CITYCON OYJ
FINANCIAL STATEMENTS 2012

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TABLE OF CONTENTS

REPORT BY THE BOARD OF DIRECTORS

In 2012, Citycon refinanced a large part of the bank loans it had maturing in 2013 and 2014. During the summer, the company expanded into Denmark and agreed on the acquisition of the Kista Galleria shopping centre in Stockholm, Sweden, together with the Canada Pension Plan Investment Board (CPPIB).

Rental development was positive, with like-for-like net rental income growing by 4.9 per cent.

KEY FIGURES

	Q4/2012	Q4/2011	Q3/2012	2012	2011	Change-%[1]
IFRS based key figures						
Turnover, EUR million	62.1	56.0	60.9	239.2	217.1	10.2 %
Net rental income, EUR million	42.1	37.3	42.6	162.0	144.3	12.3 %
Profit/loss attributable to parent company shareholders, EUR million	20.4	-5.4	30.2	77.2	13.0	495.7 %
Earnings per share (basic), EUR [2]	0.06	-0.02	0.10	0.26	0.05	438.9 %
Net cash from operating activities per share, EUR [2]	0.04	0.04	0.05	0.21	0.25	-16.2 %
Fair value of investment properties, EUR million			2,695.5	2,714.2	2,522.1	7.6 %
Equity ratio, %			34.8	37.8	36.0	4.7 %
EPRA based key figures						
EPRA operating profit, EUR million	34.2	28.9	37.3	135.7	117.4	15.5 %
% of turnover	55.1 %	51.6 %	61.3 %	56.7 %	54.1 %	4.8 %
EPRA Earnings, EUR million	16.2	12.5	17.8	63.9	53.3	20.0 %
EPRA Earnings per share (basic), EUR [2]	0.049	0.043	0.062	0.214	0.197	8.5 %
EPRA NAV per share, EUR			3.71	3.49	3.62	-3.7 %
EPRA NNNAV per share, EUR			3.24	3.08	3.29	-6.4 %

1) Change-% is calculated from exact figures and refers to the change between 2012 and 2011.
2) Result per share key figures have been calculated with the issue-adjusted number of shares resulting from the rights issue executed in October 2012.

Summary of 2012 Compared with 2011

Citycon fulfilled the financial targets it had announced for 2012. On the publication of its Q3 interim report, the company revised some of its targets, announcing that it expected a growth in turnover by EUR 16–21 million, a growth in EPRA operating profit by EUR 14–19 million, and a growth in its EPRA earnings by EUR 6–11 million in 2012 as compared to 2011, and forecast an EPRA EPS of EUR 0.195–0.215. The outcomes were that in 2012, turnover grew by EUR 22.2 million compared to 2011. The timing of tenant specific projects in Baltic Countries, in particular, resulted in a higher turnover than what the company expected in its third quarter report. The general circumstances and environment related to turnover development did not change. The EPRA operating profit grew by EUR 18.3 million and the EPRA earnings by EUR 10.6 million, and the EPRA EPS was EUR 0.214.

- The Board of Directors proposes a per-share dividend of EUR 0.04 (EUR 0.04) and a return of equity from invested unrestricted equity fund of EUR 0.11 (EUR 0.11) per share.
- Turnover grew to EUR 239.2 million (2011: 217.1 million).
- Net rental income increased by EUR 17.7 million or 12.3 per cent to EUR 162.0 million (EUR 144.3 million). The completion of development projects and the acquisitions of shopping centres Kristiine, Högdalen Centrum, Arabia and Albertslund had a positive impact of EUR 13.4 million on net rental income.
- Net rental income from like-for-like properties increased by EUR 5.5 million or 4.9 per cent, excluding the impact of the strengthened Swedish krona.
- Earnings per share came to EUR 0.26 (EUR 0.05).
- The direct operating result per share (EPRA EPS, basic) increased to EUR 0.214 (EUR 0.197).
- Net cash flow from operating activities per share reduced to EUR 0.21 (EUR 0.25) due to timing differences and exceptional items.

CEO's Comment

"For Citycon, the key focus in 2012 has been to improve earnings and quality of cash flows.

This has meant sound operational improvements, identifying and working on redevelopment potential and carrying through selective acquisitions. We have broadened our portfolio geographically to Denmark by acquiring Albertslund Centrum in Copenhagen in July and strengthened our market position considerably in Sweden by acquiring Kista Galleria in Stockholm (closed in January 2013). The acquisition of Kista Galleria balances the weight of Citycon's different business areasin the company's property portfolio in accordance with its growth strategy. Another key rationale for the acquisition is to further improve the retail space offering and to better serve retailers with a wider supply of quality shopping centres.

Citycon's strategy also includes investing in shopping centres with joint venture partners. The co-operation with the global and respected joint venture partner CPPIB is another example of executing this strategy. Half of the Kista Galleria acquisition is financed together with CPPIB with a stand-alone asset backed loan agreement. A share issue is currently under planning.

In 2012, the company's like-for-like net rental income grew by 4.9 per cent. In accordance with our strategy, we managed to attract new international tenants like Debenhams from the UK and the Italian Furla.

Last year, we achieved to cut administrative expenses and the efficiency program continues with higher targets for 2013; the cost savings target relating to administrative expenses for 2013 is to save up to EUR 5 million compared to 2012 level.

We successfully refinanced practically all of the loans maturing in 2013, expanded our financing sources to the bond markets and further strengthened our balance sheet in October by a rights issue. After the acquisition of Kista Galleria, the company started planning another rights issue mainly to finance the acquisition as well as to strengthen the balance sheet.

Citycon turns 25 years in 2013. The year will be characterized with strengthening the Citycon quality brand and profile towards shareholders, tenants, customers and all other stakeholders. We believe that the power of the local shopping centre brand should be combined with the strength and knowledge of Citycon as a Nordic industry leader."

Key Events in 2012

Financial position

In May, the company issued a EUR 150 million unsecured domestic bond. The bond has a five-year maturity, maturing on 11 May 2017. It carries a fixed annual interest at the rate of 4.25 per cent.

On 4 September, Citycon signed a EUR 360 million long-term unsecured credit facility agreement with a group of Nordic banks. The facility consists of a bullet term loan of EUR 190 million and a EUR 170 million revolving credit facility. The average loan period is five years. This was used to pay off a EUR 332 syndicated term loan which was maturing in August 2013, in advance, on 30 November.

On 7 September, based on authorisation granted by the AGM of 21 March, the Citycon Board of Directors decided on a EUR 90.7 million share issue based on the shareholders' pre-emptive subscription rights. A total of 49,032,002 new shares were offered for subscription at a price of EUR 1.85 per share. The share subscription period was 17 September–1 October. All the offered shares were subscribed in the share offering. The issued shares represented around 17.6 per cent of all the shares and votes in the company before the issue and around 15.0 per cent after it. The new shares were entered in the Trade Register on 8 October.

During the year, Citycon continued the buyback and cancellation of capital convertible bonds issued on 2 August 2006. At the year-end there were 796 bonds issued under the convertible bonds outstanding, giving the right to subscribe a maximum of 9,827,160 Citycon shares. As a result of the cancellation, the maximum increase in Citycon's share capital on the basis of the convertible bonds decreased to EUR 13,266,666.

Leasing operations

The economic occupancy rate of the shopping centres was 96.8 per cent (97.1%). The economic occupancy rate of the whole property portfolio was 95.7 per cent (95.5%).

In late September, Citycon made a lease agreement with British department store Debenhams. The chain will open its first Estonian store in Citycon's Rocca al Mare in autumn 2013.

Citycon also agreed with Hennes & Mauritz concerning the opening of two stores in Tallinn, in order to launch the chain on the Estonian market. The stores will open at the latest in autumn 2013.

Acquisitions and divestments

On 19 December, Citycon and the Canada Pension Plan Investment Board published an agreement concerning the acquisition of Kista Galleria in Stockholm for approximately SEK 4.6 billion (calculated with the closing date's exchange rate approx. EUR 530 million) from DNB Livsforsikring ASA. Under the terms of the transaction, the shopping centre will be owned 50 per cent by Citycon and 50 per cent by CPPIB. The acquisition was completed on 17 January 2013. Citycon expects a first-year net rental yield of around 5.5 per cent. The shopping centre's gross leasable area is approximately 90,000 sq. m. Of this, approximately 60,000 sq.m consists of commercial property, while the other 30,000 sq.m comprises a hotel, student accommodation, health care facilities and municipal services. The shopping centre has an annual footfall of around 18.1 million and annual sales of around EUR 280 million. This is one of the biggest acquisitions in Citycon's history.

On 1 November, Citycon acquired 30 per cent of shopping centre Stenungstorg located in the Stenungsund municipality north of Gothenburg, Sweden for approximately SEK 126 million (approx. EUR 14.7 million) from KF Fastigheter AB. Citycon acquired the 70 percent share of the shopping centre in 2006 and then KF Fastigheter AB remained as a minority shareholder.

On 2 August, the company sold all the shares in Drabanten bostäder AB in Sweden for approximately SEK 50.0 million (approx. EUR 5.6 million) to Bostadsrättsföreningen Stinsen 107-111. The sold company owns 47 apartments at Tumba Centrum in the municipality of Botkyrka in Sweden, with a total leasable area of around 3,600 sq.m.

On 2 July, Citycon acquired the Citytalo property in Oulu, Finland, for EUR 13.5 million from a local parish union and private owners. The property is situated in the heart of the city, adjacent to shopping centre Galleria, also owned by Citycon. Citytalo has a total leasable area of approximately 2,800 sq.m. The premises are fully leased, with Clas Ohlson, Gina Tricot and DinSko as anchor tenants. The planned extension and redevelopment project of shopping centre Galleria was the main reason for acquiring the Citytalo property.

Also on 2 July, Citycon acquired a further 25 per cent share in shopping centre Strömpilen and of the Länken retail property both located in Umeå, Sweden, for approximately SEK 121 million (approx. EUR 13.8 million) from Balticgruppen AB. Citycon had previously acquired a 75 per cent holding in the property in June 2007, at which time the seller, Balticgruppen AB, stayed on as a minority shareholder with a 25 per cent holding. According to the original agreement, the minority shareholder had the right to sell its share in the property to Citycon within a certain period. The July 2012 deal was based on this right. The sale price was set in the original agreement and was in line with the property's current fair value. After the deal, Citycon owned 100 per cent of shopping centre Strömpilen and the Länken retail property.

On 16 May, Citycon agreed to sell all of its shares in Jakobsberg Bostäder 3 AB in Sweden for approximately SEK 90.0 million (approx. EUR 10.0 million) to Lärjungen Lägenheter 18 AB, which is in turn owned by Akelius Lägenheter AB. The deal was closed on 2 July 2012. The sold company owns 129 apartments at Jakobsberg Centrum in the municipality of Jarfälla in Sweden, with a total leasable area of around 9,800 sq.m. Citycon realised a capital gain of around EUR 2.9 million on this sale.

On 7 June, Citycon signed an agreement to buy shopping centre Albertslund Centrum in Greater Copenhagen, Denmark, from the municipality of Albertslund for DKK 181 million (approx. EUR 24 million). The deal was closed on 2 July. This was the company's first investment in Denmark. At the year-end the shopping centre had a leasable area of approximately 14,700 sq.m. The agreement also entailed the purchase of a grocery store extension by Citycon in 2014, when the project is completed. The extension will increase the leasable area to around 20,000 sq.m. At the time of the transaction, the shopping centre's economic occupancy rate is 97.5 per cent. More information on the acquisition can be found in the stock exchange release dated 7 June 2012.

In April, the company acquired shopping centre Arabia in Helsinki from the Tapiola Group for EUR 19.5 million. Arabia is located some 4 km north-east of the city centre, on a plot owned by the City of Helsinki. The centre's gross leasable area is approximately 14,000 sq.m, of which 12,900 sq.m are retail premises. At the time of the transaction, the shopping centre contained more than 30 shops and had an occupancy rate of 93.0 per cent. More information on the acquisition can be found in the stock exchange release dated 4 April 2012.

Also in April, the company acquired the remaining minority shares in shopping centre Koskikeskus in Tampere, Finland, by buying out 41.7 per cent of the shares in MREC Kiinteistö Oy Tampereen Koskenranta in Tampere, Finland, one of the MREC's of Koskikeskus, for EUR 7.8 million. The seller was one of the property companies involved in Koskikeskus. After the deal, the company owned 100 per cent of the shopping centre, which will facilitated the smooth completion of an on-going redevelopment project.

During the year, the company sold off two non-core properties in Finland and two non-core properties and two residential portfolios in Sweden.

(Re)development Projects

The redevelopment of shopping centre Koskikeskus was the company's biggest on-going project. The estimated gross value of the investment was roughly EUR 37.9 million. The project was completed in time for Christmas sales, with the opening taking place according to plan on 15 December. The shopping centre's gross leasable area after the project is approximately 34,300 sq.m. Koskikeskus remained open throughout the redevelopment.

The renovation of Åkermyntan Centrum in Sweden was delayed due to a delay in negotiations with existing tenants. The project is expected to be finalized in the first half of 2013.

In May, fully let shopping centre Magistral in Tallinn reopened after an eight-month renovation and extension project. The centre's leasable area increased by 2,200 sq.m to 11,700 sq.m.

The final phase of the development of Myllypuron Ostari in Helsinki was completed in May.

Reorganisations and other events

The Baltic Operations unit was renamed the Baltic Countries and New Business unit. In addition to the previous shopping centres in the Baltic region, this unit now encompasses Albertslund Centrum in Denmark.

On 11 July, Marko Juhokas was appointed VP of Finnish Operations and member of the Corporate Management Committee. Juhokas started in his new job on 16 July. Michael Schönach, VP of Finnish Operations and member of the Corporate Management Committee, left the company on 15 May. Nils Styf was appointed Citycon's Chief Investment Officer and a member of the Corporate Management Committee in April, and started in June.

On 12 December, collaborative negotiations were initiated in the Finnish Operations unit for the purpose of agreeing on reorganisation, including possible personnel reductions. In a press release the company estimated a maximum reduction of 14 man-years in Finland, as well as some significant changes in job descriptions or other working conditions. The employee negotiations involved some 60 Finnish Operations employees. They were concluded on 30 January 2013.

On 18 December, the company announced some changes in its management and its cost-saving targets. The new objective for 2013 was a reduction in administrative expenses by around EUR 5 million compared to 2012. Harri Holmström, formerly Senior Vice President, Group Leasing and Baltic Countries and New Businesses, who has been with the company for eight years, was appointed Chief Operating Officer. After Holmström's transfer, the Baltic and Danish operations were led by Mati Pops, Commercial Director Baltic Operations. Marko Juhokas, VP of Finnish Operations, continued in his post but left the Corporate Management Committee with the committee's reorganisation on 18 December.

As of 19 December, the members of the Citycon Corporate Management Committee were: Marcel Kokkeel, CEO, Eero Sihvonen, Executive Vice President and CFO, Anu Tuomola, General Counsel, Harri Holmström, COO, and Nils Styf, CIO.

At its annual conference, the European Public Real Estate Association (EPRA), representing listed real estate companies, acclaimed Citycon's Annual and Sustainability Report 2011 as one of the best in the industry. This was the third consecutive year in which Citycon received the EPRA Gold Award for its financial reporting. The company also won gold in the new Sustainability BPR category.

Citycon adjusted its corporate structure on 1 April. The restructuring entailed Citycon's Finnish real estate operations being transferred to two new holding companies: Citycon Finland Oy and Etelä-Suomen Kauppakiinteistöt Oy. As a consequence, these two holding companies own, manage and maintain Citycon's Finnish properties. The changes had no impact on the group's other operations.

Events after the Financial Year

Citycon and CPPIB signed a property-secured loan worth SEK 2.29 billion (approx. EUR 265 million) to finance a shopping centre investment on 14 January 2013. The loan collateral is the Kista Galleria property. The loan has a five-year maturity and was granted by Skandinaviska Enskilda Banken AB (publ) (acting as transaction coordinator), Swedbank AB and Aareal Bank AG.

The deal made by Citycon Oyj and CPPIB on 19 December concerning the acquisition of Kista Galleria in Stockholm from DNB Livsforsikring ASA for approximately EUR 530 million was closed on 17 January 2013. Under the terms of the transaction, the shopping centre will be owned 50 per cent by Citycon and 50 per cent by CPPIB.

The shareholders of Citycon Oyj were invited to an Extraordinary General Meeting to be held on Wednesday, 6 February 2013 at 2.00 p.m. The Board of Directors proposes that the Extraordinary General Meeting would resolve on authorising the Board of Directors to decide on issuance of new shares for consideration. Citycon decided to begin preparations for a rights issue of a maximum of 125,000,000 new shares pursuant to the shareholders' pre-emptive subscription right. In addition to financing the acquisition of Kista Galleria shopping centre in Stockholm, which was announced on 19 December 2012, the proceeds from the Offering are intended to strengthen the company's balance sheet, finance the Company's strategy and for general corporate purposes.

On 30 January 2013, Citycon announced that the statutory collaborative negotiations in the Finnish Business Unit concerning reorganization of business operations were concluded. As a result of the negotiations, Citycon will reduce a total of 10 employees from its Finnish Business unit. It was estimated when the process started that a maximum of 14 employees would possibly be reduced. A cluster organization model will be taken into use in all of Citycon's operating countries. In the cluster organizational model shopping centres will be combined to form entities which are led by commercial directors.

Future Outlook

Citycon continues to focus on increasing both its net cash flow from operating activities and its direct operating profit. In order to implement this strategy, the company will pursue value-added activities, selective acquisitions and proactive asset management.

The initiation of planned (re)development projects will be carefully evaluated against strict pre-leasing criteria. The company will continue selling off non-core properties to improve its investment portfolio and strengthen its balance sheet, and further refining its properties' sales strategies in order to maximise their value through proactive management and leasing.

In 2013 Citycon expects to continue producing a stable cash flow and to increase its turnover by EUR 5–20 million compared to 2012. It also predicts a growth in EPRA operating profit by EUR 5–20 million based on the current property portfolio (including recent acquisitions and disposals). Citycon expects its EPRA earnings to increase by EUR 15–30 million over the previous year. Based on the existing number of shares the EPRA EPS is expected to be EUR 0.22–0.26. These estimates are based on (re)development projects already completed and to be completed, on the prevailing level of inflation and on the euro-krona exchange rate. Properties taken offline for planned development projects will reduce net rental income during the year.

In the outlook, Citycon has assumed Kista Galleria to be consolidated with the equity method meaning that Citycon's share (50%) out of the net profit of Kista Galleria shopping centre is recorded as share of result in jointly controlled entities in the statement of comprehensive income. In the statement of financial position, Citycon's share of Kista Galleria is reported within the line called Investment in jointly controlled entities.

Business Environment

Generally speaking, 2012 was a year of financial uncertainty, although positive developments were observed in the form of a growth in the retail trade in Citycon's operating markets. Uncertainty increased during the year due to the worsening Eurozone debt crisis.

Retail sales growth and the inflation rate are key drivers for Citycon's business and have a direct impact on rents from business premises. Almost all of the company's leases are tied to the consumer price index. A significant number of leases also feature a turnover-linked component. Consumer prices continued to rise during the year in all of Citycon's operating countries. In December, the annual inflation rate was 2.4 per cent in Finland, -0.1 per cent in Sweden, 3.9 per cent in Estonia and 2.8 per cent in Lithuania.

(Sources: Statistics Finland, Statistics Sweden, Statistics Estonia, Statistic Lithuania)

Consumer confidence in their own financial situation was positive in the Nordic countries, but negative during the whole year in the Baltic region. The economic uncertainty and general weak news affected consumer confidence in each of the Nordic countries, where the positive trend turned in the summer and confidence declined in the final months of the year. In December, consumer confidence was restored in Finland and Denmark to the positive figures of the start of the year, but fell close to zero in Sweden. (Eurostat)

Retail sales growth and the inflation rate are key drivers for Citycon's business, having an impact on rents from business premises. Retail sales grew in both Finland and Sweden. The total retail sales growth rate in 2012 was 4.4 per cent in Finland and 2.3 per cent in Sweden compared to 2011. In January – November 2012 compared to the previous year's corresponding period retail sales grew by 7.0 per cent in Estonia and 4.8 per cent in Lithuania. (Statistics Finland, Statistics Sweden, Statistics Estonia, Statistics Lithuania)

Unemployment adjusted for seasonal variation was below the EU average (10.7%) in Finland, Sweden and Denmark: at the end of December, seasonally adjusted unemployment was 7.7 per cent in Finland, 8.1 per cent in Sweden and 7.9 per cent in Denmark. Unemployment remained high in Estonia and Lithuania but, in contrast to the Nordic region, was falling, being 9.5 per cent in Estonia and 12.5 per cent in Lithuania at the end of October. (Eurostat)

The Europe-wide instability of the financial market continued to affect the availability and cost of funding.

Property market

Demand for investment has remained stable in the Finnish property investment market but the scant supply of prime assets has lim¬ited transactional activities. During 2012 retail investment volume exceeded low levels of 2011 ending up to EUR 400 million. The forecast for 2013 does not indicate any big changes in the market. Shopping centre prime yields have remained stable but the second¬ary yields are facing upward pressure. As a consequence of relatively strong development in retail sales, retail rents have also kept rising, although such increases have been concentrated in the very best locations only.

In Sweden the retail property transaction volume (SEK 13.4 billion) for the year 2012 was clearly lower than in the previous year (SEK 16.1 billion). Investors' interest is strong for retail properties which have a good location, strong tenants and low vacancy rates. However, retail properties which do not meet some or all of these criteria will be more difficult to sell. Prime yields for shopping centres have generally remained stable since mid-2011 but prime yields for retail warehouse parks increased in the last quarter of 2012.

In Estonia retail sales development has been strong which encourages demand for retail space, especially in Tallinn downtown areas and professionally managed modern shopping centres. Vacancy rates in shopping centres are close to zero and rents have increased along with inflation. Also the retail property investment market has picked up and retail yields have dropped below 8 per cent. Also in Lithuania retail investment market is recovering and investor demand is forecasted to decrease yield requirements. (Source: Jones Lang LaSalle Finland Oy)

Tenants' sales and footfall in Citycon's shopping centres

During the year, total sales in Citycon's shopping centres grew by 6 per cent and the footfall increased by 3 per cent year on year. There was sales growth in all of the company's countries of operation: 5 per cent in Finland, 5 per cent in Sweden and 14 per cent in the Baltic Countries and New Business. Footfall increased by 2 per cent in Finland, 6 per cent in Sweden and 6 per cent in the Baltic Countries and New Business. Positive developments in sales and footfall are mainly attributable to (re)development projects completed during recent years. Like-for-like shopping centre sales grew by 4 per cent and footfall by 2 per cent. There are estimates included in the sales and footfall figures.

Short-Term Risks and Uncertainties

Citycon's Board of Directors considers the company's major short-term risks and uncertainties to be associated with economic development in the company's operating regions, which affects demand, vacancy rates and market rents in retail premises. In addition, key near-term risks include rising financial expenses due to higher loan margins, reduced availability of debt financing and the fair value development of properties in uncertain economic conditions.

Although the financial crisis' effects on both rent levels for retail premises and occupancy rates have so far been minor in Citycon's operating areas, demand for retail premises, reduction of vacancy rates and lower market rent levels pose challenges in a sluggish economic environment. Economic trends, particularly those impacting consumer confidence and behaviour, inevitably affect demand for retail premises. The instability of the Eurozone has continued in 2012, which has made forecasting financial growth difficult. Risks to economic growth are still present and in conditions of weak economic growth, rental levels of retail premises typically fall, leasing of new premises is more difficult, and vacancy rates rise.

Implementation of Citycon's growth strategy requires new financing, which means that risks associated with the availability and cost of financing are of fundamental importance to the company. The Nordic banks' willingness to lend money to real estate companies continues to be moderate, so the availability of financing is limited and loan margins have remained at a high level. In the future, tightening regulation of the banking and insurance sectors (Basel III and Solvency II regulations) is likely to support the elevated costs of debt financing, and to limit the availability of long-term bank loans. This will probably raise the cost of Citycon's new loan financing. So far this change in margins has been mitigated by reduced underlying base rates and Citycon's active financing policy. Over the next few years, Citycon will have to refinance loan agreements that were signed at low margins before the financial crisis, and consequently, the margins on these loans will rise which will push Citycon's average interest rate upwards in the future. The EUR 360 million credit facility agreement signed with Nordic banks in September decreased the refinancing risk for 2013 considerably. The facility enables the refinancing of the material bank loans due in 2012 and 2013.

The company is actively seeking to diversify its funding sources, as demonstrated by the EUR 150 million domestic bond issue in May, in order to mitigate the risks related to bank financing, but there are no guarantees that such alternative funding sources would be available in the future at cost efficient prices.

The fair value development of investment properties continues to be characterised by high uncertainty caused by the harsh economic conditions. Several factors affect the fair value of the investment properties owned by Citycon, such as general and local economic development, interest rate levels, foreseeable inflation, the market rent trend, vacancy rates, property investors' yield requirements and the competitive environment. This uncertainty is reflected most strongly on retail properties that are located outside major cities, or which are otherwise less attractive, because investor demand is currently not focused on these properties, and banks are not particularly keen to offer financing for such projects. Yet, at the same time, the fair value of the best shopping centres, which attract investor interest in uncertain conditions, remained stable or even increased during 2012.

The company's short-term risks and uncertainties, as well as its risk management and risk management principles, are discussed in more depth at www.citycon.com/riskmanagement, on pages 43-46 of the Financial Statements for 2012, and on pages 50-51 of the upcoming Annual Report for 2012.

Property Portfolio

Citycon's strategy is to focus on high-quality shopping centres in the Nordic and Baltic regions. The company looks for growth through new shopping centre acquisitions and the redevelopment and expansion of existing shopping centres.

At the year-end, the fair value of the company's entire property portfolio was EUR 2,714.2 million (EUR 2,522.1 million), comprising 37 (36) shopping centres and 41 (44) other properties. Of the shopping centres, 23 (23) were in Finland, nine (9) in Sweden, three (3) in Estonia, one (1) in Lithuania and one (0) in Denmark.

Citycon's reported gross capital expenditure (including acquisitions) during the year totalled EUR 161.7 million (EUR 216.7 million). Of this figure, new property acquisitions accounted for EUR 58.8 million (EUR 138.9 million), agreed purchase price adjustments related to property acquisitions concluded earlier accounted for EUR 0.0 million (EUR 1.1 million), acquisitions of jointly controlled entities for EUR 0.0 million (EUR 0.3 million), property development for EUR 101.6 million (EUR 75.0 million) and other investments EUR 1.4 million (EUR 1.4 million).

Capital expenditure during the period totalled EUR 119.9 million (EUR 62.5 million) in Finland, EUR 18.1 million (EUR 45.5 million) in Sweden and EUR 23.0 million (EUR 108.1 million) in the Baltic countries and Denmark. The company's headquarters accounted for EUR 0.7 million (EUR 0.6 million) of capital expenditure. The company made divestments totalling EUR 26.4 million (EUR 18.1 million), from which a total of EUR 4.2 million (EUR 0.3 million) was recorded as capital gains (including taxes).

Acquisitions

During the period under review, Citycon acquired

- Shopping centre Arabia in Helsinki for EUR 19.5 million in April.
- 41.7 per cent of shares in Kiinteistö Oy Tampereen Koskenranta in Tampere, Finland, for EUR 7.8 million in April.
- Citytalo property in Oulu, Finland, for EUR 13.5 million from a local parish union and private owners in July.
- 25 per cent of shares in shopping centre Strömpilen in Umeå, Sweden, and of the Länken retail property owned by Strömpilen, for around SEK 121 million (approx. EUR 13.8 million) from Balticgruppen AB in July.
- Shopping centre Albertslund Centrum in Greater Copenhagen, Denmark, from the municipality of Albertslund for DKK 181 million (approx. EUR 24 million) in July, entailing entry into a new market.
- 30 per cent of shopping centre Stenungstorg located in the Stenungsund municipality north of Gothenburg, Sweden for approximately SEK 126 million (approx. EUR 14.7 million) from KF Fastigheter AB.
- Agreement to acquire Kista Galleria in Stockholm together with CPPIB for around EUR 530 million (approx. SEK 4.6 billion). The deal was closed on 17 January 2013 and thus did not affect figures for 2012.

Through these acquisitions, the company increased its leasable area by a total of 35,900 sq.m.

Divestments

During the period under review

- Sale of retail property Landvetter in Härryda municipality near Gothenburg, Sweden, for approximately SEK 50.5 million (approx. EUR 5.5 million) in January.
- Sale of retail property Floda near Gothenburg, Sweden, for approximately SEK 84.2 million (approx. EUR 9.4 million) in March.
- Sale of shopping centre Valtari in Kouvola, Finland, for EUR 1.3 million in March.
- Sale of all the shares in Jakobsberg Bostäder 3 AB in Sweden for approximately SEK 90.0 million (approx. EUR 10.0 million) to Lärjungen Lägenheter 18 AB (owned by Akelius Lägenheter AB) in May.
- Sale of 31.3 per cent holding in Kiinteistö Oy Valtakatu 5-7 property company in Valkeakoski, Finland, for EUR 0.1 million in June.
- Sale of all the shares in Drabanten bostäder AB property company in Sweden for approximately SEK 50.0 million (approx. EUR 5.6 million) to Bostadsrättsföreningen Stinsen 107-111 in August.

Through these divestments, the company decreased its leasable area by a total of 38,650 sq. m. Since publishing its updated strategy in July 2011, the company has divested itself of eight non-core properties for a total value of around EUR 38 million.

(Re)development projects

Citycon is pursuing a long-term increase in the footfall, cash flow and efficiency of its retail properties, as well as in the return on its investment in the properties. The purpose of the company's development activities is to keep its shopping centres competitive for both customers and tenants. In the short term,

(RE)DEVELOPMENT PROJECTS COMPLETED IN 2011 AND 2012 AND IN PROGRESS ON 31 DECEMBER 2012 [1)]

	Location	Project area before, sq.m.	Project area after, sq.m.	Estimated total project investment (EUR million)	Actual gross capital investments by 31 December 2012 (EUR million)	Completion
Åkermyntan	Stockholm, Sweden	8,500	10,100	6.9	6.7	Q2/2013
Koskikeskus	Tampere, Finland	27,700	28,600	37.9	40.5	completed 2012
Iso Omena	Espoo, Finland	60,600	63,000	7.6	7.5	completed 2012
Myllypuro	Helsinki, Finland	7,700	7,300	21.3	21.3 [2)]	completed 2012
Magistral	Tallinn, Estonia	9,500	11,900	7.0	7.0	completed 2012
Åkersberga Centrum	Österåker, Sweden	20,000	27,500	53.2	53.2	completed 2011
Martinlaakso	Vantaa, Finland	3,800	7,400	22.9	24.4 [3)]	completed 2011
Hansa (Trio)	Lahti, Finland	11,000	11,000	8.0	7.0	completed 2011
Myyrmanni	Vantaa, Finland	8,400	8,400	6.5	6.5	completed 2011
Kirkkonummen Liikekeskus	Kirkkonummi, Finland	5,000	4,000	4.0	3.7	completed 2011

1) Calculated at the end of period exchange rates.
2) The compensation of EUR 5.9 million and its tax impact received from the City of Helsinki has been deducted from the actual gross investments.
3) The estimated investment in the Martinlaakso development project was exceeded by EUR 1.5 million due to larger than planned commercial look and tenant fitout works.

redevelopment projects weaken returns from some properties, as some retail premises may have to be temporarily vacated for refurbishment, affecting rental income. Citycon aims to complete its construction projects in phases in order to secure continuous cash flow.

At the year-end, the company had one redevelopment project under way at Åkermyntan Centrum in Stockholm. The project was delayed due to some delays in negotiations with existing tenants and the project is expected to be finalized in the first half of 2013.

During the year, the redevelopment of Koskikeskus in Tampere, the roof top expansion of Iso Omena in Espoo, the renovation of Magistral in Tallinn and the development of Myllypuro in Helsinki were completed, all within the planned schedule. No new (re)development projects were started during the period.

The enclosed table lists the most significant (re)development projects in progress at the year end and completed in 2011 and 2012. Further information on completed and planned development projects can be found on the company's website and in the upcoming Annual Report for 2012.

Changes in the Group structure during 2012 are presented on page 51 of the Financial Statements.

Financial Performance

The figures presented below are for the period January–December 2012 and the figures in brackets are the reference figures for 2011, unless otherwise indicated.

Turnover

The company's turnover consists mainly of rental income from retail properties, and utility and service charge income. Turnover came to EUR 239.2 million (EUR 217.1 million). Turnover grew by EUR 22.2 million, or 10.2 per cent. Completed or partly completed redevelopment projects, such as Martinlaakson Ostari, Koskikeskus, Myllypuron Ostari, Myyrmanni, Åkersberga Centrum and Magistral, accounted for EUR 8.3 million of turnover growth, and acquisitions accounted for EUR 11.1 million. Divestments decreased turnover by EUR 4.6 million (see divestments in 2012 under paragraph Property Portfolio; sales of apartments in Sweden in 2011 are included in the reference period's divestment portfolio). Like-for-like properties contributed to turnover growth by EUR 5.3 million. (Also see the table Net Rental Income and Turnover by Segment and Property Portfolio.)

Turnover from like-for-like properties increased thanks to indexations and higher rental levels in shopping centres. Temporary rental rebates of like-for-like properties decreased to EUR 1.5 million (EUR 1.9 million).

At the year-end, Citycon had a total of 3,846 (3,955) leases. The leasable area increased by 0.6 per cent to 1.000,270 square metres. Increase in the leasable area is due to acquisitions and completion of re-development projects offset by divested non-core properties. The average remaining length of the lease portfolio was 3.5 (3.4) years. The average rent increased from EUR

LEASE PORTFOLIO SUMMARY

	Q4/2012	Q4/2011	Q3/2012	2012	2011	Change-%
Number of properties			78	78	80	-2.5%
Gross leasable area, sq.m.			998,170	1,000,270	994,730	0.6%
Annualised potential rental value, EUR million [1)]			243.1	245.9	228.5	7.6%
Average rent (EUR/sq.m.)			20.8	20.7	19.7	5.1%
Number of leases started during the period	195	228	140	792	782	1.3%
Total area of leases started, sq.m. [2)]	40,257	49,370	23,685	141,167	177,006	-20.2%
Average rent of leases started (EUR/sq.m.) [2)]	22.0	19.8	22.5	20.5	19.7	4.1%
Number of leases ended during the period	153	284	328	1,064	877	21.3%
Total area of leases ended, sq.m. [2)]	29,728	53,143	34,366	149,972	186,120	-19.4%
Average rent of leases ended (EUR/sq.m.) [2)]	24.6	17.2	16.8	18.6	18.1	2.8%
Occupancy rate at end of the period (economic), %			95.4	95.7	95.5	-
Average remaining length of lease portfolio at the end of the period, year			3.4	3.5	3.4	2.9%
Net rental yield, % [3)]			6.3	6.4	6.0	-
Net rental yield, like-for-like properties, %			6.3	6.4	6.1	-

1) Annualised potential rental value for the portfolio includes annualised gross rent based on valid rent roll at the end of the period, market rent of vacant premises and rental income from turnover based contracts (estimate) and possible other rental income.
2) Leases started and ended don't necessarily refer to the same premises.
3) Includes the lots for development projects.

19.7/sq.m. to EUR 20.7/sq.m. thanks to redevelopment projects and divestments as well as index increments. Economic occupancy rate was 95.7 per cent (95.5%). During the preceding twelve months, the rolling twelve-month occupancy cost ratio for like-for-like shopping centre properties was 8.9 per cent.

Property operating expenses

Property operating expenses consist of maintenance costs relating to real estate properties, such as electricity, heating, cleaning and repairs. Property operating expenses rose by EUR 4.2 million, i.e. 5.9 per cent from EUR 71.6 million to EUR 75.8 million. Completed (re)development projects and acquisitions increased property operating expenses, while divestments decreased them. Like-for-like property operating expenses increased only by EUR 0.1 million. Increase was hindered by lower repair and energy costs. Winter in 2012 was milder than in 2011, except for February and December and summer in 2012 was cooler than in 2011. The consumption of energy has decreased also due to Citycon's internal cost efficiency programme.

Other expenses from leasing operations

Other expenses from leasing operations, consisting of tenant improvements and credit losses, totalled EUR 1.4 million (EUR 1.2 million). This increase in expenses was mainly due to higher credit losses in Swedish operations.

Net rental income

Citycon's net rental income was EUR 162.0 million (EUR 144.3 million). Net rental income increased by EUR 17.7 million or 12.3 per cent. Redevelopment projects such as Martinlaakson Ostari, Koskikeskus, Myllypuron Ostari, Myyrmanni, Åkersberga Centrum and Magistral increased net rental income by EUR 5.8 million, while the acquisitions of the Kristiine, Högdalen Centrum, Arabia and Albertslund shopping centres increased net rental income by EUR 7.5 million. Divestments reduced net rental income by EUR 2.3 million. Like-for-like net rental income grew by EUR 5.5 million, or 4.9 per cent, mainly thanks to a clear increase in net rental income from shopping centres, up 6.0 per cent offset by a net rental decrease from supermarkets and shops by 0.6 per cent. The positive net rental income development in the shopping centres was mainly due to positive performance in Liljeholmstorget Galleria, Rocca al Mare, Iso Omena and Jakobsberg Centrum. The negative net rental income development in the like-for-like portfolio of supermarkets and shops was mainly due to two supermarkets and shop properties in Finland and one in Sweden.

The net rental yield of Citycon's property portfolio was 6.4 per cent (6.0%) and improved in all countries of operation due to increased net rental income.

The following table presents like-for-like net rental income growth by segment. Like-for-like properties are properties held by Citycon throughout two full preceding periods, excluding properties under redevelopment or extension and undeveloped lots. 61.8 per cent of like-for-like properties are located in Finland, measured in terms of net rental income.

NET RENTAL INCOME AND TURNOVER BY SEGMENT AND PROPERTY PORTFOLIO

Net rental income by segments and portfolios						Turnover by portfolios
EUR million	Finland	Sweden	Baltic Countries and New Business	Other	Total	Citycon total
2010	**86.7**	**28.7**	**11.8**	**0.0**	**127.2**	**195.9**
Acquisitions	0.1	0.8	6.0	-	7.0	10.3
(Re)development projects	4.2	1.4	-0.3	-	5.3	6.5
Divestments	0.1	-0.9	-	-	-0.8	-1.8
Like-for-like properties	-0.7	3.8	0.9	-	4.0	3.2
Other (incl. exchange rate diff.)	-0.1	1.6	0.1	0.0	1.6	3.0
2011	**90.5**	**35.4**	**18.4**	**0.0**	**144.3**	**217.1**
Acquisitions	1.5	1.4	4.6	-	7.5	11.1
(Re)developments projects	4.6	0.6	0.6	-	5.8	8.3
Divestments	-0.5	-1.7	-	-	-2.3	-4.6
Like-for-like properties	2.2	2.3	1.1	-	5.5	5.3
Other (incl. exchange rate diff.)	0.0	1.2	-0.1	0.0	1.1	1.8
2012	**98.2**	**39.2**	**24.6**	**0.0**	**162.0**	**239.2**

Administrative expenses

Administrative expenses totalled EUR 26.5 million (EUR 27.7 million). This represented a decrease of EUR 1.2 million, or 4.3 per cent, mainly due to savings in marketing expenses and other administrative items (EUR 0.8 million) as well as lower restructuring costs (EUR 0.4 million). Administrative expenses in the fourth quarter in 2012 were EUR 2.5 million higher than in the third quarter in 2012, mainly due to higher restructuring costs.

At the end of December, Citycon Group employed a total of 129 (136) persons, of whom 86 (90) worked in Finland, 32 (35) in Sweden, 12 (10) in the Baltic countries and 1 (1) in the Netherlands.

Citycon Group paid a total of EUR 11.6 million (EUR 11.2 million) in salaries and other remuneration, of which the share of the Group's managing directors' salaries and other remuneration was EUR 1.0 million (EUR 0.5 million) and the share of the Board of Directors EUR 0.7 million (EUR 0.7 million). The parent company paid a total of EUR 5.8 million (EUR 10.0 million) in salaries and other remuneration, of which the share of the CEO's salary and remuneration was EUR 1.0 million (EUR 0.5 million) and the share of the Board of Directors EUR 0.7 million (EUR 0.7 million).

THREE-YEAR KEY FIGURES – PERSONNEL

	2012	2011	2010
Average number of personnel	132	131	123
Salaries and other remuneration, EUR million	11.6	11.2	8.7

Net fair value gains on investment properties

Net fair value gains on investment properties totalled EUR 23.6 million (losses of EUR -35.3 million). The fair value gain of the shopping centres amounted to EUR 35.0 million offset by a fair value loss of EUR 11.5 million in the supermarket and shop properties. The fair value loss in supermarkets and shops was mainly due to somewhat lower market rent estimates. The company recorded a total value increase of EUR 54.4 million (EUR 39.8 million) and a total value decrease of EUR 30.8 million (EUR 75.1 million). On 31 December 2012, the average net yield requirement defined by Jones Lang LaSalle Finland Oy for Citycon's entire property portfolio was 6.3 per cent (30 September 2012: 6.3%). The net yield requirement for properties in Finland, Sweden and the Baltic countries and New Business was 6.2 per cent, 6.0 per cent and 7.7 per cent, respectively.

The average market rent used for the valuation rose to EUR 25.1/sq.m. up from EUR 23.8/sq.m. Jones Lang LaSalle Finland Oy's Valuation Statement for the year-end can be found on the corporate website at www.citycon.com/valuation.

Net gains on sale of investment properties

Net gains on the sale of investment properties totalled EUR 4.2 million (EUR 0.3 million) (cf. Property Portfolio).

Operating profit

Operating profit came to EUR 163.4 million (EUR 81.8 million), seeing growth thanks to increased net rental income, positive fair value changes and higher gains on sale of investment properties.

Net financial expenses

Net financial expenses increased by EUR 5.7 million to EUR 68.1 million (EUR 62.4 million). This increase was mainly attributable to increased interest expenses as a result of higher interest-bearing debt on average during the year, higher loan interest margins and a stronger SEK. In addition there was one-off book losses arising from convertible bond buy-backs, and write downs of arrangement fees related to debt refinancing. The year-to-date weighted average interest rate for interest-bearing debt increased compared to the previous year, being 4.07 per cent (4.03 %), due to a rise in credit margins as a consequence of refinancing activites. At the year-end, the weighted average interest rate, including interest rate swaps, increased to 4.25 per cent (4.07%) as a result of higher credit margins.

Share of profit of jointly controlled entities

The share of profit of jointly controlled entities totalled EUR 0.2 million (EUR 0.3 million) and represents Citycon's share of the profit of Espagalleria Oy.

Income taxes

Income tax expenses for the year amounted to EUR 7.8 million (benefit of EUR 1.6 million). The increase in income tax expenses was primarily due to deferred tax expenses of EUR 6.4 million resulting from fair value gains on investment properties in 2012 compared to deferred tax income of EUR 2.5 million resulting from fair value losses on investment properties in the corresponding period of 2011. Current tax for the period was EUR 1.4 million (EUR 0.9 million).

Profit for the period

Profit for the period came to EUR 87.7 million (EUR 21.3 million). This increase was mainly due to the higher operating profit resulting from higher net rental income and positive fair value changes offset by higher financial expenses.

Statement of Financial Position and Financing

Investment properties

At the year-end, the fair value of the company's property portfolio totalled EUR 2,714.2 million (EUR 2,522.1 million), with Finnish properties accounting for 61.1 per cent (61.4%), Swedish properties for 27.2 per cent (27.6%) and Baltic and New Business properties for 11.6 per cent (11.0%).

The fair value of investment properties increased by EUR 192.1 million from the end of 2011 (31 December 2011: EUR 2,522.1 million) because of gross capital expenditure of EUR 160.3 million, offset by divestments totalling EUR 1.4 million (see Property Portfolio) and by EUR 17.2 million due to the transfer of certain residential units in the Swedish shopping centres, which were disposed during Q3/2012, and some supermarkets and shops in Finland into the Investment Property Held for Sale -category. In addition, net fair value gains on investment properties increased the value of investment properties by EUR 23.6 million (see detailed analysis under Financial Performance: Net fair value gains on investment properties). The strengthening of the Swedish krona increased the fair value of investment properties by EUR 26.8 million.

Shareholders' equity

Shareholders' equity attributable to the parent company's shareholders was EUR 1,015.7 million (EUR 902.6 million). This figure increased by EUR 113.1 million due mainly to the rights issue of EUR 89.9 million executed in October 2012 and due to the profit of EUR 77.2 million due to for the reporting period attributable to parent company shareholders. On the other hand, dividend payments and equity returns as well as negative fair value change in interest derivative contracts decreased shareholders' equity. Citycon applies hedge accounting, which means that fair value changes of applicable interest derivatives are recorded under Other Items of Comprehensive Income, which affects shareholders' equity. A loss on the fair value of interest derivatives of EUR 14.1 million was recorded for the period, taking into account their tax effect (a loss of EUR 26.8 million).

Due to the aforementioned items and higher number of shares resulting from the rights issue, equity per share decreased to EUR 3.11 (Q4/2011: EUR 3.25). The equity ratio increased to 37.8 per cent (Q4/2011: 36.0). The company's equity ratio, as defined in the loan agreement covenants, increased to 40.5 per cent (Q3/2012: 37.2%) following the rights issue.

Details of the company's share capital, number of shares and related matters can be found in the Financial Statements in section Shareholders and Shares.

Loans

Liabilities totalled EUR 1,758.6 million (EUR 1,715.9 million), with short-term liabilities accounting for EUR 209.7 million (EUR 262.2 million). At the year-end, Citycon's liquidity was EUR 268.4 million, of which EUR 217.4 million consisted of undrawn, committed credit facilities and EUR 51.0 million of cash and cash equivalents. At the year-end, Citycon's liquidity, excluding commercial papers, stood at EUR 235.9 million (EUR 492.5 million on 30 September 2012). The liquidity as well as the short term debt decreased notably during the last quarter as a consequence of the agreed repayments of refinanced debt.

Interest-bearing debt decreased year on year by EUR 14.9 million to EUR 1,533.0 million (EUR 1,547.9 million). The fair value of interest-bearing debt was EUR 1,538.8 million (EUR 1,554.8 million) at the year- end. Cash and cash equivalents totalled EUR 51.0 million (EUR 91.3 million), making the fair value of interest-bearing net debt EUR 1,487.8 million (EUR 1,463.5 million). The average loan maturity, weighted according to the principal amount of the loans, was 3.2 years (2.9 years). This increase is caused by the early refinancing in November 2012 of the loans maturing in August 2013. The duration of the new loans were on average 5 years. The average interest-rate fixing period decreased to 3.5 years (3.6 years).

The interest coverage ratio remained at 2.1 (Q3/2012: 2.1).

Fixed-rate debt accounted for 89.2 per cent (81.3 %) of the year-end interest-bearing debt, interest-rate swaps included. The hedge ratio increased because Citycon issued a fixed-rate bond in May 2012. The debt portfolio's hedging ratio was in line with the company's financing policy.

The company issued a EUR 150 million senior unsecured domestic bond on 4 May. The five-year bond matures on 11 May 2017. The bond carries fixed annual interest at the rate of 4.25 per cent, payable annually on 11 May, and is listed on the NASDAQ OMX Helsinki. The bonds were allocated to approximately 40 investors and the bond offering was oversubscribed. The proceeds from the bond issue were used to repay existing loans and to cover the company's general financing needs.

Citycon Oyj signed a EUR 360 million long-term unsecured credit facility agreement with a Nordic bank group on 4 September. The facility consists of bullet term loan of EUR 190 million and a EUR 170 million revolving credit facility. The loan period is on average five years. Following this transaction practically all material bank loans due 2013 have been refinanced and Citycon's average debt maturity is extended.

During 2012, Citycon has repurchased convertible capital bonds issued on 2 August 2006 with face value of EUR 31.5 million corresponding to 29 per cent of the aggregate amount of the Convertible Bonds maturing in 2013. The weighted average repurchase price was 100.3 per cent of the face value of the bonds.

These repurchased bonds have been cancelled. Following the cancellations, the number of shares available for subscription under the convertible bonds decreased to 9, 827,160 shares and the maximum increase allowed in Citycon's share capital decreased to EUR 13,266,666. Due to the rights offering pursuant to the pre-emptive subscription right of shareholders, Citycon's Board of Directors has on 7 September 2012 decided to adjust the conversion price of the convertible bonds from EUR 4.20 to EUR 4.05. The new conversion price has been effective as from 5 October 2012.

Including the buybacks during 2008–2010, Citycon has repurchased a total principal amount of EUR 70.2 million of the convertible bonds, corresponding to approximately 64 per cent of the aggregate amount of the convertible bonds. The face value of the convertible bonds, originally EUR 110 million, totalled EUR 39.8 million at the end of the year.

On 7 September 2012, the Citycon's Board of Directors decided issue a maximum of 49,032,002 new shares on a share issue, worth approximately EUR 90.7 million, based on an authorisation granted by the AGM on 21 March 2012. The offered shares represented around 17.6 per cent of the total shares and voting rights in the company prior to the offering, and around 15.0 per cent following the offering. The share subscription period was 17 September – 1 October 2012 and all the offered shares were subscribed in the share issue. The new shares were entered in the Finnish Trade Register on 8 October 2012. More detailed information on the rights issue can be found in Citycon's stock exchange releases, published in September and October 2012.

Cash Flow Statement

Net cash from operating activities

Net cash from operating activities totalled EUR 61.5 million (EUR 66.3 million). This decrease was primarily due to higher realized exchange rate losses and higher taxes paid as the company received tax return amounting to EUR 7.2 million in 2011.

Net cash used in investing activities

Net cash used in investing activities totalled EUR 104.9 million (EUR 203.3 million). Acquisition of subsidiaries and investment properties amounted to EUR 42.1 million (EUR 139.2 million). Capital expenditure related to investment properties, shares in jointly controlled entities and tangible and intangible assets totalled EUR 93.9 million (EUR 82.4 million). Negative cash flow from investing activities was reduced by sales of investment properties totalling EUR 31.1 million (EUR 18.3 million).

Net cash from financing activities

Net cash from financing activities totalled EUR 2.3 million (EUR 208.5 million). This consisted of the rights issue, normal loan repayments and new loan withdrawals and dividend and equity return payments.

Legal proceedings

In 2011, SRV Construction Ltd initiated arbitration proceedings against Citycon's subsidiary, MREC Espoontori related to Espoontori shopping centre's completed redevelopment project. The dispute's monetary value is approximately EUR 4.7 million including VAT. Citycon does not expect SRV's claim to have significant impact on the company's financial position or results.

Additional claims have been submitted to the company relating to Citycon's business operations which may possibly lead to legal proceedings. In the company's view, it is improbable that the aforementioned claims or associated liabilities will have a significant impact on the company's financial position or financial results.

Financial Performance of the Business Units

Citycon's business operations are divided into three business units: Finland, Sweden as well as Baltic Countries and New Business.

Finland

Citycon is a market leader in the Finnish shopping centre business. At period-end, the company owned 23 shopping centres and 36 other properties in Finland, with a total leasable area of 595,670 sq. m (577,630 sq. m.). The leasable area increased due to acquisitions and completed redevelopment

KEY FIGURES, FINLAND

	Q4/2012	Q4/2011	Q3/2012	2012	2011	Change-%
Number of properties			59	59	60	-1.7 %
Gross leasable area, sq.m.			594,170	595,670	577,630	3.1 %
Annualised potential rental value, EUR million 1)			148.8	150.6	139.3	8.1 %
Average rent (EUR/sq.m.)			21.6	21.4	21.0	1.9 %
Number of leases started during the period	131	130	107	453	470	-3.6 %
Total area of leases started, sq.m. 2)	25,402	39,033	20,438	89,689	137,118	-34.6 %
Average rent of leases started (EUR/sq.m.) 2)	23.1	18.9	22.5	21.7	20.2	7.4 %
Number of leases ended during the period	80	139	98	444	477	-6.9 %
Total area of leases ended, sq.m 2)	15,324	39,227	15,450	79,049	138,435	-42.9 %
Average rent of leases ended (EUR/sq.m.) 2)	28.4	17.1	22.5	21.9	19.4	12.9 %
Occupancy rate at end of the period (economic), %			94.8	95.3	94.1	-
Average remaining length of lease portfolio at the end of the period, year			3.6	3.7	3.5	5.7 %
Gross rental income, EUR million	35.5	32.2	34.5	137.0	127.3	7.6 %
Turnover, EUR million	37.3	33.5	36.1	143.2	132.5	8.1 %
Net rental income, EUR million	25.7	23.2	25.2	98.2	90.5	8.5 %
Net rental yield, % 3)			6.2	6.3	6.0	-
Net rental yield, like-for-like properties, %			6.4	6.5	6.2	-
Fair value of investment properties, EUR million			1,640.9	1,659.0	1,547.4	7.2 %

1) Annualised potential rental value for the portfolio includes annualised gross rent based on valid rent roll at the end of the period, market rent of vacant premises and rental income from turnover based contracts (estimate) and possible other rental income.
2) Leases started and ended don't necessarily refer to the same premises.
3) Includes the lots for development projects.

projects (cf. Property Portfolio). The annualised potential rental value increased to EUR 150.6 million, mainly due to acquisitions and completed redevelopment projects.

Lease agreements started during the year applied to a GLA of 89,689 square metres (137,118 sq.m.) and ended lease agreements applied to 79,049 square metres (138 435 sq.m.). The average rent for the new lease agreements was slightly lower than the average rent for the ended lease agreements due to a couple of large lease agreements which started in the fourth quarter in supermarket and shop properties. The average rent rose from EUR 21.0/sq. m. to EUR 21.4/sq. m., mainly thanks to divestments, completed redevelopment projects and index increments. The economic occupancy rate increased to 95.3 per cent (94.1%). In shopping centres, the economic occupancy rate was 96.4 per cent and the average rent was EUR 24.8/sq. m.

Citycon's net rental income from Finnish operations during the year totalled EUR 98.2 million (EUR 90.5 million). Net rental income grew by EUR 7.7 million, or 8.5 per cent, thanks to the EUR 6.1 million effect of completed redevelopment projects such as Martinlaakson Ostari, Koskikeskus, Myllypuron Ostari, Myyrmanni, and acquisition of Arabia. Net rental income for like-for-like properties in Finland increased by EUR 2.2 million, or 3.1 per cent, mainly due to good performance in the shopping centres. The business unit accounted for 60.6 per cent (62.7%) of Citycon's total net rental income. Net rental yield was 6.3 per cent (6.0%).

Sweden

At the end of the year, the company had nine shopping centres and five other retail properties in Sweden, with a total leasable area of 274,300 square metres (303,700 sq. m.). These properties are located in the Greater Stockholm and Gothenburg Areas and in Umeå. The leasable area decreased due to the divestment of residential units and two supermarket properties. The annualised potential rental value increased to EUR 63.4 million, due to strengthened Swedish krona.

Lease agreements started during the year applied to a GLA of 33,464 square metres (37,006 sq.m.) and ended lease agreements applied to 64,629 square metres (35,816 sq.m.). The average

KEY FIGURES, SWEDEN

	Q4/2012	Q4/2011	Q3/2012	2012	2011	Change-%
Number of properties			14	14	16	-12.5%
Gross leasable area, sq.m.			273,700	274,300	303,700	-9.7%
Annualised potential rental value, EUR million 1)			63.1	63.4	62.7	1.1%
Average rent (EUR/sq.m.)			19.3	19.3	17.2	12.2%
Number of leases started during the period	54	91	26	231	276	-16.3%
Total area of leases started, sq.m. 2)	14,218	9,719	2,312	33,464	37,006	-9.6%
Average rent of leases started (EUR/sq.m.) 2)	19.9	23.6	22.4	19.4	18.2	6.6%
Number of leases ended during the period	64	139	219	575	311	84.9%
Total area of leases ended, sq.m. 2)	13,776	13,560	17,980	64,629	35,816	80.4%
Average rent of leases ended (EUR/sq.m.) 2)	20.5	17.1	11.4	14.1	14.8	-4.7%
Occupancy rate at end of the period (economic), %			94.8	94.7	97.0	-
Average remaining length of lease portfolio at the end of the period, year			2.9	3.0	2.9	3.4%
Gross rental income, EUR million	15.3	14.6	15.3	60.3	57.4	5.1%
Turnover, EUR million	16.0	15.4	15.9	63.1	60.1	5.0%
Net rental income, EUR million	10.0	8.6	10.6	39.2	35.4	10.8%
Net rental yield, % 3)			5.5	5.6	5.4	-
Net rental yield, like-for-like properties, %			5.6	5.7	5.5	-
Fair value of investment properties, EUR million			743.2	739.2	697.1	6.0%

1) Annualised potential rental value for the portfolio includes annualised gross rent based on valid rent roll at the end of the period, market rent of vacant premises and rental income from turnover based contracts (estimate) and possible other rental income.
2) Leases started and ended don't necessarily refer to the same premises.
3) Includes the lots for development projects.

KEY FIGURES, BALTIC COUNTRIES AND NEW BUSINESS

	Q4/2012	Q4/2011	Q3/2012	2012	2011	Change-%
Number of properties			5	5	4	25.0%
Gross leasable area, sq.m.			130,300	130,300	113,400	14.9%
Annualised potential rental value, EUR million 1)			31.2	31.9	26.5	20.4%
Average rent (EUR/sq.m.)			20.0	20.5	20.2	1.5%
Number of leases started during the period	10	7	7	108	36	200.0%
Total area of leases started, sq.m. 2)	637	618	935	18,014	2,882	525.1%
Average rent of leases started (EUR/sq.m.) 2)	24.8	16.5	23.2	16.5	18.8	-12.2%
Number of leases ended during the period	9	6	11	45	89	-49.4%
Total area of leases ended, sq.m. 2)	628	356	935	6,294	11,869	-47.0%
Average rent of leases ended (EUR/sq.m.) 2)	20.2	29.3	27.8	23.3	14.0	66.4%
Occupancy rate at end of the period (economic), %			99.5	99.6	100.0	-
Average remaining length of lease portfolio at the end of the period, year			3.8	3.7	4.2	-11.9%
Gross rental income, EUR million	7.7	6.2	7.8	28.6	21.2	34.8%
Turnover, EUR million	8.8	7.1	8.9	32.8	24.5	34.1%
Net rental income, EUR million	6.5	5.5	6.7	24.6	18.4	33.6%
Net rental yield, % 3)			8.5	8.6	7.9	-
Net rental yield, like-for-like properties, %			8.3	8.3	7.8	-
Fair value of investment properties, EUR million			311.4	316.0	277.6	13.8%

1) Annualised potential rental value for the portfolio includes annualised gross rent based on valid rent roll at the end of the period, market rent of vacant premises and rental income from turnover based contracts (estimate) and possible other rental income.
2) Leases started and ended don't necessarily refer to the same premises.
3) Includes the lots for development projects.

rent level for new lease agreements was significantly higher than the average rent level for the ended lease agreements due to divested residential units and supermarket and shop properties as well as due to leases which were renewed at higher rent.

The average rent rose from EUR 17.2/sq.m. to EUR 19.3/sq.m., mainly due to divestments, strengthened Swedish krona and leases which have been renewed at higher rent. The economic occupancy rate decreased to 94.7 per cent (97.0%), mostly due to a bankruptcy of a local department store during the third quarter.

The company's net rental income from Swedish operations increased by EUR 3.8 million or 10.8 per cent to EUR 39.2 million (EUR 35.4 million). The increase in net rental income was due to the completion of the Åkersberga Centrum redevelopment project, the acquisition of the Högdalen Centrum shopping centre as well as to net rental income increases from like-for-like properties. Net rental income from like-for-like properties grew by EUR 2.3 million, or 7.6 per cent, thanks mainly to improved net rental income from Liljeholmstorget Galleria and Jakobsberg Centrum. The business unit accounted for 24.2 per cent (24.5%) of Citycon's total net rental income. Net rental yield was 5.6 per cent, representing an increase of 0.2 percentage points from the reference period. This increase was especially due to Liljeholmstorget Galleria's improved performance compared to the reference period.

Baltic Countries and New Business

Citycon has four shopping centres in the Baltic countries: Rocca al Mare, Kristiine and Magistral in Tallinn, Estonia, and Mandarinas in Vilnius, Lithuania. In July the company acquired Albertslund Centrum in Denmark, Albertslund, in the Greater Copenhagen area and integrated it to the Baltic unit. At the year-end, these properties' gross leasable area totalled 130,300 square metres (113,400 sq.m.). The annualised potential rental value increased to EUR 31.9 million, mainly due to the aforementioned acquisition and completion of Magistral's re-development. The average rent rose from EUR 20.2/sq.m. to EUR 20.5/sq.m. thanks to index increments and fewer rental discounts.

Lease agreements started during 2012 applied to a GLA of 18,014 square metres (2,882 sq.m.) and ended lease agreements applied to 6,294 square metres (11,869 sq.m.). The average rent level for new lease agreements was lower than the average for the ended lease agreements mostly due to the opening of the Magistral shopping centre.

The economic occupancy rate decreased to 99.6 per cent (100.0 %) due to acquisition of Albertslund Centrum.

Net rental income from the operations of the Baltic Countries and New Business unit increased markedly by EUR 6.2 million to EUR 24.6 million (EUR 18.4 million) mainly due to the acquisition of the Kristiine and Albertslund shopping centres and like-for-like growth of EUR 1.1 million, or 9.2 per cent. The business unit accounted for 15.2 per cent (12.8%) of Citycon's total net rental income. Net rental yield was 8.6 per cent, representing an increase of 0.7 percentage points from 2011. This increase was especially due to Rocca al Mare's improved performance compared to 2011.

Environmental Responsibility

Citycon seeks to lead the way in responsible shopping centre operations and promoting sustainable development within the business. The location of Citycon's shopping centres in city centres, local centres or generally adjacent to major traffic flows, combined with excellent public transport connections, means that they are well positioned to face the demands of sustainable development.

In its sustainability reporting, Citycon applies the construction and real estate sector specific (CRESS) guidelines of the Global Reporting Initiative, as well as the Best Practices Recommendations on Sustainability Reporting published by EPRA. The results and indicators for environmental responsibility for 2012 are presented on pages 40-43 of the Annual and Sustainability Report, to be published approximately in week nine.

Environmental responsibility results 2012

The company defined its long-term environmental responsibility objectives in connection with its strategic planning in summer 2009. Citycon has set targets for its carbon footprint, energy and water consumption, waste recycling rate as well as land use and sustainable construction. In 2012, Citycon's aim was to reduce its carbon footprint by 2–3 per cent, its energy consumption by 2–3 per cent and the water consumption in its comparable shopping centres to an average of 4.0 litres per visitor per year. In waste management the target for recycling rate was 78 per cent and respectively the annual target for the proportion of landfill waste out of total waste was 22 per cent.

Energy

In 2012, Citycon procured a total of 183.4 gigawatt hours (181.7 GWh) of electricity. Total consumption increased by 0.9 per cent due to changes in the property portfolio and higher energy consumption by tenants. Total electricity consumption (incl. tenants' electricity) in like-for-like shopping centres decreased by 5.2 per cent from previous year. Electricity consumption in common areas (excl. electricity used by tenants) amounted to 109.7 gigawatt hours (113.7 GWh), showing a decrease of 3.6 per cent from previous year. In like-for-like shopping centres electricity consumption in common areas decreased by 5.2 per cent.

Heating energy consumption came to 143.4 gigawatt hours (138.2 GWh). Total heat consumption increased by 3.8 per cent but weather-adjusted consumption, 144.4 gigawatt hours, decreased by 2.2 per cent. Temperatures in the winter were above average, except for February and December, which were exceptionally cold. Heating energy consumption in like-for-like shopping centre properties rose by 1.5 per cent, whereas weather-adjusted consumption decreased by 4.2 per cent.

Citycon's total energy consumption (incl. electricity consumption in common areas, heating and cooling) amounted to 257.3 gigawatt hours (254.6 GWh). In shopping centres, energy consumption per visitor decreased by 1.3 per cent and energy consumption per sales fell by 7.2 per cent. Energy consumption per gross leasable area rose by 1.7 per cent. Total energy consumption in like-for-like shopping centres decreased by 1.7 per cent. The annual target for reducing energy consumption was attained.

In 2012, Citycon invested in measures that generate savings in consumption and costs, such as renewing lighting and lighting control solutions, or greater use of frequency transformers and control in ventilation systems. Furthermore, Citycon ensured the continuous optimisation of adjustments and temperature settings for technical systems, in order to meet consumption and cost saving targets. By the end of 2012, the Ministry of Employment and the Economy had granted energy support for the energy saving measures in five shopping centres covering 20–25 per cent, or approximately EUR 475,000, of the investment costs. In addition, four new applications of energy saving measures in shopping centres are in process. The value of these applications in process is approximately EUR 444,000.

During 2012, Citycon developed reporting methods covering energy consumption and costs. In comparable properties energy costs related to electricity remained at the same level and declined in heating by 3.0 per cent compared to the previous year.

Citycon's reported energy consumption covers shopping centres owned by Citycon and other properties where

Citycon's share of ownership is at least 50 per cent. Citycon also reports the tenants' electricity consumption in cases where Citycon is responsible for electricity procurement. Cases where the energy purchase agreement is under a tenant's responsibility have been excluded from reporting. In terms of key figures and results, Citycon has limited the reported electricity consumption to common areas, where Citycon can directly influence the consumption. This includes the electricity used for general lighting, ventilation and cooling, as well as lifts and escalators and other building technical systems. Energy used for heating and cooling is reported in its entirety.

Carbon footprint

In 2012, the carbon footprint totalled 74,208 tonnes of carbon dioxide equivalent (70,348 $tnCO_2e$). The carbon footprint reported by Citycon covers the energy and water consumption in properties, waste logistics and the emissions generated by the Citycon organisation. Energy consumption in properties constitutes 99.2 per cent of the carbon footprint. The carbon footprint grew by 5.5 per cent compared to the previous year. The growth in carbon footprint was caused by changes in the property portfolio. The carbon footprint of like-for-like shopping centres decreased by 3.3 per cent and remained at the same level per visitor. The annual target for reducing the carbon footprint by 2-3 per cent was attained.

Water

The total water consumption in all shopping centres and retail properties owned by Citycon was 626,953 cubic metres (639,457 m^3) in 2012. This includes water consumed by the real estate company and tenants. Water consumption showed a decrease of 2.0 per cent compared to the previous year. This decrease can be attributed to changes in Swedish property portfolio, where apartments were sold. Water consumption in like-for-like shopping centre properties decreased by 10.0 per cent compared to the previous year. Water consumption proportionate to sales, decreased by 9.0 per cent compared to the previous year. In 2012, water consumption per visitor in shopping centres was 4.2 litres and 3.9 litres in like-for-like shopping centres, which means the target for reducing water consumption per visitor was met in 2012.

Waste

The total waste volume generated by Citycon's shopping centres amounted to 14,896 tonnes (15,361 tn), with landfill waste accounting for 2,375 tonnes (3,263 tn), or 15.9 per cent (21.2%). Waste volumes decreased by 3.0 per cent compared to the previous year. Waste volume proportionate to sales showed a decrease of 12.2 per cent. Waste volumes in like-for-like shopping centres, decreased by 8.2 per cent from the previous year. The recycling rate in shopping centres improved in each business unit and was 83.2 per cent. Citycon's annual targets set for waste processing and recycling were achieved.

Land use and sustainable construction

In property acquisition, Citycon complies with its strategic environmental responsibility policies, which state that properties must be located in a built environment and easily accessible by public transport. A good example of such property is the shopping centre Kista Galleria in Stockholm, which was acquired in January 2013.

Environmental certification represents a key element in Citycon's efforts towards sustainable development. In March 2012, Citycon was awarded a gold-level LEED certificate for its shopping centre project in the Martinlaakso district in Vantaa.

Governance

Annual General Meeting 2012

Citycon Oyj's Annual General Meeting (AGM) took place in Helsinki on 21 March 2012. The meeting was opened by the Deputy Chairman of the Board of that time, Thomas W. Wernink, and chaired by Ari Keinänen, Attorney-at-Law, Trained at Bench. A total of 234 shareholders attended the AGM either personally or through a proxy representative, representing 73.67 per cent (204,656,747 shares) of shares and votes in the company.

The AGM adopted the company's Financial Statements for the financial year 2011 and discharged the members of the Board of Directors and the Chief Executive Officer from liability. The AGM decided on a dividend of EUR 0.04 per share for the financial year 2011 and an equity return of EUR 0.11 per share from the invested unrestricted equity reserve. The record date for the dividend payout and equity return was 26 March 2012, and the dividend and equity returns totalling EUR 41.7 million were paid on 4 April 2012.

The other outcomes of the AGM can be seen on the company website at www.citycon.com/agm2012. The minutes of the meeting are also available there.

Extraordinary General Meeting 2012

Citycon's Board member Dor J. Segal announced his resignation from the Board effective on 11 October 2012. Following the announcement, the Board convened an Extraordinary General Meeting (EGM) for 11 October 2012, where Yuval Yanai was elected as a new member of the Board of Directors. The minutes of the meeting can be found at www.citycon.com/for_investors/gm/egm_2012/.

Board of Directors

Under the Articles of Association, the Board consists of a minimum of five and a maximum of ten members, elected by the General Meeting for a term of one year at a time. Amendments to the Articles of Association may be made only by the General Meeting and require a 2/3 majority vote.

In 2012 the Board of Directors had ten members: Ronen Ashkenazi, Chaim Katzman, Roger Kempe, Bernd Knobloch (from 21 March 2012), Kirsi Komi, Claes Ottosson, Jorma Sonninen, Per-Håkan Westin, Yuval Yanai (from 11 October 2012) and Ariella Zochovitzky. Thomas W. Wernink resigned from the Board as of 21 March 2012 and Dor J. Segal as of 11 October 2012.

Chaim Katzman was the Chairman of the Board of Directors in 2012, and Ronen Ashkenazi the Deputy Chairman. Thomas W. Wernink served as the second Deputy Chairman of the Board until 21 March 2012.

Auditor

Since 2006, the company's auditor has been Ernst & Young Oy, a firm of authorised public accountants, which has designated Authorised Public Accountant Tuija Korpelainen to act as the responsible auditor of Citycon, also from 2006.

Chief Executive Officer (CEO)

Marcel Kokkeel (MA, Dutch citizen, born in 1958) has served as Citycon's CEO since 24 March 2011. Eero Sihvonen, CFO, is Citycon's Executive Vice President. Their personal details, career histories and any positions of trust can be found on the corporate website at www.citycon.com/management. Information on the CEO's executive contract and its terms and conditions are available on page 50 of the Financial Statements.

Changes in the Company Management

During the year, several changes took place in the Corporate Management Committee's (CMC) composition. Two new members joined the CMC: Nils Styf, Chief Investment Officer, on 11 June 2012, and Marko Juhokas, Vice President of Finnish Operations, on 16 July 2012. In December, Citycon announced its plans to reorganise its business operations and streamline the decision-making process in the Corporate Management Committee. Following these arrangements, Johan Elfstadius, Vice President, Swedish Operations, left the CMC and his position in Citycon as of 12 December 2012. Marko Juhokas, who continues in the company, left the CMC effective on 19 December 2012. Harri Holmström, Senior Vice President, Group Leasing and Baltic Countries and New Business, was appointed Chief Operating Officer (COO) of Citycon effective on 19 December 2012. At the end of 2012, the Corporate Management Committee had five members: the CEO, the company's Executive Vice President and Chief Financial Officer, the General Counsel, the Chief Operating Officer and the Chief Investment Officer.

Shareholders, Share Capital and Shares

Citycon Oyj has been listed on the NASDAQ OMX Helsinki Ltd (Helsinki stock exchange) since November 1988. Citycon is a Mid Cap Company in the Financials sector, sub-industry Real Estate Operating Companies. Its trading code is CTY1S and its shares are traded in euros. The ISIN code used in international securities clearing is FI0009002471.

Shareholders

At the end of December 2012, Citycon had 7,177 (4,276) registered shareholders, of whom 13 were account managers of nominee-registered shares. Nominee-registered and other international shareholders held 250.8 million (230.4 million) shares, or 76.7 per cent (82.9%) of shares and voting rights in the company. Details of the most significant shareholders of the company, of the distribution of ownership, and of the notifications of changes in shareholdings received in 2012 can be found on page 61 of the Financial Statemens.

Share Capital and Shares

There were no changes in the company's share capital during the period, but the number of shares rose by around 49.0 million shares. It was increased by 36,713 shares which were issued to the Group's key employees at a part of the company's long-term incentive plan in May. No new shares are issued based on this plan. The number of shares was increased by 49,032,002 shares following the rights issue arranged in September-October. The company has a single series of shares, with each share entitling to one vote at general meetings of shareholders. The shares have no nominal value.

Shares and share capital

Share price development, completed trades (EUR)	2012	2011
Lowest price	2.12	2.02
Highest price	2.71	3.41
Average price	2.43	2.77
Closing price	2.57	2.31
Market value of shares at year-end (EUR million)	840.1	641.7
Share trading development		
Number of traded shares (million)	82.0	97.5
Value of traded shares (EUR million)	199.2	270.7
Share capital and shares		
Share capital at year-start (EUR million)	259.6	259.6
Share capital at year-end (EUR million)	259.6	259.6
Number of shares at year-start (million)	277.8	244.6
Number of shares at year-end (million)	326.9	277.8

Rights Issue

Based on authorisation granted by the AGM of 21 March, the Citycon Board of Directors decided on 7 September 2012 to issue a maximum of 49,032,002 new shares. The issued shares represented around 17.6 per cent of all the shares and votes in the company before the rights issue and around 15.0 per cent after the rights issue. The subscription period ended on 1 October 2012 and the new shares were registered in the Trade Register on 8 October 2012.

Board Authorisations and Treasury Shares

The 2012 AGM authorised the Board of Directors to issue a maximum of 50 million new shares or convey a maximum of 50 million treasury shares. Based on this authorisation, the Board may also decide on the granting of stock options and other special rights. The Board made use of this authorisation in deciding on the below mentioned incentive payment in May and on the rights issue in September. The authorisation will be valid until the next Annual General Meeting.

The 2012 AGM authorised the Board of Directors to decide on the acquisition of 20 million of the Company's own shares. The authorisation will be valid until the next Annual General Meeting.

At the year-end the Board had no other authorisations.

During the period the company held no treasury shares.

Incentive Schemes

Long-Term Share-Based Incentive Plan

Citycon Oyj's Board of Directors decided to launch a long-term share-based incentive plan for key personnel of the Group on 26 April 2007. The scheme comprised four one-year earning periods, which were the years 2007, 2008, 2009 and 2010. On 29 May 2012 the Citycon Oyj's Board of Directors decided to pay out all the share-based remunerations that were still to fall due according to the incentive plan, i.e. the final part of the remunerations for the 2009 earning period and the last two thirds of the remunerations for 2010. No further remunerations will be made based on the plan.

Stock Option Plan 2011

Based on authorisation granted by the AGM of 13 March 2007, the Board of Directors of Citycon Oyj decided on 3 May 2011 to issue stock options to key personnel of the company and its subsidiaries. As stock options are intended to form part of the Group's key personnel incentive and commitment plan, the company had weighty financial reasons for issuing them. Stock options encourage key personnel to work on a long-term basis, in order to increase shareholder value. The purpose of the stock options is also to commit key personnel to the company.

At the end of the period under review, a maximum of 6,890,000 stock options could be issued based on the authorisation of the Board of Directors, bearing rights to subscribe a total maximum of 8,106,085 new shares or treasury shares. The options are granted free of charge and classified as 2011A(I), 2011A(II) and 2011A(III); 2011B(I), 2011B(II) and 2011B(III); 2011C(I), 2011C(II) and 2011C(III); or 2011D(I), 2011D(II) and 2011D(III). Upon the distribution of stock options the Board of Directors decides on how the stock options are divided into sub-categories. Shares subscribed based on the Stock Option Plan 2011 may correspond to a maximum of 2.5 per cent of all shares and votes in the company after the potential share subscription, if new shares are issued in the share subscription.

In order to ensure the equal treatment of Stock Option 2011 holders and shareholders, Citycon Oyj's Board of Directors decided on 7 September and 5 October 2012, due to the rights issue, to adjust the subscription ratio and subscription price of the Stock Options 2011 in accordance with the terms and conditions of the Stock Option Plan 2011. In conjunction with this, the Board of Directors adjusted the maximum number of shares to be subscribed with the Stock Options 2011 to 8,106,085 shares, as permitted by the share issue authorisation available to the Board of Directors after the completion of the rights issue. The foregoing adjustments entered into force as of the registration of the adjusted maximum total number of shares to be subscribed for based on the Stock Options 2011 with the Trade Register on 8 October 2012.

Adjusted subscription ratios and subscription prices of Stock Option Plan 2011, after the rights issue 2012 as well as the subscription periods of the Stock Options 2011 are available on page 47 of the Financial Statements.

Granted stock options

At the end of 2012, 2011A–D(I), 2011A–D(II) and 2011A–D(III) stock options were held by 20 key personnel of the group. On 31 December 2012 there were 6,505,000 outstanding options, entitling holders to subscribe 7,653,133 shares in 2012–2018. The table below indicates the Stock Options granted to the CEO and other Corporate Management Committee members.

A share ownership obligation, under which the members of the Corporate Management Committee are obliged to acquire the Citycon's shares with 25 per cent of the income gained from the exercised stock options, is incorporated into the Stock Options 2011. The acquisition obligation will remain in force until a member of the Corporate Management Committee owns company shares to the value of his or her gross annual salary, and share ownership must continue while his or her employment or service contract is in force.

The Stock Option Plan and its terms and conditions are presented in further detail on pages 46-47 of the Financial Statements.

The terms and conditions can be found at www.citycon.com/options.

OPTION RIGHTS OF THE CORPORATE MANAGEMENT COMMITTEE ON 31 DECEMBER 2012

	2011A(I)	2011B(I)	2011C(I)	2011D(I)	Total
Chief Executive Officer (CEO)	250,000	250,000	250,000	250,000	1,000,000
	2011A(I–III)	**2011B(I-III)**	**2011C(I-III)**	**2011D(I-III)**	
Other CMC members	412,500	452,500	452,500	452,500	1,770,000

Stock Options held by Members of the Board of Directors and by the Company Management

The members of the Board of Directors of Citycon, the CEO, the other Corporate Management Committee members and their related parties held a total of 508,655 company shares on 31 December 2012. These shareholdings represent 0.15 per cent of the company's total shares and total voting rights.

The number of Stock Options 2011 held by the CEO and other Corporate Management Committee members at the year-end 2012 are presented in the table above. The maximum number of shares that they can subscribe for by exercising these outstanding Stock Options 2011 amounts to 3,258,905 shares. Members of the Board of Directors are not included in the company's share-based incentive plans.

Updated details of the share and stock option holdings of the members of the Board of Directors, the CEO and the members of the Corporate Management Committee are available on the corporate website at www.citycon.com/insiders.

Helsinki, 5 February 2013

Citycon Oyj
Board of Directors

EPRA PERFORMANCE MEASURES

EPRA (European Public Real Estate Association) is a common interest group for listed real estate companies in Europe. EPRA's mission is to promote, develop and represent the European publicly traded real estate sector. Citycon is an active member of EPRA. EPRA's objective is to encourage greater investment in European listed real estate and strive for "best practices" in accounting, financial reporting and corporate governance in order to provide high-quality information to investors and to increase the comparability of different companies. The best practices create also a framework for discussion and decision-making on the issues that determine the future of the sector.

Since 2006, Citycon has been applying the best practices policy recommendations of EPRA for financial reporting. And in 2011, Citycon started to follow EPRA best practice policy recommendations also for sustainability reporting (please see the section "Responsibility"). This section in Citycon's financial statements presents the EPRA performance measures and their calculations. For more information about EPRA and EPRA's best practice policies pls visit EPRA's web pages: www.epra.com.

In addition to promoting European real estate sector and publishing best practice policies, EPRA publishes FTSE EPRA/NAREIT index in association with FTSE, which tracks the performance of the largest European and North-American listed real estate companies. Citycon is included in the FTSE EPRA index, which increases international interest towards Citycon as an investment.

EPRA PERFORMANCE MEASURES

	Note	2012	2011
EPRA Earnings, EUR million	1	63.9	53.3
EPRA Earnings per share (basic), EUR [1]	1	0.214	0.197
EPRA NAV per share, EUR	2	3.49	3.62
EPRA NNNAV per share, EUR	2	3.08	3.29
EPRA Net Initial Yield (NIY) (%)	3	6.0	6.2
EPRA "topped-up" NIY (%)	3	6.1	6.3
EPRA vacancy rate (%)	4	4.3	4.5

1) Per share result key figures have been calculated with the issue-adjusted number of shares resulting from the rights issue executed in October 2012.

The following Notes, the numbers 1 - 4, present how EPRA Performance Measures are calculated. The Notes 5 and 6 present the EPRA Key Performance Measures for the last 5 years.

CFO's comment on the development of EPRA Earnings:
EPRA earnings (in EUR millions) increased by EUR 10.6 million to EUR 63.9 million in 2012 from EUR 53.3 million in 2011. The increase was a result of NRI growth through acquisitions, (re)development projects and positive like-for-like growth. To the contrary, EPRA Earnings was reduced by the growth in financial expenses due to higher level of debt to finance the growth. EPRA Earnings per share (basic) increased to EUR 0.214 compared to EUR 0.197 in 2011 due to higher EPRA Earnings offset by higher number of shares, which resulted from rights issue executed in October 2012.

1) EPRA EARNINGS AND EPRA EARNINGS PER SHARE (BASIC)

EPRA Earnings is presenting the underlying operating performance of a real estate company excluding all so called non-recurring items such as net fair value gains/losses on investment properties, profit/loss on disposals and limited other non-recurring items. It provides a measure for recurring income, but doesn't exclude exceptional items that are part of normal IFRS earnings. EPRA earnings is especially important for investors who want to assess the extent to which dividends are supported by recurring income. Citycon paid 0.15 EUR/share as dividends and equity return for the financial statements 2011, and for the financial statements 2012, the Board of Directors propose for annual general meeting a dividend and equity return of 0.15 EUR/share.

	2012			2011		
	EUR million	Average number of shares (1,000) [1]	per share, EUR	EUR million	Average number of shares (1,000) [1]	per share, EUR
Earnings in IFRS Consolidated Statement of Comprehensive Income	**77.2**	**298,090.6**	**0.259**	**13.0**	**269,675.9**	**0.048**
-/+ Net fair value gains/losses on investment property	-23.6	298,090.6	-0.079	35.3	269,675.9	0.131
-/+ Net gains on disposal of investment property [2]	-4.2	298,090.6	-0.014	-0.3	269,675.9	-0.001
+ Transaction costs related to investment property disposals [2]	-	298,090.6	-	0.7	269,675.9	0.002
-/+ Fair value gains of jointly controlled entities	-0.3	298,090.6	-0.001	-0.3	269,675.9	-0.001
+/- Current taxes arising from the items above	-	298,090.6	-	0.5	269,675.9	0.002
+/- Change in deferred taxes arising from the items above	6.4	298,090.6	0.022	-2.2	269,675.9	-0.008
+/- Non-controlling interest arising from the items above	8.3	298,090.6	0.028	6.7	269,675.9	0.025
EPRA Earnings (basic)	**63.9**	**298,090.6**	**0.214**	**53.3**	**269,675.9**	**0.197**

1) Calculation of the number of shares is presented in Note 16. Earnings per share. Number of shares has been issue-adjusted resulting from the rights issue executed in 2012.
2) Citycon has made an adjustment to its accounting policies related to the treatment of transaction costs arising from the investment property disposals in 2012. Previously Citycon reported transaction costs from the property disposals within the administrative expenses, but in the financial statements 2012, Citycon has netted the transaction costs from the successful property disposals against the net gains on sale of investment properties. The adjustment doesn't impact the EPRA Earnings.

EPRA Earnings can also be calculated from the statement of comprehensive income from top to bottom. Below please find the EPRA Earnings calculation with this different method, which also presents the EPRA Operating profit.

	2012			2011		
	EUR million	Average number of shares (1,000) [1]	per share, EUR	EUR million	Average number of shares (1,000) [1]	per share, EUR
Net rental income	**162.0**	**298,090.6**	**0.544**	**144.3**	**269,675.9**	**0.535**
Direct administrative expenses	-26.5	298,090.6	-0.089	-27.1	269,675.9	-0.100
Direct other operating income and expenses	0.2	298,090.6	0.001	0.2	269,675.9	0.001
EPRA operating profit	**135.7**	**298,090.6**	**0.455**	**117.4**	**269,675.9**	**0.435**
Direct net financial income and expenses	-68.1	298,090.6	-0.229	-62.4	269,675.9	-0.232
Direct share of profit/loss of joint ventures	0.0	298,090.6	0.000	0.0	269,675.9	0.000
Direct current taxes	-1.4	298,090.6	-0.005	-0.4	269,675.9	-0.001
Change in direct deferred taxes	0.0	298,090.6	0.000	0.3	269,675.9	0.001
Direct non-controlling interest	-2.2	298,090.6	-0.008	-1.7	269,675.9	-0.006
EPRA Earnings (basic)	**63.9**	**298,090.6**	**0.214**	**53.3**	**269,675.9**	**0.197**

1) Calculation of the number of shares is presented in Note 16. Earnings per share. Number of shares has been issue-adjusted resulting from the rights issue executed in 2012.

2) EPRA NAV PER SHARE AND EPRA NNNAV PER SHARE

EPRA NAV is presenting the fair value of net assets of a real estate company. It is based on the assumption of owning and operating investment properties for a long term and therefore it is a useful tool to compare against the share price of a real estate company. The share price of Citycon was 2.57 EUR/share on December 31, 2012.

As EPRA NAV intends to reflect the fair value of a business on a going-concern basis, all items arising from future disposals and the fair value of financial instruments are excluded from EPRA NAV. Items arising from future disposals are the deferred taxes that would materialise only on disposal of properties. Fair value of financial instruments i.e. mark-to-market value of hedging instruments will end up zero when they are held to maturity. Therefore, the fair value of financial instruments at the balance sheet date is excluded from EPRA NAV.

EPRA NNNAV is including the deferred tax liabilities and fair value of financial instruments and therefore it is a measure of the real estate company's "spot" fair value at the balance sheet date. Spot fair value means that EPRA NNNAV reflects the fair value of net assets of the company at a particular day opposed to EPRA NAV, which reflects the fair value of net assets on a going-concern basis. However, EPRA NNNAV is not either a liquidation NAV as the fair values of assets and liabilities are not based on a liquidation scenario

CFO's comment on the development of EPRA NAV per share and EPRA NNNAV per share:

EPRA NAV per share decreased by EUR 0.13 to EUR 3.49 (EUR 3.62) due mainly to higher number of shares, which increased as a result of the rights issue executed in October 2012. EPRA NNNAV per share decreased by EUR 0.21 to EUR 3.08 (EUR 3.29). In addition to the reasons for a lower EPRA NAV per share, EPRA NNNAV per share was reduced by negative difference between the secondary market price and fair value of bonds and capital loans as all three company's bonds and capital loans are now valued above par due to lower interest rate levels, which decreased EPRA NNNAV per share by EUR 0.07.

	2012			2011		
	EUR million	Average number of shares (1,000) 1	per share, EUR	EUR million	Average number of shares (1,000) 1	per share, EUR
Equity attributable to parent company shareholders	1,015.7	326,880.0	3.11	902.6	277,811.3	3.25
Deferred taxes from the difference between the fair value and fiscal value of investment properties	64.0	326,880.0	0.20	57.5	277,811.3	0.21
Fair value of financial instruments	59.8	326,880.0	0.18	45.7	277,811.3	0.16
Net asset value (EPRA NAV)	**1,139.5**	**326,880.0**	**3.49**	**1,005.9**	**277,811.3**	**3.62**
Deferred taxes from the difference between the fair value and fiscal value of investment properties	-64.0	326,880.0	-0.20	-57.5	277,811.3	-0.21
Difference between the secondary market price and fair value of bonds and capital loans 1)	**-9.4**	**326,880.0**	**-0.03**	**11.4**	**277,811.3**	**0.04**
Fair value of financial instruments	**-59.8**	**326,880.0**	**-0.18**	**-45.7**	**277,811.3**	**-0.16**
EPRA NNNAV	**1,006.3**	**326,880.0**	**3.08**	**914.1**	**277,811.3**	**3.29**

1) Secondary market price
When calculating the EPRA NNNAV in accordance with EPRA's recommendations, the shareholders' equity is adjusted using EPRA's guidelines so that bonds and capital loans are valued based on secondary market prices. In accordance with Citycon's accounting policies, the carrying amount and fair value of bonds and capital loans are different from this secondary market price. Due to this, in the calculation of this key figure convertible capital loan 1/2006 and bond 1/2009 have been valued using the price derived from the secondary market on the balance sheet date. The secondary market price for convertible capital loan 1/2006 was 100.96 per cent (82.90%), for bond 1/2009 105.01 per cent (101.85%) and for bond 1/2012 104.68 per cent as of 31 December 2012. The difference between the secondary market price and the fair value of the bonds and capital loans was EUR -9.4 million (EUR 11.4 million) as of 31 December 2012.

CFO's comment on the development of EPRA NIY and EPRA "TOPPED-UP" NIY:
EPRA initial yields decreased mostly due to decreased market yield requirements in Baltic Countries and New Business. However, EPRA NIY and EPRA "topped up" NIY at the end of the year 2012 and 2011 are not fully comparable due to changes in the completed property portfolio (such as property acquisitions, disposals and started and completed (re) development projects).

3) EPRA NET INITIAL YIELD (NIY) (%) AND EPRA "TOPPED-UP" NIY (%)

There are a variety of yield performance indicators in the real estate market to present the companies' ability to generate rent. In order to have a consistent yield definition and comparable yield indicators between the real estate companies, EPRA has published a best practice recommendation for yield calculation i.e. EPRA Net Initial Yield (NIY).

EPRA NIY is calculated as the annualised rental income, based on the valid rent roll on the balance sheet date, divided by the gross market value of the completed property portfolio (including estimated transaction costs and excluding properties under development, lots, unused building right and properties the valuation of which is based on the value of the building right). Citycon also discloses net rental yield, which is calculated over the past 12 month period, by constructing an index from the monthly net rental income and computational monthly market value figures. Net rental yield includes the total property portfolio and excludes estimated transaction costs.

EPRA "topped-up" NIY presents the yield of a company with the full rent that is already agreed at the balance sheet date. In EPRA "topped-up" yield, the cash rent is "topped-up" to reflect rent after the expiry of lease incentives such as rent free periods and discounted rents.

EUR million	2012	2011
Fair value of investment properties determined by the external appraiser	2,704.1	2,515.0
Less (re)development properties, lots, unused building rights and properties, the valuation of which is based on the value of the building right	-389.1	-559.6
Completed property portfolio	2,315.0	1,955.4
Plus the estimated purchasers' transaction costs	47.2	36.8
Gross value of completed property portfolio (A)	2,362.2	1,992.2
Annualised gross rents for completed property portfolio	206.9	179.5
Property portfolio's operating expenses	-64.1	-56.6
Annualised net rents (B)	142.8	122.9
Plus the notional rent expiration of rent free periods or other lease incentives	1.6	2.5
Topped-up annualised net rents (C)	144.4	125.4
EPRA Net Initial Yield (NIY) (%) (B/A)	**6.0**	**6.2**
EPRA "topped-up" NIY (%) (C/A)	**6.1**	**6.3**

CFO's comment on the development of EPRA vacancy rate:
EPRA vacancy rate improved due to decreased vacancy in the Finnish property portfolio.

4) EPRA VACANCY RATE (%)

EPRA vacancy rate (%) presents how much out of the full potential rental income is not received because of vacancy. Technical occupancy rate, which Citycon also discloses, presents how many square meters out of total GLA is leased.

EPRA vacancy rate is calculated by dividing the estimated rental value of vacant premises by the estimated rental value of the whole portfolio if all premises were fully let. EPRA vacancy rate is calculated using the same principles as economic occupancy rate, which Citycon also discloses.

EUR million	2012	2011
Annualised potential rental value of vacant premises	10.3	9.8
./. Annualised potential rental value for the whole portfolio	239.0	219.4
EPRA vacancy rate (%)	**4.3**	**4.5**

5) EPRA PERFORMANCE MEASURES FOR FIVE YEARS

	2012	2011	2010	2009	2008
EPRA Earnings, EUR million	63.9	53.3	47.3	50.9	43.8
EPRA Earnings per share (basic), EUR 1)	0.214	0.197	0.200	0.222	0.191
EPRA NAV per share, EUR	3.49	3.62	3.79	3.64	3.96
EPRA NNNAV per share, EUR	3.08	3.29	3.49	3.35	3.80
EPRA Net Initial Yield (NIY) (%)	6.0	6.2	6.3	6.9	N/A
EPRA "topped-up" NIY (%)	6.1	6.3	6.4	7.1	N/A
EPRA vacancy rate (%)	4.3	4.5	4.9	5.0	4.0

1) Per share result key figures have been calculated with the issue-adjusted number of shares resulting from the rights issue executed in 2012.

6) EPRA EARNINGS FOR FIVE YEARS

EUR million	2012	2011	2010	2009	2008
Earnings in IFRS Consolidated Statement of Comprehensive Income	**77.2**	**13.0**	**78.3**	**-34.3**	**-124.1**
-/+ Net fair value gains/losses on investment property	-23.6	35.3	-50.8	97.4	216.1
-/+ Net gains/losses on disposal of investment property 1)	-4.2	-0.3	-1.9	-0.1	0.3
+ Transaction costs related to investment property disposals 1)	0.0	0.7	0.0	0.1	0.0
-/+ Non-recurring other operating income and expenses	-	-	-	-	-6.0
-/+ Fair value gains/losses of financial instruments	-	-	-0.2	0.1	3.1
-/+ Fair value gains of jointly controlled entities	-0.3	-0.3	-	-	-
+/- Current taxes arising from the items above	-	0.5	-	0.3	1.8
+/- Change in deferred taxes arising from the items above	6.4	-2.2	11.6	-7.3	-29.7
+/- Non-controlling interest arising from the items above	8.3	6.7	10.3	-5.3	-17.6
EPRA Earnings (basic)	**63.9**	**53.3**	**47.3**	**50.9**	**43.8**
Issue-adjusted average number of shares, million 2)	298,090.6	269,675.9	236,840.6	229,456.5	229,411.3
EPRA Earnings per share (basic), EUR 2)	**0.214**	**0.197**	**0.200**	**0.222**	**0.191**

1) Citycon has made an adjustment to its accounting policies related to the treatment of transaction costs arising from the investment property disposals in 2012. Previously Citycon reported transaction costs from the property disposals within the administrative expenses, but in the financial statements 2012, Citycon has netted the transaction costs from the successful property disposals against the net gains on sale of investment properties. The adjustment doesn't impact the EPRA Earnings.

2) Number of shares has been issue-adjusted resulting from the rights issue executed in 2012. Per share result key figures have been calculated with the issue-adjusted number of shares.

EPRA Earnings can also be calculated from the statement of comprehensive income from top to bottom. Below please find the EPRA Earnings calculation with this different method, which also presents the EPRA Operating profit.

EUR million	2012	2011	2010	2009	2008
Net rental income	**162.0**	**144.3**	**127.2**	**125.4**	**121.8**
Direct administrative expenses	-26.5	-27.1	-22.5	-17.7	-16.5
Direct other operating income and expenses	0.2	0.2	0.3	0.0	0.1
EPRA operating profit	135.7	117.4	105.0	107.7	105.3
Direct net financial income and expenses	**-68.1**	**-62.4**	**-55.1**	**-47.7**	**-54.2**
Direct share of profit/loss of joint ventures	0.0	0.0	-	-	-
Direct current taxes	-1.4	-0.4	-0.6	-6.2	-4.8
Change in direct deferred taxes	0.0	0.3	-0.3	-0.2	0.2
Direct non-controlling interest	-2.2	-1.7	-1.8	-2.8	-2.8
EPRA Earnings	63.9	53.3	47.3	50.9	43.8
Average number of shares (1,000) 1)	**298,090.6**	**269,675.9**	**236,840.6**	**229,456.5**	**229,411.3**
EPRA Earnings per share (basic), EUR 1)	**0.214**	**0.197**	**0.200**	**0.222**	**0.191**

1) Number of shares has been issue-adjusted resulting from the rights issue executed in 2012. Per share result key figures have been calculated with the issue-adjusted number of shres.

CITYCON OYJ'S CONSOLIDATED FINANCIAL STATEMENTS FOR 1 JANUARY -31 DECEMBER 2012

Business ID: 0699505-3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

EUR million	Note	1.1.–31.12.2012	1.1.–31.12.2011
Gross rental income	6	225.9	206.0
Service charge income		13.3	11.1
Turnover	7	**239.2**	**217.1**
Property operating expenses	8, 11	75.8	71.6
Other expenses from leasing operations	9	1.4	1.2
Net rental income		**162.0**	**144.3**
Administrative expenses	10, 11, 12	26,5	27,7
Other operating income and expenses	13	0.2	0.2
Net fair value gains/losses on investment property	17	23.6	-35.3
Net gains on sale of investment property	17, 24	4.2	0.3
Operating profit		**163.4**	**81.8**
Financial income		32.1	54.4
Financial expenses		-100.3	-116.8
Net financial income and expenses	14	-68.1	-62.4
Share of profit of jointly controlled entities	18	0.2	0.3
Profit before taxes		**95.5**	**19.7**
Current taxes		-1.4	-0.9
Change in deferred taxes		-6.4	2.5
Income taxes	15, 21	-7.8	1.6
Profit for the period		**87.7**	**21.3**
Profit attributable to			
Parent company shareholders		77.2	13.0
Non-controlling interest		10.5	8.3
Earnings per share attributable to parent company shareholders:			
Earnings per share (basic), EUR	16	0.26	0.05
Earnings per share (diluted), EUR	16	0.26	0.05
Other comprehensive expenses/income			
Net losses on cash flow hedges	14	-19.3	-35.9
Income taxes relating to cash flow hedges	15, 21	5.2	9.0
Exchange gains on translating foreign operations		3.3	0.6
Other comprehensive expenses/income for the period, net of tax		**-10.7**	**-26.2**
Total comprehensive profit/loss for the period		**77.0**	**-4.9**
Total comprehensive profit/loss attributable to			
Parent company shareholders		65.4	-13.4
Non-controlling interest		11.6	8.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

EUR million	Note	31.12.2012	31.12.2011
ASSETS			
Non-current assets			
Investment properties	17	2,714.2	2,522.1
Investments in jointly controlled entities	18	0.9	0.6
Intangible assets	19	1.7	1.9
Property, plant and equipment	20	1.4	1.0
Deferred tax assets	21	19.5	14.5
Total non-current assets		**2,737.6**	**2,540.1**
Investment properties held for sale	24	**5.4**	**12.7**
Current assets			
Derivative financial instruments	22, 23	-	0.5
Current tax receivables	15	0.0	0.0
Trade and other receivables	22, 25	24.5	33.2
Cash and cash equivalents	22, 26	**51.0**	**91.3**
Total current assets		**75.5**	**125.0**
Total assets		**2,818.5**	**2,677.7**

EUR million	Note	31.12.2012	31.12.2011
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity attributable to parent company shareholders	27		
Share capital		259.6	259.6
Share premium fund		131.1	131.1
Fair value reserve		-59.8	-45.7
Invested unrestricted equity fund		333.0	273.7
Translation reserve		-5.5	-7.8
Retained earnings		357.3	291.7
Total equity attributable to parent company shareholders		**1,015.7**	**902.6**
Non-controlling interest		44.2	59.2
Total shareholders' equity		**1,059.9**	**961.8**
LIABILITIES			
Long-term liabilities			
Loans	22, 28	1,406.3	1,339.5
Derivative financial instruments	22, 23	75.6	53.9
Deferred tax liabilities	21	66.0	59.8
Other liabilities	22	1.0	0.4
Total long-term liabilities		**1,548.9**	**1,453.7**
Short-term liabilities			
Loans	22, 28	126.8	208.4
Derivative financial instruments	22, 23	0.7	0.6
Current tax liabilities	15	0.8	0.2
Trade and other payables	22, 29	81.4	53.0
Total short-term liabilities		**209.7**	**262.2**
Total liabilities		**1,758.6**	**1,715.9**
Total liabilities and shareholders' equity		**2,818.5**	**2,677.7**

CONSOLIDATED CASH FLOW STATEMENT, IFRS

EUR million	Note	1 Jan.-31 Dec. 2012	1 Jan.-31 Dec. 2011
Cash flow from operating activities			
Profit before taxes		**95.5**	**19.7**
Adjustments:			
Depreciation and amortisation	12, 31	1.2	1.0
Net fair value gains/losses on investment property	17, 31	-23.6	35.3
Profit on disposal of investment property [1)]	17, 24, 31	-4.2	-0.3
Financial income	14, 31	-32.1	-54.4
Financial expenses	14, 31	100.3	116.8
Other adjustments	31	1.3	0.8
Cash flow before change in working capital		138.4	118.9
Change in working capital	31	8.6	1.6
Cash generated from operations		**147.0**	**120.5**
Interest expenses and other financial expenses paid		-62.4	-60.1
Interest income and other financial income received		0.6	0.6
Realised exchange rate losses		-22.9	-1.8
Taxes paid/received		-0.8	7.2
Net cash from operating activities		**61.5**	**66.3**
Cash flow from investing activities			
Acquisition of subsidiaries, less cash acquired	17	-41.0	-33.7
Acquisition of investment properties	17	-1.1	-105.5
Capital expenditure on investment properties	17	-92.6	-81.1
Capital expenditure on investments in jointly controlled entities, intangible assets and PP&E	18, 19, 20	-1.3	-1.4
Sale of investment properties [1)]	17, 24	31.1	18.3
Net cash used in investing activities		**-104.9**	**-203.3**
Cash flow from financing activities			
Sale of treasury shares	27	-	0.4
Proceeds from rights and share issue	27	89.9	98.9
Proceeds from short-term loans	28	117.1	160.9
Repayments of short-term loans	28	-157.5	-100.2
Proceeds from long-term loans	28	623.5	594.6
Repayments of long-term loans	28	-600.6	-511.8
Acquisition of non-controlling interests	27	-28.5	-
Dividends and return from the invested unrestricted equity fund		-41.7	-34.3
Net cash from financing activities		**2.3**	**208.5**
Net change in cash and cash equivalents		**-41.1**	**71.6**
Cash and cash equivalents at period-start	26	91.3	19.5
Effects of exchange rate changes		0.8	0.2
Cash and cash equivalents at period-end	26	**51.0**	**91.3**

1) Citycon has made an adjustment to its accounting policies related to the treatment of transaction costs arising from the investment property disposals in 2012. Previously Citycon reported transaction costs from the property disposals within the administrative expenses, but in the financial statements 2012, Citycon has netted the transaction costs from the successful property disposals against the net gains on sale of investment properties.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, IFRS

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, IFRS

	Equity attributable to parent company shareholders								
EUR million	**Share capital**	**Share premium fund**	**Fair value reserve**	**Invested unrestricted equity fund**	**Translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total shareholders' equity**
Balance at 31 Dec. 2010	259.6	131.1	-18.8	198.8	-8.2	287.0	849.5	50.7	900.2
Profit for the period						13.0	13.0	8.3	21.3
Net losses/gains on cash flow hedges, net of tax (Notes 14, 15 and 21)			-26.8				-26.8		-26.8
Exchange gains/losses on translating foreign operations					0.4		0.4	0.2	0.6
Total other comprehensive expenses/income for the period, net of tax			-26.8		0.4		-26.4	0.2	-26.2
Total comprehensive loss/profit for the period			-26.8		0.4	13.0	-13.4	8.5	-4.9
Share issue (Note 27)				98.9			98.9		98.9
Sale of treasury shares (Note 27)				0.4			0.4		0.4
Dividends and return from the invested unrestricted equity fund (Note 27)				-24.5		-9.8	-34.2		-34.2
Share-based payments (Notes 27 and 30)						1.5	1.5		1.5
Balance at 31 Dec. 2011	259.6	131.1	-45.7	273.7	-7.8	291.7	902.6	59.2	961.8
Profit for the period						77.2	77.2	10.5	87.7
Net losses/gains on cash flow hedges, net of tax (Notes 14, 15 and 21)			-14.1				-14.1		-14.1
Exchange gains/losses on translating foreign operations					2.3		2.3	1.1	3.3
Total other comprehensive expenses/income for the period, net of tax			-14.1		2.3		-11.8	1.1	-10.7
Total comprehensive loss/profit for the period			-14.1		2.3	77.2	65.4	11.6	77.0
Rights issue (Note 27)				89.9			89.9		89.9
Recognised gain in the equity arising from convertible bond buybacks (Note 28)						-0.2	-0.2		-0.2
Dividends and return from the invested unrestricted equity fund (Note 27)				-30.6		-11.1	-41.7		-41.7
Share-based payments (Notes 27 and 30)						1.8	1.8		1.8
Acquisition of non-controlling-interests						-2.3	-2.3	-26.6	-28.9
Balance at 31 Dec. 2012	259.6	131.1	-59.8	333.0	-5.5	357.3	1,015.7	44.2	1,059.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basic company data

As a real estate investment company specialising in retail properties, Citycon operates largely in the Helsinki Metropolitan Area and Finland's major regional centres as well as in Sweden and the Baltic Countries. Citycon is a Finnish, public limited liability company established under Finnish law and domiciled in Helsinki, the address of its registered office being Korkeavuorenkatu 35, FI-00130 Helsinki. The Board of Directors has approved the financial statements on 5 February 2013. In accordance with Finnish Company Law, annual general meeting has the right to not approve the financial statements approved by the Board of Directors and return the financial statements back to the Board of Directors for a correction.

A copy of Citycon's Consolidated Financial Statements is available on the corporate website at www.citycon.fi and from the Group's headquarters at the address Korkeavuorenkatu 35, FI-00130 Helsinki, Finland.

2. Basis of preparation

Citycon has prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and applied the IFRS/IAS standards, effective as of 31 December 2012, which refer to the approved applicable standards and their interpretations under European Union Regulation No. 1606/2002. Notes to the consolidated financial statements are also in compliance with Finnish accounting legislation and Community legislation.

Citycon has used IFRS as the primary basis of its financial statements preparation from the beginning of 2005. Available-for-sale financial assets, derivative contracts and investment properties, are measured at fair value following their initial recognition. In other respects, the consolidated financial statements are prepared at historical cost. The financial statements are shown in millions of euros and rounded in hundred thousands of euros.

Preparing the financial statements under IFRS requires that the company's management make certain accounting estimates and assumptions, which have an effect on the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses, as well as notes to the accounts. These estimates and associated assumptions are based on historical experience and various other factors deemed reasonable under the circumstances, the results of which form the basis of management judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised for the period in which the estimate is revised if the revision affects only that period, or in the current and future periods if the revision affects both current and future periods. The chapter 5 Key estimates and assumptions, and accounting policies requiring judgment provides a more detailed description of the factors underlying judgements and assumptions.

3. Changes in IFRS and accounting policies

3.1 Adjustment in the accounting policies in 2012

Citycon has made an adjustment to its accounting policies related to the treatment of transaction costs arising from the investment property disposals in 2012. Previously Citycon reported transaction costs from the property disposals within the administrative expenses, but in the financial statements 2012, Citycon has netted the transaction costs from the successful property disposals against the net gains on sale of investment properties. The adjustment doesn't impact the operating profit or profit for the period in the statement of comprehensive income. The following table presents the impact of the adjustment in the accounting policies on the administrative expenses, net gains on sale of investment property and operating profit.

	2012 before adjustment	Adjustment	2012 after adjustment	2011 before adjustment	Adjustment	2011 after adjustment
Administrative expenses	-27.0	0.5	-26.5	-28.0	0.3	-27.7
Net gains/losses on sale of investment property	4.7	-0.5	4.2	0.6	-0.3	0.3
Operating profit	163.4	0.0	163.4	81.8	0.0	81.8

3.2 New standards as well as interpretations and changes applied in 2012

The following new standards as well as amendments and interpretations to the existing standards have been adopted in the financial statements 2012.

- **IAS 12** Income taxes (amendment) and
- **IFRS 7** Financial instruments: Disclosures (amendment).

The amendment in IAS 12 Income Taxes clarified a rebuttable presumption in the recognition of deferred taxes. Based on the amendment the deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. The amendment didn't have effect on Citycon's accounting policies as Citycon has been determining the deferred tax on investment property based on the assumption that the carrying amount of investment properties will be recovered through sale. In addition, amendment in IFRS 7 didn't change Citycon's accounting policies or disclosure as Citycon didn't have any assets with the characteristics impacted by the amendment.

3.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 July 2012 or 1 January 2013 or later periods, but the group has not early adopted them. These are those that Citycon reasonably expects to have an impact on disclosures, financial position or performance when applied at future date. Citycon will adopt these standards when they become effective and EU has approved them.

- **IAS 1** Financial statement presentation,
- **IAS 27** Separate financial statements (as revised in 2011),
- **IAS 28** Investments in associates and joint ventures (as revised in 2011),
- **IAS 32** Financial Instruments: Presentation
- **IFRS 9** Financial instruments,
- **IFRS 10** Consolidated financial statements,
- **IFRS 11** Joint arrangements,
- **IFRS 12** Disclosure of involvement with other entities, and
- **IFRS 13** Fair value measurement.
- Improvements to IFRSs (2009-2011 and May 2012).

The following standards and amendments and interpretations to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2013 or later periods, but the group has not early adopted them. These are not relevant to Citycon, because according to the company's current view, they will not significantly change its accounting policies nor presentation of the accounts.

- IAS 19 Employee benefits (amendment),
- IFRS 7 Financial instruments disclosures: Enhanced derecognition disclosure requirement,
- IFRIC 20 Stripping costs in the production phase of a surface mine

4. Summary of significant accounting policies

4.1 Group accounting

The consolidated financial statements include Citycon Oyj and its subsidiaries, as well as holdings in its associated and joint-venture companies.

4.1.1 Subsidiaires

Subsidiaries refer to companies in which the Group holds a controlling interest. This controlling interest implies that the Group has the power to govern the entity's financial and operating policies for the purpose of profiting from its operations. Subsidiaries are consolidated from the date on which control is transferred to the Group, until the date on which said control ceases.

Intra-Group transactions and profit allocation are eliminated in the consolidated financial statements.

When an acquisition is made, the judgment is needed whether the acquisition is treated as an asset acquisition or either as a business acquisition (see Chapter 5.2.2 Business acquisitions and asset acquisitions for judgment principles). An asset acquisition does not generate goodwill, but the entire acquisition cost is allocated to land, buildings and other assets and liabilities.

If business acquisition is made, IFRS 3 Business Combinations will apply, whereby the acquisition cost is allocated to the acquired assets, liabilities and contingent liabilities at their fair value. Goodwill arises when the given consideration exceeds the fair value of the acquired net assets.

4.1.2 Jointly controlled assets

Mutual real estate companies in Finland, in which the ownership of Citycon is less than 100%, are treated as jointly controlled assets in accordance with IAS 31 Interests in Joint Ventures. Jointly controlled assets are included in the consolidated financial statements using proportionate consolidation, whereby the Group's share of assets, liabilities, income and expenses are included in the consolidated financial statements line-by-line. The proportionate consolidation method applies to all joint ventures of this kind, regardless of the Group's holding in the joint venture.

Citycon has no associated companies as referred to in IFRS, since all mutual real estate companies, also those in which the ownership is less than 50%, are treated as jointly controlled assets, as described above.

4.1.3 Jointly controlled entities

Citycon has interest in joint venture, which is treated as a jointly controlled entity based on IAS 31 Interest in Joint Ventures. In jointly controlled entity, venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. Citycon recognises its interest in jointly controlled entity with equity method. The Group presents the aggregate share of profit or loss from the jointly controlled entity on the face of its income statement in line "Share of profit of jointly controlled entities". In the Note 18 "Investments in jointly controlled entities" the assets and liabilities of jointly controlled entities are presented.

4.2 Foreign currency transactions

Transactions denominated in foreign currencies are measured at the exchange rate quoted on the transaction date. Any exchange rate differences resulting from currency translation are entered under financial expenses and income in the income statement.

Monetary receivables and payables denominated in foreign currencies on the balance sheet date are measured at the exchange rate quoted on the balance sheet date. Non-monetary items denominated in foreign currencies and measured at fair value are translated into euros using the exchange rates quoted on the valuation date, while other non-monetary items are measured at the exchange rate quoted on the transaction date.

Foreign subsidiaries' income statements have been translated into euros using average exchange rates quoted for the financial period and balance sheets using the exchange rate quoted on the balance sheet date. Any resulting exchange rate difference is recognised as a translation difference under shareholders' equity. Translation differences resulting from the elimination of the historical cost of foreign subsidiaries and from items included in shareholders' equity following their acquisition, are recognised under shareholders' equity.

4.3 Investment property

Investment property refers to land or a building, or part of a building, held to earn rental income or capital appreciation, or both. Under IAS 40, investment property is measured at fair value, with gains and losses arising from changes in fair values being included in the income statement.

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 subject to a fair value model valuation, which is conducted by an external appraiser for the first time at the end of the quarter following the acquisition.

Fair value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms' length transaction. An investment property's fair value reflects the actual market position and circumstances on the balance-sheet date, best manifested in prices paid for properties on the active market on the review date, and the location and condition of these properties corresponding to those of the property under review while applying similar lease or other contracts.

Using International Valuation Standards (IVS), an external professional appraiser conducts the valuation of the company's property at least once a year, or at more regular intervals due to any major changes in the market. During 2012 and 2011, Citycon had its properties valued by an external appraiser on a quarterly basis.

A ten-year cash flow analysis based on the net rental income is used to determine the fair value of investment properties. The basic cash flow is determined by the company's lease agreements valid at the valuation date. Upon the lease's expiry, the market rent assessed by an external appraiser is used to replace the contract rent. Gross rental income less operating expenses and investments equals cash flow, which is then discounted at the property-specific yield requirements. Yield requirements are determined for each property in view of property-specific and market risks. The total value of the property portfolio is calculated as the sum of the individual properties based on the cash- flow method.

Citycon redevelops its investment properties. When Citycon begins to redevelop its existing investment property, the property remains as an investment property, which is measured based on a fair value model in accordance with IAS 40.

The fair value of (re)development projects i.e. investment properties under construction (IPUC) is determined under IAS 40 and Citycon uses a normal cash flow analysis or a special project model to measure the fair value of its (re) development projects, depending on the nature of the project. Both models take account of capital expenditure on the (re)development project and the property's future cash flows according to the (re)development project's schedule. Citycon takes into account the (re)development projects in its fair value evaluation, as soon as the Board of Directors has made a positive investment decision on the project and the external appraiser considers that sufficient information is available for a reliable valuation. In the fair value evaluation on 31 December 2012, Citycon valued 3 properties (5 properties on 31 December 2011) as (re)development projects.

All potential development projects have been left out of the valuation conducted by the external appraiser. The valuation of properties with potential development projects is based on the situation and the estimated rental value on the valuation date. All undeveloped lots, or those under development, are evaluated based on their zoning on the valuation date. The value in each case was set based on market observations.

The fair value of Citycon's investment properties in the balance sheet equals the property portfolio's total value determined by the external appraiser, capital expenditure on development projects that have not been taken into account by the external appraiser, as well as the value of new properties acquired during the reporting quarter.

Gains and losses resulting from fair-value changes for investment properties are stated as separate items in the income statement.

4.4 Investment properties held for sale

An investment property is derecognised from the statement of financial position on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. As a main rule, investment properties not under construction or development for the purpose of a sale are measured at fair value in accordance with IAS 40 and presented under 'Investment properties' in the statement of financial position. However, if the sale of an operative investment property is deemed probable, such a property is transferred to 'Investment properties held for sale' in the statement of financial position. A sale is deemed highly probable when

- the Board is committed to a plan to sell the property and an active programme to locate a buyer and complete the plan must have been initiated,
- the property is actively marketed for sale at a price that is reasonable in relation to its current fair value,
- the sale should be expected to qualify for recognition as a completed sale within one year.

However, investment properties held for sale are still recognised at fair value in accordance with IAS 40. Investment properties held for sale totalled EUR 5.4 million on 31 December 2012 (EUR 12.7 million on 31 December 2011).

4.5 Inventory properties

Under IAS 40, a property must be reclassified under inventories in the event of a change in the use of the property, evidenced by development starting with a view to a sale. If an investment property is being built/developed with a view to a sale, it will be treated in accordance with IAS 2 Inventories: it is recognised either at cost or below at net realisable value. If the property was acquired with a view to a sale, it will also be treated in accordance with IAS 2 Inventories. When a property is treated in accordance with IAS 2 Inventories, the property's value is presented under 'Inventory properties' in the statement of financial position. Citycon had no inventory properties on 31 December 2012 or 31 December 2011.

4.6 Property, plant and equipment

Property, plant and equipment (PPE) are measured at historical cost less straight-line depreciation and any impairment losses. These assets consist mainly of office machinery and equipment and other tangible assets such as artworks. Machines and equipment leased under finance leases are also recognised within property, plant and equipment.

PPEs are depreciated on a straight-line basis over the asset's expected useful economic life. The asset's useful economic life and estimated residual values are reviewed on an annual basis. If any major differences occur between the values, the depreciation plan is revised to correspond to these new values. The following depreciation periods apply:

- Machinery and equipment are depreciated on a straight-line basis over ten years.
- Other PPEs are depreciated on a straight-line basis over three to ten years.
- This also applies to tangible assets leased under finance lease. Such an asset is depreciated over its useful economic life or within the shorter lease term.

Capital gains or losses on the sale of PPEs are recognised in the income statement.

4.7 Intangible assets

An intangible asset is recognised in the balance sheet, provided its historical cost can be measured reliably and it is probable that its expected economic benefits will flow to the company.

Intangible assets are measured at cost less amortisation and any impairment losses.

These assets include mainly computer software. They are amortised over their useful life on a straight-line basis over five years.

4.8 Impairment of tangible and intangible assets

On each balance-sheet date, property, plant and equipment and intangible assets are assessed to determine whether there is any indication of impairment. If any indication of an impaired asset exists, the asset's recoverable amount must be calculated. Should the asset's carrying amount exceed its recoverable amount, it is impaired, and the resulting impairment loss is recognised in the income statement.

4.9 Financial assets and liabilities

4.9.1 Recognition and measurement

As required by IAS 39, financial assets are classified into the following categories for measurement purposes:

1. loans and other receivables not held for trading,
2. available-for-sale financial assets and
3. financial assets at fair value through profit or loss.

The classification of a financial asset is determined by the purpose for which the asset is purchased at the time of its purchase.

Loans and other receivables not held for trading include financial assets which the company has created by providing money, goods or services directly to the debtor. Initially recognised at cost, these assets under current and non-current assets are carried at amortised cost. Their balance sheet value is impaired by the amount of any credit loss. In the company's consolidated statements of financial position as at 31 December 2012 and 31 December 2011, loans and other receivables include the items "Other non-current assets", 'Trade and other receivables' and 'Cash and cash equivalents'.

Available-for-sale financial assets are non-derivative assets carried at fair value. Changes in their fair value are recognised in the fair value reserve under shareholders' equity and in the income statement when the asset is disposed of or it has lost its value to the extent that an impairment loss must be recognised for the asset. Available-for-sale financial assets are intended to be held for an undefined period and can be sold at a time deemed appropriate. On 31 December 2012 or 31 December 2011, Citycon had no available-for-sale financial assets.

Citycon concludes derivative contracts for hedging purposes only. Derivative contracts not fulfilling the criteria set for hedge accounting, or for which Citycon has decided not to apply hedge accounting, are classified as financial assets or liabilities at fair value through profit or loss.

Financial liabilities are classified as

1. financial liabilities at fair value through profit or loss or
2. financial liabilities at amortised cost.

Financial liabilities are initially recognised at fair value. Afterwards, financial liabilities excluding derivative debt are recognised at amortised cost using the effective interest method. In the company's consolidated statement of financial position, on 31 December 2012 and 31 December 2011, financial liabilities at amortised cost include the items 'Loans', 'Other liabilities' and 'Trade payables and other payables'. On 31 December 2012 Citycon had a foreign exchange derivative contract classified as a financial liability at fair value through profit or loss.

Financial assets and liabilities are recognised in the balance sheet on the basis of the settlement date.

4.9.2 Derivative contracts and hedge accounting

Derivatives are initially measured at cost (if available) and re-measured at fair value on each balance sheet date.

Citycon uses 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. Citycon applies hedge accounting to the majority of its interest rate swaps, under IAS 39, according to which the amount of financial instruments' fair value change stemming from effective hedging is recognised under other comprehensive income, whereas the amount stemming from ineffective hedging is recognised in the statement of comprehensive income under financial income and expenses. The amount in the fair value reserve is recognised in the statement of comprehensive income during the period when the cash flow from the hedged item is realised and affects earnings. If the criteria for hedge accounting are not met, changes in fair value are recognised in full through profit or loss.

Interest payments based on interest rate swaps are included in interest expenses. Changes in "fair value through profit or loss" are recognised as financial expenses or income, if hedge accounting is not applied. The fair value of interest rate swaps is shown in current or non-current receivables or short-term or long-term liabilities in the statement of financial position. The fair value of interest rate swaps is based on the present value of estimated future cash flows. As of 31 December 2012 all Citycon's interest rate swaps were under hedge accounting.

The company uses foreign exchange derivatives to hedge against exchange rate risk relating to financial assets and liabilities denominated in foreign currency. Fair value changes related to foreign exchange derivatives are recognised in the statement of comprehensive income, since fair value changes related to financial assets and liabilities denominated in foreign currencies are also recognised therein.

4.9.3 Embedded derivatives

Under IAS 39, an embedded derivative – a derivative instrument included in another contract, or a host contract, whose financial characteristics are not closely related to those of its host contract – must be separated from the host contract under certain circumstances, accounted for at fair value and changes in its fair value must be recognised in the statement of comprehensive income. The Group has no embedded derivatives.

4.9.4 Impairment of financial assets

A financial asset is impaired if its carrying amount exceeds its estimated recoverable amount. If there is objective evidence that a financial asset measured at amortised cost is impaired, the resulting impairment loss must be recognised in the statement of comprehensive income. If the amount of impairment loss decreases during a subsequent financial period and this fall can be regarded as relating to an event after the date of impairment recognition, the asset's impairment will be reversed.

4.10 Cash and cash equivalents

Cash and cash equivalents consist of cash, bank deposits withdrawable on call, and other short-term, highly liquid investments. A maximum maturity of three months from the date of acquisition applies to cash and cash equivalents.

4.11 Share capital

Ordinary shares are classified as equity. The company has a single series of shares, with each share entitling to one vote at general meetings of shareholders. The shares have no nominal value, and there is no maximum amount to share capital.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

4.12 Provisions

Provisions are recognised when Citycon has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of this obligation can be made.

Long-term provisions shown in the financial statements are based on net present values.

4.13 Income recognition

4.13.1 Rental income

Leases based on Citycon as a lessor renting out investment properties are classified under operating leases, since Citycon retains a significant share of risks and rewards of ownership. Rental income from operating leases is spread evenly over the lease term.

Citycon also has leases including rent-free periods or rental discounts and which have been agreed in the original lease. Such lease incentives are treated according to SIC Interpretation 15 Operating Leases – Incentives and are recognised on a straight-line basis over the lease term, although rent payments are not received on the same basis. Citycon has also allowed rental discounts which have not been agreed in the original lease. In such cases, the leaseholder has requested a rental discount due to the market situation or the property's (re)development project. Such temporary rental discounts are recognised in the income statement during the period for which rent reductions have been granted.

On behalf of the lessee, Citycon may perform alteration work on premises rented by the lessee and charge the lessee for the resulting costs, in the form of a rent increase. The Group recognises the alteration-related rent increase as rental income over the lease term. Rent increase and the expense arising from the alteration work are taken into account when measuring the fair value of investment property.

4.13.2 Service charges

Service charges are recognized in the period in which the expense it relates to is expensed. Service charges are included gross of the related costs in turnover as Citycon considers to act as principal in this respect.

Deeming itself the principal is based on the fact that Citycon selects the maintenance service providers for its properties, concludes agreements with property maintenance suppliers and bears the credit risk associated with maintenance. In addition, the tenant doesn't have a possibility to select the property maintenance service provider, nor can the tenant impact the service providers' pricing.

Service income, such as marketing income, is recognised for the period during which the services are provided.

4.13.3 Sale of an existing property

A property is deemed as sold when the significant risks and rewards of ownership have been transferred to the buyer.

4.13.4 Sale of a property under construction

When property is under (re)development and agreement has been made to sell such property when construction is complete, Citycon considers whether it was agreed to construct a property or to sell a completed property. If agreed to sell the completed property, the property is regarded as sold when the significant risks and rewards of ownership have been transferred to the buyer. If agreed to construct a property, the revenue from disposal is recognised using the percentage of completion method as construction progresses, if the risks and rewards of the work in progress are transferred to the buyer as construction progresses.

4.13.5 Interest income

Interest income is recognised according to the time that has elapsed, using the effective interest method.

4.13.6 Dividend income

Dividend income is recognised when the right to receive a dividend is established.

4.14 Borrowing costs

Borrowing costs are usually expensed as incurred. However, borrowing costs, such as interest expenses and arrangement fees, directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to be ready for its intended use or sale. Capitalisation commences when the refurbishment of a property, or the construction of a new building or extension, begins and ceases once the building is ready for lease. Capitalisable borrowing costs include costs of funds borrowed for a construction project or costs attributable to a construction project multiplied by the capitalisation rate. The capitalisation rate is the weighted average cost of Citycon's borrowings for the financial year. Borrowing costs arising from the purchase cost of land are also capitalised on the development project, but only when activities necessary to preparing the asset for development are in progress on the purchased land.

Loan-related transaction expenses clearly associated with a specific loan are included in the loan's cost on an accrual basis and recognised as financial expenses, using the effective interest method.

4.15 Taxes

Income taxes include taxes based on the taxable income of Group companies for the financial period, adjustments for previous periods' taxes and changes in deferred taxes. Tax based on taxable income for the period is calculated in accordance with the tax legislation enacted in each country.

Deferred tax assets and liabilities are calculated on temporary differences arising between the tax bases of assets and liabilities, and their carrying amounts. A major temporary difference arises between the fair value and taxable value of investment properties. In such a case, taxes are calculated on the difference between the property's fair value and the debt-free acquisition cost of shares in the mutual real estate company in question, or the non-depreciated residual value of the directly owned property.

It is the company's policy to realise its shareholding in property companies by selling the shares it holds. For properties owned abroad, such deferred taxes are not recognised because, due to the ownership structure, property disposal does not lead to tax implications.

No deferred tax on subsidiaries' retained earnings is recognised, to the extent that the difference is unlikely to be discharged in the foreseeable future.

Deferred tax assets are recognised to the extent that it appears probable that future taxable profit will be available, against which the temporary differences can be utilised.

If the recognition of deferred taxes is attributable to an item recognised in shareholders' equity, such as a change in the fair value of a derivative instrument used for hedging purposes, deferred taxes will also be recognised in shareholders' equity.

The tax rate enacted by the balance sheet date is used to determine deferred tax.

4.16 Leases –Citycon as lessor

Leases, for which Citycon acts as a lessee, are classified as finance leases and recognised as assets and liabilities if the risks and rewards related to the property have been passed on to the company. Leases are classified at their inception and recognised at the lower of the present value of the minimum lease payments, and the fair value of the asset under PPE and financial liabilities. PPE is depreciated over its useful economic life or during the lease term. Lease payments in the income statement are recognised as interest or the repayment of financial liabilities.

Leases are classified as operating leases if substantially all of the risks and rewards inherent in holding such leased assets have not been transferred to the lessee.

4.17 Pensions

The Group's employee pension cover is based on statutory pension insurance. Pension schemes are classified into two categories: defined contribution plans and defined benefit plans. Where contributions under defined contribution plans are recognised in the income statement for the period during which such contributions are made, defined benefit pension plans are based on actuarial calculations.

Defined benefit schemes' assets are measured at fair value, their obligations at discounted present value and any net surplus or deficit is recognised in the balance sheet. Actuarial gains and losses are charged or credited to equity through other comprehensive income in the period in which they arise. Service cost is spread systematically over the working life. Professional actuaries perform these calculations using the projected credit method.

4.18 Share-based payments

Citycon has applied IFRS 2 Share-based Payment to its stock options and to the long-term share-based incentive plan. Such stock options and share-based incentive plans are measured at fair value on the grant date and expensed over their vesting period. Stock options granted before the above date have not been expensed.

Citycon uses the Black & Scholes option-pricing model to measure the fair value of stock options.

4.19 Dividend distribution

Dividends to the company's shareholders are recognised as a liability in the consolidated statement of financial position, for the period during which the Annual General Meeting of shareholders approves the dividends.

5. Key estimates and assumptions, and accounting policies requiring judgment

The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions. Judgment is also required in the application of certain accounting policies. These may affect the reported assets and liabilities, recognition of income and expenses for the period, and other information such as the presentation of contingent liabilities. Although these estimates are based on the best knowledge and current information available, the actual results may differ from the estimates.

5.1 Key estimates and assumptions

Estimates and assumptions bearing a significant risk concerning a material change in the carrying amounts of assets or liabilities are presented in the following.

5.1.1 Fair value of investment properties

Measuring the fair value of investment property is a key accounting policy that involves the management's judgement and assumptions about future uncertainties. Market rents, occupancy rate, operating expenses and yield requirement form the key variables used in the investment property's fair-value measurement. The evaluation of these variables involves the management's judgement and assumptions. On 31 December 2012, the fair value of investment properties totalled EUR 2,714.2 million (EUR 2,522.1 million). An analysis of investment properties' sensitivity to key variables is presented under Note 17. Investment Properties.

Citycon uses a net rental income based cash flow analysis to measure the fair value of its investment properties. Net rental income and the yield requirement of each property must be defined for the cash flow analysis. Net rental income equals gross rental income less operating expenses. The yield requirement is used for discounting the yearly net rental income less investments, to which the discounted residual value and other assets, such as unused building rights and lots, are added to obtain the fair value of investment property. The key parameters of the cash flow analysis are the following items:

- Market rents, which affect rental income in the cash flow analysis, are determined by market supply and demand. The external appraiser defines the market rents for each property.
- The occupancy rate stands for that part of the leasable space (Gross Leasable Area, GLA) that is leased. The occupancy rate is determined by the lease agreements valid on the valuation date. Upon a lease expiry, measuring the occupancy rate involves the management's assumptions. The occupancy rate affects the yearly rental income.
- Operating expenses comprise costs resulting from the property's management, maintenance, heating, electricity, water supply etc. Operating expenses are determined based on the previous year's operating expenses and the benchmark data collected by the external appraiser.
- The yield requirement comprises risk-free interest as well as property-specific and market risk. The property-specific risk is defined by Citycon and this definition involves the management's judgement and assumptions. Market risks are defined by an external appraiser. Yield requirement is used as the discount rate in the cash flow analysis. When the yield requirement decreases, the fair value of investment properties increases.

Other variables involving estimates and assumptions are the current leases' extension probability, the duration of vacant areas, investments, the inflation rate and rental growth assumptions.

Citycon uses a normal cash-flow analysis or a special project model to measure the fair value of its (re)development projects depending on the nature of the project. Although the project model applies principles similar to those used in the cash flow analysis measuring the investment property's fair value, it is better suited to modelling changes, in many cases significant ones, in premises and contracts during the development project. Based on the project model, the property can be divided into different parts and the current leases, future leases, project schedules and capital expenditure can be defined for each of these parts, which may comprise the various floors, areas or a larger space within the building. In addition, risks associated with the development project and the property's future use can be defined for the yield requirement for development projects. Following this, each part is subject to the cash flow analysis and the parts' combined cash flow constitutes the development project's fair value.

When evaluating the fair value of (re)development projects, either with a normal cash flow analysis or with the use of a special project model, the judgement or assumptions about future investments, rental agreements and the project's timetable must be made.

5.1.2 Taxes Citycon is subject to income taxation in several countries. The complexity of tax legislation, as well as constant changes in it and in the operating environment, require Citycon to use estimates and assumptions when preparing its tax calculations. Future taxable income is uncertain, and the final amount of taxes may deviate from the originally recorded amount. If final tax deviates from originally recorded amounts, such differences may affect the period's taxable profit, tax receivables or liabilities as well as deferred tax assets or liabilities. Citycon's current taxes in 2012 amounted to EUR 1.4 million (EUR 0.9 million in 2011).

Deferred tax assets and liabilities are calculated on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

The major temporary difference arises between the fair value and taxable value of investment properties. Under the policy adopted by Citycon, deferred tax describes the tax payable on potential gains on sale in the case of a property being sold. This means that Citycon needs to estimate the future realisation of its property sales. In the main, Citycon realises its properties' sales by selling shares representing ownership in the property and by reporting deferred tax according to this rule. Deferred tax liability recognised from the difference between the fair value and taxable value of investment properties was EUR 64.0 million on 31 December 2012 (EUR 57.5 million on 31 December 2011).

Other main temporary differences relate to unused tax losses and financial instruments. When tax receivables are recognised for tax losses that have been confirmed in taxation, the company must evaluate whether it is probable that such tax losses can be used against a taxable profit arising in the future. Deferred tax asset from tax losses amounted to EUR 1.0 million million on 31 December 2012 (EUR 1.1 million on 31 December 2011).

No deferred tax is recognised on subsidiaries' retained earnings, to the extent that it is considered unlikely that such a difference will be discharged in the future. On 31 December 2012, Citycon had confirmed losses for which tax assets of EUR 22.0 million (EUR 19.4 million in 2011) were not recognised.

Deferred taxes are calculated on the balance sheet day using valid tax rates.

5.2 Accounting policies requiring judgment

Citycon must use judgement when appling the following accounting policies.

5.2.1 Classification of properties

Citycon uses judgment when classifying its properties into investment properties, inventory properties or investment properties held for sale, according to the following policies:

- Properties which are neither held for sale nor used in Citycon's administration or other operations but, rather, held to earn rentals or for capital appreciation or both, are classified as investment properties. Citycon had investment properties EUR 2,714.2 million on 31 December 2012 (EUR 2,522.2 million on 31 December 2011.
- Properties in which a redevelopment is initiated for the purpose of a sale, or which are being built/developed with a view to a sale, are classified as inventory properties. Citycon had no inventory properties on 31 December 2012 or 31 December 2011.
- Properties which are held to earn rentals and/or for capital appreciation, but whose sale is deemed probable, are classified as investment properties held for sale. Citycon had investment properties held for sale EUR 5.4 million on 31 December 2012 (EUR 12.7 million on 31 December 2011).

5.2.2 Business acquisitions and asset acquisitions

Citycon purchases investment properties through asset acquisitions and business acquisitions. It applies IAS 40 Investment Property to the accounting treatment of asset acquisitions and IFRS 3 Business Combinations to the accounting treatment of business acquisitions. Citycon exercises judgement in assessing whether the purchase of an investment property or an investment property portfolio is classified as an asset acquisition or business acquisition. Acquisitions are treated as business acquisitions when significant set of activities is acquired in addition to the property. The significance of activities is assessed in accordance with the definition of ancillary services (e.g. maintenance, cleaning, security, book-keeping, etc.) of IAS 40. Citycon didn't have any business acquisitions in 2012 and 2011.

5.2.3 Sale of investment properties

When investment properties are sold, Citycon exercises judgement in estimating whether the sale is classified as a real estate sale or sale of a business. For Citycon, characteristics of a sale of a business include, for example, the sale of a major line of business or geographical area of operations that also involves the transfer of staff and/or management essential to the business.

In the case of real estate sale, IAS 40 Investment Property or IAS 2 Inventory based accounting treatment is applied. Policies concerning the sale of individual investment properties or properties are described in 4.4 Investment properties held for sale and 4.5 Inventory properties.

In the case of sale of a business, IFRS 5, Non-current Assets Held for Sale and Discontinued Operations based accounting treatment is applied. Businesses i.e. disposal groups such as segments or property portfolios are classified as non-current assets held for sale when their carrying amount is to be recovered, principally through a sale transaction, and a sale is considered highly probable. A sale is considered highly probable based on the policies presented under 4.4 Investment properties held for sale. Profit for the period from the business held for sale must be stated as a separate item in the consolidated statement of comprehensive income, while the business held for sale must be presented in the statement of financial position, separately from other assets. In addition, liabilities under the business held for sale must be presented in the statement of financial position, separately from other liabilities. Citycon had no businesses held for sale on 31 December 2012 or 31 December 2011.

6. GROSS RENTAL INCOME

A) Breakdown of gross rental income

EUR million	2012	2011
Straight-lining of lease incentives	0.3	0.3
Temporary rental discounts	-2.4	-2.4
Additional rent from turnover based rental agreements	3.9	3.8
Gross rental income (excl. items above)	224.2	204.3
Total	**225.9**	**206.0**

B) General description of Citycon's lease agreements

In accordance with the table presented below, Citycon had 3,846 lease agreements on 31 December 2012 (3,955 agreements on 31 December 2011). The decrease in number of lease agreements were due to divestments of non-core properties in Finland and in Sweden. In the majority, i.e. in 89 per cent (89% on 31 Dec. 2011) of Citycon's leases the rent is divided into base rent and the maintenance charge. Base rent is typically tied to the cost-of-living index. The maintenance charge, charged separately from the lessee, covers operating expenses incurred by the property owner due to property maintenance.

Part of Citycon's lease agreements also contain a turnover-linked component in addition to a cost-of-living -indexation. Turnover based rent agreements accounted for roughly 53 per cent (49 per cent at 31.12.2011) of Citycon's lease portfolio at 31.12.2012. In Note 6. A) Breakdown of gross rental income, the additional rent received from turnover based rental agreements is presented.

Thus, Citycon's leases are chiefly leases with contingent rent payments in accordance with IAS 17.4, because majority of the lease portfolio is tied to the cost-of-living index, a predetermined minimum rent increase and/or the lessee's turnover.

Number of lease agreements	31 Dec. 2012	31 Dec. 2011
Finland	1,802	1,699
Sweden	1,474	1,818
Baltic Countries and New Business	570	438
Total	**3,846**	**3,955**

In accordance with the table presented below, the average remaining length of Citycon's lease portfolio was 3.5 years on 31 December 2012 (3.4 years on 31 December 2011). Citycon mainly seeks to prepare fixed-term contracts. As a main rule, new leases are signed for a fixed period in all countries. Alongside storage facilities and individual parking spaces, apartments form the main exception to this. Fixed-term agreements represented about 78 per cent of Citycon's property portfolio on 31 December 2012 (78 percent on 31 December 2011) and initially fixed-term contracts 12 per cent on 31 December 2012 (10 per cent on 31 December 2011). The rest of the agreements are leases in effect until further notice (9 percent out of all leases on 31 December 2012 and 12 percent on 31 December 2011).

A new lease's duration depends on the type of premises to be leased and the tenant. With an anchor tenant, the company typically concludes long-term leases of 10 or even 20 years. Leases for smaller retail premises, however, are chiefly negotiated for a term of 3–5 years

Average remaining length of lease portfolio at the end of financial year, year	31 Dec. 2012	31 Dec. 2011
Finland	3.7	3.5
Sweden	3.0	2.9
Baltic Countries and New Business	3.7	4.2
Average	**3.5**	**3.4**

C) Future minimum lease payments receivable under non-cancellable leases

Non-cancellable leases include fixed-term and initially fixed-term leases until the end of their terms. Leases in effect until further notice are assumed as non-cancellable leases for the equivalent of their notice period.

EUR million	31 Dec. 2012	31 Dec. 2011
Not later than 1 year	45.0	50.7
1-5 years	133.7	112.6
Over 5 years	49.0	46.2
Total	**227.8**	**209.5**

7. SEGMENT INFORMATION

The presentation of segment information is based on the Group's geographical business units. In turn, these units are based on the Group's organisational structure and internal financial reporting. Furthermore, the Group's profit is reported to the Board of Directors, which is the chief operating decision maker, by the geographical business units. Citycon's management and Board of Directors assess the business units' performance on the basis of net rental income and EPRA operating profit. Fair value changes are also reported to Citycon's management and Board of Directors, by business unit. In addition to geographical business units, Citycon's management and Board of Directors monitor property-specific net rental income.

Segment assets and liabilities consist of operating items which the segment uses in its operations or which can be allocated to the segment on a reasonable basis. Unallocated items include tax and financial items, as well as corporate items. No internal sales take place between segments.

Capital expenditure includes additions to the investment properties, property, plant and equipment and intangible assets in the statement of financial position.

Citycon's turnover mainly consists of rental income. Rental income arises mainly from retail premises from two different property types: shopping centres, and supermarkets and shops. Citycon presents its gross rental income broken down by property type.

Principal customers include the five biggest tenants, one of whose share of gross rental income exceeds 10 per cent. The proportion of gross rental income and the segment is specified for each of these tenants. The proportion of gross rental income is based on the rent roll at 31 Dec. 2012 and at 31 Dec. 2011.

A) Segment information

The geographical segments are Finland, Sweden and the Baltic Countries and New Business. The segment Other mainly includes the administrative expenses arising from the Group's headquarter.

Finland

Citycon is Finland's largest company in the shopping-centre business. It owns 23 shopping centres, in addition to 36 other properties. 30 of the Finnish properties are located in the Helsinki Metropolitan Area and 29 elsewhere in Finland.

Sweden

Citycon has nine shopping centres and five other retail properties in Sweden. Eight of the properties in Sweden are located in the Greater Stockholm Area, four in the Greater Gothenburg Area and two in Umeå.

Baltic Countries and New Business

Citycon owns four shopping centres in the Baltic region, three in Estonia and one in Lithuania. In addition Citycon owns one shopping Centre in Denmark.

EUR million 1 Jan.-31 Dec. 2012	Finland	Sweden	Baltic Countries and New Business	Other	Total
Gross rental income	137.0	60.3	28.6	-	225.9
Service charge income	6.3	2.8	4.2	-	13.3
Turnover	**143.2**	**63.1**	**32.8**	**-**	**239.2**
Property operating expenses	44.7	22.9	8.2	0.0	75.8
Other expenses from leasing operations	0.3	1.0	0.0	0.0	1.4
Net rental income	**98.2**	**39.2**	**24.6**	**0.0**	**162.0**
Direct administrative expenses	9.1	5.1	1.0	11.3	26.5
Other operating income and expenses	0.2	0.0	0.0	-	0.2
EPRA operating profit	**89.3**	**34.0**	**23.7**	**-11.4**	**135.7**
Indirect administrative expenses	-	-	-	-	-
Net fair value losses/gains on investment property	-0.9	9.0	15.4	-	23.6
Losses/gains on disposal of investment property	-1.0	5.1	0.0	-	4.2
Operating profit/loss	**87.5**	**48.2**	**39.1**	**-11.4**	**163.4**
Net financial income and expenses				-68.1	-68.1
Share of profit/loss of jointly controlled entitities				0.2	0.2
Income tax expense				-7.8	-7.8
Profit for the period					**87.7**
Allocated assets					
Investment properties	1,659.0	739.2	316.0	-	2,714.2
Investment properties held for sale	5.4	-	-	-	5.4
Other allocated assets	8.5	10.2	1.1	59.5	79.4
Unallocated assets					
Deferred tax assets				19.5	19.5
Derivative financial instruments				-	-
Assets	**1,672.9**	**749.4**	**317.1**	**79.0**	**2,818.5**
Allocated liabilities					
Trade and other payables	14.0	21.0	3.7	42.7	81.4
Unallocated liabilities					
Interest-bearing liabilities				1,533.2	1,533.2
Deferred tax liabilities				66.0	66.0
Derivative financial instruments				76.3	76.3
Other unallocated liabilities				1.6	1.6
Liabilities	**14.0**	**21.0**	**3.7**	**1,719.9**	**1,758.6**
Capital expenditure	**119.9**	**18.1**	**23.0**	**0.7**	**161.7**

EUR million 1 Jan.-31 Dec. 2011	Finland	Sweden	Baltic Countries and New Business	Other	Total
Gross rental income	127.3	57.4	21.2	-	206.0
Service charge income	5.1	2.7	3.3	-	11.1
Turnover	**132.5**	**60.1**	**24.5**	**-**	**217.1**
Property operating expenses	41.7	23.9	6.0	0.0	71.6
Other expenses from leasing operations	0.3	0.9	0.0	-	1.2
Net rental income	**90.5**	**35.4**	**18.4**	**0.0**	**144.3**
Direct administrative expenses	7.6	4.9	1.3	13.2	27.1
Other operating income and expenses	0.3	-	0.0	-0.1	0.2
EPRA operating profit	**83.2**	**30.4**	**17.1**	**-13.4**	**117.4**
Indirect administrative expenses	0.7	-	-	-	0.7
Net fair value gains/losses on investment property	-40.4	1.7	3.4	-	-35.3
Profit on disposal of investment property	0.0	0.3	0.0	-	0.3
Operating profit/loss	**42.3**	**32.4**	**20.5**	**-13.4**	**81.8**
Net financial income and expenses				-62.4	-62.4
Share of profit/loss of jointly controlled entitities				0.3	0.3
Income tax expense				1.6	1.6
Profit for the period					**21.3**
Allocated assets					
Investment properties	1,547.4	697.1	277.6	-	2522.1
Investment properties held for sale	-	12.7	-	-	12.7
Other allocated assets	10.6	21.5	1.0	94.9	128.0
Unallocated assets					
Deferred tax assets				14.5	14.5
Derivative financial instruments				0.5	0.5
Assets	**1,558.0**	**731.3**	**278.6**	**109.8**	**2,677.7**
Allocated liabilities					
Trade and other payables	5.1	19.4	1.6	26.8	53.0
Unallocated liabilities					
Interest-bearing liabilities				1,547.9	1,547.9
Deferred tax liabilities				59.8	59.8
Derivative financial instruments				54.5	54.5
Other unallocated liabilities				0.6	0.6
Liabilities	**5.1**	**19.4**	**1.6**	**1,689.8**	**1,715.9**
Capital expenditure	**62.5**	**45.5**	**108.1**	**0.6**	**216.7**

B) Turnover by property types

	2012	2011
Shopping centres	210.0	187.9
Supermarkets and shops	29.2	29.2
Total	**239.2**	**217.1**

C) Major tenants

2012	Proportion of gross rental income, %	Segment
Kesko	16.9	Finland
S Group	5.7	Finland and Baltic Countries and New Business
ICA AB	3.4	Sweden and Baltic Countries and New Business
Stockmann	3.0	Finland, Sweden and Baltic Countries and New Business
H & M Hennes & Mauritz AB	1.7	Finland and Sweden
Total	**30.6**	

Proportion of gross rental income is based on the rent roll at 31 Dec. 2012.

2011	Proportion of gross rental income, %	Segment
Kesko	17.2	Finland
S Group	5.6	Finland and Baltic Countries and New Business
ICA AB	3.4	Sweden and Baltic Countries and New Business
Stockmann	3.1	Finland, Sweden and Baltic Countries and New Business
Tokmanni	1.7	Finland
Total	**31.1**	

Proportion of gross rental income is based on the rent roll at 31 Dec. 2011.

8. PROPERTY OPERATING EXPENSES

EUR million	2012	2011
Heating and electricity	25.1	24.2
Maintenance expenses	25.4	23.3
Land lease fees and other rents	1.8	1.3
Property personnel expenses	0.8	0.6
Administrative and management fees	2.3	2.3
Marketing expenses	5.6	5.6
Property insurances	0.6	0.5
Property taxes	7.1	6.4
Repair expenses	7.0	7.5
Other property operating expenses	0.2	-0.1
Total	**75.8**	**71.6**

Two properties generated no income during the year 2012 (in 2011 one property), while these generated expenses of EUR 0.2 million (EUR 0.0 million)

9. OTHER EXPENSES FROM LEASING OPERATIONS

EUR million	2012	2011
Tenant improvement expenses and commissions	0.1	0.4
Credit losses	1.2	0.8
Total	**1.4**	**1.2**

Significant tenant improvements are recognised as investments.

Credit losses include increase of EUR 0.4 million in credit loss provisions (decrease of EUR 0.1 million) in the consolidated statement of comprehensive income. Credit loss provisions in the statement of financial position are presented in Note 25. Trade and other receivables.

10. ADMINISTRATIVE EXPENSES

EUR million	2012	2011
Personnel expenses	15.5	15.1
Non-recurring personnel expenses arising from employment terminations	1.5	1.7
Consultancy and advisory fees as well as external services [1)]	3.5	4.5
Office and other administrative expenses	4.8	5.4
Depreciation and amortisation	1.2	1.0
Total [1)]	**26.5**	**27.7**

1) *Citycon has made an adjustment to its accounting policies related to the treatment of transaction costs arising from the investment property disposals in 2012. Previously Citycon reported transaction costs from the property disposals within the administrative expenses, but in the financial statements 2012, Citycon has netted the transaction costs from the successful property disposals against the net gains on sale of investment properties.*

Non-recurring personnel expenses arising from employment terminations include one-off compensations (incl. pension and social charges) payable to 7 persons in 2012 (to 11 persons in 2011) as well as estimated one-off compensations related to collaborative negotiations in the Finnish Business unit, which were initiated in December 2012.

The following audit fees and services from the audit firm Ernst & Young Oy are included within the consulting and advisory fees included in the administrative expenses and within the administrative and management fees included in the property operating expenses.

EUR million	2012	2011
Audit fees	0.3	0.3
Other advisory services	0.1	0.7
Total	**0.3**	**0.9**

11. PERSONNEL EXPENSES

EUR million	2012	2011
Wages and salaries of management		
CEO	1.0	0.5
Management committee	1.6	1.2
Board	0.7	0.7
Other wages and salaries	8.4	8.8
Pension charges: defined contribution plans	1.7	1.6
Pension charges: defined benefit plans	-	-0.1
Social charges	1.2	1.3
Expense of share based payments	1.7	1.7
Total	**16.2**	**15.7**

Personnel expenses of EUR 0.8 million (EUR 0.6 million) are included in property operating expenses and EUR 15.5 million (EUR 15.1 million) in administrative expenses.

Citycon used to have a defined benefit pension plan related to the pension plan of the previous CEO Petri Olkinuora. As Petri Olkinuora left the company, Citycon settled its obligations related to Olkinuora's pension plan during 2010. Therefore, there were no defined benefit pension liability recognized in the statement of financial position on 31 December 2012 and 2011. The defined benefit pension income of EUR 0.1 million in 2011 arose from the difference between the accrued settlement in 2010 and the final actuarial calculations.

The share-based payment plans are described in Note 30. Employee benefits.

Information on management benefits is presented in Note 33. Related party transactions.

Average Group staff by Business Units during the period	2012	2011
Finland	61	55
Sweden	33	35
Baltic Countries and New Business	10	11
Headquarter	28	30
Total	**132**	**131**

12. DEPRECIATION AND AMORTISATION

Depreciation and amortisation of EUR 1.2 million (EUR 1.0 million) on machinery and equipment, as well as on intangible assets, is included in administrative expenses.

13. OTHER OPERATING INCOME AND EXPENSES

EUR million	2012	2011
Other operating income	0.4	0.3
Other operating expenses	-0.2	-0.1
Total	**0.2**	**0.2**

14. NET FINANCIAL INCOME AND EXPENSES

A) Recognised in the income statement

EUR million	2012	2011
Interest income	0.6	0.6
Foreign exchange gains	31.6	53.8
Other financial income	0.0	0.0
Financial income, total	32.1	54.4
Interest expenses	65.0	61.0
Foreign exchange losses	31.6	53.7
Development interest capitalised	-1.8	-2.5
Other financial expenses	5.5	4.6
Financial expenses, total	100.3	116.8
Net financial income and expenses	**68.1**	**62.4**
Of which attributable to financial instrument categories:		
Interest-bearing loans and receivables	48.4	48.0
Finance lease liabilities	0.0	0.0
Derivative financial instruments	19.6	14.1
Other liabilities and receivables	0.1	0.2
Net financial income and expenses	**68.1**	**62.4**

In 2012, foreign exchange losses of EUR 3.3 million (gains of EUR 0.1 million) were recognised in the statement of comprehensive income from foreign exchange derivative agreements.

Interest on development expenditure is capitalised at a rate of 4.34% as at 31 December 2012 (4.31% as at 31 December 2011).

Citycon's interest expenses in the statement of comprehensive income contain interest expenses from interest-bearing debt as well as all interest expenses arising from derivative financial instruments used for hedging purposes. Additional information on Citycon's derivative financial instruments, their fair values and hedge accounting treatment can be found in Note 23. Derivative Financial Instruments.

B) Recognised in the other comprehensive income

EUR million	2012	2011
Losses arising during the period from cash flow hedges	-35.5	-50.1
Less: interest expenses recognised in the income statement on cash flow hedges	16.3	14.2
Net losses/ gains on cash flow hedges	-19.3	-35.9

15. INCOME TAXES

EUR million	2012	2011
Current tax	1.4	0.9
Tax for prior periods	0.0	0.0
Deferred tax expense/benefit	6.4	-2.5
Income tax expense/benefit	**7.8**	**-1.6**

Citycon didn't recognise any current taxes directly in the equity during 2012 and 2011.

Reconciliation between tax charge and Group tax at the Finnish tax rate (24.5%):

EUR million	2012	2011
Profit/loss before taxes	95.5	19.7
Taxes at Finnish tax rate	23.4	5.1
Fair value gains and losses from subsidiaries owned abroad	-10.7	-4.9
Difference in foreign subsidiaries' tax rate	-3.6	-3.3
Unrecognised tax receivables from losses	2.8	2.1
Utilisation of previously unrecognised tax losses	-0.6	-0.2
Depreciation and amortisation deducted in taxation	2.0	-1.2
Tax free income deducted by the tax exempt expenses	-5.6	0.0
Other	0.2	0.6
Income taxes	**7.8**	**-1.6**
Effective tax rate	8.2 %	-8.3 %

16. EARNINGS PER SHARE

Earnings per share (basic) is calculated by dividing the net profit/loss attributable to parent company shareholders by the share issue adjusted weighted average number of shares.

	2012	2011
Earnings per share, basic		
Profit/loss attributable to parent company shareholders (EUR million)	77.2	13.0
IIssue-adjusted average number of shares (1,000) [1]	298,090.6	269,675.9
Earnings per share (basic) (EUR)	**0.26**	**0.05**

	2012	2011
Earnings per share, diluted		
Profit/loss attributable to parent company shareholders (EUR million)	77.2	13.0
Expenses from convertible capital loan, the tax effect deducted (EUR million) [2]	3.1	-
Profit/loss used in the calculation of diluted earnings per share (EUR million)	**80.3**	**13.0**
Issue-adjusted average number of shares (1,000) [1]	298,090.6	269,675.9
Convertible capital loan impact, (1,000) [2]	15,077.2	-
Adjustment for stock options (1,000)	-	-
Adjustments for long-term share-based incentive plan (1,000)	34.2	128.8
Average number of shares used in the calculation of diluted earnings per share (1,000)	**313,202.1**	**269,804.7**
Earnings per share (diuted) (EUR)	**0.26**	**0.05**

1) Earnings per share key figures have been calculated with the issue-adjusted number of shares resulting from the rights issue executed in October 2012.

2) The potential new shares from the conversion of convertible capital loan and the expenses from convertible loan (less the tax effect) are not included in calculating 2011 diluted per-share figures, because the earnings per share basic would be less than diluted earnings per share. Adjustments for long-term share-based-incentive plan and stock options are taken into account when calculating the diluted earnings per share.

Diluted earnings per share is calculated by adjusting the weighted average number of shares to assume the conversion of all dilutive potential shares. The Group currently has two categories of dilutive shares in place: convertible capital loan and stock options. Long-term share-based incentive plan was finalised during 2012 and all incentives granted and paid.

- The holder of the convertible loan has the right, during 12 September 2006 - 27 July 2013, to convert the loan nominal amount into company shares. Based on the conversion price applicable on the balance sheet date, the dilution from full conversion of the loan nominal is approximately 9.8 million shares. When calculating the dilution effect, the loss/profit for the period is adjusted by the expenses arising from the convertible loan (including the tax effect).
- Stock options have dilutive potential when the subscription price of shares based on the stock options is lower than the share's fair value. The dilutive potential of stock options is calculated by taking account of the total number of shares that can be subscribed based on stock options, less the number of shares the group could acquire using assets derived from exercising stock options.
- The share-based incentive scheme had a dilutive effect when the earning period had ended, the performance conditions for the bonus had been fulfilled, and the shares had not yet been granted. Long-term share-based incentive plan was finalised during 2012 and all incentives granted and paid.

Average number of shares used in the calculation of earnings per share	days	number of shares
1.1.2012	151	288,407,020
31.5.2012	123	288,445,132
1.10.2012	92	326,880,012
Weighted average (daily) number of shares	366	298,090,635

17. INVESTMENT PROPERTIES

Citycon divides its investment properties into two categories: Investment Properties Under Construction (IPUC) and Operative Investment Properties. On 31 December 2012, the first mentioned category included Koskikeskus in Finland, as well as Åkermyntan Centrum in Sweden. On 31 December 2011, the first mentioned category included Iso Omena, Koskikeskus ja Myllypuro in Finland. as well as Åkermyntan in Sweden and Magistral in Estonia.

IPUC-category includes the fair value of the whole property even though only part of the property may be under construction.

Contractual obligations to purchase, construct or develop investment properties are presented in Note 32. B) Pledges and other contingent liabilities.

EUR million 31.12.2012	Investment property under construction	Operative investment properties	Investment properties total
At period-start	**526.4**	**1,995.7**	**2,522.1**
Acquisitions during the period	7.9	50.9	58.8
Investments during the period	34.1	65.6	99.7
Disposals during the period	-	-1.4	-1.4
Capitalised interest	1.1	0.7	1.8
Fair value gains on investment property	0.6	53.7	54.4
Fair value losses on investment property	-1.2	-29.6	-30.8
Exchange differences	0.5	26.3	26.8
Transfer between IPUC and operative investment properties and transfer into investment properties held for sale	-373.7	356.5	-17.2
At period-end	**195.7**	**2,518.5**	**2,714.2**

EUR million 31.12.2011	Investment property under construction	Operative investment properties	Investment properties total
At period-start	**326.1**	**2,041.6**	**2,367.7**
Acquisitions during the period	-	139.9	139.9
Investments during the period	23.5	48.9	72.4
Disposals during the period	-	-16.6	-16.6
Capitalised interest	0.5	2.0	2.6
Fair value gains on investment property	20.3	19.5	39.8
Fair value losses on investment property	-0.2	-74.9	-75.1
Exchange differences	0.1	3.9	4.0
Transfer between IPUC and operative investment properties	156.0	-168.7	-12.7
At period-end	**526.4**	**1,995.7**	**2,522.1**

Under the IAS 40 Investment Property -standard, Citycon measures its investment properties at fair value. An external professional appraiser has conducted the valuation of the company's properties using a net rental income based cash flow analysis. Market rents, occupancy rate, operating expenses and yield requirement form the key variables used in the cash flow analysis.

A global property valuation expert Jones Lang LaSalle conducted the valuation of Citycon's properties for the financial statements for 2012 and 2011. Realia Management conducted the property valuation for the first three quarters of 2011. The resulting fixed fees based on the 2012 valuations total EUR 0.2 million (EUR 0.2 million in 2011).

The fair value of Citycon's investment properties in the balance sheet equals the property portfolio's total value determined by the external appraiser, capital expenditure on development projects not taken into account by the external appraiser, transfer into investment properties held for sale as well as the value of new properties acquired during the reporting quarter. The reconciliation between the fair value determined by the external appraiser and the fair value of investment properties in Citycon's balance sheet, is as follows.

Me	31.12.2012	31.12.2011
Fair value of investment properties determined by the external appraiser as at Dec. 31 [1]	2,704.1	2,515.0
Capital expenditure on development projects	10.1	7.1
Fair value of investment properties as at Dec. 31	**2,714.2**	**2,522.1**

1) The properties held for sale (EUR 5.4 million) were not included within the fair value determined by the external appraiser on 31 December 2012.

The segments' assumptions used by the external appraisers in the cash flow analysis on 31 December 2012 and on 31 December 2011 are presented the table below. In Finland the average yield requirement decreased due to the value increase of the core properties followed e.g. by the progress/completion the of re-development projects. In Sweden the average yield requirement increased due to the overall increase of non-prime property yields in the property markets. Also the divestment of residential units contributed to the yield increase. In Baltic Countries and New Business average yield requirement decreased due to re-development projects and due to increased demand for retail properties in Estonia. The average market rent for the whole property portfolio increased from 23.8EUR/sq.m. on 31 December 2011 to 25.1 EUR/sq.m. on 31 December 2012 e.g. due to re-development projects, divestment of non-core properties, strengthened Swedish krona and overall positive market rent development of the prime properties. The vacancy assumption for the cash flow period increased by 10bps to 4.8% (4.7% 31. Dec. 2011) due to increased vacancy in Sweden.

EUR million 31 Dec. 2012	Finland	Sweden	Baltic Countries and New Business	Average
Yield requirement (%)	6.2	6.0	7.7	**6.3**
Initial yield (%)	6.2	5.6	7.9	**6.2**
Reversionary yield (%)	6.8	6.6	8.2	**6.9**
Market rents (€/m²)	25.9	25.6	20.0	**25.1**
Vacancy during the cash flow period (%)	4.8	5.8	2.1	**4.8**
Market rent growth assumption (%)	2.0	1.9	1.6	-
Operating expense growth assumption (%)	2.0	1.9	3.1	-

EUR million 31 Dec. 2011	Finland	Sweden	Baltic Countries and New Business	Average
Yield requirement (%)	6.3	5.9	8.0	**6.4**
Initial yield (%)	6.0	5.5	8.2	**6.1**
Reversionary yield (%)	6.8	6.6	8.4	**6.9**
Market rents (€/m²)	24.4	23.6	20.8	**23.8**
Vacancy during the cash flow period (%)	4.9	5.5	2.0	**4.7**
Market rent growth assumption (%)	2.0	2.1	1.4	-
Operating expense growth assumption (%)	2.0	2.1	3.0	-

Sensitivity analysis

A number of factors contribute to the value of retail properties, such as national and local economic development, investment demand created by property investors, and interest rates. While changes in investment properties' fair value have an effect on the company's profit for the financial year, they do not have an immediate impact on cash flow. The yield requirement, rents, the occupancy rate and operating expenses form the key variables used in an investment property's fair-value measurement, based on a ten-year cash-flow analysis. Sensitivity to change in the properties' fair value, or the risk associated with fair value, can be tested by altering the above key parameters. The sensitivity analysis below uses the investment properties' fair value of EUR 2,704.1 million defined by the external appraiser at 31 December 2012 as the starting value. Sensitivity analysis indicates that the market value is most sensitive to the market rents and yield requirement. A ten percent decrease in the yield requirement results in an approximately 11 percent increase in market value. Correspondingly, a ten percent increase in gross income increases the value by approximately 14 percent. The market value reacts to change in vacancy and operating expenses, but their relative effect is not as great as changes to rental income and yield requirement.

		Value of properties (EUR million)			
Change %	**-10%**	**-5%**	**±0%**	**+5%**	**+10%**
Yield requirement	3,004.6	2,846.5	2,704.1	2,575.4	2,458.3
Market rents	2,331.8	2,518.0	2,704.1	2,890.3	3,076.5
Operating expenses	2,815.3	2,759.7	2,704.1	2,648.6	2,593.0
Change, percentage points	**-2**	**-1**	**±0**	**1**	**2**
Vacancy	2,788.8	2,746.5	2,704.1	2,661.8	2,619.5

18. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

During 2011, Citycon Oyj acquired a 50 % interest in Espagalleria Oy, jointly controlled entity, which is the management company of Galleria Esplanad shopping centre in Finland. Included in the consolidated financial statements are the following items that represent the Group's interest in the assets and liabilities, revenues and expenses of the jointly controlled entities.

EUR million	2012	2011
Total assets	1.0	0.8
Total liabilities	0.2	0.2
Net assets	**0.9**	**0.6**
Turnover	3.9	3.1
Net rental income	0.2	0.1
Asset management fee of the property	-0.2	-0.2
Profit on valuation of investment property	0.3	0.3
Operating profit	**0.2**	**0.3**
Profit for the period	**0.2**	**0.3**

Citycon didn't have any contingent liabilities and capital commitments in relation to its interest in jointly controlled entities. Jointly controlled entities themselves didn't have either any contingent liabilities and capital commitments.

19. INTANGIBLE ASSETS

EUR million	2012	2011
Acquisition cost Jan. 1	**3.9**	**2.9**
Additions during the period	0.5	1.0
Accumulated acquisition cost Dec. 31.	**4.3**	**3.9**
Accumulated depreciation and impairment losses, Jan. 1	**2.0**	**1.4**
Depreciation during the period	0.7	0.5
Accumulated depreciation and impairment losses, Dec 31.	**2.6**	**2.0**
Net carrying amount Jan 1.	**1.9**	**1.5**
Net carrying amount Dec 31.	**1.7**	**1.9**

Intangible assets consisted mainly of computer software and licenses.

20. PROPERTY, PLANT AND EQUIPMENT

EUR million	2012	2011
Acquisition cost Jan. 1	**3.4**	**3.0**
Additions during the period	1.1	0.4
Accumulated acquisition cost Dec. 31.	**4.5**	**3.4**
Accumulated depreciation and impairment losses, Jan. 1	**2.5**	**2.0**
Depreciation during the period	0.5	0.5
Accumulated depreciation and impairment losses, Dec 31.	**3.0**	**2.5**
Net carrying amount Jan 1.	**1.0**	**1.0**
Net carrying amount Dec 31.	**1.4**	**1.0**

Property, plant and equipment consisted mainly of machinery and equipment.

Machinery and equipment acquired through financial leases amounted to EUR 0.4 million (EUR 0.7 million).

21. DEFERRED TAX ASSETS AND LIABILITIES

Changes in deferred tax assets and liabilities in 2012:

EUR million	1 Jan. 2012	Recognized in income statement	Recognized in other comprehensive income	31 Dec. 2012
Deferred tax assets				
Tax losses	1.1	-0.2	-	1.0
Measurement of interest-rate swaps at fair value	13.3	-	5.2	18.5
Deferred tax assets, total	**14.5**	**-0.2**	**5.2**	**19.5**
Deferred tax liabilities				
Measurement of investment property at fair value	57.5	6.4	-	64.0
Temporary difference in financial expenses	2.3	-0.2	-	2.1
Deferred tax liabilities, total	**59.8**	**6.2**	**-**	**66.0**

Changes in deferred tax assets and liabilities in 2011:

EUR million	1 Jan. 2011	Recognized in income statement	Recognized in other comprehensive income	31 Dec. 2011
Deferred tax assets				
Tax losses	1.3	-0.2	-	1.1
Measurement of interest-rate swaps at fair value	4.4	-	9.0	13.3
Deferred tax assets, total	**5.6**	**-0.2**	**9.0**	**14.5**
Deferred tax liabilities				
Measurement of investment property at fair value	59.7	-2.2	-	57.5
Temporary difference in financial expenses	2.8	-0.5	-	2.3
Deferred tax liabilities, total	**62.6**	**-2.7**	**-**	**59.8**

Citycon's deferred taxes mainly arise from changes in the fair value of investment properties. In 2012, deferred tax expense resulting from the changes in the investment properties' fair value recognised in the income statement totalled EUR 6.4 million (benefit of EUR 2.2 million). The fair value of an investment property reflects the market price that would be paid for the property on the date of measurement, while deferred taxes refer to taxes imposed on any gain on sale if the property were to be sold.

Citycon's policy is to realise its properties' sales by selling its shares representing ownership in the property. The ownership structure is mainly organised so that one real estate company owns one building. The sale of shares representing ownership in properties owned by subsidiaries abroad does not have tax implications. Consequently, Citycon does not recognise deferred taxes related to the fair value of investment properties owned abroad. If Citycon did recognise such deferred taxes, the tax impact would have been EUR -10.7 million in 2012 (EUR -4.9 million) (See the Note 15. Income taxes).

On the contrary, divesting a property in Finland through an asset or share sale does have tax implications, due to which, Citycon recognises deferred taxes arising from the fair value changes of its investment properties located in Finland. Deferred taxes are calculated on the difference between an investment property's fair value and its taxable value. The taxable value consists of the acquisition cost of shares in the mutual real estate company and loans receivable from the company or a directly owned property's undepreciated, residual value.

The change in deferred taxes between the opening and closing balance sheets is recognised in the income statement as expense/income.

The fair value of investment properties is measured in accordance with IFRS (International Financial Reporting Standards). The provisions of Finnish accounting and tax legislation affect the value of shares in, and loans receivable from, the mutual real estate company. For instance, investments conducted by the mutual real estate company or depreciation recorded by subsidiaries with outstanding debt entail a change in the value of shares and loans receivable.

On 31 December 2012, Group companies had confirmed losses for which tax assets of EUR 22.0 million (EUR 19.4 million in 2011) were not recognised, since these Group companies are unlikely to record a taxable profit, before the expiration of carry forwards of these losses, against which loss carry forwards can be utilised.

22. CLASSIFICATION OF FINANCIAL INSTRUMENTS

A) Classification of financial instruments and their carrying amounts and fair values

EUR million	Note	Carrying amount 2012	Fair value 2012	Carrying amount 2011	Fair value 2011
Financial assets					
I Loans and other receivables					
Trade and other receivables	25	24.5	24.5	33.2	33.2
Cash and cash equivalents	26	51.0	51.0	91.3	91.3
II Derivative contracts under hedge accounting					
Derivative financial instruments	23	-	-	0.5	0.5
Financial liabilities					
Financial liabilities amortised at cost					
I.I Loans					
Loans from financial institutions	28	1,304.3	1,308.6	1,439.5	1,442.9
Convertible capital loan 1/2006	28	39.1	39.8	68.1	71.3
Bond 1/2009	28	39.7	40.0	39.6	40.0
Bond 1/2012	28	149.5	150.0	-	-
Finance lease liabilities	28	0.4	0.4	0.7	0.7
I.II Other liabilities					
Other liabilities		1.0	1.0	0.4	0.4
Trade and other payables	29	82.3	82.3	53.2	53.2
II Financial liabilities at fair value through profit and loss					
Derivative financial instruments	23	0.7	0.7	0.6	0.6
III Derivative contracts under hedge accounting					
Derivative financial instruments	23	75.6	75.6	53.9	53.9

B) The principles for determining the fair values of financial instruments

Citycon applies IFRS valuation principles when determining the fair value of financial instruments. The following presents the principles for determining the fair values of all financial assets and liabilities.

Cash and cash equivalents, investments, trade and other receivables, trade payables and other payables

Due to their short maturity, the fair value of trade payables and receivables and other short-term receivables and payables is regarded as corresponding to their original carrying amount.

Derivative financial instruments

Derivative financial instruments are initially measured at cost in the statement of financial position and subsequently re-measured at their fair value on each balance-sheet date. The fair value of interest-rate swaps is calculated using the present value of estimated future cash flows. The fair value of a forward agreement is based on the difference between the exchange rate of the agreement and the prevailing exchange rate fixing on each balance-sheet date. The fair value of derivative financial instruments is the estimated amount that the Group would receive or pay to settle the related agreements.

Fair value of interest rate derivative financial instruments is determined by the counterparty banks based on customary valuation techniques used by market participants in the OTC derivative market. The fair value of foreign exchange derivative contracts is based on quoted market prices. The fair value of both interest rate and foreign exchange derivative financial instruments corresponds to level 2 according to IFRS7p27a

Loans from financial institutions
Citycon's loans from financial institutions are floating rate loans which have a fair value equal to the nominal amount of the loan. The difference between the fair value and carrying amount is the unamortised capitalised arrangement fees of the loans.

Convertible capital loan 1/2006
Convertible capital loan 1/2006 is a fixed rate loan which has a fair value equal to the nominal amount of the loan. The difference between the fair value and carrying amount is the unamortised capitalised arrangement fees of the loan, together with the market value of the option component on the issue date.

Bond 1/2009 and bond 1/2012
The bonds 1/2009 and 1/2012 are fixed rate loan which has fair values equal to the nominal amount of the loans. The difference between the fair value and carrying amount is the unamortised capitalised arrangement fees for the loans.

Finance lease liabilities
The fair value of finance leases is based on discounted future cash flows. The discount rate used corresponds to that applied to similar leases.

23. DERIVATIVE FINANCIAL INSTRUMENTS

A) Nominal amounts and fair values of derivative financial instruments

EUR million	Nominal amount 2012	Fair value 2012	Nominal amount 2011	Fair value 2011
Interest rate derivatives				
Interest rate swaps				
Maturity:				
less than 1 year	-	-	30.0	-0.5
1-2 years	155.6	-6.0	28.2	-1.3
2-3 years	176.2	-9.0	152.5	-5.7
3-4 years	263.1	-19.9	173.9	-6.6
4-5 years	217.2	-20.2	257.1	-15.0
over 5 years	209.5	-20.6	363.8	-25.4
Subtotal	**1,021.7**	**-75.6**	**1,005.4**	**-54.4**
Foreign exchange derivatives				
Forward agreements				
Maturity:				
less than 1 year	67.6	-0.7	20.8	0.3
Total	**1,089.3**	**-76.3**	**1,026.3**	**-54.1**

Interest on floating-rate loans is mainly fixed every three or six months. Interest-rate swaps have been concluded for the same periods, to ensure the optimum interest cash flow hedging.

Citycon uses interest rate swaps to hedge the interest rate cash flow risk. The Group applies hedge accounting to all of its interest rate swaps valid as at 31 December 2012, under IAS 39, according to which the amount of financial instruments' fair value change stemming from effective hedging is recognised under other comprehensive income.

The fair value of a derivative financial instrument represents the market value of the instrument at the prices prevailing on the balance sheet date. Derivative financial instruments are used in hedging the interest rate risk of the interest bearing liabilities and foreign currency risk.

The fair values include a foreign exchange loss of EUR 0.6 million (gain of EUR 0.3 million) from foreign echange rate derivatives, which is recognised in the statement of comprehensive income.

Hedge accounting is applied to interest rate swaps, which have a nominal amount of EUR 1,021.7 million (EUR 1,005.4 million).

The average fixed interest rate of the interest rate swaps as at 31 December 2012 was 3.07 per cent (3.16 %).

B) Cash flow hedging with derivatives

Cash flow hedging

Interest rate derivatives EUR million	Assets 2012	Liabilities 2012	Assets 2011	Liabilities 2011
Fair value	-	-75.6	-	-54.4

Citycon's cash flow hedges consist of interest rate swaps which are used to protect against exposure to changes in Citycon's interest expense cash outflow for variable rate interest bearing debt.

Hedged instruments consist of long term floating rate debt and short term floating rate debt, which is expected to be refinanced upon maturity on similar terms.

The critical terms of the interest rate derivatives have been negotiated to match the respective terms of the variable rate loans.

The cash flow from all hedged liabilities over time is the basis for determining the gain and loss on the effective portions of derivatives designated as cash flow hedges. Gains and losses are initially recognised under other comprehensive income and are transferred to the statement of comprehensive income when the forecast cash flows affect the statement of comprehensive income.

At 31 December 2012 and at 31 December 2011, interest rate derivatives assigned as cash flow hedges were assessed as highly effective. The fair values (net of taxes) of these derivatives were EUR -57.1 million (EUR -41.1 million) and the change of these fair values (net of taxes) EUR -14.1 million (EUR -26.8 million) is recognised under other comprehensive income, taking the tax effect into account.

24. INVESTMENT PROPERTIES HELD FOR SALE

On 31 December 2012, the Investment Properties Held for Sale comprised one property and one plot located in Finland. These transactions are expected to be finalised during Q1 2013. On 31 December 2011, the Investment Properties Held for Sale included two properties, Floda and Landvetter in Sweden, which were sold in January and March 2012.

Me	2012	2011
Acquisition cost Jan. 1	**12.7**	**1.5**
Disposals	-25.0	-1.5
Exchange differences	0.5	-
Transfers from investment properties	17.2	12.7
Accumulated acquisition cost Dec. 31.	**5.4**	**12.7**

25. TRADE AND OTHER RECEIVABLES

EUR million	2012	2011
Trade receivables	7.1	6.2
Credit loss provision	-1.8	-1.2
Trade receivables (net)	5.4	5.1
Accrued income and prepaid expenses	4.1	5.2
Tax receivables (incl. VAT-receivables)	10.8	18.6
Other receivables	4.1	4.3
Total	**24.5**	**33.2**

Ageing structure of trade receivables:

EUR million	2012	2011
NOT past due nor impaired	0.9	1.6
Past due, less than 1 month	2.2	1.5
Past due, 1-3 months	0.7	0.9
Past due, 3-6 months	0.9	0.6
Past due, 6-12 months	1.6	1.3
Past due, 1-5 years	0.9	0.4
Total	**7.1**	**6.2**

Movement in credit loss provisions

Me	2012	2011
At the beginning of the year	-1.2	-1.3
Exchange difference	-0.1	0.0
Charge for the year	-1.1	-0.1
Utilised	0.5	0.2
Unused amounts reversed	0.0	0.0
Credit loss provision at the end of the year	**-1.8**	**-1.2**

Trade receivables are non-interest bearing and their payment terms vary between 2-20 days. Rent collaterals equal 2-6 month of rent and other payments.

26. CASH AND CASH EQUIVALENTS

EUR million	2012	2011
Cash in hand and at bank	50.6	91.3
Short-term deposits	-	0.1
Other bank deposits	0.3	-
Total	**51.0**	**91.3**

Cash and cash equivalents in the cash flow statement comprise the items presented above. Other bank deposits consists of pledged cash accounts related to rental guarantees and redevelopment projects.

27. SHAREHOLDERS' EQUITY

A) The effect of the changed number of shares on funds included in the shareholders' equity

	Outstanding number of shares [1]	Treasury shares	Share capital (EUR million)	Share premium fund (EUR million)	Invested unrestricted equity fund (EUR million)	Total (EUR million)
1 Jan. 2011	244,564,972	-	259.6	131.1	198.8	589.4
Directed share issue without payment to Citycon Group key employees	101,325	-	-	-	-	-
Directed share issue without payment to Citycon itself	-	145,000	-	-	-	-
Sale of treasury shares	145,000	-145,000	-	-	0.4	0.4
Share issue	33,000,000	-	-	-	98.9	98.9
Return from the invested unrestricted equity fund	-	-	-	-	-24.5	-24.5
31 Dec. 2011	277,811,297	0	259.6	131.1	273.7	664.3
Directed share issue without payment to Citycon Group key employees	36,713	-	-	-	-	-
Rights issue	49,032,002	-	-	-	89.9	89.9
Return from the invested unrestricted equity fund	-	-	-	-	-30.6	-30.6
31 Dec. 2012	326,880,012	0	259.6	131.1	333.0	723.7

1) All outstanding shares were fully-paid on 31 December 2012 and 31 December 2011.

B) Description of funds and reserves included in the shareholders' equity

Share capital

The company has a single series of shares, each share entitling to one vote at general meetings of shareholders. The shares have no nominal value and the share capital has no maximum value.

Share premium fund

Since the entry into force of the new Finnish Companies Act, no new items are recognised in the share premium fund. The share premium fund accumulated before 2007 due to option schemes and share issues.

Invested unrestricted equity fund

The invested unrestricted equity fund is credited, for instance, with that part of the subscription price of the shares that, according to the Memorandum of Association or the share issue decision, is not to be credited to the share capital. The invested unrestricted equity fund accumulated in 2012 and 2011, due to rights issue and share issues as well as sale of treasury shares.

Fair value reserve

The fair value reserve contains fair value changes of derivative instruments used to hedge cash flows.

Translation reserve

The translation reserve contains translation differences arising from the currency translation of foreign subsidiaries' financial statements.

C) Board proposal for dividends and return from the invested unrestricted equity fund

To the Annual General Meeting to be held on 21 March 2013, the Board of Directors of Citycon proposes a dividend of EUR 0.04 per share for the financial year 2012 (EUR 0.04 for the financial year 2011) and an equity return of EUR 0.11 per share from the invested unrestricted equity fund (EUR 0.11 for the financial year 2011). The proposal for dividends and equity return from the invested unrestricted equity fund has not been recognised in the consolidated financial statements on 31 December 2012.

28. LOANS

All Citycon loans were interest-bearing liabilities on 31 December 2012 and 2011. These interest-bearing loans are outlined here in detail.

A) Breakdown of interest-bearing liabilities

EUR million	Effective interest (%)	Carrying amount 2012	Carrying amount 2011
Long-term interest-bearing liabilities			
Bonds			
Convertible capital loan 1/2006	7.580	-	68.1
Bond 1/2009	5.461	39.7	39.6
Bond 1/2012	4.336	149.5	-
Syndicated term loans			
EUR 220 million term loan facility	Reference rate + 1.400	217.1	221.3
EUR 200 million term loan facility	Reference rate + 0.675	202.1	199.7
EUR 190 million term loan facility	EURIBOR + 2.200 / STIBOR + 2.550	187.3	-
Refinanced syndicated term loan 2012	Reference rate + 0.675	-	332.6
Revolving credit facilities			
EUR 170 million revolving credit facility	EURIBOR + 1.800	13.0	-
EUR 110 million revolving credit facility	EURIBOR + 0.950	103.1	-
EUR 50 million revolving credit facility	EURIBOR + 1.500	43.9	-
Bilateral bank loans			
EUR 75 million bank loan	EURIBOR + 1.550	67.5	71.0
SEK 500 million bank loan	STIBOR + 0.600	58.3	56.1
EUR 50 million bank loan	Reference rate + 1.950	50.1	50.9
EUR 50 million bank loan	EURIBOR + 1.525	49.9	49.9
EUR 50 million bank loan	EURIBOR + 1.500	49.9	49.9
EUR 30 million bank loan	EURIBOR + 0.750	22.5	27.5
EUR 25 million bank loan	EURIBOR + 2.550	23.1	-
Finance lease liabilities	-	0.2	0.4
Other interest-bearing liabilities	-	129.0	172.5
Total long-term interest-bearing liabilities		**1,406.3**	**1,339.5**
Short-term interest-bearing liabilities			
Convertible capital loan 1/2006	7.580	39.1	-
Short-term syndicated and bank loans and revolving credit facilities	-	43.8	133.5
Current portion of interest-bearing liabilities	-	11.2	25.9
Commercial papers	-	32.5	48.7
Finance lease liabilities	-	0.2	0.3
Total short-term interest-bearing liabilities		**126.8**	**208.4**

The carrying amounts of term loan facilities, convertible capital loan 1/2006, bond 1/2009 and bond 1/2012 are stated at amortised cost, using the effective yield method. The fair values of liabilities are shown in Note 22. Classification of Financial Instruments.

The market value of the option component on the issue date of the convertible capital loan 1/2006 of EUR 15.1 million is recognised in equity attributable to parent company shareholders, under the share premium fund.

Maturity of long-term interest-bearing liabilities

EUR million	2012	2011
1-2 years	321.6	453.8
2-3 years	162.5	315.1
3-4 years	382.2	161.8
4-5 years	283.4	238.1
over 5 years	256.6	170.7
Total	**1,406.3**	**1,339.5**

Long-term interest-bearing liabilities by currency, EUR million	**2012**	**2011**
EUR	844.1	800.3
SEK	553.3	530.2
LTL	8.8	9.0
Total	**1,406.3**	**1,339.5**

Short-term interest-bearing liabilities by currency, EUR million	**2012**	**2011**
EUR	100.5	91.5
SEK	26.0	116.7
LTL	0.2	0.2
Total	**126.8**	**208.4**

B) Terms and conditions of subordinated capital loans

Convertible capital loan 1/2006

On 2 August 2006, Citycon Oyj issued a seven-year convertible capital loan, 1/2006, of EUR 110 million at a fixed annual nominal interest rate of 4.50 per cent. After the buyback transactions performed during 2008, 2009, 2010 and 2012 the outstanding amount was EUR 39.8 million. The loan's conversion price is EUR 4.05 per share and a full conversion of the loan would result in the issue of 9,827,160 shares. The loan's issue price accounted for 100.00 per cent of the nominal loan amount, and its maturity date is 2 August 2013.

The main terms and conditions of convertible capital loan 1/2006:

1) In the event of company dissolution or bankruptcy, obligations on the issuer arising from the convertible capital loan shall be subordinated in right of payment to the claims of all unsubordinated creditors of Citycon Oyj, but shall rank pari passu with all other obligations which qualify as a capital loan.
2) The loan's principal, including interest accumulated until the repayment date, will be repaid in one instalment on 2 August 2013 if full margin is available for the restricted shareholders' equity and other non-distributable earnings, based on the company's and its Group's latest adopted balance sheet, after the repayment. The accrued interest for the loan was EUR 0.7 million as of 31 December 2012.
3) Fixed annual interest of 4.50% will be paid annually in arrears on the loan's principal until 2 August 2013. In the event, that the loan is not repaid in full on its maturity date of 2 August 2013, interest on the unpaid loan principal after that date is 3-month Euribor plus 5 percentage points. Interest can be paid only if this amount can be allocated to profit distribution based on the company's and its Group's latest adopted balance sheet. In the event, that the interest is not fully paid on any interest payment date, the interest on the unpaid interest amount after the interest payment date is 3-month Euribor plus 5 percentage points.
4) The holder of the loan has the right during 12 September 2006 - 27 July 2013 to convert the loan nominal amount into shares of the company. The conversion price of the loan is EUR 4.05 per share. The conversion price is subject to amendments in certain circumstances as specified in the terms of the loan. Based on the conversion price, the conversion of the whole loan nominal would result in the issue of a maximum of 9,827,160 shares.
5) The company has the right to repay the loan in full on or after 23 August 2010 at its principal amount, if the closing price of the share on each of at least 20 dealing days in any period of 30 consecutive dealing days is 140 per cent of the conversion price in effect on said dealing day.

During 2008, 2009, 2010 and 2012 from the open markets, Citycon has repurchased the convertible capital loan for a nominal amount of EUR 70.2 million, with a weighted average purchase price of 77.0 per cent. The amount repurchased by Citycon equals approximately 64 per cent of the initial nominal amount of the loans issued. Net financial expenses in the statement of comprehensive income include a one-off loss of EUR 0.8 million for the buybacks of the convertible capital loan in 2012 (EUR 0.0 million).

C) Breakdown of finance lease liabilities

EUR million	2012	2011
Maturity of finance lease liabilities:		
Finance lease liabilities - minimum lease payments		
Not later than 1 year	0.2	0.3
1-5 years	0.2	0.4
Total	**0.4**	**0.7**
Finance lease liabilities - present value of minimum lease payments		
Not later than 1 year	0.2	0.3
1-5 years	0.2	0.4
Total	**0.4**	**0.7**
Future finance charges on finance leases	0.0	0.0
Total finance lease liabilities	**0.4**	**0.7**

Citycon's finance leases mainly apply to computer hardware and office machinery and equipment.

D) Risk Management

Objectives

Citycon uses a holistic Enterprise Risk Management (ERM) programme. The objective of risk management is to ensure that Citycon will reach its business targets and to identify key risks which may threaten its ability to meet these targets before they realise.

Citycon's risk management process involves identifying, analysing, measuring, mitigating and controlling business-related risks. The Board of Directors has approved the company's risk management guidelines specifying risk management principles, which are subject to updating in order to take account of changes in business operations.

Part of the ERM process includes identification of existing, and the planning of new, risk mitigation plans in the event that current actions are not deemed sufficient for each risk identified. Successful risk management decreases the likelihood of risk realisation and mitigates the negative effects of realised risk.

Process

Risk management under ERM in Citycon comprises three main elements, namely 1) risk management implemented in the main business processes 2) risk reporting and 3) continuous improvement of risk management.

The risk reporting process gathers analytical data on risks and the respective mitigation plans, for reporting to the Board of Directors. During the risk reporting period, each business unit and legal and finance unit independently defines its near term targets, risks threatening these targets and mitigation plans related to the risks. In order to evaluate the importance of each risk, an estimate of the loss associated with the risk is determined together with the probability of risk realisation and the effectiveness of each mitigation plan on the loss and/or probability. An additional feature of risk reporting involves each business unit reporting the potentially realised risks during the previous year, and mitigation plans put into effect during the period. Risk data is inputted into one group-wide risk register, from which business unit risk reports are prepared for the Board of Directors and Audit Committee. Risk reports to the Board of Directors and Audit Committee are prepared in conjunction with budgeting during the autumn.

Organisation

Each business unit and the legal and finance units have a dedicated person responsible for the ERM process, who is in charge of reporting the risks and mitigation plans and following up on their implementation. The Group Treasurer prepares the risk report for the Board of Directors and Audit Committee.

Financial risk management

Financial risks have been defined as business critical risks for Citycon. Financial risk arises for Citycon in the form of financial instruments, which are mainly used to raise financing for operations. The Group also uses interest rate and foreign exchange derivatives to manage interest rate and currency risks arising from operations and financing sources. The Board of Directors has approved a Treasury Policy which defines the objectives, responsibilities and risk management indicators applicable to interest rate, foreign exchange, counterparty, liquidity and electricity risk management. The execution of financial risk management is performed by the Group Treasurer and Treasury Manager, under the supervision of the CFO. The Group Treasurer reports compliance with the objectives, in conjunction with the interim and annual report, to the Board of Directors and CFO.

Citycon's identified, key financial risks include interest rate risk related to cash flow, liquidity risk, credit risk and foreign currency risk. These risks are summarised below.

Interest rate risk

Citycon's key financial risk is the interest rate risk of its interest bearing liabilities, whereby changes in money market interest rates lead to fluctuations in future interest cash flows on floating rate borrowings. Interest rate risk management aims to reduce or eliminate the adverse effect of interest rate fluctuations on the company's profit and cash flow. The company aims at a loan portfolio with the right balance of fixed and variable rate debts. Under the company's interest rate risk management policy, the target debt portfolio is one in which a minimum of 70 and a maximum of 90 per cent of interest bearing liabilities are based on fixed interest rates.

The company uses interest rate swaps to manage its interest rate risks and to convert floating rate loans into fixed rate loans. A portion of the hedges can also be performed using inflation derivatives. The interest sensitivity of Citycon's loan portfolio at the end of 2012 is depicted by the fact that a one-percentage point rise in money market interest rates would increase its interest expenses for 2013 by EUR 1.4 million, while a fall of one-percentage point in such rates would decrease them by EUR 1.4 million in the same year.

Interest rate sensitivity

The following table shows interest expenses' sensitivity to a 100 basis point change in short term interest rates, assuming that all other variables remain constant. The impact is shown as a change in interest expenses resulting from changes in the interest rate related to a floating rate debt.

Effect on interest expenses of an increase of 100 basis points

EUR million	2012	2011
Euro	0.9	1.1
Swedish krona	0.5	1.3
Other currencies	0.1	0.1
Total	**1.4**	**2.5**

The following table shows the consolidated shareholders' equity's sensitivity to a 100 basis point change in short term interest rates, assuming that all other variables remain constant. The impact is shown as a change in shareholders' equity resulting from changes in interest rates, which relate to interest rate derivatives under hedge accounting treatment.

Effect on shareholders' equity of an increase of 100 basis points

EUR million	2012	2011
Euro	13.7	14.9
Swedish krona	13.6	15.7
Total	**27.2**	**30.6**

Liquidity risk

Given that Citycon's strategy is to expand in the Nordic and Baltic countries, the company will need both equity capital and borrowings. Minimum shareholders' equity is determined by the company's loan covenants. The Group uses cash-flow forecasts to continuously assess and monitor financing required for its business. Here, the goal is to arrange financing on a long term basis and avoid any large concentration of due dates for the loan agreements. Citycon aims to guarantee the availability and flexibility of financing, through unused credit limits and by using several banks and financing methods as sources of finance.

Citycon's financing policy states that the company's commited credit limits or liquid assets should cover all approved and on-going investments. In addition, available liquidity should provide a sufficient buffer for unexpected payments, based on the management's assesment of the amount required, and the company will arrange committed back-up limits for all funds drawn under commercial paper programmes. On 31 December 2012, unused credit limits amounted to EUR 217.4 million.

The table below summarises the maturity profile of the Group's financial liabilities, based on contractual payments. The table includes both principal and interest flows of loans and payments arising from derivative financial instruments. Future interest payments of floating rate loans have been determined based on the interest rate applicable on the balance sheet date, and are not discounted. Future interest payments for derivative financial instruments are based on discounted net present values and future interest rates are obtained through interpolation based on the yield curve prevailing on the balance sheet date.

EUR million 31 December 2012	Less than 1 month	1 to 12 months	1-5 years	Over 5 years	Total
Loans from financial institutions	3.4	118.7	1,051.7	260.3	1,434.1
Convertible capital loan 1/2006	-	41.6	-	-	41.6
Bond 1/2009	-	2.0	42.0	-	44.1
Bond 1/2012	-	6.4	175.5	-	181.9
Finance lease liabilities	-	0.2	0.2	-	0.4
Derivative financial instruments	0.9	18.6	55.8	1.3	76.6
Trade and other payables (excl. interest liabilities)	61.3	9.7	2.5	-	73.5

EUR million 31 December 2011	Less than 1 month	1 to 12 months	1-5 years	Over 5 years	Total
Loans from financial institutions	18.4	236.7	1,162.8	181.7	1,599.6
Convertible capital loan 1/2006	-	3.2	74.5	-	77.7
Bond 1/2009	-	2.0	44.1	-	46.1
Bond 1/2012	-	-	-	-	-
Finance lease liabilities	-	0.3	0.4	-	0.7
Derivative financial instruments	0.1	10.4	40.5	1.5	52.4
Trade and other payables (excl. interest liabilities)	36.6	2.9	6.3	-	45.8

Citycon's rent revision procedures, long tenor leases and high occupancy ratio generate a stable long-term cash flow profile. Citycon expects to meet its liabilities shown in the table above from this stable cash flow and undrawn committed credit facilities. In the long term, debt refinancings and disposals of investment properties can be considered. The table below shows the maturity profile of the undrawn committed credit facilities.

EUR million 31 December 2012	Less than 1 month	1 to 12 months	1-5 years	Over 5 years	Total
Undrawn committed credit facilities	-	50.0	167.4	-	217.4

EUR million 31 December 2011	Less than 1 month	1 to 12 months	1-5 years	Over 5 years	Total
Undrawn committed credit facilities	-	43.7	210.0	-	253.7

The above mentioned credit facilities are freely available to Citycon based on the group's financing needs.

Credit risk

The Group’s most significant credit-risk concentration relates to receivables from Kesko Group. Citycon controls its receivables within the framework of the given credit limits and has not so far identified any major credit risk associated with them. Credit-risk management caters for tenant-risk management, which is aimed at minimising the adverse effect of unexpected changes in the customers’ financial standing on Citycon’s business and financial results. Customer-risk management is primarily based on the knowledge of the customers’ business and active monitoring of customer data. Citycon’s lease agreements include lease deposit provisions used to contribute to managing customers' risks. The maximum exposure from trade receivables is the carrying amount as disclosed in Note 25. Trade and other receivables.

Credit risk arising from cash and cash equivalents and certain derivative agreements relate to a default of a counterparty with a maximum exposure equal to the carrying amount of these instruments. Citycon invests its liquidity in a manner which does not put the nominal amount at risk. Citycon does not, for example, invest in equity markets. Citycon's cash and cash equivalents are primarily placed in short term money market deposits, in which the counterparties are commercial banks participating in Citycon's credit agreements. Citycon's financing policy also sets forth the approved financial instruments in which the company can invest, and includes counterparty limits for those investments.

Exchange rate risk

Citycon’s entry into countries outside the euro-zone exposes the company to exchange rate risk. Exchange rate risk stems from transaction risks resulting from the conversion of foreign currency denominated transactions into local currency, on the one hand, and from translation risks in the balance sheet associated with investments in foreign subsidiaries. The company hedges against exchange rate risk in the balance sheet by aiming to finance its foreign investments mainly in the local currency. The company uses foreign exchange derivatives to manage the transaction risk on committed transactions. Foreign exchange derivatives may also be used to hedge a mismatch between assets and liabilities denominated in the same currency in the balance sheet. Currently, the company's exchange rate risk mainly relates to fluctuations in the euro/ Swedish krona exchange rate.

Foreign exchange sensitivity

The following table shows the sensitivity in the statement of comprehensive income to a five percent change in foreign exchange rates, assuming that all other variables remain constant. Such an impact is attributable to a change in the fair value of financial instruments, given the assumed change in foreign exchange rates

Effect of a five percent change in foreign exchange rates on net financial expenses

EUR million	2012	2011
Swedish krona	0.1	0.1
Lithuanian litas	0.0	0.0
Total	**0.1**	**0.1**

E) Capital management

The objective of the company's capital management is to support the growth strategy, maximise shareholder value, comply with loan agreement provisions and ensure the company's ability to pay dividends. Citycon's capital structure is managed in an active manner and capital structure requirements are taken into account when considering various financing alternatives. The company can adjust the capital structure by deciding on the issuance of new shares, raising debt financing or making adjustments to the dividend.

The company's long term equity ratio target is 40 per cent and its current syndicated loan agreements require a minimum equity ratio of 32.5 per cent. The equity ratio of the loan agreements is calculated by making certain adjustments to the equity ratio defined in the Financial Supervisory Authority standard 5.1. Disclosure of periodic information, among other things, adding the convertible capital loan issued by the company to the shareholders' equity. As of 31 December 2012, the company's equity ratio stood at 37.8 per cent and the equity ratio as defined in the loan agreement was around 40.5 per cent.

Citycon monitors its capital structure based on equity ratio and gearing. The formulas for calculating the equity ratio and gearing can be found on page 62 in the consolidated financial statements.

Company monitors its capital structure mainly with equity ratio.

Equity ratio:

EUR million	2012	2011
Total shareholders' equity (A)	1,059.9	961.8
Total assets	2,818.5	2,677.7
Less advances received	12.2	9.6
./. (Total assets - advances received) (B)	2,806.3	2,668.2
Equity ratio (A/B)	37.8 %	36.0 %

Gearing-%:

EUR million	2012	2011
Interest-bearing debt total (Note 28)	1,533.0	1,547.9
Less cash and cash equivalents (Note 26)	51.0	91.3
Interest-bearing net debt (A)	1,482.1	1,456.6
Total shareholders' equity (B)	1,059.9	961.8
Gearing-% (A/B)	139.8 %	151.4 %

Equity ratio increased in 2012 due to the equity raise and the profit of the period partly offset by lower fair value of interest rate derivatives under hedge accounting, which led to higher equity as a proportion of total assets. Gearing decreased in 2012 mainly as a result of a share issue executed in 2012, which led to a improved ratio of equity to net interest-bearing debt.

29. TRADE AND OTHER PAYABLES

EUR million	2012	2011
Trade payables	18.3	18.5
Short-term advances received	11.3	9.6
Interest liabilities	10.6	7.3
Other liabilities	15.6	13.5
Accrued expenses total	26.2	20.8
VAT-liabilities	11.4	4.4
Other short-term payables	15.1	-0.1
Other short-term payables total	26.5	4.3
Total	**82.3**	**53.2**
Due dates of future payments of trade and other payables:		
Due in less than 1 month	61.6	37.8
Due in 1-3 months	6.6	2.8
Due in 3-6 months	2.1	5.4
Due in 6-12 months	1.0	0.8
Due in 1-2 years	2.5	6.3
Due in 2-5 years	8.5	-
Due in over 5 years	0.0	0.0
Total	**82.3**	**53.2**

30. EMPLOYEE BENEFITS

A) Stock option schemes

Stock option plan 2011

The Board of Directors of Citycon Oyj decided on 3 May 2011, by virtue of an authorisation granted by the Annual General Meeting held on 13 March 2007, to issue stock options to the key personnel of the company and its subsidiaries. The company had a weighty financial reason for the issue of stock options, since the stock options are intended to form part of the incentive and commitment program for the key personnel. The purpose of the stock options is to encourage the key personnel to work on a long-term basis to increase shareholder value. The purpose of the stock options is also to commit the key personnel to the company.

At the end of the period under review the maximum number of stock options which could be distributed by virtue of an authorisation of the Board of Directors was 6,890,000, and they entitle their owners to subscribe for a maximum total of 8,106,085 new shares or treasury shares. The stock options will be issued gratuitously. Stock options entitle their holders to subscribe for company shares within the period specified in the terms and conditions of the stock options. If an employee leaves the Group, (s)he will forfeit his/her right to exercise stock options for which the share subscription period has not begun on the date of the termination of his/her employment/executive contract. However, the Board of Directors can specifically decide that the stock-option holder retains his/her stock options or some of them. The Board of Directors shall also decide upon the re-distribution of the stock options returned to the company.

At the end of 2012, stock options 2011A–D(I), 2011A–D(II) and 2011A–D(III) were held by 20 key employees within the Group. The amount of outstanding stock options was 6,505,000 on 31 December 2012. These option rights entitle their holders to subscribe for 7,653,133 shares in 2012–2018.

Citycon uses the Black & Scholes option-pricing model to measure the fair value of stock options at the grant date and reports them under personnel expenses in the statement of comprehensive income allocated over the instrument's vesting period. In 2012, the expense recognised in the statement of comprehensive income totalled EUR 1.7 million (EUR 1.5 million in 2011). The expected volatility is determined by calculating the company share price's historical volatility.

In order to ensure the equal treatment of the holders of stock options 2011 and shareholders, the Board of Directors of Citycon Oyj decided on 7 September 2012 and 5 October 2012, due to rights issue, to adjust the subscription ratio and the subscription price of the stock options 2011 in accordance with the terms and conditions of the stock options 2011. Due to the above adjustments, the Board of Directors also adjusted the maximum total number of shares to be subscribed for based on the stock options 2011 to 8,106,085 shares, as permitted by the share issue authorisation available to the Board of Directors after the completion of the rights issue. The adjustments entered into force as of the registration of the adjusted maximum total number of shares to be subscribed for based on the options with the Finnish Trade Register on 8 October 2012.

Option category	Subscription price, EUR	Subscription ratio
2011A–D(I)	2.9720	1,1765 (1,0)
2011A–D(II)	3.0910	1,1765 (1,0)
2011A–D(III)	2.5130	1,1765 (1,0)

The share subscription price will be recognised in the company's invested unrestricted equity fund. Each year, the per-share dividends and equity returns, differing from the company ' s normal practice, may be deducted from the share subscription price.

Share subscription period	2011A(I-III)	2011B(I-III)	2011C(I-III)	2011D(I-III)
Share subscription period begins	1 April 2012	1 April 2013	1 April 2014	1 April 2015
Share subscription period ends	31 March 2018	31 March 2018	31 March 2018	31 March 2018

Summary of the stock option plan 2011 on 31 December 2012:

Stock option plan 2011	Stock options 2011A–D(I)	Stock options 2011A–D(II)	Stock options 2011A–D(III)
Type of scheme	Share-based options, granted to the Group's key personnel	Share-based options, granted to the Group's key personnel	Share-based options, granted to the Group's key personnel
Grant date	3 May 2011	3 May 2011	11 October 2011
No. of instruments granted	2,250,000	2,230,000	2,025,000
Exercise price, EUR	3.17	3.31	2.63
Adjusted share subscription price, EUR (as from 8 October 2012)	2,9720 (3,17)	3,0910 (3,31)	2,5130 (2,63)
Adjusted subscription ratio (as from 8 October 2012)	1.1765	1.1765	1.1765
Vesting period as per option terms (No. of days) [1]	332-1427	332-1427	172-1267
Vesting conditions	Employment during vesting period. In case of prior employment termination, stock options forfeited.	Employment during vesting period. In case of prior employment termination, stock options forfeited.	Employment during vesting period. In case of prior employment termination, stock options forfeited.
Exercise	In terms of shares	In terms of shares	In terms of shares
Expected volatility, %	35.00	33.00	35.00
Expected exercise period at grant date (No. of days) [1]	1 095-2190	1095-2190	1095-2190
Risk-free interest rate, %	3.18	2.87	1.73
Expected dividend/share, EUR	0.14	0.14	0.14
Instrument fair value determined at grant date, EUR	0.78	0.73	0.46
Option-pricing model	Black&Scholes	Black&Scholes	Black&Scholes

1) The number of days varies among the sub-categories of the options

Changes in the stock options and their weighted average exercise prices during the period were as follows:

	2012		2011	
	Exercise price, weighted average, EUR/ share	No. of stock options	Exercise price, weighted average, EUR/ share	No. of stock options
At period-start	3,12	5,400,000	4.22	1,050,000
New stock options granted	2,70	1,330,000	3.08	6,320,000
Forfeited stock options	2,82	1,150,000	3.31	160,000
Redistributed stock options	2,70	925,000	3.31	160,000
Exercised stock options	-	-	-	-
Lapsed stock options	-	-	4.15	1,050,000
At period-end	2,87	6,505,000	3.08	6,320,000

Exercisable stock options at period-end

The company had 1,667,500 exercisable 2011A(I-III) stock options at period-end. No stock options were exercised during 2012.

The adjusted exercise prices of outstanding stock options were 2.9720 (2011A-D(I)), 3.0910 (2011A-D(II)) and 2.5130 (2011A-D(III)) and the adjusted subscription ratio 1.1765 at the period-end.

The above adjustments were made on 8 October 2012 following the rights issue in order to ensure the equal treatment of the holders of stock options 2011 and shareholders in accordance with the terms and conditions of the stock options 2011.

The lapse year is the year 2018 of the outstanding stock options.

B) Long-term share-based incentive plan

On 26 April 2007, Citycon Oyj's Board of Directors decided on a long-term share-based incentive plan for the key personnel of the Citycon Group.

The aim of the share-based incentive plan is to encourage key personnel to make sustained efforts to increase shareholder value and to strengthen their commitment to the development of the Group's operations.

The incentive plan has been divided into four incentive periods: 2007, 2008, 2009 and 2010. The incentives earned through the incentive scheme have been granted to key personnel during the years 2008-2012. These incentives have been determined on the basis of Citycon's consolidated adjusted net cash flow from operations per share and net rental income. The Board of Directors has annually decided on setting the incentive goals and on the maximum number of incentive shares to be granted as well as following each incentive period, confirmed the outcome of the performance and results criteria and the number of incentive shares to be granted on the basis of this outcome. The incentives have been granted as shares, cash or both.

Citycon Oyj's Board of Directors decided on 29 May 2012 to grant all share incentives yet to be paid under the share-based incentive plan established on 26 April 2007 meaning the last installment of the incentives for the incentive period 2009 and the second and third, i.e. the last two thirds of the share incentives for the earning period 2010.There are no more incentives to be granted on the basis of this incentive plan.

In 2012, expenses from long-term share-based incentive plan recognised in the statement of comprehensive income amounted to EUR 0.0 million (EUR 0.2 million in 2011).
The following table presents additional information on the share-based incentive plan:

	Incentive period 2010	Incentive period 2009	Incentive period 2008	Incentive period 2007	Total
Grant date	9 February 2010	22 April 2009	15 May 2008	26 April 2007	-
Maximum number of shares to be granted on grant date	86,800	221,600	82,200	38,700	429,300
Shares granted in 2008	-	-	-	4,293	4,293
Shares granted in 2009	-	-	20,109	4,288	24,397
Shares granted in 2010	-	60,041	18,965	3,960	82,966
Shares granted in 2011	13,410	68,183	16,700	-	98,293
Shares granted in 2012	8,890	22,663		-	31,553

According to the terms and conditions of the incentive plan, a participant can also choose to receive shares instead of the cash component intended for paying the related income tax. In addition to shares granted as presented above, 5,160 shares were granted in 2012 (3,032 shares in 2011) instead of paying the cash component in cash.

31. CASH GENERATED FROM OPERATIONS

Me	2012	2011
Profit before taxes	95.5	19.7
Adjustments for:		
Depreciation and amortisation (Note 12)	1.2	1.0
Net fair value gains(-)/losses(+) on investment property (Note 17)	-23.6	35.3
Profit(-)/losses(+) on disposal of investment property (Notes 17 and 24)	-4.2	-0.3
Share-based payments (Note 30)	1.8	1.5
Other non-cash income	-0.5	-0.7
Foreign exchange losses(+)/gains(-) in financing expenses (Note 14)	0.0	-0.1
Interest and other financing income (Note 14)	-0.6	-0.6
Interest and other financing expenses (Note 14)	68.7	63.1
Changes in working capital		
Trade and other receivables (Note 25)	8.1	-4.2
Trade and other payables (Note 29)	0.5	5.8
Cash generated from operations	**147.0**	**120.5**

32. COMMITMENTS AND CONTINGENT LIABILITIES

A) Other leases - Group as lessee

Future minimum lease payments under non-cancellable other leases are as follows:

EUR million	2012	2011
Not later than 1 year	0.9	0.9
1-5 years	1.8	0.7
Over 5 years	0.2	-
Total	**2.9**	**1.6**

Leases mainly concern premises and cars. Leases of premises are in effect until further notice and have a notice period of six months. For most leases, rent increases are tied to the cost-of-living index. Car lease agreements are in effect for three years. While the lease agreements have no renewal clause, in practice the contract period can be extended for one to two years.

Lease payments recognised as expenses during the period were EUR 1.1 million (EUR 1.1 million) and they don't include contingent rents or sublease payments. Lease expenses recognised in the statement of comprehensive income are included in Administrative expenses on row office and other administrative expenses (Note 10. Administrative expenses)

B) Pledges and other contingent liabilities

EUR million	2012	2011
Loans, for which mortgages are given in security and shares pledged		
Loans from financial institutions	28.6	27.7
Contingent liabilities for loans		
Mortgages on land and buildings	37.1	35.9
Bank guarantees	63.8	39.2
Capital commitments	296.1	20.4
VAT refund liabilities	73.4	60.7

Mortgages on land and buildings

Mortgages relate to certain bank loans of the subsidiaries where the subsidiary has given security on the loan via mortgages.

Bank guarantees

Bank guarantees relate to bank loans of subsidiaries which Citycon Oyj has guaranteed via parent guarantee or alternatively third party bank guarantees.

Capital commitments

Capital commitments mainly relate to an agreement signed on 19 December, 2012 concerning the acquisition of Kista Galleria and on-going (re)development projects.

VAT refund liability

There are value-added tax refund liabilities arising from capitalised renovations and new investments in Citycon's investment properties. The VAT refund liabilities will realise if the investment property is sold or transferred for non-VAT-liability use within 10 years. Exception to 10-year review rule apply to investments in Finland that have been completed prior to 2008, and the review period is 5 years.

C) Legal claims and lawsuits

In 2011, SRV Construction Ltd initiated arbitration proceedings against Citycon's subsidiary, MREC Espoontori related to Espoontori shopping centre's completed redevelopment project. The dispute's monetary value is approximately EUR 4.7 million including VAT. Citycon does not expect SRV's claim to have significant impact on the company's financial position or results.

Additional claims have been submitted to the company relating to Citycon's business operations which may possibly lead to legal proceedings. In the company's view, it is improbable that the aforementioned claims or associated liabilities will have a significant impact on the company's financial position or financial results.

D) Equity ratio commitment and interest coverage ratio

Under a commitment given in the terms of the syndicated loan facilities, Citycon Group undertakes to maintain its equity ratio at above 32.5% and its interest coverage ratio at a minimum of 1.8. For the calculation of equity ratio, shareholders' equity includes capital loans and excludes non-cash valuation gain/loss from derivative contracts recognised in equity and the minority interest. The interest coverage ratio is calculated by dividing the EBITDA - adjusted by extraordinary gains/losses, provisions and non-cash items - by net financial expenses.

Accordingly, equity ratio on 31 December 2012 stood at around 40.5 per cent and interest coverage ratio at around 2.1 (2011: equity ratio was around 39.0 per cent and interest coverage ratio around 2.0).

33. RELATED PARTY TRANSACTIONS

A) Related parties

Citycon Group's related parties comprise the parent company, subsidiaries, jointly controlled entities, associated companies, minority companies, Board members, CEO, Corporate Management Committee members and Gazit-Globe Ltd., whose shareholding in Citycon Oyj accounted for 49.0 per cent on 31 December 2012 (31 December 2011: 48.0%).

	Group companies on 31 December 2012	Country	Group holding, %	Parent company holding, %
	Parent company: Citycon Oyj	Finland		
1	Albertslund Centrum ApS	Denmark	100.0	-
2	Asematie 3 Koy	Finland	100.0	-
3	Asolantien Liikekiinteistö Oy	Finland	100.0	-
4	Citycon AB	Sweden	100.0	100.0
5	Citycon Denmark ApS	Denmark	100.0	100.0
6	Citycon Development AB	Sweden	100.0	-
7	Citycon Estonia Oü	Estonia	100.0	-
8	Citycon Estonian Investments B.V.	The Netherlands	100.0	-
9	Citycon Finland Oy	Finland	100.0	100.0
10	Citycon Hedging C.V.	The Netherlands	100.0	-
11	Citycon Holding S.à r.l.	Luxembourg	100.0	100.0
12	Citycon Högdalen Centrum AB	Sweden	100.0	-
13	Citycon Jakobsbergs Centrum AB	Sweden	100.0	-
14	Citycon Liljeholmstorget Galleria AB	Sweden	100.0	-
15	Citycon Services AB	Sweden	100.0	-
16	Citycon Shopping Centers AB	Sweden	100.0	-
17	Citycon Treasury B.V.	The Netherlands	100.0	-
18	Citycon Tumba Centrumfastigheter AB	Sweden	100.0	-
19	Espoon Asemakuja 2 Koy	Finland	100.0	-
20	Etelä-Suomen Kauppakiinteistöt Oy	Finland	100.0	-
21	Forssan Hämeentie 3 Koy	Finland	100.0	-
22	Helsingin Hämeentie 109-111 Koy	Finland	100.0	-
23	Jyväskylän Forum Koy	Finland	100.0	-
24	Jyväskylän Kauppakatu 31 Koy	Finland	100.0	-
25	Kaarinan Liiketalo Koy	Finland	100.0	-
26	Karjaan Ratakatu 59 Koy	Finland	100.0	-
27	Karjalan Kauppakeskus Koy	Finland	100.0	-
28	Kauppakeskus Columbus Koy	Finland	100.0	-
29	Kauppakeskus Isokarhu Oy	Finland	100.0	-
30	Kivensilmänkuja 1 Koy	Finland	100.0	-
31	Kotkan Keskuskatu 11 Koy	Finland	100.0	-
32	Kristiine Keskus Oü	Estonia	100.0	-
33	Kuopion Kauppakatu 41 Koy	Finland	100.0	-
34	Kuusankosken Kauppakatu 7 Koy	Finland	100.0	-
35	Kuvernöörintie 8 Koy	Finland	100.0	-
36	Lahden Hansa Koy	Finland	100.0	-
37	Lahden Kauppakatu 13 Koy	Finland	100.0	-
38	Lappeenrannan Villimiehen Vitonen Oy	Finland	100.0	-
39	Lentolan Perusyhtiö Oy	Finland	100.0	-
40	Liljeholmstorget Development Services AB	Sweden	100.0	-
41	Lillinkulma Koy	Finland	100.0	-
42	Lintulankulma Koy	Finland	100.0	-

	Group companies on 31 December 2012	Country	Group holding, %	Parent company holding, %
43	Lippulaiva Koy	Finland	100.0	-
44	Magistral Kaubanduskeskuse Oü	Estonia	100.0	-
45	Martinlaakson Kivivuorentie 4 Koy	Finland	100.0	-
46	Minkkikuja 4 Koy	Finland	100.0	-
47	Montalbas B.V.	The Netherlands	100.0	100.0
48	Myyrmanni Koy	Finland	100.0	-
49	Oulu Big Street Top Oy	Finland	100.0	-
50	Oulun Galleria Koy	Finland	100.0	-
51	Oulun Isokatu 20 Koy	Finland	100.0	-
52	Oulun Isokatu 22 Koy	Finland	100.0	-
53	Porin Asema-aukio Koy	Finland	100.0	-
54	Porin Isolinnankatu 18 Koy	Finland	100.0	-
55	Riddarplatsen Fastigheter HB	Sweden	100.0	-
56	Rocca al Mare Kaubanduskeskuse AS	Estonia	100.0	-
57	Runeberginkatu 33 Koy	Finland	100.0	-
58	Sinikalliontie 1 Koy	Finland	100.0	-
81	Stenungs Torg Fastighets AB	Sweden	100.0	-
78	Strömpilen AB	Sweden	100.0	-
59	Säkylän Liiketalo Koy	Finland	100.0	-
60	Talvikkitie 7-9 Koy	Finland	100.0	-
61	Tampereen Hermanni Koy	Finland	100.0	-
62	Tampereen Koskikeskus Koy	Finland	100.0	-
63	UAB Citycon	Lithuania	100.0	-
64	UAB Prekybos Centras Mandarinas	Lithuania	100.0	-
65	Ultima Oy	Finland	100.0	-
66	Valkeakosken Torikatu 2 Koy	Finland	100.0	-
67	Vantaan Laajavuorenkuja 2 Koy	Finland	100.0	-
68	Varkauden Relanderinkatu 30 Koy	Finland	100.0	-
69	Wavulinintie 1 Koy	Finland	100.0	-
70	Vaakalintu Koy	Finland	95.8	-
71	Lappeen Liikekeskus Koy	Finland	90.6	-
72	Lahden Trio Koy	Finland	89.5	-
73	Linjurin Kauppakeskus Koy	Finland	88.5	-
74	Lappeenrannan Brahenkatu 7 Koy	Finland	84.5	-
75	Tikkurilan Kauppakeskus Koy	Finland	83.8	-
76	Hervannan Liikekeskus Oy	Finland	79.4	-
77	Orimattilan Markkinatalo Oy	Finland	77.3	-
79	Åkersberga Centrum AB	Sweden	75.0	-
80	Myyrmäen Kauppakeskus Koy	Finland	74.0	-
82	Heikintori Oy	Finland	68.7	-
83	Kirkkonummen Liikekeskus Oy	Finland	66.7	-
84	Espoontori Koy	Finland	66.6	-
85	Myyrmäen Autopaikoitus Oy	Finland	62.7	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Group companies on 31 December 2012	Country	Group holding, %	Parent company holding, %
86	Vantaan Säästötalo Koy	Finland	61.2	-
87	Espoontorin Pysäköintitalo Oy	Finland	60.1	-
88	Big Apple Top Oy	Finland	60.0	-
89	Manhattan Acquisition Oy	Finland	60.0	-
90	Tikkurilan Kassatalo As Oy	Finland	59.7	-
91	Espoon Asematori Koy	Finland	54.1	-
92	Laajasalon Liikekeskus Oy	Finland	50.4	-
93	Espagalleria Oy	Finland	50.0	-
94	Retail Park Oy	Finland	50.0	-
95	Espoon Louhenkulma Koy	Finland	49.9	-
96	Pihlajamäen Liiketalo Oy	Finland	42.7	-
97	Länsi-Keskus Koy	Finland	41.4	-
98	Hakunilan Keskus Oy	Finland	41.1	-
99	Hansaparkki Koy	Finland	36.0	-
100	Kontulan Asemakeskus Koy	Finland	34.8	-
101	Puijonlaakson Palvelukeskus Koy	Finland	31.3	-
102	Salpausseläntie 11 Koy	Finland	31.3	-
103	Jyväskylän Ydin Oy	Finland	29.0	-
104	Soukan Itäinentorni As Oy	Finland	27.3	-
105	Valkeakosken Liikekeskus Koy	Finland	25.4	-
106	Lauttasaaren Liikekeskus Oy	Finland	23.7	-
107	Hakucenter Koy	Finland	18.7	-
108	Liesikujan Autopaikat Oy	Finland	8.0	-
109	Martinlaakson Huolto Oy	Finland	3.8	-
	Partnerships for taxation purposes:			
	Parkeringshuset Väpnaren	Sweden	64.0	-

B) Related party transactions

Group companies

Group companies have paid each other fees such as maintenance and financial charges, interest expenses, loan repayments and other administrative service charges.

Such income and expenses have been eliminated from the consolidated financial statements. There have been no other related party transactions between Group companies.

Management benefits

Citycon Group's key personnel in the management comprise Board members, CEO and Corporate Management Committee members. The benefits of the key personnel in the management are presented in the following chapters.

CEO wages and salaries, EUR	2012	2011
Marcel Kokkeel (CEO as of 24 March 2011)	957,776	448,966
Petri Olkinuora (CEO until 23 March 2011)	-	70,464

Citycon's Board of Directors appoints the CEO and decides on the terms and conditions of his/her executive contract in writing. In 2011, the Board of Directors appointed Mr. Marcel Kokkeel (MA, born in 1958), a Dutch citizen, Citycon's CEO. According to his service agreement, the CEO's gross base salary in 2012 amounted to EUR 589,731.34. The amount of the CEO's base salary shall be adjusted based on changes in the Consumer Price Index. At the discretion of the Board of Directors, the CEO may be awarded an additional bonus up to a maximal amount corresponding to 80 per cent of his annual gross base salary. 50 per cent of the amount of the CEO's additional bonus shall be paid as cash while the other 50 per cent shall be paid as company's shares. In addition to his salary the CEO has in July 2012 received a one-off gross payment of EUR 91,844.41 to adjust the net salary paid in 2011 in accordance with his service agreement.

In July 2012, the CEO was paid as a cash bonus EUR 246,908.32 and in October 2012 he was issued 79,151 shares of the company as a share bonus related to CEO's performance bonus payment for the year 2011.

In addition, the CEO is entitled to the following fringe benefits: company car, housing, telephone and luncheon benefits. The CEO's pension benefit is in line with mandatory provisions of the Finnish Pension Act. The CEO's service agreement has been signed for a fixed term and will expire at the end of February 2015. The company may terminate the agreement even earlier without cause at any time upon six months' notice period, in which case the CEO will be paid, in addition to the salary payable for the notice period, a severance pay consisting of 1.5 times the annual base salary at the moment of termination as well as 1.5 times the most recent annual bonus payment.

Related to the company's Stock Option Plan 2011, the CEO has been granted 1,000,000 stock options 2011A–D(I), 250,000 stock options in each sub-category.

Personnel expenses for the entire corporate management committee, EUR million	2012	2011
Wages and salaries	2.5	1.7
Pensions: defined contribution plans	0.5	0.3
Social charges	0.3	0.2
Total	**3.2**	**2.2**

In addition to wages and salaries, the Corporate Management Committee members received income of EUR 0.2 million (EUR 0.2 million) from stock options and share-based incentive plan. Also, non-recurring personnel expenses of EUR 0.6 million (EUR 0.5 million) arising from employment terminations of Corporate Management Committee members were recognised in 2012.

The Corporate Management Committee members including the CEO held a total of 2 770 000 stock options 2011A–D(I), 2011A–D(II) and 2011A–D(III) at the end of 2012.

Remuneration of the members of the Board of Directors, EUR	2012	2011
Ashkenazi Ronen	69,000	68,600
Bolotowsky Gideon (Board member until 23 March 2011)	-	2,000
Katzman Chaim	174,900	170,400
Kempe Roger (Board member as of 23 March 2011)	52,500	47,500
Knobloch Bernd (Board member as of 21 March 2012)	48,500	-
Komi Kirsi (Board member as of 23 March 2011)	54,900	49,800
Korpinen Raimo (Board member until 23 March 2011)	-	2,200
Lähdesmäki Tuomo (Board member until 23 March 2011)	-	1,900
Ottosson Claes	53,000	49,000
Segal Dor J. (Board member until 11 October 2012)	26,205	46,000
Sonninen Jorma (Board member as of 23 March 2011)	52,000	48,000
Wernink Thomas W. (Board member until 21 March 2012)	2,000	71,200
Westin Per-Håkan	51,000	49,000
Zochovitzky Ariella	56,700	51,800
Yanai Yuval	21,295	-
Total	**662,000**	**657,400**

Board members do not participate in the company's share-based incentive schemes. During 2012, the travel expenses of the Board members amounted to EUR 0.1 million (EUR 0.2 million).

Transactions with Gazit-Globe Ltd.

Convertible capital loan 1/2006

In August 2012 Citycon Oyj repurchased convertible capital bonds issued on 2 August 2006 from its main shareholder, Gazit-Globe Ltd. with face value of EUR 20 million. Based on the information Citycon has received, after the Citycon repurchases Gazit-Globe Ltd. did not hold any outstanding amount of convertible capital loan on 31 December 2012. At the end of the corresponding period on 31 December 2011, based on the information Citycon has received, Gazit-Globe Ltd. held 58.9 per cent out of the outstanding amount of convertible capital loan, i.e. EUR 40.1 million out of the carrying amount of convertible capital loan amounting to EUR 68.1 million.

Purchases of services and expenses charged forward

Citycon has paid expenses of EUR 0.0 million (EUR 0.3 million) to Gazit-Globe Ltd. and its subsidiaries and invoiced expenses of EUR 0.1 million (EUR 0.2 million) forward to Gazit-Globe Ltd. and its subsidiaries.

Share issue 2011

In July 2011, the company issued 33 million new shares in a share issue directed to Finnish and international institutional investors, raising approximately EUR 99 million in new equity. Gazit-Globe Ltd. subscribed 14.9 million shares in this share issue.

Rights issue 2012

In October 2012, the company issued 49 million new shares in a rights issue, raising approximately EUR 91 million in new equity. Gazit-Globe Ltd. subscribed 23.6 million shares in this rights issue.

Reporting to Gazit-Globe Ltd

The company's main shareholder, Gazit-Globe Ltd, holding approximately 49 per cent of the shares in the company, has announced that it has been applying International Financial Reporting Standards (IFRS) in its financial reporting starting from 2007. According to IFRS, one company may exercise a controlling interest in another company even if its shareholding in that company does not exceed 50 per cent. Gazit-Globe Ltd. holds the view that it exercises a controlling interest, as defined in IFRS, in Citycon Oyj based on the fact that it has been able to exercise controlling interest in Citycon Oyj's shareholders' meetings pursuant to its shareholding. In accordance with an agreement concluded between the companies, Citycon Oyj will provide Gazit-Globe Ltd. with a more detailed breakdown of the accounting information it discloses in its interim and full-year reports, so that Gazit-Globe Ltd. can consolidate Citycon Group figures into its own IFRS financial statements.

34. CHANGES IN GROUP STRUCTURE IN 2012

Companies acquired
Helsingin Hämeentie 109-111 Koy
Oulun Isokatu 20 Koy
Oulun Isokatu 22 Koy
Tampereen Koskenranta Koy (increase of ownership by 41,7% to 100%) (current Tampereen Koskikeskus Koy)
Stenungs Torg Fastighets AB (increase of ownership by 30% to 100%)
Strömpilen AB (increase of ownership by 25% to 100%)
Companies established
Etelä-Suomen Kauppakiinteistöt Oy
Citycon Denmark ApS
Albertslund Centrum ApS
Companies sold
Tapiolan Alueen Kehitys Oy
Drabantvägen bostäder AB
Citycon Jakobsberg Bostäder 3 AB
Kouvolan Valtakadun Kauppakeskus Koy
Valtakatu 5-7 Koy
Properties sold
Landvetter
Floda
Companies merged
Tampereen Koskenranta Koy
(current Tampereen Koskikeskus Koy)
Tampereen Suvantokatu Koy
(current Tampereen Koskikeskus Koy)
Koskikeskuksen Huolto Oy (current Tampereen Koskikeskus Koy)
Citycon Imröret AB (current Högdalen Centrum AB)
Companies with changed business names
Citycon Finland Oy (former Excellency HoldCo Oy)
Oulu Big Street Top Oy (former Veniamo-Invest Oy)
Tampereen Koskikeskus Oy (former Tampereen Hatanpää Koy)

35. POST BALANCE SHEET DATE EVENTS

Citycon and CPPIB signed a property-secured loan worth SEK 2.29 billion (approx. EUR 265 million) to finance a shopping centre investment on 14 January 2013. The loan collateral is the Kista Galleria property. The loan has a five-year maturity and was granted by Skandinaviska Enskilda Banken AB (publ) (acting as transaction coordinator), Swedbank AB and Aareal Bank AG.

The deal made by Citycon Oyj and CPPIB on 19 December concerning the acquisition of Kista Galleria in Stockholm from DNB Livsforsikring ASA for approximately EUR 530 million was closed on 17 January 2013. Under the terms of the transaction, the shopping centre will be owned 50 per cent by Citycon and 50 per cent by CPPIB.

The shareholders of Citycon Oyj were invited to an Extraordinary General Meeting to be held on Wednesday, 6 February 2013 at 2.00 p.m. The Board of Directors proposes that the Extraordinary General Meeting would resolve on authorising the Board of Directors to decide on issuance of new shares for consideration. Citycon decided to begin preparations for a rights issue of a maximum of 125,000,000 new shares pursuant to the shareholders' pre-emptive subscription right. In addition to financing the acquisition of Kista Galleria shopping centre in Stockholm, which was announced on 19 December 2012, the proceeds from the Offering are intended to strengthen the company's balance sheet, finance the Company's strategy and for general corporate purposes.

On 30 January 2013, Citycon announced that the statutory collaborative negotiations in the Finnish Business Unit concerning reorganization of business operations were concluded. As a result of the negotiations, Citycon will reduce a total of 10 employees from its Finnish Business unit. It was estimated when the process started that a maximum of 14 employees would possibly be reduced. A cluster organization model will be taken into use in all of Citycon's operating countries. In the cluster organizational model shopping centres will be combined to form entities which are led by commercial directors.

KEY FIGURES AND RATIOS

1) CONSOLIDATED KEY FIGURES AND RATIOS FOR FIVE YEARS

EUR MILLION	Formula	2012	2011	2010	2009	2008
Statement of comprehensive income data						
Turnover		239.2	217.1	195.9	186.3	178.3
Other operating income and expense		0.2	0.2	0.3	0.0	6.1
Operating profit/loss		163.4	81.8	157.7	10.3	-105.0
Profit/loss before taxes		95.5	19.7	102.8	-37.5	-162.3
Profit/loss attributable to parent company shareholders		77.2	13.0	78.3	-34.3	-124.1
Statement of financial position data						
Investment properties		2,714.2	2,522.1	2,367.7	2,147.4	2,111.6
Current assets		75.5	125.0	56.9	65.9	52.4
Equity attributable to parent company shareholders		1,015.7	902.6	849.5	731.1	799.1
Non-controlling interest		44.2	59.2	50.7	36.8	38.2
Interest-bearing liabilities		1,533.0	1,547.9	1,397.7	1,321.7	1,199.5
Total liabilities		1,758.6	1,715.9	1,536.3	1,485.3	1,341.2
Total liabilities and shareholders' equity		2,818.5	2,677.7	2,436.5	2,253.2	2,178.5
Key performance ratios						
Equity ratio, %	1	37.8	36.0	37.1	34.2	38.5
Equity ratio for the banks, %		40.5	39.0	39.4	40.6	45.1
Gearing, %	2	139.8	151.4	153.1	169.5	141.3
Return on equity, % (ROE)	3	9.0	2.3	11.1	-4.7	-15.0
Return on investment, % (ROI)	4	7.7	3.8	10.6	-0.5	-1.5
Quick ratio	5	0.4	0.5	0.3	0.4	0.5
Gross capital expenditure, EUR million		161.7	216.7	133.7	134.6	157.9
% of turnover		67.6	99.8	68.3	72.2	88.6
Per-share figures and ratios						
Earnings per share, EUR [1]	6	0.26	0.05	0.33	-0.15	-0.54
Earnings per share,diluted, EUR [1]	7	0.26	0.05	0.33	-0.15	-0.54
Net cash from operating activities per share, EUR [1]	8	0.21	0.25	0.09	0.29	0.21
Equity per share, EUR	9	3.11	3.25	3.47	3.31	3.62
P/E (price/earnings) ratio [1]	10	10	48	9	-20	-3
Return from invested unrestricted equity fund per share, EUR [1]		0.11 [2]	0.11	0.10	0.10	0.10
Dividend per share, EUR [1]		0.04 [2]	0.04	0.04	0.04	0.04
Dividend and return from invested unrestricted equity fund per share total, EUR [1]		0.15 [2]	0.14	0.13	0.13	0.13
Dividend and return of equity per earnings, %	11	57.9	300.7	40.8	-90.2	-24.9
Effective dividend and return of equity yield, %	12	5.8	6.3	4.4	4.6	8.0
Operative key ratios						
Net rental yield, %	13	6.4	6.0	5.8	6.1	5.8
Occupancy rate (economic), %	15	95.7	95.5	95.1	95.0	96.0
Citycon's GLA, sq.m.		1,000,270	994,730	942,280	961,150	937,650
Personnel (at the end of the period)		129	136	129	119	113

1) Per share result key figures have been calculated with the issue-adjusted number of shares resulting from the rights issue executed in 2012.
2) Board proposal

Formulas are available on page 62.

2) FIVE YEAR SEGMENT INFORMATION

EUR million	2012	2011	2010	2009	2008
Turnover					
Finland	143.2	132.5	126.5	131.3	126.8
Sweden	63.1	60.1	52.8	41.0	41.9
Baltic Countries and New Business	32.8	24.5	16.7	14.0	9.6
Total	**239.2**	**217.1**	**195.9**	**186.3**	**178.3**
Net rental income					
Finland	98.2	90.5	86.7	92.4	90.9
Sweden	39.2	35.4	28.7	23.2	24.1
Baltic Countries and New Business	24.6	18.4	11.8	9.8	6.8
Total	**162.0**	**144.3**	**127.2**	**125.4**	**121.8**
EPRA operating profit					
Finland	89.3	83.2	80.9	86.3	85.4
Sweden	34.0	30.4	24.1	20.0	21.0
Baltic Countries and New Business	23.7	17.1	10.6	8.8	6.2
Other	-11.4	-13.4	-10.5	-7.4	-7.3
Total	**135.7**	**117.4**	**105.0**	**107.7**	**105.3**
Operating profit/loss					
Finland	87.5	42.3	107.5	21.2	-62.9
Sweden	48.2	32.4	46.7	0.3	-49.1
Baltic Countries and New Business	39.1	20.5	14.1	-3.8	14.4
Other	-11.4	-13.4	-10.5	-7.4	-7.4
Total	**163.4**	**81.8**	**157.7**	**10.3**	**-105.0**

PARENT COMPANY INCOME STATEMENT, FAS

EUR million	Note	1 Jan.-31 Dec. 2012	1 Jan.-31 Dec. 2011
Gross rental income		26.9	102.8
Service charge income		1.3	4.4
Turnover	2	**28.2**	**107.3**
Property operating expenses		18.4	55.1
Other expenses from leasing operations	3	0.0	0.3
Net rental income		**9.8**	**51.9**
Administrative expenses	4, 5	11.5	32.7
Other operating income and expenses	6	-0.2	2.2
Operating profit		**-1.9**	**21.3**
Financial income		91.9	101.1
Financial expenses		-100.0	-116.4
Net financial income and expenses	7	-8.1	-15.3
Loss/profit before appropriations and taxes		**-10.1**	**6.0**
Group contributions		27.1	-
Income tax expense/benefit	8	0.0	-1.6
Profit/loss for the period		**17.0**	**7.6**

PARENT COMPANY BALANCE SHEET, FAS

EUR million	Note	31 Dec. 2012	31 Dec. 2011
ASSETS			
Non-current assets			
Intangible assets	9	0.5	24.5
Tangible assets	10	8.3	31.0
Investments			
Shares in subsidiaries	11	1,226.8	1,252.6
Shares in associated companies	12	-	33.0
Other investments	13	858.6	699.4
Total investments		2,085.4	1,985.0
Total non-current assets		**2,094.2**	**2,040.4**
Current assets			
Long-term receivables	15	-	1.6
Short-term receivables	15	72.0	28.8
Cash and cash equivalents		16.6	63.6
Total current assets		**88.6**	**94.1**
Total assets		**2,182.7**	**2,134.6**

EUR million	Note	31 Dec. 2012	31 Dec. 2011
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity	16		
Share capital		259.6	259.6
Share premium fund		133.1	133.1
Invested unrestricted equity fund		337.3	277.2
Retained earnings		0.4	3.9
Profit/loss for the period		17.0	7.6
Total shareholders' equity		**747.3**	**681.3**
Liabilities	17		
Long-term liabilities			
Convertible capital loan 1/2006		-	68.1
Bond 1/2009		39.7	39.6
Bond 1/2012		149.5	-
Other long-term liabilities		1,074.0	1,088.1
Total long-term liabilities		**1,263.3**	**1,195.8**
Short-term liabilities			
Convertible capital loan 1/2006		39.1	-
Other short-term liabilities		133.0	257.5
Total short-term liabilities		**172.1**	**257.5**
Total liabilities		**1,435.4**	**1,453.3**
Total liabilities and shareholders' equity		**2,182.7**	**2,134.6**

PARENT COMPANY CASH FLOW STATEMENT, FAS

EUR million	1 Jan.-31 Dec. 2012	1 Jan.-31 Dec. 2011
Cash flow from operating activities		
Loss/profit before taxes	-10.1	6.0
Adjustments:		
Depreciation and impairment loss	0.3	12.0
Non-cash property operating expenses	8.7	21.8
Net financial income and expenses	8.1	15.3
Loss/gain on sale and on liquidation of shares in subsidiaries and other investments	0.2	0.7
Cash flow before change in working capital	7.1	55.9
Change in working capital	10.5	4.6
Cash generated from operations	**17.6**	**60.4**
Interest expense and other financial expenses paid	-55.0	-93.6
Interest income and other financial income received	73.7	52.7
Realized exchange rate losses and gains	-0.4	10.8
Income taxes received	-	7.4
Net cash flow from operating activities	**35.8**	**37.6**
Cash flow used in investing activities		
Investment in tangible and intangible assets	-3.8	-18.0
Proceeds from sale of tangible assets	-	0.7
Loans granted	-220.8	-122.1
Repayments of loans receivable	57.6	335.6
Increase in subsidiary shares	-	-792.0
Decrease in subsidiary shares	25.6	390.3
Purchase of minority and associated companies' shares	-	-0.3
Decrease in and sale of associated companies' shares	33.9	1.8
Net cash used in investing activities	**-107.5**	**-204.0**
Cash flow from financing activities		
Proceeds from rights and share issue	90.7	99.7
Sale of treasury shares	-	0.4
Proceeds from short-term loans	115.3	135.6
Repayments of short-term loans	-131.5	-98.8
Proceeds from long-term loans	599.6	582.2
Repayments of long-term loans	-600.6	-470.4
Dividends paid and return from the invested unrestricted equity fund	-41.7	-34.3
Net cash from financing activities	**31.7**	**214.4**
Net change in cash and cash equivalents	**-40.0**	**48.0**
Cash and cash equivalents at period-start	40.4	-7.6
Cash and cash equivalents at period-end [1)]	**0.4**	**40.4**

1) Cash and cash equivalents of Citycon Oyj included the Group cash pool as at 31 December 2012 and at 31 December 2011, in which the parent company's bank account can have a negative balance. Cash pool balance of EUR -16.2 million as at 31 December 2012 and EUR -23.3 million as at 31 December 2011 has been recognised in the parent company's balance sheet under short-term liabilities.

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS, FAS

1. ACCOUNTING POLICIES

The parent company's financial statements are prepared in accordance with the Finnish law.

Comparability Of Financial Periods

Citycon Oyj has changed its Group structure as of 1 April 2012. Citycon's Finnish real estate operations were transferred from Citycon Oyj through business transfer to two new holding companies Citycon Finland Oy and Etelä-Suomen Kauppakiinteistöt Oy. After the business transfer, Citycon Oyj was left with the group functions and headquarter personnel. Therefore, the financial periods 2012 and 2011 are not comparable.

Income Statement Format

The income statement is presented in accordance with the function-based format and it includes both gross and net rental income.

Non-Current Assets

Non-current assets are recognized in the balance sheet at acquisition cost less impairment losses and depreciation/amortisation.

Property Portfolio

The buildings' acquisition cost is depreciated annually on a straight line basis at 2–4 per cent. Repair costs are expensed as incurred.

Other Non-Current Assets

Other non-current assets include capitalised costs related to the acquisition of properties, which are amortised over three years, and tenant improvements, which are amortised during the lease term.

Machinery and equipment is depreciated at 25 percent annually, using the reducing balance method of depreciation. The machinery and equipment category includes also technical equipment in buildings and the depreciation is made accordingly.

Pension Schemes

The company's employee pension cover is based on statutory pension insurance.

Foreign Currency Receivables And Payables

Receivables and payables denominated in foreign currencies as well as forward rate agreements are measured at the exchange rate quoted on the balance sheet date. Any exchange rate differences resulting from currency translations are recognised as exchange rate differences in the income statement.

Convertible Capital Loan

Convertible capital loan is shown as separate item in liabilities.

Income Taxes

Current taxes are recognised on an accrual basis.
Deferred taxes arising from temporary differences between the book and fiscal values have been recognised separately in the income statement and the balance sheet.

Important Note

Individual figures and sum totals presented in the financial statements have been rounded to the nearest hundreds thousands of euros; this may cause minor discrepancies between the sum totals and the sums of individual figures as given.

2. TURNOVER

EUR million	2012	2011
Turnover by business segments:		
Shopping centres		
Helsinki Metropolitan Area	8.3	32.4
Other areas in Finland	12.0	47.9
Other retail properties	7.9	27.0
Total	**28.2**	**107.3**

Geographically the parent company's turnover is generated in Finland. Parent company turnover includes the following administrative fees received from Group companies:

EUR million	2012	2011
Administrative fees from Group companies	0.3	0.9

3. OTHER EXPENSES FROM LEASING OPERATIONS

EUR million	2012	2011
Tenant improvements and commissions	0.0	0.2
Credit losses	0.0	0.2
Total	**0.0**	**0.3**

4. PERSONNEL EXPENSES

EUR million	2012	2011
Average number of employees during period	42	86
Personnel expenses		
Wages and salaries	5.8	10.0
Pension charges	0.9	1.2
Other social charges	0.3	0.4
Total	**6.9**	**11.6**

The items presented above include non-recurring personnel expenses of EUR 0.1 million (EUR 1.2 million in 2011) arising from employment terminations.

Personnel expenses include the following management salaries and emoluments		
CEO's salary and emoluments	1.0	0.5
Board remuneration	0.7	0.7
Total	**1.7**	**1.2**

5. DEPRECIATION AND AMORTISATION AND IMPAIRMENTS

EUR million	2012	2011
The following depreciation and amortisation as well as impairments are included in the administrative expenses:		
Amortisation on intangible assets	0.2	4.7
Depreciation on buildings and constructions	0.0	0.5
Depreciation on machinery and equipment	0.0	0.3
Impairment of shares in subsidiaries and in associated companies	-	6.6
Total	**0.3**	**12.0**

6. OTHER OPERATING INCOME AND EXPENSES

EUR million	2012	2011
Loss/gain on sale of shares in subsidiaries and other investments	-0.6	-4.1
Liquidation of the MREC Myllypuro shopping Centre	-	3.4
Leasing and asset management fees from Group companies	0.1	2.8
Other operating income	0.3	0.1
Total	**-0.2**	**2.2**

7. NET FINANCIAL INCOME AND EXPENSES

EUR million	2012	2011
Dividend income		
From Group companies	19.5	11.7
From others	0.0	0.0
Total	**19.5**	**11.7**
Interest and other financial income		
From Group companies	38.3	32.5
Foreign exchange gains	33.8	53.7
Other interest and financial income	0.3	3.3
Total	**72.4**	**89.4**
Total financial income	**91.9**	**101.1**
Interest and other financial expenses		
To Group companies	5.2	8.0
Foreign exchange losses	33.9	53.6
Loss from convertible bond buybacks	0.9	-
Interest and other financial expenses	60.0	54.8
Total financial expenses	**100.0**	**116.4**
Net financial income and expenses	**-8.1**	**-15.3**

8. INCOME TAX EXPENSE

Me	2012	2011
Current taxes	-	-
Deferred tax benefit	0.0	-1.6
Income taxes	**0.0**	**-1.6**

9. INTANGIBLE ASSETS

EUR million	2012	2011
Intangible rights		
Acquisition cost 1 Jan.	2.5	2.0
Additions during the period	0.3	0.5
Transfer of business	-1.1	-
Accumulated acquisition costs 31 Dec.	1.7	2.5
Accumulated depreciation 1 Jan.	-1.5	-1.2
Transfer of business	0.4	-
Depreciation for the period	-0.2	-0.3
Accumulated depreciation 31 Dec.	-1.3	-1.5
Net carrying amount 31 Dec.	**0.4**	**1.0**
Connection fees		
Acquisition cost 1 Jan.	0.2	0.2
Transfer of business	-0.2	-
Net carrying amount 31 Dec.	**-**	**0.2**
Tenant improvements and other non-current assets		
Acquisition cost 1 Jan.	39.5	23.7
Additions during the period	0.1	15.8
Transfer of business	-38.2	-
Accumulated acquisition costs 31 Dec.	1.5	39.5
Accumulated depreciation 1 Jan.	-16.3	-11.9
Transfer of business	15.0	-
Depreciation for the period	0.0	-4.3
Accumulated depreciation 31 Dec.	-1.3	-16.3
Net carrying amount 31 Dec.	**0.1**	**23.2**
Total intangible assets 31 Dec.	**0.5**	**24.5**

10. TANGIBLE ASSETS

EUR million	2012	2011
Land		
Acquisition cost 1 Jan.	3.2	3.3
Reductions during the period	-	-0.1
Transfer of business	-3.2	-
Net carrying amount 31 Dec.	**-**	**3.2**
Buildings and constructions		
Acquisition cost 1 Jan.	69.1	68.7
Additions during the period	-	0.4
Transfer of business	-69.0	-
Accumulated acquisition costs 31 Dec.	0.1	69.1
Accumulated depreciation 1 Jan.	-45.1	-44.6
Transfer of business	44.9	-
Depreciation for the period	-	-0.5
Accumulated depreciation 31 Dec.	-0.1	-45.1
Net carrying amount 31 Dec.	**-**	**24.0**
Machinery and equipment		
Acquisition cost 1 Jan.	5.9	5.7
Additions during the period	0.4	0.2
Transfer of business	-5.2	-
Accumulated acquisition costs 31 Dec.	1.1	5.9
Accumulated depreciation 1 Jan.	-5.0	-4.7
Transfer of business	4.4	-
Depreciation for the period	0.0	-0.3
Accumulated depreciation 31 Dec.	-0.6	-5.0
Net carrying amount 31 Dec.	**0.4**	**1.0**
Machinery and equipment also include technical equipment in buildings.		
Other tangible assets		
Acquisition cost 1 Jan.	0.2	0.2
Additions during the period	0.0	-
Transfer of business	-0.2	-
Accumulated acquisition costs 31 Dec.	0.0	0.2

EUR million	2012	2011
Accumulated depreciation 1 Jan.	-0.2	-0.2
Transfer of business	0.2	-
Accumulated depreciation 31 Dec.	0.0	-0.2
Net carrying amount 31 Dec.	**0.0**	**0.1**
Construction in progress		
Acquisition cost 1 Jan.	2.7	2.2
Additions during the period	7.1	0.5
Transfer of business	-2.0	-
Net carrying amount 31 Dec.	**7.8**	**2.7**
Total tangible assets 31 Dec.	**8.3**	**31.0**

11. SHARES IN SUBSIDIARIES

EUR million	2012	2011
Acquisition cost 1 Jan.	1,252.6	857.5
Additions during the period	314.5	654.6
Impairment of shares	-	-5.2
Reductions during the period	-	-254.7
Transfer of business	-340.2	0.3
Net carrying amount 31 Dec.	**1,226.8**	**1,252.6**

12. SHARES IN ASSOCIATED COMPANIES

EUR million	2012	2011
Acquisition cost 1 Jan.	33.0	34.8
Impairment of shares	-	-1.4
Reductions during the period	-	-0.4
Transfer of business	-33.0	-
Net carrying amount 31 Dec.	**-**	**33.0**

13. OTHER INVESTMENTS

EUR million	2012	2011
Minority holdings		
Acquisition cost 1 Jan.	0.9	0.9
Additions during the period	-	0.3
Transfer of business	-0.9	-0.3
Net carrying amount 31 Dec.	**-**	**0.9**
Loan receivables from Group companies	**858.6**	**698.5**
Other receivables from outside the Group	**0.0**	**-**
Total other investments 31 Dec.	**858.6**	**699.4**
Total investments 31 Dec.	**2,085.4**	**1,985.0**

14. SUBSIDIARIES AND ASSOCIATED COMPANIES

Parent company's subsidiaries and associated companies are presented in the Note 33 Related Party Transactions in the Notes to the Consolidated Financial Statements.

15. LONG-TERM AND SHORT-TERM RECEIVABLES

EUR million	2012	2011
Long-term receivables from outside the Group		
Deferred tax assets	-	1.6
Total long-term receivables	**-**	**1.6**
Receivables from outside the Group		
Trade receivables	0.2	2.0
Other receivables	1.3	1.8
Accrued income and prepaid expenses	0.1	1.2
Total	**1.7**	**5.0**
Receivables from Group companies		
Trade receivables	4.8	1.2
Loan receivables	0.1	-0.1
Maintenance charge receivables	-	4.5
Other receivables	36.7	13.5
Total other receivables	36.8	17.9
Interest receivables	1.6	1.7
Other accrued income and prepaid expenses	0.0	2.9
Total accrued income and prepaid expenses	1.6	4.7
Group contributions receivables	27.1	-
Total	**70.3**	**23.8**
Total short-term receivables	**72.0**	**28.8**

16. SHAREHOLDERS' EQUITY

EUR million	2012	2011
Share capital at 1 Jan.	**259.6**	**259.6**
Share capital at 31 Dec.	**259.6**	**259.6**
Share premium fund at 1 Jan.	**133.1**	**133.1**
Share premium fund at 31 Dec.	**133.1**	**133.1**
Invested unrestricted equity fund at 1 Jan.	**277.2**	**201.5**
Proceeds from share issue	90.7	99.7
Sale of treasury shares	-	0.4
Equity return from the invested unrestricted equity fund	-30.6	-24.5
Invested unrestricted equity fund at 31 Dec.	**337.3**	**277.2**
Retained earnings at 1 Jan.	**11.5**	**13.6**
Dividends	-11.1	-9.8
Profit/ Loss for the period	**17.0**	**7.6**
Retained earnings at 31 Dec.	**17.3**	**11.5**
Total shareholders' equity at 31 Dec.	**747.3**	**681.3**

17. LIABILITIES

A) Long-term liabilities

EUR million	2012	2011
Long-term interest-bearing liabilities		
Convertible capital loan 1/2006 [1]	-	68.1
Bond 1/2009	39.7	39.6
Bond 1/2012	149.5	-
Loans from financial institutions, which are		
converted into fixed rates through interest-rate swaps	1,021.7	1,005.4
tied to market interest rates	70.9	97.7
Total	1,092.7	1,103.1
Current portion of interest-bearing liabilities	-27.5	-25.0
Total	1,065.2	1,078.1
Loans from Group companies	8.8	9.9
Total long-term liabilities	**1,263.3**	**1,195.8**
Loans maturing later than 5 years	**150.1**	**64.6**

B) Short-term liabilities

EUR million	2012	2011
Short-term interest-bearing liabilities		
Convertible capital loan 1/2006 [1)]	39.1	-
Commercial papers	32.5	48.7
Loans from financial institutions	-	108.8
Current portion of interest-bearing liabilities	27.5	25.0
Loans from Group companies	52.1	40.7
Total	**151.2**	**223.2**
Short-term non-interest-bearing liabilities		
Payables to outside the Group		
Advances received	-	0.2
Accounts payable	0.5	1.6
Derivative financial instruments	0.7	0.1
Other payables	3.8	0.2
Total other payables	4.5	0.3
Interest liability	9.0	5.4
Other accruals	2.4	4.3
Total accruals	11.5	9.7
Total	**16.5**	**11.7**

1) *The terms and conditions of convertible capital loan are presented in Note 28 Loans in the Notes to the Consolidated Financial Statements.*

EUR million	2012	2011
Payables to Group companies		
Accounts payable	0.0	0.0
Charge-for-financial cost payables	-	1.9
Other payables	1.6	20.7
Total other payables	1.6	22.6
Accruals	2.9	0.0
Total	**4.5**	**22.6**
Total short-term liabilities	**172.1**	**257.5**
Total liabilities	**1,435.4**	**1,453.3**

All Group external derivative financial instruments in Citycon are executed by the parent company Citycon Oyj. Derivative financial instruments held with external counterparties are presented in Note 23. Derivative Financial Instruments in the Notes to the Consolidated Financial Statements. In addition Citycon Oyj had an internal foreign exchange derivative on 31 December 2012 with a fair value of EUR -1.5 million and a nominal amount of EUR 626.3 million.

18. CONTINGENT LIABILITIES

The parent company doesn't have any mortgages nor given securities.

A) Lease liabilities

EUR million	2012	2011
Payables on lease commitments		
Maturing next financial year	0.6	0.8
Maturing later	0.3	0.4
Total	**0.9**	**1.2**

Citycon's finance leases mainly apply to computer hardware, machinery and equipment, cars and office premises.

B) Guarantees given

EUR million	2012	2011
Bank guarantees	63.7	39.2
Of which on behalf of Group companies	53.0	34.5

C) VAT refund liabilities

	5 year review period		10 year rewiev period	
EUR million	2012	2011	2012	2011
Property investment (net)	-	0.9	-	0.8
VAT of property investment (100%)	-	0.2	-	0.2
out of which VAT has been deducted on the date of completion	-	0.2	-	0.1
Annual amount under review	-	0.0	-	0.0
VAT refund liability at 31 Dec.	**-**	**0.0**	**-**	**0.1**

SHAREHOLDERS AND SHARES

BIGGEST SHAREHOLDERS ON 31 DECEMBER 2012

Name	Number of shares	Percentage of shares and votes
Ilmarinen Mutual Pension Insurance Company	29,344,735	8.98
The State Pension Fund of Finland	2,300,000	0.70
OP Bank Group Pension Fund	1,942,699	0.59
Sijoitusrahasto Aktia Capital	1,735,245	0.53
Folketrygdfondet	1,495,292	0.46
Odin Finland	1,494,401	0.46
Mutual Insurance Company Pension-Fennia	1,048,297	0.32
Sijoitusrahasto Taaleritehdas Arvo Markka Osake	970,001	0.30
Sijoitusrahasto Evli Suomi Pienyhtiöt	945,638	0.29
OP Bank Group Pension Foundation	872,465	0.27
10 biggest, total	**42,148,773**	**12.89**
Nominee-registered shares		
Danske Bank Plc	115,865,849	35.45
Evli Bank Plc	44,194,144	13.52
Skandinaviska Enskilda Banken AB	41,441,696	12.68
Nordea Bank Finland Plc	30,819,872	9.43
Svenska Handelsbanken AB (publ), filial verksamheten i Finland	17,101,902	5.23
Other nominee-registered shares	1,357,619	0.42
Nominee-registered shares, total	**250,781,082**	**76.72**
Others	33,950,157	10.39
Shares, total	**326,880,012**	**100.00**

Gazit-Globe Ltd. has informed the company that the number of shares held by it on 31 December 2012 amounts to 160,199,639 shares accounting for 49.0 per cent of the shares and voting rights in the company at the year-end of 2012. Gazit-Globe Ltd.'s shareholding is nominee-registered.

Notifications of changes in shareholding during 2012

The company did not receive any notifications of changes in shareholding during the year 2012.

SHAREHOLDERS BY OWNERGROUP ON 31 DECEMBER 2012

	Number of owners	Percentage of owners	Number of shares	Percentage of shares and votes
Financial and insurance corporations	51	0.71	257,445,417	78.76
Corporations	558	7.77	9,345,021	2.86
Households	6,425	89.52	17,535,192	5.36
General government	12	0.17	34,320,703	10.50
Foreign	59	0.82	6,383,633	1.95
Non-profit institutions	72	1.00	1,850,046	0.57
Total	**7,177**	**100.00**	**326,880,012**	**100.00**
of which nominee-registered	13		250,781,082	76.72
Issued stock, total			326,880,012	

BREAKDOWN OF SHAREHOLDERS ON 31 DECEMBER 2012 BY NUMBER OF SHARES

Number of shares	Number of owners	Percentage of owners	Number of shares	Percentage of shares and votes
1 - 100	580	8.08	30,676	0.01
101 - 1,000	2,874	40.04	1,355,949	0.41
1,001 - 5,000	2,781	38.75	6,571,878	2.01
5,001 - 10,000	460	6.41	3,240,100	0.99
10,001 - 50,000	376	5.24	7,640,085	2.34
50,001 - 100,000	45	0.63	3,214,926	0.98
100,001 - 500,000	40	0.56	9,527,616	2.91
500,001 - 1,000,000	9	0.13	6,514,650	1.99
1,000,001 -	12	0.17	288,784,132	88.35
Total	**7,177**	**100.00**	**326,880,012**	**100.00**
of which nominee-registered	13		250,781,082	76.72
Issued stock, total			326,880,012	

SHARE PRICE AND TRADING VOLUME

	Formula	2012	2011	2010	2009	2008
Share price, transactions, EUR						
Low		2.12	2.02	2.29	1.3	1.26
High		2.71	3.41	3.31	3.16	4.28
Average	16	2.43	2.77	2.84	1.99	2.94
Market capitalisation, EUR million	17	840.1	641.7	753.3	649.9	371.3
Share trading volume						
No. of shares traded as of year-start, 1,000		81,975	97,483	114,974	149,340	150,852
Percentage of total		25.1	35.1	47.0	67.0	68.3
Average number of shares, 1,000 [1)]		298,091	269,676	236,841	229,457	229,411
Average number of shares, diluted, 1,000 [1)]		313,202	287,420	255,171	248,627	256,642
Number of shares on 31. Dec., 1,000		326,880	277,811	244,565	221,060	220,999

1) Calculation of the number of shares is presented in Note 16. Earnings per share. Number of shares has been issue-adjusted resulting from the rights issue executed in 2012.

FORMULAS FOR KEY FIGURES AND RATIOS

	Key figure	Numerator	Denominator	
1)	**Equity ratio, %**	Shareholders' equity	Balance sheet total - advances received	X 100
2)	**Gearing, %**	Interest-bearing liabilities - cash and cash equivalents	Shareholders' equity	X 100
3)	**Return on equity (ROE), %**	Profit/loss for the period	Shareholders' equity (weighted average)	X 100
4)	**Return on investment (ROI), %**	Profit/loss before taxes + interest and other financial expenses	Balance sheet total (weighted average) - (non-interest-bearing liabilities on the balance sheet date + opening balance of non-interest-bearing liabilities)/2	X 100
5)	**Quick ratio**	Current assets	Short-term liabilities	
6)	**Earnings per share (EPS), EUR**	Profit/loss for the period attributable to parent company shareholders	Average number of shares for the period	X 100
7)	**Earnings per share, diluted, EUR**	Profit/loss for the period attributable to parent company shareholders	Diluted average number of shares for the period	X 100
8)	**Net cash from operating activities per share, EUR**	Net cash from operating activities	Average number of shares for the period	X 100
9)	**Equity per share, EUR**	Equity attributable to parent company shareholders	Number of shares on the balance sheet date	
10)	**P/E ratio (price/earnings)**	Closing price at year-end	EPS	
11)	**Dividend and return of equity per earnings, %**	Dividend per share	EPS	X 100
12)	**Effective dividend and return of equity yield, %**	Dividend per share	Closing price at year-end	X 100
13)	**Net rental yield, %**	Net rental income (last 12 months)	Average fair value of investment property	X 100
14)	**Occupancy rate, %, sq.m.**	Leased space	Leasable space	X 100
15)	**Occupancy rate (economic), %**	Rental income as per leases	Estimated market rent of vacant premises + rental income as per leases	X 100
16)	**Average share price, EUR**	Value of shares traded (EUR)	Average number of shares traded	
17)	**Market capitalisation**	Number of shares x closing price for the period excl. treasury shares		
18)	**Net interest-bearing debt (fair value), EUR million**	Fair value of interest-bearing debts - cash and cash equivalents		

SIGNATURES TO THE FINANCIAL STATEMENTS

Signatures to the Financial Statements 1 January - 31 December 2012

In Helsinki, on 5 February 2013

Chaim Katzman

Ronen Ashkenazi

Roger Kempe

Kirsi Komi

Bernd Knobloch

Claes Ottosson

Jorma Sonninen

Per-Håkan Westin

Yuval Yanai

Ariella Zochovitzky

Marcel Kokkeel
CEO

We have today submitted the report on the conducted audit.

In Helsinki, on 5 February 2013

Ernst & Young Oy
Authorized Public Accountants

Tuija Korpelainen
Authorized Public Accountant

AUDITORS' REPORT

To the Annual General Meeting of Citycon Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Citycon Oyj for the year ended 31 December, 2012. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

The responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements, together with the consolidated financial statements included therein, and the report of the Board of Directors give a true and fair view of the financial performance and financial position of the company in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 5 February 2013

Ernst & Young Oy
Authorized Public Accountants

Tuija Korpelainen
Authorized Public Accountant

PROPERTY LIST

	Property	Address			Built in / renovated in	Holding, %	Citycon's GLA, sq.m.	Occupancy rate, %, sq.m. 1)	Economic Occupancy rate, %, EUR 1)
FINLAND									
	SHOPPING CENTRES, HELSINKI METROPOLITAN AREA								
1	**Arabia**						**14,000**	**89.3**	**92.7**
	Helsingin Hämeentie 109-111 Koy	Hämeentie 109-111	00550	HELSINKI	1960/2002	100%			
2	**Columbus**						**20,900**	**97.3**	**97.5**
	Kauppakeskus Columbus Koy	Vuotie 45	00980	HELSINKI	1997/2007	100%			
3	**Espoontori**						**17,100**	**84.6**	**86.7**
	Espoon Asemakuja 2 Koy	Asemakuja 2	02770	ESPOO	1991	100%	6,300		
	Espoon Asematori Koy	Kamreerintie 5	02770	ESPOO	1989/2010	54%	1,800		
	Espoontori Koy	Kamreerintie 3	02770	ESPOO	1987/2010	67%	9,000		
	Espoontorin Pysäköintitalo Oy	Kamreerintie 1	02770	ESPOO	1987/2010	60%			
4	**Heikintori**						**6,300**	**70.0**	**82.4**
	Heikintori Oy	Kauppamiehentie 1	02100	ESPOO	1968	69%			
5	**Iso Omena**						**63,000**	**99.7**	**99.8**
	Big Apple Top Oy	Piispansilta 9	02230	ESPOO	2001/2012	60%			
6	**Isomyyri**						**10,800**	**84.6**	**86.3**
	Myyrmäen Kauppakeskus Koy	Liesitori 1	01600	VANTAA	1987	74%			
	Liesikujan Autopaikat Oy	Liesikuja 2	01600	VANTAA	1987	8%			
7	**Lippulaiva**						**19,000**	**98.4**	**99.0**
	Lippulaiva Koy	Espoonlahdenkatu 4	02320	ESPOO	1993/2007	100%			
8	**Martinlaakson Ostari**						**7,400**	**94.8**	**96.8**
	Martinlaakson Kivivuorentie 4 Koy	Kivivuorentie 4	01620	VANTAA	2011	100%			
9	**Myllypuron Ostari**						**7,400**	**83.8**	**85.3**
	Kivensilmänkuja 1 Koy	Kivensilmänkuja 1	00920	HELSINKI	2011/2012	100%			
10	**Myyrmanni**						**39,700**	**94.4**	**96.4**
	Myyrmanni Koy	Iskoskuja 3	01600	VANTAA	1994/2007/2011	100%			
	Myyrmäen Autopaikoitus Oy	Iskoskuja 3	01600	VANTAA	1994	63%			
11	**Tikkuri**						**13,300**	**93.1**	**97.1**
	Tikkurilan Kauppakeskus Koy	Asematie 4-10	01300	VANTAA	1984/1991	84%	10,500		
	Asematie 3 Koy	Asematie 3	01300	VANTAA	1972	100%	1,400		
	Tikkurilan Kassatalo As Oy	Asematie 1	01300	VANTAA	1956	60%	1,400		
	SHOPPING CENTRES, OTHER AREAS IN FINLAND								
12	**Duo**						**13,500**	**98.6**	**99.1**
	Hervannan Liikekeskus Oy	Insinöörinkatu 23	33720	TAMPERE	1979	79%	5,200		
	Tampereen Hermanni Koy	Pietilänkatu 2	33720	TAMPERE	2007	100%	8,300		
13	**Forum**						**16,700**	**98.1**	**99.5**
	Jyväskylän Forum Koy	Asemakatu 5	40100	JYVÄSKYLÄ	1953/1972/1980/1991/2010	100%			

	Property	Address			Built in / renovated in	Holding, %	Citycon's GLA, sq.m.	Occupancy rate, %, sq.m. [1)]	Economic Occupancy rate, %, EUR [1)]
14	**Galleria**						**6,400**	**96.4**	**98.3**
	Oulun Galleria Koy	Isokatu 23	90100	OULU	1987	100%	3,400		
	Oulun Isokatu 20 Koy	Isokatu 20	90100	OULU	1967/1993/1998	100%	1,500		
	Oulun Isokatu 22 Koy	Isokatu 22	90100	OULU	1967/1993/1998	100%	1,500		
15	**IsoKarhu**						**14,900**	**97.3**	**99.4**
	Kauppakeskus IsoKarhu Oy	Yrjönkatu 14	28100	PORI	1972/2001/2004	100%			
16	**IsoKristiina**						**19,400**	**89.0**	**92.2**
	Karjalan Kauppakeskus Koy	Brahenkatu 3	53100	LAPPEENRANTA	1987	100%	8,400		
	Lappeen Liikekeskus Koy	Brahenkatu 5	53100	LAPPEENRANTA	1987	91%	7,400		
	Lappeenrannan Brahenkatu 7 Koy	Brahenkatu 7	53100	LAPPEENRANTA	1993	84%	3,600		
	Lappeenrannan Villimiehen Vitonen Oy	Kaivokatu 5	53100	LAPPEENRANTA	plot	100%			
17	**Jyväskeskus**						**5,800**	**90.2**	**94.3**
	Jyväskylän Kauppakatu 31 Koy	Kauppakatu 31	40100	JYVÄSKYLÄ	1955/1993	100%			
18	**Koskikara**						**5,800**	**85.1**	**89.2**
	Valkeakosken Liikekeskus Koy	Valtakatu 9-11	37600	VALKEAKOSKI	1993	25%	1,500		
	Valkeakosken Torikatu 2 Koy	Valtakatu 9-11	37600	VALKEAKOSKI	1993	100%	4,300		
19	**Koskikeskus**						**34,300**	**100.0**	**100.0**
	Tampereen Koskikeskus Koy	Hatanpään valtatie 1	33100	TAMPERE	1988/1995/2012-	100%			
20	**Linjuri**						**9,200**	**100.0**	**100.0**
	Linjurin Kauppakeskus Koy	Vilhonkatu 14	24100	SALO	1993/2007	89%			
21	**Sampokeskus**						**13,800**	**85.4**	**92.0**
	Rovaniemen Sampotalo	Maakuntakatu 29-31	96200	ROVANIEMI	1990	100%	11,700		
	Lintulankulma Koy	Rovakatu 28	96200	ROVANIEMI	1989/1990	100%	2,100		
22	**Torikeskus**	Kauppatori 1	60100	SEINÄJOKI	1992/2007	100%	11,700	93.8	95.9
23	**Trio**						**45,700**	**91.9**	**92.2**
	Lahden Hansa Koy	Kauppakatu 10	15140	LAHTI	1992/2010-	100%	10,700		
	Lahden Trio Koy	Aleksanterinkatu 20	15140	LAHTI	1977/1985-1987/1992/2007	90%	35,000		
	Hansaparkki Koy	Kauppakatu 10	15140	LAHTI	1992	36%			
	OTHER RETAIL PROPERTIES, HELSINKI METROPOLITAN AREA								
1	**Aseman Ostari**						**4,000**	**83.5**	**92.3**
	Kirkkonummen Liikekeskus Oy	Asematie 3	02400	KIRKKONUMMI	1991/2011	67%			
2	Asolantien Liikekiinteistö Oy	Asolanväylä 50	01360	VANTAA	1986	100%	1,800	100.0	100.0
3	Espoon Louhenkulma Koy	Louhentie 2	02130	ESPOO	1963	50%	880	100.0	100.0
4	**Hakunilan Keskus**						**3,780**	**96.7**	**96.2**
	Hakucenter Koy	Laukkarinne 6	01200	VANTAA	1986	19%	780		
	Hakunilan Keskus Oy	Laukkarinne 4	01200	VANTAA	1982	41%	3,000		
5	Kontulan Asemakeskus Koy	Keinulaudankuja 4	00940	HELSINKI	1988/2007	35%	4,500	100.0	100.0
6	**Laajasalon Liikekeskus**						**2,660**	**100.0**	**100.0**
	Laajasalon Liikekeskus Oy	Yliskyläntie 3	00840	HELSINKI	1972/1995	50%	2,300		
	Kuvernöörintie 8 Koy	Kuvernöörintie 8	00840	HELSINKI	1982	100%	360		
7	Lauttasaaren Liikekeskus Oy	Lauttasaarentie 28-30	00200	HELSINKI	1970	24%	1,500	100.0	100.0
8	Länsi-Keskus Koy	Pihatörmä 1	02210	ESPOO	1989	41%	7,800	90.2	88.8
9	Minkkikuja 4 Koy	Minkkikuja 4	01450	VANTAA	1989	100%	2,300	100.0	100.0

	Property	Address			Built in / renovated in	Holding, %	Citycon's GLA, sq.m.	Occupancy rate, %, sq.m. 1)	Economic Occupancy rate, %, EUR 1)
10	Pihlajamäen liiketalo Oy	Meripihkatie 1	00710	HELSINKI	1970	43%	1,700	84.3	66.6
11	Salpausseläntie 11 Koy	Salpausseläntie 11	00710	HELSINKI	1973	31%	600	0.0	0.0
12	Sampotori	Heikintori, Kauppamiehentie 1	02100	ESPOO	plot	100%	50	100.0	100.0
13	Sinikalliontie 1 Koy	Sinikalliontie 1	02630	ESPOO	1964/1992	100%	15,700	96.8	98.7
14	Soukan Itäinentorni As Oy	Soukantie 16	02360	ESPOO	1972	27%	1,600	100.0	100.0
15	Talvikkitie 7-9 Koy	Talvikkitie 7-9	01300	VANTAA	1989	100%	9,700	97.8	96.9
16	Ultima Oy	Äyritie 1	01510	VANTAA	plot	100%			
17	Vantaan Laajavuorenkuja 2 Koy	Laajavuorenkuja 2	01620	VANTAA	1976	100%	2,000	100.0	100.0
18	Vantaan Säästötalo Koy	Kielotie 20	01300	VANTAA	1983	61%	3,800	96.9	98.0
19	Wavulinintie 1 Koy	Wavulinintie 1	00210	HELSINKI	1950/1992	100%	1,700	51.3	21.8
	OTHER RETAIL PROPERTIES, OTHER AREAS IN FINLAND								
20	Forssan Hämeentie 3 Koy	Hämeentie 3	31100	FORSSA	1978	100%	4,500	0.0	0.0
21	Kaarinan Liiketalo Koy	Oskarinaukio 5	20780	KAARINA	1979/1982	100%	9,200	95.0	96.3
22	Karjaan Ratakatu 59 Koy	Ratakatu 59	10320	KARJAA	1993	100%	3,100	100.0	100.0
23	Kotkan Keskuskatu 11 Koy	Keskuskatu 11	48100	KOTKA	1976	100%	4,300	54.5	59.0
24	Kuopion Kauppakatu 41 Koy	Kauppakatu 41	70100	KUOPIO	1977	100%	11,200	96.0	97.4
25	Kuusankosken Kauppakatu 7 Koy	Kauppakatu 7	45700	KUUSANKOSKI	1980	100%	2,100	100.0	100.0
26	Lahden Kauppakatu 13 Koy	Kauppakatu 13	15140	LAHTI	1971	100%	8,600	100.0	100.0
27	Lentolan Perusyhtiö Oy	Mäkirinteentie 4	36220	KANGASALA	2007	100%	11,900	93.5	94.1
28	Lillinkulma Koy	Jännekatu 2-4	20760	PIISPANRISTI	2007	100%	7,400	75.0	76.7
29	Orimattilan Markkinatalo Oy	Erkontie 3	16300	ORIMATTILA	1983	77%	3,100	89.7	90.5
30	Porin Asema-aukio Koy	Satakunnankatu 23	28130	PORI	1957/1993	100%	18,900	48.2	38.8
31	Porin Isolinnankatu 18 Koy	Isolinnankatu 18	28100	PORI	1986/2012	100%	5,300	61.7	68.1
32	Puijonlaakson Palvelukeskus Koy	Sammakkolammentie 6	70200	KUOPIO	1971	31%	1,500	100.0	100.0
33	Runeberginkatu 33 Koy	Runeberginkatu 33	06100	PORVOO	1988	100%	6,300	100.0	100.0
34	Säkylän Liiketalo Koy	Pyhäjärventie 3	27800	SÄKYLÄ	1969	100%	1,200	100.0	100.0
35	Vaakalintu Koy	Keskuskatu 15	11100	RIIHIMÄKI	1980	96%	6,700	100.0	100.0
36	Varkauden Relanderinkatu 30 Koy	Relanderinkatu 28-34	78200	VARKAUS	1990	100%	8,200	100.0	100.0
59	**FINLAND TOTAL**						**595,670**	**91.5**	**95.3**
SWEDEN									
	SHOPPING CENTRES, STOCKHOLM AREA AND UMEÅ								
1	**Fruängen Centrum**	Fruängsgången	12952	HÄGERSTERN	1965	100%	14,900	91.4	92.8
2	**Högdalen Centrum**						19,300	95.9	98.0
	Citycon Högdalen Centrum AB	Högdalsgången 1-38	12454	BANDHAGEN	1959/1995	100%			
3	**Jakobsbergs Centrum**						45,400	95.9	96.9
	Citycon Jakobsbergs Centrum AB	Tornérplatsen 30	17730	JÄRFALLA	1959/1993	100%			
4	**Liljeholmstorget Galleria**						40,900	98.6	97.9
	Citycon Liljeholmstorget Galleria AB	Liljeholmstorget 7	11763	STOCKHOLM	1973/1986/2007/2008/2009	100%			
5	**Strömpilen**						26,700	98.3	98.3
	Strömpilen AB	Strömpilsplatsen	90743	UMEÅ	1927/1997	100%			
6	**Tumba Centrum**						25,500	97.4	97.5
	Citycon Tumba Centrumfastigheter AB	Tumba Torg 115	14730	BOTKYRKA	1954/2000	100%			

	Property	Address			Built in / renovated in	Holding, %	Citycon's GLA, sq.m.	Occupancy rate, %, sq.m.[1)]	Economic Occupancy rate, %, EUR[1)]
7	**Åkermyntan Centrum**	Drivbänksvägen 1	16574	HÄSSELBY	1977/2012	100%	9,500	94.0	96.0
8	**Åkersberga Centrum**						27,500	81.7	86.9
	Åkersberga Centrum AB	Storängstorget	18430	ÅKERSBERGA	1985/1995/1996/2010/2011	75%			
	SHOPPING CENTRES, GOTHENBURG AREA								
9	**Stenungs Torg**						**36,400**	**94.8**	**95.7**
	Stenungs Torg Fastighets AB	Östra Köpmansgatan 2-16, 18A-C	44430	STENUNGSUND	1967/1993	100%			
	OTHER RETAIL PROPERTIES, STOCKHOLM AREA AND UMEÅ								
1	Kallhäll	Skarprättarvägen 36-38	17677	JÄRFALLA	1991	100%	3,700	63.4	73.6
2	Länken	Gräddvägen 1-2	90620	UMEÅ	1978/2004/2006	100%	7,300	100.0	100.0
	OTHER RETAIL PROPERTIES, GOTHENBURG AREA								
3	Backa	Backavägen 3-5	41705	GOTHENBURG	1990	100%	7,800	29.1	25.9
4	Hindås	Hindås Stationväg 41-47	43063	HINDÅS	1978/1999	100%	1,600	100.0	100.0
5	Lindome	Almåsgången	43730	LINDOME	1974	100%	7,800	96.8	97.2
14	SWEDEN TOTAL						**274,300**	**92.6**	**94.7**
	BALTIC COUNTRIES AND NEW BUSINESS								
	ESTONIA, SHOPPING CENTRES								
1	**Kristiine Keskus**						**42,700**	**100.0**	**100.0**
	Kristiine Keskus Oü	Endla 45	10615	TALLINN	1999-2002/2010	100%			
2	**Magistral**						**11,700**	**100.0**	**100.0**
	Magistral Kaubanduskeskuse Oü	Sõpruse pst 201/203	13419	TALLINN	2000/2012	100%			
3	**Rocca al Mare**						**53,300**	**100.0**	**100.0**
	Rocca al Mare Kaubanduskeskuse AS	Paldiski mnt 102	13522	TALLINN	1998/2000/2007-2009	100%			
	LITHUANIA, SHOPPING CENTRES								
4	**Mandarinas**						**7,900**	**100.0**	**100.0**
	UAB Prekybos Centras Mandarinas	Ateities g. 91	06324	VILNIUS	2005	100%			
	DENMARK, SHOPPING CENTRES								
5	**Albertslund Centrum**						**14,700**	**95.2**	**95.5**
	Albertslund Centrum ApS	Stationstorvet 23	2620	ALBERTSLUND	1965	100%			
5	BALTIC COUNTRIES AND NEW BUSINESS, TOTAL						**130,300**	**99.5**	**99.6**
78	TOTAL ALL						1 000 270	92.8	95.7

1) Formulas are available on page XXX.

1. Scope of Instructions

In accordance with our instructions as the External Valuer of Citycon Oyj ("Company"), we have carried out a fair valuation of the Properties held within the Company's investment property portfolio as at 31 December 2012, to arrive at our opinion of fair value (no allowance was made for the typical purchaser's costs).

Fair value is defined by the International Accounting Standards Board (IASB) as:

"The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants on the measurement date."

The International Valuation Standards Board (IVSB) considers that definitions of fair value are generally consistent with market value, and we confirm that the fair value reported is effectively the same as our opinion of the market value.

We understand that this valuation is required for financial reporting and performance measurement purposes.

We confirm that our valuations are fully compliant with IFRS accounting standards and IVSC valuation standards and guidance. We also confirm that we have no involvement with the subscriber or the properties valued, which is likely to cause a conflict of interest in our provision of this advice.

We carried out inspections of each of the properties during September-December 2011. We also re-inspected 35 properties during 2012 and we also inspected all the properties acquired in 2012. We have not measured the properties but have relied on the leasable areas supplied to us by the Company. We have not read copies of the leases or of other related documents, but have relied on the tenancy information provided by the Company, which reflects the latest available tenancy position.

The valuations were carried out by local Jones Lang LaSalle offices in Finland and Sweden. In Estonia, Lithuania and Denmark, we were supported in the delivery of our advice by local affiliates.

This report is addressed to and may be relied upon by the Company. It has no other purpose and should not be relied on by any other person or entity. No responsibility whatsoever is accepted on the part of any third party, other than those specified above and neither the whole of the Report, nor any part, nor references thereto, may be published in any document, statement or circular, nor in any communication with such third parties, without our prior written approval of the form and context in which it will appear.

2. Economic Background

The economic picture across Europe remains mixed and economic growth projections for 2012 indicate recession in Southern Europe, mild contraction in the Benelux countries and the UK, whilst Germany and the Nordics are expected to see some growth and some of the CEE countries relatively strong growth. Projections for 2013 point to improved growth rates in a number of countries, although it is still expected to remain weak. The strongest growth in 2013 is expected in Central and Eastern Europe, the Nordic countries and Turkey.

Finland

In 2011, GDP increased by 2.7% according to Statistics Finland, which means that Finland clearly outperformed the eurozone average. In the third quarter of 2012, GDP growth was -0.1% compared the previous quarter and -1.2% compared to Q3 2011. For 2013, all the current forecasts promise expansion but the variance is wide, from 0.5% up to 2.5%. Exports in Finland continued to increase by 2.4% in Q3 2012 compared to the previous quarter, but dropped 1.8% from Q3 2011.

Consumer confidence in the economy was 3.5 in December, which is low compared to the long-term average (12.6). However, it was higher than previous months (November 1.0 and October -1.6). Confidence in retail decreased during autumn 2012. The confidence indicator was -9 in December while the long-term average is 0. Despite this weak confidence level, retail sales rose by 4.9% and volume by 1.7% in November (year-on-year).

Sweden

GDP growth was 3.9% in 2011, easily surpassing the EU average (1.5%). GDP growth has been driven by increasing exports, household consumption and business investment, all of which have been assisted by relatively low interest rates and the government's expansive economic policies. Looking ahead, GDP growth for Sweden in 2012 was forecast to be around 0.8% and then 1.5% in 2013, compared with eurozone forecasts of -0.4% in 2012 and -0.2% in 2013.

Over the last decade, from a European perspective, private consumption growth for Sweden has been well above the average for the European Union. In the period 2001 to 2011, real private consumption growth was 14.1% in the EU and 23.1% in Sweden, and over the next five years real private consumption growth is forecast to be slightly in excess of the EU average, according to Global Insight.

Retail sales in Sweden have performed well in recent years and are forecast to outperform most other Western European countries in the period 2011-2015. In 2011, nominal retail sales increased by 0.8%, of which non-daily goods decreased by 0.5% and daily goods increased by 2.5%. An increase of 2.0% in total nominal retail sales for Sweden is currently forecast for 2012 by HUI, up from the 1.3% forecast in Q1 2012. Reasons for this upward adjustment include the fact that the rate of redundancies and unemployment are not as severe as expected at the beginning of the year.

Estonia

Economic growth in Estonia slowed as expected in 2012, but it has remained above the eurozone average. Estonia's economic growth in Q3 2012, according to revised results, was 3.5%, mainly supported by domestic demand. The Bank of Estonia forecasts the annual GDP real growth rate to reach 2.9% and to grow by 3.0% in 2013 and by 4.0% in 2014. Demand in Estonia's exports markets is expected to grow by 3.2% in 2013 and by 5.6% in 2014.

Inflation in 2012 was 4.3%, predominantly due to an increase in energy and food prices. The inflation forecasts for 2013 and 2014 are 3.6% and 2.4% respectively.

In November 2012, revenues from the sales of retail trade enterprises amounted to EUR 446 million, of which the retail sales of goods accounted for 80%. Compared to November 2011, the revenues from sales increased by 9% at current prices, while the average growth during the first eleven months of 2012 was 15%.

Lithuania

Lithuanian economic growth has significantly exceeded that of the eurozone countries. Economic activity increased due to significantly higher value added in agriculture and industry. However, with expectations of economic growth weakening worldwide, weaker economic prospects are expected in Lithuania as well. The Bank of Lithuania forecasts an annual GDP real growth rate of 3.0% in 2012 and 3.1% in 2013. With consumer confidence below its average level for more than a decade, it is anticipated that private consumption will grow relatively slowly in 2013. Annual inflation should stand at 3.2% in 2012 and 2.8% in 2013.

In November 2012, the revenues of retail trade enterprises grew by 5.1% year-on-year at constant prices. During the eleven months of 2012 (January–November), the revenues of enterprises trading in food products increased by 1.4% over the year at constant prices, and of those trading in non-food products revenues increased by 11.3%.

Denmark

While the crisis in Europe drags on, its effects are placing the Danish economy under increasing pressure. According to forecasts, Danish year-on-year GDP growth slipped into negative territory in 2012 but it is predicted to recover in 2013, driven mainly by an increase in consumer spending and exports as well as continued growth in commercial investment volumes.

Hopes that 2012 would mark the beginning of the end of the Danish economic downturn and the start of stable growth were quashed in the early months of the year when it became evident that the European sovereign debt crisis continued to take its toll on Danish economy. In recent years, Danish exports have come under severe pressure because multiple key trading partners were hit very hard by the sovereign debt crisis. Irrespective of these difficult circumstances, Danish businesses have been able to post stable growth figures throughout the crisis, serving as an important driver of Danish GDP growth. In addition, the Danish government initiative to introduce the tax-free withdrawal of early retirement savings in 2012 helped to spur consumer spending, even at a time when the economy had come to a near-standstill. However, this positive trend was countered by a negative trend in net exports, suggesting that the increase in consumer spending has been absorbed largely by imported goods, such as cars. Overall, GDP growth was projected to stand at -0.5% in 2012, followed by an increase of 0.7% in 2013 and 1.6% in 2014.

Retail sales stayed at a low level in 2012. At the end of November retail sales were down 2% measured on quantity and around 0.5% measured on value year-on-year. Retail sales are still affected by the negative trend in the overall economic growth figures, which makes people reluctant to spend money because they worry about the future.

Source: Statistics authorities, research institutes and banks

3. Property Market

Finland

Overall, the Finnish property investment market has witnessed low levels of transactions since the slowdown in in the first half of 2008. Although investment demand has been increasing, the scarce supply of prime assets continues to limit transactional activity. During 2012, retail investment volumes briefly exceeded the low levels of 2011, ending up at EUR 400 million. The forecast for 2013 does not indicate any big changes in the market.

The polarisation of the market seems to be continuing. Demand for core assets remains strong, as equity-rich investors keep looking for safe havens, while tightening financing conditions are affecting the business logic of value added and opportunistic investors. Consequently, shopping centre prime yields have remained stable or have even slightly decreased, but the secondary yields are facing upward pressure.

As a consequence of relatively strong retail sales development, retail rents have also been increasing. However, rental growth has been focused on the prime locations, except in the retail warehouse sector where the overall rental growth seems to be over. At the same time, occupier demand is strongest in prime high street and shopping centre units.

Sweden

The retail property transaction volume in Q4 2012 was some SEK 7.6 billion, which is higher than the SEK 6.8 billion of retail property transacted in Q4 2011. However, in 2012 the retail property transaction volume was lower than in 2011. In 2011, some SEK 16.1 billion of retail property was transacted, which compares with the SEK 13.4 billion in 2012. Around 80% of the retail property transaction volume in Q4 2012 were transactions where either the purchaser or the vendor was an international investor.

Investors' interest is strong for retail property in a good location and with good specification, with relatively strong tenants and low vacancy rates. However, retail properties which do not meet some or all of these criteria will be more difficult to sell.

Yields for prime shopping centres are currently in the region of 5.50% and 6.25% for prime retail warehouse parks. These yields have generally remained stable since mid-2011, although the prime yield for retail warehouse parks has increased by 25 bps in this quarter.

Recently, prime retail rental growth has been in line with or slightly in excess of inflation, while secondary retail rental growth has generally been flat or slightly negative. In recent months, shopping centre rental growth has tended to surpass rental growth in external retail warehouse parks. The combination of lower economic and retail sales growth as well as the development of more retail accommodation has meant that recent retail rental growth has been lower than what has often been seen in Sweden over the last decade.

Estonia

The Estonian consumer confidence indicator in December 2012 was higher compared to the year-end level of 2011 and reached the long-term average level. The sentiment of retail trade enterprises was clearly above 10-year indicator average, supported by rising demand. Strong sales encourages demand for retail space, especially in central Tallinn areas and professionally managed modern shopping centres. The average vacancy rates in Tallinn shopping centres is close to zero, while retail rents have risen in line with inflation.

Retail developers are adding approximately 100,000 square metres of new retail space to the Tallinn market over the next 24 months. This volume includes the launch of two new centres – one in East Tallinn and the other in the city centre, plus the expansion of existing shopping centre stock. All in all there is over 500,000 square metres of retail space in the early planning phase, but the market will not absorb such a volume and only professional developers can realise their projects over multiple years. Major grocery chains expand their business in the hyper- and supermarket segments. Neighbourhood shopping also has growth potential in residential areas.

The investment market has been active in the retail segment; besides transactions in the super- and hypermarket segment, there was one larger EUR 21.5 million shopping centre transaction in Tallinn in Q3 (GLA 21,500 sq m). The other similar-sized shopping centre transaction is in the closing phase and will be finalised in January 2013. As the transaction market has strengthened, retail yields have dropped below 8%.

Lithuania

Vilnius' retail property market is growing, as three retail projects with a total GLA of 60,000 sq m are planned in the near future due to international fashion retailers entering the market and domestic retailers keeping pace with rising competition. A large IKEA store with a GLA of 30,000 sq m will open its doors in 2013. Retailer expansion and new brands entering the market have cut vacancy rates in prime shopping centres to a minimum. Rent reductions are running out and rents are increasing in line with inflation. A large gap persists between rent rates in prime and secondary centres.

Until mid-2012, the interest from international investors was focused mainly on Estonia, but gradually demand is spreading across the Baltics, including Vilnius. The last quarter of 2012 brought about a EUR 25 million retail transaction, as Swedish investment fund East Capital acquired Gedimino Street 9, a 17,000 sq m high street shopping mall in the centre of Vilnius. The prime shopping centre yields stand close to 8.0% and the increase in investment activity will probably lead to further yield reductions.

Denmark

Investment activity in commercial real estate was fairly low again in 2012. The total transaction volume was at the same level as in 2011, but the retail share of the total volume dropped significantly. In 2011 the retail transaction volume was around 30% of the total investment volume, but in 2012 this number was close to 15%. The primary reason was that one of the landmark properties in Copenhagen – Illum shopping centre – was traded in 2011 and this deal alone was DKK 1.6bn. There were no massive deals of this kind in 2012 in the retail segment and therefore the share of retail investment has dropped.

The primary focus in 2012 in the retail investment market was on high street properties in Copenhagen. There has been a growing interest, particularly from foreign investors, in this type of asset and yield is down to 4.75% for prime assets in Copenhagen. In the shopping centre market, liquidity is still low because a large number of the shopping centres are owned by only two dominant investors who are very eager to sell properties. The yield for prime shopping centres was around 5-5.5% by the end of 2012 and it has been flat for last 12 months.

4. Valuation Rationale

We have adopted a 10-year cash flow model as a main valuation method. This model was provided by the Company. Cash flows are calculated based on information from existing lease agreements. For the period after the expiry of these agreements, our market evaluation of the estimated rental value (ERV) replaces the contract rent.

Potential Gross Rental Income equals leased space with respect to contract rents and vacant space with respect to ERV. Deducting both the ERV for the void period between the expired contract and assumed new contract, and the assumed general vacancy level after the start of the assumed new lease, results in the Effective Gross Rental Income. Effective Gross Rental Income less operating expenses (including repairs and tenant improvements) equals the Net Operating Income (NOI). NOI less any capital expenditure equals the bottom-level cash flow that has been discounted to reach the income stream's present value.

The residual value at the end of the 10-year cash flow period is calculated by using an exit yield to capitalise the 11th year bottom-level cash flow. The value of the property is calculated as the sum of the annually discounted net income stream, the discounted residual value at the end of the calculation period, and any other assets increasing the value (e.g. unused usable building rights).

Development projects are included in the valuation of the portfolio, in line with information received from representatives of the Company. Based on the applied valuation model, future rental income is based on finalised rental agreements and rental projections for the valued development project. Correspondingly, the development period is considered a period when premises generate no or limited income and when uncommitted investments are included in the cost side of the valuation model as a value reducing factor. Thus, the value of a development project increases automatically as investments are committed and the opening day of the renewed premises approaches.

5. Valuation

Property Portfolio

The property portfolio consists mainly of retail properties located in Finland, Sweden, Estonia, Lithuania and Denmark. Citycon Oyj fully or partly owns a total of 76 properties, of which 57 are located in Finland, 14 in Sweden, three in Estonia, one in Lithuania and one in Denmark. The core of the portfolio consists of 37 shopping centre properties, which comprise 91.4% of the portfolio's leasable area and represent most of its value. In addition to the shopping centres, there are other retail and development properties.

Since the previous valuation, two properties have been included in the external valuation; Citytalo Shopping Centre, located in Oulu, Finland, which is part of Galleria, a property Citycon previously owned, and Albertslund Shopping Centre, located in Copenhagen, Denmark.

The total fair value of the portfolio in Q4 2012 was approximately EUR 2,704 million. Comparing the Q3 2012 fair value of the portfolio, the fair value increased by EUR 48 million, i.e. 1.8% and the weighted average yield requirement of the portfolio has remained at 6.3%. The increase in fair value is mainly driven by investments made in Q4 and new properties (Albertslund and Citytalo).

In the table on the next page, weighted average yields (weighted by the value of the property) are presented. Citycon's portfolio includes only a few relatively valuable properties compared to the rest of the portfolio. This means that weighted averages are highly influenced by changes in these few properties. Iso Omena is the portfolio's most valuable property.

Properties in Finland

The fair value of the Finnish portfolio is EUR 1,652 million and it increased by 1.8% (EUR 29.8 million), compared to the Q3 value. Compared to Q3 figures the weighted yield requirement (6.2%) has decreased by 10 bps, and the weighted initial yield (6.2%) and the reversionary yield (6.8%) have stayed the same. The change in the value of the Finnish portfolio is mainly due to the value increase in shopping centre properties.

Properties in Sweden

The fair value of the Swedish portfolio is EUR 736 million, meaning that the portfolio's value has decreased by 0.6% since Q3. The decrease in value is mainly due to the weakening of the Swedish krona. The weighted average yield requirement for the Swedish portfolio increased by 10 bsp, now being at 6.0%. The weighted average initial yield has decreased by 10 bps (5.6%) and the weighted average reversionary yield (6.6%) remained unchanged.

Properties in Baltic countries and Denmark

The value of the Baltic countries and the new business portfolio in Denmark is EUR 316 million. Compared to the Q3 value, this represents a 7.5% increase in value. The increase in value is mainly due to the addition of Albertslund in this portfolio. The weighted average yield requirement of the portfolio has decreased by 20 bps, now being 7.7%. The weighted average initial yield decreased by 30 bps, now being 7.9% and the weighted average reversionary yield increased to 8.2% by 20 bps.

Sensitivity Analysis

A sensitivity analysis of the portfolio's fair value was carried out by creating a summary cash flow based on individual cash flow calculations. Changes in fair value were tested by modifying the key input parameters of the calculations. The parameters tested were yield requirement, estimated rental value and operating expenses. The current fair value of the properties was used as a starting point for the analysis, which was performed by changing one parameter at a time while all the others remain unchanged, and then calculating the corresponding fair value of the total portfolio. Sensitivity analysis is a simplified model, intended to support one's understanding of the value effect of different parameters on the valuation. The figure below gives the results of the analysis.

As seen in the figure above, the value of the portfolio is most sensitive to the changes in estimated rental value and yield requirement. A 10% increase in estimated rental value leads to a change of around 14% in value, while a 10% fall in the yield requirement causes an increase of around 11% in value. Changes in expenses have more modest effect on the value than other parameters.

Fair Value as at 31 December 2012

We are of the opinion that the aggregate of the fair value, free of liabilities and debt, of the properties in the subject portfolio as at 31 December 2012, is approximately EUR 2,704,000,000 (Two Thousand Seven Hundred and Four Million Euros)

In Helsinki and Stockholm, 16 January 2013
Yours faithfully

Tero Lehtonen
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Åsa Linder
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