

Event: 9M 2021 Results

Date: 4th November 2021

Speakers: Mr. Claudio Albertini, CEO

OPERATOR: GOOD AFTERNOON. THIS IS THE CONFERENCE CALL OPERATOR. WELCOME TO IGD'S CONFERENCE CALL, PRESENTING RESULTS FOR THE FIRST NINE MONTHS OF 2021. LET ME REMIND YOU THAT ALL PARTICIPANTS ARE IN LISTEN-ONLY MODE. AFTER THE PRESENTATION, A Q&A SESSION WILL BE HELD. TO BE ASSISTED DURING THE CONFERENCE CALL, PLEASE PRESS "*" AND "0" ON YOUR PHONE KEYPAD.

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

CLAUDIO ALBERTINI: GOOD AFTERNOON TO ALL OF YOU. AS I AM SURE YOU'VE READ IN OUR PRESS RELEASE, OUR BOARD OF DIRECTORS HAS JUST APPROVED OUR ACCOUNTS END OF SEPTEMBER 2021. AFTER THE COVID RESTRICTIONS APPLIED IN ITALY UNTIL MAY THE 17TH, THIS IS THE FIRST FULL QUARTER WITHOUT COVID RESTRICTIONS, AND THIS IS MIRRORED IN THE RESULTS THAT I'M GOING TO WALK YOU THROUGH.

LET'S START FROM PAGE 3 IN THE PRESENTATION. YOU SEE IT FROM THE TITLE "STRAIGHT AWAY" BUSINESS IS RETURNING, HAS NOT RETURNED YET, BUT IS RETURNING TO PRE-COVID LEVELS, AND WE ARE STARTING TO SEE THE FIRST SIGNALS OF GOING BACK TO NORMAL, SO WE ARE RECORDING THAT. YOU SEE 4 DIFFERENT BOXES WITH 4 HIGHLIGHTS. OCCUPANCY WENT UP SINCE THE BEGINNING OF THE YEAR. THIS IS A GOOD SIGN. SOMEHOW THE DECLINE WE HAD LAST YEAR HAS COME TO A STOP, SO THERE'S A TREND REVERSAL, UP 114 BASIS POINTS IN ITALY, 95.4 STILL A LONG WAY HOWEVER TO GO BACK TO PRE-COVID LEVELS, WHERE WE HAD ABOUT 97% OVERALL OCCUPANCY, BUT THIS IS A SIGN FOR TREND REVERSAL THAT MAKES US HOPE FOR THE BEST FOR THE NEXT QUARTER, AND ALSO FOR NEXT YEAR.

IN ROMANIA, WE ARE SLIGHTLY DOING BETTER, UP 133 BASIS POINTS VERSUS FULL YEAR 2020, AND THE OCCUPANCY LEVEL IS CLOSE TO 95%, BUT WHAT I WOULD LIKE FIRST AND FOREMOST, TO SHARE WITH YOU IS THE TOP BOX ON THE RIGHT, THAT SHOWS YOU NOT JUST THE QUARTERLY FIGURES BUT THE 4 MONTHS OF TENANT SALES. RESTRICTIONS WERE ENDED ON MAY THE 17TH, MEANING WEEKENDS CLOSINGS, AND SO SHOPPING MALLS WENT BACK TO BEING FULLY UP AND RUNNING. JUNE, JULY, AUGUST AND SEPTEMBER AND THAT'S THE FIRST 4 MONTHS OF FULL TENANT SALES, SO WE ARE BACK TO THE SAME LEVELS OF 2019. WE ALWAYS REFER BACK TO 2019, AND THAT WILL BE RECURRING IN THIS PRESENTATION, 2019 BECAUSE IT WAS NOT AFFECTED BY THE PANDEMIC. SO IT WOULD BE NOT CONSISTENT TO MAKE A COMPARISON WITH 2020.

IN THE FIRST 9 MONTHS OF 2021, EVEN THE ONE OFF COVID IMPACT HAD A €1.2 MILLION IMPROVEMENT VERSUS LAST YEAR. WE DO NOT FORESEE ANY FURTHER NEGATIVE IMPACT FOR THE LAST QUARTER OF THIS YEAR. WHILST LAST YEAR, WELL MID-OCTOBER LAST YEAR, WE HAD THE SECOND WAVE OF COVID, WITH CLOSINGS DURING THE WEEKEND AND THEN ALSO DURING CHRISTMAS TIME. SO WE DON'T EXPECT THAT TO HAPPEN AGAIN, AND I AM TELLING YOU BECAUSE THE FULL YEAR RESULTS WILL BE EVEN MORE IMPROVING THEN.

AND THEN THE COLLECTION RATE FOR BOTH ITALY AND ROMANIA, ITALY 86%, IS DEFINITELY IMPROVING. MANY TENANTS WAITED FOR THE SUBSIDIES AND RELIEFS OFFERED BY THE GOVERNMENT AND ALSO A TAX INCENTIVES HELP US REACH THIS COLLECTION RATE.

A VERY IMPORTANT EVENT THAT I AM SURE YOU ARE AWARE OF, BUT HERE WE ARE PROVIDING ADDITIONAL INFORMATION ON, AND THERE WILL BE MORE DETAILED SLIDES AS WE MOVE ON THROUGH THE PRESENTATION, IT'S THE ASSET MANAGEMENT TRANSACTION. WE PERFORMED OVER THE LAST FEW WEEKS, IT WAS A TRANSACTION THAT WE HAD ALREADY EMBEDDED IN OUR 2019-2021 BUSINESS PLAN, A DISPOSAL. WE'VE ALMOST COMPLETED THE DISPOSAL. WE JUST WAIT FOR THE CLOSING, TO THE END OF NOVEMBER, THE TRANSACTION AS SUCH, OF COURSE, IS CONDITIONED TO THE ACHIEVEMENT OF THE FINANCING, AND WE ARE VERY CLOSE TO GETTING THAT AS WELL.

SO IT'S A DISPOSAL OF STAND-ALONE HYPER AND SUPERMARKET PORTFOLIO. IT MEANS HYPER AND SUPERMARKETS THAT ARE NOT WITHIN SHOPPING MALLS THAT ARE FREEHOLD FOR US, THE BOOK VALUE AT END OF JUNE IS €140 MILLION, THE CASH IN WOULD BE A €115 MILLION, THE DELTA IS THE REINVESTMENT IN THE SGI THAT WILL BE THE VEHICLE IN WHICH THE PORTFOLIO WILL BE CONTRIBUTED. WE WILL HAVE A 40% STAKE OF THAT PORTFOLIO WITH THAT VEHICLE AND THAT HAS A POSITIVE IMPACT ON THE GROUP LOAN-TO-VALUE PRO FORMA AT END OF SEPTEMBER IS AROUND 45.6% WITH A FURTHER ASSUMPTION FOR

A DECLINE FROM NOW TO YEAR END, AND WITH THIS TRANSACTION, WE STRESSED THAT IN THE PRESS RELEASE, WHEN WE SIGNED THE AGREEMENT WITH THE COUNTER PARTY.

THE COUNTER PARTY IS ICG, IT'S A PRIMARY COMPANY LISTED ON THE LONDON STOCK EXCHANGE. THEY HAVE €65 BILLION WORTH OF ASSETS UNDER MANAGEMENT AND THE CASH-IN COMING FROM THE DISPOSAL WILL BE €115 MILLION, ENABLING US TO FULLY COVER OUR FINANCIAL DEBT MATURITIES FOR 2022 WITH THE CASH FLOW AND THE CASH AVAILABLE END OF SEPTEMBER WHICH IS €54 MILLION PLUS THE CASH THAT WILL BE GENERATED BY THIS DURING THE CURRENT QUARTER. AND I'LL TELL YOU MORE ABOUT IT IN A MINUTE. I'LL TELL YOU OUR FINANCIAL STRATEGY IN A MINUTE.

MOVING ON TO THE FINANCIAL HIGHLIGHTS, WE ARE ON PAGE 5 OF THE PRESENTATION, AND FINANCIAL HIGHLIGHTS, YOU SEE THERE ARE STILL MINUS SIGNS ON NET RENTAL INCOME AND FFO. THIS MINUS SIGN WILL BE REVERSED TO PLUS, I CAN'T GIVE YOU ANY DETAILS ON THE FORECAST. THE BOARD RESULTED ON THE FIRST 9 MONTHS, BUT ALSO LOOKED AT THE FULL YEAR FORECAST. OUR CONSOLIDATED RESULTS, SLIGHT DECLINE IN NET RENTAL INCOME, MORE MARKED DECLINE IN THE FFO, BUT WE EXPECT IT TO GO BACK INTO POSITIVE DOMAIN.

AND OUR GUIDANCE, WE CONFIRM OUR GUIDANCE, THE GUIDANCE WE'VE ALREADY INCREASED END OF JUNE, AND WE DISCLOSED THAT BEGINNING OF AUGUST, SO FFO UP IN A RANGE BETWEEN 7% AND 8%. GROUP NET PROFIT, WE HAVE A CLEAR CHANGING SIGN, WE GO FROM A LOSS IN THE FIRST 9 MONTHS OF 2020 THAT WAS MINUS 21.3, AND THEN WE MOVE NOW TO A GROUP NET PROFIT OF PLUS €35.2 MILLION, SO LOAN-TO-VALUE 48.3%, BUT IF YOU FACTOR IN THE INCOMING CASH FLOW IN NOVEMBER, SO PRO FORMA, IT'S GOING TO GO DOWN TO 45.6% AFTER THE PORTFOLIO DISPOSAL EFFECT AND WITH A FURTHER ROOM FOR REDUCTION AT YEAR END.

ALL OF THESE FIGURES TAKE INTO ACCOUNT THE ONE-OFF NET IMPACT DERIVED FROM COVID, AND AS IMPAIRMENT ON RECEIVABLES AND ALSO REBATES, DISCOUNTS. WE COULD HAVE SPREAD THAT OVER A NUMBER OF YEARS, BUT INSTEAD WE ARE TAKING IT AS ONE-OFF.

PAGE 7, FOOTFALLS AND TENANT SALES. HERE, IT'S A VERY INTERESTING PIECE OF INFORMATION. THE RED LINE IS TENANT SALES AND WE START FROM JANUARY. LET ME STOP ON THE DOTTED AREA FOR THE QUARTER JUNE TO SEPTEMBER, PRACTICALLY 4 MONTHS, JUNE TO SEPTEMBER 2021, AND THERE TOO...IT'S A COMPARISON WITH 2019, IN RED YOU HAVE TENANT SALES AND IN BLUE YOU HAVE FOOTFALLS.

SO OUR FINAL FIGURES FOR THESE 4 MONTHS STARTING FROM MAY THE 17TH, FOOTFALLS ARE DOWN BETWEEN 15% AND 16%, WHILST THE TENANT SALES ARE IN LINE WITH SIMILAR TIME FRAME IN 2019.

WHAT DO WE MEAN? AND YOU CAN READ THAT AT THE BOTTOM OF THE PAGE. THE AVERAGE TICKET IS GOING UP AND WE TAKE SEPTEMBER AS A MONTH FOR THE AVERAGE TICKET. BUT THE PREVIOUS MONTHS ARE NOT DIFFERENT. I WENT UP VERSUS SEPTEMBER 2019, SO UP 8.5% VERSUS SEPTEMBER 2020, BUT UP 21.7% VERSUS SEPTEMBER 2019. SO WE ARE PICKING UP, WE ARE RECOVERING.

AND AS I SAID IN THE BOX ON THE RIGHT FOOTFALLS ARE IMPROVING. OCTOBER FOOTFALLS ARE ALREADY DECLINING LESS, SO TO SAY, IN SEPTEMBER VERSUS 2019, THEY WERE MINUS 015%, 16% AND NOW INSTEAD, IN OCTOBER, WE HAVE MINUS 10%. AND THAT IS SOMEHOW A TREND GOING BACK TO NORMAL FOR MANY COMPANIES, SMART WORKING HAS COME TO AN END, SO THE LUNCH BREAK FOR MANY EMPLOYEES IS SPENT AT OUR SHOPPING MALLS. WE'RE STARTING TO ORGANIZE PHYSICAL EVENTS AGAIN. SO WE ARE SLOWLY GOING BACK TO NORMAL ALSO IN OUR SHOPPING MALLS. AND IF WE COMPARE THAT TO 2019; 2019 WAS NOT A MEDIUM-YEAR OR AN AVERAGE YEAR PERFORMANCE WISE. IT WAS ONE OF THE TOP PERFORMING YEARS AMONG THE LAST 5 YEARS.

IF YOU GO TO PAGE 8, YOU WILL SEE A COMPARISON BETWEEN 2014 AND 2021, SO COMPARISON 2014-2015 UP 4.6%, 2015-2016, 2.6%, 2016-2017, 1.7%. AND WHEN WE COMPARE OURSELVES AGAINST 2019, WE ARE COMPARING AGAINST THE PERFORMANCE OF A NORMAL YEAR AND WITH ONE OF THE TOP PERFORMANCES IN THE LAST 5 YEARS. WHAT ARE THE PRODUCT CATEGORIES THAT PERFORMED BEST?

PAGE 9, IN THE PRESENTATION, ALWAYS COMPARISON JUNE-SEPTEMBER 2019 VERSUS JUNE-SEPTEMBER 2021. AS YOU CAN SEE ON THE DOTTED LINE BOX ON THE RIGHT, MORE THAN 80% OF THE PRODUCT CATEGORIES THAT ARE AVAILABLE IN OUR SHOPPING MALLS ARE SHOWING A POSITIVE TREND. THE BIGGER CHUNK IS CLOTHING AND ACCESSORIES. THEY STILL ACCOUNT MORE THAN 50% OF OUR MERCHANDISING MIX, AND THE RESULTS ARE SURPRISINGLY POSITIVE, BECAUSE IT WAS ONE OF THE MOST HIT INDUSTRIES IN 2020.

HOUSEHOLD GOODS, ELECTRONICS ARE DOING VERY WELL AND ALSO BECAUSE TV SETS ARE BEING REPLACED. THANKS TO THE STATE INCENTIVES, AND ALSO CULTURAL, LEISURE TIME AND HOME ITEMS, BECAUSE PEOPLE ARE STAYING AT HOME OR HAVE TO STAY AT HOME, AND THEREFORE, AS A MATTER OF FACT, THEN IN JUNE PEOPLE COULD GO OUT MORE. BUT DURING THE COVID PANDEMIC, THEY INVESTED ON ITEMS FOR THE HOUSE. AND THEN RESTAURANTS ARE STILL SUFFERING. MANY PEOPLE ARE GOING BACK TO THEIR OFFICES. SO LUNCH BREAK IS SPENT IN RESTAURANTS AND OUT OF HOME, AND IN THE MALLS WHERE WE HAVE MOVIE THEATERS. THERE IS 4 OF THEM IN OUR PORTFOLIO, AND IN THAT CASE TOO, MOVIE THEATERS WERE CLOSED DURING THE PANDEMIC, NOW THEY'RE OPEN AGAIN. AND SO, ALL RESTAURANTS AND SERVICES THAT ARE TIED IN WITH MOVIE THEATERS ARE PICKING UP AGAIN.

OURS THE LEASING MANAGEMENT PERFORMANCE, WE'RE DOING WELL. WE HAVE INCREASED OUR OCCUPANCY LEVEL, AS I SAID BEFORE, AND ALSO WHEN IT COMES TO TURNOVER OF CONTRACTS IN ITALY, IT'S UP TO 290 CONTRACTS. WE HAD A DOWNSIDE INDEED, BUT IT WAS A LIMITED ONE, SLIGHTLY MORE THAN 1% IS A DOWNSIDE UNLIKE THE VERY NEGATIVE FORECASTS THAT WERE MADE AND THAT WERE TALKING ABOUT DOUBLE-DIGIT DECLINE. WHEN IT CAME TO RENEWALS, WE ONLY HAD A 1.2% DOWNSIDE AND WE ARE OPTIMISTIC AS TO RECOVERING EVEN THAT SMALL DECLINE. WE DID BETTER IN ROMANIA OUT OF 300 AS A SAMPLE FOR RENEWALS OR TURNOVER WHERE THE ACCUMULATED AGGREGATED FIGURE OF FINANCIAL OCCUPANCY STANDING AT 94.93%.

COLLECTION RATE IS ALSO DOING VERY WELL. WE ARE NOW ON PAGE 11, BOTH IN ITALY AND ROMANIA. SO COLLECTION IN 2020, WE ARE VERY CLOSE TO 100% COLLECTION RATE. WE WILL BRIDGE THAT VERY SMALL DELTA FROM NOW TO YEAR END, AND AS TO THE FIRST 9 MONTHS OF 2021 IN ITALY, WE STAND AT 86% AND ROMANIA IS 96% COLLECTED. THE DELAY IN ITALY THAT IS STILL VERY GOOD DESPITE THE COMPARABLES, IS MAINLY DUE TO THE RELIEF PROVIDED BY THE GOVERNMENT THAT SUPPORTED OUR TENANTS AND MANY WAIT FOR THE RELEASE TO BE ISSUED BEFORE REDEFINING THE CONTRACTS OR AGREEMENTS THAT ARE STILL BEING NEGOTIATED.

SO THE LEASING ACTIVITIES WERE QUITE BUOYANT IN ITALY AND ROMANIA. HERE ARE SOME EXAMPLES ON PAGE 12 AND 13. IN ITALY, WE HAD 43 NEW OPENINGS SINCE THE BEGINNING OF THE YEAR AND IT'S NOT A BAD. DIFFERENT TYPES OF TENANTS FROM RESTAURANTS TO CLINICS, MULTIPLE CLINICS, POLYCLINICS AND APPAREL, JEWELRY. AND THEN SAME APPLIES TO ROMANIA WHERE AGAIN, IT'S A VERY LIVELY MARKET, AND SOME LIMITATIONS ARE STILL APPLIED. SO AS I SAID, WE ARE GRADUALLY GOING BACK TO NORMAL.

HERE IS AN EXAMPLE OF HOW WE ARE GOING BACK TO ORGANIZING PHYSICAL EVENTS. LET ME REMIND YOU THAT IN 2019, WE ORGANIZED ABOUT 700 PHYSICAL EVENTS, AND WE HAVE 27 SHOPPING MALLS THAT MEANS ABOUT 25 EVENTS PER SHOPPING MALL PER YEAR AND DIFFERENT TYPES OF EVENTS, ALL ENABLING TO GATHER PEOPLE WITH FLOWS OF CONSUMERS ENTERING THE SHOPPING MALLS AND THESE FOOTFALLS SOMETIMES BEING CONVERTED TO ACTUAL PURCHASES.

WE HAD THIS EVENT AT THE CENTRO D'ABRUZZO AND IN 3 DAYS, THANKS TO THAT EVENT, WE HAD AN 8% INCREASE IN FOOTFALLS AND INDEED ALSO IN CONVERSION, FOOTFALLS INTO ACTUAL TICKETS. I KNOW, THESE ARE MINOR THINGS, BUT WE LIKE TO REPORT ON THEM, BECAUSE IT'S GOOD TO SEE EXAMPLES OF BEING CLOSE NORMAL ACTIVITY. WE HAD A PROJECT IN BOLOGNA IN 3 SHOPPING MALLS, IT'S A PRACTICAL EXAMPLE OF CIRCULAR ECONOMY OR USING SECONDHAND GARMENTS THAT ARE THEN SOLD, COLLECTING THEM AND THEN SELLING THEM IN A VIRTUOUS CIRCLE. THIS IS AN EXAMPLE THAT WILL GO ON FOR A FEW MONTHS AND WE'LL SEE WHETHER WE CAN REPLICATE IT ELSEWHERE.

LET'S NOW MOVE ON TO 16. WE'RE VERY PROUD TO SHOW YOU THE CERTIFICATIONS WE WERE AWARDED RECENTLY. THE MOST RECENT ONE IS RINA BIOSAFETY TRUST CERTIFICATION. AND WE OBTAINED THE CERTIFICATION FOR THE BOLOGNA HEADQUARTERS AND 7 IGD SHOPPING CENTERS, AND IT SAFEGUARDS THE HEALTH OF PEOPLE AND I THINK THIS IS VERY, VERY MEANINGFUL TO AVOID INFECTIONS AND PREVENT INFECTIONS AND SAFEGUARD HEALTH. WE GOT 2 EPRA GOLD AWARDS THE BPR AND SBPR. IT'S THE 7TH YEAR IN A ROW THAT WE GET AN AWARD ON OUR SUSTAINABILITY REPORT AND OUR ACTUAL FINANCIAL REPORTING AND THAT WAS AWARDED IN OCTOBER THIS YEAR. AND THEN ANOTHER VERY INTERESTING AWARD. IT'S VERY RECENT, JUST LIKE THE BIOSAFETY CERTIFICATION. IGD WAS INCLUDED AMONG THE 40 GREENEST COMPANIES OUT OF MORE THAN 250 COMPANIES THAT WERE RATED AT NATIONAL LEVEL.

AND THEN, LET'S LOOK AT THE DETAILS OF THE DISPOSABLE TRANSACTION. WE DETAILED IN OUR PRESS RELEASE AFTER AN AGREEMENT WITH ICG. ICG IS LISTED ON THE LONDON STOCK EXCHANGE. THEY HAVE €65 BILLION ASSETS UNDER MANAGEMENT. SO IT'S THE PRIMARY COUNTERPARTY WE'RE TALKING ABOUT, AND WE DISPOSE A €140 MILLION WORTH PORTFOLIO OF BOOK VALUE. 5 HYPERMARKETS AND 1 SUPERMARKET AND NEXT YEAR THAT WILL MEAN WE WILL HAVE A DECLINE IN NOI AND RENTAL INCOME EQUAL TO €7.7 MILLIONS.

NEXT YEAR WHEN YOU MAKE A COMPARISON BEAR THAT IN MIND, IT'S NOT GOING TO BE A LIKE-FOR-LIKE AND CONSISTENT COMPARISON. THIS PORTFOLIO WILL BE CONTRIBUTED TO AN SPV, AND THE SPV WILL BE MANAGED BY SERVICE FUND, A CLOSED END FUND BASED ON THE ITALIAN LAW AND ICG WILL HAVE 60% OF CLASS A SHARES PREFERRED, AND IGD INSTEAD WILL HAVE 40% A SUBORDINATED CLASS B SHARES. SO €25 MILLION, THAT'S WHY IS THE COMMITMENT. SO IS THE REINVESTMENT, SO THAT'S WHY WE CASH IN €115 MILLION.

THESE ARE THE IMPACTS, SO AT THE END OF SEPTEMBER, OUR LOAN-TO-VALUE GOES DOWN TO 48.3. AND ON A PRO FORMA LEVEL INCLUDING THE DISPOSAL IS 45.6% NET CASH IN IS €115 MILLION, CONSIDERING THE CURRENT CASH AT HAND IS IN EXCESS OF €50 MILLION. WE'RE TALKING ABOUT €54 MILLION CASH AVAILABLE AND THE CASH FLOW THAT WILL BE GENERATED OVER THE LAST QUARTER AND IN 2022 WILL ENABLE US TO FULLY COVER THE 2022 REFINANCING NEEDS, AND ALSO THINK OF REFINANCING 2023 AND 2024 MATURITIES. WE'RE LOOKING AROUND IN THE MARKET TO SEE MAYBE THAT WE COULD GO FOR A BOND ISSUANCE. AS THE BANKING MARKET RIGHT NOW, DOESN'T SEEM TO BE VERY PROMPT IN RESPONDING TO RETAIL FINANCING. I DON'T KNOW, WE HAVE AGREED A DEGREE OF DEPENDENCE ON OUR MAIN SHAREHOLDER, THAT GOES FROM 25% TO 20%. AND RENTAL WISE WE GO FROM 25.8% TO 21.3%, 1/5 OF OUR RENTAL INCOME COMES FROM COOP, BECAUSE COOP OWNS THE STAKE WHICH IS AN EXCESS OF 50%.

LET'S MOVE ON TO PAGE 21. AND WE DRILL DOWN INTO THE FIGURES. WE LOOK AT THE INCOME WE GO FROM A NET RENTAL INCOME IN 2020, WHICH IS SLIGHTLY BELOW €90 MILLION, €89.7 MILLION TO BE PRECISE TO €86.9 MILLION. THE LARGEST DECLINE IS DRIVEN BY THE ACTUAL RENTAL INCOME, BECAUSE WE ARE RECOVERING OCCUPANCY WISE, BUT AT THE SAME TIME THERE IS A TIME MISMATCH BETWEEN THE OCCUPANCY LEVEL AND THE ACTUAL INCOME. AND SO WE ARE LOOKING AT THE FIRST 9 MONTHS, AND IN THE FIRST 9 MONTHS WE HAD A DECLINE IN RENTS, €2.2 MILLION WORTH OF RENTS ON A LIKE-FOR-LIKE BASIS ON SHOPPING MALLS WHILE HYPERMARKET WENT UP A BIT RENT WISE.

AND POSITIVE IMPACT IN THE BRIDGE YOU SEE ON THE SCREEN IS THE COVID EFFECT DELTA, LOWER THEY ARE €1.2 MILLION VERSUS LAST YEAR AND WE HAD HIGHER RENTAL COSTS, ESPECIALLY FOR PROVISIONS WE HAVE TO MAKE AND CONDOMINIUM FEES AND EXPENSES, BECAUSE THEY ARE TO BE PAID BY US AND BY THE LANDLORD AS PER CONTRACT.

ON THE FINANCIAL MANAGEMENT, WE DID WELL AS I SAID BEFORE ALSO STILL DECLINING IS THE IMPACT OF THE FINANCIAL MANAGEMENT. WE WILL GIVE YOU MORE ACCURATE DATA. WE ARE DOWN ABOUT €2.1 MILLION VERSUS 2020. ITS FINANCIAL MANAGEMENT ADJUSTED. IT'S 25 VERSUS 22.9. WE EMBARK IN LIABILITY MANAGEMENT EXERCISE THROUGHOUT 2021, BUT IT HAD ALREADY BEEN STARTED IN THE PREVIOUS YEARS AS WELL.

LET'S HAVE A LOOK AT THE FFO FOR THE CORPORATE VALUATIONS. SO RECURRING EARNINGS AND PROFITS, FFO, SO FUND FROM OPERATIONS. YOU WOULD PROBABLY WONDER YOU ARE EXPECTING A DECLINE OF 9 POINTS IN THE FIRST 9 MONTHS, SO HOW CAN YOU RETAIN THIS GUIDANCE GOING UP 7% TO 8%?

THIS IS THE EXPLANATION. LAST YEAR IN THE LAST QUARTER IF YOU REMEMBER FROM MID-OCTOBER WE EXPERIENCED THE SECOND COVID WAVE THAT CAUSED BIG PROBLEMS: WE HAD RED AREAS, ORANGE AREAS, LOCKDOWNS, SHOPPING MALLS CLOSED OVER THE WEEKEND AND CLOSED DURING THE CHRISTMAS HOLIDAYS.

WE DON'T EXPECT THAT TO HAPPEN AGAIN IN THE LAST QUARTER THIS YEAR. THANKS TO THE VACCINATION CAMPAIGN AND ITALY IS ONLY SECOND TO SPAIN. WE ARE AMONG THE COUNTRIES WITH THE HIGHEST VACCINATION RATE AND OCCUPANCY RATES IN HOSPITALS WAY BELOW THE CRITICAL THRESHOLDS AND CONTAGION LEVELS CANNOT BE COMPARED TO WHAT WE HAVE LAST YEAR. AND SO, LAST QUARTER HAS BEEN FARING WELL. THIS QUARTER IS ALSO DOING WELL. SO WE CAN ASSUME THAT WE CAN IMPROVE LAST YEAR'S FFO LEVEL 16.3 FROM LAST YEAR.

WE ARE NOT DISCLOSING A DATE PRECISE FIGURE, BUT WE ASSUME IT'S GOING TO BE BETTER THAN LAST YEAR. THAT'S WHY WE CAN RECONFIRM OUR GUIDANCE AND IF YOU REMEMBER, WE HAVE ALREADY INCREASED OUR GUIDANCE. IN THE BEGINNING OF 2021, WE GAVE A GUIDANCE OF 3% TO 4%, BUT AFTER THE FIRST 6 MONTHS, WHERE THE SITUATION IN ITALY WAS ALREADY IMPROVING. THE 6 MONTHS' REPORT WAS GIVEN IN AUGUST, SO WE DOUBLED OUR GUIDANCE SAYING 7% TO 8%, AND THIS IS WHAT I WOULD LIKE TO RECONFIRM NOW, 7% TO 8% FFO UP.

LOAN-TO-VALUE 48.3, AN INTERESTING PIECE OF INFORMATION IS SHOWN HERE IN THE YEAR ROLLING. FIRST 9 MONTHS THIS YEAR AND THE LAST 3 MONTHS OF LAST YEAR, WE GENERATED A POSITIVE CASH FLOW OF ABOUT €60 MILLION. SO IGD, I WOULD LIKE STRESS THAT WITH STRENGTH IS GENERATING CASH.

OUR NET FINANCIAL POSITION WENT DOWN FURTHER ALSO DURING THIS QUARTER AND THE BREAKDOWN OF OUR DEBT PROFILE IS 58% MARKET AND 52% BANKING SYSTEM. EVEN THOUGH GOING FORWARD, THIS BREAKDOWN SHOULD SEE AN INCREASE IN THE MARKET SHARE, MEANING WE SHOULD TURN TO THE MARKET MORE IN THE NEXT 2 TO 3 YEARS, THE BOND MARKET, WHILE RESULTING TO THE BANKING SYSTEM OR IF POSSIBLE, WE MIGHT RETAIN THE STAKE BUT GIVEN THE MARKET SENTIMENT, WE HAVE BEEN RECORDING ON THE BANKING INDUSTRY SEGMENT, AS I WOULD SAY SENTIMENT VIS-À-VIS THE RETAIL MARKET. WE WILL PROBABLY TURN TO THE MARKET RATHER THAN A BANKING SYSTEM. SO SECURED VERSUS UNSECURED, 76% IS UNSECURED VERSUS 24% SECURED.

NEXT PAGE, TALKING ABOUT DEBT MATURITY AND DEBT MATURITY PROFILE. THIS IS NOT DIFFERENT FROM WHAT WE SHOWED YOU IN THE PREVIOUS QUARTERS. THIS IS OUR, AGAIN, DEBT MATURITY PROFILE. WITH THE TRANSACTION, WE ARE GOING TO CLOSE END OF NOVEMBER €115 MILLION OF CASH IN, PLUS THEY GENERATED CASH FOR THE LAST QUARTER ENABLES US TO SAY THAT OUR DEBT COVERAGE FOR 2022 IS ALREADY AVAILABLE. OUR MATURITIES ARE FULLY COVERED. AND IN THE FIRST QUARTER OF 2022, WE WILL THINK OF REFINANCING OUR DEBT MATURITIES FOR 2023. AS YOU SEE, IT'S €270 MILLION. IT'S SYNDICATED FINANCING, SYNDICATED BY BANK AND ANOTHER BANKING DEBT THAT IS DUE FOR MATURITY AND WE WILL START TAKING INTO ACCOUNT REFINANCING 2024 MATURITIES AS WELL. WE HAVE 2 BONDS THERE IN 2024, ONE IS IN THE STRAIGHT €400 MILLION, EXPIRING NOVEMBER 2024.

SO WE HAVE TIME TO COME UP WITH THE REFINANCING STRATEGY, AND WE HOPE THIS REFINANCING STRATEGY WILL BE SUPPORTED BY THE RATING THAT HAS RECENTLY BEEN RECONFIRMED BY FITCH, NOT ONLY WAS IT CONFIRMED BUT THERE WAS AN UPGRADE ON THE OUTLOOK THAT WENT FROM NEGATIVE TO STABLE, AND S&P RATING IS WAITING FOR IT TO BE REVISED. THAT WILL BE PLUS WITH NEGATIVE

OUTLOOK, BUT WE ARE MODERATELY OPTIMISTIC AFTER THE FACT THAT IT WILL IMPROVE OVER THE NEXT WEEKS AND MONTHS.

LET ME WRAP UP, ON PAGE 27, THIS IS THE OUTLOOK. I HAVE ALREADY TOLD YOU THAT WE RECONFIRM 7% TO 8% FFO GUIDANCE FOR 2021 AND WE HOPE WE CAN SURPRISE YOU WITH A FURTHER IMPROVEMENT ONCE WE CLOSE THE YEAR, BUT LET'S CLOSE THE YEAR FIRST, AND THEN WE WILL SEE. HOPEFULLY, MID-DECEMBER WHEN WE WILL PRESENT THE BUSINESS PLAN TO YOU, WE WILL HAVE A GREATER VISIBILITY OF HOW WE DID AND WE PERFORMED OVER THE QUARTER. SO WE'LL TELL YOU MORE.

AND THEN AS I ALREADY HAVE THE OPPORTUNITY TO SAY IN ONE OF MY STATEMENTS, AFTER WE ANNOUNCED THE DISPOSAL TRANSACTION, BUT I'D LIKE TO RECONFIRM IT HERE. THANKS TO THE WAY WE PERFORMED. THANKS TO OUR OPERATING PERFORMANCE, AND THANKS TO THE DISPOSAL TRANSACTION. WE LAID THE FOUNDATIONS TO GO BACK TO PAYING DIVIDENDS TO OUR SHAREHOLDERS STARTING FROM 2022 BASED ON 2021.

I'M SURE YOU'RE GOING TO ASK THE QUESTION, WHAT KIND OF DIVIDEND ARE YOU FORESEEING? FOR SURE, THERE'LL BE A STARTING BASE, THE STARTING BASE COULD BE THE LAST DIVIDEND WE PAID OUT IN 2020, BASED ON 2019 IT WAS 0.23 THAT COULD BE FOR INSTANCE A STARTING FLOOR. SO TO SAY WE SEE WHETHER OR NOT WE WILL HAVE THE CONDITIONS TO ACTUALLY PAY A LARGER DIVIDEND, A HIGHER DIVIDEND, BUT THAT IS THE LEVEL, THE LEVEL WE'RE AIMING AT AS A BASE. SO TO SAY, THE MINIMUM LEVEL FOR US.

LET ME SAY THAT WHEN IT COMES TO DIVIDEND PAYOUT, IT IS MENTIONED IN THE PRESS RELEASE, NOT IN THE FIRST PART, BUT INSIDE THE PRESS RELEASE AND TELLING YOU THAT THE DISPOSAL TRANSACTION ONCE CLOSED IT WILL FORCE US AS WE WILL FREE UP RESERVES, IT WILL BE MANDATORY FOR US TO DISTRIBUTE €16 MILLION WORTH OF DIVIDENDS OVER THE NEXT 2 YEARS, BECAUSE THAT'S THE OBLIGATION WE GET BECAUSE OF BEING A SIIQ. SO WILL FREE UP TO €32 MILLION OF RESOURCE FIRST, 50% WILL HAVE TO BE DISTRIBUTED. AND WE CAN DO IT EITHER IN ONE SHOT, ONE YEAR, ALL IN THE FIRST YEAR, IN THE SECOND YEAR OR SPREAD ACROSS THE 2 YEARS. SO THIS IS WHAT WE'LL DISCUSS ONCE WE APPROVE THE THE FULL YEAR ACCOUNTS IN FEBRUARY.

THIS IS NOT WHAT I TOLD YOU BEFORE, THE DIVIDEND FOR THIS YEAR. LET ME REMIND YOU THAT IGD AS A SIIQ HAS TO DISTRIBUTE AT LEAST 70% OF WHAT I'VE SAID BEFORE, IT'S THE EXEMPT OPERATIONS.

LET ME WRAP UP WITH A FINAL REMARK. WE ARE CONFIDENT THAT OUR OPERATIONS ARE ON THE RIGHT WAY TO RECOVER AND TO RECOVER TO PRE-COVID LEVEL. SO, WE RECONFIRM OUR GUIDANCE FOR FFO

TO GROW IN 7% TO 8% RANGE. WE'VE FURTHER STRENGTHENED OUR FINANCIAL STRUCTURE WITH A DISPOSAL TRANSACTION WITH LOAN-TO-VALUE MOVING FROM 49 TO 45.6. AND THEN, WE'VE LAID THE GROUND FOR A DIVIDEND TO BE PAID OUT AGAIN IN 2022.

LAST BUT NOT LEAST, ON NOVEMBER THE 15TH, WE WILL BE PLEASED TO TAKE PART IN THE EXANE BNP PARIBAS EUROPEAN MID CAP VIRTUAL CEO CONFERENCE. I WILL BE ATTENDING IT IN PERSON TOGETHER WITH MY COLLEAGUES FROM INVESTOR RELATIONS. EXANE IS ALSO STARTING TO COVER OUR STOCK. AND THEN ON NOVEMBER THE 24TH I WILL BE ATTENDING THE WINTER EDITION OF THE EPRA CORPORATE ACCESS CONFERENCE.

AND I THINK THAT'S IT FROM OUR PART. WE'RE HERE TO TAKE YOUR QUESTIONS TOGETHER WITH THE COLLEAGUES. THANK YOU VERY MUCH FOR ATTENDING.

Q&A

OPERATOR:

THIS IS THE CHORUS CALL OPERATOR. WE NOW OPEN THE Q&A SESSION. IF YOU WISH TO ASK A QUESTION, PRESS "*" AND "1" ON YOUR PHONE KEYPAD. TO BE REMOVED FROM THE Q&A QUEUE, PRESS "*" AND "2" ON YOUR PHONE. PLEASE ASK YOUR QUESTIONS USING YOUR PHONE HEADSETS OR PHONE. PRESS "*" AND "1" IF YOU WANT TO ASK A QUESTION NOW. LET ME REMIND YOU THAT IN ORDER TO ASK QUESTIONS, YOU MAY PRESS "*" AND "1" ON YOUR PHONE KEYPAD.

QUESTION COMES FROM THE LINE OF DARIO MICHÌ WITH EXANE. PLEASE SIR, GO AHEAD.

DARIO MICHÌ:

GOOD AFTERNOON TO ALL OF YOU. THANKS FOR TAKING MY QUESTIONS. DO YOU HAVE A LOAN-TO-VALUE TARGET THAT YOU ASSUME AS A REFERENCE IN THE MEDIUM TO LONG TERM, AND THAT YOU THINK YOU WILL ACHIEVE? ARE THERE ANY FURTHER DISPOSALS IN YOUR PIPELINE TO ACHIEVE THAT LOAN-TO-VALUE TARGET? ARE YOU FEELING ANY PRESSURE ON THE PART OF TENANTS TO HAVE VARIABLE BASE RENTS RATHER THAN FIXED BASE RENTS?

CLAUDIO ALBERTINI:

WELL, LOAN-TO-VALUE. I CANNOT TELL YOU ABOUT THE BUSINESS PLAN TARGETS BUT THE LEVEL WE GOT TO THIS 45% IS A REFERENCE LEVEL ALREADY. MORE THAN FOCUSING AND DRAWING YOUR ATTENTION ON LOAN-TO-VALUE I THINK YOU SHOULD FOCUS ON THE LEVEL AND THE QUALITY OF DEBT. WHAT IS IT MADE OF? IS IT A RATING BASED? WHEN ARE THE MATURITIES DUE? EVEN BEFORE THE TRANSACTION, OUR LOAN-TO-VALUE WAS SUSTAINABLE, AND MANY COMPARABLE'S I KNOW HAVE A LOAN-TO-VALUE THAT'S CLOSE TO 40 OR BELOW 40 VERSUS OUR 45. BUT I CANNOT ADVANCE OR TELL YOU ABOUT THE BUSINESS PLAN TARGETS. BUT IF WE CAN GET BELOW 45 THAT WOULD BE GOOD. BUT WE THINK THAT 45 ALREADY

IS A GOOD LEVEL. IT'S WHAT WE HAD IDENTIFIED IN THE EXISTING BUSINESS PLAN. PLEASE REMEMBER THAT WE'RE STILL IN THE EXISTING BUSINESS PLAN 2019-2021 AND THE LOAN-TO-VALUE TARGET WAS 45%. SO IT'S STILL ONE OF THE TARGETS BELONGING TO THE OLD BUSINESS PLAN, AND IT WILL PROBABLY BE ACHIEVED, IT WILL BE VERY MUCH DEPENDENT ON FAIR VALUE VALUATIONS AT YEAR-END. BUT EVEN FAIR VALUE VALUATIONS WILL PLAY A ROLE AND LOAN-TO-VALUE IS A BREAKDOWN BETWEEN MARKET VALUE ON THE ONE HAND AND DEBT LEVEL ON THE OTHER.

WE ARE A CASH GENERATOR. IGD GENERATES CASH; UNTIL END OF SEPTEMBER 2021 WE GENERATED €60 MILLION WORTH OF CASH AND ALSO WITH THE BEARING IN MIND THAT WE WILL HAVE TO PAY A DIVIDEND AS WELL, IT WON'T BE POSSIBLE TO GENERATE SUCH A HIGH LEVEL OF CASH. WE WANT TO INVEST, WE WANT TO KEEP HIGH QUALITY IN OUR PORTFOLIO. BUT WE THINK THAT A LEVEL AS THE ONE WE HAVE IS SUSTAINABLE. WE ALSO HAVE SOME DISPOSALS IN MIND, BUT PART OF THE DISPOSALS WILL BE DEVOTED MAYBE TO REDUCE OUR LOAN-TO-VALUE PRESSURES FROM THE TENANTS. BUT WE KEPT THE BARS STRAIGHT SO TO SAY ALONG THE PATHWAY WE'VE ALREADY IDENTIFIED, REALLY NEGOTIATED WITH THOSE TENANTS THAT HAVE A VERY STRONG BARGAINING POWER, OTHERWISE WE ARE NOT GOING TO GO TO REVENUE BASED CONTRACTS.

THIS IS WHAT WE KEPT FIRM, EVEN THOUGH WE HAVE ABOUT 800 NEGOTIATIONS BEAR US IN MIND TO DISCUSS POSSIBLE REBATES, DURING THE PANDEMIC 800 PER YEAR AND THAT'S THE LEVEL OF NEGOTIATION. INDEED ,WE HAVE GOT REQUESTS FROM GOING FROM FIXED RENT TO REVENUE BASE RENT, BUT SOMETIMES WE ALLOWED TEMPORARY CHANGES OR TEMPORARY REBATES, BUT WE'VE NEVER ACCEPTED PROPOSALS TO GO FROM FIXED RENTS TO REVENUE BASED RENTS.

DARIO MICHİ: THANK YOU.

OPERATOR: THE NEXT QUESTION COMES FROM THE LINE OF SIMONETTA CHIRIOTTI WITH MEDIOBANCA. PLEASE MADAM GO AHEAD.

SIMONETTA CHIRIOTTI: GOOD AFTERNOON. I HAVE 2 QUESTIONS. ONE IS ABOUT DIVIDENDS, MAYBE I LOST SOMETHING ALONG THE WAY. AND SO, MAKING A RECAP YOU MAY HAVE AN AMBITION TO DISTRIBUTE A DIVIDEND IN LINE WITH WHAT YOU DISTRIBUTED IN 2020? GENERALLY SPEAKING, BUT THAT DOESN'T INCLUDE THE AMOUNT TO BE DISTRIBUTED BECAUSE OF THE PORTFOLIO DISPOSAL, SO €32 MILLION ARE ON TOP OF THE DIVIDEND YOU ASPIRE TO PAYOUT? AND THEN, ANOTHER QUESTION ON YEAR END VALUATION, YOU'VE JUST MADE A MAJOR DISPOSAL, SO FOR SURE YOU KNOW WHAT THE MARKETS LIKE. COULD YOU ELABORATE ON WHETHER OR NOT THERE WERE FURTHER IMPAIRMENTS OR...?

CLAUDIO ALBERTINI:

NO, I DON'T THINK I WAS CLEAR ENOUGH THEN, THE €32 MILLION WORTH OF REVERSES THAT WILL BE FREED UP WITH THE DISPOSAL. WE HAVE TO DISTRIBUTE HALF OF THAT, IT IS MANDATORY FOR US, THE €16 MILLION, IT COULD BE €8 MILLION PER YEAR OR €16 MILLION IN THE FIRST YEAR OR €16 MILLION IN THE SECOND YEAR OR IT MAKES €10 MILLION PLUS €6 MILLION OR WHATEVER WE HAVE 2 YEARS' TIME TO DISTRIBUTE THEM...DISTRIBUTE THE €16 MILLION. ON TOP, WELL I GIVE YOU AN ESTIMATE THAT ALSO...YOU HAVE TO BEAR IN MIND THAT THERE ARE VARIABLES THAT COME INTO PLAY, WE HAVE TO DISTRIBUTE 77% OF THE EXEMPT OPERATIONS, WHICH IS GIVEN BY OPERATING RESULTS FFO, WHICH STEMS FROM FFO. SO IN ADDITION TO THE EXEMPT OPERATIONS WE HAVE TO FAIR VALUE VALUATIONS WHICH TIES IN WITH YOUR SECOND QUESTION. SO, FAIR VALUE VALUATION MAY FREE UP MORE RESERVES OR COULD REDUCE THE EXEMPT TAXABLE INCOME, SO TO SAY. WE HAVE TO THINK OF A RANGE AS I SAID BEFORE BETWEEN 0.2, WORST CASE AND 0.3 BEST CASE.

I MAY HAND IT OVER TO ROBERTO, HE IS ONLY JUST STARTING THAT EXERCISE, SO IT'S JUST...ONLY JUST PROBING THE MARKET ON THE HYPERMARKET ASSET CLASS. SO, FAR WE DO NOT EXPECT ANY NEGATIVE IMPACT ALSO BECAUSE WE CAN RELY ON THE FAIR VALUATION OF THE DISPOSED PORTFOLIO. ON THE SHOPPING MALL ASSET CLASS WE ARE NOT DEFINITELY GOING THROUGH A TIME WHERE THE VALUE IS GOING UP INDEED. ROBERTO, MAYBE CAN ADD SOMETHING.

ROBERTO ZOIA:

ROBERTO ZOIA SPEAKING, WE DO NOT YET HAVE ENOUGH VISIBILITY OR FULL VISIBILITY ABOUT YEAR END, THERE HAVE BEEN NO MAJOR TRANSACTION CONCERNING MEANINGFUL OR BIG GALLERY. SO THERE ARE NO REFERENCE VALUATIONS, SO APPRAISES ARE LOOKING AT WHAT IS HAPPENING TO RENEWED RENTAL FEES. TENANT SALES ARE BEING POSITIVE, BUT WHEN IT COMES TO MACROECONOMIC FACTORS, WE KNOW THAT THEY ARE IMPROVING, THERE ARE SOME PERCENTAGE POINTS OF IMPROVEMENT FACTORING AN INFLATION APPLIED TO RENTAL FEES. BUT, WE WILL HAVE TO LOOK AT IT FROM WELL THE COST OF LENDING THAT WILL HAVE AN IMPACT ON ACTUAL RATES. END OF DECEMBER WILL OR MID-WAY THROUGH DECEMBER WILL HAVE BETTER VISIBILITY AS TO HYPERMARKET APART FROM OUR TRANSACTION I AM SURE YOU HAVE SEEN THAT, ALL OVER EUROPE THOSE ARE THE ONLY ASSETS THAT ARE BEING...THE OBJECT OF A TRANSACTION THAT ARE DISPOSED OF OR PURCHASED. WE CAN'T SEE ANY VARIATIONS AHEAD OF US, WHEN IT COMES TO THE HYPERMARKET ASSET CLASS. THANK YOU.

OPERATOR:

LET ME REMIND YOU THAT, IN ORDER TO ASK QUESTIONS, YOU CAN PRESS "*" AND "1" ON YOUR PHONE KEYPAD. FOR FURTHER QUESTIONS, PLEASE PRESS "*" AND "1" ON YOUR PHONE KEYPAD. MR. ALBERTINI, THERE ARE NO MORE QUESTIONS.

CLAUDIO ALBERTINI:

WE WOULD LIKE TO THANK YOU VERY MUCH FOR JOINING US, AND TALK TO YOU NEXT TIME. THANK YOU.