CITYCON TREASURY B.V.

2018 ANNUAL FINANCIAL STATEMENTS

AMSTERDAM, JUNE 2019

CITYCON

TABLE OF CONTENTS

CITYCON

DIRECTOR'S REPORT

The Board of Directors of Citycon Treasury B.V. hereby presents the financial statements for the book year that ended 31 December 2018. These statements have been prepared according to generally accepted accounting principles in the Netherlands and in conformity with the provisions of Part 9, Book 2 of the Netherlands Civil Code. The financial statements have been audited by Ernst & Young Accountants LLP and were provided an unqualified audit opinion on 24th of June 2019. The independent auditors report can be found on page 35 of the financial statements.

GENERAL

Citycon Treasury B.V. (hereinafter "the Company") is registered in Amsterdam, Hullenbergweg 300, the Netherlands and has been incorporated on 17 June 2011 under Dutch law. The Company acts as a finance company for the Citycon Group companies. The parent company is Citycon OYJ, Espoo, Finland which is listed on the Helsinki Stock Exchange.

OBJECTIVES

The Company's objectives, in accordance with article 3 of the Articles of Association, are to incorporate, participate, manage and finance other group companies. Furthermore, to borrow and lend moneys, to place public and private debt and in general to engage in financial and commercial activities which may be conductive to the foregoing.

RISK MANAGEMENT

The Board of Directors are in charge of the management of the Company meaning that the Board of Director's responsibilities include the policy and business progress within the Company and with this the achievement of the goals, strategy, profit development and the social aspects of doing business that are relevant for the Company. Since the 6th of April 2018 the Company has an additional economic risk by acquiring the shares of Montalbas B.V.. Due to the issuance of shares to Citycon OYJ which are only entitled to voting rights (75%) Montalbas B.V. is managed and controlled by Citycon OYJ. The main economic risk is f.e. the fair value changes in real estate held by the underlying entities in Finland and Estonia.
The Board of Directors is also responsible for the compliance with legislation and regulations and the management of risks relating to the financing activities of the Company.

These controls were set up in co-operation with Citycon OYJ to identify and manage foreign exchange-, interest-, liquidity-, counterpart- and credit risks in line with the Citycon group treasury policy.

RISK APPETITE AND IMPACT

Our willingness to assume risks and uncertainties (the risk appetite) may differ for each category but is very low. The risk overview table shows the risk appetite and the expected impact on the group's achievement of its objectives if one or more of the main risks and uncertainties were to materialize. The likelihood of the risk-taking place is also disclosed.

Risk Category	Risk	Risk appetite	Impact	Likehood
Strategic risk	Reputation damage	0	00	0
Operational risk	Counterpart - and Credit risk	0	00	0
	Economic risk associate	0	00	0
Legal and compliance risk	Market information risk	0	0	0
	Tax risk (transfer pricing)	0	00	0
Financial risk	Cash flow and liquidity risk	0	000	0
	Interest risk and FMV risk	0	00	0
	Foreign currency risk	0	00	0

O low / OO medium / OOO large

RISK PROFILE

Below is an overview of the risks that the Company's management believes are most relevant to the achievement of our strategy. The sequence of risks below does not reflect an order of importance, vulnerability or materiality. The overview is not exhaustive and should be considered with forward looking statements. There may be a risk not yet known to us or which currently not deemed to be material.

REPUTATION DAMAGE

The fact that we would not be able to fulfill our obligations (Operational, Compliance, Financial) may cause serious damage to the brand "Citycon" and may have a material adverse effect on our financial condition and of the entire Citycon group. The Company employs a rigorous quality and compliance management process before entering into new instruments or deals. Internal policies and Code of Conduct are designed to further mitigate incidents that could result in reputation or brand damage.

COUNTERPART- AND CREDIT RISK

The Company finances the group company loans to the operating entities mainly via the debt capital markets, the EUR 1.5 billion facility agreement with Citycon OYJ and the EUR 500.0 million syndicated revolving credit facility with 5 banks. If a group company that borrows from the Company goes in default, the Company shall transfer and assign all the rights and obligations under such intercompany loan to Citycon OYJ and shall pay Citycon OYJ an amount equal to the risk participation in cash. The amount of risk participation of the Company in such a loss will be calculated in accordance with the formula below;

$$\frac{\text{Principal outstanding amount of the Intercompany loan}}{\text{Total Facility outstanding}} \quad * \text{ Minimum equity}$$

Minimum equity means an amount equal to the lower of (i) EUR 2,000,000 and (ii) an amount equal to 1% of the loans outstanding in any accounting year

In discharging its duties, the Board of Directors is led by the interest of the Company and its affiliated enterprise. The Board of Directors are accountable to the General Meeting of Shareholders for its policy.

MARKET INFORMATION RISK

The Company has clear deadlines to inform the market about its performance. Not meeting the deadlines may cause suspicion on the company's financial health and ability to meet all its requirements.

In order to meet the deadlines of depositing the financial annual statements to the Norwegian, Irish and Dutch regulators, management is working closely together with external advisors.

TAX RISK (TRANSFER PRICING)

According to the transfer pricing study report performed by Dentons Boekel N.V., the Company is obliged to make a minimum return on its loan portfolio. Taxation will in any case be calculated on this minimum basis or the exceeding profit before tax.

CASH FLOWS AND LIQUIDITY RISKS

The liquidity risk is actively managed and currently covered by funds available under the EUR 500.0 million committed syndicated revolving credit facility which was signed in December 2014. The facility will mature in December 2021.

INTEREST RISK AND FAIR VALUE MARKET VALUE RISK

Interest rate exposures are being hedged via back to back funding or if needed via internal interest rate derivatives. Long-term interest rate exposures have also been mitigated through an internal cross-currency swap with Citycon OYJ, which was closed during the year.

Due to some fixed interest rates and the long-term nature of the loans, there may be a risk concerning the fair value. However, the Company has accurately estimated this risk before entering into these long-term deals and has assessed the estimated fair values appropriately.

FOREIGN CURRENCY RISK

As to foreign exchange risk, the Company has a conservative approach. Currency risks are avoided by the use of various hedging policies. Long-term foreign exchange exposures could be mitigated through internal cross-currency swaps. Where possible the Company creates back to back loan funding structures and any remaining net exposure hedged using foreign exchange derivatives.

APPOINTMENT

The Board of Directors of the Company is appointed by the General Meeting for an indefinite period. The basis for non-compliance with the recommendation of the Dutch Corporate Governance Code (appointment for a maximum term of four years, Principle II.1.1. of the Code) rests in the principles of the Company being orientated towards the long term.

Article 2:391.7 The Company deviates from Article 2:276 of Book 2 of the Dutch Civil Code, which states that positions on the management should be distributed in a way so that at least 30% of positions are held by women and at least 30% by men. This deviation has been made to ensure that the Company has a competent Board of Directors that has required knowledge of the company and the company's key market areas. When appointing members to the Board of Directors, the Company shall aim for a complementary range of experience, gender and age.

The Board of Directors of the Company are responsible for the maintenance and development of an accurate framework for risk management and control and also, the active management of the strategic, technological, operational, financial and compliance risks that the Company faces.

We declare that the substantial risks with which the Company is confronted are described in these financial statements. This financial statement provides insight into the extent to which risks are prevented and controlled. the Company takes due consideration of the findings of the external auditor, Ernst & Young Accountants LLP, who audits the financial statements. Based on the reports, our own observations and experiences from the past, the Board of Directors declares, with reference to best practice provision II.1.5 of the Dutch Corporate Governance Code, that the framework for risk management and control, provides a reasonable assurance that the financial reporting does not contain any errors of material importance and that this framework worked properly in the 2018 reporting year.

FINANCIAL HIGHLIGHTS

On the 6th of April 2018 the Company acquired all shares in Montalbas B.V., Amsterdam, The Netherlands from Citycon OYJ, Espoo, Finland via a share for share transfer agreement where the Company issued 41 shares each with a nominal value of EUR 100 to Citycon OYJ, Espoo, Finland. The total purchase price of Montalbas B.V. amounted to EUR 216,069,243. At the same time Citycon OYJ did an equity injection for an amount of EUR 216,065,143. Subsequently Montalbas B.V, issued 123 shares B which are only entitled to voting rights to Citycon OYJ, Espoo, Finland. Due to this issue the Company remained with 25% of the voting rights and as such the control over Montalbas B.V. retained with Citycon OYJ, whilst the full economic risks and benefits transferred. The Company does not have significant influence over Montalbas B.V. following the 25% voting rights held. As the Company does not have control, no consolidated financial statements are prepared.

In June 2018 the Company updated its EUR 1,500 million Euro Medium Term Note (EMTN) programme. On the 3th of September 2018 the Company issued a long 8-year fixed rate EUR 300 million bond under the EMTN programme. The coupon is 2.375%, which is annually due. The maturity date of the bond is 15 January 2027. The proceeds were used to tender part (EUR 281.8 million) of the EUR 500 million bond due 2020 and on the books of Citycon OYJ. With this transaction the Company increased the average loan maturity, the average fixing period, lowered the average cost of debt and reduced the refinancing risk of the Group significantly.

The interest income and similar income of the Company for the year 2018 amounts to EUR 94.9 million (2017: EUR 115.8 million). The interest expense and similar charges amounts to EUR 93.3 million (2017: EUR 115.3 million). The interest margin of the Company increased with 1,017,641 to EUR 1,550,882 (2017: EUR 533,241) and the operational profit after tax excluding share in result associates increased with EUR 726,900 to EUR 567,437 (2017: EUR -/- 159,463). The increase of interest margin and profit after tax are mainly a result of the larger size of the balance sheet, unwind of the EURNOK Cross Currency swap with a high interest rate and the one-time off expense in 2017 for an amount of EUR 504,576 by unwinding an Interest rate swap, despite the increase of administrative expenses in 2018. The result on investments from associates for the period 6th of April to 31 December 2018 amounted to EUR 27.003.054.

The available liquidity of the Company as per 31 December 2018 is EUR 500.1 million (2017: EUR 500.1 million). As the revolving credit facility of EUR 500 million is committed the Company has immediate access to liquidity. At year end the facility of EUR 500 million has not been utilized (2017: EUR 500 million). The Company has EUR 0.1 million (2017: EUR 0.1 million) cash at banks as per yearend.

The solvency ratio of the Company is due to the business of the Company and the full guarantee of Citycon OYJ in relation to its external stakeholders irrelevant. However, the solvency ratio of Citycon Group is on a comfortable level. Solvency ratio has been calculated a follow: Consolidated total indebtedness/Group total assets. As per 31 December 2018 the solvency ratio is 0.48 being EUR 2.128.601.956 / EUR 4.458.869.423 (2017: 0.46). We refer to page 76 of the financial statements 2018 of Citycon OYJ. The issued bonds of the Company have a credit rating which are all in line with the credit rating of its guarantor Citycon OYJ. In June 2018 Moody's downgraded Citycon OYJ to Baa2 negative outlook and after the reporting period in April 2019 to Baa3 stable outlook. In March 2019 Standard and Poor's downgraded Citycon OYJ to BBB- with stable outlook.

The Company did not occur any expenses for research & development.

OUTLOOK

With exception for the Euro and SEK interest rates we expect that interest rates will rise in Norway during 2019, however this will not impact the net financing result of the Company as it acts on the basis of a transfer pricing report which determines the minimum return. Financing and investment needs in 2019 are expected to be at a minimum level.

RESPONSIBILITY STATEMENT

The Board of Directors of the Company state:

1. That the annual financial statements give us a true and fair view of assets, liabilities, financial position and profit and loss of the Company

2. That the annual financial statements give a true and fair view of the position as per balance sheet date, the development during the financial year of the Company in the annual financial statements, together with a description of principal risks it faces.

Amsterdam, 24 June 2019

The Board of Directors

B. Helsing	A. Doppenberg	R. Unhola	R. Rozenberg

BALANCE SHEET AS AT

before appropriation of result and expressed in EUR

	Notes	31-12-2018	31-12-2017
ASSETS			
Financial fixed assets			
Investment in associates	1	428 436 506	-
Loans to group companies	2	2 407 446 191	1 885 726 902
Derivative financial instruments	7	774 161	6 300 198
Deferred tax asset	8	-	144 485
		2 836 656 857	1 892 171 585
Current assets			
Loans to group companies	2	530 765 647	570 862 241
Interest receivables from group companies	3	19 554 742	16 043 664
Other receivables from third parties	4	11 150	10 951
Other receivables from group companies	5	27 138	79 852
Tax receivable	17	197 754	6 924
Prepaid expenses	6	1 613 753	2 148 445
Cash at banks	9	55 269	62 105
		552 225 452	589 214 183
Total assets		3 388 882 310	2 481 385 768
LIABILITIES			
Capital and reserves	10		
Share capital		22 100	18 000
Share premium		403 744 389	2 300 941
Legal reserve cash flow hedge		580 620	-433 456
Legal reserve associate		27 003 054	-
Retained earnings		5 868 753	6 028 216
Unappropriated profits		567 437	-159 463
		437 786 353	7 754 238
Long term liabilities			
Bond notes payable	11	1 643 169 299	1 360 088 786
Loans from group companies	12	758 862 655	460 058 305
Deferred tax liability	8	193 540	-
		2 402 225 495	1 820 147 091
Current liabilities			
Commercial papers	13	-	35 566 278
Loans from group companies	12	530 733 291	602 507 639
Interest payable to third parties	14	10 712 045	8 533 587
Interest payable to group companies	15	6 545 661	6 096 103
Other payables group companies	16	603 036	560 731
Accounts payable	18	276 429	220 101
		548 870 462	653 484 439
Total liabilities		3 388 882 310	2 481 385 768

The accompanying notes form an integral part of these financial statements

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER

(expressed in EUR)

	Notes	2018	2017
Financial income/expense			
Interest and similar income	21	94 858 040	115 817 281
Interest and similar charges	22	-93 307 158	-115 284 040
		1 550 882	533 241
Net financial result		1 550 882	533 241
General and adminstrative expenses	23	832 984	773 821
Operating result before taxation		717 899	-240 580
Result before taxation		717 899	-240 580
Taxation operating result	24	-150 462	81 117
Share in result associates	1	27 003 054	-
Net profit after taxation		27 570 491	-159 463

The accompanying notes form an integral part of these financial statements

GENERAL ACCOUNTING PRINCIPLES

ACTIVITIES AND PARENT COMPANY

The Company with registration number 52962733 statutory seated in Amsterdam, the Netherlands is a private limited company. The ultimate parent company is Citycon OYJ, Espoo, Finland.

The Company's objectives, in accordance with article 3 of the Articles of Association, are to incorporate, participate, manage and finance other group companies. Furthermore, to borrow and lend moneys, to place public and private debt and in general to engage in financial and commercial activities which may be conductive to the foregoing. The office of the Company is located at Hullenbergweg 300, 1101 BV Amsterdam, the Netherlands.

BASIS OF PREPARATION

The financial statements have been prepared in accordance with Title 9 of Book 2 of the Dutch Civil Code.

SOLVENCY

Given the objectives of the Company, the Company is economically interrelated with the ultimate holding company, Citycon OYJ, Espoo in Finland. In assessing the solvency and general risk profile of the Company, the solvency of Citycon group as a whole needs to be considered.

ACCOUNTING POLICIES

The principles of valuation are based on the historical costs. Assets and liabilities are stated at historical cost, unless otherwise indicated. Income and expenses are attributed to the financial year to which they relate. Profit is only included when realized on balance sheet date. Losses are recognized when realized and foreseen.

An asset is included in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be reliable measured. A liability is included in the balance sheet when it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount if the obligation can be measured with sufficient reliability.

If a transaction results in a transfer of future economic benefits or when all risks relating to assets or liabilities transfer to a third party, the asset or liability is no longer included in the balance sheet. Assets and liabilities are not included in the balance sheet if economic benefits are not probable or cannot be measured with sufficient reliability.

ESTIMATES

The preparation of the financial statements requires the management to form opinions and to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. The actual results may differ from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognized in the period in which the estimate is revised and in future for which the revision has consequences.

MERGERS AND ACQUISITIONS

In the case of a merger or acquisition under common control, the carry-over accounting method is applied. This means that the transaction is stated at the carrying amount in the financial statements for the financial year, in line with the amount included in the financial statements of the parent, as of the merger date. The comparative figures are not restated. The difference between cost and the carrying amounts of the acquired assets and liabilities is recognized in equity.

FINANCIAL FIXED ASSETS

Non-consolidated investments in associates over whose financial and operating policies the group exercises significant influence are valued using the net asset value method. To determine whether there is significant influence, the financial instruments containing potential voting rights are also considered when these have economic substance. Under the net asset value method, investments in associates are carried at the group's share in their net asset value. The net asset value increases with its share in the results of the investments in associates and its share in the changes recognized directly in the equity of the investments in associates as from the acquisition date, determined in accordance with the accounting policies disclosed in these financial statements. The net asset value decreases with the group's share in the dividend distributions from the investments in associates. The group's share in the results of the investments in associates is recognized in the profit and loss account. If and to the extent the distribution of profits is subject to restrictions, these are included in a legal reserve. The group's share in direct equity increases and decreases of investments in associates is also included in the legal reserve, except for asset revaluations recognized in the revaluation reserve.

PRINCIPLES FOR THE TRANSLATION OF FOREIGN CURRENCIES

The reporting currency in the financial statements of the Company is the euro (EUR), which is the company's functional currency.

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to euro at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to euro at foreign exchange rates ruling at the dates the fair value was determined.

The following exchange rate has been applied as at 31 December 2018:

EUR 1 = NOK 9.9483 (31-12-2017: EUR 1 = NOK: 9.8403);

EUR 1 = SEK 10.2548 (31-12-2017: EUR 1 = SEK: 9.8438);

EUR 1 = DKK 7.4673 (31-12-2017: 7.4449).

FINANCIAL INSTRUMENTS

Financial instruments include trade and other receivables, cash at bank and in hand, derivatives, loans and other financing commitments, trade and other payables. Given the short duration of the current receivables and liabilities, the fair value is approximately equal to the reported book value.

AMORTIZED COST

Amortized cost is the amount at which a financial asset or liability is measured at initial recognition less repayments of the principal, plus or less the cumulative amortization using the effective interest method for any difference between this initial amount and the maturity amount, and less any reductions (effected directly or through a provision being formed) for impairment and doubtful debts.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Company applies hedge accounting since 2015. Derivatives are measured initially and subsequently at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

INTEREST RATE SWAPS:

The Company uses intra-group interest rate swaps to hedge the interest rate cash flow risk. These interest rate swaps hedge against volatility in future interest payment cash flows (cash flow hedging) resulting from interest rate fluctuations, and the resulting profit fluctuations. The company applies hedge accounting according to RJ290 to all its interest rate swaps. Then the amount of financial instruments 'fair value change stemming from effective hedging is recognized in equity (cash flow hedge reserve). The amount in the cash flow hedge reserve is recognized in equity during the period when the cash flow from the hedged item is realized and affects earnings. If the criteria for hedge accounting are not met, changes in fair value are recognized full through profit and loss. The hedged item is the floating NOK 1,250 million bond. Refer to note 7 for more detail.

CROSS-CURRENCY SWAP:

The Company may use intra-group cross-currency swaps to hedge the interest rate cash flow risk and to hedge changes in foreign exchange rates. These cross-currency swaps hedge against volatility in future interest payment cash flows (cash flow hedging) resulting from interest rate fluctuations, and the resulting profit fluctuations. The Company applies hedge accounting according to RJ290 to all its cross-currency swaps. Then the amount of financial instruments 'fair value change stemming from effective hedging on the interest part of the fair value is recognized in equity (cash flow hedge reserve). The amount in the cash flow hedge reserve is recognized in equity during the period when the cash flow from the hedged item is realized and affects earnings. If the criteria for hedge accounting are not met, changes in fair value are recognized full through profit and loss. Fair value hedge accounting is applied to the part of the hedging instrument which relates to results from changes in foreign exchange rates. The related fair value change is booked through profit and loss.

FORWARD EXCHANGE CONTRACTS

The Company may use intra-group forward exchange contracts to hedge its risk associated with foreign currency fluctuations. All forward exchange contracts are measured at fair value with recognition of all changes in value in the profit and loss account.

BOND NOTES PAYABLE, COMMERCIAL PAPERS AND LOANS FROM GROUP COMPANIES

Financial liabilities are recognized initially at fair value minus directly attributable transaction costs. Bond notes payable, commercial papers and loans from group companies are measured at amortized cost.

LOANS TO GROUP COMPANIES AND OTHER RECEIVABLES FROM THIRD PARTIES/GROUP COMPANIES

Loans granted, and other receivables are carried at amortized cost using the effective interest method, less impairment losses.

LONG-TERM AND CURRENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

Financial assets are recognized initially at fair value plus directly attributable transaction costs. Long-term and current liabilities and other financial commitments are stated after their initial recognition at amortized cost on the basis of the effective interest rate method.

IMPAIRMENT

The company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, the amount of the impairment loss is determined and recognized in the profit and loss account for all categories of financial assets carried at amortized cost.

The amount of impairment losses on financial assets carried at amortized cost is calculated as the difference between the carrying amount of the asset and the best possible estimate of the future cash flows, discounted at the effective rate of interest of the financial instrument determined on the initial recognition of the instrument. If the decrease in impairment relates to an objective event occurring after the impairment was recognized, a previously recognized impairment loss is reversed to a maximum of the amount required to carry the asset at amortized cost at the time of the reversal if no impairment had taken place. The impairment loss reversal should be taken to the profit and loss account.

OTHER RECEIVABLES FROM THIRD PARTIES/GROUP COMPANIES

The accounting policies applied for the valuation of trade and other receivables and securities are described under the heading ‘Financial instruments’.

CASH AT BANKS

Cash at bank and in hand includes cash at hand, bank balances and deposits held at call. Bank overdrafts, if any, are shown within borrowings in current liabilities in the balance sheet. Cash at bank and in hand are stated at face value.

LONG-TERM LIABILITIES

The measurement of non-current liabilities is explained under the heading ‘Financial Instruments’.

CURRENT LIABILITIES

The measurement of current liabilities is explained under the heading ‘Financial instruments’.

INTEREST AND SIMILAR INCOME

Interest and similar income comprise interest income on funds invested, foreign exchange gains and gains on hedging instruments that are recognized in the profit and loss account. Interest income is recognized in the profit and loss account as it accrues, using the effective interest method.

INTEREST AND SIMILAR CHARGES

Interest and similar charges comprise interest charges on borrowings calculated using the effective interest rate method, foreign exchange losses and losses on hedging instruments that are recognized in the profit and loss account.

GENERAL AND ADMINISTRATIVE EXPENSES

Expenses are determined with due observance of the aforementioned accounting policies and allocated to the financial year to which they relate. Foreseeable and other obligations as well as potential losses arising before the financial year-end are recognized if they are known before the financial statements are prepared and provided all other conditions for forming provisions are met. This concerns costs that are directly attributable to the operations of the Company.

TAXATION

The taxation on result comprises both current taxes payable and deferred taxes, taking account of tax facilities and non-deductible costs. No taxes are deducted from profits if and insofar as said profits can be offset against losses from previous years. The Company forms since 1 January 2015 a fiscal unity with its Dutch group companies and is also the head of the fiscal unity. Taxes are settled within this fiscal unity as if each company were an independent taxable entity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date considering the tax facilities and any adjustments to tax payable in respect of previous years.

CASH FLOW STATEMENT

The company’s cash flow information is included in the cash flow statement presented in the consolidated financial statements of the ultimate parent company (Citycon OYJ, Finland) for the year ended December 2018, which can be obtained on the website of Citycon OYJ (www.citycon.com). In accordance with the guidelines of the council for annual reporting (article 360.104) in the Netherlands, the Company is exempted from including a cash flow statement in its financial statements.

DETERMINATION OF INCOME

Income and expenses are recognized in the year to which they are related. Profit is only recognized when realized on balance sheet date. Losses originating before the end of the financial year are taken into account if they become known before preparation of the financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

ASSETS

1. INVESTMENT IN ASSOCIATES

On the 6th of April 2018 the Company acquired all 41 shares (A shares) in Montalbas B.V. (EUR 4,510) and were acquired via a share for share transfer agreement where the Company issued 41 shares to Citycon OYJ (EUR 4,100). The remainder has been settled in cash.

The total purchase price of Montalbas B.V. amounted to EUR 216,069,243. Citycon OYJ made a capital contribution (share premium) on the 6th of April to the Company for an amount of EUR 216,065,143. The net asset value for carry over accounting as per the 6th of April amounted to EUR 401.446.982 and therefor an additional amount of EUR 185.377.739 has been recorded as informal capital injection.

Subsequently to the acquisition of Montalbas B.V., Montalbas B.V. issued 123 shares B to Citycon OYJ. Holders of shares B are solely entitled to voting rights in Montalbas B.V.. This is contrary to Citycon Treasury B.V. who holds shares A and which are entitled to all economic benefits and 25% of voting rights. As a result, Citycon OYJ owns due to this issuance 75% of the voting rights.

As a result, Citycon Treasury B.V. owns 100% shares which entitle them to 100% of the economic benefits of Montalbas B.V., while they only have 25% of the voting rights. Considering all facts and circumstances, including appointment and composition of the board of directors of Montalbas B.V. and the ability to direct and/or manage the relevant (real estate) activities of Montalbas B.V. and its subsidiaries, the Company has no control over Montalbas B.V. and the Company classifies the investment in an associate over which they have significant influence.

Name	Country of incorporation and operation	Direct/Indirect	2018
Montalbas B.V.	The Netherlands	Direct	100%
Rocca al Mare Kaubanduskeskuse AS	Estonia	Indirect	100%
Kristiine Keskus OÜ	Estonia	Indirect	100%
Manhattan Acquisition OY	Finland	Indirect	100%
Holding Big Apple Housing OY	Finland	Indirect	50%

Investment in associates

	2018 (*TEUR)	2017 (*TEUR)
At 1 January	-	-
Purchase price 6th of April 2018	216 069	-
Informal capital injection 6th of April 2018	185 378	-
Nett asset value 6th of April 2018	401 447	-
Result investment in associates April - Dec 2018	27 003	-
Nett asset value 31st of December 2018	428 450	-
Issuance shares B to Citycon OYJ	-14	-

As at 31 December	428 437	-

The summarized financial information of Montalbas B.V. and its subsidiaries is provided below. This information is based on amounts after inter-company eliminations.

Summarised statement of profit and loss for the period 06-04-2018 till 31-12-2018

		(*TEUR)
Gross rental income		42 205
Revenue from contracts with customers		12 088
Operating expenses	-	13 252
Net rental income		41 041
Administrative expenses	-	893
Other income and expenses	-	99
Fair value losses and gains	-	1 879
Operating profit		38 171
Net financial income and expenses	-	11 391
Profit before taxes		26 780
Current taxes		-
Deferred taxes		223
Profit for the year form continuing operations		27 003
Total comprehensive income attributable to Citycon Treasury B.V.		27 003

Summarised statement of financial position as at 31 December 2018:

		31-12-2018 (*TEUR)
Investment properties		1 068 106
Interest-bearing loans		21 443
Deferred tax assets		157
Trade and other current assets		38 417
Cash and equivalents		1 129
Interest-bearing loans *) and borrowing and deferred tax liabilities (non-current)	-	690 784
Trade and other payables	-	10 018
Total equity		428 450
Total equity attributable to Citycon OYJ		14
Total equity attributable to Citycon Treasury B.V..		428 437

*) interest bearing loans are intra group loans with floating interest rates.

Net asset value method and significant estimates

The investment in Montalbas B.V. is accounted for against net asset value. The (consolidated) result of Montalbas B.V. is mainly caused by the exploitation of Investment Property by the subsidiaries of Montalbas B.V.

The determination of the result of Montalbas B.V., and therefore the result from associates in Citycon Treasury B.V. is influenced by the fair value of investment properties. This information is given to inform users of the financial statements of Citycon Treasury B.V. about estimates and uncertainties in valuations.

Investment property refers to land or a building, or part of a building, held to earn rental income or capital appreciation, or both. The investment properties indirectly owned by Montalbas B.V. are Iso Omena in Espoo, Finland, Rocca Al Mare in Tallinn, Estonia and Kristiine in Tallinn, Estonia.

The investment properties are measured initially at cost, including transaction costs such as consultant fees and transfer taxes. After their initial measurement investment properties are valued at fair value through profit and loss.

The fair value valuation of the company’s properties is conducted half-yearly by an independent external appraiser (CBRE) according to the International Valuation Standards (IVS) while on the first and third quarter of the year the fair value measurement is conducted internally except for ongoing (re)development projects and new acquired properties which are valuated externally. When measuring the values internally, valuations are based on the yields and market rent indications received from the external appraiser. In addition, the external appraiser conducts the fair value evaluation of properties under (re)development.

Fair value definition and inputs

The fair value is defined as the price that would be received from the sale of an asset in an orderly transaction between market participants at the measurement date. The valuation techniques are appropriate under the existing circumstances, and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Fair value measurement

The fair value measurement of the investment properties is based on 10-year cash flow analysis, conducted separately for each property. The basic cash flow is determined by the lease agreements valid at the valuation date. Upon a lease’s expiry, the market rent assessed by an external appraiser replace the contract rent. Potential gross rental income less vacancy assumption, operating expenses and investments equals cash flow, which is then discounted at the property-specific discount rate comprising of yield requirement and inflation assumption. The total value of the property equals to the value of the discounted cash flow, residual value and the value of the unused building rights. The total value of the property portfolio is calculated as the sum of the individual properties’ fair values.

Inputs

The inputs used by the external appraisers in the cash flow analysis per 31 December 2018 are presented in the following tables.

	Portfolio Weighted Average 31-12-2018 (*MEUR)
Yield requirement (%)	5.1
Market rents (EUR/sq.m.)	32.1
Operating expenses (EUR/sq.m.)	7.1
Vacancy during the cash flow period (%)	2.9
Market rent growth assumption (%)	2.1
Operating expense growth assumption (%)	1.9

Sensitivity analysis

Sensitivity to change in the properties' fair value, or the risk associated with fair value, can be tested by altering the key parameters. The sensitivity analysis below uses the investment properties' fair value of EUR 1,068.0 million defined by the external appraiser at 31 December 2018 as the starting value. Sensitivity analysis indicates that the market value is most sensitive to changes in market rents and yield requirement. A 10% increase in market rents increases the market value of the investment properties by approximately 13%. Correspondingly, a 10% decrease in the yield requirement results in an approximately 11% increase in market value.

The market value reacts to changes in vacancy and operating expenses, but their relative effect is not as great as changes to market rent and yield requirement. In sensitivity analyses one parameter is changed at a time. In reality, changes in different parameters often occur simultaneously. For example, a change in vacancy may connect to a change in market rents and yield requirement when they impact fair value simultaneously.

	Fair value (*MEUR)				
Change %	-10%	-5%	±0%	+5%	+10%
Yield requirement	1,186.7	1,124.2	1,068.0	1,017.1	970.9
Market rents	933.5	1,000.7	1,068.0	1,135.3	1,202.5
Operating expenses	1,096.0	1,082.0	1,068.0	1,054.0	1,040.0
Change, percentage points	-2	-1	±0	1	2
Vacancy	1,096.4	1,082.2	1,068.0	1,053.8	1,039.6

Investment property changes and classification

All investment properties are operative investment properties for which the movement schedule is presented below.

	Investment properties under construction (*MEUR)	Operative investment properties (*MEUR)	Investment properties total (*MEUR)
As at 1 April 2018	-	1,059.0	1,059.0
Acquisitions	-	-3.0	-3.0
Investments	-	13.8	13.8
Capitalised interest	-	0.2	0.2
Fair value gains on investment property	-	4.5	4.5
Fair value losses on investment property	-	-6.4	-6.4
As at 31 December 2018	0.0	1,068.1	1,068.1

2. LOANS TO GROUP COMPANIES

The movement in loans to group companies during the year was as follow:

	2018 (*€)	2017 (*€)
At 1 January	2,456,589,143	2,377,361,175
New Loans	915,471,568	465,083,951
Discount/Prepaid expenses	-2,712,000	-
Amortisation discount/prepaid expenses	591,530	605,467
Reclassified to short term loans	-530,765,647	-570,862,241
Translation adjustment	-26,020,286	-67,272,327
Loans redeemed	-405,708,118	-319,189,122
As at 31 December long term loans to group companies	2,407,446,191	1,885,726,902
As at 31 December short term loans to group companies	530,765,647	570,862,241
As at 31 December total loans to group companies	2,938,211,838	2,456,589,143

An amount of EUR 1,300.5 million (2017: EUR 1,093.8 million) of the loans outstanding has a final maturity over more than 5 years. Loans to group companies for a total amount of EUR 1,349.2 million (2017: EUR 1,301.6 million) are denominated in a currency other than Euro. The total of foreign currency loans amounts to: SEK 6,301.1 million (2017: SEK 5,927.3 million), NOK 6,306.0 million (2017: NOK 5,956.4 million) and DKK 753.4 million (2017: DKK 700.6 million). If no natural hedge is in place the company has entered into foreign exchange contracts to hedge foreign currency exposures.

Concerning the fair values of the loans to group companies we refer to note 28 on page 33.

The valuation of the loans and foreign exchange contracts is based on the prevailing rate of exchange on the respective reporting dates.

The company has short-term loans to group companies for EUR 530.8 million (2017: EUR 570.9 million) of which the principal portions are due and payable within one year. Interest rates are determined based on the at arm's length principle. The average interest rate on all loans to group companies as at 31 December 2018 is 2.49% (2017: 2.41%). The effective interest rate as at 31 December 2018 is 2.56% (2017: 2.46%). For further information on the loans to group companies we refer to note 28 on page 33.

3. INTEREST RECEIVABLES FROM GROUP COMPANIES

Interest receivables from group companies include accrued interest from loans to group companies for EUR 19.6 million (2017: EUR 16.0 million). For further information on interest receivables from group companies we refer to note 28 on page 33.

4. OTHER RECEIVABLES FROM THIRD PARTIES

Other receivables from third parties contain rental deposits for office space and amounts to EUR 11,150 (2017: EUR 10,951).

5. OTHER RECEIVABLES FROM GROUP COMPANIES

Other receivables from group companies contains invoiced administration charges for an amount of EUR 27,138 (2017: EUR 79,852) to Citycon OYJ and Montalbas B.V.

6. PREPAID EXPENSES

Prepaid expenses contain arrangement and extension fees which relates to the syndicated revolving credit facility. The book value of the arrangement and extension fees as per ultimo December 2018 is EUR 1.6 million (2017: EUR 2.1 million) which will be amortized over the remaining tenor of the facility. An amount of EUR 1.1 million of the arrangement fees will be amortized after 2019.

7. DERIVATIVE FINANCIAL INSTRUMENTS/FORWARD EXCHANGE CONTRACTS

Derivative financial instruments are measured at fair value in the annual financial statements. For these derivative financial instruments being: interest rate swaps of NOK 1,250 million hedge accounting is applied. The change in fair values of the interest part of these derivatives is recognized under equity, taking the tax effect into account. The fair value of all derivative financial instruments as per 31 December 2018 amounted to EUR 0.8 million (2017: EUR 6.3 million) of which none (2017: EUR 6.9 million) is related to a foreign exchange gain in the EURNOK cross-currency swap. The EURNOK 1,000 million NOK cross-currency swap has been unwound in July 2018. The positive fair value of all derivative financial instruments related to cash flow hedge accounting amounted to EUR 0.8 million (2017: EUR -0.6 million).

The positive change during 2018 for the derivatives in cash flow hedge accounting was EUR 1.4 million (2017: EUR -3.1 million). The negative change during 2018 for the derivatives in fair value hedge accounting was EUR -6.9 million (2017: EUR 8.4 million) and is recognized in the profit- and loss account as exchange result.

The company applies cash flow hedge accounting for NOK 1,250 million interest rate swaps. The maturity dates of the NOK 1,250 million interest rate swap and the floating 1,250 million NOK bond is 1st of March 2021. The interest rate derivatives are highly effective as well as the effectiveness testing, which takes place on a quarterly basis and therefore no ineffectiveness postings are registered in profit and loss account.

During 2018 until the unwound date the Company applied cash flow hedge accounting for the NOK 1,000 million cross-currency swap for the movements in fair value due to interest fluctuations and applied fair value hedge accounting for the foreign exchange part of its fair value.

The movement in derivative financial instruments during the year was as follow:

	2018 (*€)	2017 (*€)
At 1 January	6,300,198	991,654
Change in exchange gains and losses	-6,878,140	8,432,880
Change in fair value	1,352,102	-3,124,336
As at 31 December total derivative financial instruments	774,161	6,300,198

The cumulative fair value change as per 31 December 2018 is considered to be fully effective.

Forward exchange contracts are measured at fair value on each balance-sheet date. Changes in fair values of these are reported in profit and loss statement as hedge accounting is not applied. The main determinants of the fair value valuation are the FX spot rate, the spot rate quoted at valuation date and the FX basis spread to ‘compensate’ for the received/paid differences of both reference rates of the forward contract. All forward exchange contracts have been internal and as per ultimo 2018 there were no forward exchange contracts outstanding.

8. DEFERRED TAX ASSET/LIABILITY

The movement in deferred tax during the year was as follow:

	2018 (*€)	2017 (*€)
At 1 January	144,485	-636,599
Change in deferred tax	-338,025	781,084
As at 31 December total deferred tax	-193,540	144,485

The deferred tax asset regarding derivatives where cash flow hedge accounting has been applied amounted to EUR -0.2 million (2017: EUR 0.1 million). The change of EUR -0.3 million consist of the change of deferred taxes in equity regarding cash flow hedge accounting of EUR -0.3 million.

9. CASH AT BANKS

Cash at banks are at the disposal of the Company.

The balance is comprised as follow:

	31-12-2018 (*€)	31-12-2017 (*€)
Cash at banks	55,269	62,105
	55,269	62,105

LIABILITIES

10. CAPITAL AND RESERVES

Authorized share capital consists of 900 shares of EUR 100 each. On 6 April 2018 the Company issued 41 shares to Citycon OYJ. Citycon OYJ made a share premium contribution of EUR 216,070,143. An amount of EUR 234,669,471 has also been included to share premium as an informal capital injection. As per 31 December 2018, the total number of shares which are fully paid in, are 221 (2017: 180). All shares of the Company are held by the parent company Citycon OYJ, Helsinki, which is listed on the Helsinki stock exchange.

	Share capital	Share premium	Cash flow hedge reserve	Legal Reserve	Retained earnings	Unappropriated result	Total 2018
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance as at 1 January	18 000	2 300 941	-433 456	-	6 028 216	-159 463	7 754 238
Cash flow Hedging RJ290	-	-	1 352 102	-	-	-	1 352 102
Deferred tax	-	-	-338 026	-	-	-	-338 026
Contribution during the year	4 100	401 443 448	-	-	-	-	401 447 548
Appropriation of result	-	-	-	-	-159 463	159 463	-
Result for the year	-	-	-	27 003 054	-	567 437	27 570 491
Balance as at 31 December	22 100	403 744 389	580 620	27 003 054	5 868 753	567 437	437 786 353

PROPOSAL FOR THE APPROPRIATION OF THE RESULT 2018

The following appropriation of the result after taxes ad EUR 27.570.491 for the year 2018 is proposed to the General Meeting to include EUR 567,437 to retained earnings. The remainder of EUR 27,003,054 has been included to legal reserve within shareholder's equity.

11. BOND NOTES PAYABLE

All bond notes payable issued by Citycon Treasury B.V. are issued under the full guarantee of Citycon OYJ, Helsinki and are rated in line with Citycon OYJ's corporate rating. In July 2017 the company established a EUR 1,500 million EMTN Programme, which was updated in June 2018, to enable it to raise bond financing quicker in any currency on the European and Nordic capital markets. The programme will be updated after summer 2019.

The movement schedule, contractual maturity and details of the bond notes payable can be shown as follow:

	31-12-2018 (*€)	31-12-2017 (*€)
As at 1 January	1,360,088,786	1,280,402,668
Bond issue nominal value	300,000,000	107,304,197
Issue fees	-1,849,138	-891,840
Discount	-2,712,000	-152,372
Amortized issue fees	1,643,605	1,450,091
Amortized discount	76,808	4,454
Exchange gains and losses	-14,078,763	-28,028,411
	1,643,169,299	1,360,088,786
1-5 years	423,953,023	424,839,183
> 5 years	1,219,216,276	935,249,604
	1,643,169,299	1,360,088,786

Issue date	Instrument	Fixed interest rate	Interest settlement	CCY	Nominal amount	Maturity date	Listing	Eff. Yield	Fair value (mid price quote)
1-Oct-2014	Bond	2,500%	Annually	EUR	350 000 000	1-Oct-2024	Irish Stock Exchange	2,62%	100,12
1-Mar-2015	Bond	3M Nibor +1.55%	Quarterly	NOK	1 250 000 000	1-Mar-2021	Oslo Stock Exchange	3M Nibor +1.55%	104,23
1-Sep-2015	Bond	3,90%	Annually	NOK	1 400 000 000	1-Sep-2025	Oslo Stock Exchange	3,90%	105,25
16-Sep-2015	Bond	2,375%	Annually	EUR	300 000 000	16-Sep-2022	Irish Stock Exchange	2,40%	103,35
8-Sep-2016	Bond	1,25%	Annually	EUR	350 000 000	8-Sep-2026	Irish Stock Exchange	1,26%	87,50
22-Sep-2017	Bond	2,750%	Annually	NOK	1 000 000 000	22-Sep-2025	Oslo Stock Exchange	2,77%	97,66
3-Sep-2018	Bond	2,375%	Annually	EUR	300 000 000	15-Jan-2027	Irish Stock Exchange	2,50%	92,89

On 3 September 2018 the Company issued a EUR 300 million bond under the EMTN programme. The contractual maturity is 15 January 2027 and bears a fixed interest rate of 2.375% which is annually due on the 15th of January. The effective yield of the bond is 2.50%. The bond is listed on the Irish Stock Exchange. The bond as per 31 December 2018 has a fair value mid-price quote of 92.89.

12. LOANS FROM GROUP COMPANIES

The Company holds loans from group companies for a total amount of EUR 1,289.6 million (2017: EUR 1,062.6 million). An amount of EUR 195.0 million (2017: EUR 84.6 million) of the principal portion has a maturity longer than five years. The principal portion of EUR 530.7 million (2017: EUR 602.5 million) are due and payable within one year and will be prolonged. Interest rates are determined based on arm's length principle. Floating rate loans for an amount of EUR 942.7 million (2017: EUR 912.7 million) carry a 3-months reference rate, plus a margin which is based on a transfer pricing study prepared in accordance with the OECD transfer pricing guidelines, and which study will be updated from time to time. As at 31 December 2018 the average interest rate on all loans from group companies was 2.274% (2017: 1.85%). The effective interest rate equals the average interest rate as there are no differences between the underlying. Total outstanding loans from group companies with a fixed interest as per 31 December 2018 amounts to nominal EUR 347.8 million (2017: EUR 149.7 million) and has a fair value of EUR 374.8 million (2017: EUR 175.9 million). The other loans from group companies are floating rate loans and have a fair value which not significantly differs from the nominal amount of the loan. All loans from group companies with counterparty Citycon OYJ are being issued under the terms of the EUR 1.5 billion multi-currency facility agreement, which was established in August 2014, unless a separate loan agreement is in place.

The movement in loans from group companies during the year was as follow:

	31-12-2018 (*€)	31-12-2017 (*€)
At 1 January	1,062,565,944	1,089,382,824
New Loans	426,996,088	284,774,950
Reclassified to short term loans	-530,733,291	-602,507,639
Translation adjustment	-27,734,368	-29,414,638
Loans redeemed	-172,231,719	-282,177,192
As at 31 December long term loans from group companies	758,862,655	460,058,305
As at 31 December short term loans from group companies	530,733,291	602,507,639
As at 31 December total loans from group companies	1,289,595,946	1,062,565,944

13. COMMERCIAL PAPERS

In June 2017 the Company established a NOK 2,000 million Norwegian commercial paper programme under the full guarantee of Citycon OYJ, Helsinki. There were no outstanding commercial papers as per year-end 2018.

The movement schedule of the commercial papers can be shown as follow:

	31-12-2018 (*€)	31-12-2017 (*€)
As at 1 January	35,566,278	-
Commercial paper issued/(repaid) nominal value	-35,396,496	35,398,265
Discount	-	-1,770
Exchange gains and losses	-169,783	169,783
< 1 year	-	35,566,278

14. INTEREST PAYABLE TO THIRD PARTIES

Interest payable to third parties include accrued interest on bond notes payable for an amount of EUR 10.6 million (2017: EUR 8.4 million) and commitment fees from financial institutions for an amount of EUR 0.1 million (2017: EUR 0.1 million).

15. INTEREST PAYABLE TO GROUP COMPANIES

Interest payable to group companies include accrued interest on loans from group companies of EUR 6.5 million (2017: EUR 5.7 million) and EUR 0.0 million on internal derivatives (2017: EUR 0.4 million).

16. OTHER PAYABLES TO GROUP COMPANIES

Other payables to group companies amounted to EUR 0.6 million (2017: EUR 0.6 million).

17. TAX PAYABLE/RECEIVABLE

As per 31 December 2018 the Company has a tax receivable for an amount of EUR 0.2 million (2017: EUR 0.0 million) related to corporate income tax.

18. ACCOUNTS PAYABLE

Accounts payable amounted to EUR 0.3 million (2017: EUR 0.2 million).

19. RISK MANAGEMENT

General

During the normal course of business, the Company makes use of several financial instruments such as bond notes, commercial papers, bank loans, loans from and to affiliated companies and cash balances with banks. Due to the use of these financial instruments, the company is exposed to interest rate risk, credit risk and liquidity risk. The Company uses intra-group derivative financial instruments to hedge its exposure from financing activities, in accordance with its treasury policy.

Currency risk

Currency risk is the risk that fluctuations in the prevailing foreign currency exchange rates will affect the Company's financial position and cash flows. In August 2014 the Company signed a Hedging Agreement with Citycon OYJ. The hedging agreement has been entered into to avoid foreign currency exposures in the Company. Via this hedging agreement the Company and Citycon OYJ may enter into foreign exchange agreements with each other to mitigate currency risks.

The Company has loans receivable from related parties and loans payable to the shareholder. The currency risk for the Company concerns NOK, SEK and DKK loan receivables to related parties. On the basis of a risk analysis, the Management of the Company has determined that the currency risk is being mitigated with foreign exchange contracts or a back to back loan structure.

Below an overview of the major foreign exchange positions of the Company:

Type	Currency	Loans to Group Companies in local currency **1**	External Debt in local currency **2**	Loans from Group Companies in local currency **3**	Foreign exchange position to be hedged in local currency **4** **total 1+2+3**	Foreign Exchange Position in local currency **7** **total 4+5+6**
Assets&Liabillities EURO denominated	EUR	1,595,598,154	-1,300,000,000	-296,929,963	-1,331,809	N/A
Assets&Liabillities NOK denominated	NOK	6,306,017,204	-3,550,000,000	-2,756,017,204	-	-
Assets&Liabillities SEK denominated	SEK	6,301,109,085	-	-6,301,109,085	-	-
Assets&Liabillities DKK denominated	DKK	753,433,202	-	-753,433,202	-	-

Another foreign currency position in the balance sheet is the accrued interest on all debt which is not EUR denominated. The company does not hedge these positions in accordance with the treasury policy of Citycon group.

Interest risk

Interest rate risk is the risk that fluctuations in the prevailing levels of market interest rates will affect the Company's financial position or cash flows. The Company effectively has no interest rate risk as the profit for the year before taxation is determined by applying a fixed margin to the average loans receivable outstanding during the year. Company's policy is to avoid interest risks by creating back to back structures, inserting equal interest base rates and determine same interest periods between assets and liabilities. For the cases where no back to back structure is in place the Company has turned into two internal interest rate derivatives to mitigate the position. In 2015 the Company turned into two internal interest rate derivatives of each NOK 625 million with Citycon OYJ to swap the floating coupon of the NOK 1,250 million Bond into a fixed coupon.

Liquidity risk

Liquidity risk is the risk of the Company failing to meet its contractual obligations due to insufficient liquidity. The Company's approach for funding and liquidity is to be managed centrally by the Group Treasury, which is responsible for ensuring adequate financial resources in place. In December 2014 the Company has signed a five-year EUR 500.0 million syndicated revolving credit facility. During 2016 and 2017 all lenders approved to extend the facility up to 18 December 2021. Liquidity risk for the Company is mainly covered by the committed revolving credit facility and the back to back structure of interest settlement dates and maturity dates on its whole loan portfolio.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. As the Company normally has no external investments the credit risk is predominantly emerging from loans payable and receivable with related parties and group companies. The emerging credit risk is mitigated by close monitoring of the financial performance of borrowing companies.

All financial instruments are concluded with either highly rated financial institutions or companies within the Citycon Group, which are expected to fully perform under the terms of the agreements. The company continuously monitors changes in credit ratings of counterparties. At the balance sheet date the credit risk concentrates on entities of the Citycon Group. The corporate credit rating of Citycon OYJ at issue date of these financial statements is for Standard & Poor's BBB- with stable outlook and for Moody's Baa3 with stable outlook. The company does not expect any counterparties to fail to meet their obligations. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Reference is made to the loan facility agreement of EUR 1.5 billion between Citycon OYJ and the Company where it is stated that the maximum amount of credit risk for the Company amounts to EUR 2 million (equity risk). All credit losses above EUR 2 million will be for the account of the Company's shareholder. The guarantor of all external debt is Citycon OYJ and as such the credit risk as a whole is limited.

20. OFF BALANCE SHEET COMMITMENTS

The Company has limited rental, lease, back office and IT commitments with third parties. The rental agreement for the offices has been signed in September 2014 for a period of two years after which it has been yearly renewed and the annual expense is approx. EUR 40,000 per annum.

A new 2 years operational lease car agreement was signed in September 2018 and has been cancelled as per April 2019.

21. INTEREST INCOME AND SIMILAR INCOME

Interest income and similar income can be shown as follow:

	2018 (*€)	2017 (*€)
Interest income related companies	64,768,611	59,276,049
Exchange rate gains	30,086,037	57,043,600
Fair value adjustment on derivatives	-	-504,576
Interest income external	3,392	2,208
	94,858,040	115,817,281

The interest income related companies can be detailed as follow:

		2018 (*€)	2017 (*€)
Citycon OYJ	Helsinki	29,788,027	22,661,668
Citycon Holding AS	Oslo	16,389,137	18,558,621
Citycon AB	Stockholm	2,701,266	2,820,530
Citycon Liljeholmstorget Gal. AB	Stockholm	1,944,996	2,229,936
Kista Real Property JV AB	Stockholm	5,081,809	5,248,377
Kristiine Keskus OÜ	Tallinn	1,002,889	1,049,362
Citycon Shopping Centers AB	Stockholm	239,187	268,037
Citycon Jakobsbergs Centrum AB	Stockholm	548,614	657,307
Rocca al Mare Kauband. AS	Tallinn	-	114,417
Citycon Development AB	Stockholm	103,656	209,310
Akersberga Centrum AB	Stockholm	853,905	932,875
Stenungstorg Fastighets AB	Stockholm	348,796	403,816
Citycon Högdalen Centrum AB	Stockholm	357,518	401,242
Citycon Denmark APS	Copenhagen	1,227,423	153,504
Albertslund Centrum APS	Copenhagen	234,680	305,181
Citycon Tumba Centrumfastighets AB	Stockholm	353,488	228,999
Montalbas B.V.	Amsterdam	2,353,659	3,032,867
Manhattan Acquisition Oy	Helsinki	1,239,561	-
		64,768,611	59,276,049

22. INTEREST EXPENSE AND SIMILAR CHARGES

Interest expense and similar charges can be shown as follow:

	2018 (*€)	2017 (*€)
Interest expense group companies	22,721,943	22,327,797
Interest expense bond	32,620,533	29,151,200
Interest expense commercial papers	246,728	412,167
Exchange rate losses	30,149,710	57,019,447
Interest expense on forward agreements	956,769	1,618,296
Amortized paid arrangement fees	6,611,475	4,755,134
	93,307,158	115,284,040

23. GENERAL AND ADMINISTRATIVE EXPENSES

The general and administrative expenses are comprised as follow:

	2018 (*€)	2017 (*€)
Wages and salaries, administration	476,495	536,740
Other personnel	1,456	2,819
Consulting and advisory fees	179,476	85,704
Rents	33,489	56,224
Car lease and travel expenses	31,376	44,831
Authority and membership fees	230	302
Office expenses	16,769	11,718
Non-deductible VAT	75,363	57,009
Recharged expenses	18,331	-21,527
Total administrative expenses	832,984	773,821

The wages and salaries, administration are comprised as follow:

	2018 (*€)	2017 (*€)
Salaries	432,036	462,159
Social security	22,715	28,144
Pension	21,743	46,437
Total wages and salaries, administration	476,495	536,740

24. TAXATION

The Company operates based on a transfer pricing report which defines the arm's length renumerations for intercompany loans. Since 1 January 2015 the Company formed a fiscal unity for corporate income tax with its sister company Montalbas B.V.. Due to the acquisition of Montalbas B.V. the fiscal unity ended based on Dutch tax regulations in relation to the minority of voting rights. However, the Company requested to extend the fiscal unity as the Dutch tax regulations are discriminating with EU regulations which accommodates the fiscal unity despite the minority in voting rights.

		2018 (*€)	2017 (*€)
Profit before tax		717,899	-240,580
Fiscal higher amortisation bridge fees		-80,554	-48,389
Non-deductible mixed expenses		4,500	4,500
Fair value adjustment on derivatives		-	504,576
Fiscal profit		641,845	220,107
20% over EUR	200,000	40,000	40,000
25% over EUR	441,845	110,462	5,027
Total corporate income tax		150,462	45,027
Corporate income tax in profit & loss			
Current year - Corporate income tax		150,462	45,027
Current year - Deferred tax		-	-126,144
		150,462	-81,117
Effective tax rate		21,0%	33,7%

The above tax calculation is purely Citycon Treasury B.V.. The difference between the effective tax rate and the applicable rates are mainly caused by the step up in tax rates from 20% to 25% and commercially lower amortization of fees.

SUPPLEMENTARY INFORMATION

25. AUDITORS

The audit of the Company has been performed by Ernst & Young Accountants LLP. The fees for the external Dutch auditor, the audit organization and the entire network to which the audit organization belongs charged to the financial year amounts to EUR 64,130 (2017: EUR 57,717).
For financing projects Ernst & Young Accountants LLP charged EUR 17,371 (2017: EUR 12,323) and for additional services EUR 33,130 (2017: EUR 0,0) were charged during 2018.

26. DIRECTORS

During 2018 the Company had four directors. The directors are: Mr. B.W.J. Helsing, Mrs. R.K. Unhola, Mr. R.E. Rozenberg and Mr. A. Doppenberg. Mrs. R.K. Unhola and Mr. R.E. Rozenberg were appointed on the 1st of December 2018. On the 1st of December 2018 Mr. M.C. Kokkeel en Mr. E.T. Sihvonen resigned as Directors of the Company. The remuneration during 2018 amounts to EUR 275,348 (2017: 283,360).

27. EMPLOYEES

During 2018 the Company had an average of 2.20 FTE (2017: 2.72 FTE), which are all in the Netherlands.

28. RELATED PARTIES

All transactions are conducted on an arm's length basis. Further information on related party transactions are also disclosed in relevant notes to the annual accounts.

MAJOR OUTSTANDING EXPOSURE FROM LOANS TO GROUP COMPANIES:

Related parties	Country Code	Outstanding loan amounts (*MEUR) 31-12-2018	Outstanding loan amounts (*MEUR) 31-12-2017	Maturity date loans	Interest rates 31-12-2018	Accrued interest (*TEUR) 31-12-2018
Citycon OYJ	FIN	346,1	345,2	01-10-2024	2.825% *)	2 465,1
Citycon OYJ	FIN	299,7	190,9	16-09-2022	2.700% *)	2 362,5
Citycon OYJ	FIN	350,0	350,0	08-09-2026	1.575% *)	1 721,7
Citycon AB	SWE	224,6	180,4	02-01-2019	1,500%	844,0
Citycon Liljeholm. Galleria AB	SWE	125,1	138,5	02-01-2019	1,500%	475,2
Kista Real Property JV AB	SWE	83,7	84,6	16-01-2023	6.00% *)	2 344,2
Kristiine Keskus OÜ	EST	69,4	65,3	29-04-2027	1,500%	256,3
Citycon Shopping Centers AB	SWE	15,7	18,9	02-01-2019	1,500%	59,6
Åkersberga Centrum AB	SWE	55,7	60,0	02-01-2019	1,500%	211,2
Citycon Jakobsbergs Centrum AB	SWE	34,7	39,4	02-01-2019	1,500%	132,0
Citycon Development AB	SWE	8,4	2,9	02-01-2019	1,500%	30,5
Citycon Högdalen Centrum AB	SWE	22,7	25,9	02-01-2019	1,500%	86,1
Albertslund Centrum APS	DEN	-	19,5	31-12-2018	1,500%	-
Citycon Denmark APS	DEN	100,9	74,6	31-12-2021	1,500%	281,5
Citycon Tumba Centrumfast. AB	SWE	22,4	25,4	02-01-2019	1,500%	85,0
Stenungs Torg Fastighets AB	SWE	21,6	26,1	02-01-2019	1,500%	82,2
Montalbas B.V.	NLD	68,3	203,6	16-10-2020	1,500%	237,6
Citycon Holding AS	NOR	125,6	-	28-12-2023	3.315%*)	34,141
Citycon Holding AS	NOR	14,2	32,2	10-11-2022	2.92%	51,0
Citycon Holding AS	NOR	100,5	101,6	16-09-2022	4.1723%*)	1 234,9
Citycon Holding AS	NOR	36,7	65,039	4-1-2022	3.03%*)	288,4
Citycon Holding AS	NOR	130,7	142,3	1-9-2025	4.0753%*)	1 789,9
Citycon Holding AS	NOR	125,6	127,0	1-3-2021	2.8683%*)	300,3
Citycon OYJ	FIN	11,4	35,6	1-7-2022	1,500%	37,3
Citycon OYJ	FIN	100,5	101,6	22-9-2025	3.15%*)	862,0
Citycon OYJ	FIN	297,4	-	15-1-2027	2.725%*)	2 656,9
Manhattan Acquisitoin Oy	FIN	146,8	-	16-10-2020	2,000%	619,7
		2 938,2	2 456,6			19 549,0

*) These loans to group companies are fixed rate loans.

The difference between the carrying value of EUR 2,938.2 million (2017: EUR 2,456.6 million) and the nominal value of EUR 2,944.8 million (2017: EUR 2,461.1 million) are the unamortized discount and prepaid arrangement fees for an amount of EUR 6.6 million (2017: EUR 4.5 million). The fair value of these fixed rate loans amount to EUR 2,140.8 million (2017: EUR 1,694.4 million). The other loans to group companies are floating rate loans and have a fair value which not significantly differs from the nominal amount of the loan.

MAJOR OUTSTANDING EXPOSURE FROM LOANS FROM GROUP COMPANIES:

All intercompany loans from group companies are mainly loans from Citycon OYJ, Espoo, Finland. These loans have been drawn under the terms of the EUR 1.5 billion multi-currency subordinated term loan facility agreement between Citycon OYJ and the Company, signed on 1 August 2014.

Reference is made to note 12 Loans from group companies on page 24 and counterpart- and credit risk on page 2.

SUBSEQUENT EVENTS

On the 22nd of March 2019 a dividend of EUR 50 million was received from Montalbas B.V., also an intercompany loan for an amount of EUR 57.2 million has been repaid by Montalbas B.V. to the Company. The Company did an equity injection for an amount of EUR 107.2 million in return.

Also on the 22nd of March the Company distributed EUR 50 million to its parent company, Citycon OYJ, Espoo, Finland and the Company received an equity injection from its parent company for the same amount.

Amsterdam, 24 June 2019

The board of Directors

B. Helsing A. Doppenberg R. Unhola R. Rozenberg

OTHER INFORMATION

STATUTORY STIPULATIONS CONCERNING THE APPROPRIATION OF RESULTS

23.1 Any profit realized in a financial year is at the disposal of the general meeting.

23.2 The Company may only make distributions if an insofar as its equity exceeds the amount of the paid up and called up part of the share capital plus the reserves that must be maintained by law or these articles of association.

23.3 Dividend payments may be made only after adoption of the annual financial statements from which it appears that such payments are permitted. Dividends are due and payable immediately after they have been declared, unless the general meeting sets another date in the relevant resolution. Shareholder's claims against the company or the payment of dividend expire five years after the dividend was declared.

23.4 With due observance of paragraph of this article, the general meeting may resolve to pay interim dividends to make distributions from a reserve which need not be maintained by law.

23.5 If the general meeting adopts a resolution to that effect, distributions may be made otherwise than in cash.

23.6 The shares held by the Company in its own capital are to be disregarded in the calculation of the amount of dividend to be paid on shares.

INDEPENDENT AUDITOR'S REPORT

Reference is made to the last page of this report.

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Independent auditor's report

To: the shareholder and the board of directors of Citycon Treasury B.V.

Report on the audit of the financial statements 2018 included in the annual financial statements

Our opinion

We have audited the financial statements 2018 of Citycon Treasury B.V. (the Company), based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Citycon Treasury B.V. as at 31 December 2018, and of its result for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The balance sheet as at 31 December 2018
- The profit and loss account for 2018
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Citycon Treasury B.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	EUR 16.9 million (2017: EUR 565 thousand).
Benchmark applied	The materiality is based on 0.5% of total assets (2017: 1.0% of interest income).
Explanation	We consider total assets as the most appropriate benchmark to determine materiality for this financing company within the Citycon group. This measure best reflects the activities of the Company, is stable and commonly used for comparable entities. The benchmark changed compared to prior year to better align with the activities of the Company.

We have also taken into account misstatements into account and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the board of directors that misstatements in excess of EUR 760,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

For the following areas we have used the work of other Ernst & Young Global Member firms as part of our audit:

- The audit of the investment in associate Montalbas B.V. and its subsidiaries, which is accounted for at net asset value
- Obtained an understanding of the internal procedures of the Company that are performed in Finland with respect to treasury and the valuation of loans and other financial receivables
- Obtained support for the valuation of loans and other financial receivables

We have visited the group in Finland and reviewed the work performed in relation to the above procedures.

By performing these procedures, together with additional procedures at Citycon Treasury B.V. level, we have been able to obtain sufficient and appropriate audit evidence about the financial information to provide an opinion on the Company's financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Compared to prior year two additional key audit matters are applicable as a result of the acquisition of an investment in associate.

Valuation of Loans and other financial receivables to Citycon group companies (note 2)	
Risk	The main activity of Citycon Treasury B.V. is to operate as a financing company of the Citycon group. The Company raises funds from third party lenders through bonds issuance, commercial papers and other facilities and subsequently lending the funds raised to companies belonging to the Citycon group (the Citycon Group Companies). The Company is exposed to the risk that a Citycon group company defaults on meeting its obligations. As the loans to and receivables due from the Citycon group companies represent approximately 87% of the total assets of the Company, any impairment may have a material effect on the financial statements. To mitigate the risk, the Company concluded a loan facility agreement with the parent company (Citycon OYJ), in which the parent company confirmed that all credit losses above EUR 2 million per loan will be for the account of the parent company.

Valuation of Loans and other financial receivables to Citycon group companies (note 2)	
Our audit approach	We have performed, among others, the following audit procedures to determine whether there is objective evidence that triggers impairment of loans and other financial receivables to Citycon group companies: ▸ Obtained an understanding of the internal processes related to the valuation of loans and other financial receivables from group companies, perform walkthrough and evaluate the design of controls ▸ Obtained financial information and assessed the financial position and results of the Citycon group companies ▸ Obtain external information regarding market and industry conditions, which could have impact on the financial position and result of the relevant group companies We have also performed the following procedures to assess the ability of the parent company to guarantee credit losses above EUR 2 million: ▸ Inspected the credit ratings of Citycon OYJ (the guarantor) from several credit rating agencies ▸ Inspected the audited financial statements 2018 and the quarterly reporting Q1 2019 of Citycon OYJ (the guarantor) Finally, we evaluated the appropriateness of the disclosures in the financial statements.
Key observations	Based on the procedures performed we assessed that there is no objective evidence that triggers impairment of loans and other financial receivables from Citycon group companies and concur with the valuation in the Citycon Treasury B.V. financial statements. Furthermore, we assessed the disclosures related to the loans and other financial receivables as being appropriate.

Accounting for Montalbas B.V. and its subsidiaries (note 1)	
Risk	As per 6 April 2018 Citycon Treasury B.V. acquired 100% of the shares of Montalbas B.V. from its parent company Citycon OYJ. Subsequently, 75% of the voting rights in Montalbas B.V. are transferred back to Citycon OYJ. Citycon Treasury B.V. holds 100% of the economic benefits. The board of directors concluded that Citycon Treasury B.V. has significant influence over Montalbas B.V. and its subsidiaries, but does not have control. As a result, Citycon Treasury B.V. accounts for Montalbas B.V. as an investment in associate and does not consolidate Montalbas B.V. and its subsidiaries. The control assessment by the board of directors considered relevant facts and circumstances, including appointment and composition of the board of directors of Montalbas B.V. and the ability to direct and/or manage the relevant (real estate) activities of Montalbas and its subsidiaries.

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Accounting for Montalbas B.V. and its subsidiaries (note 1)	
	As this assessment is judgmental by nature, especially taking into account the intergroup relationships, and could trigger a consolidation requirement, we considered the accounting for the investment in Montalbas B.V. and its subsidiaries to be an area of audit emphasis in our audit.
Our audit approach	We have performed, among others, the following audit procedures with respect to the accounting for the acquisition of Montalbas B.V.: ▶ Inspected the amended articles of association, share purchase agreement and notarial deed and determined that the majority of the voting rights are retained at Citycon OYJ ▶ Obtained an understanding of the internal decision making process of Citycon Treasury B.V. regarding Montalbas B.V. and its subsidiaries, including inspection of board meeting minutes of Citycon Treasury B.V. ▶ Evaluated whether the disclosures in the financial statements related to the investment in associate and financial exposure based on the economic benefits provide sufficient information for stakeholders
Key observations	Based on the procedures performed we concur with management's assessment that Citycon Treasury B.V. has significant influence, but no control, over Montalbas B.V. and its subsidiaries. Following this assessment we conclude the shareholding in Montalbas B.V. is appropriately accounted for as investment in associate and is appropriately disclosed in the financial statements of Citycon Treasury B.V.

Valuation of the investment in associate Montalbas B.V. (note 1)	
Risk	The investment in associate Montalbas B.V. is accounted for using the net asset method. The net asset value of Montalbas B.V. is mainly dependent on the fair value of the investment properties held by its subsidiaries, and as such is dependent on significant assumptions regarding investment properties as disclosed in note 1. As the fair value is judgmental by nature and sensitive to key inputs, we consider the valuation of the investment in the associate to be a significant risk in our audit.

Our audit approach	We have performed, among others, the following audit procedures as a response to the key audit matter:
	▶ Obtained an understanding of the internal processes related to determining the net asset value on Citycon Treasury level, perform walkthrough and evaluate the design of controls related to the significant risk identified
	▶ Obtained audited sub-consolidation financial information of Montalbas B.V. and its group companies and evaluated that the applied accounting principles of the audited financial information (and related adjustments) are in accordance with Part 9 of Book 2 of the Dutch Civil Code.
	▶ Assessed the valuation of the investment properties as included in the Montalbas B.V. subsidiaries by performing the following procedures:
	    ▶ Obtained an understanding of the internal processes at Citycon OYJ regarding the determination of fair value of investment properties
	    ▶ Assessed the competence and objectivity of the external appraiser and historical accuracy of management's judgment and assumptions

Valuation of the investment in associate Montalbas B.V. (note 1)	
	▸ Involved internal valuation specialists to assist us in evaluating the ▸ assumptions and methodologies used by management
Key observations	Based on the procedures performed we concur with the valuation of the investment in associates of Montalbas B.V. in the financial statements of Citycon Treasury B.V.

Report on other information included in the annual financial statements

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The director's report
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the director's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the board of directors as auditor of Citycon Treasury B.V. on 14 January 2015, as of the audit for the year 2014 and have operated as statutory auditor since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Other non-prohibited services provided

In addition to the statutory audit of the financial statements we provided services in relation to the Offering Circular regarding the Euro Medium Term Note Programme dated 29 June 2018.

Description of responsibilities for the financial statements

Responsibilities of the board of directors for the financial statements

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of directors is responsible for such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the board of directors should prepare the financial statements using the going concern basis of accounting unless the board of directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The board of directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.

Description of responsibilities for the financial statements

Responsibilities of the board of directors for the financial statements

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of directors is responsible for such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.

- Concluding on the appropriateness of the board of directors' use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Utrecht, 24 June 2019

Ernst & Young Accountants LLP

signed by R.H.A. Duim