Citycon Oyj

Citycon Oyj's ratings reflect its sizable pan-Nordic property portfolio exposed to the growing capitals in the region and high disposable income per capita. The rental income profile benefits from high occupancy rates in its shopping centres, a diverse tenant base, which includes necessity-based and some public-sector tenants and moderate geographical diversification across five countries. The group is financed by long-term bonds, which make it less exposed to short-term re-financing risks than many Nordic peers.

These positives are partially offset by elevated cash flow leverage (net debt/recurring EBITDA) at around 10x (end-2019) and recent weaker rental growth performance than European peers. In a competitive retail environment, which has not been helped by e-commerce growth, and competing nearby retail locations, some of the group's assets have been underperforming sales indices and had declining footfall. Management is committed to deleveraging the group's balance sheet and has responded by selling smaller or more regional assets in less attractive locations and investing in its best assets to improve rental growth.

Fitch Ratings forecasts net debt/recurring EBITDA leverage to rise in 2020 as a result of rent lost from tenants affected by lockdowns and lower rents on renewals. Thereafter, we forecast a gradual improvement back to 10x in 2022 as the group completes its Lippulaiva shopping centre development and as economies recover.

Key Rating Drivers

Portfolio Focused on Capital Cities: Citycon's sizeable retail property portfolio (EUR4.5 billion at share) is pan-Nordic, which provides moderate geographical diversification across five countries including Estonia. The majority of assets are located in the growing Nordic capital regions or in the second-largest city in each country (Gothenburg, Tampere, Bergen), which have higher disposable income per capita than their country average and benefit from urbanisation.

The assets are typically grocery-anchored shopping centres, with a lower weighting in fashion, and a necessity-based offering rather than destination and have good access to public transport. The country mix consists of stable highly rated countries with positive growth prospects.

Coronavirus Environment: Nordic countries have implemented less strict lockdown conditions and shopping centres have remained open, albeit with lower footfall, and retailers have requested reduced rents. Covering April 2020 rents, Citycon has reported rent collected and accrued at 75% of the month's rent.

This includes the benefit of the Swedish state granting compensation to property companies for 2Q20 renegotiated rental contracts (broadly half of the agreed rent concession within certain parameters) and the Norwegian government covering up to 90% of fixed unavoidable costs such as rent for tenants that have a shortfall in turnover of more than 20% to 30% for March to May.

Nevertheless, Citycon has had examples of retailer bankruptcy and loss of rent, which Fitch has included in its rating case forecasts. With the prospects of lower rent receipts in 2020, management has adjusted dividends and is considering a scrip dividend.

Concentrated Portfolio: The portfolio is concentrated, with the top 10 assets comprising 51% of value (at share). Its three largest key assets are Iso Omena (20 million visitors), 50%-owned Kista Galleria (18 million) and Liljeholmstorget (10 million). Its assets are typically close to or integrated with public transport links, have high occupancy rates around 95% and a diverse tenant base, with a lighter weighting (25% of rent roll) than peers on fashion.

Ratings

Rating Type	Rating	Outlook	Last Rating Action
Long-Term IDR	BBB-	Stable	New Rating 26 May 2020
Senior Unsecured	BBB-		New Rating 26 May 2020
Subordinated	BB		New Rating 26 May 2020

Click here for full list of ratings

Applicable Criteria and Related Research

What Investors Want to Know: Coronavirus and EMEA Property Company Liquidity (April 2020)
What Investors Want to Know: EMEA Real Estate and Coronavirus (March 2020)
EMEA Real Estate: Peer Comparison (January 2020)
Corporate Rating Criteria (May 2020)
Corporates Notching and Recovery Ratings Criteria (October 2019)
Corporate Hybrids Treatment and Notching Criteria (November 2019)
EMEA Real Estate and Property: Ratings Navigator Companion (May 2018)

Analysts

Fredric Liljestrand
+46 85510 9441
fredric.liljestrand@fitchratings.com

John Hatton
+44 20 3530 1061
john.hatton@fitchratings.com

Citycon's grocery-led offering is 17% of rent roll and public-sector tenants (offices, medical services, libraries) is 14%. In line with local market standards, the group's average remaining lease length is short at 3.2 years at end-1Q20.

Subdued Rental Growth: Citycon has achieved only modest net rental growth of around +1% per year for the past four years. During 2019, rental growth slowed in all Nordic countries, except Finland and Estonia where rental growth turned positive following a few years of weak performance for some assets.

Thanks to continued investments in its shopping centres, such as the expansion of Iso Omena, the tenant mix in Kista Galleria, overall sales and footfall have increased year-on-year while more regional centres have been struggling and had falls in tenant sales and footfall.

The challenging retail environment has led to negative fair-value changes of around 2%-3% on the portfolio per year in 2018 and 2019. Fitch expects lower tenant demand during the economic recovery following coronavirus-related disruptions, high competition and growing e-commerce to keep rental growth prospects subdued for the group.

High Cash Flow Leverage: Cash flow leverage was 10x at end-2019 (FY18: 11x). Management is committed to reducing leverage through further asset disposals and targets a loan-to-value ratio below 45%. The group made progress on its disposal programme during 2019 with two centres: one in Tampere and one in Helsinki (at recent book values), as well as some land.

Fitch forecasts leverage to revert back to 10x once the development and modest disposal programme are completed, but the challenging retail environment creates some uncertainty around timing and the valuations of disposals.

The group's projected metrics are unaided by EUR147 million gross investment (at 1Q20) in Citycon's main retail development at Lippulaiva and related capex planned for the coming years. The centre, already around 70% pre-let, is scheduled to open properly in April 2022.

Unencumbered Asset Base: The group benefits from an almost fully unencumbered asset base, which improves contingent liquidity and enhances recovery prospects for unsecured creditors. The only secured debt is at four assets in Norway and the part-owned Kista Galleria joint venture (JV), which is separately funded. The group's unencumbered asset cover was 2.1x at end-1Q20. Depending on whether upcoming bond and Norwegian secured loans maturities in 2020 are refinanced by unsecured or secured debt, this coverage is at risk of falling below 2x.

Hybrid Notched Off IDR: The hybrid bond is rated two notches below Citycon's Issuer Default Rating (IDR) and qualifies for 50% equity credit under Fitch's criteria. It reflects the hybrid's deeply subordinated status, ranking behind senior debt, with coupon payments deferrable at the discretion of the issuer and no formal maturity date. It also reflects the hybrid's greater loss severity and higher risk of non-performance relative to senior unsecured obligations.

Financial Summary

(EURm)	Dec 2018	Dec 2019	Dec 2020F	Dec 2021F
Gross revenue	237	232	203	236
Operating EBITDA (before income from associates)	191	195	165	197
Operating EBITDA margin (%)	80.6	83.8	81.3	83.7
Operating EBITDA/interest paid (x)	2.4	3.2	3.1	2.9
Total net debt with equity credit/operating EBITDA (x)	11.0	10.1	11.9	10.4

Source: Fitch Ratings, Fitch Solutions

Rating Derivation Relative to Peers

Citycon has a sizable property portfolio, although smaller than higher-rated Unibail-Rodamco-Westfield (IDR: BBB+/Negative), Hammerson plc (BBB/Negative) or The British Land Company PLC (A-/Stable). Its shopping centres are convenience, grocery-led (grocery-anchored) assets similar to IGD SIIQ S.p.A. (BBB-/Rating Watch Negative) rather than destinations of the type Unibail and Hammerson primarily own. Many are adjacent to transport hubs so they benefit from high footfall, not all of which will be weekend high-spend consumers.

Citycon's portfolio is located in more developed countries with higher disposable income per person than Eastern European peers such as Atrium European Real Estate Limited (BBB/Stable) or NEPI Rockcastle plc (BBB/Stable). The group's leverage at around 10x (end-2019) is higher than that of higher-rated Hammerson and Unibail (typically around and above 10x, respectively). All property companies benefit from comfortable interest cover ratios, as average costs of debt are low. Citycon's rebased dividend will provide additional financial flexibility, like other property companies that have recently reassessed their dividends.

Fitch has not applied the one-notch uplift to Citycon's senior unsecured rating. Its current portfolio mix includes smaller and more regional assets, which are considered less liquid than UK or French peers where we have applied it.

Navigator Peer Comparison

Issuer		Business profile						Financial profile		
	IDR/Outlook	Operating Environment	Management and Corporate Governance	Property Portfolio	Rental Income Risk Profile	Asset-Liability Matching	Access to Capital	Profitability	Financial Structure	Financial Flexibility
Atrium European Real Estate Limited	BBB/Sta	a	bbb	bbb-	bbb	bbb	bbb+	bb+	a-	bbb+
British Land Company PLC (The)	A-/Sta	aa-	a	bbb+	a-	a	a	bbb+	a	a
Citycon Oyj	BBB-/Sta	aa	a-	bbb	bbb-	bbb	bbb+	bbb	bbb-	a-
Hammerson plc	BBB/Neg	aa-	bbb+	bbb+	bbb+	bbb+	bbb+	bb	bbb-	bbb+
IGD SIIQ S.p.A.	BBB-/RWN	a-	bbb+	bbb-	bbb-	bb+	bbb	bbb-	bbb-	bbb
NEPI Rockcastle plc	BBB/Sta	bbb+	a-	bbb	bbb	bbb	bbb+	bbb-	a-	a-
Unibail-Rodamco-Westfield SE	BBB+/Neg	aa	a	a	a-	a	a	bbb+	bb+	a

Source: Fitch Ratings. Importance: Higher, Moderate, Lower

Rating Sensitivities

Rating sensitivities should provide clarity on ratings stability and the magnitude of changes necessary to trigger a rating action. They can be a mix of qualitative and quantitative measures, but should be complete and useful to readers in understanding the rating risk of the company. The RAC must contain separate paragraphs identifying i) factors, actions or events that could lead to an upgrade include, and ii) factors, actions or events that could lead to a downgrade include.

Developments That May, Individually or Collectively, Lead to Positive Rating Action

- Net debt to EBITDA (in Citycon's case including cash-paid interest under shareholder loans and recurring dividends from JVs and associates) sustainably below 9.5x
- EBITDA net interest cover remaining above 1.75x
- Improvements in portfolio quality, most likely via asset disposals of lower performing assets, and rental growth enhancing investments in the property portfolio
- Unencumbered asset cover above 2.0x

Developments That May, Individually or Collectively, Lead to Negative Rating Action

- Net debt to EBITDA (in Citycon's case including cash-paid interest under shareholder loans and recurring dividends from JVs and associates) above 10.5x
- LTV rising above 55%
- EBITDA net interest cover falling below 1.5x
- Assets performing worse than expected with further negative like-for-like rental growth, falling footfall and tenant sales
- Unencumbered asset cover falling below 1.5x

Liquidity and Debt Structure

Adequate Liquidity: At end 1Q20, Citycon had EUR124 million in cash and EUR376 million in undrawn committed credit facilities covering EUR348 million of debt maturing within 12 months. Committed capex mainly relates to its Lippulaiva development project. The effective closure of the commercial paper market in 1Q20 led Citycon to draw down EUR150 million of its revolving credit facility (RCF). In 2Q20, Citycon has been able to issue new commercial paper.

The average loan maturity has shortened to 4.0 years at end-1Q20 (YE19: 4.6 years) before taking the perpetual hybrid bond into account. Fitch expects the company to pro-actively refinance debt ahead of the main RCF maturing in December 2021. Together with refinancing the inherited Norwegian Sektor assets' secured debt (due to be refinanced in summer 2020), management is looking at secured and unsecured refinancing options.

ESG Considerations

The highest level of ESG credit relevance, if present, is a score of '3'. ESG issues are credit neutral or have only a minimal credit impact on Citycon, either due to their nature or the way in which they are being managed by Citycon. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Liquidity and Debt Maturity Scenario with No Refinancing

Citycon - Fitch Liquidity Ratio (December 2019)

(EURm)	31 December 2019
Fitch available cash	7
+ Undrawn portion of committed facility	530
+ Expected free cash flow[a]	-38
+ Uncommitted capex/developments[b]	-
-/+ Analyst adjustments	-
Total sources	**499**
(12-month debt maturities)	206
Total uses	**206**
Fitch liquidity ratio	**2.4x**

[a] Including all the capex (committed and uncommitted)
[b] Add back the uncommitted capex
Source: Fitch Ratings, Fitch Solutions, Citycon

Debt maturity schedule

(EURm)	31 December 2019
31 December 2020	206
31 December 2021	35
31 December 2022	356
31 December 2023	-
31 December 2024	350
Thereafter	1041
Total debt (incl. hybrids)	**1988**

Source: Fitch Ratings, Fitch Solutions, Citycon

Key Assumptions

Fitch's Key Assumptions Within Our Rating Case for the Issuer

Our Rating Approach for Fitch's Rating Case During the Coronavirus Crisis

FY21 Rental Income: For retail sector property companies, Fitch is modelling a standard 25% loss of rental income, representing April to June 2020. This is reduced to 14% based on Citycon's end-March and April 2020 rent receipt data, and adjusted for tenants that have continued to trade as well as expected governments' support mechanisms.

In subsequent years, rental income may be lower because of several factors including (i) the resilience of the tenant mix - those who may recover some, or have permanently lost, sales; (ii) retailers that are vulnerable to insolvency; (iii) property companies with high exposure to lease expiries in FY21 and FY22 who may see lower rents reflecting weaker market conditions; and (iv) retail portfolios with a high occupation cost ratio and high rents that are more vulnerable to the weaker retailer environment.

For Citycon, Fitch has assumed 15% lower rental income in its FY20 compared with its unaffected FY19, before Lippulaiva comes on-stream in FY22.

Dividends: Fitch has assumed a reduced cash-paid dividend in-line with lower FFO.

Asset disposals of EUR114 million during 2020, excluding the Markedet centre sold in connection with the acquisition of associates in Norway. No further disposals assumed during 2021 to 2023.

Capex: For liquidity and practical purposes, most property companies' capex has been, or will be, curtailed and development projects deferred. For Citycon, Fitch has assumed a total capex of EUR350 million until 2023.

Financial Data

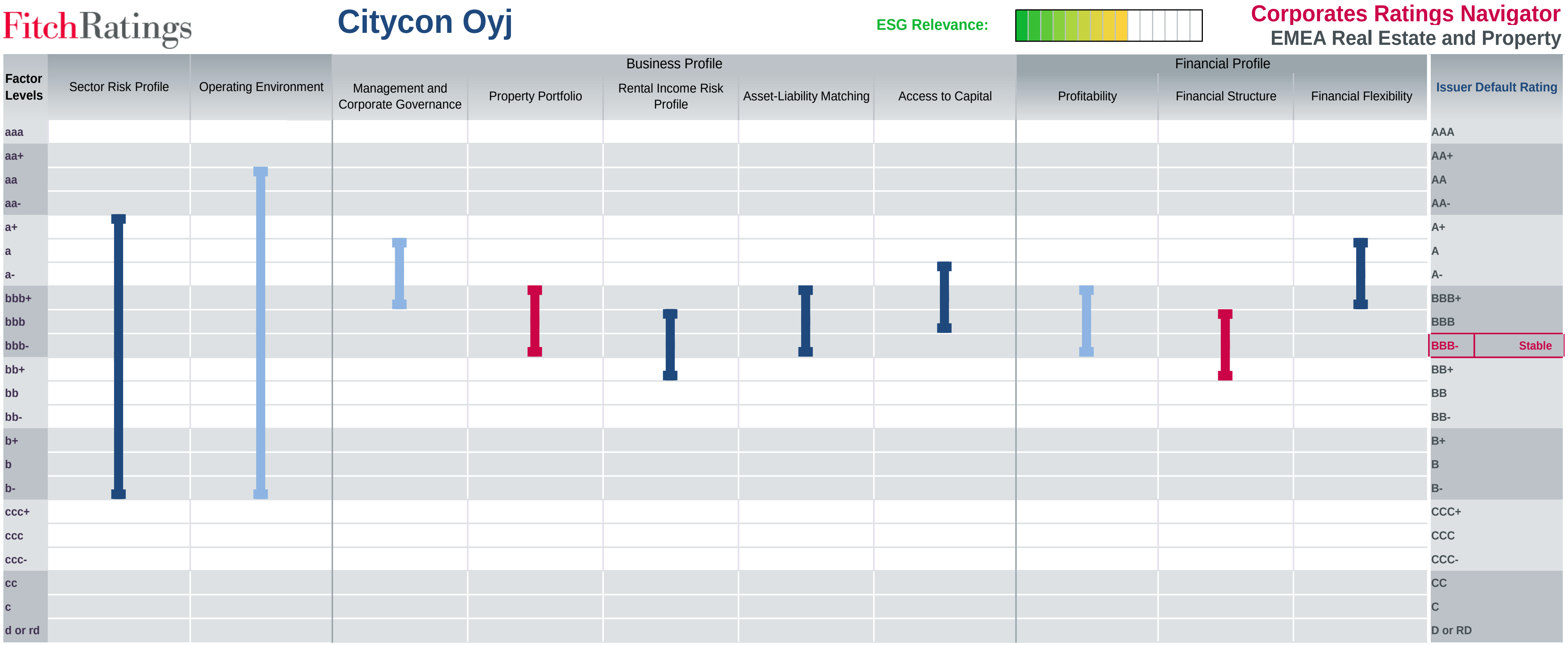
(EURm)	Historical Dec 2017	Dec 2018	Dec 2019	Forecast Dec 2020F	Dec 2021F	Dec 2022F
Summary income statement						
Gross revenue	257	237	232	203	236	255
Revenue growth (%)	2.4	-7.9	-2.1	-12.4	15.8	8.2
Operating EBITDA (before income from associates)	204	191	195	165	197	216
Operating EBITDA margin (%)	79.3	80.6	83.8	81.3	83.7	84.7
Operating EBITDAR	213	198	197	171	202	221
Operating EBITDAR margin (%)	82.6	83.6	84.9	83.9	85.9	86.7
Operating EBIT	201	188	193	164	196	214
Operating EBIT margin (%)	77.9	79.3	83.2	80.6	83.1	84.0
Gross interest expense	-61	-56	-51	-55	-70	-82
Pretax income (including associate income/loss)	94	22	2	112	129	136
Summary balance sheet						
Readily available cash and equivalents	4	4	7	107	14	5
Total debt with equity credit	2,082	2,148	1,988	2,133	2,122	2,166
Total adjusted debt with equity credit	2,149	2,206	1,988	2,174	2,164	2,208
Net debt	2,079	2,144	1,981	2,026	2,108	2,161
Summary cash flow statement						
Operating EBITDA	204	191	195	165	197	216
Cash interest paid	-67	-80	-61	-55	-70	-82
Cash tax	0	0	-1	-3	-4	-4
Dividends received less dividends paid to minorities (inflow/(out)flow)	4	4	1	5	5	5
Other items before FFO	0	1	1	0	0	0
Funds flow from operations	141	115	135	113	128	135
FFO margin (%)	54.9	48.7	58.1	55.4	54.4	53.0
Change in working capital	8	2	-2	0	0	0
Cash flow from operations (Fitch defined)	149	117	133	113	128	135
Total non-operating/non-recurring cash flow	0	0	0			
Capital expenditure	-154	-88	-100			
Capital intensity (capex/revenue) (%)	59.8	37.1	43.0			
Common dividends	-116	-116	-115			
Free cash flow	-121	-87	-82			
Net acquisitions and divestitures	172	9	66			
Other investing and financing cash flow items	-4	-28	8	-26	0	0
Net debt proceeds	-52	107	11	144	-10	44
Net equity proceeds	0	0	0	0	0	0
Total change in cash	-6	1	3	100	-93	-9
Leverage ratios						
Total net debt with equity credit/operating EBITDA (x)	10.0	11.0	10.1	11.9	10.4	9.8
Total adjusted debt/operating EBITDAR (x)	9.9	10.9	10.0	12.4	10.4	9.8
Total adjusted net debt/operating EBITDAR (x)	9.9	10.9	10.0	11.8	10.4	9.7
Total debt with equity credit/operating EBITDA (x)	10.0	11.0	10.1	12.5	10.5	9.8
FFO adjusted leverage (x)	9.9	10.9	10.0	12.6	10.6	9.9
FFO adjusted net leverage (x)	9.9	10.9	10.0	12.0	10.6	9.9
FFO leverage (x)	10.0	11.0	10.2	12.7	10.7	10.0
FFO net leverage (x)	10.0	11.0	10.1	12.1	10.6	10.0
Calculations for forecast publication						
Capex, dividends, acquisitions and other items before FCF	-99	-195	-149	-131	-211	-188
Free cash flow after acquisitions and divestitures	50	-78	-16	-18	-82	-53
Free cash flow margin (after net acquisitions) (%)	19.5	-32.9	-7.0	-8.9	-35.0	-20.7
Coverage ratios						
FFO interest coverage (x)	3.1	2.4	3.2	3.1	2.8	2.7
FFO fixed charge coverage (x)	2.9	2.3	3.1	2.9	2.7	2.6
Operating EBITDAR/interest paid + rents (x)	2.9	2.3	3.1	2.9	2.8	2.6
Operating EBITDA/interest paid (x)	3.1	2.4	3.2	3.1	2.9	2.7
Additional metrics						
CFO-capex/total debt with equity credit (%)	-0.2	1.3	1.7	0.9	0.3	1.7
CFO-capex/total net debt with equity credit (%)	-0.3	1.3	1.7	1.0	0.3	1.7

Source: Fitch Ratings, Fitch Solutions

How to Interpret the Forecast Presented

The forecast presented is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

Ratings Navigator



FitchRatings

Citycon Oyj

Corporates Ratings Navigator
EMEA Real Estate and Property

Operating Environment

aa+	Economic Environment	aa	Very strong combination of countries where economic value is created and where assets are located.
aa	Financial Access	aa	Very strong combination of issuer specific-funding characteristics and the strength of the relevant local financial market.
	Systemic Governance	aa	Systemic governance (eg rule of law, corruption, government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
b-			
ccc+			

Management and Corporate Governance

a+	Management Strategy	bbb	Strategy may include opportunistic elements but soundly implemented.
a	Governance Structure	bbb	Good CG track record but effectiveness/independence of board less obvious. No evidence of abuse of power even with ownership concentration.
a-	Group Structure	a	Group structure shows some complexity but mitigated by transparent reporting.
bbb+	Financial Transparency	a	High quality and timely financial reporting.
bbb			

Property Portfolio

a-	Portfolio Liquidity and Ability to Leverage Assets	bbb	Average institutional appetite (buyers/sellers/lenders) in strong markets, indicating liquidity and ability to leverage assets.
bbb+	Investment Granularity	bb	Limited portfolio granularity; small or concentrated portfolio. Top 10 assets comprise 40%-60% of net rental income or value.
bbb	Geographic Strategy	bbb	A strong and focused presence in a prime market; or focus on two to three markets with appropriate scale. Markets display different economic and business cycles.
bbb-	Asset Quality	bbb	Prime and good secondary.
bb+	Development Exposure	a	Committed development cost to complete of 5% of investment properties for average risk projects.

Rental Income Risk Profile

bbb+	Occupancy	a	Limited occupancy volatility through cycles. Occupancy consistently above 95%. Track record of limited tenant defaults.
bbb	Lease Duration, Renewal and NOI Volatility	bb	Lease duration between three to five years with some renewed, flat or negative net rental income growth and/or above-average volatility compared to industry average.
bbb-	Lease Expiry Schedule	bb	Lumpy lease maturity profile.
bb+	Tenant Concentration and Tenant Credit	bbb	Top 10 tenants comprise 15%-30% of annual base rent revenue; average tenant credit risk.
bb			

Asset-Liability Matching

a-	Debt Maturity Profile	bbb	Average debt tenor between five to seven years. No year represents more than 20% of total debt.
bbb+	Fixed/Floating Interest Rate Liability Profile	a	Fixed or hedged debt above 75% of total debt. Evidence of consistent policy through the cycle.
bbb			
bbb-			
bb+			

Access to Capital

a	Sources of Capital	bbb	Solid access to all common and preferred equity, unsecured bonds/bank debt, secured debt, and/or joint ventures.
a-	Unencumbered Asset Pool	a	Leveragable unencumbered pool with no adverse selection.
bbb+	Absolute Scale	bbb	Rent-yielding property assets of at least EUR1.5bn.
bbb			
bbb-			

Profitability

a-	FFO Dividend Cover	bbb	1.1x
bbb+	Asset Class Volatility	bbb	Portfolio values change less than 30% peak to trough with a track record of recovery
bbb			
bbb-			
bb+			

Financial Structure

bbb+	Loan-To-Value	bbb	50%
bbb	Unencumbered Asset Cover	bbb	2.0x
bbb-	Managing Balance Sheet Through the Cycle	bbb	Maintenance of a suitable LTV taking asset volatility into account.
bb+	Net Debt/Recurring Operating EBITDA	bb	10.0x
bb			

Financial Flexibility

a+	Financial Discipline	bbb	Less conservative policy but generally applied consistently.
a	Liquidity Coverage	a	1.25x
a-	Recurring Income EBITDA Interest Cover	a	2.5x
bbb+	FX Exposure	a	Profitability potentially exposed to FX but efficient hedging. Debt and cash flow well matched.
bbb			

Credit-Relevant ESG Derivation

Overall ESG

Citycon Oyj has 9 ESG potential rating drivers

- Sustainable building practices including Green building certificate credentials
- Portfolio's exposure to climate change-related risk including flooding
- Data security
- Impact of labor negotiations and employee (dis)satisfaction
- Shift in market preferences
- Governance is minimally relevant to the rating and is not currently a driver.

key driver	0	issues	5
driver	0	issues	4
potential driver	9	issues	3
not a rating driver	0	issues	2
	5	issues	1

For further details on Credit-Relevant ESG scoring, see page 3.

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

FitchRatings

Citycon Oyj

Corporates Ratings Navigator
EMEA Real Estate and Property

Credit-Relevant ESG Derivation

Citycon Oyj has 9 ESG potential rating drivers

- Citycon Oyj has exposure to unsustainable building practices risk but this has very low impact on the rating.
- Citycon Oyj has exposure to extreme weather events but this has very low impact on the rating.
- Citycon Oyj has exposure to stakeholder accountability risk but this has very low impact on the rating.
- Citycon Oyj has exposure to labor relations & practices risk but this has very low impact on the rating.
- Citycon Oyj has exposure to shifting consumer preferences but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	9	issues	3
not a rating driver	0	issues	2
	5	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	3	Sustainable building practices including Green building certificate credentials	Rental Income Risk Profile; Profitability; Financial Structure; Financial Flexibility	2
Exposure to Environmental Impacts	3	Portfolio's exposure to climate change-related risk including flooding	Property Portfolio; Profitability; Financial Structure; Financial Flexibility	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Data security	Property Portfolio; Rental Income Risk Profile; Profitability; Financial Structure; Financial Flexibility	4
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Rental Income Risk Profile; Profitability; Financial Flexibility	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	3	Shift in market preferences	Property Portfolio; Rental Income Risk Profile; Profitability; Financial Structure; Financial Flexibility	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance	5
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance	4
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance	3
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance	2
				1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

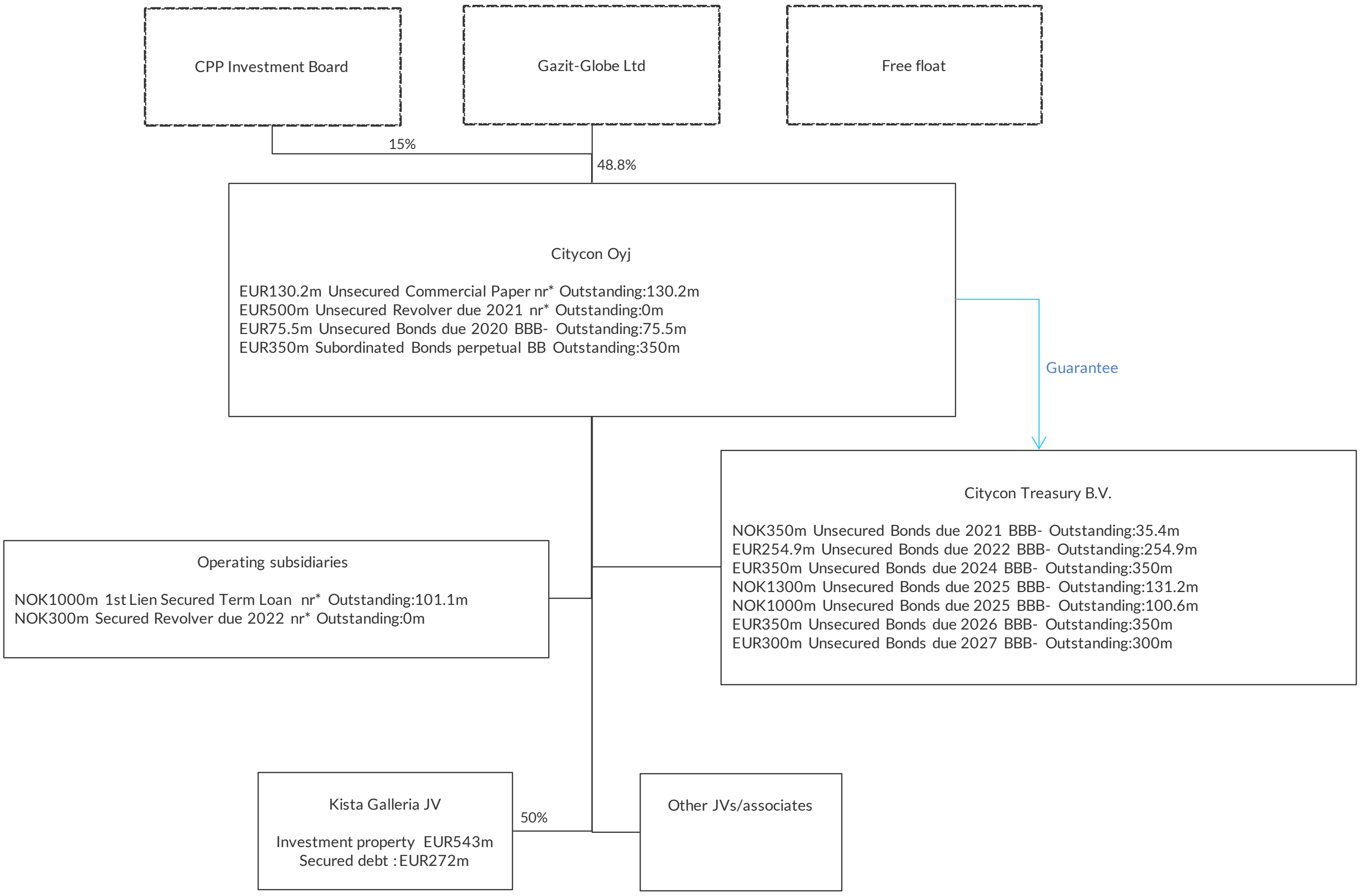
Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board(SASB).

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram



`Source: Fitch Ratings, Fitch Solutions, Citycon, as at Dec 2019.
CPP Investment Board is a private shareholder.
Free float is a private shareholder.

Peer Financial Summary

Company	IDR	Financial statement date	Gross revenue (EURm)	Operating EBITDA (before income from associates) (EURm)	Operating EBITDAR Margin (%)	Operating EBITDA/ interest paid (x)	Total net debt with equity credit/ operating EBITDA (x)
Citycon Oyj	BBB-						
		2019	232	195	84.9	3.2	10.1
		2018	237	191	83.6	2.4	11.0
		2017	257	204	82.6	3.1	10.0
IGD SIIQ S.p.A.	BBB-						
	BBB-	2019	155	112	72.3	3.2	9.8
		2018	152	109	78.7	3.6	10.1
		2017	139	97	77.1	3.1	11.0
Hammerson plc	BBB						
	BBB	2019	209	128	61.2	2.7	9.2
	BBB+	2018	252	174	68.8	2.3	12.0
	BBB+	2017	284	201	70.8	2.3	10.9
British Land Company PLC (The)	A-						
	A-	2019	426	319	74.7	6.3	5.7
	A-	2018	427	326	76.4	6.8	6.0
	BBB+	2017	452	353	78.2	5.0	6.4
Unibail-Rodamco-Westfield SE	BBB+						
	A-	2019	2,418	1,855	76.7	2.9	12.2
	A-	2018	2,211	1,773	81.1	4.3	12.6
	A	2017	1,822	1,532	85.0	4.7	9.8
NEPI Rockcastle plc	BBB						
	BBB	2019	407	378	92.9	8.0	5.5
	BBB	2018	350	324	92.6	7.9	6.2
	BBB	2017	234	217	92.8	9.0	6.7
Atrium European Real Estate Limited	BBB						
	BBB	2019	177	140	79.1	3.5	7.3
	BBB	2018	175	145	82.6	3.7	8.1
	BBB-	2017	189	143	75.9	4.0	5.9

Source: Fitch Ratings, Fitch Solutions

Reconciliation of Key Financial Metrics

(EUR Millions, As reported)	31 Dec 19
Income Statement Summary	
Operating EBITDA	195
+ Recurring Dividends Paid to Non-controlling Interest	0
+ Recurring Dividends Received from Associates	1
+ Additional Analyst Adjustment for Recurring I/S Minorities and Associates	0
= Operating EBITDA After Associates and Minorities (k)	**196**
+ Operating Lease Expense Treated as Capitalised (h)	**3**
= Operating EBITDAR after Associates and Minorities (j)	**198**
Debt & Cash Summary	
Total Debt with Equity Credit (l)	**1,988**
+ Lease-Equivalent Debt	0
+ Other Off-Balance-Sheet Debt (p)	0
= Total Adjusted Debt with Equity Credit (a)	**1,988**
Readily Available Cash [Fitch-Defined]	7
+ Readily Available Marketable Securities [Fitch-Defined]	0
= Readily Available Cash & Equivalents (o)	**7**
Total Adjusted Net Debt (b)	**1,981**
Cash-Flow Summary	
Preferred Dividends (Paid) (f)	**0**
Interest Received	0
+ Interest (Paid) (d)	**-61**
= Net Finance Charge (e)	**-61**
Funds From Operations [FFO] (c)	**135**
+ Change in Working Capital [Fitch-Defined]	-2
= Cash Flow from Operations [CFO] (n)	**133**
Capital Expenditures (m)	**-100**
Multiple applied to Capitalised Leases	**0.0**
Gross Leverage	
Total Adjusted Debt / Op. EBITDAR* [x] (a/j)	**10.0**
FFO Adjusted Gross Leverage [x] (a/(c-e+h-f))	**10.0**
Total Adjusted Debt/(FFO - Net Finance Charge + Capitalised Leases - Pref. Div. Paid)	
FFO Leverage [x] ((l+p)/(c-e+h-f))	**10.2**
(Total Debt + Other Debt)/(FFO - Net Finance Charge - Pref. Div. Paid)	
Total Debt With Equity Credit / Op. EBITDA* [x] (l/k)	**10.1**
CFO-Capex/Total Debt with Equity Credit (%)	**1.7%**
Net Leverage	
Total Adjusted Net Debt / Op. EBITDAR* [x] (b/j)	**10.0**
FFO Adjusted Net Leverage [x] (b/(c-e+h-f))	**10.0**
Total Adjusted Net Debt/(FFO - Net Finance Charge + Capitalised Leases - Pref. Div. Paid)	
FFO Net Leverage [x] ((l+p-o)/(c-e+h-f))	**10.1**
Total Adjusted Net Debt/(FFO - Net Finance Charge - Pref. Div. Paid)	
Total Net Debt / (CFO - Capex) [x] ((l-o)/(n+m))	**59.9**
CFO-Capex/Total Net Debt with Equity Credit (%)	**1.7%**
Coverage	
Op. EBITDAR / (Interest Paid + Lease Expense)* [x] (j/-d+h)	**3.1**
Op. EBITDA / Interest Paid* [x] (k/(-d))	**3.2**
FFO Fixed Charge Cover [x] ((c+e+h-f)/(-d+h-f))	**3.1**
(FFO + Net Finance Charge + Capit. Leases - Pref. Div Paid) / (Gross Int. Paid + Capit. Leases - Pref. Div. Paid)	
FFO Gross Interest Coverage [x] ((c+e-f)/(-d-f))	**3.2**
(FFO + Net Finance Charge - Pref. Div Paid) / (Gross Int. Paid - Pref. Div. Paid)	

* EBITDA/R after Dividends to Associates and Minorities

Source: Fitch Ratings, Fitch Solutions, Citycon

Fitch Adjustment Reconciliation

	Reported Values 31 Dec 19	Sum of Fitch Adjustments	Fair Value and Other Debt Adjustments	Preferred Dividends, Associates and Minorities Cash Adjustments	Hedging arrangements	CORP - Lease Treatment	Other Adjustment	Adjusted Values
Income Statement Summary								
Revenue	232	0						232
Operating EBITDAR	200	-3				-3		197
Operating EBITDAR after Associates and Minorities	200	-2		1		-3		198
Operating Lease Expense	3	0						3
Operating EBITDA	197	-3				-3		195
Operating EBITDA after Associates and Minorities	197	-2		1		-3		196
Operating EBIT	195	-2				-2		193
Debt & Cash Summary								
Total Debt With Equity Credit	1,991	-3	13		-16			1,988
Total Adjusted Debt With Equity Credit	1,991	-3	13		-16			1,988
Lease-Equivalent Debt	0	0						0
Other Off-Balance Sheet Debt	0	0						0
Readily Available Cash & Equivalents	7	0						7
Not Readily Available Cash & Equivalents	7	0						7
Cash-Flow Summary								
Preferred Dividends (Paid)	0	0						0
Interest Received	1	-1					-1	0
Interest (Paid)	-63	2				2		-61
Funds From Operations [FFO]	135	0		1			-1	135
Change in Working Capital [Fitch-Defined]	-2	0						-2
Cash Flow from Operations [CFO]	133	0		1			-1	133
Non-Operating/Non-Recurring Cash Flow	0	0						0
Capital (Expenditures)	-100	0						-100
Common Dividends (Paid)	-115	0						-115
Free Cash Flow [FCF]	-82	0		1			-1	-82
Gross Leverage								
Total Adjusted Debt / Op. EBITDAR* [x]	10.0							10.0
FFO Adjusted Leverage [x]	10.0							10.0
FFO Leverage [x]	10.1							10.2
Total Debt With Equity Credit / Op. EBITDA* [x]	10.1							10.1
CFO-Capex/Total Debt with Equity Credit (%)	1.7%							1.7%
Net Leverage								
Total Adjusted Net Debt / Op. EBITDAR* [x]	9.9							10.0
FFO Adjusted Net Leverage [x]	10.0							10.0
FFO Net Leverage [x]	10.1							10.1
Total Net Debt / (CFO - Capex) [x]	59.9							59.9
CFO-Capex/Total Net Debt with Equity Credit (%)	1.7%							1.7%
Coverage								
Op. EBITDAR / (Interest Paid + Lease Expense)* [x]	3.1							3.1
Op. EBITDA / Interest Paid* [x]	3.1							3.2
FFO Fixed Charge Coverage [x]	3.0							3.1
FFO Interest Coverage [x]	3.1							3.2

Source: Fitch Ratings, Fitch Solutions, Citycon

Covenant Summary

Citycon had material headroom under its financial covenants at end-1Q20.

Bond covenants:	
Net debt to total assets (Solvency ratio) under 65%	(44% at end-1Q20)
Secured debt to total assets (Secured solvency ratio) under 25%	(4% at end-1Q20)
Bank Covenants:	
Equity-to-asset ratio above 32.5%	(47% at end-1Q20)
Interest coverage ratio above 1.8x	(4.3x at end-1Q20)

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.