

19.4.2018

# AUDIOCAST PRESENTATION Q1/2018

 CITYCON



## HIGHLIGHTS Q1/2018

### EPRA EARNINGS PER SHARE EUR 0.041

- Divestments in 2017 and weaker currencies impacted EPRA EPS
  - Efficient cost management with administrative expenses down 10% y/y
- 

### GOOD OPERATIONAL DEVELOPMENT

- Positive leasing spread of +1.9%
  - Strong operational performance in Sweden, solid development in Norway, positive development in Finland
  - Slight improvement in occupancy rate driven by Finland
- 

### EXCELLENT OPERATING PERFORMANCE IN ISO OMENA

- Strong footfall and tenant sales development
- 

### FURTHER PORTFOLIO QUALITY IMPROVEMENT

- Åkermyntan shopping centre in Stockholm divested during Q1
  - Divestment of retail asset in Kuopio, Finland announced after quarter-end; expected to be closed during Q2/2018
- 

### GUIDANCE 2018 UNCHANGED

- EPRA EPS guidance of EUR 0.155-0.175
-

# THE QUALITY OF OUR PORTFOLIO CONTINUES TO IMPROVE



\*after planned divestment of the retail asset in Kuopio

# WE HAVE DIVESTED ALMOST ALL NON-SHOPPING CENTRE RETAIL PROPERTIES

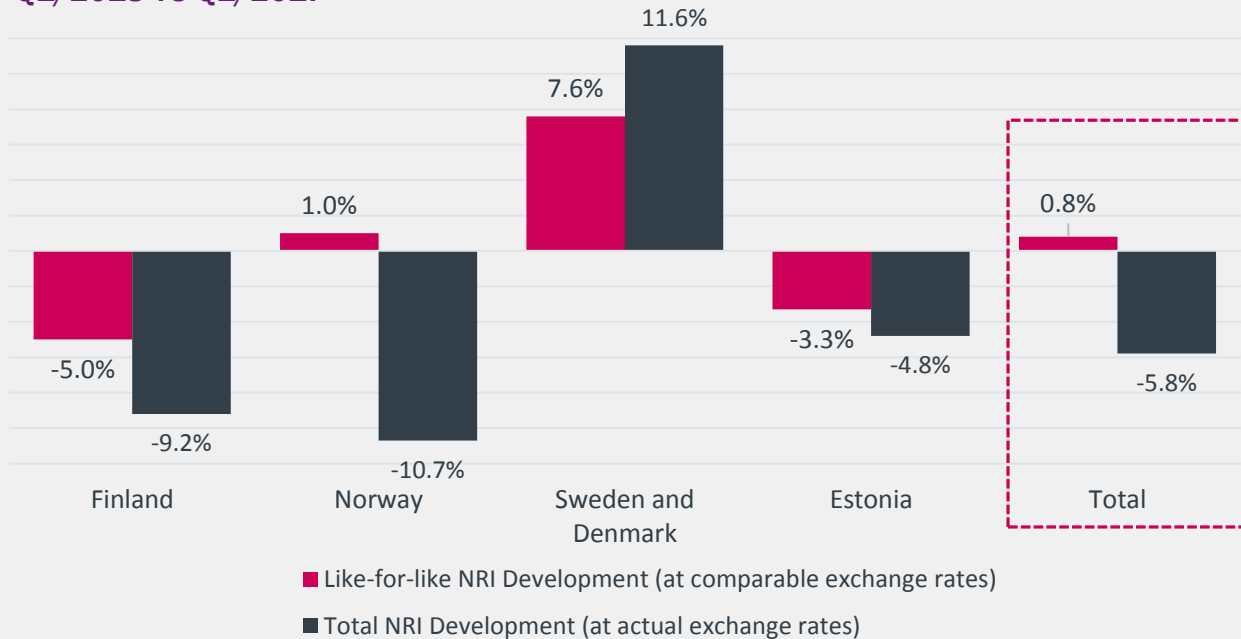


# Q1/2018: GOOD OPERATIONAL START TO THE YEAR



# LIKE-FOR-LIKE NRI GREW BY 0.8% TOTAL NRI DECREASED DUE TO DIVESTMENTS AND EXCHANGE RATES

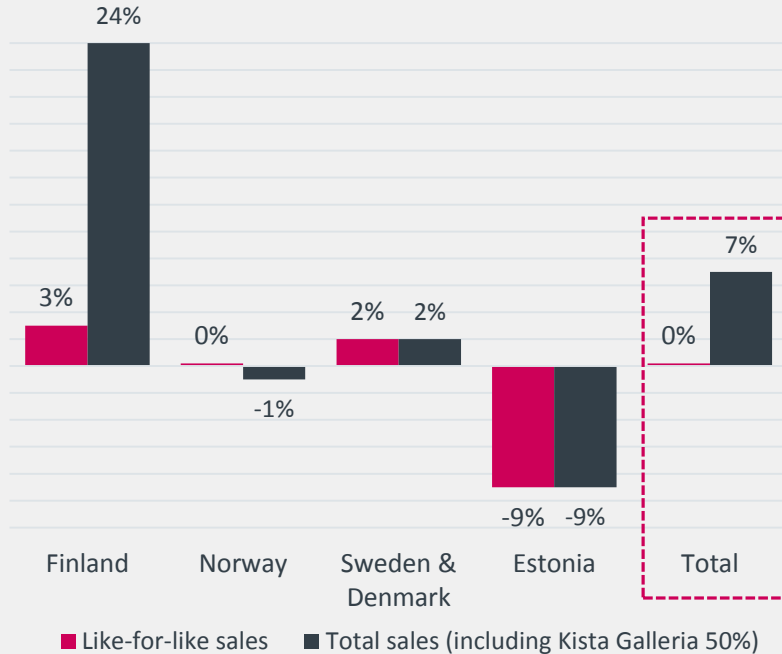
## LIKE-FOR-LIKE AND NET RENTAL INCOME DEVELOPMENT Q1/2018 VS Q1/2017



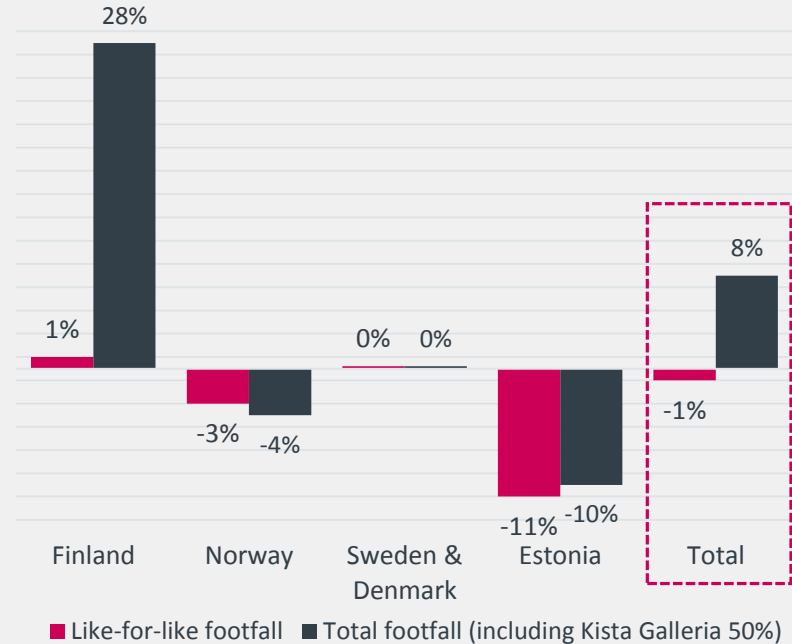
- Like-for-like portfolio in Finland represented 47% of the total net rental income of the Finnish portfolio. Strong shopping centres in greater Helsinki (Iso Omena and Lippulaiva) out of the like-for-like portfolio due to (re)development projects
- Kista Galleria taken out from the like-for-like portfolio due to re-positioning and re-tenanting
- Currencies had a negative impact of EUR 1.8M and divestments of EUR 4.1M on the NRI

# OVERALL SALES +7% AND FOOTFALL +8% LIKE-FOR-LIKE SALES AND FOOTFALL STABLE

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



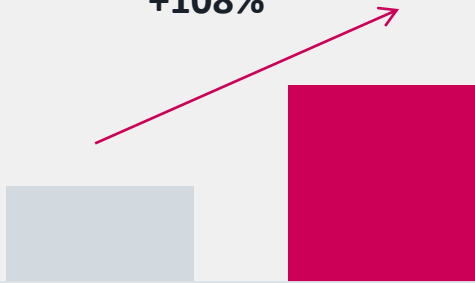
FOOTFALL DEVELOPMENT  
Q1/2018 vs. Q1/2017, % <sup>1)</sup>



# OUTSTANDING PERFORMANCE IN ISO OMENA AFTER METRO OPENING

## FOOTFALL DOUBLED

+108%

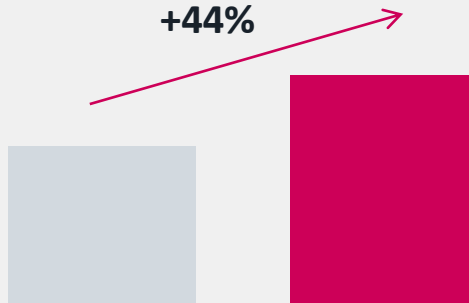


Q1/2017

Q1/2018

## STRONG TENANT SALES

+44%

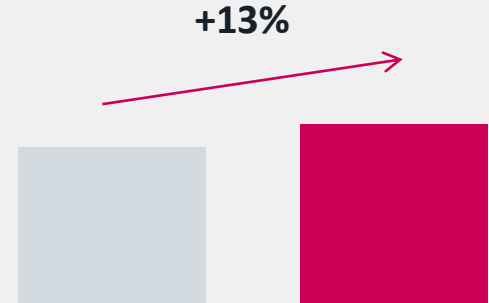


Q1/2017

Q1/2018

## EXCELLENT SAME-STORE SALES

+13%



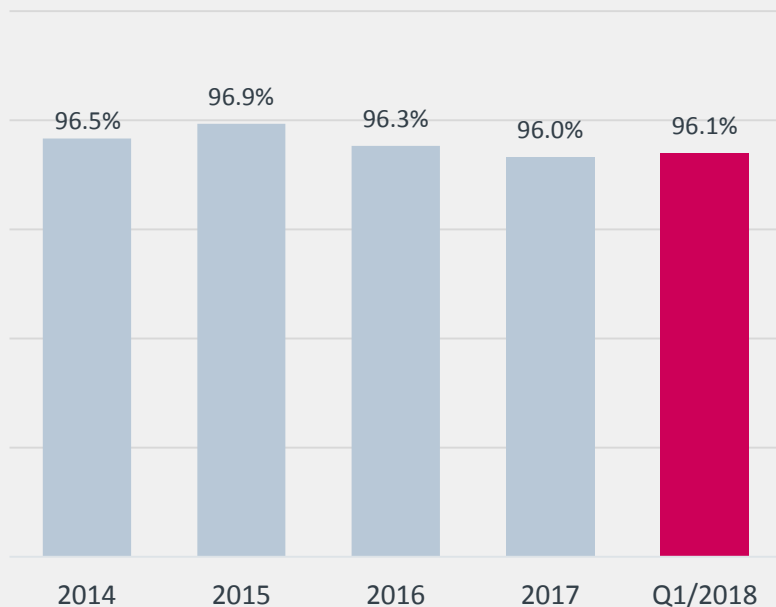
Q1/2017

Q1/2018



# OCCUPANCY IMPROVED SLIGHTLY

## OCCUPANCY RATE



9 All figures including Kista Galleria 50%

		Q1/2018	2017
Average rent <sup>1)</sup>	EUR/sq.m.	23.0	23.2
Average remaining length of the lease portfolio	years	3.5	3.5

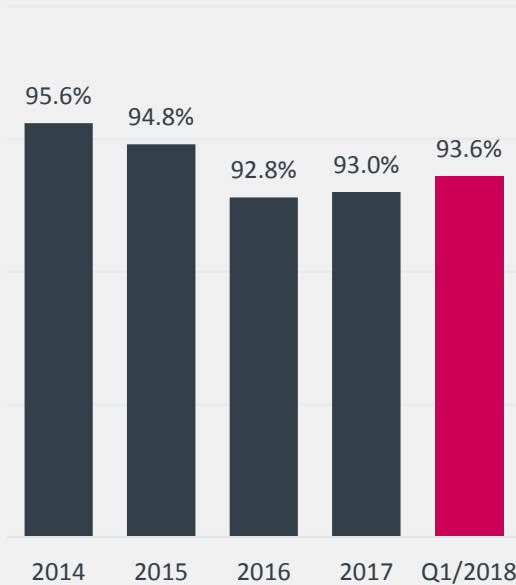
		Q1/2018	2017
Average rent of leases started	EUR/sq.m.	23.2	22.9
Average rent of leases ended	EUR/sq.m.	24.0	23.1
Leasing spread of renewals and re-lettings	%	1.9	-4.0

– Leasing spread improved clearly and was positive during Q1/2018. In Finland, leasing spread was stable for the first time since 2014.

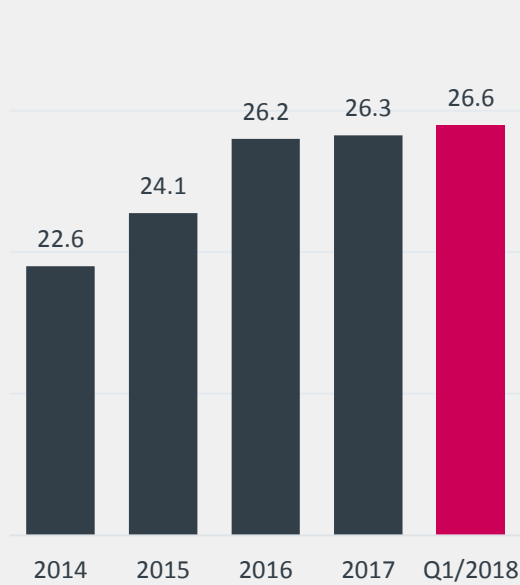
<sup>1)</sup> With comparable exchange rates the average rent per sq.m. increased by EUR 0.2 to 23.4 EUR / sq.m.

# POSITIVE SIGNALS IN OUR FINNISH OPERATIONS

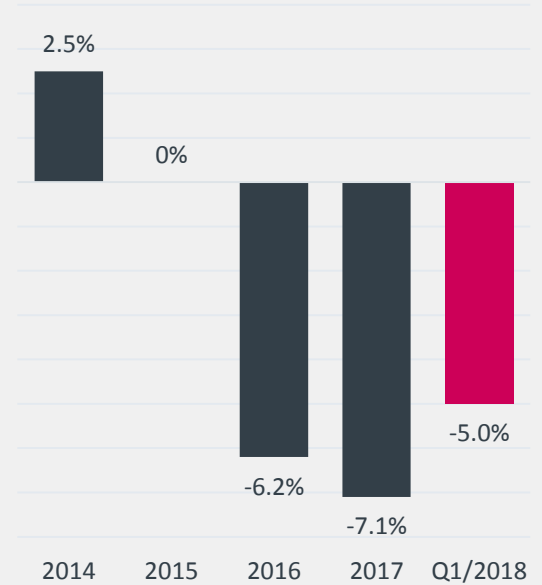
## FINLAND OCCUPANCY



## FINLAND AVERAGE RENT EUR/sq.m.



## FINLAND L-F-L NRI DEVELOPMENT



# Q1/2018 SUMMARY

- Good operational development, also in Finland
- Divestments of MEUR 325 in 2017 impacted earnings and NRI as expected
- Guidance for 2018 unchanged



# FINANCIAL OVERVIEW

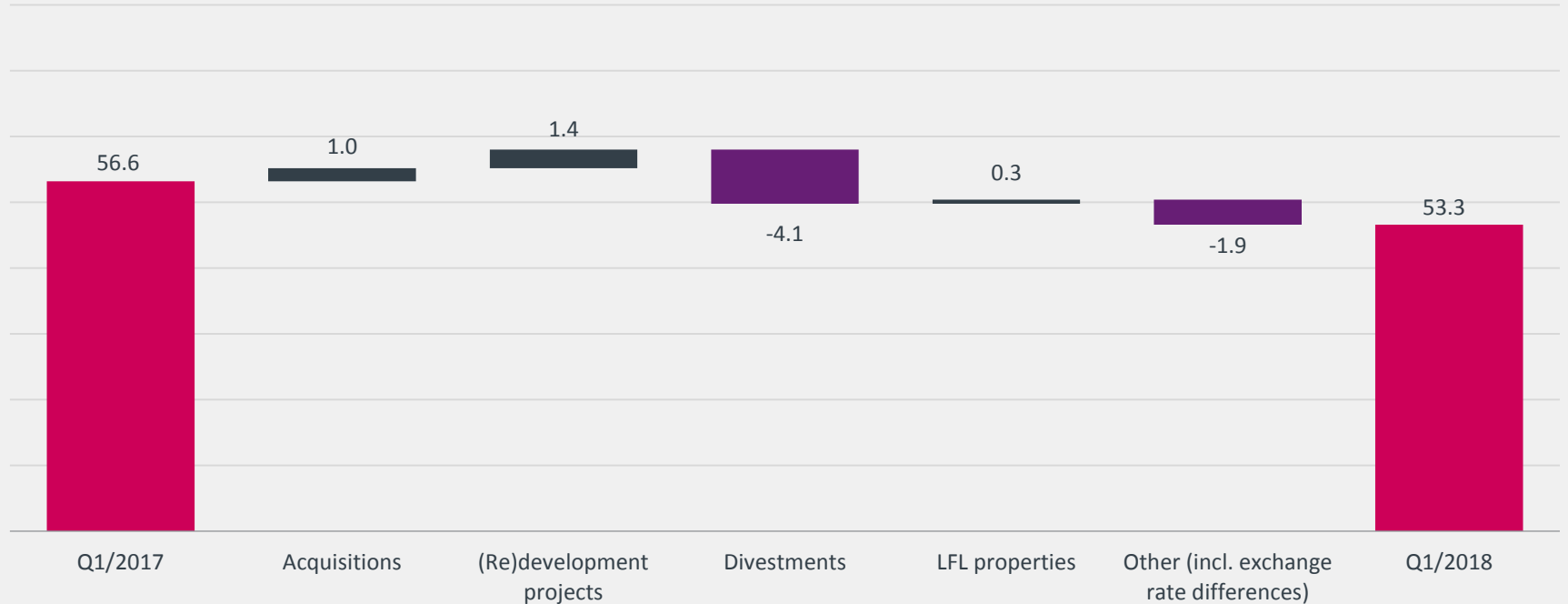
## Q1/2018 FINANCIALS

MEUR	Q1/2018	Q1/2017	Change %	Q1/2018 INCL. KISTA 50%
Gross rental income	<b>60.7</b>	66.1	-8.2	64.3
Net rental income	<b>53.3</b>	56.6	-5.8	56.5
Direct operating profit	<b>47.4</b>	50.3	-5.8	50.4
EPRA Earnings	<b>36.1</b>	38.3	-5.9	N/A
EPRA EPS (basic)	<b>0.041</b>	0.043	-5.9	N/A
EPRA NAV per share	<b>2.71</b>	2.83	-4.3	N/A

# LOWER NET RENTAL INCOME DUE TO DIVESTMENTS AND FX

## NRI DEVELOPMENT

MEUR





## SEK AND NOK HAD A NEGATIVE IMPACT ON NRI

	Closing rates					Average rates	
	Q1/2017	Q2/2017	Q3/2017	Q4/2017	Q1/2018	Q1/2018	2017
SEK	9.53	9.64	9.65	9.84	10.28	9.97	9.63
NOK	9.17	9.57	9.41	9.84	9.68	9.64	9.32

Foreign currency translation  
impact on Q1 / 2018

**NRI**  
-1.8 MEUR  
**EPRA EPS**  
-0.17 CENTS

Translation loss in other  
comprehensive income  
totalled EUR -0.4 million in  
Q1/2018



## FAIR VALUE CHANGES

FAIR VALUE CHANGES, MEUR	Q1/2018	Q1/2017	2017
Finland	-13.6	-9.6	-44.7
Norway	-3.7	14.4	-22.2
Sweden & Denmark	12.8	3.4	30.6
Estonia	-3.5	-0.9	-6.5
Investment properties, total	-7.9	7.3	-42.9
Kista Galleria (50%)	-0.5	0.0	-0.6
Investment properties and Kista Galleria (50%), total	-8.4	7.3	-43.5

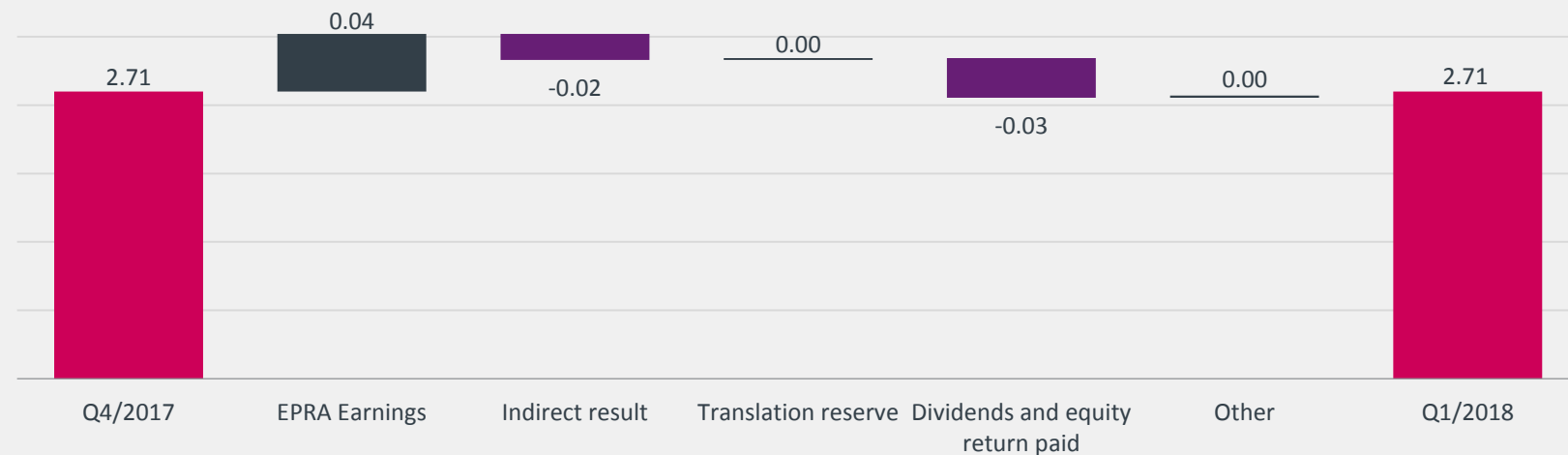
WEIGHTED AVERAGE YIELD REQUIREMENT, %	31 MAR 2018	31 MAR 2017	31 DEC 2017
Investment properties and Kista Galleria (50%), average	5.3	5.4	5.3



# STABLE EPRA NET ASSET VALUE

## CHANGE OF NET ASSET VALUE (EPRA NAV)

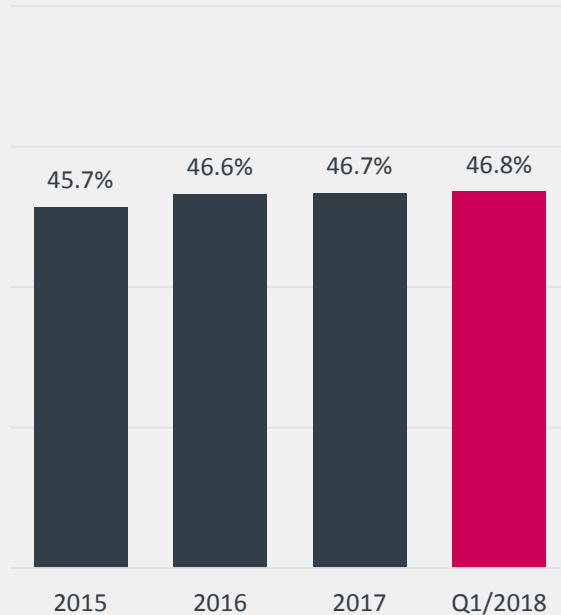
EUR, per share



	31 MAR 2018	31 DEC 2017	31 MAR 2017
EPRA NAV per share, EUR	2.71	2.71	2.83
EPRA NNNNAV per share, EUR	2.40	2.37	2.47

# LTV REMAINED AT PREVIOUS YEAR'S LEVEL

## LOAN TO VALUE (LTV)

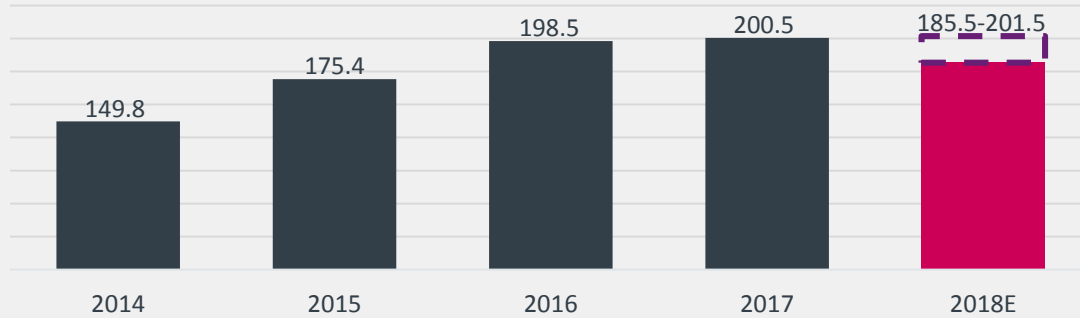


## FINANCING KEY FIGURES

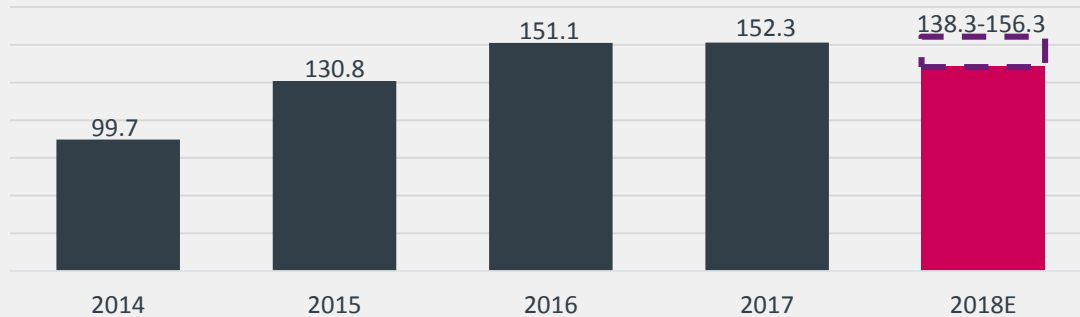
		31 MAR 2018	31 MAR 2017	31 DEC 2017
Interest bearing debt, fair value	MEUR	2,087.6	2,243.9	2,097.2
Available liquidity	MEUR	561.3	557.1	559.4
Average loan maturity	years	4.9	5.2	5.1
Interest rate hedging ratio	%	94.4	90.8	94.1
Weighted average interest rate <sup>1)</sup>	%	2.78	2.78	2.78
Loan to Value (LTV)	%	46.8	47.1	46.7
Financial covenant: Equity ratio (> 32.5%)	%	47.2	46.5	47.4
Financial covenant: Interest cover ratio (> 1.8)	%	3.9	3.8	3.8

# OUTLOOK 2018 UNCHANGED

## DIRECT OPERATING PROFIT



## EPRA EARNINGS



**Direct operating profit\***

MEUR -15 to +1

**EPRA Earnings\***

MEUR -14 to +4

**EPRA EPS (basic)**

EUR 0.155-0.175

\*change from previous year

# LOOKING AHEAD



# OUR URBAN DEVELOPMENTS ARE PROGRESSING

## ONGOING PROJECTS

	City	Area before/ after, sq.m.	Expected investment, MEUR	Cumulative investment, MEUR	Yield on cost <sup>1)</sup> , %	Pre-leasing, %	Completion target
1 Mölndal Galleria	Gothenburg	- /24,000	60.0 (120.0)	45.0	6.0-6.5	85	Q3/2018
2 Lippulaiva	Helsinki metropolitan area	19,200/44,300	215.0	57.0	6.25-6.75	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.



# RE-POSITIONING AND RE-TENANTING OF KISTA GALLERIA TO BETTER CATER FOR THE GROWING AREA'S DAILY NEEDS

## KISTA REPOSITIONING IN 2018-2019

Three targets:

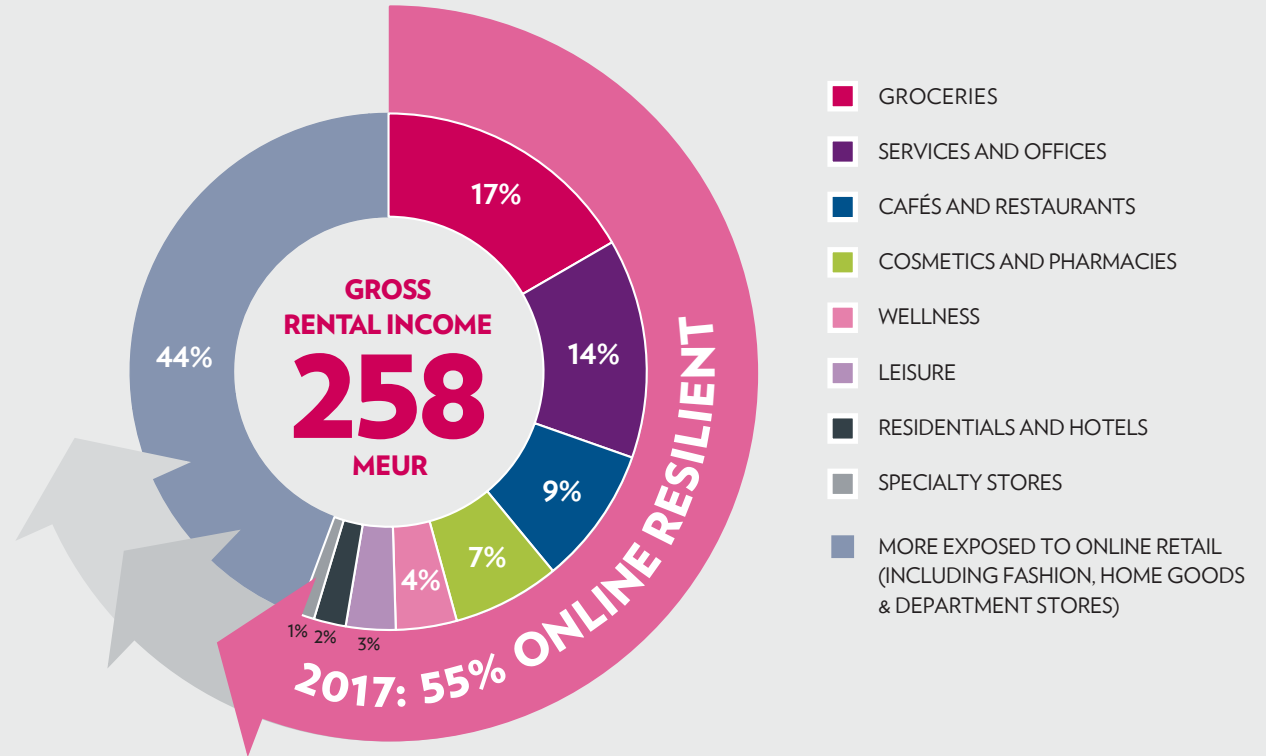
1. New grocery-offering
2. Improved leisure offering
3. Upgraded look and feel

- Estimated completion by summer 2019

## EXPECTED FINANCIAL IMPACTS

- Kista removed from the like-for-like portfolio starting Q1/2018
- Due to re-positioning of tenants, around 20% of GLA will be touched. Occupancy decreased temporarily to 94.4% in Q1.
- Re-positioning to have a clear negative impact on NRI in 2018
- Total expected investment around EUR 25 million over 2018-2019 (Citycon share 50%)

# DAILY CONVENIENCE & ENTERTAINMENT



AS PER 31 DECEMBER 2017

<sup>1)</sup> INCLUDING KISTA GALLERIA (50%)



# STRATEGIC FOCUS AREAS 2018

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## FURTHER CAPITAL RECYCLING

- Divest 5-10% of the total property portfolio in terms of fair value 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
  - Selective acquisitions should interesting opportunities arise
- 

## 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
-



## CONTACT INFORMATION

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# APPENDIX



# INCOME STATEMENT

MEUR	Q1/2018	Q1/2017	%	2017
Gross rental income	60.7	66.1	-8.2	257.4
Service charge income	19.9	20.4	-2.4	80.8
Property operating expenses	-27.1	-29.6	-8.6	-107.8
Other expenses from leasing operations	-0.2	-0.3	-20.6	-1.9
<b>Net rental income</b>	<b>53.3</b>	<b>56.6</b>	<b>-5.8</b>	<b>228.5</b>
Administrative expenses	-6.2	-6.8	-10.1	-29.1
Other operating income and expenses	-3.2	-2.2	41.8	-11.6
Net fair value gains/losses on investment property	-7.9	7.3	-	-42.9
Net gains on sale of investment property	3.2	1.9	67.1	6.0
<b>Operating profit</b>	<b>39.3</b>	<b>56.8</b>	<b>-30.8</b>	<b>150.9</b>
Net financial income and expenses	-12.8	-15.5	-17.4	-56.4
Share of profit/loss of joint ventures	-2.9	0.2	-	-0.7
<b>Profit before taxes</b>	<b>23.6</b>	<b>41.5</b>	<b>-43.1</b>	<b>93.8</b>
Current taxes	-0.1	-0.1	-3.4	-0.8
Deferred Taxes	-3.5	-12.4	-71.7	-5.1
<b>Profit/loss for the period</b>	<b>20.0</b>	<b>29.0</b>	<b>-31.0</b>	<b>87.9</b>

# BALANCE SHEET

MEUR	31 MAR 2018	31 MAR 2017	31 DEC 2017
Investment properties	4,141.2	4,447.3	4,183.4
Total non-current assets	4,582.0	4,870.1	4,608.9
Investment properties held for sale	45.6	37.2	25.4
Total current assets	51.4	58.6	43.7
<b>Total assets</b>	<b>4,679.0</b>	<b>4,965.9</b>	<b>4,678.0</b>
Total shareholders' equity	2,203.7	2,304.0	2,208.5
Total liabilities	2,475.3	2,661.9	2,469.5
<b>Total liabilities and shareholders' equity</b>	<b>4,679.0</b>	<b>4,965.9</b>	<b>4,678.0</b>

# DEVELOPMENT PIPELINE – URBAN LOCATIONS IN CAPITAL CITIES

	City	Area before/after, sq.m.	Expected investment, MEUR	Target completion
<b>PLANNED (UNCOMMITTED)</b>				
Tumba Centrum	Stockholm	23,100/30,500	40	2020
Kista Galleria	Stockholm	92,500/105,000	80 <sup>1)</sup>	2023
Oasen	Bergen	56,800/68,800	100	2022
Liljeholmstorget Galleria	Stockholm	40,500/64,500	100	2023
Trekanten	Oslo	23,800/45,000	135	2022

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

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





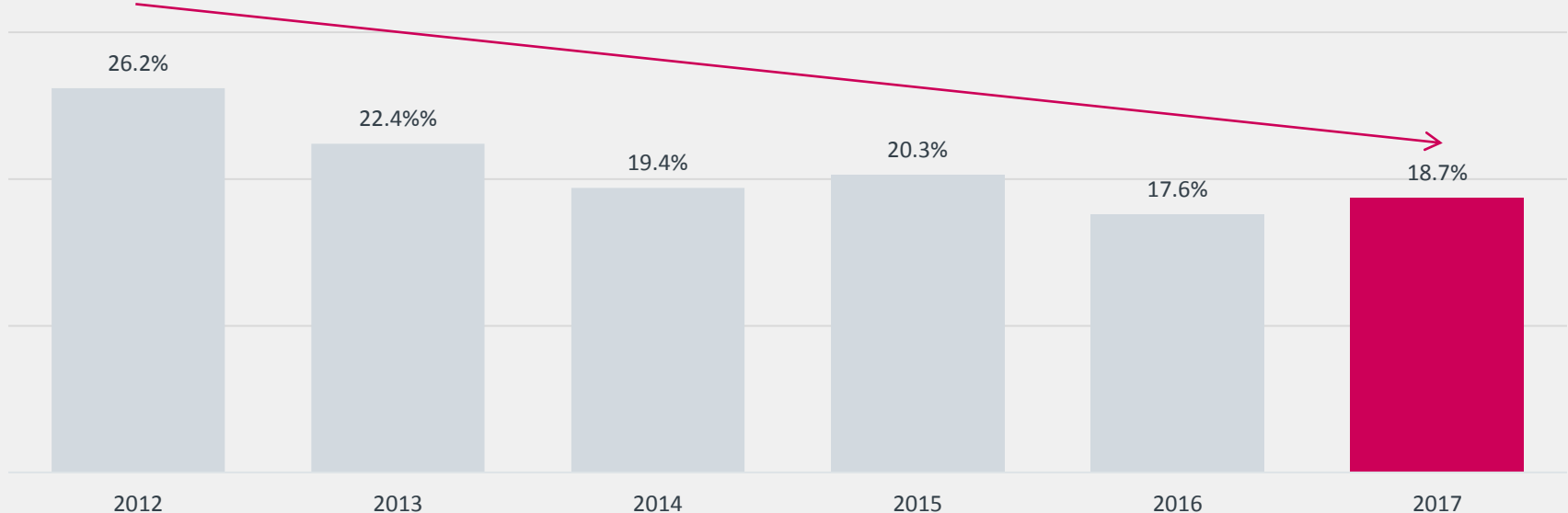
## MAIN FINANCING TARGETS

- Loan to Value 40-45% - 46.8%
- Average maturity of loan portfolio > 5 yrs - 4.9
- Debt portfolio's hedge ratio 70-90% ✓ 94.4%
- Strong investment-grade credit ratings ✓ BBB/Baa1
- Financing mainly unsecured ✓ 95%
- Substantial liquidity buffer ✓ MEUR 561

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

# THE EPRA COST RATIO HAS IMPROVED SINCE 2012

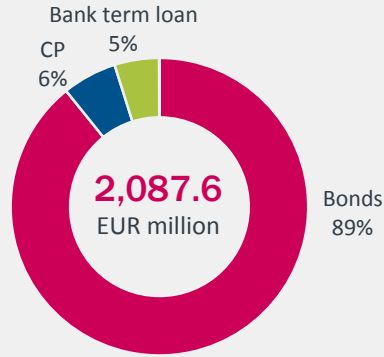
EPRA Cost Ratio



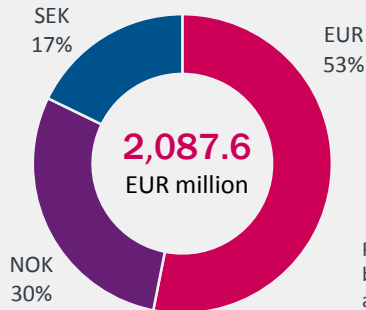
EPRA Cost ratio includes direct vacancy costs

# 94% OF DEBT FIXED RATE WITH BALANCED MATURITY PROFILE

## DEBT BREAKDOWN BY TYPE

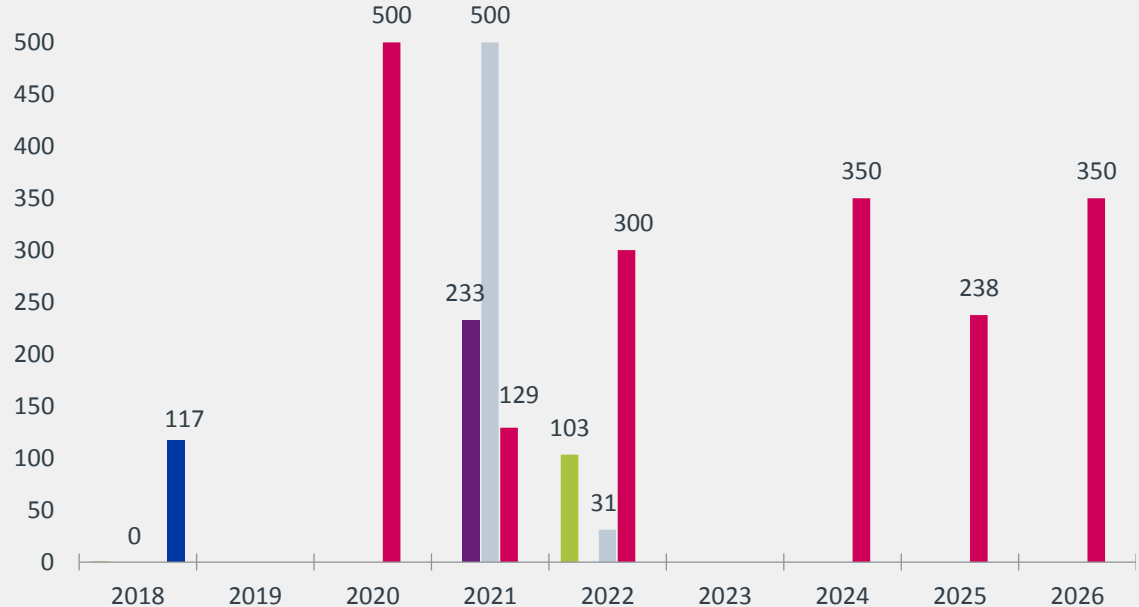


## DEBT BREAKDOWN BY CURRENCY



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