

19.10.2017

# CITYCON PRESENTATION

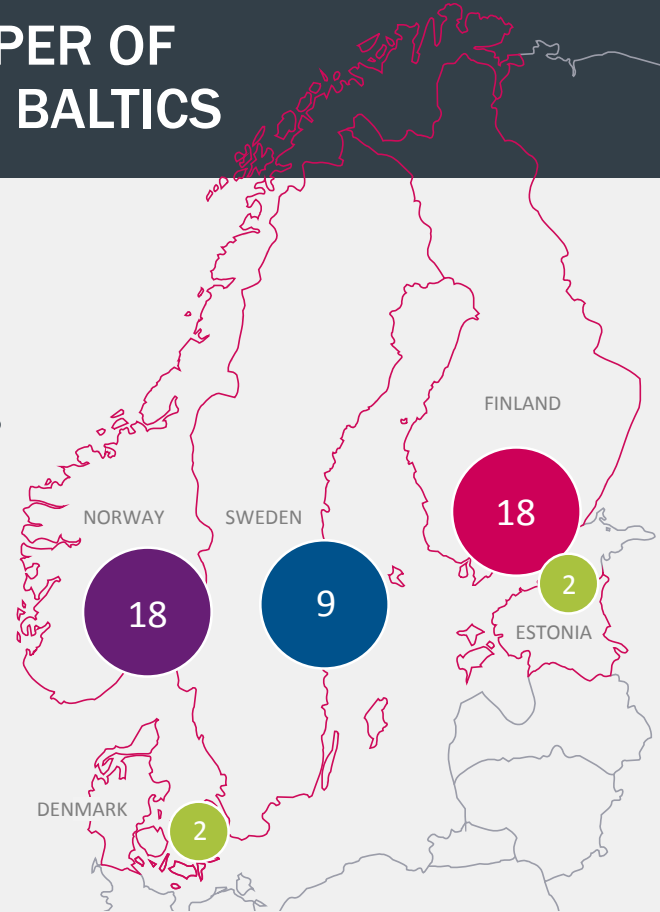
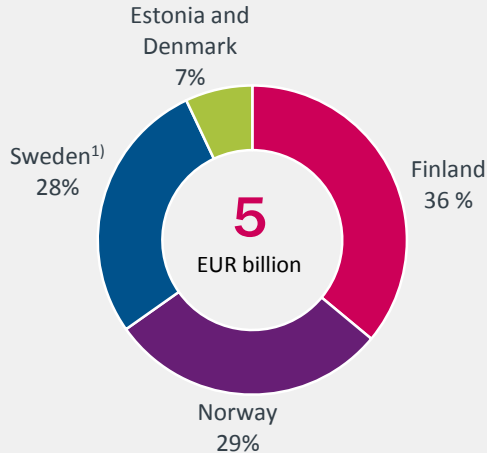
## Q3/2017

 CITYCON

# LEADING OWNER, MANAGER AND DEVELOPER OF SHOPPING CENTRES IN THE NORDICS AND BALTICS

- 49 shopping centres<sup>1)</sup>
- 13 managed/rented assets
- GLA 1.2 million sq.m.
- 200 million visitors p.a.
- Market cap close to EUR 2 billion
- Credit ratings: Baa1 & BBB

## PORTFOLIO VALUE





# ENRICHING URBAN CROSSPOINTS



## RIGHT ASSETS

Necessity-based shopping centres in growing urban areas

## RESPONSIBLE SHOPPING CENTRE MANAGEMENT

Sustainable space for retailers and communities



WHAT WE DO

OUR APPROACH



## STRONG CAPITAL BASE

Efficient capital allocation enabling continuous development of the property portfolio

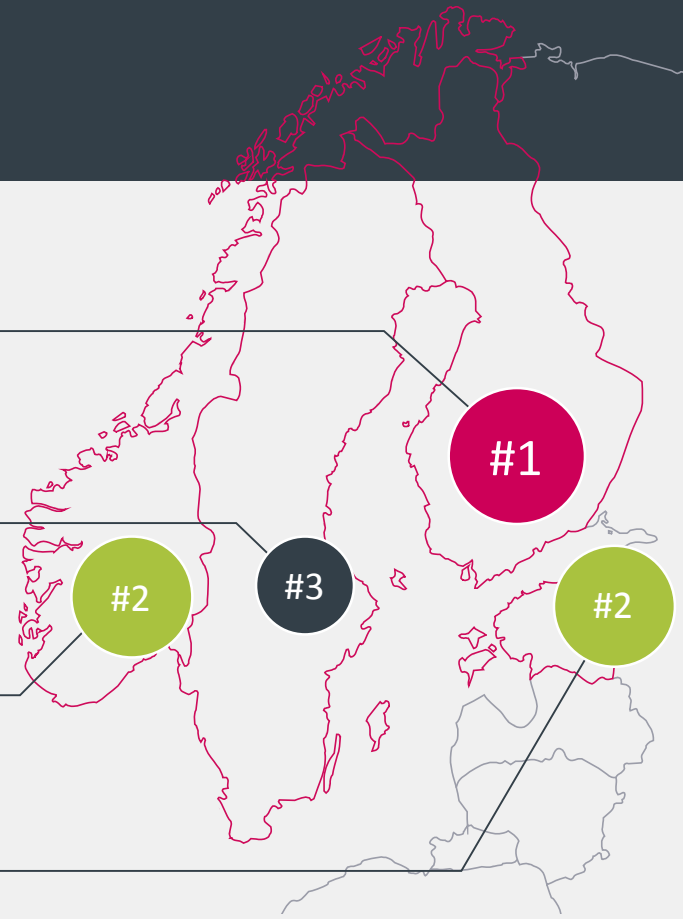
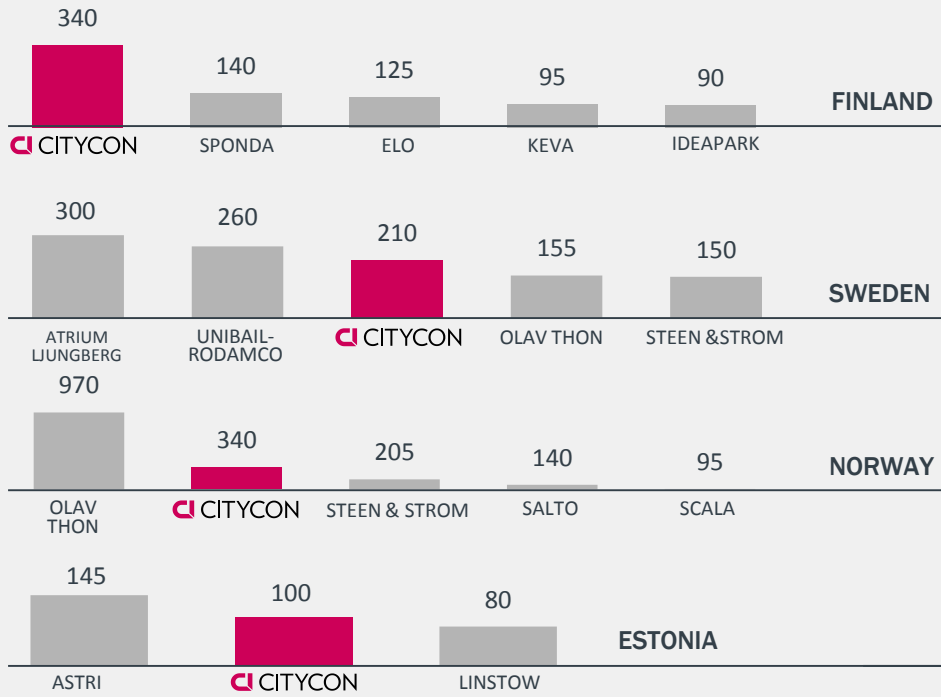
OUR RESOURCES

## RETAIL EXPERTS

Creating attractive retail locations that serve as enjoyable parts of people's everyday lives



# TRUE PAN-NORDIC LEADER



4 Retail GLA (thousand sq.m.) Source: Company reports, Pangea Property Partners analysis, as per April 2017 and Finnish Shopping Centres 2017. Includes only majority-owned shopping centres. Includes some assumptions on retail proportion out of total GLA, where retail data not available.

# URBAN CROSSPOINTS DRIVEN BY STRONG DEMOGRAPHICS

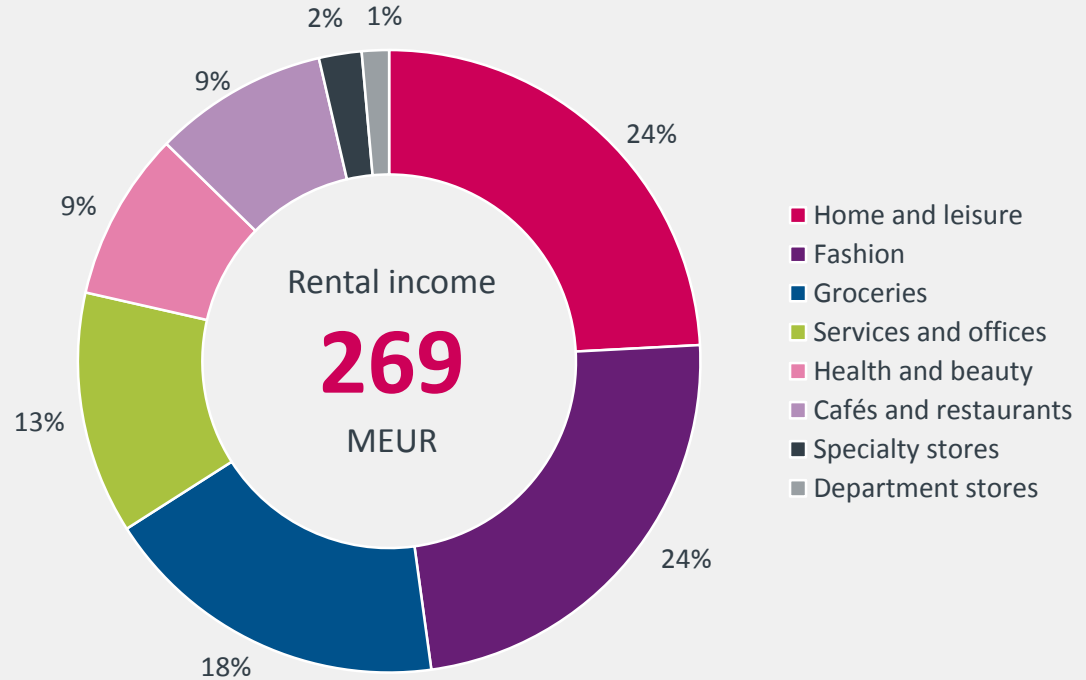


## CORE ASSETS:

- Urban environments, located where people live and work
- Strong population growth and natural footfall
- Integrated with public transportation
- Shared access to education, health care, culture, municipal services



## STRONG GROCERY-ANCHORING – OVER 100 GROCERY STORES <sup>1)</sup>



As per 31 December 2016

<sup>1)</sup> Including Kista Galleria (50%)

# 90% OF CITYCON'S SHOPPING CENTRES ARE LOCATED IN CAPITAL OR MAIN CITIES



**ISO OMENA,  
HELSINKI AREA <sup>1)</sup>**



**KISTA GALLERIA,  
STOCKHOLM <sup>2)</sup>**



**LILJEHOLMSTORGET  
GALLERIA, STOCKHOLM**



**KOSKIKESKUS,  
TAMPERE**



**HERKULES,  
SKIEN**

GLA, sq.m.	<b>101,000</b>	<b>92,500</b>	<b>40,500</b>	<b>33,100</b>	<b>49,300</b>
Visitors, million	9	19	10	6	3
Sales, MEUR	195	204	158	111	121

Note: Figures are for 2016

<sup>1)</sup> GLA updated as per April 2017

<sup>2)</sup> Kista Galleria (100%)



# SUSTAINABLE SHOPPING CENTRE MANAGEMENT

Acting as a sustainable business partner



## People

An excellent place to work and to be proud of



## Environment

Energy-efficient and environmentally sound shopping centres

OUR APPROACH



## Community & Companionship

Urban multifunctional shopping centres with strong ties to the community

Offering sustainable customer flows to tenants

SOLID ECONOMY

## Economy

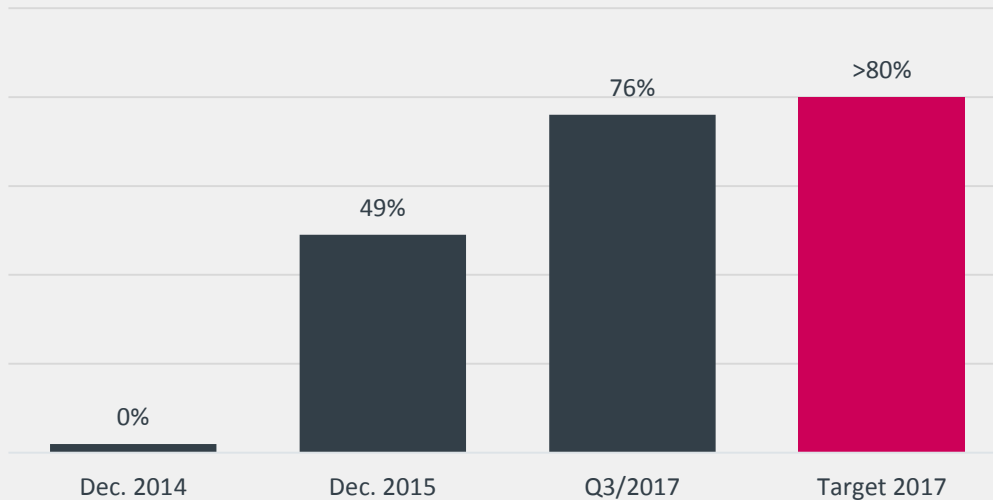
Creating long-term shareholder value





# FORERUNNER IN SUSTAINABILITY

Largest shopping centre portfolio with BREEAM In-Use certification in the Nordic countries



## KEY INITIATIVES 2017

- Energy consumption, kWh/sq.m.

**-6%**  
since 2014  
(target -10% by 2020)

- Within **top 5%** of globally reviewed companies



- Citycon's Buskerud unique in using **CO2 instead of freon** as a refrigerant, cooling the entire shopping centre
- Finland's first pop-up shopping centre, Pikkulaiva from **recyclable modules**
- Iso Omena to have the **largest solar power plant** realised in a Finnish retail property
- Jakobsbergs Centrum shifted to **geothermal heating & cooling** reducing the overall energy consumption by up to 65%

# Q3/2017: GOOD OPERATIONAL RESULTS IN SWEDEN AND NORWAY





# HIGHLIGHTS Q3/2017

## 4.7% INCREASE IN EPRA EPS TO EUR 0.133

- Overall net rental income growth and lower administrative expenses
- Completed (re)development projects support earnings growth (e.g. Iso Omena and Myyrmanni)

## POSITIVE LIKE-FOR-LIKE NET RENTAL INCOME

- LFL NRI +1.1% including Kista Galleria (50%)
- Strong performance in Sweden and Norway compensates for weaker Finland

## ACCELERATED CAPITAL RECYCLING

- Divestment of 8 properties, including building rights for approx. MEUR 140
- Additional committed divestments include 5 shopping centres in Finland and 1 in Norway for approx. MEUR 190
- Divestments will reduce LTV to approx. 45-46% in Q4

## SUCCESSFUL PLACEMENT OF NOK 1,000 MILLION BOND

- 8-year maturity with a 2.75% fixed annual interest

## GUIDANCE MAINTAINED

- EPRA EPS EUR 0.165-0.175, including the forthcoming Q4 disposals



## FINANCIAL HIGHLIGHTS

MEUR	Q3/2017	% <sup>1)</sup>
Net rental income	174.6	3.3
Direct operating profit	154.7	4.1
EPRA Earnings	118.5	4.7
EPRA EPS (basic)	0.133	4.7
EPRA NAV per share	2.78	-1.8
Fair value change	-32.3	-
Loan to Value (LTV), %	47.5	2.7

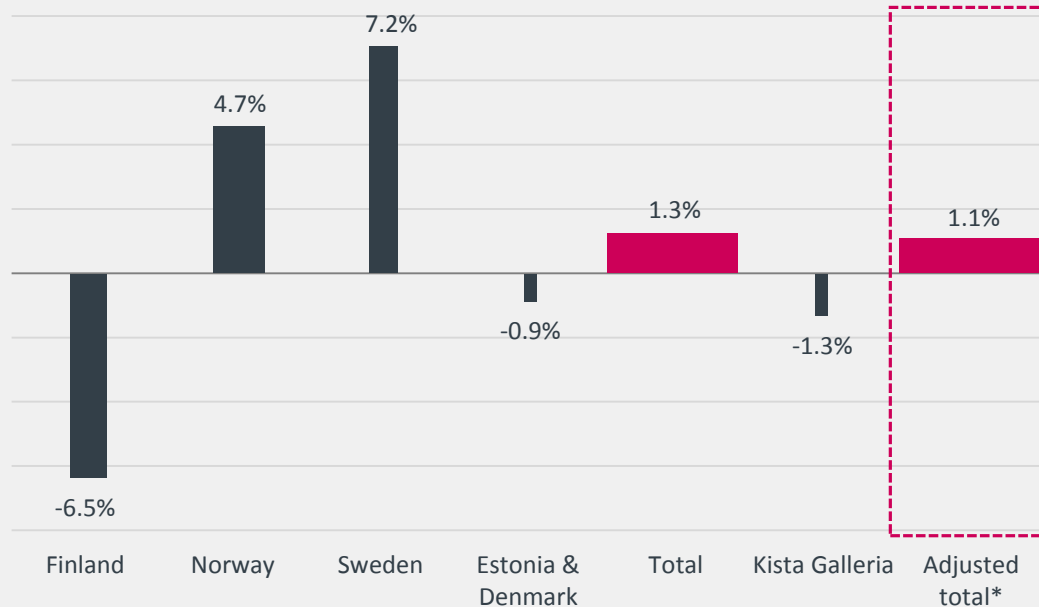
<sup>1)</sup> Change from previous year (Q1-Q3/2016)

# STRONG LIKE-FOR-LIKE NRI GROWTH IN SWEDEN AND NORWAY COMPENSATES FOR WEAKER FINLAND



# OVERALL LIKE-FOR-LIKE NRI GROWTH 1.1%

## LIKE-FOR-LIKE NET RENTAL INCOME GROWTH <sup>1)</sup>



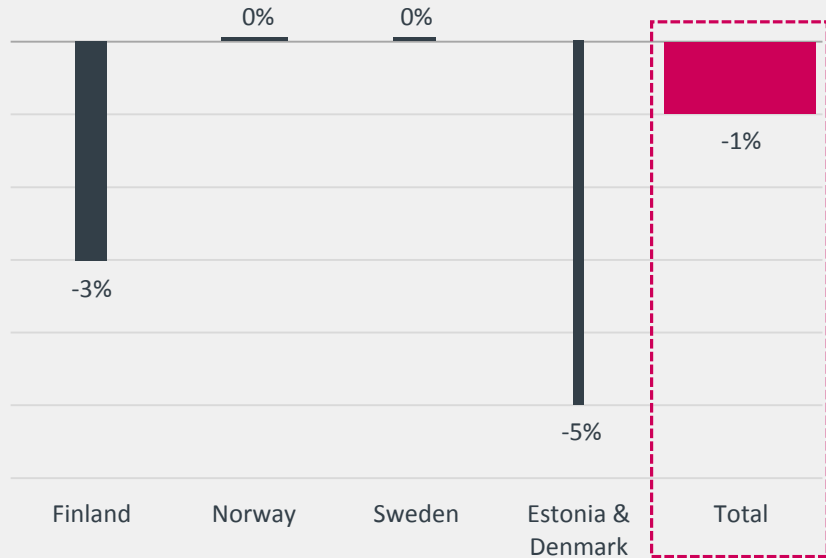
- Strong shopping centres in the Helsinki metropolitan area (Iso Omena, Myyrmanni, Lippulaiva) all out of the like-for-like portfolio due to (re)development projects
- Like-for-like portfolio in Finland represents 29% of the total value of the Finnish portfolio

# OVERALL SALES +3%, FOOTFALL +1%

## LFL SALES AND FOOTFALL SLIGHTLY DOWN

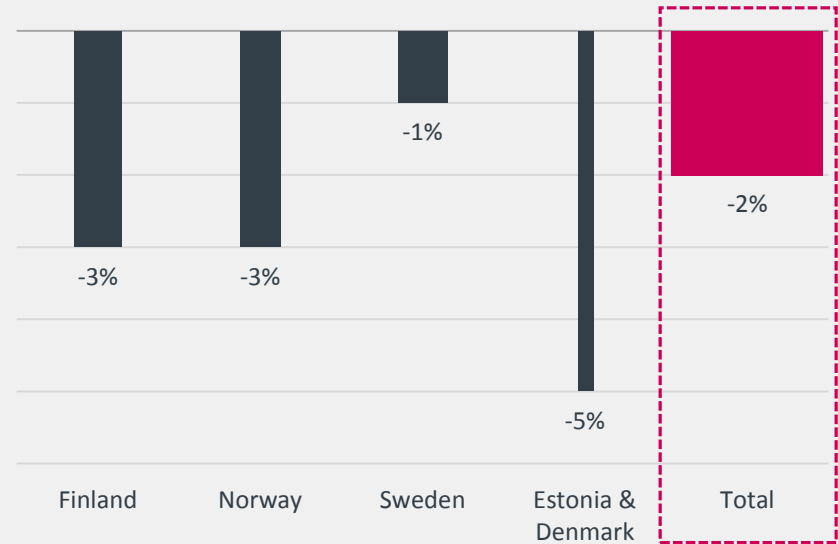
### LIKE-FOR-LIKE SALES

Q1-Q3/2017 vs. Q1-Q3/2016, % <sup>1)</sup>



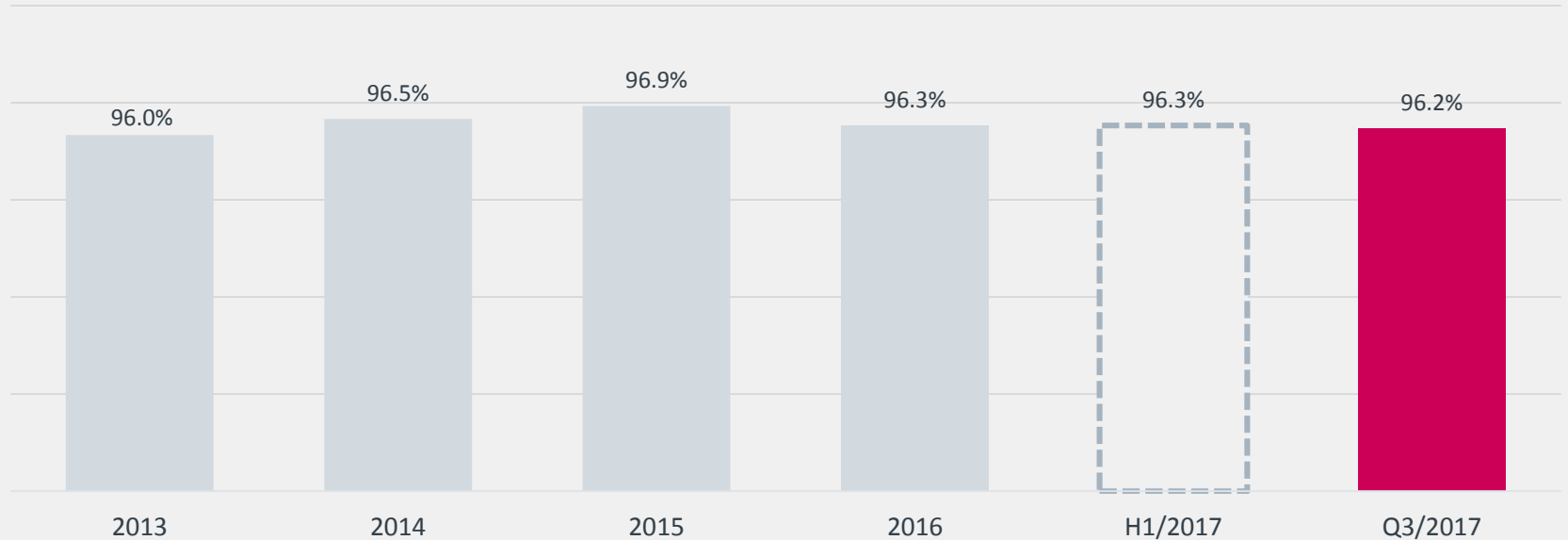
### LIKE-FOR-LIKE FOOTFALL

Q1-Q3/2017 vs. Q1-Q3/2016, % <sup>1)</sup>



# OCCUPANCY REMAINED STABLE

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





# SIGNED LETTER OF INTENT ON 31 AUGUST TO DEVELOP 'GLOBEN SHOPPING' TOGETHER WITH KLÖVERN



- Joint venture to acquire and develop the shopping centre part of the property Arenan 2
- Development plan is to double the size of the current 20,000 sq.m. shopping centre
- Ownership Citycon 55% and Klövern 45%
- Total investment of approx. EUR 260-290 million
- Timeline approx. 2022-2023

# STOCKHOLM AREA

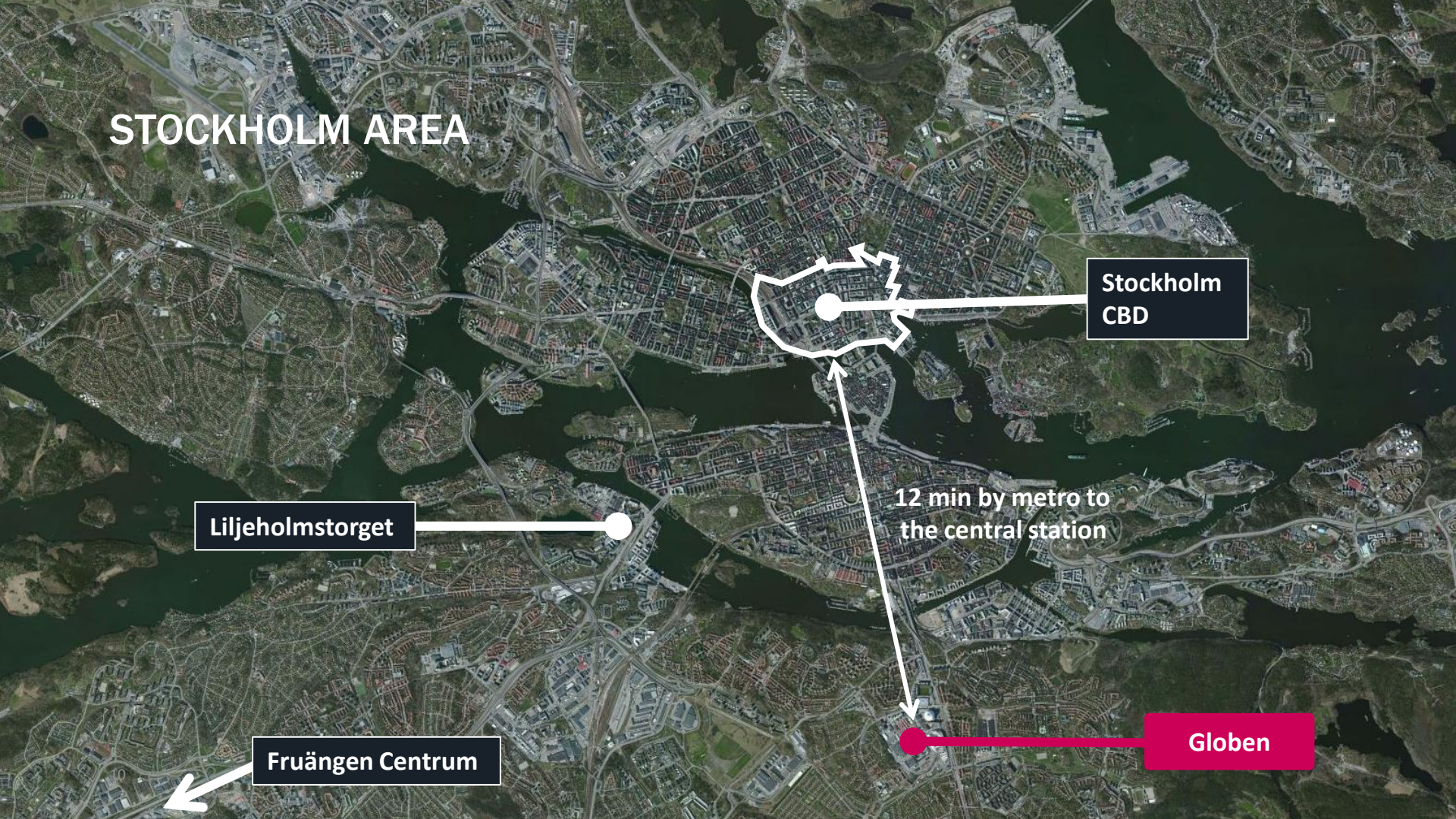
Stockholm  
CBD

Liljeholmstorget

12 min by metro  
to the central station

Fruängen Centrum

Globen



# MEUR 167 DIVESTMENT OF A PORTFOLIO OF NON-CORE ASSETS IN FINLAND

## CLOSED AND COMMITTED DIVESTMENTS IN 2017

	Assets	Value, MEUR
Finland	9	237
Norway	3	54
Sweden	1 + building rights	37
<b>Total</b>	<b>13</b>	<b>328</b>

– Signed agreement on 24 August to divest a portfolio of 5 non-core properties in Finland:

- Espoontori
- Tikkuri
- Myllypuron Ostari
- Martinlaakson Ostari
- Jyväskylän Forum



# DEVELOPMENT PORTFOLIO



# URBAN DEVELOPMENTS 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
<b>1 Mölndal Galleria</b>	Gothenburg	- /24,000	60.0 (120.0)	40.8	~6.5	70	Q3/2018
<b>2 Lippulaiva</b>	Helsinki metropolitan area	19,200/44,300	215.0	44.0	~6.5	55	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.



# ISO OMENA HAS BECOME THE LEADING SHOPPING AND LEISURE DESTINATION IN THE HELSINKI METROPOLITAN AREA

- Successful second phase opening 20 April 2017
- Strong and international tenant mix, 98% leased
- Strong operational performance since opening:
  - Footfall +25%
  - Customers by car +40%
  - Total turnover +37%
  - Turnover of existing tenants +13%
- Metro opening expected in November
- 4,500 sq.m. Dudesons Activity Park opened



# DEVELOPMENT PIPELINE



# DEVELOPMENT PIPELINE – URBAN LOCATIONS IN CAPITAL CITIES

	City	Area before/ after, sq.m.	Expected investment, MEUR	Target initiation/ completion
<b>COMMITTED</b>				
Down Town	Porsgrunn	38,000/46,000	80	2018/2020
<b>PLANNED (UNCOMMITTED)</b>				
Tumba Centrum	Stockholm	23,100/30,500	40	2018/2020
Kista Galleria	Stockholm	92,500/105,000	80 <sup>1)</sup>	2020/2023
Oasen	Bergen	56,800/68,800	100	2019/2022
Liljeholmstorget Galleria	Stockholm	40,500/64,500	100	2020/2023
Trekanten	Oslo	23,800/45,000	135	2019/2022

– Development investments of MEUR 150-200 p.a. sourced through capital recycling

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

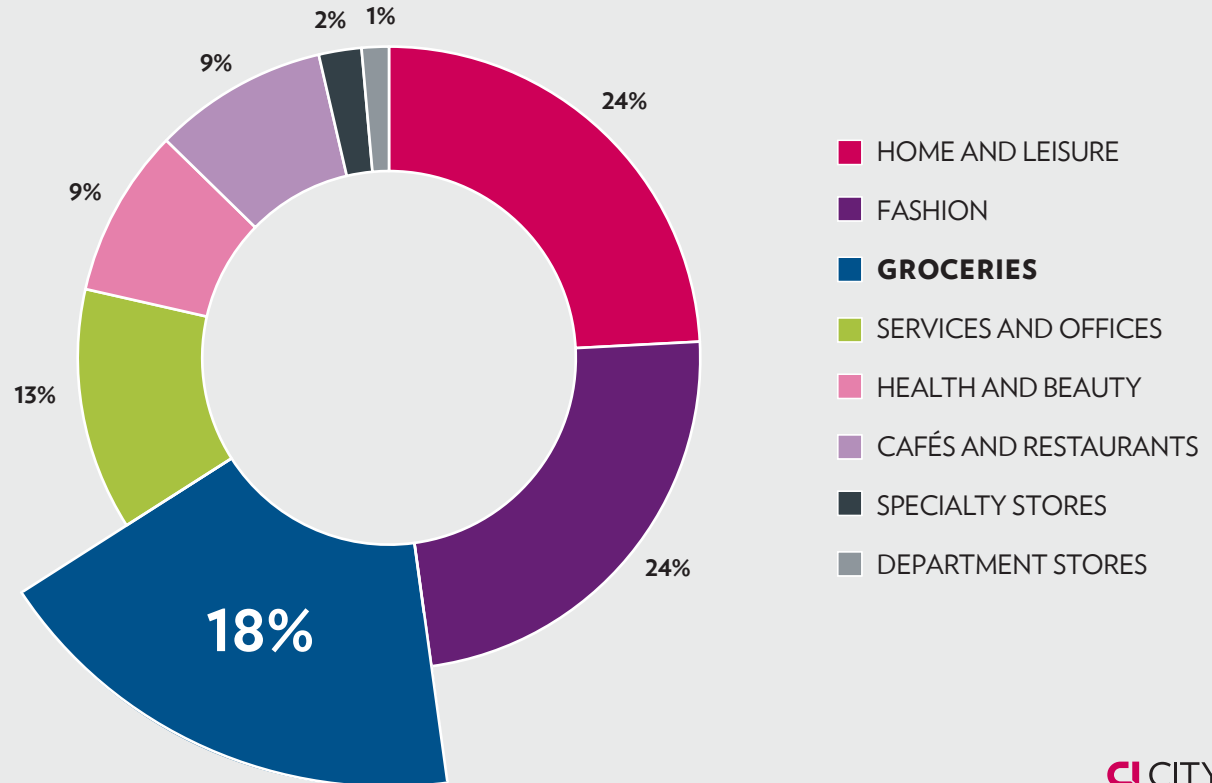




CLEAR **POSITIONING**

**URBAN  
CONVENIENCE  
IN THE HEART OF  
COMMUNITIES**

# FOOD AND NECESSITY-BASED



INCLUDING KISTA GALLERIA 50%

# PUBLIC SERVICES ARE OUR NEW ANCHORS

## ISO OMENA PUBLIC SERVICE SQUARE



**1.500.000**  
ANNUAL VISITORS

## LILJEHOLMSTORGET HEALTHCARE



**800.000**  
ANNUAL VISITORS

## KISTA GALLERIA LIBRARY

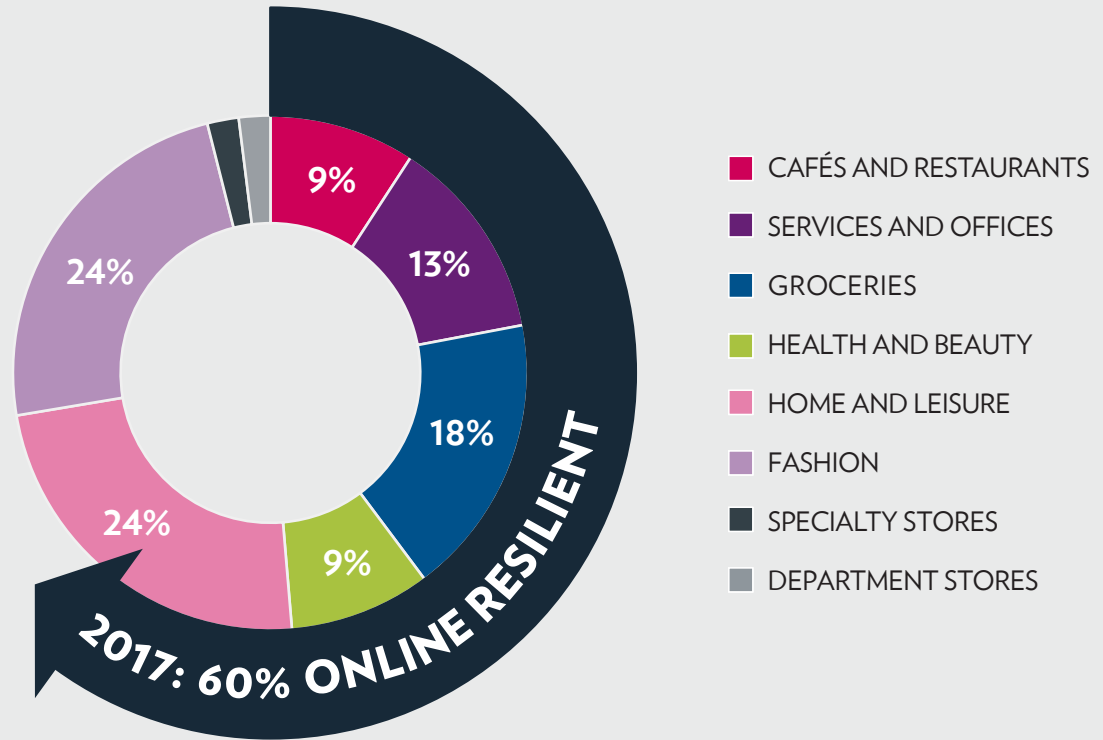


**700.000**  
ANNUAL VISITORS

# DUDESON'S ACTIVITY PARK OPENED IN ISO OMENA



# DAILY CONVENIENCE & ENTERTAINMENT





## KEY TARGET AREAS 2017 AND ONWARDS

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### FURTHER CAPITAL RECYCLING

- Closing of committed divestments in 2017 (total approx. MEUR 330)
  - Continue to improve the quality of the portfolio by recycling approx. 5-10% of the total property portfolio within 3 to 5 years
  - MEUR 150-200 p.a. developments within the existing portfolio with an average YoC of 150 bps over yield requirement
  - Selective acquisitions
- 

### LONG-TERM LFL NRI GROWTH OF 100 BPS ABOVE INFLATION

- Following completion of divestment plan
- 

### LOAN TO VALUE TARGET 40-45%

- Recycling of capital
  - Selective joint venture opportunities
-

# FINANCIAL OVERVIEW



## FINANCIAL RESULTS

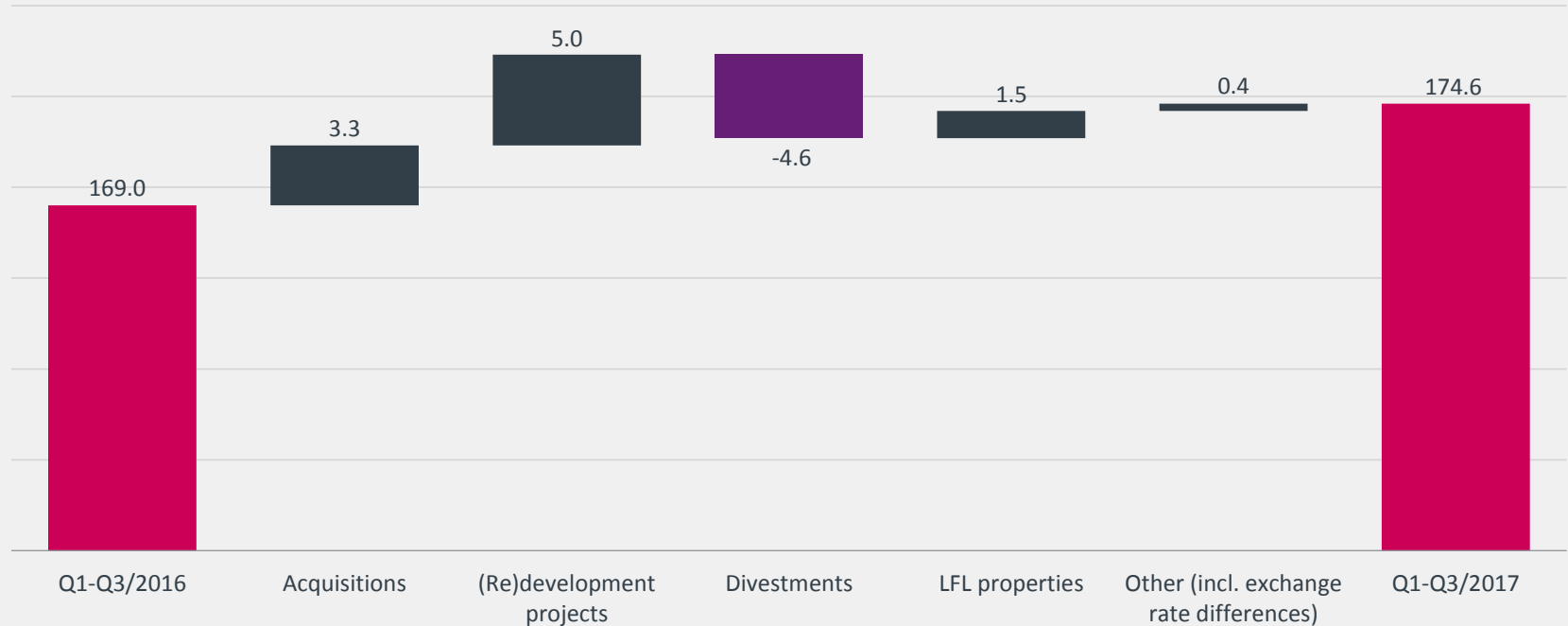
MEUR	Q3/2017	Q3/2016	%	Q3/2017 INCL. KISTA 50%
Gross rental income	195.3	187.3	4.3	207.8
Net rental income	174.6	169.0	3.3	185.7
Direct operating profit	154.7	148.6	4.1	165.4
EPRA Earnings	118.5	113.2	4.7	n.a.
EPRA EPS (basic)	0.133	0.127	4.7	n.a.
EPRA NAV per share	2.78	2.83	-1.8	n.a.

- EPRA EPS increased due to higher net rental income and lower direct administrative expenses
- Kista Galleria contributed to the IFRS-based profit for the period by approx. MEUR 3.2 in Q3/2017



# (RE)DEVELOPMENT PROJECTS COMING ONLINE SUPPORTED NET RENTAL INCOME GROWTH

## NRI DEVELOPMENT MEUR





## INCREASED AVERAGE RENT, OCCUPANCY AT A GOOD LEVEL

		Q3/2017	Q3/2016
Occupancy rate (economic)	%	96.2	96.1
Average rent	EUR/sq.m.	23.4	23.1
Average remaining length of lease portfolio	years	3.4	3.4
		Q1-Q3/2017	Q1-Q3/2016
Average rent of leases started	EUR/sq.m.	23.3	23.2
Average rent of leases ended	EUR/sq.m.	22.8	21.6
Leasing spread of renewals and re-lettings	%	-4.1	-5.4

- Q1-Q3/2017 leasing spread improved, still negative mainly due to challenging retail environment in Finland and increased competition in Estonia

All figures including Kista Galleria 50%



## INTERNAL Q3 VALUATION BASED ON CBRE ADVISORY

FAIR VALUE CHANGES, MEUR	Q3/2017	Q3/2016	Q1-Q3/2017	Q1-Q3/2016
Finland	-21.2	0.3	-36.3	-14.9
Norway	-12.3	0.5	-11.5	24.8
Sweden	10.7	7.4	18.9	29.2
Estonia & Denmark	-1.1	-0.9	-3.3	-0.7
<b>Investment properties, total</b>	<b>-23.9</b>	<b>7.4</b>	<b>-32.3</b>	<b>38.4</b>
Kista Galleria (50%)	0.0	0.1	0.5	2.1
<b>Investment properties and Kista Galleria (50%), total</b>	<b>-23.9</b>	<b>7.6</b>	<b>-31.8</b>	<b>40.5</b>
<b>WEIGHTED AVERAGE YIELD REQUIREMENT, %</b>	<b>30 SEP 2017</b>	<b>30 SEP 2016</b>	<b>31 DEC 2016</b>	
<b>Investment properties and Kista Galleria (50%), average</b>	<b>5.3</b>	<b>5.5</b>	<b>5.4</b>	

Note: Kista Galleria and development properties externally valued by CBRE

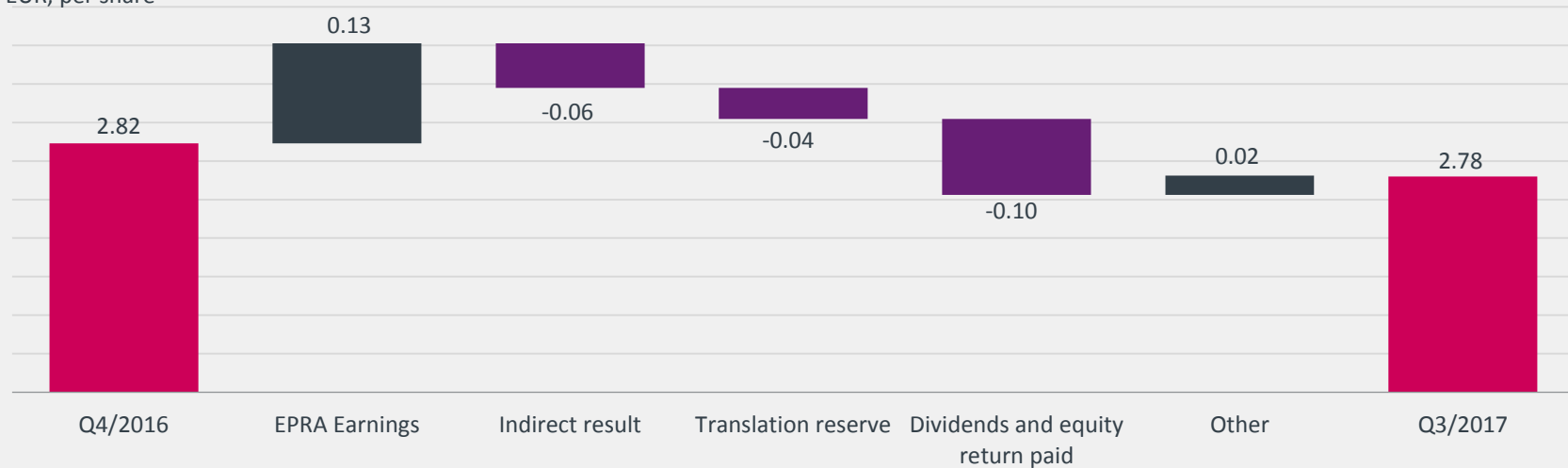
# INCOME STATEMENT

MEUR	Q3/2017	Q3/2016	%	Q1-Q3/2017	Q1-Q3/2016
Gross rental income	63.8	61.9	3.1	195.3	187.3
Service charge income	19.0	19.2	-1.0	58.9	59.4
Property operating expenses	-23.9	-23.8	0.3	-78.3	-76.7
Other expenses from leasing operations	-0.4	-0.6	-36.0	-1.3	-1.1
<b>Net rental income</b>	<b>58.6</b>	<b>56.8</b>	<b>3.3</b>	<b>174.6</b>	<b>169.0</b>
Administrative expenses	-7.1	-7.2	-0.4	-20.9	-21.9
Other operating income and expenses	-2.6	0.6	-	-4.6	1.5
Net fair value gains/losses on investment property	-23.9	7.4	-	-32.3	38.4
Net gains on sale of investment property	0.4	0.8	-47.7	9.8	4.3
<b>Operating profit</b>	<b>25.4</b>	<b>58.4</b>	<b>-56.5</b>	<b>126.6</b>	<b>191.3</b>
Net financial income and expenses	-13.2	-18.2	-27.2	-42.8	-44.7
Share of profit/loss of joint ventures	0.0	0.9	-96.3	-1.3	4.7
<b>Profit/loss before taxes</b>	<b>12.2</b>	<b>41.1</b>	<b>-70.3</b>	<b>82.4</b>	<b>151.3</b>
<b>Profit/loss for the period</b>	<b>5.5</b>	<b>31.8</b>	<b>-82.7</b>	<b>64.7</b>	<b>127.0</b>

# STABLE EPRA NAV

## CHANGE OF NET ASSET VALUE (EPRA NAV)

EUR, per share



	30 SEP 2017	30 SEP 2016	31 DEC 2016
EPRA NAV per share, EUR	2.78	2.83	2.82
EPRA NNAV per share, EUR	2.41	2.42	2.47

# BALANCE SHEET

MEUR	30 SEP 2017	30 SEP 2016	31 DEC 2016
Investment properties	4,184.2	4,354.8	4,337.6
Total non-current assets	4,607.4	4,771.0	4,762.8
Investment properties held for sale	206.6	22.1	81.9
Total current assets	43.2	73.3	56.2
<b>Total assets</b>	<b>4,857.2</b>	<b>4,866.3</b>	<b>4,900.9</b>
Total shareholders' equity	2,254.5	2,316.2	2,312.3
Total liabilities	2,602.7	2,550.1	2,588.7
<b>Total liabilities and shareholders' equity</b>	<b>4,857.2</b>	<b>4,866.3</b>	<b>4,900.9</b>

# FINANCING OVERVIEW





## MAIN FINANCING TARGETS

- Loan to Value 40-45% - 47.5%
- Average maturity of loan portfolio > 5 yrs ✓ 5.2
- Debt portfolio's hedge ratio 70-90% ✓ 90%
- Strong investment-grade credit ratings ✓ BBB/Baa1
- Financing mainly unsecured ✓ 95%
- Substantial liquidity buffer ✓ MEUR 557

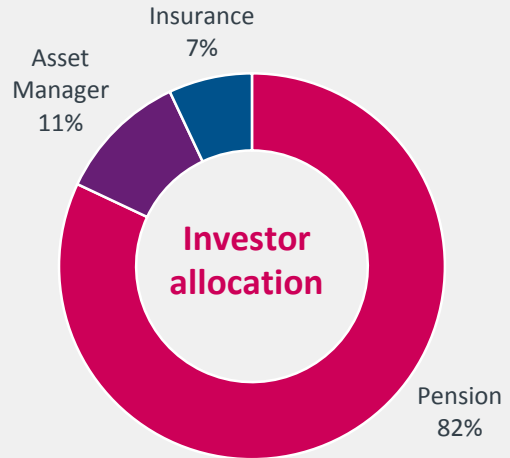
**Conservative business model matched  
by conservative financing targets**



# CITYCON ISSUED A NOK 1,000 MILLION BOND WITH 2.75% COUPON AND 8 YEAR MATURITY

## KEY TERMS

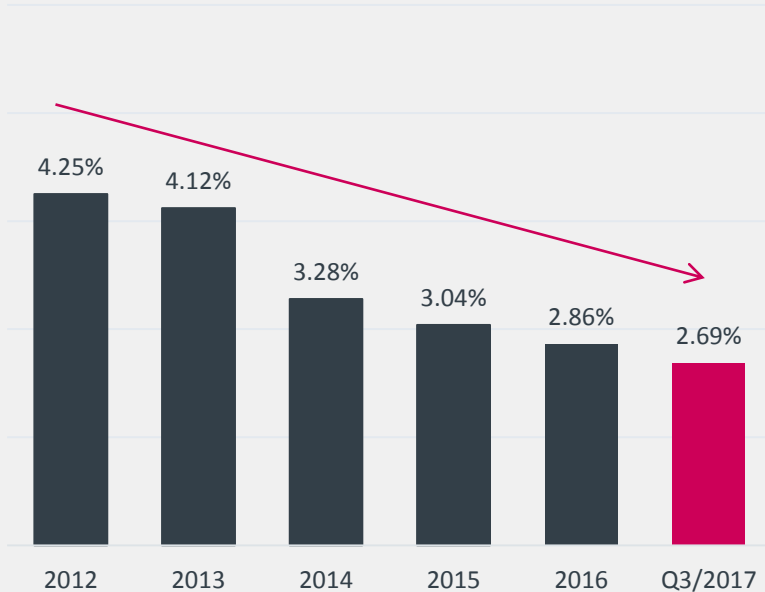
Bond rating:	Baa1 (Moody's), BBB (S&P)
Status:	Senior, Unsecured
Settlement date:	22 September 2017
Maturity:	8-years
Amount:	NOK 1,000 million
Maturity date:	22 September 2025
Coupon:	2.750%
Listing:	Oslo Stock Exchange



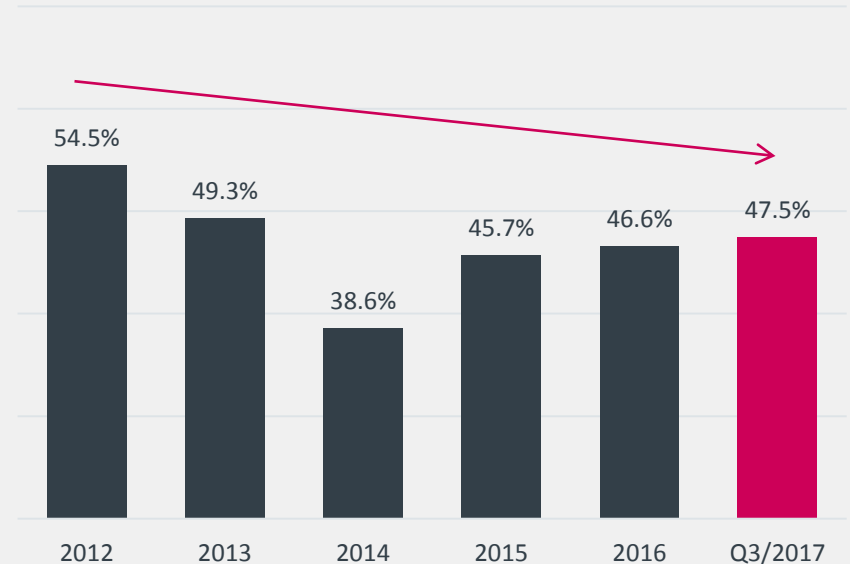
- Since the Citycon's inaugural dual tranche NOK bond issues in 2015 Citycon decided to return to the NOK market to balance its finance needs with another NOK bond in September 2017

# FORTHCOMING DIVESTMENTS WILL REDUCE LTV CLOSE TO 45-46% IN Q4

## WEIGHTED AVERAGE INTEREST RATE



## LOAN TO VALUE (LTV)

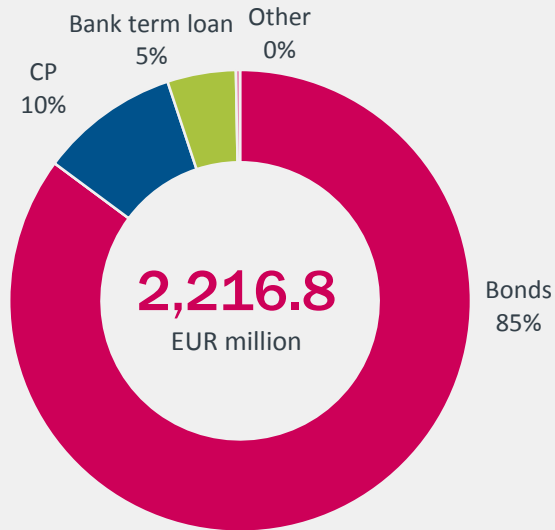


# FINANCING KEY FIGURES

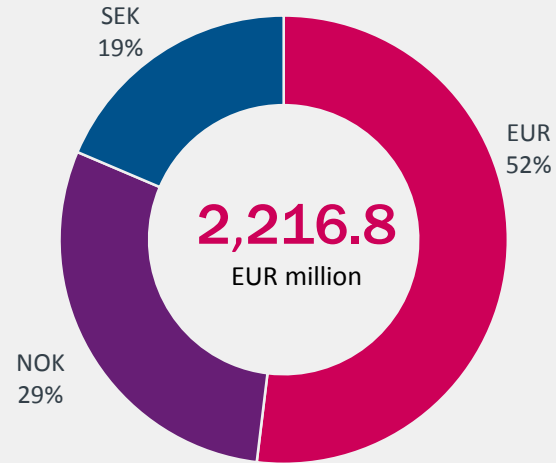
		30 SEP 2017	30 SEP 2016	31 DEC 2016
Interest bearing debt, fair value	MEUR	2,216.8	2,156.4	2,191.5
Available liquidity	MEUR	557.5	583.3	560.4
Average loan maturity	years	5.2	5.8	5.6
Interest rate hedging ratio	%	89.9	94.8	93.1
Weighted average interest rate <sup>1)</sup>	%	2.69	2.90	2.86
Loan to Value (LTV)	%	47.5	46.2	46.6
Financial covenant: Equity ratio (> 32.5%)	%	46.5	47.7	47.3
Financial covenant: Interest cover ratio (> 1.8)	%	3.7	3.9	3.8

# 90% OF DEBT FIXED RATE, VAST MAJORITY BONDS

## DEBT BREAKDOWN BY TYPE



## DEBT BREAKDOWN BY CURRENCY



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

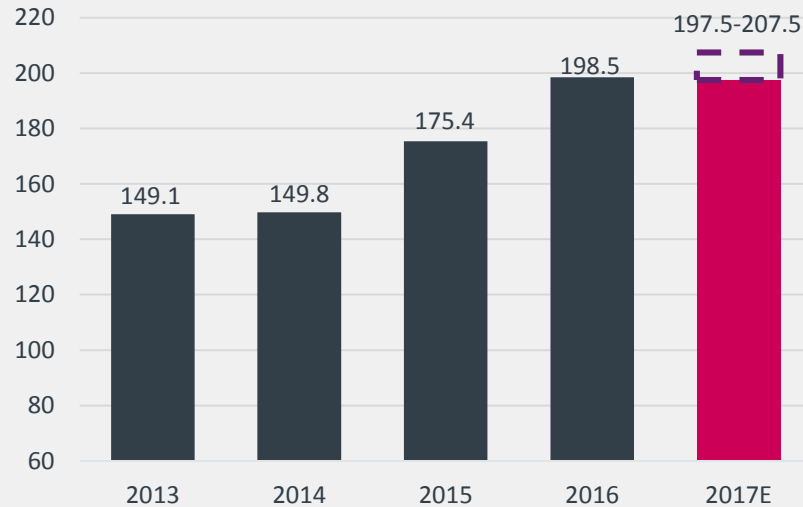
# BALANCED MATURITY PROFILE WITH LONG AVERAGE LOAN MATURITY

## DEBT MATURITIES



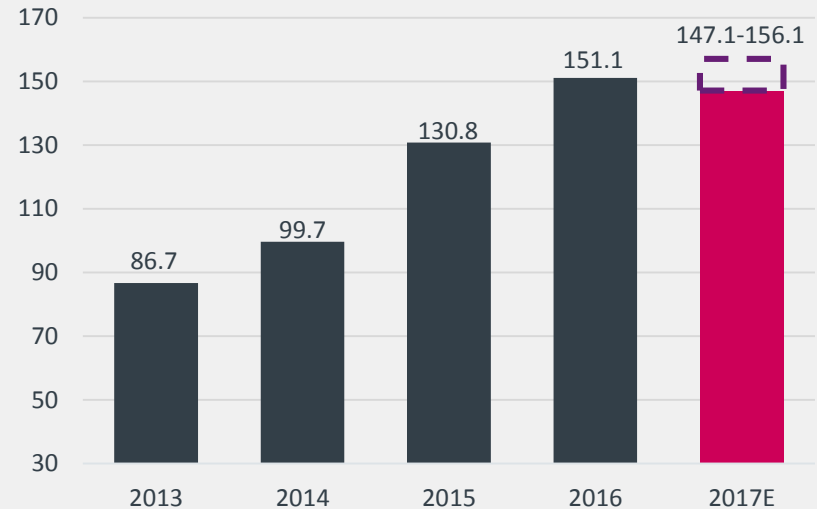
# OUTLOOK 2017

## DIRECT OPERATING PROFIT



- Direct operating profit MEUR -1 to 9
- EPRA Earnings MEUR -4 to 5
- EPRA EPS (basic) EUR 0.165-0.175

## EPRA EARNINGS



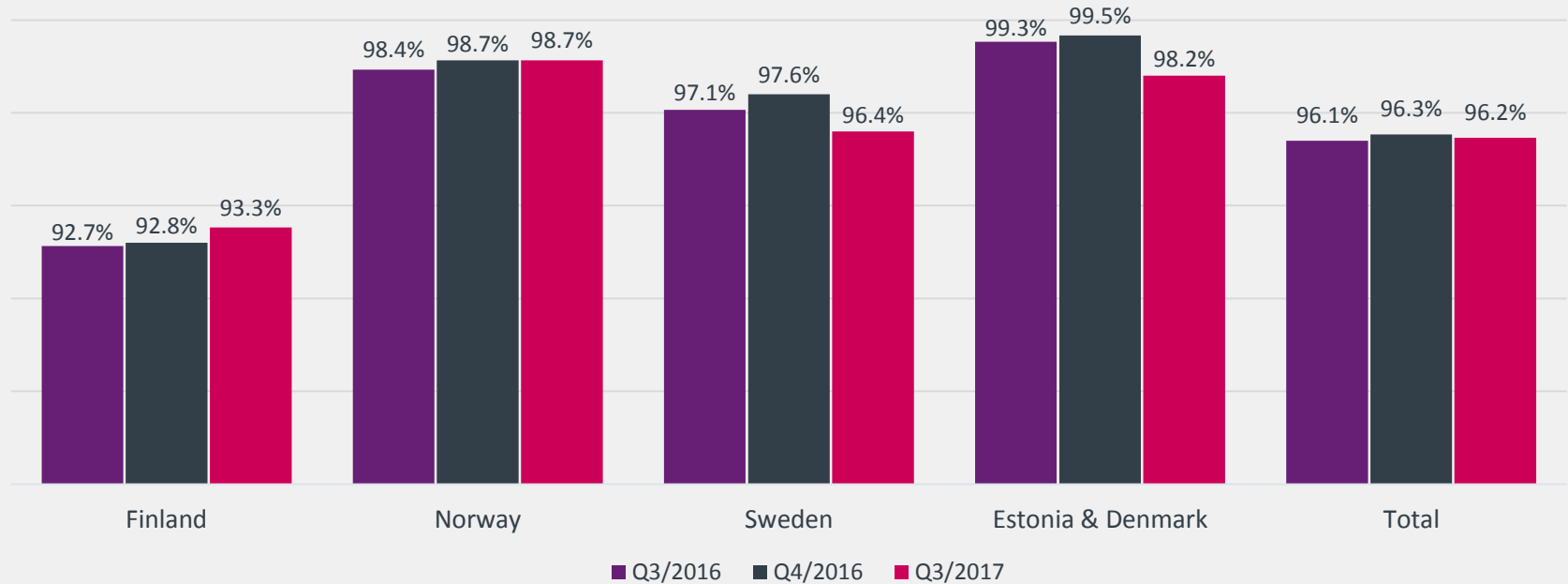
- Based on existing property portfolio and already committed divestments, which are expected to be closed by the end of 2017

# PROPERTY PORTFOLIO



 CITYCON

# OCCUPANCY BY COUNTRY<sup>1)</sup>

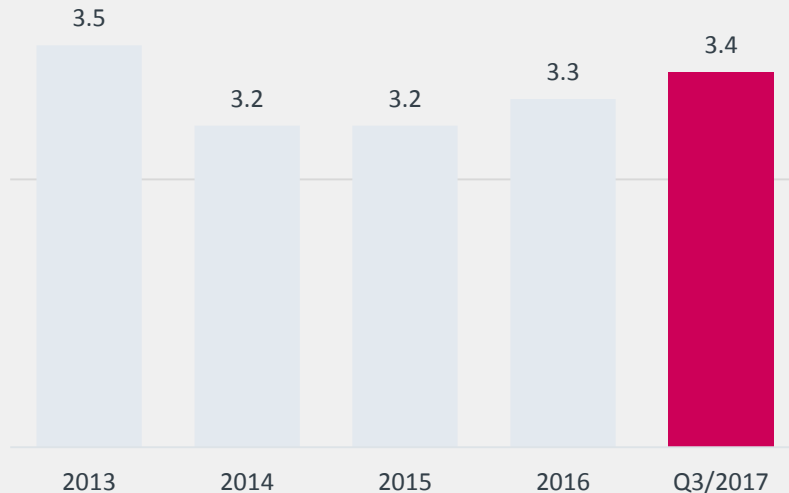




# LEASE PORTFOLIO

## AVERAGE LEASE MATURITY <sup>1)</sup>

Years



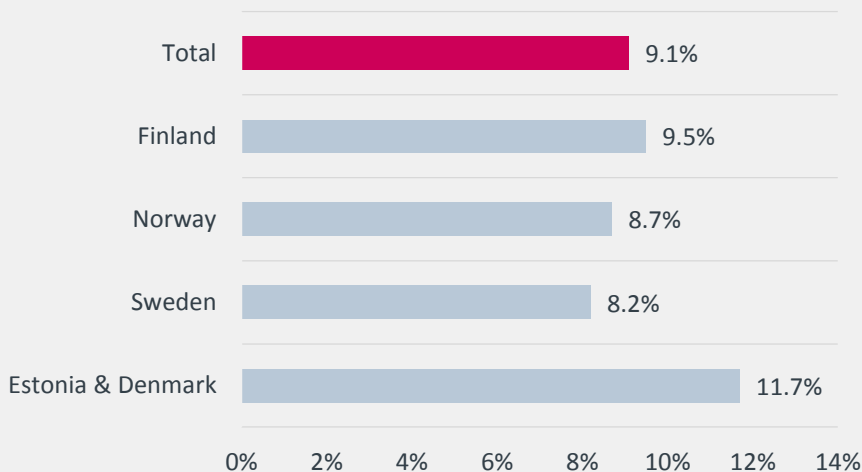
- 4,773 lease agreements with an average length of 3.4 years
- Total GLA 1,243,840 sq.m. <sup>1)</sup>
- Rents linked to CPI (nearly all agreements)
- Annualised potential rental value for the portfolio is EUR 351.8 million <sup>1)</sup>
- Actual rental contract level vs. valuation market rents is -0.5%<sup>1)</sup>
  - Indicates how much higher/lower Citycon's actual rental level is compared to the market rents applied in the external valuations

# PROPERTY PORTFOLIO

## TOP 4 TENANTS

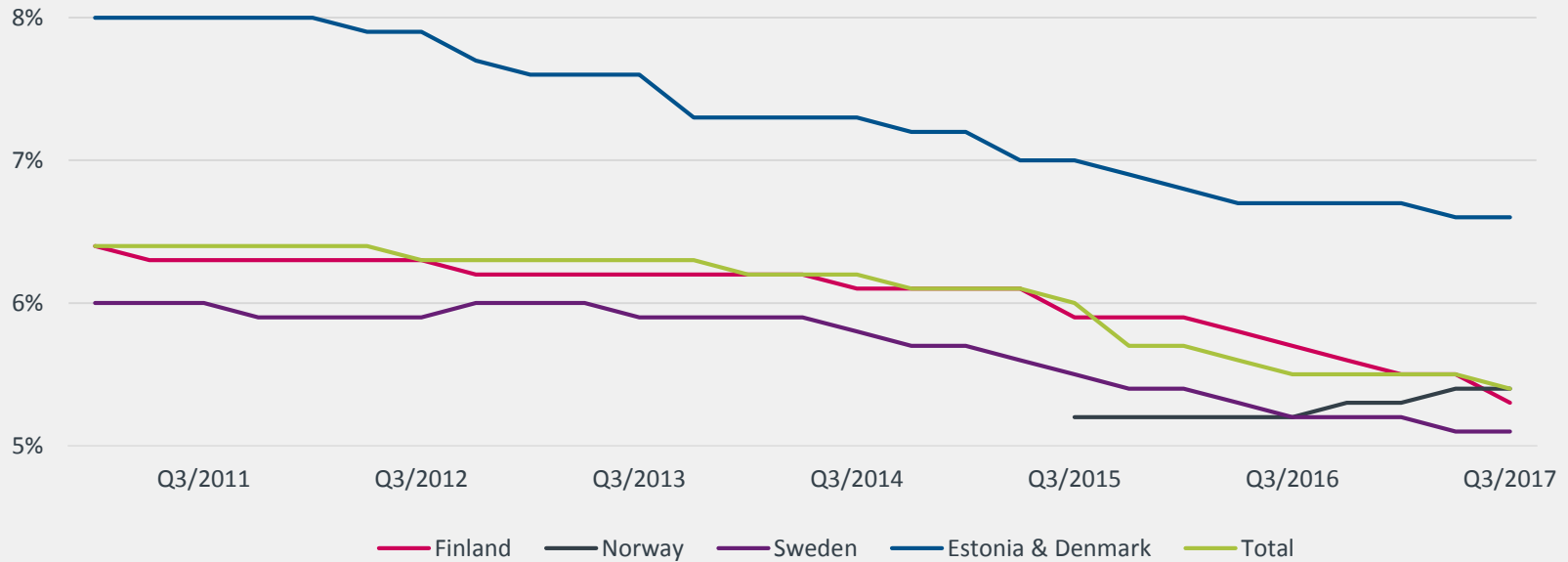
2016	PROPORTION OF RENTAL INCOME, %
Kesko	6.6
S Group	4.5
Varner-Group	4.4
NorgesGruppen Group	2.2
<b>Top 4, total</b>	<b>17.7</b>

## OCCUPANCY COST RATIO <sup>1)</sup> SHOPPING CENTRES, ROLLING 12 MONTHS



# VALUATION YIELD DEVELOPMENT

VALUATION YIELD DEVELOPMENT <sup>1)</sup>



# BACK-UP INFORMATION

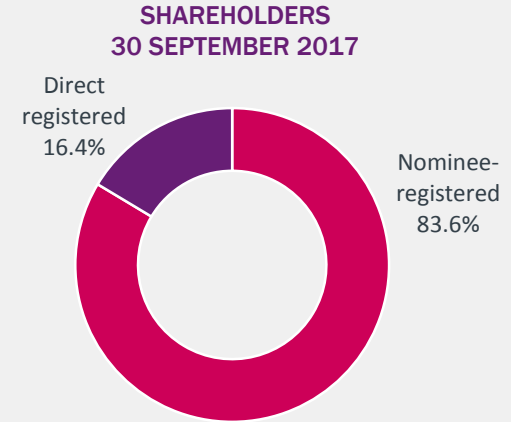


 CITYCON



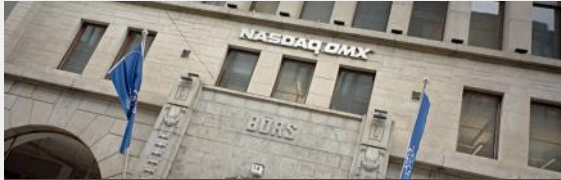
## OWNERSHIP, 30 SEPTEMBER 2017

- Established and listed on Nasdaq Helsinki in 1988
- Market cap EUR 1,981 million
- Total registered shareholders 13,451
- Largest shareholders:
  - Gazit-Globe 44%
  - CPPIB 15%
  - Ilmarinen 7%
  - Alecta 5%
- Included in e.g. FTSE EPRA/NAREIT Global Real Estate Index, Global Real Estate Sustainability Benchmark Survey Index, iBoxx BBB Financial Index (EUR 500 million bond)



# HISTORY OF CITYCON

## +25 YEARS OF RETAIL EXPERIENCE AND NORDIC EXPANSION



### From Finnish office assets

#### 1988

- Founded by Sampo Pension Ltd, Imatran Voima Oy, Rakennustoimisto A. Puolimatka Oy and Postipankki
- Listed on Helsinki Stock Exchange
- Office assets

#### 1998

- Focus shifted to retail properties

#### 1999

- Finland's leading listed property investment company specialising in retail premises



### To international retail premises

#### 2003

- Strategy to include also (re)development of assets
- Ownership base internationalised

#### 2005

- International expansion starts: first acquisitions in Sweden and Estonia

#### 2007

- Acquisition of Iso Omena in Helsinki area



### To a true Pan-Nordic leader

#### 2011

- New management and redefined strategy

#### 2013

- Acquisition of Kista Galleria in Stockholm in JV with CPPIB
- Investment-grade credit ratings by S&P and Moody's

#### 2014

- CPPIB becomes strategic shareholder, 15% ownership

#### 2015

- Acquisition of Norwegian Sektor Gruppen for EUR 1.5 billion

# ATTRACTIVE TENANT MIX OF NORDIC AND INTERNATIONAL BRANDS

## GROCERIES & DAILY NEEDS

KESKO

S GROUP

ICA  
GRUPPEN

NorgesGruppen

LIDL

coop

## FASHION

H&M

VARNER

LINDEX

ZARA

KappAhl

ginatricot

## CAFÉS & RESTAURANTS



DUNKIN'  
DONUTS



## LEISURE & SPORT



FINNKINO

FILMSTADEN

GRESVIG

INTERSPORT

stadium

Foot Locker

## HOME & DESIGN

clas ohlson

Villeroy & Boch  
1748

Iittala

marimekko

HEMTEX

U&PENN

## HEALTH, BEAUTY & SERVICES

RITUALS...



KICKS

Nordea

SATS

SYNSAM

# DEMONSTRATED ACCESS TO BOND MARKETS

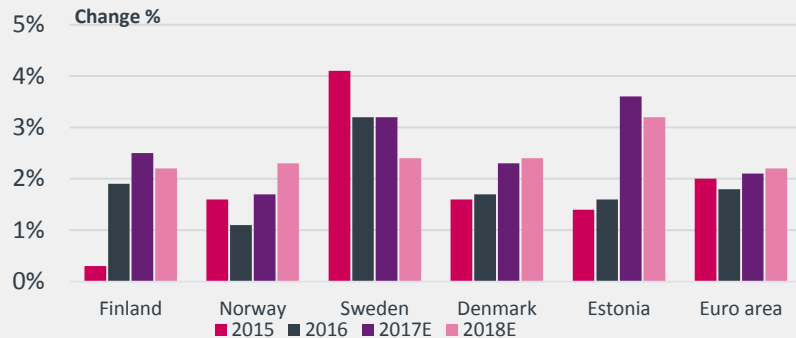
## OUTSTANDING BONDS

Bond	Issued amount, million	Interest, p.a.	Maturity, years	Issue date	Maturity
NOK bond	NOK 1,000	2.75	8	9/2017	9/2025
Eurobond	EUR 350	1.25%	10	9/2016	9/2026
Eurobond	EUR 300	2.375%	7	19/2015	9/2022
NOK bond	NOK 1,400	3.9%	10	9/2015	9/2025
NOK bond	NOK 1,250	3-mth Nibor + 155 bps	5.5	9/2015	3/2021
Eurobond	EUR 350	2.50%	10	10/2014	10/2024
Eurobond	EUR 500	3.75%	7	6/2013	6/2020

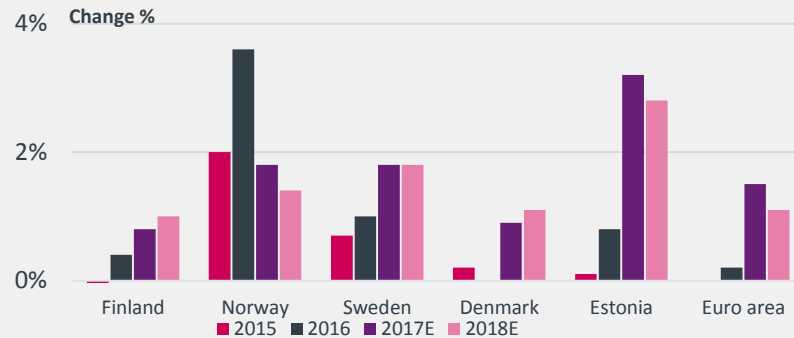


# ECONOMIC OUTLOOK

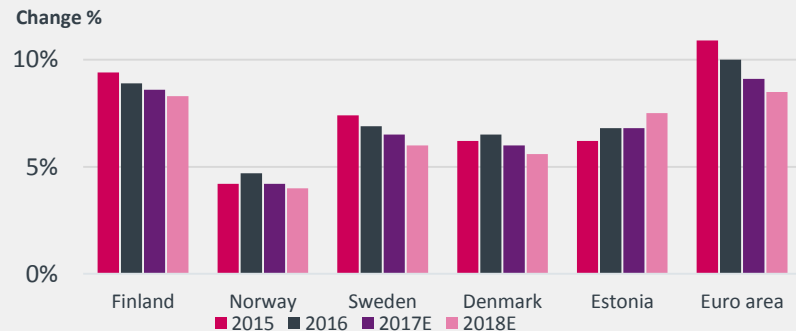
## GDP GROWTH



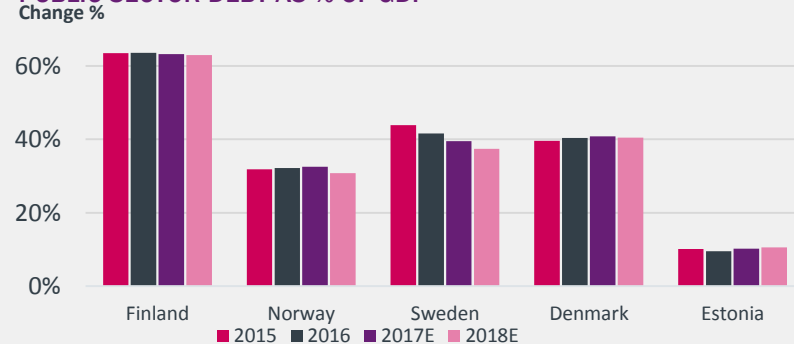
## INFLATION



## UNEMPLOYMENT



## PUBLIC SECTOR DEBT AS % OF GDP



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