

Citycon Oyj's Financial Results
for 1 January – 31 December 2010

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Summary of the Last Quarter of 2010 Compared with the Previous Quarter

- Turnover increased to EUR 49.9 million (Q3/2010: EUR 48.0 million).
- Net rental income decreased by 3.7 per cent to EUR 31.8 million (EUR 33.0 million). The reduction was due mainly to higher property operating expenses reflecting common seasonal variations as well as the cold and snowy winter.
- Earnings per share were EUR 0.06 (EUR 0.10).
- Direct result per share (diluted) was EUR 0.06 (EUR 0.06) despite lower direct operating profit due mainly to positive direct income taxes for the quarter.
- The fair value change of investment properties was EUR 11.3 million (EUR 15.8 million), and the fair value of investment properties totalled EUR 2,367.7 million (EUR 2,299.9 million).
- The average net yield requirement for investment properties decreased to 6.4 per cent (6.5%) at the end of the period, according to an external appraiser.
- Net financial expenses decreased to EUR 13.4 million (EUR 14.0 million).
- On the basis of Citycon's loan agreement covenants, its interest coverage ratio was 2.0x (2.1x) and equity ratio 39.4 per cent (38.9%).
- The one-off cost for executive changes to the company totalled EUR 1.3 million.
- On 21 December 2010, the company lowered its estimate for direct operating profit for 2010, due to changes in the company's management and the exceptionally severe winter.
- The Board of Directors proposes a per-share dividend of EUR 0.04 (EUR 0.04) and a return of equity from invested unrestricted equity fund of EUR 0.10 (EUR 0.10) per share.

Summary of the Year 2010 Compared with the Previous Year

- Turnover grew by 5.2 per cent to EUR 195.9 million (2009: EUR 186.3 million). This increase was due to the growth in gross leasable area and active development of the retail properties. Turnover growth was reduced by a slightly higher vacancy rate during the course of the year, residential divestments in Sweden and the start-up of new (re)development projects. Turnover from like-for-like properties increased by 0.9 per cent excluding the impact of strengthened Swedish krona.
- Profit/loss before taxes was EUR 102.8 million (EUR -37.5 million), including a EUR 50.8 million (EUR -97.4 million) change in the fair value of investment properties.
- Net rental income increased by 1.4 per cent to EUR 127.2 million (EUR 125.4 million). The growth in net rental income was slowed down by higher property operating expenses due to severe winter conditions and prevailing low inflation level. If the impact of the strengthened Swedish krona is excluded, net rental income decreased by 0.7 per cent.
- Net rental income from like-for-like properties decreased by 0.3 per cent excluding the impact of strengthened Swedish krona, due mainly to higher property operating expenses than in the previous year. Additionally, prevailing low inflation resulted in very low indexation-based rental increases.
- The company's direct result decreased to EUR 47.3 million (EUR 50.9 million).
- Direct result per share (diluted) was EUR 0.21 (EUR 0.23). The decrease in direct operating profit and increased financial expenses were compensated by lower direct income taxes.
- Earnings per share were EUR 0.34 (EUR -0.16). Changes in the fair value of investment properties have a substantial impact on earnings per share.
- The occupancy rate was 95.1 per cent (95.0%).
- Net cash from operating activities per share decreased to EUR 0.09 (EUR 0.30) due to lower direct operating profit, extraordinary items and timing differences.
- The equity ratio rose to 37.1 per cent (34.2%).
- In September, the company issued 22 million new shares in a share issue directed to Finnish and international institutional investors, raising approximately EUR 63 million in new equity.
- The company's financial position improved during the period, due to a share issue and new loan agreements. Total liquidity at the end of the reporting period was EUR 245.0 million, including unutilised committed credit facilities amounting to EUR 225.5 million and EUR 19.5 million in cash.
- The company announced changes in its management. Citycon's CEO Petri Olkinuora will leave his position as of 23 March 2011. Kaisa Vuorio, Vice President, Finnish Operations, left her position on 19 October 2010.
- During the year, the company finalised the sale of apartments located in Åkersberga Centrum, Jakobsbergs Centrum and Liljeholmstorget in Sweden. The selling price amounted to SEK 477 million (approx. EUR 49.5 million).
- At the end of the financial year, the company had three major (re)development projects underway. The estimated total investments in all current projects total approximately EUR 100 million.

Key Figures

	Q4/2010	Q4/2009	Q3/2010	2010	2009	Change-% ¹⁾
Turnover, EUR million	49.9	48.9	48.0	195.9	186.3	5.2%
Net rental income, EUR million	31.8	31.6	33.0	127.2	125.4	1.4%
Operating profit, EUR million	35.4	-12.4	42.8	157.7	10.3	-
% of turnover	70.9%	-	89.2%	80.5%	5.5%	-
Profit/loss before taxes, EUR million	22.0	-24.4	28.8	102.8	-37.5	-
Profit/ loss attributable to parent company shareholders, EUR million	14.4	-23.8	22.5	78.3	-34.3	-
Direct operating profit, EUR million	24.3	26.3	28.0	105.0	107.7	-2.5%
% of turnover	48.8%	53.9%	58.4%	53.6%	57.8%	-7.3%
Direct result, EUR million	13.5	12.5	12.3	47.3	50.9	-7.2%
Indirect result, EUR million	0.9	-36.3	10.2	31.1	-85.2	-
Earnings per share (basic), EUR	0.06	-0.11	0.10	0.34	-0.16	-
Earnings per share (diluted), EUR	0.06	-0.11	0.10	0.34	-0.16	-
Direct result per share (diluted), (diluted EPRA EPS), EUR	0.06	0.06	0.06	0.21	0.23	-9.2%
Net cash from operating activities per share, EUR	0.00	0.06	0.04	0.09	0.30	-71.2%
Fair value of investment properties, EUR million			2,299.9	2,367.7	2,147.4	10.3%
Equity per share, EUR			3.36	3.47	3.31	5.0%
Net asset value (EPRA NAV) per share, EUR ²⁾			3.71	3.79	3.64	4.3%
EPRA NNNNAV per share, EUR			3.37	3.49	3.35	4.1%
Equity ratio,%			35.9	37.1	34.2	8.6%
Gearing,%			153.4	153.1	169.5	-9.7%
Net interest-bearing debt (fair value), EUR million			1,343.1	1,386.0	1,312.2	5.6%
Net rental yield, %			5.9	5.8	6.1	-
Net rental yield, like-for-like properties, %			6.5	6.5	6.6	-
Occupancy rate (economic), %			94.5	95.1	95.0	0.1%
Personnel (at the end of the period)			123	129	119	8.4%
Dividend per share, EUR				0,04 ³⁾	0.04	
Return from invested unrestricted equity fund per share, EUR				0,10 ³⁾	0.10	
Dividend and return from invested unrestricted equity fund per share total, EUR				0,14 ³⁾	0.14	

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

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

³⁾ Proposal by the Board of Directors.

On 8 February 2011, Citycon's Board of Directors approved the company's Financial Statements for the financial year 1 January–31 December 2010. The Financial Statements in their entirety are available in pdf-format at www.citycon.com.

CEO Petri Olkinuora's Comments on the Financial Year 2010:

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

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

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

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

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

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

Business Environment

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

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

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

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

Business and Property Portfolio Summary

Citycon focuses on the shopping centre business in the Nordic and Baltic countries. The company's shopping centres are actively managed and developed by the company's professional personnel, working locally. In the Nordic countries, the company is a pioneer in its adherence to the principles of sustainable development in its shopping centre business. Citycon strives to enhance the commercial appeal of its properties, taking into account the specific characteristics of each property's catchment area such as purchasing power, competition and consumer demand. The ultimate goal is to create rental premises generating added value to tenants and customers.

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

Changes in the Fair Value of Investment Properties

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

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

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

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

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

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

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

Lease Portfolio and Occupancy Rate

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

At the end of the reporting period, Citycon had a total of 3,753 (4,235) leases. The number of leases decreased due mainly to the disposal of apartments in Sweden. The average remaining length of the lease agreements was 3.2 (3.1) years.

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

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

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

Net Rental Income and Turnover by Segments and Portfolios

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

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

Lease Portfolio Summary

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

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

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

³⁾ Group average rent corrected from previously disclosed.

Acquisitions and Divestments

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

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

In March, Citycon sold approximately 25 per cent of the apartments in the Jakobsbergs Centrum shopping centre for approximately SEK 120 million (approx. EUR 12 million). These apartments were sold to a newly-established owners' association under an

agreement according to which the association agreed to purchase 100 per cent of the shares in Citycon's Swedish subsidiary Tenrot Fastighets AB. The total area of the apartments sold is approximately 8,000 square metres. Citycon recorded a gain on sale of EUR 1.2 million following this transaction, tax effects included.

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

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

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

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

Towards the end of the year, Citycon purchased all shares in the company Kiinteistö Oy Asematie 3, for approximately EUR 2.1 million. This company owns a commercial building located in Tikkurila, Vantaa, Finland. This transaction was conducted in view of the planned extension of the Tikkuri shopping centre, owned by Citycon.

Development Projects

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

In the short term, redevelopment projects weaken returns from some properties, as some retail premises may have to be temporarily vacated for refurbishment, which affects rental income. In order to ensure continuous cash flow Citycon aims to carry out redevelopment projects phase by phase.

Completed (Re)development Projects

Projects Completed in 2010

During 2010, Citycon thoroughly redeveloped Forum shopping centre in Jyväskylä, Finland. The project involved a full renovation of the shopping centre building, its commercial concept and almost all shops. Although the redevelopment project covered the entire shopping centre, it focused on a 12,000 square metre area. Citycon invested approximately EUR 16 million in this project. The redeveloped Forum shopping centre opened its doors in December.

The modernised Forum has more than 60 stores, about ten of which are newcomers to Forum and Jyväskylä. In order to better address demand in the heart of Jyväskylä, the centre's commercial concept was developed by expanding the fashion offering, as well as that of restaurants & cafes. The more versatile new offering now covers children's supplies and interior decoration.

The refurbishment of the Espoontori shopping centre in Espoo Centre, Finland, was completed in November. The shopping centre's premises of 10,400 square metres and its parking facilities underwent major renovation and refurbishment in order to meet current customer needs. Citycon invested EUR 20.5 million in this project. The planned total investment in the refurbishment, EUR 18 million, was exceeded by EUR 2.5 million due mainly to works conducted outside of the investment area, partly as a requirement of the authorities. These works should have been done in any case, since they are necessitated by the planned extension of the shopping centre. The original investment decision also includes costs related to the planned extension of Espoontori to the adjacent Asemakuja property, such as zoning and land use payments, totalling approximately EUR 5.3 million. Citycon plans to further expand Espoontori in the future.

Espoontori is situated in the administrative hub of Espoo, adjacent to the railway station. In addition, a significant number of new apartments are being built in the immediate vicinity of Espoontori. The refurbishment of Espoontori will substantially improve its commercial competitiveness, while improving the attractiveness of the Espoo Centre district.

Projects completed in 2009

Liljeholmstorget Galleria was the largest development project in Citycon's history and the first ground-up shopping centre development project. In the autumn of 2006, Citycon acquired a shopping centre project located in Liljeholmen, Stockholm for approximately EUR 62 million. The project included an existing office and retail building as well as the building rights for a new shopping centre. The construction

project started in spring 2007. Citycon completely refurbished the existing building, built a three-storey shopping centre extension and excavated a parking garage for 900 cars under the adjacent apartment buildings. Liljeholmstorget has 41,000 square metres of leasable area and hosts approximately 90 shops. 72 apartment units were also built on top of the shopping centre and sold to a residential investor.

In 2010, one of Citycon's main goals in Sweden was the stabilisation of Liljeholmstorget Galleria, which opened in October 2009. As a result of improvements made to the offering and tenant mix during its first year of operation, Liljeholmstorget's sales and foot-fall reached expected levels towards the end of 2010, while net rental income remained lower than targeted.

Citycon redeveloped and expanded the shopping centre Rocca al Mare in Tallinn in an extensive three phase project. Rocca al Mare was Citycon's first acquisition in Estonia in 2005. Citycon launched the redevelopment project two years later in 2007. The last phase of the project was completed in November 2009. Rocca al Mare now has 53,300 square metres of leasable area and, with over 160 shops, is the largest shopping centre in Tallinn.

Rocca al Mare has been almost fully let since the opening. However, due to the difficult economic situation in the Baltic countries, Citycon has granted temporary rental rebates to some tenants. While rental rebates continue to be granted, the situation is slightly improving.

Both projects completed in 2009 reflect Citycon's commitment to environmental responsibility. The Rocca al Mare development project was awarded a silver level LEED certificate in January and the Liljeholmstorget development project became the first European shopping centre project to be awarded a platinum level LEED certificate in March.

(Re)development Projects in Progress

The redevelopment and extension of the Åkersberga Centrum, located in the Österåker district of Greater Stockholm area, is the largest of Citycon's ongoing (re)development projects. The extension of the shopping centre was opened in October, and the refurbishment of the existing part is due for completion in April 2011.

The total budget for the construction project is approximately SEK 467 million (EUR 51 million), of which Citycon's share is 75 per cent. The leasable area of the shopping centre will grow by approximately 13,000 square metres. In addition to the refurbishment of the existing premises, additional parking facilities will be built for 350 vehicles. The shopping centre will remain open throughout the project. As is common in Swedish shopping centres, Åkersberga Centrum offers many municipal services. The new library, opened in modern premises within the new extension, improves the local offering of cultural activities and offers a setting for various types of cultural events.

Citycon is building a new shopping centre in the Martinlaakso district of Vantaa, Finland, to replace the previous retail centre. The project was initiated with the demolition of the existing old retail centre in May. The new shopping centre will enjoy an excellent location in the immediate vicinity of railway and bus stations. The company will invest EUR 22.9 million, excluding the residential building rights, in the shopping centre, which will have a gross leasable area of 7,300 square metres and parking facilities for 475 cars. The project includes construction of apartments, and Citycon has sold the related building rights for EUR 2.3 million. In addition, Citycon will receive a one-time compensation of EUR 1.1 million from the City of Vantaa for the commuter parking facility investment. The project is due for completion in 2011.

Citycon has a similar development project underway in the Myllypuro district in Helsinki, where the company is building a new shopping centre and an underground car park for 270 vehicles. The shopping centre has an excellent location, adjacent to the Myllypuro metro station. The leasable area of the new shopping centre will be approximately 7,300 square metres, and its service offering will include grocery retailers and other daily services. The shopping centre will be completed in stages, with the first part due to open in early summer 2011 and the second a year later in 2012. The total cost of the Myllypuro project will exceed EUR 60 million, with Citycon's share of the future shopping centre and car park accounting for EUR 20 million.

The shopping centres in Martinlaakso and Myllypuro are Citycon's first ground-up shopping centre development projects in Finland.

The Hansa property, which is close to the recently redeveloped Trio shopping centre in Lahti, Finland, will be provided with a better commercial link to Trio. An area of 8,000 square metres will be redeveloped in the Hansa property and the project is due for completion in the spring of 2011. In addition, an alteration to the city plan is pending, to allow for the construction of retail premises on the bridge connecting Trio and Hansa above Vapaudenkatu street.

At the Myyrmanni shopping centre in Vantaa, Finland, major tenant improvement works are in progress. Over one quarter of the shopping centre's leasable retail area is being altered. In addition, the retail premises on Isolinnankatu and Asema-aukio in Pori, Finland, will be redeveloped. Citycon is also refurbishing a retail property in the centre of Kirkkonummi, west of Helsinki. The refurbishment of Torikeskus in Seinäjoki, Finland, has halted for the time being due to the leasing situation.

All of the above-mentioned projects fulfil Citycon's strategy of redeveloping its retail properties which are in excellent locations.

These projects are also in line with Citycon's strategy of sustainable development, which emphasises the redevelopment of retail properties located in key locations in city and district centres. This will also help strengthen existing urban structures and improve the areas' service offering.

The enclosed table lists the most significant development and redevelopment projects in progress as well as projects completed in 2009 and 2010, as approved by the Board of Directors. Capital expenditure during 2010 on all (re)development projects amounted to EUR 69.5 (EUR 24.2 million) million in Finland, EUR 49.4 (EUR 95.9 million) million in Sweden and EUR 6.0 (EUR 13.9 million) million in the Baltic countries.

(Re)development Projects Completed in 2009 and 2010 and in Progress on 31 December 2010 ¹⁾

	Location	Estimated total project investment (EUR million)	Actual gross capital investments by 31 Dec. 2010 (EUR million)	Estimated final year of completion
Liljeholmstorget	Stockholm, Sweden	157.8 ²⁾	157.8	completed
Rocca al Mare	Tallinn, Estonia	53.8 ³⁾	53.8	completed
Forum	Jyväskylä, Finland	16.0	16.0	completed
Espoonatori	Espoo, Finland	25.8 ⁴⁾	22.2	completed
Åkersberga Centrum	Österåker, Sweden	51.1 ²⁾	44.5	2011
Martinlaakso	Vantaa, Finland	22.9	7.2	2011
Myllypuro	Helsinki, Finland	21.3	14.3	2012
Hansa (Trio)	Lahti, Finland	8.0	5.0	2011 ⁵⁾
Isolinnankatu	Pori, Finland	3.0	1.5	2011
Asema-aukio	Pori, Finland	2.5	0.3	2012
Myyrmani	Vantaa, Finland	4.8	4.2	2011
Kirkkonummen liikekeskus	Kirkkonummi, Finland	4.0	1.6	2011

¹⁾ Calculated at end of period exchange rates.

²⁾ Estimated total investment in SEK has not changed from year end 2009.

³⁾ The original estimated total investment in Rocca al Mare development project amounted to approximately EUR 68 million.

⁴⁾ The estimated total investment of the refurbishment, EUR 18 million, has been exceeded by EUR 2.5 million. In addition, the estimated total project investment includes costs related to the planned extension of Espoonatori to adjacent Asemakuja property, such as zoning and land use payments.

⁵⁾ The completion of the project has been postponed due to slower than expected leasing.

(Re)development Projects under Planning

The largest of the planned (re)development projects is the Iso Omena extension project, in which the Matinkylä station on the western metro line will be connected to the shopping centre by building retail premises on top of the station. The estimated investment amounts to EUR 100–130 million. Citycon has an exclusive planning reservation for the development of the metro station and for the use of the related land areas together with NCC Property Development Oy. The aim is to develop a metro centre which provides excellent commercial services along with direct access from the metro train to its feeder terminal. The western metro line connecting Helsinki and Espoo is due for completion at the end of 2015.

More information on planned projects can be found on Citycon's website.

Business Units

Citycon's business operations are divided into three business units: Finland, Sweden and the Baltic Countries. The latter two are sub-divided into two business areas: Retail Properties and Property Development. The Finnish unit is sub-divided into four business areas: Retail Property Management (operative management of shopping centres), Asset Management (property management, investments and divestments), Leasing and Marketing, and Property Development.

Finland

Citycon is the market leader in the Finnish shopping centre business. In 2010, Citycon's market share was approximately 23 per cent of the Finnish shopping centre market (source: Entrecor). The company's net rental income from Finnish operations during the reporting period was EUR 86.7 million (EUR 92.4 million). The business unit accounted for 68.2 per cent of Citycon's total net rental income.

The key figures of the Finnish property portfolio are presented below. (Re)development projects and changes in the property portfolio have been addressed previously in this document.

Lease Portfolio Summary, Finland

	Q4/2010	Q4/2009	Q3/2010	2010	2009	Change-%
Number of leases started during the period	133	84	94	429	295	45.4
Total area of leases started, sq.m. ¹⁾	27,790	18,420	22,140	107,970	57,220	88.7
Average rent of leases started (EUR/sq.m.) ¹⁾	19.2	21.0	20.4	19.6	22.5	-12.9
Number of leases ended during the period	82	90	76	458	408	12.3
Total area of leases ended, sq.m. ¹⁾	13,790	19,240	12,170	122,680	81,480	50.6
Average rent of leases ended (EUR/sq.m.) ¹⁾	21.0	18.5	22.6	18.2	19.8	-8.1
Average rent (EUR/sq.m.)			20.4	20.3	19.7	3.0
Occupancy rate at end of the period (economic), %			93.7	94.0	94.6	-0.6
Average remaining length of lease portfolio at the end of the period, year			3.1	3.0	2.8	7.1

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

Financial Performance, Finland

	Q4/2010	Q4/2009	Q3/2010	2010	2009	Change-%
Number of properties			65	65	66	-1.5
Gross leasable area, sq.m.			581,780	579,980	587,650	-1.3
Annualised potential rental value, EUR million ¹⁾			135.2	135.5	135.3	0.1
Gross rental income, EUR million	30.9	31.5	29.7	122.1	126.5	-3.5
Turnover, EUR million	32.0	32.7	30.8	126.5	131.3	-3.7
Net rental income, EUR million	22.0	23.0	22.0	86.7	92.4	-6.1
Net fair value gains/losses on investment property, EUR million	6.1	-14.6	10.0	24.5	-65.1	-
Operating profit/loss, EUR million	26.2	6.8	30.4	107.5	21.2	-
Capital expenditure, EUR million	31.9	15.3	21.3	76.3	24.5	211.7
Fair value of investment properties, EUR million			1,496.7	1,533.0	1,442.0	6.3
Net rental yield, % ²⁾			6.2	6.0	6.5	
Net rental yield, like-for-like properties, %			6.5	6.5	6.5	

¹⁾ Annualised potential rental value for the portfolio includes annualised gross rent based on valid rent roll at the end of the period, market rent of vacant premises and rental income from turnover based contracts (estimate) and possible other rental income.

²⁾ Includes the lots for development projects.

Sweden

Citycon has eight shopping centres and seven other retail properties in Sweden, located in the Greater Stockholm and Greater Gothenburg areas and in Umeå. The company has strengthened its position in the Swedish shopping centre market following the completion of the Liljeholmstorget shopping centre in 2009 and the extension of the Åkersberga Centrum shopping centre in 2010. The company's net rental income from Swedish operations increased by 23.5 per cent to EUR 28.7 million (EUR 23.2 million). Excluding the impact of the strengthened Swedish krona, net rental income from Swedish operations increased by 10.9 per cent from the previous year. The business unit accounted for 22.6 per cent of Citycon's total net rental income.

The key figures for the Swedish property portfolio are presented below. (Re)development projects and changes in the property portfolio have been addressed previously in this document.

Lease Portfolio Summary, Sweden

	Q4/2010	Q4/2009	Q3/2010	2010	2009	Change-%
Number of leases started during the period	85	245	79	316	449	-29.6
Total area of leases started, sq.m. ¹⁾	17,069	42,163	9,858	46,879	59,351	-21.0
Average rent of leases started (EUR/sq.m.) ¹⁾	17.8	27.9	12.0	14.3	23.6	-39.4
Number of leases ended during the period	184	93	323	777	318	144.3
Total area of leases ended, sq.m. ¹⁾	8,508	8,943	28,589	62,584	37,420	67.2
Average rent of leases ended (EUR/sq.m.) ¹⁾	21.7	20.6	10.4	11.9	12.8	-7.0
Average rent (EUR/sq.m.)			15.7	15.9	13.3	19.5
Occupancy rate at end of the period (economic), %			95.0	96.4	94.7	1.8
Average remaining length of lease portfolio at the end of the period, year			2.9	3.1	3.0	3.3

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

Financial Performance, Sweden

	Q4/2010	Q4/2009	Q3/2010	2010	2009	Change-%
Number of properties			15	15	15	-
Gross leasable area, sq.m.			278,700	291,500	302,500	-3.6
Annualised potential rental value, EUR million ¹⁾			52.1	54.7	48.8	12.1
Gross rental income, EUR million	12.9	11.4	12.2	49.8	39.3	26.8
Turnover, EUR million	13.8	12.4	13.1	52.8	41.0	28.6
Net rental income, EUR million	6.6	6.1	8.1	28.7	23.2	23.5
Net fair value gains/losses on investment property, EUR million	2.6	-17.0	5.4	22.8	-19.6	-
Operating profit/loss, EUR million	7.8	-12.0	11.5	46.7	0.3	-
Capital expenditure, EUR million	15.0	33.4	10.0	50.6	95.9	-47.2
Fair value of investment properties, EUR million			639.9	668.6	548.8	21.8
Net rental yield, % ²⁾			4.8	4.8	4.7	
Net rental yield, like-for-like properties, %			6.4	6.4	6.5	

¹⁾ Annualised potential rental value for the portfolio includes annualised gross rent based on valid rent roll at the end of the period, market rent of vacant premises and rental income from turnover based contracts (estimate) and possible other rental income.

²⁾ Includes the lots for development projects.

Baltic Countries

Citycon owns three shopping centres in the Baltic countries: Rocca al Mare and Magistral in Tallinn, Estonia, and Mandarinas in Vilnius, Lithuania. The difficult economic situation in the Baltic countries has affected the sales of Citycon's shopping centres and temporary rental rebates and credit losses have increased. However, the Baltic vacancy rate has not, increased substantially during the financial year. Towards the end of 2010, the Baltic market began to recover slowly. Net rental income from the Baltic operations amounted to EUR 11.8 million (EUR 9.8 million). The business unit accounted for 9.3 per cent of Citycon's total net rental income.

The key figures for the Baltic property portfolio are presented below. No changes took place in the Baltic property portfolio during the period nor were there any development projects underway in the Baltic countries.

Lease Portfolio Summary, Baltic Countries

	Q4/2010	Q4/2009	Q3/2010	2010	2009	Change-%
Number of leases started during the period	27	57	11	44	129	-65.9
Total area of leases started, sq.m. ¹⁾	2,762	8,679	1,343	5,366	25,057	-78.6
Average rent of leases started (EUR/sq.m.) ^{1) 2)}	12,5	24,6	10,3	12,9	24,3	-46,9
Number of leases ended during the period	28	1	9	44	55	-20.0
Total area of leases ended, sq.m. ¹⁾	2,816	30	1,348	5,225	8,830	-40.8
Average rent of leases ended (EUR/sq.m.) ^{1) 2)}	9,5	45,0	18,1	13,2	16,0	-17,5
Average rent (EUR/sq.m.) ²⁾			16,4	17,8	17,1	4,1
Occupancy rate at end of the period (economic), %			99.8	99.7	99.4	0.3
Average remaining length of lease portfolio at the end of the period, year			4.8	4.6	5.2	-11.5

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

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

Financial Performance, Baltic Countries

	Q4/2010	Q4/2009	Q3/2010	2010	2009	Change-%
Number of properties			3	3	3	-
Gross leasable area, sq.m.			71,000	70,800	71,000	-0.3
Annualised potential rental value, EUR million ¹⁾			13.8	15.0	14.5	3.4
Gross rental income, EUR million	3.5	2.3	3.4	13.9	12.0	16.2
Turnover, EUR million	4.1	3.8	4.0	16.7	14.0	19.3
Net rental income, EUR million	3.1	2.5	2.9	11.8	9.8	20.1
Net fair value gains/losses on investment property, EUR million	2.6	-7.1	0.4	3.5	-12.7	-
Operating profit/loss, EUR million	5.2	-4.9	3.0	14.1	-3.8	-
Capital expenditure, EUR million	0.2	1.7	0.1	6.0	13.9	-57.0
Fair value of investment properties, EUR million			163.3	166.1	156.6	6.1
Net rental yield, % ²⁾			7.1	7.5	6.4	
Net rental yield, like-for-like properties, %			8.4	8.7	8.2	

¹⁾ Annualised potential rental value for the portfolio includes annualised gross rent based on valid rent roll at the end of the period, market rent of vacant premises and rental income from turnover based contracts (estimate) and possible other rental income. In 2010 in the Baltic Countries, maintenance fees have been split to maintenance and utility charges in order to make the practice comparable with the other business units. This change had also an effect on the figures of the reference periods.

²⁾ Includes the lots for development projects.

Turnover and Profit

Citycon Group's turnover for the financial year came to EUR 195.9 million (EUR 186.3 million), principally derived from the rental income generated by Citycon's retail premises. Gross rental income accounted for 94.9 per cent (95.5%) of turnover.

Operating profit came to EUR 157.7 million (EUR 10.3 million). Profit before taxes was EUR 102.8 million (EUR -37.5 million) and profit after taxes attributable to the parent company's shareholders was EUR 78.3 million (EUR -34.3 million). The increase in operating profit was mainly due to the fair value changes of the property portfolio. Operating profit also rose due to the completion of (re) development projects and the additional net rental income generated by new and refurbished premises. Credit losses were EUR 1.0 million (EUR 0.6 million). Temporary rental rebates totalled EUR 3.0 million during the period (EUR 1.6 million).

The effect of changes in the fair value of the property portfolio, of gains on sale and of other indirect items on the profit attributable to the parent company's shareholders was EUR 31.1 million (EUR -85.2 million), tax effects included. Taking this into account, the direct result after taxes was EUR 3.6 million below that of the previous year (cf. EPRA Performance Measures, Table 1, Direct result). The decrease in the direct result resulted mainly from increased administration and financial expenses offset by lower direct income taxes. Lower direct income taxes were mainly due to lower profit before tax, and depreciations that were started also in properties where the company's ownership is less than 100 per cent. Administration expenses increased due to some one-off expenses. Financial expenses in 2010 increased due to higher interest expenses, gains from the buybacks of convertible bonds recognised in 2009 and lower capitalisation of interest expenses than during the reference period.

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

Human Resources and Administrative Expenses

At the end of the year, Citycon Group employed a total of 129 (119) persons, of whom 84 were employed in Finland, 37 in Sweden and 8 in the Baltic countries. Administrative expenses increased to EUR 23.3 million (EUR 17.8 million), including EUR 0.7 million (EUR 0.4 million) of expenses related to employee stock options and the company's share-based incentive scheme.

Investments and Divestments

Citycon's reported gross capital expenditure during the year totalled EUR 133.7 million (EUR 134.6 million). Of this, property acquisitions accounted for EUR 4.2 million (EUR 0.0 million), agreed purchase price adjustments related to property acquisitions concluded earlier for EUR 2.6 million (EUR 0.0 million), property development for EUR 125.3 million (EUR 134.0 million) and other investments for EUR 1.7 million (EUR 0.6 million). These investments were financed through cash flow from operations, gains from divestments of investment properties and existing financing arrangements.

During the year, the company divested non-core properties in Finland and Sweden for a total of approximately EUR 67.9 million and recorded a total of EUR 2.1 million gains and losses on sales, including tax effects. These divestments have been addressed in more detail above, under "Acquisitions and Divestments".

Statement of Financial Position and Financing

Total assets at the end of the period stood at EUR 2,436.5 million (EUR 2,253.2 million). Liabilities totalled EUR 1,536.3 million (EUR 1,485.3 million), with short-term liabilities accounting for EUR 242.2 million (EUR 227.4 million). Citycon's financial position was strengthened by the directed share issue and the signing of four new loan agreements. At the end of the accounting period, Citycon's liquidity was EUR 245.0 million, of which EUR 225.5 million consisted of undrawn, committed credit facilities and EUR 19.5 million of cash and cash equivalents. At the end of the period, Citycon's liquidity, excluding commercial papers, stood at EUR 233.1 million (31 December 2009: EUR 172.9 million).

For the purpose of short-term liquidity management, the company uses a EUR 100 million non-committed Finnish commercial paper programme and a non-committed Swedish commercial paper programme in the amount of SEK one billion. At the end of the year, Citycon had issued EUR 11.9 million in commercial papers. Citycon's financing is mainly arranged on a long-term basis, with short-term interest-bearing debt constituting approximately 13 per cent of the company's total interest-bearing debt at the end of the year.

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

Cash and cash equivalents totalled EUR 19.5 million (EUR 19.8 million). The fair value of the interest-bearing net debt stood at EUR 1,386.0 million (EUR 1,312.2 million) at year end.

The year-to-date weighted average interest rate decreased compared to the previous year and was 4.04 per cent (4.16%). Towards the year-end, the market interest rates increased which also increased the weighted average interest rate. The average loan maturity, weighted according to the principal amount of the loans, stood at 3.1 years (3.6 years). The average interest-rate fixing period was 3.6 years (3.2 years) and increased because interest rate hedges were extended during the last quarter.

Citycon's interest coverage ratio declined from the previous quarter due to lower operative operating profit and stood at 2.0x (Q3/2010: 2.1x). The company's equity ratio, as defined in the loan agreement covenants, increased to 39.4 per cent (Q3/2010: 38.9%) due to the share issue and fair value gains on investment property.

The weighted average interest rate, including interest-rate swaps, was 3.91 per cent on 31 December 2010 taking into account the expenses for 2011 relating to interest rate swaps unwound during 2010.

At the end of the year, Citycon's equity ratio was 37.1 per cent (34.2%). Gearing stood at 153.1 per cent (169.5%).

At the end of the year, Citycon's interest-bearing debt included 81.6 per cent (75.1%) of floating-rate loans, of which 75.8 per cent (73.7%) had been converted to fixed-rate loans by means of interest-rate swaps. Fixed-rate debt accounted for 80.3 per cent (80.2%) of the period-end interest-bearing debt, interest-rate swaps included. The debt portfolio's hedging ratio is in line with the company's financing policy.

Citycon applies hedge accounting, whereby changes in the fair value of interest-rate swaps subject to hedge accounting are recognised under other comprehensive income. The period-end nominal amount of interest-rate swaps totalled EUR 869.8 million (EUR 737.6 million), with hedge accounting applied to all interest-rate swaps (EUR 713.2 million).

On 31 December 2010, the nominal amount of all of the company's derivative contracts totalled EUR 869.8 million (EUR 759.7 million) and their fair value was EUR -18.1 million (EUR -29.2 million). Citycon renewed and extended the maturity of several interest rate swaps during 2010 by unwinding the existing agreements and entering into new ones due to continued low interest rates. This increased the fair value of derivatives compared to 2009 but decreased the net cash from operating activities in 2010. The negative fair value paid for derivatives under hedge accounting will be expensed during the next six years under financial expenses in the statement of comprehensive income. Hedge accounting is applied to all interest rate derivatives as at 31 December 2010, meaning that any changes in their fair value are recognised under other comprehensive income. Thereby, the fair value loss for these derivatives does not affect the profit for the period or the earnings per share, but rather the total comprehensive income. During the financial year, the fair value gain recognised under other comprehensive income, including the tax effect, totalled EUR 3.8 million (loss of EUR -5.0 million).

Net financial expenses totalled EUR 54.9 million (EUR 47.7 million). The increase was mainly attributable to increased interest expenses as a result of lower capitalisation of interest expenses and a higher amount of interest-bearing debt. In addition, the net financial expenses in the statement of comprehensive income include EUR 1.5 million (EUR 1.4 million) of non-cash expenses related to the option component of the convertible bonds.

Directed Share Issue

Citycon strengthened its financial position by arranging a directed share issue in September. The issue was based upon the authorisation granted by Citycon's Annual General Meeting of 13 March 2007. Waiving the shareholders' pre-emptive subscription rights, the share issue was directed to Finnish and international institutional investors and was carried out in an accelerated book-building process on 21 September 2010. Based on the bids submitted during the book-building process, the company's Board of Directors decided to issue a total of 22 million new shares at a per-share price of EUR 2.87. The aggregate share subscription price was recorded in the invested unrestricted equity fund. The new shares were registered in the Trade Register on 24 September 2010 and trading in them began on the same day on the NASDAQ OMX Helsinki Ltd. The new shares entitle their holders to a dividend for the financial year beginning on 1 January 2010. Following the issue, the number of the company's shares increased to 244,564,972. The new shares accounted for approximately 9.9 per cent of the number of Citycon's shares outstanding prior to the share issue and 9.0 per cent of shares outstanding after the issue.

Total proceeds from the share issue before commissions and expenses totalled EUR 63.1 million. The company intends to use the proceeds for repayments of its interest-bearing debt, for strengthening its capital structure and financing (re)development projects and for potential acquisitions in line with its investment strategy.

Loan Market Transactions

Loan Agreements

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

Buybacks of Convertible Bonds

During the financial year, Citycon repurchased its subordinated convertible capital bonds issued on 2 August 2006 for an aggregate consideration of EUR 4.8 million (including accrued interest). The repurchased principal amount of EUR 5.25 million corresponded to a total of 105 bonds with a face value of EUR 50,000, representing some 5 per cent of the aggregate amount of the convertible bonds maturing in 2013. The repurchased bonds have been cancelled. Following the cancellations, the number of shares available for subscription under the convertible bonds decreased to 16,964,285 and the maximum increase allowed in Citycon's share capital decreased to EUR 22,901,784.75.

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

The repurchases of the bonds were executed in accordance with term 7 (f) of the convertible bonds' terms and conditions, on the open market. These repurchases were conducted because the market situation allowed the company to repurchase the bonds at a price below their face value and because the repurchases enable the company to strengthen its financial position and reduce its net financial expenses.

Short-term Risks and Uncertainties

For risk management purposes, Citycon has a holistic Enterprise Risk Management (ERM) programme in place. The aim of risk management is to ensure that the company meets its business targets. The ERM's purpose is to generate updated and consistent information for the company's senior executives and Board of Directors on any risks threatening the targets set in the strategic and annual plans. More details regarding the company's risk management and risk management principles are available on the corporate website at www.citycon.com/riskmanagement and on pages 35-37 of the Financial Statements 2010.

Citycon's Board of Directors estimates that major short-term risks and uncertainties are associated with economic developments in the company's operating regions – which affect demand for retail premises, rents and vacancy rate – as well as with the cost-efficiency of debt financing, changes in the fair value of investment properties and the execution of redevelopment projects.

Economic fluctuations and trends have a significant influence on demand for leasable premises, vacancy as well as rental levels. Failure in increasing rental income and reducing vacancy constitute one of the key near-term risks for the company. Economic growth has decelerated distinctly in all of the company's operating areas since 2008. In 2010, the general economic trends were positive, but demand for retail premises did not yet increase significantly. Consequently, the rental of premises continued to be challenging, market rents developed modestly or, in certain locations, decreased. In 2010, real economic growth was positive in all of Citycon's operating countries, in addition to which unemployment remained at above normal levels while inflation remained low (sources: Eurostat, Nordea). Prolonged economic uncertainty may reduce demand for retail premises, weaken tenants' ability to pay rent, limit opportunities for increasing rents and raise properties' vacancy rates.

The refurbishment and redevelopment of retail properties is an integral part of Citycon's growth strategy. Implementation of this strategy requires both equity and debt financing. Due to the financial crisis, the financial market weakened markedly in 2008 and the situation remained challenging throughout 2009. Banks' willingness to lend money to property investment companies has not recovered to pre-crisis levels, although the availability, and pricing, of financing markedly improved during 2010. The stricter regulations

of banks in the future will maintain the abnormally high costs of bank financing. In particular, the cost of long-term unsecured bank loans will probably be much higher in coming years than before the financial crisis. The majority of Citycon's bank loan agreements concluded prior to the financial crisis will mature between 2011 and 2014. Refinancing these will most probably involve higher loan margins. Higher loan margins, together with the expected general rise in interest rates, will most probably lead to more expensive debt financing in coming years.

Citycon's financial position is good. At the end of the year, the company's available liquidity totalled EUR 245 million, consisting mainly of committed long-term credit facilities and cash and cash equivalents. Citycon is capable of financing its current projects in their entirety as planned.

A number of factors contribute to the value of the company's retail properties, such as general and local economic developments, the level of interest rates, expected inflation, developments in market rent levels, vacancy rates and property investors' yield requirements as well as competition. Investment property value trends continue to be subject to unusual levels of uncertainty due to the challenging economic situation and prevailing uncertainty in the financial markets throughout the countries in which the company operates. In addition, unemployment rates have remained high in the Baltic countries, while unemployment has not remarkably declined in Finland or in Sweden. All in all, unemployment has still remained at higher levels than before the financial crisis.

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

A key element in Citycon's strategy is the development of existing properties to meet tenant needs more effectively. The most central short-term risks related to development projects include leasing new premises in the currently challenging economic environment and investment costs. Citycon has major development projects underway in Finland and Sweden and is preparing new (re)development projects throughout its countries of operation. Consequently, the leasable area within Citycon's properties is expected to increase significantly in coming years. Successful implementation of new development projects is of primary importance to Citycon's financial development and growth. The key risk involves demand for retail premises as well as market rent levels in an environment characterised by slower economic growth. For new projects, it may prove difficult to attain an adequate pre-leasing rate at sufficient rental levels, both of which would be required in order for a project to be considered viable and to be launched. In 2010, construction costs in Finland and Sweden began to rise. In the future, this could prevent Citycon from implementing all of its planned development projects or cause the profitability of initiated development projects to be lower than expected. Another risk associated with development projects relates to the investment schedule. If a project's implementation exceeds the planned timeframe, this often has a negative effect on both rental income and costs.

Environmental Responsibility

Citycon's goal is to be the forerunner in the responsible shopping centre business and to promote sustainable development within the shopping centre operations. The location of Citycon's shopping centres in city centres, local centres or generally adjacent to major traffic flows, combined with excellent public transport connections, make them well positioned to face the demands of sustainable development.

Citycon's objective is to include environmental responsibility measures in all of its operations and to integrate them into daily activities as a part of normal practice. In 2009, the company initiated the Green Shopping Centre Management programme to foster sustainable development in all shopping centres owned by the company. All Citycon's shopping centres were evaluated under the programme during the second quarter of the year. According to this evaluation, almost all shopping centres showed improvement with respect to the various elements of sustainable development from the previous year. The average Green Index illustrating the 2010 evaluation results rose in all Citycon properties by 26 per cent from the previous year.

Environmental responsibility results 2010 vs. 2009

The company defined its long-term objectives related to environmental responsibility in connection with its strategic planning in summer 2009. Citycon has set targets for its carbon footprint, energy consumption, water consumption, waste recycling rate, land use and sustainable construction. The results of environmental responsibility are presented in more detail in the Annual and Sustainability Report 2010.

Energy

Citycon's total energy consumption covers shopping centres owned by Citycon and other properties where Citycon's share of ownership is at least 50 per cent. Cases where the energy purchase agreement for the entire property is under a tenant's responsibility have been excluded from reporting. Citycon has limited the reported electricity consumption to such areas that it can directly influence. These include general lighting, ventilation, general cooling level, lifts and escalators, and other building technical systems, excluding electricity consumption used by tenants. In 2010, electricity consumption decreased by 2 per cent from the previous year, to 104.7 gigawatt hours (107.0 GWh). Based on a study conducted by an external party, the impact from the change in permitted Sunday opening hours was minor, the growth in consumption was some 1.5 per cent (source: Energiakolmio). Heating energy consumption came to 170.7 gigawatt hours (140.9 GWh). The exceptionally cold periods at the beginning and the end of the year raised heat consumption by 21 per cent from the previous year. Weather-normalised heat consumption increased only by 4 per cent, to 121.9 gigawatt hours (117.7 GWh). The annual 1–2 per cent reduction target set for energy consumption was met as regards electricity consumption.

Carbon footprint

Energy consumption by properties constitutes 98.6 per cent (98.8%) of the carbon footprint. Consequently, the increase in the carbon footprint was mainly caused by the higher consumption of heating energy. In 2010, the carbon footprint totalled 64,129 tonnes of CO₂ equivalent (56,948 tCO₂e). The annual target for reducing the carbon footprint was not attained.

Water

The total water consumption in Citycon-owned retail properties in 2010 was 569,021 cubic metres (532,651 cubic metres), including water consumed by the real estate companies and tenants. The exceptionally warm summer caused a distinct peak in water consumption during June–August, as the cooling capacity of air conditioning equipment and grocery store refrigerators was improved by sprinkling condensers. Accordingly, annual consumption rose by 6.8 per cent. Within the framework of environmental responsibility, our long-term water consumption target was set at 3.5 litres per visitor per year. In 2010, shopping centres' average water consumption per visitor totalled 3.9 litres (4.0 l). Hence, the reduction target set for water consumption by visitor in 2010 was achieved.

Waste

Total waste volume in Citycon's shopping centres amounted to 12,979 tonnes (11,275 tonnes), landfill waste accounting for 2,917 tonnes (2,892 tonnes) or 22.5 per cent (25.7%). The recycling rate in our shopping centres was 77.1 per cent (73.9%). Both long-term targets for waste management have already been attained during the first year of the company's environmental responsibility scheme.

Land use and sustainable construction

In late March, the Liljeholmstorget construction project was awarded the platinum LEED® (Leadership in Energy and Environmental Design) environmental certificate, the highest of its kind. Liljeholmstorget's certificate is the first platinum certificate awarded to a shopping centre in Europe. The Rocca al Mare redevelopment project, in turn, was awarded a silver LEED environmental certificate in January, the first of its kind in the Baltic countries. The Trio shopping centre's redevelopment project received its certificate in June 2009, being the first to do so in the Nordic countries. All three projects were Citycon's pilot projects in sustainable construction. Environmental certification forms an essential element of Citycon's efforts towards sustainable development. The company's shopping centre project underway in the Martinlaakso district in Vantaa has been registered to apply for LEED classification.

General Meetings of Shareholders in 2010

Citycon Oyj's Annual General Meeting (AGM) was held in Helsinki on 11 March 2010. The AGM adopted the company's financial statements and discharged the members of the Board of Directors and the Chief Executive Officer from liability for the financial year 2009. The AGM decided on a dividend of EUR 0.04 per share for the financial year 2009 and, in addition, on an equity return of EUR 0.10 per share from the invested unrestricted equity fund. The record date for the dividend payout and equity return was 16 March 2010, and the dividend and equity return were paid on 7 April 2010.

Citycon Oyj's Extraordinary General Meeting (EGM) took place in Helsinki on 17 May 2010. The EGM decided that the number of Board members should be ten and elected Chaim Katzman to the company's Board of Directors for a term expiring at the end of the next Annual General Meeting.

Other decisions made by the General Meetings of shareholders are reported on the corporate website at www.citycon.com/gm.

Board of Directors

In 2010, Citycon's Board of Directors included Ronen Ashkenazi, Gideon Bolotowsky, Raimo Korpinen, Tuomo Lähdesmäki, Claes Ottosson, Dor J. Segal, Thomas W. Wernink, Per-Håkan Westin and Ariella Zochovitzky. At the Extraordinary General Meeting held on 17 May 2010, Chaim Katzman was also elected to the Board. The Chairman of the Board of Directors was Thomas W. Wernink from 1 January–14 June 2010 and Chaim Katzman from 15 June–31 December 2010. Tuomo Lähdesmäki was Deputy Chairman of the Board of Directors from 1 January–10 March 2010 and Ronen Ashkenazi from 11 March–31 December 2010.

Auditor

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

Shareholders, Share Capital and Shares

Trading and Share Performance

In 2010, the number of Citycon shares traded on the NASDAQ OMX Helsinki totalled 115.0 million (149.3 million) for a total value of EUR 326.4 million (EUR 296.1 million). The highest quotation during the year was EUR 3.31 (EUR 3.16), and the lowest EUR 2.29 (EUR 1.30). The reported trade-weighted average price was EUR 2.84 (EUR 1.99), and the share closed at EUR 3.08 (EUR 2.94). The company's year-end market capitalisation totalled EUR 753.3 million (EUR 649.9 million).

Shareholders

The number of Citycon's Finnish shareholders continued to increase during the year. On 31 December 2010, Citycon had a total of 4,409 (3,733) registered shareholders, of which nine were account managers of nominee-registered shares. Nominee-registered and other international shareholders held 209.6 million (198.7 million) shares, or 85.7 per cent (89.9%) of the company's share capital and voting rights.

Share Capital and Shares

At the beginning of the financial year, the company's registered share capital totalled EUR 259,570,510.20 and the number of shares was 221,059,735. During the year, there were no changes in the company's share capital. The number of shares, however, grew by 1,301,217 as a result of share subscriptions made by exercising option rights and by 204,020 shares which the company issued through directed, free share issues in May as part of its long-term, share-based incentive plan. In addition, the company arranged a directed share issue of 22,000,000 new shares. This share issue is discussed in more detail above. In total, the number of the company's shares increased by 23,505,237 shares. At the end of the year, the company's registered share capital totalled EUR 259,570,510.20, and the number of shares amounted to 244,564,972. The company has a single series of shares, and each share entitles a shareholder to one vote at General Meetings of shareholders. The shares have no nominal value.

Board Authorisations and Own Shares

Pursuant to a share issue authorisation granted by the AGM of 2007, the Board of Directors can still decide on a maximum of 50,033,412 shares to be issued or treasury shares to be conveyed. Based on this authorisation, the Board may also decide on the grant of stock options and other special rights. This authorisation is valid until 13 March 2012.

The AGM of 2010 authorised the Board of Directors to decide on the acquisition of 20 million of the company's own shares. This acquisition authorisation will be valid until the next Annual General Meeting. The company had no treasury shares at the end of the financial year.

At year-end, the Board of Directors had no other authorisations.



Stock Options 2004

The Annual General Meeting held on 15 March 2004 authorised the issue of a maximum of 3,900,000 A/B/C stock options to the personnel of Citycon Group. The stock options C are listed on the NASDAQ OMX Helsinki.

The subscription period for Citycon's stock options 2004B expired at the end of March. A total of 1,301,217 shares were subscribed under these options, all of them in the period of January–March. The subscription price received by the company for these shares, a total of EUR 3.3 million, was recorded in the invested unrestricted equity fund, in accordance with the terms and conditions of the stock options. The number of unexercised outstanding stock options 2004B totalled 17,002. These stock options were deleted as worthless from their holders' book-entry accounts.

The table below includes information on the remaining stock options 2004. The full terms and conditions of the stock option plan are available on the corporate website at www.citycon.com/options.

Basic Information on Stock Options 2004 as at 31 December 2010

	2004 C
No. of options granted	1,050,000
No. held by Veniamo-Invest Oy ¹⁾	250,000
Subscription ratio, option/shares	1:1.2127
Subscription price per share, EUR ²⁾	4.2213
Subscription period began	1 Sept. 2008
Subscription period ends	31 March 2011
No. of options exercised	-
No. of shares subscribed with options	-
No. of options available for share subscription	1,050,000
No. of shares that can be subscribed	1,273,335

¹⁾ Veniamo-Invest Oy, a wholly-owned subsidiary of Citycon Oyj, cannot subscribe for its parent company's shares.

²⁾ Following the dividend payment and equity return in 2010. The share subscription price is reduced by half of the per-share dividends paid and per-share equity returned.

Events after the Financial Year

On 13 January 2011, Marcel Kokkeel was appointed to be the company's new Chief Executive Officer, effective 24 March 2011. Mr Kokkeel is 52 (b. 1958) and holds a degree in law from the University of Amsterdam, the Netherlands, which is his home country.

Also on 13 January 2011, Michael Schönach was appointed Executive Vice President, Finnish Operations and a member of the Corporate Management Committee, effective 1 March 2011.

After the end of the financial year, the number of Citycon's properties decreased by two following divestments of non-core properties for a total of approximately EUR 2.5 million. The sold properties were the mutual real estate company Kiinteistö Oy Naantalin Tullikatu 16 and the commercial building owned by it, located in Naantali, as well as a real estate called Hakarinne in Tapiola, Espoo, both in Finland.

Board Proposal for Dividend Distribution and Distribution of Assets from the Invested Unrestricted Equity Fund

The parent company's retained earnings amount to EUR 13.6 million, including the loss for the period, EUR -5.0 million. On 31 December 2010, the funds in the parent company's invested unrestricted equity fund amounted to a total of EUR 201.5 million.

The Board of Directors proposes to the Annual General Meeting of 23 March 2011 that a per-share dividend of EUR 0.04 be paid out for the financial year ending on 31 December 2010, and that a return of equity of EUR 0.10 per share be returned from the invested unrestricted equity fund. The Board of Directors proposes that the record date for dividend payment and equity return be 28 March 2011 and that the dividend and equity return be paid on 8 April 2011.

Outlook

Citycon continues to focus on increasing its net cash from operating activities and direct operating profit. In order to implement this strategy, the company will pursue value-added activities while monitoring the market for potential acquisitions.

The initiation of planned projects will be carefully evaluated against strict pre-leasing criteria. Citycon intends to continue the divestment of its non-core properties to improve the property portfolio and strengthen the company's financial position. The company is also considering alternative property financing sources.

In 2011, Citycon expects its turnover and direct operating profit to grow compared with the previous year, based on the existing property portfolio. The company also expects its direct result to increase from the previous year. This estimate is based on already completed (re)development projects and those completed in the future, as well as on the prevailing inflation and euro-Swedish krona exchange rate level. Properties taken offline for planned (re)development projects will reduce net rental income during the year.

The company will specify the growth estimates when publishing Q1 results at the latest, when the operational performance can be estimated more precisely.

Helsinki, 8 February 2011

Citycon Oyj
Board of Directors

EPRA PERFORMANCE MEASURES

EPRA PERFORMANCE MEASURES

	Q4/2010	Q4/2009	Change-%	2010	2009	Change-%
Direct result (EPRA Earnings), EUR million	13.5	12.5	7.7%	47.3	50.9	-7.2%
Direct result per share, diluted (Diluted EPRA EPS), EUR	0.06	0.06	-2.6%	0.21	0.23	-9.2%
EPRA NAV, EUR ¹⁾				3.79	3.64	4.3%
EPRA NNAV, EUR				3.49	3.35	4.1%
EPRA Net Initial Yield (NIY) (%)				6.3	6.9	-
EPRA "topped-up" NIY (%)				6.4	7.1	-
EPRA vacancy rate (%)				4.9	5.0	-

¹⁾ In accordance with a change in the EPRA's Best Practice Recommendations 2010, Citycon has changed EPRA NAV calculations.

The following tables present how EPRA Performance Measures are calculated.

1) Direct Result

EUR million	Q4/2010	Q4/2009	Change-%	2010	2009	Change-%
Direct result						
Net rental income	31.8	31.6	0.5%	127.2	125.4	1.4%
Direct administrative expenses	-7.6	-5.3	44.2%	-22.5	-17.7	27.1%
Direct other operating income and expenses	0.2	0.0	-	0.3	0.0	-
Direct operating profit	24.3	26.3	-7.6%	105.0	107.7	-2.5%
Direct net financial income and expenses	-14.1	-11.9	18.2%	-55.1	-47.7	15.6%
Direct current taxes	4.1	-1.2	-	-0.6	-6.2	-89.8%
Change in direct deferred taxes	-0.4	-0.1	-	-0.3	-0.2	-
Direct non-controlling interest	-0.5	-0.6	-22.4%	-1.8	-2.8	-36.4%
Total direct result	13.5	12.5	7.7%	47.3	50.9	-7.2%
Direct result per share (diluted), (diluted EPRA EPS), EUR ¹⁾	0.06	0.06	-2.6%	0.21	0.23	-9.2%
Indirect result						
Net fair value gains/losses on investment property	11.3	-38.6	-	50.8	-97.4	-
Loss/profit on disposal of investment property	-0.1	0.0	-	2.6	0.1	-
Indirect administrative expenses	-0.2	-0.1	-	-0.8	-0.1	-
Movement in fair value of financial instruments	0.7	-0.1	-	0.2	-0.1	-
Indirect current taxes	1.2	-	-	0.0	-0.3	-
Change in indirect deferred taxes	-9.2	1.4	-	-11.6	7.3	-
Indirect non-controlling interest	-2.8	1.1	-	-10.3	5.3	-
Total indirect result	0.9	-36.3	-	31.1	-85.2	-
Indirect result per share, diluted	0.00	-0.16	-	0.13	-0.39	-
Profit/loss for the period attributable to parent company shareholders	14.4	-23.8	-	78.3	-34.3	-

2) Direct Result per Share

	Q4/2010	Q4/2009	Change-%	2010	2009	Change-%
Direct result, EUR million (Table 1)	13.5	12.5	7.7%	47.3	50.9	-7.2%
Expenses from convertible capital loan, the tax effect deducted (EUR million)	1.0	1.1	-7.7%	4.1	4.2	-2.4%
Profit used in the calculation of diluted direct result per share (EUR million)	14.5	13.6	6.5%	51.4	55.1	-6.8%
Average number of shares, million	244.6	221.1	10.6%	228.1	221.0	3.2%
Convertible capital loan impact, million	17.0	18.2	-6.6%	17.5	18.5	-5.1%
Adjustment for stock options, million	-	-	-	0.0	-	-
Adjustments for long-term share-based incentive plan, million	0.1	0.1	-9.6%	0.1	0.0	-
Average number of shares used in the calculation of diluted earnings per share, million	261.6	239.3	9.3%	245.8	239.5	2.6%
Direct result per share, diluted (Diluted EPRA EPS), EUR	0.06	0.06	-2.6%	0.21	0.23	-9.2%

3) EPRA NAV and EPRA NNAV

	2010			2009		
	EUR million	Number of shares on the balance sheet date (1,000)	per share, EUR	EUR million	Number of shares on the balance sheet date (1,000)	per share, EUR
Equity attributable to parent company shareholders	849.5	244,565	3.47	731.1	221,060	3.31
Deferred taxes from the difference of fair value and fiscal value of investment properties	59.7	244,565	0.24	48.7	221,060	0.22
Fair value of financial instruments ¹⁾	18.8	244,565	0.08	24.8	221,060	0.11
Net asset value (EPRA NAV)	928.1	244,565	3.79	804.6	221,060	3.64
Deferred taxes from the difference of fair value and fiscal value of investment properties	-59.7	244,565	-0.24	-48.7	221,060	-0.22
The difference between the secondary market price and fair value of bonds and capital loans ²⁾	3.6	244,565	0.01	9.5	221,060	0.04
Fair value of financial instruments ¹⁾	-18.8	244,565	-0.08	-24.8	221,060	-0.11
EPRA NNAV	853.1	244,565	3.49	740.6	221,060	3.35

1) Fair value of financial instruments

In accordance with a change in the EPRA's Best Practice Recommendations 2010, Citycon has changed EPRA NAV calculations. Fair value of financial instruments include all financial instruments. Previously fair value of financial instruments included only fair value of instruments outside the scope of hedge accounting.

2) Secondary market price

When calculating the EPRA NNAV in accordance with EPRA's recommendations, the shareholders' equity is adjusted using EPRA's guidelines so that bonds and capital loans are valued based on secondary market prices. In accordance with Citycon's accounting policies, the carrying amount and fair value of bonds and capital loans are different from this secondary market price. Due to this, in the calculation of this key figure subordinated capital loan 1/2005, convertible capital loan 1/2006 and bond 1/2009 have been valued using the price derived from the secondary market on the balance sheet date. The secondary market price for convertible capital loan 1/2006 was 95.50 per cent (87.50%) and for bond 1/2009 99.00 per cent (100.00%) on 31 December 2010. The secondary market

price for subordinated capital loan 1/2005 was 100.08 per cent, on 31 December 2009. The difference between the secondary market price and the fair value of the bonds and capital loans was EUR 3.6 million (EUR 9.5 million) on 31 December 2010.

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

EUR million	2010	2009
Fair value of investment properties determined by the external appraiser	2,361.1	2,162.4
Less (re)development properties, lots, unused building rights and properties which valuation is based on the value of the building right	-487.4	-463.3
Completed property portfolio	1,873.7	1,699.1
Plus the estimated purchasers' transaction costs	37.1	32.9
Gross value of completed property portfolio (A)	1,910.8	1,732.0
Annualised gross rents for completed property portfolio	170.8	163.3
Property portfolio's operating expenses	-50.2	-43.8
Annualised net rents (B)	120.6	119.5
Plus the notional rent expiration of rent free periods or other lease incentives	2.4	2.9
Topped-up annualised net rents (C)	123.0	122.4
EPRA Net Initial Yield (NIY) (%) (B/A)	6.3	6.9
EPRA "topped-up" NIY (%) (C/A)	6.4	7.1

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

5) EPRA Vacancy Rate (%)

EPRA vacancy rate is calculated using the same principles as economic occupancy rate.

EUR million	2010	2009
Annualised potential rental value of vacant premises	9.6	9.5
./ Annualised potential rental value for the whole portfolio	196.5	190.1
EPRA vacancy rate (%)	4.9	5.0

Condensed Consolidated Financial Statements

1 January - 31 December 2010

Condensed Consolidated Statement of Comprehensive Income, IFRS

EUR million	Note	Q4/2010	Q4/2009	Change-%	2010	2009	Change-%
Gross rental income		47.4	45.2	4.8%	185.9	177.8	4.5%
Service charge income		2.5	3.7	-33.1%	10.0	8.5	18.7%
Turnover	3	49.9	48.9	1.9%	195.9	186.3	5.2%
Property operating expenses	4	17.9	17.0	5.4%	67.4	60.2	12.1%
Other expenses from leasing operations		0.2	0.3	-37.7%	1.3	0.7	88.5%
Net rental income		31.8	31.6	0.5%	127.2	125.4	1.4%
Administrative expenses		7.8	5.4	44.0%	23.3	17.8	30.6%
Other operating income and expenses		0.2	0.0	-	0.3	0.0	-
Net fair value gains/ losses on investment property		11.3	-38.6	-	50.8	-97.4	-
Net losses/ gains on sale of investment property		-0.1	-	-	2.6	0.1	-
Operating profit		35.4	-12.4	-385.0%	157.7	10.3	-
Net financial income and expenses		-13.4	-12.0	11.7%	-54.9	-47.7	15.1%
Profit/loss before taxes		22.0	-24.4	-	102.8	-37.5	-
Current taxes		5.3	-1.2	-	-0.6	-6.5	-90.3%
Change in deferred taxes		-9.6	1.3	-	-11.8	7.0	-
Profit/loss for the period		17.7	-24.3	-	90.4	-36.9	-
Profit/loss attributable to							
Parent company shareholders		14.4	-23.8	-	78.3	-34.3	-
Non-controlling interest		3.3	-0.5	-	12.0	-2.6	-
Earnings per share attributable to parent company shareholders							
Earnings per share (basic), EUR	5	0.06	-0.11	-	0.34	-0.16	-
Earnings per share (diluted), EUR	5	0.06	-0.11	-	0.34	-0.16	-
Other comprehensive income/expenses							
Net gains/losses on cash flow hedges		15.7	1.0	-	5.1	-6.7	-
Income taxes relating to cash flow hedges		-4.1	-0.3	-	-1.3	1.8	-
Exchange gains/losses on translating foreign operations		0.8	-0.1	-	3.1	2.0	55.6%
Other comprehensive income/expenses for the period, net of tax		12.4	0.7	-	6.9	-3.0	-
Total comprehensive profit/loss for the period		30.1	-23.6	-	97.3	-39.9	-
Total comprehensive profit/loss attributable to							
Parent company shareholders		27.4	-24.2	-	83.4	-38.4	-
Non-controlling interest		2.7	0.7	-	13.9	-1.4	-

Condensed Consolidated Statement of Financial Position, IFRS

EUR million	Note	31 Dec. 2010	31 Dec. 2009
Assets			
Non-current assets			
Investment properties	6	2,367.7	2,147.4
Intangible assets and property, plant and equipment		2.5	1.6
Deferred tax assets		5.6	8.6
Derivative financial instruments and other non-current assets	9	2.3	3.8
Total non-current assets		2,378.1	2,161.4
Investment properties held for sale	7	1.5	26.0
Current assets			
Trade and other receivables		37.4	46.1
Cash and cash equivalents	8	19.5	19.8
Total current assets		56.9	65.9
Total assets		2,436.5	2,253.2
Liabilities and Shareholders' Equity			
Equity attributable to parent company shareholders			
Share capital		259.6	259.6
Share premium fund		131.1	131.1
Fair value reserve		-18.8	-22.7
Invested unrestricted equity fund		198.8	155.2
Retained earnings		278.8	207.8
Total equity attributable to parent company shareholders		849.5	731.1
Non-controlling interest		50.7	36.8
Total shareholders' equity		900.2	767.9
Long-term liabilities			
Long-term interest-bearing debt	11	1,212.4	1,175.4
Derivative financial instruments and other non-interest bearing liabilities	9	19.2	32.5
Deferred tax liabilities		62.6	50.0
Total long-term liabilities		1,294.2	1,257.9
Short-term liabilities			
Short-term interest-bearing debt	11	185.3	146.3
Derivate financial instruments	9	1.6	1.5
Trade and other payables		55.3	79.7
Total short-term liabilities		242.2	227.4
Total liabilities		1,536.3	1,485.3
Total liabilities and shareholders' equity		2,436.5	2,253.2

Condensed Consolidated Cash Flow Statement, IFRS

EUR million	Note	2010	2009
Cash flow from operating activities			
Profit/loss before taxes		102.8	-37.5
Adjustments		2.3	145.7
Cash flow before change in working capital		105.1	108.3
Change in working capital		2.9	10.7
Cash generated from operations		108.0	119.0
Paid interest and other financial charges		-68.0	-54.4
Interest income and other financial income received		0.5	0.3
Realized exchange rate losses/gains		-10.6	11.8
Taxes paid		-9.9	-10.4
Net cash from operating activities		20.0	66.2
Cash flow from investing activities			
Capital expenditure on investment properties as well as on intangible assets and PP&E	6	-133.8	-130.9
Sale of investment properties	6,7	66.3	3.1
Net cash used in investing activities		-67.5	-127.9
Cash flow from financing activities			
Sale of treasury shares		0.2	-
Proceeds from share issue		62.2	-
Share subscriptions based on stock options		3.3	-
Proceeds from short-term loans	11	109.0	149.7
Repayments of short-term loans	11	-192.6	-77.1
Proceeds from long-term loans	11	346.5	295.1
Repayments of long-term loans	11	-252.2	-273.0
Dividends and return from the invested unrestricted equity fund	10	-31.2	-30.9
Net cash from financing activities		45.2	63.8
Net change in cash and cash equivalents		-2.3	2.1
Cash and cash equivalents at period-start	8	19.8	16.7
Effects of exchange rate changes		2.0	1.0
Cash and cash equivalents at period-end	8	19.5	19.8

Condensed Consolidated Statement of Changes in Shareholders' Equity, IFRS

EUR million	Equity attributable to parent company shareholders						Equity attributable to parent company shareholders	Non-controlling interest	Shareholders equity, total
	Share capital	Share premium fund	Fair value reserve	Invested unrestricted equity fund	Translation reserve	Retained earnings			
Balance at 1 Jan. 2009	259.6	131.1	-17.7	177.3	-10.3	259.1	799.1	38.2	837.3
Total comprehensive loss/profit for the period			-5.0		0.8	-34.3	-38.4	-1.4	-39.9
Recognized gain in the equity arising from convertible bond buybacks						1.1	1.1		1.1
Sale of treasury shares				0.0			0.0		0.0
Dividends and return from the invested unrestricted equity fund (Note 11)				-22.1		-8.8	-30.9		-30.9
Share-based payments						0.2	0.2		0.2
Acquisition of non-controlling interests								0.0	0.0
Balance at 31 Dec. 2009	259.6	131.1	-22.7	155.2	-9.5	217.3	731.1	36.8	767.9
Balance at 1 Jan. 2010	259.6	131.1	-22.7	155.2	-9.5	217.3	731.1	36.8	767.9
Total comprehensive profit/loss for the period			3.8		1.2	78.3	83.4	13.9	97.3
Share issues				62.2			62.2		62.2
Share subscriptions based on stock options				3.3			3.3		3.3
Recognized gain in the equity arising from convertible bond buybacks						0.0	0.0		0.0
Sale of treasury shares				0.2			0.2		0.2
Dividends and return from the invested unrestricted equity fund (Note 11)				-22.1		-8.8	-30.9		-30.9
Share-based payments						0.3	0.3		0.3
Balance at 31 Dec. 2010	259.6	131.1	-18.8	198.8	-8.2	287.0	849.5	50.7	900.2

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basic Company Data

Citycon is a real estate company investing in retail premises. Citycon operates mainly in Finland, Sweden and the Baltic countries. Citycon is a Finnish public limited liability company established under Finnish law and domiciled in Helsinki. The Board of Directors has approved the annual financial statements on 8 February 2011.

2. Basis of Preparation and Accounting Policies

Citycon prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and applied the IFRS/IAS standards, effective as of 31 December 2010, which refer to the approved applicable standards and their interpretations under European Union Regulation No. 1606/2002.

The following amendments and interpretations to the existing standards have been adopted in the interim financial statements: IAS 27 (amended) Consolidated and separate financial statements and IFRS 3 (revised) Business Combinations. Additional information on the new standards as well as on the amendments and interpretations to the existing standards are available in Citycon's Financial Statements 2010, in Chapter 3 "Changes in IFRS and accounting policies" under the Notes to the Consolidated Financial Statements (see page 21 in the Financial Statements).

3. Segment Information

Citycon's business consists of the regional business units Finland, Sweden and the Baltic Countries.

EUR million	Q4/2010	Q4/2009	Change-%	2010	2009	Change-%
Turnover						
Finland	32.0	32.7	-2.4%	126.5	131.3	-3.7%
Sweden	13.8	12.4	11.7%	52.8	41.0	28.6%
Baltic Countries	4.1	3.8	7.2%	16.7	14.0	19.3%
Total	49.9	48.9	1.9%	195.9	186.3	5.2%
Net rental income						
Finland	22.0	23.0	-4.2%	86.7	92.4	-6.1%
Sweden	6.6	6.1	9.2%	28.7	23.2	23.5%
Baltic Countries	3.1	2.5	22.6%	11.8	9.8	20.1%
Other	0.0	0.0	-	0.0	0.0	-
Total	31.8	31.6	0.5%	127.2	125.4	1.4%
Direct operating profit/loss						
Finland	20.1	21.4	-5.8%	80.9	86.3	-6.2%
Sweden	5.5	5.1	6.4%	24.1	20.0	20.3%
Baltic Countries	2.6	2.2	19.8%	10.6	8.8	19.8%
Other	-3.9	-2.3	65.9%	-10.5	-7.4	42.7%
Total	24.3	26.3	-7.6%	105.0	107.7	-2.5%
Operating profit/loss						
Finland	26.2	6.8	286.6%	107.5	21.2	407.7%
Sweden	7.8	-12.0	-165.3%	46.7	0.3	-
Baltic Countries	5.2	-4.9	-207.0%	14.1	-3.8	-
Other	-3.9	-2.3	65.9%	-10.5	-7.4	42.4%
Total	35.4	-12.4	-385.0%	157.7	10.3	-

EUR million	31 Dec. 2010	31 Dec. 2009	Change-%
Assets			
Finland	1,540.6	1,455.5	5.8%
Sweden	688.8	605.7	13.7%
Baltic Countries	166.8	157.6	5.8%
Other	40.3	34.3	17.4%
Total	2,436.5	2,253.2	8.1%

The change in segment assets was due to the fair value changes in investment properties as well as investments and disposals.

4. Property Operating Expenses

EUR million	Q4/2010	Q4/2009	Change-%	2010	2009	Change-%
Heating and electricity	6.1	5.6	7.4%	22.0	20.2	9.2%
Maintenance expenses	6.0	5.5	9.5%	23.0	19.4	18.8%
Land lease fees and other rents	0.3	0.2	52.3%	1.3	0.8	66.9%
Administrative and management fees	0.7	0.7	-8.2%	2.3	2.5	-7.1%
Marketing expenses	1.6	2.0	-20.3%	5.0	4.4	13.3%
Property insurances	0.0	0.2	-90.7%	0.5	0.7	-31.9%
Property taxes	1.8	1.2	52.7%	6.3	4.7	32.5%
Repair expenses	1.3	1.4	-6.0%	6.5	6.9	-6.4%
Other property operating expenses	0.0	0.0	-27.7%	0.0	0.1	-
Total	17.9	17.0	5.4%	67.4	60.2	12.1%

Two properties had no income during the years 2010 and 2009, but they generated expenses of EUR 0.1 million (EUR 0.7 million)

5. Earnings per Share

	2010	2009
Earnings per share, basic		
Profit/loss attributable to parent company shareholders, EUR million	78.3	-34.3
Average number of shares, million	228.1	221.0
Earnings per share (basic), EUR	0.34	-0.16
Earnings per share, diluted		
Profit/loss attributable to parent company shareholders, EUR million	78.3	-34.3
Expenses from convertible capital loan, the tax effect deducted (EUR million)	4.1	-
Profit used in the calculation of diluted earnings per share (EUR million)	82.5	-34.3
Average number of shares, million	228.1	221.0
Convertible capital loan impact, million	17.5	-
Adjustment for stock options, million	0.0	-
Adjustments for long-term share-based incentive plan, million	0.1	-
Average number of shares used in the calculation of diluted earnings per share, million	245.8	221.0
Earnings per share (diluted), EUR	0.34	-0.16

Incremental shares from assumed conversions or any income or cost related to dilutive potential shares are not included in the year 2009 diluted per-share amounts, because the profit attributable to parent company shareholders was negative.

6. Investment Property

Citycon divides its investment properties into two categories: Investment Properties Under Construction (IPUC) and Operative Investment Properties. At 31 December 2010, the first mentioned category included Espoontori, Kirkkonummen Liikekeskus, Lahden Hansa (Trio), Myllypuro, Martinlaakso and Myyrmanni in Finland as well as Åkersberga Centrum in Sweden.

EUR million	31 Dec. 2010		
	Investment properties under construction (IPUC)	Operative investment properties	Investment properties total
At period-start	269.8	1,877.6	2,147.4
Acquisitions	1.9	4.8	6.8
Investments	69.5	52.2	121.7
Disposals	-3.4	-36.3	-39.7
Capitalized interest	2.2	1.2	3.4
Fair value gains on investment property	2.1	93.6	95.7
Fair value losses on investment property	-14.0	-30.8	-44.9
Exchange differences	5.8	73.0	78.7
Transfers between items	-7.8	6.3	-1.5
At period-end	326.1	2,041.6	2,367.7

EUR million	31 Dec. 2009		
	Investment properties under construction (IPUC)	Operative investment properties	Investment properties total
At period-start	271.8	1,839.9	2,111.6
Acquisitions	0.0	0.0	0.0
Investments	84.4	33.4	117.8
Disposals	-	-2.7	-2.7
Capitalized interest	6.3	1.6	7.9
Fair value gains on investment property	-	5.5	5.5
Fair value losses on investment property	-14.9	-88.0	-102.9
Exchange differences	10.6	17.3	27.9
Transfers between items	-88.3	70.6	-17.7
At period-end	269.8	1,877.6	2,147.4

An external professional appraiser has conducted the valuation of the company's investment properties with a net rental income based cash flow analysis. Market rents, occupancy rate, operating expenses and yield requirement form the key variables used in the cash flow analysis. The segments' yield requirements and market rents used by the external appraiser in the cash flow analysis were as follows:

	Weighted average yield requirement (%)		Weighted average market rents (€/m ²)	
	31 Dec. 2010	31 Dec. 2009	31 Dec. 2010	31 Dec. 2009
Finland	6.4	6.6	23.6	22.5
Sweden	6.1	6.4	24.1	21.3
Baltic Countries	8.1	8.1	21.4	21.4
Average	6.4	6.6	23.6	22.1



7. Investment Properties Held for Sale

In 2010, the Investment Properties Held for Sale included MREC Naantalin Tullikatu 16, which was sold in January 2011. In 2009, the Investment properties held for sale comprised building rights acquired for the Myllypuro development project and 181 residential units in Åkersberga Centrum. Building rights acquired for the Myllypuro development project were sold to three different residential investors through share transactions on 12 January 2010. A gain on sale of EUR 2.3 million was recorded from this transaction. In July 2010, 181 residential units in Åkersberga Centrum were sold to Tegeltornet AB.

EUR million	31 Dec. 2010	31 Dec. 2009
At period-start	26.0	-
Investments	-	8.3
Disposals	-28.5	-
Exchange differences	2.5	-
Transfers from investment properties	1.5	17.7
At period-end	1.5	26.0

8. Cash and Cash Equivalents

Me	31 Dec. 2010	31 Dec. 2009
Cash in hand and at bank	19.4	13.5
Short-term deposits	0.1	6.4
Total	19.5	19.8

9. Derivative Financial Instruments

EUR million	31 Dec. 2010		31 Dec. 2009	
	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate derivatives				
Interest rate swaps				
Maturity:				
less than 1 year	40.0	-1.6	48.8	-1.2
1-2 years	30.0	-0.8	70.0	1.0
2-3 years	161.2	-10.2	60.0	-3.0
3-4 years	202.0	-6.6	262.9	-14.5
4-5 years	123.6	0.5	198.0	-7.3
over 5 years	313.1	0.6	97.9	-4.0
Subtotal	869.8	-18.1	737.6	-29.0
Foreign exchange derivatives				
Forward agreements				
Maturity:				
less than 1 year	-	-	22.0	-0.2
Total	869.8	-18.1	759.7	-29.2

The fair value of derivative financial instruments represents the market value of the instrument with prices prevailing at the end of the period. Derivative financial instruments are used in hedging the interest rate risk of the interest bearing liabilities and foreign currency risk.

The fair values include foreign exchange rate loss of EUR -1.5 million (gain EUR 3.5 million) which is recognised in the statement of comprehensive income under net financial income and expenses.

Hedge accounting is applied for interest rates swaps which have nominal amount of EUR 869.8 million (EUR 713.2 million). The fair values (net of taxes) of these derivatives were EUR -12.3 million (EUR -22.7 million) and the change of these fair values (net of taxes) EUR 3.8 million (EUR -5.0 million) is recognised under other comprehensive income, taking the tax effect into account.

10. Dividends and Return from the Invested Unrestricted Equity Fund

The Board of Directors of Citycon proposes to the Annual General Meeting to be held on 23 March 2011 a dividend of EUR 0.04 per share for the financial year 2010 (EUR 0.04 for the financial year 2009) and a return of EUR 0.10 per share from the invested unrestricted equity fund (EUR 0.10 for the financial year 2009). Proposal for dividends and return from the invested unrestricted equity fund hasn't been recognised in the consolidated financial statements on 31 December 2010.

Dividend and equity return of EUR 30.9 million for the financial year 2009 (EUR 30.9 million for the financial year 2008) were paid on 7 April 2010.

11. Interest-bearing Liabilities

During the period, repayments of interest-bearing debt amounted to EUR 138.7 million were made in line with previously disclosed repayment terms.

Other proceeds and repayments from/of long-term loans in the cash-flow statement arose from the use of revolving credit facilities and new term loans.

12. Contingent Liabilities

EUR million	31 Dec. 2010	31 Dec. 2009
Mortgages on land and buildings	36.9	42.9
Bank guarantees	43.4	45.4
Capital commitments	32.3	44.0
VAT refund liabilities	51.2	46.2

On 31 December 2010, Citycon had capital commitments of EUR 32.3 million (EUR 44.0 million) relating mainly to development and re-development projects.

13. Related Party Transactions

Citycon Group's related parties comprise the parent company, subsidiaries, associated companies, minority companies, Board members, CEO, Corporate Management Committee members and Gazit-Globe Ltd., whose shareholding in Citycon Oyj accounted for 47.3 per cent on 31 December 2010 (31 December 2009: 47.9%). During 2010 and 2009, Citycon had significant transactions with Gazit-Globe Ltd. as follows.

Convertible capital loan

The outstanding amount of convertible capital loan was EUR 71.3 million on 31 December 2010 (EUR 76.5 million on 31 December 2009) and the carrying amount was EUR 66.3 million on 31 December 2010 (EUR 69.3 million). Based on the information Citycon has received, Gazit-Globe Ltd. held 58.9 per cent (54.9%) out of the outstanding amount of convertible capital loan, i.e. EUR 39.1 million (EUR 38.1 million) out of the carrying amount of convertible capital loan on 31 December 2010. Total of EUR 1.9 million (EUR 1.9 million) out of the convertible capital loan annual coupon payment made in 2010 belong to Gazit-Globe Ltd. and EUR 0.8 million (EUR 0.8 million) out of the convertible capital loan interest liability on 31 December 2010.

Purchases of services

Citycon has paid flight and travel expenses of EUR 0.6 million to MGN Icarus Inc., a subsidiary of Gazit-Globe Ltd., and of EUR 0.0 million to Gazit-Globe Ltd.. Trade payables of EUR 0.2 million arose from the purchases of services and they were non-interest bearing.

Share issue 2010

In September 2010, the company issued 22 million new shares in a share issue directed to Finnish and international institutional investors, raising approximately EUR 63 million in new equity. Gazit-Globe Ltd. subscribed 10 million shares in this share issue.

14. Key Figures

Me	Q4/2010	Q4/2009	Change-%	2010	2009	Change-%
Earnings per share (basic), EUR	0.06	-0.11	-	0.34	-0.16	-
Earnings per share (diluted), EUR	0.06	-0.11	-	0.34	-0.16	-
Equity per share, EUR				3.47	3.31	5.0%
Equity ratio,%				37.1	34.2	8.6%

The formulas for key figures can be found from the 2010 annual financial statements.

Financial Reports in 2011

Citycon will publish its Annual and Sustainability Report 2010 on the corporate website in week 8 of 2011 at the latest, and in print in week 9 of 2011 at the latest.

Citycon will issue three interim reports during the financial year 2011 as follows:

January–March 2011, on Wednesday 4 May 2011, at approximately 9.00 a.m.

January–June 2011, on Wednesday 13 July 2011, at approximately 9.00 a.m. and

January–September 2011, on Wednesday 12 October 2011, at approximately 9.00 a.m.

Annual General Meeting

Citycon Oyj will hold its Annual General Meeting at Marina Congress Center, Katajanokanlaituri 6, Helsinki, Finland, on Wednesday 23 March 2011, starting at 2.00 p.m.

For more investor information, please visit the corporate website at www.citycon.com.

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