

# Nordic strategy

Asset tour in Oslo, 22 September 2015

CEO Marcel Kokkeel



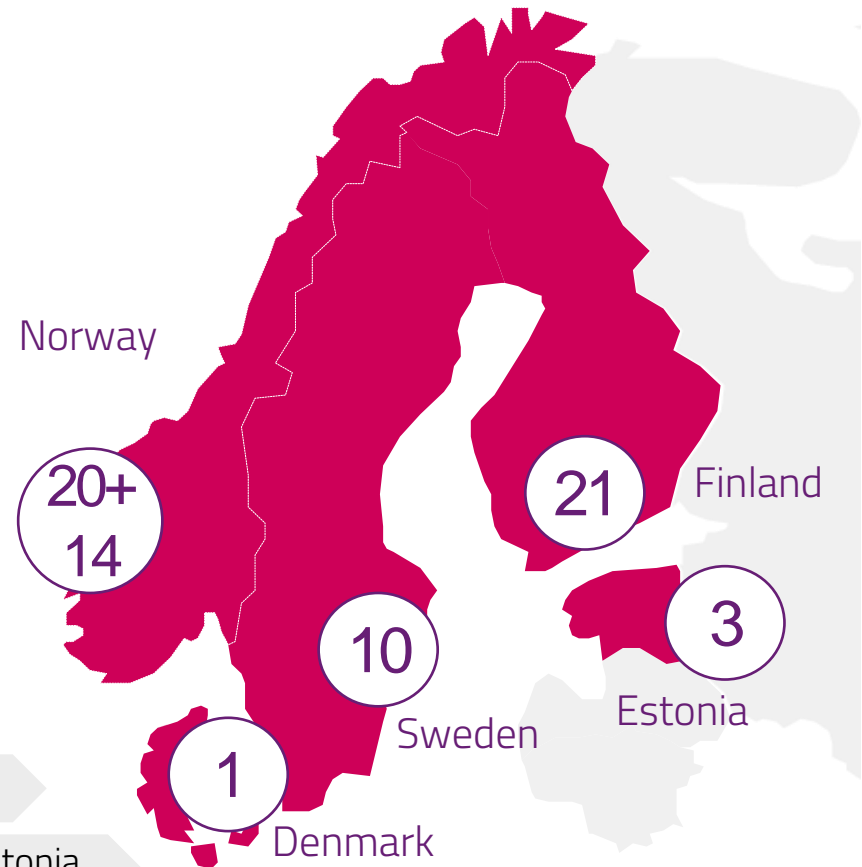
WELCOME TO CITYCON

THE  
LARGEST LISTED  
SHOPPING CENTRE  
SPECIALIST  
IN THE NORDICS

# Leading owner, manager and developer of urban, grocery-anchored shopping centres in the Nordics and Baltics

## Key figures

- # of shopping centres 55 +14
- GLA, sq.m. million 1.3
- Footfall p.a. million 210
- Total assets, EUR billion 4.9
- Market cap, EUR billion 2
- S&P BBB; Moody's Baa2

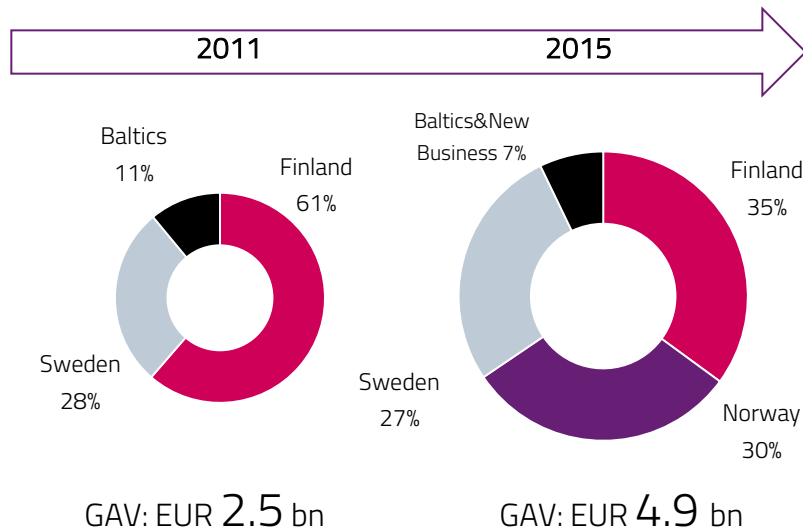


Full exposure to the Nordic region

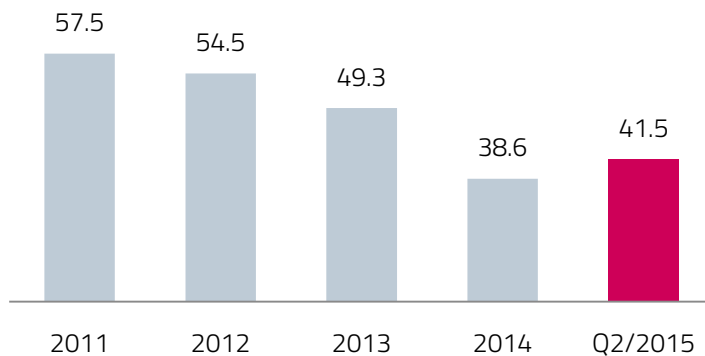
Leading positions in Finland, Sweden, Norway and Estonia

Sustainable and strong returns through the cycle

# Citycon's transition 2011–2015



## Loan to Value (LTV), %



<sup>1)</sup>Including Kista Galleria 100%

## Better Citycon

- ✓ More balanced Nordic portfolio, reduced Finnish exposure
- ✓ Strong operating result – LFL NRI growth of 2.5-5% p.a.
- ✓ Cost efficiency – admin expenses as % of GRI down from 13.6% to 9.6%

## Stronger Citycon

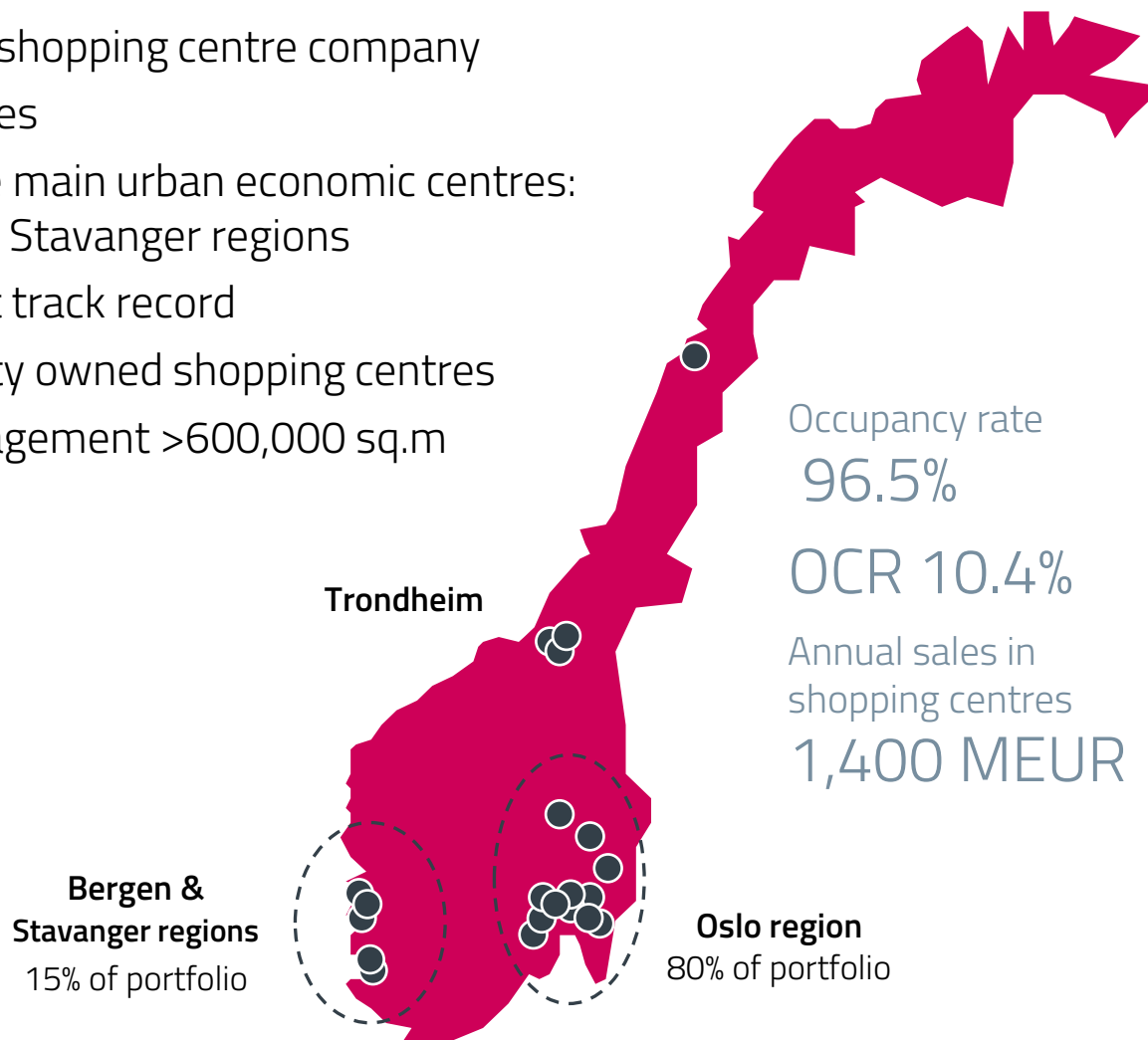
- ✓ LTV reduced to 40-45% target range
- ✓ Credit ratings of BBB from S&P and Baa2 from Moody's
- ✓ CPPIB introduced as second anchor shareholder (15%)

## Bigger Citycon

- ✓ Sektor acquisition
- ✓ New (re)developments

# Sektor – a leader in Norwegian retail real estate

- Norway's 2<sup>nd</sup> largest shopping centre company
- 100% shopping centres
- Focused on the three main urban economic centres:
  - Oslo, Bergen and Stavanger regions
- Proven management track record
- 17 fully and 3 majority owned shopping centres
- Portfolio under management >600,000 sq.m



# Norway – a strong basis for solid cash flow projection for 2015-2017

- Solid GDP growth
  - 1.4-2.2% p.a.
- Strong CPI growth
  - 2.0-2.5% p.a.
- Strongest population growth in Europe
  - 1.0-1.2% p.a.
- Low unemployment rate
  - 4.0-4.5%
- Strong household consumption growth
  - 2.6-3.0% p.a.
- Fiscal policy supported by sovereign wealth fund
  - EUR 800 billion
- Strict urban planning for new retail sq.m.
  - 'New shopping centre stop'



# An attractive acquisition moving Citycon to another league

## Size

### Increased scale

- Creation of a **EUR 5 bn** shopping centre company
- Immediate **critical mass** in Norway
- Increased liquidity and added **capital market visibility**

## Pan-Nordic

### Consolidation as Nordic leader

- **Largest listed** shopping centre specialist in the Nordics
- Geographical **diversification** – presence in all Nordic countries
- **Leading positions** in Finland, Sweden, Norway and Estonia

## Sektor

### Well-run operating platform

- Strong company with proven **track record**
- **Excellent asset fit:** focus on daily shopping in urban locations

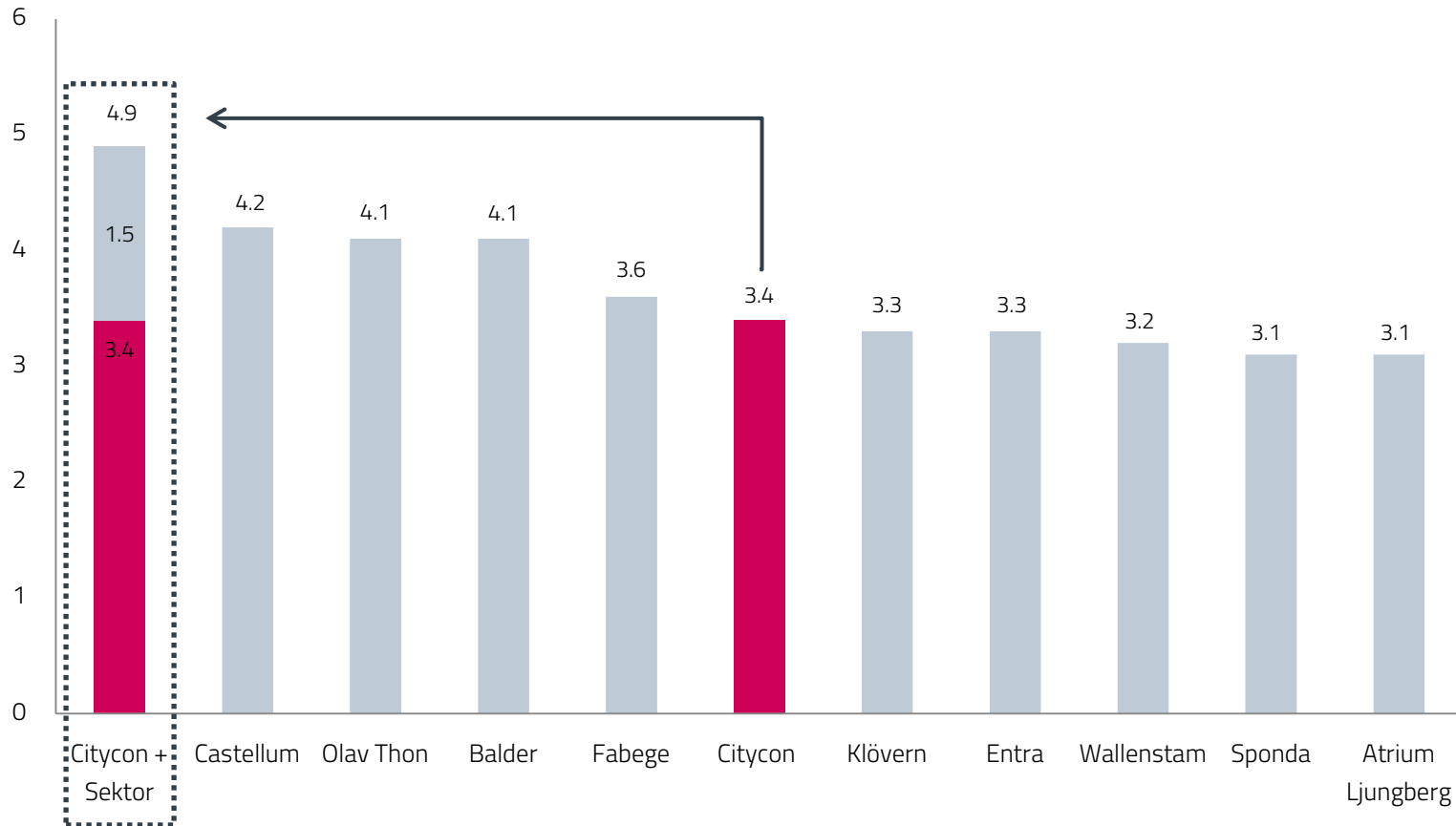
## Synergies

### Value creating transaction with earnings growth potential

- Lower **cost of capital** potential
- **Cost efficiencies** for overhead and operating costs
- **Cross-country leasing** opportunities and **best practice sharing**

# Largest listed property company in the Nordics

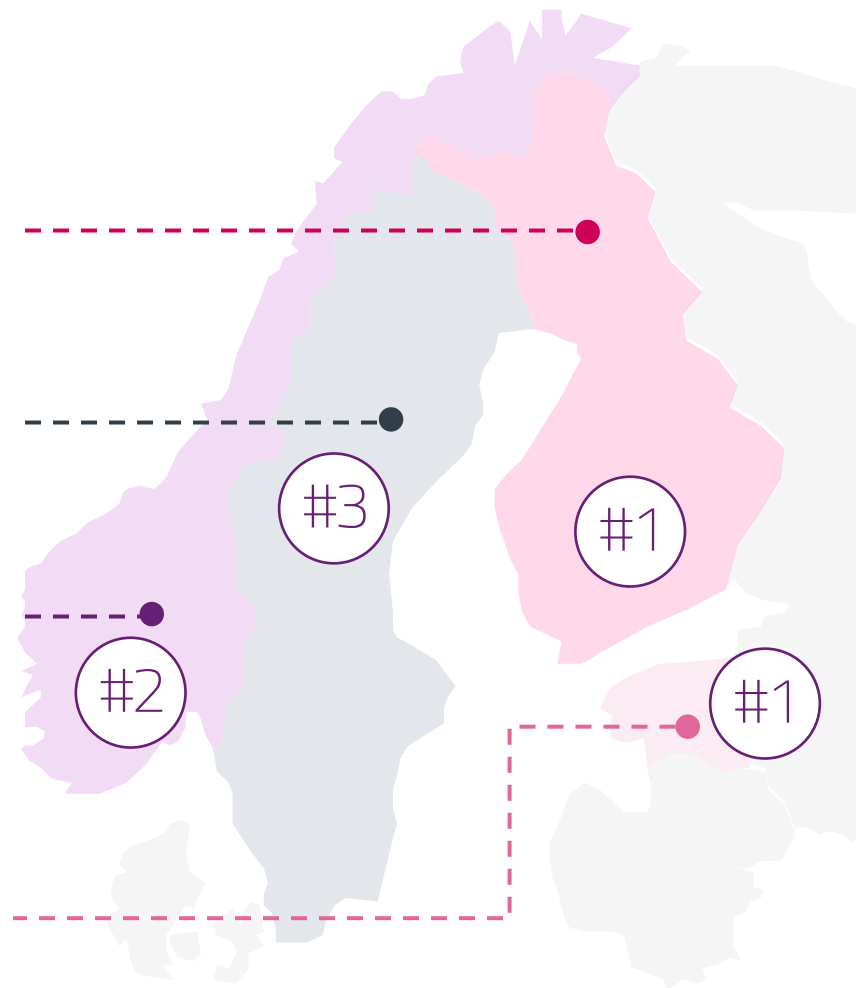
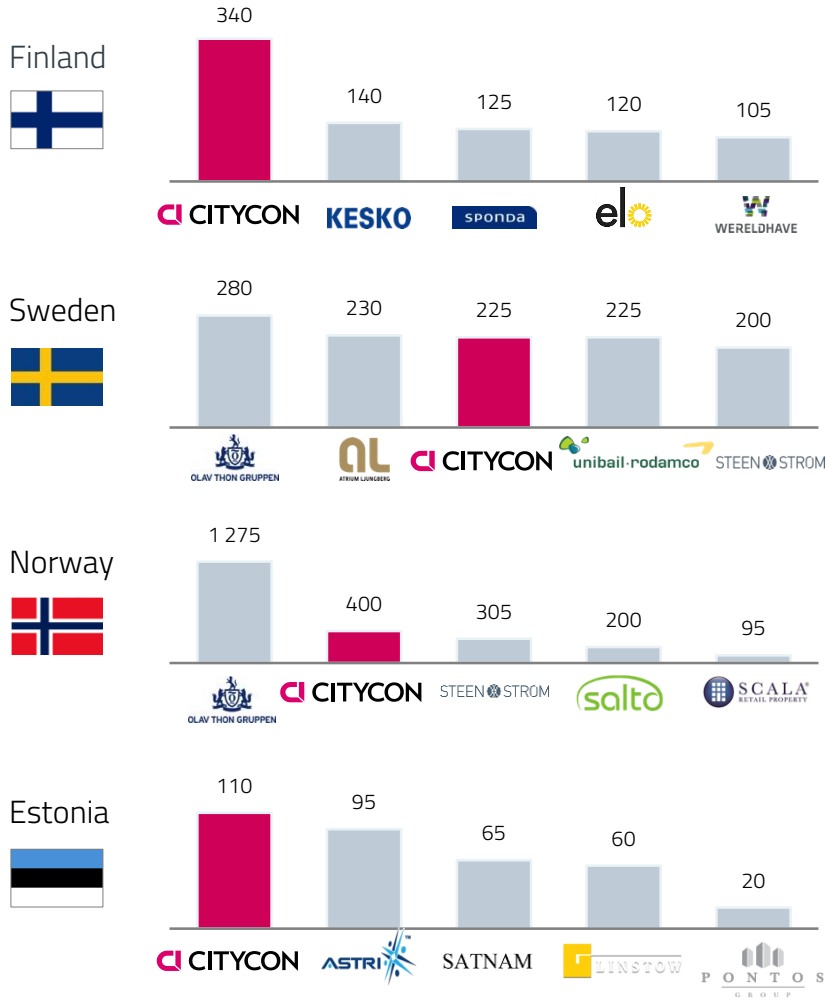
Gross asset value (EUR bn)<sup>1)</sup>





# True Pan-Nordic leader

Retail GLA (thousand sq.m.)<sup>1)</sup>



9 <sup>1)</sup> Source: Company reports, SEB analysis. Includes only majority-owned shopping centres. Includes some assumptions on retail proportion out of total GLA, where retail data not available

# Immediate steps after announcement of acquisition

EUR 600 million rights issue in July

EUR 600 million refinancing of Sektor debt in August-September

JLL property valuations expected to be in line with initial assumptions

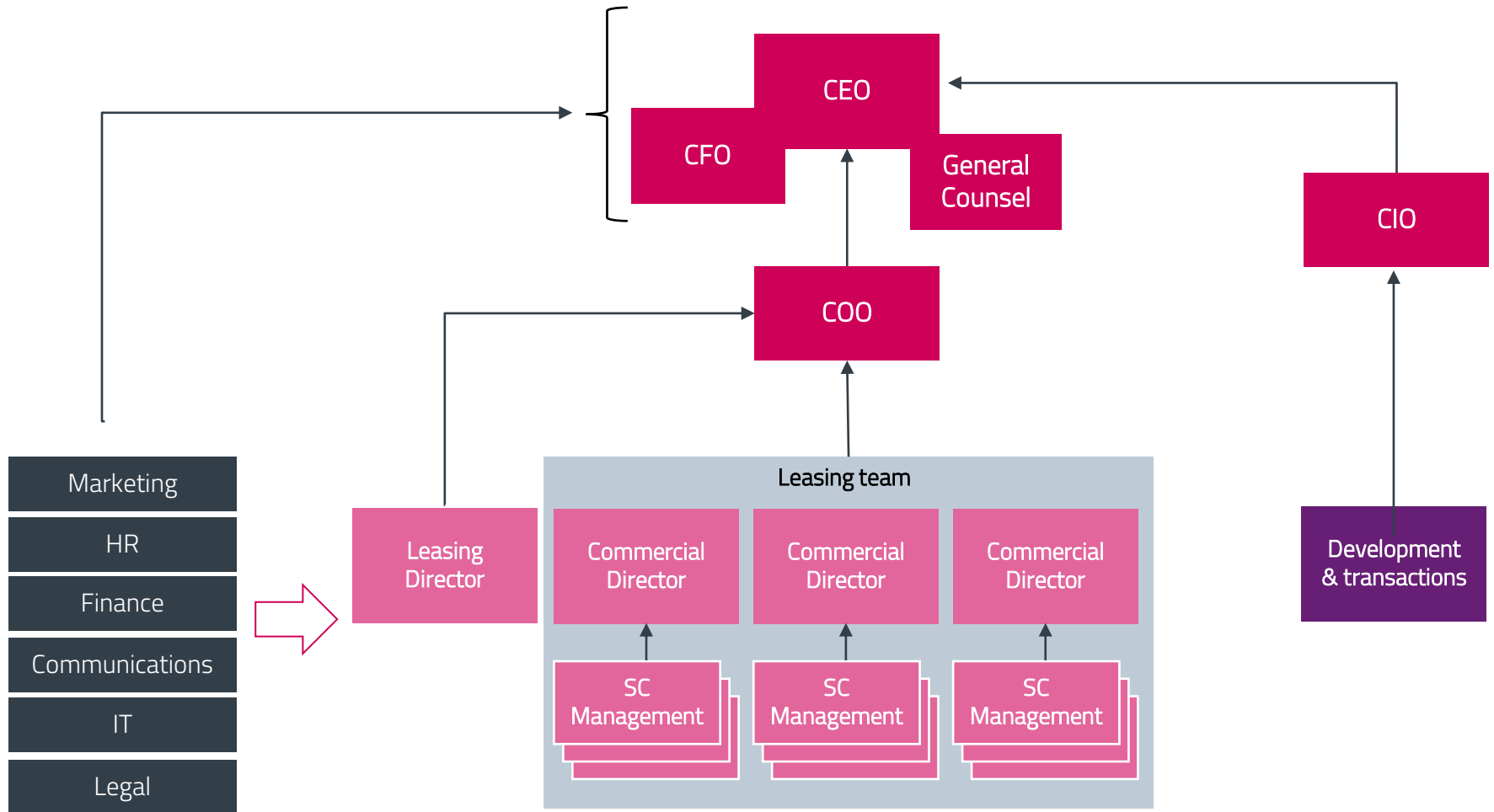
Temporary integration manager in place

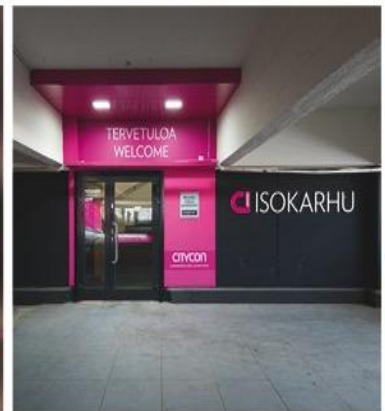
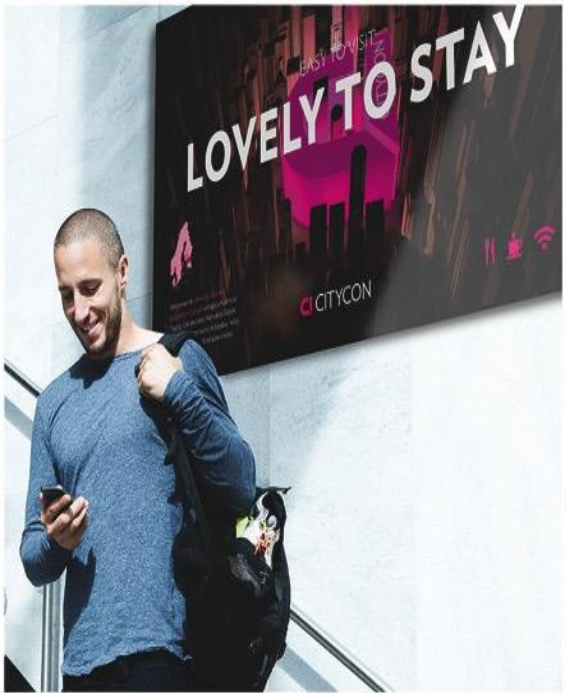
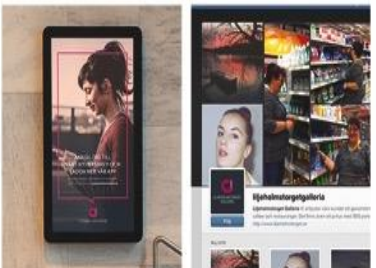
New Citycon Norway organisation structure announced

Reporting based on Citycon structure on track



# Structure based on efficient 'One Citycon' model





# Value creation through synergies

<p>OPERATION</p>	<ul style="list-style-type: none"> <li>▪ Tenant optimisation             <ul style="list-style-type: none"> <li>▪ Rental income slightly below ERV</li> </ul> </li> <li>▪ Marketing and digital innovation             <ul style="list-style-type: none"> <li>▪ Shared focus and investments</li> </ul> </li> <li>▪ Speciality leasing             <ul style="list-style-type: none"> <li>▪ 1.0% of GRI vs 2.1% in Citycon</li> </ul> </li> <li>▪ Improved purchasing power             <ul style="list-style-type: none"> <li>▪ Review of suppliers</li> </ul> </li> </ul>	<p>LFL NRI growth of 100 bps above CPI</p>
<p>ORGANIZATION</p>	<ul style="list-style-type: none"> <li>▪ Savings in Sektor SG&amp;A of <math>\geq 10\%</math></li> </ul>	<p><math>\geq</math> EUR 1 million p.a.</p>
<p>(RE)DEVELOPMENTS</p>	<ul style="list-style-type: none"> <li>▪ Extension / (re)development investments of approx. EUR 30-40 million p.a.</li> </ul>	<p><math>\geq 150</math> bps over required valuation yield</p>
<p>FINANCE RESTRUCTURING</p>	<ul style="list-style-type: none"> <li>▪ Lower average cost of debt, decreased net financing expenses</li> </ul>	<p>~ EUR 2-3 million p.a. (tentative)</p>

# Cross-border tenanting

NORDIC PRESENCE



SATS

gina tricot



crocs™

HEMTEX

KICKS  
*Your beauty destination...*

clas ohlson

XXL

stadium®

INDISKA



life

ALL SPORTS UNITED

LINDEX

KappAhl®

CHANGE  
*Lingerie*



Glitter

BIKBOK

CARLINGS

Cubus

Dressmann

Dressmann XL



SOLO

urban

VIVIKES

VOLT



wow



TIGER



BESTSELLER®

mama  
licious

VERO MODA®

SELECTED  
FEMME / HOMME

OUTFITTERS NATION

name it.

ECCO

EUROSKO

YAS ONLY .OBJECT [JUNAROSE] VILA CLOTHES JACK & JONES® pieces



# What's next?

DIGEST, INTEGRATE AND PERFORM

- Sektor impact on EPS: neutral in 2016, accretive as of 2017

CONTINUE DISPOSAL PROGRAM

- Additional EUR 100-150 million in 1.5 years
- LTV target of 40-45%

SUCCESSFUL COMPLETION AND ACCELERATION OF DEVELOPMENTS

- (Re)development capex of EUR 150-200 million p.a.
- Strong cash flow growth by completion of developments in 2017-2018

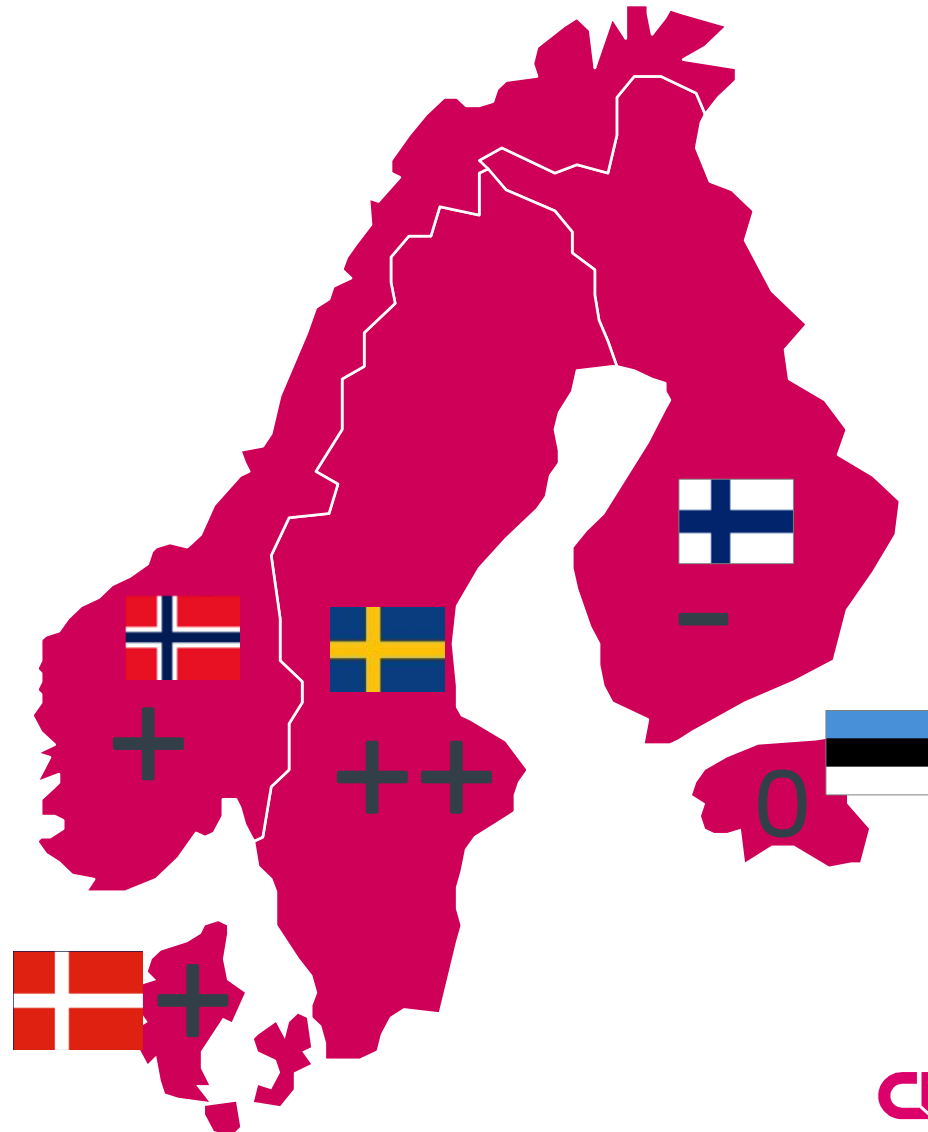
# Long-term Citycon portfolio rebalance



Indication of relative portfolio share in the future

Divestment pipeline mainly in Finland

Focus on larger cities



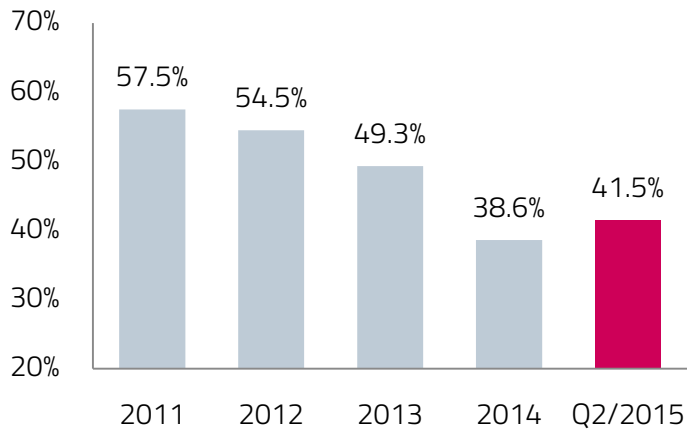


# FINANCING UPDATE

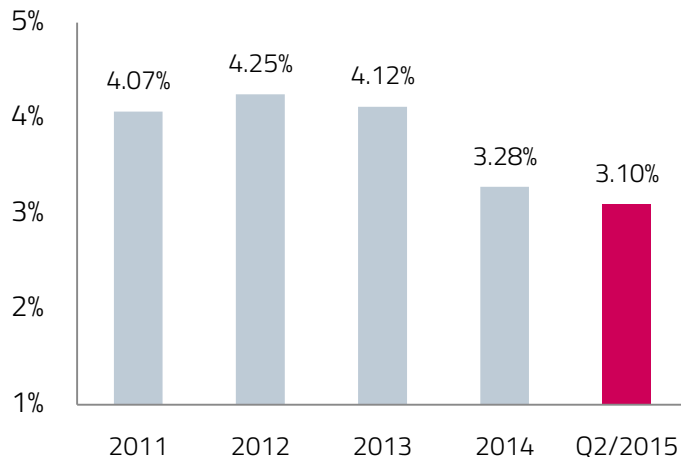
CFO, EXEC. VP  
EERO SIHVONEN

# Prudent financing policy and strong balance sheet

## Loan to Value



## Weighted average interest rate



## Financial policy targets

Loan to Value of 40-45% (41.5% as of Q2/15)

Long average maturity of loan portfolio:  
in average >5 years

High ratio of fixed interest rate: 70-90%

Maintain investment-grade public credit ratings of  
BBB (Baa2) or higher

Financing mainly unsecured (Q2/2015 100% of  
consolidated assets unencumbered)

Maintain substantial committed liquidity buffer  
(Q2/2015 approx. EUR 344 million)

# Financing at closing of Sektor acquisition

- **Rights issue** of EUR 604 million completed in July
  - 113% oversubscription
  - Major shareholder participation
- **Bridge financing facilities** with one year maturity
  - Total facilities of EUR 400 million, EUR 222 million utilized
- **Existing Sektor bank loans**
  - Approx. NOK 5,600 million in place for up to one year
  - Change of control waivers in Sektor and negative pledge waivers in Citycon

## Sources

MEUR	
Existing Sektor bank loans	671
Rights issue	600
Parent level bridge	222
<b>Total</b>	<b>1,493</b>

## Uses

MEUR	
Purchase price	541
Existing Sektor bank loans	671
Bonds & vendor loan	264
Transaction costs	17
<b>Total</b>	<b>1,493</b>

# Sektor refinancing in final stages

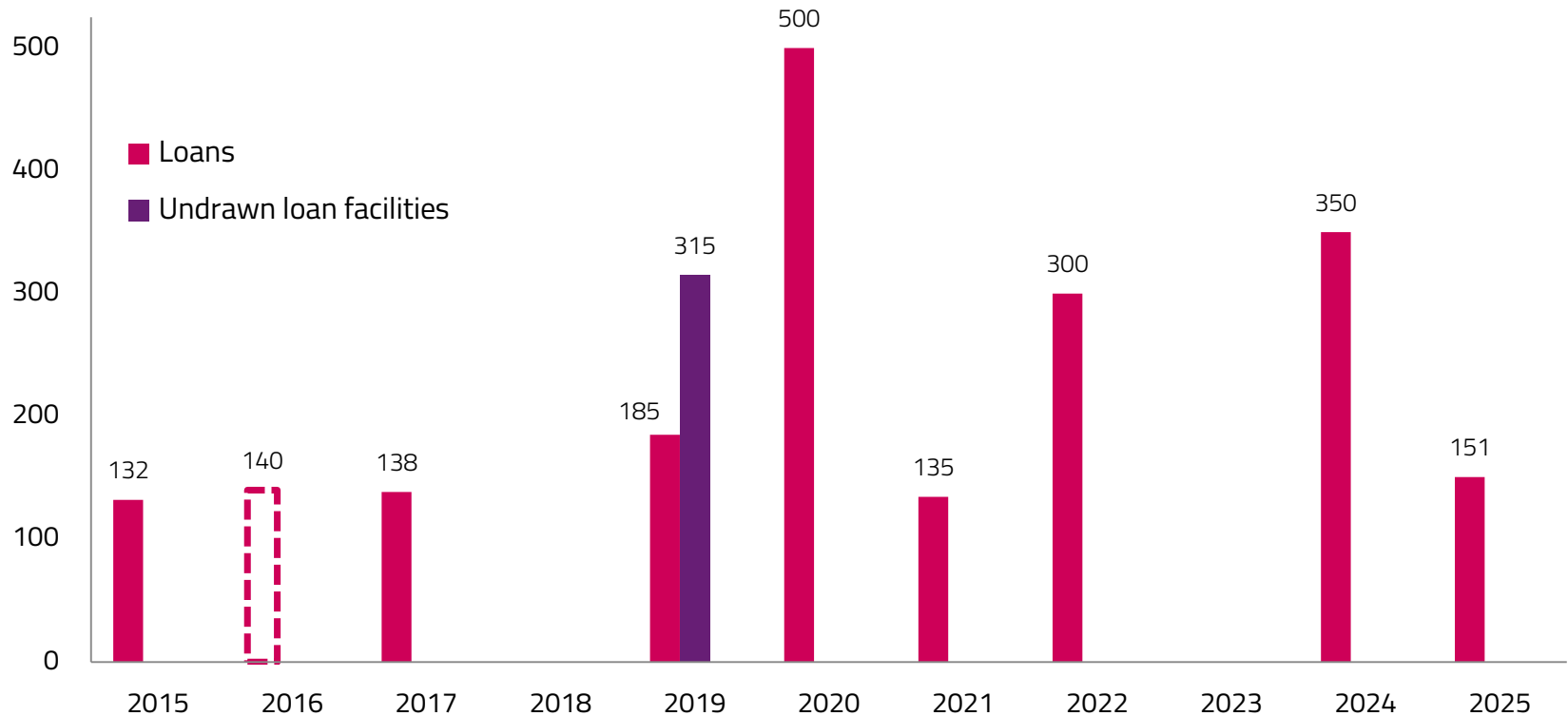
- **August:** Divestments of approx EUR 79 million
- **Early September:** NOK bond of total NOK 2,650 million dual tranche issue
  - NOK 1.400 million 10 year, fixed 3.90%
  - NOK 1,250 million 5.5 yr at floating 3m Nibor + 155 bps→Citycon bridge facilities prepaid
- **Mid-September:** Eurobond of EUR 300 million
  - 7 years at fixed 2.375% swapped into NOK
- **Mid-September:** Sektor bank debt prepaid
  - EUR 140 million to be refinanced by new bank debt in Oct-Nov

Citycon's average interest rate including swaps approx. 3.4-3.5% going forward

# Pro forma debt financing overview

## -Following recent bond issues and debt prepayments

Maturity breakdown <sup>1)</sup>

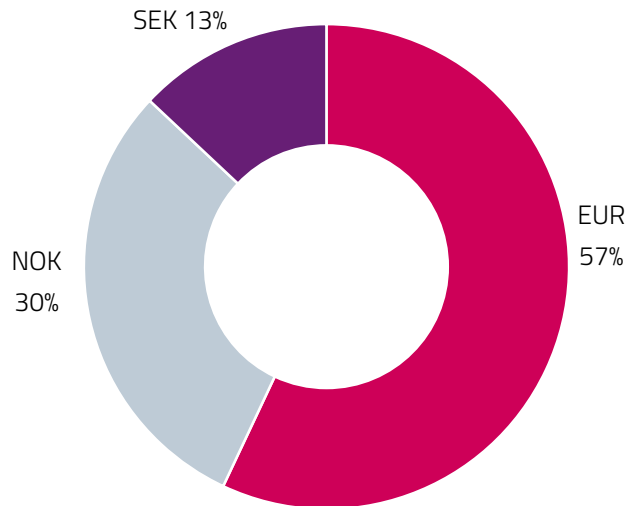


- Debt maturing in 2015 is mainly commercial paper that will be rolled over
- Debt maturing in 2016 is existing Sektor bank debt to be refinanced

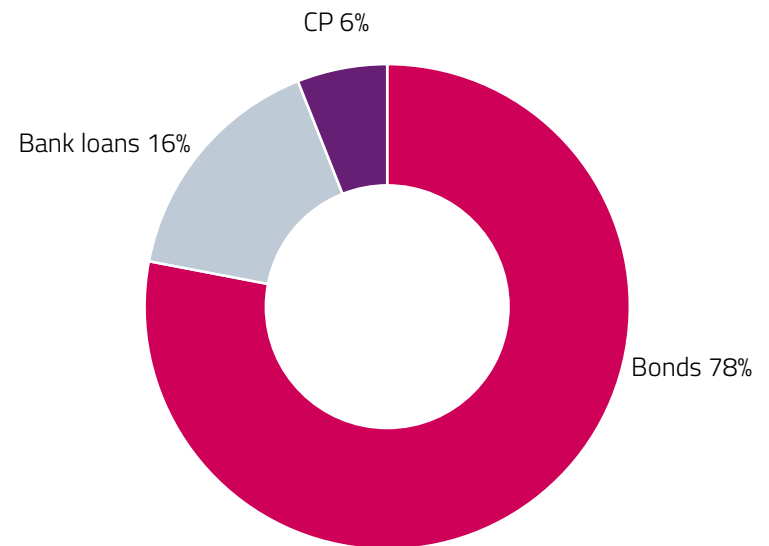
# Pro forma debt financing overview

-Following recent bond issues and debt prepayments

Breakdown by currency <sup>1)</sup>



Breakdown by debt type <sup>1)</sup>



- Part of EUR debt has been converted to SEK and NOK debt using cross-currency swaps
- Bond financing with long average loan maturities prioritized. Six bonds outstanding
- Close to 90% in fixed interest rates

# Successfully executed two NOK unsecured bonds for NOK 2.65 billion

## Transaction terms fixed bond

Issuer	Citycon Treasury B.V.
Guarantor	Citycon Oyj
Status	Senior, Unsecured, RegS Bearer Notes
Maturity	1 September 2025
Size	NOK 1,400,000,000
Coupon	3.90% (Annual, Act/Act)
Listing	Oslo Børs

## Transaction terms floating bond

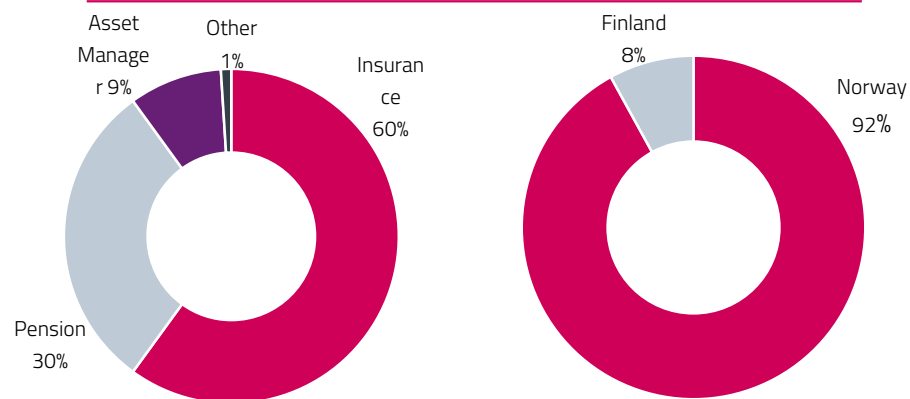
Issuer	Citycon Treasury B.V.
Guarantor	Citycon Oyj
Status	Senior, Unsecured, RegS Bearer Notes
Maturity	1 March 2021
Size	NOK 1,250,000,000
Coupon	3m Nibor + 155 bps (Annual, Act/Act)
Listing	Oslo Børs

## Joint bookrunners

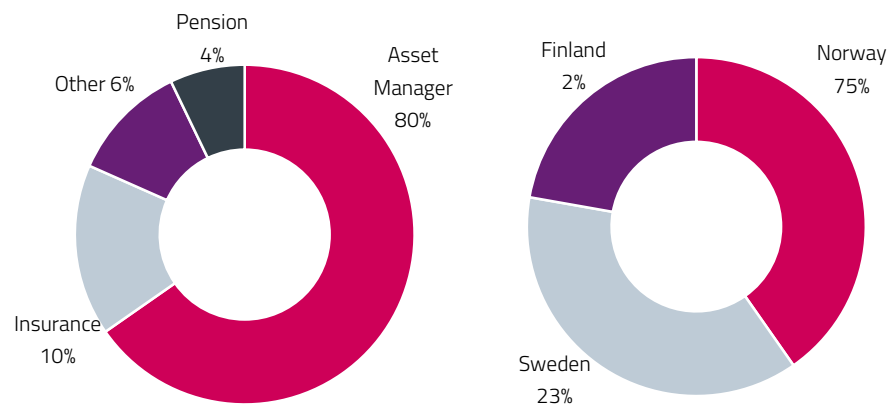
Danske Bank

SEB

## Final allocation fixed bond



## Final allocation floating bond



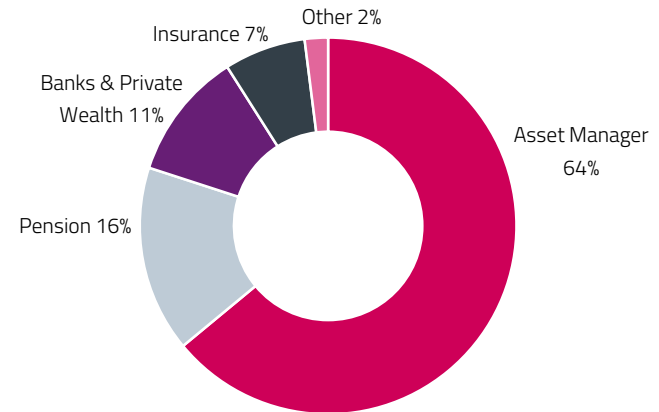
CITYCON

# Successfully executed EUR 300 million unsecured 7-year Eurobond

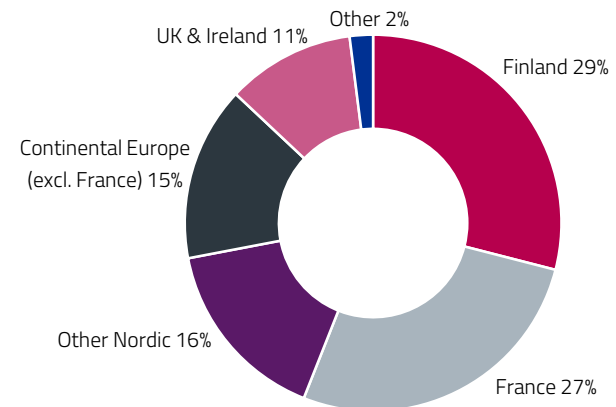
## Transaction terms

Issuer	Citycon Treasury B.V.
Guarantor	Citycon Oyj
Bond ratings	Baa2 (Stable) Moody's / BBB (Stable) S&P
Status	Senior, Unsecured, RegS Bearer Notes
Maturity	16 September 2022
Size	EUR 300,000,000
Coupon	2.375% (Annual, Act/Act)
Re-offer Spread	MS + 175 bps
Listing	Irish Stock Exchange

## Final allocation



## Joint bookrunners





# Investment grade credit ratings from leading rating agencies

## MOODY'S

### Baa2 (stable outlook)

- Baa2 rating with stable outlook affirmed on 25 August 2015

"The stable outlook reflects our expectation that the company's credit metrics will remain in line with the current rating level. We note that Citycon has financed the acquisition of Sektor in accordance with its own target to maintain its loan to value ratio in the range of 40% to 45%. As part of the financing of the transaction, the company successfully completed a rights issue worth EUR604 million on 14 July to partly fund the acquisition whilst at the same time raising EUR 893 million in bridge loans with a one-year maturity."

## STANDARD & POOR'S

### BBB (stable outlook)

- BBB rating with stable outlook affirmed on 23 July 2015

"Stable outlook on Finland-based retail property investment company Citycon Oyj reflects our view of the company's resilient retail property portfolio and high occupancy rate, which will likely enable it to continue generating stable and predictable income. Our stable outlook also takes into account the company's integration of Norwegian property company Sektor Gruppen AS, which in our opinion will likely result in EBITDA interest coverage above 2.5x and debt to debt plus equity lower than 50%."

Ratings confirm successful execution of strategy thus far

# Preliminary combined financial information

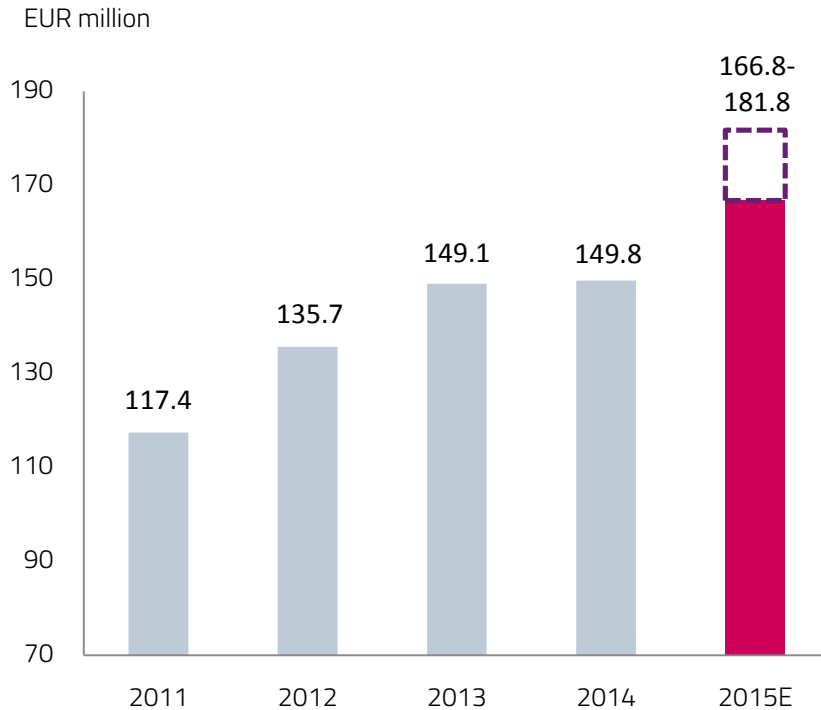
MEUR	Citycon 2014	Sektor 2014	Adjustments	Combined
Turnover	245.3	127.0	-	372.3
Net rental income	169.4	74.0	-1.3	242.0
Operating profit <sup>1)</sup>	165.0	103.5	-8.9	259.5
Net financial income and expenses	-77.5	-49.0	-	-126.5
Profit for the period <sup>1)</sup>	89.7	40.2	-8.6	121.3
Fair value of investment properties	2,769.1	1,308.3	104.5	4,181.9
Loan to Value (LTV), %	38.6	62.4	-	Approx. 45

<sup>1)</sup> Includes fair value changes on investment property

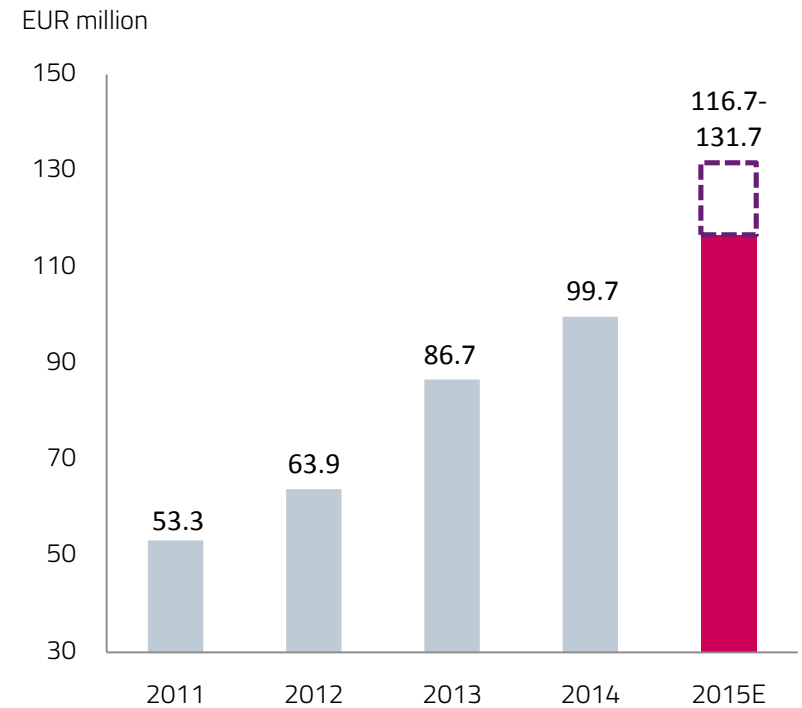
Note: The unaudited selected pro forma financial information presented here is entirely for illustrative purposes and based on theoretical combination of Citycon's and Sektor's 2014 financial statements

# Outlook 2015 updated to reflect Sektor acquisition and rights issue

EPRA Operating profit



EPRA Earnings



- EPRA Operating profit EUR 17 to 32 million (Q1/2015: -8-0)
- EPRA Earnings EUR 17 to 32 million (Q1/2015: 6-14)
- EPRA EPS (basic) EUR 0.155–0.175 (Q1/2015: 0.175–0.195)

# SEKTOR ACQUISITION

CIO NILS STYF



# Transaction highlights

## Key acquisition terms

- NOK 12,320 million debt-free purchase price (EUR 1,467 million)
- Net initial property yield of 5.2%
  - Potential to increase by +20bps by year-end 2015 due to developments coming online

## Key financing terms

- Rights issue of EUR 600 million
- Approx. EUR 220 million initially bridge financed
- Pro forma LTV maintained within target range of 40-45%
- Credit ratings to remain unchanged at BBB and Baa2

## Smooth process

- Transparent transaction process
- Well documented and confirmatory due diligence
- No surprises afterwards

# A perfect fit – Portfolio in line with core investment criteria

PAN-NORDIC



- 100% focused on Norway for Citycon to become a true **Pan-Nordic player**

URBAN ENVIRONMENTS



- Focused on **capital city** regions and cities with **population growth**
- Linked to **public transportation**

DAILY SHOPPING



- **Grocery-anchored** shopping centres
- Targeted at **every day convenience**

MORE THAN SHOPPING



- **Health care, municipal services, education** incorporated in the centres
- Adding to the '**Citycommunity**'

LEADING POSITION



- Leading position in its local catchment area with natural footfall

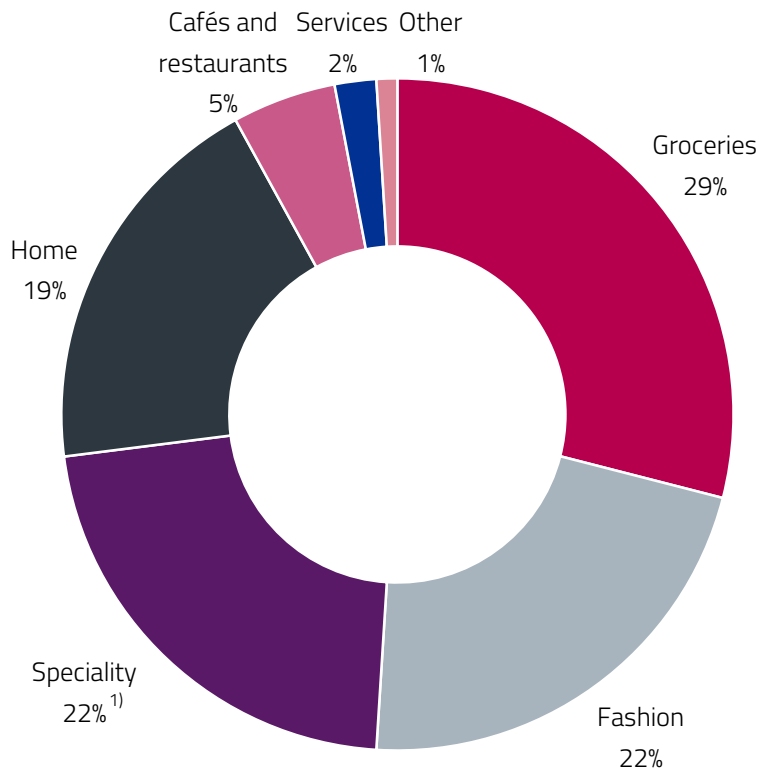
(RE)DEVELOPMENT POTENTIAL



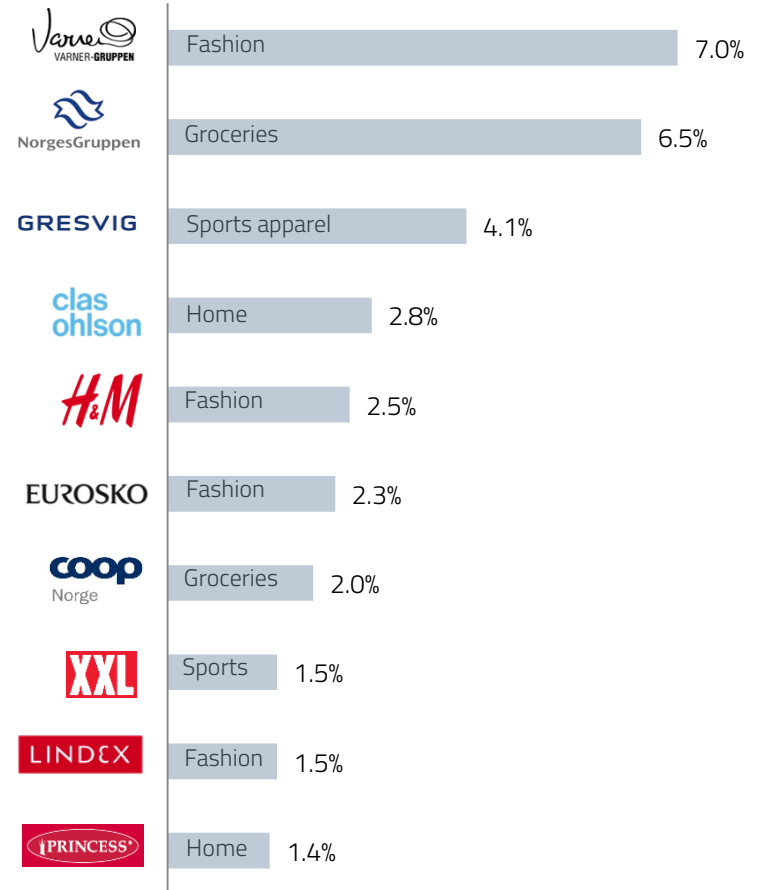
- **(Re)development and intensification opportunities** through active management

# Sektor – High quality assets with a resilient tenant base

Revenue split



Top 10 tenants by rent



Source: DTZ, Company information,

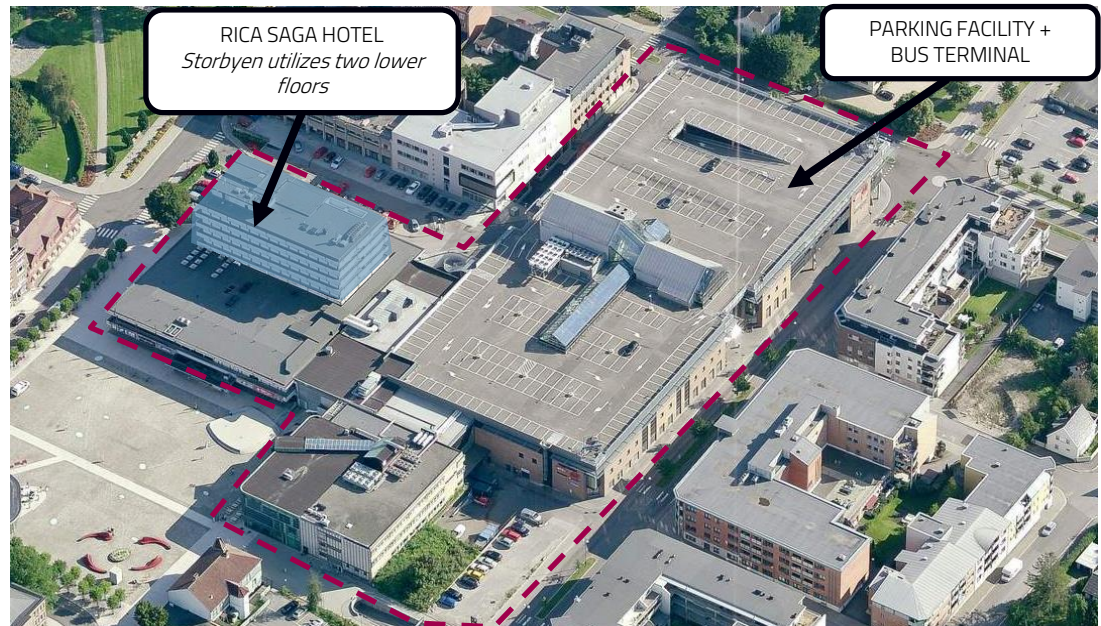
<sup>1)</sup> Includes sports, pharmacies, cosmetics, toys and other speciality stores.

# Property Overview

## Storbyen, Sarpsborg

### Comments

- Shopping centre in Sarpsborg currently under partial (re)development
- Location on the main town square and pedestrian street, integrated with the bus station
- Ongoing refurbishment and extension will create a new main entrance



Basic info	
GLA	23,400
OCR – total	10.4%
OCR – w/o groceries	12.4%
Footfall (million)	2.7



# Property Overview

## Oasen, Bergen

### Comments

- A recently (re)developed (2015), grocery-anchored community shopping centre in Bergen
- Urban location in fast growing residential area next to a public transportation hub
- Healthcare and library integrated in the centre
- Several extension opportunities to create more lettable area



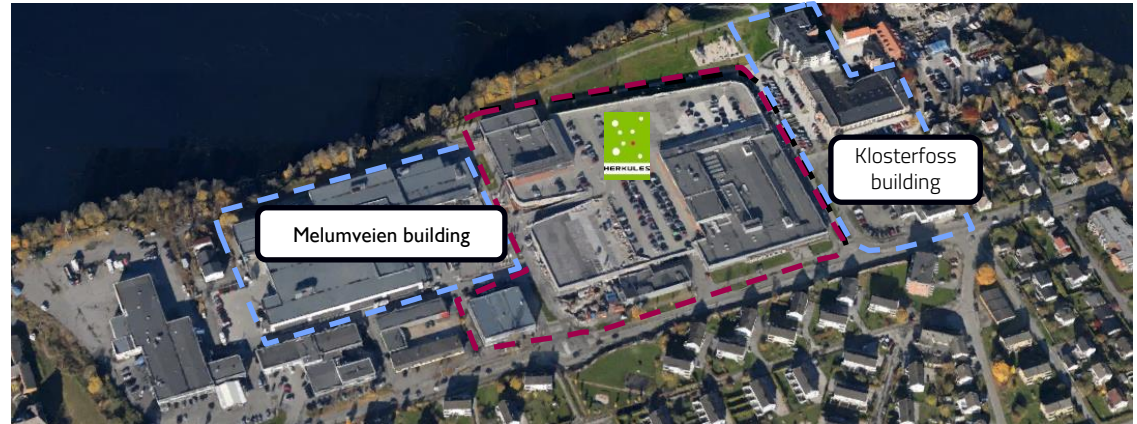
Basic info	
GLA	30,900
OCR – total	8.2%
OCR – w/o groceries	9.5%
Footfall (million)	3.6

# Property Overview

## Herkules, Skien

### Comments

- A recently renovated, grocery-anchored regional retail & service centre in Skien
- Location on the fringe of the city centre with regional catchment
- Modern and simple concept
- New residential developments around the centre
- Big boxes component connected
- Extension possibilities



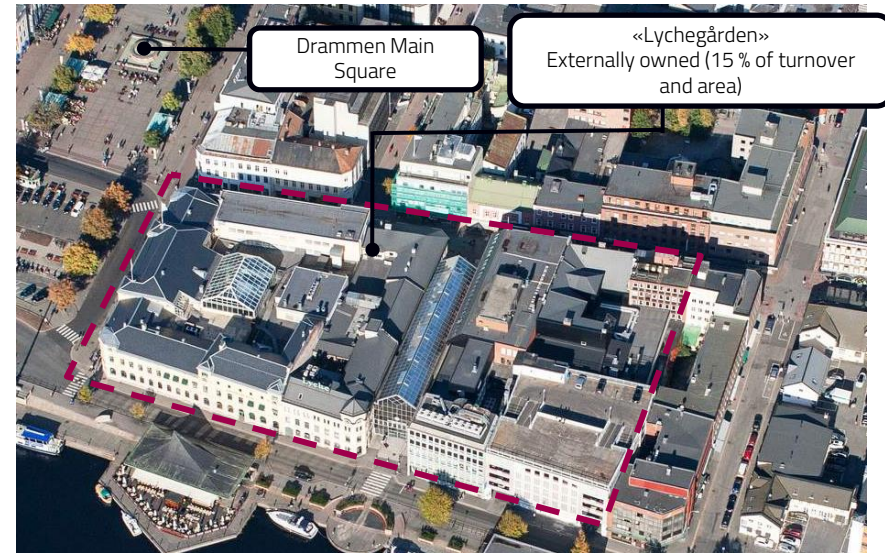
Basic info	
GLA	49,600
OCR – total	10.9%
OCR – w/o groceries	11.1%
Footfall (million)	2.9

# Property Overview

## Magasinet, Drammen

### Comments

- Shopping centre located within an historical block in the centre of Drammen
- Located on the main square with the pedestrian street along the main side
- "Urban life style" centre with a wide selection of fashion stores and daily necessities
- Possibility to develop further retail and residential



Basic info	
GLA	15,200
OCR – total	14.5%
OCR – w/o groceries	16.1%
Footfall (million)	2.9

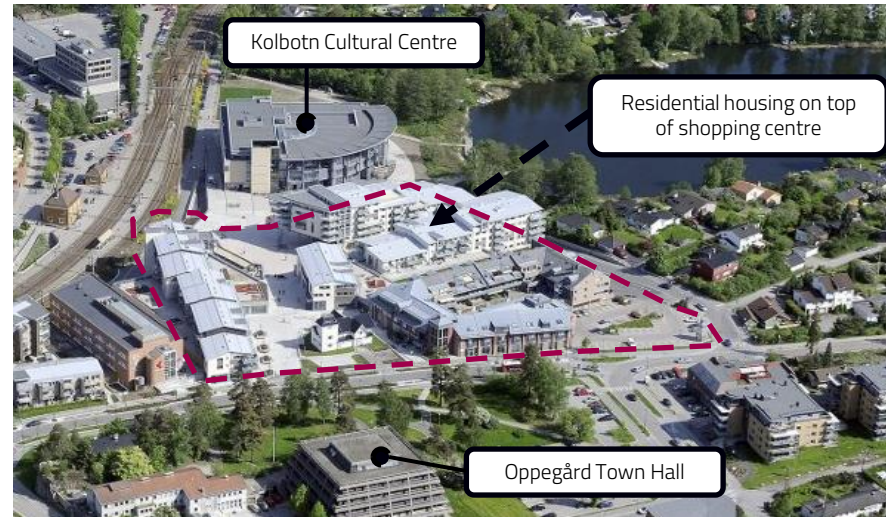


# Property Overview

## Kolbotn Torg, Oppegård

### Comments

- Grocery-anchored community centre in a wealthy suburb
- Located next to the cultural centre, the city hall and cinema complex
- Potential in improving tenant mix, leasing and specialty leasing



Basic info	
GLA	17,500
OCR – total	10.5%
OCR – w/o groceries	15.2%
Footfall (million)	2.0



# Property Overview

## Stovner Senter, Oslo

### Comments

- Partially owned (20%) owned community shopping centre with integrated metro station
- Strong urban location in a very dense residential district
- Connected to healthcare, library and schools
- Extensive ongoing redevelopment project



Basic info	
GLA	37,000
OCR – total	11.4%
OCR – w/o groceries	11.4%
Footfall (million)	4.2



# Property Overview

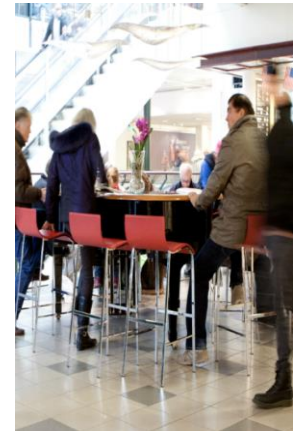
## Trekanten, Asker

### Comments

- Grocery anchored community shopping centre in an urban location
- Located in a wealthy area integrated with city hall, library and health care with visitor feed from all levels
- Demand for further retail and services enabling a possible extension



Basic info	
GLA	23,800
OCR – total	9.9%
OCR – w/o groceries	11.4%
Footfall (million)	3.1



# DEVELOPMENT PIPELINE

DEVELOPMENT DIRECTOR  
CATO D. LAURITZEN



# Good potential for value-add investments



2016

2017

2018

2019

2020



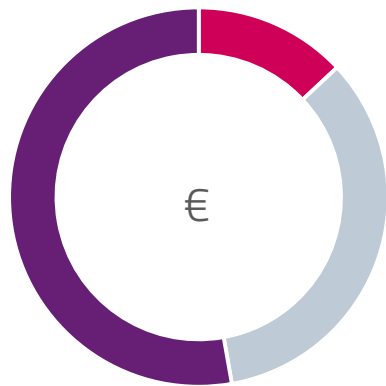


# Project portfolio key facts

EUR 200 million

190.000 sq.m.

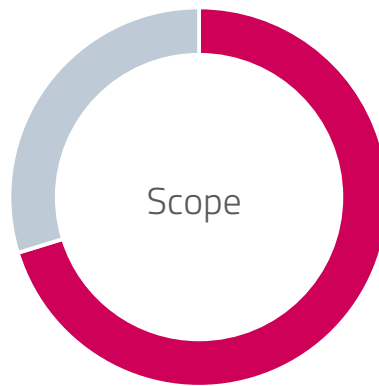
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- Approved
- Under planning
- Under evaluation

◀ Active Further Potential ▶

EUR 30-40 million per year

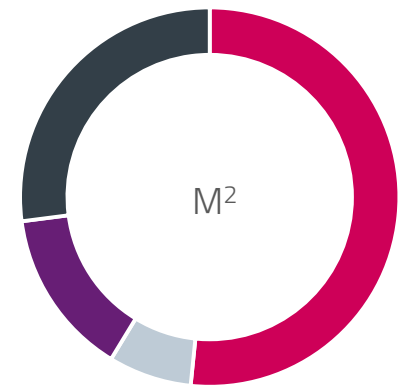


- New area
- Refurbishment

EUR 350 million

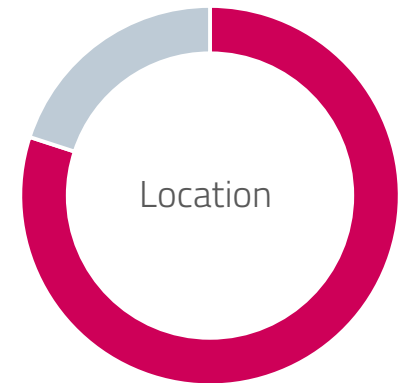
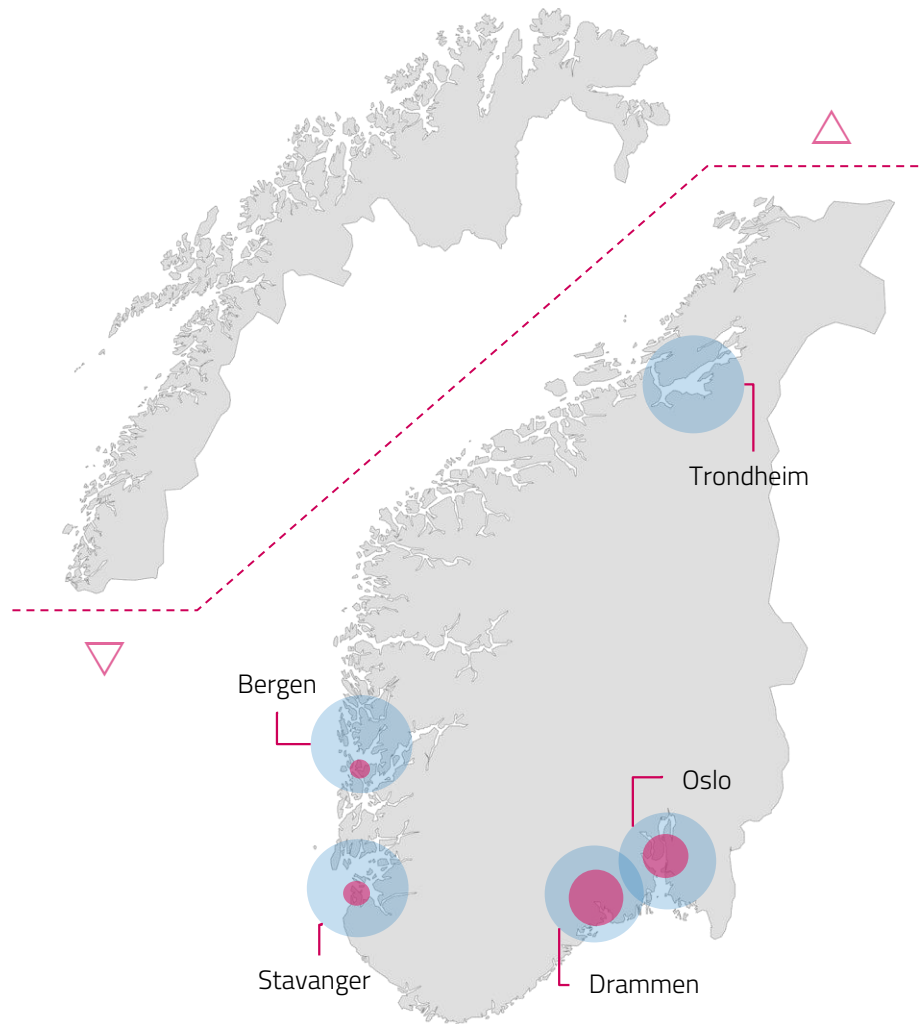
220.000 sq.m.

16



- Retail
- Office/service
- Residential

# Urban project locations



■ In city center  
■ Sub urban

● *Project activity*  
● *Regions*

## STORBYEN // Sarpsborg

*Re-defining the town square...*

Retail // Restaurants

Total project scope 9,000 sq.m.  
- Refurbishment 7,500 sq.m.  
- Conversion 1,500 sq.m.

Planned completion Q4/2015



## STOVNER SENTER // Oslo

*New style for everyday shopping...*

Retail // Restaurants

Total project scope 25,000 sq.m.  
- Refurbishment 20,000 sq.m.  
- New build 5,000 sq.m.

Planned completion Q4/2016



## BUSKERUD // Drammen

*First step in realizing a masterplan...*

Retail

Total project scope 20,000 sq.m.  
- Refurbishment 17,000 sq.m.  
- New build 3,000 sq.m.

Planned completion Q4/2016



## DOWN TOWN // Porsgrunn

*Re-vitalizing a part of town...*

Shopping, office and residential

Total project scope 45,500 sq.m.  
- Refurbishment 10,000 sq.m.  
- New build 35,500 sq.m.

Planned completion Q2/2019



# Conclusions

- Strong pipeline of smaller/mid-sized (re)development and extension projects driving long-term income and value growth
- Multifunctional developments, with emphasis on retail
- Extensions at urban locations ensure zoning potential despite Norwegian moratorium on new shopping centers
- Good balance between short-term and long-term potentials
- High level of pre-letting targets in line with Citycon policy (>50%) prove demand and lower risks
- Motive-driven developments, through cost-focused implementation
- Solid team project track record including EUR 435 million and 400,000 sq.m.

Developments of approx. EUR 30-40 million expected per year



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