

Citycon Q1: Solid quarterly results supported by good performance in Norway

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- Gross rental income increased to EUR 63.3 million (Q1/2015: 46.1) mainly due to the acquisition of Norwegian shopping centre company Sektor Gruppen AS (Sektor) in July 2015. Gross rental income of Citycon's Norwegian operations amounted to EUR 20.7 million. The acquisition also increased net rental income by EUR 18.3 million.
- EPRA Earnings increased by EUR 8.7 million, or 32.1%, to EUR 36.0 million especially due to the acquisition of the Norwegian operations. EPRA Earnings per share (basic) decreased slightly to EUR 0.040 (0.043) due to the substantially higher number of shares.
- Earnings per share (basic) was EUR 0.06 (0.04). The increase was mainly a result of higher fair value gains.
- The outlook remained unchanged.

KEY FIGURES

		Q1/2016	Q1/2015	%2)	2015
Net rental income	MEUR	55.2	39.8	38.9	199.6
Direct Operating profit	MEUR	47.9	34.9	37.3	175.4
Earnings per share (basic)1)	EUR	0.06	0.04	52.1	0.14
Fair value of investment properties	MEUR	4,079.1	2,801.7	45.6	4,091.6
Loan to Value (LTV)	%	45.0	40.8	10.3	45.7
EPRA based key figures					
EPRA Earnings	MEUR	36.0	27.2	32.1	130.8
EPRA Earnings per share (basic)1)	EUR	0.040	0.043	-5.4	0.173
EPRA NAV per share	EUR	2.78	2.92	-4.7	2.74

1) Calculated with the issue-adjusted number of shares resulting from the rights issue completed in July 2015.

2) Change from previous year. Change-% is calculated from exact figures.

CEO, MARCEL KOKKEEL:

The results for Q1 show a good start to 2016. The implementation of our diversified Nordic strategy paid off with the Norwegian and Swedish portfolio showing strong performance and balancing out the weaker retail environment in Finland. The quality of our Norwegian portfolio could be seen in its solid net rental income growth as well as strong valuation uplift. Overall, Citycon's like-for-like net rental income growth, including Norway and Kista Galleria, showed growth of 0.6%. EPRA Earnings per share was close to last year's level, whilst the average number of shares was 40% higher than in Q1/2015.

In 2016, our focus will remain on operational improvement and capitalizing on the synergies of a larger Citycon. We will also continue to upgrade the quality of our portfolio via asset rotation and (re)developments. The pre-leasing of the first phase of Iso Omena (re)development has reached over 90% and we look forward to the opening in August when the 28,000 sq.m. extension will come online. The grand opening of the 100,000 sq.m. shopping centre will follow in May 2017. The (re)developments and committed property acquisitions, totalling EUR 450 million, will begin contributing to earnings starting from Q3/2016. As a result, we expect rental income and earnings to pick up in 2017.

BUSINESS ENVIRONMENT

The macroeconomic environment in Citycon's operating countries remained stable during the first quarter of 2016. Citycon's operating countries are nevertheless currently on diverging macroeconomic courses: the business environment in Norway, Sweden, Estonia and Denmark remains strong or relatively strong, while the Finnish economy is still dragging behind other countries.

In 2016, the European Commission forecasts Euro area GDP growth to reach 1.7%. Sweden and Estonia are showing stronger growth figures than the Euro area average and Denmark is in line with the Euro area forecast while the GDP growth for Finland is almost stagnated and is expected to remain relatively modest for a sixth year in a row. Finland's GDP growth is dependent on domestic demand, structural reforms and recovery of the country's stagnating export markets. Norway's GDP is expected to grow slightly below Euro area average due to the recent slowdown in the oil industry, but stable growth in exports and public consumption will support economic growth in the country.

BUSINESS ENVIRONMENT KEY FIGURES

%	Finland	Norway	Sweden	Estonia	Denmark	Euro area
GDP growth forecast for 2016	0.5	1.5	3.2	2.1	1.7	1.7
Unemployment, Feb 2016	9.3	4.8	7.1	6.4	5.8	10.3
Retail sales growth, Jan–Feb 2016	-0.2	3.1	3.0	5.0	0.9	2.4

Sources: European Commission, Eurostat, Statistics Finland/ Norway/Sweden/ Estonia/ Denmark

The unemployment rates in all Citycon's operating countries remain below the Euro area average (10.3%). In the beginning of the year 2016 consumer confidence levels have stayed stable in Citycon's operating countries. The consumer confidence levels in Finland, Sweden and Denmark remain positive, while the consumer confidence in Norway, Estonia and on average in Euro area is still slightly negative. (Source: Eurostat) Consumer prices have remained almost unchanged compared to the previous year in all Citycon's operating countries apart from Norway where the prices have increased. (Source: Statistics Finland/Norway/Sweden/Estonia/Denmark)

Retail sales growth for the first two months of 2016 has been strong in Estonia, Norway and Sweden, positive in Denmark, but still slightly

negative in Finland. (Source: Statistics Finland/Norway/Sweden/Estonia/Denmark)

In Finland the weak outlook for retail sales limits the rental growth potential and prime rents are forecasted to remain unchanged in 2016. Also in Norway, rents are expected to stay unchanged. In Sweden, prime shopping centre rents are forecasted to increase 2-3% during 2016. In Estonia, downwards pressure on rents has increased due to intensifying competition and new supply. (Source: JLL)

In Finland, the high activity in the investment market has continued and the transaction volume doubled in the first quarter of 2016 compared to the previous quarter. The demand for prime properties remains strong and the demand for secondary properties has increased. In Norway the transaction volume for 2016 might see a slight decrease due to stricter requirement for equity by Norwegian banks. In Sweden the transaction volume in the first quarter of 2016 was relatively low, however, the market remains attractive and supply is still limited which changes investors' risk-taking to more opportunistic investment strategies. Prime shopping centre yields have moved in during the last year. Also yields for secondary shopping centres have decreased due to easier finance availability, investors' willingness to take on more risk and the lack of prime property investments. In Estonia, prime yields are perceived edging close to their lows in the cycle. However, yield compression is still expected to continue as real estate investment market remains attractive in the low interest rate environment. (Source: JLL)

RISKS

The company's core risks and uncertainties, along with its main risk management actions and principles, are described in detail in the Annual and Sustainability Report 2015 and in the Financial Statements 2015.

Citycon's Board of Directors believes there have been no material changes to the key risk areas outlined in the Annual and Sustainability Report 2015. The main risks are associated with property values, leasing, development projects, operations, environment and people and the availability and cost of financing.

DIVIDEND AND OTHER ASSET DISTRIBUTION

The AGM 2016 decided the below asset distribution for the financial year 2015:

AGM 2016 decision		
Dividend	EUR/share	0.01
Equity repayment	EUR/share	0.0275
- record date		18 March 2016
- payment date		29 March 2016
Board's authorisation issued by the AGM 2016 1)		
Equity repayment	EUR/share	maximum 0.1125
- record dates to be separately decided		
- payment dates		30 June 2016
		30 September 2016
		31 December 2016

1) Unless the Board of Directors decides otherwise for a justified reason, the authorisation will be used to distribute equity repayment three times and the payment dates of the equity repayments will be on 30 June 2016, 30 September 2016 and 31 December 2016. The equity repayment, based on a resolution of the Board of Directors, will be paid to a shareholder registered in the company's shareholders' register maintained by Euroclear Finland Ltd on the record date for the equity repayment. The Board of Directors will decide on the record date in connection with each equity repayment decision. Citycon shall make separate announcements of such Board resolutions. The authorisation is valid until the opening of the next Annual General Meeting.

OUTLOOK

The outlook for the company has remained unchanged. Citycon forecasts the 2016 Direct Operating profit to change by EUR 20 to 34 million and EPRA Earnings to change by EUR 9 to 23 million from previous year. Additionally, the company expects EPRA EPS (basic) to be EUR 0.155–0.175.

These estimates are based on the existing property portfolio as well as on the prevailing level of inflation, the EUR-SEK and EUR-NOK exchange rates, and current interest rates. Premises taken offline for planned or ongoing (re)development projects reduce net rental income during the year.

Financial calendar

Interim report Jan–Jun 2016 14 July around 9 a.m.

Interim report Jan–Sept 2016 20 October around 9 a.m.

Helsinki, 27 April 2016

Citycon Oyj

Board of Directors

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Citycon is an owner, developer and manager of urban grocery-anchored shopping centres in the Nordic and Baltic region, managing assets that total EUR 4.7 billion and with market capitalisation of approximately EUR 2 billion. Citycon is the No. 1 shopping centre owner in Finland and Estonia and among the market leaders in Norway and Sweden. Citycon has also established a foothold in Denmark.

Citycon has investment-grade credit ratings from Moody's (Baa1) and Standard & Poor's (BBB). Citycon Oyj's share is listed in Nasdaq Helsinki.