

Event: 1H 2019 Financial Results Presentation

Date: 2th August 2019

Speakers: Mr. Claudio Albertini, CEO

OPERATOR: GOOD MORNING. THIS IS THE CHORUS CALL OPERATOR. WELCOME TO IGD'S H1 2019 RESULTS PRESENTATION. LET ME REMIND YOU THAT ALL ATTENDEES ARE IN LISTEN-ONLY. AFTER THE PRESENTATION, A Q&A SESSION WILL BE HELD. IN ORDER TO BE ASSISTED BY AN OPERATOR DURING THE CONFERENCE CALL, PRESS "*" FOLLOWED BY "0" ON YOUR PHONE KEYPAD.

LET ME HAND IT OVER TO MR. CLAUDIO ALBERTINI, CEO OF IGD. MR. ALBERTINI, YOU HAVE THE FLOOR. THANK YOU.

CLAUDIO ALBERTINI: GOOD MORNING TO ALL OF YOU. WE HAVE JUST FINISHED IGD'S BOARD MEETING. AND THE BOARD MEETING APPROVED OUR FIRST HALF YEAR REPORT. I AM SURE YOU ALL HAVE DOWNLOADED THE DOCUMENTATION THAT WAS MADE AVAILABLE ON OUR WEBSITE ABOUT AN HOUR AGO INCLUDING THE PRESS RELEASE AND I AM GOING TO COMMENT THE PRESENTATION THAT WAS UPLOADED ON THE SITE.

AS ALWAYS, LET'S START FROM THE HIGHLIGHTS, THEY ARE ON PAGE 3 OF THE PRESENTATION AND THEY PROVIDE YOU WITH A FULL OVERVIEW OF THE MAIN FINANCIAL HIGHLIGHTS OF IGD'S AT THE END OF H1. RENTAL INCOME €77.3 MILLION, UP 4.4% AND NET RENTAL INCOME, AND HERE LET ME JUST MAKE A COMPARISON BETWEEN THE ADJUSTED FIGURES NET OF THE NEW ACCOUNTING PRINCIPLE APPLICATION THAT COME INTO FORCE, GENERATED FOR 2019. I AM TALKING ABOUT IFRS 16; IT WAS ADJUSTED TO GIVE YOU A CONSISTENT COMPARISON.

ON A LIKE-FOR-LIKE BASIS NET RENTAL INCOME WENT UP 4.6%. A SIMILAR COMPARISON IS ON CORE BUSINESS EBITDA BOTH OVERALL AND ADJUSTED. OVERALL IT'S SLIGHTLY LESS THAN €63 MILLION, UP 4%, ADJUSTED EX-IFRS 16 AND ACCOUNTING PRINCIPLE APPLICATION.

MARGINS, BOTH OVERALL MARGIN AND MARGIN FROM FREEHOLD ARE FLAT, 80% MARGIN FROM FREEHOLD AND 78.2% THE OVERALL MARGIN. AND THE FFOs NET RECURRING RESULT LANDS AT €41.8 MILLION AND IT'S UP 7.6% VERSUS LAST YEAR. LET ME REMIND YOU THAT IN Q1, WE HAD A MORE MARKED GROWTH, BUT IN 2018 THE Q1 DID NOT INCLUDE THE ECP PORTFOLIO THAT WAS ACQUIRED HALF WAY THROUGH APRIL. AND THEREFORE THAT'S WHY WE HAVE THIS LOWER GROWTH PARTLY AFFECTED BY THIS.

THE REAL ESTATE PORTFOLIO MARKET VALUE, APPRAISED AS ALWAYS BY 4 INDEPENDENT APPRAISERS, LANDS AT €2.388 BILLION, NET OF THE IFRS 16 EFFECT THAT OF COURSE WILL IMPACT THE VALUE. IT'S DOWN ABOUT 1 PERCENTAGE POINT VERSUS FULL YEAR 2018. THE EPRA NNNAV AS AT JUNE THE 30TH WAS €10.78 PER SHARE. AGAIN, AS WE MOVE THROUGH THE PRESENTATION, WE WILL SEE A DETAIL OF THIS 5.8% DECREASE VERSUS 2018 YEAR END WHERE NNNAV WAS 11.45. WE ARE TALKING YEAR END 2018.

IF WE MOVE ON TO PAGE 5, HERE WE ARE TRYING TO SUMMARIZE THE MACROECONOMIC ENVIRONMENTAL BACKGROUND WE HAVE IN ITALY FOR THE FIRST 6 MONTHS OF THE YEAR AND WE ARE TRYING TO PROVIDE A VIEW OF ALSO WHAT WE FORESEE FOR 2020. THE ITALIAN INSTITUTE FOR STATISTICS CERTIFIED THAT WE ARE IN A STAGNATING GROWTH ENVIRONMENT.

THE GOVERNMENT MINISTER TRIA SAID AFTER THE EASTER'S DATA PRESENTATION, IT'S 0.2%. THEY RECONFIRM A 0.2% GROWTH OUTLOOK FOR THIS YEAR. THEY USED TO SAY A ACCELERATION, A GROWTH ACCELERATION WAS EXPECTED IN THE SECOND HALF OF THE YEAR, BUT AS A MATTER OF FACT, THE MAIN INDICATORS AND THE MAIN INSTITUTIONS SEE THE GROWTH HAS REDUCED 0.1%.

WE TOOK A CONSENSUS FROM 5 MAJOR STATISTICAL INSTITUTES. AND THE REASON FOR THIS ALMOST NO GROWTH SITUATION ARE WELL KNOWN FOR EVERYONE. WE READ THEM IN THE PAPER EVERYDAY AND WE LOOK AT THE U.S. AS WELL, STRONG SLOWDOWN IN EXPORTS, SOME REGIONS HAD A STRONG DECLINE AFTER YEARS OF GROWTH. I AM PARTICULARLY REFERRING TO LOMBARDIA. AS TO CONSUMPTION, THERE'S A STRONGER GROWTH VERSUS GDP, 0.5%, BUT STILL VERY WEAK GROWTH AND WE ARE TALKING ABOUT GENERAL CONSUMPTION, UP 0.1% BETWEEN JANUARY AND MAY 2019. AND THAT OF COURSE IS REFLECTED IN THE 10-YEAR BTP-BUND SPREAD.

THE AVERAGE BETWEEN JULY 2015 AND NOW WAS BELOW 200 BASIS POINTS, 175, BUT STARTING FROM JULY 2018, THERE WERE PEAKS AT 259 AND UP TO 300 AT TIMES. AND THEN OF COURSE, IT HAD BEEN TRACING BACK, TRACING DOWN, HOVERING AROUND 200, 120 AND TODAY I THINK IT'S AROUND 210. WHAT IS STRIKING IS NOT SO MUCH THE ITALIAN SPREAD VERSUS GERMANY, BUT ALSO THAT WITH SPAIN, WHICH SPAIN HAS ONE-THIRD OF OUR SPREAD AND AS FAR AS ECONOMIC FUNDAMENTALS, SPAIN IS FULLY COMPARABLE WITH ITALY, SO THAT'S INTERESTING TO LOOK AT.

LET'S MOVE ON TO PAGE 6, WHERE WE HAVE A BREAKDOWN OF OUR RENTAL INCOME AND WE CAN SEE THAT IF WE COMPARE IT TO €74.1 MILLION IN H1 2018, THEY LAND THIS YEAR AT €77.3 MILLION, THAT'S RENTAL INCOME FOR THE FIRST HALF OF 2019. THE LIKE-FOR-LIKE GROWTH WAS NEGATIVE FOR ITALY, ITS 0.6 NEGATIVE AND POSITIVE INSTEAD FOR ROMANIA AT 1.8, OR FOR A TOTAL CONSOLIDATED LIKE-FOR-LIKE OF MINUS 0.5%.

THE GROWTH WAS MAINLY DRIVEN BY RENTAL INCOME WHICH IN TURN WAS MAINLY DRIVEN BY THE ACQUISITION OF THE ECP PORTFOLIO IN APRIL 2018 AND NEGATIVELY AFFECTED DUE TO THE LIKE-FOR-LIKE GROWTH IN ITALY. THE DECREASE IS INCONSISTENT IN THE 2 MAIN ASSET CLASSES, THAT IS TO SAY A MORE MARKED DECREASE IN SHOPPING MALLS WHILST THE HYPER MARKETS WERE BASICALLY FLAT; THE DECLINE IN THE RENTS OF MALLS IS DUE TO SOME LEGACY TEMPORARY DISCOUNTS THAT WILL NOT COVER THE ENTIRE CONTRACT DURATION, BUT THEY GO FROM YEAR TO YEAR AND IT'S €200,000 VERSUS THE FIGURES OF LAST YEAR.

AND AT PEAK OF THE CRISIS, I AM TALKING 2012, 13, 14, WE GOT TO €3 MILLION OVERALL TEMPORARY DISCOUNTS AND THEN STARTING FROM 2014, WE STARTED TO REDUCE THOSE REBATES TO GET TO €500,000, BETWEEN €400,000 AND €500,000 TOTAL YEAR-END DISCOUNT. THIS IS A LEVERAGE SALES DEPARTMENT IS USING TO FACE MOMENTS OF CRISIS, SO THERE WAS €200,000 RECORDED IN H1. IT WILL PROBABLY INCREASE IN SECOND HALF AND WE WERE ALREADY ALLOCATED AN EXTRA €200,000 FOR THE SECOND HALF OF THE YEAR. AND THEN WE ALSO HAVE THE EFFECT OF CURRENT REMODELING IN SHOPPING MALLS THAT ARE DETERMINING A TEMPORARY VACANCY. AND YESTERDAY, BY THE WAY, WE SIGNED A VERY IMPORTANT CONTRACT IN NAPLES ON A MEDIUM SURFACE THAT WAS VACANT AND END OF JUNE, OF COURSE, IT WAS NOT EMBEDDED, IT WAS STILL VACANT AND WE WILL GIVE YOU THE ACTUAL DATA AS WE MOVE ON OVER THE YEARS.

RENTAL INCOME BREAKDOWN SHOWS THAT TWO-THIRDS OF OUR RENTAL INCOME COMES FROM SHOPPING MALL AND 25%, RIGHT ABOUT ONE-FOURTH COME FROM HYPERMARKETS. ROMANIA REVENUE WISE ACCOUNT FOR 6.3%.

IF WE MOVE ON TO PAGE 7 IN THE PRESENTATION, LOOKING AT NET RENTAL INCOME. LET ME LOOK AT THE NET RENTAL INCOME ADJUSTED FOR AND NOT AFFECTED BY IFRS EFFECTS, WE GO FROM €60.7 MILLION TO €68.6 MILLION, UP 4.6%. ITALY IS GROWING MORE BECAUSE OF THE ADDITION OF THE ECP PORTFOLIO, ITS 4.57%, WHILST ROMANIA IS GROWING 2.1%.

LET'S LOOK AT THE OPERATING PERFORMANCE GENERATED BY OUR PORTFOLIO IN FIRST HALF, PAGE 8. OCCUPANCY RATE IS 96.3%, SLIGHTLY LOWER THAN THE FULL YEAR FIGURE, WHICH WAS 97.2%, BUT THIS 96.6% WAS ADJUSTED YESTERDAY BECAUSE OF THE CONTRACT WE SIGNED YESTERDAY CONCERNING A MEDIUM-SIZED SURFACE,. AND THEN WE HAVE SHOPPING MALLS WITH MEDIUM SURFACES AND WE THINK THAT THROUGH THOSE SURFACES WE WILL PICK UP ON THE VACANCY SIDE AND BE BACK ABOVE 97%. FLAT TENANT SALES, THAT'S ENCOURAGING DESPITE A DECLINE IN FOOTFALLS, WE HAVE RECOVERED AS YOU SEE ON PAGE 9; ITS Q1 AND Q2 DATA THAT YOU SEE DISPLAYED ON THE PAGE.

I WILL COMMENT ALSO THE CHART ON PAGE 9, SO WE WENT FROM Q1 FIGURES FOOTFALLS DOWN 6.2% AND THEN THERE WAS A RECOVERY THAT LED TO THE ACTUAL FIGURE AT THE END OF JUNE, SO WITH A POSITIVE TREND. IF YOU ARE ON PAGE 9, YOU CAN SEE CLEARLY THAT IT'S A GROWTH OF 0.6% IN FOOTFALLS, JULY WENT WELL, I SHOULD SAY, FOOTFALLS WENT UP SIZABLY AND THAT LED TO AN OVERALL FOOTFALL FIGURE FROM THE BEGINNING OF THE YEAR TILL END OF JUNE TO UP 2.3%.

LET'S MOVE BACK TO PAGE 8. THE UPSIDE IS UP 1.1% ON 162 SIGNED CONTRACTS, SO STILL A POSITIVE TREND, EVEN THOUGH SLOWER AND NOT AS STRONG AS IN THE FIRST QUARTER, WITH A ROTATION RATE WHICH WAS 4.5%.

ON PAGE 9, YOU SEE HOW OUR SHOPPING MALLS, OUR PORTFOLIO MOVED. OUR SHOPPING MALLS MOVED FROM Q1 TO Q2 AND WE FULLY RECOVERED OR FIRMLY RECOVERED IN Q2. IT'S TRUE THAT THE FIRST QUARTER HAD A STRONGER DECLINE MAINLY DUE TO THE CALENDAR EFFECT. EASTER WAS IN THE SECOND QUARTER WHILST IT WAS ACCOUNTED FOR IN Q1 IN 2018, AND THEN OF COURSE, ADVERSE WEATHER CONDITIONS.

YOU SEE THAT THE ADVERSE WEATHER CONDITIONS MAY HAVE A VERY STRONG IMPACT ON OUR PORTFOLIO. SO DESPITE THESE NEGATIVE FOOTFALLS AT THE BEGINNING OF THE YEAR, WE STILL HAVE TENANT SALES THAT ARE FLAT. SO AN AVERAGE TICKET THAT IS HIGHER THAN LAST YEAR.

LET'S MOVE ON TO PAGE 10. NOW LET ME TELL YOU SOMETHING ABOUT OUR ONGOING PROJECTS. WE HAVE 3 MAIN PROJECTS, NEW BRANDS, INNOVATIVE SHOPPING MALLS, WE HAVE CENTRO SARCA AND FONTI DEL CORALLO WHERE WE'VE INTRODUCED NEW BRANDS, GROCERY, RESTAURANT AND ENTERTAINMENT AND BEAUTY SALON; SERVICES HAVE A GREATER WEIGHT, YOU SEE WE HAVE A HISTORICAL DATA SET FROM 2015 TO END OF 2019. WE WERE 2.2% SERVICE WISE, AND WE WENT TO 3.8% AFTER 2 YEARS AND NOW WE LAND AT 5.3% IN THE FIRST HALF OF 2019. WE'VE OPENED THE 21ST DENTAL CLINIC IN CONEGLIANO. I WENT TO SEE IT OVER THE LAST FEW DAYS AND THIS SHOPPING CENTER IS INDEED ONE OF OUR MOST APPEALING SHOPPING MALLS AND THE DENTAL CLINIC IS IN LINE WITH THAT.

AND THEN STARTING FROM 2 LOCAL EXPERIENCES, LOCAL EVENTS, WE ARE STARTING TO COME UP WITH A SPACE THAT CAN BE USED FOR SOCIAL PURPOSES AND THIS HISTORICAL SHOPPING CENTER THAT IS THE FIRST SHOPPING CENTER WE HAVE IN BOLOGNA. AND OVER TIME, IT HAS BEEN TURNED INTO A FULLY INTEGRATED SHOPPING CENTER IN THE URBAN AREA.

AND LET'S MOVE ON TO PAGE 11, WE ARE STILL VERY COMMITTED TO ENVIRONMENTAL SUSTAINABILITY. LET ME SHOW YOU SOME FIGURES: 95% OF OUR PORTFOLIO IS ISO 14001 CERTIFIED. AND BEGINNING OF MARCH, 3 MORE CENTERS WERE ISO 14001 CERTIFIED AND YOU HAVE A LIST OF THOSE CENTERS ON THE SCREEN. AND IN ADDITION TO THAT, WE GET THE MORE QUALIFIED CERTIFICATION WHICH IS THE BREEAM IN USE CERTIFICATION FOR 2 SHOPPING CENTERS: NOW 5 OF OUR SHOPPING CENTERS ARE BREEAM IN USE CERTIFIED. WE INTRODUCED NEW PHOTOVOLTAIC SYSTEM IN KATANÈ AND GRAN RONDÒ AND WE'RE FOSTERING ELECTRIC MOBILITY THROUGH AN AGREEMENT WHICH WE REACHED WITH ENERHUB. WE INSTALLED EV CHARGING STATIONS IN 5 SHOPPING CENTERS AND THEY ARE LISTED ON THE SLIDE AND ALSO WE HAVE A CHARGING STATION FOR BIKES IN CLODI' IN CHIOGGIA.

LET'S MOVE ON TO ROMANIA, WE ARE ON PAGE 12 OF THE PRESENTATION. ROMANIA ACCOUNTS FOR 6.3% OF OUR TOTAL RENTAL INCOME. THE MACRO SCENARIO IS COMPLETELY DIFFERENT IN ROMANIA LUCKILY ENOUGH FOR THEM AND ALSO FOR US PARTLY BECAUSE OUR PORTFOLIO IS MEANINGFUL IN ROMANIA. SO, EXPECTED GDP GROWTH IS ABOUT 4%, IN LINE WITH 2018 AND WITH A POSITIVE FORECAST FOR 2020 TOO. CONSUMPTION IS ALSO GROWING STRONGLY. YOU SEE CONSUMPTION IS ABOVE 5%, SO THANKS TO THIS MACRO SCENARIO THAT IS VERY POSITIVE, WE WENT ON PERFORMING WELL. OCCUPANCY IS SIMILAR, SLIGHTLY DOWN BUT VERY SIMILAR TO 2018. WE'VE ALREADY ACHIEVED LEVELS OF EXCELLENCE IN ROMANIA, THE UPSIDE IS +8.1% SO VERY POSITIVE, ON ABOUT 200 CONTRACTS SIGNED BETWEEN TURNOVER AND RENEWAL WITH A

ROTATION RATE WHICH IS HIGHER IN ROMANIA THAN IN ITALY. THE CONTRACT DURATION IS SHORTER THAN ITALY.

PAGE 13, SOME EXAMPLES OF NEW SHOPS WITH NEW INTERNATIONAL BRANDS, ENTERING IN OUR SHOPPING CENTERS. ROMANIA IS MORE AND MORE ATTRACTIVE FOR EASTERN EUROPEAN, ITALIANS OR GERMANS RETAILERS. WE HAVE EASTERN EUROPEANS STORES AND BRANDS ACQUIRED IN OUR SHOPPING CENTERS AND OTHERS. THAT'S IT AS FAR AS THE OPERATIONS ARE CONCERNED.

LET'S MOVE TO PAGE 15, I'D LIKE TO SHARE OUR VIEW ON OUR PORTFOLIO WITH YOU. A GENERAL OVERVIEW ON REAL ESTATE MARKET, H1 REAL ESTATE WISE PUTTING TOGETHER ALL THE ASSET CLASSES WAS A RECORD SEMESTER IN ADDITION OF MORE THAN €5 BILLION WORTH OF INVESTMENTS. THE BEST SEMESTER EVER MAINLY DRIVEN BY FOREIGN INVESTOR (80% OF THE INVESTED CAPITAL); THE MOST PERFORMING SECTOR WAS HOTEL (IT ACCOUNTED FOR MORE THAN 40% OF THE INVESTMENTS) AND THEN OFFICES 33%. AND RETAIL WAS ONLY 15% BECAUSE CONVERSELY IT EXPERIENCED DECLINING INVESTMENT VOLUMES VERSUS LAST YEAR DOWN 40%. ALTHOUGH, Q2 WAS BETTER WITH A STRONG INCREASE IN INVESTMENTS QUARTER-ON-QUARTER, SO UP 25% QUARTER-ON-QUARTER.

LET'S NOW MOVE ON TO PAGE 16, WE ARE LOOKING AT OUR PROPERTY PORTFOLIO GOES FROM €2,412 TO \$2,388 AND YOU SEE THE BREAKDOWN OF OUR PORTFOLIO IN DIFFERENT ASSET CLASSES, HYPERMARKETS, SHOPPING MALLS, ROMANIA AND OTHER. IN ITALY WE CLUSTERED OUR MAIN ASSET CLASS BY SIZE: SMALL SHOPPING CENTERS BELOW €35 MILLION WORTH, ACCOUNT FOR 10%; SHOPPING CENTERS BETWEEN €35 MILLION AND €70 MILLION ARE THE AVERAGE SIZED ONES. AND ABOVE €70 MILLION, WHICH ARE THE PREVAILING PART, THEY ACCOUNT FOR 54% OF OUR TOTAL PORTFOLIO, AND YOU FIND THE 8 MAIN SHOPPING CENTERS THAT ARE PART OF THE TOP 5 IN VALUE.

PAGE 17, ALWAYS LOOKING AT OUR PROPERTY, YOU SEE MARKET VALUE DETAILS LISTED HERE. YOU SEE LEASEHOLD PROPERTIES RESTATED FOR INVESTMENT, THEY ARE €61 MILLION, SO ITS €2,449 AS A TOTAL WITH YIELDS REFERENCE, WITH RELEVANT YIELD FOR ITALY MALLS AND ITALY HYPERMARKETS 5.4%, ROMANIA IS 5.8%. OCCUPANCY IS 96.3%, 96.6% SO IF YOU ALSO INCLUDE THE CONTRACT WE'VE SIGNED RECENTLY THESE LAST FEW DAYS. AND THEN YOU SEE MARKET VALUE FROM YEAR-END 2018 TO END OF JUNE 2019. AND YOU SEE, THERE'S A DOTTED BOX TO STRESS THE CHANGE IN FAIR VALUE FOR ITALY, A NEGATIVE VARIATION €28 MILLION DOWN AND YOU SEE A BREAK DOWN ABOUT 60% OF THOSE IS DUE TO A CHANGE IN MARKET RATES AND 40% IS DUE

TO OTHER CHANGES IN CASH FLOW OR LOWER REVENUES OR LOWER OCCUPANCY IN CERTAIN MALLS WHICH WE THINK BY THE WAY, IT'S ONLY A TEMPORARY PHENOMENON.

WE ARE IN GOOD COMPANY IN THIS HALF YEAR REPORTS, LAST FEW DAYS WE LOOKED AT THE HALF YEAR REPORTS OF OUR MAIN COMPETITORS, WHETHER THEY ARE MORE OR LESS COMPARABLE WITH US, AND MOST OF THEM HAVE DATA WITH A MINUS IN FRONT OF THEM: THEY ARE BEING AFFECTED BY THE DECOMPRESSION WE HAVE EXPERIENCED IN RATES.

LET'S HAVE A LOOK AT ASSET MANAGEMENT. WE ARE ON PAGE 18, AND SOME BOARD MEMBERS ALSO GAVE CONTRIBUTIONS ON THIS, AS I SAID THIS MORNING, WE KEEP ON REMODELING OUR SPACES AND IMPROVING OUR ASSET MANAGEMENT. AND WHEN WE PRESENTED OUR STRATEGIC PLAN, WE GAVE GUIDANCE ON THE REMODELING ON SOME MALLS. WE ARE REMODELING THE HYPERMARKET SPACES IN CONE FOR INSTANCE, LE MAIOLICHE AND PORTOGRANDE.

WE HAVE WORK IN PROGRESS IN CONÈ AND LE MAIOLICHE TO REDUCE HYPERMARKETS THAT SHOULD END IN SEPTEMBER AND THE WORK FOR THE NEW MALL SHOULD END IN FEBRUARY 2020. SO BY FEBRUARY 2020 THE REMODELING SHOULD BE FINISHED FOR THESE MALLS. SAME THING WE'RE DOING FOR PORTO GRANDE SHOPPING CENTER IN PORTO D'ASCOLI, BUT HERE THERE WILL BE ALSO A COMPLETE AND OVERALL RESTYLING OF THE MALL AND SEISMIC IMPROVEMENT MEASURES BECAUSE THIS AREA WAS STRONGLY AFFECTED BY EARTHQUAKES NOT VERY LONG AGO. IN SEPTEMBER WE'RE STARTING THE WORK AND END OF THE WORK IS EXPECTED IN SEPTEMBER 2020. WE STILL HAVE REMODELING WORKS ONGOING IN LIVORNO, WE DID NOT LIST IT, BUT WE HAD ALREADY INFORMED YOU OF THE WORK IN THE TEMPORARY COMMUNICATION, WE GAVE TO THE MARKET.

AND THEN ASSET ROTATION IN THE FIRST HALF, PAGE 19, IN THE PRESENTATION; HERE WE SUMMARIZE THE SALE AND PURCHASE AGREEMENTS WITH A PRIMARY INTERNATIONAL PLAYER, SIGNED ON JUNE THE 28TH, 2019: WE SOLD PALAZZO ORLANDO AT A VALUE OR SLIGHTLY HIGHER VALUE THAN BOOK VALUE. THEN THE VALUE WAS ADJUSTED FOR THE SALE VALUE END OF JUNE, AND WE'VE PURCHASED FROM THE VERY SAME PLAYER 50% OF THE DARSENA CITY SHOPPING MALL IN FERRARA, WHERE WE WERE CO-OWNERS. I CANNOT NAME IT, BUT IT'S EASY FOR YOU TO UNDERSTAND WHO IT IS. THEY WERE CO-OWNERS WITH US OF THE DARSENA CITY SHOPPING MALL, NOW WE OWN IT 100% AND THAT GIVES US GREATER FLEXIBILITY IN ASSET MANAGEMENT OF THE TRANSACTION HAPPENED FOR THE SAME VALUE. THE ACQUISITION WAS AT A HIGHER VALUE THAN THE ACTUAL BOOK VALUE WE HAVE ON THE REMAINING 50%. WITH THIS TRANSACTION, WE WILL MAINLY FOCUS ON OUR CORE BUSINESS, WHICH IS RETAIL REAL ESTATE RETAIL.

ALWAYS ON THE PORTA A MARE PROJECT, THERE ARE 3 VERY INTERESTING SLIDES, STARTING FROM PAGE 20 ON THE ONGOING WORK, THIS IS ANOTHER OPEN SITE SO TO SAY. THERE ARE MANY OF THEM 3 REMODELING, I MENTIONED BEFORE LIVORNO LEASE, PORTA A MAIRE PROJECT AND THEN A PLATTER OF MANY OTHER SMALL RESTYLING OR MINOR ACTIONS THAT WE ARE PERFORMING, THIS IS THE MAIN ONE INDEED. WE HAVE THE SALE OF PALAZZO ORLANDO, WE ALMOST COMPLETED PIAZZA MAZZINI WITH 72 OUT OF 73 UNITS SOLD/PRE-SOLD, AND THAT WE ARE COMPLETING OFFICINE STORICHE IN THE SECOND-HALF OF 2020.

CONCERNING OFFICINE STORICHE, ON PAGE 21 YOU WILL SEE FURTHER DISCLOSURE ON THE ADVANCED STAGES OF WORK, WE'RE TALKING ABOUT LETTING AND PRE-LETTING IN EXCESS OF 60%, AND THE WORK WITH FURTHER ADDITIONAL INVESTMENT OF ABOUT €20 MILLION VERSUS WHAT WE HAD FORESEEN. THERE WILL BE 10 RESTAURANTS, 30 STORES AND A FITNESS CENTER, AS WE'RE JEWELLING THE CROWN SOMEHOW, AND IT WILL BE PRESENTED WHEN WE, ACTUALLY, HAVE THE OFFICIAL OPENING.

AND THEN ON PAGE 22, YOU SEE MOLO MEDICEO, ARSENALE AND LIPS. ON LIPS IN PARTICULAR, WE ARE WORKING TO REACH AN AGREEMENT WITH PRIMARY OPERATORS IN THE HOTEL BUSINESS. WE THINK WE'RE GOING TO COMPLETE THAT, CLOSE OUT IN THE NEXT FEW WEEKS. AND THEN, WE'LL LOOK INTO WHETHER OR NOT WE HAVE TO DISPOSE OF THIS AREA. WE MIGHT BE TEMPTED TO RETAIN THE PROPERTY BECAUSE THE RENT LEVEL WILL BE VERY INTERESTING. IT WILL VERY MUCH DEPEND ON THE DISPOSAL ACTIONS THAT WE ARE CARRYING OUT AND WE'LL SEE WHETHER OR NOT WE HAVE TO SELL THIS.

MOVING TO OUR FINANCIAL RESULTS, I HAVE NOW MOVED TO PAGE 24 WHERE FUNDS FROM OPERATIONS OR RECURRING NET RESULTS IS UP 7.6% FROM €38.9 MILLION TO €41.8 MILLION. AND THEN THE GROWTH, WAS DRIVEN BY 2 LEGS, EBITDA FROM CORE BUSINESS ADJUSTED WENT UP €2.2 MILLION AND A CHANGE IN FINANCIAL MANAGEMENT AGAIN ADJUSTED FOR ABOUT €600,000, CHANGE IN TAXES AND OTHER ARE ALMOST NEGLIGIBLE, BUT LANDING AT 41.8.

NNNAV, WE ARE ON PAGE 25. IN OUR HIGHLIGHTS, WE SAID IT'S NEGATIVE, WE'RE DOWN FOR 5.8%, WE ARE DOWN 3.6 IN NAV, BUT NNNAV INSTEAD IS DOWN, WE ARE ALSO INCLUDING NON-MONETARY TAXES. WE START FROM 11.45 EPRA NNNAV PER SHARE END OF YEAR 2018. WE HAVE THE FULL EFFECT OF THE ANNUAL DIVIDEND PAID OUT IN MAY, IT'S €0.50. AND WHICH ACCOUNTS FOR THE LARGEST PORTION OF THE DECLINE. AND THEN, WE HAD A CHANGE IN DEBT FAIR VALUE AND OTHER AND THAT WAS DOWN €0.20 AND IN AN EXCEPTIONALLY POSITIVE STAGE OF

FINANCIAL MARKETS THAT HAVE HOWEVER, REDUCED THIS VALUATION, IT'S A MARK-TO-MARKET VALUATION OF OUR DEBT INSTRUMENTS. SO DOWN €0.20 IN OUR NAV. WE HAVE A POSITIVE CONTRIBUTION COMING FROM THE FFO, €0.38 AND A NEGATIVE EFFECT DRIVEN BY THE ASSET FAIR VALUE, IT'S DOWN €0.35. IF YOU ADD EVERYTHING UP, ALGEBRAIC ADDITION, 3 NEGATIVE AND A POSITIVE ONE, WHICH IS FFO, YOU LAND AT €10.78, IT'S THE EPRA NNNNAV AS AT 30TH OF JUNE 2019.

AND NOW I'M ON PAGE 26 WHEN WE TALK ABOUT OUR FINANCIAL STRUCTURE, SO NET DEBT STANDS AT €1.184 MILLION AND THE DEBT BREAKDOWN TELL AS THAT 47% IS MARKET AND 53% IS BANKS. LOAN TO VALUE IS UP, THANKS TO THE PAYMENT OF DIVIDENDS ESPECIALLY IN H1, IT SHOULD BE COMPARED WITH 47%, 48.2% EXCLUDES IFRS 16, WHICH ARE NEGATIVE.

SO THE ICR IS 3.8 NOW AND WHEN IT COMES TO AVERAGE COST OF DEBT, WHICH IS STILL AS ALREADY RECORDED IN Q1, IS STILL AT 2.4%. IN THE BUSINESS PLAN, IT WAS BETWEEN 2.4% AND 2.7%. SO WE ARE IN LINE WITH THE BUSINESS PLAN TARGETS. AS TO THE LEVERAGE, LEVEL OF LEVERAGE, WE'RE WORKING ON DISPOSAL. AND WE ARE HOPING TO COMPLETE DISPOSALS BY YEAR-END AND IT SHOULD BE, AND SHOULD BE ABLE TO DO THAT.

WE COULD REDUCE OUR LOAN TO VALUE AND GO AROUND TO, HOVERING AROUND 45% ALREADY INCLUDING IFRS 16 BECAUSE IN THE SECOND-HALF, WE WON'T BE PAYING OUT DIVIDENDS. I DON'T KNOW WHETHER OR NOT RATES WILL BE CUT FURTHER IN CASE WE WILL HAVE THE SAME EFFECT, OF THE MARK-TO-MARKET EFFECT ON FINANCIAL INSTRUMENTS. AND WE'LL SEE WHETHER WE CAN FINALIZE THIS DISPOSAL TRANSACTIONS. WE ARE WORKING ON THEM, WE ARE COMMITTED. BUT IT ALSO DEPENDS ON THE MARKET CONDITION. IT DOES NOT FULLY DEPEND ON US.

WE'RE NOW TO PAGE 27. DEBT STRUCTURE FOR BONDS, ITS 2 RATINGS, 1 IS INVESTMENT GRADE, A RECENT ONE, S&P AND 23RD OF APRIL 2019 AND THEN ANOTHER ONE IS A NON-INVESTMENT GRADE BY MOODY'S, JUST A FEW DAYS BEFORE AND JUST BEFORE THE S&P RATING.

PAGE 27, I AM NOW ON A PIE CHART, AT TOP LEFT, MORE THAN 70% IS UNSECURED, ONLY SLIGHTLY LESS THAN 30% IS MORTGAGE LOAN ASSISTED BY ACTUAL GUARANTEES, ACTUAL COLLATERAL. AVERAGE DURATION IS SLIGHTLY LESS THAN 4 YEARS. HEDGING OF LONG-TERM DEBT IN EXCESS OF 90%, WE'RE TALKING 93%. AT THE BOTTOM OF THE SLIDE, YOU CAN SEE MATURITY PROFILES. I CANNOT ADD MORE. BUT WE ARE LOOKING TOGETHER WITH OUR MR. BONVICINI, OUR CFO OF AN EARLY REFINANCING OF OUR BONDS THAT ARE DUE FOR MATURITY. SO WE'RE LOOKING INTO THAT GIVEN THE FAVORABLE CONDITIONS OF RATE IN FINANCIAL MARKETS. WE HAVE NOT YET SAID

ANYTHING FINAL, BUT WE'LL WORK ON IT AS WE COME BACK FROM THE SUMMER HOLIDAYS. AND IT MIGHT BE THAT THERE MIGHT BE EARLY REFINANCING, EARLIER THAN THE MAJORITY.

ONE IS 2021, HAS THE MATURITY OF 2021. BUT THERE COULD BE AN ADVANCED OR EARLY REFINANCING OF THOSE BECAUSE THE CONDITIONS ARE VERY POSITIVE IN THE MARKET. OUR PUBLIC BOND IS BETWEEN 1.4% AND 1.5%, AND WITH A PRICE IN EXCESS OF 102. SO WE ARE WILLING TO LOOK INTO THAT FOR AN EARLY REFINANCING.

I WRAP UP LOOKING AT THE OUTLOOK; NORMALLY WHEN WE APPROVE OUR ACCOUNTS IN FEBRUARY, WE GIVE A GUIDANCE ON THE FFO AND WE ADJUST THE GUIDANCE DURING THE INTERIM REPORT. NORMALLY, WE WILL GIVE AN UPWARD GUIDANCE. BUT NOW WE WANT TO BE CONSERVATIVE IN OUR APPROACH. SO WE REVISED OUR OUTLOOK DOWNWARD. THERE'S WEAK CONSUMPTION DYNAMICS, WHICH IS VERY WEAK IN ITALY AND THERE ARE UNCERTAINTIES THAT ARE HOVERING. THERE IS AN INCREASE IN TEMPORARY, LET ME REITERATE, TEMPORARY VACANCY. AND WE ARE WORKING ON IT.

OUR MARKETING AND SALES FUNCTION IS WORKING ON IT EVERY DAY. BUT WE DON'T KNOW WHETHER THIS VACANCY WILL BE RECOVERED IN FULL OVER THE NEXT HALF YEAR AND THEN WE HAVE THE TEMPORARY EFFECTS OF THE REMODELING OF SHOPPING MALLS, ON MEDIUM SURFACES AND HYPERMARKET, SO THAT MAKES US BE MUCH MORE CONSERVATIVE VERSUS THE GUIDANCE WE GAVE IN FEBRUARY. SO WE REVISED IT DOWNWARD, IT'S STILL A POSITIVE GUIDANCE, IN DOMAIN, BUT IT'S GOING TO BETWEEN 4% AND 5%.

I THINK THAT'S IT AS FAR AS, I AM CONCERNED. I AM HERE WITH MY COLLEAGUES. WE ARE READY TO TAKE QUESTIONS. WE HAVE OUR CHAIRMAN WHO HAS JUST REACHED US FOR THE CALL. AND HE SENT HIS REGARDS, HE WELCOMES YOU TOO. AND I AM HERE WITH THE IGD COLLEAGUES TO ANSWER YOUR QUESTIONS. THANK YOU.

Q&A

OPERATOR:

THIS IS THE CHORUS CALL OPERATOR. WE ARE NOW STARTING THE Q&A SESSION. IF YOU WANT TO ASK A QUESTION, PRESS "*" FOLLOWED BY "1" ON YOUR PHONE. IN ORDER TO BE REMOVED [PH] FROM THE Q&A QUEUE, PRESS "*" FOLLOWED BY "2" ON YOUR PHONE. PLEASE ASK YOUR QUESTIONS USING YOUR PHONE HEADSETS...HANDSETS. IF YOU WANT TO ASK A QUESTION, PRESS "*" FOLLOWED BY "1" NOW.

FIRST QUESTION COMES FROM THE LINE OF SIMONETTA CHIRIOTTI WITH MEDIOBANCA. YOU MAY ASK YOUR QUESTIONS. YOUR LINE IS OPEN MRS. CHIRIOTTI. YOU CAN ASK YOUR QUESTIONS.

SIMONETTA CHIRIOTTI: GOOD MORNING TO ALL OF YOU. CAN YOU HEAR ME?

CLAUDIO ALBERTINI: YES...YES, WE CAN HEAR YOU FINE.

SIMONETTA CHIRIOTTI: MY FIRST QUESTION IS ON YOUR DISPOSALS. I AM NOT TALKING ABOUT SPECIFIC TRANSACTIONS BUT COULD YOU GIVE US THE GUIDELINES YOU ARE GOING TO FOLLOW FOR THOSE DISPOSALS? AND THEN SECOND QUESTION ON VALUATIONS, COULD YOU SHARE WITH US YOUR YEARLY EXPECTATIONS ON VALUATIONS AND HOW DO YOU THINK THIS THEME CAN EVOLVE OVERTIME IN THE SECOND HALF OF THE YEAR?

CLAUDIO ALBERTINI: ON DISPOSALS, LET ME SAY THE FOLLOWING. THEY HAD ALREADY BEEN INCLUDED IN THE STRATEGIC PLAN WITH ALREADY EMBEDDED DISPOSAL FOR AN OVERALL AMOUNT OF €150 MILLION, €200 MILLION OF WHICH 50% WAS FOR...TO REDUCE THE LEVERAGE, AND 50% COULD BE MEANT FOR REINVESTMENT PURPOSES. AND WHEN THE FIRST DISPOSALS WERE MEANT TO REDUCE LEVERAGE...FOR GEARING. BUT THE DISPOSALS ARE INCLUDED IN THE BUSINESS PLAN TIME HORIZON, SO WE HAVE 3 YEARS, BUT AS WE WANT TO BE CONSERVATIVE AND IT IS ONE OF OUR FEATURES. WE HAVE ALREADY STARTED TO WORK ON THEM AND WE ARE MAINLY FOCUSING ON NONCORE ASSETS THAT IS TO SAY AND WE DON'T THINK WE ARE GOING TO DISPOSE OF SHOPPING MALLS OR HYPERMARKETS WITHIN MALLS. WE HAVE IDENTIFIED A LIMITED NUMBER OF ASSETS. WE ARE TALKING 4, 5 ASSETS THAT COULD BE THE OBJECT OF DISPOSAL. THEY ARE NONCORE ASSETS.

WE HAVE STARTED A DIALOGUE WITH SOME INVESTORS. IT IS STILL A PRELIMINARY STAGE. THERE IS NOTHING TO FIND YET, AND OF COURSE, WE ARE AFFECTED BY THE UNCERTAINTIES WE SEE IN THE ITALIAN MARKET AND IN OUR INDUSTRY. OUR IDEA IS TO DISPOSE THESE ASSETS AT BOOK VALUE, WE DON'T WANT TO SELL AS IF THEY WERE ON SALE. WE DON'T WANT MARK DOWN. WE WANT TO GET DOWN TO LESS THAN 45% IN OUR GEARING. AND AT THE SAME TIME WE WANT TO AGAIN SELL THEM BECAUSE WE HAVE TO OR SELL THEM AT A REBATE SO WE WILL SEE. WE WILL LOOK INTO THAT AS TO VALUATIONS, I HAVE ROBERTO ZOIA WHO IS THE WIZARD OF VALUATIONS, AND LET'S SAY THAT IN THE FIRST HALF VERSUS 2018, RATES WENT UP 15 BPS.

WE HAVE LOOKED AT THE HALF YEAR REPORTS OF OTHER REAL ESTATE PLAYERS THOSE WHO DELIVERED IN THE PREVIOUS DAYS. WE DO NOT EXPECT A DROP IN VALUATION. I THINK WE ARE GOING TO STAY FLAT. I WOULD BE HAPPY IF WE WOULD STAY FLAT VERSUS THE CURRENT

SITUATION. IT VERY MUCH DEPENDS ON THE ITALIAN SITUATION, ON THE ITALIAN MARKET CONDITIONS WE ARE GOING THROUGH RIGHT NOW. I DON'T THINK I CAN ADD ANYTHING ELSE TO THAT. IT IS ALWAYS DIFFICULT TO MAKE FORECASTS ON IMPAIRMENTS AS WELL.

LET ME REMIND THAT IN THE PAST WE HAVE BEEN VERY RESILIENT WHEN IT COMES TO VALUATIONS. EVEN AT TIMES OF CRISIS 2008 AND AFTER 2012, 2013, 2014 WE HAVE ALWAYS HAD A VERY HIGH OCCUPANCY RATE NORMALLY IN EXCESS OF 95% AND IMPAIRMENTS WERE MAXIMUM 1.2%, IN LINE WITH - 1% IN THIS SEMESTER. BUT I AM CONFIDENT THAT IN THE SECOND HALF WE WILL NOT HAVE ANOTHER IMPACT OF THIS KIND. YOU ARE SEEING THAT THERE IS A POSITIVE TREND NOW. THANKS TO THE FRAMEWORK AGREEMENT WITH COOP ALLEAZNA. THE HYPERMARKET ASSET CLASS MANAGED TO WITHSTAND THE SITUATION. SO HYPERMARKETS WERE NOT AFFECTED. I AM TALKING ABOUT FOR INSTANCE, TIBURTINO THERE WE HAD A DECLINE BECAUSE OF VARIABLE RENTS THAT SOMEHOW PENALIZED THE VALUATION ON HYPERMARKET ASSET CLASS THAT ARE NOT PERFORMING EXCEEDINGLY WELL, MANAGED WITHSTAND THE CURRENT SITUATION. MALLS WERE AFFECTED AS MANY OTHER EUROPEAN MALLS WITH A SMALL INCREASE OF 10 TO 15 BPS IN RATES. I HAVE READ SOME RESEARCH WORK WHICH TALKS ABOUT CATASTROPHIC SITUATION, THERE IS LESS SO MAYBE WE ARE IN THE LESS CATASTROPHIC SITUATION.

OPERATOR:

NEXT QUESTION COMES FROM THE LINE OF ROBERTO RANIERI WITH BANCA IMI.

ROBERTO RANIERI:

GOOD MORNING TO ALL OF YOU. LET ME GO BACK IF YOU TO THIS IDEA OF BEING RESILIENT. I FINALLY UNDERSTAND THE NEW CONTRACT WITH COOP ALLEAZNA INCREASED YOUR RESILIENCE VIS-À-VIS THE MACROECONOMIC SCENARIO. BUT HAVING SAID THAT, IF WE WERE TO MAKE A COMPARISON WITH THE PAST, WHAT WOULD BE THE LOWEST SENSITIVITY YOU CAN HAVE TO A NEGATIVE MACROECONOMIC SCENARIOS AS YOU HAD 2012-2013. COULD YOU GIVE US SOME COLOR ON THAT AND QUALITY WISE OR MAYBE QUANTITY WISE? AND THEN SECOND QUESTION, IT IS ALWAYS ON VALUATIONS. MAYBE, A CLARIFICATION, I AM NOT CLEAR ABOUT THE REASON FOR DECLINE IN VALUATIONS ALSO FOR ROMANIAN ASSETS, MAYBE BECAUSE OF RATES THERE TO. BUT COULD YOU ELABORATE ON THAT AND CLARIFY IT?

AND THEN, IF I MAY, ONE LAST QUESTION AS WE TALKED ABOUT DISPOSALS, €150 MILLION, €200 MILLION WORTH OF DISPOSAL AND THAT WERE ANNOUNCED, I THINK THERE TO ROMANIA IS INCLUDED. COULD YOU ELABORATE...COULD YOU GIVE US SOME COLOR ON IT?

CLAUDIO ALBERTINI:

I WILL START FROM THE LAST QUESTION, AND THEN I MOVE UP, I WILL HAND IT OVER TO ROBERTO ZOIA WHO IS THE BEST INFORM PERSON TO. HE WORKED WITH APPRAISERS, SO HE WILL GIVE YOU MORE SPECIFIC VIEW.

TALKING ABOUT THE DISPOSAL, NOW IN THE €150 MILLION, €200 MILLION ROMANIA IS NOT INCLUDED; ROMANIA HAS A BOOK VALUE OF ABOUT €150 MILLIN SO IF WE WERE TO DISPOSE ROMANIA, WE WOULD HAVE COMPLETED OUR DISPOSAL ACTIVITIES. SO IT'S NOT EMBEDDED IN THE DISPOSALS WE ARE NOW WORKING ON. AND THEN I WILL HAND IT OVER TO ROBERTO ZOIA.

ON ROMANIA THERE IS NO RATE EFFECT, BECAUSE THE MACROECONOMICS SCENARIO IS NOT LIKE ITALY. IT'S AN EFFECT THAT IS AFFECTED BY CERTAIN VARIABLES, TENANT, INTERNATIONAL APPAREL TENANT, I AM NOT NAMING IT, WHEN WE HAD SOME NEGATIVE DELTA VARIATIONS THAT LED TO THESE DIFFERENT VALUATION, IT'S NOT A RATE EFFECT IN ROMANIA, IT'S A DIFFERENT TYPE OF EFFECT.

NOW, ROBERTO, MAYBE YOU WANT TO ADD SOMETHING ON THE OVERALL EFFECT OF VALUATIONS.

ROBERTO ZOIA:

GOOD MORNING TO ALL OF YOU. THIS IS ROBERTO ZOIA SPEAKING, WHAT MR. ALBERTINI SAID, BEFORE IN ITALY, WE HAVE A DOUBLE EFFECT AND WE HAVE ALREADY MENTIONED IT WE HAVE RATES ON THE ONE HAND AND CASH FLOW ON THE OTHER.

ON ROMANIA, INSTEAD WE HAVE RATES THAT ARE FLAT, WE HAVE GUARANTEED MINIMUM AMOUNTS RENT WISE AND THEY ARE WITHSTANDING THE SITUATION. WE HAVE AN EFFECT ON 3 SHOPPING CENTERS; WE ARE TALKING ABOUT €150 MILLION, BROKEN DOWN 15 ASSETS, SO THE AVERAGE ASSET VALUE IS QUITE LOW IN TERMS OF VOLUME. AND THE IMPACT IS MAINLY DRIVEN BY THE APPAREL SEGMENT WITH LOWER VARIABLE RENTS. IF WE CAN MAKE A COMPARISON, HALF YEAR ON HALF YEAR EVEN WITH A MOVING AVERAGE, WE HAVE HAD A NEGATIVE EFFECT DRIVEN BY THE LOWER SALES OF THESE APPAREL TENANTS, AND THAT, OF COURSE, WAS REFLECTED IN THE APPRAISAL. AND THEN WE HAVE TO ADD TO THAT CAPEX THAT WERE INCURRED IN THE SEMESTER ALSO, BECAUSE WE ALWAYS WANT TO HAVE ASSETS READY, FOR THIS AND DIRECT TO A FURTHER REDUCTION IN THE IMPAIRMENT IN THE VALUATION.

AND I HAVE ALREADY HAVING INCLUDING THE WORST ITEMS IN THE H1 VALUATIONS. SO THERE WON'T BE REPEATED IN THE SECOND HALF RATES, LOOKING AT ALL THE RECORDS, THEY ARE MOVING TOWARDS COMPRESSION RATHER THAN DECOMPRESSION, SO TO SAY. AND ROMANIA WITH THIS TYPE OF VALUATION OR APPRAISAL SHOULD HAVE NO SURPRISES FOR YEAR END.

AS TO ITALY, ON THE ONE HAND, WE HAVE THAT ALL OF THE APPRAISALS AND WE ARE TALKING ABOUT 4 APPRAISALS NOT ONE, DEEMED NECESSARY TO FOLLOW THE MARKET MODE BOTH FOR ITALY AND FOR RETAIL, BY APPLYING A TAX DECOMPRESSION POLICY, WHEN IT COMES TO NORMALIZATION TO DISCOUNTING DATA. AND THEN WE HAVE SOME VARIABLES AGAIN IN THE APPAREL SEGMENT SIMILAR TO ROMANIA SLIGHTLY HIGHER VACANCIES IN SOME CASES, AND THAT OF COURSE HAD AN IMPACT ON THE APPRAISAL ON THE VALUATION.

AT YEAR END WE WILL DO, OF COURSE, THE APPRAISAL WILL BE BASED ON THE FORECAST FOR 2020, AS CLAUDIO ALBERTINI MENTIONED IN THE INTRODUCTION, THE SECOND QUARTER OF 2019 AND THE FIRST DATA WE GOT FROM JULY ARE POSITIVE. LET'S SAY THAT BETWEEN SEPTEMBER AND OCTOBER WE LOOK AT THAT PERFORMANCE WE WILL SEE HOW THE TENANT SALES GO, AND THEN WE WILL BE ABLE TO COME UP, A FORECAST OF RENTAL AND REVENUES FOR 2020, SO THE CASH FLOW EFFECT SHOULD BE IN OUR HANDS AND THEREFORE COULD BE MITIGATED VERSUS WHAT WE HAVE TO UNDERGO IN THIS HALF YEAR, AS TO RATES, OF COURSE, THERE WILL BE OTHER ELEMENT, OTHER FACTORS THAT WILL COME INTO PLAY.

AND ON THE ONE HAND, WE HAVE A PERCEIVED COUNTRY RISK, THAT HAS TAKEN AWAY SOME OF THE APPEAL COUNTRY AND THEN MANY FUNDS AND MANY INVESTORS ARE FOCUSING ON ALTERNATIVE ASSET CLASSES MORE SPECIFICALLY HOTELS AND LOGISTICS, KNOWING THAT OFFICE PERFORMED A FLAT VERSUS THE PREVIOUS YEARS, IN LINE WITH PREVIOUS YEARS UNTIL SOMETHING CHANGES IN THIS APPROACH INVESTORS ARE TAKING, AND THERE WILL BE NOT OPPORTUNISTIC DEALS, BUT DEALS FOCUSING ON ITALIAN RETAIL INSTEAD IN THAT CASE WILL THERE BE...MAYBE ANOTHER ATTEMPT TO FOR RATE DECOMPRESSION.

AS TO THE ASSET FORMAT THERE IS A POSITIVE NOTE SEE HOW THE SPAIN IS PERFORMING. THEY HAVE AN IDENTICAL MODEL TO OURS. TENANT SALES WENT UP THERE IN THE SPAIN DESPITE THE FACT THAT THE ONLINE ISSUES ARE VERY SIMILAR TO THE ONES WE HAVE HERE IN ITALY. HYPERMARKETS SERVICE WAS CUT AND STILL THEY ARE PICKING UP. IF WE LOOK AT THE TRANSITIONS BOTH IN SPAIN AND PORTUGAL YOU SEE, WE SEE TRANSACTION ON HYPERMARKETS AND COMMERCIAL CENTERS.

TENANT'S SALES ARE GROWING AND THAT SHOULD SOMEHOW REASSURE MARKETS AS TO THIS BUSINESS MODEL. AS TO ITALY, WE STRUGGLE A BIT MORE IN MAKING FORECASTS, WHAT WE CAN SAY IS THAT, THE GOALS AND WHAT WE HAVE TO DO CASH FLOW WISE, WE HAVE DONE DURING THIS FIRST HALF. AND THEN MAYBE IN Q3 WE'LL SEE HOW THINGS GO RATE WISE AND THE MARKET

SENTIMENT WILL STILL BE TOWARDS THE RATE DECOMPRESSION OR TO LEAVE RATES FLAT. IN NOVEMBER, WE SHOULD HAVE A CLEAR VISIBILITY OF ALL THIS. I THINK, THERE YOU HAD QUITE A DETAILED OVERVIEW, VERY, VERY USEFUL.

ROBERTO RANIERI: THANK YOU VERY MUCH.

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

CLAUDIO ALBERTINI: WELL, I WOULD LIKE TO THANK ALL OF YOU THEN. AND HAPPY HOLIDAYS FOR THOSE WHO WILL GO ON HOLIDAY, PARTLY WE WILL BE HAVING HOLIDAYS, PART OF US. ANYWAY, THANK YOU.