



FINANCIAL REVIEW 2017

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ABOUT THIS REPORT

Accounting principles and key estimates and assumptions regarding business activities are presented together with the relevant note. The aim is to improve the presentation of how operating result was formed, what assets were used to achieve the business profits and how business and asset transactions were financed.

The accounting principles have been marked with grey background.

Information on the key estimates and assumptions have been marked with pink background.

 **CFE Eero Sihvonen** comments on significant items during the reporting period.

INFORMATION TO SHAREHOLDERS

LISTING OF CITYCON'S SHARES

Citycon Oyj's shares are listed on the Nasdaq Helsinki Ltd. Large Cap list under the trading code CTY1S. Citycon has one series of shares and each share entitles its holder to one vote at the General Meeting of shareholders and to an equal dividend.

ANNUAL GENERAL MEETING

Citycon Oyj's Annual General Meeting will be held in Helsinki, at the Finlandia Hall (Veranda 4 Hall) on 20 March 2018 at 12:00 noon. The notice, topics discussed in the meeting, proposals made for the Annual General Meeting, as well as the instructions on how to register can be found on Citycon's website.

Shareholders wishing to attend the meeting must be registered in Citycon's shareholder register at Euroclear Finland Ltd. on the record date 8 March 2018.

CHANGES OF ADDRESS

Shareholders are requested to notify their book-entry account operator or Euroclear Finland Ltd., whichever holds the shareholder's book-entry account, of any changes to their name or address.

PUBLICATION OF FINANCIAL INFORMATION

Citycon publishes financial information in English and Finnish. All materials can be downloaded from Citycon's website.

SUBSCRIPTION TO PUBLICATIONS

Citycon's financial reports and stock exchange and press releases can be ordered by registering an e-mail address on Citycon's website at citycon.com/newsroom.

INVESTOR RELATIONS CONTACTS

Citycon's Investor Relations function assists in all investor relations related questions. The primary contact is the Head of Investor Relations, Mikko Pohjala (mikko.pohjala@citycon.com).

PAYMENT OF DIVIDENDS

The Board of Directors proposes that the Board of Directors be authorized to decide in its discretion on the distribution of dividend for the financial year 2017, and assets from the invested unrestricted equity fund.

Based on this authorization the maximum amount of dividend to be distributed shall not exceed EUR 0.01 per share and the maximum amount of equity repayment distributed from the invested unrestricted equity fund shall not exceed EUR 0.12 per share. The dividend/equity repayment would be paid to shareholders in four installments.

FINANCIAL CALENDAR 2018

Financial Statements Bulletin and Financial Statements 2017	8 February
Interim Report January – March 2018	19 April
Half-yearly Report January – June 2018	12 July
Interim Report January – September 2018	18 October
AGM record date	8 March
Last day for AGM registration	15 March
AGM	20 March
Dividend payment/equity repayment ¹⁾	29 March 29 June 28 September 28 December

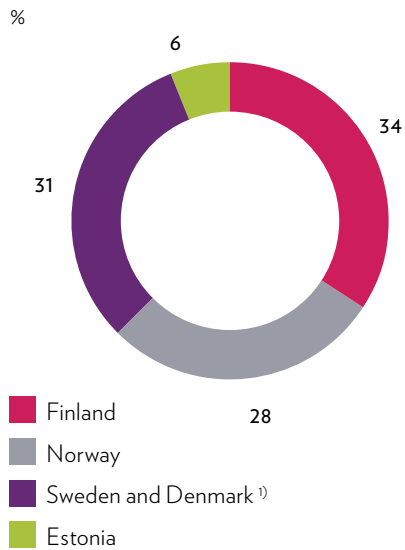
More information: Shares and shareholders, pages 40–41

¹⁾ Citycon's Board of Directors will make separate resolutions and announcements on each distribution of the dividend/equity repayment.

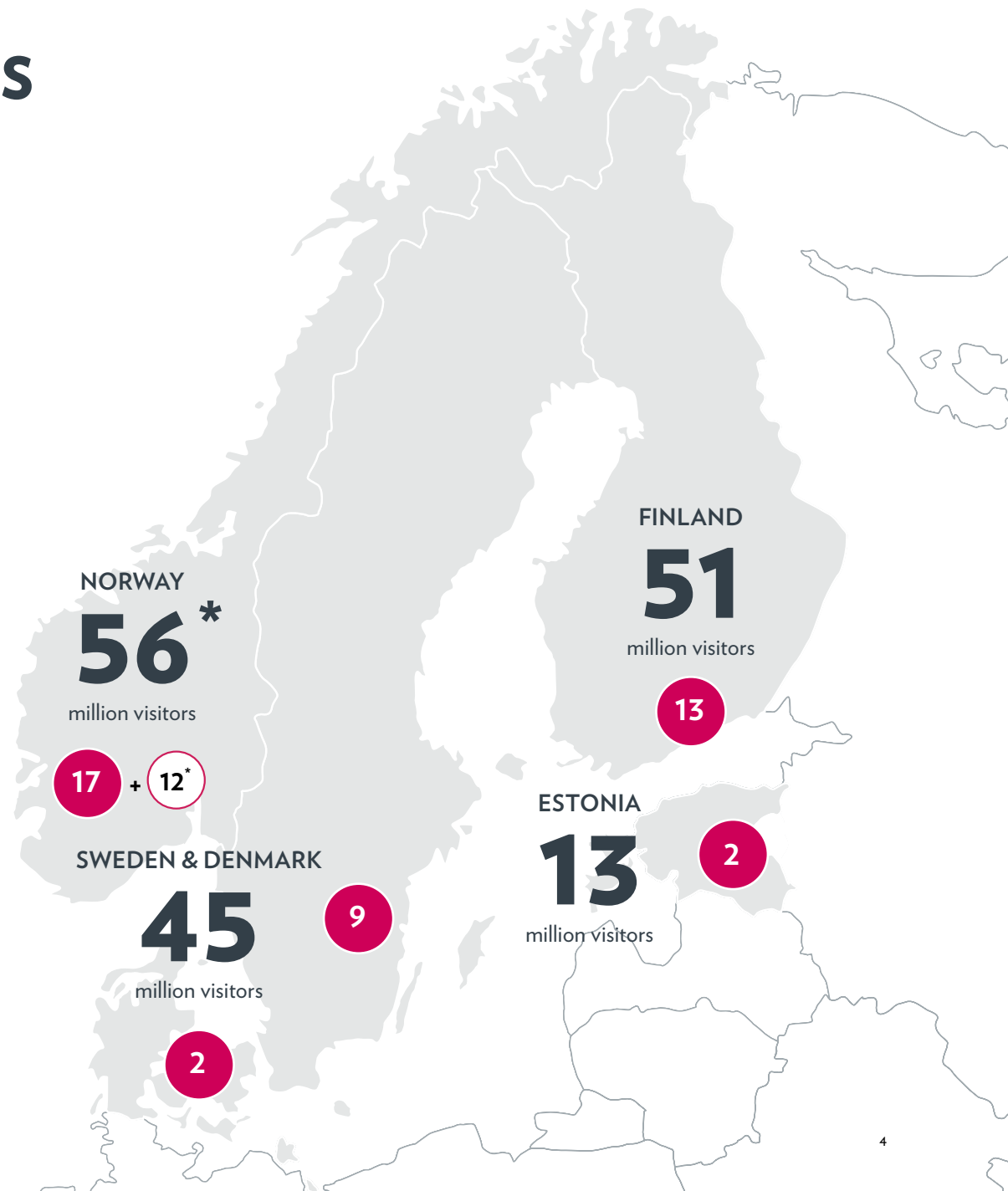
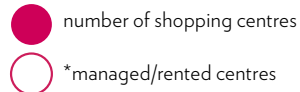
OPERATING LOCATIONS IN THE NORDICS

Citycon operates in the largest and fastest growing cities in the Nordics. The region is home to over 25 million consumers with high purchasing power, and the population growth in the area is among the strongest in Europe.

BALANCED NORDIC PORTFOLIO



¹⁾Including Kista Galleria 100%



WE WANT TO BE THE HOUSEHOLD NAME FOR NORDIC SHOPPING CENTRES

OUR MISSION

Offering the best retail space and everyday shopping experience in urban shopping centres in the Nordics

OUR VISION

Household name for Nordic shopping centres

OUR STRATEGIC FOCUS AREAS



RIGHT ASSETS



RETAIL EXPERTS



STRONG CAPITAL BASE

OUR SUSTAINABILITY PROMISE

Convenient, energy-efficient, accessible and safe shopping centres for our customers and tenants

OUR VALUES

Passionate

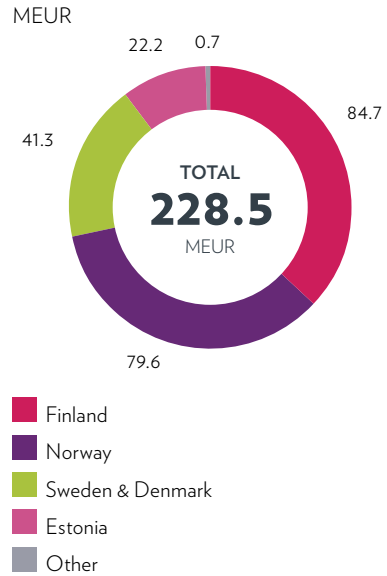
Solution-Oriented

Together One

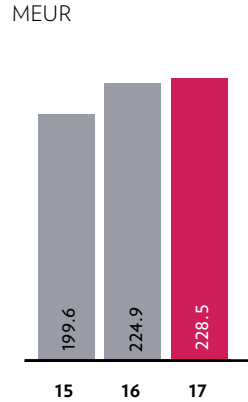


KEY FIGURES

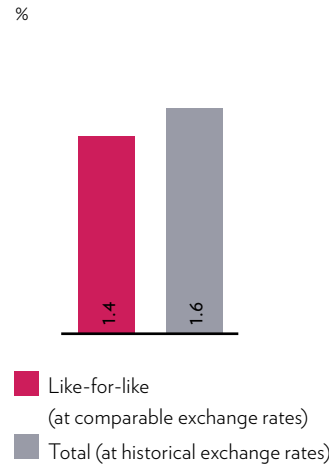
NET RENTAL INCOME BY SEGMENT



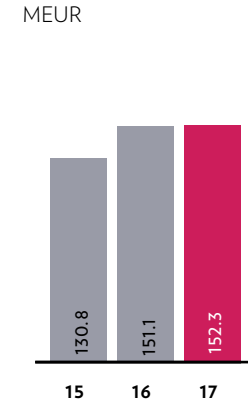
NET RENTAL INCOME



NET RENTAL INCOME GROWTH 2017 VS. 2016



EPRA EARNINGS



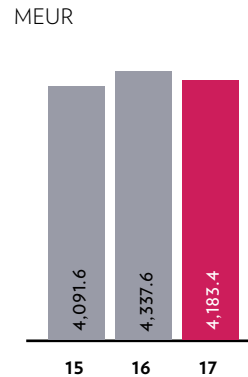
EPRA EARNINGS PER SHARE (BASIC)



EPRA NAV PER SHARE



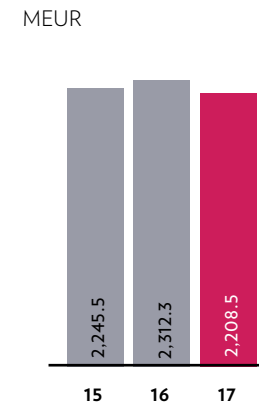
FAIR VALUE OF INVESTMENT PROPERTIES



INVESTMENTS IN PROPERTIES



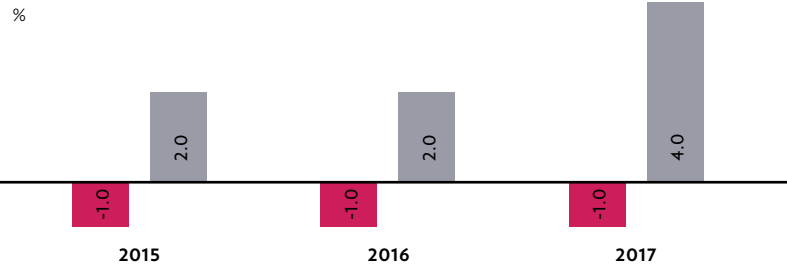
EQUITY



OCCUPANCY RATE (ECONOMIC)



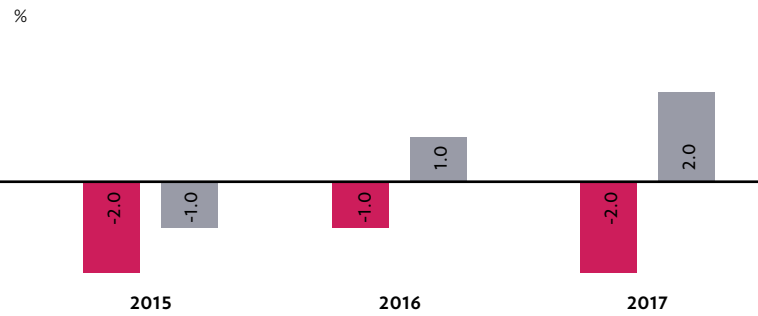
TENANT SALES DEVELOPMENT ¹⁾



■ Like-for-like sales
■ Total sales

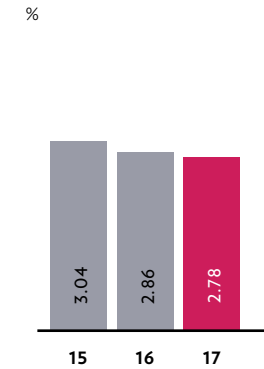
¹⁾ Sales figures exclude VAT.

FOOTFALL DEVELOPMENT

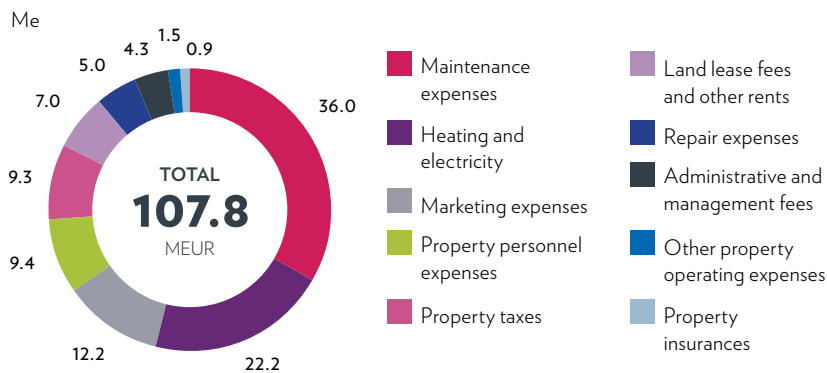


■ Like-for-like footfall
■ Total footfall

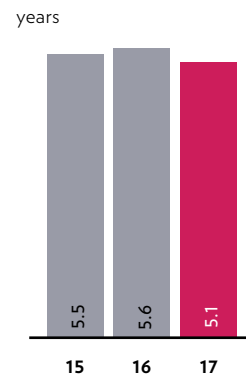
WEIGHTED AVERAGE INTEREST RATE, INCL. INTEREST RATE SWAPS



OPERATING EXPENSES 2017



AVERAGE LOAN MATURITY



LOAN TO VALUE



PERSONNEL



REPORT BY THE BOARD OF DIRECTORS

Citycon's financial performance in 2017 was stable and EPRA Earnings per share grew slightly to EUR 0.171 despite the disposal of 13 non-core assets. The EPS was supported by efficient cost management as well as strong operating performance in Sweden and Norway, which offset weaker operations in Finland, predominantly in secondary towns which were impacted by extensive competition. As a whole, Citycon's total net rental income excluding Kista Galleria grew by 1.6%, while the like-for-like net rental income growth was 1.4%. During the year, Citycon focused on enhancing the quality and composition of the asset portfolio. The quality of the portfolio continued to improve after 13 non-core assets were divested for a total of EUR 325 million. During the year, Citycon also used EUR 151 million in acquisitions and acquired the majority of shopping centre Straedet in the greater Copenhagen area and an office building next to Citycon's Oasen shopping centre in Bergen. In addition, Citycon continued its (re)development projects in Lippulaiva and Mölndal Galleria. The divestments and (re)development projects put some pressure on earnings during the year; however, the quality of earnings continued to increase. Citycon's financing position remained solid, which was demonstrated by the successful issuance of an 8-year NOK bond in September at a fixed 2.75% coupon.

MAIN EVENTS IN 2017

- The second phase of shopping centre Iso Omena's extension in the greater Helsinki area was opened on 20 April. The final part with the bus terminal retail premises was opened in mid-November when the metro started to operate.
- Citycon acquired the first part of the shopping centre Straedet in Køge in the greater Copenhagen area on 4 July and the second and the largest part on 21 December for approximately EUR 72.5 million. The third and final part is expected to be acquired during Q2/2018.
- In July, Citycon established a EUR 1,500 million EMTN ("Euro Medium Term Note") programme to enable quicker bond issues going forward.
- On 31 August, Citycon signed a Letter of Intent with Klöver to develop 'Globen Shopping' in Stockholm.
- Citycon successfully placed a NOK 1,000 million bond on 13 September at a fixed 2.75% coupon and 8-year maturity.
- Citycon continued to implement its divestment strategy by selling 13 non-core properties mainly in Finland and Norway for approximately EUR 325 million.

BUSINESS ENVIRONMENT

The most notable change in Citycon's macroeconomic environment in 2017 was seen in Finland, where the economy picked up clearly during the year. Also, the economies in Sweden and Norway continued to develop well with GDP growing strongly, although the sentiment in both countries softened during 2017 due to a decline in real estate prices. Estonia and Denmark continued to see relatively strong GDP growth as well.

In 2017, the Finnish economy grew at its fastest pace in five years with consumer confidence reaching historically high levels. The GDP growth in 2017 was driven by strong performance in exports and good domestic demand. Unemployment decreased slightly during the year, but hourly wages remained stable due to the Competitiveness Pact between the government and labour unions made in 2016. Real estate transactions in 2017

grew strongly, while retail transaction volumes grew clearly compared to the previous year. Retail sales increased slightly during the year, while rental levels and prime shopping centre yields in greater Helsinki remained relatively stable. The retail real estate market remained competitive, particularly in the secondary cities, resulting in negative rental growth in many areas outside greater Helsinki.

The Norwegian economy accelerated in 2017 and GDP grew due to positive development across sectors as well as a recovery in the oil industry. Consumer confidence declined slightly due to the decline in housing prices, in greater Oslo in particular, but remained at a healthy level. Unemployment rate continued to decline during the year and wages grew modestly. During 2017, retail investment transactions increased somewhat compared to 2016. Retail sales grew slightly compared to the previous year and shopping centre rents remained relatively stable in 2017.

BUSINESS ENVIRONMENT KEY FIGURES

%	Finland	Norway	Sweden	Denmark	Estonia	Euro area
GDP growth forecast, 2017	3.2%	1.9%	2.7%	2.0%	4.0%	2.4%
Unemployment, 12/2017	8.7%	4.1%	6.5%	5.6%	5.4%	8.7%
Inflation, 12/2017	0.5%	1.6%	1.7%	1.0%	3.4%	1.4%
Retail sales growth, 1-12/2017	2.2%	2.3%	2.3%	0.8%	1.0%	1.9%

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

The Swedish economy continued to grow strongly in 2017 driven by strong household consumption and fixed gross investments. Also, the unemployment rate continued to decline during the year, while the employment rate reached its highest level since the early 1990s. However, wages increased only modestly in 2017. The construction sector has been an important driver of economic growth, but towards the end of the year, signals of overheating were visible with housing prices declining across Sweden, in greater Stockholm in particular. In the real estate market, strong investment demand for retail properties and low supply assisted by low interest rates compressed prime shopping centre yields during the year. Additionally, retail rents for primary shopping centers continued to develop positively, while retail sales grew slightly compared to 2016.

In Denmark, the economy continued to recover and saw the strongest GDP growth rate in a decade. Unemployment remained at a very low level and consumer confidence continued to grow. Retail sales remained relatively flat compared to the previous year. Prime shopping centre rents, vacancy rates and investment demand remained rather stable in 2017. The Estonian economy accelerated clearly in 2017 due to good foreign demand for exports and investments. Retail sales were softer temporarily, but remained at a high level. In Tallinn, prime shopping centre rents remained stable and vacancy rates at very low levels. However, the increased retail real estate competition in Tallinn is expected to put pressure on retailers and increase vacancies in shopping centres in secondary locations.

(Sources: SEB Nordic Outlook, Nordea Economic Outlook, European Commission, CBRE, Statistics Finland/Norway/Sweden/Estonia/Denmark, Eurostat)

FINANCIAL PERFORMANCE 2017

- Net rental income increased to EUR 228.5 million (Q1-Q4/2016: 224.9) mainly due to (re)development projects coming online, which increased net rental income by EUR 6.9 million. The acquisitions of the adjacent building to Oasen shopping centre in Norway and Straedet phase 1 and 2 in Denmark added a total of EUR 4.5 million. In addition, positive like-for-like growth contributed to net rental income growth by EUR 1.9 million. The non-core property divestments in 2016 and 2017 decreased net rental income by EUR 9.4 million.
- EPRA Earnings increased by EUR 1.2 million, or 0.8%, to EUR 152.3 million (151.1) due to net rental income growth. EPRA Earnings per share (basic) increased to EUR 0.171 (0.170).
- IFRS-based earnings per share decreased to EUR 0.10 (0.18) mainly due to valuation items, such as fair value losses recorded during the period.
- Cash generated from operations improved slightly due to higher net rental income and positive development in working capital.
- The Board of Directors proposes that the Board be authorised to decide in its discretion on the distribution of dividend for the financial year 2017, and assets from the invested unrestricted equity fund. Based on this authorization the maximum amount of dividend to be distributed shall not ex-

OUTLOOK

Citycon forecasts the 2018 EPRA Earnings per share (basic) to be EUR 0.155-0.175. Furthermore, the Direct operating profit is expected to change by EUR -15 to +1 million and EPRA Earnings to change by EUR -14 to +4 million from the previous year.

These estimates are based on the existing property portfolio as well as on the prevailing level of inflation, the EUR-SEK and EUR-NOK exchange rates, and current interest rates. Premises taken offline for planned or ongoing (re)development projects reduce net rental income during the year.

KEY FIGURES

		Q4/2017	Q4/2016	% ¹⁾	2017	2016	% ¹⁾
Net rental income	MEUR	53.9	55.9	-3.7%	228.5	224.9	1.6%
Direct operating profit ²⁾	MEUR	45.9	49.9	-8.1%	200.5	198.5	1.0%
Earnings per share (basic)	EUR	0.03	0.04	-32.0%	0.10	0.18	-45.5%
Fair value of investment properties	MEUR	4,183.4	4,337.6	-3.6%	4,183.4	4,337.6	-3.6%
Loan to Value (LTV) ²⁾	%	46.7	46.6	0.3%	46.7	46.6	0.3%
EPRA based key figures²⁾							
EPRA Earnings	MEUR	33.8	37.9	-10.8%	152.3	151.1	0.8%
EPRA Earnings per share (basic)	EUR	0.038	0.043	-10.8%	0.171	0.170	0.8%
EPRA NAV per share	EUR	2.71	2.82	-3.9%	2.71	2.82	-3.9%

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

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

ceed EUR 0.01 per share and the maximum amount of equity repayment distributed from the invested unrestricted equity fund shall not exceed EUR 0.12 per share. The dividend/equity repayment would be paid to shareholders in four instalments.

POSITIVE LIKE-FOR-LIKE NET RENTAL INCOME GROWTH CONTINUED IN SWEDEN AND NORWAY

Citycon's net rental income increased by 1.6% and was EUR 228.5 million (224.9). The increase was mainly attributable to (re) development projects (mainly Iso Omena, Buskerud, Myrmani and Downtown) coming online with a positive impact of EUR 6.9 million. Also the acquisition of the adjacent building to Oasen shopping centre together with Straedet phase 1 and 2 acquisition increased net rental income by a total of EUR 4.5 million. In addition, the like-for-like portfolio net rental income increased by EUR 1.9 million. The divestments lowered net rental income by EUR 9.4 million.

The like-for-like net rental income growth including the like-for-like performance of Kista Galleria (50%) was 1.0%. Citycon's standard like-for-like portfolio definition, based on EPRA's recommendations, does not include Kista Galleria. For the standard like-for-like portfolio, gross rental income increased by EUR 2.6 million, or 1.6%, and net rental income increased respectively by EUR 1.9 million, or 1.4%. Like-for-like property operating expenses increased from the corresponding period by EUR 1.5 million, or 2.2%.

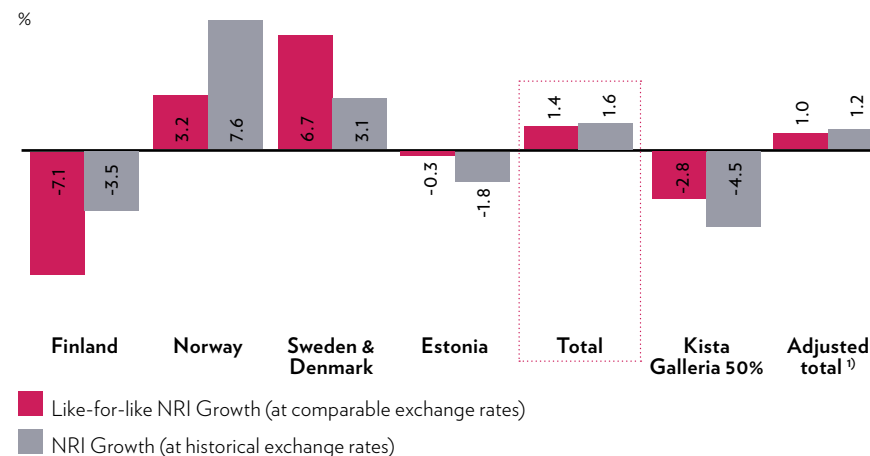
Citycon's net rental income from Finnish operations decreased by 3.5% compared

to the previous year and totalled EUR 84.7 million (87.8). This was mainly a result of divestments of non-core assets in 2016 and 2017, which lowered net rental income by EUR 5.9 million. In addition, net rental income for the like-for-like portfolio decreased by EUR 2.2 million, or 7.1%, mainly due to the competitive retail real estate environment in Finland. Finnish like-for-like portfolio accounted for 34% out of total Finnish portfolio measured by net rental income. On the other hand, ongoing and completed (re) development projects (e.g. Iso Omena and Myrmani) increased net rental income by EUR 4.7 million.

Citycon's net rental income from Norwegian operations increased by 7.6% compared to the previous year and totalled EUR 79.6 million (74.0). In January 2017, Citycon acquired adjacent building to Oasen shopping centre in Bergen, which increased net rental income by EUR 4.3 million. Furthermore, ongoing and completed (re)development projects (e.g. Buskerud and DownTown) increased net rental income by EUR 1.6 million. In addition, net rental income for the like-for-like portfolio increased by EUR 1.9 million, or 3.2% driven mainly by capital rent growth from indexation, and higher mall income.

The company's net rental income from Swedish and Danish operations increased by 3.1% to EUR 41.3 million (40.1) mainly due to like-for-like growth of EUR 2.3 million, or 6.7%. Like-for-like portfolio growth was mainly due to new and renegotiated lease agreements especially in Liljeholmstorget Galleria, growth in service charges and energy saving actions.

LIKE-FOR-LIKE AND TOTAL NET RENTAL INCOME GROWTH, 2017 VS. 2016



¹⁾ Including Kista Galleria 50%.

NET RENTAL INCOME AND GROSS RENTAL INCOME BREAKDOWN

MEUR	Net rental income						Total	Gross rental income
	Finland	Norway	Sweden & Denmark	Estonia	Other	Total		
2016	87.8	74.0	40.1	22.6	0.5	224.9	251.4	
Acquisitions	-	4.3	0.3	-	-	4.5	4.9	
(Re)development projects	4.7	1.6	0.5	0.1	-	6.9	9.2	
Divestments	-5.9	-1.9	-1.2	-0.4	-	-9.4	-9.6	
Like-for-like properties ¹⁾	-2.2	1.9	2.3	0.0	-	1.9	2.6	
Other (incl. exchange rate differences)	0.3	-0.3	-0.7	-	0.2	-0.4	-1.1	
2017	84.7	79.6	41.3	22.2	0.7	228.5	257.4	

¹⁾ Like-for-like properties are properties held by Citycon throughout two full preceding periods. Like-for-like properties exclude properties under (re)development or extension and undeveloped lots.

Net rental income from the Estonian operations decreased by 1.8% compared to the previous year and came to EUR 22.2 million (22.6). This decrease was mainly due to the divestment of the non-core shopping centre Magistral in 2016, which decreased net rental income by EUR 0.4 million. Net rental income for like-for-like properties was almost flat (EUR -0.0 million or -0.3%) compared to previous year.

OCCUPANCY RATE REMAINED AT A HIGH LEVEL OF 96.0%

Citycon has changed its presentation of the key operational figures starting from the first interim report in 2017. Citycon reports the key operational figures so that Kista Galleria numbers are included based on a 50% share. The change in the presentation has impacted the following key operational figures: economic occupancy rate, lease portfolio summary, leasing activity, annual-

ised potential rental value, net rental yield, yield requirement, market rents, shopping centre sales and footfall as well as occupancy cost ratio. The comparison periods have been adjusted accordingly.

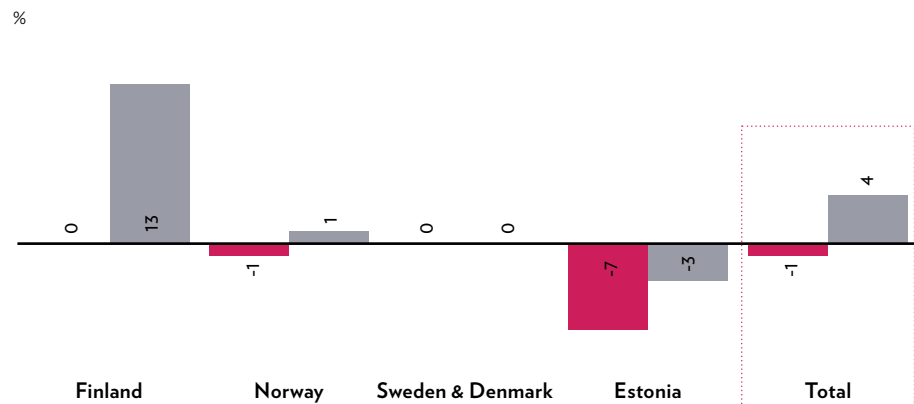
The economic occupancy rate for Citycon's property portfolio decreased by 30 bps compared to year-end 2016 and by 20 bps compared to the previous quarter. The year-to-date change was mostly due to increased vacancies in Sweden and Estonia.

During the period, total sales in Citycon's shopping centres increased by 4% and footfall 2% compared to the corresponding period of the previous year.

At period-end, Citycon had a total of 4,581 (4,848) leases, of which the average remaining length was 3.5 years (3.3).

The average rent per sq.m. for Citycon's property portfolio at the year-end 2017 amounted to EUR 23.2 (23.2). The intense competition in secondary cities in Finland and increased competition in Estonia resulted in a year-to-date leasing spread of -4.0% for renewals and re-lettings.

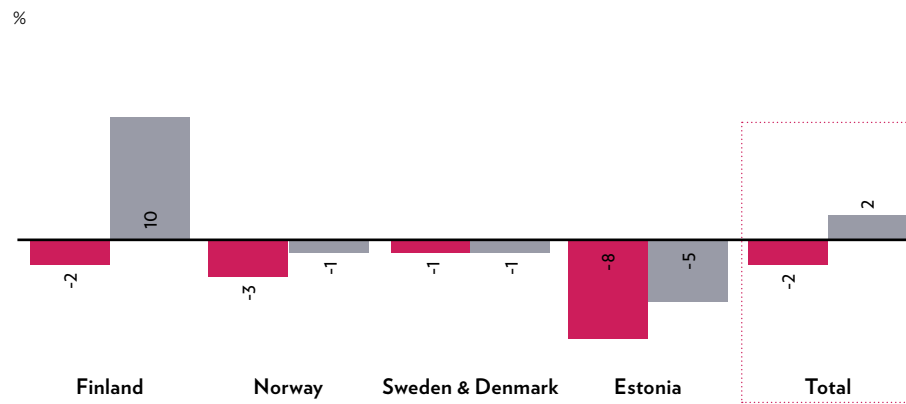
TENANT SALES DEVELOPMENT, 2017 VS. 2016 ¹⁾



■ Like-for-like sales ■ Total sales

¹⁾ Including Kista Galleria 50%. Sales figures include estimates. Sales figures exclude VAT and the change has been calculated using comparable exchange rates.

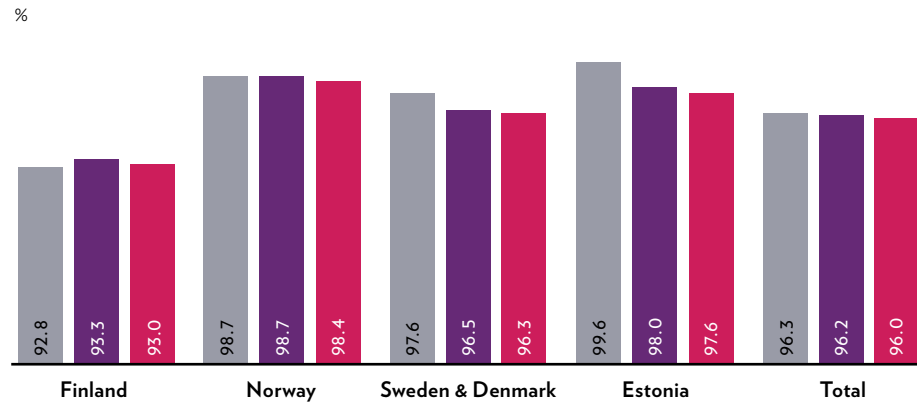
FOOTFALL DEVELOPMENT, 2017 VS. 2016 ¹⁾



■ Like-for-like footfall ■ Total footfall

¹⁾ Including Kista Galleria 50%. Footfall figures include estimates.

ECONOMIC OCCUPANCY RATE ¹⁾



■ 31 December 2016 ■ 30 September 2017 ■ 31 December 2017

¹⁾ Including Kista Galleria 50%.

LEASE PORTFOLIO SUMMARY ¹⁾

		31 December 2017	31 December 2016
Number of leases	pcs	4,581	4,848
Average rent	EUR/sq.m.	23.2	23.2
Finland	EUR/sq.m.	26.3	26.2
Norway	EUR/sq.m.	21.8	21.4
Sweden and Denmark	EUR/sq.m.	22.4	22.5
Estonia	EUR/sq.m.	20.7	21.4
Average remaining length of lease portfolio	years	3.5	3.3
Occupancy cost ratio ²⁾	%	9.0	9.0

¹⁾ Including Kista Galleria 50%.

²⁾ The rolling twelve month occupancy cost ratio for like-for-like shopping centres.

LEASING ACTIVITY ¹⁾

		2017	2016
Number of leases started during the period	pcs	1,255	1,356
Total area of leases started ²⁾	sq.m.	259,053	270,839
Average rent of leases started ²⁾	EUR/sq.m.	22.9	22.4
Number of leases ended during the period	pcs	1,565	1,315
Total area of leases ended ²⁾	sq.m.	347,330	312,061
Average rent of leases ended ²⁾	EUR/sq.m.	23.1	21.3
Leasing spread, renewals and re-lettings	%	-4.0	-2.5

¹⁾ Including Kista Galleria 50%.

²⁾ Leases started and ended do not necessarily refer to the same premises.

ANNUALISED POTENTIAL RENTAL VALUE ¹⁾

MEUR	31 December 2017	31 December 2016
Finland	113.0	138.4
Norway	108.1	114.0
Sweden and Denmark	81.4	80.6
Estonia	25.1	26.0
Total	327.6	359.0

¹⁾ Including Kista Galleria 50%. Annualised potential rental value includes annualised base rent and maintenance charge 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.

NET RENTAL YIELD ¹⁾

%	31 December 2017	31 December 2016
Finland	4.7	5.2
Norway	5.4	5.2
Sweden and Denmark	5.1	5.2
Estonia	7.5	7.5
Average	5.2	5.4

¹⁾ Including Kista Galleria 50%. Net rental yield is based on the net rental income from prior 12 months period calculated from the reporting date divided by the fair value of investment properties. Includes the value of unused building rights.

VALUATION ITEMS IMPACTED OPERATING PROFIT

Administrative expenses totalled EUR 29.1 million (28.2). The increase of EUR 0.9 million was driven by higher personnel expenses, mainly severance costs and non-cash incentive expenses. At the end of December 2017, Citycon Group employed a total of 247 (272) full-time employees (FTEs), of whom 70 worked in Finland, 108 in Norway, 56 in Sweden, 10 in Estonia, 2 in the Netherlands and 1 in Denmark.

In all, Citycon Group paid EUR 21.6 million (23.2) in salaries and other remuneration, of which the Group's CEO's salaries and other remuneration consisted of EUR 0.9 million (0.9) and the equivalent figure for the Board of Directors accounted for EUR 0.7 million (0.7). The parent company paid out, in total, EUR 6.7 million (6.8) in wages and salaries, of which the CEO's salary and other compensation accounted for EUR 0.7 million (0.7) and those of the Board of Directors came to EUR 0.7 million (0.7).

Operating profit came to EUR 150.9 million (224.4), being lower than previous year due to the fair value losses of EUR -42.9 million (gain 25.9) and higher other operating expenses EUR -11.6 million (-2.6) which increased mainly due to reduction of goodwill as a result of divestments of shopping centres Lade, Lietorvet and Krokstad in Norway in 2017 and reduction of tax rate in Norway for 2018.

Net financial expenses year-to-date decreased by EUR 1.3 million to EUR 56.4 million (57.7) due to lower average cost of debt, lower other financial expenses and despite lower interest income and higher average debt level.

Share of profit of joint ventures totalled EUR -0.7 million (14.8). The decrease came mainly from fair value loss and higher deferred taxes in Kista Galleria during 2017. Furthermore, comparison period 2016 included fair value gains from Iso Omena extension part.

Profit for the period came to EUR 87.9 million (161.3). The decrease was mainly a result of fair value losses.

PERSONNEL KEY FIGURES

	2017	2016	2015
Average number of personnel (FTE)	251	288	224
Wages and salaries, EUR million	21.6	23.2	21.7

PROPERTY PORTFOLIO VALUE DECLINED SLIGHTLY

The fair value of investment properties decreased by EUR 154.2 million to EUR 4,183.4 million (31 December 2016: 4,337.6). Property disposals and transfers from investment properties to investment properties held for sale decreased the fair value by EUR 260.4 million while the acquisitions and investments increased the fair value by EUR 279.5 million. In addition, changes in exchange rates decreased the fair value by EUR 130.3 million and fair value losses by EUR 42.9 million.

The fair value change of investment properties amounted to EUR -42.9 million (25.9).

The company recorded a total value increase of EUR 113.0 million (100.9) and a total value decrease of EUR 155.9 million (74.9).

Citycon has changed its external appraiser and the fair value of Citycon's properties has been measured by CBRE for the first time for the half-yearly report and for the financial statements of 2017. The property valuations in 2016 were conducted by JLL. Moreover, in 2017 Citycon started to measure the fair values of the properties internally in the first and third quarter of the year.

CBRE's Valuation Statement for the period-end is available on Citycon's website below Investors

FAIR VALUE CHANGES

MEUR	Q4/2017	Q4/2016	2017	2016
Finland	-8.4	-18.3	-44.7	-33.2
Norway	-10.7	-5.0	-22.2	19.8
Sweden and Denmark	10.5	11.4	30.6	40.5
Estonia	-2.1	-0.6	-6.5	-1.2
Investment properties, total	-10.6	-12.5	-42.9	25.9
Kista Galleria (50%)	-1.1	3.4	-0.6	5.5
Investment properties and Kista Galleria (50%), total	-11.7	-9.0	-43.5	31.5

PROPERTY PORTFOLIO SUMMARY

31 December 2017	No. of properties	Gross leasable area	Fair value, MEUR	Properties held for sale, MEUR	Portfolio, %	Weighted average yield requirement, %	Weighted average market rents, EUR/sq.m./mo
Shopping centres, Finland	13	341,950	1,628.8	-	39%	-	-
Other retail properties, Finland	2	12,540	23.9	-	1%	-	-
Finland, total	15	354,490	1,652.6	-	39%	5.3%	31.2
Shopping centres, Norway	17	414,400	1,346.9	25.4	33%	-	-
Rented shopping centres, Norway ¹⁾	2	18,200	-	-	-	-	-
Norway, total	19	432,600	1,346.9	25.4	33%	5.4%	22.0
Sweden and Denmark, total	10	249,200	877.9	-	21%	5.2%	25.9
Estonia, total	2	101,600	306.0	-	7%	6.5%	20.7
Shopping centres, total	44	1,125,350	4,159.6	25.4	99%	-	-
Other retail properties, total	2	12,540	23.9	-	1%	-	-
Investment properties, total	46	1,137,890	4,183.4	25.4	100%	5.4%	26.2
Kista Galleria (50%)	1	46,250	305.3	-	-	-	-
Investment properties and Kista Galleria (50%), total	47	1,184,140	4,488.7	25.4	-	5.3%	26.9

¹⁾ Value of rented properties is recognised within intangible rights based on IFRS rules.

ACCELERATED RECYCLING OF CAPITAL

During the last quarter of 2017, Citycon acquired the second and the largest part of shopping centre Straedet in Køge in the greater Copenhagen area for approximately EUR 60 million. The final part of the centre is expected to be acquired during Q2/2018 for approximately EUR 3 million. Additionally, in November 2017 Citycon successfully closed the divestment transaction of a property portfolio including five shopping centres in Finland.

In 2017, Citycon continued to implement its divestment strategy and divested 13 non-core properties and residential building rights for a total value of approximately EUR 325 million. Since the strategy update in 2011, Citycon has divested 62 non-core properties and five residential portfolios for a total value of EUR 675 million. The company will continue to improve the quality of the portfolio and we expect to divest 5–10% of our property portfolio in terms of value in the next 3 to 5 years.

ACQUISITIONS AND DIVESTMENTS 2017

		Location	Date	Gross leasable area, sq.m.	Price, MEUR
Acquisitions					
Oasen	Office building	Bergen, Norway	5 January	19,000	78.0
Straedet, Part 1	Shopping centre	Køge, Denmark	4 July	4,300	12.5
Straedet, Part 2	Shopping centre	Køge, Denmark	21 December	11,000	60.0
Acquisitions, total				34,300	150.5
Divestments					
Länken	Retail property	Umeå, Sweden	31 January	12,500	24.0
Kaarinan Liiketalo	Retail property	Kaarina, Finland	28 February	9,400	1.0
Lade	Shopping centre	Trondheim, Norway	3 March	8,700	21.0
Porin Asema-aukio	Retail property	Pori, Finland	31 May	23,000	57.0
Linjuri	Shopping centre	Salo, Finland	31 May	9,200	3.0
Jakobsbergs Centrum	Residential building rights	Stockholm, Sweden	30 June	-	12.0
Lietorvet	Shopping centre	Skien, Norway	7 July	7,200	13.0
Jyväskeskus	Shopping centre	Jyväskylä, Finland	31 August	5,900	9.0
Krokstad	Shopping centre	Krokstadelva, Norway	17 October	10,200	20.0
Portfolio transaction ¹⁾	Shopping centres	Finland	15 November	61,000	165.0
Divestments, total ²⁾				147,100	325.0

¹⁾ Including five shopping centres in Finland: Espoontori, Tikkuri, Myllypuron Ostari, Martinlaakson Ostari ja Jyväskylän Forum.

²⁾ Additionally Citycon sold its 20% share of Halden Storsenter in Norway.

(RE)DEVELOPMENT PROJECTS PROGRESSED

At the end of the reporting period, Citycon had two major (re)development projects underway: the Mölndal Galleria project in Gothenburg and the Lippulaiva project in the Greater Helsinki area.

The existing Lippulaiva shopping centre was demolished during the last quarter of the year and the completely new shopping centre, fully integrated with the new metro station, is expected to open in 2021. In the meantime, the 8,500 sq.m. pop-up shopping centre Pikkulaiva is the temporary location for 23 tenants during the Lippulaiva (re) development project. Pikkulaiva opened to

the public on 27 July 2017 and is fully leased.

The tenant demand for the new Mölndal Galleria shopping centre has been strong and pre-leasing was 80% at the end of the period. Citycon will buy-out joint venture partner NCC's 50% share after the project is completed.

In addition to the (re)development projects listed below, Citycon has several ongoing smaller refurbishments in e.g. Kristiine in Estonia and Tumba Centrum in Sweden.

Further information on the company's completed, ongoing and planned (re)developments can be found on pages 34–35 in the Financial Review 2017.

(RE)DEVELOPMENT PROJECTS COMPLETED IN 2017 AND IN PROGRESS ON 31 DECEMBER 2017 ¹⁾

	Location	Area before/ after, sq.m.	Expected gross investment, MEUR	Actual gross investment by 31 December 2017, MEUR	Completion
Mölndal Galleria	Gothenburg, Sweden	-/24,000	60,0 (120,0) ²⁾	44.4	Q3/2018
Lippulaiva	Greater Helsinki area, Finland	19,200/44,300	215.0	44.0	2021
Iso Omena	Greater Helsinki area, Finland	63,300 /101,000	270.0	269.5	Completed: Q2/2017
Porin Asema-aukio ³⁾	Pori, Finland	18,800/23,000	40.0	40.0	Completed: Q2/2017

¹⁾ In addition to these projects, Citycon has signed an agreement with TK development regarding the forward purchase of Straedet project in Køge in the greater Copenhagen area. Citycon will acquire the newly constructed shopping centre at completion in three parts: the first part was acquired on 4 July 2017, the second part was acquired 21 December 2017 and the final part is expected to be acquired during Q2/2018. The purchase price is EUR 75 million based on a fixed 6.25% net initial yield.

²⁾ The number in brackets reflects Citycon's total investment in the project including agreed buyouts of JV shares.

³⁾ The property was divested in connection with the completion on 31 May 2017.

CAPITAL EXPENDITURE

Citycon's gross capital expenditure (including acquisitions) for the period totalled EUR 298.7 million (314.5).

SHAREHOLDERS' EQUITY

Equity per share decreased to EUR 2.48 (31 December 2016: 2.60), mainly due to dividends and equity return of EUR 115.7 million and a translation loss of EUR 76.3 million. On the other hand, profit for the period of EUR 87.4 million attributable to parent company shareholders increased equity per share.

At period-end, **shareholders' equity** attributable to parent company's shareholders was EUR 2,207.3 million (2,311.4). This figure decreased by EUR 104.1 million from the end of 2016 due to the above-mentioned reasons.

CAPITAL EXPENDITURE

MEUR	2017	2016
Acquisitions of properties ¹⁾	142.5	81.5
Acquisitions of and investments in joint ventures	18.0	37.1
Property development	137.0	194.4
Goodwill and other investments	1.2	1.5
Total capital expenditure incl. acquisitions	298.7	314.5
Capital expenditure by segment		
Finland	100.1	220.3
Norway	84.9	45.7
Sweden and Denmark	109.0	45.7
Estonia	3.9	1.7
Group administration	0.8	1.1
Total capital expenditure incl. acquisitions	298.7	314.5
Divestments ²⁾	319.6	95.5

¹⁾ Capital expenditure takes into account deduction in the purchase price calculations and FX rate changes

²⁾ Excluding transfers into 'Investment properties held for sale' -category

FINANCING

During the year, Citycon completed several actions to strengthen its financing position further, diversifying the financing sources, reducing the cost of debt and extending debt maturities.

In January, the Swedish commercial paper programme limit was increased from SEK 1,000 million to SEK 2,000 million. In June, a new Norwegian commercial paper programme with a limit of NOK 2,000 million was set up.

In July, Citycon established a EUR 1,500 million EMTN ("Euro Medium Term Note") programme to enable quicker bond issues going forward. The programme is established by Citycon Treasury B.V. and the notes issued under the programme will be guaranteed by Citycon Oyj. Notes may be denominated in any currency. Citycon will apply for the notes issued under the

Programme to be admitted to the Official List of the Irish Stock Exchange, except for notes denominated in Norwegian krone that will be listed on the main list of the Oslo Stock Exchange. Citycon has mandated eight dealer banks under the programme, and the Offering Circular is available on Citycon's website.

In September, a senior unsecured 1,000 million NOK bond was issued under the EMTN programme. The eight-year bond carries a fixed annual interest of 2.75 per cent. The bond has been rated in line with Citycon's corporate credit ratings. The proceeds were mainly used to repay short-term commercial papers, thus extending Citycon's average debt maturities.

In the fourth quarter of 2017, the proceeds from divested non-core properties were used mainly to repay commercial papers to decrease leverage.

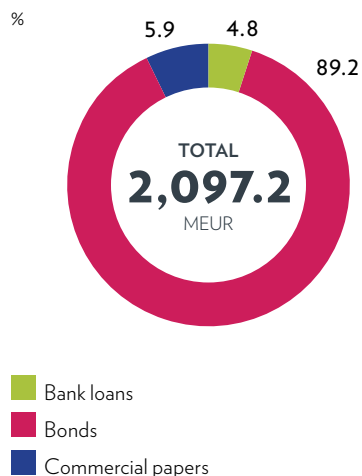
KEY FINANCING FIGURES

		31 December 2017	31 December 2016
Interest bearing debt, fair value	MEUR	2,097.2	2,191.5
Available liquidity	MEUR	559.4	560.4
Average loan maturity	years	5.1	5.6
Loan to Value (LTV)	%	46.7	46.6
Equity ratio (financial covenant > 32.5)	%	47.4	47.3
Interest cover ratio (financial covenant > 1.8)	x	3.8	3.8
Solvency ratio (financial covenant < 0.65)	x	0.46	0.46
Secured solvency ratio (financial covenant < 0.25)	x	0.02	0.02

INTEREST-BEARING DEBT

The fair value of interest-bearing debt decreased year-on-year by EUR 94.3 million to EUR 2,097.2 million, as operative cash flow and major divestments more than covered the funding need for (re)development project investments, acquisitions, equity repayments and dividends. The weighted average loan maturity decreased to 5.1 years, despite the issuance of the 8-year 1,000 million NOK bond and repayment of short-term commercial papers with its proceeds. The loan-to-value ratio stayed at approximately the same level as previous year, but improved during the quarter to 46.7 (47.5), due to lower net debt and despite lower property fair values.

BREAKDOWN OF LOANS



DEBT MATURITIES



FINANCIAL EXPENSES

Net financial expenses year-to-date decreased by EUR 1.3 million to EUR 56.4 million (57.7) due to lower average cost of debt, lower other financial expenses and despite lower interest income and higher average debt level. The other financial expenses include EUR 2.0 million of indirect financial expenses that relate to fair value changes of cross-currency swaps not under hedge accounting. The financial income mainly consists of interest income on the loan to Kista Galleria, and partly of interest differences from forward agreements.

The period-end weighted average interest rate decreased year-on-year as a result of debt refinancing transactions at lower margins, and despite less outstanding commercial papers.

Citycon uses interest rate swaps to hedge the floating interest rate risk exposure. According to the company's treasury policy, the currency net transaction risk exposure with profit and loss impact is fully hedged through currency forwards and cross-currency swaps that convert EUR debt into SEK and NOK.

FINANCIAL EXPENSES

		2017	2016
Financial expenses	MEUR	-63.2	-65.9
Financial income	MEUR	6.9	8.3
Net financial expenses	MEUR	-56.4	-57.7
Weighted average interest rate ¹⁾	%	2.78	2.86
Year-to-date weighted average interest rate ¹⁾	%	2.70	2.98

¹⁾ Including interest rate swaps and cross-currency swaps

SUSTAINABILITY

Citycon's strategy is to be a forerunner in sustainable shopping centre management. Citycon's sustainability strategy was updated in 2017 and Citycon has set ambitious targets that extend to 2030.

Citycon uses BREEAM In-Use to assess and develop the sustainable management of its shopping centres. Approximately 80% of Citycon's shopping centres, measured by fair value, had acquired the certification at period-end. Citycon now boasts the largest shopping centre portfolio with BREEAM In-Use certification in the Nordic countries.

In its sustainability reporting, Citycon applies the construction and real estate sector specific (CRESS) guidelines of the Global Reporting Initiative, as well as the guidelines published by European Public Real Estate Association (EPRA) in autumn 2017. Citycon's updated sustainability strategy, targets and measures are described in detail in the upcoming Annual Review and Sustainability Accounts 2017.

Citycon's Annual and Sustainability Report 2016 was awarded as one of the best within the industry. Citycon received the EPRA Gold Award in the Sustainability Best Practices series for the sixth year in a row. Citycon was also honoured with the Green Star status in the GRESB (Global Real Estate Sustainability Benchmark) and Citycon was globally among the top six per cent of all reviewed companies. Citycon has received GRESB Green star status since 2013.

Key environmental indicators 2017:

- Citycon's total energy consumption (incl. electricity consumption in common areas, heating and cooling) amounted to 236 gigawatt hours (253 GWh). Shopping centre energy intensity (kWh/sq.m) decreased by 4.4% compared to previous year (target -3%).
- The carbon footprint totalled 46,000 thousand carbon equivalent tonnes (60,000 tCO_{2e}). The carbon intensity (kgCO_{2e}/sq.m) of shopping centres decreased by 23% compared to previous year. This was due to e.g. an increased share of green electricity acquired, 70% in 2017 (58%).
- The recycling rate in shopping centres increased 1%-point compared to the previous year and was 94%.

RISKS AND UNCERTAINTIES

The most significant near-term risks and uncertainties in Citycon's business operations are associated with the general development of the economy and consumer confidence in the Nordic countries and Estonia as well as how this affects the fair values, occupancy rates and rental levels of the shopping centres and thereby Citycon's financial result. Increased competition locally or from e-commerce might affect demand for retail premises, which could lead to lower rental levels or increased vacancy, especially outside capital city regions.

The main risks that can materially affect Citycon's business and financial results, along with the main risk management actions, are presented in detail on pages

38–39 in the Financial Review 2017 as well as on Citycon's website in the Corporate Governance section.

LEGAL PROCEEDINGS

Some lawsuits, claims and legal disputes based on various grounds are pending against Citycon relating to the company's business operations. In the company's view, it is improbable that the outcome of these lawsuits, claims and legal disputes will have a material impact on the company's financial position.

GENERAL MEETING

Annual General Meeting 2017

Citycon's Annual General Meeting (AGM) was held in Helsinki on 22 March 2017. A total of 461 shareholders attended the AGM either personally or through a proxy representative, representing 86.0% of shares and votes in the company.

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 2016. The General Meeting decided that no dividend is distributed by a resolution of the AGM and authorised the Board of Directors to decide in its discretion on the distribution of dividend and assets from the invested unrestricted equity fund. Based on the authorisation the maximum amount of dividend to be distributed shall not exceed EUR 0.01 per share and the maximum amount of equity repayment

distributed from the invested unrestricted equity fund shall not exceed EUR 0.12 per share. The authorisation is valid until the opening of the next AGM.

The AGM decisions are reported on the company's website at citycon.com/agm2017, where meeting minutes of the AGM are also available.

Board of Directors

Under the Articles of Association, the Board of Directors of the company consists of a minimum of five and a maximum of ten members, elected by the General Meeting for a term of one year that will end at the close of the following Annual General Meeting.

In 2017, the Board of Directors had ten members: Chaim Katzman, Bernd Knobloch, Arnold de Haan, Kirsi Komi, Rachel Lavine, David Lukes (as of 22 March 2017), Andrea Orlandi, Claes Ottosson, Per-Anders Ovin and Ariella Zochovitzky. Dori Segal resigned from the Board of Directors as of 22 March 2017.

Chaim Katzman was the Chairman of the Board of Directors in 2017, and Bernd Knobloch and Dori Segal (until 22 March 2017) the Deputy Chairmen.

Auditor

Since 2006, the company's auditor has been Ernst & Young Oy, a firm of authorised public accountants, which had designated Authorised Public Accountant Mikko Ryttilahti to act as the responsible auditor of Citycon in 2017.

Chief Executive Officer (CEO)

Marcel Kokkeel (LL.M., born in 1958), a Dutch citizen, has been the company's CEO since 2011. Eero Sihvonen, Chief Financial Officer, is Citycon's Executive Vice President. Their personal details, career histories and posi-

tions of trust can be found on the company's website at citycon.com/our-management. Information on the CEO's executive contract and its terms and conditions are available on page 59 of the Financial Statements.

CORPORATE GOVERNANCE STATEMENT

Citycon has published Citycon Group's Corporate Governance Statement 2017 as a separate report, distinct from the Report by the Board of Directors. The statement is prepared in accordance with the recommendations of the Finnish Corporate Governance Code and is available on the company's website at citycon.com/corporate-governance.

SHARES, SHARE CAPITAL AND SHAREHOLDERS

The company has a single series of shares, with each share entitling to one vote at a General Meeting of shareholders. At the end of December 2017, the total number of shares outstanding in the company was 889,992,628. The shares have no nominal value. During 2017, there were no changes in the company's share capital.

At the end of December 2017, Citycon had a total of 15,368 (12,419) registered shareholders, of which nine were account managers of nominee-registered shares. Holders of the nominee-registered shares

held approximately 727.9 million (611.0) shares, or 81.8% (68.6) of shares and voting rights in the company.

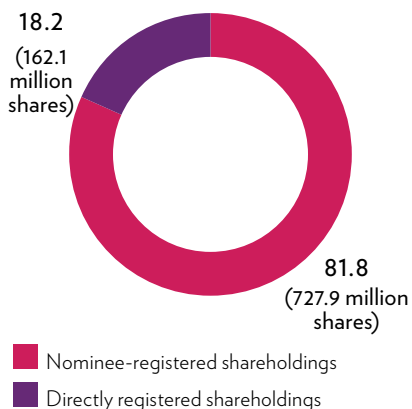
Further information of the company's stock listing, trading volume, share price, market cap, share capital, most significant registered shareholders, of the distribution of ownership and of the issue-adjusted average number of shares can be found on pages 40-41 and 27 of the Financial Review.

DIVIDEND AND EQUITY REPAYMENT

Citycon's dividend paid in 2017 for the financial year 2016 and equity repayments in 2017:

SHAREHOLDERS

% of shares and voting rights



SHARES AND SHARE CAPITAL

Share capital at period-start	MEUR	259.6
Share capital at period-end	MEUR	259.6
Number of shares at period-start		889,992,628
Number of shares at period-end		889,992,628

DIVIDENDS AND EQUITY REPAYMENTS PAID ON 31 DECEMBER 2017 ¹⁾

	Record date	Payment date	EUR / share
Dividend for 2016	24 March 2017	31 March 2017	0.01
Equity repayment Q1	24 March 2017	31 March 2017	0.0225
Equity repayment Q2	22 June 2017	30 June 2017	0.0325
Equity repayment Q3	22 September 2017	29 September 2017	0.0325
Equity repayment Q4	14 December 2017	29 December 2017	0.0325

¹⁾ Board decision based on the authorisation issued by the AGM 2017

BOARD AUTHORISATIONS

In addition to the above explained asset distribution authorisation of the Board of Directors, the Board of Directors of the company had two valid authorisations at the period-end granted by the AGM held on 22 March 2017:

- The Board of Directors may decide on an issuance of a maximum of 85 million shares or special rights entitling to shares referred to in Chapter 10 Section 1 of the Finnish Companies Act, which corresponded to approximately 9.55% of all the shares in the company at the period-end. The authorisation is valid until the close of the next AGM, however, no longer than until 30 June 2018.
- The Board of Directors may decide on the repurchase and/or on the acceptance as pledge of the company's own shares in one or several tranches. The amount of own shares to be repurchased and/or accepted as pledge shall not exceed 50 million shares, which corresponded to approximately 5.61% of all the shares in the company at the period-end. The authorisation is valid until the close of the next AGM, however, no longer than until 30 June 2018.

In August 2017, the Board of Directors used its authorisation to repurchase its own shares and issue them by conveying repurchased shares to three persons belonging to the key personnel of the company for payment of rewards earned under the Restricted Share Plan 2015 in accordance with the terms and conditions of the plan. The

company repurchased a total of 12,854 its own shares on 16 August 2017 and conveyed them on 22 August 2017.

After the reporting period the Board of Directors again used its authorisation to repurchase company's own shares and issue them by conveying repurchased shares to two persons belonging to the key personnel of the company for payment of rewards earned under the Restricted Share Plan 2015. The company repurchased a total of 30,000 its own shares on 5 January 2018 and conveyed them on 10 January 2018.

OWN SHARES

During the reporting period, the company held a total of 12,854 company's own shares which the company conveyed for payment of rewards earned under the share plan before the period end as explained in the section Board authorisations above. At the end of the period, the company or its subsidiaries held no shares in the company.

FLAGGING NOTICES

During the year 2017 the company received one flagging notice pursuant to Chapter 9, Section 5 of the Finnish Securities Markets Act. On 28 June 2017 the Swedish Alecta pensionsförsäkring, ömsesidigt notified that its ownership in the company had increased above the 5% threshold. According to the notification, on the flagging notice date Alecta pensionsförsäkring, ömsesidigt's holdings in Citycon represent 5.10% of the total number of shares and voting rights in Citycon.

Further information on the flagging notice is available on the stock exchange release published by the company on 28 June 2017 and on the company's website at citycon.com/flagging-notices.

SHARE-RELATED EVENTS

Shareholder agreements

Gazit-Globe Ltd. and Canada Pension Plan Investment Board European Holdings S.à r.l (CPPIBEH) have signed an agreement regarding certain governance matters relating to Citycon on 12 May 2014.

Based on the information received by Citycon, Gazit-Globe Ltd. and CPPIBEH have undertaken to vote in Citycon's general meetings in favour of the election of members to the Citycon Board of Directors so that no less than three members of the Board of Directors will be nominated by Gazit-Globe Ltd. and no less than two members will be nominated by CPPIBEH. One of the members nominated by CPPIBEH shall be independent of both CPPIBEH and Citycon. The parties to the agreement have agreed to use their best efforts to ensure that the Board members nominated by CPPIBEH will also be elected to serve on such Board committees as Citycon may establish from time to time, including one member on the Board's Nomination and Remuneration Committee. In the event that a Board member nominated by CPPIBEH is not a member of the Board's Nomination and Remuneration Committee for a period of three months during any annual financial period of Citycon, subject to certain excep-

tions, Gazit-Globe Ltd. shall support and vote in favour of a proposal by CPPIBEH at a general meeting of shareholders of Citycon to introduce a shareholders' nomination board to replace the Board's Nomination and Remuneration Committee.

Gazit-Globe Ltd. has also, subject to certain exceptions, granted CPPIBEH a limited right to sell its shares (tag-along right) in connection with potential transfers by Gazit-Globe Ltd. of more than 5% of Citycon's shares during any 12-month period.

According to information received by Citycon, Gazit-Globe Ltd. and CPPIBEH have received statements from the Finnish Financial Supervisory Authority to the effect that the governance agreement does not, as such, constitute acting in concert, and thus does not trigger an obligation for the parties to make a mandatory tender offer for the shares in Citycon.

The governance agreement shall terminate 10 years from the date of the agreement, or if CPPIBEH ceases to hold at least 10% of Citycon shares, directly or indirectly, for more than 30 consecutive days, or if Gazit-Globe Ltd. ceases to hold at least 20% of Citycon shares, directly or indirectly, for more than 30 consecutive days.

Further information on the agreement between Gazit-Globe Ltd. and CPPIBEH is available on the company's website at citycon.com/shareholder-agreements.

The company has no knowledge of any other shareholder agreements.

INCENTIVE PLANS

Long-term Share-based Incentive Plans and Stock Option Plan 2011

Citycon has three incentive plans for the Group key employees:

- performance share plan 2015,
- restricted share plan 2015 and
- stock option plan 2011.

The main terms of the long-term share-based incentive plans and stock option plan 2011 are explained in the Note 1.6 on pages 59-62 of the Financial Statements. The subscription ratios, prices and periods of the stock option plan 2011 as well as the stock option granted to the CEO and other Corporate Management Committee members are available in the section E of the Note 1.6 of the Financial Statements.

In March 2017 Citycon's Board of Directors adjusted the total amount of the maximum reward under the Restricted Share Plan 2015 up to 700,000 Citycon shares and extended the allocation period of the restricted shares with one year, until the end of 2018. Otherwise the terms of the long-term share-based incentive plans and stock option plan 2011 remain unchanged and as explained in the Note 1.6 of the Financial Statements.

The full terms and conditions of both share-based incentive plans are available on the company's website at citycon.com/remuneration and the full terms and conditions of the stock option plan 2011 on the company's website at citycon.com/options.

SHARES AND STOCK OPTIONS HELD BY MEMBERS OF THE BOARD OF DIRECTORS AND BY THE COMPANY MANAGEMENT

The members of the Board of Directors of Citycon, the CEO, the other Corporate Management Committee members and their related parties held a total of 1708 860 company shares on 31 December 2017. These shareholdings represented 0.19% of the company's total shares and total voting rights.

The number of stock options held by the CEO and other Corporate Management Committee members at the year-end 2017 are available in the Note 1.6 of the Financial Statements. The maximum number of shares that they can subscribed for by exercising these outstanding 2011 stock options amounts to 4,134,645. Members of the Board of Directors are not included in the company's share-based incentive plans.

Details of the shareholdings of the members of the Board of Directors, the CEO and the other members of the Corporate Management Committee are available on the company's website at citycon.com/managers-holdings-shares.

EVENTS AFTER THE REPORTING PERIOD

No material events after the reporting period.

OUTLOOK

Citycon forecasts the 2018 EPRA earnings per share (basic) to be EUR 0.155-0.175. Furthermore, the Direct operating profit is expected to change by EUR -15 to +1 million and EPRA Earnings to change by EUR -14 to +4 million from the previous year.

These estimates are based on the existing property portfolio as well as on the prevailing level of inflation, the EUR-SEK and EUR-NOK exchange rates, and current interest rates. Premises taken offline for planned or ongoing (re)development projects reduce net rental income during the year.

Espoo, 7 February 2018
Citycon Oyj
Board of Directors

EPRA PERFORMANCE MEASURES

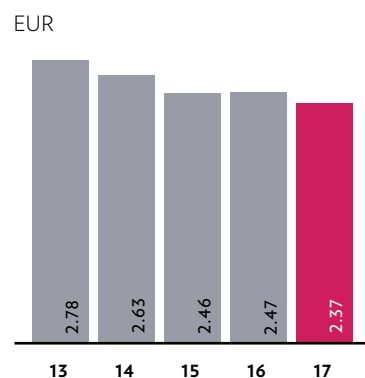
EPRA (European Public Real Estate Association) is a common interest group for listed real estate companies in Europe. Citycon is an active member of EPRA. EPRA's objective is to encourage greater investment in European listed real estate companies and strive for 'best practices' in accounting, financial reporting and corporate governance in order to provide high-quality information to investors and to increase the comparability of different companies. The best practices also create a framework for discussion and decision-making on the issues that determine the future of the sector. In addition, EPRA publishes the FTSE EPRA/NAREIT index in association with FTSE, which tracks the performance of the largest European and North-American listed real estate companies. Citycon is included in the FTSE EPRA index, which increases international interest towards Citycon as an investment.

Citycon applies the best practices policy recommendations of EPRA for financial reporting and also for sustainability reporting. This section in Citycon's financial statements presents the EPRA performance measures and their calculations. For more information about EPRA and EPRA's best practice policies please visit EPRA's web page: epra.com.

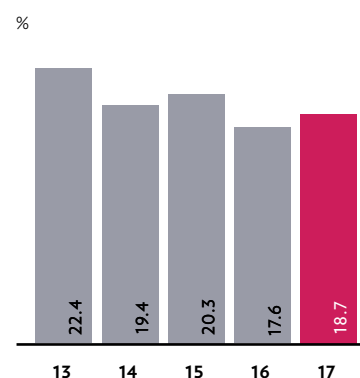
EPRA PERFORMANCE MEASURES

	Note	2017	2016	2015	2014	2013
EPRA Earnings, MEUR	1	152.3	151.1	130.8	99.7	86.7
EPRA Earnings per share (basic), EUR	1	0.171	0.170	0.173	0.178	0.189
EPRA NAV per share, EUR	2	2.71	2.82	2.74	3.01	3.13
EPRA NNNAV per share, EUR	2	2.37	2.47	2.46	2.63	2.78
EPRA Cost Ratio (including direct vacancy costs), %	3	18.7	17.6	20.3	19.4	22.4
EPRA Cost Ratio (excluding direct vacancy costs), %	3	16.5	15.5	18.5	17.7	20.0
EPRA Net Initial Yield (NIY), %	4	5.2	5.5	5.4	6.1	6.2
EPRA 'topped-up' NIY, %	4	5.3	5.6	5.5	6.1	6.3
EPRA vacancy rate, %	5	4.0	3.7	3.1	3.5	4.0

EPRA NNNAV



EPRA COST RATIO



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

EPRA Earnings presents the underlying operating performance of a real estate company excluding all so called non-recurring items such as net fair value gains/losses on investment properties, profit/loss on disposals and other non-recurring items. EPRA Earnings is especially important for investors who want to assess the extent to which dividends are supported by recurring income.

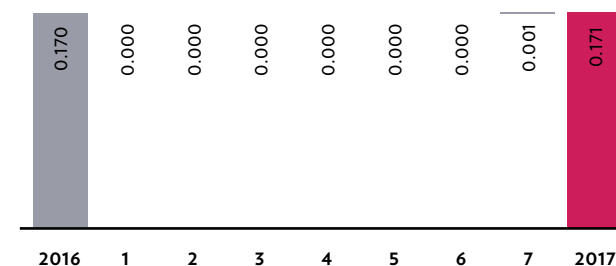
	2017			2016		
	MEUR	Average number of shares (1,000)	per share, EUR	MEUR	Average number of shares (1,000)	per share, EUR
Earnings in IFRS Consolidated Income Statement	87.4	889,992	0.098	160.4	889,993	0.180
-/+ Net fair value gains/losses on investment property	42.9	889,992	0.048	-25.9	889,993	-0.029
-/+ Net losses/gains on disposal of investment property	-6.0	889,992	-0.007	-4.3	889,993	-0.005
+/- Indirect other operating expenses	12.8	889,992	0.014	4.4	889,993	0.005
-/+ Fair value gains/losses of financial instruments	2.0	889,992	0.002	5.9	889,993	0.007
-/+ Indirect gains/losses of joint ventures and associated companies	6.9	889,992	0.008	-10.4	889,993	-0.012
+/- Change in deferred taxes arising from the items above	5.8	889,992	0.007	20.2	889,993	0.023
+/- Non-controlling interest arising from the items above	0.5	889,992	0.001	0.7	889,993	0.001
EPRA Earnings (basic)	152.3	889,992	0.171	151.1	889,993	0.170

EPRA Earnings grew by EUR 1.2 million, EPRA EPS increased to EUR 0.171.
 EPRA Earnings increased due to higher net rental income and improved result of joint ventures and associates.

EPRA Earnings can also be calculated from the consolidated income statement from top to bottom. The EPRA Earnings calculation is presented in the below table with this different method, which also presents the Direct Operating profit.

	2017			2016		
	MEUR	Average number of shares (1,000)	per share, EUR	MEUR	Average number of shares (1,000)	per share, EUR
Net rental income (NRI)	228.5	889,992	0.257	224.9	889,993	0.253
Direct administrative expenses	-29.1	889,992	-0.033	-28.2	889,993	-0.032
Direct other operating income and expenses	1.1	889,992	0.001	1.8	889,993	0.002
Direct Operating profit	200.5	889,992	0.225	198.5	889,993	0.223
Direct net financial income and expenses	-54.4	889,992	-0.061	-51.7	889,993	-0.058
Direct share of profit/loss of joint ventures and associated companies	6.2	889,992	0.007	4.4	889,993	0.005
Direct current taxes	-0.8	889,992	-0.001	-0.7	889,993	-0.001
Change in direct deferred taxes	0.7	889,992	0.001	0.7	889,993	0.001
Direct non-controlling interest	0.0	889,992	0.000	-0.1	889,993	0.000
EPRA Earnings (basic)	152.3	889,992	0.171	151.1	889,993	0.170

CHANGE IN EPRA EARNINGS PER SHARE



- 1 Net rental income
- 2 Direct net financial income and expenses
- 3 Direct administrative expenses
- 4 Direct other operating income and expenses
- 5 Direct current and deferred taxes
- 6 Other direct items
- 7 Change in number of shares

2. EPRA NAV PER SHARE AND EPRA NNNAV PER SHARE

EPRA NAV presents the fair value of net assets of a real estate company. It is based on the assumption of owning and operating investment properties for a long term and therefore it is a useful tool to compare against the share price of a real estate company. The closing share price of Citycon was 2.158 EUR per share on 31 December 2017.

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

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

CHANGE OF NET ASSET VALUE (EPRA NAV)

EUR



- 1 EPRA Earnings
- 2 Indirect result
- 3 Translation reserve
- 4 Dividends paid and equity return
- 5 Other

○ EPRA NAV per share decreased by EUR 0.11 to EUR 2.71 mainly due to valuation items like fair value losses and foreign exchange movements. EPRA NNNAV per share decreased by 0.10 to EUR 2.37.

	2017			2016		
	MEUR	Number of shares on the balance sheet date (1,000)	per share, EUR	MEUR	Number of shares on the balance sheet date (1,000)	per share, EUR
Equity attributable to parent company shareholders	2,207.3	889,993	2.48	2,311.4	889,993	2.60
Deferred taxes from the difference between the fair value and fiscal value of investment properties	297.6	889,993	0.33	309.1	889,993	0.35
Goodwill as a result of deferred taxes	-91.8	889,993	-0.10	-108.7	889,993	-0.12
Fair value of financial instruments	0.8	889,993	0.00	0.3	889,993	0.00
Net asset value (EPRA NAV)	2,413.8	889,993	2.71	2,512.2	889,993	2.82
Deferred taxes from the difference between the fair value and fiscal value of investment properties	-297.6	889,993	-0.33	-309.1	889,993	-0.35
Goodwill as a result of deferred taxes	91.8	889,993	0.10	108.7	889,993	0.12
Difference between the secondary market price and fair value of bonds and capital loans ¹⁾	-100.2	889,993	-0.11	-116.2	889,993	-0.13
Fair value of financial instruments	-0.8	889,993	0.00	-0.3	889,993	0.00
EPRA NNNAV	2,107.1	889,993	2.37	2,195.2	889,993	2.47

¹⁾ When calculating the EPRA NNNAV in accordance with EPRA's recommendations, the shareholders' equity is adjusted using EPRA's guidelines so that bonds are valued based on secondary market prices. In accordance with Citycon's accounting policies, the carrying amount and fair value of bonds are different from this secondary market price. The difference between the secondary market price and the fair value of the bonds was EUR 100.2 million (116.2) as of 31 December 2017.

3. EPRA COST RATIOS

EPRA Cost Ratios reflect the relevant overhead and operating costs of the business and provide a recognized and understood reference point for analysis of a company's costs. The EPRA Cost Ratio (including direct vacancy costs) includes all administrative and operating expenses in the IFRS statements including the share of joint ventures' overheads and operating expenses (net of any service fees). The EPRA Cost Ratio (excluding direct vacancy costs) is calculated as above, but with an adjustment to exclude vacancy costs. Both EPRA Cost Ratios are calculated as a percentage of Gross Rental Income less ground rent costs, including a share of joint venture Gross Rental Income less ground rent costs.

MEUR	2017	2016
Include:		
Administrative expenses ¹⁾	29.1	28.2
Property operating expenses and other expenses from leasing operations less service charge costs	85.5	81.3
Net service charge costs/fees	13.5	14.0
Management fees less actual/estimated profit element	-1.9	-2.8
Other operating income/recharges intended to cover costs less any related profit	-12.0	-11.1
Share of joint venture expenses	4.9	5.5
Exclude:		
Ground rent costs	-6.0	-6.1
Service charge costs recovered through rents but not separately invoiced	-60.4	-60.1
Share of joint venture investment property depreciation, ground rent costs and service charge costs recovered through rents but not separately invoiced	-2.1	-2.2
EPRA Costs (including direct vacancy costs) (A)	50.5	46.7
Direct vacancy costs	-5.7	-5.6
EPRA Costs (excluding direct vacancy costs) (B)	44.8	41.1
Gross rental income less ground rent costs	251.4	245.4
Add: share of joint ventures (Gross rental income less ground rent costs less service fees in GRI)	19.3	19.7
Gross Rental Income (C)	270.7	265.1
EPRA Cost Ratio (including direct vacancy costs) (A/C, %)	18.7	17.6
EPRA Cost Ratio (excluding direct vacancy costs) (B/C, %)	16.5	15.5

¹⁾Administrative expenses are net of costs capitalised of EUR 3.6 million in 2017 and EUR 4.6 million in 2016. Citycon's policy is to capitalise, for example, expenses related to property development projects and major software development projects.

4. EPRA NET INITIAL YIELD (NIY), % AND EPRA 'TOPPED-UP' NIY, %

EPRA initial yields present property portfolio's ability to generate rent.

EPRA NIY, % is calculated by dividing the net rental income for the completed property portfolio, based on the valid lease portfolio on the balance sheet date, by the gross market value of the completed property portfolio. EPRA initial yields calculation does not include Kista Galleria.

In EPRA 'topped-up' NIY, the net rental income is 'topped-up' to reflect rent after the expiry of lease incentives such as rent free periods and rental discounts.

MEUR	31 December 2017	31 December 2016
Fair value of investment properties determined by the external appraiser	4,134.1	4,369.4
Less (re)development properties, unused building rights and properties which valuation is based on the value of the building right	-146.3	-764.2
Completed property portfolio	3,987.8	3,605.2
Plus the estimated purchasers' transaction costs	72.2	83.6
Gross value of completed property portfolio (A)	4,060.0	3,688.8
Annualised gross rents for completed property portfolio	285.3	278.3
Property portfolio's operating expenses	-72.5	-74.3
Annualised net rents (B)	212.9	204.0
Plus the notional rent expiration of rent free periods or other lease incentives	2.7	1.8
Topped-up annualised net rents (C)	215.6	205.8
EPRA Net Initial Yield (NIY), % (B/A)	5.2	5.5
EPRA 'topped-up' NIY, % (C/A)	5.3	5.6

EPRA Cost Ratio increased to 18.7% due to higher property operating expenses.
EPRA Cost Ratio (including direct vacancy costs) increased to 18.7% in 2017. EPRA Cost Ratio (excluding direct vacancy costs) increased to 16.5%. The increases in the EPRA Cost Ratios were mainly a result of increased property operating expenses (especially property tax).

EPRA NIY and EPRA 'TOPPED-UP' NIY decreased.
EPRA initial yields decreased during the year due to changes in the property portfolio such as completion of the Iso Omena (re)development project and property disposals. For comparable properties initial yields increased by 10bps. Kista Galleria EPRA NIY at the end of the period is 4.3% (4.6). The decrease was due to higher vacancy.

5. EPRA VACANCY RATE, %

The EPRA vacancy rate presents how much out of the full potential rental income is not received because of vacancy.

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

MEUR	31 December 2017	31 December 2016
Annualised potential rental value of vacant premises	12.4	12.0
./ Annualised potential rental value for the whole property portfolio	307.2	328.9
EPRA vacancy rate, %	4.0	3.7

EPRA vacancy rate close to last years' level.

The EPRA vacancy rate at the end of 2017 for the entire property portfolio was 4.0%. Vacancy was slightly higher in Norway, Sweden and Estonia.

6. PROPERTY RELATED CAPEX

MEUR	2017	2016
Acquisitions	142.9	126.9
(Re)development	100.1	116.9
Like-for-like portfolio	26.3	26.5
Capex on disposed assets	7.0	0.0
Other incl. capitalised interest	3.2	5.6
Capital expenditure	279.5	275.9

Capex disclosed in the table are categorised according to the EPRA recommendations and consists of the items 'Acquisitions during the period', 'Investments during the period' and 'Capitalised interest' presented in the Note 2.1. Investment Properties. Investments include both income-producing and maintenance capex.

Acquisitions include EUR 142.5 million related to acquisitions and EUR 0.4 million of investments in acquisition portfolio's properties. In 2016, investments into acquisition portfolio's properties totaled EUR 45.4 million, and in addition, acquisitions included EUR 81.5 million.

7. EPRA EARNINGS FOR FIVE YEARS

MEUR	2017	2016	2015	2014	2013
Earnings in IFRS Consolidated Income Statement	87.4	160.4	108.8	84.5	94.9
-/+ Net fair value gains/losses on investment property	42.9	-25.9	-7.3	-15.7	-26.1
-/+ Net losses/gains on disposal of investment property	-6.0	-4.3	17.1	0.3	-0.8
+ Transaction costs related to business combinations and investment property disposals	-	-	7.5	0.1	-
-/+ Indirect other operating expenses	12.8	4.4	9.2	-	-
-/+ Fair value gains/losses of financial instruments and early close-out costs of debt and financial instruments	2.0	5.9	6.1	26.5	27.0
-/+ Indirect gains/losses of joint ventures and associated companies	6.9	-10.4	-16.9	-12.8	1.4
+/- Change in deferred taxes arising from the items above	5.8	20.2	5.8	13.2	-15.0
+/- Non-controlling interest arising from the items above	0.5	0.7	0.5	3.5	5.3
EPRA Earnings (basic)	152.3	151.1	130.8	99.7	86.7
Issue-adjusted average number of shares, million	889,992	889,993	755,496	559,863	458,161
EPRA Earnings per share (basic), EUR	0.171	0.170	0.173	0.178	0.189

EPRA Earnings can also be calculated from the consolidated income statement from top to bottom. The EPRA Earnings calculation is presented in the below table with this different method, which also presents the Direct Operating profit.

MEUR	2017	2016	2015	2014	2013
Net rental income	228.5	224.9	199.6	169.4	168.9
Direct administrative expenses	-29.1	-28.2	-27.0	-20.6	-20.6
Direct other operating income and expenses	1.1	1.8	2.7	1.0	0.9
Direct operating profit	200.5	198.5	175.4	149.8	149.1
Direct net financial income and expenses	-54.4	-51.7	-46.2	-51.0	-63.0
Direct share of profit/loss of joint ventures and associated companies	6.2	4.4	2.6	2.1	3.1
Direct current taxes	-0.8	-0.7	-0.4	-0.3	-0.7
Change in direct deferred taxes	0.7	0.7	0.6	0.9	0.1
Direct non-controlling interest	0.0	-0.1	-1.1	-1.6	-1.9
EPRA Earnings	152.3	151.1	130.8	99.7	86.7
Issue-adjusted average number of shares, million	889,992	889,993	755,496	559,863	458,161
EPRA Earnings per share (basic), EUR	0.171	0.170	0.173	0.178	0.189

OPERATIONAL KEY FIGURES

FAIR VALUE

	No. of properties	Fair value, MEUR ¹⁾		Fair value change, MEUR	Average yield requirement, %		Average market rent, EUR/sq.m./month
		31 December 2017	31 December 2016		31 December 2017	31 December 2016	
Shopping centres, Finland	13	1,628.8	1,755.7	-42.9	-	-	-
Other retail properties, Finland	2	23.9	76.1	-1.8	-	-	-
Finland, total	15	1,652.6	1,831.7	-44.7	5.3	5.6	31.2
Shopping centres, Norway ¹⁾	17	1,346.9	1,412.8	-22.2	-	-	-
Rented shopping centres, Norway ²⁾	2	-	-	-	-	-	-
Norway, total	19	1,346.9	1,412.8	-22.2	5.4	5.3	22.0
Sweden and Denmark, total	10	877.9	784.5	30.6	5.2	5.2	25.9
Estonia, total	2	306.0	308.6	-6.5	6.5	6.7	20.7
Shopping centres, total	44	4,159.6	4,261.5	-41.1	-	-	-
Other retail properties, total	2	23.9	76.1	-1.8	-	-	-
Investment properties, total	46	4,183.4	4,337.6	-42.9	5.4	5.5	26.2
Kista Galleria, 50%	1	305.3	312.8	-0.6	-	-	-
Investment properties and Kista Galleria (50%), total	47	4,488.7	4,650.4	-43.5	5.3	5.4	26.9

¹⁾ Fair value of investment properties does not include properties held for sale.

²⁾ Value of rented properties is recognised within intangible rights based on IFRS rules.

LIKE-FOR-LIKE PORTFOLIO

	No. of properties	Fair value, MEUR		Fair value change, MEUR	Average yield requirement, %		Average market rent, EUR/sq.m./month
		31 December 2017	31 December 2016		31 December 2017	31 December 2016	
Shopping centres, Finland	6	433.5	485.5	-58.2	-	-	-
Other retail properties, Finland	2	23.9	24.7	-2.8	-	-	-
Finland, total	8	457.4	510.2	-61.0	6.4	6.3	27.1
Shopping centres, Norway ¹⁾	14	1,014.3	1,109.0	-11.1	-	-	-
Rented shopping centres, Norway ²⁾	2	-	-	-	-	-	-
Norway, total	16	1,014.3	1,109.0	-11.1	5.3	5.2	22.6
Sweden and Denmark, total	8	721.8	699.7	33.6	5.0	5.1	27.0
Estonia, total	1	179.0	175.8	2.8	6.5	6.7	21.0
Like-for-like properties, total	33	2,372.4	2,494.7	-35.7	5.5	5.5	24.6

¹⁾ Fair value of investment properties does not include properties held for sale.

²⁾ Value of rented properties is recognised within intangible rights based on IFRS rules.

AVERAGE RENT¹⁾

	Average remaining length of lease agreements, years 31 December 2017	Average rent, EUR/sq.m./month 31 December 2017
Finland	4.1	26.3
Norway	3.6	21.8
Sweden and Denmark	2.9	22.4
Estonia	2.5	20.7
Total	3.5	23.2

¹⁾ Including Kista Galleria 50%.

RENTAL INCOME BY BUSINESS UNITS

	Gross rental income, MEUR		Net rental income, MEUR	
	2017	2016	2017	2016
Finland	94.2	94.4	84.7	87.8
Norway	91.5	85.3	79.6	74.0
Sweden and Denmark	49.0	48.6	41.3	40.1
Estonia	22.6	23.2	22.2	22.6
Other	-	-	0.7	0.5
Investment properties, total	257.4	251.4	228.5	224.9
Kista Galleria, 50%	16.5	17.2	14.4	15.0
Investment properties and Kista Galleria (50%), total	273.9	268.6	242.8	239.9

RENTAL INCOME BY CATEGORY, %¹⁾

	Finland	Norway	Sweden and Denmark	Estonia	Total
Cafes and Restaurants	10.6	6.3	11.7	6.1	9.0
Cosmetics and Pharmacies	5.4	7.3	7.1	7.8	6.7
Department Stores	2.6	-	0.7	1.1	1.1
Fashion and Accessories	20.2	29.7	22.3	36.4	25.3
Groceries	24.6	9.5	17.7	15.7	17.0
Home and Sporting Goods	12.7	30.8	10.3	26.6	19.5
Leisure	2.4	0.4	1.0	0.2	1.2
Residential and Hotels	1.3	0.1	4.2	-	1.5
Services and Offices	15.2	11.5	18.6	4.0	13.8
Specialty Stores	2.2	0.7	1.2	1.2	1.4
Wellness	2.9	3.9	5.3	1.0	3.7
Total	100.0	100.0	100.0	100.0	100.0

¹⁾ Including Kista Galleria 50%. Rental income based on valid rent roll at 31 December 2017.

CITYCON'S FIVE LARGEST PROPERTIES

	Average rent, EUR/sq.m./month 31 December 2017	Gross rental income, MEUR 2017	Net rental income, MEUR 2017	Fair value, MEUR 31 December 2017	Fair value change, MEUR 2017	Net rental yield, % 2017
Iso Omena	34.3	30.0	26.2	750.0	33.9	3.7
Liljeholmstorget Galleria	32.9	15.1	13.1	311.6	12.9	4.3
Kista Galleria, 50%	33.4	16.5	14.4	305.3	-0.6	4.7
Oasen	22.9	12.4	11.6	208.4	12.0	5.8
Koskikeskus	31.0	11.0	11.0	181.0	-12.0	6.0
Five largest properties, total	31.1	85.0	76.3	1,756.3	46.1	-

SHOPPING CENTRES¹⁾

	Location	GLA, sq.m.	Retail GLA, sq.m.	Economic occupancy rate, % 31 December 2017	Number of lease agreements	Parking spaces	Year of acquisition	Year built/ latest year of renovation	
Finland									
Shopping centres, Helsinki area									
	Arabia	Helsinki	15,800	13,200	97.9	44	340	2012	1960/2013
	Columbus	Helsinki	20,700	18,800	95.4	74	900	2006	1997/2007
	Heikintori	Espoo	6,250	4,500	37.2	30	260	1998	1968
	Isomyyri	Vantaa	11,600	8,300	91.0	26	-	1999	1987
	Iso Omena	Espoo	100,900	84,600	96.9	387	2,600	2007	2001/2016,2017
	Pikkulaiva	Espoo	8,300	8,100	100.0	34	400	2017	2017
	Myyrmanni	Vantaa	40,200	31,100	97.5	122	1,100	1999	1994/2016
Shopping centres, other areas in Finland									
	Duo	Tampere	13,100	11,700	92.1	45	380	1998	1979, 2007
	IsoKarhu	Pori	14,600	12,700	84.1	43	220	1999	1972/2014
	IsoKristiina	Lappeenranta	17,000	12,800	83.8	86	550	1999, 2005	1987,1993/2015
	Koskikeskus	Tampere	33,100	28,600	96.2	172	430	1999, 2003	1988/2012
	Sampokeskus	Rovaniemi	14,500	8,500	85.0	81	220	1999, 2005	1989, 1990
	Trio	Lahti	45,900	26,900	83.1	148	330	1999, 2007	1977, 1992/2010
	Shopping centres, total		341,950	269,800	93.3	1,292	-	-	-
	Other retail properties, total		12,540	7,700	80.9	48	-	-	-
	Finland, total		354,490	277,500	93.0	1,340	-	-	-

	Location	GLA, sq.m.	Retail GLA, sq.m.	Economic occupancy rate, % 31 December 2017	Number of lease agreements	Parking spaces	Year of acquisition	Year built/ latest year of renovation	
Norway									
Shopping centres, Oslo area									
	Buskerud Storsenter	Krokstadelva	30,900	28,100	98.9	74	770	2015	1984/2016
	Kolbotn Torg	Kolbotn	17,700	16,200	100.0	68	800	2015	2008
	Liertoppen Kjøpesenter	Lierskogen	25,600	23,500	99.1	88	1,200	2015	1987/1990
	Linderud Senter	Oslo	20,900	16,000	98.9	88	370	2015	1967/2009
	Magasinet Drammen	Drammen	15,400	9,600	97.5	53	190	2015	1992/2008
	NAF-Huset ²⁾	Oslo	4,200	3,800	100.0	6	-	2015	1973
	Trekanten	Asker	23,900	16,600	97.8	104	800	2015	1997/2008
Shopping centres, other areas in Norway									
	Down Town	Porsgrunn	37,800	32,400	100.0	83	800	2015	1988/2016
	Glasshuspassasjen	Bodø	2,300	2,000	89.8	9	300	2015	1947/1992
	Heiane Storsenter	Stord	23,900	19,200	99.2	41	450	2015	2008
	Herkules	Skien	49,400	42,700	99.5	136	1,550	2015	1969/2013
	Kilden Kjøpesenter	Stavanger	23,100	18,300	94.5	75	350	2015	1989/2015
	Kongssenteret	Kongsvinger	18,300	16,200	98.4	58	350	2015	2001/2016
	Kremmertorget	Elverum	19,400	16,500	91.5	56	430	2015	1979/2012
	Oasen Kjøpesenter	Fyllingsdalen	57,000	23,400	99.4	93	850	2015	1971/2014
	Sjøsidan	Horten	11,200	10,200	97.4	47	170	2015	2001
	Solsiden ²⁾	Trondheim	14,000	13,100	100.0	71	450	2015	2000
	Stopp Tune	Sarpsborg	12,100	11,200	98.2	32	650	2015	1993
	Storbyen	Sarpsborg	25,500	22,700	98.7	80	570	2015	1999/2015
Norway, total			432,600	341,700	98.4	1,262			

	Location	GLA, sq.m.	Retail GLA, sq.m.	Economic occupancy rate, % 31 December 2017	Number of lease agreements	Parking spaces	Year of acquisition	Year built/ latest year of renovation	
Sweden and Denmark									
Shopping centres, Stockholm area									
	Fruängen Centrum	Hägerstern	14,700	7,400	96.8	84	150	2005	1965/2013
	Högdalen Centrum	Bandhagen	19,900	14,400	98.6	84	-	2011	1959/2015
	Jakobsbergs Centrum	Järfalla	43,000	25,900	91.3	156	1,300	2006	1959/1993
	Kista Galleria, 50%	Stockholm	46,250	28,000	94.6	608	2,500	2013	1977,2002/ 2014
	Liljeholmstorget Galleria	Stockholm	40,600	26,700	99.9	176	900	2006	1973/2009
	Tumba Centrum	Botkyrka	23,100	12,900	98.0	164	600	2007	1954/2016
	Åkermyntan Centrum	Hässelby	10,300	7,500	97.6	48	245	2005	1977/2012
	Åkersberga Centrum	Åkersberga	28,400	23,000	94.4	92	900	2005, 2015	1985/2011
Shopping centres, Gothenburg area									
	Stenungstorg Centrum	Stenungsund	35,400	21,800	94.7	186	1,030	2006	1967/2016
Shopping centres, Denmark									
	Albertslund Centrum	Copenhagen	18,500	14,000	99.5	71	750	2012	1965/2015
	Strædet	Køge	15,300	14,700	100.0	35	450	2017	2017
Sweden and Denmark, total			295,450	196,300	96.3	1,704			
Estonia									
Shopping centres, Estonia									
	Kristiine Keskus	Tallinn	44,000	43,600	95.2	126	1,100	2011	1999/2013
	Rocca al Mare	Tallinn	57,600	56,600	99.3	149	1,350	2005	1998/2013
Estonia, total			101,600	100,200	97.6	275	-	-	-
Total			1,184,140	915,700	96.0	4,581	-	-	-

¹⁾ Including Kista Galleria 50%.

²⁾ Rented property

SHOPPING CENTRE SALES AND NUMBER OF VISITORS ¹⁾

	Sales, MEUR ²⁾			Number of visitors, million		
	2017	2016	Change, %	2017	2016	Change, %
Finland						
Helsinki area						
Arabia	44.2	46.6	-5%	2.7	2.7	2%
Columbus	76.6	82.2	-7%	6.4	6.4	1%
Heikintori	-	-	-	-	-	-
Isomyyri	9.3	11.7	-21%	-	-	-
Iso Omena	268.8	194.8	38%	11.5	9.0	28%
Pikkulaiva	26.0	-	-	1.2	-	-
Myyrmanni	129.6	120.6	7%	8.0	7.0	14%
Other areas in Finland						
Duo	54.5	54.0	1%	4.5	4.5	0%
IsoKarhu	18.2	20.0	-9%	2.2	2.2	-1%
IsoKristiina	37.0	35.6	4%	2.1	2.0	4%
Koskikeskus	112.0	110.4	1%	5.5	5.6	-2%
Sampokeskus	17.2	17.4	-1%	1.9	1.9	-1%
Trio	43.8	45.4	-4%	5.3	5.6	-6%
Shopping centres, Finland, total	837.1	738.7	13%	51.2	46.8	10%
Norway						
Oslo area						
Buskerud Storsenter	96.6	86.9	11%	1.8	1.6	12%
Kolbotn Torg	61.0	60.7	1%	1.8	1.9	0%
Liertoppen Kjøpesenter	85.0	87.5	-3%	2.0	2.0	-3%
Linderud Senter	61.9	64.4	-4%	2.1	2.2	-5%
Magasinet Drammen	26.2	28.3	-8%	2.6	2.7	-3%
NAF-Huset ³⁾	26.1	25.4	3%	-	-	-
Trekanten	70.2	69.6	1%	3.1	3.1	-2%
Other areas in Norway						
Down Town	69.0	66.0	5%	2.2	2.2	-1%
Glasshuspassasjen	6.3	6.3	-1%	-	-	-
Heiane Storsenter	42.2	41.4	2%	1.2	1.3	-5%
Herkules	124.0	120.7	3%	3.4	3.3	3%
Kilden Kjøpesenter	65.9	64.8	2%	1.5	1.6	-7%
Kongssenteret	39.9	35.5	12%	1.2	1.1	10%
Kremmertorget	38.2	39.6	-3%	1.1	1.2	-8%

	Sales, MEUR ²⁾			Number of visitors, million		
	2017	2016	Change, %	2017	2016	Change, %
Oasen Kjøpesenter	98.9	97.4	1%	4.4	4.4	1%
Sjøsidan	30.3	31.8	-5%	0.9	1.0	-6%
Solsiden ³⁾	53.6	55.1	-3%	2.3	2.4	-5%
Stopp Tune	28.5	29.4	-3%	0.9	1.0	-9%
Storbyen	59.6	65.3	-9%	2.4	2.5	-3%
Shopping centres, Norway, total	1,083.4	1,076.3	1%	35.0	35.5	-1%
Sweden and Denmark						
Stockholm area						
Fruängen Centrum	31.9	31.2	2%	-	-	-
Högdalen Centrum	59.1	57.6	3%	-	-	-
Jakobsbergs Centrum	62.9	65.3	-4%	5.8	5.9	-2%
Kista Galleria, 50%	93.3	99.7	-6%	9.2	9.4	-2%
Liljeholmstorget Galleria	157.8	155.2	2%	9.8	9.8	0%
Tumba Centrum	48.6	48.4	0%	3.9	3.8	2%
Åkermytan Centrum	28.8	27.8	4%	1.8	1.8	4%
Åkersberga Centrum	79.2	79.3	0%	6.0	6.2	-2%
Gothenburg area						
Stenungstorg Centrum	62.9	62.6	0%	3.3	3.3	-1%
Denmark						
Albertslund Centrum	45.3	45.3	0%	5.2	5.3	-2%
Straedet	4.3	-	-	-	-	-
Shopping centres, Sweden and Denmark, total	674.0	672.4	0%	44.9	45.4	-1%
Estonia						
Kristiine Keskus	104.8	104.0	1%	7.1	7.3	-3%
Rocca al Mare	113.8	121.8	-7%	5.5	6.0	-8%
Shopping centres, Estonia, total	218.5	225.8	-3%	12.6	13.3	-5%
Total	2,813.0	2,713.3	4%	143.7	141.0	2%

¹⁾ Including Kista Galleria 50%.

²⁾ Sales include estimates. Sales do not include VAT.

³⁾ Rented property.

MANAGED SHOPPING CENTRES, NORWAY

	Location	Ownership, % 31 December 2017	GLA, sq.m. 31 December 2017	Number of visitors, million 2017
CC Drammen	Drammen	-	17,300	-
City Syd	Trondheim	-	15,500	3.7
Holmen Senter	Asker	-	24,200	1.4
Markedet	Haugesund	20 %	10,600	0.9
Stadionparken	Stavanger	-	11,100	0.9
Stovner Senter	Oslo	20 %	41,800	5.0
Strandtorget	Lillehammer	-	29,600	2.2
Tiller Torget	Trondheim	-	23,700	1.3
Torget Vest	Drammen	-	8,000	1.3
Torvbyen	Fredrikstad	20 %	15,500	3.9
Managed shopping centres, total			197,300	20.6

LEASING ACTIVITY, INVESTMENT PROPERTIES AND KISTA GALLERIA (50%) TOTAL

	Number of lease agreements	Leased area, sq.m.	Average rent, EUR/sq.m./month
Status 1 January 2017	4,848	1,143,408	23.2
Leases started	1,255	259,053	22.9
Leases ended	1,565	347,330	23.1
Acquisitions	40	40,464	15.0
Other changes	3	1,694	-
Status 31 December 2017	4,581	1,097,289	23.2

TOP FIVE TENANTS ¹⁾

	Proportion of rental income based on valid rent roll at 31 December 2017, %
Kesko Group	16.0%
S Group	8.7%
Varner Group	3.8%
Nordea	2.6%
Tokmanni Group	2.2%
Finland, total	33.5%
Varner-Group	8.2%
Gresvig	5.7%
NorgesGruppen Group	5.2%
Tryg Forsikring	4.4%
Clas Ohlson	3.0%
Norway, total	26.6%
ICA Group	8.1%
Coop	4.6%
H&M	3.0%
Stockholms Läns Landsting	2.6%
KappAhl	2.2%
Sweden and Denmark, total	20.5%
S Group	15.1%
Sports Direct International	3.3%
Baltman	3.3%
Pöldma Kaubanduse	3.1%
Antista	2.9%
Estonia, total	27.7%
Kesko Group	5.3%
Varner-Group	4.5%
S Group	4.1%
H&M	2.2%
Coop	2.2%
Total	18.2%

¹⁾ Including Kista Galleria 50%.

(RE)DEVELOPMENT PROJECTS

31 DECEMBER 2017

ONGOING (RE)DEVELOPMENT PROJECTS ¹⁾

		Area before/ after, sq.m.	Expected gross investment, MEUR ²⁾	Actual gross investment by 31 December 2017, MEUR	Completion target	Pre-leasing rate ³⁾	Yield on cost ⁴⁾	
Möndal Galleria	Gothenburg, Sweden	-/24,000	60.0 (120.0)	44.4	Q3/2018	80%	6.0-6.5	Development of a completely new shopping centre replacing an outdated retail property. Möndal Galleria will be a modern urban city centre focusing on daily necessities with altogether 70 shops, restaurants and service units. Citycon has signed a joint venture agreement with NCC for the (re)development based on a 50/50 partnership. Citycon will acquire NCC's stake at completion.
Lippulaiva	Helsinki metropolitan area, Finland	19,200/44,300	215.0	44.0	2021	55%	6.25-6.75	A completely new, modern shopping centre, double the size of the old centre, will be built in order to accommodate a new metro station and bus terminal. The new Lippulaiva will host around 80 different shops, cafés, restaurants and services as well as municipal and health care facilities.

¹⁾ In addition to these projects, Citycon has signed an agreement with TK development regarding the forward purchase of Straedet project in Køge in the greater Copenhagen area. Citycon will acquire the newly constructed shopping centre at completion in three parts: the first part was acquired on 4 July 2017, the second part was acquired 21 December 2017 and the final part is expected to be acquired during Q2/2018. The purchase price is EUR 75 million based on a fixed 6.25% net initial yield.

²⁾ The number in brackets reflects Citycon's total investment in the project including agreed buyouts of JV shares.

³⁾ Signed or agreed lease agreements

⁴⁾ Expected stabilised yield (3rd year after completion). Calculated on total development costs, also including financing and Citycon's internal costs.

POTENTIAL (RE)DEVELOPMENT PROJECTS

Citycon is investigating the following development and/or extension opportunities ²⁾.

		Area before/after, sq.m.	Expected investment, MEUR	Target initiation/completion	
Tumba Centrum	Stockholm, Sweden	23,100/30,500	40	2018/2020	Extension possibility of the newly refurbished Tumba Centrum integrating it with the new bus terminal while also increasing the offering of retail, healthcare services and parking facilities.
Kista Galleria	Stockholm, Sweden	92,500/105,000	80 ¹⁾	2020/2023	Shopping centre extension project in which the shopping centre is planned to be extended towards the metro station to create seamless connection with the public transportation and additional space for new retail, groceries and services. Plan also include creating building rights for residential and offices.
Oasen Kjøpesenter	Bergen, Norway	56,800/68,800	100	2019/2022	Shopping centre extension project in which the main part of the two lowest floors of the the adjacent office building is converted into retail space and a new part that further connects the two buildings is built. The goal is to significantly improve the circulation of the shopping centre and connect it better to the surrounding urban environment with a new main entrance, while also giving space for new anchor tenants and a broader food and beverage offering.
Liljeholmstorget Galleria	Stockholm, Sweden	40,500/64,500	100	2020/2023	Extension possibility of the shopping centre to meet the strong demand for more retail, office/healthcare and services including culture and library, entertainment and food, all directly connected to the metro station and bus terminal. Plans also include creating building rights for residential.
Trekanten	Oslo, Norway	23,800/45,000	135	2019/2022	Extension possibility of the shopping centre with the main objective to increase the offering of shops and services as well as create more visible and inviting entrances and improved circulation. Plans also include adding residential, offices, healthcare and sports facilities on top of the centre.
Down Town	Porsgrunn, Norway		Under review		The Down Town project was scaled down to optimise the current shopping centre instead of extending it.

¹⁾ Citycon's share is MEUR 40 (50%)

²⁾ In addition Citycon has signed a Letter of Intent with Klövern on 31 August 2017 to develop Globen Shopping.

COMPLETED (RE)DEVELOPMENT PROJECTS IN 2017

		Area before/after, sq.m.	Actual gross investment by 31 December 2017, MEUR	Expected yield on completion when stabilised ¹⁾	Completion	
Iso Omena	Helsinki metropolitan area, Finland	63,300/101,000	296.5	5.50–6.0	Q2/2017	Extension project including partial (re)development of existing centre. The first phase of the extension was completed in August 2016 and the second phase covering a 13,000 sq.m. extension opened in April 2017. The extended Iso Omena is fully integrated with the new Western metro line and Matinkylä bus terminal. The extended shopping centre has a wide offering of restaurants, public services and leisure activities including a seven screen cinema and 4,000 sq.m. activity park.
Porin Asema-aukio	Pori, Finland	18,800/23,000	40.0	-	Q2/2017	Construction of a new campus for Satakunta University of Applied Sciences in Porin Asema-aukio. According to the contract, Citycon has sold the property with the completion on 31 May 2017.

¹⁾ Expected stabilised (3rd year after completion) net rents incl. possible vacancy / total investment (total capital invested in the property by Citycon)

RISKS AND RISK MANAGEMENT

The objective of Citycon’s risk management is to ensure that the business targets are achieved by identifying, assessing and monitoring key risks which may threaten these targets, and to the extent possible, avoid, transfer or mitigate these risks.

RISK MANAGEMENT PRINCIPLES

Citycon is exposed to various risks through the normal course of its activities. No business can be conducted without accepting a certain risk level, and expected gains are to be assessed against the involved risks. Successful risk management implemented in the business processes decreases the likelihood of risk realization and mitigates the negative effects of realised risk. Many of the risks and threats have not only potential negative effects, but could also develop in a favourable manner, or if effective proactive measures are taken, be turned into opportunities for Citycon.

The Board of Directors determines Citycon’s strategic direction and is jointly with the Management Committee responsible for the long-term and overall management of strategic risks. The operational risks, fi-

ancial risks and hazard risks are managed in the various functions as a part of operational management. Each function has a dedicated person who is the owner of the risks in that area and also responsible for the reporting of the risks, the mitigation plans and the follow-up on their implementation.

RISK REPORTING

The risk management and reporting process involves identifying, assessing, quantifying, mitigating and monitoring risks in all main business operations and processes. The process also includes evaluation of existing, and the planning of new risk mitigation plans for

the identified risks in order to continuously improve risk management processes.

The risk reporting process gathers data on risks and the respective mitigation plans into one group-wide risk register, for annual reporting to Citycon’s Board of Directors to facilitate discussion and inform about the major risks in the company. This is done during the budgeting process so that the risks are linked to the annual targets. In order to evaluate the importance of each risk and to improve the comparativeness, an estimate of the loss associated with each risk is determined together with the probability of risk realisation. The realised risks during

the previous year are also estimated and reported. Group Treasury is responsible for the risk reporting process.

INSURANCES

To transfer certain operational and hazard risks, Citycon maintains a comprehensive insurance coverage to cover damages, claims and liabilities potentially arising from the Group’s business. The properties are insured under the property damage policy to their full value, including business interruption insurance and third-party liability insurance. Citycon also has other customary insurance policies.



	RISK AND IMPACT	RISK MANAGEMENT MEASURES
Leasing	<ul style="list-style-type: none"> The economic development in Citycon's operating countries impacts consumer confidence which could affect demand for retail premises. This may lead to lower rental levels or increased vacancy. It could also increase the risks for credit losses or decrease turnover based rental income. The growing online retailing that affects customer behaviour, or increased local competition may affect demand for retail premises and put pressure on rental levels or increase vacancy, especially in less urban locations. 	<ul style="list-style-type: none"> Citycon's strategy to focus on grocery anchored, urban shopping centres connected to public transportation with necessity-driven retail has proven to be a recession-proof business model with steady cash flows, occupancy and low credit losses also during a downturn. This strategy also decreases the negative effects of the increasing online retailing. The fact that most of the company's assets are in AAA/AA+ rated countries decreases the risk of a major downturn affecting the retail sector. Citycon is continuously following and analysing tenants to identify risk tenants, and requires a rent collateral. Tenant diversification has improved considerably through focused leasing efforts and through entering Norway.
Property Development & transactions	<ul style="list-style-type: none"> Increased costs in development projects due to rising construction costs or delays due to unforeseeable challenges. Reduced demand for retail space in new premises could result in a lower occupancy rate or lower rent levels. Planned divestments of non-core properties could be delayed due to relatively low liquidity for secondary assets. 	<ul style="list-style-type: none"> Construction costs are managed through competitive tendering, careful project monitoring of costs and by entering into contracts with price caps when appropriate. Leasing risks are minimised by having strict pre-leasing requirements prior to project start, by signing agreements with key anchor tenants at an early stage and by carrying out developments in proven retail locations with strong and growing demographics. Maintaining relatively low level of development exposure and keeping no landbank.
Operations	<ul style="list-style-type: none"> A major accident, system failure or terrorist incident could threaten the safety of shoppers and retailers, leading to loss of consumer confidence and thereby loss of income and extra costs. Risk of increased operating cost for e.g. maintenance, energy or security. In some lease agreements the rent paid by the lessee is not affected by changed operating expenses, and a rise in operating expenses higher than inflation would decrease the profitability. Also when the higher costs can be passed to tenants, rising operating expenses may reduce tenants' rental payment capacity. 	<ul style="list-style-type: none"> Risk of accidents and incidents mitigated by adequate security plans and incident procedures supported by crisis case exercises for personnel. Comprehensive insurance coverage. Citycon tries to minimize the impact of rising operating expenses by lease contracts with specified rent components when possible and charging tenants based on actual operating costs. Efficient centralized procurement, cost monitoring and cost benchmarking between shopping centres. To mitigate the risk of energy price hikes, electricity prices are fixed according to a hedging policy, and energy efficiency actions have been implemented.
Property values	<ul style="list-style-type: none"> The value of the properties can decrease for a number of reasons: a weaker general or local economic environment, decreased market rents trends, increased vacancy rates, reduced availability and higher cost of financing, a higher yield requirement, the relative attractiveness of other asset classes and increased competition. 	<ul style="list-style-type: none"> While many of the factors affecting property values cannot be influenced, Citycon seeks to impact the fair market value through active shopping centre management and optimising the profitability of its centres. Citycon's strategy to focus on urban shopping centres with necessity-driven retail in strong and growing locations results in relatively stable property valuations throughout the economic cycle. Citycon's presence in five highly rated countries gives country risk diversification and decreases the volatility of the total property values.
Environment	<ul style="list-style-type: none"> Environmental concerns, customer expectations or legislation might restrict land use and construction. Risks associated with climate change might affect Citycon's business environment in the long term. For example, extreme weather conditions and regulation implemented to mitigate climate change can increase energy, maintenance and construction costs. 	<ul style="list-style-type: none"> Environmental impact assessments are conducted in connection with major projects. Ensuring the environmental compliance of our buildings through energy investments, internal management practices, green energy purchase and production as well as external standards and certifications.
People	<ul style="list-style-type: none"> An expert organisation of Citycon's nature relies heavily on its personnel for success, and therefore it is crucial to attract and retain the right people, develop competencies and ensure clear roles and targets. 	<ul style="list-style-type: none"> Citycon sees good leadership as essential to reduce personnel related risks and places great emphasis on target-setting and performance management, competence development, career advancement, and commitment of key employees.
Financing	<ul style="list-style-type: none"> Both bank and bond financing have been available for Citycon at competitive terms, but banks' or bond investors' willingness to lend could decline due to turmoil in financial markets, tightening regulation, a credit rating downgrade or other reasons, which could affect the availability and cost of debt financing. Interest rates continue to be historically low and will inevitably increase over time. 	<ul style="list-style-type: none"> Citycon has a conservative but active financing policy, with a focus on long-term financing, a solid balance sheet and keeping 70-90 % of debt tied to fixed interest rates to reduce the effects of increased interest rates. Investment grade credit ratings by Standard & Poor's and Moody's (BBB and Baa1) has improved the availability and cost of financing. Several long-term bond issues has further reduced the refinancing risk and dependency on bank financing.

SHARES AND SHAREHOLDERS

Listing

Market place	Nasdaq Helsinki
Listed since	1988
Trading currency	euro
Segment	Suuret yhtiöt / Large Cap
Sector	Financials
Sub-industry	Real Estate Operating Companies
Trading code	CTY1S
ISIN code	FI0009002471

SHARES AND SHARE CAPITAL

Citycon Oyj's shares are listed on Nasdaq Helsinki. Citycon has one series of shares and each share entitles its holder to one vote at the General Meeting and to an equal dividend. The shares have no nominal value.

At year-end 2017, Citycon's total number of shares was 889,992,628. The market capitalisation of Citycon at the end of 2017 was EUR 1.9 billion.

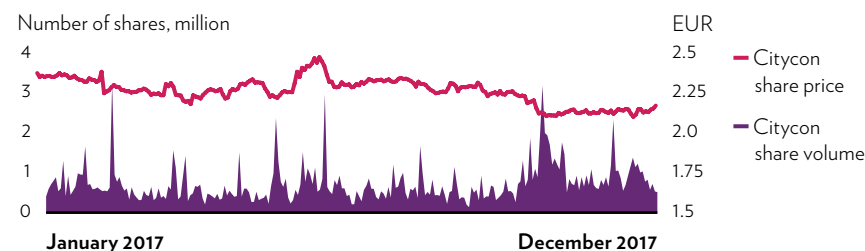
In 2017, approximately 177.3 million Citycon shares were traded on the Helsinki Stock Exchange. The daily average trading volume was 706,319 shares, representing a daily average turnover of approximately EUR 1.6 million.

Citycon is included in international retail indices such as the FTSE EPRA/NAREIT Global Real Estate Index and the iBoxx Euro Financials BBB index (EUR 500 million bond).

SHAREHOLDERS

The number of registered shareholders at year-end 2017 was 15,368 (12,419). Shares owned by nominee-registered parties equaled 81.8% at year-end 2017 (68.6%). Citycon is one of the companies on the Helsinki Stock Exchange with the most international ownership base.

SHARE PRICE AND VOLUME



Share price and trading

		2017	2016	2015	2014	2013
Number of shares traded	*1,000	177,286	147,684	158,343	88,784	104,548
Stock turnover	%	19.9	16.6	17.8	15.0	23.7
Share price, high	EUR	2.50	2.39	3.24	2.92	2.67
Share price, low	EUR	2.08	1.98	2.13	2.29	2.12
Share price, average	EUR	2.23	2.18	2.53	2.65	2.44
Share price, closing	EUR	2.16	2.34	2.40	2.58	2.56
Market capitalisation, period-end	MEUR	1,920.6	2,080.8	2,136.0	1,530.8	1,129.7
Number of shares, period-end	*1,000	889,993	889,993	889,993	593,328	441,288

Major shareholders 31 December 2017

Gazit-Globe Ltd. 396,864,474 shares, i.e. 44.59% of the total shares and votes in the company and CPP Investment Board European Holdings S.à.r.l. 133,498,893 shares, i.e. 15.00% of the total shares and votes in the company. Their shareholdings are nominee-registered.

	Shares	%
Ilmarinen Mutual Pension Insurance Company	63,470,695	7.13
The State Pension Fund of Finland	6,800,000	0.76
Gazit-Globe Ltd. ¹⁾	3,401,401	0.38
ODIN Finland	2,741,781	0.31
OP-Henkivakuutus Ltd.	1,753,897	0.20
SR Danske Invest Suomi Yhteisöosake	1,541,551	0.17
Suomalaisen Kirjallisuuden Seura ry	1,394,000	0.16
Sijoitusrahasto Taaleritehdas Arvo Markka Osake	1,250,000	0.14
FIM Fenno Sijoitusrahasto	1,000,000	0.11
Keskinäinen Työeläkevakuutusyhtiö Elo	1,000,000	0.11
10 largest shareholders, total	84,353,325	9.48
Nominee-registered shares	727,940,192	81.79
Others	77,699,111	8.73
Total	889,992,628	100.00

¹⁾ The total holdings of Gazit-Globe Ltd. 396,864,474 shares, representing 44.59%.

Shareholders by ownergroup 31 December 2017	Number of shareholders	%	Number of shares	%
Financial and insurance corporations	30	0.20	733,442,556	82.41
Corporations	709	4.61	11,473,868	1.29
Households	14,399	93.69	49,649,605	5.58
General government	9	0.06	71,952,626	8.08
Foreign	58	0.38	14,429,104	1.62
Non-profit institutions	163	1.06	9,044,869	1.02
Total	15,368	100.00	889,992,628	100.00

Shareholdings by number of shares 31 December 2017	Number of shareholders	%	Number of shares	%
Number of shares				
1 - 100	1,634	10.63	87,497	0.01
101 - 500	3,559	23.16	1,150,239	0.13
501 - 1,000	2,627	17.09	2,157,486	0.24
1,001 - 5,000	5,182	33.72	13,124,130	1.47
5,001 - 10,000	1,227	7.98	9,171,089	1.03
10,001 - 50,000	939	6.11	19,179,166	2.15
50,001 - 100,000	93	0.61	6,714,135	0.75
100,001 - 500,000	76	0.49	16,589,416	1.86
500,001 - 1,000,000	16	0.10	12,307,119	1.38
1,000,001 -	15	0.10	809,512,351	90.96
Total	15,368	100.00	889,992,628	100.00

LARGEST SHAREHOLDERS

Citycon's largest shareholders according to Euroclear Finland are listed in the table above.

Two main shareholders of Citycon, Gazit-Globe Ltd. and CPP Investment Board European Holdings S.à.r.l. are nominee-registered shareholders.

Gazit-Globe Ltd. has informed the company that it holds 396,864,474 shares, i.e. 44.6% and CPP Investment Board European Holdings S.à.r.l. has informed that it holds 133,498,893 shares, i.e. 15.0% of the shares and voting rights in the company and at year-end 2017.

DIVIDEND PAYOUT

Citycon's financial target is to pay out a minimum of 50% of the profit for the period after taxes, excluding fair value changes on investment properties.

The Board of Directors proposes that based on the balance sheet to be adopted for the financial period ended on 31 December 2017 no dividend is distributed by a resolution of the Annual General Meeting.

Nonetheless, the Board of Directors proposes that the Board of Directors be authorised to decide in its discretion on the distribution of dividend and assets from the invested unrestricted equity fund as follows.

Based on this authorisation the maximum amount of dividend to be distributed shall not exceed EUR 0.01 per share and the maximum amount of equity repayment distributed from the invested unrestricted equity fund shall not exceed EUR 0.12 per share.

The authorisation is valid until the opening of the next Annual General Meeting.

Unless the Board of Directors decides otherwise for a justified reason, the authorisation will be used to distribute dividend and/or equity repayment four times during the period of validity of the authorisation. In this case, the Board of Directors will make separate resolutions on each distribution of the dividend and/or equity repayment so that the preliminary record and payment dates will be as stated below. Citycon shall make separate announcements of such Board resolutions.

Preliminary payment date	Preliminary record date
29 March 2018	22 March 2018
29 June 2018	21 June 2018
28 September 2018	20 September 2018
28 December 2018	14 December 2018

The dividend and/or equity repayment based on a resolution of the Board of Directors will be paid to a shareholder registered in the company's shareholders' register maintained by Euroclear Finland Ltd on the record date for the dividend and/or equity repayment.

KEY FIGURES AND FINANCIAL DEVELOPMENT FOR FIVE YEARS

MEUR	2017	2016	2015	2014	2013
Consolidated income statement data					
Gross rental income	257.4	251.4	223.9	189.4	192.6
Net rental income					
Finland	84.7	87.8	96.9	103.0	103.5
Norway	79.6	74.0	36.8	-	-
Sweden and Denmark	41.3	40.1	41.2	40.0	41.2
Estonia	22.2	22.6	24.7	26.4	24.1
Total	228.5	224.9	199.6	169.4	168.9
Other operating income and expense	-11.6	-2.6	-6.4	1.0	0.9
Operating profit/loss	150.9	224.4	148.9	165.0	176.0
Profit/loss before taxes	93.8	181.5	116.0	102.4	87.6
Profit/loss attributable to parent company shareholders	87.4	160.4	108.8	84.5	94.9
Statement of financial position data					
Investment properties	4,183.4	4,337.6	4,091.6	2,769.1	2,733.5
Current assets	43.7	56.2	89.1	64.8	74.5
Equity attributable to parent company shareholders	2,207.3	2,311.4	2,245.5	1,650.7	1,236.2
Non-controlling interest	1.2	0.8	0.0	1.8	42.6
Interest-bearing liabilities	2,083.9	2,176.8	2,023.2	1,177.7	1,462.4
Total liabilities	2,469.5	2,588.7	2,418.8	1,384.8	1,694.2
Total liabilities and shareholders' equity	4,678.0	4,900.9	4,664.4	3,037.2	2,973.0

KEY FIGURES AND FINANCIAL DEVELOPMENT FOR FIVE YEARS

MEUR	Formula	2017	2016	2015	2014	2013
Key performance ratios						
Equity ratio, %	1	47.4	47.3	48.3	54.6	43.2
Equity ratio for the banks, %		47.4	47.3	48.3	54.8	45.2
Loan to value (LTV), %	2	46.7	46.6	45.7	38.6	49.3
Return on equity, % (ROE)	3	3.8	7.0	5.9	6.1	8.2
Return on investment, % (ROI)	4	5.8	6.1	8.2	8.4	7.8
Quick ratio	5	0.4	0.4	0.4	0.5	0.4
Gross capital expenditure, MEUR		298.7	314.5	1,718.6	125.5	226.1
% of gross rental income		116.0	125.1	767.7	66.3	117.4
Per-share figures and ratios						
Earnings per share, EUR ¹⁾	6	0.10	0.18	0.14	0.15	0.21
Earnings per share, diluted, EUR ¹⁾	7	0.10	0.18	0.14	0.15	0.21
Net cash from operating activities per share, EUR ¹⁾	8	0.17	0.15	0.15	0.12	0.13
Equity per share, EUR	9	2.48	2.60	2.52	2.78	2.80
P/E (price/earnings) ratio	10	22	13	16	16	12
Return from invested unrestricted equity fund per share, EUR ²⁾		0.12	0.12	0.14	0.15	0.12
Dividend per share, EUR ²⁾		0.01	0.01	0.01	-	0.03
Dividend and return from invested unrestricted equity fund per share total, EUR ²⁾		0.13	0.13	0.15	0.15	0.15
Dividend and return of equity per earnings, %	11	132.4	72.1	104.2	99.3	72.4
Effective dividend and return of equity yield, %	12	6.0	5.6	6.3	5.8	5.9
Issue-adjusted average number of shares (1,000) ¹⁾		889,992	889,993	755,496	559,863	458,161
Issue-adjusted number of shares at the end of financial year (1,000) ¹⁾		889,993	889,993	889,993	593,328	441,288
Operative key ratios						
Net rental yield, % ³⁾	13	5.2	5.4	5.9	6.2	6.4
Occupancy rate (economic), % ³⁾	14	96.0	96.3	96.9	96.5	96.0
Citycon's GLA, sq.m. ³⁾		1,184,140	1,271,940	1,288,090	980,640	1,008,890
Personnel (at the end of the period)		265	287	310	151	127

¹⁾ Key figures have been calculated with the issue-adjusted number of shares resulting from the rights issue executed in July 2015.

²⁾ The Board of Directors proposes that based on the balance sheet to be adopted for the financial period ended on 31 December 2017 no dividend is distributed by a resolution of the Annual General Meeting. Nonetheless, the Board of Directors proposes that the Board of Directors be authorized to decide in its discretion on the distribution of dividend and assets from the invested unrestricted equity fund as follows. Based on this authorization the maximum amount of dividend to be distributed shall not exceed EUR 0.01 per share and the maximum amount of equity repayment distributed from the invested unrestricted equity fund shall not exceed EUR 0.12 per share.

³⁾ Including Kista Galleria 50%.

Formulas are presented on section Formulas for key figures and ratios.

FORMULAS FOR KEY FIGURES AND RATIOS

1) Equity ratio, %	$\frac{\text{Shareholders' equity}}{\text{Balance sheet total - advances received}} \times 100$	8) Net cash from operating activities per share, EUR	$\frac{\text{Net cash from operating activities}}{\text{Average number of shares for the period}} \times 100$
2) Loan to value (LTV), %	$\frac{\text{Interest-bearing liabilities - cash and cash equivalents}}{\text{Fair value of investment properties + properties held for sale + investments in joint ventures}} \times 100$	9) Equity per share, EUR	$\frac{\text{Equity attributable to parent company shareholders}}{\text{Number of shares on the balance sheet date}}$
3) Return on equity (ROE), %	$\frac{\text{Profit/loss for the period}}{\text{Shareholders' equity (weighted average)}} \times 100$	10) P/E ratio (price/earnings)	$\frac{\text{Closing price at year-end}}{\text{EPS}}$
4) Return on investment (ROI), %	$\frac{\text{Profit/loss before taxes + interest and other financial expenses}}{\text{Balance sheet total (weighted average) - (non-interest-bearing liabilities on the balance sheet date + opening balance of non-interest-bearing liabilities)/2}} \times 100$	11) Dividend and return of equity per earnings, %	$\frac{\text{Dividend per share}}{\text{EPS}} \times 100$
5) Quick ratio	$\frac{\text{Current assets}}{\text{Short-term liabilities}}$	12) Effective dividend and return of equity yield, %	$\frac{\text{Dividend per share}}{\text{Closing price at year-end}} \times 100$
6) Earnings per share (EPS), EUR	$\frac{\text{Profit/loss for the period attributable to parent company shareholders}}{\text{Average number of shares for the period}} \times 100$	13) Net rental yield, %	$\frac{\text{Net rental income (last 12 months)}}{\text{Average fair value of investment property}} \times 100$
7) Earnings per share, diluted, EUR	$\frac{\text{Profit/loss for the period attributable to parent company shareholders}}{\text{Diluted average number of shares for the period}} \times 100$	14) Occupancy rate (economic), %	$\frac{\text{Gross rental income as per leases}}{\text{Estimated market rent of vacant premises + gross rental income as per leases}} \times 100$

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CITYCON OYJ'S CONSOLIDATED FINANCIAL STATEMENTS

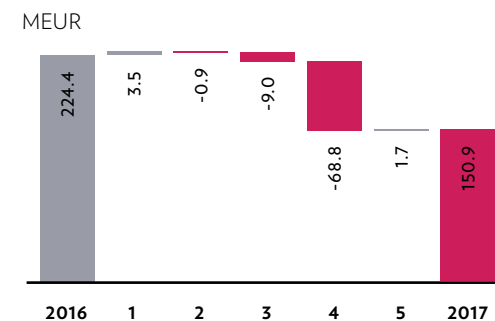
CONSOLIDATED INCOME STATEMENT, IFRS

MEUR	Note	2017	2016
Gross rental income	1.2.	257.4	251.4
Service charge income	1.3.	80.8	80.3
Property operating expenses	1.4.	-107.8	-105.5
Other expenses from leasing operations		-1.9	-1.4
Net rental income	1.1.	228.5	224.9
Administrative expenses	1.5.	-29.1	-28.2
Other operating income and expenses	1.7.	-11.6	-2.6
Net fair value losses/gains on investment property	2.1.	-42.9	25.9
Net gains on sale of investment property	2.1., 2.2.	6.0	4.3
Operating profit		150.9	224.4
Financial income		107.8	25.5
Financial expenses		-164.1	-83.2
Net financial income and expenses	3.2.	-56.4	-57.7
Share of profit of associated companies and joint ventures	2.3.	-0.7	14.8
Profit before taxes		93.8	181.5
Current taxes	4.1.	-0.8	-0.7
Change in deferred taxes	4.2.	-5.1	-19.5
Income taxes		-5.9	-20.2
Profit for the period		87.9	161.3
Profit attributable to			
Parent company shareholders		87.4	160.4
Non-controlling interest		0.5	0.9
Earnings per share attributable to parent company shareholders:			
Earnings per share (basic), EUR	1.8.	0.10	0.18
Earnings per share (diluted), EUR	1.8.	0.10	0.18

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

MEUR	Note	2017	2016
Profit for the period		87.9	161.3
Other comprehensive expenses/income			
Items that may be reclassified to profit or loss in subsequent periods			
Net losses/gains on cash flow hedges	3.2.	-3.1	8.0
Income taxes relating to cash flow hedges	4.1., 4.2.	0.6	-1.6
Share of other comprehensive income of associated companies and joint ventures		1.9	1.1
Exchange losses/gains on translating foreign operations		-76.3	31.1
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		-76.8	38.5
Other comprehensive expenses for the period, net of tax		-76.8	38.5
Total comprehensive profit/loss for the period		11.1	199.8
Total comprehensive profit/loss attributable to			
Parent company shareholders		10.6	198.9
Non-controlling interest		0.5	0.9

CHANGE IN OPERATING PROFIT



Operating profit and profit for the period lower due to valuation items like fair value losses.

The decrease in operating profit and profit for the period resulted from the fair value losses in Finland and Norway as well as higher other operating expenses including reduction of goodwill relating to sale of non-core properties in Norway.

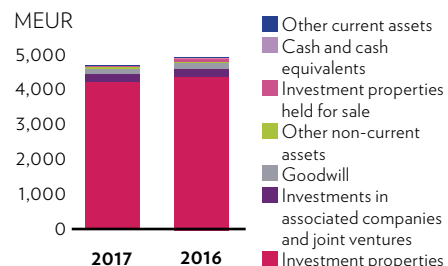
- 1 Change in net rental income
- 2 Change in administrative expenses
- 3 Change in other operating income and expenses
- 4 Change in fair value gains/losses
- 5 Change in gains/losses on sale

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

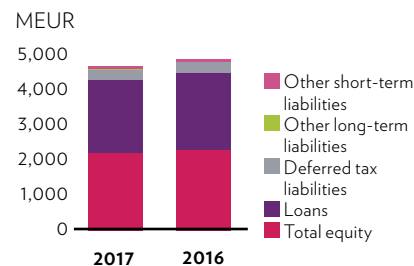
MEUR	Note	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Investment properties	2.1.	4,183.4	4,337.6
Goodwill	5.1.	153.3	173.4
Investments in associated companies and joint ventures	2.3.	228.0	219.0
Intangible assets	4.3.	18.8	22.5
Property, plant and equipment		1.1	1.7
Deferred tax assets	4.2.	4.3	2.9
Derivative financial instruments and other non-current assets	3.6.	19.9	5.8
Total non-current assets		4,608.9	4,762.8
Investment properties held for sale	2.2.	25.4	81.9
Current assets			
Derivative financial instruments	3.6.	1.8	1.0
Current tax receivables	4.1.	0.4	0.5
Trade and other receivables	3.3., 4.4.	31.5	38.8
Cash and cash equivalents	3.8.	10.1	15.9
Total current assets		43.7	56.2
Total assets		4,678.0	4,900.9

MEUR	Note	31 December 2017	31 December 2016
EQUITY AND LIABILITIES			
Equity			
	3.1.		
Share capital		259.6	259.6
Share premium fund		131.1	131.1
Fair value reserve		-0.8	-0.3
Invested unrestricted equity fund		1,123.5	1,230.3
Translation reserve		-93.2	-16.9
Retained earnings		787.1	707.6
Total equity attributable to parent company shareholders		2,207.3	2,311.4
Non-controlling interest		1.2	0.8
Total equity		2,208.5	2,312.3
Long-term liabilities			
Loans	3.3., 3.4.	1,959.2	1,887.1
Derivative financial instruments	3.3., 3.6.	4.3	3.1
Deferred tax liabilities	4.2.	301.1	312.2
Other liabilities	3.3.	1.3	0.8
Total long-term liabilities		2,265.9	2,203.2
Short-term liabilities			
Loans	3.3., 3.4.	124.7	289.7
Derivative financial instruments	3.3., 3.6.	1.2	2.7
Current tax liabilities	4.1.	1.9	0.7
Trade and other payables	3.3., 4.5.	75.8	92.3
Total short-term liabilities		203.6	385.5
Total liabilities		2,469.5	2,588.7
Total liabilities and equity		4,678.0	4,900.9

ASSETS



EQUITY AND LIABILITIES



Value of investment properties decreased by EUR 154.2 million and interest-bearing debt reduced by EUR 92.9 million.

The value of properties went up due to investments and acquisitions of EUR 279.5 million. Value decreased due to fair value losses of EUR 42.9 million and EUR 130.3 million exchange differences. Also divestments in Finland and Norway and transfers to held-for-sale decreased the value by EUR 260.4 million. Interest-bearing debt decreased due to repayment of short-term loans.

CONSOLIDATED CASH FLOW STATEMENT, IFRS

MEUR	Note	2017	2016
Cash flow from operating activities			
Profit before taxes		93.8	181.5
Adjustments		110.5	21.3
Cash flow before change in working capital		204.3	202.8
Change in trade and other receivables	4.4.	8.6	-2.6
Change in trade and other payables	4.5.	-1.0	4.1
Change in working capital		7.6	1.5
Cash generated from operations		212.0	204.3
Interest expenses and other financial expenses paid		-66.8	-68.9
Interest income and other financial income received		3.8	1.8
Taxes paid/received		-0.1	-0.8
Net cash from operating activities		148.9	136.4
Cash flow from investing activities			
Acquisition of subsidiaries, less cash acquired	2.1.	-144.4	-81.5
Capital expenditure on investment properties	2.1.	-143.0	-190.7
Capital expenditure on investments in joint ventures, intangible assets and PP&E	2.3., 4.3.	-11.0	-0.6
Sale of investment properties	2.1., 2.2.	315.9	109.9
Net cash used in investing activities		17.5	-162.9
Cash flow from financing activities			
Proceeds from short-term loans	3.4.	2,078.7	1,131.4
Repayments of short-term loans	3.4.	-2,099.0	-1,142.0
Proceeds from long-term loans	3.4.	107.6	375.2
Repayments of long-term loans	3.4.	-139.3	-231.1
Acquisition of non-controlling interests	5.2.	0.0	-
Dividends and return from the invested unrestricted equity fund		-116.2	-131.4
Realised exchange rate profit/loss		-2.7	12.8
Net cash from/used in financing activities		-171.0	14.9
Net change in cash and cash equivalents			
		-4.7	-11.6
Cash and cash equivalents at period-start	3.8.	15.9	27.9
Effects of exchange rate changes		-1.1	-0.5
Cash and cash equivalents at period-end	3.8.	10.1	15.9

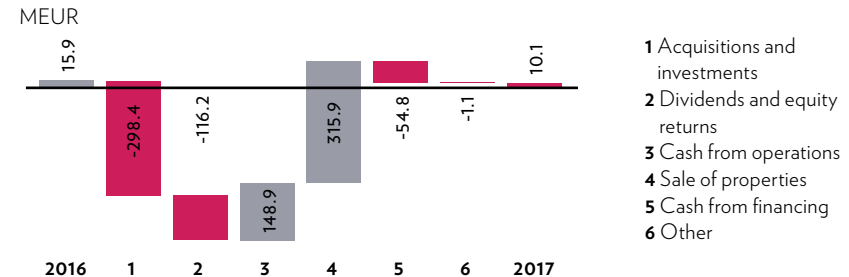
MEUR	Note	2017	2016
Adjustments:			
Depreciation and amortisation	1.5., 4.3.	3.7	3.8
Net fair value gains/losses on investment property	2.1.	42.9	-25.9
Gains on disposal of investment property	2.2.	-6.0	-4.3
Financial income	3.2.	-107.8	-25.5
Financial expenses	3.2.	164.1	83.2
Share of profit of associated companies and joint ventures	2.3.	0.7	-14.8
Share-based payments	1.6.	1.5	0.4
Non-cash reduction in goodwill	1.7.	11.4	4.4
Total		110.5	21.3

MEUR	2017	2016
Net cash from operating activities	148.9	136.4
Average number of shares (1,000)	889,992	889,993
Net cash from operating activities per share	0.17	0.15

Net cash from operations per share improved and was EUR 0.17. Net cash used in investments was positive at EUR 17.5 million following sale of properties.

Net cash from operations per share increased to EUR 0.17 mainly due to positive working capital change and higher cash generated from operations and lower paid net financial expenses. Citycon invested EUR 298.4 million and financed these investments via sale of properties mainly in Finland and Norway for EUR 315.9 million in 2017. Citycon acquired in 2017 adjacent office building of shopping centre Oasen in Norway and in Denmark two first phases of shopping centre Straedet for EUR 144.4 million. The biggest redevelopment investments in 2017 were the Iso Omena extension (EUR 41.2 million) and Lippulaiva redevelopment project (EUR 32.5 million).

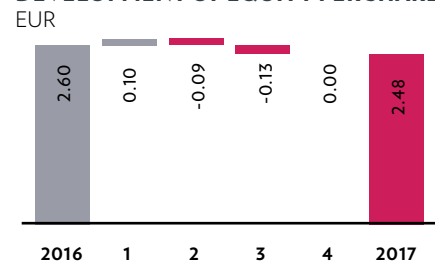
CASH NEEDS AND CASH PROCEEDS



CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, IFRS

MEUR	Equity attributable to parent company shareholders							Non-controlling interest	Total equity
	Share capital	Share premium fund	Fair value reserve	Invested unrestricted equity fund	Translation reserve	Retained earnings	Total		
Balance at 31 December 2015	259.6	131.1	-7.9	1,354.9	-47.9	555.7	2,245.5	0.0	2,245.5
Profit for the period 2016						160.4	160.4	0.9	161.3
Net losses/gains on cash flow hedges, net of tax (Notes 3.2., 4.1. and 4.2.)			6.4				6.4		6.4
Share of other comprehensive income of joint ventures			1.1				1.1		1.1
Exchange gains/losses on translating foreign operations			0.1		31.0		31.1	0.0	31.1
Total other comprehensive expenses/income for the period, net of tax			7.5		31.0		38.5	0.0	38.5
Total comprehensive loss/profit for the period			7.5		31.0	160.4	198.9	0.9	199.8
Dividends and return from the invested unrestricted equity fund (Note 3.1.)				-124.6		-8.9	-133.5		-133.5
Share-based payments (Notes 3.1. and 1.6.)						0.4	0.4		0.4
Acquisition of non-controlling-interests						0.0	0.0	-0.1	-0.1
Balance at 31 December 2016	259.6	131.1	-0.3	1,230.3	-16.8	707.6	2,311.4	0.8	2,312.3
Profit for the period 2017						87.4	87.4	0.5	87.9
Net losses/gains on cash flow hedges, net of tax (Notes 3.2., 4.1. and 4.2.)			-2.5				-2.5		-2.5
Share of other comprehensive income of joint ventures			1.9				1.9		1.9
Exchange gains/losses on translating foreign operations			0.1		-76.3		-76.2	0.0	-76.3
Total other comprehensive expenses/income for the period, net of tax			-0.5		-76.3		-76.8	0.0	-76.8
Total comprehensive profit/loss for the period			-0.5		-76.3	87.4	10.6	0.5	11.1
Dividends and return from the invested unrestricted equity fund (Note 3.1.)				-106.8		-8.9	-115.7		-115.7
Share-based payments (Notes 3.1. and 1.6.)						0.8	0.8		0.8
Acquisition of non-controlling-interests						0.1	0.1	-0.1	0.0
Balance at 31 December 2017	259.6	131.1	-0.8	1,123.5	-93.2	787.1	2,207.3	1.2	2,208.5

DEVELOPMENT OF EQUITY PER SHARE



- 1 Profit for the period
- 2 Translation differences
- 3 Dividends and equity return
- 4 Other changes

○ Weakening of Norwegian and Swedish crowns especially during the last quarter resulted in a foreign exchange translation loss of EUR 76.3 million into the shareholders' equity, of which the impact from weaker Norwegian crown was EUR 66.8 million.

During 2017, Citycon paid a dividend of EUR 0.01 per share and an equity repayment of EUR 0.12 per share from the invested unrestricted equity fund. Distributed dividends were EUR 8.9 million and equity return EUR 106.8 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

This table presents the Notes to the Financial Statements of Citycon Group and the accounting principles related to the Notes. In addition, the table presents the IFRS standards in which the accounting principles are based on.

Accounting Principle	Note	Number	IFRS
Segment information	Segment information	1.1.	IFRS8
Revenue recognition, other income and trade receivables	Gross rental income, Service charge income, Other operating income and expenses, Trade and other receivables	1.2., 1.3., 1.7., 4.4.	IAS18, IAS11
Employee benefits and share-based payments	Employee benefits and personnel expenses	1.6.	IAS19, IFRS2
Earnings per share	Earnings per share	1.8.	IAS33
Investment property	Investment properties and related liabilities	2.1.	IAS40, IFRS13
Assets held for sale	Investment properties held for sale	2.2.	IAS 40, IFRS5
Investments in associates and joint ventures	Investments in joint ventures, Investments in associates	2.3.	IAS28, IFRS11, IFRS12
Financial Instruments: recognition and measurement, presentation	Equity, Net financial income and expenses, Classification of financial instruments, Loans, Cash and cash equivalents Derivative financial instruments	3.1., 3.2., 3.3., 3.4., 3.5., 3.6., 3.7., 3.8., 4.4., 4.5.	IAS39, IAS32, IFRS7
Provisions, Contingent Liabilities, Contingent Assets	Commitments and contingent liabilities	1.4., 2.1., 3.7.	IAS37
Consolidated Financial Statements, Business Combination	Business Combinations, Goodwill, Acquisition of non-controlling interests	5.1., 5.2.	IFRS10, IFRS3
Related Party Disclosures	Related party transactions and changes in group structure	5.3.	IAS24
Impairment of Assets	Goodwill, Intangible assets, Trade and other receivables	4.3., 4.4., 5.1.	IAS36
Income taxes	Income taxes, Deferred tax assets and liabilities	4.1.	IAS12
Intangible assets	Intangible assets	4.3.	IAS38
Events after the Reporting Period	Post balance sheet date events	5.5.	IAS10
Contingent liabilities	Land lease agreements, Capital Commitments, VAT refund liabilities, Securities and Pledges	1.4., 2.1., 3.7.	-

BASIC COMPANY DATA

As a real estate investment company specialising in retail properties, Citycon operates in Finland, Norway, Sweden, Estonia and Denmark. Citycon is a Finnish public limited liability company established under Finnish law and domiciled in Helsinki, the address of its registered office being Suomenlahdentie 1, 02230 Espoo.

The Board of Directors has approved the financial statements of the company on 7th, February 2018. In accordance with the Finnish Limited Liability Companies Act, 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 citycon.com and from the Group's headquarters at the address Suomenlahdentie 1, FI-02230 Espoo, Finland.

BASIS OF PREPARATION

Citycon has prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and applied the International Accounting Standards (IAS) and IFRS as well as Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective as of 31 December 2017. International financial reporting standards refer to the approved applicable standards and their interpretations under Finnish accounting legislation and the following rules on European Union Regulation No. 1606/2002. Notes to the consolidated financial statements are also in compliance with Finnish accounting legislation and community legislation.

Available-for-sale financial assets, derivative contracts and investment properties, are measured at fair value following their initial recognition. In other respects, the consolidated financial statements are prepared at historical cost.

The financial statements are shown in millions of euros and rounded in hundred thousands of euros.

KEY ESTIMATES AND ASSUMPTIONS AND ACCOUNTING POLICIES REQUIRING JUDGMENT

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. Although these estimates are based on the best knowledge and current information available, the actual results may differ from the estimates due to uncertainty related to these assumptions and 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.

Key estimates and assumptions and accounting policies requiring judgment regarding business activities are presented together with the relevant note.

1. OPERATING PERFORMANCE

1.1. SEGMENT INFORMATION

The geographical segments are Finland, Norway, Sweden and Denmark and Estonia. The segment Other mainly includes administrative expenses arising from the Group's functions.

Citycon changed the presentation of segments during the last quarter of 2017 to better meet the segment information presented to the Board of directors by combining the monitoring of Danish operations as a part of the new Sweden and Denmark -segment. Simultaneously, the monitoring of Estonian operations was transferred to a separate Estonia-segment. As the company has changed the composition of its reported segments during financial year 2017, the segment information concerning financial year 2017 and 2016 been presented both on the old basis and the new basis of segmentation.

The Board of Directors follows IFRS segment result and in addition Kista Galleria's financial performance separately, and therefore, segment information includes IFRS segment results and Kista Galleria result. The Board of Directors has started to follow the Kista Galleria result and financial position based on a 50% share during the first quarter of 2017 (previously 100%).

Citycon's 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 Board of directors, by business unit.

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, associated companies, joint ventures, property, plant and equipment and intangible assets in the statement of financial position.

None of the tenants' proportion of Citycon's gross rental income exceeded 10% during financial years 2017 and 2016, and the management does not manage operations according to customer segments.

1 JANUARY - 31 DECEMBER 2017

MEUR	Finland	Norway	Sweden and Denmark	Estonia	Other	Total IFRS segments	Kista Galleria (50%) ¹⁾
Gross rental income	94.2	91.5	49.0	22.6	-	257.4	16.5
Service charge income	31.9	30.0	12.7	6.1	-	80.8	3.4
Property operating expenses	-40.7	-41.5	-19.8	-6.5	0.7	-107.8	-5.4
Other expenses from leasing operations	-0.7	-0.5	-0.6	-0.1	-	-1.9	-0.1
Net rental income	84.7	79.6	41.3	22.2	0.7	228.5	14.4
Direct administrative expenses	-3.4	-4.5	-4.4	-0.6	-16.1	-29.1	-0.1
Direct other operating income and expenses	0.3	-0.2	1.0	0.0	-	1.1	-0.5
Direct operating profit	81.6	74.8	37.9	21.6	-15.4	200.5	13.8
Indirect other operating income and expenses	-	-11.4	-1.4	-	-	-12.8	-
Net fair value losses/gains on investment property	-44.7	-22.2	30.6	-6.5	-	-42.9	-0.6
Gains/losses on disposal of investment property	-4.0	-0.5	10.5	-	-	6.0	0.0
Operating profit/loss	32.9	40.8	77.6	15.0	-15.4	150.9	13.2
Allocated assets							
Investment properties	1,652.6	1,346.9	877.9	306.0	-	4,183.4	305.3
Investment properties held for sale	-	25.4	-	-	-	25.4	-
Other allocated assets	6.0	206.4	210.6	1.4	19.3	443.7	9.5
Unallocated assets							
Deferred tax assets	-	-	-	-	4.3	4.3	-
Derivative financial instruments	-	-	-	-	21.2	21.2	-
Assets	1,658.6	1,578.7	1,088.5	307,3	44.9	4,678.0	314.8
Allocated liabilities							
Trade and other payables	8.2	17.5	20.9	1.3	28.1	75.8	6.9
Unallocated liabilities							
Interest-bearing liabilities	-	-	-	-	2,083.9	2,083.9	228.0
Deferred tax liabilities	-	-	-	-	301.1	301.1	-
Derivative financial instruments	-	-	-	-	5.5	5.5	-
Other unallocated liabilities	-	-	-	-	3.2	3.2	14.9
Liabilities	8.2	17.5	20.9	1.3	2,421.7	2,469.5	249.7
Capital expenditure	100.1	84.9	109.0	3.9	0.8	298.7	2.3
Number of shopping centres	13	19	10	2	-	44	1
Number of other properties	2	0	0	0	-	2	-

¹⁾ During the first quarter in 2017 the Board of Directors have started to follow Kista Galleria result and financial position based on a 50% share (previously 100%)

1 JANUARY - 31 DECEMBER 2016

MEUR	Finland	Norway	Sweden and Denmark	Estonia	Other	Total IFRS segments	Kista Galleria (50%) ¹⁾
Gross rental income	94.4	85.3	48.6	23.2	-	251.4	17.2
Service charge income	32.8	29.8	11.7	6.1	-	80.3	3.7
Property operating expenses	-38.9	-40.8	-19.7	-6.5	0.5	-105.5	-5.7
Other expenses from leasing operations	-0.5	-0.3	-0.5	-0.1	-	-1.4	-0.2
Net rental income	87.8	74.0	40.1	22.6	0.5	224.9	15.0
Direct administrative expenses	-3.2	-5.1	-4.4	-0.6	-14.9	-28.2	-0.2
Direct other operating income and expenses	0.2	0.5	1.1	0.0	-	1.8	-0.4
Direct operating profit	84.8	69.4	36.8	21.9	-14.4	198.5	14.4
Indirect other operating income and expenses	0.0	-4.4	-	-	-	-4.4	-
Net fair value losses/gains on investment property	-33.2	19.8	40.5	-1.2	-	25.9	5.6
Gains/losses on disposal of investment property	3.5	0.3	0.8	-0.1	-0.1	4.3	0.0
Operating profit/loss	55.1	85.1	78.1	20.6	-14.5	224.4	20.0
Allocated assets							
Investment properties	1,831.7	1,412.8	784.5	308.6	-	4,337.6	312.8
Investment properties held for sale	2.7	57.1	22.2	-	-	81.9	-
Other allocated assets	8.7	240.1	194.0	1.2	28.8	472.9	5.2
Unallocated assets							
Deferred tax assets	-	-	-	-	2.9	2.9	-
Derivative financial instruments	-	-	-	-	5.7	5.7	-
Assets	1,843.1	1,710.0	1,000.7	309.8	37.4	4,900.9	318.0
Allocated liabilities							
Trade and other payables	18.7	21.1	21.1	2.2	29.2	92.3	6.9
Unallocated liabilities							
Interest-bearing liabilities	-	-	-	-	2,176.8	2,176.8	231.9
Deferred tax liabilities	-	-	-	-	312.2	312.2	-
Derivative financial instruments	-	-	-	-	5.8	5.8	-
Other unallocated liabilities	-	-	-	-	1.5	1.5	12.8
Liabilities	18.7	21.1	21.1	2.2	2,525.6	2,588.7	251.6
Capital expenditure	220.3	45.7	45.7	1.7	1.1	314.5	3.8
Number of shopping centres	20	22	9	2	-	53	1
Number of other properties	4	0	1	0	-	5	-

¹⁾ During the first quarter in 2017 the Board of Directors have started to follow Kista Galleria result and financial position based on a 50% share (previously 100%).

1 JANUARY - 31 DECEMBER 2017 ²⁾

MEUR	Finland	Norway	Sweden	Estonia and Denmark	Other	Total IFRS segments	Kista Galleria (50%) ¹⁾
Gross rental income	94.2	91.5	46.0	25.7	-	257.4	16.5
Service charge income	31.9	30.0	12.2	6.6	-	80.8	3.4
Property operating expenses	-40.7	-41.5	-18.4	-7.9	0.7	-107.8	-5.4
Other expenses from leasing operations	-0.7	-0.5	-0.5	-0.2	-	-1.9	-0.1
Net rental income	84.7	79.6	39.2	24.3	0.7	228.5	14.4
Direct administrative expenses	-3.4	-4.5	-4.2	-0.8	-16.1	-29.1	-0.1
Direct other operating income and expenses	0.3	-0.2	1.0	0.1	-	1.1	-0.5
Direct operating profit	81.6	74.8	35.9	23.6	-15.4	200.5	13.8
Indirect other operating income and expenses	-	-11.4	-1.4	-	-	-12.8	-
Net fair value losses/gains on investment property	-44.7	-22.2	29.5	-5.4	-	-42.9	-0.6
Gains/losses on disposal of investment property	-4.0	-0.5	10.5	-	-	6.0	0.0
Operating profit/loss	32.9	40.8	74.5	18.2	-15.4	150.9	13.2
Allocated assets							
Investment properties	1,652.6	1,346.9	770.3	413.6	-	4,183.4	305.3
Investment properties held for sale	-	25.4	-	-	-	25.4	-
Other allocated assets	6.0	206.4	209.5	2.5	19.3	443.7	9.5
Unallocated assets							
Deferred tax assets	-	-	-	-	4.3	4.3	-
Derivative financial instruments	-	-	-	-	21.2	21.2	-
Assets	1,658.6	1,578.7	979.7	416.1	44.9	4678.0	314.8
Allocated liabilities							
Trade and other payables	8.2	17.5	18.0	4.2	28.1	75.8	6.9
Unallocated liabilities							
Interest-bearing liabilities	-	-	-	-	2,083.9	2,083.9	228.0
Deferred tax liabilities	-	-	-	-	301.1	301.1	-
Derivative financial instruments	-	-	-	-	5.5	5.5	-
Other unallocated liabilities	-	-	-	-	3.2	3.2	14.9
Liabilities	8.2	17.5	18.0	4.2	2,421.7	2,469.5	249.7
Capital expenditure	100.1	84.9	33.7	79.1	0.8	298.7	2.3
Number of shopping centres	13	19	9	4	-	44	1
Number of other properties	2	0	0	0	-	2	-

¹⁾ During the first quarter in 2017 the Board of Directors have started to follow Kista Galleria result and financial position based on a 50% share (previously 100%)

²⁾ In the table above, segment information from 2017 is presented according to previous segmentation.

1 JANUARY - 31 DECEMBER 2016 ²⁾

MEUR	Finland	Norway	Sweden	Estonia and Denmark	Other	Total IFRS segments	Kista Galleria (50%) ¹⁾
Gross rental income	94.4	85.3	45.8	26.0	-	251.4	17.2
Service charge income	32.8	29.8	11.6	6.2	-	80.3	3.7
Property operating expenses	-38.9	-40.8	-18.5	-7.8	0.5	-105.5	-5.7
Other expenses from leasing operations	-0.5	-0.3	-0.4	-0.3	-	-1.4	-0.2
Net rental income	87.8	74.0	38.5	24.2	0.5	224.9	15.0
Direct administrative expenses	-3.2	-5.1	-4.3	-0.7	-14.9	-28.2	-0.2
Direct other operating income and expenses	0.2	0.5	1.1	0.0	-	1.8	-0.4
Direct operating profit	84.8	69.4	35.2	23.5	-14.4	198.5	14.4
Indirect other operating income and expenses	-	-4.4	-	-	-	-4.4	-
Net fair value losses/gains on investment property	-33.2	19.8	39.7	-0.4	-	25.9	5.6
Gains/losses on disposal of investment property	3.5	0.3	0.8	-0.1	-0.1	4.3	0.0
Operating profit/loss	55.1	85.1	75.7	22.9	-14.5	224.4	20.0
Allocated assets							
Investment properties	1,831.7	1,412.8	753.2	339.9	-	4,337.6	312.8
Investment properties held for sale	2.7	57.1	22.2	-	-	81.9	-
Other allocated assets	8.7	240.1	194.9	0.3	28.8	472.9	5.2
Unallocated assets							
Deferred tax assets	-	-	-	-	2.9	2.9	-
Derivative financial instruments	-	-	-	-	5.7	5.7	-
Assets	1,843.1	1,710.0	970.2	340.2	37.4	4,900.9	318.0
Allocated liabilities							
Trade and other payables	18.7	21.1	19.2	4.1	29.2	92.3	6.9
Unallocated liabilities							
Interest-bearing liabilities	-	-	-	-	2,176.8	2,176.8	231.9
Deferred tax liabilities	-	-	-	-	312.2	312.2	-
Derivative financial instruments	-	-	-	-	5.8	5.8	-
Other unallocated liabilities	-	-	-	-	1.5	1.5	12.8
Liabilities	18.7	21.1	19.2	4.1	2,525.6	2,588.7	251.6
Capital expenditure	220.3	45.7	45.6	1.8	1.1	314.5	3.8
Number of shopping centres	20	22	8	3	-	53	1
Number of other properties	4	0	1	0	-	5	-

¹⁾ During the first quarter in 2017 the Board of Directors have started to follow Kista Galleria result and financial position based on a 50% share (previously 100%).

²⁾ In the table above, segment information from 2016 is presented according to previous segmentation.

1.2. GROSS RENTAL INCOME

Breakdown of gross rental income

MEUR	2017	2016
Straight-lining of lease incentives	1.0	3.5
Temporary and contractual rental discounts	-4.2	-6.6
Gross rental income (excl. items above)	260.6	254.5
Total	257.4	251.4

General description of Citycon's lease agreements

In the majority, i.e. in 90% (90) of Citycon's lease agreements the rent is divided into base rent and maintenance rent. Base rent is typically tied to a yearly rent revision which is based on an index, such as cost-of-living index, or percentual minimum increase. Maintenance rent, charged separately from the lessee, are used for covering operating expenses incurred by the property owner due to property maintenance.

Part of Citycon's lease agreements also contain a turnover-linked component in addition to base rent. In addition, Citycon also has some lease agreements which are fully tied to tenant's turnover. At the end of 2017, all turnover based lease agreements accounted for roughly 65% (65) of Citycon's lease portfolio.

Because the majority of the lease portfolio is tied to indexation, a predetermined minimum rent increase and/or the tenant's turnover, Citycon's leases are mainly leases with contingent rent payments in accordance with IAS 17.4.

In accordance with the below table, Citycon had 4,581 (4,848) lease agreements on 31 December 2017. The decrease in the number of lease agreements was mainly due to non-core property divestments in Finland.

Number of leases ¹⁾

	31 December 2017	31 December 2016
Finland	1,340	1,604
Norway	1,262	1,302
Sweden and Denmark	1,704	1,655
Estonia	275	287
Total	4,581	4,848

¹⁾ Including Kista Galleria 100%.

In accordance with the table presented below, the average remaining length of Citycon's lease portfolio was 3.5 (3.3) years on 31 December 2017. The change was mostly due to completion of the Iso Omena (re)development project and non-core property disposals in Finland. The duration of a new lease depends on the type of premises to be leased and the tenant. With larger anchor tenants, Citycon typically concludes long-term leases of 10-15 or even 20 years while leases for smaller retail premises are mainly agreed for a term of 3 to 5 years.

Average remaining length of lease portfolio, years ¹⁾

	31 December 2017	31 December 2016
Finland	4.1	3.6
Norway	3.6	3.5
Sweden and Denmark	2.9	2.7
Estonia	2.5	2.7
Average	3.5	3.3

¹⁾ Including Kista Galleria 50%.

Citycon mainly seeks to sign fixed-term leases with the exception of apartment, storage and individual parking space leases. At the year end 2017, fixed-term leases represented around 93% (93), initially fixed-term leases 4% (3) and leases in effect until further notice 3% (3) of Citycon's lease portfolio.

The table below presents the future minimum lease payments by first possible termination dates based on the valid rent roll at the end of the year 2017 and 2016.

Future minimum lease payments receivable under non-cancellable leases ¹⁾

MEUR	31 December 2017	31 December 2016
Not later than 1 year	59.6	73.1
1-5 years	177.3	171.3
Over 5 years	51.0	55.9
Total	287.9	300.3

¹⁾ 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.

The Investment properties leases, in which Citycon is a lessor, 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.

Lease incentives, such as rent-free periods or rental discounts, are treated according to SIC Interpretation 15 Operating Leases – Incentives and are recognised on a straight-line basis over the lease term. In cases where rental discounts have not been agreed in the original lease, 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 consolidated income statement within the gross rental income during the period for which the rent reductions have been granted.

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

1.3. SERVICE CHARGE INCOME

MEUR	2017	2016
Service charges	60.4	60.1
Utility charges	8.1	8.9
Other service income (incl. marketing income)	12.2	11.4
Total	80.8	80.3

SERVICE CHARGE INCOME

Service charges are recognized for the period in which the expense (property operating expense) it relates to is expensed. Service income is recognised for the period during which the services are provided. Service charges consist of charges related to e.g. property maintenance and energy consumption.

Service charges are included gross of the related costs, because Citycon considers to act as principal in this respect, which is based on Citycon selecting the maintenance service providers for its properties, concluding agreements with property maintenance suppliers and bearing the credit risk associated with maintenance. Hence, the tenant doesn't have a possibility to select the property maintenance service provider, nor can the tenant impact the service providers' pricing.

1.4. PROPERTY OPERATING EXPENSES

MEUR	2017	2016
Heating and electricity	-22.2	-23.7
Maintenance expenses	-36.0	-33.8
Land lease fees and other rents	-7.0	-7.1
Property personnel expenses	-9.4	-10.6
Non-recurring personnel expenses arising from employment terminations	-	-0.6
Administrative and management fees	-4.3	-3.3
Marketing expenses	-12.2	-11.1
Property insurances	-0.9	-0.9
Property taxes	-9.3	-8.1
Repair expenses	-5.0	-4.6
Other property operating expenses	-1.5	-1.7
Total	-107.8	-105.5

In 2016, non-recurring personnel expenses arising from employment terminations include one-off compensations paid to 28 persons, out of the total compensation EUR 0.6 million is recognized within property operating expenses, EUR 0.3 million within administrative expenses and EUR 0.4 million in other operating income and expenses.

PROPERTY OPERATING EXPENSES

Property operating expenses are recognized on an accrual basis for the period for which those are subject to. Property operating expenses are costs caused by e.g. property maintenance, energy consumption and marketing.

Land lease fees and other rents

Citycon has land leases and other leases.

Other leases mainly concern waste press equipment, office premises and cars.

Lease payments recognised as expenses during the period were EUR 8.5 million (9.0) and they do not include contingent rents or sublease payments. Lease expenses recognised in the consolidated income statement are included in Property operating expenses on row Land lease fees and other rents and in Administrative expenses on row office and other administrative expenses.

The following presents the future lease payments under non-cancellable leases:

MEUR	2017	2016
Not later than 1 year	8.3	8.7
1-5 years	15.0	21.5
Over 5 years	5.2	10.4
Total	28.5	40.6

LEASES – CITYCON AS LESSEE

Leases are classified as operating leases because significant risks and rewards inherent in holding such leased assets have not been transferred to the lessee.

1.5. ADMINISTRATIVE EXPENSES

MEUR	2017	2016
Personnel expenses	-15.1	-14.9
Non-recurring personnel expenses arising from employment terminations	-0.9	-0.3
Consultancy and advisory fees as well as external services	-3.7	-3.2
Office and other administrative expenses	-7.6	-8.0
Depreciation and amortisation	-1.8	-1.8
Total	-29.1	-28.2

Non-recurring personnel expenses arising from employment terminations include one-off compensations paid to 10 persons, out of the total compensation EUR 0.9 million (0.3) within administrative expenses. In 2016 EUR 0.4 million was within other operating income and expenses. Also, EUR 0.6 million one-off compensation was within property operating expenses in 2016. In 2016, non-recurring personnel expenses include one-off compensations paid to 28 persons.

Depreciation and amortisation

Depreciation and amortisation are booked from intangible and tangible assets.

Audit fees

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

MEUR	2017 Group	2017 Parent company
Audit fees	-0.7	-0.2
Ernst & Young Oy	-0.3	-0.2
Other EY offices	-0.4	0.0
Other advisory services	0.0	0.0
Ernst & Young Oy	0.0	0.0
Other EY offices	0.0	0.0
Total	-0.7	-0.2

MEUR	2016 Group	2016 Parent company
Audit fees	-0.7	-0.1
Ernst & Young Oy	-0.3	-0.1
Other EY offices	-0.4	0.0
Other advisory services	-0.1	0.0
Ernst & Young Oy	-0.1	0.0
Other EY offices	0.0	0.0
Total	-0.7	-0.1

1.6. EMPLOYEE BENEFITS AND PERSONNEL EXPENSES

MEUR	Note	2017	2016
Wages and salaries of management			
CEO	A	-0.9	-0.9
Management committee	B	-1.9	-1.6
Board	C	-0.7	-0.7
Other wages and salaries		-18.2	-20.0
Pension charges: defined contribution plans		-2.5	-2.8
Social charges		-3.3	-4.1
Expense of share based payments	D, E	-1.5	-0.6
Total		-28.9	-30.7

Personnel expenses of EUR 15.1 million (14.9) are included in administrative expenses, EUR 9.4 million (10.6) in property operating expenses and EUR 4.4 million (5.2) in other operating income and expenses.

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. At Citycon, all pension covers are classified as contribution plans, which are recognised in the consolidated income statement for the period during which such contributions are made.

Group full-time equivalent (FTE) by Business

Units as at 31 December	2017	2016
Finland	36	37
Norway	106	132
Sweden and Denmark	53	50
Estonia	10	9
Group functions	42	44
Total	247	272

A) CEO wages and salaries

	2017	2016
In cash, EUR	869,723	903,386
In Citycon Oyj shares, pcs	102,396	113,192

According to his service agreement, the CEO's gross base salary in 2017 amounted to EUR 624,256. The CEO's pension benefit is in line with mandatory provisions of the Finnish Pension Act.

CEO's service agreement is valid for an indefinite period. The period of notice of the service agreement is six months, both for the CEO and the company. In case of notice by the company, the CEO will be paid, in addition to the salary payable for the notice period, a severance pay consisting of 1.5 times his annual base salary at the moment of termination.

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

B) Personnel expenses for the Corporate Management Committee (excl. CEO)

MEUR	2017	2016
Wages and salaries	-1.9	-1.6
Pensions: defined contribution plans	-0.2	-0.2
Social charges	-0.2	-0.2
Total	-2.2	-2.1

Citycon recognized EUR 0.3 million (0.0 million) non-recurring personnel expenses arising from employment terminations of Corporate Management Committee members.

C) Remuneration of the members of the Board of Directors

EUR	2017	2016
Katzman Chaim	165,000	165,000
Knobloch Bernd	84,000	85,000
de Haan Arnold	61,400	62,000
Komi Kirsi	62,000	63,200
Lavine Rachel	62,600	62,200
Lukes David (Board member since 22 March 2017)	62,800	-
Orlandi Andrea ¹⁾	-	-
Ottosson Claes	61,400	61,400
Ovin Per-Anders	62,600	63,200
Zochovitzky Ariella	68,800	69,600
Ashkenazi Ronen (Board member until 16 March 2016)	-	2,000
Segal Dori (Board member 16 March 2016 – 22 March 2017)	2,000	83,600
Total	692,600	717,200

¹⁾ Andrea Orlandi has notified the company that he will not accept any annual fees or meeting fees payable by the company.

During 2017, the travel expenses of the Board members amounted to EUR 0.2 million (0.1).

Board members do not participate in the company's share-based incentive schemes.

D) Long-term share-based incentive plans

On 10 February 2015, the Board of Directors of Citycon Oyj decided on two long-term share-based incentive plans for the Group key employees, a performance share plan 2015 and a restricted share plan 2015. The aim of the plans is to combine the objectives of the shareholders and the key employees in order to increase the value of the company in the long-term, to bind the key employees to the company, and to offer them competitive reward plans based on earning and accumulating the company's shares.

In 2017, expenses from long-term share-based incentive plans recognised in consolidated financial statements amounted to EUR 1.5 million (0.6).

PERFORMANCE SHARE PLAN 2015

The performance share plan 2015 is directed to Citycon group's key personnel as determined by the Board for each performance period. At period-end the performance share plan was directed to approximately 30 people, including the members of the Corporate Management Committee.

The performance share plan 2015 includes three three-year performance periods, calendar years 2015–2017, 2016–2018 and 2017–2019. The Board will decide on the plan's performance criteria and required performance levels for each criterion at the beginning of each performance period. After the end of each performance period, the Board of Directors confirms the results of the performance criteria and the number of shares granted based on them.

As a consequence of the rights issue carried out in June-July 2015 and to allow inclusion of new key employees into the plan in February 2016, the Board of Directors of the company adjusted the amount of the maximum reward under the performance share plan 2015 in accordance with the terms and conditions of the plan. Based on these adjustments that became effective as of 14 July 2015 and 10 February 2016, the maximum total number of shares that can be granted under the performance share plan 2015 is 4,300,000 shares. 1,271,499 shares can be granted on the basis of the performance period 2015–2017, a maximum total of 1,521,280 shares on the basis of the performance period 2016–2018 and a maximum total of 1,374,385 shares on the basis of performance period 2017–2019. The potential reward of the plan from all three performance periods will be based on the total shareholder return of Citycon's share (TSR) (weight 100%).

The potential reward from the performance period 2015–2017, 2016–2018 and 2017–2019 will be paid partly in the company's shares and partly in cash by the end of March 2018 and by the end of March 2019 and the end of March 2020, respectively. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the participant. As a rule, no reward will be paid from the plan, if a participant's employment or service ended before the end of 2017. Should the participant's employment or service end during calendar years 2018 or 2019, the participant shall be entitled to the reward accrued by the end of employment or service.

RESTRICTED SHARE PLAN 2015

The restricted share plan 2015 is directed only to selected key employees, including the members of the Corporate Management Committee.

The rewards from the restricted share plan 2015 could be allocated during 2015–2017. The reward will be based on a valid employment or service contract of a key employee upon the reward payment, and it will be paid partly in the company's shares and partly in cash after the end of a two-year or a three-year vesting period.

The rewards to be paid on the basis of the restricted share plan correspond to the value of an approximate maximum total of 500,000 shares (including also the cash proportion to be used for taxes and tax-related costs).

The rewards on the basis of the restricted share plan corresponding to the value of a total of 350,000 shares were allocated in 2017 (170,705). At the period-end a total of 16 key employees were included in the restricted share plan.

E) Stock option schemes

STOCK OPTION PLAN 2011

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

personnel to work on a long-term basis to increase shareholder value and to commit the key personnel to the company.

The maximum total number of stock options that could be issued during 2011–2015 was 7,250,000. The maximum total number of shares to be subscribed for based on the distributed 2011 stock options is 12,474,526, or alternatively, provided that the stock options had been fully distributed, the stock options would have entitled their owners to subscribe to a maximum total of 14,622,525 new shares or treasury shares. The stock options were issued gratuitously. Stock options entitle their holders to subscribe for company shares within the period specified in the terms and conditions of the stock options.

At the end of 2017, stock options 2011A–D(I), 2011A–D(II) and 2011A–D(III) were held by 8 key employees within the Group. The amount of outstanding stock options was 6,185,000 on 31 December 2017. These option rights entitle their holders to subscribe for 12,474,526 shares in 2012–2018.

Citycon has used the Black & Scholes option-pricing model to measure the fair value of stock options at the grant date and reports them under personnel expenses in the consolidated financial statements allocated over the instrument's vesting period. In 2017, there are no expenses recognised in the consolidated financial statements (0.0). The expected volatility is determined by calculating the company share price's historical volatility.

Option category	Subscription price, EUR		Subscription ratio	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
2011A–D(I)	2.5380	2.5380	2.0169	2.0169
2011A–D(II)	2.6075	2.6075	2.0169	2.0169
2011A–D(III)	2.2703	2.2703	2.0169	2.0169

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

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

	2017		2016	
	Exercise price, weighted average, EUR/share	No. of stock options	Exercise price, weighted average, EUR/share	No. of stock options
At period-start	2.47	6,185,000	2.47	6,185,000
At period-end	2.47	6,185,000	2.47	6,185,000

There were no changes in the stock options in years 2016 and 2017, i.e. no new stock options were granted, there were no forfeited, re-distributed, exercised or lapsed stock options.

Stock Option rights of CEO and other Corporate Management Committee (CMC) members on 31 December 2017

	2011A(I)	2011B(I)	2011C(I)	2011D(I)	Total
Chief Executive Officer (CEO)	250,000	250,000	250,000	250,000	1,000,000

	2011A(I-III)	2011B(I-III)	2011C(I-III)	2011D(I-III)	Total
Other CMC Members	262,500	262,500	262,500	262,500	1,050,000

The CEO and other CMC members are obliged, under a share ownership obligation, to acquire Citycon's shares with 25% of the income gained from the exercised stock options. The acquisition obligation will remain in force until the CEO or other CMC member owns company shares to the value of her or his gross annual salary, and share ownership must continue while her or his employment or service contract is in force.

Exercisable stock options at period-end

The company had 6,185,000 outstanding 2011A–D(I-III) stock options at period-end. No stock options were exercised during 2017.

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

1.7. OTHER OPERATING INCOME AND EXPENSES

MEUR	2017	2016
Management fees	5.8	7.8
Management fee related expenses	-3.1	-4.3
Depreciation on contract values of managed and rented centres	-1.9	-1.9
Non-recurring personnel expenses arising from employment terminations	-	-0.4
Other operating income	0.3	0.6
Reduction in goodwill resulting from corporate income tax rate change in Norway	-3.6	-4.4
Reduction in goodwill resulting from sales of assets in Norway	-7.8	-
Translation difference related to disposals in foreign companies	-1.4	-
Total	-11.6	-2.6

In 2016, non-recurring personnel expenses arising from employment terminations include one-off compensations paid to 28 persons, out of the total compensation EUR 0.6 million is recognized within property operating expenses, EUR 0.3 million within administrative expenses and EUR 0.4 million in other operating income and expenses.

The corporate income tax percent decrease in 2017 in Norway reduced the deferred tax liabilities by EUR 3.6 million, which arose from Norwegian business unit acquisition as treated in accordance with

the business combination method. The corporate income tax percent decrease in 2016 in Norway reduced the deferred tax liabilities by EUR 4.4 million. As the goodwill from Norwegian business unit acquisition arose mainly from deferred tax liabilities, the tax percent change reduced the goodwill accordingly. This reduction in goodwill does not indicate any changes in the future cash flows of Norway business unit.

MANAGEMENT FEES FROM JOINT VENTURES AND MANAGED CENTRES
Citycon manages some of the shopping centres owned by joint ventures and third parties and recognizes management fees over the contract period.

1.8. 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	2017	2016
Profit/loss attributable to parent company shareholders (MEUR)	87.4	160.4
Issue-adjusted average number of shares (1,000)	889,992	889,993
Earnings per share (basic) (EUR)	0.10	0.18

Earnings per share, diluted	2017	2016
Profit/loss attributable to parent company shareholders (MEUR)	87.4	160.4
Issue-adjusted average number of shares (1,000)	889,992	889,993
Adjustment for stock options and share-based incentive plans (1,000)	9,004	6,429
Average number of shares used in the calculation of diluted Earnings per share (1,000)	898,996	896,422
Earnings per share (diluted) (EUR)	0.10	0.18

Average number of shares used in the calculation of Earnings per share

	days	number of shares
Weighted average (daily) number of shares	365	889,992,417

Diluted Earnings per share is calculated by adjusting the weighted average number of shares to assume the conversion of all dilutive potential shares. The number of shares is increased by dilutive shares arising from stock options and long-term share-based incentive plans.

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 during the earning period when the performance conditions for the bonus have been fulfilled, and the shares have not yet been granted.

2. PROPERTY PORTFOLIO AND ASSETS

2.1. INVESTMENT PROPERTIES AND RELATED LIABILITIES

INVESTMENT PROPERTIES IN FINANCIAL STATEMENT

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 resulting from fair value changes for investment properties are netted and stated as a separate item in the consolidated 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 valued at fair value at the end of the quarter following the acquisition.

The fair valuation of the company's properties is conducted half-yearly by an independent external appraiser according to the International Valuation Standards (IVS) while on the first and third quarter of the year Citycon conducts the fair value measurement internally except for ongoing (re)development projects and new acquired properties which are valued externally. When measuring the values internally, Citycon has based the valuations on the yields and market rent

indications received from the external appraiser. In addition, the external appraiser conducts the fair value evaluation of properties under (re)development.

(Re)development projects are classified as investment properties and determined at fair value after an investment decision has been made and the external appraiser considers that sufficient information is available for a reliable valuation. Potential development projects are projects whose realization is uncertain. Therefore they have been left out of the valuation conducted by the external appraiser. In the fair value valuation on 31 December 2017, 1 property (2) was classified as (re)development project.

The fair value of Citycon's investment properties in the consolidated statement of financial position consists of the property portfolio's total value determined by the external appraiser, less transfers into investment properties held for sale, added by capital expenditure on potential development projects that are not taken into account by the external appraiser, as well as the value of new properties acquired during the reporting quarter.

The fair value of Citycon's properties was measured by CBRE for the financial statements for 2017 and by JLL for the financial statements for 2016. The resulting fixed fees based on the 2017 valuations totaled EUR 0.2 million (0.3). The reconciliation between the fair value determined by the external appraiser and the fair value of investment properties in Citycon's balance sheet, is presented below:

	31 December 2017	31 December 2016
MEUR		
Fair value of investment properties determined by the external appraiser per 31 December	4,134.1	4,369.4
Capital expenditure on development projects	13.3	26.0
Transfer into investment properties held for sale	-25.4	-57.8
Acquisition cost of properties acquired during the last quarter of the year	61.4	-
Fair value of investment properties per 31 December	4,183.4	4,337.6

FAIR VALUE DEFINITION AND HIERARCHY

In accordance with IFRS 13, the fair value is defined as the price that would be received from the sale of an asset in an orderly transaction between market participants at the measurement date.

Citycon uses valuation techniques that are appropriate under the existing circumstances, and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Input data used in valuation method to determine the fair value is categorized into three fair value hierarchy levels in accordance with IFRS 13. Investment property measured at fair value is categorised to the same fair value hierarchy level as the lowest level input, which is significant to the fair value measurement as a whole.

Yield requirement is an important input parameter in the valuation measurement and it is derived from comparable market transactions. Citycon has decided to categorise all property fair valuations as level 3, because properties and especially shopping centres are usually heterogeneous and transactions are infrequent. Transfers between levels in the hierarchy did not occur during the year.

FAIR VALUE MEASUREMENT OF INVESTMENT PROPERTIES, FAIR VALUE MEASUREMENT HIERARCHY

	31 December 2017	31 December 2016
MEUR		
Quoted prices (Level 1)	-	-
Observable inputs (Level 2)	-	-
Unobservable inputs (Level 3)	4,134.1	4,369.4
Total	4,134.1	4,369.4

FAIR VALUE OF INVESTMENT PROPERTIES

Measuring the fair value of investment properties is a key accounting policy that is based on assessments and assumptions about future uncertainties. Yield requirement, market rents, vacancy rate and operating expenses form the key variables used in an investment property's fair value measurement. The evaluation of these variables involves Citycon management's judgment and assumptions. Also, the evaluation of the fair value of (re)development projects requires management's judgment and assumptions regarding investments, rental levels and the timetable of the project.

FAIR VALUE MEASUREMENT

The fair value measurement of Citycon's investment properties is based on 10-year cash flow analysis, conducted separately for each property. The basic cash flow is determined by the lease agreements valid at the valuation date. Upon a lease's expiry, the market rent assessed by an external appraiser replace the contract rent. Potential gross rental income less vacancy assumption, operating expenses and investments equals cash flow, which is then discounted at the property-specific discount rate comprising of yield requirement and inflation assumption. The total value of the property equals to the value of the discounted cash flow, residual value and the value of the unused building rights. The total value of the property portfolio is calculated as the sum of the individual properties' fair values.

The valuation of on-going (re)development projects is based on a cash flow analysis, in which the capital expenditure on the (re)development project and the property's future cash flows are taken into account according to the (re)development project's schedule.

INPUTS

The segments' inputs used by the external appraisers in the cash flow analysis per 31 December 2017 and 31 December 2016 are presented in the tables below.

In Finland the weighted average yield requirement decreased mostly due to property divestments and completion of the Iso Omena (re)development project. In Norway, the weighted average yield requirement increased due to increased yield requirements for better quality secondary shopping centre properties.

In Sweden and Denmark, the weighted average yield requirement remained at the level of the comparison year due to roundings while the actual change was -4bps followed by the strong demand and low supply of prime properties and continued low interest rates. In Estonia the weighted average yield requirement decreased due to properties being attractive investment class in the low interest rate environment. The weighted average market rent for the whole property portfolio was 26.2EUR/sq.m. (26.1). The weighted average vacancy assumption for the cash flow period was 3.4% (3.4).

INPUTS

31 December 2017

MEUR	Finland	Norway	Sweden and		Estonia	Average
			Norway	Denmark		
Yield requirement (%)	5.3	5.4	5.2	6.5	5.4	
Market rents (EUR/sq.m.)	31.2	22.0	25.9	20.7	26.2	
Operating expenses (EUR/sq.m.)	7.3	5.0	6.8	3.1	6.2	
Vacancy during the cash flow period (%)	3.5	3.0	3.5	5.2	3.4	
Market rent growth assumption (%)	1.9	2.2	2.0	2.0	-	
Operating expense growth assumption (%)	1.7	2.2	2.0	2.0	-	

31 December 2016

MEUR	Finland	Norway	Sweden and		Estonia	Average
			Norway	Denmark		
Yield requirement (%)	5.6	5.3	5.2	6.7	5.5	
Market rents (EUR/sq.m.)	29.8	22.9	25.9	20.6	26.1	
Operating expenses (EUR/sq.m.)	7.1	5.6	7.0	3.1	6.3	
Vacancy during the cash flow period (%)	4.4	1.8	4.9	1.2	3.4	
Market rent growth assumption (%)	2.0	2.5	1.9	2.0	-	
Operating expense growth assumption (%)	2.0	2.5	1.9	2.3	-	

SENSITIVITY ANALYSIS

Sensitivity to change in the properties' fair value, or the risk associated with fair value, can be tested by altering the key parameters. The sensitivity analysis below uses the investment properties' fair value of EUR 4,134.1 million defined by the external appraiser at 31 December 2017 as the starting value. Sensitivity analysis indicates that the market value is most sensitive to changes in market rents and yield requirement. A 10% increase in market rents increases the market value of the investment properties by approximately 13%. Correspondingly,

a 10% decrease in the yield requirement results in an approximately 11% increase in market value.

The market value reacts to changes in vacancy and operating expenses, but their relative effect is not as great as changes to market rent and yield requirement. In sensitivity analyses one parameter is changed at a time. In reality, changes in different parameters often occur simultaneously. For example, a change in vacancy may connect to a change in market rents and yield requirement when they impact fair value simultaneously.

SENSITIVITY ANALYSIS

Change %	Fair value (MEUR)				
	-10%	-5%	±0%	+5%	+10%
Yield requirement	4,593.4	4,351.7	4,134.1	3,937.2	3,758.3
Market rents	3,589.8	3,862.0	4,134.1	4,406.3	4,678.4
Operating expenses	4,276.8	4,205.4	4,134.1	4,062.8	3,991.4
Change, percentage points	-2	-1	±0	1	2
Vacancy	4,254.6	4,194.4	4,134.1	4,073.8	4,013.6

INVESTMENT PROPERTY CHANGES AND CLASSIFICATION

31 December 2017

MEUR	Investment properties under construction	Operative investment properties	Investment properties total
At period-start	723.9	3,613.7	4,337.6
Acquisitions	-	142.5	142.5
Investments	49.7	84.0	133.7
Disposals	-	-59.8	-59.8
Capitalised interest	1.1	2.2	3.2
Fair value gains on investment property	-	113.0	113.0
Fair value losses on investment property	-2.4	-153.5	-155.9
Exchange differences	-	-130.3	-130.3
Transfer between IPUC and operative investment properties and transfer into investment properties held for sale	-651.3	450.7	-200.6
At period-end	121.0	4,062.4	4,183.4

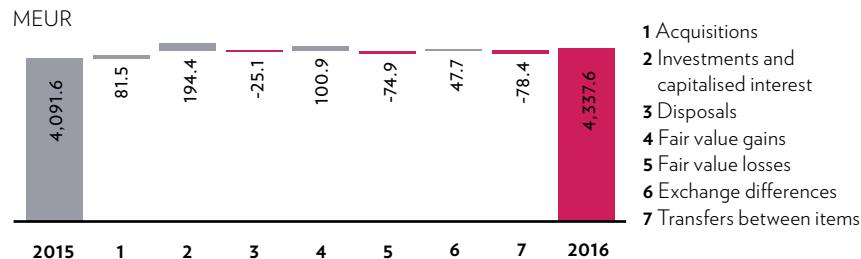
31 December 2016

MEUR	Investment properties under construction	Operative investment properties	Investment properties total
At period-start	106.7	3,984.9	4,091.6
Acquisitions	81.5	-	81.5
Investments	80.7	108.1	188.8
Disposals	0.0	-25.1	-25.1
Capitalised interest	4.4	1.2	5.6
Fair value gains on investment property	15.1	85.8	100.9
Fair value losses on investment property	-	-74.9	-74.9
Exchange differences	-	47.7	47.7
Transfer between IPUC, operative investment properties, joint venture properties and transfer into investment properties held for sale	435.4	-513.8	-78.4
At period-end	723.9	3,613.7	4,337.6

INVESTMENT PROPERTIES 2017



INVESTMENT PROPERTIES 2016



Citycon divides its investment properties into two categories: Investment Properties Under Construction (IPUC) and Operative Investment Properties. On 31 December 2017, the first mentioned category included Lippulaiva in Finland. On 31 December 2016, the first mentioned category included Iso Omena and Porin Asema-aukio in Finland.

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

Contractual obligations to purchase, construct or develop investment properties are presented below.

Contingent liabilities related to investment properties

	31	31
	December	December
MEUR	2017	2016
Capital commitments	337.9	254.8
VAT refund liabilities	106.9	132.1

Capital commitments

Capital commitments relate mainly to on-going (re)development projects.

VAT refund liability

There are value-added tax refund liabilities arising from capitalised renovations and new investments in Citycon's investment properties. The VAT refund liabilities will realise if the investment property is transferred for non-VAT-liability use within 10 years.

2.2. INVESTMENT PROPERTIES HELD FOR SALE

Classifying properties into investment properties or investment properties held for sales requires management's judgement. In addition judgement is used when determining whether the sale of an investment property is to be classified as a real estate sale or sale of a business.

MEUR	2017	2016
Acquisition cost January 1	81.9	1.7
Investments	0.0	0.0
Disposals	-251.9	-70.0
Exchange differences	-5.0	0.0
Transfers from investment properties	200.4	150.3
Accumulated acquisition cost December 31	25.4	81.9

On 31 December 2017, the Investment Properties Held for Sale comprised of one property in Norway. The property transaction is expected to be finalized during the first six months of 2018. On 31 December 2016 the Investment Properties Held for Sale comprised of three properties in Norway, one property in Sweden and one property and one residential property in Finland.

Citycon had no businesses held for sale (in accordance with IFRS 5) on 31 December 2017 or 31 December 2016.

An investment property is reclassified in the financial statement in cases where the investment property is divested or permanently withdrawn from use, and no future economic benefits are expected.

For Citycon, the 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 the sale of a business, IFRS 5, Assets Held for Sale based accounting treatment is applied. Businesses, i.e. disposal groups such as segments or property portfolios, are classified as non-current assets held for sale when their book values are to be recovered (principally through a sale transaction) and a sale is considered highly probable.

In the case of a real estate sale IAS 40 Investment Property or IAS 2 Inventory based accounting treatment, is applied.

If the sale of an operative investment property is deemed highly probable, such a property is transferred to 'Investment properties held for sale' in the financial statement.

A sale is deemed highly probable when

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

Investment properties held for sale are still recognized at fair value in accordance with IAS 40.

2.3. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Following table represents the Citycon Group's interest in the assets and liabilities, revenues and expenses of the joint ventures. The financial information presented in the table is based on the financial statements of the joint venture entities prepared in accordance with IFRS.

MEUR	2017				2016			
	Kista Galleria Group	Norwegian joint ventures	Other joint ventures total	Joint ventures total	Kista Galleria Group	Norwegian joint ventures	Other joint ventures total	Joint ventures total
Investment property	610.5	0.8	90.3	701.6	625.6	38.1	57.1	720.8
Other non-current assets	0.6	0.4	0.3	1.3	2.2	0.7	1.1	4.0
Cash and cash equivalents	15.1	5.4	0.8	21.3	5.1	1.1	7.1	13.3
Other current assets	3.3	7.5	2.0	12.8	3.0	3.6	1.6	8.3
Long-term loans	456.0	-	87.2	543.1	463.8	2.3	59.7	525.8
Deferred tax liabilities	29.8	-	0.8	30.5	23.8	2.8	0.9	27.5
Other long-term liabilities	-	-	-	-	1.8	6.7	-	8.5
Short-term liabilities	13.8	3.4	-0.1	17.1	13.7	16.5	2.4	32.6
Equity	132.1	10.8	5.7	148.6	132.7	15.2	4.0	151.9
Portion of the Group's ownership, %	50%	50%	50%		50%	50%	50%	
Share of joint venture's equity	66.1	5.4	2.8	74.3	66.4	7.6	2.0	75.9
Share of loans of joint ventures	84.6	-	43.6	128.2	84.6	1.1	29.1	114.8
Investments in joint ventures	150.6	5.4	46.4	202.5	150.9	8.7	31.1	190.7
Gross rental income	33.0	-	-	33.0	34.3	-	0.0	34.4
Net rental income	28.7	-	0.0	28.7	30.0	-	-0.2	29.9
Administrative expenses	-0.2	-	0.0	-0.2	-0.4	-	0.0	-0.4
Other operating expenses/income	-1.0	0.3	-	-0.7	-0.8	0.8	-	0.0
Losses/gains on sale	-	-	-	-	-	-	-0.4	-0.4
Net fair value gains on investment property	-1.2	-	-1.1	-2.2	11.1	-	10.3	21.3
Operating profit	26.4	0.3	-1.1	25.6	39.9	0.8	9.7	50.3
Financial income	0.0	0.1	-	0.1	0.0	0.0	0.0	0.0
Financial expenses	-21.2	-0.1	-	-21.3	-23.8	0.0	-0.2	-24.1
Taxes	-5.6	0.0	0.1	-5.4	1.9	-0.2	-3.5	-1.7
Profit / loss for the period	-0.4	0.2	-0.9	-1.1	18.0	0.6	6.0	24.6
Share of profit/loss of joint ventures	-0.2	0.1	-0.5	-0.6	9.0	0.3	3.0	12.3
Other comprehensive income for the period, net of tax	3.6	-	-	3.6	1.5	0.0	-	1.5
Exchange losses/gains on translating foreign operations	-5.2	-1.2	-0.1	-6.5	-4.9	1.0	-	-3.9
Share of other comprehensive income of associated companies and joint ventures	-0.8	-0.6	0.0	-1.4	-1.7	0.5	-	-1.2
Total comprehensive profit/loss for the period	-2.0	-1.0	-1.0	-4.0	14.6	1.6	6.0	22.2

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Citycon recognises its investment in joint ventures and associate companies using the equity method in the consolidated financial statements.

Joint ventures owned by Citycon are treated according to the IFRS 11 Joint Arrangements. In joint ventures, venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The most significant business and financing decisions regarding the joint ventures are made jointly among the owners.

An associated company is an entity over which the Group has significant influence. Significant influence is created usually when the Group owns over 20% of the voting rights of the company or when the Group has otherwise significant power over company, but not the control.

The Group presents the aggregate share of profit or loss from the associated companies and joint ventures on the face of its statement of comprehensive income in line "Share of profit of associated companies and joint ventures" and "Share of other comprehensive income of associated companies and joint ventures".

KISTA GALLERIA SHOPPING CENTRE

Citycon owns a 50% interest in Kista Galleria shopping centre in Sweden, the other 50% is owned by a Canadian partner (CPPIB). Each partner has equal number of members in the board of directors taking decisions related to the Kista Galleria. Material operating and capital decisions in the board are made unanimously. Consequently the entity is considered to be jointly controlled and consolidated under the equity method. The Group has granted a shareholder loan to the Kista Galleria joint venture. Pursuant to the agreement between the Kista Galleria joint venture partners, the Kista Galleria joint venture shall not distribute any dividends until shareholder loans have been repaid and the Group shall take no action or make no decision with respect to the shareholder loan without the prior consent of the other partner. All payments made by the Kista Galleria joint venture in respect of the shareholder loan shall be made pro rata to each of the joint venture partners.

ISO OMENA SHOPPING CENTRE EXTENSION

Citycon acquired on 10 August 2016, NCC's 50% interest in Holding Metrokeskus Oy, which was the management company of the extension project of the Iso Omena shopping centre in Finland. After the acquisition, Citycon owns 100% the Iso Omena shopping centre including the extension.

MÖLNDAL GALLERIA SHOPPING CENTRE

Citycon owns a 50% interest in Mölndal Galleria (re)development in Sweden, the

other 50% is owned by NCC. Each partner has equal number of members in the board of directors taking decisions related to the Mölndal Galleria (re)development project, and material operating and capital decisions in the board are made unanimously. Consequently the entity is considered to be jointly controlled and consolidated under the equity method. Citycon has granted a shareholder loan to the Mölndal Galleria joint venture. Pursuant to the agreement between the Mölndal Galleria joint venture partners, the Mölndal Galleria joint venture shall not distribute any dividends until shareholder loans have been repaid and the Citycon shall take no action or make no decision with respect to the shareholder loan without the prior consent of the other partner. All payments made by the Mölndal Galleria joint venture in respect of the shareholder loan shall be made pro rata to each of the joint venture partners. Citycon has given commitments to purchase the NCC's share of the (re)development project after completion of the construction.

JOINT VENTURES IN NORWAY

Citycon acquired all the shares in Norwegian shopping centre company Sektor on 14 July 2015. The acquired portfolio includes five joint ventures: Klosterfoss Utvikling AS, Dr Juells Park AS, Sandtranda Bolig AS, Center team AS and Magasinet Drammen AS, all of which Citycon owns 50% of the shares. First three of the former companies are residential real estate development companies, others operate outside the real estate business.

B) Investments in associated companies

MEUR	2017	2016
Investment properties	291.1	321.2
Current assets	8.2	7.6
Short-term liabilities	2.4	3.9
Long-term liabilities	168.9	183.8
Total shareholders' equity	128.0	141.1
Portion of the Group's ownership, %	20%	20%
Investments in associated companies	25.6	28.2
Gross rental income	18.3	16.7
Net rental income	11.7	10.1
Net fair value gains on investment property	-1.9	10.5
Net gains/losses on sale of investment property	-4.2	-
Net financial income and expenses	-6.5	-5.9
Income taxes	0.0	-2.2
Profit for the period	-0.9	12.5
Share of profit/loss of associated companies	-0.2	2.5
Other comprehensive income for the period, net of tax	0.0	0.5
Exchange losses on translating foreign operations	-10.8	6.7
Share of other comprehensive income of associated companies and joint ventures	-2.2	1.4
Total comprehensive profit/loss for the period	-11.7	19.7

ASSOCIATED COMPANIES IN NORWAY

At the end of 2017, the acquired portfolio includes associate interests in three shopping centres: Markedet, Stovner Senter and Torvbyen. Citycon owns 20% interest in all of these shopping centres. An associate interest of Halden Storsenter shopping centre was sold during the last quarter of 2017.

The table presents summarised financial information of the Citycon's investments in associate companies.

3. FINANCING

3.1. EQUITY

A) Description of funds and reserves included in the equity

SHARE CAPITAL

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

SHARE PREMIUM FUND

Since the 2006 entry into force of the current Finnish Limited Liability Companies Act, no new items are recognised in the share premium fund. The share premium fund accumulated before 2007 due to option schemes and share issues.

INVESTED UNRESTRICTED EQUITY FUND

The invested unrestricted equity fund is credited, for instance, with that part of the subscription price of the shares that, according to the Memorandum of Association or the share issue decision, is not to be credited to the share capital. Incremental transaction costs (net of taxes) directly attributable to the issue of new shares or options are deducted from the proceeds.

FAIR VALUE RESERVE

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

TRANSLATION RESERVE

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

TREASURY SHARES

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.

B) Board proposal for dividend and return from the invested unrestricted equity fund

The Board of Directors proposes that based on the balance sheet to be adopted for the financial period ended on 31 December 2017 no dividend is distributed by a resolution of the Annual General Meeting. Nonetheless, the Board of Directors proposes that the Board of Directors be authorized to decide in its discretion on the distribution of dividend and assets from the invested unrestricted equity fund as follows.

Based on this authorization the maximum amount of dividend to be distributed shall not exceed EUR 0.01 per share and the maximum amount of equity repayment distributed from the invested unrestricted equity fund shall not exceed EUR 0.12 per share.

The authorization is valid until the opening of the next Annual General Meeting.

Unless the Board of Directors decides otherwise for a justified reason, the authorization will be used to distribute dividend and/or equity repayment four times during the period of validity of the authorization. In this case, the Board of Directors will make separate resolutions on each distribution of the dividend and/or equity repayment so that the preliminary record and payment dates will be as stated below. Citycon shall make separate announcements of such Board resolutions.

Preliminary payment date	Preliminary record date
29 March 2018	22 March 2018
29 June 2018	21 June 2018
28 September 2018	20 September 2018
28 December 2018	14 December 2018

The dividend and/or equity repayment based on a resolution of the Board of Directors will be paid to a shareholder registered in the company's shareholders' register maintained by Euroclear Finland Ltd on the record date for the dividend and/or equity repayment.

3.2. NET FINANCIAL INCOME AND EXPENSES

A) Recognised in the consolidated income statement

MEUR	2017	2016
Interest income	6.9	8.3
Foreign exchange gains	100.9	17.2
Fair value gain from derivatives	-	-
Other financial income	0.0	0.0
Financial income, total	107.8	25.5
Interest expenses	-61.0	-64.1
Foreign exchange losses	-101.2	-17.2
Fair value loss from derivatives	-2.0	-5.9
Development interest capitalised ¹⁾	4.4	7.8
Other financial expenses	-4.3	-3.8
Financial expenses, total	-164.1	-83.2
Net financial income and expenses	-56.4	-57.7
Of which attributable to financial instrument categories:		
Interest-bearing loans and receivables	-70.9	-56.1
Finance lease liabilities	-	-
Derivative financial instruments	14.9	-1.4
Other liabilities and receivables	-0.4	-0.2
Net financial income and expenses	-56.4	-57.7

¹⁾Including also capitalized interest from joint ventures.

In 2017, foreign exchange gains of EUR 22.0 million (7.6) were recognised in the consolidated statement of comprehensive income from foreign exchange derivative agreements.

Interest on development expenditure is capitalised as at 31 December 2017 at a rate of 2.85% (3.18%).

Citycon's interest expenses in the consolidated 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 3.6. Derivative Financial Instruments.

B) Recognised in the other consolidated comprehensive income

MEUR	2017	2016
Gains/losses arising during the period from cash flow hedges	-5.2	4.3
Less: interest expenses recognised in the consolidated income statement on cash flow hedges	2.1	3.7
Net gains/losses on cash flow hedges	-3.1	8.0

INTEREST INCOME

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

DIVIDEND INCOME

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

BORROWING COSTS

Borrowing costs are usually expensed as incurred. However, borrowing costs, such as interest expenses and arrangement fees, directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to be ready for its intended use or sale. Capitalisation commences when the refurbishment of a property, or the construction of a new

building or extension, begins and ceases once the building is ready for lease. Capitalisable borrowing costs include costs of funds borrowed for a construction project or costs attributable to a construction project multiplied by the capitalisation rate. The capitalisation rate is the weighted average cost of Citycon's borrowings for the financial year. Borrowing costs arising from the purchase cost of land are also capitalised on the development project, but only when activities necessary to preparing the asset for development are in progress on the purchased land.

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

3.3. CLASSIFICATION OF FINANCIAL INSTRUMENTS

FINANCIAL ASSETS AND LIABILITIES

Recognition and measurement

Financial assets are classified into the following categories for measurement purposes according to IAS 39:

1. loans and other receivables not held for trading,
2. 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 initially 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 fair value 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 2017 and 31 December 2016, loans and other receivables include the items "Other non-current assets", "Trade and other receivables" and "Cash and cash equivalents".

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

Financial liabilities are classified as

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

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 2017 and 31 December 2016, financial liabilities at amortised cost include the items "Loans", "Other liabilities" and "Trade payables and other payables". On 31 December 2017 Citycon had foreign exchange derivative contracts classified as a financial assets and liabilities at fair value through profit or loss.

Financial assets and liabilities are recognised in the statement of financial position on the basis of the settlement date.

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

MEUR	Note	Carrying amount 2017	Fair value 2017	Carrying amount 2016	Fair value 2016
Financial assets					
I Loans and other receivables					
Trade and other receivables	4.4.	31.5	31.5	38.8	38.8
Cash and cash equivalents	3.8.	10.1	10.1	15.9	15.9
II Financial assets at fair value through profit and loss					
Derivative financial instruments	3.6.	14.2	14.2	3.1	3.1
III Derivative contracts under hedge accounting					
Derivative financial instruments	3.6.	7.0	7.0	2.5	2.5
Financial liabilities					
I Financial liabilities amortised at cost					
I.I Loans					
Loans from financial institutions	3.4.	225.9	226.3	260.8	261.4
Bonds	3.4.	1,858.0	1,870.9	1,916.0	1,930.0
Finance lease liabilities	3.4.	0.0	0.0	0.0	0.0
I.II Other liabilities					
Other liabilities	5.5.	1.3	1.3	0.8	0.8
Trade and other payables	5.5.	75.8	75.8	92.3	92.3
II Financial liabilities at fair value through profit and loss					
Derivative financial instruments	3.6.	3.7	3.7	4.3	4.3
III Derivative contracts under hedge accounting					
Derivative financial instruments	3.6.	0.7	0.7	1.6	1.6

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

Citycon applies IFRS valuation principles when determining the fair values 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 fair value 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 Citycon's interest rate derivatives is determined by the counterparty banks based on customary valuation techniques used by market participants in the OTC derivative market. An interest rate curve is determined based on observable market rates. The curve is used to determine future interest payments, which are then discounted to present value.

The fair value of a currency 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 as well as the currency basis spreads between the respective currencies. The fair value of derivative financial instruments is the estimated amount that Citycon would receive or pay to settle the related agreements. The fair value of foreign exchange derivative contracts is based on quoted market prices.

The fair value of cross-currency swaps consist of the fair value due to the interest rate change and the fair value due to the currency rate. The interest rate fair value is determined the same way as in interest rate swaps above and the reported values are based on the valuations of the counterparty banks. The currency fair value is determined in a similar way as in currency forward agreements.

The fair value of both interest rate and foreign exchange derivative financial instruments corresponds to level 2 of the fair value hierarchy according to IFRS13.72-90. For financial instruments that are recognised at fair value on a recurring basis, Citycon determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. During the period there was no transfers between the levels of the fair value hierarchy.

LOANS FROM FINANCIAL INSTITUTIONS

Citycon's loans from financial institutions are floating rate loans which have a fair value equal to the nominal amount of the loan. The

difference between the fair value and carrying amount is the unamortised capitalised arrangement fees of the loans. The fair value of loans from financial institutions corresponds to level 2 according to IFRS13.72-90.

BONDS

All bonds are loans which have fair values equal to the nominal amount of the loans. The difference between the fair value and carrying amount is the unamortised capitalised arrangement fees for the bonds, and for the 1/2013, 1/2014, 3/2015, 1/2016 and 1/2017 bonds also the unamortised reoffer discount. The fair value of the bonds corresponds to level 1 according to IFRS13.72-90.

The difference between the secondary market price and the fair value of the bonds was EUR 100.2 million (116.2) as of 31 December 2017.

3.4. LOANS

All Citycon loans were interest-bearing liabilities on 31 December 2017 and 2016. These interest-bearing loans are explained here in detail.

Breakdown of interest-bearing liabilities

MEUR	Effective interest rate, %	Carrying amount 2017	Carrying amount 2016
Long-term interest-bearing liabilities			
Bonds			
Bond 1/2013	3.82	497.9	497.2
Bond 1/2014	2.62	345.5	345.0
Bond 1/2015	3M Nibor +1.55	126.5	136.9
Bond 2/2015	3.90	141.4	153.2
Bond 3/2015	2.40	298.4	298.0
Bond 1/2016	1.26	347.6	347.4
Bond 1/2017	2.77	100.6	-
Syndicated term loans			
NOK 1,000 million term loan facility	Reference rate + 1.30	101.2	109.5
Syndicated revolving credit facilities			
EUR 500 million revolving credit facility	Reference rate + 0.90	0.0	0.0
NOK 300 million revolving credit facility	Reference rate + 1.30	0.0	0.0
Finance lease liabilities	-	0.0	0.0
Other interest-bearing liabilities	-	0.0	0.0
Total long-term interest-bearing liabilities		1,959.2	1,887.1
Short-term interest-bearing liabilities			
Bond 1/2012	4.25	-	138.4
Current portion of interest-bearing liabilities	-	0.0	0.6
Commercial papers	-	124.1	142.2
Cash pool overdrafts	-	0.6	8.7
Total short-term interest-bearing liabilities		124.7	289.7

The carrying amounts of syndicated loans and bonds are stated at amortised cost, using the effective yield method. The fair values of liabilities are shown in Note 3.3. Classification of Financial Instruments.

Maturity of long-term interest-bearing liabilities

MEUR	2017	2016
1–2 years	-	-
2–3 years	497.9	-
3–4 years	126.5	497.2
4–5 years	399.5	136.9
over 5 years	935.3	1253.0
Total	1,959.2	1,887.1

Currency split including cross-currency swaps.

Long-term interest-bearing liabilities by currency

MEUR	2017	2016
EUR	1,050.2	1,027.4
NOK	571.4	511.8
SEK	337.6	347.9
Total	1,959.2	1,887.1

Short-term interest-bearing liabilities by currency

MEUR	2017	2016
EUR	53.2	181.0
NOK	36.0	3.5
SEK	35.6	105.2
Total	124.7	289.7

3.5 FINANCIAL RISK MANAGEMENT

A) Financial risk management

The objective of financial risk management is to ensure that Citycon will reach its targets in financing and cost of finance and to identify and mitigate key risks which may threaten its ability to meet these targets before they realise.

The Board of Directors has approved a Treasury Policy which defines the objectives, responsibilities and risk management targets, responsibilities and indicators. The execution and controlling of financial risk management is performed by the Group Treasurer and Treasury Manager, under the supervision of the CFO. The Group Treasurer reports compliance with the objectives, in conjunction with the interim and annual report, to the CFO, who reports to the Board's Audit and Governance Committee.

Financial risks have been identified 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 uses interest rate and foreign exchange derivatives to manage interest rate and currency risks arising from operations and financing sources.

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

INTEREST RATE RISK

One of Citycon's key financial risks 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 debt.

During recent years, the amount of fixed rate debt has increased, so now a relatively small part of Citycon's debt is floating rate. A part of this floating rate debt has been converted to fixed rate using interest rate swaps. 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% of interest bearing liabilities are based on fixed interest rates over time. At year-end the ratio of fixed rate debt was however temporarily higher, at 94.1%.

The interest sensitivity of Citycon's loan portfolio at the end of 2017 is depicted by the fact that a one-percentage point rise in money market interest rates would increase its interest expenses by EUR 1.2 million, while a fall of one-percentage point in such rates would decrease them by EUR 0.4 million in the same year.

INTEREST RATE SENSITIVITY

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

Effect on interest expenses of an increase of 100 basis points

MEUR	2017	2016
Euro	0.5	0.4
Norwegian crown	0.4	-
Swedish crown	0.4	1.0
Total	1.2	1.4

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

Effect on shareholders equity of an increase of 100 basis points

MEUR	2017	2016
Norwegian crown	0.5	0.3
Swedish crown	0.1	0.0
Total	0.6	0.4

LIQUIDITY RISK

Citycon's strategy is to grow, which for a real estate company means that both equity capital and debt is needed. 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 in the near term. Citycon aims to guarantee the availability and flexibility

of financing, through sufficient committed unused credit limits and by using several banks and financing methods as sources of finance.

Citycon's financing policy states that all maturing debt, committed capital expenditures and committed acquisitions for the coming rolling 12 months period, not covered by Operating cash flow in approved budget or forecast or committed disposals of assets must be covered by available liquidity consisting of cash and long-term committed credit limit facilities. On 31 December 2017, unused committed credit limits amounted to EUR 530.5 million, in addition Citycon had unused cash pool limits of EUR 25.2 million and unrestricted cash and cash equivalents of EUR 3.7 million.

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

Maturity profile of financial liabilities including interest flows

MEUR	Less than 1 month	1 to 12 months	1-5 years	Over 5 years	Total
31 December 2017					
Loans from financial institutions	73.3	53.1	109.1	0.0	235.5
Bonds	-	50.3	1,085.7	1,003.9	2,139.9
Finance lease liabilities	-	-	-	-	0.0
Derivative financial instruments	0.0	4.4	14.3	0.0	18.7
Trade and other payables (excl. interest liabilities)	57.2	17.7	0.2	0.8	75.8
31 December 2016					
Loans from financial institutions	37.5	108.1	11.1	111.4	268.1
Bonds	-	193.1	811.1	1,233.4	2,237.5
Finance lease liabilities	-	-	-	-	0.0
Derivative financial instruments	0.0	4.1	14.2	4.0	22.3
Trade and other payables (excl. interest liabilities)	72.4	18.2	1.7	0.0	92.3

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

Undrawn committed credit facilities

MEUR	Less than 1 month	1 to 12 months	1-5 years	Over 5 years	Total
31 December 2017					
Undrawn committed credit facilities	-	-	530.5	-	530.5
31 December 2016					
Undrawn committed credit facilities	-	-	500.0	33.0	533.0

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

Changes in liabilities from financing activities

MEUR	1 January 2017	Cash flow	Foreign exchange movement	Change in fair values	Other	31 December 2017
Long term interest bearing liabilities	1,887.1	106.7	-34.6	-	-	1,959.2
Short-term interest bearing liabilities	289.7	-158.7	-6.3	-	-	124.7
Derivatives	5.8	-	-4.0	2.7	-	4.4
Total in liabilities from financing activities.	2,182.5	-52.0	-44.9	2.7	-	2,088.3

CREDIT RISK

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 customer 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 4.4. 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 minimizes the risk and does not, for example, invest in equity markets. Citycon's cash and cash equivalents are primarily placed on bank accounts and in short term deposits, in which the counterparties are commercial banks participating in Citycon's credit agreements. Citycon's financing policy also sets forth approved financial instruments in which the company can invest, and includes counterparty limits for those investments.

EXCHANGE RATE RISK

Citycon's presence in countries outside the eurozone 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, as well as from translation risks in the balance sheet associated with investments in foreign subsidiaries. The company uses foreign exchange derivatives to manage the transaction risk on committed transactions.

The company manages its exchange rate risk in the balance sheet by aiming to finance its foreign investments mainly in the local currency. Currently, the company's exchange rate risk relates to fluctuations in the Euro/Swedish crown and the Euro/Norwegian crown exchange rates.

FOREIGN EXCHANGE SENSITIVITY

The following table shows the sensitivity in the net financial expenses of the consolidated income statement to a 5% change in foreign exchange rates, assuming that all other variables remain constant. This impact is mainly attributable to the change in the fair value of financial instruments and the change in interest expenses paid in other currencies as the principals are fully hedged.

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

MEUR	2017	2016
Swedish crown	0.0	-0.1
Norwegian crown	-0.8	-0.7
Total	-0.9	-0.8

B) Capital management and financial covenants

CAPITAL MANAGEMENT

The objective of the company's capital management is to support the strategy, maximise shareholder value, comply with loan agreement provisions and ensure the company's ability to pay dividend. 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.

Citycon monitors its capital structure based on equity ratio and loan-to-value (LTV). The company's long term LTV target is 40-45%.

The formulas for calculating the equity ratio and LTV can be found on page 44 in the formulas for key figures and ratios.

Equity ratio:

MEUR	2017	2016
Total shareholders' equity (A)	2,208.5	2,312.3
Total assets	4,678.0	4,900.9
Less advances received	15.8	16.6
./ (Total assets - advances received) (B)	4,662.2	4,884.3
Equity ratio, % (A/B)	47.4%	47.3%

LTV (Loan to value) -%:

MEUR	2017	2016
Interest-bearing debt total (Note 3.4.)	2,083.9	2,176.8
Less cash and cash equivalents (Note 3.8.)	10.1	15.9
Interest-bearing net debt (A)	2,073.7	2,160.9
Fair value of investment properties including properties held for sale and investments in joint ventures (Note 2.1, 2.2 and 2.3.) (B)	4,436.9	4,638.5
LTV, % (A/B)	46.7%	46.6%

Equity ratio increased slightly in 2017 despite a lower total shareholders equity as the total assets in proportion decreased more. The LTV increased slightly in 2017 despite the lower interest-bearing net debt as the fair value of investment properties in proportion decreased more.

FINANCIAL COVENANTS

Under a commitment given in the terms of the bank loan facilities, the 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 2017 stood at 47.4% (47.3) and interest coverage ratio at 3.8 (3.8).

Under a commitment given in the terms of the Trust Deeds regarding the eurobonds issued in 2013, 2014, 2015, 2016 and 2017 Citycon undertakes to maintain the group's solvency ratio at under 0.65 and its secured solvency ratio at under of 0.25. The solvency ratio is calculated by dividing the Group's consolidated net debt with total assets. The secured solvency ratio is calculated by dividing the Group's consolidated secured debt with total assets.

Accordingly, the solvency ratio on 31 December 2017 stood at 0.46 (0.46) and the secured solvency ratio at 0.02 (0.02).

3.6. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative contracts and hedge accounting

Derivative financial instruments are used in accordance with Citycon's Treasury Policy to hedge the interest rate risk of interest bearing liabilities and foreign currency risk. Derivatives are initially measured at fair value (if available) and re-measured at fair value on each statement of financial position 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. Hedged instruments consist of long term floating rate debt, which is expected to be refinanced upon maturity on similar terms. Citycon applies hedge accounting according to IAS 39 to its interest rate swaps. Subsequently the fair value change of the effective part of the derivative hedge is recognised in the fair value reserve in equity and correspondingly under other consolidated comprehensive income. Any significant fair value change resulting from an ineffective part of the derivative hedge is recognised in the statement of consolidated comprehensive income under financial income and expenses. The amount in the fair value reserve is recognised in the statement of consolidated 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. At the moment Citycon has three interest rate swaps under hedge accounting at nominals of NOK 625, 625 and 1,000 million.

Interest payments based on interest rate swaps are included in interest expenses. Fair value changes that are booked through profit or loss are recognised as financial expenses or income, if hedge accounting is not applied. The fair value of interest rate swaps is shown in current or non-current receivables or current and non-current liabilities in the statement of financial position. As of 31 December 2017 all Citycon's interest rate swaps were under hedge accounting.

The company uses foreign exchange derivatives like forwards and cross currency swaps 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 consolidated comprehensive income, since fair value changes related to financial assets and liabilities denominated in foreign currencies are also recognised therein. The interest payments of cross currency swaps and forward points of currency forwards are included in interest expenses.

Hedge accounting (fair value hedge) for cross currency swaps is performed in the same manner as explained above for interest rate swaps with the exception that fair value changes from foreign exchange rate is booked through profit and loss and the fair value change due to changed interest rates is shown in current or non-current receivables or current and non-current liabilities in the statement of financial position. At the moment Citycon has one cross currency swap under hedge accounting with a nominal of NOK 1,000 million.

A) Nominal amounts and fair values of derivative financial instruments

	Nominal amount	Fair value	Nominal amount	Fair value
MEUR	2017	2017	2016	2016
Interest rate swaps				
Maturity:				
less than 1 year	-	-	-	-
1-5 years	228.7	0.2	247.6	1.2
over 5 years	-	-	-	-
Subtotal	228.7	0.2	247.6	1.2
Cross-currency swaps				
Maturity:				
less than 1 years	-	-	-	-
1-5 years	457.9	15.0	350.0	0.6
over 5 years	-	-	107.9	-0.3
Subtotal	457.9	15.0	457.9	0.3
Foreign exchange forward agreements				
Maturity:				
less than 1 year	84.6	1.6	220.2	-1.8
Total	771.2	16.8	925.7	-0.2

The fair value of a derivative financial instrument represents the market value of the instrument at the prices prevailing on the balance sheet date. See also note 3.3. Classification of financial instruments part B) for principles on determining fair values of derivatives.

The fair values include a foreign exchange gain of EUR 20.9 million (-1.1) from foreign exchange rate derivatives and cross-currency swaps, which is recognised in the consolidated statement of comprehensive income.

The average fixed interest rate of the interest rate swaps and and cross-currency swaps as at 31 December 2017 was 1.97% (1.97%).

B) Derivatives under hedge accounting

Interest rate swaps and cross-currency swaps MEUR	Assets 2017	Liabilities 2017	Assets 2016	Liabilities 2016
Interest rate swaps, fair value	0.2	-	1.2	-
Cross-currency swaps, fair value	6.2	-	-	-0.3

The Group applies hedge accounting in accordance with IAS 39 to all of its interest rate swaps valid as at 31 December 2017, according to which the amount of financial instruments' fair value change from effective hedging is recognised under other consolidated comprehensive income. Fair value gains and losses are transferred to the statement of consolidated income when the forecasted cash flows realize and affect the statement of consolidated income. Citycon also has cross-currency swaps to effectively convert EUR debt into NOK and SEK debt, and for part of them, hedge accounting is applied.

Hedge accounting is applied to interest rate swaps and cross-currency swaps which have a nominal amount of EUR 336.6 million (355.6).

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

The cash flow from all hedged liabilities over time is the basis for determining the gain and loss on the effective portions of derivatives designated as cash flow hedges.

At 31 December 2017 and at 31 December 2016, derivatives under hedge accounting were assessed as highly effective. The fair values of these derivatives were EUR 6.3 million (2.0) and the change of these fair values (net of taxes) EUR -2.5 million (6.4) is recognised under other consolidated comprehensive income, taking the tax effect into account.

In addition, EUR 0.8 million (2.3) have been recognised in 'Share of other consolidated comprehensive income of joint ventures' from interest rate swaps hedging loans of Kista Galleria loan and Sektor Portefølje II AS.

3.7. COMMITMENTS AND CONTINGENT LIABILITIES

Pledges and other contingent liabilities

MEUR	2017	2016
Loans, for which mortgages are given in security and shares pledged		
Loans from financial institutions	101.6	110.1
Contingent liabilities for loans		
Mortgages on land and buildings	132.1	143.1
Bank guarantees	40.9	154.7

Mortgages on land and buildings

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

Bank guarantees

Bank guarantees relate to parent company guarantees on behalf of subsidiaries for third parties, or alternatively third party bank guarantees.

3.8. CASH AND CASH EQUIVALENTS

MEUR	2017	2016
Cash in hand and at bank	3.7	9.3
Other bank deposits	6.4	6.5
Total	10.1	15.9

Cash and cash equivalents in the cash flow statement comprise the items presented above. Other bank deposits mainly consists of restricted cash accounts.

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. OTHER NOTES TO THE ACCOUNTS

4.1. INCOME TAXES

MEUR	2017	2016
Current tax	-0.8	-0.7
Tax for prior periods	0.0	0.0
Deferred tax expense	-5.1	-19.5
Income tax expense	-5.9	-20.2

Citycon did not recognise any current taxes directly in the equity during 2017 and 2016.

Reconciliation between tax charge and Group tax at the Finnish tax rate (20.0%):

MEUR	2017	2016
Profit before taxes	93.8	181.5
Taxes at Finnish tax rate	18.8	36.3
Change in subsidiaries' tax rate	-6.4	-6.4
Fair value of investment properties	-17.2	-5.3
Difference in foreign subsidiaries' tax rate	-2.0	-0.5
Unrecognised tax receivables from losses	1.2	-0.3
Utilisation of tax losses	1.2	-2.1
Tax free income deducted by non-deductible expenses	6.5	-1.9
Other	3.8	0.4
Income taxes	5.9	20.2
Effective tax rate, %	6.3%	11.1%

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. 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.

Citycon is subject to income taxation in several countries. The complexity of tax legislation, as well as constant changes in it and in the operating environment, require Citycon to use estimates and assumptions when preparing its tax calculations. Tax legislation specifically related to tax deductibility of interest expenses has changed and is changing in the countries Citycon operates in. Citycon monitors and analyses the impact of these changes as part of its normal operations.

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.

4.2. DEFERRED TAX ASSETS AND LIABILITIES

Changes in deferred tax assets and liabilities in 2017:

MEUR	1 January 2017	Recognised in income statement	Recognised in other comprehensive income	Recognised from Business combinations	Items not recognized on the balance sheet	Exchange rate differences	31 December 2017
Deferred tax assets							
Tax losses	3.6	1.2	-	-	-	-	4.8
Measurement of interest-rate swaps at fair value	-0.8	-0.4	0.6	-	-	-	-0.6
Deferred tax assets, total	2.9	0.8	0.6	-	-	-	4.3
Deferred tax liabilities							
Measurement of investment property at fair value ¹⁾	309.1	3.3	-	-	-	-13.4	299.0
Contract values of managed and rented centre	2.6	-0.5	-	-	-	-0.2	1.9
Temporary difference in financial expenses	0.6	-0.2	-	-	-	-	0.4
Deferred tax discounts due to sales of assets	-	3.3	-	-	-3.3	-	-
Deferred tax liabilities, total	312.2	5.9	-	-	-3.3	-13.6	301.1

¹⁾ Deferred tax liabilities are net of EUR 12.8 million of deferred tax assets arising from confirmed tax losses.

Changes in deferred tax assets and liabilities in 2016:

MEUR	1 January 2016	Recognised in income statement	Recognised in other comprehensive income	Recognised from Business combinations	Items not recognized on the balance sheet	Exchange rate differences	31 December 2016
Deferred tax assets							
Tax losses	9.2	0.6	-	-6.2	-	-	3.6
Measurement of interest-rate swaps at fair value	1.1	-0.2	-1.6	-	-	-	-0.8
Deferred tax assets, total	10.3	0.4	-1.6	-6.2	-	-	2.9
Deferred tax liabilities							
Measurement of investment property at fair value ¹⁾	288.3	20.6	-	6.2	-	-6.0	309.1
Contract values of managed and rented centers	2.9	-0.6	-	-	-	0.2	2.6
Temporary difference in financial expenses	0.7	-0.2	-	-	-	-	0.6
Deferred tax liabilities, total	292.1	19.8	-	6.2	-	-5.8	312.2

¹⁾ Deferred tax liabilities are net of EUR 25.8 million of deferred tax assets arising from confirmed tax losses.

Deferred tax assets and liabilities are calculated on temporary differences arising between the tax bases of assets and liabilities, and their carrying amounts. A major temporary difference arises between the fair value and taxable value of investment properties. In such a case, taxes are calculated on the difference between the property's fair value and residual tax value of the underlying asset. This rule applies even if the property is disposed by selling the shares of the property company and includes no assessment of likelihood of such tax consequences.

Other main temporary differences relate to among other things unused tax losses and financial instruments. 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.

On 31 December 2017, Group companies had confirmed losses for which tax assets of EUR 7.0 million (6.1) were not recognised, since these Group companies are unlikely to record a taxable profit, before the expiration of carry forwards of these losses, against which loss carry forwards can be utilised.

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.

4.3. INTANGIBLE ASSETS

MEUR	2017	2016
Acquisition cost January 1	35.2	33.0
Additions during the period	3.7	1.4
Divestments	-1.1	-0.3
Net exchange differences	-1.6	1.1
Accumulated acquisition cost December 31	36.2	35.2

MEUR	2017	2016
Accumulated depreciation and impairment losses, January 1	-12.7	-9.5

Amortization during the period	-5.0	-3.2
Net exchange differences	0.3	0.0

Accumulated depreciation and impairment losses, December 31	-17.4	-12.7
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Net carrying amount January 1	22.5	23.6
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Net carrying amount December 31	18.8	22.5
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Intangible assets consisted of contract values of managed and rented centers arising from business combination (acquisition of Norwegian business unit on 14 July 2015) and computer software and licenses. The contract values of managed and rented centers were EUR 14.8 million on 31 December 2017 (17.7).

During financial year 2017 Citycon has defined the disclosure of intangible assets by disclosing the net exchange differences as separate items. In order to ensure comparability between financial years 2017 and 2016, has the comparative information been adjusted accordingly. The change did not have any effect on the book values of intangible assets.

INTANGIBLE ASSETS

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

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

The following depreciation periods apply:

Contract value of rented centers is amortized on a straight-line basis over the contract period.

Contract value of managed centers is amortized on a straight-line basis over the contract period.

Software is amortised over their useful life on a straight-line basis over three to seven years.

IMPAIRMENT OF INTANGIBLE ASSETS

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

4.4. TRADE AND OTHER RECEIVABLES

MEUR	2017	2016
Trade receivables	11.8	11.1
Credit loss provision	-2.9	-2.8
Trade receivables (net)	8.9	8.3
Accrued income and prepaid expenses	11.3	14.8
VAT-receivables	2.7	7.3
Other receivables	8.5	8.4
Total	31.5	38.8

Ageing structure of trade receivables:

MEUR	2017	2016
NOT past due nor impaired	2.4	2.9
Past due, less than 1 month	1.9	2.7
Past due, 1-3 months	2.0	1.6
Past due, 3-6 months	1.3	1.1
Past due, 6-12 months	2.7	1.6
Past due, 1-5 years	1.6	1.1
Total	11.8	11.1

Movement in credit loss provisions:

MEUR	2017	2016
At the beginning of the year	-2.8	-3.3
Charge for the year	-0.5	0.0
Utilised	-0.5	-0.1
Unused amounts reversed	1.0	0.6
Credit loss provision at the end of the year	-2.9	-2.8

Trade receivables are non-interest bearing and their payment terms vary between 2-20 days. The rent guarantee is equal to between 2-6 months of rent and other payments.

FINANCIAL ASSETS

Financial assets include trade receivables and other receivables not held for trading, which the company has created by providing money, goods or services directly to the debtor. Initially recognised at fair value 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.

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 consolidated income statement. 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.

4.5. TRADE AND OTHER PAYABLES

MEUR	2017	2016
Trade payables	14.7	19.2
Short-term advances received	15.7	16.3
Interest liabilities	18.4	22.8
Other liabilities	23.6	28.9
Accrued expenses total	42.0	51.8
VAT-liabilities	3.5	5.0
Other short-term payables	0.0	0.1
Other short-term payables total	3.5	5.1
Total	75.8	92.3

Due dates of future payments of trade and other payables:

MEUR	2017	2016
Due in less than 1 month	57.2	72.4
Due in 1–3 months	6.5	1.3
Due in 3–6 months	9.5	13.6
Due in 6–12 months	1.6	3.3
Due in 1–2 years	0.2	1.5
Due in 2–5 years	0.0	0.1
Due in over 5 years	0.8	0.0
Total	75.8	92.3

FINANCIAL LIABILITIES

Financial liabilities include trade and other payables, which are initially recognised at fair value. Afterwards, financial liabilities are recognised at amortised cost using the effective interest method.

5. CONSOLIDATION

GROUP ACCOUNTING POLICIES

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

SUBSIDIARIES

Subsidiaries refer to companies in which the Group has control. The Group controls an investee if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including contractual agreements with the other vote holders of the investee. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. 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.

JOINT OPERATIONS

Mutual real estate companies in Finland, in which the ownership of Citycon is less than 100%, are treated as joint operations in accordance with IFRS 11 Joint Arrangements. The Group recognizes its assets and liabilities in relation to its joint operations, including its share of any assets held and liabilities incurred jointly. In addition, the Group recognizes its revenue and expenses in relation to its joint operations, including its share of revenue of the joint operation and expenses incurred jointly. The consolidation method described above applies to all joint operations of this kind.

Mutual real estate companies, in which the ownership is less than 50%, are treated as joint operations, as described above.

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 statement of comprehensive income.

Monetary assets and liabilities denominated in foreign currencies on the statement of financial position date are measured at the exchange rate quoted on the statement of financial position 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' statement of comprehensive income have been translated into euros using average exchange rates quoted for the financial period and statement of financial positions using the exchange rate quoted on the statement of financial position date. Any resulting exchange rate difference is recognised as a translation difference under other comprehensive income. 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.

5.1. BUSINESS COMBINATIONS AND GOODWILL

BUSINESS ACQUISITIONS

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

GOODWILL

Goodwill arises when the given consideration exceeds the fair value of the acquired net assets. Goodwill has been allocated to cash generating units (CGUs). Goodwill is recognised at cost less any accumulated impairment losses.

Deferred tax liabilities are valued at nominal value (not fair value). On the acquisition of business deferred tax liabilities generate goodwill, if the

nominal value of deferred tax liabilities is higher than their fair value at the time of acquisition.

To the extent that the deferred tax liabilities' difference between nominal value and fair value reduces later, for example, through a change in the tax circumstances, such as decrease in tax rate of the Group, the goodwill arising from the initial recognition of the deferred tax provision may become reduced.

If part of the CGU, to which goodwill has been allocated, is disposed, goodwill that has been allocated to that disposed part is booked in other operating expenses. Goodwill is allocated to the disposed part based on the relative values of the disposed operations and the portion of the retained part.

BUSINESS ACQUISITIONS AND ASSET ACQUISITIONS

Citycon purchases investment properties through business acquisitions and asset acquisitions.

Citycon applies IFRS 3 Business Combinations to the accounting treatment of business acquisitions and IAS 40 Investment Property to the asset acquisitions. Citycon exercises judgement in assessing whether the purchase

of an investment property portfolio or an investment property is classified as a business combination or an asset acquisition. Acquisitions are treated as business combinations when significant set of activities is acquired in addition to the property. The significance of activities is assessed in accordance with the definition of business (e.g. maintenance, cleaning, security, book-keeping, etc.) of IFRS 3.

A) Business combinations and goodwill

MEUR	2017	2016
Acquisition cost January 1	173.4	171.5
Purchase price adjustment	-	0.0
Change from exchange rate	-9.3	6.4
Reduction in goodwill resulting from corporate income tax rate change in Norway	-3.4	-4.4
Reduction in goodwill resulting from sales of assets in Norway	-7.4	-
Accumulated acquisition cost December 31	153.3	173.4

Goodwill at the end of 2017 results fully from the acquisition of Norwegian business unit on 14.7.2015. The goodwill is allocated to the Norway business unit as a whole. During financial year 2017 three shopping centres were sold from the business unit.

Due to the forthcoming decrease in income tax percent in Norway from 2018 on and the decrease during 2017, goodwill was reduced in the last quarters of financial year 2017 and 2016 by EUR 3.4 million and EUR 4.4 million, respectively. Whereas, the reduction in the tax rate had a positive impact on the deferred tax change.

Citycon did not acquire any businesses during financial years 2017 and 2016.

B) Impairment testing of Goodwill

IMPAIRMENT TESTING OF GOODWILL

Goodwill is tested for impairment at least annually and when circumstances indicate that the carrying value may be impaired. Goodwill is not amortized. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Citycon determines recoverable amounts using value in use cash flows based on cash flows used in investment property fair value evaluation over 10 year period prepared by external

appraiser as presented in notes 2.1 and administrative expenses as well as other operating income and expenses according to budget approved by Board of Directors. Cash flows do not include restructuring activities that Citycon is not yet committed to or significant future uncommitted investments that will enhance the assets' performance of the cash generating unit being tested. The recoverable amount is sensitive especially to assumption of discount rate and net rental income.

Impairment testing is performed to the net amount of goodwill, the difference between nominal and fair value of deferred tax liabilities determined at the time of acquisition is reduced from goodwill.

Total carrying value including goodwill to be tested was approximately EUR 1,431.0 million (1,552.3). The pre-tax discount rate applied to the cash flow projections was 3.91% (4.63). The recoverable amount of Norway amounted to EUR 1,605.2 million (1,954.1) with a headroom of EUR 174.5 million (401.8) to balance value, hence there is no need for goodwill impairment.

KEY ASSUMPTIONS USED IN VALUE IN USE CALCULATIONS

The calculation of value in use is most sensitive to discount rate and assumptions used in net rental income projections. Net rental income is based on external appraiser's 10 year cash flow analysis to determine fair value of investment properties. The assumption related to aforementioned cash flows are presented in Note 2.1. Discount rate represents the current market assessment of the risks specific to Norway, taking into consideration the time value of money and individual risks of Norway. The discount rate calculation is based on weighted average cost of capital (WACC). Terminal value is capitalized with external appraiser's yield assumption 5.40% (5.25) which reflects property specific risks and market risks.

Sensitivity has been analysed regarding market rents and yield assumptions separately. Asset's total recoverable amount would fall below total carrying value if market rents decreased more than approximately 9,50% (22.51) from current level. If both WACC determined by the company 3.91% (4.63) and yield assumption determined by external appraiser 5.40% (5.25) would increase more than approximately 0.63% points (1.49), then total recoverable amount of asset would fall below total carrying value.

5.2. ACQUISITION OF NON-CONTROLLING INTERESTS

Citycon did not acquire minority shares during 2017. During 2016 Citycon acquired a 29.4% minority share of Råd & Bokføring AS. Citycon previously owned a 70.6% majority share from the company.

Citycon didn't have any material non-controlling interests in its subsidiaries on December 31, 2017 and 2016.

MEUR	2017	2016
Total goodwill	153.3	173.4
Residual balance of deferred tax liability, in excess of the fair value, initially provided on acquisition	-91.8	-108.7
Goodwill tested for impairment	61.5	64.7

Testing of goodwill for impairment involves the management's judgement and assumptions especially in determining the recoverable amount, which is sensitive for instance to assumption of discount rate and net rental income.

SENSITIVITY TO CHANGES IN ASSUMPTIONS

The implications of the key assumptions for the recoverable amount are market rent and yield requirement as presented in Note 2.1.

5.3. RELATED PARTY TRANSACTIONS AND CHANGES IN GROUP STRUCTURE

A) Related parties

Group companies and changes in group structure

Group companies on 31 December 2017	Country	Group holding, %	Parent company holding, %
Parent company: Citycon Oyj	Finland		
Albertslund Centrum ApS	Denmark	100	
Asematie 3 Koy	Finland	100	
Big Apple Top Oy	Finland	100	
Citycon AB	Sweden	100	100
Citycon Bodø Drift AS	Norway	100	
Citycon Bodø Eiendom AS	Norway	100	
Citycon Buskerud Drift AS	Norway	100	
Citycon Buskerud Eiendom AS	Norway	100	
Citycon Buskerud Invest AS	Norway	100	
Citycon Buskerud Invest KS	Norway	100	
Citycon Denmark ApS	Denmark	100	100
Citycon Development AB	Sweden	100	
Citycon Down Town Drift AS	Norway	100	
Citycon Down Town Eiendom AS	Norway	100	
Citycon Eiendomsmegling AS	Norway	100	
Citycon Finland Oy	Finland	100	100
Citycon Heiane Drift AS	Norway	100	
Citycon Heiane Eiendom AS	Norway	100	
Citycon Herkules Drift AS	Norway	100	
Citycon Herkules Eiendom AS	Norway	100	
Citycon Holding AS	Norway	100	100
Citycon Högdaalen Centrum AB	Sweden	100	
Citycon Jakobsbergs Centrum AB	Sweden	100	
Citycon Kilden Drift AS	Norway	100	
Citycon Kilden Eiendom AS	Norway	100	
Citycon Kolbotn Torg Eiendom AS	Norway	100	
Citycon Kolbotn Torg Drift AS	Norway	100	
Citycon Kolbotn Torg Næring AS	Norway	100	

¹⁾ Company acquired in 2017

²⁾ Name of the company changed in 2017

Citycon Group's related parties comprise the parent company Citycon Oyj and its subsidiaries, associated companies, joint ventures; Board members; CEO and other Corporate Management Committee members; and the company's largest shareholder Gazit-Globe Ltd., whose shareholding in Citycon Oyj accounted for 44.6% on 31 December 2017 (31 December 2016: 43.9%).

Group companies on 31 December 2017	Country	Group holding, %	Parent company holding, %
Citycon Kongssenteret Drift AS	Norway	100	
Citycon Kongssenteret Eiendom AS	Norway	100	
Citycon Kremmertorget Drift AS	Norway	100	
Citycon Kremmertorget Eiendom AS	Norway	100	
Citycon Liertoppen Drift AS	Norway	100	
Citycon Liertoppen Eiendom AS	Norway	100	
Citycon Liljeholmstorget Galleria AB	Sweden	100	
Citycon Linderud Drift AS	Norway	100	
Citycon Linderud Eiendom AS	Norway	100	
Citycon Magasinet Drammen Eiendom AS	Norway	100	
Citycon Magasinet Drammen Invest AS	Norway	100	
Citycon Magasinet Drammen Invest I ANS	Norway	100	
Citycon Magasinet Drammen Invest II ANS	Norway	100	
Citycon NAF-Huset Drift AS	Norway	100	
Citycon NAF-Huset Eiendom AS	Norway	100	
Citycon Norway AS	Norway	100	
Citycon Oasen Drift AS	Norway	100	
Citycon Oasen Eiendom AS	Norway	100	
Citycon Oasen Kontoreiendom AS ¹⁾	Norway	100	
Citycon Senterdrift AS	Norway	100	
Citycon Services AB	Sweden	100	
Citycon Shopping Centers AB	Sweden	100	
Citycon Shopping Centers Shelf 6 AB	Sweden	100	
Citycon Shopping Centers Shelf 7 AB ¹⁾	Sweden	100	
Citycon Sjøsidan Drift AS	Norway	100	
Citycon Sjøsidan Eiendom AS	Norway	100	
Citycon Solsiden Drift AS	Norway	100	
Citycon Solsiden Eiendom AS	Norway	100	
Citycon Stopp Drift AS	Norway	100	

Group companies on 31 December 2017	Country	Group holding, %	Parent company holding, %
Citycon Stopp Eiendom AS	Norway	100	
Citycon Storbyen Drift AS	Norway	100	
Citycon Storbyen Eiendom AS	Norway	100	
Citycon Storgata 53 Eiendom AS	Norway	100	
Citycon Strædet Cinema ApS (Citycon Køge B2 ApS) ¹⁾²⁾	Denmark	100	
Citycon Strædet Pedestrian Street ApS ¹⁾	Denmark	100	
Citycon Treasury B.V.	The Netherlands	100	100
Citycon Trekanten Drift AS	Norway	100	
Citycon Trekanten Eiendom AS	Norway	100	
Citycon Tumba Centrumfastigheter AB	Sweden	100	
Espoonlahden Bussiterminaali Koy	Finland	100	
Espoonlahden Metroasema Koy (Special Purpose Vehicle No. 257 Oy) ¹⁾²⁾	Finland	100	
Etelä-Suomen Kauppakiinteistö Oy	Finland	100	
Helsingin Hämeentie 109-111 Koy	Finland	100	
Kauppakeskus Columbus Koy	Finland	100	
Kauppakeskus Isokarhu Oy	Finland	100	
Kristiina Management Oy	Finland	100	
Kristiine Keskus Oü	Estonia	100	
Kuopion Kauppakatu 41 Koy	Finland	100	
Lahden Hansa Koy	Finland	100	
Lintulankulma Koy	Finland	100	
Lippulaiva Koy	Finland	100	
Lippulaivan Palvelutilat Koy	Finland	100	
Manhattan Acquisition Oy	Finland	100	
Montalbas B.V.	The Netherlands	100	100
Myyrmanni Koy	Finland	100	
Riddarplatsen Fastigheter HB	Sweden	100	
Rocca al Mare Kaubanduskeskuse AS	Estonia	100	
Stenungs Torg Fastighets AB	Sweden	100	
Tampereen Hermannin Koy	Finland	100	
Tampereen Koskikeskus Koy	Finland	100	
Åkersberga Centrum AB	Sweden	100	
Lahden Trio Koy	Finland	89.5	

Group companies on 31 December 2017	Country	Group holding, %	Parent company holding, %
Hervannan Liikekeskus Oy	Finland	83.2	
Myyrmäen Kauppakeskus Koy	Finland	78.6	
RED City AB	Sweden	75	
Heikintori Oy	Finland	68.7	
Myyrmäen Autopaikoitus Oy	Finland	62.7	
Centerteam AS	Norway	50	
Dr Juells Park AS	Norway	50	
Holding Big Apple Housing Oy	Finland	50	
Lappeenrannan Villimiehen Vitonen Oy	Finland	50	
Kista Galleria JV AB	Sweden	50	
Kista Galleria Kommanditbolag	Sweden	50	
Kista Galleria Holding AB	Sweden	50	
Kista Galleria LP AB	Sweden	50	
Klosterfoss Utvikling AS	Norway	50	
Magasinet Drammen AS	Norway	50	
Mölnåls Galleria AB	Sweden	50	
Mölnåls Galleria Fastighets AB	Sweden	50	
Retail Park Oy	Finland	50	
Sandstranda Bolig AS	Norway	50	
Tikkurilan Kassatalo As Oy	Finland	39	
Hansaparkki Koy	Finland	36	
Liesikujan Autopaikat Oy	Finland	35.7	
Centro Henrique Oy	Finland	34.4	
Sektor Markedet Drift AS	Norway	20	
Sektor Markedet Eiendom AS	Norway	20	
Sektor Portefølje II AS	Norway	20	
Sektor Stovner Drift AS	Norway	20	
Sektor Stovner Eiendom AS	Norway	20	
Sektor Torvbyen Eiendom AS	Norway	20	
Torvbyen Utvikling AS	Norway	20	
Tupakkikiven Parkki Koy	Finland	13.7	
Torvbyen Drift AS	Norway	7.6	
Partnerships for taxation purposes:			
Parkeringshuset Våpnaren	Sweden	64	

¹⁾ Company acquired in 2017

²⁾ Name of the company changed in 2017

Merged

Citycon Skomværkvartalet Eiendom AS merged into Citycon Norway AS.
Holding Metrokeskus Oy merged into New Manhattan Acquisition Oy.
New Big Apple Top Koy merged into Big Apple Top Oy.
New Manhattan Acquisition Oy merged into Manhattan Acquisition Oy.

Companies liquidated

Liljeholmstorget Development Services AB	Sweden
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Companies sold (Group holding% on the time of sale)

Citycon Krokstad Eiendom AS (100%)	Norway
Citycon Lade Eiendom AS (100%)	Norway
Citycon Lietorvet Drift AS (100%)	Norway
Citycon Lietorvet Eiendom AS (100%)	Norway
Espoon Asemakuja 2 Koy (100%)	Finland
Jyväskylän Forum Koy (100%)	Finland
Jyväskylän Kauppakatu 31 Koy (100%)	Finland
Kaarinan Liiketalo Koy (100%)	Finland
Kivensilmänkuja 1 Koy (100%)	Finland
Martinlaakson Kivivuorentie 4 Koy (100%)	Finland
Porin Asema-aukio Koy (100 %)	Finland
Råd & Bokføring AS (100%)	Norway
Tikkurilan Kauppakeskus Koy (98.8%)	Finland
Linjurin Kauppakeskus Koy (88.5%)	Finland
Ersboda Länken 1 AB (75%)	Sweden
Espoonatorin Pysäköintitalo Oy (68.6%)	Finland
Espoonatori Koy (66.6%)	Finland
Espoon Asematori Koy (54.1%)	Finland
Jyväskylän Ydin Oy (29%)	Finland
Sektor Halden Drift AS (20%)	Norway
Sektor Halden Eiendom AS (20%)	Norway
Martinlaakson Huolto Oy (2.2%)	Finland

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 REMUNERATION

Information on management remuneration is presented in notes 1.6. employee benefits and personnel expenses.

TRANSACTIONS WITH GAZIT-GLOBE LTD

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

REPORTING TO GAZIT-GLOBE LTD.

The company's main shareholder, Gazit-Globe Ltd., holding 44.6% of the shares in the company, has announced that it has been applying 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%. 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's shareholders' meetings pursuant to its shareholding. In accordance with an agreement concluded between the companies, Citycon 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.

5.4. CHANGES IN IFRS AND ACCOUNTING POLICIES

New standards as well as interpretations and changes applied in 2017

The following new standards as well as amendments and interpretations to the existing standards have been adopted in the financial statements 2017. These were not significantly relevant to Citycon, because they didn't significantly change Citycon's accounting policies nor presentation of the accounts.

- Disclosure initiative (amendments to IAS 7)
- Recognition of Deferred Tax Assets for Unrealized Losses (amendments to IAS 12)
- Disclosure of Interest in Other entities: Clarification of the scope of the Standard (annual improvements to IFRS 12)

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 must be applied in Citycon Group's (Group) accounting periods from 1 January 2018 or or later, but the Group has not early-adopted them. Citycon will adopt these standards when they become effective and EU has approved them.

- IFRS 9 Financial Instruments

- IFRS 15 Revenue from Contracts with Customers

- IFRS 16 Leases

- IFRS 2 Share-based Payments: Clarification and Measurement of Share-based Payment Transactions (amendments)

I.e. guidance to accounting for cash-settled share-based payment transactions that include a performance a performance condition and the classification of shared-based payment transactions with net settlement features.

- IFRIC 22 Foreign Currency Transactions and Advance Consideration

Guidance for foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income.

- IFRIC 23 Uncertainty over Income Tax Treatments

Guidance to the determination of taxable profit (tax loss), tax bases, unused tax losses and tax rates, when there is uncertainty over income tax treatments under IAS 12.

IFRS 15 Revenues from Contracts with Customers standard (effective from 1 January 2018) will replace IAS 11 and IAS 18 standards and their interpretations. IFRS 15 will provide more detailed guidance regarding income recognition and disclosure of contracts with customers. The main impacts of IFRS 15 to Citycon's reporting have been analyzed during the year 2017. Based on the analysis, the impact from adaptation of IFRS 15 to Citycon's reporting will be minor apart from expansion of financial statement disclosures.

The majority Citycon's sales revenues consist of rental income which by definition falls under the scope of IAS 17 (from 1 January 2019 on IFRS 16). In Citycon's business operations, only the service charge income will be treated according to IFRS 15 and the accounting treatment of service charge income is presently in line with the upcoming IFRS 15 standards guidance.

The main impact from the implementation of the standard to Citycon's reporting will be the change in disclosure regarding rental agreements in which the rent has not been divided between capital rent and service charge income (see Note 1.2). Due to this, part of gross rental income will be allocated to service charge income in the income statement from 1 January 2018 onwards. The allocation is estimated to have a positive impact of EUR 7 million to service charge

income and an equivalent negative impact on gross rental income. The change will not have any impact on Citycon's net rental income.

Citycon's transition method to applying IFRS 15 to its accounts will be the retrospective application with the cumulative effect recognized in the current period and due to that, the comparative information from financial year 2017 will not be restated and will be presented according to guidance of previously applied IFRS standards.

IFRS 9 Financial instruments standard (effective from 1 January 2018) will replace the IAS 39 standard. IFRS 9 will offer more possibilities regarding hedge accounting, but does not require mandatory changes to Citycon's present principles of booking nor disclosure of financial instruments.

The guidance provided in the standard includes substantial changes to accounting treatment of financial instruments' impairment. In addition to financial instruments, expected credit loss must be estimated also among rental and sales receivables, but for this purpose, a simplified valuation model can be applied. During the financial year 2018, Citycon will assess the expected credit losses by segment, with help of a model based on the amount and maturity of receivables, realized credit losses and expectations regarding the future development of the economic situation. Effects from the implementation of the standard to Citycon's credit loss provision are not expected to be material during financial year 2018.

IFRS 16 Leases standard (effective from 1 January 2019) will replace IAS 17 standard and its interpretations. Above all, IFRS 16 provides guidance for the lessee and defines principles for accounting treatment of rental agreement as an asset and a liability (lease obligation). In the income statement, the cost of the rental agreements will be presented as depreciations and financing expenses instead of rental expenses. The standard contains two exemptions for short-term and low-value leases.

The impacts of implementing the standard to Citycon's reporting are estimated to be minor and the assessment is on-going. The arising effects are estimated to be limited to land lease agreements and to rental agreements of machinery and equipment.

5.5. POST BALANCE SHEET DATE EVENTS

No major events have taken place post balance sheet date.

PARENT COMPANY FINANCIAL STATEMENTS, FAS

PARENT COMPANY INCOME STATEMENT, FAS

MEUR	Note	1 January– 31 December 2017	1 January– 31 December 2016
Service charge income		2.7	3.0
Turnover	2	2.7	3.0
Property operating expenses		0.0	0.0
Net rental income		2.7	3.0
Administrative expenses	3, 4	-14.3	-14.3
Other operating income and expenses	5	3.4	3.0
Operating loss/profit		-8.2	-8.3
Financial income		153.9	116.9
Financial expenses		-105.6	-115.2
Net financial income and expenses	6	48.2	1.7
Profit/loss before appropriations and taxes		40.1	-6.5
Group contributions		6.2	19.2
Profit for the period		46.2	12.6

PARENT COMPANY BALANCE SHEET, FAS

MEUR	Note	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Intangible assets	7	3.7	4.3
Tangible assets	8	1.1	0.9
Investments			
Shares in subsidiaries	9	1,425.7	1,354.3
Loan receivables and derivative contracts ¹⁾	10	1,307.0	1,512.7
Total investments		2,732.7	2,867.0
Total non-current assets		2,737.5	2,872.2
Current assets			
Short-term receivables	12	397.0	363.8
Cash and cash equivalents		0.1	0.1
Total current assets		397.0	363.9
Total assets		3,134.5	3,236.1

MEUR	Note	31 December 2017	31 December 2016
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
	13		
Share capital		259.6	259.6
Share premium fund		133.1	133.1
Invested unrestricted equity fund		1,139.3	1,246.1
Retained earnings ¹⁾		9.8	6.0
Profit for the period		46.2	12.6
Total shareholders' equity ¹⁾		1,587.9	1,657.4
Liabilities			
	14		
Long-term liabilities			
Bond 1/2013		497.9	497.2
Other long-term liabilities ¹⁾		11.3	5.7
Total long-term liabilities		509.2	502.9
Short-term liabilities			
Bond 1/2012		-	138.4
Other short-term liabilities		1037.3	937.5
Total short-term liabilities		1,037.3	1,075.8
Total liabilities		1,546.6	1,578.7
Total liabilities and shareholders' equity		3,134.5	3,236.1

¹⁾ The comparative balance sheet has been adjusted due to the incorrect valuation of derivatives at 2016.

PARENT COMPANY CASH FLOW STATEMENT, FAS

MEUR	1 January–31 December 2017	1 January–31 December 2016
Cash flow from operating activities		
Profit /loss before taxes	40.1	-6.5
Adjustments:		
Depreciation and impairment loss	1.2	1.0
Net financial income and expenses	-48.2	-1.7
Cash flow before change in working capital	-7.0	-7.2
Change in working capital	16.7	38.3
Cash generated from operations	9.8	31.1
Interest expense and other financial expenses paid	-52.8	-51.4
Interest income and other financial income received	35.2	50.1
Realised exchange rate losses and gains	0.9	15.0
Income taxes paid	-	-
Net cash flow from operating activities	-6.9	44.9
Cash flow used in investing activities		
Investment in tangible and intangible assets	-0.8	-1.2
Loans granted	-736.0	-899.3
Repayments of loans receivable	1,038.7	1,078.0
Increase in subsidiary shares	-11.3	0.0
Net cash used in investing activities	290.6	177.5
Cash flow from financing activities		
Proceeds from short-term loans	1,908.6	1,120.2
Repayments of short-term loans	-1,965.5	-1,142.0
Repayments of long-term loans	-138.3	0.0
Dividends paid and return from the invested unrestricted equity fund	-116.2	-131.4
Net cash from financing activities	-311.4	-153.1
Net change in cash and cash equivalents	-27.7	69.2
Cash and cash equivalents at period-start	-57.4	-126.6
Cash and cash equivalents at period-end ¹⁾	-85.1	-57.4

¹⁾ Cash and cash equivalents of Citycon Oyj included the Group cash pool as at 31 December 2017 and at 31 December 2016, in which the parent company's bank account can have a negative balance. Cash pool balance of EUR -57.5 million as at 31 December 2016 and EUR -85.2 million as at 31 December 2017 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.

Non-current assets

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

Intangible assets

Intangible assets include IT software and other non-current assets, including office improvement expenses. IT software is depreciated over 3–7 years as straight line basis and office improvement expenses are depreciated over the term of the lease agreement.

Tangible assets

Tangible assets include machinery and equipment and construction in progress. Machinery and equipment is depreciated at 25 percent annually, using the reducing balance method of depreciation.

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.

Income taxes

Current taxes are recognised on an accrual basis.

Deferred taxes arising from temporary differences between the book and fiscal values have been recognised separately in the income statement and the balance sheet.

Derivatives

All derivatives are valued according to the Finnish bookkeeping act KPL 5.2a at fair value. The comparative balance sheet has been adjusted due to the incorrect valuation of derivatives at 2016.

Important note

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

2. TURNOVER

MEUR	2017	2016
Turnover by country:		
Finland	0.8	1.7
Other countries	1.9	1.3
Total	2.7	3.0

Parent company turnover includes the following administrative fees received from Group companies:

MEUR	2017	2016
Administrative fees from Group companies	2.3	2.8

3. PERSONNEL EXPENSES

MEUR	2017	2016
Average number of employees during period	34	42
Personnel expenses		
Wages and salaries	-6.7	-6.8
Pension charges	-1.0	-1.0
Other social charges	-0.3	-0.5
Total	-8.0	-8.4

The items presented above include CEO's statutory pension payments, EUR 0.1 million in 2017 (0.1).

Personnel expenses include the following management wages and salaries

MEUR	2017	2016
CEO's wages and salaries	-0.7	-0.7
Board remuneration	-0.7	-0.7
Total	-1.4	-1.4

4. DEPRECIATION AND AMORTISATION AND IMPAIRMENTS

The following depreciation and amortisation as well as impairments are included in the administrative expenses:

MEUR	2017	2016
Amortisation on intangible assets	-1.0	-0.9
Depreciation on machinery and equipment	-0.2	-0.1
Total	-1.2	-1.0

5. OTHER OPERATING INCOME AND EXPENSES

MEUR	2017	2016
Other operating income	3.4	3.0
Total	3.4	3.0

6. NET FINANCIAL INCOME AND EXPENSES

MEUR	2017	2016
Dividend income		
From Group companies	60.0	20.0
From others	-	0.0
Total	60.0	20.0

Interest and other financial income

From Group companies	43.0	40.4
Foreign exchange gains	52.9	51.3
Other interest and financial income	-2.0	5.2
Total	93.9	96.9

Total financial income	153.9	116.9
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Interest and other financial expenses

To Group companies	19.1	21.1
Foreign exchange losses	55.5	55.5
Interest and other financial expenses	31.0	38.6
Total financial expenses	105.6	115.2

Net financial income and expenses	48.2	1.7
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7. INTANGIBLE ASSETS

MEUR	2017	2016
Intangible rights		
Acquisition cost 1 January	7.2	6.2
Additions during the period	0.3	1.0
Accumulated acquisition costs 31 December	7.4	7.2

Accumulated depreciation 1 January	-2.8	-2.0
Depreciation for the period	-1.0	-0.9
Accumulated depreciation 31 December	-3.9	-2.8

Net carrying amount 31 December	3.6	4.3
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Tenant improvements and other non-current assets

Acquisition cost 1 January	1.6	1.6
Additions during the period	0.1	0.0
Accumulated acquisition costs 31 December	1.7	1.6

Accumulated depreciation 1 January	-1.6	-1.5
Depreciation for the period	0.0	0.0
Accumulated depreciation 31 December	-1.6	-1.6

Net carrying amount 31 December	0.1	0.0
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Total intangible assets 31 December	3.7	4.3
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8. TANGIBLE ASSETS

MEUR	2017	2016
Machinery and equipment		
Acquisition cost 1 January	1.1	1.0
Additions during the period	0.4	0.1
Accumulated acquisition costs 31 December	1.6	1.1

Accumulated depreciation 1 January	-0.8	-0.7
Depreciation for the period	-0.2	-0.1
Accumulated depreciation 31 December	-1.0	-0.8

Net carrying amount 31 December	0.6	0.3
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Construction in progress

Acquisition cost 1 January	0.5	0.4
Additions during the period	-	0.2

Net carrying amount 31 December	0.5	0.5
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Total tangible assets 31 December	1.1	0.9
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9. SHARES IN SUBSIDIARIES

MEUR	2017	2016
Acquisition cost 1 January	1,354.3	1,334.0
Additions during the period	71.3	20.4
Net carrying amount 31 December	1,425.7	1,354.3

10. LONG TERM LOAN RECEIVABLES AND DERIVATIVE CONTRACTS

MEUR	2017	2016
Loan receivables from Group companies	1,286.9	1,506.4
Derivative financial instruments, from Group companies ¹⁾	0.7	1.6

Derivative financial instruments, from outside the Group ¹⁾	19.5	4.7
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Total other investments 31 December	1,307.0	1,512.7
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Total investments 31 December	2,732.7	2,867.0
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¹⁾ The comparative balance sheet has been adjusted due to the incorrect valuation of derivatives at 2016.

11. SUBSIDIARIES AND ASSOCIATED COMPANIES

Parent company's subsidiaries and associated companies are presented in the Note 5.3. Related Party Transactions in the Notes to the Consolidated Financial Statements.

12. SHORT-TERM RECEIVABLES

MEUR	2017	2016
Receivables from outside the Group		
Trade receivables	0.2	0.1
Derivative financial instruments	1.7	1.0
Other receivables	1.1	0.9
Accrued income and prepaid expenses	0.4	0.3
Total	3.4	2.3
Receivables from Group companies		
Trade receivables	3.0	1.9
Loan receivables	374.2	331.5
Other receivables	3.0	1.3
Total other receivables	377.3	332.8
Interest receivables	7.1	7.0
Other accrued income and prepaid expenses	-	0.5
Total accrued income and prepaid expenses	7.1	7.6
Group contributions receivables	6.2	19.2
Total	393.5	361.5
Total short-term receivables	397.0	363.8

13. SHAREHOLDERS' EQUITY

MEUR	2017	2016
Share capital at 1 January	259.6	259.6
Share capital at 31 December	259.6	259.6
Share premium fund at 1 January	133.1	133.1
Share premium fund at 31 December	133.1	133.1
Invested unrestricted equity fund at 1 January	1,246.1	1,370.7
Equity return from the invested unrestricted equity fund	-106.8	-124.6
Invested unrestricted equity fund at 31 December	1,139.3	1,246.1
Retained earnings at 1 January	18.7	15.0
Dividends	-8.9	-8.9
Profit for the period	46.2	12.6
Retained earnings at 31 December ¹⁾	56.0	18.7
Total shareholders' equity at 31 December ¹⁾	1,587.9	1,657.4

¹⁾ The comparative balance sheet has been adjusted due to the incorrect valuation of derivatives at 2016.

14. LIABILITIES

A) Long-term liabilities

MEUR	2017	2016
Long-term interest-bearing liabilities		
Bond 1/2013	497.9	497.2
Total	497.9	497.2
Derivative financial instruments ¹⁾	4.3	3.1
Derivative financial instruments, from Group companies ¹⁾	7.0	2.5
Total long-term liabilities	509.2	502.9
Loans maturing later than 5 years	-	-

¹⁾ The comparative balance sheet has been adjusted due to the incorrect valuation of derivatives at 2016.

B) Short-term liabilities

MEUR	2017	2016
Short-term interest-bearing liabilities		
Bond 1/2012	-	138.4
Commercial paper	88.5	142.2
Loans from Group companies	925.0	765.6
Total	1,013.6	1,046.1
Short-term non-interest-bearing liabilities		
Payables to outside the Group		
Accounts payable	0.7	1.1
Derivative financial instruments	0.2	2.6
Other payables	1.1	1.4
Total other payables	1.3	4.1
Interest liability	10.9	14.9
Other accrued expenses and deferred income	3.5	2.9
Total accrued expenses and deferred income	14.4	17.7
Total	16.3	22.9
Payables to Group companies		
Accounts payable	0.0	0.9
Other payables	1.3	0.1
Accrued expenses and deferred income	6.1	5.8
Total	7.4	6.8
Total short-term liabilities	1,037.3	1,075.8
Total liabilities	1,546.6	1,584.4

Derivative financial instruments are used in Citycon group in accordance with the Treasury Policy to hedge the interest rate risk of interest bearing liabilities and foreign currency risk. All Group external derivative financial instruments in Citycon are executed by the parent company Citycon Oyj. Citycon Oyj values derivatives according to the Finnish bookkeeping act KPL 5.2a fair value model and fair value changes are booked through profit and loss. The fair value definition of derivatives are presented in note 3.6 of the consolidated Financial Statements. In addition Citycon Oyj had group internal derivatives as of 31 December 2017 with a fair value of EUR 0,6 million (-2,5) and a nominal amount of EUR 336,6 million (355,6).

15. CONTINGENT LIABILITIES

The parent company does not have any mortgages nor given securities.

A) Lease liabilities

MEUR	2017	2016
Payables on lease commitments		
Maturing next financial year	0.5	0.5
Maturing later	2.4	2.5
Total	3.0	3.0

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

B) Guarantees given

MEUR	2017	2016
Guarantees	1,444.4	1,440.5
Of which on behalf of Group companies	1,444.4	1,440.4

Guarantees in 2017 mainly relate to issued bonds of subsidiaries which Citycon Oyj has guaranteed via parent guarantee or alternatively third party bank guarantees.

SIGNATURES TO THE FINANCIAL STATEMENTS

Signatures to the Financial Statements 1 January - 31 December 2017

Helsinki, 7 February 2018

Chaim Katzman

Bernd Knobloch

Arnold de Haan

Kirsi Komi

Rachel Lavine

David Lukes

Andrea Orlandi

Claes Ottosson

Per-Anders Ovin

Ariella Zochovitzky

Marcel Kokkeel
CEO

We have today submitted the report on the conducted audit.

Helsinki, 7 February 2018

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Rytilahti
Authorized Public Accountant

AUDITOR'S REPORT

TO THE ANNUAL GENERAL MEETING OF CITYCON OYJ

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Citycon Oyj (business identity code 0699505-3) for the year ended 31 December, 2017. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit and Governance Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 1.5 to the consolidated financial statements.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key Audit Matter**Valuation of Investment Properties**

We refer to the note 2.1

At the balance sheet date, the fair value of investment properties amounted to 4183.4 M€ representing 89.4 % of the total assets and 189.4 % of the total equity (2016 4337.6M€, 88.5% of the total assets and 187.7% of the total equity). Fair value measurement of the investment properties is a key audit matter, because the fair value measurement involves judgment and assumptions. Market rents, yield requirement, vacancy rate and operating expenses form the key variables used in investment property's fair-value measurement. The evaluation of these variables involves judgment and assumptions of Citycon management.

This matter is a significant risk of material misstatement referred to in EU Regulation No 537/241, point (c) of Article 10(2).

Valuation of Goodwill

We refer to the note 5.1

At the balance sheet date, the carrying amount of goodwill amounted to 153.3 M€ representing 3.3% of the total assets and 6.9 % of the total equity (2016: 173.4M€, 3.5% of the total assets and 7.5% of the total equity). Annual impairment test of goodwill is a key audit matter, because it includes judgment and assumptions. Citycon's management uses assumptions in respect of discount rate, net rental income projections and other operating income and expenses.

This matter is a significant risk of material misstatement referred to in EU Regulation No 537/241, point (c) of Article 10(2).

How our audit addressed the Key Audit Matter

Our audit procedures included among others the following procedures:

- Valuation specialists assist us in evaluating the assumptions and methodologies used.
- We focused on the market rents, yield requirement, vacancy rate and operating expenses.
- We assessed the competence and objectivity of the external appraiser and historical accuracy of management's judgment and assumptions.

The methodologies and key inputs used in the valuation and sensitivity analysis are presented in note 2.1. We assessed the adequacy of these disclosures.

Our audit procedures included among others the following procedures:

- Valuation specialists assisted us in evaluating the methodologies and assumptions used, in particular those relating to net rental income and the weighted average cost of capital.
- We assessed the competence and objectivity of the external appraiser and historical accuracy of management's judgment and assumptions. Net rental income is based on external appraiser's 10 year cash flow analysis to determine fair value of investment properties.
- We focused on, how much the recoverable amount exceeds the carrying amount of goodwill, and whether any reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount.

The key assumptions used in the impairment test of goodwill are presented in note 5.1. We assessed the adequacy of these disclosures.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

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, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material

misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of

- accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
 - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on

the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of

doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 5 April 2005, and our appointment represents a total period of uninterrupted engagement of 13 years.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge

obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 7.2.2018

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Ryttilahti
Authorized Public Accountant



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