CITYCON

FINANCIAL REVIEW 2018

CONTENTS

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.

CFO 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 Espoo, at the Finnkino Iso Omena (Scape Premium Hall) on 13 March 2019 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 will 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 1 March 2019.

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 IR and Communications Director, Mikko Pohjala (**mikko.pohjala@citycon.com**).

PAYMENT OF DIVIDENDS

The Board of Directors proposes to the Annual General Meeting that the Board of Directors be authorized to decide on the distribution of dividend for the financial year 2018, and assets from the invested unrestricted equity fund.

Based on the proposed 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. Based on the authorization, the company could distribute a maximum of EUR 8,899,926.28 as dividends and EUR 106,799,115.36 as equity repayment. The dividend/equity repayment would be paid to shareholders in four installments.

FINANCIAL CALENDAR 2019

Financial Statements Bulletin and Financial Statements 2018	**7 February**
Interim Report January – March 2019	**17 April**
Half-yearly Report January – June 2019	**11 July**
Interim Report January – September 2019	**24 October**
AGM record date	**1 March**
Last day for AGM registration	**8 March**
AGM	**13 March**
Dividend payment/equity repayment [1]	**29 March** **28 June** **30 September** **30 December**

More information: Shares and shareholders, pages 39-40

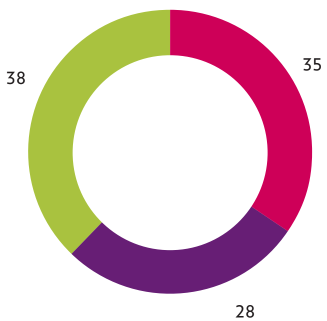
[1] *Citycon's Board of Directors will make separate resolutions and announcements on each distribution of the dividend/equity repayment subject to been authorized for asset distribution by the Annual General Meeting.*

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.

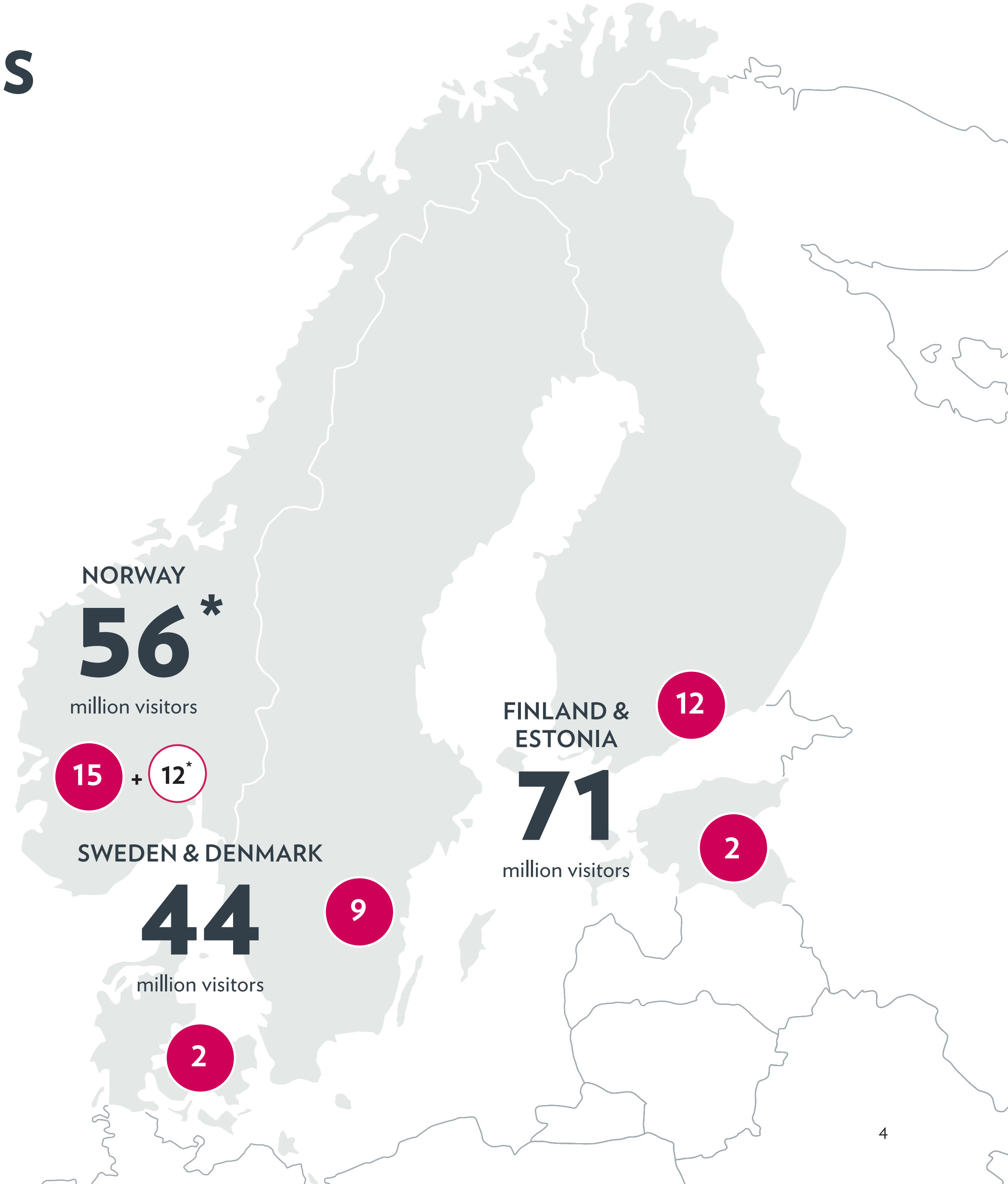
BALANCED NORDIC PORTFOLIO

%



Finland & Estonia
Sweden & Denmark[1]
Norway

[1] Including Kista Galleria 50%



number of shopping centres

*Including also the managed/rented centres

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

INTERVIEW WITH CITYCON'S NEW CEO F. SCOTT BALL

In 2018, Citycon announced changes in the company's top management. F. Scott Ball joined Citycon on November 15, 2018 and officially started as the CEO of the company on January 1, 2019.

What are your first impressions of the company?
During the past several weeks, I have had the opportunity to visit almost all of our assets and offices. I have been truly impressed by the quality of the real estate and by the talent of our people. I believe we have a strong asset base and excellent team with which we can take Citycon to the next level.

What were the highlights of the year for Citycon?
Operationally, the recent highlight of 2018 was the opening of Mölndal Galleria in Greater Gothenburg in Sweden. Mölndal Galleria is a true testimony to Citycon's strategy to recycle and deploy capital to high quality irreplaceable assets in growing urban areas. In addition, we were pleased to see the benefits of our previous investment into our largest asset, Iso Omena, which performed very well during the year. 2018 was the first full calendar year since the redevelopment project was finalized and Iso Omena welcomed 20 million people during the year!

Looking at the funding side, we re-financed a significant portion of a bond maturing in 2020 by issuing a new EUR-denominated bond. We were pleased with the long maturity of the new bond issue and the overall de-risking of the company's re-financing.

How was Citycon's operating performance in 2018?
Looking at the operational performance in 2018, our business developed in line with expectations. This past year, our net rental income amounted to EUR 214.9 million and the proforma like-for-like net rental income grew by 1.0 % driven by the development in Iso Omena in particular. Our EPRA earnings were impacted by the planned disposals carried out in 2017–2018, currency impact and one-time management change expenses resulting in EPRA earnings of EUR 143.5 million. Citycon continued its strict cost management measures and administrative expenses declined by 11.8% excluding the one-time management change expenses.

How are you transforming your portfolio?
During the year we continued to improve the average quality of our portfolio with the divestment of five secondary assets. The total proceeds of EUR 96 million were used to fund our development pipeline, including Mölndal Galleria and Lippulaiva. We will continue to recycle capital going forward as our vision is to focus on multi-functional shopping centres that are connected to public transportation in growing urban areas. Thanks to our capital recycling actions, we are pleased that already now 40% of our asset value is concentrated in our five largest assets.

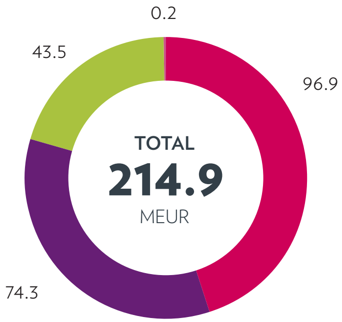
What are Citycon's focus areas for 2019?
Our industry is changing rapidly and a noticeable divergence between the best-in-class and secondary assets is clear. In this current environment, we must intensify our focus on maximizing value at each of our assets. We are taking steps to ensure that our operating team has the necessary resources in place in order to spend more time in our assets. We have identified asset management improvement actions and changes within the organization and have already begun to implement these changes. These improvements will provide consistency across the portfolio, allow us to grow specific segments of our business and enable us to take advantage of our Pan-Nordic scale. In addition, we continue to focus on capital allocation and ensuring we remain good stewards of capital going forward. Strengthening the balance sheet remains a key priority for the company.

F. Scott Ball
CEO

KEY FIGURES

NET RENTAL INCOME BY SEGMENT

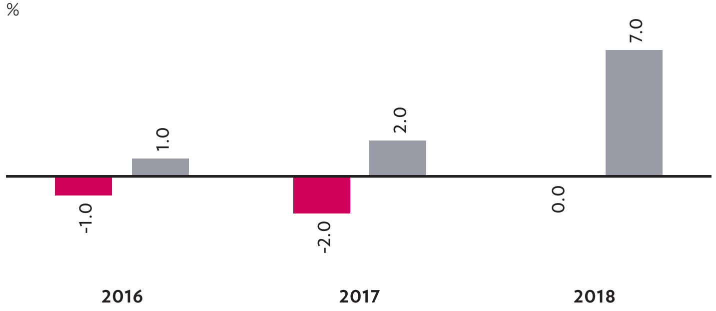
MEUR



- Finland & Estonia
- Norway
- Sweden & Denmark
- Other

FOOTFALL DEVELOPMENT [1]

%

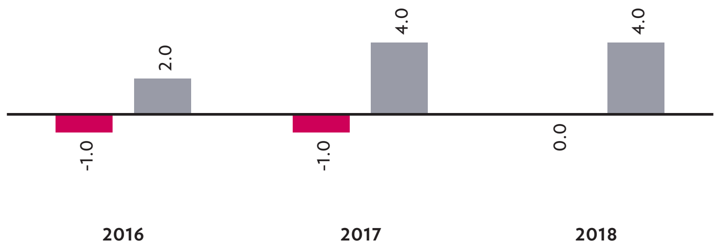


- Like-for-like footfall
- Total footfall

[1] Including Kista Galleria 50%. Footfall figures include estimates.

TENANT SALES DEVELOPMENT [1]

%

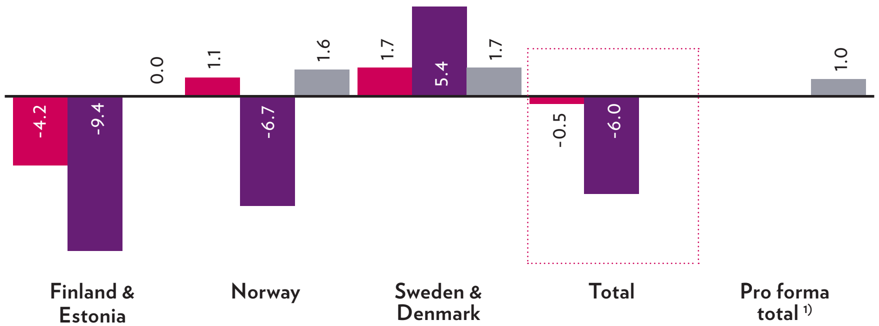


- Like-for-like sales
- Total sales

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

LIKE-FOR-LIKE AND TOTAL NET RENTAL INCOME DEVELOPMENT, 2018 VS. 2017

%

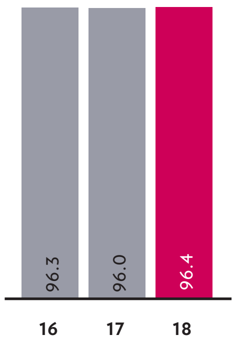


- Like-for-like NRI Development (at comparable exchange rates)
- NRI Development (at historical exchange rates)
- Pro forma Like-for-like NRI Development (at comparable exchange rates)

[1] Including comparable periods for Iso Omena and Buskerud 4–12/2018

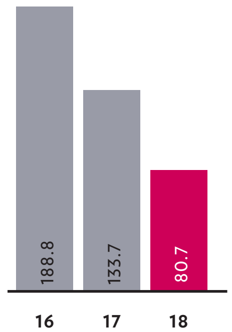
OCCUPANCY RATE (ECONOMIC)

%



INVESTMENTS IN PROPERTIES

MEUR



HOW WE CREATE VALUE

INPUTS

FINANCIAL
- Portfolio value EUR 4.5 billion
- Debt EUR 2.2 billion
- Active recycling of capital

EMPLOYEES
- Number of employees 254
- Training/development expenses EUR 0.4 million
- Female 43% / Male 57%

RETAIL EXPERTISE
- Lease agreements 4,454, of which new 1,183
- Responding to new retail trends eg. M.E.E.T

NATURAL RESOURCES
- Land area 1,650,000 sq.m.
- Energy consumption 297,000 MWh
- Water consumption 767,000 m^3

SOCIAL AND COMMUNITY RELATIONSHIPS
- Linked to public transport 100%
- Security training in 100% of shopping centres
- Continuous dialogue and loyalty building

OUR BUSINESS MODEL

STRATEGY

RIGHT ASSETS
Focusing on necessity-based, multifunctional shopping centres connected to public transport in growing urban areas.

RETAIL EXPERTS
Using and developing our retail expertise in order to create pleasant shopping experiences and sustainable solutions for tenants and visitors alike.

STRONG CAPITAL BASE
Allocating capital efficiently and maintaining a conservative gearing level in order to finance developments and maximise returns.

SUSTAINABILITY
- Carbon neutral
- Accessible
- Convenient and safe
- Excellence in action

VALUES
- Passionate
- Solution-oriented
- Together One

OUR BUSINESS MODEL

ASSETS

SHOPPING CENTRES

- Leading owner, manager and developer of shopping centres in the Nordics
- Total of 40 shopping centres
  - 14 in Finland & Estonia
  - 15 in Norway
  - 11 in Sweden & Denmark
- 10 managed/rented assets
- Gross leasable area 1.1 million sq.m.
- Footfall 170 million visitors p.a.
- Largest shopping centre portfolio of 80% environmentally certified
- Tenant mix 60% online resilient

DEVELOPMENT PIPELINE

- Development pipeline more than EUR 600 million
- Development investments approximately EUR 100 million p.a. with an average yield on cost of 150 bps over yield requirement

More about development projects on page 35-36.

RISK MANAGEMENT

- E-commerce: Creating more online-resilient tenant mix and following the multichannel approach
- Financing: keeping a solid Loan to Value <45% and 70–90% of the debt fixed interest rate
- Property development: Careful project monitoring and having strict pre-leasing requirements prior to project start

More about Risks and risk management on page 37-38.

OUTCOMES

FINANCIAL

- Net rental income EUR 214.9 million
- Credit ratings BBB/Baa2
- Average interest rate 2.35%
- Divestments EUR 96 million
- Dividend and equity return per share EUR 0.13

EMPLOYEES

- Employee survey score 73.4/100
- Salaries paid EUR 19.4 million

RETAIL EXPERTISE

- Tenant satisfaction rate 82%
- Tenant sales EUR 2.8 billion
- Occupancy rate 96.4%

NATURAL RESOURCES

- Renewable energy consumed: 100%
- Collected and sorted waste: 20,360 tn
- Recycling rate: 98%

SOCIAL AND COMMUNITY RELATIONSHIPS

- Jobs created in Citycon shopping centres 31,000
- Loyalty programme members 600,000
- Community enriching events held: 733

REPORT BY THE BOARD OF DIRECTORS

Citycon's financial performance in 2018 was impacted by disposals carried out in 2017-2018. Citycon's net rental income in 2018 excluding Kista Galleria declined to EUR 214.9 million (2017: 228.5) due to the impact of disposals. On the other hand, redevelopment project in Iso Omena and the acquisition of Straedet in Denmark and opening of Mölndal Galleria in Sweden contributed to the net rental income. The like-for-like net rental income declined by -0.5%. The pro-forma like-for-like net rental income, which includes the impact of Iso Omena and Buskerud for the April-September period, grew by 1.0%. EPRA Earnings per share excluding the one-off impact from management severance payments amounted to EUR 0.164 (2017: EUR 0.171). Reported EPRA Earnings per share declined slightly to EUR 0.161 (2017: EUR 0.171) due to planned disposals of non-core assets in 2017-2018. Currencies also had a significant negative impact on the EPS. Administrative expenses declined significantly during the year excluding the one-off impact from management severance payments. In 2018 the overall occupancy rate improved slightly to 96.4% driven by clear improvement in Finland & Estonia.

During the year, Citycon focused on enhancing the average quality and composition of the asset portfolio. The average quality of the portfolio continued to improve after 5 non-core assets were divested for a total of EUR 96 million. During the year, Citycon used EUR 67 million in acquisitions and acquired the third part of shopping centre Straedet in Denmark and 50% of Mölndal Galleria shopping centre in Sweden. In addition, Citycon continued its (re)development projects in Lippulaiva, while Mölndal Galleria was opened in September 2018. Citycon's financing position remained solid, which was demonstrated by the successful issuance of an 8-year EUR bond in September at a fixed 2.375% coupon.

MAIN EVENTS IN 2018

- Citycon re-financed part of its bond maturing in 2020 during the year. Citycon successfully issued a EUR 300 million bond on 22 August at a fixed 2.375% coupon and 8-year maturity. The proceeds of the bond issue were mainly used to partially re-finance a bond maturing in 2020.
- In September, Citycon successfully opened its newest shopping centre Mölndal Galleria in greater Gothenburg Sweden.
- On 2 November, F. Scott Ball was appointed as Citycon´s new CEO. He joined Citycon on November 15, 2018 and assumed full responsibility as CEO on January 1, 2019. At the same time, Henrica Ginström was appointed as Citycon's new COO as of January 1, 2019.
- During the year, Citycon continued to improve the average quality of its asset portfolio by divesting secondary assets. Citycon divested 5 assets in Finland, Norway and Sweden for approximately EUR 96 million. The proceeds were used to fund the development pipeline.

BUSINESS ENVIRONMENT

In Finland, retail sales continued to grow during the reporting period. Retail rents remained relatively stable during Q1-Q4/2018 in the better-quality centres, while rents continued to be under pressure in secondary centres and in areas suffering from strong competition, particularly outside the Helsinki Metropolitan Area. The full year retail property transaction volume was significantly lower in 2018 compared to previous year, but remained at a high level. However, the Finnish transaction market was clearly more active compared to other Nordic countries. The prime shopping centre yield in the Helsinki Metropolitan Area remained relatively stable at approximately 4.5%.

In Norway, retail sales continued to grow during 2018. According to a report by Kvarud Analyse overall shopping centre footfall in Norway decreased slightly but the average shopping basket size increased by slightly compared to the same period of 2017. Overall shopping centre rents remained relatively stable in 2018, but they have come under pressure over the last twelve months in certain locations. The full year transaction volume increased compared to the previous year driven by one large transaction. Yields in prime shopping centres remained at 4.25%, while there continues to be some pressure on secondary yields.

In Sweden, retail sales grew during the reporting period, while retail market rents remained rather stable during 2018. The prime shopping centre yields remained unchanged at 4.25%, although the gap between prime and secondary assets has widened. For the full year, the retail share

BUSINESS ENVIRONMENT KEY FIGURES

%	Finland	Norway	Sweden	Denmark	Estonia	Euro area
GDP growth forecast, 2018	2.9%	1.6%	2.4%	1.2%	3.5%	2.1%
Unemployment, 2018	7.8%	4.0%	6.3%	5.2%	5.7%	8.4%
Inflation, 2018	1.2%	3.5%	2.1%	0.8%	3.5%	1.8%
Retail sales growth, 2018	2.9%	1.5%	2.6%	1.0%	5.0%	1.8%

Sources: SEB Nordic Outlook, European Commission, Eurostat, Statistics Finland/Norway/Sweden/Estonia/Denmark was 12% of the preliminary transaction volume.

In Denmark, retail sales grew during the reporting. There were no major changes in rental levels and the prime shopping centre yields were at approximately 4.0% and good secondary yield stands at 5.50%.

In Estonia, retail sales grew in many segments, especially in cosmetic stores and pharmacies. In Tallinn, prime shopping centre rents remained stable. The prime shopping centre yield in Estonia declined to 6.25%. The market was impacted by new capacity coming to the market during 2018.

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

FINANCIAL PERFORMANCE 2018

- Net rental income was EUR 214.9 million (Q1-Q4/2017: 228.5). (Re)development projects and acquisition of Straedet in Denmark increased NRI by EUR 8.4 million, while property divestments decreased net rental income by EUR 16.4 million and weaker SEK and NOK by EUR 4.7 million.
- EPRA Earnings excluding the one-time expenses related to management changes was EUR 145.9 million or EUR 0.164 (0.171) per share. Reported EPRA Earnings was EUR 143.5 million (152.3) due to lower net rental income. Lower direct net financial expenses as well as administrative expenses partly offset this reduction. Administrative expenses decreased by EUR 1.0 million even though they included one-time expenses related to management changes of EUR 2.4 million. EPRA Earnings per share (basic) was EUR 0.161 (0.171). Negative impact from weaker currencies was EUR 0.004 per share.
- IFRS-based earnings per share was EUR 0.02 (0.10) as a result of net fair value losses on investment properties, increase in one-time net financial expenses and impacts from property divestments as well as currencies.
- Net cash from operations per share decreased to EUR 0.11 (0.17) mainly due to one-off financial expenses paid.
- The Board of Directors proposes to the Annual General Meeting that the Board be authorised to decide on the distribution of dividend for the financial year 2018, and assets from the invested unrestricted equity fund. Based on the 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. Based on the authorization, the company could distribute a maximum of EUR 8,899,926.28 as dividends and EUR 106,799,115.36 as equity repayment. The dividend/equity repayment would be paid to shareholders in four instalments.

OUTLOOK

Citycon forecasts the 2019 EPRA Earnings per share (basic) to be EUR 0.155-0.175. Furthermore, the Direct operating profit is expected to be in the range of EUR 188-206 million and EPRA Earnings in the range of EUR 138-156 million.

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

		2018	2017	% [1]	Comparable change % [3]
Net rental income	MEUR	214.9	228.5	-6.0%	-4.0%
Direct Operating profit [2]	MEUR	187.6	200.5	-6.4%	-4.4%
Earnings per share (basic)	EUR	0.02	0.10	-81.0%	-80.1%
Fair value of investment properties	MEUR	4,131.3	4,183.4	-1.2%	-
Loan to Value (LTV) [2]	%	48.7	46.7	4.1%	-
EPRA based key figures [2]					
EPRA Earnings	MEUR	143.5	152.3	-5.8%	-4.4%
EPRA Earnings per share (basic)	EUR	0.161	0.171	-5.8%	-4.4%
EPRA NAV per share	EUR	2.59	2.71	-4.5%	-

[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.*
[3] *Change from previous year (comparable exchange rates). Change-% is calculated from exact figures.*

LIKE-FOR-LIKE NET RENTAL INCOME CONTINUED TO GROW IN SWEDEN & DENMARK AND NORWAY

The net rental income decreased to EUR 214.9 million (228.5). The decrease was mainly due to planned divestments conducted in 2017 and during 2018. On the other hand, (re) development projects (mainly Iso Omena, Mölndal, Buskerud and Arabia) coming online and the acquisition of shopping centre Straedet in Denmark increased the net rental income.

Like-for-like gross rental and service charge income increased by EUR 0.7 million. On the other hand, like-for-like property operating expenses and other expenses from leasing operations increased from the corresponding period by EUR 1.3 million. As a result, like-for-like net rental income decreased by EUR 0.7 million or 0.5 %.

Net rental income from the Finnish & Estonian operations decreased by 9.4 % compared to Q1-Q4/2017 mainly due to planned divestments of non-core assets in late 2017 and in 2018. This was partly offset by the completed (re)development project of Iso Omena, which increased net rental income. Net rental income from the like-for-like portfolio decreased by 4.2 % due to the competitive market environment outside Helsinki metropolitan area which put pressure on rents and increased vacancy. The Finnish like-for-like portfolio accounted for 48 % out of the total Finnish & Estonian portfolio measured by net rental income.

Net rental income from Norwegian operations decreased by 6.7 % compared to Q1-Q4/2017 due to planned disposals of non-core assets in late 2017 and in 2018. Also, a weaker NOK compared to previous year impacted the net rental income development. The net rental income for the like-for-like portfolio grew by 1.1 % mainly due to higher parking income, rent indexations and lower repair expenses.

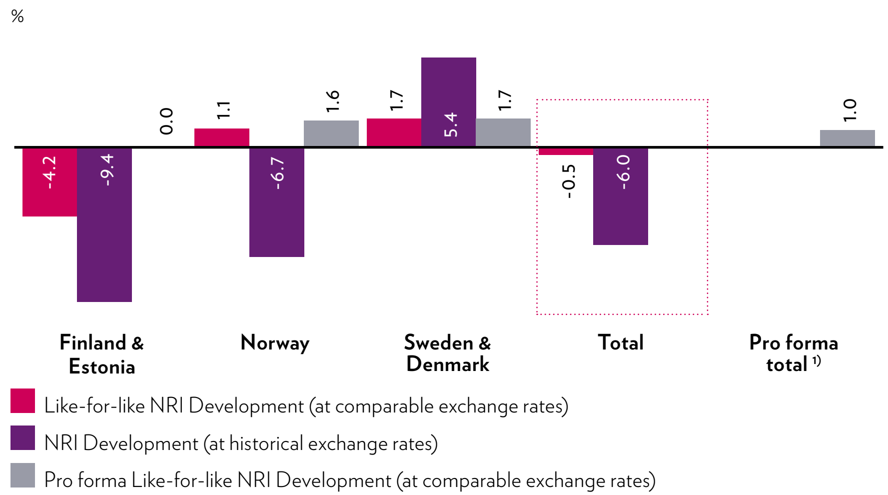
Net rental income from Swedish & Danish operations increased by 5.4 % due to acquisition of shopping centre Straedet in Denmark, (re)development project in Mölndal coming online and stable like-for-like growth. Like-for-like portfolio grew by 1.7 % as result of renegotiated lease agreements in several centres, rent indexations and higher service charge levels.

As of H1/2018 Citycon started commenting a pro forma like-for-like net rental income figure, which includes the impact of shopping centres Iso Omena and Buskerud for the April-December period. The pro forma like-for-like net rental income grew by 1.0 % during January-December 2018 driven by Iso Omena.

OCCUPANCY RATE IMPROVED TO 96.4 %

The economic occupancy rate improved by 0.4 percentage points during the period. This was due to Finland & Estonia, where several new leases were signed in shopping centres Kristiine and IsoKristiina. Additionally, the disposals of shopping centre Sampokeskus and a retail property in Kuopio decreased the number of vacant premises. The average rent per sq.m. remained stable at EUR 23.2 (23.2). With comparable rates, the average rent per sq.m. increased by EUR 0.6. The year-to-date leasing spread of renewals and re-lettings was -0.3% due to continued

LIKE-FOR-LIKE AND TOTAL NET RENTAL INCOME DEVELOPMENT, 2018 VS. 2017



1) Including comparable periods for Iso Omena and Buskerud 4–12/2018

NET RENTAL INCOME AND GROSS RENTAL INCOME BREAKDOWN

	Net rental income					Gross rental income
MEUR	Finland & Estonia	Norway	Sweden & Denmark	Other	Total	Total
2017	**106.9**	**79.6**	**41.3**	**0.7**	**228.5**	**257.4**
Acquisitions	-	-	3.5	-	3.5	3.6
(Re)development projects	4.3	-0.7	1.4	-	4.9	4.9
Divestments	-12.1	-3.1	-1.2	-	-16.4	-18.8
Like-for-like properties 1)	-2.0	0.7	0.7	-	-0.7	0.4
Other (incl. exchange rate differences) 2)	-0.2	-2.2	-2.0	-0.5	-4.9	-10.5
2018	**96.9**	**74.3**	**43.5**	**0.2**	**214.9**	**237.0**

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.
2) IFRS 15 adjustment was booked in 2018 decreasing gross rental income as part of gross rental income is moved to service charges (5.0M€). IFRS15 does not impact NRI. More information about IFRS 15 is availabe in Citycon's notes for financial statement in the section "Basis preparation and accounting policies".

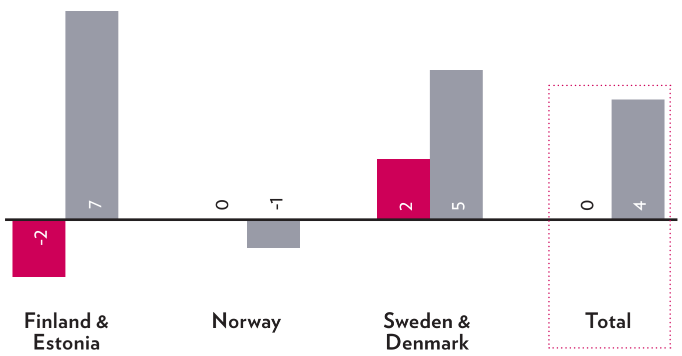
intense competition in the smaller cities in Finland and in Tallinn, Estonia.

During the period, total sales in Citycon's shopping centres increased by 4 % and footfall 7 % compared to the corresponding period of the previous year.

At period-end, Citycon had a total of 4,454 (4,581) leases, of which the average remaining length was 3.4 years (3.5).

TENANT SALES DEVELOPMENT, 2018 VS. 2017 [1)]

%



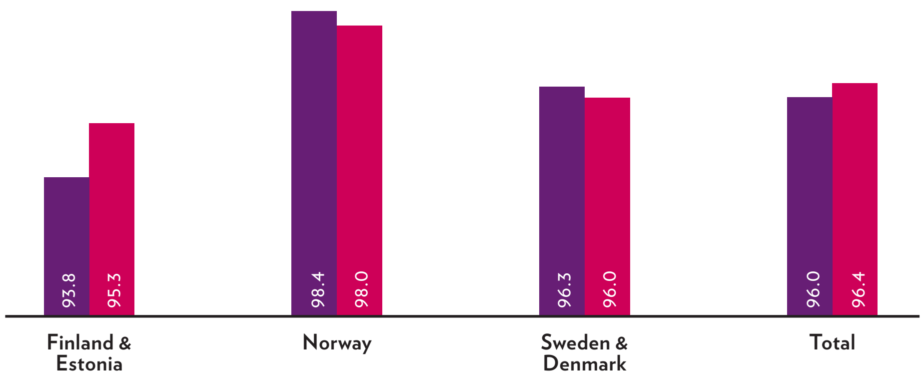
Like-for-like sales

Total sales (including Kista Galleria 50%)

[1)] Sales figures include estimates. Sales figures exclude VAT and the change has been calculated using comparable exchange rates.

ECONOMIC OCCUPANCY RATE [1)]

%

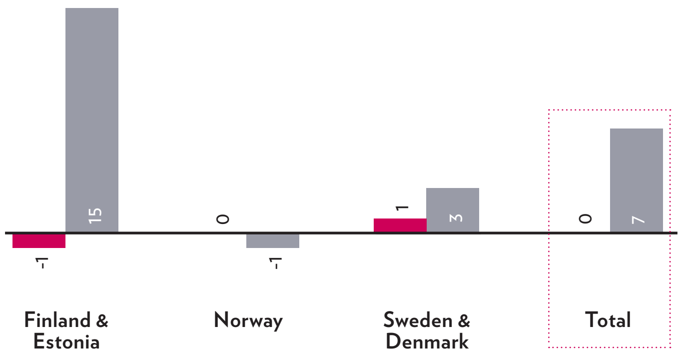


31 December 2017 31 December 2018

[1)] Including Kista Galleria 50%.

FOOTFALL DEVELOPMENT, 2018 VS. 2017 [1)]

%



Like-for-like footfall

Total footfall (including Kista Galleria 50%)

[1)] Footfall figures include estimates.

LEASE PORTFOLIO SUMMARY [1)]

		31 December 2018	31 December 2017
Number of leases	pcs	4,454	4,581
Average rent	EUR/sq.m.	23.2	23.2
Finland & Estonia	EUR/sq.m.	25.6	25.0
Norway	EUR/sq.m.	21.8	21.8
Sweden & Denmark	EUR/sq.m.	21.8	22.4
Average remaining length of lease portfolio	years	3.4	3.5
Occupancy cost ratio [2)]	%	9.1	9.0
Leasing spread, renewals and re-lettings	%	-0.3	-4.0

[1)] *Including Kista Galleria 50%.*
[2)] *The rolling twelve month occupancy cost ratio for like-for-like shopping centres.*

LEASING ACTIVITY [1)]

		2018	2017
Total area of leases started	sq.m.	186,576	259,053
Average rent of leases started	EUR/sq.m.	22.5	22.9
Total area of leases ended	sq.m.	220,202	347,330
Average rent of leases ended	EUR/sq.m.	22.1	23.1

[1)] *Including Kista Galleria 50%. Leases started and ended do not necessarily refer to the same premises.*

VALUATION ITEMS IMPACTED OPERATING PROFIT

Administrative expenses declined to EUR 28.0 million (29.1) despite including one-off expenses related to management changes (EUR 2.4 million). Excluding the one-off expenses, administrative expenses decreased 11.8 % mainly driven by lower personnel, office, IT and marketing expenses. At the end of the reporting period, Citycon Group employed a total of 254 (247) full-time employees (FTEs), of whom 45 worked in Finland & Estonia, 111 in Norway, 55 in Sweden, and 43 in Group functions.

PERSONNEL KEY FIGURES

	2018	2017	2016
Average number of personnel (FTE)	254	251	288
Wages and salaries, EUR million	19.4	21.6	23.2

Operating profit declined to EUR 104.7 million (150.9) due to divestments and fair value losses of EUR 72.5 million (-42.9).

Net financial expenses year-to-date increased by EUR 14.1 million to EUR 70.5 million (56.4) despite lower average cost of debt, lower average debt level and weaker currencies. The increase was due to clearly higher indirect other financial expenses, which were mainly related to the bond tender offer.

Share of loss of joint ventures totalled EUR -12.5 million (-0.7). The decrease came mainly from fair value losses in Kista Galleria and in associated companies in Norway.

Profit for the period decreased to EUR 16.6 million (87.9) mainly due to lower net rental income, fair value losses and higher net financial expenses.

PROPERTY PORTFOLIO VALUE DECLINED SLIGHTLY

The fair value of investment properties decreased by EUR 52.1 million to EUR 4,131.3 million (31 December 2017: 4,183.4). Property disposals and transfers from investment properties to investment properties held for sale decreased the fair value by EUR 144.4 million while the acquisitions and investments increased the fair value by EUR 210.6 million. In addition, changes in exchange rates decreased the fair value by EUR 45.9 million and fair value losses by EUR 72.5 million.

PROPERTY PORTFOLIO SUMMARY

31 December 2018	No. of properties	Gross leasable area	Fair value, MEUR	Properties held for sale, MEUR	Portfolio, %
Shopping centres, Finland & Estonia	14	429,450	1,835.4	78.1	45%
Other properties, Finland & Estonia	1	2,240	2.3	-	0%
Finland & Estonia, total	**15**	**431,690**	**1,837.7**	**78.1**	**46%**
Shopping centres, Norway	15	387,000	1,328.6	-	32%
Rented shopping centres, Norway [1]	2	18,200	-	-	-
Norway, total	**17**	**405,200**	**1,328.6**	**-**	**32%**
Shopping centres, Sweden & Denmark	10	269,600	964.9	-	23%
Sweden & Denmark, total	**10**	**269,600**	**964.9**	**-**	**23%**
Shopping centres, total	41	1,104,250	4,129.0	78.1	100%
Other properties, total	1	2,240	2.3	-	0%
Investment properties, total	**42**	**1,106,490**	**4,131.3**	**78.1**	**100%**
Kista Galleria (50%)	1	46,300	291.1	-	-
Investment properties and Kista Galleria (50%), total	**43**	**1,152,790**	**4,422.4**	**78.1**	**-**

[1] *Value of rented properties is recognised within intangible rights based on IFRS rules.*

The fair value change of investment properties amounted to EUR -72.5 million (-42.9). The company recorded a total value increase of EUR 39.2 million (113.0) and a total value decrease of EUR 111.7 million (155.9).

FAIR VALUE CHANGES

MEUR	2018	2017
Finland & Estonia	-58.8	-51.3
Norway	-22.2	-22.2
Sweden & Denmark	8.5	30.6
Investment properties, total	**-72.5**	**-42.9**
Kista Galleria (50%)	-8.6	-0.6
Investment properties and Kista Galleria (50%), total	**-81.1**	**-43.5**

Citycon measures the fair values of the properties internally in the first and third quarter. External appraiser, CBRE, measures the fair values for the half-yearly report and financial statements.

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

RECYCLING OF CAPITAL CONTINUE

Citycon continued to implement its divestment strategy and divested one shopping centre for approximately EUR 16 million during Q4/2018. During 2018, Citycon divested 5 non-core assets in Finland, Sweden and Norway for a total value of approximately EUR 96 million.

Since the strategy update in 2011, Citycon has divested 67 non-core properties and five residential portfolios for a total value of approximately EUR 776 million. Strengthening the balance sheet remains a key priority and the company will continue its capital recycling actions going forward.

ACQUISITIONS AND DIVESTMENTS 2018

		Location	Date	Gross leasable area, sq.m.	Price, MEUR
Acquisitions					
Straedet, Part 3	Shopping centre	Køge, Denmark	3 July	3,600	9.0
Mölndal Galleria 50% [1]	Shopping centre	Mölndal, Sweden	27 September	13,000	58.0
Acquisitions, total				**16,600**	**67.0**
Divestments					
Åkermyntan Centrum	Shopping centre	Stockholm, Sweden	31 March	10,300	30.0
Kuopion Kauppakatu 41	Retail property	Kuopio, Finland	30 April	10,300	22.0
Heiane Storsenter	Shopping centre	Stord, Norway	30 May	23,900	24.0
Glasshuspassasjen	Shopping centre	Bodø, Norway	5 July	2,300	4.0
Sampokeskus	Shopping centre	Rovaniemi, Finland	30 November	14,500	16.0
Divestments, total				**61,300**	**96.0**

[1] *Citycon acquired NCC's 50% stake at completion.*

(RE)DEVELOPMENT PROJECTS PROGRESSED AND MÖLNDAL GALLERIA OPENED DURING 2018

At the end of the reporting period, Citycon had one major (re)development project underway: the Lippulaiva project in the Helsinki Metropolitan area.

The completely new shopping centre Mölndal Galleria was successfully opened on 27 September 2018 with approximately 26,000 sq.m. of gross leasable area and more than 65 different shops, cafés and restaurants as well as services. The economic occupancy rate was approximately 93% at the end of 2018 and the centre is certified with the international standard of BREEAM Very Good.

Further information on the company's completed, ongoing and planned (re)developments can be found on pages 35–36 in the Financial Review 2018.

(RE)DEVELOPMENT PROJECTS COMPLETED IN 2018 AND IN PROGRESS ON 31 DECEMBER 2018

	Location	Area before/ after, sq.m.	Expected gross investment, MEUR	Actual gross investment by 31 December 2018, MEUR	Completion target
Mölndal Galleria	Gothenburg, Sweden	- /24,000	114.6 [1]	114.6	Completed 09/2018
Lippulaiva	Helsinki metropolitan area, Finland	19,200/44,300	TBC [2]	81.2	2021

[1] *Original expected gross investment was EUR 120 million*
[2] *Negotiations regarding construction of main part of shopping centre on-going with several construction companies at the moment as negotiations with previous construction company were terminated. Impact on expected investment to be confirmed once negotiations finalized.*

CAPITAL EXPENDITURE

Citycon's gross capital expenditure (including acquisitions) for the period totalled EUR 168.8 million (298.7).

CAPITAL EXPENDITURE

MEUR	2018	2017
Acquisitions of properties [1]	68.4	142.5
Acquisitions of and investments in joint ventures	14.4	18.0
Property development	83.7	137.0
Goodwill and other investments	2.4	1.2
Total capital expenditure incl. acquisitions	**168.8**	**298.7**
Capital expenditure by segment		
Finland & Estonia	54.9	104.0
Norway	21.1	84.9
Sweden & Denmark	91.7	109.0
Group administration	1.2	0.8
Total capital expenditure incl. acquisitions	**168.8**	**298.7**
Divestments [2]	**93.1**	**319.6**

[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

SHAREHOLDERS' EQUITY

Equity per share decreased to EUR 2.35 (31 December 2017: 2.48), mainly due to dividends and equity return of EUR 115.7 million and a translation loss of EUR 22.7 million. On the other hand, profit for the period of EUR 16.6 million attributable to parent company shareholders increased equity per share.

At period-end, **shareholders' equity** attributable to parent company's shareholders was EUR 2,088.9 million (2,208.1). This figure decreased by EUR 119.2 million from the end of 2017 due to the above-mentioned reasons.

FINANCING

KEY FINANCING FIGURES

		31 December 2018	31 December 2017
Interest bearing debt, fair value	MEUR	2,154.6	2,097.2
Available liquidity	MEUR	556.4	559.4
Average loan maturity	years	5.0	5.1
Loan to Value (LTV)	%	48.7	46.7
Equity ratio (financial covenant > 32.5)	%	45.4	47.4
Interest cover ratio (financial covenant > 1.8)	x	3.8	3.8
Solvency ratio (financial covenant < 0.65)	x	0.48	0.46
Secured solvency ratio (financial covenant < 0.25)	x	0.02	0.02
Average interest-rate fixing period	years	5.0	5.1
Interest rate hedging ratio	%	91.7	94.1

In March Citycon purchased from the open markets and cancelled NOK 100 million of the NOK 1,400 million bond carrying a fixed coupon of 3.9%.

In June 2018, Moody's downgraded Citycon's credit rating from Baa1 to Baa2.

In August 2018, Citycon Group successfully placed a EUR 300 million Eurobond. The bond has a tenor of approx. 8.4 years with a fixed annual interest of 2.375 per cent and the bond has been rated in line with Citycon's corporate credit rating. The proceeds were mainly used to refinance Citycon Group's existing indebtedness by repurchasing EUR 281 million of a EUR 500 million Euro denominated bond carrying a fixed coupon of 3.75 per cent, due 2020. In addition, Citycon has renegotiated cross-currency swaps to extend their maturity and reduce the interest rate. These financing arrangements clearly strengthened Citycon's credit position by lengthening the average debt maturity, decreasing the average cost of debt and reducing the 2020 refinancing risk.

During the year, proceeds from non-core property divestments were used to repay commercial papers, and the acquisition of Mölndal Galleria in September was financed by issuing new commercial paper.

INTEREST-BEARING DEBT

The fair value of interest-bearing debt increased year-on-year by EUR 57.4 million to EUR 2,154.6 million, mainly due to the acquisition of the remaining 50% share in Mölndal Galleria. The weighted average loan maturity was 5.0 years and was lengthened as EUR 281 million of the Eurobond maturing in 2020 was refinanced with the issuance of a new EUR 300 million Eurobond maturing in 2027.

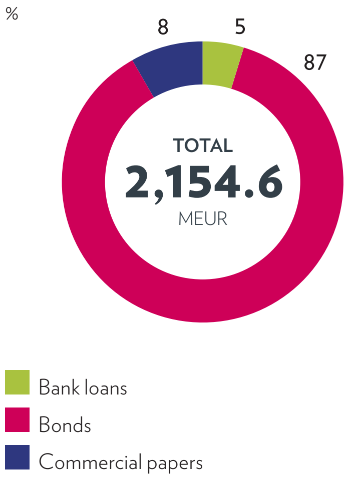
The LTV increased to 48.7% (46.7%) as net debt increased and property fair values decreased.

FINANCIAL EXPENSES

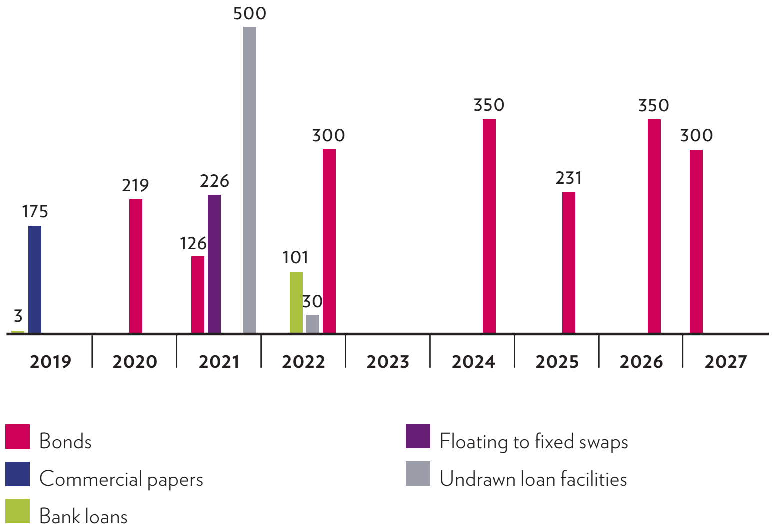
The direct net financial expenses (EPRA) were lower in 2018 due to a lower average cost of debt rate, lower average debt level and weaker currencies. Net financial expenses year-to-date (IFRS) increased by EUR 14.1 million to EUR 70.5 million (56.4) mainly due to clearly higher other financial expenses, which included in total net EUR 20.3 million of indirect costs. Of these, EUR 20.8 million of costs was incurred when EUR 281 million of the 500 million Eurobond was repurchased and cancelled, and EUR 0.6 million of costs was incurred when NOK 100 million of the NOK 1,400 million bond was repurchased and cancelled. The rest mainly related to indirect costs and gains realized when cross-currency swaps were renegotiated or unwound and fair value changes of cross-currency swaps not under hedge accounting, in total a net gain of EUR 1.1 million. The financial income mainly consisted of interest income on loans to Kista Galleria and Mölndal Galleria joint venture companies, and partly of interest differences from forward agreements. The foreign exchange differences are netted in financial expenses in the table above.

The average cost of debt decreased clearly following financing transactions in Q3 and was 2.35% at year-end (2.78%) as EUR 281 million of the Eurobond maturing in 2020 with a coupon of 3.75% was refinanced with the issuance of a new Eurobond with a coupon of 2.375%. The larger amount of outstanding commercial paper and the renegotiation and unwinding of all cross-currency swaps also contributed to the lower average cost of debt.

BREAKDOWN OF LOANS



DEBT MATURITIES



FINANCIAL EXPENSES KEY FIGURES

		2018	2017
Financial expenses	MEUR	-79.1	-63.2
Financial income	MEUR	8.7	6.9
Net financial expenses (IFRS)	**MEUR**	**-70.5**	**-56.4**
Direct net financial expenses (EPRA)	MEUR	-50.1	-54.4
Weighted average interest rate [1)]	%	2.35	2.78
Weighted average interest rate excluding derivatives	%	2.36	2.57
Year-to-date weighted average interest rate [1)]	%	2.69	2.70

[1)] *Including interest rate swaps and cross-currency swaps*

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.

CHANGES IN CORPORATE MANAGEMENT

On 2 November 2018, Citycon announced that the Board of Directors have appointed F. Scott Ball as Citycon's new CEO. Ball joined Citycon on November 15, 2018 and assumed the full responsibility as CEO on January 1, 2019. Ball replaced Marcel Kokkeel, who served as CEO since 2011. Kokkeel stepped down based on mutual agreement on January 1, 2019 and will stay as an advisor to the company until May 1, 2019.

At the same time, Henrica Ginström was appointed Citycon's new Chief Operating Officer as of January 1, 2019. Jurn Hoeksema stepped down from his COO position based on a mutual agreement, effective January 1, 2019.

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. 83% 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 sustainability strategy, targets and measures are described in detail in the upcoming Sustainability Accounts 2018.

Citycon's Annual and Sustainability Report 2017 was awarded as one of the best within the industry. Citycon received the EPRA Gold Award in the Sustainability Best Practices series for the seventh year in a row. In 2018, Citycon also received the ISS-Oekom "Prime" rating, awarded to companies that achieve the best ESG scores among their sector peers.

Key environmental indicators 2018:

- Citycon's total energy consumption (incl. electricity consumption in common areas, heating and cooling) amounted to 230 gigawatt hours (236 GWh). Shopping centre energy intensity (kWh/sq.m) increased by 5.8% compared to previous year, largely due to the cold winter and extremely warm summer.
- The carbon footprint totalled 40,000 thousand carbon equivalent tonnes (46,000 tCO_2e). The carbon intensity ($kgCO_2e$/sq.m) of shopping centres decreased by 6.6% compared to previous year. This was due to e.g. an increased share of green electricity acquired for own consumption, 100% in 2018.
- The recycling rate in shopping centres increased 4%-point compared to the previous year and was 98%.

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 37-38 in the Financial Statements 2018, (in Note 3.5 A) 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 2018

Citycon's Annual General Meeting (AGM) 2018 was held in Helsinki on 20 March 2018. A total of 400 shareholders attended the AGM either personally or through a proxy representative, representing 83.3% 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 2017. 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/agm2018**, 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.

Citycon's AGM 2018 set the number of Board members at nine. The Board of Directors elected by the AGM consisted of: Chaim Katzman, Bernd Knobloch, Arnold de Haan, Kirsi Komi, David Lukes, Andrea Orlandi, Per-Anders Ovin, Ofer Stark and Ariella Zochovitzky. Kirsi Komi resigned from Board on 27 October 2018.

Chaim Katzman was the Chairman of the Board of Directors in 2018, and Bernd Knobloch the Deputy Chairman.

Rachel Lavine and Claes Ottosson served as Board members until the Annual General Meeting 2018 (20 March 2018).

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 Rytilahti to act as the responsible auditor of Citycon in 2018.

CHIEF EXECUTIVE OFFICER (CEO)

Marcel Kokkeel (LL.M., born in 1958), a Dutch citizen, was the company's CEO 24 March 2011 – 31 December 2018. From 1 January 2019 onwards, F. Scott Ball has been company's CEO. Eero Sihvonen, Chief Financial Officer, is Citycon's Executive Vice President. Their personal details, career histories and positions of trust can be found on the company's website at **citycon.com/management**. Information on the CEO's executive contract and its terms and conditions are available on page 60 of the Financial Statements.

CORPORATE GOVERNANCE STATEMENT

Citycon has published Citycon Group's Corporate Governance Statement 2018 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 2015 and is available on the company's website at **citycon.com/corporate-governance**.

SHARES, SHARE CAPITAL AND SHAREHOLDERS

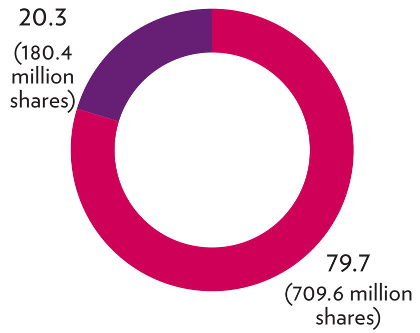
The company has a single series of shares, with each share entitling to one vote at a General Meeting of shareholders. At the end of December 2018, the total number of shares outstanding in the company was 889,992,628. The shares have no nominal value. During 2018, there were no changes in the company's share capital.

At the end of December 2018, Citycon had a total of 17,269 (15,368) registered shareholders, of which ten were account managers of nominee-registered shares. Holders of the nominee-registered shares held approximately 709.6 million (727.9) shares, or 79.7% (81.8%) of shares and voting rights in the company. The most significant registered shareholders at year-end can be found on company's website **citycon.com/major-shareholders**.

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 39–40 and 27 of the Financial Review.

SHAREHOLDERS

% of shares and voting rights



SHARES AND SHARE CAPITAL

		2018	2017
Share capital at period-start	MEUR	259.6	259.6
Share capital at period-end	MEUR	259.6	259.6
Number of shares at period-start		889,992,628	889,992,628
Number of shares at period-end		889,992,628	889,992,628

DIVIDEND AND EQUITY REPAYMENT

Citycon's dividend for the financial year 2018 and equity repayments paid in 2018 are showed in the table below.

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 20 March 2018:

- 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 2019.
- 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 2019.

In 2018, the Board of Directors used five times its authorisation to repurchase its own shares and issue them by conveying repurchased shares. The repurchases and conveyances were made for payment of rewards earned under the company's share plans in accordance with the terms and conditions of the plans:

Restricted Share Plan 2015

- On 5 January 2018, the company repurchased a total of 30,000 of its own shares and conveyed them on 10 January 2018 to two key persons of the company.
- On 7 March 2018, the company repurchased a total of 7,500 of its own shares and conveyed them on 23 March 2018 to one key person of the company.
- On 7 May 2018, the company repurchased a total of 10,000 of its own shares and conveyed them on 23 May 2018 to one key person of the company.
- On 13 July 2018, the company repurchased a total of 77,500 of its own shares and conveyed them on 31 June to seven key persons of the company.

Performance Share Plan 2015

- On 13 February 2018, the company repurchased a total of 24,767 of its own shares and conveyed them on 1 March 2018 to 19 key persons of the company.

OWN SHARES

During the reporting period, the company held a total of 149,767 company's own shares (representing 0.017 % of the shares outstanding) which the company conveyed for payment of rewards earned under the share plans 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

The company did not receive any notifications of changes in shareholding during the year 2018.

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

DIVIDENDS AND EQUITY REPAYMENTS PAID ON 31 DECEMBER 2018 [1)]

	Record date	Payment date	EUR / share
Dividend for 2017	22 March 2018	29 March 2018	0.0100
Equity repayment Q1	22 March 2018	29 March 2018	0.0225
Equity repayment Q2	21 June 2018	29 June 2018	0.0325
Equity repayment Q3	20 September 2018	28 September 2018	0.0325
Equity repayment Q4	14 December 2018	28 December 2018	0.0325

[1)] *Board decision based on the authorisation issued by the AGM 2018* 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 exceptions, 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

Citycon has five long-term share-based incentive plans for the Group key employees:

- CEO Restricted Share Plan 2018–2021
- Matching Share Plan 2018–2020,
- Restricted Share Plan 2018–2020
- Performance Share Plan 2015, and
- Restricted Share Plan 2015.

The main terms of the long-term share-based incentive plans are explained in the Note 1.6 on pages 59–61 of the Financial Statements.

In February 2018 the Board of Directors approved two new share-based incentive plans for the Group's key employees, a Matching Share Plan 2018–2020 and a Restricted Share Plan 2018–2020. The Matching Share Plan 2018–2020 is directed to the CEO and other members of the Corporate Management Committee. The Restricted Share Plan 2018–2020 is directed to selected key employees of the company and its subsidiaries.

Stock Option Plan 2011 expired on 31 March 2018. No shares were subscribed with the stock-options.

In December 2018 the Board of Directors approved a new Restricted Share Plan 2018–2021 for Citycon's new CEO, F. Scott Ball.

The full terms and conditions of share-based incentive plans are available on the company's website at **citycon.com/remuneration**.

SHARES 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 held a total of 1,935,430 company shares on 31 December 2018. These shareholdings represented 0.22% of the company's total shares and total voting rights.

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 **www.citycon.com/managers-holdings-shares**.

EVENTS AFTER THE REPORTING PERIOD

- F. Scott Ball started on 2 January 2019 as CEO of Citycon.
- On 7 January 2019 was disclosed that Anu Tuomola, Citycon's General Counsel and member of the Corporate Management Committee, will leave the company based on a mutual understanding in March 2019.

OUTLOOK

Citycon forecasts the 2019 EPRA Earnings per share (basic) to be EUR 0.155–0.175. Furthermore, the Direct operating profit is expected to be in the range of EUR 188–206 million and EPRA Earnings in the range of EUR 138–156 million.

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.

Helsinki, 6 February 2019
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.

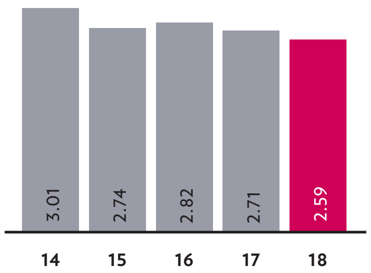
Citycon applies the best practices policy recommendations of EPRA for financial reporting and also for sustainability reporting. This section in Citycon's financial statements presents the EPRA performance measures and their calculations. For more information about EPRA and EPRA's best practice policies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

EPRA PERFORMANCE MEASURES

	Note	2018	2017	2016	2015	2014
EPRA Earnings, MEUR	1	143.5	152.3	151.1	130.8	99.7
EPRA Earnings per share (basic), EUR	1	0.161	0.171	0.170	0.173	0.178
EPRA NAV per share, EUR	2	2.59	2.71	2.82	2.74	3.01
EPRA NNNAV per share, EUR	2	2.38	2.37	2.47	2.46	2.63
EPRA Cost Ratio (including direct vacancy costs), %	3	17.1	18.7	17.6	20.3	19.4
EPRA Cost Ratio (excluding direct vacancy costs), %	3	15.1	16.5	15.5	18.5	17.7
EPRA Net Initial Yield (NIY), %	4	5.2	5.2	5.5	5.4	6.1
EPRA 'topped-up' NIY, %	4	5.2	5.3	5.6	5.5	6.1
EPRA vacancy rate, %	5	3.6	4.0	3.7	3.1	3.5

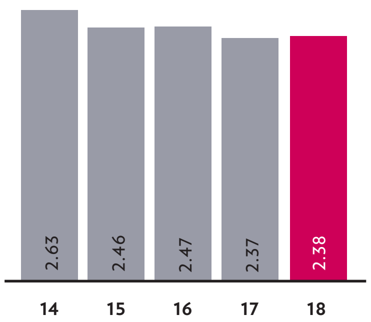
EPRA NAV

EUR



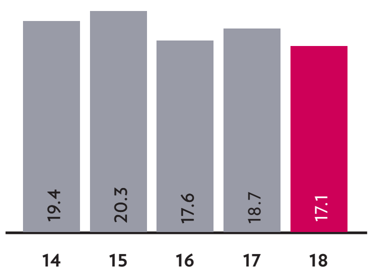
EPRA NNNAV

EUR



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.

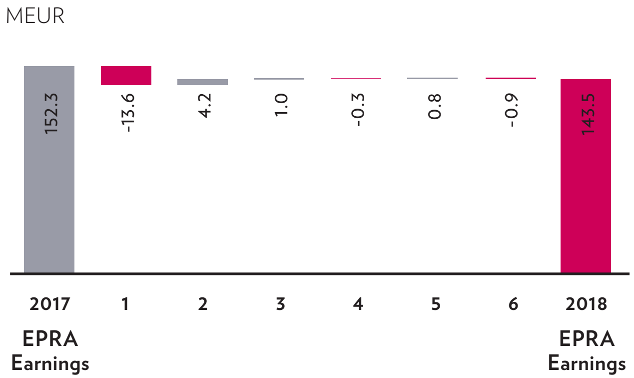
	2018			2017		
	MEUR	Average number of shares (1,000)	per share, EUR	MEUR	Average number of shares (1,000)	per share, EUR
Earnings in IFRS Consolidated Income Statement	**16.6**	**889,987**	**0.019**	**87.4**	**889,992**	**0.098**
-/+ Net fair value losses/gains on investment property	72.5	889,987	0.081	42.9	889,992	0.048
-/+ Net losses/gains on disposal of investment property	0.2	889,987	0.000	-6.0	889,992	-0.007
+/- Indirect other operating expenses	10.3	889,987	0.012	12.8	889,992	0.014
+ Early close-out costs of debt and financial instruments	21.4	889,987	0.024	-	-	-
-/+ Fair value gains/losses of financial instruments	-1.1	889,987	-0.001	2.0	889,992	0.002
-/+ Indirect losses/gains of joint ventures and associated companies	17.9	889,987	0.020	6.9	889,992	0.008
+/- Change in deferred taxes arising from the items above	5.7	889,987	0.006	5.8	889,992	0.007
+/- Non-controlling interest arising from the items above	-	-	-	0.5	889,992	0.001
EPRA Earnings (basic)	**143.5**	**889,987**	**0.161**	**152.3**	**889,992**	**0.171**

EPRA Earnings decreased by EUR 8.8 million and EPRA EPS was EUR 0.161.
EPRA earnings were impacted by non-core disposals and weaker NOK and SEK FX rates.

EPRA Earnings can also be calculated from the statement of comprehensive income 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.

	2018			2017		
	MEUR	Average number of shares (1,000)	per share, EUR	MEUR	Average number of shares (1,000)	per share, EUR
Net rental income (NRI)	**214.9**	**889,987**	**0.241**	**228.5**	**889,992**	**0.257**
Direct administrative expenses	-28.0	889,987	-0.032	-29.1	889,992	-0.033
Direct other operating income and expenses	0.8	889,987	0.001	1.1	889,992	0.001
Direct Operating profit	**187.6**	**889,987**	**0.211**	**200.5**	**889,992**	**0.225**
Direct net financial income and expenses	-50.1	889,987	-0.056	-54.4	889,992	-0.061
Direct share of profit/loss of joint ventures and associated companies	5.3	889,987	0.006	6.2	889,992	0.007
Direct current taxes	-0.2	889,987	0.000	-0.8	889,992	-0.001
Change in direct deferred taxes	0.9	889,987	0.001	0.7	889,992	0.001
Direct non-controlling interest	0.0	889,987	0.000	0.0	889,992	0.000
EPRA Earnings (basic)	**143.5**	**889,987**	**0.161**	**152.3**	**889,992**	**0.171**

CHANGE IN EPRA EARNINGS



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

2. EPRA NAV PER SHARE AND EPRA NNNAV PER SHARE

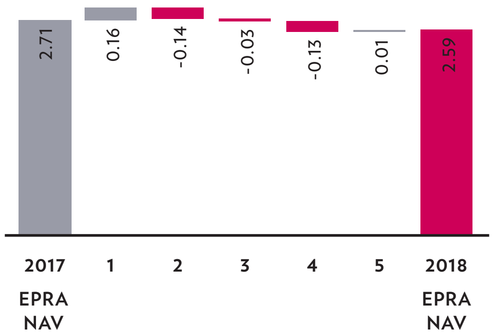
EPRA NAV presents the fair value of net assets of a real estate company. It is based on the assumption of owning and operating investment properties for a long term and therefore it is a useful tool to compare against the share price of a real estate company. The closing share price of Citycon was 1.615 EUR per share on 31 December 2018.

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 0.12 to EUR 2.59 mainly due to fair value losses, foreign exchange movements and equity return. EPRA NNNAV per share increased by 0.01 to EUR 2.38 due to lower market value of outstanding bonds.

	2018			2017		
	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	2,088.9	889,993	2.35	2,208.1	889,993	2.48
Deferred taxes from the difference between the fair value and fiscal value of investment properties	302.6	889,993	0.34	297.6	889,993	0.33
Goodwill as a result of deferred taxes	-85.1	889,993	-0.10	-91.8	889,993	-0.10
Fair value of financial instruments	-1.1	889,993	0.00	0.8	889,993	0.00
Net asset value (EPRA NAV)	**2,305.3**	**889,993**	**2.59**	**2,414.7**	**889,993**	**2.71**
Deferred taxes from the difference between the fair value and fiscal value of investment properties	-302.6	889,993	-0.34	-297.6	889,993	-0.33
Goodwill as a result of deferred taxes	85.1	889,993	0.10	91.8	889,993	0.10
Difference between the secondary market price and fair value of bonds and capital loans 1)	29.3	889,993	0.03	-100.2	889,993	-0.11
Fair value of financial instruments	1.1	889,993	0.00	-0.8	889,993	0.00
EPRA NNNAV	**2,118.2**	**889,993**	**2.38**	**2,107.9**	**889,993**	**2.37**

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 29.3 million (-100.2) as of 31 December 2018.*

3. EPRA COST RATIOS

EPRA Cost Ratios reflect the relevant overhead and operating costs of the business and provide a recognised 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	2018	2017
Include:		
Administrative expenses [1) 2)]	25.6	29.1
Property operating expenses and other expenses from leasing operations less service charge costs	79.1	85.5
Net service charge costs/fees	14.6	13.5
Management fees less actual/estimated profit element	-2.0	-1.9
Other operating income/recharges intended to cover costs less any related profit	-10.7	-12.0
Share of joint venture expenses	4.5	4.9
Exclude:		
Ground rent costs	-6.0	-6.0
Service charge costs recovered through rents but not separately invoiced	-60.9	-60.4
Share of joint venture investment property depreciation, ground rent costs and service charge costs recovered through rents but not separately invoiced	-1.9	-2.1
EPRA Costs (including direct vacancy costs) (A)	**42.4**	**50.5**
Direct vacancy costs	-5.1	-5.7
EPRA Costs (excluding direct vacancy costs) (B)	**37.4**	**44.8**
Gross rental income less ground rent costs	231.0	251.4
Add: share of joint ventures (Gross rental income less ground rent costs less service fees in GRI)	16.7	19.3
Gross Rental Income (C)	**247.7**	**270.7**
EPRA Cost Ratio (including direct vacancy costs) (A/C, %)	**17.1**	**18.7**
EPRA Cost Ratio (excluding direct vacancy costs) (B/C, %)	**15.1**	**16.5**

[1] *Administrative expenses are net of costs capitalised of EUR 5.0 million in 2018 and EUR 3.6 million in 2017. Citycon's policy is to capitalise, for example, expenses related to property development projects and major software development projects.*
[2] *Expenses related to management changes 2.4M€ in 2018 are excluded from the administrative expenses.*

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 2018	31 December 2017
Fair value of investment properties determined by the external appraiser	4,192.6	4,134.1
Less (re)development properties, unused building rights and properties which valuation is based on the value of the building right	-170.4	-146.3
Completed property portfolio	**4,022.2**	**3,987.8**
Plus the estimated purchasers' transaction costs	70.6	72.2
Gross value of completed property portfolio (A)	**4,092.8**	**4,060.0**
Annualised gross rents for completed property portfolio	283.2	285.3
Property portfolio's operating expenses	-72.3	-72.5
Annualised net rents (B)	**211.0**	**212.9**
Plus the notional rent expiration of rent free periods or other lease incentives	2.9	2.7
Topped-up annualised net rents (C)	**213.9**	**215.6**
EPRA Net Initial Yield (NIY), % (B/A)	**5.2**	**5.2**
EPRA 'topped-up' NIY, % (C/A)	**5.2**	**5.3**

EPRA Cost Ratio improved to 17.1% due to tight cost control.
EPRA Cost Ratio (including direct vacancy costs) decreased to 17.1% and EPRA Cost Ratio (excluding direct vacancy costs) decreased to 15.1% in 2018. The decreases in the EPRA Cost Ratios were mainly a result of decreased property operating expenses and administrative expenses.

EPRA NIY and EPRA 'TOPPED-UP' NIY decreased.
EPRA initial yields stayed stable during the year. For comparable properties initial yields were also stable.

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 2018	31 December 2017
Annualised potential rental value of vacant premises	11.0	12.4
÷ Annualised potential rental value for the whole property portfolio	303.2	307.2
EPRA vacancy rate, %	**3.6**	**4.0**

EPRA vacancy rate remained close to previous years' level

The EPRA vacancy rate at the end of 2018 for the entire property portfolio was 3.6%. Vacancy improved particularly in Finland & Estonia due to lease ups and disposals.

6. PROPERTY RELATED CAPEX

MEUR	2018	2017
Acquisitions	69.6	142.9
(Re)development	51.1	100.1
Like-for-like portfolio	28.0	26.3
Capex on disposed assets	0.4	7.0
Other incl. capitalised interest	3.0	3.2
Capital expenditure	**152.0**	**279.5**

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 68.4 million related to acquisition costs and EUR 1.2 million of investments in acquisition portfolio's properties. In 2017, investments into acquisition portfolio's properties totaled EUR 0.4 million, and in addition, EUR 142.5 million acquisition costs.

7. EPRA EARNINGS FOR FIVE YEARS

MEUR	2018	2017	2016	2015	2014
Earnings in IFRS Consolidated Income Statement	**16.6**	**87.4**	**160.4**	**108.8**	**84.5**
-/+ Net fair value losses/gains on investment property	72.5	42.9	-25.9	-7.3	-15.7
-/+ Net losses/gains on disposal of investment property	0.2	-6.0	-4.3	17.1	0.3
+ Transaction costs related to business combinations and investment property disposals	-	-	-	7.5	0.1
-/+ Indirect other operating expenses	10.3	12.8	4.4	9.2	-
-/+ Fair value gains/losses of financial instruments and early close-out costs of debt and financial instruments	20.3	2.0	5.9	6.1	26.5
-/+ Indirect losses/gains of joint ventures and associated companies	17.9	6.9	-10.4	-16.9	-12.8
+/- Change in deferred taxes arising from the items above	5.7	5.8	20.2	5.8	13.2
+/- Non-controlling interest arising from the items above	-	0.5	0.7	0.5	3.5
EPRA Earnings (basic)	**143.5**	**152.3**	**151.1**	**130.8**	**99.7**
Issue-adjusted average number of shares, million	889,987	889,992	889,993	755,496	559,863
EPRA Earnings per share (basic), EUR	**0.161**	**0.171**	**0.170**	**0.173**	**0.178**

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	2018	2017	2016	2015	2014
Net rental income	**214.9**	**228.5**	**224.9**	**199.6**	**169.4**
Direct administrative expenses	-28.0	-29.1	-28.2	-27.0	-20.6
Direct other operating income and expenses	0.8	1.1	1.8	2.7	1.0
Direct operating profit	**187.6**	**200.5**	**198.5**	**175.4**	**149.8**
Direct net financial income and expenses	-50.1	-54.4	-51.7	-46.2	-51.0
Direct share of profit/loss of joint ventures and associated companies	5.3	6.2	4.4	2.6	2.1
Direct current taxes	-0.2	-0.8	-0.7	-0.4	-0.3
Change in direct deferred taxes	0.9	0.7	0.7	0.6	0.9
Direct non-controlling interest	0.0	0.0	-0.1	-1.1	-1.6
EPRA Earnings	**143.5**	**152.3**	**151.1**	**130.8**	**99.7**
Issue-adjusted average number of shares, million	889,987	889,992	889,993	755,496	559,863
EPRA Earnings per share (basic), EUR	**0.161**	**0.171**	**0.170**	**0.173**	**0.178**

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 2018	31 December 2018	31 December 2017	2018	31 December 2018	31 December 2017	31 December 2018
Shopping centres, Finland & Estonia [1]	14	1,835.4	1,934.7	-58.7	-	-	-
Other retail properties, Finland & Estonia	1	2.3	23.9	-0.1	-	-	-
Finland & Estonia, total	**15**	**1,837.7**	**1,958.6**	**-58.8**	**5.5**	**5.5**	**29.9**
Shopping centres, Norway	15	1,328.6	1,346.9	-22.2	-	-	-
Rented shopping centres, Norway [2]	2	-	-	-	-	-	-
Norway, total	**17**	**1,328.6**	**1,346.9**	**-22.2**	**5.4**	**5.4**	**22.3**
Shopping centres, Sweden & Denmark	10	964.9	877.9	8.5	-	-	-
Sweden & Denmark, total	**10**	**964.9**	**877.9**	**8.5**	**5.2**	**5.2**	**25.7**
Shopping centres, total	41	4,129.0	4,159.6	-72.4	-	-	-
Other retail properties, total	1	2.3	23.9	-0.1	-	-	-
Investment properties, total	**42**	**4,131.3**	**4,183.4**	**-72.5**	**5.4**	**5.4**	**26.4**
Kista Galleria, 50%	1	291.1	305.3	-8.6	-	-	-
Investment properties and Kista Galleria (50%), total	**43**	**4,422.4**	**4,488.7**	**-81.1**	**5.3**	**5.3**	**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 [1]		Fair value change, MEUR	Average yield requirement, %		Average market rent, EUR/sq.m./month
	31 December 2018	31 December 2018	31 December 2017	2018	31 December 2018	31 December 2017	31 December 2018
Shopping centres, Finland & Estonia [1]	7	694.5	771.4	-44.1	-	-	-
Other retail properties, Finland & Estonia	1	2.3	2.1	0.2	-	-	-
Finland & Estonia, total	**8**	**696.8**	**773.5**	**-43.9**	**6.3**	**6.1**	**25.4**
Shopping centres, Norway	13	1,124.2	1,126.4	-2.7	-	-	-
Rented shopping centres, Norway [2]	2	-	-	-	-	-	-
Norway, total	**15**	**1,124.2**	**1,126.4**	**-2.7**	**5.3**	**5.3**	**22.9**
Sweden and Denmark, total	**8**	**766.8**	**778.8**	**10.9**	**5.1**	**5.1**	**25.7**
Like-for-like properties, total	**31**	**2,587.8**	**2,678.6**	**-35.6**	**5.5**	**5.5**	**24.4**

[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 RENT [1)]

	Average remaining length of lease agreements, years	Average rent, EUR/sq.m./month
	31 December 2018	31 December 2018
Finland & Estonia	3.5	25.6
Norway	3.5	21.8
Sweden & Denmark	3.1	21.8
Total	**3.4**	**23.2**

[1)] *Including Kista Galleria 50%.*

RENTAL INCOME BY BUSINESS UNITS

	Gross rental income, MEUR		Net rental income, MEUR	
	2018	2017	2018	2017
Finland & Estonia	102.8	116.9	96.9	106.9
Norway	84.7	91.5	74.3	79.6
Sweden & Denmark	49.5	49.0	43.5	41.3
Other	-	-	0.2	0.7
Investment properties, total	**237.0**	**257.4**	**214.9**	**228.5**
Kista Galleria, 50%	13.6	16.5	11.7	14.4
Investment properties and Kista Galleria (50%), total	**250.6**	**273.9**	**226.5**	**242.8**

RENTAL INCOME BY CATEGORY, % [1)]

	Finland & Estonia	Norway	Sweden & Denmark	Total
Cafes and Restaurants	9.5	6.5	12.5	**9.3**
Cosmetics and Pharmacies	5.9	8.0	7.7	**7.1**
Department Stores	2.2	-	-	**0.9**
Fashion and Accessories	23.9	28.9	21.8	**25.0**
Groceries	23.3	9.7	17.4	**17.2**
Home and Sporting Goods	15.9	30.1	11.1	**19.4**
Leisure	1.8	0.4	1.0	**1.1**
Residentials and Hotels	1.1	0.0	3.8	**1.4**
Services and Offices	11.7	11.8	17.2	**13.2**
Specialty Stores	2.1	0.7	1.3	**1.4**
Wellness	2.5	3.9	6.1	**3.9**
Total	**100.0**	**100.0**	**100.0**	**100.0**

[1)] *Including Kista Galleria 50%. Rental income based on valid rent roll at 31 December 2018.*

SHOPPING CENTRES[1)]

	Location	GLA, sq.m.	Retail GLA, sq.m.	Economic occupancy rate, % 31 December 2018	Number of lease agreements	Parking spaces	Year of acquisition	Year built/ latest year of renovation
Finland & Estonia								
Shopping centres, Helsinki area Finland								
Arabia	Helsinki	15,800	13,300	99.4	45	340	2012	1960/2013
Columbus	Helsinki	20,800	19,000	96.0	73	900	2006	1997/2007
Heikintori	Espoo	6,200	4,500	55.5	30	260	1998	1968
Isomyyri	Vantaa	11,700	8,300	81.9	25	-	1999	1987
Iso Omena	Espoo	100,900	84,400	97.4	407	2,600	2007	2001/2016,2017
Pikkulaiva	Espoo	8,300	8,100	99.9	32	400	2017	2017
Myyrmanni	Vantaa	40,400	31,100	96.6	129	1,100	1999	1994/2016
Shopping centres, other areas in Finland								
Duo	Tampere	13,100	11,700	97.1	44	440	1998	1979, 2007
IsoKarhu	Pori	14,700	12,700	78.1	38	220	1999	1972/2014
IsoKristiina	Lappeenranta	17,050	12,800	91.2	96	550	1999, 2005	1987,1993/2015
Koskikeskus	Tampere	33,100	28,600	96.0	162	430	1999, 2003	1988/2012
Trio	Lahti	45,800	26,900	82.2	150	330	1999, 2007	1977, 1992/2010
Shopping centres, Estonia								
Kristiine Keskus	Tallinn	44,000	43,500	99.5	113	968	2011	1999/2013
Rocca al Mare	Tallinn	57,600	56,600	99.0	148	1,254	2005	1998/2009
Shopping centres, total		**429,450**	**361,500**	**95.3**	**1,492**	-	-	-
Other retail properties, total		**2,240**	**700**	**89.3**	**18**	-	-	-
Finland & Estonia, total		**431,690**	**362,200**	**95.3**	**1,510**	-	-	-
Norway								
Shopping centres, Oslo area								
Buskerud Storsenter	Krokstadelva	30,900	27,900	100.0	82	770	2015	1984/2017
Kolbotn Torg	Kolbotn	17,800	16,200	95.0	65	700	2015	2008
Liertoppen Kjøpesenter	Lierskogen	25,700	23,600	99.8	83	1,200	2015	1987/1990
Linderud Senter	Oslo	20,900	16,000	99.9	90	370	2015	1967/2009
Magasinet Drammen	Drammen	15,100	9,400	95.1	46	190	2015	1992/2008
NAF-Huset [2)]	Oslo	4,200	3,800	100.0	6	-	2015	1973
Trekanten	Asker	23,700	16,800	97.8	105	800	2015	1997/2008

	Location	GLA, sq.m.	Retail GLA, sq.m.	Economic occupancy rate, % 31 December 2018	Number of lease agreements	Parking spaces	Year of acquisition	Year built/ latest year of renovation
Shopping centres, other areas in Norway								
Down Town	Porsgrunn	37,000	31,500	100.0	76	800	2015	1988/2016
Herkules	Skien	49,300	42,600	98.9	135	1,550	2015	1969/2013
Kilden Kjøpesenter	Stavanger	23,100	18,200	94.5	72	300	2015	1989/2015
Kongssenteret	Kongsvinger	18,300	16,200	96.8	53	350	2015	2001/2016
Kremmertorget	Elverum	19,400	16,500	90.4	52	430	2015	1979/2012
Oasen Kjøpesenter	Fyllingsdalen	57,000	23,500	99.0	89	850	2015	1971/2014
Sjøsiden	Horten	11,200	10,200	98.5	45	170	2015	2001
Solsiden [2)]	Trondheim	14,000	13,100	100.0	75	450	2015	2000
Stopp Tune	Sarpsborg	12,100	11,100	97.6	32	650	2015	1993
Storbyen	Sarpsborg	25,500	22,600	97.3	78	550	2015	1999/2015
Norway, total		**405,200**	**319,200**	**98.0**	**1,184**			
Sweden & Denmark								
Shopping centres, Stockholm area								
Fruängen Centrum	Hägerstern	14,700	7,400	95.8	82	150	2005	1965/2013
Högdalen Centrum	Bandhagen	19,900	14,400	99.4	85	-	2011	1959/2015
Jakobsbergs Centrum	Järfalla	42,800	25,900	93.0	159	1,300	2006	1959/1993
Kista Galleria, 50%	Stockholm	46,300	28,200	96.9	610	2,500	2013	1977,2002/ 2014
Liljeholmstorget Galleria	Stockholm	41,100	27,200	99.9	184	900	2006	1973/2009
Tumba Centrum	Botkyrka	23,200	13,000	98.7	174	600	2007	1954/2016
Åkersberga Centrum	Åkersberga	28,300	22,900	92.6	94	900	2005, 2015	1985/2011
Shopping centres, Gothenburg area								
Stenungstorg Centrum	Stenungsund	35,500	22,000	95.5	189	1,030	2006	1967/2016
Mölndals Galleria	Mölndal	26,400	24,200	92.9	77	950	2014/2018	2018
Shopping centres, Denmark								
Albertslund Centrum	Copenhagen	18,800	14,200	92.2	66	750	2012	1965/2015
Strædet	Køge	18,900	18,000	92.1	40	450	2017, 2018	2017, 2018
Sweden & Denmark, total		**315,900**	**217,400**	**96.0**	**1,760**			
Total		**1,152,790**	**898,800**	**96.4**	**4,454**	-	-	-

[1)] *Including Kista Galleria 50%.*
[2)] *Rented property*

SHOPPING CENTRE SALES AND NUMBER OF VISITORS [1]

	Sales, MEUR [2]			Number of visitors, million		
	2018	**2017**	**Change,%**	**2018**	**2017**	**Change,%**
Finland & Estonia						
Helsinki area, Finland						
Arabia	52.4	44.2	19%	3.1	2.7	13%
Columbus	76.4	76.4	0%	6.6	6.4	4%
Heikintori	-	-	-	-	-	-
Isomyyri	15.2	9.4	61%	-	-	-
Iso Omena	314.4	268.6	17%	20.0	11.5	74%
Pikkulaiva	60.0	26.0	-	2.4	1.2	92%
Myyrmanni	130.4	129.7	1%	8.2	8.0	3%
Other areas in Finland						
Duo	57.4	54.6	5%	4.4	4.5	-2%
IsoKarhu	15.2	18.2	-16%	2.1	2.2	-5%
IsoKristiina	37.3	36.5	2%	2.1	2.1	2%
Koskikeskus	105.4	112.7	-7%	5.7	5.5	2%
Trio	41.3	43.6	-5%	5.1	5.3	-3%
Estonia						
Kristiine Keskus	94.2	104.5	-10%	6.5	7.1	-8%
Rocca al Mare	111.8	113.7	-2%	5.2	5.5	-4%
Shopping centres, Finland & Estonia, total	**1,111.4**	**1,038.0**	**7%**	**71.4**	**62.0**	**15%**
Norway						
Oslo area						
Buskerud Storsenter	96.9	93.8	3%	2.7	2.6	2%
Kolbotn Torg	59.7	59.7	0%	2.0	1.9	4%
Liertoppen Kjøpesenter	83.8	82.5	2%	2.0	2.0	-1%
Linderud Senter	59.3	60.1	-1%	2.2	2.1	6%
Magasinet Drammen	24.8	25.4	-2%	2.6	2.6	-2%
NAF-Huset [3]	24.8	24.6	1%	-	-	-
Trekanten	69.6	68.2	2%	3.2	3.2	1%
Other areas in Norway						
Down Town	60.3	67.0	-10%	1.9	2.2	-14%
Herkules	118.1	120.4	-2%	3.3	3.4	-5%
Kilden Kjøpesenter	64.8	64.0	1%	1.5	1.5	1%
Kongssenteret	37.5	38.4	-2%	1.2	1.2	-2%
Kremmertorget	36.3	37.1	-2%	1.1	1.1	-3%
Oasen Kjøpesenter	96.3	95.9	0%	4.3	4.4	-2%
Sjøsiden	27.9	29.5	-6%	1.0	1.1	-6%
Solsiden [3]	53.0	52.1	2%	2.3	2.3	0%
Stopp Tune	27.5	27.6	0%	0.9	0.9	0%
Storbyen	57.9	57.7	0%	2.7	2.5	7%
Shopping centres, Norway, total	**998.5**	**1,004.1**	**-1%**	**34.7**	**35.0**	**-1%**
Sweden & Denmark						
Stockholm area						
Fruängen Centrum	30.1	30.0	0%	-	-	-
Högdalen Centrum	57.7	55.5	4%	-	-	-
Jakobsbergs Centrum	60.7	59.8	2%	6.0	5.8	3%
Kista Galleria, 50%	163.0	175.9	-7%	9.0	9.2	-1%
Liljeholmstorget Galleria	155.8	148.6	5%	9.8	9.8	0%
Tumba Centrum	46.4	45.6	2%	3.9	3.9	1%
Åkersberga Centrum	73.4	74.7	-2%	6.1	6.0	1%
Gothenburg area						
Mölndals Galleria	19.4	-	-	1.1	-	-
Stenungstorg Centrum	60.8	59.1	3%	3.3	3.3	1%
Denmark						
Albertslund Centrum	36.7	36.1	2%	5.0	5.1	-2%
Straedet	21.2	3.5	-	-	-	-
Shopping centres, Sweden and Denmark, total	**725.2**	**688.7**	**5%**	**44.2**	**43.0**	**3%**
Total	**2,835.1**	**2,730.8**	**4%**	**150.3**	**140.0**	**7%**

[1] *Including Kista Galleria 50%.*
[2] *Sales include estimates. Sales do not include VAT.*
[3] *Rented property*

MANAGED SHOPPING CENTRES, NORWAY

	Location	Ownership, %	GLA, sq.m. 31 December 2018	Number of visitors, million 2018
CC Drammen	Drammen	-	17,300	1.1
City Syd	Trondheim	-	15,600	3.6
Holmen Senter	Asker	-	24,200	1.4
Markedet	Haugesund	20%	10,600	0.9
Stadionparken	Stavanger	-	11,000	0.9
Stovner Senter	Oslo	20%	43,000	5.0
Strandtorget	Lillehammer	-	33,000	2.1
Tiller Torget	Trondheim	-	36,700	1.2
Torget Vest	Drammen	-	8,000	1.1
Torvbyen	Fredrikstad	20%	13,300	3.8
Managed shopping centres, total			**212,700**	**21.2**

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

	Number of lease agreements	Leased area, sq.m.	Average rent, EUR/sq.m./month
31 December 2017	**4,581**	**1,097,289**	**23.2**
Leases started	1,183	186,576	22.5
Leases ended	1,318	220,202	22.1
Acquisitions	6	2,540	21.0
Other changes	2	-244	-
31 December 2018	**4,454**	**1,065,960**	**23.2**

CITYCON'S FIVE LARGEST PROPERTIES

	Average rent, EUR/sq.m./month 31 December 2018	Gross rental income, MEUR 2018	Net rental income, MEUR 2018	Fair value, MEUR 31 December 2018	Fair value change, MEUR 2018
Iso Omena	35.2	33.9	32.2	758.0	3.2
Liljeholmstorget Galleria	32.2	14.5	13.4	311.2	10.8
Kista Galleria, 50 %	29.8	13.6	11.7	291.1	-8.6
Oasen	21.7	12.4	11.7	209.0	2.1
Rocca al Mare	22.8	13.6	13.6	183.1	3.0
Five largest properties, total	**29.2**	**88.1**	**82.6**	**1,752.4**	**10.5**

TOP FIVE TENANTS [1)]

	Proportion of rental income based on valid rent roll at 31 December 2018, %
Kesko Group	12.6%
S Group	10.4%
Varner Group	2.9%
Nordea	2.2%
Lidl	1.8%
Finland & Estonia, total	**29.9%**
Varner-Group	7.7%
Gresvig	6.0%
NorgesGruppen Group	5.5%
Tryg Forsikring	4.5%
Clas Ohlson	3.0%
Norway, total	**26.8%**
ICA Group	7.8%
Coop	4.4%
H&M	3.1%
Stockholms Läns Landsting	2.5%
KappAhl	2.3%
Sweden & Denmark, total	**20.1%**
Kesko Group	5.2%
S Group	4.3%
Varner-Group	4.1%
H&M	2.2%
ICA Group	2.1%
Total	**17.9%**

[1)] *Including Kista Galleria 50%.*

(RE)DEVELOPMENT PROJECTS

31 DECEMBER 2018

ONGOING (RE)DEVELOPMENT PROJECTS

		Area before/ after, sq.m.	Expected gross investment, MEUR	Actual gross investment by 31 December 2018, MEUR	Completion target	
Lippulaiva	Helsinki metropolitan area, Finland	19,200/44,300	TBC [1)]	81.2	2021	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)] *Negotiations regarding construction of main part of shopping centre on-going with several construction companies at the moment as negotiations with previous construction company were terminated. Impact on expected investment to be confirmed once negotiations finalized.*

POTENTIAL (RE)DEVELOPMENT PROJECTS

		Area before/after, sq.m.	Expected investment, MEUR	Completion target	
Kista Galleria	Stockholm, Sweden	92,500/105,000	80 [1]	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	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	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 residentials.
Trekanten	Oslo, Norway	23,800/45,000	135	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.

[1] Citycon's share is MEUR 40 (50%)

COMPLETED (RE)DEVELOPMENT PROJECTS IN 2018

		Area before/after, sq.m.	Expected gross investment, MEUR	Actual gross investment by 31 December 2018, MEUR	Expected yield on completion when stabilised [2]	Completion
Mölndal Galleria	Gothenburg, Sweden	-/26,000	114.6 [1]	114.6 [1]	6.0–6.5	Completed: Q3/2018

[1] Original expected gross investment was EUR 120 million
[2] 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 realisation 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, financial 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.

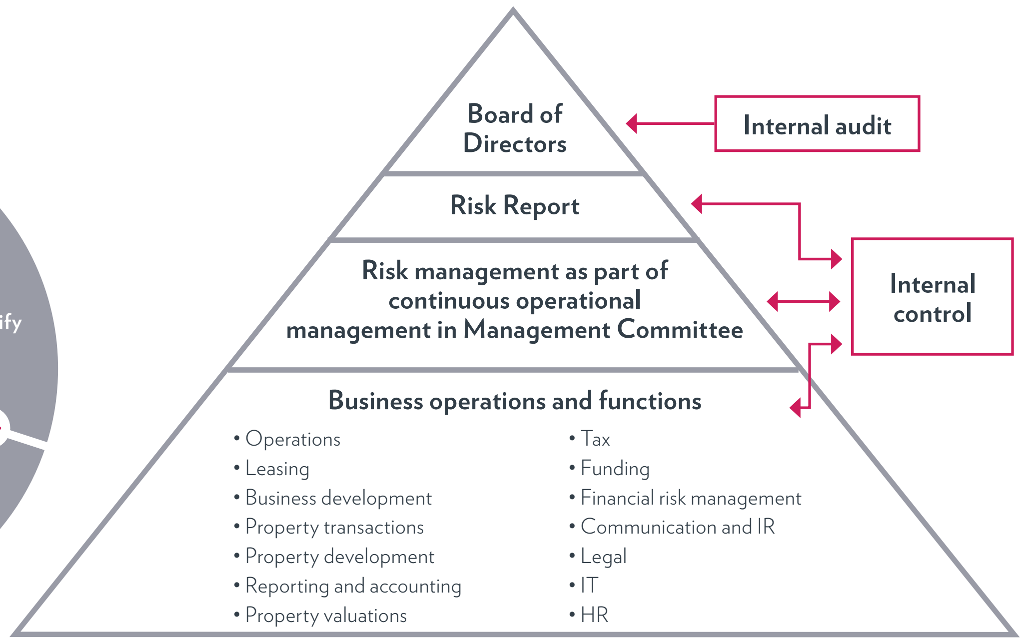
RISK REPORTING

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 have other customary insurance policies.



	RISK AND IMPACT	RISK MANAGEMENT MEASURES
Leasing	• 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.	• 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 pan-Nordic strategy.
Property Development & transactions	• Increased costs in development projects due to rising construction costs or delays due to unforeseeable challenges. • Reduced demand for new retail space could result in a low occupancy rate or lower than planned rent levels in new premises. • Planned divestments of non-core properties could be delayed due to relatively low liquidity for secondary assets.	• 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	• 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.	• 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	• The value of the properties can decrease for a number of reasons: a weaker economic environment impacting consumer purchase power, changes in competition and consumer behaviour towards internet shopping, reduced availability and higher cost of financing and the relative attractiveness of other asset classes. The changes may lead to higher yield requirements, decreased market rents and increased vacancy rates.	• 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 and services 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	• Environmental concerns, customer expectations or legislation might restrict land use and construction. • Risks associated with climate change might affect Citycon's business environment. For example, extreme weather conditions and regulation implemented to mitigate and adapt to climate change can increase energy, maintenance and construction costs.	• 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	• 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.	• 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	• 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.	• 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 (BBB, negative outlook) and Moody's (Baa2, negative outlook) supports 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	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 2018, Citycon's total number of shares was 889,992,628. The market capitalisation of Citycon at the end of 2018 was EUR 1.4 billion.

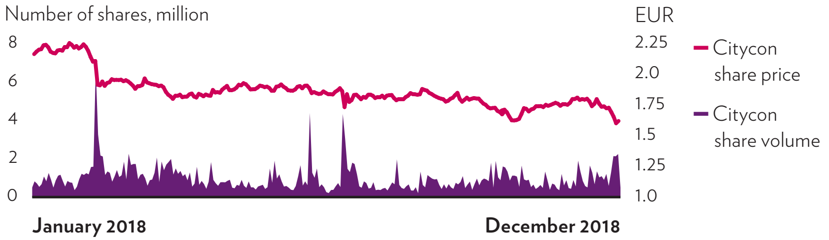
In 2018, approximately 246.3 million Citycon shares were traded on the Helsinki Stock Exchange. The daily average trading volume was 985,053 shares, representing a daily average turnover of approximately EUR 1.8 million.

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 2018 was 17,269 (15,368). Shares owned by nominee-registered parties equaled 79.7% at year-end 2018 (81.8%). 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

		2018	2017	2016	2015	2014
Number of shares traded	*1 000	246,263	177,286	147,684	158,343	88,784
Stock turnover	%	27.7	19.9	16.6	17.8	15.0
Share price, high	EUR	2.25	2.50	2.39	3.24	2.92
Share price, low	EUR	1.60	2.08	1.98	2.13	2.29
Share price, average	EUR	1.86	2.23	2.18	2.53	2.65
Share price, closing	EUR	1.62	2.16	2.34	2.40	2.58
Market capitalisation, period-end	MEUR	1,437.34	1,920.60	2,080.80	2,136.00	1,530.80
Number of shares, period-end	*1 000	889,993	889,993	889,993	889,993	593,328

Major shareholders 31 December 2018

Gazit-Globe Ltd. 431,645,874 shares, i.e. 48.50% 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	6,000,000	0.67
Gazit-Globe Ltd.[1)]	5,808,400	0.65
OP-Henkivakuutus Oy	2,574,360	0.29
Pakkanen Mikko Pertti Juhani	2,000,000	0.22
Pakarinen Janne Heikki Petteri	1,700,000	0.19
Suomalaisen Kirjallisuuden Seura Ry	1,394,000	0.16
Esr Danske Invest Suomen Parhaat	1,279,691	0.14
Sr Taaleritehdas Arvo Markka Osake	1,200,000	0.13
UB Global REIT Sr	1,120,000	0.13
10 largets shareholders, total	**86,547,146**	**9.72**
Nominee-registered shares	709,599,616	79.73
Others	93,845,866	10.54
Total	**889,992,628**	**100.00**

[1)] *The total holdings of Gazit-Globe Ltd. 431,645,874 shares, representing 48.50%.*

Shareholders by ownergroup 31 December 2018	**Number of shareholders**	**%**	**Number of shares**	**%**
Financial and insurance corporations	46	0.27	713,065,908	80.12
Corporations	813	4.71	19,744,558	2.22
Households	16,166	93.61	62,338,003	7.00
General government	11	0.06	71,067,380	7.99
Foreign	61	0.35	14,658,576	1.65
Non-profit institutions	172	1.00	9,118,203	1.02
Total	**17,269**	**100.00**	**889,992,628**	**100.00**

Shareholdings by number of shares 31 December 2018 Number of shares	**Number of shareholders**	**%**	**Number of shares**	**%**
1–100	1,836	10.63	93,488	0.01
101–500	3,789	21.94	1,191,501	0.13
501–1,000	2,920	16.91	2,361,763	0.27
1,001–5,000	5,832	33.77	14,853,293	1.67
5,001–10,000	1,481	8.58	11,047,095	1.24
10,001–50,000	1,155	6.69	23,839,459	2.68
50,001–100,000	131	0.76	9,485,489	1.07
100,001–500,000	90	0.52	19,213,740	2.16
500,001–1,000,000	18	0.10	12,602,126	1.42
1,000,001–	17	0.10	795,304,674	89.36
Total	**17,269**	**100.00**	**889,992,628**	**100.00**

LARGEST SHAREHOLDERS

Citycon's largest shareholders according to Euroclear Finland are listed in the table on the previous page.

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 431,645,874 shares, i.e. 48.50% 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 2018.

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 2018 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. Based on the authorization, the company could distribute a maximum of EUR 8,899,926.28 as dividends and EUR 106,799,115.36 as equity repayment. 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 2019	15 March 2019
28 June 2019	21 June 2019
30 September 2019	23 September 2019
30 December 2019	19 December 2019

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	2018	2017	2016	2015	2014
Income statement data					
Gross rental income	237.0	257.4	251.4	223.9	189.4
Net rental income					
Finland & Estonia	96.9	106.9	110.4	121.7	129.4
Norway	74.3	79.6	74.0	36.8	-
Sweden and Denmark	43.5	41.3	40.1	41.2	40.0
Other	0.2	0.7	0.5	-	-
Net rental income total	214.9	228.5	224.9	199.6	169.4
Other operating income and expense	-9.5	-11.6	-2.6	-6.4	1.0
Operating profit/loss	104.7	150.9	224.4	148.9	165.0
Profit/loss before taxes	21.7	93.8	181.5	116.0	102.4
Profit/loss attributable to parent company shareholders	16.6	87.4	160.4	108.8	84.5
Statement of financial position data					
Investment properties	4,131.3	4,183.4	4,337.6	4,091.6	2,769.1
Current assets	56.2	43.7	56.2	89.1	64.8
Equity attributable to parent company shareholders	2,088.9	2,208.1	2,311.4	2,245.5	1,650.7
Non-controlling interest	0.1	1.2	0.8	0.0	1.8
Interest-bearing liabilities	2,140.0	2,083.9	2,176.8	2,023.2	1,177.7
Total liabilities	2,533.7	2,468.6	2,588.7	2,418.8	1,384.8
Total liabilities and shareholders' equity	4,622.7	4,678.0	4,900.9	4,664.4	3,037.2

KEY FIGURES AND FINANCIAL DEVELOPMENT FOR FIVE YEARS

MEUR	Formula	2018	2017	2016	2015	2014
Key performance ratios						
Equity ratio, %	1	45.4	47.4	47.3	48.3	54.6
Equity ratio for the banks, %		45.4	47.4	47.3	48.3	54.8
Loan to value (LTV), %	2	48.7	46.7	46.6	45.7	38.6
Return on equity, % (ROE)	3	0.8	3.8	7.0	5.9	6.1
Return on investment, % (ROI)	4	4.1	5.8	6.1	8.2	8.4
Quick ratio	5	0.6	0.4	0.4	0.4	0.5
Gross capital expenditure, MEUR		168.8	298.7	314.5	1,718.6	125.5
% of gross rental income		71.2	116.0	125.1	767.7	66.3
Per-share figures and ratios						
Earnings per share, EUR [1]	6	0.02	0.10	0.18	0.14	0.15
Earnings per share, diluted, EUR [1]	7	0.02	0.10	0.18	0.14	0.15
Net cash from operating activities per share, EUR [1]	8	0.11	0.17	0.15	0.15	0.12
Equity per share, EUR	9	2.35	2.48	2.60	2.52	2.78
P/E (price/earnings) ratio	10	87	22	13	17	16
Return from invested unrestricted equity fund per share, EUR [2]		0.12	0.12	0.12	0.14	0.15
Dividend per share, EUR [2]		0.01	0.01	0.01	0.01	-
Dividend and return from invested unrestricted equity fund per share total, EUR [2]		0.13	0.13	0.13	0.15	0.15
Dividend and return of equity per earnings, %	11	696.2	132.4	72.1	104.2	99.3
Effective dividend and return of equity yield, %	12	8.0	6.0	5.6	6.3	5.8
Issue-adjusted average number of shares (1,000) [1]		889,987	889,992	889,993	755,496	559,863
Issue-adjusted number of shares at the end of financial year (1,000) [1]		889,993	889,993	889,993	889,993	593,328
Operative key ratios						
Occupancy rate (economic), % [3]	13	96.4	96.0	96.3	96.9	96.5
Citycon's GLA, sq.m.[3]		1,152,790	1,184,140	1,271,940	1,288,090	980,640
Personnel (at the end of the period)		264	265	287	310	151

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 2018 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.

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, %

$$\frac{\text{Shareholders' equity}}{\text{Balance sheet total - advances received}} \times 100$$

2) Loan to value (LTV), %

$$\frac{\text{Interest-bearing liabilities - cash and cash equivalents}}{\text{Fair value of investment properties + properties held for sale + investments in joint ventures}} \times 100$$

3) Return on equity (ROE), %

$$\frac{\text{Profit/loss for the period}}{\text{Shareholders' equity (weighted average)}} \times 100$$

4) Return on investment (ROI), %

$$\frac{\text{Profit/loss before taxes + interest and other financial expenses}}{\text{Balance sheet total (weighted average) - (non-interest-bearing liabilities on the balance sheet date + opening balance of non-interest-bearing liabilities)/2}} \times 100$$

5) Quick ratio

$$\frac{\text{Current assets}}{\text{Short-term liabilities}}$$

6) Earnings per share (EPS), EUR

$$\frac{\text{Profit/loss for the period attributable to parent company shareholders}}{\text{Average number of shares for the period}} \times 100$$

7) Earnings per share, diluted, EUR

$$\frac{\text{Profit/loss for the period attributable to parent company shareholders}}{\text{Diluted average number of shares for the period}} \times 100$$

8) Net cash from operating activities per share, EUR

$$\frac{\text{Net cash from operating activities}}{\text{Average number of shares for the period}} \times 100$$

9) Equity per share, EUR

$$\frac{\text{Equity attributable to parent company shareholders}}{\text{Number of shares on the balance sheet date}}$$

10) P/E ratio (price/earnings)

$$\frac{\text{Closing price at year-end}}{\text{EPS}}$$

11) Dividend and return of equity per earnings, %

$$\frac{\text{Dividend per share}}{\text{EPS}} \times 100$$

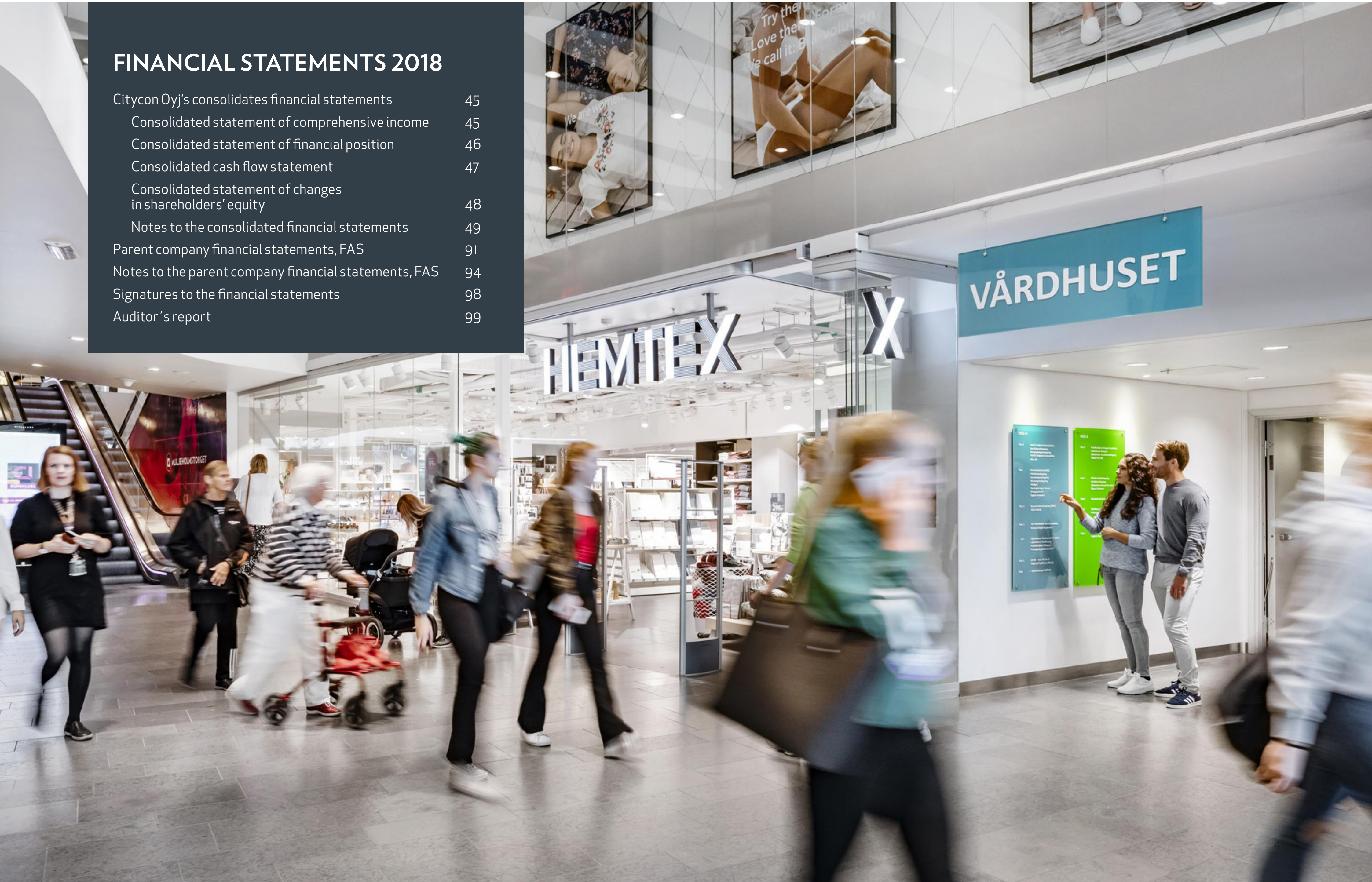
12) Effective dividend and return of equity yield, %

$$\frac{\text{Dividend per share}}{\text{Closing price at year-end}} \times 100$$

13) Occupancy rate (economic), %

$$\frac{\text{Gross rental income as per leases}}{\text{Estimated market rent of vacant premises + gross rental income as per leases}} \times 100$$

FINANCIAL STATEMENTS 2018



CITYCON OYJ'S CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT, IFRS

MEUR	Note	2018	2017
Gross rental income	1.2.	237.0	257.4
Service charge income	1.3.	79.2	80.8
Property operating expenses	1.4.	-98.9	-107.8
Other expenses from leasing operations		-2.4	-1.9
Net rental income	1.1.	**214.9**	**228.5**
Administrative expenses	1.5.	-28.0	-29.1
Other operating income and expenses	1.3., 1.7.	-9.5	-11.6
Net fair value losses/gains on investment property	2.1.	-72.5	-42.9
Net losses/gains on sale of investment property	2.1., 2.2.	-0.2	6.0
Operating profit		**104.7**	**150.9**
Financial income		83.3	107.8
Financial expenses		-153.8	-164.1
Net financial income and expenses	3.2.	-70.5	-56.4
Share of profit of associated companies and joint ventures	2.3.	-12.5	-0.7
Profit before taxes		**21.7**	**93.8**
Current taxes	4.1.	-0.2	-0.8
Change in deferred taxes	4.2.	-4.8	-5.1
Income taxes		-5.0	-5.9
Profit for the period		**16.6**	**87.9**
Profit attributable to			
Parent company shareholders		16.6	87.4
Non-controlling interest		0.0	0.5
Earnings per share attributable to parent company shareholders:			
Earnings per share (basic), EUR	1.8.	0.02	0.10
Earnings per share (diluted), EUR	1.8.	0.02	0.10

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

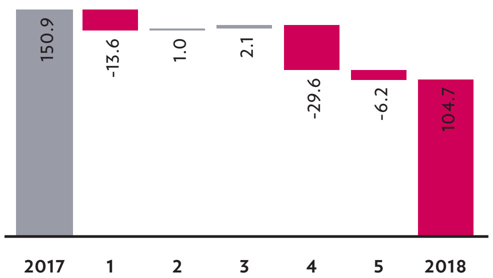
MEUR	Note	2018	2017
Profit for the period		**16.6**	**87.9**
Other comprehensive expenses/income			
Items that may be reclassified to profit or loss in subsequent periods			
Net losses/gains on cash flow hedges	3.2.	2.0	-3.1
Income taxes relating to cash flow hedges	4.1., 4.2.	-0.4	0.6
Share of other comprehensive income of associated companies and joint ventures		0.3	1.9
Exchange losses/gains on translating foreign operations		-22.7	-76.3
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**-20.9**	**-76.8**
Other comprehensive expenses for the period, net of tax		**-20.9**	**-76.8**
Total comprehensive loss/profit for the period		**-4.2**	**11.1**
Total comprehensive loss/profit attributable to			
Parent company shareholders		-4.2	10.6
Non-controlling interest		0.0	0.5

Operating profit was lower mainly due to fair value losses and non-core disposals

The decrease in operating profit and profit for the period resulted from disposals, the fair value losses in Finland & Estonia and Norway as well as higher other financial expenses, which were mainly related to the bond tender offer in September 2018.

CHANGE IN OPERATING PROFIT

MEUR



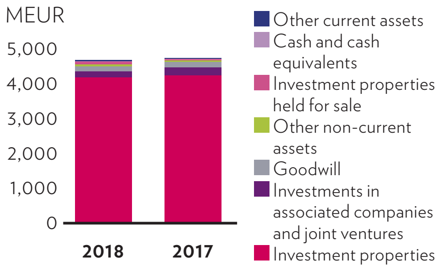
1 Change in net rental income
2 Change in administrative expenses
3 Change in other operating income and expenses
4 Change in fair value gains/losses
5 Change in gains/losses on sale

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

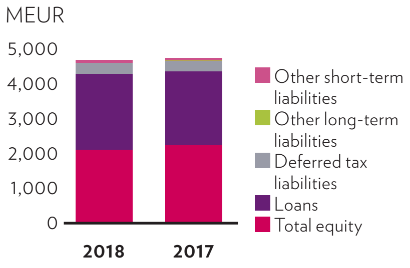
MEUR	Note	31 December 2018	31 December 2017
ASSETS			
Non-current assets			
Investment properties	2.1.	4,131.3	4,183.4
Goodwill	5.1.	145.7	153.3
Investments in associated companies and joint ventures	2.3.	164.8	228.0
Intangible assets	4.3.	18.1	18.8
Property, plant and equipment		0.7	1.1
Deferred tax assets	4.2.	9.0	4.3
Derivative financial instruments and other non-current assets	3.6.	18.8	19.9
Total non-current assets		**4,488.4**	**4,608.9**
Investment properties held for sale	2.2.	**78.1**	**25.4**
Current assets			
Derivative financial instruments	3.6.	1.5	1.8
Current tax receivables	4.1.	0.1	0.4
Trade and other receivables	3.3., 4.4.	43.2	31.5
Cash and cash equivalents	3.8.	11.4	10.1
Total current assets		**56.2**	**43.7**
Total assets		**4,622.7**	**4,678.0**

MEUR	Note	31 December 2018	31 December 2017
EQUITY AND LIABILITIES			
Equity	3.1.		
Share capital		259.6	259.6
Share premium fund		131.1	131.1
Fair value reserve		1.1	-0.8
Invested unrestricted equity fund		1,016.7	1,123.5
Translation reserve		-115.9	-93.2
Retained earnings		796.3	787.9
Total equity attributable to parent company shareholders		**2,088.9**	**2,208.1**
Non-controlling interest		0.1	1.2
Total equity		**2,089.0**	**2,209.4**
Long-term liabilities			
Loans	3.3., 3.4.	1,961.4	1,959.2
Derivative financial instruments	3.3., 3.6.	8.9	4.3
Deferred tax liabilities	4.2.	304.4	301.1
Other liabilities	3.3.	0.3	0.4
Total long-term liabilities		**2,275.1**	**2,265.0**
Short-term liabilities			
Loans	3.3., 3.4.	178.6	124.7
Derivative financial instruments	3.3., 3.6.	0.9	0.2
Current tax liabilities	4.1.	1.6	1.9
Trade and other payables	3.3., 4.5.	77.5	76.9
Total short-term liabilities		**258.6**	**203.6**
Total liabilities		**2,533.7**	**2,468.6**
Total liabilities and equity		**4,622.7**	**4,678.0**

ASSETS



EQUITY AND LIABILITIES



Value of investment properties decreased by EUR 52.1 million while interest-bearing debt increased by EUR 56.1 million

Divestments and transfers to held-for-sale decreased the value of investment properties by EUR 144.4 million. In addition, value decreased due to fair value losses of EUR 72.5 million and EUR 47.5 million exchange rate losses due to weaker NOK and SEK. On the contrary, the value of properties went up due to investments and acquisitions of EUR 210.6 million. Interest-bearing debt increased due to financing of investments.

CONSOLIDATED CASH FLOW STATEMENT, IFRS

MEUR	Note	2018	2017
Cash flow from operating activities			
Profit before taxes		**21.7**	**93.8**
Adjustments		169.9	110.5
Cash flow before change in working capital		**191.6**	**204.3**
Change in trade and other receivables	4.4.	-7.5	8.6
Change in trade and other payables	4.5.	9.0	-1.0
Change in working capital		1.5	7.6
Cash generated from operations		**193.1**	**212.0**
Interest expenses and other financial expenses paid		-101.5	-66.8
Interest income and other financial income received		4.1	3.8
Taxes paid		-0.2	-0.1
Net cash from operating activities		**95.5**	**148.9**
Cash flow from investing activities			
Acquisition of subsidiaries, less cash acquired	2.1.	-68.4	-144.4
Capital expenditure on investment properties	2.1.	-88.0	-143.0
Capital expenditure on investments in joint ventures, intangible assets and PP&E	2.3., 4.3.	-10.4	-11.0
Sale of investment properties	2.1., 2.2.	87.7	315.9
Net cash used in investing activities		**-79.0**	**17.5**
Cash flow from financing activities			
Proceeds from short-term loans	3.4.	1,131.8	2,078.7
Repayments of short-term loans	3.4.	-1,029.9	-2,099.0
Proceeds from long-term loans	3.4.	297.3	107.6
Repayments of long-term loans	3.4.	-292.4	-139.3
Acquisition of non-controlling interests	5.2.	-1.4	0.0
Dividends and return from the invested unrestricted equity fund		-115.7	-116.2
Realised exchange rate loss		-4.0	-2.7
Net cash from/used in financing activities		**-14.3**	**-171.0**
Net change in cash and cash equivalents		**2.2**	**-4.7**
Cash and cash equivalents at period-start	3.8.	10.1	15.9
Effects of exchange rate changes		-0.9	-1.1
Cash and cash equivalents at period-end	3.8.	**11.4**	**10.1**

MEUR	Note	2018	2017
Adjustments:			
Depreciation and amortisation	1.5., 4.3.	3.1	3.7
Net fair value losses on investment property	2.1.	72.5	42.9
Losses/gains on disposal of investment property	2.2.	0.2	-6.0
Financial income	3.2.	-83.3	-107.8
Financial expenses	3.2.	153.8	164.1
Share of profit of associated companies and joint ventures	2.3.	12.5	0.7
Share-based payments	1.6.	1.1	1.5
Non-cash reduction in goodwill and write-off of accumulated translation difference relating to disposed properties	1.7.	10.0	11.4
Total		**169.9**	**110.5**

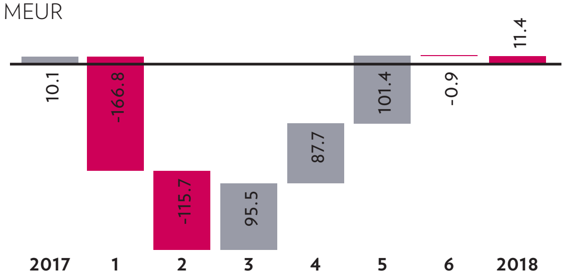
MEUR	2018	2017
Net cash from operating activities	95.5	148.9
Average number of shares (1,000)	889,987	889,992
Net cash from operating activities per share	**0.11**	**0.17**

Net cash from operating activities per share decreased to EUR 0.11 mainly due to one-off financial expenses paid relating to refinancing.

One-off financial expenses paid resulted from the bond tender offer in September 2018. In addition, disposals of properties decreased the net cash from operations. Citycon invested EUR 166.8 million and financed these investments via sale of properties in Finland, Norway and Sweden for EUR 87.7 milion in 2018. Citycon acquired in 2018 remaining 50% ownership in Mölndal shopping centre in Sweden and in Denmark the last phase of shopping centre Straedet for EUR 67.0 million in total. The biggest redevelopment investments in 2018 were Lippulaiva (EUR 22.7 million) and Kristiine projects (EUR 10.6 million).

CASH NEEDS AND CASH PROCEEDS

MEUR



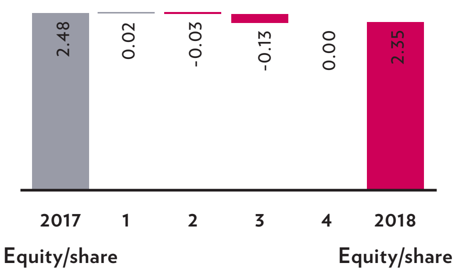
1 Acquisitions and investments
2 Dividends and equity returns
3 Cash from operations
4 Sale of properties
5 Cash from financing
6 Other

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, IFRS

	Equity attributable to parent company shareholders								
MEUR	Share capital	Share premium fund	Fair value reserve	Invested unrestricted equity fund	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
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 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 loss/profit 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 (Note 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**
Changes in accounting policies (IFRS 2 & IFRS 9)						0.8	0.8		0.8
Balance at 1 January 2018	**259.6**	**131.1**	**-0.8**	**1,123.5**	**-93.2**	**787.9**	**2,208.1**	**1.2**	**2,209.4**
Profit for the period 2018						**16.6**	**16.6**	**0.0**	**16.6**
Net gains on cash flow hedges, net of tax (Notes 3.2., 4.1. and 4.2.)			1.6				1.6		1.6
Share of other comprehensive income of joint ventures			0.3				0.3		0.3
Exchange gains/losses on translating foreign operations			0.0		-22.7		-22.7	0.0	-22.7
Total other comprehensive income/expenses for the period, net of tax			**1.9**		**-22.7**		**-20.8**	**0.0**	**-20.9**
Total comprehensive profit/loss for the period			**1.9**		**-22.7**	**16.6**	**-4.2**	**0.0**	**-4.2**
Dividends and return from the invested unrestricted equity fund (Note 3.1.)				-106.8		-8.9	-115.7		-115.7
Share-based payments (Note 1.6.)						1.0	1.0		1.0
Acquisition of non-controlling-interests						-0.3	-0.3	-1.1	-1.4
Balance at 31 December 2018	**259.6**	**131.1**	**1.1**	**1,016.7**	**-115.9**	**796.3**	**2,088.9**	**0.1**	**2,089.0**

DEVELOPMENT OF EQUITY PER SHARE

EUR



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

Weakening of Norwegian and Swedish crowns resulted in a foreign exchange translation loss of EUR 22.7 million into the shareholders' equity.

During 2018, Citycon paid a dividend of EUR 0.01 per share and an equity return 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 and other receivables	Gross rental income, Revenue from contracts with customers, Other operating income and expenses, Trade and other receivables	1.2., 1.3., 1.7., 4.4.	IFRS 15, IFRS 9
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: Disclosures Presentation, Recognition and Measurement	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, IFRS 9
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, IFRS 9
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 6th, February 2019. 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 **www.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 2018. 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 & Estonia, Norway and Sweden & Denmark. The segment Other mainly includes administrative expenses arising from the Group's functions.

Citycon changed the presentation of segments during the third quarter of 2018 to better meet the segment information presented to the Board of Directors by combining the monitoring of Estonian operations as a part of the new Finland & Estonia-segment. As the company has changed the composition of its reported segments during financial year 2018, has the segment information concerning both financial year 2018 and 2017 been presented on both, 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 both IFRS segment results and Kista Galleria result. The Board of Directors follows Kista Galleria's result and financial position based on a 50% share.

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 2018 and 2017, and the management does not manage operations according to customer segments.

1 JANUARY - 31 DECEMBER 2018

MEUR	Finland & Estonia	Norway	Sweden and Denmark	Other	Total IFRS segments	Kista Galleria (50%)
Gross rental income	102.8	84.7	49.5	-	237.0	13.6
Service charge income	35.2	29.4	14.5	-	79.2	3.8
Property operating expenses	-40.3	-39.2	-19.6	0.2	-98.9	-5.4
Other expenses from leasing operations	-0.9	-0.6	-0.9	-	-2.4	-0.4
Net rental income	**96.9**	**74.3**	**43.5**	**0.2**	**214.9**	**11.7**
Direct administrative expenses	-3.2	-4.3	-4.6	-16.0	-28.0	-0.1
Direct other operating income and expenses	0.2	-0.1	0.8	-	0.8	-0.5
Direct operating profit	**93.9**	**69.8**	**39.7**	**-15.8**	**187.6**	**11.1**
Indirect other operating income and expenses	-	-6.9	-3.5	-	-10.3	-
Net fair value losses/gains on investment property	-58.8	-22.2	8.5	-	-72.5	-8.6
gains/losses on disposal of investment property	-3.7	-1.0	4.5	-	-0.2	-
Operating profit/loss	**31.4**	**39.8**	**49.3**	**-15.8**	**104.7**	**2.4**
Allocated assets						
Investment properties	1,837.7	1,328.6	964.9	-	4,131.3	291.1
Investment properties held for sale	78.1	-	-	-	78.1	-
Other allocated assets	8.4	193.6	163.7	18.9	384.6	9.6
Unallocated assets						
Deferred tax assets				9.0	9.0	
Derivative financial instruments				19.8	19.8	
Assets	**1,924.2**	**1,522.2**	**1,128.6**	**47.7**	**4,622.7**	**300.7**
Allocated liabilities						
Trade and other payables	13.3	20.7	22.2	21.3	77.5	7.7
Unallocated liabilities						
Interest-bearing liabilities				2,140.0	2,140.0	221.8
Deferred tax liabilities				304.4	304.4	-
Derivative financial instruments				9.8	9.8	-
Other unallocated liabilities				2.0	2.0	16.7
Liabilities	**13.3**	**20.7**	**22.2**	**2,477.5**	**2,533.7**	**246.2**
Capital expenditure	**54.9**	**21.1**	**91.7**	**1.2**	**168.8**	**6.7**
Number of shopping centres	**14**	**17**	**10**	**-**	**41**	**1**
Number of other properties	**1**	**-**	**-**	**-**	**1**	**-**

1 JANUARY - 31 DECEMBER 2017

MEUR	Finland & Estonia	Norway	Sweden and Denmark	Other	Total IFRS segments	Kista Galleria (50%)
Gross rental income	116.9	91.5	49.0	-	257.4	16.5
Service charge income	38.0	30.0	12.7	-	80.8	3.4
Property operating expenses	-47.2	-41.5	-19.8	0.7	-107.8	-5.4
Other expenses from leasing operations	-0.8	-0.5	-0.6	-	-1.9	-0.1
Net rental income	**106.9**	**79.6**	**41.3**	**0.7**	**228.5**	**14.4**
Direct administrative expenses	-4.0	-4.5	-4.4	-16.1	-29.1	-0.1
Direct other operating income and expenses	0.3	-0.2	1.0	-	1.1	-0.5
Direct operating profit	**103.2**	**74.8**	**37.9**	**-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	-51.3	-22.2	30.6	-	-42.9	-0.6
Gains/losses on disposal of investment property	-4.0	-0.5	10.5	-	6.0	-
Operating profit/loss	**48.0**	**40.8**	**77.6**	**-15.4**	**150.9**	**13.2**
Allocated assets						
Investment properties	1,958.6	1,346.9	877.9	-	4,183.4	305.3
Investment properties held for sale	-	25.4	-	-	25.4	-
Other allocated assets	7.4	206.4	210.6	19.3	443.7	9.5
Unallocated assets						
Deferred tax assets				4.3	4.3	
Derivative financial instruments				21.2	21.2	
Assets	**1,966.0**	**1,578.7**	**1,088.5**	**44.9**	**4,678.0**	**314.8**
Allocated liabilities						
Trade and other payables	9.4	17.5	20.9	29.2	76.9	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				4.4	4.4	-
Other unallocated liabilities				2.3	2.3	14.9
Liabilities	**9.4**	**17.5**	**20.9**	**2,420.9**	**2,468.6**	**249.7**
Capital expenditure	**104.0**	**84.9**	**109.0**	**0.8**	**298.7**	**2.3**
Number of shopping centres	**15**	**19**	**10**	**-**	**44**	**1**
Number of other properties	**2**	**-**	**-**	**-**	**2**	**-**

1 JANUARY - 31 DECEMBER 2018 [1)]

MEUR	Finland	Norway	Sweden and Denmark	Estonia	Other	Total IFRS segments	Kista Galleria (50%)
Gross rental income	80.8	84.7	49.5	22.0	-	237.0	13.6
Service charge income	29.3	29.4	14.5	6.0	-	79.2	3.8
Property operating expenses	-34.1	-39.2	-19.6	-6.2	0.2	-98.9	-5.4
Other expenses from leasing operations	-0.9	-0.6	-0.9	0.1	-	-2.4	-0.4
Net rental income	**75.0**	**74.3**	**43.5**	**21.8**	**0.2**	**214.9**	**11.7**
Direct administrative expenses	-2.7	-4.3	-4.6	-0.5	-16.0	-28.0	-0.1
Direct other operating income and expenses	0.2	-0.1	0.8	0.0	-	0.8	-0.5
Direct operating profit	**72.5**	**69.8**	**39.7**	**21.4**	**-15.8**	**187.6**	**11.1**
Indirect other operating income and expenses	-	-6.9	-3.5	-	-	-10.3	-
Net fair value losses/gains on investment property	-51.1	-22.2	8.5	-7.7	-	-72.5	-8.6
Gains/losses on disposal of investment property	-3.7	-1.0	4.5	-	-	-0.2	-
Operating profit/loss	**17.7**	**39.8**	**49.3**	**13.7**	**-15.8**	**104.7**	**2.4**
Allocated assets							
Investment properties	1,527.6	1,328.6	964.9	310.1	-	4,131.3	291.1
Investment properties held for sale	78.1	-	-	-	-	78.1	-
Other allocated assets	9.3	193.6	163.7	-0.9	18.9	384.6	9.6
Unallocated assets							
Deferred tax assets					9.0	9.0	0.0
Derivative financial instruments					19.8	19.8	0.0
Assets	**1,615.0**	**1,522.2**	**1,128.6**	**309.2**	**47.7**	**4,622.7**	**300.7**
Allocated liabilities							
Trade and other payables	10.7	20.7	22.2	2.6	21.3	77.5	7.7
Unallocated liabilities							
Interest-bearing liabilities					2,140.0	2,140.0	221.8
Deferred tax liabilities					304.4	304.4	-
Derivative financial instruments					9.8	9.8	-
Other unallocated liabilities					2.0	2.0	16.7
Liabilities	**10.7**	**20.7**	**22.2**	**2.6**	**2,477.5**	**2,533.7**	**246.2**
Capital expenditure	**43.1**	**21.1**	**91.7**	**11.8**	**1.2**	**168.8**	**6.7**
Number of shopping centres	**12**	**17**	**10**	**2**	**-**	**41**	**1**
Number of other properties	**1**	**-**	**-**	**-**	**-**	**1**	**-**

1) *In the table above, segment information from 2018 is presented according to previous segmentation.*

1 JANUARY - 31 DECEMBER 2017 [1)]

MEUR	Finland	Norway	Sweden and Denmark	Estonia	Other	Total IFRS segments	Kista Galleria (50%)
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	-	-	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	29.2	76.9	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					4.4	4.4	-
Other unallocated liabilities					2.3	2.3	14.9
Liabilities	**8.2**	**17.5**	**20.9**	**1.3**	**2,420.9**	**2,468.6**	**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**	**-**	**-**	**-**	**-**	**2**	**-**

[1)] *In the table above, segment information from 2017 is presented according to previous segmentation.*

1.2. GROSS RENTAL INCOME

Breakdown of gross rental income

MEUR	2018	2017
Straight-lining of lease incentives	2.1	1.0
Temporary and contractual rental discounts	-3.8	-4.2
Gross rental income (excl. items above)	238.7	260.6
Total	**237.0**	**257.4**

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 2018, approximately 64% (65%) of lease agreements in Citycon's lease portfolio had turnover based components.

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 4,454 (4,581) lease agreements on 31 December 2018. The decrease in the number of lease agreements was mainly due to non-core property divestments in Norway and Finland.

Number of leases [1]

	31 December 2018	31 December 2017
Finland & Estonia	1,510	1,615
Norway	1,184	1,262
Sweden & Denmark	1,760	1,704
Total	**4,454**	**4,581**

[1] *Including Kista Galleria 100%.*

In accordance with the table presented below, the average remaining length of Citycon's lease portfolio was 3.4 (3.5) years on 31 December 2018. 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 2018	31 December 2017
Finland & Estonia	3.5	3.8
Norway	3.5	3.6
Sweden & Denmark	3.1	2.9
Average	**3.4**	**3.5**

[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 2018, fixed-term leases represented around 92% (93), initially fixed-term leases 5% (4) 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 2018 and 2017.

Future minimum lease payments receivable under non-cancellable leases [1]

MEUR	31 December 2018	31 December 2017
Not later than 1 year	57.6	59.6
1–5 years	173.1	177.3
Over 5 years	50.5	51.0
Total	**281.3**	**287.9**

[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. REVENUE FROM CONTRACTS WITH CUSTOMERS

Contracts with customers

In the business operations of Citycon Group, the guidance provided in the IFRS 15 Revenue from Contracts with Customers standard applies to the following sales revenues: Service charges, utility charges, other service income as well as management fees.

Breakdown of revenues 1 January - 31 December 2018

MEUR	Finland & Estonia	Norway	Sweden & Denmark	Other	Total
Service charges [1]	28.1	20.8	12.0	-	60.9
Utility charges [1]	4.5	2.0	0.8	-	7.3
Other service income [1]	2.6	6.5	1.8	-	10.9
Total	**35.2**	**29.4**	**14.5**	**-**	**79.2**
Management fees [2]	0.2	3.6	1.6	-	5.4
Total	**0.2**	**3.6**	**1.6**	**-**	**5.4**
Revenue from contracts with customers	**35.4**	**33.0**	**16.1**	**-**	**84.6**

[1] *Is included in the line item Service charge income in the Consolidated income statement*
[2] *Is included in the line item Other operating income and expenses in the Consolidated income statement*

SERVICE CHARGES

The sales revenues linked to service charges consist of the repair, maintenance and administration services for the business premises and common areas of Citycon's shopping centre properties that Citycon provides for its customers on the basis of the contracts made with the customers (lease agreement).

UTILITY CHARGES

The sales revenues linked to utility charges comprise fees charged from customers to cover, e.g. the costs arising from the energy consumption, heating and waste management of the business premises of the shopping centre properties in accordance with the customer contract (lease agreement).

OTHER SERVICE INCOME

The sales revenues linked to other service income consist mainly of fees charged from customers to cover the costs arising from the planning and implementation of the marketing of Citycon Group's shopping centres.

MANAGEMENTS FEES

Sales revenues related to management fees consists of the administrative services provided by Citycon Group to shopping centres owned by joint ventures or third parties.

Citycon Group's lease agreements and management contracts typically include a clear description of the obligations of the service provider and the customer purchasing the service as well as a break down of the price of the service provided. As a result, the service obligations as well as the basis for the transaction prices of each performance obligation in accordance with the IFRS 15 standard connected to Citycon Group's customer contracts have been clearly defined.

The transaction prices of all sales revenue groups primarily consist of variable considerations based on, e.g. the amount of services used by the customer or the changing prices of goods. Hence, Citycon estimates the amount of sales revenues recorded from the contracts on the basis of the expected value of sales revenues from the reporting period.

With regard to all customer contracts, the sales revenues are recorded over time, as the customer simultaneously receives and uses the financial benefit resulting from the maintenance and service operations related to the business premises owned by Citycon Group or the management service provided for shopping centres owned by joint ventures or third parties when Citycon provides the customer with the service.

The service charges are presented in Citycon's reporting as gross because in its view, Citycon is providing services acts as the principal in accordance with the definition in the IFRS 15 standard. For example, Citycon selects the maintenance and cleaning service providers for its properties, makes a contract with the providers and carries the credit risk pertaining to the provision of the service. This being the case, the customer may not choose the service provider or influence the service provider's pricing.

The services provided by Citycon Group do not include a significant financial component because the payments based on customer contracts typically become due before the start of the lease period or immediately upon its beginning. Citycon Group will not become subject to costs of obtaining a contract in accordance with the IFRS 15 standard. When it comes to the leases for business premises included in Citycon's core business, the accounting treatment of costs resulting from obtaining the contract and the expenses treated in accordance with the instructions in the IAS 40 standard, such as alteration works or commissions of the leased property, is described in detail in Note 1.2.

Contract balances

MEUR	2018	2017
Contract assets	5.0	2.3
Contract liabilities	4.5	1.2

CONTRACT BALANCES

The contract assets on customer contracts are open sales receivables related to service charges, and the contract iabilities based on the contract are advance payments received for service charges. The contract assets based on customer contracts are expected to be received within three (3) months and the contract liabilities based on the contract are excpeceted to be recognised as income within the next twelve (12) months.

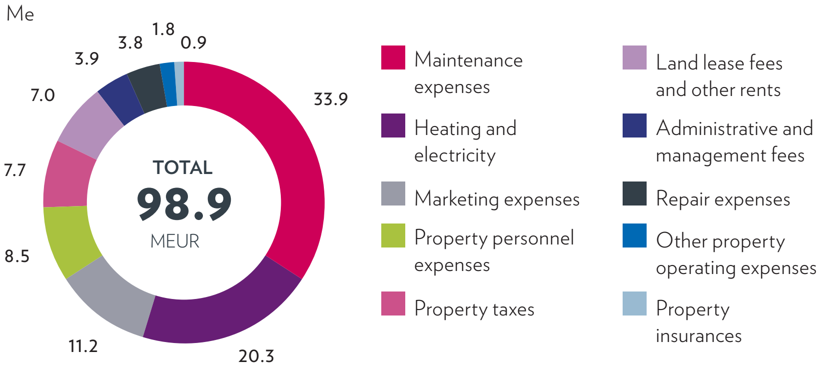
1.4. PROPERTY OPERATING EXPENSES

MEUR	2018	2017
Heating and electricity	-20.3	-22.2
Maintenance expenses	-33.9	-36.0
Land lease fees and other rents	-7.0	-7.0
Property personnel expenses	-8.5	-9.4
Administrative and management fees	-3.9	-4.3
Marketing expenses	-11.2	-12.2
Property insurances	-0.9	-0.9
Property taxes	-7.7	-9.3
Repair expenses	-3.8	-5.0
Other property operating expenses	-1.8	-1.5
Total	**-98.9**	**-107.8**

PROPERTY OPERATING EXPENSES

Property operating expenses are recognised 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.

OPERATING EXPENSES 2018



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 8.0 million (8.5) 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	2018	2017
Not later than 1 year	7.2	8.3
1–5 years	24.7	15.0
Over 5 years	26.9	5.2
Total	**58.8**	**28.5**

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	2018	2017
Personnel expenses	-13.3	-15.1
Non-recurring personnel expenses arising from employment terminations	-0.3	-0.9
Expenses related to management changes	-2.4	-
Consultancy and advisory fees as well as external services	-3.8	-3.7
Office and other administrative expenses	-6.6	-7.6
Depreciation and amortisation	-1.7	-1.8
Total	**-28.0**	**-29.1**

Non-recurring personnel expenses arising from employment terminations include one-off compensations paid to 12 persons, out of the total compensation EUR 0.3 million (0.9) was recorded within administrative expenses and EUR 0.3 million was recorded within other operating income and expenses. Expenses related to management changes EUR 2.4 in 2018 includes former CEO's and COO's expenses related to the employment terminations and expenses related to the hiring of a new CEO.

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 in the line consulting and advisory fees within the administrative expenses and in the line administrative and management fees within the property operating expenses.

MEUR	2018 Group	2018 Parent company
Audit fees	**-0.8**	**-0.3**
Ernst & Young Oy	-0.4	-0.3
Other EY offices	-0.4	-
Other advisory services	**0.0**	**0.0**
Ernst & Young Oy	0.0	0.0
Other EY offices	0.0	-
Total	**-0.8**	**-0.4**

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**

1.6. EMPLOYEE BENEFITS AND PERSONNEL EXPENSES

MEUR	Note	2018	2017
Wages and salaries of management			
CEO	A	-0.9	-0.9
Management committee	B	-1.7	-1.9
Board	C	-0.6	-0.7
Other wages and salaries		-16.2	-18.2
Pension charges: defined contribution plans		-2.5	-2.5
Social charges		-3.3	-3.3
Expense of share based payments	D, E	-1.1	-1.5
Total		**-26.2**	**-28.9**

Personnel expenses of EUR 13.3 million (15.1) are included in administrative expenses, EUR 8.5 million (9.4) in property operating expenses and EUR 3.4 million (3.1) in other operating income and expenses. In addition, EUR 1.0 million (1.3) were charged from the managed centers owned by third parties.

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	2018	2017
Finland & Estonia	45	46
Norway	111	106
Sweden & Denmark	55	53
Group functions	43	42
Total	**254**	**247**

A) CEO wages and salaries

	2018	2017
In cash, EUR	860,544	869,723
In Citycon Oyj shares, pcs	120,148	102,396

According to his service agreement, the CEO's gross base salary in 2018 amounted to EUR 627,377.

The CEO's pension benefit was in line with mandatory provisions of the Finnish Pension Act.

Mr. Kokkeel was released from his position as the CEO as of 1st January 2019 with mutual termination agreement signed on 2nd November 2018. From January 1st until May 1st 2019, Mr. Kokkeel shall act as a senior adviser to the Board of Directors and senior management of the company.

Mr. Kokkeel's severance pay is 1,5 times annual salary and 100,000 company shares delivered on promptly after 1st May 2019.

In addition, Mr. Kokkeel shall be paid bonus for the financial year 2018 amounting to EUR 435,000. He is also entitled to retain his shares and rewards under the long-term incentive plans of the company.

In total, expenses related to management changes totalled EUR 2.4 in 2018 including costs of Mr. Kokkeel, former COO and hiring of new CEO. In 2017, Citycon recognized EUR 0.3 million non-recurring personnel expenses arising from employment terminations of Corporate Management Committee members.

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

MEUR	2018	2017
Wages and salaries	-1.7	-1.9
Pensions: defined contribution plans	-0.2	-0.2
Social charges	-0.3	-0.2
Total	**-2.1**	**-2.2**

C) Remuneration of the members of the Board of Directors

EUR	2018	2017
Chaim Katzman	165,000	165,000
Bernd Knobloch	83,200	84,000
Arnold de Haan	64,400	61,400
David Lukes	64,800	62,800
Andrea Orlandi [1]	-	-
Per-Anders Ovin	61,400	62,600
Ofer Stark (as of 20 March 2018)	59,000	-
Ariella Zochovitzky	68,200	68,800
Kirsi Komi (until 27 October 2018)	43,008	62,000
Rachel Lavine (until 20 March 2018)	2,400	62,600
Claes Ottosson (until 20 March 2018)	3,000	61,400
Dor J. (Dori) Segal (until 22 March 2017)	-	2,000
Total	**614,408**	**692,600**

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

During 2018, 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

Citycon has five long-term share-based incentive plans for the key employees of the group: Performance Share Plan 2015 and Restricted Share Plan 2015 decided on 10 February 2015, Matching Share Plan 2018–2020 and Restricted Share Plan 2018–2020 decided on 23 February 2018 and CEO Restricted Share Plan 2018-2021 decided on 12 December 2018. The aim of the share-based incentive 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 2018, expenses from long-term share-based incentive plans recognised in consolidated financial statements amounted to EUR 1.6 million (1.5).

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, including 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 has decided on the plan's performance criteria and required performance levels for each criterion at the beginning of each performance period. The criterion for all three performance periods is based on the total shareholder return of Citycon's share (TSR) (weight 100%). 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. The rewards from all performance periods are paid partly in the company's shares and partly in cash. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the participant.

The maximum total number of shares granted under the Performance Share Plan 2015 is 4,300,000 shares. For the performance period 2015-2017 rewards corresponding to the value of total of 49,539 shares were paid in March 2018. Payments from the two other performance periods will be made by the end of March 2019 and 2020, respectively, and the maximum total number of shares that can be granted is 1,521,280 shares for the performance period 2016–2018 and 1,374,385 shares for the performance period 2017–2019.

RESTRICTED SHARE PLAN 2015

The Restricted Share Plan 2015 is directed to selected key employees, including members of the Corporate Management Committee.

The rewards from the Restricted Share Plan 2015 were allocated during 2015-2018. The rewards 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 2015 correspond to the value of an approximate maximum total of 700,000 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 2015 corresponding to the value of a total of 134,295 shares were allocated in 2018 (350,000).

MATCHING SHARE PLAN 2018–2020

The Matching Share Plan 2018–2020 is directed to the CEO and other members of the Corporate Management Committee.

The Matching Share Plan 2018–2020 includes three matching periods, calendar years 2018–2019, 2019–2020 and 2020–2021. The prerequisite for participation in the plan and for reward payment is that a key employee invests in the company's shares a pre-determined percentage of the bonus earned from the company's performance bonus scheme during the calendar year preceding a matching period. If a key employee's share ownership prerequisite is fulfilled and his or her employment or service is in force with a Citycon group company upon reward payment, he or she will receive free matching shares for shares subject to the share ownership prerequisite.

The rewards to be paid on the basis of the Matching Share Plan 2018–2020 from the matching period 2018–2019 correspond to the value of an approximate maximum total of 200,000 shares. In addition, a cash proportion is included in the reward to cover taxes and tax-related costs arising from the reward to the participant. The rewards from the matching period 2018–2019 will be paid in 2020.

RESTRICTED SHARE PLAN 2018–2020

The Restricted Share Plan 2018–2020 is directed to selected key employees.

The rewards from the Restricted Share Plan 2018–2020 may be allocated in 2018–2020. The rewards 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 12 to 36 months vesting period.

The rewards to be paid on the basis of the plan correspond to the value of an approximate maximum total of 200,000 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 2018–2020 corresponding to the value of a total of 56,705 shares were allocated in 2018 (0).

CEO RESTRICTED SHARE PLAN 2018–2021

The CEO Restricted Share Plan 2018–2021 is directed to CEO F. Scott Ball.

The CEO Restricted Share Plan 2018–2021 includes three vesting periods ending on 15 November 2019, 2020 and 2021. The rewards to be paid on the basis of the plan correspond to the value of a total of 600,000 shares including also the cash proportion to be used for taxes and tax-related costs. The rewards from the plan will be paid in three equal instalments, partly in the company's shares and partly in cash, after the end of each vesting period, unless the CEO has terminated his director contract.

FURTHER INFORMATION

The full terms and conditions of long-term share-based incentive plans are available on the company's website at citycon.com/remuneration.

E) Stock option schemes

STOCK OPTION PLAN 2011

Citycon's stock option plan 2011 expired on 31 March 2018. No shares were subscribed with the stock-options.

1.7. OTHER OPERATING INCOME AND EXPENSES

MEUR	2018	2017
Management fees	5.4	5.8
Management fee related expenses	-3.0	-3.1
Depreciation on contract values of managed and rented centres	-1.4	-1.9
Non-recurring personnel expenses arising from employment terminations	-0.3	-
Other operating income	0.3	0.3
Reduction in goodwill resulting from corporate income tax rate change in Norway	-3.7	-3.6
Reduction in goodwill resulting from sales of assets in Norway	-3.1	-7.8
Translation difference related to disposals in foreign companies	-3.6	-1.4
Total	**-9.5**	**-11.6**

In 2018, non-recurring personnel expenses arising from employment terminations include one-off compensations paid to 12 persons, out of the total compensation EUR 0.3 million within administrative expenses and EUR 0.3 million in other operating income and expenses.

The corporate income tax percent decrease in 2018 in Norway reduced the deferred tax liabilities by EUR 3.7 million, which arose from Norwegian business unit acquisition as treated in accordance with the business combination method. The corporate income tax percent decrease in 2017 in Norway reduced the deferred tax liabilities by EUR 3.6 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

Cityon manages some of the shopping centres owned by joint ventures and third parties and recognises 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	**2018**	**2017**
Profit/loss attributable to parent company shareholders (MEUR)	16.6	87.4
Weighted average number of ordinary shares (1,000)	889,987	889,992
Earnings per share (basic) (EUR)	**0.02**	**0.10**

Earnings per share, diluted	**2018**	**2017**
Profit/loss attributable to parent company shareholders (MEUR)	16.6	87.4
Weighted average number of ordinary shares (1,000)	889,987	889,992
Adjustment for stock options and share-based incentive plans (1,000)	4,679	9,004
Weighted average number of ordinary shares, diluted (1,000)	894,665	898,996
Earnings per share (diluted) (EUR)	**0.02**	**0.10**

Weighted average number of ordinary shares used in the calculation of Earnings per share

	Days	**No. of shares**
Weighted average (daily) number of shares	365	889,986,542

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 valuated 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 2018, 1 property (1) 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 2018 and 2017. The resulting fixed fees based on the 2018 valuations totaled EUR 0.2 million (0.2). 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:

MEUR	31 December 2018	31 December 2017
Fair value of investment properties determined by the external appraiser per 31 December	4,192.6	4,134.1
Capital expenditure on development projects	12.4	13.3
Transfer into investment properties held for sale	-78.1	-25.4
Acquisition cost of properties acquired during the last quarter of the year	4.3	61.4
Fair value of investment properties per 31 December	**4,131.3**	**4,183.4**

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

MEUR	31 December 2018	31 December 2017
Quoted prices (Level 1)	-	-
Observable inputs (Level 2)	-	-
Unobservable inputs (Level 3)	4,192.6	4,134.1
Total	**4,192.6**	**4,134.1**

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 2018 and 31 December 2017 are presented in the following tables.

The weighted average yield requirement remained at the level of the comparison year.

The weighted average market rent for the whole property portfolio was 26.4EUR/sq.m. (26.2). The weighted average vacancy assumption for the cash flow period was 3.4% (3.4).

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 4,192.6 million defined by the external appraiser at 31 December 2018 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.

INPUTS

31 December 2018

MEUR	Finland & Estonia	Norway	Sweden & Denmark	Average
Yield requirement (%)	5.5	5.4	5.2	5.4
Market rents (EUR/sq.m.)	29.9	22.3	25.7	26.4
Operating expenses (EUR/sq.m.)	6.9	5.1	6.4	6.2
Vacancy during the cash flow period (%)	3.6	3.0	3.5	3.4
Market rent growth assumption (%)	2.0	1.9	2.0	-
Operating expense growth assumption (%)	1.8	1.9	2.0	-

31 December 2017

MEUR	Finland & Estonia	Norway	Sweden & Denmark	Average
Yield requirement (%)	5.5	5.4	5.2	5.4
Market rents (EUR/sq.m.)	29.5	22.0	25.9	26.2
Operating expenses (EUR/sq.m.)	6.5	5.0	6.8	6.2
Vacancy during the cash flow period (%)	3.8	3.0	3.5	3.4
Market rent growth assumption (%)	1.9	2.2	2.0	-
Operating expense growth assumption (%)	1.8	2.2	2.0	-

SENSITIVITY ANALYSIS

	Fair value (MEUR)				
Change %	**-10%**	**-5%**	**±0%**	**+5%**	**+10%**
Yield requirement	4,658.4	4,413.3	4,192.6	3,993.0	3,811.5
Market rents	3,640.2	3,916.4	4,192.6	4,468.8	4,745.0
Operating expenses	4,336.3	4,264.5	4,192.6	4,120.7	4,048.9
Change, percentage points	**-2**	**-1**	**±0**	**1**	**2**
Vacancy	4,314.2	4,253.4	4,192.6	4,131.8	4,071.0

INVESTMENT PROPERTY CHANGES AND CLASSIFICATION

31 December 2018

MEUR	Investment properties under construction	Operative investment properties	Investment properties total
At period-start	**121.0**	**4,062.4**	**4,183.4**
Acquisitions	4.3	64.0	68.4
Investments	22.7	58.0	80.7
Disposals	-	-24.5	-24.5
Capitalised interest	1.8	1.2	3.0
Fair value gains on investment property	-	39.2	39.2
Fair value losses on investment property	-0.2	-111.5	-111.7
Exchange differences	-	-45.9	-45.9
Transfer between IPUC, operative investment properties, joint venture properties and transfer into investment properties held for sale		-61.3	-61.3
At period-end	**149.6**	**3,981.6**	**4,131.3**

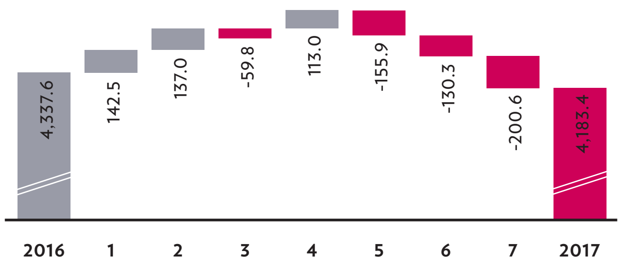
31 December 2017

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**

INVESTMENT PROPERTIES 2018
MEUR

1 Acquisitions
2 Investments and capitalised interest
3 Disposals
4 Fair value gains
5 Fair value losses
6 Exchange differences
7 Transfers between items

INVESTMENT PROPERTIES 2017
MEUR



1 Acquisitions
2 Investments and capitalised interest
3 Disposals
4 Fair value gains
5 Fair value losses
6 Exchange differences
7 Transfers between items

Citycon divides its investment properties into two categories: Investment Properties Under Construction (IPUC) and Operative Investment Properties. On reporting date and the comparable period 31 December 2017, the first mentioned category included Lippulaiva 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

MEUR	31 December 2018	31 December 2017
Capital commitments	23.7	337.9
VAT refund liabilities	98.0	106.9

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 determing whether the sale of an investment property is to be classified as a real estate sale or sale of a business.

MEUR	2018	2017
Acquisition cost January 1	**25.4**	**81.9**
Disposals	-65.4	-251.9
Changes in fair value	-2.6	-
Exchange differences	-0.3	-5.0
Transfers from investment properties	121.0	200.4
Accumulated acquisition cost December 31	**78.1**	**25.4**

On 31 December 2018 the Investment Properties Held for Sale comprised of two properties in Finland. The properties transactions are expected to be finalized during the first three months of 2019. On 31 December 2017 the Investment Properties Held for Sale comprised of one property in Norway, which was disposed in June.

Citycon had no businesses held for sale (in accordance with IFRS 5) on 31 December 2018 or 31 December 2017.

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 it's 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 recognised 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.

A) Investments in joint ventures

MEUR	2018 Kista Galleria Group	2018 Norwegian joint ventures	2018 Other joint ventures total	2018 Joint ventures total	2017 Kista Galleria Group	2017 Norwegian joint ventures	2017 Other joint ventures total	2017 Joint ventures total
Investment property	582.2	3.1	-	585.2	610.5	4.5	90.3	705.3
Other non-current assets	0.1	0.0	-	0.1	0.6	0.4	0.3	1.2
Cash and cash equivalents	10.9	2.9	-	13.7	15.1	5.4	0.8	21.3
Other current assets	8.3	2.1	-	10.3	3.3	3.8	2.0	9.1
Long-term loans	443.5	-	-	443.5	456.0	-	87.2	543.1
Deferred tax liabilities	33.5	-	-	33.5	29.8	-	0.8	30.5
Short-term liabilities	15.4	1.5	-	16.9	13.8	3.4	-0.1	17.1
Equity	**111.1**	**6.6**	**-**	**117.6**	**132.1**	**10.8**	**5.7**	**148.6**
Portion of the Group's ownership, %	50%	50%	-		50%	50%	50%	
Share of joint venture's equity	55.5	3.3	-	58.8	66.1	5.4	2.8	74.3
Share of loans of joint ventures	83.7	-	-	83.7	84.6	-	43.6	128.2
Investments in joint ventures	**139.3**	**3.3**	**-**	**142.5**	**150.6**	**5.4**	**46.4**	**202.5**
Gross rental income	27.2	-	0.6	27.8	33.0	-	-	33.0
Net rental income	23.3	-	0.6	23.9	28.7	-	0.0	28.7
Administrative expenses	-0.2	-3.1	0.0	-3.3	-0.2	-2.2	0.0	-2.4
Other operating income/expenses	-1.0	4.0	-	3.0	-1.0	2.5	-	1.6
Net fair value losses/gains on investment property	-17.3	-1.4	-1.1	-19.8	-1.2	-	-1.1	-2.2
Operating profit	4.9	-0.5	-0.5	3.9	26.4	0.3	-1.1	25.6
Financial income	0.0	0.0	-	0.0	0.0	0.1	-	0.1
Financial expenses	-15.9	-0.1	0.0	-16.0	-21.2	-0.1	-	-21.3
Taxes	-4.9	1.0	-	-3.9	-5.6	0.0	0.1	-5.4
Loss/Profit for the period	**-15.9**	**0.5**	**-0.5**	**-16.0**	**-0.4**	**0.2**	**-0.9**	**-1.1**
Share of loss/profit of joint ventures	**-8.0**	**0.2**	**-0.3**	**-8.0**	**-0.2**	**0.1**	**-0.5**	**-0.6**
Other comprehensive income for the period, net of tax	0.2	-	-	0.2	3.6	-	-	3.6
Exchange losses/gains on translating foreign operations	-5.2	-0.1	0.0	-5.4	-5.2	-1.2	-0.1	-6.5
Share of other comprehensive income of associated companies and joint ventures	**-2.5**	**-0.1**	**0.0**	**-2.6**	**-0.8**	**-0.6**	**0.0**	**-1.4**
Total comprehensive loss/profit for the period	**-21.0**	**0.4**	**-0.6**	**-21.2**	**-2.0**	**-1.0**	**-1.0**	**-4.0**

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.

MÖLNDAL GALLERIA SHOPPING CENTRE

Citycon acquired on 27 September 2018, NCC's 50% interest in Mölndal Galleria located in Sweden. After the acquisition, Citycon owns 100% the Mölndal shopping centre.

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, Centerteam 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 of the real estate business.

Citycon has defined the disclosure of financial statement items of Norwegian Joint Ventures in during the financial year 2018. The change in disclosure did not have any impact on the Group's investments in the joint ventures disclosed in the comparative information for financial year 2017.

B) Investments in associated companies

MEUR	2018	2017
Investment properties	258.2	291.1
Current assets	4.5	8.2
Short-term liabilities	2.0	2.4
Long-term liabilities	152.9	172.0
Total shareholders' equity	**107.9**	**124.9**
Portion of the Group's ownership, %	20%	20%
Share of associated companies' equity	21.6	25.0
Share of loans of associated companies	0.6	0.6
Investments in associated companies	**22.2**	**25.6**
Gross rental income	14.3	18.3
Net rental income	12.6	11.7
Net fair value losses/gains on investment property	-30.8	-1.9
Net losses/gains on sale of investment property	-	-4.2
Net financial income and expenses	-2.7	-6.5
Taxes	2.8	0.0
Profit for the period	**-18.1**	**-0.9**
Share of loss/profit of associated companies	**-3.6**	**-0.2**
Other comprehensive income for the period, net of tax	**-**	**0.0**
Exchange losses on translating foreign operations	-2.0	-10.8
Share of other comprehensive income of associated companies and joint ventures	**-0.4**	**-2.2**
Total comprehensive loss/profit for the period	**-20.1**	**-11.7**

ASSOCIATED COMPANIES IN NORWAY

Citycon acquired on 14 July 2015 all the shares in Norwegian shopping centre company Sektor. At the end of 2018, 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 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. Citycon has defined the disclosure of financial statement items of associated companies in Norway during the financial year 2018. The change in disclosure did not have any impact on the Group's investments in the associated companies disclosed in the comparative information for financial year 2017.

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 2018 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. Based on the authorization, the company could distribute a maximum of EUR 8,899,926.28 as dividends and EUR 106,799,115.36 as equity repayment.

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 2019	– 15 March 2019
– 28 June 2019	– 21 June 2019
– 30 September 2019	– 23 September 2019
– 30 December 2019	– 19 December 2019

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	2018	2017
Interest income on loans	5.9	6.2
Interest income on derivatives and other items	0.8	0.7
Foreign exchange gains	74.6	100.9
Fair value gain from derivatives	1.9	-
Other financial income	0.0	0.0
Financial income, total	**83.3**	**107.8**
Interest expenses on loans	-52.9	-54.9
Interest expenses on derivatives and other items	-3.3	-6.1
Foreign exchange losses	-75.1	-101.2
Fair value loss from derivatives	-0.8	-2.0
Development interest capitalised [1)]	4.1	4.4
Other financial expenses	-25.9	-4.3
Financial expenses, total	**-153.8**	**-164.1**

[1)] Including also capitalized interest from joint ventures.

Net financial income and expenses	**-70.5**	**-56.4**
Of which attributable to financial instrument categories:		
Interest-bearing loans and receivables	-62.6	-70.9
Derivative financial instruments	-7.0	14.9
Other liabilities and receivables	-0.8	-0.4
Net financial income and expenses	**-70.5**	**-56.4**

In 2018, foreign exchange gains of EUR 60.7 million (56.8) and foreign exchange losses of EUR -55.2 million (-74.9) were recognised in the consolidated income statement from debt instruments.

Citycon's weighted average interest rate was 2.35% (2.78%) and the weighted average interest excluding derivatives was 2.36% (2.57%) as at 31 December 2018. Interest on development expenditure is capitalised at a rate of 2.95% (2.85%) as at 31 December 2018.

Citycon's interest expenses in the consolidated income statement 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.

Fair value gains and losses of derivatives relate to cross-currency swaps not under hedge accounting. Other financial expenses mainly consists of EUR 21.4 million indirect costs related to early close out of bonds and the rest is amortized arrangement fees, paid commitment fees, rating fees and other bank fees.

B) Recognised in the other consolidated comprehensive income

MEUR	2018	2017
Gains/losses arising during the period from cash flow hedges	3.3	-5.2
Less: interest expenses recognised in the consolidated income statement on cash flow hedges	-1.3	2.1
Net gains/losses on cash flow hedges	**2.0**	**-3.1**

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

Starting 1 January 2018 Citycon has taken into use IFRS 9 for recognition and measurement of financial assets and liabilities. Financial assets are classified into the following categories for measurement purposes according to IFRS 9
1. amortised cost or,
2. financial assets at fair value through profit or loss.

The classification of a financial asset is determined based on the entity's business model for managing the asset and whether the assets' contractual cash flows represent 'solely payments of principal and interest ' on the principal amount outstanding.

Assets classified at amortised cost 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 2018 and 31 December 2017, financial assets held at amortised cost include rent and trade receivables, interest receivables and cash and cash equivalents, which are reported in the balance sheet within the following items "Trade and other receivables" and "Cash and cash equivalents".

All financial assets that were classified under the IAS 39 category "loans and other receivables not held for trading" before 1 January 2018, have been classified as held at "amortised cost" under IFRS 9 after 1 January 2018.

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

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 2018 and 31 December 2017, financial liabilities at amortised cost include loans, trade payables and interest payables which are reported in the balance sheet under the items "Loans" and "Trade payables and other payables". On 31 December 2018 Citycon had foreign exchange derivative contracts and cross currency interest rate swaps classified as 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 2018	Fair value 2018	Carrying amount 2017	Fair value 2017
Financial assets					
I Financial assets amortised at cost					
Financial assets within Rent, trade and other receivables	4.4.	13.2	13.2	11.3	11.3
Cash and cash equivalents	3.8.	11.4	11.4	10.1	10.1
II Financial assets at fair value through profit and loss					
Derivative financial instruments	3.6.	16.7	16.7	14.2	14.2
III Derivative contracts under hedge accounting					
Derivative financial instruments	3.6.	1.4	1.4	7.0	7.0
Financial liabilities					
I Financial liabilities amortised at cost					
I.I Loans					
Loans from financial institutions	3.4.	278.7	279.1	225.9	226.3
Bonds	3.4.	1,861.3	1,875.5	1,858.0	1,870.9
I.II Other liabilities					
Financial liabilities within Trade and other payables	4.5.	25.8	25.8	34.1	34.1
II Financial liabilities at fair value through profit and loss					
Derivative financial instruments	3.6.	8.2	8.2	3.7	3.7
III Derivative contracts under hedge accounting					
Derivative financial instruments	3.6.	-	-	0.7	0.7

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

Citycon applies IFRS valuation principles when determing 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 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 by the counterparty banks in the same way as in interest rate swaps mentioned 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, 1/2017 and 1/2018 bonds also the unamortised reoffer discount. The fair value of the bonds corresponds to level 1 according to IFRS13.72-90.

According to Citycon's accounting policy the fair value of bonds differs from the secondary market price. The difference between the secondary market price and the fair value of the bonds was EUR 29.3 million (-100.2) as of 31 December 2018.

3.4. LOANS

All Citycon loans were interest-bearing liabilities on 31 December 2018 and 2017. These interest-bearing loans are explained here in detail.

Breakdown of interest-bearing liabilities

MEUR	Effective interest rate, %	Carrying amount 2018	Carrying amount 2017
Long-term interest-bearing liabilities			
Bonds			
Bond 1/2013	3.82	218.1	497.9
Bond 1/2014	2.62	346.1	345.5
Bond 1/2015	3M Nibor +1.55	125.3	126.5
Bond 2/2015	3.90	130.0	141.4
Bond 3/2015	2.40	298.7	298.4
Bond 1/2016	1.26	347.9	347.6
Bond 1/2017	2.77	99.7	100.6
Bond 1/2018	2.50	295.6	-
Syndicated term loans			
NOK 1,000 million term loan facility	3M Nibor + 1.30	100.2	101.2
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
Total long-term interest-bearing liabilities		**1,961.4**	**1,959.2**
Short-term interest-bearing liabilities			
Current portion of interest-bearing liabilities	-	0.0	0.0
Commercial papers	-	175.5	124.1
Cash pool overdrafts	-	3.1	0.6
Total short-term interest-bearing liabilities		**178.6**	**124.7**

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	2018	2017
1–2 years	218.1	-
2–3 years	125.3	497.9
3–4 years	398.9	126.5
4–5 years	-	399.5
over 5 years	1,219.2	935.3
Total	**1,961.4**	**1,959.2**

Currency split including cross-currency swaps.

Long-term interest-bearing liabilities by currency

MEUR	2018	2017
EUR	1,182.3	1,050.2
NOK	455.1	571.4
SEK	324.0	337.6
Total	**1,961.4**	**1,959.2**

Short-term interest-bearing liabilities by currency

MEUR	2018	2017
EUR	80.1	53.2
NOK	1.0	36.0
SEK	97.5	35.6
Total	**178.6**	**124.7**

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 91.7%.

The interest sensitivity of Citycon's loan portfolio at the end of 2018 is described by the fact that a one-percentage point rise in money market interest rates would increase its interest expenses by EUR 1.8 million on a yearly basis, while a fall of one-percentage point in such rates would decrease them by EUR 0.2 million.

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	2018	2017
Euro	0.8	0.5
Norwegian crown	0.0	0.4
Swedish crown	1.0	0.4
Total	**1.8**	**1.2**

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	2018	2017
Euro	-	-
Norwegian crown	0.4	0.5
Swedish crown	0.0	0.1
Total	**0.4**	**0.6**

LIQUIDITY RISK

As a real estate company with a large balance sheet, Citycon needs both equity capital and debt financing. 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 by committed disposals of assets must be covered by available liquidity consisting of cash and long-term committed credit limit facilities . On 31 December 2018, unused committed credit limits amounted to EUR 530.2 million, in addition Citycon had unused cash pool limits of EUR 22.0 million and unrestricted cash and cash equivalents of EUR 4.2 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 2018					
Loans from financial institutions	144.5	36.7	107.0	-	288.2
Bonds	2.6	39.8	790.7	1,297.3	2,130.4
Derivative financial instruments	-	-0.1	-0.4	8.5	8.0
Financial liabilities within Trade and other payables	11.1	14.6	0.0	-	25.8
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
Derivative financial instruments	0.0	4.4	14.3	-	18.7
Financial liabilities within Trade and other payables	15.9	18.2	0.1	-	34.1

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 2018					
Undrawn committed credit facilities	-	-	530.2	-	530.2
31 December 2017					
Undrawn committed credit facilities	-	-	530.5	-	530.5

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 2018	Cash flow	Foreign exchange movement	Change in fair values	Amortised fees	31 December 2018
Long term interest bearing liabilities	1,959.2	4.9	-4.6	-	2.0	1,961.4
Short-term interest bearing liabilities	124.7	53.7	0.2	-	-	178.6
Derivatives	4.4	0.7	8.2	-5.1	-	8.2
Total in liabilities from financing activities	**2,088.3**	**59.3**	**3.7**	**-5.1**	**2.0**	**2,148.2**

MEUR	1 January 2017	Cash flow	Foreign exchange movement	Change in fair values	Amortised fees	31 December 2017
Long term interest bearing liabilities	1,887.1	106.7	-35.1	-	0.5	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**	**-45.4**	**2.7**	**0.5**	**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 the 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 strengthening in foreign exchange rates on net financial expenses

MEUR	2018	2017
Swedish crown	0.1	-0.0
Norwegian crown	-0.6	-0.8
Total	**-0.5**	**-0.9**

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 43 in the formulas for key figures and ratios

Equity ratio:

MEUR	2018	2017
Total shareholders' equity (A)	2,089.0	2,208.5
Total assets	4,622.7	4,678.0
Less advances received	19.1	15.8
÷ (Total assets - advances received) (B)	4,603.7	4,662.2
Equity ratio, % (A/B)	**45.4%**	**47.4%**

LTV (Loan to value) -%:

MEUR	2018	2017
Interest-bearing debt total (Note 3.4.)	2,140.0	2,083.9
Less cash and cash equivalents (Note 3.8.)	11.4	10.1
Interest-bearing net debt (A)	2,128.6	2,073.7
Fair value of investment properties including properties held for sale and investments in joint ventures (Note 2.1, 2.2 and 2.3.) (B)	4,374.1	4,436.9
LTV, % (A/B)	**48.7%**	**46.7%**

Equity ratio decreased in 2018 due to a lower total shareholders equity and despite lower total assets. The LTV increased in 2018 as aresult of higher interest-bearing net debt and lower fair value of investment properties.

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 excludes non-cash valuation gains/losses 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 2018 stood at 45.4% (47.4%) and interest coverage ratio at 3.8 (3.8).

Under a commitment given in the terms of the Trust Deeds regarding the bonds issued in 2013, 2014, 2015, 2016, 2017 and 2018 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 2018 stood at 0.48 (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. Starting 1 January 2018 Citycon applies hedge accounting according to IFRS 9 to its interest rate swaps. Before 1 January 2018 Citycon applied hedge accounting according to IAS 9 to its interest rate swaps. Hedge accounting for Citycon's interest rate swaps did not change in practice when implementing IFRS 9, even though IFRS 9 sets out different requirements for applying hedge accounting than IAS 39. 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, in total EUR 226.2 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 2018 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. As at 31 December 2018 Citycon does not apply hedge accounting to any of its cross-currency swaps, but during the period Citycon had one cross-currency swap under hedge accounting with a nominal of NOK 1,000 million. The swap contract was closed in July 2018.

A) Nominal amounts and fair values of derivative financial instruments

MEUR	Nominal amount 2018	Fair value 2018	Nominal amount 2017	Fair value 2017
Interest rate swaps				
Maturity:				
less than 1 year	-	-	-	-
1–5 years	226.2	1.4	228.7	0.2
over 5 years	-	-	-	-
Subtotal	**226.2**	**1.4**	**228.7**	**0.2**
Cross-currency swaps				
Maturity:				
less than 1 years	-	-	-	-
1–5 years	-	-	457.9	15.0
over 5 years	316.8	8.0	-	-
Subtotal	**316.8**	**8.0**	**457.9**	**15.0**
Foreign exchange forward agreements				
Maturity:				
less than 1 year	269.6	0.5	84.6	1.6
Total	**812.6**	**9.9**	**771.2**	**16.8**

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 instuments part B) for principles on determining fair values of derivatives.

The fair values include a foreign exchange loss of EUR -6.7 million (20.9) from foreign exchange rate derivatives and cross-currency swaps, which is recognised in the consolidated income statement.

The average fixed interest rate of the interest rate swaps and and cross-currency swaps as at 31 December 2018 was 1.19% (1.97%).

B) Derivatives under hedge accounting

Interest rate swaps and cross-currency swaps MEUR	Assets 2018	Liabilities 2018	Assets 2017	Liabilities 2017
Interest rate swaps, fair value	1.4	-	0.2	-
Cross-currency swaps, fair value	-	-	6.2	-

The Group applies hedge accounting in accordance with IFRS 9 to all of its interest rate swaps valid as at 31 December 2018, 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 SEK debt, for these, hedge accounting is currently not applied as of 31 December 2018.

Hedge accounting is applied to interest derivatives which have a nominal amount of EUR 226.2 million (336.6). The paid fixed interest rate in these derivatives is 1.1-1.2%.

Beginning 1 January 2018 hedge effectiveness requirements are assessed and documented in accordance with IFRS 9. There is an economic relationship between the hedged item and the hedging instrument since the critical terms of the interest rate derivatives have been negotiated to match the respective terms of the variable rate loans. Furthermore, credit risk does not dominate the value changes in the hedge according to Citycon's credit risk assessment and the hedge ratio is 1:1, meaning that the nominal of the hedge and the underlying are closely aligned. A possible source of ineffectiveness would be if interest rates (NIBOR) is negative, whereas there could be a gap between fair value changes in the hedging instrument, which has no interest flooring, and the hedged item which has 0% interest floor.

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 2018 and at 31 December 2017, derivatives under hedge accounting were assessed as highly effective. The fair values of these derivatives were EUR 1.4 million (6.3) and the change of these fair values (net of taxes) EUR 1.6 million (-2.5 million) is recognised under other consolidated comprehensive income, taking the tax effect into account.

In addition, EUR 0.2 million (0.8) have been recognised in 'Share of other consolidated comprehensive income of joint ventures' from interest rate swaps hedging loans and Sektor Portefølje II AS.

C) Impact of hedging instruments on the financial statements

Impact of hedging instruments under hedge accounting on the statement of financial position

MEUR	Nominal amount	Carrying amount	Line item in statement of financial position	Change in fair value used for measuring effectiveness for the period
As at 31 December 2018				
Interest rate swaps	226.2	1.4	Non-current assets, Derivative financial instruments	1.2

Effect of cash flow hedges on the statement of profit or loss and other comprehensive income

MEUR	Total hedging gain/loss recognised in OCI	Ineffectiveness recognised in profit or loss	Line item in statement of profit and loss	Amount recycled from OCI to profit or loss	Line item in statement of profit and loss
Year ended 31 December 2018					
Interest rate swaps	1.1	-	-	-	-

3.7. COMMITMENTS AND CONTINGENT LIABILITIES

Pledges and other contingent liabilities

MEUR	2018	2017
Loans, for which mortgages are given in security and shares pledged		
Loans from financial institutions	100.5	101.6
Contingent liabilities for loans		
Mortgages on land and buildings	130.7	132.1
Bank guarantees and parent company guarantees	33.2	40.9

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 and parent company guarantees

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

3.8. CASH AND CASH EQUIVALENTS

MEUR	2018	2017
Cash in hand and at bank	4.2	3.7
Restricted cash	7.2	6.4
Total	**11.4**	**10.1**

Cash and cash equivalents in the cash flow statement comprise the items presented above. Restricted cash mainly relates to gift cards.

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	2018	2017
Current tax	-0.2	-0.8
Tax for prior periods	0.0	0.0
Deferred tax expense	-4.8	-5.1
Income tax expense	**-5.0**	**-5.9**

Citycon did not recognise any current taxes directly in the equity during 2018 and 2017.

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

MEUR	2018	2017
Profit before taxes	21.7	93.8
Taxes at Finnish tax rate	4.3	18.8
Change in subsidiaries' tax rate	-8.3	-6.4
Fair value of investment properties	11.3	-17.2
Difference in foreign subsidiaries' tax rate	-2.6	-2.0
Unrecognised tax receivables from losses	1.5	1.2
Utilisation of tax losses	-4.9	1.2
Tax free income deducted by non-deductible expenses	1.8	6.5
Other	1.9	3.8
Income taxes	**5.0**	**5.9**
Effective tax rate, %	**23.2%**	**6.3%**

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 2018:

MEUR	1 January 2018	Recognised in the income statement	Recognised in other comprehensive income	Transfer from deferred tax assets to tax liabilities	Items not recognised on the balance sheet	Exchange rate differences	31 December 2018
Deferred tax assets							
Tax losses	4.8	3.5	-	-	-	-	8.4
Measurement of interest-rate swaps at fair value	-0.6	1.2	-0.4	-	-	-	0.3
Other items	-	0.4	-	-	-	-	0.4
Deferred tax assets, total	**4.3**	**5.1**	**-0.4**	**-**	**-**	**-**	**9.0**
Deferred tax liabilities							
Measurement of investment property at fair value [1]	299.0	7.9	-	-	-	-4.2	302.2
Contract values of managed and rented centre	1.9	-0.4	-	-	-	-	1.4
Temporary difference in financial expenses	0.4	0.0	-	-	-	-	0.4
Deferred tax discounts due to sales of assets	-	2.5	-	-	-2.5		0.0
Deferred tax liabilities, total	**301.1**	**9.9**	**-**	**-**	**-2.5**	**-4.2**	**304.4**

[1] *Deferred tax liabilities are net of EUR 9.7 million of deferred tax assests arising from confirmed tax losses.*

Changes in deferred tax assets and liabilities in 2017:

MEUR	1 January 2017	Recognised in income statement	Recognised in other comprehensive income	Transfer from deferred tax assets to tax liabilities	Items not recognised 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 centers	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 assests 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 2018, Group companies had confirmed losses for which tax assets of EUR 8.6 million (7.0) 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	2018	2017
Acquisition cost January 1.	**31.4**	**32.3**
Additions during the period	2.3	0.7
Disposals during the period	-0.2	0.0
Exchange rate differences	-0.3	-1.6
Accumulated acquisition cost December 31.	**33.2**	**31.4**
Accumulated depreciation and impairment losses, January 1.	**-12.6**	**-9.8**
Amortisation during the period	-2.5	-3.1
Exchange rate differences	0.1	0.2
Accumulated depreciation and impairment losses, Dec 31.	**-15.1**	**-12.6**
Net carrying amount January 1.	**18.8**	**22.5**
Net carrying amount December 31.	**18.1**	**18.8**

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 14.3 million on 31 December 2018 (14.8).

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 amortised on a straight-line basis over the contract period.

Contract value of managed centers is amortised 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	2018	2017
Rent and trade receivables	14.5	11.8
Expected credit losses	-3.6	-2.9
Rent and trade receivables (net)	10.8	8.9
Interest receivables	2.4	2.4
Financial assets total	**13.2**	**11.3**
Accrued income and prepaid expenses	12.5	8.9
VAT-receivables	1.7	2.7
Other receivables	15.8	8.5
Total	**43.2**	**31.5**

Ageing structure of rent and trade receivables:

MEUR	2018	Expected credit loss rate	Expected credit loss
NOT past due	4.1	1.4%	0.1
Past due, less than 1 month	2.5	8.1%	0.2
Past due, 1–3 months	1.0	24.2%	0.2
Past due, 3–6 months	2.5	28.1%	0.7
Past due, 6–12 months	2.9	45.4%	1.3
Past due, 1–5 years	1.5	74.0%	1.1
Total	**14.5**		**3.6**

Ageing structure of rent and trade receivables:

MEUR	2017
NOT past due	2.4
Past due, less than 1 month	1.9
Past due, 1–3 months	2.0
Past due, 3–6 months	1.3
Past due, 6–12 months	2.7
Past due, 1–5 years	1.6
Total	**11.8**

Movement in expected credit loss:

MEUR	2018	2017
At the beginning of the year	-2.9	-2.8
Charge for the year	-1.4	-1.1
Utilised	0.2	0.0
Unused amounts reversed	0.5	1.0
Expected credit loss at the end of the year	**-3.6**	**-2.9**

Rent and 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.

EXPEXTED CREDIT LOSSES
Implemented in 2018, the IFRS 9 Financial Instruments standard includes new guidelines pertaining to impairment losses recognised in financial assets. From Citycon Group's point of view, the key change in the standard is that the credit risk applicable to rent and sales receivables should be taken into account in the valuation of receivables at the time of reporting for the full lifetime of the receivables.

In Citycon's view, the credit risk pertaining to the Group's receivables is for the material part already included in the carrying amount of the Group's rent and sales receivables as a result of the receivable-specific review of the rent and sales receivables carried out by the Group. However, as a result of the implementation of the IFRS 9 standard, Citycon Group also takes into account in its reporting the expected credit losses in its receivables base for the full lifetime, which does affect especially the valuation of receivables that are still unmatured.

Citycon will estimate the amount of expected credit losses in its receivables base on the basis of the available historic data pertaining to the Group's accrued credit losses and expectations regarding the development of the economic situation. The expectations regarding the development of the economic situation are primarily based on statistics that provide references to the development of Citycon Group's operations and customers.

When it comes to the estimation of expected credit losses, Citycon has applied the simplified method allowed by the standard. Due to the nature of the Group's business, the rent and sales receivables of Citycon Group do not include the significant financial component referred to in the IFRS 15 standard.

4.5. TRADE AND OTHER PAYABLES

MEUR	2018	2017
Trade payables	10.7	14.7
Interest liabilities	15.1	19.5
Financial liabilities total	**25.8**	**34.1**
Short-term advances received	18.9	15.7
Accrued expenses	28.1	23.6
VAT-liabilities	3.9	3.5
Other short-term payables	0.8	0.0
Total	**77.5**	**76.9**

Due dates of future payments of trade and other payables:

MEUR	2018	2017
Due in less than 1 month	60.5	57.2
Due in 1–3 months	6.8	7.5
Due in 3–6 months	4.0	9.5
Due in 6–12 months	5.5	1.6
Due in 1–2 years	0.8	0.2
Due in 2–5 years	-	-
Due in over 5 years	-	0.8
Total	**88.3**	**76.9**

FINANCIAL LIABILITIES
Financial liabilities include trade and interest liabilities, 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 recognises 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 recognises 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	2018	2017
Acquisition cost January 1	**153.3**	**173.4**
Change from exchange rate	-1.1	-9.3
Reduction in goodwill resulting from corporate income tax rate change in Norway	-3.5	-3.4
Reduction in goodwill resulting from sales of assets in Norway	-3.0	-7.4
Accumulated acquisition cost December 31	**145.7**	**153.3**

Goodwill at the end of 2018 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 2018 2 (3) shopping centres were sold from the business unit.

Corporate tax rate will decrease in Norway in financial year 2019 by one percent, from 23% to 22%. Due to the change in the tax rate, goodwill was reduced in the last quarter of the financial year 2018 by EUR 3.5 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 2018 and 2017.

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 amortised. 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.

MEUR	2018	2017
Total goodwill	**145.7**	**153.3**
Residual balance of deferred tax liability, in excess of the fair value, initially provided on acquisition	-85.1	-91.8
Goodwill tested for impairment	**60.6**	**61.5**

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

Total carrying value including goodwill to be tested was approximately EUR 1,378.4 million (1,431.0) .The pre-tax discount rate applied to the cash flow projections was 4.27% (3.91). The recoverable amount of Norway amounted to EUR 1,533.9 million (1,605.2) with a headroom of EUR 155.5 million (174.1) 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 5.36% (5.40) which reflects property specific risks and market risks.

SENSITIVITY TO CHANGES IN ASSUMPTIONS

The implications of the key assumptions for the recoverable amount are net rental income and yield requirement as presented in Note 2.1. Sensitivity has been analysed regarding net rental income and yield assumptions seperately. Asset's total recoverable amount would fall below total carrying value if net rental income decreased more than 8.79% (9.50) from current level. If both WACC determined by the company 4.27% (3.91) and yield assumption determined by external appraiser 5.36% (5.40) would increase more than 0.58% points (0.63), then total recoverable amount of asset would fall below total carrying value.

5.2. ACQUISITION OF NON-CONTROLLING INTERESTS

Citycon acquired a 25.0% minority share of Red City Ab during 2018. Citycon previously owned a 75.0% majority share from the company. Citycon did not acquire minority shares during 2017.

Citycon did not have any material non-controlling interests in its subsidiaries on December 31, 2018 or 2017.

5.3. RELATED PARTY TRANSACTIONS AND CHANGES IN GROUP STRUCTURE

A) Related parties

Group companies and changes in group structure

Citycon Group's related parties comprise the parent company Citycon Oyj and its subsidiaries, associated companies and 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 48.5 % on 31 December 2018 (31 December 2017: 44.6%).

Group companies on 31 December 2018	Country	Group holding, %	Parent company holding, %
Parent company: Citycon Oyj	Finland		
Albertslund Centrum ApS	Denmark	100	
Asematie 3 Koy	Finland	100	
Asunto Oy Espoon Huukkari [1]	Finland	100	
Asunto Oy Espoon Jolla [1]	Finland	100	
Big Apple Top Oy	Finland	100	
Citycon AB	Sweden	100	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 Herkules Drift AS	Norway	100	
Citycon Herkules Eiendom AS	Norway	100	
Citycon Holding AS	Norway	100	100
Citycon Högdalen 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	
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	Norway	100	
Citycon Senterdrift AS	Norway	100	
Citycon Services AB	Sweden	100	
Citycon Shopping Centers AB	Sweden	100	
Citycon Sjøsiden Drift AS	Norway	100	
Citycon Sjøsiden Eiendom AS	Norway	100	
Citycon Solsiden Drift AS	Norway	100	
Citycon Solsiden Eiendom AS	Norway	100	
Citycon Stopp Drift AS	Norway	100	
Citycon Stopp Eiendom AS	Norway	100	
Citycon Storbyen Drift AS	Norway	100	
Citycon Storbyen Eiendom AS	Norway	100	
Citycon Strædet Cinema ApS	Denmark	100	
Citycon Strædet Pedestrian Street ApS	Denmark	100	
Citycon Treasury B.V.	The Netherlands	100	100

[1] *Company acquired in 2018*

Group companies on 31 December 2018	Country	Group holding, %	Parent company holding, %
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	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	
Lahden Hansa Koy	Finland	100	
Lippulaiva Koy	Finland	100	
Lippulaivan Palvelutilat Koy	Finland	100	
Manhattan Acquisition Oy	Finland	100	
Montalbas B.V.	The Netherlands	100	
Myyrmanni Koy	Finland	100	
Mölndals Galleria AB	Sweden	100	
Mölndals Galleria Fastighets AB	Sweden	100	
RED City AB	Sweden	100	
Riddarplatsen Fastigheter HB	Sweden	100	
Rocca al Mare Kaubanduskeskuse AS	Estonia	100	
Stenungs Torg Fastighets AB	Sweden	100	
Tampereen Hermanni Koy	Finland	100	
Tampereen Koskikeskus Koy	Finland	100	
Åkersberga Centrum AB	Sweden	100	
Lahden Trio Koy	Finland	89.5	
Hervannan Liikekeskus Oy	Finland	83.2	
Myyrmäen Kauppakeskus Koy	Finland	78.6	
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	

Group companies on 31 December 2018	Country	Group holding, %	Parent company holding, %
Kista Galleria LP AB	Sweden	50	
Klosterfoss Utvikling AS	Norway	50	
Magasinet Drammen AS	Norway	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 Väpnaren	Sweden	64	

Merged
Citycon Storgata 53 Eiendom AS merged into Citycon DownTown Eiendom AS.
Etelä-Suomen Kauppakiinteistöt Oy merged into Citycon Finland Oy.

Companies sold (Group holding% on the time of sale)	
Citycon Shopping Centers Shelf 6 AB (100%)	Sweden
Citycon Shopping Centers Shelf 7 AB (100%)	Sweden
Kuopion Kauppakatu 41 Koy (100%)	Finland
Lintulankulma Koy (100%)	Finland
Citycon Heiane Drift AS (100%)	Norway
Citycon Heiane Eiendom AS (100%)	Norway
Citycon Bodø Drift AS (100%)	Norway
Citycon Bodø Eiendom AS (100%)	Norway

Acquired companies	
As Oy Jolla	Finland
As Oy Huukkari	Finland
Mölndals Galleria AB (50%->100%)	Sweden
Mölndals Galleria Fastighets AB (50%->100%)	Sweden
RED City AB (75%->100%)	Sweden

Share Exchange
The shares and ownership of Montalbas B.V. transferred from Citycon Oyj to Treasury B.V.

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

Over the period, Citycon paid no expenses to Gazit-Globe Ltd. and its subsidiaries (0.0), but invoiced EUR 0.0 million expenses forward to Gazit-Globe Ltd. and its subsidiaries (0.1)

REPORTING TO GAZIT-GLOBE LTD.

The company's main shareholder, Gazit-Globe Ltd., holding 48.5% 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 2018

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (APPLIED SINCE 1 JANUARY 2018)

Using a five-step model, the IFRS 15 Revenue from Contracts with Customers standard, which replaced the IAS 11 and IAS 18 standards in the 2018 financial period, provides guidance specifically on the amount and timing of revenue recognition. With regard to timing , the key defining factor is the settlement of the entity's performance obligations – the time at which goods or services fall under the customer's control.

As Citycon Group's sales revenues primarily comprise the rental income from business premises in the shopping centres owned by the Group, which during the 2018 financial period are subject to the IAS 17 Leases standard (from 1 January 2019 onwards, IFRS 16 Leases), the effect of the standard on Citycon Group is limited to service charges as well as the shopping centres' management fees, with regard to which the Group's accounting treatment conformed to the requirements in accordance with the IFRS 15 standard already in the 2017 financial year. The most significant effect of the standard's application on Citycon Group's reporting from the 2018 financial period onwards consisted of the change in the disclosure of sales revenues with regard to lease agreements for which the service charge income has in previous financial periods been included in the 'Gross rental income' item of the profit and loss account due to the nature of the agreements. As a result, in the 2018 financial period MEUR 5.0 million of the gross rental income has been allocated to service charges .The change did not have an effect on the Group's net rental income.

More information regarding Citycon Group's applicable sales revenues subject to the standard can be found in the Note 1.3.

Meur	2018 (IFRS 15)	2017 (IAS 18)
Gross rental income	237.0	242.0
Service charge income	79.2	74.2
Total	**316.2**	**316.2**

IFRS 9 FINANCIAL INSTRUMENTS (APPLIED SINCE 1 JANUARY 2018)

Due to the changed guidance regarding presentation and disclosure of financial instruments, the application of the standard will offer Citycon more possibilities regarding hedge accounting, but did not require mandatory changes to Citycon's present accounting treatment nor disclosure of financial instruments. However, the standard has brought changes to recording impairments of financial assets , which requires the assessment of expected credit losses also regarding rent and trade receivables of Citycon Group. Due to the application of the standard, Citycon restated the Group's credit loss provision at 1 January 2018. The impact from the restatement to Citycon's retained earnings was was EUR 0,0 million..

More information regarding the recognition of expected credit losses can be found in Note 4.4.

IFRS 2 SHARE-BASED PAYMENTS - CLARIFICATION AND MEASUREMENT OF SHARE-BASED PAYMENT TRANSACTIONS (APPLIED SINCE 1 JANUARY 2018)

The amendments clarifies the accounting treatment of share-based payments with net settlement features for withholding tax obligations. According to the previous application of IFRS 2, the share-based transactions with net settlement features have been treated separately as an equity-settled and a cash-settled transaction. Due to the amendments, the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments from 1 January 2018 onwards. The effect from restatement of the liability arised from the cash-settled share-based payments to retained earnings of 1 January 2018 was EUR 0.9 million.

Other new standards as well as interpretations and changes applied in 2018

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.

IAS 40 Transfers of Investment Property - Amendment to IAS 40 Clarifications on guidance pertaining to transfers to, or from, investment properties if the there has been an evident change of use.

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 Januruary 2019 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 16 LEASES (APPLIED SINCE 1 JANUARY 2019)

The IFRS 16 Leases standard will replace the IAS 17 standard at the beginning of the 2019 financial period. The application of the standard will not result in any changes to the accounting treatment of leases where Citycon Group acts as the lessor. Nonetheless, with regard to the majority of the Group's leases where Citycon acts as the lessee, in the 2019 financial period Citycon will recognise assets and liabilities to the Group's balance sheet pertaining to these leases.

From the perspective of the lessee, the application of the IFRS 16 standard will get rid of the presentation differences in accordance with IAS 17 between financial leases and operational leases. First and foremost, the standard provides reporting entities with instructions on the accounting treatment of leases in the lessee's financial statements, changes the definition of leasing and sets the principles regarding the recognition of leases in the balance sheet both as a right-of-use asset and a lease liability. As a result, Citycon recognises as right-of-use assets the assets to which it has the right to control for a certain period of time in exchange for consideration and, correspondingly, as lease liabilities the present value of the remaining liabilities for payment of said assets.

In the future, almost all of the entities that apply the IFRS regulations in their reporting will present the expenses of the leases subject to the scope of the standard to the profit and loss account instead of the leasing expenses during the lease period as scheduled straight-line depreciations and interest expenses determined by the interest rate factor of the lease liability. However, the reader of these financial statements should take into consideration that Citycon is an exception to the common reporting practice in that the majority of the leases of Citycon Group are allocated to right-of-use assets items fixedly linked to Citycon's investment properties. As a result, Citycon will in the future present its lease expenses primarily as part of the fair value changes of its investment properties and as interest expenses. The impacts on profit pertaining to the right-of-use assets that are not fixedly linked to Citycon Group's investment properties are presented in the profit and loss account as depreciations and interest expenses according to common practice.

Because of how the way lease expenses are presented has changed, the effect of the standard change is evident in Citycon's profit and loss account in the 2019 financial period as growth, specifically in the net rental income and operating profit, but as a slight decrease in the profit for the period due to the front-end-weighed total expense effect resulting from interest expenses. The difference between the IFRS-based expense and the actual lease payments will be taken into account as a change of the Group's deferred taxes. Because lease payments are presented in the cash flow statement as instalments of the lease liability, the effects resulting from the standard will reinforce Citycon's operative cash flow but weaken its financing cash flow.

With regard to the implementation of the IFRS 16 Leases standard, Citycon will apply a simplified approach and, hence, will not adjust the comparative information from past financial years. In addition, Citycon will apply the recognition exemptions permitted by the standard and, hence, will not apply the standard to short-term leases with a duration of less than a year or leases of a low value, such as leases applicable to specific office equipment. The lease liability of Citycon Group will be valued by discounting the lease payment liabilities of the leases subject to the scope of the IFRS 16 standard to their present value using as the discounting factor the view of the company's management on the incremental borrowing rate at the starting time of the lease.

Citycon Group will recognise right-of-use assets from the leases subject to the scope of the standard as part of the 'Investment properties' and 'Tangible assets' balance sheet items. The right-of-use assets recognised as part of investment properties consist of leases subject to Citycon Group's core business, such as the leases of shopping centres, shopping centre land areas and shopping centre machinery. The right-of-use assets recognised as tangible assets, on the other hand, are primarily recognised for leases included in administrative expenses, such as office leases, IT equipment and leased cars.

Citycon will recognise in the opening balances of financial year 2019 an increase to investment properties of EUR 50–55 million, an increase to tangible assets of EUR 4–5 million and an increase in lease liability of EUR 55–60 million. The lease expenses of Citycon Group's land leases and other leases, which as a result of the application of the IFRS 16 standard are no longer presented as part of the Group's profit and loss account 'Property operating expenses', were in the financial year 2018 approximately EUR 7.0 million and the minimum lease payments of non-cancellable leases to be paid in the future were EUR 58.8 million (Note 1.4).

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

IFRS 9 Prepayment Features with negative compensations - Amendment to IFRS 9
Clarification of accounting treatment regarding debt instruments, which's terms include a compensation related to early repayment.

IAS 19 Plan amendment, curtailment or settlement - Amendment to IAS 19
Clarification to calculation of current service cost and net interest for the remainder ofan annual period when a plan amendment of curtailment occurs.

IAS 28 Long-Term interest in associates and joint ventures - Amendment to IAS 28
Clarification to accounting treatment regarding loans, which have been given to joint ventures or associated companiens and have not been treated in accordance with the equity-method.

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.

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 2018	1 January–31 December 2017
Service charge income		2.7	2.7
Turnover	2	**2.7**	**2.7**
Property operating expenses		0.0	0.0
Net rental income		**2.7**	**2.7**
Administrative expenses	3, 4	-16.7	-14.3
Other operating income and expenses	5	3.6	3.4
Operating loss		**-10.4**	**-8.2**
Financial income		119.4	153.9
Financial expenses		-149.2	-105.6
Net financial income and expenses	6	-29.9	48.2
Loss/profit before appropriations and taxes		**-40.3**	**40.1**
Group contributions		13.2	6.2
Loss/profit for the period		**-27.0**	**46.2**

PARENT COMPANY BALANCE SHEET, FAS

MEUR	Note	31 December 2018	31 December 2017
ASSETS			
Non-current assets			
Intangible assets	7	3.7	3.7
Tangible assets	8	0.8	1.1
Investments			
Shares in subsidiaries	9	1,300.4	1,425.7
Loan receivables and derivative contracts	10	1,363.0	1,307.0
Total investments		2,663.4	2,732.7
Total non-current assets		**2,667.9**	**2,737.5**
Current assets			
Short-term receivables	12	556.3	397.0
Cash and cash equivalents		0.0	0.1
Total current assets		**556.3**	**397.0**
Total assets		**3,224.2**	**3,134.5**

MEUR	Note	31 December 2018	31 December 2017
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity	13		
Share capital		259.6	259.6
Share premium fund		133.1	133.1
Invested unrestricted equity fund		1,032.5	1,139.3
Retained earnings		47.1	9.8
Loss/profit for the period		-27.0	46.2
Total shareholders' equity		**1,445.2**	**1,587.9**
Liabilities	14		
Long-term liabilities			
Bond 1/2013		218.1	497.9
Other long-term liabilities		10.3	11.3
Total long-term liabilities		**228.5**	**509.2**
Short-term liabilities			
Short-term liabilities		1,550.6	1,037.3
Total short-term liabilities		**1,550.6**	**1,037.3**
Total liabilities		**1,779.0**	**1,546.6**
Total liabilities and shareholders' equity		**3,224.2**	**3,134.5**

PARENT COMPANY CASH FLOW STATEMENT, FAS

MEUR	1 January–31 December 2018	1 January–31 December 2017
Cash flow from operating activities		
Loss/profit before taxes	-40.3	40.1
Adjustments:		
Depreciation and impairment loss	1.3	1.2
Net financial expenses and income	29.9	-48.2
Cash flow before change in working capital	-9.1	-7.0
Change in working capital	13.3	16.7
Cash generated from operations	**4.2**	**9.8**
Interest expense and other financial expenses paid	-67.0	-52.8
Interest income and other financial income received	47.0	35.2
Realised exchange rate gains and losses	39.1	0.9
Income taxes paid	-	-
Net cash from operating activities	**23.3**	**-6.9**
Cash flow used in investing activities		
Investment in tangible and intangible assets	-1.0	-0.8
Loans granted	-928.1	-736.0
Repayments of loans receivable	1,040.4	1,038.7
Decrease/increase in subsidiary shares	125.2	-11.3
Net cash from investing activities	**236.5**	**290.6**
Cash flow from financing activities		
Proceeds from short-term loans	1,014.9	1,908.6
Repayments of short-term loans	-926.4	-1,965.5
Repayments of long-term loans	-281.3	-138.3
Dividends paid and return from the invested unrestricted equity fund	-117.1	-116.2
Net cash used in financing activities	**-309.9**	**-311.4**
Net change in cash and cash equivalents	**-50.1**	**-27.7**
Cash and cash equivalents at period-start	-85.1	-57.4
Cash and cash equivalents at period-end [1)]	**-135.3**	**-85.1**

1) Cash and cash equivalents of Citycon Oyj included the Group cash pool as at 31 December 2018 and at 31 December 2017, in which the parent company's bank account can have a negative balance. Cash pool balance of EUR -85.2 million as at 31 December 2017 and EUR -135.3 million as at 31 December 2018 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.

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	2018	2017
Turnover by country:		
Finland	1.2	0.8
Other countries	1.6	1.9
Total	**2.7**	**2.7**

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

MEUR	2018	2017
Administrative fees from Group companies	2.7	2.3

3. PERSONNEL EXPENSES

MEUR	2018	2017
Average number of employees during period	34	34
Personnel expenses		
Wages and salaries	-6.0	-6.7
Pension charges	-1.1	-1.0
Other social charges	-0.3	-0.3
Total	**-7.4**	**-8.0**

The items presented above include CEO's statutory pension payments,EUR 0.2 million in 2018 (0.1).

Personnel expenses include the following management wages and salaries

MEUR	2018	2017
CEO's wages and salaries	-0.6	-0.7
Board remuneration	-0.6	-0.7
Total	**-1.3**	**-1.4**

4. DEPRECIATION AND AMORTISATION AND IMPAIRMENTS

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

MEUR	2018	2017
Amortisation on intangible assets	-1.1	-1.0
Depreciation on machinery and equipment	-0.2	-0.2
Total	**-1.3**	**-1.2**

5. OTHER OPERATING INCOME AND EXPENSES

MEUR	2018	2017
Other operating income	3.6	3.4
Total	**3.6**	**3.4**

6. NET FINANCIAL INCOME AND EXPENSES

MEUR	2018	2017
Dividend income		
From Group companies	-	60.0
Total	**0.0**	**60.0**
Interest and other financial income		
From Group companies	49.7	43.0
Foreign exchange gains	65.8	52.9
Other interest and financial income	3.8	-2.0
Total	**119.4**	**93.9**
Total financial income	**119.4**	**153.9**
Interest and other financial expenses		
To Group companies	39.9	19.1
Foreign exchange losses	69.6	55.5
Interest and other financial expenses	39.8	31.0
Total financial expenses	**149.2**	**105.6**
Net financial income and expenses	**-29.9**	**48.2**

7. INTANGIBLE ASSETS

MEUR	2018	2017
Intangible rights		
Acquisition cost 1 January	7.4	7.2
Additions during the period	1.1	0.3
Accumulated acquisition costs 31 December	8.5	7.4
Accumulated depreciation 1 January	-3.9	-2.8
Depreciation for the period	-1.1	-1.0
Accumulated depreciation 31 December	-4.9	-3.9
Net carrying amount 31 December	**3.6**	**3.6**
Tenant improvements and other non-current assets		
Acquisition cost 1 January	1.7	1.6
Additions during the period	0.0	0.1
Accumulated acquisition costs 31 December	1.7	1.7
Accumulated depreciation 1 January	-1.6	-1.6
Depreciation for the period	0.0	0.0
Accumulated depreciation 31 December	-1.6	-1.6
Net carrying amount 31 December	**0.1**	**0.1**
Total intangible assets 31 December	**3.7**	**3.7**

8. TANGIBLE ASSETS

MEUR	2018	2017
Machinery and equipment		
Acquisition cost 1 January	1.6	1.1
Additions during the period	0.2	0.4
Accumulated acquisition costs 31 December	1.8	1.6
Accumulated depreciation 1 January	-1.0	-0.8
Depreciation for the period	-0.3	-0.2
Accumulated depreciation 31 December	-1.2	-1.0
Net carrying amount 31 December	**0.6**	**0.6**
Construction in progress		
Acquisition cost 1 January	0.5	0.5
Decreases	-0.3	-
Net carrying amount 31 December	**0.2**	**0.5**
Total tangible assets 31 December	**0.8**	**1.1**

9. SHARES IN SUBSIDIARIES

MEUR	2018	2017
Acquisition cost 1 January	1,425.7	1,354.3
Additions during the period	0.0	71.3
Decreases	-125.3	-
Net carrying amount 31 December	**1,300.4**	**1,425.7**

10. LONG TERM LOAN RECEIVABLES AND DERIVATIVE CONTRACTS

MEUR	2018	2017
Loan receivables from Group companies	1,344.7	1,286.9
Derivative financial instruments, from Group companies	-	0.7
Derivative financial instruments, from outside the Group	18.3	19.5
Total other investments 31 December	**1,363.0**	**1,307.0**
Total investments 31 December	**2,663.4**	**2,732.7**

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	2018	2017
Receivables from outside the Group		
Trade receivables	0.2	0.2
Derivative financial instruments	1.5	1.7
Other receivables	0.4	1.1
Accrued income and prepaid expenses	0.2	0.4
Total	**2.2**	**3.4**
Receivables from Group companies		
Trade receivables	2.3	3.0
Loan receivables	530.7	374.2
Other receivables	1.3	3.0
Total other receivables	532.0	377.3
Interest receivables	6.5	7.1
Group contributions receivables	13.2	6.2
Total	**554.1**	**393.5**
Total short-term receivables	**556.3**	**397.0**

13. SHAREHOLDERS' EQUITY

MEUR	2018	2017
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	**1,139.3**	**1,246.1**
Equity return from the invested unrestricted equity fund	-106.8	-106.8
Invested unrestricted equity fund at 31 December	**1,032.5**	**1,139.3**
Retained earnings at 1 January	**56.0**	**18.7**
Dividends	-8.9	-8.9
Profit for the period	-27.0	46.2
Retained earnings at 31 December	**20.1**	**56.0**
Total shareholders' equity at 31 December	**1,445.2**	**1,587.9**

14. LIABILITIES

A) Long-term liabilities

MEUR	2018	2017
Long-term interest-bearing liabilities		
Bond 1/2013	218.1	497.9
Total	**218.1**	**497.9**
Derivative financial instruments	8.9	4.3
Derivative financial instruments, from Group companies	1.4	7.0
Total long-term liabilities	**228.5**	**509.2**
Loans maturing later than 5 years	**-**	**-**

B) Short-term liabilities

MEUR	2018	2017
Short-term interest-bearing liabilities		
Commercial paper	175.5	88.5
Cash pool overdrafts	2.1	-
Loans from Group companies	1,348.6	925.0
Total	**1,526.2**	**1,013.6**
Short-term non-interest-bearing liabilities		
Payables to outside the Group		
Accounts payable	1.0	0.7
Derivative financial instruments	0.9	0.2
Other payables	0.0	1.1
Total other payables	0.9	1.3
Interest liability	4.3	10.9
Other accrued expenses and deferred income	6.4	3.5
Total accrued expenses and deferred income	10.8	14.4
Total	**12.6**	**16.3**
Payables to Group companies		
Accounts payable	0.1	0.0
Other payables	1.6	1.3
Accrued expenses and deferred income	10.1	6.1
Total	**11.7**	**7.4**
Total short-term liabilities	**1,550.6**	**1,037.3**
Total liabilities	**1,779.0**	**1,546.6**

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 defination 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 EUR 0.2 million in 2018 with a fair value of EUR -1.4 million (0.6) and a nominal amount of EUR 226.2 milliom (336.6).

15. CONTINGENT LIABILITIES

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

A) Lease liabilities

MEUR	2018	2017
Payables on lease commitments		
Maturing next financial year	0.4	0.5
Maturing later	1.3	2.4
Total	**1.7**	**3.0**

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

B) Guarantees given

MEUR	2018	2017
Guarantees	1,695.8	1,444.4
Of which on behalf of Group companies	1,695.8	1,444.4

Guarantees in 2018 and 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 2018

Helsinki, 6 February 2019

Chaim Katzman	Bernd Knobloch
Arnold de Haan	David Lukes
Andrea Orlandi	Ofer Stark
Per-Anders Ovin	Ariella Zochovitzky

F. Scott Ball
CEO

We have today submitted the report on the conducted audit.

Helsinki, 6 February 2019

Ernst & Young Oy
Authorised Public Accountant Firm

Mikko Rytilahti
Authorised 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, 2018. 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 EU Regulation No 537/2014, point (c) of Article 10(2). 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	How our audit addressed the 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 4131.3 M€ representing 89.4 % of the total assets and 197.8 % of the total equity (2017 4183.4M€, 89.4% of the total assets and 189.4% 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).	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.
Valuation of Goodwill We refer to the note 5.1 At the balance sheet date, the carrying amount of goodwill amounted to 145.7 M€ representing 3.2% of the total assets and 7.0 % of the total equity (2017: 153.2M€, 3.3% of the total assets and 6.9% 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).	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 14 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 6.2.2019

Ernst & Young Oy
Authorised Public Accountant Firm

Mikko Rytilahti
Authorised Public Accountant

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