



CITYCON TREASURY B.V.

2020 ANNUAL REPORT

AMSTERDAM, 17 JUNE 2021

 CITYCON

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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 (in) 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 conducive to the foregoing.

RISK MANAGEMENT

The Board of Directors is responsible for the management of the Company including 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.

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 February 2020 the Covid-19 virus also reached Holland and the Nordics and since then Citycon's business markets have been affected through partial lockdowns and tenants that have had to keep shops closed which has affected their ability to pay rent. For Citycon as a group Covid-19 has a direct impact on its cash flow position as the rent collection and occupancy rate has been somewhat lower and on the financing side the crises lead to higher credit spreads from April onwards, but spreads came almost down to pre-Covid 19 levels in the end of the year. Regarding liquidity, Citycon has had sufficient committed credit facilities to ensure the continuity of the business. For the Company as a standalone entity, Covid-19 does not have a major impact on its net result 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 faced increasing spreads due to Covid-19. The EUR 200 million tap issue in June 2020 were issued at a yield of 4.5% which was clearly higher than the pre Covid-19 yields. The EUR 350 million bond issue in March was priced with a spread of 200 bps compared to 477 bps spread for the EUR 200 million tap issue in June 2020.

COVID-19 and investment in associates

The outbreak of Covid-19 pandemic in February 2020 was the ultimate stress test for businesses and organizations. In this regard, it has validated and demonstrated resilient business strategy of Citycon Group.

Despite the outbreak of Covid-19, operational performance of the whole group was strong compared to other retail real estate peers throughout the year. Rent collection rate for the year was strong at 96% and Citycon signed 199,000 sq.m of leases, which was 12% more than in 2019.

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	Likelihood
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	00	00
	Interest risk and FMV risk	0	00	0
	Foreign currency risk	0	0	0
	Property valuation	0	0	0

0 low / 00 medium / 000 large

RISK PROFILE

Above an overview is disclosed 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 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, the EUR 250 million syndicated revolving credit facility with 5 banks and a NOK 2 billion unsecured Commercial Paper Programme in Norway. 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 below.

Principal outstanding amount of the Intercompany loan

Total Facility outstanding

* Minimum equity

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 is 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 filing the annual report to the Norwegian, Irish and Dutch regulators, management is working closely together with external advisors.

ECONOMIC RISK ASSOCIATE

The outbreak of Covid-19 pandemic in February 2020 was the ultimate stress test for businesses and organizations. In this regard, it has validated and demonstrated Citycon's resilient business strategy.

Despite the outbreak of Covid-19, operational performance for the whole group was compared to our peers "best in class" throughout the year. Rent collection rate for the year was strong at 96% and Citycon signed 199,000 sq.m of leases, which was 12% more than in 2019.

TAX RISK (TRANSFER PRICING)

Intercompany loans to group companies are all being granted at arm's length and validated by transfer pricing study reports. According to the transfer pricing study report performed by Dentons Boekel N.V., the Company is obliged to make a minimum 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 250 million unsecured committed syndicated revolving credit facility which was signed in November 2020. The facility provides the Company more than sufficient headroom to meet all its obligations. The facility will mature in June 2024 and replaces the previous unsecured committed syndicated revolving credit facility of EUR 500 million partly and originally maturing December 2021. The Company delivered all financial covenants on its outstanding bonds, term loans and revolving credit facilities in time and the ratios had enough headroom. As per 31 December 2020 the solvency ratio was 0.46 (threshold level < 0.65), secured solvency ratio 0.02 (threshold level < 0.25) and EBITDA Interest coverage 4.10 (threshold level > 1.80) and net debt to total assets ratio 45% (threshold level < 60%). All covenant ratios have been calculated on Citycon Oyj level.

INTEREST RISK AND FAIR VALUE MARKET VALUE RISK

Interest rate exposures are being hedged via back to back funding or if needed via 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. The fair value of the investment properties of the affiliated companies of Montalbas B.V. amounts to EUR 1,059,018,512 (31-12-2019: EUR 1,073,400,000).

FOREIGN CURRENCY RISK

As to foreign exchange risk, the Company has a conservative approach. Currency risks are avoided by the use of various hedging policies. Long-term foreign exchange exposures could be mitigated through 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 is 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. Based on the reports, 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 annual report does not contain any errors of material importance and that this framework worked properly in the 2020 reporting year.

FINANCIAL HIGHLIGHTS

On the 26th of March 2020 the Company updated its EUR 1,500 million Euro Medium Term Note (EMTN) Programme. In June 2020 the Company placed a EUR 200 million bond tap issue. The notes were issued under the same terms and conditions as the existing bond maturing October 2024. It carries a fixed annual interest of 2.5%, which in the tap issue corresponds to a yield of 4.50%. In November, the Company issued a 3 year 800 million NOK green Bond under the EMTN Programme, with a floating interest plus 2.8% margin and it is listed on the Oslo Stock Exchange.

As a result of the Covid-19 outbreak, debt capital markets have been less liquid, and in March-April the commercial paper markets were practically closed for a few weeks. Therefore, the Company drew EUR 200 million from the committed syndicated revolving credit facility (RCF) to finance maturing commercial papers and to secure sufficient liquidity for its operations. All drawdowns from the revolving credit facility have been repaid before October 2020 as the financial markets again became more accessible for the group.

In November 2020 the Company and Citycon OYJ signed an EUR 500 million new committed syndicated multicurrency-sustainability-linked revolving credit facilities ('RCF') to replace and extend its existing EUR 500 million facility maturing in December 2021. The new facilities consist of an EUR 250 million unsecured facility which has been issued on the Company under the guarantee of Citycon Oyj and an EUR 250 million secured facility which has been granted to Citycon Oyj. The margin is linked to Citycon Group's credit rating level and in addition to achieving three of Citycon's 2030 key sustainability targets.

The interest income and similar income of the Company for the year 2020 amounts to EUR 132.3 million (2019: EUR 94.1 million). The interest expense and similar charges amounts to EUR 131.7 million (2019: EUR 92.6 million). The interest margin of the Company decreased with EUR 0.9 million to EUR 0.6 million (2019: EUR 1.5 million) due to increased commitment fees for the unsecured RCF, and unamortized fees on the old RCF which have been fully amortized in 2020 for EUR 0.6 million. The operational profit after tax excluding share in result of associates decreased with EUR 746,165 to EUR 46,792 (2019: EUR 782,977). The decrease in interest margin was mainly caused by transferring a loan of EUR 57 million from its related party Montalbas B.V. to the Company, which caused an additional interest expense of EUR 0.5 million and increased commitment fees for EUR 0.3 million due to the higher margin in the renewed RCF. The result on investments from associates amounted to EUR 17.8 million (2019: EUR 30.3 million). The general and administrative expenses increased slightly to EUR 0.5 million (2019: 0.5 million). The Company increased the margins on each intercompany loan as per the 1st of April 2020. Due to Covid-19 and increased levels for external funding the Company charged an extra "credit margin" to the borrowing entities in the period 1st of April 2020 till the 1st of September 2020, all within the range of the transfer pricing regulations.

The available liquidity of the Company as per 31 December 2020 is EUR 250,1 million (2019: EUR 500,1 million). As the revolving credit facility of EUR 250 million (2019: EUR 500 million) is committed the Company has immediate access to liquidity. At year end the facility of EUR 250 million has not been utilized (2019: EUR 500 million). The Company has EUR 0,1 million (2019: 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 as per 31 December 2020 (2019: 0). Both the revolving credit facility and the NOK commercial paper programme are under the guarantee of its parent 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 2020 the solvency ratio is 0.46 being EUR 2,095,342,354 / EUR 4,521,327,291 (2019: 0.42). We refer to page 76 of the financial statements 2020 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 May 2020, Fitch assigned a BBB- credit rating with a stable outlook on Citycon. Consequently, Citycon has now an investment grade credit rating from all three major credit rating agencies. The Company did not incur any expenses for research & development.

OUTLOOK

The Company expect to meet its covenants due to sufficient available liquidity. The current difficult economic environment will not impact the net financing result of the Company as it acts on the basis of a transfer pricing report.

On the 12th of March 2021 the Company issued a 7-year EUR 350 million Green bond with a 1.625% coupon. The proceeds were used to buy back a nominal amount of EUR 93.1 million on the 2022 bond, repay the 1 billion NOK RCF drawdown and other short-term debt of Citycon Oyj.

RESPONSIBILITY STATEMENT

The Board of Directors of the Company state:

1. That the annual report 2020 give us a true and fair view of assets, liabilities, financial position and profit and loss of the Company
2. That the annual report 2020 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, 17 June 2021

The Board of Directors

B. Helsing

A. Doppenberg

M. Mattila

R. Rozenberg

FINANCIAL STATEMENTS

2020

BALANCE SHEET AS AT

before appropriation of result and expressed in EUR

	<u>Notes</u>	<u>31-12-2020</u>	<u>31-12-2019</u>
ASSETS			
Financial fixed assets			
Investment in associates	1	534 441 004	516 711 033
Loans to group companies	2	2 970 580 046	2 646 768 623
Derivative financial instruments	3	197 768	338 271
		<u>3 505 218 818</u>	<u>3 163 817 927</u>
Current assets			
Loans to group companies	2	208 304 756	158 916 818
Interest receivables from group companies	4	31 519 519	28 351 304
Other receivables from third parties	5	11 760	7 965
Other receivables from group companies	6	66 137	6 792
Tax receivable	7	129 660	8 234
Prepaid expenses	8	1 251 787	1 124 178
Cash at banks	9	86 298	115 681
		<u>241 369 917</u>	<u>188 530 972</u>
Total assets		<u>3 746 588 735</u>	<u>3 352 348 899</u>
LIABILITIES			
Capital and reserves			
Share capital	10	22 100	22 100
Share premium		453 744 389	453 744 389
Legal reserve cash flow hedge		115 769	253 703
Legal reserve associate		25 049 944	7 319 973
Retained earnings		7 219 167	6 436 190
Unappropriated profits		46 792	782 977
		<u>486 198 161</u>	<u>468 559 332</u>
Provisions			
Deferred tax liability	13	38 590	84 568
		<u>38 590</u>	<u>84 568</u>
Long term liabilities			
Bond notes payable	11	1 725 388 801	1 512 267 764
Loans from group companies	12	1 296 826 662	1 117 617 970
		<u>3 022 215 463</u>	<u>2 629 885 734</u>
Current liabilities			
Bond notes payable	11	33 420 487	-
Loans from group companies	12	174 876 869	227 216 180
Interest payable to third parties	14	16 319 934	14 721 356
Interest payable to group companies	15	12 592 931	10 780 514
Derivative financial instruments	3	43 409	-
Other payables group companies	16	752 126	959 714
Accounts payable	17	130 765	141 501
		<u>238 136 521</u>	<u>253 819 265</u>
Total Equity and liabilities		<u>3 746 588 735</u>	<u>3 352 348 899</u>

The accompanying notes form an integral part of these financial statement

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER

(expressed in EUR)

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Financial income/expense			
Interest and similar income	20	132 274 413	94 107 130
Interest and similar charges	21	<u>-131 682 552</u>	<u>-92 566 869</u>
		<u>591 861</u>	<u>1 540 261</u>
Net financial result		<u>591 861</u>	<u>1 540 261</u>
General and administrative expenses	22	<u>540 822</u>	<u>518 519</u>
Operating result before taxation		51 039	1 021 742
Result before taxation		<u>51 039</u>	<u>1 021 742</u>
Taxation operating result	23	-4 247	-238 765
Share in result associates	1	17 845 315	30 316 919
Net profit after taxation		<u>17 892 107</u>	<u>31 099 896</u>

The accompanying notes form an integral part of these financial statements

GENERAL ACCOUNTING PRINCIPLES

The Board of Directors of Citycon Treasury B.V. hereby presents the annual report for the book year ended 31 December 2020. The annual report has been audited by Ernst & Young Accountants LLP and were provided an unqualified audit opinion on 17 June 2021. The independent auditor report can be found on the last pages of the annual report.

ACTIVITIES AND PARENT COMPANY

The Company with registration number 52962733 statutory seated in Amsterdam, the Netherlands is a private limited liability company. The 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 conducive to the foregoing. The office of the Company is located at Hullenbergweg 300, 1101 BV Amsterdam, the Netherlands.

COVID-19

In February 2020 the Covid-19 virus also reached Holland and the Nordics and since then Citycon's business markets have been affected through partial lockdowns and tenants that have had to keep shops closed which has affected their ability to pay rent. For Citycon as a group Covid-19 has a direct impact on its cash flow position as the rent collection and occupancy rate has been somewhat lower. and on the financing side the crises lead to higher credit spreads from April onwards, but spreads came almost down to pre-Covid 19 levels in the end of the year. Regarding liquidity, Citycon has had sufficient committed credit facilities to ensure the continuity of the business. For the Company as a standalone entity, Covid-19 does not have a major impact on its net result 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 faced increasing spreads due to Covid-19. The EUR 200 million tap issue in June 2020 were issued at a yield of 4.5% which was clearly higher than the pre-Covid 19 yields. The EUR 350 million bond issue in March was priced with a spread of 200 bps compared to 477 bps spread for the EUR 200 million tap issue in June 2020.

COVID-19 and investment in associates

The outbreak of Covid-19 pandemic in February 2020 was the ultimate stress test for businesses and organizations. In this regard, it has validated and demonstrated resilient business strategy of Citycon Group.

Despite the outbreak of Covid-19, operational performance of the whole group was strong compared to other retail real estate peers throughout the year. Rent collection rate for the year was strong at 96% and Citycon signed 199,000 sq.m of leases, which was 12% more than in 2019.

BASIS OF PREPARATION

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

SOLVENCY

Given the objectives of the Company, the Company is economically interrelated with the 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 reliably 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 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 investments 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

The Company owns a minority of voting shares in Montalbas B.V. thus no control over Montalbas B.V. and its subsidiaries and therefore they are not consolidated in this annual report. 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 rates have been applied as at 31 December 2020:

EUR 1 = NOK 10.4703 (31-12-2019: EUR 1 = NOK: 9.8638);

EUR 1 = SEK 10.0343 (31-12-2019: EUR 1 = SEK: 10.4468);

EUR 1 = DKK 7.4409 (31-12-2019: 7.4715).

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 RJ 290 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 profit and loss account 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 and NOK 800 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 RJ 290 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 profit and loss account 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 in the annual report 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, if any. Financial assets are recognized initially at fair value plus directly attributable transaction costs

LONG-TERM AND CURRENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

Initial measurement of liabilities is at fair value less directly attributable transaction costs. Long-term and current liabilities and other financial commitments are stated, after their initial recognition, in the annual report 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 'Loans to group companies and other receivable from third parties-group companies.

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

Long-term liabilities are reported at amortized cost using the effective interest method, less impairment losses, if any.

CURRENT LIABILITIES

Current liabilities are reported at amortized cost using the effective interest method, less impairment losses, if any.

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 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.

A deferred tax liability is recognized for all taxable temporary differences between the valuation for tax and financial reporting purposes. A deferred tax asset is recognized for all deductible temporary differences between the valuation for tax and financial reporting purposes, and carryforward losses, to the extent that it is probable that future taxable profit will be available for set-off. The non-current and current deferred tax assets are recognized under financial assets under the fixed assets and receivables under the current assets, respectively. The deferred tax liabilities are recognized under provisions.

Deferred tax is calculated over the difference between the fair value of derivatives and its cost price for which hedge accounting is applied.

CASH FLOW STATEMENT

The Company's cash flow information is included in the cash flow statement presented in the consolidated financial statements of the parent company (Citycon Oyj, Finland) for the year ended December 2020, which can be obtained on the website of Citycon Oyj (www.citycon.com). In accordance with the guidelines of the council for financial statement 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 FINANCIAL STATEMENTS

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. The shares A represent 100% of the economic benefits and 25% of the voting rights in Montalbas B.V..

Name	Country of incorporation and operation	Direct/Indirect	31-12-2020
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 Acquisition OY	Espoo, Finland	Indirect	100%
Holding Big Apple Housing OY	Espoo, Finland	Indirect	50%

	2020 (*TEUR)	2019 (*TEUR)
At 1 January	516 711	428 436
Dividend	-	-50 000
Others	-115	-42
Result investment in associates	17 845	30 317
Paid in share premium	-	108 000
As at 31 December	<u>534 441</u>	<u>516 711</u>

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

Summarised statement of profit and loss for the year:	2020 (*TEUR)	2019 (*TEUR)
Gross rental income	55 262	57 444
Revenue from contract with customers	15 859	16 558
Operating expenses	- 18 574	- 18 195
Net Rental income	52 547	55 807
Administrative expenses	- 1 525	- 1 197
Other income and expenses	- 156	- 192
Group contributions	2 322	- 1 700
Fair value losses and gains	- 22 308	- 8 414
Operating profit	30 880	44 304
Financial income	- 11 839	- 8 347
Profit before taxes	19 040	35 957
Current taxes	- 174	- 88
Deferred tax	- 1 021	- 5 552
Profit for the year from continuing operations	17 845	30 317
Total comprehensive income attributable to Citycon Treasury B.V.	17 845	30 317

Summarised statement of financial position as at:	31.12.2020 (*TEUR)	31.12.2019 (*TEUR)
Investment properties	1 059 019	1 073 631 *)
Intangible assets	23	
Interest bearing loans	12 202	21 436
Defferex tax asset		
Trade and other current assets	71 202	78 348 *)
Cash and equivalents	238	264
Interest bearing loans and borrowings and deferred tax liabilities	- 601 704	- 647 835
Other payables	- 6 524	- 9 120
Total equity	534 455	- 516 724
Total equity attributable to Citycon OYJ	14	- 14
Total equity attributable to Citycon Treasury B.V.	534 441	- 516 711

*) The investment properties and the Trade and other current assets in the summarised statement of financial position had a reclassification of KEUR 226 for 2019.

Net asset value method and significant estimates

The investment in affiliated company 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.

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 the Company about estimates and uncertainties in valuations.

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 valued 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 hierarchy

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. Used valuation techniques are appropriate under the existing circumstances, and for which sufficient 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. The valuation of on-going (re)development projects is based on a cash flow analysis, in which the capital expenditure on the (re)development project and the property's future cash flows are taken into account according to the (re)development project's schedule.

Inputs

The inputs used by the external appraisers in the cash flow analysis per 31 December 2020 are presented in the following tables.

Portfolio weighted average	31-12-2020 (*MEUR)	31-12-2019 (*MEUR)
Yield requirement (%)	5,3	5,1
Market rents (EUR/sq.m.)	32,3	32,7
Operating expenses (EUR/sq.m.)	6,7	6,9
Vacancy during the cash flow period (%)	4,0	2,4
Market rent growth assumption (%)	1,7	1,8
Operating expense growth assumption (%)	1,7	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 1,059.0 million defined by the external appraiser at 31 December 2020 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.

Change %	Fair value (*MEUR)				
	-10%	-5%	±0%	+5%	+10%
Yield requirement	1,173.6	1,112.3	1,059.0	1,007.0	961.6
Market rents	926.2	991.6	1,059.0	1,122.4	1,187.8
Operating expenses	1,083.0	1,070.0	1,059.0	1,044.0	1,031.0
Change, percentage points	-2	-1	±0	1	2
Vacancy	1,083.2	1,070.1	1,059.0	1,043.9	1,030.8

Investment property changes and classification

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

Operative investment properties	2020 (*M€)	2019 (*M€)
At period start 1 January	1 073,6	1 068,1
Reclassification *)	-	0,2
Acquisitions	-	0,3
Investments	7,7	12,7
Capitalized interest	-	0,4
Fair value gains/losses on investment properties	-	-8,4
Valuation gains/losses Right-of-Use Assets	-22,2	-
Exchange rate differences	-0,1	-
Right-of-Use assets classified as investment properties (IFRS16)	-	0,3
As at 31 December	<u>1 059,0</u>	<u>1 073,6</u>

2. LOANS TO GROUP COMPANIES

	2020 (€)	2019 (€)
At 1 January	2 805 685 441	2 938 211 838
New Loans	796 060 328	88 532 790
Discount/Prepaid expenses	-15 380 000	-
Amortisation discount/prepaid expenses	2 793 059	849 347
Reclassified to short term loans	-208 304 756	-158 916 818
Translation adjustment	-8 216 135	-2 722 388
Loans redeemed	-402 057 891	-219 186 145
As at 31 December long term loans to related companies	<u>2 970 580 046</u>	<u>2 646 768 623</u>
As at 31 December short term loans to related companies	208 304 756	158 916 818
As at 31 December total loans to related companies	<u>3 178 884 802</u>	<u>2 805 685 441</u>

An amount of EUR 837,6 million (2019: EUR 1.175,4 million) of the loans outstanding has a final maturity over more than 5 years. Loans to group affiliated companies for a total amount of EUR 1.511,7 million (2019: EUR 1.315,7 million) are denominated in a currency other than Euro. The total of foreign currency loans amounts to SEK 6.099,3 million (2019: SEK 6.189,4 million), NOK 8.436,0 million (2019: NOK 6.156,1 million) and DKK 730,2 million (2019: DKK 740,4 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 affiliated companies we refer to note 27 on page 35 and 36.

The foreign currency conversion of the loans and valuation of foreign exchange contracts is based on the prevailing rate of exchange on the respective reporting dates. The Company has short-term loans to group affiliated companies for EUR 208,3 million (2019: EUR 158,9 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 affiliated companies as at 31 December 2020 is 2.81% (2019: 2.64%). The effective interest rate as at 31 December 2020 is 2.91% (2019: 2.67%). For further information on the loans to group affiliated companies we refer to note 27 on page 35 and 36

3. DERIVATIVE FINANCIAL INSTRUMENTS/FORWARD EXCHANGE CONTRACTS

On the 24th of November the Company entered into a new interest rate swap with a 800 million NOK nominal to swap the floating interest in the 800 million NOK bond into a fixed interest rate of 0.525%. Derivative financial instruments are measured at fair value in the annual report. For these derivative financial instruments, being two (2019: one) interest rate swaps for in total NOK 1.150 million (2019: NOK 350 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 2020 in total amounted to EUR 0,2 million (2019: EUR 0,3 million).

The Company applies cash flow hedge accounting for nominal NOK 1.150 million (2019: 350 MNOK) interest rate swaps. The maturity dates of the interest rate swap are the 1st of March 2021 (350MNOK) and the 24th of November 2023 (800MNOK). Based on the effectiveness testing, which takes place on a quarterly basis, the interest rate derivatives are considered to be highly effective and therefore no ineffectiveness postings are registered in the profit and loss account.

	2020 (*€)	2019 (*€)
At 1 January	338 271	774 160
Proceeds received from unwinding	-	-806 571
Change in fair value	-183 912	370 682
As at 31 December total derivative financial instruments	<u>154 359</u>	<u>338 271</u>
Derivative financial instruments current assets	197 768	338 271
Derivative financial instruments current liabilities	-43 409	-
	<u>154 359</u>	<u>338 271</u>

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. As per 31 December 2020 there were no forward exchange contracts outstanding (2019 EUR 0.0 million).

4. INTEREST RECEIVABLES FROM GROUP COMPANIES

Interest receivables from group companies include accrued interest from loans to group companies for EUR 31,5 million (2019: EUR 28,4 million). For further information on interest receivables from group companies we refer to note 27 on page 35 and 36.

5. OTHER RECEIVABLES FROM THIRD PARTIES

Other receivables from third parties contains rental deposits for office space and a VAT return receivable for an amount of EUR 11,760 (2019: EUR 7,965 rental deposit).

6. OTHER RECEIVABLES FROM GROUP COMPANIES

Other receivables from group companies contains a receivable on Montalbas B.V. of EUR 0.1 million (2019: EUR 0.0).

7. TAX RECEIVABLE

As per 31 December 2020 the Company has a tax receivable for an amount of EUR 0,1 million (2019: EUR 0,0 million) related to corporate income tax.

8. PREPAID EXPENSES

Prepaid expenses contain arrangement and extension fees which relates to the new syndicated revolving credit facility. The book value of the arrangement and extension fees as per year end amounts to EUR 1,2 million (2019: EUR 1,1 million) which will be amortized over the remaining tenor of the facility. An amount of EUR 0,9 million of the arrangement fees will be amortized after 2021. In 2020 derecognition of the old RCF amounts to EUR 0,6 million.

9. CASH AT BANKS

Cash at banks are at the disposal of the Company.

The balances are comprised as follows:

	<u>31-12-2020 (*€)</u>	<u>31-12-2019 (*€)</u>
Cash at banks	86 298	115 681
	<u>86 298</u>	<u>115 681</u>

LIABILITIES

10. CAPITAL AND RESERVES

Authorized share capital consists of 900 shares of EUR 100 each. As per 31 December 2020, the total number of shares which are fully paid in, are 221 (2019: 221). All shares of the Company are held by the parent company Citycon Oyj, Espoo, Finland, 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
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance as at 1 January	22 100	403 744 389	580 620	27 003 054	5 868 753	567 437	437 786 353
Cash flow Hedging RJ290	-	-	-453 890	-	-	-	-453 890
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 1 January	22 100	453 744 389	253 703	7 319 973	6 436 190	782 977	468 559 332
Cash flow Hedging RJ290	-	-	-183 912	-	-	-	-183 912
Deferred tax	-	-	45 978	-	-	-	45 978
Share premium	-	-	-	-	-	-	-
Others	-	-	-	-115 344	-	-	-115 344
Dividend distributed by associate	-	-	-	-	-	-	-
Contribution during the year	-	-	-	-	-	-	-
Appropriation of result	-	-	-	-	782 977	-782 977	-
Result for the year	-	-	-	17 845 315	-	46 792	17 892 107
Balance as at 31-12-2020	22 100	453 744 389	115 769	25 049 944	7 219 167	46 792	486 198 161

PROPOSAL FOR THE APPROPRIATION OF THE RESULT 2020

The following appropriation of the result after taxes ad EUR 17,892,107 for the year 2020 is proposed to the General Meeting to include EUR 46,792 to retained earnings. The remainder of EUR 17,845,315 has been included to legal reserve associate within shareholder's equity.

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 EMTN Programme was in March 2020 which means that the Company can issue bonds on the capital market in a very short notice.

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

	<u>31-12-2020 (*€)</u>	<u>31-12-2019 (*€)</u>
As at 1 January	1 512 267 764	1 643 169 299
Bond issues nominal value	274 928 818	-
Buy back EUR 2022 and NOK 2021 notes	-	-134 152 743
Discount/Fees	-18 577 207	-
Amortized issue discount/fees	4 269 308	2 401 215
To Short term	-33 420 487	
Exchange rate gains and losses	-14 079 394	849 993
	<u>1 725 388 801</u>	<u>1 512 267 764</u>
1-5 years	1 080 359 336	636 234 249
> 5 years	<u>645 029 465</u>	<u>876 033 515</u>
	<u>1 725 388 801</u>	<u>1 512 267 764</u>

issue date	instrument	Interest rate	Interest		Nominal amount	Maturity date	Listing	Eff.Yield	Fair value (mid pricequote)		Fair value
			settlement	CCY					CCY	CCY	
1-Oct-2014	Bond	2,500%	Annually	EUR	350 000 000	1-Oct-2024	Irish stock exchange	2,62%	103,969	EUR	363 891 500
1-Mar-2015	Bond	3Mnibor +1,55%	Quarterly	NOK	350 000 000	1-Mar-2021	Oslo stock exchange	3Mnibor +1,55%	100,002	NOK	350 007 000
1-Sep-2015	Bond	3,900%	Annually	NOK	1 300 000 000	1-Sep-2025	Oslo stock exchange	3,90%	100,677	NOK	1 308 801 000
16-Sep-2015	Bond	2,375%	Annually	EUR	254 883 000	16-Sep-2022	Irish stock exchange	2,40%	101,765	EUR	259 381 685
8-Sep-2016	Bond	1,250%	Annually	EUR	350 000 000	8-Sep-2026	Irish stock exchange	1,26%	96,775	EUR	338 712 500
22-Sep-2017	Bond	2,750%	Annually	NOK	1 000 000 000	22-Sep-2025	Oslo stock exchange	2,77%	96,198	NOK	961 980 000
3-Sep-2018	Bond	2,375%	Annually	EUR	300 000 000	15-Jan-2027	Irish stock exchange	2,50%	102,098	EUR	306 294 000
10-Jun-2020	Bond	2,500%	Annually	EUR	200 000 000	1-Oct-2024	Irish stock exchange	4,50%	103,969	EUR	207 938 000
24-Nov-2020	Bond	3Mnibor +2,80%	Quarterly	NOK	800 000 000	24-11-2023	Oslo stock exchange	3Mnibor +2,80%	100,598	NOK	804 784 000

12. LOANS FROM GROUP COMPANIES

The Company holds loans from group affiliated companies for a total amount of EUR 1.471,7 million (2019: EUR 1.344,8 million). An amount of EUR 189,8 million (2019: EUR 289,6 million) of the principal portion has a maturity longer than five years. The principal portion of EUR 174,9 million (2019: EUR 227,2 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 1.125,5 million (2019: EUR 997,7 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 will be updated from time to time. As at 31 December 2020 the average interest rate on all loans from group companies was 2.701% (2019: 2.358%). The effective interest rate equals the average interest rate as there are only minor differences between the underlying. Total outstanding loans from group affiliated companies with a fixed interest as per 31 December 2020 amounts to nominal EUR 346,2 million (2019: EUR 347,2 million) and has a fair value of EUR 411,9 million (2019: EUR 411,6 million). The other loans from group affiliated companies are floating rate loans and have a fair value which equals to the carrying amount of the loans. All loans from group affiliated 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. For further information on the loans from group affiliated companies we refer to note 27 on page 35 and 36.

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

	<u>31-12-2020 (*€)</u>	<u>31-12-2019 (*€)</u>
At 1 January	1,344,834,150	1,289,595,946
New Loans	512,762,712	135,884,047
Reclassified to short term loans	-174,876,869	-227,216,180
Translation adjustment	5,866,594	-6,500,862
Amortisation	623,950	-903,668
Loans redeemed	-392,383,875	-73,241,312
	<hr/>	<hr/>
As at 31 December long term loans from group companies	1,296,826,662	1,117,617,970
	<hr/>	<hr/>
As at 31 December short term loans from group companies	174,876,869	227,216,180
	<hr/>	<hr/>
As at 31 December total loans from group companies	<u>1,471,703,531</u>	<u>1,344,834,150</u>

13. DEFERRED TAX LIABILITY

The long-term provision deferred tax liability concerns the potential tax liability of the difference between the fair value of EUR 0.2 million (2019: EUR 0.1 million) and the cost price of EUR 0.0 million of the derivatives for which cash flow hedge accounting has been applied. The long-term provision amounted to EUR 0.0 million (2019: EUR 0.1 million).

	2020 (*€)	2019 (*€)
At 1 January	84 568	193 540
Change in deferred tax	-45 978	-108 972
As at 31 December total deferred tax	<u>38 590</u>	<u>84 568</u>

14. INTEREST PAYABLE TO THIRD PARTIES

Interest payable to third parties include accrued interest on bond notes payable for an amount of EUR 16,0 million (2019: EUR 14,7 million) and commitment fees from financial institutions for an amount of EUR 0,3 million (2019: 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 12,6 million (2019: EUR 10,8 million).

16. OTHER PAYABLES TO GROUP COMPANIES

Other payables to group companies amounted to EUR 0,8 million (2019: EUR 1,0 million).

17. ACCOUNTS PAYABLE

Accounts payable amounted to EUR 0,1 million (2019: EUR 0,1 million).

	2020 (*€)	2019 (*€)
Consultants/Auditor	80 716	89 002
Accrual bonus/holiday allowance	24 495	43 515
VAT	2 988	4 730
Payroll Tax	4 294	4 254
Others	18 272	-
As at 31 December total accounts payable	<u>130 765</u>	<u>141 501</u>

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 group 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 entered into 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:

Type	Currency	Loans to Group	External Debt in	Loans from	Foreign currency position
		Companies in local currency	local currency	Group Companies in local currency	
		1	2	3	4
total 1+2+3					
Assets&Liabilities NOK denominated	NOK	8 435 978 644	-3 450 000 000	-4 985 980 267	-1 623
Assets&Liabilities SEK denominated	SEK	6 099 267 647		-6 099 267 247	400
Assets&Liabilities DKK denominated	DKK	730 161 076		-730 161 076	-

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 interest rate derivatives to mitigate the position.

As at 31 December 2020 the Company has two derivatives with Citycon Oyj for a total nominal amount of NOK 1,150 million outstanding. Both derivatives swap the floating coupon of the NOK 350 million and NOK 800 million Bonds into a fixed coupon.

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 November 2020 the Company has signed a three and a half-year EUR 250 million unsecured syndicated revolving credit facility partly replacing the EUR 500 million RCF originally maturing in 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 stable outlook. Since May 2020 Citycon Oyj also acquired a credit rating from Fitch which gave a BBB- rating with stable 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. The guarantor of all external debt is Citycon Oyj and as such the credit risk as a whole is limited for the Company.

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 60.000 per annum.

The tax liability for the year 2020 of the fiscal unity amounts to EUR 178,182.

20. INTEREST INCOME AND SIMILAR INCOME

Interest income and similar income can be shown as follow:

	<u>2020 (*€)</u>	<u>2019 (*€)</u>
Interest income related companies	87 188 015	80 914 952
Exchange rate gains	45 086 385	13 187 817
Interest income external	13	4 361
	<u>132 274 413</u>	<u>94 107 130</u>

21. INTEREST EXPENSE AND SIMILAR CHARGES

Interest expense and similar charges can be shown as follow:

	<u>2020 (*€)</u>	<u>2019 (*€)</u>
Interest expense related companies	41 433 951	32 255 147
Interest expense bond	40 867 757	39 413 593
Interest expense commercial papers	-	314 783
Exchange rate losses	45 050 372	13 110 589
Amortized paid arrangement fees	4 330 472	7 472 757
	<u>131 682 552</u>	<u>92 566 869</u>

22. GENERAL AND ADMINISTRATIVE EXPENSES

The general and administrative expenses are comprised as follow:

	<u>2020 (*€)</u>	<u>2019 (*€)</u>
Wages and salaries, administration	156 540	207 514
Other personnel	1 708	1 597
Consulting and advisory fees	186 382	200 105
Rents	28 351	34 042
Car lease and travel expenses	474	4 933
Authority and membership fees	-	3 030
Office expenses	2 308	9 262
Non-deductible VAT	56 364	-7 438
Recharged expenses	108 695	65 474
Total administrative expenses	<u>540 822</u>	<u>518 519</u>

The wages and salaries, administration is comprised as follow:

	<u>2020 (*€)</u>	<u>2019 (*€)</u>
Salaries	146 488	192 711
Social security	10 052	14 803
Total wages and salaries, administration	<u>156 540</u>	<u>207 514</u>

23. TAXATION

The Company operates based on a transfer pricing report which defines the arm's length remunerations for intercompany loans. Since 1 January 2015 the Company formed a fiscal unity for corporate income tax with its associate 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.

	2020 (*€)	2019 (*€)
Profit before tax	51 039	1 021 742
Fiscal higher amortisation bridge fees	-30 131	-47 178
Non-deductible mixed expenses	4 700	4 500
Fiscal profit	25 608	979 064
16,5% / 19% over EUR 100,000	4 225	19 000
25% over remainder		219 765
Total corporate income tax	4 225	238 765
Corporate income tax in profit & loss		
Current year - Corporate income tax	4 225	238 765
Previous year - Corporate income tax	22	-
	4 247	238 765
Effective tax rate	8,3%	23,4%

The effective tax rate has decreased to 8.3% (2019: 23.4%). The effective tax rate and is mainly lower than the nominal tax rate of 16.5% due to the fiscal higher amortization of bridge financing fees from 2015.

24. AUDITORS

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.

	Accountants LLP	Finland	Total
Audit of the financial statements	72 981	13 000	85 981
Other audit engagements	17 355	77 000	94 355
Tax advisory services	-	-	-
Other non-audit services	-	-	-
Total	90 336	90 000	180 336

The fees stated above for the audit of the annual report are based on the total fees for the audit of the 2020 annual report, regardless of whether the procedures were already performed in 2020.

25. DIRECTORS

During 2020 the Company had four directors. The directors are: Mr. B.J.W. Helsing, Mr. M.J. Mattila, Mr. R.E. Rozenberg and Mr. A. Doppenberg. The remuneration during 2020 amounts to EUR 156,540 (2019: 153,864).

26. EMPLOYEES

During 2020 the Company had an average of 1.00 FTE (2019: 1.42 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:

Related parties	Country Code	Outstanding loan	Outstanding loan	Maturity date loans	Interest rates		Accrued interest
		amounts	amounts				
		(*MEUR)	(*MEUR)				(*TEUR)
		31-12-2020	31-12-2019		31-12-2020		31-12-2020
Citycon OYJ **)	FIN	347,4	346,7	01-10-2024	2,825%	*)	2 465,1
Citycon OYJ **)	FIN	254,9	254,9	16-09-2022	2,70%	*)	2 026,3
Citycon OYJ **)	FIN	349,8	349,7	08-09-2026	1,575%	*)	1 721,7
Citycon OYJ **)	FIN	186,5	0,0	01-10-2024	3,075%	*)	1 533,3
Citycon OYJ	FIN	11,7	11,5	01-07-2022	2,00%		59,2
Citycon OYJ **)	FIN	95,5	101,4	22-09-2025	3,15%	*)	819,0
Citycon OYJ **)	FIN	298,0	297,7	15-01-2027	2,725%	*)	7 834,4
Citycon OYJ	FIN	1,3	1,3	16-10-2024	2,00%		5,6
Citycon OYJ	FIN	0,8	0,8	16-10-2024	2,00%		3,2
Citycon AB	SWE	514,3	507,8	02-01-2024	2,10%		2 735,3
Kista Real Property JV AB	SWE	93,5	84,7	16-01-2023	6,00%	*)	5 457,1
Kristiine Keskus OÜ	EST	70,4	70,5	29-04-2027	2,15%		379,5
Citycon Denmark APS	DEN	98,1	99,1	31-12-2021	2,10%		383,5
Montalbas B.V.	NLD	0,0	10,1	16-10-2020	0,00%		0,0
Citycon Holding AS	NOR	119,4	126,7	28-12-2028	5,75%	*)	1 525,5
Citycon Holding AS	NOR	0,1	0,1	10-11-2022	2,55%		0,4
Citycon Holding AS	NOR	95,5	101,4	16-09-2022	4,1723%	*)	1 173,3
Citycon Holding AS	NOR	37,7	35,0	04-01-2022	3,030%	*)	288,9
Citycon Holding AS **)	NOR	124,2	131,8	01-09-2025	4,075%	*)	1 700,7
Citycon Holding AS **)	NOR	33,4	35,5	01-03-2021	2,868%	*)	79,9
Citycon Holding AS	NOR	0,0	92,3	22-02-2025	0,00%		0,0
Citycon Holding AS	NOR	19,1	0,0	24-11-2023	2,470%		48,5
Citycon Holding AS	NOR	7,1	0,0	6-2-2024	2,380%		42,9
Citycon Holding AS	NOR	76,7	0,0	1-3-2021	2,868%	*)	183,4
Citycon Holding AS	NOR	2,6	0,0	6-2-2024	2,380%		15,3
Citycon Holding AS	NOR	22,4	0,0	6-8-2024	2,530%		86,8
Citycon Holding AS **)	NOR	76,4	0,0	24-11-2023	3,750%	*)	294,5
Citycon Holding AS	NOR	95,5	0,0	30-11-2023	2,620%		7,0
Manhattan Acquisitoin Oy	FIN	146,4	146,8	16-10-2024	2,10%		649,2
		3 178,9	2 805,7				31 519,5

Reference is made to note 2 Loans to group companies on page 22 and counterpart- and credit risk on page 2 and 3.

*) These loans to group affiliated companies are fixed rate loans.

***) Related to an external Bond.

The difference between the carrying value of EUR 3,178.9 million (2019: EUR 2,805.7 million) and the nominal value of EUR 3,197.2 million (2019: EUR 2,811.5 million) are the unamortized discount and prepaid arrangement fees for an amount of EUR 18.4 million (2019: EUR 5.8 million). The fair value of the fixed rate loans amount to EUR 2,518.0 million (2019: EUR 1,831.6 million) and has been calculated/discounted excluding credit spread. The other loans to group companies are floating rate loans and have a fair value which not significantly differs from the nominal -/carrying value amount of EUR 989,9 million.

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 from Citycon Oyj, Espoo, Finland for the same amount with a coupon of 5.625%. An underlying transfer pricing study report has been performed by PWC in March 2020.

MAJOR OUTSTANDING EXPOSURE FROM LOANS FROM GROUP COMPANIES:

All intercompany loans from group companies are mainly loans from Citycon Oyj, Espoo, Finland. The majority of 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 the 1st of August 2014.

Affiliated company	Country Code	Outstanding loan amounts (*MEUR) 31-12-2020	Outstanding loan amounts (*MEUR) 31-12-2019	Maturity date loans	Interest rates 31-12-2020	Accrued Interest (*TEUR) 31-12-2020
Citycon OYJ	FIN	-	205,8	16-10-2020	1,375%	-
Montalbas B.V.	HOL	-	22,1	16-10-2020	1,500%	-
Citycon OYJ	FIN	76,7	92,3	1-3-2021	2,360%	151,0
Citycon OYJ	FIN	98,1	99,1	31-12-2021	2,000%	365,3
Citycon OYJ	FIN	37,7	35,0	4-1-2022	2,905%	277,0
Citycon OYJ	FIN	95,5	101,4	16-9-2022	3,096%	854,2
Citycon OYJ	FIN	0,1	0,1	10-11-2022	2,450%	0,3
Citycon OYJ	FIN	93,5	84,7	16-1-2023	5,875%	5 343,4
Citycon OYJ	FIN	19,1	-	24-11-2023	2,370%	46,5
Citycon OYJ	FIN	95,5	-	30-11-2023	2,520%	6,7
Citycon OYJ	FIN	514,3	507,8	31-12-2023	2,000%	2 605,0
Citycon OYJ	FIN	9,7	-	6-2-2024	2,280%	55,8
Citycon OYJ	FIN	22,4	-	6-8-2024	2,430%	83,3
Citycon OYJ	FIN	204,6	-	16-10-2024	2,000%	863,5
Montalbas B.V.	HOL	12,2	-	31-12-2024	2,100%	54,2
Citycon OYJ	FIN	2,4	-	1-1-2025	2,000%	6,5
Citycon OYJ	FIN	70,4	70,5	29-4-2027	2,000%	353,0
Citycon OYJ	FIN	119,4	126,7	28-12-2028	5,625%	1 492,3
		<u>1 471,6</u>	<u>1 345,5</u>			<u>12 558,0</u>

Reference is made to note 12 Loans from group companies on page 27 and counterpart- and credit risk on page 2 and 3.

SUBSEQUENT EVENTS

On the 12th of March 2021 the Company issued 7 years fixed bond of EUR 350 million with a coupon of 1.625%. Also, on the 12th of March 2021 the Company tendered nominal EUR 93,1 million on the 2022 notes at a price of 103,006.

Amsterdam, 17 June 2021

The board of Directors

B. Helsing

A. Doppenberg

M. Mattila

R. Rozenberg

OTHER INFORMATION

STATUTORY STIPULATIONS CONCERNING THE APPROPRIATION OF RESULTS

- 1 Any profit realized in a financial year is at the disposal of the general meeting.
- 2 The Company may only make distributions if and 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.
- 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.
- 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.
- 5 If the general meeting adopts a resolution to that effect, distributions may be made otherwise than in cash.
- 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 next pages of this report.

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 2020 included in the annual report

Our opinion

We have audited the financial statements 2020 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 2020 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 2020
- The profit and loss account for 2020
- 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	€ 18.6 million (2019: € 16.7 million).
Benchmark applied	The materiality is based on 0.5% of total assets (2019: 0.5%).
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 €930,000, 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.

Scope of the group audit

Citycon Treasury B.V. holds one investment in an associate, Montalbas B.V., which is 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 another Ernst & Young Global Member firm 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.

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 board of directors. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud.

In our process of identifying fraud risks, we considered whether the COVID-19 pandemic gives rise to specific fraud risk factors resulting from a dilution in the effectiveness of controls as a result of the general disruption associated with remote working, illness and workforce reductions, management overrides and workarounds becoming the norm, manual invoicing and manual payments.

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 reevaluate 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 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

We performed the following procedures in order to identify and assess the risks of going concern and to conclude on the appropriateness of the board of directors' use of the going concern basis of accounting. The board of directors made a specific assessment of the Company's ability to continue as a going concern and to continue its operations for at least the next 12 months. We discussed and evaluated the assessment with the board of directors exercising professional judgment and maintaining professional skepticism.

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 may cause a company to cease to continue as a going concern.

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.

In comparison with previous year, our 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 (group affiliated companies; 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 86% (2019: 84%) of the total assets of the Company, any impairment may have a material effect on the financial statements. 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 €2 million per loan will be compensated by the parent company.

Given the factors mentioned, we consider this a key audit matter.

Valuation of Loans and other financial receivables to Citycon group companies (note 2)

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 due from 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
- 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 € 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) and the cash flow forecast. Furthermore we reviewed the audited financial statements 2020 and quarterly reporting for the three months period ended 31 March 2021 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.

Valuation of the investment in associate Montalbas B.V. (note 1)

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 policies of the audited financial information (and related adjustments) are in accordance with the accounting policies of Citycon Treasury B.V.
- 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.

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 directors' 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 directors' 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

- In addition to the statutory audit of the financial statements we provided audit services related to a bond issuance

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.

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, 17 June 2021

Ernst & Young Accountants LLP

signed by R.H.A. Duim