

Event: 9M 2019 Financial Results Presentation

Date: 7th November 2019

Speakers: Mr. Claudio Albertini, CEO

OPERATOR: GOOD AFTERNOON. THIS IS THE CHORUS CALL OPERATOR. WELCOME TO IGD'S MARKET CALL, PRESENTING RESULTS AS AT END OF SEPTEMBER 2019. AFTER THE PRESENTATION A Q&A SESSION WILL BE HELD.

LET ME NOW TURN THE CONFERENCE OVER TO MR. CLAUDIO ALBERTINI, CEO OF IGD. MR. ALBERTINI, YOU HAVE THE FLOOR.

CLAUDIO ALBERTINI: THANK YOU VERY MUCH. GOOD AFTERNOON TO ALL OF YOU. I'M CONNECTED FROM BOLOGNA TOGETHER WITH THE COLLEAGUES FROM IGD, AND OUR CHAIRMAN, MR. GASPERONI, WHO THIS MORNING CHAIRED THE BOARD MEETING, IN WHICH WE APPROVED THE 9 MONTH INTERIM REPORT. AND I WILL WALK YOU THROUGH THE PAPER THAT WAS SENT TO YOU ALREADY.

LET'S START FROM PAGE 3. AND I LIKE TO START THIS PRESENTATION, BY SAYING A FEW WORDS ABOUT THE 2 NEW AWARDS WE WERE GIVEN AT THE BEGINNING OF SEPTEMBER IN MADRID; IGD WAS AWARDED BY EPRA, THE MOST IMPORTANT REAL ESTATE ASSOCIATION AND IT GOT 2 GOLD AWARDS, BOTH FOR ITS FINANCIAL STATEMENTS AND ITS SUSTAINABILITY REPORT. AND IT'S 2 YEARS IN A ROW FOR THE FINANCIAL STATEMENTS. AND WHAT I WOULD LIKE TO UNDERLINE IS THE FIFTH YEAR IN A ROW WE GET THE EPRA GOLD FOR OUR SUSTAINABILITY REPORT AS WELL JUST TO REINFORCE THE PATHWAY WE ARE FOLLOWING AND TRYING TO CONSTANTLY IMPROVE OUR MAIN INDICATORS.

HAVING SAID THAT, LET ME WALK YOU THROUGH OUR MAIN HIGHLIGHTS, WHICH YOU'LL FIND ON PAGE 3. AND THEY'RE ALL IN THE POSITIVE REGION, RENTAL INCOME, €116 MILLION, UP 2.7%, AND NET RENTAL INCOME IS UP 2.5%. THIS IS THE ADJUSTED FIGURE THAT CAN BE COMPARED TO LAST YEAR'S FIGURES EX-IFRS. OTHERWISE, THE GROWTH WOULD HAVE BEEN MUCH MORE SIZABLE, BUT IT WOULD NOT BE A LIKE-FOR-LIKE COMPARISON.

SAME APPLIES TO CORE BUSINESS EBITDA. I'LL DISCLOSE THE EX-IFRS16 DATA, IT'S UP 2%, €94.4 MILLION AND FREEHOLD 80%, AND OVERALL MARGIN, 78.1%. THESE ARE DATA THAT ARE SIGN OF EXCELLENCE IN THE INDUSTRY. AND THEN FUNDS FROM OPERATIONS, WE ARE CLOSE TO €63 MILLION, UP 5.6%. AND THE GUIDANCE WE UPDATED DURING THE PRESENTATION OF OUR 6 MONTH REPORT, WAS A RANGE BETWEEN 5% AND 6% AND WE ARE SLIGHTLY ABOVE 5%. AND WE'LL PROBABLY COMPLY WITH THE GUIDANCE WE GAVE YOU, MAYBE AT THE LOWER END OF THE RANGE OF THE GUIDANCE ITSELF.

LET'S NOW LOOK AT THE OPERATING PERFORMANCE. WE'RE NOW MOVING TO PAGE 5 IN THE PRESENTATION. THE RENTAL INCOME GROWTH, AS GROUP AGGREGATE FIGURE, ON A LIKE-FOR-LIKE BASIS IS UP 0.1%. AND LET ME HIGHLIGHT THAT IN THE FIRST 6 MONTHS WE WERE SLIGHTLY IN THE NEGATIVE. AND NOW IN THIS QUARTER, WE HAVE A PLUS SIGN BEFORE OUR FIGURE. AND WE ARE FLAT TREND WISE SLIGHTLY NEGATIVE FOR ITALY, MINUS 0.1%, AND INSTEAD UP 0.27% FOR ROMANIA. ROMANIA ONLY ACCOUNT FOR 6.4% OF OUR TOTAL RENTAL INCOME.

AS YOU SEE ON THE RIGHT-HAND SIDE IN THE PIE CHART, WE NEED TO BE ACCOUNTING FOR A BIT IN SHOPPING MALLS 64.7%, HENCE 2/3RD OF THE TOTAL RENTAL INCOME. AND THEN HYPERMARKETS ACCOUNT FOR 25.6%. SO PUTTING TOGETHER HYPERMARKETS AND MALL, WE GET TO MORE THAN 90%. SO €116 MILLION NET RENTAL INCOME. IF YOU WANT TO BREAK DOWN SHOPPING MALLS AND HYPERMARKET, SHOPPING MALLS ARE DOWN 0.4% DUE TO A TEMPORARY INCREASE IN VACANCIES FOR TEMPORARY REASONS. AND THEN THE HYPERMARKET SEGMENT IS UP 0.5%. AND THE INFLATION HAD A LIMITED IMPACT IN THIS QUARTER, WE'RE TALKING ABOUT 60 BASIS POINT. INFLATION IN ITALY IS STILL AT A LOW LEVEL. AND THAT'S NOT ONLY ITALY, IT'S IN EUROPE, GENERALLY.

LET'S NOW MOVE ON TO THE FOLLOWING SLIDE. WE'RE ON PAGE 6. NET RENTAL INCOME GOES FROM €92.3 MILLION TO €94.6 MILLION. AND I WANT TO TELL YOU ABOUT THE OVERALL FIGURES OF EX-IFRS 16, THE GROWTH WAS MAINLY DRIVEN BY RENTAL INCOME GROWTH IMPACTED IN TURN BY THE INCREASE IN OUR PORTFOLIO LAST YEAR, THROUGH THE INCREASE OF THE 4 SHOPPING MALLS ACQUIRED FROM EUROCOMMERCIAL PROPERTY AND SLIGHT INCREASE IN RENTAL FEES. THAT IS TO SAY THEY'RE UP 2.5%.

LET'S NOW MOVE ON TO THE OPERATING PERFORMANCE IN ITALY. AS YOU CAN SEE, PAGE 7, TENANT SALES ARE FLAT BASICALLY. AND IN THE NEXT PAGE YOU WILL SEE A A QUARTERLY DRILL DOWN, WHERE WE HAVE PICKED UP IN THE LAST QUARTER, ESPECIALLY IN SEPTEMBER, WHILE FOOTFALLS ARE SLIGHTLY DECLINING, DOWN 2.3%. THE AVERAGE UPSIDE IS GROWING 1.5%, WITHOUT INCLUDING A VERY IMPORTANT RENEWAL, REFURBISHING AT THE MOVIE THEATER AT THE SARCA SHOPPING MALL AND WE'LL TELL YOU MORE ABOUT IT IN ONE OF THE NEXT SLIDES. SO POSITIVE TREND ON UPSIDE OUT OF A 180 SIGNED CONTRACTS WITH AN OCCUPANCY, WHICH IS UNCHANGED OR SLIGHTLY GROWING VERSUS END OF JUNE 2019. WE EXPECT A FURTHER GROWTH IN THE LAST QUARTER THANKS TO SOME FURTHER SALES WE ARE COMPLETING.

AND NOW I'M ON PAGE 8, WE HAVE A FOCUS ON ITALY. FOOTFALLS AND TENANT SALES THIS IS WHAT WE'RE LOOKING AT. IT'S AN IMPORTANT SLIDE WHICH SHOWS YOU THE TREND WE'VE HAD THROUGH THE YEAR, IT IS 9 MONTHS, SO IT'S A PROXY FOR THE TREND FOR THE FULL YEAR. WE STARTED QUITE LOW, BOTH FOOTFALL AND TENANT SALES WISE. DESPITE THE FACT THAT WE HAD A 6.2% DECLINE IN FOOTFALLS BECAUSE OF EASTER WHICH WAS IN APRIL VERSUS THE PREVIOUS YEAR WHERE EASTER WAS IN THE FIRST QUARTER, WE CAN STILL SEE A LOWER DECLINE IN TENANT SALES VERSUS THE DECLINE IN FOOTFALLS. SO THAT MEANS THE AVERAGE TICKET IS HIGHER. WE STARTED POORLY IN Q1. WE RECOVERED NICELY IN Q2, BOTH POSITIVE TENANT SALES AND FOOTFALLS. AND TENANT SALES ARE UP 0.4% IN Q3, AND IT'S FLAT VERSUS THE PREVIOUS YEAR. AND FOOTFALLS INSTEAD, ARE DOWN 2.3%. AND WE ARE QUITE CONFIDENT ALSO FOR Q4, DESPITE THE FACT THAT OCTOBER WAS NOT BRILLIANT AS A MONTH, BUT WE THINK WE CAN RECOVER.

LET'S MOVE ON TO PAGE 9. I WAS TELLING YOU ABOUT THE MOVIE THEATER IN ONE OF OUR SHOPPING MALLS IN MILAN, IT'S CALLED CENTRO SARCA. AND HERE, IT WAS A REFURBISHMENT THAT WAS VERY POPULAR AND NOTORIOUS IS A LISTED COMPANY IN THE AIM SEGMENT IN THE MILAN STOCK EXCHANGE. SO IT'S THE FIRST TIME THEY BUILD THIS TYPE OF MOVIE THEATER IN MILAN, AND IT'S THE THIRD AT DOMESTIC LEVEL. IT'S A SPECIAL TYPE OF MOVIE THEATER WITH SPECIAL CHAIRS WITH ADJUSTABLE BACK. AND IT'S REALLY DRIVING SALES IN THE FOOD COURT AS WELL WHICH IS A MAJOR FOOD COURT AT THIS SHOPPING MALL. SO LET ME SAY THAT INDEED, THIS WAS THE MOST MEANINGFUL EVENT WE HAD IN THE QUARTER.

HOWEVER, LET'S TALK ABOUT ANOTHER BIG CITY IN ITALY, ITS ROME THE CASILINO SHOPPING CENTER. WE COMPLETED THE RESTYLING OF THE SHOPPING CENTER, IT WAS A VERY FAR REACHING RESTYLING, AND €3.7 MILLION WAS THE CAPEX INVESTMENT. THE OPENING WEEKEND

RECORDED AN INCREASE IN FOOTFALL OF 11.4%. WE DID A REBRANDING OF THE SHOPPING MALL LOGO AND WE DID SO WITH THE HELP OF THE STUDENTS OF A GRAPHIC DESIGN INSTITUTE OR SCHOOL IN ROME.

LET'S MOVE TO PAGE 11. AND AGAIN, WE ARE TALKING ABOUT ASSET MANAGEMENT ACTIVITIES. I'M SURE YOU'VE ALREADY HEARD ABOUT IT, BUT AS IT TOOK PLACE IN THE FIRST HALF IT WAS THE DEAL WE FORMALLY CLOSED END OF SEPTEMBER AND WE ANNOUNCED END OF JUNE. THE SALE OF PALAZZO ORLANDO WITH A MAJOR ITALIAN AND INTERNATIONAL REAL ESTATE PLAYER, AND AT THE SAME TIME, WE ACQUIRED A 50% STAKE IN THE DARSENA CITY SHOPPING MALL SO THAT IGD IS NOW OWNING THE 100% OF THE SHOPPING MALLS. AND THE PREVIOUS OPERATORS HAVE IMPROVED FRANCHISE FOR OFFICES AND WE'VE IMPROVED OUR SHOPPING CENTER FRANCHISE.

WE HAVE A LOT OF SITES THAT WHERE WE ARE ACTUALLY REFURBISHING: LE MAIOLICHE FAENZA, CONÈ IN CONEGLIANO VENETO, AND CENTRO PORTOGRANDE IN SAN BENEDETTO DEL TRONTO,. IN ALL 3 SHOPPING MALLS, WE ARE REDUCING THE SURFACE COVERED BY HYPERMARKETS, AS WE LAID OUT IN THE FRAMEWORK AGREEMENT THAT WE SIGNED WITH OUR MAIN SHAREHOLDER, COOP ALLEANZA, THAT AGREEMENT ENTAILED 5 REDUCTIONS OVERALL. WE ARE ALREADY ENGAGING IN 3, THE REMAINING 2 WILL BE PERFORMED IN 2020.

AND SO, IT'S HYPERMARKET REDUCTION WITH FREEING UP OF SALES SPACE FOR RETAIL UNITS. IN LE MAIOLICHE, THE HYPER REDUCTION HAS ALREADY BEEN COMPLETED. AND WORK IN PROGRESS IS STILL APPLYING FOR CONÈ AND CENTRO PORTOGRANDE. AND THE NEW RETAIL UNIT SHOULD BE READY IN FEBRUARY 2020 FOR CONEGLIANO AND SEPTEMBER 2020 FOR SAN BENEDETTO DEL TRONTO. SO IN 2020, WE ARE GOING TO COMPLETE THE REMODELING OF SHOPPING MALLS, REDUCING THE HYPERMARKET SURFACE. AND TOGETHER WITH OUR MAIN SHAREHOLDER, IT'S A VIRTUOUS PATHWAY WE HAVE BEEN FOLLOWING THAT IS GENERATING THIS TYPE OF OUTCOME.

LET'S SEE WHAT WE HAVE IN THE PIPELINE ASSET MANAGEMENT WISE. WE ARE ON PAGE 12 OF THE PRESENTATION. WE'RE TALKING ABOUT THE PORTA A MARE PROJECT IN LIVORNO. WE ARE VERY MUCH FOCUSING ON THIS PROJECT ON OFFICINE STORICHE, WHICH IS THE CORE PART OF THE PROJECT. THE PART WHERE WE ARE FOCUSING MOST IS THE SHOPPING MALL. IT'S A HISTORICAL BUILDING, IT'S A FORMER SHIPYARD IN WHICH THERE WILL BE 30 COMMERCIAL AREAS, 10 RESTAURANTS AND 1 FITNESS CENTER WILL BE BUILT. END OF WORK IS SECOND HALF OF 2020. AND THEN, OF COURSE, IT'S PROBABLY SECOND HALF OF THE YEAR AND WE PRELET 60% ALREADY. AND WE ARE CONFIDENT WE ARE GOING TO INCREASE THAT PERCENTAGE. IT'S CERTAINLY NOT THE

BEST TIME TO DO THAT IN THIS CITY AND GENERALLY SPEAKING, IN THE ITALIAN MARKET. HOWEVER, WE ARE QUITE CONFIDENT.

NEXT TO OFFICINE STORICHE RETAIL SHOPPING MALLS, WE HAVE SEAFRONT FLATS AND PIAZZA MAZZINI FLATS WERE SOLD, ALMOST ALL OF THEM, THERE'S ONLY ONE STILL LEFT THAT WILL BE LET. AND THE POSITIVE NOTE HERE THAT WE'VE ALREADY SIGNED 2 PRELIMINARY AGREEMENTS ALREADY ON PAPER. AND THEN WE HAVE 3 OTHER AREAS STILL PERTAINING TO THIS PROJECT. WE ARE WORKING ON LIPS, WHERE WE'RE SELECTING A MAJOR HOTEL PLAYER AND IT SHOULD BE A 4 STAR BUSINESS HOTEL WITH A RESIDENT, WITH A FEW DOZENS OF APARTMENTS FOR SHIP CREWS AND MAYBE STUDENT HOUSING. THAT IS AS FAR AS LIVORNO IS CONCERNED.

AND LET'S NOW MOVE ON TO PAGE 13, AND THIS IS A BIT OF A DIFFERENT SLIDE COMPARED TO WHAT WE NORMALLY SHOW YOU. AND IT'S AN UNCOMMON SLIDE. WE STARTED A NEW COMMUNICATION CAMPAIGN AND IT'S NEW, AS I SAID. AND WE HOPE IT WILL HAVE AN IMPACT IN THIS YEAR, BUT ALSO IN THE FIRST HALF OF 2020. IT'S A COMMUNICATION CAMPAIGN FOCUSING ON 7 MAJOR SHOPPING MALLS. THEY ARE LISTED IN THE BOX, AND WE WILL HAVE TO TRY AND BOOST FOOTFALLS. WE LIKE IT A LOT AND WE HOPE WE'LL BE ABLE TO GIVE YOU SOME POSITIVE FOLLOW-UP SOON.

PAGE 14, WE OF COURSE CARRY ON IN OUR COMMITMENT FOR SUSTAINABILITY. ITS 7 YEARS IN A ROW WHERE WE'VE HAD A SUSTAINABILITY REPORT. NEXT YEAR, WE'RE THINKING OF A VERY PUBLIC EVENT, SORRY, ITS 10 YEARS WE'VE BEEN PRODUCING A SUSTAINABILITY REPORT AND WE'VE TRIED TO IMPROVE FROM THE POINT OF VIEW OF SUSTAINABILITY.

FOR 2019, WE GIVE YOU DISCLOSURE ON NEW PHOTOVOLTAIC SYSTEM, LED LIGHTING SYSTEM, DETAILED CONSUMPTION MONITORING SYSTEM, CHARGING STATIONS FOR E-BIKES, AND FIGURES TO CRUNCH AS WELL, BECAUSE IN THE FIRST 9 MONTHS ELECTRICAL CONSUMPTION DECREASE OF 3.7%. AND THIS IS A WRAP-UP ON ITALY.

LET'S NOW MOVE ON TO ROMANIA. ROMANIA IS STILL GENERATING A POSITIVE TREND, STARTED A FEW YEARS AGO. THE OCCUPANCY RATE WENT UP VERSUS END OF JUNE, LANDING AT 97.5%, SO MORE THAN 1 PERCENTAGE POINT BETTER THAN ITALY AND AVERAGE UPSIDE RENEWALS AND TURNOVER OUT OF 265 SIGNED CONTRACTS WE HAVE A 3.3% UPSIDE WITH A RENTAL INCOME GROWTH UP 2.7% ON A LIKE-FOR-LIKE BASIS. AND WE HAVE A NEW HUNGARIAN BRAND IN 7 LOCATIONS, COVERING MORE THAN 2,700 SQUARE METERS, AND 14 LOCATIONS, 7 ROMANIAN CITIES.

LET'S MOVE ON TO PAGE 17, THE FINANCIAL RESULTS. AS WE COULD SEE, FUNDS FROM OPERATIONS, FFO IS UP 5.6%, AND THAT IS SLIGHT ABOVE THE NEW GUIDANCE. BUT DURING THE LAST QUARTER, WE HAVE A TRACK RECORD WHICH HAS PROBABLY LOWER FUNDS FROM OPERATION THAN THE FIRST 3. SO THE GUIDANCE WE GAVE YOU IS 4% TO 5%, SO WE ARE IN LINE WITH THAT GUIDANCE. AND THEN THE 5.6% GROWTH WAS MAINLY DRIVEN BY THE EBITDA FROM CORE BUSINESS AND 1/3RD DRIVEN BY IMPROVEMENT IN FINANCIAL MANAGEMENT, AND WE'LL GIVE YOU MORE DETAILS ABOUT IT. HERE, IT ONLY SHOWS A FIGURE, AN AMOUNT WHICH IS A FURTHER DECLINE IN THE AVERAGE COST OF FINANCIAL MANAGEMENT, GOES FROM 2.67% IN 2018 TO 2.4% END OF SEPTEMBER 2019.

SO THE FINANCIAL SET-UP, YOU'VE ALREADY READ THE NEWS, BUT LET ME HIGHLIGHT AGAIN THAT WE OBTAINED A NEW FITCH RATING, AND ITS INVESTMENT GRADE, IT'S BBB MINUS WITH A STABLE OUTLOOK. AND THAT MAKES US VERY CONFIDENT ALSO ON OUR FUTURE REFINANCING OPTIONS AS WE MOVE FORWARD. WE ARE LOOKING AT THE MARKET.

LOAN-TO-VALUE IS SLIGHTLY DECLINING, BUT THAT WAS FORESEEABLE BECAUSE IN THE QUARTER, AS IT'S ALREADY HAPPENED FOR THE FIRST HALF YEAR, WE PAID DIVIDEND, €55 MILLION. AND SO, THERE WILL BE A SLIGHT DECLINE IN LOAN-TO-VALUE IN Q3, 47.8%, AND ALSO A DECLINE IN LAST QUARTER. IFRS 16 IS AFFECTING US, WITHOUT IFRS IT WOULD HAVE BEEN 46.7%. ICR IS 3.8 TIMES, AND WE ARE COMPARING THIS AGAINST THE FIXED MONTHLY REPORT GEARING RATIO. DEBT ON NET EQUITY IS 0.95 TIMERS. AVERAGE LENGTH OF LONG-TERM DEBT IS SLIGHTLY DOWN, ITS 3.5 YEARS, WITH A LEVEL OF HEDGING ON THE LONG TERM DEBT AND BONDS IS ABOUT 93.4%.

AND THEN IN THE LAST SLIDE, AND THEN I'LL STOP HERE. HERE, WE WOULD LIKE TO SHOW YOU OUR DEBT MATURITY PROFILE. THE OVERALL DEBT IS €1.174 BILLION. THE VAST MAJORITY IS LONG TERM DEBT AND ONLY €24.5 MILLION ARE SHORT TERM DEBT IN ADDITION TO CASH WHICH IS STILL POSITIVE. SO DEBT MATURITY IS WELL BALANCED. DEBT BREAKDOWN IS 50:50 BETWEEN BANK AND MARKET, 47% MARKETS, 53% BANK, MORE THAN 71% OF OUR DEBT IS UNSECURED. AND DEBT MATURITY PROFILE, AS YOU SEE AT THE BOTTOM OF THE SLIDE, THIS YEAR AND NEXT YEAR, WE HAVE NO SPECIAL MATURITIES, BUT WE ARE THINKING OF MAYBE EARLY REFINANCING SOME MATURITIES, 2021-2022. WE'VE BEEN LOOKING INTO THAT OVER THE LAST FEW WEEKS.

AND HERE, I STOP. AND HERE WE ARE AVAILABLE TO TAKE YOUR QUESTIONS TOGETHER WITH THE CHAIRMAN AND THE OTHER COLLEAGUES.

Q&A

OPERATOR: THIS IS THE CHORUS CALL OPERATOR. LET US NOW START Q&A SESSION. IF YOU WISH TO ASK A QUESTION, PRESS "*" FOLLOWED BY "1" ON YOUR PHONE KEYPAD. TO BE REMOVED FROM THE Q&A QUEUE, PRESS "*" FOLLOWED BY "2." PLEASE ASK YOUR QUESTIONS IN THE PHONE RECEIVER. IF YOU WANT TO ASK A QUESTION, PLEASE PRESS "*" FOLLOWED BY "1" NOW.

FIRST QUESTION COMES FROM THE LINE OF MRS. SIMONETTA CHIRIOTTI WITH MEDIOBANCA. YOU HAVE THE FLOOR MADAM.

SIMONETTA CHIRIOTTI: GOOD AFTERNOON TO ALL OF YOU. I HAVE A COUPLE OF QUESTIONS. THE FIRST ONE IS ABOUT THE ACQUISITION OF MINORITIES OF THE DARSENA SHOPPING CENTER. FOLLOWING THAT DEAL, WILL THE WAY YOU ACCOUNT FOR IT CHANGE? WILL THERE BE AN IMPACT AT REVENUE LEVEL? WILL THAT HAVE AN IMPACT ON YOUR REVENUES? AND AS TO THIS ASSET AND ALSO AS TO THE NEW RETAIL UNITS THAT YOU OPENED IN THE SHOPPING MALLS WHERE YOU ARE USING THE HYPERMARKET SURFACE, WILL THEY BE ACCOUNTED FOR? IN ADDITION, ON TOP OF THE TIME LINE END OF 2020, IF I REMEMBER CORRECTLY, 2020? AND THEN THE OTHER QUESTION IS ABOUT THE FFO TREND AS OF NEXT YEAR. YOU BASICALLY RECONFIRMED THE GUIDANCE YOU GAVE BEFORE THE LAST 2 QUARTERS, SHOW AN FFO GROWTH RATE OF ABOUT 2.3%, 2.5%. IS THIS WHAT WE CAN EXPECT FOR 2020 ABOVE AND BEYOND THE OFFICIAL GUIDANCE OR IS THAT THE ORDER OF MAGNITUDE WE CAN EXPECT OR AFTER ASSET MANAGEMENT DEALS, THE ONES YOU ARE ROLLING OUT, WILL THERE BE A HIGHER GROWTH? THANK YOU.

CLAUDIO ALBERTINI: LET ME ANSWER THE FIRST QUESTION THAT ENTAILS 2 QUESTIONS, AS A MATTER OF FACT. THE IMPACT OF THE NEW SALES, OF COURSE, THEY WILL HAVE AN IMPACT ON REVENUES AND NEW CONTRACTS. AS SOON AS THEY COME INTO FORCE THEY WILL HAVE AN IMPACT ON REVENUES. AND THE OTHER HYPERMARKET REDUCTION, OF COURSE, WILL HAVE A NEGATIVE IMPACT, TOO. WE HAVE A CONTRACT SAFEGUARDING US THAT WE HAVE INCLUDED IN THE FRAMEWORK AGREEMENT SO THAT WE CAN RESELL AT THE OLD CONDITIONS. BUT AFTER THAT TIMEFRAME, WE WILL HAVE THE NEW CONTRACTS THAT WILL COME INTO FORCE, CONTRACTS WE WILL SIGN WITH THE NEW OPERATORS. IN THE PAST, WELL WITH THIS DEAL, 50% OF THE NEW SHOPPING MALL, WE'RE TALKING ABOUT THIS DARSENA SHOPPING CENTER WE'LL BE ACCOUNTING FOR 100% OF IT. OF COURSE, WE WON'T HAVE REVENUES, AS MEANT AS RENTAL FEES WE GOT FROM PALAZZO ORLANDO THAT WILL HAVE A NEGATIVE IMPACT. BUT STILL, OVERALL, WE WILL HAVE A POSITIVE EFFECT.

FFO PERFORMANCE AND TRENDS, THIS IS WHAT IT IS LIKE. WE HAD HIGHLIGHTED GROWTH IN OUR BUSINESS PLAN BETWEEN 2% AND 3%, AND I RECONFIRM THAT GUIDANCE. WHOLE THING, OF COURSE, WILL BE IN THE UPPER END OF THE RANGE, SO MORE CLOSER TO 3% THAN 2%. I RECONFIRM THAT THE TREND IDENTIFIED OF THE LAST 3 QUARTERS IN 2019 WILL BE SIMILAR IN 2020. THERE WON'T BE ANY MAJOR CHANGE IN THE CONSOLIDATION SCOPE. WE ARE LOOKING AT SOME DISPOSALS, SO THAT TREND MIGHT DECLINE. AND AT THE SAME TIME, IN THE LAST QUARTER OF 2020, WE WILL HAVE THE OPENING OF OFFICINE AND THAT WILL HAVE A POSITIVE IMPACT ON OUR REVENUES, OR WE HOPE SO. AND IN 2020, THE IMPACT WILL BE LIMITED. IT WILL FULLY UNFOLD ITS POTENTIAL IN 2021 BECAUSE YOU'LL HAVE A FULL FISCAL YEAR. TO SEE IT, IT WILL VERY MUCH ALSO DEPEND ON HOW SUCCESSFUL OUR SALES WILL BE. WE ARE VERY COMMITTED TO SELLING.

LET ME ADD THE FOLLOWING AS IT WAS SUGGESTED BY THE COLLEAGUES. AS TO THE SALES OF SURFACE FREED UP BY HYPERMARKETS, SALES ARE GROWING WELL. LET ME SAY THAT...WE CAN SAY THAT THEY ARE GROWING WELL, WE START FEELING THE IMPACT STARTING FROM FEBRUARY. BUT IT'S A REPLACEMENT BECAUSE WE'LL HAVE, LOWER HYPERMARKET REVENUES AND HIGHER SHOPPING MALL REVENUE. SO THERE'LL BE A REBALANCING OF REVENUES.

SIMONETTA CHIRIOTTI: THANK YOU.

OPERATOR: FOR FURTHER QUESTIONS, PLEASE PRESS "*" FOLLOWED BY "1" ON YOUR PHONE KEYPAD. 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. LET ME ASK A QUESTION ON THE MACRO BACKDROP. AS FAR AS I UNDERSTAND FROM THE FIGURES YOU ARE DISCLOSING FOR THE FIRST 9 MONTHS, YOU ARE VERY RESILIENT, EVEN THOUGH THE BACKDROP IS QUITE WEAK, YOU'RE RESILIENT ON BOTH REVENUES AND SALES. BUT HAVING SAID THAT, MY FIRST QUESTION IS, FIRST OF ALL, WHAT CAN WE EXPECT IN THE NEXT QUARTERS? ACCORDING TO YOUR PERCEPTION, DO YOU THINK THE WEAK MACRO BACKDROP IS A THING OF THE PAST OR IS SOMETHING WE ARE GOING TO SEE GOING FORWARD, TOO? AND CAN YOU ELABORATE ON THE OUTLOOK YOU EXPECT TO HAVE IN THE FIRST HALF OF 2020? SECOND QUESTION, ON THE CONTRACT WITH SARCA, THE IMPACT IS NOT IN THE FIRST 9 MONTHS. COULD YOU GIVE US SOME COLOR ON THE CONTRIBUTION...THE INCREMENTAL CONTRIBUTION IT COULD GIVE IN Q4, IF THERE'S AN INCREMENTAL?

CLAUDIO ALBERTINI: ARE YOU TALKING THE MOVIE THEATER, SARCA?

ROBERTO RANIERI: YES.

CLAUDIO ALBERTINI: CLEAR. OKAY. WELL, IT'S A \$1 MILLION QUESTION, THE ONE YOU'RE ASKING. MAYBE WE WOULD NEED A CRYSTAL BALL, AS FAR AS THE MACRO BACKDROP IS CONCERNED FOR ITALY, AT LEAST. AND IT'S A WEAK BACKDROP. MORE THAN LOOKING AT GDP, I WOULD LOOK AT CONSUMPTION LEVEL, THAT THEY'RE IN THE POSITIVE DOMAIN. HOWEVER, THE RESILIENCE YOU MENTIONED, IT'S NOT NEW FOR US AS A COMPANY, IF YOU REMEMBER BETWEEN 2011, 2012 AND 2013 AGAINST THE BACKDROP THAT LET US NOT FORGET IT, THAT WAS MUCH MORE NEGATIVE THAN IT IS NOW. I'M NOT SAYING THAT NOW IT'S POSITIVE, BUT THE COMPANY, AS ALWAYS, SHOWN RESILIENCE AS A DISTINCTIVE FEATURE. AND WHAT IS VERY IMPORTANT IS WHAT I TRIED TO SHOW YOU BEFORE, IT'S A COMPANY THAT KEEPS INVESTING A LOT IN ITS SHOPPING CENTERS, SHOPPING MALLS, IMPROVING THE MERCHANDISING MIX PROPOSITION AND INVESTING, LEVERAGING CAPEX TO MAKE OUR SHOPPING MALLS MORE WELCOMING, MORE APPEALING. SO INDEED, WE ARE VERY MUCH AFFECTED BY THE MACRO BACKDROP THAT IS INEVITABLE. AND IN A TIME OF WEAK CONSUMPTION JUST LIKE THIS IT'S NOT HELPING US. BUT WHAT ALSO MATTERS IS BEING PROACTIVE IN OUR DAY-TO-DAY BUSINESS AND ASSET MANAGEMENT MARKETING ALL OF OUR DIFFERENT UNITS ARE REALLY COMMITTED TO PERFORMING AT BEST.

AS TO THE SARCA MOVIE THEATER, WE'VE SOLVED THE PROBLEM. WE CAN SAY THAT, BECAUSE THE CINEMA, THE MOVIE THEATER THAT WAS THERE BEFORE DID NOT HAVE THIS TYPE OF PERFORMANCE. IT WAS A MOVIE THEATER THAT HAD A NUMBER OF ISSUES THAT WE HAVE SOLVED SO FAR. AND THIS NEW PLAYER OPERATOR, WE'VE CO-INVESTED WITH THIS OPERATOR. AND TOGETHER WITH MARCHETTI, WHO IS THE OWNER, COULD BE REPLICATED THIS TYPE OF EXPERIENCE IN OTHER SHOPPING MALLS. IT'S NOT THAT IT'S GOING TO GENERATE ADDITIONAL REVENUES, IT WILL GENERATE REVENUES, SIZABLE REVENUES, BUT NOT SUCH AS TO GIVE US A MUCH STRONGER GROWTH VERSUS THE PAST, SO TO SAY.

WE'VE SEEN SOME OF THE IMPACT IN THE FIRST HALF OF 2019. THIS IS THE FOURTH MOVIE THEATER, NOT THIS SIZE, NOT THIS LEVEL. WE HAVE 1 IN PALERMO, 1 IN FERRARA, THIS IS THE FOURTH. SO WE'LL SEE WHETHER WE CAN DO BETTER. WE'D LIKE TO DO IT WITH NOTORIOUS, OF COURSE, BUT IT WILL DEPEND ON THE LOCATION AS WELL. AND THIS WAS REALLY A WIN-WIN PARTNERSHIP, GIVING US AN EDGE SOMEHOW.

ROBERTO RANIERI: IF MAY, A FOLLOW-UP. THE TYPE OF CONTRACTS YOU HAVE WITH THESE CLIENTS SUCH AS NOTORIOUS, WOULD IT GIVE YOU MORE VISIBILITY? WOULD IT BE A LONGER CONTRACT OR WOULD IT BE IN LINE WITH OTHER CONTRACTS YOU SIGNED?

CLAUDIO ALBERTINI: I'LL ASK DANIELE CABULI, OUR CHIEF OPERATING OFFICER, WHO FOLLOWED THE CONTRACT WITH NOTORIOUS PERSONALLY.

DANIELE CABULI: GOOD AFTERNOON. THE DURATION OF THIS CONTRACT WITH NOTORIOUS IS 9 YEARS. THE MOST IMPORTANT THING HERE FOR THIS MOVIE THEATER, IN ADDITION TO REVENUES, SO FIRST, THERE ARE REVENUES AND MARKET CONDITIONS UNLIKE THE PREVIOUS CONDITIONS. WE HAVE KIND OF START UP IN 2019, BUT THE MOST IMPORTANT THING IS THE FACT THAT IT'S GENERATING A LOT OF FOOTFALLS. AND THE FOOTFALLS ARE HELPING THE FOOD COURT IN THE SHOPPING MALL. WE HAVE 10 UNITS FOOD COURT UNITS, 15 FOOD COURT PLAYERS AND RESTAURANTS, ET CETERA, AND THEY ARE BENEFITING FROM THE FOOTFALLS IN THE EVENING AS WELL BECAUSE, OF COURSE, PEOPLE GO TO THE CINEMA. AND LAST YEAR, IN 2018, THE CINEMA CLOSED WITH LESS THAN 200,000 VISITORS. WITH THE REFURBISHING, THE TOTAL REFURBISHING OF THE THEATERS, AS MR. ALBERTINI EXPLAINED BEFORE, THEATERS THAT WERE OPENED IN SEPTEMBER, THE CINEMA NEVER CLOSED, BUT THEY WERE OPENING THE 10 OF THEM, WILL END THE YEAR WITH MORE THAN 400,000 VISITORS. SO IT'S AN EXCEPTIONAL START-UP AND WE THINK THAT IN 2019, IT CAN REALLY GENERATE A SIZABLE RESULT IN SYNC WITH THE SHOPPING MALL.

OPERATOR: LET ME REMIND YOU THAT IF YOU WISH TO ASK A QUESTION, YOU MAY PRESS "*" FOLLOWED BY "1" ON YOUR PHONE KEYPAD. FOR FURTHER QUESTIONS, PLEASE PRESS "*" FOLLOWED BY "1" ON YOUR PHONE KEYPAD. THE NEXT QUESTION COMES FROM THE LINE OF FEDERICO PEZZETTI WITH INTERMONTE. YOU HAVE THE FLOOR, SIR.

FEDERICO PEZZETTI: GOOD AFTERNOON TO ALL OF YOU. I HAVE ONE VERY QUICK QUESTION, ON THE CLOSING ON SUNDAYS. READING THE PAPERS, IT MIGHT BE THAT READING THAT IN THE PRESS, IT MIGHT BE THE CASE, THAT IS TO SAY, SHOPPING MALLS SHOULD BE CLOSED ON SUNDAYS. DO YOU HAVE ANY ADDITIONAL INFO ON THE MATTER APART FROM WHAT WE'VE READ IN THE PRESS?

CLAUDIO ALBERTINI: WELL, NOT MUCH MORE THAN YOU READ, PROBABLY. THE COMMISSION OVERSEEING THIS AND THEY HAVE A HEARING WITH TRADE ASSOCIATIONS, IF I REMEMBER CORRECTLY, IT'S THE SAME. IT DIDN'T CHANGE WITH THE CHANGE OF THE GOVERNMENT. THE COMMISSIONS ARE THE SAME DESPITE THE CHANGE IN GOVERNMENT. SO WE ARE POSITIVE. WE HOPE FOR THE BEST, BECAUSE THIS PROVISION THAT WAS ASKED FOR...BY A PARTY THAT IS NOW IN THE MAJORITY. AND THE

LEADER OF THAT PARTY HAS MENTIONED THAT A FEW DAYS AGO, BUT SO FAR THE MAJORITY OF THE GOVERNMENT WERE TO LIST 20 ITEMS TO BE LOOKED INTO. I DON'T THINK THIS WOULD BE AMONG THE TOP 20 ISSUE, THIS CLOSING ON SUNDAY. IT IS INDEED A PROVISION THAT WOULD HAVE VERY NEGATIVE EFFECTS ON EMPLOYMENT AND ON THE ECONOMY, BUT WE DON'T THINK IT IS A PROVISION THAT WILL BE ENFORCED BY THE EXISTING MAJORITY. AND ALSO WITH THE NEW PARLIAMENT COMPOSITION, WE DON'T THINK IT WILL GO FORWARD.

FEDERICO PEZZETTI: THANK YOU.

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

CLAUDIO ALBERTINI: THANK YOU VERY MUCH. I WOULD LIKE TO THANK ALL OF YOU ON MY BEHALF, ON BEHALF OF MY COLLEAGUES AND OF OUR CHAIRMAN. AND WE'LL SEE YOU WITH FULL YEAR RESULTS. THANK YOU VERY MUCH FOR JOINING US.

OPERATOR: THIS IS THE CHORUS CALL OPERATOR. THE CONFERENCE CALL HAS COME TO AN END. YOU MAY DISCONNECT YOUR PHONES. THANK YOU VERY MUCH.