

18.10.2018

SSO HOUSE

HENTEX

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# AUDIOCAST PRESENTATION Q3/2018



# Q1-Q3/2018: SOLID OPERATIONAL PERFORMANCE, LOWER ADMIN EXPENSES

## **EPRA EARNINGS PER SHARE EUR 0.123 (Q1-Q3/2017: EUR 0.133)**

- Divestments in 2017 and 2018 and currencies had a significant impact on EPRA EPS development in Q1-Q3/2018. Divestments decreased NRI by MEUR 14.4 and FX by MEUR 4.2.
- Significant decline in administrative expenses (down 14% y/y)

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## **SOLID OPERATIONAL DEVELOPMENT**

- Pro forma like-for-like NRI grew by 0.8% (incl. Iso Omena and Buskerud) in Q1-Q3/2018
- Occupancy rate at 96.1%, clear improvement in Finland & Estonia. Positive trend in leasing spread.

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## **MÖLNDAL GALLERIA OPENED IN GOTHENBURG, SWEDEN ON SEPTEMBER 27**

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## **SUCCESSFUL RE-FINANCING OF BOND EXPIRING IN 2020**

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## **PRESSURE ON NON-CORE PROPERTY FAIR VALUES**

- Fair value changes of EUR -54.2 million due to pressure in secondary cities in Finland and Norway.
- Loan-to-value increased to 48.2%.

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## **GUIDANCE 2018 SPECIFIED**

- EPRA EPS guidance narrowed to EUR 0.1575-0.1675

# WE SUCCESSFULLY OPENED MÖLN DAL GALLERIA ON SEPTEMBER 27

- GLA of 26,000 sq.m.
- 65 tenants
- 14% of tenants food & beverage
- ~90% leased before opening
- ~6 million expected annual visitors\*
- Featuring the Museum of Möln dal
- Non-retail neighbours: library and healthcare completing the area
- Excellent connections to public transportation

\*after stabilization

*"Möln dal Galleria is a true testimony to Citycon's strategy to recycle and deploy capital to high quality irreplaceable assets in growing urban areas"*

# MÖLNDAL GALLERIA –IN THE HEART OF A GROWING COMMUNITY IN GREATER GOTHENBURG

MÖLNDAL IS A GROWING AND VIBRANT COMMUNITY LOCATED JUST SOUTH OF GOTHENBURG CITY CENTRE

~1 million inhabitants in greater Gothenburg

~60,000 inhabitants in the municipality of Mölndal

15 min from Gothenburg city centre

>6,000 new homes in the area under zoning

>340,000 sqm new workspace under zoning



# LIPPULAIVA EXPECTED TO OPEN IN 2021

## COMPLETED AND ONGOING PROJECTS

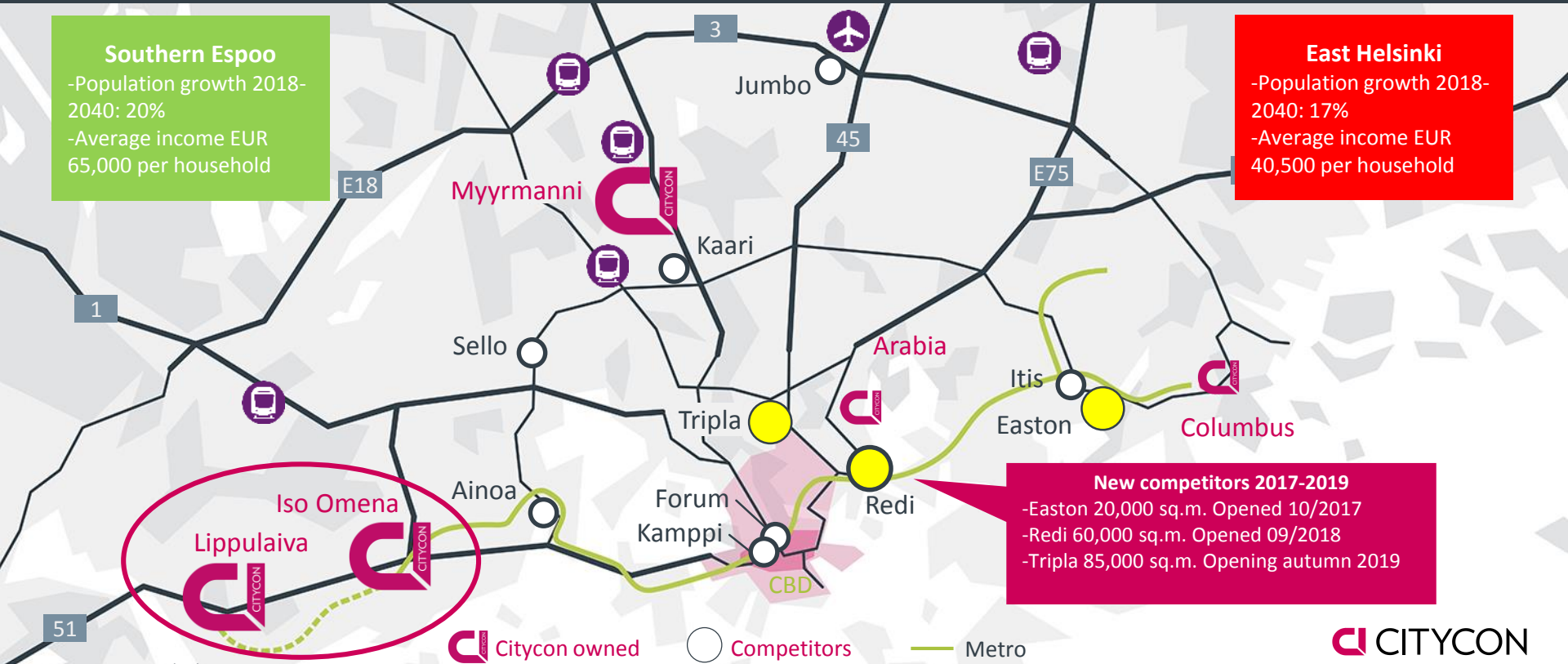
	City	Area before/ after, sq.m.	Expected investment, MEUR	Cumulative investment, MEUR	Yield on cost <sup>1)</sup> , %	Pre-leasing, %	Completion target
1 Mölndal Galleria	Gothenburg, Sweden	- / 26,000	114.6 <sup>2)</sup>	114.6	6.0-6.5	-	Completed: Q3/2018
2 Lippulaiva	Greater Helsinki area, Finland	19,200/44,300	215.0	69.1	6.25-6.75	55-60	2021

1) Expected stabilised yield (3<sup>rd</sup> year after completion). Calculated on total development costs, also including financing and Citycon internal costs.

2) Original expected investment was EUR 120 million.



# LIPPULAIVA WILL FURTHER STRENGTHEN OUR POSITION IN THE GROWING AND AFFLUENT WESTERN PART OF HELSINKI



**Southern Espoo**  
 -Population growth 2018-2040: 20%  
 -Average income EUR 65,000 per household

**East Helsinki**  
 -Population growth 2018-2040: 17%  
 -Average income EUR 40,500 per household

**New competitors 2017-2019**  
 -Easton 20,000 sq.m. Opened 10/2017  
 -Redi 60,000 sq.m. Opened 09/2018  
 -Tripla 85,000 sq.m. Opening autumn 2019

Source: Statistics Finland

# OPPORTUNITIES FOR FURTHER PORTFOLIO IMPROVEMENT

	City	Area before/after, sq.m.	Expected investment, MEUR	Target completion
<b>PLANNED (UNCOMMITTED)</b>				
Kista Galleria	Stockholm	92,600/105,000	80 <sup>1)</sup>	2023
Oasen	Bergen	57,000/68,800	100	2022
Liljeholmstorget Galleria	Stockholm	40,600/64,500	100	2023
Trekanten	Oslo	23,900/45,000	135	2022

– After completion of Mölndal Galleria, development investments expected to be approx. MEUR 100 p.a. for the coming few years sourced through capital recycling

<sup>1)</sup> Citycon's share MEUR 40 (50%)



# OPPORTUNITIES FOR FURTHER PORTFOLIO IMPROVEMENT

	City	Area before/after, sq.m.	Expected investment, MEUR	Target completion	– After completion of Mölndal Galleria
<b>PLANNED (UNCOMMITTED)</b>					
Kista Galleria	Stockholm	92,600/105,000			
Oasen	Bergen	57,000			
Liljeholmstorget Galleria	Stockholm				
Trekanten	Oslo				

<sup>1)</sup> Citycon's share MEUR 40 (50%)

**ALL ASSETS HAVE SUBSTANTIAL RESI POTENTIAL**





# OASEN TO BECOME A VIBRANT MULTI-FUNCTIONAL CENTRE IN A GROWING AREA IN BERGEN

- GLA 68,800 sq.m. after the development of which 42,500 sq.m. of retail
- Completion target 2022
- 4.5 million annual visitors
- New tram line in front of the centre
- Catchment area
  - Primary 40,000
  - Secondary 160,000
- Resi units 200-300
- Expected investment MEUR 100



# LILJEHOLMSTORGET: DEVELOPING A MULTIFUNCTIONAL URBAN MEETING PLACE CLOSE TO STOCKHOLM CBD



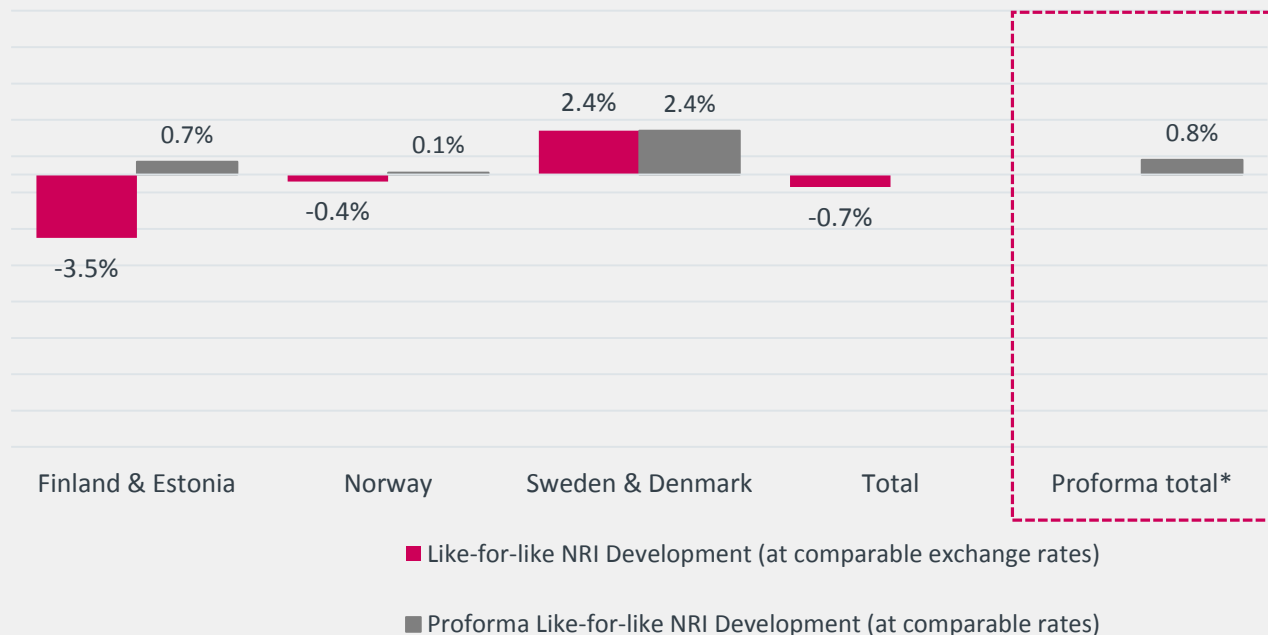
- Target completion 2023
- **New GLA of 17,400**
  - 7,400 sq.m. of Retail, Cinema, Leisure & Culture
  - 10,000 sq.m. of Health care, Library, Services and Hotel
- Total investment of **MEUR 100**
- **200** apartments, additional building rights

# Q3/2018: OPERATIONAL PERFORMANCE: TENANT SALES AND FOOTFALL IMPROVED



# PRO FORMA LIKE-FOR-LIKE NRI GREW BY 0.8%

## LIKE-FOR-LIKE AND NET RENTAL INCOME DEVELOPMENT Q1-Q3/2018 VS Q1-Q3/2017



- Pro forma L-F-L NRI includes the impact of Iso Omena and Buskerud for the Q2-Q3/2018 comparable period

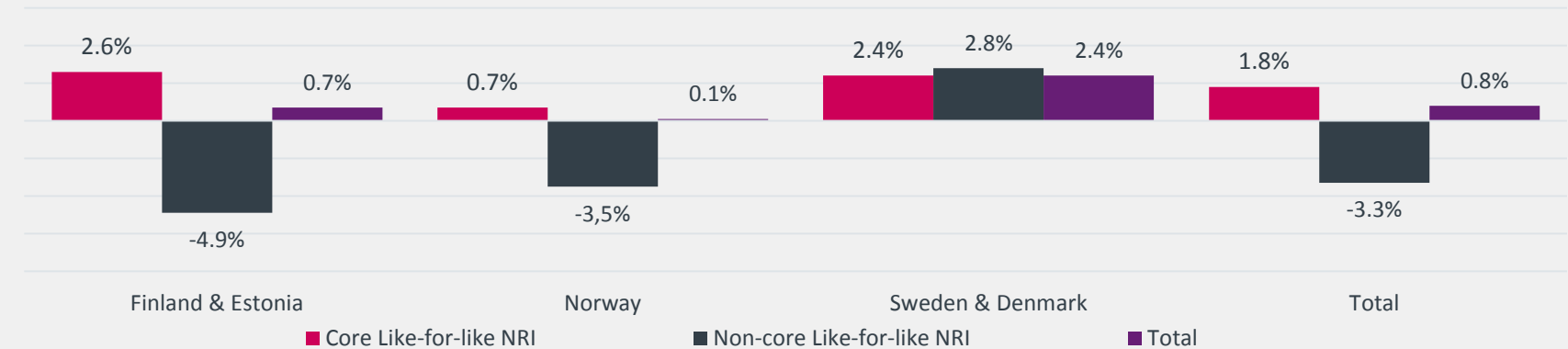
- Like-for-like portfolio represents 59% of the total portfolio in terms of fair value:

- Finland 38%
- Norway 85%
- Sweden & Denmark 61%

- The non-core assets are overrepresented in the L-F-L portfolio: 96% of the non-core assets are in the L-F-L portfolio. For the core portfolio, the percentage is 55%.

# PRO-FORMA LIKE-FOR-LIKE NRI DEVELOPMENT CORE VS NON CORE

## PRO-FORMA LIKE-FOR-LIKE NRI DEVELOPMENT CORE VS NON-CORE Q1-Q3/2018 VS Q1-Q3/2017

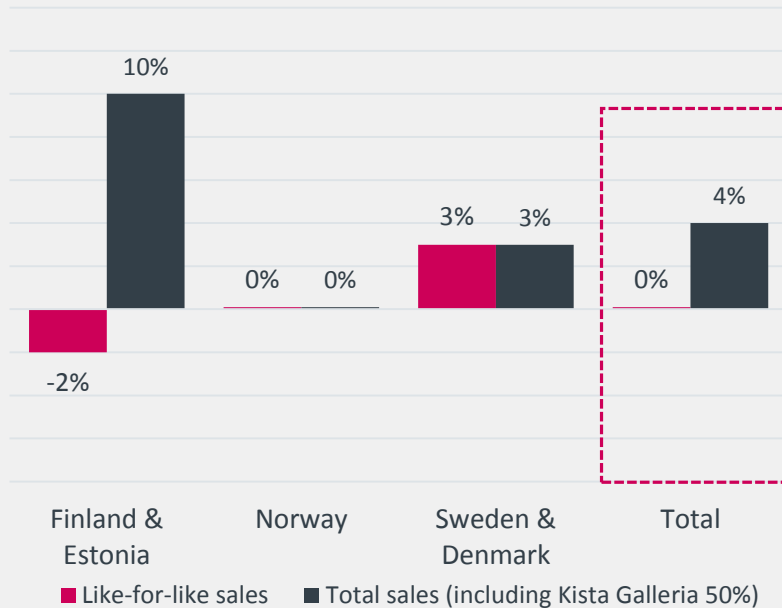


	FINLAND & ESTONIA	NORWAY	SWEDEN & DENMARK	TOTAL
Fair value Core L-F-L	84%	89%	90%	87%
Fair Value Non-core L-F-L	16%	11%	10%	13%

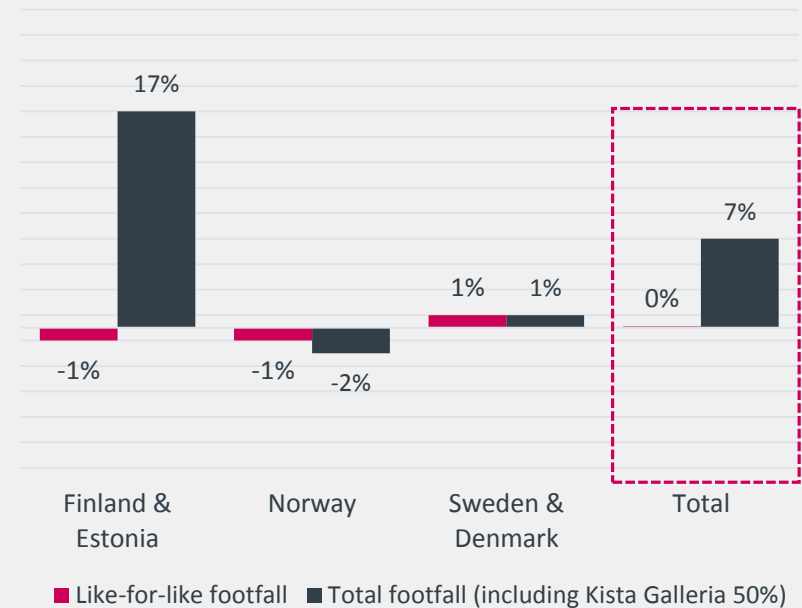
# OVERALL SALES +4% AND FOOTFALL +7%

## LIKE-FOR-LIKE SALES AND FOOTFALL STABLE

TENANT SALES DEVELOPMENT  
Q1-Q3/2018 vs. Q1-Q3/2017, % <sup>1)</sup>

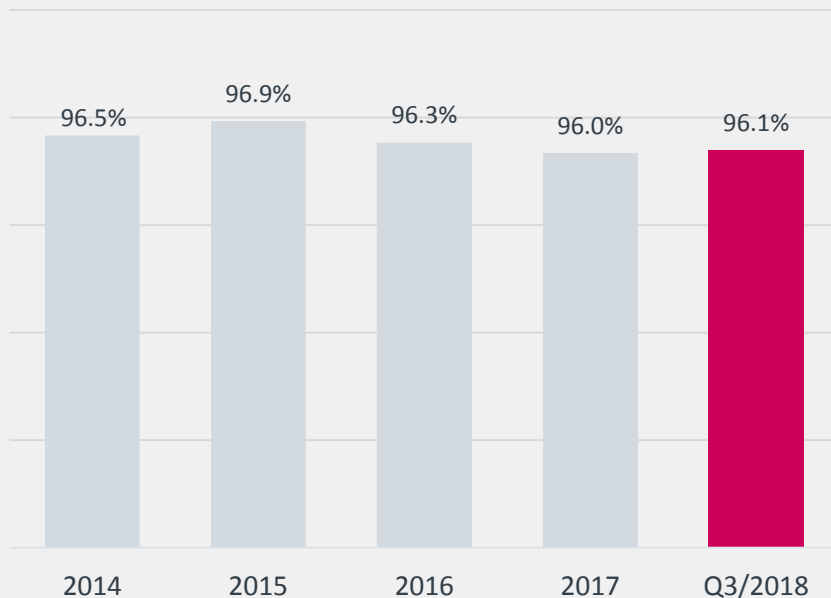


FOOTFALL DEVELOPMENT  
Q1-Q3/2018 vs. Q1-Q3/2017, % <sup>1)</sup>



# OCCUPANCY REMAINED AT A GOOD LEVEL

## OCCUPANCY RATE



15 All figures including Kista Galleria 50%

		Q3/2018	2017
Average rent <sup>1)</sup>	EUR/sq.m.	23.1	23.2
Average remaining length of the lease portfolio	years	3.4	3.5

		Q1-Q3/2018	2017
Average rent of leases started	EUR/sq.m.	23.4	22.9
Average rent of leases ended	EUR/sq.m.	22.3	23.1
Leasing spread of renewals and re-lettings	%	0.2	-4.0

- Positive trend in leasing spread compared to previous years.
- Overall leasing spread was flat during Q1-Q3/2018 and developed positively in Sweden & Denmark and Norway. Leasing spread in Finland & Estonia was negative driven by a couple of secondary centres.

<sup>1)</sup> With comparable exchange rates the average rent per sq.m. increased by EUR 0.5

# FINANCIAL OVERVIEW



## Q3/2018 FINANCIALS

MEUR	Q3/2018	Q3/2017	Change %	Q3/2018 INCL. KISTA 50%
Gross rental income*	<b>57.8</b>	63.8	-9.5	61.2
Net rental income	<b>53.6</b>	58.6	-8.6	56.5
Direct operating profit	<b>47.8</b>	51.7	-7.5	50.6
EPRA Earnings	<b>36.8</b>	39.3	-6.4	N/A
EPRA EPS (basic)	<b>0.041</b>	0.044	-6.4	N/A
EPRA NAV per share	<b>2.66</b>	2.78	-4.3	N/A

\* Changes due to IFRS15 had a negative impact of EUR 1.2M on the Gross rental income. There was no impact on other items.

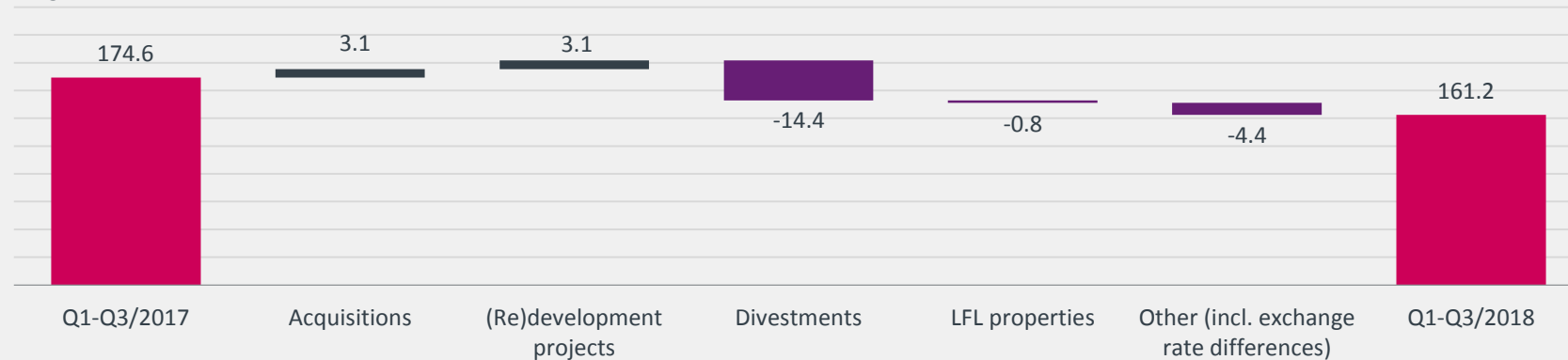
## Q1-Q3/2018 FINANCIALS

MEUR	Q1-Q3/2018	Q1-Q3/2017	Change %	Q1-Q3/2018 INCL. KISTA 50%
Gross rental income*	<b>177.8</b>	195.3	-9.0	188.2
Net rental income	<b>161.2</b>	174.6	-7.7	170.3
Direct operating profit	<b>143.6</b>	154.7	-7.2	152.3
EPRA Earnings	<b>109.3</b>	118.5	-7.8	N/A
EPRA EPS (basic)	<b>0.123</b>	0.133	-7.8	N/A
EPRA NAV per share	<b>2.66</b>	2.78	-4.3	N/A

\* Changes due to IFRS15 had a negative impact of EUR 3.6M on the Gross rental income. There was no impact on other items.

# NET RENTAL INCOME IMPACTED BY DIVESTMENTS AND FX

## NRI DEVELOPMENT MEUR



## CURRENCIES HAD A SIGNIFICANT IMPACT ON NRI

### Closing rates

	Q3/2018	Q4/2017
SEK	10.3090	9.8438
NOK	9.4665	9.8403

### Average rates

	Q1-Q3/2018	Q1-Q3/2017
SEK	10.2370	9.5826
NOK	9.5898	9.2336

### Foreign currency impact on Q1-Q3 / 2018:

**NRI**  
-4.2 MEUR  
**EPRA EPS**  
-0.004 EUR



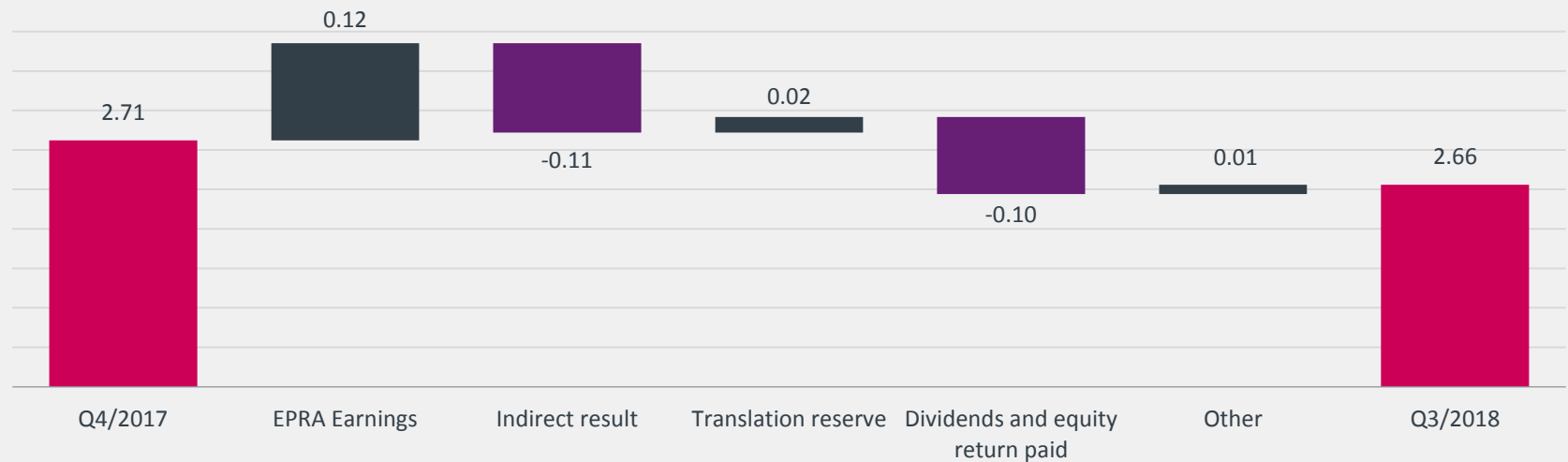
## FAIR VALUE CHANGES

FAIR VALUE CHANGES, MEUR	Q3/2018	Q3/2017	Q1-Q3/2018	Q1-Q3/2017	2017
Finland & Estonia	-14.6	-22.9	-47.8	-40.8	-51.3
Norway	-6.7	-12.3	-20.6	-11.5	-22.2
Sweden & Denmark	0.6	11.3	14.2	20.1	30.6
Investment properties, total	-20.7	-23.9	-54.2	-32.3	-42.9
Kista Galleria (50%)	-1.2	0.0	-5.4	0.5	-0.6
Investment properties and Kista Galleria (50%), total	-21.9	-23.9	-59.7	-31.8	-43.5
<hr/>					
WEIGHTED AVERAGE YIELD REQUIREMENT, %			30 SEP 2018	30 SEP 2017	31 DEC 2017
Investment properties and Kista Galleria (50%), average			5.3	5.3	5.3

# EPRA NET ASSET VALUE DEVELOPMENT

## CHANGE OF NET ASSET VALUE (EPRA NAV)

EUR, per share



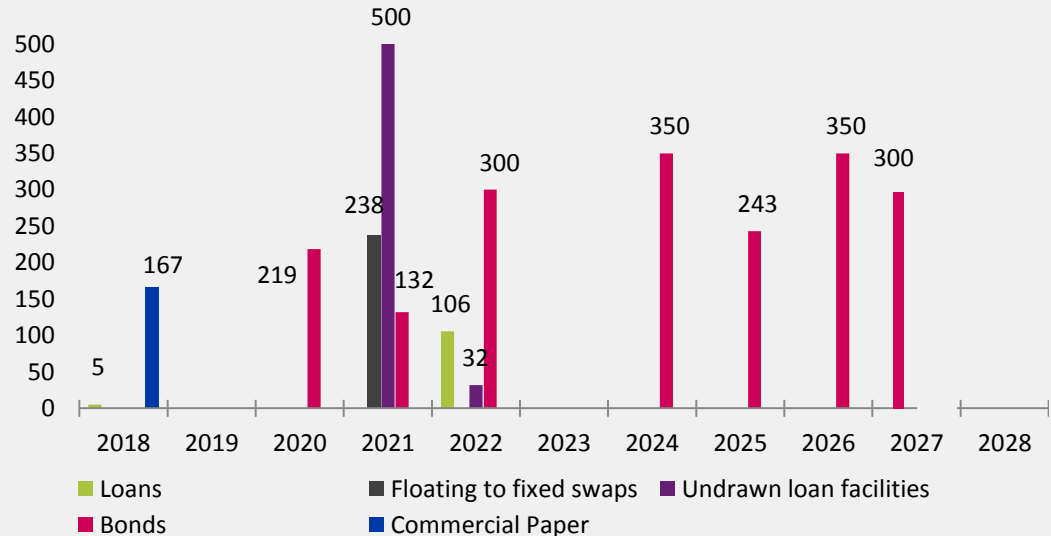
	30 SEP 2018	31 DEC 2017	30 SEP 2017
EPRA NAV per share, EUR	2.66	2.71	2.78
EPRA NNAV per share, EUR	2.41	2.37	2.41

# IMPROVED MATURITY STRUCTURE AFTER SUCCESSFUL RE-FINANCING OF 2020 BOND

## LOWER RE-FINANCING RISK AFTER BOND ISSUE AND TENDER

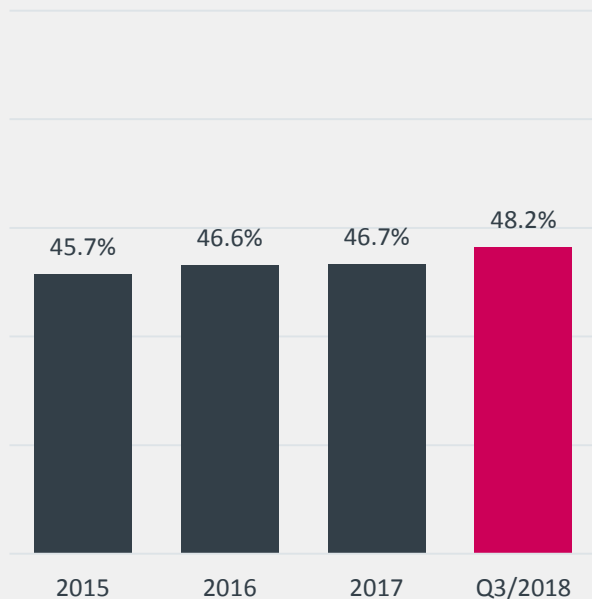
- New 8.4 year bond of MEUR 300 issued in August with a 2.375% coupon
- Proceeds were used to buy back bond expiring in 2020. The bond was repurchased for a nominal amount of MEUR 281 at a price of 106.961%. One-off indirect financial expenses related to the bond tender offer totaled MEUR 20.8.
- During the quarter, average cost of debt decreased 42 bps to 2.36% and average loan maturity increased to 5.2 years.

MATURITY PROFILE OF LOANS, INTEREST SWAPS AND DEBT FACILITIES  
MEUR



# REDUCED COST OF DEBT; HIGHER LTV

## LOAN TO VALUE (LTV)

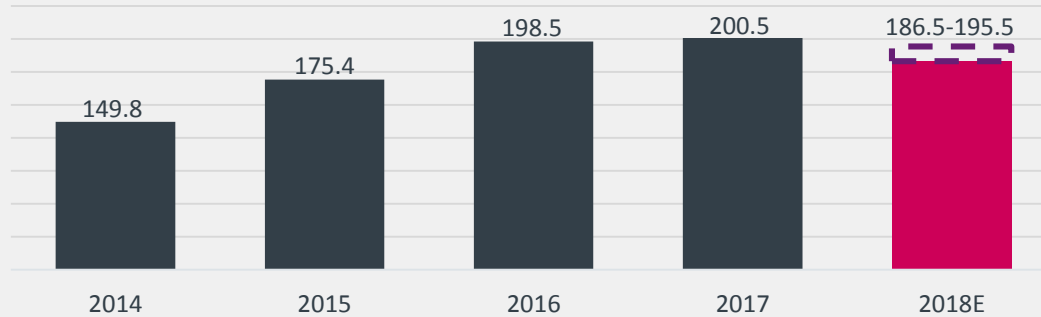


## FINANCING KEY FIGURES

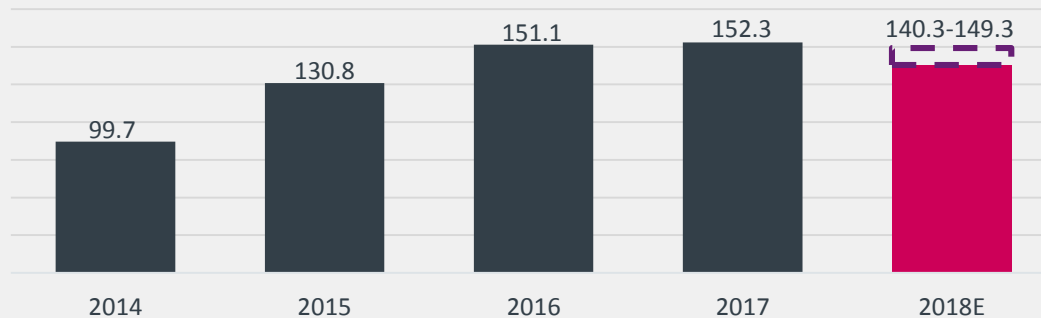
		30 SEP 2018	30 SEP 2017	31 DEC 2017
Interest bearing debt, fair value	MEUR	<b>2,171.1</b>	2,216.8	2,097.2
Available liquidity	MEUR	<b>556.7</b>	557.5	559.4
Average loan maturity	years	<b>5.2</b>	5.2	5.1
Interest rate hedging ratio	%	<b>92.1</b>	89.9	94.1
Weighted average interest rate <sup>1)</sup>	%	<b>2.36</b>	2.69	2.78
Loan to Value (LTV)	%	<b>48.2</b>	47.5	46.7
Financial covenant: Equity ratio (> 32.5%)	%	<b>45.9</b>	46.5	47.4
Financial covenant: Interest cover ratio (> 1.8)	%	<b>3.8</b>	3.7	3.8

# OUTLOOK 2018 SPECIFIED

## DIRECT OPERATING PROFIT



## EPRA EARNINGS



### Direct operating profit\*

MEUR -14 to -5 (previously -14 to -1)

### EPRA Earnings\*

MEUR -12 to -3 (previously -14 to -1)

### EPRA EPS (basic)

EUR 0.1575-0.1675 (previously 0.155-0.170)

\*change from previous year

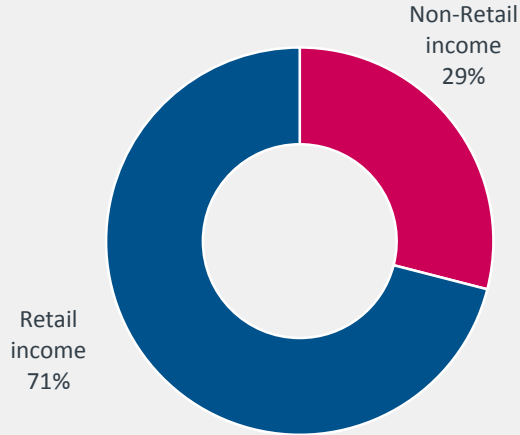


## MANAGEMENT PRIORITIES

**CONTINUED FOCUS ON PORTFOLIO  
AND  
BALANCE SHEET IMPROVEMENT**

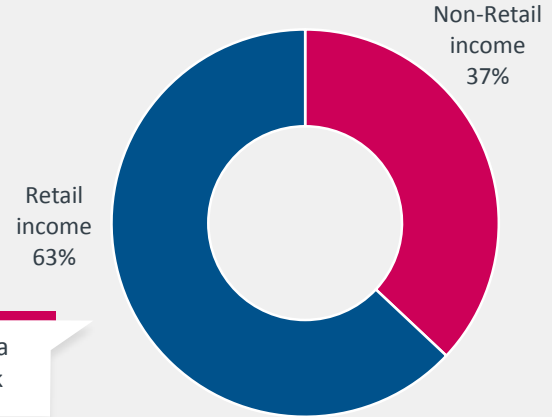
# FOCUS ON PORTFOLIO IMPROVEMENT BY ACTIVE DEVELOPMENT, RE-TENANTING AND CREATING MIXED-USE ASSETS

## SHARE OF NON-RETAIL REVENUE FOR THE GROUP



Non-Retail income:  
Offices, Services, Food & Beverage, Leisure, Gyms

## SHARE OF NON-RETAIL REVENUE FOR ISO OMENA

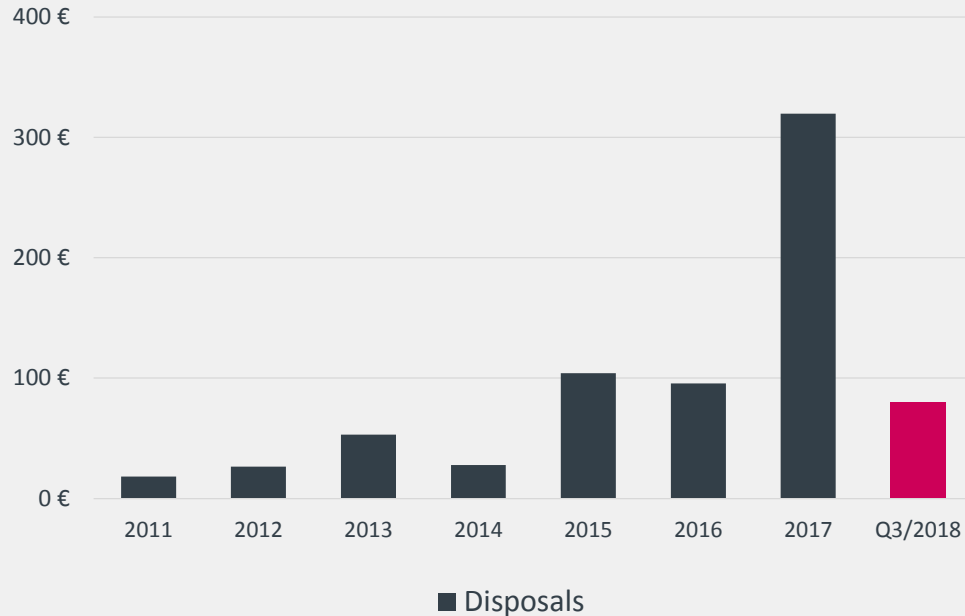


Future example of a relevant benchmark



# REDUCE LOAN-TO-VALUE BY CAPITAL RECYCLING: SELL EUR 200-400M OF NON-CORE ASSETS

WE HAVE DISPOSED EUR 400 MILLION IN 2017 AND Q1-Q3/2018  
MEUR



- In 2018 we have divested the following assets:
  - Åkermyntan shopping centre in Stockholm
  - Retail property in Kuopio, Finland
  - Heiane shopping centre in Norway
  - Retail property in Bodø, Norway
- Proceeds of approx. MEUR 80 used to fund development pipeline
- We continue to divest MEUR 200 – 400 in the next few years. Proceeds to be used to strengthen balance sheet and to fund development pipeline.
- Disposal negotiations on-going

# WHERE WE WANT TO BE?

**LARGER ASSETS**

**CONCENTRATED PORTFOLIO**

**HIGH-QUALITY URBAN LOCATIONS**

**EFFICIENT TO MANAGE**

## CONTACT INFORMATION

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# APPENDIX



# INCOME STATEMENT

MEUR	Q1-Q3/2018	Q1-Q3/2017	%	2017
Gross rental income	177.8	195.3	-9.0	257.4
Service charge income	57.8	58.9	-1.9	80.8
Property operating expenses	-72.7	-78.3	-7.2	-107.8
Other expenses from leasing operations	-1.7	-1.3	35.2	-1.9
<b>Net rental income</b>	<b>161.2</b>	<b>174.6</b>	<b>-7.7</b>	<b>228.5</b>
Administrative expenses	-17.9	-20.9	-14.0	-29.1
Other operating income and expenses	-6.3	-4.6	37.3	-11.6
Net fair value gains/losses on investment property	-54.2	-32.3	68.1	-42.9
Net gains/losses on sale of investment property	0.9	9.8	-90.7	6.0
<b>Operating profit</b>	<b>83.6</b>	<b>126.6</b>	<b>-34.0</b>	<b>150.9</b>
Net financial income and expenses	-60.3	-42.8	40.6	-56.4
Share of profit/loss of joint ventures	-4.8	-1.3	-	-0.7
<b>Profit before taxes</b>	<b>18.5</b>	<b>82.4</b>	<b>-77.5</b>	<b>93.8</b>
Current taxes	-0.4	-0.4	1.9	-0.8
Deferred Taxes	-7.0	-17.3	-59.5	-5.1
<b>Profit/loss for the period</b>	<b>11.1</b>	<b>64.7</b>	<b>-82.8</b>	<b>87.9</b>

# BALANCE SHEET

MEUR	30 SEP 2018	30 SEP 2017	31 DEC 2017
Investment properties	4,183.4	4,184.2	4,183.4
Total non-current assets	4,555.1	4,607.4	4,608.9
Investment properties held for sale	94.7	206.6	25.4
Total current assets	48.2	43.2	43.7
<b>Total assets</b>	<b>4,698.0</b>	<b>4,857.2</b>	<b>4,678.0</b>
Total shareholders' equity	2,152.5	2,254.5	2,209.4
Total liabilities	2,545.5	2,602.7	2,468.6
<b>Total liabilities and shareholders' equity</b>	<b>4,698.0</b>	<b>4,857.2</b>	<b>4,678.0</b>





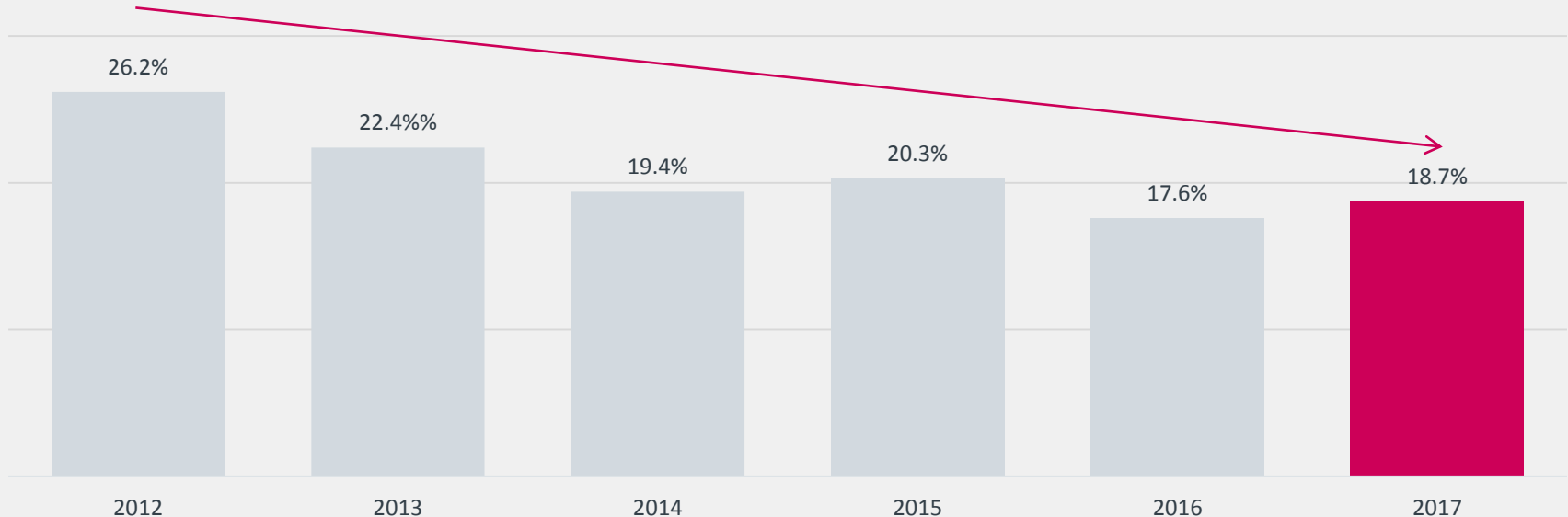
## MAIN FINANCING TARGETS

- Loan to Value 40-45% - 48.2%
- Average maturity of loan portfolio > 5 yrs ✓ 5.2
- Debt portfolio's hedge ratio 70-90% ✓ 92.1%
- Strong investment-grade credit ratings ✓ BBB/Baa2
- Financing mainly unsecured ✓ 95%
- Substantial liquidity buffer ✓ MEUR 557

**Stable business model matched  
by conservative financing targets**

# THE EPRA COST RATIO HAS IMPROVED SINCE 2012

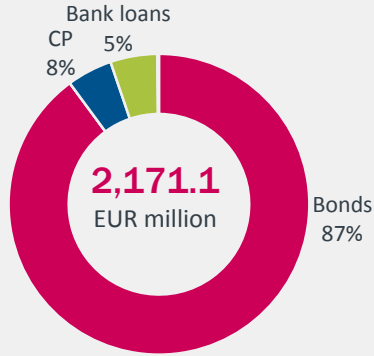
EPRA Cost Ratio



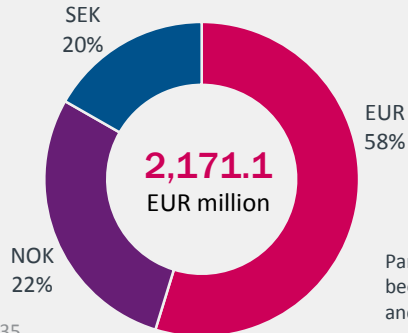
EPRA Cost ratio includes direct vacancy costs

# 95% OF DEBT FIXED RATE WITH BALANCED MATURITY PROFILE

## DEBT BREAKDOWN BY TYPE



## DEBT BREAKDOWN BY CURRENCY



Part of EUR debt has been converted to SEK and NOK using cross-currency swaps

## DEBT MATURITIES

