

Event: 9M 2017 Financial Results Presentation

Date: 9th November 2017

Speakers: Mr. Claudio Albertini, CEO

OPERATOR: GOOD AFTERNOON. THIS IS THE CHORUS CALL OPERATOR. WELCOME TO IGD'S Q3 2017 RESULTS PRESENTATION. AFTER THE PRESENTATION, A Q&A SESSION WILL BE HELD. LET ME NOW TURN THE CONFERENCE OVER TO MR. CLAUDIO ALBERTINI, CEO OF IGD. MR. ALBERTINI, YOU HAVE THE FLOOR.

CLAUDIO ALBERTINI: GOOD AFTERNOON TO ALL OF YOU. AS YOU READ IN OUR PRESS RELEASE AND IN THE PRESENTATION THAT WAS SENT TO YOU. THIS MORNING THE BOARD OF DIRECTORS APPROVED THE Q3 2017 RESULTS CHAIRED BY MR. GASPERONI, WHO IS ALSO IN ATTENDANCE AT THIS CONFERENCE CALL AND READY TO TAKE ANY QUESTIONS YOU MIGHT HAVE TOGETHER WITH THE COLLEAGUES WHO HAVE JOINED US HERE TODAY. LET ME START BY PRESENTING YOU WITH THE RESULTS FOR THE FIRST NINE MONTHS OF 2017, AND YOU WERE SENT A DOCUMENT AND YOU CAN IN CASE DOWNLOAD IT FROM OUR WEBSITE.

WE START ON PAGE 3 OF THE PRESENTATION. HIGHLIGHTS FIRST NINE MONTHS OF 2017 WHERE YOU CAN SEE THAT OUR CORE BUSINESS REVENUES LANDED AT SLIGHTLY HIGHER THAN €108 MILLION UP 6.6% VERSUS THE PREVIOUS YEAR IN THE FIRST NINE MONTHS OF 2016 AND CORE BUSINESS EBITDA WAS CLOSE TO €76 MILLION IN TOTAL, UP 7.7% VERSUS LAST YEAR. EBITDA MARGIN IN EXCESS OF 70 PERCENTAGE POINTS 70.2 PERCENTAGE POINTS UP 70 BPS VERSUS THE PREVIOUS YEAR, AND EBITDA MARGIN FOR FREEHOLD THAT IS TO SAY FREEHOLD ASSETS, WE NEARLY GOT TO 80% UP 100 BASIS POINTS VERSUS END OF SEPTEMBER 2016. FUNDS FROM OPERATIONS, FFO'S SPEED UP GROWTH, THE GROWTH WE ALREADY WITNESSED IN THE FIRST HALF OF 2017, WE ARE UP AT 22.8% AND LAND AT €49 MILLION, IF YOU COMPARE TO THE GUIDANCE, WE GAVE IT EARLY AUGUST IT'S UP 20% AND I'LL GO BACK TO THIS DURING THE PRESENTATION.

GROUP NET PROFIT LANDS AT €64.7 MILLION, UP 74% ROUGHLY VERSUS LAST YEAR WHERE THE PORTFOLIO MARKET VALUE THAT IS SIMILAR TO THE ONE WE HAD AT END OF JUNE €2.2 BILLION AND EPRA TRIPLE NET NAV, WHICH IS AT END OF JUNE €1.31 PER SHARE, AND THERE WILL BE AN UPDATE WHEN WE APPROVE OF THE FULL YEAR RESULTS.

BEFORE MOVING ON TO OPERATING DATA, LET ME SUM UP IN A COUPLE OF SLIDES WHAT WE SEE AS MACROECONOMIC CONTEXT. WE HAVE ITALY ON THE ONE HAND AND ROMANIA IN THE SECOND SLIDE ON THE OTHER HAND, AND THEN YOU SEE THE EVOLUTION OF REAL ESTATE IN ITALY ALWAYS END OF SEPTEMBER 2017. AS TO THE MACRO CONTEXT IN ITALY, INDEED WE HAVE WITNESSED AN IMPROVEMENT THROUGHOUT THE YEAR, AND WE TRY TO DISPLAY IT IN THE CHART TOP LEFT, IF UNTIL AUTUMN LAST YEAR, WE ESTIMATED 0.9% GROWTH FOR ITALY.

AS WE MOVED INTO THE YEAR, THE ESTIMATED GROWTH WENT UP, AND WE USE THE MAIN STATISTICS INSTITUTIONS AS A BENCHMARK AS A REFERENCE, AND WE LAND AT 1.5% EXPECTED GDP GROWTH AND SOME STATISTICS INSTITUTIONS EVEN SAY UP TO 1.6%, AND EVEN THOUGH THE RATES ARE NOT VERY HIGH BUT GROWTH IS THERE. AND ONE OF THREE BIG RATING AGENCIES, THAT IS TO SAY S&P UPGRADED ITALY AFTER 15 YEARS. LAST TIME WE HAD AN UPGRADE WAS IN 2002, IF I REMEMBER CORRECTLY. SO ITALY IS NOW TO BBB FROM BBB MINUS. WELL THE BANKING INDUSTRY SITUATION HAS IMPROVED AND OVER THE LAST FEW DAYS THERE IS A CAPITAL INCREASE BY [INDISCERNIBLE] BUT WE CANNOT THEN SAY THAT THE BANKING CRISIS HAS BEEN SOLVED AND THIS IS GOOD FOR ITALY AND FOR THE FINANCIAL MARKET AS WELL.

CONSUMPTION THAT'S THE LAST BULLET POINT TOP RIGHT ON THE SCREEN, PRIVATE CONSUMPTION IS IN EXCESS OF 1%, AND THE EXPECTATION IS FOR THEM TO LAND AT 1.4% AT YEAR-END. IN ROMANIA, AS YOU CAN SEE THINGS ARE GOING EVEN BETTER, AS YOU CAN SEE FROM THE CHART, AND THIS YEAR THE GROWTH SHOULD BE AROUND 5%. WE CONFIRM WHAT WE HAD LAST YEAR ALSO GOING FORWARD AND SO WE HAVE VERY GOOD EXPECTATIONS FOR ROMANIA AS WELL WITH THE CONSUMPTION THAT IS IN EXCESS OF 7%. SO THE BACKDROP AGAINST WHICH WE HAVE BEEN OPERATING IN ADDITION TO THE STRATEGIC DECISIONS WE HAVE MADE IN THE PAST HAVE INDEED ENABLED US TO ACHIEVE, TO PRODUCE RESULTS THAT YOU CAN SEE AS Q3 RESULTS.

REAL ESTATE THERE IS STILL A GOOD MOVEMENT AND DYNAMIC TOTAL REAL ESTATE INVESTMENT IN EXCESS OF 7 BILLION, AND OF SEPTEMBER UP 33% VERSUS 2016, AND THE LION'S SHARE IS STILL REPRESENTED BY FUND CAPITAL ACCOUNTED FOR 54% OF THE TOTAL INVESTED AMOUNT. RETAIL INVESTMENT IS STILL APPROXIMATELY AROUND €1.4 BILLION, THAT'S THE MACRO BACKGROUND.

AND LET'S NOW MOVE TO PAGE 7 IN THE PRESENTATION; THAT LED TO AN EFFECT AN IMPACT ON OUR OPERATIONS. TENANT SALES IN MALLS, EXPECT A VERY GOOD THIRD QUARTER AS YOU CAN SEE ON THE RIGHT HAND SIDE TOP RIGHT IN THE SQUARE TOP RIGHT, SO UP 4.3% IN Q3 NOT INCLUDING THE ESP EXTENSION THAT WAS OPENED ON JUNE THE 1ST, AND THAT LED TO A CONSOLIDATED GROWTH FOR THE FIRST NINE MONTHS EQUAL TO UP 1.8%, AND IF YOU INCLUDE ESP EXTENSION WE WOULD LAND AT 3.7%. THE BENCHMARK, AS FAR AS, WE GATHER FROM CNCC BENCHMARK, WE ARE OUTPERFORMING THE BENCHMARK, THAT THE ITALIAN ASSOCIATION FOR SHOPPING MALLS.

SO ALSO IN THE POSITIVE WERE ALSO FOOTFALLS, IF WE COMPARE THEM TO H1, 2017, SLIGHTLY IN THE POSITIVE AS YOU CAN SEE UP 0.1%, IN ROMANIA THE TREND IS SLIGHTLY NEGATIVE BECAUSE OF HIGHER COMPETITION IN MALLS IN THE SAME AREA AS WHERE OURS ARE LOCATED AND FIT-OUT WORKS THAT ARE ABOUT TO BE COMPLETED.

LET ME CARRY ON WITH OPERATING PERFORMANCE ON PAGE 8 OF THE PRESENTATION. IN THE FIRST NINE MONTHS OF 2017, WE HAD 134 SIGNED CONTRACTS OF WHICH 48 WERE TURNOVER AND 86 WERE RENEWALS, WITH A 5.7% UPSIDE, 3.9%, ROUGHLY 4% ROTATION RATE AND OCCUPANCY SLIGHTLY HIGHER AT THE END OF THE FIRST HALF, WE LAND AT 96.8% FOR THIS FIRST NINE MONTHS.

ROMANIA, WE ARE NOW ON PAGE 9, 317 SIGNED CONTRACTS FOR WHICH 130 WERE TURNOVER, AND 187 WERE RENEWALS UP 2.3% THE AVERAGE UPSIDE ON RENEWALS, ROTATION RATE 22.4%, OCCUPANCY RATE WHICH IS BASICALLY STABLE FLAT VERSUS THE ITALIAN LANDS AT 96.9%, AS I SAID.

LET'S MOVE ON TO PAGE 10 OF THE PRESENTATION, DEEP DIVING INTO DETAILS. AND ON A LIKE-FOR-LIKE BASIS GROWTH IN ITALY WAS PLUS 1.1% MAINLY DRIVEN IF NOT EXCLUSIVELY BY THE GROWTH IN SHOPPING MALLS UP 2.1%, WHILE OUR HYPERMARKETS ARE FLAT. AND AS IT HAPPENED IN H1 WAS A LIMITED CONTRIBUTION PROVIDED BY INFLATION WHICH HAD A WEIGHT OF ABOUT ONE-THIRD, THAT IS TO SAY 50 BASIS POINTS IN THIS GROWTH FIGURE. WHILE ON A LIKE-FOR-LIKE BASIS FOR ROMANIA, THE GROWTH WAS STRONGER AND AS ALREADY DETECTED AT THE END OF JUNE, AND SO IT WAS UP 7%. THE OVERALL GROWTH €97 MILLION, STARTING FROM €97 MILLION OF LAST YEAR TO €103 MILLION, THIS YEAR FIRST NINE MONTH OF 2017 WAS MAINLY DRIVEN THIS GROWTH BY ACQUISITIONS AND EXTENSIONS THAT HAD AN IMPACT OVER THOSE FIRST NINE MONTHS.

LET'S MOVE ON TO PAGE 11, FFOs, FUND FROM OPERATIONS LANDS AT €49 MILLION, SPEEDING UP ACCELERATING VIS-À-VIS WHAT WE HAD DETECTED IN H1, WHICH WAS SLIGHTLY ABOVE 17%, IT WAS EXPECTED, THIS TYPE OF SPEEDING UP WE ARE ABOVE THE GUIDANCE WE DISCLOSED TO THE MARKET DURING THE APPROVAL OF THE H1 RESULTS, AND I AM RECONFIRMING THAT GUIDANCE. IN THE END, I AM QUITE CONFIDENT THAT WE WILL BE ABLE TO OUTPERFORM THAT GUIDANCE BY A FEW DECIMAL POINTS, BECAUSE Q4 THE LAST QUARTER IN THE YEAR NORMALLY IS NOT AS PERFORMING AS THE PREVIOUS ONES, BECAUSE WHILE YOU HAVE ONE-OFF COST AS WELL, ONE-OFF FOR ALL THE INDEPENDENT EXPERT APPRAISALS THAT ARE NORMALLY ALL IN THE LAST QUARTER. AND THEN NON-RECURRING COSTS IN THE LAST QUARTER AS WELL. GROWTH SHOULD LAND ANYWAY AROUND 20% PROBABLY SLIGHTLY MORE THAN 20%.

WE'D LIKE TO SEE, AND WE ARE ON PAGE 12 OF THE PRESENTATION. WHAT I LIKE TO SHARE WITH YOU ABOUT IS THE THE INTERNATIONAL AWARDS WE WERE GIVEN FROM EPRA THIS YEAR TO ONCE AGAIN; IT'S THE EUROPEAN ASSOCIATION FOR LISTED COMPANIES. FOR SAY, THREE YEARS IN A ROW WE GOT THE EPRA GOLD AWARD FOR OUR SUSTAINABILITY REPORT, AND WE WILL RECONFIRM THE SILVER RANK 2 WHEN IT COMES TO OUR ANNUAL REPORT, AND WE ARE STILL COMMITTED TO GET THE GOLD AWARD FOR THE ANNUAL REPORT AS WELL NEXT YEAR.

SECOND BULLET POINT, LET ME HAVE A LOOK AT IT, AS YOU KNOW, AND WE DISCLOSED THIS STARTING ON SEPTEMBER THE 10TH, WE HAVE OUR LIQUIDITY SUPPORT PROGRAM THROUGH WITH KEPLER CHEUVREUX, WE STARTING TO SEE THE FIRST EFFECTS OF THE AGREEMENT OF THAT CONTRACT. AND THEN, OF COURSE, WE GOT THE NEWS OVER THE LAST FEW WEEKS OF REAL ESTATE COMPANIES BEING OR BECOMING ELIGIBLE FOR PIR PROJECTS. AND SO THAT IS SAY TO BE COMPLIANT TO THE NEW PIR REGULATIONS. AND WE ARE QUITE CONFIDENT THAT THIS CAN HAPPEN BECAUSE IN THE STABILITY LAW, THE PROPOSAL MADE BY THE GOVERNMENT TO EXTEND THIS TO THE REAL ESTATE COMPANIES, AS WELL, THAT THIS EXTENSION IN THE REGULATION TO EXTEND IT TO REAL ESTATE PLAYERS AS WELL. IT IS NOT YET APPROVED. APPROVAL IS EXPECTED LATER THIS YEAR. YOU SEE THE TWO PATHWAYS, OCTOBER THE 30TH, OF THE OFFICIAL AMENDMENT OF THE STABILITY LAW, THAT'S GOOD NEWS. IT WAS INTRODUCED WITH THE AMENDMENT. APPROVAL IS EXPECTED BY DECEMBER 2017, HOPEFULLY BEFORE THAT.

LET US NOW MOVE ON TO THE FINANCIAL HIGHLIGHTS. WE ARE ON PAGE 14 OF PRESENTATION. LOAN-TO-VALUE IS SLIGHTLY DOWN VERSUS END OF JUNE, IT IS DOWN TO 48% AND GEARING RATIO 0.96 VERSUS 0.98 END OF JUNE 2017. COST OF DEBT IS STILL DECLINING. IT IS 2.85 VERSUS 2.91 IN THE FIRST HALF OF 2017 AND CONVERSELY THE INTEREST COVERAGE RATIO IS HIGHER, WE ARE CLOSE TO 2.89 TIMES VERSUS 2.8 TIMES IN THE FIRST HALF, AND OUR DEBT QUALITY IS GOOD. AVERAGE MATURITY RESIDUAL TO FIVE YEARS AND HEDGING ON LONG-TERM DEBT PLUS BOND IS ALMOST 95%. GREATER LEVEL OF DETAIL YOU WILL FIND ON PAGE 15. YOU WILL SEE HOW OUR FINANCIAL PROFILE HAS BEEN IMPROVING OVER THE LAST FEW YEARS. PEAK OF COST OF DEBT IN 2014 WAS 4.03% AND THEN THEY DECLINED, HAS LED TO 2.85. AT THE END OF SEPTEMBER, WE SHOULD GET AROUND 2.8 AT YEAR END. WHILE ICR ON THE OTHER HAND, THE INTEREST COVERAGE RATIO HAD ITS MINIMUM LEVEL IN 1.77 TIMES IN 2014 TO GET TO 2.89 AT THE END OF SEPTEMBER. LOAN-TO-VALUE IS STILL IN OUR COMFORT ZONE AS WE CALLED BETWEEN 45% TO 50% AFTER THE STRONG REDUCTION WE EXPERIENCED IN 2014 WHILE WE CUT 9 POINTS, SO HAS BEEN HOVERING AROUND THIS RANGE AND WITHIN THE TIMEFRAME OF OUR BUSINESS PLAN, IT WILL STAY SUCH.

AND THEN NEXT PAGE THAT WE HAVE ANNEXES, AS WELL, BUT THIS IS THE LAST PAGE OF THE PRESENTATION. YES, DEBT STRUCTURE WHICH START FROM OVERALL DEBT STOCK AT THE END OF

SEPTEMBER, 1.065 BILLION. 1.012 IS THE LONG-TERM DEBT, AND THE BREAKDOWN OF OUR DEBT IS ABOUT TWO-THIRDS IS MARKET AND ONE-THIRD IS BANKING SYSTEM. ON THE RIGHT HAND SIDE YOU WILL SEE THE CHART, THE BAR CHART WITH ALL THE MATURITY PROFILE, WHERE YOU CAN CHECK THAT IN 2018 IT IS ONLY €35 MILLION FOR THE REPAYMENT OF EXISTING MORTGAGES.

I THINK THAT SATISFIES OUR CONCERNS IN INTERIM RESULTS. THERE IS NOT MUCH TO COMMENT UPON. MAYBE, WE COULD HAVE A MUCH MORE COMPLEX PRESENTATION AT THE END OF THE YEAR WHEN WE APPROVE THE YEAR END RESULTS. OF COURSE, I AM HERE AVAILABLE TOGETHER WITH MR. GASPERONI, AND ALL THE COLLEAGUES TO TAKE ANY QUESTIONS YOU MIGHT HAVE OR REQUESTS FOR CLARIFICATIONS. THANK YOU VERY MUCH.

Q&A

OPERATOR: THIS IS THE CHORUS CALL OPERATOR. LET'S NOW OPEN UP THE Q&A SESSION. THE FIRST QUESTION COMES FROM THE LINE OF MERIS TONIN WITH BANCA INTESA. YOU HAVE THE FLOOR.

MERIS TONIN: GOOD AFTERNOON TO ALL OF YOU. FIRST QUESTION ON YOUR OUTLOOK FOR THE COMING YEAR. COULD YOU GIVE US SOME GUIDANCE AS TO WHAT YOU THINK WILL BE THE SUSTAINABLE LIKE-FOR-LIKE GROWTH FIGURES FOR YOU? AND SECOND QUESTION, THE BLOOMBERG PRESS RELEASE, YOU HINTED AT THE PRESENTATION OF A BUSINESS PLAN THAT MIGHT TAKE PLACE IN NEXT AUTUMN, SO COULD YOU ELABORATE ON THAT? AND ANOTHER QUESTION CONCERNING THE EFFECT OF THE PIR ELIGIBILITY COULD HAVE AND IS THAT ACTUALLY [PH] RECOVERED, AND THERE WAS A DISCOUNT CONSIDERING THE ASSET VALUATION THAT WAS APPLIED. BUT COULD THAT ACCELERATE YOUR GROWTH, EXTERNAL GROWTH? AND THEN IN THE BLOOMBERG PRESS RELEASE, THERE WAS A MENTION OF SLOWING DOWN IN THE OPENING OF OFFICINE STORICHE PUT OFF TO SECOND HALF OF 2018 INSTEAD OF THE FIRST HALF OF 2018. WOULD THAT HAVE AN IMPACT? WHAT KIND OF IMPACT IS DONE, WHEN IT COMES TO YOUR CASH GENERATION OR FFO TARGETS FOR NEXT YEAR? THANK YOU VERY MUCH.

CLAUDIO ALBERTINI: THANK YOU VERY MUCH. FIRST OF ALL, IT IS NOT PRESS RELEASE ON BLOOMBERG. I JUST ANSWERED QUESTIONS THAT THE JOURNALIST WAS ASKING, SO JUST TO BE PRECISE, IT IS NOT OUR PRESS RELEASE. ON THE LIKE-FOR-LIKE GROWTH FOR 2018, YOU ESTIMATE ON A LIKE-FOR-LIKE BASIS AS GROWTH THAT'S ACTUALLY HIGHER THAN 2%, TWO POINT SOMETHING. AND WITH THE MAIN CONTRIBUTION, WITH A LARGER CONTRIBUTION PROVIDED BY INFLATION, WHICH WE HOPE IS GOING TO BE HIGHER THAN THE ONE WE HAVE THIS YEAR, SO WE EXPECT A GROWTH IN A RANGE OF 2% TO 2.5%, AGAIN ON A LIKE-FOR-LIKE BASIS.

AS TO THE BUSINESS PLAN WHAT DID I SAY? SECOND HALF 2018, IT COULD BE BEFORE THE SUMMER BECAUSE THE STANDING BOARD IS GOING TO EXPIRE IN 2018. SO, THE NEW BUSINESS PLAN, LET ME REMIND YOU THAT THE CURRENT BUSINESS PLAN IS 2016 TO 2018. SO, THIS MORNING WHEN WE APPROVED THAT BUDGET SOMEHOW WE LOOKED INTO AS A PLAN PERFORMANCE WITH BUDGET 2018 AND WE MUST START AGAIN WITH 2018 BUDGET TARGETS. SO THE STANDING BOARD WILL COME UP WITH A FIRST CHECK UP OF THE PLAN AND THEN AFTER THE BOARD IS RENEWED, WE'LL TAKE THE LEGACY OF PREVIOUS BOARD AND OF COURSE WILL SETUP THE NEW BUSINESS PLAN STARTING, WELL, SOMEWHERE IN BETWEEN THE FIRST AND THE SECOND HALF, EITHER IMMEDIATELY AFTER THE SUMMER LET'S SAY. AS TO THE NEW BUSINESS PLAN AND WHAT IT WILL BE LIKE, I CANNOT TELL YOU MUCH, INDEED IF WE TALK ABOUT GROWTH, IT COULD BE LESS ORGANIC THAN EXTERNAL GROWTH. AND WE WILL HAVE PROBABLY COMPLETED OUR INVESTMENTS PIPELINE. IN 2009, WE HAD A PORTFOLIO OF ABOUT €800 MILLION AND THEN WE ADDED MANY OTHER INVESTMENTS, €200 MILLION, €250 MILLION WORTH OF INVESTMENT AT THE END OF THAT TIMEFRAME, 2016-2018 WE WOULD HAVE INVESTED ABOUT €1 BILLION. SO, WE WOULD LIKE TO GROW MORE. AND I ALWAYS SAY THAT ALSO DURING OUR ROADSHOWS WHERE WE PRESENT UPDATE.

AS YOU SAID, WE WERE STARTING TO ASK WHETHER OR NOT ABOUT THE BUSINESS PLAN TIME HORIZON, BEYOND THAT HORIZON WE GET A QUESTION, WE HAD SOME MINOR PROJECTS SO FAR, OUR PORTFOLIO IS ALREADY A MAJOR ONE. SO OUR BUSINESS PLAN I CANNOT TELL YOU MORE ABOUT IT, WE'LL SEE WHETHER OR NOT I WILL I STILL BE PART OF THE BOARD, IT WILL BE OR/AND WHETHER IT WILL BE UP TO ME TO WORK ON THAT PLAN, IF I WILL BE RECONFIRMED IN MY MANDATE.

MERIS TONIN:

AS TO THE PEERS, OVER THE LAST FEW YEARS WE SAW A GREAT DRIVER, GREAT PUSH ON THE NEWS, SOMETIMES RUMORS. SO YOU BUY ON RUMORS AND SELL ON NATIONAL NEWS, THIS IS WHAT THEY NORMALLY SAY.

CLAUDIO ALBERTINI:

IF REAL ESTATE COMPANIES WILL BE ELIGIBLE FOR PIR, IT'S GOING TO BE A GOOD DRIVER FOR THE INDUSTRY. AS I ANSWERED THIS MORNING TO THE BLOOMBERG JOURNALIST, WE NEED THAT I TOLD HER AND WE WANT MORE COMPANIES, MORE LISTED COMPANIES. WE WISH THAT THERE CAN BE MORE LISTED COMPANIES, OTHERWISE WITH LIQUIDITY, ABOVE €10 BILLION WORTH OF LIQUIDITY, BUT EVEN A LARGER POOL GOING FORWARD OF LIQUIDITY. I MEAN ONE FIND ENOUGH OFFER FOR COMPANIES, LISTED COMPANIES, IGD'S DESPITE THE RALLY IT WENT UP 35% SINCE THE BEGINNING OF THE YEAR. AS YOU PROBABLY DETECTED AS WELL, LOOKING AT YOUR DAILY FIGURES AND THERE IS A SPREAD DELTA TO TRIPLE NET NAV THAT IS IN EXCESS OF 20%, SO WE STILL HAVE A POTENTIAL TO FURTHER GROW. AND TODAY THE CONSENSUS ON DIVIDEND YIELD IS ABOUT 5%.

AS TO OFFICINE STORICHE I CAN SAY THAT PROBABLY THERE WAS A SLOWING DOWN OF SOME AUTHORIZATION PATHWAYS SOMEHOW AND SO, WE ARE STILL MONITORING THE SITUATION. AND MOST LIKELY THE OPENING OF OFFICINE STORICHE WILL BE ROUGHLY TOWARDS THE END OF THE SECOND HALF RATHER THAN THE BEGINNING OF THE FIRST HALF AND THAT WILL HAVE AN IMPACT ON 2018 INDEED. AND 2018, THIS MORNING, WE APPROVED OF THE BUDGET, THE BOARD APPROVED THE BUDGET WITH A SIZABLE FFO EXPECTATION, GROWTH EXPECTATION EVEN THOUGH WE ARE NOT TALKING ABOUT THE GROWTH RATE WE SAW LAST YEAR, AND THIS YEAR WE ARE NOT EXPECTING THOSE TO BE MORE. IT WILL BE NICE TO GROW MORE THAN 20% EVERY YEAR, BUT WE WILL ALL SEE ONCE WE GET THE GUIDANCE, WHEN WE WILL GIVE YOU THE GUIDANCE WE WILL SEE WHAT WE EXPECT GROWTH WISE FOR THE COMING YEARS.

MERIS TONIN: THANK YOU SO MUCH.

CLAUDIO ALBERTINI: I HOPE I WAS CLEAR AND EXHAUSTIVE IN MY ANSWER.

OPERATOR: THE NEXT QUESTION COMES FROM THE LINE OF SIMONETTA CHIRIOTTI WITH MEDIOBANCA. YOU HAVE THE FLOOR, MADAM.

SIMONETTA CHIRIOTTI: GOOD AFTERNOON TO ALL OF YOU. I WOULD LIKE TO KNOW WHAT'S YOUR COST OF DEBT FOR THE OFFICIAL TARGET WITHIN THE BUSINESS PLAN HAS BEEN OUTPERFORMED, AND WITHOUT REALLY ASKING FOR THE PRECISE GROWTH EXPECTATIONS FOR YOUR NEXT YEAR'S FFO, BUT WHAT DO YOU THINK ARE THE DRIVERS UNDERPINNING THAT, IF THE DECLINE IN THE COST OF DEBT IS STILL A MEANINGFUL FACTOR FOR YOU? LAST QUESTION, ALWAYS ABOUT LIVORNO, YOU SERVED MOST PART OF THE RESIDENTIAL PORTION, COULD YOU REMIND US IF THERE IS STILL SOME OUTSTANDING OR IF WE CAN EXPECT ADDITIONAL SALES OVER THE COMING YEARS?

CLAUDIO ALBERTINI: WELL, AS TO THE COST OF DEBT TARGETS, WE HOPE TO FURTHER REDUCE IT BY THIS END OF THIS YEAR, SO AROUND 2.8 AND A FURTHER REDUCTION OF ABOUT 10 BASIS POINTS NEXT YEAR. HOPEFULLY, MOVING 10 BPS, SO AROUND 2.7% COST OF DEBT FOR NEXT YEAR, AT THIS LEVEL, THE REDUCTION OF COURSE IS LESS MARKED THAN IT WAS IN THE PAST AND WHAT I SHOWED YOU, STARTING FROM WHAT WE HAVE IN 2014. SO THE FFO GROWTH COMPONENT WE ARE GOING TO HAVE IN 2018 IS PROBABLY AFFECTED BY THE COST OF DEBT, BUT LESS BY THE DECLINE IN COST OF DEBT, BUT LESS THAN IN THE PREVIOUS YEARS.

AND WE SHOULD WITNESS AN INCREASE IN CORE BUSINESS EBITDA. NEXT YEAR, WE ARE GOING TO HAVE 12 MONTHS OF REVENUES, RENTAL REVENUES INCLUDING THE RAVENNA EXTENSION. AND OUR GOAL IS, ON A LIKE-FOR-LIKE BASIS THAT SHOULD BE AROUND 2%, 2.5%. SO FOR NEXT YEAR, THAT'S GOING TO BE THE PREVAILING COMPONENT OR CONTRIBUTOR AROUND. SO IT'S GOING TO BE

MORE CORE BUSINESS REVENUES THAN COST OF DEBT REDUCTION AS IT HAPPENED FOR THE PREVIOUS TWO FISCAL YEARS.

LIVORNO WE SOLD ABOUT 80% OF RESIDENTIAL UNITS BETWEEN WHERE WE WERE, WE HAVE A NOTARY REPUBLIC DEED, ONE WAS IN THE LAST FEW DAYS, PRELIMINARY AGREEMENTS, 61% OUT OF THE 73 UNITS, SO THERE ARE 12 OUTSTANDING UNITS. IN THE 2018 BUDGET WE FORESEE BETWEEN THE ONES, THAT ONES THAT ARE GOING TO GO THROUGH THE NOTARIAL DEEDS, SOME OF THE 61S AND NEW SALES, TO DO ANOTHER 10, 12 SALES, SO SELL THE OUTSTANDING 12 UNITS, SO EITHER SELL THEM OR HAVE THEM UNDER PRELIMINARY AGREEMENTS. SO AT THE END OF THE BUSINESS PLAN AND UPWARD MAXIMUM, FIVE, SIX OUTSTANDING UNITS, SO HAVING COMPLETED THE SALES PLAN AS DISCLOSED IN THE BUSINESS PLAN. TO THEN FOCUS ON OFFICINE STORICHE FOR WHICH WE ARE EXPECTING AN AMENDMENT TO BE APPROVED BY THE MUNICIPALITY AND SO THAT NEXT YEAR WE CAN COMPLETE THE WORK AND THEN OPEN OFFICINE STORICHE BY YEAR-END, WHICH IS THE CORE PART OF OUR PROJECT, IF YOU WISH.

SIMONETTA CHIRIOTTI:

THANK YOU.

OPERATOR:

MR. ALBERTINI, SIR, THERE ARE NO MORE QUESTIONS.

CLAUDIO ALBERTINI:

THANK YOU VERY MUCH ON BEHALF OF OUR CHAIRMAN AS WELL, WHO IS SITTING HERE NEXT TO ME AND ALL THE COLLEAGUES WHO ARE HERE WITH ME TODAY. AND WE WILL TALK TO YOU AGAIN WHEN WE PRESENT OUR YEAR-END RESULTS. THANK YOU.