THEN WE HAVE NON-CORE BUSINESS REVENUES AT €106,000, THAT'S THE RENTAL OF LIVORNO WHILST TRADING REVENUES NONE TO BE REPORTED FOR Q1. ALTHOUGH WE HAVE RECEIVED DISPLAY OF INTEREST FOR FOUR UNITS IN PIAZZA MAZZINI, TWO SUCH UNITS HAVE ALREADY BEEN TURNED INTO PRELIMINARY PURCHASE AGREEMENTS AND THE OTHER TWO WILL BECOME SO OVER THE NEXT FEW WEEKS. SO THE DISPOSAL SCHEME OF 10 UNITS FOR THE FULL YEAR 2016 IT'S SOMETHING WE FEEL COMFORTABLE WITH CONSIDERING THE PERFORMANCE AS OF MAY.

IF YOU LOOK AT THE RIGHT HAND SIDE, THE PIE CHART WILL GIVE YOU THE BREAKDOWN OF RENTAL REVENUES BY ASSET CLASSES. YOU CAN SEE THAT THERE HAS BEEN A CHANGE AS RESULTS OF THE IMPACT OF PUNTA DI FERRO AT THE END OF 2015, AND THIS RE-ADJUSTED THE SHARE OF HYPER MARKET. PUNTA DI FERRO INCLUDED THE ACQUISITION OF A SHOPPING MALL FOR €125 MILLION BUT WE DIDN'T PURCHASE THE HYPERMARKET, THEREFORE THE NEW PERCENTAGE THAT IMPACT OUR NUMBERS SHOWS THE GROWTH OF SHOPPING MALLS AND REDUCTION OF THE PERCENTAGE REPRESENTED BY ROMANIA. OVER THE BUSINESS PLAN TIME HORIZON, THERE WILL BE A REDUCTION OF THE HYPERMARKET COMPONENT REACHING APPROXIMATELY 25% CONSIDERING THAT THE OPENINGS SLATED BETWEEN THIS YEAR AND THE END OF THE BUSINESS PLAN ARE JUST LIMITED TO THE SHOPPING MALL ASSET CLASS.

LET'S MOVE ON TO PAGE 8. HERE YOU CAN SEE OUR RENTAL INCOME DRIVERS. THE MAJOR DRIVERS INCLUDE LIKE-FOR-LIKE GROWTH FOR €124,000 OR UP 1.6% AND AS YOU CAN SEE IN THE BOX AT THE BOTTOM OF THE SLIDE, THIS GROWTH IS MAINLY ATTRIBUTABLE TO MALLS, UP 2.1% WHILST THE HYPERMARKETS REMAINED STABLE AS AN ASSET CLASS CONTRIBUTING TO THE PERFORMANCE.

LET ME ALSO STRESS THAT WE SAW A REDUCTION OF TEMPORARY DISCOUNTS DOWN €180,000, WHILST REVENUES GROWTH WERE DRIVEN BY THE PURCHASES THAT TOOK PLACE OVER THE COURSE OF 2015, MORE SPECIFICALLY THE OPENING OF CLODI RETAIL PARK IN CHIOGGIA AND THE ACQUISITION OF PUNTA DI FERRO IN FORLI THAT TOOK PLACE IN THE LAST MONTH OF 2015. SO THE INCREASE WAS €2.4 MILLION, THE REST IS NEGLIGIBLE MOVEMENTS. LET ME JUST STRESS THE CONTRIBUTION OF ROMANIA WHICH IS UP 2 PERCENTAGE POINTS ON A LIKE-FOR-LIKE BASIS EVEN IF THE AMOUNT IS NOT MATERIAL (SLIGHTLY OVER €50,000). SO OVERALL, WE POSTED A 9.1% GROWTH RATE.

WE ARE NOW ON PAGE 9 AND LET'S HAVE A LOOK AT OUR OPERATING COST AND OUR PERFORMANCE IN THE AREA OF FINANCIAL ACTIVITIES. OPERATING COST IS THE COMBINATION OF GENERAL EXPENSES AND DIRECT COSTS; ON ONE HAND G&A EXPENSES SHOW A DECLINE OF ADMIN EXPENSES, MINUS 2.2% AND ON THE OTHER HAND, DIRECT COST INCREASED BY 1.7% LEADING TO A 240 PERCENTAGE POINTS IMPROVEMENTS OF OUR EBITDA MARGIN. AND THE FREEHOLD EBITDA AMOUNTED TO 79.2%.

IF WE LOOK AT THE PERFORMANCE OF OUR FINANCIAL ACTIVITIES, FINANCIAL CHARGES WERE DOWN OF 9%, €10.3 MILLION DOWN TO €9.3 MILLION. THIS IS THE IMPACT OR THE RESULTS OF THE BOND SWAP THAT TOOK PLACE IN 2015 AS WELL AS THE IMPACT OR THE RESULTS OF LARGER USE OF SHORT TERM CREDIT FACILITIES WHILE WAITING FOR LONG TERM REFINANCING THROUGH LONG TERM BOND WHICH SHOULD TOOK PLACE AT THE END OF 1/8/2016.

WE ARE NOW ON PAGE 10. LET'S HAVE A LOOK AT OUR NET PROFIT DRIVERS AND LET'S START FROM €9.2 MILLION AT THE END OF MARCH 2015. AS YOU CAN SEE, THERE WERE TWO MAJOR GROWTH DRIVERS HERE. FIRST OF ALL, THE CHANGE IN CORE BUSINESS EBITDA CONTRIBUTING €2.6 MILLION AND AN APPROXIMATELY €1 MILLION, WHICH WAS THE IMPROVED NFD. THE REST IS AGAIN ON NEGLIGIBLE CONTRIBUTIONS TOTALING €12.6 MILLION OF GROUP NET PROFIT AT THE END OF Q1, 2016.

POSITIVE NOTES, ALSO WHEN IT COMES TO OUR FFO THAT YOU CAN SEE ON PAGE 11, YOU CAN SEE THE ACCURATE NUMBER THERE, WE ARE UP 33.7% REACHING €14.091 MILLION, AGAIN DON'T

TAKE THIS NUMBER AND MULTIPLY IT BY FOUR BECAUSE THIS GROWTH SHOULD BE RESIZED SO TO SPEAK, ALTHOUGH WE FEEL QUITE COMFORTABLE ABOUT STICKING TO THE GROWTH RANGE WE STATED, WHEN WE GAVE GUIDANCE TO THE MARKET FOR FISCAL YEAR 2016. AS A MATTER OF FACT, WE ARE QUITE COMFORTABLE ABOUT STAYING WITHIN THE RANGE AND WE ARE QUITE COMFORTABLE ABOUT MAYBE EVEN OUTPERFORMING THE TARGET. IF YOU LOOK AT THE BOX ON THE RIGHT HAND SIDE, THE MAJOR CONTRIBUTION WAS THE EBITDA INCREASE AS WELL AS AN IMPROVED FINANCIAL MANAGEMENT GIVING US €3.5 MILLION AS A TOTAL.

LET'S NOW MOVE TO OUR COMMERCIAL HIGHLIGHTS ON PAGE 13. BASICALLY THE UNDERPINNINGS OF THIS PERFORMANCE IS REPRESENTED BY THESE KEY NUMBERS, FOOTFALLS IN ITALIAN SHOPPING MALLS IS STILL POSITIVE, UP 2.4% IN Q1, BUT ALSO MORE IMPORTANTLY, TENANT SALES IN OUR SHOPPING MALLS WERE UP BY 6% YEAR-OVER-YEAR. DESPITE BOTH FOOTFALLS AND TENANTS SALES IN MARCH PERFORMED LESS WELL THAN IN THE FIRST TWO MONTHS (THAT'S PROBABLY ATTRIBUTABLE TO THE IMPACT OF EASTER THAT TOOK PLACE IN MARCH UNLIKE LAST YEAR) THE PERFORMANCE WAS EXCELLENT BOTH MEASURED IN TERMS OF FOOTFALLS AND TENANTS. THEREFORE MARKING THE NINTH POSITIVE QUARTER IN A ROW, AGAIN IN TERMS OF SALES WHICH MEANS THE ENTIRE 2014, 2015 AND THE FIRST QUARTER OF THIS YEAR. WITH A TREND REVERSAL, WE REACHED A POSITIVE TREND ALSO IN THE AREA OF OUR COOP HYPERMARKET SALES WHICH GREW BY 0.3% COMPARED TO NUMBERS THAT WERE IN THE NEGATIVE IN 2015. SO AGAIN, WE ARE SEEING A SIGNAL OF PICKUP. AS FAR AS ROMANIA IS CONCERNED, FOOTFALLS ARE POSITIVE, UP 1%.

WE ARE NOW ON PAGE 15, AND LET'S HAVE A LOOK AT OUR CAPITAL STRUCTURE. OUR NET DEBT IS FLAT, €984 MILLION. ANOTHER POSITIVE NOTE IS THE COST OF DEBT, WHICH IS DOWN MORE THAN 40 BPS GOING FROM 3.64% TO 3.26%; I DON'T THINK WE WILL KEEP THESE REDUCTION THROUGHOUT THE YEAR THE TARGET BEING THAT OF REACHING A 3.4% COST OF DEBT AT YEAR-END. BUT OUR SHORT TERM EXPOSURE WAS A POSITIVE CONTRIBUTOR, WE ARE TALKING ABOUT 0.93% THAT'S THE SHORT TERM CREDIT LINES, SLIGHTLY LESS THAN €200 MILLIONS, WE WILL THEN HAVE A BOND ISSUE IN JUNE AND WE WILL BRING OUR SHORT TERM EXPOSURE DOWN TO ZERO.

THE ICR IMPROVED FROM 2.15% TO 2.52%, WHILST LTV AND GEARING RATIO REMAINED STABLE REPRESENTED 47.3% AND 0.92% RESPECTIVELY.

PAGE 15, THE AVERAGE LENGTH OF DEBT IS CONFIRMED: WE ARE TALKING ABOUT SIX YEARS FOR THE LONG TERM COMPONENT, HEDGING IS IN EXCESS OF 90%. AND AS YOU CAN SEE, SHORT TERM DRAWN LINE OUT OF CREDIT FACILITIES THAT WERE GRANTED, ROUGHLY SPEAKING €185,000, €186,000 WERE DRAWN AT THE END OF MARCH, ADDING JUST LITTLE BIT MORE IN APRIL.

THEREFORE BRINGING THIS COMPONENT OF OUR CREDIT FACILITIES ALMOST DOWN TO ZERO BY THE END OF JUNE. WE HAVE €883 MILLION THAT'S UNENCUMBERED ASSETS, WE ALSO HAVE PLANS FOR EARLY REPAYMENT OF THE €135 MILLION BNP LOAN. WE WILL RELEASE €134 MILLION IN ASSETS AND THEREFORE WE WILL ADD AN UNENCUMBERED ASSETS COMPONENT THAT WILL EXCEED 50% OF OUR TOTAL ASSET BASE.

NOW THAT'S THE END OF MY PRESENTATION OR THE HIGHLIGHTS ABOUT OUR QUARTERLY RESULTS. IF YOU AGREE, I WOULD CARRY ON WITH THE CONFERENCE CALL BY LEADING YOU THROUGH THE UPDATE OF OUR BUSINESS PLAN. THEREFORE WE COULD PROBABLY TAKE ALL THE QUESTIONS INCLUDING THOSE ABOUT OUR QUARTERLY RESULTS RIGHT AFTER MY PRESENTATION. OKAY THEN, I WILL GO ON.

SO AS WE SAID, WHEN WE PRESENTED OUR FULL YEAR FINANCIAL STATEMENTS OR FINANCIAL RESULTS, WE DEEMED IT ADVISABLE ALSO TO PRESENT THE UPDATE OF OUR 2015-2018 BUSINESS PLAN. THE PLAN WAS APPROVED WHEN THE NEW BOARD OF DIRECTORS WAS APPOINTED BACK IN MAY LAST YEAR. WHY SUCH AN UPDATE? WELL, AS YOU KNOW, TRADITIONALLY WE HAVE BEEN UPDATING OUR BUSINESS PLAN ON A YEARLY BASIS SO THESE ARE ROLLING BUSINESS PLANS. WE TYPICALLY DO THIS BECAUSE AS I SAID AND AS YOU CAN READ ON PAGE 18, THE MACROECONOMIC CONTEXT HAS CHANGED. I MIGHT EVEN VENTURE INTO SAYING THAT COMPARED TO LAST YEAR, WE ALSO MADE QUITE A RELEVANT ACQUISITION AT THE END OF 2015, SOMETHING WHICH WAS NOT FORESEEN INTO THE PREVIOUS BUSINESS PLAN, AND I AM REFERRING TO THE ACQUISITION OF PUNTA DI FERRO IN DECEMBER 2015 COUPLED WITH A CAPITAL INCREASE THROUGH THE ACCELERATED BOOK BUILDING PROCESS.

AND LAST BUT NOT LEAST, WE ALSO HAD NEW FINANCIAL OPERATIONS WHICH TOOK PLACE IN THE MEANTIME. ALL THESE AND I'D LIKE TO STRESS IT, CONTINUING THE STRATEGY OF DEVELOPMENT AND PIPELINE COMPLETION THAT WAS ENVISAGED IN THE PREVIOUS PLAN.

NOW, LET'S HAVE A LOOK AT THE ITALIAN CONTEXT ON PAGE 19 AND FOLLOWED BY THE ROMANIAN CONTEXT ON PAGE 20. WELL, HERE WE HAVE BEEN WITNESSING A PICKUP, WHICH WAS RECORDED BY ALL THE MAJOR INDICATORS. OBVIOUSLY, NOT TO THE EXTENT THAT WAS HOPED FOR, WE ARE TALKING ABOUT AN EXPECTED GDP GROWTH, SLIGHTLY ABOVE 1% FOR THE NEXT THREE YEARS OR SO AND SLIGHTLY MORE THAN THAT WHEN IT COMES TO REVENUES.

WHEN IT COMES TO CONSUMER AND BUSINESS CONFIDENCE, WE ARE TALKING OR WITNESSING A TREND WHICH HAS BEEN IN THE POSITIVE STARTING FROM 2014, AS YOU CAN SEE ON THE RIGHT HAND SIDE OF PAGE 19. SO CLEARLY, AND UNDENIABLY THIS CONTEXT SHOULD ENABLE US TO FEEL

MORE COMFORTABLE WHEN TAKING OR UNDERTAKING ALL OUR PLANNED ACTIONS UNLIKE WHAT HAPPENED IN THE PAST FEW YEARS. THINGS ARE DIFFERENT WHEN WE ARE TALKING ABOUT ROMANIA, GOOD FOR THEM RECOVERY IS STRONGER AND CLEARLY GDP SHOULD GROW BY 4% STARTING FROM 2016, BUT ALSO IN THE FOLLOWING YEARS THE GROWTH RATE SHOULD BE IN EXCESS OF 3%. WITH THE CONSUMPTION GROWTH RATE OF OVER 6% FOR THE CURRENT YEAR, THANKS TO THE STRONG TAX INCENTIVES THAT WERE ENDORSED BY THE GOVERNMENT TO INCREASE FOR INSTANCE MINIMUM WAGES. SO THE CONTEXT IN ROMANIA IS EVEN MORE FAVORABLE THAN IN ITALY.

WHEN IT COMES TO OUR SPECIFIC BUSINESS SEGMENT I.E. THE RETAIL SEGMENT, PLEASE GO TO PAGE 21, WELL, INVESTMENT IN THIS SECTOR WENT ON FOLLOWING IN THE WAKE OF 2014, APPROXIMATELY €600 MILLION COMPARED TO THE DECLINE RECORDED IN Q4, IN 2015, 13%. BUT WHAT'S IMPORTANT IS THAT INVESTMENT ARE THREE TIMES HIGHER THAN THE SAME PERIOD IN 2015. SO THIS REALLY SHOWS THAT THE REAL ESTATE INDUSTRY IN GENERAL, BUT IN PARTICULAR THE RETAIL BUSINESS SEGMENT IS FACING ROBUST DEMAND FROM RETAILERS, SOMETHING WHICH IS ALSO BACKED UP BY NEW ENTRANTS IN ITALY. AND HOPEFULLY THIS WILL DRIVE LEASES UP.

STRATEGY, LET'S GO TO PAGE 22, THE MAIN TARGET IS CONFIRMED AND RESTATED, THAT'S TO SAY WE WANT TO CONFIRM OUR POSITION, FULLY ITALIAN-OWNED COMPANY AS THE LEADING COMPANY IN THE AREA OF OWNERSHIP AND MANAGEMENT OF SHOPPING CENTERS. AND WE WANT TO CONTINUE OUR PATH OF SUSTAINABLE GROWTH. WE WANT TO WORK ON A 360 DEGREE BASIS STARTING FROM ASSET MANAGEMENT GOING THROUGH FINANCIAL AND COMMERCIAL AND MARKETING ACTIVITIES WITH A FULLY INTEGRATED APPROACH. ALL THESE BASED ON THE UNDERLYING COMMON THEME OF SUSTAINABILITY.

WE ARE NOW ON PAGE 23, AND LET'S HAVE A LOOK AT THE NEW BUSINESS PLAN TARGETS. HERE YOU CAN SEE A COMPARISON BETWEEN THE EXISTING OR THE PREVIOUS BUSINESS PLAN TARGET AND THE NEW BUSINESS PLAN, WHERE WE STATED A 20% OVERALL GROWTH. PLEASE BE AWARE THAT THE BASIS USED TO UPDATE THE PLAN HAS BEEN 2015 WHILST THE BASE FOR THE PREVIOUS PLAN WAS 2014. SO WE ARE HERE TO RESTATE OUR OVERALL GROWTH OF 20% CAGR FROM 5% TO 7% THANKS TO THE ACQUISITION OF THE PUNTA DI FERRO SHOPPING MALL ACQUISITION THAT TOOK PLACE AT THE END OF DECEMBER AND WHICH HAS BOOSTED GROWTH.

LIKE-FOR-LIKE REVENUES SHOULD BE UP 2%, THAT'S RESTATED. CORE BUSINESS EBITDA MARGIN, WHICH AT THE END OF MARCH 2016 REACHED THE OVERALL TARGET, SLIGHTLY OVER 70%. SO THIS NUMBER WILL BE RESIZED THROUGHOUT THE YEAR BUT WE ARE RESTATING THE

OVERALL TARGET AND LIKEWISE, THE 80% END OF BUSINESS PLAN EBITDA MARGIN FROM FREEHOLD IS RESTATED.

CORE BUSINESS FFO, AS YOU CAN SEE HAVE BEEN ADJUSTED UPWARD IN THE PAST, IT AMOUNTED TO €70 MILLION, WE ARE TALKING ABOUT €75 MILLION WITH THE IMPACT OF PUNTA DI FERRO WITH AN 18% EXPECTED CAGR, AGAIN CONFIRMED. PLEASE BEAR IN MIND THAT WE STARTED FROM €45 MILLION WHICH WAS THE FFO AT THE END OF 2015 AND THE AIM IS THAT OF REACHING €75 MILLION AT THE END OF 2018

A FEW WORDS ABOUT OUR LOAN TO VALUE, DURING THE BUSINESS PLAN TIME HORIZON, WE WANT TO KEEP IT BETWEEN THE 45% TO 50% RANGE. THE LTV INDICATOR AMOUNTS AS OF NOW TO 47%. OUR INVESTMENT PIPELINE IS SLIGHTLY LESS THAN €200 MILLION, OF WHICH €145 MILLION IS BASICALLY DEVELOPMENT CAPEX. THE DELTA IS ATTRIBUTABLE TO THE COMPLETION OF DEVELOPMENT PROJECTS THAT WERE CONCLUDED IN 2015.

PLEASE GO TO PAGE 24. THERE YOU WILL SEE THE MAJOR ASSUMPTIONS ON ITALIAN AND ROMANIAN REVENUES. LET'S HAVE A LOOK AT ITALY; WE EXPECT IT TO GROW 1 PERCENTAGE POINT, THAT'S OUR OCCUPANCY. WE HAVE SEEN A 0.3% IN Q1 AND WE EXPECT TO SEE A CONSTANT DECREASE OF TEMPORARY REDUCTIONS: AT THE END OF THE Q1, THEY WENT DOWN €180,000; THE CONTRIBUTION FOR THE WHOLE YEAR OF PUNTA DI FERRO AND CLODI. AND THEN, WE HAVE THE CONTRIBUTION OF THE NEW OPENINGS, GROSSETO, ESP EXTENSION AND OFFICINE STORICHE. WE ALSO HAVE AN EXPECTED UPSIDE OVER THE BUSINESS PLAN TIME SPAN, BASED ON THE EXPIRATION AGENDA AT THE END OF 2015. WE HAD 1.9%, THAT WAS THE GROWTH POSTED AS UPSIDE AT THE END OF Q1 2016, AND SLIGHTLY, 1% IN ROMANIA.

ROMANIA, THE OUTLOOK IS QUITE POSITIVE WITH STRONG SIGNALS OF RECOVERY, AND WE BELIEVE AND WE ALSO HOPE THAT WILL HAVE A POSITIVE IMPACT ON THE PERFORMANCE OF OUR ASSETS. AS A CONSEQUENCE OF INCREASED CONSUMPTION, WE WILL COMPLETE THE MODERNIZATION PIPELINE. THE BULK OF INVESTMENTS HAVE ALREADY BEEN EXECUTED, NOW WE WANT TO MAXIMIZE OCCUPANCY. LAST YEAR IT INCREASED BY 6%-7%, THE TARGET IS THAT TO INCREASE BY ADDITIONAL 3 POINTS. WE EXPECT THEREFORE TO REACH THE ITALIAN LEVEL IN ROMANIA AS WELL. AND WE HAVE AN EXPECTED UPSIDE OVER THE BUSINESS PLAN TIME SPAN, BASED ON THE EXPIRATION AGENDA AT THE END OF 2015.

ON PAGE 25, WE HAVE A FOCUS ON NEW OPENINGS. THIS PAGE IN MY OPINION IS REALLY VERY IMPORTANT. THE EXECUTION RISK OF THE BUSINESS PLAN IS VERY, VERY LOW, THE ESTIMATED REVENUES GROWTH WHICH THEN HAS AN IMPACT ON EBITDA GROWTH, AS WELL AS THE GROWTH

OF OTHER INDICATORS IS KIND OF NATURAL AS A PROCESS. IF WE START FROM A LIKE-FOR-LIKE 6% RENTAL REVENUES INCREASE, WE WILL HAVE THE CONTRIBUTION OF NEW OPENINGS. AND AGAIN, WE ARE TALKING ABOUT GROSSETO, ESP AND OFFICINE STORICHE.

AND MORE SPECIFICALLY, FOR GROSSETO, THE PRE-LETTING PHASE HAS BEEN CONCLUDED WITH ALMOST 100% RATE. AND WE THINK THAT WE WILL HAVE FULL OCCUPANCY UPON OPENING, WHICH IS EXPECTED FOR OCTOBER. THEN ESP EXTENSION, AGAIN, WE HAVE THE FULL OCCUPANCY TARGET.

THE PRE-LETTING PROCESS IS UNDERWAY WITH A QUITE STRONG SIGNAL OF INTEREST OR INDICATION OF INTEREST. WHILST OFFICINE STORICHE, WELL THE OPENING IS SCHEDULED IN 2H 2018, SO IT'S TOO EARLY TO TALK ABOUT PRE-LETTING NUMBER. HOWEVER, PLEASE BEAR IN MIND THAT THE BULK OF THIS GROWTH IS DRIVEN BY PUNTA DI FERRO APPROXIMATELY €10 MILLION, THAT'S THE EXPECTED REVENUE GROWTH CONTRIBUTED ON A YEARLY BASIS GOING FORWARD.

PAGE 26, OPERATING COSTS; WE EXPECT THEM TO GO UP, BUT THAT'S LINKED TO THE EXPANDED ASSET BASE OR SCOPE OF ACTION. SO DIRECT COST WEIGHTING ON NEW ASSET INCLUDED IN OUR CONSOLIDATION SCOPE OR ASSET BASE. HOWEVER, THEIR INCIDENTS PERCENTAGE WISE ON TOTAL REVENUES WILL GO DOWN. WHY IS IT SO? WELL, BELIEVE THAT OUR EBITDA MARGIN CAN MOVE FROM 67.3% TO OVER 70%. PLEASE BEAR IN MIND THAT IN ABSOLUTE TERMS, THE VALUE WAS OVER €70 MILLION. SO WE SHOULD EXCEED €100 MILLION AT THE END OF THE PLAN.

ON PAGE 27, YOU WILL FIND OUR ASSUMPTIONS ABOUT THE ASSET MANAGEMENT WITH SLIGHTLY LESS THAN €200 MILLION EXPECTED FOT TOTAL INVESTMENTS, AND €145 MILLION FOR DEVELOPMENT CAPEX. WE ARE HERE TO RESTATE THE YIELD ON COST IN EXCESS OF 7% WITH THE NEW GLA TO BE ADDED TO THE EXISTING ONE OF 71,500 SQUARE METERS.

IF YOU LOOK AT THE ASSUMPTIONS UNDERLYING OUR ASSETS FAIR VALUE, WELL WE MADE A ROUGH ESTIMATE, A ROUGH ASSUMPTION SAYING THAT IN THE LIGHT OF POSITIVE INVESTMENTS AND POSITIVE TRENDS IN THE RETAIL BUSINESS SEGMENT, WE WILL MANAGE TO RECOVER CAPEX BOTH IN ITALY AND ROMANIA. SO WE DECIDED TO STAY ON THE CONSERVATIVE SIDE, BUT WE MAINTAINED AN UNCHANGED FAIR VALUE YEAR-ON-YEAR THROUGHOUT THE BUSINESS PLAN. AGAIN, THIS ASSUMPTION WILL BE DOUBLE CHECKED ON THE BASIS OF ACTUALS ON A YEARLY BASIS.

WE ARE NOW ON PAGE 28. LET'S HAVE A LOOK AT OUR INVESTMENT PIPELINE BETWEEN 2016 AND 2018. WE EXPECT TO INVEST €105 MILLION IN 2016, OF WHICH GROSSETO WILL ABSORB €46 MILLION, SO BY YEAR-END THIS YEAR. THE REST, IT WILL BE REPRESENTED BY 2016 INVESTMENTS

THAT WILL BE OPENED BETWEEN 2017 AND 2018. IN 2017, WE EXPECT €44 MILLION FOR RAVENNA THAT WILL BE OPENED, I MEAN, THE EXTENDED UNIT WILL BE OPENED IN 1H 2016, A TOTAL €53 MILLION OVERALL INVESTMENT. AND THEN WE WILL HAVE PORTO GRANDE FOR ADDITIONAL €9 MILLION IN 2017. IF WE LOOK AT 2018, AND IF WE LOOK 2H, THAT WILL SEE THE OPENING OF OFFICINE STORICHE AND THE EXTENSION IN CREMA OF THE GRAN RONDÒ CENTER FOR THE TOTAL OF €195 MILLION, OF WHICH €145 MILLION WILL BE DEVELOPMENT CAPEX AND €50 MILLION WILL BE PURE CAPEX.

THE RIGHT HAND SIDE OF THE BOTTOM OF THE SLIDE, YOU CAN SEE, PROBABLY NOT VERY CLEAR CAPTION, THAT SAYS THE SCREENING OF POSSIBLE EXISTING CENTER EXTENSION. THIS WILL IMPLY AN INVESTMENT OF €20 MILLION TO €25 MILLION, A NUMBER WHICH WILL HAVE NO IMPACT WHATSOEVER TO INDICATORS, SUCH AS LOAN TO VALUE.

WE ARE NOW ON PAGE 29. HERE YOU CAN SEE OUR FINANCIAL AREA NUMBERS, MAIN ASSUMPTIONS. WE FORESEE THE ISSUE OF AN UNSECURED SENIOR BOND, FIVE TO SEVEN YEARS, OVER THE COURSE OF 2016 THAT SHOULD TAKE PLACE BY THE END OF 1H 2016. MARKET CONDITIONS PERMITTING, I WOULD SAY THAT AS OF NOW MARKET CONDITIONS ARE GOOD, WITH AN EXPECTED COST THAT SHOULD BE LOWER THAN THE CURRENT GROUP'S COST OF DEBT, WHICH STANDS AT 3.27% IN THE INTRODUCTORY SLIDE AND WE EXPECT TO PLACE THE BOND IN THE RANGE, I MEAN, BELOW 3%. THESE BONDS, AS I MENTIONED EARLIER, WILL ALLOW US TO EARLY REPAY THE CMBS, WHICH AS A MORTGAGE LOAN OF €135 MILLION, WITH AN APPROXIMATE COST OF 5.2%.

FINANCIAL TARGETS ARE CONFIRMED; THAT'S TRUE FOR ALL OF THEM. SO BASICALLY WE ARE TALKING ABOUT AN LTV THAT SHOULD REMAIN BETWEEN 45% AND 50% THROUGHOUT THE BUSINESS PLAN TIME SPAN. WE SHOULD STAY IN THE LOWER END OF THE RANGE IN 2018, I.E. CLOSE TO 45%, GEARING, MEASURED AS DEBT TO EQUITY, SHOULD BE BELOW 1, AGAIN, DURING THE BUSINESS PLAN.

AND THE ICR, THE COST OF DEBT SHOULD BE RESTATED, IS STANDING AT 3% LOWER THAN THAT AT THE END OF 2018. I THINK WE ARE ON THE RIGHT TRACK, IF YOU LOOK AT THE COST OF DEBT AT THE END OF Q1. AND ICR SHOULD REACH 3, IT CURRENTLY STANDS AT 2.5. MOST IMPORTANTLY, THE TARGET IS THAT OF GETTING AN INVESTMENT-GRADE RATING. IT'S A PROJECT WHICH WE HAVE BEEN WORKING ON AND WE FEEL QUITE COMFORTABLE ABOUT GETTING IT. WE WILL OBTAIN IT FROM A PRIMARY RATING AGENCY AND WE ARE REALLY CONFIDENT TO OBTAIN AN INVESTMENT GRADE RATING.

LET'S NOW MOVE ON TO PAGE 30, AND LET'S HAVE A LOOK AT THAT THE DETAILS OF OUR DEBT STRUCTURE AND OUR DEBT MATURITY. WE HAVE BEEN WORKING IN ORDER TO LENGTHEN OUR MATURITY PROFILE. WE WANT TO GO FOR THE EARLY REPAYMENT OF BNP CMBS BECAUSE THAT'S COSTLY. SO THE NATURAL EXPIRY WOULD BE 2018, SO BETWEEN MAY AND NOVEMBER WE HAVE A TRANCHE OF APPROXIMATELY €30 MILLION IN MAY AND ANOTHER ONE OF €105 MILLION IN NOVEMBER. WE WILL WILL REPAY IT EARLY, AND THE REPAYMENT WILL BE FINANCED WITH THE PROCEEDS OF THE BOND PLACEMENT.

DIVIDEND POLICY AND FFO, WE ARE NOW ON PAGE 31. HERE YOU CAN FIND A NEW NUMBER, WE HAVE A €75 MILLION NEW TARGET WITH AN 18.3% A CAGR THROUGHOUT THE BUSINESS PLAN, FROM €45 MILLION IN 2015. WE ARE HERE TO RESTATE OUR COMMITMENT TO DISTRIBUTOR OR PAY AS MUCH AS TWO-THIRDS OF THE CORE BUSINESS FFO. WE PAID 72% OF THE FFO IN THE PAST, SO AT LEAST TWO-THIRDS OF THE CORE BUSINESS FFO WILL BE PAID GOING FORWARD AS DIVIDEND. AND WE WILL ALSO CONSIDER OR RESERVE THE FACULTY OF CONSIDERING THE ADVISABILITY OF DRO. WE HAVE ASKED OUR SHAREHOLDERS, EXISTING OR NEW SHAREHOLDERS TO BACK-UP WHEN GOING FOR A CAPITAL INCREASE, SO WE WILL RECONSIDER THE ADVISABILITY OF DRO, OBVIOUSLY MARKET CONDITIONS PERMITTING.

WE HAVE NOW REACHED THE FINAL REMARKS ON PAGE 32. SO THE BUSINESS PLAN UPDATE, WHICH I'VE WALKED YOU THROUGH, HAS A LOW EXECUTION RISK. I WANT TO RESTATE THIS. IT PROVES THE CAPABILITY OF OUR COMPANY TO GENERATE FFO, AND IT WILL ALSO ALLOW US TO INCREASE THE VISIBILITY OF DIVIDENDS PAYABLE GOING FORWARD.

I'VE REPEATEDLY MENTIONED, THE PUNTA DI FERRO PROJECT, SOMETHING WHICH WAS NOT FACTORED IN, IN THE PREVIOUS PLAN, AND ITS IMPACT ON THE FFO. OUR FFO HAS BEEN IMPROVED IN THE REGION OF €75 MILLION. THEREFORE, WE CONFIRM OUR STRATEGY OF ORGANIC GROWTH AND COMPLETION OF THE EXISTING PIPELINE. BUT WE WILL ALSO TAKE INTO CONSIDERATION THE OPTION TO GROW THROUGH M&A, SHOULD VALUE ACCRETIVE DEALS BECOME AVAILABLE. AND BY VALUE ACCRETIVE, I MEAN ACCRETIVE TO ALL SHAREHOLDERS. WE ARE NOT DISCUSSING ANY SUCH OPTION AS WE SPEAK NOW, BUT WE WILL WATCH THE MARKET, SUCH A BUOYANT MARKET, VERY, VERY CLOSELY.

THANK YOU FOR YOUR ATTENTION AND WE WILL NOW TAKE YOUR QUESTIONS.

Q&A

OPERATOR:

THIS IS THE CHORUS CALL OPERATOR. WE WILL NOW HAVE A Q&A SESSION.

FIRST QUESTION COMES FROM THE LINE OF FEDERICO PEZZETTI WITH INTERMONTE. PLEASE, SIR

FEDERICO PEZZETTI: GOOD AFTERNOON AND GOOD EVENING EVERYBODY. AND AGAIN, I WOULD LIKE TO COMPLIMENT YOU FOR THE EXCELLENT PERFORMANCE. I HAVE JUST ONE QUESTION ON THE NUMBERS. COULD YOU GIVE US MORE COLOR ON THE LIKE-FOR-LIKE, 2% LEASE GROWTH? IS THERE ANY NUMBER THAT WE CAN CONSIDER AS SUSTAINABLE THROUGHOUT THE YEAR? A QUESTION ABOUT THE PLAN, LIKE-FOR-LIKE GROWTH OF LEASES, I THINK THAT'S NOT POSSIBLE JUST TO MAKE ANY ASSUMPTIONS FOR ITALY BUT...

CLAUDIO ALBERTINI: PEZZETTI, SORRY, BUT WE CAN BARELY HEAR YOU. YOU ARE BREAKING UP. SO COULD YOU PLEASE REPHRASE YOUR SECOND QUESTION?

FEDERICO PEZZETTI: SORRY, BUT I AM USING A CELL PHONE. I HAVE A QUESTION ABOUT YOUR BUSINESS PLAN LIKE-FOR-LIKE ASSUMPTION. COULD YOU GIVE US MORE COLOR MAYBE YOU ARE EXPECTING HYPERMARKET BEING FLAT, 3% FOR SHOPPING MALLS AND WHAT ABOUT THE OUTLOOK FOR ROMANIA? ANOTHER QUESTION, THE APPROXIMATE 1% IMPROVEMENT IN OCCUPANCY; WHERE SHOULD IT COME FROM, AND WHAT SHOULD WE EXPECT IN THE SHORTER TERM? ANOTHER QUESTION, THIS IS ON MARKETS. I WOULD LIKE TO GET A BETTER UNDERSTANDING OF WHETHER THE TREND TOWARDS HIGHER LEASES IS YOUR OWN FORECAST OR HAVE YOU ALREADY SEEN CONCRETE TANGIBLE SIGNS?

CLAUDIO ALBERTINI: DANIELE CABULI WILL TAKE THIS QUESTION. HE IS THE HEAD OF OUR MARKETING AND SALES ACTIVITIES. WELL, WE HAVE ALREADY SEEN SOME SLIGHT INCREASE IN LEASES, BUT DANIELE CAN TAKE YOUR QUESTION.

DANIELE CABULI: GOOD EVENING, EVERYBODY. ON A LIKE-FOR-LIKE BASIS, THE GROWTH WAS DRIVEN BY TWO FACTORS, OCCUPANCY IS ONE, AND FEW RENEWALS. WE ARE NOT TALKING ABOUT LARGE NUMBERS WHEN IT COMES TO CONTRACT RENEWALS, BECAUSE ANYWAY WE WANT TO MAINTAIN A SUSTAINABLE RATE. WE WANT TO HELP OUR TENANTS TO DEFINITELY GO OUT OF A BLACK PERIOD. SO WE JUST DID A MINOR TOUCH UP. WE HAD SOME ADDITIONAL OR SOME NEW PREVIOUSLY VACANT SPACES THAT WERE TAKEN UP, EITHER AT THE END OF 2015 OR AT THE BEGINNING OF 2016. SO COMPARED TO Q1 2015, WE SAW AN IMPROVEMENT THIS YEAR. SO THAT'S WHY WE SAW A SLIGHT IMPROVEMENT IN SHOPPING MALLS.

HYPERMARKETS, WELL, THE CHANGE IS REALLY NEGLIGIBLE. SO THERE IS REALLY NO MAJOR MOVEMENT WHEN IT COMES TO THEIR REVENUES. WHEN IT COMES TO OCCUPANCY, WELL, WE HAVE INCLUDED 1% AS THE ENVISAGED INCREASE IN OCCUPANCY. PROBABLY, WILL SOUND A LITTLE BIT

TOO UPBEAT BY SAYING THAT, WE EXPECT TO REACH THAT BEFORE THE END OF THE BUSINESS PLAN, WE DID SOME MAJOR REFURBISHING OR RESTYLING OR REVAMPING OF CERTAIN SHOPPING CENTERS, AND THIS IS REFLECTED IMMEDIATELY IN POSITIVE OCCUPANCY NUMBERS. SO WE THINK THAT WE WILL REACH THE TARGET BEFORE THE END OF THE PLAN. WE ARE STARTING FROM 97% THOUGH, SO ADDING 1% OR SO WILL LEAD US ALMOST TO A FULL OCCUPANCY. AND SO, I THINK THAT THIS IS QUITE A MEANINGFUL NUMBER.

AS FOR LEASES AND RENTALS IN GENERAL, WE DON'T WANT TO FACTOR IN INCREASES THAT CANNOT BE WITHSTOOD BY TENANTS. SO WE HAVE INCLUDED A 1.5%, 1.6% UPSIDE WHICH COULD BE GIVEN BY A COMBINATION OF FACTORS, SUCH AS TURNOVER AND RENEWALS. THAT'S IT.

CLAUDIO ALBERTINI: AS FAR AS, ROMANIA IS CONCERNED, I WOULD LIKE TO GIVE THE FLOOR TO CARLO BARBAN. HE IS THE CEO OF OUR ROMANIAN OPERATIONS.

CARLO BARBAN: GOOD AFTERNOON, EVERYBODY. WELL, WHAT YOU'VE JUST HEARD IS APPLICABLE TO ROMANIA. OBVIOUSLY, THE PORTFOLIO IS SMALLER. IF YOU LOOK AT THE QUARTERLY NUMBERS, THE INCREASE COMPARED TO THE NUMBERS AT THE END OF DECEMBER SHOWS JUST A CONTRIBUTION OF VERY LIMITED OCCUPANCY WHICH WE MANAGED TO RECOVER COMPARED TO WHAT WE SAW AT THE END OF 2015. AND THEN THERE IS A GOOD SIGNAL FOR US, NAMELY A CONTRACT UPSIDE. I'M TALKING ABOUT THE CONTRACT SIGNED IN Q1 2016. BY YEAR-END, WE BELIEVE THAT NUMBERS WILL INCREASE. HISTORICALLY AND TRADITIONALLY, Q1 IS ALWAYS THE MOST MODEST ONE IN ROMANIA. SO OVERALL WE EXPECT A POSITIVE PERFORMANCE.

LET ME TAKE YOUR SECOND QUESTION ABOUT THE BUSINESS PLAN AND WHAT SHOULD BE ASSUMED FOR THE ROMANIAN PORTFOLIO. IN Q1, WE REACHED AN OCCUPANCY OF 94%, WE WOULD LIKE TO BRING THAT IN LINE WITH THE IGD'S LEVEL. IN ADDITION TO THIS DRIVER, WE ALSO LEVERAGED OUR OUTSTANDING CONTRACT PORTFOLIO. I AM TALKING ABOUT WINMARKT, AND THEREFORE, WE MADE THE MATHEMATICAL SUM OF CONTRACTS, EITHER OUTSTANDING OR NEWLY SIGNED ONES. AND SO, WE HAVE JUST SIMPLY PROJECTED WHAT WE HAVE SEEN AS THE RESULT OF THAT EXERCISE.

CLAUDIO ALBERTINI: VERY WELL, I THINK THAT WE HAVE REPLIED TO YOUR QUESTIONS. SO WE HAVE DONE SO BY HANDING THE CALL OVER TO THE PEOPLE DIRECTLY INVOLVED IN THIS OPERATION, CABULI AND CARLO BARBAN.

FEDERICO PEZZETTI: THANK YOU. JUST FOR THE SAKE OF CLARITY, A FINAL QUESTION. YOUR ASSUMED INFLATION FOR THE PERIOD UNDER REVIEW THE BUSINESS PLAN IS WHAT, 1%, 1.2%, THAT YOU'VE INCLUDED IN THE SLIDES?

CLAUDIO ALBERTINI: YES, THE NUMBER IS VERY LOW. SO WE ARE TALKING ABOUT 1.3% IN 2017, AND THE TARGET IS 1.5%, LET'S SAY IN 2018, WHICH IS ROUGHLY SPEAKING THE LEVEL OR THE TARGET THAT HAS BEEN SET BY THE CENTRAL BANK. SO 1.2%, WE ARE STILL A LITTLE BIT FAR AWAY FROM THAT, BUT THAT'S THE UNDERLYING ASSUMED INFLATION GROWTH.

FEDERICO PEZZETTI: THANK YOU.

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

CLAUDIO ALBERTINI: THANK YOU VERY MUCH. AND WE WILL BE BACK IN TOUCH WITH YOU FOR THE PRESENTATION OF 1H 2016 FINANCIAL RESULTS.