

Citycon Oyj's Financial Statements Release for 1 January–31 December 2016: Stable full year results supported by good performance in Sweden and Norway

Citycon Oyj Financial Statements Release 9 February 2017 at 09:00 hrs

OCTOBER-DECEMBER 2016

- Gross rental income was EUR 64.1 million (Q4/2015: 65.3) and decreased slightly due to the non-core property divestments in Finland and Sweden during 2015 and 2016.
- Net rental income was EUR 55.9 million (57.5). The Norwegian business unit increased net rental income by EUR 0.5 million and the opening of the first part of the Iso Omena extension by EUR 0.6 million, while the divestments decreased net rental income by EUR 1.8 million.
- EPRA Earnings increased by EUR 3.5 million, or 10.2%, to EUR 37.9 million, especially due to lower administrative and financial expenses. EPRA Earnings per share (basic) was EUR 0.043 (EUR 0.039).
- Earnings per share increased to EUR 0.04 (0.03) mainly due to higher gains on sale and other operating income and expenses as well as due to lower administrative expenses.

JANUARY-DECEMBER 2016

- Gross rental income increased to EUR 251.4 million (Q1—Q4/2015: 223.9) mainly due to the acquisition of the Norwegian business unit. Gross rental income of Citycon's Norwegian operations amounted to EUR 85.3 million (43.0). The acquisition also increased net rental income by EUR 37.2 million, which amounted to EUR 224.9 million (199.6).
- EPRA Earnings increased by EUR 20.3 million, or 15.5%, to EUR 151.1 million, especially due to the Norwegian acquisition. EPRA Earnings per share (basic) decreased slightly to EUR 0.170 (0.173) due to the higher number of shares.
- Earnings per share (basic) increased to EUR 0.18 (0.14). The increase was mainly a result of higher fair value gains and gains on sale as well as lower administrative expenses.
- Net cash from operating activities per share stayed at the same level at EUR 0.15 (0.15).
- The Board of Directors proposes that the Board be authorized to decide in its discretion on the distribution of dividend for the financial year 2016, and assets from the invested unrestricted equity fund. Based on this authorization the maximum amount of dividend to be distributed shall not exceed EUR 0.01 per share and the maximum amount of equity repayment distributed from the invested unrestricted equity fund shall not exceed EUR 0.12 per share. The dividend/equity repayment would be paid to shareholders in four instalments.

Key figures

		Q4/2016	Q4/2015	%1)	2016	2015	%1)
Net rental income	MEUR	55.9	57.5	-2.8	224.9	199.6	12.7
Direct Operating profit ²⁾	MEUR	49.9	48.2	3.6	198.5	175.4	13.2
Earnings per share (basic)	EUR	0.04	0.03	17.8	0.18	0.14	25.2
Fair value of investment properties	MEUR	4,337.6	4,091.6	6.0	4,337.6	4,091.6	6.0
Loan to Value (LTV) ²⁾	%	46.6	45.7	1.9	46.6	45.7	1.9
EPRA based key figures²⁾							
EPRA Earnings	MEUR	37.9	34.4	10.2	151.1	130.8	15.5
EPRA Earnings per share (basic)	EUR	0.043	0.039	10.2	0.170	0.173	-1.9
EPRA NAV per share	EUR	2.82	2.74	3.2	2.82	2.74	3.2

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

2) Citycon presents alternative performance measures according to the European Securities and Markets Authority (ESMA) new guidelines. More information is presented in Basis of Preparation and Accounting Policies in the notes to the accounts.

CEO, MARCEL KOKKEEL:

For Citycon, 2016 was a year of continued portfolio and operational improvement as well as finalisation of the integration of the Norwegian business. EPRA Earnings per share was close to last year's level despite an 18% increase in the average number of shares supported by successful cost management. In general, the occupancy rate remained at a high level driven by the everyday nature and good locations of our shopping centres.

The year demonstrated the strength of Citycon's diversified Nordic strategy: a strong Sweden and Norway compensates for weaker Finnish performance. During the first full year of operations our Norwegian business delivered strong like-for-like net rental income growth of 3.6%.

Recycling of capital and improving the quality of the portfolio has been a top priority for management. We divested non-core assets for EUR 120 million, acquired an asset in Bergen for EUR 78 million enabling us to extend our shopping centre, and invested approximately EUR 230 million in (re)developments, including Iso Omena and Mölndal Galleria. The high level of (re)development activities has put some pressure on earnings during the year; however, the quality of earnings is continuously increasing. We plan to divest another EUR 200-250 million worth of non-core assets mainly in Finland and Norway. We will reinvest in assets where we see higher growth potential. As a Nordic company our portfolio should ultimately be a reflection of the strength and the size of the countries we operate in.

A clear highlight of the year was the successful opening of the first part of the Iso Omena extension. Footfall increased by 35% in December compared to the previous year. Four months before the opening of the second phase pre-leasing has exceeded 95% for the entire shopping centre. Our flagship Iso Omena is a great example of our strategy of developing urban crosspoints where diverse everyday shopping and services are complemented by a variety of restaurants, public services as well as leisure and entertainment activities.

The successful 10-year Eurobond issued in September at a fixed 1.25% coupon demonstrates that Citycon's credit profile is strong and that we have good access to bond financing at attractive terms. We remain committed to our long-term Loan to Value target of 40-45%.

BUSINESS ENVIRONMENT

There were no major changes in Citycon's macroeconomic environment during 2016. According to the European Commission (forecast), GDP growth in 2016 was 1.7% in the Euro area. Citycon's operating countries are still on diverging courses: the business environment in Norway, Sweden, Estonia and Denmark remains strong or relatively strong, while the Finnish economy is still showing weaker growth.

In 2017, the European Commission forecasts Euro area GDP growth to reach 1.5%. GDP growth will be stronger than Euro area average in all Citycon's operating countries apart from Finland where the growth is forecast to be 0.8%. In Finland the GDP growth will remain modest for a few years, although the trend is positive. Overall the GDP growth is expected to gradually converge in Citycon's operating countries.

Business environment key figures

%	Finland	Norway	Sweden	Estonia	Denmark	Euro area
GDP growth forecast for 2016	0.8	0.7	3.4	1.1	1.0	1.7
GDP growth forecast for 2017	0.8	1.6	2.4	2.3	1.7	1.5
Unemployment, December 2016	8.7	4.7	6.9	6.7	6.2	9.6
Retail sales growth, Jan-Dec 2016	0.7	2.9	3.3	3.0	-0.1	1.1

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

The unemployment increased slightly in Denmark and Estonia during 2016, but decreased in Finland and Sweden. In Norway the unemployment was only at 4.7%. The unemployment rates in all of Citycon's operating countries remained below the Euro area average (9.6%). Retail sales growth has been strong in Sweden, Estonia and Norway, positive in Finland and slightly negative in Denmark. (Source: Statistics Finland/Norway/Sweden/Estonia/Denmark)

In Sweden and Finland the consumer confidence levels during 2016 have continued a positive trend. The consumer confidence in Estonia and on average in the Euro area is still negative. (Source: Eurostat) Consumer prices have increased in all of Citycon's operating countries during 2016, and also in the Euro area generally. (Source: Statistics Finland/Norway/Sweden/Estonia/Denmark)

In Finland, prime shopping centre rents have decreased compared to the previous year and are forecast to remain stable or increase slightly in 2017. In Norway, prime rents are forecast to remain unchanged. In Sweden, prime shopping centre rents have increased during the year while in Estonia rents have decreased and the downward pressure is expected to continue due to intensifying competition. (Source: JLL)

In Finland, the demand for core properties remains strong and the demand for secondary properties has also been evident. In Norway, the investment demand continues to exceed the supply and the market is expected to remain active in 2017. In Sweden, the prime shopping centre yields have moved in and stabilised during the last year. In Estonia, prime yields are expected to continue decreasing. (Source: JLL)

RISKS AND UNCERTAINTIES

The most significant near-term risks and uncertainties in Citycon's business operations are associated with the general development of the economy and consumer confidence in the Nordic countries and Estonia as well as how this affects the fair values, occupancy rates and rental levels of the shopping centres and thereby Citycon's financial result. Especially a slower economic recovery in Finland could hamper the achievement of the set financial objectives.

The main risks that can materially affect Citycon's business and financial results, along with the main risk management actions, are presented in detail in note 3.5 A) and on pages 73-74 in the Financial Statements 2016 as well as on Citycon's website in the Corporate Governance section.

EVENTS AFTER THE REVIEW PERIOD

The acquisition of an office building in Bergen, adjacent to Citycon's Oasen shopping centre, was closed on 5 January. The purchase price for the building covering 19,000 sq.m. was approximately EUR 78 million. The acquisition creates new opportunities for Citycon to develop and expand the Oasen shopping centre.

The divestment of retail property Länken in Umeå was closed on 31 January. Citycon's proceeds from the transaction are approximately EUR 24 million.

OUTLOOK

In 2017 Citycon forecasts the EPRA Earnings per share (basic) to be EUR 0.155–0.175. Furthermore, Citycon expects its Direct operating profit to change by EUR -7 to 12 million and its EPRA Earnings to change by EUR -13 to 5 million from the previous year.

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.

Citycon's Corporate Governance Statement 2016

Citycon has today published Citycon Group's Corporate Governance Statement 2016. The statement is prepared in accordance with the recommendations of the Finnish Corporate Governance Code and it is attached to this release and is also available on the company's website at www.citycon.com/corporate-governance.

Financial calendar and AGM 2017

Citycon Oyj's Annual General Meeting 2017 will be held in Helsinki, Finland, on Wednesday, 22 March 2017 starting at 12:00 noon.

Citycon will issue three interim reports during the financial year 2017 in accordance with the following schedule:

January–March 2017 on Thursday, 20 April 2017 at about 9:00 a.m.

January–June 2017 on Thursday, 13 July 2017 at about 9:00 a.m.

January–September 2017 on Thursday, 19 October 2017 at about 9:00 a.m.

For more investor information, please visit the company's website at www.citycon.com.

Helsinki, 8 February 2017

Citycon Oyj

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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 approximately EUR 5 billion and with market capitalisation of over EUR 2 billion. Citycon is the No. 1 shopping centre owner in Finland and among the market leaders in Norway, Sweden and Estonia. 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.

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