

Audiocast presentation

Q3/2015

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2015
Q3



CITYCON



Q3/2015 STABLE RESULTS – SEKTOR FULLY CONSOLIDATED



Highlights Q3/2015

Sektor acquisition completed successfully

- Consolidated as of 1 July
- Performance according to expectations

Overall robust operating results

- Strong Sweden, stable Norway, flat Finland
- Overall strong occupancy and positive fair value change

Significant progress in (re)developments

- Strong demand for Iso Omena
- Grand opening in IsoKristiina

Continued recycling of capital

- EUR 90 million divested in Q3
- EUR 250 million in total since July 2011

Sektor refinancing completed

- Successful rights issue and three bonds

Earnings and EPS guidance lifted

- Dividend guided to EUR 0.15 per share



Robust financial and operating performance

MEUR	Q3/2015	Q3/2014	Q1-Q3/ 2015	Q1-Q3/ 2014	%
Net rental income	59.7	44.2	142.1	127.8	11.1
EPRA Operating profit	54.7	40.4	127.2	114.7	10.8
EPRA Earnings	38.9	29.6	96.4	75.4	27.7
EPRA Earnings per share (basic)	0.046	0.047	0.136	0.141	-4.0
EPRA NAV per share	2.83	2.99	2.83	2.99	-5.3

- Like-for-like gross rental income (GRI) increase of 0.3%
- Like-for-like net rental income (NRI) increase of 0.6%
- Modest decrease of EPRA EPS to EUR 0.136
 - 33% increase in average number of shares due to the rights issue in July

Sektor integration moving as planned

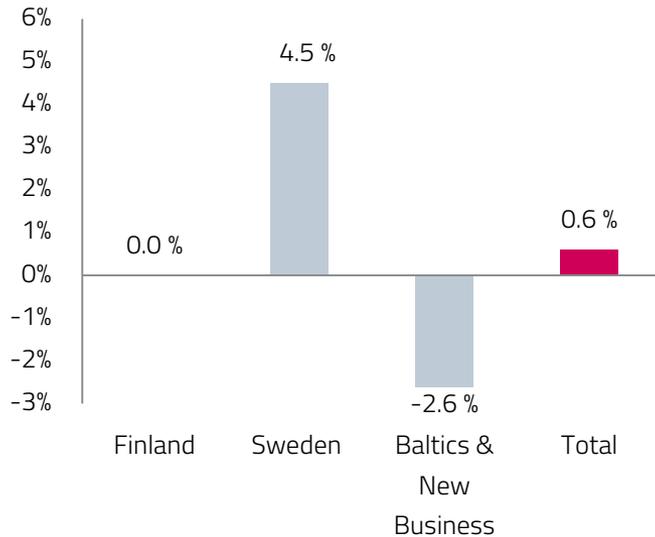
- Organisation in place
 - One Citycon cluster model adopted
- Operating performance according to expectations
 - High occupancy of 98.4%
- Fair value confirmed by JLL in line with acquisition price
 - Fair value decrease due to FX-change
- Sektor rebranded to Citycon
 - Citycon branding to be implemented in two redeveloped centres

Value creation through synergies

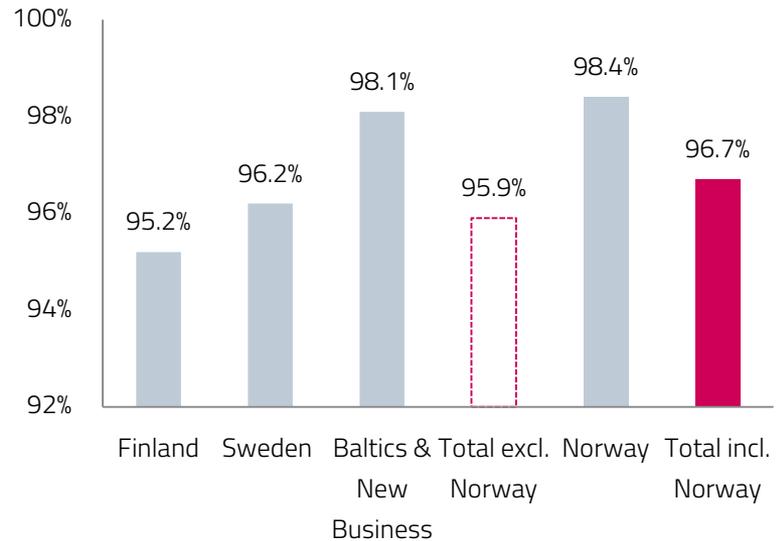
			STATUS
ORGANIZATION	<ul style="list-style-type: none"> Savings in Sektor SG&A of $\geq 10\%$ 	\geq EUR 1 million p.a.	EUR 1-1.5 million p.a.
OPERATIONS	<ul style="list-style-type: none"> Tenant, specialty leasing, marketing, digital optimisation Improved purchasing power 	LFL NRI growth of 100 bps above CPI	On track
(RE)DEVELOPMENTS	<ul style="list-style-type: none"> Extension / (re)development investments of approx. EUR 30-40 million p.a. 	\geq 150 bps over required valuation yield	On track
FINANCE RESTRUCTURING	<ul style="list-style-type: none"> Lower average cost of debt, decreased net financing expenses 	\sim EUR 2-3 million p.a. (tentative)	On track

Continued like-for-like NRI growth and strong occupancy

Like-for-like NRI growth



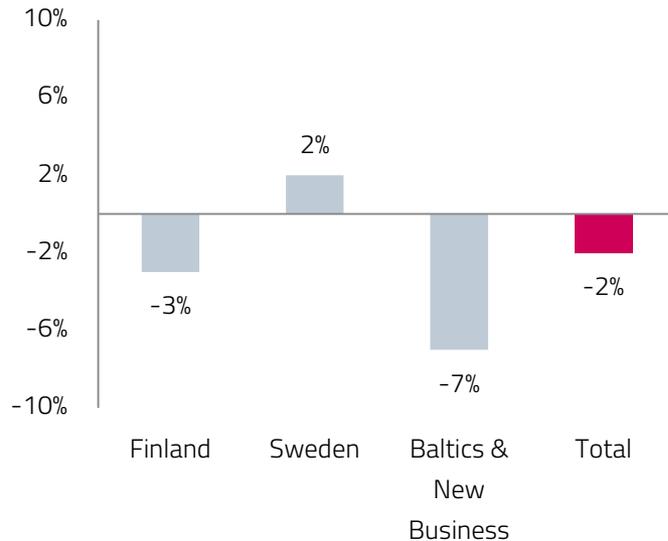
Occupancy rate



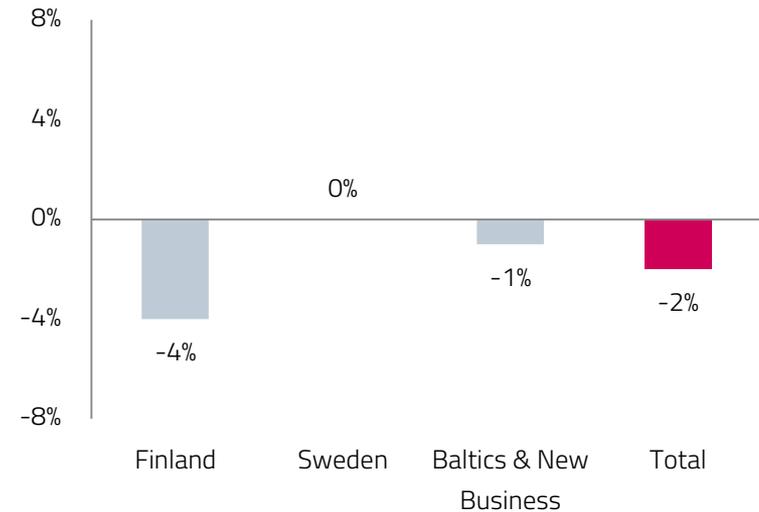
- Positive like-for-like NRI growth in a close to zero inflation environment
 - Sweden: strong positive trend continues
 - Finland: flat despite of weak economic situation
 - Estonia: negative due to strong increase in competition
- Strong NRI growth in Kista Galleria of 4% and high occupancy of 99%
- Norway not included in like-for-like

Positive sales development in Sweden, Finland under pressure

Sales in LFL shopping centres



Footfall in LFL shopping centres



- Kista Galleria: strong sales of +5% and footfall of +4%
- Overall positive trend in Norway
 - Sales +3% and footfall +1% (not like-for-like)

Strong retail environment in the Nordics except for Finland

Finland

- GDP forecast for 2015 modest
- Consumers still hold back on spending

Norway

- Lower oil price puts pressure on the economy; nevertheless healthy inflation and positive economic outlook

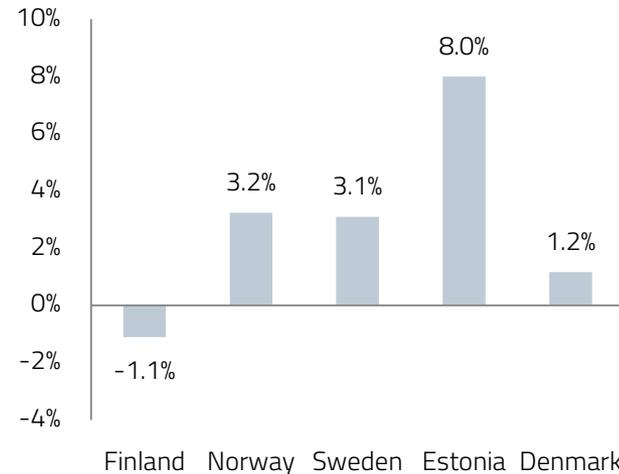
Sweden

- Strong economic fundamentals continue

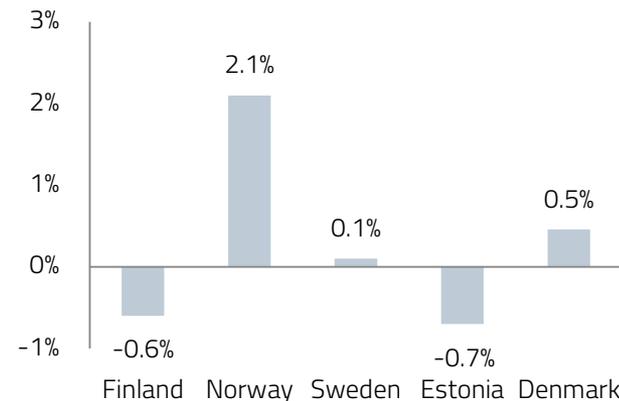
Estonia

- Strong growth in absolute terms
- Increased competition in Tallinn (pressure on sales per m²)

Retail sales January-August 2015



Consumer price index September 2015

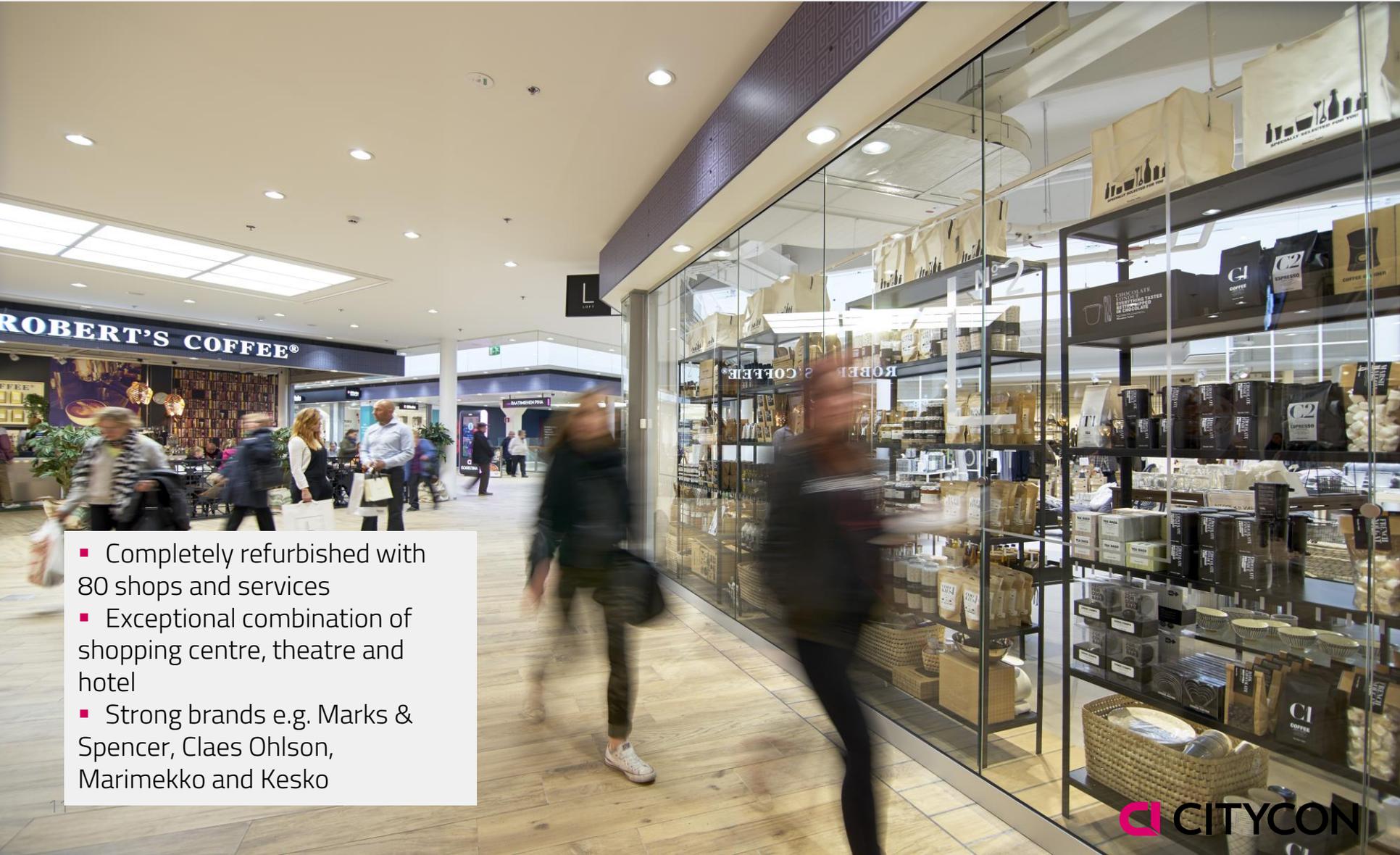


Progressing development portfolio

	Area before/ after, sq.m.	Expected investment, MEUR ¹⁾	Actual gross investments by 30.9.2015, MEUR	Expected yield on completion when stabilised, %	Pre-leasing rate, %	Completion target
Iso Omena	63,300 99,000	182.0 (250.0)	67.4	6.1	Part A: 65% Total: 50%	Q3/2016 & Q2/2017
Möln dal Galleria	- 24,000	60.0 (120.0)	8.9	7.0	50%	Q2/2018
IsoKristiina	22,400 34,000	56.0	52.9	7.0	92%	Q4/2015
Porin Asema-aukio	18,800 23,000	40.0	9.2	-	100%	Q2/2017
Stenungstorg	36,400 41,400	18.0	11.3	7.5	95%	Q1/2016

¹⁾The number in brackets reflects Citycon's total investment in the project including agreed buyouts of JV shares

Successful grand opening of IsoKristiina



- Completely refurbished with 80 shops and services
- Exceptional combination of shopping centre, theatre and hotel
- Strong brands e.g. Marks & Spencer, Claes Ohlson, Marimekko and Kesko

Good progress in Iso Omena pre-letting

- 4th grocery, Lidl, signed
- Starbucks to open a cafe in the bus terminal
- O'Learys signed, adding to leisure
- Bus terminal level fully leased

Mölndal Galleria in Gothenburg – construction started in August



- Successful pre-leasing >50%
- Expected annual visitors of 5-6 million
- Part of Mölndal's new city centre

Completed refurbishment and rebranding in Storbyen Oslo area

2015
Q3



clas ohlson

Development pipeline

one project committed and one planned ≥ 2015

	Estimated project area/additional sq.m.	Expected gross investment, MEUR	Target for project initiation/completion	
C Tumba Centrum	11,000	55	2015/2017	Extension project combined with a new bus terminal. Zoning has been approved, pre-leasing ongoing
P Lippulaiva	36,000/ 23,000	50-70	2016/2017	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
Norwegian properties		30-40 p.a.		Smaller (re)developments/refurbishments in several centres e.g. Stovner, Buskerud, Downtown

- (Re)development capex of approx. EUR 150-200 million p.a.

Summary of the quarter

Finland – we deliver despite weak retail environment

Successful execution of Sektor acquisition and refinancing

Norway – results and valuation in line with expectations; solid foundation for future growth

Full focus on operations and Norway integration

Committed to LTV of 40-45%

- Continued recycling of capital
=> Another EUR 100-150 million in 1.5 years



FINANCIAL RESULTS

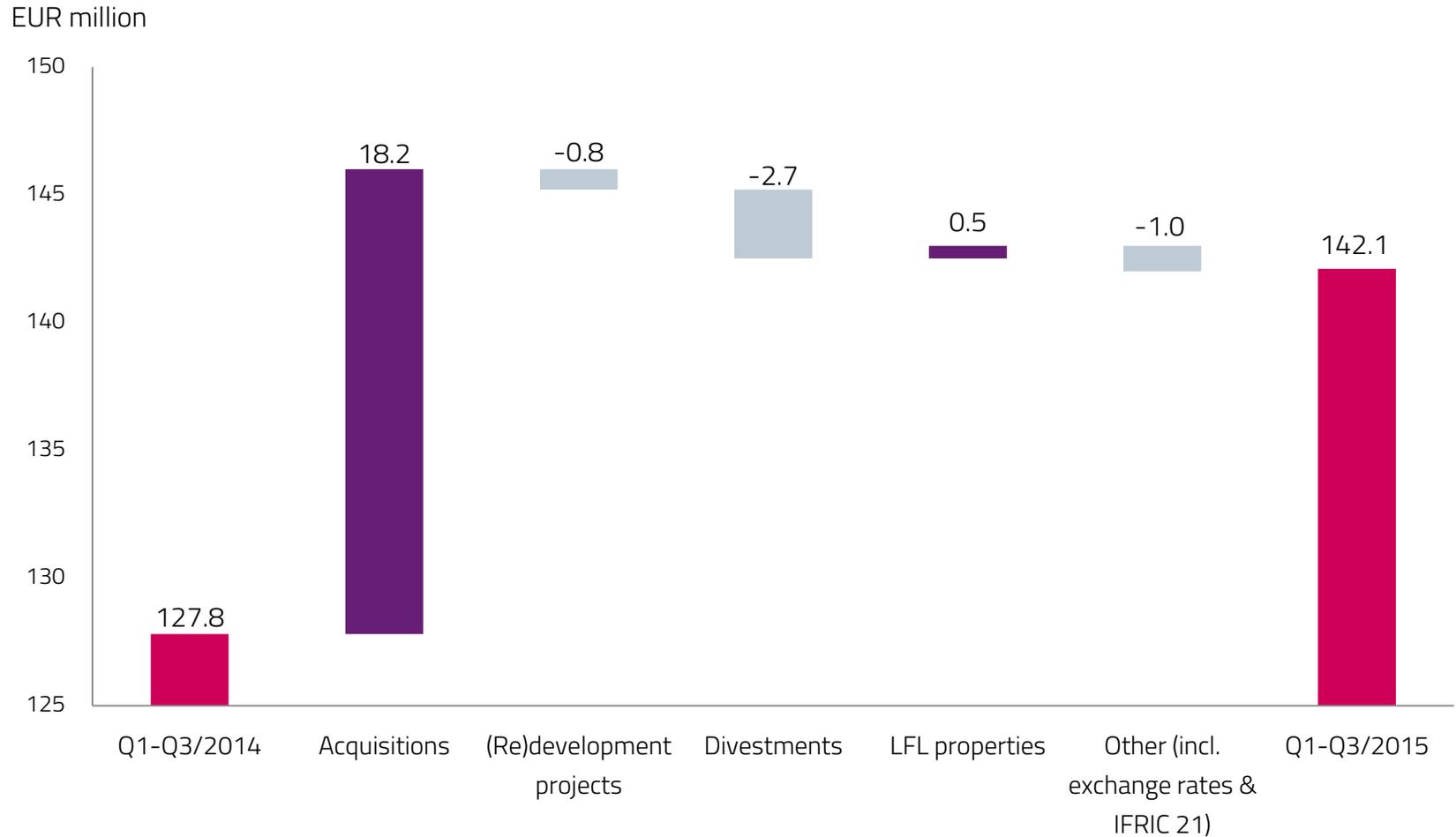


Financial results

MEUR	Q3/2015	Q3/2014	Q1-Q3/ 2015	Q1-Q3/ 2014	Q1-Q3/ 2015 incl. Kista 100%
Net rental income, total	59.7	44.2	142.1	127.8	164.4
NRI, Finland	25.2	26.7	73.8	77.1	73.8
NRI, Sweden	10.5	10.3	30.3	29.7	52.7
NRI, Baltics & New Business	6.0	7.2	19.8	21.1	19.8
NRI, Norway	18.1	-	18.1	-	18.1
EPRA Operating profit	54.7	40.4	127.2	114.7	148.2
EPRA Earnings	38.9	29.6	96.4	75.4	n.a.
EPRA EPS (basic)	0.046	0.047	0.136	0.141	n.a.

- Kista Galleria contributed to the IFRS based profit for the period by approx. EUR 19.2 million in Q1-Q3/2015

NRI development



Occupancy improved following Sektor acquisition

	30 Sept 2015	30 Sept 2014
Occupancy rate (economic), %	96.7	95.7
LFL occupancy rate (economic), %	95.6	95.7
Occupancy cost ratio, % (LFL shopping centres)	9.3	9.3
Average rent, EUR/sq.m./mth	22.4	21.7

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

Stable leasing indicators

	Q3/2015	Q3/2014	Q1-Q3/ 2015	Q1-Q3/ 2014
Average rent, EUR/sq.m.	22.4	21.7	22.4	21.7
# of leases started	199	139	591	411
Total area of leases started, sq.m.	47,275	27,999	121,238	88,400
Average rent of leases started, EUR/sq.m.	25.1	18.1	22.9	19.0
# of leases ended	327	166	819	502
Total area of leases ended, sq.m.	109,743	28,711	203,883	97,054
Average rent of leases ended, EUR/sq.m.	19.0	21.6	19.7	21.5
Leasing spread of renewals, %	-2.8	-3.9	-3.6	-6.2

- Leasing spread of renewals refers to leases that are renewed with the same tenant concerning the same premise

Income statement

MEUR	Q3/2015	Q3/2014	Q1-Q3/ 2015	Q1-Q3/ 2014	Change- %
Turnover	86.0	61.4	206.2	184.5	11.8
Property operating expenses	-25.7	-16.6	-63.1	-55.6	13.5
Other expenses from leasing operations	-0.5	-0.5	-1.1	-1.1	-3.1
Net rental income	59.7	44.2	142.1	127.8	11.1
Administrative expenses	-13.9	-4.2	-25.1	-14.4	74.2
Other operating income and expenses	2.2	0.3	3.5	1.1	204.8
Net fair value gains/losses on investment property	4.1	0.1	7.1	13.5	-47.2
Net gains/losses on sale of investment property	-12.0	-0.3	-12.4	-0.3	-
Operating profit	40.0	40.2	115.2	127.8	-9.9
Net financial income and expenses	-24.6	-24.1	-40.9	-65.7	-37.7
Share of profit/loss of joint ventures	5.7	3.4	13.0	9.5	35.8
Profit/loss before taxes	21.1	19.5	87.2	71.6	21.7
Profit/loss for the period	23.1	21.4	85.2	66.7	27.6

Positive valuation driven by Sweden

	Fair value Q3/2015	Fair value changes MEUR		Weighted average yield requirement, %	
		Q3/2015	Q1-Q3/2015	30 Sept 2015	30 Sept 2014
Total	4,036.1	4.1	7.1	6.0	6.2
Finland	1,638.7	-8.4	-25.4	5.9	6.1
Sweden ¹⁾	702.2	8.9	27.0	5.5	5.8
Baltics and New Business	362.8	3.6	5.5	7.0	7.3
Norway	1,332.4	-	-	-	-

- Fair value change for Q1-Q3/2015 including Kista Galleria (100%) was EUR 39.1 million

Goodwill related to Sektor acquisition

MEUR	
Purchase price (NAV)	476.5
Sektor IFRS net asset value acquired	345.9
Goodwill	130.6
FX-change from the fixed NOK/EUR-rate	52.2
Goodwill total	182.8

- JLL confirmed the Sektor property fair values to be approximately in line with the acquisition price.
 - However, goodwill arise from two different sources:
 - The difference between how deferred taxes are calculated for IFRS based financial statements and the value ascribed to it in negotiations
 - The FX-change of the fixed NOK/EUR exchange rate (from 8.4 to 9.0)
- ⇒ Citycon will test goodwill annually for any impairment and management currently expects no impairment assuming the current tax regime in Norway

Strong balance sheet

MEUR	30 Sept 2015	30 Sept 2014	31 Dec 2014
Investment properties	4,036.1	2,759.0	2,769.1
Total non-current assets	4,526.5	2,944.7	2,965.2
Total current assets	108.1	143.5	64.8
Total assets	4,692.4	3,095.9	3,037.2
Total shareholder's equity	2,251.6	1,692.1	1,652.5
Total liabilities	2,440.8	1,403.8	1,384.8
Total liabilities and shareholders' equity	4,692.4	3,095.9	3,037.2

	30 Sept 2015	30 Sept 2014	31 Dec 2014
EPRA NAV per share, EUR	2.83	2.99	3.01
EPRA NNNNAV per share, EUR	2.44	2.65	2.63
EPRA Net Initial Yield (NIY), %	5.7	6.2	6.1



FINANCING OVERVIEW

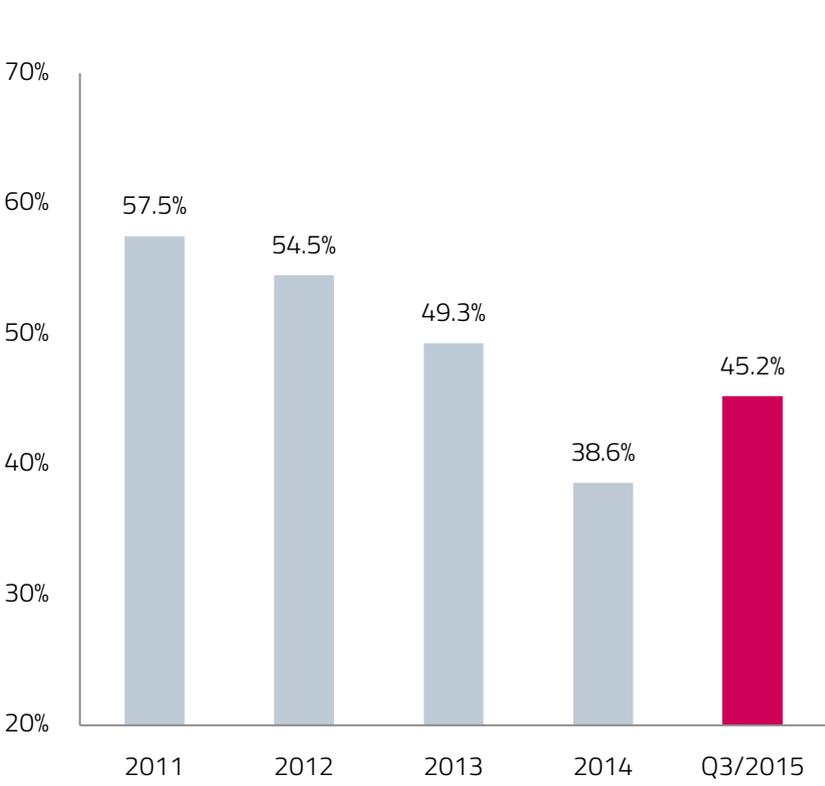
Sektor refinancing in final stages

- Three bonds in September:
 - NOK 1,400 million bond
10 yr, fixed 3.90%
 - NOK 1,250 million bond
5.5 yr, floating 3m Nibor +155 bps
 - Eurobond of EUR 300 million
7 yr, fixed 2.375%, has been swapped into NOK
- Divestment proceeds of approx EUR 76 million used for Sektor refinancing purposes
- Remaining NOK 1,300 million Sektor bank debt to be refinanced by new bank debt in Q4/2015

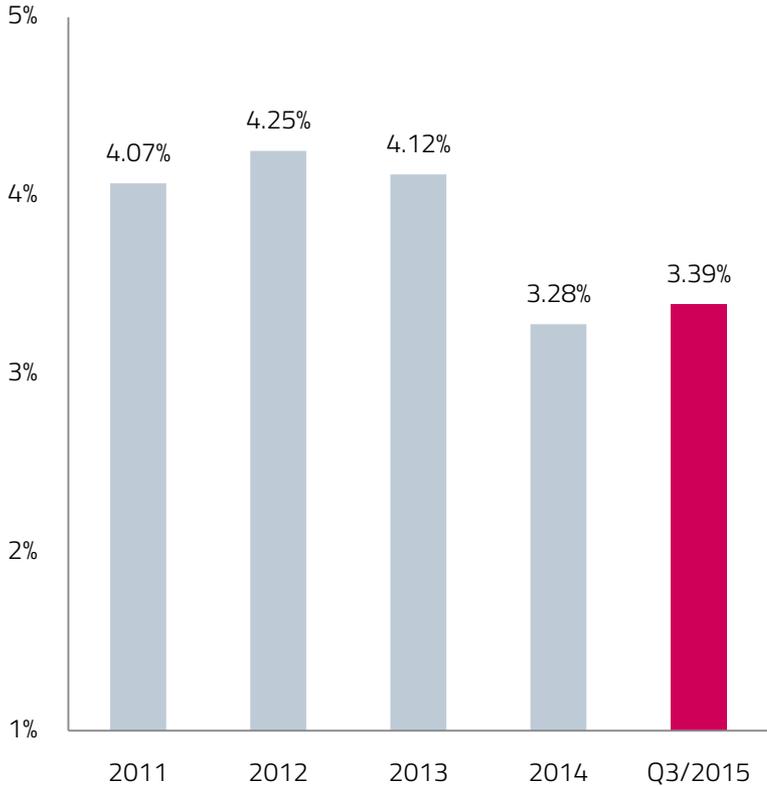
Sektor total refinancing cost approximately 3.5-3.7%

Increased debt level following Sektor acquisition

Loan to Value



Weighted average interest rate

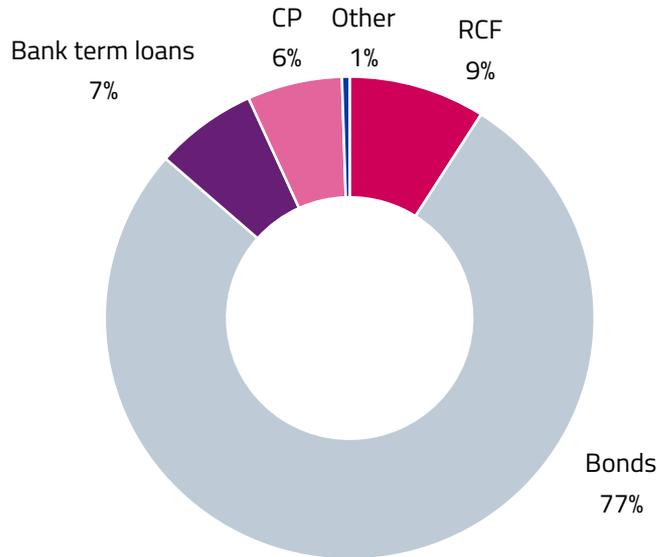


Financing key figures

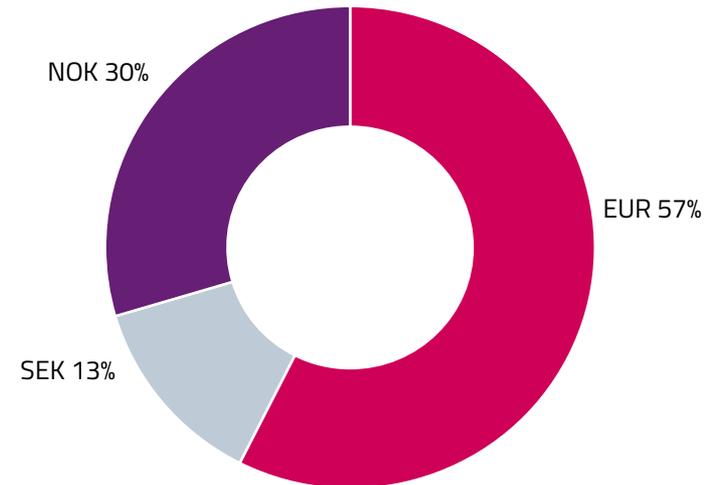
	Q3/2015	Q3/2014	Q4/2014
Interest bearing debt, fair value, MEUR	2,022.6	1,200.9	1,1884.4
Available liquidity, MEUR	379.0	514.2	449.8
Average loan maturity, years	5.5	3.8	5.9
Interest hedging ratio, %	88.2	87.4	88.0
Weighted average interest rate, % ¹⁾	3.39	4.03	3.28
Loan to Value (LTV), %	45.2	36.7	38.6
Financial covenant: Equity ratio (>32.5%)	47.7	54.4	54.8
Financial covenant: ICR (>1.8)	3.7	2.8	3.1

Debt type and currency split

Breakdown by debt type ¹⁾



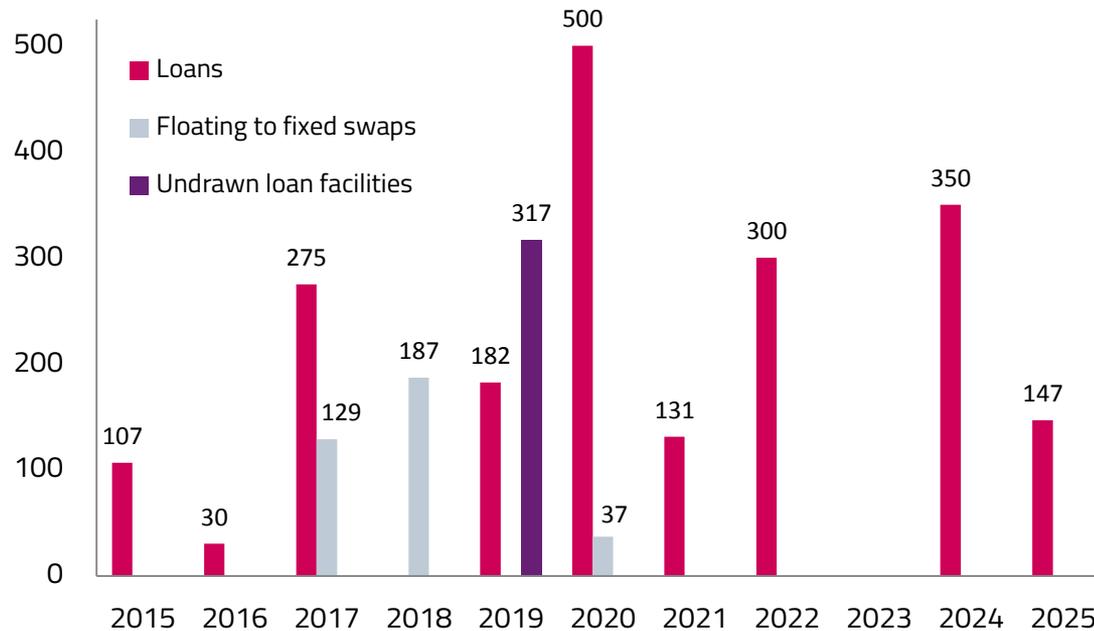
Breakdown by currency ¹⁾



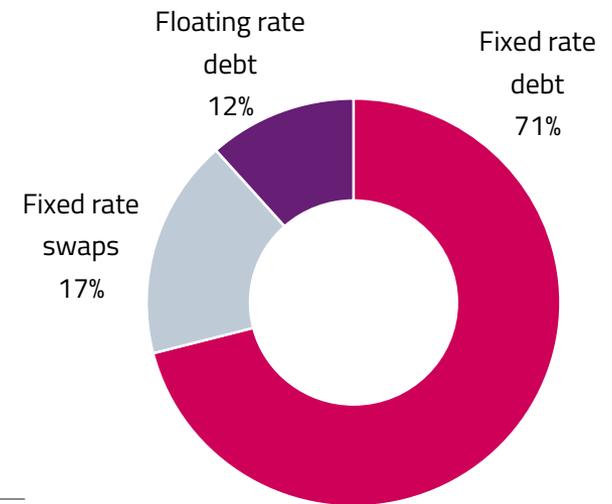
- Currency breakdown shifted to 30% NOK debt
 - Part of EUR debt converted to SEK and NOK debt using cross-currency swaps

Debt maturities and interest risk hedging

Maturity profile of debt ¹⁾



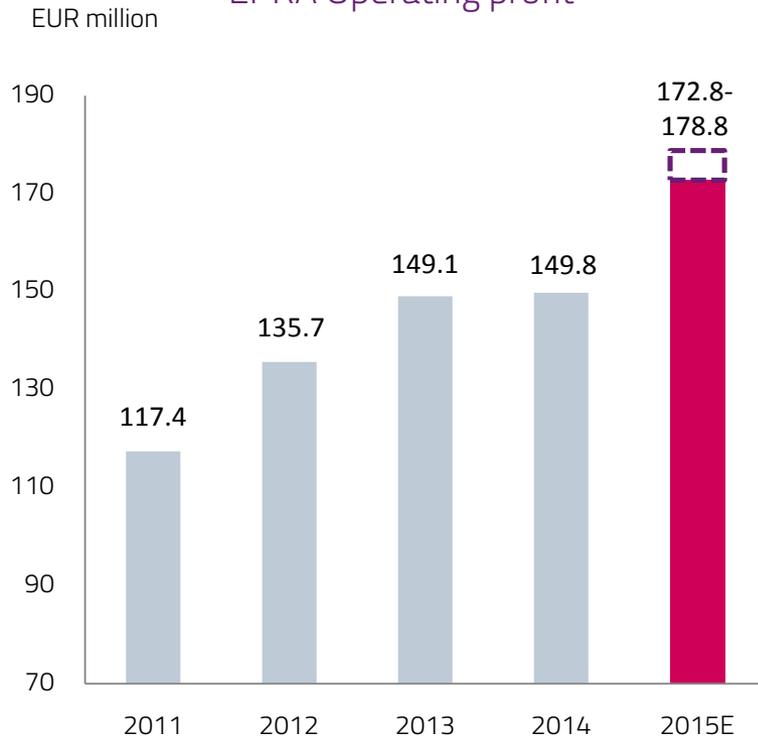
Debt by fixing type



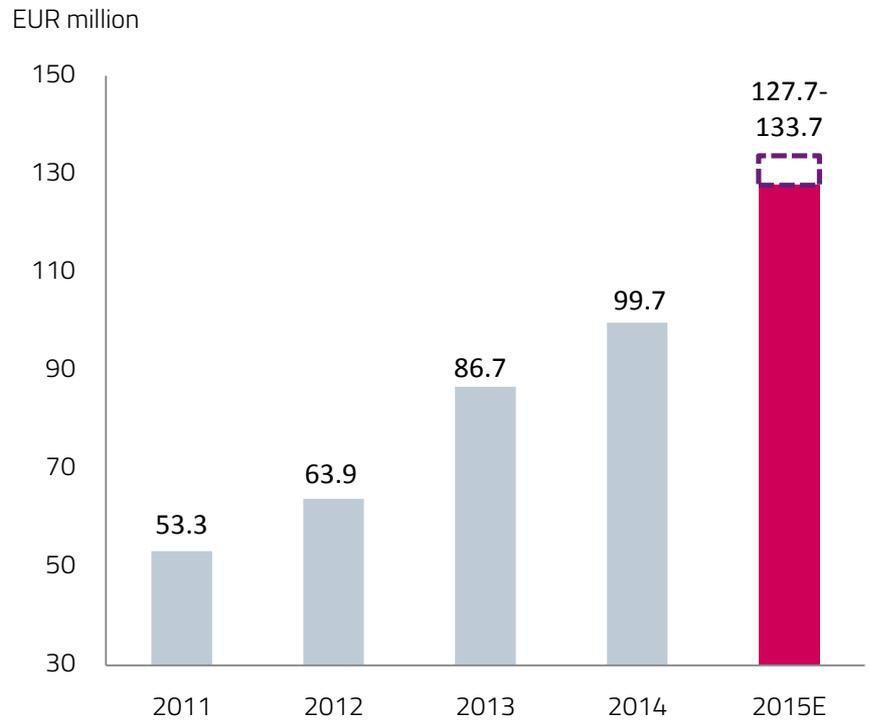
- Most of debt maturing in 2015-2016 are commercial papers

Outlook 2015 lifted

EPRA Operating profit



EPRA Earnings



- EPRA Operating profit EUR 23 to 29 million (Q2: 17-32)
- EPRA Earnings EUR 28 to 34 million (Q2: 17-32)
- EPRA EPS (basic) EUR 0.17–0.18 (Q2: 0.155-0.175)
- Sektor impact on EPS – neutral in 2016 and accretive as of 2017



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