

**Event: 1H 2021 Results**

**Date: 6<sup>th</sup> August 2021**

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

OPERATOR: GOOD MORNING. THIS IS THE CHORUS CALL OPERATOR. WELCOME TO IGD'S CONFERENCE CALL PRESENTING H1 2021 RESULTS. LET ME REMIND YOU THAT PARTICIPANTS ARE IN LISTEN-ONLY MODE. AFTER THE PRESENTATION, A Q&A WILL BE HELD, AND YOU WILL BE ABLE TO ASK QUESTIONS. TO BE ASSISTED BY AN OPERATOR DURING THE CONFERENCE CALL, PRESS "\*" AND "0" ON YOUR PHONE KEYPAD.

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

CLAUDIO ALBERTINI: THANK YOU. GOOD MORNING TO ALL OF YOU, FROM MYSELF AND FROM MY COLLEAGUES WHO ARE HERE FROM OUR HEADQUARTERS. AS YOU PROBABLY SAW, THE BOARD OF DIRECTORS YESTERDAY APPROVED OUR ACCOUNTS END OF JUNE 2021, WE NORMALLY HAVE THE CONFERENCE CALL AFTER THE BOARD. THIS YEAR WE DECIDED TO HAVE THE CONFERENCE CALL, ONE DAY AFTER THE BOARD MEETING, SO THAT YOU COULD HAVE A CHANCE TO LOOK AT THE RESULTS. AND OUR PRESS RELEASE WAS AVAILABLE FROM OUR WEBSITE YESTERDAY ALREADY AND THIS MORNING, I AM SURE YOU RECEIVED THE PRESENTATION THAT I AM GOING TO WALK YOU THROUGH.

AND LET'S START FROM PAGE 3 IN THE PRESENTATION, AND HERE WE ARE GIVING YOU A GENERAL OVERVIEW OF THE SITUATION IN ITALY, AND ESPECIALLY FOR THOSE WHO ARE CONNECTING FROM LONDON OR OTHER COUNTRIES, WHO ARE NOT AWARE OF WHAT HAPPENED IN ITALY, AND WE MAKE A COMPARISON BETWEEN H1 2020 AND 2021. THIS FIRST HALF OF THE YEAR COMPARES AGAINST 2020, SO THE FIRST 2 MONTHS OF THE YEAR WERE QUITE NORMAL, AND THEN END OF FEBRUARY, WE HAVE THE FIRST CONTAGIONS IN SOME PARTS OF THE NORTH OF ITALY, ESPECIALLY IN LOMBARDY THAT WAS 2020, AND

THEN IN MARCH THE 8<sup>TH</sup>, A FULL LOCKDOWN, HARD STRAIGHT LOCKDOWN THAT WENT ON UNTIL MAY THE 18<sup>TH</sup>. AND THEN, OF COURSE, THERE WAS A GRADUAL EASING OF RESTRICTIONS, AND INSTEAD 2021 THE FIRST HALF WAS DIFFERENT SOMEHOW. AND LET'S SAY THAT IN OCTOBER 2020, A NUMBER OF RESTRICTIONS WERE APPLIED ALREADY, HITTING SHOPPING MALLS AS WELL, BUT STARTING FROM JANUARY, THERE WERE RESTRICTIONS AGAIN APPLIED THAT WENT ON UNTIL MAY THE 17<sup>TH</sup> DATE FROM WHICH, THE RESTRICTIONS WERE REMOVED, THAT IS TO SAY, CLOSING DURING WEEKENDS IN ALMOST ALL ITALIAN REGIONS THAT WERE IN RED ZONE AND THEN WERE MOVED TO A WHITE ZONE, AND THEN WE SLOWLY WENT BACK TO NORMAL. AND WE ALSO RECORDED A NUMBER OF CLOSURE DAYS, 39% IN 2020, AND THIS YEAR A LITTLE LESS 36% OF SHOPPING MALLS WERE CLOSED, AND IMPACTS ON OUR INCOME STATEMENT, IT'S JUST ESTIMATE. LAST YEAR WE WERE SOMEHOW GRASPING IN THE DARK BECAUSE WE HADN'T ANY SIMILAR EXPERIENCE IN THE PAST, SO WE ESTIMATED ABOUT 9 MILLION COVID ONE OFF IMPACT THAT WAS ESTIMATE. SO ONE OFF, I'LL TELL YOU MORE ABOUT THIS ONE OFF IDEA OF SOMETHING BEING ONE OFF. WE MADE A DECISION LAST YEAR THAT THERE WERE GOING TO BE ONE OFF IMPACTS. THE IMPACT ON THE INCOME STATEMENT WAS GOING TO BE A ONE OFF. THE COVID IMPACT IS LOWER THAN IN 2020, 7.8 VERSUS 9.3 LAST YEAR. THAT IS THE GENERAL PICTURE FOR ITALY.

BUT AS WE SAY IN OUR HEADING IN SLIDE 4, THAT THERE WERE GOOD NEWS AT THE END OF THE FIRST HALF OF 2021, AND ALSO THE START OF THE SECOND HALF WAS GOOD NEWS. SO THE OCCUPANCY RATE IS STARTING UP WITH A BUOYANT LEASING ACTIVITY, AND THE FINANCIAL OCCUPANCY WENT UP 100 BASIS POINTS VERSUS END OF THE YEAR 2020. 95.3 IS THE AVERAGE BETWEEN FULL OCCUPANCY OF THE HYPERMARKET ASSET CLASS AND THE SHOPPING MALL ASSET CLASS. IN ROMANIA, THE GROWTH WAS SLIGHTLY LOWER, OVERALL OCCUPANCY 94.3% CLOSE TO THE ITALIAN FIGURE. COVID IMPACT WE HAVE ALREADY MENTIONED, THERE'S A POSITIVE DELTA, AGAIN IT'S ESTIMATE, BUT IT'S NOT FINAL FIGURES. BOTH LAST YEAR AND THIS YEAR, THE TENANTS WERE WAITING FOR GOVERNMENT PROVISIONS, LAST YEAR THEY WERE CALLED THE RELEASE RISTORI, AND THERE WERE 4 OF THEM, AND THIS YEAR THEY ARE CALLED SOSTEGNI, AND ONLY VERY RECENTLY HAVE THE ITALIAN PARLIAMENT APPROVED THE SO-CALLED SOSTEGNI-BIS THE SECOND PART OF THESE PROVISIONS TO SUPPORT THE PEOPLE, OR THE BRACKETS THAT WERE MOST AFFECTED BY THE PANDEMIC, THE SOCIAL BRACKETS.

AND THESE ARE HIGHLIGHTS, SO WE ARE GOING TO SEE A COMPARISON BETWEEN 2021 AND 2020 AND 2019 AS WELL, BECAUSE 2019 IS SOMEHOW THE BENCHMARK, IT'S A NORMAL AVERAGE YEAR, AND SO WE STARTED WITH THE MEANINGFUL TO COMPARE FOOTFALLS AND REVENUES, FOR BOTH 2019, 2020 AND 2021. WE ARE TALKING ABOUT JUNE, THERE WAS A DECLINE FOR THE ENTIRE HALF YEAR, UP TO 0.2% FOOTFALLS, PLUS 17.4 REVENUES, AND THEN A POSITIVE SIGN ON TENANT REVENUES AS WELL. FOOTFALLS DOWN 15% STILL AND WITH REVENUES VERSUS 2019, WE ARE UP 0.3%. THIS 15% IS SOMETHING WE ARE STILL MISSING, AND WE SHOULD BE SEEING A BETTER SITUATION IN THE COMING MONTHS. LAST YEAR

WHEN WE STARTED THE DECLINE BETWEEN 2020 AND 2019, IT WAS AROUND 30%. WE MANAGED TO RECOVER ABOUT 15% IN THE FOLLOWING MONTHS UNTIL THE END OF OCTOBER, WHEN WE HAVE THE SECOND WAVE OF THE PANDEMIC, AND THEN RESTRICTIONS STARTED FROM OCTOBER. SO FOOTFALLS THIS YEAR WE HAVE A STRONGER FIGURE THAN LAST YEARS, AND REVENUES AS WELL YOU SEE A PLUS SIGN, EVEN THOUGH A SMALL ONE IN JUNE 2021 VERSUS 2019 SAME MONTH. AND THEN, COLLECTION RATE, THE COLLECTION RATE IS PARTICULARLY POSITIVE 83% COLLECTION RATE IN ITALY, NET OF DISCOUNTS AND REBATES, AND ON THE ABATEMENTS ALLOWED, AND GROWTH OF THAT BUT WE ARE AROUND 70% TO 74% FOR ITALY, AND IN EXCESS OF 90% FOR ROMANIA. WE ARE TALKING ABOUT THE COLLECTION RATE.

LET'S MOVE ON TO THE FINANCIAL HIGHLIGHTS ON PAGE 5. AND RENTAL INCOME IS DOWN 2.1%, SO NOT A VERY MEANINGFUL DECLINE VERSUS 2020 IN THIS CASE, AND A SIMILAR TREND WE SEE IN NET RENTAL INCOME, DOWN 1.5%, €55.5 MILLION, AND THEN CORE BUSINESS EBITDA, THE LEASING BUSINESS AND RENTAL BUSINESS IS DOWN 1.6% TO €50.6 MILLION. AND THEN, FFO AND WE INCLUDED AN ACCOUNTING ITEM. IT WAS THE NEGATIVE CARRY ON THE AVAILABLE CASH WITHIN IGD, BECAUSE WE ISSUED A BOND IN NOVEMBER 2019, AND LET ME SAY, ONCE AGAIN, AND YOU'LL SEE THAT IN OTHER SLIDES AS WELL. ALL THESE FIGURES HAD THE ONE OFF IMPACT OF COVID.

LET'S MOVE ON TO, AGAIN FINANCIAL HIGHLIGHTS. THIS IS THE REAL NOVELTY IN THIS HALF YEAR REPORT, IS THE CHANGE IN FAIR VALUE. THE CHANGE IN FAIR VALUE IS MUCH LOWER THAN THE ONE WE HAD LAST YEAR. WE ARE TALKING ABOUT €12.5 MILLION, OF WHICH €5.7 MILLION IS THE IFRS 16 ACCOUNTING EFFECT, BUT NET OF CAPEX, WE ARE EVEN WITH OR SLIGHTLY BETTER AS A BALANCE BETWEEN A CHANGE IN FAIR VALUE AND FAIR VALUE WRITE DOWN. SO THAT LEADS TO A STABLE TO A FLAT REAL ESTATE VALUE €2.267 BILLION, UP 0.1%, AND WE GET BACK TO A POSITIVE FIGURE ON THE GROUP NET PROFIT. LAST YEAR WE CLOSED THE FIRST HALF YEAR WITH €38.8 MILLION WORTH OF LOSSES, AND THIS YEAR INSTEAD, BECAUSE OF LOWER IMPAIRMENTS AND CHANGES IN FAIR VALUE AND FOR OTHER FACTORS STILL IMPORT, WE ARE CLOSING WITH A NET PROFIT SLIGHTLY BELOW €20 MILLION, €19.5 MILLION. ANOTHER POSITIVE NOTE, EPRA NRV WHICH IS THE FORMER NAV PRACTICALLY, IS GROWING 1.7% AND IT LANDS AT €10.56 PER SHARE.

COMING NOW TO OUR OPERATING PERFORMANCE, AND I AM ON PAGE 8. I WILL NOT REPEAT WHAT I SAID ON THE TOP PART OF THIS SLIDE, BECAUSE I ALREADY DESCRIBED IT IN THE INITIAL PART OF MY PRESENTATION. BELOW THAT HOWEVER YOU FIND SOME FURTHER DETAILS. SO THERE IS A COMPARISON BETWEEN THE FIRST HALF OF 2021 WITH 2020 AND 2019 SAME PERIOD, A LONGER PERIOD COMPARED TO THE PART ON THE RIGHT. YOU SEE THAT WE HAD A 10.3% INCREASE IN FOOTFALLS COMPARED WITH 2020 AND TENANT SALES PLUS 23.4%. AND YOU'LL SEE THAT COMPARED WITH 2019, MINUS 29.4% FOOTFALLS AND 24.5% TENANT SALES. AND HERE YOU ALSO SEE OUR BENCHMARK, THE CNCC FIGURES, CNCC BEING

THE NATIONAL ASSOCIATION OF SHOPPING CENTERS. AND YOU SEE THAT THERE IS A 4.5% DIFFERENCE, THAT DATA BEING WORSE. IF YOU LOOK AT THE 17<sup>TH</sup> OF MAY, WHICH IS THE DATE ON WHICH RESTRICTIONS WERE LIFTED WITH ITALY ON THIS FULLY WHITE, ACCORDING TO THE COLOR CODE SYSTEM, YOU SEE THAT THE FIGURES UNTIL THE 1 OF AUGUST, A FEW DAYS AGO, THAT IS TO SAY, SO IT'S A TOTAL OF TWO AND A HALF MONTHS, YOU SEE FOOTFALLS UP 9% COMPARED WITH 2020 SAME PERIOD. AND THERE IS A DECLINE BY 16%, COMPARED WITH THE SAME PERIOD IN 2019. SO AS I SAID IN THE HIGHLIGHTS, WHEN YOU'RE TALKING ABOUT THE HIGHLIGHTS, WE ARE MORE OR LESS AT THIS LEVEL MINUS 15% TO 16%. THIS IS A SLIGHTLY A LONGER TIME HORIZON. IT IS A CHALLENGE GOING FORWARD TO CATCH UP. BUT ANYWAY, THIS IS WHAT WE DID UNTIL THE END OF OCTOBER.

ON THE FOLLOWING SLIDE, YOU FIND FURTHER DETAILS. YOU SEE OUR FOOTFALLS AND TENANT SALES IN THE SEVERAL MONTHS. AND YOU SEE THAT THE RECOVERY STARTED AS EARLY AS IN MAY. IN MAY, FOOTFALLS, SO ACTUALLY SALES WITH MINUS 6.4% AND THIS IS SOMETHING THAT WE HAD ALREADY SEEN IN APRIL, AS YOU CAN SEE FROM THE CHART, AND THEN JUNE WAS IN THE POSITIVE PLUS 0.3%. NOW REFERRING TO SALES, FOOTFALLS HAD THIS SORT OF SEESAW TREND. AND THERE WAS A STRONG RECOVERY BETWEEN MAY AND JUNE, UP TO 15.2%, WHICH IS THE FIGURE YOU SEE HERE. INTERESTINGLY, AT THE BOTTOM OF THE SLIDE, YOU WILL SEE OUR AVERAGE TICKET. LAST YEAR, IT HAD ALREADY GROWN CONSIDERABLY WITH MORE TARGETED MORE SELECTIVE VISITS WITH A HIGHER AVERAGE TICKET, THIS WAS CONFIRMED THIS YEAR. AND THERE WAS SOME GROWTH COMPARED WITH 2020 0.7%, AND THERE IS A MAJOR GROWTH COMPARED WITH JUNE 19, 20.3% AND THAT WAS THE AVERAGE TICKET AGAIN.

ON THE FOLLOWING SLIDE, YOU'LL FIND A DETAILED ANALYSIS OF THE SECTORS AND CATEGORIES THAT PERFORMED BETTER. AND THOSE THAT PERFORMED LESS WELL. LET ME START ON THE FORMER. ELECTRONICS IS INDEED THE CATEGORY THAT PERFORMED BEST. A LOT OF PEOPLE DECIDED TO BUY NEW TECHNOLOGY EQUIPMENT OR TO REPLACE THE OLD ONES, ALSO BECAUSE OF THE NEED TO WORK FROM HOME. THEN THERE WAS THE EFFECT OF THE FOOTBALL COMPETITION, THE EUROPEAN ONE WHICH LED PEOPLE TO BUY NEW TV SETS. BUT ANYWAY, LAST YEAR TOO ELECTRONICS HAD PERFORMED FAIRLY WELL AS WELL. I'D LIKE TO POINT OUT SOMETHING ELSE. IT APPEARS TO BE THE SMALLEST POSITIVE RATE OF GROWTH. BUT CLOTHING STILL ACCOUNTS FOR 50% OF OUR MIX, OUR MERCHANDISE MIX, IT WENT DOWN IN PREVIOUS YEARS, BUT IT STILL REMAINS THE MAIN PART OF OUR SALES. AND YOU SEE WHAT CLOTHING DATE IN JUNE. THE CLOTHING DID VERY WELL. AMONGST THOSE THAT PERFORMED LESS WELL, WE HAVE SERVICES WHICH ARE DOWN 15% AS WELL AS RESTAURANTS TO MINUS 25%. THIS IS THE EFFECT OF SMART WORKING. NORMALLY RESTAURANTS IN SHOPPING CENTERS ARE PATRONIZED BY PEOPLE WHO WORK IN OFFICES NEARBY AND THEY GO AND HAVE LUNCH THERE OR GET SOME COFFEE THERE. DESPITE THE FACT THAT THE PERCENTAGE OF SMART WORKERS IS LOWER COMPARED WITH THE PREVIOUS HALF YEAR PERIOD, WE STILL HAVE A DECLINE HERE. INTERESTINGLY, AND THIS IS ALSO MENTIONED IN THE BOX AT THE

BOTTOM OF THE PAGE, ALL TYPES OF SERVICES FROM SMALL TO LARGE EXCLUDING RESTAURANTS ARE GROWING ON AVERAGE BY 2.4% IN THE MONTH OF JUNE.

COMING NOW TO OUR LEASING MANAGEMENT ACTIVITY AND WE ARE ON THE FOLLOWING SLIDE NOW, I'VE ALREADY MENTIONED OUR FINANCIAL OCCUPANCY RATE. IN ITALY WE HAD 85 RENEWALS AND 46 LEASES, WHICH WERE THE SUBJECT OF TURNOVER. THAT IS A NEGATIVE FIGURE, WHICH IS QUITE LIMITED THOUGH. AND WE'RE VERY PLEASED WITH THAT MINUS 1%. WE WERE EXPECTING MUCH MORE NEGATIVE PERCENTAGES. AND THIS GIVES US HOPE FOR THE COMING QUARTER AND HALF YEAR PERIOD, WHEREAS FOR ROMANIA, OUT OF 240 CONTRACTS, INCLUDING RENEWALS AND TURNOVERS, WE HAVE A SLIGHTLY POSITIVE SIGN, PLUS, 0.9%. I'VE ALREADY REFERRED TO ON THE FINANCIAL OCCUPANCY RATES, 95.3% ITALY, 94.3% ROMANIA. I WOULD ALSO LIKE TO DRAW YOUR ATTENTION TO SALES IN OUR OWN FREEHOLD HYPERMARKETS, IN OUR SHOPPING CENTERS, THAT REMAINED ALWAYS OPEN DESPITE THE FACT THAT THERE WERE PARTLY AFFECTED BY RESTRICTIONS, BEING AN ESSENTIAL SERVICE TOGETHER WITH THE OTHER MINOR CATEGORIES, THEY'VE ALWAYS STAYED OPEN. AND THE FIGURE FOR THE HALF YEAR PERIOD IS A POSITIVE PLUS 1.3% COMPARED WITH THE FIRST HALF OF 2020. CONSIDER THAT IN THE FIRST HALF OF 2020, IN PARTICULAR, IN MARCH, OR EVEN BEFORE THAT, THERE WERE SOME HOARDING BY A LOT OF PEOPLE WITH SALES THAT HAD SOARED. SO AGAIN, THIS RESULT FOR THIS HALF YEAR PERIOD IS EVEN MORE IMPORTANT, DESPITE SOME SLOWDOWN IN THE MONTH OF JULY.

ON THE FOLLOWING SLIDE, SLIDE 12, YOU FIND OUR COLLECTION RATE. YOU SEE ALSO LAST YEAR FIGURES. THE LAST YEAR, WE ARE AT ALMOST 100%, BOTH FOR ITALY AND ROMANIA, VERY LITTLE HASN'T YET BEEN COLLECTED. WE ARE AT 97% IN ITALY AND 98% IN ROMANIA, WHEREAS THE FIGURE FOR THE HALF YEAR PERIOD IN 2021 IS 83% IN ITALY NET OF DISCOUNTS GRANTED AND THE GROSS FIGURE IS VERY HIGH TOO, IT'S 74%. BUT ANYWAY, MANY NEGOTIATIONS ONLY STARTED RECENTLY BECAUSE A LOT OF RETAILERS WERE WAITING FOR THE GOVERNMENT AND PARLIAMENT TO APPROVE THE SOSTEGNI-BIS DECREE PROVIDING RELIEF TO WORKERS IN TERMS OF TAX CREDIT ON RENT. FOR ROMANIA, THE PERCENTAGE IS EVEN HIGHER, 93% WAS COLLECTED FOR THE HALF YEAR PERIOD. THE PANDEMIC OR ACTUALLY THE PANDEMIC-RELATED RESTRICTIONS AFFECTED ROMANIA TO A LESSER EXTENT. WE KEEP DOING MONTHLY INVOICING. THIS IS A COMMITMENT WE'RE TAKING WITH OUR SUPPLIERS. WE ARE CONSIDERING WHETHER TO CONTINUE THIS FOR THE LAST QUARTER 2. NORMALLY, WE USED TO HAVE A QUARTERLY INVOICING, EARLY INVOICING, WELL; WE DECIDED TO GO FOR MONTHLY TO ACTUALLY HELP OUR TENANTS.

AGAIN ON LEASING ACTIVITIES, AND I'M ON PAGE 13 NOW. WE WERE VERY MUCH COMMITTED TO THIS AND THE RESULTS WERE TO BE SEEN IN THE WHOLE HALF YEAR PERIOD, ESPECIALLY IN THE LATTER PART, AND WE WILL ALSO SEE THE EFFECTS GOING FORWARD. WE HAVE A FEW NEW TENANTS ENTERING OUR CENTERS THROUGHOUT ITALY, FROM LIVORNO TO CATANIA, RAVENNA, FORLÌ AS WELL AS ROME AND ELSEWHERE, I

WON'T INTO A LIST OF THEM, BUT YOU CAN SEE THEM ON THE PAGE. WE SAW THE EMERGENCE OF SOME TRENDS WHICH WERE ACCELERATED RATHER THAN ACTUALLY CREATED BY THE PANDEMIC. FIRST OF ALL, RESTAURANTS AND CATERING IN GENERAL, THE CATEGORY WAS HEAVILY AND SEVERELY AFFECTED BY THE PANDEMIC WITH STRONG LIMITATIONS TO INDOOR EATING. THIS LED US TO CREATING OUTDOOR SPACES, NOT ALL OUR SHOPPING CENTERS OFFER THIS POSSIBILITY, BUT WHEN THAT WAS TO BE HAD, WE TOOK ADVANTAGE OF IT TO CREATE OUTDOOR SPACES. SERVICES, IN PARTICULAR TECHNOLOGY SERVICES, A FEW EXAMPLES OF WHICH YOU CAN SEE HERE, THESE ARE NEW BRANDS AND TECHNOLOGY BRANDS THAT WE ARE INTRODUCING IN OUR SHOPPING CENTERS, AND ALSO ON TELEPHONIC SALES AND ASSISTANCE. WE HAVE A CENTER IN EMILIA ROMAGNA IN THE CITY OF IMOLA, WHERE WE ALSO ORGANIZE TRAINING COURSES. IN ROMANIA TOO, WE HAD QUITE BUOYANT ACTIVITY IN THE LEASING AREA. HERE YOU SEE THE NEW BRANDS THAT WERE ADDED IN THE HALF YEAR PERIOD IN THE SEVERAL CITIES WHERE WE ARE PRESENT.

IGD CENTERS HAVE BEEN AND WILL CONTINUE TO BE EVEN MORE IN THE FUTURE, A CENTER TO SERVICE THE LOCAL COMMUNITY. AGREEMENTS WERE REACHED WITH DC AND CC, AND WE ACTUALLY DECIDED TO OFFER THE POSSIBILITY OF OPENING VACCINATION HUBS IN OUR SHOPPING CENTERS, 4 SHOPPING CENTERS OPENED, VACCINATION HUBS, SO WE ESTIMATE THAT ABOUT 50,000 DOSES HAVE BEEN ADMINISTERED TODAY, BUT I BELIEVE THIS IS BOUND TO INCREASE ON A DAILY BASIS, SO PEOPLE COULD GO TO THE SHOPPING CENTER AND GET THEIR JAB. IN SEVERAL SHOPPING CENTERS, PEOPLE WERE QUEUING TO BE VACCINATED, WHICH LEADS TO A PERCEPTION OF SHOPPING CENTERS AS A PLACE AT THE SERVICE OF THE COMMUNITY AND PEOPLE WHO HAD NEVER ATTENDED OUR SHOPPING CENTERS BECAME ACQUAINTED WITH THEM THROUGH THE VACCINATION FROM RICCIONE TO PALERMO, WHERE WE HAVE 2 VACCINATION HUBS, AND WE ALSO HAVE ONE IN RAVENNA IN EMILIA ROMAGNA. THERE IS ANOTHER NEW THING IN RECENT DAYS ON THE 02ND OF AUGUST ON MONDAY WE OPENED A HEALTH AND DIAGNOSTIC CENTER IN BOLOGNA IN A HISTORICAL CENTRO BORGO SHOPPING CENTER, OUR OLDEST ONE WHICH WAS HOWEVER RENEWED, BUT IT'S THE ONE THAT WE FIRST HAD IN OUR PORTFOLIO. SO THE DYADEA GROUP, PART OF THE UNIPOL GROUP, OPENED A HEALTH AND DIAGNOSTIC CENTER AND OTHERS SHOULD FOLLOW SOON, HOPEFULLY.

COMING NOW TO OUR PORTFOLIO, FAIR VALUE VALUATIONS WERE RESILIENT, WE HAVE 4 INDEPENDENT APPRAISERS. WHO DO THEIR APPRAISALS AT THE END OF JUNE AND AT THE END OF DECEMBER; THEY ARE INTERNATIONAL, AND INDEPENDENT? SO THEY FOLLOW INTERNATIONAL PRACTICE WITH THESE APPRAISALS. AGAIN, OUR PORTFOLIO. SO, A 0.10 GROWTH IN ABSOLUTE TERMS AND ON FAIR VALUE WE SEE MORE OR LESS THE SAME PERCENTAGE SLIGHT GROWTH WITH YIELDS WHICH ARE TO BE FOUND, TO THE RIGHT-HAND SIDE OF THE SLIDE, NET INITIAL YIELD IS 5.3% IN ITALY, AND 5.9% IN ROMANIA.

IN THE FOLLOWING SLIDES, YOU SEE HOW OUR PORTFOLIO PERFORMED, STARTING FROM €2.265 BILLION IN FULL YEAR 2020 TO GET TO 2.26, 7.9. SO WE CATER FOR THE CHANGE THAT WE HAD OVER THE FIRST HALF.

AND THEN LET'S MOVE ON TO THE FINANCIAL RESULTS, RENTAL INCOME, GOING FROM €74.6 MILLION TO €73.1 MILLION, WE'LL END OF JUNE 2021. THEY WERE PARTLY IMPACTED UPON BY THE DISCOUNTS WE GRANTED IN THE FIRST HALF, BUT AGAIN, THESE ARE NOT FULL FIGURES. THEY WERE MAINLY PROVISIONS WE MADE. THEY ARE LOWER THAN €1.5 MILLION LOWER THAN LAST YEAR, AND THE NEGATIVE IMPACT WAS DUE TO THE LIKE-FOR-LIKE PORTFOLIO VALUATION DOWN WHILE NEGATIVE 4 MALLS DOWN 3.3%. I TOLD YOU THAT OCCUPANCY WENT UP AT THE END OF THE HALF YEAR, BUT THEY CAN SEE WAS THERE DURING THE 6 MONTHS. SO, WE DID PICK UP AT THE END OF THE FIRST HALF, AND SO THAT MAKES US CONFIDENT FOR THE RESULTS IN THE SECOND HALF. HYPERMARKETS HAD A SLIGHT INCREASE 0.6% ABOUT €0.1 MILLION. AND FINALLY, WE SEE A GROWTH EVEN THOUGH A SLIGHT ONE ROMANIA. ROMANIA HAD A LIMITED THE DECLINE €0.2 MILLION, BECAUSE OF THE EXIT OF A TENANT WITH 2 SHOPS IN JUNE 2020. SO, NET RENTAL INCOME ON PAGE 22, WILL GO FROM €56.3 MILLION IN THE FIRST HALF OF 2020, TO €55.5 MILLION AT THE END OF JUNE 2021, DOWN 1.4% AND THE IMPACT HERE IS LESS FROM RENTAL INCOME GROWTH...THE GROSS FIGURE, STILL NOT FACTORING IN DISCOUNTS, SO WE GET TO €55.5 MILLION.

CORE BUSINESS EBITDA PAGE 23. WE GO FROM €51.4 MILLION END OF H1 2020. SO LOWER RENTAL INCOME, DOWN €2.3 MILLION AND THEN, OF COURSE, WE MADE PROVISIONS DURING THIS FIRST HALF, BETTER FIGURE THAN LAST YEAR, BUT OTHERWISE WE END UP WITH €50.6 MILLION EBITDA SLIGHTLY DOWN VERSUS LAST YEAR.

AND THAT'S FINANCIAL MANAGEMENT, WE ARE NOW ON PAGE 24 OF THE PRESENTATION. WE SAW AN IMPROVEMENT, NET OF ACCOUNTING ITEMS RELATED TO IFRS16 AND NON-RECURRING CHARGES, SO IT IS DOWN 6.4% ABOUT €1 MILLION LESS. AND WE'LL SEE 0.1% DECLINE VERSUS 2.3, BUT STILL IT'S A VIRTUE OF FINANCIAL MANAGEMENT OF OUR NET FINANCIAL POSITION.

FFO, FUNDS FROM OPERATIONS, WE ARE ON PAGE 25 OF THE PRESENTATION, GOES FROM €32.9 MILLION END OF FIRST HALF OF 2020 TO €30.6 MILLION END OF FIRST HALF 2021. AGAIN, WE HAVE A CHANGE IN CORE BUSINESS SLIGHTLY LOWER THAN €1 MILLION, AND WE HAVE A CHANGE IN FINANCIAL MANAGEMENT, ADJUSTED DOWN €1.2 MILLION. LAST YEAR, WE NETTED FFOs FROM NEGATIVE CARRY. THIS YEAR, WE DON'T HAVE THAT. THE EXCESS CASH ABOUT €100 MILLION AT THE END OF THE FIRST HALF OF 2020 BECAUSE OF A BOND WE HAD ISSUED IN NOVEMBER 2019. SO WE DON'T HAVE THAT EFFECT. SO OF COURSE WE END UP WITH A NEGATIVE IMPACT THE CHANGE IN TAXES IS ONLY A MARGINAL NATURE, SO DOWN 6.8% LANDING AT €30.6 MILLION.

AND EPRA METRICS LET'S GO ON PAGE 26. AS I SAID AT THE BEGINNING OF THE PRESENTATION, THERE WAS AN INCREASE NRV FORM AND NOW YOU SEE THE DETAIL AT THE BOTTOM OF THE SLIDE, WE GO FROM 10.38 TO 10.56, SO IT IS 0.28 PER SHARE. FINANCIAL STRUCTURE, HERE WE HAVE A DECLINE IN LOAN TO VALUE IN THE FIRST 6 MONTHS, WE HAD POSITIVE CASH FLOW BETWEEN THE FIRST AND SECOND HALF OF ABOUT €20 MILLION, €10 MILLION IN THE FIRST HALF AND €10 MILLION IN THE SECOND HALF, SO ABOUT €21 MILLION OF IMPROVEMENT IN OUR NET FINANCIAL POSITION. AND THEN, AS VALUATIONS MANAGED TO WITHSTAND, THAT LEAD TO A DECLINE IN LOAN TO VALUE CLOSE TO 49%. THESE ARE FORECASTS THAT SHOULD APPLY FOR THE SECOND HALF OF 2021. ALSO THANKS TO OUR COLLECTION DATA, GIVING A POSITIVE IMPACT WE SHOULD GET BY THE YEAREND, IN A RANGE BETWEEN 47% AND 48%. ICR IS SAME AS LAST YEAR WITH A COST OF DEBT THAT HAS A SMALL DECLINE FROM 2.30% TO 2.22% THAT'S THE AVERAGE COST OF DEBT. YOU SEE THE CHARTS AT THE BOTTOM OF THE SLIDE DEBT BREAKDOWN 57.2% MARKET, 42.8% BANKING SYSTEM, 75% OF OUR DEBT IS UNSECURED ONLY 25% IS SECURED, AND THE NET FINANCIAL POSITION FIGURE YOU FIND THEM ON THE RIGHT €1.134 BILLION THAT'S A NET DEBT. SO END OF THE FIRST HALF, WE HAVE €43 MILLION IN CASH.

AND THEN NEXT SLIDE, YOU SEE OUR DEBT MATURITY PROFILE. THIS YEAR, WITH MATURITIES HAVE BEEN REPAYED, WE HAVE VERY FEW DEBT EXPIRING, ITS MORTGAGES, OUTSTANDING MORTGAGES. AND THEN FOR NEXT YEAR WE HAVE THIS BOND OF €153 MILLION COMING TO MATURITY, AND WE WOULD LIKE TO MAYBE CLOSE IT AHEAD OF TIME, BUT IT'S NOT POSSIBLE, BECAUSE IT HAS THE HIGHEST COST IN ADDED STOCK AT 2.65%. THAT'S THE EXISTING RATING FITCH RATINGS, INVESTMENT GRADE BBB MINUS NEGATIVE OUTLOOK, AND WE HAVE S&P GLOBAL RATING WHICH IS ONE NOTCH BELOW INVESTMENT GRADE.

AS TO THE OUTLOOK, YOU HAVE ALREADY SEEN IT OR READ IT IN THE PRESS RELEASE, IF YOU HAVE THE POSITIVE SIGNS OF RECENT MONTHS AND OUR FORECAST FOR THE SECOND HALF OF THE YEAR AND ASSUMING THINGS WILL REMAIN AS THEY ARE WOULD BE STABLE AND ASSUMING WE WON'T HAVE A 5TH OR A 6TH COVID WAVE AS WE HAD LAST YEAR. SO WE ASSUME A GROWTH OF OUR GUIDANCE FROM 3.4%, THE GUIDANCE WE GAVE WHEN WE APPROVE THE ACCOUNTS ON FEBRUARY THE 25. WE ASSUME A GROWTH TO ALMOST DOUBLE 7% TO 8% AGAINST THE BACK DROP THAT WE CONSIDER POSITIVE. WE ASSUME TO BE POSITIVE.

AND THEN NEXT SLIDE WAS A MICRO ECONOMIC BACKDROP BETTER THAN EXPECTED SO TO SAY, THE GDP GROWTH EXPECTATION WAS INCREASED BY NOT ONLY THE GOVERNMENT, BUT SOME INTERNATIONAL OBSERVERS, WITH A 4% GROWTH EXPECTED FOR 2022. SO THIS IS ALSO DRIVING CONSUMPTION. AND LET ME SAY...LET'S HOPE THIS WILL BE APPLICABLE, AND THIS IS THE BACK DROP WE SHOULD BE ACTING



AGAINST AS WE MOVE FORWARD, WITHOUT ASSUMING ANY NEGATIVE ONE-OFFS FOR THE SECOND HALF OF 2021.

LET'S GO BACK TO THE FIRST HALF, WE HAVE SOME FINAL REMARKS ON PAGE 32, WE ARE RE-CONFIRMING, AND WE DID SO LAST YEAR TOO. THE RESILIENCE OF OUR SHOPPING MALL. THEY ARE URBAN SHOPPING CENTERS, THEY CANNOT BE COMPARED TO THE BIG SHOPPING CENTERS YOU SEE IN OTHER COUNTRIES AND WITH AN ATTRACTIVE FOOD ANCHOR. SO WELL BALANCE MIX BETWEEN SHOPPING AND FOOD ANCHOR. HAVING SAID THAT THIS OVERALL PERFORMANCE SHOULD LEAD US TO INCREASE OUR GUIDANCE FOR THE THE FULL YEAR SO TO SAY, AND THE FFO GUIDANCE.

ONE LAST THING BEFORE WE WRAP UP FOR THE QUESTIONS. AND OUR AGENDA, SO CORPORATE NOVEMBER 4, RESULTS THE FOR Q3, 2021, AND THEN WE HAVE IR CONFIRMED AS OF TODAY, THIS IS OUR AGENDA THOSE ARE OUR DEADLINES.

THANK YOU VERY MUCH FOR YOUR ATTENTION. NOW, WE ARE HEAR READY TO TAKE YOUR QUESTIONS.

## Q&A

**OPERATOR:** THIS IS THE CHORUS CALL CONFERENCE OPERATOR. WE WILL NOW BEGIN THE QUESTION AND ANSWER SESSION. IF YOU WISH TO ASK A QUESTION, PLEASE PRESS "\*" AND "1" ON YOUR TELEPHONE KEYPADS. IF YOU CHANGE YOUR MIND AND WISH TO REMOVE YOURSELF FROM THE QUESTION QUEUE, PLEASE PRESS "\*" AND "2" PLEASE SEEK INTO YOUR HANDSET. IF YOU HAVE A QUESTION, PLEASE PRESS "\*" AND "1" AT THIS TIME.

THE FIRST QUESTION IS FROM THE LINE OF DAVIDE CANDELA OF INTESA SANPAOLO. PLEASE SIR.

**DAVIDE CANDELA:** GOOD AFTERNOON, AND THANK YOU FOR YOUR PRESENTATION. I HAVE 3 QUESTIONS. THE FIRST RELATES TO THE DISPOSAL VERSUS YOUR HYPERMARKETS. CAN YOU GIVE US AN UPDATE ON THIS? THE SECOND QUESTION RELATES TO THE MARKETS TRENDS. CAN YOU SHARE WITH US YOUR VIEW ON THE RETAIL REAL ESTATE MARKET IN THE COMING MONTHS ALSO IN THE LIGHT OF EXPECTED INFLATIONS TO BE SLIGHTLY HIGHER? SO WHAT CAN BE THE IMPACT ON THE COMPANY ON WHAT COULD BE THE PROTECTION MECHANISMS IN PLACE? AND THEN, ON YOUR GUIDANCE FOR FFO, CAN YOU PLEASE KINDLY REMIND US OF THE COVID IMPACTS THAT YOU ARE ASSUMING? THANK YOU.

**CLAUDIO ALBERTINI:** ON THE DISPOSAL PROCESS, WE ARE STILL NEGOTIATING WITH THE LEADING FINANCIAL INVESTOR, WE WERE EXPECTING TO DELVE THE NEGOTIATION BEFORE TODAY'S PRESENTATION. SALE PROCESS IS

CONTINUING, IT'S TAKEN SLIGHTLY LONGER THAN EXPECTED. BUT, WE COUNT ON COMPLETING THIS NEGOTIATION DURING THE THIRD QUARTER. SO THIS IS THE SITUATION AS IT IS NOW, THE NEGOTIATION IS ONGOING. STARTED 3 MONTHS AGO WITH OUR COUNTERPART AND WE ARE CONFIDENT THAT THE NEGOTIATIONS CAN BE CLOSED BY THE END OF THE THIRD QUARTER.

MARKET TRENDS WE DON'T SEE MAJOR DEALS ON THE MARKET. THOSE ARE THE ONES THAT COULD HAVE A YEAREND IMPACT ON THE VALUE AND THE FAIR VALUE VALUATION OF OUR INDUSTRY WE DON'T SEE MAJOR TRANSACTIONS. OUR NEGOTIATION IS ONGOING, AND THERE IS A MUST, WHICH HASN'T BEEN A DEAL BREAKER SO FAR, IT IS THE BOOK VALUE WHICH IS NOT A PROBLEM BECAUSE IT'S A PORTFOLIO WITH LEASES WITH AN EXTENDED MATURITY WITH LEADING TENANTS, OF COURSE, IT ALL DEPENDS ON WHAT UNDERLIES EVERYTHING. IF YOU ARE TALKING ABOUT POORLY PERFORMING SHOPPING CENTERS OR MALLS THERE CAN BE NEGATIVE IMPACTS FOR THE OWNERS OF THESE CENTERS COMPARED WITH THE ACTUAL BOOK VALUE. HERE HOWEVER, WE DON'T SEE MAJOR DEALS APPEARING ON THE MARKET EITHER NOW OR IN THE COMING MONTHS.

THEN YOU HAD A QUESTION ON GUIDANCE, THE SCENARIO WE ASSUMED IN THE SECOND HALF YEAR PERIOD IS SUDDENLY BETTER THAN LAST YEAR, IN THE HALF YEAR PERIOD LAST YEAR WE HAD CONSIDERED €9 MILLION IN TERMS OF COVID ONE OFF EFFECT, WHERE AS THIS YEAR WE ESTIMATED AN EFFECT THAT IS €1.5 MILLION LESS. WE EXPECT TO HAVE SOME LINGERING EFFECT FOR ABOUT €1.5 MILLION TO €2 MILLION, AND WE HAVE AN INTERNAL ESTIMATE ALSO BASED ON THE RECENT DECREE PROVIDED THAT WHAT HAPPENED LAST YEAR DOESN'T HAPPEN THIS YEAR. THE ESTIMATE FOR LAST YEAR WAS ACTUALLY DOUBLED AT THE END OF THE YEAR. SO SIMILAR AMOUNT WAS CONSIDERED LAST YEAR €18.5 MILLION IN THAT CASE, AND THAT WAS ON A ONE-OFF BASIS ALL EXPENSED IN 2020 WITH NO CARRYOVER EFFECTS, WITH NO SPREADING ET CETERA. AS WAS THE CASE WITH OTHER PLAYERS, EXAMPLE FOREIGN PROPERTIES. SO WE ARE AT ABOUT 10 TO 10.5 THAT IS OUR ESTIMATE, SO IT WILL GO UP, BUT IT WILL BE LESS THAN LAST YEAR. THE LEASING ACTIVITY HAS BECOME MUCH MORE LIVELY IN LATER PART OF THE HALF YEAR PERIOD. THIS WILL LEAD TO NEW OPENINGS IN THE SECOND HALF. AND WHICH IS WHY WE DECIDED TO RAISE OUR GUIDANCE TO 7% TO 8%. THANK YOU.

OPERATOR: IF YOU WANT TO ASK FURTHER QUESTIONS, YOU MAY PRESS "\*" AND "1" ON YOUR PHONE KEYPAD. LET ME REMIND YOU THAT IF YOU WISH TO ASK A QUESTION YOU MAY PRESS "\*" AND "1" ON YOUR PHONE.

NEXT QUESTION IS A FOLLOW-UP FROM DAVIDE CANDELA WITH INTESA SANPAOLO. GO AHEAD, SIR.

DAVIDE CANDELA: THANK YOU VERY MUCH AGAIN FOR TAKING MY QUESTIONS, WITH REFERENCE TO WHAT WE SAID BEFORE COMMENT ON INFLATION AND THE POSSIBLE IMPACT IT MAY HAVE ON RENTS ON IGD RENTS?

CLAUDIO ALBERTINI: I WILL ASK DANIELE CABULI TO ANSWER THE QUESTIONS. HE IS OUR GENERAL MANAGER.

DANIELE CABULI: GOOD MORNING, AS OUR CEO WAS SAYING BEFORE INFLATION IS FINALLY MOVING AFTER YEARS OF MOVING TO ZERO OR SHOWING A ZERO TREND. AND I'D SAY FINALLY BECAUSE OF ECONOMY AT LARGE, BECAUSE OUR CONTRACTS, OUR LEASES ARE ALWAYS 100% INFLATION BEING RECOVERED, RE-COPED, AND DEPENDING ON HOW THE INFLATION INDEX IS MOVING. AND CONTRACT WITH HYPERMARKET ARE 70%-75% OF INFLATION RECOVERY OR RE-COPE, AND THAT HAS A POSITIVE IMPACT ON OUR REVENUES. AND THAT IS GOING TO BE WELCOME, OF COURSE, IT WILL HAVE TO BE CONTROLLED BY THE MONITORY AUTHORITIES. BUT, SOME INFLATION WON'T BE BAD. THANK YOU.

OPERATOR: MR. ALBERTINI, THERE ARE NO MORE QUESTIONS AT THIS TIME.

CLAUDIO ALBERTINI: VERY WELL, THANK YOU. I WISH YOU ALL A HAPPY HOLIDAY, I HOPE YOU CAN ALL GO ON HOLIDAY. AND IF THERE ARE NO FURTHER NOVELTIES, WE WILL MEET AGAIN IN EARLY NOVEMBER WITH RESULTS PRESENTATION. THANK YOU AND HAVE A GOOD DAY.