**Rating Action: Moody's downgrades Citycon to Baa3 from Baa2, outlook stable**

29 Apr 2019

Stockholm, April 29, 2019 -- Moody's Investors Service ("Moody's") today downgraded to Baa3 from Baa2 the long-term issuer rating of Citycon OYJ ("Citycon") and its senior unsecured bond rating. Concurrently, Moody's has downgraded Citycon Treasury B.V.'s senior unsecured notes ratings to Baa3 from Baa2 .The outlook has been changed to stable from negative.

Please refer to the end of this press release for a full list of affected ratings.

"The downgrade to Baa3 reflects that Citycon's capital structure remains weaker than we anticipated with a debt/asset ratio of 47% as of end March 2019 because of negative revaluations and slower than expected execution of asset disposals", says Maria Gillholm, a Moody's Vice President -- Senior Credit Officer and lead analyst for Citycon. "The stable outlook reflects recently stabilizing operating key performance indicators such as footfall and tenant sales and our expectation that Citycon will be able to meaningfully execute on its disposal plan this year and use parts of the proceeds to pay down debt, thus creating a buffer against future potential negative revaluations of its portfolio".

RATINGS RATIONALE

The downgrade reflects the fact that Citycon's leverage has not reduced to below 45% as expected for the Baa2 rating because of continued challenging market conditions to execute planned divestments particularly in secondary cities, namely in Finland and Norway and also to some extent Sweden. Other contributing factors are the sizeable investments required to redevelop the portfolio but also the dividends that prevent the company to follow its own financial policy of LTV 40-45%. Effective leverage, as measured by gross debt to total assets, stood at 46.9% as of 31 March 2019 and it increases to 48.3% when proportionally consolidating the company's 50% stake in the Kista shopping center in Stockholm. Moody's estimates Citycon's leverage to be around 46%-48% over the next 12-18 months including an expectation that the company will divest 50% of assets on the company's disposal list, a level more commensurate with a Baa3 rating.

RATIONALE FOT THE STABLE OUTLOOK

The stable outlook is driven by our expectation that Citycon will stabilize or improve its operational performance in like-for-like rental growth, tenant sales, footfall and maintain occupancy through divesting weak performing assets. This in combination with asset disposal proceeds will enable Citycon to maintain an effective leverage below 50% and create a buffer against future potential negative fair value changes. Still, the high density of shopping centres, especially in Norway but also in Sweden and Finland, increased competition and e-commerce penetration represent structural risks for Citycon. The company is taking actions to revert this negative trend and improve operating performance by shifting towards a more e-commerce resilient tenant composition such as daily convenience and entertainment.

Citycon OYJ's (Citycon) Baa3 long-term issuer rating primarily reflects: 1) the company's focus on necessity-driven retail, services and entertainment; 2) a significant proportion (54% of sales) of retail properties in strong and growing suburban metropolitan areas with attractive multiple forms of public transportation; 3) the geographic diversification of its property portfolio across highly rated countries including Finland, Norway and Sweden; 4) top-three market positions and franchise value in the Nordics shopping centre market; and 5) high unencumbered asset base and a diverse funding mix and consistently high occupancy above 96%.

The rating is mainly constrained by: 1) weaker than expected like-for-like rental income growth however, tenant sales and footfall is stabilizing; 2) the fact that a significant share (30% of sales) of the portfolio displayed decreasing sales over 2018-2017; 3) structural risks, including a high density of shopping centres and increasing competition; 4) difficulty in disposing of assets in secondary locations experiencing declining footfall and tenant sales; 5) moderate but negative property valuations in Finland, Norway and Estonia, leading to increasing leverage; and 6) the presence of a dominant shareholder.

FACTORS THAT COULD LEAD TO AN UPGRADE

Positive rating pressure could develop if all of the following conditions were met: A strong positive sustainable recovery in like for like rental growth, tenant sales and footfall combined with maintained or improved occupancy

- Debt to total assets sustained well below 45%

- Fixed charge cover sustained above 4x

- Improved liquidity

FACTORS THAT COULD LEAD TO A DOWNGRADE

Any of the following factors could lead to a downgrade:

- A significant weakening of operating indicators such as tenant sales and footfall, translating into a decline in like-for-like rental income, weaker occupancy levels or sustained and negative fair value adjustments

- Debt to total assets sustained above 50%

- Fixed charge cover sustained below 3x

- Weakening liquidity

LIST OF AFFECTED RATINGS

..Issuer: Citycon OYJ

Downgrades:

.... Issuer Rating, Downgraded to Baa3 from Baa2

....Senior Unsecured Regular Bond/Debenture, Downgraded to Baa3 from Baa2

Outlook Action:

....Outlook, Changed To Stable From Negative

..Issuer: Citycon Treasury B.V.

Downgrades:

....BACKED Senior Unsecured Medium-Term Note Program, Downgraded to (P)Baa3 from (P)Baa2

....BACKED Senior Unsecured Regular Bond/Debenture, Downgraded to Baa3 from Baa2

Outlook Action:

....Outlook, Changed To Stable From Negative

The principal methodology used in these ratings was REITs and Other Commercial Real Estate Firms published in September 2018. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Maria Gillholm
VP - Senior Credit Officer
Corporate Finance Group
Moody's Investors Service (Nordics) AB
Norrlandsgatan 20
Stockholm 111 43

Sweden
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Anke Rindermann
Associate Managing Director
Corporate Finance Group
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Releasing Office:
Moody's Investors Service (Nordics) AB
Norrlandsgatan 20
Stockholm 111 43
Sweden
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454



**CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY'S PUBLICATIONS MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.**

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.



CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for ratings opinions and services rendered by it fees ranging from $1,000 to approximately $2,700,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY250,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.