

Event: 1H 2016 Financial Results Presentation
Date: 05th August 2016
Speakers: Mr. Claudio Albertini, CEO

OPERATOR: GOOD AFTERNOON EVERYBODY. THIS IS THE CHORUS CALL OPERATOR. I WOULD LIKE TO WELCOME YOU ALL TO 1H 2016 FINANCIAL RESULTS PRESENTATION OF IGD. ALL PARTICIPANTS' LINES ARE BEING MUTED DURING MANAGEMENT'S PRESENTATION; AFTER MANAGEMENT'S PRESENTATION THERE WILL BE A Q&A SESSION. CALL IS TURNED TO CLAUDIO ALBERTINI, CEO OF IGD. PLEASE, SIR.

CLAUDIO ALBERTINI: THANK YOU AND GOOD AFTERNOON EVERYBODY. YOU HAVE PROBABLY ALREADY RECEIVED THE PRESS RELEASE. THIS MORNING OUR BOARD MET AND APPROVED OUR 2016 FIRST HALF FINANCIAL STATEMENT. SO I WOULD LIKE TO COMMENT ON THE SLIDES THAT YOU HAVE RECEIVED.

LET'S START FROM SLIDE OR PAGE 3; AS YOU CAN READ IN THE TITLE, WE HAD SOLID RESULTS WHICH WE ARE HERE TO REPORT AND SHARE WITH YOU AND WE ARE ALSO HERE TO REPORT AN IMPROVED FINANCIAL PROFILE. WE HAVE ACHIEVED EXCELLENT OPERATIONAL RESULTS IN THE PERIOD UNDER REVIEW STARTING FROM RETAIL SALES UP 4.6% COMPARED TO THE SAME PERIOD LAST YEAR. FOOTFALLS INCREASED 1.3% AND OUR OCCUPANCY GREW BOTH IN ITALY 97.3% AND IN ROMANIA 95.1%.

FUNDS FROM OPERATIONS, AGAIN, AT THE END OF JUNE 2016 IS UP 26.3%. THESE RESULTS WERE ACHIEVED DESPITE THE FACT THAT THE FIRST HALF OF THE CURRENT YEAR WAS MARKED BY FINANCIAL TURMOIL'S ON THE MARKETS AND VOLATILITY BEFORE THE BREXIT REFERENDUM, SOMETHING THAT WAS KIND OF MITIGATED ALTHOUGH SLIGHTLY SO POST REFERENDUM.

SO WE WORKED VERY HARD IN ORDER TO IMPROVE OUR FINANCIAL PROFILE, AND TO REDUCE OUR MARKET RISK. I THINK THAT THE HIGHLIGHT FOR THE FIRST HALF FOR THE CURRENT YEAR WAS THE FACT THAT WE RECEIVED AN INVESTMENT GRADE RATING FROM MOODY'S WITH A STABLE OUTLOOK. THEN WE ISSUED A €300 MILLION EUROBOND, WITH A BOOK THAT WAS RECOVERED TWICE, THAT MATURITY PROFILE THAT WAS LIMITED OVER FOR THE NEXT TWO YEARS, BUT I WILL GET BACK TO THESE POINTS LATER.

WE ARE NOW ON PAGE 4 AND THEN 5. REVENUES AMOUNTED TO €67.5 MILLION, UP 8.1% AGAINST THE SAME PERIOD IN 2015. EBITDA FROM THE CORE BUSINESS AMOUNTED TO €46.7 MILLION OR UP 12.4 PERCENTAGE POINTS. EBITDA MARGIN AMOUNTED TO 69.2%, UP 2.6% AGAINST THE SAME PERIOD LAST YEAR. EBITDA MARGIN FROM FREEHOLD REMAINED FLAT AMOUNTING TO 78.6%. GROUP NET PROFIT IS ON THE UPWARD TREND: IT RECORDED A +30% AGAINST THE SAME PERIOD LAST YEAR, GOING FROM €20.4 MILLION TO €26.5 MILLION.

FUNDS FROM OPERATIONS GENERATED BY OUR CORE BUSINESS WAS UP 26.6 PERCENTAGE POINTS REACHING €27.1 MILLION WHILE THE FFO PER SHARE AMOUNTED TO €0.033.

NEXT PAGE, THE FINANCIAL OCCUPANCY, ACCORDING TO EPRA'S CRITERIA IS UP, IN ITALY GOING UP FROM 96.8% AT THE END OF 2015 TO 97.3%. ROMANIA IS UP AGAIN FROM 93.9% TO 95.1%. TOTAL MARKET VALUE OF OUR PORTFOLIO €2.093 BILLION, IS BASICALLY STABLE. OUR LOAN TO VALUE AND GEARINGS ARE BELOW OUR BUSINESS PLAN TARGETS: OUR LOAN TO VALUE EQUAL TO 48.2% IS SLIGHTLY ABOVE THE FIGURE THAT YOU SEE AT YEAR-END 2015, BUT WITHIN OUR IDEAL RANGE THAT IS BETWEEN 45% AND 50%. GEARING AS DEBT TO EQUITY IS BELOW 1 EQUAL TO 0.96.

OUR TRIPLE NET NAV, ACCORDING TO EPRA'S CRITERIA IS SLIGHTLY DOWN. WE WILL HAVE A DRILL-DOWN SLIDE ON THIS, DISTRIBUTING APPROXIMATELY €32 MILLION DIVIDENDS IN MAY LAST YEAR, SO €1.22 PER SHARE.

WE ARE NOW ON PAGE 7, AND HERE WE HAVE TRIED TO GIVE YOU A MACROECONOMIC CONTEXT. SO GDP FOR THE ITALIAN ECONOMY HAS BEEN RECENTLY REVIEWED, AS A CONSEQUENCE OF THE POST BREXIT UNCERTAINTIES. SO THE ITALIAN GOVERNMENT REVIEWED ITS ESTIMATES TOO, PUTTING IT SLIGHTLY BELOW 1%, AT 0.9%.

CONSUMPTION SHOULD BE UP 1.3% AT YEAR-END. THANKS TO AN INCREASED HOUSEHOLD DISPOSABLE INCOME. EMPLOYMENT GROWTH IS GOING ON, ALTHOUGH SLOWLY, THESE ARE MY COMMENTS ON ITALY.

CONCERNING ROMANI, THE MACROECONOMIC CONTEXT IS BETTER. GDP IS EXPECTED TO GROW MORE THAN 4.2%, AND THE MAIN DRIVERS WILL BE PRIVATE CONSUMPTION WHICH IS EXPECTED TO GROW MATERIALLY REACHING APPROXIMATELY A GROWTH RATE OF 7% OVER THE YEAR.

LET'S GET BACK TO BREXIT AS A MAIN TOPIC. DESPITE THE GENERAL INTERNATIONAL CONTEXT WORSENING AND DESPITE INCREASED UNCERTAINTY AND INSTABILITY ON FINANCIAL MARKETS, AND ALTHOUGH WE HAVE SEEN SOMEWHAT OF SLOW DOWN RECENTLY, AS WE SPEAK NOW, THERE ARE

NO NEGATIVE IMPACTS TO BE REPORTED AS FAR AS OUR BUSINESS IS CONCERNED AND THEREFORE WE THINK IT WILL REMAIN STRONG.

LET'S NOW HAVE A DRILL-DOWN ON THE RETAIL REAL ESTATE SEGMENT. OVER THE PERIOD UNDER REVIEW, WE SAW INVESTMENT IN THE RETAIL BUSINESS SEGMENT TOTALING €900 MILLION OR UP 40% COMPARED TO THE FIRST HALF OF 2015. THIS NUMBER, LET ME STRESS, IT DOES NOT INCLUDE THE CLOSING OF THE GRANDE DISTRIBUZIONE RETAIL DEAL, WHICH AMOUNTED TO APPROXIMATELY €950 MILLION.

AND WE ARE STILL WITNESSING THE PHENOMENON OF YIELD COMPRESSION. ALTHOUGH WE DO HOPE THAT THIS WILL BECOME BROADER IN THE SECOND HALF OF THE CURRENT YEAR AND OVER THE NEXT FEW YEARS. FOREX REMAINED ALMOST UNCHANGED, RETAIL DEMAND IS STILL SUSTAINED AND ROBUST AND THEREFORE OUR OUTLOOK REMAINS POSITIVE.

NOW, LET'S GET FURTHER DOWN INTO DETAILS. WE ARE ON PAGE 10; REVENUES FROM OUR CORE BUSINESS ARE UP 8.1%, SO TOTAL REVENUES ARE GROWING SLIGHTLY LESS 7.6%. MAJOR GROWTH WAS RECORDED ON THE RENTAL INCOME SIDE WHICH YOU SEE IN BLUE, WHILST SERVICE INCOMES ARE SLIGHTLY DOWN. TRADING IS SLIGHTLY DOWN, TRADING MAINLY MEANS LIVORNO IS FLAT, WHERE WE ARE MODERATELY UP A BIT OUTLOOK.

WE THINK THAT WE WILL REACH THE TARGET, WHICH WE HAVE SET FOR THE CURRENT YEAR. WE HAVE SIGNED TWO TWO FINAL CONTRACTS AND THREE PRELIMINARY CONTRACTS, AND WE HAVE ALREADY A WHOLE SCHEDULE OF APPOINTMENTS TO SIGN ADDITIONAL PRELIMINARY CONTRACTS. SO I WOULD SAY THAT SEVEN UNITS ARE ALREADY TO BE INCLUDED IN OUR PORTFOLIO, SO GIVING A TOTAL OF 37 FLATS OUT OF THE 73 LEFT THERE, SO WE HAVE ALREADY EXCEEDED 50% COVERAGE WISE.

ON THE RIGHT HAND SIDE, YOU CAN SEE A PIE CHART GIVING YOU THE BREAKDOWN BY TYPE OF ASSET OR ASSET CLASSES YOU CAN SEE. REVENUES FROM MALLS ARE UP 61.7%, WHILST THE HYPERMARKET REVENUES ARE DOWN 37.7%. THIS YEAR WE EXPECT AN ADDITIONAL DECLINE AS A CONSEQUENCE OF THE GROSSETO OPENINGS LATER IN OCTOBER, AND THIS PERCENTAGE WILL FURTHER GO DOWN OVER THE NEXT FEW YEARS, AS A CONSEQUENCE OF THE OPENING OF RAVENNA, THE EXTENDED PLACE AND OFFICINE STORICHE SLATED FOR 2018.

GOOD NEWS ALSO WHEN IT COMES TO RENTAL INCOME DRIVERS. WE ARE NOW ON PAGE 11. AS YOU CAN SEE ON THIS SLIDE, WE POSTED GROWTH ON A LIKE-FOR-LIKE BASIS EQUAL TO 2.2% AND 2% FOR ITALY AND ROMANIA RESPECTIVELY. WE ALREADY COMMENTED ON THESE NUMBERS

DURING OUR BOARD MEETING THIS MORNING, WE ARE SEEING THIS NUMBER AFTER A LONG TIME. AND AS YOU CAN SEE THE MAJOR DRIVERS WERE THE GROWTH IN MALLS 3.4% AND STABILITY OF THE HYPERMARKET ASSET CLASS.

TALKING ABOUT ITALY WE HAVE FURTHER REDUCED DISCOUNTS, SOME ADDITIONAL €100,000 IN REDUCTION WITH THE TOTAL OF €1 MILLION EXPECTED FOR THE WHOLE YEAR. PLEASE REMEMBER THAT BETWEEN 2012 AND 2013, WE HAD REACHED A TOTAL OF €3 MILLION IN TEMPORARY DISCOUNTS. WE HAVE A TARGET FOR FULL YEAR THIS YEAR OF €1 MILLION AND €0.5 MILLION AT THE END OF THE BUSINESS PLAN.

ON A LIKE-FOR-LIKE BASIS, WE HAVE POSTED ALSO GROWTH IN ROMANIA. WE HAD AN UPSIDE OF 1.7%. PLEASE BEAR IN MIND, THAT THIS IS SOMETHING I WANT TO STRESS. IN ITALY, WE STARTED TO SEE THE FIRST UPSIDE WITH 2.1%. WE RECEIVED QUESTIONS IN THE PAST, ASKING WHEN SUSTAINED GROWTH ON THE RENEWALS WERE TO BE POSTED OR SEEN. I SIMPLY SAID TO BE VERY CAUTIOUS, BUT I THINK THAT THE TIME TO SEE UPSIDE ON THE RENEWAL SIDE, HAS COME NOW, AND I THINK THAT WE WILL SEE SOME ADDITIONAL 2 PERCENTAGE POINT IN THE SECOND PART OF THE YEAR TOO.

WE ARE NOW IN PAGE 12, OPERATING COST. AS YOU CAN SEE WE ARE BASICALLY FLAT. GENERAL EXPENSES THAT ARE SLIGHTLY UP AND DIRECT COST SLIGHTLY DOWN WITH AN OVERALL INCIDENTAL SHARE WISE, ON OUR TOTAL REVENUES ON THE DOWNWARD TREND. THIS ALLOWED US TO INCREASE OUR EBITDA MARGIN BY 2.6 PERCENTAGE POINTS WHICH YOU SAW IN THE INTRODUCTORY HIGHLIGHTS, WE ARE NOW STANDING AT 69.2%.

AND LIKEWISE, WE SEE A 3.2% DECLINE OF OUR FINANCE FROM €20.3 MILLION TO €19.6 MILLION, DESPITE ON AVERAGE A TOTAL NET DEBT HIGHER THAN THE NUMBER THAT WE SAW AT THE END OF 2015. AVERAGE COST OF DEBT WAS DOWN 3.23 PERCENTAGE POINTS. AND I WOULD LIKE TO ANTICIPATE A MESSAGE THAT YOU WILL SEE LATER ON OUR NET DEBT BY MAKING THE AFOREMENTIONED STATEMENT.

ON TO THE NEXT PAGE, THE GROUP NET PROFIT IS EQUAL TO €26.5 MILLION, APPROXIMATELY UP 30% AGAINST THE SAME PERIOD UNDER REVIEW LAST YEAR. THE DRIVERS ARE LISTED AT THE BOTTOM OF THE CHART, MAINLY THE DELTA IN OUR CORE BUSINESS PERFORMANCE AND THE IMPROVEMENT IN OUR FINANCE.

FAIR VALUE AND LEVERAGE CONTRIBUTED BUT ONLY PARTLY SO BECAUSE LAST YEAR WE HAD CHANGE IN FAIR VALUE WHICH WAS SLIGHTLY IN THE NEGATIVE MINUS 400,000, THIS YEAR WAS SLIGHTLY POSITIVE PLUS 400,000.

SO YOU CAN SEE THE MATHEMATICAL RESULTS OR BALANCE WHICH MAKES US SLIGHTLY DEPENDENT ON OUR CORE BUSINESS PERFORMANCE REACHING €26.5 MILLION OF THE GROUP'S NET PROFIT WHICH IS REPORTED AT THE END OF THE PERIOD UNDER REVIEW.

NEXT PAGE, CORE BUSINESS FUNDS FROM OPERATION IS SLIGHTLY ABOVE €27 MILLION, AND THESE ARE THE MAJOR CHANGES AFFECTING THE FOLLOWING ITEMS, €5.2 MILLION DUE TO EBITDA INCREASE, €0.9 MILLION DUE TO FINANCIAL MANAGEMENT IMPROVEMENT NET OF NON-RECURRING CHARGES AND MINUS €400,000 BECAUSE OF OTHER MINOR CHANGES, AND FFO PER SHARE €0.033.

WE ARE NOW ON PAGE 16. LET'S HAVE A LOOK AT OUR COMMERCIAL HIGHLIGHTS. TENANT SALES AT OUR DIRECTLY OWNED SHOPPING MALLS WERE UP 4.6% YEAR-ON-YEAR. STILL TALKING ABOUT SHOPPING MALLS, FOOTFALLS ARE UP 1.3%; WE ARE SLIGHTLY ABOVE THE OVERALL CNCC NUMBER.

FOOTFALLS WERE UP +4% IN ROMANIA. AND I WOULD SAY THAT HERE, THE POSITIVE IMPACT CAME FROM THE COMPLETION OF THE RESTYLING OF OUR SHOPPING CENTERS, THUS LEADING TO THIS INCREASE. AGAIN IN THE FIRST HALF OF THE CURRENT YEAR WE SAW A DECLINE IN HYPERMARKETS AT OUR SHOPPING CENTERS EQUAL TO 2.2% YEAR-ON-YEAR. THE ONLY POSITIVE MONTH WAS FEBRUARY, AFTER THAT WE HAD FIVE MONTHS IN THE NEGATIVE.

STILL ON THE OPERATING PERFORMANCE FRONT; WE ARE NOW ON PAGE 17. THE SECOND QUARTER WAS THE 10TH POSITIVE QUARTER IN A ROW. SO WE ARE TALKING ABOUT 2.5 YEARS OF CONSTANT STEADY GROWTH RECORDED BY OUR TENANTS AT OUR SHOPPING CENTERS. SO AS YOU CAN SEE, WE HAVE QUITE A CLOSE CORRELATION BETWEEN FOOTFALLS AND TENANT SALES. HOWEVER, WE CAN SEE AN EVER GRATER INCREASE IN SALES, WHEREBY WE CAN SAY THAT THE AVERAGE INDIVIDUAL TICKETS FOR THE CURRENT MONTH HAS INCREASED.

ON PAGE 18 AND 19; YOU CAN SEE A FEW EXAMPLES OF OUR ASSET MANAGEMENT ACTIVITIES. AND YOU CAN SEE THE GOOD RESULTS COMING FROM IT, ESPECIALLY AT THOSE CENTERS THAT UNDERWENT REFURBISHMENT AND RESTYLING. AS YOU CAN SEE, WE ARE TALKING ABOUT FOUR, CENTRO BORGIO IN BOLOGNA. LAST YEAR, WE COMPLETED THE RESTYLING AND AS A RESULT WE SAW TOTAL SALES UP 23%, CENTRO SARCA IN MILANO, UP 21.7% OF TOTAL SALES. AND THEN FOOD COURT SALES WERE UP EVEN MORE 25.9%. THEN LA TORRE PALERMO, SO WE MOVED AND

RELOCATED OUR FOOD COURT AND WE INCLUDED A MULTIPLEX MOVIE THEATRE WITH TOTAL SALES DRIVEN UP 11.7%; AND THEN AFRAGOLA IN NAPOLI WHICH POSTED A 12.6% INCREASE IN TOTAL SALES. SO WE ARE REALLY STRETCHING FROM NORTHERN TO SOUTHERN ITALY, GOING ACROSS THE COUNTRY. AND THIS IS PROOF OF THE FACT THAT, IF YOU TAKE THE RIGHT ACTIONS AT YOUR CENTERS, YOU WILL SEE GOOD RESULTS REGARDLESS OF GEOGRAPHY.

ON PAGE 20, YOU CAN SEE THE FACT THAT WE WERE AWARDED BREEAM CERTIFICATION FOR CENTRO SARCA WHICH IS THE FIRST AND THE ONLY ITALIAN SHOPPING CENTER THAT HAS BEEN DOUBLE-RATED, BOTH ISO 12001 AND THE BREEAM CERTIFICATION. SO WE ACHIEVED THESE DOUBLE RATINGS BY WORKING IN THREE AREAS, BUILDINGS SITE, STRUCTURE AND ACCESSIBILITY. WE ARE REAPING THE RESULTS OF THE HARD WORK THAT WAS DEPLOYED IN THE PREVIOUS YEARS AS WITNESSED ALSO BY OUR TENANTS.

WE ARE NOW ON PAGE 23, OUR INCOME EARNINGS PORTFOLIO AMOUNTED TO €1.1 BILLION, BASICALLY STABLE AND THE TOTAL PORTFOLIO €2.9 BILLION, THEN WE HAVE PORTA A MARE AND THE UNDERGOING DEVELOPMENT REPRESENT ONLY 5% OF OUR PORTFOLIO. SO WE HAVE A DEVELOPMENT RISK WHICH IS QUITE CONTAINED THIS 5% HAS BEEN FULLY AUTHORIZED, AND WE HAVE ALL THE CONCESSIONS NECESSARY TO GO ON WITH THE WORKS.

WE HAVE A GROSS FAIR VALUE POSITIVE CHANGE, BOTH IN HYPERMARKETS UP €4.7 MILLION AND RETAIL PARK BY 0.4%, €4.3 MILLION, WHILE CITY CENTERS REMAINED STABLE. AND WE SAW INSTEAD A DECLINE OF 2.7 PERCENTAGE POINTS, €4.5 MILLION IN THE AREA OF ROMANIAN MALLS. NET OF CAPEX, THAT IS NOT INCLUDED INTO COST. WE SAW A POSITIVE CHANGE QUANTIFIED IN €400,000, AGAINST A NEGATIVE CHANGE AFFECTING THE PREVIOUS YEAR FOR THE CORRESPONDING AMOUNT.

NEXT PAGE, YOU CAN SEE OUR FINANCIAL OCCUPANCY DATA, HYPERMARKET 100%, MALLS 96% ALMOST WITH THE AVERAGE VALUE OF 97.34%, UP COMPARED TO LAST YEAR'S FULL YEAR 2015 NUMBERS. AND THEN ROMANIA REACHED 95 PERCENTAGE POINTS. YOU CAN ALSO SEE THE WEIGHT ON THE TOTAL VALUE, ROMANIA SLIGHTLY BELOW 8%, WHILE HYPERMARKET 30% AND MALLS 54.5%.

TRIPLE NET NAV, YOU CAN SEE THE COMPUTATIONS ON PAGE 24; THE NUMBER IS 1.22 PER SHARE AT THE END OF JUNE. THE NEGATIVE IMPACT RESULTED FROM THE DIVIDEND PAYMENT OF ALMOST €32 MILLION, AND THE NEGATIVE CHANGE IN FAIR VALUE WHICH WAS POSTED FOR THE PURPOSE OF EPRA. SO WE HAD IMPROVED FINANCIAL CONDITIONS AND TERMS COMPARED TO THE 99.9%

WHICH WE SAW AT THE ISSUE DATE. AND SO, WE HAD PROVISIONING OF APPROXIMATELY €10 MILLION IN THE NEGATIVE AMOUNTING TO €0.02 APPROXIMATELY.

AGAIN, LET'S GET BACK TO OUR FINANCE AND ITS RELATED PERFORMANCE. ON PAGE 26, YOU CAN SEE THE RATING WE GOT FROM MOODY'S, AND OUR INCLUSIONS IN A VERY LIMITED NUMBER OF ITALIAN COMPANIES THAT HAVE RECEIVED AN INVESTMENT GRADE RATING. WE THEN ISSUED AN UNSECURED SENIOR BOND €300 MILLION FIVE YEARS WITH THE LOWEST COST WITH AN EXTENSION ALSO OF OUR DEBT MATURITY; YOU WILL FIND GREATER DETAILS ABOUT THE PLACEMENT.

ON PAGE 27, YOU CAN SEE THE BREAKDOWN BY GEOGRAPHICAL AREA. WE HAD 62% OF INVESTORS ON THE DOMESTIC MARKET, BUT THEN WE HAD 17% UK, 11% FRANCE. AND WE MANAGED TO FULLY REVERSE OUR DEBT BREAKDOWN, SO TWO THIRDS OF OUR DEBTS ARE REPRESENTED BY OUR BOND, LET'S SAY THE MARKET, AND ALMOST SLIGHTLY MORE THAN ONE THIRD IS REPRESENTED BY LOANS. THEY AMOUNTED TO 42% AND 56% RESPECTIVELY. SO WE ARE LESS DEPENDENT ON THE ITALIAN BANKING INDUSTRY. WE HAVE ALWAYS BEEN HAVING GOOD RELATIONSHIPS WITH ITALIAN BANKS THAT KEEP FINANCING US, WHILE LENDING MONEY TO US AT VERY FAVORABLE CONDITIONS.

WE CAN ALSO FIND OUR DEBT MATURITY, RESIDUAL DEBT MATURITY ON PAGE 28; SLIGHTLY OVER €50 MILLION WILL REACH MATURITY THIS YEAR. BUT IF WE LOOK AT 2018, YOU WILL FIND THAT THE CMBS WILL HAVE AN ANTICIPATED OR AN ACCELERATED REPAYMENT WINDOW. PART OF THAT AS AN OPTION WAS EXERCISED IN MAY €30 MILLION. BUT AS FOR THE RESIDUAL PORTION OF THE LOAN, WE STILL HAVE THIS WINDOW. SO IF WE WILL GO FOR THIS ACCELERATED REPAYMENT THEN OUR 2017 AND 2018 TRANCHE OF DEBT TO REACH MATURITY WILL TOTAL €50 MILLION. WE ARE IN THE PROCESS OF PREPARING ANOTHER BOND ISSUE AND WE WILL GET BACK TO VERY LOW DATA LEVEL IN 2020 IN TERMS OF REPAYMENT. SO OUR DEBT MATURITY IS MUCH, MUCH BETTER THAN IT USED TO BE PRE-BOND ISSUE.

ON PAGE 29, A FEW FINANCIAL HIGHLIGHTS, GEARING RATIO, LOAN TO VALUE, I HAVE ALREADY MENTIONED THIS THEY ARE BOTH IN LINE WITH OUR TARGETS, SO BELOW 1% AND BELOW 50% RESPECTIVELY. AVERAGE COST OF DEBT, AS YOU CAN SEE, IS DOWN COMPARED TO THE FULL 2015 NUMBERS, 44 BASIS POINTS, 3.23% WITH AN INTEREST COVER RATIO WHICH IS UP 20 BPS, REACHING 2.37, AND A LONG TERM AVERAGE RESIDUAL MATURITY, WHICH IS STABLE AT ALMOST SIX YEARS. THE SHARE OF OUR MEDIUM LONG TERM DEBT IS BACK ABOVE 90% OR 92.5% AND HEDGING LIKEWISE HAS GOT BACK TO THE PREVIOUS LEVELS, 95.3%. WE HAVE UNCOMMITTED CREDIT LINES WHICH HAS BEEN LIMITEDLY TAPPED, BECAUSE WE HAVE BASICALLY REPAID IT THROUGH THE BOND.

WE ALSO HAVE €60 MILLION OF COMMITTED CREDIT LINES THAT ARE GRANTED AND AVAILABLE. SO OVERALL WE CAN AVAIL OURSELVES OF A TOTAL OF €330 MILLION.

UNENCUMBERED ASSETS AMOUNTED TO €952.7 MILLION, BUT IF WE WERE JUST TO REIMBURSE CMBS LOAN THAT NUMBER WOULD GO UP TO €1.3 BILLION AT YEAR-END. SO OVER 60% OF OUR REAL ESTATE PORTFOLIO WILL BE FULLY UNENCUMBERED AND FULLY MORTGAGE FREE.

LET'S END WITH THE COMMENTS ON PAGE 32. FOR THE FIRST TIME IN OUR CORPORATE LIFETIME BACK IN MARCH 2016, WE PROVIDED THE OUTLOOK OF OUR FUNDS OF OPERATIONS, BETWEEN 13% AND 15%. AND ON THAT OCCASION WHEN I PRESENTED Q1 2015 RESULTS, I ALSO MADE A STATEMENT SAYING THAT WE HAD FIRM PLANS TO ADDRESS THIS WHEN PRESENTING OUR MID-YEAR RESULTS BECAUSE ALREADY DURING Q1, WE HAD SEEN GROWTH RATES IN EXCESS OF WHAT WE HAD GIVEN AS GUIDANCE TO THE MARKET. SO WE ARE HERE TO INCREASE THIS GUIDANCE WITH AN EXPECTED FFO GROWTH BETWEEN 15% AND 16%.

PLEASE, BEAR IN MIND THAT IN THE SECOND HALF OF THE CURRENT YEAR, WE WILL HAVE THE COST OF THE BOND ISSUES 2.50% FOR THE CLOSURE OF CREDIT LINES THAT WERE GRANTED OVER THE FIRST HALF OF THE YEAR AT A MUCH LOWER RATE. SO OUR GUIDANCE WILL BE INCREASED BY 2 PERCENTAGE POINTS OR SO.

THE FOLLOWING PAGES ARE RELATED OR DEVOTED TO ATTACHMENTS. NOW, I THINK THAT THIS IS THE END OF MANAGEMENT PRESENTATION, AND TOGETHER WITH THE REST OF THE MANAGEMENT TEAM, I WILL BE QUITE GLAD TO TAKE YOUR COMMENTS AND YOUR QUESTIONS.

Q&A

OPERATOR: THIS IS THE CHORUS CALL OPERATOR. WE WILL NOW HAVE A Q&A SESSION. THE FIRST QUESTION COMES FROM THE LINE OF FEDERICO PEZZETTI WITH INTERMONTE. PLEASE SIR.

FEDERICO PEZZETTI: GOOD AFTERNOON, EVERYBODY. I ONLY HAVE A COUPLE OF QUESTIONS. FIRST OF ALL A QUESTION ON YOUR GUIDANCE, THE FACT THAT YOU HAVE REVIEWED UP FOR APPROXIMATELY 2% UPWARD, SO IS THIS A SURPRISE, DO THE GOOD NEWS COME FROM YOUR OPERATIONS OR YOUR FINANCIAL ACTIVITIES? SECOND QUESTION ABOUT VALUATIONS, IF WE LOOK AT ITALY, AS YOU SAID IN THE FIRST PART OF THE YEAR, THE OVERALL SCENARIO WAS MARKED BY YIELD COMPRESSION. BUT YOU ALSO SAID THAT APPARENTLY THERE IS SUBSTANTIAL STABILITY THIS YEAR, THERE IS AN INCOME INCREASE OF 1% ON A LIKE-FOR-LIKE BASIS AND SO ON AND SO FORTH. SO HERE IS MY QUESTION, COULD YOU GIVE US THE AVERAGE YIELD NUMBERS FOR BOTH HYPERS AND MALLS? AND ON TOP OF

THAT, COULD YOU GIVE US MORE COLOR OR SHARE YOUR COMMENTS WITH US ABOUT THE YIELD TRANSFER FOR YOUR PORTFOLIO, WHAT SHOULD WE SEE BETWEEN NOW AND THE REST THE OF THE YEAR. AND ROMANIA, WE SAW A SLIGHT DECREASE THERE, WE SAW IT LAST YEAR TOO. SO THIS WAS PROLONGED AS A TREND IN THE FIRST HALF OF THE CURRENT YEAR ALTHOUGH OPERATIONS ARE DOING PRETTY WELL RENTS ARE UP 2%. SO AGAIN, COULD YOU GIVE US MORE COLOR ABOUT YOUR ROMANIAN PORTFOLIO? THANK YOU.

CLAUDIO ALBERTINI:

SO LET ME TAKE YOUR FIRST QUESTION, WE REVIEWED OUR GUIDANCE, THANKS TO THE IMPROVED PERFORMANCE OF OUR OPERATIONS OR OUR CORE BUSINESS. WE SAW A SLIGHT WORSENING OF OUR FINANCIAL PERFORMANCE BECAUSE WE PLACED OUR BOND ONE MONTH AND A HALF AHEAD OF SCHEDULE, IT WAS VERY SUCCESSFUL. HISTORICALLY, THIS HAS BEEN THE LOWEST COST. BUT WE SUCCEEDED TO CLOSE ALL THE SHORTER MORE EXPENSIVE CREDIT LINES. SO WE PLACED A BOND RIGHT BEFORE THE BREXIT BECAUSE WE PLANNED THAT MID-JULY WOULD PROBABLY BE MET BY STRONG VOLATILITY. I THINK THAT ALSO IN HINDSIGHT, THIS WAS A RIGHT MOVE BECAUSE EXITING POST REFERENDUM WOULD HAVE BEEN VERY RISKY. SO I AM HERE TO CONFIRM THAT THE INCREASED GUIDANCE WAS MAINLY DRIVEN BY THE IMPROVED PERFORMANCE OF OUR OPERATION AND CORE BUSINESS. THEN I WILL ALSO GIVE THE FLOOR TO ROBERTO ZOIA, OUR HEAD OF DEVELOPMENT ACTIVITIES. BUT WHAT I CAN SAY FOR MY PART, OUR PORTFOLIO ALSO AT THE TIMES OF CRISIS, HAS ALWAYS BEEN VERY RESILIENT.

SO EVEN WHEN OTHER PLAYERS HAD TO GO FOR DOUBLE-DIGIT WRITE-DOWNS, OUR PORTFOLIO HELPED VERY WELL; THERE WAS JUST A MINOR CHANGE 1 OR 1.5 PERCENTAGE POINTS. IT HELD QUITE WELL, SO SINCE WE HAVE QUITE A ROBUST PORTFOLIO, WE HAVE SEEN JUST A SMALL REBOUND. WE SAW YIELD COMPRESSION WHICH I THINK IS QUITE MITIGATED OR CONTAINED COMPARED TO WHAT WE COULD SEE IN OTHER COUNTRIES, FOR INSTANCE, IF YOU LOOK AT SPAIN OR NORTHERN EUROPEAN COUNTRIES OR FRANCE, AND IF YOU LOOK AT COMPS THERE. WELL, SO I THINK THAT GOING FORWARD, WE SHOULD PROBABLY SEE A REWARD OR SO TO SPEAK IN TERMS OF YIELD COMPRESSION. AND BASICALLY PRIME CENTERS OR PRIME ASSETS BENEFITED, BUT I AM TALKING ABOUT ASSETS LOCATED IN PRIME LOCATIONS IN ROME AND MILAN.

AND LET ME END BEFORE GIVING THE FLOOR TO ROBERTO, BY SAYING THAT, OUR TURNOVER, OUR PORTFOLIO ROTATION SAW THE BENEFIT OF JONES LANG LASALLE AS A FOURTH APPRAISER, AND TYPICALLY APPRAISES WHEN THEY JOIN A COMPANY, TEND TO BE VERY CAUTIOUS. SO 97% TO 98% OF OUR PORTFOLIO WAS ROTATED OR TURNED AROUND, BUT ROBERTO WILL BE MORE SPECIFIC WITH NUMBERS.

ROBERTO ZOIA:

GOOD AFTERNOON. LET ME TALK ABOUT APPRAISER. THE TWO PRELIMINARY REMARKS THAT WERE MADE BY OUR CEO ARE QUITE IMPORTANT. FIRST OF ALL, THE TRACK RECORD WE HAVE IN TERMS OF FAIR VALUE. SECONDLY, WHENEVER YOU CHANGE, LET'S SAY 50% OF YOUR ASSET ROTATION, WHENEVER YOU INCLUDE A NEW APPRAISER, IT'S QUITE NORMAL TO SEE A LITTLE BIT OF CAUTION. SO ROMANIA SAW LIKE-FOR-LIKE REVENUES GROWTH. BUT OBVIOUSLY, YOU'VE GOT TO RELATE IT TO MARKET INCOME LEVELS OR RENTAL LEVELS. WE HAVE SAID REPEATEDLY, THE FACT THAT WE HAVE TRIED TO MAKE THE ROMANIAN PORTFOLIO MORE EUROPEAN, AND WE TRIED TO DO SO BY RENOVATING OR REFURBISHING OUR ASSETS THERE, ON THE ONE HAND; AND ON THE OTHER HAND LOOKING FOR OTHER TENANTS, TENANTS, PRIME TENANTS AND ADJUSTING OUR INCOME RENTAL LEVELS ACCORDINGLY. SO WE HAVE BEEN SEEING LIKE-FOR-LIKE GROWTH, SO WE HAVE TO CONSIDER THE RB. ON A LIKE-FOR-LIKE BASIS, WE SAW GROWTH. WE ALREADY SAW GROWTH AT THE END OF LAST YEAR; WE KEPT SEEING IT IN MID-JUNE, SO WE WILL SEE MINOR ADJUSTMENT GOING FORWARD TOO

LET ME GET BACK TO ITALY. WELL, BASICALLY THERE IS A DIVERSIFIED ASSET PORTFOLIO. SO THAT REWARDED US ESPECIALLY IN THE FORM OF CERTAIN HIGHLY PERFORMING HYPERMARKETS. CERTAIN MARKETS REMAIN FLAT AND MALLS REMAIN FLAT TO. SO IF YOU THINK ON AN ASSET-BY-ASSET BASIS, WE SAW MATERIAL COMPRESSIONS AND MATERIAL AND SLIGHT GROWTH. GROSS INITIAL YIELD ARE STANDING AT 6.22 AND 6.27 THAT'S THE SHOPPING MALL SEGMENT. SO AS WE SAID IN DECEMBER, AND WE HAD AN AD HOC CHART AT THAT TIME SINGLING OUT OUR GROWTH INITIAL DEALS COMPARED TO OTHER FINANCIAL ASSET CLASSES. SO AGAIN, THERE ARE STILL SOME UPSIDE, SOME LEEWAY. AND AS CLAUDIO ALBERTINI SAID, BETWEEN THE END OF THE CURRENT YEAR AND 2017, WE MIGHT SEE SOME ADJUSTMENTS.

CLAUDIO ALBERTINI:

MR. ALBERTINI SPEAKING. LET ME GET BACK TO FEDERICO'S LAST QUESTION ON ROMANIA. WE ARE MODERATELY UP A BIT, WE THINK THAT WE WILL REPEAT THE NUMBERS IN THE SECOND HALF OF THE YEAR. WE WILL COMPLETE THE SIXTH H&M TENANT IN PLOIESTI, THAT'S A MAJOR WORK. AND SO, WE EXPECT ALSO THE SECOND HALF OF THE YEAR MARKED BY A STRONGER GROWTH AS WE SAW IN THE FIRST HALF OF THE YEAR. THANK YOU VERY MUCH AND ENJOY YOUR HOLIDAYS.

OPERATOR:

MR. ALBERTINI, THERE ARE NO MORE QUESTIONS. VERY WELL, THANK YOU VERY MUCH AND ENJOY YOUR SUMMER HOLIDAYS, AND WE WILL BE BACK IN TOUCH WITH YOU FOR THE THIRD QUARTER RESULTS RELEASE.