

IGD SIIQ SPA

“Q3 2015 Results Presentation”

Tuesday, November 10th, 2015, 5:30 PM (CET)

MODERATOR: CLAUDIO ALBERTINI, CHIEF EXECUTIVE OFFICER

OPERATOR: GOOD AFTERNOON. THIS IS THE CHORUS CALL OPERATOR. WELCOME TO IGD'S Q3 2015 RESULTS PRESENTATION. AND AFTER THE PRESENTATION, A Q&A SESSION WILL BE HELD.

LET ME NOW HANDOVER TO MR. ALBERTINI. MR. ALBERTINI, YOU HAVE THE FLOOR.

CLAUDIO ALBERTINI: GOOD AFTERNOON TO ALL OF YOU. AS YOU COULD SEE IN THE PRESS RELEASE, THE BOARD MEETING APPROVED THE THIRD QUARTER RESULTS. AND LET ME JUST UNDERLINE THAT THIS QUARTER WAS VERY SATISFACTORY. AND ON THE ONE HAND, WE BENEFITTED FROM AN IMPROVED ENVIRONMENT BOTH MARKET-WISE AND CONSUMPTION-WISE VERSUS 2014, BUT THIS QUARTERLY REPORT OF THE FIRST NINE MONTHS SOMEHOW HELPED US REAP THE BENEFITS OF WHAT WE DID, OF THE HARD WORK WE PUT INTO OUR COMPANY.

AND HAVING SAID THAT, LET ME NOW WALK YOU THROUGH DATA AND LET'S START WITH THE HIGHLIGHTS AT PAGE 3 OF THE PRESENTATION. CORE REVENUES ARE UP 4.3%, LANDING AT SLIGHTLY LESS THAN €94 MILLION, EBITDA FROM CORE BUSINESS €63.4 MILLION, UP 6.8% VERSUS THE FIRST NINE MONTHS OF 2014. EBITDA MARGIN FROM FREEHOLD, THAT IS TO SAY THE REAL-ESTATE PROPERTIES WE OWN, IS FLAT AT 77.6%. WE HAD A STRONG GROWTH IN THE GROUP NET PROFIT AT €30.4 MILLION WHILE LAST YEAR AT THE END OF SEPTEMBER WE HAD €7.1 MILLION. WE WILL SEE HOW WE ACHIEVE THIS GROWTH IN THE FOLLOWING SLIDES.

OUR FUNDS FROM OPERATIONS ALSO SHOW EXCELLENT GROWTH: CORE BUSINESS FUNDS FROM OPERATIONS IS €33.4 MILLION, UP ABOUT 33 PERCENTAGE POINTS VERSUS 2014.

AS TO THE OCCUPANCY DATA AT THE END OF SEPTEMBER 2015, ITALY IS FLAT, 96.2% AND INSTEAD ROMANIA SHOWS A GOOD GROWTH AS IT EXCEEDS 90%, THAT IS TO SAY 92.3% UP, MORE THAN 3% VERSUS END OF JUNE FIGURES.

LET'S NOW MOVE TO PAGE 5 IN THE PRESENTATION, WE DRILL DOWN INTO A GREAT LEVEL OF DETAIL. LET'S HAVE A LOOK AT REVENUES. TOTAL REVENUES ARE UP 4.2% AND IT EQUALS THE CORE BUSINESS GROWTH AT 4.3%. AND THE REVENUE BREAKDOWN IS FLAT; ONE-THIRD IS DRIVEN BY SHOPPING MALLS, HYPERMARKETS AND SUPERMARKETS 58.6% SHOPPING MALLS AND 7% ROMANIA. THESE ARE THE MAIN ASSET CLASSES THAT MAKE UP OUR PORTFOLIO.

LET'S MOVE TO PAGE 6, THE RENTAL INCOME DRIVERS. AND ON THIS PAGE, WE SEE THAT ON A LIKE-FOR-LIKE BASIS REVENUES ARE FLAT, SLIGHTLY UP €40,000, UP 0.1%. THEY ARE FLAT THOUGH ON THE SHOPPING MALLS AND THE HYPERMARKETS. THE OVERALL GROWTH WAS MAINLY DRIVEN AS YOU CAN SEE ALMOST EXCLUSIVELY, I WILL SAY, BY THE ACQUISITIONS, THE EXTENSIONS AND THE RESTYLINGS THAT WE COMPLETED AT THE END OF 2014, MAINLY PIAZZA MAZZINI OPENED IN JULY 2014 AND THE EXTENSION OF THE CENTRO D'ABRUZZO SHOPPING CENTER OPENED APRIL LAST YEAR. AND IN THE SECOND PART OF THIS YEAR WE HAVE ALREADY BEEN REAPING THE BENEFITS AND SEEING THE POSITIVE RESULTS OF THE CLODI RETAIL PARK THAT TOOK PLACE IN MAY 2015.

AND CONCERNING THE DISPOSALS, WE HAVE €592,000 DUE TO THE DISPOSAL OF THE APPLE STORE, BUT IT WAS NOT JUST THE APPLE STORE, IT WAS THE ENTIRE BUILDING, THE ENTIRE PROPERTY USUALLY CALLED APPLE STORE, AND IT TOOK PLACE IN MAY. SO REVENUES ARE DOWN ON A LIKE-FOR-LIKE BASIS VERSUS 2014 AND WE ALSO WITNESSED GOOD GROWTH IN ITALY GENERALLY.

IN ROMANIA, WE HAD AN INCREASE IN OCCUPANCY, AND WE ALSO HAD AN INCREASE IN RENTS, THAT WERE UP 5.5%. THIS GROWTH WE ESTIMATE TO BE RETAINED IN THE LAST QUARTER OF THE YEAR AS WELL. SO WE RECONFIRM IT FOR FULL YEAR TO GET TO THE €4 MILLION TOTAL GROWTH, UP 4.7% THAT I HAVE ALREADY MENTIONED AT THE BEGINNING OF MY PRESENTATION.

IF WE MOVE ON TO THE NEXT SLIDE, WE ARE ON PAGE 7 OF THE PRESENTATION. LET'S HAVE A LOOK AT DIRECT COSTS AND G&As. DIRECT COSTS ARE ON THE DECLINE SIDE, BOTH ON CORE BUSINESS AND ON NON-CORE BUSINESS FROM €23.4 MILLION TO €22.9 MILLION. THE IMPACT ON REVENUES IS MUCH LOWER IN THE FIRST FEW MONTHS OF 2015, THEY ARE DOWN TO €24.4 MILLION FROM €26 MILLION. AND CORE BUSINESS G&A EXPENSES ARE UP 4.6%, AND THE IMPACT ON TOTAL REVENUES IS FLAT AT 8% IN LINE WITH 2014.

LET'S MOVE ON TO PAGE 8, LET'S HAVE A LOOK AT THE GROUP NET PROFIT GROWTH. AND IT'S MORE THAN FOUR-FOLD, THE INCREASE WE HAVE HERE FROM €7 MILLION IN 2014 TO €30.4 MILLION IN THE FIRST NINE MONTHS OF 2015. ALL THESE DRIVERS ARE GROWING SUCH AS THE CORE BUSINESS EBITDA, AND THEN THE SMALL CONTRIBUTION, BUT STILL A CONTRIBUTION BY THE PORTA A MARE PROJECT €38,000, AND LOWER DEPRECIATIONS AND PROVISIONS. AND THIS IS SOMETHING WE'VE BEEN CARRYING EVER SINCE END OF JUNE, WHERE WE HAD LOWER NEGATIVE DEVALUATION FROM AND CHANGE IN FAIR VALUE VERSUS THE FIRST SIX MONTHS IN 2014, AND THIS EFFECT IS REPEATED IN THIS QUARTERLY REPORT.

AND THEN CHANGE IN FINANCIAL AND EXTRAORDINARY MANAGEMENT, BETTER CONDITIONS IN THE FINANCIAL MARKET, BETTER ACCESS TO LOANS, AND BETTER CONDITIONS WE GOT FROM THE BANKING SYSTEM IN THE FIRST NINE MONTHS. SO THERE'S AN IMPROVEMENT IN TAXES AS WELL. WELL LAST YEAR WE HAD A NEGATIVE IMPACT BY THE ONE-OFF TAX FOR THE UNLOCK ITALY LAW, BUT ALSO A POSITIVE EFFECT DUE TO ACE THROUGH WHICH WE BOOKED THE ALLOWANCE FOR CORPORATE EQUITY, LEADING TO AN OVERALL IMPROVEMENT OF THE TAX DELTA TO €2.6 MILLION TO GET TO THE €30.432 MILLION GROUP NET PROFIT AT THE END OF SEPTEMBER 2015.

GOOD NEWS ALSO FOR THE RECURRING CASH GENERATION, FUNDS FROM OPERATIONS ON PAGE 9 OF THE PRESENTATION. FUNDS FROM OPERATION ARE UP 32 PERCENTAGE POINTS, ALSO GROWING STRONGLY VERSUS END OF JUNE FIGURES, WHERE WE HAD 23.8%. THIS IS THE QUARTER WHERE WE HAVE THE HIGHEST RECURRING CASH GENERATION ABOUT €12.3 MILLION, PROBABLY WE WON'T BE ABLE TO REPLICATE THIS IN Q4, BUT WE CONFIRM GUIDANCE FOR AN FFO FOR THE FULL YEAR AROUND €44 MILLION.

AND IF WE MOVE ONTO THE OPERATING PERFORMANCE, WE ARE ON PAGE 11 OF THE PRESENTATION. GOOD NEWS HERE TOO, AS THESE WERE THE FOUNDATIONS FOR THE GOOD RESULTS I MENTIONED AND DISCLOSED AT THE BEGINNING OF MY PRESENTATION. SO CONSUMPTION IS UP, THIS IS THE 7TH POSITIVE QUARTER IN A ROW, IN WHICH TENANT SALES WENT UP. AND SO ALL OF 2014 AND FIRST THREE QUARTERS OF 2015 AND CNCC ALSO IS RECORDING A POSITIVE GROWTH FOR THIS QUARTER. SO WE ARE UP 7.3% INCLUDING THE EXTENSIONS OF THE SHOPPING MALLS WE COMPLETED IN 2014. AND ON A LIKE-FOR-LIKE BASIS, WE STILL LANDED UP 4.5%. THOSE FIGURES ARE BETTER THAN THE ONCE WE RECORDED AT THE END OF JUNE. ALSO IMPROVEMENT WITHIN THE FOOTFALLS AND ITALIAN SHOPPING MALLS, IT WAS 0.3%, NOW UP 1.3% AND THAT IS DEFINITELY BETTER COMPARED TO THE CNCC DATA WHICH IS DOWN 0.2%.

GOOD NEWS FROM OUR ROMANIAN SUBSIDIARY, AS WELL UP 1.7% ON A LIKE-FOR-LIKE BASIS. WE ARE TALKING ABOUT FOOTFALLS IN ROMANIAN SHOPPING MALLS. THANKS TO THE COMPLETION OF OUR WORK AND ACTIONS TO INCLUDE NEW TENANTS. WE MADE AN EFFORT IN 2014, AND WE NOW BENEFIT FROM THOSE EFFORTS ADDING TENANTS TO OUR SHOPPING MALLS. WE DON'T HAVE THE STATISTICAL PIECE OF INFORMATION, BUT THAT HAS A POSITIVE IMPACT ON OCCUPANCY AS WELL THAT IS HIGHER THAN 90%.

THE LAST LINE IS A NEGATIVE RESULT, BUT IT IS UP FROM THE JUNE DATA. SO IT'S THE IGD'S HYPERMARKETS AND SUPERMARKET SALES MINUS 1.3%, IT'S MAINLY COOP FOR HYPERMARKETS. AND SO, THERE IS A PROGRESSIVE CHANGE SLIGHTLY BETTER THAN WHAT WE SAW AT THE BEGINNING OF THE YEAR, IN THE FIRST SIX MONTHS OF 2015, SO IT'S MINUS 1.3%, SO WE ARE DEFINITELY IMPROVING THERE TOO.

ON PAGE 12 OF THE PRESENTATION, EVERY NOW AND THEN WE WANT TO SHOW THAT WE RECEIVED TWO INTERNATIONAL AWARDS ON OUR REPORTING ACTIVITIES, BOTH FINANCIAL REPORTING AND SUSTAINABILITY REPORTING. WE GOT THE EPRA BRONZE FOR FINANCIAL REPORTING, AND SO, WE WERE RANKED AMONG THE TOP THREE COMPANIES AS TO OUR FINANCIAL REPORTING. WHILE FOR SUSTAINABILITY REPORTING FOR WHICH WE HAVE BEEN WRITING A SUSTAINABILITY REPORT FOR FIVE YEARS IN A ROW WE GOT THE EPRA GOLD AWARD FOR SUSTAINABILITY REPORTING.

LET'S MOVE ON TO THE FINANCIAL HIGHLIGHT, PAGE 14. IF WE COMPARE DATA TO END OF JUNE, WE HAVE A SLIGHT IMPROVEMENT. GEARING RATIO, DEBT TO EQUITY IS SLIGHTLY DOWN 0.94% INSTEAD OF 0.95%. LOAN TO VALUE GOES FROM 48.3% TO 47.9%, WHILE AVERAGE COST OF DEBT IS GRADUALLY DECLINING: IT WAS 3.88% AT THE END OF JUNE. LET ME REMIND YOU THAT AT YEAR-END FOR 2014, THE AVERAGE COST OF DEBT WAS 4.2%. NOW, WE ARE BELOW THE 3.8% THRESHOLD. AT YEAR-END, WE WOULD LIKE TO GET TO 3.7% AVERAGE COST OF DEBT.

INTEREST COVER RATIO, THAT IS EBITDA TO FINANCIAL CHARGES, AT END OF JUNE WAS 2.05 WHILE NOW IT IS 2.12. AND NO MAJOR DIFFERENCES ON OTHER FINANCIAL INDICATORS. AVERAGE LENGTH OF LONG-TERM DEBT, AROUND 6.5 YEARS VERSUS 6.7 YEARS END OF JUNE, MEDIUM LONG-TERM DEBT QUOTA 85.2%. AND THE HEDGING ON LONG-TERM DEBT IS 91.4%. BANKING

CONFIDENCE IS VERY SIMILAR, BANKING CONFIDENCE AND AVAILABLE FACILITIES ARE FLAT. SO ON SHORT-TERM WE HAVE ABOUT €100 MILLION FACILITY, ON WHICH WE ARE GETTING VERY COMPETITIVE CONDITIONS, VERY LOW COMPETITIVE CONDITIONS.

MARKET VALUE OF MORTGAGE FREE ASSETS AND LAND IS APPROX €738.4 MILLION AND THEREFORE FREE FOR NEW MORTGAGES. AND THEN WE HAVE DEBT MATURITY. WE FULLY REFINANCED THE NEARLY €80 MILLION THAT WERE DUE IN 2015. ABOUT €60 MILLION ARE GOING TO BE DUE NEXT YEAR. BUT AS YOU SEE, NEXT YEAR WE WANT TO CLOSE THE BNP MORTGAGE (CMBS) OF €135 MILLION AND WE ARE STATING IT NOW ALREADY. WE WANT TO USE AN EARLY TERMINATION ON ANY CLOSURE OPTION FOR THIS CMBS. WE OPENED IT IN 2013 WITH BNP, WHICH IS QUITE COSTLY FOR THE CURRENT MARKET CONDITIONS. AND THAT SHOULD FURTHER IMPROVE OUR AVERAGE COST OF DEBT.

OUR NSB AND DEBT IS BALANCED, WE HAVE THE DEBT BREAKDOWN OF WHICH 53.8% COME FROM THE BANKING SYSTEM, AND 46% COME FROM THE MARKET. NEXT YEAR WE ARE GOING TO ISSUE A BOND IN THE SECOND HALF OF 2016 AND THAT SHOULD PROBABLY REVERSE THOSE TWO PERCENTAGE SPLITS WITH A HIGHER BOND PERCENTAGE VERSUS THE BANKING SYSTEM FLOATER.

IN THE APPENDIX YOU WILL FIND MORE DETAILS ABOUT HOW WE MANAGE OUR CONTRACTS, OUR NFB. BUT I AM GOING TO STOP HERE AND OPEN UP THE Q&A, SO THAT YOU CAN ASK QUESTIONS OR REQUEST CLARIFICATION.

Q&A

OPERATOR: THIS IS THE CHORUS CALL OPERATOR. WE ARE NOW GOING TO START THE Q&A SESSION.

FIRST QUESTION COMES FROM THE ITALIAN CONFERENCE CALL MR. FEDERICO PEZZETTI WITH INTERMONTE.

FEDERICO PEZZETTI: GOOD AFTERNOON TO ALL OF YOU. I HAVE A COUPLE OF QUESTIONS. THE FIRST ONE IS ON FFO, YOU ACHIEVED EXCELLENT RESULTS IN Q3, SO AN FFO IN EXCESS OF €12 MILLION. WHAT'S THE ACTUAL ONE OFF ABOUT THIS, BECAUSE YOU HAVE A GUIDANCE OF €44 MILLION FOR THE FULL-YEAR, THAT IS IT WOULD HAVE ADDED UP €10.5 MILLION FFO FOR Q4? SO WHAT'S EXTRAORDINARY ABOUT THIS €12 MILLION? AND THEN GENERALLY SPEAKING ON POSSIBLE TRANSACTIONS OR ACTIONS YOU MAY UNDERTAKE TO FOSTER GROWTH. YOU MENTIONED THE ADDITION OF AN ASSET, IN ADDITION TO GROSSETO, YOU LOOKING AROUND, HAVE YOU FOUND ANY OPPORTUNITY YOU WANT TO GRASP IN THE MARKET? WHAT KIND OF MARKET, WHAT'S YOUR VIEW ON THE CURRENT MARKET?

CLAUDIO ALBERTINI: FFO GROWTH VERSUS THE FIRST TWO QUARTERS, SO IT'S MAINLY DRIVEN BY AN IMPROVEMENT IN FINANCIAL MANAGEMENT, BECAUSE WE ARE BENEFITING FROM THE SWAP DEAL WE HAD CLOSED IN MAY. SO WE ARE BENEFITING FROM THE FINANCIAL MANAGEMENT, AND IN MAY WE HAD THE

CHIOGGIA OPENING, AND SO THAT WAS ALSO BENEFICIAL AND IT HAD AN IMPACT IN THE SECOND HALF. RENTS ARE STARTING TO COME IN FOR THE FIRST QUARTER, AND IN Q1 THEY WERE NOT THERE. THEREFORE BOTH THE OPENING OF CHIOGGIA AND THE SWAP DEAL ON EXISTING BONDS THAT LED TO A POSITIVE FINANCIAL IMPACT ARE STARTING TO SHOW SIGNS ON THE FULL QUARTER. IN Q1 THEY WERE NOT THERE AND THEY WERE ONLY PARTIALLY AFFECTING Q2. MOREOVER Q3 NORMALLY IS AFFECTED BY A POSITIVE SEASONALITY EFFECT. I DON'T THINK WE WILL BE ABLE TO REPLICATE IT IN Q4 RESULT-WISE, BECAUSE IT IS ABOVE €12 MILLION, IT'S THE BEST AMONG THE FIRST THREE QUARTERS. SO Q4 IS GOING TO BE IN BETWEEN THE PERFORMANCE OF THE FIRST TWO QUARTERS AND THE Q3 PERFORMANCE.

WHEN I MENTIONED IN THE HIGHLIGHTS, I SAID THAT WE ARE CONFIDENT TO GET TO THE €44 MILLION FFO FULL YEAR, WHICH HAS ALREADY BEEN DISCOUNTED BY YOUR FORECASTS. AND PROBABLY WE MIGHT EVEN BE BETTER THAN THAT, BUT LAST QUARTER NORMALLY THERE IS ONE-OFF COSTS FOR THE YEAR, AND SO, THEN THE VALUATIONS THAT WE CARRY OUT, THE APPRAISALS THAT WE CARRY OUT TWICE A YEAR, FEW HUNDRED THOUSANDS OF EURO, ONE OFF COSTS THAT MAY IMPACT ON THE Q4. SO I WOULDN'T EXPECT THE FFO SIMILAR TO THE ONE WE ACHIEVED IN Q3, BUT IT WILL BE SOMEWAY IN BETWEEN THE FIRST TWO QUARTERS AND Q3.

AS TO MY VIEW ON THE MARKET AT LARGE, I MADE A STATEMENT, BUT PROBABLY YOU DIDN'T HAVE THE OPPORTUNITY TO READ IT. AND AS A GENERAL COMMENT TO OUR QUARTERLY REPORT, WE ARE SAYING THAT DURING THIS MARKET STAGE, WE ARE VERY CAREFUL IN ASSESSING WHATEVER HAPPENS AROUND US. IT'S A POSITIVE MOMENT IN TIME FOR OUR INDUSTRY. THERE ARE INTERESTING ASSETS OUT THERE, BUT THE BEST ASSETS OF COURSE ARE NOT UP FOR SALE.

WE ARE FOCUSING ON OUR BUSINESS PLAN. AND THUS THIS YEAR WE ARE GOING TO HAVE ABOUT €30 MILLION WORTH OF CAPEX IN OUR PIPELINE. WE ARE SLIGHTLY LESS THAN €40 MILLION THIS YEAR. THE LARGEST PORTION OF OUR CAPEX ARE CONCENTRATED IN 2016, WHERE WE ARE GOING TO CARRY ON WITH OUR EXPANSION PROJECTS, RAVENNA FOR INSTANCE AND THEN AS FOR LIVORNO, WE ARE ALREADY WORKING ON THE OFFICINE AND THEN THE PROJECT IN GROSSETO, THE RECENT ACQUISITION THAT WAS IMMEDIATELY AFTER THE SUMMER WITH A CASH OUT THAT IS GOING TO BE COMPLETED AT YEAR END. SO OUR CAPEX PLAN IS QUITE CHALLENGING, BUT WE ARE LOOKING AROUND IN THE MARKET FOR OPPORTUNITIES.

THERE ARE €50 MILLION WORTH FOR INVESTMENTS NOT YET IDENTIFIED IN OUR CAPEX PIPELINE, AND IT WAS IN CASE OF A DISPOSAL THAT WE HAVE NOT YET COMPLETED, BECAUSE WE WANT TO RETAIN OUR MAIN FINANCIAL RATIOS, LOAN TO VALUE AND DEBT TO EQUITY. I WANT TO RETAIN THEM AT THE CURRENT LEVELS. WE DO NOT EXCLUDE OR RULE OUT THAT WE MIGHT BE ABLE TO GRASP OPPORTUNITIES OUT THERE, BUT EVERYTHING HAS TO FALL WITHIN A CAPITAL AND FINANCIAL BALANCE THAT WE WANT TO RETAIN. THANK YOU SO MUCH.

OPERATOR:

SIMONETTA CHIRIOTTI WITH MEDIOBANCA. YOU HAVE THE FLOOR.

SIMONETTA CHIRIOTTI:

GOOD AFTERNOON TO ALL OF YOU. I HAVE A QUESTION ON YOUR P&L. THE Q3 P&L WHERE IMPLICITLY YOU HAVE A WRITE-DOWN OF €1.3 MILLION. WHAT IS IT REFERRED TO? AND THEN ANOTHER QUESTION ON RENEWALS; WELL, DOWNSIDE IS IMPROVING VERSUS YOUR EXPECTATIONS OR VERSUS YOUR HALF YEAR DISCLOSURE. I WONDER IN CONTRACTS THAT WERE RENEWED IN Q3, IS THERE AN UPSIDE ALREADY, THIS MINUS €1.2 MILLION YOU ARE DISCLOSING FOR THE FIRST NINE MONTHS, IS IT THEREFORE A PIECE OF DATA THAT IS ALREADY DISCOUNTING AN IMPROVEMENT VERSUS OR EMBEDDING THE LATEST IMPROVEMENT?

CLAUDIO ALBERTINI:

WELL, THESE WRITE-DOWNS ARE CAPEX THAT WE'VE EXPENSED DURING THIS QUARTER WAITING FOR YEAR END TO SEE WHERE THESE CAPEX ITEMS WILL BE FURTHER APPRAISED BY APPRAISERS. SO IT IS CAPEX FOR WORKS THAT WE'VE COMPLETED DURING THE QUARTER THAT WERE EXPENSED FOR ACCOUNTING PURPOSES. AND WE HAVE TO BOOK THEM AS COSTS NOT TO HAVE AN IMPACT IN INCREASING THE PROPERTY VALUE. BUT WE WILL SEE THEN ONCE THE INDEPENDENT APPRAISERS HAVE CARRIED OUT THEIR APPRAISALS, MAYBE THERE WILL BE A POSITIVE IMPACT ON CAPEX AS WELL.

AND WE WANT TO BE VERY CONSERVATIVE WHEN WE TALK ABOUT GROWTH. INDEED, WE ARE RECORDING A RECOVERY IN CONSUMPTION AND THE OCCUPANCY COSTS AND OUR TENANTS' SALES, AS WE SAW FROM THE INDICATORS I GAVE YOU BEFORE ARE GROWING. BUT WE HAVE TO BE CONSERVATIVE, AND ACCORDING TO US, IT IS NOT YET TIME TO FACTOR IN MEANINGFUL UPSIDE, SO WE ARE RENEWING CONTRACTS, MANY OF THEM WERE SIGNED BEFORE THE CRISIS AND THE CONTRACTS HAVE A SIX-YEAR DURATION. AND SO WE ARE BEING VERY CONSERVATIVE IN ASSESSING THEM AND WE WANT TO RETAIN OCCUPANCY AT THE CURRENT LEVEL, AROUND 96% FOR ITALY.

SO AT THIS STAGE DURING THIS QUARTER, WE HAVE OVER THE FIRST NINE MONTHS, WE HAVE REDUCED DISCOUNTS FOR ANOTHER €400,000. IF YOU REMEMBER, IN PRE-CRISIS THE DISCOUNTS HAD GOT TO €3 MILLION. AND SO, THE TOTAL AMOUNT OF REBATE IN 2012 WAS FURTHER REDUCED BY €1 MILLION AND THIS YEAR WE AIM TO REDUCE IT BY €500,000. SO WE ARE HEADING IN THAT DIRECTION, AND WE ARE PROVIDING TEMPORARY DISCOUNTS TO KEEP THE FULL AMOUNT AT AROUND €1 MILLION. IT'S NOT YET THE TIME TO EMBED OR FACTOR-IN MEANINGFUL UPSIDE WHEN IT COMES TO RENEWING CONTRACTS. WE ARE TALKING ABOUT CONTRACTS THAT ARE FIVE OR SIX YEARS OLD AND THAT WERE SIGNED PRIOR OR BEFORE THE CRISIS AND THE MARKET CONDITIONS AT THAT TIME WERE DIFFERENT.

SO IF THE GROWTH CARRIES ON IN THE LAST QUARTER AS ALL INDICATORS SAY, A FEW DAYS AGO ISTAT ISSUED A STUDY THAT SHOWED THAT THE CONSUMER'S CONFIDENCE LEVEL IS IMPROVING. SO ALL INDICATORS ARE SHOWING THAT WE ARE GOING TO HAVE GOOD WEATHER IN 2016, SO IF THAT WILL BE CONFIRMED, MAYBE WITH THE RENEWALS BETWEEN 2016 AND 2017 WE CAN START TALKING ABOUT A SMALL GROWTH, BECAUSE THEN THOSE CONTRACTS EVEN IF THEY DATE BACK FIVE OR SIX YEARS, THOSE ARE GOING TO BE CONTRACTS SIGNED IN 2010, 2011. SO MAYBE ON SOME CONTRACTS, WE MAY EVEN RECORD AN UPSIDE.

SIMONETTA CHIRIOTTI: THANK YOU.

OPERATOR: LET ME REMIND YOU THAT IF YOU WISH TO ASK A QUESTION, YOU MAY PRESS “*” FOLLOWED BY “1” ON YOUR PHONE KEYPAD. FOR FURTHER QUESTIONS, PLEASE PRESS “*” FOLLOWED BY “1” ON YOUR PHONE KEYPAD. THE NEXT QUESTION COMES FROM THE LINE OF SIMONETTA CHIRIOTTI WITH MEDIOBANCA.

SIMONETTA CHIRIOTTI: I WAS WONDERING WHEN IT COMES TO SALES THAT WERE FLAT IN YOUR LIVORNO PROPERTIES. DO YOU RECONFIRM THE TARGETS YOU’VE DISCLOSED, COULD YOU ELABORATE ON THE EXISTING TRENDS?

CLAUDIO ALBERTINI: TARGET THIS YEAR IS MORE THAN €3 MILLION, 11 FLATS TO BE SOLD, WE SOLD 8 SO FAR, ALREADY COMPLETED, AND THE DEED HAS ALREADY BEEN SIGNED AND COMPLETED. WE HAVE PRELIMINARY AGREEMENTS ON THREE THAT ALTHOUGH THEY ARE ABIDING WILL NOT ENABLE US TO BOOK THE SALE AND THEREFORE THE REVENUE IN 2015. BUT SHOULD THAT TAKE PLACE, WE WOULD HAVE POSITIVE IMPACT ON 2016.

SO WE HAVE NEGOTIATIONS AT AN ADVANCED STAGE. THIS YEAR, WE ARE GOING TO CLOSE WITH €2.6 MILLION, 8 FLATS, IF ONE OF THE THREE IS GOING TO BE COMPLETED BY YEAR END, WE ARE GOING TO GET TO €3 MILLION, ALL THE THREE, THE THREE REMAINING ONES ARE AROUND €1.2 MILLION. SO WE ARE CONFIDENT, WE ARE GOING TO CLOSE THE PRELIMINARY AGREEMENTS VERY SOON, BUT THE ECONOMIC IMPACT IS GOING TO BE FELT NEXT YEAR. BUT I CONFIRM THE FORECAST OF ABOUT 10 SALES PER YEAR. THIS YEAR, WE GOT VERY CLOSE TO THE TARGET. AND I CONFIRM THE FORECAST FOR NEXT YEAR AND FOR THE YEAR FOLLOWING THAT.

SIMONETTA CHIRIOTTI: SO A SPEEDING UP IN THE FOLLOWING TWO YEARS.

CLAUDIO ALBERTINI: NO, NO IT’S NOT AN ACCELERATION IN OUR BUSINESS PLAN. IN OUR BUSINESS PLAN, WE HAVE DISCLOSED SALES OF ABOUT 10 FLATS PER YEAR TO GET TO THE END OF THE PLAN HAVING ALMOST COMPLETED ALL OUR SALES. WE ARE AROUND 31 UNITS NOW WITH THE 8 THAT WERE COMPLETED AND WHOSE SALES WERE COMPLETED. AND THEN WE HAVE THREE MORE TO SELL. BUT VERY CLOSE TO THE SIGNING OF THE PRELIMINARY AGREEMENT, WE ARE AT 50% AND WE END UP WITH A RESIDUAL NUMBER OF ABOUT 40 STILL TO BE SOLD FROM HERE TO THE END OF THE PLAN. SO WE ARE FORESEEING 10 EVERY YEAR, ‘16, ‘17, AND ‘18 TO GET TO COMPLETING ALL OF THE SALES BY THE END OF THE BUSINESS PLAN, SO IT’S GOING TO BE A FLAT TREND.

OPERATOR: MR. ALBERTINI, THERE NO MORE QUESTIONS.

CLAUDIO ALBERTINI: THANK YOU VERY MUCH ON BEHALF OF MY COLLEAGUES TOO AND WE WILL BE TALKING TO YOU AGAIN WHEN WE DISCLOSE FULL YEAR RESULTS. HAVE A NICE EVENING. THANK YOU ALL.