

**Event:** 9M 2014 Financial results presentation  
**Date:** 12th November 2014  
**Speakers:** Mr. Claudio Albertini, CEO  
Mr. Daniele Cabuli, COO

**OPERATOR:** GOOD AFTERNOON. THIS IS THE CHORUS CALL OPERATOR. WE LIKE TO WELCOME YOU ALL TO THE FIRST NINE MONTHS FINANCIAL RESULTS PRESENTATION OF IGD. MANAGEMENT'S PRESENTATION WILL BE FOLLOWED BY A Q&A SESSION. NOW I'D LIKE TO TURN THE CALL OVER TO CLAUDIO ALBERTINI, CEO OF IGD. PLEASE SIR.

**CLAUDIO ALBERTINI:** GOOD AFTERNOON EVERYBODY. AS YOU HAVE PROBABLY LEARNT BY READING THE RECENTLY RELEASED PRESS RELEASE, OUR BOARD MET THIS MORNING TO REVIEW AND APPROVE OUR FINANCIALS AT THE END OF SEPTEMBER 2014. BEFORE STARTING WITH THE PRESENTATION, LET ME MAKE A PRELIMINARY REMARK.

THIS QUARTERLY RESULT PRESENTATION THE LAST ONE BEFORE THE CAPITAL INCREASE THAT HAS BEEN AUTHORIZED BY THE BOARD OF DIRECTORS AND APPROVED BY THE AGMS AND COMPLETED ON OCTOBER MORE SPECIFICALLY IN OCTOBER, ON OCTOBER 17TH WE HAVE CASHED IN THE CONSIDERATION FOR THE CAPITAL INCREASE AND THE WEEK AFTER ON THE 25TH WE HAVE ASSIGNED ALL THE DEEDS RELATED TO THE PURCHASE OF THE ASSET PORTFOLIO RELATED WERE UNDERLYING THIS CAPITAL INCREASE. SO THIS IS SIMPLY TO SAY THAT THE FINANCIALS WE ARE GOING TO PRESENT TODAY DO NOT INCLUDE THE IMPACT OF SUCH A TRANSACTION. HOWEVER, WE WILL GIVE YOU SOME GUIDANCE IN ORDER FOR YOU TO BE IN A POSITION TO APPRECIATE THE FIRST EFFECTS OF THE CAPITAL INCREASE.

LET'S START RIGHT AWAY ON PAGE 3 AND LET'S START AS IT IS CUSTOMARY WITH THE HIGHLIGHTS. LET'S HAVE A LOOK AT REVENUES. TOTAL REVENUES AMOUNTED TO €91.8 MILLION SLIGHTLY UP COMPARED TO THE END OF THE FIRST NINE MONTHS LAST YEAR OR UP 1.5% AND THEN CORE BUSINESS REVENUES REMAIN PRETTY MUCH FLAT AT €90 MILLION. EBITDA GENERATED BY THE CORE BUSINESS AMOUNTED TO €59.4 MILLION WERE DOWN 4.7%.

AS YOU WILL SEE LATER, THIS DECLINE WAS MAINLY DRIVEN BY THE TRANSFER OF THE MALL IN LIVORNO WHERE WE HAVE SIGNED A MASTER LEASE WITH THE CUSTOMERS, THE EBITDA MARGIN IS DOWN 2.9% AT 66%, WHILST THE EBITDA MARGIN FROM FREEHOLD GENERATED BY THE PORTFOLIO WHICH DOES NOT INCLUDE ANY LEASE PAYABLES IS DOWN 0.9% AND STANDS AT 77.7%. EARNING OR PROFIT BEFORE TAXES AND THIS IS A POSITIVE IS UP 14%. WE HAVE STRESSED THIS NET PROFIT IS DOWN 36.6% AT €7.1 MILLION.

HOWEVER THAT WAS SIZABLY AFFECTED BY THE FISCAL IMPACT OF THE SO CALLED UNLOCK ITALY OR SBLOCCA ITALIA LAW WHICH HAD AN IMPACT ON OUR PROFIT ONLY IN TERMS OF ACCOUNTS AND NUMBERS AND ESPECIALLY I AM TALKING ABOUT DEFERRED TAXES, BUT WE WILL GIVE YOU MORE LIGHT AND MORE COLOR ABOUT THIS. FUNDS FROM OPERATIONS OF THE CORE BUSINESS THAT TO SAY THE RECURRING PROFIT OR THE RECURRING CASH GENERATION AMOUNTED TO €25.2 MILLION, DOWN 6.8 PERCENTAGE POINTS. AGAIN THE DRIVER WAS THE MASTER LEASE WHICH WAS ENTERED INTO IN RELATION TO THE LIVORNO SHOPPING MALL.

ON THE FOLLOWING PAGE, YOU CAN SEE THE NUMBERS AT THE END OF SEPTEMBER AS YOU KNOW THAT AT THE END OF DECEMBER AND AT THE END OF JUNE, WE ASSESS OUR NAV AS WELL AS OUR WORTH OF OUR PORTFOLIO. SO NAV FROM 2.13 AS ADJUSTED NUMBER SORRY IF WE ADJUST THE 2.13 OF NET ASSET VALUE TO INCORPORATE THE IMPACT OF THE REAL ESTATE PORTFOLIO 90 POINT SOMETHING MILLION GOES TO 1.24 AND TO 1.9 BILLION. LOAN-TO-VALUE AMOUNTED TO 56.1% THAT REMAIN PRETTY MUCH STABLE COMPARED TO THE END OF JUNE, BUT IF WE ADJUST THE NUMBER THAT'S STILL BELOW 50% AND STANDS AT 48.2%. IF WE HAVE A LOOK AT GEARING TO BE INTENDED AS OUR DEBT EQUITY MOVE FROM 1.3 THAT'S AGAIN STABLE IF COMPARED WITH THE NUMBER AT THE END OF JUNE, BUT IF IT IS ADJUSTED IT GOES DOWN TO 0.95. LET'S HAVE A LOOK AT OUR FINANCIAL OCCUPANCY EPRA COMPLIANT AGAIN AT THE END OF SEPTEMBER, WE REMAINED FLAT AGAINST THE END OF JUNE, ITALY 96.2 AND THERE IS A DIFFERENT TREND OF THE HYPERMARKETS WHICH HAS 100% OCCUPANCY AND WE HAVE A DIFFERENT TRENDS IN THESE VARIOUS SEGMENTS AND ROMANIA TOO IS PRETTY MUCH FLAT AGAINST JUNE 85.9%.

LET'S NOW GO TO PAGE 6, LET'S HAVE A LOOK AT REVENUES AND THE BREAKDOWN OF TOTAL REVENUES. TOTAL REVENUES AS I SAID THEY ARE UP 1.5 PERCENTAGE POINTS REACHING 91.8 AGAINST 9.4. CORE REVENUES ARE SLIGHTLY DOWN 0.5% AND WE WILL GIVE YOU GREATER DETAILS ABOUT THAT ELABORATING ON THE DRIVERS UNDERLYING THIS TREND. WHILST REVENUES GROWTH MAINLY WERE DRIVEN BY TRADING REVENUES 1.6 MILLION AGAINST ALMOST ON EXISTENT REVENUES IN THE FIRST FEW MONTHS OF 2013. THE UPWARD TREND WILL SEE A TREND REVERSAL IN THE LAST QUARTER, BECAUSE THE UNITS SOLD IN PORTA A MARE WERE CONCENTRATED AT THE END OF THE FISCAL PERIOD THIS YEAR WE WILL HAVE LESSER SALES. SO TOTAL REVENUES ARE EXPECTED TO GO DOWN AND THAT'S MAINLY THE OVERALL FORECAST WHICH WE GAVE FOR 2014. SO THESE REVENUES THEY ARE NOT REALLY SIZABLE, BUT THEY ARE UP APPROXIMATELY 5% FROM 3.745 TO 3.952. ON THE RIGHT HAND SIDE, YOU CAN SEE THE BREAKDOWN BY TYPE OF ASSET AND THAT'S A SNAPSHOT AT THE END OF SEPTEMBER AGAIN THE DELTAS OR CHANGES ARE LESS MEANINGFUL. WE COULD HAVE ADJUSTED THE NUMBERS. LET ME SAY RIGHT AWAY THAT HYPERMARKETS AS A CONSEQUENCE OF THE ACQUISITIONS THAT WERE MADE WILL GO UP TWO PERCENTAGE POINTS ON OCTOBER 25TH WITH A PROPORTIONATE DECLINE OF THE OTHER ASSET CLASSES.

LET'S GO NOW TO PAGE 7 AND LET'S HAVE A LOOK AT RENTAL INCOME DRIVERS. WELL FIRST OF ALL, LET ME STRESS A POSITIVE ELEMENT IN MY OPINION WHICH WE CAN SEE EVEN MORE POSITIVE IS PUT AGAINST THE BACKDROP OF THE FIRST NINE MONTHS OF 2014 WHICH IS MARKED BY WEAK CONSUMPTIONS. THE OVERALL 2014 ESTIMATES IS AN INCREASE OF CONSUMPTION OF SLIGHTLY ABOVE 0.2% INFLATION IS ALMOST ON THE VERGE OF TURNING INTO DEFLATION. SO, ON A LIKE-FOR-LIKE BASIS WE ARE UP 0.4% OFFSETTING INFLATION PROBABLY A LITTLE BIT MORE THAN JUST THAT. AS YOU CAN SEE, THIS WAS DRIVEN BY THE HYPERMARKET ASSET CLASS UP 0.8% DUE TO A FEW STEPS ENVISAGING INCREASES AS ENVISAGED BY OUTSTANDING CONTRACTS. AND THEN WE HAD MALLS THAT HELD THE GROUND PRETTY WELL PLUS 0.1% POSITIVE CONTRIBUTION CAME FROM NEW OPENINGS I AM TALKING ABOUT CENTRO D'ABRUZZO THAT WAS OPENED IN APRIL. IT TURNED OUT TO BE VERY, VERY SUCCESSFUL IN THE FIRST FEW WEEKS AND IT GAVE QUITE AN IMPORTANT CONTRIBUTION AS YOU WILL HEAR LATER IN TERMS OF FOOTFALLS AND NUMBER OF TENANTS AND THEN PIAZZA MAZZINI WHICH IS THE FIRST ENTITY THAT WAS OPENED IN LIVORNO AND WE ALSO NEXT YEAR OR AT LEAST IN TWO YEARS TIME TO OPEN THE HISTORIC ASSET. THEN WE HAVE ALL THE NEGATIVE RELATED TO INSTRUMENTAL VACANCY THEY ARE LIST UNDER THE CAPTION OTHER ITALY MINUS 104. LET'S HAVE A LOOK AT ROMANIA. THE IMPACT OF STRATEGIC VACANCY WAS 635 WITH DECLINE OF 11.1% WHICH IS DUE SORRY WHICH IS MEANT TO GO BELOW 10% BY THE END OF THE YEAR. PORTA A MARE GIVES POSITIVE CONTRIBUTION OF €140,000. THIS IS THE FIRST RENTAL INCOME WHICH WE HAVE CASHED IN RELATED TO THE ORLANDO RENTAL FOR A TOTAL RENTAL OF 0.6% IN THE NEGATIVE.

LET'S HAVE A LOOK AT DIRECT COSTS. WE ARE NOW ON PAGE 8. NOW THEY ARE ON THE UPWARD TREND, BUT WE HAVE JUST TO CONSIDER CAREFULLY THE DRIVERS. NET OF LEASES PAYABLES BECAUSE WE SOLD LE FONTI DEL CORALLO, LIVORNO'S SHOPPING MALL, BUT WE HAVE LEASE CONTRACTS WHICH HAS INCREASED OUR DIRECT COST. AS A CONSEQUENCE OF THESE LEASES PAYABLES, DIRECT COSTS ARE UP 1.3. SO THIS IS A MARGINAL INCREASE AND I WOULD SAY THE BULK OF IT IS DETERMINED BY THE INCREASE OF THE NEWLY INTRODUCED TAX TASI WHICH COUPLED WITH EMU HAS DRIVEN COST UP BY €200,000 ROUGHLY SPEAKING. G&A ARE UP 3.8% AND THEY PERTAIN MAINLY TO CONTRACTUAL COST OF THE AMENDMENT OF LABOR OR EMPLOYMENT COST.

LET'S HAVE A LOOK ON PAGE 9 AT THE CHANGE IN OUR TOTAL CONSOLIDATED EBITDA YOU CAN SAY THAT FROM 51.6 WE ARE GOING ON TO 59.089 AND WHAT'S MORE EASILY VISIBLE IS THE IMPACT OF CHANGE IN RENTS AND LEASES PAYABLES AND THE OTHER CHANGES ARE MORE CONTAINED IN TERMS OF AMOUNT AND NUMBERS FOR INSTANCE WE HAVE €299,000 THAT'S A CHANGE IN REVENUES FROM RENTAL ACTIVITY AND SERVICES. THEN WE HAVE POSITIVE CONTRIBUTION THAT'S A CHANGE IN ACTIVITY FROM TRADING AND THEN WE HAVE 335 WHICH IS CHANGE IN G&A WHICH GIVES US THE TOTAL OF 59.089 WHICH IS THE OVERALL EBITDA. I'D LIKE TO STRESS ONE POINT THAT TO SAY THAT THE EBITDA AS WE HAVE ALREADY

HIGHLIGHTED, EBITDA MARGIN FROM FREEHOLD MANAGEMENT IS DOWN LESS THAN ONE PERCENTAGE POINT FROM 78.6 TO 77.7%.

WE ARE NOW ON PAGE 10 AND HERE WE CAN SEE THE CHANGE IN PBT IT AMOUNTED TO €11.076 MILLION AND IT REACHED 7 MILLION PLUS. SO YOU SEE THE NEGATIVE IMPACT OF A CHANGE IN EBITDA OF THE CORE BUSINESS AND LEASES PAYABLES HAVE HAD AN IMPACT FOR SURE THEN WE HAVE THE IMPACT OF THE PORTA A MARE PROJECT AND ALL THE RELATED SALES. THEN WE HAVE A POSITIVE CHANGE THAT TO SAY LOWER WRITE-DOWNS AT THE END OF JUNE AT FAIR VALUE. AND THEN THERE IS ANOTHER POSITIVE OR ANOTHER IMPROVEMENT AND I WILL ELABORATE ON THIS APPROXIMATELY €800,000 THAT'S A CHANGE IN FINANCIAL CHARGES, ALTHOUGH WE HAVEN'T SEEN THE IMPACT OF THE CAPITAL INCREASE THAT'S POSITIVE. AND THEN WE HAVE €3.3 MILLION WHICH IS THE CHANGE OR THE IMPACT OF THE SO CALLED UNLOCK ITALY FISCAL LAW. AS YOU KNOW, WE POSTED DEFERRED TAXES BE DEFERRED TAX INCOME AND THE DEFERRED TAX LIABILITIES IN CASE OF WRITE-DOWNS AND WRITE-UPS RESPECTIVELY. WE HAD A START OF DEFERRED TAXES, TAX LIABILITIES AND DEFERRED TAX ASSET AS WE SAID WHICH WAS THEN WERE DOWN TO ZERO AND FED INTO P&L AND THAT WAS A BIG CHANGE OF WRITE-DOWNS AT THE END OF JUNE. SO THE COMBINATION OF THAT GIVES US A TOTAL OF 3.3 AND THAT'S NOT A CASH ITEM, BUT NEARLY AN ACCOUNTING ITEM I'D LIKE TO STRESS THIS. SO NET OF THESE 3.3 MILLION, THE NUMBER WOULD HAVE BEEN DOWN COMPARED TO LAST YEAR APPROXIMATELY 6 OR 7 PERCENTAGE POINTS LESS THAN LAST YEAR.

SO I THINK THAT THESE ARE ALL THE KEY MESSAGES WITH THIS SLIDE. LET'S GO TO THE FFO FUNDS FROM OPERATIONS OF THE CORE BUSINESS THAT TO SAY PROFIT FROM ONGOING OPERATIONS THAT'S DOWN IN LINE WITH WHAT WE RECORDED AT MID YEAR 6.6 PERCENTAGE POINTS I THINK AND I LIKE TO GIVE YOU SOME PREVIEW OF WHAT WE EXPECT TO SEE AT THE END OF THE YEAR 33 MILLION APPROXIMATELY TO BE SEEN AS FFO AT THE END OF...AT THE FULL YEAR 2014 FFO. AS YOU CAN SEE ON THE RIGHT HAND SIDE OF THE BOX 3 MILLION IS THE EBITDA DECLINE WERE 2 MILLION IS THE IMPACT OF THE LIVORNO RELATED LEASE PAYABLES.

POSITIVE THAT CAN BE SEEN ON PAGE 13 THAT TO SAY WE HAVE POSITIVE COMMERCIAL HIGHLIGHTS. AS YOU CAN SEE FOOTFALLS ARE SLIGHTLY UP 0.2% AND THAT'S BASICALLY IN LINE WITH WHAT WAS REPORTED BY CNCC WHICH IS THE TRADE THE NATIONAL TRADE ASSOCIATION WHICH COLLECTS ALL THE NUMBERS OF THE MAJOR ITALIAN, AS WELL AS FOREIGN TENANTS OR PLAYERS. SO THE NUMBER REMAINED PRETTY FLAT, BUT REAL POSITIVE ONE IS THE SALES 1.3 SORRY 0.3 WAS RELEASED BY THE FNCC WHICH IS RELATED TO A 0.2% INCREASE OF CONSUMPTIONS, INSTEAD WE SAW HIGHER PLUS 3.5 PROGRESSIVE CHANGE IN SALES OF OUR TENANTS. SO THAT MAKES US VERY CONFIDENT ABOUT THE END OF THE CURRENT YEAR AND ALSO THE BEGINNING OF THE NEXT YEAR. HYPERMARKET SALES, THESE ARE NEGATIVE AND THAT'S THE ITALIAN HYPER COOP SEGMENT WHICH IS IN THE NEGATIVE MINUS 3.4. IT WAS 3 POINT, MINUS 3.8 AT THE END OF JUNE. SO THERE IS ALREADY AN IMPROVEMENT AS FAR HYPER AND SUPERMARKET DIRECTLY OWNED BY US THEN THE

PERFORMANCE HERE IS BETTER 3.1 STILL IN THE NEGATIVE. AS FAR AS ROMANIA IS CONCERNED, THERE IS A DECLINE IN FOOTFALLS MINUS 8.4% AND THAT'S BECAUSE OF THE LAYOUT AND REFURBISHING WORKS THAT WILL LEAD TO A LARGER NUMBER OF TENANTS THAT WILL BE ACCOMMODATED OR HOSTED ON OUR PREMISES.

ON THE NEXT PAGE, YOU CAN SEE FURTHER DETAILS ABOUT OUR SHOPPING MALLS AFTER MONTHS IF NOT YEARS OF ONGOING DECLINING TRENDS RECORDED BY THE APPAREL SEGMENT WHICH BY THE WAY ACCOUNTS FOR 45% OF OVERALL SALES. SO THESE SECTOR OR THIS BUSINESS SEGMENT REVERSE THE NEGATIVE TREND AND SEEN A PICKUP AND ON TOP OF THAT WE ALSO SAW AN INCREASE IN THE NUMBER OF ACTIVE CLIENTS OR CUSTOMERS LET'S SAY MAKING PURCHASES AND WE ALSO SAW AN INCREASE OF 2.3% OF THE AVERAGE RECEIPT WAS INCREASE IN NUMBERS THAT PURCHASE IS 1.1%. OVERALL NEGATIVE NEWS ON THE ROMANIAN SIDE, WE HAVE A SLIGHT INCREASE OF 0.5% THAT'S THE IMPROVEMENT IN Q3 AGAINST Q2. AGAIN THAT'S THE DECREASE IN FOOTFALLS DUE TO WORK IN PROGRESS. STILL ON THE THEME OF SHOPPING MALLS, I THINK SLIDE 15 IS MORE RELEVANT AND MORE MEANINGFUL FOR YOU. HERE WE HAVE A SNAPSHOT STARTING FROM 2011 BECAUSE CRISIS STARTED WITH TWO YEARS ADVANCE SO TO SPEAK WERE TWO YEARS EARLIER IN ITALY. AS YOU CAN SEE, SALES OR REVENUES OF TENANTS THIS YEAR AND IN Q3 ARE IN THE POSITIVE AND THAT'S THE THIRD TIME DURING THE CURRENT YEAR. SO THREE QUARTERS ALL POSITIVE IN A ROW, THIS IS SOMETHING WHICH IS REALLY UNHEARD OF ESPECIALLY IF WE LOOK AT A PERFORMANCE IN THE PAST FEW YEARS. SO IT WAS JUST A PLUS 1% GROWTH IN ONE OF THE QUARTERS OF 2011 FOLLOWED BY NEGATIVE TRENDS WITH THE PEAK TO 6.4% IN 2011. THIS YEAR AGAIN WE HAVE BEEN SEEING A THIRD POSITIVE QUARTER. WE HAVE NOT GOTTEN BACK TO THE PRE-CRISIS STAGE AT THE BOTTOM OF THIS SLIDE YOU CAN SEE THAT THERE IS A SLOW PICKUP, BUT STILL WE ARE 2.5% BELOW THE 2011 LEVELS. THERE WAS A GRADUAL PICKUP OR RECOVERY MINUS 6.1% IT WENT DOWN TO MINUS 8.1 MINUS 8%. AND THEN, THERE WAS A TREND REVERSAL REACHING MINUS 2.5%.

THE FOLLOWING SLIDE IS A NEW SLIDE SO TO SPEAK AND THAT'S MEANT TO GIVE YOU SOME INFORMATION ABOUT SOME ACTIVITIES OR CERTAIN ACTIVITIES THAT YOU ARE LESS FAMILIAR WITH MAYBE NEXT YEAR. INCIDENTALLY, WE ARE ALSO THINKING ABOUT ORGANIZING AN INVESTOR DAY NEXT YEAR IN ORDER TO GIVE YOU DIRECT FEEL OR HANDS ON EXPERIENCE OF OUR CENTER. HERE YOU CAN SEE THREE DIFFERENT SHOPPING CENTERS MONDOVICINO, CENTRO D'ABRUZZO AND TIBURTINO WHICH ARE ALL LOCATED IN DIFFERENT REGIONS. THESE THREE CENTERS WHICH INCIDENTALLY ARE NOT THE ONLY ONES WHERE WE HAVE EXECUTED OR CARRIED OUT ASSET MANAGEMENT ACTIVITIES, BUT THEY HAVE A QUITE VISIBLE RESULTS OF THE CONSEQUENCE OF A NEW LAYOUT OR NEW TENANT MIX OF UNIFICATION MEASURES AIMING PUTTING TOGETHER SPACES. SO IN THE FIRST NINE MONTHS WE SAW AN 8.2% INCREASE IN FOOTFALLS AND 3.8% INCREASE IN SALES, CENTRO D'ABRUZZO AS I MENTIONED UNDERWENT EXPANSIONS IN APRIL 9.4 AND 5.1 THESE ARE RESPECTIVELY THE INCREASES, BUT WHAT'S MOST STRIKING IS TIBURTINO OVER 100 STORES A 120, I THINK IF I AM NOT WRONG. SO WE

SAW A 17.4% INCREASE IN THE FOOTFALLS AND A DOUBLE DIGIT INCREASE UP 13.9% THAT'S THE INCREASE IN TENANT MIX AND THAT'S THE POSITIVE IMPACT OF YEAR LONG EFFORTS AND ENERGIES SPENT THROUGH INVESTMENTS AND THROUGH IMPROVEMENT OF OUR SHOPPING CENTERS.

ON PAGE 17 YOU CAN FIND THE CHARTS THAT TELLS YOU SOMETHING ABOUT OUR CONTRACTS IN THE FIRST NINE MONTHS. WE UNDERWROTE A 199 CONTRACTS OF WHICH 72 WERE TURNOVER OF EXISTING ONES AND 127 RENEWED CONTRACTS WITH THE DOWNSIDE ON RENEWABLE OF MINUS 6.6% PERCENTAGE POINTS AND THE DRIVERS WERE MAINLY THE SPECIFICITIES OR THE SPECIFIC CASE OF CERTAIN SHOPPING CENTERS WHERE WE HAVE RENEWED CONTRACTS FOR MID-SIZED SURFACES LONGSTANDING ONE, OBVIOUSLY THIS WILL NOT BE PROLONGED AS AN EFFECT ON NUMBERS IN 2015.

LET'S HAVE A LOOK AT OUR FINANCIAL WE ARE NOW ON PAGE 19 AND LET ME WALK YOU THROUGH OUR FINANCIAL HIGHLIGHTS. THEY ARE COUPLED WITH THE ADJUSTED NUMBERS FOR THE CAPITAL INCREASED GEARING RATIO MOVE FROM 1.30 AT THE END OF JUNE TO 0.95 WE TAKE THE ADJUSTED DATE LOAN TO VALUE 56.1 AGAINST 55.9 AT THE END OF JUNE. YET THE ADJUSTED NUMBER IS 48.2% AND I CAN ALSO TELL YOU THAT AS WE SPEAK NOW, THESE TWO DATA WILL CORRESPOND TO WHAT WE WILL SEE AT THE END OF THE CURRENT YEAR. AT THE END OF SEPTEMBER, WE ALSO REVIEWED SOME PRE-CLOSING NUMBERS AND I CAN GIVE YOU SOME GUIDANCE SAYING THAT ROUGHLY SPEAKING THIS IS WHAT YOU ARE GOING TO SEE AT THE END OF THE CURRENT YEAR 4.33% THAT'S THE STABLE COST OF THAT AND THEN THE POSITIVE IMPACT OF THE INCREASE IN CAPITAL INCREASE WILL UNFOLD NEXT YEAR AND IN THE FOLLOWING YEARS. WITH THE PRESS RELEASE WE ALSO SHED SOME LIGHT ON THE RENEGOTIATIONS OF TWO LOANS. WE MAXIMIZED THE USE OF RESOURCES OR THE PROCEEDS OR THE CAPITAL INCREASE BY DISMISSING THOSE LOANS THAT DO NOT HAVE A NEGATIVE IRS AND WHOSE COST WERE ABOVE THE SIMPLE USAGE OF THIS CASH. SO WE MANAGE TO RENEGOTIATE THE CONTRACTS OF TWO LOAN CONTRACTS. AND SO WE HAD ENVISAGED AN INCREASE OF OUR FFO NEXT YEAR MAINLY UP €9.5 MILLION THAT'S BASICALLY EBITDA AND I CAN RESTATE THIS AS A TARGET. FIRST OF ALL, BECAUSE WE HAVE ACQUIRED A PORTFOLIO. AND SECONDLY, BECAUSE WE HAVE MANAGED TO DISMISS OR GET RID OF THESE CREDIT LINES WITH POSITIVE IMPACT NEXT YEAR. THE INTEREST COVER RATIO IS BASICALLY POSITIVE. IT WILL STAND AROUND TWO OR SLIGHTLY ABOVE TWO AT YEAR END 2014. THE AVERAGE LENGTH OF [INDISCERNIBLE] AGAIN STABLE AND THE MID LONG-TERM OF OUR DEBT IS AGAIN ROUGHLY SPEAKING 90%, 84% IS SORRY THE MID LONG-TERM DEBT, SORRY THE AVERAGE AMOUNT OF LONG-TERM DEBT BONDS INCLUDED IS APPROXIMATELY 7 YEARS. SO YOU SEE THAT WE HAVE ALSO BANKING CONFIDENCE AND THE BANKING CONFIDENCE AVAILABLE. WE MAINLY HAVE SIGNED CONTRACTS FOR SHORT TERM. SO WE HAVE DISMISSED EXISTING UNFAVORABLE LOANS. MARKET VALUE IS PRETTY MUCH STABLE COMPARED TO THE END OF JUNE AND THE ADJUSTED NUMBER IS SORRY €455.4 MILLION, BUT AS A CONSEQUENCE OF THE ANTICIPATED

TERMINATION OF THESE EXISTING LOAN CONTRACTS, WE WILL HAVE A TOTAL OF APPROXIMATELY 600 MILLION THAT WILL BE THE MORTGAGE FREE PORTFOLIO OF OUR ASSETS.

ON THE NEXT PAGE, YOU CAN FIND THE TRADITIONAL BREAKDOWN OF OUR NFP AT THE END OF SEPTEMBER 1.037 BILLION SLIGHTLY UP COMPARED TO WHAT YOU SEE AT THE END OF JUNE. YOU SEE THE PORTION WHICH IS LONG TERM AND THEN YOU CAN SEE THE TWO PIE CHARTS AT THE BOTTOM WHICH GIVES YOU THE BREAKDOWN AS A SNAPSHOT AT THE END OF SEPTEMBER. AS YOU SEE THE SLIP BETWEEN BANKING SYSTEM MARKET SO 41.4% THE MARKET IN TERMS OF FUNDING EITHER BONDS OR ASSET BACKED SECURITIES. AND THEN WE HAVE 58.6% WHICH IS THE BANKING SYSTEM. IF WE ADJUST THE NUMBERS AS A CONSEQUENCE OF THE CAPITAL INCREASE, WE HAVE APPROXIMATELY 46% MARKET AND THE REMAINING 44% THAT'S THE BANKING SYSTEM WITH AN OVERALL REBALANCING OF THE TWO COMPONENTS.

LAST BUT NOT LEAST ON PAGE 22, WHICH IS THE LAST SLIDE BEFORE THE ANNEXES TO THIS PRESENTATION YOU CAN SEE THE CHART SHOWING OUR DEBT MATURITY. GOING FORWARD, WE HAVE A DEBT REACH MATURITY IN THE RANGE OF APPROXIMATELY 18 MILLION THAT'S 2014, BUT YOU CAN LOOK AT THE NUMBERS FOR 2015 AND 2016 THEN WE HAVE TWO OUTSTANDING BONDS DUE FOR MATURITY BETWEEN 2017 AND 2019 SO THAT THE FIRST ONE IS THE BOND WHICH AMOUNTS TO A €144.9 MILLION RELEASED OR PLACED IN MAY THIS YEAR AND THEN WE HAVE THE BANK PAY LOAN THAT WAS SECURITIZED THROUGH AN ASSET BACKED SECURITY DEAL A €135 MILLION DUE FOR MATURITY AT THE END OF 2018. AND THEN WE HAVE THE MORGAN STANLEY BOND TOTAL AMOUNT TO €150 MILLION DUE FOR MATURITY IN EARLY 2019.

THAT'S THE END OF MY PRESENTATION AND I THINK THAT THIS IS ALL I HAVE TO SAY COVERING THE FIRST NINE MONTHS FINANCIAL RESULTS AND WE ARE NOW GLAD TO TAKE YOUR QUESTIONS.

## Q&A

OPERATOR:

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

FEDERICO PEZZETTI:

GOOD AFTERNOON EVERYBODY. I HAVE TWO QUICK SIMPLE QUESTIONS. THE FIRST QUESTION IS ON THE FINANCIAL OCCUPANCY IN ITALY. COULD YOU GIVE US SOME COLOR OR SHARE YOUR COMMENTS ON WHAT YOU EXPECT TO SEE GOING FORWARD IN THIS AREA AND WHERE DO YOU THINK YOU WILL SPEND, I THINK AT THE END OF 2015, DO YOU EXPECT ANY CHANGE. AND THEN I HAVE A SECOND QUESTION. SO THIS IS THE FIRST CONFERENCE CALL POST CAPITAL INCREASE. SO COULD YOU GIVE US SOME GUIDANCE OR COLOR ABOUT YOUR EXPECTED DIVIDEND OR COULD YOU GIVE US YOUR GUIDANCE ON THE 2014 PER SHARE DIVIDENDS?

**CLAUDIO ALBERTINI:** VERY WELL. I WILL TAKE YOUR QUESTION, BUT AGAIN THIS IS THE SECOND TIME SO WE HAD A FIRST TWEET AT 14:45 CET. WE WANT TO BE TECHNOLOGY ADVANCE. SO LET ME SAY RIGHT AWAY THAT WE WILL COMMUNICATE TO THE FINANCIAL COMMUNITY BY TWITTER. NOW FINANCIAL OCCUPANCY THAT'S PRETTY STABLE SLIGHTLY ON THE DOWNWARD TREND COMPARED TO WHAT WE SAW AT THE BEGINNING OF THE YEAR. WE DO NOT HAVE PARTICULARLY NEGATIVE OUTLOOK FOR THE END OF THE YEAR. AND THEN DANIELE CABULI WHO IS OUR SALES MANAGER WILL GIVE YOU MORE COLOR. LET ME TAKE YOUR QUESTION ABOUT THE DIVIDEND TO BE HONEST AND FRANKLY SPEAKING THIS MORNING WE DISCUSSED THIS DURING OUR BOARD MEETING. WELL THE OVERALL IDEA IS THAT OF GOING ON WITH THE DIVIDEND POLICY WHICH WE HAVE KEPT IN THE PREVIOUS YEAR. SO WITH THE HIGH DIVIDEND AND WITH DIVIDEND YIELD WHICH ALLOWS COMPARED TO THE STOCK PRICE, I AM SAYING ALLOWS BECAUSE I THINK THAT OUR STOCK PRICE HAS ALWAYS BEEN AT A DISCOUNT. SO WE WANT TO MAINTAIN A POSITIVE CORRELATION. DIVIDEND WILL NOT BILLING TO THE FFO WHICH IS LINKED TO THE €33 MILLION. GOING FORWARD, WE DON'T WANT TO MAINTAIN THE SAME APPROACH AS DRO, BUT OUR CAPITAL INCREASE HAD QUITE A GOOD RESPONSE RATE AND UNSUBSCRIBED RIGHTS REALLY WERE ALL TAKEN AND ABSORBED FEW SECONDS AFTER THEY WERE PUT ON AN AUCTION. SO I WOULD SAY THAT WE WANT TO BE SLIGHTLY UP COMPARED TO THE 6.5 WE SAW LAST YEAR. SO OVERALL, I WOULD SAY THAT OUR DIVIDEND MIGHT BE EQUAL TO 3.5% HOPEFULLY EVEN MORE. SO I CAN COMMIT TO 3.5 AT LEAST. AS FOR MARKETING ACTIONS, I THINK DANIELE CABULI IS MORE KNOWLEDGEABLE AND HE WILL GIVE YOU MORE INFORMATION ABOUT THIS.

**DANIELE CABULI:** GOOD AFTERNOON. FIRST OF ALL, I THINK THAT WE HAVE A POSITIVE VIEW ON OUR FINANCIAL OCCUPANCY. FIRST OF ALL BECAUSE WE HAD YEAR LONG CRISIS AND WE THINK THAT OUR FINANCIAL OCCUPANCY IS PRETTY HIGH. IF YOU CONSIDER THE YEAR LONG CRISIS FOR MID SIZED AREAS SOME OF THEM ARE VACANT AND THEY ARE UNDERGOING NEGOTIATION. NOW IF I HAVE TO SHARE MY OUTLOOK AND MY VIEW WITH YOU, I WOULD SAY THAT I AM UPBEAT AND OPTIMISTIC COMPARED TO AN OCCUPANCY WHICH IS EVOLVING FOR INSTANCE LET'S HAVE A LOOK AT PALERMO WE ARE COMMITTED TO TRANSFORM A BIG CHUNK OF THAT SHOPPING CENTER INTO A MULTIPLEX MOVIE THEATRE THAT WILL HELP REDUCE THE COMMERCIAL VACANCY AT THAT SHOPPING CENTER AND WE PLAN TO DO MORE OR LESS THE SAME AT OTHER SIMILAR SHOPPING CENTERS.

**OPERATOR:** NEXT QUESTION COMES FROM THE LINE OF ANDREA BONFÀ WITH BANCA ALETTI. PLEASE SIR.

**ANDREA BONFÀ:** GOOD AFTERNOON EVERYBODY. I HAVE TWO QUICK QUESTIONS. ONE IS ABOUT THE OUTLOOK FOR GROWTH IN ITALY ALSO IN THE LIGHT OF POTENTIALLY, POTENTIAL DISTRESS AFFECTING OTHER PLAYERS AND WHAT'S THE COST OF FUNDING FOR NEW INITIATIVES. SO WHAT'S THE COST OF FUNDING THAT WE MIGHT GET CUTTING THE BANKING MARKET?



CLAUDIO ALBERTINI: WELL, THIS YEAR AS IT WAS ALREADY THE CASE LAST YEAR AND INCIDENTALLY YESTERDAY I SAW THE LAST NUMBER ABOUT OUR INVESTMENT. SO AS I WAS SAYING WE WILL STILL SEE GROWTH OF INVESTMENTS IN ITALY AND INVESTMENTS IN ITALY WILL MAINLY BE DRIVEN BY FOREIGN PLAYERS OR FOREIGN INVESTORS. SO FAR WE HAVE SEEN A LOT OF INVESTORS THAT WERE DRIVEN BY OPPORTUNISTIC APPROACH AND THEY TOOK THE OPPORTUNITY OR THEY EXPLOITED THE SITUATION OF PLAYERS THAT WERE BADLY NEEDY OR THAT WERE BADLY IN THE NEED OF SELLING THEIR ASSETS.

SO THERE ARE INVESTORS AND THERE IS REALLY AQR LONG TRAIL OF NEGOTIATIONS THAT WE ARE STARTING AND INCIDENTALLY I AM TALKING ABOUT GROSS INITIAL YIELD I AM NOT TALKING ABOUT NET YIELD OR SO. SO WE HAVE NEGOTIATIONS HAVE STARTED AND YESTERDAY I READ JONS LANG LASALLE REPORTS AS WELL AS OTHER REPORTS AND BY YEAR END, WE SHOULD SEE THE EXECUTION OF SEVERAL OF THESE DEALS. I THINK THAT AFTER AN OPPORTUNISTIC DRIVEN PHASE, WE WILL START TO SEE THE COMEBACK OF INVESTORS THAT ARE LOOKING FOR LONGER TERM INVESTMENTS, BUT THEY WILL BE LOOKING AND INCIDENTALLY LET ME DIVEST BY SAYING THAT WE HAVE EMBARKED UPON A FEW INITIATIVES EITHER IN RAVENNA, LIVORNO AND CHIOGGIA.

WELL, WE ARE TRYING TO ATTRACT FOREIGN INVESTORS, BUT LET ME BE VERY FRANK IT'S VERY DIFFICULT TO BE APPEALING FOR INVESTORS GIVEN THE BUREAUCRACY AND RED TAPE AND SO ON AND SO FORTH THAT WE HAVE. SO I'D LIKE TO STRESS ONE POINT THAT INVESTMENTS SUCH AS THE ONE THAT WE ARE MAKING ARE TRIGGERING A POSITIVE TREND IN TERMS OF ADDITIONAL INVESTMENTS OR A CREATION OF NEW JOB. THIS NEW INVESTMENTS ARE DIFFERENT. SO WE ARE PROBABLY WITNESSING A SITUATION WE ARE BY IN 2015 PERIPHERAL AREAS OR MARGINAL AREAS IN ITALY THAT TO SAY LOCATIONS OTHER THAN DOWNTOWN ROME OR DOWNTOWN MILAN WE WILL SEE LESS OPPORTUNISTIC INITIATIVE.

YOU HAVE SEEN ALSO THAT WE HAVE 90% OF OUR LOANS THAT ARE LONG TO MEDIUM TERM ONLY 10% IS SHORT TERM. SO WE VERY RARELY USE OUR SHORT TERM LOANS, BUT I'D LIKE TO SHARE SOMETHING WITH YOU WHICH IS ALSO THE EFFECT OF OUR CAPITAL INCREASE. WE PAY 1.4, 1.5 THAT FOR SHORT TERM BORROWING, BELOW 1.5. IF WE ARE TALKING ABOUT 5 YEARS BORROWING WE ARE TALKING 200, 230 BPS ABOVE EURIBOR AND IN CERTAIN CASES PLEASE LET ME ADDRESS THAT EURIBOR HAS BEEN GOING DOWN BELOW 0.7 SORRY 0.1 SO AS THE EXISTING STOCK AND LET ME ADDRESS AGAIN BY SAYING THAT THIS IS POSITIVE IMPACT WHICH WILL ADD TO THE 9.1 WHICH I MENTIONED WHICH IS THE EFFECT IN 2015 OF THE CAPITAL INCREASES.

SO AS THE STOCK OF OUTSTANDING LOANS WILL EXPIRE WITH MATURITY TWO TO THREE YEARS, WE WILL ACCESS OR TAP CREDIT LINE AT A COST, AT A LOWER COST. LET ME SAY THAT IN JANUARY WE WILL START WORKS, WE HAVE WORK SITES AND WE DISCLOSE THIS ON BLOOMBERG WE HAVE WORK SITE AND WE THINK THAT WE WILL QUALIFY FOR INVESTMENT

GRADE RATING GIVEN THE PROFILE WHICH WE HAVE ACQUIRED THROUGH THE CAPITAL INCREASE THEREFORE GETTING COST OF FUNDING WHICH IS VERY, VERY LOWER THAN YOU HAVE SEEN SO FAR. SO LET ME GET BACK TO YOUR FIRST QUESTION.

SO NEXT YEAR YOU DON'T EXPECT TO SEE MAJOR OPPORTUNITIES FOR GROWTH, WHAT I MEAN IS THAT YOUR ASSET PORTFOLIO WILL MAINLY REMAIN UNCHANGED. NOW WE DO HAVE SOME GROWTH INITIATIVES OR DEVELOPMENT INITIATIVES IN THE PIPELINES WE HAVE BEEN INVESTING ON CERTAIN PROJECTS IN THE SECOND QUARTER WE WILL OPEN CHIOGGIA, CHIOGGIA WAS PARTLY MADE IN TERMS OF INVESTMENT THIS YEAR AND IS EXPECTED TO BE COMPLETED ON FIRST FEW MONTHS OF 2015 THEN RAVENNA THEN LIVORNO AND THERE WILL BE OTHER CAPEX SO GOING FORWARD I MEAN THE OLD BUSINESS PLAN INCLUDED AN ESTIMATE OF €70 MILLION TO €80 MILLION FOR US THAT'S ALL CAPEX.

PLEASE BEAR IN MIND THAT WE DO NOT WANT TO USE ANY ADDITIONAL PART OF THE PROCEEDS OF THE CAPITAL INCREASE OTHER THAN THE... THAT THE SEGMENT WAS ORIGINALLY ALLOCATED TO THESE INVESTMENTS. IF YOU DON'T WANT TO GO TO A NOTE VALUE BELOW 50% WERE TO A GEARING ABOUT 1. WE CANNOT DO BOTH. WE CANNOT DO ALL THREE THINGS. SO BASICALLY THAT'S THE LEVEL WE WANT TO STAY AT GOING FORWARD. IT WILL GIVE US GOOD ADVANTAGES FUNDING WISE AND IN ADDITION TO THIS WE ALSO HAVE QUITE A SIZABLE INVESTMENT PIPELINE APPROXIMATELY €200 MILLION UNDER OUR BUSINESS PLAN I AM HERE TO RESTATE IT. SO WE WILL GO ON WITH THIS €195 MILLION, 40 OR SO WERE INVESTED THIS YEAR. SO THAT LEAVES US A €150 MILLION TO BE INVESTED WHICH IS NOT PEANUTS.

OPERATOR: AGAIN TO ASK A QUESTION, PRESS "\*" FOLLOWED BY "1" ON YOUR TELEPHONE KEYPAD. MR. ALBERTINI, THERE ARE NO MORE QUESTIONS.

CLAUDIO ALBERTINI: THANK YOU VERY MUCH AND WE WILL GET BACK TO YOU FOR THE PRESENTATION OF THE FULL YEAR 2014 RESULTS.