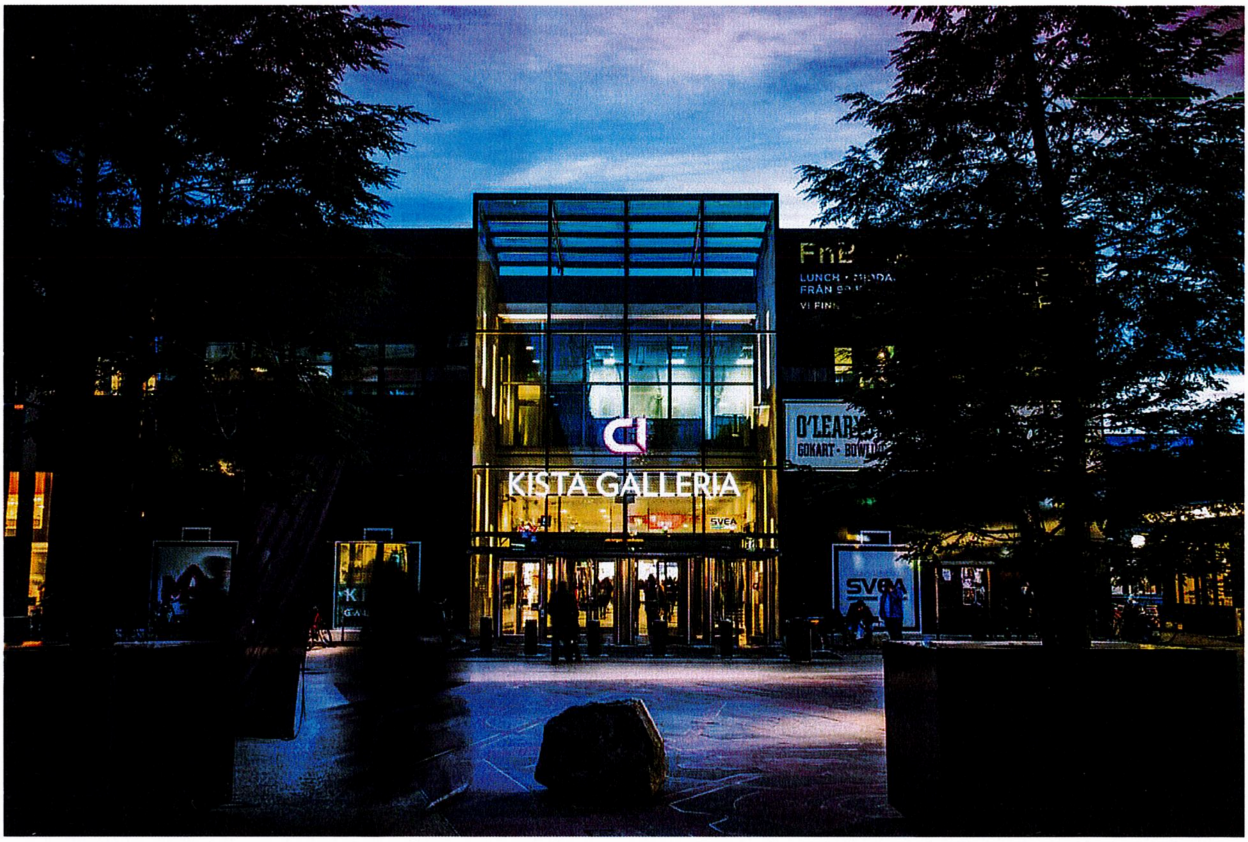

CITYCON TREASURY B.V.

2019 ANNUAL REPORT

AMSTERDAM, JUNE 2020

CITYCON

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CITYCON

DIRECTOR'S REPORT

GENERAL

Citycon Treasury B.V. (hereinafter "the Company") is registered in Amsterdam, Hullenbergweg 300, The Netherlands and has been incorporated on 17 June 2011 under Dutch law. The Company acts as a finance company for the Citycon Group companies. The parent company is Citycon Oyj, Espoo, Finland which is listed on the Helsinki Stock Exchange.

OBJECTIVES

The Company's objectives, in accordance with article 3 of the Articles of Association, are to incorporate, participate, manage and finance other group companies. Furthermore, to borrow and lend funds, to place public and private debt and in general to engage in financial and commercial activities which may be conductive to the foregoing.

RISK MANAGEMENT

The Board of Directors is in charge of the management of the Company meaning that the responsibilities include the policy and business progress within the Company and with this the achievement of the goals, strategy, profit development and the social aspects of doing business that are relevant for the Company. The Company has via its associate company Montalbas B.V. an economic risk being the fair value changes in real estate held by the underlying entities in Finland and Estonia. The Board of Directors is also responsible for the compliance with legislation and regulations and the management of risks relating to the financing activities of the Company.

These controls were set up in co-operation with Citycon OYJ to identify and manage foreign exchange-, interest-, liquidity-, counterpart- and credit risks in line with the Citycon group treasury policy.

COVID-19

In March 2020 the Covid-19 virus also reached Holland and the Nordics and since that moment the financial markets where either locked down or became accessible only at very elevated price levels. For Citycon as a group Covid-19 has a direct impact on its cash flow position as the rent collection has been lower in April and the group was partially financed with short-term debt. Citycon has enough committed credit facilities to ensure the continuity for the business. For the Company as a standalone, Covid-19 does not have a major impact on its net results from financing activities. The Company has back to back positions in place for all its outstanding loans. For potential default of related companies, we refer to the chapter credit risk on page 2 and 3. As an issuer on the capital markets, the Company will however face increased difficulties.

COVID-19 and Investment in associates

The Nordic countries are well-positioned to come through the crisis. In the Nordics, governments are proactively engaged with preserving the economic viability of businesses, Government support improve both Citycon tenants' ability to pay rent and consumers' purchasing power. In general, shopping centers have remained open and mobility restrictions are looser compared to e.g. Western Europe. Citycon will assess all requests for rental reliefs on a case-by-case basis.

RISK APPETITE AND IMPACT

Our willingness to assume risks and uncertainties (the risk appetite) may differ for each category but is in general very low. The risk overview table shows the risk appetite and the expected impact on the group's achievement of its objectives if one or more of the main risks and uncertainties were to materialize. The likelihood of the risk-taking place is also disclosed.

Risk Category	Risk	Risk appetite	Impact	Likehood
Strategic risk	Reputation damage	0	00	0
Operational risk	Counterpart - and Credit risk	0	00	00
	Economic risk associate	0	00	00
Legal and compliance risk	Market information risk	0	0	0
	Tax risk (transfer pricing)	0	00	0
Financial risk	Cash flow and liquidity risk	0	000	00
	Interest risk and FMV risk	0	00	0
	Foreign currency risk	0	00	0

O low / OO medium / OOO large

RISK PROFILE

Above an overview of the risks that the Company's management believes are most relevant to the achievement of our strategy. The sequence of risks below does not reflect an order of importance, vulnerability or materiality. The overview is not exhaustive and should be considered with forward looking statements. There may be risks not yet known to us or which currently are not deemed to be material.

REPUTATION DAMAGE

The fact that we would not be able to fulfill our obligations (Operational, Compliance, Financial) may cause serious damage to the brand "Citycon" and may have a material adverse effect on our financial condition and of the entire Citycon group. The Company employs a rigorous quality and compliance management process before entering into new instruments or deals. Internal policies and Code of Conduct are designed to further mitigate incidents that could result in reputation or brand damage.

COUNTERPART- AND CREDIT RISK

The Company finances the group company loans to the operating entities mainly via the debt capital markets, the EUR 1.5 billion facility agreement with Citycon Oyj and the EUR 500 million syndicated revolving credit facility with 5 banks. If a group company that borrows from the Company goes in default, the Company shall transfer and assign all the rights and obligations under such intercompany loan to Citycon Oyj and shall pay Citycon Oyj an amount equal to the risk participation in cash. The amount of risk participation of the Company in such a loss will be calculated in accordance with the formula on the next page.

Principal outstanding amount of the Intercompany loan
-- * Minimum equity
Total Facility outstanding

Minimum equity means an amount equal to the lower of (i) EUR 2,000,000 and (ii) an amount equal to 1% of the loans outstanding in any accounting year.

In discharging its duties, the Board of Directors is led by the interest of the Company and its affiliated enterprise. The Board of Directors are accountable to the General Meeting of Shareholders for its policy.

MARKET INFORMATION RISK

The Company has clear deadlines to inform the market about its performance. Not meeting the deadlines may cause suspicion on the company's financial health and ability to meet all its requirements.

In order to meet the deadlines of depositing the annual report to the Norwegian, Irish and Dutch regulators, management is working closely together with external advisors.

ECONOMIC RISK ASSOCIATE

Following the outbreak of Covid-19 footfall dropped dramatically in Citycon's shopping centers. Consequently, many of Citycon's tenants saw a major decrease in sales resulting in liquidity issues and tenants asking for rental reliefs. In worst case tenants go bankrupt and this will lead to tenant bankruptcies which in turn will impact Citycon's occupancy rate negatively, causing negative pressure on the valuation of our properties. Citycon handles rental reliefs concerning each tenant on a case by case with the aim of securing the continuity of both the tenant and Citycon's business.

TAX RISK (TRANSFER PRICING)

According to the transfer pricing study report performed by Dentons Boekel N.V., the Company is obliged to make a certain return on its loan portfolio. Taxation will in any case be calculated on this minimum basis or the exceeding profit before tax.

CASH FLOWS AND LIQUIDITY RISKS

The liquidity risk is actively managed and currently covered by funds available under the EUR 500 million committed syndicated revolving credit facility which was signed in December 2014. The facility will mature in December 2021. The Company delivered all financial covenants on its outstanding bonds, term loans and revolving credit facilities in time and by far the ratios have enough headroom. As per 31 December 2019 the solvency ratio was 0.42 (threshold level 0.65), secured solvency ratio 0.02 (threshold level 0.25), EBITDA Interest coverage 4.18 (threshold level 1.80) and Equity ratio 50.9% (threshold 32.5%).

INTEREST RISK AND FAIR VALUE MARKET VALUE RISK

Interest rate exposures are being hedged via back to back funding or if needed via internal interest rate derivatives or cross-currency swaps.

Due to some fixed interest rates and the long-term nature of the loans, there may be a risk concerning the fair value. However, the Company has accurately estimated this risk before entering into these long-term deals and has assessed the estimated fair values appropriately.

FOREIGN CURRENCY RISK

As to foreign exchange risk, the Company has a conservative approach. Currency risks are avoided in accordance with the hedging policies. Long-term foreign exchange exposures could be mitigated through internal cross-currency swaps. Where possible the Company creates back to back loan funding structures and any remaining net exposure is hedged using foreign exchange derivatives.

APPOINTMENT

The Board of Directors of the Company is appointed by the General Meeting for an indefinite period. The basis for non-compliance with the recommendation of the Dutch Corporate Governance Code (appointment for a maximum term of four years, Principle II.1.1. of the Code) rests in the principles of the Company being orientated towards the long term.

Article 2:391.7 The Company deviates from Article 2:276 of Book 2 of the Dutch Civil Code, which states that positions on the management should be distributed in a way so that at least 30% of positions are held by women and at least 30% by men. This deviation has been made to ensure that the Company has a competent Board of Directors that has required knowledge of the company and the company's key market areas. When appointing members to the Board of Directors, the Company shall aim for a complementary range of experience, gender and age.

The Board of Directors of the Company are responsible for the maintenance and development of an accurate framework for risk management, control and the active management of the strategic, technological, operational, financial and compliance risks that the Company faces.

We declare that the substantial risks with which the Company is confronted are described in this annual report. This annual report provides insight into the extent to which risks are prevented and controlled. the Company takes due consideration of the findings of the external auditor, Ernst & Young Accountants LLP, who audits the annual report of the Company. Based on the report, our own observations and experiences from the past, the Board of Directors declares, with reference to best practice provision II.1.5 of the Dutch Corporate Governance Code, that the framework for risk management and control, provides a reasonable assurance that the financial reporting does not contain any errors of material importance and that this framework worked properly in the 2019 reporting year.

FINANCIAL HIGHLIGHTS

On the 22nd of November Citycon OYJ issued a EUR 350 million green Hybrid Bond and following this the Company tendered EUR 45.1 million of the 300 million 2022 EURO bond and NOK 900 million of the 1.250 million 2021 NOK bond. The back to back intercompany loans and underlying NOK denominated interest rate swaps were also unwound for the same nominal amounts. The premium paid on buying back the notes from the secondary market amounted to EUR 2.4 million and NOK 12.6 million respectively. The positive unwind result on the unwinding of 900MNOK interest rate swaps amounted to NOK 8.2 million. The Company received slightly higher premiums and unwind results from the unwinding of the attached intercompany loans from related parties. All above mentioned results went directly to our profit and loss account.

In 2019 the Company did not update its EUR 1,500 million Euro Medium Term Note (EMTN) Programme as no financing activities were expected under this Programme. In March 2020 the Company updated the Programme.

The interest income and similar income of the Company for the year 2019 amounts to EUR 94.1 million (2018: EUR 94.9 million). The interest expense and similar charges amounts to EUR 92.6 million (2018: EUR 93.3 million). The interest margin of the Company remained approximately on the same level as previous year EUR 1.5 million (2018: EUR 1.6 million) and the operational profit after tax excluding share in result of associates increased with EUR 215,540 to EUR 782,977 (2019: EUR 567,437). The interest margin increased slightly due to the larger balance sheet and despite the increase of guarantee fee paid to Citycon Oyj. The result on investments from associates amounted to EUR 30.3 million (2018: EUR 27.0 million). The general and administrative expenses decreased to EUR 0.5 million (2018: 0.8 million) mainly due to lower number of FTE.

The available liquidity of the Company as per 31 December 2019 is EUR 500.1 million (2018: EUR 500.1 million). As the revolving credit facility of EUR 500 million is committed the Company has immediate access to liquidity. At year end the facility of EUR 500 million has not been utilized (2018: EUR 500 million). The Company has EUR 0.1 million (2018: EUR 0.1 million) cash at banks as per year end. The Company has a 2 billion NOK uncommitted commercial paper programme and had no outstanding debt under this programme ultimo 2019 (2018: 0). Both the revolving credit facility and the NOK commercial paper programme are under the guarantee of its mother company Citycon Oyj, Espoo Finland.

The solvency ratio of the Company is due to the business of the Company and the full guarantee of Citycon Oyj in relation to its external stakeholders irrelevant. However, the solvency ratio of Citycon Group is on a comfortable level. Solvency ratio has been calculated as follows: Consolidated total indebtedness/Group total assets. As per 31 December 2019 the solvency ratio is 0.42 being EUR 1.860.165.998 / EUR 4.416.424.693 (2018: 0.48). We refer to page 73 of the financial statements 2019 of Citycon Oyj. The issued bonds of the Company have a credit rating which are all in line with the credit rating of its guarantor Citycon Oyj. In March, Standard &Poor's downgraded Citycon's credit rating from BBB (negative outlook) to BBB- (stable outlook. In May, Moody's downgraded Citycon's credit rating from Baa2 (negative outlook) to Baa3 (stable outlook). In September, Standard & Poor's changed the rating outlook to negative, mainly due to elevated LTV. After that, Citycon has improved the LTV through a green hybrid bond issuance in November 2019. The Company did not occur any expenses for research & development.

OUTLOOK

An outlook is hard to predict in this economic environment but either hikes or cuts will not impact the net financing result of the Company as it acts on the basis of a transfer pricing report which determines the minimum return and the whole portfolio has a back to back structure. On the 10th of June 2020 the Company did a tap issue of nominal EUR 200 million with a yield of 4.5% on the EUR 350 million 1st of October 2024 bond with a 2.5% coupon. The proceeds will be used for refinancing purposes.

RESPONSIBILITY STATEMENT

The Board of Directors of the Company state:

1. That the annual report 2019 give us a true and fair view of assets, liabilities, financial position and profit and loss of the Company

2. That the annual report 2019 give a true and fair view of the position as per balance sheet date, the development during the financial year of the Company in the annual report, together with a description of principal risks it faces.

Amsterdam, 16th of June 2020

The Board of Directors

B. Helsing | A. Doppenberg | M. Mattila | R. Rozenberg

ANNUAL REPORT
2019

BALANCE SHEET AS AT

before appropriation of result and expressed in EUR

	Notes	31-12-2019	31-12-2018
ASSETS			
Financial fixed assets			
Investment in associates	1	516 711 033	428 436 506
Loans to group companies	2	2 646 768 623	2 407 446 191
Derivative financial instruments	3	338 271	774 161
		3 163 817 927	2 836 656 857
Current assets			
Loans to group companies	2	158 916 818	530 765 647
Interest receivables from group companies	4	28 351 304	19 554 742
Other receivables from third parties	5	7 965	11 150
Other receivables from group companies	6	6 792	27 138
Tax receivable	7	8 234	197 754
Prepaid expenses	8	1 124 178	1 613 753
Cash at banks	9	115 681	55 269
		188 530 972	552 225 452
Total assets		3 352 348 899	3 388 882 310
LIABILITIES			
Capital and reserves	10		
Share capital		22 100	22 100
Share premium		453 744 389	403 744 389
Legal reserve cash flow hedge		253 703	580 620
Legal reserve associate		7 319 973	27 003 054
Retained earnings		6 436 190	5 868 753
Unappropriated profits		782 977	567 437
		468 559 332	437 786 353
Provisions			
Deferred tax liability	13	84 568	193 540
		84 568	193 540
Long term liabilities			
Bond notes payable	11	1 512 267 764	1 643 169 299
Loans from group companies	12	1 117 617 970	758 862 655
		2 629 885 734	2 402 031 954
Current liabilities			
Loans from group companies	12	227 216 180	530 733 291
Interest payable to third parties	14	14 721 356	10 712 045
Interest payable to group companies	15	10 780 514	6 545 661
Other payables group companies	16	959 714	603 036
Accounts payable	17	141 501	276 429
		253 819 265	548 870 462
Total Equity and liabilities		3 352 348 899	3 388 882 310

The accompanying notes form an integral part of this annual report

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER

(expressed in EUR)

	Notes	2019	2018
Financial income/expense			
Interest and similar income	20	94 107 130	94 858 040
Interest and similar charges	21	-92 566 869	-93 307 158
		1 540 261	1 550 882
Net financial result		1 540 261	1 550 882
General and administrative expenses	22	518 519	832 984
Operating result before taxation		1 021 742	717 899
Result before taxation		1 021 742	717 899
Taxation operating result	23	-238 765	-150 462
Share in result associates	1	30 316 919	27 003 054
Net profit after taxation		31 099 896	27 570 491

The accompanying notes form an integral part of this annual report

GENERAL ACCOUNTING PRINCIPLES

The Board of Directors of Citycon Treasury B.V. hereby presents the annual report for the book year that ended 31 December 2019. The annual report has been prepared according to generally accepted accounting principles in the Netherlands and in conformity with the provisions of Part 9, Book 2 of the Netherlands Civil Code. The annual report has been audited by Ernst & Young Accountants LLP and were provided an unqualified audit opinion on 16th of June 2019. The independent auditors report can be found on page 36 of the annual report.

ACTIVITIES AND PARENT COMPANY

The Company with registration number 52962733 statutory seated in Amsterdam, the Netherlands is a private limited company. The ultimate parent company is Citycon Oyj, Espoo, Finland.

The Company's objectives, in accordance with article 3 of the Articles of Association, are to incorporate, participate, manage and finance other group companies. Furthermore, to borrow and lend funds, to place public and private debt and in general to engage in financial and commercial activities which may be conductive to the foregoing. The office of the Company is located at Hullenbergweg 300, 1101 BV Amsterdam, the Netherlands.

BASIS OF PREPARATION

The annual report has been prepared in accordance with Title 9 of Book 2 of the Dutch Civil Code.

SOLVENCY

Given the objectives of the Company, the Company is economically interrelated with the ultimate holding company, Citycon Oyj, Espoo in Finland. In assessing the solvency and general risk profile of the Company, the solvency of Citycon group needs to be considered.

ACCOUNTING POLICIES

The principles of valuation are based on the historical costs. Assets and liabilities are stated at historical cost, unless otherwise indicated. Income and expenses are attributed to the financial year to which they relate. Profit is only included when realized on balance sheet date. Losses are recognized when realized and foreseen.

An asset is included in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be reliable measured. A liability is included in the balance sheet when it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount if the obligation can be measured with sufficient reliability.

If a transaction results in a transfer of future economic benefits or when all risks relating to assets or liabilities transfer to a third party, the asset or liability is no longer included in the balance sheet. Assets and liabilities are not included in the balance sheet if economic benefits are not probable or cannot be measured with sufficient reliability.

ESTIMATES

The preparation of the annual report requires the management to form opinions and to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. The actual results may differ from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognized in the period in which the estimate is revised and in future for which the revision has consequences.

The determination of the result of Montalbas B.V., and therefore the result from associates in Citycon Treasury B.V. is influenced by the fair value of investment properties. This information is given to inform users of the annual report of Citycon Treasury B.V. about estimates and uncertainties in valuations.

FINANCIAL FIXED ASSETS

Non-consolidated investments in associates over whose financial and operating policies the group exercises significant influence is valued using the net asset value method. To determine whether there is significant influence, the financial instruments containing potential voting rights are also considered when these have economic substance. Under the net asset value method, investments in associates are carried at the group's share in their net asset value. The net asset value increases with its share in the results of the investments in associates and its share in the changes recognized directly in the equity of the investments in associates as from the acquisition date, determined in accordance with the accounting policies disclosed in this annual report. The net asset value decreases with the group's share in the dividend distributions from the investments in associates. The group's share in the results of the investments in associates is recognized in the profit and loss account. If and to the extent the distribution of profits is subject to restrictions, these are included in a legal reserve. The group's share in direct equity increases and decreases of investments in associates is also included in the legal reserve, except for asset revaluations recognized in the revaluation reserve.

PRINCIPLES FOR THE TRANSLATION OF FOREIGN CURRENCIES

The reporting currency in the annual report of the Company is the euro (EUR), which is the Company's functional currency.

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to euro at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to euro at foreign exchange rates ruling at the dates the fair value was determined.

The following exchange rate has been applied as at 31 December 2019:

EUR 1 = NOK 9.8638 (31-12-2018: EUR 1 = NOK: 9.9483);

EUR 1 = SEK 10.4468 (31-12-2018: EUR 1 = SEK: 10.2548);

EUR 1 = DKK 7.4715 (31-12-2018: EUR 1 = 7.4673).

FINANCIAL INSTRUMENTS

Financial instruments include trade and other receivables, cash at bank and in hand, derivatives, loans and other financing commitments, trade and other payables. Given the short duration of the current receivables and liabilities, the fair value is approximately equal to the reported book value.

AMORTIZED COST

Amortized cost is the amount at which a financial asset or liability is measured at initial recognition less repayments of the principal, plus or less the cumulative amortization using the effective interest method for any difference between this initial amount and the maturity amount, and less any reductions (effected directly or through a provision being formed) for impairment and doubtful debts.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Company applies hedge accounting since 2015. Derivatives are measured initially and subsequently at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

INTEREST RATE SWAPS:

The Company uses intra-group interest rate swaps to hedge the interest rate cash flow risk. These interest rate swaps hedge against volatility in future interest payment cash flows (cash flow hedging) resulting from interest rate fluctuations, and the resulting profit fluctuations. The company applies hedge accounting according to RJ290 to all its interest rate swaps. The amount from financial instruments' fair value change stemming from effective hedging is recognized in equity (cash flow hedge reserve). The amount in the cash flow hedge reserve is recognized in equity during the period when the cash flow from the hedged item is realized and affects earnings. If the criteria for hedge accounting are not met, changes in fair value are recognized in full through profit and loss. The hedged item is the floating NOK 350 million bond. Refer to note 3 for more detail.

CROSS-CURRENCY SWAP:

The Company may use intra-group cross-currency swaps to hedge the interest rate cash flow risk and to hedge changes in foreign exchange rates. These cross-currency swaps hedge against volatility in future interest payment cash flows (cash flow hedging) resulting from interest rate fluctuations, and the resulting profit fluctuations. The Company applies hedge accounting according to RJ290 to all its cross-currency swaps. The amount from financial instruments' fair value change stemming from effective hedging on the interest part of the fair value is recognized in equity (cash flow hedge reserve). The amount in the cash flow hedge reserve is recognized in equity during the period when the cash flow from the hedged item is realized and affects earnings. If the criteria for hedge accounting are not met, changes in fair value are recognized in full through profit and loss. Fair value hedge accounting is applied to the part of the hedging instrument which relates to results from changes in foreign exchange rates. The related fair value change is booked through profit and loss.

FORWARD EXCHANGE CONTRACTS

The Company may use intra-group forward exchange contracts to hedge its risk associated with foreign currency fluctuations. All forward exchange contracts are measured at fair value with recognition of all changes in value in the profit and loss account.

BOND NOTES PAYABLE, COMMERCIAL PAPERS AND LOANS FROM GROUP COMPANIES

Financial liabilities are recognized initially at fair value minus directly attributable transaction costs. Bond notes payable, commercial papers and loans from group companies are measured at amortized cost.

LOANS TO GROUP COMPANIES AND OTHER RECEIVABLES FROM THIRD PARTIES/GROUP COMPANIES

Loans granted, and other receivables are carried at amortized cost using the effective interest method, less impairment losses.

LONG-TERM AND CURRENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

Financial assets are recognized initially at fair value plus directly attributable transaction costs. Long-term and current liabilities and other financial commitments are stated after their initial recognition at amortized cost on the basis of the effective interest rate method.

IMPAIRMENT

The company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, the amount of the impairment loss is determined and recognized in the profit and loss account for all categories of financial assets carried at amortized cost.

The amount of impairment losses on financial assets carried at amortized cost is calculated as the difference between the carrying amount of the asset and the best possible estimate of the future cash flows, discounted at the effective rate of interest of the financial instrument determined on the initial recognition of the instrument. If the decrease in impairment relates to an objective event occurring after the impairment was recognized, a previously recognized impairment loss is reversed to a maximum of the amount required to carry the asset at amortized cost at the time of the reversal if no impairment had taken place. The impairment loss reversal should be taken to the profit and loss account.

OTHER RECEIVABLES FROM THIRD PARTIES/GROUP COMPANIES

The accounting policies applied for the valuation of trade and other receivables and securities are described under the heading 'Financial Instruments'.

CASH AT BANKS

Cash at bank and in hand includes cash at hand, bank balances and deposits held at call. Bank overdrafts, if any, are shown within borrowings in current liabilities in the balance sheet. Cash at bank and in hand are stated at face value.

LONG-TERM LIABILITIES

The measurement of non-current liabilities is explained under the heading 'Financial Instruments'.

CURRENT LIABILITIES

The measurement of current liabilities is explained under the heading 'Financial Instruments'.

PROFIT AND LOSS ACCOUNT

The presentation of the profit and loss account deviates partly as prescribed by the Dutch Civil Code. The format used is considered to provide a better insight into the Company's result.

INTEREST AND SIMILAR INCOME

Interest and similar income comprise interest income on funds invested, foreign exchange gains and gains on hedging instruments that are recognized in the profit and loss account. Interest income is recognized in the profit and loss account as it accrues, using the effective interest method.

INTEREST AND SIMILAR CHARGES

Interest and similar charges comprise interest charges on borrowings calculated using the effective interest rate method, foreign exchange losses and losses on hedging instruments that are recognized in the profit and loss account.

GENERAL AND ADMINISTRATIVE EXPENSES

Expenses are determined with due observance of the aforementioned accounting policies and allocated to the financial year to which they relate. Foreseeable and other obligations as well as potential losses arising before the financial year-end are recognized if they are known before the annual report has been prepared and provided all other conditions for forming provisions are met. This concerns costs that are directly attributable to the operations of the Company.

TAXATION

The taxation on result comprises both current taxes payable and deferred taxes, taking account of tax facilities and non-deductible costs. No taxes are deducted from profits if and insofar as said profits can be offset against losses from previous years. The Company forms since 1 January 2015 a fiscal unity with its Dutch group companies and is also the head of the fiscal unity. Taxes are settled within this fiscal unity as if each company were an independent taxable entity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date considering the tax facilities and any adjustments to tax payable in respect of previous years.

CASH FLOW STATEMENT

The company's cash flow information is included in the cash flow statement presented in the consolidated financial statements of the ultimate parent company (Citycon Oyj, Finland) for the year ended December 2019, which can be obtained on the website of Citycon Oyj (www.citycon.com). In accordance with the guidelines of the council for annual reporting (Dutch accounting standard 360 paragraph 104) in the Netherlands, the Company is exempted from including a cash flow statement in its annual report.

NOTES TO THE ANNUAL REPORT

ASSETS

1. INVESTMENT IN ASSOCIATES

On the 6th of April 2018 the Company acquired all 41 shares (A shares) in Montalbas B.V. (EUR 4,510), which were acquired via a share for share transfer agreement where the Company issued 41 shares to Citycon Oyj (EUR 4,100). The remainder has been settled in cash.

On the 22nd of March the Company received from its associate dividend for an amount of EUR 50.0 million. The Company did a capital injection (share premium) of 108.0 million into Montalbas B.V. Montalbas B.V. repaid an intercompany loan for an amount of approx. EUR 58.0 million to the Company.

Name	Country of incorporation and operation	Direct/Indirect	31-12-2019
Montalbas B.V.	Amsterdam, The Netherlands	Direct	100%
Rocca el Mare Kaubanduskeskuse AS	Tallin, Estonia	Indirect	100%
Kristiine Keskus OU	Tallin, Estonia	Indirect	100%
Manhattan Acquistion OY	Espoo, Finland	Indirect	100%
Holding Big Apple Housing OY	Espoo, Finland	Indirect	50%

	2019 (*TEUR)	2018 (*TEUR)
At 1 January	428 436	-
Purchase price 6th of April 2018 Montalbas B.V.	-	216 069
Change in nominal value shares Montalbas B.V.	-	-14
Dividend	-50 000	-
Others	-42	-
Informal capital injection	-	185 378
Result investment in associates	30 317	27 003
Paid in share premium	108 000	-
As at 31 December	516 711	428 436

The summarized financial information of Montalbas B.V. and its subsidiaries is provided below. This information is based on amounts after inter-company eliminations.

Summarized statement of profit and loss for 2019:

		(*TEUR)
Gross rental income		57 444
Revenue from contracts with customers		16 558
Operating expenses	-	18 195
Net rental income		**55 807**
Administrative expenses	-	1 197
Other income and expenses	-	192
Group contributions	-	1 700
Fair value losses and gains	-	8 414
Operating profit		**44 304**
Net financial income and expenses	-	8 347
Profit before taxes		35 957
Current taxes	-	88
Deferred taxes	-	5 552
Profit for the year from continuing operations		**30 317**
Total comprehensive income attributable to Citycon Treasury B.V.		**30 317**

Summarized statement of financial position as at 31 December 2019:

		31-12-2019 (*TEUR)
Investment properties		1 073 405
Interest-bearing loans		21 436
Deferred tax assets		-
Trade and other current assets		78 574
Cash and equivalents		264
Interest-bearing loans and borrowing and deferred tax liabilities	-	647 835
Trade and other payables	-	9 120
Total equity		**516 724**
Total equity attributable to Citycon OYJ		14
Total equity attributable to Citycon Treasury B.V.		516 711

Net asset value method

The investment in Montalbas B.V. is accounted for against net asset value. The (consolidated) result of Montalbas B.V. is mainly caused by the exploitation of Investment Property by the subsidiaries of Montalbas B.V.

Investment property refers to land or a building, or part of a building, held to earn rental income or capital appreciation, or both. The investment properties indirectly owned by Montalbas B.V. are Iso Omena in Espoo, Finland, Rocca Al Mare in Tallinn, Estonia and Kristiine in Tallinn, Estonia.

The investment properties are measured initially at cost, including transaction costs such as consultant fees and transfer taxes. After their initial measurement investment properties are valued at fair value through profit and loss.

The fair value valuation of the company's properties is conducted half-yearly by an independent external appraiser (CBRE or Jones Lang-Lasalle) according to the International Valuation Standards (IVS) while on the first and third quarter of the year the fair value measurement is conducted internally, except for ongoing (re)development projects and new acquired properties, which are valuated externally. When measuring the values internally, valuations are based on the yields and market rent indications received from the external appraiser. In addition, the external appraiser conducts the fair value evaluation of properties under (re)development.

Fair value definition and inputs

The fair value is defined as the price that would be received from the sale of an asset in an orderly transaction between market participants at the measurement date. The valuation techniques are appropriate under the existing circumstances, and for which enough data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Fair value measurement

The fair value measurement of the investment properties is based on 10-year cash flow analysis, conducted separately for each property. The basic cash flow is determined by the lease agreements valid at the valuation date. Upon a lease's expiry, the market rent assessed by an external appraiser replace the contract rent. Potential gross rental income less vacancy assumption, operating expenses and investments equals cash flow, which is then discounted at the property-specific discount rate comprising of yield requirement and inflation assumption. The total value of the property equals to the value of the discounted cash flow, residual value and the value of the unused building rights. The total value of the property portfolio is calculated as the sum of the individual properties' fair values.

Inputs

The inputs used by the external appraisers in the cash flow analysis per 31 December 2019 are presented in the following tables.

	Portfolio Weighted Average 31-12-2019 (*MEUR)
Yield requirement (%)	5.1
Market rents (EUR/sq.m.)	32.7
Operating expenses (EUR/sq.m.)	6.9
Vacancy during the cash flow period (%)	2.4
Market rent growth assumption (%)	1.8
Operating expense growth assumption (%)	1.9

Sensitivity analysis

Sensitivity to change in the properties' fair value, or the risk associated with fair value, can be tested by altering the key parameters. The sensitivity analysis below uses the investment properties' fair value of EUR 1,073.4 million defined by the external appraiser at 31 December 2019 as the starting value. Sensitivity analysis indicates that the market value is most sensitive to changes in market rents and yield requirement. A 10% increase in market rents increases the market value of the investment properties by approximately 12%. Correspondingly, a 10% decrease in the yield requirement results in an approximately 11% increase in market value.

The market value reacts to changes in vacancy and operating expenses, but their relative effect is not as great as changes to market rent and yield requirement. In sensitivity analyses one parameter is changed at a time. In reality, changes in different parameters often occur simultaneously. For example, a change in vacancy may connect to a change in market rents and yield requirement when they impact fair value simultaneously.

	Fair value (*MEUR)				
Change %	-10%	-5%	±0%	+5%	+10%
Yield requirement	1,192.2	1,129.5	1,073.4	1,021.9	975.5
Market rents	939.4	1,006.2	1,073.4	1,139.8	1,202.6
Operating expenses	1,099.4	1,086.2	1,073.4	1,059.8	1,046.6
Change, percentage points	-2	-1	±0	1	2
Vacancy	1,100.4	1,086.7	1,073.4	1,059.3	1,045.6

Investment property changes and classification

All investment properties are operative investment properties for which the movement schedule is presented below.

	Investment properties under construction (*MEUR)	Operative investment properties (*MEUR)	Investment properties total (*MEUR)
As at 1 January 2019	-	1,068.1	1,068.1
Acquisitions	-	0.3	0.3
Investments	-	12.7	12.7
Capitalised interest	-	0.4	0.4
Fair value gains on investment property	-	-8.3	-8.3
Right-of-use assets classified as investment prop. (IFRS16)	-	0.3	0.3
Fair value losses on investment property	-	-0.1	-0.1
As at 31 December 2019	-	1,073.4	1,073.4

2. LOANS TO GROUP COMPANIES

	2019 (*€)	2018 (*€)
At 1 January	2 938 211 838	2 456 589 143
New Loans	88 532 790	915 471 568
Discount/Prepaid expenses	-	-2 712 000
Amortisation discount/prepaid expenses	849 347	591 530
Reclassified to short term loans	-158 916 818	-530 765 647
Translation adjustment	-2 722 388	-26 020 286
Loans redeemed	-219 186 145	-405 708 118
As at 31 December long term loans to group companies	2 646 768 623	2 407 446 191
As at 31 December short term loans to group companies	158 916 818	530 765 647
As at 31 December total loans to group companies	2 805 685 441	2 938 211 838

An amount of EUR 1,175.4 million (2018: EUR 1,300.5 million) of the loans outstanding has a final maturity over more than 5 years. Loans to group companies for a total amount of EUR 1,315.7 million (2018: EUR 1,349.2 million) are denominated in a currency other than Euro. The total of foreign currency loans amounts to: SEK 6,189.4 million (2018: SEK 6,301.1 million), NOK 6,156.1 million (2018: NOK 6,306.0 million) and DKK 740.4 million (2018: DKK 753.4 million). If no natural hedge is in place the company has entered into foreign exchange contracts to hedge foreign currency exposures. Concerning the fair values of the loans to group companies we refer to note 27 on page 33. The valuation of the loans and foreign exchange contracts is based on the prevailing rate of exchange on the respective reporting dates. The company has short-term loans to group companies for EUR 158.9 million (2018: EUR 530.8 million) of which the principal portions are due and payable within one year. Interest rates are determined based on the at arm's length principle. The average interest rate on all loans to group companies as at 31 December 2019 is 2.64% (2018: 2.49%). The effective interest rate as at 31 December 2019 is 2.67% (2018: 2.56%). For further information on the loans to group companies we refer to note 27 on page 33.

3. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are measured at fair value in the annual report. For these derivative financial instruments, being one interest rate swap of NOK 350 million (2018: 1,250 million), hedge accounting is applied. The change in fair values of the interest part of these derivatives is recognized under equity, taking the tax effect into account. The fair value of the derivative financial instruments as per 31 December 2019 amounted to EUR 0.3 million (2018: EUR 0.8 million). On the 22nd of November the Company cancelled a major part of its interest rate swaps with Citycon Oyj being a nominal amount of 900 MNOK of the original 1,250 MNOK. The realized positive fair value has been received and amounted to 8.2 MNOK.

The maturity date of the interest rate swap is the 1st of March 2021. The interest rate derivatives are highly effective as well as the effectiveness testing, which takes place on a quarterly basis and therefore no ineffectiveness postings are registered in profit and loss account.

	2019 (*€)	2018 (*€)
At 1 January	774 160	6 300 198
Change in exchange gains and losses	-	-6 878 140
Proceeds received from unwinding	-806 571	
Change in fair value	370 682	1 352 102
As at 31 December total derivative financial instruments	338 271	774 160

Forward exchange contracts are measured at fair value on each balance-sheet date. Changes in fair values of these are reported in profit and loss statement as hedge accounting is not applied. The main determinants of the fair value valuation are the FX spot rate, the spot rate quoted at valuation date and the FX basis spread to 'compensate' for the received/paid differences of both reference rates of the forward contract. All forward exchange contracts have been internal and as per ultimo 2019 there were no forward exchange contracts outstanding.

4. INTEREST RECEIVABLES FROM GROUP COMPANIES

Interest receivables from group companies include accrued interest from loans to group companies for EUR 28.4 million (2018: EUR 19.6 million). For further information on interest receivables from group companies we refer to note 27 on page 33.

5. OTHER RECEIVABLES FROM THIRD PARTIES

Other receivables from third parties contain rental deposits for office space and amounts to EUR 7,965 (2018: EUR 11,150).

6. OTHER RECEIVABLES FROM GROUP COMPANIES

Other receivables from group companies contains invoiced administration charges for an amount of EUR 6,792 (2018: EUR 27,138) to Citycon Oyj and/or Montalbas B.V..

7. TAX RECEIVABLE

As per 31 December 2019 the Company has a tax receivable for an amount of EUR 0.0 million (2018: EUR 0.2 million) related to corporate income tax.

8. PREPAID EXPENSES

Prepaid expenses contain arrangement and extension fees which relates to the syndicated revolving credit facility. The book value of the arrangement and extension fees as per ultimo December 2019 is EUR 1.1 million (2018: EUR 1.6 million) which will be amortized over the remaining tenor of the facility. An amount of EUR 0.5 million of the arrangement fees will be amortized after 2020.

9. CASH AT BANKS

Cash at banks are at the disposal of the Company.

	31-12-2019 (€)	31-12-2018 (€)
Cash at banks	115 681	55 269
	115 681	55 269

LIABILITIES

10. CAPITAL AND RESERVES

Authorized share capital consists of 900 shares of EUR 100 each. As per 31 December 2019, the total number of shares which are fully paid in, are 221 (2018: 221). All shares of the Company are held by the parent company Citycon Oyj, Helsinki, which is listed on the Helsinki stock exchange.

	Share capital	Share premium	Legal reserve cash flow hedge	Legal Reserve associate	Retained earnings	Unappropriated profits	Total 2018/2019
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance as at 1 January	18 000	2 300 941	-433 456	-	6 028 216	-159 463	7 754 238
Cash flow Hedging RJ290	-	-	1 352 102	-	-	-	1 352 102
Deferred tax	-	-	-338 026	-	-	-	-338 026
Share premium	-	216 070 143		-	-	-	216 070 143
Informal capital injection	-	185 373 305		-	-	-	185 373 305
Contribution during the year	4 100	-		-	-	-	4 100
Appropriation of result	-	-		-	-159 463	159 463	-
Result for the year	-	-		27 003 054	-	567 437	27 570 491
Balance as at 31-12-2018	22 100	403 744 389	580 620	27 003 054	5 868 753	567 437	437 786 353
Cash flow Hedging RJ290	-	-	-435 890	-	-	-	-435 890
Deferred tax	-	-	108 973	-	-	-	108 973
Share premium	-	50 000 000	-	-	-	-	50 000 000
Dividend	-	-	-	-	-50 000 000	-	-50 000 000
Dividend distributed by associate	-	-	-	-50 000 000	50 000 000	-	-
Appropriation of result	-	-	-	-	567 437	-567 437	-
Result for the year	-	-	-	30 316 919	-	782 977	31 099 896
Balance as at 31-12-2019	22 100	453 744 389	253 703	7 319 973	6 436 190	782 977	468 559 332

PROPOSAL FOR THE APPROPRIATION OF THE RESULT 2019

The following appropriation of the result after taxes ad EUR 31,187,916 for the year 2019 is proposed to the General Meeting to include EUR 782,977 to retained earnings. The remainder of EUR 30,316,919 has been included to legal reserve associates within shareholder's equity.

DIVIDEND DISTRIBUTION

The Company distributed EUR 50,0 million dividend to the shareholder.

LEGAL RESERVE ASSOCIATE

The legal reserve associate is related to the accumulated results of Montalbas B.V. and its associates since the 6th of April, being the acquisition date. On the 22nd of March 2019 Montalbas B.V. distributed EUR 50,0 million dividend to the Company. In return the Company did an equity injection (Share premium) for the same amount.

LEGAL RESERVE CASH FLOW HEDGE

The legal reserve cash flow hedge is related to the derivative financial instrument for which hedge accounting is applied. For more information we refer to note 3 on page 21.

11. BOND NOTES PAYABLE

All bond notes payable issued by Citycon Treasury B.V. are issued under the full guarantee of Citycon Oyj, Helsinki and are rated in line with Citycon Oyj's corporate rating. In July 2017 the company established a EUR 1,500 million EMTN Programme to enable the Company to issue bonds/notes quicker in any currency on the European and Nordic capital markets. The last update of the Programme was in June 2018, next update will be March 2020.

The movement schedule, contractual maturity and details of the bond notes payable can be shown as follow:

	31-12-2019 (*€)	31-12-2018 (*€)
As at 1 January	1 643 169 299	1 360 088 786
Bond issue nominal value	-	300 000 000
Buy back EUR 2022 and NOK 2021 notes	-134 152 743	-
Issue fees	-	-1 849 138
Discount	-	-2 712 000
Amortized issue discount/fees	2 401 215	1 720 414
Exchange rate gains and losses	849 993	-14 078 763
	1 512 267 764	1 643 169 299
1-5 years	636 234 249	423 953 023
> 5 years	876 033 515	1 219 216 276
	1 512 267 764	1 643 169 299

Issue date	Instrument	Fixed interest rate	settlement	CCY	Nominal amount	Maturity date	Listing	Eff. Yield	Fair value (mid price quote)
1-Oct-2014	Bond	2,500%	Annually	EUR	350 000 000	1-Oct-2024	Irish Stock Exchange	2,62%	105,32
1-Mar-2015	Bond	3M Nibor +1.55%	Quarterly	NOK	350 000 000	1-Mar-2021	Oslo Stock Exchange	3M Nibor +1.55%	100,80
1-Sep-2015	Bond	3,90%	Annually	NOK	1 300 000 000	1-Sep-2025	Oslo Stock Exchange	3,90%	99,68
16-Sep-2015	Bond	2,375%	Annually	EUR	254 883 000	16-Sep-2022	Irish Stock Exchange	2,40%	104,74
8-Sep-2016	Bond	1,25%	Annually	EUR	350 000 000	8-Sep-2026	Irish Stock Exchange	1,26%	94,68
22-Sep-2017	Bond	2,750%	Annually	NOK	1 000 000 000	22-Sep-2025	Oslo Stock Exchange	2,77%	92,49
3-Sep-2018	Bond	2,375%	Annually	EUR	300 000 000	15-Jan-2027	Irish Stock Exchange	2,50%	100,34

*) Fair value mid-price quotes are excluding credit spread

12. LOANS FROM GROUP COMPANIES

The Company holds loans from group companies for a total amount of EUR 1,344.8 million (2018: EUR 1,289.6 million). An amount of EUR 289.6 million (2018: EUR 195.0 million) of the principal portion has a maturity longer than five years. The principal portion of EUR 227.2 million (2018: EUR 530.7 million) are due and payable within one year and will be prolonged. Interest rates are determined based on arm's length principle. Floating rate loans for an amount of EUR 997.7 million (2018: EUR 942.7 million) carry a 3-months reference rate, plus a margin which is based on a transfer pricing study prepared in accordance with the OECD transfer pricing guidelines, and which study will be updated from time to time. As at 31 December 2019 the average interest rate on all loans from group companies was 2.358% (2018: 2.274%). The effective interest rate equals the average interest rate as there are only minor differences between the underlying.

Total outstanding loans from group companies with a fixed interest as per 31 December 2019 amounts to nominal EUR 347.2 million (2018: EUR 347.8 million) and has a fair value excluding credit spread of EUR 411.6 million (2018: EUR 374.8 million). The other loans from group companies are floating rate loans and have a fair value which not significantly differs from the nominal amount of the loan. All loans from group companies with counterparty Citycon Oyj are being issued under the terms of the EUR 1.5 billion multi-currency facility agreement, which was established in August 2014, unless a separate loan agreement is in place.

The movement in loans from group companies during the year was as follow:

	2019 (*€)	2018 (*€)
At 1 January	1 289 595 946	1 062 565 944
New Loans	135 884 047	426 996 087
Reclassified to short term loans	-227 216 180	-530 733 291
Translation adjustment	-6 500 862	-27 734 368
Amortization	-903 668	
Loans redeemed	-73 241 312	-172 231 719
As at 31 December long term loans from related companies	1 117 617 970	758 862 655
As at 31 December short term loans from related companies	227 216 180	530 733 291
As at 31 December total loans from related companies	1 344 834 150	1 289 595 946

13. DEFERRED TAX LIABILLITY

The long-term provision deferred tax liability concerns the potential tax liability of the difference between the fair value (EUR 0.3 million) and the cost price (EUR 0.0 million) of the derivative for which cash flow hedge accounting has being applied. The long-term provision amounted to EUR 0.1 million (2018: EUR 0.2 million).

	2019 (*€)	2018 (*€)
At 1 January	193 540	-144 485
Change in deferred tax	-108 972	338 025
As at 31 December total deferred tax	84 568	193 540

14. INTEREST PAYABLE TO THIRD PARTIES

Interest payable to third parties include accrued interest on bond notes payable for an amount of EUR 14.7 million (2018: EUR 10.6 million) and commitment fees from financial institutions for an amount of EUR 0.1 million (2018: EUR 0.1 million).

15. INTEREST PAYABLE TO GROUP COMPANIES

Interest payable to group companies include accrued interest on loans from group companies of EUR 10.8 million (2018: EUR 6.5 million).

16. OTHER PAYABLES TO GROUP COMPANIES

Other payables to group companies amounted to EUR 1.0 million (2018: EUR 0.6 million).

17. ACCOUNTS PAYABLE

Accounts payable amounted to EUR 0.1 million (2018: EUR 0.3 million).

	2019 (€)	2018 (€)
Consultants/Auditor	89 002	113 645
Accrual bonus/holiday allowance	43 515	145 842
VAT	4 730	6 500
Payroll Tax	4 254	10 442
As at 31 December total accounts payable	141 501	276 429

18. RISK MANAGEMENT

General

During the normal course of business, the Company makes use of several financial instruments such as bond notes, commercial papers, bank loans, loans from and to affiliated companies and cash balances with banks. Due to the use of these financial instruments, the company is exposed to currency risk, interest rate risk, credit risk and liquidity risk. The Company uses intra-group derivative financial instruments to hedge its exposure from financing activities, in accordance with its treasury policy.

Currency risk

Currency risk is the risk that fluctuations in the prevailing foreign currency exchange rates will affect the Company's financial position and cash flows. In August 2014 the Company signed a Hedging Agreement with Citycon Oyj. The hedging agreement has been setup to avoid foreign currency exposures in the Company. Via this hedging agreement the Company and Citycon Oyj may enter into foreign exchange agreements with each other to mitigate currency risks.

The Company has loans receivable from related parties and loans payable to the shareholder. The currency risk for the Company concerns NOK, SEK and DKK loan receivables to related parties. On the basis of a risk analysis, the Management of the Company has determined that the currency risk is being mitigated with foreign exchange contracts or a back to back loan structure.

Below an overview of the major foreign exchange positions of the Company. In this table the Company shows that foreign exchange risks are being hedged by back to back structures in the entire loan portfolio

Type	Currency	Loans to Group Companies in local currency 1	External Debt in local currency 2	Loans from Group Companies in local currency 3	Foreign exchange position to be hedged in local currency 4 total 1+2+3
Assets&Liabillities EURO denominated	EUR	1 495 716 158	-1 254 883 000	-298 379 832	N/A
Assets&Liabillities NOK denominated	NOK	6 156 631 517	-2 650 000 000	-3 506 631 517	-
Assets&Liabillities SEK denominated	SEK	6 189 437 809	-	-6 189 437 809	-
Assets&Liabillities DKK denominated	DKK	740 433 202	-	-740 433 202	-

Another foreign currency position in the balance sheet is the accrued interest derived from the net interest margin in foreign currency. The company does not hedge these positions in accordance with the treasury policy of Citycon group.

Interest risk

Interest rate risk is the risk that fluctuations in the prevailing levels of market interest rates will affect the Company's financial position or cash flows. The Company effectively has no interest rate risk as the profit for the year before taxation is determined by applying a fixed margin to the average loans receivable outstanding during the year. Company's policy is to avoid interest risks by creating back to back structures, inserting equal interest base rates and determine same interest periods between assets and liabilities. For the cases where no back to back structure is in place the Company has turned into two internal interest rate derivatives to mitigate the position. In 2015 the Company turned into two internal interest rate derivatives of each NOK 625 million with Citycon Oyj to swap the floating coupon of the NOK 1,250 million Bond into a fixed coupon. On the 22nd of November 2019 we have unwound nominal NOK 900 million of the interest rate swaps. The positive fair value proceeds amounted to NOK 8.2 million.

Liquidity risk

Liquidity risk is the risk of the Company failing to meet its contractual obligations due to insufficient liquidity. The Company's approach for funding and liquidity is managed centrally by the Group Treasury, which is responsible for ensuring adequate financial resources in place. In December 2014 the Company has signed a five-year EUR 500 million syndicated revolving credit facility. During 2016 and 2017 all lenders approved to extend the facility up to 18 December 2021. Liquidity risk for the Company is mainly covered by the committed revolving credit facility and the back to back structure of interest settlement dates and maturity dates on its whole loan portfolio.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. As the Company normally has no external investments the credit risk is predominantly emerging from loans payable and receivable with related parties and group companies. The emerging credit risk is mitigated by close monitoring of the financial performance of borrowing companies.

All financial instruments are concluded with either highly rated financial institutions or companies within the Citycon Group, which are expected to fully perform under the terms of the agreements. The company continuously monitors changes in credit ratings of counterparties. At the balance sheet date, the credit risk concentrates on entities of the Citycon Group. The corporate credit rating of Citycon Oyj at issue date of this annual report is for Standard & Poor's BBB- with negative outlook and for Moody's Baa3 with under review for downgrade outlook. The company does not expect any counterparties to fail to meet their obligations. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Reference is made to the loan facility agreement of EUR 1.5 billion between Citycon OYJ and the Company where it is stated that the maximum amount of credit risk for the Company amounts to EUR 2 million (equity risk). All credit losses above EUR 2 million will be for the account of the Company's shareholder.

19. OFF BALANCE SHEET COMMITMENTS

The Company has limited rental, lease, back office and IT commitments with third parties. The rental agreement for the offices has been signed in September 2014 for a period of two years after which it has been yearly renewed. The annual expense for all commitments is approx. EUR 40,000 per annum.

20. INTEREST INCOME AND SIMILAR INCOME

Interest income and similar income can be shown as follow:

	2019 (€)	2018 (€)
Interest income related companies	80 914 952	64 768 611
Exchange rate gains	13 187 817	30 086 037
Interest income external	4 361	3 392
	94 107 130	94 858 040

The interest income related companies can be detailed as follow:

		2019 (€)	2018 (€)
Citycon OYJ	Helsinki	39 876 987	29 788 027
Citycon Holding AS	Oslo	22 235 474	16 389 137
Citycon AB	Stockholm	7 722 824	2 701 266
Citycon Liljeholmstorget Gal. AB	Stockholm	10 465	1 944 996
Kista Real Property JV AB	Stockholm	5 150 272	5 081 809
Kristiine Keskus OÜ	Tallinn	1 057 115	1 002 889
Citycon Shopping Centers AB	Stockholm	1 312	239 187
Citycon Jakobsbergs Centrum AB	Stockholm	2 902	548 614
Citycon Development AB	Stockholm	700	103 656
Akersberga Centrum AB	Stockholm	4 656	853 905
Stenungstorg Fastighets AB	Stockholm	1 805	348 796
Citycon Högdalen Centrum AB	Stockholm	1 896	357 518
Citycon Denmark APS	Copenhagen	1 521 041	1 227 423
Albertslund Centrum APS	Copenhagen	-	234 680
Citycon Tumba Centrumfastighets AB	Stockholm	1 875	353 488
Montalbas B.V.	Amsterdam	349 086	2 353 659
Manhattan Acquisition Oy	Helsinki	2 976 543	1 239 561
		80 914 952	64 768 611

21. INTEREST EXPENSE AND SIMILAR CHARGES

Interest expense and similar charges can be shown as follow:

	2019 (*€)	2018 (*€)
Interest expense related companies	32 255 147	22 721 943
Interest expense bond	39 413 593	32 620 533
Interest expense commercial papers	314 783	246 728
Exchange rate losses	13 110 589	30 149 710
Interest expense on forward agreements		956 769
Amortized paid arrangement fees	7 472 757	6 611 475
	92 566 869	93 307 158

22. GENERAL AND ADMINSTRATIVE EXPENSES

The general and administrative expenses are comprised as follow:

	2019 (€)	2018 (€)
Wages and salaries, administration	207 514	476 495
Other personnel	1 597	1 456
Consulting and advisory fees	200 105	179 476
Rents	34 042	33 489
Car lease and travel expenses	4 933	31 376
Authority and membership fees	3 030	230
Office expenses	9 262	16 769
Non-deductible VAT	-7 438	75 363
Recharged expenses	65 474	18 331
Total administrative expenses	518 519	832 984

The wages and salaries, administration is comprised as follow:

	2019 (€)	2018 (€)
Salaries	192 711	432 036
Social security	14 803	22 715
Pension	-	21 743
Total wages and salaries, administration	207 514	476 495

23. TAXATION

The Company operates based on a transfer pricing report which defines the arm's length renumeration for intercompany loans. Since 1 January 2015 the Company formed a fiscal unity for corporate income tax with its sister company Montalbas B.V.. Extension of the fiscal unity has been approved by Dutch tax authorities despite the Company's minority ownership of voting rights.

	2019 (€)	2018 (€)
Profit before tax	1 021 742	717 899
Fiscal higher amortisation bridge fees	-47 178	-80 554
Non-deductible mixed expenses	4 500	4 500
Fair value adjustment on derivatives		-
Fiscal profit	979 064	641 845
19% /20% over EUR 100,000 / 200,000	19 000	40 000
25% over remainder	219 765	110 462
Total corporate income tax	238 765	150 462
Corporate income tax in profit & loss		
Current year - Corporate income tax	238 765	150 462
Current year - Deferred tax	-	-
	238 765	150 462
Effective rate	23,4%	21,0%

The above tax calculation is purely Citycon Treasury B.V.. The difference between the effective tax rate and the applicable rates are mainly caused by the step up in tax rates from 19% to 25% and commercially lower amortization of fees. Deferred tax on market values of derivatives which are under hedge accounting amounted to EUR -84,568 (2018: EUR -193,540) and is posted in Legal reserve cash flow hedge in Equity.

SUPPLEMENTARY INFORMATION

24. AUDIT FEES

The audit of the Company's annual report has been performed by Ernst & Young Accountants LLP.

The cost of the external auditor and the audit organization and the entire network to which the audit organization belongs charged to the financial year set out below.

	Ernst & Young Accountants LLP	Other EY	Total
Audit of the financial statements	107 621	-	107 621
Other audit engagements	-	-	-
Tax advisory services	-	-	-
Other non-audit services	-	-	-
Total	107 621	-	107 621

The fees stated above for the audit of the financial statements are based on the total fees for the audit of the 2019 financial statements, regardless of whether the procedures were already performed in 2019.

25. DIRECTORS

During 2019 the Company had four directors. The directors are: Mr. B.W.J. Helsing, Mr. M.J.M. Mattila, Mr. R.E. Rozenberg and Mr. A. Doppenberg. Mrs. R.K. Unhola resigned as Director of the Company as per the 4th of October and has been replaced by Mr. M. Mattila. The remuneration during 2019 amounts to EUR 153,864 (2018: 275,348).

26. EMPLOYEES

During 2019 the Company had an average of 1,42 FTE (2018: 2,20 FTE).

27. RELATED PARTIES

All transactions are conducted on an arm's length basis. Further information on related party transactions are also disclosed in relevant notes to the annual accounts.

MAJOR OUTSTANDING EXPOSURE FROM LOANS TO GROUP COMPANIES:

Name	Country Code	Outstanding loan amounts (*MEUR) 31-12-2019	Outstanding loan amounts (*MEUR) 31-12-2018	Maturity date loans	Interest rates 31-12-2019		Accrued interest (*TEUR) 31-12-2019
Citycon OYJ	FIN	346,7	346,1	01-10-2024	2,825%	*)	2 458,4
Citycon OYJ	FIN	254,9	299,7	16-09-2022	2,70%	*)	2 026,3
Citycon OYJ	FIN	349,7	350,0	08-09-2026	1,575%	*)	1 717,0
Citycon AB	SWE	507,8	224,6	02-01-2024	1,50%		1 927,9
Citycon Liljeholm. Galleria AB	SWE	-	125,1	02-01-2019	1,50%		-
Kista Real Property JV AB	SWE	84,7	83,7	16-01-2023	6,00%	*)	4 926,9
Kristiine Keskus OÜ	EST	70,5	69,4	29-04-2027	1,50%		268,1
Citycon Shopping Centers AB	SWE	-	15,7	02-01-2019	1,50%		-
Åkersberga Centrum AB	SWE	-	55,7	02-01-2019	1,50%		-
Citycon Jakobsbergs Centrum AB	SWE	-	34,7	02-01-2019	1,50%		-
Citycon Development AB	SWE	-	8,4	02-01-2019	1,50%		-
Citycon Högdalen Centrum AB	SWE	-	22,7	02-01-2019	1,50%		-
Citycon Denmark APS	DEN	99,1	100,9	31-12-2021	1,50%		276,7
Citycon Tumba Centrumfast. AB	SWE	-	22,4	02-01-2019	1,50%		-
Stenungs Torg Fastighets AB	SWE	-	21,6	02-01-2019	1,50%		-
Montalbas B.V.	NLD	10,1	68,3	16-10-2020	1,50%	**)	53,8
Citycon Holding AS	NOR	126,7	125,6	28-12-2028	5,75%	*)	1 619,3
Citycon Holding AS	NOR	0,1	14,2	10-11-2022	3,59%		0,5
Citycon Holding AS	NOR	101,4	100,5	16-09-2022	4,1723%	*)	1 245,5
Citycon Holding AS	NOR	35,0	36,7	04-01-2022	3,030%	*)	211,7
Citycon Holding AS	NOR	131,8	130,7	01-09-2025	4,075%	*)	1 805,3
Citycon Holding AS	NOR	35,5	125,6	01-03-2021	2,868%	*)	84,8
Citycon Holding AS	NOR	92,3	-	22-02-2025	3,360%		336,0
Citycon OYJ	FIN	11,5	11,4	01-07-2022	1,50%		43,5
Citycon OYJ	FIN	101,4	100,5	22-09-2025	3,15%	*)	869,3
Citycon OYJ	FIN	297,7	297,4	15-01-2027	2,725%	*)	7 834,4
Citycon OYJ	FIN	1,3	-	16-10-2020	1,375%		4,5
Citycon OYJ	FIN	0,8	-	16-10-2020	1,375%		1,1
Manhattan Acquisitoin Oy	FIN	146,8	146,8	16-10-2020	2,00%		619,7
		2 805,7	2 938,2				28 330,6

*) These loans to group companies are fixed rated loans.

**) Effective yield

The difference between the carrying value of EUR 2,805.7 million (2018: EUR 2,938.2 million) and the nominal value of EUR 2,811.5 million (2018: EUR 2,944.8 million) are the unamortized discount and prepaid arrangement fees for an amount of EUR 5.8 million (2018: EUR 6.6 million). The fair value excluding credit spread of these fixed rate loans amount to EUR 1,831.6 million (2018: EUR 2,140.8 million). The other loans to group companies are floating rate loans and have a fair value which not significantly differs from the nominal amount of the loan.

The company granted a subordinated perpetual intercompany loan to Citycon Holding AS, Oslo, Norway for an amount of NOK 1,250 million with a coupon of 5,75%. At the same moment the Company received a subordinated perpetual intercompany loan intercompany loan from Citycon OYJ, Espoo, Finland for the same amount with a coupon of 5,625%.

MAJOR OUTSTANDING EXPOSURE FROM LOANS FROM GROUP COMPANIES:

All intercompany loans from group companies are mainly loans from Citycon Oyj, Espoo, Finland. These loans have been drawn under the terms of the EUR 1.5 billion multi-currency subordinated term loan facility agreement between Citycon Oyj and the Company, signed on 1 August 2014.

Reference is made to note 12 Loans from group companies on page 24 and 25 and counterpart- and credit risk on page 2 and 3.

SUBSEQUENT EVENTS

The Company updated its EMTN programme and filed it on the 26th of March 2020 at the Irish stock Exchange.

In March 2020 the Covid-19 virus also reached Holland and the Nordics and since that moment the financial markets where either locked down or became accessible only at very elevated price levels. For Citycon as a group Covid-19 has a direct impact on its cash flow position as the rent collection has been lower in April and the group was partially financed with short-term debt. Citycon has enough committed credit facilities to ensure the continuity for the business. For the Company as a standalone, Covid-19 does not have a major impact on its net results from financing activities. The Company has back to back positions in place for all its outstanding loans. For potential default of related companies, we refer to the chapter credit risk on page 2 and 3. As an issuer on the capital markets, the Company will however face increased difficulties.

On the 10th of June 2020 the Company did a tap issue of nominal EUR 200 million with a yield of 4.5% on the EUR 350 million 1st of October 2024 bond with a 2.5% coupon. The proceeds will be used for refinancing purposes.

Amsterdam, 16th of June 2020

The board of Directors

B. Helsing	A. Doppenberg	M. Mattila	R. Rozenberg

OTHER INFORMATION

STATUTORY STIPULATIONS CONCERNING THE APPROPRIATION OF RESULTS

23.1 Any profit realized in a financial year is at the disposal of the general meeting.

23.2 The Company may only make distributions if an insofar as its equity exceeds the amount of the paid up and called up part of the share capital plus the reserves that must be maintained by law or these articles of association.

23.3 Dividend payments may be made only after adoption of the annual report from which it appears that such payments are permitted. Dividends are due and payable immediately after they have been declared, unless the general meeting sets another date in the relevant resolution. Shareholder's claims against the company or the payment of dividend expire five years after the dividend was declared.

23.4 With due observance of paragraph of this article, the general meeting may resolve to pay interim dividends to make distributions from a reserve which need not be maintained by law.

23.5 If the general meeting adopts a resolution to that effect, distributions may be made otherwise than in cash.

23.6 The shares held by the Company in its own capital are to be disregarded in the calculation of the amount of dividend to be paid on shares.

INDEPENDENT AUDITOR'S REPORT

Reference is made to the last page of this report.

Building a better working world

Independent auditor's report

To: the shareholder and the board of directors of Citycon Treasury B.V.

Report on the audit of the financial statements 2019 included in the annual report

Our opinion

We have audited the financial statements 2019 of Citycon Treasury B.V. (the Company), based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Citycon Treasury B.V. as at 31 December 2019, and of its result in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The balance sheet as at 31 December 2019
- The profit and loss account 2019
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements section of our report".

We are independent of Citycon Treasury B.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Our understanding of the business

Citycon Treasury B.V. acts as a finance company for the Citycon Group companies and holds an investment in associate (Montalbas B.V.). We tailored our audit approach accordingly and paid specific attention in our audit to a number of areas driven by the Company's operations and our risk assessment. We refer to the section describing the key audit matters.
We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, non-compliance with laws and regulations or error in order to design audit procedures responsive to those risks, and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Materiality

Materiality	€16.7 million (2018: €16.9 million)
Benchmark applied	The materiality is based on 0.5% of total assets
Explanation	We consider total assets as the most appropriate benchmark to determine materiality for this financing company within the Citycon group. This measure best reflects the activities of the Company, is stable and commonly used for comparable entities.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the board of directors that misstatements in excess of €835,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.
Non-compliance with laws and regulations may result in fines, litigation or other consequences for the Company that may have a material effect on the financial statements.

Our audit response related to fraud risks

In order to identify and assess the risks of material misstatements of the financial statements due to fraud, we obtained an understanding of the entity and its environment, including the entity's internal control relevant to the audit and in order to design audit procedures that are appropriate in the circumstances. As in all of our audits, we addressed the risk of management override of internal control. We do not audit internal control per se for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

We considered available information and made enquiries of relevant executives and directors. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption.

We evaluated the design and the implementation of internal controls that mitigate fraud risks. In addition, we performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgment areas and significant accounting estimates as disclosed in the General accounting principles of the financial statements.

We incorporated elements of unpredictability in our audit. We considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. If so, we re-evaluate our assessment of fraud risk and its resulting impact on our audit procedures.

Our audit response related to risks of non-compliance with laws and regulations
We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the board of directors, reading minutes and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Going concern

In order to identify and assess the risks of going concern and to conclude on the appropriateness of board of directors' use of the going concern basis of accounting, we consider based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.
Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions, including the impact of COVID-19, may cause a Company to cease to continue as a going concern.

Scope of the group audit

Citycon Treasury B.V. has one associate, Montalbas B.V. as accounted for using the net asset value method. The financial information of this associate is included in the financial statements of Citycon Treasury B.V.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the audit of the associate. In this respect we have determined the nature and extent of the audit procedures to be carried out for the associate.

We have used the work of other Ernst & Young Global Member firms as part of our audit for the audit of the investment in associate Montalbas B.V. and its subsidiaries, which is accounted for at net asset value. By performing these procedures we have been able to obtain sufficient and appropriate audit evidence about the financial information to provide an opinion about the Company's financial statements.

Teaming and use of specialists
We ensured that we included the appropriate skills and competences which are needed for the audit of a listed client. We have made use of our own experts in the area of derivatives.

General audit procedures

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the board of directors. The key audit matters are not a comprehensive reflection of all matters discussed.

The key audit matter "Accounting for Montalbas B.V. and its subsidiaries" which was included in our last year's auditor's report, is not considered a key audit matter for this year as this matter is related to a one off transaction in 2018. In comparison with previous year, the other key audit matters did not change.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Loans and other financial receivables to Citycon group companies (note 2)	
Risk	The main activity of Citycon Treasury B.V. is to operate as a financing company of the Citycon group. The Company raises funds from third party lenders through bonds issuance, commercial papers and other facilities and subsequently lending the funds raised to companies belonging to the Citycon group (the Citycon Group Companies). The Company is exposed to the risk that a Citycon group company defaults on meeting its obligations. As the loans to and receivables due from the Citycon group companies represent approximately 84% of the total assets of the Company, any impairment may have a material effect on the financial statements. Therefore we consider this a key audit matter. To mitigate the risk, the Company concluded a loan facility agreement with the parent company (Citycon Oyj), in which the parent company confirmed that all credit losses above EUR 2 million per loan will be for the account of the parent company.
Our audit approach	We have performed, among others, the following audit procedures to determine whether there is objective evidence that triggers impairment of loans and other financial receivables to Citycon group companies: ▶ Obtained an understanding of the internal processes related to the valuation of loans and other financial receivables from group companies, performed a walkthrough and evaluated the design of controls ▶ Obtained financial information and assessed the financial position and results of the relevant group companies

Valuation of Loans and other financial receivables to Citycon group companies (note 2)	
	▶ Obtained external information regarding market and industry conditions, which could have impact on the financial position and results of the relevant group companies We have also performed the following procedures to assess the ability of the parent company to guarantee credit losses above EUR 2 million: ▶ Obtained external information regarding market and industry conditions, which could have an impact on the financial position and result of the relevant group companies ▶ Obtained and evaluated the going concern assessment of Citycon Oyj including inspection of the credit ratings of Citycon Oyj (the guarantor) from several credit rating agencies and reviewed the audited financial statements 2019 and quarterly reporting for the three months period ended 31 March 2020 of Citycon Oyj (the guarantor) Finally, we evaluated the appropriateness of the disclosures in the financial statements.
Key observations	Based on the procedures performed we assessed that there is no objective evidence that triggers impairment of loans and other financial receivables from Citycon group companies and concur with the valuation in the Citycon Treasury B.V. financial statements. Furthermore, we assessed the disclosures related to the loans and other financial receivables as being appropriate.

Valuation of the investment in associate Montalbas B.V. (note 1)	
Risk	The investment in associate Montalbas B.V. is accounted for using the net asset value method. The net asset value of Montalbas B.V. is mainly dependent on the fair value of the investment properties held by its subsidiaries, and as such is dependent on significant assumptions regarding the fair value of investment properties as disclosed in note 1. As the fair value is judgmental by nature and sensitive to key inputs, we consider the valuation of the investment in the associate to be a significant risk and key audit matter in our audit.
Our audit approach	We have performed, among others, the following audit procedures as a response to this risk: ▶ Obtained an understanding of the internal processes related to determining the net asset value on Citycon Treasury level, performed a walkthrough and evaluated the design of controls ▶ Obtained audited sub-consolidation financial information of Montalbas B.V. and its group companies and evaluated that the applied accounting principles of the audited financial information (and related adjustments) are in accordance with the accounting policies of Citycon Treasury B.V.

Valuation of the investment in associate Montalbas B.V. (note 1)	
	▶ Assessed the valuation of the investment properties as included in the Montalbas B.V. subsidiaries by performing the following procedures: ▶ Obtained an understanding of the internal processes at Citycon Oyj regarding the determination of fair value of investment properties ▶ Assessed the competence and objectivity of the external appraiser and historical accuracy of management's judgment and assumptions ▶ Involved internal valuation specialists to assist us in evaluating the assumptions and methodologies used by the board of directors
Key observations	Based on the procedures performed we concur with the valuation of the investments in the associate (Montalbas B.V.) as disclosed in note 1 of the financial statements of Citycon Treasury B.V.

Emphasis of matter relating to uncertainty about Corona

The developments surrounding the Corona (Covid-19) virus have a profound impact on people's health and on our society as a whole, as well as on the operational and financial performance of organizations and the assessment of the ability to continue as a going concern. The financial statements and our auditor's report thereon reflect the conditions at the time of preparation. The situation changes on a daily basis giving rise to inherent uncertainty.

Citycon Treasury B.V. is confronted with this uncertainty as well, that is disclosed in the director's report at page 1 and the disclosure about events after the reporting period in the financial statements at page 35. We draw attention to these disclosures.

Our opinion is not modified in respect of this matter.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The director's report
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the director's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the board of directors as auditor of Citycon Treasury B.V. on 14 January 2015, as of the audit for the year 2014 and have operated as statutory auditor ever since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Other non-prohibited services provided

Our services in 2019 are only related to the audit of the financial statements.

Description of responsibilities for the financial statements

Responsibilities of the board of directors for the financial statements

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of directors is responsible for such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of directors is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the board of directors should prepare the financial statements using the going concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The board of directors should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The Our audit approach section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Communication

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.
In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Utrecht, 16 June 2020

Ernst & Young Accountants LLP

signed by R.H.A. Duim