

Event: FY 2021 Results Presentation

Date: 24th February 2022

Speakers: Mr. Claudio Albertini, CEO

OPERATOR: GOOD AFTERNOON. THIS IS THE CHORUS CALL OPERATOR. WELCOME TO THE CONFERENCE CALL PRESENTING IGD'S FULL YEAR 2021 RESULTS. 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 BY AN OPERATOR DURING THE CONFERENCE CALL, PRESS "*" AND "1"... "0" ON YOUR KEYPAD. I WILL NOW TURN THE CONFERENCE OVER TO MR. ALBERTINI, CEO OF IGD.

CLAUDIO ALBERTINI: GOOD AFTERNOON TO ALL OF YOU. AS YOU KNOW, WE HAD A BOARD MEETING THIS MORNING, AND THE BOARD APPROVES THE 2021 RESULTS. AND WE ALREADY HAVE PROPOSALS FOR BOTH THE AGM AND THE EGM OF IGD. TIMING WAS NOT HAPPY ONE, SO TO SAY, TO PRESENT OUR RESULTS. IT'S A DAY TODAY THAT IS NOT VERY HAPPY FOR FINANCIAL MARKETS, BECAUSE OF WHAT HAS HAPPENED, AND DESPITE THAT, OUR RESULTS ARE OVERALL FROM OUR PERSPECTIVE, ARE GENERALLY SATISFACTORY.

LET ME START FROM PAGE 3 OF THE PRESENTATION THAT YOU PROBABLY HAVE BEFORE YOU. So 2021, AT A GLANCE. GOOD OPERATING PERFORMANCE, ESPECIALLY AFTER RESTRICTIONS WERE LIFTED IN ITALY FOR SHOPPING CENTERS, SHOPPING MALLS, AND I AM PARTICULARLY REFERRING TO WEEKEND CLOSINGS AND PRE-HOLIDAY CLOSINGS. WELL THE RESTRICTIONS WERE LIFTED AFTER MAY THE 18TH, SO FROM JUNE TO DECEMBER, WE HAD A GOOD PERFORMANCE FROM THE PERSPECTIVE OF TENANT SALES. WE ALWAYS MAKE A COMPARISON WITH 2019, BECAUSE THAT'S THE LAST, "NORMAL" YEAR, AND IT WAS A GOOD YEAR FOR US, BY THE WAY, PERFORMANCE WISE.

SO OVER THOSE 7 MONTHS WHERE THE MAIN RESTRICTIONS FOR OUR BUSINESS WERE LIFTED. WE WILL SEE SAME LEVEL OF TENANT SALES, OCCUPANCY WENT UP OF ABOUT 100 BASIS POINTS. WE ARE BACK TO BEING ABOVE 95% OCCUPANCY AND WITH THE BUSINESS PLAN WE DISCLOSED HALF WAY THROUGH DECEMBER WE

WANT TO GO BACK TO PRE-PANDEMIC LEVELS WITHIN THE BUSINESS PLAN TIMEFRAME, THAT IS TO SAY, UP TO 97%, AND HAS A ROBUST STRONG INCREASE IN PROFITABILITY, DESPITE THE FACT THAT 2021 WITNESSED A HIT FROM OUR POINT OF VIEW.

FFO WENT UP 9.2%, SO WE EXCEEDED THE GUIDANCE PROVIDED, AND WE'D ALREADY REVISED IT UPWARDS IN AUGUST IF YOU REMEMBER OUR FFO GUIDANCE. IN FEBRUARY 2021, DURING THE FULL YEAR 2020 PRESENTATION, WE'D GIVEN YOU 3% TO 4% RANGE, THAT GUIDANCE WAS THEN REVISED UPWARDS AFTER LOOKING INTO THE INTERIM RESULTS 7% TO 8% WAS THE RANGE THEN, AND UP 9.2% THAT EXCEEDS THE TOP PART OF THE RANGE. SO AND THEN DIVIDEND YIELD WAS GIVEN VERSUS THE CLOSING OF LAST NIGHT, THIS MORNING WE WERE BELOW LAST NIGHT'S VALUE, AND I THINK THAT AFTER WE DISCLOSED OUR RESULTS, AFTER OUR EARNINGS REPORT, IT'S BEEN RECOVERING A BIT. SO WE'LL SEE WHAT HAPPENS DURING THE DAY.

A VERY IMPORTANT POINT, HOWEVER FOR 2021 WAS OUR FINANCIAL SETUP, OUR FINANCIAL STRUCTURE THAT HAS BEEN FURTHER ENHANCED AND STRENGTHENED OUR LOAN-TO-VALUE ENDED BELOW 45%, 44.8% TO BE PRECISE. IF YOU REMEMBER, END OF DECEMBER 2020, IT WAS NEARLY 55.0% WITH A LOAN-TO-VALUE WHICH WAS 49.9%, SO WE RECOVERED MORE THAN 500 BASIS POINTS.

ANOTHER IMPORTANT PIECE OF INFORMATION AS TO OUR FINANCIAL STRUCTURE IS THAT, THANKS TO THE DISPOSAL TRANSACTION WE COMPLETED IN NOVEMBER LAST YEAR. AND ALSO THANKS TO THE CASH WE GENERATED OVER THE YEAR. AT YEAR END, WE HAVE ABOUT €160 MILLION OF CASH AT HAND, WITH WHICH WE CAN COVER OUR MATURITIES FOR 2022, AND WE ARE ALSO WORKING, AND I'LL SAY THAT AGAIN, ON THE REFINANCING FOR THE 2023 LOAN. IT'S A GROWING RESULT, SATISFACTORY, AS FAR AS, WE ARE CONCERNED AND ALSO LAYING THE FOUNDATIONS AND PAVING THE WAY TO EMBARK IN OUR 2022-2024 BUSINESS PLAN, THAT WAS APPROVED DECEMBER LAST YEAR, SO THAT A COUPLE OF MONTHS AGO.

IF YOU GO TO PAGE 4, YOU SEE OUR FINANCIAL HIGHLIGHTS AND PAGE 5, SO RENTAL INCOME IS FLAT €145.1 MILLION DOWN 0.4%. NET RENTAL INCOME IS UP, AS THEY ARE NOT AS IMPACTED BY THE COVID EFFECT, SO IT'S A €118.5 MILLION, UP 8.2%. CORE BUSINESS EBITDA IS BACK TO BEING ABOVE €100 MILLION, IT'S A €107.3 MILLION UP ABOUT 8%.

AND FFO, I'VE ALREADY MENTIONED THAT, IT'S SLIGHTLY LESS THAN €65 MILLION AND UP 9.2%. AND ALSO THE NOTE AT THE BOTTOM OF THE PAGE IS VERY IMPORTANT, AND IT WILL BE COPIED TO THE NEXT SLIDE AS WELL. THIS YEAR STARTING FROM 2020 ALL OF COVID, COSTS WERE ALL ACCOUNTED FOR AS ONE-OFF NET IMPACT FOR THE FISCAL YEAR 2021, AND THE SAME APPLY TO 2020.

LET'S GO TO THE NEXT SLIDE, SO FFO €52.8 MILLION VERSUS A LOSS OF ABOUT €74.3 MILLION IN 2020. WE RECOVERED VERY WELL ON OUR FAIR VALUE EVALUATION THAT ARE FLAT ON A LIKE-FOR-LIKE BASIS VERSUS A LOSS OF A 120 BASIS POINTS LAST YEAR. OUR REAL ESTATE MARKET VALUE IS €2.140 BILLION, DOWN 5.6% IN ABSOLUTE TERMS, BUT ON A LIKE-FOR-LIKE BASIS IT WILL BE UP 0.64%, ALSO GROWING

IT'S THE FORMER NAV, NOW IT'S EPRA NRV, IT'S €10.85 PER SHARE UP 4.5%, AND LOAN TO VALUE IS DOWN 510 BASIS POINTS, AND WE LAND AT 44.8%.

LET'S NOW MOVE ON TO THE OPERATING PERFORMANCE, AND HERE YOU HAVE A SUMMARY OF A COMPARISON OF THE MAIN INDICATORS BETWEEN 2020 AND 2021, STARTING FROM THE OUTLOOK. IN 2020 WE HAD 87 DAYS OF CLOSING BETWEEN MARCH AND THE SUMMER, IT WAS A STOP AND GO THROUGHOUT THE YEAR, AND THEN IN 2021 THE CLOSING DAYS WERE 44, HALF OF THEM PRACTICALLY. AND SO A POSITIVE RESULT INDEED, BUT STILL AFFECTED BY, AGAIN THE CLOSINGS.

COVID NET IMPACT BETWEEN LOSSES AND THE REBATES WERE €18.5 MILLION IN 2020, AND THIS YEAR MUCH LOWER. WE ARE AT €7.2 MILLION AND ALL THAT WITH AN AVERAGE TICKET UP 24% ALWAYS VERSUS 2019. AND AGAIN, ALL THE COMPARISONS ARE WITH 2019, BUT LAST YEAR ALREADY THE INCREASE IN THE AVERAGE TICKET WAS OF 18%, SO THERE ARE LESS FOOTFALLS BUT MORE TARGET AND WITH HIGHER PURCHASES.

AND THEN TENANT SALES, FULL YEAR DOWN 27.6% VERSUS 2019 IN 2020, AND DOWN 11.1% IN 2021 ALWAYS VERSUS 2019. AND THEN FOOTFALLS, FULL YEAR AGAIN DOWN 22.2% VERSUS 2019, BUT THEY WERE DOWN 29.5% IN 2020, AGAIN ALWAYS VERSUS 2019. AND WE HAVE OUR INDUSTRY BENCHMARK, THE CNCC THE NATIONAL CENTER FOR SHOPPING MALLS AND SHOPPING CENTERS INCLUDING MANY PROPERTIES. AND 513 WERE THE SHOPPING CENTERS INCLUDED IN THE BENCHMARK. AND BOTH FOR TENANT SALES AND FOOTFALLS, WE PERFORMED SLIGHTLY BETTER THAN THE BENCHMARK, WE SLIGHTLY OUTPERFORMED THE BENCHMARK.

WHAT CAN WE EXPECT FOR 2022, AND I'LL COME BACK TO THIS LATER. WE AND INDEED EXPECT A SCENARIO THAT'S CLOSER TO NORMALITY SOMEHOW. A FEW DAYS AGO, OF COURSE, WE WERE TALKING ABOUT SOMETHING NORMAL, WITH REFERENCE TO THE PANDEMIC, AND THEREFORE ON THE PANDEMIC SIDE, ALSO THANKS TO THE PROVISIONS APPROVED YESTERDAY BY THE DRAGHI GOVERNMENT, THAT IS THE STATE OF EMERGENCY WILL COME TO AN END IN LATE MARCH 31ST, SO ALMOST ALL RESTRICTIONS OR THE MAIN RESTRICTIONS SHOULD BE LIFTED.

MR. DRAGHI WAS VERY CLEARLY SAID WE WANT TO REOPEN EVERYTHING, AND FROM THAT PERSPECTIVE THEREFORE, GOOD NEWS INDEED, BUT THE BAD NEWS ARE WITH RESPECT TO WHAT IS HAPPENING RIGHT NOW IN EASTERN EUROPE, YOU KNOW, VERY WELL WHAT I AM REFERRING TO AND WE'VE ALREADY HAD SOME HINTS AT THIS AT THE END OF THE YEAR, DUE TO THE INCREASED ENERGY BILL. IT'S A PERFECT STORM SOMEHOW WHERE WE HAVE A VERY STRONG GROWTH IN ENERGY PRICES IN ALL COUNTRIES, CHOKING THE SUPPLY CHAIN WITH A VERY STRONG DEMAND AND A SUPPLY THAT WAS NOT ENOUGH TO SOMEHOW MEET IT. AND SO GEOPOLITICAL TENSIONS WERE THEN ADDED TO IT, TENSIONS AS TO THE COST OF ENERGY. WE ARE CONCERNED, NOT YET ALARMED, BUT SOMEHOW CONCERNED ABOUT THE CONSUMPTION TRENDS FOR THE NEXT FEW MONTHS. INDEED, THEY WILL BE AFFECTED BY WHAT IS HAPPENING NOW AND WE ARE

CONCERNED, I'D SAY, BUT PREPARED. WE ARE TRYING TO USE THE LEVERS WE HAVE AVAILABLE AND WORKING WITH OUR TENANTS.

AS I WAS SAYING, WHAT HAPPENED EVER SINCE THE RESTRICTIONS WERE LIFTED MAY 18TH, 2021, THAT WAS THE BEGINNING AND THEN NO LONGER BEING CLOSED OVER THE WEEKENDS AND THEN UNTIL MAY, YOU SEE THE TREND WAS CHARACTERIZED BY DOUBLE-DIGIT MINUS SIGNS, AND THEN AFTER THAT THERE ARE STILL MINUS SIGNS BEFORE THE FIGURES. BUT AS TO THE TENANT SALES, WE'RE BACK IN THE POSITIVE AROUND OCTOBER, WHICH WAS THE BEST PERFORMING MONTH. AND THEN, IT WENT BACK TO WELL, SLIGHTLY NEGATIVE IN NOVEMBER, DECEMBER. BUT IF WE CONSIDER JUNE AT THE BEGINNING OF THE TIME COMPUTED FROM JUNE TO DECEMBER, PRACTICALLY WE BROKE EVEN THE FOOTFALL STARTING FROM JUNE WERE DOWN 16%. I ALWAYS LIKE TO READ THE INDICATORS THE OTHER WAY AROUND. I WOULD SAY WE HAVE RECOVERED 84% OF FOOTFALLS RATHER THAN LOSING 16%, BECAUSE MANY OF THESE ARE THOSE WHO GO LEFT TO THE SHOPPING CENTER, BUT THEY BUY MORE WHEN THEY GO TO THE MALL.

OCCUPANCY, IT'S THE NEXT PAGE, PAGE 9. IT'S GROWING AGAIN AND IT'S BEEN GROWING THROUGHOUT THE YEAR, ESPECIALLY IN THE SECOND HALF WHEN RESTRICTIONS WERE LIFTED, AS WE SAID BEFORE, AND THEN VERY EFFECTIVE AND TARGETED LEASING ACTIVITIES AND THEN IMPROVING THE OCCUPANCY RATE. AND IN 2021, WE LOST CLOSE TO 23,000 SQUARE METERS CLOSED, BUT WE REMARKETED 25,000 NOT ALL OF THEM ARE OPEN YET, BUT WE ALREADY HAVE SIGNED CONTRACTS FOR THEM, EVEN FOR THOSE WHO HAVE NOT YET OPENED IN 2021. SO WE DID A LOT OF WORK TO RECOVER AND THAT LED TO AN INCREASE IN OCCUPANCY.

PAGE 10 NOW, THE OCCUPANCY WENT UP ABOUT 124 BASIS POINTS TO BE PRECISE, IT'S 95.16 WITH A FLAT UPSIDE 135 RENEWALS IN ITALY AND ROMANIA 353. ROMANIA IS SHOWING A SLIGHTLY POSITIVE UPSIDE AND WITH OCCUPANCY THEY RECOVERED A BIT LESS THAN ITALY. THEY ARE SLIGHTLY BELOW 95%.

OUR MERCHANDISING MIX IS INDEED CHANGING, YOU KNOW, IT'S PAGE 11 NOW, YOU KNOW, THAT ONE OF THE GOALS NOT ONLY IN THE NEW BUSINESS PLAN, BUT ALSO IN THE PREVIOUS ONE. IT'S THE CHANGING MERCHANDISING MIX TOO...WITH A SLOW REDUCTION OF THE APPAREL OF CLOTHING, 3 YEARS, YOU SEE 2019, 2020, AND 2021, 3 YEARS, SO WE ARE REDUCING THE RELIANCE ON CLOTHING. YOU SEE CLOTHING STORES, ACCESSORIES, FOOTWEAR, LEISURELY SPORT, WHICH IS A NEVER GROWING COMPONENT IN OUR SHOPPING CENTERS. SO THE MIX IS GROWING VIS-À-VIS WELL, WITH A MORE INNOVATIVE PRODUCT CLASSES. ALSO HOUSEHOLD GOODS 8.8% AND THEN CULTURE, LEISURE, AND GIFT ITEMS WERE FLAT OVER THE LAST FEW YEARS.

AND THEN PERSONAL AND HEALTH CARE 4.4%, AND THEN ELECTRONICS, WE'LL SEE THAT LATER, STRESSING THAT IT'S ONE OF THE SECTORS THAT PERFORMED BEST IN OUR SHOPPING CENTERS IN 2021 TOGETHER WITH HOUSEHOLD GOODS AND THEN ENTERTAINMENT AGAIN, IT'S FLAT, JUST LIKE RESTAURANTS,

LET ME REMIND YOU, THOSE ARE THE INDUSTRIES AND SECTORS THAT SUFFERED MOST. THINK OF THE CINEMAS, OF PLAYGROUNDS FOR KIDS AND THE TYPE OF CLIENTS WHERE IT'S CLOSER TO FAST FOOD THAN TRADITIONAL RESTAURANTS. AND THEN SERVICES, AND IT WILL BE INCLUDED IN THE BUSINESS PLAN.

I WAS TALKING ABOUT TENANT SALES AND HERE YOU HAVE A BREAKDOWN FOR '21. TOP OF THE LIST, YOU SEE HOUSEHOLD GOODS AND THERE'S ALSO WITH SOME NEW ADDITION TO OUR TENANT MIX IN 2021. STRONG DEMAND ALSO FROM CUSTOMERS. PEOPLE ARE SPENDING MORE TIME AT HOME AND THEREFORE THEY WANT TO MAKE THEIR HOMES MORE WELCOMING. THEY BUY A LOT OF THE HOUSEHOLD'S GOODS AND THIS IS A SEGMENT, WHICH IS PERFORMING VERY WELL. ELECTRONICS IS ALSO UP 14%. CULTURE, LEISURE SPORT, AS I SAID BEFORE, AND CLOTHING IS MINUS 4, BUT ACTUALLY IT'S A POSITIVE PIECE OF INFORMATION. CLOTHES, THIS IS THE SEGMENT, WHICH WAS IMPACTED THE MOST OF BECAUSE OF WORKING FROM HOME, AND PEOPLE WERE NOT BUYING CLOTHES TO GO TO WORK. SO HAVING THIS DOWN TO MINUS 4 IS SOMEHOW REASSURING.

CHILD AND SHOES MINUS 15, THE SEGMENT'S, THE INDUSTRIES WHICH WERE HIT THE MOST ARE PERSONAL AND HEALTHCARE AND SERVICES. WE HAVE MORE THAN 20 DENTAL CLINICS. PEOPLE WERE PUTTING OFF THEIR VISITS AT THE DENTAL CLINICS. THEY WERE WAITING FOR BETTER TIMES TO GO TO THE DENTIST. AND THE SAME HOLDS TRUE FOR RESTAURANTS. RESTAURANTS WERE BADLY HIT BY THE PANDEMIC.

IN THE FOLLOWING SLIDES, YOU SEE SOME EXAMPLES OF A FEW NEW INNOVATIVE BRANDS WE'VE ADDED TO OUR TENANT MIX. THE FIRST ONE IS DYADEA HEALTH CARE AND OUTPATIENT CENTERS, WE OPENED THE FIRST MEDICAL CENTER OF DYADEA IN CENTROBORGO, BOLOGNA, THIS IS A QUITE AN OLD, I MEAN, OUTDATED SHOPPING MALL CLOSE TO BOLOGNA.

THIS WILL BE JUST THE FIRST OF A LONG SERIES, WE ARE CONFIDENT THAT NEW OPENINGS WILL TAKE PLACE WITH DYADEA, ANOTHER ONE WILL BE OPENED IN CASILINO, A SIMILAR MEDICAL CENTER WITH ANOTHER TENANT. SO THIS IS AN AREA SEGMENT WE WANT TO FOCUS ON GOING FORWARD.

POKE, THIS IS A NEW RESTAURANT BRAND, YOUNG PEOPLE LOVE IT, POKE IT'S A HAWAIIAN FOOD, BUT OPENED IT IN 3 SHOPPING MALLS. AND PORTOBELLO HAS BEEN ON FINANCIAL NEWS PAPER, HOUSEHOLDS GOODS. BUT THERE ARE ALSO SOME MORE TRADITIONAL TENANTS SUCH AS PANDORA ON PAGE 14, A NEW OPENING IN CATANIA. AND THIS PEPCO, THIS IS A NEW POLISH BRAND, WE STARTED WITH THEM IN ROMANIA, WITH OUR ROMANIAN PORTFOLIO. THEY WERE INTERESTED ALSO IN OPENING UP IN ITALY, AND WE HAVE ALREADY OPENED A FEW LOCATIONS, AND A FEW MORE WILL BE OPENED IN 2022.

ELECTRONICS IS ANOTHER SEGMENT WHERE WE ARE BETTING ON, WE ARE QUITE CONFIDENT WITH IT. WE ARE TALKING ABOUT ROMANIA. IN ROMANIA, WE HAD 44 NEW OPENINGS IN '21, THESE ARE SOME EXAMPLES WITH SOME NEW BRANDS.

PAGE 16, WHAT ABOUT COLLECTIONS RATES. WELL, WE ARE DOING WELL IN THIS AREA TOO. IN 2021, WE ARE ALMOST AT 100%, SLIGHTLY BETTER IN ROMANIA 96%, ITALY IS 94%. THE COLLECTION IMPROVED QUITE DRASTICALLY DURING THE SECOND HALF OF THE YEAR. ALL OF THIS HAPPENED DURING A YEAR WHEN DESPITE THE STRONG DEMAND FROM OUR TENANTS FOR HELP, WE GRANTED TEMPORARY DISCOUNTS, MONTHLY PAYMENTS, AS OPPOSED TO QUARTERLY PAYMENTS, MONTHLY BILLING FOR 3 QUARTERS. WE USED A MONTHLY BILLING. SO 2021, WAS NOT AN EASY YEAR AND DESPITE THAT, WE HAVE ACHIEVED VERY GOOD RESULTS. AND WE'VE SEEN THAT OUR COMPARABLES, WE FARE VERY WELL COMPARED TO OUR COMPARABLES.

I'LL NOW MOVE TO THE NEXT THE 3 PAGES, STARTING ON PAGE 17. THIS MORNING OUR BOARD OF DIRECTORS APPROVED THE FINANCIAL REPORT FOR 2021, BUT THE BOARD HAS ALSO APPROVED THE SUSTAINABILITY REPORT FOR THIS 3 YEARS IN A ROW. IT'S BEEN 3 YEARS THAT WE EXAMINE AND APPROVE THE SUSTAINABILITY REPORT. THIS YEAR, WE'VE DECIDED TO DISCLOSE THE SUMMARY OF OUR SUSTAINABILITY PROJECT AND PLAN MID-MARCH, OUR FULL SUSTAINABILITY REPORT WILL BE PUBLISHED ON OUR WEBSITE AND THIS WILL BE THE 12TH SUSTAINABILITY REPORT FOR IGD.

WE HAVE CREATED AN ACRONYM BECOMING 'GREAT' AND EACH LETTER OF GREAT ACCOUNTS FOR A DIFFERENT AREA. SO G IS FOR GREEN, R FOR RESPONSIBLE, E FOR ETHICAL, A FOR ATTRACTIVE AND T FOR TOGETHER, AND HERE YOU HAVE SOME OF THE MAIN INDICATORS FOR THIS ACRONYM. THOSE THAT WE TAKE TO THE ATTENTION OF OUR INVESTORS, SO NOT JUST A GREEN TARGETS, BUT WE'VE ALSO BEEN ABLE TO HIT THE NAIL ON THE HEAD IN OTHER SUSTAINABILITY AREAS.

I'D LIKE TO MENTION A FEW WORDS AND RATINGS THAT WE HAVE BEEN AWARDED AS FAR AS SUSTAINABILITY IS CONCERNED. WELL, FIRST OF ALL, EPRA HAS GRANTED US FOR THE FOURTH TIMES IN A ROW, THE BPR GOLD AWARD, AND THEN ALSO AS FAR AS THE SUSTAINABILITY REPORT. THIS IS THE 7TH YEAR IN A ROW. QUITE A FEW WORDS AND RATINGS INDEED, WITH THE QUALITY SCORE WE HAVE THE BEST SCORE FOR QUALITY SCORE, AS FAR AS, GOVERNANCE IS CONCERNED. WE'VE ALREADY RECEIVED A 11 INDEPENDENT ESG RATING, IT WAS 6 ESG RATINGS IN 2020. SO WE HAVE 5 MORE, 4 OF THE 6 INDICATORS ARE INCREASING.

LET ME ALSO MENTION THAT WE ARE INCLUDED IN 8 STOCK ESG FOCUSED INDEXES. ON PAGE 19, YOU SEE SOME CERTIFICATIONS FOR EXAMPLE, BIOSAFETY TRUST CERTIFICATION ISO 37001, WHICH IS THE ANTI-BRIBERY CERTIFICATION AND THEN YOU HAVE UNI ISO 14001 CERTIFICATION. ALMOST THE ENTIRE PORTFOLIO HAS THE ISO 14001 CERTIFICATION. AND FINALLY, THE BREEAM CERTIFICATION FOR SHOPPING CENTERS. OUR BUSINESS PLAN AIMS AT INCREASING THE NUMBER OF CERTIFICATIONS.

ONE OF THE BIG NEWS FOR 2021 IS THE FAIR VALUE EVALUATION OF OUR PORTFOLIO. WE ARE WORKING WITH A 4 BIG INDEPENDENT APPRAISERS, LIKE-FOR-LIKE AS I SAID WE HAVE GROWN BY 0.64% IN TERMS

OF PORTFOLIO FAIR VALUE. THERE IS A BIG SPREAD BETWEEN OUR NET YIELDS VERSUS SOME GOVIES, USING A 5 YEAR TIMEFRAME BECAUSE OUR CONTRACT HAVE A 5 YEAR TERM.

ON NEXT SLIDE, YOU SEE SOME OF THE FAIR VALUES PER ASSET CLASS 2021. YOU SEE THAT THE BULK OF IT IS A MOLD IN ITALY, 1.451 THE HYPERMARKET SEGMENT IS GOING DOWN IN ITALY. SO WE'VE GONE DOWN BY €140 MILLION THIS ASSET CLASS HAS GONE DOWN BELOW 20%. THE HYPERMARKET ACCOUNT FOR LESS THAN 20%. AND THEN ON THE RIGHT SIDE YOU SEE SOME OTHER NET INITIAL YIELD INDICATORS AND ALSO THE NET INITIAL YIELD TOP DATA.

IN 2021, WE HAD IN TOTAL INVESTMENTS FOR ROUGHLY €23 MILLION. SOME OF THEM HAD AN IMPACT IN TERMS OF THE VALUATIONS. SO WITH OUR FAIR VALUE EVALUATIONS, WE ARE ABLE TO COVER FOR MOST OF OUR CAPEX. PORTFOLIO EVOLUTION IS ON PAGE 23, WE WENT FROM €2.265 BILLION AT YEAR-END. THE MALLS ASSET CLASS WENT UP TO 69.2%, HYPER WHEN DOWN BELOW THE 20% THRESHOLD.

SOME OF THE MAIN ACTIVITIES WERE CARRIED OUT IN 2024 ARE SUMMARIZED ON PAGE 24. SOME OF THE MAIN INVESTMENTS WERE FOCUSED ON 2 HYPERMARKET REMODELING. AS YOU KNOW VERY WELL WE ARE CONTINUING IN THIS DIRECTION, WE ARE REMODELING THE HYPERMARKET SERVICES. WE HAVE ALREADY REDUCED HYPERMARKET SERVICES IN THE PAST. IN 2021, WE INVESTED IN CASILINO AND HERE YOU HAVE SOME FACTS AND FIGURES ABOUT THESE REMODELING.

BUT PROBABLY THE MOST IMPORTANT TRANSACTION FOR 2021 IS DESCRIBED ON SLIDE 25. THE DISPOSAL WE MADE AT THE END OF '21. IT WAS NOT AN EASY TRANSACTION WITH A BRITISH UK COUNTERPART. WE DISPOSED OF A PORTFOLIO INCLUDING 5 HYPERMARKETS AND ONE SUPERMARKET. THE TOTAL VALUE OF THE TRANSACTION WAS SLIGHTLY ABOVE €140 MILLION, WHICH MEANS AT BOOK VALUE. THE NET CASH IN WAS €25 MILLION INTO THE VEHICLE THAT WAS CREATED TO MANAGE THIS PORTFOLIO. SO THE TOTAL NET CASH IN WAS €115 MILLION.

WHAT ABOUT 2022? YOU SEE THAT ON PAGE 26. WE ARE STILL INVESTING IN ESG ORIENTED PROJECTS. PLEASE FOCUS ON THE FIRST 2 BOXES ON THIS SLIDE. THIS IS WHAT WE'RE DOING IN RAVENNA, WHICH IS TO BE REGARDED AS OUR KEY ASSET. WE ARE NOW REVAMPING AND DE-CARBONIZING THE RAVENNA MORE. WE AIM AT ZERO EMISSIONS BY 2023, WHICH IS ABSOLUTELY IN LINE WITH OUR BUSINESS PLAN TARGETS. IN RAVENNA, WE ARE ALSO INSTALLING SOME FITTINGS, SOME AI DEVICES AND WE WILL BE DOING THIS ALSO IN OTHER SHOPPING MALLS.

GIVEN THE CURRENT INCREASE OF THE ENERGY BILL, WE ARE WORKING ON THE PRODUCTION OF ALTERNATIVE OR RENEWABLE ENERGIES THAT THIS IS AN EXAMPLE OF WHAT WE ARE DOING IN MANTOVA AND GROSSETO WHERE WE ARE FITTING SOME PHOTOVOLTAIC CAR SHELTERS. THE IDEA IS TO PROVIDE OUR VISITORS WITH MORE COMFORT, YOU KNOW, ALLOWING THEM TO PARK THEIR CAR BELOW A SHELTER THIS IS PARTICULARLY PLEASING DURING VERY HOT DAYS IN ITALY OR YOU KNOW PROTECTING THEM FROM THE

RAIN DURING RAINY DAYS. BUT AT THE SAME TIME THIS WILL ENABLE US TO PRODUCE 250 KILOWATTS IN MANTOVA AND 3 TIMES AS MUCH IN GROSSETO.

IN LINE WITH OUR BUSINESS PLAN, AND NOW I'M ON PAGE 27, BUT ALSO OPENING UP A NEW SMART, YOU KNOW, SMART WORKING AREAS OR JOINT WORKING AREAS. THIS IS WHAT WE ARE DOING AT CENTRONOVA, BUT THERE IS SOMETHING EVEN MORE INTERESTING. THIS IS WHAT WE ARE DOING IN ROMA CASILINO ON PAGE 28. WE CALLED IT A CASILINO SKY PARK. THEY ARE ON THE ROOF TOP OF CASILINO. WE ARE OPENING UP GREEN AREAS, THE PLAY AREAS, SPORT FACILITIES. THIS PROJECT WILL BE FINALIZED BY THE END OF 2022. YOU HAVE AS A RENDERING. THERE ARE 2 SMALL PICTURES YOU SEE BELOW ARE REAL PHOTOS OF PADDLE FIELDS AND WE ARE REALLY AIMING PADDLE COURTS. SO THIS WILL BE OPEN AT THE END OF 2022.

ON PAGE 29, YOU SEE SOME OTHER PROJECTS THAT WE HAVE IN OUR PIPELINE. WE ARE CURRENTLY WORKING IN CATANIA AND PALERMO FOR THE HYPERMARKET REMODELING. IN CATANIA, THE HYPERMARKET HAS ALREADY BEEN REDUCED. WE NOW HAVE A NEW TENANT. PALERMO WILL OPEN IN THE COMING WEEKS AND AS WE DID FOR CATANIA, WE WILL ATTEND THE INAUGURATION EVENING. SO THE NEW SERVICES WILL BE GIVEN VERY SOON. SO I THINK THE BUILDING WORKS WILL BE FINALIZED IN THE COMING WEEKS. AS YOU SEE, THE TOTAL INVESTMENT IS ROUGHLY €3 MILLION. WE ARE MOVING WITH 2 MAJOR RE-STYLING STARTING IN 2021. ONE WILL BE COMPLETED IN MANTUA IN THE SECOND HALF OF 2022 AND THEN SAN BENEDETTO DEL TRONTO IN H1 2023.

AND THERE WILL BE A VERY STRONG RE-STYLING OF THE SHOPPING MALL AND REMODELING OF THE FOOD COURT, THE BUILDING OF NEW SURFACES, ET CETERA. THEN THE PHOTOVOLTAIC PANELS ON TOP OF THE SHELTERS OUTSIDE AND ON THE ROOF TOPS. AND THEN YOU SAW A LOT OF OUR EFFORTS, A LOT OF OUR CAPEX IS FOCUSED ON PORTAMEDICEA IN LIVORNO. WE WERE DELAYED BECAUSE OF THE PANDEMIC LAST YEAR. SO WE HAVE MOVED THE OPENING BACK IN Q3, BETWEEN JULY AND SEPTEMBER.

WE DON'T HAVE A PRECISE DATE YET BUT WE ARE WORKING ON IT. AND I WOULD LIKE TO STRESS HOWEVER THAT WE HAVE LOTS OF INTEREST IN THE RESIDENTIAL PART. WE HAVE SOLD ALL OF THE 73 FLATS OF PIAZZA MAZZINI. THAT HAPPENED IN THE PAST. THEN THERE ARE 42 MORE FLATS TO BE SOLD. THEY SHOULD BE DELIVERED TOGETHER WITH THE ACTUAL OPENING OF OFFICINE STORICHE. WE ALREADY HAVE 22 BINDING PROPOSALS AND 18 WE HAVE PRELIMINARY CONTRACTS ALREADY SIGNED OUT OF 42 FLATS.

LET'S NOW MOVE ON TO ECONOMIC AND FINANCIAL DATA. NET RENTAL INCOME, AS I SAID AT THE BEGINNING, GOES FROM €108.5 TO €118.5 IN 2021. IT'S A CLEAR GROWTH MAINLY DRIVEN BY THE LOWER COVID IMPACT TAKING UP ABOUT A €11 MILLION ON A LIKE-FOR-LIKE BASIS. IT'S DOWN €4 MILLION BECAUSE OF A DECLINE AND THE SHOPPING MALL ASSET CLASS. WE HAVE BEEN MARKETING THEM WITH OPENING TIME AND THEREFORE INCOMING RENT FLOWS THAT ARE STILL SLOW AND ARE NOT YET

COMPLETE. SO WE GET TO A GROSS OF NET RENTAL INCOME OF 8.2%. ROMANIA GREW 9% VERSUS ITALY THAT GREW 8.1% ON AVERAGE.

PAGE 33, THAT'S OUR CORE BUSINESS EBITDA. IT'S BACK ABOVE THE €100 MILLION THRESHOLD. WE STOOD AT €99.4 LAST YEAR AND WE ARE BACK TO €107.3 MILLION IN 2021, THANKS TO THE CHANGE IN THE REDUCTION OF COVID IMPACT. AND EBITDA MARGIN, CORE BUSINESS EBITDA MARGIN IS AGAIN BELOW 70%.

THE FINANCIAL MANAGEMENT IS IMPROVING, PAGE 34, BOTH IN ABSOLUTE TERMS THAT IS TO SAY INCLUDING NONRECURRING ITEMS. SO NET OF NONRECURRING OR ONE OFFS IT'S UP 7.2% BUT ALSO IF WE INCLUDE THEM, IT'S STILL IMPROVING €3 MILLION. THE AVERAGE COST GOES FROM 2.3% TO 2.3%. IT'S THE AVERAGE COST OF OUR DEBT STOCK.

I'M ABOUT TO WRAP UP. LET'S MOVE TO PAGE 35, FFO. FFOs, AS I SAID BEFORE, AT THE BEGINNING OF THE PRESENTATION, WE OUTPERFORMED THE GUIDANCE THAT WAS REVISED UPWARD IN AUGUST IN A RANGE 7% TO 8% AND IT'S GROWING THANKS TO THE EIBITDA GROWTH. WE ARE 64.7, UP 9.2%, SO MORE THAN 1 PERCENTAGE POINT VERSUS THE TOP PART OF THE RANGE. ALSO IMPROVING ARE THE APRA CAPITAL RATIOS. YOU SEE NRV WHICH BASICALLY IS THE FORMER NAV, NET ASSET VALUE, GOING FROM 10.38 TO 10.85, NOT HAVING PAID OUT DIVIDENDS IN 2021 HELPS TOWARDS THAT INDEED. THAT ONE HAPPENED IN 2022 AS WE WILL BE...AS YOU HAVE SEEN WE ARE BACK TO PAYING DIVIDENDS. SO WE ARE GOING TO BE BACK TO BEING A DIVIDEND COMPANY.

THIS IS A VERY INTERESTING SLIDE INDEED BECAUSE IT SHOWS YOU QUARTER-ON-QUARTER HOW THE COMPANY GENERATED CASH INSTEAD OF BURNING IT. AND THANKS TO OUR MANAGEMENT, PLUS WE CASHED-IN, THANKS TO THE DISPOSAL OF THE JUICE PORTFOLIO, ABOUT €10 MILLION PER QUARTER IN THE FIRST TWO AND THEN THERE'S THE CASH FLOW GENERATED. AND AFTER THE RESTRICTIONS WERE LIFTED, CASH FLOW STARTED MOVING BETTER AND TENANTS STARTED PAYING MORE, WOULD GIVE THEM SOME DELAYS, EXTENSIONS ET CETERA. AND SO Q3 PERFORMANCE WAS THE BEST IN TERMS OF OPERATING CASH FLOW AND THEN ALSO CASH FLOW FROM IVQ, 14.6. THE DEBT WENT DOWN €168 MILLION AND 984 IS THE NET FINANCIAL POSITION.

IN THE COMPARISON BETWEEN 2020 AND 2021, ALL INDICATORS ARE IMPROVING, ALL THE RATIOS ARE IMPROVING. LOAN TO VALUE IMPROVED BY 5 PERCENTAGE POINTS BUT ALSO ICR IMPROVED 3.3 TIMES. AVERAGE COST OF DEBT DOWN ANOTHER 10 BASIS POINTS AND THE NET DEBT ON EBITDA COVERAGE IS BELOW THE DOUBLE-DIGIT THRESHOLD. SO WE ARE AT 9.2 TIMES WITH THE OPPORTUNITY TO FURTHER DECREASE OVER THIS YEAR.

PAGE 38, THE CASH AT YEAR END WAS SLIGHTLY LESS THAN €160 MILLION AND THEN IT INCREASED IN Q1 AND WE WILL USE THE CASH AT HAND TO SERVICE OUR MATURITIES FOR 2022 AND THAT MATURITY AND ORDINARY CASH PROCEDURES AND CASH TRANSACTIONS. AND THEN IN 2023, WE HAVE STRONGER MATURITIES AND THEN ALSO IN 2024, WE ARE ENVISAGING A REFINANCING AHEAD OF TIME OF OUR 2023 MATURITIES.

WE ARE WORKING ON THE ISSUANCE OF GREEN BOND. I'M SAYING BOND GREEN AND ANYWAY MR. ALBERTINI WAS SAYING THAT IN ITALIAN. ANYWAY, IT'S GOING TO BE A GREEN BOND AND WE ARE WORKING TO REFINANCE IN Q2 PRACTICALLY. CAN I SAY THAT? OKAY. THANK YOU VERY MUCH. I WAS ASKING COLLEAGUES, WHO ARE EXPERTS IN FINANCE FOR PERMISSION TO SAY THIS. JOKES ASIDE, WE ARE WORKING ON THIS ISSUANCE AND WE ARE CONFIDENT THAT WELL, IF MARKETS WILL ALLOW FOR IT, THIS IS NOT THE RIGHT TIME TO...MAYBE TO MENTION IT. BUT WE HOPE TO HAVE THE ISSUANCE IN THE SECOND QUARTER WITH RATINGS THAT WERE IMPROVED BY THE AGENCY THAT COVERS ITS FITCH RATINGS AND S&P GLOBAL. FITCH WENT FROM NEGATIVE TO STABLE, S&P IS ONE NOTCH LOWER, BUT THEY IMPROVED THEIR OUTLOOK FROM NEGATIVE TO STABLE OVER THE COURSE OF 2021.

VERY WELL, WE ARE ABOUT TO WRAP UP. PROPOSED DIVIDEND PER SHARE, THIS MORNING DURING THE BOARD MEETING A RESOLUTION TO BE SUBMITTED TO THE AGM ON APRIL THE 14TH IS €0.35 DIVIDENDS PER SHARE WITH A DIVIDEND YIELD OF €8.4. AND THE COUPON IS THE 9TH AND THEN AGAIN, THE DIVIDEND PER SHARE PAID OUT.

THE GUIDANCE WE HAD GIVEN WERE €0.25 TO €0.30. WHY DID WE MAKE A DECISION TO GIVE A HIGHER DIVIDEND TO PAY OUT? IF YOU REMEMBER DURING THE DISPOSAL TRANSACTIONS, THERE'S A CERTAIN SHARE OF DIVIDENDS THAT ACCORDING TO THE CQ REGULATION HAVE TO BE DISTRIBUTED OVER 2 YEARS. AND WITH THE PROPORTIONS WE CAN DECIDE UPON. SO INSTEAD WE HAVE DECIDED TO USE THIS LITTLE TREASURE OF DIVIDENDS TO PAY IT OUT NOW RATHER THAN SPREAD IT OVER 2 YEARS. SOMEHOW YOU WILL FIND ALL THE DETAILS IN THE PRESS RELEASE THAT WE SENT TO YOU. WELL, AT LEAST PART OF THAT MONEY €7 MILLION TO ROUND UP OUR DIVIDEND.

WELL MANDATORY WAS ABOUT €0.29, AND SO WE ARE PAYING OUT €0.35 AND FOR THE NEXT FISCAL YEAR IN 2023, THE BOARD AND THE AGM WILL APPROVE A NEW DIVIDEND. AND SO, WE TAKE THIS FORWARD FOR ANOTHER €10 MILLION, BECAUSE OF THE SIIQ REGULATIONS WE HAVE IT IS MANDATORY FOR US TO PAYOUT THAT AMOUNT THAT IS €7 MILLION THIS YEAR AND €7 MILLION THE NEXT YEAR, BUT WE STARTED THIS YEAR ALREADY EMBEDDING IT INTO OUR DIVIDEND PER SHARE.

WE THINK SHAREHOLDERS WILL APPRECIATE IT REGARDLESS WHETHER THEY'RE SMALL, MEDIUM OR LARGE, SHAREHOLDER. IGD EVER SINCE 2005, WHEN WE WENT PUBLIC, WHEN WE WERE FLOATED, WE'VE ALWAYS PAID DIVIDENDS FROM 2005 ONWARDS TO REALLY PRESERVE OUR FINANCIAL STRUCTURE. AND LAST YEAR, WE COULDN'T PAYOUT THE DIVIDEND AND IT WAS A PAINFUL DECISION. AND IT DID NOT WORK OUT

POSITIVELY FOR OUR SHARE PRICE. BUT THIS YEAR, WE ARE BACK TO BEING A DIVIDEND COMPANY, AS I SAID. AND WE WANT TO RETAIN THAT ALSO GOING FORWARD FOR THE COMING YEARS.

THE LAST YEAR, THE FISCAL YEAR WAS QUITE CHALLENGING AGAIN. IT'S STILL CHALLENGING THIS YEAR TO EVEN MAYBE LESS SO, BUT WE HAVE A GROWTH OUTLOOK IN OUR FFOs. AS I SAID BEFORE, THOSE UNCERTAINTIES ARE LIGHT AREAS AND DARK AREAS GOING FORWARD. THE PANDEMIC IS IMPROVING, BUT MR. DRAGHI SAID WE'RE GOING TO OPEN EVERYTHING. SO FOR US, THAT IS GOOD NEWS, INDEED. BUT THERE ARE STILL CLOUDS AHEAD OF US, ESPECIALLY NOW AND IT'S CLOUDS THAT ARE VERY THICK INFLATION AT THE END OF THE YEAR, SOME GROWTH OF THE ECONOMY, SO SOME DEMAND ON PRIMARY GOODS AND STAPLES AND FOR ENERGY, BUT WE DIDN'T EXPECT SUPPLY NOT BE ABLE TO MATCH DEMAND. WE DIDN'T EXPECT THIS GEOPOLITICAL CRISIS.

I HOPE, I'M WRONG, I HOPE THIS IS GOING TO BE THE PERFECT STORM. SO BLACK SWAN, IF YOU WISH. BUT WE ARE LEAVING A PANDEMIC CRISIS, AND WE'RE ENTERING AN ENERGY CRISIS. EVER SINCE I'VE BEEN CEO, IT WOULD BE THE 4TH CRISIS OF 2008-2009 THE SUBPRIME CRISIS FROM THE REAL ESTATE BUBBLE, THEN 2011-2012 THE SOVEREIGN DEBT CRISIS, AND THEN END OF THE PANDEMIC, WE WOULDN'T HAVE WANTED TO HAVE NOW THIS TYPE OF THREAT AHEAD OF US.

I THINK IGD SOMEHOW GEARED UP FOR THE CHALLENGE. SOMEHOW, WE ARE READY EVEN IN OUR FINANCIAL STRUCTURE. WE ARE WORKING TO MITIGATE RISKS, AND WE WANT TO BE CLOSE TO OUR TENANTS. WHILE WE THROW A HARPY ON THE HURDLE SOMEHOW. ON THE OTHER SIDE OF THE HURDLE, WE WANT TO GIVE YOU THIS GUIDANCE 9% TO 10% GROWTH OF OUR FFO, SO WE SHOULD BE ABOVE €70 MILLION AGAIN, AS FAR AS, FFO'S ARE CONCERNED.

I WRAP UP WITH SLIDE PAGE 43. THIS IS OUR AGENDA, THE SHAREHOLDERS MEETING APRIL THE 14TH. AND THEN EARNINGS REPORT ON MAY THE 1ST IS GOING TO BE Q1 RESULTS. WE HOPE THINGS WILL IMPROVE FROM NOW AND THEN OVER THE 1ST THE INTERIM REPORT NOVEMBER 3, THE EARNINGS REPORT Q3.

ON THE RIGHT HAND SIDE YOU SEE OUR INVESTOR RELATIONS APPOINTMENTS WILL BE ATTENDING THE START CONFERENCE ON MARCH THE 23RD. WE WERE CALLED TO THE CPI CONFERENCE IN PARIS. AND THEN FROM JUNE THE 27TH TO JULY THE 1ST IS THE ITALIAN SUSTAINABILITY WEEK, THE ITALIAN STOCK EXCHANGE. AND YOU KNOW THAT WE ARE WORKING ON THAT AND THEREFORE WILL BE A PLAYER. IT TOOK ME ABOUT 40 MINUTES, BUT WE HAVE 2 HOURS. SO NOW WE HAVE ALL THE TIME TO TAKE YOUR QUESTIONS. SO I'M HERE WITH THE COLLEAGUE FROM THE HEADQUARTERS AND OTHER COLLEAGUES AS WELL TO TAKE ALL OF YOUR QUESTIONS AND PROVIDE CLARIFICATION.

Q&A

OPERATOR: THIS IS THE CHORUS CALL OPERATOR. WE'RE NOW STARTING THE Q&A SESSION. WHOEVER WHO WISHES TO ASK A QUESTION, PLEASE PRESS "*" AND "1" ON THEIR PHONE KEYPAD, TO BE REMOVED FROM THE Q&A QUEUE, PLEASE PRESS "*" AND "2" ON YOUR PHONE KEYPAD. NOW, USE YOUR PHONE HEADSETS TO ASK THE QUESTIONS. IF YOU WANT TO ASK A QUESTION, PRESS "*" AND "1" ON YOUR PHONE NOW.

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

DARIO MICHÌ: GOOD AFTERNOON, EVERYONE. AND THANK YOU VERY MUCH FOR THE PRESENTATION. I HAVE A SERIES OF QUESTIONS. THE FIRST ONE HAS TO DO WITH INFLATION. DURING THE PREVIOUS CALL YOUR GUIDELINES WAS 1.5% INFLATION IMPACT ON 2020...

CLAUDIO ALBERTINI: SORRY, MAYBE YOU SHOULD SPEAK UP OR THERE ARE SOME INTERRUPTIONS. I CAN'T HEAR YOU.

DARIO MICHÌ: DURING YOUR PREVIOUS CALL, YOUR GUIDANCE, AS FAR AS, INFLATION WAS CONCERNED WAS 1.5% FOR 2022. IS THIS EXPECTATION TOO CONSERVATIVE BASED ON WHAT'S HAPPENING RIGHT NOW? AND WHAT COULD THE IMPACT BE IN TERMS OF REQUESTS COMING FROM YOUR TENANTS?
SIMILAR QUESTION ON THE SAME TOPIC, WHAT'S IN YOUR OPINION, THE IMPACT OF THE ENERGY CRISIS? YOU WERE MENTIONING THE CRISIS IN YOUR PRESENTATION? WHAT'S THE IMPACT FOR YOUR TENANTS? DO YOU THINK YOUR TENANTS WILL ASK FOR A RESCHEDULING OF THE PAYMENT TERMS?
THIRD QUESTION, OUTLOOK FOR 2022 FOOTFALLS IN JANUARY WERE GOING DOWN. WHAT WOULD YOU EXPECT FOR THE REST OF THE YEAR?
AND FINALLY, I'M CURIOUS ABOUT THE PORTFOLIO VALUE DYNAMICS FOR THE PORTA A MARE MALL DEVELOPMENT. WHAT IMPACTS THE PORTFOLIO VALUATION GROWTH?

CLAUDIO ALBERTINI: I GIVE THE FLOOR TO ROBERTO ZOIA.

ROBERTO ZOIA: YES, INDEED, WE WERE QUITE PRUDENTIAL AND CONSERVATIVE IN OUR GUIDELINES. WE WERE NOT EXPECTING SUCH A HIKE IN THE INFLATION. THE INFLATION THAT WAS USED FOR THE FIRST BILLS WAS 3.8% AT THE END OF Q1. WELL, THE TENANTS RESPONDED QUITE WELL ALMOST 70% OF OUR TENANTS HAVE PAID THEIR BILLS. TO SOME OF THEM WE HAVE GRANTED SOME SOFT TERMS. WE HAVE PUT OFF THE PAYMENTS, WE HAVE GRANTED SOME EXTENSIONS. WE HAVE ACCEPTED MONTHLY PAYMENT RATHER THAN INSTEAD OF QUARTERLY PAYMENTS. BUT AS I SAID, THE COLLECTION RATE IS QUITE GOOD, 70% OF OUR TENANTS HAVE PAID THEIR BILLS ALREADY. THE ENERGY CRISIS WILL IMPACT OUR TENANTS AND THE ENTIRE

SUPPLY CHAIN. IT WILL DEPEND ON THE PRODUCTS THEY SELL. SO THERE WILL BE A DIFFERENT IMPACT DEPENDING ON THEIR BUSINESS SUPPLY CHAIN. WHAT REALLY WORRIES ME IS ACTUALLY THE SLOWDOWN IN THE CONSUMPTION RATE BECAUSE THE ENERGY BILLS, THE COST OF ENERGY, THE INFLATION WILL ERODE THE PURCHASING POWER OF THE FINAL CONSUMERS. THIS SITUATION IS CONSTANTLY CHANGING.

CLAUDIO ALBERTINI:

RIGHT NOW WE ARE GOING THROUGH A DRAMATIC TIME IN HISTORY GIVEN WHAT'S HAPPENING IN THE DONBAS AND IN UKRAINE. WE WILL SEE WHAT HAPPENS IN THE FEW WEEKS. WE ARE ALREADY IMPLEMENTING SOME MITIGATION MEASURES. OUR COMMERCIAL DEPARTMENT IS CONSTANTLY IN TOUCH WITH THE TENANTS. OVER THE LAST 3 YEARS, WE HAVE FOCUSED ON CREATING A VERY STRONG RELATIONSHIP WITH OUR TENANTS. ALL THE DISCOUNTS, THE EXTENSIONS WE HAVE GRANTED ARE THE RESULTS OF HUNDREDS OF MEETINGS. LAST YEAR ONLY, WE HAD 900 MEETINGS WITH OUR TENANTS. WE NOW HAVE A CONSTANT DIRECT DIALOGUE WITH THEM. THEY FEEL WE ARE CLOSE TO THEM, SO WE ARE WORRIED ABOUT THE EMERGING POLITICAL SITUATION BUT WE ARE NOT IN AN ALARM MODE. WE ARE MONITORING THE SITUATION AND WE ARE WORRIED. IT'S WELL BEYOND OUR SCOPE OF ACTION. WE ARE TRYING TO DO OUR BEST TO MITIGATE THE RISKS, I MEAN, AS MUCH AS WE CAN. WE WILL BE MONITORING HOW THE SITUATION EVOLVES AT GLOBAL LEVELS. I THINK AS FAR AS PORTA A MARE IS CONCERNED. I THINK ROBERTO IS BETTER PLACED TO ANSWER. ROBERTO ZOIA.

ROBERTO ZOIA:

WELL, THE DEVELOPMENT PIPELINE IS QUITE EASY. THE VALUATIONS WERE MADE WITH THE VALUE AT THE END OF THE WORK MINUS THE COST OF THE WORKS AT COMPLETION. IN 2021, WE HAVE SPENT SOME €10 MILLION. SO, GIVEN THE SAME VALUATION WE SHOULD HAVE LANDED AT 1.04. AS A MATTER OF FACT, WE LANDED AT 99, WHICH MEANS THERE WAS A WRITE DOWN ON PORTA A MARE WHICH IS DUE TO 3 MAINS AREAS. THE REVIEW ON THE OFFICINE STORICHE SEGMENT PART. SECOND, COSTS ARE EXPECTED TO GROW AT COMPLETION. AND 3, ON 3 SMALL AREAS, WE HAVE EXTENDED THE TIME BEFORE WE WILL BE ABLE TO PRODUCE SOME REVENUES.

TALKING ABOUT FAIR VALUES, WHAT'S REALLY IMPORTANT IS TO UNDERSTAND, YOU KNOW THE AMOUNT OF TOTAL CAPEX AND ITS FINAL VALUE. I DON'T KNOW WHETHER I WAS CLEAR ENOUGH, AND WHETHER I ACTUALLY ANSWERED YOUR QUESTION.

DARIO MICHI:

YES, YOU DID. THANK YOU.

OPERATOR:

NEXT QUESTION IS FROM SIMONETTA CHIRIOTTI FROM MEDIOBANCA.

SIMONETTA CHIRIOTTI:

GOOD AFTERNOON TO ALL OF YOU. I HAVE 2 QUESTIONS. FIRST QUESTION AFTER THE IMPACT OF INFLATION ON ASSET VALUATION, IF I UNDERSTAND CORRECTLY, IT WAS POSITIVE BUT I WONDER WHETHER YOU WILL EXPECT OTHER FACTORS TO COME INTO PLAY TO OFFSET THIS. I DON'T THINK THERE'LL BE

ANOTHER RATE HIKE OR THAT WE'LL TALK ABOUT RATE HIKE GIVEN THE GEOPOLITICAL SITUATION. BUT, IS THERE ANY RISK PREMIA THAT NEED TO BE FACTORED INTO THE VALUATION TO REALLY REFLECT THE SITUATION WITH THE RISING INFLATION, RATES ARE NOT GROWING AND CONSUMPTION THAT IS UNDER PRESSURE. SO, THAT IS THE FIRST QUESTION.

SECOND QUESTION INSTEAD IS ON FIGURES. WOULD IT BE POSSIBLE TO HAVE THE FFO ADJUSTED VALUE FOR THE FIRST 9 MONTHS OF 2020 AND 2021, SO THAT WE CAN COMPUTE THE FFO ADJUSTED OF Q4 FOR BOTH YEARS BECAUSE AFTER THE 2 MONTHS, YOU STILL GAVE THE UNADJUSTED FFO WITH THE NEGATIVE CARRY STILL EMBEDDED IN IT. AND THEN THE GUIDANCE, I THINK, YOU'RE GIVING IS ON THE FFO-ADJUSTED VALUE OR FIGURE, ISN'T IT? MUST BE CLEAR. THANK YOU.

ROBERTO ZOIA:

LET ME ANSWER THE FIRST QUESTION. AGAIN IT'S ROBERTO ZOIA ANSWERING THE QUESTION ON INFLATION AND RATES. AND RAFFAELE NARDI WILL ANSWER THE SECOND QUESTION.

AFTER THIS YEAR'S VALUATION, THERE WERE APPRAISALS IF YOU WISH. ALL 4 APPRAISERS AND VALUERS FACTORED IN AN INCREASE IN INFLATION. NOT THE ONE WE SEE RIGHT NOW OF COURSE BECAUSE THEY DID A 10-YEAR DISCOUNTED CASH FLOW WITH AN AVERAGE OF 150-170 INFLATION RATE OVER A 10-YEAR TIMEFRAME.

WHAT WILL HAPPEN IN 2022? IT MIGHT BE THAT IF INFLATION STILL SHOWS THIS TYPE OF TREND, MAYBE SOMETHING ON DISCOUNT RATES WILL HAVE TO BE APPLIED TO SOMEHOW MITIGATE INFLATION. IF THERE WERE STILL TO BE AN INFLATION BETWEEN 3 AND 4, IT IS CLEAR THAT DISCOUNT RATES AT THAT POINT WOULD BE INCREASED BY THE APPRAISERS. NOT TO ZERO SETUP BUT SOMEHOW TO MITIGATE IT AND OFFSET IT. AND NOT TO HAVE ANY DISTORTIONS SO TO SAY IN THE FOLLOWING YEARS SHOULD INFLATION GO BACK TO PREVIOUS LEVELS.

RAFFAELE NARDI:

GOOD AFTERNOON, SIMONETTA, THIS RAFAELA SPEAKING. CAN YOU HEAR ME?

SIMONETTA CHIRIOTTI: YES, I CAN HEAR YOU FINE.

RAFFAELE NARDI:

AND I CAN CONFIRM THAT THE FFO WE ARE PROVIDING IS THE ADJUSTED FFO BECAUSE IT'S CONSISTENT WITH THE DISCLOSURE WE HAVE MADE SO FAR. SO FFO END OF SEPTEMBER WAS €48.4 MILLION AND IT INCLUDED ABOUT €3.1 MILLION OF NEGATIVE CARRY THAT WE HAVE STRIPPED OFF AND ABOUT €400,000 IN THE LAST QUARTER AS THE NEGATIVE CARRY FOR 2021.

SIMONETTA CHIRIOTTI: THANK YOU.

RAFFAELE NARDI:

SO, SORRY BECAUSE I NEED TO FIND THE RIGHT BALANCE IN THESE FIGURES. SO, IN FIRST 9 MONTHS OF 2021, IT WAS €48.4 MILLION INCLUDING €3.1 MILLION OF NEGATIVE CARRY, IF I AM NOT MISTAKEN.

SIMONETTA CHIRIOTTI: FIRST 9 MONTHS OF 2020, IS IT POSSIBLE TO KNOW HOW MUCH THE NEGATIVE CARRY WAS?

RAFFAELE NARDI: IN 2020, FIRST 9 MONTHS, IT'S €3.1 MILLION. SORRY, SAYS RAFFAELE AND THEN €400,000 INSTEAD IS WHAT WE INCLUDED OR EMBEDDED FOR 2021 IN THE LAST QUARTER.

SIMONETTA CHIRIOTTI: YES, EXACTLY.

RAFFAELE NARDI: THAT WAS THE FIRST 9 MONTHS. OKAY. AND THEY'RE ALL BOTH COMPARISON, €3.1 MILLION IN 2020 AND €400,000 IN 2021 FIRST 9 MONTHS, END OF SEPTEMBER AND IN Q4, THERE WAS NOTHING LEFT BECAUSE THERE WAS NO MORE EFFECT DRIVEN BY THE NEGATIVE CARRY WE HAD COMPUTED. AND FROM NOW ON THERE'LL BE NO MORE. OF COURSE, BUT IN THE PAST, NO, THERE'LL BE NO MORE NEGATIVE CARRY. WE DO VALUE THE NEGATIVE CARRY BECAUSE IT'S REFERRED TO ISSUANCES THAT ARE NOT USED OR ACQUIRED RIGHT AWAY. THE NEGATIVE CARRY IS USED OR EMBEDDED AS MR. ALBERTINI SAID, IF WE ISSUE A BOND TO GET AN EARLIER REFINANCING OF THE MATURITIES. AND IF YOU DON'T GET THE PURCHASES FOR THE INSTRUMENTS YOU HAVE ISSUED, YOU HAVE A NEGATIVE CARRY, IT WILL DEPEND ON THE AMOUNT ONCE WE ACTUALLY DO THE ISSUE AND WILL REDUCE UNTIL YOU'VE USED THE ENTIRE AMOUNT OF THE ISSUANCE UNTIL YOU'VE COVERED THE ENTIRE ISSUANCE.

OPERATOR: MR. ALBERTINI, THERE ARE NO MORE QUESTIONS.

CLAUDIO ALBERTINI: THANK YOU VERY MUCH. SO, I HOPE TO SEE YOU AGAIN, ON MAY THE 15TH, AFTER THE FIRST QUARTER OF 2022 REPORT.

OPERATOR: THIS IS THE OPERATOR. THE CONFERENCE CALL HAS ENDED. YOU MAY DISCONNECT.