



# CITYCON

Q3 2013 Results - Audiocast Presentation  
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# Highlights of Q3 2013



Kista Galleria, Stockholm

## Highlights of Q3 2013

Good financial performance

Improved occupancy

Net fair value gains

Administrative cost savings program  
on track

Successful opening of H&M and  
Debenhams in Rocca al Mare



Rocca al Mare, Tallinn

# Highlights of Q3 2013

## Good financial performance

EUR million	Q3/2013	Q3/2012	Q1–Q3/2013	% Growth
Net Rental Income	43.9	42.6	126.9	5.8%
Administrative expenses	4.7	5.4	15.1	-18.8%
EPRA Operating Profit	39.5	37.3	112.6	11.0%
Net financial income and expenses	-15.4	-18.1	-74.9	47.7%
EPRA Earnings	24.2	17.8	64.7	35.4%

- Like-for-like net rental income growth: 4.9%
- Kista Galleria performance according to expectations
- Further narrowing of guidance based on stable outlook for the remainder of the year

Strong operational improvements

# Highlights of Q3 2013

## Strong NRI development

	Q1-Q3/2013	Q1-Q3/2012	% Growth	L-f-L % Growth
Finland	77.2	72.5	6.5%	4.8%
Sweden	30.7	29.3	5.0%	5.0%
Baltic Countries and New Business	19.0	18.1	5.2%	-
NRI, total	126.9	119.9	5.8%	4.9%

- Continued strong like-for-like net rental income growth in both shopping centres (4.9%) and supermarkets & shops (4.6%)
- Growth driven by rental uplifts, increased speciality leasing income and strict management of operating expenses

Continued strong like-for-like NRI development in all regions

# Highlights of Q3 2013

## Improved occupancy

	Q3/2013	Q3/2012	Q2/2013
Occupancy rate (economic), %	95.8	95.4	94.8
Incl. 50% Kista Galleria	96.1	n.a.	95.2
L-f-L occupancy rate (economic), %	95.3	95.1	94.7
Occupancy cost ratio, % (L-f-L shopping centres)	8.5	9.0	8.5
Average rent, EUR/sq.m.	21.5	20.8	21.5

- Good leasing result in Q3 – successfully brought down vacancy
- Increase driven by reduced vacancy in supermarket and shop portfolio and successful disposal of supermarket and shop properties with higher vacancy
- Average rent stable at 21.5 EUR per sq.m.
- Modest occupancy cost ratio

Economic occupancy rate increased by 1%-point to 95.8%

## Highlights of Q3 2013

### Net fair value gains

	Q3/2013	Q3/2012	Q1-Q3/2013
Net fair value gains, EUR million	6.3	13.8	21.4
Net yield requirement, %	6.3	6.3	-
Finland	6.2	6.3	-
Sweden	5.9	5.9	-
Baltics	7.6	7.9	-
Net rental yield, %	6.4	6.3	6.4

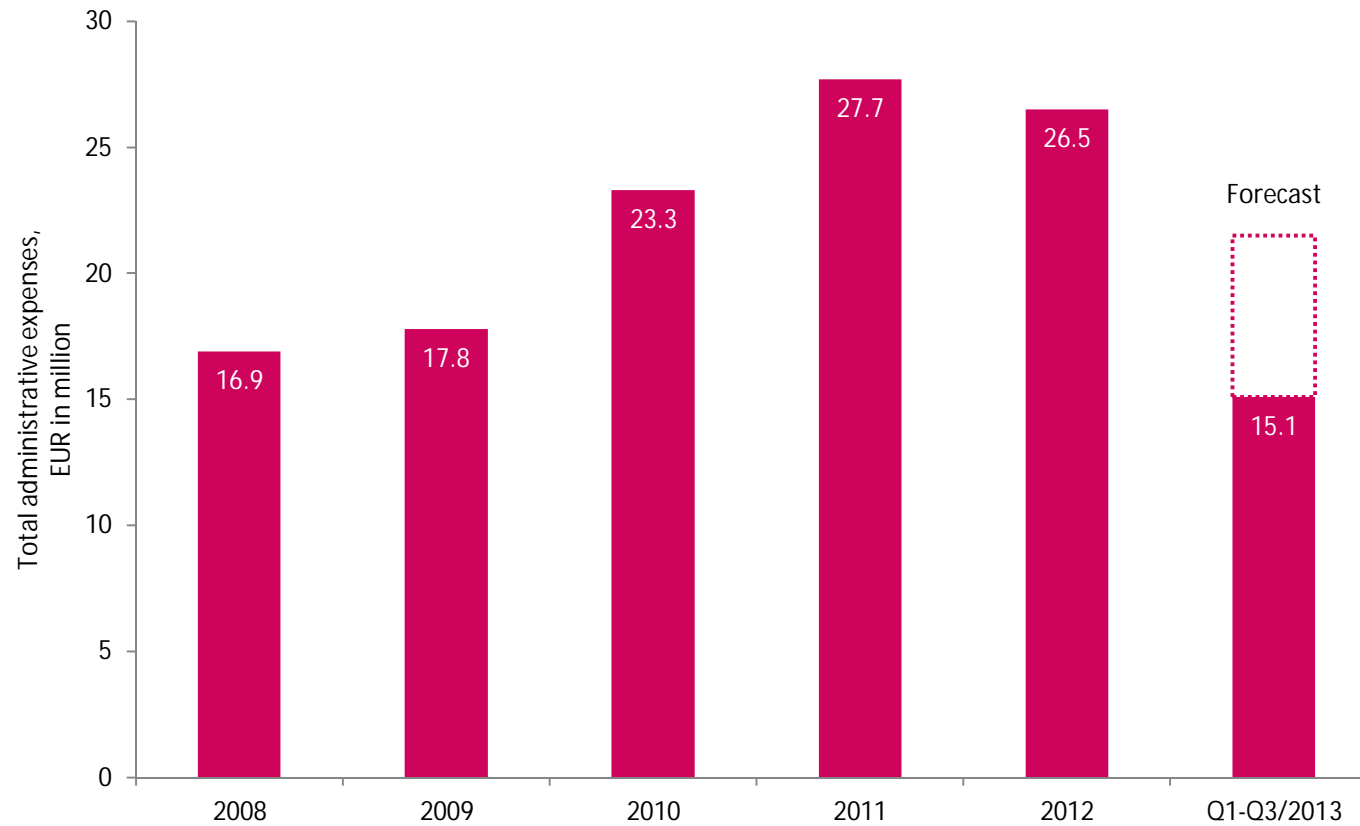
- The fair value of investment properties totalled EUR 2,739.4 million excl. Kista Galleria

Fair value gains of EUR 6.3 million over the quarter, YTD EUR 21.4 million



# Highlights of Q3 2013

## Decreased administrative expenses



Cost savings program on track (up to EUR 5 million saving in 2013)

## Highlights of Q3 2013

### Successful openings of H&M and Debenhams in Rocca al Mare

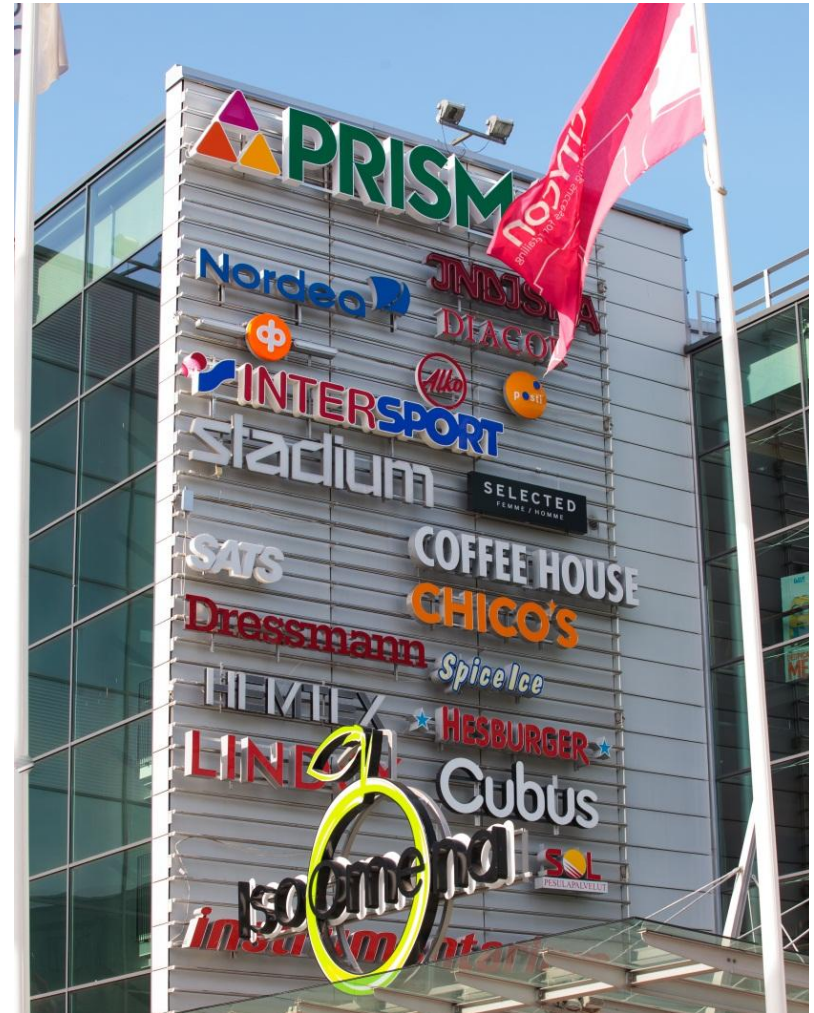


- Total investment EUR 5.3 million
- Second H&M to open later this year in Kristiine



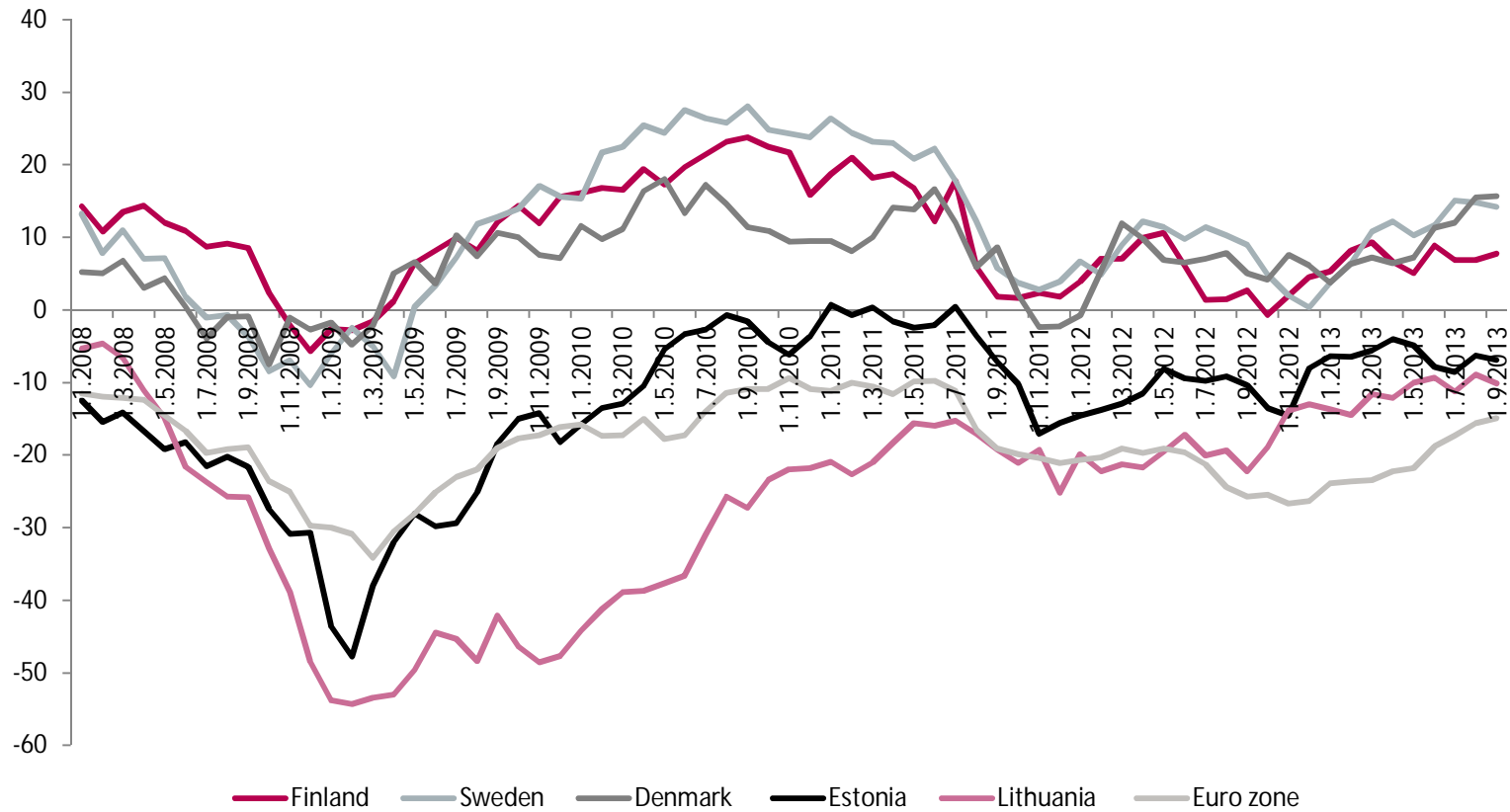
New openings support further growth in Tallinn centres

# Business environment



Iso Omena, Helsinki Metropolitan Area

# Consumer confidence



Source: Eurostat

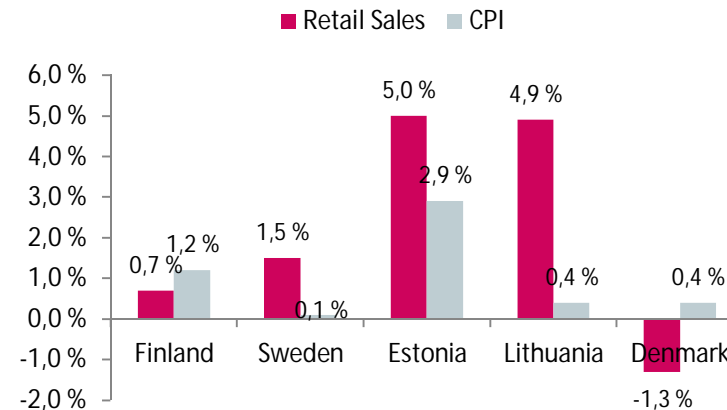
Consumer confidence indicator is conducted as an interview survey. It includes respondent's view on financial situation, general economic situation, unemployment expectations over the next 12 months, and savings over the next 12 months.

Consumer confidence in all operating countries above Euro zone average

# Business environment

- August unemployment rates below the European Union average (10.9%):
  - Finland 8.0%
  - Sweden 8.0%
  - Estonia 7.9% (July 2013)
  - Lithuania 12.3%
  - Denmark 6.6%
- Transaction volume in Sweden at par with 10-year average; volume in Finland far below historical average
- Demand for core assets remains strong
- No visible yield changes during the last quarters

Retail sales (January-August)<sup>1)</sup> & CPI (August)



<sup>1)</sup> Retail sales figures are not working day adjusted. Finnish, Swedish and Danish sales figures are reported in current prices, Estonian and Lithuanian in constant prices.

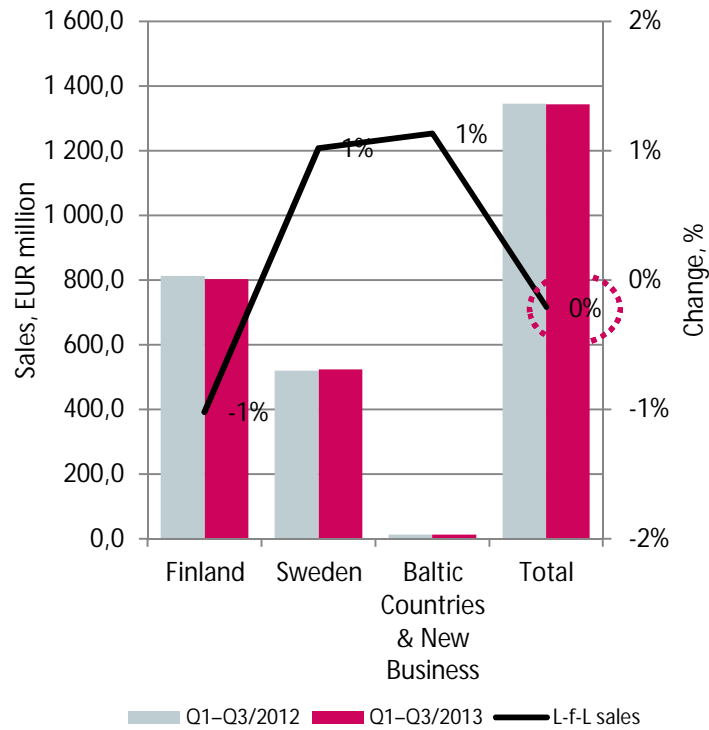
Source: Statistics Finland, Statistics Sweden, Statistics Estonia, Statistics Lithuania, Statistics Denmark, Eurostat, JLL

Retail sales positive, though under pressure

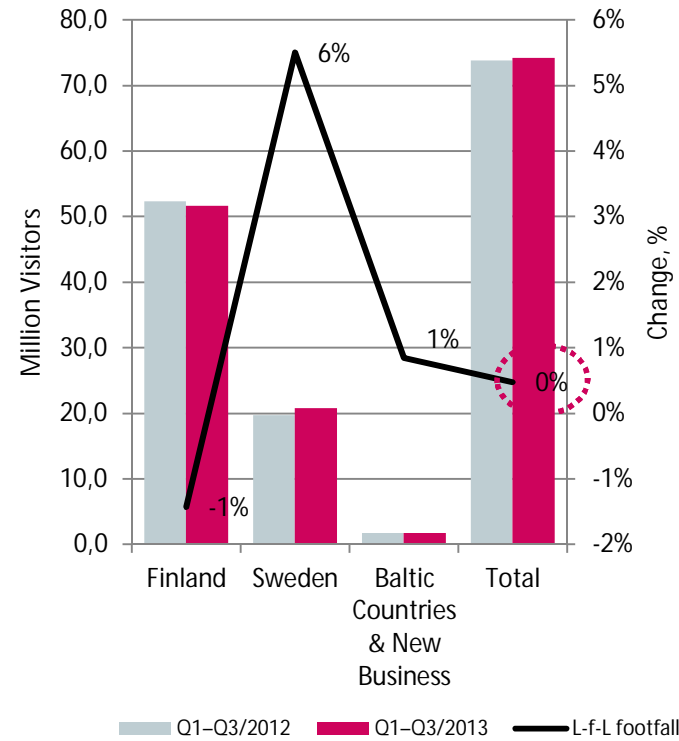
# Sales and footfall

In all Citycon SC's  
 Total sales: +1%  
 Total footfall: +2%

L-f-L shopping centre sales



L-f-L shopping centre footfall



Stable footfall and sales development; pressure in Finland





# (Re)development projects



IsoKristiina, Lappeenranta

## Ongoing (re)development projects

Property	Area before and after (sq.m.)	Citycon's estimated investment (EUR m)	Cum. realised capex (EUR m)	Expected yield on completion when stabilized (%) <sup>1)</sup>	Pre-leasing rate (%)	Est. of completion	
Iso Omena HMA Finland	63,100 90,000	88.0	12.3	6.5-7.0	40	Autumn 2016	Three-phased extension project including partial (re)development of existing centre. Extension fully integrated with the new Matinkylä metro station and bus terminal. Phase 1 carried out in 50/50 partnership with NCC.
IsoKristiina Lappeenranta Finland	21,000 34,000	54.0	9.8	7.4	70	2015	Refurbishment and extension of the shopping centre. Ilmarinen JV partner with a 50% share in the (re)development and in the existing shopping centre. Lappeenranta City Theatre will be located inside the shopping centre's extension part.

<sup>1)</sup> Yield on completion,% = Expected stabilized (third year after completion) net rents incl. possible vacancy / total investment (=total capital invested in property by Citycon)



# Largest (re)development projects under planning

Citycon's Board of Directors has not yet made a decision on these (re)development projects, but they are under planning

Property	Project area (sq.m.) <sup>1)</sup>	Citycon's expected net investment (EUR m) <sup>2)</sup>	Target for project initiation	Target year of completion	Additional information
Lippulaiva HMA Finland	15,000– 20,000	40-50	2014	2016	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.
Myyrmanni HMA Finland	16,000	55	2014	2016	Extension possibility of the shopping centre. Prisma hypermarket and residential units are under planning to be built in connection to Myyrmanni.
Stenungs Torg Gothenburg Sweden	5,000	21	2013/2014	2014/2015	Extension and re-development of the existing shopping centre.
Tumba Centrum Stockholm Sweden	6,000– 8,000	20	2014	2015/2016	Shopping centre expansion project. Negotiations related to zoning ongoing with the city of Botkyrka and a cooperation agreement for residential construction with a construction company.

<sup>1)</sup> The project area refers only to the area of the planned extension

<sup>2)</sup> The amount of investment needed will change and become more precise as the planning process proceeds. The figure is the best current estimate



# Financial figures



Myyrmanni, Helsinki Metropolitan Area

## Summary of Q1–Q3 Financial results

EUR million	Q3/2013	Q3/2012	Q1–Q3/ 2013	Q1–Q3/2013 incl. 100% Kista Galleria <sup>1)</sup>	2012
Net Rental Income, Total	43.9	42.6	126.9	150.7	162.0
NRI, Finland	26.8	25.2	77.2	77.2	98.2
NRI, Sweden	10.6	10.6	30.7	54.5	39.2
NRI, Baltic Countries & New Business	6.4	6.7	19.0	19.0	24.6
EPRA Operating Profit	39.5	37.3	112.6	134.9	135.7
EPRA Earnings	24.2	17.8	64.7	64.7	63.9
EPRA EPS, basic <sup>2)</sup>	0.055	0.057	0.154	0.154	0.199

- Kista Galleria is consolidated in Citycon's financial statements using the equity method. Kista Galleria contributed to the IFRS based profit for the period by approximately EUR 2.5 million in Q3 and by approximately EUR 8.3 million for the period January–September.

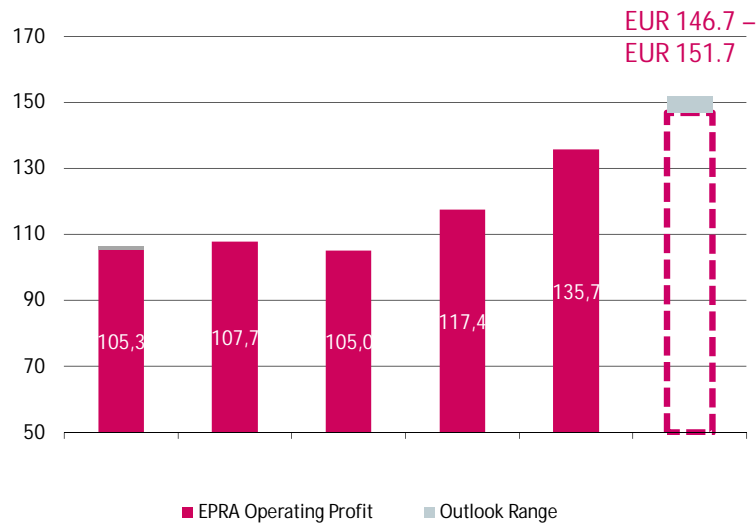
<sup>1)</sup> Citycon's management follow the performance of Kista Galleria as if it were fully consolidated into Citycon's net rental income and operating profit. Kista Galleria figures included for the period 1.1.2013-30.9.2013

<sup>2)</sup> EPRA Earnings per share has been calculated with the issue-adjusted number of shares resulting from the rights issue executed in March 2013

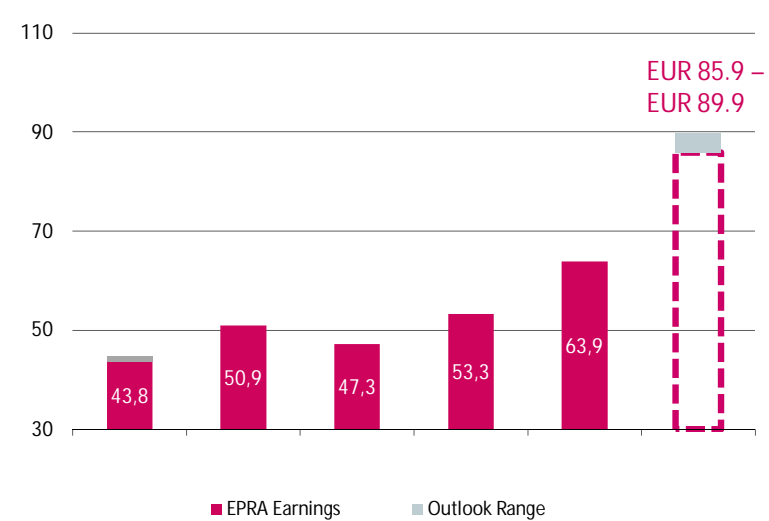


# Outlook 2013

EPRA Operating Profit, EUR million



EPRA Earnings, EUR million



- The company expects:
  - Turnover to increase by EUR 8–13 million (previously EUR 7–17 million)
  - EPRA Operating Profit to grow by EUR 11–16 million (EUR 8–18 million)
  - EPRA Earnings to increase by EUR 22–26 million (EUR 18–28 million)
  - EPRA EPS (basic) to be EUR 0.200–0.215 based on the existing portfolio and increased number of shares (EUR 0.19–0.23)

## Snapshot of statement of comprehensive income

EUR million	Q3/2013	Q3/2012	Q1-Q3/ 2013	Q1-Q3/ 2012	2012
Gross rental income	58.6	57.5	175.9	167.4	225.9
Service charge income	3.5	3.4	10.7	9.7	13.3
Turnover	62.1	60.9	186.6	177.1	239.2
Property operating expenses	17.8	17.8	58.8	55.7	75.8
Other expenses from leasing operations	0.4	0.4	0.9	1.4	1.4
Net rental income	43.9	42.6	126.9	119.9	162.0
Administrative expenses	4.7	5.4	15.1	18.6	26.5
Other operating income and expenses	0.2	0.1	0.8	0.2	0.2
Net fair value gains/losses on investment property	6.3	13.8	21.4	19.8	23.6
Net gains on sale of investment property	0.7	3.4	0.0	4.5	4.2
Operating loss/profit	46.5	54.5	134.0	125.8	163.4
Net financial income and expenses	-15.4	-18.1	-74.9	-50.7	-68.1
Share of profit/loss of jointly controlled entities	0.9	0.0	3.3	0.0	0.2
Profit/loss before taxes	32.0	36.5	62.3	75.0	95.5
Profit/loss for the period	33.3	34.5	64.0	65.9	87.7
Total comprehensive profit/loss for the period, net of tax	36.5	27.2	102.0	57.5	77.0

## NRI growth by segments and portfolios

EUR million	Finland	Sweden	Baltic Countries & New Business	Other	Total	Turnover
Q1-Q3/2011	67.3	26.8	12.9	-	107.0	161.0
Acquisitions	0.9	1.2	4.0	-	6.1	9.1
(Re)developments	3.2	0.1	0.1	-	3.4	5.3
Divestments	-0.4	-1.2	-	-	-1.7	-3.3
Like-for-like properties	1.7	1.7	1.0	-	4.4	3.7
Other (incl. exch. diff.)	-0.2	0.7	-	-	0.6	1.2
Q1-Q3/2012	72.5	29.3	18.1	-	119.9	177.1
Acquisitions	0.7	-	0.7	-	1.3	2.8
(Re)developments	1.0	0.3	0.2	-	1.5	2.3
Divestments	-0.1	-0.7	-	-	-0.8	-1.8
Like-for-like properties	3.0	1.4	0.0	-	4.4	5.3
Other (incl. exch. diff.)	-	0.5	0.0	0.0	0.6	0.9
Q1-Q3/2013	77.2	30.7	19.0	0.0	126.9	186.6

- A** Acquisitions: Albertslund EUR +0.7 million, Citytalo EUR 0.4 million and Arabia EUR 0.3 million
- B** (Re)development projects: Koskikeskus EUR +1.8 million, Magistral EUR +0.7 million, Åkermymntan EUR +0.3 million, Myllypuro EUR +0.2M€, Kristiine EUR -0.1 million, Rocca al Mare EUR -0.3 million and IsoKristiina EUR -1.0 million
- C** Divestments: Lindome EUR -0.4 million, residential disposals in Sweden EUR -0.3 million, Hindås EUR -0.1 million
- D** L-f-L properties: Positive L-f-L NRI growth: EUR 4.4 million, or +4.9%. L-f-L turnover growth was +3.9% and L-f-L OPEX growth was 3.2%
- E** Other: FX impact of EUR +0.6 million on NRI

## Property portfolio

	Q3/2013	Q3/2012	Q2/2013	2012
Occupancy rate at end of the period (economic), %	95.8	95.4	94.8	95.7
Average rent, EUR/sq.m.	21.5	20.8	21.5	20.7
Number of leases started during the period	156	140	125	792
Total area of leases started, sq.m. <sup>1)</sup>	26,507	23,685	35,423	141,167
Average rent of leases started, EUR/sq.m. <sup>1)</sup>	18.4	22.5	19.1	20.5
Number of leases ended during the period	209	328	200	1,064
Total area of leases ended, sq.m. <sup>1)</sup>	19,101	34,366	46,057	149,972
Average rent of leases ended, EUR/sq.m. <sup>1)</sup>	22.3	16.8	17.3	18.6

<sup>1)</sup> Leases started and ended do not necessarily refer to the same premises

## Segment information (incl. Kista Galleria)

EUR million	Q3/2013	Q3/2012	Q1-Q3/ 2013	Q1-Q3/ 2012	2012
Net rental income					
Finland	26.8	25.2	77.2	72.5	98.2
Sweden	18.7	10.6	54.5	29.3	39.2
Baltic Countries and New Business	6.4	6.7	19.0	18.1	24.6
<b>Total segments</b>	<b>51.9</b>	<b>42.6</b>	<b>150.7</b>	<b>119.9</b>	<b>162.0</b>
Reconciliation to IFRS	-8.1	-	-23.8	-	-
<b>Total IFRS</b>	<b>43.9</b>	<b>42.6</b>	<b>126.9</b>	<b>119.9</b>	<b>162.0</b>
Sweden IFRS	10.6	10.6	30.7	29.3	39.2
EPRA operating profit					
Finland	26.3	23.4	75.0	66.5	89.3
Sweden	17.4	9.6	50.3	25.6	34.0
Baltic Countries and New Business	6.2	6.5	18.4	17.5	23.7
Other	-2.8	-2.2	-8.9	-8.1	-11.4
<b>Total segments</b>	<b>47.1</b>	<b>37.3</b>	<b>134.9</b>	<b>101.4</b>	<b>135.7</b>
Reconciliation to IFRS	-7.6	-	-22.2	-	-
<b>Total IFRS</b>	<b>39.5</b>	<b>37.3</b>	<b>112.6</b>	<b>101.5</b>	<b>135.7</b>
Sweden IFRS	9.8	9.6	28.1	25.6	34.0



## Snapshot of statement of financial position

Statement of financial position, EUR million	30 Sep 2013	30 Sep 2012	31 Dec 2012
Investment properties	2,739.4	2,695.5	2,714.2
Total non-current assets	2,911.9	2,717.9	2,737.6
Total current assets	51.8	51.8	75.5
<b>Total assets</b>	<b>2,969.9</b>	<b>2,775.1</b>	<b>2,818.5</b>
Total shareholder's equity	1,309.6	964.7	1,059.9
Total liabilities	1,660.3	1,810.4	1,758.6
<b>Total liabilities and shareholders' equity</b>	<b>2,969.9</b>	<b>2,775.1</b>	<b>2,818.5</b>

Key figures	30 Sep 2013	30 Sep 2012	31 Dec 2012
Equity ratio, %	44.1	34.8	37.8
Loan to Value (LTV), %	53.4	58.1	54.5
Gearing, %	111.9	162.6	139.8
Equity per share, EUR	2.86	3.27	3.11
EPRA NAV per share, EUR <sup>1)</sup>	3.06	3.71	3.49
EPRA NNNNAV, EUR <sup>1)</sup>	2.83	3.24	3.08
Net Yield Requirement, % (valuation yield by external appraiser)	6.3	6.3	6.3

<sup>1)</sup> Calculated with the issue-adjusted number of shares resulting from the rights issue executed in March 2013

# Financing overview



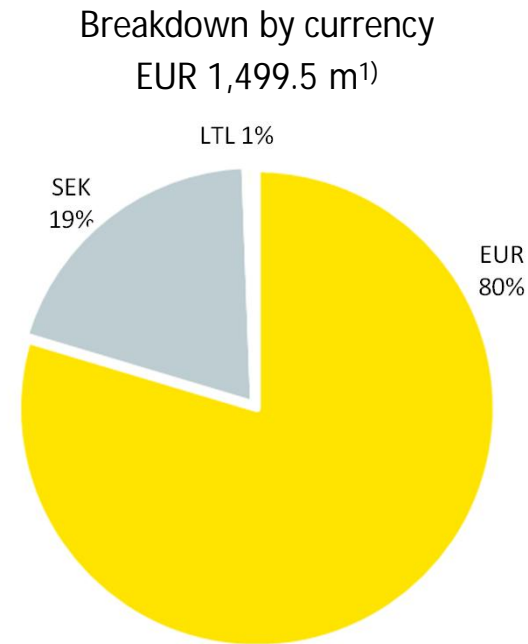
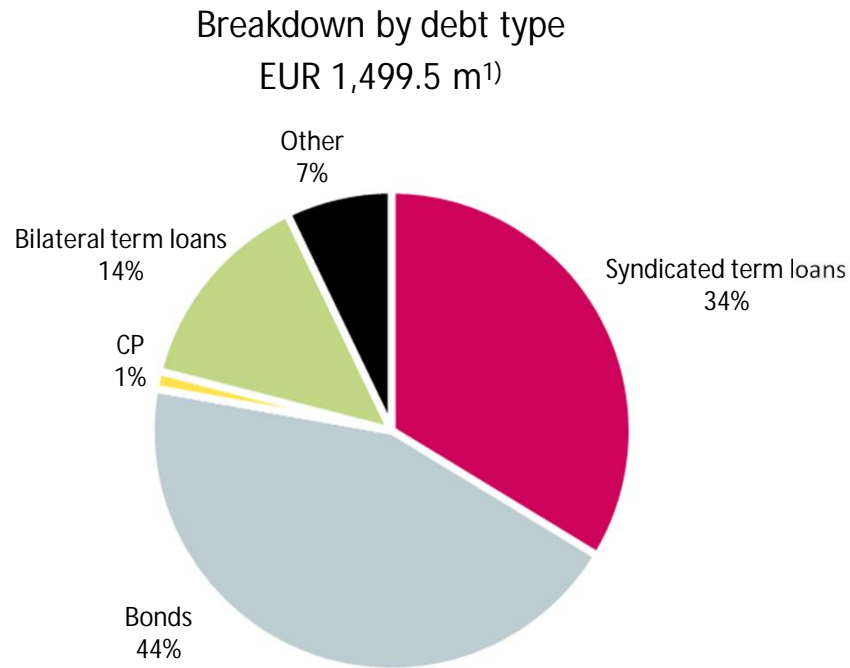
Liljeholmstorget Galleria, Stockholm

## Financing overview – Key figures

KEY RATIOS	Q3/2013	Q2/2013	Q4/2012	Q3/2012
Equity ratio, %	44.1	42.7	37.8	34.8
Loan to Value (LTV), %	53.4	54.2	54.5	58.1
Current average interest rate, %	4.07	4.09	4.25	3.94
Year-to-date average interest rate including interest rate swaps, %	4.08	4.14	4.07	4.06
Hedging ratio, %	91.1	90.2	89.2	86.1
Average loan maturity, years	4.3	4.4	3.2	2.5
Average fixing time, years	4.2	4.2	3.5	3.6
Available liquidity, EUR million	405.0	453.8	268.4	539.1
Financial covenant: Equity ratio (>32.5%)	44.1	44.0	40.5	37.2
Financial covenant: ICR (>1.8x)	2.3	2.2	2.1	2.1

- Average loan maturity in Q3 decreased to 4.3 years but is still clearly longer than at year-end due to the 7-year EUR 500 million eurobond issued in June 2013.
- The average interest rate decreased to 4.07% following the repayment of the convertible bond.

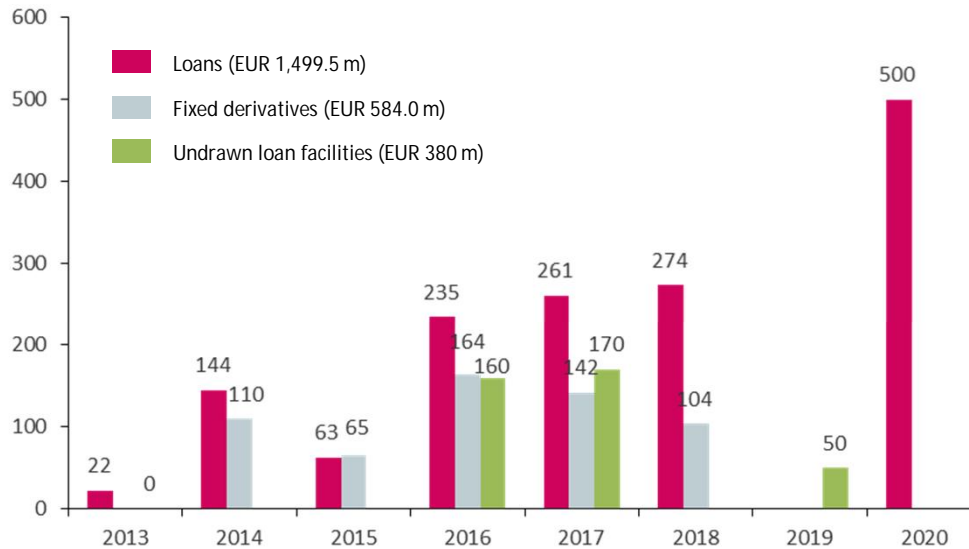
# Debt type and currency split



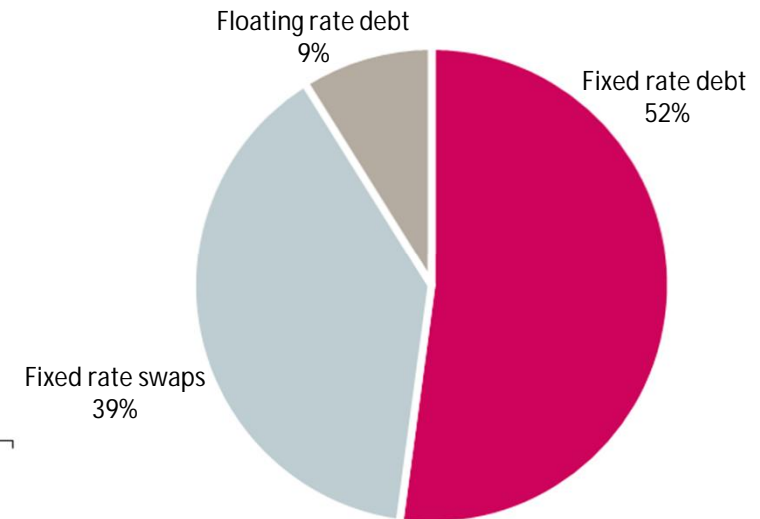
- The successful application for investment grade credit ratings with S&P (BBB-) and Moody's (Baa3 ) during Q2 2013 was followed by the issue of a EUR 500 million eurobond. This further reduced Citycon's exposure to bank financing in the balance sheet to approximately half of total funding, improving the debt source diversification.
- The Q3 period-end interest bearing debt at fair value decreased by EUR 56.4 million compared to Q2 to EUR 1,499.5 million.

# Debt maturities and interest risk hedging

Maturity profile of loans and derivatives



Interest-bearing debt by fixing type  
EUR 1,499.5 m



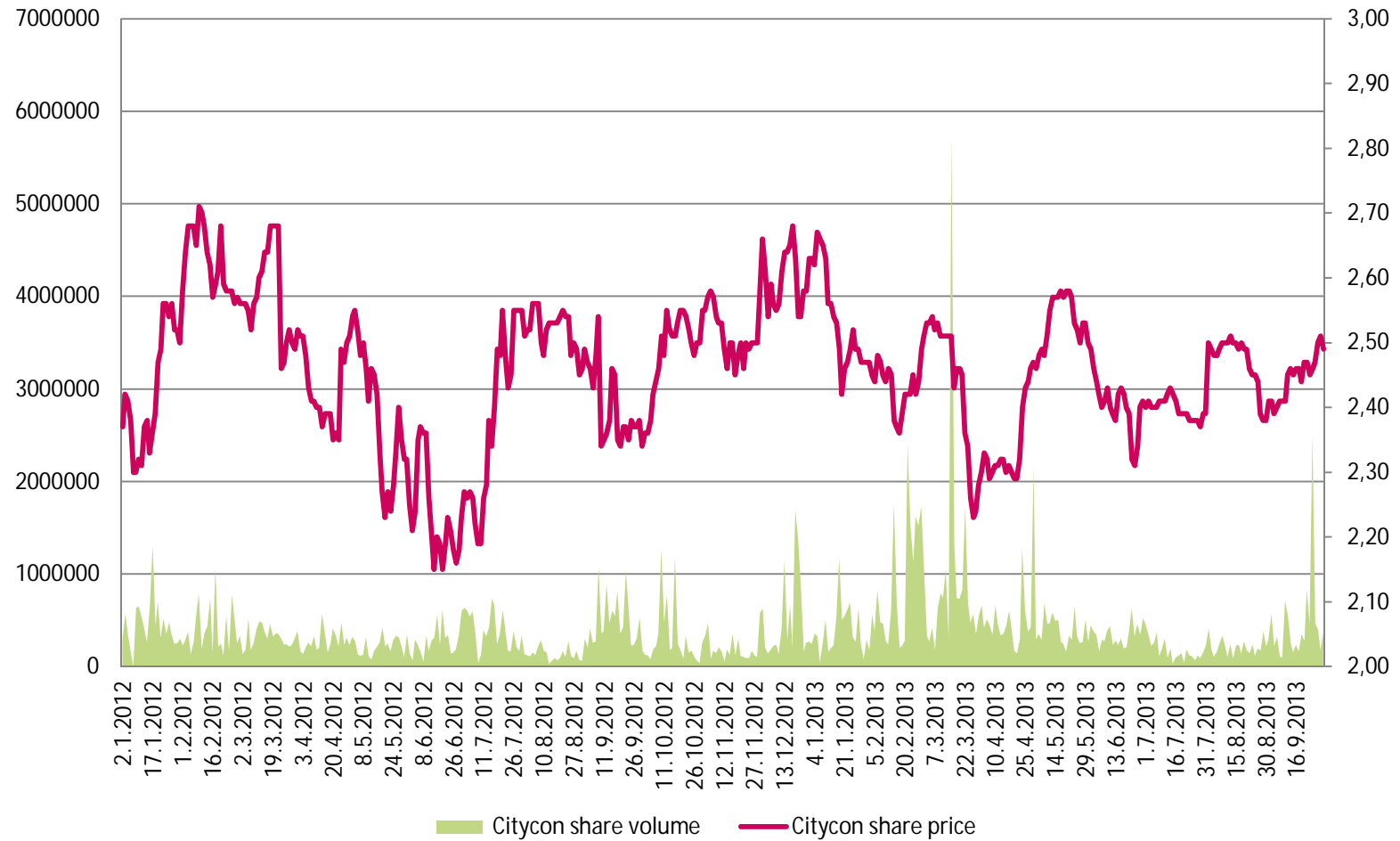
- Average loan maturity in Q3 decreased to 4.3 years but is still clearly longer than at year-end due to the 7-year EUR 500 million eurobond issued in June 2013.
- The average time to fixing is 4.2 years.
- Hedging ratio, increased from 90.2% to 91.1% in Q3 2013. The high level is due to the issue of the fixed rate EUR 500 million eurobond. The proceeds of this bond have mostly been used to reduce floating rate debt and unwind interest rate hedges.

# Financial expenses analysis

Net Financial Expenses (EUR thousand)	Q3/2013	Q2/2013	Q3/2012	Q1-Q3/2013	Q1-Q3/2012	Change % YTD
Financial expenses:						
Interest expenses	-15 919	-16 370	-16 204	-49 079	-47 206	4 %
Foreign exchange gains(+)/ losses(-)	-32	85	84	50	84	-41 %
Amortisation of capitalised fees	-412	-671	-576	-1 591	-1 209	32 %
Non-cash option expense from convertible bonds	-85	-240	-311	-480	-1 198	-60 %
Other expenses	-746	-27 612	-1 122	-28 758	-1 662	1631 %
<b>Total expenses</b>	<b>-17 195</b>	<b>-44 808</b>	<b>-18 130</b>	<b>-79 859</b>	<b>-51 191</b>	<b>56 %</b>
Financial income:						
Interest income	1 775	1 688	53	4 921	452	989 %
Fair value gains(+)/ losses (-) from derivatives	0	0	0	0	0	0 %
<b>Total income</b>	<b>1 775</b>	<b>1 688</b>	<b>53</b>	<b>4 921</b>	<b>452</b>	<b>989 %</b>
<b>Net financial expenses</b>	<b>-15 420</b>	<b>-43 119</b>	<b>-18 077</b>	<b>-74 938</b>	<b>-50 739</b>	<b>48 %</b>

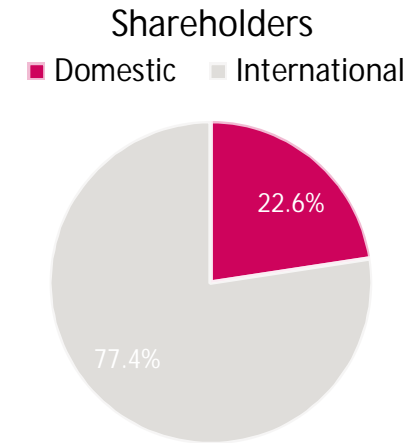
- A** Interest expenses in Q3 decreased from the previous quarter due to lower average interest rates following the unwinding of interest rate swaps in June and a somewhat lower debt level.
- B** Capitalised fees in Q3 decreased compared to Q2, as Q2 expenses included additional write-down of fees related to loans repaid following the EUR 500 million eurobond issue.
- C** Other expenses decreased compared to Q2, as the Q2 figure included one-time expenses, mainly relating to the fair value loss on the unwinding of IRS's.
- D** The interest income is clearly higher than last year as Citycon has earned interest on the shareholder loan given to Kista Galleria.
- E** Compared to previous year and excluding Other expenses, the YTD net financial expenses decreased by approximately 6%.

# Share performance and volume



# Ownership, 30 September 2013

- Established and listed on the Helsinki Stock Exchange since 1988
- Market cap EUR 1 098.8 million
- Number of domestic shareholders increased: total 8,789 (6,658) registered shareholders, 22.6% (20.5%) of total
- Largest Shareholders:
  - Gazit-Globe 49.3%
  - Ilmarinen 8.98%
- Included in Global Real Estate Sustainability Benchmark Survey Index, FTSE EPRA/NAREIT Global Real Estate Index, iBoxx BBB Financial index (EUR 500 million bond)



Trio, Lahti



# Contact information

## INVESTOR RELATIONS

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