



CAPITAL MARKETS DAY 2021

# AGENDA

## TOPIC

## PRESENTER

OPENING WORDS

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Laura Jauhiainen

CITYCON OVERVIEW

Scott Ball

VALUE CREATION FROM SUSTAINABLE & ACTIVE ASSET MANAGEMENT

Henrica Ginström & Kirsi Simola-Laaksonen

GROWTH & DIVERSIFICATION

Erik Lennhammar

SOLID BALANCE SHEET, STABLE BUSINESS WITH ORGANIC GROWTH POTENTIAL

Eero Sihvonen & Bret McLeod

CLOSING REMARKS

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Scott Ball

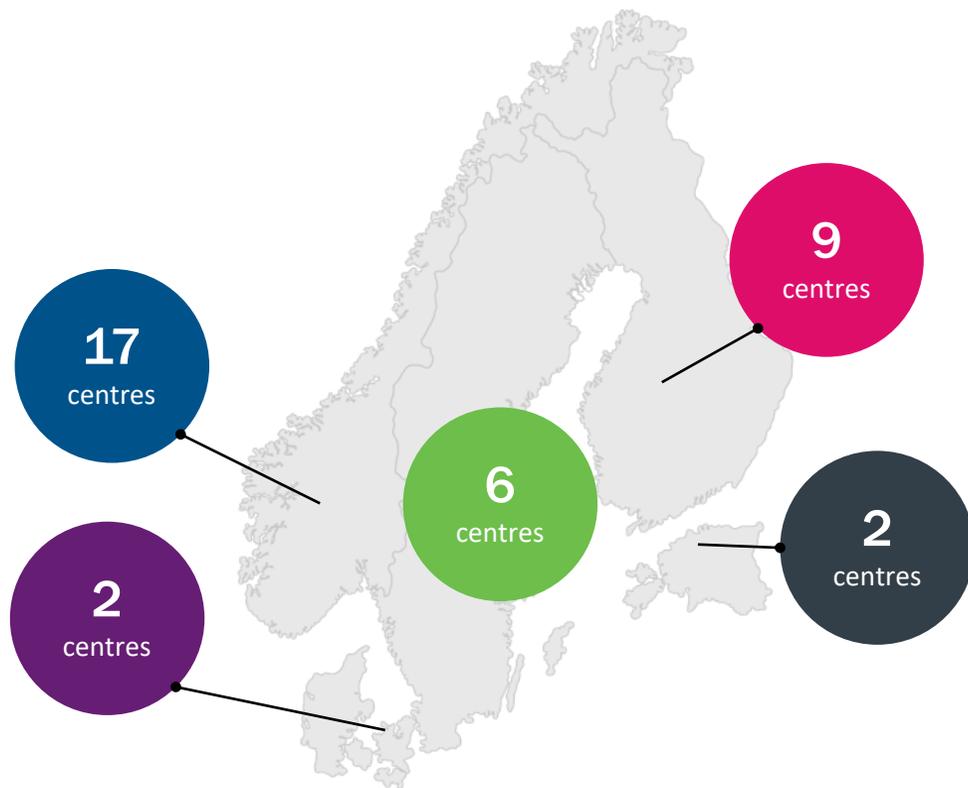
Q&A

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# CITYCON OVERVIEW

# LEADING OWNER, MANAGER AND DEVELOPER OF URBAN COMMUNITY HUBS IN THE NORDICS



- Net rental income in 2020 **MEUR 205.4** <sup>1)</sup>
- **37** premises <sup>2)</sup>
- **100%** of centres connected to the public transportation
- **150 million** visitors p.a. <sup>1)</sup>
- GLA **1.2** million sqm <sup>1)</sup>
- Portfolio value **4.5 bnEUR** <sup>2)</sup>
- **233** employees
- Investment grade credit ratings: **Baa3, BBB- & BBB-**

**Stable business model and diversified tenant mix**

**Pan-Nordic reach with leading positions in Finland, Sweden, Norway, Denmark and Estonia**

**Nordic countries less severely affected by COVID-19 than rest of Europe and better equipped to support companies through the crises**

<sup>1)</sup> As of 31 December 2020

<sup>2)</sup> Including Kista Galleria and Columbus

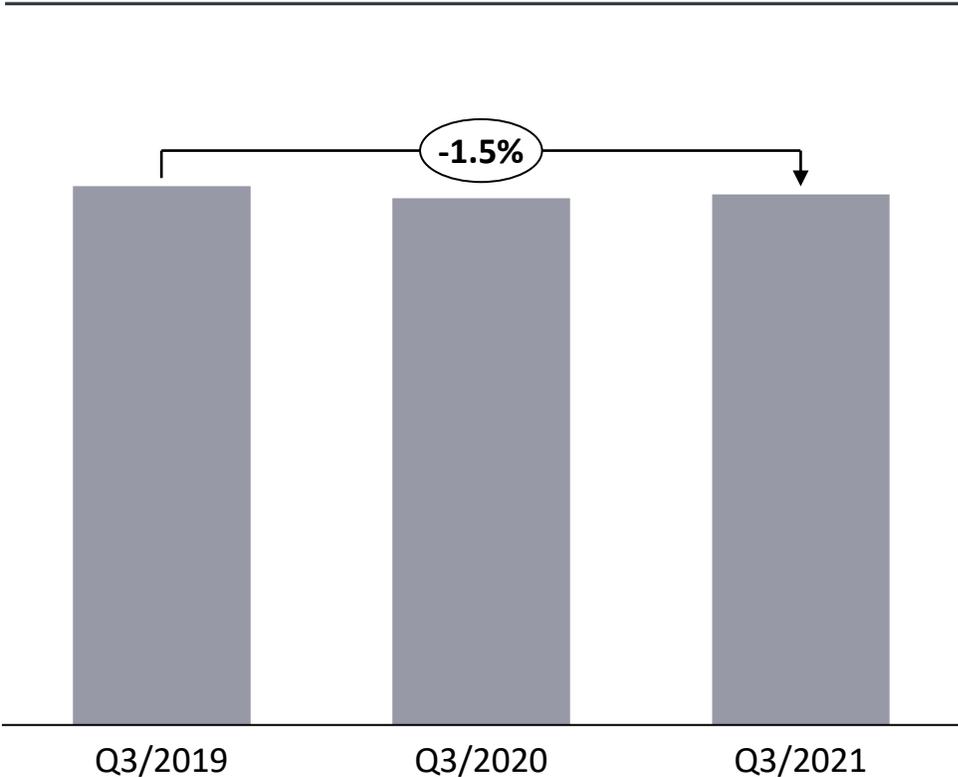
# CLEAR FOCUS, NECESSITY MIX, STRONG CAPITAL

- 1 LEADING OPERATOR AND DEVELOPER OF URBAN COMMUNITY HUBS IN THE NORDICS
- 2 FOCUS ON DENSELY POPULATED LARGEST CITIES IN THE NORDICS
- 3 NECESSITY AND MUNICIPALITY BASED TENANT BASE PROVIDES A STABLE CASH FLOW
- 4 STABLE CASH FLOW COMPLEMENTED BY DEVELOPMENT PIPELINE OF OWNED ASSETS
- 5 STRONG BALANCE SHEET, MODERATE LTV AND UNENCUMBERED ASSETS
- 6 INVESTMENT GRADE RATINGS FROM 3 RATING AGENCIES

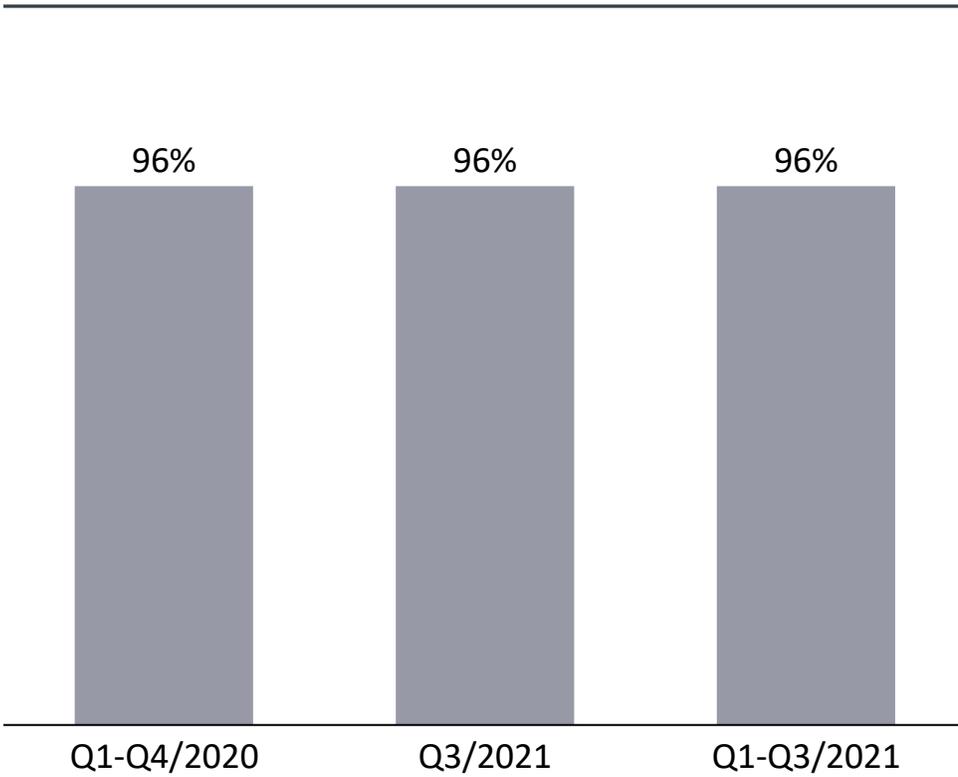


# STABLE OPERATIONS EVEN DURING PANDEMIC DRIVEN BY NECESSITY BASED TENANT MIX

DISPOSAL ADJUSTED NRI 2019-2021



RENT COLLECTION



# CITYCON IN THE TOP QUARTER IN EUROPE'S TOP CLIMATE LEADER COMPANIES ACROSS ALL SECTORS



## Citycon among Europe's top Climate Leader companies according to Financial Times report

- Financial Times and German research company Statista published 18 May 2021 a list of companies across Europe that have shown the highest reduction in greenhouse gas emissions in relation to their revenues in the period 2014–2019.
- More than 4,000 companies with revenue of at least 40 mEUR in 2019 were surveyed.

CITYCON IS PROUD TO  
BE RECOGNISED AS ONE OF  
EUROPE'S CLIMATE LEADERS 2021



# EXPERIENCED LEADERSHIP TEAM



**F. SCOTT BALL**  
CHIEF EXECUTIVE  
OFFICER



**EERO SIHVONEN**  
CHIEF FINANCIAL  
OFFICER, EXECUTIVE VICE  
PRESIDENT



**BRET MCLEOD**  
CHIEF FINANCIAL  
OFFICER, ELECT\*



**HENRICA GINSTRÖM**  
CHIEF OPERATING  
OFFICER



**KIRSI SIMOLA-LAAKSONEN**  
CHIEF INFORMATION  
OFFICER

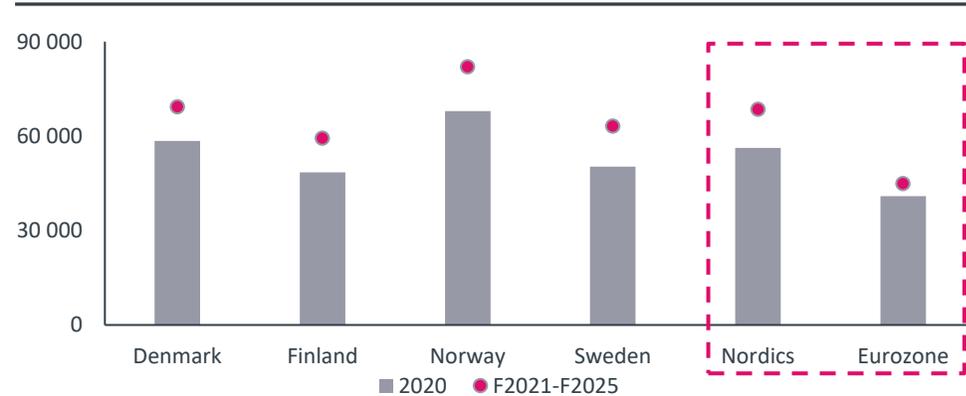


**ERIK LENNHAMMAR**  
CHIEF DEVELOPMENT  
OFFICER

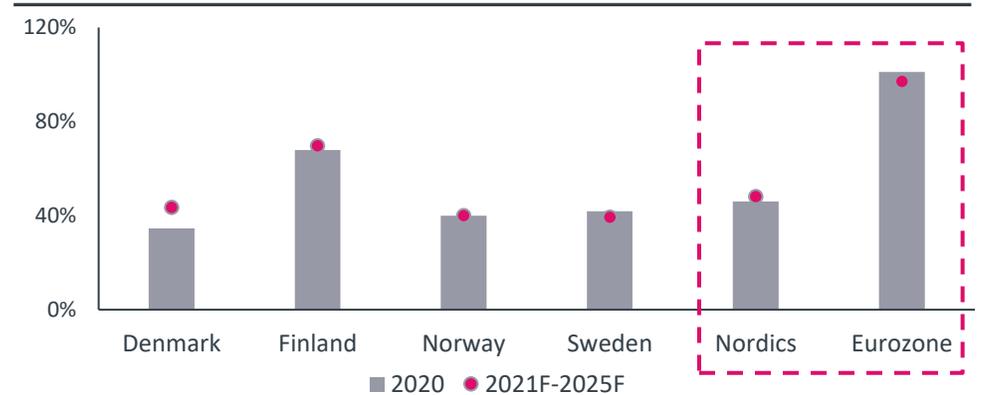
Over 100 years of real estate experience

# STRONG MACRO ECONOMICS IN THE NORDICS ARE EXPECTED TO CONTINUE

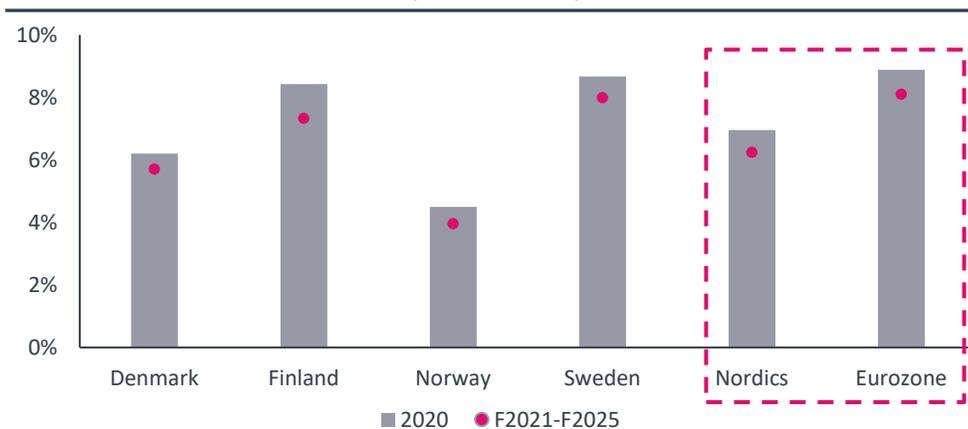
GDP/CAPITA FORECAST (2020-2025)



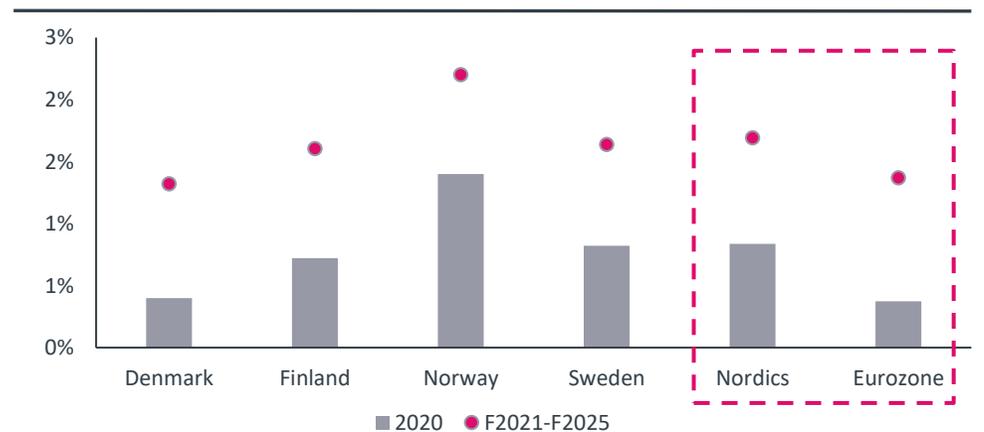
GOVERNMENT GROSS DEBT/GDP FORECAST (2020-2025)



UNEMPLOYMENT FORECAST (2020-2025)

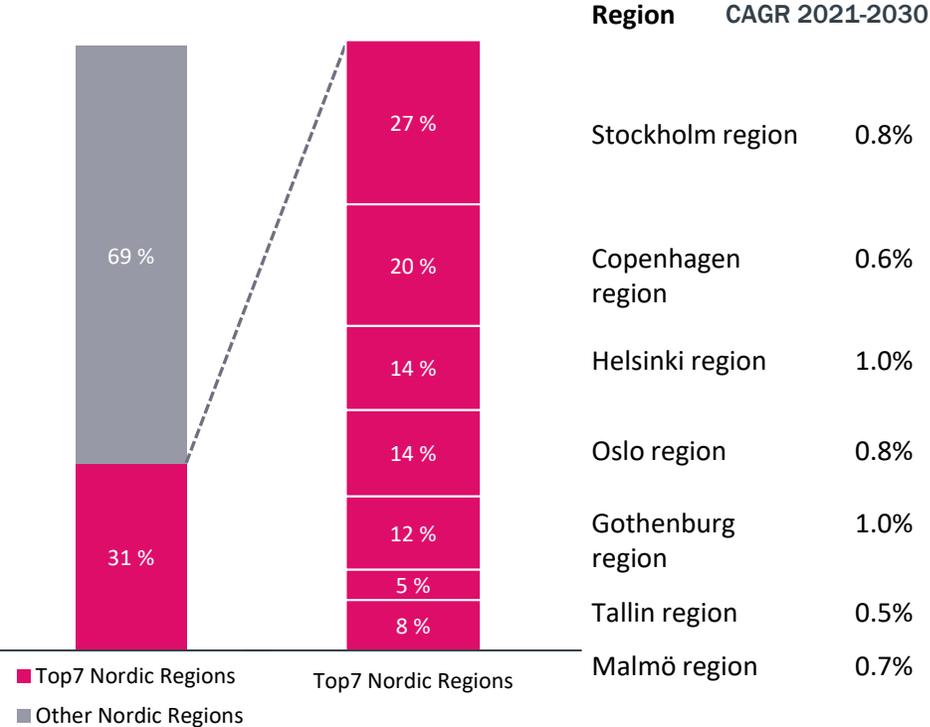


INFLATION FORECAST (2020-2025)



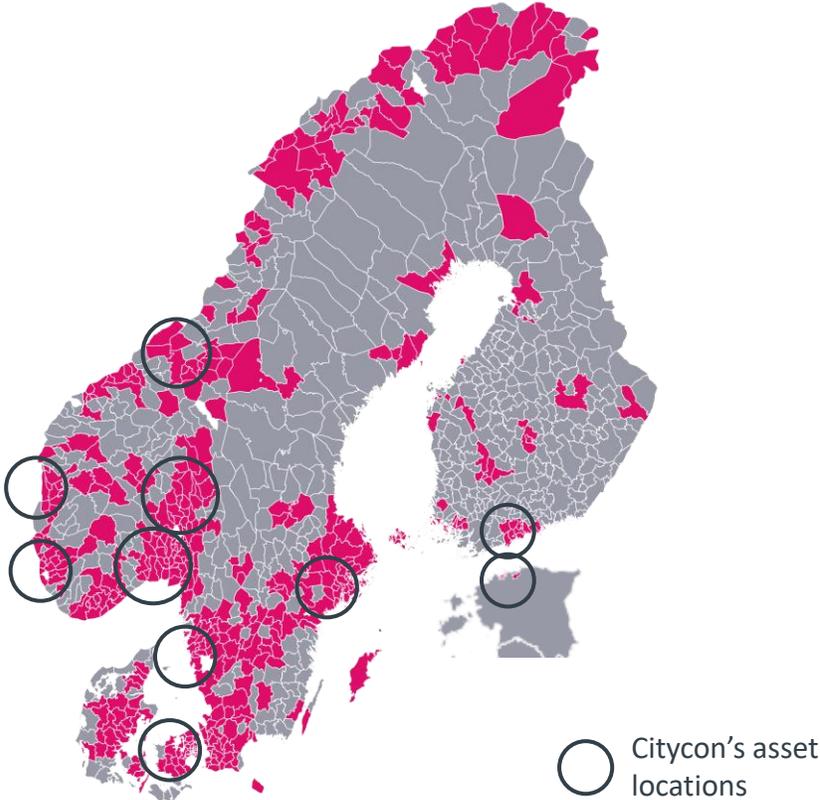
# URBANIZATION - THE LARGEST URBAN AREAS ALREADY HOLD A THIRD OF THE NORDIC POPULATION AND GROWING

## POPULATION IN THE NORDIC REGIONS



Source: Statistics Finland, Sweden, Norway, Denmark and Estonia; Citycon analysis

## POPULATION GROWTH BY MUNICIPALITY 2021-2030 (Fcast)



Source: Statistics Finland, Sweden, Norway, Denmark and Estonia; Citycon analysis

# CITYCON'S STRATEGY IS BASED ON A STABLE CORE BUSINESS WITH ATTRACTIVE GROWTH OPPORTUNITIES

## HOW WE CREATE VALUE



# STABLE CORE BUSINESS COMBINED WITH SYNERGETIC GROWTH OPPORTUNITIES



## CITYCON'S COMPETITIVE ADVANTAGE

- Prime locations in top cities
- Connections to public transportation
- Necessity-based tenant mix
- Strong relationships with municipalities
- Proven development capabilities
- Pan-Nordic scale



## SYNERGIES & GROWTH FROM DENSIFICATION

- Operational efficiencies
- Densification balances intra-day fluctuation
- Mixed-use offering meets the everyday needs of consumers, residents and workers, which attracts best tenants and creates a positive spin
- Established control over the real estate



## REPOSITIONING AS A MIXED-USE COMPANY

- Owner and operator of the community hub
- Attractive add-on business on top of prime retail assets with a significant portfolio diversification impact
- Flexible decision-making, strong management team and excellent development capabilities enable execution of the diversification strategy



# VALUE CREATION FROM SUSTAINABLE & ACTIVE ASSET MANAGEMENT

# HIGHLY SKILLED AND EXPERIENCED PAN-NORDIC OPERATING TEAM



**Jussi Vyyryläinen**  
V.P. Leasing



**Sanna Yliniemi**  
V.P. Center  
Management



**Peter Dimulkas**  
V.P. Marketing &  
Communications



**Johan Calner**  
Director Specialty  
Leasing Nordic



**Thalia Nunez Olsson**  
Legal Counsel Nordic  
Team Lead Business  
Operation



**Tobias Rönnerberg**  
Nordic Manager  
Insights &  
Innovation

**OVER 80 YEARS OF RETAIL EXPERTISE**

# NECESSITY-BASED TENANT STRATEGY PROVIDES STABILITY

Future proofing tenant mix by adding more groceries, services, including municipal tenants, gyms, healthcare, quality F&B, and discounters.

## Why do we like necessity-based?

- Better credit worthiness
- Longer leases
- Footfall drivers
- Larger units, less fluctuation and vacancy
- Consistent market demand
- Lease prolongation more probable
- Benefits of clustering on the whole centre

→ **Cash flow stability**

CURRENTLY OVER  
35 % OF GROSS  
RENTAL INCOME  
FROM NECESSITY  
TENANTS





## IN LINE WITH OUR STRATEGY: INCREASE SHARE OF GROCERIES, SERVICES AND F&B

SHARE OF RENTAL INCOME (GRI)	2015 <sup>1)</sup>	H1/19	Q3/21 <sup>2)</sup>	
Groceries	18%	16%	19%	↑
Services and offices	10%	14%	14%	↑
Cafés and restaurants	8%	9%	10%	↑
Fashion	30%	25%	21%	↓
Home and sporting goods	20%	19%	19%	
Cosmetics and pharmacies	7%	7%	8%	
Wellness	4%	4%	4%	
Residential and hotels	1%	1%	2%	
Specialty stores	2%	1%	2%	
Leisure	1%	1%	1%	
Department stores	1%	1%	-	



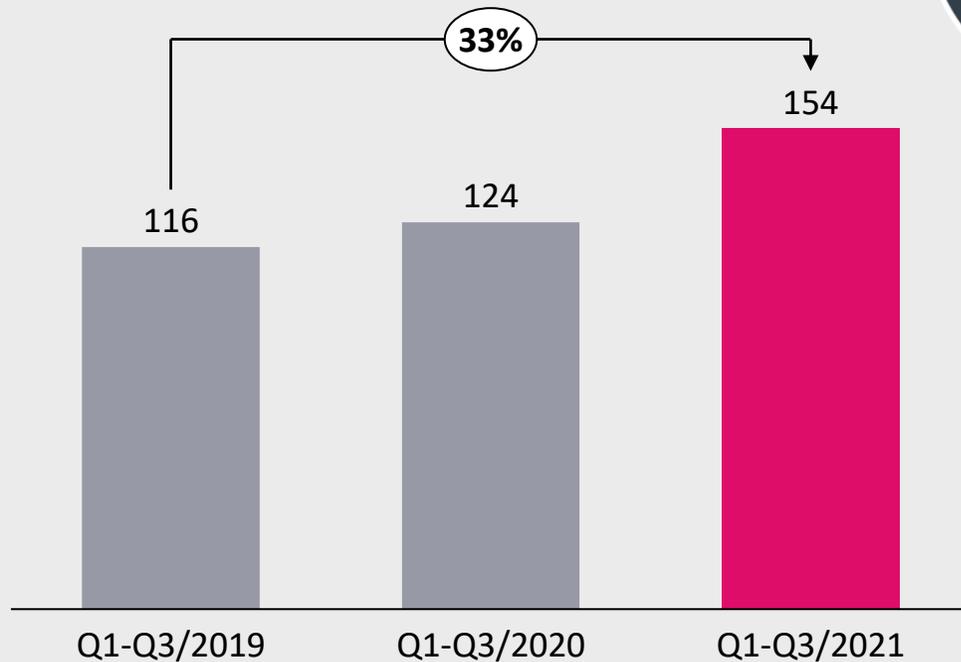
## RENT LEVEL FOR GROCERIES, SERVICES AND OFFICES ON AVERAGE IN LINE WITH FASHION RENTS

	Average rent	Average lease term
 Groceries	21.4 EUR/sqm	>5 years
 Services and Offices	21.7 EUR/sqm	~4 years
 Cafes and Restaurants	30.9 EUR/sqm	~4 years
 Fashion	21.8 EUR/sqm	<2 years
<b>TOTAL*</b>	<b>22.7 EUR/sqm</b>	<b>3.2 years</b>

\*includes all subcategories (home and sporting goods, cosmetics and pharmacies, wellness, residential and hotels, specialty stores and leisure)

# STRONG LEASING ACTIVITY AND INCREASED AVERAGE RENTS

LEASES SIGNED (sqm thousands)



AVERAGE RENT HAS INCREASED TO 22.7 EUR (Q4/2020: 22.0 EUR PER SQM)

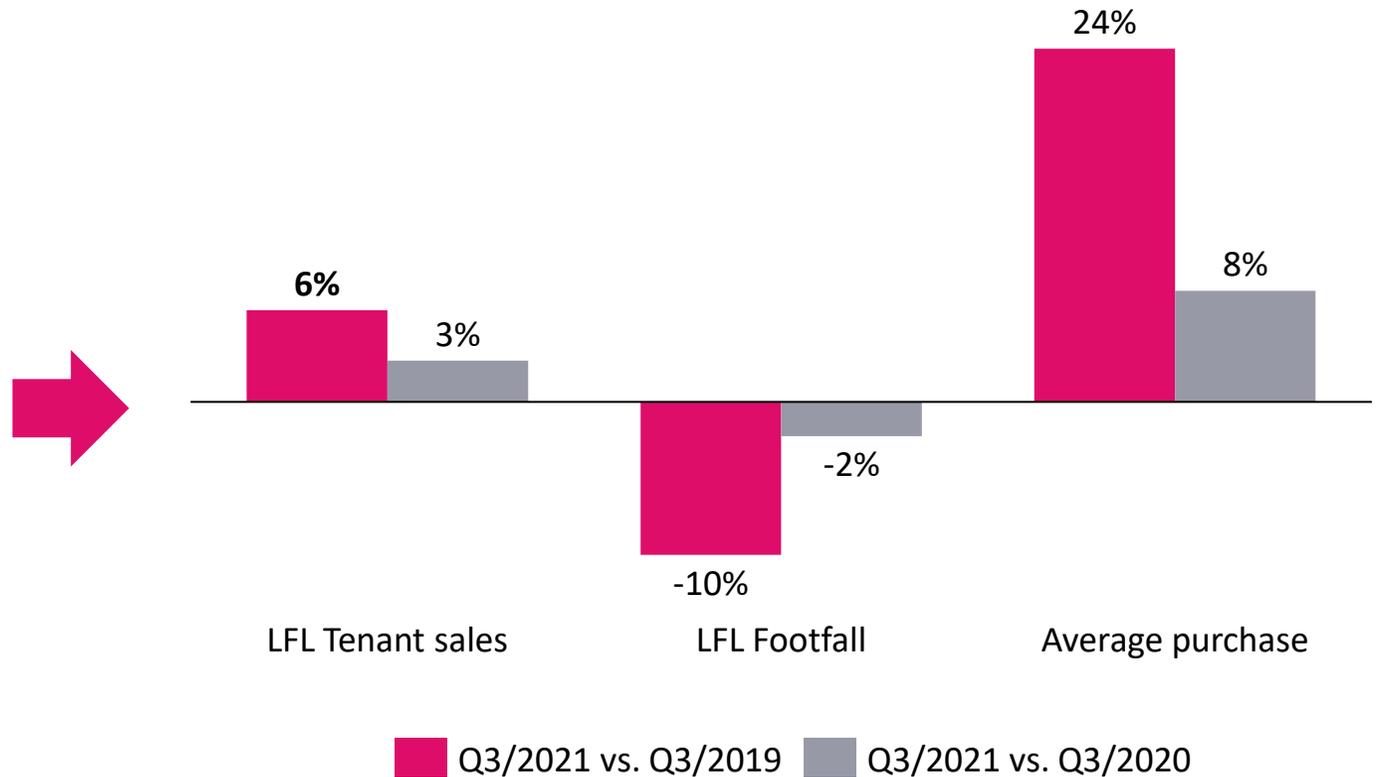


# IMPROVING SALES AND FOOTFALL

## LFL TENANT SALES INCREASE Q3/2021 VS Q3/2019



## OPERATIVE KPI DEVELOPMENT



# CASE COLUMBUS: A SHOWCASE OF CITYCON'S VALUE CREATION CAPABILITY

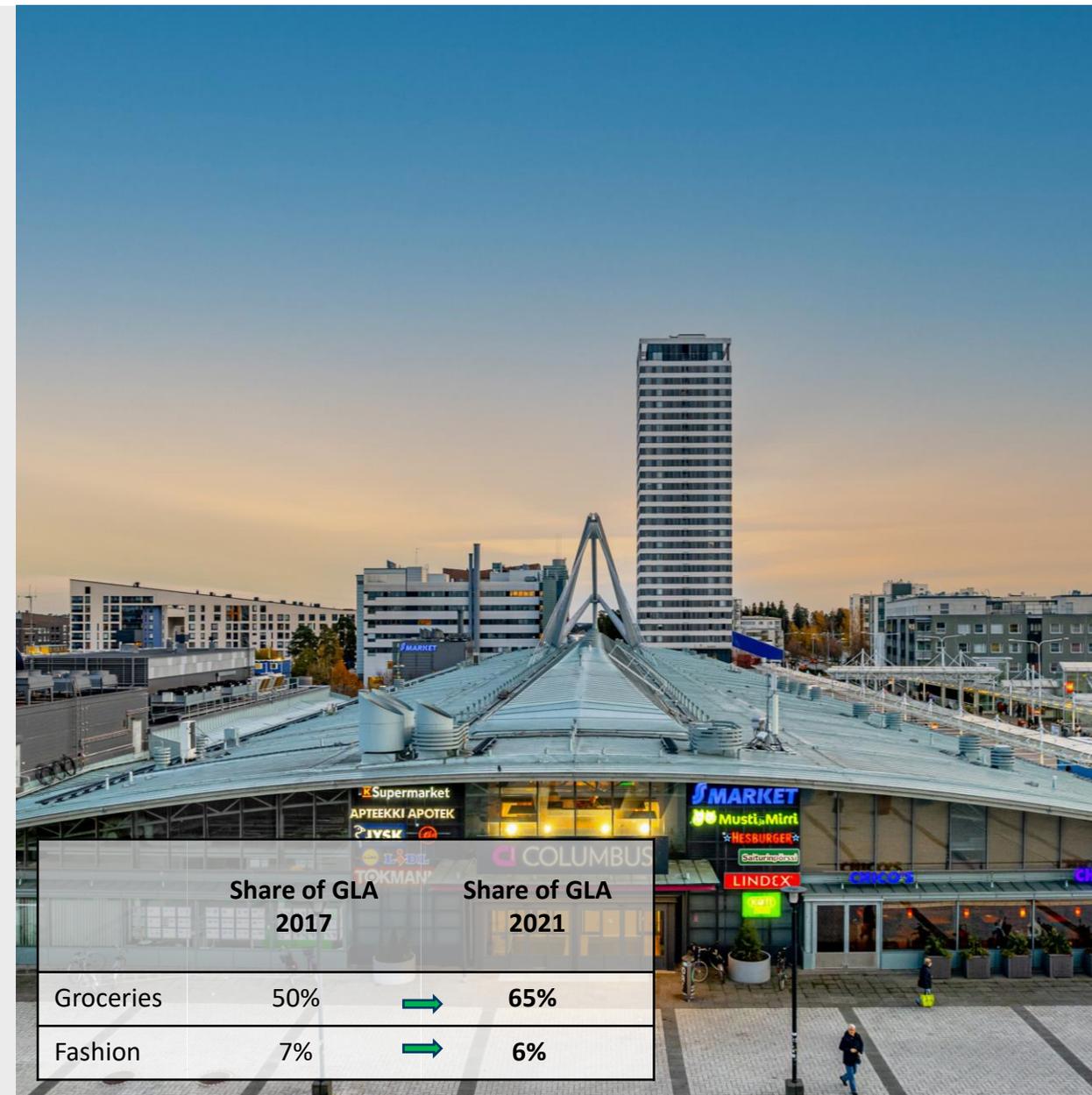
## Active leasing & asset management

- Tenant mix optimized
- Targeted and cost-efficient refurbishment
- 4MEUR value realised from divestment of adjacent plot in 2019

## Transformation into a fully necessity-based centre reflected in asset value increase

- Divested in Q3/2021 for a gross price of 106.2 mEUR, 10 mEUR above the Q4/2020 valuation

Validates demand and valuations of high-quality necessity-based Nordic real estate assets

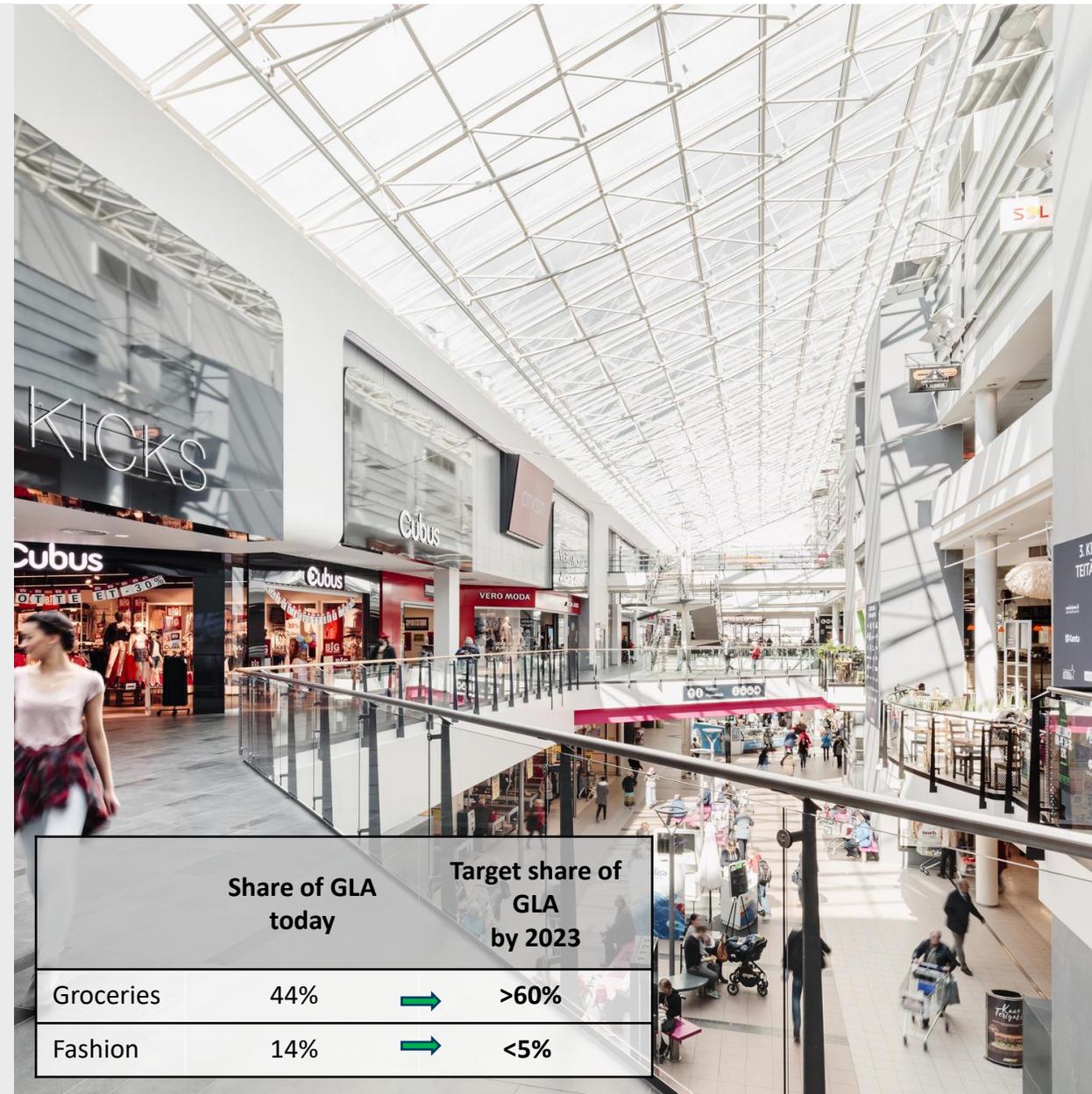
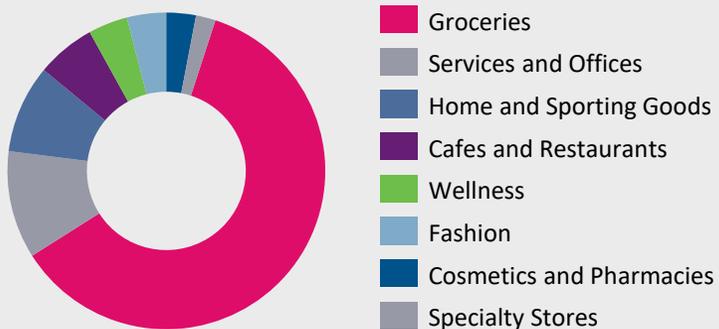


# CASE MYYRMANNI: FOCUS ON NECESSITY- BASED RETAIL

Plan to substantially increase grocery and necessity offering

- Replacing non-performing and low rent fashion tenants with daily necessities
- Stronger footfall, positive spillover effects
- Center in good position to cater to the growing residential development in the area
- Yield compression and valuation gains

## TARGET TENANT MIX AFTER THE CHANGES (% OF GLA)



	Share of GLA today		Target share of GLA by 2023
Groceries	44%	→	>60%
Fashion	14%	→	<5%

# CASE OASEN: MUNICIPALITY SERVICES AS NEW ANCHOR TENANT

## First part of the transformation completed

- 4,700 sqm health and youth services by Bergen municipality
- New entrance towards the bus terminal which will connect to the new light rail start operating in 2022
- Improved F&B offer and daily necessities

## Second part of transformation in zoning

- Adding substantial amount of residential and offices



It is important for the municipality to find locations where we can interact with the local community in a positive way. The space we have now leased is well suited to meet the municipality's needs.

- Bergen City Council's Director of Municipal Real Estate

# SEVERAL MUNICIPALITY DEALS EXECUTED AND IN THE PIPELINE

## RECENTLY EXECUTED

**TRIO, FINLAND**  
3,000 sqm City of Lahti service square

**KILDEN, NORWAY**  
600 sqm health centre by Stavanger municipality

## AND MORE TO COME

**CENTER, SWEDEN**  
10,000 sqm city hall

**CENTER, NORWAY**  
Library + extended health component

**CENTER, FINLAND**  
2,500 sqm city library



**9%**  
SHARE OF MUNICIPALITY AND HEALTH CARE TENANTS IN CITYCON'S PORTFOLIO





## CASE ISO OMENA: HYPERMARKETS EXTENDED FOR 10+ YEARS

- Prolonged leases with both hypermarkets Prisma and Citymarket
- Combined GLA 23,000 sqm
- Extensions for 10+ years
- Clear positive rent uplift on top of annual indexation
- Strong rent level in line with average rent level at Iso Omena



PRE-LEASED LEVEL OF ~80% WITH AN AVERAGE RENT OF APPROX. 29 EUR PER SQM

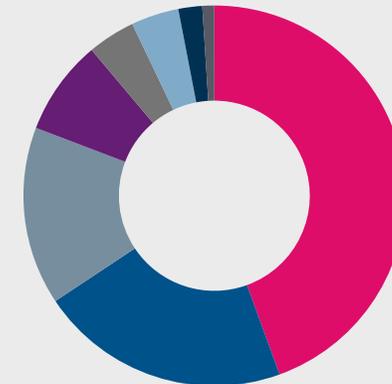
## CASE LIPPULAIVA: OUR WINNING TENANT MIX

- **Groceries:** 4 grocery stores representing 45% of GLA
- **Private and public services:** a kindergarten, public library, private health services and gym
- **F&B:** >20 restaurants
- **Fashion:** <5%, catering to daily needs



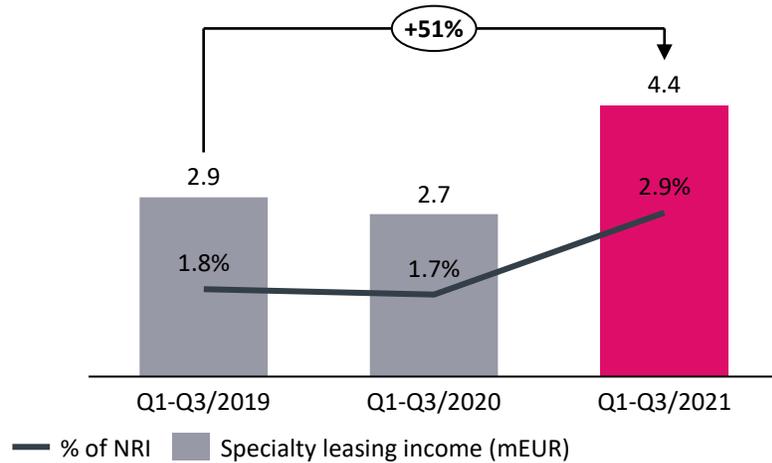
### TENANT MIX OF LIPPULAIVA

- Groceries 44%
- Services and offices 21%
- Home and sporting goods 15%
- Restaurants 8%
- Wellness 4%
- Fashion 4%
- Cosmetics and pharmacies 2%
- Speciality stores 1%



# SPECIALTY LEASING – WHAT DOES IT ADD?

## SPECIALTY LEASING INCOME DEVELOPMENT



- Great concepts impact overall atmosphere and footfall of the center
- Creates variation in the offer
- Offers retailers flexibility
- Easy start-up and less investments
- Additional income during void times



*Iso Omena, Christmas Market*

# CASE VACCINATION HUBS: ACTIVE SPECIALTY LEASING, CO-OPERATION WITH MUNICIPALITIES AND SOCIAL RESPONSIBILITY



- Covid-19 vaccination hubs established in Citycon centres
  - Finland: Iso Omena, Trio, Myyrmanni & IsoKristiina (pop-up in Koskikeskus)
  - Sweden: Åkersberga
  - Norway: Stovner
- Additional income and vacancy reduction
- Increased footfall
- Co-operation and relationship building with municipalities
- Responsible neighbor: improved access to vaccine for citizens to accelerate vaccination rates

**>2,000 sqm**

Vacancy reduction during covid times

**>0.5 mEUR**

Direct additional income created (p.a.)

# CASE CARHUB: CREATING NEW LEASABLE AREA



- New service center for car owners established in Kista Galleria
- Offering versatile, easily accessible car service in the parking garage
- Successful concept to be copied to our centres in the Nordics

**Value creation trough new leasable area and improved services for the customer**



# CAPITALIZING ON SYNERGIES FROM OTHER ASSET CLASSES

- Lower risk and lower blended yield
- Creating an ecosystem and life 24/7
- Increased densification creates more footfall
- Newly built apartments increase purchasing power
- Control over area development
- More demand for daily services and quality F&B in line with our strategy







# Environment

**TARGET: CARBON NEUTRAL BY 2030**



# Social

**TARGET: CONVENIENT AND SAFE FOR VISITORS,  
CUSTOMERS AND PERSONNEL**



# Governance

**TARGET: TRANSPARENT AND COMPLIANT PROCESSES**

# OPERATIONAL EFFICIENCY IN ACTION (1/2)

## Hybrid procurement model

- Optimal fit between locally vs centrally managed procurements
- Enable focusing on core asset management expertise

## Pan-Nordic frame agreements

- Company wide scale benefits both in terms of quality and price
- Enable efficient vendor management with enhanced service levels
- Enable more standardized contractual risk management

**Positive experiences in centralized procurement of core services and harmonization of certification processes.**



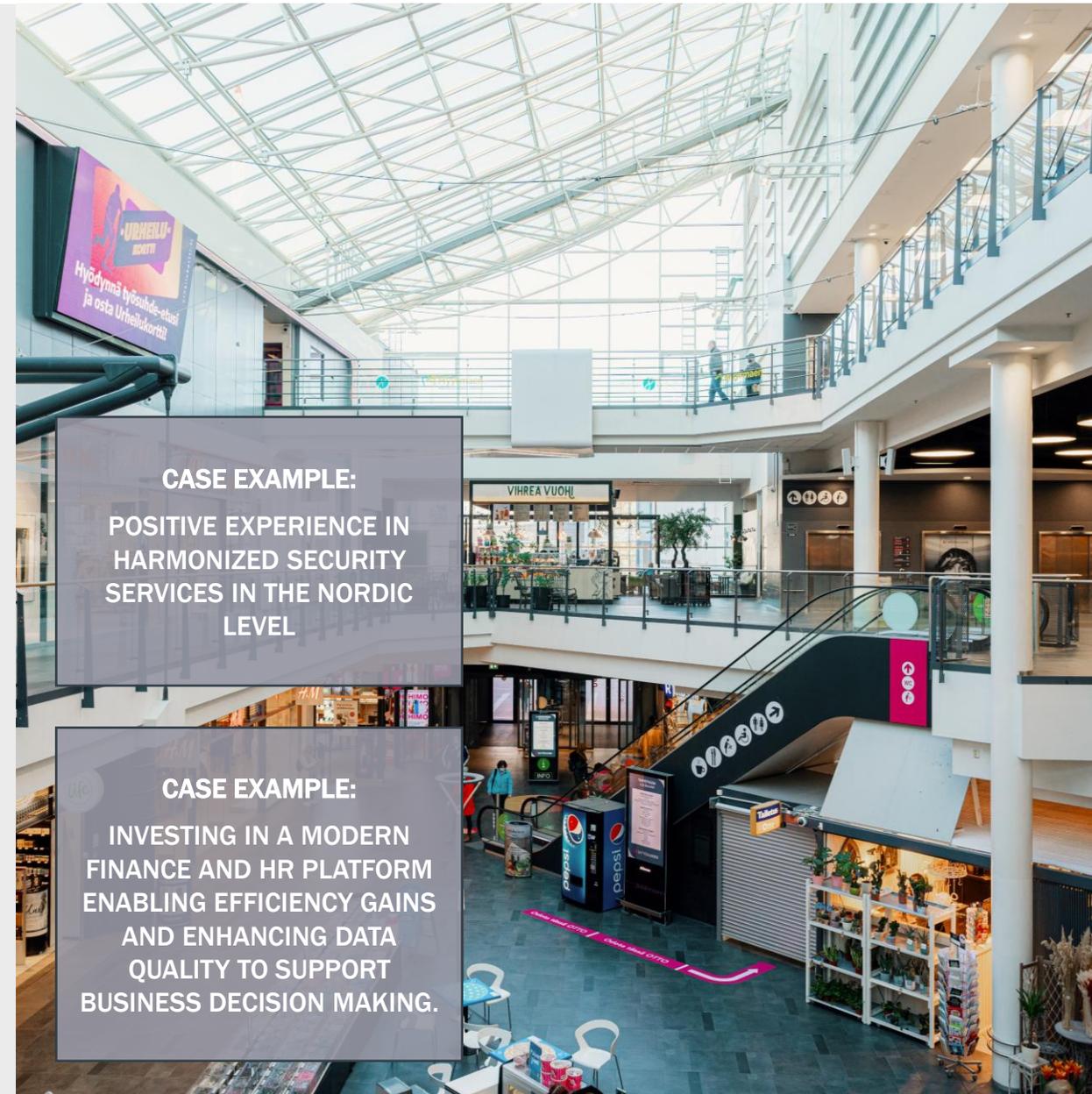
# OPERATIONAL EFFICIENCY IN ACTION (2/2)

## Harmonized processes

- Sharing best practices, learnings and harmonization of processes
- Built-in efficiencies and quality levels

## Putting systems and data to work

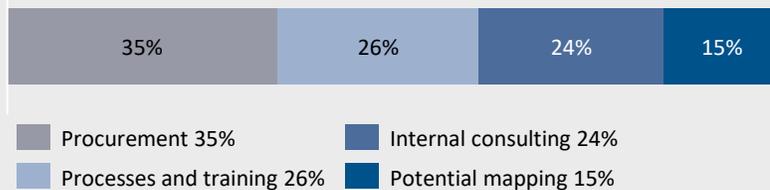
- Harmonized system landscape enabling efficient ways of working
- Continuously develop our systems to support the business needs through business partnering process
- Harness data for enhanced business decision making by improving quality and timeliness of relevant data



# ENSURING FUTURE OPERATING EFFICIENCY

- Building long-term innovative partnerships producing sustainable value for all parties
- Seeking for proactive and positively challenging partners with top expertise
- Enabling piloting of new innovative solutions for services and maintenance among the forerunners in our industry
- Project pipeline for 2021 includes 62 different projects

PROJECT PIPELINE 2021 PER AREA



**CASE EXAMPLE:**  
POSITIVE EXPERIENCE IN INNOVATIVE WASTE MANAGEMENT SYSTEM IN FINLAND WITH TOTAL SAVINGS PER YEAR OVER 100K€

# ENSURING SUSTAINABLE FUTURE OPERATIVE ENVIRONMENT - RETROFITTING

Since 2014, we have reduced energy consumption by 15% through a large number of smaller energy investments, such as air handling unit renewals, improving ventilation heat recovery, and changing to led lights.

# CASE: DOWNTOWN IN PORSGRUNN, NORWAY

## World's largest solar park with snow melting technology

- 3,670 panels, 1,138 kWp 8,000 sqm
- Annual electricity production (2020): 916 MWh
- Producing annually energy equivalent to the consumption of approx. 100 apartments covering 15% of the centre's energy needs
- Investment 1.4 mEUR
- IRR: 7%
- Also, no longer a need for manual snow shoveling from roof tops translating into improved safety and cost savings



We have solar panels in 6 centers, adding 4 centers by end of 2021, producing **4,3 GWh** of solar electricity per year.





Liljeholmstorget Galleria, Sweden



Iso Omena, Finland



Koskikeskus, Finland

Down Town, Norway



Myrmani, Finland



SUSTAINABILITY KEY FIGURES		
<b>-73%</b> GREENHOUSE GAS INTENSITY FROM BASELINE 2014 (KGCO <sub>2</sub> E/SQM)	<b>-15%</b> ENERGY INTENSITY FROM BASELINE 2014 (KWH/SQM)	<b>-74%</b> CLIMATE CHANGE IMPACT FROM BASELINE 2014 (TCOE)
<b>77%</b> BREEAM IN-USE CERTIFIED SHOPPING CENTRES MEASURED BY FAIR VALUE %	<b>56%</b> SHARE OF SHOPPING CENTRE WITH YOUTH COOPERATION PROJECTS HELD	<b>388</b> COMMUNITY ENGAGEMENT EVENTS HELD
<b>100%</b> SHARE OF SHOPPING CENTRES ACCESSIBLE BY PUBLIC TRANSPORT	<b>4,374</b> BICYCLE PARKING SPACES	<b>100%</b> SHARE OF RENEWABLE ELECTRICITY USED FOR OWN CONSUMPTION



**Zero Energy Building**

with heating and cooling from carbon-free geothermal energy

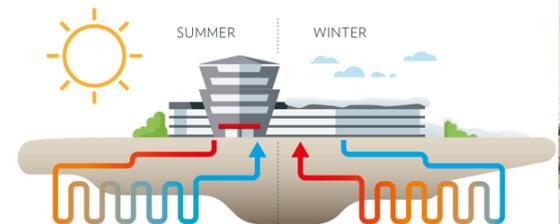
Sustainability in the core of property development

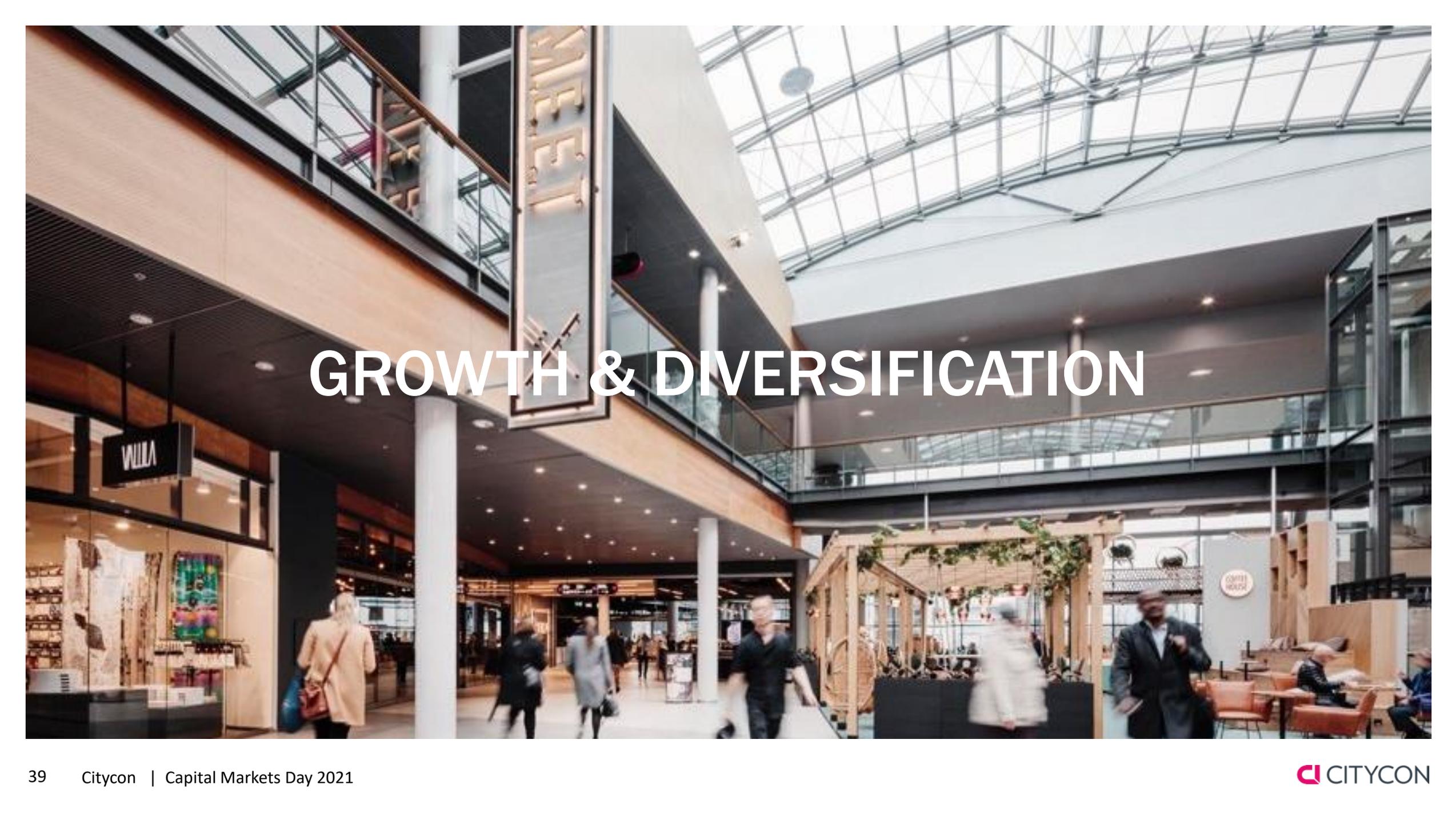
Target: **carbon neutral Citycon by 2030**

**Novel energy storage system**

including PV panels and electric battery with access to demand response market

- ▶ **Over 51 km of energy wells**
- ▶ **Heating capacity 4MW**
- ▶ **Utilizing excess heat from grocery stores**





# GROWTH & DIVERSIFICATION



# PROGRESS ON THE DEVELOPMENT FRONT

- Strengthened organisation to transform ideas into approved zoning and project execution
- Lippulaiva will open in 2022 showcasing our Urban Hub strategy
- Grew the value of the identified building rights currently in progress from ~220 mEUR to ~275 mEUR
- Divested three asset in Sweden and one in Finland with total value of 253 mEUR
- Initiated discussions with multiple potential JV partners on future collaboration

# HIGHLY SKILLED AND EXPERIENCED PAN-NORDIC TEAM WITH SIGNIFICANT DEVELOPMENT EXPERTISE



**Veronica Palmgren**  
Development  
Director SE



**Dag Helge Setekleiv**  
Development  
Director NO



**Katrina Penttinen**  
Development  
Director FI



**Kaveh Feliciano**  
Development  
Director Residential



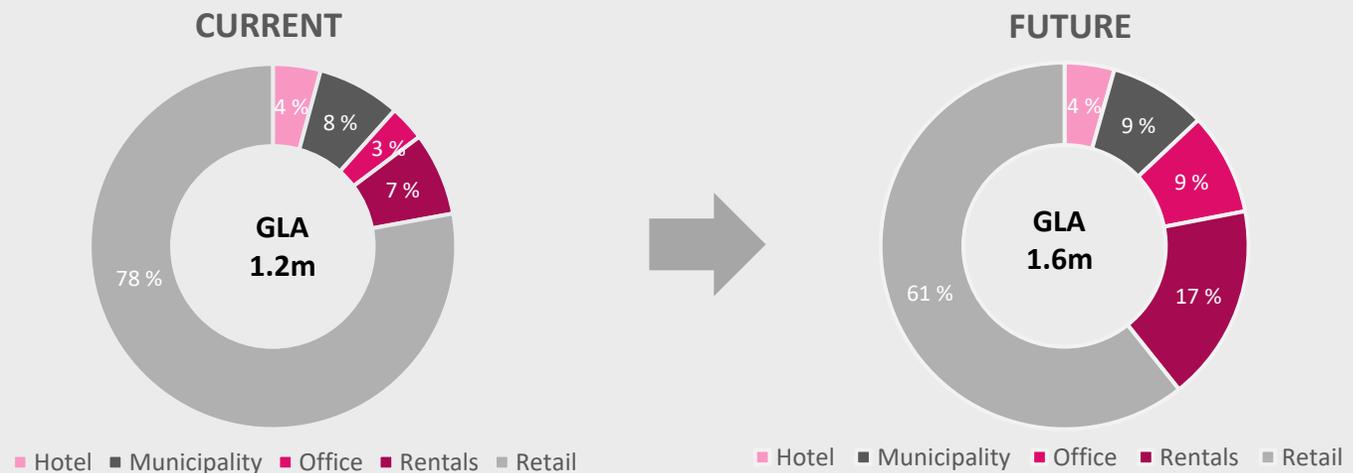
**Mikko Hentinen**  
Head of Transaction

OVER 75 YEARS OF DEVELOPMENT EXPERTISE



## SUBSTANTIAL DEVELOPMENT RIGHTS TO DRIVE VALUE CREATION

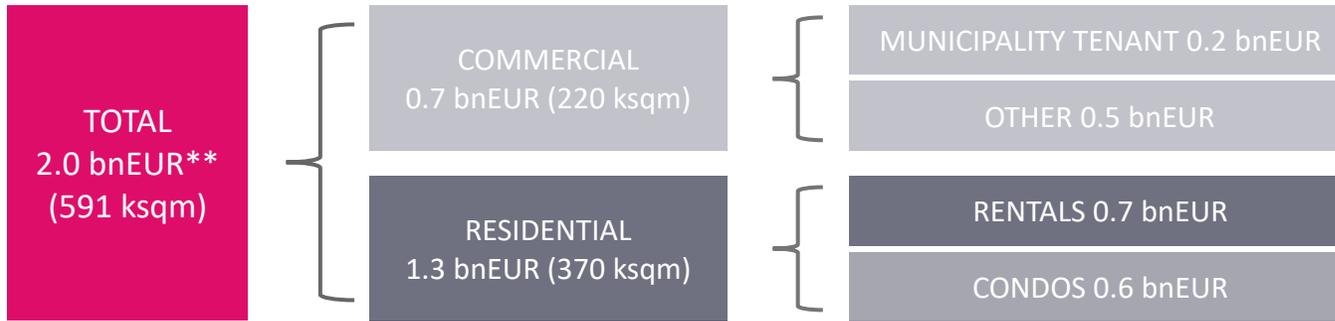
- Experienced development team of 20 professionals.
- Possibility to execute development projects on our own / as JV / or sell the building rights.
- Identified building rights potential of 591\*ksqm in connection to the existing assets, an organic route to diversify through own asset development.
- Value potential from our building rights has increased along with decline in cap rates.
- Value is created already during the zoning phase, identified total building right value potential of 275 mEUR.



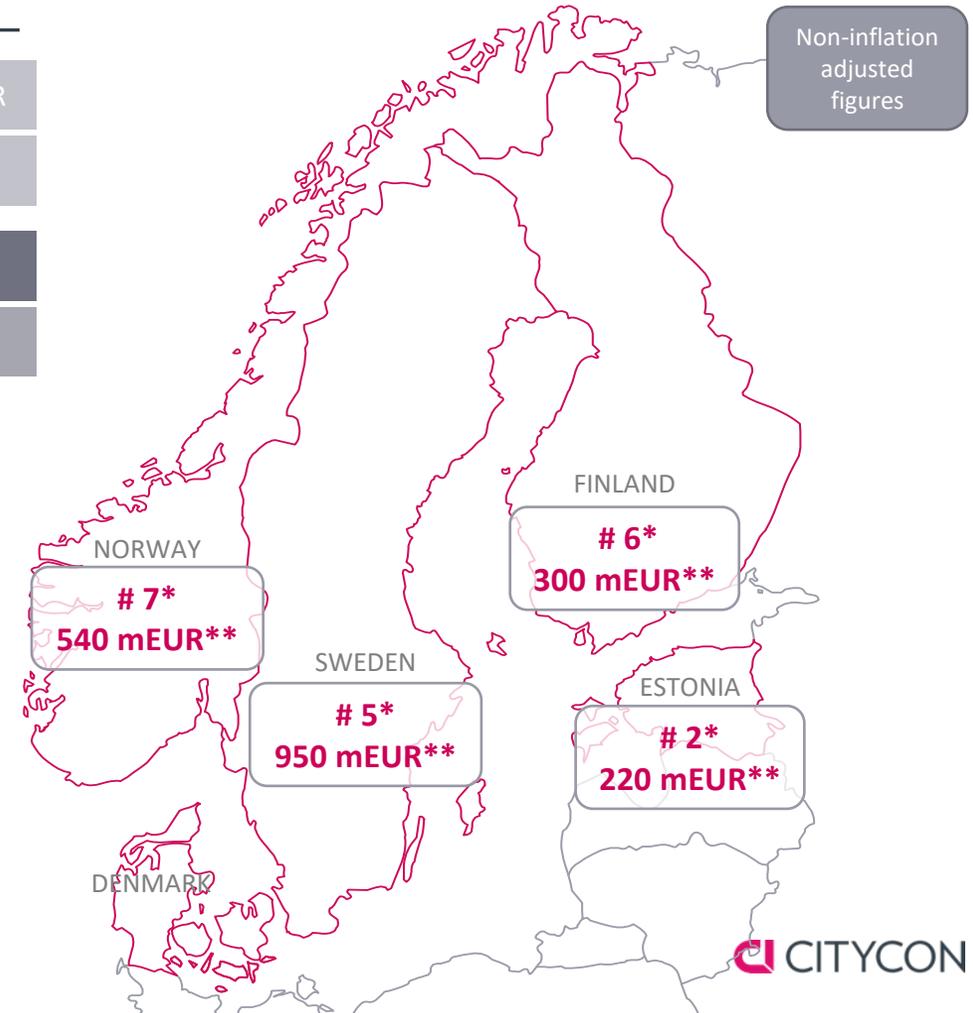
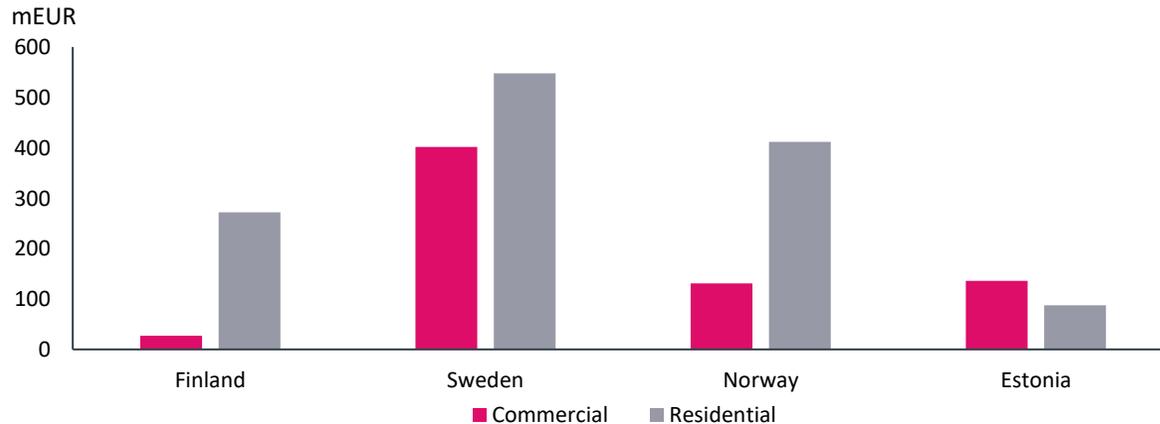
\*Including condos

# THE PORTFOLIO INCLUDES 20 POTENTIAL DEVELOPMENT SITES WITH A TOTAL GLA OF 590KSQM

## DEVELOPMENT PORTFOLIO COMPOSITION CAPEX & GLA



## IDENTIFIED DEVELOPMENT OPPORTUNITIES BY COUNTRY



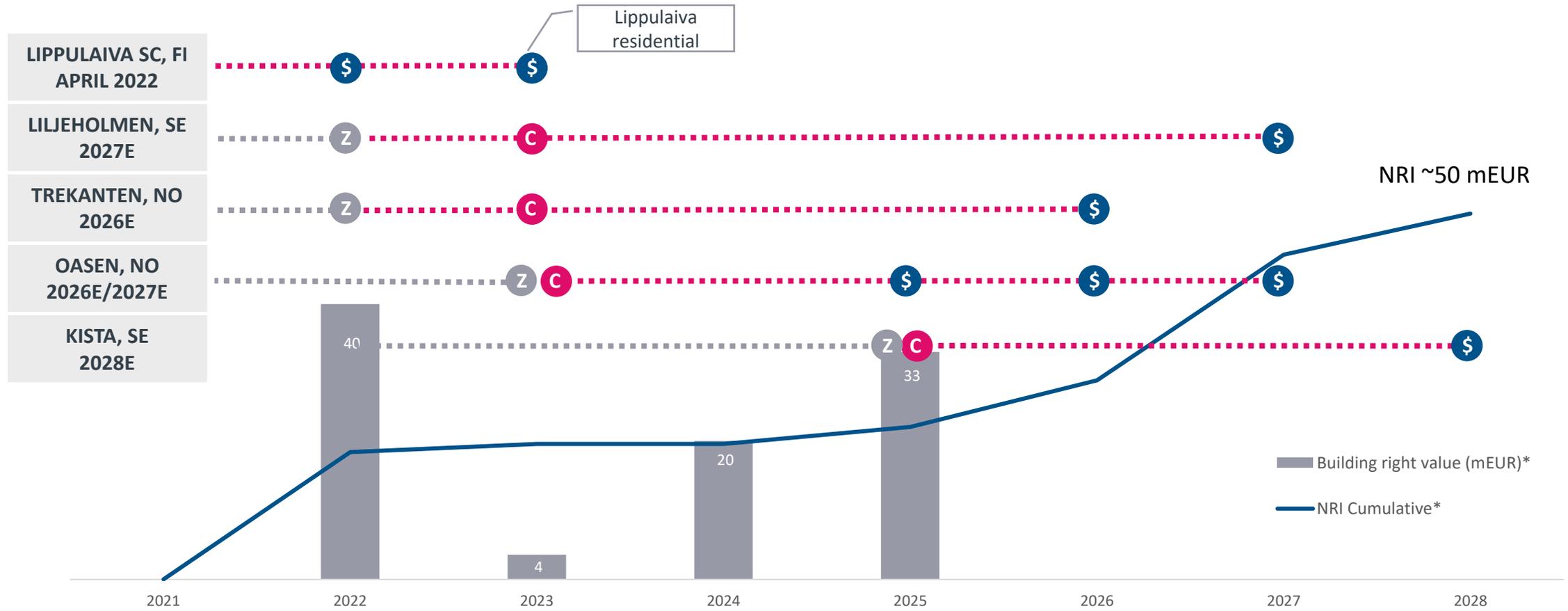
# DEVELOPMENT PROJECT PIPELINE – THREE CATEGORIES

The Big Five	Residentials + condos	Earlier Stages of Zoning Process
<p><b>LARGER-SCALE DEVELOPMENT PROJECTS UNDER CONSTRUCTION OR IN ADVANCED PLANNING PHASE</b></p> <p>These projects will require a lot of focus and internal work</p> <ul style="list-style-type: none"> <li>• <b>Lippulaiva*</b> – Under construction</li> <li>• <b>Liljeholmen</b> – Ongoing zoning</li> <li>• <b>Oasen</b> – Ongoing zoning</li> <li>• <b>Trekanten</b> – Ongoing zoning</li> <li>• <b>Kista</b> – Planning phase</li> </ul>	<p><b>VARIOUS PROJECTS WITH APPROVED ZONING OR IN PLANNING PHASE</b></p> <p>Option to reduce investments/ labor costs assumed by Citycon by using e.g. JV/partner models</p> <ul style="list-style-type: none"> <li>• <b>IsoMyyri (Resi Part)</b> – Ongoing zoning</li> <li>• <b>Stenungstorg (Resi Part)</b> – Existing building rights + zoning</li> <li>• <b>Kongssentret (Resi)</b> – Planning, pre-zoning</li> <li>• <b>Down Town</b> – Planning, pre-zoning</li> <li>• <b>Kista (Resi Part)</b> – Planning phase</li> <li>• <b>Oasen (Resi Part)</b> – Ongoing zoning</li> </ul>	<p><b>MOST PROMISING PROJECTS IN IDEA GENERATION PHASE AND SMALLER PROJECTS IN DIFFERENT PHASES</b></p> <p>Examples:</p> <ul style="list-style-type: none"> <li>• <b>Rocca al Mare</b> (Extension)</li> <li>• <b>Linderud</b> (Redevelopment)</li> <li>• <b>Magasinet</b> (Refurbishment + Long-stay Hotel)</li> <li>• <b>Kristiine</b> (Office)</li> <li>• <b>Åkersberga</b> (Office + Municipality + Retail)</li> <li>• <b>Heikintori</b> (Office)</li> </ul>
<p><b>TOTAL CAPEX 0.7 bnEUR**</b></p>	<p><b>EST TOTAL CAPEX 1.0 bnEUR**</b></p>	<p><b>EST TOTAL CAPEX 0.3 bnEUR**</b></p>

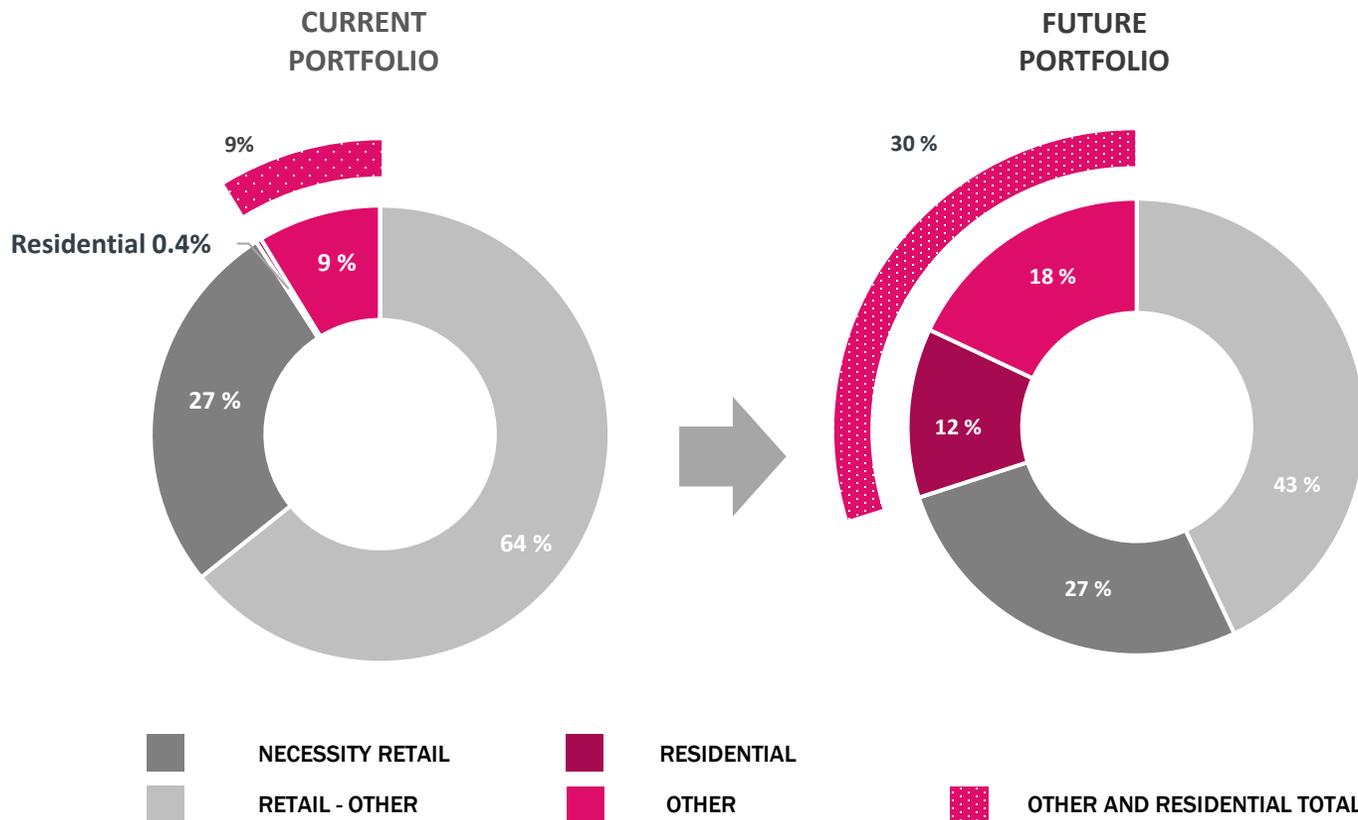
\* Lippulaiva is the only project with an approved investment proposal. Management will seek Board approval for any other large-scale projects once the development plans are advanced.

\*\* Costs and income projections shown herein are projections; further design and planning work would be required to have more accurate estimates

# DEVELOPMENT PORTFOLIO BIG FIVE PROJECTS COMING LIVE



# EXECUTION OF THE FULL ORGANIC PORTFOLIO DIVERSIFICATION POTENTIAL WOULD REDUCE RETAIL NRI EXPOSURE BY -21%

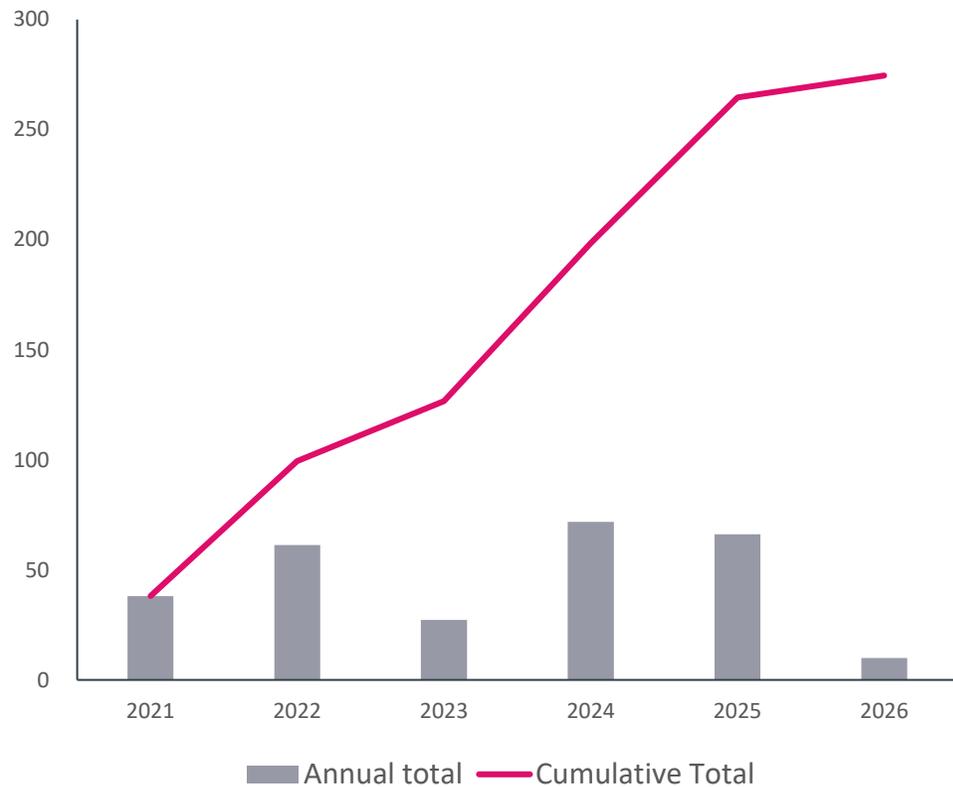


## DEVELOPMENT PORTFOLIO NRI POTENTIAL

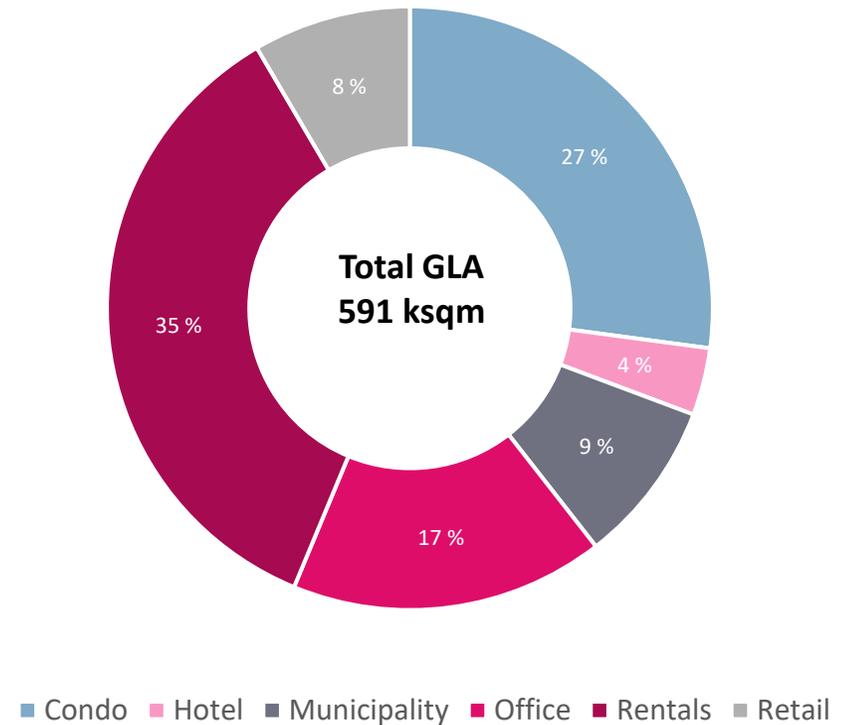
- Execution of all identified projects in the development pipeline with a total GLA of 0.4m\* sqm would clearly shift Citycon's assets towards a mixed used portfolio.
- The proportion of retail would decrease from 91% to 70%.
- In addition to increasing GLA, these investments would therefore diversify the retail asset class exposure, increase cash flow stability, reduce risk and yields and increase the portfolio value.

# BUILDING RIGHT VALUE REALIZATION TIMELINE

BUILDING RIGHT VALUE REALIZATION (mEUR)\*

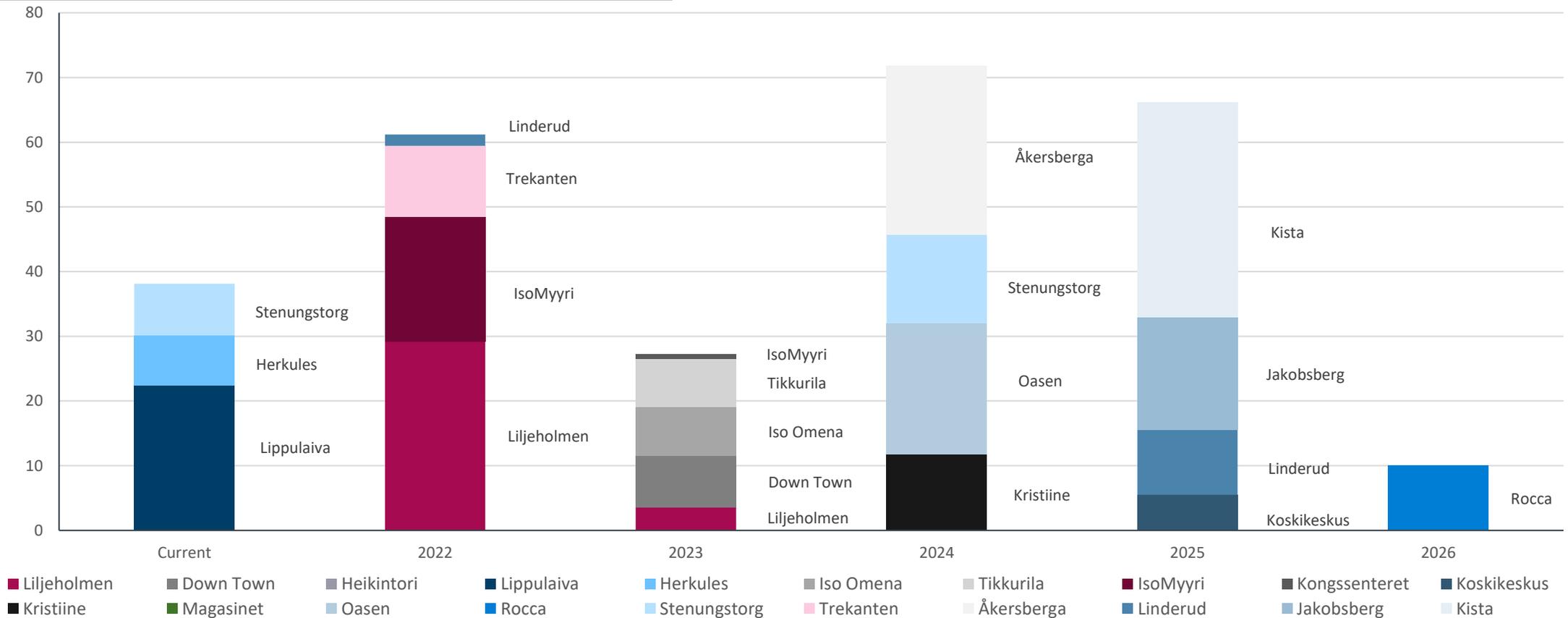


BUILDING RIGHT COMPOSITION BY CATEGORY (GLA)



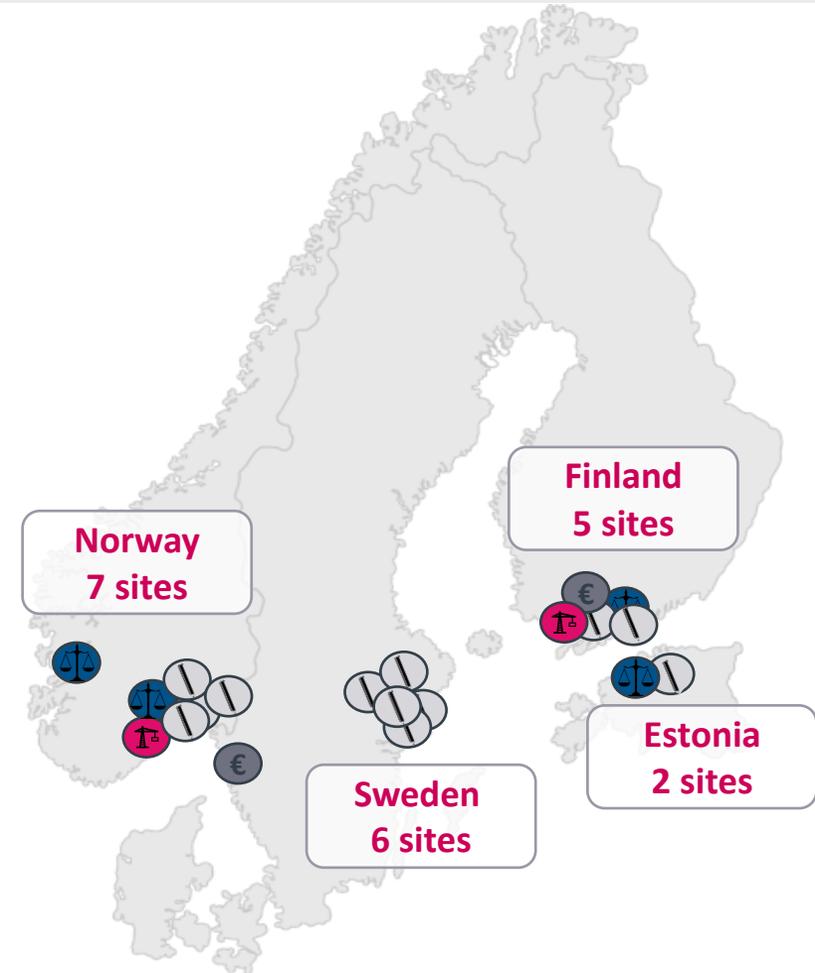
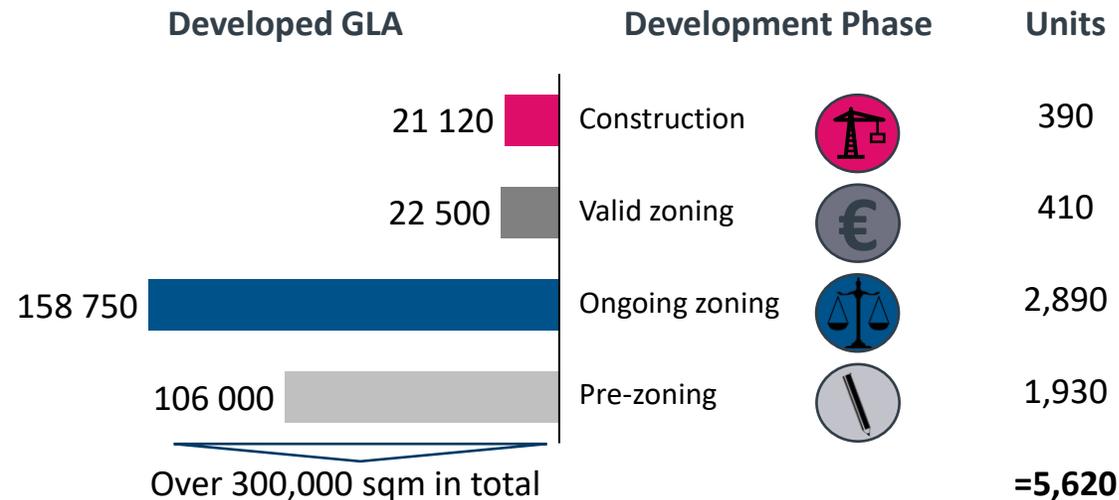
# BUILDING RIGHT VALUE REALIZATION BY ASSET

BUILDING RIGHT VALUE REALIZATION BY ASSET (mEUR)\*



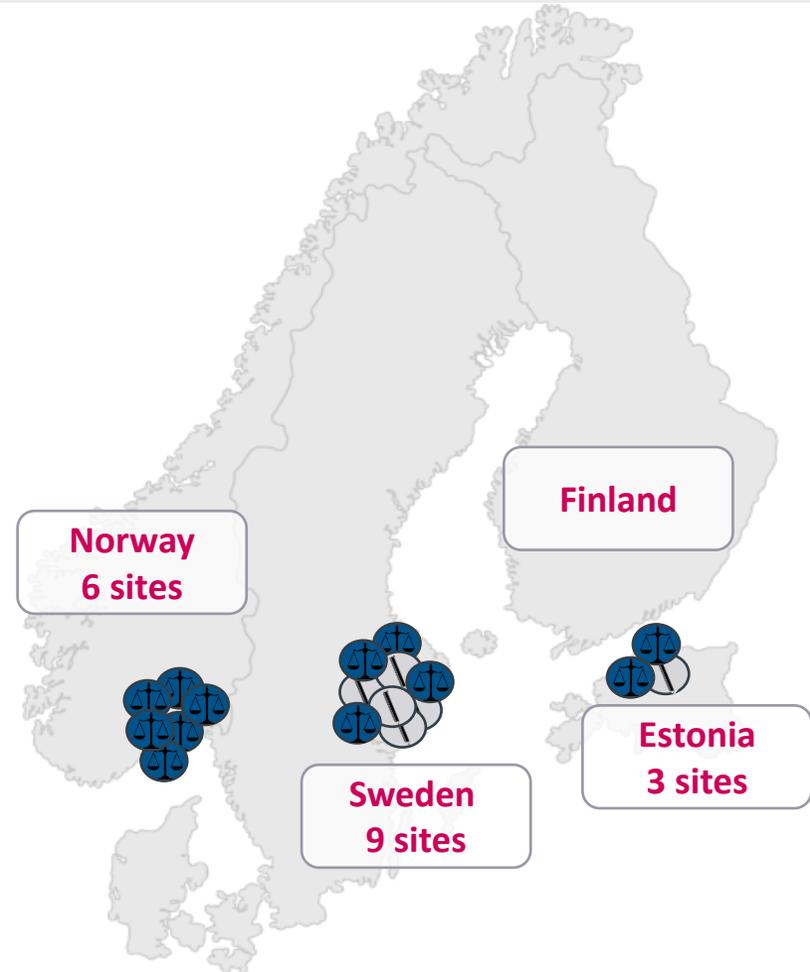
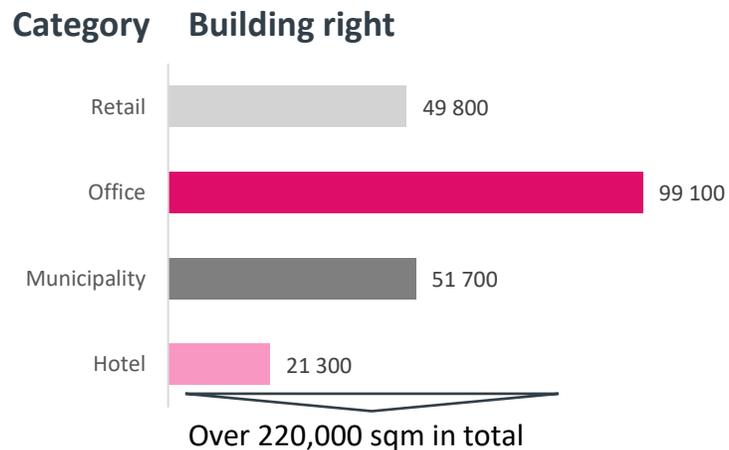
# RESIDENTIAL DEVELOPMENTS ACROSS THE NORDICS

- Citycon has created a significant residential development pipeline of 20 projects with > 300,000 sqm and ca 5,600 units.
- The majority of the projects either have a valid zoning or have entered the zoning phase.
- The projects are distributed across the operating countries and cities, the emphasis being in Stockholm MA.



# OTHER COMMERCIAL DEVELOPMENTS ACROSS THE NORDICS

- In addition to the strong residential pipeline, Citycon has several opportunities to develop offices, hotels and retail premises.
- Since most of the assets are located in local traffic hubs, they serve as a natural location for the synergetic asset classes.
- Especially Offices and Hotels can be structured as single user assets. Combined with long lease terms, they offer a solid and predictable rental income profile.



# LIPPULAIVA – A GREAT EXAMPLE OF HOW WE EXECUTE OUR STRATEGY



- Retail part to be opened in spring 2022, residential buildings ready 2022-2024, estimated metro opening 2023.
- The centre will be integrated to the new Western metro and complemented by a bus terminal.
- Leasable area of 44,000 sqm which is double compared to the old demolished center.
- Up to 8 residential buildings with around 575 apartments, 400 will be developed as rentals by Citycon.
- App 1,700 parkings.
- App 80% leasing rate and negotiations ongoing for the remaining 20%.
- Strong growth in the catchment area.

# LIPPULAIVA TODAY









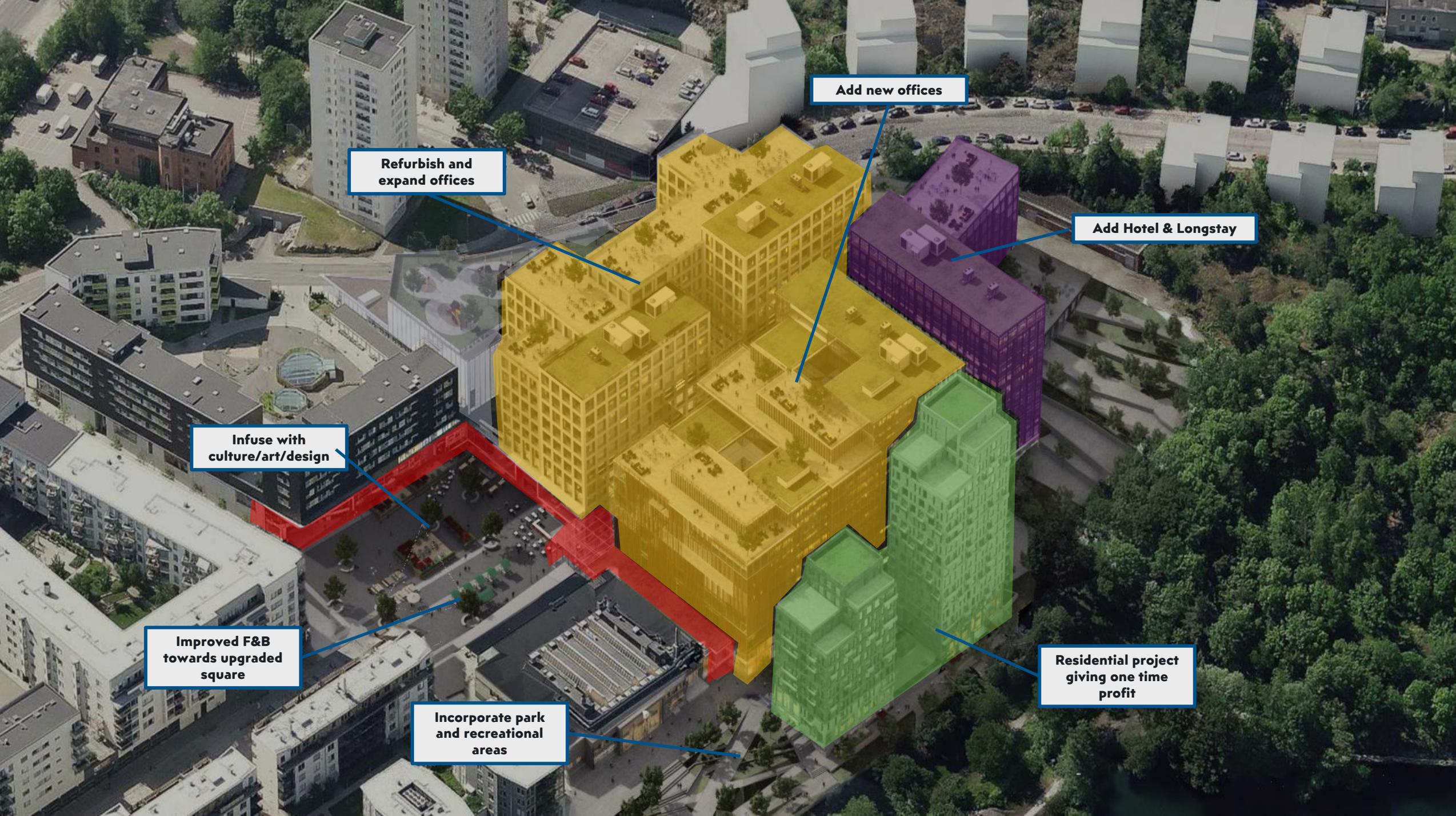
AIVA



# LILJEHOLMEN TODAY



- 10 minutes from central Stockholm in a growing neighbourhood
- 9.8 million visitors annually
- Catchment area 150,000 inhabitants
- Catchment area growth with 20% to 2030
- Integrated to public transportation
- Significant service and health care offering.



**Add new offices**

**Refurbish and expand offices**

**Add Hotel & Longstay**

**Infuse with culture/art/design**

**Improved F&B towards upgraded square**

**Incorporate park and recreational areas**

**Residential project giving one time profit**



- Mixed-use urban development project for office, hotel, residences and complementary F&B and retail.
- Up to 100 apartments, 7,000 sqm
- Direct connection to metro, several tram and bus lines.
- Zoning estimated to be approved late 2022.
- Construction start 2023.
- BR Value ~33 mEUR
- GLA office 30,000 sqm
- GLA hotel 10,000 sqm
- GLA healthcare 15,000 sqm

# TREKANTEN TODAY



- Excellent location in the city center of Asker, Oslo area,
- 3.5 million visitors annually
- Catchment area 120,000 inhabitants
- Catchment area growth with 20% to 2040
- Excellent connected to the 5:th busiest transportations hub in Norway.







- Mixed-use urban development project for office and hotel on top of existing center.
- Zooning estimated to be approved late 2022.
- Construction start 2023.
- BR Value ~11 m€
- GLA office 13,000 sqm
- GLA hotel 10,500 sqm
- Extension plans aim to create a new urban cityscape street in the centre and also improve the circulation



## ACCELERATION OF TRANSFORMATION WITH ACQUISITIONS & DIVESTMENTS

- Acquisitions can speed up portfolio diversification and function as an additional source for growth, if done accretively.
- Our **acquisition** efforts are focused on:
  - enhanced deal sourcing and analysis to cover a wider spectrum of companies and asset classes.
  - analysing market participants to find win-win partnerships, which could translate into a) better access to targets, and b) improved prices to transact with
  - monitoring the market for contrarian opportunities on grocery anchored retail with development opportunities.
- The **divestment strategy** is flexible with a variety of potential reasons to divest:
  - a) sale of non-core assets
  - b) funding of other investments
  - c) swapping high quality assets or using them as a strategic medium of exchange.
- Currently we see that:
  - a) the transaction volume and appetite has recovered from covid
  - b) the demand for specific, necessity-based assets is strong.

# CAPITAL ALLOCATION IS BASED ON A STRUCTURED INVESTMENT PROCESS AND PRE-DEFINED INVESTMENT CRITERIA

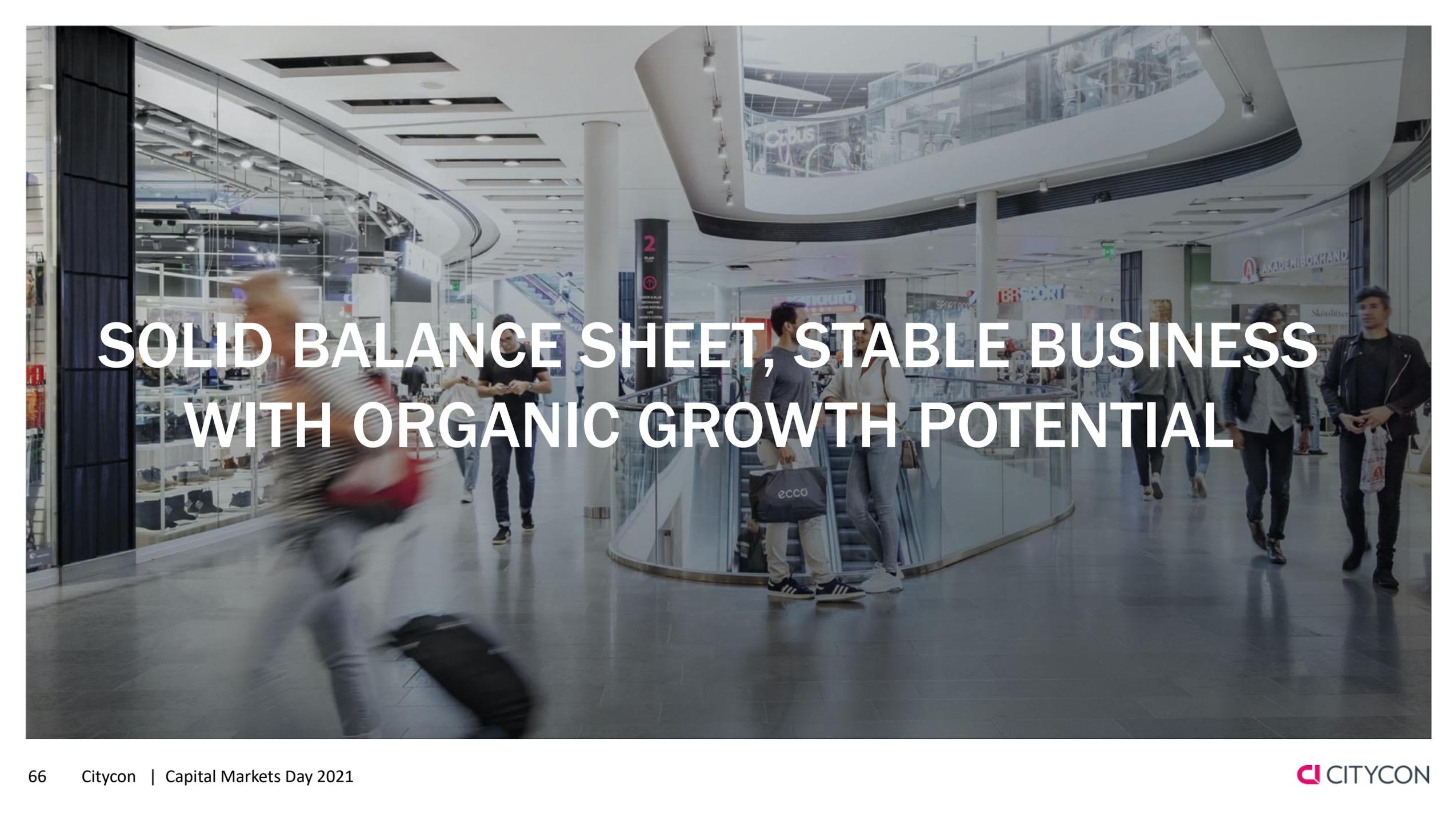
## CITYCON INVESTMENT CRITERIA

### ASSET CLASS & LOCATION

- ✓ Asset class expertise
- ✓ Top 1-2 cities\* in the countries
- ✓ Public transportation
- ✓ Growing areas
- ✓ Irreplaceable location
- ✓ Operational synergies

### ASSET / PORTFOLIO

- ✓ NRI uplift through refurbishments/market demand
- ✓ Development potential (building rights/investments in existing assets)
- ✓ Minimum asset/portfolio size of 50 mEUR
- ✓ Optimal/ flexible unit mix



**SOLID BALANCE SHEET, STABLE BUSINESS  
WITH ORGANIC GROWTH POTENTIAL**

# EERO SIHVONEN

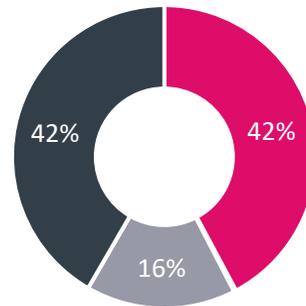
## CFO, EVP



# FROM A FINANCIAL PERSPECTIVE, WHERE ARE WE TODAY?

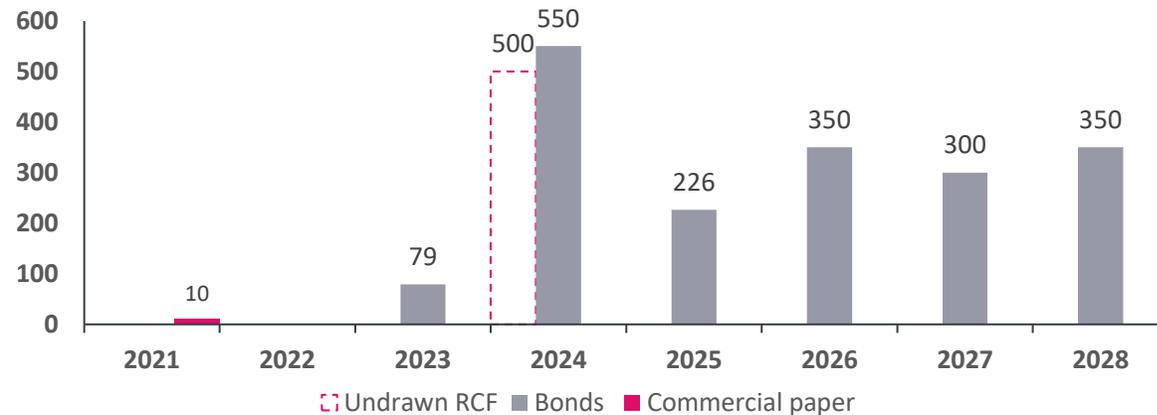
## IMPROVED CREDIT PROFILE AND A STRONGER, MORE FLEXIBLE BALANCE SHEET

- No material maturities thru 2024
- 4.4 years weighted avg maturities
- 2.40% weighted avg interest rate



■ Bonds ■ Hybrid bonds ■ Equity

## WELL LADDERED MATURITIES (mEUR)



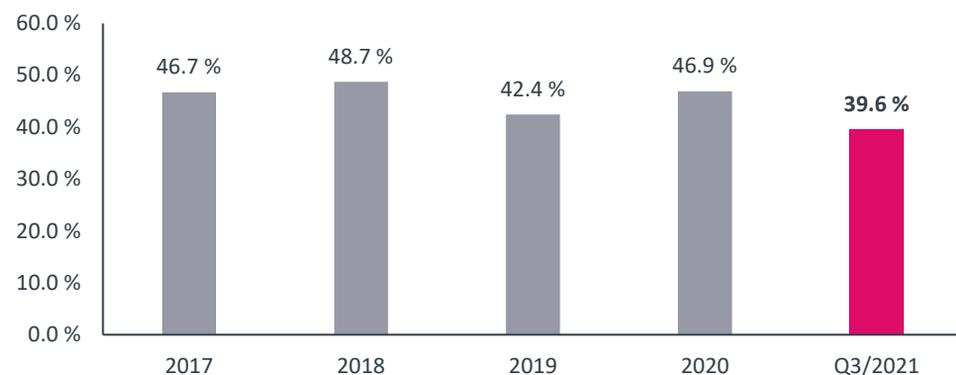
Total available liquidity  
**573 mEUR**

Investment grade ratings  
Moody's - Baa3 (Stable)  
S&P - BBB- (Stable)  
Fitch - BBB- (Stable)

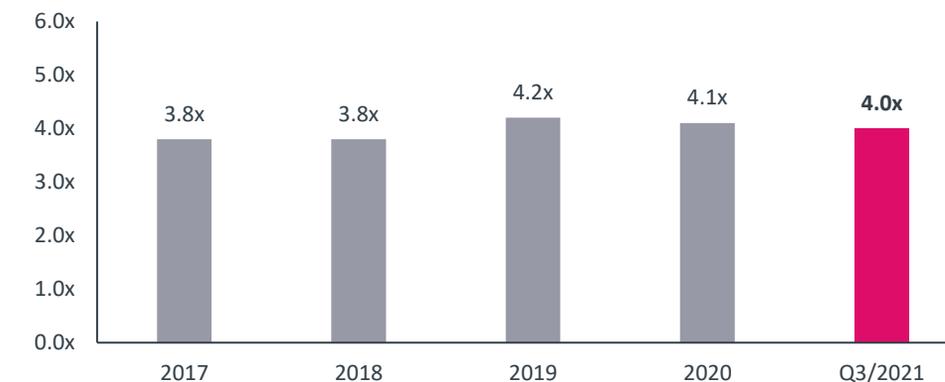
Unencumbered assets  
**100%\***

# INVESTMENT GRADE COMPANY WITH LOW COST OF DEBT AND IMPROVING OPERATING OUTLOOK

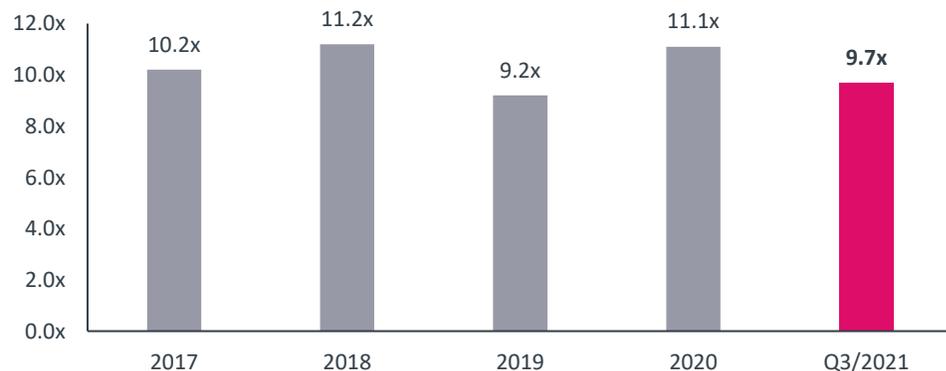
## LOAN TO VALUE (IFRS)



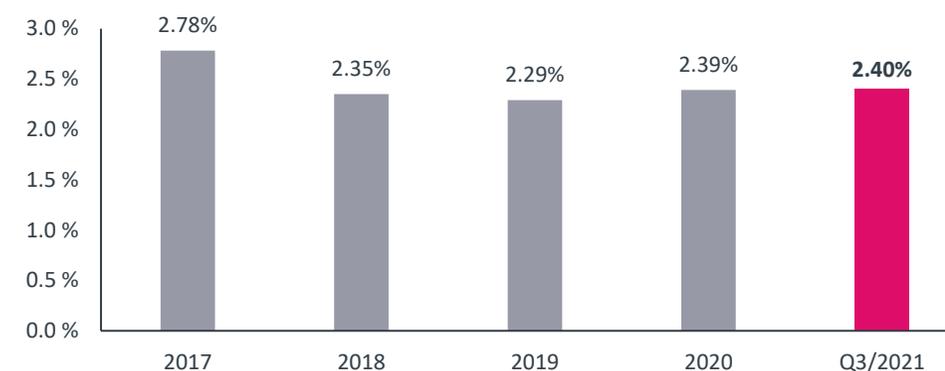
## INTEREST COVERAGE RATIO



## NET DEBT TO EBITDA



## WEIGHTED AVERAGE INTEREST RATE



# MULTIPLE FUNDING SOURCES AVAILABLE

- EMTN program
  - Bond issuances
- Hybrid issuances
- Bank debt
  - Secured loans
  - Credit facility (RCF)
- Commercial paper
- Asset sales

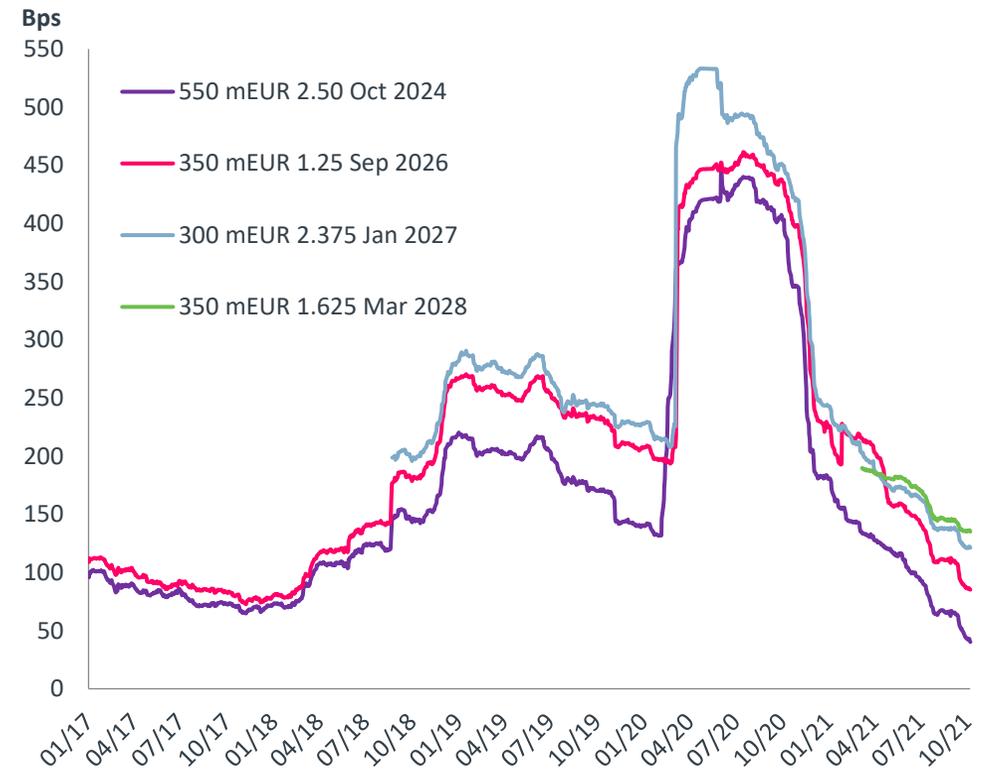


# INVESTMENT GRADE BOND ISSUER

UNDERLYING INTEREST RATES REMAIN HISTORICALLY LOW

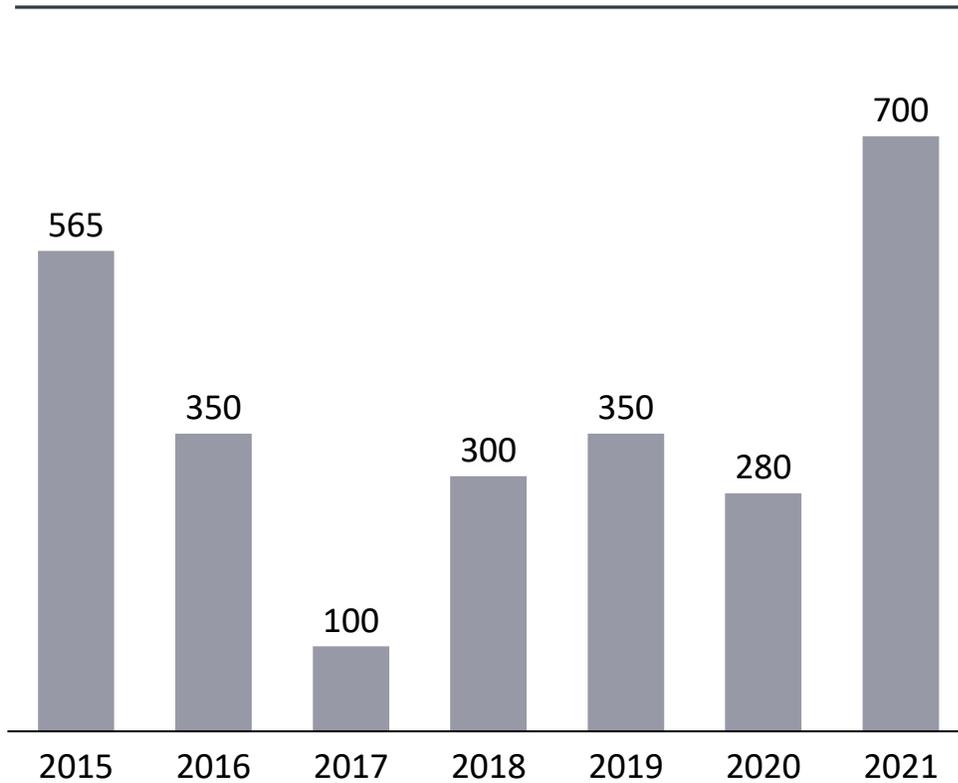


CITYCON SPREADS HAVE TIGHTENED SINCE SUMMER 2021



# CONSISTENTLY ACTIVE CAPITAL MARKETS PRESENCE

BOND AND HYBRID ISSUANCES SINCE 2015 (mEUR)



## STEPS TAKEN TO IMPROVE THE BALANCE SHEET:

- HYBRID ISSUANCE
- CP PAYDOWN
- REDEMPTION OF THE 2022 NOTES

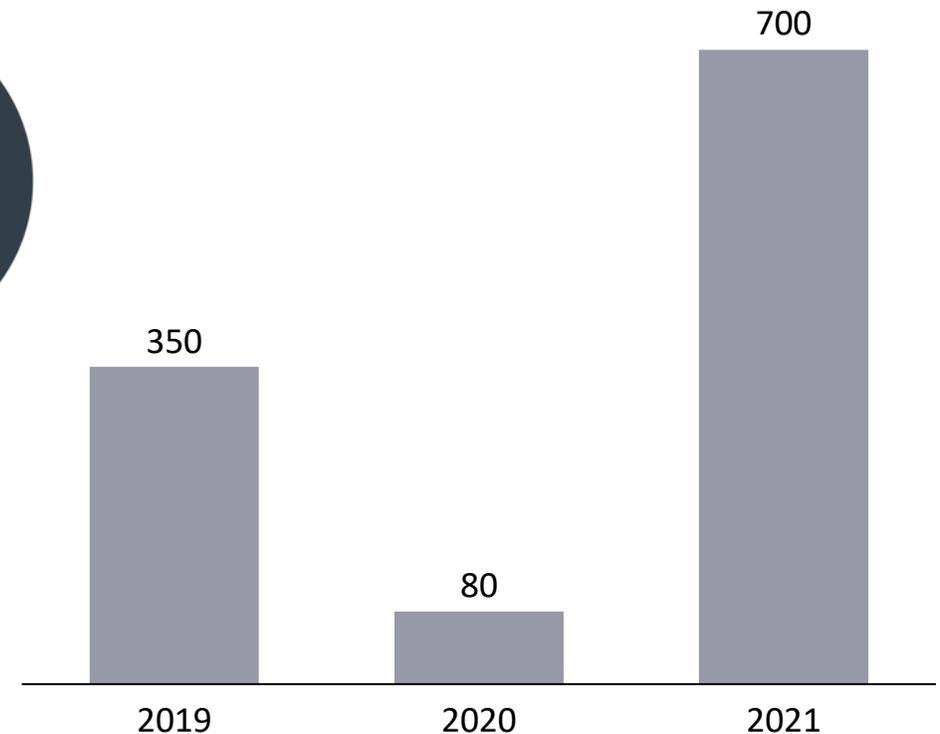
FOLLOWING JUNE 2021 HYBRID ISSUANCE, STABLE  
OUTLOOK FROM ALL THREE RATING AGENCIES

# ONE OF THE EARLIEST NORDIC REAL ESTATE COMPANIES COMMITTED TO SUSTAINABLE FINANCING

- Citycon's green financing framework supports transition to sustainable, low carbon economy
- Investor demand has demonstrated widespread appeal of the instruments
  - Additional demand results in larger order books
  - **5-10 bps lower borrowing costs**
- Sustainability linked revolving credit facility
  - Margins reduced by achieving main environmental targets
- Investigating green equity, one of the first in the Nordics

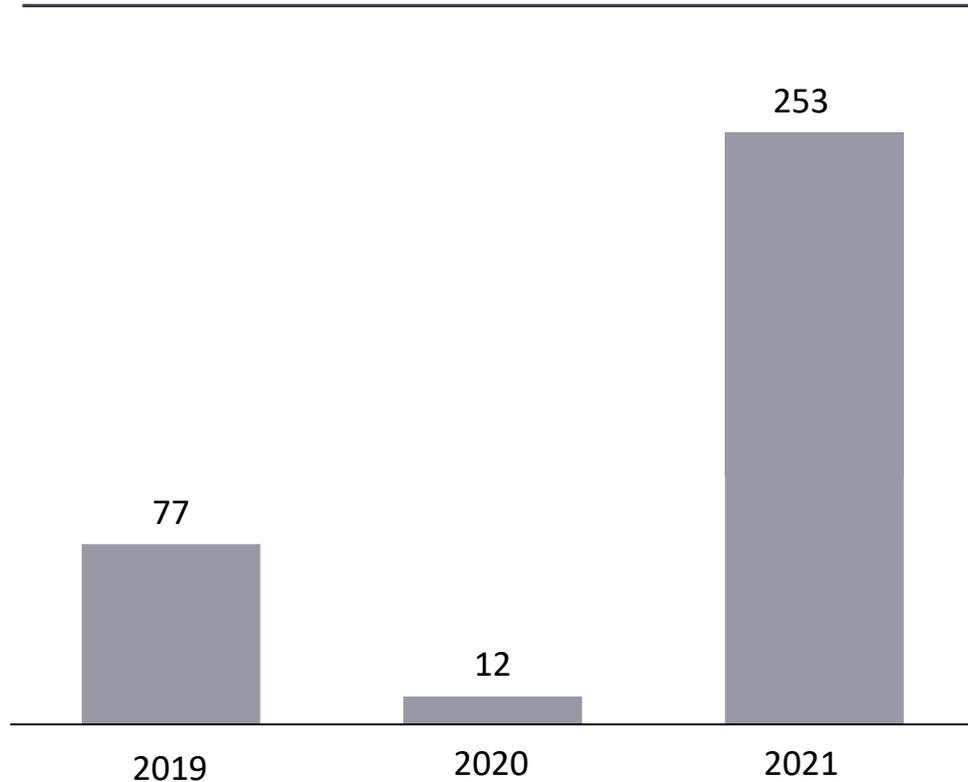
TOTAL VALUE OF  
ISSUED GREEN  
HYBRIDS AND  
BONDS 1.1  
bnEUR

GREEN ISSUANCES SINCE 2019 (MEUR)



# DISPOSITIONS: ADDITIONAL AND RELIABLE SOURCE OF FUNDING

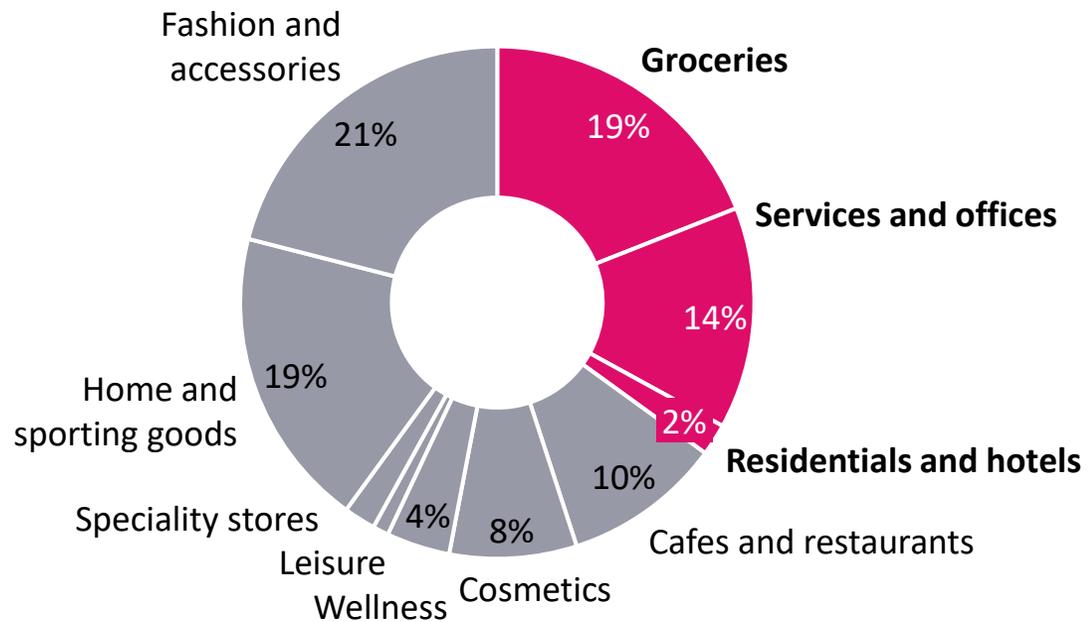
ASSET SALES SINCE 2019 (MEUR)



- Nordic transaction markets remain strong
- Sales prices at or above fair value
- Aggregate cap rate of 5.6% vs. 6.7% implied cap rate
  - **Attractive equity alternative given current discount to NRV**

# OUR NECESSITY-BASED URBAN HUBS PROVIDE STABILITY

GROSS RENTAL INCOME BY TENANT CATEGORY, Q3/2021\*



## +35% GRI FROM NECESSITY TENANTS

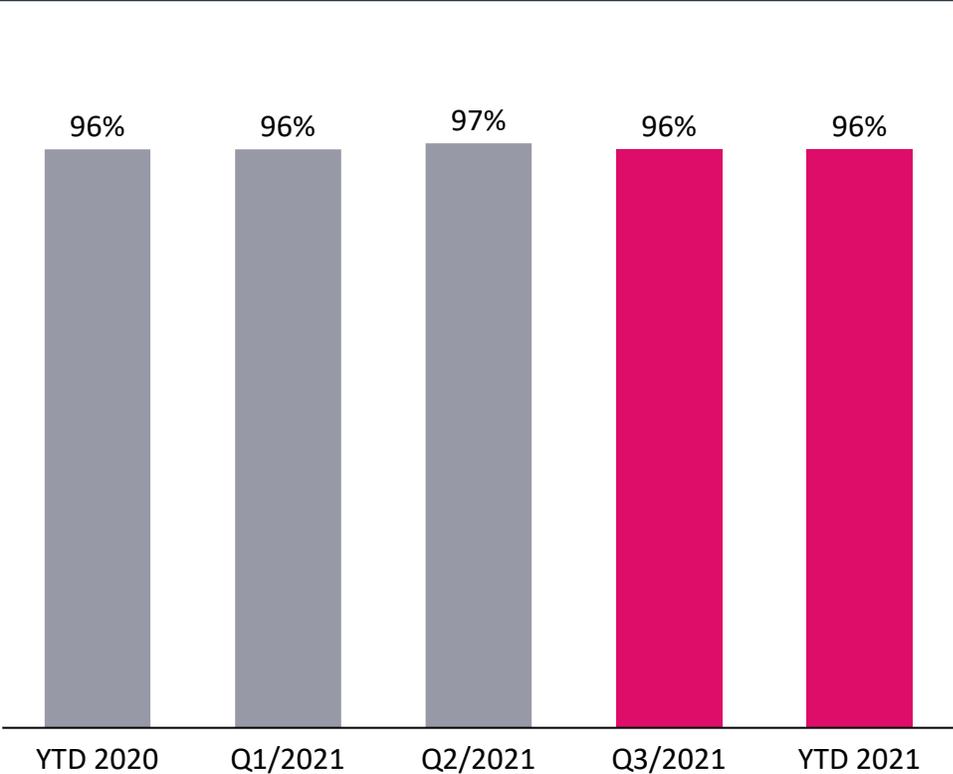
- Public tenants 12% of GLA and growing
- Great credit, long-term leases, occupy less desirable spaces
- 17 ksqm signed in past 18 months

## 92% RENTS FIXED WITH INFLATION PROTECTION

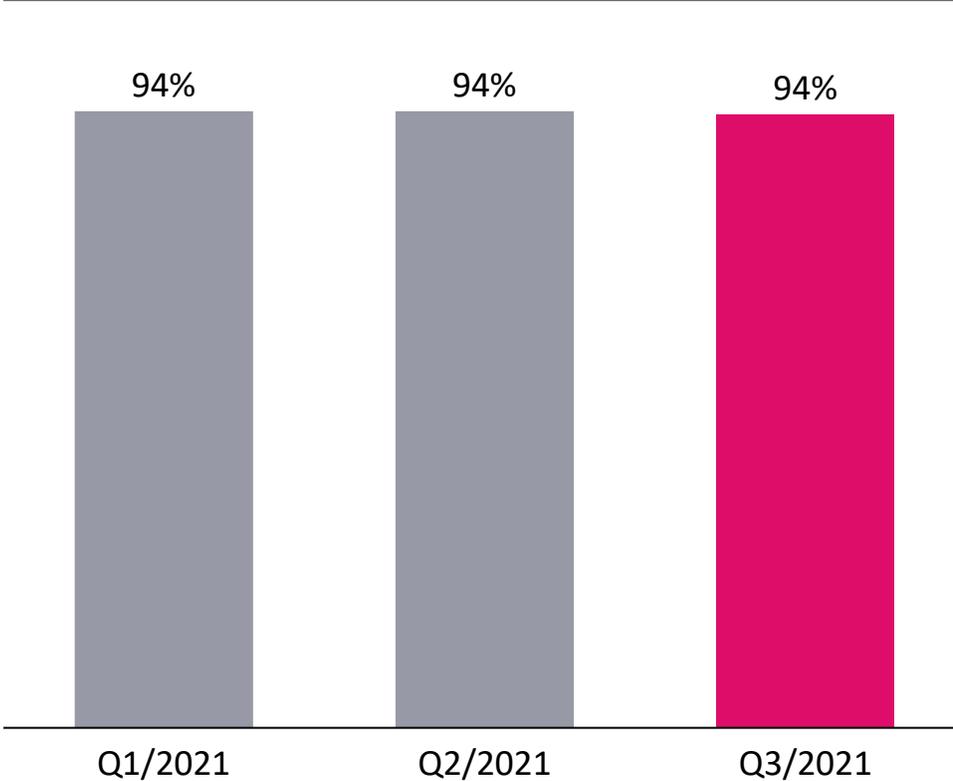
- 92% of rent indexed to inflation
- 3.2 year average lease term
- Opportunity for upside as pandemic impact subsides

# STABILITY IN AN UNSTABLE ENVIRONMENT

RENT COLLECTION

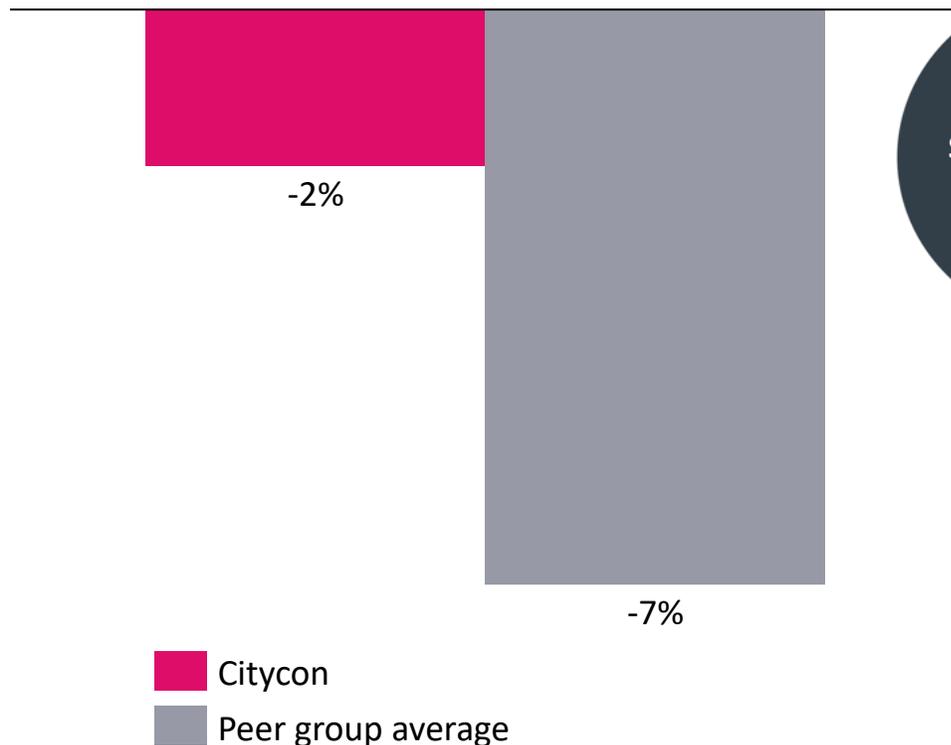


RETAIL OCCUPANCY



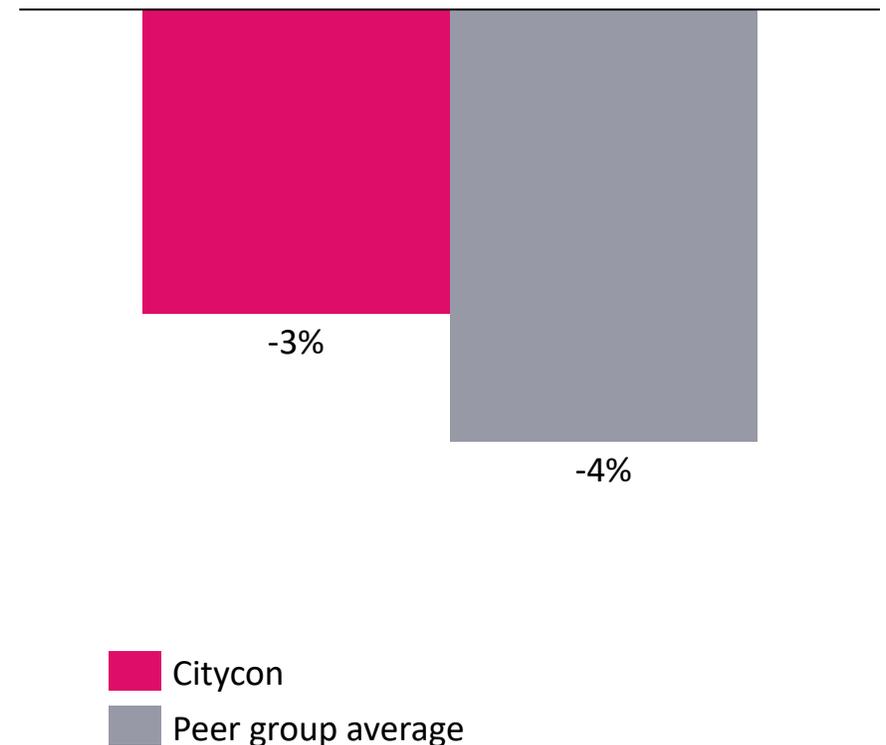
# STABILITY RELATIVE TO PEERS

NRI DEVELOPMENT IN Q1-Q3/2021 vs Q1-Q3/2020\*



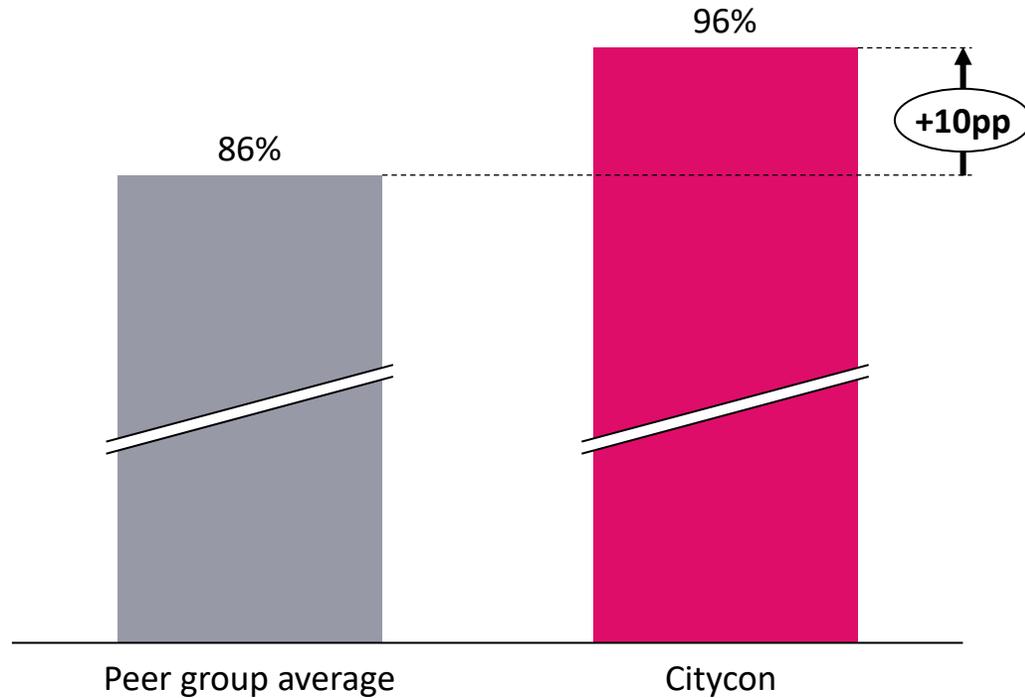
DISPOSAL OF 3 CENTRES IN SWEDEN IN EARLY 2021 AFFECTED CITYCON'S NRI

NRI DEVELOPMENT IN Q3/2021 vs Q3/2020\*

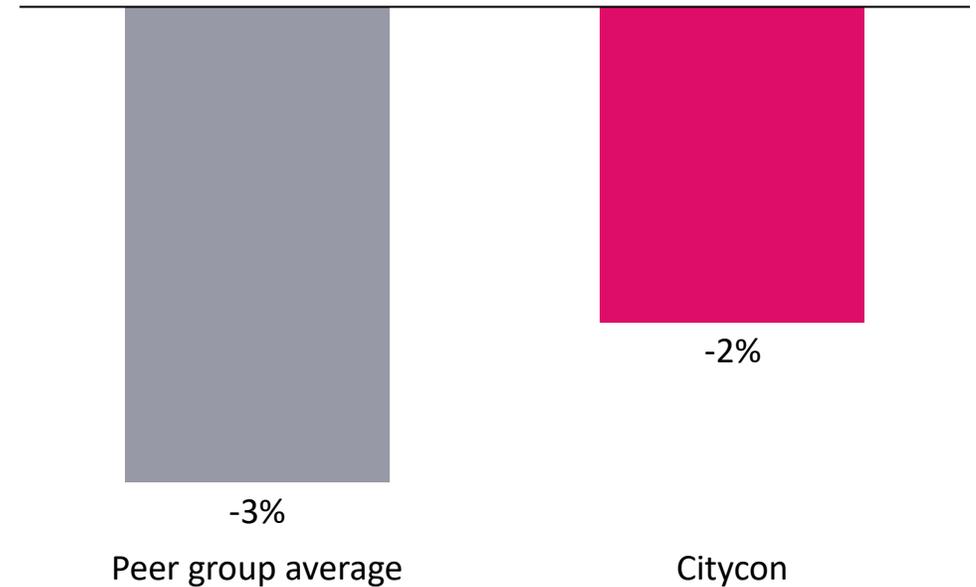


# STABILITY RELATIVE TO PEERS (CONTINUED)

RENT COLLECTION YTD 2021\*



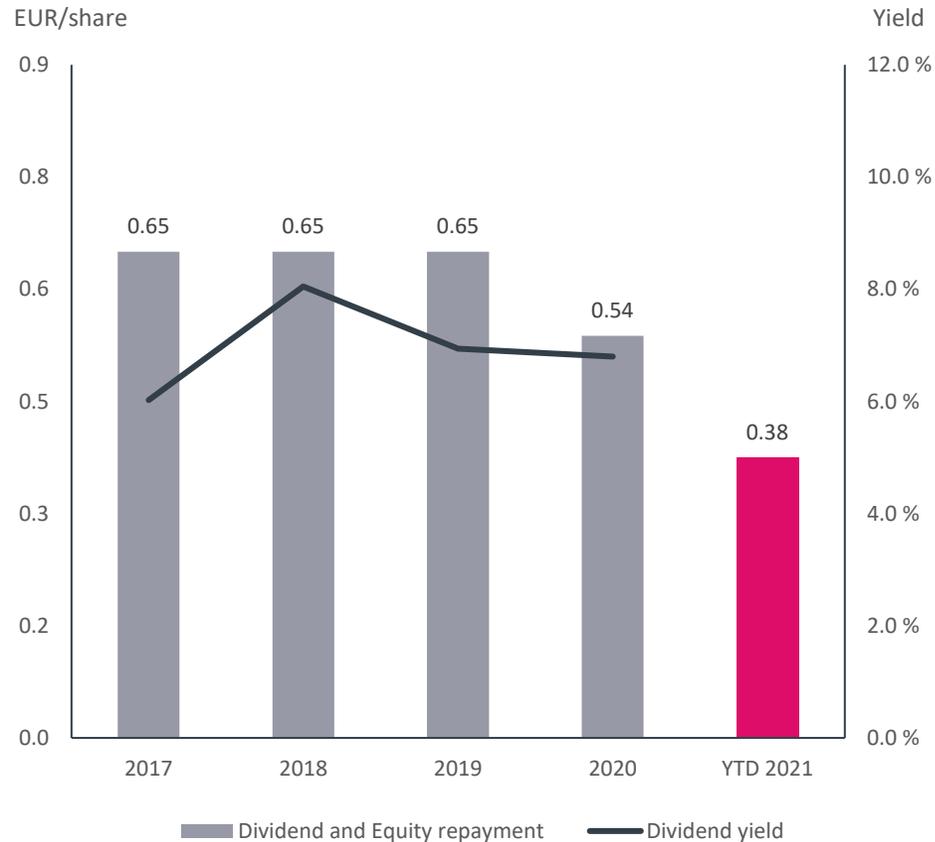
FOOTFALL DEVELOPMENT Q3/2021\*\*



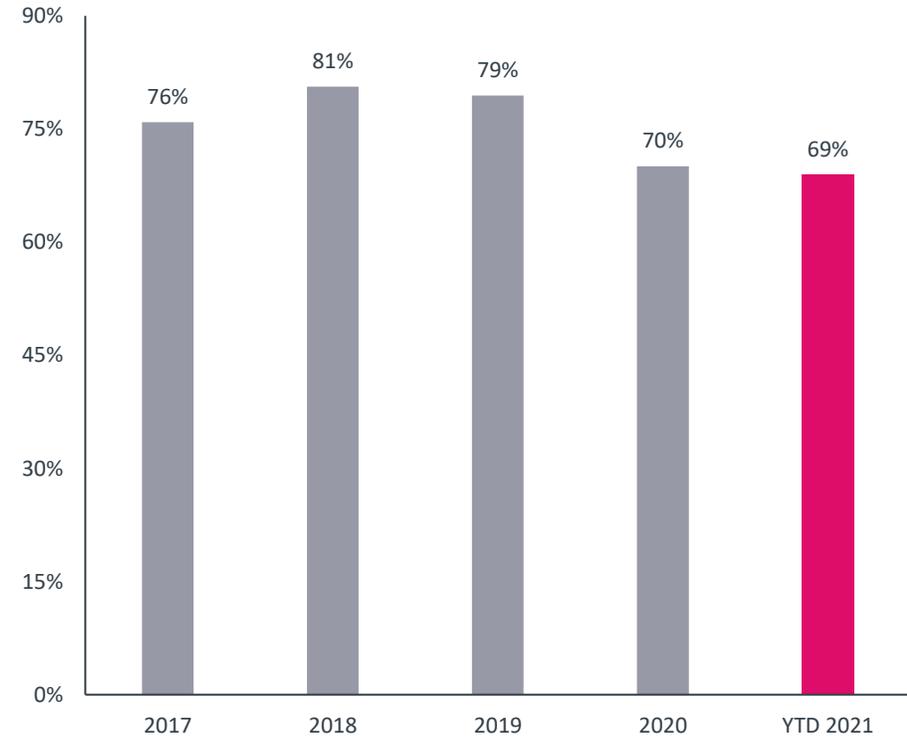
\*Peer group includes Eurocommercial, Wereldhave, Mercialis, URW, Klepierre, DeutscheEuroshop,  
\*\*Peer group includes Eurocommercial, Wereldhave, Mercialis  
Source: Companies' interim reports Q3/2021

# STABLE BUSINESS EQUALS STRONG AND SUSTAINABLE DIVIDEND

## DIVIDEND PAYMENT



## DIVIDEND/EPRA EPS



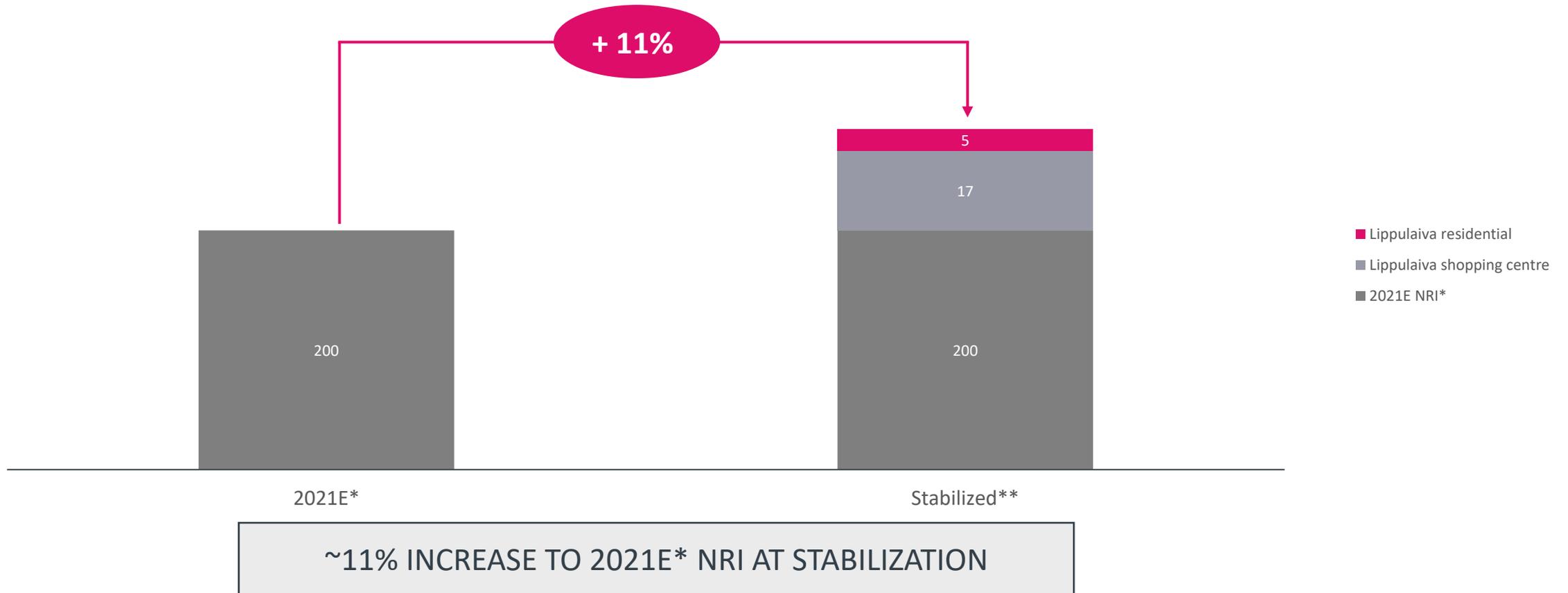
# BRET MCLEOD

## CFO-ELECT





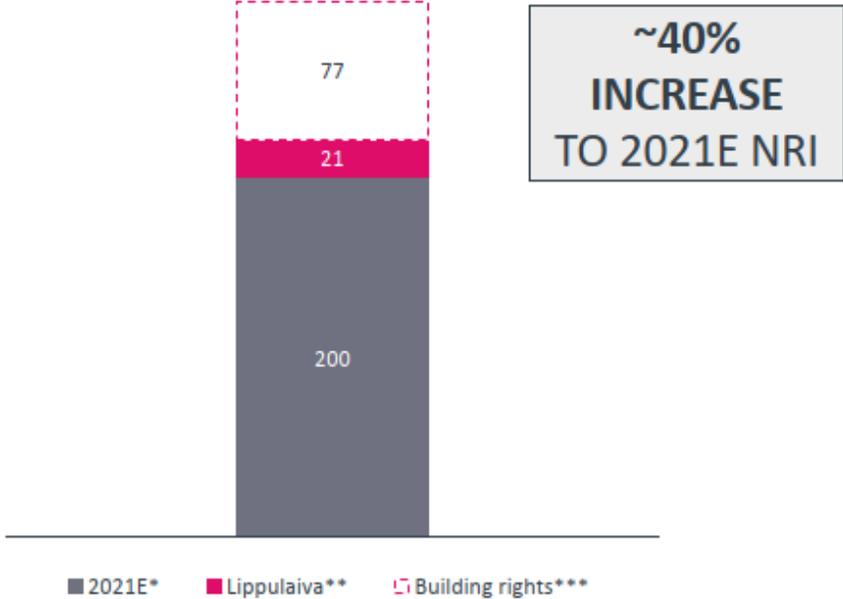
# NRI IMPACT OF LIPPULAIVA



\* Assumes midpoint of current guidance  
\*\* Current company estimates

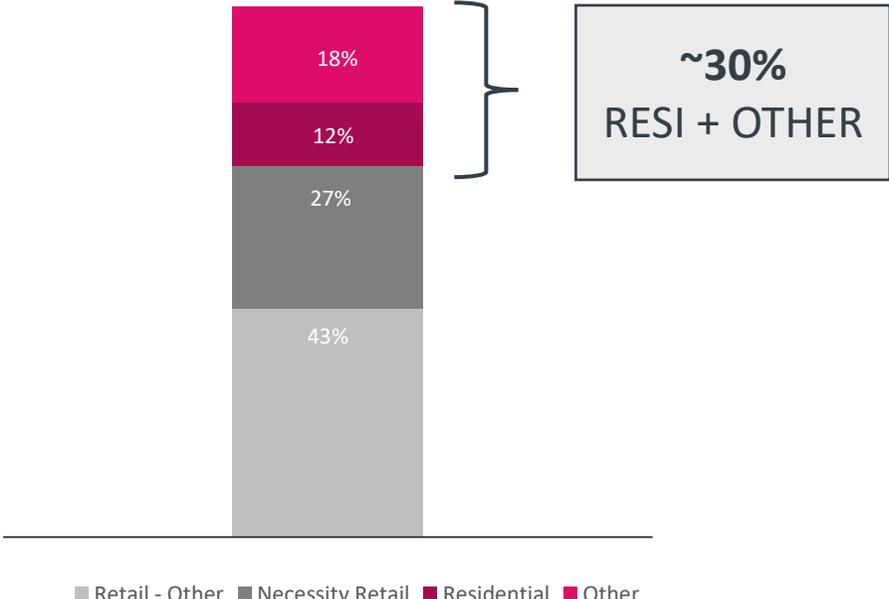
# EXISTING BUILDING RIGHTS WILL MATERIALLY ADD NRI OVER TIME

## NRI POTENTIAL



\*Assumes midpoint of current guidance  
 \*\* Assumes stabilized NRI 2027 per company estimates  
 \*\*\* 1.4 bnEUR at 5.5% development yield

## NRI BY CATEGORY\*

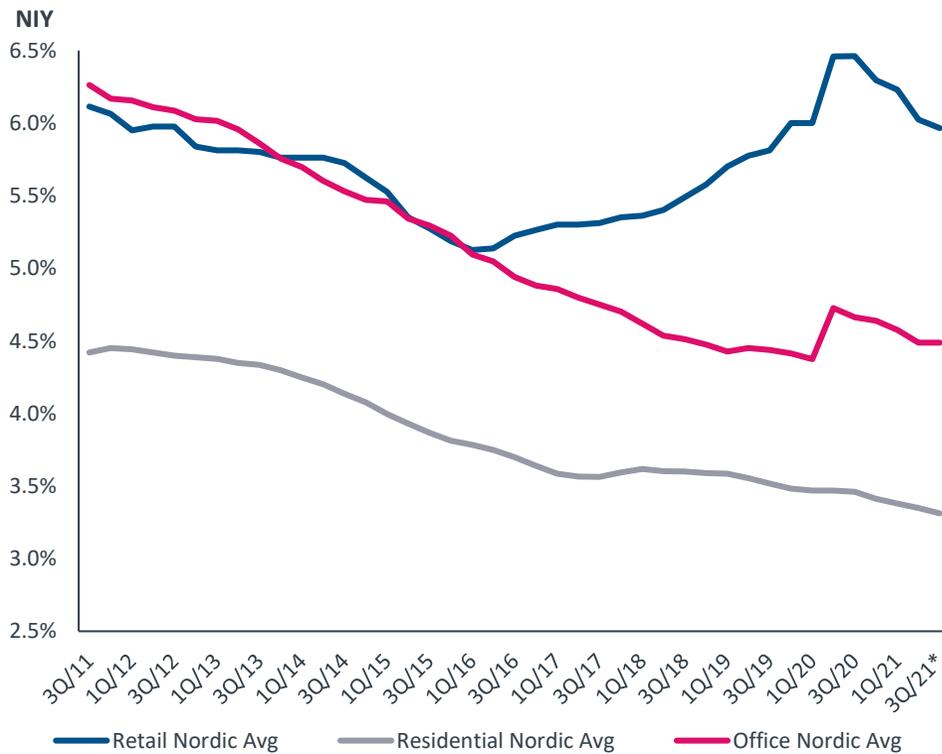


- Optionality to hold or monetize
- Enhance existing centres

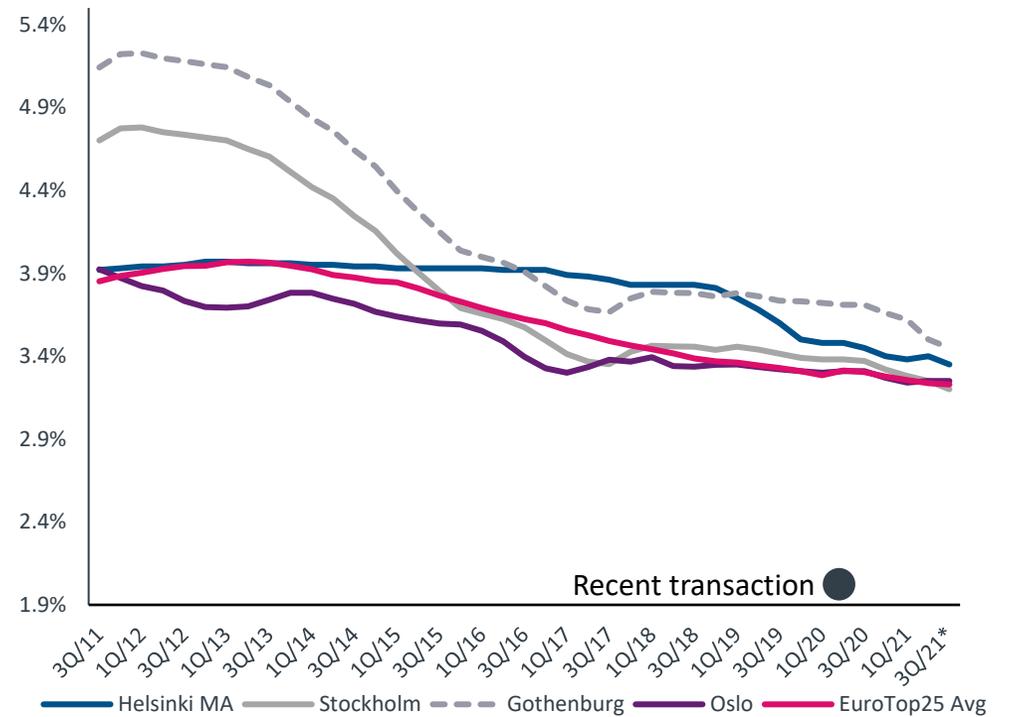
\*Assumes stabilized NRI 2027 per company estimates

# WIDE SPREADS IN PRIVATE MARKETS...

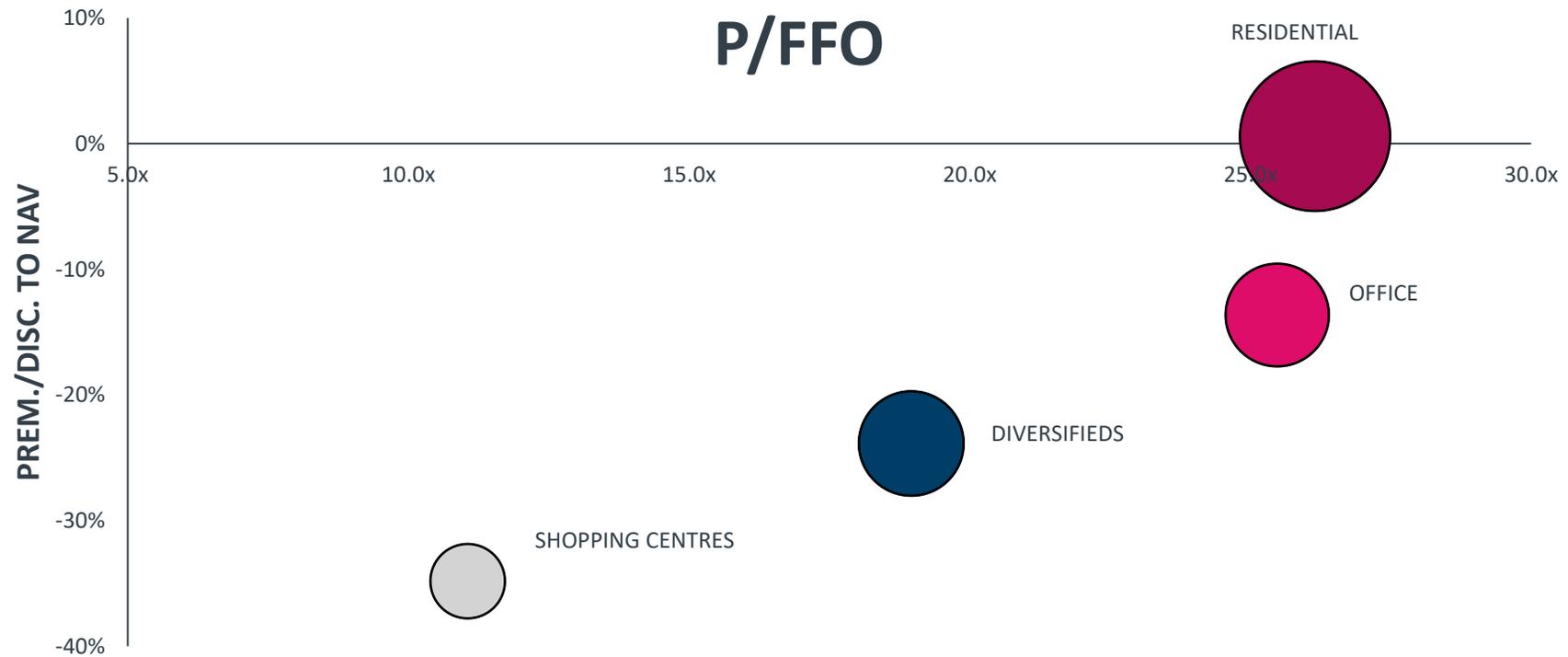
RETAIL, RESIDENTIAL & OFFICE NIY OVER PAST 10 YEARS



RESIDENTIAL YIELDS - NORDICS



# ...ECHOED IN PUBLIC MARKETS



# PRIVATE AND PUBLIC MARKET SPREADS PRESENT DEVELOPMENT ARBITRAGE OPPORTUNITY

HYPOTHETICAL VALUATION IMPACT

	<u>Residential</u>		<u>Other + retail</u>	
Development	37 mEUR 5.25 % yield ----- 700 mEUR	Development	39 mEUR 5.5 % yield ----- 700 mEUR	<div style="border: 1px solid black; padding: 10px; text-align: center;"> <p>77 mEUR incremental NRI = ~550-600 mEUR value creation</p> </div>
Market	37 mEUR 3.25 % yield ----- 1,130 mEUR	Market	39 mEUR 4.5 % yield ----- 860 mEUR	
	<b>430 mEUR</b>		<b>160 mEUR</b>	

# ATTRACTIVE INVESTOR ENTRY POINT EQUATION



# ALL RETAIL IS NOT CREATED EQUAL

Both US private and public equity market has recognized this

## USA RETAIL CAP RATES

Property Type	Weighted Average REIT Cap Rate / Change vs. Prior Estimate*			
	Market Category			
	Gateway	Primary	Secondary	Tertiary
Grocery-Anchored Neighborhood Center (~15% of REIT Assets)	4.7%	4.9%	5.2%	5.4%
	-35 bps	-35 bps	-35 bps	-35 bps
Grocery-Anchored Community Center (~25% of REIT Assets)	5.0%	5.3%	5.6%	6.4%
	-35 bps	-35 bps	-35 bps	-35 bps
Power Center (~35% of REIT Assets)	5.5%	6.1%	6.7%	7.5%
	-40 bps	-40 bps	-40 bps	-40 bps

Source: GreenStreet Advisors July/2021

## USA GROCERY ANCHORED VS FASHION CENTRES (24 MONTHS)



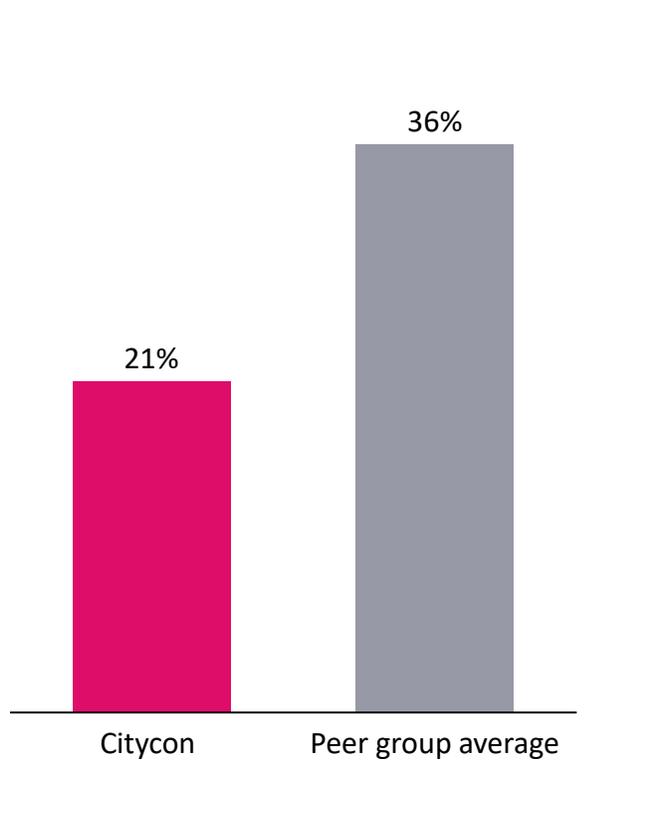
\*USA fashion centres includes Macerich Company, Brookfield Properties, Pennsylvania Real Estate Investment Trust and Macerich

\*\*USA strip centres includes Brixmor Property Group Inc, Kite Realty Group Trust, Retail Value Inc., RPT Realty and Acadia Realty Trust

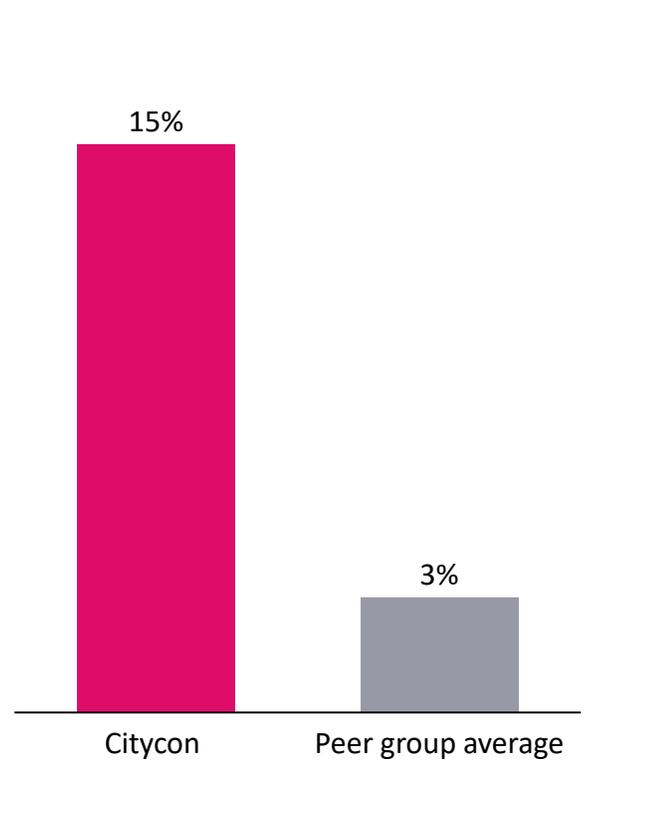
# CITYCON TENANT MIX IS CLEARLY DIFFERENTIATED...

**GROCERIES  
60% IN TOP 10**

SHARE OF FASHION (% OF GRI)



TENANT MIX – GROCERIES OF TOP 10 TENANTS

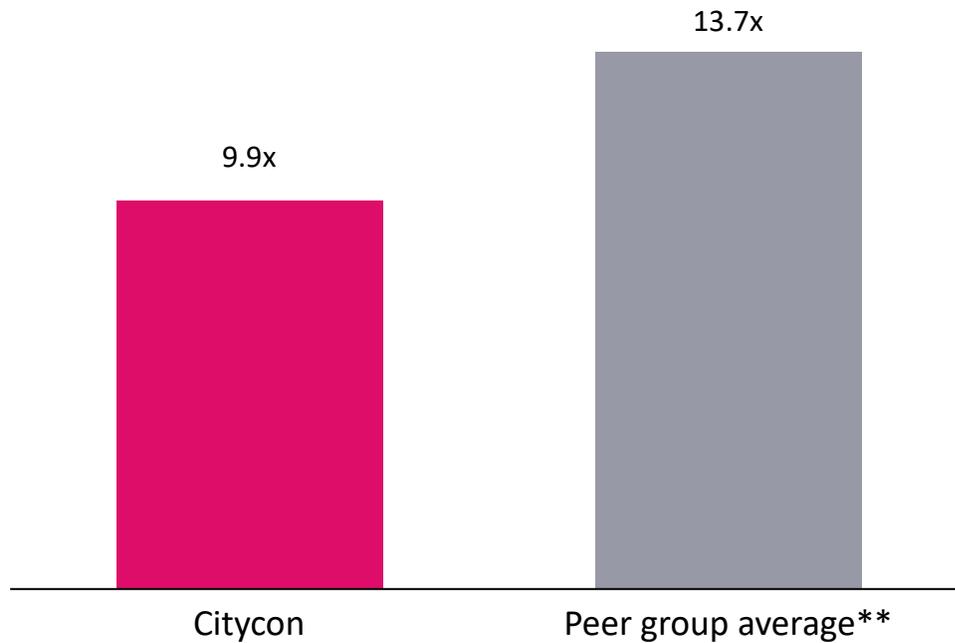


TOP 10 TENANTS (Q3/21)

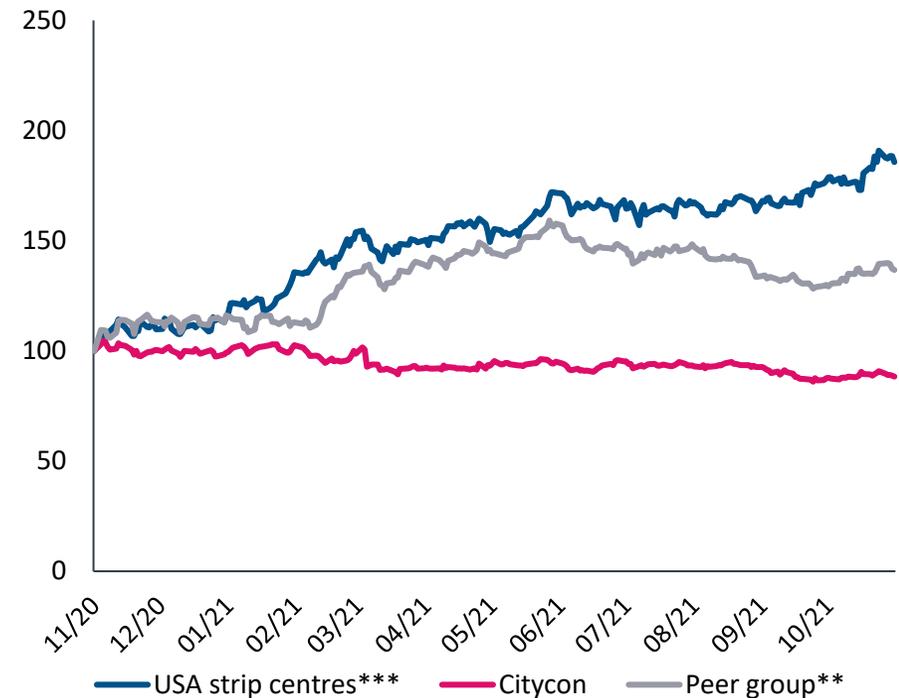
<b>Kesko Group</b>	<b>Grocery</b>	<b>4.9%</b>
<b>S Group</b>	<b>Grocery</b>	<b>4.2%</b>
Varner Group	Fashion	3.6%
<b>ICA Group</b>	<b>Grocery</b>	<b>2.1%</b>
<b>NorgesGruppen</b>	<b>Grocery</b>	<b>2.0%</b>
H&M	Fashion	1.8%
<b>Coop</b>	<b>Grocery</b>	<b>1.8%</b>
Clas Ohlson	Home	1.7%
Gresvig	Sport goods	1.5%
Lindex	Fashion	1.5%
<b>Top 10 tenants</b>		<b>25.0%</b>

# ...BUT THAT DIFFERENTIATION HAS YET TO BE RECOGNIZED

P/EPRA EPS MULTIPLE\*



CITYCON VS PEERS VS US STRIP (12 MONTHS)



COMPELLING ENTRY POINT FOR EQUITY INVESTORS

\*LTM H1/21

\*\*Peer group includes Eurocommercial, Atrium European, Deutsche Euroshop, Hammerson, Klepierre, Mercialis, URW, Wereldhave

\*\*\*USA strip centres include Brixmor Property Group Inc, Kite Realty Group Trust, Retail Value Inc., RPT Realty and Acadia Realty Trust

# FINANCE TEAM PRIORITIES

1

Best-in-class support and processes

2

Disciplined capital allocation

3

Accountability and communication



# BEST-IN-CLASS SUPPORT AND PROCESSES

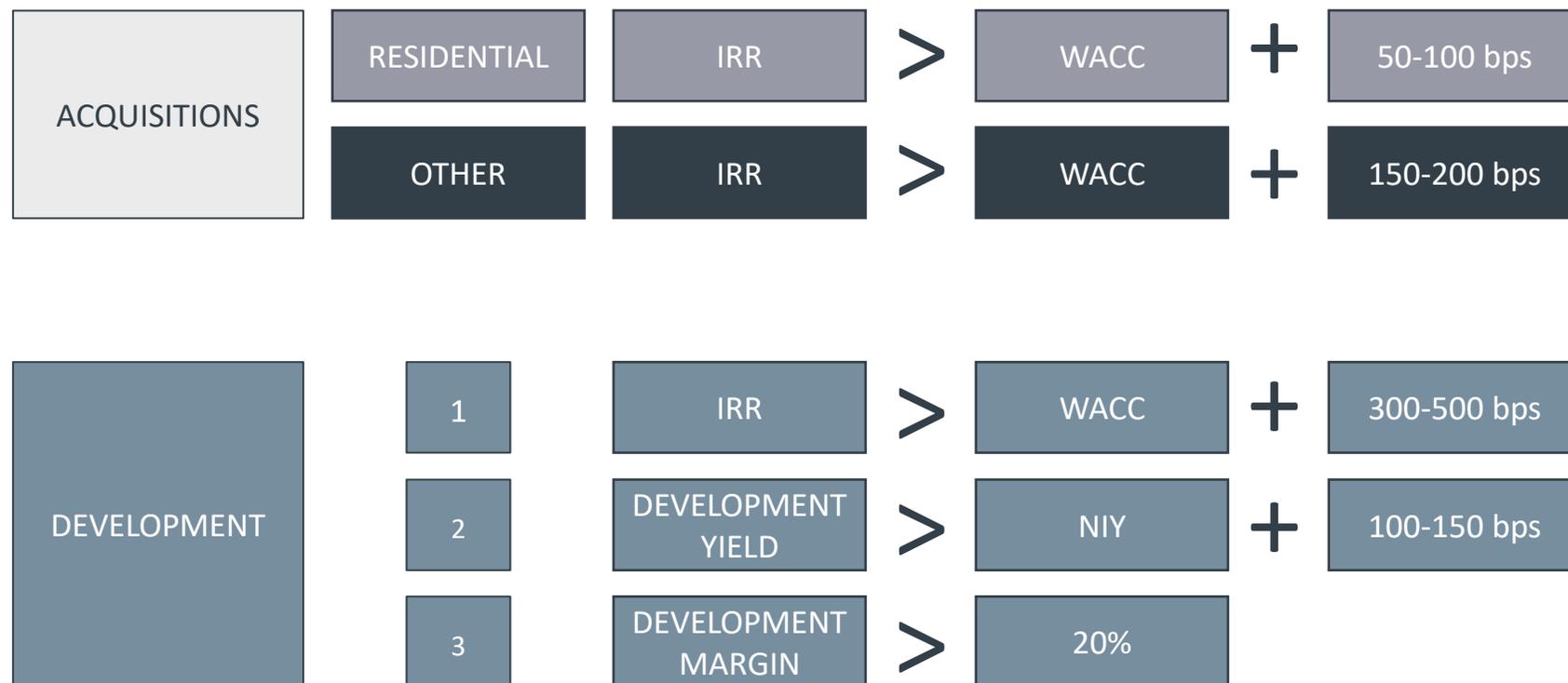
- Implementation of Workday ERP
- Right people, right position
  - Reduce organizational silos
- Business analytics
  - Investment and operations data to drive shareholder returns
- Tools for Citycon to execute



# DISCIPLINED CAPITAL ALLOCATION

- Systematic analysis of evaluating each capital allocation decision:
  - Acquisition
  - Development / redevelopment
  - Purchase debt and equity
  - Dividend
- Invest whereby unlevered IRRs are at risk-adjusted spreads to cost of capital

## CAPITAL ALLOCATION FRAMEWORK



# ACCOUNTABILITY AND COMMUNICATION

- Enhance and evolve external reporting
  - Tools for investors to evaluate
  - Attract new investors to Citycon story
- Open dialogue
  - Insight into our business
  - What we do and why
- Continued focus on ESG



# SUMMARY

1

Investment grade

2

Multiple and sustainable funding sources

3

Stable business, stable markets

4

Organic growth opportunities

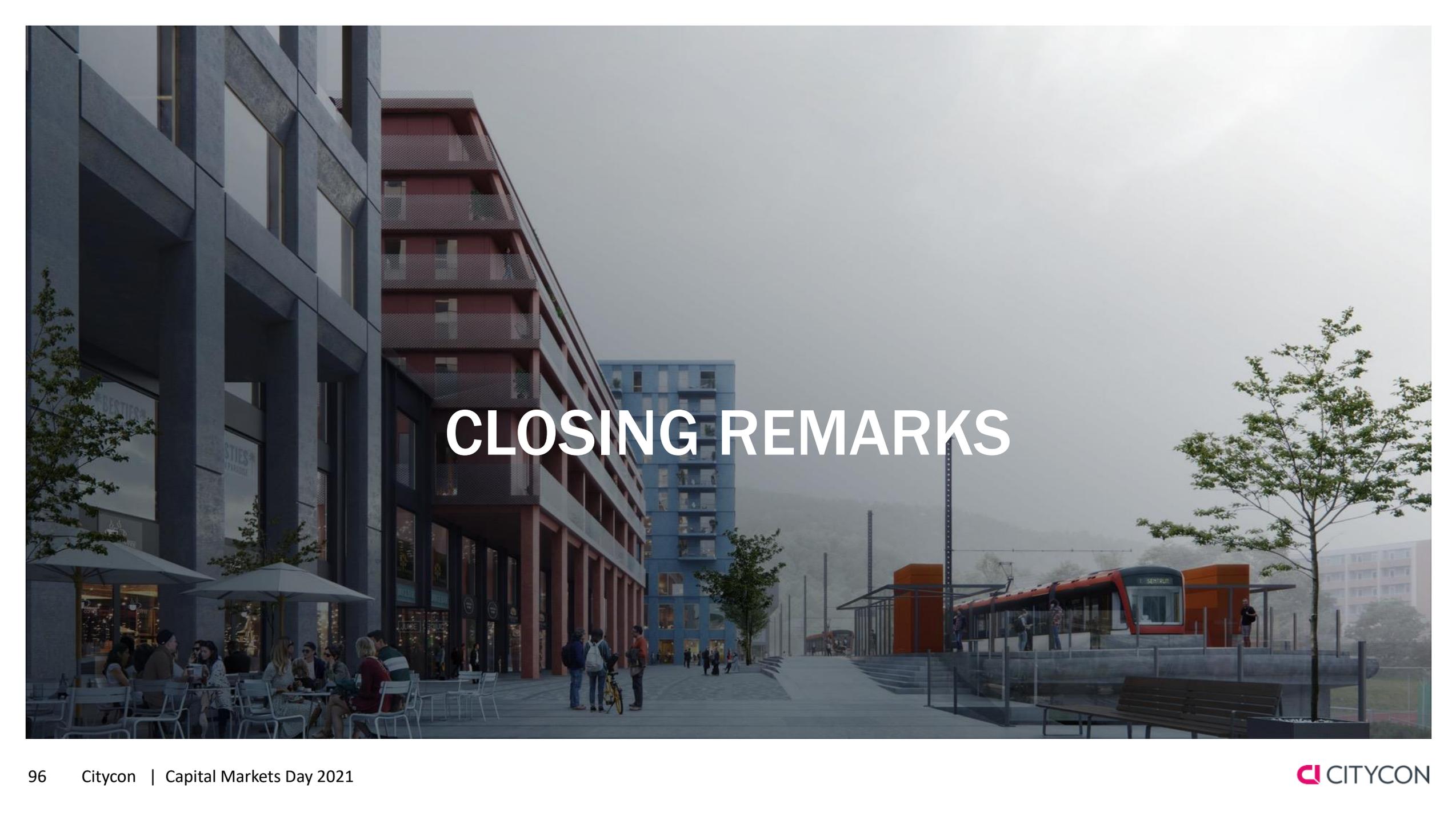
5

Multiple capital allocation levers

6

Evolution to support portfolio transformation



An architectural rendering of a modern urban street scene. On the left, a multi-story building with a dark grey facade and large windows is visible. People are sitting at outdoor tables under umbrellas in front of the building. In the center, a red and white tram is stopped at a station platform. The background shows a blue building and a hazy sky. The text "CLOSING REMARKS" is overlaid in the center of the image.

# CLOSING REMARKS



## SUMMARY

- **Stable core business with growth potential focused in the largest cities in the Nordics**
  - Attractive locations with great connections to public transportation
  - Current focus on municipal and necessity-based tenants already strong
- **Proven asset value management capabilities & increasing asset value**
  - Recent divestments validating value creating asset management capabilities
  - Sustainability embedded in operations – new investments and retrofitting
- **Attractive development pipeline for complementary assets**
  - Citycon is a diversified mixed-use company focused on increasing value to stakeholders
  - Given the current market conditions, organic development has become even more attractive
  - Opportunistic acquisitions and divestments to speed up transformation
- **Solid balance sheet and multiple sources for financing**
  - Moderate LTV, 3 investment grade ratings and strong liquidity
  - Forerunner in sustainable financing
- **Short-term emphasis is to address NRV gap**
  - Stock buy-back to benefit from discount to NRV
  - Continuing opportunistic divestments (253 mEUR in 2021)

# SUMMARY (CONTINUED)

- **270 mEUR (with 50 mEUR realized as of today) of building rights coming online to complement our stable business**
- **Given the current market conditions, organic development is the best path to realize the portfolio transformation**
  - The cap rate spread of development vs existing residential is attractive
  - Monitoring for bolt-on acquisitions to complement portfolio transformation with a focus on residential

