

Acquisition of Sektor

Consolidating Citycon as the leading Nordic shopping centre specialist

26 May 2015



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1. TRANSACTION HIGHLIGHTS



Citycon becomes the largest listed shopping centre specialist in the Nordics

Acquisition of Sektor Gruppen

Nr.2 shopping centre owner and manager in Norway

Pan-Nordic company

Completes the Nordic platform

Entrance to Norway

Wealthiest and fastest growing country in Europe

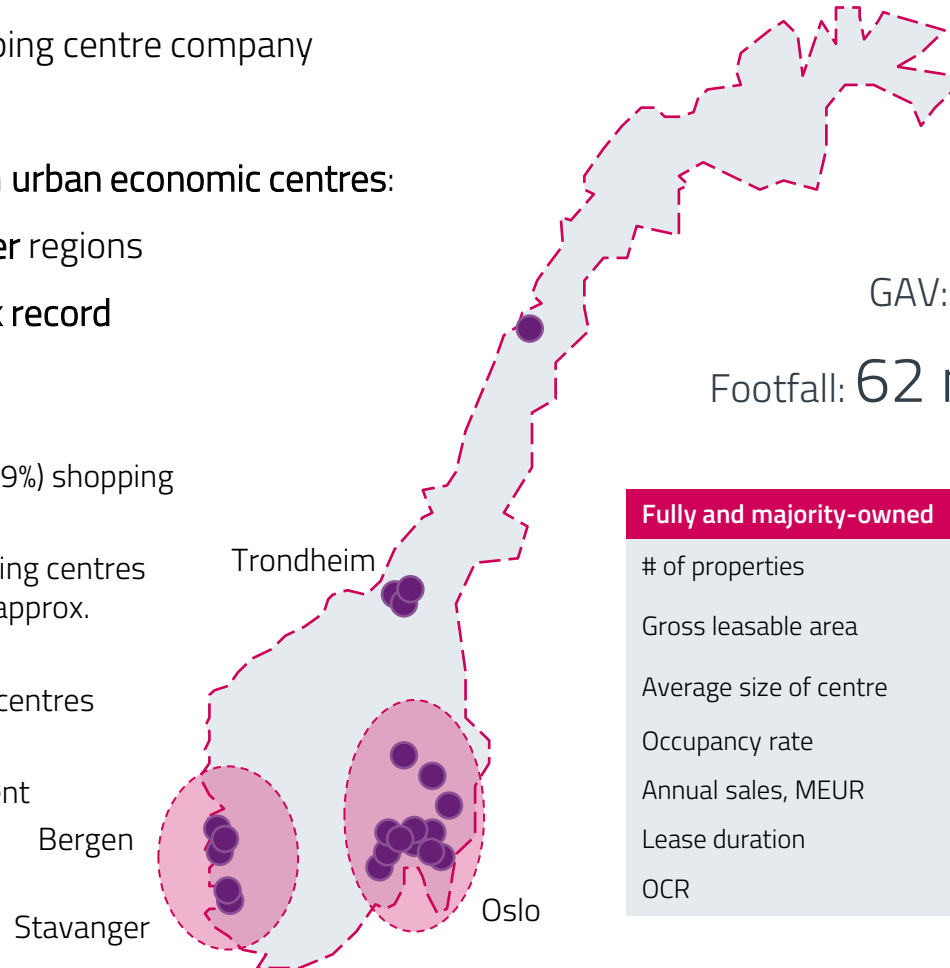


Sektor – a leader in Norwegian retail real estate

- ➔ Norway's 2nd largest shopping centre company
- ➔ 100% shopping centres
- ➔ Focused on the three main urban economic centres:
Oslo, Bergen and Stavanger regions
- ➔ Proven management track record

Portfolio

- 17 fully and 3 majority owned (69%) shopping centres (400,000 sq.m.)
- Minority stakes (20%) in 4 shopping centres and 2 rented shopping centres (approx. 90,000 sq.m.)
- 8 additional managed shopping centres (approx. 140,000 sq.m.)
- ➔ Total portfolio under management over 600,000 sq.m.



GAV: EUR 1.5 bn

Footfall: 62 million p.a.¹⁾

Fully and majority-owned	
# of properties	20
Gross leasable area	400,000 sq.m.
Average size of centre	20,000 sq.m.
Occupancy rate	96.5%
Annual sales, MEUR	1,399
Lease duration	3.5 years
OCR	10.4%

An attractive acquisition moving Citycon to another league

Size

Increased scale

- Creation of a **EUR 5 bn** shopping centre **company** with a platform of **55 shopping centres**
- **Third largest listed** continental retail **operator** by GAV
- Immediate **critical mass** in Norway
- Increased liquidity and added **capital market visibility**

Pan-Nordic

Consolidation as Nordic leader

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

Sektor

Well-run operating platform

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

Synergies

Value creating transaction with earnings growth potential

- Lower **cost of capital** potential
- **Cost efficiencies** for overhead and operating costs
- **Cross-country leasing** opportunities and **best practice sharing** (e.g. digital marketing)

Key terms of the transaction

Key acquisition terms

- NOK 12,320 million debt-free purchase price (EUR 1,467 million)
- Net initial property yield of 5.2%
 - Potential to increase by +20bps by year-end 2015 due to developments coming online
- Expected to be accretive to earnings per share as of first full year (2016)

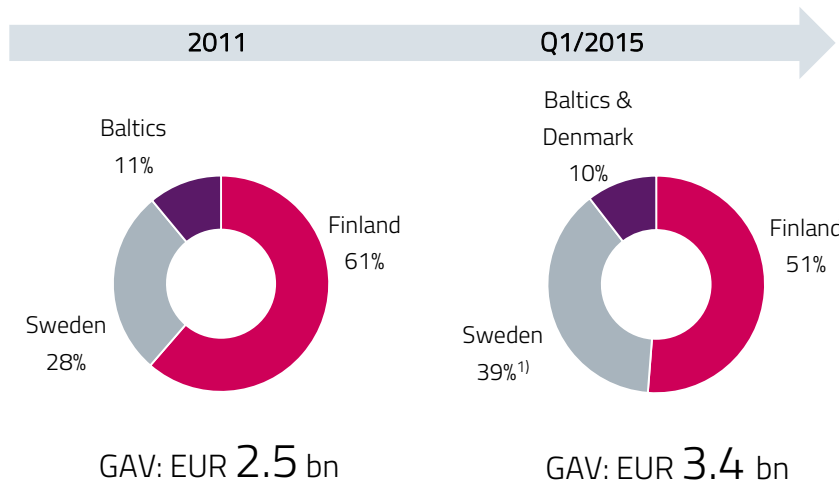
Key financing terms

- Rights issue of EUR 600 million (subject to EGM approval)
 - Pro rata subscription undertakings by Citycon's main shareholders Gazit-Globe (42.8%) and CPPIB (15.0%)
- Approx. EUR 220 million initially bridge financed
- Pro forma LTV maintained within target range of 40-45%
- Management expects credit ratings to remain unchanged at BBB and Baa2

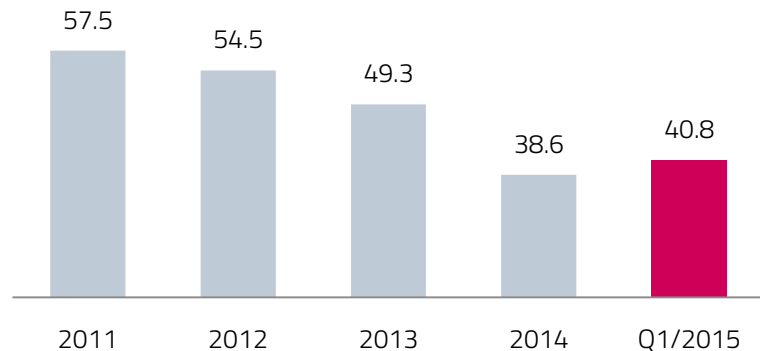
Indicative timeline

- 15 June EGM to approve rights issue authorization
- June Rights issue launched
- July Closing of transaction

Citycon is ready for the next strategic step



Loan to Value (LTV), %



2011-2015

Better Citycon

- ✓ More focused and balanced Nordic shopping centre portfolio
- ✓ Strong operating result - LFL NRI growth of 2.5-5% p.a.
- ✓ Cost control and efficiency – admin expenses as % of GRI down from 13.6% to 9.6%

Stronger Citycon

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

2015 ->

Bigger Citycon

- ✓ Sektor acquisition

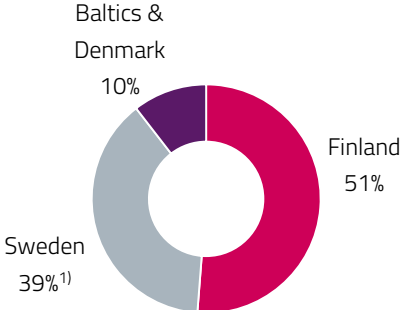
The transaction completes full exposure to the fast growing Nordic region



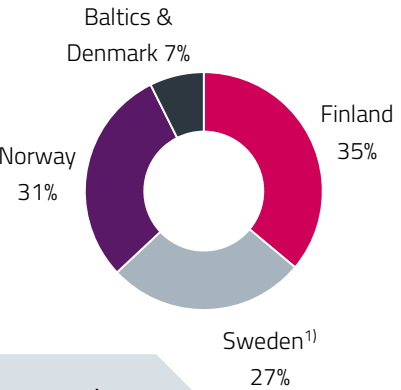
Only Pan-Nordic listed retail pure-play

Larger footprint across the region providing access to tenant and cost synergies

Pre-transaction (GAV)



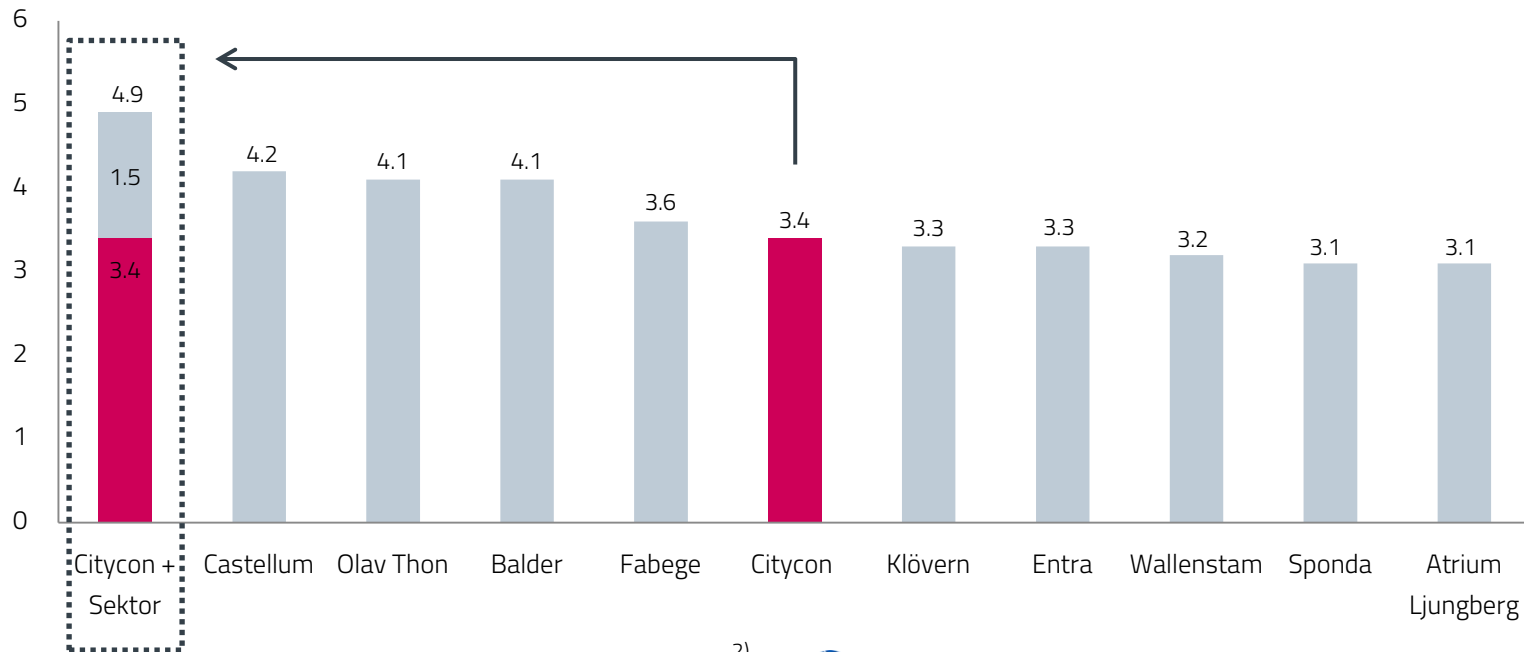
Pro forma (GAV)



¹⁾Including Kista Galleria 100%

Increased scale and visibility – Largest listed property company in the Nordics

Gross asset value (EUR bn)¹⁾



CITYCON²⁾



Combined

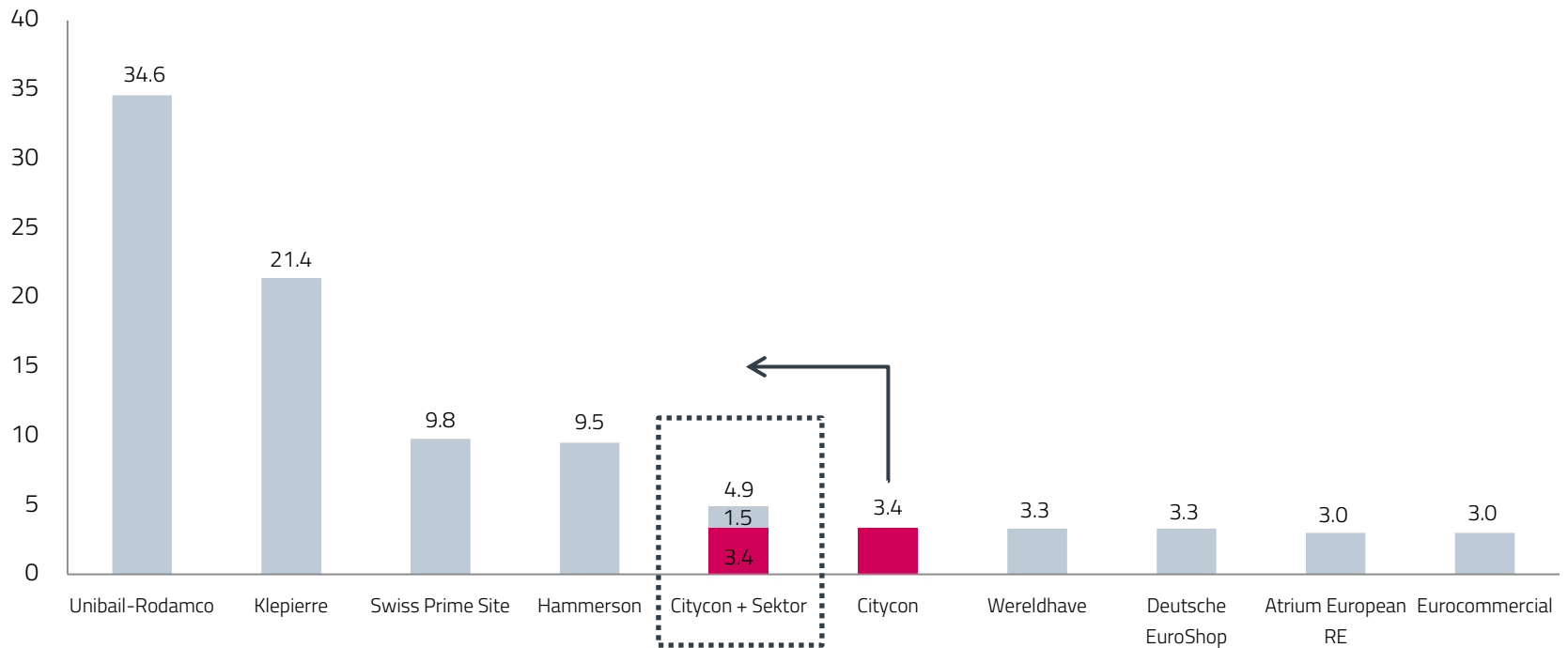
# of shopping centres	35 ³⁾	20	55
Total GLA (sq.m.)	1,030,000	400,000	1,430,000
Total annual footfall (million)	150	62 ⁴⁾	212
Gross Asset Value (GAV)	EUR 3.4 bn	EUR 1.5 bn	EUR 4.9 bn

¹⁾ Source: Company reports ³⁾ In addition Citycon owns 25 other retail properties

²⁾ Including Kista Galleria ⁴⁾ Including managed centres

Significant step in the European retail space

Gross asset value (EUR bn)¹⁾

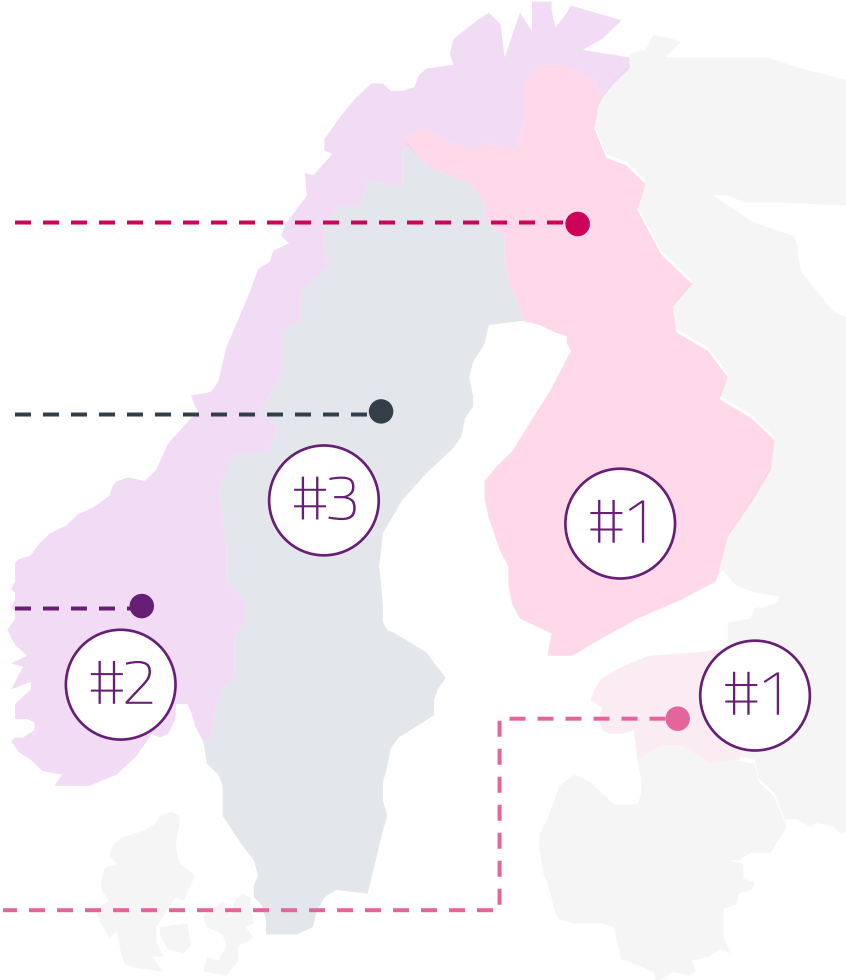
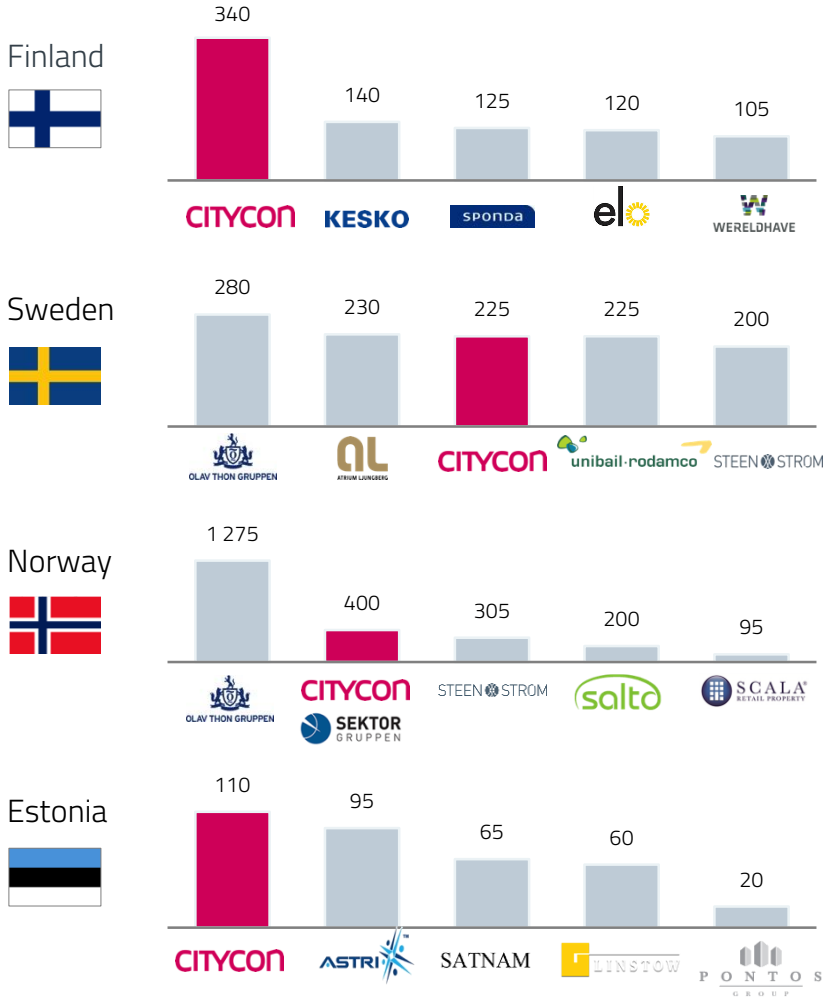


Citycon stepping up to the European large caps

Leader in urban, everyday shopping centres

True Pan-Nordic leader

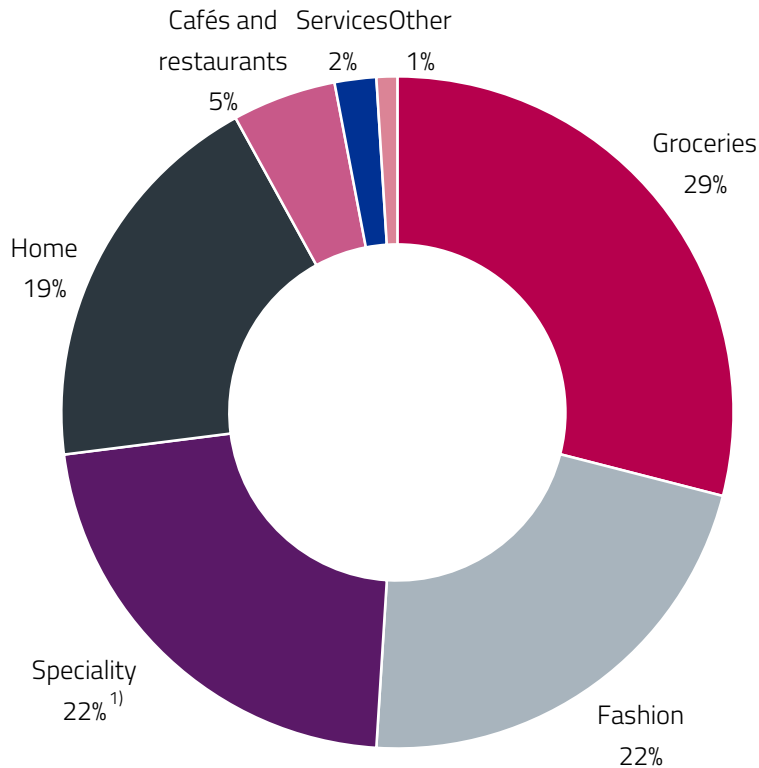
Retail GLA (thousand sq.m.)¹⁾



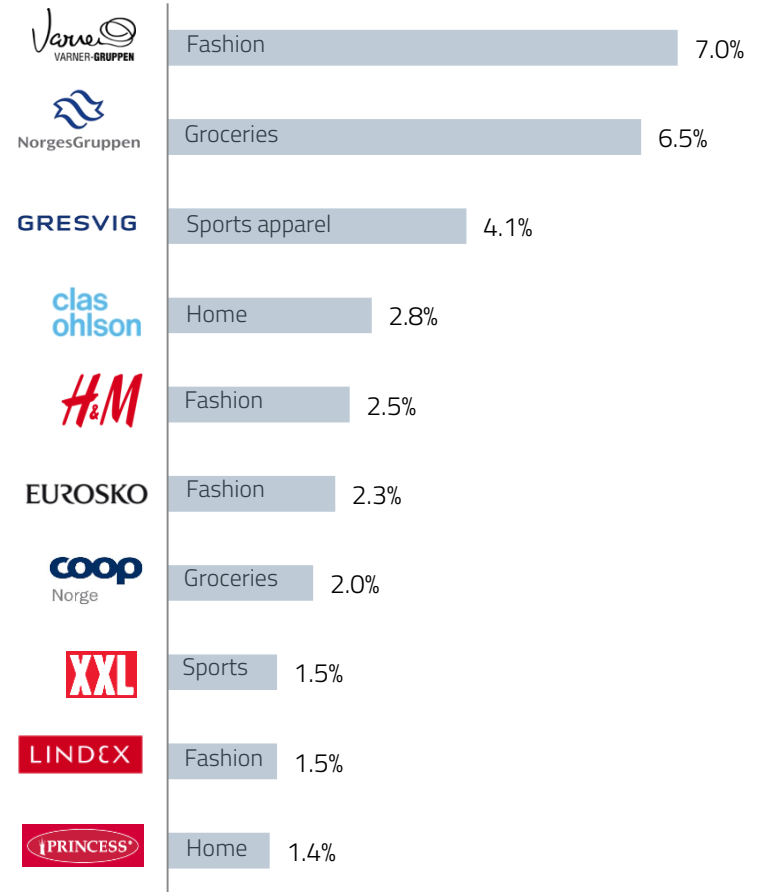
14 ¹⁾ Source: Company reports, SEB analysis. Includes only majority-owned shopping centres. Includes some assumptions on retail proportion out of total GLA, where retail data not available

Sektor – High quality assets with a resilient tenant base

Revenue split



Top 10 tenants by rent



Source: DTZ, Company information,

¹⁾ Includes sports, pharmacies, cosmetics, toys and other speciality stores.

A perfect fit – Portfolio in line with core investment criteria

PAN-NORDIC



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

URBAN ENVIRONMENTS



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

DAILY SHOPPING



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

MORE THAN SHOPPING



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

LEADING POSITION



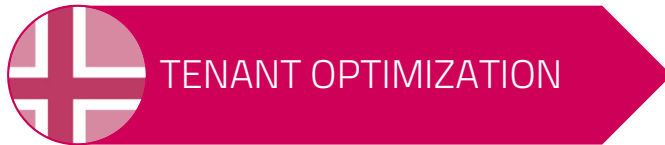
- Leading position in its local catchment area with natural footfall

(RE)DEVELOPMENT POTENTIAL



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

Identified value creation drivers



- Access to the **whole Nordics & cross-country** tenanting
- Increased food & beverage, health, municipality services



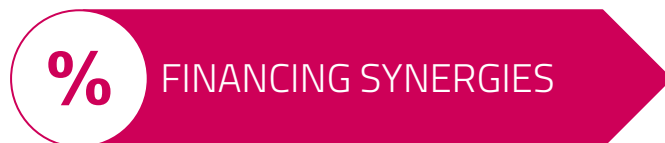
- Efficiency by sharing the **digital platform**
- Enhanced **customer experience** and **loyalty**



- Larger platform – improved **purchasing power, marketing** etc.
- Ancillary income such as **specialty leasing & parking** income



- Extension and **(re)development potential**
- Capitalising residential building rights



- Lower cost of **capital** potential
- Improved access to international **capital markets**

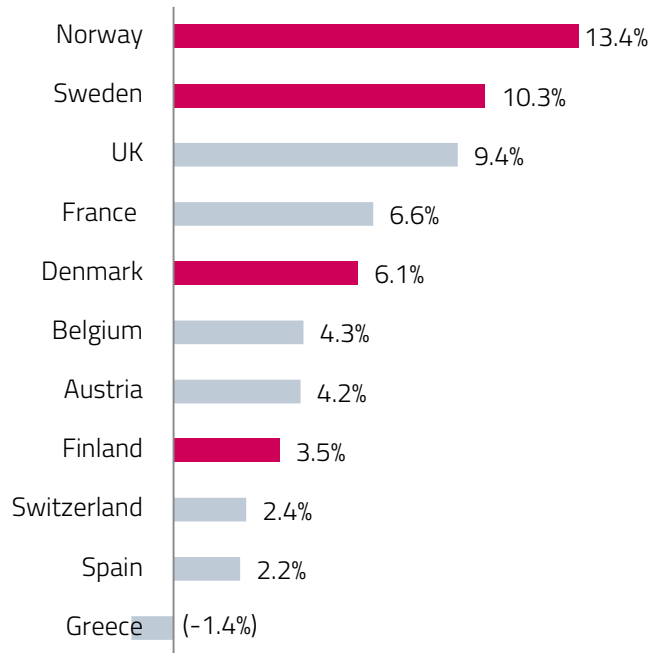
Ambition to generate annual like-for-like net rental income growth of +100bps above CPI for the Sektor portfolio

2. NORWEGIAN MARKET

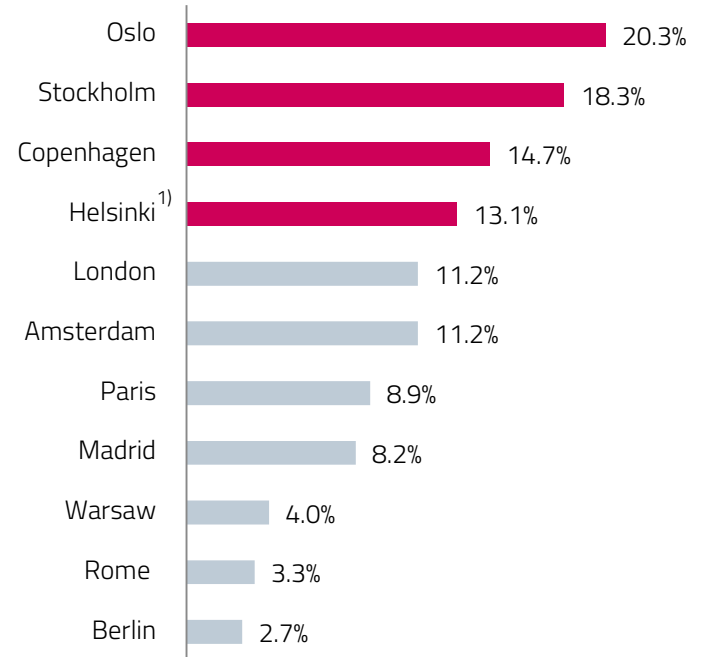


Norway is the fastest growing country in Europe, with Oslo as the fastest growing city

Population growth (2015-2030E)



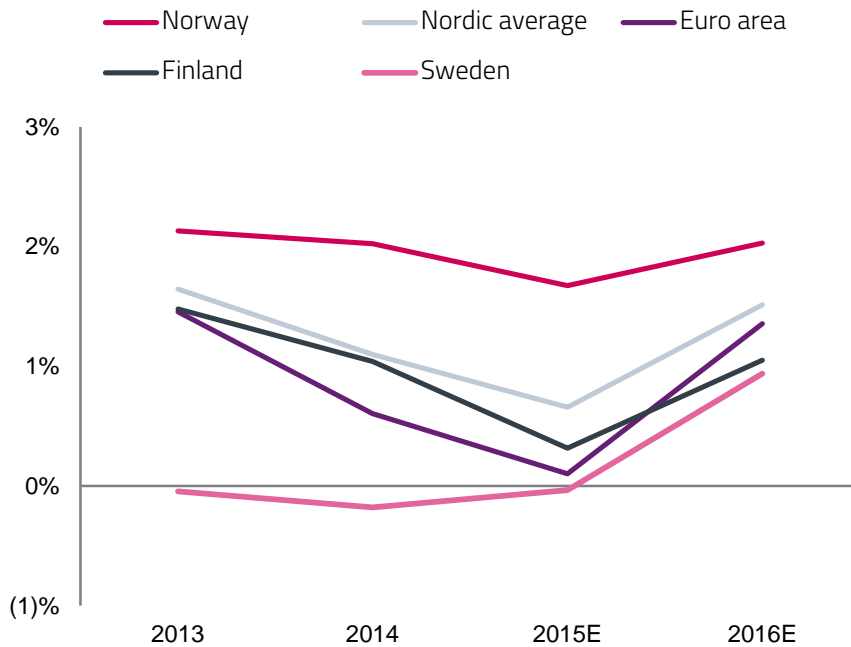
Population growth (2015-2030E)



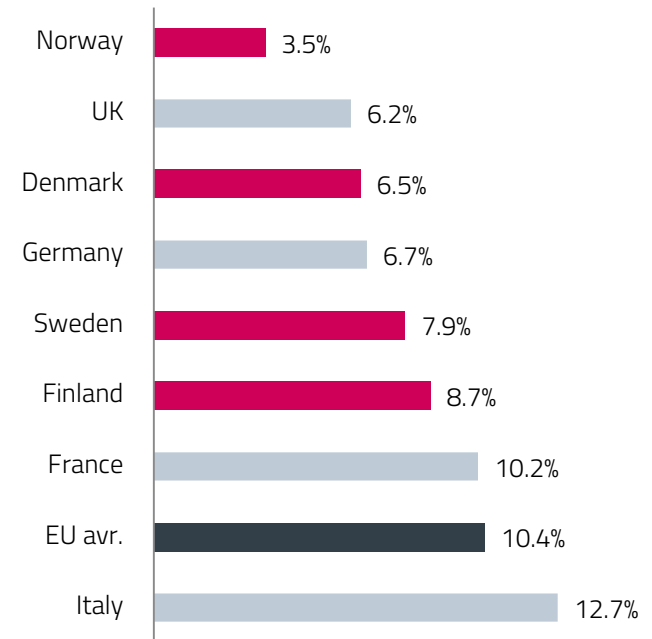
- Norway's population expected to grow to 5.8 million by 2030
- Immigration accounts for a large part of Norway's population growth. Largest immigrant groups are from Sweden and Poland

Above average inflation and one of the lowest unemployment rates in Europe

Inflation



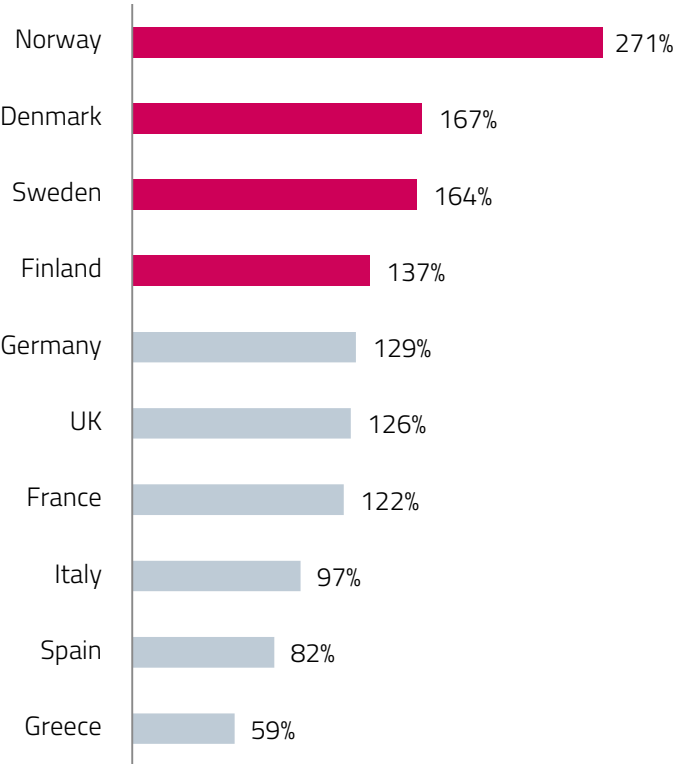
Unemployment rate (end of 2014)



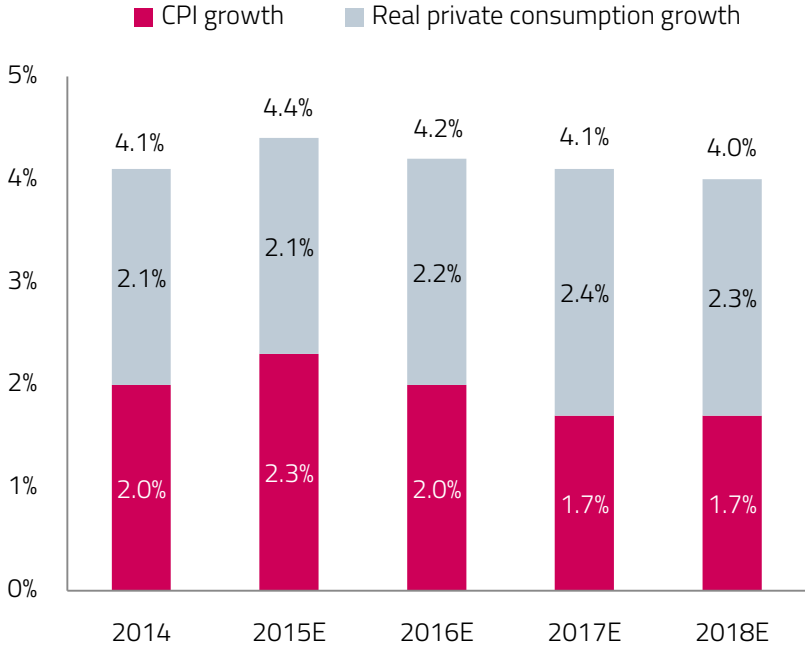
- Norway has shown a stable inflation rate averaging between 1.5-2.5%
- Unemployment rates in Norway are projected to remain stable at around 4% over the next 4 years

Highest GDP per capita in Europe and consumption projected to grow by 4+%

Nominal GDP per Capita vs. EU average (2014)

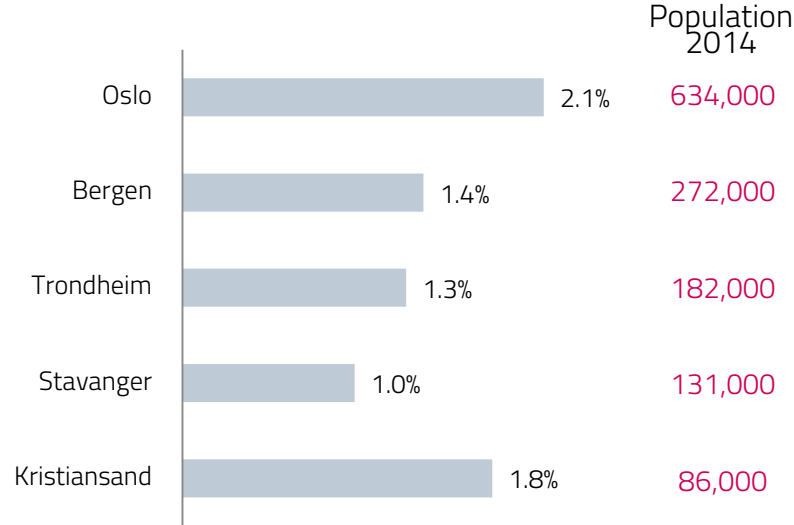


Consumption growth in Norway



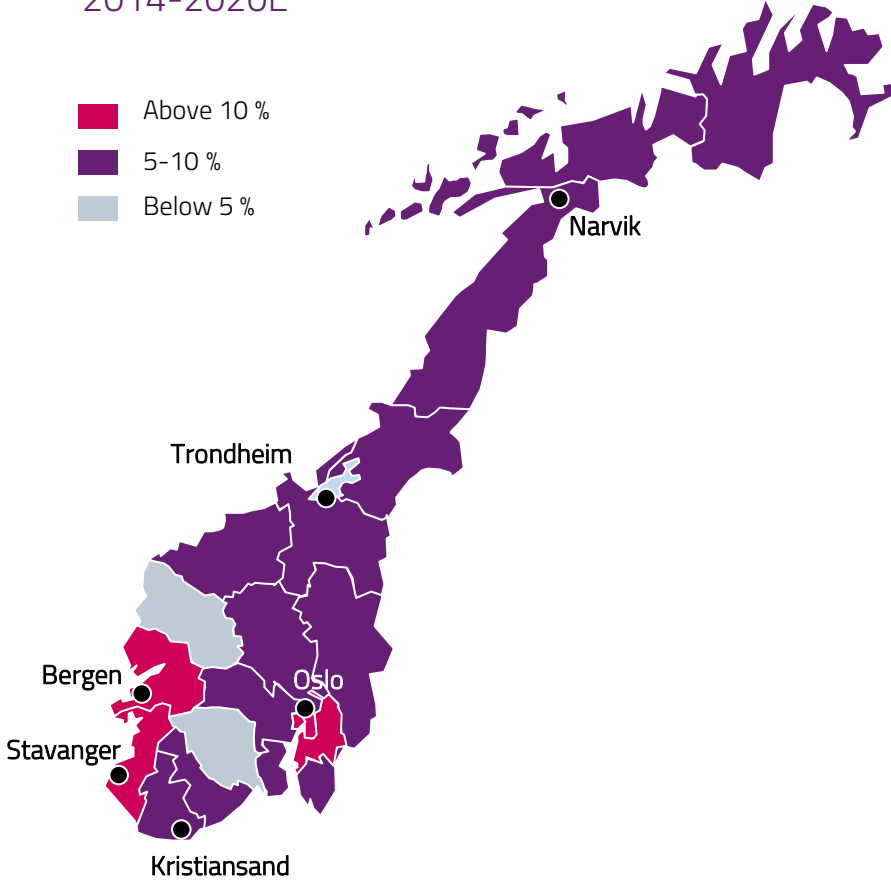
Strong population growth in the major regions

Population growth, larger cities
2014-2020E CAGR



- The major cities of Norway have the highest population growth rates in the country, with Oslo in the lead

Population growth for Norway
2014-2020E





3. FINANCIAL ASPECTS

Preliminary combined financial information

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

¹⁾ Includes fair value changes on investment property

- The transaction is expected to be accretive to earnings per share as of first full year (2016)

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

Financing of the transaction

- Rights issue of EUR 600 million (subject to EGM approval)
 - Pro rata subscription undertakings by Citycon's main shareholders Gazit-Globe (42.8%) and CPPIB (15.0%) , subject to certain customary conditions
- All necessary bank waivers and commitments received
- Management expects its current credit ratings (BBB by S&P and Baa2 by Moody's) to be affirmed with a stable outlook

Sources

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

Uses

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

Financing of the transaction (cont.)

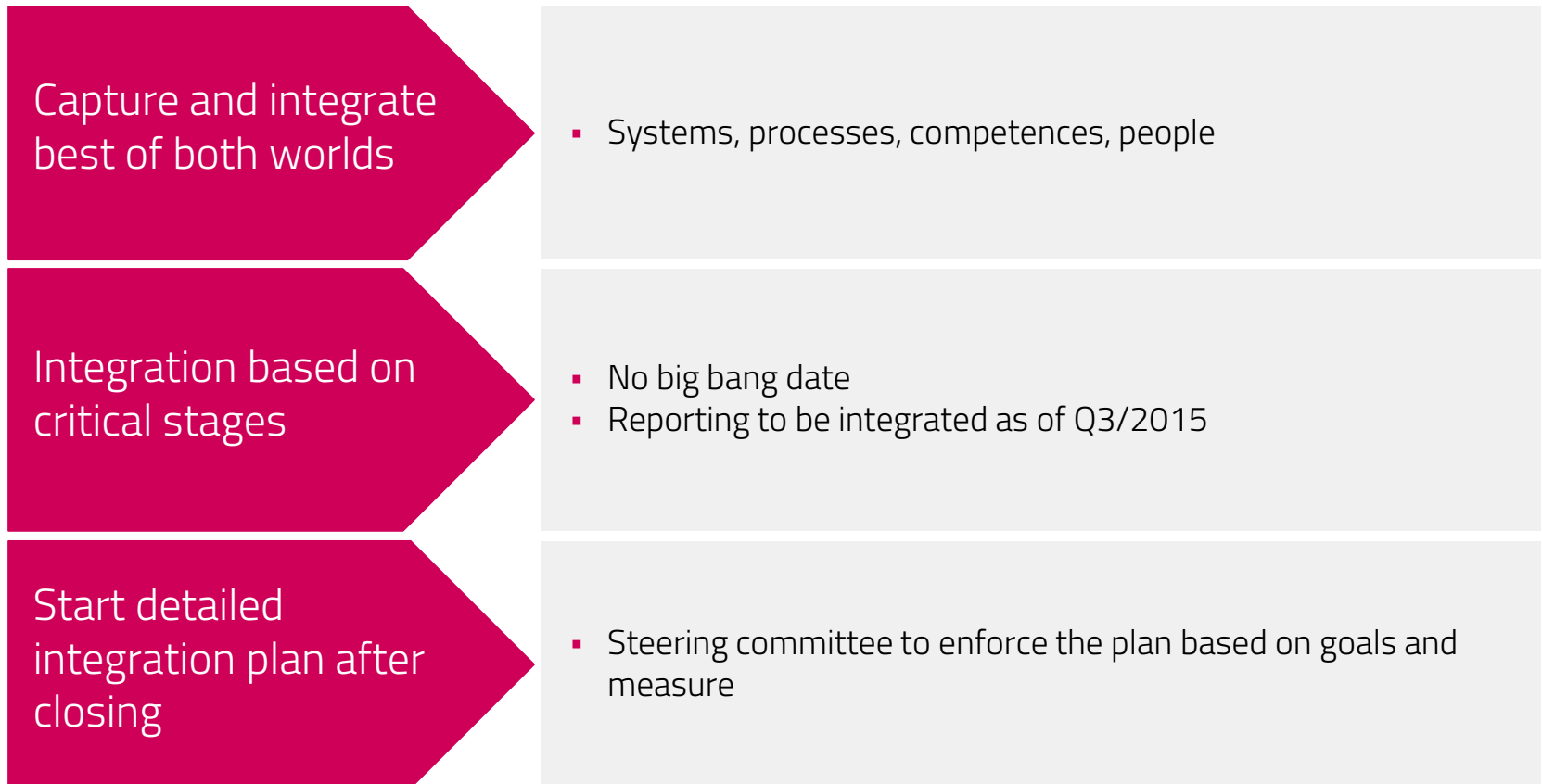
- Following completion of the transaction, Citycon will consider alternatives to optimise its long-term financing structure and to refinance the bridge arrangements
 - Bridge financing facility and existing Sektor debt to be refinanced
 - Continued divestment of non-core properties
 - Potential issuance of bonds, possibly to be supplemented by bank loans
- Citycon's identified non-core portfolio amounts to approx. EUR 300 million, which management expects to divest during the next years
- Management evaluates that <10% of Sektor's portfolio can be considered non-core due to small size (<10,000 sq.m.) or non-urban location

Pro forma LTV maintained within the target range of 40-45%



4. GOING FORWARD

Merging two strong platforms based on the "One Citycon" model



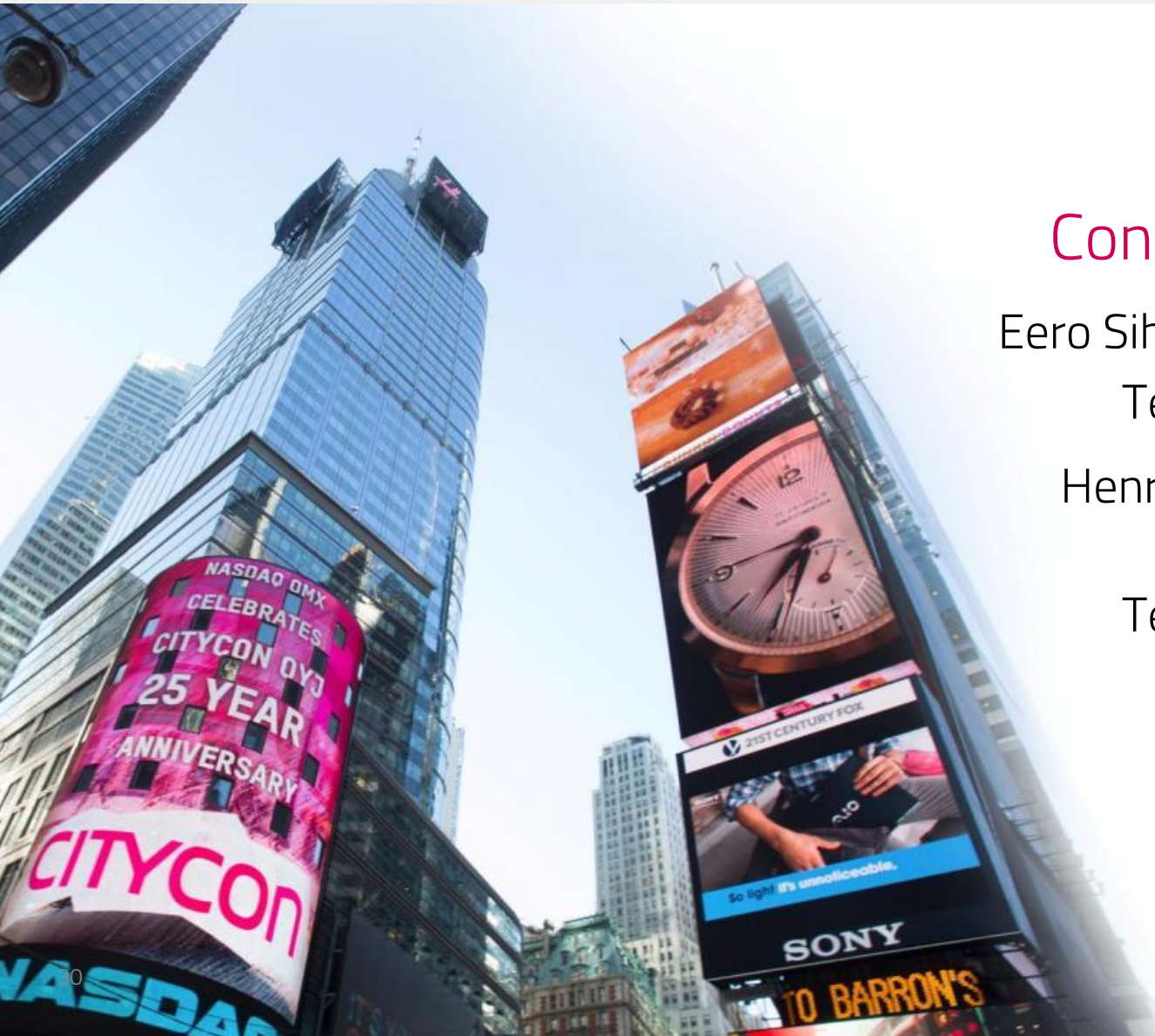
Goal is to gradually align Sektor with Citycon processes and KPIs

Summary

- Logical combination of two retail specialists
- Entrance to the strong and growing Norwegian market
- Creation of the #1 listed property company in the Nordics
- Value-add potential through synergies



European scale with a
Nordic heartbeat



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APPENDIX



Sektor portfolio overview

Shopping Centre	Municipality	Ownership %	GLA sqm	Footfall million
Buskerud Storsenter	Nedre Eiker	100 %	28 500	1,2
Down Town	Porsgrunn	100 %	33 900	2,7
Glasshuspassasjen	Bodø	100 %	2 400	2,7
Heiane Storsenter	Stord	100 %	24 000	1,2
Herkules	Skien	100 %	49 600	2,9
Kilden Senter	Stavanger	100 %	16 800	1,6
Kolbotn Torg	Oppegård	100 %	17 500	2,0
Kongssenteret	Kongsvinger	100 %	18 600	1,2
Kremmertorget	Elverum	100 %	19 400	1,4
Krokstad Senter	Nedre Eiker	100 %	10 300	0,4
Lade Storhandel	Trondheim	100 %	8 700	
Liertoppen	Lier	100 %	25 600	1,9
Lietorvet	Skien	100 %	7 300	1,5
Linderud	Oslo	100 %	21 100	2,3
Magasinet Drammen	Drammen	100 %	15 200	2,9
Oasen	Bergen	69 %	30 900	3,6
Sjøsidan	Horten	69 %	11 100	1,0
Stopp Tune	Sarpsborg	100 %	11 900	1,1
Storbyen	Sarpsborg	69 %	23 400	2,7
Trekanten	Asker	100 %	23 800	3,1
Total owned properties			400 000	37,4
NAF-Huset	Oslo	Rented	4 100	-
Solsiden	Trondheim	Rented	13 900	2,7
Total rented properties			18 000	2,7
TOTAL OWNED/LEASED PROPERTIES			418 000	40,1

Sektor portfolio overview (cont.)

Shopping Centre	Municipality	Ownership %	GLA sqm	Footfall million
CC Drammen	Drammen	-	16 500	1,0
City Syd	Trondheim	-	15 500	4,0
<u>Halden Storsenter</u>	<u>Halden</u>	<u>20 %</u>	<u>9 400</u>	<u>0,8</u>
Holmen Senter	Asker	-	24 200	2,0
Ivar Lykkes vei 5	Trondheim	-	11 900	
<u>Markedet</u>	<u>Haugesund</u>	<u>20 %</u>	<u>10 100</u>	<u>1,2</u>
Stadionparken	Stavanger	-	10 900	1,0
Stovner Senter	Oslo	20 %	37 000	4,3
<u>Strandtorget</u>	<u>Lillehammer</u>	<u>-</u>	<u>29 400</u>	<u>1,7</u>
Tiller Torget	Trondheim	-	23 500	1,2
Torget Vest	Drammen	-	7 900	1,1
Torvbyen	Fredrikstad	20 %	13 500	3,9
TOTAL MANAGED PROPERTIES			209 800	22,2
TOTAL INCLUDING MANAGED PROPERTIES			627 800	62,3



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