

21 March 2013

Annual General Meeting, CEO's Review, Marcel Kokkeel

Ladies and gentlemen, dear shareholders and board members,
Tervetuloa Cityconin yhtiökokoukseen! [Welcome to Citycon's annual general meeting]

The key focus in 2012 was to improve profitability and solid cash flows. This meant operational improvements, identifying and working on redevelopment potential and carrying through selective acquisitions.

We broadened our portfolio geographically to Denmark by acquiring Albertslund Centrum in Copenhagen in July and strengthened our market position considerably in Sweden by acquiring Kista Galleria in Stockholm. We outlined a strategy to be a top three player in the main markets that we operate in. In Finland and Estonia we already had the top position, and now after the acquisition of Kista Galleria we are one of the top three players also in Sweden. Our choice is to operate in urban locations, close to where the people live, connected to public transportation, health care and municipality facilities.

Citycon's asset selection consists of some key criteria. The chosen properties should always be

- dominant in their catchment area and in markets with high barriers of entry,
- the properties should be situated in growing cities,
- they need to be grocery-anchored and necessity based in an urban environment, and most important they should have (re)development potential by active retail management.

Citycon's portfolio could be split into two main categories. First: Larger shopping centres also offering an element of entertainment. Examples like Rocca al Mare in Tallinn, Iso Omena in Espoo and newly acquired Kista Galleria in Stockholm. Second: smaller, centres that cater everyday needs like Columbus in Helsinki, Tumba Centrum in Stockholm region and Magistral in Tallinn.

Citycon's philosophy is based on community thinking; internally we talk about "Citycommunity". What do we mean by that? All of our centres are located close to where the people live and work. and we want to be part of their society and everyday life. There is a social interaction between shopping centres and its environment. We sell more than space; our operations are driven by the fact that we are in a hospitality business. In our shopping centres we want to bring people together, because they need to be there or they simply want to be there.



One concrete way to create a positive customer experience and enhance communality is through focusing on digital marketing like Facebook. I'm delighted to say that we have been able to increase the number of the fans of Citycon's shopping centres to 215 000 by year end. In Finland, for example, the number of fans sextupled during the year! Please visit Facebook and "like" our shopping centre's Facebook sites!

In 2012, the company's like-for-like net rental income grew by 4.9 per cent. In 2011 we worked on "Project Now!". This is an internal business improvement and cost reduction program. A more cost conscious mentality throughout the company, has already lead to savings in 2012. For 2013 another reduction in administrative costs is set up to EUR 5 million compared to the 2012 level. Specific area of cost efficiency is energy savings. Investments have been implemented throughout the year which resulted in an energy reduction of close to 2% like-for-like. This work will continue and further cost efficiencies will be sought after.

On the revenue side, we have been working hard on inward extensions and efficiencies of space, which lead to gaining more leasable area within shopping centres. Also we have been concentrating on gaining additional income by specialty leasing and - most importantly we work on better tenant mixes. International tenants are looking for expansion opportunities from a regional, thus Nordic perspective. This is proven for example by the British department store chain Debenhams which signed a deal with us for both Estonia and Finland. Citycon also succeeded in bringing Hennes&Mauritz to Estonia to our shopping centres Kristiine and Rocca al Mare later this year.

In 2012, we worked successfully on improving our balance sheet. Practically all material bank loans due this year have been refinanced and Citycon's average debt maturity has been extended. The company also strengthened its liquidity and balance sheet by issuing a domestic bond in May and through a rights issue in September. As bank financing conditions remain tight, the company will continue to actively look for diversification of funding sources. Our CFO Eero Sihvonen will discuss the company's financing and the recent rights issues of EUR 200 million in more detail.

Citycon turns 25 years this year. This year we will continue to work on strengthening the Citycon quality brand and profile. We believe that the power of the local shopping centre brand should be combined with the strength and knowledge of Citycon as a Nordic industry leader and as a household name for retailers and customers in the region. Therefore we will further build on standardization and harmonization of Citycon competences and best practices.

For 2013, one of the main focuses will be on operational improvements in a more efficient and restructured organization, with the philosophy to build one Citycon.

I would like to thank you, our shareholders, for your trust and support! I am confident that the company will continue to show further business improvements and growth in the years to come!

Kiitos! [Thank you!]