

# AUDIOCAST PRESENTATION Q4/2019





# SUMMARY OF 2019: IMPROVING OPERATIONAL PERFORMANCE

## EPRA EARNINGS PER SHARE INCREASED TO 0.818 (2018: 0.806)

- Net rental income increased to EUR 217.4 million (2018: 214.9)
- Administrative expenses continued to decline (down 4.5% y/y)

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## IMPROVING OPERATIONAL DEVELOPMENT

- Like-for-like net rental income grew in all business units; in total like-for-like NRI increased by 0.5%; total NRI increased 1.2%
- Leasing spread continued to be positive, driven by Sweden
- Occupancy at a good level of 95.5%; improved over Q3
- Total tenant sales increased by 2.6%, total footfall by 3.8%

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## STRENGTHENED BALANCE SHEET

- Green hybrid bond issued successfully in November. Green Financing framework launched in November to enable issuance of green securities.
- As a result, the LTV (IFRS) improved to 42.4% (Q3/2019: 49.6%)

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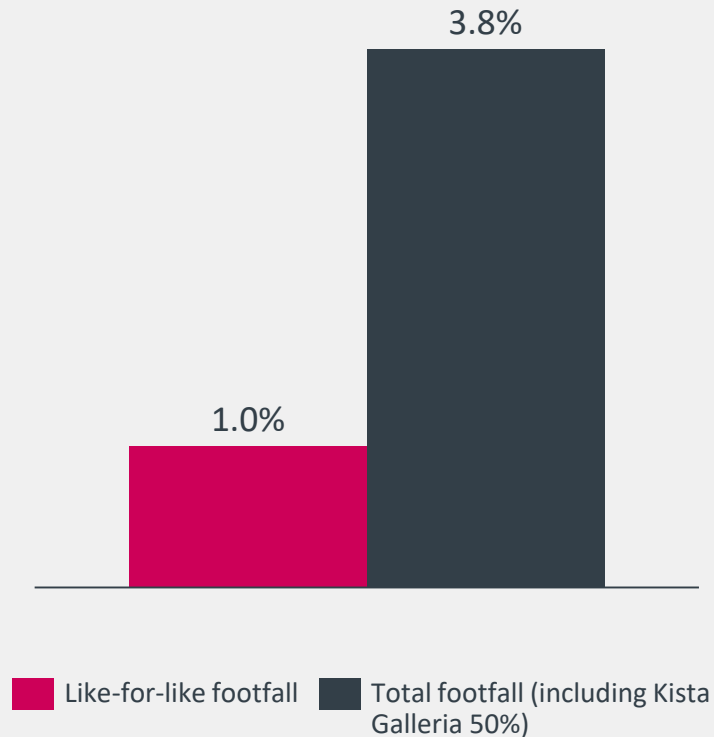
## DIVIDEND PROPOSAL OF EUR 0.65 PER SHARE

- Corresponding to approximately 6.9% dividend yield at year-end closing price of EUR 9.365
- Pay-out ratio of approximately 80% of EPRA EPS

# OVERALL SALES +2.6% AND FOOTFALL +3.8% - POSITIVE LIKE-FOR-LIKE DEVELOPMENT

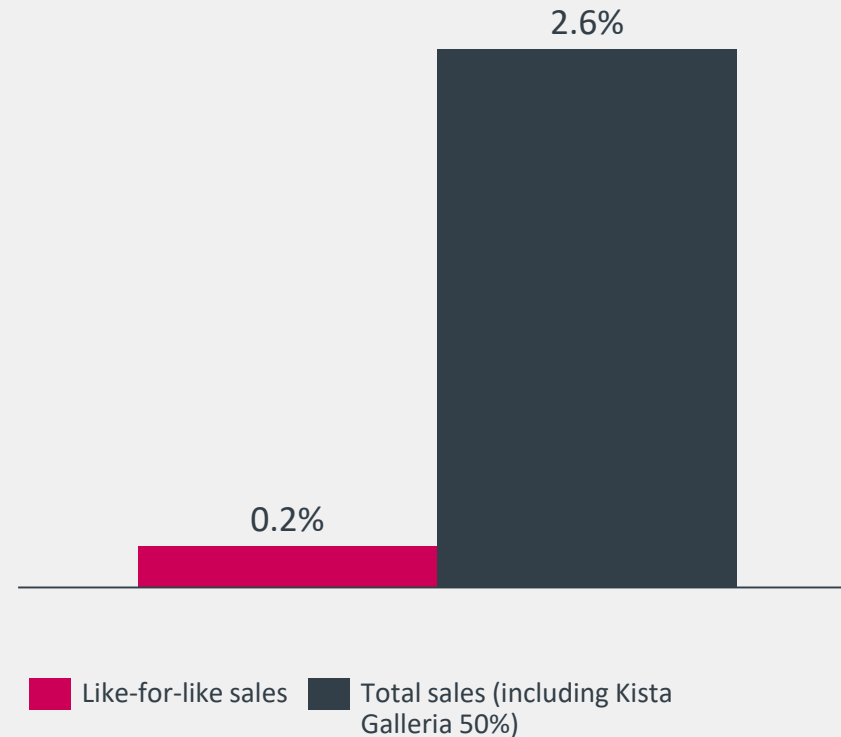
## FOOTFALL DEVELOPMENT

Q1-Q4/2019 vs. Q1-Q4/2018, % <sup>1)</sup>

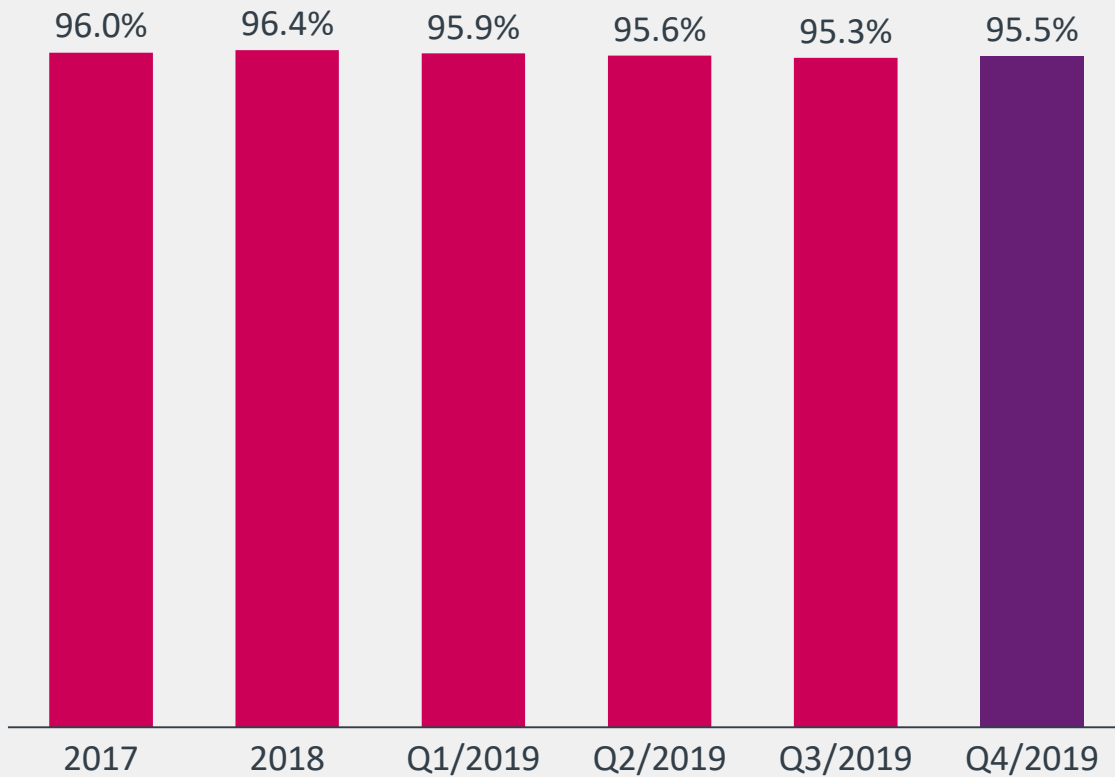


## TENANT SALES DEVELOPMENT

Q1-Q4/2019 vs. Q1-Q4/2018, % <sup>1)</sup>



# OCCUPANCY RATE AT A GOOD LEVEL



4 All figures including Kista Galleria 50%

		2019	2018
Average rent <sup>1)</sup>	EUR/sq.m.	23.3	23.2
Average remaining length of the lease portfolio	years	3.2	3.4
		2019	2018
Average rent of leases started	EUR/sq.m.	26.0	22.5
Average rent of leases ended	EUR/sq.m.	25.5	22.1
Leasing spread of renewals and re-lettings	%	1.4	-0.3

- The economic occupancy rate remained at a high level of 95.5%.
- Average rent of leases started increased significantly.
- Overall leasing spread of renewals and re-lettings was positive. Leasing spread was positive in Sweden and Estonia and stable in Finland and Norway.

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

# OUR JOURNEY TOWARDS CARBON NEUTRALITY BY 2030 CONTINUED DURING THE YEAR

## DEVELOPMENT OF KEY KPIS IN 2019

**- 10%**

ENERGY INTENSITY FROM  
BASELINE 2014  
(KWH/SQ.M.)

**- 72%**

GREENHOUSE GAS  
INTENSITY FROM BASELINE  
2014 (KGCO2E/SQ.M.)

**- 58%**

CLIMATE CHANGE IMPACT  
FROM BASELINE 2014  
(TCO2E)

**84%**

BREEAM IN-USE CERTIFIED  
SHOPPING CENTRES  
(MEASURED BY FAIR VALUE)

## SUSTAINABILITY IN ACTION IN Q4/2019

### WORLD'S LARGEST SOLAR PARK WITH SNOW MELTING OPENED IN DOWNTOWN

#### IN NOVEMBER WE OPENED OUR NEWEST SOLAR PARK TO THE ROOF OF SHOPPING CENTER DOWN TOWN IN PORSGRUNN, NORWAY

- The solar park is the world's largest solar park with snow melting technology
- 3,500 solar panels
- Annual energy consumption equivalent to the consumption of about 40 houses or 100 apartments
- Solar will cover 15 % of DownTown's energy needs

#### ISO OMENA RENEWED ITS BREEAM IN-USE CERTIFICATE

- Iso Omena received excellent rating for both asset and building management
- Iso Omena received the highest score ever awarded in Finland

#### CONTRIBUTION TO OUR FINANCING RESULTS THROUGH GREEN HYBRID

- The Green Financing Framework and the green Hybrid integrate sustainability objectives in our financing activities

# ACQUIRING REMAINING INTEREST IN 3 ASSETS IN NORWAY



**STOVNER SENTER,  
OSLO, NORWAY**



**TORVBYEN,  
FREDRIKSTAD, NORWAY**



**MARKEDET,  
HAUGESUND, NORWAY**

GLA, sq.m.	<b>43,000</b>	<b>14,100</b>	<b>10,700</b>
Visitors, million	4.9	3.7	1.1
Sales (MNOK)	805	300	215
Occupancy rate %	89.5	95.5	93.2

**THE PORTFOLIO CONSISTS OF  
3 ASSETS IN  
NORWAY**

**PRIOR TO THE TRANSACTION  
CITYCON HAD 20%  
OWNERSHIP OF THE  
PORTFOLIO**

**AFTER TRANSACTION THE  
WHOLE PORTFOLIO 100%  
OWNED BY CITYCON**

**PROCESS STARTED TO DIVEST  
MARKEDET**



# IMPACT ON CITYCON'S FINANCIALS

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## TRANSACTION VALUE APPROXIMATELY MEUR 145

- Citycon has owned/managed the portfolio since 2015, knowledge of assets and their potential
- Stovner Senter present more than half of total transaction value
  - Connected to public transportation
  - 100 stores, eateries, services
- Process to divest Markedet, smallest of the three assets, in Q1/2020

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## IMPACT OF ACQUISITION IS INCLUDED IN THE GUIDANCE FOR 2020

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## IFRS LOAN-TO-VALUE TO INCREASE SLIGHTLY

- Citycon to assume portfolio's outstanding liabilities, approx. 1% impact on LTV
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# FINANCIAL OVERVIEW







## Q4/2019 FINANCIALS

MEUR	Q4/2019	Q4/2018	Change %	Q4/2019 INCL. KISTA 50%
Gross rental income	56.9	59.1	-3.8	60.2
Net rental income	53.5	53.7	-0.4	56.3
Direct operating profit	47.1	44.1	7.0	49.7
EPRA Earnings	35.6	34.2	4.3	N/A
EPRA EPS (basic) <sup>1)</sup>	0.200	0.192	4.3	N/A
Adjusted EPRA Earnings per share <sup>1) 2)</sup>	0.191	0.192	-0.6	N/A
EPRA NAV per share <sup>1)</sup>	12.28	12.95	-5.2	N/A

1) Key ratios have been adjusted in the comparison periods to reflect the new number of shares after the reversed share split executed in March 2019.

2) The adjusted figure includes hybrid bond coupons and amortized fees.



## FULL YEAR 2019 FINANCIALS

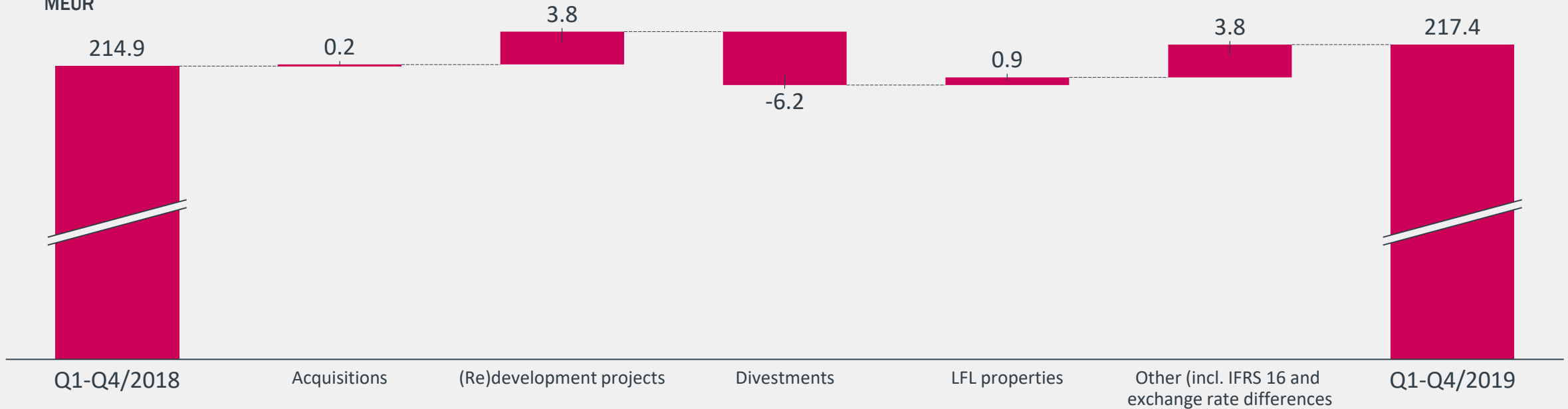
MEUR	2019	2018	Change %	2019 INCL. KISTA 50%
Gross rental income	232.1	237.0	-2.1	244.6
Net rental income	217.4	214.9	1.2	227.3
Direct operating profit	193.5	187.6	3.1	202.6
EPRA Earnings	145.6	143.5	1.5	N/A
EPRA EPS (basic) <sup>1)</sup>	0.818	0.806	1.5	N/A
Adjusted EPRA Earnings per share <sup>1) 2)</sup>	0.809	0.806	0.3	N/A
EPRA NAV per share <sup>1)</sup>	12.28	12.95	-5.2	N/A

1) Key ratios have been adjusted in the comparison periods to reflect the new number of shares after the reverse share split executed in March 2019.

2) The adjusted figure includes hybrid bond coupons and amortized fees.

# NET RENTAL INCOME CONTINUED TO GROW

## NRI DEVELOPMENT MEUR



## CURRENCIES HAD SOME IMPACT ON NRI

### Closing rates

	Q4/2019	Q4/2018
SEK	10.4468	10.2548
NOK	9.8638	9.9486

### Average rates

	Q1-Q4/2019	Q1-Q4/2018
	10.5861	10.2583
	9,8493	9.6021

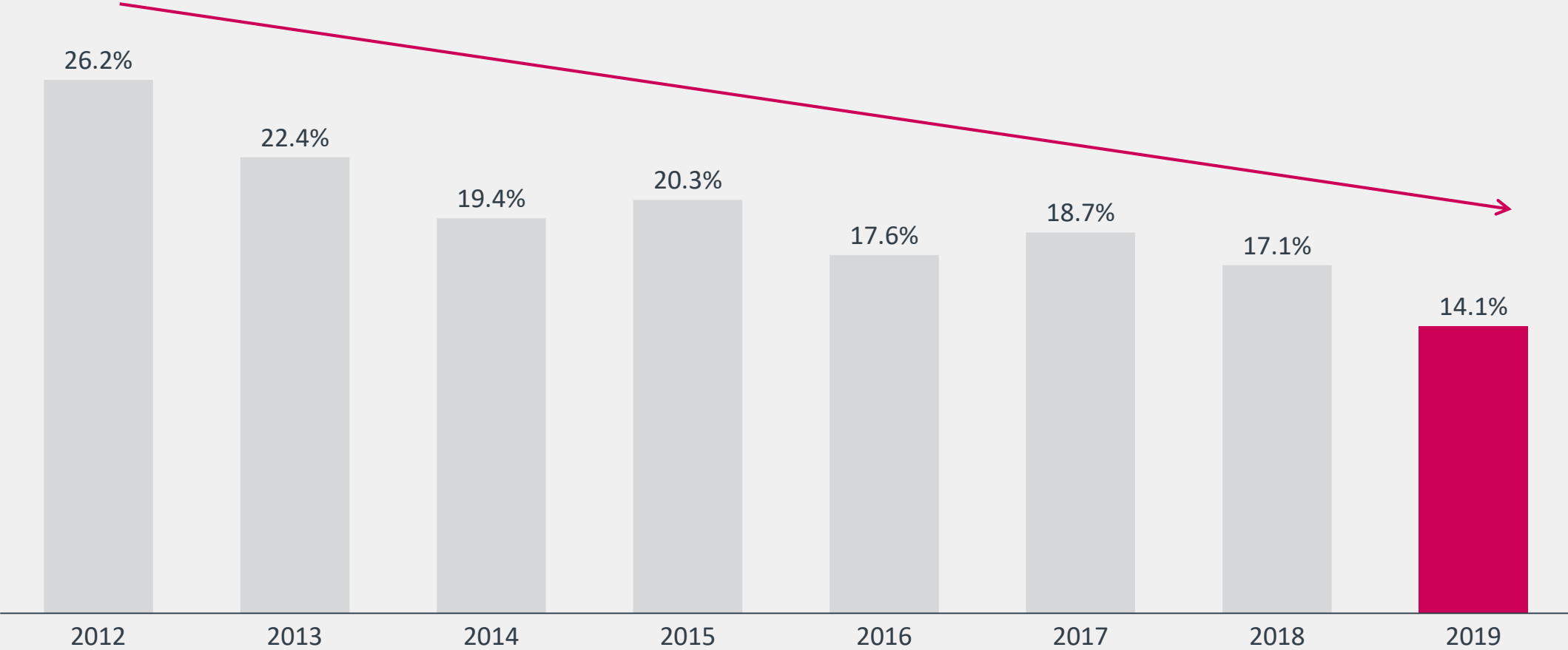
### Foreign currency impact on Q1-Q4/2019:

NRI  
-3.0 MEUR  
EPRA EPS  
-0.015 EUR

### IFRS16 impact on Q1-Q4 /2019:

NRI  
7.0 MEUR  
EPRA Earnings  
5.3 MEUR

# THE EPRA COST RATIO HAS IMPROVED CLEARLY SINCE 2012



EPRA Cost ratio includes direct vacancy costs



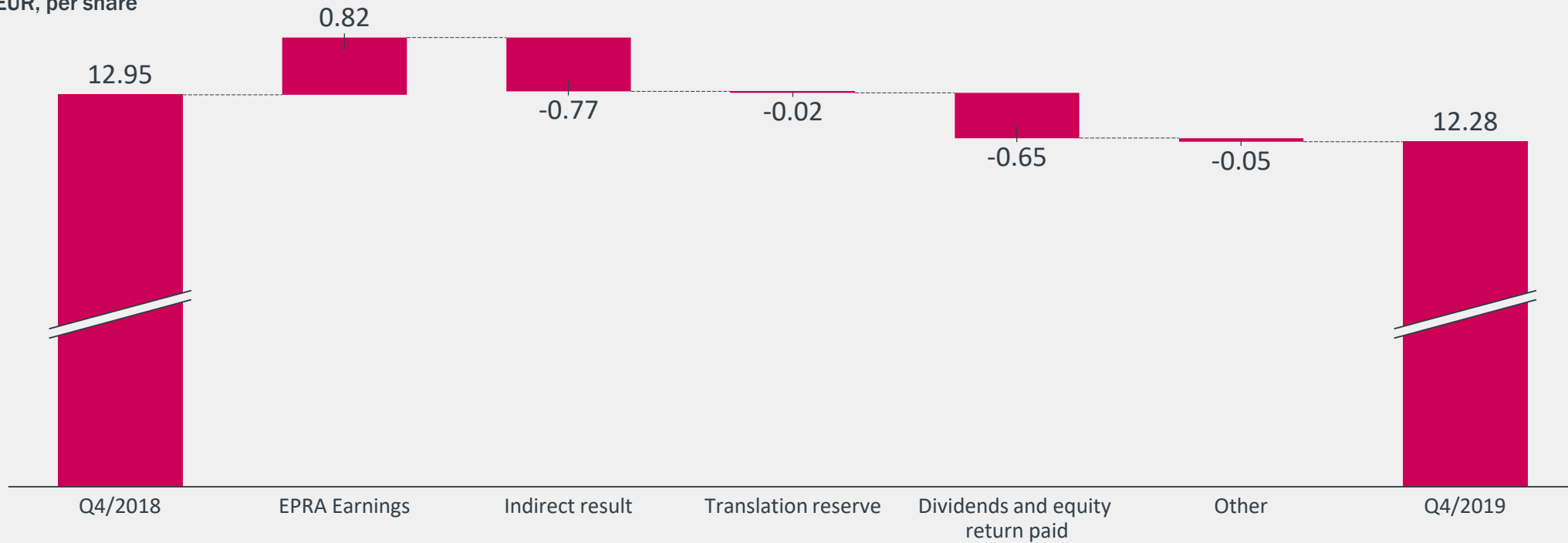
## FAIR VALUE CHANGES

FAIR VALUE CHANGES, MEUR	Q4/2019	Q4/2018	2019	2018
Finland & Estonia	-23.5	-11.0	-56.1	-58.8
Norway	-11.0	-1.6	-33.4	-22.2
Sweden & Denmark	-22.7	-5.7	-32.4	8.5
IFRS 16	-1.5	-	-6.0	-
Investment properties, total	-57.2	-18.2	-121.9	-72.5
Kista Galleria (50%)	-8.9	-3.2	-17.7	-8.6
Investment properties and Kista Galleria (50%), total	-66.2	-21.5	-139.6	-81.1
<b>AVERAGE YIELD REQUIREMENT, %</b>		<b>31 DEC 2019</b>	<b>31 DEC 2018</b>	
Investment properties and Kista Galleria (50%), average		5.3	5.3	

# EPRA NET ASSET VALUE DEVELOPMENT

## CHANGE OF NET ASSET VALUE (EPRA NAV) <sup>1)</sup>

EUR, per share



**31 DEC 2019**

**31 DEC 2018**

EPRA NAV per share, EUR <sup>1)</sup>

12.28

12.95

EPRA NNNNAV per share, EUR <sup>1)</sup>

10.94

11.90



# GREEN FINANCING FRAMEWORK LAUNCHED IN NOVEMBER 2019

- In November 2019, Citycon launched a Green Financing Framework
- The Framework Integrates the company’s sustainability targets with its financing activities.
- Proceeds issued under the framework can be used to finance or re-finance eligible green assets in categories green buildings, energy efficiency, renewable energy or waste management.
- At the time of launch, approximately EUR 2.7 billion of Citycon’s property portfolio was eligible for green (re)financing.

**“The Green Financing Framework will further support Citycon’s profile as a forerunner in sustainability and enable us to broaden our investor base”**

# SUCCESSFUL ISSUANCE OF EUR 350 MILLION GREEN HYBRID BOND IN NOVEMBER 2019

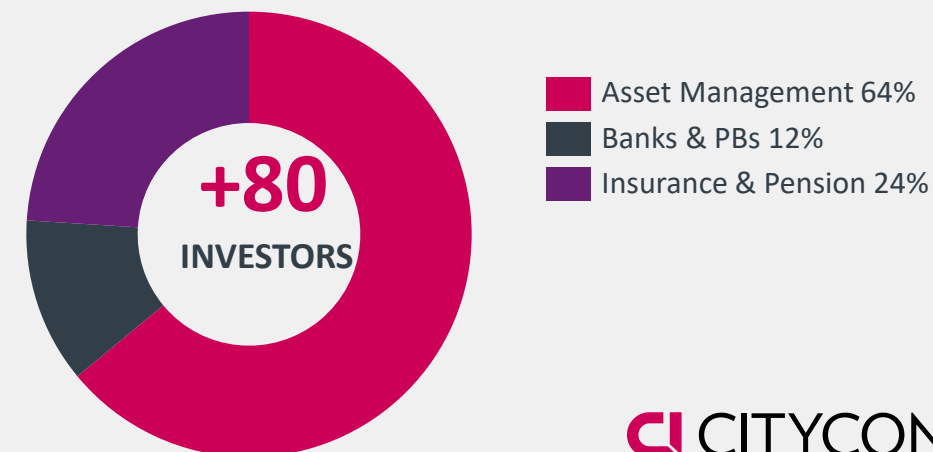
## KEY TERMS

<b>Issue rating:</b>	Ba2 / BB (Moody's / S&P)
<b>Status:</b>	Deeply subordinated, senior only to the ordinary share capital of the Issuer
<b>Use of proceeds</b>	Refinancing of new or existing Eligible Green Assets according to the Issuers Green Financing Framework
<b>Settlement date:</b>	22 November 2019
<b>Maturity:</b>	Perpetual
<b>Amount:</b>	EUR 350,000,000
<b>Coupon / Yield:</b>	4.496% / 4.5%
<b>Step-ups</b>	25bps after 10.25y, 100bps after 25.25y from Settlement 500bps if not redeemed after CoC Event
<b>Listing:</b>	Euronext Dublin

## TAKEAWAYS

- Demonstrates commitment to strengthening the balance sheet and improving the credit rating
- Decreased near-term refinancing risk and extended average debt maturities.
- Concurrent tender offer targeting EUR and NOK senior bonds reinforces conservative financial policy
- Green use of proceeds underlines long-term importance of sustainability within broader Citycon strategy

## INVESTOR TYPE ALLOCATION







# IMPACT OF HYBRID ISSUANCE ON CITYCON'S FINANCIAL REPORTING

## BACKGROUND

- Hybrid instruments treated as 100% equity according to IFRS. Credit rating agencies issue a 50% equity credit for the hybrid.

## IMPACT ON CITYCON FINANCIALS

- Hybrid treated as 100% equity in IFRS financial statements. Hybrid coupons will be deducted from equity instead of being part of financial expenses.
- P&L impact:
  - EPRA earnings to improve slightly (no hybrid coupons included)
  - EPRA earnings with hybrid coupons included (adjusted EPRA earnings) to decline slightly
- Balance sheet impact:
  - IFRS loan-to-value to improve significantly
- Cash flow impact:
  - Lower impact in 2020 as coupon paid for 0.25 years; more significant impact in 2021 (full EUR 16 million annual coupon)



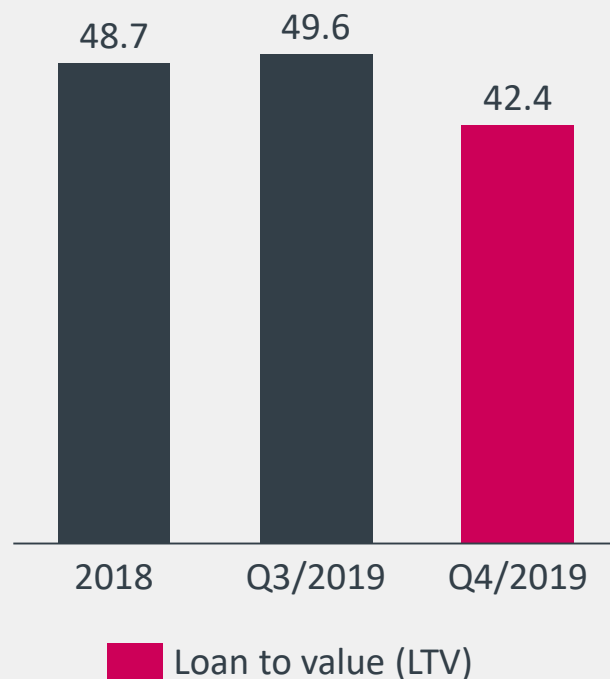
## MAIN FINANCING TARGETS

- Debt portfolio's hedge ratio 70-90% ✓ 88.8%
- Investment-grade credit ratings ✓ BBB-/Baa3
- Financing mainly unsecured ✓ 94.5%
- Substantial liquidity buffer ✓ MEUR 562
- Loan to Value 40-45% ✓ 42.4%
- Average maturity of loan portfolio > 5 yrs - 4.6

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

# AMOUNT OF INTEREST-BEARING DEBT DECLINED

## LTV DEVELOPMENT



## FINANCING KEY FIGURES

		31 DEC 2019	31 DEC 2018
Interest bearing debt, fair value	MEUR	1,830.7	2,154.6
Available liquidity	MEUR	562.1	556.4
Average loan maturity	years	4.6	5.0
Interest rate hedging ratio	%	88.8	91.7
Weighted average interest rate <sup>1)</sup>	%	2.29	2.35
Loan to Value (LTV)	%	42.4	48.7
Financial covenant: Equity ratio (> 32.5%)	%	50.9	45.4
Financial covenant: Interest cover ratio (> 1.8)	%	4.2	3.8

<sup>1)</sup>Including cross-currency swaps and interest rate swaps



## NEW GUIDANCE PRACTICE

- Citycon has resolved to update it's guidance practice following the issuance of hybrid bond.
- In order to quantify the impact of hybrid bond coupons, Citycon will also provide guidance on adjusted EPRA EPS after hybrid bond coupon payments.
- Adjusted EPRA EPS metrics include all coupon expenses from the Capital Securities.

**AS OF 2020, CITYCON WILL  
PROVIDE GUIDANCE ON:**

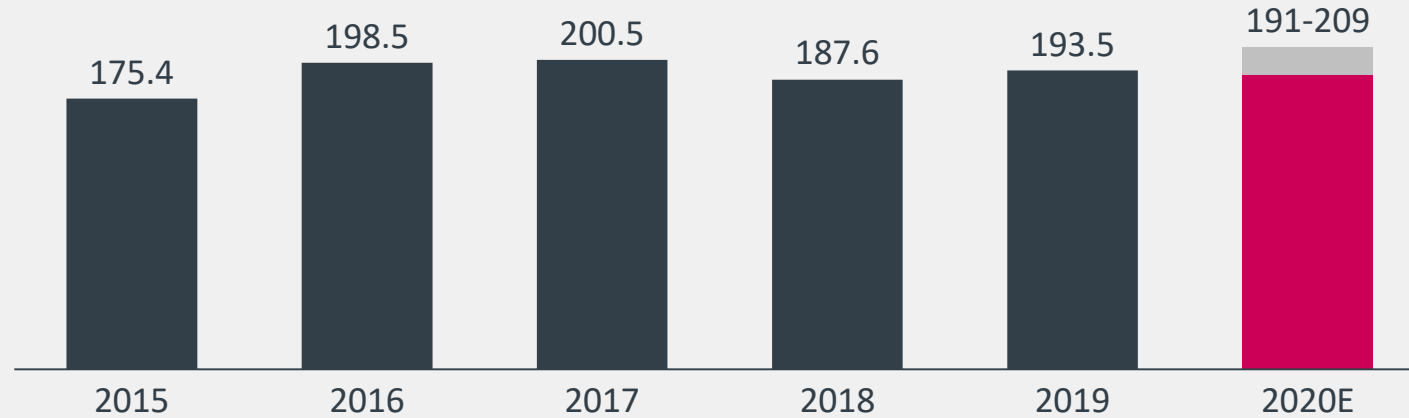
**DIRECT OPERATING PROFIT**

**EPRA EPS**

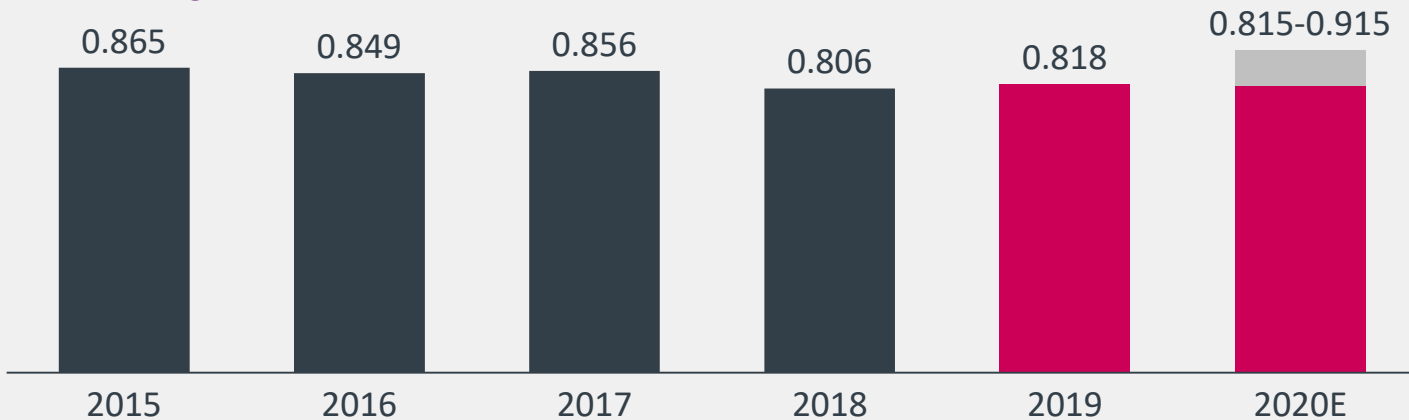
**ADJUSTED EPRA EPS**

# OUTLOOK 2020

## DIRECT OPERATING PROFIT



## EPRA EPS



**Direct operating profit**  
MEUR 191-209

**EPRA EPS**  
EUR 0.815-0.915

**Adjusted EPRA EPS\***  
EUR 0.720-0.820

On 5 February 2020 disclosed acquisition of portfolio of three shopping centres is included in the estimates.

\* Comparable EPRA EPS without hybrid issuance and bond buybacks approx. 0.76-0.86

# LOOKING FORWARD 2020



CITYCON

LAIVA

CITYCON



# STRATEGIC FOCUS AREAS IN 2020

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## PERFORMANCE IMPROVEMENT

- Proactive asset management
  - Harvest benefits of new organization: grow specialty leasing business significantly and realize cost-savings from pan-Nordic sourcing
- 

## EXPLOIT MIXED-USE AND DENSIFICATION OPPORTUNITIES

- Initiate residential and mixed-use opportunities in portfolio
  - Aggressively pursue zoning changes for identified development properties
  - Proceed with Lippulaiva residential planning
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## STRENGTHEN BALANCE SHEET AND MAINTAIN CREDIT RATINGS

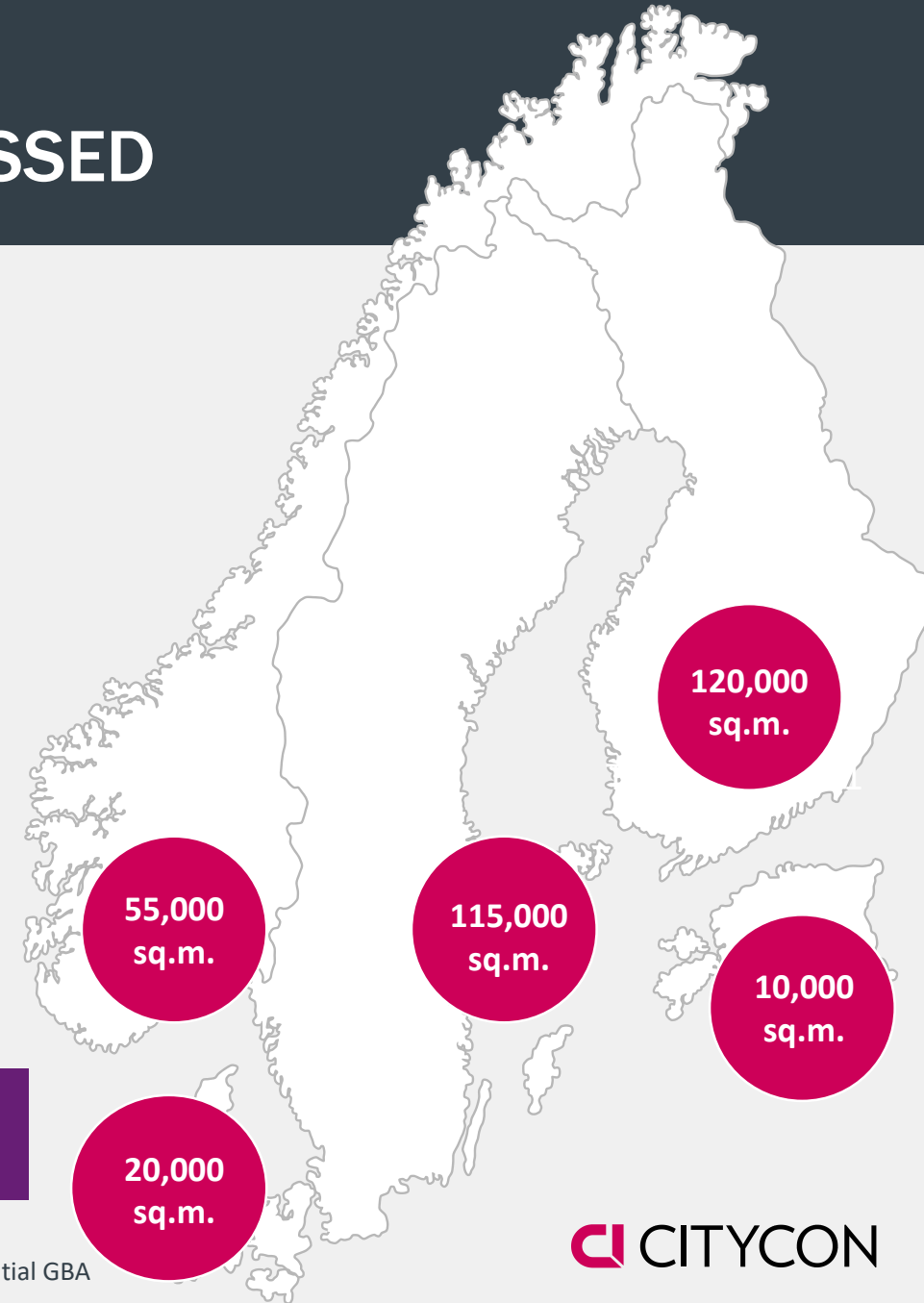
- Maintaining our credit ratings is a focus area for the company
  - Thoughtful dispositions of non-core assets at appropriate pricing levels
-

# OUR ZONING PROCESSES HAVE PROGRESSED

## POTENTIAL RESIDENTIAL EXPOSURE

	SWEDEN	NORWAY	FINLAND	ESTONIA	DENMARK	TOTAL
Potential Gross Building Area (approx.)	~115,000	~55,000	~120,000	~10,000	~20,000	~320,000
Of which zoned	-	~30,000	~30,000	-	-	~60,000
Of which in zoning-process	~55,000	~10,000	~65,000	-	-	~130,000
Number of potential Units if developed as apartments*	~1,560	~500	~2,000	~150	~300	~4,500

POTENTIAL GBA CAN EITHER BE DEVELOPED AS RESIDENTIAL OR OFFICES DEPENDING ON DEMAND AND MARKET SITUATION



● Potential GBA



# OUR DEVELOPMENT PROJECT IN LIPPULAIVA IS PROGRESSING

## Status update

Q4/2019:

- Skanska chosen as the main contractor for the shopping centre part
- value of the contract with Skanska amounts to 170 EUR

- Lippulaiva will become a strong convenience and service-based shopping centre in the growing neighbourhood of Espoonlahti in greater Helsinki
- Lippulaiva will be integrated to the new Western Metro and complemented by a bus terminal
- The new Lippulaiva will host around 80 different shops, cafés, restaurants and services in addition to municipal and healthcare facilities.



# LIPPULAIVA IS A GREAT EXAMPLE OF A MIXED-USE DEVELOPMENT

## LIPPULAIVA

- Up to 8 residential buildings with around 500 apartments (~31,000 sqm of building rights).
- Currently we are reviewing different options on how to develop the residential component
- Shopping centre to be opened in spring 2022, residential buildings ready 2022-2024, estimated metro opening 2023



## CONTACT INFORMATION

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# APPENDIX



COFFEE HOUSE

# INCOME STATEMENT

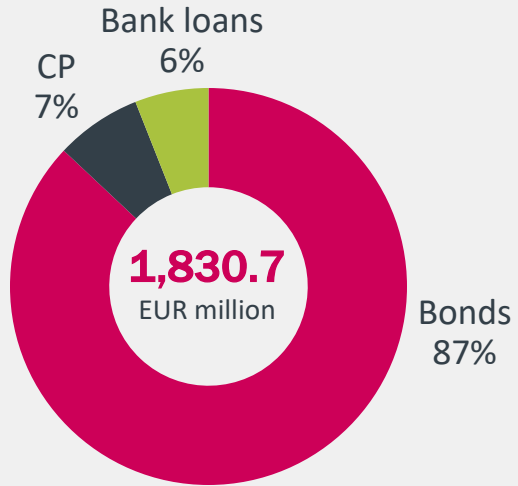
MEUR	Q4/2019	Q4/2018	%	2019	2018	%
Gross rental income	56.9	59.1	-3.8 %	232.1	237.0	-2.1 %
Service charge income	20.5	21.4	-4.1 %	77.1	79.2	-2.6 %
Property operating expenses	-22.8	-26.2	-12.8 %	-89.3	-98.9	-9.7 %
Other expenses from leasing operations	-1.1	-0.7	70.9 %	-2.5	-2.4	3.4 %
Net rental income	53.5	53.7	-0.4 %	217.4	214.9	1.2 %
Administrative expenses	-6.8	-10.1	-32.6 %	-26.8	-28.0	-4.5 %
Other operating income and expenses	0.5	-3.2	-	2.8	-9.5	-
Net fair value gains/losses on investment property	-57.2	-18.2	-	-121.9	-72.5	68.2 %
Net gains/losses on sale of investment property	0.2	-1.1	-	1.5	-0.2	-
Operating profit	-9.9	21.1	-	73.1	104.7	-30.2 %
Net financial income and expenses	-17.8	-10.2	74.4 %	-54.2	-70.5	-23.1 %
Share of profit/loss of joint ventures	-10.6	-7.7	37.7 %	-16.6	-12.5	32.6 %
Profit before taxes	-38.3	3.2	-	2.2	21.7	-89.6 %
Current taxes	-0.8	0.2	-	-2.0	-0.2	-
Deferred Taxes	13.4	2.2	-	8.6	-4.8	-
Profit/loss for the period	-25.7	5.5	-	8.9	16.6	-46.3 %

# BALANCE SHEET

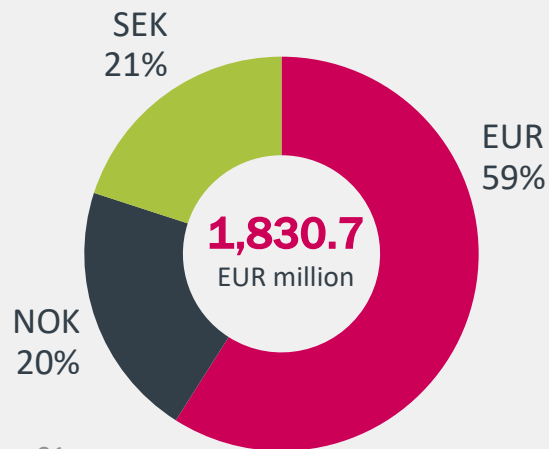
<b>MEUR</b>	<b>30 DEC 2019</b>	<b>31 DEC 2018</b>
Investment properties	4,160.2	4,131.3
Total non-current assets	4,508.1	4,488.4
Investment properties held for sale	-	78.1
Total current assets	74.2	56.2
<b>Total assets</b>	<b>4,582.3</b>	<b>4,622.7</b>
Total shareholders' equity	1,978.4	2,089.0
Total liabilities	2,257.1	2,533.7
<b>Total liabilities and shareholders' equity</b>	<b>4,582.3</b>	<b>4,622.7</b>

# 95% OF DEBT FIXED RATE WITH BALANCED MATURITY PROFILE

## DEBT BREAKDOWN BY TYPE



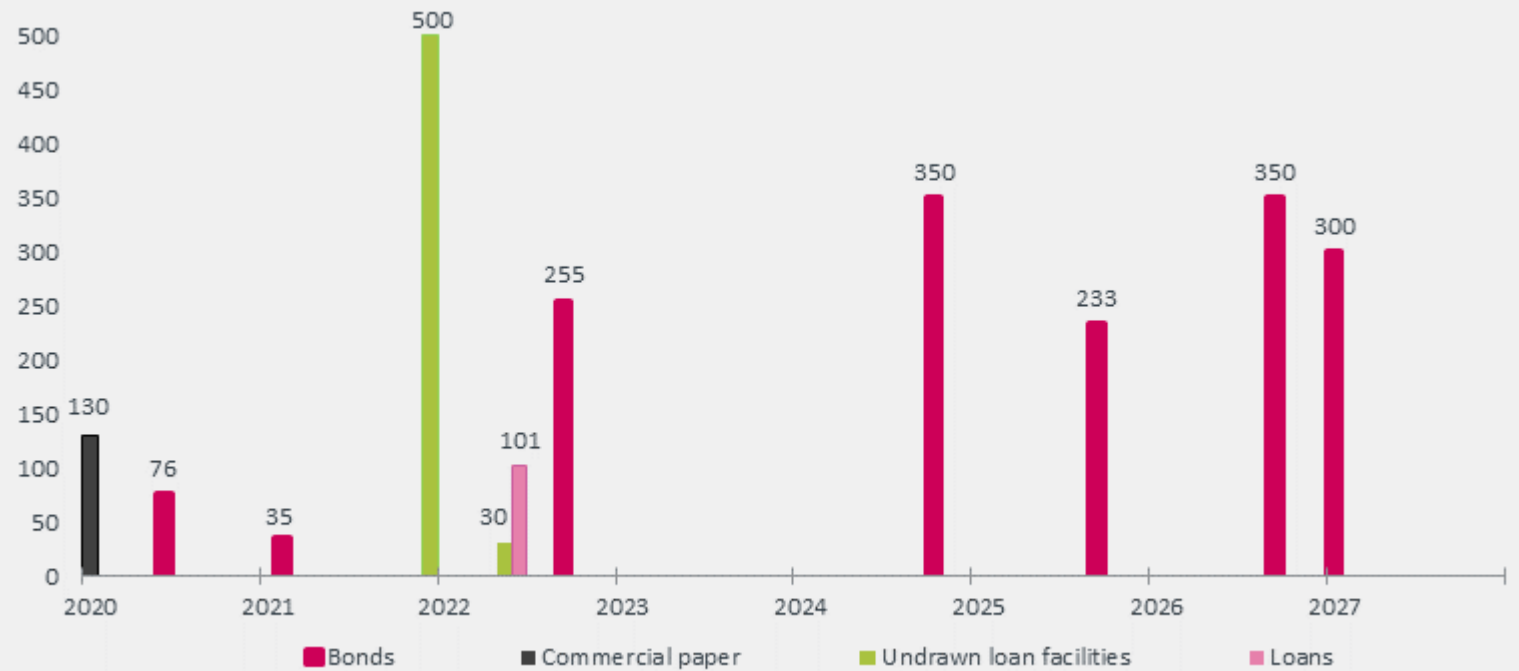
## DEBT BREAKDOWN BY CURRENCY



31

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

## DEBT MATURITIES





# IFRS 16 - IMPACT ON Q1-Q4/2019 FINANCIALS

- No change in accounting treatment for lease agreements where we act as the lessor. However, in agreements where Citycon acts as the lessee, accounting treatment will be changed.
- Adopted as of Q1/2019

CONSOLIDATED INCOME STATEMENT	IMPACT MEUR ON Q4/2019	IMPACT MEUR ON Q1-Q4/2019
Net rental income	1.7	7.0
Net fair value losses on investment property	-1.5	-6.0
Net financial income and expenses	-0.4	-1.9
<b>Profit before taxes</b>	<b>-0.2</b>	<b>-0.8</b>
Deferred taxes	0.2	0.2
<b>Loss/profit for the period</b>	<b>0.0</b>	<b>-0.7</b>
CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
Lease liabilities	55.2	55.2
Total Right-of-Use Assets	54.4	54.4
CONSOLIDATED CASH FLOW STATEMENT		
Net cashflows from operating activities	1.6	6.1
Net cashflows from financing activities	-1.6	-6.1
EPRA		
EPRA Earnings	1.3	5.3