

**Event:** 1H 2018 Financial Results Presentation

**Date:** 9<sup>th</sup> August 2018

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

OPERATOR: GOOD AFTERNOON. THIS IS THE CHORUS CALL OPERATOR. WELCOME TO IGD'S 2018 FIRST HALF RESULTS PRESENTATION. AFTER THE PRESENTATION A Q&A SESSION WILL BE HELD.

LET ME TURN THE CONFERENCE OVER TO MR. CLAUDIO ALBERTINI, CEO OF IGD. MR. ALBERTINI, PLEASE PROCEED.

CLAUDIO ALBERTINI: THANK YOU. THANK YOU VERY MUCH. GOOD AFTERNOON TO ALL OF YOU GIVEN THE TIME OF THIS CONFERENCE CALL.

LET ME SAY, BY WAY OF INTRODUCTION, THAT WE'D RATHER HAVE THE CALL LATER IN THE MORNING BECAUSE TODAY WE KNOW IT'S GOING TO BE A PRE-HOLIDAY DAY. OTHERWISE, WE WERE GOING TO HAVE VERY SMALL NUMBERS ATTENDING. SO SORRY, IF WE GAVE YOU VERY SHORT NOTICE BECAUSE WE'VE JUST FINISHED OUR BOARD OF DIRECTORS MEETING AND SORRY IF YOU RECEIVED THE DOCUMENTATION ONLY VERY RECENTLY. IF YOU HAVEN'T RECEIVED IT YET, YOU CAN DOWNLOAD IT FROM THE WEBSITE.

AND I'M ABOUT TO START. AS ALWAYS, THE FIRST PAGE OF THE PRESENTATION ARE THE HIGHLIGHTS FOR THE FIRST HALF OF 2018. WE HAVE 5 FIGURES, RENTAL INCOME IN EXCESS OF €74 MILLION, UP 8.4%. LET ME REMIND YOU THAT THIS HALF-YEAR REPORT, FOR THE FIRST TIME, INCLUDES THE IMPACT OF THE PORTFOLIO ACQUIRED FROM EUROCOMMERCIAL PROPERTY THAT TOOK PLACE ON APRIL 2018. IN THE FIRST QUARTER, WE COULDN'T FEEL THAT POSITIVE IMPACT. WHILST OVER THE FIRST 6 MONTHS, WE HAVE 2 MONTHS OF POSITIVE EFFECT, BOTH AT ECONOMIC AND ALSO FINANCIAL LEVELS, SO REVENUES ARE UP 8.4%, €74.1 MILLION.

NET RENTAL INCOME IS ALMOST 10% UP WITH AN EBITDA FROM CORE BUSINESS LANDING AT €55.6 MILLION, UP 11.3%. AND WE HAVE AN EXCESS OF 70 POINTS, A MARGIN AT 72.5, UP 230 BPS VERSUS H1 2017. AND FOR THE FIRST TIME, WE ARE IN EXCESS OF 80%, IN MARGIN FROM FREEHOLD, SO UP 110 BPS.

FFO, FUNDS FROM OPERATIONS, LANDS AT €38.9 MILLION THAT IS TO SAY UP 22%. WE'LL THEN GO BACK TO THE FFO AND PROVIDE YOU MORE GUIDANCE ON IT IN THE FOLLOWING SLIDES.

GROUP NET PROFIT, €34.8 MILLION, DOWN 28.9% VERSUS LAST YEAR AND THAT IS MAINLY DRIVEN OR EXCLUSIVELY DRIVEN BY FAIR VALUE VARIATION, LAST YEAR PLUS €18 MILLION, NOW SLIGHTLY DOWN €2 MILLION, SO WITH A NEGATIVE DELTA OF 20.

GOING ON TO PAGE 5 OF THE PRESENTATION, LET ME SPEND A COUPLE OF WORDS ON THE MACRO BACKDROP FOR THIS FIRST HALF YEAR, BOTH IN ITALY AND ROMANIA. OVER THE LAST 2, 3 MONTHS, WE HAVE INDEED EXPERIENCED A COOLING DOWN OF THE ITALIAN ECONOMIC BACKDROP. SO WE'RE STILL GROWING, BUT AT A SLOWER PACE.

RECENTLY, OUR INSTITUTE FOR STATISTICS HAS REVISED OUR GROWTH EXPECTATIONS DOWNWARDS. THEREFORE, THIS FIRST HALF AND ALSO FOR FULL YEAR 2018, THE GROWTH WILL BE SLIGHTLY ABOVE 1%, BETWEEN 1.1% AND 1.2%. AND CONSUMER CONFIDENCE IS STILL BOLDLY POSITIVE, THE BLACK LINE ON THE RIGHT-HAND SIDE. AS TO THE UNEMPLOYMENT RATE, WE ARE AT THE LOWEST LEVELS OVER THE LAST FEW YEARS. AND RECENTLY, WE HAVE WITNESSED A SLIGHT INCREASE IN THE UNEMPLOYMENT RATE.

IN THE REAL ESTATE INDUSTRY, RETAIL ASSET CLASS, WE'VE WITNESSED AN OVERALL DECLINE IN VOLUMES VERSUS H1 2017, WHICH WAS A RECORD YEAR, BY THE WAY, €11 BILLION OVERALL FOR REAL ESTATE IN ITALY. SO IN THE FIRST HALF, WE HAD SLIGHTLY MORE THAN €1 BILLION FOR THE RETAIL REAL ESTATE, BUT ABOUT 80% IS MADE UP OF SHOPPING CENTERS ASSET CLASS, INCLUDING THE ACQUISITION OF THE EUROCOMMERCIAL PORTFOLIO. AND IN ROMANIA, THE GDP FORECAST GROWTH IS SLIGHTLY BELOW 5% VERSUS 2017 THAT WITNESSED A 6.7% GROWTH.

LET'S DRILL DOWN TO A GREATER LEVEL OF DETAIL; WE'RE NOW ON PAGE 6 OF THE PRESENTATION. THE OCCUPANCY RATE IN ITALY WENT UP 30 BPS, 97.1%, WITH TENANT SALES THAT EXPERIENCED A 3.8 GROWTH, INCLUDING EXTENSIONS, AND WE ARE PARTICULARLY REFERRING TO VERY LARGE EXTENSIONS COMPLETED LAST YEAR, THE ESP IN RAVENNA, AND EVEN STRIPPING THAT OFF, WE STILL ENDED UP WITH A POSITIVE FIGURE, SLIGHTLY ABOVE 1%. SO THE AVERAGE UPSIDE OF THE 101 SIGNED CONTRACTS BETWEEN TURNOVER AND RENEWALS WAS UP 1.4% WITH A 2.4% ROTATION RATE BETWEEN NEW TENANTS AND TOTAL CONTRACTS.

IF WE MOVE ON TO THE NEXT SLIDE, THE SAME SLIDE ON ROMANIA, THE OCCUPANCY RATE FOR THE FIRST TIME IN A NUMBER OF YEARS, THE HIGHEST OCCUPANCY RATE WE'VE HAD FOR ROMANIA,

97.5%, UP VERSUS FULL YEAR 2017, WHICH WAS 96.4%. SO THE AVERAGE UPSIDE ON RENEWALS OF 231 SIGNED CONTRACTS, OF WHICH 111 WERE TURNOVER AND 120 RENEWALS, SO THE AVERAGE UPSIDE WAS 1.1% WITH A ROTATION RATE, WHICH IS NORMALLY HIGHER IN ROMANIA THAN IN ITALY. SO THEY HAVE A LOT MORE NEW TENANTS ON TOTAL CONTRACTS.

IF WE MOVE ON TO PAGE 8 IN THE PRESENTATION, WE ARE IN TOTAL INCOME AND NET RENTAL INCOME GROWING FROM €68.4 MILLION H1 2017 TO €74.1 MILLION IN H1 2018 WITH A LIKE-FOR-LIKE GROWTH WITH THE SAME CONSOLIDATION SCOPE UP 1.4% IN ITALY AND WITH SHOPPING MALLS AT 1.7% AND HYPERMARKETS GROWING 1% WITH A CONTRIBUTION TO THE GROWTH OF 90 BPS GIVEN BY INFLATION, SO LOWER THAN THE GROWTH SCORED BY THE 2 ASSET CLASSES. AND THE GROWTH WAS MAINLY DRIVEN BY THE PORTFOLIO WE ACQUIRED DURING THIS FIRST HALF; WE ARE TALKING ABOUT THE ECP PORTFOLIO. THE NOTARY DEED WAS SIGNED, SO THE CLOSING TOOK PLACE ON THE 18<sup>TH</sup> OF APRIL, WHILST LAST YEAR, THE RAVENNA MALL WAS OPENED ON JUNE 1. SO WE HAVE THE FULL HALF YEAR WHILST LAST YEAR WE ONLY HAD 1 MONTH.

ROMANIA IS UP 4.7%. IN THE BOTTOM PART OF THE SLIDE, YOU CAN SEE THE NET RENTAL INCOME GOING FROM €55 MILLION, €55.2 MILLION, TO €60.7 MILLION, WHERE THE MALL MARKED A GROWTH 10.4% ITALY, UP THANKS TO THE EUROCOMMERCIAL PORTFOLIO ACQUISITION AND UP 3.7% IN ROMANIA.

AS TO THE REVENUE BREAKDOWN, RENTAL INCOME BREAKDOWN, 66% REVENUE THAT'S FOR MALLS. HYPERMARKET CONTRIBUTION IS DECLINING AND WILL DECLINE FURTHER IN THE SECOND HALF, NOW ACCOUNTS FOR 27%. AND THE WEIGHT OF ROMANIA ON TOTAL REVENUES IS 6.5%.

LET'S NOW MOVE ON TO PAGE 9, COMMERCIAL ACTIVITY. WE ARE MAINLY TALKING ABOUT 2 STREAMS OF ACTION. FIRST OF ALL, TREND AND INNOVATION, WE'VE BEEN WORKING ON FOR QUITE SOME TIME IN OUR SHOPPING MALL BOTH FOCUSING ON THE NEW HIGH-PERFORMING BRANDS WE'VE INTRODUCED, I'VE MENTIONED SOME OF THEM, AND THE SERVICES PROVIDED. TWO DENTAL CLINICS ACTUALLY, THE I.DENTICOOP AND CAREDEUT, 2 DENTAL CLINIC TRAINS THAT LEAD OUR SERVICES TO 16 IN OUR PORTFOLIO, OVERALL PORTFOLIO. THEY ACCOUNT FOR 16. AND WE INTRODUCED LOCKERS IN PARTNERSHIP WITH POSTE ITALIANE. WE HAVE A PILOT PROJECT RUNNING INTO SHOPPING CENTERS, ONE IN MILAN AND ONE IN ROME, WITH LOCKERS THAT ARE PLACED INSIDE THE SHOPPING MALLS.

AND THEN THE SECOND STREAM OF ACTION IS TENANT ENGAGEMENT. LET ME TELL YOU THAT FOR THE MAPIC ITALY WE HAD IN MILAN, WE HAD A GREATER NUMBER OF MEETINGS THAT WE NORMALLY HAVE IN CANNES AT THE YEARLY MAPIC EVENT IN NOVEMBER. WE HAD 133 MEETINGS

DURING THE MAPIC SHOW IN ITALY. TELLING YOU THAT THERE'S BUOYANT DEMAND FROM RETAILERS IN ITALY, 20 NEW TENANTS. WE MET THEM AND 25 ARE SPECIFICALLY ON FOOD COURT, ENTERTAINMENT AND SERVICES TO REALLY UNDERPIN AND STRESS THE IMPORTANCE OF THIS NEW AND NORMAL CONSOLIDATED TREND.

WE ARE NOW ON PAGE 10. WE'RE FOCUSING ON AN INTEGRATED MARKETING APPROACH. WE HOST 500 EVENTS OF DIFFERENT TYPES IN OUR SHOPPING MALLS. WE ARE PLANNING THIS ACTIVITY WITH OUR ANNUAL MARKETING PLAN. WE CONSTANTLY MONITOR THOSE PLANS, TOO.

AND NOW, I MOVE ON TO PAGE 11. WE'RE TRYING TO BE MORE AND MORE SUSTAINABLE OVER TIME. WE'VE INCREASED THE CENTERS CERTIFIED ISO 14001. THERE'S 3 MORE FOR A TOTAL NUMBER OF 17, INCLUDING THESE 3 NEWLY CERTIFIED. AND THEN WE HAVE 2 MORE CENTERS THAT WERE CERTIFIED BREEAM IN-USE, KATANÈ AND TIBURTINO, AND WE HAVE 2 MORE THAT'S WORK IN PROGRESS FOR BREEAM IN-USE CERTIFICATION AND THEY WILL BE COMPLETED WITHIN Q1 2019.

WE HAVE A REWARD, THAT WE ARE VERY PLEASED TO RECEIVE, WINMARKT, IT'S THE FIRST ROMANIAN COMPANY TO OBTAIN THE ANTICORRUPTION CERTIFICATION ISO 37001. WE'RE WORKING IN ITALY TO GET THE SAME TYPE OF CERTIFICATION.

THE ESP RAVENNA CENTER GOT AN AWARD FROM THE NATIONAL COUNCIL OF SHOPPING MALLS (CNCC), THE CNCC DESIGN AWARD.

AND AFTER I WAS APPOINTED IN THE EPRA ADVISORY BOARD SEPTEMBER LAST YEAR, WE ALSO PLAYED A ROLE IN THE FIRST EPRA SUSTAINABILITY COMMITTEE THAT TOOK PLACE IN BRUSSELS ON MAY 23 THIS YEAR.

AND THEN WE'VE STARTED AN EXPERIMENTAL PROJECT, IT'S CALLED WASTE 2 VALUE. THAT IS TO SAY WE HAVE A FERTILIZER PRODUCED WITH COFFEE WASTE AND ORANGE PEELS THAT ARE WASTE THAT IT'S PRODUCED WITHIN THOSE SHOPPING CENTER.

TO WRAP UP THIS H1 OVERVIEW, AND ON PAGE 12. AS YOU KNOW, ON JUNE 1, THE SHAREHOLDERS MEETING APPOINTED THE NEW BOARD OF DIRECTORS. THE CHAIRMAN AND THE CHIEF EXECUTIVE WERE RECONFIRMED AND MYSELF AS CHIEF EXECUTIVE DIRECTOR. THE NUMBER OF DIRECTORS WAS REDUCED FROM 13 TO 11. BUT ALREADY THE PREVIOUS BOARD HAD BEEN REDUCED FROM 15 TO 13 MEMBERS AND 7 INDEPENDENT DIRECTORS OUT OF 11 WITH PROFESSIONAL COMPETENCE AND INTERNATIONAL PROFILE AND EXPERTISE IN A NUMBER OF

INDUSTRIES, REAL ESTATE, RETAIL, LEGAL, FINANCIAL, ET CETERA. AND YOU FIND THE NAMES ON THE SLIDE. I'M SURE YOU ALREADY KNOW ALL THE NAMES. YOU'RE FAMILIAR WITH THEM.

LET'S MOVE ON TO OUR PORTFOLIO OVERVIEW, PAGE 14. PORTFOLIO WENT UP 9% FROM €2.28 BILLION FOR FULL YEAR 2017 TO €2.428 BILLION END OF JUNE 2018, UP €200 MILLION. AND LET'S GIVE YOU A BREAKDOWN OF THE MALL ASSET CLASS, RELEVANT SMALL AND MEDIUM KEY GALLERY SHOPPING CENTERS IN EXCESS OF €70 MILLION. WE HAVE A NEW ENTRY, CENTRO LEONARDO USED TO BE PART OF THE EUROCOMMERCIAL PORTFOLIO, AND WE'VE NOW ACQUIRED IT, 63% OF OUR SHOPPING CENTERS, SHOPPING MALLS, 16 OUT OF THE TOTAL WE HAVE FULL OWNERSHIP OF BOTH HYPERMARKET AND THE SHOPPING MALL.

LET'S MOVE ON TO PAGE 15. WE HAVE THE GROWTH BRIDGE GROWING FROM €2.28 BILLION TO €4.28 BILLION. THE GROWTH WAS MAINLY DRIVEN BY THE ACQUISITION OF THE EUROCOMMERCIAL PORTFOLIO, €195 MILLION THAT TOOK PLACE APRIL THIS YEAR, AND WE'RE ALREADY THINKING OF 2019. AND PORTFOLIO IS GROWING IN VALUE. THE GROSS INITIAL YIELD IS SIMILAR BETWEEN MALLS AND HYPERMARKETS, 6.3 MALLS AND 6.2 HYPERMARKETS AND ROMANIA, 6.6; IT'S THE GROSS INITIAL YIELD.

WE ALSO GAVE THE EPRA YIELD, NET INITIAL YIELD, ITS 5.5%, ACCOUNTED FOR CURRENTLY AT THE CRITERIA FOR BOTH ITALY AND ROMANIA. THE NET INITIAL YIELD TOPPED UP IS 5.6% FOR ITALY AND 5.9% FOR ROMANIA DUE TO SOME CONTRACTS THAT ARE SCALING UP. AND THEN, AS WE SAID IN THE HIGHLIGHT, 97.1% IT'S THE FINANCIAL OCCUPANCY FOR ITALY AND 97.5% IS THE FINAL OCCUPANCY FOR ROMANIA.

PAGE 16, TRIPLE NET NAV, END OF JUNE IS €11.65 PER SHARE AGAINST €11.40. ALSO CONTINUING THE STOCK THAT WAS ISSUED, WHEN WE ENGAGED IN THE CAPITAL INCREASE, SOME OF IT IS RESTATED, €11.4 THE TRIPLE NAV RESTATED. AND OF COURSE, WE PAID OUT A TOTAL AMOUNT OF €55 MILLION DIVIDEND TO ALSO NEWLY ISSUED SHARES AND THAT HAD A IMPACT ON OUR NAV THAT IS SOMETHING WE REALLY WANT TO HAVE, BOTH THE BOARD AND THE COMPANY.

WE EXPECT IN FOLLOWING QUARTERS THE NAV TO FURTHER GROW AND FURTHER IMPROVE. THANKS TO THE GROWTH WE WILL BE RECORDING. SO WE WILL OUTPERFORM THE 2017 PERFORMANCE.

PAGE 18, 19 AND FOLLOWING PAGES, YOU FIND SOME SLIDES ON ASSET MANAGEMENT ACTIVITIES. STARTING FROM PAGE 18, LET ME REMIND YOU THE CONSOLIDATION SCOPE, THE...WHAT WE ACQUIRED FROM ECP, 4 SHOPPING MALLS THAT WERE INCLUDED IN OUR PORTFOLIO STARTING

FROM 18TH OF APRIL THIS YEAR, GALLERIA LEONARDO A IMOLA, CENTROLUNA SARZANA, LA FAVORITA MANTOVA MALL AND RETAIL PARK AND THEN CENTRO LAME IN BOLOGNA.

ON PAGE 19, YOU SEE THE UPDATE ON WHAT WE HAVE ON THE PIPELINE. THE LIVORNO PROJECT, BY END OF AUGUST WE SHOULD FIND THE CONVENTION BECAUSE WE GOT CLEARANCE FOR THE VARIANCE FROM THE LIVORNO MUNICIPALITY. SO WE HAVE THE PERMIT TO BUILD, THAT WILL ENABLE US TO OPEN IN Q4 2019 OFFICINE STORICHE WHICH IS THE CORE PART OF THE PORTA A MARE PROJECT. AS YOU KNOW, WE HAVE ALMOST COMPLETED THE SALE OF RESIDENTIAL BUILDINGS. 69 FLATS WERE SOLD OUT OF 73, THERE IS A PRELIMINARY AGREEMENT ON THEM. AND IN THIS HALF, WE HAD 9 FINAL DEEDS ON THE FLAT AND THERE IS ONLY 5 OR 6 STILL MISSING THAT SHOULD HAVE THE FINAL DEED IN THE SECOND HALF OF 2018 OR EARLY 2019 TO GET TO THE 69 FLATS IN FULL, SO THERE IS STILL 4 ONLY TO SELL.

PAGE 20 AND PAGE 21, SOME MORE NEWS WE ARE SHARING WITH YOU THAT'S BEEN JUST RESERVED UPON BY THE BOARD. LET ME TELL YOU THAT FONTI DEL CORALLO, THE LIVORNO SHOPPING CENTER, THE BOARD HAS JUST RESOLVED TO HAVE A PROJECT FOR RESTYLING AND REMODELING THE SHOPPING CENTER BY CUTTING THE OUTER MARKET SURFACE IN FAVOR OF AN EXTENSION OF THE SHOPPING MALL. IT'S THE THIRD EXAMPLE OF THIS KIND, WE HAVE 2 SUCCESS STORIES. AFRAGOLA NAPLES, 2015 AND ASCOLI THAT WAS OPENED...THE NEW GALLERY WAS OPENED AND WE REDUCED THE HYPERMARKET SURFACE AND THAT WAS NOVEMBER LAST YEAR.

THIS WOULD BE THE THIRD STORY, SO WE EXPECT TO OPEN BY THE END OF 2019 AND WE GOT THE APPROVAL OF UNICOOP TIRRENO THAT IS AVAILABLE TO REDUCE THE HYPERMARKET SURFACE AND THEN YOU HAVE SOME RENDERINGS OF WHAT THE SHOPPING CENTER WOULD LOOK LIKE AFTER THE RESTYLING AND REMODELING EXERCISE. ANOTHER RESTYLING EXERCISE THAT WAS RESOLVED UPON THIS MORNING HAD BEEN PARTLY INCLUDED IN THE PIPELINE ALREADY, BUT WE WANT TO HIGHLIGHT HOW IT WILL COME OUT WITH THE RENDERINGS, YOU CAN SEE ON THE SCREEN, IT'S A FAR REACHING RESTYLING OF THE ROME CASILINO SHOPPING CENTER.

FIRST HALF OF 2019, WE SHOULD BE COMPLETING THE WORKS, AND AFTER THAT, BETWEEN SEPTEMBER AND OCTOBER WE SHOULD HAVE AN AGREEMENT WITH UNICOOP TIRRENO, WE DON'T HAVE IT YET, BUT WE ARE VERY CONFIDENT WE SHOULD, TO REDUCE THE HYPERMARKETS FIRST IN FAVOR OF THE SHOPPING MALL. AND THAT WOULD BE THE FOURTH CASE AND WE ARE LOOKING AT THE THE PORTFOLIO BREAKDOWN. WE ARE GOING TO REDUCE THE HYPERMARKET SURFACE IN FAVOR OF THE SHOPPING MALL SURFACE AND THIS SHOULD LEAD BETWEEN END OF 2018 EARLY 2019.

PAGE 23, THE FINANCIAL STRUCTURE, WE ARE STILL WORKING ON OUR LIABILITY MANAGEMENT. YOU SEE LOAN-TO-VALUE, DRIVEN BY THE RIGHTS ISSUE IS DOWN TO 46.4% VERSUS 47.4% LAST YEAR. SO IT'S DOWN 100 BPS ROUGHLY FROM LAST YEAR. AND HERE YOU SEE THE LOAN-TO-VALUE BRIDGE FROM 2013 TO 2018, ABOUT 11 POINTS OVER FIVE YEAR TIME SPAN, AND THEN CONVERSELY, COST OF DEBT WHICH IS DECREASING, WE ARE NOW AT 2.7 FIRST HALF OF 2018, IT WAS 2.82 FULL YEAR 2017, AND IT WAS MORE THAN 4% IN 2014.

ON THE OPPOSITE SIDE, THE INTEREST COVERAGE RATIO, IS IN EXCESS OF 3.44 TIMES, AND THOSE RATIOS HAD BEEN FACTORED IN BELOW 3% IN OUR BUSINESS PLAN FOR COST OF DEBT AND IN EXCESS OF 3 TIMES FOR THE ICR. SO WE'VE ALREADY EXCEEDED OUR BUSINESS PLAN TARGETS AT THE END OF THE FIRST HALF.

DEBT MATURITY, WE ARE ON PAGE 24 OF THE PRESENTATION. WE RECONFIRM THAT WE HAVE A SOUND DEBT STRUCTURE €1.81 BILLION OF OUR DEBT STOCK IS LONG-TERM DEBT, ONLY €55 MILLION IS SHORT TERM, €4.65 MILLION IS CASH. OUR DEBT IS BROKEN DOWN AS FOLLOWING; 60% MARKET BONDS AND ABOUT 40% BANKING SYSTEM. YOU SEE THE DEBT MATURITY PROFILE, THAT'S NOW TELLING YOU THAT WE ARE WORKING, SO IT IS WORK IN PROGRESS ON OUR BOND REFINANCING. THE BOND THAT IS CLOSEST TO MATURITY, JANUARY 2019. AND LET ME REMIND YOU THAT THIS IS AN OPPORTUNITY FOR US, BECAUSE IT'S THE MOST BURDENSOME BOND WE HAVE, 3.875, THAT'S THE RATE FIVE YEARS. AND WE SHOULD CLOSE THE REFINANCING BY END OF SEPTEMBER, EARLY OCTOBER AT THE LATEST.

FFO, PAGE 25 IN THE PRESENTATION, AS I ALREADY SAID IN THE INTRODUCTORY SLIDE, IS AT €38.9 MILLION VERSUS €31.9 MILLION FIRST HALF OF 2017, AND THE GROWTH WAS MAINLY DRIVEN BY THE INCREASE OF EBITDA FROM CORE BUSINESS €5.6 MILLION, BUT IN LOWER PART, BUT ALSO MEANINGFUL, CUTTING IN COST IN THE FINANCIAL MANAGEMENT.

AND THEN I WILL WRAP UP TO TO LEAVE ROOM FOR YOUR QUESTIONS. MEANWHILE, I WAS JOINED BY THE COLLEAGUES WHO WERE CLOSING THE BOARD; LET'S HAVE A LOOK AT THE OUTLOOK. IF YOU REMEMBER, WHEN WE FIRST PRESENTED OUR FULL YEAR 2017 RESULTS, WE GAVE GUIDANCE ON 2018. I REMEMBER THAT ALSO FACTORED IN THE ECP PORTFOLIO SECTION, THOUGH IT HAD NOT BEEN YET FORMALLY ACQUIRED, BUT WE WERE ACTUALLY WORKING ON THE CLOSING OF THAT DEAL AND WE WERE ABOUT TO ENGAGE IN THE RIGHTS ISSUE TOO. SO THE GUIDANCE WAS UP 18% TO 20%.

AND IF YOU LOOK AT HOW WE PERFORMED IN THE FIRST HALF, FFO WENT UP 22%; LET'S REMOVE THE LOWER PART OF THE GUIDANCE. LET'S REMOVE THE 18% AND LEAVE THE 20% INSTEAD. SO

OUR GUIDANCE IS AT LEAST UP 20% VERSUS 2017. THAT'S THE GUIDANCE FOR OUR FFO. WE LIKE TO SURPRISE YOU WITH A FINAL DATA RATHER THAN COME UP WITH HIGHER TARGETS NOW. AT THE CLOSING OF THE SECOND HALF, WE ARE CONFIDENT WE CAN FURTHER IMPROVE, SAY PUTTING THIS AT LEAST UP 20% BEFORE THE ACTUAL FIGURE, AT LEAST BETTER THAN 2017.

WE ARE NOW READY TO TAKE QUESTIONS.

OPERATOR: THIS IS THE CHORUS CALL OPERATOR. LET'S NOW OPEN THE Q&A SESSION.

Q&A

OPERATOR: THE FIRST QUESTION COMES FROM THE LINE OF SIMONETTA CHIRIOTTI, MEDIOBANCA. PLEASE PROCEED.

SIMONETTA CHIRIOTTI: GOOD MORNING. WELL, GOOD AFTERNOON TO ALL OF YOU. MY QUESTION IS ON THE VALUATION THAT YOU HAVE WORKED OUT FOR YOUR PORTFOLIO. COULD YOU GIVE US SOME COLOR ON THIS FLAT TREND OR SLIGHTLY DECLINING TREND YOU HAVE DISCLOSED DESPITE A POSITIVE PERFORMANCE YOU HAD IF ASSESSED ON A LIKE-FOR-LIKE BASIS. WE ARE TALKING ABOUT RENTAL INCOME GROWTH.

CLAUDIO ALBERTINI: VERY WELL. I REMEMBER THAT, FAIR VALUE VALUATION DOWN 2% ON A €2.428 BILLION PORTFOLIO, 0.10% IN DECLINE. SO BASICALLY, AS WE SAID, IT'S FLAT. LAST YEAR, IT WAS UP 18%, BUT BECAUSE WE HAD THE RAVENNA EXTENSION; INDEED WE DID ACHIEVE A GOOD PERFORMANCE ON A LIKE-FOR-LIKE BASIS. BUT THE MACRO BACKDROP IN ITALY WHEN IT COMES TO RATES THAT ARE APPLIED THAT ARE APPLIED BY THE APPRAISERS, THE APPRAISERS ARE APPLYING A COMMON METHODOLOGY, THE DCF METHODOLOGY AND IT'S HIGHLY AFFECTED BY RATES AND THE OVERALL ECONOMIC BACKDROP. SO THIS IS BASICALLY WHAT LED TO THIS PERFORMANCE, IT IS DISCOUNT RATES AND CAP OUT THAT WERE SLIGHTLY INCREASING VERSUS THE ONES WE HAD IN H1 2017.

I DON'T KNOW WHETHER ROBERTO ZOIA WOULD LIKE TO ELABORATE ON THIS BECAUSE HE IS THE ONE WHO WAS IN CONTACT AND LIAISE WITH THE APPRAISERS. BUT THE APPRAISAL IS MAINLY AFFECTED BY EXTERNAL FACTORS RATHER THAN INTERNAL ONES.

ROBERTO ZOIA: GOOD AFTERNOON. THIS IS ROBERTO SPEAKING. AND IF WE LOOK AT ALL THE REPORTS FOR H1 2018, WHAT WE SEE FROM ALL APPRAISERS. WE SEE A TREND TO SLIGHTLY INCREASE BOTH THE DISCOUNT RATE AND IN SOME ASSETS ALSO THE CAP RATE, THE EXIT RATE. WHILE WE HAVE THE BEST PERFORMANCE, THAT IS TO SAY, ON PRIME ASSETS, THE VALUE WAS SLIGHTLY REVISED AND



WHEN THERE WERE DELTAS IT WAS ON SOME SECONDARY, NOT PRIME ASSETS, BUT SECONDARY ONES. WE'RE TALKING ABOUT 0.32 ON HYPERMARKETS AND 0.26 ON GALLERIES ON A LIKE-FOR-LIKE BASIS. SO IT'S VERY LIMITED. OF COURSE, IT HAS TO BE COMPARED WITH THE €18 MILLION WE HAD LAST YEAR IN ABSOLUTE TERMS. IF YOU REMEMBER, H1 2017, WE STILL FELT A TAIL OF COMPRESSION ON YIELDS AND THEN WE BENEFITED FROM THE 2 DEALS. WE HAVE THE RAVENNA OPENING ON THE ONE HAND AND STILL A TAIL FOR THE GROSSETO OPENING. BUT BASICALLY, WE ARE FLAT AND THAT DELTA...THE DIFFERENCE IS POINT SOMETHING, IN THE RANGE OF POINT SOMETHING.

SIMONETTA CHIRIOTTI: ON A YEARLY BASIS, IS IT A TREND? ON A FULL YEAR BASIS, IS THIS A TREND THAT WILL BEEN GOING ON?

ROBERTO ZOIA: OF COURSE, IT VERY MUCH WILL DEPEND ON HOW WELL IT WILL BEHAVE. SECOND HALF WHERE WE EXPECT IT TO BE FLAT AND IN LINE WITH H1, NO MAJOR VARIATIONS. AS WE SAID THIS MORNING DURING THE BOARD PORTFOLIO, IT IS ALMOST €2.5 BILLION. A SLIGHT DELTA IN THE RATE MIGHT LEAD TO VARIATIONS IN THE RANGE OF A FEW MILLION. €2 MILLION FOR THE JOB RATE TOTAL, PLUS OR MINUS, ITS 0.1, 0.10. HISTORICALLY, WRITE-DOWN TO WRITE-UP IN THE HALF YEAR UNLESS THERE ARE VERY STRONG CHANGES IN SCENARIOS OR IN RATES IN THE SECOND HALF, NORMALLY, THE ONES YOU HAVE IN THE FIRST HALF ARE GENERALLY RECONFIRMED IN THE SECOND HALF. SO HAVING 2 APPRAISALS PER YEAR ENABLES US TO SOMEHOW ADVANCE THE EFFECT YOU WOULD HAVE ON FULL YEAR.

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. IF YOU WANT TO ASK A QUESTION, PRESS "\*" FOLLOWED BY "1." THE NEXT QUESTION COMES FROM FEDERICO PEZZETTI WITH INTERMONTE.

FEDERICO PEZZETTI: I DO APOLOGIZE. CAN YOU HEAR ME?

CLAUDIO ALBERTINI: YES, WE CAN HEAR YOU.

FEDERICO PEZZETTI: ONE SINGLE QUESTION CONCERNING THE RESTYLING. YOU MENTIONED FONTI DEL CORALLO AND CASILINO; DO YOU HAVE AN IDEA AS TO THE FINANCIAL COMMITMENT? AND DO YOU EXPECT ANY POSITIVE IMPACT FROM RENTS? AND WHAT'S THE TIME FRAME FOR THAT?

CLAUDIO ALBERTINI: FINANCIAL COMMITMENT WOULD BE ON A RELATIVE BASIS. CASILINO, WE ARE TALKING €4 MILLION ROUGHLY, €4 MILLION, €4.5 MILLION. AND FONTI DEL CORALLO, WE'RE TALKING ABOUT €2.5 MILLION OVERALL. SO A TOTAL FINANCIAL COMMITMENT OF ABOUT...BETWEEN €7 MILLION AND €8 MILLION OVERALL TO BE SPREAD BETWEEN 2018 AND 2019...ACROSS 2018 AND 2019. WORKS WILL BE STARTED, BUT WE'RE GOING TO FINISH EVERYTHING IN FIRST HALF OF 2019. SO PART OF THEM HAVE ALREADY BEEN FACTORED IN THE CAPEX IN OUR BUSINESS PLAN. SOME OF THEM HAVE ALREADY BEEN FACTORED IN.

AS TO THE YIELD, THE YIELD WILL BE BASICALLY IN LINE, MAYBE FOR FONTI DEL CORALLO, A LITTLE LESS. THE MOMENT IN WHICH WE WOULD USE THE HYPERMARKET FIRST THAT'S IN FAVOR OF AN EXTENSION OF THE SHOPPING MALL, NOT ALL OF THE FREED SPACES DEVOTED TO SHOPPING MALLS. SOMETIMES, WE BUILD IN SMALL SQUARES THAT ARE THEN CONNECTED TO THE SHOPPING MALL. BUT THAT PART, THAT SQUARE, IS NOT BEING LEASED. AND THE KIOSKS, FOR INSTANCE, ARE NOT THE ENTIRE SURFACE IS LEASED OUT. SO THERE MIGHT BE A SLIGHT DECLINE. BUT THE INDIRECT EFFECT OF THE RESTYLING AND I'D LIKE TO TALK ABOUT ASCOLI.

WHEN WE FIRST ACQUIRED THAT SHOPPING CENTER IN 2014, OCTOBER 2014, THE OCCUPANCY RATE WAS SLIGHTLY ABOVE 80%, 80 PERCENT. WELL, NOW, I COULD GIVE YOU THE UPDATE NOW, WE'VE ACHIEVED FULL OCCUPANCY WITH THE LAST UNITS IN THE FOOD COURT THAT HAS BEEN SIGNED FOR. SO WE'VE ACHIEVED FULL OCCUPANCY, SO THERE'S AN INDIRECT POSITIVE APPROACH. WHEN YOU REDUCE THE HYPERMARKET SPACE AND YOU RESTYLE...YOU CREATE THE NEW SHOPPING CENTER AND YOU RESTYLE IT, AS I MENTIONED IN THE 2 PREVIOUS CASES, YOU HAVE AN OVERALL POSITIVE IMPACT ON THE SHOPPING MALL AS SUCH. IT'S NOT JUST A SINGLE EFFECT THAT YOU CAN STRIP OFF AND SEE WHAT THE MALL YIELD. OF COURSE, YOU TRY TO BREAK EVEN, BUT THERE'S AN OVERALL BENEFIT THAT CAN BE COMPUTED FOR THE SHOPPING CENTER AS A WHOLE BECAUSE I'VE MENTIONED 2 SUCCESS CASES BEFORE AND WE WOULD LIKE TO ECHO...REPLICATE THAT IN LIVORNO AS WELL.

OPERATOR: FOR FURTHER QUESTIONS PLEASE PRESS "\*" FOLLOWED BY "1" ON YOUR PHONE. MR. ALBERTINI, THE NEXT QUESTION COMES FROM THE LINE OF SIMONETTA CHIRIOTTI WITH MEDIOBANCA. IT'S A FOLLOW-UP.

SIMONETTA CHIRIOTTI: I WAS WONDERING WHETHER THERE'S ANY UPDATE YOU CAN SHARE WITH US ON POSSIBLE ASSET DISPOSALS. I'M TALKING ABOUT NONCORE ASSETS DISPOSALS THAT YOU MENTIONED A FEW MONTHS AGO.

CLAUDIO ALBERTINI: YOU'RE PROBABLY REFERRING TO ROMANIA?

SIMONETTA CHIRIOTTI: YES, ROMANIA, BUT ALSO NOT YET DEVELOPED PARTS IN LIVORNO, FOR INSTANCE.

CLAUDIO ALBERTINI: THAT'S CLEAR, THAT'S CLEAR.

SIMONETTA CHIRIOTTI: AND WERE THERE NOVELTIES THAT WE CAN DISCLOSE?

CLAUDIO ALBERTINI: I CAN ONLY SAY WE ARE WORKING ON LIVORNO, IN PARTICULAR. THE YET-UNDEVELOPED PART BOOK VALUE IS ABOUT €20 MILLION, SO WE ARE WORKING TO CHECK THE OPPORTUNITY MAYBE TO DISPOSE INSTEAD OF HAVING A FURTHER CASH ABSORPTION FOR THE DEVELOPMENT EXERCISE. AND I HAVE NO NEWS THERE. WHILST FOR ROMANIA, WE ARE STILL SCOUTING THE MARKET, ROMANIAN MARKET, BECAUSE THE BACKDROP IS INDEED GOOD.

THE ROMANIA PERFORMANCE OCCUPANCY RATE LIKE-FOR-LIKE GROWTH IS VERY GOOD. BUT AT THE SAME TIME, WE ARE TALKING ABOUT A VERY, VERY SPECIAL PORTFOLIO, 100...LESS THAN €160 MILLION PORTFOLIO IN 13 CITIES. PLOIESTI ACCOUNTS FOR 40% VALUE-WISE OF THE ENTIRE PORTFOLIO. SO IT'S NOT 2 SHOPPING MALLS. IN OTHER CASE, IT WAS €160 MILLION, 1 OR 2 SHOPPING MALLS AT THE MOST. NOW THE SHOPPING CENTERS IN ROMANIA THAT HAVE NOTHING TO ENVY COMPARED TO THE ITALIAN ONES, BUT WE'RE STILL SCOUTING THE MARKET AND THEN I DON'T HAVE ANY NOVELTIES TO DISCLOSE YET.

ROMANIA HAS NO DEBT. IT'S DEBT-FREE AND IT'S STILL PERFORMING WELL, STILL GIVING ITS CONTRIBUTION. 6.5% OF TOTAL ASSETS. THEY ACCOUNT FOR 6.5% OF TOTAL ASSETS. SO IT'S ONE MORE REASON TO DISPOSE MAYBE. WE WILL KEEP FOCUSING ON DEVELOPING ITALY. AS WE DID WITH THE LAST TRANSACTION, WE WILL KEEP ON INVESTING IN ITALY. WE HAVE COMPLETED OUR CAPEX ENGAGEMENT OR INVESTMENT IN ROMANIA. THERE IS STILL VERY LITTLE TO DO. CARLO BARBAN, OUR CEO THERE, CONSTANTLY COMES UP WITH CONTRACTS WITH NEW TENANTS, HIGHER RETENTION. 97.5% IS THE OCCUPANCY RATE. WELL, WE MIGHT EVEN DECIDE TO KEEP IT, IT'S NOT AN NPL, SO WE MIGHT DECIDE TO RETAIN IT. IT'S NOT A LOAN. SO NO NPA...IT'S NOT A NONPERFORMING ASSET.

SIMONETTA CHIRIOTTI: THANK YOU, MR. ALBERTINI.

OPERATOR: MR. ALBERTINI, FOR THE TIME BEING, THERE ARE NO MORE QUESTIONS.

CLAUDIO ALBERTINI:

VERY WELL. I WOULD LIKE TO THANK YOU ALL FOR ATTENDING THE CONFERENCE, AND WISH YOU HAPPY HOLIDAYS. AND WE'LL TALK AGAIN WHEN WE APPROVE THE Q3 RESULTS. THANK YOU VERY MUCH.