

# Audiocast presentation

Q2/2014 Results

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2014  
Q2

**CITYCON**



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# HIGHLIGHTS Q2/2014



# Highlights Q2/2014

Challenging retail environment  
especially in Finland

Overall steady financial performance

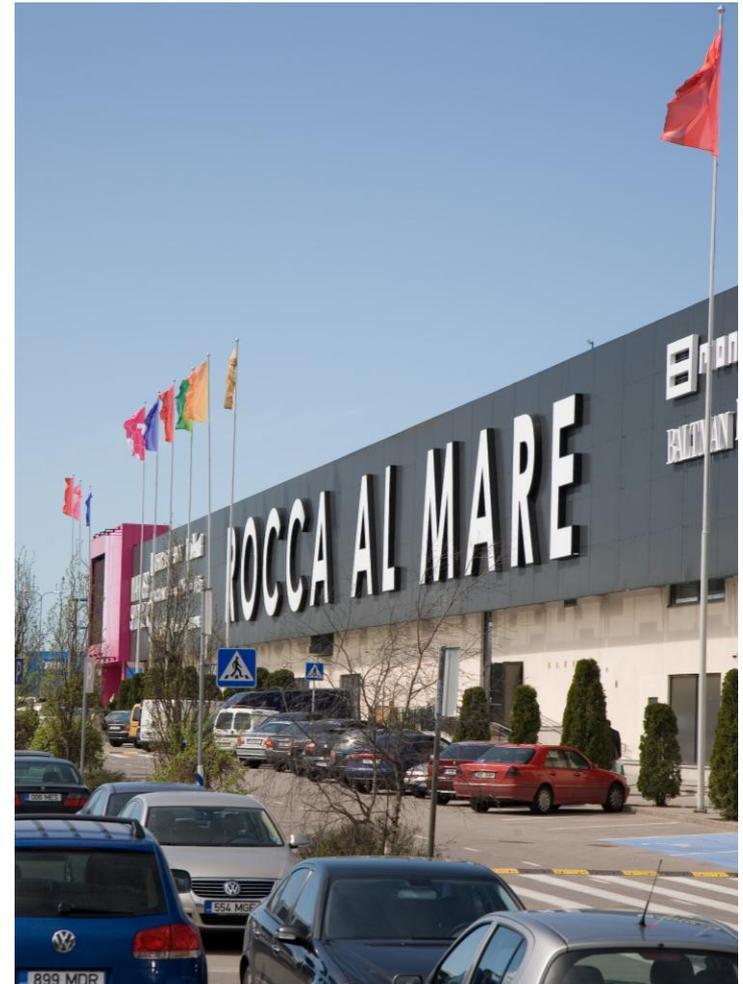
Continued growth in like-for-like NRI

Leasing indicators stable

Reduced opex and admin expenses

Raising EUR 400 million new equity

Developments progressing



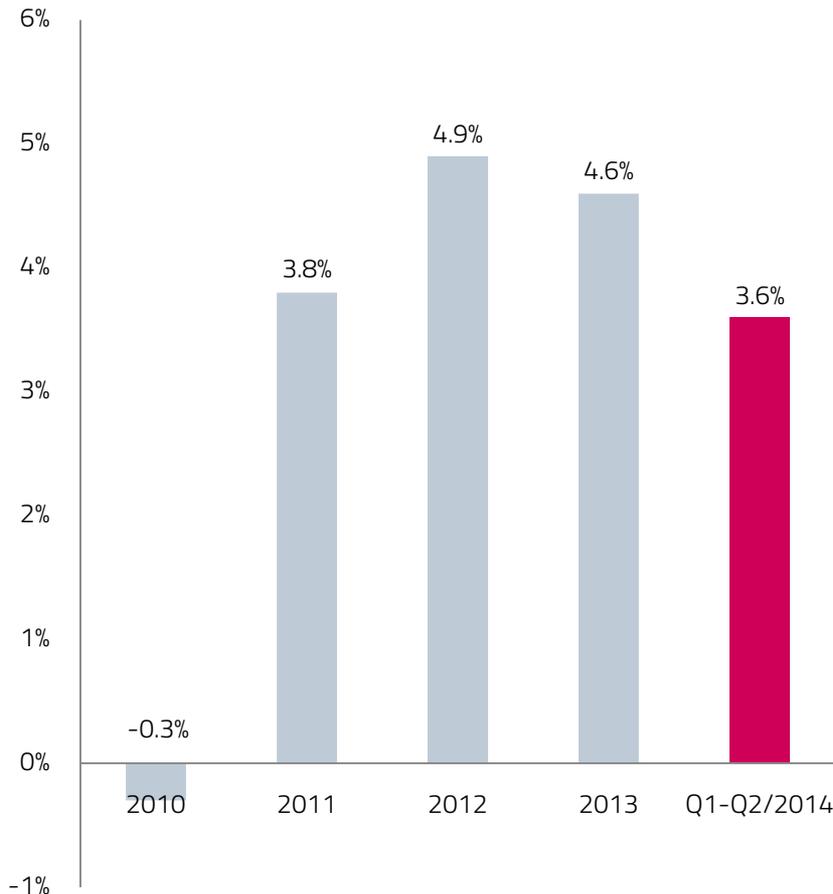
# Overall steady financial performance

EUR million	Q2/2014	Q2/2013	Q1-Q2/ 2014	Q1-Q2/ 2013	Change-%
Net rental income	43.4	42.7	84.0	83.0	1.3
Administrative expenses	5.1	5.1	10.2	10.5	-2.4
EPRA Operating profit	38.6	37.8	74.7	73.2	2.1
Net financial income & expenses	-28.0	-43.1	-41.6	-59.5	-30.1
EPRA Earnings	24.0	20.8	46.3	40.4	14.4
EPRA Earnings per share (basic)	0.052	0.047	0.102	0.098	4.0

- Like-for-like gross rental income growth: 2.4%
- Like-for-like net rental income growth: 3.6%
- Increased EPRA EPS despite the higher average number of shares resulting mainly from the directed share issue
- Stable fair value development YTD: EUR 13.4 million (EUR 28.7 million incl. Kista Galleria)

# Continued growth in like-for-like NRI

Like-for-like net rental income growth



- Continued strong like-for-like net rental income growth in low inflation environment
  - Shopping centres: 3.4%
  - Supermarkets & shops: 4.5%
  
- Growth in all regions
  - Finland: 3.3%
  - Sweden: 3.9%
  - Baltic Countries & New Business: n.a. (due to (re)development projects)

## Leasing indicators stable

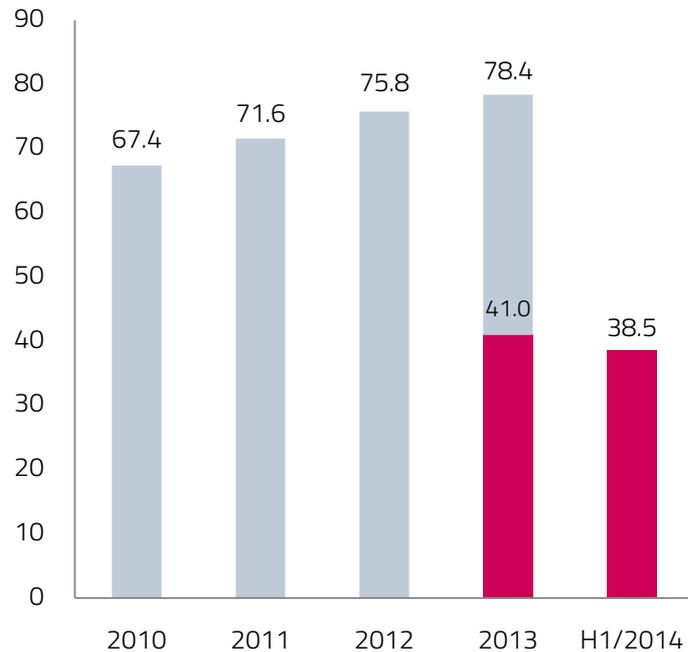
	Q2/2014	Q2/2013	Q1/2014	Q4/2013
Occupancy rate (economic), %	95.7	94.8	95.5	95.7
LFL occupancy rate (economic), %	95.2	94.6	94.9	95.2
Occupancy cost ratio, % (LFL shopping centres)	8.7	8.7	8.7	8.7
Average rent, EUR/sq.m./mth	21.7	21.5	21.7	21.5

- Slight increase in occupancy rate
- Average rent development stable, though under pressure in Finland
- Continued modest occupancy cost ratio

# Reduced opex and admin expenses

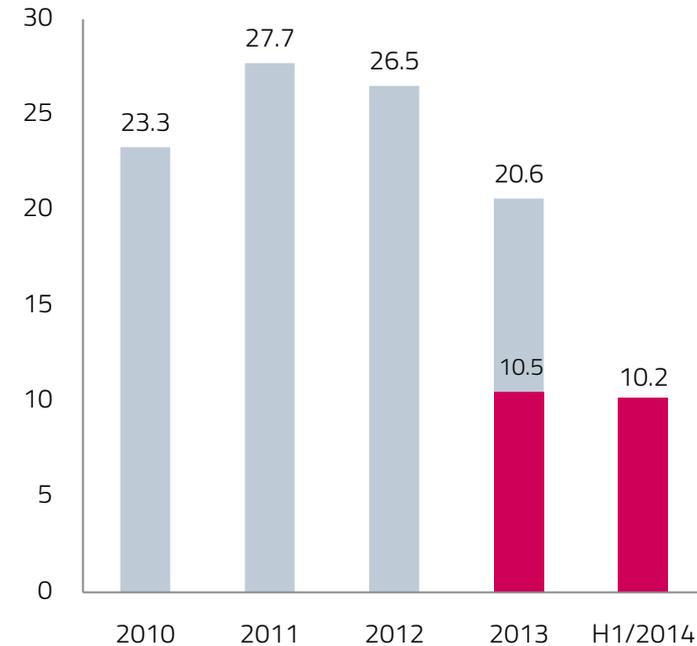
Property operating expenses

EUR million



Administrative expenses

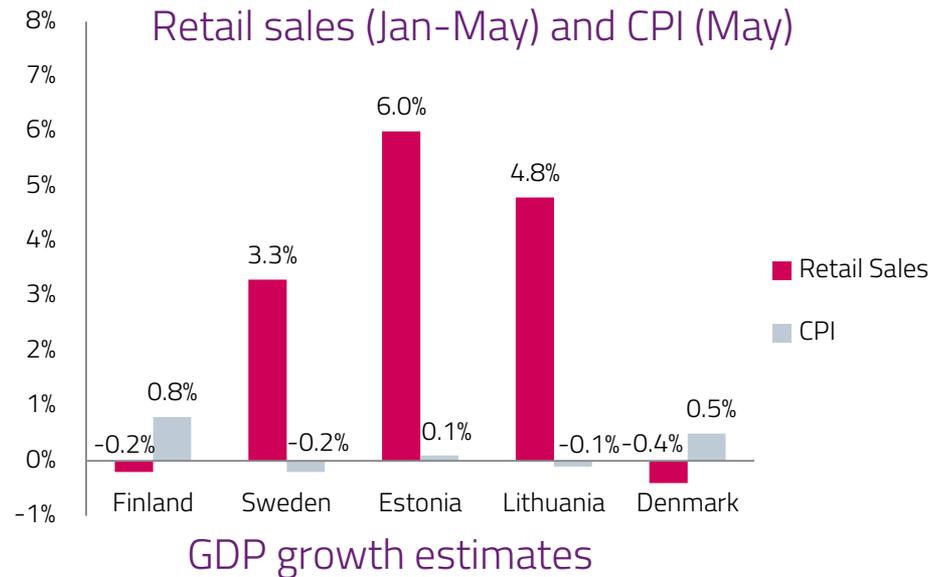
EUR million



# Retail environment promising in Sweden, challenging in Finland

- Finland
  - Modest GDP forecast
  - Consumers hold back on spending
- Sweden
  - Stronger economic fundamentals drive retail spending
- Baltics
  - Steady retail outlook

Urban, grocery-anchored shopping centre strategy proves to be resilient

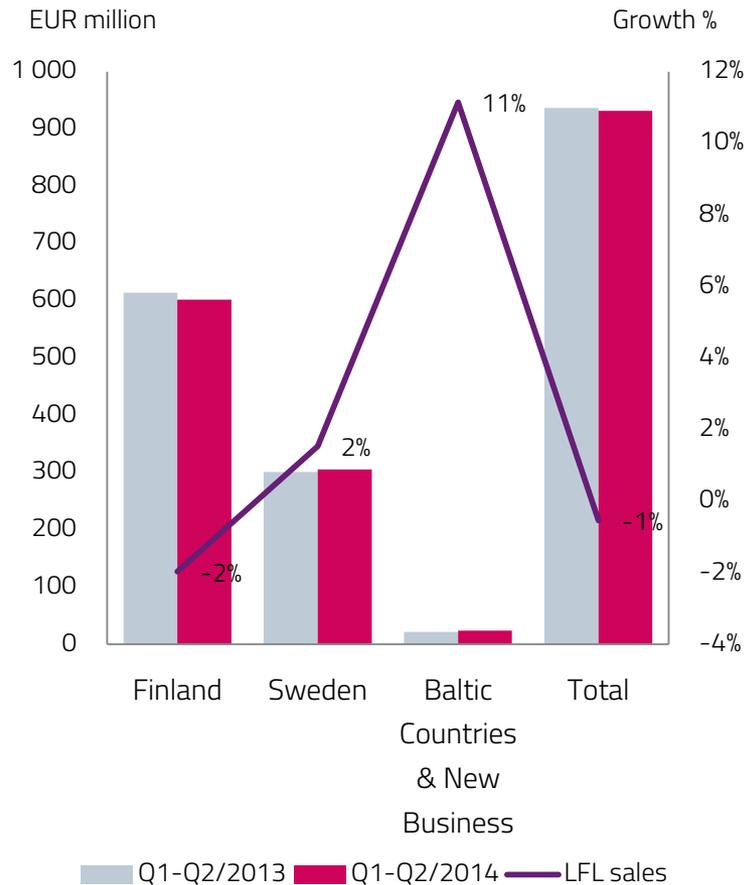


	2014	2015
Finland	0.2	1.0
Sweden	2.8	3.0
Estonia	1.9	3.0
Lithuania	3.3	3.7
Denmark	1.5	1.9

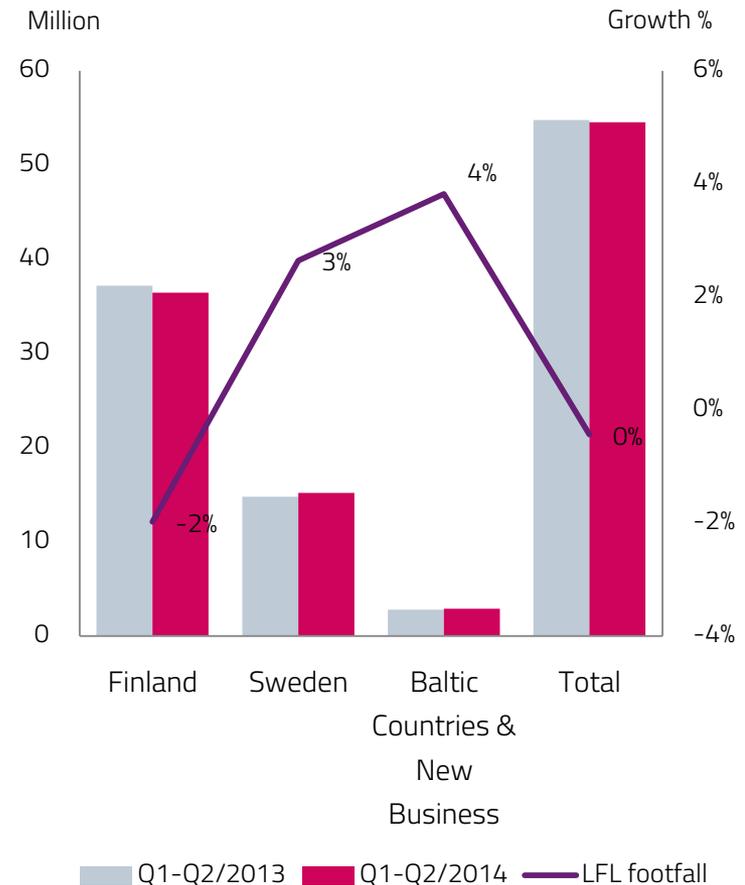
Sources: Statistics Finland/Sweden/Estonia/Lithuania /Denmark, European Commission

# LFL sales and footfall stable

## LFL shopping centre sales

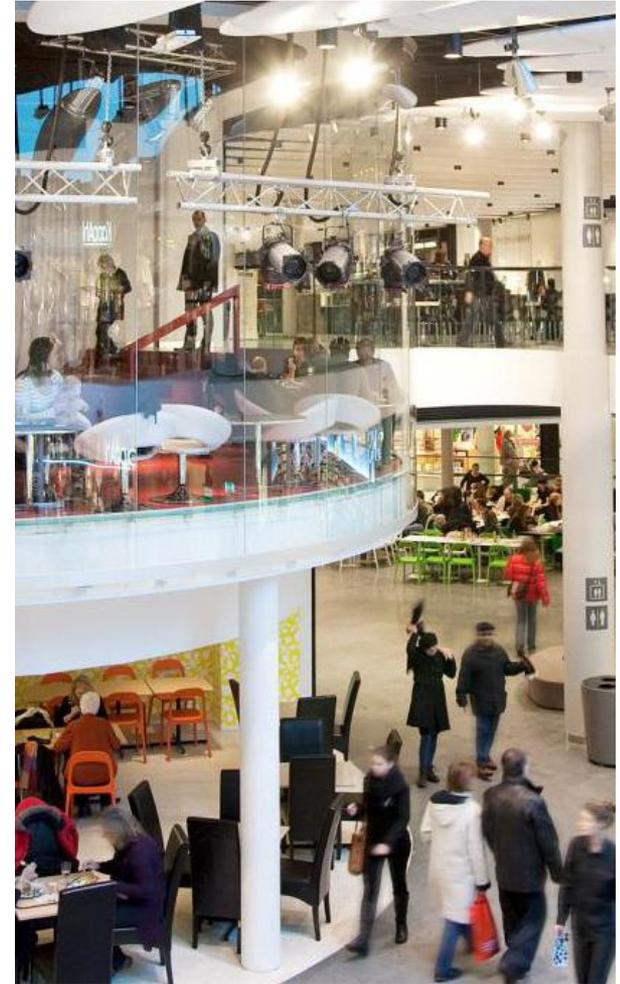


## LFL shopping centre footfall



# Raising EUR 400 million new equity

- **Two consecutive share issuances:**
  - Directed share issue of approx. EUR 200 million to CPPIB - completed 10 June
  - Rights issue of approx. EUR 200 million to all shareholders - completed 8 July
- **Introduced CPPIB as a significant strategic shareholder in Citycon**
  - 15% ownership after directed share issue
  - Builds on existing partnership in Kista Galleria
- **Use of proceeds**
  - Approx. EUR 300 million to repay debt
  - Approx. EUR 100 million for select acquisitions and (re)developments
- **Positive impact on Citycon's credit profile**
  - Ratings upgrade by S&P to BBB (8 July)
  - Moody's rating (Baa3) under review for upgrade



# Developments progressing

	Area before/ after, sq.m.	Citycon's (expected) investment need, EUR m	Actual investments by 30.6.2014, EUR m	Expected yield on completion when stabilised, %	Pre-leasing rate, %	Completion target	
Iso Omena	63,300 90,000	88.0	22.2	6.5-7.0	40%	Q3/2016	Extension & (re)development
Iso Kristiina	22,400 34,000	55.0	26.1	7.6	70%	Q4/2015	Extension & (re)development
Stenungs Torg	36,400 41,400	18.0	4.1	7.5	85%	Q3/2015	Extension & (re)development
Kista Galleria	94,200 94,600	5.0	3.6	-	100%	Q3/2014	Addition of digital library
Kista Galleria	94,600 95,100	6.0	1.2	-	100%	Q4/2015	Upgrade of food court and north entrance

# Development pipeline

## 3 projects planned ≥ 2015

	Estimated project area/additional sq.m.	Citycon's expected investment need, EUR m	Target for project initiation/completion	
Myyrmanni	26,600/ 16,600	55	2015/2016	Extension and (re)development possibility of the shopping centre. Different alternatives under investigation. Supermarket and residential units are under planning to be built in connection to the centre.
Tumba Centrum	7,000- 10,000	34	2015/2016	Extension project combined with a new bus terminal. Negotiations related to zoning ongoing with the Municipality.
Lippulaiva	36,000/ 23,000	50-70	2015/2017	Extension possibility of the shopping centre. Zoning process ongoing due to the plans to extend the western metro line and build a new bus terminal next to Lippulaiva. Plans include a new library, cultural services and hypermarket.

# Summary of Q2/2014 and going forward

Solid LFL performance despite weak Finnish environment

Deleveraging builds strength and flexibility; strategy implementation to continue

Ongoing (re)developments and selected acquisitions support further earnings growth



# FINANCIAL FIGURES



# Financial results

EUR million	Q2/2014	Q2/2013	Q1-Q2/ 2014	Q1-Q2/ 2013	Q1-Q2/ 2014 incl. Kista
Net rental income, total	43.4	42.7	84.0	83.0	98.8
NRI, Finland	26.0	26.1	50.4	50.3	50.4
NRI, Sweden	10.4	10.4	19.7	20.1	34.4
NRI, Baltic Countries & New Business	7.0	6.2	14.0	12.7	14.0
EPRA Operating profit	38.6	37.8	74.7	73.2	88.7
EPRA Earnings	24.0	20.8	46.3	40.4	46.3
EPRA EPS (basic)	0.052	0.047	0.102	0.098	0.102

- In Q1-Q2/2014 Kista Galleria contributed to the IFRS based profit for the period by approx. EUR 12.3 million.

# NRI development

EUR million



# Income statement

EUR million	Q2/2014	Q2/2013	Q1-Q2/ 2014	Q1-Q2/ 2013	Change- %
<b>Turnover</b>	61.9	61.6	123.2	124.5	-1.1
Property operating expenses	18.1	18.8	38.5	41.0	-6.0
Other expenses from leasing operations	0.3	0.2	0.6	0.5	28.1
<b>Net rental income</b>	43.4	42.7	84.0	83.0	1.3
Administrative expenses	5.1	5.1	10.2	10.5	-2.4
Other operating income and expenses	0.4	0.2	0.8	0.6	42.8
Net fair value gains/losses on investment property	1.4	3.3	13.4	15.1	-11.5
Net gains/losses on sale of investment property	-0.2	-0.4	0.0	-0.8	-
<b>Operating profit</b>	39.8	40.7	88.0	87.5	0.6
Net financial income and expenses	-28.0	-43.1	-41.6	-59.5	-30.1
Share of profit/loss of jointly controlled entities	1.8	1.3	8.6	2.4	260.4
<b>Profit/loss before taxes</b>	13.7	-1.1	55.0	30.3	81.3
<b>Profit/loss for the period</b>	13.6	2.7	52.3	30.7	70.3

# Balance sheet

EUR million	30 Jun 2014	30 Jun 2013	31 Dec 2013
Investment properties	2,741.5	2,711.3	2,733.5
Total non-current assets	2,923.5	2,879.2	2,898.6
Total current assets	168.8	98.2	74.5
<b>Total assets</b>	<b>3,100.0</b>	<b>2,983.9</b>	<b>2,975.4</b>
Total shareholder's equity	1,533.8	1,272.8	1,340.6
Total liabilities	1,566.2	1,711.1	1,634.7
<b>Total liabilities and shareholders' equity</b>	<b>3,100.0</b>	<b>2,983.9</b>	<b>2,975.4</b>

	30 Jun 2014	30 Jun 2013	31 Dec 2013
EPRA NAV per share, EUR	2.99	2.99	3.10
EPRA NNNNAV per share, EUR	2.72	2.77	2.90
Net yield requirement, %	6.2	6.3	6.3

# Property portfolio

	Q2/2014	Q2/2013	Q1-Q2/ 2014	Q1-Q2/ 2013
Occupancy rate (economic), %	95.7	94.8	95.7	94.8
Average rent, EUR/sq.m.	21.7	21.5	21.7	21.5
# of leases started	128	125	272	292
Total area of leases started, sq.m.	29,705	35,423	60,401	70,810
Average rent of leases started, EUR/sq.m.	20.0	19.1	19.5	19.9
# of leases ended	132	200	336	450
Total area of leases ended, sq.m.	31,061	46,057	68,343	101,208
Average rent of leases ended, EUR/sq.m.	20.2	17.3	21.4	18.0

# Successful directed share issue and rights issue

Directed share issue to CPPIB:

Successful execution

- Directed share issue of 77,874,355 to CPPIB
- Gross proceeds EUR 206.4 million
- Completed 9 June

Use of proceeds

- Approx. EUR 200 million used for debt repayments in June

Rights issue to all shareholders:

Successful execution

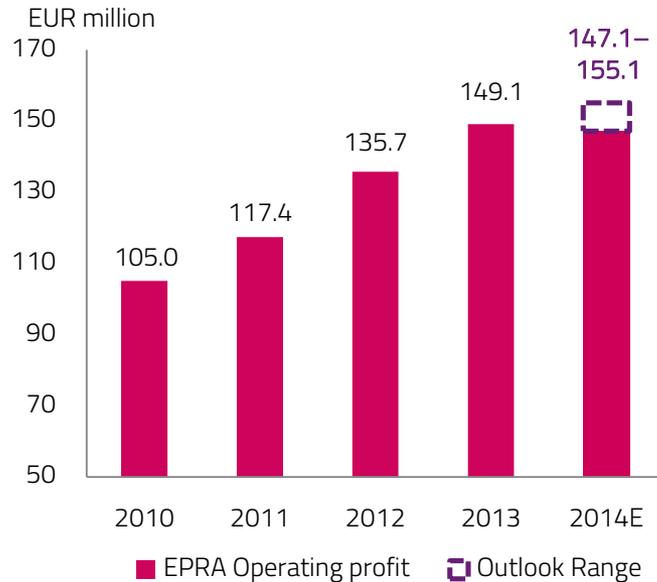
- All offered 74,166,052 shares were subscribed for
- Major shareholder participation
  - Gazit's utilized underwriting: 1,956,885 shares
- Gross proceeds EUR 196.5 million
- Completed 8 July

Use of proceeds

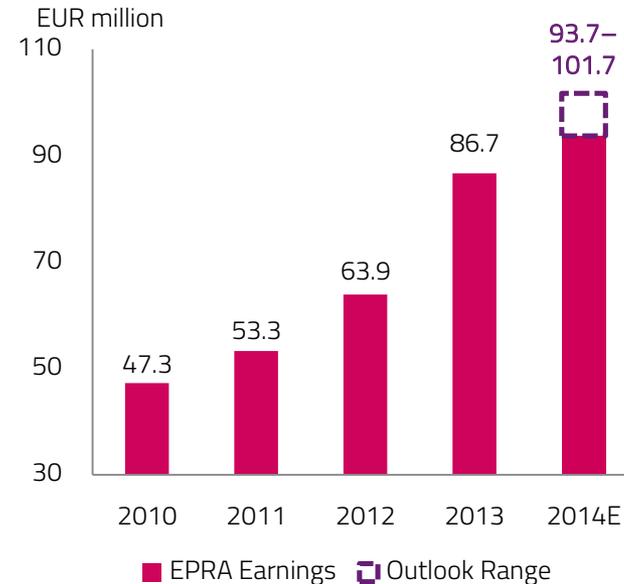
- Approx. EUR 100 million further debt repayments in July and remaining approx. EUR 100 million for select acquisition and (re)developments

# Outlook 2014

EPRA Operating profit



EPRA Earnings



- Company guidance 2014 (specified 8 July):
  - Turnover to change by EUR (-1) to 7 million
  - EPRA Operating profit to change by EUR (-2) to 6 million
  - EPRA Earnings to increase by EUR 7 to 15 million (Q1/2014: EUR 2 to 10 million)
  - EPRA EPS (basic) to be EUR 0.175–0.195 (Q1/2014: EUR 0.20–0.22)

# FINANCING OVERVIEW



# Financing overview – Key figures

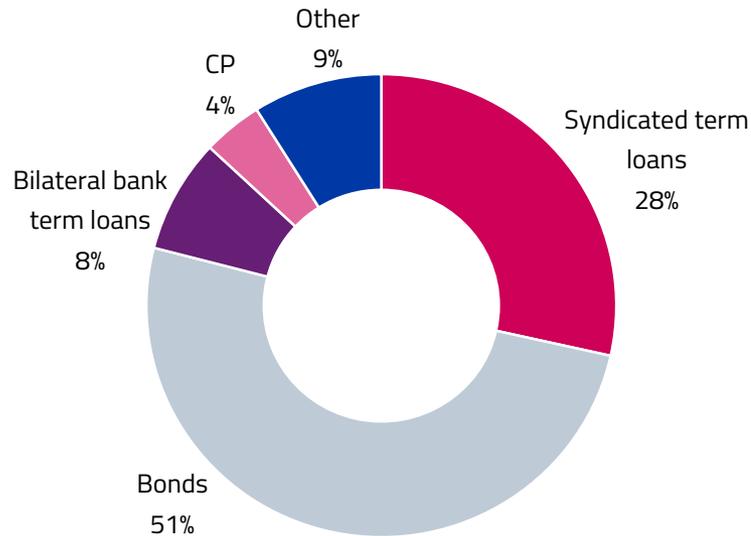
	30 Jun 2014	30 Jun 2013	31 Mar 2014
Interest bearing debt, fair value, EUR million	1,308.6	1,555.9	1,491.8
Available liquidity, EUR million	419.9	453.8	414.2
Average loan maturity, years	3.8	4.4	3.8
Average fixing period, years	3.7	4.2	3.6
Hedging ratio, %	85.7	90.2	82.1
Weighted average interest rate, % <sup>1)</sup>	3.98	4.09	4.03
YTD weighted average interest rate, % <sup>1)</sup>	4.07	4.14	4.08
Loan to Value (LTV), %	39.8	51.3	50.3
Financial covenant: Equity ratio (>32.5%)	49.3	44.0	44.1
Financial covenant: ICR (>1.8)	2.6	2.2	2.5

- LTV decreased to 39.8% as a result of the directed share issue in June 2014 and as part of the funds from the rights issue had been credited end of Q2
- Weighted average interest rate decreased to 3.98% due to repayment of debt and unwinding of swaps
- Following announcement of equity transaction, S&P and Moody's put Citycon's ratings under review for upgrade. S&P upgraded Citycon to BBB on 8 July

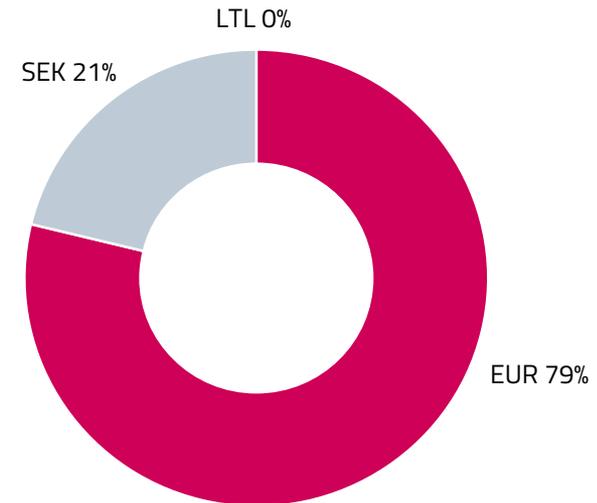
1) Including interest rate swaps

# Debt type and currency split

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



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

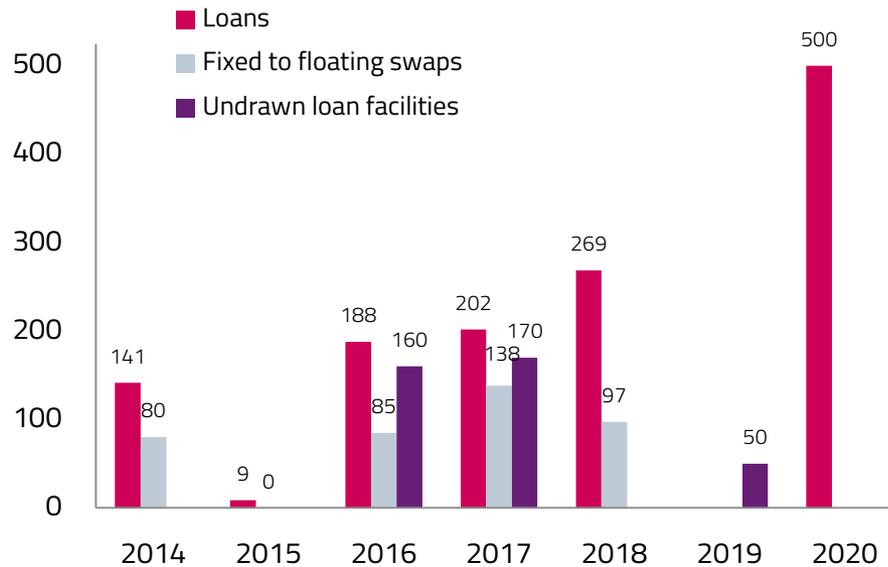


- Well diversified debt sources
  - Following the repayments in June 2014 and the EUR 500 million Eurobond issue in Q2/2013; bonds account for 51% of total outstanding debt
- The EUR 500 million Eurobond issue in Q2/2013 shifted the currency breakdown more towards EUR

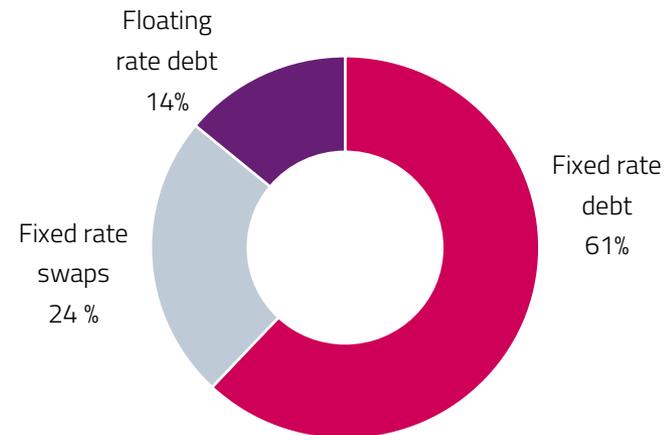
1) Calculated based on fair value of interest bearing debt

# Debt maturities and interest risk hedging

Maturity profile of loans and derivatives



Interest-bearing debt by fixing type



- Average loan maturity remained on the same level as in previous quarter due to the repayment of shorter term debt during the quarter and despite that no new long term debt was drawn
- Hedging ratio increased to 85.7% mainly due to the repayment of floating debt in June 2014

1) Calculated based on fair value of interest bearing debt

# Financial expenses analysis

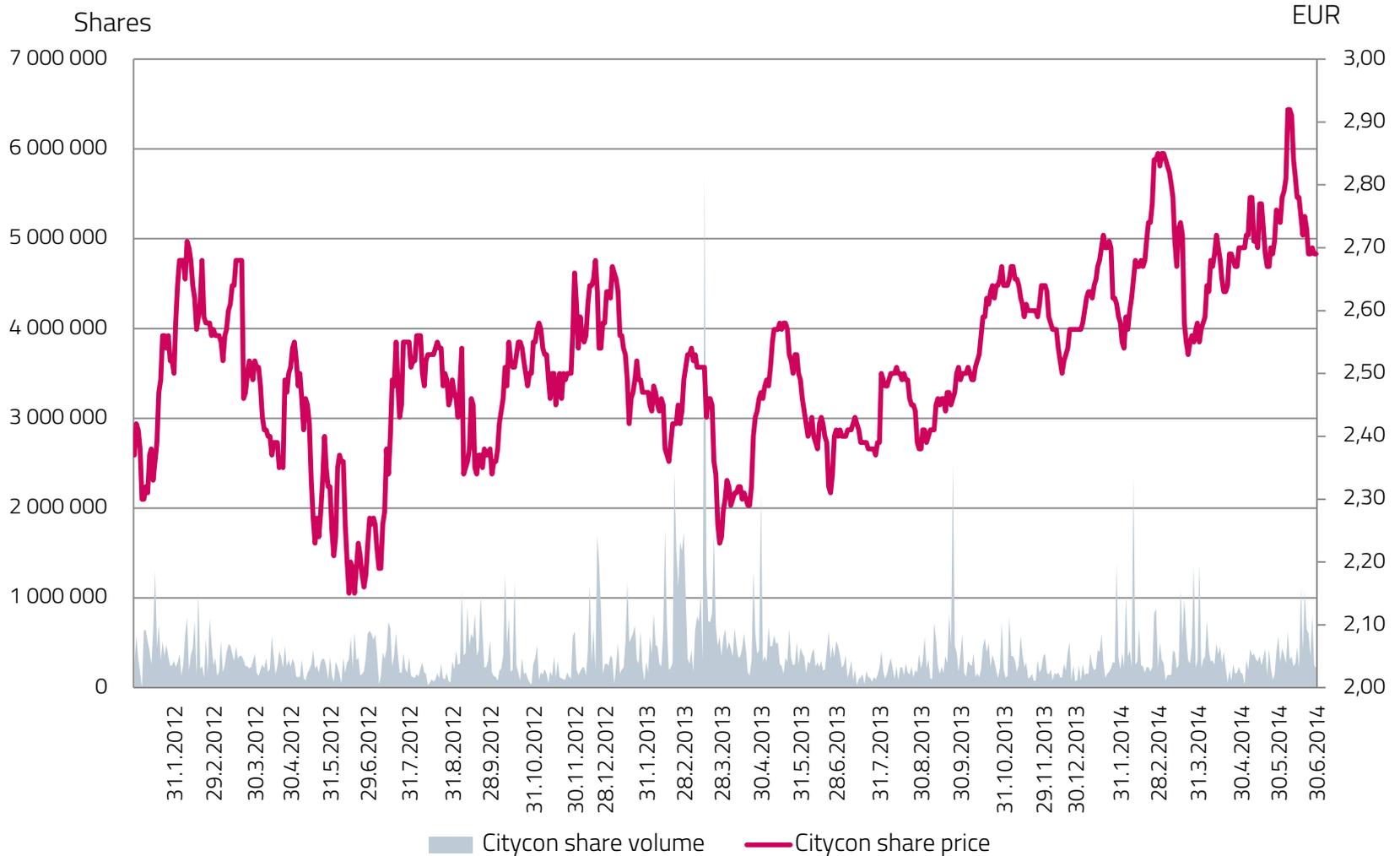
EUR thousand	Q2/2014	Q1/2014	Q2/2013	Q1-Q2/ 2014	Q1-Q2/ 2013
Interest expenses	-14,685	-14,648	-16,370	(A) -29,333	-33,161
Foreign exchange gains (+) / losses (-)	-50	-36	85	-87	82
Amortisation of capitalised fees	-906	-406	-1150	(B) -1,312	-1,094
Non-cash option expense from convertible bonds	0	0	240	0	-480
Other expenses	-14,049	-360	-27,612	-14,409	-28,012
<b>Total expenses</b>	<b>-29,691</b>	<b>-15,450</b>	<b>-44,808</b>	<b>-45,141</b>	<b>-62,665</b>
Interest income	1,724	1,795	1,688	(C) 3,518	3,146
<b>Net financial expenses</b>	<b>-27,968</b>	<b>-13,655</b>	<b>-43,119</b>	<b>-41,623</b>	<b>-59,518</b>

- A. Interest expenses decreased compared to last year mainly due to a lower average debt level
- B. Both other financial expenses and amortisation of capitalised fees increased from the previous quarter as a result of the indirect fair value losses on the interest rate swaps closed in relation to debt prepayments and the write down of unamortised fees related to loans repaid during Q2/2014. Similar one-off items were incurred also in Q2/2013 due to refinancing
- C. Interest income is mainly received from the shareholder loan given to Kista Galleria



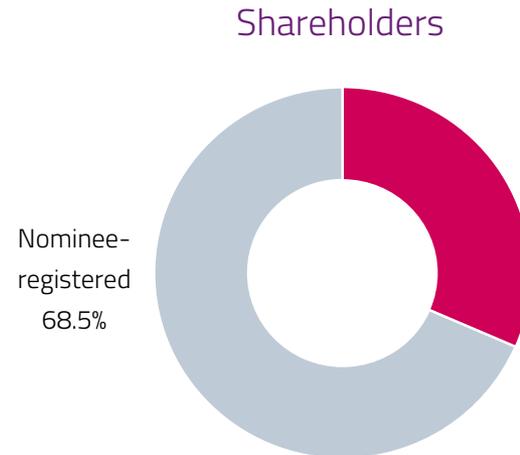
# SHARES AND SHAREHOLDERS

# Share performance and volume



# Ownership, 30 June 2014

- Established and listed on the Helsinki Stock Exchange since 1988
- Market cap **EUR 1,391.4 million**
- Total registered shareholders **7,854** (8,613), of which nominee-registered **68.5%** (76.1%) of total
- Largest shareholders:
  - Gazit-Globe 41.9% (42.2% post rights issue)
  - CPPIB 15.0%
  - Ilmarinen 7.6%
- Included in FTSE EPRA/NAREIT Global Real Estate Index, iBoxx BBB Financial index (EUR 500 million bond)





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