

**CITYCON**



ANNUAL AND  
SUSTAINABILITY REPORT  
**2010**

# Citycon's Shopping Centres in Finland

## MEETING POINTS IN CITY CENTRES



### Forum

#### Jyväskylä

Citycon's gross leasable area  
16,500 sq.m.  
Anchor tenants Seppälä,  
Vero Moda, Tokmanni,  
K-supermarket, Top-Sport



### IsoKristiina

#### Lappeenranta

Citycon's gross leasable area  
19,500 sq.m.  
Anchor tenants Anttila,  
K-market, Alko, Jim&Jill, Voglia



### Torikeskus

#### Seinäjoki

Citycon's gross leasable area  
11,500 sq.m.  
Anchor tenants Aleksi 13,  
KappAhl, Lindex, Pentik,  
Top-Sport



### Galleria

#### Oulu

Citycon's gross leasable area  
3,500 sq.m.  
Anchor tenants Lindex,  
Top-Sport, Life



### Jyväskeskus

#### Jyväskylä

Citycon's gross leasable area  
5,800 sq.m.  
Anchor tenants H&M, KappAhl,  
Finnkino, Mc Donald's,  
Elosen Konditoria, Seppälä



### Trio

#### Lahti

Citycon's gross leasable area  
45,700 sq.m.  
Anchor tenants K-supermarket,  
H&M, Aleksi 13, Gina Tricot,  
Kekäle, Top-Sport, Stadium,  
Cumulus, Posti



### Heikintori

#### Espoo, Tapiola

Citycon's gross leasable area  
5,800 sq.m.  
Anchor tenants KappAhl, Alko,  
Posti



### Koskikeskus

#### Tampere

Citycon's gross leasable area  
27,700 sq.m.  
Anchor tenants Intersport  
Megastore, Stadium, Lindex,  
Gina Tricot, Seppälä,  
Moda Aukia

More information on Citycon's shopping centre classification  
can be found on page 32.



### IsoKarhu

#### Pori

Citycon's gross leasable area  
14,800 sq.m.  
Anchor tenants H&M,  
Intersport, Muksumassi,  
Vero Moda, Only, Jack&Jones,  
Gina Tricot



### Sampokeskus

#### Rovaniemi

Citycon's gross leasable area  
13,700 sq.m.  
Anchor tenants Dressmann,  
Jack&Jones, MODA,  
Gina Tricot, Pentik,  
Vero Moda, Vila, Duetto



### Iso Omena

#### Espoo, Matinkylä

Citycon's gross leasable area  
60,500 sq.m.  
Anchor tenants K-citymarket,  
Prisma, Library, Finnkino, H&M  
Shopping centre Iso Omena  
is not classified

## LOCAL SHOPPING CENTRES



### Columbus

#### Helsinki, Vuosaari

Citycon's gross leasable area  
20,900 sq.m.  
Anchor tenants K-citymarket,  
S-market, Lindex, Seppälä, Alko,  
Pharmacy



### Myyrmanni

#### Vantaa, Myyrmäki

Citycon's gross leasable area  
40,500 sq.m.  
Anchor tenants K-citymarket,  
Anttila, Pharmacy, Alko,  
Veikon Kone, Suomalainen  
Kirjakauppa, Stadium



### Duo

#### Tampere, Hervanta

Citycon's gross leasable area  
13,000 sq.m.  
Anchor tenants S-market,  
K-supermarket, Lidl, Alko,  
Posti



### Tikkuri

#### Vantaa, Tikkurila

Citycon's gross leasable area  
12,200 sq.m.  
Anchor tenants Valintatalo,  
Nordea, Dressmann, Aleksi 13,  
Seppälä



### Koskikara

#### Valkeakoski

Citycon's gross leasable area  
5,800 sq.m.  
Anchor tenants S-market, Alko,  
Vapaa Valinta, Seppälä



### Valtari

#### Kouvola

Citycon's gross leasable area  
7,600 sq.m.  
Anchor tenants Eurokangas,  
Nordea, Liikuntakeskus FunFit,  
Top-Sport



### Lippulaiva

#### Espoo, Espoonlahti

Citycon's gross leasable area  
18,500 sq.m.  
Anchor tenants Alko, Anttila,  
Pharmacy, K-supermarket, Lidl,  
Posti, Skybowl

## PARTNERS IN EVERYDAY LIFE CENTRES



### Espoontori

#### Espoo, Espoon keskus

Citycon's gross leasable area  
17,200 sq.m.  
Anchor tenants K-supermarket,  
Tarjoustalo, Posti



### Isomyri

#### Vantaa, Myyrmäki

Citycon's gross leasable area  
10,900 sq.m.  
Anchor tenants  
S-market, Nordea,  
Nooa Säästöpankki,  
Huoneistokeskus, SKV



### Linjuri

#### Salo

Citycon's gross leasable area  
9,200 sq.m.  
Anchor tenants Pharmacy,  
Alko, Anttila, K-market, Posti



### Tullintori

#### Tampere

Citycon's gross leasable area  
10,000 sq.m.  
Anchor tenants Eurokangas,  
Vapaa Valinta, Pharmacy

# Table of Contents

Citycon in Brief	2
CEO's Review 2010	4
Strategy	6
Business Environment	9
Definition of Materiality	11
Citycon's Stakeholders	12
Property Portfolio	15
Aiming at a Versatile and Efficiently Manageable Lease Portfolio	17
Citycon 's Versatile Expertise Supports Project Development	21
Business Units: Retail Expertise Citycon's Core Competence	29
Citycon in Finland	30
Citycon in Sweden	33
Citycon in Baltic Countries	35
Environmental Responsibility	38
Social Responsibility	44
Risks and Risk Management	49
Key Impacts, Risks and Opportunities Related to Sustainability	51
Profit Performance and Financial Position	53
Corporate Governance	55
Citycon as an Investment and Information for Shareholders	61
Comparison of the Report with the Guidelines of the Global Reporting Initiative	64
Independent Assurance Report	67
Glossary	68



## *Forward-looking Statements*

Some statements in this Annual and Sustainability Report are not historical facts and are "forward-looking". Words such as "believes", "expects", "estimates", "may", "intends", "will", "should", or "anticipates" and similar expressions or their negatives frequently identify forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance, achievements or industry results to be materially different from those expressed or implied by those forward-looking statements.

## Reporting Principles

**T**his is Citycon's second combined Annual and Sustainability Report. The aim of this report is to provide a comprehensive description of the business environment and the economic, social and environmental aspects of responsibility. Reporting covers all of Citycon's operations in all operating areas and countries.

The report has been prepared according to the recommendations issued by the Global Reporting Initiative (GRI) concerning content and reporting principles in Sustainability reporting. Coverage in terms of GRI's G3 reporting recommendations is presented on pages 64-66. The report has been assured by KPMG and corresponds to GRI Application Level B+. The Assurance Report can be found on page 67.

The report is published annually and the information presented in it corresponds to the company's financial year i.e. 1 January–31 December. The next report will be published during the first quarter of 2012. The key financial figures presented are based on audited accounting records and approved annual accounts. The principles and calculation methods used in the calculation of social and environmental responsibility indicators are described in their respective sections.

# Citycon in Brief

## KEY FIGURES

	2010	2009
Turnover, EUR million	195.9	186.3
Operating profit, EUR million	157.7	10.3
% of turnover	80.5	5.5
Profit/loss before taxes, EUR million	102.8	-37.5
Profit/loss for the period, EUR million	90.4	-36.9
Direct operating profit, EUR million	105.0	107.7
Fair market value of investment properties, EUR million	2,367.7	2,147.4
Earnings per share (basic), EUR	0.34	-0.16
Earnings per share (diluted), EUR	0.34	-0.16
Direct result per share (diluted), (Diluted EPRA EPS), EUR	0.21	0.23
Dividend and return from invested unrestricted equity fund per share total, EUR <sup>1)</sup>	0.14	0.14
Net cash from operating activities per share, EUR	0.09	0.30
Equity per share, EUR	3.47	3.31
Net asset value (EPRA NAV) per share, EUR <sup>1)</sup>	3.79	3.64
EPRA NNAV, EUR	3.49	3.35
P/E (price / earnings) ratio	9	-19
Return on equity (ROE), %	11.1	-4.7
Return on investment (ROI), %	10.6	-0.5
Equity ratio, %	37.1	34.2
Gearing, %	153.1	169.5
Net interest-bearing debt (fair value), EUR million	1,386.0	1,312.2
Net rental yield, %	5.8	6.1
Average net yield requirement by external appraiser, %	6.4	6.6
Occupancy rate (economic), %	95.1	95.0
Retail sales in shopping centres, EUR billion	1.9	1.7
Visitors in shopping centres, million	123.3	115.6
Personnel (average for the period)	123	117
Personnel at the end of the period	129	119
Electricity intensity, kWh/visitor	0.85	0.93
Carbon footprint, t <sub>CO<sub>2</sub>e</sub>	64,129	56,948
Carbon intensity, t <sub>CO<sub>2</sub>e</sub> /GLA	0.06	0.06
Average water consumption, l/visitor/year	3.9	4.0
Average recycling rate, %	77.1	73.9

<sup>\*)</sup> The figure includes a per-share dividend of EUR 0.04 and a return of equity from invested unrestricted equity fund of EUR 0.10 per share.

<sup>1)</sup> In accordance with a change in the EPRA's Best Practice Recommendations 2010, Citycon has changed net asset value (EPRA NAV) calculations so that fair value of all financial instruments is excluded from the net asset value.

## Key Events in 2010

- The redevelopment and extension of shopping centre Åkersberga Centrum, located in the Greater Stockholm Area, was opened on 21 October. The extension's gross leasable area is some 13,000 square metres and some 20 stores opened there. Redevelopment of the shopping centre's existing part is still underway. The extended and redeveloped shopping centre will be opened in its entirety in April 2011.
- The Espoontori shopping centre was redeveloped during the year. Espoontori is excellently located in the City of Espoo's administrative hub Espoon keskus, Espoo Centre, adjacent to the railway station. In the project Citycon refurbished approx. 10,400 square metres of shopping centre Espoontori's retail premises and parking facility. The shopping centre was opened in its entirety after the renovation, on 4 November.
- Forum in downtown Jyväskylä, Finland, was redeveloped during the year. The project involved the modernisation of the shopping centre's interior premises and commercial concept. The redevelopment project focused on a 12,000 square metre section. Following the redevelopment, Forum's offering has an even stronger emphasis on fashion, and its range of cafes and restaurants was also improved significantly. The redeveloped Forum was opened on 4 December.
- In both the Myllypuro district of Helsinki and the Martinlaakso district of Vantaa, Citycon began building neighbourhood shopping centres providing daily services. The old retail centres located on these sites were demolished since they were technically and commercially outdated. Both small-scale shopping centres, Myllypuron Ostari and Martinlaakson Ostari, have an outstanding location in the heart of their respective districts, benefiting from excellent transport connections. Martinlaakson Ostari is due for completion in the autumn of 2011, while Myllypuron Ostari is scheduled for completion in stages between the early summer of 2011 and the spring of 2012.



Opening of Åkersberga Centrum, Stockholm



Opening of Forum, Jyväskylä

### Achievements in Sustainable Development

- The redevelopment and extension project of the Rocca al Mare shopping centre, located in Tallinn, was awarded a silver LEED® environmental certificate in February 2010. This was the very first LEED® certificate awarded in the Baltic countries.
- The construction project of the Liljeholmstorget Galleria shopping centre in Stockholm was the first European shopping centre project to be awarded the highest, platinum LEED® environmental certificate, in March.
- Citycon's Board of Directors approved the Citycon Code of Conduct laying the foundation for the company's business, environmental and human rights policies and relationship with employees and stakeholders.
- The Green Shopping Centre Management programme is a tool for environmental management. The programme aims to promote sustainable development and integrate environmental measures into daily activities. The programme's audit results are expressed by the Green Index. In 2010, the Green Index improved by 26 per cent from the previous year.
- The annual targets for environmental areas were met in electricity and water consumption, waste management as well as in land use and sustainable construction.
- A range of events promoting sustainable development were held in Citycon's shopping centres, e.g. the 'Ilmastotalkoot' climate campaign, WWF's Earth Hour campaign, and a toy collection campaign together with the Mannerheim League for Child Welfare.
- Citycon publishes its second integrated Annual and Sustainability Report, the company's first externally assured report, at the application level B.

### Citycon's Management System

Citycon Group's Corporate Governance establishes the principles of management system. General management system is defined and guided by vision, mission and strategy, general principles as well as Code of Conduct and organisational responsibility. The management related to sustainability is integrated in the company's general management system.

Citycon Code of Conduct lays the foundation for business operations, environmental issues, human rights and relations with our employees and stakeholders.

The key purpose of Citycon is to develop and maintain a financially sound and prosperous business. Citycon assumes its responsibilities in its operational areas for all matters under its controlling interest. The financial reporting and planning is based on Citycon Group's Corporate Governance, annual schedules and organisational responsibility areas.

HR management is based and guided by Citycon's HR Strategy. Employee performance reviews as well as personnel surveys are tools in managing target-oriented activity and employee skills in the company. Citycon gives high priority to promoting and maintaining equal opportunities in the working community. The practical implementation of HR management takes place in supervisory duties according to the organisational responsibility. Within its sphere of influence, Citycon respects and supports the principles of the United Nations Universal Declaration of Human Rights, which, in addition to equality, include civil and political rights, economic, social and cultural rights. Within its sphere of influence, Citycon respects and supports the ILO Declaration on Fundamental Principles and Rights at Work.

Environmental management is based and guided by the company's strategy, the long term objectives and the environmental policy. Annual targets and actions plans are set for the different areas of the environmental responsibility. Green Shopping Centre Management programme and KPIs are tools for environmental management.

Citycon Group's Corporate Governance is presented on pages 55-60. The management approaches related to different areas of responsibility are described more detailed in their respective sections. The risk management process is covered on pages 49-51.

Sales in Citycon shopping centres grew by **7%**

Also footfall grew by **7%**

# CEO's Review 2010

Citycon's turnover and net rental income increased in 2010, in spite of the record cold winter, low inflation and higher vacancy due to redevelopment projects. Growth in net rental income was slowed by increased property operating expenses resulted from the severe winter conditions. Direct result also decreased from the previous year, due mainly to higher administration and financial expenses. However, our shopping centres' sales rose and occupancy rates for retail premises increased slightly.

2010 started significantly more positively than 2009. The economy in Finland and Sweden trended upwards and Estonia, too, showed signs of recovery in spite of still record-high unemployment. In all of Citycon's operating countries, consumer confidence and the retail sector improved. The availability of financing improved significantly, although loan margins for debt financing remained relatively high. Citycon's long-term relationship with banks has been a key factor in financing decisions. In 2010, Citycon took out four loans of EUR 50 million, each maturing in five years. The company also raised more than EUR 63 million with its directed share issue in September. Citycon's financial position remained good throughout the year.

The company enjoyed continued growth through the construction and renovation of shopping centres. Rocca al Mare in Tallinn and Liljeholmstorget Galleria in Stockholm, both opened in 2009, met their targets in terms of sales and footfall. Liljeholmstorget's first operating year, however, remained notably below the

yield target because of major changes in the shopping centre's tenant base.

In 2010, Espoontori, Myyrmanni and Forum redevelopments were opened in Finland and Åkersberga Centrum's extension in Sweden. Projects in progress include the construction of two small-scale shopping centres, Myllypuron Ostari in Helsinki and Martinlaakson Ostari in Vantaa, and the refurbishment of a number of smaller properties. The (re)development projects weakened the company's result, since many centres remained closed during construction. We are currently planning to renovate several other centres in order to upgrade their quality and profitability, and maintain consumer interest.

Citycon's strong expertise in project development, and solid experience in shopping centre management, are central to our (re)development projects. For our tenants, we offer well-planned and managed shopping centres, where people shop. Citycon's shopping centres are managed by our own on-site personnel adhering to common principles, which generates efficiency and guarantees knowledge of local markets. In this way we are able to meet the needs and expectations of our customers.

Recent retail growth figures give us reason to believe in business growth opportunities, higher occupancy rates and improving profitability. For our key customers, sales have been excellent.

At the end of the year, Citycon owned 33 shopping centres and 49 other retail properties. Total sales of our shopping centres amounted to nearly EUR 1.9 billion. In Finland, our market share was 22.7 per cent (source: Entrecon).

Sustainable business means financial efficiency and effectiveness, fair practices and solutions which take into account the environment in all of Citycon's activities. The Code of Conduct was approved to lay the foundation for Citycon's business, environmental and human rights policies and relationships with employees and stakeholders. The foundation of responsibility is openness and transparency. In order to realise this, Citycon is now publishing its second integrated Annual and Sustainability Report. For the first time, the Sustainability Report has been externally assured.

Citycon's objective is to include environmental responsibility measures in all of its operations and to integrate them into daily activities as a part of normal practice. Citycon's Green Shopping Centre Management programme is a tool for promoting sustainable development in all of its shopping centres. The programme's audit results are expressed using the Green Index, which improved by 26 per cent over the previous year.

The company defined its long-term objectives related to environmental responsibility in connection with its strategic planning in summer 2009. Citycon has set targets for its carbon footprint, energy consumption, water consumption, waste recycling rate, land use and sustainable construction. The exceptionally cold periods at the beginning and the end of the year increased heat consumption compared with the previous year. The annual 1-2 per cent reduction target set for energy consumption was met as regards electricity. The increased consumption of heating energy caused mainly the

growth in the carbon footprint. As a result, the annual target for reducing the carbon footprint was not met. The annual target for lowering water consumption per visitor, however, was met. Both long-term targets for waste management have already been met, in the first year of the company's environmental responsibility scheme.

The Rocca al Mare extension and redevelopment project received a silver LEED certificate, the first LEED environmental certification in the Baltic countries. The Liljeholmstorget Galleria development project in Stockholm, meanwhile, was the first shopping centre in Europe to be awarded with a platinum LEED certificate.

In March, Marcel Kokkeel from the Netherlands will take up his position as Citycon's new CEO and I wish him the greatest success. For my part, I would like to take this opportunity to thank our shareholders and the company for the rewarding and profitable cooperation we have enjoyed over the past eight years and more.

On behalf of the company, I wish to thank our shareholders, customers and partners for the confidence you have shown in our business. I would also like to express my special thanks to every Citycon employee for their contribution to our company and its continued success.

Helsinki, 10 February 2011

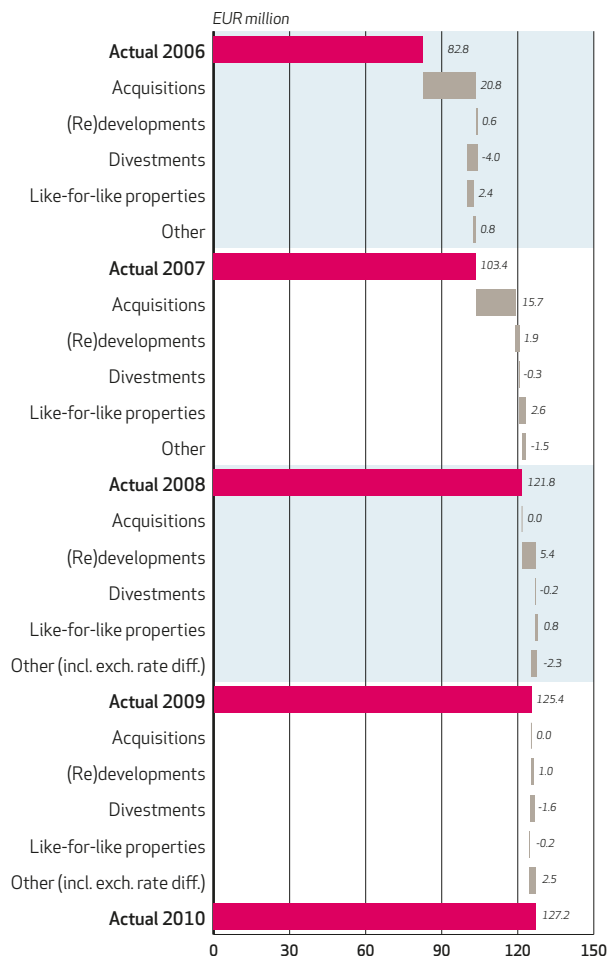
Petri Olkinuora  
CEO





# Strategy

## DEVELOPMENT OF NET RENTAL INCOME 2006-2010



## Strategy

- To concentrate on shopping centre business in the Nordic and the Baltic countries.
- To manage and develop its shopping centres actively, using Citycon's own, professional personnel working locally.
- To create added value for customers and to enhance its properties' appeal, considering each retail property's and its catchment area's commercial preconditions: purchasing power, competition and consumer demand.
- To reduce business risks through a strong financial position and cash flow, combined with a conservative financing policy.
- Sustainability forms an essential part of Citycon's strategy.

## Mission

Citycon's shopping centres are attractive retail properties offering successful business locations for retail trade. Citycon combines solid shopping-centre expertise with strong property investment competence. Thanks to its versatility, Citycon is an appealing lease provider and an interesting investment target for investors, with sustainable shareholder value.

## Vision

Citycon is a strong expert in shopping centre business, an active owner and long-term developer of its properties. Citycon develops its retail properties systematically and on a long-term basis, which increases their value. For the retail trade, Citycon's properties provide desired premises for lease. Citycon is an appreciated employer, and professionals from various sectors wish to join the company.

## NET RENTAL INCOME AND TURNOVER BY SEGMENTS AND PORTFOLIOS

Net Rental Income by Segments and Portfolios						Turnover by portfolios	
EUR million	Finland	Sweden	Baltic Countries	Other	Total	Citycon total	
<b>2008</b>	<b>90.9</b>	<b>24.1</b>	<b>6.8</b>	<b>0.0</b>	<b>121.8</b>	<b>178.3</b>	
(Re)development projects	1.0	1.0	3.3	-	5.4	8.4	
Divestments	-0.2	-	-	-	-0.2	-0.2	
Like-for-like	0.7	0.5	-0.4	-	0.8	4.0	
Other (incl. exch. rate diff.)	0.0	-2.4	0.1	0.0	-2.3	-4.2	
<b>2009</b>	<b>92.4</b>	<b>23.2</b>	<b>9.8</b>	<b>0.0</b>	<b>125.4</b>	<b>186.3</b>	
(Re)development projects	-4.6	3.5	2.2	-	1.0	6.1	
Divestments	-0.3	-1.2	-	-	-1.6	-2.3	
Like-for-like	-0.6	0.6	-0.2	-	-0.2	1.3	
Other (incl. exch. rate diff.)	0.0	2.6	0.0	0.0	2.5	4.5	
<b>2010</b>	<b>86.7</b>	<b>28.7</b>	<b>11.8</b>	<b>0.0</b>	<b>127.2</b>	<b>195.9</b>	

## Strategic Objectives for Environmental Responsibility

### Climate Change

- Reduction of greenhouse gas emissions by 20 per cent from the 2009 level by 2020.

### Energy

- Reduction of energy consumption (electricity and heat) by 9 per cent from the 2009 level by 2016.
- Improvements in energy efficiency.
- Identifying and implementing solutions that utilise renewable energy.

### Water

- Reducing water consumption to an average level of less than 3.5 litres per visitor/year.

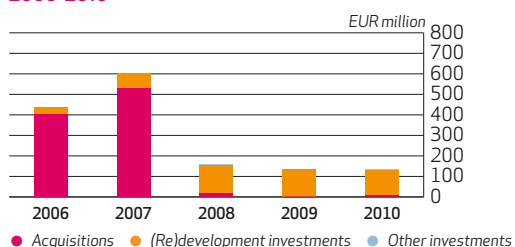
### Waste

- Achieving a waste recycling rate of at least 75 per cent in the shopping centres by 2015.
- Reducing landfill waste to a maximum of 25 per cent of total waste volume by 2015.

### Land Use and Sustainable Construction

- All development projects to be implemented in accordance with environmental classification principles.
- Development projects to be located in built-up environments, within reach of good public transport connections.

## DEVELOPMENT OF INVESTMENTS DURING 2006-2010



## KEY PERFORMANCE INDICATORS (KPIs)

### 1. Strategic Objective: Growth Through Selected (Re)development Projects and Acquisitions

- **KPIs:** For (re)development projects: return on investment (ROI), development profit, property's market value after completion, project costs and pre-leasing rate. For acquisitions: net rental yield and development potential.
- **Targets 2011–2013:** Detailed financial targets will be specified for each project. A (re)development project should achieve clearly higher return on investment (ROI) than the weighted average cost of capital (WACC), it should produce a positive development profit and at completion the project should have a higher property market value than before/without project.

### 2. Strategic Objective: Optimisation of the Property Portfolio and Usage of Joint Ventures

- **KPIs:** To continue to divest non-core properties. There still is a residential portfolio in Sweden totalling approximately EUR 40 million. Minority shares of properties will be sold to selected partners and joint venture partners.
- **Targets 2011–2013:** Property portfolio optimisation by selling apartments and other non-core properties and adding joint venture partners to selected properties.

### 3. Strategic Objective: Controlling the Vacancy Rate and Adding Value Through Efficient Shopping Centre Management

- **KPIs:** Occupancy rate, GLA of unoccupied premises, market value of properties and like-for-like net rental income.
- **Targets 2011–2013:** Raising the occupancy rate and market value of properties as well as increasing like-for-like net rental income.

### 4. Strategic Objective: More Efficient Property Maintenance and Improved Maintenance Quality

- **KPIs:** Centralisation of property maintenance, cost control and attaining/maintaining Citycon Standard quality in all of Citycon's properties.
- **Targets 2011–2013:** Citycon has concluded a centralised partner contract with ISS Palvelut Oy for property maintenance, security guard services and cleaning in Finland. Citycon also intends to enhance services purchasing in a similar way in Sweden. Continuing to raise quality to the Citycon Standard level.

### 5. Strategic Objective: Sustainability in Business Operations

- **KPIs:** Energy consumption, energy efficiency, water consumption, recycling, environmental certificates, the Green Shopping Centre Management programme, an assured Sustainability Report according to GRI Guidelines.
- **Targets 2011–2013:** Strategic objectives related to environmental responsibility are presented enclosed.

### 6. Strategic Objective: Active and Conservative Financing Policy

- **KPIs:** Long-term equity ratio of 40%, the debt portfolio's hedging ratio of 70–90%, financing in local currencies, and stable dividend-payment performance: at least 50% of the profit for the period after taxes (excluding changes in fair value).
- **Targets 2011–2013:** Complying with the loan covenants, long-term equity ratio of 40%, conservative financing policy, and optimal and versatile use of financial instruments.



**The majority of shopping centre rental income comes from clothing**

*The success of a shopping centre begins with an excellent location and wide range of stores and services that meet the customer demand. Citycon shopping centres offer versatile range of fashion. Finland's first 7camicie store, selling high quality Italian shirts, was opened in Iso Omena Espoo.*

# Business Environment

In all of Citycon's operating countries, 2010 had a much brighter start than the previous one. The global economic recession still affected the Baltic countries most notably, but the Finnish and Swedish economies saw a clear upturn early in the year. During the spring and summer, the stock market fell due to the European credit crisis, but recovered significantly later in the year. At the same time, household consumer confidence strengthened across Citycon's operating countries, achieving record-high levels in Sweden and Finland. Unemployment saw a downturn in the Nordic countries during the summer, but remained high in Estonia and Lithuania throughout the year.

Retail sales strengthened markedly in Sweden and Finland. In Estonia, too, retail sales improved, turning upwards in September and remaining positive for the rest of the year. Lithuanian retail sales also turned positive in late 2010.

Grocery sales continued to grow in Sweden and Finland, and began to rise in Estonia late in the year. Inflation remained relatively low during the course of the year, but began to rise towards the year end in all operating countries. <sup>(1)(2)(3)(4)</sup>

Growth in retail sales and inflation play a crucial role in Citycon's business. They also have a direct impact on rents. Almost all of the company's leases are tied to the cost-of-living index, and a significant number of leases also include a link to turnover. In Finland and Sweden, consumer prices continued to rise during the year. In December, the annual inflation rate was 2.9 per cent in Finland, 2.3 per cent in Sweden and 3.0 per cent in Estonia. <sup>(1)(3)(4)</sup>

The uncertainty that has dominated the global financial market during recent years continued to affect the cost and availability of financing in 2010. Although the availability of financing improved from the previous year, loan margins for debt fi-

ancing remained relatively high. Citycon's long-term relationship with banks has been a key factor in financing decisions. Citycon's financial position remained good throughout the year. More detailed information on Citycon's profit performance and financial position can be found on pages 53-54 of this Annual Report.

## Prospects for the Retail Sector

During the year, changes in real economy trends reflected on retail trade. In 2010 in Finland, retail sales grew by 3.8 per cent and in Sweden 3.7 per cent. In Estonia, retail sales declined by 4.0 per cent and in Lithuania 2.9 per cent. <sup>(1)(3)(4)(5)</sup>

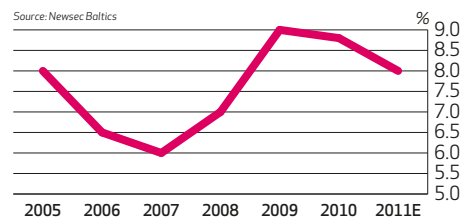
Among retailers in Finland, the S Group retained its more than 40 per cent share of the national grocery retail market. The Kesko Group ranked second, with a market share of some

# Carbon Footprint of a Shopping Centre Visit

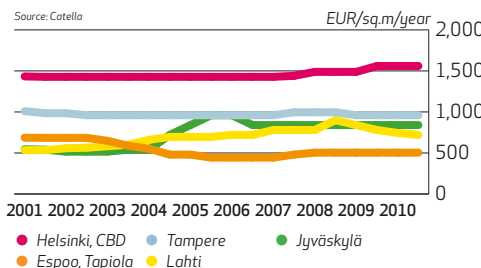
In 2009, Citycon surveyed the means of transport used by customers of its shopping centres in Finland. From the survey data, the following three centres were selected for the calculation of the carbon footprint of shopping centre visits: Tikkuri in Vantaa, with the highest share of public transport users, and the two centres with the highest share of customers using private cars – Iso Omena in Espoo and Sampokeskus in Rovaniemi. The carbon footprints arising from these shopping centres visits were compared with that of an imaginary shopping centre located outside of any densely populated area (the average one-way shopping journey being ten kilometres), which most people (75%) visit by car.

The location of the shopping centre and the means of transport used by customers has an impact on the carbon footprint of a shopping centre visit. Due to good public transport and light traffic connections, the carbon footprint of visits to Citycon's shopping centres remains below average.

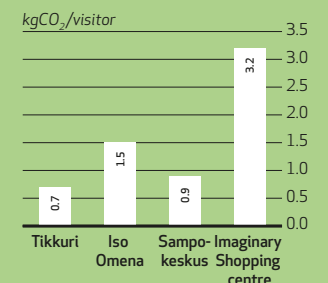
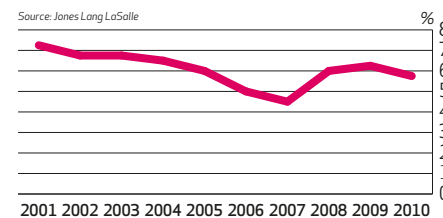
## SHOPPING CENTRE YIELDS IN ESTONIA



## RENTAL LEVELS OF RETAIL PREMISES IN FINLAND



## SHOPPING CENTRE YIELDS IN HELSINKI AREA



35 per cent and, among other retailers, Suomen Lähikauppa Oy's (previously Tradeka) market share was approximately 10 per cent. Other markets are split between several retailers.<sup>4)6)</sup>

In Sweden, ICA is the grocery market leader with a market share of almost 45 per cent. COOP held some 20 per cent and Axfood some 17 per cent of the market.<sup>7)</sup> In Estonia, the largest grocery retailers include Rimi, owned by ICA; local co-operative ETK; Selver, the subsidiary of Tallinna Kaubamaja; the Lithuanian Maxima; and Prisma, part of the S Group. In Lithuania, the local Maxima has nearly 50 per cent of the market, while other larger retailers include Rimi and the local IKI.

In accordance with its strategy, Citycon focuses on shopping centres whose anchor tenants are usually grocery stores or retailers of daily necessities. Grocery retailers represent 21 per cent of Citycon's shopping centre tenants.

## Property Market

The Swedish property market improved during the year and transaction volumes increased significantly. The most active buyers were German and Norwegian investors. The main reasons underlying the improved liquidity in the Swedish market included the improved willingness of banks to finance transactions, the re-entrance of foreign banks to the market, stabilising rent levels and positive investor sentiment on the outlook for the Swedish economy.<sup>8)</sup>

In Finland, property transaction levels remained low since properties for sale did not include any prime assets attracting the most interest among international investors. The most active players in the market were equity investors such as domestic pension funds, and other local investors. However, buyers and sellers tended to have clearly divergent views on sale prices. Property values, which earlier

had been declining, stabilised during the year. Indeed, the core market showed some signs of yield compression. Both the Finnish and Swedish property markets are expected to improve as the availability of financing increases and prime property prices continue to recover.<sup>9)</sup>

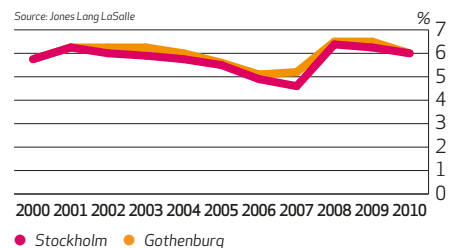
In the three Baltic countries, trading volumes remained at record-low levels, with annual transaction volumes in euros totalling less than 30 million. Deals mainly took place between local institutions and/or private companies. While Finnish and Swedish investors have expressed interest in the Baltic property market, they have not made any significant transactions yet. International interest is also expected to remain modest in the near future.<sup>9)</sup>

Construction costs in all of Citycon's operating countries remain at very modest levels compared to the historical trend, which supports Citycon's property development operations. However, con-

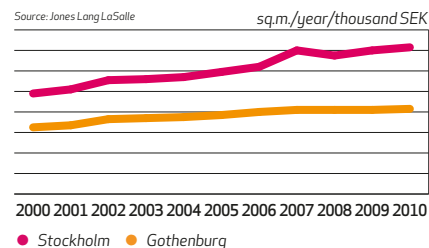
struction costs did increase during the year in both Sweden and Finland. In the Baltic countries, the construction industry continued to suffer from the recession and few new projects were initiated.<sup>1)3)9)</sup>

- 1) Statistics Finland
- 2) The Finnish Grocery Trade Association
- 3) Statistics Sweden
- 4) Statistics Estonia
- 5) Statistics Lithuania
- 6) A.C. Nielsen
- 7) Fri köpenskap
- 8) Newsec Property Update, 2010
- 9) Baltic Property Market Report, Autumn, 2010 – Winter, 2011, Newsec, ReSolution

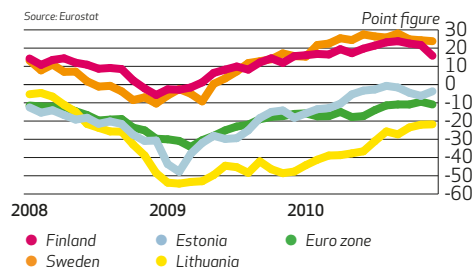
## SHOPPING CENTRE YIELDS IN STOCKHOLM AND GOTHENBURG AREA



## RENTAL LEVELS OF SHOPPING CENTRES IN STOCKHOLM AND GOTHENBURG AREA



## CONSUMER CONFIDENCE INDICATOR



# Definition of Materiality

This integrated Annual and Sustainability Report includes selected topics from the areas of economic, social and environmental responsibility which are material to Citycon's business and its stakeholders. The topics that are presented in the materiality matrix were discussed and selected by the extended Corporate Management Committee. The significance of these topics may vary by stakeholder.

Consumer's expectations towards shopping centres differ, not only by consumer segments but also depending on the prevailing economic cycle. According to surveys, consumers' environmental awareness has increased markedly. The environmental impacts of products and services, as well as their ethicality, are influencing purchasing decisions more and more frequently (source: Redera and Kuulas Milward Brown, Ilmastotalkoot 2009). While properties' ecological aspects have yet to be mentioned in consumer feedback to Citycon, campaigns to increase shopping centres' environmental awareness have been positively received. Citycon's goal is to maintain and develop its shopping centres, so that they will fulfil consumers' needs.

Tenants primarily value a retail property's success, location and availability, as well as the cost-efficient use of resources. Environmental awareness and the level and scope of tenants' own environmental programmes vary significantly. Most tenants interviewed in Citycon's stakeholder survey considered Citycon's environmental programmes worthwhile. They also viewed them definitely as a future trend, for which preparations should

be made. However, tenants do not believe that Citycon's programmes will, as yet, benefit their own business image. In the short term, they hoped that the programmes would serve all parties, particularly by streamlining property maintenance costs. Citycon aims to develop long-term co-operation with its tenants, in order to enhance energy efficiency and meet tenants' reporting needs.

Successful retail properties have excellent transport connections. All of Citycon's retail properties are located in built-up environments, well-served by public transport. By collaborating with the areas' authorities, Citycon is constantly seeking to improve transport solutions affecting its shopping centres' availability. This aspect was noted by municipalities in their stakeholder interviews. Indeed, they had acknowledged Citycon's activities, particularly as a developer of existing retail properties. Intensifying co-operation, for example in suburban projects, was considered a desirable future direction.

Shareholders' and lenders' primary expectations lie in profitability and growth. During the year, investors have taken an increasing interest in responsibility.

Job satisfaction, competence development and, naturally, the company's success are employees' key expectations towards the company.

Efficient supply chains play a key role, both in terms of daily shopping centre management and sustainable construction. Citycon aims to develop its methods of supply chain management and control.

## MATERIALITY MATRIX

+ Level of interest to stakeholders +++	Community development	Safety and health in shopping centres Land use and zoning Sustainable construction Transparency and reliability	Successful retail locations Cost effective use of resources in daily operations Profitability and growth Continuous development of properties
	Traffic	Stakeholder relations Supply chain management Improvement of employee competencies	Shopping center as a product meets the consumer needs Accessibility of the retail properties Corporate governance Carbon footprint Code of Conduct
	Cultural heritage Biodiversity	Promotion of environmental awareness	Job satisfaction Climate change risks
		+ Significance to Citycon's business +++	

● Issues are reported / covered extensively ● Issues are reported, focus on developing issues ● Issues are reported

This report contains all topics presented in the above table.

In (re)development projects, Citycon considers communities' needs and the cultural heritage of the area or building. Impacts on biodiversity are also assessed, during project-related zoning. Citycon particularly seeks new means of improving communication with communities, on (re)development projects.

For all stakeholders, safety and health in shopping centres are important. They are also a critical factor in daily shopping centre management.

Reliability, transparency and good corporate governance are important values to all stakeholder groups. This integrated Annual and Sustainability

Report aims to increase transparency with respect to economic, social and environmental responsibility.

The risks of sustainability are accounted for in both the short and long term in company's ERM process. In short-term evaluations, annual maintenance planning takes account of increases in the prices of energy, water and waste management, as well as changes in consumption. Furthermore, at the project planning stage, opportunities are investigated of generating renewable energy sources in buildings.

# Citycon's Stakeholders

Citycon aims to operate actively and interactively with its stakeholders and wishes to learn about stakeholders' values and interests, as well as their expectations towards the company.

Stakeholders' expectations towards the company have been assessed based on both experiences and feedback. A survey using in-depth interviews was initiated in the autumn of 2010. This survey assesses the views of various stakeholder groups' representatives, and their expectations towards Citycon, in more detail. In the short-term, the company's goal is to develop methodologies enabling

easy assessment of the level of interaction with various stakeholder groups. Stakeholders' expectations, tools of interaction and key results from 2010 are presented on pages 12–14.

Citycon's tools of interaction include annual and interim reports, stock exchange and press releases, shareholders' meetings, websites, customer satisfaction surveys, events in shopping centres, market studies and consumer surveys, press conferences, employee performance reviews and personnel satisfaction surveys, and company representatives' appearances at different events.

## Citycon's stakeholders are:

- Consumers
- Tenants
- Co-operation partners (service providers, suppliers, contractors)
- Shareholders, lenders and analysts
- Employees
- Authorities and local communities
- Media
- Industry associations and non-governmental organisations (NGOs).

## TENANTS

Expectations towards Citycon	Key results in 2010
Successful retail locations <ul style="list-style-type: none"> <li>• realisation of sales targets</li> </ul> Rent level <ul style="list-style-type: none"> <li>• rent level proportional to sales</li> </ul> Relationship <ul style="list-style-type: none"> <li>• transparent and flexible operating methods</li> </ul> Efficient shopping centre management <ul style="list-style-type: none"> <li>• cost-effective use of resources</li> <li>• appropriate quality level of operations</li> <li>• Green topics</li> </ul>	<ul style="list-style-type: none"> <li>• Sales and footfall increased in all regions. On average, visitor and retail sales development remained stable, see figures of each business unit on pages 30,32 and 34. Capital expenditure on (re)development projects totalled EUR 125.3 million.</li> <li>• The results from retailers' satisfaction surveys were used for target setting in creating shopping centres' business plans.</li> <li>• The impact of tenant-mix changes was monitored more closely. The main reason for the negative development in the number of visitors and/or in retail sales was either a significant change in the tenant mix or in the local market or competition.</li> <li>• The OCR development was closely monitored by branches and shopping centres. OCR between branches varies. Citycon is aware of sustainable rent levels within each branch.</li> <li>• In case of large deviations remedies were negotiated with tenants, e.g. in the form of additional marketing investment.</li> <li>• In the Baltic countries, Citycon granted temporary rent rebates to some tenants. While rent rebates continue to be granted, the situation had slightly improved by the end of the year.</li> <li>• Regular contacts and discussions with tenants.</li> <li>• Tenant feedback gave background and ideas for enhanced CRM activities as well as for a large-scale customer satisfaction survey.</li> <li>• In Finland, the extranet between Citycon and tenants, so called Portal Project, was piloted in certain shopping centres. The purpose of the Portal Project is to make the daily communication between tenant and Citycon easier.</li> <li>• All shopping centres were assessed with the consistent criteria of the Green Shopping Centre Management programme. The Green Index, which measures the result of audits, increased by 26%.</li> <li>• The company continued implementing the environmental policy and monitored the results of the strategic objectives, i.e. carbon footprint, energy and water consumption as well as waste management. See pages 38-43.</li> <li>• In Finland, the partnership model with ISS Services was implemented to improve the quality and cost-effectiveness of maintenance services in shopping centres.</li> <li>• The Citycon Creating Green-booklet was published.</li> </ul>



CONSUMERS

Expectations towards Citycon	Key results in 2010
<p>Shopping centre product and consumer relationship</p> <ul style="list-style-type: none"> <li>• right tenant mix and service offering</li> <li>• clean and safety shopping centre</li> </ul> <p>Accessibility</p> <ul style="list-style-type: none"> <li>• public transportation</li> <li>• parking possibilities</li> </ul> <p>Ability to serve the community</p> <ul style="list-style-type: none"> <li>• development of services</li> </ul> <p>Green topics</p> <ul style="list-style-type: none"> <li>• properties' environmental impacts</li> <li>• availability of ecological products</li> </ul>	<ul style="list-style-type: none"> <li>• Citycon shopping centres are well-known according to several recent surveys. In Finland, Citycon shopping centres are among the best known in the Helsinki Metropolitan Area according to Taloustutkimus: Shopping Centres in Helsinki Metropolitan Area 2010 - survey.</li> <li>• In Sweden, six Citycon shopping centres were included in two independent surveys, one measuring the consumers' satisfaction index (NKI), the other the retailers' satisfaction (Centrumbarometern). The consumers index rose by 1% to NKI 58 (average Sweden 61).</li> <li>• Rocca al Mare is the "most customer friendly" shopping centre in Estonia according to a survey carried out by Tallinn Technical University students.</li> <li>• Citycon has attracted new international retailers to its shopping centres, especially fashion brands. For example, the first O'Neill store in Baltic countries opened in Rocca al Mare, the first Danish Pieces store in Finland in Iso Omena and the Norwegian Cubus will enter the Finnish market by opening two stores, one of which will be in Myyrmanni. Overall, additional emphasis was placed on establishing relationships with international retail chains and attracting them into Citycon's shopping centres, e.g. via the MAPIC event and by developing Citycon's websites to meet the needs of retailers.</li> <li>• The implementation and development of the shopping centre cluster approach in Finnish shopping centres was further enhanced. A new concept for small-scale shopping centres: "Partner in everyday life" was launched in Finland.</li> <li>• In Sweden, the cluster approach was introduced and a new marketing model for planning and conducting activities was implemented, including re-organising market communication responsibilities based on the cluster strategy.</li> <li>• Cleanliness and comfort audits have been further developed in Finland. In Sweden the "Mall Walk" system, a quality control of cleanliness, safety and commercial impression, was further developed and introduced in all the shopping centres.</li> </ul>

CONSUMERS (CONTINUED)

Expectations towards Citycon	Key results in 2010
<p>Shopping centre product and consumer relationship</p> <ul style="list-style-type: none"> <li>• right tenant mix and service offering</li> <li>• clean and safety shopping centre</li> </ul> <p>Accessibility</p> <ul style="list-style-type: none"> <li>• public transportation</li> <li>• parking possibilities</li> </ul> <p>Ability to serve the community</p> <ul style="list-style-type: none"> <li>• development of services</li> </ul> <p>Green topics</p> <ul style="list-style-type: none"> <li>• properties' environmental impacts</li> <li>• availability of ecological products</li> </ul>	<ul style="list-style-type: none"> <li>• According to the Swedish Consumer Index, the Citycon shopping centres' strengths are parking options, accessibility and security (source: Centrumbarometern 2010, CFI Group). Number of parking spaces was considered Citycon's strength in Helsinki Metropolitan Area Shopping centres (Taloustutkimus: Shopping Centres in Helsinki Metropolitan Area 2010 - survey).</li> <li>• In Finland, an increased number of info screens showing public transport timetables were introduced. The successful, free-of-charge shuttle bus connection between Rocca al Mare and Tallinn harbour continued operating. A new regular bus route to Strömpilen was introduced and Citycon arranged/built a new bus stop to ensure safe and convenient access to the centre.</li> <li>• All Citycon's shopping centres are located in urban environments with good public transportation.</li> <li>• Åkersberga Centrum's extension was opened in October, the redeveloped Espoontori in November and Forum in December. Several refurbishment and facelift projects are ongoing in Finland and Sweden.</li> <li>• The first ever LEED certificate granted in the Baltic countries was awarded to the Rocca al Mare shopping centre project in Tallinn. The Liljeholmstorget shopping centre project was awarded the platinum LEED certificate, the highest of its kind. This certificate was the first platinum-level certificate awarded to a shopping centre in Europe.</li> <li>• There was an additional focus on creating service concepts (e.g. rest rooms, parking, bicycle racks) in Finnish shopping centres.</li> <li>• Visible campaigns for environmental and social responsibility were held in many shopping centres, e.g. toy collection campaign, No Plastic Bags, Ilmastotalkoot, Earth Hour and recycling campaigns such as Rocca al Mare's Recycling Day, Columbus' and IsoKarhu's Recycling of Waste Electric and Electronic Equipment (WEEE) Event and Liljeholmstorget's campaign to recycle clothing and light bulbs.</li> </ul>

CONTRACTORS AND PARTNERS IN CO-OPERATION

Expectations towards Citycon	Key results in 2010
<p>Procurement</p> <p>Partnership</p> <p>Reputation and reliability</p> <p>Professional process management</p>	<ul style="list-style-type: none"> <li>• Policy on supply chain management was approved in the Finnish organisation.</li> <li>• The ISS partnership agreement was signed and implemented regarding maintenance work, cleaning and security in all Finnish shopping centres.</li> <li>• In Sweden, a blanket agreement was introduced for all smaller projects. A partnership model was developed in Security, Cleaning and Property Maintenance works.</li> </ul>

# Citycon's Stakeholders

## INVESTORS, FINANCERS AND ANALYSTS

Expectations towards Citycon	Key results in 2010
<p>Profit</p> <ul style="list-style-type: none"> <li>increasing/maintaining asset value</li> <li>profitable growth</li> <li>earnings per share</li> <li>dividend payment capability</li> </ul> <p>Growth</p> <ul style="list-style-type: none"> <li>growth of the company's net rental income</li> <li>property portfolio and market value growth</li> </ul> <p>Transparency and reliability</p> <ul style="list-style-type: none"> <li>reporting methods and schedule</li> </ul> <p>Ownership structure</p> <ul style="list-style-type: none"> <li>duration of holding</li> <li>shareholders capability to participate in share issues</li> <li>nature and location of the investors</li> </ul> <p>Investor relations</p> <ul style="list-style-type: none"> <li>shareholders' expectations known</li> <li>open discussion between shareholders and the company</li> </ul> <p>Sustainability</p> <ul style="list-style-type: none"> <li>economical, social and environmental responsibility</li> </ul>	<ul style="list-style-type: none"> <li>Net rental income and turnover increased, dividend and equity return remained at the same level for seven years in a row. Net rental income for like-for-like properties decreased by 0.3% due mainly to higher property operating expenses than in the previous year. Additionally, prevailing low inflation resulted in very low indexation-based rental increases. Also, the company's direct result decreased.</li> <li>New (re)development projects were launched as planned to increase net rental income and value of the property portfolio.</li> <li>Directed share issue in September was a success; it was executed in one evening and was over-subscribed. Subscription price was EUR 2.87, the discount compared with the closing price of the previous day was very tight.</li> <li>New analysts started covering the company, partly because of the company's transparency.</li> <li>Number of domestic shareholders (=registered) increased.</li> <li>The largest shareholder has had their holding in Citycon since 2004.</li> <li>Investor meetings were held after each quarter in Finland and abroad.</li> <li>The 3rd Capital Market's Day was organised for 22 September 2010.</li> <li>Citycon is one of the first companies to report to the Helsinki Stock Exchange, in Q3 2010 the company was the first to report.</li> <li>Investors interest in sustainability increased.</li> <li>Citycon received the EPRA Best Practice Recommendation Gold Level Award for the Annual and CRS report in 2009.</li> <li>Citycon's investor relations professionals received international recognition: in the Thomson Reuters Extel Survey 2010 Eero Sihvonen was voted the second best CFO in Finland, and Hanna Jaakkola the fourth best IR professional. Citycon was voted the second best in investor relations in Finland.</li> </ul>

## EMPLOYEES

Expectations towards Citycon	Key results in 2010
<p>Job satisfaction</p> <ul style="list-style-type: none"> <li>challenging and versatile tasks</li> <li>maintaining ability to work</li> </ul> <p>Remuneration</p> <ul style="list-style-type: none"> <li>competitive salary, remunerations</li> </ul> <p>Competence development</p> <p>Management system</p> <p>Sunday opening hours (in Finland)</p>	<ul style="list-style-type: none"> <li>The personnel survey was revised. The Job Satisfaction Index of the personnel survey was 63.2, Leadership Index 71.2 and Engagement Index 72.3, with 100 being the highest. The response rate of the survey was 88.2%.</li> <li>Citycon entered into 29 new employment contracts.</li> <li>Employees completed 3.6 full-day training sessions per employee. In addition, there were numerous shorter training events, on which statistics were not collected.</li> <li>92.6% of employees conducted the employee performance review at least once, while 48.4% conducted the review twice.</li> <li>Absentee rate due to illness was 1.2%.</li> <li>The central HR processes were developed further and documented e.g. the induction process and programme.</li> <li>Shopping centre personnel had tailor-made crisis and safety training.</li> <li>The Citycon Code of Conduct was approved by the Board of Directors.</li> </ul>

## AUTHORITIES, GOVERNMENT AND LOCAL COMMUNITIES

Expectations towards Citycon	Key results in 2010
<p>Land use / city planning</p> <ul style="list-style-type: none"> <li>pleasant environment</li> <li>interactive planning</li> </ul> <p>Community development</p> <p>Communication and open discussion</p> <p>Compliance</p> <p>Corporate Governance</p>	<p>All on-going development projects are extensions and redevelopments of existing shopping centres, i.e. brown field developments, and are located in urban environments.</p> <ul style="list-style-type: none"> <li>In all operating countries, active co-operation with municipalities continued in the form of work shops, planning meetings, etc.</li> <li>Collaboration with the City of Helsinki continued regarding the suburb-project of East Helsinki, which is related to the Myllypuro development project.</li> <li>Citycon works in close co-operation with the Länsimetro project company, responsible for the future western subway line and the local community association. Informative meetings of the project were held with local residents.</li> </ul>

## MEDIA, INDUSTRY ASSOCIATIONS AND NGOS

Expectations towards Citycon	Key results in 2010
<p>Open and reliable communication</p> <p>Development of the industry</p>	<ul style="list-style-type: none"> <li>Media hits were followed systematically.</li> <li>Extensive interview survey of stakeholders' expectations was launched. Half of the planned 20 interviews have been executed.</li> <li>The social media pilot projects were launched at Iso Omena and Forum.</li> <li>Representations and memberships with RAKLI, EPRA, ICSC, NCSC, the Finnish Council of Shopping Centres, SIPA and in other associations.</li> <li>The Swedish organisation is a co-founder of the NCSC Green Group in Sweden.</li> <li>Citycon applied for membership of FiBS (Finnish Business and Society, part of the European business network for CSR)</li> <li>Participation in Global Reporting Initiative's Construction and Real Estate Sector Supplement working group.</li> <li>Citycon is a founding member of Green Building Council Finland. Petri Olkinuora was elected to the Board of FiGBC and company's representatives worked in communication and measurement committees of FiGBC.</li> </ul>

# Property Portfolio

Citycon owns a total of 33 shopping centres, 22 being in Finland, eight in Sweden and two in Estonia and one in Lithuania. In addition to shopping centres, Citycon owns 49 other retail properties, 42 of them in Finland and seven in Sweden. In Finland, Citycon also owns one undeveloped lot.

In 2010, Citycon focused on the redevelopment and extension of its shopping centres. No new shopping centres were purchased or sold. Instead, the company continued divesting non-core apartments.

## Changes in Property Portfolio

In Finland, Citycon divested the building rights for the apartments to be built in connection with the new Myllypuro shopping centre and the companies established for managing them, to three different residential investors in January. In May, shares of the apartments to be built in connection with the new Martinlaakso shopping centre were sold to Skanska Talonrakennus Oy for a total of EUR 2.3 million.

In Sweden, Citycon sold 25 per cent of the apartments in the Jakobsbergs Centrum shopping centre for about SEK 120 million (approx. EUR 12 million). These apartments were sold to a newly-established owners' association, under an agreement according to which the association agreed to purchase 100 per cent of the shares in Citycon's Swedish subsidiary Tenrot Fastighets AB. The sale of the apartments at Liljeholmstorget agreed in the summer of 2009 was realised in April, Citycon selling them for SEK 176 million (approx. EUR 18.5 million) to Heba Fastighets AB. In July, apartments in Åkersberga

Centrum were sold to Tegeltornet AB for SEK 181 million (approx. EUR 19 million).

In addition to the divestment of apartments, Citycon sold its nine per cent holding in Helsingin Autotalo Oy, Finland, for EUR 4.5 million.

In December, Citycon bought for approximately EUR 2 million all shares in MREC Kiinteistö Oy Asematie 3, Vantaa. The acquisition is connected to the planned (re)development project in shopping centre Tikkuri. In December, Citycon bought also some shares in As Oy Kassatalo, Vantaa for EUR 0.3 million. Also this acquisition is connected to the Tikkuri (re)development project.

## Property Valuation

In accordance with the International Accounting Standards (IAS) and the International Valuation Standards (IVS), an external professional appraiser conducts a valuation of Citycon's property portfolio on a property-by-property basis at least once a year. In recent years, this valuation has been conducted on a quarterly basis, due to changing market conditions. The most recent valuation statement as per year-end 2010 is available on page 60 in the enclosed Financial Statements. The valuation was conducted by Realia Management Oy, part of the international Realia Group and the preferred appraisal service supplier of CB Richard Ellis in Finland. The valuation statements include a description of the valuation process, factors contributing to the valuation as well as the valuation results and sensitivity analysis.

The valuation has principally been conducted using a cash-flow method for a period of ten years. For vacant lots and properties clearly involving amendments to land use plans, the market values have

been determined according to the building rights available under the currently valid local detailed plan. Development properties have been appraised using a regular cash flow model or a specially designed project calculation model based on cash flow analysis. Further information on the valuation methods is also provided in said valuation statement.

Realia Management Oy evaluated the average yield requirement for Citycon's property portfolio at 6.4 per cent at year-end. The net yield requirement for properties in Finland, Sweden and the Baltic countries stood at 6.4 per cent, 6.1 per cent and 8.1 per cent, respectively.

## Recognition of Market Value

Citycon recognises its investment property at fair value in accordance with IAS 40. Its properties' combined market value (fair value) at the closing date of the accounts is recorded in the statement of financial position and any changes in their fair value are recognised in the statement of comprehensive income under net fair value losses/gains on investment property. Thus, the change in fair value also has a profit impact, and this is reported as a separate item in the company's financial reports, as part of the operating profit and, consequently, the profit for the period.

In addition to the property portfolio's total value, determined by the external appraiser, the fair value of the company's investment properties in the statement of financial position includes capital expenditure on development projects that the external appraiser does not take into account in the valuation, transfer into investment properties held for sale, as well as the acquisition cost of new properties acquired during the last three months.

## Fair Value Development in 2010

At year-end, the fair value of Citycon's property portfolio was EUR 2,367.7 million and it increased by a total of EUR 220.3 million from the previous year. The value increase was mainly due to advancing (re)development projects and commitment of investments to these properties, decreased yield requirements and strengthened Swedish krona. The average yield requirement decreased by 20bps to 6.4 per cent as a result of general market changes, such as economic recovery and revival of demand for prime properties, and of advancing (re)development projects.

Fair value change, i.e. change of market values excluding investments and foreign exchange rate differences, was EUR 50.8 million during the financial year. Fair value gains recorded for the year totalled EUR 95.7 million for 39 properties, while fair value losses came to EUR 44.9 million for 39 properties. The aggregate net impact of the changes in the statement of comprehensive income was therefore EUR 50.8 million.

## MARKET VALUE DISTRIBUTION ON 31 DEC. 2010

Market value, EUR million	Share of total portfolio, %	Number of properties
over 100	52%	7
80-100	-	-
60-80	15%	5
40-60	8%	4
20-40	7%	6
10-20	9%	16
5-10	5%	17
0-5	3%	28

## Property Portfolio

### MARKET VALUE ANALYSIS, 31 DEC. 2010

Total portfolio	Number of properties	Fair market value, EUR million		Change in market value, year 2010, EUR million			Average yield requirement, %		Average market rent, EUR, sq.m./month 31 Dec. 2010	Average operating expenses EUR/sq.m./month 31 Dec. 2010	Average initial yield (%) 31 Dec. 2010	Average reversionary yield, (%) 31 Dec. 2010
		31 Dec. 2010	31 Dec. 2009	Positive	Negative	Total	31 Dec. 2010	31 Dec. 2009				
<b>Finland</b>												
Helsinki Metropolitan Area	31	845.9	791.6	45.7	-33.2	12.5	6.1	6.3	25.8	6.3	5.8	6.4
Other areas in Finland	34	687.0	650.4	19.9	-8.0	11.9	6.8	6.8	21.1	4.7	6.5	7.4
<b>Finland, total</b>	<b>65</b>	<b>1,533.0</b>	<b>1,442.0</b>	<b>65.6</b>	<b>-41.2</b>	<b>24.5</b>	<b>6.4</b>	<b>6.6</b>	<b>23.6</b>	<b>5.5</b>	<b>6.1</b>	<b>6.9</b>
<b>Sweden</b>												
Stockholm area and Umeå	9	584.9	479.1	20.2	0.0	20.2	5.9	6.3	25.6	7.3	5.8	6.6
Gothenburg area	6	83.7	69.7	5.0	-2.4	2.6	7.1	7.2	13.4	4.8	7.2	8.3
<b>Sweden, total</b>	<b>15</b>	<b>668.6</b>	<b>548.8</b>	<b>25.3</b>	<b>-2.4</b>	<b>22.8</b>	<b>6.1</b>	<b>6.4</b>	<b>24.1</b>	<b>7.0</b>	<b>6.0</b>	<b>6.8</b>
<b>Baltic Countries</b>												
Estonia	2	156.5	145.9	4.8	-0.1	4.6	8.0	8.0	21.7	4.3	7.9	8.2
Lithuania	1	9.6	10.7	0.0	-1.1	-1.1	9.5	9.3	17.6	6.8	9.0	10.7
<b>Baltic Countries, total</b>	<b>3</b>	<b>166.1</b>	<b>156.6</b>	<b>4.8</b>	<b>-1.2</b>	<b>3.5</b>	<b>8.1</b>	<b>8.1</b>	<b>21.4</b>	<b>4.4</b>	<b>7.9</b>	<b>8.3</b>
<b>Total portfolio</b>	<b>83</b>	<b>2,367.7</b>	<b>2,147.4</b>	<b>95.7</b>	<b>-44.9</b>	<b>50.8</b>	<b>6.4</b>	<b>6.6</b>	<b>23.6</b>	<b>5.9</b>	<b>6.2</b>	<b>6.9</b>

Like-for-like properties	Number of properties	Fair market value, EUR million		Change in market value, year 2010, EUR million			Average yield requirement, %		Average market rent, EUR, sq.m./month 31 Dec. 2010	Average operating expenses EUR/sq.m./month 31 Dec. 2010	Average initial yield (%) 31 Dec. 2010	Average reversionary yield, (%) 31 Dec. 2010
		31 Dec. 2010	31 Dec. 2009	Positive	Negative	Total	31 Dec. 2010	31 Dec. 2009				
<b>Finland</b>												
Helsinki Metropolitan Area	25	612.8	585.5	29.8	-6.9	22.9	6.1	6.3	26.1	6.4	6.0	6.3
Other areas in Finland	30	458.1	446.3	13.9	-7.9	6.0	7.0	7.1	19.8	4.8	6.9	7.7
<b>Finland, total</b>	<b>55</b>	<b>1,070.9</b>	<b>1,031.8</b>	<b>43.7</b>	<b>-14.8</b>	<b>28.9</b>	<b>6.5</b>	<b>6.6</b>	<b>23.4</b>	<b>5.7</b>	<b>6.4</b>	<b>6.9</b>
<b>Sweden</b>												
Stockholm area	7	271.0	233.6	13.2	0.0	13.2	6.3	6.5	15.8	5.5	6.7	7.2
Gothenburg area	6	83.7	69.7	5.0	-2.4	2.6	7.1	7.2	13.4	4.8	7.2	8.3
<b>Sweden, total</b>	<b>13</b>	<b>354.7</b>	<b>303.3</b>	<b>18.3</b>	<b>-2.4</b>	<b>15.8</b>	<b>6.5</b>	<b>6.6</b>	<b>15.3</b>	<b>5.3</b>	<b>6.8</b>	<b>7.5</b>
<b>Baltic Countries</b>												
Estonia and Lithuania	2	21.7	22.9	0.0	-1.2	-1.2	9.4	9.2	15.8	5.7	9.0	10.4
<b>Like-for-like properties, total</b>	<b>70</b>	<b>1,447.3</b>	<b>1,358.1</b>	<b>62.0</b>	<b>-18.5</b>	<b>43.5</b>	<b>6.5</b>	<b>6.7</b>	<b>21.3</b>	<b>5.6</b>	<b>6.5</b>	<b>7.1</b>

# Aiming at a Versatile and Efficiently Manageable Lease Portfolio

Citycon aims to maintain its properties as attractive and dynamic centres for shopping, in the eyes of both customers and tenants. This calls for a diversified and efficiently manageable lease portfolio.

A new lease's type and duration depend on the type of premises to be leased and the tenant. With anchor tenants, the company typically concludes long-term leases of 10 or even 20 years whereas leases for smaller retail premises are chiefly negotiated for a term of 3 to 5 years, in order to ensure active development of retail properties and optimisation of the tenant mix.

## Fixed-term Leases a Majority

As a main rule, new leases are signed for a fixed period. Main exception to this are apartment leases, which for legislative reasons are agreed until further notice, as well as leases for storage facilities and individual parking spaces.

Leases in effect until further notice represent about 14 per cent (17%) of Citycon's property

portfolio, 83 per cent (81%) of these being concluded in Finland, 16 per cent (19%) in Sweden and one per cent (1%) in the Baltic Countries. The share of leases in effect until further notice in the portfolio has fallen, due to the divestment of apartments carried out in Sweden during the year gone by. In Finland, too, the number of leases in effect until further notice has reduced.

In Sweden, all retail property leases are signed for a fixed term. Meanwhile, in the Baltic Countries, there are some single leases which will continue to be in effect until further notice after the first fixed-term period of a few years. In Finland, there is more variation in the lease portfolio, and leases in effect until further notice account for about 18 per cent (21%) of the total lease portfolio. The typical notice period for these leases extends from 3 to 12 months.

In spite of their short notice period, the actual duration of leases in effect until further notice can be very long. At year-end, more than 30 per cent of the current leases in effect until further notice

were signed before 2000; the oldest ones were signed more than 30 years ago. Their relatively high share within Finnish Operations stems from the fact that such leases were once typical of the Finnish market.

In some cases, a lease in effect until further notice, or a lease signed for a short fixed term, is a rational solution. For example, for a property where a (re)development project is being planned, it may not be in Citycon's interest to have long-term lease agreements in place. About 16 per cent (10%) of all leases signed in Finland in 2010 are in effect until further notice. This is exactly due to the fact that, for many Finnish properties, there are (re)development projects either planned or ongoing.

## Longer Leases

In Finland, leases with anchor tenants are long term, even above ten years. With chain operators, Citycon mostly negotiates contracts spanning from 5 to 7 years. Fashion retailers, in particular,

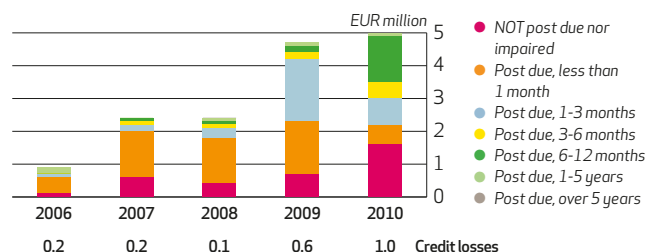
are willing to commit themselves to longer lease periods than before.

In Sweden, leases are typically signed for a term of 3 to 5 years, after which the lessor may terminate the lease or propose new lease terms. Requiring higher rent than the area's current market rate is not an option, because tenants can challenge a rent increase by appealing to a lease board (Hyresnämnden). In the case of a dispute, the lessor must be able to prove, for example by presenting the board with recent leases, that market rents for similar premises in the area have increased.

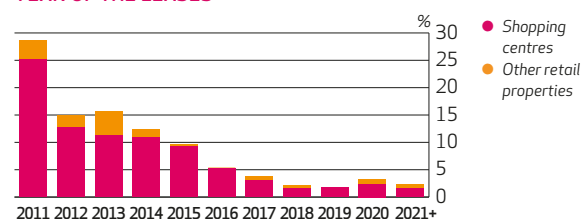
In the Baltic Countries, major anchor tenants have lease terms of at least ten years; for smaller players they are approximately three years. The number of five-year leases increased in 2010.

At the turn of the year, the average remaining length of lease portfolio was 3.2 years (3.1 years). The increase in the average remaining length was mostly due to the completion of (re)development projects and apartment divestments.

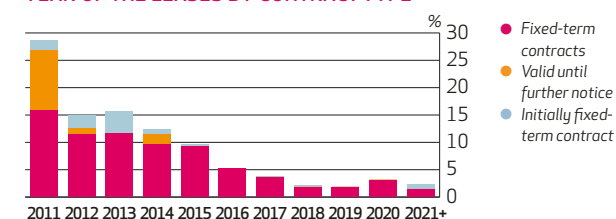
## AGING STRUCTURE OF TRADE RECEIVABLES



## FIRST POSSIBLE TERMINATION YEAR OF THE LEASES



## FIRST POSSIBLE TERMINATION YEAR OF THE LEASES BY CONTRACT TYPE



## LEASING ACTIVITY

	Number of lease agreements	Citycon's GLA, sq.m.	Leased area, sq.m.	Average rent, EUR/sq.m./month
<b>Finland</b>				
<b>Status 1 Jan. 2010</b>	<b>1,682</b>	<b>587,650</b>	<b>509,770</b>	<b>19.7</b>
<b>Leases started :</b>				
New or extended leases	368	650	94,350	18.5
Leases started due to development projects	61	-1,100	13,620	27.6
<b>Acquisitions</b>	<b>8</b>	<b>2,660</b>	<b>1,950</b>	<b>7.1</b>
<b>Leases ended</b>				
Expired, fixed-term leases	185		42,200	23.8
Terminated, until-further-notice leases	186		58,640	14.8
Leases terminated due to development projects	64	3,780	18,340	19.2
Divestments	23	6,100	3,500	13.8
<b>Status 31 Dec. 2010</b>	<b>1,661</b>	<b>579,980</b>	<b>497,010</b>	<b>20.3</b>
<b>Sweden</b>				
<b>Status 1 Jan. 2010</b>	<b>2,245</b>	<b>302,500</b>	<b>281,210</b>	<b>13.3</b>
<b>Leases started :</b>				
New or extended leases	293	300	37,812	14.2
Leases started due to development projects	23	13,000	9,067	15.0
<b>Leases ended</b>				
Expired and terminated leases	442		38,971	13.3
Divestments	335	24,300	23,613	9.6
<b>Status 31 Dec. 2010</b>	<b>1,784</b>	<b>291,500</b>	<b>265,505</b>	<b>15.9</b>
<b>Baltic Countries</b>				
<b>Status 1 Jan. 2010</b>	<b>308</b>	<b>71,000</b>	<b>70,041</b>	<b>17.1*</b>
<b>Leases started :</b>				
New or extended leases	44		5,366	12.9
<b>Leases ended</b>				
Expired and terminated leases	44	200	5,225	13.2
<b>Status 31 Dec. 2010</b>	<b>308</b>	<b>70,800</b>	<b>70,182</b>	<b>17.8</b>

\*) In 2010 in the Baltic Countries, maintenance fees have been split to maintenance and utility charges in order to make the practice comparable with the other business units. This change had also an effect on the average rent of 1.1.2010.

## Demanding Weather Lead to Higher Property Maintenance Expenses

Local management in Citycon's shopping centres handles tenant-related risks. Majority of the tenants have a duty to report their monthly sales figures to the shopping centre's management. If the tenant's annual rent in relation to its sales (Occupancy cost ratio, OCR) is clearly different from the average of other similar businesses in the shopping centre, or if sales per square metre are too low, management will take immediate action. In 2010, occupancy cost ratio for like-for-like shopping centre properties was 8.4 per cent.

Citycon makes determined efforts to enhance property maintenance, particularly because costs are creating pressure to increase the tenants'

maintenance fees. The exceptionally severe winter and hot summer of 2010 raised properties' operating expenses. In Sweden, transferring part of these higher costs into maintenance fees was possible, unlike in Finland where such a levelling mechanism is not associated with maintenance fees.

Citycon's gross rents are close to the market rent level. Leases often contain a turnover-linked component, but due to the level of the minimum base rent this is not a significant source of additional rental income. At the end of the year, turnover-based lease agreements accounted for 43 per cent (36%) of Citycon's lease portfolio, while approximately one per cent (1%) of rental income came from the turnover-based part of leases.

At the year end, turnover-based lease agreements accounted for **43.0%**

## PORTFOLIO ANALYSIS 31 DEC. 2010

Total portfolio	Location	Citycon's GLA	Number of lease agreements	Fair market value, EUR million		Occupancy rate, %	
				31 Dec. 2010	31 Dec. 2009	economic, eur 31 Dec. 2010	31 Dec. 2010 m <sup>2</sup>
<b>Finland</b>							
<b>Shopping centres, Helsinki Metropolitan Area</b>							
Columbus	Helsinki	20,900	72	76.7	74.1	99.6	98.7
Espoonatori	Espoo	17,200	46	47.7	29.8	94.8	93.3
Heikintori	Espoo	5,800	36	8.5	10.5	90.5	80.8
Isomyyri	Vantaa	10,900	15	16.6	17.6	88.8	79.4
Iso Omena	Espoo	60,500	196	322.4	299.7	99.3	98.9
Lippulaiva	Espoo	18,500	49	68.7	63.5	99.7	99.3
Myyrmani	Vantaa	40,500	106	150.1	152.3	93.5	92.5
Tikkuri	Vantaa	12,230	54	30.2	26.0	94.6	90.6
<b>Shopping centres, Helsinki Metropolitan Area, total</b>		<b>186,530</b>	<b>574</b>	<b>721.0</b>	<b>673.6</b>	<b>97.2</b>	<b>94.8</b>
<b>Shopping centres, other areas in Finland</b>							
Duo	Tampere	13,000	43	31.8	29.8	94.3	92.4
IsoKarhu	Pori	14,800	46	46.7	43.1	98.9	95.9
IsoKristiina	Lappeenranta	19,500	61	35.8	34.8	95.4	91.0
Jyväskeskus	Jyväskylä	5,800	63	14.4	14.5	93.0	93.3
Forum	Jyväskylä	16,500	77	74.0	55.2	97.1	94.5
Koskikara	Valkeakoski	5,800	36	5.3	5.3	96.5	96.1
Koskikeskus	Tampere	27,700	156	121.8	113.4	96.8	94.3
Linjuri	Salo	9,200	11	15.9	15.1	94.7	94.0
Galleria	Oulu	3,500	30	8.2	8.2	95.6	93.2
Sampokeskus	Rovaniemi	13,700	84	22.8	23.2	84.3	79.7
Torikeskus	Seinäjoki	11,500	60	11.7	11.9	88.8	84.7
Trio	Lahti	45,700	160	150.6	143.2	92.7	89.6
Tullintori	Tampere	10,000	42	7.7	8.4	88.3	84.5
Valtari	Kouvola	7,600	20	4.6	4.8	83.6	80.5
<b>Shopping centres, other areas in Finland, total</b>		<b>204,300</b>	<b>889</b>	<b>551.3</b>	<b>510.8</b>	<b>94.1</b>	<b>90.4</b>
<b>Shopping centres, Finland, total</b>		<b>390,830</b>	<b>1,463</b>	<b>1,272.3</b>	<b>1,184.3</b>	<b>95.7</b>	<b>92.5</b>
<b>Other retail properties</b>		<b>189,150</b>	<b>198</b>	<b>260.7</b>	<b>257.7</b>	<b>87.6</b>	<b>83.8</b>
<b>Finland, total</b>		<b>579,980</b>	<b>1,661</b>	<b>1,533.0</b>	<b>1,442.0</b>	<b>94.0</b>	<b>89.7</b>
<b>Sweden</b>							
<b>Shopping centres, Stockholm area and Umeå</b>							
Fruängen Centrum	Stockholm	14,600	92	18.8	13.9	99.0	98.7
Jakobsbergs Centrum	Järfälla	60,700	542	108.5	99.8	96.8	96.7
Liljeholmsstorget	Stockholm	41,000	142	239.6	205.3	96.0	96.6
Strömpilen	Umeå	27,000	32	47.1	40.4	98.1	97.5
Tumba Centrum	Stockholm	31,400	339	62.1	51.4	99.7	99.9
Åkermyntan Centrum	Hässelby	8,500	38	13.1	10.8	97.7	97.0
Åkersberga Centrum	Österåker	27,500	127	74.3	40.2	92.4	89.9
<b>Shopping centres, Stockholm area and Umeå, total</b>		<b>210,700</b>	<b>1,312</b>	<b>563.6</b>	<b>461.7</b>	<b>96.8</b>	<b>96.5</b>
<b>Shopping centres, Gothenburg area</b>							
Stenungs Torg	Stenungsund	36,400	312	55.5	43.8	98.4	97.0
<b>Shopping centres, Sweden, total</b>		<b>247,100</b>	<b>1,624</b>	<b>619.1</b>	<b>505.6</b>	<b>97.0</b>	<b>96.6</b>
<b>Other retail properties, total</b>		<b>44,400</b>	<b>160</b>	<b>49.5</b>	<b>43.2</b>	<b>91.7</b>	<b>88.4</b>
<b>Sweden, total</b>		<b>291,500</b>	<b>1,784</b>	<b>668.6</b>	<b>548.8</b>	<b>96.4</b>	<b>95.3</b>
<b>Baltic Countries</b>							
<b>Estonia</b>							
Rocca al Mare	Tallinn	53,300	194	144.4	133.7	99.7	99.4
Magistral	Tallinn	9,500	57	12.1	12.2	99.8	99.6
<b>Lithuania</b>							
Mandarinas	Vilnius	8,000	57	9.6	10.7	100.0	100.0
<b>Baltic Countries, total</b>		<b>70,800</b>	<b>308</b>	<b>166.1</b>	<b>156.6</b>	<b>99.7</b>	<b>99.5</b>
<b>Total portfolio</b>		<b>942,280</b>	<b>3,753</b>	<b>2,367.7</b>	<b>2,147.4</b>	<b>95.1</b>	<b>92.2</b>

## Lease Portfolio

### PORTFOLIO ANALYSIS

Like-for-like portfolio	Citycon's GLA, sq.m.	Number of lease agreements	Fair market value, EUR million		Occupancy rate, %	
			31 Dec. 2010	31 Dec. 2009	economic, eur 31 Dec. 2010	m <sup>2</sup> 31 Dec. 2009
<b>Finland</b>						
Helsinki Metropolitan Area	190,990	513	612.8	585.5	96.3	92.2
Other areas	252,660	738	458.1	446.3	91.9	86.7
<b>Finland, total</b>	<b>443,650</b>	<b>1,251</b>	<b>1,070.9</b>	<b>1,031.8</b>	<b>94.2</b>	<b>89.1</b>
<b>Sweden</b>						
Stockholm area	153,200	1,047	271.0	233.6	98.2	97.9
Gothenburg area	69,800	468	83.7	69.7	94.2	91.0
<b>Sweden, total</b>	<b>223,000</b>	<b>1,515</b>	<b>354.7</b>	<b>303.3</b>	<b>97.1</b>	<b>95.8</b>
<b>Baltic Countries</b>						
Tallinn and Vilnius	17,500	114	21.7	22.9	99.7	99.8
<b>Like-for-like portfolio, total</b>	<b>684,150</b>	<b>2,880</b>	<b>1,447.3</b>	<b>1,358.1</b>	<b>95.1</b>	<b>91.6</b>

### CITYCON'S FIVE LARGEST PROPERTIES MEASURED IN FAIR VALUE

	Average remaining length of lease agreements, years 31 Dec. 2010	Average rent, EUR/sq.m./year 31 Dec. 2010	Gross rental income, EUR million Year 2010	Net rental income, EUR million Year 2010	Fair value, EUR million Year 2010	Net rental yield, % Year 2010	Occupancy rate (economic), % Year 2010
Iso Omena	1.8	369	21.8	16.6	322.4	5.5	99.3
Liljeholmstorget	4.4	298	11.1	6.1	239.6	2.7	96.0
Myyrmanni	2.9	314	11.2	8.1	150.1	5.5	93.5
Rocca al Mare	5.0	238	11.5	9.9	144.4	7.3	99.7
Trio	2.5	284	10.5	8.0	150.6	5.6	92.7
<b>Five largest properties, total</b>	<b>3.2</b>	<b>303</b>	<b>66.1</b>	<b>48.8</b>	<b>1,007.2</b>	<b>5.1</b>	<b>96.8</b>

Total portfolio	Average remaining length of lease agreements, years 31 Dec. 2010	Average rent, EUR/sq.m./year 31 Dec. 2010	Gross rental income, EUR million Year 2010	Net rental income, EUR million Year 2010
<b>Finland</b>				
Shopping centres, Helsinki Metropolitan Area	2.8	308	52.4	37.7
Shopping centres, other areas in Finland	2.9	252	45.1	32.1
Other retail properties	3.5	159	24.6	17.0
<b>Finland, total</b>	<b>3.0</b>	<b>243</b>	<b>122.1</b>	<b>86.7</b>
<b>Sweden</b>				
Shopping centres	3.1	201	44.4	25.8
Other retail properties	3.0	133	5.5	3.0
<b>Sweden, total</b>	<b>3.1</b>	<b>191</b>	<b>49.8</b>	<b>28.7</b>
<b>Baltic Countries, total</b>	<b>4.6</b>	<b>214</b>	<b>13.9</b>	<b>11.8</b>
<b>Total portfolio</b>	<b>3.2</b>	<b>224</b>	<b>185.9</b>	<b>127.2</b>

Like-for-like portfolio	Average remaining length of lease agreements, years 31 Dec. 2010	Average rent, EUR/sq.m./year 31 Dec. 2010	Gross rental income, EUR million Year 2010	Net rental income, EUR million Year 2010
<b>Finland</b>				
Helsinki Metropolitan Area	2.5	274	43.4	31.7
Other areas	3.3	197	49.5	34.3
<b>Finland, total</b>	<b>2.9</b>	<b>231</b>	<b>93.0</b>	<b>66.0</b>
<b>Sweden</b>				
Stockholm area	2.2	175	25.1	15.1
Gothenburg area	2.7	144	9.2	5.2
<b>Sweden, total</b>	<b>2.3</b>	<b>166</b>	<b>34.2</b>	<b>20.3</b>
<b>Baltic Countries</b>	<b>3.3</b>	<b>140</b>	<b>2.4</b>	<b>1.9</b>
<b>Like-for-like portfolio, total</b>	<b>2.7</b>	<b>207</b>	<b>129.6</b>	<b>88.2</b>



# Citycon's Versatile Expertise Supports Project Development

**C**itycon is an active owner and developer of shopping centres: most of its shopping centres can be either (re)developed or extended. Citycon currently has several ongoing projects and many others in the (re)development pipeline. The planned projects are in advanced state of preparation and they can be rapidly initiated once the prerequisites for their launch are fulfilled. Key prerequisites include the detailed financial objectives such as return on investment compared with cost of employed capital and financing of the project as well as the zoning situation and occupancy rate. Long-term preliminary plans have been made, even for properties whose (re)development involves uncertainties related to, for example, zoning or the property's ownership base.

In redeveloping its properties, Citycon takes simultaneous consideration of the construction technical aspects, urban landscape and commercial perspective. In order to support project planning, the commercial catchment area of each property, consumer demand potential in the surrounding area and competition are carefully assessed.

Citycon's strength lies in its versatile commercial competence and relationships with key retailers. This gives the company an opportunity to discuss planned projects, and their preliminary schedules, at a very early stage with key anchor tenants. This is important since the right tenant mix is essential to each centre's success.

Because all of Citycon's retail properties are managed by its own personnel, its leasing team negotiating new leases and property development team are

well aware of the latest changes in the retail properties' daily operations, changes in consumer behaviour, the business performance of current tenants and each retail property's special features. Citycon harnesses its entire range of expertise in the planning, prioritisation and implementation of projects.

In 2010 in Finland, Citycon launched full-scale (re)development projects at Forum in Jyväskylä and at Espoontori in Espoo. In Kirkkonummi, an old supermarket property was transformed into a modernised small-scale shopping centre called Kirkkonummen Ostari. The building of these new shopping centres belonging to the Partners in Everyday Life cluster was initiated in Myllypuro, Helsinki, and Martinlaakso, Vantaa, in order to replace the old retail centres recently demolished.

The refurbishment of retail premises progressed at Myyrmanni in Vantaa, the Hansa section within Trio, Lahti, at Isolinna and Asema-aukio in Pori. The refurbishment in Torikeskus Seinäjoki, Finland has halted for the time being due to the leasing situation.

In Sweden, extension and (re)development project launched at Åkersberga Centrum in 2009 continued. The first phase involved the construction of an extension, opened to customers in October 2010. This project will continue, with the refurbishment of the existing shopping centre, until April 2011. The Baltic Countries had no ongoing (re)development projects. More details on the (re)development projects that are completed, ongoing, under planning or potential can be found in the tables on pages 23-27.



## Espoontori Shopping Centre Fully Modernised

**D**uring 2010, Citycon conducted a comprehensive modernisation of 10,000 square metres of Espoontori shopping centre and its parking facility in Finland. This shopping centre is located in Espoon keskus, Espoo Centre – the City of Espoo's administrative hub – right next to a busy railway station and surrounded by a major employment and residential area. The redevelopment project began in January and the fully modernised Espoontori was opened in phases for the beginning of November. Citycon invested a total of EUR 20.5 million in the project.

Espoontori can be further extended onto the adjacent lot. The possibility to link Espoontori with the opposite shopping centre of Entresse, by constructing a retail passage above the street, is currently under investigation. Together, these two centres and the extension would form a major commercial complex, ranking among Espoo's top retail locations in terms of attractiveness and leasable area.

Since more apartments are continuously being built in Espoo Centre, and since it benefits from excellent transport connections and strong self-sufficiency in jobs, it is an area of good purchasing power.



## Extension of Åkersberga Centrum Opened in October

Citycon's largest ongoing extension and (re)development project, in euros, concerns Åkersberga Centrum located in the Österåker district of the Greater Stockholm area, Sweden. With an extension of some 13,000 square metres opened in October 2010, the project is now continuing with the renovation of the older section. The first phase saw the opening of 20 stores, the large grocery shop ICA Kvantum being the anchor tenant. The existing section, to be refurbished and opened in April 2011, will host fashion retail in particular.

When complete, the Åkersberga Centrum will have 27,500 square metres and some 70 stores. The total investment for the project is about SEK 467 million (EUR 44 million) or some EUR 51.1 million. Owning 75 per cent of the property, Citycon is responsible for 75 per cent of the project's costs.

The Österåker area has strong purchasing power, which will be better channelled towards the Åkersberga Centrum following the extension and (re)development project.

## Forum Sees 'Happy Renovation'

**D**uring 2010, the Forum shopping centre, located in downtown Jyväskylä, underwent a thorough redevelopment. The shopping centre's interior was modernised and more escalators and lifts were added, enabling easy access to all of Forum's floors and its parking hall.

Forum's commercial concept was also freshened up, in order to better match demand in the centre's downtown location. A boost was given to its specialty retail offering, particularly fashion. The shopping centre's range of cafés and restaurants was also diversified. Following this, both Forum and Jyväskylä welcomed the ten or so new retailers establishing themselves in the region for the very first time.

Although the renovation covered the entire shopping centre, it focused on a 12,000 square metre section. Citycon invested approximately EUR 16 million in this project. The renewed Forum opened its doors at the beginning of December, raising huge interest among Jyväskylä's inhabitants.



## COMPLETED (RE)DEVELOPMENT PROJECTS IN 2009 AND 2010

Property	Location	Market value, MEUR (31 Dec. 2010)	Area, sq.m. <sup>1)</sup>	Post-development area, sq.m.	Estimated total investment, MEUR <sup>2)</sup>	Actual cumulative CAPEX by the end of the period, MEUR	Expected yield on completion when stabilized, % <sup>3)</sup>	Additional information
Rocca al Mare	Tallinn, Estonia	144.4	28,600	53,300	53.8	53.8	9.9	1998 built shopping centre is fully rebuilt and substantially extended. There are more than 170 stores and the anchor tenant is the largest Prisma hypermarket in Estonia. One of Citycon's pilot projects in the sustainable development of its properties and was granted a silver level LEED certificate. The original estimated investment was approx. EUR 68 million. The entire project was completed in November 2009 as planned. <b>Anchor tenants:</b> Prisma, Marks&Spencer, NewYorker, Lindex, Reserved, Sportland
Liljeholmstorget	Stockholm, Sweden	239.6	20,100	41,000 incl. 27,600 retail + 13,400 offices/ health care	157.8	157.8	6.2	Construction of a new shopping centre south-west of Stockholm city centre. Liljeholmen is a major traffic hub and the whole area is being redeveloped. The existing building was totally redeveloped and a new shopping centre was built in connection to it. Underground parking. The project is one of Citycon's pilot projects in sustainable development of its properties and was granted a Platinum LEED certificate. The project was completed in October 2009 as planned. <b>Anchor tenants:</b> ICA Kvantum, Willy's, H&M, Systembolaget, SATS, Claes Ohlson, MQ, Lindex
Forum	Jyväskylä, Finland	74.0	15,100	15,100	16.0	16.0	11.2	A year long redevelopment of shopping centre's interior premises (12,000 sq.m.). Accessibility was enhanced by modernised lifts, which now operate between all four floors of the shopping centre and the renewed parking hall. Forum's commercial concept was refreshed and tenant mix was diversified, especially Forum's fashion and restaurant supply was strengthened. <b>Anchor tenants:</b> Seppälä, Vero Moda, Tokmanni, K-supermarket, Top-Sport
Espoonatori	Espoo, Finland	47.7	16,500	16,400	25.8	22.2	6.9	In 2010, Citycon refurbished thoroughly approx. 10,400 sq.m. of retail premises and parking facility. Shopping centre is located in Espoo's administrative centre, next to the vivid railway station. It's located in the heart of a growing residential and business area. New apartments are being built in its immediate vicinity. Some premises are being finalized in Spring 2011. <b>Anchor tenants:</b> K-supermarket, Tarjoustalo, Posti

1) Leasable area owned by Citycon before the project start. 2) New capital tied on the project. 3) Yield on completion, % = Expected stabilized (3rd year after completion) net rents incl. possible vacancy/total investment



## ONGOING (RE)DEVELOPMENT PROJECTS

Property	Location, Country	Market value, MEUR 31 Dec. 2010	Area, development sq.m. <sup>1)</sup>	Post-development area, sq.m.	Total estimated investment, MEUR <sup>2)</sup>	Actual cumulative CAPEX by the end of the period, MEUR	Target year of completion	Pre-leasing rate <sup>3)</sup>	Expected yield on completion when stabilized, % <sup>4)</sup>	Additional information
Åkersberga Centrum	Österåker, Sweden	74.3	20,000	27,500	51.1 <sup>5)</sup>	44.5	2011	86%	7.3	Refurbishment and extension of an existing shopping centre in the Greater Stockholm area, northeast of Stockholm. Very good public transportation. The shopping centre was built in 1985 and refurbished/extended in 1995/1996. Minority owner (25%) local real estate company owned by the municipality. <b>Anchor tenants:</b> ICA, KappAhl, Lindex, library, H&M, Systembolaget
Myllypuro	Helsinki, Finland	12.6	7,700	7,300	21.3	14.3	2012	53%	7.4	Building of a new shopping centre replacing the old one next to the Myllypuro subway station. Underground parking facility will be built in conjunction to the shopping centre. Also rented and right-of-residence apartments will be built, that Citycon has sold. The estimated investment need for the whole project totals 60 EUR million. <b>Anchor tenants:</b> S-Group, Pharmacy, Seppälä, City of Helsinki (Media Space), HOK-restaurants
Martinlaakso	Vantaa, Finland	8.7	3,800	7,300	22.9	7.2	2011	73%	7.4	Building of a new retail centre replacing the old one next to the Martinlaakso railway station and bus terminal. Apartments will be built in connection to the shopping centre, Citycon has sold the residential building right. <b>Anchor tenants:</b> S-market, Lidl, Sampo Bank, HOK-restaurants
Hansa (Trio)	Lahti, Finland	150.6 <sup>6)</sup>	11,000	11,000	8.3	5.0	2011	15%	6.6	The refurbishment of retail premises (5,700 sq.m.) in Hansa property located next to Trio. The goal is to connect the property better and more commercially to Trio. Alteration of the city plan pending to allow building of retail premises on the bridge connecting Trio and Hansa, over the street of Vapaudenkatu. <b>Anchor tenants in renewed premises:</b> Tokmanni (Robinhood), Manhattan Steakhouse
Myymanni	Vantaa, Finland	150.1	8,400	8,400	4.8	4.2	2010	75%		Refurbishment of the first floor premises that became vacant as Anttila moved to smaller space. Tenant improvement works will take at the same time on the ground floor. <b>Anchor tenants in renewed premises:</b> Stadium, Veikonkone, Suomalainen Kirjakauppa, Anttila, Cubus, H&M
Kirkkonummen liikekeskus (Aseman Ostari)	Kirkkonummi, Finland	7.1	5,000	5,000	4.0	1.6	2011	62%		Citycon is converting an old supermarket building into a Partner in Everyday Life - shopping centre, that will offer daily services. <b>Anchor tenants:</b> Post Office, Nordea, Huoneistokeskus, Seppälä, Dressmann
Isolinnankatu	Pori, Finland	4.3	7,600	7,600	3.0	1.5	2010	1. phase 100%		Refurbishment of the retail premises in two phases, the first, EUR 1.5 million and 2,500 sq.m., phase is completed and fully let. The leasing of the second phase is on-going. <b>Anchor tenants:</b> K-supermarket, Alko
Porin asema-aukio (Aseman Ostari)	Pori, Finland	14.8	8,000	8,000	2.5	0.3	2012	n.a.		Aseman Ostari has a good location next to Pori's railway station. Grocery, other daily services related to common weekly needs and 580 parking spaces. Leasing in early stage. <b>Anchor tenant:</b> K-supermarket, Pharmacy, Lounas Forum
Torikeskus	Seinäjoki, Finland	11.7	11,300	11,500	4.0	2.7	2011	1. & 2. phase 100%		Refurbishment of shopping centre's interior premises. The final phase of the project will be launched as leasing progresses. <b>Anchor tenants in the renewed premises:</b> KappAhl, Alekski 13, Lindex

1) Leasable area owned by Citycon 2) New capital tied on the project 3) Signed lease agreements, pre-leasing rate in euros 4) Yield on completion, % = Expected stabilized (3rd year after completion) net rents incl. possible vacancy/total investment  
5) Estimated investment need of the entire project 6) Includes Trio

## New Partners in Everyday Life Centres under Construction in Martinlaakso and Myllypuro

In Martinlaakso, Vantaa, and Myllypuro, Helsinki, Citycon decided to demolish the old retail centres dating from the 1960s. Both buildings had severely deteriorated both in technical terms and in terms of their commercial concepts.

However, both also enjoyed an outstanding location at the heart of their respective districts, right next to either a metro or railway station. Consequently, Citycon began building new ones to replace them. The construction of the Myllypuron Ostari centre began in January and that of the Martinlaakson Ostari centre in May. Both shopping centres focus on grocery retail and local services. Each has approximately 7,300 square metres of leasable area and can provide parking facilities way in excess of what was previously possible.

Myllypuron Ostari will be completed in phases: during the summer of 2011 and the spring of 2012. Citycon intends to invest approximately EUR 21.3 million in this project. In addition, 255 rental and right-of-residence apartments, building rights of which Citycon has sold to three residential investors, will be built adjacent to the shopping centre.

The construction of Martinlaakson Ostari was initiated in May 2010, and it is due for completion in the autumn of 2011. Apartments will be built within Martinlaakson Ostari – their building rights have also been sold by Citycon. Citycon intends to invest EUR 22.9 million in the construction of Martinlaakson Ostari.



### Extension of Iso Omena under Planning

Citycon and NCC Property Development Oy have a reservation for land use concerning the construction of the Matinkylä Metro Centre, Espoo, Finland. This centre will be the terminal station in the first phase of the construction of the western subway line. The reservation for land use covers the feeder bus terminal to be built in connection with it, as well as a significant amount of new leasable area, which will consti-

tute an extension to the Iso Omena shopping centre.

This development and extension project, if materialized, will more than double Iso Omena's leasable area. The metro station and the feeder terminal will render the Matinkylä area one of the busiest centres in the City of Espoo, since it will be a major commuting hub for local residents. Although the Metro Centre includes a reservation

for Matinkylä's new indoor swimming pool, the pool's construction is subject to a separate decision by the city. New residential construction in Matinkylä is also under planning.

The Matinkylä Metro Centre will diversify and broaden Iso Omena's offering, while further increasing its commercial appeal. This development is aimed at rendering Iso Omena the unquestionable lead shopping centre in Espoo.

Construction of the Metro Centre and shopping centre is interlinked with the metro's construction schedules. The objective is to initiate construction work in 2012.

However, this is subject to an investment decision yet to be made by Citycon's Board of Directors. Forty per cent of the current Iso Omena is owned by GIC Real Estate, the property investment arm of Government of Singapore Investment Corporation.

### (RE)DEVELOPMENT PROJECTS UNDER PLANNING

Citycon's Board of Directors has not yet made a decision on the (re)development project, but it is under planning, an alteration of the city plan is pending or Citycon (or its partner) has a site reservation.

Property	Location	Country	Market value, MEUR (31 Dec. 2010)	Project area, sq.m. <sup>(1)</sup>	Estimated investment need, MEUR <sup>(2)</sup>	Target year of project launch	Target year of completion	Additional information
Lippulaiva	Espoo	FIN	68.7	35,000	60-70	2012	2014	Refurbishment and extension of the existing shopping centre. The refurbishment of interior premises completed. Planning of the extension project continues.
Iso Omena	Espoo	FIN	322.4	25,000-30,000	110-130	2012 <sup>(3)</sup>	2014	Planning reservation together with the construction company NCC for subway centre which will be build on the future Matinkylä subway station adjacent to the shopping centre. The goal is to create a subway centre, that combines excellent commercial services and well-functioning connections to the future subway and commuter parking. The western subway line, that connects Helsinki and Espoo is planned to be completed in 2015. The first possible project launch is in 2012, possible delay regarding potential complaints against the plan has been taken into account.
				5,000 <sup>(4)</sup>	15	2012	2013	Extension of the shopping centre in two phases depending on the final conclusion in the above mentioned subway centre project.
Myyranni	Vantaa	FIN	150.1	20,000 <sup>(4)</sup>	50-60	2012 <sup>(3)</sup>	2014	Extension of the shopping centre to two different sides of the centre. The City of Vantaa granted a site reservations to Citycon and HOK-Elanto for the former health care centre's and Paalutori's plot. Parking is planned to be transferred underground. Prisma hypermarket is planned to Myyranni's immediate vicinity.
Galleria	Oulu	FIN	8.2	17,000	50-55	2012 <sup>(3)</sup>	2014	Redevelopment of the Galleria block into a shopping centre in co-operation with the block's and the adjacent block's other property owners. The other main owner is retail cooperative Arina. The estimated investment need for the whole project totals 130-140 EUR million. City of Oulu made a decision to invest and build an underground parking facility. The construction work of the parking facility will start in 2012.
Koskikeskus	Tampere	FIN	121.8	17,000	25	2011	2012	Redevelopment of shopping centres interior premises. Leasable area increases slightly.
Heikintori <sup>(5)</sup>	Espoo	FIN	8.5	6,000	12	2012	2012	Renovation of shopping centre, total investment need EUR 17 million. In addition, an extensive redevelopment and extension project as well as the related zoning has not proceeded according to the earlier plans since the shareholders of the shopping centre company do not have a common understanding on the project.
Laajasalon liikekeskus	Helsinki	FIN	3.7	8,000	25-30	2012 <sup>(3)</sup>	2013	Building a new retail centre. Site reservation together with Kesko and HOK-Elanto (S-Group)
IsoKristiina	Lappeenranta	FIN	35.8	25,000	50-60	2012	2014	Refurbishment and extension of the existing shopping centre under planning. Citycon purchased the adjacent plot for the extension in February 2009. Commercial concept as well as the city plan ready.
Isomyyri	Vantaa	FIN	16.6	5,000	5-7	2012	2013	Refurbishment of premises owned by Citycon. Commercial concept under planning.
Lauttasaaren liikekeskus <sup>(5)</sup>	Helsinki	FIN	2.5	2,600	10-15	2012 <sup>(3)</sup>	2014	Refurbishment or possible demolition and new construction of the retail centre. Future subway station entrance of western subway line (ready in 2015) on the plot. Planning process required by zoning under way. 10,000 sq.m. of apartments under planning. Citycon is a minority owner of the property.

Property	Location	Country	Market value, MEUR (31 Dec. 2010)	Project area, sq.m. <sup>1)</sup>	Estimated investment need, MEUR <sup>2)</sup>	Target year of project launch	Target year of completion	Additional information
Kielotien liikekeskus (Vantaan Säästötaló)	Vantaa	FIN	13.4	9,700	9-11	2011	2012	Indoor refurbishment of the department store property.
Tikkuri	Vantaa	FIN	30.2	20,000	45-50	2012 <sup>3)</sup>	2014	Extension under planning. Citycon has acquired neighbouring property and a share of adjacent property "kassatalo" in order to enable the extension.
Magistral	Tallinn	EST	12.1	10,000	8-10	2011	2012	Refurbishment and extension of the shopping centre.
StenungsTorg <sup>6)</sup>	Stenungsund	SWE	55.5	15,000	33-35	2011 <sup>3)</sup>	2013	The second phase of the redevelopment and extension project, including partly new layout, exterior and reorganized logistics. Also parking and drainage will be renewed. New commercial concept. New zoning required for building right for additional retail space and residential units which will be executed in a phase III.
Strömpilen <sup>6)</sup>	Umeå	SWE	47.1	25,000	53-55	2011	2014	Extension of the shopping centre in two phases and a new commercial concept under planning. Existing zoning includes 45 000 sq.m. in new building rights.
Länken <sup>6)</sup>	Umeå	SWE	14.9	3,350	4	2011	2012	Extension of existing big box unit. Zoning granted and building permit is expected to be granted in March 2011. Leasing negotiations on-going. Possible completion 7 month after signed lease agreements.
Åkermyntan Centrum	Hässelby	SWE	13.1	10,000	7	2011 <sup>3)</sup>	2012	Redevelopment and extension of the shopping centre in two phases. Improved tenant mix. Second phase includes possible building of residential units and services.
Backa	Gothenburg	SWE	6.2	8,400	8	2011 <sup>3)</sup>	2012	Development of 2,900 sq.m. for health care service use and redevelopment of 5,500 sq.m. of retail premises including new tenant mix and possibly a grocery operator. Zoning and future development potential of the property is being analysed, new Master City plan currently considered by the City of Gothenburg.
Fruängen Centrum	Stockholm	SWE	18.8	15,000	8	2012	2014	Refurbishment project, improved tenant mix. Refurbishment project is planned to be carried out in cooperation with city authorities. New residential units adjoining the centre under review.
Lindome	Gothenburg	SWE	7.5	1,500	1-2	2011	2012	Exterior face-lift planned to be executed during first half of 2011. Extension of the existing property and additional creation of residential units is under planning together with Municipality of Mölndal.
Tumba Centrum	Botkyrka	SWE	62.1	6,000 - 8,000	43-45	2013	2014	Extension, redevelopment of the shopping centre in two phases. In the first phase the centre was refurbished and slightly extended (EUR 6 million). In the second phase's target is to extend the shopping centre with 6,000-8,000 sq.m. and residential units. Negotiation are ongoing with the municipality regarding new zoning.

1) The project area refers to the combination of the area of the existing premises under refurbishment owned by Citycon and the area of the extension. 2) The amount of investment needed will change and become more precise as the planning process proceeds. The figure is the best current estimate. 3) The schedule for the project completion and/or project launch and/or project area involves risks associated with city planning. 4) The project area refers only to the area of the planned extension. 5) The leasable area may be larger than indicated. 6) Partly-owned property.

## POTENTIAL (RE)DEVELOPMENT PROJECTS

Citycon is analysing opportunities for the development and/extension of for example the properties below. Neither an alteration of city plan has been applied for nor any other official decisions made.

Property	Location	Country	Market value, EUR million (31 Dec. 2010)	Area, sq.m.	Additional information
Ultima	Vantaa	FIN	4.4	0	Vacant plot of approximately 42,000 sq.m. with 20,000 sq.m. in current permitted residential building right. Possibility to use the property as a consideration in potential transactions.
Valtari	Kouvola	FIN	4.6	7,600	Opportunities to redevelop the property are analysed.
Runeberginkatu 33	Porvoo	FIN	11.4	6,300	Citycon own one third of a block in Porvoo town centre. Preliminary analysis on commercial development possibilities under way.
Columbus	Helsinki	FIN	76.7	20,400	Opportunities to expand the shopping centre are reviewed.
Sampokeskus	Rovaniemi	FIN	22.8	13,600	Opportunities to redevelop the property are analysed.
Kaarinan liiketalo	Kaarina	FIN	6.2	9,400	The redevelopment of the existing retail property in line with the development plan of the town centre is analyzed.
Tullintori	Tampere	FIN	7.7	10,300	Refurbishment on the property is under consideration.
Hakunilan Keskus	Vantaa	FIN	4.5	3,000	Opportunities to redevelop the property are analysed.
Forum	Jyväskylä	FIN	74.0	17,500	Better commercial connection of the adjacent property owned by Osuuspankki is reviewed.
Liljeholmstorget	Stockholm	SWE	239.6	20,000	Extension of shopping centre over the subway tracks and plans to build residential units in joint venture with City of Stockholm and a possible residential developer. The start of new zoning is pending on an approval from County Administrative Board regarding the land-use.
Jakobsbergs Centrum	Järfälla	SWE	108.5	12,000	Extension, redevelopment of the shopping centre (2nd and 3rd phase of development) planned to be launched in 2012-2014, building rights for additional residential buildings under planning.



**The services sector is growing in the shopping centres**

Different public and private services are an important part of the shopping centre offering. For example bank or insurance services can be found in several shopping centres. The real estate agent chain Kiinteistömaailma has in total five service points in Citycon shopping centres in Finland.



# Retail Expertise Citycon's Core Competence

In Finland, Citycon is the market leader in the shopping centre business and the only property investment company specialising in retail premises. In Sweden, Citycon holds a solid position, particularly in the region of Stockholm, the country's capital. On the Baltic market, Citycon has gained a foothold, becoming the market leader in Tallinn, Estonia's capital city. It now commands a quarter of the city's shopping centre market.

## Citycon Understands the Retail Business

Citycon's strength lies in its versatile knowledge of retail business, as well as its shopping centre expertise. The company has long, broad experience of shopping centre management and development expertise. Citycon's main product is shopping centres, its core business being shopping centre development and management. In line with Citycon's brand promise, the key business objective is the creation of successful retail premises for retail business. Business operations include the efficient leasing, marketing and maintenance of retail premises. Each shopping centre also has its own local management, which has a detailed understanding of the structure of local consumer demand, the area's competition and other local characteristics.

## KEY INDICATORS OF PROPERTY PORTFOLIO 2010

	Finland	Sweden	Baltic Countries	Total
Citycon's GLA, sq.m.	579,980	291,500	70,800	942,280
Gross rental income, EUR million	122.1	49.8	13.9	185.9
Net rental income, EUR million	86.7	28.7	11.8	127.2
Net rental yield, %	6.0	4.8	7.5	5.8
Net rental yield, like-for-like properties, %	6.5	6.4	8.7	6.5

In addition to shopping centres, Citycon owns other retail properties. These complement the range of offered premises and form an important part of the property portfolio. Some of these are larger than smaller-sized shopping centres.

Shopping centre marketing and chain leasing are operated on a centralised basis in Citycon Finland. Leasing to key customers within each industry is centralised into a responsibility area managed by a designated individual in Citycon Finland.

## Fashion and Groceries as Leading Tenants

By far the greatest share of Citycon's cash flow is based on rental income from retail properties. Among tenants, grocery and specialty chains are of particular importance. Other major tenant groups include cafes, restaurants, banks and financial institutions and public administration.

In Finland, the largest tenants include the various Kesko chains, such as the K-citymarket hypermarkets, the K-market supermarkets and other specialty brands such as K-kenkä, Musta Pörssi and Intersport. These represent a total of 30.7 per cent (34.7% in 2009) of rental income. Lease agreements being shop-specific, Kesko and Citycon had a total of 70 leases involving 39 properties. In addition to Kesko, the S Group is also a key tenant.

Other large tenants in fashion and clothing include Lindex, KappAhl, Seppälä and H&M.

The Swedish tenant structure is highly similar. The largest grocery retail tenants include the big operators on the Swedish market: ICA, COOP and Axfood. During the autumn, ICA opened a large ICA Kvantum store at Åkersberga Centrum. The ICA Kvantum store, which opened a year ago at Liljeholmstorget Galleria, has proven a success.

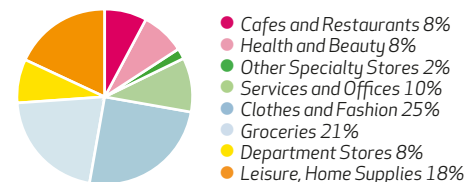
Specialty retail tenants include many of the same clothing and fashion chains as in Finland. The Swedish tenant structure is different from its Finnish equivalent, in that Swedish shopping centres more often include public administration's operations. Indeed, a key Swedish tenant is the Stockholm County Council (Stockholms Läns Landsting).

In the Baltic Countries, Rocca Al Mare focuses firmly on specialty retail, with several strong fashion brands as its tenants. Marks & Spencer, for example, is thriving, having already expanded its business during its first year of operation. The largest single tenant, however, is the Prisma hypermarket, which forms part of the Finnish S Group. In the Baltic Countries' smaller-scale shopping centres, Magistral in Tallinn and Mandarinas in Vilnius, the key tenant is the RIMI grocery chain representing the Swedish ICA chain.

## LEASE PORTFOLIO BY BUSINESS UNITS

	Finland	Sweden	Baltic Countries	Total
Number of leases started during the financial year	429	316	44	789
Total area of leases started, sq.m.	107,970	46,879	5,366	160,215
Occupancy rate at end of financial year (economic), %	94.0	96.4	99.7	95.1
Average remaining length of lease portfolio at the end of financial year, year	3.0	3.1	4.6	3.2

## SHOPPING CENTRE RENTAL INCOME BY BRANCHES BASED ON VALID RENT ROLL AT 31 DEC. 2010



## PROPERTY PORTFOLIO BY REGION, 31 DEC. 2010

EUR million	Total
Finland	845.9
Helsinki Metropolitan Area	687.0
Other areas in Finland	158.9
Sweden	584.9
Stockholm area and Umeå	83.7
Gothenburg area	166.1
Baltic Countries Estonia and Lithuania	2,367.7
<b>Total</b>	<b>2,367.7</b>

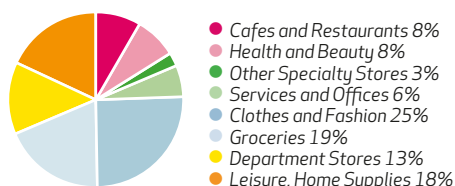
Based on market value of property portfolio on 31 Dec. 2010

## CITYCON'S TOP FIVE TENANTS

Proportion of rental income based on valid rent roll at 31 Dec. 2010	%
Kesko	19.9%
S Group	4.9%
ICA	3.6%
Stockmann	3.3%
Tokmanni	1.8%
<b>Top 5, total</b>	<b>33.5%</b>

# Citycon in Finland

## SHOPPING CENTRE RENTAL INCOME BY BRANCHES BASED ON VALID RENT ROLL AT 31 DEC. 2010



## TOP FIVE TENANTS IN FINLAND

	Proportion of rental income based on valid rent roll at 31 Dec. 2010, %
Kesko	30.7%
S-Group	5.9%
Stockmann/Seppälä/Lindex	3.6%
Tokmanni	2.8%
Nordea	2.0%
<b>Top 5, total</b>	<b>45.0%</b>

## KEY FIGURES, FINNISH OPERATIONS

	2010	2009
Gross rental income, EUR million	122.1	126.5
Turnover, EUR million	126.5	131.3
Net rental income, EUR million	86.7	92.4
Net fair value gains/losses on investment property, EUR million	24.5	-65.1
Operating profit, EUR million	107.5	21.2
Capital expenditure (gross), EUR million	76.3	24.5
Fair market value of investment properties, EUR million	1,533.0	1,442.0
Net rental yield, %	6.0	6.5
Net rental yield, like-for-like properties, %	6.5	6.5

Citycon is the largest player in the Finnish shopping centre market with a market share of some 22.7 per cent (source: Entrecon). The company owns 22 shopping centres and 42 other retail properties in Finland. In addition to these, Citycon has begun the construction of two new Partners in Everyday Life: the shopping centres of Myllypuro and Martinlaakso. Last year, Citycon's shopping centres attracted 81.5 million customers. The footfall remained at the previous year's levels despite the several ongoing (re)development projects that has resulted in higher vacancy in properties that has been taken off-line.

All Citycon shopping centres are located in urban growth areas, either downtown in larger cities or in district centres easily accessible by public transport. Compared to its competitors, Citycon is a unique player in the Finnish market, since it is the only property investment company focusing solely in retail premises. Citycon develops and manages all of its shopping centres using its own, professional personnel.

In Finland, in addition to shopping centres, Citycon owns 42 other retail properties and one undeveloped lot near the Helsinki-Vantaa Airport. These properties host markets and shops of various sizes, from individual small grocery shops to hypermarkets.

## Year 2010

Several international chains reactivated their expansion plans after the recession, with some publicly announcing their desire to establish themselves in the Finnish market.

Citycon's shopping centres are mostly driven by groceries and other daily necessities and services, and that is why they performed relatively well, even during the economic downturn of 2008–2009. The year 2010 was already close to normal and leasing activity improved. However, negotiations with large chain retailers are advancing slowly and lease decision-making remains protracted. Citycon has continuously enhanced its leasing operations and consolidated its leasing team, by recruiting more staff, for instance. It will continue such enhancement measures in 2011.

In terms of service types, shopping centre offerings have expanded in recent years. Alongside a variety of public services and various services related to well-being and beauty have increased in shopping centres. The range of restaurants and cafes has also diversified. Citycon develops its properties in line with customers' feedback. In doing so, it seeks to create a versatile mix of shops and services, while ensuring that the centre remains commercially vibrant and attractive.

Citycon has also increased its investments in specialty leasing operations. Citycon Media ([www.cityconmedia.fi](http://www.cityconmedia.fi)), launched towards the end of 2009, began full operations in early 2010. Citycon Media provides an e-commerce and reservation site, enabling a centralised reservation in any of Citycon's 22 Finnish shopping centres. In this way, promotion space, sales points for periods under three months, sound advertising, video screens or special advertising spaces can be booked. Citycon's long-term objective is to raise the share of special-

ty leasing in shopping centres' rental income to five per cent. Citycon's strength lies in market leadership: it is the only shopping centre operator with a nationally extensive shopping centre network. This enables the implementation of large-scale campaigns in Citycon's centres, based on specialty leasing channels.

Total sales figures for retail and shopping centres are affected by the amendments to Finnish value added tax legislation, which entered into force on 1 July 2010. This raised the general VAT rate by one percentage point, to 23 per cent, while the VAT rate for restaurants and cafes (excluding alcohol sales) was reduced to 13 per cent – the same as for grocery shops. The amendment is expected to increase business and turnover in restaurants and cafes.

Another major legislative change that took place in Finland was a decree that came into effect on 1 December 2009, which increased Sunday opening hours for retail, allowing for completely new trading days. In Citycon's shopping centres, the options for Sunday opening are considered locally according to the market and competition, which means that practices can be adapted to respond to local needs. As a principal, if a shopping centre is open on Sunday, then all the stores are open.

Citycon's shopping centres have made extensive use of the new Sunday opening hours. Most shopping centres were open on all the permitted Sundays in 2010. Most of the feedback received by shopping centre managers from their tenants was positive. It appears that the Sunday openings

have increased sales, with customers spending a little more on average than on weekdays.

In some shopping centres the number of Sunday shoppers rose slightly throughout the year, but in most cases the Sunday visitor numbers were fairly steady. Customers have learned to rely on the shopping centres being open every day. According to our research, the new Sunday opening hours did not affect the visitor numbers of any other shopping day.

### Leading the Way in Shopping Centre Management

In 2010, Citycon focused on retail property management, aiming to manifest its role as the market leader in the form of well-kept shopping centres. Our aim is to provide a thoroughly pleasant experience in all aspects of a customer's visit. Correspondingly, Citycon has started the conceptualisation of quality and service levels, for example, restrooms and parking halls.

In the management of its shopping centres, the company is aiming at a centralised model that sets a Citycon standard for shopping centre quality levels. This target includes the standardisation of property maintenance and management levels for Citycon's retail properties. Following a prolonged competitive tendering process, based on quality and price, Citycon concluded a partner contract with ISS Palvelut Oy. Under this contract, cleaning, security guard services, property technical services and operative waste management in Citycon's shopping centres have been concentrated with ISS

## CITYCON'S SHOPPING CENTRES IN FINLAND 31 DEC. 2010

Property	Location	Entire property		Sales, EUR million		Number of visitors, million		Catchment area population <sup>*)</sup>	Citycon's gross leasable area, sq.m.
		Gross leasable area total, sq.m.	Retail premises total, sq.m.	2010	2009	2010	2009		
<b>Helsinki Metropolitan Area</b>									
Columbus	Helsinki	20,900	19,200	96.2	96.1	7.8	7.7	95,800	20,900
Iso Omena	Espoo	60,500	48,500	236.8	224.0	8.8	8.2	148,000	60,500
Espoonatori <sup>1),2)</sup>	Espoo	23,700	11,900	12.5	22.7	1.6 <sup>*)</sup>	2.9	58,000	17,200
Heikintori	Espoo	9,500	7,000	19.8	20.2	1.9	2.0	138,700	5,800
Lippulaiva	Espoo	18,500	16,400	90.4	72.4	4.2	3.7	45,300	18,500
Isomyyri	Vantaa	14,800	8,800	22.6	27.7	2.0	2.2	54,100	10,900
Myyrmanni	Vantaa	42,000	32,000	155.2	158.5	7.8	7.1	97,600	40,500
Tikkuri <sup>3)</sup>	Vantaa	15,200	8,000	30.8	30.7	3.1	2.9	133,700	10,600
<b>Other areas in Finland</b>									
Jyväskeskus	Jyväskylä	12,000	7,600	21.5	22.1	4.4	4.2	141,700	5,800
Forum <sup>2)</sup>	Jyväskylä	22,000	19,000	51.3	65.2	6.0	6.9	142,200	16,500
Trio	Lahti	48,900	34,600	77.3	73.5	6.4	6.4	123,900	45,700
IsoKristiina	Lappeenranta	19,800	14,100	48.4	46.4	2.1	2.0	58,000	19,500
Galleria	Oulu	4,200	2,600	6.8	7.1	0.9	0.9	188,300	3,500
IsoKarhu	Pori	14,800	12,300	35.2	33.9	3.3	3.2	111,000	14,800
Koskikeskus	Tampere	30,400	24,900	115.7	115.6	5.8	5.5	342,000	27,700
Tullintori	Tampere	23,500	9,000	15.8	15.9	2.3	2.8	133,000	10,000
Duo <sup>4)</sup>	Tampere	13,500	11,900	52.4	53.1	4.0	3.9	38,500	13,000
Sampokeskus	Rovaniemi	13,700	7,800	17.1	17.4	2.3	2.3	53,900	13,700
Torikeskus	Seinäjoki	11,500	7,100	18.4	17.5	1.3	1.3	117,600	11,500
Koskikara	Valkeakoski	10,400	10,000	33.7	34.0	2.1	2.1	19,900	5,800
Valtari	Kouvola	7,600	6,400	4.4 <sup>*)</sup>	4.0 <sup>*)</sup>	0.5	0.5	31,300	7,600
Linjuri <sup>4)</sup>	Salo	10,500	8,100	35.7	34.8	3.0	2.7	40,200	9,200
<b>Total</b>		<b>447,900</b>	<b>327,200</b>	<b>1,197.9</b>	<b>1,192.9</b>	<b>81.5</b>	<b>81.5</b>	<b>-</b>	<b>389,200</b>

1) Gross leasable area includes Espoon Asemakuja and Asematori 2) Re-development project 3) Gross leasable area excludes Asematie 3 and Kassatalo 4) Sales reviewed for year 2009 <sup>\*)</sup> Estimate

Palvelut. Previously, these tasks were carried out by 48 different companies.

The goal of the partner contract with ISS is to improve and harmonise the level of these services in shopping centres. In place of individual tasks, Citycon orders an overall agreed quality level from ISS. A further objective is to generate cost savings. The partner contract model encourages efficiency within ISS. For instance, they have trained multi-service staff who can flexibly shift from one task type to another, based on the shopping centre's current needs.

**Outlook in Finland**

The company will continue to make strong development efforts in retail property management also in 2011. The company's goal is to strengthen its position as the market leader in Finland. Citycon seeks growth especially through (re)development and development of its existing shopping centres, but the company is also interested in acquiring new shopping centres or retail premises.

## The Role of Shopping Centres in a Consumer's Life

Shopping centres have different roles in a consumer's life. On this basis Citycon has classified its shopping centres and applies common marketing and management methods within these categories. This creates efficiency and synergies. Now introduced in Finland, the operating model will be extended to the company's other business units in the near future. The shopping centre Iso Omena features many characteristics of Local Shopping Centres. However, its catchment area is wider and offering more extensive than Citycon's other Local Shopping Centres.

	Meeting Points in City Centres	Local Shopping Centres	Partners in Everyday Life Centres
	Forum • Galleria • Heikintori IsoKarhu • IsoKristiina Jyväskeskus • Koskikeskus Sampokeskus Torikeskus • Trio	Columbus • Duo • Koskikara Lippulaiva • Myyrmanni Tikkuri • Valtari	Espoontori • Isomyyri Linjuri • Tullintori
<b>Brand's role in life</b>	Beating heart of the city, offering irresistible satisfaction of shopping.	Close to its community, fulfilling all basic family needs.	Everyday service centre for busy people.
<b>Properties</b>	Entertaining. Offering is deep, not necessarily that wide. Perfect for "hanging around".	Offering is wide, not necessarily that deep. Public services.	Convenient and "easy going". Fast. Limited assortment. "Compact" size.
<b>Territory</b>	Leisure time. Social interaction.	Family everyday and festivities.	Everyday routines.
	<p>MEETING POINTS IN CITY CENTRES RETAIL SALES AREA BY BRANCHES 31 DEC. 2010</p> <ul style="list-style-type: none"> <li>○ Cafes and Restaurants 11%</li> <li>○ Health and Beauty 9%</li> <li>○ Other Specialty Stores 6%</li> <li>○ Services and Offices 6%</li> <li>○ Clothes and Fashion 35%</li> <li>○ Groceries 6%</li> <li>○ Department Stores 5%</li> <li>○ Leisure, Home Supplies 22%</li> </ul>	<p>LOCAL SHOPPING CENTRES RETAIL SALES AREA BY BRANCHES 31 DEC. 2010</p> <ul style="list-style-type: none"> <li>○ Cafes and Restaurants 6%</li> <li>○ Health and Beauty 5%</li> <li>○ Other Specialty Stores 2%</li> <li>○ Services and Offices 7%</li> <li>○ Clothes and Fashion 14%</li> <li>○ Groceries 27%</li> <li>○ Department Stores 24%</li> <li>○ Leisure, Home Supplies 15%</li> </ul>	<p>PARTNERS IN EVERYDAY LIFE CENTRES RETAIL SALES AREA BY BRANCHES 31 DEC. 2010</p> <ul style="list-style-type: none"> <li>○ Cafes and Restaurants 5%</li> <li>○ Health and Beauty 7%</li> <li>○ Other Specialty Stores 2%</li> <li>○ Services and Offices 15%</li> <li>○ Clothes and Fashion 9%</li> <li>○ Groceries 25%</li> <li>○ Department Stores 19%</li> <li>○ Leisure, Home Supplies 18%</li> </ul>

# Citycon in Sweden

Citycon is strongly focused on the environs of the Swedish capital, Stockholm, and the Gothenburg area. There, Citycon owns seven shopping centres and six other retail properties. The company also owns one shopping centre and a retail property in Umeå. Citycon is Sweden's ninth largest shopping centre operator (source: Fastighetsvärlden).

This year proved much livelier than the previous year: the lease market almost returned to normal and demand for premises was clearly higher than in the year before. A number of international brands are currently active in the Swedish market. This introduces new and attractive stores to the market and also increases the demand for new retail locations. However, in post-recession Sweden, lease negotiations are still taking more time than before.

Tenants are very critical when it comes to deciding on the location and are confident of their bargaining position.

In a tight financial market, seed financing is thin on the ground. This is not only discouraging new entrepreneurs, but is also to some extent hindering the expansion plans of established businesses.

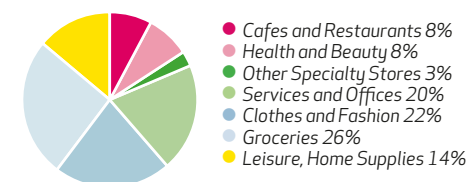
## Year 2010

Citycon's main goal in Sweden was stabilisation of Liljeholmstorget Galleria, which opened in October 2009. This goal progressed: the shopping centre's sales and number of visitors grew even more than expected. In particular, commuters passing through the adjacent commuting hub have found their way to the centre.

Some changes had to be made in Liljeholmstorget's offering during the first year of operation. Important new tenants include the home electronics and DIY chain Clas Ohlson and the fashion chain Indiska, which opened year's only new store in Sweden at Liljeholmstorget. The centre's food court was enhanced and there are now more tempting alternatives to choose from. Following these adjustments, Liljeholmstorget has attracted more lunchtime customers from the nearby Marievik business district.

The majority of Liljeholmstorget's current customers are nearby residents, and they have welcomed the centre with enthusiasm. Further growth potential lies in car-driving families living further away. Although Liljeholmstorget is continuing to in-

## SHOPPING CENTRE RENTAL INCOME BY BRANCHES BASED ON VALID RENT ROLL AT 31 DEC. 2010



## TOP FIVE TENANTS IN SWEDEN

Tenant	Proportion of rental income based on valid rent roll at 31 Dec 2010, %
ICA	11.2%
Axfood	4.4%
Coop	3.3%
Stockholms Läns Landsting	3.0%
Systembolaget	2.5%
<b>Top 5, total</b>	<b>24.4%</b>

## KEY FIGURES, SWEDISH OPERATIONS

	2010	2009
Gross rental income, EUR million	49.8	39.3
Turnover, EUR million	52.8	41.0
Net rental income, EUR million	28.7	23.2
Net fair value gains/losses on investment property, EUR million	22.8	-19.6
Operating profit, EUR million	46.7	0.3
Capital expenditure (gross), EUR million	50.6	95.9
Fair market value of investment properties, EUR million	668.6	548.8
Net rental yield, %	4.8	4.7
Net rental yield, like-for-like properties, %	6.4	6.5

## CITYCON'S SHOPPING CENTRES IN SWEDEN 31 DEC. 2010

Property	Location	Entire property		Sales, EUR million		Number of visitors, million		Catchment Area Population *	Citycon's gross leasable area, sq.m.
		Gross leasable area total, sq.m.	Retail premises total, sq.m.	2010	2009**	2010	2009		
<b>Stockholm area</b>									
Åkersberga Centrum	Österåker	27,500	23,400	60.5	56.3	4.4	4.1	37 000	27,500
Åkermyntan Centrum	Hässelby	8,500	6,600	26.9*	26.1*	1.2*	1.2*	32 000	8,500
Jakobsbergs Centrum	Järfälla	60,700	27,400	76.3	72.3	5.3	5.3	82,800	60,700
Fruängen Centrum	Stockholm	14,600	6,600	27.6*	26.6*	-	-	33 400	14,600
Liljeholmstorget	Stockholm	41,000	27,600	105.8	22.2	8.1	1.7	150,000	41,000
Tumba Centrum	Botkyrka	31,400	13,700	44.6	42.3	3.6	3.4	58,600	31,400
<b>Umeå</b>									
Strömpilen	Umeå	27,000	23,600	106.8	105.4	4.1*	4.0*	109,800	27,000
<b>Gothenburg area</b>									
Stenungs Torg	Stenungsund	36,400	17,600	59.9	57.9	3.3	3.2	74,000	36,400
<b>Total</b>		<b>247,100</b>	<b>146,500</b>	<b>508.4</b>	<b>409.1</b>	<b>30.0</b>	<b>23.0</b>	<b>-</b>	<b>247,100</b>

\* ) Estimate \*\* ) Sales reviewed for year 2009 and presented in 2010 exchange rate

vest heavily in marketing, the shopping centre has clearly established its position in the Stockholm market.

Another remarkable milestone in Sweden was the completion of the extension phase of Åkersberga Centrum's extension and redevelopment project in the Greater Stockholm Area. The centre's extension was opened in October, and the modernised old section will reopen its doors in the April of 2011 (for more details, see page 22). Anchor tenants in the first phase include ICA Kvantum and the fashion chain KappAhl. In turn, the fashion-oriented second phase will host e.g. Esprit, MQ and H&M.

The Swedish Group structure was changed during the year and several subsidiaries were merged into each other. The purpose of this change was to simplify the Group structure. The change did not have any impact on personnel or profit. The merged subsidiaries are specified on page 42 in the Financial Statements.

### Outlook in Sweden

The Swedish shopping centre market is expected to remain stable. Citycon's shopping centres have seen few tenant bankruptcies and rent reductions are practically never requested for reasons of poor profitability. Our rent levels have held firm and demand for premises is stable.

Citycon divested more than 340 apartments in Sweden during the year. More apartments will be sold as suitable purchasers and divestment opportunities present themselves. Since demand in the Swedish residential market is high, it is worth while selling. Active divestment efforts will particularly concern properties which are not undergoing any (re)development project.

## All Citycon Shopping Centres Involved in the Earth Hour Campaign

**E**arth Hour is a global climate campaign organised by WWF, in which people and businesses all around the world turn off their lights for one hour on the same day. Earth Hour encourages people to take environmental action and sends a message to decision-makers that steps must be taken to prevent a climate crisis. Switching off the lights symbolises our shared concern over the acceleration of climate change.

Earth Hour 2010 was held on 27 March, and all of Citycon's 33 shopping centres in Finland, Sweden and the Baltic region took part. Citycon reduced the amount of lighting in its shopping centres during Earth Hour, for example by switching off neon signs. Different actions were taken in different shopping centres, while always maintaining public safety.

# Citycon in Baltic Countries

Citycon owns three shopping centres in the Baltic Countries. In Tallinn, Estonia, it holds the city's largest shopping centre, Rocca al Mare, and a smaller neighbourhood centre Magistral. In Vilnius, Lithuania, Citycon owns Mandarinas, a neighbourhood centre that offers daily necessities. With a market share of around 25 per cent, Citycon is the market leader in Tallinn's shopping centre business. It is also the only property investment company in Estonia which specialises in retail properties.

Although all Baltic countries remain affected by the recession, the first signs of recovery can already be seen, particularly in Estonia. In the autumn, Estonia's unemployment figures began to fall (source: Statistics Estonia). The country joined the Eurozone at the beginning of 2011, which is expected to give a major boost to the national economy, and increase consumer purchasing power.

## Year 2010

Citycon opened Rocca al Mare's second phase in the spring of 2009 and its third phase at the end of the same year. Since the completion of the redevelopment and extension project, Rocca al Mare has established itself in Tallinn's shopping centre market. In February 2010, it was awarded the Baltic countries' first LEED environmental certificate, with silver-level recognition. (See further details on page 43.)

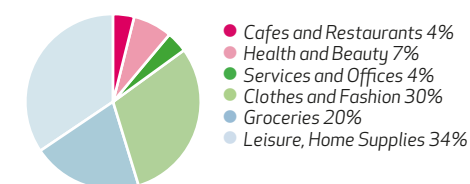
Since its opening, Rocca al Mare has operated with almost all premises leased. While some tenant changes have taken place, the shopping centre's commercial concept has functioned admirably. Temporary rent reductions have been granted – mainly to good, local tenants whom we have wanted to help weather the recession. Rocca al Mare has also been marketed heavily, through both traditional marketing and various types of event marketing. The campaigns have been a clear

success: in an independent survey conducted in the spring of 2010, Rocca al Mare was voted Tallinn's most customer-friendly shopping centre (Tallinn University of Technology, 2010).

The anchor tenant is the Finnish hypermarket chain Prisma. Several international chains have also chosen to open their first Estonian shops in Rocca al Mare. Among these is Marks & Spencer, which has already expanded its business and introduced its deli concept. This year, Rocca al Mare saw the arrival of Mango, Lindex and Tallinn's largest store in the Euronics electronics chain. In addition, Rocca al Mare hosts Tallinn's first food court inside a shopping centre. This has already proven a success with our customers. The shopping centre includes also a large shoe retail cluster.

Rocca al Mare has been cushioned from the temporary decline in local purchasing power, by the flow of Finnish tourists. The shopping centre has

## SHOPPING CENTRE RENTAL INCOME BY BRANCHES BASED ON VALID RENT ROLL AT 31 DEC. 2010



## TOP FIVE TENANTS IN BALTIC COUNTRIES

Tenant	Proportion of rental income based on valid rent roll at 31 Dec 2010, %
S Group (Prisma)	13.1%
ICA (Rimi)	7.2%
Stockmann	4.5%
Kaubamaja Group	3.2%
Baltman	2.4%
<b>Top 5, total</b>	<b>30.4%</b>

## CITYCON'S SHOPPING CENTRES IN THE BALTIC COUNTRIES 31 DEC. 2010

Property	Location	Entire property							Citycon's gross leasable area, sq.m.
		Gross leasable area total, sq.m.	Retail premises total, sq.m.	Sales, EUR million		Number of visitors, million		Catchment Area Population (*)	
				2010	2009**	2010	2009		
<b>Estonia</b>									
Rocca al Mare	Tallinn	53,300	52,900	113.3	92.5	6.4	5.4	340,000	53,300
Magistral	Tallinn	9,500	9,400	15.9	17.9	3.1	3.3	64,000	9,500
<b>Lithuania</b>									
Mandarinas	Vilnius	8,000	7,900	17.1	18.4	2.3	2.4	50,000	8,000
<b>Total</b>		<b>70,800</b>	<b>70,200</b>	<b>146.3</b>	<b>128.8</b>	<b>11.8</b>	<b>11.1</b>	<b>-</b>	<b>70,800</b>

\*) Estimate \*\*) Including VAT

### KEY FIGURES, BALTIC COUNTRIES

	2010	2009
Gross rental income, EUR million	13.9	12.0
Turnover, EUR million	16.7	14.0
Net rental income, EUR million	11.8	9.8
Net fair value gains/losses on investment property, EUR million	3.5	-12.7
Operating profit/loss, EUR million	14.1	-3.8
Capital expenditure (gross), EUR million	6.0	13.9
Fair market value of investment properties, EUR million	166.1	156.6
Net rental yield, %	7.5	6.4
Net rental yield, like-for-like properties, %	8.7	8.2

been marketed not only in Tallinn, but also in Finland, particularly to ferry passengers. Passengers can take a free bus to Rocca al Mare, directly from the ferry terminal. This service, and the shopping centre itself, have proven successful in attracting ferry passengers. Indeed, approximately one in every ten customers is Finnish. In addition, Finnish customers account for around 15 per cent of Rocca al Mare's sales.

The Baltic Countries' neighbourhood centres – Magistral in Tallinn and Mandarinas in Vilnius – both have a firm foothold as providers of local services. In both centres, the anchor tenant is the grocery shop Rimi. Both centres host a bank and post office, the

latter being a highly important local service in the Baltic countries, since post offices are used for pension payment. Despite the recession, there is still demand for neighbourhood centres, since the decline in purchasing power does not affect everyday shopping as severely as specialty retail. Magistral and Mandarinas were strengthened this year, especially in terms of services: Magistral's range of cafes and restaurants has been diversified and, in the case of Mandarinas, various services addressing customers' daily needs have replaced fashion shops.

### Outlook in the Baltic Countries

It seems that, of the three Baltic countries, Estonia suffered slightly less from the recession than Lithuania and Latvia. Accordingly, Estonia looks likely to recover faster. In all Baltic countries, however, the shopping centre development market is very slow. There is a clear oversupply of shopping centres, particularly in the Lithuanian market. Some large fashion-oriented centres that opened just before the recession now face major vacancy problems. In Tallinn, too, the shopping centre market is close to maturity – yet one more expansion, of the Kristine centre, opened in the autumn of 2010. No major new projects are therefore expected, even if the economic trend improves.

For the moment, however, no large-scale forced sales of shopping centre properties have occurred in the Baltic capitals – the strong banks involved have not wished to initiate such procedures. Centres offered for sale have mainly comprised very high-risk properties.

The task of developing shopping centres and finding new tenants remains difficult. Baltic entrepreneurs are finding it difficult to obtain financing for business start-ups, a problem which is especially holding back the establishing and growth of franchise chains in the market.

Citycon is still pursuing a growth strategy for the Baltic Countries, which can be realised either through acquiring new centres or expanding existing ones. The company is only interested in capital

cities, including the Latvian capital, Riga. Citycon is planning a 3,000 square metre extension of Magistral, to begin in the spring of 2011. Furthermore, the valid city plan allows the extension of Rocca al Mare by around 4,000 square metres. Citycon benefits from its in-depth knowledge of the Baltic shopping centre market. The company knows well all properties that may become available for sale as well as the competitive situation in the market in all three capitals.

## Rocca al Mare Organises a Battery Replacement Day

In May, the Rocca al Mare shopping centre in Tallinn, Estonia, organised a Battery Replacement Day. The aim was to encourage people to bring their used batteries for disposal. This event proved a success, with some 10,000 used batteries collected, ensuring the safe disposal of the batteries. If incorrectly handled, old batteries constitute hazardous waste.

The day was also popular with Rocca al Mare's tenants. Many local environmental authorities participated, providing recycling advice and an environmental recycling test, for instance. The shopping centre's shops joined the action by marketing various environmentally friendly products.





 **More often a gym can be found in a shopping centre**

*Health and well-being is a growing business. Today, for example gyms can be found in many shopping centres. Sats fitness centre operate in Iso Omena Espoo and Liljeholmstorget, Stockholm.*



STRATEGIC OBJECTIVES RELATED TO ENVIRONMENTAL RESPONSIBILITY

	Targets in 2010	Results in 2010
<b>Climate change</b>		
Reduction of greenhouse gas emission by 20 per cent by year 2020 from the 2009 level	2%	not achieved
<b>Energy</b>		
Reduction of energy consumption (electricity and heat) by 9 per cent by 2016 from 2009 level	1-2%	electricity achieved, heat not achieved
Improvements in energy efficiency	-	in progress
Identifying solutions that utilise renewable energy	-	in progress
<b>Water</b>		
Lowering water consumption to an average level of less than 3.5 litres per visitor per year	3.9l/visitor	achieved
<b>Waste</b>		
Shopping centre waste recycling rate to be raised to at least 75 per cent by 2015	70%	achieved
Reduction of landfill waste to a maximum of 25 per cent of total waste by 2015	30%	achieved
<b>Landuse and sustainable construction</b>		
All development projects to be implemented in accordance with environmental classification principles	All projects completed in 2010 assessed with LEED criterias	achieved
Development projects are located in built-up environments, within reach of good public transport connections	100%	achieved

# Environmental Responsibility

Properties generate approximately 30 per cent of all greenhouse gas emissions worldwide, which is why the property and construction business can significantly contribute to the prevention and reduction of emissions (source: UNEP Common Carbon Metric). The best ways of cutting greenhouse gas emissions in the sector are to improve the energy efficiency of buildings, to reduce energy consumption and to increase the use of renewable energy sources in the properties' energy production and procurement.

The built environment accounts for 40 per cent of energy consumption, 30 per cent of raw material consumption, 25 per cent of water consumption, 25 per cent of solid waste and 12 per cent of land use. The built environment also has an impact on ecosystems (source: UNEP Common Carbon Metric).

### Why Does Citycon Take Action?

Citycon has made a strategic choice to pursue sustainable development. As a result of climate change and its consequences, stricter regulation is expected in legislation on energy and emissions as well as in taxation, and material costs are also expected to increase. Consumers are becoming increasingly eco-conscious, and both tenants and investors expect action in these matters. Furthermore, Citycon's strategic choices have been guided by the keen interest expressed by different stakeholder groups and their demands for operational transparency. Employees' appreciation concerning environmental, health and safety issues is growing. The main motivations for promoting sustainable development include cost-efficiency and competitive advantage.

### The Principles of Environmental Management

Environmental management is based and guided by the company's strategy, the long term objectives and the environmental policy.

Citycon's management and personnel are committed to meeting the company's environmental objectives and targets. Citycon ap-

plies the following principles to its operations in order to achieve its environmental targets:

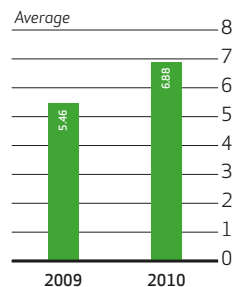
- Take the environment into account in all of its operative functions,
- Comply with statutory rules and regulations, and prepares in advance for future legislative changes through active monitoring of transformations in society,
- Continuously develop the steering, management and reporting of environmental practices,
- Expect its partners to operate in a way that supports the fulfilment of Citycon's environmental goals,
- Ensure that the company's environmental policies are available to all stakeholders,
- Guide its personnel towards sustainability in environmental issues through training and internal communications.

### Green Shopping Centre Management Programme

The company's objective is to include environmental responsibility measures in all of its operations and to integrate them into daily activities as a part of normal practice. Citycon's development efforts produced The Green Shopping Centre Management programme, which is a tool for promoting sustainable development in all of the company's shopping centres. Within the programme, shopping centre management is assessed annually with respect to the following areas:

- Energy consumption and energy efficiency
- Water consumption
- Waste management and recycling
- Refrigerants
- Procurement and cooperation agreements
- Traffic
- Marketing and external communications
- Training and internal communications
- Follow-up and reporting

**GREEN INDEX**



In 2010, during the Green Audit the environmental results of each shopping centre were discussed and an action plan for each shopping centre to fulfil its environmental responsibility objectives was determined. A 'Green Index' was developed for making the audits of the Green Shopping Centre Management programme comparable. On average, the Green Index improved by 26 per cent from the previous year.

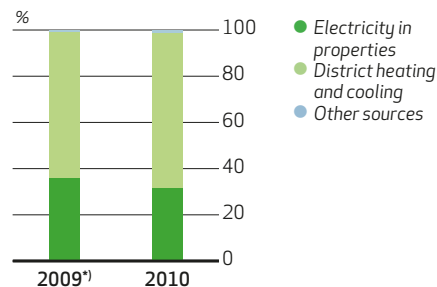
**Emissions**

Citycon's carbon footprint<sup>1)</sup> totalled 64,129 tonnes of carbon dioxide equivalents, broken down as shown on the enclosed table.

Majority of emissions (98.6%) originated from properties' electricity and heat consumption. The calculations also take into account the emissions caused by waste logistics, water consumption and Citycon's other functions.

The carbon footprint grew by 12.6 per cent from

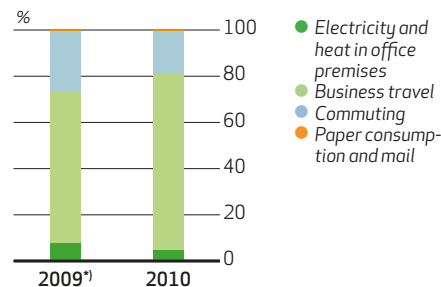
**EMISSION (CO<sub>2</sub>e) DISTRIBUTION**



the previous year, so the annual target of reduction was not met, mainly due to the increase in heating consumption.

In addition to carbon dioxide emissions, relevant greenhouse gas emissions arise from sulphur and nitrogen oxides released in energy production, which, for example, cause acidification of waters, hinder plant growth and corrode buildings. For energy purchased by Citycon, acidifying emissions are estimated to total 249,000 kilograms of sulphur dioxide equivalents. Since electricity traders are under no statutory obligation to disclose nitrogen oxide or sulphur dioxide emissions arising in production, emissions have been estimated based on country-specific production profiles. Acidifying emissions from traffic due to Citycon's operations were excluded from the calculation. The production of nuclear electricity purchased by Citycon generated a total of 63 kilograms of radioactive waste.

**EMISSIONS FROM OFFICE PREMISES AND TRAVELLING (CO<sub>2</sub>e)**



**Climate Change**

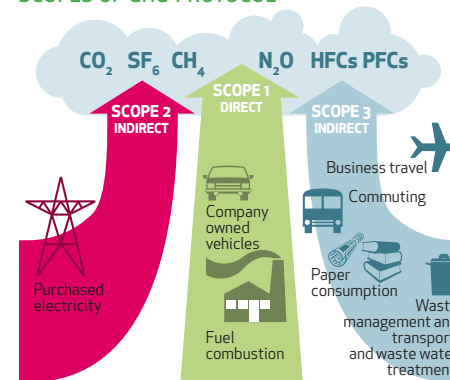
Actions Citycon is taking to fight climate change:

- The central locations of the shopping centres with their good public transport connections reduce harmful environmental impacts of customer traffic
- Specifying and implementing energy-saving measures for each property
- Increasing tenant co-operation in generating energy savings
- Increasing the proportion of renewable energy in electricity procurement.

**EMISSION SCOPES**

	2010		2009	
	tnCO <sub>2</sub> e	%	tnCO <sub>2</sub> e	%
Scope 1, direct	0	0.0	0	0.0
Scope 2, indirect	63,255	98.6	56,269	98.8
Scope 3, indirect	874	1.4	679	1.2

**SCOPES OF GHG-PROTOCOL<sup>1)</sup>**



**DISTRIBUTION OF EMISSIONS**

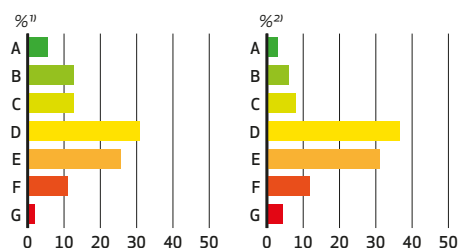
	2010		2009	
	tnCO <sub>2</sub> e	%	tnCO <sub>2</sub> e	%
Electricity in properties	20,191	31.5	20,424	35.9
District heating and cooling in properties	43,035	67.1	35,845	62.9
Electricity and heat in office premises	29	0.0	30	0.1
Waste water in properties	212	0.3	210	0.4
Waste in properties	67	0.1	58	0.1
Business travel	475	0.7	271	0.5
Commuting	117	0.2	106	0.2
Paper consumption and mail	2	0.0	3	0.0
<b>Total</b>	<b>64,129</b>	<b>100.0</b>	<b>56,948</b>	<b>100.0</b>

<sup>1)</sup> In calculating its carbon footprint, Citycon applies the Greenhouse Gas Protocol developed by the World Resources Institute and the World Business Council for Sustainable Development.

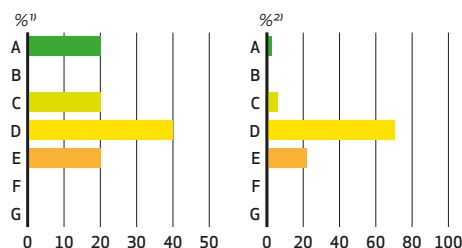
<sup>\*)</sup> Figures for 2009 reviewed

## ENERGY EFFICIENCY RATING

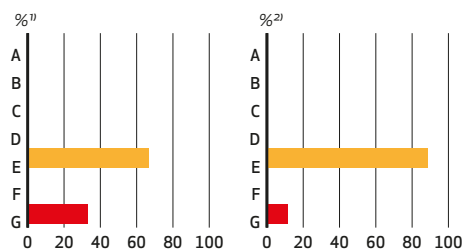
96% of Finnish portfolio



33% of Swedish portfolio



100% of Baltic portfolio



1) Percentage of the number of properties

2) Percentage of the gross area

## Energy

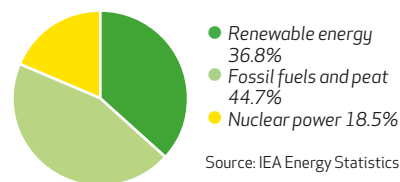
All energy consumption in Citycon's properties is indirect, i.e. there are no heating plants in the properties the fuels of which would be reported as direct energy consumption. In 2010, Citycon's electricity consumption totalled 104.7 gigawatt hours and heating 170.7 gigawatt hours. The primary sources of total energy consumption are illustrated in the enclosed graph. The total consumption of primary energy<sup>3)</sup> used by Citycon was 1,430 terajoules.

In 2010, energy consumption figures were affected by extended Sunday opening hours in Finland, which led to an increase in property usage hours. According to a survey by Energiakolmio, the impact of the Sunday opening hour change was fairly low at approximately 1.5 per cent. It was a two-way effect, with a clear rise of 1.5-3.5 per cent in January-April and September-October, and conversely a decline in the summer months. Regardless of extended opening hours electricity consumption in Finnish shopping centres fell by four per cent, whereas in Sweden it rose by one per cent and in the Baltic Countries by four per cent.

The targeted 1-2 per cent annual energy saving in electricity consumption was fulfilled. The exceptionally cold temperatures of the beginning and the end of the year caused a 21 per cent rise in heat consumption. Weather-normalised heat consumption increased only by four per cent to 121.9 gigawatt hours.

The reported energy consumption includes all Citycon-owned shopping centres and other retail properties in which Citycon has a holding of at least 50 per cent accounting for 96 per cent of Citycon's

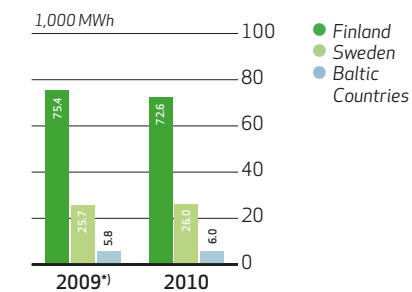
## PRIMARY ENERGY SOURCES



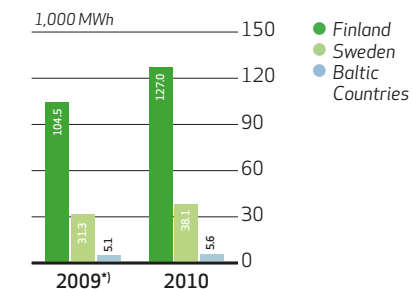
total gross leasable area. Citycon limits the reported electricity consumption of properties to areas that it can directly influence. These include general lighting, ventilation, cooling, lifts and escalators and other building technical systems. Most of the tenant premises are fitted with separate electricity meters.

Increasing energy efficiency can be a challenge in old buildings constructed using building techniques and according to historic regulations that are not equivalent to current standards and requirements. In the future, when building new

## TOTAL ELECTRICITY CONSUMPTION



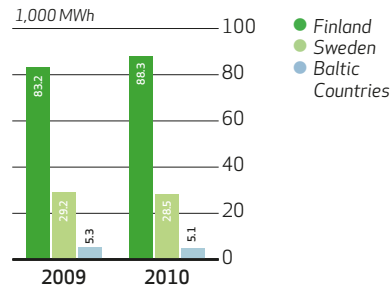
## TOTAL HEAT CONSUMPTION



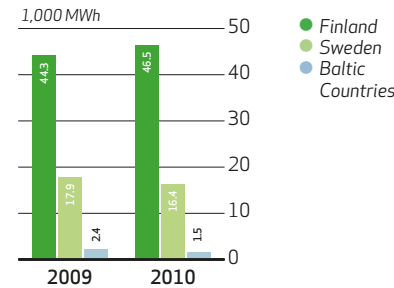
3) The primary energy figures are estimated by calculating the distribution of electricity use by primary energy source for those electricity providers that report this, which covers 94 per cent of the electricity purchased by Citycon. Since no environmental profile for 2010 was available from electricity providers at the time of calculating in January 2011, each provider's environmental profile for 2009 was used in the calculations. For the other Nordic countries, the energy source distribution is estimated based on Nord Pool market electricity. For the Baltic region, the source distribution calculation is based on country-specific energy statistics and data provided by the IEA. The latest available data referred to 2008. The primary energy sources of heating are estimated based on country-specific energy statistics from the IEA. The factors from the EU CHP Directive and the EN 15603 standard were used in calculating primary energy sources, applying the prudence principle. The reference factor for coal was used for fossil fuel-based electricity, and the natural gas factor was used for heating. With regard to renewable energy, the proportion of hydroelectric and wind power in the Nord Pool and Baltic regions was calculated based on IEA statistics. The remaining portion of renewable energy was assumed to derive from biomass, for which the factor for wood was used. These factors do not take into account the cogeneration of heat and electricity, so according to the prudence principle, the primary energy figure is a maximum.

\*1) Figures for 2009 reviewed

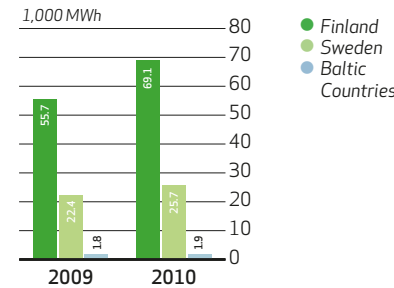
**WEATHER NORMALISED HEAT CONSUMPTION IN SHOPPING CENTRES**



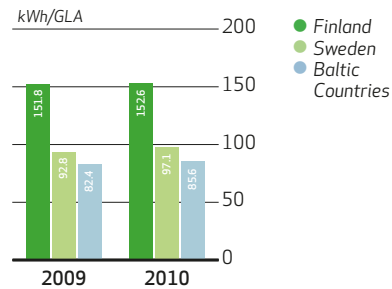
**TOTAL ELECTRICITY CONSUMPTION IN LIKE-FOR-LIKE SHOPPING CENTRES**



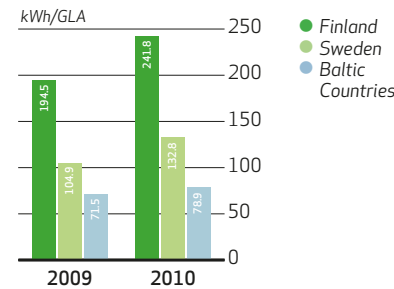
**TOTAL HEAT CONSUMPTION IN LIKE-FOR-LIKE SHOPPING CENTRES**



**NORMALISED ELECTRICITY CONSUMPTION IN SHOPPING CENTRES**



**NORMALISED HEAT CONSUMPTION IN SHOPPING CENTRES**



properties and extensions or redeveloping existing ones, Citycon will specify objectives for energy consumption and monitor these during the design and building stage and during use.

Annual energy performance certificates are prepared for all Citycon properties in Finland. Swedish law requires the preparation of energy performance certificates every ten years or when

a property is being sold. The energy performance certificate indicates the total energy consumption in the property, comprising heating energy, electricity and cooling energy. The total consumption per gross area indicates how energy-efficient a property is. Energy-saving measures for each property are specified on the basis of consumption data, energy audits and equipment life cycle analyses.

**Refrigerants**

Refrigerants are used in grocery stores, properties' cooling and ventilation equipment, and in heat pumps. Most of the refrigeration units of grocery stores located on Citycon properties are the responsibility of the tenant.

It is forbidden in Finland to use CFC compounds in refrigeration equipment. The use of HCFC compounds, which currently replace CFCs, will be banned from early 2015. These are to be replaced by methods or substances that do not damage the ozone layer or further influence climate change.

Citycon has started maintaining a centralised refrigerant database, which will contain information on all the refrigeration equipment and refrigerants used in its properties. Ozone-depleting refrigerants will be abandoned by the statutory deadline at the latest.

**Recycling Electronic Equipment**

In May, Citycon's shopping centre Columbus, located in Vuosaari, Helsinki, organised a campaign for the recycling of electrical and electronic equipment (WEEE), and waste metal.

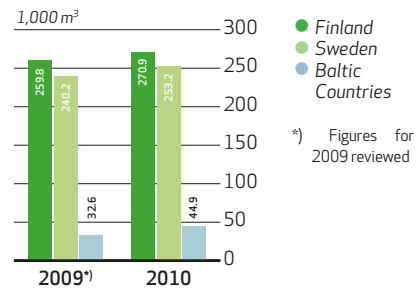
During the two-day campaign, the shopping centre gathered a total of 2.5 sea containers of WEEE and waste metal. Free of charge, people were able to bring home appliances and other metal waste for recycling.

On both days, staff from Stena Techno-world was present to collect the gathered waste and give advice on recycling. Recycling campaign was carried out in accordance with the ISO 14001 environmental management system.

Another WEEE collection was simultaneously organised in Citycon's shopping centre IsoKarhu in Pori.

# Environmental Responsibility

## TOTAL WATER CONSUMPTION

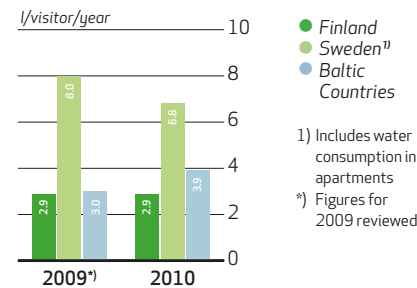


### Water

The total water consumption was 569,021 cubic metres, including all Citycon-owned shopping centres and other retail properties in which Citycon has a holding of at least 50 per cent, which accounts for 96 per cent of Citycon's total gross leasable area. The reported amount includes water consumed by real estate companies and tenants. Tenant water consumption is highest for grocery stores, restaurants and cafés, hair salons, laundries and car wash facilities. An objective in Citycon's shopping centre-specific action plans is to install more water meters allowing monitoring of user-specific consumption. A property's water consumption includes water used in public facilities such as customer toilets, and water used for cleaning, property maintenance and watering plants.

The exceptionally warm summer caused a clear peak in water consumption between June and August, as the cooling capacity of air conditioning

## AVERAGE WATER CONSUMPTION IN SHOPPING CENTRES

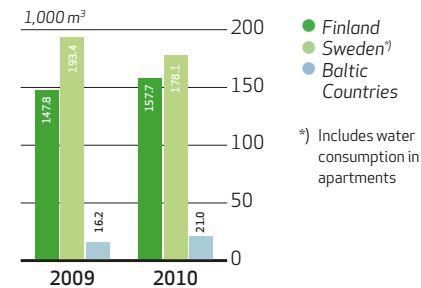


equipment and grocery store refrigerators was improved by sprinkling condensers. Consequently the annual water consumption increased by 6.8 per cent. The long-term water consumption target for Citycon is 3.5 litres per visitor per year. For 2010, the average water consumption per visitor in shopping centres was 3.9 litres. The annual water consumption reduction target was met.

### Waste

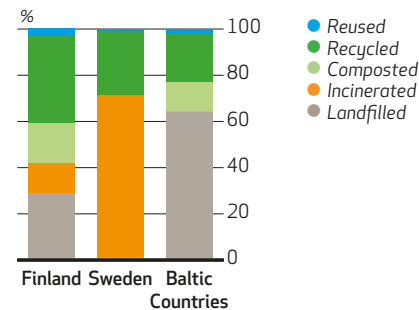
The primary purpose of Finland's Waste Act is to prevent the generation of waste. Generated waste should primarily be recycled as materials and secondarily be utilised as energy. Non-recyclable materials must be disposed of safely. For waste sent to landfill, the originator must pay a waste tax, which will rise by EUR 10/tonne in 2011 and again in 2013. This will imply a 67 per cent tax rise over the rate of EUR 30/tonne in 2010. The increase in taxation is a further encouragement to recycle.

## TOTAL WATER CONSUMPTION IN LIKE-FOR-LIKE SHOPPING CENTRES



In Sweden, waste incineration is much more common than in Finland and the Baltic Countries, and much less sorting is necessary where incineration is used. Therefore the proportion of landfill waste is very small.

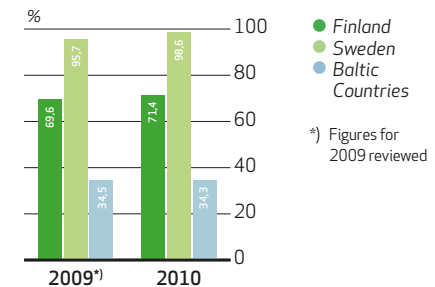
## WASTE BY DISPOSAL ROUTES IN 2010



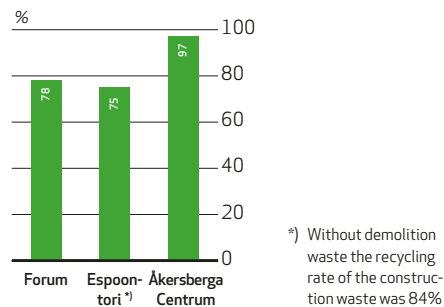
In the Baltic region, recycling is significantly less advanced than in the company's other countries of operation, but it is continuously developing.

Properties managed by Citycon generated 13,650 tonnes of waste, of which 12,979 tonnes were collected from shopping centres and 671 tonnes from other properties. The average recycling rate of waste materials for Citycon's shopping centres was 77.1 per cent, the proportion of landfill waste being 22.5 per cent. Both of Citycon's long-term objectives set for waste management were met already in the first year. The recycling rate is calculated as the share of treated waste types, recycled, incinerated or reused, of total waste volume. Landfill waste is excluded from recycled items. For 2009, the recycling rate was calculated as the material recycling rate, which did not take into account the quantity of incinerated waste. The calculation method and related targets

## RECYCLING RATE



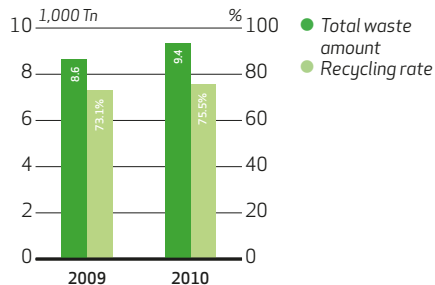
**RECYCLING RATE OF CONSTRUCTION WASTE**



were changed to meet the general practice in the industry.

Citycon organises property waste management and sorting in accordance with country-specific waste legislation and local regulations. The re-

**TOTAL WASTE AMOUNT AND RECYCLING RATE IN LIKE-FOR-LIKE SHOPPING CENTRES**



ported waste quantities include all Citycon-owned shopping centres and other retail properties in which Citycon has a holding of at least 50 per cent accounting for 89 per cent of Citycon's total gross leasable area. The properties where waste management is carried out by tenants are not included in the reporting as their waste quantities are not known.

In its construction projects, Citycon calculates the total recycling rate from waste generated during the construction process.

**WASTE COLLECTED IN SHOPPING CENTRES**

Waste sort	2010		2009*)	
	tn	%	tn	%
Landfill waste	2,917.0	22.5	2,892.3	25.7
Energy waste	3,540.2	27.3	2,597.6	23.0
Bio waste	1,556.5	12.0	1,356.7	12.0
Paper	444.5	3.4	445.8	4.0
Cardbord	3,679.2	28.3	3,303.5	29.3
Plastic	44.8	0.3	65.5	0.6
Glass	378.4	2.9	283.6	2.5
Metal	128.4	1.0	123.1	1.1
Hazardous waste	3.2	0.0	28.5	0.3
Other reusable waste	236.5	1.8	124.6	1.1
Other unsorted waste	50.8	0.4	54.0	0.5
<b>Total</b>	<b>12,979.4</b>	<b>100.0</b>	<b>11,275.2</b>	<b>100.0</b>

\*) Figures for 2009 reviewed

**Land Use and Sustainable Construction**

In implementation of property development projects, Environmental impacts can be significantly reduced by the means of design and construction. The adherence to the principles of environmental certification systems in implementation of the projects promote sustainable development. The most widely recognised environmental certification systems are LEED (Leadership in Energy and Environmental Design), originally developed in the United States, and BREEAM (Building Research Establishment Environmental Assessment Method), which is widely used in Europe.

All of Citycon's three LEED pilot projects have been awarded the LEED certificate. The redevelopment of Trio shopping centre in Lahti was awarded the first LEED certificate in the Nordic countries in June 2009. The extension and redevelopment project for Rocca al Mare shopping centre in Tallinn received a silver certificate in February 2010. The Liljeholmstorget shopping centre development project in Stockholm achieved the highest LEED level, platinum, in March 2010.

All Citycon's (re)development projects will be carried out in accordance with environmental classification principles. Preliminary LEED assessment has been conducted by an external assessor in the Espoon-tori redevelopment project, the Forum redevelopment project, Aseman Ostari refurbishment project in Kirkkonummi, the Myllypuro shopping centre development and the Åkersberga Centrum's extension project. The Martinlaakso shopping centre's development project in Vantaa is registered for LEED application. The project is aiming for the gold certificate.

**Biodiversity**

All land use and construction operations include a threat of loss of biodiversity and therefore Citycon aims to avoid construction projects in unbuilt areas where changes could have a negative impact on biodiversity and ecosystems. All Citycon's shopping centres are located in built environment.

In most cases, an environmental impact assessment, which also includes a biodiversity assessment, is conducted in connection with zoning and major projects. Where the environmental impact assessment is not required by law, Citycon evaluates the need for making its own assessment. The location of shopping centres in built-up environments and with excellent public transport connections reduces their impact on ecology and biodiversity.

Citycon's properties are not situated on protected land areas. Shopping centre Rocca al Mare is located adjacent to a protected area.

# Social Responsibility

Each individual is respected and treated fairly and equally regardless of gender, belief, age or similar factors. (Citycon Code of Conduct)

**H**R management at Citycon is based on its HR strategy. This strategy establishes the principles according to which personnel are managed and their successful performance at work is supported. The company aims to be an employer which is appreciated by professionals in the sector and is able to retain and motivate its employees and attract new ones. As in previous years, Citycon was an active recruiter, and the number of its employees increased to 129 (from 119). At the end of the year, the company had 84 employees in Finland, 37 in Sweden, seven in Estonia and one in Lithuania.

One of the key elements of Citycon's HR strategy is to offer development opportunities for the company employees. The company has grown to a size at which it can offer in-house transfers from one post to another. In addition, open and new vacancies are always offered first for application by company employees. From out of the house, Citycon typically employs professionals with several years of work experience. During the past year, the company was also provided with a chance to recruit recent graduates taking first steps in their career.

Most employment contracts at Citycon are full-time and permanent. In 2010, the number of fixed-term contracts increased, mainly due to more temporary employees having to be recruited for parental leave cover. At year-end, there were 122 permanent employees and seven temporary employees. All of Citycon's employment contracts were full-time contracts.

During the year, Citycon entered into 29 new employment contracts, including short-term internships. Citycon maintains its reputation as an interesting employer in the sector, which is reflected in large numbers of applications for vacancies, as well as a steady flow of open applications. During the year, 13 permanent employees left Citycon.

### A Versatile Expert Organisation

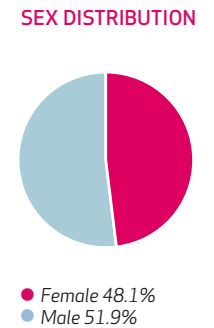
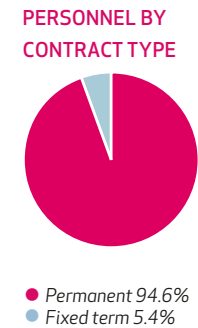
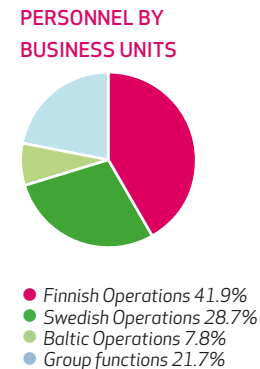
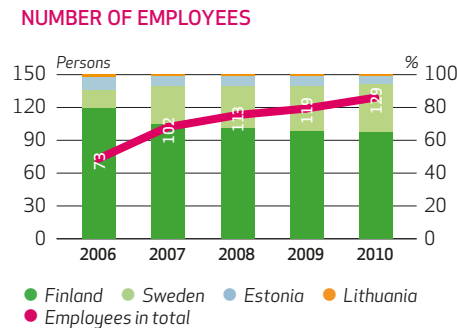
It is common for expert organisations like Citycon that employees are not essentially organised, although unionisation is totally acceptable by the employer. Most personnel belong to professional associations in line with their educational backgrounds and competence. In Finland, statutory negotiations between the employer and employees take place within a co-operation group that convenes when necessary, comprising six employee representatives and two employer representatives. Employee representatives are appointed

for two years at a time. The group discusses matters such as the equal opportunities scheme, human resources plans, training objectives, new guidelines, policies and processes, and any other issues required by the Finnish Act on Co-operation within Undertakings or concerning all personnel. Discussions on matters concerning one person or a specific group of employees are conducted between that person or group and the employer representatives. In the case of corporate reorganisations, Citycon complies with the local legislation in each country. In 2010, as in previous years, this mainly concerned internal organisational changes. Citycon did not conduct any negotiations related to re-organisations in personnel.

In its main country of operation, Finland, Citycon has an occupational safety committee, concerned with Finnish personnel and depending on the subject matter, also personnel in other countries of operation. The occupational safety committee has

four employee representatives, one employer representative and an expert consultant in occupational health and safety. During the past year, the committee discussed matters concerning safety and first aid, as well as the implementation of an early intervention model related to identifying problems in work ability. In the smaller countries of operation, guidelines and policies concerning occupational health and safety are issued by local management.

Most Citycon employees carry out physically light office work, so the emphasis of occupational health care is on preventive actions, such as proper ergonomics. Citycon also offers a wide range of other occupational health care services for its employees. During the year, there were 296 absent days due to illness, totalling 2.4 days per employee. The absentee rate was 1.2 per cent <sup>1)</sup>. There were three occupational accidents, two of them on the way to work and one on the actual workplace.





**Encouragement for Continuous Training and Development**

Citycon brings together skilled people from a variety of fields. Key competence areas include financing and real estate transactions, retail property management and property development. Citycon aims to increase the skills base of its experts, particularly by supporting long-term self-development, for instance through further or advanced studies. In addition, the company has a positive attitude towards updating skills through courses and internal training.

Training programmes are planned for specific personnel groups as well. For example, in 2010 shopping centre personnel attended specially tailored safety, security and crisis management training. Continuous training is also offered to maintain language skills or to increase competence in using applications. In 2010, Citycon employees com-

pleted 437 full-day training sessions i.e. 3.6 days per employee<sup>2)</sup>. In addition, there were numerous shorter training events, on which statistics were not collected.

Citycon Days, arranged twice a year, are an important tradition in the Citycon calendar. The spring development event is for all employees, regardless of their country of operation, whereas the autumn event is held locally in each country. These events involve sharing information and experience internally and hearing presentations from external speakers on the sector or on topical issues. Positive feedback was again received on the events.

Employee performance review is an essential tool in managing target-oriented activity and employee skills at Citycon. In the review, feedback is given on the previous period, targets are set for the coming period and a personal short- and long-term development plan is tailored. In 2010, 92.6

**ORGANISATION 31 DEC. 2010**



per cent of employees conducted the review with their superiors at least once, while 48.4 per cent conducted the review twice.

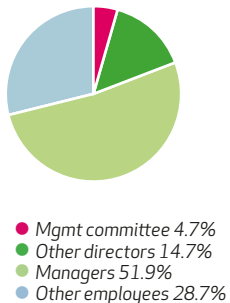
**Personnel Surveys to Measure Job Satisfaction**

Citycon develops its operations based on issues identified in personnel surveys. In 2010, the service provider engaged to conduct the survey and the

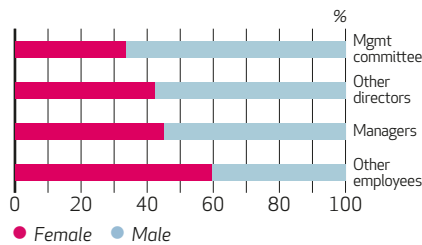
schedule for the survey changed, and the survey in new format was carried out for the first time in the spring. The results were discussed at the spring's Citycon Day, kicking off more detailed consideration of the survey outcomes. Superiors in Finland and Sweden received relevant training.

The response rate for the spring personnel survey was 88.2 per cent. The score for the overall job

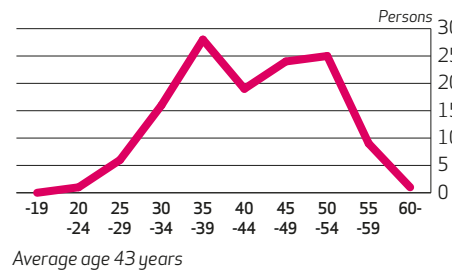
**EMPLOYEE GROUP**



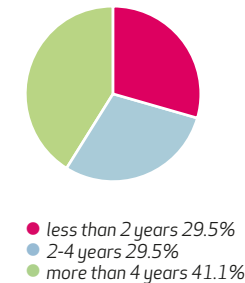
**EMPLOYEE GROUP BY GENDER**



**AGE DISTRIBUTION**



**DURATION OF EMPLOYMENT**



- 1) Absentee rate =  $\frac{\text{Total absent days due to illness (1.1.-31.12.)}}{\text{Theoretical working days (1.1.-31.12.)}} \times 100\%$
- 2) Number of training days per employee =  $\frac{\text{Total full-day training sessions (1.1.-31.12.)}}{\text{Employees average (1.1.-31.12.)}}$

satisfaction index was 63.2, the management index was 71.2 and the employee commitment index was 72.3. These indicators are among those which will be followed up in coming years, as Citycon has chosen to use the same survey application in the future.

At Group-wide level, the best scores were awarded to Citycon's reliability as an employer and to confidence in the company's future. The company employees also value their challenging and interesting tasks. Criticism was made of job-related tools, mainly in relation to the effectiveness of IT support functions in Sweden. In addition, performance appraisals and stressfulness of expert work were criticised. Respondents were also concerned about the fact that in expert positions, every person carries out specialised tasks, which makes it difficult to find assistance or temporary cover. Naturally, there were significant variations between the results from each country and each unit, so further consideration of the results took place locally. The Corporate Management Committee discussed the Group-level results and collated the outcomes of each unit's efforts.

### Equality in Work Community

In order to prevent discrimination, the company has an equal opportunities scheme, covering the management, supervisors and other staff in all Citycon offices. The equal opportunities scheme contains actions and guidance for identifying and dealing with cases of discrimination. There are country-specific action plans, updated annually in co-operation with employee representatives. During the year, no discrimination cases were reported at Citycon.

Every other year, Citycon conducts a Group-wide equality assessment, collecting feedback on its work promoting equal opportunities. The assessment was first carried out in 2009. The company's equal opportunities scheme is available on the intranet and all new employees are introduced to it as a part of their induction.

Personnel are free to take part in union activities. Citycon is an expert organisation and it does not belong to any employers' union. Citycon does not maintain records of the unionisation of personnel; unionisation is not considered a risk due to the educational backgrounds and diversity of roles of its employees.

In 2010, Citycon did not employ any employees aged under 18, even though this is allowed by law under certain conditions. In Finland, many companies give young people a chance to become acquainted with work as a part of the nationwide TET training scheme, which means that school pupils of certain age under 18 are provided with a period of training at work. Related to this scheme, Citycon's shopping centres provided some pupils with one-week training sessions. Their tasks included, for example, writing blog entries for the shopping centres' websites. Citycon is opposed to the use of forced labour and makes statutory agreements and contracts with all of its employees.

### Safety in Shopping Centres

In shopping centres, the safety and security of customers and personnel is ensured by trained safety and security guards by a security service provider. In

all countries of operation, security guards must complete applicable training, which includes the handling of various risk situations and minority groups.

During the year, Citycon provided training on shopping centre safety and crisis communication for its own employees. The two-day training session was arranged for all of the company's shopping centre managers and property managers in Finland. The first day focused on safety matters, including first aid and fire extinguishing exercises. On the second day, attendees practised crisis communication through interview and crisis simulations.

In Sweden, the company held two media training days, which also covered crisis communication. Security and safety instructions were also updated. The training sessions were attended by all directors and shopping centre, marketing and property development managers in Citycon's Swedish organisation.

Similar crisis communication and safety training will be offered in the Baltic organisation. Crisis training will continue with sessions for the Group management in 2011. In addition, crisis communication instructions for the whole Group will be updated.

### Local Community is Important

Citycon wants to offer local communities comprehensive services, which is why the tenant mix in its shopping centres include many non-commercial operators. Public administration service points, libraries, health care centres, home care units and even chapels complement the shopping centre service portfolio.

Citycon's shopping centres are located within existing community structures, close to people and

customer flows. Some shopping centres are in city centres, while some are located in local centres. Those situated in local centres are accessible by public transport, and all except two are situated on existing or planned railway lines.

Some of Citycon's shopping centres and their environments are valuable in terms of their cultural history or construction heritage. In Martinlaakso, Vantaa, Citycon documented with photographs the old retail centre's urban environment and interior prior to demolishing the old retail centre in order to construct a new shopping centre. In Sweden, a brochure was published showcasing the beautiful architecture and history of the shopping centre Strömpilen in Umeå.

The daily operations of Citycon's shopping centres take into account local partners and representatives, such as residents' associations and charities. Forms of local cooperation with them varies from centre to centre. Local partners and representatives are also included in the planning and implementation phases of development projects.

Citycon carried out a toy collection campaign in 17 shopping centres around Finland. The partner in this, the third such campaign, were the national and local organisations of the Mannerheim League for Child Welfare, which promotes welfare for children and young families. Through the campaign, Citycon wanted to get across the message that people should not throw away reusable goods: one person's rubbish may be another's treasure. More than 60,000 undamaged and safe toys were collected and donated to day-care centres, children's homes,

hospitals and low-income families. Some of the toys were sent overseas through a charity that carries out humanitarian work in the Eastern Europe.

In Sweden, the shopping centre Strömpilen collects teddy bears for Eastern European orphanages. Each year, around 4,000 teddy bears find new owners this way.

#### Small and Controlled Risk of Corruption

Finland and Sweden are fourth and fifth in the list of the world's least corrupt countries. The risk of corruption is higher in the Baltic countries: Estonia was ranked 26th and Lithuania 46th. (Source: Global Corruption Barometer 2010, Transparency International) Citycon has detected no signs of corruption in its customer relations or partnerships, and has received no such reports from external parties. Therefore the company has not considered it necessary to cover corruption risk in its risk management programme.

Citycon has a zero-tolerance policy towards bribery and other forms of corruption. Travel and representation guideline is in place for all personnel, defining the rules for acceptable business travel and representation. All travel and representation expenses must be approved by a superior and recorded in the company's travel and expense accounting system. The travel and representation guideline is available on the intranet and all new employees are introduced to it as a part of their induction.

Citycon did not fund any political parties or participate in arrangement of any political election campaigns during the year. Citycon allows political

election campaigning to take place in its shopping centres, for instance for local government, parliamentary, presidential and European elections, but the use of the premises is subject to the company's customary leasing terms.

#### Customer Satisfaction

Citycon carries out catchment area and visitor surveys in Finland approximately every two years, as part of its research programme. Catchment area surveys investigate local residents' awareness and image of each shopping centre. Visitor surveys, on the other hand, analyse the satisfaction of existing customers with the shopping centre. In 2010, a catchment area survey was carried out in the Trio shopping centre area. When respondents were

asked spontaneously to name shopping centres, Trio received by far the most mentions. Trio was also the most visited shopping centre in the area by a significant margin.

An independent external research organisation measured customer and tenant satisfaction in Swedish shopping centres, including five Citycon centres. The Customer Satisfaction Index (CSI) measures overall visitor satisfaction with the shopping centre. The Tenant Satisfaction Index (TSI) measures tenant satisfaction. The survey involved 25 shopping centres in total. According to the results of the consumer survey, the strengths of the Citycon shopping centres included parking facilities, safety and accessibility. Suggested improvements related to the variety of restaurant

and café services and the overall image of the shopping centres. According to the tenant survey (TSI), the strengths of the Citycon shopping centres were general safety and security, the availability of maintenance personnel, local presence, waste recycling and environmental issues. Suggested improvements concerned the centres' overall image, the effectiveness of marketing and cooperation with tenants.

#### Developing Ways of Collecting Customer Feedback

All of Citycon's shopping centres have websites, which provide contact details for submitting customer feedback to management. The Finnish shopping centres' websites also provide an electronic feedback form. Messages are read regularly and the senders are contacted if so requested. For Citycon-level feedback there is a form available on the corporate website. Some of the shopping centres also have a presence on social media such as Facebook or Twitter.

Iso Omena shopping centre recruited a ten-person customer panel from Facebook, which convened five times during the year. The panel is managed by a research team from Aalto University. The purpose of the panel is to provide customer-oriented insights into the shopping centre's service portfolio, functionality and other customer satisfaction issues. The panel will continue working in 2011, when Iso Omena will receive some of the group's development ideas. Another aim is to pilot new customer-driven technologies such as mobile

## Welcoming Local Residents

**Local residents were invited** to the laying of the cornerstone for the Myllypuro shopping centre through advertising in a local paper. Around 300 residents attended the ceremony. A local volunteer organisation, Myllypuro Martat, was chosen to provide the catering for the event.

**Local residents were invited** to an information and Q&A session regarding Matinkylä's new metro station in order to hear their wishes concerning the future metro and shopping centre complex.

services. Iso Omena is testing the use of a digital info kiosk which provides customers with information on the shopping centre facilities and allows them to send feedback.

Citycon's marketing communications are carried out in accordance with the law and best practice. Citycon's marketing activities are directed at tenants and consumers.

### Recognitions and Studies

#### ***Iso Omena: the Third Best Shopping Centre in Helsinki Area in Terms of Characteristics***

According to a 2010 survey on shopping centres in the Helsinki Metropolitan Area conducted by Taloustutkimus Oy, Iso Omena was the third best shopping centre in the region in terms of characteristics.

#### ***Rocca al Mare: the Most Customer-Friendly Shopping Centre in Estonia***

Rocca al Mare in Tallinn was found to be Estonia's most customer-friendly shopping centre in a survey of 1,400 consumers by Tallinn University of Technology. Respondents were asked to name enterprises that they would recommend to their friends and family.

#### ***Forum: Happy Renovation - Marketing Campaign of the Year in Central Finland***

The ten-month refurbishment project and Happy Renovation campaign carried out at Forum shopping centre in Jyväskylä was voted the Marketing Campaign of the Year in Central Finland. In the com-

petition organised by the Finnish Marketing Federation, Keski-suomalainen newspaper and Jykes Oy, the project received 40 per cent of the popular vote. Forum and Citycon were praised for their successful branding of the project as an upbeat and positive event, and for drawing attention to the shopping centre's modernisation rather than the inconvenience caused by the renovation. The refurbishment project was skilfully used in marketing, maintaining a positive customer image throughout the renovation.

#### ***Strömpilen: Bag-free Shopping Centre***

Strömpilen shopping centre in Umeå, Sweden, was the first shopping centre in the country to stop giving out free plastic bags to customers in all of its speciality stores. The campaign has now been running for nearly three years, and has received plenty of positive feedback from customers and the media. In a customer satisfaction survey (Centrumbarometern 2010), Strömpilen received the best environmental friendliness score of all Swedish shopping centres.

#### ***Citycon: Annual and Corporate Social Responsibility Report Awarded***

EPRA cited Citycon's 2009 Annual and Corporate Social Responsibility Report as one of the best in the sector. Each year, EPRA evaluates the annual reports and financial statements of 80 listed European real estate companies, acknowledging the best of them. In 2010, the gold award was given to eight companies with the best annual reports, including Citycon.

## R18 Campaign at Koskikeskus

**K**oskikeskus, a Citycon shopping centre in Tampere, Finland, was among the first to join the R18 campaign ('K18 kampanja' in Finnish), designed to protect under-age persons from harm related to alcohol and tobacco. The campaign encourages shop staff to exercise greater vigilance in requesting and verifying IDs, and identifying illegal dealers.

The R18 campaign was originally launched in Iisalmi and is supported by Finland's Slot Machine Association RAY. In the Pirkanmaa region, surrounding Tampere, the campaign has been boosted by local parents' associations. Entrepreneurs have also given it a warm welcome.

In Koskikeskus, all shops selling alcohol or tobacco products participated.



# Risks and Risk Management

**F**or risk management purposes, Citycon has a holistic Enterprise Risk Management (ERM) programme in place. The aim of risk management is to ensure that the company meets its business targets. Successful risk management identifies key risks, reliably analyses their impacts prior to their realisation and initiates preventive measures in order to lower the probability of an identified risk being realised and to mitigate its impact. The latest risk analysis, carried out in 2010 and concerning the year 2011, included the assessment of risks associated with climate change and sustainable development which would affect Citycon's business. Risks associated with climate change are covered on page 51 of the Annual and Sustainability Report.

Citycon's ERM process takes account of the risk management objectives as well as Citycon's willingness to take risks. The ERM's purpose is to generate up-to-date and consistent information for the company's senior executives and Board of Directors on any risks threatening strategic and annual plan targets.

The following contains a description of the most important risks which, if realised, could jeopardise the attainment of Citycon's targets. Risk management within Citycon is also discussed on pages 35-37 of the attached Financial Statements.

## Development of Investment Properties' Fair Value in the Uncertain Economic Environment

A number of factors contribute to the value of the company's retail properties, such as general and

local economic developments, the level of interest rates, expected inflation, developments in market rent levels, vacancy rates and property investors' yield requirements as well as competition.

Investment property value trends continue to be subject to unusual levels of uncertainty due to the challenging economic situation and prevailing uncertainty in the financial market throughout the countries in which the company operates. In addition, unemployment rates have remained high in the Baltic countries, while unemployment has not remarkably declined in Finland or in Sweden. All in all, unemployment has still remained at higher levels than before the financial crisis.

As investment property values declined due to the financial crisis in 2008 and 2009, Citycon recognised fair value losses on its investment properties for those years. During 2009, trading activity in the property market remained at low levels. Although it picked up in 2010, trading activity remained relatively modest especially in Finland and Estonia. However, investment property values began to increase during 2010, and Citycon recognised a total of EUR 50.8 million in fair value gains. While changes in the fair value of investment properties have an effect on the company's profit for the financial year, they do not have an immediate impact on cash flow.

An investment property's fair value measurement is generally based on a ten-year cash-flow analysis. The key variables used in the measurement include yield requirements of property inves-

tors, rental income, vacancy rates and operating expenses. Sensitivity to changes in investment 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 2,361.1 million defined by the external appraiser on 31 December 2010 as the starting value. Accordingly, various changes would alter the investment properties' fair value as follows:

• Yield requirement	+5%	→	Fair value EUR 2,254.0 million
• Rental income	+5%	→	Fair value EUR 2,529.9 million
• Vacancy rates	+5%	→	Fair value EUR 2,344.3 million
• Operating expenses	+5%	→	Fair value EUR 2,312.7 million

While the company cannot influence yield requirements, it seeks to have an impact on the other fair value variables through active shopping centre management, a cornerstone of Citycon's business. Citycon aims to optimise the profitability of its shopping centres by conducting the entire shopping centre management process in-house with the help of its own employees.

## Increasing Rental Income, Reducing Vacancy Rates and Demand for Retail Premises

Economic fluctuations and trends have a significant influence on demand for leasable premises, vacancy as well as rental levels. Failure in increasing rental income and reducing vacancy constitute one of the key near-term risks for the company.

Economic growth has decelerated distinctly in all of the company's operating areas since 2008. In 2010, the general economic trends were positive, but demand for retail premises did not yet increase significantly. Consequently, the rental of premises continued to be challenging, market rents developed modestly or, in certain locations, decreased. Prolonged economic uncertainty may reduce demand for retail premises, weaken tenants' ability to pay rent, limit opportunities for increasing rents and raise properties' vacancy rates.

In 2010, vacancy rates in retail premises owned by Citycon remained stable, and rents for like-for-like properties reduced by only 0.3 per cent. If economic growth in the operating areas does not pick up, reducing or maintaining the current vacancy rates for existing properties and increasing rental income from them may prove challenging. The company has had to continue rental rebates it has granted to certain tenants. Rental rebates in 2010 totalled EUR 3.0 million.

While prospects for increasing rental income are difficult, administrative expenses and property maintenance costs may keep rising, putting pressure on the profitability of the company's business.

## Risks Associated with Leasing and Costs of Property Development Projects

A key element in Citycon's strategy is the development of existing properties to meet tenant needs more effectively. The key short-term risks related to development projects include leasing new

premises in the currently challenging economic environment, and investment costs.

Citycon has major development projects underway in Finland and Sweden and is preparing new (re)development projects throughout its countries of operation. Consequently, the leasable area within Citycon's properties is expected to increase significantly in coming years. Successful implementation of new development projects is of primary importance to Citycon's financial development and growth. The key risk involves demand for retail premises as well as market rent levels in an environment characterised by slower economic growth. For new projects, it may prove difficult to attain an adequate pre-leasing rate at sufficient rental levels, both of which would be required in order for a project to be considered viable and to be launched.

In 2009, construction costs declined, which supported the launch of new projects. In 2010, construction costs in Finland and Sweden began to rise. In the future, this could prevent Citycon from implementing all of its planned development projects or cause the profitability of initiated development projects to be lower than expected. Another risk associated with development projects relates to the investment schedule. If a project's implementation exceeds the planned timeframe, this often has a negative effect on both rental income and costs.

In 2011, (re)development projects play an even more important role in the implementation of Citycon's growth strategy. A successful comple-

tion of (re)development projects will essentially influence the profitability of the business in coming years.

Risks associated with project leasing are minimised by securing the allocation of sufficient resources to the leasing of new properties, investing in new shopping centres' marketing and concluding agreements with anchor tenants prior to a project's commencement or at its initial stage. The risks associated with project implementation are being managed through sufficient resourcing. Responsibility for projects is borne by experienced in-house Project Development Managers.

### **Cost-Efficiency of Debt Financing**

The refurbishment and redevelopment of retail properties and increasing rental income through acquisitions form the core of Citycon's business model. Implementation of this growth strategy requires both equity and debt financing.

Due to the financial crisis, the financial markets weakened markedly in 2008 and the situation remained challenging throughout 2009. Banks' willingness to lend money to property investment companies has not recovered to pre-crisis levels, although the availability, and pricing, of financing markedly improved during 2010. The stricter regulations of banks in the future will maintain the abnormally high costs of bank financing. In particular, the cost of long-term unsecured bank loans will probably be much higher in coming years than before the financial crisis. The majority of Citycon's bank loan agreements concluded prior to the finan-

cial crisis will mature between 2011 and 2014. Re-financing these will most probably involve higher loan margins. Higher loan margins, together with the expected general rise in interest rates, will most probably lead to more expensive debt financing in coming years.

Citycon's financial position is good, and it was actively strengthened during 2010 by concluding new long-term loan agreements and by carrying out a share issue. At the end of the year, the company's available liquidity totalled EUR 245.0 million, consisting mainly of committed long-term credit facilities and cash and cash equivalents. Citycon is capable of financing its current projects in their entirety as planned. In order to finance new investments and growth in the future, the company will need new funding, the terms of which will depend on the prevailing market situation. Higher loan margins, together with stricter regulations for banks, will probably mean that in the future, Citycon will increasingly meet its financing needs by using equity financing instruments and relying more frequently on the public bond market.

Citycon seeks to safeguard the availability and price of its financing by applying a conservative but active financing policy. It focuses on long-term financing and a solid statement of financial position, showing an equity ratio of at least 40 per cent. Interest-rate risk management is aimed at reducing or eliminating the adverse effect of higher market rates on the company's profit, statement of financial position and cash flow. Under the company's financing policy, the interest position must be tied

to fixed interest rates at a minimum level of 70 per cent and at a maximum level of 90 per cent. At year-end, Citycon's hedging ratio was 80.3 per cent. Citycon is also considering the option of seeking an external credit rating, in order to improve its debt financing terms and to enable an enhanced diversification of its financing sources.

More information on financial risks is provided on pages 36-37 of the attached Financial Statements.

# Key Impacts, Risks and Opportunities Related to Sustainability

Citycon is an active owner and long-term developer of shopping centres, creating success for retailing. Its retail properties serve both consumers and retailers. As far as possible, the company aims to take account of environmental aspects and well-being in the areas surrounding its retail properties. Thus, Citycon has diverse impacts on stakeholders and society.

The impacts of sustainability on various stakeholder groups are also discussed under the assessment of materiality on page 11.

Citycon's operations have an economic impact on several stakeholders such as tenants, personnel, partners and authorities. The impacts of economic responsibility on various stakeholders are described in more detail on page 54.

## Risks and Opportunities Related to Environmental Responsibility

The risks associated with climate change will affect Citycon's business environment in the long term. Different sources and scenarios predict a rise of 2 to 6 degrees Celsius in average temperatures in Citycon's operating areas, over several decades. Global warming will increase the frequency of extreme weather conditions such as intense storms, floods and snowfalls. Extreme weather conditions will increase maintenance costs, which are taken into account in property maintenance annual plans.

Measures aimed at curbing climate change and related EU- and national level legislation are reviewed in the long term, i.e. by year 2020. In the short term, enhanced energy efficiency in proper-

ties will increase competitiveness and improve each property's market position. Legislation concerning energy efficiency will be reformed in the EU and Finland during the next couple of years.

Within the sector, renewable energy sources have not actively been used in buildings in Citycon's operating areas. This could be attributed to expensive investments, long repayment periods, and relatively new technological solutions for which experience-based feedback is not yet available. The cost of electricity in Citycon's operating areas has been relatively low compared with several European countries, but a marked change occurred as electricity prices rose at the turn of 2010 and 2011. Energy prices will become a driving force towards using renewable alternatives.

No restrictions in water consumption or supply are expected in Citycon's operating areas. Water scarcity in some areas of EU may increase the price of water. The company should develop measurement of water consumption in such a way that user-specific measuring and reporting would lead to reduced consumption. At property-specific level, opportunities to recycle grey water could be investigated in order to achieve cost savings.

In waste management, waste taxes and landfill fees will increase substantially in the short term. Higher costs will encourage sorting and a reduction in waste amounts. In Citycon's operating areas, waste management varies highly by country. While the Baltic countries are only now initiating measures paving the way for recycling, in the EU Sweden is a model student, with its low share of

landfill waste. Meanwhile, Finland is preparing and constructing several waste incineration plants, enabling more efficient waste management.

Land use and construction involve the threat of disrupting biodiversity. In most cases, an environmental impact assessment, which also includes a biodiversity assessment, is conducted in connection with zoning and major projects. In the medium term, biodiversity may become a subject in both political debates and legislation.

Through its environmental programme, Citycon aims to curb climate change, increase energy efficiency, cut water consumption and improve waste management. In addition, the company promotes sustainable construction and land use. Citycon's objectives related to environmental responsibility are presented on pages 38–43.

## Risks and Opportunities Related to Social Responsibility

Current HR management themes include job satisfaction and employee well-being. In an expert organisation like Citycon, possibilities for training, career development, employee turnover and absences are factors linked to the company's profitability, competitiveness and attractiveness as an employer.

Solutions used in retail properties affect the nearby area's land use, urban image and structure, attractiveness and liveliness. Retail properties also influence the development of private and public services, as well as that of the local community. Societal and social implications of retail properties

include growth in the number of jobs and residents, and the positive development of the area's purchasing power.

In the long term, as global warming proceeds, so called climate refugees from densely populated areas will be forced to relocate to other countries and continents. Some of these refugees will end up in host countries holding relatively low-skilled and low-wage jobs. Citycon's supply chain includes these kinds of positions, such as cleaning, assistant construction work and property maintenance. The hiring of people for these jobs may involve risk factors related to working conditions and human rights. Citycon seeks to eliminate these risk factors by preparing codes of ethics for its supply chains and by requiring its subcontractors to act ethically and responsibly.



**Specialty stores are an important addition in the meeting points in city centres.**

*Small specialty stores, such as Leonidas specialized in Belgian chocolate, complement the shopping centre offering splendidly.*



# Profit Performance and Financial Position

Citycon's income mainly derives from the rental income generated by its retail properties. In 2010, gross rental income accounted for 94.9 per cent of turnover. Citycon's turnover increased by 5.2 per cent to EUR 195.9 million (2009: EUR 186.3 million).

Finnish business operations accounted for 68.2 per cent (73.7%) of net rental income, while Sweden accounted for 22.6 per cent (18.5%) and the Baltic Countries for 9.3 per cent (7.8%). Net rental income totalled EUR 127.2 million (EUR 125.4 million). The net rental yield on the property portfolio stood at 5.8 per cent (6.1%). The net rental yield was 6.0 per cent (6.5%) in Finland, 4.8 per cent (4.7%) in Sweden and 7.5 per cent (6.4%) in the Baltic Countries.

Operating profit for the financial year came to EUR 157.7 million (EUR 10.3 million). The increase in operating profit was mainly due to fair value gains on the property portfolio, totalling EUR 50.8 million (EUR -97.4 million). Operating profit also rose due to the completion of (re)development projects and the additional net rental income generated by new and refurbished premises. Credit

losses remained modest at EUR 1.0 million. Temporary rental discounts amounted to EUR 3.0 million during the year, almost all of them in the Baltic Countries.

The direct result decreased by 7.2 per cent, to EUR 47.3 million. The decrease in the direct result came mainly from increased administration and financial expenses. Administration expenses increased chiefly due to certain one-off expenses. Financial expenses in 2010 increased due to higher interest expenses, the gain from the buybacks of convertible bonds recognised in 2009 and lower capitalisation of interest expenses than during the reference period.

Earnings per share were EUR 0.34 (EUR -0.16). Direct result per share, diluted, (diluted EPRA EPS) came to EUR 0.21 (EUR 0.23). Net cash from operating activities per share was EUR 0.09 (EUR 0.30).

The company's net asset value per share (NAV) was EUR 3.79 (EUR 3.64) and the triple net asset value per share (NNNAV) was EUR 3.49 (EUR 3.35).

## Statement of Financial Position and Financing

At the end of 2010, Citycon owned 83 properties: 33 shopping centres, 49 other retail properties and one lot. The year-end fair value of the property portfolio totalled EUR 2,367.7 million, showing a total fair value gain of EUR 50.8 million.

Total assets at the end of the year stood at EUR 2,436.5 million (EUR 2,253.2 million). Liabilities totalled EUR 1,536.3 million (EUR 1,485.3 million), with short-term liabilities accounting for EUR 242.2 million (EUR 227.4 million). The company's financial position remained good during the financial year.

Citycon's total available liquidity at the end of the year was EUR 245.0 million, of which EUR 225.5 million consisted of undrawn, committed long-term credit facilities and EUR 19.5 million of cash and cash equivalents. On 31 December 2010, Citycon's liquidity, commercial papers and short-term credit facilities excluded, stood at EUR 233.1 million.

Year-on-year, reported interest-bearing debt increased by EUR 76.0 million to EUR 1,397.7 million (EUR 1,321.7 million). The fair value of the Group's interest-bearing debt stood at EUR 1,405.5 million (EUR 1,332.0 million).

The year-to-date weighted average interest rate was 4.04 per cent (4.16%). The average loan maturity, weighted according to the principal amount of the loans, stood at 3.1 years (3.6 years). The average interest-rate fixing period was 3.6 years (3.2 years).

The weighted average interest rate, interest-rate swaps included, was 3.91 per cent on 31 December 2010. The company's equity ratio was 37.1 per cent (34.2%). Period-end gearing stood at 153.1 per cent (169.5%).

Net financial expenses totalled EUR 54.9 million (EUR 47.7 million). This increase was mainly attributable to increased interest expenses as a result of lower capitalisation of interest expenses and higher amount of interest-bearing debt.

## Loan Market Transactions, Loan Covenants and Share Issue

### Directed share issue

Citycon strengthened its financial position by arranging a directed share issue in September.

Citycon prepares its Financial Statements in accordance with the IFRS and complies with EPRA's recommendations.

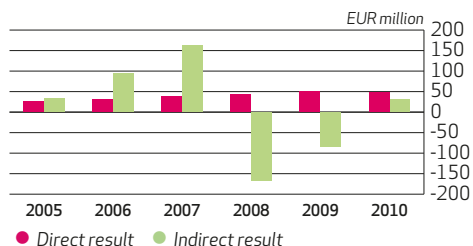
Waiving shareholders' pre-emptive subscription rights, the share issue was directed at Finnish and international institutional investors and was carried out in an accelerated book-building process on 21 September 2010. A total of 22 million new shares were offered for subscription at a price of EUR 2.87 per share. Total proceeds from the share issue before commissions and expenses totalled EUR 63.1 million. The company intends to use the proceeds for repayment of its interest-bearing debt, for strengthening its capital structure and financing (re)development projects and potential acquisitions in line with its investment strategy.

The aggregate share subscription price was recorded in the invested unrestricted equity fund. The new shares offered accounted for approximately 9.9 per cent of the number of Citycon's shares prior to the share issue and for 9.0 per cent after the issue.

### Loan Agreements

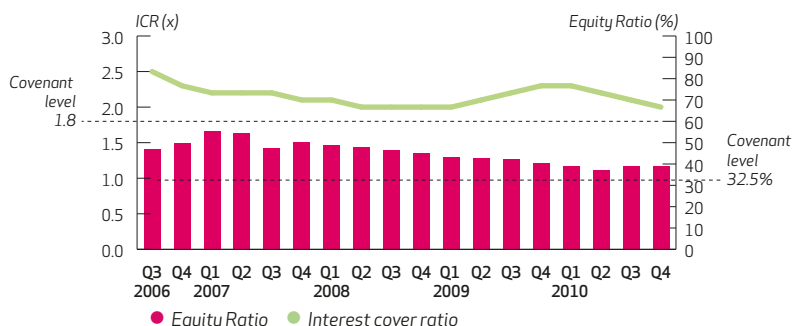
During the financial year, Citycon entered into four loan agreements, each worth EUR 50 million and maturing in five years. New loans strengthen the company's available liquidity and enable it to finance its growth on a long-term basis. The loans will be used to finance investments in line with the company's strategy, such as shopping centre (re)development projects, and to refinance maturing loans.

## DIRECT AND INDIRECT RESULT



## Profit Performance and Financial Position

### COVENANT DEVELOPMENT, INTEREST COVERAGE RATIO & EQUITY RATIO



#### Buybacks of Convertible Bonds

In July 2006, Citycon's Board of Directors decided to issue subordinated capital convertible bonds to institutional investors. The total amount of the bonds is EUR 110 million and their maturity is seven years. In the autumn of 2008, Citycon started to buy back the bonds because the market situation enabled the company to repurchase these bonds at a price significantly below their face value. In addition, the buybacks enabled the company to strengthen its financial position and reduce its net financial expenses. During the financial year, Citycon repurchased these bonds for an aggregate consideration of EUR 4.8 million (including accrued interest).

Including the buybacks in 2008 and 2009, Citycon has repurchased a total principal amount of EUR 38.75 million of the convertible bonds, corresponding to approximately 35 per cent of the aggregate amount of the convertible bonds. The weighted average repurchase price was 58.1 per cent of the face value of the bonds. The face value of the convertible bonds, originally EUR 110 million, totalled EUR 71.25 million at the end of the year.

#### Loan Covenants

Citycon's syndicated loans involve a commitment to maintain the Group's equity ratio above 32.5 per cent and the interest coverage ratio at a minimum

of 1.8x. The equity ratio defined in the covenants differs from the standard presentation of equity ratio. The calculation methods for both covenants are shown on page 39 of the Financial Statements.

In terms of its equity ratio and the interest coverage ratio, Citycon has always, including in

2010, exceeded the levels required by the covenants. The company publishes loan covenant calculations in quarterly investor presentations.

#### Economic Responsibility

Citycon's operations have an economic impact on a range of stakeholders such as tenants, personnel, suppliers and constructors. The economic impact on each stakeholder group is assessed below, based on cash flows between Citycon and the stakeholder in question.

Citycon's turnover consists of rental income, service income and utility charges. Turnover totalled EUR 195.9 million (EUR 186.3 million) in 2010. Citycon charges reasonable market-level rents. The average rent at the end of 2010 was EUR 18.7 per square metre (17.4), increasing by 7.2 per cent from the previous year.

Wages and salaries paid to Citycon employees totalled EUR 8.0 million (EUR 7.6 million), pension costs EUR 1.3 million (EUR 1.2 million) and other social charges EUR 1.1 million (EUR 1.2 million). Approximately 72 per cent (74%) of the wages and salaries were paid in Finland, 25 per cent (22%) in Sweden, 3 per cent (4%) in the Baltic Countries. Citycon spent approximately EUR 0.2 million (EUR 0.2 million) on personnel training.

Purchases related to property operations totalled EUR 58.8 million (EUR 53.4 million). The

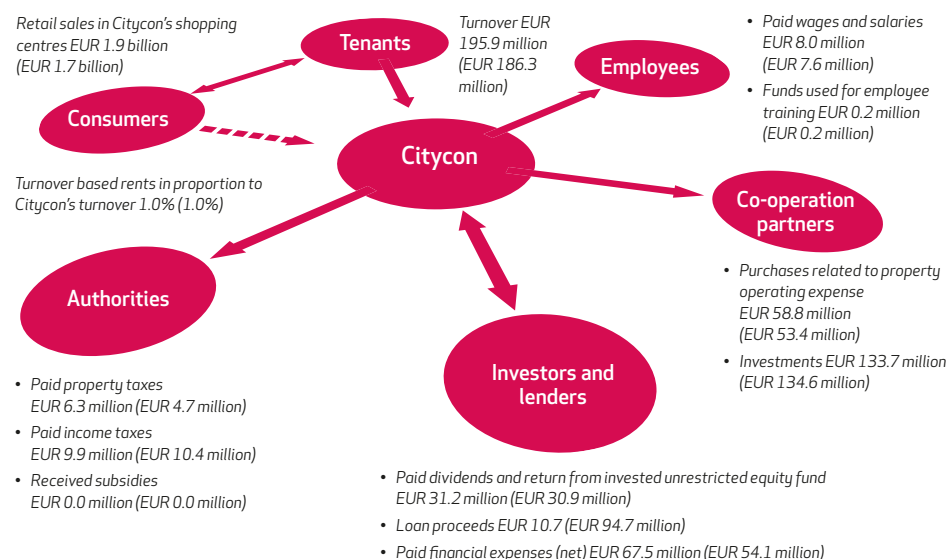
purchases related to property operations are made locally by each business unit. In Finland, Citycon concluded a centralised partner contract with ISS Palvelut Oy, involving property maintenance, security guard services and cleaning. Finland's share of purchases related to property operations was approximately 60 per cent. Citycon also aims to implement the partner model in service contracts related to property operations in Sweden. Sweden accounted for 32 per cent of the purchases related to property operations, while the Baltic Countries represented 8 per cent.

Of purchases, EUR 22.0 million (EUR 20.2 million) was paid to suppliers of electricity and heating and EUR 23.0 million (EUR 19.4 million) to maintenance service providers. EUR 6.5 million (EUR 6.9 million) was spent on property repairs. In addition,

marketing and property management services were purchased for EUR 7.3 million (EUR 6.9 million).

In each property development project, Citycon's business units call bids locally in line with the goals set to the project. Citycon's capital expenditure totalled EUR 133.7 million (EUR 134.6 million), with property development accounting for EUR 125.3 million (EUR 134.0 million), new property acquisitions and agreed purchase price adjustments related to property acquisitions concluded earlier for EUR 6.8 million (EUR 0.0 million), and other investments for EUR 1.7 million (EUR 0.6 million). Finland accounted for 57 per cent of Citycon's investments, Sweden 38 per cent and the Baltic Countries 4 per cent. Cash flow from operations and existing financing arrangements were used to finance these investments.

### CASH FLOWS BETWEEN STAKEHOLDERS



# Corporate Governance

## Citycon Group's Corporate Governance

Citycon Group's corporate governance and decision-making are based on the Finnish Limited Liability Companies Act, Securities Market Act and the Articles of Association approved by the company's General Meeting.

As a company listed on NASDAQ OMX Helsinki Ltd (the Helsinki stock exchange), Citycon complies with the rules of the stock exchange and the Finnish Corporate Governance Code. The company makes no exceptions in observing the Corporate Governance Code. This Code is available on the Securities

Market Association's website at [www.cgfinland.fi](http://www.cgfinland.fi).

In accordance with the Finnish Limited Liability Companies Act, Citycon's business operations and administration are under the responsibility of the following bodies: the General Meeting, the Board of Directors and the CEO. The General Meeting elects members to the Board of Directors, and the Board elects the CEO. In managing the company's business operations, the CEO is assisted by the Corporate Management Committee whose members are appointed, upon the CEO's proposal, by the Board

of Directors. The Board of Directors' work is facilitated by four Board committees. The work of the Board of Directors, its committees, the CEO and the Corporate Management Committee is steered by the Rules of Procedure for decision-making bodies and guidelines for the division of tasks between these bodies as well as for the arrangement of internal control and risk management, as approved by Citycon's Board of Directors.

### General Meetings of Shareholders

The highest decision-making power in the company is exercised by the shareholders in the general meeting. The Annual General Meeting (AGM) takes place every year by the end of April, once the financial statements have been prepared. Extraordinary General Meetings (EGM) are held whenever deemed necessary for decision-making purposes.

Citycon provides its shareholders with sufficient information on the items to be discussed at the general meeting of shareholders. On its website, the company publishes the notice of a general meeting, including a proposal for the meeting's agenda, the documents to be presented to the general meeting and the resolution proposals by the Board of Directors and its committees, at least three weeks prior to the meeting. Upon request, the meeting material is sent to a shareholder by mail. By any reasonable means available to it, the company attempts to facilitate the participation of its international shareholders in general meetings and to arrange such meetings in a manner enabling shareholders' participation and exercising of their

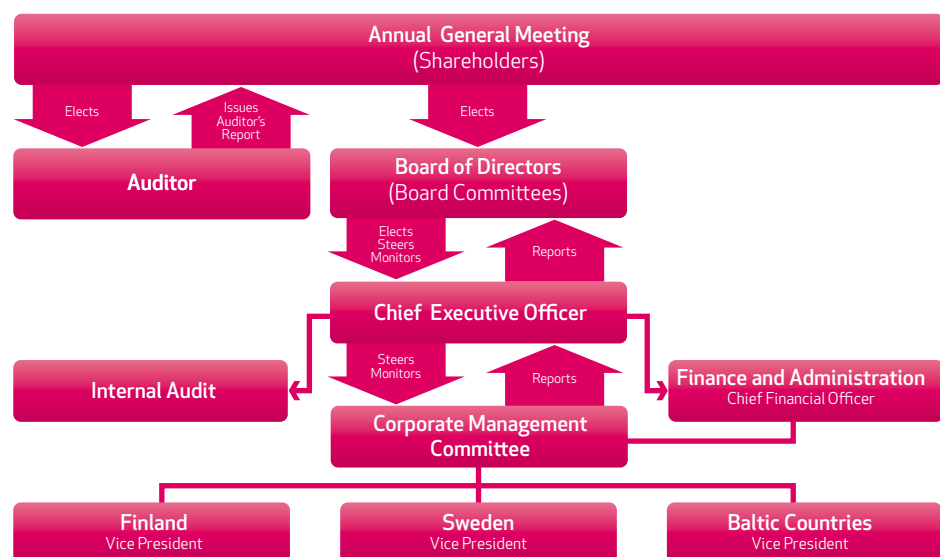
rights to vote, ask questions and speak in the meeting as extensively as possible.

Citycon's AGM 2010 was held on 11 March in Helsinki, Finland. A total of 282 shareholders attended the AGM either personally or through a representative. Of the company's share capital and voting rights, 67.1 per cent was represented at the AGM. The company also organised one EGM, held in Helsinki on 17 May 2010. The EGM was attended by 235 shareholders representing a total of 65.1 per cent of the company's share capital and voting rights.

Following a general meeting, the company publishes the decisions taken by the general meeting, without delay, as a stock exchange release and on its website. The minutes of the general meeting are made available on the corporate website within two weeks of the meeting. More information on general meetings and shareholders' rights is available on the corporate website at [www.citycon.com/gm](http://www.citycon.com/gm). This website section also contains summaries of the decisions taken by each general meeting since 2007 and minutes of the general meetings since 2009.

The Chairman of the Board of Directors and the CEO attend the general meeting of shareholders, and members of the Board of Directors attend the meeting to the extent deemed necessary. A first-time nominee for the Board shall attend the general meeting that decides on his/her election unless there are cogent reasons for his/her absence. The chief auditor of the company is also present at the general meeting of shareholders.

### CITYCON GROUP'S CORPORATE GOVERNANCE STRUCTURE



## BOARD OF DIRECTORS' COMMITTEES 2010

	Audit Committee	Nomination Committee	Remuneration Committee	Strategy and Investment Committee
Members	Bolotowsky Gideon Korpinen Raimo (Ch.) Wernink Thomas W. Westin Per-Håkan Zochovitzky Ariella	Katzman Chaim (as of 12 Oct. 2010) Lähdesmäki Tuomo (Ch.) Ottoosson Claes Wernink Thomas W. Westin Per-Håkan Zochovitzky Ariella (as of 11 March 2010)	Bolotowsky Gideon Katzman Chaim (as of 12 Oct. 2010) Lähdesmäki Tuomo (Ch.) Wernink Thomas W. Zochovitzky Ariella	Ashkenazi Ronen (Ch.) Korpinen Raimo Segal Dor J. Wernink Thomas W. Westin Per-Håkan
Number of meetings	Six	Three	Six	Six
Attendance-%	100	100	88	90

### Board of Directors

The general meeting of shareholders decides the number of members of the Board of Directors and elects them. Board members' term of office ends at the close of the first AGM following their election. According to the Articles of Association, the Board of Directors consists of a minimum of five and a maximum of ten members. The Articles of Association do not contain other limitations concerning the election of Directors.

An eligible Director nominee must have the qualifications required for directorship and the possibility to use sufficient time to manage his/her Director duties. A majority of the Directors must be independent of the company. In addition, a minimum of two Directors belonging to this majority must be independent of the company's major shareholders. The Board of Directors annually assesses its members' independence. The members of the Board of Directors are obliged to provide the Board with sufficient information

for the evaluation of their qualifications and independence, and to notify the Board of any changes to this information.

At Citycon's AGM of 11 March 2010, shareholders decided to re-elect the following Directors: Ronen Ashkenazi, Gideon Bolotowsky, Raimo Korpinen, Tuomo Lähdesmäki, Claes Ottoosson, Dor J. Segal, Thomas W. Wernink, Per-Håkan Westin and Ariella Zochovitzky. At the EGM held on 17 May 2010, Chaim Katzman was also elected to the Board. Personal details of the Directors and their shareholdings in the company are provided enclosed, while further details concerning their careers and key positions of trust are presented on the corporate website at [www.citycon.com/Board](http://www.citycon.com/Board).

The Board of Directors elects the Chairman and one or more Deputy Chairmen from among its members. In 2010, the Chairman of the Board of Directors was Thomas W. Wernink from 1 January–14 June 2010 and Chaim Katzman from 15 June–31 December 2010. Tuomo Lähdesmäki was

Deputy Chairman of the Board of Directors from 1 January–10 March 2010 and Ronen Ashkenazi from 11 March–31 December 2010.

In the view of the Board of Directors, all Directors are independent of the company, given that none have an employment contract, executive contract or contractual relationship with the company. Furthermore, the Board of Directors holds the view that Gideon Bolotowsky, Raimo Korpinen, Tuomo Lähdesmäki, Thomas W. Wernink and Per-Håkan Westin are independent of major shareholders. Since Ronen Ashkenazi, Chaim Katzman and Dor J. Segal are employed by Citycon's largest shareholder, Gazit-Globe Ltd. or its affiliated companies, they are not independent of major shareholders. Furthermore, Ariella Zochovitzky serves as Gazit-Globe Ltd.'s representative in U. Dori Group Ltd., in which Gazit-Globe Ltd. exercises control together with another shareholder, under a shareholder agreement. Thus, she is not independent of major shareholders. The Board of Directors also deems

Claes Ottoosson non-independent of major shareholders, as his sister is the spouse of Dor J. Segal.

### Board of Directors' Work

The Finnish Limited Liability Companies Act, the Articles of Association and the Board of Directors' written Rules of Procedure determine the Board of Directors' duties and responsibilities. The essential content of the Rules of Procedure is explained on the corporate website at [www.citycon.com/cg](http://www.citycon.com/cg). For example, the Board of Directors is responsible for establishing Citycon Group's strategic policies and for the due organisation of its business operations and administration. The Board of Directors constitutes a quorum if more than half of its members are present.

In addition to duties provided under the applicable legislation and the company's Articles of Association, Citycon's Board of Directors shall:

- confirm the company's long-term goals and strategy
- approve the company's business plan, budget and financing plan, and oversee their implementation
- confirm the company's principles of internal control and risk management, review and manage the main risks associated with the company's business and monitor the adequacy, appropriateness and efficiency of the company's administrative processes
- decide on major and strategically important property acquisitions and divestments and other major investments

## CITYCON OYJ'S BOARD OF DIRECTORS



Chairman of the Board  
**Chaim Katzman**  
Director as of 17 May 2010, Chairman as of 15 June 2010

LL.B.  
US and Israeli citizen, born 1949  
Independent of the company  
Main occupation: Gazit Inc., founder, controlling shareholder and Chairman of the Board of Directors since 1991; Gazit-Globe Ltd., Executive Chairman of the Board of Directors since 1998



Deputy Chairman of the Board  
**Ronen Ashkenazi**  
Director since 2009, Deputy Chairman as of 11 March 2010

B.Sc. (Eng.)  
Israeli citizen, born 1962  
Independent of the company  
Main occupation: CEO and minority shareholder of Gazit Globe Israel (Development) Ltd. since 2005



**Gideon Bolotowsky**  
Director since 2006

M.Sc. (Eng.)  
Finnish citizen, born 1947  
Independent of the company and significant shareholders  
Main occupation: Osake Tieto FSMI Oy, CEO and Chairman of the Board since 2003



**Raimo Korpinen**  
Director since 2004

LL.M.  
Finnish citizen, born 1950  
Independent of the company and significant shareholders  
Main occupation: Governia Oy, Managing Director since 2009

- confirm the company executives' duties and areas of responsibility, and the reporting system
- confirm the principles governing employees' short- and long-term bonus and incentive schemes, decide on said schemes as well as on the remunerations paid under said schemes,
- determine the company's dividend policy.

A meeting agenda is prepared for meetings of the Board of Directors, according to which items are discussed in meetings. Minutes are prepared of the Board of Directors' meetings and reviewed and approved in the following meeting.

The Board of Directors evaluates its performance and working methods once a year.

In 2010, Citycon's Board of Directors met 19 times. The average attendance rate was 91.1 per cent.

**Board Committees**

The Board of Directors' work is facilitated by the following four Board committees: Audit Committee, Nomination Committee, Remuneration Committee and Strategy and Investment Committee. In Board committees, member Directors are able to delve into matters in great detail prior to the discussion of those matters by the entire Board. The Rules of Procedure for the company's decision-making bodies are approved by the Board of Directors and establish the Board committees' main duties and working principles. These are presented on the corporate website at [www.citycon.com/cg](http://www.citycon.com/cg).

The Board of Directors elects the Board committees' chairmen and members from among the Direc-

tors. A Board committee always has at least three members. The committee's Chairman reports to the Board of Directors on issues discussed by the committee. In addition, minutes are prepared of all committee meetings and distributed to all Directors.

The table on the previous page contains information on the Board committees' composition, number of meetings and attendance in 2010.

**Remuneration of the Board of Directors**

The AGM confirms the remuneration of the members of the Board of Directors every year, in advance.

The AGM 2010 decided that the Board Chairman, Deputy Chairman and ordinary Directors be paid an annual remuneration of EUR 160,000, EUR 60,000 and EUR 40,000, respectively. It also decided that the Board Chairman and the Chairman of each Board committee are paid a meeting fee of EUR 700 and other Board members and Board committee members EUR 500 for each meeting. These fees remained the same as in the two previous years.

Given that the EGM of 17 May 2010 decided to amend the company's Articles of Association to allow the Board of Directors to elect one or more Deputy Chairmen, instead of only one, from among its members, the EGM decided to amend the AGM's decision correspondingly on the remuneration of the members of the Board of Directors in respect of the annual fee payable to the Deputy Chairman, in such a manner that an annual fee of EUR 60,000

**BOARD REMUNERATION 2010**

EUR	Annual fee	Meeting fees	Total
Ashkenazi Ronen	60,000	11,900	71,900
Bolotowsky Gideon	40,000	14,500	54,500
Katzman Chaim	121,413	5,900	127,313
Korpinen Raimo	40,000	16,700	56,700
Lähdesmäki Tuomo	40,000	17,200	57,200
Ottosson Claes	40,000	11,000	51,000
Segal Dor J.	40,000	11,500	51,500
Wernink Thomas W.	71,304	18,300	89,604
Westin Per-Håkan	40,000	17,000	57,000
Zochovitzky Ariella	40,000	16,500	56,500
<b>Total</b>	<b>532,717</b>	<b>140,500</b>	<b>673,217</b>

be paid to each of the one or several Deputy Chairmen. During the year, the Board of Directors did not have several Deputy Chairmen.

The enclosed table shows the remunerations paid to Citycon's Board members in 2010. These remunerations were paid in cash. Meeting fees include those paid for both the Board's and its committees' meetings. Citycon's Board members are not involved in the company's share-based incentive schemes. The Board of Directors has issued a recommendation according to which each Director should, during his/her term of office, own the company's shares to a value corresponding at least to his/her remuneration for one year.

**Chief Executive Officer (CEO)**

The CEO is responsible for the day-to-day management and supervision of the company in accordance with the provisions of the Finnish Limited Liability Companies

Act, the Rules of Procedure for the company's decision-making bodies as well as the guidelines and directions received from the Board of Directors.

The CEO oversees compliance with the guidelines, procedures and strategic plans established by the Board of Directors, and he or she must ensure that these guidelines, procedures and plans are submitted to the Board of Directors for update or review when necessary. The CEO attends the Board of Directors' meetings and is responsible for ensuring that the relevant materials for consideration at Board meetings have been duly prepared. The CEO also ensures that, on a continuous basis, Directors receive the necessary information to monitor the company's financial position, liquidity, financing and development, and he or she informs the Board of Directors of any major events, decisions and future projects related to the company's business.

Citycon's Board of Directors appoints the CEO and decides on the terms and conditions of his/her executive contract, in writing. Since 2002, Citycon Oyj's CEO has been Petri Olkinuora. As announced by the company in December 2010, Mr Olkinuora will leave his position following the company's AGM of 2011. The decision to leave the CEO position was mutual between Mr Olkinuora and the Board of Directors of Citycon. In accordance with Mr Olkinuora's executive contract, he will be paid a lump-sum compensation equalling his 18-month salary, in addition to the salary payable for the notice period. The company has taken out pension insurance to cover Mr Olkinuora's pension plan. The costs of this pension



**Tuomo Lähdesmäki**  
Director since 2004,  
Deputy Chairman 2006-2010

M.Sc. (Eng.), MBA  
Finnish citizen, born 1957  
Independent of the company and significant shareholders  
Main occupation: Professional non-executive director



**Claes Ottosson**  
Director since 2004

Electrical Engineer  
Swedish citizen, born 1961  
Independent of the company  
Main occupation: ICA Kvantum Hovås, Managing Director since 1989



**Dor J. Segal**  
Director since 2004

High school  
US citizen, born 1962  
Independent of the company  
Main occupation: Gazit-Globe Ltd., Executive Vice Chairman since 2008; First Capital Realty Inc., President and CEO and Board member since 2000



**Thomas W. Wernink**  
Director since 2005,  
Chairman 2006-2010,  
Deputy Chairman 2005-2006

M.A. (General Economics)  
Dutch citizen, born 1945  
Independent of the company and significant shareholders  
Main occupation: Non-executive director on a number of property and investment companies based in Europe

## Corporate Governance

insurance for the company amounted to EUR 0.5 million for the financial year 2010.

Mr Marcel Kokkeel has been appointed to be Citycon's new CEO. He will assume his duties on 24 March 2011.

### Corporate Management Committee

Citycon has a Corporate Management Committee comprising at least three members. Upon the CEO's proposal, the Board of Directors is responsible for appointing members of the Corporate Management Committee. The CEO convenes the Corporate Management Committee whenever he or she deems necessary and chairs its meetings. In 2010, the Corporate Management Committee had eight meetings. Minutes are kept on the Corporate Management Committee's meetings.

The Rules of Procedure for the company's decision-making bodies, approved by the Board of Directors, establish the Corporate Management Committee's main duties and working principles. As an expert body, the Corporate Management Committee's main duty is to assist the CEO in the management of the company's operative business. It co-ordinates and develops the company's various operations in accordance with set goals, promotes communication and co-operation between different parts of the organisation, monitors the profitability of the company's business and promotes and maintains the best practices of the company. In addition, the Corporate Management Committee prepares resolution proposals pertaining to the company's

strategy, business plan, budget and organisation for the Board's discussion, in accordance with the guidelines issued by the Board of Directors.

At the end of 2010, the Corporate Management Committee had five members. In addition to the CEO, the Corporate Management Committee included the company's Chief Financial Officer and Executive Vice President; Head of Legal Affairs; as well as the Vice Presidents of the company's geographical business units. During the year, the number of Corporate Management Committee members decreased by one, since Kaisa Vuorio, Vice President, Finnish Operations, left the company in October 2010. Thereafter, Harri Holmström assumed the duties of Acting Vice President, Finnish Operations, in addition to his own duties as Vice President, Baltic Operations.

Michael Schönach has been appointed to be the new Executive Vice President of the Finnish Operations. He will assume his duties on 1 March 2011.

The personal details of the Corporate Management Committee members as well as information on their share and stock option holdings are presented enclosed. The members' career histories and any positions of trust are presented on the corporate website at [www.citycon.com/management](http://www.citycon.com/management).

### Remuneration of the CEO and the Corporate Management Committee

The Board of Directors confirms the CEO's salary and other benefits and, upon the CEO's proposal, determines other senior executives' salaries and benefits.

### REMUNERATION OF THE CEO AND THE REST OF THE CORPORATE MANAGEMENT COMMITTEE, 1 JAN.-31 DEC. 2010

EUR	Annual salary	Fringe benefits	Performance bonus for year 2009	Share-based income <sup>1)</sup>	Income from stock options <sup>2)</sup>	Total
CEO	276,317.80	16,490.14	110,400.00	-	45,573.27	448,781.21
Other CMC members	739,336.98	61,529.16	144,523.36	73,728.74	-	1,019,118.24
<b>Total</b>	<b>1,015,654.78</b>	<b>78,019.30</b>	<b>254,923.36</b>	<b>73,728.74</b>	<b>45,573.27</b>	<b>1,467,899.45</b>

1) Share-based income refers to the cash component related to the company's long-term share-based incentive plan, paid in order to cover the taxes payable on the incentive shares granted to the plan's participants. A participant can also choose to receive shares instead of the cash component meant for paying the income tax.

2) During the year, CEO exercised a total of 100,000 stock options 2004B for subscription of Citycon's shares, subscribing for 121,270 shares at a subscription price of EUR 2.5908 per share. Regarding CEO, income from stock options refers to the taxable benefit arising from this subscription.

Remuneration of the CEO and other members of the Corporate Management Committee consists of a fixed monthly salary and fringe benefits as well as an annual performance bonus. In addition, the CEO and the other members of the Corporate Management Committee are included both in the long-term share-based incentive plan directed to the Group's key employees and in the stock-option scheme 2004 designed for the personnel. The CEO is also entitled to a supplementary pension. A broader description of the management's remuneration is presented in the Remuneration Statement available on the corporate website at [www.citycon.com/cg](http://www.citycon.com/cg).

The salaries, fringe benefits and performance bonuses paid to the CEO and the rest of the Corporate Management Committee in 2010, as well as income from stock options and from the company's long-term share-based incentive plan, are presented in the enclosed table. Based on the incentive periods 2007-2009 of the share-based incentive plan, the CEO was granted 39,680 shares, and the rest of the Corporate Management Committee 32,273 shares, during 2010.

### Insider Administration

The company complies with the Guidelines for Insiders issued by the Helsinki stock exchange and applies Citycon's own Insider Guidelines covering insiders' obligations, disclosure requirements and

insider registers as well as specifying the company's insider administration procedures.

The company's statutory insiders include members of the Board of Directors, the CEO and the chief auditor. Statutory insiders also comprise Corporate Management Committee members, whom the Board of Directors has defined as other senior executives, as referred to in the Securities Market Act. Holdings in the company by statutory insiders and those closely associated with them are regarded as public information. The enclosed table shows changes in holdings in 2010. Up-to-date information on changes in holdings can be found on the corporate website at [www.citycon.com/insiders](http://www.citycon.com/insiders).

In addition to statutory insiders, Citycon also has so-called permanent insiders entered in the company's company-specific insider register, based on their position or duties, or another contract they have concluded with the company. These company-specific insiders include the secretaries and assistants of the members of the Board of Directors, CEO or Corporate Management Committee members, and those in charge of corporate finances and financial reporting, financing, legal affairs, investment and development activities, corporate communications, investor relations, IT functions, as well as internal and external audit. The company-specific insider register is not available for public review. Project-specific insider registers are kept when deemed necessary.



**Per-Håkan Westin**  
Director since 2008

M.Sc. (Civil Engineering)  
Swedish citizen, born 1946  
Independent of the company and significant shareholders  
Main occupation: Professional non-executive director



**Ariella Zochovitzky**  
Director since 2009

B.A. (Economics and Accounting), CPA (Israel), MBA  
Israeli citizen, born 1957  
Independent of the company  
Main occupation: C.I.G. Consultants / Capital Investments Group Ltd., General Manager & Partner since 2001; U. Dori Group Ltd., Chairman since 2008

**CHANGES IN HOLDINGS BY STATUTORY INSIDERS AND THOSE CLOSELY ASSOCIATED WITH THEM,  
1 JAN.-31 DEC. 2010**

	2010	Shares	Stock options 2004B <sup>1)</sup>	Stock options 2004C	Bonds <sup>2)</sup>
<b>Board of Directros</b>					
Ashkenazi Ronen	1.12.	-	-	-	-
(Deputy Chairman)	31.12.	-	-	-	-
Bolotowsky Gideon	1.1.	4,626	-	-	-
	31.12.	4,626	-	-	-
Katzman Chaim (Chairman)	17.5.	-	-	-	-
(Director as of 17 May)	31.12.	-	-	-	-
Holdings of closely associated parties	17.5.	-	-	-	-
	31.12.	40,000	-	-	-
Korpinen Raimo	1.1.	14 456	-	-	-
	31.12.	14 456	-	-	-
Lähdesmäki Tuomo	1.1.	52,289	-	-	-
	31.12.	52,289	-	-	-
Ottosson Claes	1.1.	23,336	-	-	-
	31.12.	23 336	-	-	-
Segal Dor J.	1.1.	7 174	-	-	-
	31.12.	7 174	-	-	-
Wernink Thomas W.	1.1.	50,000	-	-	-
	31.12.	55,000	-	-	-
Westin Per-Håkan	1.1.	10,000	-	-	-
	31.12.	10,000	-	-	-
Zochovitzky Ariella	1.1.	-	-	-	1
	31.12.	-	-	-	1
<b>Corporate Management Committee</b>					
Olkinuora Petri	1.1.	149,885	100,000	140 000	-
CEO	31.12.	310,835	-	140,000	-
Attebrant Ulf	1.1.	1,854	-	-	-
Vice President, Swedish Operations	31.12.	6,819	-	-	-
Holmström Harri	1.1.	2,350	-	70 000	-
Vice President, Baltic Operations, Acting VP, Finnish Operations	31.12.	7,315	-	70,000	-
Raekivi Outi	1.1.	2,350	-	70 000	-
Head of Legal Affairs, Board secretary	31.12.	7,315	-	70,000	-
Sihvonen Eero	1.1.	8,335	-	70 000	-
CFO, Executive VP	31.12.	22,248	-	70,000	-
Vuorio Kaisa	1.1.	5,222	-	70 000	-
Vice President, Finnish Operations (until 19 Oct.)	19.10.	10,187	-	70,000	-
<b>Chief auditor</b>					
Korpelainen Tuija	1.1.	-	-	-	-
	31.12.	-	-	-	-

1) Share subscription period with stock options 2004B expired on 31 March 2010.

2) Bonds refer to the convertible capital bonds issued by the company on 2 August 2006. The nominal value of each bond is EUR 50,000.

The company's public insider register is available on the corporate website and at Euroclear Finland Ltd's customer-service outlet, Urho Kekkosen katu 5 C, Helsinki, Finland.

Citycon maintains its insider register of statutory and company-specific insiders within the Euroclear Finland Ltd.'s SIRE extranet system. The company verifies the data on its statutory insiders by asking its insiders to check the accuracy of the information on the extracts from the insider register twice a year, and regularly supervises its insiders' trading on the basis of the transaction data registered by Euroclear Finland Ltd. It also supervises its insiders' trading on a case-by-case basis, if necessary.

As stipulated by Citycon's Insider Guidelines, the company's statutory and permanent insiders may not trade in Citycon shares or instruments entitling to Citycon shares, for 21 days prior to the release of the company's annual accounts or interim reports. Insiders are also obliged to ask the company's Compliance Officer for an opinion on the legality and permissibility of any securities transaction in which they plan to engage. The Compliance Officer records each contact made.

**Internal Control, Risk Management  
and Internal Audit**

The supervision and control of Citycon's business operations are primarily based on the governance and management system described above. The principles of the company's internal control and risk management are established in the guidelines for the arrangement of internal control and risk management, approved by the Board of Directors. The efficiency of internal control and risk management is evaluated by internal audit.

**Internal Control**

Citycon's internal control includes financial and other control. Internal control is carried out not only by the Board of Directors, the CEO and the Corporate Management Committee but also by the rest of the personnel. Citycon seeks to foster such corporate culture which accepts internal control as a normal and necessary part of day-to-day business.

Internal control is intended to ensure the achievement of any goals and objectives set, the economical and efficient use of available resources, the sufficient management of risks associated with business and safeguarding the company's operations, information and assets. Internal control of financial reporting, in addition, seeks to guarantee the reliability and accuracy of financial and other management information. Internal control also aims to ensure that the company complies with Finnish law, agreed internal procedures and guidelines and that the company has sufficient and appropriate data systems and work processes supporting operations.

The company's Board of Directors is responsible for arranging and maintaining adequate and effective internal control. It is the CEO's duty to attend to the implementation of practical actions vis-à-vis internal control. The CEO must maintain an organisational structure in which responsibilities, authorisations and reporting relationships are clearly and comprehensively defined in writing.

The CEO and the members of the company's Corporate Management Committee are responsible for

**CITYCON OYJ'S CORPORATE MANAGEMENT COMMITTEE**


**Petri Olkinuora**  
CEO (until 23 March 2011)

M.Sc. (Eng.), MBA  
Finnish citizen, born 1957  
CMC member since 2002



**Eero Sihvonen**  
CFO, Executive VP

M.Sc. (Econ.)  
Finnish citizen, born 1957  
CMC member since 2005

## Corporate Governance

ensuring that laws and regulations in force as well as the company's business principles and the decisions of the Board of Directors are complied with in the company's day-to-day business operations.

The company has appropriate and reliable accounting and other data systems in place to monitor business activities and supervise treasury operations. The attainment of set targets is monitored through a planning and reporting system in use throughout the Group, this system monitoring the actual performance and forecasts in a rolling manner. It also permits long-term planning and serves as a tool for budgeting.

### Risk Management

Risk management forms part of the company's internal control and its purpose is to ensure that the company meets its business targets. The Board of Directors has approved the company's guidelines for risk management, specifying the principles of the company's risk management and the risk management process. The company's risk management process includes the recognition, assessment, measurement, limitation and monitoring of risks arising from business operations and those closely related thereto. The guidelines also define the monitoring of such a process and the risk management organisation.

The company's risk management process is constantly evaluated and developed. The risk management process is examined annually at the company, by updating the company's risk map and its annual

action plan to correspond with the targets of the annual plan and by presenting the same to the Board of Directors at the budget meeting in December. The risk map is also updated as part of the business strategy process during the first half of the year.

The arrangement of the company's financial risk management is documented in the company's treasury policy and key financial risks are reported quarterly to the Board's Audit Committee. Furthermore, the company's Board of Directors regularly monitors the company's business risks and uncertainties and reports on them in the report by the Board of Directors as well as in the company's interim reports, as required in applicable laws as well as regulations and guidelines issued by the Financial Supervisory Authority.

More extensive information on the company's risk management process and risks associated with the company's business operations can be found on pages 49-50 of this Report, on pages 35-37 of the appended Financial Statements, as well as on the corporate website at [www.citycon.com/riskmanagement](http://www.citycon.com/riskmanagement).

### Internal Audit

Internal audit aims to independently and systematically evaluate and improve the company's internal control and risk management. The Audit Committee approves an annual audit plan, which forms the basis for the performance of the audit. An internal audit charter has been prepared for internal audit operations. Internal auditors shall report internal

audit results to the CEO and the Audit Committee, which must without delay initiate any actions necessitated by audit findings made. The internal audit 2010 was outsourced to KPMG Oy Ab. The audit conducted by Citycon's auditor also involves auditing the company's administration, on which the auditor reports to the Audit Committee and the CEO.

Under the audit plan 2010, the internal audit focused on the company's processes related to procurement, HR management and (re)development projects and on shopping centre management in the Baltic Countries.

### Auditor

For the auditing of the administration and accounts, the General Meeting annually elects one auditor, which must be an audit firm approved by the Central Chamber of Commerce of Finland. In connection with the company's annual financial statements, the auditor provides the company's shareholders with a statutory auditor's report. The main function of the statutory auditor's report is to verify that the consolidated financial statements, the parent company's financial statements and the report by the Board of Directors give a true and fair view of the Group's and the company's financial performance and financial position for each financial year.

The chief auditor of the company attends the Audit Committee's annual financial statements meeting in order to report the audit findings made.

In addition, upon the Audit Committee's invitation, the auditor may attend the committee meetings as an expert when deemed necessary.

The AGM 2010 re-elected Ernst & Young Oy (a firm of authorised public accountants) the company's auditor, with Tuija Korpelainen (Authorised Public Accountant) acting as the chief auditor appointed by the firm. Ernst & Young Oy has served as the company's auditor since 2006. Tuija Korpelainen has functioned as Citycon's chief auditor since the same year and, prior to that, as one of the company's two auditors for the financial year 2005.

In 2010, Citycon paid EUR 0.2 million in remuneration to its auditor, related to its general audit. In addition, Citycon purchased advisory services related to IFRS, property transactions and taxation for a total of EUR 0.1 million.

### Communications

The purpose of Citycon's corporate communications is to inform the company's stakeholders of company-related matters, with the aim of providing all of the relevant parties with correct, sufficient and topical information regularly, impartially and simultaneously. The company's key IR communication channel is the corporate website, which includes financial reports and releases issued by the company as well as other investor information required in the Finnish Corporate Governance Code.



**Outi Raekivi**  
Head of Legal Affairs

LL.M., Certified Property Manager  
Finnish citizen, born 1968  
CMC member since 2002



**Ulf Attebrant**  
Vice President, Swedish Operations

Swedish citizen, born 1963  
CMC member since 2007



**Harri Holmström**  
Vice President, Baltic Operations;  
Acting Vice President, Finnish  
Operations (as of 20 Oct. 2010)

M.Sc. (Surveying), Authorised  
Property Appraiser  
Finnish citizen, born 1956  
CMC member since 2005



**Kaisa Vuorio**  
Vice President, Finnish Operations  
(until 19 Oct. 2010)

M.Sc. (Surveying), Authorised  
Property Appraiser  
Finnish citizen, born 1967  
CMC member 2003-2010



# Citycon as an Investment and Information for Shareholders

Investment in Citycon is an investment in a real estate company listed on the NASDAQ OMX Helsinki Ltd (Helsinki stock exchange), which combines property investment with shopping centre business. The company specialises in retail industry properties, i.e. shopping centres, hypermarkets and retail centres in Finland, Sweden and the Baltic countries.

Citycon is a proactive owner and long-term developer of its retail properties. The company's strategy is to achieve growth through development projects and shopping centre acquisitions in the Nordic and Baltic regions. The purpose of its operations is to lay the foundations for successful retail business. In line with today's requirements, Citycon takes account of environmental aspects and the well-being of the areas surrounding its retail properties, providing a solid basis for the company's future success and growth.

## Share Price Development and Ownership

In terms of its share price, 2010 was a relatively stable year for Citycon. Interest in Citycon shares remained strong, as indicated by the completion of a directed share offering in just a few hours in September. Citycon's market capitalisation at the end of 2010 was EUR 753.3 million, compared to EUR 649.9 million at year-end 2009. Citycon remained one of the companies with the most international ownership base on the Helsinki stock exchange. At year-end, international investors accounted for

87.1% of the company's shareholders. However, the number of domestic shareholders increased, from 3,733 at the end of 2009 to 4,409 one year later.

Citycon is included in international real estate indices. For example, the FTSE EPRA/NAREIT Global Real Estate Index serves as a benchmarking index for international investors, tracking share-price performance and total return. Citycon is also represented in the GPR 250 Property Securities Index, which consists of the 250 most liquid real estate companies worldwide. In 2010, 115.0 million (149.3 million) Citycon shares were traded on the Helsinki stock exchange for a total value of EUR 326.4 million (EUR 296.1 million).

## Financial Targets

The Board of Directors has set the following financial targets for the company:

- The company will pay out in dividends a minimum of 50 per cent of the profit for the period after taxes, excluding fair value changes in investment properties.
- The company's long-term equity ratio target is 40 per cent.

The profit distribution for 2009 totalled EUR 0.14 per share, consisting of a dividend of EUR 0.04 per share and an equity return of EUR 0.10 per share from the invested unrestricted equity fund.

The equity ratio at year-end 2010 stood at 37.1 per cent.

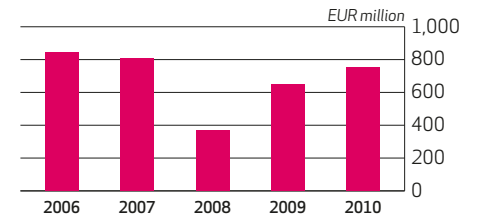
## Board of Directors' Proposal on Dividends and Distribution of Assets from the Invested Unrestricted Equity Fund

The Board of Directors proposes that a dividend of EUR 0.04 per share be paid for the year 2010, and that EUR 0.10 be returned from the invested unrestricted equity fund.

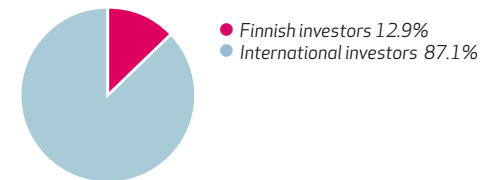
## Investor Relations

The primary objective of Citycon's investor relations is to increase interest in the company's shares as an investment target. The company aims to increase shareholder value by providing more transparent investor information and strengthening the company's business profile. Its investor communications focus on long-term value creation rather than short-term returns.

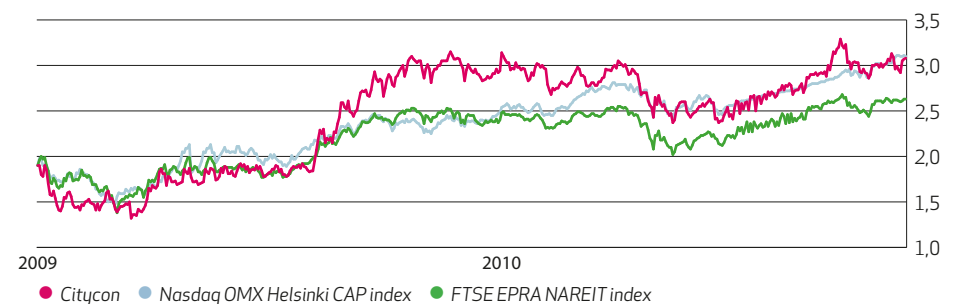
## MARKET CAPITALISATION, EUR MILLION



## BREAKDOWN OF SHAREHOLDERS



## CITYCON SHARE PRICE COMPARED TO INDICES



## Citycon as an Investment and Information for Shareholders

The principle behind Citycon's investor communications is continuously to provide the market with accurate, consistent, transparent and up-to-date information on the company. Adhering to the principle of objectivity and simultaneousness in its investor communications, Citycon publishes all releases and other material on its website in English and in Finnish.

In 2010, the company was internationally recognised for its excellent investor relations. Eero Sihvonen was rated the second-best CFO in Finland, while Hanna Jaakkola was the fourth-best investor relations professional in the highly regarded Thompson Reuters Extel Survey 2010. Voting was by a large number of investors, analysts, bankers and other professionals in the investment world. Furthermore, at its annual conference, EPRA cited Citycon's 2009 Annual and Corporate Social Responsibility Report as one of the best in the sector. Each year, EPRA evaluates the annual reports and financial statements of 80 listed European real estate companies, acknowledging the best of them. This year, the gold award was given to eight companies with the best annual reports, including Citycon.

### Investor Meetings

Citycon actively meets with investors both in and outside of Finland. In 2010, the company executives gave presentations on Citycon as an investment target at approximately 50 events, and met with some 130 institutional investors in either one-on-one or small-group meetings. In addition, the company's representatives meet investors at seminars arranged by various associations and

banks, at broader public events and during asset tours in the company's shopping centres.

In September, Citycon organised a Capital Markets Day for investors and analysts in Tallinn. At the event, Board Chairman Chaim Katzman gave a presentation via satellite from his office in Miami. The presentation was followed by lively discussion and questions. The topics for the day were the company's growth strategy, the economic climate in the Baltic region and particularly Estonia, ongoing development projects and leasing operations. All presentations could be followed online in real time, and webcasts are still available on the corporate website. Prior to the presentations, attendees were given a tour of Citycon's shopping centres in Tallinn: Magistral and the LEED® silver-certified Rocca al Mare.

The Capital Markets Day has become an important part of the company's investor relations and Citycon aims to make it an annual event.

The company's IR contacts are the CFO and Executive Vice President, and Vice President, IR and Communications.

### Public Review of Shareholders' Register

The company's register of shareholders is available for public review at Euroclear Finland Ltd's customer service outlet, Urho Kekkosen katu 5 C, Helsinki, Finland.

### Notification of Changes to the Register of Shareholders

Shareholders are requested to notify their book-entry account manager of any changes in their

### EVENTS CALENDAR FOR 2011

Financial results release, Financial Statements, Report by the Board of Directors and Corporate Governance Statement for the financial year 1 January–31 December 2010	9 February 2011 at approx. 9.00 a.m.
Notice of AGM	24 February 2011
Annual and Sustainability Report 2010	Week 8 of 2011
AGM record date	11 March 2011
Last day for pre-registration for AGM	18 March 2011
AGM	23 March 2011 at 2.00 p.m., Marina Congress Center, Helsinki
Ex-dividend date	24 March 2011
Record date for dividend payment	28 March 2011
Dividend payment date	8 April 2011
Interim Report for January–March 2011	4 May 2011 at approx. 9.00 a.m.
Interim Report for January–June 2011	13 July 2011 at approx. 9.00 a.m.
Capital Markets Day	September 2011
Interim Report for January–September 2011	12 October 2011 at approx. 9.00 a.m.

The key channel for Citycon's investor communications is the corporate website, where all stock exchange releases and press releases, financial statements, interim reports, annual reports and notices of general meetings are published. Also available on the website are the executive presentations on the financial results, webcast recordings of these events, as well as the presentation material for regular investor meetings. Web access to the company's financial results presentation events and Capital Markets Day is enabled. Investor information material published by Citycon can be ordered from the corporate website at [www.citycon.com/materialrequest](http://www.citycon.com/materialrequest), by e-mail from [info@citycon.fi](mailto:info@citycon.fi) or by phone at +358 20 7664 400.

name or address. This will automatically update information in the company's shareholders' register maintained by Euroclear Finland Ltd.

### Contact Information

CFO and Executive Vice President  
Mr Eero Sihvonen  
Tel. +358 20 766 4459 or +358 50 557 9137  
eero.sihvonen@citycon.fi

Vice President, IR and Communications  
Ms Hanna Jaakkola  
Tel. +358 20 766 4421 or +358 40 566 6070  
hanna.jaakkola@citycon.fi

Vice President, Sustainability  
Ms Kirsi Borg  
Tel. +358 20 766 4408 or +358 40 557 6526  
kirsi.borg@citycon.fi

### Company Research

Analysts from the following banks, brokerage and other firms monitor Citycon Oyj and its performance, based on the information received by the company. The list may not include all providers of such investment analysis. Analysts monitor Citycon on their own initiative and can choose to cease doing so whenever they wish. Recommendations issued by analysts are available on Citycon's website under "Consensus estimates". Citycon is not responsible for analysts' comments and statements.

**ABG Sundal Collier**  
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Box 7269  
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**ABN Amro**  
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Gustav Mahlerlaan 10  
NL-1082 PP Amsterdam  
The Netherlands

**Aurel**  
Tel. +33 1 53 89 53 75  
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France

**Danske Bank A/S, Helsinki**  
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FI-00180 Helsinki  
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Norway

**Edge Capital**  
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Norway

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Tel. +44 207 552 5986  
Peterborough Court  
133 Fleet Street  
London EC4A 2BB  
United Kingdom

**Handelsbanken**  
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Blasieholmstorg 11  
SE-106 70 Stockholm  
Sweden

**Inderes Oy**  
Independent Equity Research  
Tel. +358 50 3738027  
Itälahdenkatu 21  
FI-00210 Helsinki  
Finland

**Kempen & Co N.V.**  
Tel. +31 20 348 8000  
Beethovenstraat 300  
NL-1070 AR Amsterdam  
The Netherlands

**Nordea Pankki Oyj**  
Tel. +358 9 1651  
Aleksis Kiven katu 9, Helsinki  
FI-00020 Nordea  
Finland

**Pohjola Pankki Oyj**  
Tel. +358 10 252 7390  
Teollisuuskatu 1b, PL 362  
FI-00101 Helsinki  
Finland

**Rabo Securities**  
Tel. +31 20 460 4747  
Amstelplein 1  
NL-1096 HA Amsterdam  
The Netherlands

**Royal Bank of Scotland**  
Tel. +31 20 383 6786  
Gustav Mahlerlaan 10  
NL-1000 EA Amsterdam  
The Netherlands

**SEB Enskilda Equities**  
Tel. +358 9 616 28726  
Unioninkatu 30  
FI-00101 Helsinki  
Finland

**Swedbank AB, Finnish Branch**  
Tel. +358 20 746 9158  
Mannerheimintie 14 B  
FI-00101 Helsinki  
Finland

**UBS Investment Research**  
Tel. +44 20 7568 4415  
1 Finsbury Avenue  
London EC2M 2PP  
United Kingdom

# Comparison of the Report with the Guidelines of the Global Reporting Initiative

✓ = Reported ○ = Partly reported — = Not reported core indicators

Code	Content	Page	Comments
<b>Strategy and Analysis</b>			
1.1-1.2	CEO's statement, key impacts, risks and opportunities	✓ 2-3, 4, 6-7, 49-51	Further information can be found in Financial Statements.
<b>Organizational Profile</b>			
2.1-2.9	Organizational profile	✓ 1-4, 15-37, 55-63	
2.10	Awards received in the reporting period	✓ 12-13, 48, 62	
<b>Reporting Parametres</b>			
3.1-3.11	Report profile, scope and boundary	✓ 1, 11-14, 38-48, 63, 67	
3.12	GRI Content Index	✓ 64-66	
3.13	Assurance policy and practice	✓ 67	
<b>Governance, Commitments and Engagement</b>			
<b>Governance</b>			
4.1-4.10	Governance	✓ 6-7, 55-60	The board oversees sustainability issues as part of overall strategy.
<b>Commitments to External Initiatives</b>			
4.11	Explanation of whether and how the precautionary approach or principle is addressed	✓ 49-51	
4.12	Externally developed charters, principles, or other initiatives	✓ 3	Code of Conduct <a href="http://www.citycon.com/Sustainability">www.citycon.com/Sustainability</a>
4.13	Memberships in associations and/or national/international advocacy organizations	✓ 14	
<b>Stakeholder Engagement</b>			
4.14-4.17	List of stakeholder groups, basis for identification, approaches to stakeholder engagement, key topics raised through stakeholder engagement	✓ 11-14	
5	Disclosures on Management Approaches		
	Economic responsibility	✓ 3, 6-7, 55-60	
	Environmental responsibility	✓ 3, 7, 38-39	
	Social responsibility	✓ 3, 44-48	

Code	Content	Page	Comments
<b>Economic Performance Indicators</b>			
<b>Economic Performance</b>			
EC1	Economic value generated and distributed	✓ 2, 54	Futher information can be found in Financial Statements.
EC2	Financial implications and other risks and opportunities due to climate change	✓ 49, 51	
EC3	Coverage of the organization's defined benefit plan obligations	✓	The company acts in accordance with legislation, not reported separately.
EC4	Significant financial assistance received from government	✓ 54	Citycon has not received any financial assistance from government.
<b>Market Presence</b>			
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	—	
EC6	Policy, practices, and proportion of spending on locally-based suppliers	✓ 54	
EC7	Procedures for local hiring and proportion of senior management hired from the local community	✓ 54	
<b>Indirect Economic Impacts</b>			
EC8	Infrastructure investments and services provided primarily for public benefit	—	
EC9	Significant indirect economic impacts, including the extent of impacts	—	
<b>Environmental Performance Indicators</b>			
<b>Materials</b>			
EN1-EN2	Materials used by weight or volume and recycled input materials	—	Not material to Citycon.
<b>Energy</b>			
EN3-EN4	Direct and indirect energy consumption by primary energy source	✓ 40-41	All energy consumed in Citycon's properties is indirect.
EN5	Energy saved due to conservation and efficiency improvements	—	

## Comparison of the Report with the Guidelines of the Global Reporting Initiative

Code	Content	Page	Comments
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	—	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	○ 38-39, 43	
<b>Water</b>			
EN8	Total water withdrawal by source.	✓ 42	
EN9	Water sources significantly affected by withdrawal of water.	✓	Not material to Citycon, water comes from municipal waterworks.
EN10	Percentage and total volume of water recycled and reused.	✓	Not material to Citycon, water comes from municipal waterworks.
<b>Biodiversity</b>			
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas	✓ 43	
EN12	Significant impacts of activities on biodiversity in protected areas	○ 43, 51	
EN13	Habitats protected or restored.	—	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	○ 43, 51	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	—	
<b>Emissions, Effluents, and Waste</b>			
EN16-EN17	Total direct and indirect greenhouse gas emissions by weight	✓ 39	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	✓ 39	
EN19	Emissions of ozone-depleting substances by weight	○ 41	
EN20	NOx, SOx, and other significant air emissions by type and weight	✓ 39	
EN21	Total water discharge by quality and destination	✓	Waste water and rain water is led to municipal sewer system.
EN22	Total weight of waste by type and disposal method	✓ 42-43	
EN23	Total number and volume of significant spills	✓	No such cases in 2010.
<b>Products and Services</b>			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	○ 7, 38-43	
EN27	Reclaimed products and packaging materials	—	Not material to Citycon.

Code	Content	Page	Comments
<b>Compliance</b>			
EN28	Non-compliance with environmental laws and regulations	✓	No misconducts during 2010.
<b>Transport</b>			
EN29	Significant environmental impacts of transporting products, materials and workforce	✓ 39	Citycon reports on CO2 emissions of business travel and commuting.
<b>Overall</b>			
EN30	Total environmental protection expenditures and investments by type.	—	
<b>Social Performance Indicators</b>			
<b>Employment</b>			
LA1-LA2	Total workforce by employment type, employment contract, and region, number and rate of employee turnover by age group, gender, and region	✓ 44-45	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	—	Not material to Citycon.
LA4	Percentage of employees covered by collective bargaining agreements	✓ 44	
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	✓ 44	Citycon complies with local legislation and regulations.
LA6	Total workforce represented in formal joint management-worker health and safety committees	✓ 44	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	✓ 44	
LA8	Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	—	Not material to Citycon.
LA9	Health and safety topics covered in formal agreements with trade unions.	—	Not material to Citycon.
LA10	Average hours of training per year per employee by employee category	✓ 14, 44-45	
LA11	Programs for skills management and life-long learning that support the continued employability of employees and assist them in managing career endings.	—	
LA12	Employees receiving regular performance and career development reviews	✓ 45	Company policy: Each employee has annual performance reviews.
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership	✓ 44-45, 55-58	

## Comparison of the Report with the Guidelines of the Global Reporting Initiative

Code	Content	Page	Comments
LA14	Ratio of basic salary of men to women by employee category	—	
<b>Human Rights</b>			
HR1-HR2	Investment and procurement practices relating to human rights	○	Citycon Code of Conduct
HR3	Total hours of employee training of human rights.	—	
HR4	Total number of incidents of discrimination and actions taken.	✓	46 No such cases in 2010.
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	✓	46
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	✓	Citycon Code of Conduct, www.citycon.com/Sustainability
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	✓	Citycon Code of Conduct, www.citycon.com/Sustainability
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning relevant aspects of human rights	○	46 Citycon does not employ directly security personnel.
HR9	Violations involving rights of indigenous people and actions taken	—	Citycon's operation area does not reach the areas of indigenous people.
<b>Society</b>			
S01	Impacts of operations on communities, including entering, operating, and exiting	✓	46-47
S02	Percentage and total number of business units analyzed for risks related to corruption	✓	47
S03	Percentage of employees trained organization's anti-corruption policies and procedures	✓	47
S04	Actions taken in response to incidents of corruption.	✓	No such cases in 2010
S05	Public policy positions and participation in public policy development and lobbying.	✓	47
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	✓	47
S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	✓	No such cases in 2010.
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	✓	No such cases in 2010.

Code	Content	Page	Comments
<b>Product Responsibility</b>			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement.	—	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services.	✓	No such cases in 2010.
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	—	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling.	✓	No such cases in 2010.
PR5	Practices related to customer satisfaction.	✓	12-14, 46-47
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications.	✓	48
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications.	✓	No such cases in 2010.
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	✓	No such cases in 2010.
PR9	Significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	✓	No such cases in 2010.

### REPORT APPLICATION LEVELS

		C	C+	B	B+	A	A+
Mandatory	Self Declared				✓		
	Third Party Checked				✓		
Optional	GRI Checked						

Report Externally Assured

# Independent Assurance Report

Translation of the Finnish original report

## To the Management of Citycon Oyj

We have been engaged by Citycon Oyj (hereafter: Citycon) to provide limited assurance on Citycon's Sustainability information from the reporting period 1.1.-31.12.2010 presented in connection with the printed Citycon Annual and Sustainability Report 2010 (hereafter: the Report).

The Sustainability Information subject to the limited assurance engagement includes the data and assertions presented in the following sections in the Report: Achievements in Sustainable Development (on page 3), Citycon's Management System (on page 3), Definition of Materiality (page 11), Citycon's Stakeholders (pages 12-14), Environmental Responsibility (pages 38-43), Social Responsibility (pages 44-48), Key Impacts, Risks and Opportunities Related to Sustainability (page 51), Economic Responsibility (on page 54), Comparison of the Report with the Guidelines of the Global Reporting Initiative (pages 64-66).

The Management of Citycon is responsible for the presented Sustainability Information as well as for preparing and presenting the Sustainability Information in accordance with the *Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 3.0 (G3)*. The Management of Citycon has approved the presented Sustainability Information.

Our responsibility is to carry out a limited assurance engagement and to express conclusion on the Sustainability Information subject to the assurance based on the work performed. We have conducted the engagement in accordance with the *International Standard on Assurance Engagements (ISAE*

*3000*): Assurance engagements other than audits or review of historical financial information, issued by the *International Auditing and Assurance Standards Board*. Amongst others, this standard requires that the assuring party possesses the specific knowledge, skills and professional competence needed to understand and review the information to be assured, and that the assuring party complies with the requirements of the IFAC Code of Ethics for Professional Accountants to ensure their independence.

The evaluation criteria used for our assurance are the *Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 3.0 (G3)*.

## Limitations of the Engagement

Sustainability related data and information are subject to inherent limitations applying to data accuracy and completeness, which are to be taken into account when reading our assurance report. The presented Sustainability Information is to be considered in connection with the explanatory information on data collection, consolidation and assessments provided by Citycon. Our assurance report is not intended for use in evaluating Citycon's performance in executing the sustainability principles Citycon has defined. To assess the financial state and performance of Citycon, the Citycon audited Financial Statement for the year ended 31 December 2010 is to be consulted.

## The Work Performed in the Engagement

Our assurance procedures are designed to obtain limited assurance on whether the information sub-

ject to the assurance engagement is presented in accordance with the *Sustainability Reporting Guidelines of the Global Reporting Initiative 3.0 (G3)* in all material respects. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the sustainability information presented, and applying analytical and other evidence gathering procedures, as appropriate. The evidence gathering procedures mentioned above are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

In our engagement we have performed the following procedures:

- Interviews with five members of senior management to reassert our understanding of the connection between Citycon's Sustainability procedures and Citycon's business strategy and operations as well as Sustainability objectives;
- An assessment of data management processes, information systems and working methods used to gather and consolidate the presented Sustainability Information, and a review of Citycon's related internal documents;
- Comparison of Sustainability Information to underlying rules of procedure, management and reporting systems as well as documentation;
- An assessment of the presented Sustainability Information against the GRI reporting principles;
- A review of the presented Sustainability Information, including the performance data and

assertions, subject to the engagement, and an assessment of information quality and reporting boundary definitions;

- Testing of data accuracy and completeness through samples from the Group's information systems and original numerical information received from Citycon's subsidiaries and business units;
- Comparing the consistency of the reported information with external information such as the Annual Report 2010
- Visits to three Citycon sites selected on the basis of a risk analysis taking into account both qualitative and quantitative information.

## Conclusions

Based on the assurance procedures performed, nothing has come to our attention that causes us to believe that the information subject to the assurance engagement is not presented in accordance with the *Sustainability Reporting Guidelines of the Global Reporting Initiative 3.0 (G3)* in all material respects.

Helsinki, 10 February 2011  
KPMG OY AB

Jan Montell  
Partner

Niina Turri  
Corporate  
Responsibility Advisor

# Glossary

## Key figures

**Gross rental income:** Gross rents, capital rents, maintenance charges and other possible rental income.

**Net initial yield:** The annualized net rent from a property, at the balance sheet date, divided by the market value of the property.

**Net rental income:** Gross rental income added by service charge income less property operating expenses from leasing operations.

**Net (rental) yield:** net Net rental income in proportion to the property's market value. Net rental yield is calculated over the past 12 months period by constructing an index from the monthly rental income and computational monthly market value figures. Annual return is calculated by compounding the indexes.

**NAV:** Based on the Best Practices Policy Recommendations by EPRA, a company's net assets on a per-share basis. Formula is available in the financial statements on page 53.

**Net yield requirement:** For market value calculation, the net yield requirement comprises risk-free interest as well as property-specific and market risk. Net yield requirement is the lowest internal rate of the return of the total investment period, at which a company is willing to invest.

**NNNAV:** Based on the Best Practices Policy Recommendations by EPRA, a company's adjusted per-share NAV. Formula is available in the financial statements on page 53.

**Reversionary yield:** The estimated rental value (market rent) of the property less property operating expenses, expressed as a percentage of the market value of the property.

## Definitions related to leasing:

**Anchor tenant:** A major tenant with a strong financial standing, usually a chain store, occupying a large area in a shopping or retail centre. Anchor tenants typically have a long-term lease.

**Catchment area:** An estimate of a shopping centre's geographic market area in Finland, based on a visitor and travel time survey by Taloustutkimus Oy and Citycon's interviews. In Sweden and Lithuania, similar data are based on estimates. In Estonia, the population within a catchment area is defined as those living within 10 minutes' travel time to the shopping centre.

**Economic occupancy rate:** Rental income based on existing leases divided by vacant premises' estimated market rents, to which rental income based on existing leases is added.

**Gross leasable area:** An area which can be reasonably expected to be available for lease and for which the lessee is ready to pay a rent.

**Investments / (Gross) Capital expenditure:** refers to gross investments in the balance sheet. Capital expenditure includes the investments on investment properties and property, plant and equipment

as well as on intangible assets. The acquisition cost of investment properties consists of a debt-free purchase price and transaction costs such as consultancy fees and transfer taxes. Gross investments on development projects, refurbishments and changes in leased premises are also considered as capital expenditure.

**Like-for-like property:** A property owned by the company for the whole the current and previous financial year (24 months), excluding properties under development and expansion as well as lots.

**Occupancy cost ratio (OCR):** calculated as the share of annual gross rent paid by a tenant to Citycon, of the tenant's annual sales, excluding VAT. The VAT percentage is an estimate. Expresses tenant's ability to pay rent.

**Occupancy rate (sq.m):** The ratio of leased premises to leasable premises.

**Operating expenses, or the costs of operations:** Costs resulting from the management and maintenance of a property, such as heating, electricity, security guard services and cleaning services for common areas.

**Turnover-based rent or turnover-linked rent:** Rent divided into turnover-linked capital rent and maintenance fee. A minimum rent tied to the cost-of-living index also pertains to the turnover-linked capital rent. If the minimum rent is lower than the rent based on the actual turnover, the lessee will pay the resulting excess. The portion tied to turnover is determined by the lessee's field of industry and estimated sales.

## Environmental Responsibility

**Brownfield site:** An abandoned or underused former industrial facility, not necessarily a polluted land area; opposite of "greenfield".

**Carbon dioxide, CO<sub>2</sub>:** A greenhouse gas produced during the combustion of organic matter (e.g. power plants using fossil fuels, car engines etc.). Carbon dioxide substantially contributes to climate warming, since its level in the atmosphere is over a hundred times that of other greenhouse gases in total.

**Carbon footprint:** Carbon footprint refers to the effect on climate warming of an individual person, organisation, event or product. Nearly all human activities have a carbon footprint that gives the amount of greenhouse gas emissions each activity produces. Presented by mass (g, kg, t).

**Climate change:** The increase in the average temperature of the Earth, its sea level rise and the decrease in its ice and snow cover. Effects also include changes in rainfall. Global warming is most probably primarily due to the acceleration in the planet's greenhouse effect. The greenhouse effect has gained momentum because human activities have increased the amount of carbon dioxide and other greenhouse gases in the atmosphere.

**CHP Directive:** Directive 2004/8/EC on the promotion of cogeneration based on a useful heat demand in the internal energy market.

**CO<sub>2</sub>e:** Carbon dioxide equivalent. A common measure for greenhouse gases, allowing the calculation of the effect of different greenhouse gas emissions on the acceleration of the greenhouse effect. This calculation converts the effects of all greenhouse gases, in order to obtain an equivalent to the effect of carbon dioxide on the climate.

**Energy certificate:** An energy certificate gives the total energy consumption of a property, comprising the consumption of heating energy, electricity and cooling energy. Proportioning total consumption to gross area gives the building's energy-efficiency rating.

**Ecosystem:** The term ecosystem refers to the combined physical and biological components of an environment.

**EN 15603 –standard:** A standard related to Energy Performance of Buildings Directive (2002/91/EC). The purpose of the standard is to present general principles of the overall energy use of buildings and definitions of energy ratings.

**Environmental impact:** Any change in the environment that entirely or partly results from an organisation's activities, products or services. Such a change may be hazardous or beneficial.

**G3 guidelines:** A reporting guideline update related to GRI reporting, published in 2006.

**GHG:** Greenhouse gas (cf. Greenhouse gases).

**GHG protocol:** Greenhouse gas protocol; an accounting tool for calculating the size of carbon footprints, developed by the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD).

**Greenfield site:** An undeveloped land area. The opposite to brownfield land.

**Greenhouse gases:** Gases appearing in the atmosphere that warm the Earth in a manner similar to glass panes in a greenhouse. Greenhouse gases allow short-wave solar light radiation to pass through the atmosphere while absorbing long-wave heat radiation emitted by the Earth's surface. The most important gases in the atmosphere, which maintain and strengthen the greenhouse effect, are carbon dioxide, methane, ozone, nitrous oxide ("laughing gas") and the Freons.

**Hazardous waste:** Hazardous waste, as defined in the Finnish Waste Act, means any waste which may pose a particular hazard or harm to health or the environment due to its chemical or some other properties. Examples of waste classified as hazardous waste include solvents, paints and coatings, batteries containing heavy metals, fluorescent tubes, cooling appliances, TV sets and computer displays as well as waste oil.

**Primary energy:** Primary energy is energy found in nature that has not been converted. It is divided into renewable (e.g. wind power) and non-renewable (e.g. oil) energy.

**Secondary energy:** Energy produced from primary energy, e.g. electricity or district heating. Part of the original (primary) energy is lost in the conversion process.

**Sustainable development:** Sustainable development is continuous, guided societal change, with the aim of safeguarding the possibilities for a good life of present and future generations. Sustainable development can be divided into four dimensions: economic, ecological, social and cultural.

## Associations and programs

**EPRA:** The European Public Real Estate Association, a common interest group which publishes 'best practice' in accounting, financial reporting and corporate governance for European listed real estate companies.

**ICSC:** The International Council of Shopping Centers.

**IEA:** The International Energy Agency.

**NCSC:** The Nordic Council of Shopping Centers.

**NGO:** Non-governmental organization.

**RAKLI ry:** The Finnish Association of Building Owners and Construction Clients.

**SIPA:** Scandinavian International Property Association.

**UNEP:** United Nations Environment Programme. The programme monitors the global environment and co-ordinates activities to prevent environmental threats and alleviate or eliminate any hazards.

**UNEP SBCI:** The UNEP Sustainable Buildings and Climate Initiative.

**WBCSD:** World Business Council for Sustainable Development.

**WRI:** World Resources Institute.

## ABBREVIATIONS

**kWh** = kilowatt hour

**MWh** = megawatt hour

**MJ** = megajoule

**TJ** = terajoule

**t** = tonne

**m<sup>3</sup>** = cubic metre



# Citycon's Shopping Centres in Sweden

## LOCAL SHOPPING CENTRES



### Jakobsbergs Centrum

#### Järfälla

Citycon's gross leasable area  
60,700 sq.m.  
Anchor tenants Coop, H&M,  
Lindex, Systembolaget



### Stenungs Torg

#### Stenungsund

Citycon's gross leasable area  
36,400 sq.m.  
Anchor tenants KappAhl,  
Hemtex, Systembolaget, Coop



### Tumba Centrum

#### Botkyrkan

Citycon's gross leasable area  
31,400 sq.m.  
Anchor tenants ICA, KappAhl,  
H&M, Dressmann



### Liljeholmstorget

#### Stockholm

Citycon's gross leasable area  
41,000 sq.m.  
Anchor tenants ICA Kvantum,  
Willy's, H&M, Systembolaget,  
SATS, Clas Ohlson, MQ, Lindex



### Strömpilen

#### Umeå

Citycon's gross leasable area  
27,000 sq.m.  
Anchor tenants ICA Maxi,  
Elgiganten, Lindex, H&M



### Åkersberga Centrum

#### Österåker

Citycon's gross leasable area  
27,500 sq.m.  
Anchor tenants ICA, KappAhl,  
Lindex, Library, Systembolaget

## PARTNERS IN EVERYDAY LIFE CENTRES



### Fruängen Centrum

#### Stockholm

Citycon's gross leasable area  
14,600 sq.m.  
Anchor tenants Library,  
Systembolaget, Läkerhuset,  
Sabis



### Åkermyntan Centrum

#### Hässelby

Citycon's gross leasable area  
8,500 sq.m.  
Anchor tenants ICA, Apoteket,  
Lidl, library

# Citycon's Shopping Centres in the Baltic Countries

## LOCAL SHOPPING CENTRE



### Rocca al Mare

#### Tallinn, Estonia

Citycon's gross leasable area  
53,300 sq.m.  
Anchor tenants Prisma,  
Marks&Spencer, NewYorker,  
Lindex, Reserved, Sportland

## PARTNERS IN EVERYDAY LIFE CENTRES



### Magistral

#### Tallinn, Estonia

Citycon's gross leasable area  
9,500 sq.m.  
Anchor tenants Rimi,  
Koduextra, Rademar, Tiimari,  
Seppälä



### Mandarin

#### Vilnius, Lithuania

Citycon's gross leasable area  
8,000 sq.m.  
Anchor tenants Rimi,  
Hansapank, Farma

**CITYCON OYJ**

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# Financial Statements 2010

## CONTENTS

Report by the Board of Directors .....	3	22. Derivative financial instruments .....	32	Shareholders and shares .....	51
EPRA performance measures .....	14	23. Investment properties held for sale.....	33	Formulas for key figures and ratios .....	53
<b>CITYCON OYJ'S CONSOLIDATED FINANCIAL STATEMENTS FOR 1 JANUARY - 31 DECEMBER 2010 .....</b>	<b>17</b>	24. Trade and other receivables .....	33	Signatures to the financial statements .....	54
Consolidated statement of comprehensive income, IFRS .....	17	25. Cash and cash equivalents .....	33	Auditors' report .....	55
Consolidated statement of financial position, IFRS .....	18	26. Shareholders' equity .....	33	Property list.....	56
Consolidated cash flow statement, IFRS .....	19	27. Loans .....	34	Valuation statement .....	60
Consolidated statement of changes in shareholders' equity, IFRS .....	20	28. Trade and other payables .....	37		
Notes to the consolidated financial statements, IFRS .....	21	29. Employee benefits .....	37		
1. Basic company data.....	21	30. Cash generated from operations.....	39		
2. Basis of preparation.....	21	31. Commitments and contingent liabilities .....	39		
3. Changes in IFRS and accounting policies .....	21	32. Related party transactions.....	40		
4. Summary of significant accounting policies .....	21	33. Changes in group structure in 2010.....	42		
5. Key estimates and assumptions, and accounting policies requiring judgment .....	24	34. Post balance sheet events .....	42		
6. Gross rental income .....	26	<b>Key figures</b> .....	43		
7. Segment information .....	26	1. Consolidated key figures and ratios for five years .....	43		
8. Property operating expenses.....	28	2. Quarterly segment information .....	44		
9. Other expenses from leasing operations .....	28	<b>Parent company income statement, FAS</b> .....	45		
10. Administrative expenses .....	28	<b>Parent company balance sheet, FAS</b> .....	46		
11. Personnel expenses .....	28	<b>Parent company cash flow statement, FAS</b> .....	47		
12. Depreciation and amortisation .....	28	<b>Notes to the parent company's financial statements, FAS</b> .....	48		
13. Other operating income and expenses .....	28	1. Accounting policies.....	48		
14. Net financial income and expenses .....	28	2. Turnover .....	48		
15. Income taxes .....	29	3. Other expenses from leasing operations .....	48		
16. Earnings per share.....	29	4. Personnel expenses .....	48		
17. Investment properties .....	29	5. Depreciation and amortisation and impairments .....	48		
18. Property, plant and equipment .....	31	6. Other operating income and expenses .....	48		
19. Intangible assets .....	31	7. Net financial income and expenses .....	48		
20. Deferred tax assets and liabilities .....	31	8. Income tax expense.....	48		
21. Classification of financial instruments .....	32	9. Intangible assets .....	48		
		10. Tangible assets .....	49		
		11. Shares in subsidiaries .....	49		
		12. Shares in associated companies .....	49		
		13. Other investments .....	49		
		14. Subsidiaries and associated companies.....	49		
		15. Short-term receivables .....	49		
		16. Shareholders' equity .....	49		
		17. Liabilities .....	49		
		18. Contingent liabilities .....	50		

**SUMMARY OF THE YEAR 2010 COMPARED WITH THE PREVIOUS YEAR**

- Turnover grew by 5.2 per cent to EUR 195.9 million (2009: EUR 186.3 million). This increase was due to the growth in gross leasable area and active development of the retail properties. Turnover growth was reduced by a slightly higher vacancy rate during the course of the year, residential divestments in Sweden and the start-up of new (re)development projects. Turnover from like-for-like properties increased by 0.9 per cent excluding the impact of strengthened Swedish krona.
- Profit/loss before taxes was EUR 102.8 million (EUR -37.5 million), including a EUR 50.8 million (EUR -97.4 million) change in the fair value of investment properties.
- Net rental income increased by 1.4 per cent to EUR 127.2 million (EUR 125.4 million). The growth in net rental income was slowed down by higher property operating expenses due to severe winter conditions and prevailing low inflation level. If the impact of the strengthened Swedish krona is excluded, net rental income decreased by 0.7 per cent.
- Net rental income from like-for-like properties decreased by 0.3 per cent excluding the impact of strengthened Swedish krona, due mainly to higher property operating expenses than in the previous year. Additionally, prevailing low inflation resulted in very low indexation-based rental increases.
- The fair value change of investment properties was EUR 50.8 million (EUR -97.4 million), and the fair value of investment properties totalled EUR 2,367.7 million (EUR 2,147.4 million).
- The average net yield requirement for investment properties decreased to 6.4 per cent (6.6%) at the end of the period, according to an external appraiser.
- The company's direct result decreased to EUR 47.3 million (EUR 50.9 million).
- Direct result per share (diluted) was EUR 0.21 (EUR 0.23). The decrease in direct operating profit and increased financial expenses were

- compensated by lower direct income taxes.
- Earnings per share were EUR 0.34 (EUR -0.16). Changes in the fair value of investment properties have a substantial impact on earnings per share.
- The occupancy rate was 95.1 per cent (95.0%).
- Net cash from operating activities per share decreased to EUR 0.09 (EUR 0.30) due to lower direct operating profit, extraordinary items and timing differences.
- The equity ratio rose to 37.1 per cent (34.2%).
- Net financial expenses increased to EUR 54.9 million (EUR 47.7 million).
- On the basis of Citycon's loan agreement covenants, its interest coverage ratio was 2.0x (2.3x) and equity ratio 39.4 per cent (40.6%).
- In September, the company issued 22 million new shares in a share issue directed to Finnish and international institutional investors, raising approximately EUR 63 million in new equity.
- The company's financial position improved during the period, due to a share issue and new loan agreements. Total liquidity at the end of the reporting period was EUR 245.0 million, including unutilised committed credit facilities amounting to EUR 225.5 million and EUR 19.5 million in cash.
- The company announced changes in its management. Citycon's CEO Petri Olkinuora will leave his position as of 23 March 2011. Kaisa Vuorio, Vice President, Finnish Operations, left her position on 19 October 2010. The one-off cost for executive changes to the company totalled EUR 1.3 million.
- During the year, the company finalised the sale of apartments located in Åkersberga Centrum, Jakobsbergs Centrum and Liljeholmstorget in Sweden. The selling price amounted to SEK 477 million (approx. EUR 49.5 million).
- At the end of the financial year, the company had three major (re)development projects underway. The estimated total investments in all current projects total approximately EUR 100 million.
- 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 0.10 (EUR 0.10) per share.

**KEY FIGURES**

	Q4/2010	Q4/2009	Q3/2010	2010	2009	Change-% <sup>1)</sup>
Turnover, EUR million	49.9	48.9	48.0	195.9	186.3	5.2%
Net rental income, EUR million	31.8	31.6	33.0	127.2	125.4	1.4%
Operating profit, EUR million	35.4	-12.4	42.8	157.7	10.3	-
% of turnover	70.9%	-	89.2%	80.5%	5.5%	-
Profit/loss before taxes, EUR million	22.0	-24.4	28.8	102.8	-37.5	-
Profit/loss attributable to parent company shareholders, EUR million	14.4	-23.8	22.5	78.3	-34.3	-
Direct operating profit, EUR million	24.3	26.3	28.0	105.0	107.7	-2.5%
% of turnover	48.8%	53.9%	58.4%	53.6%	57.8%	-7.3%
Direct result, EUR million	13.5	12.5	12.3	47.3	50.9	-7.2%
Indirect result, EUR million	0.9	-36.3	10.2	31.1	-85.2	-
Earnings per share (basic), EUR	0.06	-0.11	0.10	0.34	-0.16	-
Earnings per share (diluted), EUR	0.06	-0.11	0.10	0.34	-0.16	-
Direct result per share (diluted), (diluted EPRA EPS), EUR	0.06	0.06	0.06	0.21	0.23	-9.2%
Net cash from operating activities per share, EUR	0.00	0.06	0.04	0.09	0.30	-71.2%
Fair value of investment properties, EUR million			2,299.9	2,367.7	2,147.4	10.3%
Equity per share, EUR			3.36	3.47	3.31	5.0%
Net asset value (EPRA NAV) per share, EUR <sup>2)</sup>			3.71	3.79	3.64	4.3%
EPRA NNNAV per share, EUR			3.37	3.49	3.35	4.1%
Equity ratio, %			35.9	37.1	34.2	8.6%
Gearing, %			153.4	153.1	169.5	-9.7%
Net interest-bearing debt (fair value), EUR million			1,343.1	1,386.0	1,312.2	5.6%
Net rental yield, %			5.9	5.8	6.1	-
Net rental yield, like-for-like properties, %			6.5	6.5	6.6	-
Occupancy rate (economic), %			94.5	95.1	95.0	0.1%
Personnel (at the end of the period)			123	129	119	8.4%
Dividend per share, EUR				0.04 <sup>3)</sup>	0.04	
Return from invested unrestricted equity fund per share, EUR				0.10 <sup>3)</sup>	0.10	
Dividend and return from invested unrestricted equity fund per share total, EUR				0.14 <sup>3)</sup>	0.14	

1) Change-% is calculated from exact figures and refers to the change between 2010 and 2009.

2) In accordance with a change in the EPRA's Best Practice Recommendations 2010, Citycon has changed net asset value (EPRA NAV) calculations so that the fair value of all financial instruments is excluded from the net asset value.

3) Proposal by the Board of Directors.

Five-year key figures are available on page 43 in the Financial Statements.

The Corporate Governance Statement of the Citycon Group for the financial year 2010 has been published simultaneously with the Financial Statements and the Report by the Board of Directors and is available on the corporate website at [www.citycon.com](http://www.citycon.com).

### CEO PETRI OLKINUORA'S COMMENTS ON THE FINANCIAL YEAR 2010:

"In 2010, we did not reach our expectations regarding operational performance due to costs and slower than expected stabilisation of completed (re)development projects. The ongoing redevelopment projects and repositioning of existing properties reduced temporarily the company's leasable area by some 30,000 square metres during the year, which affected net rental income.

The largest ongoing (re)development projects include the redevelopment and extension of Åkersberga Centrum, located in Österåker, Sweden, and new shopping centres being built in Myllypuro, Helsinki and Martinlaakso, Vantaa in Finland. All of them are due for completion during 2011 and 2012. Åkersberga Centrum's extension opened in October 2010 and refurbishment of the existing part is currently underway. The fully redeveloped shopping centre will be completed in April 2011.

The refurbishment projects at Forum, Jyväskylä and Espoonatori, Espoo, both in Finland, were completed in November and December, and were opened almost fully leased.

In 2010, the company continued to divest its non-core residential properties. The aggregate value of these disposals totalled EUR 49.5 million. Following the realised transactions, the value of the company's remaining residential portfolio in Sweden is approximately EUR 40 million.

The financial position of the company is stable. The directed share issue arranged by the company in September was completed successfully. In addition, the long-term loan agreements concluded during the year enhanced liquidity. At period end, available liquidity totalled EUR 245.0 million.

As my more than eight-year term as the company's CEO comes to an end at the Annual General Meeting in the spring, I would like to thank the Citycon team for their unwavering commitment to the company's development over recent years. The company is now a true shopping centre specialist and an experienced developer, ready for continued growth."

### BUSINESS ENVIRONMENT

Retail sales have been trending upwards both in Finland and Sweden. In December, retail sales increased by 4.4 per cent in Finland and by 3.2 per cent in Sweden. During the year, retail sales increased by 3.8 per cent in Finland and 3.7 per cent in Sweden. In the Baltic countries, the decline in retail sales levelled off during the year. In 2010, retail sales declined by 4.0 per cent in Estonia, but increased in December by 5.0 per cent. (Source: Statistics Finland, Statistics Sweden, Statistics Estonia)

Household consumer confidence improved in Sweden and Finland. Unemployment has remained at higher levels than before the financial crisis: 7.9 per cent in Finland and 7.4 per cent in Sweden at the end of the year. In Estonia, consumer confidence improved markedly during the year, in spite of the high unemployment of more than 15 per cent. The adoption of the euro is forecast to boost growth in the Estonian economy. (Source: *ibid*)

In Finland and Sweden, consumer prices continued to rise during the last quarter. The annual inflation rate was 2.9 per cent in Finland, 2.3 per cent in Sweden and 3.0 per cent in Estonia. Interest rates continued to be low. (Source: *ibid*)

Availability of financing improved markedly during 2010 compared with previous years. While the property market showed signs of revival, the number of actual property transactions remained low. Shopping centre occupancy rates continue to be high. (Source: Catella)

### BUSINESS AND PROPERTY PORTFOLIO SUMMARY

Citycon focuses on the shopping centre business in the Nordic and Baltic countries. The company's shopping centres are actively managed and developed by the company's professional personnel, working locally. In the Nordic countries, the company is a pioneer in its adherence to the principles of sustainable development in its shopping centre business. Citycon strives to enhance the commercial appeal of its properties, taking into account the

specific characteristics of each property's catchment area such as purchasing power, competition and consumer demand. The ultimate goal is to create rental premises generating added value to tenants and customers.

At the end of 2010, Citycon owned 33 (33) shopping centres and 50 (51) other properties. Of the shopping centres, 22 (22) were located in Finland, eight (8) in Sweden and three (3) in the Baltic countries. The market value of the company's property portfolio totalled EUR 2,367.7 million (EUR 2,147.4 million) with Finnish properties accounting for 64.7 per cent (67.2%), Swedish properties for 28.2 per cent (25.6%) and Baltic properties for 7.0 per cent (7.3%). The gross leasable area at the end of the period totalled 942,280 square metres.

### CHANGES IN THE FAIR VALUE OF INVESTMENT PROPERTIES

In accordance with the International Accounting Standards (IAS) and the International Valuation Standards (IVS), an external professional appraiser values Citycon's property portfolio on a property-by-property basis at least once a year. In recent years, the valuation has been conducted on a quarterly basis, due to changing market conditions. A Property Valuation Statement for the end of December 2010 is available on the corporate website.

The valuation was conducted by Realia Management Oy, part of the international Realia Group and the preferred appraisal service supplier of CB Richard Ellis in Finland. The valuation statement includes a description of the valuation process and the factors contributing to the valuation, as well as the results of the valuation and a sensitivity analysis.

The valuation was primarily carried out as a cash flow analysis of the net operating income for a period of ten years. In the case of undeveloped lots and properties subject to significant alterations in the city plan, the market value has been determined based on the building volume permitted by the valid zoning plan. The aforementioned valuation statement also contains more details on valuation methods.

The average net yield requirement defined by Realia Management Oy for Citycon's entire property portfolio came to 6.4 per cent on 31 December 2010. The average net yield requirement for Citycon's properties in Finland, Sweden and the Baltic countries stood at 6.4 per cent, 6.1 per cent and 8.1 per cent, respectively.

As required by IAS 40, Citycon recognises its investment property at fair value. The combined market value of its properties on the balance sheet date is reported in the statement of financial position, while any changes in the fair value through net fair value gains or losses on investment property are detailed in the statement of comprehensive income. Thus, the change in fair value also has a profit impact, and this is reported in the company's financial statements as a separate item under operating profit, and, consequently, the profit for the period.

The fair value of the company's investment property in the statement of financial position equals the property portfolio's total value determined by the external appraiser, capital expenditure on (re) development projects which the external appraiser does not take into account when determining fair value, and the acquisition cost of new properties acquired during the last three months.

During the reporting period, the fair value of Citycon's property portfolio rose, mainly due to property development. The company recorded a total value increase of EUR 95.7 million (EUR 5.5 million) and a total value decrease of EUR 44.9 million (EUR 102.9 million). The net effect of these changes on the company's profit was EUR 50.8 million (EUR -97.4 million).

### LEASE PORTFOLIO AND OCCUPANCY RATE

Citycon aims to have a versatile and efficiently managed lease portfolio. The company favours fixed-term leases. In general, all new leases for retail premises are agreed for a fixed term in all countries. Exceptions to this policy concern mainly the leasing of apartments, storage areas and individual parking spaces.

At the end of the reporting period, Citycon had a total of 3,753 (4,235) leases. The number of leas-

es decreased due mainly to the disposal of apartments in Sweden. The average remaining length of the lease agreements was 3.2 (3.1) years.

The net rental yield of Citycon's property portfolio was 5.8 per cent (6.1%) and the economic occupancy rate was 95.1 per cent (95.0%).

Citycon's net rental income increased by 1.4 per cent to EUR 127.2 million. The leasable area decreased by 2.0 per cent to 942,280 square metres. Net rental income from like-for-like properties decreased by 0.3 per cent.

Like-for-like properties are properties held by Citycon throughout the 24-month reference period, excluding properties under redevelopment or extension as well as undeveloped lots. 74.0 per cent of like-for-like properties are located in Finland. The calculation method for net yield and standing (like-for-like) investments is based on guidelines issued by the KTI Institute for Real Estate Economics and the Investment Property Database (IPD). The following presents like-for-like net rental income growth by segment.

During the last 12 months, the rolling twelve-month occupancy cost ratio for like-for-like shopping centre properties was 8.4 per cent. The occupancy cost ratio is calculated as the share of gross rent paid by a tenant to Citycon, of the tenant's sales, excluding VAT. The VAT percentage is an estimate.

### Net Rental Income and Turnover by Segments and Portfolios

Net rental income by segments and portfolios						Turnover by portfolios
	EUR million	Finland	Sweden	Baltic Countries	Other	Total
<b>2008</b>	<b>90.9</b>	<b>24.1</b>	<b>6.8</b>	<b>0.0</b>	<b>121.8</b>	<b>178.3</b>
(Re)development projects	1.0	1.0	3.3	-	5.4	8.4
Divestments	-0.2	-	-	-	-0.2	-0.2
Like-for-like	0.7	0.5	-0.4	-	0.8	4.0
Other (incl. exch. rate diff.)	0.0	-2.4	0.1	0.0	-2.3	-4.2
<b>2009</b>	<b>92.4</b>	<b>23.2</b>	<b>9.8</b>	<b>0.0</b>	<b>125.4</b>	<b>186.3</b>
(Re)development projects	-4.6	3.5	2.2	-	1.0	6.1
Divestments	-0.3	-1.2	-	-	-1.6	-2.3
Like-for-like	-0.6	0.6	-0.2	-	-0.2	1.3
Other (incl. exch. rate diff.)	0.0	2.6	0.0	0.0	2.5	4.5
<b>2010</b>	<b>86.7</b>	<b>28.7</b>	<b>11.8</b>	<b>0.0</b>	<b>127.2</b>	<b>195.9</b>

### ACQUISITIONS AND DIVESTMENTS

Citycon continues to focus on the development and redevelopment of the company's retail properties, and actively participates in the shopping centre market across its operating area. No major new property acquisitions took place during the year. Several apartments were sold during 2010, as apartments are not part of the company's core business.

In early January, Citycon divested the building rights for the apartments to be built in connection with the Myllypuro shopping centre and the three companies Citycon had established for managing them, to three different residential investors. The residential investors will each be responsible for the construction and leasing of their own apartments. Citycon recorded a gain on sale of EUR 1.7 million following this transaction, tax effects included.

In March, Citycon sold approximately 25 per cent of the apartments in the Jakobsbergs Centrum shopping centre for approximately SEK 120 million (approx. EUR 12 million). These apartments were sold to a newly-established owners' association under an agreement according to which the association agreed to purchase 100 per cent of the shares in Citycon's Swedish subsidiary Tenrot Fastighets AB. The total area of the apartments sold is approximately 8,000 square metres. Citycon

### Lease Portfolio Summary

	Q4/2010	Q4/2009	Q3/2010	2010	2009	Change-%
Number of leases started during the period	245	386	184	789	873	-9.6
Total area of leases started, sq.m. <sup>1)</sup>	47,621	69,262	33,341	160,215	141,628	13.1
Average rent of leases started (EUR/sq.m.) <sup>1)2)</sup>	18.3	24.5	17.5	17.9	22.7	-21.1
Number of leases ended during the period	294	184	408	1,279	781	63.8
Total area of leases ended, sq.m. <sup>1)</sup>	25,114	28,213	42,107	190,489	127,730	49.1
Average rent of leases ended (EUR/sq.m.) <sup>1)2)</sup>	20.0	19.3	14.1	16.2	17.5	-7.4
Average rent (EUR/sq.m.) <sup>2)</sup>			18.5	18.7 <sup>3)</sup>	17.4	7.2
Occupancy rate at end of the period (economic), %			94.5	95.1	95.0	0.1
Average remaining length of lease portfolio at the end of the period, year			3.2	3.2	3.1	3.2

1) Leases started and ended don't necessarily refer to the same premises.

2) In 2010 in the Baltic Countries, maintenance fees have been split to maintenance and utility charges in order to make the practice comparable with the other business units. This change had also an effect on the figures of the reference periods.

3) Group average rent corrected from previously disclosed.

recorded a gain on sale of EUR 1.2 million following this transaction, tax effects included.

The sale of the apartments at Liljeholmstorget, agreed in the summer of 2009, was finalised in April. The apartments built within the Liljeholmstorget shopping centre were sold for a price of SEK 176 million (approx. EUR 18.5 million) to Heba Fastighets AB. The transaction had no effect on reported profits.

In April, Citycon sold its nine per cent holding in Helsingin Autotalo Oy for EUR 4.5 million. The transaction had no effect on reported profits.

In May, Citycon sold the building rights for apartments to be built in connection with the new Martinlaakso shopping centre, and 100 per cent of the shares in the company Citycon had established for managing the apartments, to Skanska Talonrakennus Oy for a total of EUR 2.3 million. The transaction had no effect on reported profits.

The sale of apartments located in Åkersberga Centrum in Österåker, Sweden, took place in July. The sale price amounted to SEK 181 million (approx. EUR 19 million). The company recognised a loss on sale of EUR 0.8 million following the transaction.

Towards the end of the year, Citycon purchased all shares in the company Kiinteistö Oy Asematie 3, for approximately EUR 2.1 million. This company owns a commercial building located in Tikkurila,

Vantaa, Finland. This transaction was conducted in view of the planned extension of the Tikkuri shopping centre, owned by Citycon.

Changes in the Group structure during the year 2010 are presented in greater detail on page 42 in the Financial Statements.

### DEVELOPMENT PROJECTS

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

In the short term, redevelopment projects weaken returns from some properties, as some retail premises may have to be temporarily vacated for refurbishment, which affects rental income. In order to ensure continuous cash flow Citycon aims to carry out redevelopment projects phase by phase.

### Completed (Re)development Projects

#### Projects Completed in 2010

During 2010, Citycon thoroughly redeveloped Forum shopping centre in Jyväskylä, Finland. The project involved a full renovation of the shopping centre build-

ing, its commercial concept and almost all shops. Although the redevelopment project covered the entire shopping centre, it focused on a 12,000 square metre area. Citycon invested approximately EUR 16 million in this project. The redeveloped Forum shopping centre opened its doors in December.

The modernised Forum has more than 60 stores, about ten of which are newcomers to Forum and Jyväskylä. In order to better address demand in the heart of Jyväskylä, the centre's commercial concept was developed by expanding the fashion offering, as well as that of restaurants & cafes. The more versatile new offering now covers children's supplies and interior decoration.

The refurbishment of the Espoontori shopping centre in Espoo Centre, Finland, was completed in November. The shopping centre's premises of 10,400 square metres and its parking facilities underwent major renovation and refurbishment in order to meet current customer needs. Citycon invested EUR 20.5 million in this project. The planned total investment in the refurbishment, EUR 18 million, was exceeded by EUR 2.5 million due mainly to works conducted outside of the investment area, partly as a requirement of the authorities. These works should have been done in any case, since they are necessitated by the planned extension of the shopping centre. The original investment decision also includes costs related to the planned extension of Espoontori to the adjacent Asemakuja property, such as zoning and land use payments, totalling approximately EUR 5.3 million. Citycon plans to further expand Espoontori in the future.

Espoontori is situated in the administrative hub of Espoo, adjacent to the railway station. In addition, a significant number of new apartments are being built in the immediate vicinity of Espoontori. The refurbishment of Espoontori will substantially improve its commercial competitiveness, while improving the attractiveness of the Espoo Centre district.

#### Projects completed in 2009

Liljeholmstorget Galleria was the largest development project in Citycon's history and the first

ground-up shopping centre development project. In the autumn of 2006, Citycon acquired a shopping centre project located in Liljeholmen, Stockholm for approximately EUR 62 million. The project included an existing office and retail building as well as the building rights for a new shopping centre. The construction project started in spring 2007. Citycon completely refurbished the existing building, built a three-storey shopping centre extension and excavated a parking garage for 900 cars under the adjacent apartment buildings. Liljeholmstorget has 41,000 square metres of leasable area and hosts approximately 90 shops. 72 apartment units were also built on top of the shopping centre and sold to a residential investor.

In 2010, one of Citycon's main goals in Sweden was the stabilisation of Liljeholmstorget Galleria, which opened in October 2009. As a result of improvements made to the offering and tenant mix during its first year of operation, Liljeholmstorget's sales and footfall reached expected levels towards the end of 2010, while net rental income remained lower than targeted.

Citycon redeveloped and expanded the shopping centre Rocca al Mare in Tallinn in an extensive three phase project. Rocca al Mare was Citycon's first acquisition in Estonia in 2005. Citycon launched the redevelopment project two years later in 2007. The last phase of the project was completed in November 2009. Rocca al Mare now has 53,300 square metres of leasable area and, with over 160 shops, is the largest shopping centre in Tallinn.

Rocca al Mare has been almost fully let since the opening. However, due to the difficult economic situation in the Baltic countries, Citycon has granted temporary rental rebates to some tenants. While rental rebates continue to be granted, the situation is slightly improving.

Both projects completed in 2009 reflect Citycon's commitment to environmental responsibility. The Rocca al Mare development project was awarded a silver level LEED certificate in January and Liljeholmstorget development project became

the first European shopping centre project to be awarded a platinum level LEED certificate in March.

#### (Re)development Projects in Progress

The redevelopment and extension of the Åkersberga Centrum, located in the Österåker district of Greater Stockholm area, is the largest of Citycon's ongoing (re)development projects. The extension of the shopping centre was opened in October, and the refurbishment of the existing part is due for completion in April 2011.

The total budget for the construction project is approximately SEK 467 million (EUR 51 million), of which Citycon's share is 75 per cent. The leasable area of the shopping centre will grow by approximately 13,000 square metres. In addition to the refurbishment of the existing premises, additional parking facilities will be built for 350 vehicles. The shopping centre will remain open throughout the project. As is common in Swedish shopping centres, Åkersberga Centrum offers many mu-

nicipal services. The new library, opened in modern premises within the new extension, improves the local offering of cultural activities and offers a setting for various types of cultural events.

Citycon is building a new shopping centre in the Martinlaakso district of Vantaa, Finland, to replace the previous retail centre. The project was initiated with the demolition of the existing old retail centre in May. The new shopping centre will enjoy an excellent location in the immediate vicinity of railway and bus stations. The company will invest EUR 22.9 million, excluding the residential building rights, in the shopping centre, which will have a gross leasable area of 7,300 square metres and parking facilities for 475 cars. The project includes construction of apartments, and Citycon has sold the related building rights for EUR 2.3 million. In addition, Citycon will receive a one-time compensation of EUR 1.1 million from the City of Vantaa for the commuter parking facility investment. The project is due for completion in 2011.

#### (Re)development Projects Completed in 2009 and 2010 and in Progress on 31 December 2010 <sup>1)</sup>

	Location	Estimated total project investment (EUR million)	Actual gross capital investments by 31 Dec. 2010 (EUR million)	Estimated final year of completion
Liljeholmstorget	Stockholm, Sweden	157.8 <sup>2)</sup>	157.8	completed
Rocca al Mare	Tallinn, Estonia	53.8 <sup>3)</sup>	53.8	completed
Forum	Jyväskylä, Finland	16.0	16.0	completed
Espoontori	Espoo, Finland	25.8 <sup>4)</sup>	22.2	completed
Åkersberga Centrum	Österåker, Sweden	51.1 <sup>2)</sup>	44.5	2011
Martinlaakso	Vantaa, Finland	22.9	7.2	2011
Myllypuro	Helsinki, Finland	21.3	14.3	2012
Hansa (Trio)	Lahti, Finland	8.0	5.0	2011 <sup>5)</sup>
Isolinnankatu	Pori, Finland	3.0	1.5	2011
Asema-aukio	Pori, Finland	2.5	0.3	2012
Myyrmani	Vantaa, Finland	4.8	4.2	2011
Kirkkonummen liikekeskus	Kirkkonummi, Finland	4.0	1.6	2011

1) Calculated at end of period exchange rates.

2) Estimated total investment in SEK has not changed from year end 2009.

3) The original estimated total investment in Rocca al Mare development project amounted to approximately EUR 68 million.

4) The estimated total investment of the refurbishment, EUR 18 million, has been exceeded by EUR 2.5 million. In addition, the estimated total project investment includes costs related to the planned extension of Espoontori to adjacent Asemakuja property, such as zoning and land use payments.

5) The completion of the project has been postponed due to slower than expected leasing.



Citycon has a similar development project underway in the Myllypuro district in Helsinki, where the company is building a new shopping centre and an underground car park for 270 vehicles. The shopping centre has an excellent location, adjacent to the Myllypuro metro station. The leasable area of the new shopping centre will be approximately 7,300 square metres, and its service offering will include grocery retailers and other daily services. The shopping centre will be completed in stages, with the first part due to open in early summer 2011 and the second a year later in 2012. The total cost of the Myllypuro project will exceed EUR 60 million, with Citycon's share of the future shopping centre and car park accounting for EUR 20 million.

The shopping centres in Martinlaakso and Myllypuro are Citycon's first ground-up shopping centre projects in Finland.

The Hansa property, which is close to the recently redeveloped Trio shopping centre in Lahti, Finland, will be provided with a better commercial link to Trio. An area of 8,000 square metres will be redeveloped in the Hansa property and the project is due for completion in the spring of 2011. In addition, an alteration to the city plan is pending, to allow for the construction of retail premises on the bridge connecting Trio and Hansa above Vapaudenkatu street.

At the Myyrmanni shopping centre in Vantaa, Finland, major tenant improvement works are in progress. Over one quarter of the shopping centre's leasable retail area is being altered. In addition, the retail premises on Isolinnankatu and Asema-aukio in Pori, Finland, will be redeveloped. Citycon is also refurbishing a retail property in the centre of Kirkkonummi, west of Helsinki. The refurbishment of Torikeskus in Seinäjoki, Finland, has halted for the time being due to the leasing situation.

All of the above-mentioned projects fulfil Citycon's strategy of redeveloping its retail properties which are in excellent locations. These projects are also in line with Citycon's strategy of sustainable development, which emphasises the redevelopment of retail properties located in key locations in city and district centres. This will also

help strengthen existing urban structures and improve the areas' service offering.

Capital expenditure during 2010 on all (re)development projects amounted to EUR 69.5 (EUR 24.2 million) million in Finland, EUR 49.4 (EUR 95.9 million) million in Sweden and EUR 6.0 (EUR 13.9 million) million in the Baltic countries.

#### (Re)development Projects under Planning

The largest of the planned (re)development projects is the Iso Omena extension project, in which the Matinkylä station on the western metro line will be connected to the shopping centre by building retail premises on top of the station. The estimated investment amounts to EUR 100–130 million. Citycon has an exclusive planning reservation for the development of the metro station and for the use of the related land areas together with NCC Property Development Oy. The aim is to develop a metro centre which provides excellent commercial services along direct access from the metro train to its feeder terminal. The western metro line connecting Helsinki and Espoo is due for completion at the end of 2015.

More information on planned projects can be found on Citycon's website.

#### BUSINESS UNITS

Citycon's business operations are divided into three business units: Finland, Sweden and the Baltic Countries. The latter two are sub-divided into two business areas: Retail Properties and Property Development. The Finnish unit is sub-divided into four business areas: Retail Property Management (operative management of shopping centres), Asset Management (property management, investments and divestments), Leasing and Marketing, and Property Development.

#### Finland

Citycon is the market leader in the Finnish shopping centre business. In 2010, Citycon's market share was approximately 23 per cent of the Finnish shopping centre market (source: Entrecor). The com-

pany's net rental income from Finnish operations during the reporting period was EUR 86.7 million (EUR 92.4 million). The business unit accounted for 68.2 per cent of Citycon's total net rental income.

The key figures of the Finnish property portfolio are presented below. (Re)development projects and changes in the property portfolio have been addressed previously in this document.

#### Lease Portfolio Summary, Finland

	Q4/2010	Q4/2009	Q3/2010	2010	2009	Change-%
Number of leases started during the period	133	84	94	429	295	45.4
Total area of leases started, sq.m. <sup>1)</sup>	27,790	18,420	22,140	107,970	57,220	88.7
Average rent of leases started (EUR/sq.m.) <sup>1)</sup>	19.2	21.0	20.4	19.6	22.5	-12.9
Number of leases ended during the period	82	90	76	458	408	12.3
Total area of leases ended, sq.m. <sup>1)</sup>	13,790	19,240	12,170	122,680	81,480	50.6
Average rent of leases ended (EUR/sq.m.) <sup>1)</sup>	21.0	18.5	22.6	18.2	19.8	-8.1
Average rent (EUR/sq.m.)			20.4	20.3	19.7	3.0
Occupancy rate at end of the period (economic), %			93.7	94.0	94.6	-0.6
Average remaining length of lease portfolio at the end of the period, year			3.1	3.0	2.8	7.1

1) Leases started and ended don't necessarily refer to the same premises.

#### Financial Performance, Finland

	Q4/2010	Q4/2009	Q3/2010	2010	2009	Change-%
Number of properties			65	65	66	-1.5
Gross leasable area, sq.m.			581,780	579,980	587,650	-1.3
Annualised potential rental value, EUR million <sup>1)</sup>			135.2	135.5	135.3	0.1
Gross rental income, EUR million	30.9	31.5	29.7	122.1	126.5	-3.5
Turnover, EUR million	32.0	32.7	30.8	126.5	131.3	-3.7
Net rental income, EUR million	22.0	23.0	22.0	86.7	92.4	-6.1
Net fair value gains/losses on investment property, EUR million	6.1	-14.6	10.0	24.5	-65.1	-
Operating profit/loss, EUR million	26.2	6.8	30.4	107.5	21.2	-
Capital expenditure, EUR million	31.9	15.3	21.3	76.3	24.5	211.7
Fair value of investment properties, EUR million			1,496.7	1,533.0	1,442.0	6.3
Net rental yield, % <sup>2)</sup>			6.2	6.0	6.5	-
Net rental yield, like-for-like properties, %			6.5	6.5	6.5	-

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) Includes the lots for development projects.

## REPORT BY THE BOARD OF DIRECTORS

Centrum shopping centre in 2010. The company's net rental income from Swedish operations increased by 23.5 per cent to EUR 28.7 million (EUR 23.2 million). Excluding the impact of the strengthened Swedish krona, net rental income from Swedish operations increased by 10.9 per cent from the previous year. The business unit accounted for 22.6 per cent of Citycon's total net rental income.

### Lease Portfolio Summary, Sweden

	Q4/2010	Q4/2009	Q3/2010	2010	2009	Change-%
Number of leases started during the period	85	245	79	316	449	-29.6
Total area of leases started, sq.m. <sup>1)</sup>	17,069	42,163	9,858	46,879	59,351	-21.0
Average rent of leases started (EUR/sq.m.) <sup>1)</sup>	17.8	27.9	12.0	14.3	23.6	-39.4
Number of leases ended during the period	184	93	323	777	318	144.3
Total area of leases ended, sq.m. <sup>1)</sup>	8,508	8,943	28,589	62,584	37,420	67.2
Average rent of leases ended (EUR/sq.m.) <sup>1)</sup>	21.7	20.6	10.4	11.9	12.8	-7.0
Average rent (EUR/sq.m.)			15.7	15.9	13.3	19.5
Occupancy rate at end of the period (economic), %			95.0	96.4	94.7	1.8
Average remaining length of lease portfolio at the end of the period, year			2.9	3.1	3.0	3.3

1) Leases started and ended don't necessarily refer to the same premises.

### Financial Performance, Sweden

	Q4/2010	Q4/2009	Q3/2010	2010	2009	Change-%
Number of properties			15	15	15	-
Gross leasable area, sq.m.			278,700	291,500	302,500	-3.6
Annualised potential rental value, EUR million <sup>1)</sup>			52.1	54.7	48.8	12.1
Gross rental income, EUR million	12.9	11.4	12.2	49.8	39.3	26.8
Turnover, EUR million	13.8	12.4	13.1	52.8	41.0	28.6
Net rental income, EUR million	6.6	6.1	8.1	28.7	23.2	23.5
Net fair value gains/losses on investment property, EUR million	2.6	-17.0	5.4	22.8	-19.6	-
Operating profit/loss, EUR million	7.8	-12.0	11.5	46.7	0.3	-
Capital expenditure, EUR million	15.0	33.4	10.0	50.6	95.9	-47.2
Fair value of investment properties, EUR million			639.9	668.6	548.8	21.8
Net rental yield, % <sup>2)</sup>			4.8	4.8	4.7	
Net rental yield, like-for-like properties, %			6.4	6.4	6.5	

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) Includes the lots for development projects.

The key figures for the Swedish property portfolio are presented below. (Re)development projects and changes in the property portfolio have been addressed previously in this document.

### Baltic Countries

Citycon owns three shopping centres in the Baltic countries: Rocca al Mare and Magistral in Tallinn,

Estonia, and Mandarinas in Vilnius, Lithuania. The difficult economic situation in the Baltic countries has affected the sales of Citycon's shopping centres and temporary rental rebates and credit losses have increased. However, the Baltic va-

cancy rate has not increased substantially during the financial year. Towards the end of 2010, the Baltic market began to recover slowly. Net rental income from the Baltic operations amounted to EUR 11.8 million (EUR 9.8 million). The business

### Lease Portfolio Summary, Baltic Countries

	Q4/2010	Q4/2009	Q3/2010	2010	2009	Change-%
Number of leases started during the period	27	57	11	44	129	-65.9
Total area of leases started, sq.m. <sup>1)</sup>	2,762	8,679	1,343	5,366	25,057	-78.6
Average rent of leases started (EUR/sq.m.) <sup>1)2)</sup>	12.5	24.6	10.3	12.9	24.3	-46.9
Number of leases ended during the period	28	1	9	44	55	-20.0
Total area of leases ended, sq.m. <sup>1)</sup>	2,816	30	1,348	5,225	8,830	-40.8
Average rent of leases ended (EUR/sq.m.) <sup>1)2)</sup>	9.5	45.0	18.1	13.2	16.0	-17.5
Average rent (EUR/sq.m.) <sup>2)</sup>			16.4	17.8	17.1	4.1
Occupancy rate at end of the period (economic), %			99.8	99.7	99.4	0.3
Average remaining length of lease portfolio at the end of the period, year			4.8	4.6	5.2	-11.5

1) Leases started and ended don't necessarily refer to the same premises.

2) In 2010 in the Baltic Countries, maintenance fees have been split to maintenance and utility charges in order to make the practice comparable with the other business units. This change had also an effect on the figures of the reference periods.

### Financial Performance, Baltic Countries

	Q4/2010	Q4/2009	Q3/2010	2010	2009	Change-%
Number of properties			3	3	3	-
Gross leasable area, sq.m.			71,000	70,800	71,000	-0.3
Annualised potential rental value, EUR million <sup>1)</sup>			13.8	15.0	14.5	3.4
Gross rental income, EUR million	3.5	2.3	3.4	13.9	12.0	16.2
Turnover, EUR million	4.1	3.8	4.0	16.7	14.0	19.3
Net rental income, EUR million	3.1	2.5	2.9	11.8	9.8	20.1
Net fair value gains/losses on investment property, EUR million	2.6	-7.1	0.4	3.5	-12.7	-
Operating profit/loss, EUR million	5.2	-4.9	3.0	14.1	-3.8	-
Capital expenditure, EUR million	0.2	1.7	0.1	6.0	13.9	-57.0
Fair value of investment properties, EUR million			163.3	166.1	156.6	6.1
Net rental yield, % <sup>2)</sup>			7.1	7.5	6.4	
Net rental yield, like-for-like properties, %			8.4	8.7	8.2	

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. In 2010 in the Baltic Countries, maintenance fees have been split to maintenance and utility charges in order to make the practice comparable with the other business units. This change had also an effect on the figures of the reference periods.

2) Includes the lots for development projects.

unit accounted for 9.3 per cent of Citycon's total net rental income.

The key figures for the Baltic property portfolio are presented below. No changes took place in the Baltic property portfolio during the period nor were there any development projects underway in the Baltic countries.

### TURNOVER AND PROFIT

Citycon Group's turnover for the financial year came to EUR 195.9 million (EUR 186.3 million), principally derived from the rental income generated by Citycon's retail premises. Gross rental income accounted for 94.9 per cent (95.5%) of turnover.

Operating profit came to EUR 157.7 million (EUR 10.3 million). Profit before taxes was EUR 102.8 million (EUR -37.5 million) and profit after taxes attributable to the parent company's shareholders was EUR 78.3 million (EUR -34.3 million). The increase in operating profit was mainly due to the fair value changes of the property portfolio. Operating profit also rose due to the completion of (re)development projects and the additional net rental income generated by new and refurbished premises. Credit losses were EUR 1.0 million (EUR 0.6 million). Temporary rental rebates totalled EUR 3.0 million during the period (EUR 1.6 million).

The effect of changes in the fair value of the property portfolio, of gains on sale and of other indirect items on the profit attributable to the parent company's shareholders was EUR 31.1 million (EUR -85.2 million), tax effects included. Taking this into account, the direct result after taxes was EUR 3.6 million below that of the previous year (cf. EPRA Performance Measures, Table 1, Direct result). The decrease in the direct result resulted mainly from increased administration and financial expenses offset by lower direct income taxes. Lower direct income taxes were mainly due to lower profit before tax, and depreciations that were started also in properties where the company's ownership is less than 100 per cent. Administration expenses increased due to some one-off expenses. Financial expenses in 2010 increased due to higher interest expenses, gains from the buy-

backs of convertible bonds recognised in 2009 and lower capitalisation of interest expenses than during the reference period.

Earnings per share were EUR 0.34 (EUR -0.16). Direct result per share, diluted, (diluted EPRA EPS) came to EUR 0.21 (EUR 0.23). Net cash from operating activities per share was EUR 0.09 (EUR 0.30).

### HUMAN RESOURCES AND ADMINISTRATIVE EXPENSES

At the end of the year, Citycon Group employed a total of 129 (119) persons, of whom 84 were employed in Finland, 37 in Sweden and 8 in the Baltic countries. Administrative expenses increased to EUR 23.3 million (EUR 17.8 million), including EUR 0.7 million (EUR 0.4 million) of expenses related to employee stock options and the company's share-based incentive scheme.

Citycon Group paid a total of EUR 8.7 million (EUR 8.2 million) in salaries and other remuneration, of which the share of the Group's managing directors' salaries and other remuneration was EUR 0.4 million (EUR 0.4 million) and the share of the Board of Directors EUR 0.7 million (EUR 0.6 million). The parent company paid a total of EUR 7.4 million (EUR 6.4 million) in salaries and other remuneration, of which the share of the CEO's salary and remuneration was EUR 0.4 million (EUR 0.4 million) and the share of the Board of Directors EUR 0.7 million (EUR 0.6 million).

#### Three-year key figures – Personnel

	2010	2009	2008
Average number of personnel	123	117	109
Salaries and other remuneration, EUR million	8.7	8.2	7.6

### INVESTMENTS AND DIVESTMENTS

Citycon's reported gross capital expenditure during the year totalled EUR 133.7 million (EUR 134.6 million). Of this, property acquisitions accounted for EUR 4.2 million (EUR 0.0 million), agreed purchase price adjustments related to property ac-

quisitions concluded earlier for EUR 2.6 million (EUR 0.0 million), property development for EUR 125.3 million (EUR 134.0 million) and other investments for EUR 1.7 million (EUR 0.6 million). These investments were financed through cash flow from operations, gains from divestments of investment properties and existing financing arrangements.

During the year, the company divested non-core properties in Finland and Sweden for a total of approximately EUR 67.9 million and recorded a total of EUR 2.1 million gains and losses on sales, including tax effects. These divestments have been addressed in more detail above, under "Acquisitions and Divestments".

### STATEMENT OF FINANCIAL POSITION AND FINANCING

Total assets at the end of the period stood at EUR 2,436.5 million (EUR 2,253.2 million). Liabilities totalled EUR 1,536.3 million (EUR 1,485.3 million), with short-term liabilities accounting for EUR 242.2 million (EUR 227.4 million). Citycon's financial position was strengthened by the directed share issue and the signing of four new loan agreements. At the end of the accounting period, Citycon's liquidity was EUR 245.0 million, of which EUR 225.5 million consisted of undrawn, committed credit facilities and EUR 19.5 million of cash and cash equivalents. At the end of the period, Citycon's liquidity, excluding commercial papers, stood at EUR 233.1 million (31 December 2009: EUR 172.9 million).

For the purpose of short-term liquidity management, the company uses a EUR 100 million non-committed Finnish commercial paper programme and a non-committed Swedish commercial paper programme in the amount of SEK one billion. At the end of the year, Citycon had issued EUR 11.9 million in commercial papers. Citycon's financing is mainly arranged on a long-term basis, with short-term interest-bearing debt constituting approximately 13 per cent of the company's total interest-bearing debt at the end of the year.

Year-over-year, interest-bearing debt increased by 76.0 million to EUR 1,397.7 million (EUR

1,321.7 million). The fair value of the interest-bearing debt stood at EUR 1,405.5 million (EUR 1,332.0 million) at year end.

Cash and cash equivalents totalled EUR 19.5 million (EUR 19.8 million). The fair value of the interest-bearing net debt stood at EUR 1,386.0 million (EUR 1,312.2 million) at year end.

The year-to-date weighted average interest rate decreased compared to the previous year and was 4.04 per cent (4.16%). Towards the year-end, the market interest rates increased which also increased the weighted average interest rate. The average loan maturity, weighted according to the principal amount of the loans, stood at 3.1 years (3.6 years). The average interest-rate fixing period was 3.6 years (3.2 years) and increased because interest rate hedges were extended during the last quarter.

Citycon's interest coverage ratio declined from the previous quarter due to lower operative operating profit and stood at 2.0x (Q3/2010: 2.1x). The company's equity ratio, as defined in the loan agreement covenants, increased to 39.4 per cent (Q3/2010: 38.9%) due to the share issue and fair value gains on investment property.

The weighted average interest rate, including interest-rate swaps, was 3.91 per cent on 31 December 2010 taking into account the expenses for 2011 relating to interest rate swaps unwound during 2010.

At the end of the year, Citycon's equity ratio was 37.1 per cent (34.2%). Gearing stood at 153.1 per cent (169.5%).

At the end of the year, Citycon's interest-bearing debt included 81.6 per cent (75.1%) of floating-rate loans, of which 75.8 per cent (73.7%) had been converted to fixed-rate loans by means of interest-rate swaps. Fixed-rate debt accounted for 80.3 per cent (80.2%) of the period-end interest-bearing debt, interest-rate swaps included. The debt portfolio's hedging ratio is in line with the company's financing policy.

Citycon applies hedge accounting, whereby changes in the fair value of interest-rate swaps

subject to hedge accounting are recognised under other comprehensive income. The period-end nominal amount of interest-rate swaps totalled EUR 869.8 million (EUR 737.6 million), with hedge accounting applied to all interest-rate swaps (EUR 713.2 million).

On 31 December 2010, the nominal amount of all of the company's derivative contracts totalled EUR 869.8 million (EUR 759.7 million) and their fair value was EUR -18.1 million (EUR -29.2 million). Citycon renewed and extended the maturity of several interest rate swaps during 2010 by unwinding the existing agreements and entering into new ones due to continued low interest rates. This increased the fair value of derivatives compared to 2009 but decreased the net cash from operating activities in 2010. The negative fair value paid for derivatives under hedge accounting will be expensed during the next six years under financial expenses in the statement of comprehensive income. Hedge accounting is applied to all interest rate derivatives as at 31 December 2010, meaning that any changes in their fair value are recognised under other comprehensive income. Thereby, the fair value loss for these derivatives does not affect the profit for the period or the earnings per share, but rather the total comprehensive income. During the financial year, the fair value gain recognised under other comprehensive income, including the tax effect, totalled EUR 3.8 million (loss of EUR -5.0 million).

Net financial expenses totalled EUR 54.9 million (EUR 47.7 million). The increase was mainly attributable to increased interest expenses as a result of lower capitalisation of interest expenses and a higher amount of interest-bearing debt. In addition, the net financial expenses in the statement of comprehensive income include EUR 1.5 million (EUR 1.4 million) of non-cash expenses related to the option component of the convertible bonds.

### Directed Share Issue

Citycon strengthened its financial position by arranging a directed share issue in September. The issue was based upon the authorisation granted

by Citycon's Annual General Meeting of 13 March 2007. Waiving the shareholders' pre-emptive subscription rights, the share issue was directed to Finnish and international institutional investors and was carried out in an accelerated book-building process on 21 September 2010. Based on the bids submitted during the book-building process, the company's Board of Directors decided to issue a total of 22 million new shares at a per-share price of EUR 2.87. The aggregate share subscription price was recorded in the invested unrestricted equity fund. The new shares were registered in the Trade Register on 24 September 2010 and trading in them began on the same day on the NASDAQ OMX Helsinki Ltd. The new shares entitle their holders to a dividend for the financial year beginning on 1 January 2010. Following the issue, the number of the company's shares increased to 244,564,972. The new shares accounted for approximately 9.9 per cent of the number of Citycon's shares outstanding prior to the share issue and for 9.0 per cent of shares outstanding after the issue.

Total proceeds from the share issue before commissions and expenses totalled EUR 63.1 million. The company intends to use the proceeds for repayments of its interest-bearing debt, for strengthening its capital structure and financing (re)development projects and for potential acquisitions in line with its investment strategy.

### LOAN MARKET TRANSACTIONS

#### Loan Agreements

During the financial year, Citycon entered into four loan agreements, each in the amount of EUR 50 million and maturing in five years. New loans strengthen the company's available liquidity and enable it to finance its growth on a long-term basis. The loans will be used to finance investments complying with the company's strategy, such as shopping centre (re)development projects, and to refinance maturing loans.

#### Buybacks of Convertible Bonds

During the financial year, Citycon repurchased its subordinated convertible capital bonds issued on

2 August 2006 for an aggregate consideration of EUR 4.8 million (including accrued interest). The repurchased principal amount of EUR 5.25 million corresponded to a total of 105 bonds with a face value of EUR 50,000, representing some 5 per cent of the aggregate amount of the convertible bonds maturing in 2013. The repurchased bonds have been cancelled. Following the cancellations, the number of shares available for subscription under the convertible bonds decreased to 16,964,285 and the maximum increase allowed in Citycon's share capital decreased to EUR 22,901,784.75.

Including the 2008 and 2009 buybacks, Citycon has repurchased a total principal amount of EUR 38.75 million of the convertible bonds, corresponding to approximately 35 per cent of the aggregate amount of the convertible bonds. The weighted average repurchase price is 58.1 per cent of the face value of the bonds. The face value of the convertible bonds, originally EUR 110 million, totalled EUR 71.25 million at the end of the year.

The repurchases of the bonds were executed in accordance with term 7 (f) of the convertible bonds' terms and conditions, on the open market. These repurchases were conducted because the market situation allowed the company to repurchase the bonds at a price below their face value and because the repurchases enable the company to strengthen its financial position and reduce its net financial expenses.

The terms and conditions of the convertible bonds in more detail are presented on page 35 in the Financial Statements.

### SHORT-TERM RISKS AND UNCERTAINTIES

For risk management purposes, Citycon has a holistic Enterprise Risk Management (ERM) programme in place. The aim of risk management is to ensure that the company meets its business targets. The ERM's purpose is to generate updated and consistent information for the company's senior executives and Board of Directors on any risks threatening the targets set in the strategic and annual plans. More details regarding the company's risk

management and risk management principles are available on the corporate website at [www.citycon.com/riskmanagement](http://www.citycon.com/riskmanagement) and on pages 35-37 in the Financial Statements.

Citycon's Board of Directors estimates that major short-term risks and uncertainties are associated with economic developments in the company's operating regions – which affects demand for retail premises, rents and vacancy rate – as well as with the cost-efficiency of debt financing, changes in the fair value of investment properties and the execution of redevelopment projects.

Economic fluctuations and trends have a significant influence on demand for leasable premises, vacancy as well as rental levels. Failure in increasing rental income and reducing vacancy constitute one of the key near-term risks for the company. Economic growth has decelerated distinctly in all of the company's operating areas since 2008. In 2010, the general economic trends were more positive, but demand for retail premises did not yet increase significantly. Consequently, the rental of premises continued to be challenging, market rents developed modestly or, in certain locations, decreased. In 2010, real economic growth was positive in all of Citycon's operating countries, in addition to which unemployment remained at above normal levels while inflation remained low (sources: Eurostat, Nordea). Prolonged economic uncertainty may reduce demand for retail premises, weaken tenants' ability to pay rent, limit opportunities for increasing rents and raise properties' vacancy rates.

The refurbishment and redevelopment of retail properties is an integral part of Citycon's growth strategy. Implementation of this strategy requires both equity and debt financing. Due to the financial crisis, the financial market weakened markedly in 2008 and the situation remained challenging throughout 2009. Banks' willingness to lend money to property investment companies has not recovered to pre-crisis levels, although the availability, and pricing, of financing markedly improved during 2010. The stricter regulations of banks in the future will maintain the abnormally high costs of

bank financing. In particular, the cost of long-term unsecured bank loans will probably be much higher in coming years than before the financial crisis. The majority of Citycon's bank loan agreements concluded prior to the financial crisis will mature between 2011 and 2014. Refinancing these will most probably involve higher loan margins. Higher loan margins, together with the expected general rise in interest rates, will most probably lead to more expensive debt financing in coming years.

Citycon's financial position is good. At the end of the year, the company's available liquidity totalled EUR 245 million, consisting mainly of committed long-term credit facilities and cash and cash equivalents. Citycon is capable of financing its current projects in their entirety as planned.

A number of factors contribute to the value of the company's retail properties, such as general and local economic developments, the level of interest rates, expected inflation, developments in market rent levels, vacancy rates and property investors' yield requirements as well as competition. Investment property value trends continue to be subject to unusual levels of uncertainty due to the challenging economic situation and prevailing uncertainty in the financial markets throughout the countries in which the company operates. In addition, unemployment rates have remained high in the Baltic countries, while unemployment has not remarkably declined in Finland or in Sweden. All in all, unemployment has still remained at higher levels than before the financial crisis.

As investment property values declined due to the financial crisis in 2008 and 2009, Citycon recognised fair value losses on its investment properties for those years. During 2009, trading activity in the property market remained at low levels. Although it picked up in 2010, trading activity remained relatively modest especially in Finland and Estonia. However, investment property values began to increase during 2010, and Citycon recognised a total of EUR 50.8 million in fair value gains. While changes in the fair value of investment properties have an effect on the company's profit for the financial year, they do

not have an immediate impact on cash flow.

A key element in Citycon's strategy is the development of existing properties to meet tenant needs more effectively. The most central short-term risks related to development projects include leasing new premises in the currently challenging economic environment and investment costs. Citycon has major development projects underway in Finland and Sweden and is preparing new (re)development projects throughout its countries of operation. Consequently, the leasable area within Citycon's properties is expected to increase significantly in coming years. Successful implementation of new development projects is of primary importance to Citycon's financial development and growth. The key risk involves demand for retail premises as well as market rent levels in an environment characterised by slower economic growth. For new projects, it may prove difficult to attain an adequate pre-leasing rate at sufficient rental levels, both of which would be required in order for a project to be considered viable and to be launched. In 2010, construction costs in Finland and Sweden began to rise. In the future, this could prevent Citycon from implementing all of its planned development projects or cause the profitability of initiated development projects to be lower than expected. Another risk associated with development projects relates to the investment schedule. If a project's implementation exceeds the planned timeframe, this often has a negative effect on both rental income and costs.

#### ENVIRONMENTAL RESPONSIBILITY

Citycon's goal is to be the forerunner in the responsible shopping centre business and to promote sustainable development within the shopping centre operations. 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, make them well positioned to face the demands of sustainable development.

Citycon's objective is to include environmental responsibility measures in all of its operations and to integrate them into daily activities as a part of

normal practice. In 2009, the company initiated the Green Shopping Centre Management programme to foster sustainable development in all shopping centres owned by the company. All Citycon's shopping centres were evaluated under the programme during the second quarter of the year. According to this evaluation, almost all shopping centres showed improvement with respect to the various elements of sustainable development from the previous year. The average Green Index illustrating the 2010 evaluation results rose in all Citycon properties by 26 per cent from the previous year.

#### Environmental responsibility results 2010 vs. 2009

The company defined its long-term objectives related to environmental responsibility in connection with its strategic planning in summer 2009. Citycon has set targets for its carbon footprint, energy consumption, water consumption, waste recycling rate, land use and sustainable construction. The results of environmental responsibility are presented in more detail in the Annual and Sustainability Report 2010.

#### Energy

Citycon's total energy consumption covers shopping centres owned by Citycon and other properties where Citycon's share of ownership is at least 50 per cent. Cases where the energy purchase agreement for the entire property is under a tenant's responsibility have been excluded from reporting. Citycon has limited the reported electricity consumption to such areas that it can directly influence. These include general lighting, ventilation, general cooling level, lifts and escalators, and other building technical systems, excluding electricity consumption used by tenants. In 2010, electricity consumption decreased by 2 per cent from the previous year, to 104.7 gigawatt hours (107.0 GWh). Based on a study conducted by an external party, the impact from the change in permitted Sunday opening hours was minor, the growth in consumption was some 1.5 per cent (source: Energiakolmio).

Heating energy consumption came to 170.7 gigawatt hours (140.9 GWh). The exceptionally cold periods at the beginning and the end of the year raised heat consumption by 21 per cent from the previous year. Weather-normalised heat consumption increased only by 4 per cent, to 121.9 gigawatt hours (117.7 GWh). The annual 1–2 per cent reduction target set for energy consumption was met as regards electricity consumption.

#### Carbon footprint

Energy consumption by properties constitutes 98.6 per cent (98.8%) of the carbon footprint. Consequently, the increase in the carbon footprint was mainly caused by the higher consumption of heating energy. In 2010, the carbon footprint totalled 64,129 tonnes of CO<sub>2</sub> equivalent (56,948 tnCO<sub>2</sub>e). The annual target for reducing the carbon footprint was not attained.

#### Water

The total water consumption in Citycon-owned retail properties in 2010 was 569,021 cubic metres (532,651 cubic metres), including water consumed by the real estate companies and tenants. The exceptionally warm summer caused a distinct peak in water consumption during June–August, as the cooling capacity of air conditioning equipment and grocery store refrigerators was improved by sprinkling condensers. Accordingly, annual consumption rose by 6.8 per cent. Within the framework of environmental responsibility, our long-term water consumption target was set at 3.5 litres per visitor per year. In 2010, shopping centres' average water consumption per visitor totalled 3.9 litres (4.0 l). Hence, the reduction target set for water consumption by visitor in 2010 was achieved.

#### Waste

Total waste volume in Citycon's shopping centres amounted to 12,979 tonnes (11,275 tonnes), landfill waste accounting for 2,917 tonnes (2,892 tonnes) or 22.5 per cent (25.7%). The recycling rate in our shopping centres was 77.1 per cent

## REPORT BY THE BOARD OF DIRECTORS

(73.9%). Both long-term targets for waste management have already been attained during the first year of the company's environmental responsibility scheme.

### Land use and sustainable construction

In late March, the Liljeholmstorget construction project was awarded the platinum LEED® (Leadership in Energy and Environmental Design) environmental certificate, the highest of its kind. Liljeholmstorget's certificate is the first platinum certificate awarded to a shopping centre in Europe. The Rocca al Mare redevelopment project, in turn, was awarded a silver LEED environmental certificate in January, the first of its kind in the Baltic countries. The Trio shopping centre's redevelopment project received its certificate in June 2009, being the first to do so in the Nordic countries. All three projects were Citycon's pilot projects in sustainable construction. Environmental certification forms an essential element of Citycon's efforts towards sustainable development. The company's shopping centre project underway in the Martinlaakso district in Vantaa has been registered to apply for LEED classification.

### LEGAL PROCEEDINGS

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 any significant impact on the Group's financial position or financial results.

### GENERAL MEETINGS OF SHAREHOLDERS IN 2010

Citycon Oyj's Annual General Meeting (AGM) was held in Helsinki on 11 March 2010. The AGM adopted the company's financial statements and discharged the members of the Board of Directors and the Chief Executive Officer from liability for the financial year 2009. The AGM decided on a dividend of EUR 0.04 per share for the financial year 2009 and, in addition, on an equity return of EUR

0.10 per share from the invested unrestricted equity fund. The record date for the dividend payout and equity return was 16 March 2010, and the dividend and equity return were paid on 7 April 2010.

Citycon Oyj's Extraordinary General Meeting (EGM) took place in Helsinki on 17 May 2010. The EGM decided that the number of Board members should be ten and elected Chaim Katzman to the company's Board of Directors for a term expiring at the end of the next Annual General Meeting.

Other decisions made by the General Meetings of shareholders are reported on the corporate website at [www.citycon.com/gm](http://www.citycon.com/gm).

### BOARD OF DIRECTORS

Under the Articles of Association, the Board of Directors consists of a minimum of five and a maximum of ten members (Directors) who are elected by the Annual General Meeting for a term of one year at a time. A Director may only be dismissed upon a decision by the General Meeting of shareholders. Amendments to the Articles of Association may be adopted only by the General Meeting of shareholders and require a 2/3 majority vote.

In 2010, Citycon's Board of Directors included Ronen Ashkenazi, Gideon Bolotowsky, Raimo Korpinen, Tuomo Lähdesmäki, Claes Ottosson, Dor J. Segal, Thomas W. Wernink, Per-Håkan Westin and Ariella Zochovitzky. At the Extraordinary General Meeting held on 17 May 2010, Chaim Katzman was also elected to the Board. The Chairman of the Board of Directors was Thomas W. Wernink from 1 January–14 June 2010 and Chaim Katzman from 15 June–31 December 2010. Tuomo Lähdesmäki was Deputy Chairman of the Board of Directors from 1 January–10 March 2010 and Ronen Ashkenazi from 11 March–31 December 2010.

### 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 chief auditor of Citycon, also from 2006.

### SHAREHOLDERS, SHARE CAPITAL AND SHARES

Citycon's shares have been listed on the Helsinki stock exchange (NASDAQ OMX Helsinki Ltd) since 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.

### Trading and Share Performance

In 2010, the number of Citycon shares traded on the NASDAQ OMX Helsinki totalled 115.0 million (149.3 million) for a total value of EUR 326.4 million (EUR 296.1 million). The highest quotation during the year was EUR 3.31 (EUR 3.16), and the lowest EUR 2.29 (EUR 1.30). The reported trade-weighted average price was EUR 2.84 (EUR 1.99), and the share closed at EUR 3.08 (EUR 2.94). The company's year-end market capitalisation totalled EUR 753.3 million (EUR 649.9 million).

### Shareholders

The number of Citycon's Finnish shareholders continued to increase during the year. On 31 December 2010, Citycon had a total of 4,409 (3,733) registered shareholders, of which nine were account managers of nominee-registered shares. Nominee-registered and other international shareholders held 209.6 million (198.7 million) shares, or 85.7 per cent (89.9%) of the company's share capital and voting rights. Information on the company's major shareholders and on the breakdown of shareholdings as well as on the notifications of changes in shareholdings received during the year can be found on page 51 of the Financial Statements.

### Share Capital and Shares

At the beginning of the financial year, the company's registered share capital totalled EUR 259,570,510.20 and the number of shares was 221,059,735. During the year, there were no changes in the company's share capital. The number of shares, however, grew by 1,301,217 as a result of share subscriptions made by exercising

option rights and by 204,020 shares which the company issued through directed, free share issues in May as part of its long-term, share-based incentive plan. In addition, the company arranged a directed share issue of 22,000,000 new shares. This share issue is discussed in more detail above. In total, the number of the company's shares increased by 23,505,237 shares. At the end of the year, the company's registered share capital totalled EUR 259,570,510.20, and the number of shares amounted to 244,564,972. The company has a single series of shares, and each share entitles a shareholder to one vote at General Meetings of shareholders. The shares have no nominal value.

### Board Authorisations and Own Shares

Pursuant to a share issue authorisation granted by the AGM of 2007, the Board of Directors can still decide on a maximum of 50,033,412 shares to be issued or treasury shares to be conveyed. Based on this authorisation, the Board may also decide on the grant of stock options and other special rights. This authorisation is valid until 13 March 2012.

The AGM of 2010 authorised the Board of Directors to decide on the acquisition of 20 million of the company's own shares. This acquisition authorisation will be valid until the next Annual General Meeting. The company had no treasury shares at the end of the financial year.

At year-end, the Board of Directors had no other authorisations.

### Stock Options 2004

The Annual General Meeting held on 15 March 2004 authorised the issue of a maximum of 3,900,000 A/B/C stock options to the personnel of Citycon Group. The stock options C are listed on the NASDAQ OMX Helsinki.

The subscription period for Citycon's stock options 2004B expired at the end of March. A total of 1,301,217 shares were subscribed under these options, all of them in the period of January–March. The subscription price received by the company for these shares, a total of EUR 3.3 million, was

recorded in the invested unrestricted equity fund, in accordance with the terms and conditions of the stock options. The number of unexercised outstanding stock options 2004B totalled 17,002. These stock options were deleted as worthless from their holders' book-entry accounts.

The table below includes information on the remaining stock options 2004. The full terms and conditions of the stock option plan are available on the corporate website at [www.citycon.com/options](http://www.citycon.com/options).

#### Basic Information on Stock Options 2004 as at 31 December 2010

	2004C
No. of options granted	1,050,000
No. held by Veniamo-Invest Oy <sup>1)</sup>	250,000
Subscription ratio, option/shares	1:1.2127
Subscription price per share, EUR <sup>2)</sup>	4.2213
Subscription period began	1 Sept. 2008
Subscription period ends	31 March 2011
No. of options exercised	-
No. of shares subscribed with options	-
No. of options available for share subscription	1,050,000
No. of shares that can be subscribed	1,273,335

1) *Veniamo-Invest Oy, a wholly-owned subsidiary of Citycon Oyj, cannot subscribe for its parent company's shares.*

2) *Following the dividend payment and equity return in 2010. The share subscription price is reduced by half of the per-share dividends paid and per-share equity returned.*

#### SHARES AND STOCK OPTIONS HELD BY MEMBERS OF THE BOARD OF DIRECTORS AND THE COMPANY EXECUTIVES

The members of the Board of Directors of Citycon, its CEO, the other Corporate Management Committee members and related parties held a total of 561,413 company shares on 31 December 2010. These shareholdings represent 0.2 per cent of the company's total shares and total voting rights.

At year end 2010, the CEO of Citycon held a total of 140,000 stock options 2004C. Other

members of the Corporate Management Committee jointly held a total of 210,000 stock options 2004C. The maximum number of shares that can be subscribed through exercise of these outstanding stock options amounts to 424,445 new shares. Members of the Board of Directors do not participate in the company's share-based incentive plans.

Updated information of the share and stock option holdings of the members of the Board of Directors and the members of the Corporate Management Committee are available on the corporate website at [www.citycon.com/insiders](http://www.citycon.com/insiders).

Information on the company's CEO's executive contract and its terms and conditions can be found on page 41 in the Financial Statements.

#### EVENTS AFTER THE FINANCIAL YEAR

On 13 January 2011, Marcel Kokkeel was appointed to be the company's new Chief Executive Officer, effective 24 March 2011. Mr Kokkeel is 52 (b. 1958) and holds a degree in law from the University of Amsterdam, the Netherlands, which is his home country.

Also on 13 January 2011, Michael Schönach was appointed Executive Vice President, Finnish Operations and a member of the Corporate Management Committee, effective 1 March 2011.

After the end of the financial year, the number of Citycon's properties decreased by two following divestments of non-core properties for a total of approximately EUR 2.5 million. The sold properties were the mutual real estate company Kiinteistö Oy Naantalin Tullikatu 16 and the commercial building owned by it, located in Naantali, as well as a real estate called Hakarinne in Tapiola, Espoo, both in Finland.

#### BOARD PROPOSAL FOR DIVIDEND DISTRIBUTION AND DISTRIBUTION OF ASSETS FROM THE INVESTED UNRESTRICTED EQUITY FUND

The parent company's retained earnings amount to EUR 13.6 million, including the loss for the period, EUR -5.0 million. On 31 December 2010, the funds

in the parent company's invested unrestricted equity fund amounted to a total of EUR 201.5 million.

The Board of Directors proposes to the Annual General Meeting of 23 March 2011 that a per-share dividend of EUR 0.04 be paid out for the financial year ending on 31 December 2010, and that a return of equity of EUR 0.10 per share be returned from the invested unrestricted equity fund. The Board of Directors proposes that the record date for dividend payment and equity return be 28 March 2011 and that the dividend and equity return be paid on 8 April 2011.

Moreover, the Board of Directors proposes that the loss for the period is recognised in retained earnings.

In the view of the Board of Directors, the proposed distribution of profits and the return of equity do not pose a risk to the company's solvency.

#### OUTLOOK

Citycon continues to focus on increasing its net cash from operating activities and direct operating profit. In order to implement this strategy, the company will pursue value-added activities while monitoring the market for potential acquisitions.

The initiation of planned projects will be carefully evaluated against strict pre-leasing criteria. Citycon intends to continue the divestment of its non-core properties to improve the property portfolio and strengthen the company's financial position. The company is also considering alternative property financing sources.

In 2011, Citycon expects its turnover and direct operating profit to grow compared with the previous year, based on the existing property portfolio. The company also expects its direct result to increase from the previous year. This estimate is based on already completed (re)development projects and those completed in the future, as well as on the prevailing inflation and euro-Swedish krona exchange rate level. Properties taken offline for planned (re)development projects will reduce net rental income during the year. In addition,

properties taken offline for planned (re)development projects will reduce net rental income during the year.

The company will specify the growth estimates when publishing Q1 results at the latest, when the operational performance can be estimated more precisely.

Helsinki, 8 February 2011

Citycon Oyj  
Board of Directors

## EPRA PERFORMANCE MEASURES

	2010	2009
Direct result (EPRA Earnings), EUR million	47.3	50.9
Direct result per share, diluted (Diluted EPRA EPS), EUR	0.21	0.23
EPRA NAV, EUR <sup>1)</sup>	3.79	3.64
EPRA NNNNAV, EUR	3.49	3.35
EPRA Net Initial Yield (NIY) (%)	6.3	6.9
EPRA "topped-up" NIY (%)	6.4	7.1
EPRA vacancy rate (%)	4.9	5.0

*1) In accordance with a change in the EPRA's Best Practice Recommendations 2010, Citycon has changed EPRA NAV calculations.*

The following tables, numbers 1 - 5, present how EPRA Performance Measures are calculated. Tables 6 - 8 present the EPRA Key Performance Measures for the last 5 years and direct result on a quarterly basis.

### 1) DIRECT RESULT

EUR million	2010	2009
<b>DIRECT RESULT</b>		
Net rental income	127.2	125.4
Direct administrative expenses	-22.5	-17.7
Direct other operating income and expenses	0.3	0.0
<b>Direct operating profit</b>	<b>105.0</b>	<b>107.7</b>
Direct net financial income and expenses	-55.1	-47.7
Direct current taxes	-0.6	-6.2
Change in direct deferred taxes	-0.3	-0.2
Direct non-controlling interest	-1.8	-2.8
<b>Total</b>	<b>47.3</b>	<b>50.9</b>
<b>INDIRECT RESULT</b>		
Net fair value gains/losses on investment property	50.8	-97.4
Profit/loss on disposal of investment property	2.6	0.1
Indirect administrative expenses	-0.8	-0.1
Movement in fair value of financial instruments	0.2	-0.1
Indirect current taxes	-	-0.3
Change in indirect deferred taxes	-11.6	7.3
Indirect non-controlling interest	-10.3	5.3
<b>Total</b>	<b>31.1</b>	<b>-85.2</b>
<b>Profit/loss for the period attributable to parent company shareholders</b>	<b>78.3</b>	<b>-34.3</b>

### 2) DIRECT RESULT PER SHARE

EUR million	2010	2009
<b>Direct result per share, diluted (Diluted EPRA EPS)</b>		
Direct result (EUR million) (Table 1)	47.3	50.9
Expenses from convertible capital loan, the tax effect deducted (EUR million)	4.1	4.2
Profit used in the calculation of diluted direct result per share (EUR million)	51.4	55.1
Average number of shares, million	228,148.2	221,035.1
Convertible capital loan impact, million	17,519.6	18,466.5
Adjustments for stock options, million	1.8	-
Adjustments for long-term share-based incentive plan, million	136.8	0.5
Diluted average number of shares, million	245,806.3	239,502.1
<b>Direct result per share, diluted (Diluted EPRA EPS), EUR</b>	<b>0.21</b>	<b>0.23</b>

<sup>1)</sup> Calculation of the number of shares is presented in Note 16. Earnings per share.



## 3) EPRA NAV AND EPRA NNNAV

	EUR million	Number of shares on the balance sheet date (1,000)	per share, EUR
<b>2010</b>			
Equity attributable to parent company shareholders	849.5	244,565.0	3.47
Deferred taxes from the difference between the fair value and fiscal value of investment properties	59.7	244,565.0	0.24
Fair value of financial instruments <sup>1)</sup>	18.8	244,565.0	0.08
Net asset value (EPRA NAV)	928.1	244,565.0	3.79
Deferred taxes from the difference between the fair value and fiscal value of investment properties	-59.7	244,565.0	-0.24
Difference between the secondary market price and fair value of bonds and capital loans <sup>2)</sup>	3.6	244,565.0	0.01
Fair value of financial instruments <sup>1)</sup>	-18.8	244,565.0	-0.08
EPRA NNNAV	853.1	244,565.0	3.49
<b>2009</b>			
Equity attributable to parent company shareholders	731.1	221,059.7	3.31
Deferred taxes from the difference between the fair value and fiscal value of investment properties	48.7	221,059.7	0.22
Fair value of financial instruments <sup>1)</sup>	24.8	221,059.7	0.11
Net asset value (EPRA NAV)	804.6	221,059.7	3.64
Deferred taxes from the difference between the fair value and fiscal value of investment properties	-48.7	221,059.7	-0.22
Difference between the secondary market price and fair value of bonds and capital loans <sup>2)</sup>	9.5	221,059.7	0.04
Fair value of financial instruments <sup>1)</sup>	-24.8	221,059.7	-0.11
EPRA NNNAV	740.6	221,059.7	3.35

<sup>1)</sup> Fair value of financial instruments

In accordance with a change in the EPRA's Best Practice Recommendations 2010, Citycon has changed EPRA NAV calculations. Fair value of financial instruments include all financial instruments. Previously fair value of financial instruments included only fair value of instruments outside the scope of hedge accounting.

<sup>2)</sup> 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 subordinated capital loan 1/2005, convertible capital loan 1/2006 and bond 1/2009 have been valued using the price derived secondary market on the balance sheet date. The secondary market price for convertible capital loan 1/2006 was 95.50 per cent (87.50%) and for Bond 1/2009 99.00 per cent (100.00%) as of 31 December 2010. The secondary market price for subordinated capital loan 1/2005 was 100.08 per cent as of 31 December 2009. The difference between the secondary market price and the fair value of the bonds and capital loans was EUR 3.6 million (EUR 9.5 million) as of 31 December 2010.

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

EUR million	2010	2009
Fair value of investment properties determined by the external appraiser	2,361.1	2,162.4
Less (re)development properties, lots, unused building rights and properties, the valuation of which is based on the value of the building right	-487.4	-463.3
Completed property portfolio	1,873.7	1,699.1
Plus the estimated purchasers' transaction costs	37.1	32.9
Gross value of completed property portfolio (A)	1,910.8	1,732.0
Annualised gross rents for completed property portfolio	170.8	163.3
Property portfolio's operating expenses	-50.2	-43.8
Annualised net rents (B)	120.6	119.5
Plus the notional rent expiration of rent free periods or other lease incentives	2.4	2.9
Topped-up annualised net rents (C)	123.0	122.4
<b>EPRA Net Initial Yield (NIY) (%) (B/A)</b>	<b>6.3</b>	<b>6.9</b>
<b>EPRA "topped-up" NIY (%) (C/A)</b>	<b>6.4</b>	<b>7.1</b>

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). Net rental yield instead 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.

## 5) EPRA VACANCY RATE (%)

EPRA vacancy rate is calculated using the same principles as economic occupancy rate.

EUR million	2010	2009
Annualised potential rental value of vacant premises	9.6	9.5
./ Annualised potential rental value for the whole portfolio	196.5	190.1
<b>EPRA vacancy rate (%)</b>	<b>4.9</b>	<b>5.0</b>

## 6) EPRA PERFORMANCE MEASURES FOR FIVE YEARS

	2010	2009	2008	2007	2006
Direct result (EPRA Earnings), EUR million	47.3	50.9	43.8	38.3	30.4
Direct result per share, diluted (Diluted EPRA EPS), EUR	0.21	0.23	0.20	0.19	0.19
EPRA NAV, EUR	3.79	3.64	3.96	4.80	3.54
EPRA NNNAV, EUR	3.49	3.35	3.80	4.42	3.14
EPRA Net Initial Yield (NIY) (%)	6.3	6.9	N/A	N/A	N/A
EPRA "topped-up" NIY (%)	6.4	7.1	N/A	N/A	N/A
EPRA vacancy rate (%)	4.9	5.0	4.0	4.3	2.9

## EPRA PERFORMANCE MEASURES

### 7) DIRECT AND INDIRECT RESULT FOR FIVE YEARS

EUR million	2010	2009	2008	2007	2006
<b>Direct result</b>					
Net rental income	127.2	125.4	121.8	103.4	82.8
Direct administrative expenses	-22.5	-17.7	-16.5	-16.5	-12.3
Direct other operating income and expenses	0.3	0.0	0.1	0.5	0.6
<b>Direct operating profit</b>	<b>105.0</b>	<b>107.7</b>	<b>105.3</b>	<b>87.4</b>	<b>71.1</b>
Direct net financial income and expenses	-55.1	-47.7	-54.2	-44.7	-32.0
Direct current taxes	-0.6	-6.2	-4.8	-3.4	-5.5
Change in direct deferred taxes	-0.3	-0.2	0.2	-0.2	-3.0
Direct non-controlling interest	-1.8	-2.8	-2.8	-0.9	-0.3
<b>Total</b>	<b>47.3</b>	<b>50.9</b>	<b>43.8</b>	<b>38.3</b>	<b>30.4</b>

Direct result per share (diluted), (diluted EPRA EPS), EUR 0.21 0.23 0.20 0.19 0.19

#### Indirect result

Net fair value gains/losses on investment property	50.8	-97.4	-216.1	211.4	120.1
Profit/loss on disposal of investment property	2.6	0.1	0.1	-0.1	5.9
Indirect administrative expenses	-0.8	-0.1	-0.4	0.0	-0.6
Indirect other operating income and expenses	-	-	6.0	0.0	-
Indirect one-off financial income and expenses (net)	-	-	-	-	-0.9
Movement in fair value of financial instruments	0.2	-0.1	-3.1	-0.6	2.0
Indirect current taxes	-	-0.3	-1.8	0.0	-1.9
Change in indirect deferred taxes	-11.6	7.3	29.7	-46.0	-28.8
Indirect non-controlling interest	-10.3	5.3	17.6	-2.7	-1.3
<b>Total</b>	<b>31.1</b>	<b>-85.2</b>	<b>-167.9</b>	<b>162.1</b>	<b>94.5</b>

Indirect result per share, diluted, EUR 0.13 -0.39 -0.76 0.71 0.54

Profit/loss for the period attributable to parent company shareholders

78.3 -34.3 -124.1 200.3 124.9

### 8) DIRECT AND INDIRECT RESULT QUARTERLY

EUR million	Q4/2010	Q3/2010	Q2/2010	Q1/2010
<b>Direct result</b>				
Net rental income	31.8	33.0	31.8	30.6
Direct administrative expenses	-7.6	-5.0	-5.5	-4.3
Direct other operating income and expenses	0.2	0.1	0.0	0.1
<b>Direct operating profit</b>	<b>24.3</b>	<b>28.0</b>	<b>26.3</b>	<b>26.4</b>
Direct net financial income and expenses	-14.1	-14.0	-14.2	-12.9
Direct current taxes	4.1	-1.5	-1.4	-1.8
Change in direct deferred taxes	-0.4	0.1	-0.1	0.1
Direct non-controlling interest	-0.5	-0.3	-0.6	-0.4
<b>Total</b>	<b>13.5</b>	<b>12.3</b>	<b>10.1</b>	<b>11.4</b>

Direct result per share (diluted), (diluted EPRA EPS), EUR 0.06 0.06 0.05 0.05

EUR million	Q4/2010	Q3/2010	Q2/2010	Q1/2010
<b>Indirect result</b>				
Net fair value gains/losses on investment property	11.3	15.8	22.9	0.8
Losses/profit on disposal of investment property	-0.1	-0.8	0.3	3.3
Indirect administrative expenses	-0.2	-0.2	-0.3	-0.2
Movement in fair value of financial instruments	0.7	0.0	-0.3	-0.2
Indirect current taxes	1.2	-	-0.6	-0.6
Change in indirect deferred taxes	-9.2	-1.8	0.0	-0.6
Indirect non-controlling interest	-2.8	-2.7	-3.8	-0.9
<b>Total</b>	<b>0.9</b>	<b>10.2</b>	<b>18.3</b>	<b>1.6</b>

Indirect result per share, diluted, EUR 0.00 0.04 0.08 0.01

Profit/loss for the period attributable to parent company shareholders

14.4 22.5 28.4 13.0

EUR million	Q4/2009	Q3/2009	Q2/2009	Q1/2009
<b>Direct result</b>				
Net rental income	31.6	32.5	31.0	30.3
Direct administrative expenses	-5.3	-3.9	-3.9	-4.6
Direct other operating income and expenses	0.0	0.0	0.0	0.0
<b>Direct operating profit</b>	<b>26.3</b>	<b>28.6</b>	<b>27.1</b>	<b>25.7</b>
Direct net financial income and expenses	-11.9	-11.7	-12.1	-12.0
Direct current taxes	-1.2	-2.0	-1.5	-1.4
Change in direct deferred taxes	-0.1	0.1	-0.2	0.0
Direct non-controlling interest	-0.6	-0.7	-0.7	-0.7
<b>Total</b>	<b>12.5</b>	<b>14.2</b>	<b>12.6</b>	<b>11.6</b>

Direct result per share (diluted), (diluted EPRA EPS), EUR 0.06 0.06 0.06 0.05

#### Indirect result

Net fair value gains/losses on investment property	-38.6	-1.2	-26.0	-31.6
Losses/profit on disposal of investment property	-	-	-	0.1
Indirect administrative expenses	-0.1	-	-	-
Movement in fair value of financial instruments	-0.1	0.0	0.3	-0.3
Indirect current taxes	-	-	-	-0.3
Change in indirect deferred taxes	1.4	-0.4	4.7	1.5
Indirect non-controlling interest	1.1	0.7	1.4	2.2
<b>Total</b>	<b>-36.3</b>	<b>-0.9</b>	<b>-19.5</b>	<b>-28.4</b>

Indirect result per share, diluted, EUR -0.16 0.00 -0.09 -0.13

Profit/loss for the period attributable to parent company shareholders

-23.8 13.3 -7.0 -16.8

# CITYCON OYJ'S CONSOLIDATED FINANCIAL STATEMENTS FOR 1 JANUARY – 31 DECEMBER 2010

Business-ID 0699505-3

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

EUR million	Note	1 Jan.-31 Dec. 2010	1 Jan.-31 Dec. 2009
Gross rental income	6	185.9	177.8
Service charge income		10.0	8.5
<b>Turnover</b>	7	<b>195.9</b>	<b>186.3</b>
Property operating expenses	8, 11	67.4	60.2
Other expenses from leasing operations	9	1.3	0.7
<b>Net rental income</b>		<b>127.2</b>	<b>125.4</b>
Administrative expenses	10, 11, 12	23.3	17.8
Other operating income and expenses	13	0.3	0.0
Net fair value gains/losses on investment property	17	50.8	-97.4
Profit/losses on disposal of investment property	17, 23	2.6	0.1
<b>Operating profit/loss</b>		<b>157.7</b>	<b>10.3</b>
Financial income		73.7	50.8
Financial expenses		-128.6	-98.5
Net financial income and expenses	14	-54.9	-47.7
<b>Profit/loss before taxes</b>		<b>102.8</b>	<b>-37.5</b>
Current taxes		-0.6	-6.5
Change in deferred taxes		-11.8	7.0
Income taxes	15, 20	-12.5	0.6
<b>Profit/ loss for the period</b>		<b>90.4</b>	<b>-36.9</b>
Profit/loss attributable to			
Parent company shareholders		78.3	-34.3
Non-controlling interest		12.0	-2.6
Earnings per share attributable to parent company shareholders:			
Earnings per share (basic), EUR	16	0.34	-0.16
Earnings per share (diluted), EUR	16	0.34	-0.16
<b>Other comprehensive income/expenses</b>			
Net gains/losses on cash flow hedges	14	5.1	-6.7
Income taxes relating to cash flow hedges	15, 20	-1.3	1.8
Exchange gains/losses on translating foreign operations		3.1	2.0
<b>Other comprehensive income/expenses for the period, net of tax</b>		<b>6.9</b>	<b>-3.0</b>
<b>Total comprehensive profit/loss for the period</b>		<b>97.3</b>	<b>-39.9</b>
Total comprehensive profit/loss attributable to			
Parent company shareholders		83.4	-38.4
Non-controlling interest		13.9	-1.4

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

EUR million	Note	31 Dec. 2010	31 Dec. 2009
<b>ASSETS</b>			
Non-current assets			
Investment properties	17	2,367.7	2,147.4
Property, plant and equipment	18	1.0	0.7
Intangible assets	19	1.5	0.9
Deferred tax assets	20	5.6	8.6
Derivative financial instruments and other non-current assets	21, 22	2.3	3.8
<b>Total non-current assets</b>		<b>2,378.1</b>	<b>2,161.4</b>
Investment properties held for sale			
	23	1.5	26.0
Current assets			
Trade and other receivables	21, 24	37.4	46.1
Cash and cash equivalents	21, 25	19.5	19.8
<b>Total current assets</b>		<b>56.9</b>	<b>65.9</b>
<b>Total assets</b>		<b>2,436.5</b>	<b>2,253.2</b>

EUR million	Note	31 Dec. 2010	31 Dec. 2009
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Equity attributable to parent company shareholders			
Share capital	26	259.6	259.6
Share premium fund		131.1	131.1
Fair value reserve		-18.8	-22.7
Invested unrestricted equity fund		198.8	155.2
Translation reserve		-8.2	-9.5
Retained earnings		287.0	217.3
<b>Total equity attributable to parent company shareholders</b>		<b>849.5</b>	<b>731.1</b>
Non-controlling interest		50.7	36.8
<b>Total shareholders' equity</b>		<b>900.2</b>	<b>767.9</b>
<b>LIABILITIES</b>			
Long-term liabilities			
Loans	21, 27	1,212.4	1,175.4
Derivative financial instruments	21, 22	18.7	29.4
Financial liabilities at fair value through profit and loss	21, 22	-	2.2
Deferred tax liabilities	20	62.6	50.0
Other liabilities	21	0.5	1.0
<b>Total long-term liabilities</b>		<b>1,294.2</b>	<b>1,257.9</b>
Short-term liabilities			
Loans	21, 27	185.3	146.3
Derivative financial instruments	21, 22	1.6	1.5
Trade and other payables	21, 28	55.3	79.7
<b>Total short-term liabilities</b>		<b>242.2</b>	<b>227.4</b>
<b>Total liabilities</b>		<b>1,536.3</b>	<b>1,485.3</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,436.5</b>	<b>2,253.2</b>

## CONSOLIDATED CASH FLOW STATEMENT, IFRS

EUR million	Note	1 Jan. -31 Dec. 2010	1 Jan. - 31 Dec. 2009
<b>Cash flow from operating activities</b>			
<b>Profit/loss before taxes</b>		<b>102.8</b>	<b>-37.5</b>
Adjustments:			
Depreciation and amortisation	12, 30	0.8	0.7
Net fair value gains/losses on investment property	17, 30	-50.8	97.4
Profit/losses on disposal of investment property	17, 23, 30	-2.6	-0.1
Financial income	14, 30	-73.7	-50.8
Financial expenses	14, 30	128.6	98.5
Other adjustments		0.0	0.0
Cash flow before change in working capital		105.1	108.3
Change in working capital	30	2.9	10.7
<b>Cash generated from operations</b>		<b>108.0</b>	<b>119.0</b>
Interest expenses and other financial expenses paid		-68.0	-54.4
Interest income and other financial income received		0.5	0.3
Realised exchange rate losses and gains		-10.6	11.8
Taxes paid		-9.9	-10.4
<b>Net cash from operating activities</b>		<b>20.0</b>	<b>66.2</b>
<b>Cash flow from investing activities</b>			
Capital expenditure on investment properties	17	-132.7	-130.5
Capital expenditure on PP&E and intangible assets	18, 19	-1.0	-0.4
Sale of investment properties	17, 23	66.3	3.1
<b>Net cash used in investing activities</b>		<b>-67.5</b>	<b>-127.9</b>
<b>Cash flow from financing activities</b>			
Sale of treasury shares	26	0.2	-
Proceeds from share issue	26	62.2	-
Share subscriptions based on stock options	26	3.3	-
Proceeds from short-term loans	27	109.0	149.7
Repayments of short-term loans	27	-192.6	-77.1
Proceeds from long-term loans	27	346.5	295.1
Repayments of long-term loans	27	-252.2	-273.0
Dividends and return from the invested unrestricted equity fund	26	-31.2	-30.9
<b>Net cash from financing activities</b>		<b>45.2</b>	<b>63.8</b>
<b>Net change in cash and cash equivalents</b>		<b>-2.3</b>	<b>2.1</b>
Cash and cash equivalents at period-start	25	19.8	16.7
Effects of exchange rate changes		2.0	1.0
<b>Cash and cash equivalents at period-end</b>	25	<b>19.5</b>	<b>19.8</b>

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, IFRS

EUR million	Equity attributable to parent company shareholders						Total	Non-controlling interest	Total shareholders' equity
	Share capital	Share premium fund	Fair value reserve	Invested unrestricted equity fund	Translation reserve	Retained earnings			
<b>Balance at 31 Dec. 2008</b>	259.6	131.1	-17.7	177.3	-10.3	259.1	799.1	38.2	837.3
<b>Loss for the period</b>						-34.3	-34.3	-2.6	-36.9
Net losses/gains on cash flow hedges, net of tax (Notes 14, 15 and 20)			-5.0				-5.0		-5.0
Exchange gains/losses on translating foreign operations					0.8		0.8	1.2	2.0
<b>Total other comprehensive expenses/income for the period, net of tax</b>			-5.0		0.8		-4.1	1.2	-3.0
<b>Total comprehensive loss/profit for the period</b>			-5.0		0.8	-34.3	-38.4	-1.4	-39.9
Recognised gain in the equity arising from convertible bond buybacks (Note 27)						1.1	1.1		1.1
Sale of treasury shares (Note 26)				0.0			0.0		0.0
Dividends and return from the invested unrestricted equity fund (Note 26)				-22.1		-8.8	-30.9		-30.9
Share-based payments (Notes 26 and 29)						0.2	0.2		0.2
Acquisition of non-controlling interests								0.0	0.0
<b>Balance at 31 Dec. 2009</b>	259.6	131.1	-22.7	155.2	-9.5	217.3	731.1	36.8	767.9
<b>Profit for the period</b>						78.3	78.3	12.0	90.4
Net gains/losses on cash flow hedges, net of tax (Notes 14, 15 and 20)			3.8				3.8		3.8
Exchange gains/losses on translating foreign operations					1.2		1.2	1.9	3.1
<b>Total other comprehensive income/expenses for the period, net of tax</b>			3.8		1.2		5.0	1.9	6.9
<b>Total comprehensive profit/loss for the period</b>			3.8		1.2	78.3	83.4	13.9	97.3
Share issue (Note 26)				62.2			62.2		62.2
Share subscriptions based on stock options (Notes 26 and 29)				3.3			3.3		3.3
Recognised gain in the equity arising from convertible bond buybacks (Note 27)						0.0	0.0		0.0
Sale of treasury shares (Note 26)				0.2			0.2		0.2
Dividends and return from the invested unrestricted equity fund (Note 26)				-22.1		-8.8	-30.9		-30.9
Share-based payments (Notes 26 and 29)						0.3	0.3		0.3
<b>Balance at 31 Dec. 2010</b>	259.6	131.1	-18.8	198.8	-8.2	287.0	849.5	50.7	900.2

**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 Pohjoisesplanadi 35 AB, FI-00100 Helsinki. The Board of Directors has approved the financial statements on 8 February 2011. 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 Pohjoisesplanadi 35 AB, FI-00100 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 2010, 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. In addition, the best practices policy recommendations of the European Public Real Estate Association (EPRA) have been applied in preparing Citycon's financial statements. EPRA is the representative body of the publicly traded real estate sector in Europe, publishing recommendations on the presentation of financial information for the sector.

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 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 section 'Management's judgement in applying the most significant accounting policies and other key assumptions about future risks and uncertainties' below provides a more detailed description of the factors underlying judgements and assumptions.

**3. CHANGES IN IFRS AND ACCOUNTING POLICIES**

**3.1 New standards as well as interpretations and changes applied in 2010**

The following new standards as well as amendments and interpretations to the existing standards have been adopted in the financial statements 2010:

**IAS 27** (amended) Consolidated and separate financial statements (effective from 1 July 2009). The amended standard requires the effects of changes in ownership interests in subsidiaries to be recognised directly in equity, if there is no change in control. The standard also specifies accounting when control is lost. In such a case, any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

**IFRS 3** (revised) Business combinations (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, but with some significant changes compared to the earlier version of IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured to fair value through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis

to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The revised standard requires that all acquisition-related costs be expensed.

**3.2 Interpretations effective in 2010 but not relevant to the Group**

The following new standards and changes have been published and they are mandatory for accounting periods beginning on or after 1 January 2010 but did not have impact on Citycon in 2010:

- **IFRIC 17** Distribution of non-cash assets to owners,
- **IFRIC 18** Transfers of assets from customers,
- **IFRIC 9** (amendment) Reassessment of embedded derivatives and **IAS 39** (amendment) Financial instruments: Recognition and measurement,
- **IFRS 2** (amendment) Group cash-settled share-based payment transactions,

In addition, as a result of the Annual Improvements process of the International Accounting Standards Board (IASB), several minor amendments entered into effect. These Improvements to IFRS had no major effect on Citycon's Financial Statements 2010.

**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 January 2011 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.

- **IAS 12** Deferred tax: Recovery of Underlying Asset,
- **IFRS 9** Financial instruments: Classification and measurement,
- **IAS 24** Related party disclosures,
- **IAS 32** Classification of rights issues,
- **IFRIC 19** Extinguishing financial liabilities with equity instruments,
- **IFRIC 14** Prepayments of a minimum funding requirement,
- **IFRS 7** Disclosures: transfers in the financial assets.

**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.

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. The consolidated financial statements have been prepared in accordance with the historical cost convention, under which the historical cost of subsidiary shares in the parent company's non-current assets has been eliminated against the shareholders' equity of the subsidiary on the date of the subsidiary's acquisition. The portion of the acquired company's net assets exceeding their carrying amounts on the acquisition date has primarily been allocated to land and buildings up to their fair value. 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.

Mutual real estate companies refer to jointly controlled assets included in the consolidated financial statements using proportionate consolidation, as required by IAS 31 Interests in Joint Ventures, whereby the Group's share of assets, liabilities, income and expenses are included in the consolidated financial statements. 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 are stated as jointly controlled assets, as described above.

Property acquisition is treated as such when the Group actually acquires a holding in a property. This acquisition does not generate goodwill, but the entire acquisition cost is allocated to land, buildings and other assets and liabilities.

If the property is included in the acquired business, IFRS 3 Business Combinations will apply, whereby the acquisition cost is allocated to the acquired assets and liabilities at their fair value. Goodwill is the residual stemming from the fair value of the acquired net assets exceeding that of the consideration given.

### 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 2010 and 2009, 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 2010, Citycon valued 7 properties (4 properties on 31 December 2009) 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 estimat-

ed 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 an active plan to sell the property,
- the property is actively marketed,
- the sale is expected to realise 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 1.5 million on 31 December 2010 (EUR 26.0 million on 31 December 2009).

### 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 2010 or 31 December 2009.

### 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 re-



coverable 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 2010 and 31 December 2009, 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 indefinite period and can be sold at a time deemed appropriate. On 31 December 2010 or 31 December 2009, 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. On 31 December 2010 and 31 December 2009, Citycon didn't have any derivative contracts classified as financial assets 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 2010 and 31 December 2009, financial liabilities at amortised cost include the items 'Loans', 'Other liabilities' and 'Trade payables and other payables'. On 31 December 2009 Citycon had derivative contracts classified as financial liabilities at fair value through profit or loss of EUR 2.2 million. On 31 December 2010 Citycon had no such derivative contracts.

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, as 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.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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.

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 interest 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 may arise 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 granted after 7 November 2002 and not vested before 1 January 2005, and to the long-term share-based incentive plan decided by the Board of Directors on 26 April 2007. 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 is 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 aspect of accounting policy and 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. assumptions. On 31 December 2010, the fair value of investment properties totalled EUR 2,367.7 million (EUR 2,147.4 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 in-

come 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. Estimating the total amount of income taxes at Group level requires judgment. Furthermore, 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 2010 amounted to EUR 0.6 million (EUR 6.3 million).

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 arise 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 59.7 million on 31 December 2010 (EUR 48.7 million on 31 December 2009).

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 1.3 million million on 31 December 2010 (EUR 0.0 million on 31 December 2009).

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 2010, Citycon had confirmed losses for which tax assets of EUR 16.6 million (EUR 13 million in 2009) 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 applying 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 2,367.7 million on 31 December 2010 (EUR 2,147.4 million on 31 December 2009).
- 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 2010 or 31 December 2009.
- 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 1.5 million on 31 December 2010 (EUR 26.0 million on 31 December 2009).

### 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. Criteria for business acquisitions identified by Citycon include acquired access to new market areas, a new business line, new personnel and/or management, brand or another intangible asset related to customer relationships etc. However, this is not an exhaustive list, since Citycon assesses each investment property purchase on a case-by-case basis. Citycon didn't have any business acquisitions in 2010 and 2009.

### 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. Non-current assets (or disposal groups) are classified as 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 non-current assets held for sale must be stated as a separate item in the consolidated statement of comprehensive income, while non-current assets classified as held for sale must be presented in the statement of financial position, separately from other assets. In addition, liabilities under the disposal group of non-current assets held for sale must be presented in the statement of financial position, separately from other liabilities. Citycon had no non-current assets held for sale on 31 December 2010 or 31 December 2009.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6. GROSS RENTAL INCOME

#### A) Breakdown of gross rental income

EUR million	2010	2009
Straight-lining of lease incentives	0.6	1.0
Temporary rental discounts	-3.0	-1.6
Additional rent from turnover based rental agreements	2.4	1.5
Gross rental income (excl. items above)	185.9	177.0
<b>Total</b>	<b>185.9</b>	<b>177.8</b>

#### B) General description of Citycon's lease agreements

In accordance with the table presented below, Citycon had 3,753 lease agreements on 31 December 2010 (4,235 agreements on 31 December 2009). The decrease in number of lease agreement was a consequence of residential disposals in Sweden. In the majority, i.e. in 89 per cent (85 per cent on 31 Dec. 2009), of Citycon's leases the rent is divided into base rent, tied to the cost-of-living index, and the maintenance charge. The maintenance charge, charged separately from the lessee, covers operating expenses incurred by the property owner due to property maintenance, while enabling the provision of any additional services requested by the lessee.

Part of Citycon's lease agreements also contain a turnover-linked component in addition to a cost-of-living -link. Turnover based rent agreements accounted for roughly 43 per cent (36 per cent on 31 December 2009) of Citycon's lease portfolio on 31 December 2010. 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 the entire portfolio is tied to the cost-of-living index, a predetermined minimum rent increase and/or the lessee's turnover.

	31 Dec. 2010	31 Dec. 2009
<b>Number of lease agreements</b>		
Finland	1,661	1,682
Sweden	1,784	2,245
Baltic Countries	308	308
<b>Total</b>	<b>3,753</b>	<b>4,235</b>

In accordance with the table presented below, the average remaining length of Citycon's lease portfolio

was 3.2 years on 31 December 2010 (3.1 years on 31 December 2009). Citycon mainly seeks to prepare mainly 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 75 per cent of Citycon's property portfolio on 31 December 2010 (70 per cent on 31 December 2009) and initially fixed-term contracts 11 per cent on 31 December 2010 (13 per cent on 31 December 2009). The rest of the agreements are leases in effect until further notice (14 per cent out of all leases on 31 December 2010 and 17 per cent on 31 December 2009)

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. 2010	31 Dec. 2009
Finland	3.0	2.8
Sweden	3.1	3.0
Baltic Countries	4.6	5.2
<b>Average</b>	<b>3.2</b>	<b>3.1</b>

#### 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. 2010	31 Dec. 2009
Not later than 1 year	54.8	54.4
1-5 years	109.7	104.5
Over 5 years	24.8	24.6
<b>Total</b>	<b>189.3</b>	<b>183.4</b>

### 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 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 direct 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. 2010 and at 31 Dec. 2009.

#### A) Segment information

The geographical segments are Finland, Sweden and the Baltic countries. 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. It owns 22 shopping centres, in addition to 43 other retail properties. 31 of the Finnish properties are located in the Helsinki Metropolitan Area and 34 elsewhere in Finland.

##### Sweden

Citycon has eight shopping centres and seven other retail properties in Sweden. Seven of the properties in Sweden are located in the Greater Stockholm Area, six in the Greater Gothenburg Area and two in Umeå.

##### Baltic Countries

Citycon owns three shopping centres in the Baltic region, two in Estonia and one in Lithuania.

EUR million 1 JAN.-31 DEC. 2010	Finland	Sweden	Baltic Countries	Other	Total
Gross rental income	122.1	49.8	13.9	-	185.9
Service charge income	4.3	2.9	2.7	-	10.0
<b>Turnover</b>	<b>126.5</b>	<b>52.8</b>	<b>16.7</b>	<b>-</b>	<b>195.9</b>
Property operating expenses	39.3	23.3	4.8	0.0	67.4
Other expenses from leasing operations	0.4	0.7	0.1	0.0	1.3
<b>Net rental income</b>	<b>86.7</b>	<b>28.7</b>	<b>11.8</b>	<b>0.0</b>	<b>127.2</b>
Administrative expenses	6.2	4.6	1.2	10.5	22.5
Other operating income and expenses	0.3	-	0.0	-	0.3
<b>Direct operating profit</b>	<b>80.9</b>	<b>24.1</b>	<b>10.6</b>	<b>-10.5</b>	<b>105.0</b>
Indirect administrative expenses	0.0	0.7	-	-	0.8
Net fair value gains/losses on investment property	24.5	22.8	3.5	-	50.8
Profit on disposal of investment property	2.2	0.5	0.0	-	2.6
<b>Operating profit/loss</b>	<b>107.5</b>	<b>46.7</b>	<b>14.1</b>	<b>-10.5</b>	<b>157.7</b>
Net financial income and expenses				-54.9	-54.9
Income tax expense				-12.5	-12.5
<b>Profit for the period</b>					<b>90.3</b>
<b>Allocated assets</b>					
Investment properties	1,533.0	668.6	166.1	-	2,367.7
Investment properties held for sale	1.5	-	-	-	1.5
Other allocated assets	6.2	20.1	0.7	32.4	59.4
<b>Unallocated assets</b>					
Deferred tax assets				5.6	5.6
Derivative financial instruments				2.2	2.2
<b>Assets</b>	<b>1,540.6</b>	<b>688.8</b>	<b>166.8</b>	<b>40.3</b>	<b>2,436.5</b>
<b>Allocated liabilities</b>					
Trade and other payables	18.3	19.9	2.3	14.8	55.3
<b>Unallocated liabilities</b>					
Interest-bearing liabilities				1,397.7	1,397.7
Deferred tax liabilities				62.6	62.6
Derivative financial instruments				20.3	20.3
Other unallocated liabilities				0.5	0.5
<b>Liabilities</b>	<b>18.3</b>	<b>19.9</b>	<b>2.3</b>	<b>1,495.9</b>	<b>1,536.3</b>
<b>Capital expenditure</b>	<b>76.3</b>	<b>50.6</b>	<b>6.0</b>	<b>0.8</b>	<b>133.7</b>

EUR million 1 JAN.-31 DEC. 2009	Finland	Sweden	Baltic Countries	Other	Total
Gross rental income	126.5	39.3	12.0	-	177.8
Service charge income	4.7	1.8	2.0	-	8.5
<b>Turnover</b>	<b>131.3</b>	<b>41.0</b>	<b>14.0</b>	<b>-</b>	<b>186.3</b>
Property operating expenses	38.6	17.5	4.1	0.0	60.2
Other expenses from leasing operations	0.3	0.3	0.1	0.0	0.7
<b>Net rental income</b>	<b>92.4</b>	<b>23.2</b>	<b>9.8</b>	<b>0.0</b>	<b>125.4</b>
Administrative expenses	6.1	3.2	1.0	7.4	17.7
Other operating income and expenses	0.0	-	0.0	0.0	0.0
<b>Direct operating profit</b>	<b>86.3</b>	<b>20.0</b>	<b>8.8</b>	<b>-7.4</b>	<b>107.7</b>
Indirect administrative expenses	-	0.1	-	-	0.1
Net fair value losses/gains on investment property	-65.1	-19.6	-12.7	0.0	-97.4
Profit on disposal of investment property	0.1	-	-	-	0.1
<b>Operating profit/loss</b>	<b>21.2</b>	<b>0.3</b>	<b>-3.8</b>	<b>-7.4</b>	<b>10.3</b>
Net financial income and expenses				-47.7	-47.7
Income tax expense				0.6	0.6
<b>Loss for the period</b>					<b>-36.9</b>
<b>Allocated assets</b>					
Investment properties	1,442.0	548.8	156.6	-	2,147.4
Investment properties held for sale	8.3	17.7	-	-	26.0
Other allocated assets	5.2	39.3	1.0	22.0	67.5
<b>Unallocated assets</b>					
Deferred tax assets				8.6	8.6
Derivative financial instruments				3.7	3.7
<b>Assets</b>	<b>1,455.5</b>	<b>605.7</b>	<b>157.6</b>	<b>34.3</b>	<b>2,253.2</b>
<b>Allocated liabilities</b>					
Trade and other payables	13.3	11.9	1.8	52.6	79.7
<b>Unallocated liabilities</b>					
Interest-bearing liabilities				1,321.7	1,321.7
Deferred tax liabilities				50.0	50.0
Financial liabilities at fair value through profit and loss				2.2	2.2
Derivative financial instruments				30.8	30.8
Other unallocated liabilities				1.0	1.0
<b>Liabilities</b>	<b>13.3</b>	<b>11.9</b>	<b>1.8</b>	<b>1,458.3</b>	<b>1,485.3</b>
<b>Capital expenditure</b>	<b>24.5</b>	<b>95.9</b>	<b>13.9</b>	<b>0.3</b>	<b>134.6</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### B) Turnover by property types

	2010	2009
Shopping centres	171.2	155.4
Supermarkets and shops	24.7	30.9
<b>Total</b>	<b>195.9</b>	<b>186.3</b>

### C) Major tenants

2010	Proportion of gross rental income, %	Segment
Kesko	19.9	Finland
S Group	4.9	Finland and the Baltic Countries
ICA AB	3.6	Sweden and the Baltic Countries
Stockmann	3.3	Finland, Sweden and the Baltic Countries
Tokmanni	1.8	Finland
<b>Total</b>	<b>33.5</b>	

Proportion of gross rental income is based on the rent roll at 31 Dec. 2010.

2009	Proportion of gross rental income, %	Segment
Kesko	23.2	Finland
S Group	4.8	Finland and the Baltic Countries
ICA AB	3.2	Sweden and the Baltic Countries
Stockmann	2.9	Finland, Sweden and the Baltic Countries
H & M		
Hennes & Mauritz	1.5	Finland and Sweden
<b>Total</b>	<b>35.6</b>	

Proportion of gross rental income is based on the rent roll at 31 Dec. 2009.

### 8. PROPERTY OPERATING EXPENSES

EUR million	2010	2009
Heating and electricity	22.0	20.2
Maintenance expenses	23.0	19.4
Land lease fees and other rents	1.3	0.8
Property personnel expenses	0.6	0.5
Administrative and management fees	2.3	2.5
Marketing expenses	5.0	4.4
Property insurances	0.5	0.7
Property taxes	6.3	4.7
Repair expenses	6.5	6.9
Other property operating expenses	0.0	0.1
<b>Total</b>	<b>67.4</b>	<b>60.2</b>

Two properties had no income during the years 2010 and 2009, but they generated expenses of EUR 0.1 million (EUR 0.7 million).

### 9. OTHER EXPENSES FROM LEASING OPERATIONS

EUR million	2010	2009
Tenant improvement expenses and commissions	0.3	0.1
Credit losses	1.0	0.6
<b>Total</b>	<b>1.3</b>	<b>0.7</b>

Significant tenant improvements are recognised as investments.

Credit losses include credit loss provisions of EUR 1.0 million (EUR 0.3 million) recognised in the income statement. Credit loss provisions in the statement of financial position are presented in Note 24. Trade and other receivables.

### 10. ADMINISTRATIVE EXPENSES

EUR million	2010	2009
Personnel expenses	11.0	10.5
Non-recurring personnel expenses arising from employment terminations	1.3	-
Consultancy and advisory fees as well as external services	5.6	2.1
Office and other administrative expenses	4.4	4.5
Depreciation and amortisation	0.8	0.7
<b>Total</b>	<b>23.3</b>	<b>17.8</b>

Non-recurring personnel expenses arising from employment terminations include one-off compensations (incl. pension and social charges) payable to CEO Petri Olkinuora and Vice President of the company's Finnish operations, due to the termination of their employment contracts.

Consulting and advisory fees included in the administration expenses and administrative and management fees included in the property operating expenses, include the following audit fees and services from audit firm Ernst & Young Oy:

EUR million	2010	2009
Audit fees	0.2	0.2
Other advisory services	0.2	0.1
<b>Total</b>	<b>0.4</b>	<b>0.3</b>

### 11. PERSONNEL EXPENSES

EUR million	2010	2009
Wages and salaries of management		
CEO	0.4	0.4
Management committee	1.0	0.9
Board	0.7	0.6
Other wages and salaries	6.6	6.3
Pension charges:		
defined contribution plans	1.2	1.1
Pension charges: defined benefit plans	0.0	0.1
Social charges	1.1	1.2
Expense of share based payments	0.6	0.4
<b>Total</b>	<b>11.6</b>	<b>11.1</b>

Personnel expenses of EUR 0.6 million (EUR 0.5 million) are included in property operating expenses and EUR 11.0 million (EUR 10.5 million) in administrative expenses.

Defined benefit plans and the share-based payment plans are described in Note 29. Employee benefits.

Information on management benefits is presented in Note 32. Related party transactions.

### Average Group staff during period

	2010	2009
Finland	81	77
Sweden	34	32
The Baltic Countries	8	8
<b>Total</b>	<b>123</b>	<b>117</b>

### 12. DEPRECIATION AND AMORTISATION

Depreciation and amortisation of EUR 0.8 million (EUR 0.7 million) on machinery and equipment as well as on intangible assets is included in administrative expenses.

### 13. OTHER OPERATING INCOME AND EXPENSES

EUR million	2010	2009
Other operating income	0.3	0.0
Other operating expenses	-	0.0
<b>Total</b>	<b>0.3</b>	<b>0.0</b>

### 14. NET FINANCIAL INCOME AND EXPENSES

#### A) Recognised in the income statement

EUR million	2010	2009
Interest income	0.5	0.3
Foreign exchange gains	73.0	50.0
Fair value gain from derivatives	0.2	-
Other financial income	0.1	0.6
Financial income, total	73.7	50.8
Interest expenses	55.4	52.8
Foreign exchange losses	72.8	49.9
Fair value loss from derivatives	-	0.1
Development interest capitalised	-3.3	-7.7
Other financial expenses	3.8	3.4
Financial expenses, total	128.6	98.5

**Net financial income and expenses**      **54.9**      **47.7**

Of which attributable to financial instrument categories:

Interest-bearing loans and receivables	20.6	33.6
Finance lease liabilities	0.0	0.0
Derivative financial instruments	34.2	13.8
Other liabilities and receivables	0.1	0.3
<b>Net financial income and expenses</b>	<b>54.9</b>	<b>47.7</b>

In 2010, foreign exchange losses of EUR -8.9 million (loss of EUR -0.7 million) were recognised in the statement of comprehensive income from foreign exchange derivative agreements.

Interest on development expenditure is capitalised at a rate of 4.32% as at 31 December 2010 (4.47% as at 31 December 2009).

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 22. Derivative Financial Instruments.

**B) Recognised in the other comprehensive income**

EUR million	2010	2009
Losses arising during the period from cash flow hedges	-17.7	-20.6
Less: interest expenses recognised in the income statement on cash flow hedges	22.9	13.8
Net gains/losses on cash flow hedges	5.1	-6.7

**15. INCOME TAXES**

EUR million	2010	2009
Current tax	0.6	6.3
Tax for prior periods	0.0	0.1
Deferred tax	11.8	-7.0
<b>Income taxes</b>	<b>12.5</b>	<b>-0.6</b>

Reconciliation between tax charge and Group tax at the Finnish tax rate (26%):

EUR million	2010	2009
Profit/loss before taxes	102.8	-37.5
Taxes at Finnish tax rate	26.8	-9.7
Fair value gains and losses from subsidiaries owned abroad	-12.0	8.4
Difference in foreign subsidiaries' tax rate	-1.6	-1.1
Unrecognised tax receivables from losses	4.1	2.2
Utilisation of previously unrecognised tax losses	-4.8	0.1
Other	0.0	-0.5
<b>Income taxes</b>	<b>12.5</b>	<b>-0.6</b>

Effective tax rate	12.1 %	1.5 %
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**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.

Earnings per share, basic	2010	2009
Profit/loss attributable to parent company shareholders (EUR million)	78.3	-34.3
Average number of shares (1,000)	228,148.2	221,035.1
<b>Earnings per share (basic) (EUR)</b>	<b>0.34</b>	<b>-0.16</b>

Earnings per share, diluted	2010	2009
Profit/loss attributable to parent company shareholders (EUR million)	78.3	-34.3
Expenses from convertible loan, less the tax effect (EUR million)	4.1	-
Profit/loss used in the calculation of diluted earnings per share (EUR million)	82.5	-34.3
Average number of shares, million	228,148.2	221,035.1
Convertible capital loan impact, million	17,519.6	-
Adjustments for stock options, million	1.8	-
Adjustments for long-term share-based incentive plan, million	136.8	-
Average number of shares used in the calculation of diluted earnings per share, million	245,806.3	221,035.1
<b>Diluted earnings per share (EUR)</b>	<b>0.34</b>	<b>-0.16</b>

Incremental shares from assumed conversions or any income or cost related to dilutive potential shares are not included in the year 2009 diluted per-share amounts, because the profit attributable to parent company shareholders was negative.

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 three categories of dilutive shares in place: convertible capital loan, stock options and long-term share-based incentive plan.

- 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 17.0 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 has a dilutive effect when the earning period has ended, the performance conditions for the bonus have been fulfilled, and the shares have not yet been granted. In calculating the dilutive effect of the share-based incentive scheme, the remaining work covered by the scheme is assigned a per-share value, which is compared to the fair value of a share. When the

value of the remaining work performance is lower than the fair value of a share, the share-based incentive scheme has a dilutive effect. In calculating the dilutive effect of the share-based incentive scheme, the number of shares the company would have received had it used assets to the value of the remaining work performance to acquire treasury shares at fair value, is considered a deductive factor in the full number of shares granted.

Average number of shares used in the calculation of earnings per share	Days	Number of shares
1/1/10	45	221,059,735
15/2/10	28	221,416,293
15/3/10	38	221,715,474
22/4/10	39	222,360,952
31/5/10	116	222,564,972
24/9/10	99	244,564,972
Weighted average (daily) number of shares	365	228,148,160

**17. INVESTMENT PROPERTIES**

Citycon divides its investment properties into two categories: Investment Properties Under Construction (IPUC) and Operative Investment Properties. At 31 December 2010, the first mentioned category included Espoonatori, Kirkkonummen Liikekeskus, Lahden Hansa (Trio), Myllypuro, Martinlaakso and Myyrmanni in Finland as well as Åkersberga Centrum in Sweden.

Contractual obligations to purchase, construct or develop investment properties are presented in Note 31. B) Pledges and other contingent liabilities.

EUR million 31 Dec. 2010	Investment property under construction	Operative investment properties	Investment properties total
<b>At period-start</b>	<b>269.8</b>	<b>1,877.6</b>	<b>2,147.4</b>
Acquisitions during the period	1.9	4.8	6.8
Investments during the period	69.5	52.2	121.7
Disposals during the period	-3.4	-36.3	-39.7
Capitalised interest	2.2	1.2	3.4
Fair value gains on investment property	2.1	93.6	95.7
Fair value losses on investment property	-14.0	-30.8	-44.9
Exchange differences	5.8	73.0	78.7
Transfer between IPUC and operative investment properties and transfer into investment properties held for sale	-7.8	6.3	-1.5
<b>At period-end</b>	<b>326.1</b>	<b>2,041.6</b>	<b>2,367.7</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EUR million 31 Dec. 2009	Investment property under construction	Operative investment properties	Investment properties total
<b>At period-start</b>	<b>271.8</b>	<b>1,839.9</b>	<b>2,111.6</b>
Acquisitions during the period	0.0	0.0	0.0
Investments during the period	84.4	33.4	117.8
Disposals during the period	-	-2.7	-2.7
Capitalised interest	6.3	1.6	7.9
Fair value gains on investment property	-	5.5	5.5
Fair value losses on investment property	-14.9	-88.0	-102.9
Exchange differences	10.6	17.3	27.9
Transfer between IPUC and operative investment properties	-88.3	70.6	-17.7
<b>At period-end</b>	<b>269.8</b>	<b>1,877.6</b>	<b>2,147.4</b>

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.

Realia Management Oy within Realia Group conducted the valuation of Citycon's properties for the Annual Report 2010 and 2009. The resulting fixed fees based on the 2010 valuations total EUR 0.1 million (EUR 0.1 million in 2009).

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.

EUR million	31 Dec. 2010	31 Dec. 2009
<b>Fair value of investment properties determined by the external appraiser as at Dec. 31</b>	<b>2,361.1</b>	<b>2,162.4</b>
Capital expenditure on development projects	5.6	11.0
Transfer into investment properties held for sale	-1.5	-26.0
Acquisition of new properties	2.5	-
<b>Fair value of investment properties as at Dec. 31</b>	<b>2,367.7</b>	<b>2,147.4</b>

The segments' assumptions used by the external appraiser in the cash flow analysis on 31 December 2010 and on 31 December 2009 are presented the table below. The average yield requirement decreased by 20bps from 6.6% on 31 December 2009 to 6.4% on 31 December 2010 as a result of general market changes (economic recovery and revival of demand for prime properties) and progress in development projects. Market rents increased by 7% from 22.1 EUR/sq.m. on 31 December 2009 to 23.6 EUR/sq.m. on 31 December 2010 due to the strengthening of the Swedish krona, development projects' progress/completion and general positive developments in the rental market. The vacancy assumption for the cash flow period decreased by 60bps from 5.0% in on 31 December 2009 to 4.4% on 31 December 2010 thanks to the general positive market developments and new leases.

EUR million 31 Dec. 2010	Finland	Sweden	Baltic Countries	Average
Yield requirement (%)	6.4	6.1	8.1	6.4
Initial yield (%)	6.1	6.0	7.9	6.2
Reversionary yield (%)	6.9	6.8	8.3	6.9
Market rents (€/m <sup>2</sup> )	23.6	24.1	21.4	23.6
Vacancy during the cash flow period (%)	4.6	4.1	3.6	4.4
Inflation assumption (%)	2.00	2.00	2.50	-
Operating expense growth assumption (%)	2.25	2.25	2.75	-

EUR million 31 Dec. 2009	Finland	Sweden	Baltic Countries	Average
Yield requirement (%)	6.6	6.4	8.1	6.6
Initial yield (%)	6.8	6.7	8.0	6.8
Reversionary yield (%)	7.1	7.9	8.9	7.4
Market rents (€/m <sup>2</sup> )	22.5	21.3	21.4	22.1
Vacancy during the cash flow period (%)	5.0	5.1	4.2	5.0
Inflation assumption (%)	2.00	2.00	3.00	-
Operating expense growth assumption (%)	2.25	2.25	3.25	-

### 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 2,361.1 million defined by the external appraiser at 31 December 2010 as the starting value. Sensitivity analysis indicates that the market value is most sensitive to the yield requirement and gross income levels. 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.

Change %	Value of properties (EUR million)				
	-10%	-5%	±0%	+5%	+10%
Yield requirement	2,611.0	2,479.4	2,361.1	2,254.0	2,156.7
Gross income	2,016.1	2,188.0	2,361.1	2,529.9	2,702.3
Operating expenses	2,457.8	2,409.5	2,361.1	2,312.7	2,264.3
Vacancy	2,395.3	2,378.2	2,361.1	2,344.3	2,326.9



**18. PROPERTY, PLANT AND EQUIPMENT**

EUR million	2010	2009
Acquisition cost Jan. 1	2.3	2.0
Additions during the period	0.7	0.3
Accumulated acquisition cost Dec. 31.	3.0	2.3
Accumulated depreciation and impairment losses, Jan. 1	1.6	1.3
Depreciation during the period	0.4	0.4
Accumulated depreciation and impairment losses, Dec 31.	2.0	1.6
Net carrying amount Jan 1.	0.7	0.8
Net carrying amount Dec 31.	1.0	0.7

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

Machinery and equipment acquired through financial leases amounted to EUR 0.6 million (EUR 0.3 million).

**20. DEFERRED TAX ASSETS AND LIABILITIES**

Changes in deferred tax assets and liabilities in 2010:

EUR million	1 Jan. 2010	Recognized in income statement	Recognized in other comprehensive income	31 Dec. 2010
<b>Deferred tax assets</b>				
Tax losses	0.0	1.3	-	1.3
IAS 19 Defined benefit pension obligation	0.0	0.0	-	0.0
Measurement of interest-rate swaps at fair value	8.6	-0.6	-3.6	4.4
<b>Deferred tax assets, total</b>	<b>8.6</b>	<b>0.7</b>	<b>-3.6</b>	<b>5.6</b>
<b>Deferred tax liabilities</b>				
Measurement of investment property at fair value	48.7	11.0	-	59.7
Temporary difference in financial expenses	1.3	1.5	-	2.8
<b>Deferred tax liabilities, total</b>	<b>50.0</b>	<b>12.5</b>	<b>-</b>	<b>62.6</b>

**19. INTANGIBLE ASSETS**

EUR million	2010	2009
Acquisition cost Jan. 1	1.9	1.6
Additions during the period	1.0	0.3
Accumulated acquisition cost Dec. 31.	2.9	1.9
Accumulated depreciation and impairment losses, Jan. 1	1.0	0.6
Depreciation during the period	0.5	0.3
Accumulated depreciation and impairment losses, Dec 31.	1.4	1.0
Net carrying amount Jan 1.	0.9	0.9
Net carrying amount Dec 31.	1.5	0.9

Intangible assets consisted mainly of computer software.

Changes in deferred tax assets and liabilities in 2009:

EUR million	1 Jan. 2009	Recognized in income statement	Recognized in other comprehensive income	31 Dec. 2009
<b>Deferred tax assets</b>				
Tax losses	0.1	0.0	-	0.0
IAS 19 Defined benefit pension obligation	-	0.0	-	0.0
Measurement of interest-rate swaps at fair value	6.8	0.0	1.8	8.6
<b>Deferred tax assets, total</b>	<b>6.8</b>	<b>0.0</b>	<b>1.8</b>	<b>8.6</b>
<b>Deferred tax liabilities</b>				
Measurement of investment property at fair value	56.0	-7.2	-	48.7
Temporary difference in financial expenses	1.1	0.2	-	1.3
<b>Deferred tax liabilities, total</b>	<b>57.1</b>	<b>-7.0</b>	<b>-</b>	<b>50.0</b>

Citycon's deferred taxes mainly arise from changes in the fair value of investment properties. In 2010, deferred taxes resulting from the changes in the investment properties' fair value recognised in the income statement totalled EUR -11.0 million (EUR 7.2 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 -12.0 million in 2010 (EUR 8.4 million) (See 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 2010, Group companies had confirmed losses for which tax assets of EUR 16.6 million (EUR 13 million in 2009) were not recognised, since these Group companies are unlikely to record taxable profit, before the expiration of carry forwards of these losses, against which loss carry forwards can be utilised. Citycon didn't have any impairment not deducted in taxation on 31 December 2010 and on 31 December 2009.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 21. CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

EUR million	Note	Carrying amount 2010	Fair value 2010	Carrying amount 2009	Fair value 2009
<b>Financial assets</b>					
<b>I Loans and other receivables</b>					
Trade and other receivables	24	37.4	37.4	46.1	46.1
Cash and cash equivalents	25	19.5	19.5	19.8	19.8
Other non-current assets		0.0	0.0	0.0	0.0
<b>II Derivative contracts under hedge accounting</b>					
Derivative financial instruments	22	2.2	2.2	3.7	3.7
<b>Financial liabilities</b>					
<b>I Financial liabilities amortised at cost</b>					
<b>I.I Loans</b>					
Loans from financial institutions	27	1,291.3	1,293.6	1,142.6	1,145.2
Convertible capital loan 1/2006	27	66.3	71.3	69.3	76.5
Subordinated capital loan 1/2005	27	-	-	70.0	70.0
Bond 1/2009	27	39.5	40.0	39.4	40.0
Finance lease liabilities	27	0.6	0.6	0.3	0.3
<b>I.II Other liabilities</b>					
Other liabilities	29	0.5	0.5	1.0	1.0
Trade and other payables	29	55.3	55.3	79.7	79.7
<b>II Financial liabilities at fair value through profit and loss</b>					
Derivative financial instruments		-	-	2.2	2.2
<b>III Derivative contracts under hedge accounting</b>					
Derivative financial instruments	22	20.3	20.3	30.8	30.8

#### 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 interest rate derivative financial instruments corresponds to level 2 according to IFRS7p27a. The fair value of foreign exchange derivative contracts is based on quoted market prices.

#### Loans from financial institutions

Citycon's loans from financial institutions are floating rate loans which have 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.

#### Subordinated capital loan 1/2005

Subordinated capital loan 1/2005 is a fixed rate loan which has a fair value equal to the nominal amount of

the loan. The carrying amount of the loan equals the fair value.

#### Bond 1/2009

Bond 1/2009 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.

#### 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.

### 22. DERIVATIVE FINANCIAL INSTRUMENTS

#### A) Nominal amounts and fair values of derivative financial instruments

EUR million	Nominal amount 2010	Fair value 2010	Nominal amount 2009	Fair value 2009
<b>Interest rate derivatives</b>				
<b>Interest rate swaps</b>				
<b>Maturity:</b>				
less than 1 year	40.0	-1.6	48.8	-1.2
1-2 years	30.0	-0.8	70.0	1.0
2-3 years	161.2	-10.2	60.0	-3.0
3-4 years	202.0	-6.6	262.9	-14.5
4-5 years	123.6	0.5	198.0	-7.3
over 5 years	313.1	0.6	97.9	-4.0
<b>Subtotal</b>	<b>869.8</b>	<b>-18.1</b>	<b>737.6</b>	<b>-29.0</b>
<b>Foreign exchange derivatives</b>				
<b>Forward agreements</b>				
<b>Maturity:</b>				
less than 1 year	-	-	22.0	-0.2
<b>Total</b>	<b>869.8</b>	<b>-18.1</b>	<b>759.7</b>	<b>-29.2</b>

Interest on floating-rate loans is mainly fixed every three or six months. Interest-rate swaps have been concluded for the same days 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 2010, 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 foreign exchange loss of EUR -1.5 million (gain of EUR 3.5 million), which is recognised in the statement of comprehensive income.

Hedge accounting is applied to interest rates swaps, which have a nominal amount of EUR 869.8 million (EUR 713.2 million).

The average fixed interest rate of the interest rate swaps as at 31 December 2010 was 3.48 per cent (3.79%).

### B) Cash flow hedging with derivatives

#### Cash flow hedging

Interest rate derivatives M€	Assets 2010	Liabilities 2010	Assets 2009	Liabilities 2009
Fair value	2.2	-18.8	-	-30.6

Citycon's cash flow hedges consist of interest rate and cross-currency 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 designed as cash flow hedges. Gains and losses are initially recognized 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 2010 and at 31 December 2009, interest rate derivatives assigned as cash flow hedges were assessed as highly effective. The fair values (net of taxes) of these derivatives were EUR -12.3 million (EUR -22.7 million) and the change of these fair values (net of taxes) EUR 3.8 million (EUR -5.0 million) is recognized under other comprehensive income, taking the tax effect into account.

### 23. INVESTMENT PROPERTIES HELD FOR SALE

In 2010, the Investment properties held for sale included MREC Naantalin Tullikatu 16, which was sold in January 2011. In 2009, the Investment properties held for sale comprised building rights acquired for the Myllypuro development project and 181 residential units in Åkersberga Centrum. Building rights acquired for the Myllypuro development project were sold to three different residential investors through share transactions on 12 January 2010. A gain on sale of EUR 2.3 million was recorded from this transaction. In

July 2010, 181 residential units in Åkersberga Centrum were sold to Tegeltornet AB.

EUR million	2010	2009
<b>Acquisition cost Jan. 1</b>	<b>26.0</b>	<b>-</b>
Investments	-	8.3
Disposals	-28.5	-
Exchange differences	2.5	-
Transfers from investment properties	1.5	17.7
<b>Accumulated acquisition cost Dec. 31.</b>	<b>1.5</b>	<b>26.0</b>

### 24. TRADE AND OTHER RECEIVABLES

EUR million	2010	2009
Trade receivables	4.9	4.7
Credit loss provision	-1.3	-0.3
Trade receivables (net)	3.7	4.4
Accrued income and prepaid expenses	5.3	2.2
Tax receivables (incl. VAT-receivables)	27.0	37.9
Other receivables	1.4	1.6
<b>Total</b>	<b>37.4</b>	<b>46.1</b>

Ageing structure of trade receivables:

EUR million	2010	2009
NOT past due nor impaired	1.6	0.7
Past due, less than 1 month	0.6	1.6
Past due, 1-3 months	0.8	1.9
Past due, 3-6 months	0.5	0.2
Past due, 6-12 months	1.4	0.2
Past due, 1-5 years	0.1	0.1
<b>Total</b>	<b>4.9</b>	<b>4.7</b>

Movement in credit loss provisions

EUR million	2010	2009
At the beginning of the year	-0.3	-
Exchange difference	0.0	-
Charge for the year	-1.0	-0.3
Utilised	0.1	0.0
Unused amounts reversed	0.0	-
<b>Credit loss provision at the end of the year</b>	<b>-1.3</b>	<b>-0.3</b>

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.

### 25. CASH AND CASH EQUIVALENTS

EUR million	2010	2009
Cash in hand and at bank	19.4	13.5
Short-term deposits	0.1	6.4
<b>Total</b>	<b>19.5</b>	<b>19.8</b>

Cash and cash equivalents in the cash flow statement comprise the items presented above.

### 26. SHAREHOLDERS' EQUITY

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

	Outstanding number of shares <sup>1)</sup>	Treasury shares	Share capital (EUR million)	Share premium fund (EUR million)	Invested unrestricted equity fund (EUR million)	Total (EUR million)
<b>1 Jan. 2009</b>	<b>220,998,989</b>	<b>-</b>	<b>259.6</b>	<b>131.1</b>	<b>177.3</b>	<b>567.9</b>
Directed share issue without payment to Citycon Group key employees	40,746	-	-	-	-	-
Directed share issue without payment to Citycon itself	-	20,000	-	-	-	-
Sale of treasury shares	20,000	-20,000	-	-	0.0	0.0
Return from the invested unrestricted equity fund	-	-	-	-	-22.1	-22.1
<b>31 Dec. 2009</b>	<b>221,059,735</b>	<b>0</b>	<b>259.6</b>	<b>131.1</b>	<b>155.2</b>	<b>545.8</b>
Directed share issue without payment to Citycon Group key employees	124,020	-	-	-	-	-
Directed share issue without payment to Citycon itself	-	80,000	-	-	-	-
Sale of treasury shares	80,000	-80,000	-	-	0.2	0.2
Share issue	22,000,000	-	-	-	62.2	62.2
Share subscriptions based on stock options	1,301,217	-	-	-	3.3	3.3
Return from the invested unrestricted equity fund	-	-	-	-	-22.1	-22.1
<b>31 Dec. 2010</b>	<b>244,564,972</b>	<b>0</b>	<b>259.6</b>	<b>131.1</b>	<b>198.8</b>	<b>589.4</b>

1) All outstanding shares were fully-paid on 31 December 2010 and 31 December 2009.

#### B) Description of funds and reserves included in 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 2010 and 2009 due to subscriptions under option schemes and sale of treasury shares. In addition, in 2010, the share issue was recognised in the invested unrestricted equity fund.

### Translation reserve

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

### Fair value reserve

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

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

To the Annual General Meeting held on 23 March 2011, the Board of Directors of Citycon proposes a dividend of EUR 0.04 per share for the financial year 2010 (EUR 0.04 for the financial year 2009) and an equity return of EUR 0.10 per share from the invested unrestricted equity fund (EUR 0.10 for the financial year 2009). The proposal for dividends and return from the invested unrestricted equity fund has not not been recognised in the consolidated financial statements on 31 December 2010.

## 27. LOANS

All Citycon loans were interest-bearing liabilities on 31 December 2010 and 2009. These interest-bearing loans are explained here in detail.

### A) Breakdown of interest-bearing liabilities

EUR million	Effective interest rate (%)	Carrying amount 2010	Carrying amount 2009
<b>Long-term interest-bearing liabilities</b>			
Loans from financial institutions			
EUR 435 million term loan facility	EURIBOR + 0.675	352.0	359.7
EUR 165 million revolving credit facility	EURIBOR + 0.500	-	160.3
EUR 200 million term loan facility	EURIBOR + 0.675	204.5	199.8
EUR 150 million revolving credit facility	EURIBOR + 0.550	84.8	43.9
SEK 500 million bank loan	STIBOR + 0.600	55.8	48.8
EUR 50 million revolving credit facility	EURIBOR + 0.600	43.0	49.9
EUR 50 million bank loan	EURIBOR + 1.500	50.6	-
EUR 50 million bank loan	EURIBOR + 1.525	49.9	-
EUR 50 million bank loan	EURIBOR + 1.500	49.9	-
EEK 470 million bank loan	5.599	25.2	26.4
LTL 52 million bank loan	VILIBOR + 0.625	-	9.8
EUR 30 million bank loan	EURIBOR + 0.750	30.0	30.0
Other loans from financial institutions	-	160.6	138.0
Convertible capital loan 1/2006	7.580	66.3	69.3
Bond 1/2009	5.461	39.5	39.4
Finance lease liabilities	-	0.3	0.2
<b>Total long-term interest-bearing liabilities</b>		<b>1,212.4</b>	<b>1,175.4</b>
<b>Short-term interest-bearing liabilities</b>			
Loans from financial institutions			
Commercial papers	-	11.9	32.6
Current portion of loans from financial institutions	-	21.0	18.0
Other loans from financial institutions	-	152.0	25.5
Subordinated capital loan 1/2005	4.700	-	70.0
Finance lease liabilities	-	0.3	0.2
<b>Total short-term interest-bearing liabilities</b>		<b>185.3</b>	<b>146.3</b>

The carrying amounts of term loan facilities, convertible capital loan 1/2006 and bond 1/2009 are stated at amortised cost using the effective yield method. The fair values of liabilities are shown in Note 21. 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	2010	2009
1-2 years	132.3	190.9
2-3 years	491.4	91.0
3-4 years	312.3	466.3
4-5 years	157.7	300.0
over 5 years	118.7	127.3
<b>Total</b>	<b>1,212.4</b>	<b>1,175.4</b>

### Long-term interest-bearing liabilities by currency

EUR million	2010	2009
EUR	740.1	682.0
EEK	43.1	44.3
SEK	429.2	439.2
LTL	-	9.8
<b>Total</b>	<b>1,212.4</b>	<b>1,175.4</b>

### Short-term interest-bearing liabilities by currency

EUR million	2010	2009
EUR	48.4	112.8
EEK	1.2	1.2
SEK	125.8	31.6
LTL	9.8	0.8
<b>Total</b>	<b>185.3</b>	<b>146.3</b>

### B) Terms and conditions of subordinated capital loans

#### Subordinated capital loan 1/2005

On 17 June 2005, Citycon Oyj issued a five-year subordinated capital loan, 1/2005, of EUR 70 million at a fixed annual nominal interest rate of 4.70 per cent. The loan's issue price accounted for 99.956 per cent of the nominal loan amount, and its maturity date was 17 June 2010.

#### The main terms and conditions of the subordinated capital loan 1/2005:

- 1) In the event of company dissolution or bankruptcy, obligations on the issuer arising from the subordinated 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 17 June 2010 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.

- 3) Fixed annual interest of 4.70% will be paid annually in arrears on the loan's principal until 17 June 2010. Unless the loan is repaid in full on its maturity date of 17 June 2010, interest on the unpaid loan principal after that date is 12-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.
- 4) The company has the right to repay the loan's principal in part or in full on each interest-payment date at a rate determined by discounting the remaining cash flows up to the repayment date. The interest rate to be used for discounting is the Finnish government reference rate for the same period plus 1.5 percentage points.
- 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 4.2 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 16,964,285 shares.

**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 and 2010, the outstanding amount was EUR 71.3 million. The loan's conversion price is EUR 4.2000 per share and a full conversion of the loan would result in the issue of 16,964,285 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 1.3 million as of 31 December 2010.
- 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 and 2010, from the open markets, Citycon has repurchased the convertible capital loan for a nominal amount of EUR 38.8 million with a weighted average purchase price of 58.1%. The amount repurchased by Citycon equals approximately 35.2 per cent of the initial nominal amount of the loans issued. Net financial expenses in the statement of comprehensive income include a one-off gain of EUR 0.1 million (EUR 0.6 million ) for the buybacks of the convertible capital loan in 2010.

**C) Breakdown of finance lease liabilities**

EUR million	2010	2009
Maturity of finance lease liabilities:		
<b>Finance lease liabilities</b>		
<b>- minimum lease payments</b>		
Not later than 1 year	0.3	0.2
1-5 years	0.4	0.2
<b>Total</b>	<b>0.7</b>	<b>0.3</b>

EUR million	2010	2009
<b>Finance lease liabilities - present value of minimum lease payments</b>		
Not later than 1 year	0.3	0.2
1-5 years	0.3	0.2
<b>Total</b>	<b>0.6</b>	<b>0.3</b>
Future finance charges on finance leases	0.0	0.0
<b>Total finance lease liabilities</b>	<b>0.7</b>	<b>0.3</b>

Citycon's finance leases mainly apply to computer hardware and 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. During the ERM process for each business unit a risk management policy has been prepared which outlines objectives, responsibilities and development plans within the unit.

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 risks.

**Process**

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

Citycon has analysed and identified five main business processes during the implementation of ERM. These are property acquisitions, takeover of acquired properties, shopping centre management, property development and planning and control. Each main pro-

cess has been carefully analysed from a risk management angle. A detailed process description has been prepared for each process determining the target state of the process, after implementation of improvement measures and taking risk management requirements into account. The implementation of these common best practices in daily operations forms an essential part of daily risk management throughout the organisation.

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. In addition, from the risk register a consolidated Citycon Group risk report and analysis is prepared, which aims to recognise group level risk concentrations across business units. Risk reports to the Board of Directors and Audit Committee are prepared in conjunction with budgeting during the autumn and the strategy review during the spring. Risk management and business unit risk reports are additionally discussed four times a year by the Corporate Management Committee.

Citycon aims to continuously evaluate and develop its ERM process and risk management in general. Four times a year a risk management supervisory group meets, whose tasks include acceptance of the risk reports, annually evaluating the sufficiency of the risk management measures taken in the light of identified risks, monitoring progress in the implementation of the mitigation plans and annually assessing the adequacy of Citycon's risk management capabilities.

**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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

plans and following-up on their implementation. The Group Treasurer prepares the risk report for the Board of Directors and Audit Committee. The membership of the risk management supervisory group includes the CEO, CFO, Head of Legal Affairs, Group Treasurer and business unit directors or the dedicated risk management person from each business unit.

### 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 has interest rate and foreign exchange derivatives used in 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 interest rate risk management is performed by the Group Treasurer, 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

2010 is depicted by the fact that a one-percentage point rise in money market interest rates would increase its interest expenses for 2011 by EUR 2.6 million, while a fall of one-percentage point in such rates would decrease them by EUR 2.6 million in the same year.

### Interest rate sensitivity

The following table shows the 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	2010	2009
Euro	0.6	0.7
Swedish krona	1.8	1.7
Other currencies	0.3	0.3
<b>Total</b>	<b>2.6</b>	<b>2.7</b>

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 interest expenses of an increase of 100 basis points

EUR million	2010	2009
Euro	11.5	9.6
Swedish krona	12.2	7.0
<b>Total</b>	<b>23.7</b>	<b>16.5</b>

### Liquidity risk

Given that Citycon's strategy is to expand in Finland, the Baltic countries and Sweden, 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 committed 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 assessment of the amount required, and the company will arrange committed back-up limits for all funds drawn under commercial paper programmes. On 31 December 2010, unused credit limits amounted to EUR 225.5 million.

Table below summarises the maturity profile of the Group's financial liabilities, based on contractual payments. The table includes both interest and principal 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	Less than 1 month	1 to 12 months	1-5 years	Over 5 years	Total
<b>31 December 2010</b>					
Loans from financial institutions	7.1	209.9	1,065.3	132.7	1,415.0
Convertible capital loan 1/2006	-	3.2	77.7	-	80.9
Bond 1/2009	-	2.0	46.1	-	48.2
Finance lease liabilities	-	0.3	0.3	0.0	0.6
Derivative financial instruments	0.1	13.6	7.3	-3.6	17.4
Trade and other payables (excl. interest liabilities)	33.6	10.2	4.5	-	48.3

#### 31 December 2009

Loans from financial institutions	13.6	84.0	1,005.7	145.9	1,249.2
Convertible capital loan 1/2006	-	3.4	86.8	-	90.3
Subordinated capital loan 1/2005	-	73.3	-	-	73.3
Bond 1/2009	-	2.0	48.2	-	50.2
Finance lease liabilities	-	0.2	0.2	-	0.3
Derivative financial instruments)	0.1	19.9	16.5	-0.3	36.3
Trade and other payables (excl. interest liabilities)	13.4	56.9	-	-	70.3

Citycon's rent revision procedures, long 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	Less than 1 month	1 to 12 months	1-5 years	Over 5 years	Total
<b>31 December 2010</b>					
Undrawn committed credit facilities	-	24.9	150.6	50.0	225.5
<b>31 December 2009</b>					
Undrawn committed credit facilities	-	-	185.8	-	185.8

The above mentioned credit facilities are freely available to Citycon based on 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 24. 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 deposit 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 are also used to hedge a possible 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	2010	2009
Swedish krona	-0.2	-0.2
Other currencies	-	-
<b>Total</b>	<b>-0.2</b>	<b>-0.2</b>

Other currencies comprise those of in Estonia and Lithuania. The foreign exchange rate in these countries is pegged to the euro and Estonia has adopted euro as its functional currency as of 1 January 2011.

### 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 capital loan and convertible capital loan issued by the company to the shareholders' equity. As of 31 December 2010, the company's equity ratio stood at 37.1 per cent and the equity ratio as defined in the loan agreement was around 39.4 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 53 in the consolidated financial statements.

Company monitors its capital structure mainly with equity ratio.

#### Equity ratio:

EUR million	2010	2009
Total shareholders' equity (A)	900.2	767.9
Total assets	2,436.5	2,253.2
Less advances received	12.7	8.8
./(Total assets - advances received) (B)	2,423.8	2,244.4
Equity ratio (A/B)	37.1%	34.2%

#### Gearing-%:

EUR million	2010	2009
Interest-bearing debt total (Note 27)	1,397.7	1,321.8
Less cash and cash equivalents (Note 25)	19.5	19.8
Interest-bearing net debt (A)	1,378.2	1,302.0
Total shareholders' equity (B)	900.2	767.9
Gearing-% (A/B)	153.1%	169.5%

Higher equity ratio and lower gearing in 2010 is due to higher shareholders' equity as a result of fair value gains from investment properties and a share issue.

### 28. TRADE AND OTHER PAYABLES

Trade and other payables

EUR million	2010	2009
Trade payables	18.0	17.2
Short-term advances received	12.2	8.3
Interest liabilities	6.9	9.3
Other liabilities	12.6	8.4
Accrued expenses total	19.6	17.8
VAT-liabilities	5.1	36.0
Other short-term payables	0.5	0.4
Other short-term payables total	5.5	36.4
<b>Total</b>	<b>55.3</b>	<b>79.7</b>

Due dates of future payments of trade and other payables:

EUR million	2010	2009
Due in less than 1 month	34.7	15.6
Due in 1-3 months	6.3	62.5
Due in 3-6 months	5.7	1.5
Due in 6-12 months	4.1	-0.1
Due in 1-2 years	4.5	0.2
Due in 2-5 years	-	0.0
Due in over 5 years	0.0	0.1
<b>Total</b>	<b>55.3</b>	<b>79.7</b>

### 29. EMPLOYEE BENEFITS

#### A) Stock option schemes

In 2004, the AGM decided to grant a maximum of 3,900,000 stock options. Stock options entitle their holders to subscribe for company shares at the price and within the period specified in the terms and conditions of the stock options. The terms and conditions of the 2004 stock option scheme are available on the corporate website at [www.citycon.fi/options](http://www.citycon.fi/options).

The subscription period with the 2004 A option rights expired on 31 March 2009 and that of 2004 B option rights on 31 March 2010. By the end of the financial year 2010, 1,687,665 company shares had been subscribed for with these stock options by exercising 1,418,073 option rights. Of these, 1,301,217 shares were subscribed during 2010. 2004 C option rights have not been exercised for share subscription.

Citycon used the Black & Scholes option-pricing model to measure the fair value of stock options on the grant date and recognised them under personnel expenses in the statement of comprehensive income allocated over the instrument's vesting period. Since the last vesting period ended on 1 September 2008, no expenses have been recognised in the statement of comprehensive income from the granted stock options during 2009 or 2010.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Summary of the stock-option scheme 2004 on 31 December 2010:

2004 stock options	2004 A	2004 B	2004 C
Number of options granted	1,040,000	1,090,000	1,050,000
Held by Veniamo-Invest Oy, number <sup>(1)</sup>	-	-	250,000
Subscription ratio, stock option/share			1:1,2127
Subscription price/share, EUR <sup>(2)</sup>			4.2213
Share subscription period started	1.9.2006	1.9.2007	1.9.2008
Share subscription period ended/ends	31.3.2009	31.3.2010	31.3.2011
Number of exercised option rights	345,075	1,072,998	-
Number of subscribed shares <sup>(3)</sup>	386,448	1,301,217	-
No. of options available for share subscription	-	-	1,050,000
No. of shares that can be subscribed	-	-	1,273,335

1) Veniamo-Invest Oy, a wholly-owned subsidiary of Citycon Oyj, cannot subscribe for its parent company's shares.

2) Share subscription price is reduced by half of the per-share dividends paid and per-share equity returned.

3) Subscription of shares will not result in an increase in the company's share capital, since the entire subscription price is recognised under the invested unrestricted equity fund.

Changes in the stock options and their weighted average exercise prices during the period were as follows (excluding Veniamo-Invest Oy's stock options that cannot be exercised for share subscription):

	2010		2009	
	Exercise price, weighted average, EUR/share	Number of stock options	Exercise price, weighted average, EUR/share	Number of stock options
At period start	3.43	2,140,000	3.20	2,834,925
Exercised stock options	2.56	1,072,998	-	-
Lapsed stock options	2.52	17,002	2.20	694,925
At period end	4.22	1,050,000	3.43	2,140,000
<b>Exercisable stock options at period-end</b>		<b>1,050,000</b>		<b>2,140,000</b>

The per-share exercise price of the stock options exercised during 2010 averaged EUR 2.56 and these were exercised during January-March of 2010. The stock options exercised during 2010 brought in EUR 3.3 million, which were recognised in invested unrestricted equity fund. No stock options were exercised during 2009.

Exercise prices and lapse periods of outstanding stock options on the balance sheet date were as follows:

Year of lapse	2010		2009	
	Exercise price, EUR	Number of shares, 1,000	Exercise price, EUR	Number of shares, 1,000
2011	4.22	1,273		1,273

### B) Long-term share-based incentive plan

On 26 April 2007, the Board of Directors decided on a long-term share-based incentive plan for key personnel of Citycon Group. The aim of the plan is to encourage key personnel to engage in sustained efforts to increase shareholder value and to strengthen their commitment to the developing the Group's operations. The potential incentive is determined on the basis of Citycon's consolidated adjusted net cash-flow from operations per share and net rental income. The incentive plan is divided into three incentive periods: 2007, 2008 and 2009. In addition, on

9 February 2010, Citycon Oyj's Board of Directors decided to continue the long-term share-based incentive plan by one year into the financial year 2010.

The incentives will be granted to key personnel during the years 2008-2013, so that the incentives earned during each incentive period are paid evenly in the following three years. The Board of Directors decides annually on the key personnel participating in the long-term incentive plan and on the incentive goals set. The incentive granted will comprise Citycon shares, cash or both. The maximum number of shares granted for each incentive period was determined by their volume weighted average price during the first quarter of each period. The incentive period 2010 is an exception as its maximum number of shares granted was decided by the Board of Directors.

Incentives paid in shares are charged to administration expenses and recognised as an increase in shareholders' equity. Incentives paid in cash are charged to administration expenses and recognised as liabilities. In 2010, expenses recognised in the statement of comprehensive income amounted to EUR 0.7 million (EUR 0.4 million in 2009).

The following table presents additional information on the share-based incentive plan:

	Incentive period 2010	Incentive period 2009	Incentive period 2008	Incentive period 2007
Grant date	9 February 2010	22 April 2009	15 May 2008	26 April 2007
No. of key personnel at period end	25	24	20	13
Maximum number of shares to be granted on grant date	86,800	221,600	82,200	38,700
Shares granted in 2008	-	-	-	4,293
Shares granted in 2009	-	-	20,109	4,288
Shares granted in 2010	-	60,041	18,965	3,960

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, 41,054 shares were granted in 2010 (16,349 shares in 2009) instead of paying the cash component in cash.

In addition, related to incentive period 2010, the Board of Directors can grant 37 200 shares to key personnel on top of the maximum number of shares presented in the table above.

### C) Pension obligation - defined benefit plan

The company has taken out pension insurance to cover CEO Petri Olkinuora's pension plan, which is a defined benefit contribution plan. The company announced in December 2010 that Mr Olkinuora will leave his position. He will remain the company's CEO until the Annual General Meeting on 23 March 2011. Citycon has settled its obligations related to CEO's pension plan during 2010. Therefore, the pension liability recognised in the statement of financial position amounted to EUR 0.0 million on 31 December 2010 (EUR 0.1 million on 31 December 2009).

### Changes in present value of obligation and in fair value of pension assets

EUR million	2010	2009
<b>Present value of obligation 1.1.</b>	<b>0.3</b>	<b>0.2</b>
Interest cost	0.0	0.0
Current service cost	0.0	0.0
Settlements	-0.4	-
Actuarial losses	0.1	-
<b>Present value of obligation 31.12.</b>	<b>-</b>	<b>0.3</b>
<b>Fair value of plan assets 1.1.</b>	<b>0.2</b>	<b>0.2</b>
Expected return on plan assets	0.0	0.0
Contributions	0.5	0.0
Settlements	-0.7	-
Actuarial losses	0.0	-
<b>Fair value of plan assets 31.12.</b>	<b>-</b>	<b>0.2</b>



EUR million	2010	2009
Present value of obligation	0.0	0.3
Fair value of plan assets	0.0	-0.2
<b>Liability recognised in the statement of financial position</b>	<b>-</b>	<b>0.1</b>
Unrecognised actuarial gains/losses	0.0	0.0
Unrecognised past service costs, non-vested	-	-
<b>Liability recognised in the statement of financial position</b>	<b>-</b>	<b>0.1</b>

Liability recognised in the statement of financial position was completely funded on 31 December 2009.

	2010	2009
Interest cost	0.0	0.0
Current service cost	0.0	0.0
Expected return on pension assets	0.0	0.0
Settlements	0.5	-
<b>Expense recognised in income statement</b>	<b>0.5</b>	<b>0.0</b>

Out of the pension expense recognised in income statement, EUR 0.4 million was considered as non-recurring resulting from the fact that Petri Olkinuora was agreed to leave his position.

<b>Actual return on plan assets</b>		
Expected return on plan assets	0.0	0.0
Actuarial gain (loss) on plan assets	0.0	0.0
<b>Actual return on plan assets</b>	<b>0.0</b>	<b>0.0</b>

Two insurance companies have invested the pension insurance assets. Each insurance company has approximately half of the assets. One of the insurance companies has invested 75 per cent to money market instruments, 12.5 per cent to government bonds and 12.5 per cent to corporate bonds. The return on assets of the other insurance company is determined by 2.5 per cent calculated interest rate and possible additional interest rate compensated by the insurance company.

EUR million	2010	2009
<b>Actuarial assumptions used</b>		
Discount rate at year start	4.75%	5.00%
Expected rate of return on pension assets at year start	4.50%	4.50%
Current service cost	0.0	0.0
Benefits paid	0.0	0.0
Contribution paid	0.5	0.0
Present value of obligation at 31.12.	-	0.3
Fair value of pension assets at 31.12.	-	0.2
Expected avg. remaining working life (yr)	-	9

### 30. CASH GENERATED FROM OPERATIONS

EUR million	2010	2009
Profit/ loss before taxes	102.8	-37.5
Adjustments for:		
Depreciation and amortisation (Note 12)	0.8	0.7
Net fair value gains (-)/losses (+) on investment property (Note 17)	-50.8	97.4
Profit (-)/losses(+) on disposal of investment property (Notes 17 and 23)	-2.6	-0.1
Share-based payments (Note 29)	0.3	0.4
Other non-cash income	-0.4	-0.4
Foreign exchange gains (-)/losses (+) in financing expenses (Note 14)	-0.1	0.0
Fair value gains (-)/losses (+) of derivatives (Note 14)	-0.2	0.1
Interest and other financing income (Note 14)	-0.6	-0.8
Interest and other financing expenses (Note 14)	55.8	48.5
Changes in working capital		
Trade and other receivables (Note 24)	-8.2	-22.5
Trade and other payables (Note 28)	11.0	33.2
<b>Cash generated from operations</b>	<b>108.0</b>	<b>119.0</b>

### 31. COMMITMENTS AND CONTINGENT LIABILITIES

#### A) Other leases - Group as lessee

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

EUR million	2010	2009
Not later than 1 year	1.2	1.1
1-5 years	1.7	1.7
Over 5 years	0.0	0.1
<b>Total</b>	<b>2.9</b>	<b>2.9</b>

Leases mainly concern premises and cars. Lease 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. With the lease agreements have no renewal clause, in practice the contact period can be extended for one to two years.

Lease payments recognised as expenses during the period were EUR 1.0 million (EUR 1.0 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	2010	2009
Loans, for which mortgages are given in security and shares pledged		
Loans from financial institutions	27.7	33.0
Contingent liabilities for loans		
Mortgages on land and buildings	36.9	42.9
Bank guarantees	43.4	45.4
Capital commitments	32.3	44.0
VAT refund liabilities	51.2	46.2

#### 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 on-going (re) development projects.

#### VAT refund liability

There are value-added tax refund liabilities arising from capitalized 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) 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 2010 stood at around 39.4 per cent and interest coverage ratio at around 2.0 (2009: equity ratio was around 40.6 per cent and interest coverage ratio around 2.3).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 32. RELATED PARTY TRANSACTIONS

#### A) Related parties

Citycon Group's related parties comprise the parent company, subsidiaries, associated companies, minority companies, Board members, CEO, Corporate Management Committee members and Gazit-Globe Ltd., whose shareholding in Citycon Oyj accounted for 47.3% on 31 December 2010 (31 December 2009: 47.9%).

Group companies	Country	Group holding, %	Parent company holding, %
Parent company: Citycon Oyj	Finland		
1. Asematie 3 Koy	Finland	100.0	100.0
2. Asolantien Liikekiinteistö Oy	Finland	100.0	100.0
3. Citycon AB	Sweden	100.0	100.0
4. Citycon Development AB (former Liljeholmsplan Hotellfastigheter AB)	Sweden	100.0	-
5. Citycon Estonia OÜ	Estonia	100.0	-
6. Citycon Jakobsbergs Centrum AB (former BHM Centrumfastigheter AB)	Sweden	100.0	-
7. Citycon Liljeholmstorget Galleria AB (former Liljeholmsplan Fastighets AB)	Sweden	100.0	-
8. Citycon Services AB	Sweden	100.0	-
9. Citycon Shopping Centers AB (former Citycon Sverige AB)	Sweden	100.0	-
10. Citycon Tumba Centrumfastigheter AB (former Tumba Centrumfastigheter AB)	Sweden	100.0	-
11. Drabantvägen bostäder AB	Sweden	100.0	-
12. Espoon Asemakuja 2 Koy	Finland	100.0	100.0
13. Forssan Hämeentie 3 Koy	Finland	100.0	100.0
14. Jakobsberg LB Bostäder AB	Sweden	100.0	-
15. Jyväskylän Forum Koy	Finland	100.0	100.0
16. Jyväskylän Kauppakatu 31 Koy	Finland	100.0	100.0
17. Kaarinan Liiketalo Koy	Finland	100.0	100.0
18. Karjaan Ratakatu 59 Koy	Finland	100.0	100.0
19. Karjalan Kauppakeskus Koy	Finland	100.0	100.0
20. Kauppakeskus Columbus Koy	Finland	100.0	100.0
21. Kauppakeskus Isokarhu Oy	Finland	100.0	100.0
22. Kivensilmänkuja 1 Koy	Finland	100.0	100.0
23. Kotkan Keskuskatu 11 Koy	Finland	100.0	100.0
24. Kouvolan Valtakadun Kauppakeskus Koy	Finland	100.0	100.0
25. Kuopion Kauppakatu 41 Koy	Finland	100.0	100.0
26. Kuusankosken Kauppakatu 7 Koy	Finland	100.0	100.0
27. Kuvernöörintie 8 Koy	Finland	100.0	100.0
28. Lahden Hansa Koy	Finland	100.0	100.0
29. Lahden Kauppakatu 13 Koy	Finland	100.0	100.0
30. Lappeenrannan Villimiehen Vitonen Oy	Finland	100.0	100.0
31. Lentolan Perusyhtiö Oy	Finland	100.0	100.0
32. Liljeholmstorget Development Services AB	Sweden	100.0	-
33. Lillinkulma Koy	Finland	100.0	100.0
34. Lintulankulma Koy	Finland	100.0	100.0
35. Lippulaiva Koy	Finland	100.0	100.0
36. Magistral Kaubanduskeskuse OÜ	Estonia	100.0	-

Group companies	Country	Group holding, %	Parent company holding, %
37. Martinlaakson Kivivuorentie 4 Koy	Finland	100.0	100.0
38. Minkkikuja 4 Koy	Finland	100.0	100.0
39. Montalbas B.V.	The Netherlands	100.0	100.0
40. Myllypuron Ostoskeskus Oy (in liquidation)	Finland	100.0	100.0
41. Myyrmanni Koy	Finland	100.0	100.0
42. Mäntyvuoksi Koy	Finland	100.0	100.0
43. Naantalin Tullikatu 16 Koy (divested on 5 Jan. 2011)	Finland	100.0	100.0
44. Oulun Galleria Koy	Finland	100.0	100.0
45. Porin Asema-Aukio Koy	Finland	100.0	100.0
46. Porin Isolinnankatu 18 Koy	Finland	100.0	100.0
47. Riddarplatsen Fastigheter HB	Sweden	100.0	-
48. Rocca al Mare Kaubanduskeskuse AS	Estonia	100.0	-
49. Runeberginkatu 33 Koy	Finland	100.0	100.0
50. Sinikalliontie 1 Koy	Finland	100.0	100.0
51. Säköylän Liiketalo Koy	Finland	100.0	100.0
52. Talvikkitie Koy 7-9	Finland	100.0	100.0
53. Tampereen Hatanpää Koy	Finland	100.0	100.0
54. Tampereen Hermanni Koy	Finland	100.0	100.0
55. Tampereen Suvantokatu Koy	Finland	100.0	100.0
56. Tumba Bostäder AB (former AB Coport 251)	Sweden	100.0	-
57. UAB Citycon	Lithuania	100.0	-
58. UAB Prekybos Centras Mandarinas	Lithuania	100.0	-
59. Ultime Oy	Finland	100.0	100.0
60. Valkeakosken Torikatu 2 Koy	Finland	100.0	100.0
61. Vantaan Laajavuoreнкуja 2 Koy	Finland	100.0	100.0
62. Varkauden Relanderinkatu 30 Koy	Finland	100.0	100.0
63. Wavulinintie 1 Koy	Finland	100.0	100.0
64. Veniamo-Invest Oy	Finland	100.0	100.0
65. Vaakalintu Koy	Finland	95.8	95.8
66. Lahden Trio Koy	Finland	89.7	89.7
67. Linjurin Kauppakeskus Koy	Finland	88.5	88.5
68. Lappeenrannan Brahenkatu 7 Koy	Finland	84.5	84.5
69. Tikkurilan Kauppakeskus Koy	Finland	83.8	83.8
70. Koskikeskuksen Huolto Oy	Finland	81.7	81.7
71. Lappeen Liikekeskus Koy	Finland	90.6	90.6
72. Orimattilan Markkinatalo Oy	Finland	77.3	77.3
73. Strömpilen AB	Sweden	75.0	-
74. Åkersberga Centrum AB	Sweden	75.0	-
75. Hervannan Liikekeskus Oy	Finland	74.6	74.6
76. Myyrmäen Kauppakeskus Koy	Finland	74.0	74.0
77. Stenungs Torg Fastighets AB	Sweden	70.0	-
78. Kirkkonummen Liikekeskus Oy	Finland	66.7	66.7
79. Espoontori Koy	Finland	66.6	66.6
80. Heikintori Oy	Finland	65.3	65.3
81. Tampereen Koskenranta Koy	Finland	63.7	63.7
82. Myyrmäen Autopaikotus Oy	Finland	62.7	-
83. Vantaan Säästötalo Koy	Finland	61.2	61.2

Group companies	Country	Group holding, %	Parent company holding, %
84. Espoontorin Pysäköintitalo Oy	Finland	60.1	-
85. Big Apple Top Oy	Finland	60.0	-
86. Manhattan Acquisition Oy	Finland	60.0	-
87. Tullintori Koy	Finland	57.4	57.4
88. Espoon Asematori Koy	Finland	54.1	54.1
89. Laajasalon Liikekeskus Oy	Finland	50.4	50.4
90. Retail Park Oy	Finland	50.0	50.0
91. Espoon Louhenkulma Koy	Finland	48.9	48.9
92. Pihlajamäen Liiketalo Oy	Finland	42.7	42.7
93. Länsi-Keskus Koy	Finland	41.4	41.4
94. Hakunilan Keskus Oy	Finland	41.1	41.1
95. Otaniemen Liikekeskus Oy	Finland	39.2	39.2
96. Hansaparkki Koy	Finland	36.0	-
97. Kontulan Asemakeskus Koy	Finland	34.8	34.8
98. Puijolaakson Palvelukeskus Koy	Finland	31.3	31.3
99. Salpausseläntie 11 Koy	Finland	31.3	31.3
100. Valtakatu 5-7 Koy	Finland	31.3	31.3
101. Jyväskylän Ydin Oy	Finland	29.0	21.5
102. Soukan Itäinentorni As Oy	Finland	27.3	27.3
103. Valkeakosken Liikekeskus Koy	Finland	25.4	25.4
104. Lauttasaaren Liikekeskus Oy	Finland	23.7	23.7
105. Hakucenter Koy	Finland	18.7	18.7
106. Tikkurilan Kassatalo As Oy	Finland	8.1	8.1
107. Liesikujan Autopaikat Oy	Finland	8.0	-
108. Tapiolan Alueen Kehitys Oy	Finland	7.7	7.7
Partnerships for taxation purposes:			
1. Hakarinne 4 (divested on 27 Jan. 2011)	Finland	55.6	55.6
2. 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

#### CEO wages and salaries

EUR	2010	2009
Petri Olkinuora	403,207	388,637

Citycon's Board of Directors appoints the CEO and decides on the terms and conditions of his/her executive contract, in writing. Since 2002, Citycon Oyj's CEO has been Petri Olkinuora. The company announced in December 2010 that Mr Olkinuora will leave his position following the AGM of 2011. The decision to leave the CEO position was mutual between Mr Olkinuora and the Board of Directors of Citycon. In accordance with Mr Olkinuora's executive contract, he will be paid a lump-sum compensation equalling his 18-month salary, in addition to the salary payable for the notice period. The company has taken out pension insurance to cover Mr Olkinuora's pension plan. The costs of this pension insurance for the company amounted to EUR 0.5 million for the financial year 2010.

On 31 December 2010, the CEO held 140,000 2004C stock options. In relation to the company's share-based incentive scheme the CEO was granted 39,680 shares in 2010 (11,730 shares in 2009).

### Personnel expenses for the entire corporate management committee

EUR million	2010	2009
Wages and salaries	1.4	1.3
Pensions: defined contribution plans	0.2	0.3
Pension charges: defined benefit plans	0.0	0.1
Social charges	0.1	0.1
<b>Total</b>	<b>1.8</b>	<b>1.8</b>

In addition to wages and salaries, corporate management committee 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 1.3 million arising from employment terminations of CEO Petri Olkinuora and Vice President of the companies Finnish operations were recognised in 2010.

### Remuneration of the members of the Board of Directors

EUR	2010	2009
Ashkenazi Ronen (Board member as of 1 Dec. 2009)	71,900	13,000
Bernstein Amir (Board member until 30 Nov. 2009)	-	36,500
Bolotowsky Gideon	54,500	52,000
Katzman Chaim (Board member as of 17 May 2010)	127,313	-
Korpinen Raimo	56,700	53,000
Lähdesmäki Tuomo	57,200	74,300
Ottosson Claes	51,000	47,000
Segal Dor J.	51,500	49,000
Wernink Thomas W.	89,604	179,300
Westin Per-Håkan	57,000	52,000
Zochovitzky Ariella (Board member as of 18 March 2009)	56,500	50,500
<b>Total</b>	<b>673,217</b>	<b>606,600</b>

Board members do not participate in the company's share-based incentive schemes.

### Transactions with Gazit-Globe Ltd.

#### Convertible capital loan 1/2006

The outstanding amount of the company's conver-

tible capital loan was EUR 71.3 million on 31 December 2010 (EUR 76.5 million on 31 December 2009) and the carrying amount was EUR 66.3 million on 31 December 2010 (EUR 69.3 million). Based on the information Citycon has received, Gazit-Globe Ltd. held 58.9% (54.9%) out of the outstanding amount of convertible capital loan, i.e. EUR 39.1 million (EUR 38.1 million) out of the carrying amount of convertible capital loan on 31 December 2010. Total of EUR 1.9 million (EUR 1.9 million) out of the convertible capital loan annual coupon payment made in 2010 belong to Gazit-Globe Ltd. and EUR 0.8 million (EUR 0.8 million) out of the convertible capital loan interest liability on 31 December 2010.

### Purchases of services

Citycon has paid flight and travel expenses of EUR 0.6 million to MGN Icarus Inc., a subsidiary of Gazit-Globe Ltd, and of EUR 0.0 million to Gazit-Globe Ltd. Trade payables of EUR 0.2 million arose from the purchases of services and they were non-interest bearing.

### Share issue 2010

In September 2010, the company issued 22 million new shares in a share issue directed to Finnish and international institutional investors, raising approximately EUR 63 million in new equity. Gazit-Globe Ltd. subscribed 10 million shares in this share issue.

### Reporting to Gazit-Globe Ltd

The company's main shareholder, Gazit-Globe Ltd, holding approximately 47 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 33. CHANGES IN GROUP STRUCTURE IN 2010

#### Companies acquired

AB Coport 238 (current Citycon Services AB)
AB Coport 251 (current Tumba Bostäder AB)
AB Coport 252 (current Drabantvägen bostäder AB)
Aktiebolaget Grundstenen 121670 (current Jakobsberg LB Bostäder AB)
Asematie 3 Koy
As Oy Tikkurilan Kassatalo (8.1% of the shares)
Lappeen Liikekeskus Koy (increase of ownership by 10.4% to 90.6%)
Mäntyvuoksi Koy (increase of ownership by 13.2% to 100%)

#### Companies established

-

#### Companies sold

Asunto Oy Helsingin Kivensilmänkuja 3
Asunto Oy Helsingin Myllypiha
Fastighets AB Fartyget i Åkersberga
Fastighets AB Kajutan i Åkersberga (former AB Coport 202)
Helsingin Autotalo Oy (8.9% of the shares)
Helsingin Kiviparintien asumisoikeusasunnot Oy
Liljeholmsplan Bostadsfastigheter AB
Tenrot Fastighets AB
Vantaan Kivivuorenlaki As Oy

#### Companies merged

Citycon Centrum Sverige AB
Citycon Göteborg AB
Jakobsbergs Centrum Fastighets AB
Jakobsbergs Centrum Galleria AB
Jakobsbergs 565 Fastighets AB
Järfälla 7055 Fastighets AB
Sverige 7059 Fastighets AB

### 34. POST BALANCE SHEET EVENTS

On 13 January 2011, Marcel Kokkeel was appointed to be the company's new Chief Executive Officer, effective 24 March 2011. Mr Kokkeel is 52 (b. 1958) and holds a degree in law from the University of Amsterdam, the Netherlands, which is his home country.

Also on 13 January 2011, Michael Schönach was appointed Executive Vice President, Finnish Operations and a member of the Corporate Management Committee, effective 1 March 2011.

After the end of the financial year, the number of Citycon's properties decreased by two following divestments of non-core properties for a total of approximately EUR 2.5 million. The sold properties were the mutual real estate company Kiinteistö Oy Naantalin Tullikatu 16 and the commercial building owned by it, located in Naantali, as well as a real estate called Hakarinne in Tapiola, Espoo, both in Finland.

## 1) CONSOLIDATED KEY FIGURES AND RATIOS FOR FIVE YEARS

EUR million	Formula	2010	2009	2008	2007	2006
<b>Statement of comprehensive income data</b>						
Turnover		195.9	186.3	178.3	151.4	119.4
Other operating income and expense		0.3	0.0	6.1	0.5	0.6
Operating profit/loss		157.7	10.3	-105.0	298.7	196.5
Profit/loss before taxes		102.8	-37.5	-162.3	253.5	165.6
Profit/loss attributable to parent company shareholders		78.3	-34.3	-124.1	200.3	124.9
<b>Statement of financial position data</b>						
Investment properties		2,367.7	2,147.4	2,111.6	2,248.9	1,447.9
Current assets		56.9	65.9	52.4	48.1	33.1
Equity attributable to parent company shareholders		849.5	731.1	799.1	982.0	565.3
Minority interest		50.7	36.8	38.2	28.9	15.0
Interest-bearing liabilities		1,397.7	1,321.7	1,199.5	1,154.0	814.0
Total liabilities		1,536.3	1,485.3	1,341.2	1,297.7	906.1
Total liabilities and shareholders' equity		2,436.5	2,253.2	2,178.5	2,308.6	1,486.4
<b>Key performance ratios</b>						
Equity ratio, %	1	37.1	34.2	38.5	43.9	39.1
Equity ratio for the banks, %		39.4	40.6	45.1	50.1	49.8
Gearing, %	2	153.1	169.5	141.3	111.8	136.6
Return on equity, % (ROE)	3	11.1	-4.7	-15.0	23.3	25.8
Return on investment, % (ROI)	4	10.6	-0.5	-1.5	16.3	16.8
Quick ratio	5	0.3	0.4	0.5	0.3	0.2
Gross capital expenditure, EUR million		133.7	134.6	157.9	603.9	436.4
% of turnover		68.3	72.2	88.6	398.9	365.5
<b>Per-share figures and ratios</b>						
Earnings per share, EUR	6	0.34	-0.16	-0.56	1.00	0.76
Earnings per share, diluted, EUR	7	0.34	-0.16	-0.56	0.91	0.73
Net cash from operating activities per share, EUR	8	0.09	0.30	0.21	0.20	0.20
Equity per share, EUR	9	3.47	3.31	3.62	4.44	3.30
P/E (price/earnings) ratio	10	9	-19	-3	3	7
Return from invested unrestricted equity fund per share, EUR		0.10	0.10	0.10	0.10	-
Dividend per share, EUR		0.04	0.04	0.04	0.04	0.14
Dividend and return from invested unrestricted equity fund per share total, EUR		0.14	0.14	0.14	0.14	0.14
Dividend and return of equity per earnings, %	11	40.8	-90.2	-24.9	13.9	18.4
Effective dividend and return of equity yield, %	12	4.5	4.8	8.3	4.3	2.8
<b>Operative key ratios</b>						
Net rental yield, %	13	5.8	6.1	5.8	5.8	7.1
Occupancy rate (economic), %	15	95.1	95.0	96.0	95.7	97.1
Citycon's GLA, sq.m.		942,280	961,150	937,650	923,980	735,029
Personnel (at the end of the period)		129	119	113	102	73

1) Board proposal

Formulas are available on page 53.

## KEY FIGURES AND RATIOS

### 2) QUARTERLY SEGMENT INFORMATION

EUR million	Q4/2010	Q3/2010	Q2/2010	Q1/2010	Q4/2009	Q3/2009	Q2/2009	Q1/2009
<b>Turnover</b>								
Finland	32.0	30.8	31.1	32.5	32.7	32.4	32.6	33.5
Sweden	13.8	13.1	13.2	12.6	12.4	9.9	9.5	9.3
Baltic Countries	4.1	4.0	4.2	4.3	3.8	3.6	3.5	3.1
<b>Total</b>	<b>49.9</b>	<b>48.0</b>	<b>48.6</b>	<b>49.5</b>	<b>48.9</b>	<b>45.9</b>	<b>45.6</b>	<b>45.9</b>
<b>Net rental income</b>								
Finland	22.0	22.0	21.5	21.3	23.0	23.4	22.9	23.1
Sweden	6.6	8.1	7.6	6.4	6.1	6.4	5.6	5.2
Baltic Countries	3.1	2.9	2.8	3.0	2.5	2.7	2.5	2.1
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>31.8</b>	<b>33.0</b>	<b>31.8</b>	<b>30.6</b>	<b>31.6</b>	<b>32.5</b>	<b>31.0</b>	<b>30.3</b>
<b>Direct operating profit</b>								
Finland	20.1	20.5	19.8	20.5	21.4	22.0	21.4	21.5
Sweden	5.5	6.9	6.2	5.5	5.1	5.7	4.8	4.4
Baltic Countries	2.6	2.6	2.6	2.7	2.2	2.5	2.2	1.9
Other	-3.9	-2.1	-2.2	-2.4	-2.3	-1.6	-1.4	-2.0
<b>Total</b>	<b>24.3</b>	<b>28.0</b>	<b>26.3</b>	<b>26.4</b>	<b>26.3</b>	<b>28.6</b>	<b>27.1</b>	<b>25.7</b>
<b>Operating profit/loss</b>								
Finland	26.2	30.4	31.2	19.8	6.8	17.4	1.0	-4.0
Sweden	7.8	11.5	16.2	11.2	-12.0	4.4	0.1	7.8
Baltic Countries	5.2	3.0	4.1	1.7	-4.9	7.2	1.5	-7.7
Other	-3.9	-2.1	-2.2	-2.4	-2.3	-1.6	-1.4	-2.0
<b>Total</b>	<b>35.4</b>	<b>42.8</b>	<b>49.2</b>	<b>30.3</b>	<b>-12.4</b>	<b>27.4</b>	<b>1.1</b>	<b>-5.8</b>

## PARENT COMPANY INCOME STATEMENT, FAS

EUR million	Note	1 Jan.-31 Dec. 2010	1 Jan.-31 Dec. 2009
Gross rental income		98.8	104.1
Service charge income		4.7	3.9
<b>Turnover</b>	2	<b>103.5</b>	<b>108.1</b>
Property operating expenses		66.6	51.0
Other expenses from leasing operations	3	0.4	0.2
<b>Net rental income</b>		<b>36.5</b>	<b>56.9</b>
Administrative expenses	4,5	22.5	18.0
Other operating income and expenses	6	6.1	2.3
<b>Operating profit</b>		<b>20.1</b>	<b>41.2</b>
Financial income		112.4	90.1
Financial expenses		-137.5	-105.2
Net financial income and expenses	7	-25.1	-15.1
<b>Loss/profit before taxes</b>		<b>-5.0</b>	<b>26.1</b>
Income tax expense	8	0.0	7.5
<b>Loss/profit for the period</b>		<b>-5.0</b>	<b>18.5</b>

## PARENT COMPANY BALANCE SHEET, FAS

EUR million	Note	31 Dec. 2010	31 Dec. 2009
<b>ASSETS</b>			
Non-current assets			
Intangible assets	9	12.9	10.5
Tangible assets	10	30.8	34.0
Investments			
Shares in subsidiaries	11	857.5	830.3
Shares in associated companies	12	34.8	34.8
Other investments	13	972.9	864.8
Total investments		1,865.2	1,729.9
<b>Total non-current assets</b>		<b>1,908.8</b>	<b>1,774.4</b>
Current assets			
Short-term receivables	15	25.9	28.5
Cash and cash equivalents		0.8	6.6
<b>Total current assets</b>		<b>26.7</b>	<b>35.1</b>
<b>Total assets</b>		<b>1,935.5</b>	<b>1,809.5</b>

EUR million	Note	31 Dec. 2010	31 Dec. 2009
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Shareholders' equity			
Share capital	16	259.6	259.6
Share premium fund		133.1	133.1
Invested unrestricted equity fund		201.5	157.0
Retained earnings		18.6	8.9
Loss/profit for the period		-5.0	18.5
<b>Total shareholders' equity</b>		<b>607.8</b>	<b>577.1</b>
Liabilities			
Long-term liabilities			
Convertible capital loan 1/2006		66.3	69.3
Bond 1/2009		39.5	39.4
Other long-term liabilities		987.9	955.7
<b>Total long-term liabilities</b>		<b>1,093.7</b>	<b>1,064.4</b>
Short-term liabilities			
Subordinated capital loan 1/2005		-	70.0
Other short-term liabilities		234.1	98.0
<b>Total short-term liabilities</b>		<b>234.1</b>	<b>168.0</b>
<b>Total liabilities</b>		<b>1,327.7</b>	<b>1,232.4</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,935.5</b>	<b>1,809.5</b>



## PARENT COMPANY CASH FLOW STATEMENT, FAS

EUR million	1 Jan.-31 Dec. 2010	1 Jan.-31 Dec. 2009
<b>Cash flow from operating activities</b>		
Loss/profit before taxes	-5.0	26.1
Adjustments:		
Depreciation and impairment loss	4.2	4.2
Non-cash property operating expenses	25.3	20.6
Net financial income and expenses	25.1	15.1
Gain on sale of shares in subsidiaries and other investments	-4.4	-1.1
Cash flow before change in working capital	45.2	64.8
Change in working capital	22.8	-10.8
<b>Cash generated from operations</b>	<b>68.0</b>	<b>54.0</b>
Interest expense and other financial expenses paid	-64.2	-46.7
Interest income and other financial income received	15.0	14.2
Realized exchange rate losses and gains	-10.6	11.8
Income taxes paid	-8.8	-9.3
<b>Net cash flow from operating activities</b>	<b>-0.5</b>	<b>24.0</b>
Cash flow from investing activities		
Investment in tangible and intangible assets	-3.3	-4.8
Loans granted	-98.0	-154.5
Repayments of loans receivable	66.9	82.9
Increase in subsidiary shares	-27.3	-6.2
Sale of subsidiary shares	2.8	3.1
Purchase of minority and associated companies' shares	-0.3	-
Sale of associated companies' shares	3.2	-
<b>Net cash used in investing activities</b>	<b>-56.0</b>	<b>-79.5</b>
Cash flow from financing activities		
Proceeds from share issue	63.1	-
Sale of treasury shares	0.2	-
Share subscriptions based on stock options	3.3	-
Proceeds from short-term loans	107.8	148.5
Repayments of short-term loans	-198.5	-75.9
Proceeds from long-term loans	347.6	293.9
Repayments of long-term loans	-242.0	-270.8
Dividends paid and return from the invested unrestricted equity fund	-31.0	-30.9
<b>Net cash from financing activities</b>	<b>50.5</b>	<b>64.8</b>
<b>Net change in cash and cash equivalents</b>	<b>-6.1</b>	<b>9.3</b>
Cash and cash equivalents at period-start	-1.5	-10.9
Effects of exchange rate changes	-	-
<b>Cash and cash equivalents at period-end <sup>1)</sup></b>	<b>-7.6</b>	<b>-1.5</b>

1) Cash and cash equivalents of Citycon Oyj were negative as at 31 December 2010 and at 31 December 2009 due to Group cash pool in which the parent company's bank account can have a negative balance. Cash pool balance of EUR -8.4 million as at 31 December 2010 and EUR -8.1 million as at 31 December 2009 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.

### 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.

### Subordinated Loan And Convertible Capital Loan

The subordinated loan and convertible capital loan are shown as separate items in liabilities.

### Taxes

Taxes are recognised on an accrual basis.

## Important Note

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

## 2. TURNOVER

EUR million	2010	2009
Turnover by business segments:		
Shopping centres		
Helsinki Metropolitan Area	32.5	33.4
Other areas in Finland	44.8	45.6
Other retail properties	26.2	29.1
<b>Total</b>	<b>103.5</b>	<b>108.1</b>

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

EUR million	2010	2009
Administrative fees from Group companies	0.9	1.2

## 3. OTHER EXPENSES FROM LEASING OPERATIONS

EUR million	2010	2009
Tenant improvements and commissions	0.0	0.1
Credit losses	0.3	0.2
<b>Total</b>	<b>0.4</b>	<b>0.2</b>

## 4. PERSONNEL EXPENSES

EUR million	2010	2009
Average number of employees during period		
	81	77
Personnel expenses		
Wages and salaries	7.4	6.4
Pension charges	1.7	1.0
Other social charges	0.3	0.5
<b>Total</b>	<b>9.4</b>	<b>7.9</b>

EUR million	2010	2009
Personnel expenses include management salaries and emoluments		
CEO's salary and emoluments	0.4	0.4
Board remuneration	0.7	0.6
<b>Total</b>	<b>1.1</b>	<b>1.0</b>

In addition to items presented above, non-recurring personnel expenses of EUR 1.2 million arising from employment termination of CEO Petri Olkinuora was recognised in 2010. More information about the non-recurring expense is provided in the Consolidated Financial Statements in Note 32. Related party transactions.

## 5. DEPRECIATION AND AMORTISATION AND IMPAIRMENTS

EUR million	2010	2009
The following depreciation and amortisation as well as impairments are included in the administrative expenses:		
Amortisation on intangible assets	3.3	2.9
Depreciation on buildings and constructions	0.5	0.5
Depreciation on machinery and equipment	0.3	0.4
Impairment of shares in subsidiaries	-	0.4
<b>Total</b>	<b>4.2</b>	<b>4.2</b>

## 6. OTHER OPERATING INCOME AND EXPENSES

EUR million	2010	2009
Gain on sale of shares in subsidiaries and other investments		
	4.4	1.1
Leasing and asset management fees from Group companies		
	1.6	1.2
Other operating income	0.1	0.0
<b>Total</b>	<b>6.1</b>	<b>2.3</b>

## 7. NET FINANCIAL INCOME AND EXPENSES

EUR million	2010	2009
Dividend income		
From Group companies	0.1	0.1
From others	0.0	0.0
<b>Total</b>	<b>0.1</b>	<b>0.1</b>
Interest and other financial income		
From Group companies	38.8	37.7
Gain from convertible bond buybacks	0.2	2.3
Foreign exchange rate gains	73.0	50.0
Other interest and financial income	0.3	0.1
<b>Total</b>	<b>112.3</b>	<b>90.1</b>
<b>Total financial income</b>	<b>112.4</b>	<b>90.1</b>

EUR million	2010	2009
Interest and other financial expenses		
To Group companies	5.3	12.4
Foreign exchange losses	72.8	49.9
Fair value loss from derivatives	8.6	-
Interest and other financial expenses	50.8	42.9
<b>Total financial expenses</b>	<b>137.5</b>	<b>105.2</b>

<b>Total net financial income and expenses</b>	<b>-25.1</b>	<b>-15.1</b>
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## 8. INCOME TAX EXPENSE

EUR million	2010	2009
Taxes for the period	0.0	-7.5

## 9. INTANGIBLE ASSETS

EUR million	2010	2009
Intangible rights		
Acquisition cost 1 Jan.		
	1.7	1.4
Additions during the period		
	0.3	0.3
Accumulated acquisition costs 31 Dec.		
	2.0	1.7
Accumulated depreciation 1 Jan.		
	-0.9	-0.6
Depreciation for the period		
	-0.3	-0.2
Accumulated depreciation 31 Dec.		
	-1.2	-0.9
<b>Net carrying amount 31 Dec.</b>	<b>0.8</b>	<b>0.8</b>
Connection fees		
Acquisition cost 1 Jan.		
	0.2	0.2
Net carrying amount 31 Dec.		
	0.2	0.2
Tenant improvements and other non-current assets		
Acquisition cost 1 Jan.		
	18.4	16.6
Additions during the period		
	5.4	1.7
Transfer between items		
	0.0	0.0
Accumulated acquisition costs 31 Dec.		
	23.7	18.4
Accumulated depreciation 1 Jan.		
	-8.9	-6.2
Depreciation for the period		
	-3.1	-2.7
Accumulated depreciation 31 Dec.		
	-11.9	-8.9
<b>Net carrying amount 31 Dec.</b>	<b>11.8</b>	<b>9.5</b>
<b>Total intangible assets 31 Dec.</b>	<b>12.9</b>	<b>10.5</b>

**10. TANGIBLE ASSETS**

EUR million	2010	2009
<b>Land</b>		
Acquisition cost 1 Jan.	3.3	3.3
<b>Net carrying amount 31 Dec.</b>	<b>3.3</b>	<b>3.3</b>
<b>Buildings and constructions</b>		
Acquisition cost 1 Jan.	68.7	68.6
Additions during the period	0.0	0.1
Accumulated acquisition costs 31 Dec.	68.7	68.7
Accumulated depreciation 1 Jan.	-44.1	-43.6
Depreciation for the period	-0.5	-0.5
Accumulated depreciation 31 Dec.	-44.6	-44.1
<b>Net carrying amount 31 Dec.</b>	<b>24.1</b>	<b>24.6</b>
<b>Machinery and equipment</b>		
Acquisition cost 1 Jan.	5.5	5.3
Additions during the period	0.3	0.2
Accumulated acquisition costs 31 Dec.	5.7	5.5
Accumulated depreciation 1 Jan.	-4.3	-3.9
Depreciation for the period	-0.3	-0.4
Accumulated depreciation 31 Dec.	-4.7	-4.3
<b>Net carrying amount 31 Dec.</b>	<b>1.1</b>	<b>1.2</b>
Machinery and equipment also include technical equipment in buildings.		
<b>Other tangible assets</b>		
Acquisition cost 1 Jan.	0.2	0.2
Accumulated acquisition costs 31 Dec.	0.2	0.2
Accumulated depreciation 1 Jan.	-0.2	-0.2
Accumulated depreciation 31 Dec.	-0.2	-0.2
<b>Net carrying amount 31 Dec.</b>	<b>0.1</b>	<b>0.1</b>
<b>Construction in progress</b>		
Acquisition cost 1 Jan.	4.9	2.4
Reductions/additions during the period	-2.7	2.6
Transfer between items	0.0	0.0
<b>Net carrying amount 31 Dec.</b>	<b>2.2</b>	<b>4.9</b>
<b>Total tangible assets 31 Dec.</b>	<b>30.8</b>	<b>34.0</b>

**11. SHARES IN SUBSIDIARIES**

EUR million	2010	2009
Acquisition cost 1 Jan.	830.3	826.4
Additions during the period	27.3	6.2
Impairment	-	-0.4
Reductions during the period	0.0	-2.0
<b>Net carrying amount 31 Dec.</b>	<b>857.5</b>	<b>830.3</b>

**12. SHARES IN ASSOCIATED COMPANIES**

EUR million	2010	2009
Acquisition cost 1 Jan.	34.8	34.8
<b>Net carrying amount 31 Dec.</b>	<b>34.8</b>	<b>34.8</b>

**13. OTHER INVESTMENTS**

EUR million	2010	2009
<b>Minority holdings</b>		
Acquisition cost 1 Jan.	3.7	3.7
Additions during the period	0.3	-
Reductions during the period	-3.2	-
<b>Net carrying amount 31 Dec.</b>	<b>0.9</b>	<b>3.7</b>
Loan receivables from Group companies	972.0	857.3
Other receivables from outside the Group	0.0	3.8
<b>Total other investments 31 Dec.</b>	<b>972.9</b>	<b>864.8</b>
<b>Total investments 31 Dec.</b>	<b>1,865.2</b>	<b>1,729.9</b>

**14. SUBSIDIARIES AND ASSOCIATED COMPANIES**

Parent company's subsidiaries and associated companies are presented in the notes to the consolidated financial statements 32. Related party transactions.

**15. SHORT-TERM RECEIVABLES**

EUR million	2010	2009
<b>Receivables from outside the Group</b>		
Trade receivables	1.0	1.2
Other receivables	11.4	0.1
Accrued income and prepaid expenses	0.8	0.4
<b>Total</b>	<b>13.2</b>	<b>1.7</b>

EUR million	2010	2009
<b>Receivables from Group companies</b>		
Trade receivables	0.9	2.1
Loan receivables	-0.2	0.8
Maintenance charge receivables	2.4	3.8
Other receivables	0.0	9.1
Total other receivables	2.3	13.7
Interest receivables	9.4	10.9
Other accrued income and prepaid expenses	0.1	0.1
Total accrued income and prepaid expenses	9.5	11.0
<b>Total</b>	<b>12.7</b>	<b>26.8</b>
<b>Total short-term receivables</b>	<b>25.9</b>	<b>28.5</b>

**16. SHAREHOLDERS' EQUITY**

EUR million	2010	2009
<b>Share capital at 1 Jan.</b>	<b>259.6</b>	<b>259.6</b>
<b>Share capital at 31 Dec.</b>	<b>259.6</b>	<b>259.6</b>
<b>Share premium fund at 1 Jan.</b>	<b>133.1</b>	<b>133.1</b>
<b>Share premium fund at 31 Dec.</b>	<b>133.1</b>	<b>133.1</b>
<b>Invested unrestricted equity fund at 1 Jan.</b>	<b>157.0</b>	<b>179.0</b>
Proceeds from share issue	63.1	-
Sale of treasury shares	0.2	-
Share subscriptions based on stock options	3.3	0.0
Equity return from the invested unrestricted equity fund	-22.1	-22.1
<b>Invested unrestricted equity fund at 31 Dec.</b>	<b>201.5</b>	<b>157.0</b>
<b>Retained earnings at 1 Jan.</b>	<b>27.5</b>	<b>17.8</b>
Dividends	-8.8	-8.8
<b>Net loss/profit for the period</b>	<b>-5.0</b>	<b>18.5</b>
<b>Retained earnings at 31 Dec.</b>	<b>13.6</b>	<b>27.5</b>
<b>Total shareholders' equity at 31 Dec.</b>	<b>607.8</b>	<b>577.1</b>

**17. LIABILITIES**

EUR million	2010	2009
<b>A) Long-term liabilities</b>		
<b>Fixed-rate loans</b>		
Convertible capital loan 1/2006 <sup>1)</sup>	66.3	69.3
Bond 1/2009	39.5	39.4
<b>Floating-rate loans, which are converted into fixed rates through interest-rate swaps tied to market interest rates</b>		
Total	959.9	932.7
Current portion of long-term loans	-19.7	-18.0
<b>Total</b>	<b>940.2</b>	<b>914.7</b>
<b>Other long-term loans</b>		
Loans from financial institutions	940.2	914.7
Loans from Group companies	47.7	41.0
<b>Total</b>	<b>987.9</b>	<b>955.7</b>
<b>Total long-term liabilities</b>	<b>1,093.7</b>	<b>1,064.4</b>
<b>Loans maturing later than 5 years</b>	<b>12.5</b>	<b>17.5</b>
<b>B) Short-term liabilities</b>		
<b>Short-term interest-bearing liabilities</b>		
Subordinated capital loan 1/2005 <sup>1)</sup>	-	70.0
Commercial papers	11.9	32.6
Loans from financial institutions	161.8	18.0
Loans from Group companies	19.3	18.3
<b>Total</b>	<b>193.1</b>	<b>138.9</b>

## NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS, FAS

EUR million	2010	2009
<b>Short-term non interest-bearing liabilities</b>		
<b>Payables to outside the Group</b>		
Advances received	0.3	0.3
Accounts payable	1.7	0.7
Tax liability	-	1.4
VAT liability	-	1.1
Derivative financial instruments	1.5	0.2
Other payables	0.1	0.1
Total other payables	1.6	2.8
Interest liability	5.2	7.8
Other accruals	3.9	2.3
Total accruals	9.0	10.1
<b>Total</b>	<b>12.7</b>	<b>13.9</b>
<b>Payables to Group companies</b>		
Accounts payable	0.6	0.0
Charge-for-financial cost payables	13.9	12.3
Other payables	13.3	1.9
Total other payables	27.2	14.2
Accruals	0.5	1.1
<b>Total</b>	<b>28.3</b>	<b>15.2</b>
<b>Total short-term liabilities</b>	<b>234.1</b>	<b>168.0</b>
<b>Total liabilities</b>	<b>1,327.7</b>	<b>1,232.4</b>

1) The terms and conditions of subordinated capital loan and convertible capital loan are presented in Note 27. Loans in the Notes to the Consolidated Financial Statements.

All derivative financial instruments in Citycon are executed by the parent company Citycon Oyj. The fair values of derivative financial instruments are presented in Note 22. Derivative Financial Instruments in the Notes to the Consolidated Financial Statements.

## 18. CONTINGENT LIABILITIES

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

### A) Lease liabilities

EUR million	2010	2009
Payables on lease commitments		
Maturing next financial year	0.9	1.0
Maturing later	0.9	1.0
<b>Total</b>	<b>1.8</b>	<b>2.0</b>

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

### B) Guarantees given

EUR million	2010	2009
Bank guarantees	43.4	45.4
On behalf of Group companies	5.9	5.4

### C) VAT refund liabilities

EUR million	5 year review period 2010	2009	10 year review period 2010	2009
Property investment (net)	0.9	0.9	0.5	0.5
VAT of property investment (100%) out of which VAT has been deducted on the date of completion	0.3	0.3	0.1	0.1
Annual amount under review	0.1	0.1	0.0	0.0
<b>VAT refund liability at 31 Dec.</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## MAJOR SHAREHOLDERS 31 DECEMBER 2010

Name	Number of shares	% of shares and votes
Ilmarinen Mutual Pension Insurance Company	9,403,914	3.85
The State Pension Fund of Finland	1,300,000	0.53
Odin Finland	1,270,673	0.52
OP-Finland Value Fund	1,000,000	0.41
Investment Fund Aktia Capital	1,000,000	0.41
Folketrygdfondet	765,000	0.31
Bnp Paribas Arbitrage	680,182	0.28
Nordea Finland Fund	668,344	0.27
von Fieandt Johan	480,000	0.20
Tudeer Lauri	478,850	0.19
<b>10 major, total</b>	<b>17,046,963</b>	<b>6.97</b>
Nominee-registered shares		
Sampo Bank Plc	115,854,309	47.37
Skandinaviska Enskilda Banken AB	35,385,823	14.47
Nordea Bank Finland Plc	32,688,164	13.37
Svenska Handelsbanken AB (publ), Branch Operation in Finland	24,801,905	10.14
Other nominee-registered shares	891,246	0.36
<b>Nominee-registered shares, total</b>	<b>209,621,447</b>	<b>85.71</b>
Others		
	17,896,562	7.32
<b>Shares, total</b>	<b>244,564,972</b>	<b>100</b>

Gazit-Globe Ltd. has informed the company that the number of shares held by it on 31 December 2010 amounts to 115,791,279 shares accounting for 47.3 per cent of the shares and voting rights in the company at the year-end of 2010. Gazit-Globe Ltd.'s shareholding is nominee-registered.

## Notifications of changes in shareholding during 2010

According to a notice received by Citycon Oyj on 31 August 2010, ING Clarion Real Estate Securities, LLC's (f/k/a ING Clarion Real Estate Securities, L.P.) ("ING CRES") holding in the company had fallen below the threshold of five per cent on 18 August 2008. As additional information to the notice ING CRES announced that the notice was provided to remedy a missed filing that should have been made in August 2008. According to the notice, on 30 August 2010 ING CRES held 1,344,574 (0.60%) shares of Citycon and had voting authority over 1,235,780 (0.56%) shares. ING CRES held such shares and voting authority in its capacity as investment manager for various institutional investors.

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

## SHAREHOLDERS BY OWNERGROUP ON 31 DECEMBER 2010

	Number of owners	Percentage of owners	Number of shares	Percentage of shares and voting rights
Financial and insurance corporations	36	0.82	214,589,386	87.74
Corporations	307	6.96	3,306,904	1.35
Households	3,984	90.36	10,716,741	4.38
General government	4	0.09	10,784,914	4.41
Foreign	35	0.79	4,133,572	1.70
Non-profit institutions	43	0.98	1,033,455	0.42
<b>Total</b>	<b>4,409</b>	<b>100</b>	<b>244,564,972</b>	<b>100</b>
of which nominee-registered	9		209,621,447	85.71
Issued stock, total			244,564,972	

## BREAKDOWN OF SHAREHOLDERS AS AT 31 DECEMBER 2010 BY NUMBER OF SHARES

Number of shares	Number of shareholders	Percentage of owners	Number of shares	Percentage of shares and voting rights
1 - 100	433	9.82	26,158	0.01
101 - 1,000	1,973	44.75	1,005,979	0.41
1,001 - 5,000	1,496	33.93	3,618,920	1.48
5,001 - 10,000	248	5.62	1,842,361	0.75
10,001 - 50,000	191	4.33	4,009,602	1.64
50,001 - 100,000	21	0.48	1,449,312	0.60
100,001 - 500,000	34	0.77	7,100,871	2.90
500,001 - 1,000,000	6	0.14	4,806,981	1.97
1,000,001 -	7	0.16	220,704,788	90.24
<b>Total</b>	<b>4,409</b>	<b>100</b>	<b>244,564,972</b>	<b>100</b>
of which nominee-registered	9		209,621,447	85.71
Issued stock, total			244,564,972	

## SHAREHOLDERS AND SHARES

### SHARE PRICE AND TRADING VOLUME

	Formula	2010	2009	2008	2007	2006
Share price, transactions, EUR						
Low		2.29	1.30	1.26	3.24	3.02
High		3.31	3.16	4.28	6.09	5.09
Average	16	2.84	1.99	2.94	4.76	3.86
Market capitalisation, EUR million	17	753.3	649.9	371.3	806.6	844.3
Share trading volume						
No. of shares traded as of year-start, 1,000		114,974	149,340	150,852	153,696	51,193
Percentage of total		47.0	67.0	68.3	69.6	30.6
Average number of shares, 1,000		228,148	221,035	220,991	199,404	163,339
Average number of shares, diluted, 1,000		245,806	239,502	247,223	227,122	175,345
Number of shares on 31. Dec., 1,000		244,565	221,060	220,999	220,981	171,233

## FORMULAS FOR KEY FIGURES AND RATIOS

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

## SIGNATURES TO THE FINANCIAL STATEMENTS

Signatures to the Financial Statements 1 January - 31 December 2010

In Helsinki, on 8 February 2011

Chaim Katzman

Ronen Ashkenazi

Gideon Bolotowsky

Raimo Korpinen

Tuomo Lähdesmäki

Claes Ottosson

Dor J. Segal

Thomas W. Wernink

Per-Håkan Westin

Ariella Zochovitzky

Petri Olkinuora  
CEO

We have today submitted the report on the conducted audit.

In Helsinki, on 8 February 2011

Ernst & Young Oy  
Authorised Public Accountants

Tuija Korpelainen  
Authorised Public Accountant



**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 2010. 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.

**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 finan-

cial 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 and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position 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, 8 February 2011

Ernst & Young Oy  
Authorised Public Accountant Firm

Tuija Korpelainen  
Authorised Public Accountant

## PROPERTY LIST

Property	Address		Built in / renovated in	Holding, %	Citycon's GLA, sq.m.	Occupancy rate, %, sq.m. <sup>1)</sup>	Occupancy rate (economic), % <sup>1)</sup>	
<b>FINLAND</b>								
<b>HELSINKI METROPOLITAN AREA</b>								
1	Asolantien Liikeinteistö Oy	Asolanväylä 50	01360 VANTAA	1986	100%	1,900	55.1	59.9
<b>2</b>	<b>Columbus</b>					<b>20,900</b>	<b>98.7</b>	<b>99.6</b>
	Kauppakeskus Columbus Koy	Vuotie 45	00980 HELSINKI	1997/2007	100%			
3	Espoon Louhenkulma Koy	Louhentie 2	02130 ESPOO	1963	49%	880	100.0	100.0
<b>4</b>	<b>Espoonatori</b>					<b>17,200</b>	<b>93.3</b>	<b>94.8</b>
	Espoon Asemakuja 2 Koy	Asemakuja 2	02770 ESPOO	1991	100%	6,300		
	Espoon Asematori Koy	Kamreerintie 5	02770 ESPOO	1989/2010	54%	1,800		
	Espoonatori Koy	Kamreerintie 3	02770 ESPOO	1987/2010	67%	9,100		
	Espoonatorin Pysäköintitalo Oy	Kamreerintie 1	02770 ESPOO	1987/2010	60%			
5	Hakarinne 4	Hakarinne 4	02120 ESPOO	1985 (Property sold on 27 Jan. 2011)	56%	380	0.0	0.0
6	Hakunilan Keskus					3,780	85.1	83.7
	Hakucenter Koy	Laukkarinne 6	01200 VANTAA	1986	19%	780		
	Hakunilan Keskus Oy	Laukkarinne 4	01200 VANTAA	1982	41%	3,000		
<b>7</b>	<b>Heikintori</b>					<b>5,800</b>	<b>80.8</b>	<b>90.5</b>
	Heikintori Oy	Kauppamiehentie 1	02100 ESPOO	1968	65%			
<b>8</b>	<b>Iso Omena</b>					<b>60,500</b>	<b>98.9</b>	<b>99.3</b>
	Big Apple Top Oy	Piispansilta 9	02230 ESPOO	2001	60%			
<b>9</b>	<b>Isomyyri</b>					<b>10,900</b>	<b>79.4</b>	<b>88.8</b>
	Myyrmäen Kauppakeskus Koy	Liesitori 1	01600 VANTAA	1987	74%			
	Liesikujan Autopaikat Oy	Liesikuja 2	01600 VANTAA	1987	8%			
10	Aseman Ostari				67%	5,000	100.0	100.0
	Kirkkonummen Liikekeskus Oy	Asematie 3	02400 KIRKKONUMMI	1991/2010-				
11	Kontulan Asemakeskus Koy	Keinulaudankuja 4	00940 HELSINKI	1988/2007	35%	4,500	100.0	100.0
12	Laajasalon Liikekeskus					2,660	90.6	91.9
	Laajasalon Liikekeskus Oy	Yliskyläntie 3	00840 HELSINKI	1972/1995	50%	2,300		
	Kuvernöörintie 8 Koy	Kuvernöörintie 8	00840 HELSINKI	1982	100%	360		
13	Lauttasaaren Liikekeskus Oy	Lauttasaarentie 28-30	00200 HELSINKI	1970	24%	1,500	100.0	100.0
<b>14</b>	<b>Lippulaiva</b>					<b>18,500</b>	<b>99.3</b>	<b>99.7</b>
	Lippulaiva Koy	Espoonlahdenkatu 4	02320 ESPOO	1993/2007	100%			
15	Länsi-Keskus Koy	Pihatörmä 1	02210 ESPOO	1989	41%	8,600	45.8	45.4
16	Martinlaakson Ostari (under construction)							
	Martinlaakson Kiviuorentie 4 Koy	Kiviuorentie 4	01620 VANTAA	building demolished 2010	100%			
17	Minkkikuja 4 Koy	Minkkikuja 4	01450 VANTAA	1989	100%	2,300	100.0	100.0
18	Myllypuron Ostari (under construction)							
	Kivensilmänkuja 1 Koy	Kivensilmänkuja 1	00920 HELSINKI	1988	100%	1,400	100.0	100.0
	Myllypuron Ostoskeskus Oy	Kiviparintie 2	00920 HELSINKI	building demolished 2009, company in liquidation	100%			
<b>19</b>	<b>Myyrmani</b>					<b>40,500</b>	<b>92.5</b>	<b>93.5</b>
	Myyrmani Koy	Iskoskuja 3	01600 VANTAA	1994/2007/2010-	100%			
	Myyrmäen Autopaikoitus Oy	Iskoskuja 3	01600 VANTAA	1994	63%			
20	Otaniemen Liikekeskus Oy	Otakaari 11	02150 ESPOO	1969	39%	340	100.0	100.0
21	Pihlajamäen liiketalo Oy	Meripihkatie 1	00710 HELSINKI	1970	43%	1,700	26.3	17.1
22	Salpausseläntie 11 Koy	Salpausseläntie 11	00710 HELSINKI	1973	31%	600	100.0	100.0
23	Sampotori	Heikintori, Kauppamiehentie 1	02100 ESPOO	lot	100%	50	100.0	100.0
24	Sinikalliontie 1 Koy	Sinikalliontie 1	02630 ESPOO	1964/1992	100%	15,700	95.7	98.1

Property	Address		Built / renovated in	Holding, %	Citycon's GLA, sq.m.	Occupancy rate, %, sq.m. <sup>1)</sup>	Occupancy rate (economic), % <sup>1)</sup>	
25	Soukan Itäinentorni As Oy	Soukantie 16	02360 ESPOO	1972	27%	1,600	100.0	100.0
26	Talvikkitie 7-9 Koy	Talvikkitie 7-9	01300 VANTAA	1989	100%	9,800	100.0	100.0
<b>27</b>	<b>Tikkuri</b>					<b>12,230</b>	<b>90.6</b>	<b>94.6</b>
	Tikkurilan Kauppakeskus Koy	Asematie 4-10	01300 VANTAA	1984/1991	84%	10,600		
	Asematie 3 Koy	Asematie 3	01300 VANTAA	1972	100%	1,400		
	Tikkurilan Kassatalo As Oy	Asematie 1	01300 VANTAA	1956	8%	230		
28	Ultima Oy	Äyritie 1	01510 VANTAA	lot	100%			
29	Vantaan Laajavuoreнкуja 2 Koy	Laajavuoreнкуja 2	01620 VANTAA	1976	100%	2,000	100.0	100.0
30	Vantaan Säästötalo Koy	Kielotie 20	01300 VANTAA	1983	61%	3,800	96.8	97.9
31	Wavulinintie 1 Koy	Wavulinintie 1	00210 HELSINKI	1950/1992	100%	1,700	29.5	13.4
<b>OTHER AREAS IN FINLAND</b>								
32	Forssan Hämeentie 3 Koy	Hämeentie 3	31100 FORSSA	1978	100%	4,500	0.0	0.0
<b>33</b>	<b>Forum</b>					<b>16,500</b>	<b>94.5</b>	<b>97.1</b>
	Jyväskylän Forum Koy	Asemakatu 5	40100 JYVÄSKYLÄ	1953/1972/1980/1991/2010	100%			
<b>34</b>	<b>Galleria</b>					<b>3,500</b>	<b>93.2</b>	<b>95.6</b>
	Oulun Galleria Koy	Isokatu 23	90100 OULU	1987	100%			
<b>35</b>	<b>Isokarhu</b>					<b>14,800</b>	<b>95.9</b>	<b>98.9</b>
	Kauppakeskus IsoKarhu Oy	Yrjönkatu 14	28100 PORI	1972/2001/2004	100%			
<b>36</b>	<b>IsoKristiina</b>					<b>19,500</b>	<b>91.0</b>	<b>95.4</b>
	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%	3,700		
	Lappeenrannan Villimiehen Vitonen Oy	Kaivokatu 5	53100 LAPPEENRANTA	lot	100%			
37	Isolinnankatu 18 Koy	Isolinnankatu 18	28100 PORI	1986/2010-	100%	5,300	80.4	75.9
<b>38</b>	<b>Jyväskeskus</b>					<b>5,800</b>	<b>93.3</b>	<b>93.0</b>
	Jyväskylän Kauppakatu 31 Koy	Kauppakatu 31	40100 JYVÄSKYLÄ	1955/1993	100%			
39	Kaarinan Liiketalo Koy	Oskarinaukio 5	20780 KAARINA	1979/1982	100%	9,200	94.1	96.0
40	Karjaan Ratakatu 59 Koy	Ratakatu 59	10320 KARJAA	1993	100%	3,100	100.0	100.0
<b>41</b>	<b>Duo</b>					<b>13,000</b>	<b>92.4</b>	<b>94.3</b>
	Hervannan Liikekeskus Oy	Insinöörintie 23	33720 TAMPERE	1979	75%	4,700		
	Tampereen Hermannin Koy	Pietilänkatu 2	33720 TAMPERE	2007	100%	8,300		
<b>42</b>	<b>Koskikara</b>					<b>5,800</b>	<b>96.1</b>	<b>96.5</b>
	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		
<b>43</b>	<b>Koskikeskus</b>					<b>27,700</b>	<b>94.3</b>	<b>96.8</b>
	Tampereen Koskenranta Koy	Hatanpään valtatie 1	33100 TAMPERE	1988/1995	64%	12,100		
	Tampereen Hatanpää Koy	Hatanpään valtatie 1	33100 TAMPERE	1988	100%	7,200		
	Tampereen Suvantokatu Koy	Hatanpään valtatie 1	33100 TAMPERE	1988	100%	8,400		
44	Kotkan Keskuskatu 11 Koy	Keskuskatu 11	48100 KOTKA	1976	100%	4,300	100.0	100.0
45	Kuopion Kauppakatu 41 Koy	Kauppakatu 41	70100 KUOPIO	1977	100%	11,200	93.6	96.2
46	Kuusankosken Kauppakatu 7 Koy	Kauppakatu 7	45700 KUUSANKOSKI	1980	100%	2,100	100.0	100.0
47	Lahden Kauppakatu 13 Koy	Kauppakatu 13	15140 LAHTI	1971	100%	8,600	100.0	100.0
48	Lentolan Perusyhtiö Oy	Mäkirinteentie 4	36220 KANGASALA	2007	100%	11,900	79.7	79.6

## PROPERTY LIST

Property	Address		Built in / renovated in	Holding, %	Citycon's GLA, sq.m.	Occupancy rate, %, sq.m. <sup>1)</sup>	Occupancy rate (economic), % <sup>1)</sup>	
49	Lillinkulma Koy	Jännekatu 2-4	20760 PIISPANRISTI	2007	100%	7,400	100.0	100.0
<b>50</b>	<b>Linjuri</b>					<b>9,200</b>	<b>94.0</b>	<b>94.7</b>
	Linjurin Kauppakeskus Koy	Vilhonkatu 14	24100 SALO	1993/2007	89%			
51	Mäntyyvuoksi Koy	Vuoksenniskantie 50	55800 IMATRA	1974	100%	1,500	100.0	100.0
52	Naantalin Tullikatu 16 Koy	Tullikatu 16	21100 NAANTALI	1985 (Property sold on 5 Jan. 2011)	100%	3,100	100.0	100.0
53	Orimattilan Markkinatalo Oy	Erkontie 3	16300 ORIMATTILA	1983	77%	3,500	100.0	100.0
54	Aseman Ostari					18,900	40.9	46.0
	Porin Asema-aukio Koy	Satakunnankatu 23	28130 PORI	1957/1993	100%			
55	Puijonlaakson Palvelukeskus Koy	Sammakkolammentie 6	70200 KUOPIO	1971	31%	1,500	100.0	100.0
56	Runeberginkatu 33 Koy	Runeberginkatu 33	06100 PORVOO	1988	100%	6,300	100.0	100.0
<b>57</b>	<b>Sampokeskus</b>					<b>13,700</b>	<b>79.7</b>	<b>84.3</b>
	Rovaniemen Sampotalo	Maakuntakatu 29-31	96200 ROVANIEMI	1990	100%	11,700		
	Lintulankulma Koy	Rovakatu 28	96200 ROVANIEMI	1989/1890	100%	2,000		
58	Kiinteistö Oy Säskylän Liiketalo	Pyhäjärventie	27800 SÄKYLÄ	1969	100%	1,200	100.0	100.0
<b>59</b>	<b>Torikeskus</b>	Kauppatori 1	60100 SEINÄJOKI	1992/2007	100%	<b>11,500</b>	<b>84.7</b>	<b>88.8</b>
<b>60</b>	<b>Trio</b>					<b>45,700</b>	<b>89.6</b>	<b>92.7</b>
	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		
	Kiinteistö Oy Hansaparkki	Kauppakatu 10	15140 LAHTI	1992	36%			
<b>61</b>	<b>Tullintori</b>					<b>10,000</b>	<b>84.5</b>	<b>88.3</b>
	Tullintori Koy	Hammareninkatu 2	33100 TAMPERE	1930/1990	57%			
62	Vaakalintu Koy	Keskuskatu 15	11100 RIIHIMÄKI	1980	96%	6,700	100.0	100.0
63	Valtakatu 5-7 Koy	Valtakatu 5-7	37600 VALKEAKOSKI	1938/1992	31%	460	51.2	44.6
<b>64</b>	<b>Valtari</b>					<b>7,600</b>	<b>80.5</b>	<b>83.6</b>
	Kouvolan Valtakadun Kauppakeskus Koy	Valtakatu 15	45100 KOUVOLA	1971-1975/1994-2002	100%			
65	Varkauden Relanderinkatu 30 Koy	Relanderinkatu 28-34	78200 VARKAUS	1990	100%	8,200	100.0	100.0
<b>65</b>	<b>FINLAND TOTAL</b>					<b>579,980</b>	<b>89.7</b>	<b>94.0</b>

Property	Address		Built in / renovated in	Holding, %	Citycon's GLA, sq.m.	Occupancy rate, %, sq.m. <sup>1)</sup>	Occupancy rate (economic), % <sup>1)</sup>
<b>THE BALTIC COUNTRIES</b>							
<b>ESTONIA</b>							
<b>1 Rocca al Mare</b>					<b>53,300</b>	<b>99.4</b>	<b>99.7</b>
Rocca al Mare Kaubanduskeskuse AS	Paldiski mnt 102	13522	TALLINN	1998/2000/2007-2009	100%		
<b>2 Magistral</b>					<b>9,500</b>	<b>99.6</b>	<b>99.8</b>
Magistral Kaubanduskeskuse Oü	Sõpruse pst 201/203	13419	TALLINN	2000	100%		
<b>LITHUANIA</b>							
<b>3 Mandarinas</b>					<b>8,000</b>	<b>100.0</b>	<b>100.0</b>
UAB Prekybos Centras Mandarinas	Ateities g. 91	06324	VILNIUS	2005	100%		
<b>3 THE BALTIC COUNTRIES TOTAL</b>					<b>70,800</b>	<b>99.5</b>	<b>99.7</b>
<b>SWEDEN</b>							
<b>STOCKHOLM AREA AND UMEÅ</b>							
<b>1 Åkersberga Centrum</b>					<b>27,500</b>	<b>89.9</b>	<b>92.4</b>
Åkersberga Centrum AB	Storängsvägen	18430	ÅKERSBERGA	1985/1995/1996/2010-	75%		
<b>2 Åkermyntan Centrum</b>					<b>8,500</b>	<b>97.0</b>	<b>97.7</b>
Drivbänksvägen 1		16574	HÄSSELBY	1977	100%		
<b>3 Kallhäll</b>					<b>3,700</b>	<b>100.0</b>	<b>100.0</b>
Skarprättarvägen 36-38		17677	JÄRFALLA	1991	100%		
<b>4 Jakobsbergs Centrum</b>					<b>60,700</b>	<b>96.7</b>	<b>96.8</b>
Citycon Jakobsbergs Centrum AB	Tornérplatsen 30	17730	JÄRFALLA	1959/1993	100%		
Drabantvägen bostäder AB	Tornérplatsen 30	17730	JÄRFALLA	1959/1993	100%		
Jakobsberg LB Bostäder AB	Tornérplatsen 30	17730	JÄRFALLA	1959/1993	100%		
<b>5 Fruängen Centrum</b>					<b>14,600</b>	<b>98.7</b>	<b>99.0</b>
Fruängsgången		12952	HÄGERSTERN	1965	100%		
<b>6 Liljeholmstorget</b>					<b>41,000</b>	<b>96.6</b>	<b>96.0</b>
Citycon Liljeholmstorget Galleria AB	Liljeholmstorget 7	11763	STOCKHOLM	1973/1986/2007/2008/2009	100%		
<b>7 Strömpilen</b>					<b>27,000</b>	<b>97.5</b>	<b>98.1</b>
Strömpilen AB	Strömpilsplatsen	90743	UMEÅ	1927/1997	75%		
<b>8 Länken</b>					<b>7,300</b>	<b>100.0</b>	<b>100.0</b>
Gräddvägen 1		90620	UMEÅ	1978/2004/2006	75%		
<b>9 Tumba Centrum</b>					<b>31,400</b>	<b>99.9</b>	<b>99.7</b>
Citycon Tumba Centrumfastigheter AB	Tumba Torg 115	14730	BOTKYRKA	1954/2000	100%		
Tumba Bostäder AB	Tumba Torg 115	14730	BOTKYRKA	1954/2000	100%		
<b>GOTHENBURG AREA</b>							
<b>10 Stenungs Torg</b>					<b>36,400</b>	<b>97.0</b>	<b>98.4</b>
Stenungs Torg Fastighets AB	Östra Köpmansgatan 2-16, 18A-C	44430	STENUNGSUND	1967/1993	70%		
<b>11 Backa</b>					<b>7,800</b>	<b>51.8</b>	<b>53.8</b>
Backavägen 3-5		41705	GOTHENBURG	1990	100%		
<b>12 Floda</b>					<b>11,300</b>	<b>90.6</b>	<b>92.6</b>
Rurik Holms väg		44830	FLODA	1960/1990	100%		
<b>13 Hindås</b>					<b>1,700</b>	<b>93.8</b>	<b>95.0</b>
Hindås Stationsväg 41-47		43063	HINDÅS	1978/1999	100%		
<b>14 Landvetter</b>					<b>4,800</b>	<b>100.0</b>	<b>100.0</b>
Brattåsvägen		43832	LANDVETTER	1975/1988/1999	100%		
<b>15 Lindome</b>					<b>7,800</b>	<b>96.8</b>	<b>97.7</b>
Almåsgången		43730	LINDOME	1974	100%		
<b>15 SWEDEN TOTAL</b>					<b>291,500</b>	<b>95.3</b>	<b>96.4</b>
<b>83 TOTAL ALL</b>					<b>942,280</b>	<b>92.2</b>	<b>95.1</b>

1) Formulas are available on page 53.

# VALUATION STATEMENT

## 1. APPRAISAL METHOD

Realia Management Oy has made a valuation of Citycon's property portfolio as at 31st of December 2010. The valuation was carried out as a cash flow analysis of the net operating income for a period of 10 years. For undeveloped plots, properties subject to town plan alterations and for buildings of low value due to their current state, market values for the relevant assets are determined by the value of building right in the existing town plan.

Realia Management Oy has inspected the properties originally during 2007. Reinsertion of properties is carried out as needed, giving emphasising to the most important assets, newly acquired properties and development projects. During the previous quarter, the following properties have been re-inspected: Sampokeskus, Espoontori, Lippulaiva, Länsi-keskus, Iso Omena, Isomyrri, Myrmani, Isokarhu, Asema-aukio in Pori, Valtari, Columbus, Keskuskatu in Kotka and K-Supermarket in Kuusankoski.

### 1.1 Cash Flow Calculation Method

The year-on-year cash flow was calculated on Citycon's existing leases, upon the expiry of which, the contract rent has been replaced with Realia Management Oy's view of the market rent. Potential Gross Rental Income (PGI) equals leased space with respect to contract rents and vacant space with respect to market rents. Deducting both the market rent for the idle time between the expired contract and assumed new contract, and the assumed general vacancy level, results in the Effective Gross Rental Income. Effective Gross Rental Income less operating expenses (incl. repairs and tenant improvements) equals the Net Operating Income (NOI). NOI less any investment type of repairs (CAPEX) equals the bottom level cash flow that has been discounted (IRR) to reach the present value of the income stream.

The exit value at the end of the valuation period was calculated by capitalising the 11th year cash flow (base year) with an exit yield. The total value of

the property was calculated as the sum of the yearly discounted net income stream, the discounted residual value at the end of the calculation period and any other value added assets such as unused building rights or unbuilt lots.

All variables were estimated based on Realia Management's knowledge of the markets and specified market observations, such as transactions, rental levels and other observations. The collection of relevant information was done in close cooperation with Citycon's property management in order to obtain an extensive set of data, where Realia Management used its objective veto on the data provided.

### 1.2 Market Analysis

The world economy is back on track towards strong growth, but is largely split between the emerging markets, characterised by strong growth and low indebtedness, and the developed markets, which in turn are characterised by uncertainty and high indebtedness. Strong fiscal stimulus programs have temporarily supported national economies around the world and especially those across Europe. These countries must now brace for more stringent economic policies to limit public indebtedness, which may result in further market lethargy. Conversely, should the emerging economies continue growing despite the looming threat of inflation and oil price increases, world economy growth may exceed forecasts. According to IMF, the world economy output is likely to have grown by 4.8 % in 2010 and grow by 4.2 % in 2011, with Europe growing at roughly half the speed (2.0 % and 1.8 % respectively)

According to Eurostat, the euro area inflation is up, and has reached 2.2 % in December, up from 1.8 % in September, 0.9 % from a year earlier, and is now above the long-term inflation target. This is likely to limit the functioning of ECB should the economic recovery prove to be more sluggish than anticipated. High inflation is problematic from

another aspect too; it is likely to further increase pressure on interest rate increases in the medium-term that so far have been kept historically low. Seasonally adjusted unemployment remained roughly at the same level in December from the previous quarter, and the steady upward trend in unemployment looks to be stabilising. Euro area unemployment rate is now at 10.1 %

### Finland

The Finnish economy had a very strong recovery during spring 2010 and recovery has picked up again, reaching 5.5 % growth year-on-year in October, with the trend continuing throughout the fourth quarter towards the end of 2010. The Finnish gross domestic product growth is heavily influenced by traditional industry and production, which in turn is heavily reliant on demand for investment goods. This demand has been supported by fiscal stimulus both in Finland e.g. in the form of housing development and across the world. Order books have been swelling, capacity utilisation rate has improved notably and economic base conditions have improved to almost normal levels. Industrial output grew by a rapid 6.2 % year-on-year, although down by 1 % when compared to previous month, while exports grew by 22 % in November from a year ago. Finnish exports are expected to accelerate further in 2011-2012 due to increased weight of investment goods, but growth in total output is likely to be slow. In November, the business outlook balance indicator for manufacturing was +5, which was stronger than the long term average (+3).

The Finnish household level of indebtedness level has reached record levels in 2010, according to Bank of Finland. High level indebtedness coupled with the fact that the majority of mortgages are tied to short-term rates will result in lower level of disposable income should the ECB decide to fight looming inflation by increasing interest rates. Too low interest rates on the other hand may lead to asset overvaluation especially in housing. According to Statistics Finland, inflation accelerated to 2.9

percent in December 2010, approximately 0.6-0.7 percentage points higher than EU average, and in the short-term accelerated mainly by increases in fuel price. Current inflation is considerably higher than in September 2010 when inflation was at 1.4 %. On the longer term, the drivers of inflation have been price increases across the board, and average inflation rate for 2010 is 1.2 %. Consumer prices in Finland are expected to remain at a higher level than the Euro-zone average, although inflation is estimated to remain at around 2% during the next few years. Both Finland and Sweden have seen their unemployment rates drop faster than in other European countries. In Finland, unemployment was at 7.1 % in November according to Statistic Finland, having come steadily down by 0.2 percentage points from last August, or 1.4 percentage points from a year ago.

In December, consumer confidence fell to its long-term average level after very strong confidence levels in summer 2010. The confidence indicator stood at 13.5 whereas in November it was 20.8, and a year earlier at 14.4. Expectations concerning Finland's economy have weakened but, by contrast, consumers' views about their own economy remained almost unchanged. Even if moderate economic growth is forecast to continue for the next few years, purchasing power will be negatively affected by austerity measures from 2011 onwards.

Retail sales rose by 6.8 % in November year-on-year, while the figures for total trade were up by 17.5 % year-on-year including car dealership, wholesale, daily consumer goods and retail trade. Between January and November, retail sales increased by 3.7 % and total trade by 8.6 % when compared to the equivalent period the previous year.

### Sweden

Sweden's economic recovery has accelerated even further and the economy is now growing at a pace of 6.8 %, according to the Swedish Riksbank, the

strongest growth in Europe and the record rate in Sweden since the beginning of detailed GDP measurements in 1970. Even inflation has so far remained around the long-term target, at 2.3 % in December, while consumer consumption has increased. The Swedish government is expected to reach in surplus in 2011 and may reduce income tax depending on the political climate, further boosting consumer demand – a stark contrast to many countries where austerity measures are in place.

Sweden is nevertheless largely dependent on the recovery on the rest of the Europe, as problems abroad are likely to reflect strongly in exports. In addition, the Swedish Krona has appreciated strongly, hurting the very exports that the Swedish economy is dependent on. The value of the Swedish Krona is further strengthened by expectations of repo rate increases by the Swedish Riksbanken. Together with Finland, drop in unemployment levels were fastest in Europe, and unemployment now stands at 7.1 % according to Eurostat methods.

### **Baltics**

One of the key drivers for growth in the Baltics area has been the determined recovery in the Nordic region and Germany. Baltics, previously seen as a rather uniform area, is becoming divided as Estonia, having just entered the Euro zone at the turn of the year, is growing and stabilising at a faster pace than either Latvia or Lithuania. While joining the Euro zone has bolstered market confidence, Estonia, however, has its own problems to grapple with as inflation soared to 5.7 % in December, up from -1.9 % from a year ago. The economic growth projections for Estonia are 1.8 % for 2010 and 3.5 % for 2011, whereas similar figures for Latvia and Lithuania are -1.0 % and +1.3 % for 2010 and +3.3 % and +3.1 % for 2011 respectively. Projections are by IMF. Unemployment, while still a considerable problem in the Baltics, has come steadily down in Estonia and Latvia, but purchasing power is nevertheless affected by strict austerity measures undertaken when aiming to meet Euro zone accession criteria.

### **1.3 Property Market Analysis**

The property market outlook has improved since summer 2010 as news of stronger than expected expansion of the Finnish economy and growth in exports has boosted confidence in the future. The improved economic conditions, record low interest rates, slowly improving availability of finance and positive yield expectations enabled investment opportunities already in 2010, but investor activity has so far been subdued. Total property transaction volume for Finland in 2010 amounted to EUR 2.0 billion, only slightly higher than the figure for previous year (EUR 1.7 billion). What characterised transactions during the examined period was the large share of single transactions while portfolio transactions were few in number.

The property transaction volume will most likely grow between years 2011 and 2013 for a number of reasons. First, the recovery of the economy is likely to activate financiers and investors to carry out delayed divestments. Second, many unlisted property funds will reach their planned exit stage and will liquidate at least part of their fund investments. Third, the recovery in the economy and property markets will activate property sellers due to more traditional reasons; investors collect capital for new investment opportunities by divesting existing assets and owner-users free up capital to focus in their core business. Essential to market development is the mutual development of demand and supply; this is to assure that demand growth will meet the growing supply.

In 2010, by far the largest property transaction in Finland was the transaction for Norgan's hotel portfolio of which 16 hotel properties, with a value close to EUR 415 million, was allocated to Finland. This transaction had a substantial effect on both the share of foreign investment and the share of hotel investment as a property type when the whole 2010 transaction volume is considered.

### **Market outlook**

The divergence between different property sub-markets is maintained, if not worsened, despite the

gradual recovery in the economy as no rapid surge in demand for commercial space is expected. The Euro Zone's serious imbalances, such as the troubles of Greece, Ireland, Portugal and Spain reflect the uncertainty in the current European economic situation and its future development. Afore mentioned are reflected in the property markets, both in the investor and end-user sectors. Even if the economy continues growing moderately during the next few years, government deficit and managing of the deficit is likely to reduce consumer purchasing power, which, in turn, is expected to subdue demand growth for retail premises. This will concentrate demand for retail premises on established and well functioning shopping locations and on the most promising development projects. On the other hand, the functional life cycle of premises is becoming shorter and shorter, premises become obsolete at an increasing pace and user demand is focused on new, energy efficient and ecological premises. As the financial situation of municipalities become challenging, a geographical divergence can also be discerned with coming saving measures aggravating existing regional disparities and possibly causing a slowdown in development projects outside growth centres.

The rental level increases in Finland have been helped by the faster-than-expected recovery since summer 2010. Rent increases were first observed in best premises, beginning with retail premises. Average rental levels have continued their rise in all premises types, but differences have become increasingly prominent both geographically and in response to quality requirements. Whereas higher rental levels have increased smoothly, lower level rents have further fallen in some of the sub-markets. In part, the reason is over supply – part of the premises stock does not match the needs of tenants e.g. in terms of location and quality, and thus even low rents are not sufficient to generate user interest. Thus, a divergence is present in rental markets too.

In Sweden investment market has seen a great improvement in 2010 compared to previous year.

Low interest rates and recovering economy have resulted in a hefty increase in the overall transaction volume in the investment market. Prime properties have seen a downward yield shift while secondary properties have in general been stable. Prime yield in Stockholm CBD is currently at ca. 5 per cent, down some 50 to 75 bps from the peak of the crises.

### **1.4 Development Projects**

Citycon has had several considerable development projects underway in 2010. During the last quarter of 2010, the renewed Forum in Jyväskylä and Espoontori shopping centre, among others, were taken into use. Similarly, in Sweden, Åkersberga Centrum's renewed part was opened during the final quarter. Other significant development projects currently under development include renewal of the old part of the afore mentioned Åkersberga, Myllypuro's new retail property in Helsinki and Martinlaakso's new retail property in Vantaa. In addition, a few other smaller development projects are underway.

The development projects have been included in valuation of the total portfolio. In the applied valuation model, future rental income is based on finalised rental agreements and rental projections of the valued development project. Conversely, the development period is considered a period where premises generate no income and where uncommitted investments are included in the costs side of the valuation model as a value reducing factor. Thus, the value of development projects increase automatically as investments are committed and the opening day of the renewed premises is approaching.

All properties are evaluated based on their current plan unless otherwise noted. Should an ongoing official plan alteration be in process, unambiguous decision made and relevant document exist, and thus property's purpose of use and attributes be substantially changed, the altered plan can be taken into account in valuation through the value of unused building right. Prerequisite for the valu-

## VALUATION STATEMENT

ation is that the sanctioning of the plan is highly likely and that the new plan regulations are fully known. In that case, the remaining (current) rental income flow and demolition costs are also considered in the valuation.

### 2. RESULTS

Citycon Oyj owns 65 properties in Finland, 15 properties in Sweden, and, in the Baltic countries, two in Estonia and one in Lithuania. All in all Citycon Oyj either fully owns, or owns a share of 83 different properties or property companies. The property portfolio is very heterogeneous both in quality and in value. The body of the holding is formed by 33 shopping centre properties, although the portfolio also includes other commercial properties, occasional commercial premises, development properties and, for example, one unbuilt lot. Citycon Oyj primarily owns retail properties. Only in a few selected properties the main use is other than retail. A large majority of the portfolio value is in shopping centres (approximately 86 %).

The value of the total portfolio is calculated as the sum of the individual properties. A separate adjustment for the aggregate value has not been applied. In the sections below, we have presented the valuation result on an aggregate and a sub-market level.

#### 2.1 Total Property Portfolio

The aggregated market value of the whole portfolio has been valued at approximately EUR 2,361 million. The aggregated value of portfolio has increased by approximately EUR 67 million quarter-on-quarter (EUR 2,294 million in Q3 2010). The relative change is approximately 2.9 %. Over half of the change in value can be explained by the advancement of development projects and commitment of investments. Exchange rate fluctuations between the Euro and Swedish Krona have resulted in a positive change in value, amounting to EUR 13 million when compared to the previous quarter; the Swedish Krona has appreciated approximately

2 % against the Euro. In addition, the positive market development has had a positive value impact, in part evident through lowered yield requirements. However, there have been no significant changes in net rental income as the slight rent level increases were met with roughly equal increases in operating expenses.

The weighted average yield requirement of the portfolio has come down by a tenth of a percentage point, now at 6.4 % (6.5 %, Q3 2010). The yield requirement has come down slightly in several of the properties located in Finland, Sweden and the Baltics. The average initial yield has come down, and is now at a level of 6.2 % (6.4 % Q3 2010) and the market rent yield has come down, now at a level of 6.9 % (7.3 % Q3 2010).

The weighted averages in the table are weighted by the value of the property. Properties with relatively higher values will therefore have a stronger influence on the averaged figures than other properties. In the Citycon property portfolio in particular, the influence of largest properties is significant. The ten largest properties, 12 percent of the properties in the property portfolio, form over 60 percent of the entire portfolio value. Changes in these properties dominate the changes in the weighted averages. The most valuable property in the portfolio is shopping centre Iso Omena in Espoo, Finland.

#### 2.2 Finland

The Finnish property portfolio has been valued at approximately EUR 1,527 million, which is 2.2% higher than in the previous quarter (EUR 1,493 million in Q3 2010). The weighted yield requirement for Finnish properties came down to 6.4 % from 6.5 % for Q3 2010. Similarly, the average initial yield has come down to a level of 6.1 % (6.3% in Q3 2010) and yield for market rents to a level of 6.9 % (7.2% in Q3 2010).

These changes in the Finnish property portfolio are largely explained by reductions in yield requirement in large properties and the advancement of development projects (e.g. Jyväskylä Forum and

Espoonatori). Overall, the yield requirement has decreased in 14 properties and increased in five properties in the Finnish portfolio when compared to Q3 2010. The changes in initial yields and market rent yields primarily mirror the advancement and completion of development projects.

#### 2.3 Sweden

Market value of the Swedish property portfolio has been valued at EUR 668 million, which is approximately 4.4 % higher than the previous quarter's value (EUR 640 million in Q3 2010). The positive change in value is partly due to the changes in the exchange rate, in part due to the advancement of the Åkersberga Centrum's development project and in part due to the overall positive market development.

For the entire Swedish portfolio, the weighted average of yield requirements has remained at a level of 6.1 % (6.1 % for Q3 2010). The yield requirement has come down in five properties and has increased in one, but these changes have not caused a change in the rounded weighted average figure.

#### 2.4 The Baltic Countries

The market value of the Baltic portfolio has increased approximately 1.8 % to a level of EUR 166 million (EUR 163 million for Q3 2010). The average yield requirement has come down by a tenth of a percentage point and is now at 8.1 % (8.2 % in Q3 2010).

The downward spiral in the Baltic economy is levelling out, especially in Estonia. Transaction volumes are still low, but activity has increased primarily thanks to domestic interest. At the same time, upward pressure on yield requirements has abated and cautious anticipation of lower yield requirements has taken its place for best properties. Temporary rents reductions are still in place in many of the properties in the Baltic countries, which generally are valid for a few months at a time. However, occupancy rates for quality premises have so far

remained at a high level. The tenants' declined ability to pay rent has been taken into account through adjustments of cash flows for the time period between 2010 and 2013 despite the fact that thus far rent concessions have been only few months in duration at a time.

Citycon's prime property in the Baltic region is Tallinn's Rocca Al Mare Shopping centre where the third and final stage of an extensive development and extension project was completed in November 2009. Rocca Al Mare now forms close to 87 percent of the value in Citycon's Baltic portfolio. Therefore, its effect on the weighted average of the Baltic portfolio is considerable.

### 3. SENSITIVITY ANALYSIS

The sensitivity analysis of the fair value of the portfolio was tested by creating a so-called portfolio cash flow statement based on individual cash flow calculations. Changes in fair value have then been examined by modifying key input parameters of the calculations one at a time. The parameters tested were required yield, market rent level, operational costs and vacancy rate. The current market value of the properties is used as a reference for the analysis. The analysis is performed by changing one parameter at a time while all others remain unchanged, and then calculating the corresponding market value of the total portfolio. The sensitivity analysis is a simplified model intended to facilitate understanding of the effect of different parameters on the valuation.

The results indicate that the market value is most sensitive to yield requirement and market rent levels. A ten percent decrease in yield requirement results in an approximately 11 % increase in value. Correspondingly, a ten percent increase in rental income increases the value by approximately 14 %.

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. A ten percent increase in the



expenses decreases the market value of the property portfolio by just over four percent. It should be noted however that in retail premises, the rental income and property expenses are often linked through the changes in the rental level in the form of maintenance rent charged from tenants. The ratio is not quite one-to-one, but the correlation is still strong enough to decrease the expense risk in the valuation.

The effects of changes in the vacancy rate are not studied on a similar scale as other parameters – vacancy level is altered by 50 or 100 basis points at a time. Therefore, the relative change is larger than if adjusting by five or ten percents at a time, as is the case in other parameters. Still, the relative effect of changes in the vacancy level is smaller than in other parameters – a change of 100 basis points (one percentage point) in the vacancy level alters the value of the portfolio by ca. 1.4 %.

#### 4. VALUATION STATEMENT

We have made an assessment of the market value of Citycon Oyj's property portfolio. We have defined the value as at December 31st, 2010. The valuation was primarily carried out as a cash flow analysis. Based on the provided information, we have evaluated the overall debt-free market value of the portfolio at approximately EUR 2,361,000,000 (two billion three hundred sixty one million euro).

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