Financial Statements 2010

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REPORT BY THE BOARD OF DIRECTORS

SUMMARY OF THE YEAR 2010 COMPARED WITH THE PREVIOUS YEAR

- Turnover grew by 5.2 per cent to EUR 195.9 million (2009: EUR 186.3 million). This increase was due to the growth in gross leasable area and active development of the retail properties. Turnover growth was reduced by a slightly higher vacancy rate during the course of the year, residential divestments in Sweden and the start-up of new (re)development projects. Turnover from like-for-like properties increased by 0.9 per cent excluding the impact of strengthened Swedish krona.
- Profit/loss before taxes was EUR 102.8 million (EUR -37.5 million), including a EUR 50.8 million (EUR -97.4 million) change in the fair value of investment properties.
- Net rental income increased by 1.4 per cent to EUR 127.2 million (EUR 125.4 million). The growth in net rental income was slowed down by higher property operating expenses due to severe winter conditions and prevailing low inflation level. If the impact of the strengthened Swedish krona is excluded, net rental income decreased by 0.7 per cent.
- Net rental income from like-for-like properties decreased by 0.3 per cent excluding the impact of strengthened Swedish krona, due mainly to higher property operating expenses than in the previous year. Additionally, prevailing low inflation resulted in very low indexation-based rental increases.
- The fair value change of investment properties was EUR 50.8 million (EUR -97.4 million), and the fair value of investment properties totalled EUR 2,367.7 million (EUR 2,147.4 million).
- The average net yield requirement for investment properties decreased to 6.4 per cent (6.6%) at the end of the period, according to an external appraiser.
- The company's direct result decreased to EUR 47.3 million (EUR 50.9 million).
- Direct result per share (diluted) was EUR 0.21 (EUR 0.23). The decrease in direct operating profit and increased financial expenses were compensated by lower direct income taxes.
- Earnings per share were EUR 0.34 (EUR -0.16). Changes in the fair value of investment properties have a substantial impact on earnings per share.
- The occupancy rate was 95.1 per cent (95.0%).
- Net cash from operating activities per share decreased to EUR 0.09 (EUR 0.30) due to lower direct operating profit, extraordinary items and timing differences.
- The equity ratio rose to 37.1 per cent (34.2%).
- Net financial expenses increased to EUR 54.9 million (EUR 47.7 million).
- On the basis of Citycon's loan agreement covenants, its interest coverage ratio was 2.0x (2.3x) and equity ratio 39.4 per cent (40.6%).
- In September, the company issued 22 million new shares in a share issue directed to Finnish and international institutional investors, raising approximately EUR 63 million in new equity.
- The company's financial position improved during the period, due to a share issue and new loan agreements. Total liquidity at the end of the reporting period was EUR 245.0 million, including unutilised committed credit facilities amounting to EUR 225.5 million and EUR 19.5 million in cash.
- The company announced changes in its management. Citycon's CEO Petri Olkinuora will leave his position as of 23 March 2011. Kaisa Vuorio, Vice President, Finnish Operations, left her position on 19 October 2010. The one-off cost for executive changes to the company totalled EUR 1.3 million.
- During the year, the company finalised the sale of apartments located in Åkersberga Centrum, Jakobsbergs Centrum and Liljeholmstorget in Sweden. The selling price amounted to SEK 477 million (approx. EUR 49.5 million).
- At the end of the financial year, the company had three major (re)development projects underway. The estimated total investments in all current projects total approximately EUR 100 million.
- The Board of Directors proposes a per-share dividend of EUR 0.04 (EUR 0.04) and a return of equity from invested unrestricted equity fund of EUR 0.10 (EUR 0.10) per share.

KEY FIGURES

	Q4/2010	Q4/2009	Q3/2010	2010	2009	Change-% 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 NNNAV per share, EUR			3.37	3.49	3.35	4.1%
Equity ratio, %			35.9	37.1	34.2	8.6%
Gearing, %			153.4	153.1	169.5	-9.7%
Net interest-bearing debt (fair value), EUR million			1,343.1	1,386.0	1,312.2	5.6%
Net rental yield, %			5.9	5.8	6.1	-
Net rental yield, like-for-like properties, %			6.5	6.5	6.6	-
Occupancy rate (economic), %			94.5	95.1	95.0	0.1%
Personnel (at the end of the period)			123	129	119	8.4%
Dividend per share, EUR				0.04 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 the fair value of all financial instruments is excluded from the net asset value.

3) Proposal by the Board of Directors.

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

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

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 valuates 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.

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 shareof gross rent paid by a tenant to Citycon, of the tenant's sales, excluding VAT. The VAT percentage is an estimate.

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.

Changes in the Group structure during the year 2010 are presented in greater detail on page 42 in the Financial Statements.

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**

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.

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 footfall reached expected levels towards the end of 2010, while net rental income remained lower than targeted.

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

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

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

(Re)development Projects in Progress

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

The total budget for the construction project is approximately SEK 467 million (EUR 51 million), of which Citycon's share is 75 per cent. The leasable area of the shopping centre will grow by approximately 13,000 square metres. In addition to the refurbishment of the existing premises, additional parking facilities will be built for 350 vehicles. The shopping centre will remain open throughout the project. As is common in Swedish shopping centres, Åkersberga Centrum offers many 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.

(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
Espoontori	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
Myyrmanni	Vantaa, Finland	4.8	4.2	2011
Kirkkonummen liikekeskus	Kirkkonummi, Finland	4.0	1.6	2011

1) Calculated at end of period exchange rates.

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

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

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

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

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

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

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

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

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

Capital expenditure during 2010 on all (re)development projects amounted to EUR 69.5 (EUR 24.2 million) million in Finland, EUR 49.4 (EUR 95.9 million) million in Sweden and EUR 6.0 (EUR 13.9 million) million in the Baltic countries.

(Re)development Projects under Planning

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

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

BUSINESS UNITS

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

Finland

Citycon is the market leader in the Finnish shopping centre business. In 2010, Citycon's market share was approximately 23 per cent of the Finnish shopping centre market (source: Entrecon). 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.

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

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.

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

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.

unit accounted for 9.3 per cent of Citycon's total net rental income.

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

TURNOVER AND PROFIT

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

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

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

Citycon Group paid a total of EUR 8.7 million (EUR 8.2 million) in salaries and other remuneration, of which the share of the Group's managing directors' salaries and other remuneration was EUR 0.4 million (EUR 0.4 million) and the share of the Board of Directors EUR 0.7 million (EUR 0.6 million). The parent company paid a total of EUR 7.4 million (EUR 6.4 million) in salaries and other remuneration, of which the share of the CEO's salary and remuneration was EUR 0.4 million (EUR 0.4 million) and the share of the Board of Directors EUR 0.7 million (EUR 0.6 million).

Three-year key figures – Personnel

	2010	2009	2008
Average number of personnel	123	117	109
Salaries and other remuneration, EUR million	8.7	8.2	7.6

INVESTMENTS AND DIVESTMENTS

Citycon's reported gross capital expenditure during the year totalled EUR 133.7 million (EUR 134.6 million). Of this, property acquisitions accounted for EUR 4.2 million (EUR 0.0 million), agreed purchase price adjustments related to property 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 for 9.0 per cent of shares outstanding after the issue.

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

LOAN MARKET TRANSACTIONS

Loan Agreements

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

Buybacks of Convertible Bonds

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

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

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

The terms and conditions of the convertible bonds in more detail are presented on page 35 in the Financial Statements.

SHORT-TERM RISKS AND UNCERTAINTIES

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

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

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

The refurbishment and redevelopment of retail properties is an integral part of Citycon's growth strategy. Implementation of this strategy requires both equity and debt financing. Due to the financial crisis, the financial market weakened markedly in 2008 and the situation remained challenging throughout 2009. Banks' willingness to lend money to property investment companies has not recovered to pre-crisis levels, although the availability, and pricing, of financing markedly improved during 2010. The stricter regulations of banks in the future will maintain the abnormally high costs of bank financing. In particular, the cost of long-term unsecured bank loans will probably be much higher in coming years than before the financial crisis. The majority of Citycon's bank loan agreements concluded prior to the financial crisis will mature between 2011 and 2014. Refinancing these will most probably involve higher loan margins. Higher loan margins, together with the expected general rise in interest rates, will most probably lead to more expensive debt financing in coming years.

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

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

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

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

ENVIRONMENTAL RESPONSIBILITY

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

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

Environmental responsibility results 2010 vs. 2009

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

Energy

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

Carbon footprint

Energy consumption by properties constitutes 98.6 per cent (98.8%) of the carbon footprint. Consequently, the increase in the carbon footprint was mainly caused by the higher consumption of heating energy. In 2010, the carbon footprint totalled 64,129 tonnes of CO2 equivalent (56,948 $tnCO_2e$). 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.

LEGAL PROCEEDINGS

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

GENERAL MEETINGS OF SHAREHOLDERS IN 2010

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

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

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

BOARD OF DIRECTORS

Under the Articles of Association, the Board of Directors consists of a minimum of five and a maximum of ten members (Directors) who are elected by the Annual General Meeting for a term of one year at a time. A Director may only be dismissed upon a decision by the General Meeting of shareholders. Amendments to the Articles of Association may be adopted only by the General Meeting of shareholders and require a 2/3 majority vote.

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

AUDITOR

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

SHAREHOLDERS, SHARE CAPITAL AND SHARES

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

Trading and Share Performance

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

Shareholders

The number of Citycon's Finnish shareholders continued to increase during the year. On 31 December 2010, Citycon had a total of 4,409 (3,733) registered shareholders, of which nine were account managers of nominee-registered shares. Nominee-registered and other international shareholders held 209.6 million (198.7 million) shares, or 85.7 per cent (89.9%) of the company's share capital and voting rights. Information on the company's major shareholders and on the breakdown of shareholdings as well as on the notifications of changes in shareholdings received during the year can be found on page 51 of the Financial Statements.

Share Capital and Shares

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

	2004C
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.*

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

The members of the Board of Directors of Citycon, its CEO, the other Corporate Management Committee members and related parties held a total of 561,413 company shares on 31 December 2010. These shareholdings represent 0.2 per cent of the company's total shares and total voting rights.

At year end 2010, the CEO of Citycon held a total of 140,000 stock options 2004C. Other members of the Corporate Management Committee jointly held a total of 210,000 stock options 2004C. The maximum number of shares that can be subscribed through exercise of these outstanding stock options amounts to 424,445 new shares. Members of the Board of Directors do not participate in the company's share-based incentive plans.

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

Information on the company's CEO's executive contract and its terms and conditions can be found on page 41 in the Financial Statements.

EVENTS AFTER THE FINANCIAL YEAR

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

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

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

BOARD PROPOSAL FOR DIVIDEND DISTRIBUTION AND DISTRIBUTION OF ASSETS FROM THE INVESTED UNRESTRICTED EQUITY FUND

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

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

Moreover, the Board of Directors proposes that the loss for the period is recognised in retained earnings.

In the view of the Board of Directors, the proposed distribution of profits and the return of equity do not pose a risk to the company's solvency.

OUTLOOK

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

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

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

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

Helsinki, 8 February 2011

Citycon Oyj
Board of Directors

EPRA PERFORMANCE MEASURES

	2010	2009
Direct result (EPRA Earnings), EUR million	47.3	50.9
Direct result per share, diluted (Diluted EPRA EPS), EUR	0.21	0.23
EPRA NAV, EUR [1]	3.79	3.64
EPRA NNNAV, EUR	3.49	3.35
EPRA Net Initial Yield (NIY) (%)	6.3	6.9
EPRA "topped-up" NIY (%)	6.4	7.1
EPRA vacancy rate (%)	4.9	5.0

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

The following tables, numbers 1 - 5, present how EPRA Performance Measures are calculated. Tables 6 - 8 present the EPRA Key Performance Measures for the last 5 years and direct result on a quarterly basis.

1) DIRECT RESULT

EUR million	2010	2009
DIRECT RESULT		
Net rental income	127.2	125.4
Direct administrative expenses	-22.5	-17.7
Direct other operating income and expenses	0.3	0.0
Direct operating profit	**105.0**	**107.7**
Direct net financial income and expenses	-55.1	-47.7
Direct current taxes	-0.6	-6.2
Change in direct deferred taxes	-0.3	-0.2
Direct non-controlling interest	-1.8	-2.8
Total	**47.3**	**50.9**
INDIRECT RESULT		
Net fair value gains/losses on investment property	50.8	-97.4
Profit/loss on disposal of investment property	2.6	0.1
Indirect administrative expenses	-0.8	-0.1
Movement in fair value of financial instruments	0.2	-0.1
Indirect current taxes	-	-0.3
Change in indirect deferred taxes	-11.6	7.3
Indirect non-controlling interest	-10.3	5.3
Total	**31.1**	**-85.2**
Profit/loss for the period attributable to parent company shareholders	**78.3**	**-34.3**

2) DIRECT RESULT PER SHARE

EUR million	2010	2009
Direct result per share, diluted (Diluted EPRA EPS)		
Direct result (EUR million) (Table 1)	47.3	50.9
Expenses from convertible capital loan, the tax effect deducted (EUR million)	4.1	4.2
Profit used in the calculation of diluted direct result per share (EUR million)	51.4	55.1
Average number of shares, million	228,148.2	221,035.1
Convertible capital loan impact, million	17,519.6	18,466.5
Adjustments for stock options, million	1.8	-
Adjustments for long-term share-based incentive plan, million	136.8	0.5
Diluted average number of shares, million	245,806.3	239,502.1
Direct result per share, diluted (Diluted EPRA EPS), EUR	**0.21**	**0.23**

[1] *Calculation of the number of shares is presented in Note 16. Earnings per share.*

3) EPRA NAV AND EPRA NNNAV

	EUR million	Number of shares on the balance sheet date (1,000)	per share, EUR
2010			
Equity attributable to parent company shareholders	849.5	244,565.0	3.47
Deferred taxes from the difference between the fair value and fiscal value of investment properties	59.7	244,565.0	0.24
Fair value of financial instruments 1)	18.8	244,565.0	0.08
Net asset value (EPRA NAV)	928.1	244,565.0	3.79
Deferred taxes from the difference between the fair value and fiscal value of investment properties	-59.7	244,565.0	-0.24
Difference between the secondary market price and fair value of bonds and capital loans 2)	3.6	244,565.0	0.01
Fair value of financial instruments 1)	-18.8	244,565.0	-0.08
EPRA NNNAV	853.1	244,565.0	3.49

	EUR million	Number of shares on the balance sheet date (1,000)	per share, EUR
2009			
Equity attributable to parent company shareholders	731.1	221,059.7	3.31
Deferred taxes from the difference between the fair value and fiscal value of investment properties	48.7	221,059.7	0.22
Fair value of financial instruments 1)	24.8	221,059.7	0.11
Net asset value (EPRA NAV)	804.6	221,059.7	3.64
Deferred taxes from the difference between the fair value and fiscal value of investment properties	-48.7	221,059.7	-0.22
Difference between the secondary market price and fair value of bonds and capital loans 2)	9.5	221,059.7	0.04
Fair value of financial instruments 1)	-24.8	221,059.7	-0.11
EPRA NNNAV	740.6	221,059.7	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 NNNAV in accordance with EPRA's recommendations, the shareholders' equity is adjusted using EPRA's guidelines so that bonds and capital loans are valued based on secondary market prices. In accordance with Citycon's accounting policies, the carrying amount and fair value of bonds and capital loans are different from this secondary market price. Due to this, in the calculation of this key figure subordinated capital loan 1/2005, convertible capital loan 1/2006 and bond 1/2009 have been in valued using the price derived secondary market on the balance sheet date. The secondary market price for convertible capital loan 1/2006 was 95.50 per cent (87.50%) and for Bond 1/2009 99.00 per cent (100.00%) as of 31 December 2010. The secondary market price for subordinated capital loan 1/2005 was 100.08 per cent as of 31 December 2009. The difference between the secondary market price and the fair value of the bonds and capital loans was EUR 3.6 million (EUR 9.5 million) as of 31 December 2010.

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

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

5) EPRA VACANCY RATE (%)

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

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

6) EPRA PERFORMANCE MEASURES FOR FIVE YEARS

	2010	2009	2008	2007	2006
Direct result (EPRA Earnings), EUR million	47.3	50.9	43.8	38.3	30.4
Direct result per share, diluted (Diluted EPRA EPS), EUR	0.21	0.23	0.20	0.19	0.19
EPRA NAV, EUR	3.79	3.64	3.96	4.80	3.54
EPRA NNNAV, EUR	3.49	3.35	3.80	4.42	3.14
EPRA Net Initial Yield (NIY) (%)	6.3	6.9	N/A	N/A	N/A
EPRA "topped-up" NIY (%)	6.4	7.1	N/A	N/A	N/A
EPRA vacancy rate (%)	4.9	5.0	4.0	4.3	2.9

7) DIRECT AND INDIRECT RESULT FOR FIVE YEARS

EUR million	2010	2009	2008	2007	2006
Direct result					
Net rental income	127.2	125.4	121.8	103.4	82.8
Direct administrative expenses	-22.5	-17.7	-16.5	-16.5	-12.3
Direct other operating income and expenses	0.3	0.0	0.1	0.5	0.6
Direct operating profit	**105.0**	**107.7**	**105.3**	**87.4**	**71.1**
Direct net financial income and expenses	-55.1	-47.7	-54.2	-44.7	-32.0
Direct current taxes	-0.6	-6.2	-4.8	-3.4	-5.5
Change in direct deferred taxes	-0.3	-0.2	0.2	-0.2	-3.0
Direct non-controlling interest	-1.8	-2.8	-2.8	-0.9	-0.3
Total	**47.3**	**50.9**	**43.8**	**38.3**	**30.4**
Direct result per share (diluted), (diluted EPRA EPS), EUR	0.21	0.23	0.20	0.19	0.19
Indirect result					
Net fair value gains/losses on investment property	50.8	-97.4	-216.1	211.4	120.1
Profit/loss on disposal of investment property	2.6	0.1	0.1	-0.1	5.9
Indirect administrative expenses	-0.8	-0.1	-0.4	0.0	-0.6
Indirect other operating income and expenses	-	-	6.0	0.0	-
Indirect one-off financial income and expenses (net)	-	-	-	-	-0.9
Movement in fair value of financial instruments	0.2	-0.1	-3.1	-0.6	2.0
Indirect current taxes	-	-0.3	-1.8	0.0	-1.9
Change in indirect deferred taxes	-11.6	7.3	29.7	-46.0	-28.8
Indirect non-controlling interest	-10.3	5.3	17.6	-2.7	-1.3
Total	**31.1**	**-85.2**	**-167.9**	**162.1**	**94.5**
Indirect result per share, diluted, EUR	0.13	-0.39	-0.76	0.71	0.54
Profit/loss for the period attributable to parent company shareholders	78.3	-34.3	-124.1	200.3	124.9

8) DIRECT AND INDIRECT RESULT QUARTERLY

EUR million	Q4/2010	Q3/2010	Q2/2010	Q1/2010
Direct result				
Net rental income	31.8	33.0	31.8	30.6
Direct administrative expenses	-7.6	-5.0	-5.5	-4.3
Direct other operating income and expenses	0.2	0.1	0.0	0.1
Direct operating profit	**24.3**	**28.0**	**26.3**	**26.4**
Direct net financial income and expenses	-14.1	-14.0	-14.2	-12.9
Direct current taxes	4.1	-1.5	-1.4	-1.8
Change in direct deferred taxes	-0.4	0.1	-0.1	0.1
Direct non-controlling interest	-0.5	-0.3	-0.6	-0.4
Total	**13.5**	**12.3**	**10.1**	**11.4**
Direct result per share (diluted), (diluted EPRA EPS), EUR	0.06	0.06	0.05	0.05
Indirect result				
Net fair value gains/losses on investment property	11.3	15.8	22.9	0.8
Losses/profit on disposal of investment property	-0.1	-0.8	0.3	3.3
Indirect administrative expenses	-0.2	-0.2	-0.3	-0.2
Movement in fair value of financial instruments	0.7	0.0	-0.3	-0.2
Indirect current taxes	1.2	-	-0.6	-0.6
Change in indirect deferred taxes	-9.2	-1.8	0.0	-0.6
Indirect non-controlling interest	-2.8	-2.7	-3.8	-0.9
Total	**0.9**	**10.2**	**18.3**	**1.6**
Indirect result per share, diluted, EUR	0.00	0.04	0.08	0.01
Profit/loss for the period attributable to parent company shareholders	14.4	22.5	28.4	13.0

EUR million	Q4/2009	Q3/2009	Q2/2009	Q1/2009
Direct result				
Net rental income	31.6	32.5	31.0	30.3
Direct administrative expenses	-5.3	-3.9	-3.9	-4.6
Direct other operating income and expenses	0.0	0.0	0.0	0.0
Direct operating profit	**26.3**	**28.6**	**27.1**	**25.7**
Direct net financial income and expenses	-11.9	-11.7	-12.1	-12.0
Direct current taxes	-1.2	-2.0	-1.5	-1.4
Change in direct deferred taxes	-0.1	0.1	-0.2	0.0
Direct non-controlling interest	-0.6	-0.7	-0.7	-0.7
Total	**12.5**	**14.2**	**12.6**	**11.6**
Direct result per share (diluted), (diluted EPRA EPS), EUR	0.06	0.06	0.06	0.05
Indirect result				
Net fair value gains/losses on investment property	-38.6	-1.2	-26.0	-31.6
Losses/profit on disposal of investment property	-	-	-	0.1
Indirect administrative expenses	-0.1	-	-	-
Movement in fair value of financial instruments	-0.1	0.0	0.3	-0.3
Indirect current taxes	-	-	-	-0.3
Change in indirect deferred taxes	1.4	-0.4	4.7	1.5
Indirect non-controlling interest	1.1	0.7	1.4	2.2
Total	**-36.3**	**-0.9**	**-19.5**	**-28.4**
Indirect result per share, diluted, EUR	-0.16	0.00	-0.09	-0.13
Profit/loss for the period attributable to parent company shareholders	-23.8	13.3	-7.0	-16.8

CITYCON OYJ'S CONSOLIDATED FINANCIAL STATEMENTS FOR 1 JANUARY – 31 DECEMBER 2010

Business-ID 0699505-3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

EUR million	Note	1 Jan.-31 Dec. 2010	1 Jan.-31 Dec. 2009
Gross rental income	6	185.9	177.8
Service charge income		10.0	8.5
Turnover	7	**195.9**	**186.3**
Property operating expenses	8, 11	67.4	60.2
Other expenses from leasing operations	9	1.3	0.7
Net rental income		**127.2**	**125.4**
Administrative expenses	10, 11, 12	23.3	17.8
Other operating income and expenses	13	0.3	0.0
Net fair value gains/losses on investment property	17	50.8	-97.4
Profit/losses on disposal of investment property	17, 23	2.6	0.1
Operating profit/loss		**157.7**	**10.3**
Financial income		73.7	50.8
Financial expenses		-128.6	-98.5
Net financial income and expenses	14	-54.9	-47.7
Profit/loss before taxes		**102.8**	**-37.5**
Current taxes		-0.6	-6.5
Change in deferred taxes		-11.8	7.0
Income taxes	15, 20	-12.5	0.6
Profit/ loss for the period		**90.4**	**-36.9**
Profit/loss attributable to			
Parent company shareholders		78.3	-34.3
Non-controlling interest		12.0	-2.6
Earnings per share attributable to parent company shareholders:			
Earnings per share (basic), EUR	16	0.34	-0.16
Earnings per share (diluted), EUR	16	0.34	-0.16
Other comprehensive income/expenses			
Net gains/losses on cash flow hedges	14	5.1	-6.7
Income taxes relating to cash flow hedges	15, 20	-1.3	1.8
Exchange gains/losses on translating foreign operations		3.1	2.0
Other comprehensive income/expenses for the period, net of tax		**6.9**	**-3.0**
Total comprehensive profit/loss for the period		**97.3**	**-39.9**
Total comprehensive profit/loss attributable to			
Parent company shareholders		83.4	-38.4
Non-controlling interest		13.9	-1.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

EUR million	Note	31 Dec. 2010	31 Dec. 2009
ASSETS			
Non-current assets			
Investment properties	17	2,367.7	2,147.4
Property, plant and equipment	18	1.0	0.7
Intangible assets	19	1.5	0.9
Deferred tax assets	20	5.6	8.6
Derivative financial instruments and other non-current assets	21, 22	2.3	3.8
Total non-current assets		**2,378.1**	**2,161.4**
Investment properties held for sale	23	**1.5**	**26.0**
Current assets			
Trade and other receivables	21, 24	37.4	46.1
Cash and cash equivalents	21, 25	19.5	19.8
Total current assets		**56.9**	**65.9**
Total assets		**2,436.5**	**2,253.2**

EUR million	Note	31 Dec. 2010	31 Dec. 2009
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity attributable to parent company shareholders	26		
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
Translation reserve		-8.2	-9.5
Retained earnings		287.0	217.3
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**
LIABILITIES			
Long-term liabilities			
Loans	21, 27	1,212.4	1,175.4
Derivative financial instruments	21, 22	18.7	29.4
Financial liabilities at fair value through profit and loss	21, 22	-	2.2
Deferred tax liabilities	20	62.6	50.0
Other liabilities	21	0.5	1.0
Total long-term liabilities		**1,294.2**	**1,257.9**
Short-term liabilities			
Loans	21, 27	185.3	146.3
Derivative financial instruments	21, 22	1.6	1.5
Trade and other payables	21, 28	55.3	79.7
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**

CONSOLIDATED CASH FLOW STATEMENT, IFRS

EUR million	Note	1 Jan. -31 Dec. 2010	1 Jan. - 31 Dec. 2009
Cash flow from operating activities			
Profit/loss before taxes		**102.8**	**-37.5**
Adjustments:			
Depreciation and amortisation	12, 30	0.8	0.7
Net fair value gains/losses on investment property	17, 30	-50.8	97.4
Profit/losses on disposal of investment property	17, 23, 30	-2.6	-0.1
Financial income	14, 30	-73.7	-50.8
Financial expenses	14, 30	128.6	98.5
Other adjustments		0.0	0.0
Cash flow before change in working capital		105.1	108.3
Change in working capital	30	2.9	10.7
Cash generated from operations		**108.0**	**119.0**
Interest expenses and other financial expenses paid		-68.0	-54.4
Interest income and other financial income received		0.5	0.3
Realised exchange rate losses and gains		-10.6	11.8
Taxes paid		-9.9	-10.4
Net cash from operating activities		**20.0**	**66.2**
Cash flow from investing activities			
Capital expenditure on investment properties	17	-132.7	-130.5
Capital expenditure on PP&E and intangible assets	18, 19	-1.0	-0.4
Sale of investment properties	17, 23	66.3	3.1
Net cash used in investing activities		**-67.5**	**-127.9**
Cash flow from financing activities			
Sale of treasury shares	26	0.2	-
Proceeds from share issue	26	62.2	-
Share subscriptions based on stock options	26	3.3	-
Proceeds from short-term loans	27	109.0	149.7
Repayments of short-term loans	27	-192.6	-77.1
Proceeds from long-term loans	27	346.5	295.1
Repayments of long-term loans	27	-252.2	-273.0
Dividends and return from the invested unrestricted equity fund	26	-31.2	-30.9
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	25	19.8	16.7
Effects of exchange rate changes		2.0	1.0
Cash and cash equivalents at period-end	25	**19.5**	**19.8**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, IFRS

EUR million	Share capital	Share premium fund	Fair value reserve	Invested unrestricted equity fund	Translation reserve	Retained earnings	Total	Non-controlling interest	Total shareholders' equity
	Equity attributable to parent company shareholders								
Balance at 31 Dec. 2008	259.6	131.1	-17.7	177.3	-10.3	259.1	799.1	38.2	837.3
Loss for the period						**-34.3**	**-34.3**	**-2.6**	**-36.9**
Net losses/gains on cash flow hedges, net of tax (Notes 14, 15 and 20)			-5.0				-5.0		-5.0
Exchange gains/losses on translating foreign operations					0.8		0.8	1.2	2.0
Total other comprehensive expenses/income for the period, net of tax			**-5.0**		**0.8**		**-4.1**	**1.2**	**-3.0**
Total comprehensive loss/profit for the period			**-5.0**		**0.8**	**-34.3**	**-38.4**	**-1.4**	**-39.9**
Recognised gain in the equity arising from convertible bond buybacks (Note 27)						1.1	1.1		1.1
Sale of treasury shares (Note 26)				0.0			0.0		0.0
Dividends and return from the invested unrestricted equity fund (Note 26)				-22.1		-8.8	-30.9		-30.9
Share-based payments (Notes 26 and 29)						0.2	0.2		0.2
Acquisition of non-controlling interests								0.0	0.0
Balance at 31 Dec. 2009	259.6	131.1	-22.7	155.2	-9.5	217.3	731.1	36.8	767.9
Profit for the period						**78.3**	**78.3**	**12.0**	**90.4**
Net gains/losses on cash flow hedges, net of tax (Notes 14, 15 and 20)			3.8				3.8		3.8
Exchange gains/losses on translating foreign operations					1.2		1.2	1.9	3.1
Total other comprehensive income/expenses for the period, net of tax			**3.8**		**1.2**		**5.0**	**1.9**	**6.9**
Total comprehensive profit/loss for the period			**3.8**		**1.2**	**78.3**	**83.4**	**13.9**	**97.3**
Share issue (Note 26)				62.2			62.2		62.2
Share subscriptions based on stock options (Notes 26 and 29)				3.3			3.3		3.3
Recognised gain in the equity arising from convertible bond buybacks (Note 27)						0.0	0.0		0.0
Sale of treasury shares (Note 26)				0.2			0.2		0.2
Dividends and return from the invested unrestricted equity fund (Note 26)				-22.1		-8.8	-30.9		-30.9
Share-based payments (Notes 26 and 29)						0.3	0.3		0.3
Balance at 31 Dec. 2010	259.6	131.1	-18.8	198.8	-8.2	287.0	849.5	50.7	900.2

1. BASIC COMPANY DATA

As a real estate investment company specialising in retail properties, Citycon operates largely in the Helsinki Metropolitan Area and Finland's major regional centres as well as in Sweden and the Baltic Countries. Citycon is a Finnish, public limited liability company established under Finnish law and domiciled in Helsinki, the address of its registered office being Pohjoisesplanadi 35 AB, FI-00100 Helsinki. The Board of Directors has approved the financial statements on 8 February 2011. In accordance with Finnish Company Law, annual general meeting has the right to not approve the financial statements approved by the Board of Directors and return the financial statements back to the Board of Directors for a correction.

A copy of Citycon's Consolidated Financial Statements is available on the corporate website at www.citycon.fi and from the Group's headquarters at the address Pohjoisesplanadi 35 AB, FI-00100 Helsinki, Finland.

2. BASIS OF PREPARATION

Citycon has prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and applied the IFRS/IAS standards, effective as of 31 December 2010, which refer to the approved applicable standards and their interpretations under European Union Regulation No. 1606/2002. Notes to the consolidated financial statements are also in compliance with Finnish accounting legislation and Community legislation. In addition, the best practices policy recommendations of the European Public Real Estate Association (EPRA) have been applied in preparing Citycon's financial statements. EPRA is the representative body of the publicly traded real estate sector in Europe, publishing recommendations on the presentation of financial information for the sector.

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised for the period in which the estimate is revised if the revision affects only that period, or in the current and future periods if the revision affects both current and future periods. The section 'Management's judgement in applying the most significant accounting policies and other key assumptions about future risks and uncertainties' below provides a more detailed description of the factors underlying judgements and assumptions.

3. CHANGES IN IFRS AND ACCOUNTING POLICIES

3.1 New standards as well as interpretations and changes applied in 2010

The following new standards as well as amendments and interpretations to the existing standards have been adopted in the financial statements 2010:

IAS 27 (amended) Consolidated and separate financial statements (effective from 1 July 2009). The amended standard requires the effects of changes in ownership interests in subsidiaries to be recognised directly in equity, if there is no change in control. The standard also specifies accounting when control is lost. In such a case, any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

IFRS 3 (revised) Business combinations (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, but with some significant changes compared to the earlier version of IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured to fair value through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The revised standard requires that all acquisition-related costs be expensed.

3.2 Interpretations effective in 2010 but not relevant to the Group

The following new standards and changes have been published and they are mandatory for accounting periods beginning on or after 1 January 2010 but did not have impact on Citycon in 2010:

- IFRIC 17 Distribution of non-cash assets to owners,
- IFRIC 18 Transfers of assets from customers,
- IFRIC 9 (amendment) Reassessment of embedded derivatives and IAS 39 (amendment) Financial instruments: Recognition and measurement,
- IFRS 2 (amendment) Group cash-settled share-based payment transactions,

In addition, as a result of the Annual Improvements process of the International Accounting Standards Board (IASB), several minor amendments entered into effect. These Improvements to IFRS had no major effect on Citycon's Financial Statements 2010.

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

The following standards and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2011 or later periods, but the group has not early adopted them. These are not relevant to Citycon, because according to the company's current view, they will not significantly change its accounting policies.

- IAS 12 Deferred tax: Recovery of Underlying Asset,
- IFRS 9 Financial instruments: Classification and measurement,
- IAS 24 Related party disclosures,
- IAS 32Classification of rights issues,
- IFRIC 19 Extinguishing financial liabilities with equity instruments,
- IFRIC 14 Prepayments of a minimum funding requirement,
- IFRS 7 Disclosures: transfers in the financial assets.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Group accounting

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

Subsidiaries refer to companies in which the Group holds a controlling interest. This controlling interest implies that the Group has the power to govern the entity's financial and operating policies for the purpose of profiting from its operations. The consolidated financial statements have been prepared in accordance with the historical cost convention, under which the historical cost of subsidiary shares in the parent company's non-current assets has been eliminated against the shareholders' equity of the subsidiary on the date of the subsidiary's acquisition. The portion of the acquired company's net assets exceeding their carrying amounts on the acquisition date has primarily been allocated to land and buildings up to their fair value. Subsidiaries are consolidated from the date on which control is transferred to the Group, until the date on which said control ceases.

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

Mutual real estate companies refer to jointly controlled assets included in the consolidated financial statements using proportionate consolidation, as required by IAS 31 Interests in Joint Ventures, whereby the Group's share of assets, liabilities, income and expenses are included in the consolidated financial statements. The proportionate consolidation method applies to all joint ventures of this kind, regardless of the Group's holding in the joint venture.

Citycon has no associated companies as referred to in IFRS, since all mutual real estate companies are stated as jointly controlled assets, as described above.

Property acquisition is treated as such when the Group actually acquires a holding in a property. This acquisition does not generate goodwill, but the entire acquisition cost is allocated to land, buildings and other assets and liabilities.

If the property is included in the acquired business, IFRS 3 Business Combinations will apply, whereby the acquisition cost is allocated to the acquired assets and liabilities at their fair value. Goodwill is the residual stemming from the fair value of the acquired net assets exceeding that of the consideration given.

4.2 Foreign currency transactions

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

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

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

4.3 Investment property

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

The investment properties are measured initially at cost, including transaction costs such as consultant fees and transfer taxes. After their initial measurement investment properties are subject to a fair value model valuation, which is conducted by an external appraiser for the first time at the end of the quarter following the acquisition.

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

Using International Valuation Standards (IVS), an external professional appraiser conducts the valuation of the company's property at least once a year, or at more regular intervals due to any major changes in the market. During 2010 and 2009, Citycon had its properties valued by an external appraiser on a quarterly basis.

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

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

The fair value of (re)development projects i.e. investment properties under construction (IPUC) is determined under IAS 40 and Citycon uses a normal cash flow analysis or a special project model to measure the fair value of its (re)development projects, depending on the nature of the project. Both models take account of capital expenditure on the (re)development project and the property's future cash flows according to the (re)development project's schedule. Citycon takes into account the (re)development projects in its fair value evaluation, as soon as the Board of Directors has made a positive investment decision on the project and the external appraiser considers that sufficient information is available for a reliable valuation. In the fair value evaluation on 31 December 2010, Citycon valued 7 properties (4 properties on 31 December 2009) as (re)development projects.

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

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

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

4.4 Investment properties held for sale

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

- the Board is committed to an active plan to sell the property,
- the property is actively marketed,
- the sale is expected to realise within one year.

However, investment properties held for sale are still recognised at fair value in accordance with IAS 40. Investment properties held for sale totalled EUR 1.5 million on 31 December 2010 (EUR 26.0 million on 31 December 2009).

4.5 Inventory properties

Under IAS 40, a property must be reclassified under inventories in the event of a change in the use of the property, evidenced by development starting with a view to a sale. If an investment property is being built/developed with a view to a sale, it will be treated in accordance with IAS 2 Inventories: it is recognised either at cost or below at net realisable value. If the property was acquired with a view to a sale, it will also be treated in accordance with IAS 2 Inventories. When a property is treated in accordance with IAS 2 Inventories, the property's value is presented under 'Inventory properties' in the statement of financial position. Citycon had no inventory properties on 31 December 2010 or 31 December 2009.

4.6 Property, plant and equipment

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

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

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

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

4.7 Intangible assets

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

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

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

4.8 Impairment of tangible and intangible assets

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

4.9 Financial assets and liabilities

4.9.1 Recognition and measurement

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

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

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

Loans and other receivables not held for trading include financial assets which the company has created by providing money, goods or services directly to the debtor. Initially recognised at cost, these assets under current and non-current assets are carried at amortised cost. Their balance sheet value is impaired by the amount of any credit loss. In the company's consolidated statements of financial position as at 31 December 2010 and 31 December 2009, loans and other receivables include the items 'Other non-current assets', 'Trade and other receivables' and 'Cash and cash equivalents'.

Available-for-sale financial assets are non-derivative assets carried at fair value. Changes in their fair value are recognised in the fair value reserve under shareholders' equity and in the income statement when the asset is disposed of or it has lost its value to the extent that an impairment loss must be recognised for the asset. Available-for-sale financial assets are intended to be held for an indefinite period and can be sold at a time deemed appropriate. On 31 December 2010 or 31 December 2009, Citycon had no available-for-sale financial assets.

Citycon concludes derivative contracts for hedging purposes only. Derivative contracts not fulfilling the criteria set for hedge accounting, or for which Citycon has decided not to apply hedge accounting, are classified as financial assets or liabilities at fair value through profit or loss. On 31 December 2010 and 31 December 2009, Citycon didn't have any derivative contracts classified as financial assets at fair value through profit or loss.

Financial liabilities are classified as

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

Financial liabilities are initially recognised at fair value. Afterwards, financial liabilities excluding derivative debt are recognised at amortised cost using the effective interest method. In the company's consolidated statement of financial position, on 31 December 2010 and 31 December 2009, financial liabilities at amortised cost include the items 'Loans', 'Other liabilities' and 'Trade payables and other payables'. On 31 December 2009 Citycon had derivative contracts classified as financial liabilities at fair value through profit or loss of EUR 2.2 million. On 31 December 2010 Citycon had no such derivative contracts.

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

4.9.2 Derivative contracts and hedge accounting

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

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

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

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

4.9.3 Embedded derivatives

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

4.9.4 Impairment of financial assets

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

4.10 Cash and cash equivalents

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

4.11 Share capital

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

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

4.12 Provisions

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

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

4.13 Income recognition

4.13.1 Rental income

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

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

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

4.13.2 Service charges
Service charges are recognized in the period in which the expense it relates to is expensed. Service charges are included gross of the related costs in turnover as Citycon considers to act as principal in this respect. Deeming itself the principal is based on the fact that Citycon selects the maintenance service providers for its properties, concludes agreements with property maintenance suppliers and bears the credit risk associated with maintenance.
Service income, such as marketing income, is recognised for the period during which the services are provided.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.18 Share-based payments
Citycon has applied IFRS 2 Share-based Payment to its stock options granted after 7 November 2002 and not vested before 1 January 2005, and to the long-term share-based incentive plan decided by the Board of Directors on 26 April 2007. Such stock options and share-based incentive plans are measured at fair value on the grant date and expensed over their vesting period. Stock options granted before the above date have not been expensed.

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

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

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

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

5.1.1 Fair value of investment properties
Measuring the fair value of investment property is a key aspect of accounting policy and involves the management's judgement and assumptions about future uncertainties. Market rents, occupancy rate, operating expenses and yield requirement form the key variables used in the investment property's fair-value measurement. The evaluation of these variables involves the management's judgement and assumptions. assumptions. On 31 December 2010, the fair value of investment properties totalled EUR 2,367.7 million (EUR 2,147.4 million). An analysis of investment properties' sensitivity to key variables is presented under Note 17. Investment Properties.

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

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

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

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

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

5.1.2 Taxes

Citycon is subject to income taxation in several countries. Estimating the total amount of income taxes at Group level requires judgment. Furthermore, the complexity of tax legislation, as well as constant changes in it and in the operating environment, require Citycon to use estimates and assumptions when preparing its tax calculations. Future taxable income is uncertain, and the final amount of taxes may deviate from the originally recorded amount. If final tax deviates from originally recorded amounts, such differences may affect the period's taxable profit, tax receivables or liabilities as well as deferred tax assets or liabilities. Citycon's current taxes in 2010 amounted to EUR 0.6 million (EUR 6.3 million).

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

The major temporary difference arise between the fair value and taxable value of investment properties. Under the policy adopted by Citycon, deferred tax describes the tax payable on potential gains on sale in the case of a property being sold. This means that Citycon needs to estimate the future realisation of its property sales. In the main, Citycon realises its properties' sales by selling shares representing ownership in the property and by reporting deferred tax according to this rule. Deferred tax liability recognised from the difference between the fair value and taxable value of investment properties was EUR 59.7 million on 31 December 2010 (EUR 48.7 million on 31 December 2009).

Other main temporary differences relate to unused tax losses and financial instruments. When tax receivables are recognised for tax losses that have been confirmed in taxation, the company must evaluate whether it is probable that such tax losses can be used against a taxable profit arising in the future. Deferred tax asset from tax losses amounted to EUR 1.3 million million on 31 December 2010 (EUR 0.0 million on 31 December 2009).

No deferred tax is recognised on subsidiaries' retained earnings, to the extent that it is considered unlikely that such a difference will be discharged in the future. On 31 December 2010, Citycon had confirmed losses for which tax assets of EUR 16.6 million (EUR 13 million in 2009) were not recognised.

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

5.2 Accounting policies requiring judgment

Citycon must use judgement when appling the following accounting policies.

5.2.1 Classification of properties

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

- Properties which are neither held for sale nor used in Citycon's administration or other operations but, rather, held to earn rentals or for capital appreciation or both, are classified as investment properties. Citycon had investment properties EUR 2,367.7 million on 31 December 2010 (EUR 2,147.4 million on 31 December 2009.
- Properties in which a redevelopment is initiated for the purpose of a sale, or which are being built/developed with a view to a sale, are classified as inventory properties. Citycon had no inventory properties on 31 December 2010 or 31 December 2009.
- Properties which are held to earn rentals and/or for capital appreciation, but whose sale is deemed probable, are classified as investment properties held for sale. Citycon had investment properties held for sale EUR 1.5 million on 31 December 2010 (EUR 26.0 million on 31 December 2009).

5.2.2 Business acquisitions and asset acquisitions

Citycon purchases investment properties through asset acquisitions and business acquisitions. It applies IAS 40 Investment Property to the accounting treatment of asset acquisitions and IFRS 3 Business Combinations to the accounting treatment of business acquisitions. Citycon exercises judgement in assessing whether the purchase of an investment property or an investment property portfolio is classified as an asset acquisition or business acquisition. Criteria for business acquisitions identified by Citycon include acquired access to new market areas, a new business line, new personnel and/or management, brand or another intangible asset related to customer relationships etc. However, this is not an exhaustive list, since Citycon assesses each investment property purchase on a case-by-case basis. Citycon didn't have any business acquisitions in 2010 and 2009.

5.2.3 Sale of investment properties

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

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

In the case of sale of a business, IFRS 5, Non-current Assets Held for Sale and Discontinued Operations based accounting treatment is applied. Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered, principally through a sale transaction, and a sale is considered highly probable. A sale is considered highly probable based on the policies presented under 4.4 Investment properties held for sale. Profit for the period from non-current assets held for sale must be stated as a separate item in the consolidated statement of comprehensive income, while non-current assets classified as held for sale must be presented in the statement of financial position, separately from other assets. In addition, liabilities under the disposal group of non-current assets held for sale must be presented in the statement of financial position, separately from other liabilities. Citycon had no non-current assets held for sale on 31 December 2010 or 31 December 2009.

6. GROSS RENTAL INCOME

A) Breakdown of gross rental income

EUR million	2010	2009
Straight-lining of lease incentives	0.6	1.0
Temporary rental discounts	-3.0	-1.6
Additional rent from turnover based rental agreements	2.4	1.5
Gross rental income (excl. items above)	185.9	177.0
Total	**185.9**	**177.8**

B) General description of Citycon's lease agreements

In accordance with the table presented below, Citycon had 3,753 lease agreements on 31 December 2010 (4,235 agreements on 31 December 2009). The decrease in number of lease agreement was a consequence of residential disposals in Sweden. In the majority, i.e. in 89 per cent (85 per cent on 31 Dec. 2009), of Citycon's leases the rent is divided into base rent, tied to the cost-of-living index, and the maintenance charge. The maintenance charge, charged separately from the lessee, covers operating expenses incurred by the property owner due to property maintenance, while enabling the provision of any additional services requested by the lessee.

Part of Citycon's lease agreements also contain a turnover-linked component in addition to a cost-of-living -link. Turnover based rent agreements accounted for roughly 43 per cent (36 per cent on 31 December 2009) of Citycon's lease portfolio on 31 December 2010. In Note 6. A) Breakdown of gross rental income, the additional rent received from turnover based rental agreements is presented.

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

Number of lease agreements	31 Dec. 2010	31 Dec. 2009
Finland	1,661	1,682
Sweden	1,784	2,245
Baltic Countries	308	308
Total	**3,753**	**4,235**

In accordance with the table presented below, the average remaining length of Citycon's lease portfolio was 3.2 years on 31 December 2010 (3.1 years on 31 December 2009). Citycon mainly seeks to prepare mainly fixed-term contracts. As a main rule, new leases are signed for a fixed period in all countries. Alongside storage facilities and individual parking spaces, apartments form the main exception to this. Fixed-term agreements represented about 75 per cent of Citycon's property portfolio on 31 December 2010 (70 percent on 31 December 2009) and initially fixed-term contracts 11 per cent on 31 December 2010 (13 per cent on 31 December 2009). The rest of the agreements are leases in effect until further notice (14 percent out of all leases on 31 December 2010 and 17 percent on 31 December 2009)

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

Average remaining length of lease portfolio at the end of financial year, year	31 Dec. 2010	31 Dec. 2009
Finland	3.0	2.8
Sweden	3.1	3.0
Baltic Countries	4.6	5.2
Average	**3.2**	**3.1**

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

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

EUR million	31 Dec. 2010	31 Dec. 2009
Not later than 1 year	54.8	54.4
1-5 years	109.7	104.5
Over 5 years	24.8	24.6
Total	**189.3**	**183.4**

7. SEGMENT INFORMATION

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

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

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

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

Principal customers include the five biggest tenants, one of whose share of gross rental income exceeds 10 per cent. The proportion of gross rental income and the segment is specified for each of these tenants. The proportion of gross rental income is based on the rent roll at 31 Dec. 2010 and at 31 Dec. 2009.

A) Segment information

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

Finland

Citycon is Finland's largest company in the shopping-centre. It owns 22 shopping centres, in addition to 43 other retail properties. 31 of the Finnish properties are located in the Helsinki Metropolitan Area and 34 elsewhere in Finland.

Sweden

Citycon has eight shopping centres and seven other retail properties in Sweden. Seven of the properties in Sweden are located in the Greater Stockholm Area, six in the Greater Gothenburg Area and two in Umeå.

Baltic Countries

Citycon owns three shopping centres in the Baltic region, two in Estonia and one in Lithuania.

EUR million 1 JAN.-31 DEC. 2010	Finland	Sweden	Baltic Countries	Other	Total
Gross rental income	122.1	49.8	13.9	-	185.9
Service charge income	4.3	2.9	2.7	-	10.0
Turnover	**126.5**	**52.8**	**16.7**	**-**	**195.9**
Property operating expenses	39.3	23.3	4.8	0.0	67.4
Other expenses from leasing operations	0.4	0.7	0.1	0.0	1.3
Net rental income	**86.7**	**28.7**	**11.8**	**0.0**	**127.2**
Administrative expenses	6.2	4.6	1.2	10.5	22.5
Other operating income and expenses	0.3	-	0.0	-	0.3
Direct operating profit	**80.9**	**24.1**	**10.6**	**-10.5**	**105.0**
Indirect administrative expenses	0.0	0.7	-	-	0.8
Net fair value gains/losses on investment property	24.5	22.8	3.5	-	50.8
Profit on disposal of investment property	2.2	0.5	0.0	-	2.6
Operating profit/loss	**107.5**	**46.7**	**14.1**	**-10.5**	**157.7**
Net financial income and expenses				-54.9	-54.9
Income tax expense				-12.5	-12.5
Profit for the period					**90.3**
Allocated assets					
Investment properties	1,533.0	668.6	166.1	-	2,367.7
Investment properties held for sale	1.5	-	-	-	1.5
Other allocated assets	6.2	20.1	0.7	32.4	59.4
Unallocated assets					
Deferred tax assets				5.6	5.6
Derivative financial instruments				2.2	2.2
Assets	**1,540.6**	**688.8**	**166.8**	**40.3**	**2,436.5**
Allocated liabilities					
Trade and other payables	18.3	19.9	2.3	14.8	55.3
Unallocated liabilities					
Interest-bearing liabilities				1,397.7	1,397.7
Deferred tax liabilities				62.6	62.6
Derivative financial instruments				20.3	20.3
Other unallocated liabilities				0.5	0.5
Liabilities	**18.3**	**19.9**	**2.3**	**1,495.9**	**1,536.3**
Capital expenditure	**76.3**	**50.6**	**6.0**	**0.8**	**133.7**

EUR million 1 JAN.-31 DEC. 2009	Finland	Sweden	Baltic Countries	Other	Total
Gross rental income	126.5	39.3	12.0	-	177.8
Service charge income	4.7	1.8	2.0	-	8.5
Turnover	**131.3**	**41.0**	**14.0**	**-**	**186.3**
Property operating expenses	38.6	17.5	4.1	0.0	60.2
Other expenses from leasing operations	0.3	0.3	0.1	0.0	0.7
Net rental income	**92.4**	**23.2**	**9.8**	**0.0**	**125.4**
Administrative expenses	6.1	3.2	1.0	7.4	17.7
Other operating income and expenses	0.0	-	0.0	0.0	0.0
Direct operating profit	**86.3**	**20.0**	**8.8**	**-7.4**	**107.7**
Indirect administrative expenses	-	0.1	-	-	0.1
Net fair value losses/gains on investment property	-65.1	-19.6	-12.7	0.0	-97.4
Profit on disposal of investment property	0.1	-	-	-	0.1
Operating profit/loss	**21.2**	**0.3**	**-3.8**	**-7.4**	**10.3**
Net financial income and expenses				-47.7	-47.7
Income tax expense				0.6	0.6
Loss for the period					**-36.9**
Allocated assets					
Investment properties	1,442.0	548.8	156.6	-	2,147.4
Investment properties held for sale	8.3	17.7	-	-	26.0
Other allocated assets	5.2	39.3	1.0	22.0	67.5
Unallocated assets					
Deferred tax assets				8.6	8.6
Derivative financial instruments				3.7	3.7
Assets	**1,455.5**	**605.7**	**157.6**	**34.3**	**2,253.2**
Allocated liabilities					
Trade and other payables	13.3	11.9	1.8	52.6	79.7
Unallocated liabilities					
Interest-bearing liabilities				1,321.7	1,321.7
Deferred tax liabilities				50.0	50.0
Financial liabilities at fair value through profit and loss				2.2	2.2
Derivative financial instruments				30.8	30.8
Other unallocated liabilities				1.0	1.0
Liabilities	**13.3**	**11.9**	**1.8**	**1,458.3**	**1,485.3**
Capital expenditure	**24.5**	**95.9**	**13.9**	**0.3**	**134.6**

B) Turnover by property types

	2010	2009
Shopping centres	171.2	155.4
Supermarkets and shops	24.7	30.9
Total	**195.9**	**186.3**

C) Major tenants

2010	Proportion of gross rental income, %	Segment
Kesko	19.9	Finland
S Group	4.9	Finland and the Baltic Countries
ICA AB	3.6	Sweden and the Baltic Countries
Stockmann	3.3	Finland, Sweden and the Baltic Countries
Tokmanni	1.8	Finland
Total	**33.5**	

Proportion of gross rental income is based on the rent roll at 31 Dec. 2010.

2009	Proportion of gross rental income, %	Segment
Kesko	23.2	Finland
S Group	4.8	Finland and the Baltic Countries
ICA AB	3.2	Sweden and the Baltic Countries
Stockmann	2.9	Finland, Sweden and the Baltic Countries
H & M Hennes & Mauritz	1.5	Finland and Sweden
Total	**35.6**	

Proportion of gross rental income is based on the rent roll at 31 Dec. 2009.

8. PROPERTY OPERATING EXPENSES

EUR million	2010	2009
Heating and electricity	22.0	20.2
Maintenance expenses	23.0	19.4
Land lease fees and other rents	1.3	0.8
Property personnel expenses	0.6	0.5
Administrative and management fees	2.3	2.5
Marketing expenses	5.0	4.4
Property insurances	0.5	0.7
Property taxes	6.3	4.7
Repair expenses	6.5	6.9
Other property operating expenses	0.0	0.1
Total	**67.4**	**60.2**

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

9. OTHER EXPENSES FROM LEASING OPERATIONS

EUR million	2010	2009
Tenant improvement expenses and commissions	0.3	0.1
Credit losses	1.0	0.6
Total	**1.3**	**0.7**

Significant tenant improvements are recognised as investments.

Credit losses include credit loss provisions of EUR 1.0 million (EUR 0.3 million) recognised in the income statement. Credit loss provisions in the statement of financial position are presented in Note 24. Trade and other receivables.

10. ADMINISTRATIVE EXPENSES

EUR million	2010	2009
Personnel expenses	11.0	10.5
Non-recurring personnel expenses arising from employment terminations	1.3	-
Consultancy and advisory fees as well as external services	5.6	2.1
Office and other administrative expenses	4.4	4.5
Depreciation and amortisation	0.8	0.7
Total	**23.3**	**17.8**

Non-recurring personnel expenses arising from employment terminations include one-off compensations (incl. pension and social charges) payable to CEO Petri Olkinuora and Vice President of the company's Finnish operations, due to the termination of their employment contracts.

Consulting and advisory fees included in the administration expenses and administrative and management fees included in the property operating expenses, include the following audit fees and services from audit firm Ernst & Young Oy:

EUR million	2010	2009
Audit fees	0.2	0.2
Other advisory services	0.2	0.1
Total	**0.4**	**0.3**

11. PERSONNEL EXPENSES

EUR million	2010	2009
Wages and salaries of management		
CEO	0.4	0.4
Management committee	1.0	0.9
Board	0.7	0.6
Other wages and salaries	6.6	6.3
Pension charges: defined contribution plans	1.2	1.1
Pension charges: defined benefit plans	0.0	0.1
Social charges	1.1	1.2
Expense of share based payments	0.6	0.4
Total	**11.6**	**11.1**

Personnel expenses of EUR 0.6 million (EUR 0.5 million) are included in property operating expenses and EUR 11.0 million (EUR 10.5 million) in administrative expenses.

Defined benefit plans and the share-based payment plans are described in Note 29. Employee benefits.

Information on management benefits is presented in Note 32. Related party transactions.

Average Group staff during period

	2010	2009
Finland	81	77
Sweden	34	32
The Baltic Countries	8	8
Total	**123**	**117**

12. DEPRECIATION AND AMORTISATION

Depreciation and amortisation of EUR 0.8 million (EUR 0.7 million) on machinery and equipment as well as on intangible assets is included in administrative expenses.

13. OTHER OPERATING INCOME AND EXPENSES

EUR million	2010	2009
Other operating income	0.3	0.0
Other operating expenses	-	0.0
Total	**0.3**	**0.0**

14. NET FINANCIAL INCOME AND EXPENSES

A) Recognised in the income statement

EUR million	2010	2009
Interest income	0.5	0.3
Foreign exchange gains	73.0	50.0
Fair value gain from derivatives	0.2	-
Other financial income	0.1	0.6
Financial income, total	73.7	50.8
Interest expenses	55.4	52.8
Foreign exchange losses	72.8	49.9
Fair value loss from derivatives	-	0.1
Development interest capitalised	-3.3	-7.7
Other financial expenses	3.8	3.4
Financial expenses, total	128.6	98.5
Net financial income and expenses	**54.9**	**47.7**
Of which attributable to financial instrument categories:		
Interest-bearing loans and receivables	20.6	33.6
Finance lease liabilities	0.0	0.0
Derivative financial instruments	34.2	13.8
Other liabilities and receivables	0.1	0.3
Net financial income and expenses	**54.9**	**47.7**

In 2010, foreign exchange losses of EUR -8.9 million (loss of EUR -0.7 million) were recognised in the statement of comprehensive income from foreign exchange derivative agreements.

Interest on development expenditure is capitalised at a rate of 4.32% as at 31 December 2010 (4.47% as at 31 December 2009).

Citycon's interest expenses in the statement of comprehensive income contain interest expenses from interest-bearing debt as well as all interest expenses arising from derivative financial instruments used for hedging purposes. Additional information on Citycon's derivative financial instruments, their fair values and hedge accounting treatment can be found in Note 22. Derivative Financial Instruments.

B) Recognised in the other comprehensive income

EUR million	2010	2009
Losses arising during the period from cash flow hedges	-17.7	-20.6
Less: interest expenses recognised in the income statement on cash flow hedges	22.9	13.8
Net gains/losses on cash flow hedges	5.1	-6.7

15. INCOME TAXES

EUR million	2010	2009
Current tax	0.6	6.3
Tax for prior periods	0.0	0.1
Deferred tax	11.8	-7.0
Income taxes	**12.5**	**-0.6**

Reconciliation between tax charge and Group tax at the Finnish tax rate (26%):

EUR million	2010	2009
Profit/loss before taxes	102.8	-37.5
Taxes at Finnish tax rate	26.8	-9.7
Fair value gains and losses from subsidiaries owned abroad	-12.0	8.4
Difference in foreign subsidiaries' tax rate	-1.6	-1.1
Unrecognised tax receivables from losses	4.1	2.2
Utilisation of previously unrecognised tax losses	-4.8	0.1
Other	0.0	-0.5
Income taxes	**12.5**	**-0.6**
Effective tax rate	12.1 %	1.5 %

16. EARNINGS PER SHARE

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

Earnings per share, basic	2010	2009
Profit/loss attributable to parent company shareholders (EUR million)	78.3	-34.3
Average number of shares (1,000)	228,148.2	221,035.1
Earnings per share (basic) (EUR)	**0.34**	**-0.16**

Earnings per share, diluted	2010	2009
Profit/loss attributable to parent company shareholders (EUR million)	78.3	-34.3
Expenses from convertible loan, less the tax effect (EUR million)	4.1	-
Profit/loss used in the calculation of diluted earnings per share (EUR million)	82.5	-34.3
Average number of shares, million	228,148.2	221,035.1
Convertible capital loan impact, million	17,519.6	-
Adjustments for stock options, million	1.8	-
Adjustments for long-term share-based incentive plan, million	136.8	-
Average number of shares used in the calculation of diluted earnings per share, million	245,806.3	221,035.1
Diluted earnings per share (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.

Diluted earnings per share is calculated by adjusting the weighted average number of shares to assume the conversion of all dilutive potential shares. The Group currently has three categories of dilutive shares in place: convertible capital loan, stock options and long-term share-based incentive plan.

- The holder of the convertible loan has the right, during 12 September 2006 - 27 July 2013, to convert the loan nominal amount into company shares. Based on the conversion price applicable on the balance sheet date, the dilution from full conversion of the loan nominal is approximately 17.0 million shares. When calculating the dilution effect, the loss/profit for the period is adjusted by the expenses arising from the convertible loan (including the tax effect).
- Stock options have dilutive potential when the subscription price of shares based on the stock options is lower than the share's fair value. The dilutive potential of stock options is calculated by taking account of the total number of shares that can be subscribed based on stock options, less the number of shares the group could acquire using assets derived from exercising stock options.
- The share-based incentive scheme has a dilutive effect when the earning period has ended, the performance conditions for the bonus have been fulfilled, and the shares have not yet been granted. In calculating the dilutive effect of the share-based incentive scheme, the remaining work covered by the scheme is assigned a per-share value, which is compared to the fair value of a share. When the value of the remaining work performance is lower than the fair value of a share, the share-based incentive scheme has a dilutive effect. In calculating the dilutive effect of the share-based incentive scheme, the number of shares the company would have received had it used assets to the value of the remaining work performance to acquire treasury shares at fair value, is considered a deductive factor in the full number of shares granted.

Average number of shares used in the calculation of earnings per share	Days	Number of shares
1/1/10	45	221,059,735
15/2/10	28	221,416,293
15/3/10	38	221,715,474
22/4/10	39	222,360,952
31/5/10	116	222,564,972
24/9/10	99	244,564,972
Weighted average (daily) number of shares	365	228,148,160

17. INVESTMENT PROPERTIES

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

Contractual obligations to purchase, construct or develop investment properties are presented in Note 31. B) Pledges and other contingent liabilities.

EUR million 31 Dec. 2010	Investment property under construction	Operative investment properties	Investment properties total
At period-start	**269.8**	**1,877.6**	**2,147.4**
Acquisitions during the period	1.9	4.8	6.8
Investments during the period	69.5	52.2	121.7
Disposals during the period	-3.4	-36.3	-39.7
Capitalised interest	2.2	1.2	3.4
Fair value gains on investment property	2.1	93.6	95.7
Fair value losses on investment property	-14.0	-30.8	-44.9
Exchange differences	5.8	73.0	78.7
Transfer between IPUC and operative investment properties and transfer into investment properties held for sale	-7.8	6.3	-1.5
At period-end	**326.1**	**2,041.6**	**2,367.7**

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

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

Realia Management Oy within Realia Group conducted the valuation of Citycon's properties for the Annual Report 2010 and 2009. The resulting fixed fees based on the 2010 valuations total EUR 0.1 million (EUR 0.1 million in 2009).

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

EUR million	31 Dec. 2010	31 Dec. 2009
Fair value of investment properties determined by the external appraiser as at Dec. 31	**2,361.1**	**2,162.4**
Capital expenditure on development projects	5.6	11.0
Transfer into investment properties held for sale	-1.5	-26.0
Acquisition of new properties	2.5	-
Fair value of investment properties as at Dec. 31	**2,367.7**	**2,147.4**

The segments' assumptions used by the external appraiser in the cash flow analysis on 31 December 2010 and on 31 December 2009 are presented the table below. The average yield requirement decreased by 20bps from 6.6% on 31 December 2009 to 6.4% on 31 December 2010 as a result of general market changes (economic recovery and revival of demand for prime properties) and progress in development projects. Market rents increased by 7% from 22.1 EUR/sq.m. on 31 December 2009 to 23.6 EUR/sq.m. on 31 December 2010 due to the strengthening of the Swedish krona, development projects' progress/completion and general positive developments in the rental market. The vacancy assumption for the cash flow period decreased by 60bps from 5.0% in on 31 December 2009 to 4.4% on 31 December 2010 thanks to the general positive market developments and new leases.

EUR million 31 Dec. 2010	Finland	Sweden	Baltic Countries	Average
Yield requirement (%)	6.4	6.1	8.1	**6.4**
Initial yield (%)	6.1	6.0	7.9	**6.2**
Reversionary yield (%)	6.9	6.8	8.3	**6.9**
Market rents (€/m²)	23.6	24.1	21.4	**23.6**
Vacancy during the cash flow period (%)	4.6	4.1	3.6	**4.4**
Inflation assumption (%)	2.00	2.00	2.50	-
Operating expense growth assumption (%)	2.25	2.25	2.75	-

EUR million 31 Dec. 2009	Finland	Sweden	Baltic Countries	Average
Yield requirement (%)	6.6	6.4	8.1	**6.6**
Initial yield (%)	6.8	6.7	8.0	**6.8**
Reversionary yield (%)	7.1	7.9	8.9	**7.4**
Market rents (€/m²)	22.5	21,3	21.4	**22.1**
Vacancy during the cash flow period (%)	5.0	5.1	4.2	**5.0**
Inflation assumption (%)	2.00	2.00	3.00	-
Operating expense growth assumption (%)	2.25	2.25	3.25	-

Sensitivity analysis

A number of factors contribute to the value of retail properties, such as national and local economic development, investment demand created by property investors, and interest rates. While changes in investment properties' fair value have an effect on the company's profit for the financial year, they do not have an immediate impact on cash flow. The yield requirement, rents, the occupancy rate and operating expenses form the key variables used in an investment property's fair-value measurement, based on a ten-year cash-flow analysis. Sensitivity to change in the properties' fair value, or the risk associated with fair value, can be tested by altering the above key parameters. The sensitivity analysis below uses the investment properties' fair value of EUR 2,361.1 million defined by the external appraiser at 31 December 2010 as the starting value. Sensitivity analysis indicates that the market value is most sensitive to the yield requirement and gross income levels. A ten percent decrease in the yield requirement results in an approximately 11 percent increase in market value. Correspondingly, a ten percent increase in gross income increases the value by approximately 14 percent. The market value reacts to change in vacancy and operating expenses, but their relative effect is not as great as changes to rental income and yield requirement.

	Value of properties (EUR million)				
Change %	**-10%**	**-5%**	**±0%**	**+5%**	**+10%**
Yield requirement	2,611.0	2,479.4	2,361.1	2,254.0	2,156.7
Gross income	2,016.1	2,188.0	2,361.1	2,529.9	2,702.3
Operating expenses	2,457.8	2,409.5	2,361.1	2,312.7	2,264.3
Vacancy	2,395.3	2,378.2	2,361.1	2,344.3	2,326.9

18. PROPERTY, PLANT AND EQUIPMENT

EUR million	2010	2009
Acquisition cost Jan. 1	**2.3**	**2.0**
Additions during the period	0.7	0.3
Accumulated acquisition cost Dec. 31.	**3.0**	**2.3**
Accumulated depreciation and impairment losses, Jan. 1	**1.6**	**1.3**
Depreciation during the period	0.4	0.4
Accumulated depreciation and impairment losses, Dec 31.	**2.0**	**1.6**
Net carrying amount Jan 1.	**0.7**	**0.8**
Net carrying amount Dec 31.	**1.0**	**0.7**

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

Machinery and equipment acquired through financial leases amounted to EUR 0.6 million (EUR 0.3 million).

19. INTANGIBLE ASSETS

EUR million	2010	2009
Acquisition cost Jan. 1	**1.9**	**1.6**
Additions during the period	1.0	0.3
Accumulated acquisition cost Dec. 31.	**2.9**	**1.9**
Accumulated depreciation and impairment losses, Jan. 1	**1.0**	**0.6**
Depreciation during the period	0.5	0.3
Accumulated depreciation and impairment losses, Dec 31.	**1.4**	**1.0**
Net carrying amount Jan 1.	**0.9**	**0.9**
Net carrying amount Dec 31.	**1.5**	**0.9**

Intangible assets consisted mainly of computer software.

20. DEFERRED TAX ASSETS AND LIABILITIES

Changes in deferred tax assets and liabilities in 2010:

EUR million	1 Jan. 2010	Recognized in income statement	Recognized in other comprehensive income	31 Dec. 2010
Deferred tax assets				
Tax losses	0.0	1.3	-	1.3
IAS 19 Defined benefit pension obligation	0.0	0.0	-	0.0
Measurement of interest-rate swaps at fair value	8.6	-0.6	-3.6	4.4
Deferred tax assets, total	**8.6**	**0.7**	**-3.6**	**5.6**
Deferred tax liabilities				
Measurement of investment property at fair value	48.7	11.0	-	59.7
Temporary difference in financial expenses	1.3	1.5	-	2.8
Deferred tax liabilities, total	**50.0**	**12.5**	**-**	**62.6**

Changes in deferred tax assets and liabilities in 2009:

EUR million	1 Jan. 2009	Recognized in income statement	Recognized in other comprehensive income	31 Dec. 2009
Deferred tax assets				
Tax losses	0.1	0.0	-	0.0
IAS 19 Defined benefit pension obligation	-	0.0	-	0.0
Measurement of interest-rate swaps at fair value	6.8	0.0	1.8	8.6
Deferred tax assets, total	**6.8**	**0.0**	**1.8**	**8.6**
Deferred tax liabilities				
Measurement of investment property at fair value	56.0	-7.2	-	48.7
Temporary difference in financial expenses	1.1	0.2	-	1.3
Deferred tax liabilities, total	**57.1**	**-7.0**	**-**	**50.0**

Citycon's deferred taxes mainly arise from changes in the fair value of investment properties. In 2010, deferred taxes resulting from the changes in the investment properties' fair value recognised in the income statement totalled EUR -11.0 million (EUR 7.2 million). The fair value of an investment property reflects the market price that would be paid for the property on the date of measurement, while deferred taxes refer to taxes imposed on any gain on sale if the property were to be sold.

Citycon's policy is to realise its properties' sales by selling its shares representing ownership in the property. The ownership structure is mainly organised so that one real estate company owns one building. The sale of shares representing ownership in properties owned by subsidiaries abroad does not have tax implications. Consequently, Citycon does not recognise deferred taxes related to the fair value of investment properties owned abroad. If Citycon did recognise such deferred taxes, the tax impact would have been EUR -12.0 million in 2010 (EUR 8.4 million) (See Note 15. Income taxes).

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

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

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

On 31 December 2010, Group companies had confirmed losses for which tax assets of EUR 16.6 million (EUR 13 million in 2009) were not recognised, since these Group companies are unlikely to record taxable profit, before the expiration of carry forwards of these losses, against which loss carry forwards can be utilised. Citycon didn't have any impairment not deducted in taxation on 31 December 2010 and on 31 December 2009.

21. CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

EUR million	Note	Carrying amount 2010	Fair value 2010	Carrying amount 2009	Fair value 2009
Financial assets					
I Loans and other receivables					
Trade and other receivables	24	37.4	37.4	46.1	46.1
Cash and cash equivalents	25	19.5	19.5	19.8	19.8
Other non-current assets		0.0	0.0	0.0	0.0
II Derivative contracts under hedge accounting					
Derivative financial instruments	22	2.2	2.2	3.7	3.7
Financial liabilities					
I Financial liabilities amortised at cost					
I.I Loans					
Loans from financial institutions	27	1,291.3	1,293.6	1,142.6	1,145.2
Convertible capital loan 1/2006	27	66.3	71.3	69.3	76.5
Subordinated capital loan 1/2005	27	-	-	70.0	70.0
Bond 1/2009	27	39.5	40.0	39.4	40.0
Finance lease liabilities	27	0.6	0.6	0.3	0.3
I.II Other liabilities					
Other liabilities	29	0.5	0.5	1.0	1.0
Trade and other payables	29	55.3	55.3	79.7	79.7
II Financial liabilities at fair value through profit and loss					
Derivative financial instruments		-	-	2.2	2.2
III Derivative contracts under hedge accounting					
Derivative financial instruments	22	20.3	20.3	30.8	30.8

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

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

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

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

Derivative financial instruments

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

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

Loans from financial institutions

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

Convertible capital loan 1/2006

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

Subordinated capital loan 1/2005

Subordinated capital loan 1/2005 is a fixed rate loan which has a fair value equal to the nominal amount of the loan. The carrying amount of the loan equals the fair value.

Bond 1/2009

Bond1/2009 is a fixed rate loan which has a fair value equal to the nominal amount of the loan. The difference between the fair value and carrying amount is the unamortised capitalised arrangement fees of the loan.

Finance lease liabilities

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

22. DERIVATIVE FINANCIAL INSTRUMENTS

A) Nominal amounts and fair values of derivative financial instruments

EUR million	Nominal amount 2010	Fair value 2010	Nominal amount 2009	Fair value 2009
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**

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

Citycon uses interest rate swaps to hedge the interest rate cash flow risk. The Group applies hedge accounting to all of its interest rate swaps valid as at 31 December 2010, under IAS 39, according to which the amount of financial instruments' fair value change stemming from effective hedging is recognised under other comprehensive income.

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

The fair values include foreign exchange loss of EUR -1.5 million (gain of EUR 3.5 million), which is recognised in the statement of comprehensive income.

Hedge accounting is applied to interest rates swaps, which have a nominal amount of EUR 869.8 million (EUR 713.2 million).

The average fixed interest rate of the interest rate swaps as at 31 December 2010 was 3.48 per cent (3.79%).

B) Cash flow hedging with derivatives

Cash flow hedging

Interest rate derivatives M€	Assets 2010	Liabilities 2010	Assets 2009	Liabilities 2009
Fair value	2.2	-18.8	-	-30.6

Citycon's cash flow hedges consist of interest rate and cross-currency swaps which are used to protect against exposure to changes in Citycon's interest expense cash outflow for variable rate interest bearing debt. Hedged instruments consist of long term floating rate debt and short term floating rate debt which is expected to be refinanced upon maturity on similar terms.

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

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

At 31 December 2010 and at 31 December 2009, interest rate derivatives assigned as cash flow hedges were assessed as highly effective. The fair values (net of taxes) of these derivatives were EUR -12.3 million (EUR -22.7 million) and the change of these fair values (net of taxes) EUR 3.8 million (EUR -5.0 million) is recognized under other comprehensive income, taking the tax effect into account.

23. INVESTMENT PROPERTIES HELD FOR SALE

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

EUR million	2010	2009
Acquisition cost Jan. 1	**26.0**	**-**
Investments	-	8.3
Disposals	-28.5	-
Exchange differences	2.5	-
Transfers from investment properties	1.5	17.7
Accumulated acquisition cost Dec. 31.	**1.5**	**26.0**

24. TRADE AND OTHER RECEIVABLES

EUR million	2010	2009
Trade receivables	4.9	4.7
Credit loss provision	-1.3	-0.3
Trade receivables (net)	3.7	4.4
Accrued income and prepaid expenses	5.3	2.2
Tax receivables (incl. VAT-receivables)	27.0	37.9
Other receivables	1.4	1.6
Total	**37.4**	**46.1**

Ageing structure of trade receivables:

EUR million	2010	2009
NOT past due nor impaired	1.6	0.7
Past due, less than 1 month	0.6	1.6
Past due, 1-3 months	0.8	1.9
Past due, 3-6 months	0.5	0.2
Past due, 6-12 months	1.4	0.2
Past due, 1-5 years	0.1	0.1
Total	**4.9**	**4.7**

Movement in credit loss provisions

EUR million	2010	2009
At the beginning of the year	-0.3	-
Exchange difference	0.0	-
Charge for the year	-1.0	-0.3
Utilised	0.1	0.0
Unused amounts reversed	0.0	-
Credit loss provision at the end of the year	**-1.3**	**-0.3**

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

25. CASH AND CASH EQUIVALENTS

EUR million	2010	2009
Cash in hand and at bank	19.4	13.5
Short-term deposits	0.1	6.4
Total	**19.5**	**19.8**

Cash and cash equivalents in the cash flow statement comprise the items presented above.

26. SHAREHOLDERS' EQUITY

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

	Outstanding number of shares 1)	Treasury shares	Share capital (EUR million)	Share premium fund (EUR million)	Invested unrestricted equity fund (EUR million)	Total (EUR million)
1 Jan. 2009	**220,998,989**	**-**	**259.6**	**131.1**	**177.3**	**567.9**
Directed share issue without payment to Citycon Group key employees	40,746	-	-	-	-	-
Directed share issue without payment to Citycon itself	-	20,000	-	-	-	-
Sale of treasury shares	20,000	-20,000	-	-	0.0	0.0
Return from the invested unrestricted equity fund	-	-	-	-	-22.1	-22.1
31 Dec. 2009	**221,059,735**	**0**	**259.6**	**131.1**	**155.2**	**545.8**
Directed share issue without payment to Citycon Group key employees	124,020	-	-	-	-	-
Directed share issue without payment to Citycon itself	-	80,000	-	-	-	-
Sale of treasury shares	80,000	-80,000	-	-	0.2	0.2
Share issue	22,000,000	-	-	-	62.2	62.2
Share subscriptions based on stock options	1,301,217	-	-	-	3.3	3.3
Return from the invested unrestricted equity fund	-	-	-	-	-22.1	-22.1
31 Dec. 2010	**244,564,972**	**0**	**259.6**	**131.1**	**198.8**	**589.4**

1) All outstanding shares were fully-paid on 31 December 2010 and 31 December 2009.

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

Share capital

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

Share premium fund

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

Invested unrestricted equity fund

The invested unrestricted equity fund is credited, for instance, with that part of the subscription price of the shares that, according to the Memorandum of Association or the share issue decision, is not to be credited to the share capital. The invested unrestricted equity fund accumulated in 2010 and 2009 due to subscriptions under option schemes and sale of treasury shares. In addition, in 2010, the share issue was recognised in the invested unrestricted equity fund.

Translation reserve

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

Fair value reserve

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

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

To the Annual General Meeting held on 23 March 2011 , the Board of Directors of Citycon proposes a dividend of EUR 0.04 per share for the financial year 2010 (EUR 0.04 for the financial year 2009) and an equity return of EUR 0.10 per share from the invested unrestricted equity fund (EUR 0.10 for the financial year 2009). The proposal for dividends and return from the invested unrestricted equity fund has not not been recognised in the consolidated financial statements on 31 December 2010.

27. LOANS

All Citycon loans were interest-bearing liabilities on 31 December 2010 and 2009. These interest-bearing loans are explained here in detail.

A) Breakdown of interest-bearing liabilities

EUR million	Effective interest rate (%)	Carrying amount 2010	Carrying amount 2009
Long-term interest-bearing liabilities			
Loans from financial institutions			
EUR 435 million term loan facility	EURIBOR + 0.675	352.0	359.7
EUR 165 million revolving credit facility	EURIBOR + 0.500	-	160.3
EUR 200 million term loan facility	EURIBOR + 0.675	204.5	199.8
EUR 150 million revolving credit facility	EURIBOR + 0.550	84.8	43.9
SEK 500 million bank loan	STIBOR + 0.600	55.8	48.8
EUR 50 million revolving credit facility	EURIBOR + 0.600	43.0	49.9
EUR 50 million bank loan	EURIBOR + 1.500	50.6	-
EUR 50 million bank loan	EURIBOR + 1.525	49.9	-
EUR 50 million bank loan	EURIBOR + 1.500	49.9	-
EEK 470 million bank loan	5.599	25.2	26.4
LTL 52 million bank loan	VILIBOR + 0.625	-	9.8
EUR 30 million bank loan	EURIBOR + 0.750	30.0	30.0
Other loans from financial institutions	-	160.6	138.0
Convertible capital loan 1/2006	7.580	66.3	69.3
Bond 1/2009	5.461	39.5	39.4
Finance lease liabilities	-	0.3	0.2
Total long-term interest-bearing liabilities		**1,212.4**	**1,175.4**
Short-term interest-bearing liabilities			
Loans from financial institutions			
Commercial papers	-	11.9	32.6
Current portion of loans from financial institutions	-	21.0	18.0
Other loans from financial institutions	-	152.0	25.5
Subordinated capital loan 1/2005	4.700	-	70.0
Finance lease liabilities	-	0.3	0.2
Total short-term interest-bearing liabilities		**185.3**	**146.3**

The carrying amounts of term loan facilities, convertible capital loan 1/2006 and bond 1/2009 are stated at amortised cost using the effective yield method. The fair values of liabilities are shown in Note 21. Classification of Financial Instruments.

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

Maturity of long-term interest-bearing liabilities

EUR million	2010	2009
1-2 years	132.3	190.9
2-3 years	491.4	91.0
3-4 years	312.3	466.3
4-5 years	157.7	300.0
over 5 years	118.7	127.3
Total	**1,212.4**	**1,175.4**

Long-term interest-bearing liabilities by currency

EUR million	2010	2009
EUR	740.1	682.0
EEK	43.1	44.3
SEK	429.2	439.2
LTL	-	9.8
Total	**1,212.4**	**1,175.4**

Short-term interest-bearing liabilities by currency

EUR million	2010	2009
EUR	48.4	112.8
EEK	1.2	1.2
SEK	125.8	31.6
LTL	9.8	0.8
Total	**185.3**	**146.3**

B) Terms and conditions of subordinated capital loans

Subordinated capital loan 1/2005

On 17 June 2005, Citycon Oyj issued a five-year subordinated capital loan, 1/2005, of EUR 70 million at a fixed annual nominal interest rate of 4.70 per cent. The loan's issue price accounted for 99.956 per cent of the nominal loan amount, and its maturity date was 17 June 2010.

The main terms and conditions of the subordinated capital loan 1/2005:

1) In the event of company dissolution or bankruptcy, obligations on the issuer arising from the subordinated capital loan shall be subordinated in right of payment to the claims of all unsubordinated creditors of Citycon Oyj, but shall rank pari passu with all other obligations which qualify as a capital loan.
2) The loan's principal, including interest accumulated until the repayment date, will be repaid in one instalment on 17 June 2010 if full margin is available for the restricted shareholders' equity and other non-distributable earnings, based on the company's and its Group's latest adopted balance sheet, after the repayment.

3) Fixed annual interest of 4.70% will be paid annually in arrears on the loan's principal until 17 June 2010. Unless the loan is repaid in full on its maturity date of 17 June 2010, interest on the unpaid loan principal after that date is 12-month Euribor plus 5 percentage points. Interest can be paid only if this amount can be allocated to profit distribution based on the company's and its Group's latest adopted balance sheet.
4) The company has the right to repay the loan's principal in part or in full on each interest-payment date at a rate determined by discounting the remaining cash flows up to the repayment date. The interest rate to be used for discounting is the Finnish government reference rate for the same period plus 1.5 percentage points.

Convertible capital loan 1/2006

On 2 August 2006, Citycon Oyj issued a seven-year convertible capital loan, 1/2006, of EUR 110 million at a fixed annual nominal interest rate of 4.50 per cent. After the buyback transactions performed during 2008, 2009 and 2010, the outstanding amount was EUR 71.3 million. The loan's conversion price is EUR 4.2000 per share and a full conversion of the loan would result in the issue of 16,964,285 shares. The loan's issue price accounted for 100.00 per cent of the nominal loan amount, and its maturity date is 2 August 2013.

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

1) In the event of company dissolution or bankruptcy, obligations on the issuer arising from the convertible capital loan shall be subordinated in right of payment to the claims of all unsubordinated creditors of Citycon Oyj, but shall rank pari passu with all other obligations which qualify as a capital loan.
2) The loan's principal, including interest accumulated until the repayment date, will be repaid in one instalment on 2 August 2013 if full margin is available for the restricted shareholders' equity and other non-distributable earnings, based on the company's and its Group's latest adopted balance sheet, after the repayment. The accrued interest for the loan was EUR 1.3 million as of 31 December 2010.
3) Fixed annual interest of 4.50% will be paid annually in arrears on the loan's principal until 2 August 2013. In the event, that the loan is not repaid in full on its maturity date of 2 August 2013, interest on the unpaid loan principal after that date is 3-month Euribor plus 5 percentage points. Interest can be paid only if this amount can be allocated to profit distribution based on the company's and its Group's latest adopted balance sheet. In the event, that the interest is not fully paid on any interest payment date, the interest on the unpaid interest amount after the interest payment date is 3-month Euribor plus 5 percentage points.
4) The holder of the loan has the right during 12 September 2006 - 27 July 2013 to convert the loan nominal amount into shares of the company. The conversion price of the loan is EUR 4.2 per share. The conversion price is subject to amendments in certain circumstances as specified in the terms of the loan. Based on the conversion price, the conversion of the whole loan nominal would result in the issue of a maximum of 16,964,285 shares.
5) The company has the right to repay the loan in full on or after 23 August 2010 at its principal amount, if the closing price of the share on each of at least 20 dealing days in any period of 30 consecutive dealing days is 140 per cent of the conversion price in effect on said dealing day.

During 2008, 2009 and 2010, from the open markets, Citycon has repurchased the convertible capital loan for a nominal amount of EUR 38.8 million with a weighted average purchase price of 58.1%. The amount repurchased by Citycon equals approximately 35.2 per cent of the initial nominal amount of the loans issued. Net financial expenses in the statement of comprehensive income include a one-off gain of EUR 0.1 million (EUR 0.6 million) for the buybacks of the convertible capital loan in 2010.

C) Breakdown of finance lease liabilities

EUR million	2010	2009
Maturity of finance lease liabilities:		
Finance lease liabilities		
- minimum lease payments		
Not later than 1 year	0.3	0.2
1-5 years	0.4	0.2
Total	**0.7**	**0.3**

EUR million	2010	2009
Finance lease liabilities - present value of minimum lease payments		
Not later than 1 year	0.3	0.2
1-5 years	0.3	0.2
Total	**0.6**	**0.3**
Future finance charges on finance leases	0.0	0.0
Total finance lease liabilities	**0.7**	**0.3**

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

D) Risk Management

Objectives

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

Citycon's risk management process involves identifying, analysing, measuring, mitigating and controlling business-related risks. The Board of Directors has approved the company's risk management guidelines specifying risk management principles, which are subject to updating in order to take account of changes in business operations. During the ERM process for each business unit a risk management policy has been prepared which outlines objectives, responsibilities and development plans within the unit.

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

Process

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

Citycon has analysed and identified five main business processes during the implementation of ERM. These are property acquisitions, takeover of acquired properties, shopping centre management, property development and planning and control. Each main process has been carefully analysed from a risk management angle. A detailed process description has been prepared for each process determining the target state of the process, after implementation of improvement measures and taking risk management requirements into account. The implementation of these common best practices in daily operations forms an essential part of daily risk management throughout the organisation.

The risk reporting process gathers analytical data on risks and the respective mitigation plans, for reporting to the Board of Directors. During the risk reporting period, each business unit and legal and finance unit independently defines its near term targets, risks threatening these targets and mitigation plans related to the risks. In order to evaluate the importance of each risk, an estimate of the loss associated with the risk is determined together with the probability of risk realisation and the effectiveness of each mitigation plan on the loss and/or probability. An additional feature of risk reporting involves each business unit reporting the potentially realised risks during the previous year, and mitigation plans put into effect during the period. Risk data is inputted into one group-wide risk register, from which business unit risk reports are prepared for the Board of Directors and Audit Committee. In addition, from the risk register a consolidated Citycon Group risk report and analysis is prepared. which aims to recognise group level risk concentrations across business units. Risk reports to the Board of Directors and Audit Committee are prepared in conjunction with budgeting during the autumn and the strategy review during the spring. Risk management and business unit risk reports are additionally discussed four times a year by the Corporate Management Committee.

Citycon aims to continuously evaluate and develop its ERM process and risk management in general. Four times a year a risk management supervisory group meets, whose tasks include acceptance of the risk reports, annually evaluating the sufficiency of the risk management measures taken in the light of identified risks, monitoring progress in the implementation of the mitigation plans and annually assessing the adequacy of Citycon's risk management capabilities.

Organisation

Each business unit and the legal and finance units have a dedicated person responsible for the ERM process who is in charge of reporting the risks and mitigation plans and following-up on their implementation.The Group Treasurer prepares the risk report for the Board of Directors and Audit Committee. The membership of the risk management supervisory group includes the CEO, CFO, Head of Legal Affairs, Group Treasurer and business unit directors or the dedicated risk management person from each business unit.

Financial risk management

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

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

Interest rate risk

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

The company uses interest rate swaps to manage its interest rate risks and to convert floating rate loans into fixed rate loans. A portion of the hedges can also be performed using inflation derivatives. The interest sensitivity of Citycon's loan portfolio at the end of 2010 is depicted by the fact that a one-percentage point rise in money market interest rates would increase its interest expenses for 2011 by EUR 2.6 million, while a fall of one-percentage point in such rates would decrease them by EUR 2.6 million in the same year.

Interest rate sensitivity

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

Effect on interest expenses of an increase of 100 basis points

EUR million	2010	2009
Euro	0.6	0.7
Swedish krona	1.8	1.7
Other currencies	0.3	0.3
Total	**2.6**	**2.7**

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

Effect on interest expenses of an increase of 100 basis points

EUR million	2010	2009
Euro	11.5	9.6
Swedish krona	12.2	7.0
Total	**23.7**	**16.5**

Liquidity risk

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

Citycon's financing policy states that the company's commited credit limits or liquid assets should cover all approved and on-going investments. In addition, available liquidity should provide a sufficient buffer for unexpected payments, based on the management's assesment of the amount required, and the company will arrange committed back-up limits for all funds drawn under commercial paper programmes. On 31 December 2010, unused credit limits amounted to EUR 225.5 million.

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

EUR million	Less than 1 month	1 to 12 months	1-5 years	Over 5 years	Total
31 December 2010					
Loans from financial institutions	7.1	209.9	1,065.3	132.7	1,415.0
Convertible capital loan 1/2006	-	3.2	77.7	-	80.9
Bond 1/2009	-	2.0	46.1	-	48.2
Finance lease liabilities	-	0.3	0.3	0.0	0.6
Derivative financial instruments	0.1	13.6	7.3	-3.6	17.4
Trade and other payables (excl. interest liabilities)	33.6	10.2	4.5	-	48.3
31 December 2009					
Loans from financial institutions	13.6	84.0	1,005.7	145.9	1,249.2
Convertible capital loan 1/2006	-	3.4	86.8	-	90.3
Subordinated capital loan 1/2005	-	73.3	-	-	73.3
Bond 1/ 2009	-	2.0	48.2	-	50.2
Finance lease liabilities	-	0.2	0.2	-	0.3
Derivative financial instruments)	0.1	19.9	16.5	-0.3	36.3
Trade and other payables (excl.interest liabilities)	13.4	56.9	-	-	70.3

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

EUR million	Less than 1 month	1 to 12 months	1-5 years	Over 5 years	Total
31 December 2010					
Undrawn committed credit facilities	-	24.9	150.6	50.0	225.5
31 December 2009					
Undrawn committed credit facilities	-	-	185.8	-	185.8

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

Credit risk

The Group's most significant credit-risk concentration relates to receivables from Kesko Group. Citycon controls its receivables within the framework of the given credit limits and has not so far identified any major credit risk associated with them. Credit-risk management caters for tenant-risk management, which is aimed at minimising the adverse effect of unexpected changes in the customers' financial standing on Citycon's business and financial results. Customer-risk management is primarily based on the knowledge of the customers' business and active monitoring of customer data. Citycon's lease agreements include lease deposit provisions used to contribute to managing customers' risks. The maximum exposure from trade receivables is the carrying amount as disclosed in Note 24. Trade and other receivables.

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

Exchange rate risk

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

Foreign exchange sensitivity

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

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

EUR million	2010	2009
Swedish krona	-0.2	-0.2
Other currencies	-	-
Total	**-0.2**	**-0.2**

Other currencies comprise those of in Estonia and Lithuania. The foreign exchange rate in these countries is pegged to the euro and Estonia has adopted euro as its functional currency as of 1 January 2011.

E) Capital management

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

The company's long term equity ratio target is 40 per cent and its current syndicated loan agreements require a minimum equity ratio of 32.5 per cent. The equity ratio of the loan agreements is calculated by making certain adjustments to the equity ratio defined in the Financial Supervisory Authority standard 5.1. Disclosure of periodic information, among other things, adding the capital loan and convertible capital loan issued by the company to the shareholders' equity. As of 31 December 2010, the company's equity ratio stood at 37.1 per cent and the equity ratio as defined in the loan agreement was around 39.4 per cent.

Citycon monitors its capital structure based on equity ratio and gearing. The formulas for calculating the equity ratio and gearing can be found on page 53 in the consolidated financial statements.

Company monitors its capital structure mainly with equity ratio.

Equity ratio:

EUR million	2010	2009
Total shareholders' equity (A)	900.2	767.9
Total assets	2,436.5	2,253.2
Less advances received	12.7	8.8
./. (Total assets - advances received) (B)	2,423.8	2,244.4
Equity ratio (A/B)	37.1%	34.2%

Gearing-%:

EUR million	2010	2009
Interest-bearing debt total (Note 27)	1,397.7	1,321.8
Less cash and cash equivalents (Note 25)	19.5	19.8
Interest-bearing net debt (A)	1,378.2	1,302.0
Total shareholders' equity (B)	900.2	767.9
Gearing-% (A/B)	153.1%	169.5%

Higher equity ratio and lower gearing in 2010 is due to higher shareholders' equity as a result of fair value gains from investment properties and a share issue.

28. TRADE AND OTHER PAYABLES

Trade and other payables

EUR million	2010	2009
Trade payables	18.0	17.2
Short-term advances received	12.2	8.3
Interest liabilities	6.9	9.3
Other liabilities	12.6	8.4
Accrued expenses total	19.6	17.8
VAT-liabilities	5.1	36.0
Other short-term payables	0.5	0.4
Other short-term payables total	5.5	36.4
Total	**55.3**	**79.7**

Due dates of future payments of trade and other payables:

EUR million	2010	2009
Due in less than 1 month	34.7	15.6
Due in 1-3 months	6.3	62.5
Due in 3-6 months	5.7	1.5
Due in 6-12 months	4.1	-0.1
Due in 1-2 years	4.5	0.2
Due in 2-5 years	-	0.0
Due in over 5 years	0.0	0.1
Total	**55.3**	**79.7**

29. EMPLOYEE BENEFITS

A) Stock option schemes

In 2004, the AGM decided to grant a maximum of 3,900,000 stock options. Stock options entitle their holders to subscribe for company shares at the price and within the period specified in the terms and conditions of the stock options. The terms and conditions of the 2004 stock option scheme are available on the corporate website at www.citycon.fi/options.

The subscription period with the 2004 A option rights expired on 31 March 2009 and that of 2004 B option rights on 31 March 2010. By the end of the financial year 2010, 1,687,665 company shares had been subscribed for with these stock options by exercising 1,418,073 option rights. Of these, 1,301,217 shares were subscribed during 2010. 2004 C option rights have not been exercised for share subscription.

Citycon used the Black & Scholes option-pricing model to measure the fair value of stock options on the grant date and recognised them under personnel expenses in the statement of comprehensive income allocated over the instrument's vesting period. Since the last vesting period ended on 1 September 2008, no expenses have been recognised in the statement of comprehensive income from the granted stock options during 2009 or 2010.

Summary of the stock-option scheme 2004 on 31 December 2010:

2004 stock options	2004 A	2004 B	2004 C
Number of options granted	1,040,000	1,090,000	1,050,000
Held by Veniamo-Invest Oy, number (1	-	-	250,000
Subscription ratio, stock option/share			1:1,2127
Subscription price/share, EUR (2			4.2213
Share subscription period started	1.9.2006	1.9.2007	1.9.2008
Share subscription period ended/ends	31.3.2009	31.3.2010	31.3.2011
Number of exercised option rights	345,075	1,072,998	-
Number of subscribed shares (3	386,448	1,301,217	-
No. of options available for share subscription	-	-	1,050,000
No. of shares that can be subscribed	-	-	1,273,335

1) Veniamo-Invest Oy, a wholly-owned subsidiary of Citycon Oyj, cannot subscribe for its parent company's shares.
2) Share subscription price is reduced by half of the per-share dividends paid and per-share equity returned.
3) Subscription of shares will not result in an increase in the company's share capital, since the entire subscription price is recognised under the invested unrestricted equity fund.

Changes in the stock options and their weighted average exercise prices during the period were as follows (excluding Veniamo-Invest Oy's stock options that cannot be exercised for share subscription):

	2010		2009	
	Exercise price, weighted average, EUR/share	Number of stock options	Exercise price, weighted average, EUR/share	Number of stock options
At period start	3.43	2,140,000	3.20	2,834,925
Exercised stock options	2.56	1,072,998	-	-
Lapsed stock options	2.52	17,002	2.20	694,925
At period end	4.22	1,050,000	3.43	2,140,000
Exercisable stock options at period-end		**1,050,000**		**2,140,000**

The per-share exercise price of the stock options exercised during 2010 averaged EUR 2.56 and these were exercised during January-March of 2010. The stock options exercised during 2010 brought in EUR 3.3 million, which were recognised in invested unrestricted equity fund. No stock options were exercised during 2009.

Exercise prices and lapse periods of outstanding stock options on the balance sheet date were as follows:

	2010		2009
Year of lapse	Exercise price, EUR	Number of shares, 1,000	Number of shares, 1,000
2011	4.22	1,273	1,273

B) Long-term share-based incentive plan

On 26 April 2007, the Board of Directors decided on a long-term share-based incentive plan for key personnel of Citycon Group. The aim of the plan is to encourage key personnel to engage in sustained efforts to increase shareholder value and to strengthen their commitment to the developing the Group's operations. The potential incentive is determined on the basis of Citycon's consolidated adjusted net cash-flow from operations per share and net rental income. The incentive plan is divided into three incentive periods: 2007, 2008 and 2009. In addition, on 9 February 2010, Citycon Oyj's Board of Directros decided to continue the long-term share-based incentive plan by one year into the financial year 2010.

The incentives will be granted to key personnel during the years 2008-2013, so that the incentives earned during each incentive period are paid evenly in the following three years. The Board of Directors decides annually on the key personnel participating in the long-term incentive plan and on the incentive goals set. The incentive granted will comprise Citycon shares, cash or both. The maximum number of shares granted for each incentive period was determined by their volume weighted average price during the first quarter of each period. The incentive period 2010 is an exception as its maximum number of shares granted was decided by the Board of Directors.

Incentives paid in shares are charged to administration expenses and recognised as an increase in shareholders' equity. Incentives paid in cash are charged to administration expenses and recognised as liabilities. In 2010, expenses recognised in the statement of comprehensive income amounted to EUR 0.7 million (EUR 0.4 million in 2009).

The following table presents additional information on the share-based incentive plan:

	Incentive period 2010	Incentive period 2009	Incentive period 2008	Incentive period 2007
Grant date	9 February 2010	22 April 2009	15 May 2008	26 April 2007
No. of key personnel at period end	25	24	20	13
Maximum number of shares to be granted on grant date	86,800	221,600	82,200	38,700
Shares granted in 2008	-	-	-	4,293
Shares granted in 2009	-	-	20,109	4,288
Shares granted in 2010	-	60,041	18,965	3,960

According to the terms and conditions of the incentive plan, a participant can also choose to receive shares instead of the cash component intended for paying the related income tax. In addition to shares granted as presented above, 41,054 shares were granted in 2010 (16,349 shares in 2009) instead of paying the cash component in cash.

In addition, related to incentive period 2010, the Board of Directros can grant 37 200 shares to key personnel on top of the maximum number fo shares presented in the table above.

C) Pension obligation - defined benefit plan

The company has taken out pension insurance to cover CEO Petri Olkinuora's pension plan, which is a defined benefit contribution plan. The company announced in December 2010 that Mr Olkinuora will leave his position. He will remain the company's CEO until the Annual General Meeting on 23 March 2011. Citycon has settled its obligations related to CEO's pension plan during 2010. Therefore, the pension liability recognised in the statement of financial position amounted to EUR 0.0 million on 31 December 2010 (EUR 0.1 million on 31 December 2009).

Changes in present value of obligation and in fair value of pension assets

EUR million	2010	2009
Present value of obligation 1.1.	**0.3**	**0.2**
Interest cost	0.0	0.0
Current service cost	0.0	0.0
Settlements	-0.4	-
Actuarial losses	0.1	-
Present value of obligation 31.12.	**-**	**0.3**
Fair value of plan assets 1.1.	**0.2**	**0.2**
Expected return on plan assets	0.0	0.0
Contributions	0.5	0.0
Settlements	-0.7	-
Actuarial losses	0.0	-
Fair value of plan assets 31.12.	**-**	**0.2**

EUR million	2010	2009
Present value of obligation	0.0	0.3
Fair value of plan assets	0.0	-0.2
Liability recognised in the statement of financial position	**-**	**0.1**
Unrecognised actuarial gains/losses	0.0	0.0
Unrecognised past service costs, non-vested	-	-
Liability recognised in the statement of financial position	**-**	**0.1**

Liability recognised in the statement of financial position was completely funded on 31 December 2009.

Interest cost	0.0	0.0
Current service cost	0.0	0.0
Expected return on pension assets	0.0	0.0
Settlements	0.5	-
Expense recognised in income statement	**0.5**	**0.0**

Out of the pension expense recognised in income statement, EUR 0.4 million was considered as non-recurring resulting from the fact that Petri Olkinuora was agreed to leave his position.

Actual return on plan assets		
Expected return on plan assets	0.0	0.0
Actuarial gain (loss) on plan assets	0.0	0.0
Actual return on plan assets	**0.0**	**0.0**

Two insurance companies have invested the pension insurance assets. Each insurance company has approximately half of the assets. One of the insurance companies has invested 75 per cent to money market instruments, 12.5 per cent to government bonds and 12.5 per cent to corporate bonds. The return on assets of the other insurance company is determined by 2.5 per cent calculated interest rate and possible additional interest rate compensated by the insurance company.

EUR million	2010	2009
Actuarial assumptions used		
Discount rate at year start	4.75%	5.00%
Expected rate of return on pension assets at year start	4.50%	4.50%
Current service cost	0.0	0.0
Benefits paid	0.0	0.0
Contribution paid	0.5	0.0
Present value of obligation at 31.12.	-	0.3
Fair value of pension assets at 31.12.	-	0.2
Expected avg. remaining working life (yr)	-	9

30. CASH GENERATED FROM OPERATIONS

EUR million	2010	2009
Profit/ loss before taxes	102.8	-37.5
Adjustments for:		
Depreciation and amortisation (Note 12)	0.8	0.7
Net fair value gains (-)/losses (+) on investment property (Note 17)	-50.8	97.4
Profit (-)/losses(+) on disposal of investment property (Notes 17 and 23)	-2.6	-0.1
Share-based payments (Note 29)	0.3	0.4
Other non-cash income	-0.4	-0.4
Foreign exchange gains (-)/losses (+) in financing expenses (Note 14)	-0.1	0.0
Fair value gains (-)/losses (+) of derivatives (Note 14)	-0.2	0.1
Interest and other financing income (Note 14)	-0.6	-0.8
Interest and other financing expenses (Note 14)	55.8	48.5
Changes in working capital		
Trade and other receivables (Note 24)	-8.2	-22.5
Trade and other payables (Note 28)	11.0	33.2
Cash generated from operations	**108.0**	**119.0**

31. COMMITMENTS AND CONTINGENT LIABILITIES

A) Other leases - Group as lessee

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

EUR million	2010	2009
Not later than 1 year	1.2	1.1
1-5 years	1.7	1.7
Over 5 years	0.0	0.1
Total	**2.9**	**2.9**

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

Lease payments recognised as expenses during the period were EUR 1.0 million (EUR 1.0 million) and they don't include contingent rents or sublease payments. Lease expenses recognised in the statement of comprehensive income are included in Administrative expenses on row office and other administrative expenses (Note 10. Administrative expenses).

B) Pledges and other contingent liabilities

EUR million	2010	2009
Loans, for which mortgages are given in security and shares pledged		
Loans from financial institutions	27.7	33.0
Contingent liabilities for loans		
Mortgages on land and buildings	36.9	42.9
Bank guarantees	43.4	45.4
Capital commitments	32.3	44.0
VAT refund liabilities	51.2	46.2

Mortgages on land and buildings

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

Bank guarantees

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

Capital commitments

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

VAT refund liability

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

C) Equity ratio commitment and interest coverage ratio

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

Accordingly, equity ratio on 31 December 2010 stood at around 39.4 per cent and interest coverage ratio at around 2.0 (2009: equity ratio was around 40.6 per cent and interest coverage ratio around 2.3).

32. RELATED PARTY TRANSACTIONS

A) Related parties

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

Group companies	Country	Group holding, %	Parent company holding, %
Parent company: Citycon Oyj	Finland		
1. Asematie 3 Koy	Finland	100.0	100.0
2. Asolantien Liikekiinteistö Oy	Finland	100.0	100.0
3. Citycon AB	Sweden	100.0	100.0
4. Citycon Development AB (former Liljeholmsplan Hotellfastigheter AB)	Sweden	100.0	-
5. Citycon Estonia OÜ	Estonia	100.0	-
6. Citycon Jakobsbergs Centrum AB (former BHM Centrumfastigheter AB)	Sweden	100.0	-
7. Citycon Liljeholmstorget Galleria AB (former Liljeholmsplan Fastighets AB)	Sweden	100.0	-
8. Citycon Services AB	Sweden	100.0	-
9. Citycon Shopping Centers AB (former Citycon Sverige AB)	Sweden	100.0	-
10. Citycon Tumba Centrumfastigheter AB (former Tumba Centrumfastigheter AB)	Sweden	100.0	-
11. Drabantvägen bostäder AB	Sweden	100.0	-
12. Espoon Asemakuja 2 Koy	Finland	100.0	100.0
13. Forssan Hämeentie 3 Koy	Finland	100.0	100.0
14. Jakobsberg LB Bostäder AB	Sweden	100.0	-
15. Jyväskylän Forum Koy	Finland	100.0	100.0
16. Jyväskylän Kauppakatu 31 Koy	Finland	100.0	100.0
17. Kaarinan Liiketalo Koy	Finland	100.0	100.0
18. Karjaan Ratakatu 59 Koy	Finland	100.0	100.0
19. Karjalan Kauppakeskus Koy	Finland	100.0	100.0
20. Kauppakeskus Columbus Koy	Finland	100.0	100.0
21. Kauppakeskus Isokarhu Oy	Finland	100.0	100.0
22. Kivensilmänkuja 1 Koy	Finland	100.0	100.0
23. Kotkan Keskuskatu 11 Koy	Finland	100.0	100.0
24. Kouvolan Valtakadun Kauppakeskus Koy	Finland	100.0	100.0
25. Kuopion Kauppakatu 41 Koy	Finland	100.0	100.0
26. Kuusankosken Kauppakatu 7 Koy	Finland	100.0	100.0
27. Kuvernöörintie 8 Koy	Finland	100.0	100.0
28. Lahden Hansa Koy	Finland	100.0	100.0
29. Lahden Kauppakatu 13 Koy	Finland	100.0	100.0
30. Lappeenrannan Villimiehen Vitonen Oy	Finland	100.0	100.0
31. Lentolan Perusyhtiö Oy	Finland	100.0	100.0
32. Liljeholmstorget Development Services AB	Sweden	100.0	-
33. Lillinkulma Koy	Finland	100.0	100.0
34. Lintulankulma Koy	Finland	100.0	100.0
35. Lippulaiva Koy	Finland	100.0	100.0
36. Magistral Kaubanduskeskuse OÜ	Estonia	100.0	-
37. Martinlaakson Kivivuorentie 4 Koy	Finland	100.0	100.0
38. Minkkikuja 4 Koy	Finland	100.0	100.0
39. Montalbas B.V.	The Netherlands	100.0	100.0
40. Myllypuron Ostoskeskus Oy (in liquidation)	Finland	100.0	100.0
41. Myyrmanni Koy	Finland	100.0	100.0
42. Mäntyvuoksi Koy	Finland	100.0	100.0
43. Naantalin Tullikatu 16 Koy (divested on 5 Jan. 2011)	Finland	100.0	100.0
44. Oulun Galleria Koy	Finland	100.0	100.0
45. Porin Asema-Aukio Koy	Finland	100.0	100.0
46. Porin Isolinnankatu 18 Koy	Finland	100.0	100.0
47. Riddarplatsen Fastigheter HB	Sweden	100.0	-
48. Rocca al Mare Kaubanduskeskuse AS	Estonia	100.0	-
49. Runeberginkatu 33 Koy	Finland	100.0	100.0
50. Sinikalliontie 1 Koy	Finland	100.0	100.0
51. Säkylän Liiketalo Koy	Finland	100.0	100.0
52. Talvikkitie Koy 7-9	Finland	100.0	100.0
53. Tampereen Hatanpää Koy	Finland	100.0	100.0
54. Tampereen Hermanni Koy	Finland	100.0	100.0
55. Tampereen Suvantokatu Koy	Finland	100.0	100.0
56.Tumba Bostäder AB (former AB Coport 251)	Sweden	100.0	-
57. UAB Citycon	Lithuania	100.0	-
58. UAB Prekybos Centras Mandarinas	Lithuania	100.0	-
59. Ultima Oy	Finland	100.0	100.0
60. Valkeakosken Torikatu 2 Koy	Finland	100.0	100.0
61. Vantaan Laajavuorenkuja 2 Koy	Finland	100.0	100.0
62. Varkauden Relanderinkatu 30 Koy	Finland	100.0	100.0
63. Wavulinintie 1 Koy	Finland	100.0	100.0
64. Veniamo-Invest Oy	Finland	100.0	100.0
65. Vaakalintu Koy	Finland	95.8	95.8
66. Lahden Trio Koy	Finland	89.7	89.7
67. Linjurin Kauppakeskus Koy	Finland	88.5	88.5
68. Lappeenrannan Brahenkatu 7 Koy	Finland	84.5	84.5
69. Tikkurilan Kauppakeskus Koy	Finland	83.8	83.8
70. Koskikeskuksen Huolto Oy	Finland	81.7	81.7
71. Lappeen Liikekeskus Koy	Finland	90.6	90.6
72. Orimattilan Markkinatalo Oy	Finland	77.3	77.3
73. Strömpilen AB	Sweden	75.0	-
74. Åkersberga Centrum AB	Sweden	75.0	-
75. Hervannan Liikekeskus Oy	Finland	74.6	74.6
76. Myyrmäen Kauppakeskus Koy	Finland	74.0	74.0
77. Stenungs Torg Fastighets AB	Sweden	70.0	-
78. Kirkkonummen Liikekeskus Oy	Finland	66.7	66.7
79. Espoontori Koy	Finland	66.6	66.6
80. Heikintori Oy	Finland	65.3	65.3
81. Tampereen Koskenranta Koy	Finland	63.7	63.7
82. Myyrmäen Autopaikoitus Oy	Finland	62.7	-
83. Vantaan Säästötalo Koy	Finland	61.2	61.2

Group companies	Country	Group holding, %	Parent company holding, %
84. Espoontorin Pysäköintitalo Oy	Finland	60.1	-
85. Big Apple Top Oy	Finland	60.0	-
86. Manhattan Acquisition Oy	Finland	60.0	-
87. Tullintori Koy	Finland	57.4	57.4
88. Espoon Asematori Koy	Finland	54.1	54.1
89. Laajasalon Liikekeskus Oy	Finland	50.4	50.4
90. Retail Park Oy	Finland	50.0	50.0
91. Espoon Louhenkulma Koy	Finland	48.9	48.9
92. Pihlajamäen Liiketalo Oy	Finland	42.7	42.7
93. Länsi-Keskus Koy	Finland	41.4	41.4
94. Hakunilan Keskus Oy	Finland	41.1	41.1
95. Otaniemen Liikekeskus Oy	Finland	39.2	39.2
96. Hansaparkki Koy	Finland	36.0	-
97. Kontulan Asemakeskus Koy	Finland	34.8	34.8
98. Puijonlaakson Palvelukeskus Koy	Finland	31.3	31.3
99. Salpausseläntie 11 Koy	Finland	31.3	31.3
100. Valtakatu 5-7 Koy	Finland	31.3	31.3
101. Jyväskylän Ydin Oy	Finland	29.0	21.5
102. Soukan Itäinentorni As Oy	Finland	27.3	27.3
103. Valkeakosken Liikekeskus Koy	Finland	25.4	25.4
104. Lauttasaaren Liikekeskus Oy	Finland	23.7	23.7
105. Hakucenter Koy	Finland	18.7	18.7
106. Tikkurilan Kassatalo As Oy	Finland	8.1	8.1
107. Liesikujan Autopaikat Oy	Finland	8.0	-
108. Tapiolan Alueen Kehitys Oy	Finland	7.7	7.7
Partnerships for taxation purposes:			
1. Hakarinne 4 (divested on 27 Jan. 2011)	Finland	55.6	55.6
2. Parkeringshuset Väpnaren	Sweden	64.0	-

B) Related party transactions

Group companies

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

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

Management benefits

CEO wages and salaries

EUR	2010	2009
Petri Olkinuora	403,207	388,637

Citycon's Board of Directors appoints the CEO and decides on the terms and conditions of his/her executive contract, in writing. Since 2002, Citycon Oyj's CEO has been Petri Olkinuora. The company announced in December 2010 that Mr Olkinuora will leave his position following the AGM of 2011. The decision to leave the CEO position was mutual between Mr Olkinuora and the Board of Directors of Citycon. In accordance with Mr Olkinuora's executive contract, he will be paid a lump-sum compensation equalling his 18-month salary, in addition to the salary payable for the notice period. The company has taken out pension insurance to cover Mr Olkinuora's pension plan. The costs of this pension insurance for the company amounted to EUR 0.5 million for the financial year 2010.

On 31 December 2010, the CEO held 140,000 2004C stock options. In relation to the company's share-based incentive scheme the CEO was granted 39,680 shares in 2010 (11,730 shares in 2009).

Personnel expenses for the entire corporate management committee

EUR million	2010	2009
Wages and salaries	1.4	1.3
Pensions: defined contribution plans	0.2	0.3
Pension charges: defined benefit plans	0.0	0.1
Social charges	0.1	0.1
Total	**1.8**	**1.8**

In addition to wages and salaries, corporate management committee received income of EUR 0.2 million (EUR 0.2 million) from stock options and share-based incentive plan. Also, non-recurring personnel expenses of EUR 1.3 million arising from employment terminations of CEO Petri Olkinuora and Vice President of the companies Finnish operations were recognised in 2010.

Remuneration of the members of the Board of Directors

EUR	2010	2009
Ashkenazi Ronen (Board member as of 1 Dec. 2009)	71,900	13,000
Bernstein Amir (Board member until 30 Nov. 2009)	-	36,500
Bolotowsky Gideon	54,500	52,000
Katzman Chaim (Board member as of 17 May 2010)	127,313	-
Korpinen Raimo	56,700	53,000
Lähdesmäki Tuomo	57,200	74,300
Ottosson Claes	51,000	47,000
Segal Dor J.	51,500	49,000
Wernink Thomas W.	89,604	179,300
Westin Per-Håkan	57,000	52,000
Zochovitzky Ariella (Board member as of 18 March 2009)	56,500	50,500
Total	**673,217**	**606,600**

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

Transactions with Gazit-Globe Ltd.

Convertible capital loan 1/2006

The outstanding amount of the company's 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% (54.9%) out of the outstanding amount of convertible capital loan, i.e. EUR 39.1 million (EUR 38.1 million) out of the carrying amount of convertible capital loan on 31 December 2010. Total of EUR 1.9 million (EUR 1.9 million) out of the convertible capital loan annual coupon payment made in 2010 belong to Gazit-Globe Ltd. and EUR 0.8 million (EUR 0.8 million) out of the convertible capital loan interest liability on 31 December 2010.

Purchases of services

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

Share issue 2010

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

Reporting to Gazit-Globe Ltd

The company's main shareholder, Gazit-Globe Ltd, holding approximately 47 per cent of the shares in the company, has announced that it has been applying International Financial Reporting Standards (IFRS) in its financial reporting starting from 2007. According to IFRS one company may exercise a controlling interest in another company even if its shareholding in that company does not exceed 50 per cent. Gazit-Globe Ltd. holds the view that it exercises a controlling interest, as defined in IFRS, in Citycon Oyj based on the fact that it has been able to exercise controlling interest in Citycon Oyj's shareholders' meetings pursuant to its shareholding. In accordance with an agreement concluded between the companies, Citycon Oyj will provide Gazit-Globe Ltd. with a more detailed breakdown of the accounting information it discloses in its interim and full-year reports, so that Gazit-Globe Ltd. can consolidate Citycon Group figures into its own IFRS financial statements.

33. CHANGES IN GROUP STRUCTURE IN 2010

Companies acquired
AB Coport 238 (current Citycon Services AB)
AB Coport 251 (current Tumba Bostäder AB)
AB Coport 252 (current Drabantvägen bostäder AB)
Aktiebolaget Grundstenen 121670 (current Jakobsberg LB Bostäder AB)
Asematie 3 Koy
As Oy Tikkurilan Kassatalo (8.1% of the shares)
Lappeen Liikekeskus Koy (increase of ownership by 10.4% to 90.6%)
Mäntyvuoksi Koy (increase of ownership by 13.2% to 100%)
Companies established
-
Companies sold
Asunto Oy Helsingin Kivensilmänkuja 3
Asunto Oy Helsingin Myllypiha
Fastighets AB Fartyget i Åkersberga
Fastighets AB Kajutan i Åkersberga (former AB Coport 202)
Helsingin Autotalo Oy, (8.9% of the shares)
Helsingin Kiviparintien asumisoikeusasunnot Oy
Liljeholmsplan Bostadsfastigheter AB
Tenrot Fastighets AB
Vantaan Kivivuorenlaki As Oy

Companies merged
Citycon Centrum Sverige AB
Citycon Göteborg AB
Jakobsbergs Centrum Fastighets AB
Jakobsbergs Centrum Galleria AB
Jakobsbergs 565 Fastighets AB
Järfälla 7055 Fastighets AB
Sverige 7059 Fastighets AB

34. POST BALANCE SHEET EVENTS

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

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

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

1) CONSOLIDATED KEY FIGURES AND RATIOS FOR FIVE YEARS

EUR million	Formula	2010	2009	2008	2007	2006
Statement of comprehensive income data						
Turnover		195.9	186.3	178.3	151.4	119.4
Other operating income and expense		0.3	0.0	6.1	0.5	0.6
Operating profit/loss		157.7	10.3	-105.0	298.7	196.5
Profit/loss before taxes		102.8	-37.5	-162.3	253.5	165.6
Profit/loss attributable to parent company shareholders		78.3	-34.3	-124.1	200.3	124.9
Statement of financial position data						
Investment properties		2,367.7	2,147.4	2,111.6	2,248.9	1,447.9
Current assets		56.9	65.9	52.4	48.1	33.1
Equity attributable to parent company shareholders		849.5	731.1	799.1	982.0	565.3
Minority interest		50.7	36.8	38.2	28.9	15.0
Interest-bearing liabilities		1,397.7	1,321.7	1,199.5	1,154.0	814.0
Total liabilities		1,536.3	1,485.3	1,341.2	1,297.7	906.1
Total liabilities and shareholders' equity		2,436.5	2,253.2	2,178.5	2,308.6	1,486.4
Key performance ratios						
Equity ratio, %	1	37.1	34.2	38.5	43.9	39.1
Equity ratio for the banks, %		39.4	40.6	45.1	50.1	49.8
Gearing, %	2	153.1	169.5	141.3	111.8	136.6
Return on equity, % (ROE)	3	11.1	-4.7	-15.0	23.3	25.8
Return on investment, % (ROI)	4	10.6	-0.5	-1.5	16.3	16.8
Quick ratio	5	0.3	0.4	0.5	0.3	0.2
Gross capital expenditure, EUR million		133.7	134.6	157.9	603.9	436.4
% of turnover		68.3	72.2	88.6	398.9	365.5
Per-share figures and ratios						
Earnings per share, EUR	6	0.34	-0.16	-0.56	1.00	0.76
Earnings per share,diluted, EUR	7	0.34	-0.16	-0.56	0.91	0.73
Net cash from operating activities per share, EUR	8	0.09	0.30	0.21	0.20	0.20
Equity per share, EUR	9	3.47	3.31	3.62	4.44	3.30
P/E (price/earnings) ratio	10	9	-19	-3	3	7
Return from invested unrestricted equity fund per share, EUR		0.10	0.10	0.10	0.10	-
Dividend per share, EUR		0.04	0.04	0.04	0.04	0.14
Dividend and return from invested unrestricted equity fund per share total, EUR		0.14	0.14	0.14	0.14	0.14
Dividend and return of equity per earnings, %	11	40.8	-90.2	-24.9	13.9	18.4
Effective dividend and return of equity yield, %	12	4.5	4.8	8.3	4.3	2.8
Operative key ratios						
Net rental yield, %	13	5.8	6.1	5.8	5.8	7.1
Occupancy rate (economic), %	15	95.1	95.0	96.0	95.7	97.1
Citycon's GLA, sq.m.		942,280	961,150	937,650	923,980	735,029
Personnel (at the end of the period)		129	119	113	102	73

1) Board proposal

Formulas are available on page 53.

2) QUARTERLY SEGMENT INFORMATION

EUR million	Q4/2010	Q3/2010	Q2/2010	Q1/2010	Q4/2009	Q3/2009	Q2/2009	Q1/2009
Turnover								
Finland	32.0	30.8	31.1	32.5	32.7	32.4	32.6	33.5
Sweden	13.8	13.1	13.2	12.6	12.4	9.9	9.5	9.3
Baltic Countries	4.1	4.0	4.2	4.3	3.8	3.6	3.5	3.1
Total	**49.9**	**48.0**	**48.6**	**49.5**	**48.9**	**45.9**	**45.6**	**45.9**
Net rental income								
Finland	22.0	22.0	21.5	21.3	23.0	23.4	22.9	23.1
Sweden	6.6	8.1	7.6	6.4	6.1	6.4	5.6	5.2
Baltic Countries	3.1	2.9	2.8	3.0	2.5	2.7	2.5	2.1
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**31.8**	**33.0**	**31.8**	**30.6**	**31.6**	**32.5**	**31.0**	**30.3**
Direct operating profit								
Finland	20.1	20.5	19.8	20.5	21.4	22.0	21.4	21.5
Sweden	5.5	6.9	6.2	5.5	5.1	5.7	4.8	4.4
Baltic Countries	2.6	2.6	2.6	2.7	2.2	2.5	2.2	1.9
Other	-3.9	-2.1	-2.2	-2.4	-2.3	-1.6	-1.4	-2.0
Total	**24.3**	**28.0**	**26.3**	**26.4**	**26.3**	**28.6**	**27.1**	**25.7**
Operating profit/loss								
Finland	26.2	30.4	31.2	19.8	6.8	17.4	1.0	-4.0
Sweden	7.8	11.5	16.2	11.2	-12.0	4.4	0.1	7.8
Baltic Countries	5.2	3.0	4.1	1.7	-4.9	7.2	1.5	-7.7
Other	-3.9	-2.1	-2.2	-2.4	-2.3	-1.6	-1.4	-2.0
Total	**35.4**	**42.8**	**49.2**	**30.3**	**-12.4**	**27.4**	**1.1**	**-5.8**

PARENT COMPANY INCOME STATEMENT, FAS

EUR million	Note	1 Jan.–31 Dec. 2010	1 Jan.–31 Dec. 2009
Gross rental income		98.8	104.1
Service charge income		4.7	3.9
Turnover	2	**103.5**	**108.1**
Property operating expenses		66.6	51.0
Other expenses from leasing operations	3	0.4	0.2
Net rental income		**36.5**	**56.9**
Administrative expenses	4, 5	22.5	18.0
Other operating income and expenses	6	6.1	2.3
Operating profit		**20.1**	**41.2**
Financial income		112.4	90.1
Financial expenses		-137.5	-105.2
Net financial income and expenses	7	-25.1	-15.1
Loss/profit before taxes		**-5.0**	**26.1**
Income tax expense	8	0.0	7.5
Loss/profit for the period		**-5.0**	**18.5**

PARENT COMPANY BALANCE SHEET, FAS

EUR million	Note	31 Dec. 2010	31 Dec. 2009
ASSETS			
Non-current assets			
Intangible assets	9	12.9	10.5
Tangible assets	10	30.8	34.0
Investments			
Shares in subsidiaries	11	857.5	830.3
Shares in associated companies	12	34.8	34.8
Other investments	13	972.9	864.8
Total investments		1,865.2	1,729.9
Total non-current assets		**1,908.8**	**1,774.4**
Current assets			
Short-term receivables	15	25.9	28.5
Cash and cash equivalents		0.8	6.6
Total current assets		**26.7**	**35.1**
Total assets		**1,935.5**	**1,809.5**

EUR million	Note	31 Dec. 2010	31 Dec. 2009
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity	16		
Share capital		259.6	259.6
Share premium fund		133.1	133.1
Invested unrestricted equity fund		201.5	157.0
Retained earnings		18.6	8.9
Loss/profit for the period		-5.0	18.5
Total shareholders' equity		**607.8**	**577.1**
Liabilities	17		
Long-term liabilities			
Convertible capital loan 1/2006		66.3	69.3
Bond 1/2009		39.5	39.4
Other long-term liabilities		987.9	955.7
Total long-term liabilities		**1,093.7**	**1,064.4**
Short-term liabilities			
Subordinated capital loan 1/2005		-	70.0
Other short-term liabilities		234.1	98.0
Total short-term liabilities		**234.1**	**168.0**
Total liabilities		**1,327.7**	**1,232.4**
Total liabilities and shareholders' equity		**1,935.5**	**1,809.5**

PARENT COMPANY CASH FLOW STATEMENT, FAS

EUR million	1 Jan.–31 Dec. 2010	1 Jan.–31 Dec. 2009
Cash flow from operating activities		
Loss/profit before taxes	**-5.0**	**26.1**
Adjustments:		
Depreciation and impairment loss	4.2	4.2
Non-cash property operating expenses	25.3	20.6
Net financial income and expenses	25.1	15.1
Gain on sale of shares in subsidiaries and other investments	-4.4	-1.1
Cash flow before change in working capital	45.2	64.8
Change in working capital	22.8	-10.8
Cash generated from operations	**68.0**	**54.0**
Interest expense and other financial expenses paid	-64.2	-46.7
Interest income and other financial income received	15.0	14.2
Realized exchange rate losses and gains	-10.6	11.8
Income taxes paid	-8.8	-9.3
Net cash flow from operating activities	**-0.5**	**24.0**
Cash flow from investing activities		
Investment in tangible and intangible assets	-3.3	-4.8
Loans granted	-98.0	-154.5
Repayments of loans receivable	66.9	82.9
Increase in subsidiary shares	-27.3	-6.2
Sale of subsidiary shares	2.8	3.1
Purchase of minority and associated companies' shares	-0.3	-
Sale of associated companies' shares	3.2	-
Net cash used in investing activities	**-56.0**	**-79.5**
Cash flow from financing activities		
Proceeds from share issue	63.1	-
Sale of treasury shares	0.2	-
Share subscriptions based on stock options	3.3	-
Proceeds from short-term loans	107.8	148.5
Repayments of short-term loans	-198.5	-75.9
Proceeds from long-term loans	347.6	293.9
Repayments of long-term loans	-242.0	-270.8
Dividends paid and return from the invested unrestricted equity fund	-31.0	-30.9
Net cash from financing activities	**50.5**	**64.8**
Net change in cash and cash equivalents	**-6.1**	**9.3**
Cash and cash equivalents at period-start	-1.5	-10.9
Effects of exchange rate changes	-	-
Cash and cash equivalents at period-end [1]	**-7.6**	**-1.5**

1) Cash and cash equivalents of Citycon Oyj were negative as at 31 December 2010 and at 31 December 2009 due to Group cash pool in which the parent company's bank account can have a negative balance. Cash pool balance of EUR -8.4 million as at 31 December 2010 and EUR -8.1 million as at 31 December 2009 has been recognised in the parent company's balance sheet under short-term liabilities.

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS, FAS

1. ACCOUNTING POLICIES

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

Income Statement Format

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

Non-Current Assets

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

Property Portfolio

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

Other Non-Current Assets

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

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

Pension Schemes

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

Foreign Currency Receivables And Payables

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

Subordinated Loan And Convertible Capital Loan

The subordinated loan and convertible capital loan are shown as separate items in liabilities.

Taxes

Taxes are recognised on an accrual basis.

Important Note

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

2. TURNOVER

EUR million	2010	2009
Turnover by business segments:		
Shopping centres		
Helsinki Metropolitan Area	32.5	33.4
Other areas in Finland	44.8	45.6
Other retail properties	26.2	29.1
Total	**103.5**	**108.1**

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

EUR million	2010	2009
Administrative fees from Group companies		
.	0.9	1.2

3. OTHER EXPENSES FROM LEASING OPERATIONS

EUR million	2010	2009
Tenant improvements and commissions	0.0	0.1
Credit losses	0.3	0.2
Total	**0.4**	**0.2**

4. PERSONNEL EXPENSES

EUR million	2010	2009
Average number of employees during period	81	77
Personnel expenses		
Wages and salaries	7.4	6.4
Pension charges	1.7	1.0
Other social charges	0.3	0.5
Total	**9.4**	**7.9**
Personnel expenses include management salaries and emoluments		
CEO's salary and emoluments	0.4	0.4
Board remuneration	0.7	0.6
Total	**1.1**	**1.0**

In addition to items presented above, non-recurring personnel expenses of EUR 1.2 million arising from employment termination of CEO Petri Olkinuora was recognised in 2010. More information about the non-recurring expense is provided in the Consolidated Financial Statements in Note 32. Related party transactions.

5. DEPRECIATION AND AMORTISATION AND IMPAIRMENTS

EUR million	2010	2009
The following depreciation and amortisation as well as impairments are included in the administrative expenses:		
Amortisation on intangible assets	3.3	2.9
Depreciation on buildings and constructions	0.5	0.5
Depreciation on machinery and equipment	0.3	0.4
Impairment of shares in subsidiairies	-	0.4
Total	**4.2**	**4.2**

6. OTHER OPERATING INCOME AND EXPENSES

EUR million	2010	2009
Gain on sale of shares in subsidiaries and other investments	4.4	1.1
Leasing and asset management fees from Group companies	1.6	1.2
Other operating income	0.1	0.0
Total	**6.1**	**2.3**

7. NET FINANCIAL INCOME AND EXPENSES

EUR million	2010	2009
Dividend income		
From Group companies	0.1	0.1
From others	0.0	0.0
Total	**0.1**	**0.1**
Interest and other financial income		
From Group companies	38.8	37.7
Gain from convertible bond buybacks	0.2	2.3
Foreign exchange rate gains	73.0	50.0
Other interest and financial income	0.3	0.1
Total	**112.3**	**90.1**
Total financial income	**112.4**	**90.1**

EUR million	2010	2009
Interest and other financial expenses		
To Group companies	5.3	12.4
Foreign exchange losses	72.8	49.9
Fair value loss from derivatives	8.6	-
Interest and other financial expenses	50.8	42.9
Total financial expenses	**137.5**	**105.2**
Total net financial income and expenses	**-25.1**	**-15.1**

8. INCOME TAX EXPENSE

EUR million	2010	2009
Taxes for the period	0,0	-7.5

9. INTANGIBLE ASSETS

EUR million	2010	2009
Intangible rights		
Acquisition cost 1 Jan.	1.7	1.4
Additions during the period	0.3	0.3
Accumulated acquisition costs 31 Dec.	2.0	1.7
Accumulated depreciation 1 Jan.	-0.9	-0.6
Depreciation for the period	-0.3	-0.2
Accumulated depreciation 31 Dec.	-1.2	-0.9
Net carrying amount 31 Dec.	**0.8**	**0.8**
Connection fees		
Acquisition cost 1 Jan.	0.2	0.2
Net carrying amount 31 Dec.	**0.2**	**0.2**
Tenant improvements and other non-current assets		
Acquisition cost 1 Jan.	18.4	16.6
Additions during the period	5.4	1.7
Transfer between items	0.0	0.0
Accumulated acquisition costs 31 Dec.	23.7	18.4
Accumulated depreciation 1 Jan.	-8.9	-6.2
Depreciation for the period	-3.1	-2.7
Accumulated depreciation 31 Dec.	-11.9	-8.9
Net carrying amount 31 Dec.	**11.8**	**9.5**
Total intangible assets 31 Dec.	**12.9**	**10.5**

10. TANGIBLE ASSETS

EUR million	2010	2009
Land		
Acquisition cost 1 Jan.	3.3	3.3
Net carrying amount 31 Dec.	**3.3**	**3.3**
Buildings and constructions		
Acquisition cost 1 Jan.	68.7	68.6
Additions during the period	0.0	0.1
Accumulated acquisition costs 31 Dec.	68.7	68.7
Accumulated depreciation 1 Jan.	-44.1	-43.6
Depreciation for the period	-0.5	-0.5
Accumulated depreciation 31 Dec.	-44.6	-44.1
Net carrying amount 31 Dec.	**24.1**	**24.6**
Machinery and equipment		
Acquisition cost 1 Jan.	5.5	5.3
Additions during the period	0.3	0.2
Accumulated acquisition costs 31 Dec.	5.7	5.5
Accumulated depreciation 1 Jan.	-4.3	-3.9
Depreciation for the period	-0.3	-0.4
Accumulated depreciation 31 Dec.	-4.7	-4.3
Net carrying amount 31 Dec.	**1.1**	**1.2**

Machinery and equipment also include technical equipment in buildings.

EUR million	2010	2009
Other tangible assets		
Acquisition cost 1 Jan.	0.2	0.2
Accumulated acquisition costs 31 Dec.	0.2	0.2
Accumulated depreciation 1 Jan.	-0.2	-0.2
Accumulated depreciation 31 Dec.	-0.2	-0.2
Net carrying amount 31 Dec.	**0.1**	**0.1**
Construction in progress		
Acquisition cost 1 Jan.	4.9	2.4
Reductions/additions during the period	-2.7	2.6
Transfer between items	0.0	0.0
Net carrying amount 31 Dec.	**2.2**	**4.9**
Total tangible assets 31 Dec.	**30.8**	**34.0**

11. SHARES IN SUBSIDIARIES

EUR million	2010	2009
Acquisition cost 1 Jan.	830.3	826.4
Additions during the period	27.3	6.2
Impairment	-	-0.4
Reductions during the period	0.0	-2.0
Net carrying amount 31 Dec.	**857.5**	**830.3**

12. SHARES IN ASSOCIATED COMPANIES

EUR million	2010	2009
Acquisition cost 1 Jan.	34.8	34.8
Net carrying amount 31 Dec.	**34.8**	**34.8**

13. OTHER INVESTMENTS

EUR million	2010	2009
Minority holdings		
Acquisition cost 1 Jan.	3.7	3.7
Additions during the period	0.3	-
Reductions during the period	-3.2	-
Net carrying amount 31 Dec.	**0.9**	**3.7**
Loan receivables from Group companies	972.0	857.3
Other receivables from outside the Group	0.0	3.8
Total other investments 31 Dec.	**972.9**	**864.8**
Total investments 31 Dec.	**1,865.2**	**1,729.9**

14. SUBSIDIARIES AND ASSOCIATED COMPANIES

Parent company's subsidiaries and associated companies are presented in the notes to the consolidated financial statements 32. Related party transactions.

15. SHORT-TERM RECEIVABLES

EUR million	2010	2009
Receivables from outside the Group		
Trade receivables	1.0	1.2
Other receivables	11.4	0.1
Accrued income and prepaid expenses	0.8	0.4
Total	**13.2**	**1.7**

EUR million	2010	2009
Receivables from Group companies		
Trade receivables	0.9	2.1
Loan receivables	-0.2	0.8
Maintenance charge receivables	2.4	3.8
Other receivables	0.0	9.1
Total other receivables	2.3	13.7
Interest receivables	9.4	10.9
Other accrued income and prepaid expenses	0.1	0.1
Total accrued income and prepaid expenses	9.5	11.0
Total	**12.7**	**26.8**
Total short-term receivables	**25.9**	**28.5**

16. SHAREHOLDERS' EQUITY

EUR million	2010	2009
Share capital at 1 Jan.	**259.6**	**259.6**
Share capital at 31 Dec.	**259.6**	**259.6**
Share premium fund at 1 Jan.	**133.1**	**133.1**
Share premium fund at 31 Dec.	**133.1**	**133.1**
Invested unrestricted equity fund at 1 Jan.	**157.0**	**179.0**
Proceeds from share issue	63.1	-
Sale of treasury shares	0.2	-
Share subscriptions based on stock options	3.3	0.0
Equity return from the invested unrestricted equity fund	-22.1	-22.1
Invested unrestricted equity fund at 31 Dec.	**201.5**	**157.0**
Retained earnings at 1 Jan.	**27.5**	**17.8**
Dividends	-8.8	-8.8
Net loss/profit for the period	**-5.0**	**18.5**
Retained earnings at 31 Dec.	**13.6**	**27.5**
Total shareholders' equity at 31 Dec.	**607.8**	**577.1**

17. LIABILITIES

A) Long-term liabilities

EUR million	2010	2009
Fixed-rate loans		
Convertible capital loan 1/2006 1)	66.3	69.3
Bond 1/2009	39.5	39.4
Floating-rate loans, which are		
converted into fixed rates through interest-rate swaps	869.8	737.6
tied to market interest rates	90.1	195.1
Total	959.9	932.7
Current portion of long-term loans	-19.7	-18.0
Total	**940.2**	**914.7**
Other long-term loans		
Loans from financial institutions	940.2	914.7
Loans from Group companies	47.7	41.0
Total	**987.9**	**955.7**
Total long-term liabilities	**1,093.7**	**1,064.4**
Loans maturing later than 5 years	**12.5**	**17.5**

B) Short-term liabilities

EUR million	2010	2009
Short-term interest-bearing liabilities		
Subordinated capital loan 1/2005 1)	-	70.0
Commercial papers	11.9	32.6
Loans from financial institutions	161.8	18.0
Loans from Group companies	19.3	18.3
Total	**193.1**	**138.9**

EUR million	2010	2009
Short-term non interest-bearing liabilities		
Payables to outside the Group		
Advances received	0.3	0.3
Accounts payable	1.7	0.7
Tax liability	-	1.4
VAT liability	-	1.1
Derivative financial instruments	1.5	0.2
Other payables	0.1	0.1
Total other payables	1.6	2.8
Interest liability	5.2	7.8
Other accruals	3.9	2.3
Total accruals	9.0	10.1
Total	**12.7**	**13.9**
Payables to Group companies		
Accounts payable	0.6	0.0
Charge-for-financial cost payables	13.9	12.3
Other payables	13.3	1.9
Total other payables	27.2	14.2
Accruals	0.5	1.1
Total	**28.3**	**15.2**
Total short-term liabilities	**234.1**	**168.0**
Total liabilities	**1,327.7**	**1,232.4**

1) The terms and conditions of subordinated capital loan and convertible capital loan are presented in Note 27. Loans in the Notes to the Consolidated Financial Statements.

All derivative financial instruments in Citycon are executed by the parent company Citycon Oyj. The fair values of derivative financial instruments are presented in Note 22. Derivative Financial Instruments in the Notes to the Consolidated Financial Statements.

18. CONTINGENT LIABILITIES

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

A) Lease liabilities

EUR million	2010	2009
Payables on lease commitments		
Maturing next financial year	0.9	1.0
Maturing later	0.9	1.0
Total	**1.8**	**2.0**

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

B) Guarantees given

EUR million	2010	2009
Bank guarantees	43.4	45.4
On behalf of Group companies	5.9	5.4

C) VAT refund liabilities

	5 year review period		10 year rewiev period	
EUR million	2010	2009	2010	2009
Property investment (net)	0.9	0.9	0.5	0.5
VAT of property investment (100%)	0.3	0.3	0.1	0.1
out of which VAT has been deducted on the date of completion	0.3	0.3	0.1	0.1
Annual amount under review	0.1	0.1	0.0	0.0
VAT refund liability at 31 Dec.	**0.0**	**0.0**	**0.0**	**0.0**

MAJOR SHAREHOLDERS 31 DECEMBER 2010

Name	Number of shares	% of shares and votes
Ilmarinen Mutual Pension Insurance Company	9,403,914	3.85
The State Pension Fund of Finland	1,300,000	0.53
Odin Finland	1,270,673	0.52
OP-Finland Value Fund	1,000,000	0.41
Investment Fund Aktia Capital	1,000,000	0.41
Folketrygdfondet	765,000	0.31
Bnp Paribas Arbitrage	680,182	0.28
Nordea Finland Fund	668,344	0.27
von Fieandt Johan	480,000	0.20
Tudeer Lauri	478,850	0.19
10 major, total	**17,046,963**	**6.97**
Nominee-registered shares		
Sampo Bank Plc	115,854,309	47.37
Skandinaviska Enskilda Banken AB	35,385,823	14.47
Nordea Bank Finland Plc	32,688,164	13.37
Svenska Handelsbanken AB (publ), Branch Operation in Finland	24,801,905	10.14
Other nominee-registered shares	891,246	0.36
Nominee-registered shares, total	**209,621,447**	**85.71**
Others	17,896,562	7.32
Shares, total	**244,564,972**	**100**

Gazit-Globe Ltd. has informed the company that the number of shares held by it on 31 December 2010 amounts to 115,791,279 shares accounting for 47.3 per cent of the shares and voting rights in the company at the year-end of 2010. Gazit-Globe Ltd.'s shareholding is nominee-registered.

Notifications of changes in shareholding during 2010

According to a notice received by Citycon Oyj on 31 August 2010, ING Clarion Real Estate Securities, LLC's (f/k/a ING Clarion Real Estate Securities, L.P.) ("ING CRES") holding in the company had fallen below the threshold of five per cent on 18 August 2008. As additional information to the notice ING CRES announced that the notice was provided to remedy a missed filing that should have been made in August 2008. According to the notice, on 30 August 2010 ING CRES held 1,344,574 (0.60%) shares of Citycon and had voting authority over 1,235,780 (0.56%) shares. ING CRES held such shares and voting authority in its capacity as investment manager for various institutional investors.

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

SHAREHOLDERS BY OWNERGROUP ON 31 DECEMBER 2010

	Number of owners	Percentage of owners	Number of shares	Percentage of shares and voting rights
Financial and insurance corporations	36	0.82	214,589,386	87.74
Corporations	307	6.96	3,306,904	1.35
Households	3,984	90.36	10,716,741	4.38
General government	4	0.09	10,784,914	4.41
Foreign	35	0.79	4,133,572	1.70
Non-profit institutions	43	0.98	1,033,455	0.42
Total	**4,409**	**100**	**244,564,972**	**100**
of which nominee-registered	9		209,621,447	85.71
Issued stock, total			244,564,972	

BREAKDOWN OF SHAREHOLDERS AS AT 31 DECEMBER 2010 BY NUMBER OF SHARES

Number of shares	Number of shareholders	Percentage of owners	Number of shares	Percentage of shares and voting rights
1 - 100	433	9.82	26,158	0.01
101 - 1,000	1,973	44.75	1,005,979	0.41
1,001 - 5,000	1,496	33.93	3,618,920	1.48
5,001 - 10,000	248	5.62	1,842,361	0.75
10,001 - 50,000	191	4.33	4,009,602	1.64
50,001 - 100,000	21	0.48	1,449,312	0.60
100,001 - 500,000	34	0.77	7,100,871	2.90
500,001 - 1,000,000	6	0.14	4,806,981	1.97
1,000,001 -	7	0.16	220,704,788	90.24
Total	**4,409**	**100**	**244,564,972**	**100**
of which nominee-registered	9		209,621,447	85.71
Issued stock, total			244,564,972	

SHARE PRICE AND TRADING VOLUME

	Formula	2010	2009	2008	2007	2006
Share price, transactions, EUR						
Low		2.29	1.30	1.26	3.24	3.02
High		3.31	3.16	4.28	6.09	5.09
Average	16	2.84	1.99	2.94	4.76	3.86
Market capitalisation, EUR million	17	753.3	649.9	371.3	806.6	844.3
Share trading volume						
No. of shares traded as of year-start, 1,000		114,974	149,340	150,852	153,696	51,193
Percentage of total		47.0	67.0	68.3	69.6	30.6
Average number of shares, 1,000		228,148	221,035	220,991	199,404	163,339
Average number of shares, diluted, 1,000		245,806	239,502	247,223	227,122	175,345
Number of shares on 31. Dec., 1,000		244,565	221,060	220,999	220,981	171,233

FORMULAS FOR KEY FIGURES AND RATIOS

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

SIGNATURES TO THE FINANCIAL STATEMENTS

Signatures to the Financial Statements 1 January - 31 December 2010

In Helsinki, on 8 February 2011

Chaim Katzman	Ronen Ashkenazi
Gideon Bolotowsky	Raimo Korpinen
Tuomo Lähdesmäki	Claes Ottosson
Dor J. Segal	Thomas W. Wernink
Per-Håkan Westin	Ariella Zochovitzky

Petri Olkinuora
CEO

We have today submitted the report on the conducted audit.

In Helsinki, on 8 February 2011

Ernst & Young Oy
Authorised Public Accountants

Tuija Korpelainen
Authorised Public Accountant

TO THE ANNUAL GENERAL MEETING OF CITYCON OYJ

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Citycon Oyj for the year ended 31 December 2010. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

Opinion on the consolidated financial statements

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

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

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

Helsinki, 8 February 2011

Ernst & Young Oy
Authorised Public Accountant Firm

Tuija Korpelainen
Authorised Public Accountant

PROPERTY LIST

	Property	Address			Built in / renovated in	Holding, %	Citycon's GLA, sq.m.	Occupancy rate, %, sq.m. [1)]	Occupancy rate (economic), % [1)]
	FINLAND								
	HELSINKI METROPOLITAN AREA								
1	Asolantien Liikekiinteistö Oy	Asolanväylä 50	01360	VANTAA	1986	100%	1,900	55.1	59.9
2	**Columbus**						**20,900**	**98.7**	**99.6**
	Kauppakeskus Columbus Koy	Vuotie 45	00980	HELSINKI	1997/2007	100%			
3	Espoon Louhenkulma Koy	Louhentie 2	02130	ESPOO	1963	49%	880	100.0	100.0
4	**Espoontori**						**17,200**	**93.3**	**94.8**
	Espoon Asemakuja 2 Koy	Asemakuja 2	02770	ESPOO	1991	100%	6,300		
	Espoon Asematori Koy	Kamreerintie 5	02770	ESPOO	1989/2010	54%	1,800		
	Espoontori Koy	Kamreerintie 3	02770	ESPOO	1987/2010	67%	9,100		
	Espoontorin Pysäköintitalo Oy	Kamreerintie 1	02770	ESPOO	1987/2010	60%			
5	Hakarinne 4	Hakarinne 4	02120	ESPOO	1985 (Property sold on 27 Jan. 2011)	56%	380	0.0	0.0
6	Hakunilan Keskus						3,780	85.1	83.7
	Hakucenter Koy	Laukkarinne 6	01200	VANTAA	1986	19%	780		
	Hakunilan Keskus Oy	Laukkarinne 4	01200	VANTAA	1982	41%	3,000		
7	**Heikintori**						**5,800**	**80.8**	**90.5**
	Heikintori Oy	Kauppamiehentie 1	02100	ESPOO	1968	65%			
8	**Iso Omena**						**60,500**	**98.9**	**99.3**
	Big Apple Top Oy	Piispansilta 9	02230	ESPOO	2001	60%			
9	**Isomyyri**						**10,900**	**79.4**	**88.8**
	Myyrmäen Kauppakeskus Koy	Liesitori 1	01600	VANTAA	1987	74%			
	Liesikujan Autopaikat Oy	Liesikuja 2	01600	VANTAA	1987	8%			
10	Aseman Ostari					67%	5,000	100.0	100.0
	Kirkkonummen Liikekeskus Oy	Asematie 3	02400	KIRKKONUMMI	1991/2010-				
11	Kontulan Asemakeskus Koy	Keinulaudankuja 4	00940	HELSINKI	1988/2007	35%	4,500	100.0	100.0
12	Laajasalon Liikekeskus						2,660	90.6	91.9
	Laajasalon Liikekeskus Oy	Yliskyläntie 3	00840	HELSINKI	1972/1995	50%	2,300		
	Kuvernöörintie 8 Koy	Kuvernöörintie 8	00840	HELSINKI	1982	100%	360		
13	Lauttasaaren Liikekeskus Oy	Lauttasaarentie 28-30	00200	HELSINKI	1970	24%	1,500	100.0	100.0
14	**Lippulaiva**						**18,500**	**99.3**	**99.7**
	Lippulaiva Koy	Espoonlahdenkatu 4	02320	ESPOO	1993/2007	100%			
15	Länsi-Keskus Koy	Pihatörmä 1	02210	ESPOO	1989	41%	8,600	45.8	45.4
16	Martinlaakson Ostari (under construction)								
	Martinlaakson Kivivuorentie 4 Koy	Kivivuorentie 4	01620	VANTAA	building demolished 2010	100%			
17	Minkkikuja 4 Koy	Minkkikuja 4	01450	VANTAA	1989	100%	2,300	100.0	100.0
18	Myllypuron Ostari (under construction)								
	Kivensilmänkuja 1 Koy	Kivensilmänkuja 1	00920	HELSINKI	1988	100%	1,400	100.0	100.0
	Myllypuron Ostoskeskus Oy	Kiviparintie 2	00920	HELSINKI	building demolished 2009, company in liquidation	100%			
19	**Myyrmanni**						**40,500**	**92.5**	**93.5**
	Myyrmanni Koy	Iskoskuja 3	01600	VANTAA	1994/2007/2010-	100%			
	Myyrmäen Autopaikoitus Oy	Iskoskuja 3	01600	VANTAA	1994	63%			
20	Otaniemen Liikekeskus Oy	Otakaari 11	02150	ESPOO	1969	39%	340	100.0	100.0
21	Pihlajamäen liiketalo Oy	Meripihkatie 1	00710	HELSINKI	1970	43%	1,700	26.3	17.1
22	Salpausseläntie 11 Koy	Salpausseläntie 11	00710	HELSINKI	1973	31%	600	100.0	100.0
23	Sampotori	Heikintori, Kauppamiehentie 1	02100	ESPOO	lot	100%	50	100.0	100.0
24	Sinikalliontie 1 Koy	Sinikalliontie 1	02630	ESPOO	1964/1992	100%	15,700	95.7	98.1

	Property	Address			Built in / renovated in	Holding, %	Citycon's GLA, sq.m.	Occupancy rate, %, sq.m. [1)]	Occupancy rate (economic), % [1)]
25	Soukan Itäinentorni As Oy	Soukantie 16	02360	ESPOO	1972	27%	1,600	100.0	100.0
26	Talvikkitie 7-9 Koy	Talvikkitie 7-9	01300	VANTAA	1989	100%	9,800	100.0	100.0
27	**Tikkuri**						**12,230**	**90.6**	**94.6**
	Tikkurilan Kauppakeskus Koy	Asematie 4-10	01300	VANTAA	1984/1991	84%	10,600		
	Asematie 3 Koy	Asematie 3	01300	VANTAA	1972	100%	1,400		
	Tikkurilan Kassatalo As Oy	Asematie 1	01300	VANTAA	1956	8%	230		
28	Ultima Oy	Äyritie 1	01510	VANTAA	lot	100%			
29	Vantaan Laajavuorenkuja 2 Koy	Laajavuorenkuja 2	01620	VANTAA	1976	100%	2,000	100.0	100.0
30	Vantaan Säästötalo Koy	Kielotie 20	01300	VANTAA	1983	61%	3,800	96.8	97.9
31	Wavulinintie 1 Koy	Wavulinintie 1	00210	HELSINKI	1950/1992	100%	1,700	29.5	13.4
	OTHER AREAS IN FINLAND								
32	Forssan Hämeentie 3 Koy	Hämeentie 3	31100	FORSSA	1978	100%	4,500	0.0	0.0
33	**Forum**						**16,500**	**94.5**	**97.1**
	Jyväskylän Forum Koy	Asemakatu 5	40100	JYVÄSKYLÄ	1953/1972/1980/1991/2010	100%			
34	**Galleria**						**3,500**	**93.2**	**95.6**
	Oulun Galleria Koy	Isokatu 23	90100	OULU	1987	100%			
35	**Isokarhu**						**14,800**	**95.9**	**98.9**
	Kauppakeskus IsoKarhu Oy	Yrjönkatu 14	28100	PORI	1972/2001/2004	100%			
36	**IsoKristiina**						**19,500**	**91.0**	**95.4**
	Karjalan Kauppakeskus Koy	Brahenkatu 3	53100	LAPPEENRANTA	1987	100%	8,400		
	Lappeen Liikekeskus Koy	Brahenkatu 5	53100	LAPPEENRANTA	1987	91%	7,400		
	Lappeenrannan Brahenkatu 7 Koy	Brahenkatu 7	53100	LAPPEENRANTA	1993	84%	3,700		
	Lappeenrannan Villimiehen Vitonen Oy	Kaivokatu 5	53100	LAPPEENRANTA	lot	100%			
37	Isolinnankatu 18 Koy	Isolinnankatu 18	28100	PORI	1986/2010-	100%	5,300	80.4	75.9
38	**Jyväskeskus**						**5,800**	**93.3**	**93.0**
	Jyväskylän Kauppakatu 31 Koy	Kauppakatu 31	40100	JYVÄSKYLÄ	1955/1993	100%			
39	Kaarinan Liiketalo Koy	Oskarinaukio 5	20780	KAARINA	1979/1982	100%	9,200	94.1	96.0
40	Karjaan Ratakatu 59 Koy	Ratakatu 59	10320	KARJAA	1993	100%	3,100	100.0	100.0
41	**Duo**						**13,000**	**92.4**	**94.3**
	Hervannan Liikekeskus Oy	Insinöörinkatu 23	33720	TAMPERE	1979	75%	4,700		
	Tampereen Hermanni Koy	Pietilänkatu 2	33720	TAMPERE	2007	100%	8,300		
42	**Koskikara**						**5,800**	**96.1**	**96.5**
	Valkeakosken Liikekeskus Koy	Valtakatu 9-11	37600	VALKEAKOSKI	1993	25%	1,500		
	Valkeakosken Torikatu 2 Koy	Valtakatu 9-11	37600	VALKEAKOSKI	1993	100%	4,300		
43	**Koskikeskus**						**27,700**	**94.3**	**96.8**
	Tampereen Koskenranta Koy	Hatanpään valtatie 1	33100	TAMPERE	1988/1995	64%	12,100		
	Tampereen Hatanpää Koy	Hatanpään valtatie 1	33100	TAMPERE	1988	100%	7,200		
	Tampereen Suvantokatu Koy	Hatanpään valtatie 1	33100	TAMPERE	1988	100%	8,400		
44	Kotkan Keskuskatu 11 Koy	Keskuskatu 11	48100	KOTKA	1976	100%	4,300	100.0	100.0
45	Kuopion Kauppakatu 41 Koy	Kauppakatu 41	70100	KUOPIO	1977	100%	11,200	93.6	96.2
46	Kuusankosken Kauppakatu 7 Koy	Kauppakatu 7	45700	KUUSANKOSKI	1980	100%	2,100	100.0	100.0
47	Lahden Kauppakatu 13 Koy	Kauppakatu 13	15140	LAHTI	1971	100%	8,600	100.0	100.0
48	Lentolan Perusyhtiö Oy	Mäkirinteentie 4	36220	KANGASALA	2007	100%	11,900	79.7	79.6

PROPERTY LIST

	Property	Address			Built in / renovated in	Holding, %	Citycon's GLA, sq.m.	Occupancy rate, %, sq.m. 1)	Occupancy rate (economic), % 1)
49	Lillinkulma Koy	Jännekatu 2-4	20760	PIISPANRISTI	2007	100%	7,400	100.0	100.0
50	**Linjuri**						**9,200**	**94.0**	**94.7**
	Linjurin Kauppakeskus Koy	Vilhonkatu 14	24100	SALO	1993/2007	89%			
51	Mäntyvuoksi Koy	Vuoksenniskantie 50	55800	IMATRA	1974	100%	1,500	100.0	100.0
52	Naantalin Tullikatu 16 Koy	Tullikatu 16	21100	NAANTALI	1985 (Property sold on 5 Jan. 2011)	100%	3,100	100.0	100.0
53	Orimattilan Markkinatalo Oy	Erkontie 3	16300	ORIMATTILA	1983	77%	3,500	100.0	100.0
54	Aseman Ostari						18,900	40.9	46.0
	Porin Asema-aukio Koy	Satakunnankatu 23	28130	PORI	1957/1993	100%			
55	Puijonlaakson Palvelukeskus Koy	Sammakkolammentie 6	70200	KUOPIO	1971	31%	1,500	100.0	100.0
56	Runeberginkatu 33 Koy	Runeberginkatu 33	06100	PORVOO	1988	100%	6,300	100.0	100.0
57	**Sampokeskus**						**13,700**	**79.7**	**84.3**
	Rovaniemen Sampotalo	Maakuntakatu 29-31	96200	ROVANIEMI	1990	100%	11,700		
	Lintulankulma Koy	Rovakatu 28	96200	ROVANIEMI	1989/1890	100%	2,000		
58	Kiinteistö Oy Säkylän Liiketalo	Pyhäjärventie	27800	SÄKYLÄ	1969	100%	1,200	100.0	100.0
59	**Torikeskus**	Kauppatori 1	60100	SEINÄJOKI	1992/2007	100%	**11,500**	**84.7**	**88.8**
60	**Trio**						**45,700**	**89.6**	**92.7**
	Lahden Hansa Koy	Kauppakatu 10	15140	LAHTI	1992/2010-	100%	10,700		
	Lahden Trio Koy	Aleksanterinkatu 20	15140	LAHTI	1977/1985-1987/1992/2007	90%	35,000		
	Kiinteistö Oy Hansaparkki	Kauppakatu 10	15140	LAHTI	1992	36%			
61	**Tullintori**						**10,000**	**84.5**	**88.3**
	Tullintori Koy	Hammareninkatu 2	33100	TAMPERE	1930/1990	57%			
62	Vaakalintu Koy	Keskuskatu 15	11100	RIIHIMÄKI	1980	96%	6,700	100.0	100.0
63	Valtakatu 5-7 Koy	Valtakatu 5-7	37600	VALKEAKOSKI	1938/1992	31%	460	51.2	44.6
64	**Valtari**						**7,600**	**80.5**	**83.6**
	Kouvolan Valtakadun Kauppakeskus Koy	Valtakatu 15	45100	KOUVOLA	1971-1975 /1994-2002	100%			
65	Varkauden Relanderinkatu 30 Koy	Relanderinkatu 28-34	78200	VARKAUS	1990	100%	8,200	100.0	100.0
65	**FINLAND TOTAL**						**579,980**	**89.7**	**94.0**

	Property	Address			Built in / renovated in	Holding, %	Citycon's GLA, sq.m.	Occupancy rate, %, sq.m. [1)]	Occupancy rate (economic), % [1)]
THE BALTIC COUNTRIES									
	ESTONIA								
1	**Rocca al Mare**						**53,300**	**99.4**	**99.7**
	Rocca al Mare Kaubanduskeskuse AS	Paldiski mnt 102	13522	TALLINN	1998/2000/2007-2009	100%			
2	**Magistral**						**9,500**	**99.6**	**99.8**
	Magistral Kaubanduskeskuse Oü	Sõpruse pst 201/203	13419	TALLINN	2000	100%			
	LITHUANIA								
3	**Mandarinas**						**8,000**	**100.0**	**100.0**
	UAB Prekybos Centras Mandarinas	Ateities g. 91	06324	VILNIUS	2005	100%			
3	**THE BALTIC COUNTRIES TOTAL**						**70,800**	**99.5**	**99.7**
SWEDEN									
	STOCKHOLM AREA AND UMEÅ								
1	**Åkersberga Centrum**						**27,500**	**89.9**	**92.4**
	Åkersberga Centrum AB	Storängsvägen	18430	ÅKERSBERGA	1985/1995/1996/2010-	75%			
2	**Åkermyntan Centrum**	Drivbänksvägen 1	16574	HÄSSELBY	1977	100%	**8,500**	**97.0**	**97.7**
3	Kallhäll	Skarprättarvägen 36-38	17677	JÄRFALLA	1991	100%	3,700	100.0	100.0
4	**Jakobsbergs Centrum**						**60,700**	**96.7**	**96.8**
	Citycon Jakobsbergs Centrum AB	Tornérplatsen 30	17730	JÄRFALLA	1959/1993	100%			
	Drabantvägen bostäder AB	Tornérplatsen 30	17730	JÄRFALLA	1959/1993	100%			
	Jakobsberg LB Bostäder AB	Tornérplatsen 30	17730	JÄRFALLA	1959/1993	100%			
5	**Fruängen Centrum**	Fruängsgången	12952	HÄGERSTERN	1965	100%	**14,600**	**98.7**	**99.0**
6	**Liljeholmstorget**						**41,000**	**96.6**	**96.0**
	Citycon Liljeholmstorget Galleria AB	Liljeholmstorget 7	11763	STOCKHOLM	1973/1986/2007/2008/2009	100%			
7	**Strömpilen**						**27,000**	**97.5**	**98.1**
	Strömpilen AB	Strömpilsplatsen	90743	UMEÅ	1927/1997	75%			
8	Länken	Gräddvägen 1	90620	UMEÅ	1978/2004/2006	75%	7,300	100.0	100.0
9	**Tumba Centrum**						**31,400**	**99.9**	**99.7**
	Citycon Tumba Centrumfastigheter AB	Tumba Torg 115	14730	BOTKYRKA	1954/2000	100%			
	Tumba Bostäder AB	Tumba Torg 115	14730	BOTKYRKA	1954/ 2000	100%			
	GOTHENBURG AREA								
10	**Stenungs Torg**						**36,400**	**97.0**	**98.4**
	Stenungs Torg Fastighets AB	Östra Köpmansgatan 2-16, 18A-C	44430	STENUNGSUND	1967/1993	70%			
11	Backa	Backavägen 3-5	41705	GOTHENBURG	1990	100%	7,800	51.8	53.8
12	Floda	Rurik Holms väg	44830	FLODA	1960/1990	100%	11,300	90.6	92.6
13	Hindås	Hindås Stationsväg 41-47	43063	HINDÅS	1978/1999	100%	1,700	93.8	95.0
14	Landvetter	Brattåsvägen	43832	LANDVETTER	1975/1988/1999	100%	4,800	100.0	100.0
15	Lindome	Almåsgången	43730	LINDOME	1974	100%	7,800	96.8	97.7
15	**SWEDEN TOTAL**						**291,500**	**95.3**	**96.4**
83	**TOTAL ALL**						**942,280**	**92.2**	**95.1**

1) Formulas are available on page 53.

VALUATION STATEMENT

1. APPRAISAL METHOD

Realia Management Oy has made a valuation of Citycon's property portfolio as at 31st of December 2010. The valuation was carried out as a cash flow analysis of the net operating income for a period of 10 years. For undeveloped plots, properties subject to town plan alterations and for buildings of low value due to their current state, market values for the relevant assets are determined by the value of building right in the existing town plan.

Realia Management Oy has inspected the properties originally during 2007. Reinsertion of properties is carried out as needed, giving emphasising to the most important assets, newly acquired properties and development projects. During the previous quarter, the following properties have been reinspected: Sampokeskus, Espoontori, Lippulaiva, Länsi-keskus, Iso Omena, Isomyyri, Myyrmanni, Isokarhu, Asema-aukio in Pori, Valtari, Columbus, Keskuskatu in Kotka and K-Supermarket in Kuusankoski.

1.1 Cash Flow Calculation Method

The year-on-year cash flow was calculated on Citycon's existing leases, upon the expiry of which, the contract rent has been replaced with Realia Management Oy's view of the market rent. Potential Gross Rental Income (PGI) equals leased space with respect to contract rents and vacant space with respect to market rents. Deducting both the market rent for the idle time between the expired contract and assumed new contract, and the assumed general vacancy level, results in the Effective Gross Rental Income. Effective Gross Rental Income less operating expenses (incl. repairs and tenant improvements) equals the Net Operating Income (NOI). NOI less any investment type of repairs (CAPEX) equals the bottom level cash flow that has been discounted (IRR) to reach the present value of the income stream.

The exit value at the end of the valuation period was calculated by capitalising the 11th year cash flow (base year) with an exit yield. The total value of the property was calculated as the sum of the yearly discounted net income stream, the discounted residual value at the end of the calculation period and any other value added assets such as unused building rights or unbuilt lots.

All variables were estimated based on Realia Management's knowledge of the markets and specified market observations, such as transactions, rental levels and other observations. The collection of relevant information was done in close cooperation with Citycon's property management in order to obtain an extensive set of data, where Realia Management used its objective veto on the data provided.

1.2 Market Analysis

The world economy is back on track towards strong growth, but is largely split between the emerging markets, characterised by strong growth and low indebtedness, and the developed markets, which in turn are characterised by uncertainty and high indebtedness. Strong fiscal stimulus programs have temporarily supported national economies around the world and especially those across Europe. These countries must now brace for more stringent economic policies to limit public indebtedness, which may result in further market lethargy. Conversely, should the emerging economies continue growing despite the looming threat of inflation and oil price increases, world economy growth may exceed forecasts. According to IMF, the world economy output is likely to have grown by 4.8 % in 2010 and grow by 4.2 % in 2011, with Europe growing at roughly half the speed (2.0 % and 1.8 % respectively)

According to Eurostat, the euro area inflation is up, and has reached 2.2 % in December, up from 1.8 % in September, 0.9 % from a year earlier, and is now above the long-term inflation target. This is likely to limit the functioning of ECB should the economic recovery prove to be more sluggish than anticipated. High inflation is problematic from another aspect too; it is likely to further increase pressure on interest rate increases in the medium-term that so far have been kept historically low. Seasonally adjusted unemployment remained roughly at the same level in December from the previous quarter, and the steady upward trend in unemployment looks to be stabilising. Euro area unemployment rate is now at 10.1 %

Finland

The Finnish economy had a very strong recovery during spring 2010 and recovery has picked up again, reaching 5.5 % growth year-on-year in October, with the trend continuing throughout the fourth quarter towards the end of 2010. The Finnish gross domestic product growth is heavily influenced by traditional industry and production, which in turn is heavily reliant on demand for investment goods. This demand has been supported by fiscal stimulus both in Finland e.g. in the form of housing development and across the world. Order books have been swelling, capacity utilisation rate has improved notably and economic base conditions have improved to almost normal levels. Industrial output grew by a rapid 6.2 % year-on-year, although down by 1 % when compared to previous month, while exports grew by 22 % in November from a year ago. Finnish exports are expected to accelerate further in 2011-2012 due to increased weight of investment goods, but growth in total output is likely to be slow. In November, the business outlook balance indicator for manufacturing was +5, which was stronger than the long term average (+3).

The Finnish household level of indebtedness level has reached record levels in 2010, according to Bank of Finland. High level indebtedness coupled with the fact that the majority of mortgages are tied to short-term rates will result in lower level of disposable income should the ECB decide to fight looming inflation by increasing interest rates. Too low interest rates on the other hand may lead to asset overvaluation especially in housing. According to Statistics Finland, inflation accelerated to 2.9 percent in December 2010, approximately 0.6-0.7 percentage points higher than EU average, and in the short-term accelerated mainly by increases in fuel price. Current inflation is considerably higher than in September 2010 when inflation was at 1.4 %. On the longer term, the drivers of inflation have been price increases across the board, and average inflation rate for 2010 is 1.2 %. Consumer prices in Finland are expected to remain at a higher level than the Euro-zone average, although inflation is estimated to remain at around 2% during the next few years. Both Finland and Sweden have seen their unemployment rates drop faster than in other European countries. In Finland, unemployment was at 7.1 % in November according to Statistic Finland, having come steadily down by 0.2 percentage points from last August, or 1.4 percentage points from a year ago.

In December, consumer confidence fell to its long-term average level after very strong confidence levels in summer 2010. The confidence indicator stood at 13.5 whereas in November it was 20.8, and a year earlier at 14.4. Expectations concerning Finland's economy have weakened but, by contrast, consumers' views about their own economy remained almost unchanged. Even if moderate economic growth is forecast to continue for the next few years, purchasing power will be negatively affected by austerity measures from 2011 onwards.

Retail sales rose by 6.8 % in November year-on-year, while the figures for total trade were up by 17.5 % year-on-year including car dealership, wholesale, daily consumer goods and retail trade. Between January and November, retail sales increased by 3.7 % and total trade by 8.6 % when compared to the equivalent period the previous year.

Sweden

Sweden's economic recovery has accelerated even further and the economy is now growing at a pace of 6.8 %, according to the Swedish Riksbank, the strongest growth in Europe and the record rate in Sweden since the beginning of detailed GDP measurements in 1970. Even inflation has so far remained around the long-term target, at 2.3 % in December, while consumer consumption has increased. The Swedish government is expected to reach in surplus in 2011 and may reduce income tax depending on the political climate, further boosting consumer demand – a stark contrast to many countries where austerity measures are in place.

Sweden is nevertheless largely dependent on the recovery on the rest of the Europe, as problems abroad are likely to reflect strongly in exports. In addition, the Swedish Krona has appreciated strongly, hurting the very exports that the Swedish economy is dependent on. The value of the Swedish Krona is further strengthened by expectations of repo rate increases by the Swedish Riksbanken. Together with Finland, drop in unemployment levels were fastest in Europe, and unemployment now stands at 7.1 % according to Eurostat methods.

Baltics

One of the key drivers for growth in the Baltics area has been the determined recovery in the Nordic region and Germany. Baltics, previously seen as a rather uniform area, is becoming divided as Estonia, having just entered the Euro zone at the turn of the year, is growing and stabilising at a faster pace than either Latvia or Lithuania. While joining the Euro zone has bolstered market confidence, Estonia, however, has its own problems to grapple with as inflation soared to 5.7 % in December, up from -1.9 % from a year ago. The economic growth projections for Estonia are 1.8 % for 2010 and 3.5 % for 2011, whereas similar figures for Latvia and Lithuania are -1.0 % and +1.3 % for 2010 and +3.3 % and +3.1 % for 2011 respectively. Projections are by IMF. Unemployment, while still a considerable problem in the Baltics, has come steadily down in Estonia and Latvia, but purchasing power is nevertheless affected by strict austerity measures undertaken when aiming to meet Euro zone accession criteria.

1.3 Property Market Analysis

The property market outlook has improved since summer 2010 as news of stronger than expected expansion of the Finnish economy and growth in exports has boosted confidence in the future. The improved economic conditions, record low interest rates, slowly improving availability of finance and positive yield expectations enabled investment opportunities already in 2010, but investor activity has so far been subdued. Total property transaction volume for Finland in 2010 amounted to EUR 2.0 billion, only slightly higher than the figure for previous year (EUR 1.7 billion). What characterised transactions during the examined period was the large share of single transactions while portfolio transactions were few in number.

The property transaction volume will most likely grow between years 2011 and 2013 for a number of reasons. First, the recovery of the economy is likely to activate financers and investors to carry out delayed divestments. Second, many unlisted property funds will reach their planned exit stage and will liquidate at least part of their fund investments. Third, the recovery in the economy and property markets will activate property sellers due to more traditional reasons; investors collect capital for new investment opportunities by divesting existing assets and owner-users free up capital to focus in their core business. Essential to market development is the mutual development of demand and supply; this is to assure that demand growth will meet the growing supply.

In 2010, by far the largest property transaction in Finland was the transaction for Norgan's hotel portfolio of which 16 hotel properties, with a value close to EUR 415 million, was allocated to Finland. This transaction had a substantial effect on both the share of foreign investment and the share of hotel investment as a property type when the whole 2010 transaction volume is considered.

Market outlook

The divergence between different property submarkets is maintained, if not worsened, despite the gradual recovery in the economy as no rapid surge in demand for commercial space is expected. The Euro Zone's serious imbalances, such as the troubles of Greece, Ireland, Portugal and Spain reflect the uncertainty in the current European economic situation and its future development. Afore mentioned are reflected in the property markets, both in the investor and end-user sectors. Even if the economy continues growing moderately during the next few years, government deficit and managing of the deficit is likely to reduce consumer purchasing power, which, in turn, is expected to subdue demand growth for retail premises. This will concentrate demand for retail premises on established and well functioning shopping locations and on the most promising development projects. On the other hand, the functional life cycle of premises is becoming shorter and shorter, premises become obsolete at an increasing pace and user demand is focused on new, energy efficient and ecological premises. As the financial situation of municipalities become challenging, a geographical divergence can also be discerned with coming saving measures aggravating existing regional disparities and possibly causing a slowdown in development projects outside growth centres.

The rental level increases in Finland have been helped by the faster–than-expected recovery since summer 2010. Rent increases were first observed in best premises, beginning with retail premises. Average rental levels have continued their rise in all premises types, but differences have become increasingly prominent both geographically and in response to quality requirements. Whereas higher rental levels have increased smoothly, lower level rents have further fallen in some of the sub-markets. In part, the reason is over supply – part of the premises stock does not match the needs of tenants e.g. in terms of location and quality, and thus even low rents are not sufficient to generate user interest. Thus, a divergence is present in rental markets too.

In Sweden investment market has seen a great improvement in 2010 compared to previous year. Low interest rates and recovering economy have resulted in a hefty increase in the overall transaction volume in the investment market. Prime properties have seen a downward yield shift while secondary properties have in general been stable. Prime yield in Stockholm CBD is currently at ca. 5 per cent, down some 50 to 75 bps from the peak of the crises.

1.4 Development Projects

Citycon has had several considerable development projects underway in 2010. During the last quarter of 2010, the renewed Forum in Jyväskylä and Espoontori shopping centre, among others, were taken into use. Similarly, in Sweden, Åkersberga Centrum's renewed part was opened during the final quarter. Other significant development projects currently under development include renewal of the old part of the afore mentioned Åkersberga, Myllypuro's new retail property in Helsinki and Martinlaakso's new retail property in Vantaa. In addition, a few other smaller development projects are underway.

The development projects have been included in valuation of the total portfolio. In the applied valuation model, future rental income is based on finalised rental agreements and rental projections of the valued development project. Conversely, the development period is considered a period where premises generate no income and where uncommitted investments are included in the costs side of the valuation model as a value reducing factor. Thus, the value of development projects increase automatically as investments are committed and the opening day of the renewed premises is approaching.

All properties are evaluated based on their current plan unless otherwise noted. Should an ongoing official plan alteration be in process, unambiguous decision made and relevant document exist, and thus property's purpose of use and attributes be substantially changed, the altered plan can be taken into account in valuation through the value of unused building right. Prerequisite for the valuation is that the sanctioning of the plan is highly likely and that the new plan regulations are fully known. In that case, the remaining (current) rental income flow and demolition costs are also considered in the valuation.

2. RESULTS

Citycon Oyj owns 65 properties in Finland, 15 properties in Sweden, and, in the Baltic countries, two in Estonia and one in Lithuania. All in all Citycon Oyj either fully owns, or owns a share of 83 different properties or property companies. The property portfolio is very heterogeneous both in quality and in value. The body of the holding is formed by 33 shopping centre properties, although the portfolio also includes other commercial properties, occasional commercial premises, development properties and, for example, one unbuilt lot. Citycon Oyj primarily owns retail properties. Only in a few selected properties the main use is other than retail. A large majority of the portfolio value is in shopping centres (approximately 86 %).

The value of the total portfolio is calculated as the sum of the individual properties. A separate adjustment for the aggregate value has not been applied. In the sections below, we have presented the valuation result on an aggregate and a sub-market level.

2.1 Total Property Portfolio

The aggregated market value of the whole portfolio has been valued at approximately EUR 2,361 million. The aggregated value of portfolio has increased by approximately EUR 67 million quarter-on-quarter (EUR 2,294 million in Q3 2010). The relative change is approximately 2.9 %. Over half of the change in value can be explained by the advancement of development projects and commitment of investments. Exchange rate fluctuations between the Euro and Swedish Krona have resulted in a positive change in value, amounting to EUR 13 million when compared to the previous quarter; the Swedish Krona has appreciated approximately 2 % against the Euro. In addition, the positive market development has had a positive value impact, in part evident through lowered yield requirements. However, there have been no significant changes in net rental income as the slight rent level increases were met with roughly equal increases in operating expenses.

The weighted average yield requirement of the portfolio has come down by a tenth of a percentage point, now at 6.4 % (6.5 %, Q3 2010). The yield requirement has come down slightly in several of the properties located in Finland, Sweden and the Baltics. The average initial yield has come down, and is now at a level of 6.2 % (6.4 % Q3 2010) and the market rent yield has come down, now at a level of 6.9 % (7.3 % Q3 2010).

The weighted averages in the table are weighted by the value of the property. Properties with relatively higher values will therefore have a stronger influence on the averaged figures than other properties. In the Citycon property portfolio in particular, the influence of largest properties is significant. The ten largest properties, 12 percent of the properties in the property portfolio, form over 60 percent of the entire portfolio value. Changes in these properties dominate the changes in the weighted averages. The most valuable property in the portfolio is shopping centre Iso Omena in Espoo, Finland.

2.2 Finland

The Finnish property portfolio has been valued at approximately EUR 1,527 million, which is 2.2% higher than in the previous quarter (EUR 1,493 million in Q3 2010). The weighted yield requirement for Finnish properties came down to 6.4 % from 6.5 % for Q3 2010. Similarly, the average initial yield has come down to a level of 6.1 % (6.3% in Q3 2010) and yield for market rents to a level of 6.9 % (7.2 % in Q3 2010).

These changes in the Finnish property portfolio are largely explained by reductions in yield requirement in large properties and the advancement of development projects (e.g. Jyväskylän Forum and Espoontori). Overall, the yield requirement has decreased in 14 properties and increased in five properties in the Finnish portfolio when compared to Q3 2010. The changes in initial yields and market rent yields primarily mirror the advancement and completion of development projects.

2.3 Sweden

Market value of the Swedish property portfolio has been valued at EUR 668 million, which is approximately 4.4 % higher than the previous quarter's value (EUR 640 million in Q3 2010). The positive change in value is partly due to the changes in the exchange rate, in part due to the advancement of the Åkersberga Centrum's development project and in part due to the overall positive market development.

For the entire Swedish portfolio, the weighted average of yield requirements has remained at a level of 6.1 % (6.1 % for Q3 2010). The yield requirement has come down in five properties and has increased in one, but these changes have not caused a change in the rounded weighted average figure.

2.4 The Baltic Countries

The market value of the Baltic portfolio has increased approximately 1.8 % to a level of EUR 166 million (EUR 163 million for Q3 2010). The average yield requirement has come down by a tenth of a percentage point and is now at 8.1 % (8.2 % in Q3 2010).

The downward spiral in the Baltic economy is levelling out, especially in Estonia. Transaction volumes are still low, but activity has increased primarily thanks to domestic interest. At the same time, upward pressure on yield requirements has abated and cautious anticipation of lower yield requirements has taken its place for best properties. Temporary rents reductions are still in place in many of the properties in the Baltic countries, which generally are valid for a few months at a time. However, occupancy rates for quality premises have so far remained at a high level. The tenants' declined ability to pay rent has been taken into account through adjustments of cash flows for the time period between 2010 and 2013 despite the fact that thus far rent concessions have been only few months in duration at a time.

Citycon's prime property in the Baltic region is Tallinn's Rocca Al Mare Shopping centre where the third and final stage of an extensive development and extension project was completed in November 2009. Rocca Al Mare now forms close to 87 percent of the value in Citycon's Baltic portfolio. Therefore, its effect on the weighted average of the Baltic portfolio is considerable.

3. SENSITIVITY ANALYSIS

The sensitivity analysis of the fair value of the portfolio was tested by creating a so-called portfolio cash flow statement based on individual cash flow calculations. Changes in fair value have then been examined by modifying key input parameters of the calculations one at a time. The parameters tested were required yield, market rent level, operational costs and vacancy rate. The current market value of the properties is used as a reference for the analysis. The analysis is performed by changing one parameter at a time while all others remain unchanged, and then calculating the corresponding market value of the total portfolio. The sensitivity analysis is a simplified model intended to facilitate understanding of the effect of different parameters on the valuation.

The results indicate that the market value is most sensitive to yield requirement and market rent levels. A ten percent decrease in yield requirement results in an approximately 11 % increase in value. Correspondingly, a ten percent increase in rental income increases the value by approximately 14 %.

The market value reacts to change in vacancy and operating expenses, but their relative effect is not as great as changes to rental income and yield requirement. A ten percent increase in the expenses decreases the market value of the property portfolio by just over four percent. It should be noted however that in retail premises, the rental income and property expenses are often linked through the changes in the rental level in the form of maintenance rent charged from tenants. The ratio is not quite one-to-one, but the correlation is still strong enough to decrease the expense risk in the valuation.

The effects of changes in the vacancy rate are not studied on a similar scale as other parameters – vacancy level is altered by 50 or 100 basis points at a time. Therefore, the relative change is larger than if adjusting by five or ten percents at a time, as is the case in other parameters. Still, the relative effect of changes in the vacancy level is smaller than in other parameters – a change of 100 basis points (one percentage point) in the vacancy level alters the value of the portfolio by ca. 1.4 %.

4. VALUATION STATEMENT

We have made an assessment of the market value of Citycon Oyj's property portfolio. We have defined the value as at December 31st, 2010. The valuation was primarily carried out as a cash flow analysis. Based on the provided information, we have evaluated the overall debt-free market value of the portfolio at approximately EUR 2,361,000,000 (two billion three hundred sixty one million euro).

Helsinki 19.1.2011

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