

Event: 1Q 2019 Financial Results Presentation

Date: 7th May 2019

Speakers: Mr. Claudio Albertini, CEO

OPERATOR: GOOD MORNING. WELL, GOOD AFTERNOON, THIS IS THE CHORUS CALL OPERATOR. WELCOME TO IGDs Q1 2019 RESULTS PRESENTATION. LET ME REMIND YOU THAT ALL PARTICIPANTS ARE IN LISTEN-ONLY MODE. AFTER THE PRESENTATION, A Q&A SESSION WILL BE HELD. IN ORDER TO BE ASSISTED BY AN OPERATOR DURING THE CONFERENCE CALL, PLEASE PRESS "*" FOLLOWED BY "0" ON YOUR PHONE KEYPAD.

LET ME NOW TURN THE CONFERENCE OVER TO MR. ALBERTINI, CEO OF IGD.

CLAUDIO ALBERTINI: THANK YOU. GOOD AFTERNOON TO ALL OF YOU. I AM SURE YOU RECEIVED IN ADVANCE THE DOCUMENTATION CONCERNING THE Q1 RESULTS THAT WERE APPROVED THIS MORNING BY OUR BOARD, IGDs BOARD.

LET ME MOVE TO THE PRESENTATION WHICH YOU RECEIVED TOGETHER WITH THE REST OF THE DOCUMENTATION. SO I'LL WALK YOU THROUGH THE PRESENTATION THAT I'M SURE YOU'VE ALL RECEIVED. LET'S START FROM THE HIGHLIGHTS.

I AM NOW ON PAGE 3 OF THE PRESENTATION, LET'S START FROM RENTAL INCOME. IN Q1 RENTAL INCOME LANDED AT €38.8 MILLION, UP 8.7%. AND HERE WE HAVE 2 FIGURES. AS YOU KNOW, STARTING FROM THIS YEAR WE'VE APPLIED THE IFRS16 ACCOUNTING PRINCIPLES. AND ON PAGE 13 AND 14, YOU WILL SEE THE IMPACTS BOTH ON OUR P&L AND ON THE FINANCIAL STATEMENTS. IN ORDER TO PROVIDE A CONSISTENT COMPARISON AND WE COULD NOT POSSIBLY CHANGE Q4 2018. WE HAVE 2 FIGURES THAT WE ARE PROVIDING TO YOU. BUT LET'S FOCUS ON THE FIGURE IN BRACKETS, THAT IS TO SAY THE ADJUSTED EX-IFRS FIGURES FOR US TO HAVE A CONSISTENT COMPARISON.

SO, WE WILL FIND SOME FIGURES ON BOTH THIS SLIDE AND THE FOLLOWING ONES. I WILL ONLY GIVE THE CONSISTENT FIGURE. SO NET RENTAL INCOME LANDED AT €34.2 MILLION AND ON LIKE-FOR-LIKE BASIS UP 9.2% VERSUS LAST YEAR, AND THE SAME APPLIES TO CORE BUSINESS EBITDA

LANDING AT €31.2 MILLION, UP 8% VERSUS LAST YEAR. THE OVERALL EBITDA MARGIN LANDED AT 77.3% AND THE MARGIN FROM FREEHOLD IS AROUND 80%, SLIGHTLY DOWN VERSUS 2018. GROUP NET PROFIT, AND HERE THERE'S NO DIFFERENCE WHEN IT COMES TO APPLYING NEW ACCOUNTING PRINCIPLE, ITS €18 MILLION, UP 8%, AND FUNDS FROM OPERATIONS, FFO IS €20.8 MILLION, UP 13.4%. AND I'LL GET BACK TO THIS FUND FROM OPERATION VERSUS THE GUIDANCE WE PROVIDED, AND WE WILL GIVE YOU THE FIGURE FOR 2019.

LET'S MOVE ON TO PAGE 4, WHERE YOU WILL SEE OUR RENTAL INCOME GROWTH BRIDGE FROM €35.6 MILLION IN Q1 2018 TO LAND AT €38.8 MILLION Q1 2019, END OF MARCH 2019. AS YOU SEE, THE GROWTH WAS MAINLY DRIVEN BY THE REVENUES COMING FROM THE ACQUISITION OF THE PORTFOLIO FOR SHOPPING MALLS FROM ECP LAST YEAR. SO WE DID NOT FACTOR IN THAT CONTRIBUTION LAST YEAR AND WE HAVE A FLAT GROWTH INSTEAD ON A LIKE-FOR-LIKE BASIS IN ITALY. THE HYPERMARKET WENT UP 0.4%; WHILST SHOPPING MALLS ARE BASICALLY FLAT HERE. THE EFFECTS OF INFLATION WERE ABOUT 77 BASIS POINTS. AND I'LL GO BACK TO THIS ONE. I'LL GIVE YOU THE REASON FOR THIS FLAT GROWTH. ROMANIA DID VERY WELL, 2.4% GROWTH WITH AN INTERESTING UPSIDES.

THE BREAKDOWN OF OUR RENTAL INCOME SHOWS HYPERMARKETS BELOW 26 AS A MATTER OF FACT, AND IN OUR STRATEGIC PLAN 2019-2021, WE SET A TARGET 21%-22% AS FAR AS HYPERMARKETS ARE CONCERNED OUT OF THE TOTAL RENTAL INCOME AND WE ARE GOING THERE, WE'RE GETTING THERE WITH THE REDUCTIONS OF HYPERMARKETS THAT WE ARE APPLYING AND WHEN WE OPEN LIVORNO WE SHOULD BE HITTING THAT TARGET BY 2021.

LET'S MOVE ON TO PAGE 5. NOW, LOOK AT OUR NET RENTAL INCOME GOING FROM €29 MILLION END OF MARCH 2018 TO €31.6 MILLION END OF 2019. I AM ONLY GIVING A COMMENT ON THE ADJUSTED FIGURES TO BE ABLE TO HAVE A LIKE-FOR-LIKE COMPARISON. AND HERE AGAIN, THE GROWTH WAS DRIVEN BY RENTAL INCOME, THANKS TO THE ACQUISITION OF THE EURO COMMERCIAL PROPERTY PORTFOLIO. SO €2.6 MILLION WAS THE GROWTH DRIVEN THROUGH THE COMBINED EFFECT I HAVE JUST EXPLAINED.

LET'S TALK ABOUT THE OPERATING PERFORMANCE. IN ITALY OCCUPANCY IS DOWN FROM 97.2% FULL YEAR 2018 TO 96.6%, AND THE DECLINE IS MAINLY DRIVEN AND DUE TO VACANCIES THAT ARE TO BE FOUND IN SPECIFIC CASES, I AM PARTICULARLY REFERRING TO NAPLES AND ROME WHERE WE HAVE MEDIUM SIZED SURFACE AREAS, AND IT'S A TEMPORARY VACANCY. WE ARE WORKING TO FIND NEW TENANTS ON THESE AVERAGE SIZED AREAS AND IS 3,000 OUT OF THE 4,000 SQUARE METERS OF EXTRA VACANCY WE HAD VERSUS LAST YEAR. WE ARE WORKING ON IT AS I SAID BEFORE, AND BY YEAR END WE SHOULD MANAGE TO REMARKET.

AND YOU SEE DESPITE DECLINE IN FOOTFALLS, TENANT SALES ARE FLAT AND WE ARE IN LINE WITH THE BENCHMARK THAT WAS PROVIDED BY THE CNCC WHICH IS ABOUT BETWEEN -5% AND -6%, AND IT'S MAINLY DUE TO ONE OFF EFFECTS. YOU SEE THEM IN THE BOX THAT IS TO SAY WE HAD A CALENDAR EFFECT SINCE IN 2018 EASTER WAS APRIL THE 1ST AND THEREFORE DRIVING THE SALES END OF MARCH, WHEREAS THIS YEAR EASTER WAS MID-APRIL.

AND THEN, OF COURSE, WEATHER CONDITIONS HAVE TO BE FACTORED IN AS WELL. WE WILL HAVE TO GET USED TO THIS. IN FEBRUARY AND MARCH WE HAD WARM WEATHER, SO PEOPLE WERE NOT LESS WILLING OR LESS PRONE TO GO TO SHOPPING MALLS AND WE ARE HAVING APRIL AND MAY WITH COMPLETELY DIFFERENT WEATHER CONDITIONS OPPOSED TO WHAT WE HAD IN FEBRUARY AND MARCH. IN APRIL, SO WE HAD A PICK-UP, THANKS TO THE EASTER PERIOD, BUT ALSO THANKS TO THE WEATHER CONDITIONS THAT HAVE CHANGED ESPECIALLY IN THE SECOND HALF OF APRIL, BECAUSE EARLY APRIL THE WEATHER WAS STILL RATHER WARM.

AND THEN THE AVERAGE UPSIDE OUT OF 100 CONTRACTS, WE HAD 4.1% AVERAGE UP SIDE ON SIGNED CONTRACTS, SO SIGNED CONTRACTS WITH 39 TURNOVERS, 59 RENEWALS, AND IN MILAN WHICH IS THE CINEMA OPERATOR WE ARE DEALING WITH, AND WE ARE STILL HAVING WORKS GOING ON FOR NEW ENTERTAINMENT, FOR MORE ENTERTAINMENT THAT'S GOING TO BE VERY INNOVATIVE AND WORKS ARE TAKING PLACE WITH THE CINEMA STILL OPEN, SO IT ON THEATRE-BY-THEATRE BASE. AND ROMANIA OCCUPANCY SLIGHTLY DECLINING AND UP SIDE, HOWEVER, THE AVERAGE UP SIDE IS UP 10.3% ROUGHLY 100 CONTRACT BETWEEN TURNOVER AND RENEWALS...SIGNED CONTRACTS.

LET ME ADD SOMETHING ABOUT ITALY. IN LIGHT OF THESE TRENDS WE ARE WITNESSING, WHERE WE ARE WITNESSING SOME CRITICALITIES FOR THE REST OF THE YEAR. THE BOD HAS ISSUED 700,000 EXTRA MONEY TO BE SPENT ON ADVERTISING TO BOOST SOME MARKETING ACTIVITIES TO BOOST SOME OF OUR SHOPPING MALLS AND CENTERS SO THAT WE CAN SOMEHOW BOOST THE FOOTFALLS. WE WILL SEE FROM NOW TO THE MIDTERM OR INTERIM REPORTING.

WE ARE NOW ON PAGE 7 OF THE PRESENTATION. WE HAVE 4 MAIN ACTIONS AND INTERVENTION TO BOOST AN INNOVATIVE AND SUSTAINABLE GROWTH, SO WE ARE WORKING WITH NOTORIOUS, IT'S A COMPANY THAT WAS RECENTLY LISTED ON THE AIM IN MILAN AND THEY SHOULD BE OPENING THIS NEW AND INNOVATIVE CINEMA IN CENTRO SARCA.

WE ARE INSTALLING 32 NEW CHARGING STATIONS FOR ELECTRIC CARS IN IGD SHOPPING CENTERS. WE ARE CARRYING ON A PROJECT TO FURTHER INSTALL AMAZON LOCKERS WITHIN OUR MALLS. WE

HAVE ALREADY INSTALLED THEM IN 15 MALLS OUT OF 27. WE HOPE TO COMPLETE THE WORK BY THE BEGINNING OF THIS SUMMER.

AND THEN THERE IS A NEW EXPERIMENT AT THE PUNTADIFERRO MALL, WE ARE RECYCLING PLASTIC. WE HAVE A COMPACTING FACILITY THERE AND PEOPLE WELL CLIENTS GET PURCHASING COUPONS IN EXCHANGE FOR THE PLASTIC THEY BRING IN AND RECYCLE. SO WE ARE TRYING TO SOMEHOW RESORT INNOVATION TO ATTRACT PEOPLE TO OUR SHOPPING MALLS.

WE'LL MOVE TO PAGE 8, FFOs KEEP GROWING. WE GROW FROM €18.3 MILLION IN 2018 TO €20.8 MILLION FOR Q1 2019 WITH A GROWTH THAT WAS MAINLY DRIVEN BY CHANGE IN ADJUSTED EBITDA AND ALSO THE NET LIABILITY MANAGEMENT AGAIN ADJUSTED, THEN WITNESSING A GROWTH OF 13.4% WHICH IS TWICE AS MUCH AS THE GUIDANCE WE PROVIDED FOR THIS YEAR. AND THIS VERY POSITIVE EVENT OR THIS VERY POSITIVE TREND, LET'S SAY IS MAINLY DRIVEN BY A NOT LIKE-FOR-LIKE SCOPE, THE ACQUISITION OF THE ECP PORTFOLIO WAS MID APRIL, SO THERE'S A NON-RECURRING ITEM TO BE TAKEN INTO ACCOUNT.

LET ME RECONFIRM THE GUIDANCE WE GAVE FOR 2019 BETWEEN 6% AND 7%. AND WE WILL UPDATE THE GUIDANCE IF NEEDED WHEN WE WILL HAVE OUR INTERIM REPORT APPROVED AUGUST THE 2ND WHEN WE WILL BE APPROVING THE FIRST SIX MONTHS OF THE YEAR AND THEN WE WILL HAVE A CONFERENCE CALL DISCLOSING THE RESULTS.

LOOKING AT THE FINANCIAL MANAGEMENT, LET'S MOVE ON TO PAGE 9 IN OUR PRESENTATION. AND HERE WE HAVE SOME NEWS TO SHARE WITH YOU. I THINK WE ARE ALREADY AWARE OF THEM BECAUSE WE ISSUED PRESS RELEASES. IN JANUARY WE REPAID THE BOND 125 MILLION BONDS THAT WAS THE MOST COSTLY ONE WITH A RATE OF 3.875% IN OUR STOCK OF DEBT. BUT ANOTHER POSITIVE PIECE OF INFORMATION IS THAT, IN MARCH WE COMPLETED THE SYNDICATION OF THE €200 MILLION SENIOR UNSECURED LOAN LED BY BNP AND WITH SOME PRIMARY NAMES IN THE WORLD OF SYNDICATION. THE COST OF THIS SENIOR UNSECURED LOAN ITS FIVE-YEAR MATURITY LOAN, AND WE THINK WE ARE GOING TO USE THE OPTION OF BEING ABLE TO EXTEND IT TO FOURTH AND FIFTH YEAR WITH AN APPROXIMATE COST OF 2.1% INCLUDING STRUCTURING COSTS AS WELL, VERSUS THE 3.875% THAT'S THE BOND WE REPAID. AND ON THE FOLLOWING PAGE, YOU WILL SEE THE BENEFIT WE WILL HAVE ON OUR AVERAGE COST OF DEBT.

POSITIVE NEWS WE'VE ALREADY SHARED WITH YOU IN THE PREVIOUS DAYS WAS THE S&P RATINGS, THE LATEST RATING IT'S BBB MINUS WITH A STABLE OUTLOOK THAT WAS ISSUED ON APRIL THE 23RD, 2019 TO THE COMPANY BUT ALSO TO THE EXISTING ISSUANCES. AND THAT, OF COURSE, CAN BE COMPARED TO THE RATING WE GOT FROM MOODY'S IN THE BEGINNING OF APRIL BA1 WITH

STABLE OUTLOOK AND WE HOPE THAT BETWEEN NOW AND THE FIRST HALF OF 2019 WE HOPE MOODY'S WILL TAKE US UP BACK TO INVESTMENT GRADE WITH A STABLE OUTLOOK AS A STANDARD AND POOR DID, AND WE WILL SEE WHAT COMES UP IN THE COMING MONTHS. BUT THIS NEWS MADE SURE THAT THE STEP UP CLAUSES WE HAD IN THE EXISTING BONDS AND ISSUANCES THAT HAD BEEN TRIGGERED WITH, THUS LEADING TO AN INCREASE ON THE COUPON ON THE EXISTING BONDS. SO THEY WENT BACK TO THE ORIGINAL CONDITION, THANKS TO THE FACT THAT WE WERE AWARDED THE S&P IG RATING.

I HINTED AT THE FINANCIAL STRUCTURE OF OUR DEBT. WE ARE NOW ON PAGE 10 OF THE PRESENTATION, STARTING FROM THE LOWER PART OF THE SLIDE. LOOKING AT THE MATURITY PROFILE, THE MATURITY PROFILE IS VERY CLEAR TALKING ABOUT DEBT MATURITY PROFILE, UNTIL 2021 WE HAVE NO SPECIAL MATURITIES STARTING FROM 2021 INSTEAD WE'LL HAVE RENEWAL FROM EXISTING DEBT, MAY 2020 AND WE'LL HAVE THE PUBLIC BOARD COMING TO MATURITY 2.5%, ITS FIVE-YEAR BOND 2.5% IS THE COST. WE HAVE ANOTHER MATURITY IN 2022, ANOTHER BOND SEVEN-YEAR BOND 2.65% IS THE COST. THEN €200 MILLION IS DUE IN 2023 AND IN 2024, WE HAVE €100 MILLION PRIVATE PLACEMENT FULLY UNDERWRITTEN BY PRICOA, THE FINANCIAL ARM OF PRUDENTIAL WITH A COST OF 2.25%.

AS YOU CAN SEE THE COST OF THESE LOANS ARE IN LINE OR ALIGNED THERE IS NO MAJOR DELTA, BECAUSE THIS YEAR WE'VE REPAID THE MOST EXPENSIVE ONE, 3.875%, SO 50% IS THE MARKET AND MEETING THE DEBT BREAKDOWN AND 50...SLIGHTLY MORE THAN 50% BANKING SYSTEM WITH OUR DEBT...MOST OF OUR DEBT IS LONG TERM DEBT...THE VAST MAJORITY OF IT IS LONG TERM. WE'RE ALREADY CASH POSITIVE END OF MARCH ABOUT €38 MILLION CASH POSITIVE.

LET ME COMMENT THE TOP PART OF THE SLIDE NOW. LOAN-TO-VALUE LANDS AT 46.2% AND HERE AGAIN, PAY ATTENTION ITS LOAN-TO-VALUE APPLYING IFRS16, EX-IFRS16 IT WOULD HAVE BEEN 45%, SO LOWER THAN WHAT WE HAD END OF MARCH 2018, SAME APPLIES TO THE OPPOSITE EFFECT ICR INTEREST COVER RATIO WITHOUT THE IFRS16 EFFECT IT WOULD HAVE BEEN 3.7 TIMES AGAINST 3.9 TIMES. AND COST OF DEBT, AS I SAID IS DOWN, AS I SAID BEFORE, WE ARE BELOW 2.5%. AND THIS YEAR'S OBJECTIVE IS BETWEEN 2.4 AND 2.5, SO WE'RE DEFINITELY CLOSER TO 2.4. SO WE SHOULD BE IN LINE WITH OUR OBJECTIVES AND THE GEARING RATIO IS BELOW 0.9 TIMES.

I THINK THAT'S IT, AS FAR AS THE PRESENTATION IS CONCERNED, I'M HERE IN BOLOGNA TOGETHER WITH OUR COLLEAGUES FROM OUR OPERATIONS AND OTHER COLLEAGUES AND THE CHAIRMAN MR. GASPERONI, AND THEY ALL WELCOME YOU.

Q&A

OPERATOR: THIS IS THE CHORUS CALL OPERATOR. NOW YOU HAVE THE FLOOR FOR QUESTIONS. THIS IS A CHORUS CALL OPERATOR. WE'RE OPENING THE Q&A SESSION. IF YOU WISH TO ASK A QUESTION, PLEASE PRESS "*" FOLLOWED BY "1" ON YOUR PHONE KEYPAD. TO BE REMOVED FROM THE Q&A QUEUE, PLEASE PRESS "*" FOLLOWED BY "2" ON YOUR PHONE KEYPAD. PLEASE ASK YOUR QUESTION USING YOUR RECEIVERS AND HEADSETS. IF YOU WISH TO ASK A QUESTION, PLEASE PRESS "*" FOLLOWED BY "1."

NOW, THE FIRST QUESTION COMES FROM THE LINE OF SIMONETTA CHIRIOTTI WITH MEDIOBANCA. YOU HAVE THE FLOOR.

SIMONETTA CHIRIOTTI: GOOD AFTERNOON. AND I HAVE A FEW QUESTIONS. THE FIRST ONE REFERS TO SLIDE PAGE 12 ON FAIR VALUE ADJUSTMENT. ON THE FAIR VALUE ADJUSTMENT LINE, COULD YOU COMMENT THE €4.2 MILLION BASED ON THE NEW ACCOUNTING PRINCIPLES, WHAT HAPPENED ON THE ASSET VALUATION FRONT, SO TO SAY, WHY DID YOU INCLUDE THIS IMPAIRMENT AND FAIR VALUE ADJUSTMENTS? AND THEN, CONCERNING THE RATING, COULD YOU ELABORATE ON WHEN THE NEXT RATINGS REVIEWS, DO YOU HAVE ANY DATES PROVIDED BY MOODY'S AND STANDARD & POOR'S WHEN IT COMES TO POSSIBLY REVISING YOUR RATING? OR IS IT UP TO THEM? IS IT A DISCRETIONARY THING THAT THEY CAN DO? AND ON...WHEN IT COMES TO THE LIKE-FOR-LIKE TRENDS AND RESULTS, COULD YOU ELABORATE ON THE UNDERLYING TREND? YOU HAD POSITIVE IMPACT INFLATION WISE, THESE HAD A POSITIVE IMPACT FROM RENEWALS, AND ALSO ON THE OTHER AND YOU HAVE AN INCREASE IN VACANCY. ARE THESE 3 ELEMENTS THAT EXPLAIN THE LIKE-FOR-LIKE, TREND BEING FLAT OR DO WE HAVE TO FACTOR SOMETHING ELSE INTO THE EQUATION?

CLAUDIO ALBERTINI: WELL, I'M STARTING FROM THE LAST QUESTION. THE FLAT TREND IS EXACTLY THE RESULT OF THE THREE ELEMENTS YOU MENTIONED, SO WE HAD AN INCREASE IN VACANCY, HOPEFULLY A TEMPORARY INCREASE AND ESPECIALLY IN SOME MEDIUM SIZED AREAS. THAT'S WHY WE HAVE A FLAT TREND IN THE QUARTER; WELL WE ARE TALKING ABOUT A QUARTER. AS I SAID LAST YEAR, I WOULD LIKE TO ASK ALL OF YOU...AND LAST YEAR TOO, THE RESULTS WERE NOT SO POSITIVE TREND WISE, BUT RESULT WISE. JANUARY AND FEBRUARY JUST BEFORE THE ELECTIONS AND ON MARCH THE 05TH WE HAD POLITICAL ELECTIONS LAST YEAR, IT WAS VERY UNCERTAIN MOMENT IN TIME, AND FOOTFALLS WERE NOT DOING VERY WELL. THIS YEAR WE ARE MORE OR LESS IN THE SAME SITUATION. THEN WE RECOVERED. WE RECOUPED VERY STRONGLY IN THE FOLLOWING QUARTERS, AND WE'RE HOPING TO DO THE SAME. ALSO, THANKS TO THE ACTIONS I MENTIONED BEFORE, AND THAT WE ARE APPROVED BY THE BOARD THIS MORNING. SO WE THINK WE ARE GOING TO PICKUP. THANKS TO THAT.

AND THEN THE RATING, QUESTION ON THE RATINGS, AND THEN I'LL HAND IT OVER TO MR. NARDI TO ELABORATE ON THE FAIR VALUE ADJUSTMENT. AND I CAN RECONFIRM THAT IN 6 MONTHS WE SHOULD HAVE BOTH S&P AND MOODY'S RATING AT THIS LEVEL WE'VE ALREADY HAD AN UNEXPECTED NEGATIVE SURPRISE, BUT BY THE WAY MOODY'S LAST WEEK CONFIRMED THE RATING ON ITALY SO AS A COUNTRY, SO FOR QUITE SOME TIME, WE SHOULD NOT HAVE ANY OTHER CHANGES IN THAT.

AS TO S&P WE THINK THAT FOR AT LEAST SIX MONTHS, THIS IS THE RATING WE'RE GOING TO CARRY WITH US. AND THEN, MAYBE SEPTEMBER, OCTOBER THERE SHOULD BE AN UPDATE AND ALSO BECAUSE BOTH RATING AGENCIES ARE BEFORE THEY LOOK AT OR REVISE OUR RATING, THEY WILL LOOK AT THE COUNTRY RATING. IT'S NOT JUST CONVENTIONAL IMPAIRMENT AND FAIR VALUE ADJUSTMENT WITH REFERENCE TO IFRS 16 ACCOUNTING. RAFFAELE WILL TAKE THE FLOOR AND EXPLAIN.

RAFFAELE NARDI:

SIMONETTA AS YOU CAN SEE, AS CLAUDIO ALBERTINI WAS SAYING ON PAGE 12 AND THE C COLUMN, YOU HAVE Q1 CONSOLIDATED FIGURES ADJUSTED FOR 2019, AND IT'S €1.9 MILLION ADJUSTMENTS IMPAIRMENT AND FAIR VALUE ADJUSTMENTS. AND AS WE ARE SHOWING ON SLIDE 13 AND THEN IMPAIRMENT AT FAIR VALUE ADJUSTMENT ITS €2.3 MILLION ON THE INCOME STATEMENT. THE DELTA IS CAPEX €1.4 MILLION IN ITALY AND €500,000 IN ROMANIA, AND BASICALLY IT'S CAPEX AND MAINTENANCE WORK AND SEISMIC MAINTENANCE WORK FOR ABOUT €1 MILLION THAT WE ARE APPLYING TO THE ITALIAN PORTFOLIO.

IF I MAY THIS TYPE OF CAPEX THAT IS NORMALLY THEN MIRRORED BY IMPAIRMENTS, YOU HAVE A BUDGET FOR THAT, BUT THEN TRANSLATE IT INTO IMPAIRMENTS.

CLAUDIO ALBERTINI:

YES, INDEED WE DO HAVE A BUDGET, BOTH WITH THE TIMELINE...AND IT IS FINANCIAL BUDGET AND IT'S A TIME BUDGET TO THAT WE ARE WORKING ON. AND AS A MATTER OF FACT, RIGHT NOW FACTORING IT IN OUR P&L, WE DO NOT YET HAVE THE APPRAISALS TO SEE WHETHER OR NOT THEY CAN WITHSTAND OR TAKE THE INVESTMENT. WE WILL SEE AT THE END OF THE FIRST 6 MONTHS.

ROBERTO ZOIA:

SIMONETTA, GOOD MORNING THIS IS ROBERTO ZOIA SPEAKING. CAN YOU HEAR ME? YES, AS RAFFAELE, WAS SAYING BEFORE, WHEN WE HAVE CAPEX IN MARCH AND SEPTEMBER, OF COURSE, WE IMMEDIATELY FACTOR THEM INTO THE P&L AND THEY ARE ACCOUNTED FOR AS IMPAIRMENTS AND THEN AFTER THE APPRAISAL IN SEPTEMBER 1, THEY ARE ENTERED ON THE PREVIOUS ITEM LINE AND THEN BASED ON THE RESULTS OF THE APPRAISAL THEY COULD BE WRITE-UP OR WRITE-DOWNS. AND IN THE OTHER QUARTERS THEY ARE EXPENSE WRITE AWAY, THAT'S WHY THAT IMPAIRMENT

WRITE AWAY WHICH IS NOTHING BUT THE CAPEX THAT WE HAVE DONE UNDERTAKING DURING THE QUARTER.

OPERATOR: NEXT QUESTION COMES FROM THE LINE OF ROBERTO RANIERI WITH BANCA IMI. YOU HAVE THE FLOOR SIR.

ROBERTO RANIERI: GOOD AFTERNOON TO ALL OF YOU. ROBERTO RANIERI, BANCA IMI. AND A COUPLE OF QUESTIONS, UNDER SOMETHING I WOULD LIKE TO ELABORATE ON THE NET FINANCIAL CHARGES. I DID NOT GRASP THE IMPACT OF IFRS16 IF THERE WAS AN IMPACT AT ALL, COULD YOU ELABORATE ON THAT? SECOND QUESTION IS ON THE OUTLOOK SCENARIO IN ROMANIA...IN THE COMING YEARS, YOU HAVE 51% OF CONTRACTS EXPIRING IN 2021. AND I WONDER IF THIS UPSIDE TREND WITH CONTRACT RENEWALS WE HAVE WITNESSED NOW WILL BE RECONFIRMED GOING FORWARD COMING FROM RENEWALS OF THE CONTRACTS I JUST MENTIONED? AND THIRD QUESTION IF I MAY, THE LAST QUESTION, AGAIN I WOULD LIKE YOU TO ELABORATE ON THE 46.2% LOAN-TO-VALUE FIGURE. COULD YOU CLARIFY, IF I AM NOT...IF I DID MISS SOMETHING OUT, THE TARGET IGDs TARGET IS BETWEEN 45% TO 50%, HAVE YOU CHANGED...ARE YOU GOING TO CHANGE THAT TARGET ONCE YOU START APPLYING IFRS16.

CLAUDIO ALBERTINI: YES, LET ME START FROM THE LAST QUESTION ROBERTO. So 45% to 50%, it's the previous BUSINESS PLAN 2016 SPANNING TO 2018 NEW TARGET IS 45% OR BELOW 45%. AND WE WOULD BE THERE APPLYING ALL THE ACCOUNTING PRINCIPLES WE WERE ALREADY AT 45%, BUT APPLYING IFRS16 PRINCIPLES, THEN WE ARE GOING BACK TO ABOVE 45%, WE HAD 46.2%, BUT IN THE BUSINESS PLAN WITH THE NEW MORE CONSERVATIVE CRITERIA, WE ARE GOING TO...WE ARE PLANNING TO REACH 45% OR STAY BELOW OR GO BELOW 45% THAT'S. So 45% to 50% WAS THE TARGET WE HAD EMBEDDED IN THE PREVIOUS BUSINESS PLAN.

ROBERTO RANIERI: THANKS FOR EXPLAINING THAT WAS MY FAULT SORRY, I APOLOGIZE.

CARLO BARBAN: AFTER ROMANIA SAYS MR. ALBERTINI, IT WOULD BE VERY NICE TO KEEP ON HAVING UPSIDE 10% UPSIDES, WE THINK THAT ROMANIA STILL HAS ROOM TO GROW INDEED NOT AT THIS PACE, NOT AT THIS LEVEL, BUT IF YOU LOOK AT IGD'S GENERAL BUSINESS PLAN, WE ALSO INCLUDE A PLAN FOR ROMANIA WHICH IS [INDISCERNIBLE] 2.4% IN Q1 ON A LIKE-FOR-LIKE BASIS. WE HOPE WE CAN KEEP THE SPACE AND IMPROVE THE INCOME AS WELL, THE RENTAL INCOME AS WELL, BY INCREASING THE APPEAL OF OUR ROMANIAN PORTFOLIO IN THE MARKET. AS, YOU KNOW WE ARE LOOKING AROUND IN THE MARKET FOR POSSIBLE INTERESTED INVESTORS AND RECENTLY WE HAVE SOME SIGNS OF INTERESTS, EXPRESSIONS OF INTERESTS. BUT SO FAR THE MORE APPEALING ROMANIA WILL BECOME THE EASIER WOULD BE FOR US TO DISPOSE OF THAT PORTFOLIO GOING FORWARD.

RAFFAELE NARDI IS THE EXPERT OF IFRS16, SO LET ME HAND OVER TO HIM FOR THE QUESTION AND THEN AGAIN YOU WILL FIND THE ANSWER IN THE SLIDE ON THE IFRS 16 IMPACT ON THE FINANCIAL INCOME.

RAFFAELE NARDI:

ROBERTO, YES I GO TO PAGE 13, WHERE YOU HAVE THE IFRS16 EFFECTS ON OUR INCOME STATEMENT AND THERE YOU HAVE MORE THAN €440,000 THAT IS IN LINE WITH SLIDE 12 WHERE YOU HAVE FINANCIAL INCOME, €8.1 MILLION IN THE REPORT. WITHOUT IFRS, IT IS ABOUT €7.6 MILLION, SO THESE ARE ROUNDING'S, OF COURSE THE DELTAS, SO THE €300,000 OF DELTA THAT WE HAVE FACTORED IN WHEN WE WORKED OUT THE FFO...COMPUTED THE FFO, THE DELTA FROM €7.9 MILLION TO €7.6 MILLION, AS THE IFRS IS MERELY AN ACCOUNTING IMPACT.

WE HAVE TO BEAR IN MIND THROUGHOUT THE...ALSO FOR THE FOLLOWING QUARTERS AND THE YEARLY REPORT AS WELL, YEARLY ACCOUNTS, WE WILL STILL BE HAVING THIS EFFECTS AND IMPACTS FOR BOTH THE INTERIM AND FULL YEAR REPORTED, AND NEXT YEAR WE WILL BE FINALLY ABLE TO HAVE A LIKE-FOR-LIKE AND CONSISTENT COMPARISON. BUT FROM NOW UNTIL YEAR END, WE WILL STILL HAVE THIS DIFFERENCE. THIS FIRST Q1 WAS SOMEHOW A CHESS BOARD FOR YEAR AS WELL.

IF WE GO TO PAGE 13, FINANCIAL MANAGEMENT IT'S 0.4 THE IMPACT. THAT'S RIGHT, FINANCIAL MANAGEMENT 0.4, EXACTLY THAT'S IT.

OPERATOR:

NEXT QUESTION COMES...IT'S FOLLOW UP BY SIMONETTA CHIRIOTTI WITH MEDIOBANCA.

SIMONETTA CHIRIOTTI:

I HAVE ONE MORE THING THAT I WOULD LIKE TO ASK. THE COMPUTATION OF THE FFO YOU HAVE ON PAGE 15, ARE YOU GOING TO KEEP IT AS IT IS GOING FORWARD AS WELL OR ARE YOU GOING TO REDUCE CO-BUSINESS EBITDA FOR PASSIVE LEASE...FOR THE COMPUTATION OF FFO AND THEN AS A BASE FOR THE POSSIBLE DIVIDEND POOL?

CLAUDIO ALBERTINI:

YES, IT'S THE BEST IDEA TO HAVE A LIKE-FOR-LIKE COMPARISON. THIS IS THE MODEL YOU HAVE TO BEAR IN MIND FROM NOW TO YEAR END.

SIMONETTA CHIRIOTTI:

BUT FOR THE FUTURE ARE YOU GOING TO APPLY THE SAME THING?

CLAUDIO ALBERTINI:

FOR SURE THIS YEAR. YES, BECAUSE PASSIVE RENTS ARE WRITTEN-OFF FROM THE EBITDA, BUT IT IS A MONETARY COST AS WELL. SO IT IS JUST LIKE EVERY OTHER COST THE COMPANY HAS TO PAY AND BEAR.

- OPERATOR: FOR FURTHER QUESTIONS PLEASE PRESS "*" FOLLOWED BY "1" ON YOUR PHONE. TO ASK FURTHER QUESTIONS, YOU MAY PRESS "*" FOLLOWED BY "1" ON YOUR PHONE KEYPAD. MR. ALBERTINI, FOR THE TIME BEING...SORRY, WE DO HAVE A QUESTION. ROBERTO RANIERI FOR A FOLLOW-UP FROM BANCA IMI.
- ROBERTO RANIERI: GOOD AFTERNOON AGAIN, ONE LAST QUESTION. ON THE LIABILITY MANAGEMENT AFTER...ON THIS LIABILITY MANAGEMENT, €125 MILLION REPAID AT A COST OF 3.875%, IS THAT THE COST OF THE FACILITY?
- CLAUDIO ALBERTINI: YES, THE ONE HAVE REPAID...THE BOND WE HAVE REPAID.
- ROBERTO RANIERI: DOES IT INCLUDE ONE-OFF CHARGES AS WELL.
- CLAUDIO ALBERTINI: IT WAS THE COUPON. IT WAS THE COUPON, AND IN THAT CASE JUST LIKE 2.5 AND 2.65, WHATEVER YOU SEE ON PAGE 10 IT'S THE COUPONS. WHILST 2.1, IT'S AN ALL-IN COST, ALSO INCLUDING THE STRUCTURING COST ET CETERA.
- ROBERTO RANIERI: AND OF THESE LONG-TERM LOANS, ARE YOU THINKING OF REPAYING ANY OR IS THIS FINANCIAL STRUCTURE THE IDEAL ONE YOU ARE GOING TO KEEP THE...
- CLAUDIO ALBERTINI: WELL, THE REPAYMENT IS AN OPTION, BUT IT IS STILL EARLY. TOGETHER WITH MR. BONVICINI, OUR FINANCIAL DIRECTOR, WE ARE THINKING ABOUT IT, BUT THE REPAYMENT IS AN OPTION, NOT THE ONLY ONE THOUGH, MAYBE REFINANCING BOND MATURITIES A FEW MONTHS BEFORE, MAYBE IF ON THE FIRST MATURITY, THE 300 MILLION 2021 MAY 21, WE MAY NOT GET THERE. MAYBE, WE CAN COME UP WITH THE REFINANCING BEFORE THE MATURITY. AND AMONG THE REFINANCING OPTION, WE COULD HAVE EITHER A BUYBACK OR AN EXTENSION...REPAYMENT OR AN EXTENSION. IT WILL DEPEND ON HOW OR WHAT THE MARKET WILL LOOK LIKE. AT THE TIME, IT IS TOO EARLY. IT IS 2 YEARS BEFORE...WELL, FROM HERE TO MATURITY, SO ANYTHING CAN BE DONE. YOU CAN THINK OF REFINANCING. I THOUGHT ABOUT BUT IT'S STILL TOO EARLY I THINK BECAUSE WE HAVE TO LOOK INTO A MORE GENERAL SITUATION. THOSE...THERE ARE NOT VERY MANY CHANCES OF AN EXTENSION SO FAR WE LOOK AT IT FROM THE CURRENT PERSPECTIVE.
- OPERATOR: IF YOU WANT TO ASK A QUESTION, YOU CAN PRESS "*" FOLLOWED BY "1" ON YOUR PHONE. FOR FURTHER QUESTIONS, PLEASE PRESS "*" FOLLOWED BY "1" ON YOUR PHONES. MR. ALBERTINI, THERE ARE NO MORE QUESTIONS FOR THE TIME BEING.

CLAUDIO ALBERTINI: VERY WELL, I WOULD LIKE TO THANK ALL OF YOU AND WE WILL TALK TO YOU AGAIN EARLY AUGUST FOR THE INTERIM REPORT FOR 2019. THANK YOU VERY MUCH AND HAVE A PLEASANT AFTERNOON.