

Event: FY 2018 Financial Results Presentation

Date: 26th February 2019

Speakers: Mr. Claudio Albertini, CEO

OPERATOR: GOOD MORNING. THIS IS THE CHORUS CALL CONFERENCE OPERATOR. WELCOME TO THE CALL PRESENTING IGD'S 2018 FULL YEAR RESULTS. LET ME REMIND YOU THAT ALL PARTICIPANTS ARE IN LISTEN-ONLY MODE. AFTER THE PRESENTATION, A Q&A WILL BE HELD. 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. CLAUDIO ALBERTINI, IGD'S CEO. MR. ALBERTINI, YOU HAVE THE FLOOR.

CLAUDIO ALBERTINI: GOOD AFTERNOON TO ALL OF YOU. AS YOU READ IN OUR PRESS RELEASE, RELEASED A FEW MINUTES AGO, WE HAD OUR BOARD MEETING APPROVING 2018 FULL YEAR RESULTS. I WILL START FROM A COMMENT ON RESULTS BASED ON THE DOCUMENT THAT IS NOW AVAILABLE TO YOU.

LET'S START FROM PAGE 3. FIRST OF ALL, THE 2018 WAS THE LAST YEAR IN OUR 2016-2018 BUSINESS PLAN, AND THEREFORE ON THE ONE HAND IT WAS A POINT OF ARRIVAL INDEED BUT ALSO A STARTING POINT AS IN NOVEMBER 2018 WE PRESENTED OUR NEW STRATEGY PLAN. WITH 2018, WE CLOSED A CYCLE OF IGD AND AT THE SAME TIME IN 2019 WE ARE OPENING A NEW ONE.

ON PAGE 3 OF THE PRESENTATION WE HAVE INCLUDED SOME KEY EVENTS OF 2018 VERY, VERY BRIEFLY, OF COURSE. THEN IF YOU WANT TO HAVE A GREATER LEVEL OF DETAIL WE HAVE THE FULL ACCOUNTS ON OUR WEBSITE. THE MOST IMPORTANT EVENT OF 2018 WAS INDEED THE ACQUISITION THAT WE COMPLETED IN APRIL IN 2018: WE ACQUIRED FOUR SHOPPING MALLS FROM ECP WITH A RETAIL PARK FOR AN OVERALL VALUE OF AROUND €200 MILLION. THAT DEAL WAS TIED IN WITH SHARE CAPITAL INCREASE OF A €150 MILLION THAT WAS LAUNCHED IN DECEMBER 2017 AND WAS COMPLETED IN APRIL 2018.

TWO MONTHS LATER THE NEW BOARD OF DIRECTORS WAS APPOINTED. THE NUMBER OF BOARD MEMBERS DECREASED FROM 13 TO 11, 4 CANDIDATES WERE SUBMITTED AND 2 DIRECTORS WERE

APPOINTED BY MINORITY LISTS. IN SEPTEMBER WE WERE AWARDED THE EPRA GOLD AWARD FOR SUSTAINABILITY REPORT FOR THE FOURTH YEAR IN A ROW, BUT WE WON ALSO THE EPRA GOLD AWARD FOR OUR 2017 FINANCIAL REPORT. SO WE CAN DEFINITELY BE VERY PROUD OF HAVING WON BOTH THE EPRA AWARDS.

AND THEN IN OCTOBER WE SIGNED A SENIOR UNSECURED FACILITY WORTH €200 MILLION WITH BNP WITH 5 YEAR MATURITY AND AT A COST WHICH WAS LOWER THAN OUR 2018 AVERAGE COST OF DEBT AND AS WE WILL SEE LATER, THIS FACILITY ENABLED US TO ACTUALLY REPAY OR PAY BACK THE €135 MILLION BOND IN NOVEMBER AND REMAINING PROCEEDS €75 MILLION WILL BE USED OVER THE QUARTERLY YEARS TO REPLACE OUR SHORT TERM DEBT.

AND THEN IN NOVEMBER THE BOARD APPROVED THE NEW STRATEGIC PLAN, AND IN THE PLAN WE HAVE THE MOST MEANINGFUL DEAL THAT IS TO SAY THE STRATEGIC AGREEMENT SIGNED WITH COOP ALLEANZA 3.0, OUR MAJORITY SHAREHOLDER. ACCORDING TO THE AGREEMENT WE RESCHEDULED 18 HYPERMARKET CONTRACTS MATURITY FROM HERE TO 2036-2037, AND 5 HYPERMARKETS WILL BE CUT DOWN AFTER THIS SCOPE OF 2018.

AND THEN WE HAVE DECEMBER, WE THINK WE ACHIEVE ALL 2016-2018 BUSINESS PLAN TARGETS. WE ACCUMULATED FFO WITHIN 3 YEARS OF €200 MILLION, WITH A CAGR OF 21.6% AND A LOAN TO VALUE LANDING AT 45.8%, THAT IS MUCH CLOSER TO THE LOWER PART OF OUR GUIDANCE RANGE WHICH WAS BETWEEN 45% AND 50%.

LET US MOVE ON TO OUR HIGHLIGHTS, AND WE ARE ON PAGE 4 OF THE PRESENTATION. HERE YOU FIND THE MAIN RATIOS, THE MAIN HIGHLIGHTS FROM LAST YEAR AND RENTAL INCOME IS UP €151.8 MILLION UP TO 9.2 PERCENTAGE POINTS FROM LAST YEAR, AND NET RENTAL INCOME LANDS AT A €124 MILLION OVERALL UP 10.9% VERSUS 2017.

CORE BUSINESS EBITDA €113.7 MILLION, UP 12.4% VERSUS LAST YEAR WITH AN EBITDA MARGIN SLIGHTLY LOWER THAN 72%, UP 220 BPS VERSUS 2017 AND THE MARGINS FROM FREE HOLD IS IN EXCESS OF 80% UP 110 BASIS POINTS, BOTH RESULTS OR OUTCOMES HAVE BEEN EMBEDDED IN OUR BUSINESS PLAN. THEY WERE EMBEDDED AT 70% AND 80% RESPECTIVELY, SO WE'VE OVER PERFORMED BOTH OF THEM.

SO GROUP NET PROFIT IS DOWN €46.3 MILLION, BUT I CAN TELL YOU THAT IN ADVANCE THE NEGATIVE DELTA HERE IS DRIVEN BY THE FAIR VALUES VALUATION POSITIVE AS SEEN IN 2017 PLUS €24 MILLION AND NEGATIVE FOR THE 2018 DOWN €21 MILLION, SO THAT LED TO A GOOD NET PROFIT DOWN 46.3% ON A PORTFOLIO OF €2.412 BILLION UP 8.3% VERSUS LAST YEAR THAT WAS

THE PORTFOLIO MARKET VALUE. SO THE SHRINK IN THE GROUP NET PROFIT WELL DESPITE OF THAT WOULD STILL HAD THE OPPORTUNITY TO DELIVER A 11.45 PER SHARE EPRA NAV AND THEN UP 0.4% VERSUS LAST YEAR.

FUNDS FROM OPERATION WENT UP 21.4%, SO HIGHER THAN THE GUIDANCE WE HAD PROVIDED ON AUGUST THE 3RD WHEN WE DISCLOSED THE HALF YEAR RESULTS AND WE GAVE GUIDANCE WITH A RANGE OF ABOUT 20% OR IN EXCESS OF 20%, SO WE OUTPERFORMED THE GUIDANCE. WE GAVE YOU OF MORE THAN 1%. SO €0.72 PER SHARE IS THE FFO WE DELIVERED.

BASED ON THIS RESULTS THE BOARD OF DIRECTORS PROPOSED TO PAYOUT A €0.50 DIVIDEND PER SHARE IN APRIL, UNCHANGED VERSUS WHAT WE PAID OUT LAST YEAR.

LET'S MOVE ON TO PAGE 7 OF THE PRESENTATION. HERE YOU SEE SOME DETAILS ON OUR REVENUES AND NET RENTAL INCOME. AS I SAID BEFORE, REVENUES WENT FROM A €138.9 MILLION LAST YEAR TO A €151.8 MILLION FULL YEAR 2018 UP 9.2% AND €1.7 MILLION, THE GROWTH WAS DRIVEN BY A CHANGE IN LIKE-FOR-LIKE ITALY, SO 1.3% IS THE INCREASE, MALLS 1.5 AND HYPERMARKETS 0.9% SLIGHTLY LESS THAN 1% WITH AN INDEXATION EFFECT, IN 2017, THE EFFECT WAS FLAT, INSTEAD HERE IT'S MUCH MORE VISIBLE.

WE ARE TALKING ABOUT 90 BPS DUE TO INDEXATION. AND THE GROWTH WAS MAINLY DRIVEN BY THE NON LIKE-FOR-LIKE SCOPE ECP PORTFOLIO CONTRIBUTIONS SLIGHTLY LESS THAN €11 MILLION; REVENUES WERE €10.9 MILLION, THE CONTRIBUTION TO OUR REVENUES WITH LOWER GROWTH IN ROMANIA, ABOUT €300,000, AND ROUGHLY 3% GROWTH ON A LIKE-FOR-LIKE BASIS.

THE REVENUE CONTRIBUTION AND THE REVENUE MIX WERE CHANGED. THE MALLS GREW AT A 66.6% CONTRIBUTION, AND HYPERMARKETS 26.6%. ROMANIA GAVE A 6.5% CONTRIBUTION TO REVENUE, AND OTHER THE 0.5%. AS TO NET RENTAL INCOME, THE TOTAL FOR THE YEAR IS ABOUT €124 MILLION, UP 10.9%. MUCH MORE MARK IS THE GROWTH FOR ITALY, DRIVEN INDEED BY THE ACQUISITION OF THE ECP PORTFOLIO, WHILST ROMANIA GREW IN NET RENTAL INCOME, IT GREW BY 1.6%.

AND WE MOVE ONTO PAGE 8 IN THE PRESENTATION NOW. AND HERE, YOU SEE A SNAPSHOT OF OUR PORTFOLIO. IN ITALY, WE HAVE 1,467 CONTRACTS. THE OCCUPANCY RATE HAS IMPROVED BY 40 BPS VERSUS LAST YEAR. WE'RE NOW AT 97.2%. AND WE LAND MORE OR LESS AT THE PRE-CRISIS LEVEL, SO PRE-2009 LEVEL, WITH A MATURITY PROFILE OF 4.4 YEARS FOR MALLS. AND FOR HYPERMARKETS, BASED ON THE FRAMEWORK AGREEMENT WE MADE WITH COOP ALLEANZA IN

NOVEMBER, WE NOW HAVE AN AVERAGE RESIDUAL MATURITY AT ALMOST 18 YEARS. AND IMPACT OF THE FIRST 10 MALL TENANTS, ALL SUMMED UP, IT'S SLIGHTLY LESS THAN 20%.

AS TO ROMANIA, LET ME GIVE YOU A SNAPSHOT, 6.4% OF OUR TOTAL REVENUES, 571 CONTRACTS AND OCCUPANCY RATE WHICH IS SLIGHTLY LOWER THAN ITALY, LANDING AT 97.1%. WE HAD ALREADY SEEN A SIZABLE GROWTH IN THE PREVIOUS QUARTERS OF 2018. AND THERE WAS A GROWTH OF ABOUT 70 BPS VERSUS THE FULL YEAR FIGURE LAST YEAR, WITH AN AVERAGE RESIDUAL MATURITY OF CONTRACTS OF SLIGHTLY LESS THAN 5 YEARS, 4.8 YEARS TO BE PRECISE. AND THE THE TOP 10 MALL TENANTS HAVE AN IMPACT, THANKS TO THE DIVERSIFICATION, WE ROLLED OUT IS BELOW 30%.

AND AS TO THE OPERATING PERFORMANCE, YOU MOVE ONTO PAGE 9 IN THE PRESENTATION. INCLUDING THE EXTENSIONS AND WHEN WE TALK ABOUT EXTENSIONS, WE MAINLY REFER TO THE ESP EXTENSION, SO 2.2% TENANT SALES WERE INCLUDED. ON A LIKE-FOR-LIKE BASIS INSTEAD, WE WOULD HAVE A 0.7% GROWTH, SO EXCLUDING EXTENSION, BUT WE WOULD STILL BE IN THE POSITIVE. AND THAT GIVES US GOOD GROUND TO BE CONFIDENT LOOKING FORWARD AS WELL.

AND THERE IS A TREND OF STABLE AVERAGE RENTS AND THE ROTATION RATE WAS 5.1%. AS TO ROMANIA, THE AVERAGE UPSIDE WAS 3.9% ON MORE THAN 400 CONTRACTS SIGNED, OF WHICH 174 WERE TURNOVER AND 249 WERE RENEWALS, AND QUITE A SIZABLE ROTATION RATE, IN EXCESS OF 30%.

AS I TOLD YOU BEFORE, LET'S GIVE YOU SOME FLAVOR ON THE PERFORMANCE OF OUR MALLS. LAST YEAR, OUR MERCHANDIZING MIX WAS VERY DYNAMIC. YOU CAN SEE THE INCREASED WEIGHT OF THE REVENUES FROM SERVICES UP 60 BPS. THEY ACCOUNT FOR 4.1% OF THE TOTAL OF OUR MALLS; THE WEIGHT OF THE FOOD COURTS HAS ALSO INCREASED. AND ON THE OTHER HAND, CLOTHING, ACCESSORIES AND SHOES REVENUES HAVE DECLINED. IT WAS STILL VERY HIGH, BUT IT WILL DECLINE OVER THE NEXT FEW YEARS AND THE DECLINE HERE IS ABOUT 60 BPS.

OVER THE LAST FEW MONTHS OF 2018, WE WERE VERY HAPPY TO SEE THIS TYPE OF PERFORMANCE BECAUSE BLACK FRIDAY, FOR INSTANCE, DID NOT CANNIBALIZE PHYSICAL SALES. SO ONLINE SALES DID NOT REPLACE PHYSICAL SALES. NOVEMBER DATA WERE PARTICULARLY POSITIVE, UP 6.8%. I AM TALKING ABOUT NOVEMBER 2018 VERSUS NOVEMBER 2017. AND FOOTFALLS ON THE BLACK FRIDAY WEEK THAT WERE UP 3.1%, AND NOVEMBER IMPACT ON THE TOTAL TURNOVER WAS GROWING 9.5% VERSUS THE PREVIOUS YEARS, UP 0.6 VERSUS THE PREVIOUS YEARS.

AND IN THE PREVIOUS YEARS, THERE WAS THE THREAT OF CANNIBALIZATION, THE POSITIVE EFFECT NOVEMBER HAD COULD HAVE HAD NEGATIVE REPERCUSSIONS ON DECEMBER, A KIND OF KILL-OVER EFFECT. BUT ON THE OTHER HAND, INSTEAD, WE HAD A 1.6% TURNOVER GROWTH IN DECEMBER, TOO. AND SO, WE CLOSED THE YEAR WITH A 2.2% GROWTH AND 0.7% ON A LIKE-FOR-LIKE BASIS. AND CONSUMER ELECTRONICS WENT UP 1.3% AND IT IS A TYPE OF SALE THAT NORMALLY IS PERFORMED ONLINE.

AND THEN ON PAGE 11, YOU WILL SEE SOME INNOVATIONS, 27 NEW BRANDS WERE INCLUDED IN OUR MALLS OF WHICH 10 ARE RESTAURANTS. AND WE DID A SCOUTING ON 38 NEW INTERNATIONAL TENANTS THAT WE MET OVER THE YEAR WITH A VERY STRONG INCREASE VERSUS 2017, OF COURSE, WE WANT TO ATTRACT INTERNATIONAL TENANTS AND HAVE THEM ENTER OUR SHOPPING MALLS. WE ARE WORKING ON IT, MALL SERVICES ALSO MEANS, WE INSIST TO HAVE MORE DENTAL CLINICS. THERE IS 21 DENTAL CLINICS NOW WITH A TURNOVER GOING UP ABOUT 10 PERCENTAGE POINT, 9.7% TO BE ACCURATE. AND THEN THE CUSTOMER EXPERIENCE, THE CUSTOMER JOURNEY, MORE AND MORE ATTRACTIVE: WE INTRODUCE A SHOP ASSISTANT USING CHATBOT TECHNOLOGY AND WE'RE VERY SOCIAL TOO. WE HAVE AN INSTAGRAM CHANNEL INSTALLED IN 16 SHOPPING CENTERS.

AND THEN IF YOU MOVE TO PAGE 12, YOU WILL SEE OTHER INNOVATIVE ELEMENTS. IF YOU GO TO A SHOPPING MALL, IT'S NOT JUST FOR SHOPPING PURPOSES. IT'S AN ACROSS-THE-BOARD EXPERIENCE THAT YOU ARE LIVING THERE. AND OF COURSE, YOU DO SOME SHOPPING, BUT AT THE SAME TIME THERE'S ENTERTAINMENT. THERE ARE SOCIAL EVENTS. AND HERE, YOU SEE SOME PICTURES OF THE EVENTS; WE'VE BEEN ORGANIZING IN 2 SHOPPING MALLS IN ASCOLI, CITTA DELLE STELLE AND FORLI, THE PUNTA DI FERRO SHOPPING MALL.

LET'S MOVE ONTO PAGE 13. EVEN IN ROMANIA, WE HAVE BEEN FOLLOWING ALONG THE SAME LINES AS THE PREVIOUS YEAR. WE'VE ATTRACTED MORE AND MORE INTERNATIONAL TENANTS. HERE, YOU SEE THE 4 MALLS; THERE IS A NEW GERMAN BRAND THAT'S BEEN INTRODUCED. IT'S KIK, AND IT'S BEEN INCLUDED IN OUR TENANT PORTFOLIO.

AND IN ROMANIA, WE ALSO OPENED A NEW CINEMA. IN OUR PORTFOLIO, WE HAVE 4 SHOPPING MALLS WITH CINEMA FACILITIES. AND RECENTLY, WE HAVE CENTRO SARCA WHERE A MAJOR TENANT HAS ENTERED. AND IN ROMANIA, WE HAVE A GYM THAT WAS OPENED IN OUR MAIN SHOPPING CENTER, THE ONE IN PLOIESTI.

AND THE THING THAT I'D LIKE TO HIGHLIGHT HERE IS THE WIN MAGAZIN, OUR ROMANIAN COMPANY, WAS THE FIRST TO GET THE UNI ISO 37001 ANTI-BRIBERY CERTIFICATION. IT CERTIFIES THAT WINMAGAZINE COMPLIES WITH THE ANTI-BRIBERY PROTOCOL, SO WE ARE VERY PROUD OF IT, TOO.

THIS MORNING, THE BOARD OF DIRECTORS ALSO APPROVED OUR 9TH SUSTAINABILITY REPORT. NEXT YEAR, IT'LL BE OUR 10TH ANNIVERSARY FOR SUSTAINABILITY REPORTS. AND WE ARE COMPLIANT WITH THE MAIN INTERNATIONAL STANDARD GRI, EPRA AND OF COURSE, OUR REPORT IS ALSO SUBJECT TO ASSURANCE AND WAS CERTIFIED BY PwC. WE'VE WORKED ON A NUMBER OF FRONTS, SO TO SAY, AS FAR AS SUSTAINABILITY IS CONCERNED. AS YOU SEE, THESE ARE SOME OF THE IMPACTS, SOME OF THE INDEXED SERVICE AND ANALYSIS THAT WE CARRIED OUT THROUGH 2018 TO REALLY TRY AND IDENTIFY, FOR INSTANCE HOW MUCH WE HAVE BUDGETED OR WE HAVE WE'VE PLANNED AND THEN ROLLED OUT OVER THE YEARS.

ON PAGE 15, YOU SEE THE MAIN SUSTAINABILITY TARGETS, GOALS. WE HAVE REDUCED OUR ELECTRICITY CONSUMPTION DOWN 1.1% IN OUR MALLS. WE'VE ACHIEVED THE BREEAM CERTIFICATION FOR 3 SHOPPING MALLS, 3 SHOPPING CENTERS. AND AS TO THE RESPONSIBLE APPROACH, ON THE HUMAN RESOURCES AND EMPLOYEES AND WELFARE, WE HAVE INCLUDED ANTI-INCURSION MEASURES. AND THEN WE HAVE 3 STARS FROM THE ETHICAL VIEWPOINT.

WELL, WE GOT THE ISO 37001 CERTIFICATION IN ROMANIA. AND WE WANT TO BE ATTRACTIVE. WE'VE ORGANIZED MORE THAN 530 EVENTS IN OUR SHOPPING CENTERS. AND OF COURSE, WE ALSO HAVE A HAPPY HAND IN TOUR IN 19 SHOPPING CENTERS. AND SO, THE ACRONYM TOGETHER, WE HAVE MORE AND MORE LOCAL ORGANIZATIONS THAT ARE INCLUDED IN THE WAY WE ORGANIZE EVENTS SO THAT OUR SHOPPING CENTERS BECOMING BETTER AND BETTER ROOTED IN THE GEOGRAPHY WHERE THEY ARE LOCATED.

AND THEN OUR PORTFOLIO WENT FROM €2.228 BILLION TO €2.41 BILLION, UP 8.3% AFTER THE ACQUISITION ENDED IN APRIL; THE MAIN ASSET CLASS, THAT IS TO SAY OUR MALLS ACCOUNT FOR TWO-THIRDS OF THE TOTAL OF €2.412 BILLION. YOU SEE A BREAKDOWN OF OUR MALLS. KEY ASSETS, MEDIUM-SIZED AND SMALL-SIZED MALLS, KEY ASSETS ARE THE 8 YOU SEE ON THE RIGHT-HAND SIDE WITH THE PICTURES OF THE MALL THEMSELVES, IT IS SHOPPING MALLS THAT ARE IN EXCESS OF €70 MILLION AS UNIT VALUE. WE HAVE THE FULL OWNERSHIP OF 16 SHOPPING CENTERS IN ITALY. AND SO WE MEAN THAT WE OWN BOTH THE HYPERMARKET AND THE MALL AT THE SHOPPING CENTER.

AS FAR AS THE MARKET VALUE OF OUR PORTFOLIO IS CONCERNED OUR PORTFOLIO WENT UP BY 8.3%, WITH GROSS INITIAL, NET INITIAL, AND NET INITIAL TOPPED UP YIELD THAT CAN BE FOUND ON THE TOP RIGHT OF THE SLIDE. THE PORTFOLIO WAS €2.28 BILLION AS AT DECEMBER 2017 AND IT ESCALATED 12 MONTHS LATER TO €2.412 BILLION. ITALY PROJECTS AND CAPEX, €19 MILLION,

€173 MILLION CHANGE IN ITALY MARKET VALUE, €2.1 MILLION ROMANIA PROJECTS, AND THEN A NEGATIVE VARIATION FOR ROMANIA AGAIN, CHANGING THE MARKET VALUE FOR €6.8 MILLION.

NOW IN TERMS OF ASSET MANAGEMENT, THE ACTIVITIES CARRIED OUT IN 2018 ARE ALL ON PAGE 19: WE OBVIOUSLY INDICATE HERE THE ACQUISITION THAT I MENTIONED ALREADY, THE 4 MALLS, CENTRO LEONARDO IMOLA, CENTRO LUNA SARZANA, LA FAVORITA MANTOVA AND CENTRO LAME BOLOGNA, ALL MALLS AND SHOPPING CENTERS THAT ARE DOMINANT AND INCUMBENT IN THEIR CATCHMENT AREAS, WITH GOOD PERFORMANCE, ACTUALLY EXCELLENT OPERATING PERFORMANCES AND ATTRACTIVE INITIAL YIELD. IN 2 CASES, WE RECONSTITUTED FULL OWNERSHIP, WE ARE TALKING ABOUT LAME AND IMOLA. AND THEN A POTENTIAL FURTHER VALUE CREATION THAT WE ARE STILL WORKING ON.

ON THE 3RD OF MAY, WE OPENED A NEW MEDIUM SURFACE MALL IN THE GRAN RONDO SHOPPING CENTER, JUST BELOW 3,000 SQUARE METERS GLA RENTED TO AN ELECTRONICS BRAND EURONICS.

BUT WE DO HAVE OTHER PROJECTS IN THE PIPELINE. AND THIS YEAR, AGAIN, WE ARE WORKING ON THEM, AND THIS IS PAGE 20. WE ARE GOING TO RESHAPE AND RESTYLE THE FONTI DEL CORALLO MALL IN LIVORNO, WHERE WE ARE RESTYLING IN A PRETTY RADICAL WAY THE ENTIRE PROPERTY. WE HAVE EXTENDED THE MALL AND THE OPERATION WILL BE CLOSED BY THE END OF 2019.

NOW, THIS MORNING'S BOARD OF DIRECTORS RESOLVED TO CARRY OUT A SIMILAR OPERATION ON ANOTHER MALL NEAR ROME, CASILINO. HERE AGAIN, THERE WILL BE A RESTYLING OF THE SHOPPING CENTER, PARTICULARLY THE EXTERNAL ARCHITECTURES, BUT ALSO AN INTERNAL REMODELING, WITH A SEISMIC PROJECT TO BE IMPLEMENTED. AND I WOULD SAY THAT, WITH THIS OPERATION, WE WILL REMODEL WITH THE REDUCTION OF THE AREA OF COOP TIRRENO AND ALSO IN VIEW OF THE AGREEMENT WITH COOP ALLEANZA, THE MORE GENERAL OPERATION AS IGD ON THE REDUCTION IN THE AREA OF REDUCTION HAS ALREADY BEEN DEPLOYED WHEREVER IT WAS NECESSARY TO CARRY OUT THIS REDUCTION OF THE HYPERMARKET SERVICE.

NOW ONGOING PROJECTS, LAST BUT NOT LEAST, IT'S THE MOST IMPORTANT IN OUR PORTFOLIO FROM THE STRATEGIC PLAN PERSPECTIVE. THIS IS PORTA A MARE. ON THE 21ST OF DECEMBER, IT WAS IN THE KEY TOPIC IN A PRESS RELEASE, WE OBTAINED THE BUILDING PERMIT IN ACCORDANCE WITH THE AGREEMENT SIGNED WITH THE MUNICIPALITY OF LIVORNO. AND WE ARE STARTING WITH WORKS, AND WE ARE IN THE PROCESS OF DEFINING THE LAST DETAILS IN OUR TENDER.

THE OFFICINE STORICHE WILL ACCOUNT FOR 15,000 SQUARE METERS DEDICATED TO RETAIL, 43 SEAFRONT FLATS, A CUMULATIVE INVESTMENT BY A €53 MILLION AND END OF WORKS 2020. OF COURSE, THE OTHER IMPORTANT AREA OF THIS PROJECT IS PIAZZA MAZZINI, OF THE 73 APARTMENTS BUILT, 69 HAVE BEEN SOLD OR PRESOLD, WITH A SOLD OR PRESOLD TOTAL SURFACE AREA EQUAL TO 91% APPROXIMATELY.

I WOULD LIKE TO MOVE ONTO PAGE 24 TO SEE IN MORE DETAIL THE FINANCIAL RESULTS. FUNDS FROM OPERATIONS, AS STATED IN THE INITIAL HIGHLIGHTS, WENT UP BY 21.4% TO ALMOST €80 MILLION, IT IS ABOVE THE OBJECTIVE NOTIFIED IN THE 3RD OF AUGUST, WHERE WE HAD INDICATED APPROXIMATELY 20%. GROWTH WAS MAINLY DRIVEN BY CORE BUSINESS EBITDA, BUT ALSO TO A LOWER EXTENT BY A LOSS IN TERMS OF THE COST OF FINANCIAL MANAGEMENT OR FINANCIAL INCOME OF MINUS €0.2 MILLION.

NOW ALSO, ACCORDING TO EPRA CRITERIA, WE CALCULATED AND RESTATED THE SAME FIGURES BASED ON THE CAPITAL INCREASE AND THE INTEGRATION OF THE VARIOUS ENTITIES. WE GREW BY APPROXIMATELY €0.05. YOU SEE THE BRIDGE OF THIS GROWTH. WE STARTED FROM €11.4 THERE WAS A LOSS FOR DIVIDEND BY €0.50, A POSITIVE VARIATION BY €0.10 IN FAIR VALUE AND THEN FFO OF €0.72, WITH AN ASSETS FAIR VALUE DECLINING BY €0.27, LEADING TO €11.45 AT THE END OF THE YEAR.

IN TERMS OF LIABILITY MANAGEMENT, ON PAGE 26 WE HAVE THE HIGHLIGHTS. AS I SAID INITIALLY, WE SIGNED LAST OCTOBER A SENIOR UNSECURED FACILITY, €200 MILLION, MATURITY 5 YEARS, WITH A LOWER COST COMPARED TO THE AVERAGE COST OF DEBT WHICH WILL HAVE A POSITIVE IMPACT FURTHER IN 2019. THE OTHER POSITIVE NEWS IS THE CONFIRMATION OF OUR RATING LAST OCTOBER GRANTED BY MOODY'S, BAA3, WITH NEGATIVE OUTLOOK.

AND I WOULD LIKE TO ALSO MENTION THAT WE HAVE NO SIGNIFICANT MATURITIES OR DEADLINES BETWEEN NOW AND 2021. THE BREAKDOWN OF OUR DEBT BETWEEN SECURED AND UNSECURED IS AS SHOWN IN THIS CHART, BOTTOM LEFT, STILL PAGE 26. THE UNSECURED ACCOUNTS WERE APPROXIMATELY TWO-THIRDS OF THE TOTAL DEBT, WHILE ONLY ONE-THIRD IS SECURED, BACKED BY PROPERTY, BY REAL ESTATE.

WE HAVE REDUCED OUR LOAN TO VALUE COMPARED TO LAST YEAR FROM 47.4% TO 45.8%, SO WHERE THE BOTTOM PART OF THE RANGE THAT WE TARGETED IN OUR BUSINESS PLAN OF 45% TO 50%. THE ICR, THE INTEREST COVER RATIO WAS JUST BELOW 3 AT THE END OF 2017, AND IT WENT UP TO 3.5 BY THE END OF 2018. AND THE AVERAGE COST OF DEBT WENT DOWN FROM 2.8% TO 2.7%, WE EXPECT IT TO GO FURTHER DOWN BETWEEN €0.20 AND €0.30 DURING 2019.

NOW FINANCIAL STRUCTURE OR DEBT STRUCTURE ON PAGE 27, AS INDICATED IN THE PREVIOUS SLIDE, WE HAVE NO SIGNIFICANT MATURITIES BETWEEN NOW AND 2021. SO IN 2019 AND 2020 WE WILL SIMPLY HAVE TO REPAY THE LOANS IN EXISTENCE, WHILE IN 2021, THE PUBLIC BOND, THAT WE ISSUED IN MAY 2016 FOR €300 MILLION, WILL EXPIRE, AND AS YOU SEE, THERE ARE FURTHER MATURITIES LATER ON.

THE NFP HAS A VERY SOLID STRUCTURE, OUT OF €1.108 BILLION, €1.068 BILLION IS LONG TERM, AND ALMOST HALF OF IT COMES FROM THE MARKET TO THE REST FROM THE BANKS. ONE LAST INDICATION, THE GEARING RATIO, SO THE NET EQUITY VERSUS NFP HAS A VERY GOOD POSITION WITH 0.88 TIMES. WE HAVE AN AVERAGE MATURITY OF 4.3 YEARS. HEDGING ON LONG-TERM DEBTS AND BONDS IS AT 92.9%, ALMOST 93%.

NOW LET'S MOVE ONTO PAGE 29. ALL THESE RESULTS MADE IT POSSIBLE THIS MORNING TO THE BOARD OF DIRECTORS TO PROPOSE TO THE NEXT SHAREHOLDERS MEETING A DIVIDEND OF €0.50 PER SHARE. THE DIVIDEND YIELD SHOULD BE AROUND 8% AT THE SHARE PRICE OF 25TH OF FEBRUARY. THE DIVIDEND PAYMENT DATE WILL BE MAY THE 15TH; THIS YEAR, THE DIVIDEND TOTAL ACCOUNTS FOR SLIGHTLY LESS THAN 60% OF THE FFO OF LAST YEAR, 55 VERSUS 79.3.

WE WILL GIVE YOU GUIDANCE AND AN OUTLOOK FOR 2019. WE EXPECT A GROWTH OF THE OVERALL FFO IN A RANGE BETWEEN 6% AND 7%. WE NO LONGER HAVE THE DOUBLE-DIGIT GROWTH RATES. IT WOULD'VE BEEN UNTHINKABLE TO KEEP GROWING BY MORE THAN 20% YEAR-ON-YEAR. BUT IT'S STILL A PROMINENT AND SIGNIFICANT GROWTH IN OUR BUSINESS PLAN; THE GROWTH EXPECTED WAS APPROXIMATELY 3%. THIS YEAR, IT WILL BE HIGHER, BUT WE KNOW THAT THE GROWTH WOULD BE MORE CONCENTRATED IN 2019.

LAST SLIDE, AND THEN WE HAVE SOME ATTACHMENTS, SO IF YOU WANT TO GO INTO MORE DEPTH ON SOME TOPICS. HERE, YOU HAVE THE NEXT KEY DATES FOR IGD: ON THE 10TH OF APRIL, THE ANNUAL GENERAL MEETING WILL BE HELD ON FIRST CALL. MAY THE 7TH WE WILL BRING YOU RESULTS OF QUARTER 1, 2019, 2ND OF AUGUST, THE RESULTS OF THE HALF YEAR, AND NOVEMBER THE 7TH, THE RESULTS AS AT THE 30TH OF SEPTEMBER 2019.

SO THAT'S ALL WITH ME. THANK YOU. I'M AVAILABLE TO TAKE YOUR QUESTIONS TOGETHER WITH ALL THE COLLEAGUES WHO ARE HERE AT IGD TO TAKE YOUR QUESTIONS OR REQUESTS FOR CLARIFICATIONS.

Q&A

OPERATOR: THIS IS THE CHORUS CALL OPERATOR. WE WILL NOW START THE Q&A SESSION. IF YOU HAVE QUESTIONS THAT YOU WOULD LIKE ASK, PLEASE TYPE "*" PLUS "1" ON YOUR PHONE, IF YOU WANT TO BE REMOVED FROM THE QUEUE, "*" PLUS "2." IF YOU WANT TO ASK A QUESTION "*" AND "1" NOW.

FIRST QUESTION IS FROM SIMONETTA CHIRIOTTI, MEDIOBANCA.

SIMONETTA CHIRIOTTI: YES, GOOD AFTERNOON. I HAVE A QUESTION CONCERNING THE TREND IN CAPEX AND THE REPERCUSSIONS THAT THAT HAS IN TERMS OF IMPAIRMENT. WHAT WAS THE OVERALL CAPEX AMOUNT? AND HOW MUCH OF THIS WAS NOT RECOGNIZED BY THE APPRAISERS AND, THEREFORE, CAUSED THE IMPAIRMENTS IN THE P&L? AND IF POSSIBLE, CAN YOU GIVE US AN INDICATION OF WHAT'S GOING TO HAPPEN IN 2019 IN THIS RESPECT, IN OTHER WORDS, IF YOU EXPECT OTHER INVESTMENTS OF THE SAME KIND AND IF WE SHOULD EXPECT A SIMILAR TREND?

ROBERTO ZOIA: ROBERTO ZOIA. HELLO, SIMONETTA. THE CAPEX THAT WAS CARRIED OUT ON THE ITALIAN PORTFOLIO WAS €11 MILLION. AND IT'S A CAPEX THAT WE CAPITALIZED AND THAT IN INDIVIDUAL ASSETS WERE RECOVERED DURING THE APPRAISEMENT. IN OTHER CASES, THAT DIDN'T HAPPEN. BUT THE OVERALL IMPACT WAS €11 MILLION. WHEN IT COMES TO ROMANIA, THE FIGURE IS €2.6 MILLION ONLY ON QUARTERS 3 AND 4, WHICH IS €13.6 MILLION IN TOTAL BETWEEN ITALY AND ROMANIA. AND THEN CONCERNING 2019, MAYBE CLAUDIO WANT TO MAKE COMMENT.

CLAUDIO ALBERTINI: WELL, IT'S NOT EASY TO FORECAST WHAT'S GOING TO HAPPEN. IN THE LAST QUARTER OF LAST YEAR, THINKING OF THE APPRAISALS, WE SAW AN INCREASE IN RATES FOLLOWING THE MORE GENERAL RATE TREND THAT WE STARTED IN JULY 2018, WITH A SPREAD IN ITALY WHICH WAS AS HIGH AS 100, WHICH THEN ZIPPED UP TO 300, AND THEN STABILIZED AT AROUND 270, 280 IN THE PAST FEW MONTHS. OF COURSE, THIS HAS HAD AN IMPACT ON THE INDEPENDENT APPRAISERS, WHO APPLY A CAPEX FLOW MODEL THAT FACTOR IN THE RATES.

SO WE HAD CASH FLOW MODEL THAT HAD A NEGATIVE EFFECT ON THE TOTAL APPRAISAL, APPROXIMATELY €30 MILLION VERSUS €24 MILLION POSITIVE IN 2017. SO TO MINUS €30 MILLION, APPROXIMATELY €24 MILLION ITALY AND €6 MILLION ROMANIA. THIS ACCOUNTS FOR SLIGHTLY LESS THAN 1% OF THE ITALIAN PORTFOLIO AND APPROXIMATELY 3% TO 4% OF THE ROMANIAN PORTFOLIO. CLEARLY ENOUGH, EVEN SMALL PERCENTAGE VARIATIONS HAVE A RELEVANT IMPACT ON OUR P&L.

SO THE CHANGE IN FAIR VALUE, NOW IT WAS PLUS €23.9 MILLION IN 2017. THIS YEAR, IT IS MINUS €30 MILLION. SO THE ALGEBRAIC SUM OF THESE IS WORTH APPROXIMATELY €54 MILLION. IT'S NOT EASY TO GIVE YOU AN ANSWER ABOUT WHERE THIS IS GOING TO TAKE US TO. WE THINK THAT THE APPRAISERS AND OURSELVES WILL PROVE TO BE VERY CAUTIOUS AND CONSERVATIVE. AND WE DO NOT EXPECT MAJOR NEGATIVE VARIATIONS LIKE THIS YEAR. BUT A LOT WILL DEPEND ON THE RATES. IF, AS I HOPE, WE'LL SEE A DECLINE IN THE MAGNITUDE OF THE SPREAD GOING TO AN AREA WHERE THE FUNDAMENTALS OF ITALY WILL BE MORE AFFECTED, THEN WE MIGHT EVEN SEE A POSITIVE EFFECT. BUT I HAVE SERIOUS DOUBTS ABOUT THAT HAPPENING.

SO FOR 2019, THE OBJECTIVE IS TO STABILIZE THE SITUATION. BUT A LOT WILL ALSO DEPEND ON THE LEVEL OF TRANSACTIONS OCCURRING ON THE MARKET. THE MARKET NOWADAYS IS MADE MORE BY THE BUYERS THAN BY THE SELLERS. AND SO THE BUYERS ARE MOSTLY OPPORTUNISTIC BUYERS AND CERTAIN HEDGE FUNDS WITH YIELD LEVELS THAT ARE VERY HIGH. WE ARE A PROPERTY COMPANY. AND SO CLEARLY, WE ALWAYS MAKE AN EFFORT TO REMEMBER THAT ANY APPRAISAL SHOULD CONSIDER THAT WE ARE NOT LIKE FUNDS WHO HAVE TO DIVEST AFTER 5 YEARS. OUR TIME HORIZON GOES MUCH FARTHER. AND ALSO, IN TERMS OF OUR STRATEGIC PLAN, WE'LL HAVE 3 YEARS WHEN THE SCENARIO WILL NOT BE A WRITE-UP SCENARIO. WE THINK THE SITUATION WILL BE A SITUATION WITH LOW WRITE-DOWNS.

SIMONETTA CHIRIOTTI:

NOW MY QUESTION WAS TO UNDERSTAND THE MECHANISM. IF I COMPARE THE YIELDS IN THE PORTFOLIO BETWEEN JUNE AND DECEMBER, THESE WOULD APPEAR TO BE SLIGHTLY DECLINING, WHICH IS COUNTERINTUITIVE IF YOU THINK OF THE WRITE-DOWNS IN THE P&L. THAT'S WHY I SPECIFICALLY REFERRED TO CAPEX, WHICH I THINK IS THE ELEMENT THAT SEEMS TO JUSTIFY THE NUMBERS, THE FIGURES. AM I CORRECT?

CLAUDIO ALBERTINI:

IN TERMS OF YIELDS, TALKING ABOUT IF YOU CONSIDER MALLS, THE GROSS YIELD SLIGHTLY INCREASED BETWEEN JUNE AND NOW. I'M TALKING ABOUT GROSS INITIAL YIELD AS APPRAISED. SO VACANT FOR RVs PLUS TEMPORARY BECAUSE, FOR US, IT'S GOING FROM 6.31% AS AT JUNE THE 30TH TO 6.41% AS AT THE 31ST OF DECEMBER 2018, SO 10 POINTS WHICH COME TO THE APPROXIMATELY 10 POINTS OF INCREASE IN H2 ON THE EVALUATION OF MALLS.

HYPERMARKETS ARE A DIFFERENT STORY. WE BENEFITED FROM THE FRAMEWORK AGREEMENT WITH COOP ALLEANZA BECAUSE OF THE FACT THAT, WITH THE EXTENSION OF THE DURATION TO 18 YEARS, THE RATE OF DISCOUNT WAS SHRUNK. BUT THE YIELD ARE HIGHER FOR MALLS BETWEEN DECEMBER AND JUNE. SO YOU HAVE 10 POINTS OF GROSS INITIAL YIELD, ALMOST FLAT THE GROSS CASH OUT. BUT THE CAP RATE WENT UP BY 10 POINTS AT THE SAME TIME. SO THAT JUSTIFIES ALL THESE CHANGES. THANK YOU.

OPERATOR: LET ME REMIND YOU THAT IF YOU WANT TO ASK A QUESTION, PLEASE PRESS "*" FOLLOWED BY "1" ON YOUR PHONE. IF YOU WANT TO ASK A QUESTION, PLEASE PRESS "*" FOLLOWED BY "1" ON YOUR PHONE. NEXT QUESTION IS A FOLLOW-UP BY SIMONETTA CHIRIOTTI FROM MEDIOBANCA.

SIMONETTA CHIRIOTTI: ANOTHER QUESTION. I TAKE ADVANTAGE OF THIS OPPORTUNITY TO ASK A QUESTION EVERYBODY IS WILLING TO ASK NOW CONCERNING CLOSING ON SUNDAYS, CLOSING MALLS ON SUNDAYS. DO YOU HAVE ANY NEWS? WHAT IS THE IMPACT YOU EXPECT TO HAVE, OR HAVE YOU FELT AN IMPACT ALREADY? I LOOKED AT DATA OF AVERAGE RENTS VERSUS RENEWALS.

CLAUDIO ALBERTINI: NO, TO THE PRESENT DATE, WE'VE NOT HAD ANY MAJOR IMPACT ON OUR AVERAGE RENT. SOMETIMES, IN CASE OF RENEWALS, IT'S A MEDIUM-SIZED SURFACE. IT IS SLOWER THAN THE PREVIOUS. OTHERWISE, WE NORMALLY HAVE A 1% GROWTH IN THE RENT IN CASE OF RENEWAL. WE HAVEN'T HEARD ANYTHING ABOUT THIS ANNOUNCED MEASURE, BUT IT WAS SOMEHOW PUT IN STILL-STAND POSITION BECAUSE THEY ZERO-SET THE TIMER. AND THEY WILL START HEARING STAKEHOLDERS AGAIN.

WELL, THE COMMISSION WILL START HEARING STAKEHOLDERS AGAIN SOON. THE FRONTS, THE GROUP OF PEOPLE AGAINST THIS MEASURE, WE EXPRESSED A VERY NEGATIVE OPINION ON IT. IT'S A VERY STRONG GROUP. IT'S A VERY STRONG LOBBY. THE LARGE RETAILERS AND OTHER STAKEHOLDERS, CNCC ITSELF AND MANY OTHER LARGE BRANDS ARE REPRESENTED IN ITALY BY A NUMBER OF TRADE ASSOCIATIONS ARE AGAINST THIS.

SO IT WOULD BE ACCORDING TO COMMON SENSE EITHER TO ZERO-SET THE MEASURE COMPLETELY OR TO RESTRAIN IT STRONGLY, TO PUT STRONG CONSTRAINTS ON IT SOMEHOW. THIS IS HOW WE COULD WORK, OR IT COULD BE BROUGHT BACK TO A REASONABLE NUMBER OF, FOR INSTANCE, 10, 12 CLOSING DAYS PER YEAR AND NOT OPENING. BUT MALLS ARE NORMALLY CLOSED FOR 8 SUNDAYS IN A YEAR. SO IT WOULD BE ALMOST NEGLIGIBLE AS AN IMPACT IF IT WERE BROUGHT TO 10. BUT WE'RE STILL WAITING FOR...I KNOW THAT, AS I TOLD YOU, THERE IS A VERY STRONG GROUP, THAT ARE AGAINST. IT WOULD BE WRONG AT A TIME OF CONSUMPTION SHRINKAGE AND WORSENING IN THE MAIN INDICATORS TO ACTUALLY CLOSE MALLS FOR MORE DAYS THAN THEY ARE NOW. IT WOULD BE NEGATIVE FOR A NUMBER OF REASONS. SO WE DON'T SEE A GOOD REASON TO GO AHEAD WITH THIS MEASURE.

OPERATOR: AND LET ME REMIND YOU IF YOU WISH TO ASK A QUESTION PLEASE "*" FOLLOWED BY "1" ON YOUR PHONE. THE NEXT QUESTION COMES FROM THE LINE OF FRANCESCO SALA WITH BANCA AKROS. YOU HAVE THE FLOOR, SIR.

FRANCESCO SALA: GOOD AFTERNOON TO ALL OF YOU. I HAVE ONE QUESTION. AND I WOULD LIKE TO KNOW IF YOU ARE HAVING YOUR ROMANIAN PORTFOLIO ASSESSED RIGHT NOW OR APPRAISED. WE HEARD IN SOME OF THE LAST CONFERENCE CALLS THAT YOU WERE GOING TO HAVE SUCH APPRAISALS PERFORMED. HAS THE SITUATION CHANGED? WHAT'S YOUR TAKE ON THE MATTER?

CLAUDIO ALBERTINI: WELL, AS I'VE SAID A NUMBER OF TIMES ALREADY DURING THESE PRESENTATIONS, WE THINK WE HAVE COMPLETED OUR EXPERIENCE IN ROMANIA AFTER MORE THAN 10 YEARS SINCE OUR ACQUISITION. WE THINK WE HAVE COMPLETED OUR EXPERIENCE THERE. WE ARE NO LONGER GOING TO FURTHER DIVERSIFY OUR BUSINESS ABROAD. BUT WE KNOW THAT ROMANIA IS GROWING AT A VERY STRONG PACE. THEIR RATIOS AND INDICATORS ARE QUITE DIFFERENT FROM THE ITALIAN ONES.

THE DEBT-TO-GDP RATIO IS ONE-THIRD VERSUS THE ITALIAN ONE, WHICH IS MUCH HIGHER. SO THEY ARE LESS INDEBTED THAN WE ARE. OUR PORTFOLIO IS STILL PERFORMING WELL. SO WE'RE NOT IN A HURRY. AND WE'RE STILL WORKING ON OUR MERCHANDIZING MIX. WE HAD SOME PROPOSALS AMONG THE MINOR CENTERS, BUT OUR GOAL IS TO DISPOSE THE ENTIRE PORTFOLIO. BUT WE KEEP AN OPEN EYE, A KEEN EYE ON THE MARKET INDEED. BUT THERE ARE NO MAJOR NEWS IN THAT RESPECT. WE'VE SEEN THAT 2018 IN ROMANIA...WHAT WE'VE SEEN IS THAT REAL ESTATE, AFTER GOING THROUGH TO A STRONG FOCUS ON BUCHAREST, THERE'S A SPINNING-OUT EFFECT TO MINOR CITIES AS WELL. WE HAVE A FRANCHISE IN THESE SMALLER CITIES.

SO WE ARE CONFIDENT THAT, GOING FORWARD, WE WILL BE ABLE TO COMPLETE THE DISPOSAL WE HAVE IN MIND. BUT BOTH THE BUSINESS PLAN AND THE STRATEGIC PLAN, WE HAVE EMBEDDED DISPOSAL IN THE PLANS. IF WE DON'T COMPLETE THIS DISPOSAL, WE ARE ALSO WORKING ON OTHER NONCORE ASSETS IN OUR ITALIAN PORTFOLIO. SO OUR DISPOSAL GOALS WILL BE DELIVERED UPON REGARDLESS OF WHETHER OR NOT WE DISPOSE OF ROMANIA, SO TO SAY. THANK YOU.

OPERATOR: LET ME REMIND YOU THAT IF YOU WISH TO ASK A QUESTION PLEASE PRESS "*" FOLLOWED BY "1" ON YOUR PHONE. MR. ALBERTINI, FOR THE TIME BEING, THERE ARE NO OTHER QUESTIONS IN THE WAITING LIST.

CLAUDIO ALBERTINI: THANK YOU VERY MUCH. THEN WE'LL MEET AGAIN DURING THE Q1 REPORT. THANK YOU.