

CITYCON TREASURY B.V.

2015 ANNUAL FINANCIAL STATEMENTS



AMSTERDAM, JUNE 2016

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## Director's report

The Board of Directors of Citycon Treasury B.V. hereby presents the financial statements for the book year that ended 31 December 2015. These statements have been prepared according to generally accepted accounting principles in the Netherlands and in conformity with the provisions of Part 9, Book 2 of the Netherlands Civil Code. The financial statements have been audited by Ernst & Young Accountants LLP and were provided an unqualified audit opinion on 28<sup>th</sup> of June 2016. The independent auditors report can be found on page 31 of the financial statements.

### 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, Helsinki, which is listed on the Helsinki Stock Exchange.

### Objectives

The company's objectives, in accordance with article 3 of the Articles of Association, are to incorporate, participate, manage and finance other group companies. Furthermore to borrow and lend moneys, 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 in charge of the management of Citycon Treasury B.V. meaning that the Board of Director's responsibilities include the policy and business progress within Citycon Treasury B.V. and with this the achievement of the goals, strategy, profit development and the social aspects of doing business that are relevant for Citycon Treasury B.V. The Board of Directors is also responsible for the compliance with legislation and regulations, management of risks relating to the financing activities of Citycon Treasury B.V..

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

#### **Risk Appetite and Impact**

Our willingness to assume risks and uncertainties (the risk appetite) may differ for each category, but is 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.

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

# CITYCON TREASURY B.V.

## **Risk profile**

Below is an overview of the risks that the Companies 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 a risk not yet known to us or which currently not deemed to be material.

## **Reputation damage**

The fact that we would not be able to fulfill our obligations (Operational, Compliance, Financial) may cause serious damage to the brand “Citycon” and may have a material adverse effect on our financial condition and of the entire Citycon group. The Company employs a rigorous quality and compliance management process before entering into new instruments/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**

Citycon Treasury B.V. finances the group company loans to the operating entities mainly via the EUR 500 million RCF, the EUR 1.5 billion facility agreement with Citycon OYJ and via the capital markets. When a group company that borrows from Citycon Treasury B.V. is in default, the Company shall transfer and assign all of 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

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\* Minimum equity

Total Facility outstanding

Minimum equity means an amount equal to the lower of (i) EUR 2.000.000 and (ii) an amount equal to 1% of the loans outstanding in any accounting year

In discharging its duties the Board of Directors is led by the interest of Citycon Treasury B.V. 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 depositing the financial annual statements to the Norwegian, Irish and Dutch regulators, management is working closely together with external advisors.

## CITYCON TREASURY B.V.

### **Tax risk (transfer pricing)**

According to the transfer pricing study report performed by Baker & McKenzie, 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 500 million syndicated revolving credit facility which was signed in December 2014. An amount of EUR 112.5 million will mature in December 2019 and EUR 387.5 million in December 2020 which has a one year extension option to December 2021.

### **Interest Risk and fair value market value risk**

Interest rate exposures are being hedged via back to back funding or if needed via internal interest rate derivatives. Long term interest rate -/ foreign exchange exposures can be mitigated by turning into an internal Cross Currency Swap with Citycon OYJ.

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

### **Foreign currency risk**

As to foreign exchange risk, Citycon Treasury B.V. has a conservative approach. Currency risks are avoided by the use of various hedging policies. Where possible the Company creates back to back loan funding structures or uses foreign exchange derivatives. The foreign exchange derivatives have short tenors.

## Appointment

The Board of Directors of Citycon Treasury B.V. is appointed by the General Meeting for an indefinite period. The basis for noncompliance 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 Citycon Treasury B.V. being orientated towards the long term.

Article 2:391.7 Citycon Treasury B.V. 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 Citycon Treasury B.V. is responsible for the maintenance and development of an accurate framework for risk management and control and also, the active management of the strategic, technological, operational, financial and compliance risks that the Company faces.

We declare that the substantial risks with which Citycon Treasury B.V. is confronted are described in these financial statements. This financial statement provides insight into the extent to which risks are prevented and controlled. Citycon Treasury B.V. takes due consideration of the findings of the external auditor, Ernst & Young Accountants LLP, who audits the financial statements. 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 financial reporting does not contain any errors of material importance and that this framework worked properly in the 2015 reporting year.

# CITYCON TREASURY B.V.

## FINANCIAL HIGHLIGHTS

The financial year 2015 will be remembered as an enormous growth year for Citycon group by entering the Norwegian market. Citycon acquired Sektor Gruppen AS for approximately EUR 1.5 billion. As a result of this acquisition Citycon Treasury B.V. did a lot of financing transactions during 2015 as described below.

In May 2015 the Company turned into a bridge facility with Danske Bank and Pohjola Bank for a total amount of EUR 400 million for the acquisition of Sektor Gruppen AS in Norway. On the 14<sup>th</sup> of July the Company utilized an amount of approx. EUR 222 million for the redemption of bonds on Sektor level. The drawdowns were fully repaid in September 2015 and the facility was cancelled on this same date.

On the 1<sup>st</sup> day of September 2015 the Company issued a dual tranche NOK 2.650 million bond. The first tranche is a fixed rate tranche for an amount of NOK 1.400 million with an annually coupon of 3.9%. The maturity of this bond is 1<sup>st</sup> of September 2025. The second tranche is a NOK 1.250 million bond with a floating (3 months) interest rate plus a spread of 1.55%. The interests are due quarterly. The maturity date of the floating bond is 01 March 2021. The total proceeds were used to repay the bridge facility in full.

On the 16<sup>th</sup> of September the Company issued a 7 years fixed rate EUR 300 Eurobond. The coupon is 2.375% and is annually due. The maturity of the bond is 16<sup>th</sup> of September 2022. The proceeds were used to refinance debt on Sektor level as well.

The interest income and similar income of the company for the year 2015 amounts to EUR 109.8 million (2014: EUR 50.1 million). The interest expense and similar charges amounts to EUR 106.7 million (2014: EUR 48.7 million). The profit after tax for 2015 is EUR 1.971.693 (2014: EUR 696.840). The increase of the profit after tax, interest income and interest expense is mainly caused by the increased size of the balance sheet/loan portfolio.

The available liquidity of the company as per 31 December 2015 is EUR 331.1 million (2014: EUR 397.6 million). The company made an additional drawdown to refinance debt on a Norwegian level. As the revolving credit facility is committed the company has immediate access to liquidity.

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 on a level near 100%. However the solvency ratio of Citycon OYJ is on a comfortable level. As per 31 December 2015 the solvency ratio is 44.6% (2014: 38.5%). Solvency ratio has been calculated as follow: total debt/total balance sheet size.

The company did not occur any expenses for research & development.

## OUTLOOK 2016

We expect that interest rates will rise during 2016, however this will not impact the net financing result of the company as it acts on the basis of a transfer pricing report which determines the minimum return. In 2016 the number of personnel will not change significantly. Expectations for financing and investments in 2016 are at a minimum level as the Group has no refinancing needs up to May 2017.

# CITYCON TREASURY B.V.

## RESPONSIBILITY STATEMENT

The Board of Directors of Citycon Treasury B.V. state:

1. That the annual financial statements give us a true and fair view of assets, liabilities, financial position and profit and loss of Citycon Treasury B.V..
2. That the annual financial statements gives a true and fair view of the position as per balance sheet date, the development during the financial year of Citycon Treasury B.V. in the annual financial statements, together with a description of principal risks it faces.

Amsterdam, 28 June 2016

The Board of Directors

E. Sihvonen

B. Helsing

A. Doppenberg



# CITYCON TREASURY B.V.

## Balance sheet as at *before appropriation of result and expressed in EUR)*

	<u>Notes</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
<b>ASSETS</b>			
<b>Financial fixed assets</b>			
Loans to group companies	1	1,562,545,696	717,200,490
Derivative financial instruments	6	3,401,816	-
Deferred tax asset	6	241,279	-
		<u>1,566,188,791</u>	<u>717,200,490</u>
<b>Current assets</b>			
Loans to group companies	1	517,648,784	751,669,887
Interest receivables from group companies	2	10,471,125	12,705,748
Other receivables from third parties	3	15,340	15,340
Other receivables from group companies	4	31,262	177,134
Prepaid expenses	5	2,387,662	2,388,003
Forward exchange contracts	6	7,711,249	12,044,847
Cash at banks	7	20,784	73,366
		<u>538,286,206</u>	<u>779,074,325</u>
<b>Total assets</b>		<u><u>2,104,474,997</u></u>	<u><u>1,496,274,815</u></u>
<b>LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	8	18,000	18,000
Share premium		2,300,941	2,300,941
Cash flow hedge reserve		-723,838	-
Retained earnings		2,527,199	1,830,359
Unappropriated profits		1,971,693	696,840
		<u>6,093,995</u>	<u>4,846,140</u>
<b>Long term liabilities</b>			
Bonds notes payable	9	916,229,039	343,853,809
Loans from financial institutions	10	169,509,267	103,859,539
Loans from group companies	11	634,334,575	793,273,010
		<u>1,720,072,881</u>	<u>1,240,986,358</u>
<b>Current liabilities</b>			
Loans from group companies	11	353,273,903	241,364,939
Interest payable to third parties	12	6,582,895	2,207,056
Interest payable to group companies	13	10,056,072	6,059,573
Other payables group companies	14	1,206,095	75,478
Forward exchange contracts	6	6,450,969	-
Tax payable	15	659,980	484,602
Accounts payable	16	78,207	250,669
		<u>378,308,121</u>	<u>250,442,317</u>
<b>Total liabilities</b>		<u><u>2,104,474,997</u></u>	<u><u>1,496,274,815</u></u>

The accompanying notes form an integral part of these financial statements

# CITYCON TREASURY B.V.

## Profit and loss account for the year ended 31 December (expressed in EUR)

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
Financial income/expense			
Interest and similar income	19	109,753,031	50,105,154
Interest and similar charges	20	<u>-106,692,785</u>	<u>-48,726,071</u>
		<u>3,060,246</u>	<u>1,379,083</u>
Net financial result		<u>3,060,246</u>	<u>1,379,083</u>
General and administrative expenses	21	<u>709,288</u>	<u>464,377</u>
Operating result before taxation		<u>2,350,958</u>	<u>914,706</u>
Taxation	22	379,265	217,866
Net profit after taxation		<u>1,971,693</u>	<u>696,840</u>

The accompanying notes form an integral part of these financial statements

# CITYCON TREASURY B.V.

## GENERAL ACCOUNTING PRINCIPLES

### **Activities and parent company**

Citycon Treasury B.V. statutory seated in Amsterdam, the Netherlands is a private limited company. The ultimate parent company is Citycon OYJ, Helsinki, Finland.

The company is a financing company; the principal activities of the company consist of borrowing and lending activities.

The offices of the company are located at Hullenbergweg 300, 1101 BV Amsterdam, the Netherlands.

### **Basis of preparation**

The financial statements have been prepared in accordance with Title 9 of Book 2 of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board.

### **Solvency**

Given the objectives of the company, the company is economically interrelated with the ultimate holding company, Citycon OYJ, Helsinki in Finland. In assessing the solvency and general risk profile of the company, the solvency of Citycon group as a whole 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 financial statements requires the management to form opinions and to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. The actual results may differ from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognized in the period in which the estimate is revised and in future for which the revision has consequences.

# CITYCON TREASURY B.V.

## GENERAL ACCOUNTING PRINCIPLES (CONT'D)

### **Principles for the translation of foreign currencies**

The reporting currency in the financial statements of Citycon Treasury B.V. is the euro (EUR), which is the company's functional currency.

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

The following exchange rate has been applied as at 31 December 2015: EUR 1 = NOK 9,603 (31-12-2014 EUR 1 = NOK: 9,042); EUR 1 = SEK 9.1895 (31-12-2014: EUR 1 = SEK: 9.393); EUR 1 = DKK 7.4626 (31-12-2014: 7.4453).

### **Financial instruments**

Financial instruments include trade and other receivables, cash and cash equivalents, loans and other financing commitments, trade and other payables. All financial instruments in the company are unsecured.

#### 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.

#### Interest rate swaps:

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

## CITYCON TREASURY B.V.

### GENERAL ACCOUNTING PRINCIPLES (CONT'D)

#### Cross-currency swap:

The company uses cross-currency swaps to hedge the interest rate cash flow risk and to hedge changes in foreign exchange rates. These cross-currency swaps hedge against volatility in future interest payment cash flows (cash flow hedging) resulting from interest rate fluctuations, and the resulting profit fluctuations. The company applies hedge accounting according to RJ290 to all its cross-currency swaps. Then the amount of financial instruments 'fair value change stemming from effective hedging on the interest part of the fair value is recognized in equity (cash flow hedge reserve). The amount in the cash flow hedge reserve is recognized in equity during the period when the cash flow from the hedged item is realized and affects earnings. If the criteria for hedge accounting are not met, changes in fair value are recognized 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 uses 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.

# CITYCON TREASURY B.V.

## GENERAL ACCOUNTING PRINCIPLES (CONT'D)

### Bonds notes payable, Loans from financial institutions and loans from group companies

Loans from financial institutions, bonds and loans from group companies are measured at amortized cost.

### **Loans to group companies and other receivables from third parties/group companies**

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

### Long term and current liabilities and other financial commitments

Long-term and current liabilities and other financial commitments are stated after their initial recognition at amortized cost on the basis of the effective interest rate method.

### **Impairment**

On reporting dates the company will test all long term assets reported at amortized cost whether any possible devaluations might occur. When the impairment test is positive, the company should determine the profit and loss effect of the impairment.

### **Other receivables from third parties/group companies**

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

### **Cash at banks**

Cash and cash equivalents include 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 and cash equivalents are stated at face value.

### **Long term liabilities**

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

### **Current liabilities**

The valuation of current liabilities is explained under the heading 'Financial instruments'.

# CITYCON TREASURY B.V.

## GENERAL ACCOUNTING PRINCIPLES (CONT'D)

### **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**

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. 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 taking into account the tax facilities and any adjustments to tax payable in respect of previous years.

### **Cash flow statement**

The company's cash flow information is included in the cash flow statement presented in the consolidated financial statements of the ultimate parent company (Citycon OYJ, Finland) for the year ended December, 2015, which can be obtained on the website of Citycon OYJ ([www.citycon.com](http://www.citycon.com)). In accordance with the guidelines of the council for annual reporting (article 360.104) in the Netherlands, the company is exempted from including a cash flow statement in its financial statements.

### **Determination of income**

Income and expenses are recognized in the year to which they are related. Profit is only recognized when realized on balance sheet date. Losses originating before the end of the financial year are taken into account if they become known before preparation of the financial statements.

# CITYCON TREASURY B.V.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### ASSETS

#### 1. Loans to group companies

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

	<u>2015 (*€)</u>	<u>2014 (*€)</u>
At 1 January	1,468,870,377	892,699,241
New Loans	2,636,209,127	742,599,863
Discount/Prepaid expenses	-66,214	-6,281,535
Amortisation discount/prepaid expenses	562,889	134,446
Reclassified to short term loans	-517,648,784	-751,669,887
Translation adjustment	-14,442,705	-39,798,198
Loans redeemed	<u>-2,010,938,994</u>	<u>-120,483,440</u>
As at 31 December long term loans to group companies	1,562,545,696	717,200,490
As at 31 December short term loans to group companies	<u>517,648,784</u>	<u>751,669,887</u>
As at 31 December total loans to group companies	<u>2,080,194,480</u>	<u>1,468,870,377</u>

An amount of EUR 936,0 million (2014: EUR 449,3 million) of the principal amount outstanding has a final maturity over more than 5 years. Loans to group companies for a total amount of EUR 1.237,8 million (2014: EUR 801,1 million) are denominated in a currency other than Euro. The total of foreign currency loans amounts to: SEK 6.856,1 million (2014: SEK 7.377,8 million), NOK 4.582,9 million (2014: NOK 0,0) and DKK 108,0 million (2014: DKK 116,7 million). If no natural hedge is in place the company has entered into foreign exchange contracts to hedge foreign currency exposures.

Concerning the fair values of the loans to group companies we refer to note 26 on page 28.

The valuation of the loans and foreign exchange contracts is based on the prevailing rate of exchange on the respective reporting dates.

The company has short-term loans to group companies for EUR 517,6 million (2014: EUR 751,7 million) of which the principal portions are due and payable within one year. Interest rates are determined based on the at arm's length principle. The average interest rate on all loans to group companies as at 31 December 2015 is 2.41% (2014: 2.31%). For further information on the loans to group companies we refer to note 26 on page 28.

#### 2. Interest receivables from group companies

Interest receivables from group companies include accrued interest from loans to group companies for EUR 10,5 million (2014: EUR 12,7 million). For further information on interest receivables from group companies we refer to note 26 on page 28.



# CITYCON TREASURY B.V.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 3. Other receivables from third parties

Other receivables from third parties contain rental deposits for office/housing space amounts to EUR 15,340 (2014: EUR 15,340).

### 4. Other receivables from group companies

Other receivables from group companies contains invoiced administration charges for an amount of EUR 31.262 (2014: EUR 102,690) to Citycon OYJ.

### 5. Prepaid expenses

In December 2015 the Company extended EUR 387.5 million of the EUR 500 million syndicated revolving credit facility with one year to December 2020. The book value of the arrangement and extension fees as per ultimo December is EUR 2.4 million (2014: EUR 2.4 million) which will be amortized over the remaining tenor of the facility. An amount of EUR 1.9 million of the arrangement fees will be amortized after 2016.

### 6. Derivative financial instruments/Forward exchange contracts

Derivative financial instruments are measured at fair value in the annual financial statements. For these derivative financial instruments being: interest rate swaps of NOK 1.250 million and a cross-currency swap of NOK 1.000 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 all derivative financial instruments as per 31 December 2015 amounted to EUR 3.4 million of which 4.4 million is related to a foreign exchange gain in the EURNOK cross-currency swap. The negative fair value of all derivatives financial instruments related to cash flow hedge accounting amounted to EUR 965.114 and the deferred tax receivable on this amounted to EUR 241.279.

The positive cumulative change during 2015 for the derivatives in fair value hedge accounting was EUR 4.4 million (2014: EUR: N/A). The negative cumulative change during 2015 for the derivatives in cash flow hedge accounting was EUR 1.0 million (2014: EUR: N/A).

The company applies cash flow hedge accounting for its Interest rate swaps. For the Cross currency swaps the Company applies cash flow hedge accounting for the movements in fair value due to interest fluctuations and applies fair value hedge accounting for the foreign exchange part of its fair value. Effectiveness testing takes place on a quarterly basis and have been highly effective and therefore no ineffectiveness postings are registered in profit and loss account. The maturity dates of the NOK 1.250 million interest rate swap and the floating 1.250 million NOK bond is 1<sup>st</sup> of March 2021. The maturity date of the NOK 1 billion cross currency swap is 16<sup>th</sup> of September 2022 which matches the maturity date of the EUR 300 million bond.

# CITYCON TREASURY B.V.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Forward exchange contract 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. Forward exchange contracts as per ultimo 2015 amounted to EUR 7,7 million (2014: EUR 12,0 million) under the current assets and EUR 6,5 million (2014: EUR 0,0 million) under current liabilities. All forward exchange contracts are internal and the counterparty is Citycon OYJ. The tenors of all forward exchange contracts outstanding are no longer than one year. The currencies involved in the forward exchange contracts are NOK, SEK and DKK of which the underlying nominal amounts to NOK 182,9 million (2014: NOK 0,0 million), SEK 935,2 million (2014: SEK 6,5 billion) and DKK 0,0 million (2014: 117,3 million).

### 7. Cash at banks

Cash at banks are at the disposal of the Company.

The balance is comprised as follows:

	<u>31-12-2015 (*€)</u>	<u>31-12-2014 (*€)</u>
Cash at banks	20,784	73,366
	<u>20,784</u>	<u>73,366</u>

# CITYCON TREASURY B.V.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### LIABILITIES

#### 8. Capital and reserves

Authorized share capital consists of 900 shares of EUR 100 each. As per 31 December 2015, the total number of shares which are fully paid in, are 180 (2014: 180). All shares of the Company are held by the ultimate parent Citycon OYJ, Helsinki, which is listed on the Finnish stock exchange.

	Share capital	Share premium	Cash flow hedge reserve	Retained earnings	Unappropriated result	Total 2015
	EUR	EUR		EUR	EUR	EUR
Balance as at 1 January	18,000	2,300,941		1,830,359	696,840	4,846,140
Cash flow Hedging RJ290			-965,117			-965,117
Deferred tax			241,279			241,279
Result for the year	-	-		-	1,971,693	1,971,693
Appropriation of result				696,840	-696,840	-
Balance as at 31 December	18,000	2,300,941	-723,838	2,527,199	1,971,693	6,093,995

#### 9. Bonds notes payable

On 1 September 2015 the Company issued a dual tranche bond notes payable of NOK 2.650 million. The first tranche has a contractual maturity date of 1 March 2021 and bears a floating interest rate of 3M Nibor + 1,55% margin which is quarterly due. The second tranche has a contractual maturity date of 1 September 2025 and bears a fixed rate interest of 3.9% which is annual due on 1 September. The bond is listed on the Oslo Stock Exchange. The bond as per 31 December 2015 has a fair value price of 98,0.

On 16 September 2015 the Company issued a Eurobond of EUR 300 million. The contractual maturity is 16 September 2022 and bears a fixed interest rate of 2,375% which is annually due on 16 September. The effective yield of the Bond is 2,392%. The bond is listed on the Irish Stock Exchange. The bond as per 31 December 2015 has a fair value price of 100,7.

On 1 October 2014 the Company issued a Eurobond of EUR 350 million. The contractual maturity is 1 October 2024 and bears a fixed interest rate of 2,5%, which is annually due on 1 October. The effective yield of the bond is 2,64%. The bond is listed on the Irish Stock Exchange. The fair value price of the bond as at 31 December 2015 is 98,04 (2014: 102,75).

All bonds 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..

# CITYCON TREASURY B.V.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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

	<u>31-12-2015 (*€)</u>	<u>31-12-2014 (*€)</u>
As at 1 January	343,853,809	
Bond issue nominal value	583,240,701	350,000,000
Issue fees	-3,802,553	-2,085,035
Discount	-516,000	-4,196,500
Amortized issue fees	717,589	44,419
Amortized discount	20,763	90,925
Exchange gains and losses	-7,285,270	
> 5 years	<u>916,229,039</u>	<u>343,853,809</u>

### 10. Loans from financial institutions

On 18 December 2014 the Company signed a five year EUR 500 million multicurrency revolving credit facility with a syndicate of Nordic Banks under the full guarantee of Citycon OYJ, Helsinki. An amount of EUR 112,5 million will mature on 18<sup>th</sup> of December 2019 and the remaining EUR 387,5 million on the 18<sup>th</sup> of December 2020 and has an option to extend by one year, subject to the lenders consent. The outstanding loans as per ultimo December 2015 are: SEK 840.0 million (2014: SEK 975,6 million) and NOK 750 million (2014: NOK 0,0 million). The available amount as per 31 December 2015 is EUR 331,1 million (2014: EUR 397,5 million). The facility drawdowns bear an interest of the reference rate plus 0,9%. Reference rate means 3-months stibor /- euribor/-nibor. Loans from financial institutions are floating rate loans and have a fair value which not significantly differs from the nominal amount of the loan. For the fees related to the issue of the revolving credit facility we refer to the prepaid expenses in note 5 on page 15.

	<u>31-12-2015 (*€)</u>	<u>31-12-2014 (*€)</u>
< 1 year	-	-
1 - 5 years	<u>169,509,267</u>	<u>103,859,539</u>
	<u>169,509,267</u>	<u>103,859,539</u>

# CITYCON TREASURY B.V.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 11. Loans from group companies

The Company holds loans from group companies for a total amount of EUR 987,6 million (2014: EUR 1.034,6 million). An amount of EUR 110,8 million (2014: EUR 107,4 million) of the principal portion has a maturity longer than five years. The principal portion of EUR 353,3 million (2014: EUR 241,4 million) are due and payable within one year. Interest rates are determined based on arm's length principle. Floating rate loans for an amount of EUR 860,5 million (2014: EUR 897,5 million) carry a 3-months reference rate, plus a margin which is based on a transfer pricing study prepared in accordance with the OECD transfer pricing guidelines, and which study will be updated from time to time. As at 31 December 2015 the average interest rate on all loans from group companies was 1,86% (2014: 1,95%). Total outstanding loans from group companies with a fixed interest as per 31 December 2015 amounts to nominal EUR 110,8 million (2014: EUR 137,1 million) and has a fair value of EUR 148,7 million (2014: EUR 169,5 million). The other loans from group companies are floating rate loans and have a fair value which not significantly differs from the nominal amount of the loan. All loans from group companies with counterpart Citycon OYJ are being issued under the terms of the EUR 1.5 billion multi-currency facility agreement.

	<u>2015 (*€)</u>	<u>2014 (*€)</u>
At 1 January	1,034,637,949	899,239,084
New Loans	1,558,499,535	1,092,716,753
Reclassified to short term loans	-353,273,903	-241,364,939
Translation adjustment	-2,830,363	-10,132,537
Loans redeemed	-1,602,698,643	-947,185,351
As at 31 December long term loans from group companies	<u>634,334,575</u>	<u>793,273,010</u>
As at 31 December short term loans from group companies	<u>353,273,903</u>	<u>241,364,939</u>
As at 31 December total loans from group companies	<u>987,608,478</u>	<u>1,034,637,949</u>

# CITYCON TREASURY B.V.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### **12. Interest payable to third parties**

Interest payable to third parties include accrued interest on bonds notes payable for an amount of EUR 6,4 million (2014: EUR 2,2 million) and accrued interest from loans from financial institutions for an amount of EUR 0,1 million (2014: EUR 0,0 million).

### **13. Interest payable to group companies**

Interest payable to group companies include accrued interest on internal derivatives of EUR 0,4 million (2014: EUR 0,0 million) and loans from group companies of EUR 9,6 million (2014: EUR 6,0 million).

### **14. Other payables to group companies**

Other payables to group companies amounted to EUR 1,2 million (2014: EUR 0,1 million).

### **15. Tax payable**

As per 31 December 2015 the Company has a tax payable for an amount of EUR 0,7 million (2014: EUR 0,5 million) related to corporate income tax.

### **16. Accounts payable**

Accounts payable amounted to EUR 0,1 million (2014: EUR 0,3 million).

# CITYCON TREASURY B.V.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 17. Risk management

#### General

During the normal course of business, Citycon Treasury B.V. makes use of several financial instruments such as bonds, notes, loans from and to affiliated companies and cash balances with banks. Due to the use of these financial instruments, the company is exposed to 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.

The Company has loans receivable from related parties and loans payable to the shareholder. The currency risk for the Company largely concerns NOK, SEK and DKK loan receivables from 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 with the shareholder.

Below an overview of the major foreign exchange positions of the Company:

Type	Currency	Loans to Group Companies in local currency	External Debt in local currency	Loans from Group Companies in local currency	Foreign exchange position to be hedged in local currency	Forward Exchange Contracts in local currency	Cross Currency Swaps in local currency	Foreign Exchange Position in local currency
		1	2	3	4	5	6	7
		total 1+2+3				total 4+5+6		
Assets&Liabilities EURO denominated	EUR	848,060,604	-650,000,000	-416,510,655	N/A	120,815,896	107,933,081	N/A
Assets&Liabilities NOK denominated	NOK	4,582,915,340	-3,400,000,000	-	1,182,915,340	-182,892,767	-1,000,000,000	22,573
Assets&Liabilities SEK denominated	SEK	6,890,349,077	-840,000,000	-5,115,128,900	935,220,177	-935,220,177		-
Assets&Liabilities DKK denominated	DKK	107,985,835	-	-107,985,835	-			-

Other foreign currency positions in the balance sheet are the accrued interest on loans to group companies, loans from group companies, external debt and interest rate derivatives which are not EUR denominated. The company does not hedge these positions in accordance with the treasury policy of Citycon group.

# CITYCON TREASURY B.V.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### **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. If no back to back structure is in place the Company has turned into internal interest rate derivatives to mitigate the position. In 2015 the Company turned into two internal interest rate derivatives with Citycon OYJ to swap the floating coupon of the NOK 1.250 million Bond 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 to be managed centrally by the Group Treasury, which is responsible for ensuring adequate financial resources in place. 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 of its whole loan portfolio.

### **Credit risk**

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Company's 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 these financial statements is for Standard & Poor's BBB with stable outlook and for Moody's Baa1 also 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.



# CITYCON TREASURY B.V.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 18. Off balance sheet commitments

Citycon Treasury B.V. 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 and the annual expense is approx. EUR 48.000 per annum. The relocation house agreement runs for the period July 2016-June 2017 with the option to extend. Annual expenses are approx. EUR 51.000. The company signed in August 2014 a two years operational lease agreement for a company car of which the annual expenses will amount to approx. EUR 28.000. An additional two years operational lease car agreement has been signed in January 2015 with an annual expense of approx. EUR 30.000.

In August 2014 Citycon Treasury B.V signed a EUR 1.5 billion facility agreement with Citycon OYJ.

Also 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.

In December 2014 Citycon Treasury B.V. has signed a new five-year EUR 500 million syndicated revolving credit facility. In December 2015 Lenders which represent an amount of EUR 387.5 million of the facility approved the extension of the maturity date up to 18 December 2020. As per 31 December 2015 the company has one more option to extend main part of the revolving credit facility by one year subject to lenders consent and all under full guarantee of Citycon OYJ.

# CITYCON TREASURY B.V.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 19. Interest income and similar income

Interest income and similar income can be shown as follow:

	<u>2015 (*€)</u>	<u>2014 (*€)</u>
Interest income related companies	46,089,607	26,468,697
Exchange rate gains	63,125,775	23,545,378
Other interest income	-	-
Interest income on forward agreements	76,290	773
Effective interest income	461,359	90,306
	<u>109,753,031</u>	<u>50,105,154</u>

The interest income related companies can be detailed as follow:

		<u>2015 (*€)</u>	<u>2014 (*€)</u>
Citycon OYJ	Helsinki	13,678,530	2,441,613
Citycon Holding AS	Oslo	9,119,806	-
Citycon Portefolje AS	Oslo	219,723	-
Euro Montalbas B.V.	Amsterdam	2,578,620	541,810
Citycon AB	Stockholm	3,022,179	3,864,593
Citycon Liljeholmstorget Gal. AB	Stockholm	2,699,053	3,758,662
Kista Real Property JV AB	Stockholm	6,915,877	6,417,220
Kristiine Keskus OU	Tallinn	1,491,036	1,631,090
Citycon Shopping Centers AB	Stockholm	866,129	1,353,101
Citycon Jakobsbergs Centrum AB	Stockholm	805,891	1,212,099
Rocca el Mare Kauband. AS	Tallinn	637,516	733,682
Citycon Development AB	Stockholm	601,608	569,876
Akersberga Centrum AB	Stockholm	1,593,368	1,711,237
Stenungstorg Fest. AB	Stockholm	122,206	250,848
Magistral	Tallinn	418,510	434,906
Citycon Hogdalen	Stockholm	341,114	502,312
Citycon Denmark	Copenhagen	243,991	53,166
Citycon Tumba	Stockholm	257,875	381,424
Liljeholmen Development	Stockholm	230,221	357,717
Manhattan Acquisition OY	Helsinki	225,262	-
Others	various	21,092	253,341
		<u>46,089,607</u>	<u>26,468,697</u>

# CITYCON TREASURY B.V.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 20. Interest expense and similar charges

Interest expense and similar charges can be shown as follow:

	<u>2015 (*€)</u>	<u>2014 (*€)</u>
Interest expense group companies	22,565,641	22,020,526
Interest expense bond	13,810,339	2,171,770
Interest expense financial institutions	1,831,265	88,404
Exchange rate losses	62,746,729	23,494,120
Interest expense on forward agreements	1,518,819	802,356
Effective interest expense	464,070	90,925
Amortized paid arrangement fees	3,755,922	57,970
	<u>106,692,785</u>	<u>48,726,071</u>

### 21. General and administrative expenses

The general and administrative expenses are comprised as follow:

	<u>2015 (*€)</u>	<u>2014 (*€)</u>
Wages and salaries, administration	470,367	188,243
Other personnel	10,683	20,007
Recruitment and staffing services	-	19,794
Consulting and advisory fees	115,941	203,139
Rents	84,210	64,520
Car lease and travel expenses	41,127	8,632
Authority and membership fees	9,358	2,602
Office expenses	10,406	3,238
Non deductible VAT	36,574	44,252
Recharged expenses	-69,378	-90,050
Total administrative expenses	<u>709,288</u>	<u>464,377</u>

The wages and salaries, administration are comprised as follow:

	<u>2015 (*€)</u>	<u>2014 (*€)</u>
Salaries	435,801	162,954
Social security	13,601	14,034
Pension	20,965	11,255
Total wages and salaries, administration	<u>470,367</u>	<u>188,243</u>

# CITYCON TREASURY B.V.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 22. Taxation

The Company operates on the basis of a transfer pricing report which defines the minimum returns for intercompany loans. Since 1 January 2015 the Company forms a fiscal unity for corporate income tax with its related group companies: Montalbas B.V., Euro Montalbas B.V. and Citycon Estonian Investments B.V..

		2015 (*€)	2014 (*€)
Profit before tax		2,350,958	914,706
Fiscal lower amortisation bridge fees		275,073	
Deemed expense		-1,081,894	
Interest expense 2011-2013			252,181
Interest due on 2013 assessment		8,427	-8,427
Non deductible mixed expenses		4,500	4,400
<b>Fiscal profit</b>		<b>1,557,064</b>	<b>1,162,860</b>
20% over EUR	200,000	40,000	40,000
25% over EUR	1,357,060	339,265	240,715
<b>Total corporate income tax</b>		<b>379,265</b>	<b>280,715</b>
<b>Corporate income tax in profit &amp; loss</b>			
Current year - Corporate income tax		379,265	280,715
Previous year correction - 2013		-	-62,849
		<b>379,265</b>	<b>217,866</b>
<b>Effective tax rate</b>		<b>16.1%</b>	<b>23.8%</b>

The above tax calculation is purely Citycon Treasury B.V.

# CITYCON TREASURY B.V.

## SUPPLEMENTARY INFORMATION

### **23. Auditors**

The audit of the Company has been performed by Ernst & Young Accountants LLP. The fees for the external Dutch auditor, the audit organization and the entire network to which the audit organization belongs charged to the financial year amounts to EUR 44,300 (2014: EUR 37,800).

For financing projects Ernst & Young Accountants LLP charged EUR 26,422 (2014: EUR 0,0).

### **24. Directors**

During 2015 the Company had three directors during the year under review. The directors are: Mr. B.W. Helsing, Mr. E.T. Sihvonen and Mr. G.A. Rump. Mr. G.A. Rump resigned as Director as per 1<sup>st</sup> of March 2016 and has been replaced by Mr. A. Doppenberg. The remuneration during 2015 is EUR 220.874 to Mr. B.W. Helsing.

### **25. Employees**

During 2015 the company had an average of 3,20 FTE (2014: 1,75 FTE) in the Netherlands and hence incurred salary and related social security charges during the year under review.

# CITYCON TREASURY B.V.

## SUPPLEMENTARY INFORMATION

### 26. 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:

Counterpart	Country Code	Outstanding loan	Outstanding loan	Maturity date loans	Interest rates	Accrued interest
		amounts (* 1 million EURO) 31-12-2015	amounts (* 1 million EURO) 31-12-2014			
Citycon OYJ	FIN	344.2	343.9	01-10-2024	2,625% *)	2,284.3
Citycon OYJ	FIN	252.2	103.9	18-04-2016/18-12-2019	1.375%	70.9
Citycon AB	SWE	185.0	169.9	01-01-2017/02-07-2018	1.500%	672.4
Euro Montalbas B.V.	NLD	171.1	164.7	16-10-2016/18-4-2016	1.500%	537.0
Citycon Liljeholm. Galleria AB	SWE	169.6	155.6	01-01-2017	1.968%	616.3
Kista Real Property JV AB	SWE	114.4	105.5	16-01-2023	6,00% *)	3,387.5
Kristiine Keskus OU	EST	82.0	92.0	29-04-2016	1.500%	311.9
Citycon Shopping Centers AB	SWE	21.8	56.2	01-01-2017	1.500%	114.4
Åkersberga Centrum AB	SWE	65.6	50.6	30-11-2016/01-01-2017	1.500%	108.2
Citycon Jakobsbergs Centrum AB	SWE	50.2	47.4	01-01-2017	1.500%	179.8
Rocca el Mare Kaub. AS	EST	27.7	42.1	01-01-2017	1.500%	105.7
Citycon Development AB	SWE	18.6	34.0	01-01-2017	1.500%	99.3
Magistral Kaub. Oü	EST	24.9	24.9	08-03-2018	1.500%	94.4
Citycon Högdalen Centrum AB	SWE	20.4	20.3	01-01-2017	1.500%	71.1
Albertslund Centrum APS	DEN	13.5	15.7	23-10-2017	1.500%	37.6
Citycon Denmark APS	DEN	1.0	-	23-10-2017	1.500%	2.8
Liljeholms. Devel. Services AB	SWE	0.2	15.1	01-01-2017	1.500%	0.1
Citycon Tumba Centrumfast. AB	SWE	18.6	15.0	01-01-2017	1.500%	59.7
Stenungs Torg Fastighets AB	SWE	22.0	10.0	30-11-2016	1.500%	51.7
Strompilen AB	SWE	-	2.1	25-07-2018	1.500%	-
Montalbas B.V.	NLD	0.0	-	01-02-2016	1.500%	0.1
Citycon Holding AS	NOR	264.6	-	16-09-2022	3.7775%*)	801.4
Citycon Holding AS	NOR	17.7	-	11-10-2022	2.870%	72.1
Citycon Holding AS	NOR	194.9	-	16-09-2022	3.498%*)	792.5
		2,080.2	1,468.9			10,471.1

\*) These loans to group companies are fixed rate loans. The difference between the carrying value of EUR 918,1 million (2014: EUR 478,4 million) and the nominal value of EUR 923,9 million (2014: EUR 484,6 million) are the unamortized discount and prepaid arrangement fees for an amount of EUR 5,8 million (2014: 6,2 million). The fair value of these fixed rate loans amount to EUR 1.078,1 million (2014: 524,9 million). The other loans to group companies are floating rate loans and have a fair value which not significantly differs from the nominal amount of the loan.

# CITYCON TREASURY B.V.

## SUPPLEMENTARY INFORMATION

### **Major outstanding exposure from loans from group companies:**

Almost all intercompany loans from group companies are loans from Citycon OYJ, Helsinki. 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 Citycon Treasury B.V., signed on 1 August 2014.

Reference is made to note 11 Loans from group companies on page 19 and counterpart- and credit risk on page 2.

Amsterdam, 28 June 2016

The board of Directors

E. Sihvonen

B. Helsing

A. Doppenberg

## **Other information**

### **Statutory stipulations concerning the appropriation of results**

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

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

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

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

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

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

### **Proposal for the appropriation of the result 2015**

The following appropriation of the result after taxes for the year 2015 is proposed to the General Meeting to include EUR 1.971.693 in the retained earnings within shareholder's equity.

### **Independent auditor's report**

Reference is made to the last page of this report.

### **Subsequent events**

On the 1<sup>st</sup> of March 2016 Mr. G.A. Rump resigned as Director and has been replaced by Mr. A. Doppenberg.



## Independent auditor's report

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

### Report on the audit of the financial statements 2015

#### Our opinion

We have audited the financial statements 2015 of Citycon Treasury B.V. (the Company), based in Amsterdam.

In our opinion the financial statements give a true and fair view of the financial position of Citycon Treasury B.V. as at 31 December 2015, and of its result for 2015 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- ▶ The balance sheet as at 31 December 2015.
- ▶ The profit and loss account for 2015.
- ▶ The notes comprising a summary of the significant 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 "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

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

#### Materiality

Materiality	€ 449 thousand
Benchmark used	The materiality is based on 1% of interest income.
Additional explanation	We considered an activity based measurement to be the most appropriate benchmark for materiality, since only loans are accounted for in Citycon Treasury B.V. We typically determine a range of 0,5 - 1 % of revenues, where we ended up using the higher end of the range. The main reasons for this were the few number of shareholder and limited changes in the business environment.

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 € 22 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

### Our 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 matter to the board of directors. The key audit matter is not a comprehensive reflection of all matters discussed.

This matter was 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 this matter.

Risk	Our audit response
<b>Valuation of receivables from affiliated companies</b>	
<p>The long and short term receivables from group companies are significant to Citycon Treasury B.V. as these represent approximately 99% of the total assets in the financial statements of the company. The group companies we refer to are all subsidiaries from Citycon Oyj, Helsinki, which is listed on the Helsinki Stock Exchange and is the head of the group where Citycon Treasury B.V. belongs to. The company is dependent on interest income from, or repayments of, the receivables from group companies, which are guaranteed by Citycon Oyj, to meet its financial obligations.</p> <p>The Company's disclosure on the credit risk is included in the financial instruments risk paragraph on page 20 of the financial statements.</p>	<p>We have performed, among others, the following substantive audit procedures with respect to the receivables from group companies:</p> <ul style="list-style-type: none"> <li>Inspection of loan agreements and recalculating the amortized cost calculation including the effective interest method.</li> <li>Evaluation of the credit ratings of Citycon Oyj (the guarantor) from several credit rating agencies.</li> <li>Taken notice of the audited financial statements 2015 of Citycon Oyj (the guarantor).</li> </ul>

### Responsibilities of management for the financial statements

The board of directors is responsible for the preparation and fair presentation of the financial statements, and for the preparation of the director's report, both 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 framework 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 assignment 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 have detected all errors and fraud.

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. Our audit included, e.g.:

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting, and 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 the company to cease to continue as a going concern.
- ▶ 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.

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 those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. 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.

## **Report on other legal and regulatory requirements**

### **Report on the director's report and the other information**

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the director's report and other information):

- ▶ We have no deficiencies to report as a result of our examination whether the director's report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- ▶ We report that the director's report, to the extent we can assess, is consistent with the financial statements.

### **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 since that date.

Zwolle, 28 June 2016

Ernst & Young Accountants LLP

Signed by M. Rooks