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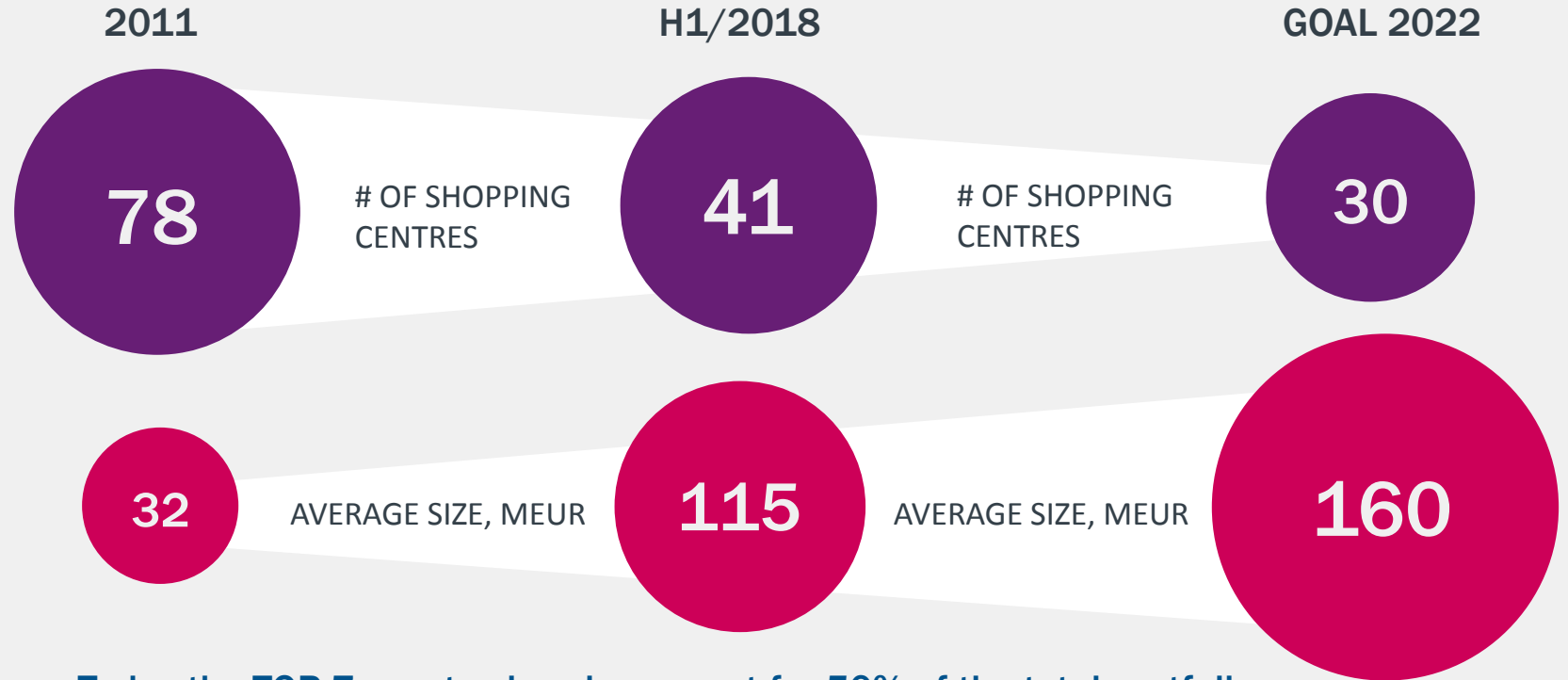
GRAN

# AUDIOCAST PRESENTATION H1/2018

 CITYCON

**IRREPLACEABLE**  
**AND**  
**MULTI-FUNCTIONAL**  
**ASSETS**  
**IN**  
**GROWING CATCHMENTS**

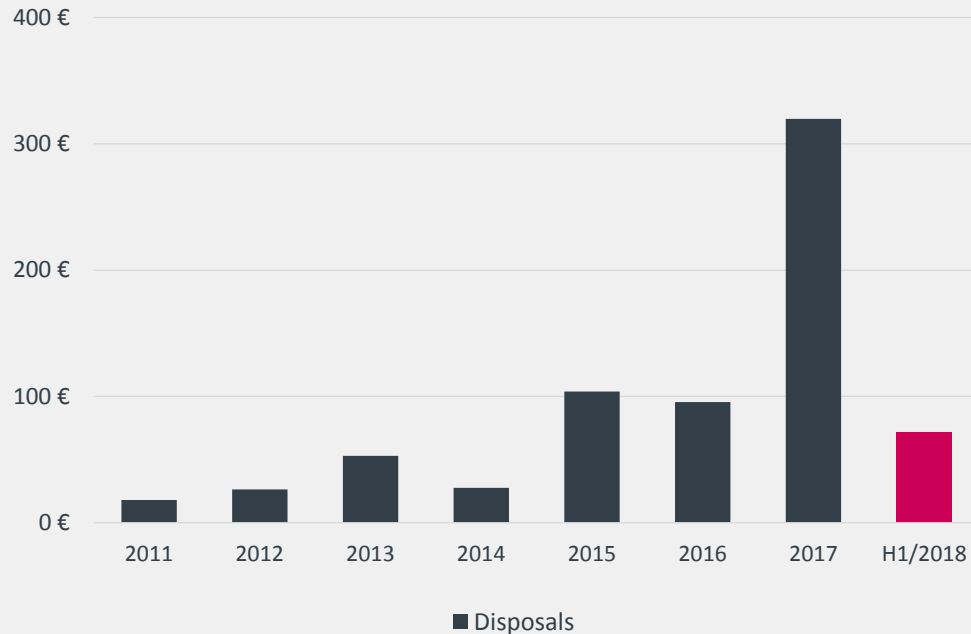
# WE CONTINUE OUR TRANSFORMATION JOURNEY



– Today the TOP 7 assets already account for 50% of the total portfolio

# WE HAVE DISPOSED MEUR 400 IN 2017 AND H1/2018

## ASSET ROTATION TRACK-RECORD MEUR



- In 2018 we have divested the following assets:
  - Åkermyntan shopping centre in Stockholm
  - Retail property in Kuopio, Finland
  - Heiane shopping centre in Norway
  - Retail property in Bodø, Norway (divested after reporting period)
- Proceeds of approx. EUR 80M used to partially fund development pipeline
- We continue to aim to divest EUR 200 - 400 million in the next few years. Proceeds to be used to strengthen balance sheet and to fund development pipeline.

# WHERE WE WANT TO BE?

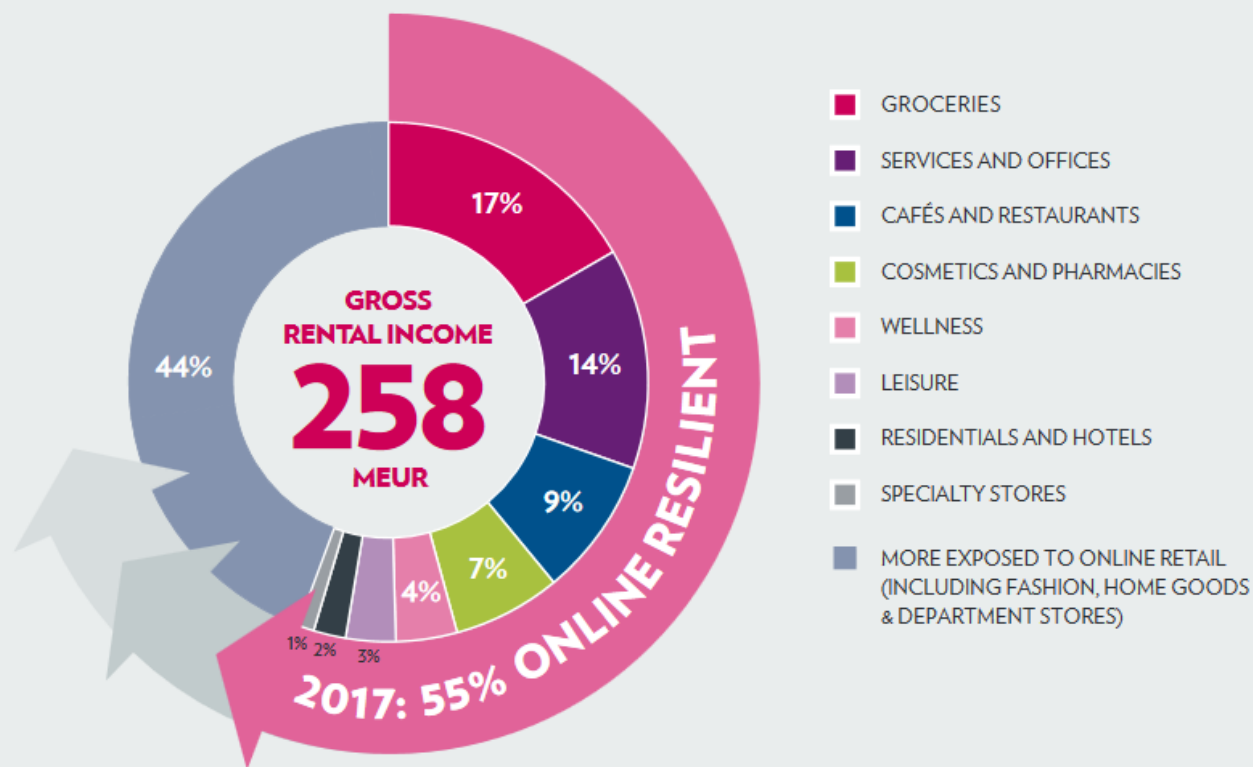
**LARGER ASSETS**

**CONCENTRATED PORTFOLIO**

**HIGH-QUALITY URBAN LOCATIONS**

**EFFICIENT TO MANAGE**

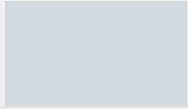
# DAILY CONVENIENCE & ENTERTAINMENT



# ISO OMENA: GREAT CASE STUDY OF AN URBAN MULTI-FUNCTIONAL SHOPPING CENTRE

## FOOTFALL DOUBLED

+96%

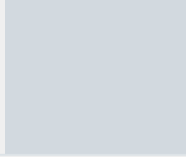


H1/2017

H1/2018

## TENANT SALES

+30%

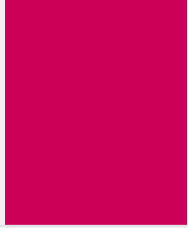
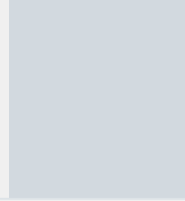


H1/2017

H1/2018

## SAME STORE SALES

+11%



H1/2017

H1/2018

# ISO OMENA: GREAT CASE STUDY OF AN URBAN MULTI-FUNCTIONAL SHOPPING CENTRE

**~20  
million  
visitors**

Public service  
square  
**1.5  
million  
visitors**

**62%**  
of all shopping  
centre visitors visit  
at least once a  
week

**37%**  
of all visitors  
walk through  
M.E.E.T.

**96%**  
interaction with  
shopping  
centre

**16%**  
of all visitors  
eat at  
M.E.E.T.



# MORE QUALITY URBAN ASSETS UNDER DEVELOPMENT

## ONGOING PROJECTS

	City	Area before/ after, sq.m.	Expected investment, MEUR	Cumulative investment, MEUR	Yield on cost <sup>1)</sup> , %	Pre-leasing, %	Completion target
<b>1 Mölndal Galleria</b>	Gothenburg	- /24,000	60.0 (120.0)	47.4	6.0–6.5	85-90	Q3/2018
<b>2 Lippulaiva</b>	Helsinki metropolitan area	19,200/44,300	215.0	62.2	6.25-6.75	55-60	2021

<sup>1)</sup> Expected stabilised yield (3<sup>rd</sup> year after completion). Calculated on total development costs, also including financing and Citycon internal costs.





## MÖLNDAL GALLERIA'S GRAND OPENING IN Q3

- Prime asset at the heart of the growing Mölndal area in Gothenburg
- Occupancy expected to be over 90% at the grand opening on 27 September.
- 17% Groceries and 19% F&B

<b>GLA</b>	24,000sq.m.
<b>Total investment</b>	approx. MEUR 120
<b>Expected visitors p.a.</b>	5-6M
<b>Number of stores</b>	70
<b>Anchor tenants</b>	ICA Kvantum, H&M, Clas Ohlson, Nordic Wellness

# OPPORTUNITIES TO FURTHER IMPROVE THE PORTFOLIO

	City	Area before/after, sq.m.	Expected investment, MEUR	Target completion
<b>PLANNED (UNCOMMITTED)</b>				
Kista Galleria	Stockholm	92,600/105,000	80 <sup>1)</sup>	2023
Oasen	Bergen	57,000/68,800	100	2022
Liljeholmstorget Galleria	Stockholm	40,600/64,500	100	2023
Trekanten	Oslo	23,900/45,000	135	2022

– Development investments of MEUR 100-150 p.a. sourced through capital recycling

<sup>1)</sup> Citycon's share MEUR 40 (50%)



# OPPORTUNITIES TO FURTHER IMPROVE THE PORTFOLIO

	City	Area before/after, sq.m.	Expected investment, MEUR	Target completion
<b>PLANNED (UNCOMMITTED)</b>				
Kista Galleria	Stockholm	92,600/105,000	80 <sup>1)</sup>	
Oasen	Bergen	57,000/68,800		
Liljeholmstorget Galleria	Stockholm	40,000		
Trekanten	Oslo			

<sup>1)</sup> Citycon's share MEUR 40 (50%)

**ALL ASSETS HAVE SUBSTANTIAL RESI POTENTIAL**

– Development investments of MEUR



# H1/2018: OPERATIONAL PERFORMANCE: INCREASED OCCUPANCY, IMPROVED FOOTFALL AND TENANT SALES





# H1/2018 SUMMARY

## **EPRA EARNINGS PER SHARE EUR 0.081 (H1/2017: EUR 0.089)**

- Divestments in 2017 and H1/2018 and currencies had a significant impact on EPRA EPS development in H1/2018.
  - Divestments decreased NRI by EUR 9.2M and FX by EUR 2.9M
  - Significant decline in administrative expenses (down 10% y/y)
- 

## **SOLID OPERATIONAL DEVELOPMENT**

- Pro forma like-for-like NRI grew by 1.1% (incl. Iso Omena and Buskerud) in H1/2018
  - Occupancy rate improved by 30 bps to 96.3% mostly driven by Finland
- 

## **GOOD OPERATIONAL PERFORMANCE IN ISO OMENA CONTINUED**

- Strong footfall and tenant sales during H1/2018
- 

## **CLEAR POLARIZATION BETWEEN BEST AND OTHER ASSETS**

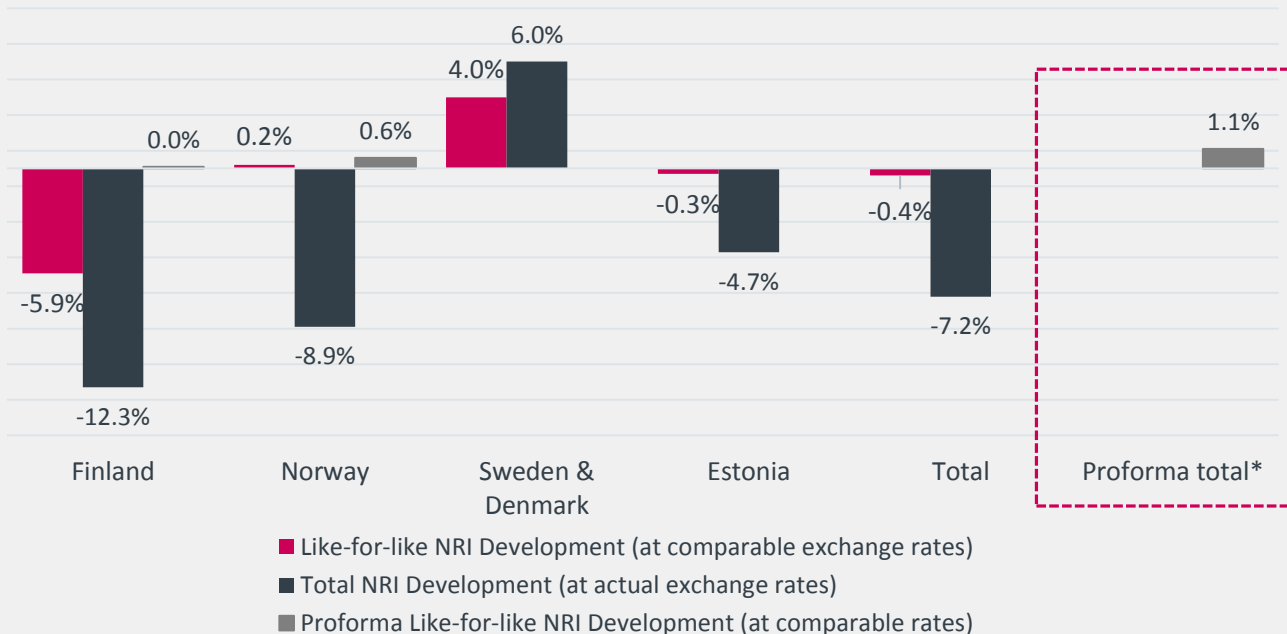
- Fair values changes EUR -34 million due to pressure in Finland and Norway in secondary cities. Fair values continued to develop positively in Sweden.
- 

## **GUIDANCE 2018 SPECIFIED**

- EPRA EPS guidance narrowed to EUR 0.155-0.170
-

# PRO FORMA LIKE-FOR-LIKE NRI GREW BY 1.1%

## NET RENTAL INCOME DEVELOPMENT Q1-Q2/2018 VS Q1-Q2/2017

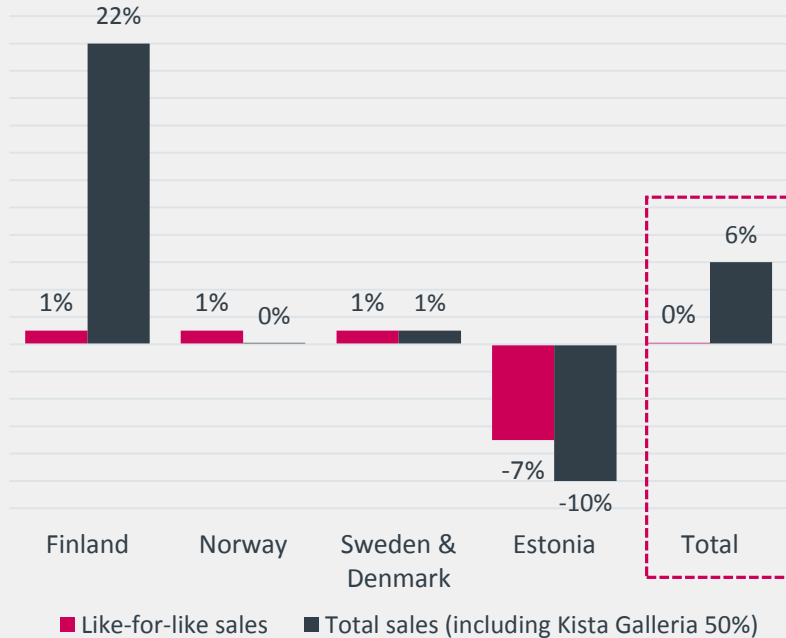


- Like-for-like net rental income -0.4%
- Like-for-like NRI in Finland is based on 45% of total Finnish income and excludes Iso Omena.
- Pro forma L-F-L NRI includes the impact of Iso Omena and Buskerud for the Q2/2018 comparable period
- Currencies and divestments had a negative impact of EUR 12.1 million on the total NRI

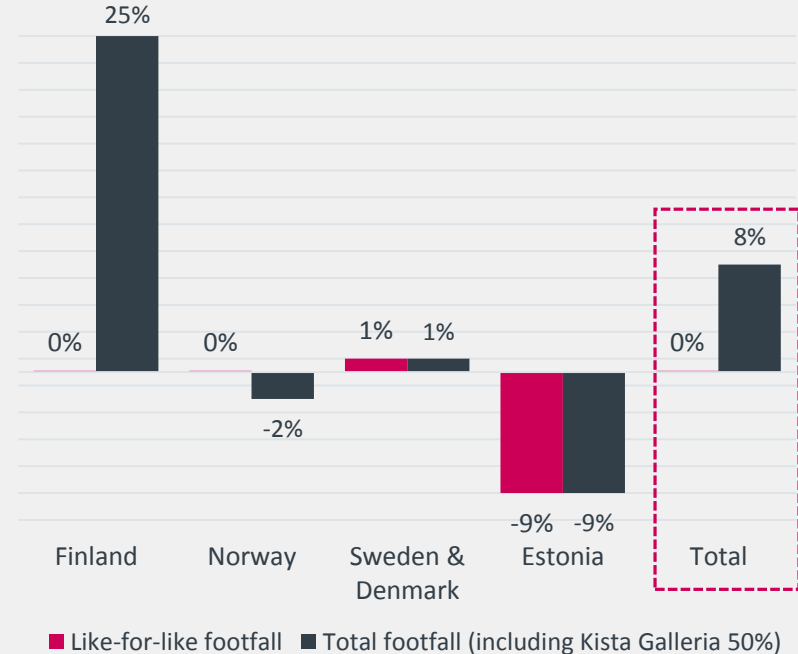
# OVERALL SALES +6% AND FOOTFALL +8%

## LIKE-FOR-LIKE SALES AND FOOTFALL STABLE

TENANT SALES DEVELOPMENT  
Q1-Q2/2018 vs. Q1-Q2/2017, % <sup>1)</sup>



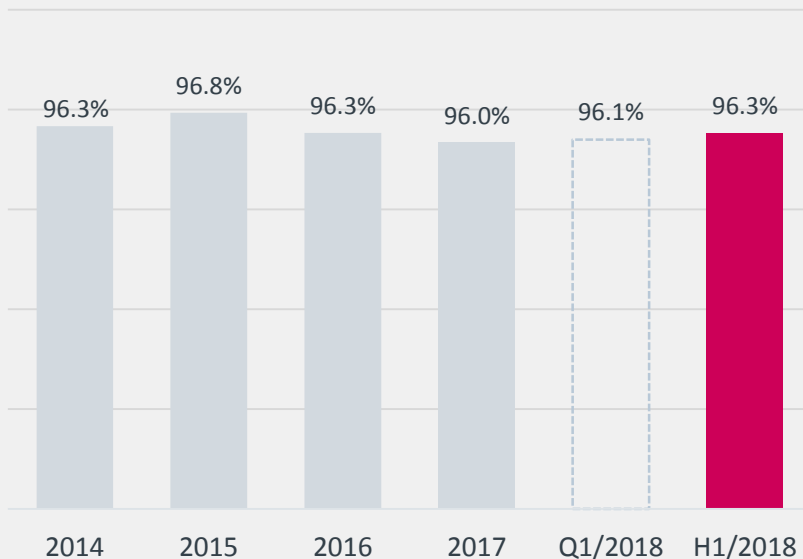
FOOTFALL DEVELOPMENT  
Q1-Q2/2018 vs. Q1-Q2/2017, % <sup>1)</sup>





# OCCUPANCY IMPROVED

## OCCUPANCY RATE <sup>1)</sup>



17 All figures including Kista Galleria 50%

		H1/2018	2017
Average rent <sup>1)</sup>	EUR/sq.m.	23.2	23.2
Average remaining length of the lease portfolio	years	3.4	3.5

		H1/2018	2017
Average rent of leases started	EUR/sq.m.	23.4	22.9
Average rent of leases ended	EUR/sq.m.	21.5	23.1
Leasing spread of renewals and re-lettings	%	-0.1	-4.0

- Leasing spread was flat during H1/2018 and developed positively in Sweden&Denmark and Norway. Leasing spread in Finland turned negative driven by a small number of non-core centres.

<sup>1)</sup> With comparable exchange rates the average rent per sq.m. increased by EUR 0.5



## RE-POSITIONING KISTA TOWARDS DAILY CONVENIENCE

### THREE TARGETS:

1. Strong grocery-offering
2. Improved F&B and services
3. Upgraded look and feel

- Estimated completion by summer 2019
- Total expected investment around EUR 25 million over 2018-2019 (Citycon share 50%) Due to re-positioning of tenants, around 20% of GLA is being touched. Occupancy temporarily at a lower level.
- Re-positioning to have a clear negative impact on NRI in 2018 / H1 2019.

### LEASING UPDATE H1/2018

1. New H&M concept Afound
2. Lease agreement signed with Lidl
3. More non-fashion retailers signed



Share of online-resilient tenants increasing



# AFOUND



# CONTINUED FOCUS ON PORTFOLIO AND BALANCE SHEET IMPROVEMENT

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## FURTHER CAPITAL RECYCLING

- Divest EUR 200-400 million in the coming few years in Finland and Norway in particular
  - Proceeds to be used for reducing leverage and for (re)development of core assets
- 

## OPERATIONAL EXCELLENCE

- Proactive leasing activity to maintain and improve high occupancy rates and to increase urban community appeal
  - Maintain strict cost management
- 

## LOAN TO VALUE TARGET 40-45%

- Strengthen balance sheet with proceeds from divestments
-

# FINANCIAL OVERVIEW

## Q2/2018 FINANCIALS

MEUR	Q2/2018	Q2/2017	Change %	Q2/2018 INCL. KISTA 50%
Gross rental income*	59.4	65.4	-9.2	62.8
Net rental income	54.3	59.4	-8.5	57.3
Direct operating profit	48.4	52.7	-8.2	51.3
EPRA Earnings	36.4	40.9	-10.8	N/A
EPRA EPS (basic)	0.041	0.046	-10.8	N/A
EPRA NAV per share	2.68	2.78	-3.4	N/A

\* Changes due to IFRS15 had a negative impact of EUR 1.2M on the Gross rental income. There was no impact on other items.

## 1-6/2018 FINANCIALS

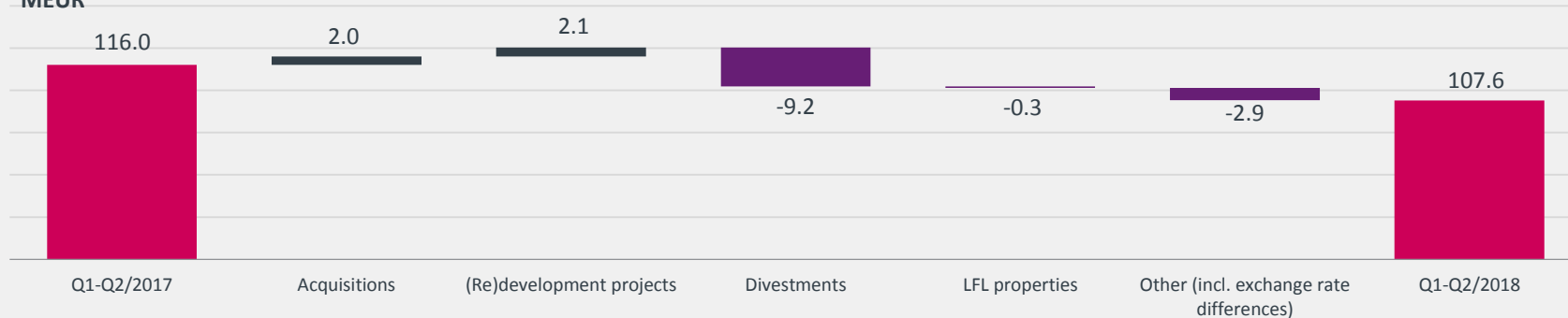
MEUR	H1/2018	H1/2017	Change %	H1/2018 INCL. KISTA 50%
Gross rental income*	<b>120.1</b>	131.5	-8.7	127.1
Net rental income	<b>107.6</b>	116.0	-7.2	113.8
Direct operating profit	<b>95.8</b>	103.0	-7.0	101.6
EPRA Earnings	<b>72.5</b>	79.2	-8.5	N/A
EPRA EPS (basic)	<b>0.081</b>	0.089	-8.5	N/A
EPRA NAV per share	<b>2.68</b>	2.78	-3.4	N/A

\* Changes due to IFRS15 had a negative impact of EUR 2.5M on the Gross rental income. There was no impact on other items.

# NET RENTAL INCOME IMPACTED BY DIVESTMENTS AND FX

## NRI DEVELOPMENT

MEUR



## CURRENCIES HAD A SIGNIFICANT NEGATIVE IMPACT ON NRI

### Closing rates

	H1/2018	Q4/2017
SEK	10.4530	9.8438
NOK	9.5115	9.8403

### Average rates

	H1/2018	H1/2017
SEK	10.1521	9.5956
NOK	9.5960	9.1760

### Foreign currency impact on H1 / 2018:

**NRI**  
-2.9 MEUR  
**EPRA EPS**  
-0.003 EUR



## FAIR VALUE CHANGES

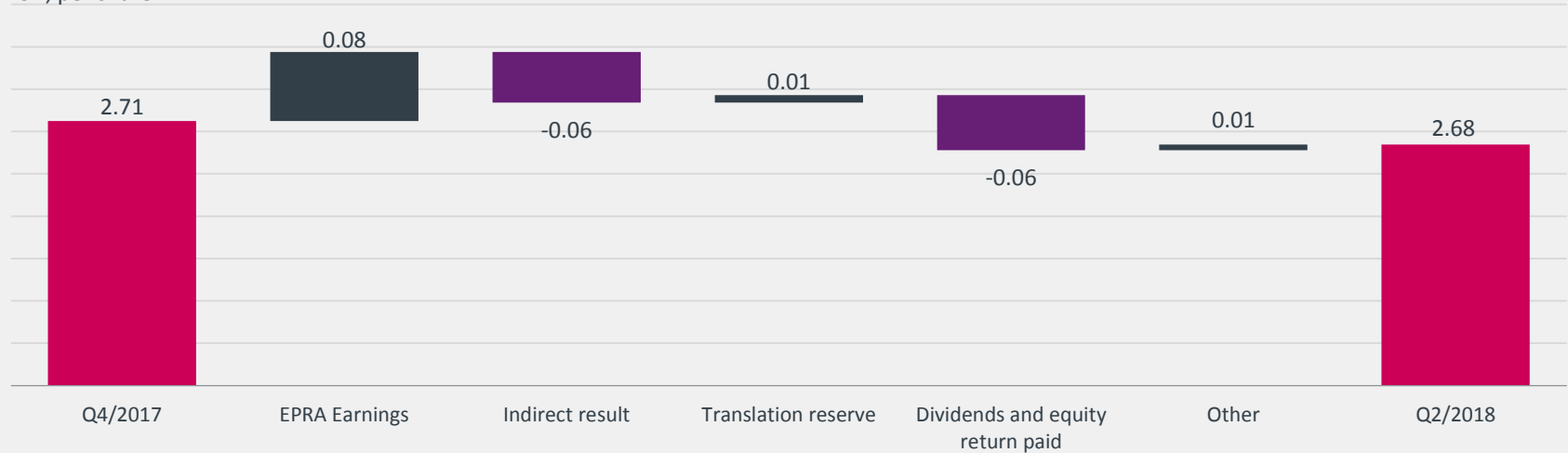
FAIR VALUE CHANGES, MEUR	Q2/2018	Q2/2017	H1/2018	H1/2017	2017
Finland	-14.3	-5.5	-27.9	-15.1	-44.7
Norway	-10.3	-13.7	-13.9	0.7	-22.2
Sweden & Denmark	0.8	5.4	13.6	8.8	30.6
Estonia	-1.8	-1.9	-5.3	-2.8	-6.5
Investment properties, total	-25.6	-15.7	-33.5	-8.4	-42.9
Kista Galleria (50%)	-3.7	0.6	-4.2	0.5	-0.6
Investment properties and Kista Galleria (50%), total	-29.3	-15.1	-37.7	-7.8	-43.5
<b>WEIGHTED AVERAGE YIELD REQUIREMENT, %</b>			<b>30 JUN 2018</b>	<b>31 MAR 2018</b>	<b>31 DEC 2017</b>
Investment properties and Kista Galleria (50%), average			5.3	5.3	5.3



# SLIGHT DECLINE IN EPRA NET ASSET VALUE

## CHANGE OF NET ASSET VALUE (EPRA NAV)

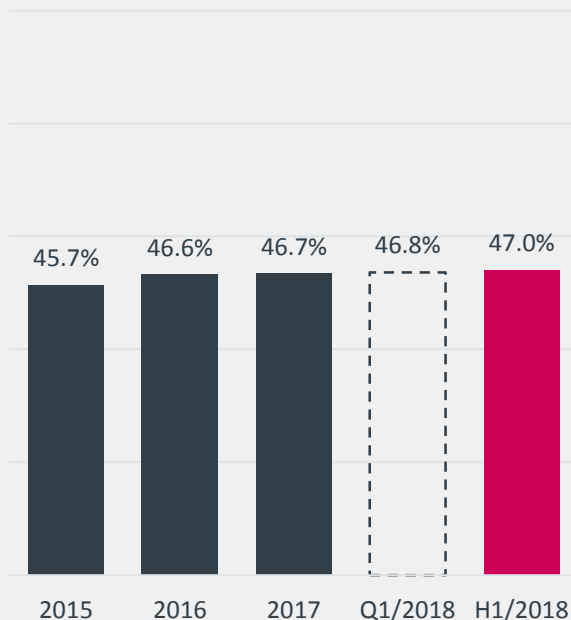
EUR, per share



	30 JUN 2018	31 DEC 2017	30 JUN 2017
EPRA NAV per share, EUR	2.68	2.71	2.78
EPRA NNNAV per share, EUR	2.38	2.37	2.43

# LTV CLOSE TO PREVIOUS YEAR'S LEVEL

## LOAN TO VALUE (LTV)

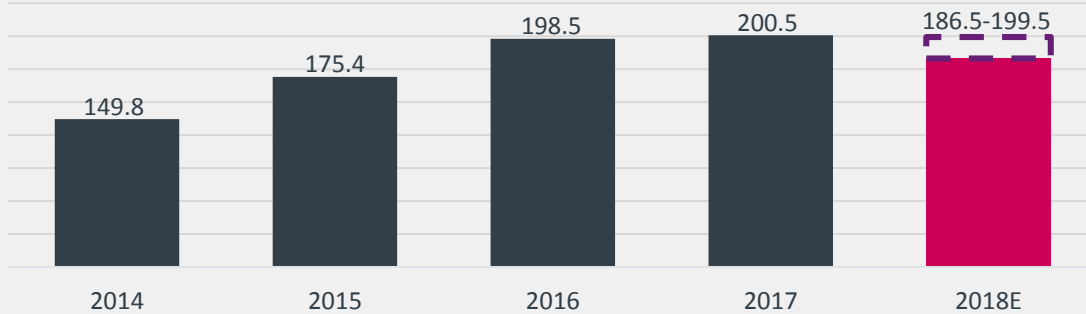


## FINANCING KEY FIGURES

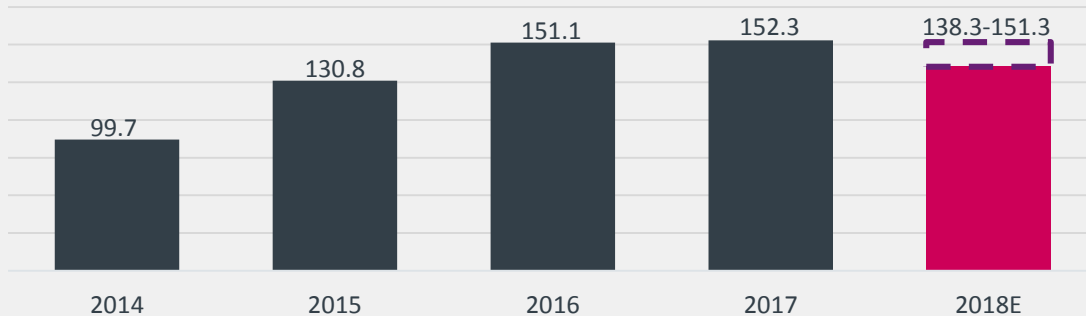
		30 JUN 2018	30 JUN 2017	31 DEC 2017
Interest bearing debt, fair value	MEUR	<b>2,083.6</b>	2,199.1	2,097.2
Available liquidity	MEUR	<b>565.7</b>	564.8	559.4
Average loan maturity	years	<b>4.7</b>	5.0	5.1
Interest rate hedging ratio	%	<b>94.9</b>	85.6	94.1
Weighted average interest rate <sup>1)</sup>	%	<b>2.78</b>	2.58	2.78
Loan to Value (LTV)	%	<b>47.0</b>	47.3	46.7
Financial covenant: Equity ratio (> 32.5%)	%	<b>47.1</b>	46.8	47.4
Financial covenant: Interest cover ratio (> 1.8)	%	<b>3.8</b>	3.8	3.8

# OUTLOOK 2018 SPECIFIED

## DIRECT OPERATING PROFIT



## EPRA EARNINGS



### Direct operating profit\*

MEUR -14 to -1 (previously -15 to +1)

### EPRA Earnings\*

MEUR -14 to -1 (previously -14 to +4)

### EPRA EPS (basic)

EUR 0.155-0.170 (previously 0.155-0.175)

\*change from previous year

## CONTACT INFORMATION

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# APPENDIX



# INCOME STATEMENT

MEUR	H1/2018	H1/2017	%	2017
Gross rental income	120.1	131.5	-8.7	257.4
Service charge income	38.8	39.9	-2.6	80.8
Property operating expenses	-50.5	-54.5	-7.3	-107.8
Other expenses from leasing operations	-0.8	-0.9	-13.9	-1.9
<b>Net rental income</b>	<b>107.6</b>	<b>116.0</b>	<b>-7.2</b>	<b>228.5</b>
Administrative expenses	-12.4	-13.7	-10.0	-29.1
Other operating income and expenses	-5.6	-2.0	181.0	-11.6
Net fair value gains/losses on investment property	-33.5	-8.4	-	-42.9
Net gains on sale of investment property	1.4	9.4	-85.3	6.0
<b>Operating profit</b>	<b>57.5</b>	<b>101.2</b>	<b>-43.2</b>	<b>150.9</b>
Net financial income and expenses	-25.8	-29.6	-12.8	-56.4
Share of profit/loss of joint ventures	-4.9	-1.4	-	-0.7
<b>Profit before taxes</b>	<b>26.7</b>	<b>70.2</b>	<b>-61.9</b>	<b>93.8</b>
Current taxes	-0.2	-0.2	-2.1	-0.8
Deferred Taxes	-7.1	-10.8	-33.7	-5.1
<b>Profit/loss for the period</b>	<b>19.4</b>	<b>59.2</b>	<b>-67.3</b>	<b>87.9</b>

# BALANCE SHEET

MEUR	30 JUN 2018	30 JUN 2017	31 DEC 2017
Investment properties	4,140.8	4,156.1	4,183.4
Total non-current assets	4,582.3	4,578.3	4,608.9
Investment properties held for sale	3.7	215.1	25.4
Total current assets	54.2	58.2	43.7
<b>Total assets</b>	<b>4,640.1</b>	<b>4,851.6</b>	<b>4,678.0</b>
Total shareholders' equity	2,180.6	2,265.0	2,209.4
Total liabilities	2,459.5	2,586.6	2,468.6
<b>Total liabilities and shareholders' equity</b>	<b>4,640.1</b>	<b>4,851.6</b>	<b>4,678.0</b>



## MAIN FINANCING TARGETS

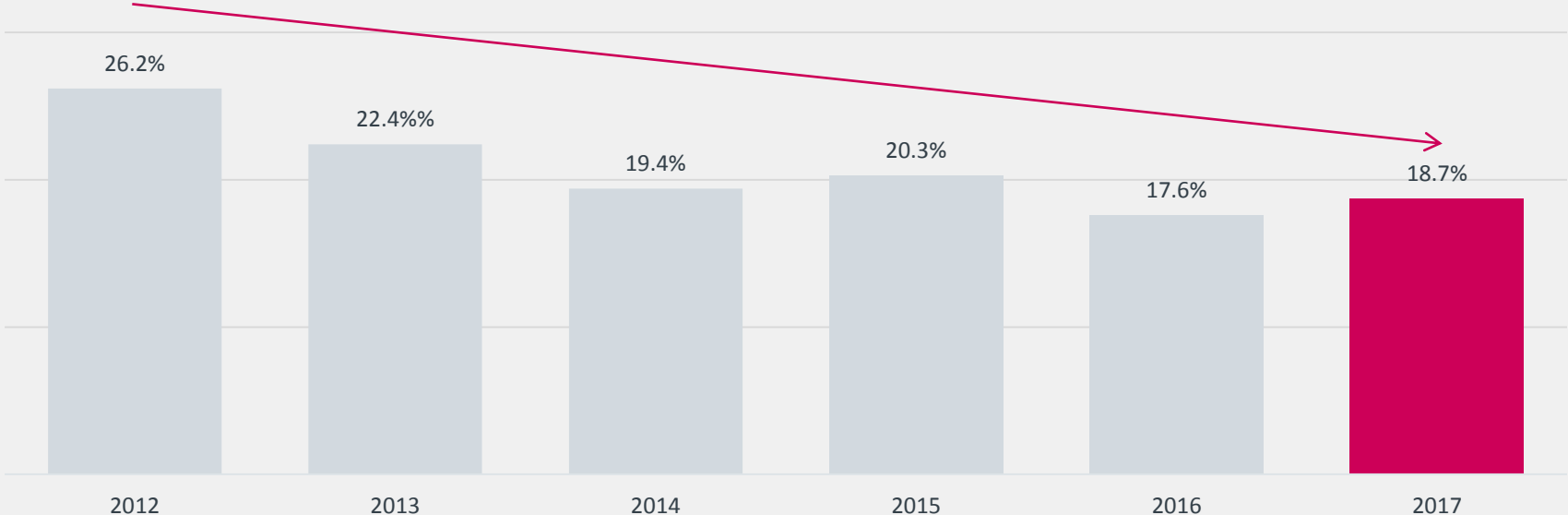
- Loan to Value 40-45% - 47.0%
- Average maturity of loan portfolio > 5 yrs - 4.7
- Debt portfolio's hedge ratio 70-90% ✓ 94.9%
- Strong investment-grade credit ratings ✓ BBB/Baa2
- Financing mainly unsecured ✓ 95%
- Substantial liquidity buffer ✓ MEUR 566

**Stable business model matched  
by conservative financing targets**



# THE EPRA COST RATIO HAS IMPROVED SINCE 2012

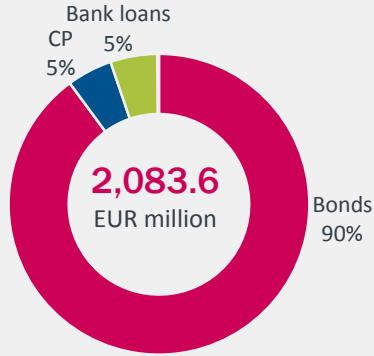
EPRA Cost Ratio



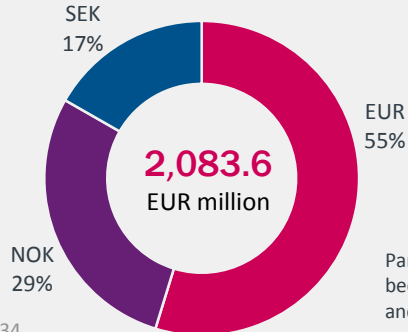
EPRA Cost ratio includes direct vacancy costs

# 95% OF DEBT FIXED RATE WITH BALANCED MATURITY PROFILE

## DEBT BREAKDOWN BY TYPE



## DEBT BREAKDOWN BY CURRENCY



Part of EUR debt has been converted to SEK and NOK using cross-currency swaps

## DEBT MATURITIES



Loans Floating to fixed swaps Undrawn loan facilities Bonds Commercial Paper