

# AUDIOCAST PRESENTATION Q2/2021



*Construction of residential high-rises  
at Lippulaiva development project*



# Q2/2021: CONTINUED QUARTER OVER QUARTER NRI AND VALUATION GROWTH

## CITYCON'S FINANCIAL PERFORMANCE: CONTINUED QUARTER OVER QUARTER GROWTH

- Net Rental Income (NRI) of EUR 50.8 million +1.2% compared to Q2/2020 (NRI EUR 50.2 million), and +0.7% compared to Q1/2021 (EUR 50.4 million). The direct operating profit, EUR 44.1 million, slightly ahead the Q2/2020 (EUR 44.0 million). EPRA earnings per share EUR 0.183 compared to EUR 0.204 in Q2/2020.
- Q2 portfolio valuations increased for a second consecutive quarter, and for H1 the fair value gains stand at EUR 24.4 million.
- Q2/2021 was in line with our expectations and we narrow our full year guidance.

## INCREASES IN FOOTFALL, TENANT SALES AND LEASING ACTIVITY

- Footfall increased from last year and was 8.2% above Q2/2020 – on a like-for-like basis the increase was 11.9%. The positive trend continues, and June 2021 sales exceeded pre-pandemic levels in June 2019. Tenant sales grew accordingly, with like-for-like tenant sales +1.8% above H1/2020 levels.
- Rent collection has remained high, at 95% in H1. Q1 rent collection was initially reported as 92% and has since increased to 96%. Q2 rent collection stands at 94% and is expected to improve in line with the Q1 collection.
- Leasing activity was strong: the number of signed leases grew from 29,000 sq.m. in Q2/2020 to 55,000 in Q2/2021, complemented with higher average rents for the signed leases.
- The stable performance throughout the pandemic reflects the strength of Citycon's strategy which is based on having a large share of necessity tenants and locations in densely populated major markets.
- The stability of Nordics as operating environment and the wide COVID-19 vaccine coverage in our operating countries are further key factors underlying the stability of the results.



# Q2/2021: BOND ISSUANCE AND CAPITAL RECYCLING SPEED UP PORTFOLIO TRANSFORMATION

## FINANCING ACTIVITY

- During Q2 we received upgraded credit rating outlooks from both Standard & Poor's and Moody's. The ratings now stand at BBB- and Baa3 with a stable outlook.
- In Q2 Citycon completed a successful issuance of a green hybrid bond of 350 MEUR with a high demand, in addition to the senior bond issued in Q1 with a coupon of 1.625%. The enhanced liquidity gives flexibility to accelerate the portfolio transformation through select acquisitions. The issuance, together with the divestment of 3 non-core assets, also reduced our LTV to 38.9%.

## CAPITAL RECYCLING AND PORTFOLIO TRANSFORMATION

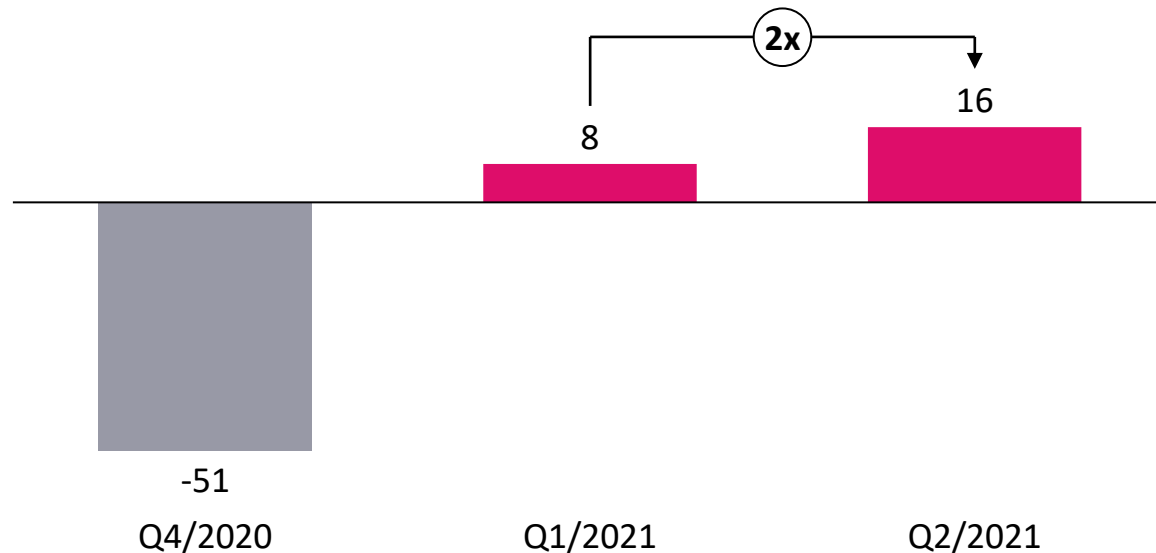
- The Nordic real estate transaction market continued to pick up and on the heels of the divestment of 3 non-core assets in Q1, we have experienced reverse inquiries for several of our assets. The appetite and pricing for high quality assets continues to be on an attractive level and facilitates selective capital recycling activities in line with our portfolio transformation strategy, which will increase the share of residential and office premises and decrease the proportion of non-essential retail in our portfolio.
- We have identified 222 MEUR of additional building rights' potential. Of this 222 MEUR, only approx. 50 MEUR has been realized in our book values, leaving approx. 170 MEUR as additional growth for the company.

## NEW CFO APPOINTED

- Mr. Bret D. McLeod has been appointed Citycon Oyj's CFO and member of the Corporate Management Committee following the planned retirement of the current CFO, Mr. Eero Sihvonen at year-end. Mr. McLeod will assume full responsibility as CFO on January 1, 2022. Mr. Sihvonen will remain as an adviser to the company until June 2022.

# SECOND CONSECUTIVE QUARTER OF FAIR VALUE GROWTH

FAIR VALUE GAINS OF INVESTMENT PROPERTIES, MEUR\*



Net investments, including acquisitions, disposals and development projects, increased fair value by a further 80.2 MEUR during H1/21

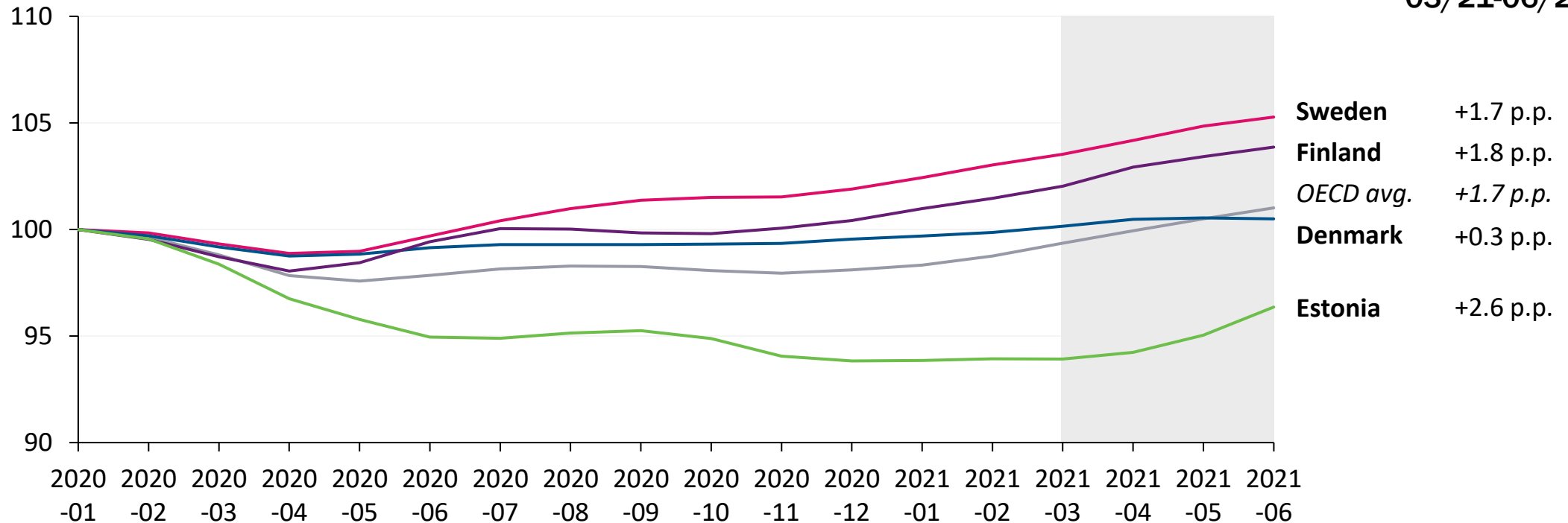
“ [Pan-European] Commercial real estate values expected to increase 0-5% over the next 6-12 months  
- Green Street Advisors, 04/2021

“ The Nordic property market is hotter than ever, as a growing number of international investors compete to get a foothold before it's too late.  
- Bloomberg article, 01/04/2021

# CONSUMER CONFIDENCE IN THE NORDICS HAS IMPROVED DURING Q2/2021 AND REBOUNDED TO PRE-PANDEMIC LEVELS

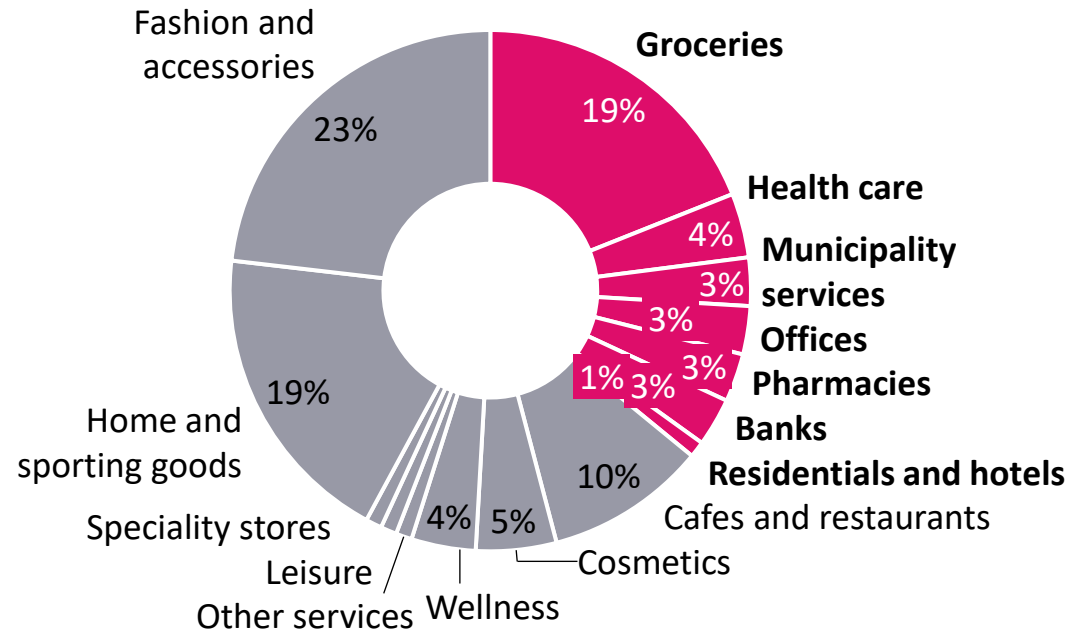
CONSUMER CONFIDENCE INDEX (CCI), INDEX=JANUARY 2020

DIFFERENCE,  
03/21-06/21



# OUR NECESSITY-BASED URBAN HUBS HAVE PROVIDED STABILITY DURING PANDEMIC

GROSS RENTAL INCOME BY TENANT CATEGORY, 2020



## OVER 35 % OF GROSS RENTAL INCOME FROM NECESSITY TENANTS

- Focus on the daily needs of customers
- 4 out of the top 5 tenants are grocery stores

## SMALL PORTION OF TURNOVER BASED RENTS

- In 2020 only 5 % of our gross rental income was from turnover based rents

## 92% OF RENTS TIED TO INDEXATION

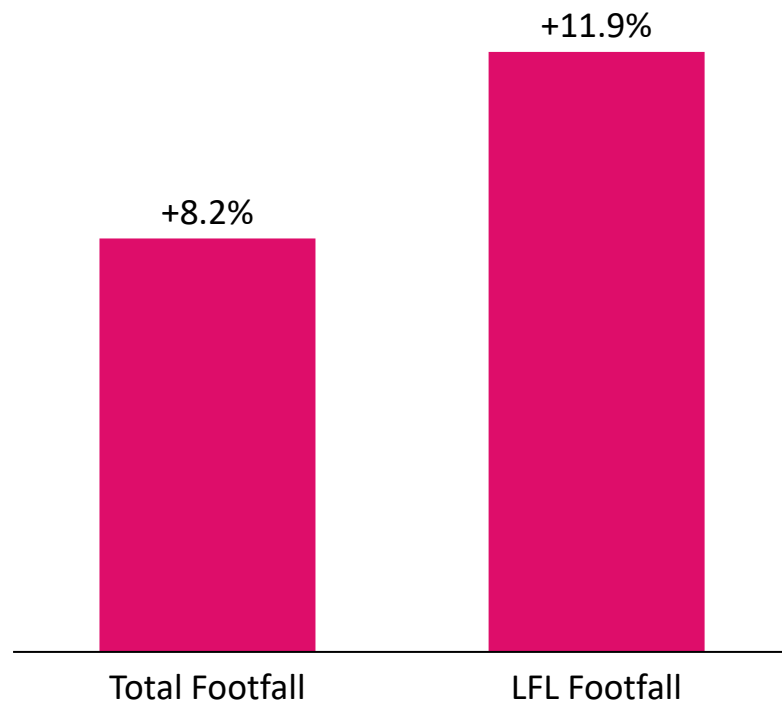
## PUBLIC SECTOR TENANTS ARE GROWING PART OF OUR BUSINESS

- Currently public sector tenants and healthcare represent approx. 10% of our contracted GLA
- In 2020 Citycon signed or agreed long term leases with municipalities and health care tenants across the Nordics for a total of 10,900 square meters.

# FOOTFALL AND TENANT SALES ARE RECOVERING FROM PANDEMIC IMPACT

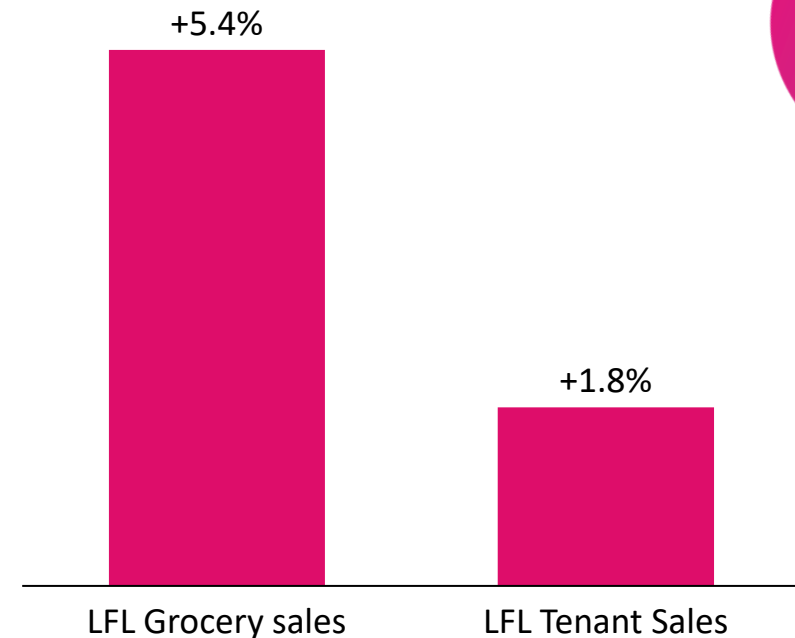
## FOOTFALL DEVELOPMENT

Q2/2021 VS. Q2/2020



## LFL TENANT SALES DEVELOPMENT

H1/2021 VS. H1/2020

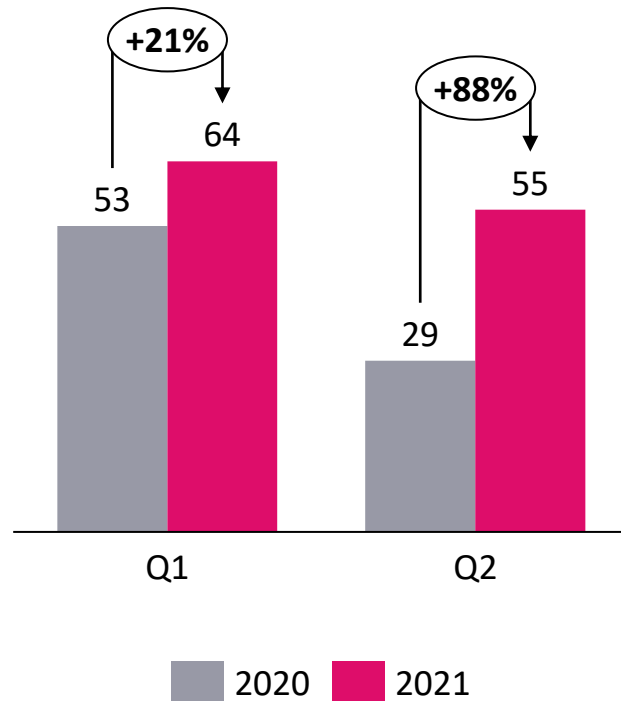


June 2021 tenant sales exceeded comparable pre-pandemic (06/2019) levels

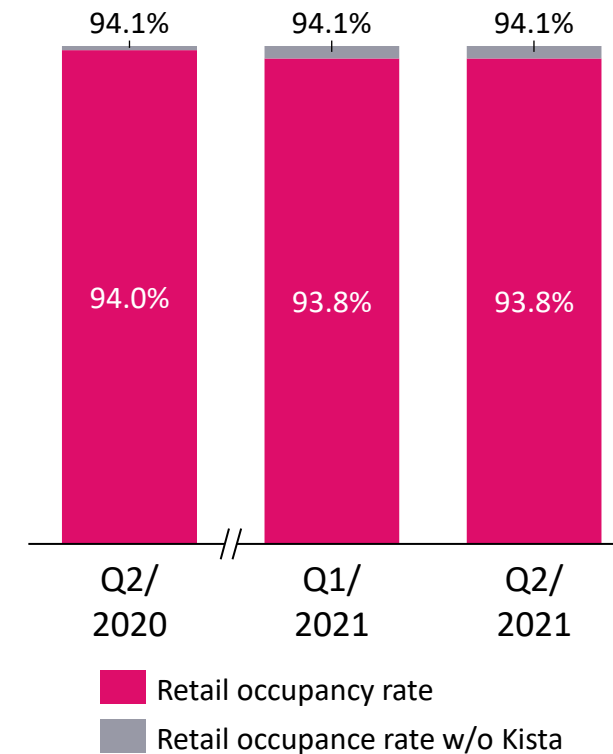
# STRONG LEASING ACTIVITY SHOWS FURTHER SIGNS OF RECOVERY

## LEASES SIGNED

SQM, thousands

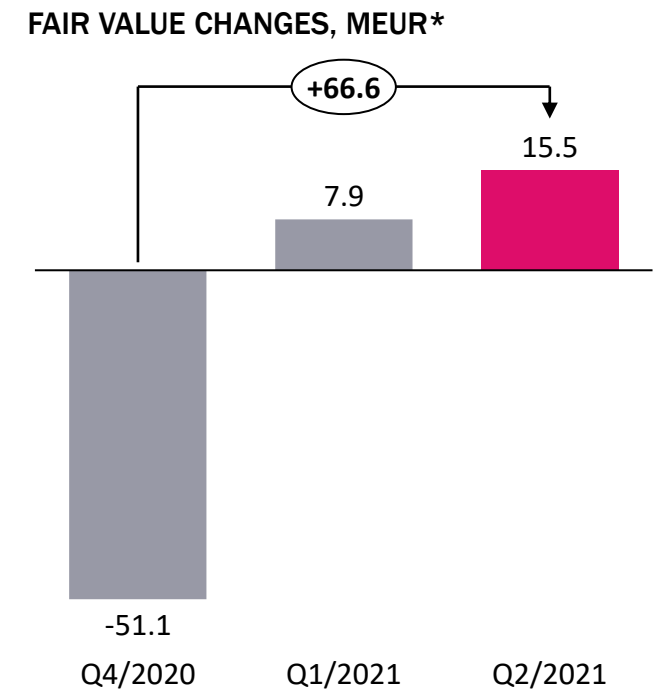
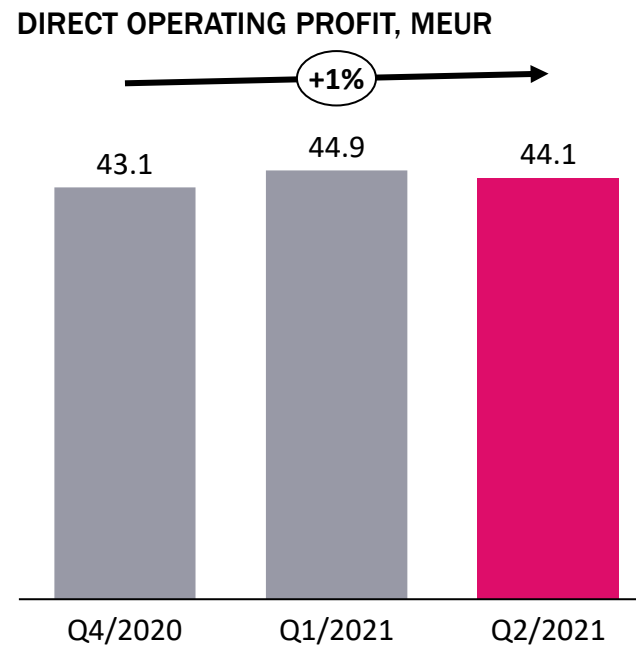
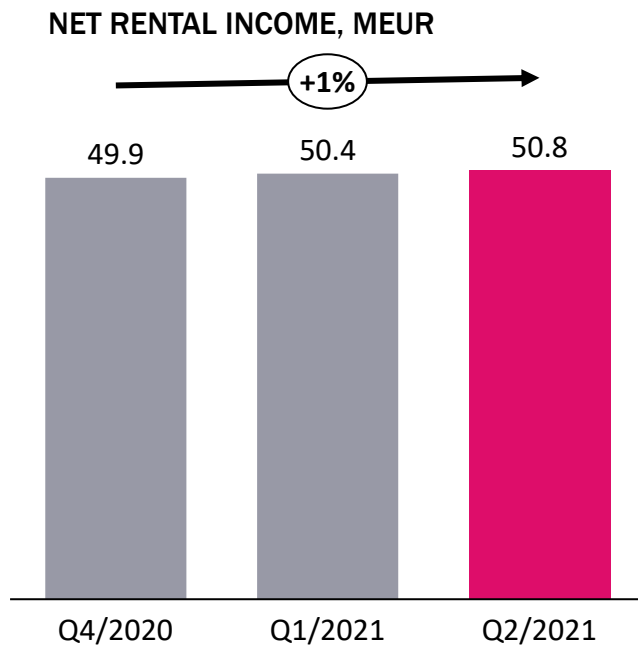


## RETAIL OCCUPANCY RATE DEVELOPMENT





# CONTINUED NRI AND VALUATION GROWTH



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 blue building with a grid-like facade stands. To the right, a red and white tram is stopped at a station platform. The sky is overcast and grey. The text "FINANCIAL OVERVIEW" is overlaid in the center in large white letters.

# FINANCIAL OVERVIEW



## Q2/2021 FINANCIALS

MEUR	Q2/2021	Q2/2020	Change	Q2/2021 incl. Kista 50%
Gross rental income	<b>54.1</b>	53.6	0.9 %	56.3
Net rental income	<b>50.8</b>	50.2	1.2 %	52.5
Direct operating profit	<b>44.1</b>	44.0	0.4 %	45.7
EPRA Earnings	<b>32.7</b>	36.3	-9.9 %	n/a
Adjusted EPRA Earnings <sup>(1)</sup>	<b>27.6</b>	32.2	-14.4 %	n/a
EPRA EPS (basic)	<b>0.183</b>	0.204	-9.9 %	n/a
Adjusted EPRA EPS (basic) <sup>(1)</sup>	<b>0.155</b>	0.181	-14.4 %	n/a
EPRA NRV per share	<b>11.66</b>	11.51	1.3 %	n/a

<sup>1)</sup> The adjusted key figure includes hybrid bond coupons and amortized fees.



## Q1-Q2/2021 FINANCIALS

MEUR	Q1-Q2/2021	Q1-Q2/2020	Change	Q1-Q2/2021 incl. Kista 50%
Gross rental income	<b>111.3</b>	111.5	-0.2 %	116.1
Net rental income	<b>101.2</b>	102.6	-1.3 %	104.4
Direct operating profit	<b>89.0</b>	90.2	-1.3 %	92.1
EPRA Earnings	<b>64.3</b>	71.0	-9.5 %	n/a
Adjusted EPRA Earnings <sup>(1)</sup>	<b>55.2</b>	63.0	-12.4 %	n/a
EPRA EPS (basic)	<b>0.361</b>	0.399	-9.5 %	n/a
Adjusted EPRA EPS (basic) <sup>(1)</sup>	<b>0.310</b>	0.354	-12.4 %	n/a
EPRA NRV per share	<b>11.66</b>	11.51	1.3 %	n/a

<sup>1)</sup> The adjusted figure includes hybrid bond (issued November 2019) coupons and amortized fees.

# EXCHANGE RATES IMPACTED THE RESULTS

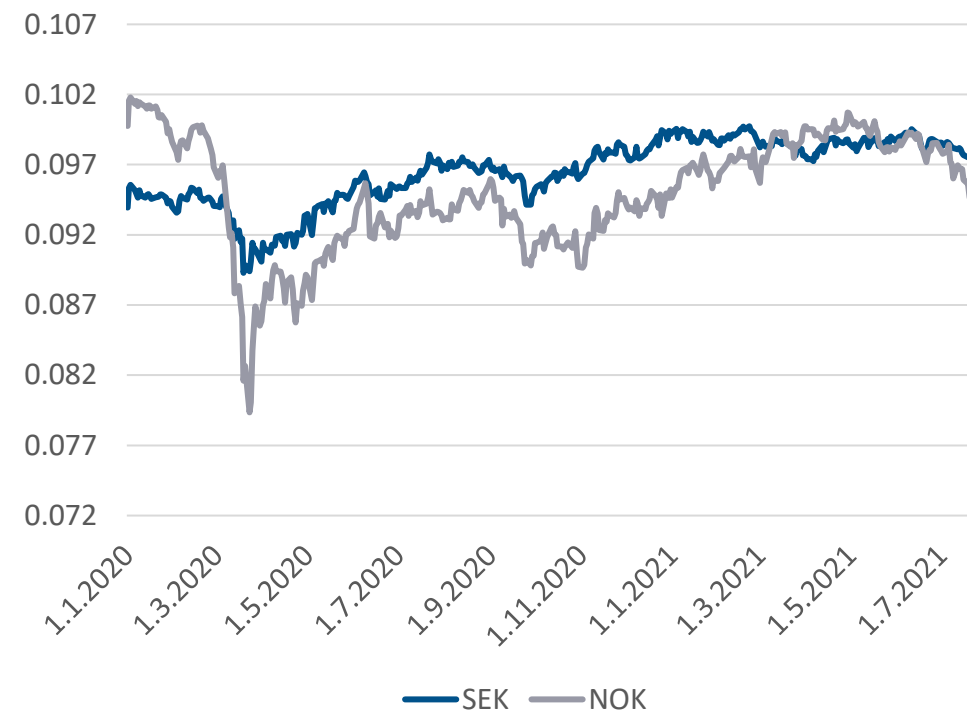
## FOREIGN CURRENCY IMPACT ON Q1-Q2/2021

- NRI: 3.0 MEUR
- EPRA EPS: 0.014 EUR

Closing rates	Q2/2021	Q2/2020
SEK	<b>10.11</b>	10.49
NOK	<b>10.17</b>	9.51

Average rates	Q1-Q2/2021	Q1-Q2/2020
SEK	<b>10.13</b>	10.66
NOK	<b>10.18</b>	10.73

## NOK AND SEK EXCHANGE RATE DEVELOPMENT



# NET RENTAL INCOME INCREASED IN Q2 –YTD NRI REACHING 2020 LEVELS

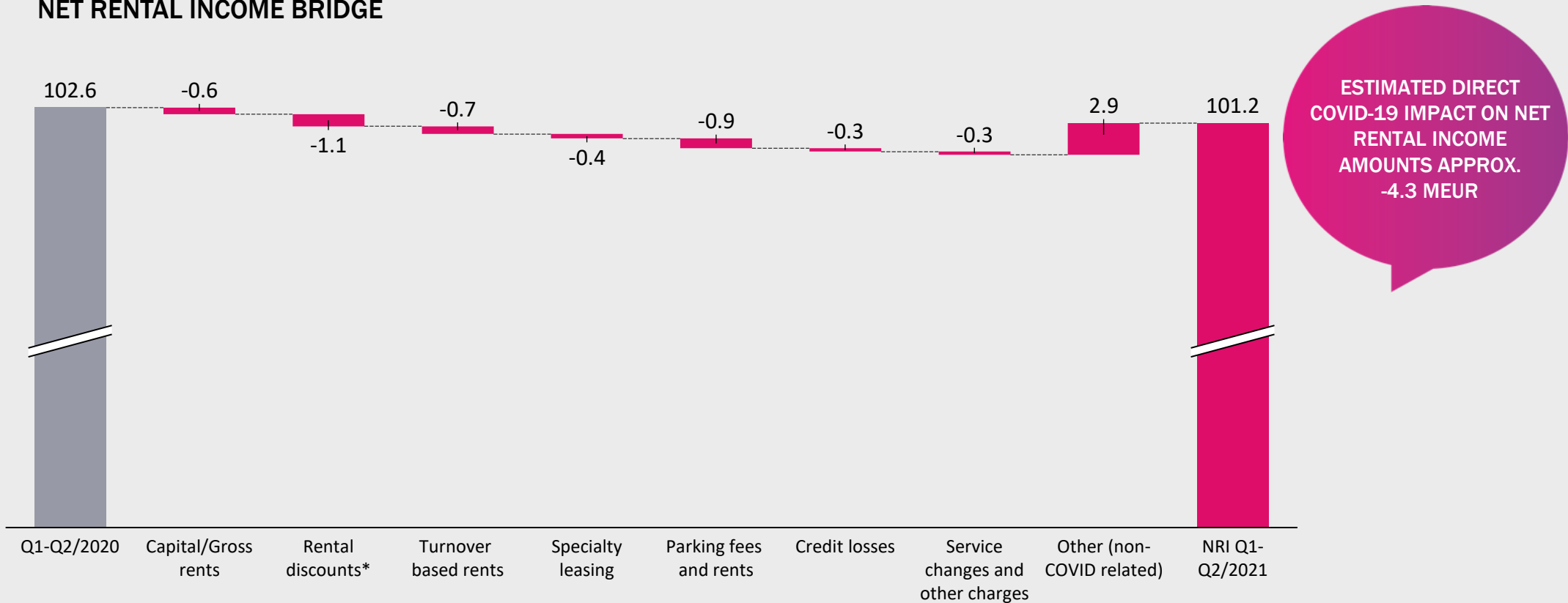
NET RENTAL INCOME BRIDGE Q1-Q2/2021



IN Q2/2021 NET RENTAL INCOME INCREASED BY 1.2% COMPARED TO PREVIOUS YEAR

# ESTIMATED DIRECT COVID-19 IMPACT ON NET RENTAL INCOME

## NET RENTAL INCOME BRIDGE



\* Rental discounts granted in Q2/2020 have been accrued over the contract period.



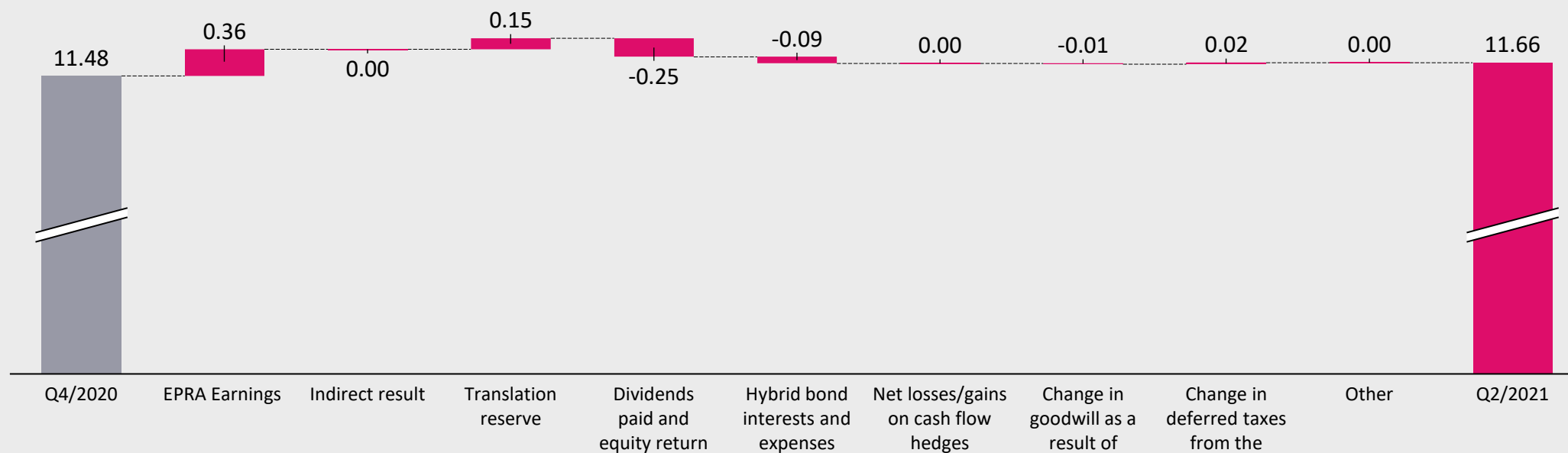
## PORTFOLIO VALUATIONS INCREASED FOR A SECOND CONSECUTIVE QUARTER

FAIR VALUE CHANGES. MEUR	Q2/2021	Q2/2020	Q1-Q2/2021	Q1-Q2/2020	2020
Finland & Estonia	3.4	-32.9	6.6	-45.5	-86.8
Norway	9.8	-17.4	8.5	-6.2	-1.3
Sweden & Denmark	4.2	-23.9	12.3	-32.9	-53.1
Investment properties. total	17.4	-74.2	27.4	-84.6	-141.2
Right-of-use assets classified as investment properties (IFRS 16)	-1.5	-1.4	-2.9	-2.8	-5.7
Investment properties in the statement of financial position. total	15.9	-75.6	24.4	-87.4	-146.9
Kista Galleria (50%)	-0.4	-0.8	-1.1	-12.0	-32.3
Investment properties and Kista Galleria (50%). total	15.5	-76.4	23.4	-99.4	-179.2

AVERAGE YIELD REQUIREMENT. %	30 June 2021	30 June 2020
Investment properties and Kista Galleria (50%), average	5.4%	5.5%



# EPRA NET REINSTATEMENT VALUE (NRV) INCREASED



	30 JUNE 2021	30 JUNE 2020
EPRA NRV PER SHARE, EUR	11.66	11.51
EPRA NTA PER SHARE, EUR	10.25	10.12
EPRA NDV PER SHARE, EUR	10.05	10.00



# SUCCESSFUL 350 MEUR HYBRID ISSUANCE BRINGS FLEXIBILITY TO EXECUTE ON OUR TRANSFORMATION STRATEGY

## EUR 350 million Green Hybrid

- Issued on 4 June 2021
- Fixed rate coupon of 3.625%
- The Hybrid is subordinated to Citycon's debt obligations and treated as equity in Citycon's consolidated financial statements prepared in accordance with IFRS.
- The issuance brings flexibility to execute on our transformation strategy and enables the diversification of our portfolio both organically and through potential acquisitions. The issuance will also strengthen the balance sheet and demonstrates Citycon's commitment to improving its investment grade credit ratings.
- The demand was very strong with an order book reaching around one billion euros and approximately 150 investors, and therefore, we were able to tighten the pricing and increase the size of the issue to EUR 350 million during the book building process.

# MOODY'S AND STANDARD & POOR'S UPGRADED CITYCON'S OUTLOOKS TO STABLE

- In June, both Moody's and Standard & Poor's affirmed Citycon's investment grade credit ratings with upgraded outlooks to stable.
- The outlook upgrades reflect sufficient headroom for Citycon's credit metrics, the resilience of our necessity-based urban hubs, the stability of our markets, and a positive view towards our transformation toward a more residential and mixed-use portfolio

NOW CITYCON HAS AN INVESTMENT GRADE CREDIT RATING WITH A STABLE OUTLOOK FROM ALL THREE MAJOR CREDIT AGENCIES, INCLUDING FITCH.



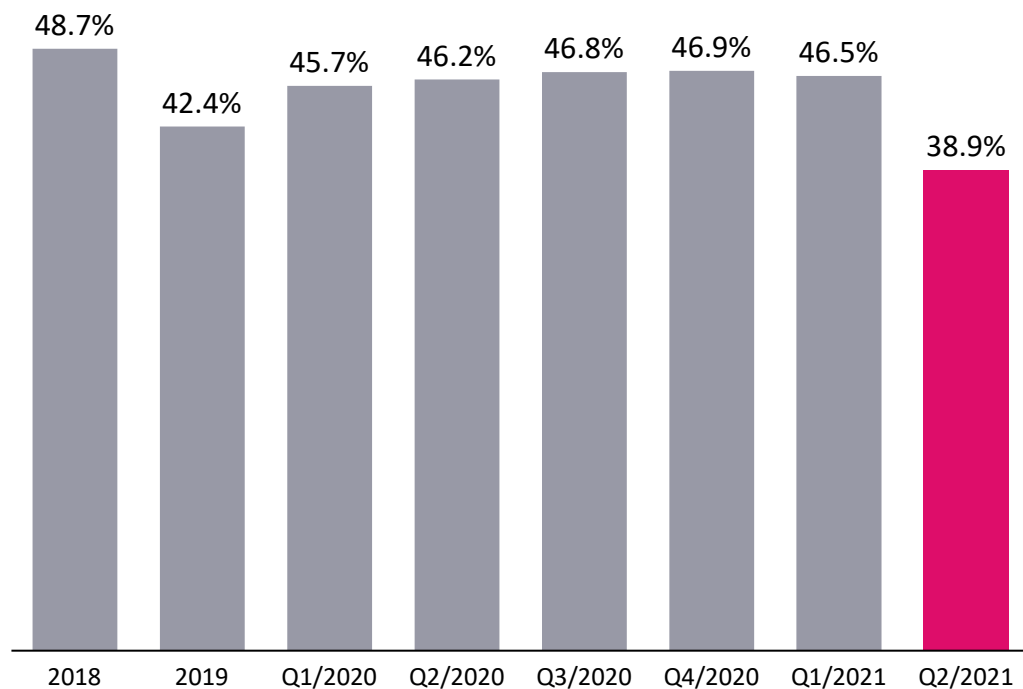


## MAIN FINANCING METRICS

▪ Fixed interest rate ratio	96.9%
▪ Investment-grade credit ratings	BBB-/Baa3/BBB-
▪ Financing mainly unsecured	100%
▪ Substantial liquidity buffer	MEUR 835.7
▪ Loan to Value	38.9%*
▪ Average maturity of loan portfolio	4.3

# FINANCING KEY FIGURES

## LTV DEVELOPMENT



FINANCING KEY FIGURES		30 JUN 2021	30 JUN 2020
Interest bearing debt, fair value	MEUR	<b>2,097.0</b>	2,176,2
Available liquidity	MEUR	<b>835.7</b>	582,9
Average loan maturity	years	<b>4.3</b>	3,9
Fixed interest rate ratio	%	<b>96.9</b>	81.5
Weighted average interest rate	%	<b>2.43</b>	2.31
Loan to Value (LTV)	%	<b>38.9</b>	46.2
Financial covenant: Interest cover ratio (> 1.8)	%	<b>4.0</b>	4.2

# GOOD LIQUIDITY POSITION PROVIDES FLEXIBILITY

AVAILABLE LIQUIDITY, MEUR	30 JUNE 2021	31 MARCH 2021	31 DEC 2020	30 SEP 2020	30 JUNE 2020
Syndicated revolving credit facilities unutilized	500.0	500.0	405.7	527.0	402.5
Money Markets Funds	284.9	0.0	0.0	0.0	0.0
Cash pool overdraft limits unutilized	24.9	25.0	24.6	24.2	24.3
Nonrestricted cash and cash equivalents	26.0	39.3	16.7	37.4	156.1
Available Liquidity	835.7	564.3	447.0	588.6	582.9
Commercial Paper	64.0	93.8	218.1	174.0	125.9
Bank loans maturing < 1 year	0.0	0.0	0.0	90.1	115.0
Bonds maturing < 1 year	0.0	0.0	33.4	31.5	32.1
Net Available Liquidity	771.7	470.5	195.5	293.0	309.9



## OUTLOOK FOR 2021

**Citycon forecasts the 2021 direct operating profit to be in range EUR 173–184 million, EPRA EPS EUR 0.676–0.726 and adjusted EPRA EPS EUR 0.558–0.608.**

Adjusted EPRA Earnings per share outlook includes also the coupons of the recently issued EUR 350 million hybrid. The outlook assumes that there are no major changes in macroeconomic factors and that there will not be another wave of COVID-19 with restrictions resulting in significant store closures. These estimates are based on the existing property portfolio and announced disposals as well as on the prevailing level of inflation, the EUR–SEK and EUR–NOK exchange rates, and current interest rates.

### *Previous Outlook*

*Citycon forecasts the 2021 direct operating profit to be in range EUR 170- 188 million, EPRA EPS EUR 0.651-0.751 and adjusted EPRA EPS EUR 0.558-0.658.*





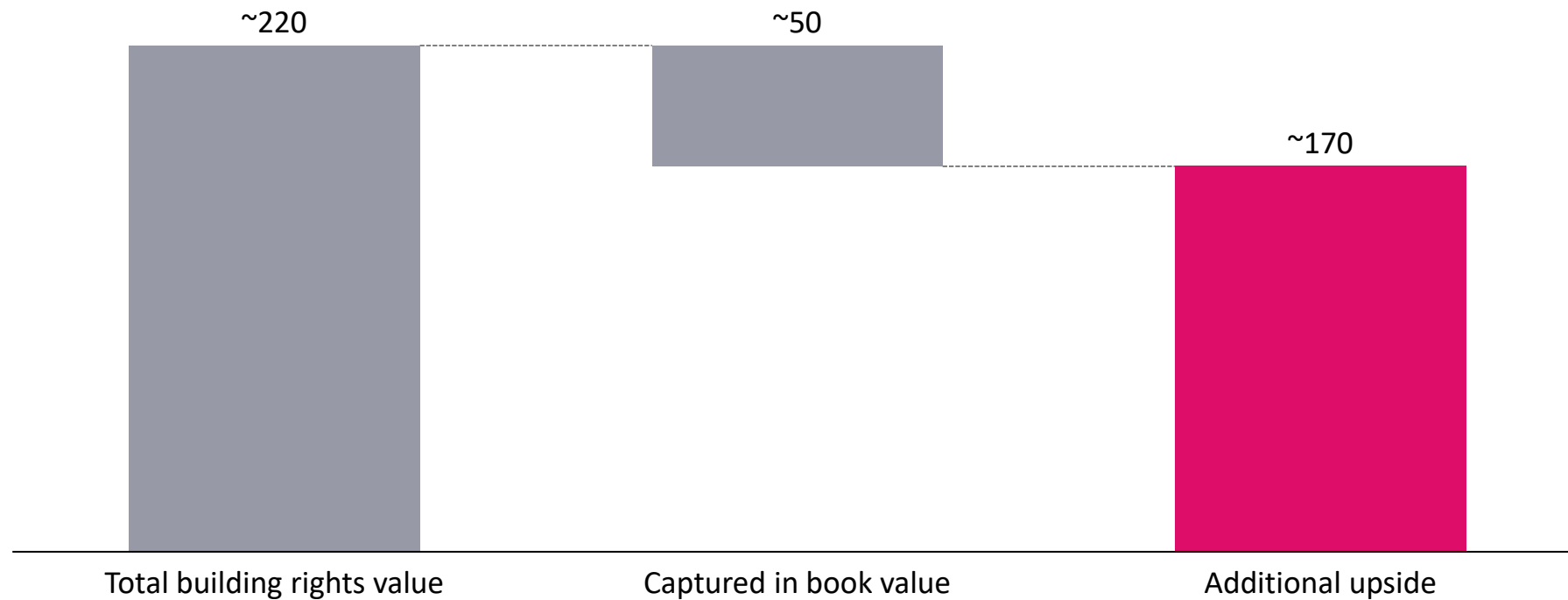
# CITYCON'S STRATEGY IS BASED ON A STABLE CORE BUSINESS WITH ATTRACTIVE GROWTH OPPORTUNITIES

## HOW WE CREATE VALUE



# WE HAVE ~220 MEUR OF BUILDING RIGHTS VALUE IN OUR PORTFOLIO – MOST OF IT IS OFF-BALANCE SHEET UPSIDE

ESTIMATED BUILDING RIGHTS VALUE, MEUR\*

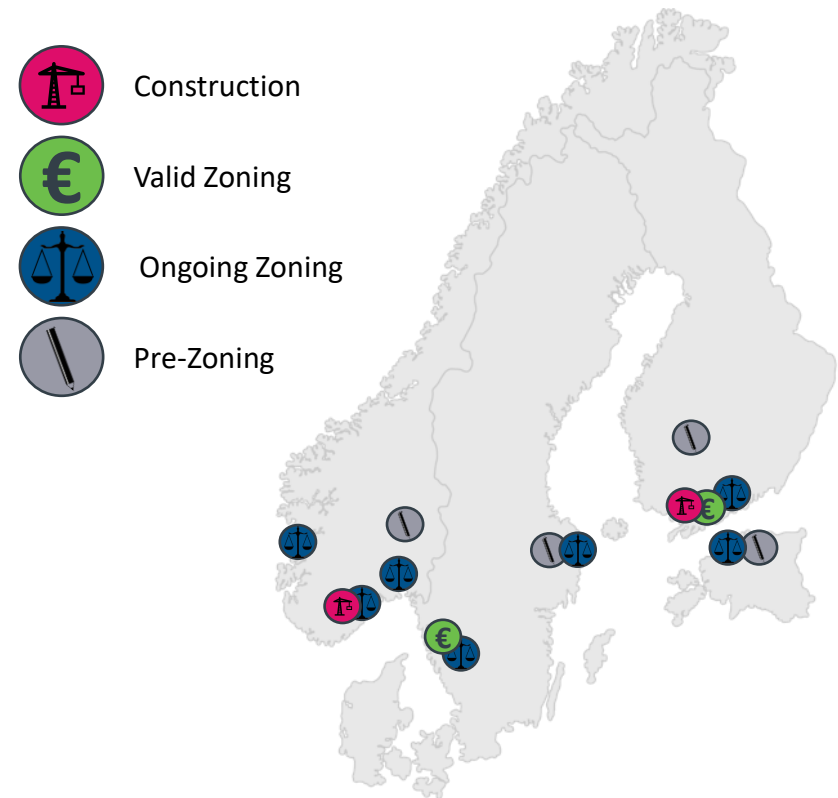
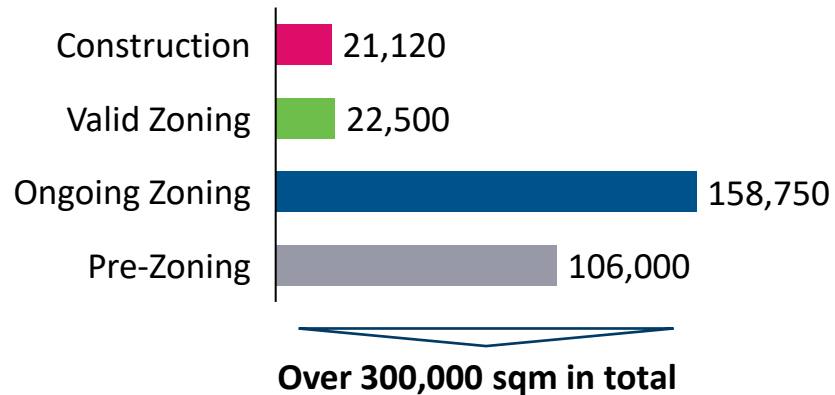


# BREAKDOWN OF BUILDING RIGHTS BY COUNTRY

COUNTRY	TOTAL BUILDING RIGHTS AREA* SQM (THOUSANDS)	# OF RESIDENTIALS* UNITS	TOTAL BUILDING RIGHTS VALUE* MEUR
Sweden	~225	~2,100	~100
Finland	~125	~1,200	~55
Norway	~150	~1,300	~50
Estonia	~135	~700	~20
<b>Total</b>	~630	~5,400	~220

# OUR TOTAL BUILDING RIGHTS PORTFOLIO INCLUDES OVER 300,000 SQM OF RESIDENTIAL DEVELOPMENT PIPELINE

- Citycon has created a significant residential development pipeline of 22 projects
- The whole scale of development projects is covered, ranging from early pre-zoning phase to execution, i.e., the construction phase



# ORGANIC DEVELOPMENTS PROGRESSING AS PLANNED – LIPPULAIVA NRI UPLIFT OF ~19 MEUR EXPECTED

## LIPPULAIVA, FINLAND



- Urban hub consisting of mass transport, retail, residentials, offices and healthcare
- Development progressing according to plan, with opening scheduled in April 2022
- Total expected annual long-term NRI uplift of approx. EUR 19 millions estimated

## HERKULES, NORWAY



- Construction of the first two residential blocks in connection to the center started due to strong interest towards residential units, and a significant number of apartment units have already been sold. In total, the project will comprise 160 apartment units.

## LILJEHOLMEN, SWEDEN



- Large scale redevelopment project combining mass transit, retail, residential, office and healthcare premises
- Development progressing according to plan, with construction starting in 2023

# OPPORTUNITY TO ACCELERATE PORTFOLIO TRANSFORMATION WITH ACQUISITIONS BACKED BY STRONG TRANSACTION MARKET

## NORDIC SELL-SIDE REAL ESTATE MARKET

- The Nordic real estate transaction market continued to pick up and we have experienced reverse inquiries for several of our assets.
- The appetite and pricing for high quality assets continues to be on an attractive level and facilitates selective capital recycling activities in line with our portfolio transformation strategy, which will increase the share of residential and office premises and decrease the proportion of non-essential retail in our portfolio.
- A strong balance sheet remains a key priority and the company will continue its capital recycling actions going forward.

## NORDIC BUYSIDE REAL ESTATE MARKET

- Owing to our improved liquidity position, our portfolio transformation can be accelerated through select acquisitions e.g., in residential.



The Nordic residential sector is more mature than many other parts of Europe and attracting capital given the region's robust macro economic and demographic outlook. Sweden and Finland provide the best opportunities for listed investors in the Nordics.

- *Green Street Advisors, 07/2021*

# Q2 SUMMARY



## **SOLID RESULTS WITH FURTHER QUARTER OVER QUARTER GROWTH**

- Fair value increased for a second consecutive quarter, and for H1 the total increase stands at EUR 24.4 million.
- Footfall, tenant sales and leasing activity are rebounding to pre-pandemic levels, which can be seen in our NRI and rent collections.
- Q2/2021 was in line with our expectations and narrows our full year guidance.

## **SUCCESSFUL FINANCING AND UPGRADED RATING OUTLOOK CONFIRM STRATEGY**

- During Q2 we received upgraded credit rating outlooks from both Standard & Poor's and Moody's. The ratings now stand at BBB- and Baa3 with a stable outlook.
- We also completed a successful issuance of a green bond of 350 MEUR with a high demand. The issuance reduced our LTV to 38.9%.
- In addition to organic portfolio development, the LTV reduction gives us the opportunity to accelerate our portfolio transformation by select acquisitions. The active transactions market further supports our capital recycling activities aiming for an increased share of residential and office premises in our portfolio.



# Q&A





## EERO SIHVONEN

CFO. Exec. VP



+358 50 557 9137



[eero.sihvonen@citycon.com](mailto:eero.sihvonen@citycon.com)

## LAURA JAUHAINEN

VP. Strategy and Investor Relations

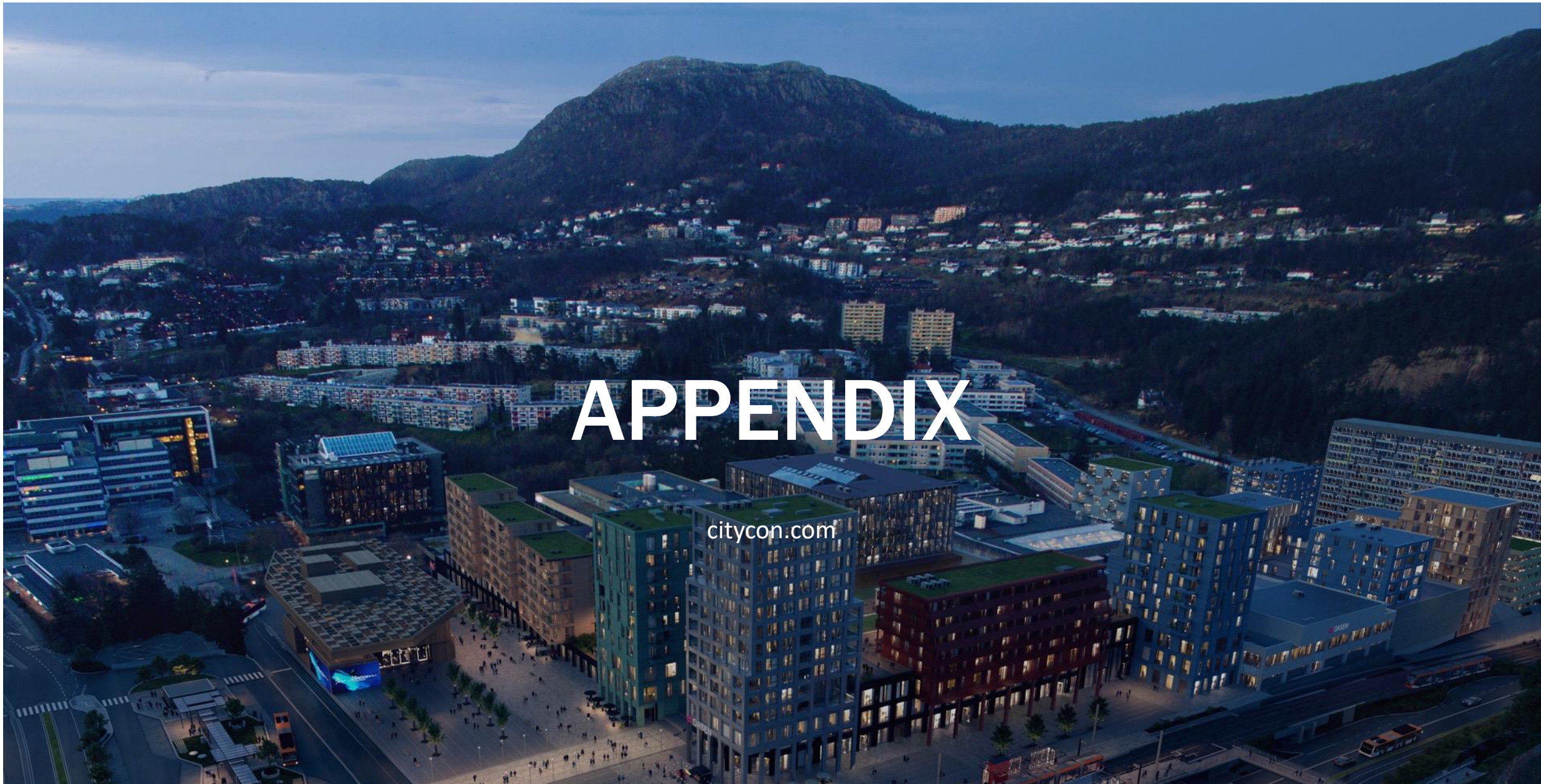


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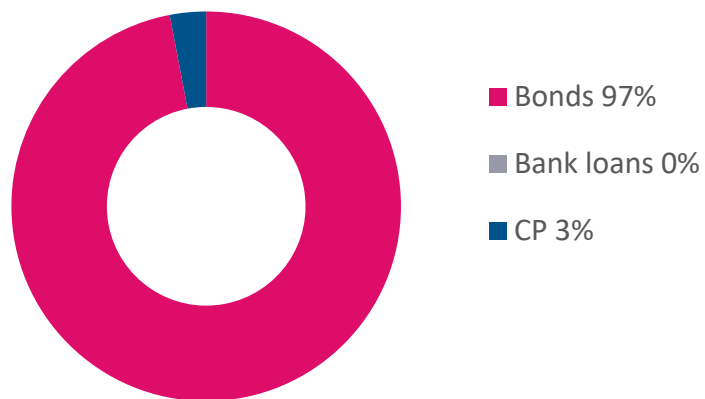
[laura.jauhiainen@citycon.com](mailto:laura.jauhiainen@citycon.com)

[CITYCON.COM](http://CITYCON.COM)

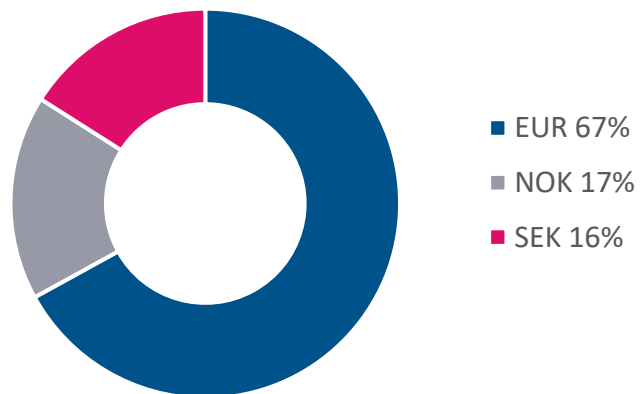


# BALANCED MATURITY PROFILE

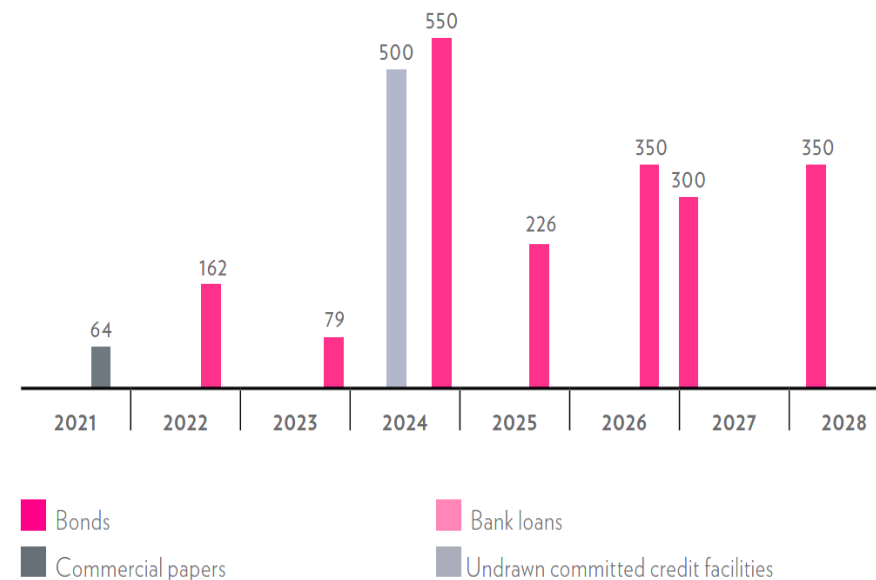
DEBT BREAKDOWN BY TYPE



DEBT BREAKDOWN BY CURRENCY



DEBT MATURITY PROFILE



# INCOME STATEMENT

MEUR	Q2/2021	Q2/2020	%	Q1-Q2/2021	Q1-Q2/2020	%	2020
Gross rental income	54.1	53.6	0.9 %	111.3	111.5	-0.2 %	224.3
Service charge income	17.1	16.9	1.6 %	35.5	35.0	1.3 %	71.2
Property operating expenses	-20.5	-18.8	9.5 %	-44.8	-41.3	8.2 %	-84.9
Other expenses from leasing operations	0.0	-1.6	-	-0.8	-2.6	-67.8 %	-5.3
<b>Net rental income</b>	<b>50.8</b>	<b>50.2</b>	<b>1.2 %</b>	<b>101.2</b>	<b>102.6</b>	<b>-1.3 %</b>	<b>205.4</b>
Administrative expenses	-6.5	-6.3	2.4 %	-12.1	-12.8	-5.4 %	-25.9
Other operating income and expenses	-0.2	0.1	-	-0.5	0.4-		0.9
Net fair value gains/losses on investment property	15.9	-75.6	-	24.4	-87.4	-	-146.9
Net gains/losses on sale of investment property	0.3	0.0	-	-5.1	1.7	-	0.7
<b>Operating profit</b>	<b>60.4</b>	<b>-31.6</b>	<b>-291.5 %</b>	<b>107.9</b>	<b>4.5</b>	<b>-</b>	<b>34.1</b>
Net financial income and expenses	-13.8	-12.0	14.8 %	-27.4	-24.3	12.8 %	-51.8
Share of profit/loss of joint ventures	-1.7	-0.8	98.5 %	-3.5	-10.0	-64.6 %	-28.0
<b>Profit before taxes</b>	<b>44.9</b>	<b>-44.4</b>	<b>-</b>	<b>77.0</b>	<b>-29.8</b>	<b>-</b>	<b>-45.7</b>
Current taxes	-0.6	-0.4	66.1 %	-1.4	-1.2	17.9 %	-1.8
Deferred Taxes	-6.9	7.8	-	-12.1	8.1	-	19.6
<b>Profit/loss for the period</b>	<b>37.5</b>	<b>-37.0</b>	<b>-</b>	<b>63.5</b>	<b>-23.0</b>	<b>-</b>	<b>-27.9</b>

# BALANCE SHEET

MEUR	30 JUNE 2021	30 JUNE 2020
Investment properties	4 292.7	4 170.4
Total non-current assets	4 622.4	4 482.3
Investment properties held for sale	0.0	0.0
Total current assets	402.5	220.5
Total assets	5 024.8	4 702.8
Total shareholders' equity	2 536.5	2 164.4
Total liabilities	2 488.3	2 538.4
Total liabilities and shareholders' equity	5 024.8	4 702.8



**THANK YOU!**

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