

**Event: 3Q 2016 Financial Results Presentation**

**Date: 08<sup>th</sup> November 2016**

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

OPERATOR: GOOD EVENING. THIS IS THE CHORUS CALL OPERATOR. WE WOULD LIKE TO WELCOME YOU TO SEPTEMBER 30TH FINANCIAL RESULTS PRESENTATION OF IGD. ALL PARTICIPANTS' LINES HAVE BEEN MUTED DURING MANAGEMENT'S PRESENTATION. AFTER MANAGEMENT PRESENTATION, THERE WILL BE A Q&A SESSION.

I'D LIKE TO TURN THE CALL OVER TO CLAUDIO ALBERTINI, CEO OF IGD. PLEASE SIR, YOU HAVE THE FLOOR.

CLAUDIO ALBERTINI: GOOD EVENING EVERYBODY. AS YOU'VE PROBABLY SEEN FROM OUR PRESS RELEASE THE BOARD MET TODAY TO APPROVE OUR THIRD QUARTER FINANCIAL RESULTS. I THINK THAT YOU HAVE PROBABLY RECEIVED THE PRESENTATION WHICH I AM ABOUT TO COMMENT ON.

SO WE ARE NOW IN PAGE 3 AND 4, RESPECTIVELY. AND THESE ARE DEVOTED TO OUR HIGHLIGHTS AT THE END OF SEPTEMBER, THEREFORE, GIVING YOU THE PICTURE OF THE PERFORMANCE FOR THE FIRST NINE- MONTHS OF 2016.

LET ME MAKE THESE PRELIMINARY REMARKS. THE RESULTS WE ARE PRESENTING ARE FULLY IN LINE WITH THE PREVIOUS ONES. THEREFORE WE SEE A STRENGTHENING AND A CONSOLIDATION OF UPWARD TRENDS WITH SOME IMPROVEMENTS IN CERTAIN AREAS.

NOW CORE BUSINESS REVENUES EXCEEDED €100 MILLION OR UP 7.8% AGAINST THE SAME PERIOD LAST YEAR. EBITDA FROM THE CORE BUSINESS EXCEEDED €70 MILLION OR UP 10.7% AGAINST THE SAME PERIOD LAST YEAR. THE EBITDA MARGIN OF OUR CORE BUSINESS INSTEAD WAS UP 1.8 PERCENTAGE POINTS HOVERING AROUND 70%.

EBITDA MARGIN FROM FREEHOLD AMOUNTED TO 78.9% OR UP 1.3% AGAINST THE SAME PERIOD LAST YEAR. NOW, NET PROFIT IS UP TO €37.2 MILLION, IT STOOD AT €30.4 MILLION AT THE END OF SEPTEMBER 2015. FFO ALMOST REACHED €40 MILLION, UP 18.7%.

LET'S NOW MOVE ON TO PAGE 4. LET'S HAVE A LOOK AT OUR FINANCIAL OCCUPANCY. AT THE END OF SEPTEMBER, WE SAW AN IMPROVEMENT, BOTH IN ITALY AS WELL AS IN ROMANIA COMPARED TO WHAT WE SAW AT THE END OF JUNE IN ONLY THREE MONTHS. WE WENT UP FROM 97.3% TO 97.4% IN ITALY WITH A MORE SIZABLE INCREASE IN ROMANIA UP FROM 95.1% TO 95.7%.

NET DEBT IS SLIGHTLY ON THE DOWNWARD TREND COMPARED TO WHAT WE SAW AT THE END OF JUNE, SLIGHTLY MORE THAN €1 BILLION. AND GEARING RATIO AGAIN IS FLAT OR SLIGHTLY IMPROVING AGAINST THE END OF JUNE.

WE ARE NOW ON PAGE 6, ADDITIONAL INFO ABOUT REVENUES, AT A CONSOLIDATED LEVEL, THEY ARE UP 6.6%, THE ONLY DECLINING NUMBER IS THE FIRST ONE BY THAT MEANING REVENUES FROM TRADING WHICH IS THE REVENUES OF THE SALES IN LIVORNO, THERE IS A DECLINE THERE, BUT THAT WOULD BE OFFSET IN Q4. WE ALREADY HAVE FOUR PRELIMINARY CONTRACTS, AND THEREFORE WE WILL OFFSET THAT SLIGHT DECLINE.

REVENUES FROM SERVICES ARE BASICALLY FLAT OR SLIGHTLY UP, WHILST THE BULK OF GROWTH AS YOU CAN SEE WAS DRIVEN BY RENTAL REVENUES THAT WENT UP FROM SLIGHTLY ABOVE €90 MILLION IN 2015 TO €97.5 MILLION RECORDED THIS YEAR.

BREAKDOWN OF REVENUES, AGAIN STABLE MIX OR STABLE BREAKDOWN; PLEASE BEAR IN MIND THAT BETWEEN NOW AND THE END OF THE CURRENT YEAR THE HYPERMARKET SHARE WILL GO BELOW 30%, AND NOW IT STANDS AT 30.7%. WE ARE EXPANDING OUR CONSOLIDATION SCOPE BY THE ADDITION OF NEW OPENINGS, WHERE WE ONLY OWN SHOPPING MALLS. IN LIVORNO WE ALREADY OPENED A BUSINESS CENTER, BUT NEXT YEAR THERE WILL BE AN EXPANSION AND THE OPENING OF OFFICINE STORICHE IN LIVORNO.

WE ARE NOW ON PAGE 7, WITH THE RENTAL INCOME DRIVERS, THEY AMOUNTED TO €97.5 MILLION OVERALL. AND AS YOU CAN SEE, WE RECORDED GROWTH NOT ONLY DRIVEN BY EXTENSION OR ACQUISITION OF THE PORTFOLIO WHICH IS €6.3 MILLION, BUT ALSO ON A LIKE-TO-LIKE BASIS, IN ITALY WERE UP 1.8%. THE GROWTH RATE IS DRIVEN BY SHOPPING MALLS 2.6%, HYPERMARKETS INSTEAD ARE STABLE. IF WE LOOK AT THE UPSIDE OF REVENUES THERE IS A CONFIRMATION OF THE TREND RECORDED IN THE FIRST SIX MONTHS 176 CONTRACTS, NOW WE ARE UP 2.4% ON THAT.

ANOTHER PIECE OF INFORMATION WHICH I WOULD LIKE TO SHARE WITH YOU, AND I WOULD LIKE TO HIGHLIGHT; WE HAD SLIGHTLY LESS THAN €500,000 OF TEMPORARY DISCOUNTS, AND THAT WILL REACH A TOTAL OF €1 MILLION REDUCTION COMPARED TO THE PEAK THAT WE RECORDED BETWEEN 2013 AND 2014 WHEN THE TOTAL WAS €3 MILLION.

ROMANIA, A POSITIVE NOTE ON THIS FRONT TOO, WE SEE A 2.2 PERCENTAGE POINT GROWTH, BUT IF YOU LOOK THE 175 CONTRACTS, A NUMBER WHICH INCIDENTALLY IS VERY CLOSER TO THE NUMBER WE SAW IN ITALY, THE UPSIDE AMOUNTED TO 1.3% UPON RENEWAL.

NOW, ALL THESE AGAINST THE BACKDROP THAT IS PORTRAYED ON PAGE 8 AND WHICH IS MARKED BY THE REDUCTION OF OPERATING COSTS AND OVERHEADS AS A SHARE OF REVENUES. AS YOU CAN SEE, THE INCREASE IN EBITDA MARGIN IS ATTRIBUTABLE TO THE PERCENTAGE REDUCTION OF G&A AND DIRECT COST, SLIGHTLY ON THE UPWARD TREND.

AND MORE SPECIFICALLY, WE ARE TALKING ABOUT DIRECT COSTS, THEY ARE ATTRIBUTABLE MAINLY TO AN INCREASE IN THE PROPERTY TAX IMU, BUT NOT BECAUSE OF MUNICIPAL TAX RATE INCREASES, BUT RATHER BECAUSE WE EXPANDED THE PORTFOLIO OF OUR FREEHOLD, WHERE WE HAVE THE OBLIGATION OF PROPERTY TAX PAYMENT. DESPITE THE € 70 MN INCREASE IN NET DEBT, BETWEEN THE FIRST NINE MONTHS THIS YEAR AND LAST YEAR, THE AVERAGE COST OF DEBT WENT DOWN APPROXIMATELY 50 BPS FROM 3.8% TO 3.3%.

THIS LEADS US TO PAGE 9, GROUP'S NET PROFIT AMOUNTING TO €37.2 MILLION, UP AS I SAID, 22.1%. THE MAIN DRIVERS WERE AN INCREASE IN CORE BUSINESS EBITDA €6.8 MILLION, AND THEN WE SAW THE POSITIVE IMPACT OF FAIR VALUE AT THE END OF JUNE. WE WILL HAVE SOME NEW FAIR VALUE AT THE END OF THE CURRENT YEAR. WE HAVE ALSO EXPENSED THE PART OF THE CAPEX THAT WAS RECORDED IN THE CURRENT QUARTER.

FUNDS FROM OPERATION, ON PAGE 10 IS UP 18.7%, REACHING ALMOST €40 MILLION. SO THE TARGET WHICH WE SHARED AT THE BEGINNING OF THE YEAR OR THE GUIDANCE WHICH WE GAVE WAS BETWEEN 13% AND 15%. IN THE LIGHT OF OUR MID-YEAR RESULTS WE DECIDED TO MOVE THE RANGE TO 15%-16%. AND SO, AT THE END OF SEPTEMBER, THESE ARE THE NUMBERS THAT ALLOW US TO CONFIRM OUR GUIDANCE. WE WILL STAY MOST LIKELY IN THE HIGHER PART OF THE RANGE SO CLOSER TO 16 THAN 15.

PAGE 12, AND HERE WE HAVE THE OPERATING PERFORMANCE. AFTER TEN QUARTERS OF ONGOING GROWTH, WE HAD FIRST QUARTER WITH NOT SO GOOD PERFORMANCE. HOWEVER, THAT WAS QUITE A CONTAINED DECLINE, WE ARE TALKING ABOUT MINUS 0.8% SALES, WHICH OVERALL GIVES US A

POSITIVE PERFORMANCE UP OR PLUS 2.8%, AND OUR NUMBERS ARE BASICALLY IN LINE ALSO WITH THE PERFORMANCE NUMBER DISCLOSED BY OTHER PLAYERS, WHO HAVE COMMERCIAL ASSET OR COMMERCIAL REAL ESTATE PORTFOLIOS IN ITALY. WE HAVE REVERSED THE POSITIVE TREND MINUS 0.9%, BUT THAT AGAIN CONTAIN DECLINE IN FOOTFALLS, HYPERMARKET SALES MINUS 2.3%, POSITIVE NEWS FROM ROMANIA WITH FOOTFALLS UP 3.3% AT ROMANIAN SHOPPING MALLS.

NEXT PAGE, PAGE 14, BUT ALSO PAGE 15; A FEW FINANCIAL HIGHLIGHTS AND OUR CAPITAL STRUCTURE; SO AS YOU CAN SEE, OUR FINANCIAL STRUCTURE IS RESTATED SO TO SPEAK, AS IT WAS AT THE END OF JUNE, GEARING RATIO ALMOST STABLE SLIGHTLY DOWN, IF ANY LOAN TO VALUE, AGAIN SLIGHTLY DOWN, AVERAGE COST OF DEBT, WHICH AMOUNTED TO 3.3% AGAINST 3.23%, AND THE NEGATIVE IMPACT CAME FROM THE BOND WHICH WE PLACED IN MAY WHICH CLOSED DOWN SHORT-TERM CREDIT LINES.

THE POSITIVE IMPACT HOWEVER, OF THIS BOND WILL BECOME VISIBLE NEXT YEAR. AND WE ARE ALSO HERE TO CONFIRM THE GRADUAL DECLINE IF YOU COMPARE THE FIRST NINE MONTHS OF THIS YEAR AGAINST THE SAME PERIOD LAST YEAR. SO WE SAW A DECLINE OF 50 BPS, APPROACHING THE 3% TARGET AT THE END OF THE BUSINESS PLAN, INTEREST COVER RATIO ALMOST UNCHANGED AND LIKEWISE THE LONG-TERM DEBT AVERAGE RESIDUAL MATURITY.

WE HAVE €105 MILLION, DUE TO MATURE OR REACHING MATURITY. WE EXERCISED THE EARLY REPAYMENT OPTION, AND WE ARE WORKING TO REFINANCE OURSELVES BY ISSUING A BOND, MOST LIKELY THROUGH A PRIVATE PLACEMENT. WE ARE TALKING ABOUT AN EQUIVALENT VALUE OF €100 MILLION. WE ARE IN THE PROCESS OF PICKING THE BEST OPTIONS, AND WE WILL DISCLOSE THIS TO YOU OVER THE NEXT FEW WEEKS, HEDGING ALMOST STABLE AND LIKEWISE WE CAN SAY THAT THE OTHER ITEMS THAT YOU CAN SEE HERE ARE ALMOST UNCHANGED.

PAGE 16, FOR THE FINANCIAL MATURITY PROFILE; AS YOU CAN SEE HERE WE HAVE CLASSIFIED €105 MILLION DUE TO MATURITY, WE HAVE EXERCISED THIS OPTION. THE NEW BOND ISSUE WILL HAVE MATURITY ABOVE FIVE YEARS, WE ARE TALKING ABOUT SOMETHING BETWEEN SEVEN AND EIGHT YEARS, SO THROUGH THIS MOVE, WE WILL HAVE VERY, VERY LITTLE DEBT TO REACH MATURITY OVER THE NEXT THREE YEARS. IN THE BREAKDOWN OF OUR DEBT OVER THE 50% IS REPRESENTED BY THE MARKET, WHICH NOW STAND FOR OVER TWO-THIRDS OF OUR OVERALL STOCK OF DEBT. THIS IS WHAT I HAD TO SHARE WITH YOU ABOUT THE FIRST NINE MONTHS.

NOW, WE ALSO HAVE GOOD NEWS, WE ARE VERY PROUD OF IT. SO AFTER THE END OF Q3, AND YOU HAVE PROBABLY READ IT ALREADY ON OCTOBER 27, WE OPENED THE GROSSETO MAREMÀ CENTER, AND THAT WAS ENVISAGED AND CONTEMPLATED IN OUR BUSINESS PLAN. WE HAVE STUCK

TO OUR ORIGINAL TIMETABLE, RESPONSE WAS MASSIVE, IT WAS REALLY HUGE, AND YOU CAN SEE THE NUMBERS UP THERE: OVER 160,000 PEOPLE VISITING IT IN THE FIRST SIX DAYS BETWEEN THURSDAY AND TUESDAY. AND I WOULD ALSO SAY THAT ALSO THE PAST WEEKEND SAW A MASSIVE RESPONSE, WITH OVER 55,000 VISITORS.

WE ARE TALKING ABOUT A MID-SIZED CENTER NOT A LARGE SIZED ONE. WE ARE APPROACHING AN OCCUPANCY RATE CLOSE TO 100%; WE ARE SIGNING THE CONTRACT WITH THE LAST TENANT. OVERALL EXPECTED INVESTMENT APPROXIMATELY €47 MILLION, YIELD ON COST IS IN EXCESS OF 8%.

OTHER GOOD NEWS, WE ARE EXTREMELY SATISFIED ABOUT REGARDS CENTRO SARCA. CENTRO SARCA HAS BEEN NOMINATED AT MAPIC AWARDS ALONG WITH AUSTRIAN, ESTONIAN AND CHINESE CENTERS OR SITES. WE ARE EXTREMELY PLEASED, BECAUSE WE INVESTED APPROXIMATELY €10 MILLION BETWEEN 2014 AND 2015. WE ARE VERY PLEASED ABOUT THIS NOMINEE; WINNERS WILL BE ANNOUNCED NEXT WEEK.

THAT'S THE END OF OUR PRESENTATION. NOW WE ARE VERY GLAD TO TAKE YOUR QUESTIONS, AND I WILL BE TAKING THEM TOGETHER WITH THE REST OF THE TEAM. THANK YOU.

## 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 EVENING, EVERYBODY. THREE SHORT QUICK QUESTIONS. FIRST OF ALL, SALES TREND, YOU STRESSED A DECLINE IN Q3 DRIVEN ALSO BY ONE-OFFS. MY QUESTION IS THE FOLLOWING, DO YOU HAVE ANY VISIBILITY YOU FEEL LIKE SHARING WITH US ABOUT THE KICK OFF, FOR THE FIRST FEW WEEKS OF Q4. I AM TALKING ABOUT OCTOBER AND NOVEMBER? SECOND QUESTION VALUATIONS; LET'S SAY VALUATIONS OF 2016 PORTFOLIO. DO YOU FEEL LIKE SHARING YOUR ASSESSMENT AND ASSUMPTION ABOUT THE YEAR-END NUMBER. COULD YOU JUST GIVE US A FEEL FOR IT? LAST BUT NOT LEAST, A QUESTION ON YOUR BOND, SO AS YOU TOLD US YOU WERE THINKING ABOUT REFINANCING THE CMBS. SO AGAIN, COULD YOU GIVE US SOME GUIDANCE OR SOME COLORS, COULD YOU TELL US HOW MUCH YOU ARE THINKING OF IN TERMS OF COST OF DEBT?

CLAUDIO ALBERTINI: LET ME TAKE YOUR FIRST QUESTION. WE ARE NOT VERY CONCERNED; I THINK THAT AFTER 10 EXTREMELY WELL PERFORMING QUARTERS THERE HAS BEEN A SLOWDOWN. WE HAD ONE WEEK

LESS THAN WE HAD IN THE SAME PERIOD LAST YEAR. SO THAT HAD A NEGATIVE IMPACT, FIRST. SECOND, WE HAD UNFAVORABLE WEATHER CONDITIONS WITH A VERY HOT SUMMER AND A VERY LONG SUMMER WHICH I WAS NOT REALLY CONDUCIVE TO MASSIVE FOOTFALLS.

WE ARE NOT EXTREMELY DOWNBEAT, AND I THINK THAT IN OCTOBER AND THIS IS JUST A GUESS ESTIMATE, WE DON'T HAVE THE CORRECT NUMBERS OR THE ACCURATE NUMBER, BUT WE EXPECT TO SEE QUITE AN OFFSET. AND WE THINK THAT SALES WILL BE POSITIVE. WE ALSO HAD A POSITIVE STOCK OF 4.6, IN THE FIRST HALF OF THE YEAR. SO I DON'T THINK THAT WE WILL SEE A NEGATIVE PERFORMANCE IF WE LOOK AT THE YEAR ON AN OVERALL BASIS. WE EXPECT TO SEE CONTINUITY VIS-À-VIS THE END OF JUNE RESULTS. WE WERE REWARDED ALSO BY THE STRONG WORK AND THE STRONG COMMITMENT ON THE RESTYLING AND REFURBISHMENT SIDE.

PLEASE LET'S NOT FORGET THAT WE ARE ONE OF THE VERY FEW PLAYERS, IF NOT THE ONLY ONE, WITH A STRONG FOCUS ON THE QUALITY OF EACH CENTERS. AND I THINK THAT THIS IS REALLY REWARDING US, THIS IS A DECISION WHICH IS REWARDING US. WE HOPE THAT GROSSETO GETS A GOOD VALUATION IN TERMS OF FAIR VALUE BECAUSE WE HAVE A YIELD WHICH IS ABOVE THE AVERAGE COST. I DON'T HAVE THE NUMBER AT THE END OF SEPTEMBER, BUT WE THINK THAT WE WILL BE REWARDED BY APPRAISERS JUST BECAUSE OF THIS. SO THIS IS SIMPLY TO SAY THAT THERE IS NOTHING OUTSTANDINGLY NEGATIVE TO BE SHARED WITH OR REPORTED TO YOU WHEN IT COMES TO APPRAISALS.

YOUR QUESTION ABOUT THE BOND, WE ARE CONSIDERING DIFFERENT OPTIONS. WE EXPECT A CONSTANT MATURITY HIGHER OR LONGER THAN FIVE YEARS WHEN WE PLACED A BOND IN MAY, €300 MILLION EQUIVALENT, WE ARE TALKING ABOUT LOWER COST THINKING ABOUT MATURITIES LIKE 7, 8 YEARS WITH THE SPREAD THAT MIGHT RANGE BETWEEN 200 AND 210, 230. THAT'S A RANGE WE ARE THINKING ABOUT. WE ARE TALKING ABOUT SPREAD, THAT'S NOT THE END OR ULTIMATE PRICE OR COST, BUT THIS IS TO SAY THAT THE COST WILL NOT BE HIGHER THAN THAT. SO IT WILL NOT BE HIGHER THAN THE COST OF THE BOND, THE €300 MILLION BOND IN MAY. NOW, HAVING RECEIVED AN INVESTMENT GRADE RATING IT IS REWARDING US, IT'S BENEFICIAL AS WE CAN SEE FROM MANY INVESTORS RESPONSE.

FEDERICO PEZZETTI:

THANK YOU.

OPERATOR:

NEXT QUESTION COMES FROM THE LINE OF SIMONETTA CHIRIOTTI, MEDIOBANCA. PLEASE, MADAM.

SIMONETTA CHIRIOTTI:

GOOD EVENING, EVERYBODY. I HAVE A QUESTION ABOUT YOUR YOUR LIKE-FOR-LIKE SALES, SO WE HAVE BEEN SEEING A POSITIVE TREND AS IT WAS THE CASE IN THE PREVIOUS QUARTERS. BUT THERE

HAS BEEN SOMEWHAT OF A SLOWDOWN, IF I LOOK AT THE LIKE-FOR-LIKE IN ITALY IT AMOUNTED TO 2.2 AT THE END OF JUNE, 1.8 IN SEPTEMBER AND THE SHOPPING MALL 2.6 FROM 3.4, THESE ARE THE NUMBERS ON THE...

CLAUDIO ALBERTINI: ARE YOU TALKING ABOUT OUR TENANTS SALES?

SIMONETTA CHIRIOTTI: NO, YOUR REVENUES...YOUR REVENUES ON A LIKE-FOR-LIKE BASIS. SO GROWTH IS THE POSITIVE, BUT I WOULD SAY THAT COMPARED TO THE TREND WHICH WE SAW IN Q1. I'VE GOT THE IMPRESSION THAT ITS NUMBERS ARE LESS STRONG. SO SHOULD WE EXPECT THE POSITIVE TREND TO GO ON ALSO IN Q4 OR IS THIS SLOWDOWN GOING TO BE PROLONGED. COULD YOU GIVE US SOME COLORS OR SHARE YOUR COMMENTS?

CLAUDIO ALBERTINI: THERE IS NOT SUCH A BIG DIFFERENCE. SO I DON'T THINK IT'S QUITE MEANINGFUL JUST TO GET DEEPER INTO THE NUMBERS. I MEAN, THESE ARE THE ROUGH NUMBERS. SO OTHERWISE, IF YOU GO FRACTION-BY-FRACTION THEY WILL BECOME NEGLIGIBLE. SO 2.4, AGAIN, CHANGE CANNOT BE OVERNIGHT, BUT OVER TIME THE POTENTIAL OF THE NEW CONTRACTS WILL UNFOLD FOR EXCEEDING THE AVERAGE 1.8. SO IN Q4, WE ONLY HAVE 32 CONTRACTS REACHING EXPIRY OUT OF THE 175 I MENTIONED EARLIER. SO I WOULD SAY THAT THE BULK HAS BEEN ACHIEVED THIS YEAR ON THE CONTRACT SIDE. SO I THINK THE GROWTH SHOULD STAND AROUND 1.82% AS FULL YEAR NUMBERS, SO 2.4%, LET ME RESTATE IT OUT OF A 175 CONTRACTS, WELL THE IMPACT WILL BECOME OBVIOUS IN THE NEXT 12 MONTHS, IT'S NOT AN INSTANT CASE.

OPERATOR: MR. ALBERTINI, THERE ARE NO MORE QUESTIONS.

CLAUDIO ALBERTINI: WELL, THANK YOU VERY MUCH AND GOOD EVENING TO EVERYBODY.