

CITYCON OYJ

Financial

Statements 2014

KISTA
GALLERIA



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Report by the board of directors

In 2014, Citycon's operational results developed positively, with like-for-like net rental income growing by 2.9% and occupancy rate increasing by 0.6 %-points to 96.3%. The year was characterised by successful recycling of capital including divestments of non-core assets, investments in accretive (re)development projects and acquisition of full ownership of Iso Omena. Citycon's financing position was strengthened through substantial equity and debt financing transactions. All these efforts contributed to an EPRA Earnings increase of 14.9%.

Summary of the Fourth Quarter of 2014 Compared with the Previous Quarter

- Turnover decreased to EUR 60.8 million (EUR 61.4 million) mainly due to the weaker Swedish krona and lower turnover rents.
- Net rental income decreased by EUR 2.7 million, or 6.1%, to EUR 41.3 million (EUR 44.0 million), mainly as a result of higher property operating expenses reflecting normal seasonal variation.
- EPRA Operating profit decreased by EUR 5.4 million, or 13.4%, to EUR 34.8 million (EUR 40.2 million), mainly due to lower net rental income and higher direct administrative expenses.
- EPRA Earnings decreased to EUR 24.1 million (EUR 29.4 million) mainly due to lower EPRA Operating profit and higher direct financial expenses due to non-recurring expenses related to the write-off of unamortised arrangement fees of the prepaid debt. EPRA Earnings per share (basic) decreased to EUR 0.041

(EUR 0.050) mainly due to lower Earnings as well as higher number of shares resulting from the share issuances in June–July.

- The fair value change in investment properties was EUR 2.2 million (EUR 0.1 million), and the fair value of investment properties totalled EUR 2,769.1 million (EUR 2,759.0 million). The weighted average net yield requirement for investment properties decreased to 6.1% (6.2%).

Summary of 2014 Compared with 2013

Citycon met its financial targets for 2014. The company specified its guidance twice during the year. In the Q3 interim report, the company stated that it expects its turnover to change by EUR -4–2 million, EPRA Operating profit to change by EUR -2–4 million and EPRA Earnings to change by EUR 8–14 million in 2014 compared to 2013, and that it forecasted an EPRA Earnings per share of EUR 0.18–0.19. In 2014 turnover decreased by EUR 3.3 million, while EPRA Operating profit increased by EUR 0.6 million and EPRA Earnings increased by EUR 13.0 million compared to 2013. EPRA Earnings per share was EUR 0.191, slightly exceeding the company guidance.

- The Board of Directors proposes a return of equity from invested unrestricted equity fund of EUR 0.15 per share and that no dividend will be paid.
- Turnover decreased to EUR 245.3 million (EUR 248.6 million) mainly due to divestments and a weaker Swedish krona.
- Despite the disposal of EUR 29.9 million of non-core assets, net rental income increased by EUR 0.5 million, or 0.3%, to EUR 169.4 million (EUR 168.9 million) mainly due to strict property operating expenses

management supported by mild winter conditions in the first half of the year. Net rental income of like-for-like properties increased by EUR 3.8 million, or 2.9%, excluding the impact of the weaker Swedish krona, while the completion of (re)development projects increased net rental income by EUR 1.9 million.

- Earnings per share were EUR 0.16 (EUR 0.22) mainly as a result of fair value changes, change in deferred taxes and higher number of shares.
- EPRA Earnings increased by EUR 13.0 million, or 14.9% mainly as a result of higher net rental income and lower financing expenses. EPRA Earnings per share (basic) was EUR 0.191 (EUR 0.203).
- Net cash from operating activities per share came to EUR 0.13 (EUR 0.14).

Main Events in 2014

- On 18 December Citycon signed a EUR 500 million committed syndicated revolving credit facility agreement with a Nordic bank group.
- Citycon acquired GIC's 40% stake in the Iso Omena shopping centre on 16 October. After the transaction, Citycon owns 100% of the existing shopping centre.
- Citycon placed a EUR 350 million 10-year Eurobond on 22 September. The guaranteed euro-denominated bond carries a fixed annual interest of 2.50%. The bond offering was oversubscribed and allocated to a broad base of international investors.
- On 9 September Citycon announced that it has signed a joint venture agreement with NCC Property Development for the (re)development of Mölndals Galleria in

Gothenburg. Citycon's total investment will be approximately EUR 120 million.

- Citycon's two investment grade long-term corporate credit ratings were upgraded in July. On 8 July Standard & Poor's upgraded Citycon's credit rating to BBB (previous BBB-) and on 30 July Moody's upgraded Citycon's credit rating to Baa2 (previous Baa3). The outlook for both ratings is stable.
- In June-July Citycon carried out a directed share issue and a consecutive rights issue, whereby the company raised approximately EUR 400 million of new equity capital. The directed share issue of EUR 206.4 million to CPP Investment Board European Holdings S.à.r.l. ("CPPIBEH") was executed on 9 June and the rights issue of EUR 196.5 million was executed on 8 July.
- Jurn Hoeksema started as Citycon's Chief Operating Officer and a member of the Corporate Management Committee as of 1 June.

CEO's Comment

Comments from Citycon Oyj's Chief Executive Officer Marcel Kokkeel on the Financial Year:

2014 was a good year for Citycon despite a challenging retail environment, especially in Finland. Our actions continued to deliver solid financial performance. Operationally, we were able to improve the quality of our portfolio and to produce like-for-like net rental income growth of 2.9%. With strong leasing efforts we also managed to increase our occupancy rate to 96.3%. The results clearly demonstrate Citycon's resilient business model and capacity to manage real growth.

The quality of the property portfolio was further enhanced through continued focus on improved operations in a more systematic 'One Citycon' way and as a result of our efforts to recycle capital accretively. Since the strategy update in July 2011 we have successfully divested 26 non-core assets for a total value of approximately EUR 111 million. The significant growth in investment activity seen in the Nordics creates good momentum to continue the sell-off of the remaining non-core portfolio of approximately EUR 300 million. During the year, we also strengthened our development pipeline and introduced a new larger project, Mölndals Galleria in Gothenburg. The extension of Iso Omena progressed well and, after the buy-out of GIC's 40% stake, we have full ownership of one of the most desirable shopping centres in Finland.

The year was characterised by substantial financing transactions and the introduction of another globally recognised real estate investor, CPPIBEH, as a strategic shareholder. Our substantially stronger balance sheet with modest Loan to Value provides us with the capacity to exploit further growth opportunities within our current portfolio as well as through selective acquisitions.

Events after the Financial Year

On 16 January Citycon announced that Harri Holmström, Citycon Oyj's Chief Commercial Officer (CCO) and member of the Corporate Management Committee would leave the company at the end of January 2015.

On 28 January the company announced that it has signed an agreement with TK Development regarding the forward purchase

KEY FIGURES

IFRS based key figures	Q4/2014	Q4/2013	Q3/2014	2014	2013	Change-% ¹⁾
Turnover, EUR million	60.8	62.0	61.4	245.3	248.6	-1.3
Net rental income, EUR million	41.3	41.9	44.0	169.4	168.9	0.3
Profit/loss attributable to parent company shareholders, EUR million	23.2	42.8	20.1	84.5	94.9	-10.9
Earnings per share (basic), EUR ²⁾	0.04	0.10	0.03	0.16	0.22	-27.1
Net cash from operating activities per share, EUR ³⁾	0.00	0.13	0.06	0.13	0.14	-7.0
Fair value of investment properties, EUR million	2,769.1	2,733.5	2,759.0	2,769.1	2,733.5	1.3
Equity ratio, % ⁴⁾	54.6	43.2	54.9	54.6	43.2	-
Loan to Value (LTV), % ⁴⁾⁵⁾	38.6	49.3	36.7	38.6	49.3	-
EPRA based key figures	Q4/2014	Q4/2013	Q3/2014	2014	2013	Change-% ¹⁾
EPRA Operating profit, EUR million	34.8	36.5	40.2	149.8	149.1	0.4
% of turnover	57.3	58.8	65.5	61.0	60.0	-
EPRA Earnings, EUR million	24.1	22.1	29.4	99.7	86.7	14.9
EPRA Earnings per share (basic), EUR ²⁾	0.041	0.050	0.050	0.191	0.203	-5.9
EPRA Cost Ratio (including direct vacancy costs) (%) ⁶⁾	19.6	25.0	15.0	19.4	22.4	-
EPRA Cost Ratio (excluding direct vacancy costs) (%) ⁶⁾	19.0	22.6	13.1	17.7	20.0	-
EPRA NAV per share, EUR	3.01	3.13	3.01	3.01	3.13	-3.7
EPRA NNNNAV per share, EUR	2.63	2.78	2.65	2.63	2.78	-5.4

1) Change-% is calculated from exact figures and refers to the change between 2014 and 2013.

2) Result per share key figures have been calculated with the issue-adjusted number of shares resulting from the directed share issue executed in June 2014 and rights issue executed in July 2014.

3) Citycon changed the reporting of cash flows in the first quarter of 2014. Realised exchange rate gains and losses have been moved from net cash flow from operating activities to net cash flow from financing activities. The change has been applied also to the comparison periods.

4) Citycon amended its accounting policy regarding deferred taxes in the third quarter of 2014 which impacts both equity ratio and LTV. The change has been applied also to comparison figures.

5) Citycon changed the reporting of LTV in the period by including also 'Investments in joint ventures' in the investment properties. The change has been applied also to the comparison periods.

6) Citycon made an adjustment to its reporting of parking income during the year 2014. Previously Citycon reported parking income within service charge income, but starting from current year part of gross rental income. The change affects the calculation of EPRA Cost Ratios. The change has been applied also to the comparison periods.

of Straedet, a shopping centre to be built in Køge in the greater Copenhagen area. The purchase price is estimated to be approximately EUR 75 million and will be paid at completion in 2017.

Outlook

In 2015, Citycon gives guidance on three key metrics: EPRA Operating profit, EPRA Earnings and EPRA Earnings per share. Citycon will not give guidance on turnover going forward due to prediction uncertainties relating to e.g. currency fluctuations. Citycon expects its EPRA Operating profit to change by EUR -8 to 0 million and EPRA Earnings to change by EUR 6 to 14 million in 2015 compared with the previous year. The company forecasts an EPRA Earnings per share (basic) of EUR 0.175–0.195.

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

Business Environment

Market conditions continued to be challenging in Finland during 2014 while the Swedish economy showed strong signs of recovery. According to the European Commission (forecast), GDP growth in 2014 was 0.8% in the Euro area, -0.4% in Finland, 2.0% in Sweden, 1.9% in Estonia and 0.8% in Denmark.

In 2015 the European Commission forecasts Euro area GDP growth to reach 1.1%, with Sweden (2.4%), Estonia (2.0%) and Denmark (1.7%) showing stronger growth figures. The GDP growth for Finland (0.6%) is expected to remain modest for a fourth year in a row

and is dependent on both the recovery of the European export markets as well as domestic demand.

During the reporting period, consumer confidence levels have stayed relatively stable in Citycon's operating countries. The consumer confidence levels in the Nordics remain positive, while the consumer confidence in Estonia is slightly negative. In general the Euro area still struggles with negative consumer confidence. Consumer prices have continued to increase modestly in Finland and Denmark, while Sweden, Estonia and Euro area are facing slightly negative inflation. (Sources: Statistics Finland/Sweden/Estonia/Denmark) The unemployment rates are substantially below the Euro area average (11.4%) in all Citycon's operating countries. (Source: Eurostat)

In 2014 retail sales growth has been strong in Estonia (6.0%) and Sweden (3.4%), but negative in Finland (-1.0%) and Denmark (-2.1%). (Sources: Statistics Finland/Sweden/Estonia/Denmark) Year-on-year prime shopping centre rents decreased slightly in Finland, while increasing approximately 2.0% in Sweden. In Estonia prime shopping centre rents increased 1.5–3.0% due to indexation and increases in turnover rents. In Finland the weak outlook for retail sales limits the rental growth potential going forward. In Estonia prime rental growth is expected to remain flat in 2015 as demand for large units is limited and smaller units are already close to their maximum rental potential. In Sweden prime rental growth is expected to continue, however, being slightly limited by increased competition. Prime retail rents will perform better than secondary retail rents in terms of growth. (Source: JLL)

Investment activity has remained positive during the year and peaked in the fourth quarter. The demand for prime assets remains strong. Accordingly, increased investor demand and the limited supply of prime shopping centres has resulted in the compression of prime yields. In Finland the total retail transaction volume far exceeded the previous year. In Sweden the total transaction volume was record high, while the retail transaction volume was at the level of the previous year. In Finland yields are expected to remain stable in 2015 and in Sweden a minor decrease is expected for prime shopping centre yields. In Estonia the continued investment activity and improved market conditions has resulted in yields coming under pressure and yields are expected to come down slightly in 2015. (Source: JLL)

The figures shown in the following sections are for the period January–December, and the figures in brackets are the reference figures for the corresponding period in 2013, unless otherwise indicated.

Changes in the Property Portfolio

At the end of December, the fair value of Citycon's property portfolio totalled EUR 2,769.1 million (31 December 2013: EUR 2,733.5 million), of which 61% (61%) comes from properties in Finland, 26% (26%) from Sweden and 13% (13%) from Baltic Countries and New Business. Of the fair value of the total property portfolio 92% (92%) comes from shopping centres and 8% (8%) from other retail properties.

Citycon has defined other retail properties (supermarkets and shops) as non-core

properties and announced its intention to divest these properties within the next few years, after the completion of value enhancing activities.

The fair value change of investment properties amounted to EUR 15.7 million (EUR 26.1 million). The company recorded a total value increase of EUR 64.9 million (EUR 61.2 million) and a total value decrease of EUR 49.3 million (EUR 35.2 million). Fair value gain of the shopping centres was EUR 21.4 million and the fair value loss of the supermarket and shop properties was EUR 5.7 million.

On 31 December 2014, the average net yield requirement defined by JLL for Citycon's entire property portfolio was 6.1% (31 December 2013: 6.3%). The average net yield requirement for properties in Finland, Sweden and the Baltic Countries and New Business was 6.1%, 5.7% and 7.2% respectively. The weighted average market rent used for the valuation decreased to EUR 25.2/sq.m. (31 December 2013: EUR 25.3/sq.m.). (cf. Note 14: Investment Property). JLL's Valuation Statement for the period-end can be found on the company's website at www.citycon.com/valuation.

Citycon's gross capital expenditure (including acquisitions) for the period totalled EUR 125.5 million (EUR 226.1 million). Gross capital expenditure in the corresponding period includes acquisition of Kista Galleria (Q1/2013).

Acquisitions and divestments

During the reporting period, Citycon acquired GIC's minority stake in Iso Omena and the plot of shopping centre Arabia as well as divested 12 non-core properties. In addition, on 30

June Citycon sold Espagalleria Oy to Mutual Pension Insurance Company Ilmarinen and terminated the asset management agreement regarding shopping centre Galleria Esplanad.

Since the publication of its strategy update in July 2011, the company has divested 26 non-core properties and 3 residential portfolios for a total value of approximately EUR 111 million.

(Re)development projects

At the end of the period, the company had two major (re)development projects underway: the Iso Omena extension and (re)development project in Espoo, and the IsoKristiina extension and (re)development project in Lappeenranta.

The estimated investment for the Iso Omena extension project, including partial (re)development of the existing shopping centre, has been increased to approximately EUR 250 million (previously reported figure EUR 175 million). The renewed plans include the construction of an additional extension to the shopping centre and creating a new mall corridor in the existing part of the centre. The changes improve the commercial concept substantially by creating better circulation in the centre, more functioning retail units as well as larger cinema and leisure area. The first phase of the project, covering a EUR 120 million investment, will be carried out in a 50/50 partnership with NCC Property Development. The amount of preleased space in the area of the extension stood at approximately 35% at the end of the reporting period.

The total investment for the IsoKristiina extension and (re)development project is

estimated to be approximately EUR 110 million. Mutual Pension Insurance Company Ilmarinen owns 50% of the shopping centre, and will provide its 50% share of the project financing. The amount of preleased space in the area of the extension stood at approximately 80% at the end of the reporting period.

One of the (re)development projects in Kista Galleria was finalized in August when the new digital library opened.

In addition to the ongoing projects listed in the table beside, Citycon has made investment decisions on two (re)development projects:

- In December, Citycon announced that it will start the construction of a new campus for the Satakunta University of Applied Sciences (SAMK) in its Asemakio premises in Pori. The project, worth approximately EUR 40 million, will secure a strong, long-term tenant for the property and solve the considerable vacancy the property has had in recent years. The construction work started in January 2015.
- In September, Citycon announced that it has signed a joint venture agreement with NCC Property Development for the (re)development of Mölndals Galleria in Gothenburg. Citycon's total investment will be approximately EUR 120 million. The construction of the new shopping centre is expected to start during 2015.

Further information on the company's completed, ongoing and planned (re)developments can be found in the upcoming Annual and Sustainability Report 2014.

The changes in Group structure during 2014 are presented on page 58 of the Financial Statements.

(RE)DEVELOPMENT PROJECTS COMPLETED IN 2014 AND IN PROGRESS ON 31 DECEMBER 2014

	Location	Area before and after project completion, sq.m.	Citycon's (expected) gross investment need, EUR million	Actual gross investments by 31 December 2014, EUR million	Completion
Iso Omena	Helsinki area, Finland	63 300/99 000	182.0	36.6	Q4/2016
IsoKristiina	Lappeenranta, Finland	22 400/34 000	56.0	40.3	Q4/2015
Stenungs Torg	Gothenburg area, Sweden	36 400/41 400	18.0	9.7	Q1/2016
Kista Galleria	Stockholm, Sweden	94 600/95 100	6.0	5.2	Q4/2015
Kista Galleria	Stockholm, Sweden	94 200/94 600	5.0	5.0	Completed Q3/2014

Leasing Activity

The economic occupancy rate for Citycon's portfolio totalled 96.3% (95.7%). The increase in the occupancy rate was mainly due to decreased vacancy in supermarkets and shops in Finland and in the Swedish shopping centre portfolio. The economic occupancy rate for shopping centres was 96.2% (96.3%) and for supermarkets and shops 96.6% (91.6%).

The gross leasable area decreased by 3.0% to 933,040 square metres. The decrease was due to divestments. At the period-end, Citycon had a total of 3,158 (3,287) leases. The average remaining length of the lease portfolio decreased to 3.2 (3.5) years.

The average rent increased from EUR 21.5/sq.m. to EUR 21.6/sq.m. mainly due to index increments and divestments.

The rolling twelve-month occupancy cost ratio for like-for-like shopping centre properties was 8.6%.

Tenants' sales and footfall in Citycon's shopping centres

Total sales in Citycon's shopping centres remained the same while footfall decreased -2%, year-on-year. The decrease in footfall derived mainly from ongoing (re)developments. Like-for-like (LFL) shopping centre sales and footfall decreased -1% and -2% respectively.

LEASE PORTFOLIO SUMMARY

	Q4/2014	Q4/2013	Q3/2014	2014	2013	Change-%
Number of properties at the end of the period	59	71	66	59	71	-16.9
Gross leasable area, sq.m.	933,040	961,790	949,230	933,040	961,790	-3.0
Annualised potential rental value, EUR million ¹⁾	243.1	246.1	246.2	243.1	246.1	-1.2
Average rent (EUR/sq.m.)	21.6	21.5	21.7	21.6	21.5	0.5
Number of leases started during the period	184	163	139	595	611	-2.6
Total area of leases started, sq.m. ²⁾	34,168	52,697	27,999	122,568	150,013	-18.3
Average rent of leases started (EUR/sq.m.) ²⁾	22.1	17.5	18.1	19.9	18.8	5.9
Number of leases ended during the period	222	458	166	724	1,117	-35.2
Total area of leases ended, sq.m. ²⁾	47,826	66,260	28,711	144,880	186,567	-22.3
Average rent of leases ended (EUR/sq.m.) ²⁾	20.1	18.3	21.6	21.0	18.6	12.9
Occupancy rate at end of the period (economic), %	96.3	95.7	95.7	96.3	95.7	-
Average remaining length of lease portfolio at the end of the period, years	3.2	3.5	3.3	3.2	3.5	-8.6
Net rental yield, % ³⁾	6.3	6.4	6.3	6.3	6.4	-
Net rental yield, like-for-like properties, %	6.1	6.1	6.1	6.1	6.1	-

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

3) Includes the value of unused building rights.

Financing

During the reporting period, Citycon has completed several actions to strengthen its balance sheet and financial position, to reduce the cost of debt and to extend the debt maturities.

In December, Citycon signed a EUR 500 million unsecured committed multicurrency revolving credit facility agreement with a Nordic bank group. The loan period is five years and the loan terms include two one-year extension options that can extend the maturity to seven years subject to bank approval. The borrower is Citycon Treasury B.V. and the credit facility is guaranteed by Citycon Oyj. The credit facility was used to refinance approximately EUR 100 million of term loans and additionally to replace a total of EUR 380 million of unutilized existing revolving credit facilities. As a result, Citycon's average debt maturity was extended to 5.9 years, the average cost of debt reduced to 3.3% and unutilized lines of credit increased to EUR 397.5 million.

In September, Citycon placed a EUR 350 million 10-year Eurobond. The issuer of the bond was Citycon Treasury B.V. and the guarantor was Citycon Oyj. The 10-year guaranteed euro-denominated bond matures on 1.10.2024 and carries fixed annual interest at the rate of 2.50%, payable annually on 1.10. The bond was allocated to a broad base of international investors and the bond offering was oversubscribed within a few hours which is a sign of the strength of Citycon's credit profile. The bond has been rated BBB by Standard & Poor's and Baa2 by Moody's, in line with Citycon's corporate credit ratings. The bond proceeds were to a large extent

used to prepay existing debt in order to extend average debt maturities and decrease the average cost of debt. The floating to fixed interest rate swaps hedging the loans that were repaid during October were closed and the negative fair values realized as indirect financial expenses.

In June-July Citycon carried out a directed share issue and a consecutive rights issue, whereby the company raised approximately EUR 400 million of new capital. The directed share issue of EUR 206.4 million to CPPIBEH was executed on 9 June and the rights issue of EUR 196.5 million was executed on 8 July. Please see section "Shares, Share Capital and Shareholders" for further details on the share issuances.

The proceeds of the share issuances were used to make approximately EUR 300 million of debt prepayments in June and July and the remaining EUR 100 million has been used for acquisitions and (re)developments. The equity transactions clearly strengthened the company's balance sheet and thus the credit profile and as a result Citycon's two investment grade long-term corporate credit ratings were upgraded in July. On 8 July Standard & Poor's upgraded Citycon's credit rating to BBB (previous BBB-) and on 30 July Moody's upgraded Citycon's credit rating to Baa2 (previous Baa3). The outlook for both ratings is stable.

Net financial expenses for January-December decreased by EUR 12.6 million compared to the corresponding period last year to EUR 77.5 million (EUR 90.1 million). Financial expenses decreased mainly as a result of a lower amount of debt, weaker Swedish krona and a lower average interest rate.

The financial expenses for the period include EUR 26.5 million non-recurring indirect realised financial expenses from unwinding of interest rate swaps related to debt prepayments in June-July and October, as well as EUR 2.8 million of direct non-recurring expenses related to the write-off of unamortised arrangement fees of the prepaid debt.

Citycon uses interest rate swaps to hedge the floating interest rate risk exposure and applies hedge accounting when marking these swaps to market in the balance sheet. Changes in fair values are reported under other comprehensive income, taking the tax effect into account. Due to mark to market valuation, the swap unwinding has no major impact on equity nor total comprehensive income, as the unwinding loss is largely offset by a gain under other comprehensive income. The losses of the swaps that were realised were booked from other comprehensive income/ loss to financial expenses, taking the tax effect into account. The debt prepayments and the unwinding of related swaps will reduce Citycon's future interest expenses and increase headroom under the interest cover ratio covenant.

Interest-bearing debt showed a year-on-year decrease of EUR 284.7 million to EUR 1,177.7 million. The fair value of interest-bearing debt decreased year-on-year by EUR 282.9 million to EUR 1,188.4 million. Cash and cash equivalents decreased year-on-year by EUR 3.6 million to EUR 34.4 million. The average loan maturity, weighted for the amount of the loans' principal increased to 5.9 years, following

the refinancing and longer maturities of the new debt.

The period-end weighted average interest rate, including interest rate swaps was 3.28% which is clearly lower than in previous quarter and last year's corresponding level. The year-to-date weighted average interest rate for interest-bearing debt, including interest rate swaps was 3.91% which is slightly lower than previous year.

Financial Performance

Turnover

Citycon's turnover came to EUR 245.3 million (EUR 248.6 million). Turnover decreased by EUR 3.3 million, or 1.3%, with divestments reducing the turnover by EUR 4.8 million and the weaker Swedish krona by EUR 3.1 million. Like-for-like gross rental income increased by EUR 2.4 million, or 1.3%.

Property operating expenses

Property operating expenses decreased by EUR 4.0 million, i.e. 5.1% from EUR 78.4 million to EUR 74.4 million. Like-for-like property operating expenses decreased by EUR 0.9 million, mainly due to lower heating and electricity expenses resulting mainly from favourable weather conditions in the first half of the year (cf. Note 5: Property Operating Expenses).

Other expenses from leasing operations

Other expenses from leasing operations, consisting of tenant improvements and credit losses, totalled EUR 1.6 million (EUR 1.3 million). The increase was mainly attributable to higher credit losses and credit loss provision.

NET RENTAL INCOME AND TURNOVER BY SEGMENT AND PROPERTY PORTFOLIO

Net Rental Income						Turnover
EUR million	Finland	Sweden	Baltic Countries and New Business	Other	Total	Total
2012	98.2	39.2	24.6	-	162.0	239.2
Acquisitions	0.5	-	0.7	-	1.2	2.9
(Re)development projects	0.8	-0.3	0.2	-	0.6	1.8
Divestments	-0.1	-1.0	-	-	-1.1	-2.3
Like-for-like properties	4.1	1.2	0.2	-	5.5	6.6
Other (incl. exchange rate diff.)	-	0.6	0.0	0.0	0.6	0.4
2013	103.5	39.7	25.6	0.0	168.9	248.6
Acquisitions	-	-	-0.4	-	-0.4	-0.1
(Re)development projects	-1.0	0.8	2.1	-	1.9	1.8
Divestments	-2.1	-0.5	0.0	-	-2.6	-4.8
Like-for-like properties	2.5	1.2	0.1	-	3.8	3.1
Other (incl. exchange rate diff.)	-	-2.3	-	-	-2.3	-3.1
2014	103.0	38.9	27.5	0.0	169.4	245.3

Net rental income

Citycon's net rental income increased by EUR 0.5 million or 0.3% and was EUR 169.4 million (EUR 168.9 million). Like-for-like net rental income grew by EUR 3.8 million, or 2.9%. Like-for-like net rental income in shopping centres increased by 3.2% and in supermarkets and shops by 0.1%. Larger shopping centres, such as Iso Omena and Liljeholmstorget Galleria contributed to the positive development in like-for-like net rental income of shopping centres. (Re)development projects increased net

rental income by EUR 1.9 million while divestments reduced net rental income by EUR 2.6 million.

The above table shows like-for-like net rental income growth by segment. Like-for-like properties are properties held by Citycon throughout two full preceding periods, excluding properties under (re)development or extension and undeveloped plots. 74.3% of like-for-like properties are located in Finland, measured in net rental income.

REPORT BY THE BOARD OF DIRECTORS

Administrative expenses

Administrative expenses were relatively flat compared to previous year and totalled EUR 20.7 million (EUR 20.6 million).

At the end of December, Citycon Group employed a total of 151 (127) persons, of whom 92 worked in Finland, 47 in Sweden, 9 in Estonia and 3 in the Netherlands.

In all, Citycon Group paid EUR 12.2 million (EUR 11.5 million) in salaries and other remuneration, of which the Group's CEO's salaries and other remuneration consisted of EUR 0.8 million (EUR 0.9 million) and the equivalent figure for the Board of Directors accounted for EUR 0.8 million (EUR 0.8 million). The parent company paid out, in total, EUR 6.9 million (EUR 5.8 million) in salaries and other remuneration, of which the CEO's salary and other compensation accounted for EUR 0.8 million (EUR 0.9 million) and those of the Board of Directors came to EUR 0.8 million (EUR 0.8 million).

Net gains/losses on fair value and sale of investment properties

Net fair value gains on investment properties totalled EUR 15.7 million (EUR 26.1 million). Net loss on the sale of investment properties totalled EUR 0.3 million (gain on sale of EUR 0.8 million).

Operating profit

Operating profit came to EUR 165.0 million (EUR 176.0 million), being lower than in the corresponding period previous year mainly due to decrease in net fair value gains on investment property.

Net financial expenses

Net financial expenses for January–December decreased by EUR 12.6 million compared to the corresponding period last year to EUR 77.5 million (EUR 90.1 million). Financial expenses decreased mainly as a result of a lower amount of debt, weaker Swedish krona and a lower average interest rate.

Share of profit of joint ventures

The share of profit of joint ventures totalled EUR 14.9 million (EUR 1.7 million). The growth came mainly from the positive fair value change of the Kista Galleria shopping centre out of which Citycon's share amounted to EUR 18.6 million.

Income taxes

Current tax expense for the period was EUR 0.3 million (EUR 0.7 million). Change in deferred taxes amounted to EUR -12.4 million (EUR 15.1 million). The change resulted mainly from a deferred tax liability arising from the difference between properties' fair value and tax residual value of the underlying assets.

Citycon amended its accounting policy regarding deferred taxes in the third quarter of 2014. The change has been applied also to comparison figures.

Profit for the period

Profit for the period came to EUR 89.7 million (EUR 102.0 million). Compared to previous year profit for the period was decreased by negative change in deferred taxes.

THREE-YEAR KEY FIGURES – PERSONNEL

	2014	2013	2012
Average number of personnel	145	123	132
Salaries and other remuneration, EUR million	12.2	11.5	11.6

Statement of Financial Position

Investment properties

The fair value of investment properties increased by EUR 35.6 million to EUR 2,769.1 million from the end of 2013 (31 December 2013: EUR 2,733.5 million) due to gross capital expenditure of EUR 95.9 million, offset by divestments totalling EUR 27.7 million and transfers of certain residential units in Sweden and Finland into the 'Investment Property Held for Sale' -category, amounting to EUR 7.2 million. In addition, net fair value gains on investment properties increased the value of investment properties by EUR 15.7 million. Exchange rate changes decreased the fair value of investments properties by EUR 40.9 million.

Shareholders' equity

At the period-end, the shareholders' equity attributable to Citycon Group's parent company's shareholders was EUR 1,650.7 million. This figure increased from the end of 2013 (31 December 2013: EUR 1,236.2 million) by EUR 414.5 million, mainly due to the directed share issue and rights issue, the combined net proceeds of which amounted to EUR 401.1 million in addition

to the profit of EUR 84.5 million for the reporting period attributable to parent company's shareholders. On the other hand, the shareholders' equity was decreased by the dividend payments and equity returns of EUR 66.2 million and the acquisition of non-controlling interest by EUR 11.3 million. Citycon applies hedge accounting, which means that fair value changes of applicable interest derivatives are recorded under Other Items of Comprehensive Income, which affects shareholders' equity. A gain on the fair value of interest derivatives of EUR 19.0 million was recorded for the period, taking into account their tax effect (a gain of EUR 36.7 million) (cf. Note 21: Derivative Contracts).

Due to the aforementioned items and the increased amount of shares resulting from the share issuances, equity per share decreased to EUR 2.78 (31 December 2013: EUR 2.80). The equity ratio increased to 54.6% (31 December 2013: 43.2%). The company's equity ratio, as defined in the loan agreement covenants, increased to 54.8% (31 December 2013: 45.2%).

Details of the company's share capital, the number of shares, and related matters can be found in the Financial Statements, in the section on Shareholders and shares.

Liabilities

Liabilities totalled EUR 1,384.8 million (EUR 1,694.2 million), with short-term liabilities accounting for EUR 154.1 million (EUR 231.6 million).

Interest-bearing debt showed a year-on-year decrease of EUR 284.7 million to EUR 1,177.7 million. The fair value of interest-bearing debt decreased year-on-year by EUR 282.9 million to EUR 1,188.4 million.

Cash Flow Statement

Net cash from operating activities totalled EUR 66.0 million (EUR 58.1 million) in the reporting period. Net cash used in investing activities totalled EUR 101.5 million (EUR 168.4 million). Capital expenditure related to investment properties, shares in joint ventures and tangible and intangible assets totalled EUR 131.0 million (EUR 226.6 million). Negative cash flow from investing activities was partly offset by sales of investment properties totalling EUR 29.5 million (EUR 60.2 million). Net cash from financing activities was EUR 33.0 million (EUR 97.9 million).

Citycon changed the reporting of cash flow statement in the period by transferring the realised exchange rate gains and losses from net cash flow from operating activities to net cash flow from financing activities. The change has been applied also to the comparison period.

Legal Proceedings

Some lawsuits, claims and legal disputes based on various grounds are pending against Citycon relating to the company's business operations. In the company's view,

it is improbable that the outcome of these lawsuits, claims and legal disputes will have a material impact on the company's financial position.

Financial Performance of Business Units

Citycon's business operations are divided into three business units: Finland, Sweden and Baltic Countries and New Business. The business units are further subdivided into clusters. The Finnish unit is composed of 4 clusters, the Swedish unit of 3 and Baltic Countries and New Business unit of 1 cluster.

Finland

Citycon's net rental income from Finnish operations during the period totalled EUR 103.0 million (EUR 103.5 million). Like-for-like properties increased net rental income in Finland by EUR 2.5 million, or 2.5% which was mainly attributable to good performance of the shopping centres. Divestments and (re)development projects reduced net rental income by EUR 3.1 million. The business unit accounted for 60.8% (61.3%) of Citycon's total net rental income. Net rental yield was 6.2% (6.4%).

At period-end, the Finnish property portfolio accounted for a total gross leasable area of 546,140 square metres (571,890 sq.m.). The gross leasable area decreased due to property divestments. The annualised potential rental value decreased to EUR 148.7 million, due to divestment of one non-core shopping centre and 10 supermarket and shop properties.

Lease agreements started during the period applied to a GLA of 87,433 square metres (110,292 sq.m.) and the ended lease

KEY FIGURES, FINLAND

	Q4/2014	Q4/2013	Q3/2014	2014	2013	Change-%
Number of properties at the end of the period	44	55	50	44	55	-20.0
Gross leasable area, sq.m.	546,140	571,890	558,830	546,140	571,890	-4.5
Annualised potential rental value, EUR million ¹⁾	148.7	150.5	150.3	148.7	150.5	-1.2
Average rent (EUR/sq.m.)	22.6	22.4	22.5	22.6	22.4	0.9
Number of leases started during the period	126	109	95	408	390	4.6
Total area of leases started, sq.m. ²⁾	22,453	40,954	20,366	87,433	110,292	-20.7
Average rent of leases started (EUR/sq.m.) ²⁾	21.7	17.5	16.6	19.0	18.8	1.1
Number of leases ended during the period	103	163	124	472	498	-5.2
Total area of leases ended, sq.m. ²⁾	31,623	53,036	22,956	109,133	133,770	-18.4
Average rent of leases ended (EUR/sq.m.) ²⁾	20.2	18.6	20.5	20.9	19.0	10.0
Occupancy rate at end of the period (economic), %	95.6	95.1	94.7	95.6	95.1	-
Average remaining length of lease portfolio at the end of the period, years	3.4	3.9	3.5	3.4	3.9	-12.8
Gross rental income, EUR million ³⁾	34.7	35.7	35.4	141.3	144.4	-2.2
Turnover, EUR million	36.3	37.4	37.0	147.7	150.4	-1.8
Net rental income, EUR million	25.8	26.3	26.7	103.0	103.5	-0.5
Net rental yield, % ⁴⁾	6.2	6.4	6.3	6.2	6.4	-
Net rental yield, like-for-like properties, %	6.4	6.3	6.4	6.4	6.3	-
Fair value of investment properties, EUR million	1,710.0	1,671.2	1,690.3	1,710.0	1,671.2	2.3

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

3) Citycon made an adjustment to its accounting policy related to parking income during the year 2014. Previously Citycon reported parking income within service charge income, but starting from current year part of gross rental income. The change has been applied also to the 2013 comparison figures.

4) Includes the value of unused building rights.

KEY FIGURES, SWEDEN

	Q4/2014	Q4/2013	Q3/2014	2014	2013	Change-%
Number of properties at the end of the period	11	11	11	11	11	0.0
Gross leasable area, sq.m.	259,300	254,500	254,900	259,300	254,500	1.9
Annualised potential rental value, EUR million ¹⁾	62.4	63.5	61.6	62.4	63.5	-1.7
Average rent (EUR/sq.m.)	20.0	20.8	20.1	20.0	20.8	-3.8
Number of leases started during the period	46	39	35	142	133	6.8
Total area of leases started, sq.m. ²⁾	9,362	5,416	6,569	28,809	16,780	71.7
Average rent of leases started (EUR/sq.m.) ²⁾	23.1	19.8	17.7	20.5	21.3	-3.8
Number of leases ended during the period	43	285	33	138	529	-73.9
Total area of leases ended, sq.m. ²⁾	4,730	9,809	4,814	19,997	34,597	-42.2
Average rent of leases ended (EUR/sq.m.) ²⁾	30.3	16.4	23.0	22.4	16.6	34.9
Occupancy rate at end of the period (economic), %	96.1	95.1	95.9	96.1	95.1	-
Average remaining length of lease portfolio at the end of the period, years	3.0	2.8	2.9	3.0	2.8	7.1
Gross rental income, EUR million ³⁾	14.7	14.7	14.3	57.9	60.5	-4.3
Turnover, EUR million	15.3	15.4	15.0	60.5	63.3	-4.4
Net rental income, EUR million	9.1	9.0	10.2	38.9	39.7	-2.1
Net rental yield, % ⁴⁾	5.6	5.6	5.5	5.6	5.6	-
Net rental yield, like-for-like properties, %	5.4	5.5	5.4	5.4	5.5	-
Fair value of investment properties, EUR million	709.7	720.1	713.6	709.7	720.1	-1.4

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

3) Citycon made an adjustment to its accounting policy related to parking income during the year 2014. Previously Citycon reported parking income within service charge income, but starting from current year part of gross rental income. The change has been applied also to the 2013 comparison figures.

4) Includes the value of unused building rights.

agreements applied to 109,133 square metres (133,770 sq.m.). The average rent for new lease agreements was lower than the average rent for the ended leases, mainly due to new storage leases and new leases concerning large retail units while the ended leases consisted of smaller retail units. Also leases were renewed at lower levels. The average rent rose from EUR 22.4/sq.m. to EUR 22.6/sq.m., mainly thanks to index increments and divestments. The economic occupancy rate increased to 95.6% (95.1%) due to decreased vacancy in supermarkets and shops.

Sweden

The company's net rental income from Swedish operations decreased by EUR 0.8 million or 2.1% to EUR 38.9 million (EUR 39.7 million). Excluding the impact of the weakened Swedish krona, net rental income from the Swedish operations increased by EUR 1.1 million compared to corresponding period in 2013. Net rental income from like-for-like properties grew by EUR 1.2 million, or 3.8%. On the other hand, divestments reduced net rental income by EUR 0.5 million. The business unit accounted for 23.0% (23.5%) of Citycon's total net rental income. Net rental yield was 5.6% (5.6%).

At period-end, the Swedish property portfolio accounted for a total gross leasable area of 259,300 square metres (254,500 sq.m.). The gross leasable area increased due to the extension of shopping centre Stenungs Torg. The annualised potential rental value decreased to EUR 62.4 million due to the weakened Swedish krona.

Lease agreements started during the period applied to a GLA of 28,809 square metres (16,780 sq.m.) and ended lease agreements applied to 19,997 square metres (34,597 sq.m.). The average rent level for new lease agreements was lower than the average rent level for ended lease agreements due to new short term retail leases started during the third quarter of the year and one new retail lease concerning a large unit in the fourth quarter.

The average rent decreased to EUR 20.0/sq.m. due to the weakened Swedish krona. The economic occupancy rate increased to 96.1% (95.1%) due to improved occupancy rate e.g. in Liljeholmstorget Galleria and Högdalen Centrum.

Baltic Countries and New Business

Net rental income from the Baltic Countries and New Business operations increased by EUR 1.9 million, or 7.3%, to EUR 27.5 million (EUR 25.6 million), mainly due to completions of the (re)development projects in shopping centres Rocca al Mare and Kristiine. The business unit accounted for 16.2% (15.2%) of Citycon's total net rental income. Net rental yield was 8.2% (8.2%).

At the period-end, the property portfolio in Baltic Countries and New Business accounted for a total gross leasable area of 127,600 square metres (135,400 sq.m.). The gross leasable area decreased due to the divestment of one non-core shopping centre. The annualised potential rental value decreased slightly to EUR 32.0 million due the divestment of shopping centre Mandarinas in Lithuania offset by index

KEY FIGURES, BALTIC COUNTRIES AND NEW BUSINESS

	Q4/2014	Q4/2013	Q3/2014	2014	2013	Change-%
Number of properties at the end of the period	4	5	5	4	5	-
Gross leasable area, sq.m.	127,600	135,400	135,500	127,600	135,400	-5.8
Annualised potential rental value, EUR million ¹⁾	32.0	32.1	34.3	32.0	32.1	-0.3
Average rent (EUR/sq.m.)	21.0	19.8	21.3	21.0	19.8	6.1
Number of leases started during the period	12	15	9	45	88	-48.9
Total area of leases started, sq.m. ²⁾	2,354	6,327	1,064	6,326	22,941	-72.4
Average rent of leases started (EUR/sq.m.) ²⁾	22.1	15.6	49.6	29.3	16.7	75.4
Number of leases ended during the period	76	10	9	114	90	26.7
Total area of leases ended, sq.m. ²⁾	11,473	3,415	942	15,750	18,200	-13.5
Average rent of leases ended (EUR/sq.m.) ²⁾	15.7	19.2	39.4	19.9	19.0	4.7
Occupancy rate at end of the period (economic), %	99.3	99.7	99.1	99.3	99.7	-
Average remaining length of lease portfolio at the end of the period, years	3.0	3.3	3.4	3.0	3.3	-9.1
Gross rental income, EUR million	8.0	7.9	8.4	32.8	30.4	7.9
Turnover, EUR million	9.3	9.2	9.4	37.2	34.9	6.5
Net rental income, EUR million	6.4	6.6	7.1	27.5	25.6	7.3
Net rental yield, %	8.2	8.2	8.3	8.2	8.2	-
Net rental yield, like-for-like properties, %	8.7	8.7	9.0	8.7	8.7	-
Fair value of investment properties, EUR million	349.4	342.2	355.0	349.4	342.2	2.1

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

increments in other shopping centre properties. The average rent increased to EUR 21.0/sq.m., mostly due to indexation, new lease agreements and divestments.

Lease agreements started during the period applied to a GLA of 6,326 square metres (22,941 sq.m.) and ended lease agreements applied to 15,750 square metres (18,200 sq.m.). The average rent level for new lease agreements was higher than average rent for the ended lease agreements mostly due to the divestment of Mandarinas and new retail leases started in the third quarter of 2014. The economic occupancy rate decreased to 99.3% (99.7%).

Environmental Responsibility

Citycon's strategy is to be among the forerunners in sustainable shopping centre management. The location of Citycon's shopping centres in urban environments in growing cities and directly connected to public transportation, means that they are well positioned to face the demands of sustainable development.

Citycon's sustainability strategy was updated in 2014 to better reflect company's priorities and effects on the surrounding community. The renewed strategy and targets are presented in the upcoming Annual and Sustainability Report 2014.

At its annual conference in September 2014, the European Public Real Estate Association (EPRA) acclaimed Citycon's Annual and Sustainability Report 2013 as one of the best in the industry. Citycon won the gold-level award in the sustainability Best Practices series for the third time now. Citycon was honored also with Green Star status in the Global Real Estate Sustainability Benchmark (GRESB) assessment. Citycon received this recognition for the third year in a row for its outstanding management and implementation of key sustainability issues.

Environmental indicators

- Citycon's total energy consumption (incl. electricity consumption in common areas, heating and cooling) amounted to 247 gigawatt hours (251 GWh). Total energy consumption in like-for-like shopping centres decreased by 6% (target 2–3%).
- In 2014, the carbon footprint totalled 80 thousand tonnes of carbon dioxide equivalent (73 1000tCO_{2e}). The carbon

footprint of like-for-like shopping centres decreased by 2% compared to previous year (target 2–3%).

- The total water consumption in all shopping centres and retail properties owned by Citycon was 723,423 cubic metres (603,014 m³) in 2014. In 2014, water consumption per visitor in shopping centres was 4.3 litres and 3.3 litres in like-for-like shopping centres (target 3.7 litres per visitor).
- The recycling rate in shopping centres improved over 3 percentage points compared to the previous year and was 89% (target 80%).

Citycon's reported environmental data 2014 covers shopping centres owned by Citycon and other properties where Citycon's share of ownership is at least 50%. Kista Galleria's environmental data is reported in its entirety. Kista Galleria is not included in the reported environmental data of 2013.

Citycon continuously improves the energy efficiency of its shopping centres. The objective is to continue to invest in measures that generate savings in consumption and costs, such as renewing lighting and lighting control solutions, or the greater use of frequency transformers and control in ventilation systems. Furthermore, Citycon ensures the continuous optimisation of adjustments and temperature settings for technical systems, in order to meet consumption and cost saving targets. Energy costs related to electricity and heating, 23.2 EUR million (25.1 EUR million), decreased compared to 2013.

In its sustainability reporting, Citycon applies the construction and real estate sector

specific (CRESS) guidelines of the Global Reporting Initiative, as well as the guidelines published by EPRA in autumn 2014. Extensive results and indicators for environmental responsibility are presented in the upcoming Annual and Sustainability Report 2014.

Risks and Uncertainties

The company's core risks and uncertainties, along with its main risk management actions and principles, have been described in detail on pages 49–51 of the Financial Statements 2014 and in the upcoming Annual and Sustainability Report 2014.

Citycon's Board of Directors believes there have been no material changes to the risks during 2014. The main risks are associated with property development projects, weaker demand for retail premises, rising operating expenses, environment and human related risks, decreasing fair values of investment properties and availability and cost of funding.

Governance

Annual General Meeting 2014

Citycon's Annual General Meeting (AGM) was held in Helsinki on 19 March 2014. The meeting was opened by Bernd Knobloch, the Deputy Chairman of the Board, and chaired by Manne Airaksinen, Attorney-at-Law. A total of 325 shareholders attended the AGM either personally or through a proxy representative, representing 76.1% of shares and votes in the company.

The AGM adopted the company's Financial Statements for the financial year 2013 and discharged the members of the Board of Directors and the Chief Executive Officer from liability. The AGM decided on a dividend of

EUR 0.03 per share for the financial year 2013 and an equity return of EUR 0.12 per share from the invested unrestricted equity reserve. The record date for the dividend pay-out and equity return was 24 March 2014, and the dividend and equity returns totalling EUR 66.2 million were paid on 31 March 2014.

The other decisions made by the AGM are reported on the company's website at www.citycon.com/agm2014. The AGM minutes are also available on this website.

Extraordinary General Meeting 2014

The Extraordinary General Meeting (EGM) of Citycon took place in Helsinki on 6 June 2014. The EGM decided to authorize the Board of Directors to decide on the issuance of shares for the purposes of the directed share issue and the rights issue and to elect Andrea Orlandi and Arnold de Haan as new Board members of the company conditional upon the completion of the directed share issue. Further, the EGM decided to authorize the Board of Directors to decide on the issuance of shares as well as the issuance of special rights giving title to shares.

The EGM decisions are further reported on the company's website at www.citycon.com/egm2014. Also the EGM minutes are available on this website.

Board of Directors

Under the Articles of Association, the Board of Directors of the company consists of a minimum of five and a maximum of ten members, elected by the General Meeting for a term of one year at a time. Amendments to the Articles of Association may be made only by the General Meeting and require a 2/3 majority vote.

In 2014, the Board of Directors had ten members: Ronen Ashkenazi, Chaim Katzman, Bernd Knobloch, Arnold de Haan (since 10 June 2014), Kirsi Komi, Karine Ohana, Andrea Orlandi (since 10 June 2014), Claes Ottosson, Per-Anders Ovin and Ariella Zochovitzky. Jorma Sonninen and Yuval Yanai resigned from the Board of Directors as of 10 June 2014.

Chaim Katzman was the Chairman of the Board of Directors in 2014, and Ronen Ashkenazi and Bernd Knobloch the Deputy Chairmen.

Auditor

Since 2006, the company's auditor has been Ernst & Young Oy, a firm of authorised public accountants, which has designated Authorised Public Accountant Eija Niemi-Nikkola (until 19 March 2014) and Authorised Public Accountant Mikko Ryttilahti (since 19 March 2014) to act as the responsible auditor of Citycon.

Chief Executive Officer (CEO)

Marcel Kokkeel (LL.M., Dutch citizen, born in 1958) has served as Citycon's CEO since 24 March 2011. Eero Sihvonen, Chief Financial Officer, is Citycon's Executive Vice President. Their personal details, career histories and positions of trust can be found on the company's website at www.citycon.com/management. Information on the CEO's executive contract and its terms and conditions are available on page 56–57 of the Financial Statements.

Shares, Share Capital and Shareholders

Citycon Oyj has been listed on the NASDAQ OMX Helsinki Ltd (Helsinki Stock Exchange)

since November 1988. In 2014 Citycon was a Mid Cap company in the Financials sector, sub-industry Real Estate Operating Companies (since 2 January 2015, the company is a Large Cap company). Its trading code is CTY1S and its shares are traded in euros. The ISIN code used in international securities clearing is F10009002471.

The company has a single series of shares, with each share entitling to one vote at General Meeting of shareholders. The shares have no nominal value.

During the year 2014, there were no changes in the company's share capital. Following the directed share issue, the number of the company's share increased by 77,874,355 shares on 10 June 2014, and following the rights issue, the number of the company's shares increased by 74,166,052 shares on 9 July 2014. At the end of December 2014, the total number of shares outstanding in the company was 593,328,419.

At the end of December 2014, Citycon had a total of 7,657 (8,820) registered shareholders, of which nine were account managers of nominee-registered shares. Holders of the nominee-registered shares held 408.5 million (343.4 million) shares, or 68.9% (77.8%) of shares and voting rights in the company. Details of the most significant shareholders of the company and of the distribution of ownership can be found on page 69 of the Financial Statements.

Board authorisations

At the year-end 2014, the Board of Directors of the company had two authorisations granted by the General Meeting:

SHARES AND SHARE CAPITAL

	2014	2013
Share price, transactions, EUR		
Low	2.29	2.12
High	2.92	2.67
Average	2.65	2.44
Latest	2.58	2.56
Market value of shares at year-end (EUR million)	1,530.8	1,129.7
Share trading development		
Number of traded shares (million)	88.8	104.5
Value of traded shares (EUR million)	234.9	255.0
Share capital and shares		
Share capital at year-start (EUR million)	259.6	259.6
Share capital at year-end (EUR million)	259.6	259.6
Number of shares at year-start (million)	441.3	326.9
Number of shares at year-end (million)	593.3	441.3

- Board of Directors may decide on an issuance of a maximum of 10 million shares or special rights entitling to shares referred to in Chapter 10 Section 1 of the FCLA, which corresponded to approximately 1.69% of all the shares in the company at the year-end. The authorisation will be valid until the close of the next Annual General Meeting, however, no longer than until 30 June 2015.
- Board of Directors may decide on the repurchase and/or on the acceptance as pledge of the company's own shares in one or several tranches. The amount of own shares to be repurchased and/or accepted as pledge shall not exceed 20 million shares,

which corresponded to approximately 3.37% of all the shares in the company at the year-end. The authorisation will be valid until the close of the next Annual General Meeting, however, no longer than until 30 June 2015.

During the year 2014, the Board of Directors had also two authorisations granted by the EGM held on 6 June 2014 to decide on the directed share issue of a maximum of 77,874,355 new shares to CPPIBEH and the rights issue of a maximum of 74,166,052 new shares. The Board of Directors exercised these authorisations when it decided on the directed share issue and rights issue in June 2014.

REPORT BY THE BOARD OF DIRECTORS

Own shares

During the year 2014, the company or its subsidiaries held no shares in the company.

Share-Related Events

Directed share issue

On 8 June 2014, Citycon's Board of Directors decided on a directed share issue and offered 77,874,355 new shares to CPPIBEH at a subscription price of EUR 2.65, pursuant to an authorisation granted by the EGM on 6 June 2014. The subscribed 77,874,355 shares were entered in the Finnish Trade Register on 10 June 2014 and trading in the new shares commenced on 11 June 2014. The directed issue shares represented approximately 17.6% of the total number of shares and voting rights in the company prior to the directed share issue, and approximately 15.0% of the total number of shares and voting rights in the company after the directed share issue. More information on the directed share issue is available in the stock exchange releases issued by the company in May and June 2014.

Rights issue

On 8 June 2014, Citycon's Board of Directors decided on a share issue and offered a maximum of 74,166,052 new shares based on shareholders' pre-emptive subscription right at a price of EUR 2.65 per share, pursuant to an authorisation granted by the EGM on 6 June 2014. The offered shares represented approximately 14.3% of the total shares and voting rights in the company prior to the rights issue and approximately 12.5% of the total shares and voting rights in the company after the rights issue. The subscription period

began on 17 June and ended on 2 July 2014. All the offered 74,166,052 shares were subscribed for in the rights issue. The new shares were entered in the Finnish Trade Register on 9 July 2014 and public trading in the new shares commenced on 10 July 2014. More information on the rights issue is available in the stock exchange releases issued by the company in May, June and July 2014.

Flagging notices

During the year 2014, the company received two flagging notices from CPPIBEH and Canada Pension Plan Investment Board. More information on the flagging notices can be found on page 69 of the Financial Statements.

Shareholder agreements

Gazit-Globe Ltd. and CPPIBEH have signed an agreement regarding certain governance matters relating to Citycon on 12 May 2014.

Based on the information received by Citycon, Gazit-Globe Ltd. and CPPIBEH have undertaken to vote in Citycon's general meetings in favour of the election of members to the Citycon Board of Directors so that no less than three members of the Board of Directors will be nominated by Gazit-Globe Ltd. and no less than two members will be nominated by CPPIBEH. One of the members nominated by CPPIBEH shall be independent of both CPPIBEH and Citycon. The parties to the agreement have agreed to use their best efforts to ensure that the Board members nominated by CPPIBEH will also be elected to serve on such Board committees as Citycon may

OPTION RIGHTS OF THE CORPORATE MANAGEMENT COMMITTEE (CMC) ON 31 DECEMBER 2014

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

	2011A(I-III)	2011B(I-III)	2011C(I-III)	2011D(I-III)	Total
Other CMC members	412,500	452,500	452,500	452,500	1,770,000

establish from time to time, including one member on the Board's Nomination and Remuneration Committee. In the event that a Board member nominated by CPPIBEH is not a member of the Board's Nomination and Remuneration Committee for a period of three months during any annual financial period of Citycon, subject to certain exceptions, Gazit-Globe Ltd. shall support and vote in favour of a proposal by CPPIBEH at a general meeting of shareholders of Citycon to introduce a shareholders' nomination board to replace the Board's Nomination and Remuneration Committee.

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

According to information received by Citycon, Gazit-Globe Ltd. and CPPIBEH have received statements from the Finnish Financial Supervisory Authority to the

effect that the governance agreement does not, as such, constitute acting in concert, and thus does not trigger an obligation for the parties to make a mandatory tender offer for the shares in Citycon.

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

More information on the agreement between Gazit-Globe Ltd. and CPPIBEH is available in the stock exchange release published by the company on 13 May 2014 and on the company's website at www.citycon.fi/for_investors/shares/shareholder_agreements.

The company has no knowledge of any other shareholder agreements.

Stock Option Plan 2011

Citycon's Board of Directors decided on 3 May 2011, by virtue of an authorisation granted by the AGM held on 13 March 2007, to issue stock options to the key personnel of the company and its subsidiaries.

The maximum total number of stock options which can be issued is 7,250,000. As a consequence of the rights issue carried out in June–July 2014, the Board of Directors of the company adjusted the subscription ratio and the subscription price of the 2011 stock options in accordance with the terms and conditions of the 2011 stock options. The adjustments to the terms and conditions of the 2011 stock options are effective as of 9 July 2014. At the year-end 2014, the subscription ratio of the stock options was 1.3446 (1.1765), thus, the stock options entitled their owners to subscribe for a maximum total of 9,748,350 (8,529,625) new shares in the company or existing shares held by the company. The stock options are marked with the symbols 2011A(I), 2011A(II) and 2011A(III); 2011B(I), 2011B(II) and 2011B(III); 2011C(I), 2011C(II) and 2011C(III); and 2011D(I), 2011D(II) and 2011D(III). Upon the distribution of stock options the Board of Directors decides on how the stock options are divided into sub-categories. Shares subscribed based on the Stock Option Plan 2011 may correspond to a maximum of 1.6% of all shares and votes in the company after the potential share subscription, if new shares are issued in the share subscription.

The subscription ratios and subscription prices of Stock Option Plan 2011 as well as the subscription periods of the Stock Options 2011 are available on pages 52–54 of the Financial Statements.

Granted stock options

At the year-end 2014, 2011A–D(I), 2011A–D(II) and 2011A–D(III) stock options were held by 15 key personnel of the group. On 31 December 2014 there were 6,185,000 outstanding options, entitling holders to subscribe 8,316,351 shares in 2012–2018.

The table on the previous page indicates the Stock Options granted to the CEO and other Corporate Management Committee members.

A share ownership obligation, under which the members of the Corporate Management Committee are obliged to acquire Citycon's shares with 25% of the income gained from the exercised stock options, is incorporated into the Stock Options 2011. The acquisition obligation will remain in force until a member of the Corporate Management Committee owns company shares to the value of his or her gross annual salary, and share ownership must continue while his or her employment or service contract is in force.

The Stock Option Plan 2011 and its terms and conditions are presented in further detail on pages 52–54 of the Financial Statements. The terms and conditions of Stock Options 2011 in their entirety are available on the company's website at www.citycon.com/options.

Shares and Stock Options held by Members of the Board of Directors and by the Company Management (CMC)

The members of the Board of Directors of Citycon, the CEO, the other Corporate Management Committee members and their related parties held a total of 1,023,580 company shares on 31 December 2014.

These shareholdings represent 0.17% of the company's total shares and total voting rights.

The number of Stock Options 2011 held by the CEO and other Corporate Management Committee members at the year-end 2014 are presented in the table above. The maximum number of shares that they can subscribe for by exercising these outstanding Stock Options 2011 amounts to 3,724,542 shares. Members of the Board of Directors are not included in the company's share-based incentive plans.

Updated details of the share and stock option holdings of the members of the Board of Directors, the CEO and the other members of the Corporate Management Committee are available on the company's website at www.citycon.com/insiders.

Helsinki, 10 February 2015
Citycon Oyj
Board of Directors

EPRA performance measures

EPRA (European Public Real Estate Association) is a common interest group for listed real estate companies in Europe. EPRA's mission is to promote, develop and represent the European publicly traded real estate sector. Citycon is an active member of EPRA. EPRA's objective is to encourage greater investment in European listed real estate companies and strive for 'best practices' in accounting, financial reporting and corporate governance in order to provide high-quality information to investors and to increase the comparability of different companies. The best practices also create a framework for discussion and decision-making on the issues that determine the future of the sector.

Since 2006, Citycon has been applying the best practices policy recommendations of EPRA for financial reporting. In 2011, Citycon started to follow EPRA best practice policy recommendations also for sustainability reporting. This section in Citycon's financial statements presents the EPRA performance measures and their calculations. For more information about EPRA and EPRA's best practice policies please visit EPRA's web pages: www.epra.com.

In addition to promoting the European real estate sector and publishing best practice policies, EPRA publishes the FTSE EPRA/NAREIT index in association with FTSE, which tracks the performance of the largest European and North-American listed real estate companies. Citycon is included in the FTSE EPRA index, which increases international interest towards Citycon as an investment.

EPRA PERFORMANCE MEASURES

	2014	2013
EPRA Earnings, EUR million	99.7	86.7
EPRA Earnings per share (basic), EUR ¹⁾	0.191	0.203
EPRA Cost Ratio (including direct vacancy costs) (%) ²⁾	19.4	22.4
EPRA Cost Ratio (excluding direct vacancy costs) (%) ²⁾	17.7	20.0
EPRA NAV per share, EUR	3.01	3.13
EPRA NNNAV per share, EUR	2.63	2.78
EPRA Net Initial Yield (NIY) (%)	6.1	6.2
EPRA 'topped-up' NIY (%)	6.1	6.3
EPRA vacancy rate (%)	3.7	4.3

1) Result per share key figures have been calculated with the issue-adjusted number of shares resulting from the directed share issue executed in June 2014 and rights issue executed in July 2014.

2) Citycon made an adjustment to its reporting of parking income during the year 2014. Previously Citycon reported parking income within service charge income, but starting from current year part of gross rental income. The change affects the calculation of EPRA Cost Ratios. The change has been applied also to the comparison periods.

The following tables present how EPRA Performance Measures are calculated.

EPRA EARNINGS AND EPRA EARNINGS PER SHARE (BASIC)

EPRA Earnings presents the underlying operating performance of a real estate company excluding all so called non-recurring items such as net fair value gains/losses on investment properties, profit/loss on disposals and other non-recurring items. It provides a measure for recurring income, but does not exclude exceptional items that are part of normal IFRS earnings. EPRA Earnings is especially important for investors who want to assess the extent to which dividends are supported by recurring income. Citycon paid 0.15 EUR/share as dividends and equity return for the financial year 2013. For the financial statements 2014, the Board of Directors

proposes that no dividend be paid for financial year 2014, and that the shareholders are paid an equity repayment of EUR 0.15 per share from the invested unrestricted equity fund, totalling approximately EUR 89.0 million.

EPRA Earnings can also be calculated from the statement of comprehensive income from top to bottom. Below please find the EPRA Earnings calculation with this different method, which also presents the EPRA Operating profit.

	2014			2013		
	EUR million	Average number of shares (1,000) ¹⁾	per share, EUR	EUR million	Average number of shares (1,000) ¹⁾	per share, EUR
Earnings in IFRS Consolidated Statement of Comprehensive Income	84.5	521,526.0	0.163	94.9	426,788.4	0.222
-/+ Net fair value gains/losses on investment property	-15.7	521,526.0	-0.030	-26.1	426,788.4	-0.061
-/+ Net losses/gains on disposal of investment property	0.3	521,526.0	0.001	-0.8	426,788.4	-0.002
+ Transaction costs related to investment property disposals	0.1	521,526.0	-	-	426,788.4	-
Indirect other operating income and expenses						
-/+ Fair value gains/losses of financial instruments	26.5	521,526.0	0.051	27.0	426,788.4	0.063
-/+ Fair value gains/losses of joint ventures	-12.8	521,526.0	-0.025	1.4	426,788.4	0.003
+/- Change in deferred taxes arising from the items above	13.2	521,526.0	0.025	-15.0	426,788.4	-0.035
+/- Non-controlling interest arising from the items above	3.5	521,526.0	0.007	5.3	426,788.4	0.012
EPRA Earnings (basic)	99.7	521,526.0	0.191	86.7	426,788.4	0.203

1) Calculation of the number of shares is presented in Note 13. Earnings per share. Result per share key figures have been calculated with the issue-adjusted number of shares resulting from the directed share issue executed in June 2014 and rights issue executed in July 2014.

	2014			2013		
	EUR million	Average number of shares (1,000) ¹⁾	per share, EUR	EUR million	Average number of shares (1,000) ¹⁾	per share, EUR
Net rental income	169.4	521,526.0	0.325	168.9	426,788.4	0.396
Direct administrative expenses	-20.6	521,526.0	-0.040	-20.6	426,788.4	-0.048
Direct other operating income and expenses	1.0	521,526.0	0.002	0.9	426,788.4	0.002
EPRA Operating profit	149.8	521,526.0	0.287	149.1	426,788.4	0.349
Direct net financial income and expenses	-51.0	521,526.0	-0.098	-63.0	426,788.4	-0.148
Direct share of profit/loss of joint ventures	2.1	521,526.0	0.004	3.1	426,788.4	0.007
Direct current taxes	-0.3	521,526.0	-0.001	-0.7	426,788.4	-0.002
Change in direct deferred taxes	0.9	521,526.0	0.002	0.1	426,788.4	0.000
Direct non-controlling interest	-1.6	521,526.0	-0.003	-1.9	426,788.4	-0.004
EPRA Earnings (basic)	99.7	521,526.0	0.191	86.7	426,788.4	0.203

1) Calculation of the number of shares is presented in Note 13. Earnings per share. Result per share key figures have been calculated with the issue-adjusted number of shares resulting from the directed share issue executed in June 2014 and rights issue executed in July 2014.

CFO's comment on the development of EPRA Earnings:

EPRA earnings increased by EUR 13.0 million to EUR 99.7 million in 2014 from EUR 86.7 million in 2013. The increase was a result of NRI growth through (re)development projects and positive like-for-like growth, higher other operating income and especially lower direct financial expenses following the equity raises and refinancing. EPRA Earnings per share (basic) decreased to EUR 0.191 compared to EUR 0.203 in 2013 due to substantially higher number of shares and stronger balance sheet resulting from the share issuances in June–July 2014.

EPRA PERFORMANCE MEASURES

EPRA COST RATIOS

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

CFO's comment on the development of EPRA Cost Ratios:

Citycon started to report EPRA Cost Ratios at year-end 2013. These cost ratios, as defined by EPRA, facilitate the comparison of cost levels of real estate companies. Citycon's EPRA Costs Ratios improved compared to previous year. Citycon's EPRA Cost Ratio including direct vacancy costs was 19.4% in 2014, compared with 22.4% in 2013. The improvement in the cost ratio resulted mainly from lower property operating expenses and net service charge costs. EPRA Cost Ratio excluding direct vacancy costs was 17.7% compared with 20.0% a year earlier. The improvement was mainly due to above mentioned reasons and higher occupancy rate.

EUR million	2014	2013
Include:		
Administrative expenses ¹⁾	20.7	20.6
Property operating expenses and other expenses from leasing operations less service charge costs	51.2	53.0
Net service charge costs/fees ²⁾	16.3	18.2
Management fees less actual/estimated profit element	-2.0	-0.9
Other operating income/recharges intended to cover costs less any related profit	-4.9	-4.7
Share of joint venture expenses	6.4	10.2
Exclude:		
Ground rent costs	-1.8	-1.8
Service charge costs recovered through rents but not separately invoiced	-42.6	-42.8
Share of joint venture investment property depreciation, ground rent costs and service charge costs recovered through rents but not separately invoiced	-3.5	-4.6
EPRA Costs (including direct vacancy costs) (A)	39.9	47.3
Direct vacancy costs	-3.6	-5.0
EPRA Costs (excluding direct vacancy costs) (B)	36.3	42.3
Gross rental income less ground rent costs	230.2	233.6
Less: service fee and service charge cost components of Gross Rental Income	-42.6	-42.8
Add: share of joint ventures (Gross rental income less ground rent costs less service fees in GRI)	17.5	20.3
Gross Rental Income (C) ²⁾	205.1	211.1
EPRA Cost Ratio (including direct vacancy costs) (A/C, %)	19.4	22.4
EPRA Cost Ratio (excluding direct vacancy costs) (B/C, %)	17.7	20.0

1) Administrative expenses are net of costs capitalised of EUR 1.5 million in 2014 and EUR 1.0 million in 2013. Citycon's policy is to capitalise, for example, expenses related to property development projects and major software development projects.

2) Citycon changed the reporting of certain parking income in the first quarter of 2014. Parking income has been previously partly reported in service income but now all parking income has been classified as gross rental income. The change has been applied also to the 2013 comparison figures.

EPRA NAV PER SHARE AND EPRA NNNAV PER SHARE

EPRA NAV presents the fair value of net assets of a real estate company. It is based on the assumption of owning and operating investment properties for a long term and therefore it is a useful tool to compare against the share price of a real estate company. The share price of Citycon was 2.58 EUR/share on 31 December, 2014.

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

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

CFO's comment on the development of EPRA NAV per share and EPRA NNNAV per share:

EPRA NAV per share decreased by EUR 0.11 to EUR 3.01 (31 December 2013: EUR 3.13) mainly due to a higher number of shares as a result of two share issues. EPRA NNNAV per share decreased by EUR 0.15 to EUR 2.63 (31 December 2013: EUR 2.78), due mainly to the reason mentioned above and the increased difference between the secondary market price and fair value of bonds following lower interest rates.

	2014			2013		
	EUR million	Number of shares on the balance sheet date (1,000)	per share, EUR	EUR million	Number of shares on the balance sheet date (1,000)	per share, EUR
Equity attributable to parent company shareholders	1,650.7	593,328.4	2.78	1,236.2	441,288.0	2.80
Deferred taxes from the difference between the fair value and fiscal value of investment properties ¹⁾	128.7	593,328.4	0.22	120.1	441,288.0	0.27
Fair value of financial instruments	7.1	593,328.4	0.01	22.8	441,288.0	0.05
Net asset value (EPRA NAV)	1,786.5	593,328.4	3.01	1,379.1	441,288.0	3.13
Deferred taxes from the difference between the fair value and fiscal value of investment properties ¹⁾	-128.7	593,328.4	-0.22	-120.1	441,288.0	-0.27
Difference between the secondary market price and fair value of bonds and capital loans ²⁾	-91.2	593,328.4	-0.15	-9.6	441,288.0	-0.02
Fair value of financial instruments	-7.1	593,328.4	-0.01	-22.8	441,288.0	-0.05
EPRA NNNAV	1,559.5	593,328.4	2.63	1,226.6	441,288.0	2.78

1) Citycon amended its accounting policy regarding deferred taxes in the third quarter of 2014. The change has been applied also to comparison figures.

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 are valued based on secondary market prices. In accordance with Citycon's accounting policies, the carrying amount and fair value of bonds are different from this secondary market price. Due to this, in the calculation of this key figure the bond 1/2012, bond 1/2013 and bond 1/2014 have been valued using the price derived from the secondary market on the balance sheet date. The secondary market price for the bond 1/2012 was 107.38% (104.68%) and for bond 1/2013 111.66% (100.33%) and for bond 1/2014 102.75% as of 31 December 2014. The difference between the secondary market price and the fair value of the bonds was EUR 91.2 million (EUR 9.6 million) as of 31 December 2014.

EPRA PERFORMANCE MEASURES

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

There are a variety of yield performance indicators in the real estate market to present a company's ability to generate rent. In order to have a consistent yield definition and comparable yield indicators between real estate companies, EPRA has published a best practice recommendation for yield calculation i.e. EPRA Net Initial Yield (NIY).

EPRA NIY is calculated as the annualised net rental income for the completed property portfolio, 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 (re)development, lots, unused building rights and properties, the valuation of which is based on the value of the building right). Citycon also discloses net rental yield, which is calculated over the past 12-month period, by constructing an index from the monthly net rental income and from computational monthly market value figures. Net rental yield includes the total property portfolio and excludes estimated transaction costs.

EPRA 'topped-up' NIY presents the yield of a company with the full rent that is valid at the balance sheet date. In EPRA 'topped-up' yield, the cash rent is 'topped-up' to reflect rent after the expiry of lease incentives such as rent free periods and rental discounts.

EUR million	31 Dec. 2014	31 Dec. 2013
Fair value of investment properties determined by the external appraiser	2,763.0	2,729.6
Less (re)development properties, unused building rights and properties which valuation is based on the value of the building right	-160.7	-136.4
Completed property portfolio	2,602.3	2,593.2
Plus the estimated purchasers' transaction costs	59.0	58.6
Gross value of completed property portfolio (A)	2,661.3	2,651.8
Annualised gross rents for completed property portfolio	221.9	226.3
Property portfolio's operating expenses	-60.0	-60.9
Annualised net rents (B)	161.9	165.4
Plus the notional rent expiration of rent free periods or other lease incentives	1.6	2.4
Topped-up annualised net rents (C)	163.5	167.8
EPRA Net Initial Yield (NIY) (%) (B/A)	6.1	6.2
EPRA 'topped-up' NIY (%) (C/A)	6.1	6.3

CFO's comment on the development of EPRA NIY and EPRA 'TOPPED-UP' NIY:

EPRA initial yields decreased due to non-core property disposals resulting in lower net rental income, while the fair value of the completed property portfolio increased due to lower yield requirements. It is worth to note that EPRA NIY and EPRA 'topped-up' NIY at the end of the year 2014 and 2013 are not fully comparable due to changes in the completed property portfolio (such as property disposals, and started/completed (re)development projects).

EPRA VACANCY RATE (%)

The EPRA vacancy rate (%) presents how much out of the full potential rental income is not received because of vacancy. The technical occupancy rate, which Citycon also discloses, presents the proportion of square meters leased out of total GLA.

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

EUR million	31 Dec. 2014	31 Dec. 2013
Annualised potential rental value of vacant premises	8.6	10.2
./ Annualised potential rental value for the whole portfolio	230.1	237.6
EPRA vacancy rate (%)	3.7	4.3

CFO's comment on the development of the EPRA vacancy rate:

The EPRA vacancy rate at the end of 2014 for the entire property portfolio decreased mainly due to decreased vacancy in the Finnish supermarkets and shops portfolio and in the Swedish shopping centre portfolio.

PROPERTY RELATED CAPEX

	31 Dec. 2014	31 Dec. 2013
Acquisitions	0.3	3.1
(Re)development	33.6	28.6
Like-for-like portfolio	58.5	43.1
Capex on disposed assets	0.2	0.1
Other incl. capitalised interest	3.2	2.6
Capital expenditure	95.9	77.6

Capex disclosed in the table are categorised according to the EPRA recommendations and consists of the items 'Acquisitions during the period', 'Investments during the period' and 'Capitalised interest' presented in the note 14. 'Investment Properties'. Investments include both income producing and maintenance capex.

EPRA PERFORMANCE MEASURES FOR FIVE YEARS

	2014	2013	2012	2011	2010
EPRA Earnings, EUR million	99.7	86.7	63.9	53.3	47.3
EPRA Earnings per share (basic), EUR ¹⁾	0.191	0.203	0.199	0.183	0.185
EPRA Cost Ratio (including direct vacancy costs) (%)	19.4	22.4	26.2	30.3	30.9
EPRA Cost Ratio (excluding direct vacancy costs) (%)	17.7	20.0	23.3	26.9	27.4
EPRA NAV per share, EUR	3.01	3.13	3.31	3.47	3.63
EPRA NNAV per share, EUR	2.63	2.78	2.91	3.14	3.33
EPRA Net Initial Yield (NIY) (%)	6.1	6.2	6.0	6.2	6.3
EPRA 'topped-up' NIY (%)	6.1	6.3	6.1	6.3	6.4
EPRA vacancy rate (%)	3.7	4.3	4.3	4.5	4.9

1) Result per share key figures have been calculated with the issue-adjusted number of shares resulting from the directed share issue executed in June 2014 and rights issue executed in July 2014.

EPRA EARNINGS FOR FIVE YEARS

EUR million	2014	2013	2012	2011	2010
Earnings in IFRS Consolidated Statement of Comprehensive Income	84.5	94.9	63.4	11.5	79.9
-/+ Net fair value gains/losses on investment property	-15.7	-26.1	-23.6	35.3	-50.8
-/+ Net losses/gains on disposal of investment property ¹⁾	0.3	-0.8	-4.2	-0.3	-1.9
+ Transaction costs related to investment property disposals ¹⁾	0.1	-	-	0.7	-
-/+ Fair value gains/losses of financial instruments	26.5	27.0	-	-	-0.2
-/+ Fair value gains/losses of joint ventures	-12.8	1.4	-0.3	-0.3	-
+/- Current taxes arising from the items above	0.0	-	-	0.5	-
+/- Change in deferred taxes arising from the items above	13.2	-15.0	23.0	1.6	12.1
+/- Non-controlling interest arising from the items above	3.5	5.3	5.6	4.4	8.2
EPRA Earnings (basic)	99.7	86.7	63.9	53.2	47.3
Issue-adjusted average number of shares, million ²⁾	521.5	426.8	322.2	291.5	256.0
EPRA Earnings per share (basic), EUR ²⁾	0.191	0.203	0.198	0.183	0.185

1) Citycon has made an adjustment to its accounting policies related to the treatment of transaction costs arising from the investment property disposals in 2012. Previously Citycon reported transaction costs from the property disposals within the administrative expenses, but in the financial statements 2012, Citycon has netted the transaction costs from the successful property disposals against the net gains on sale of investment properties. The adjustment doesn't impact the EPRA Earnings.

2) Result per share key figures have been calculated with the issue-adjusted number of shares resulting from the directed share issue executed in June 2014 and rights issue executed in July 2014.

EPRA Earnings can also be calculated from the statement of comprehensive income from top to bottom. Below please find the EPRA Earnings calculation with this different method, which also presents the EPRA Operating profit.

EUR million	2014	2013	2012	2011	2010
Net rental income	169.4	168.9	162.0	144.3	127.2
Direct administrative expenses	-20.6	-20.6	-26.5	-27.1	-22.5
Direct other operating income and expenses	1.0	0.9	0.2	0.2	0.3
EPRA operating profit	149.8	149.1	135.7	117.4	105.0
Direct net financial income and expenses	-51.0	-63.0	-68.1	-62.4	-55.1
Direct share of profit/loss of joint ventures	2.1	3.1	0.0	-	-
Direct current taxes	-0.3	-0.7	-1.4	-0.4	-0.6
Change in direct deferred taxes	0.9	0.1	0.0	0.3	-0.3
Direct non-controlling interest	-1.6	-1.9	-2.2	-1.7	-1.8
EPRA Earnings	99.7	86.7	63.9	53.2	47.3
Average number of shares (1,000) ¹⁾	521.5	426.8	322.2	291.5	256.0
EPRA Earnings per share (basic), EUR ¹⁾	0.191	0.203	0.198	0.183	0.185

1) Result per share key figures have been calculated with the issue-adjusted number of shares resulting from the directed share issue executed in June 2014 and rights issue executed in July 2014.

Citycon Oyj's consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

EUR million	Note	1 Jan.–31 Dec. 2014	1 Jan.–31 Dec. 2013
Gross rental income ¹⁾	3	232.0	235.4
Service charge income ¹⁾		13.3	13.2
Turnover	4	245.3	248.6
Property operating expenses	5	74.4	78.4
Other expenses from leasing operations	6	1.6	1.3
Net rental income		169.4	168.9
Administrative expenses	7, 8, 9	20.7	20.6
Other operating income and expenses	10	1.0	0.9
Net fair value gains/losses on investment property	14	15.7	26.1
Net losses on sale of investment property	14, 22	-0.3	0.8
Operating profit		165.0	176.0
Financial income		55.3	33.0
Financial expenses		-132.8	-123.1
Net financial income and expenses	11	-77.5	-90.1
Share of profit of joint ventures ²⁾	15	14.9	1.7
Profit before taxes		102.4	87.6
Current taxes		-0.3	-0.7
Change in deferred taxes ²⁾		-12.4	15.1
Income taxes	12, 19	-12.7	14.4
Profit for the period		89.7	102.0
Profit attributable to			
Parent company shareholders		84.5	94.9
Non-controlling interest		5.2	7.1
Earnings per share attributable to parent company shareholders:			
Earnings per share (basic), EUR ³⁾	13	0.16	0.22
Earnings per share (diluted), EUR ³⁾	13	0.16	0.22
Other comprehensive expenses/income			
Items that may be reclassified subsequently to profit or loss			
Net gains/losses on cash flow hedges	11	23.7	49.4
Income taxes relating to cash flow hedges	12, 19	-4.7	-12.8
Share of other comprehensive income of joint ventures		-3.3	0.3
Exchange losses on translating foreign operations		-9.7	-3.0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		6.0	33.9
Other comprehensive expenses for the period, net of tax		6.0	33.9
Total comprehensive profit/loss for the period		95.7	136.0
Total comprehensive profit/loss attributable to			
Parent company shareholders		90.7	129.0
Non-controlling interest		5.0	7.0

1) Citycon made an adjustment to its reporting of parking income during the year 2014. Previously Citycon reported parking income within service charge income, but starting from 2014 part of gross rental income. The change has been applied also to the 2013 comparison periods.

2) Citycon amended its accounting policy regarding deferred taxes in the third quarter of 2014. The change has been applied also to comparison figures.

3) Result per share key figures have been calculated with the issue-adjusted number of shares resulting from the directed share issue executed in June 2014 and rights issue executed in July 2014.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

EUR million	Note	31 Dec. 2014	31 Dec. 2013	1 Jan. 2013
ASSETS				
Non-current assets				
Investment properties	14	2,769.1	2,733.5	2,714.2
Investments in joint ventures	15	182.8	150.7	0.9
Intangible assets	17	5.3	2.1	1.7
Property, plant and equipment	18	0.7	0.8	1.4
Deferred tax assets	19	5.7	9.1	19.5
Derivative financial instruments and other non-current assets	22, 23	1.7	-	-
Total non-current assets		2,965.2	2,896.2	2,737.6
Investment properties held for sale	22	7.2	2.3	5.4
Current assets				
Derivative financial instruments	20, 21	0.2	2.4	-
Current tax receivables	12	0.4	0.2	0.0
Trade and other receivables	20, 23	29.8	33.8	24.5
Cash and cash equivalents	24	34.4	38.0	51.0
Total current assets		64.8	74.5	75.5
Total assets		3,037.2	2,973.0	2,818.5

EUR million	Note	31 Dec. 2014	31 Dec. 2013	1 Jan. 2013
LIABILITIES AND SHAREHOLDERS' EQUITY				
Equity attributable to parent company shareholders				
Share capital	25	259.6	259.6	259.6
Share premium fund		131.1	131.1	131.1
Fair value reserve		-7.1	-22.8	-59.8
Invested unrestricted equity fund		841.2	493.0	333.0
Translation reserve		-19.7	-10.3	-6.1
Retained earnings		445.7	385.6	302.0
Total equity attributable to parent company shareholders		1,650.7	1,236.2	959.8
Non-controlling interest		1.8	42.6	35.6
Total shareholders' equity		1,652.5	1,278.8	995.4
LIABILITIES				
Long-term liabilities				
Loans	20, 26	1,094.5	1,317.5	1,406.3
Derivative financial instruments	20, 21	6.0	27.1	75.6
Deferred tax liabilities ¹⁾	19	129.6	117.1	130.5
Other liabilities	20	0.6	0.8	1.0
Total long-term liabilities		1,230.7	1,462.5	1,613.4
Short-term liabilities				
Loans	20, 26	83.1	144.9	126.8
Derivative financial instruments	20, 21	2.2	5.2	0.7
Current tax liabilities	12	0.8	1.0	0.8
Trade and other payables	20, 27	67.9	80.5	81.4
Total short-term liabilities		154.1	231.6	209.7
Total liabilities		1,384.8	1,694.2	1,823.1
Total liabilities and shareholders' equity		3,037.2	2,973.0	2,818.5

1) Citycon amended its accounting policy regarding deferred taxes in the third quarter of 2014. The change has been applied also to comparison figures.

CONSOLIDATED CASH FLOW STATEMENT, IFRS

EUR million	Note	1 Jan.–31 Dec. 2014	1 Jan.–31 Dec. 2013
Cash flow from operating activities			
Profit before taxes		102.4	87.6
Adjustments:			
Depreciation and amortisation	9, 29	0.8	0.9
Net fair value gains/losses on investment property	14, 29	-15.7	-26.1
Losses on disposal of investment property	22, 29	0.3	-0.8
Financial income	11, 29	-55.3	-33.0
Financial expenses	11, 29	132.8	123.1
Share of profit of joint ventures and other adjustments	29	-14.7	-1.5
Cash flow before change in working capital		150.7	150.2
Change in working capital	29	-5.3	-4.5
Cash generated from operations ¹⁾		145.4	145.6
Interest expenses and other financial expenses paid		-78.7	-87.0
Interest income and other financial income received		0.0	0.2
Taxes paid/received		-0.7	-0.7
Net cash from operating activities ¹⁾		66.0	58.1
Cash flow from investing activities			
Acquisition of subsidiaries, less cash acquired	14	-	-2.0
Capital expenditure on investment properties	14	-97.8	-75.6
Capital expenditure on investments in joint ventures, intangible assets and PP&E	15, 17, 18	-33.3	-151.0
Sale of investment properties	14, 22	29.5	60.2
Net cash used in investing activities		-101.5	-168.4
Cash flow from financing activities			
Proceeds from rights and share issue	25	401.1	196.0
Proceeds from short-term loans	26	271.3	96.7
Repayments of short-term loans	26	-203.2	-228.9
Proceeds from long-term loans	26	446.9	612.4
Repayments of long-term loans	26	-801.1	-527.7
Acquisition of non-controlling interests	25	-57.0	-
Dividends and return from the invested unrestricted equity fund		-66.3	-49.0
Realised exchange rate profit/loss		41.4	-1.5
Net cash from/used in financing activities ¹⁾		33.0	97.9
Net change in cash and cash equivalents		-2.6	-12.3
Cash and cash equivalents at period-start	24	38.0	51.0
Effects of exchange rate changes		-1.0	-0.6
Cash and cash equivalents at period-end	24	34.4	38.0

1) Citycon changed the reporting of cash flows in the first quarter of 2014. Realised exchange rate gains and losses have been moved from net cash flow from operating activities to net cash flow from financing activities. The change has been applied also to comparison figures.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, IFRS

EUR million	Equity attributable to parent company shareholders							Total	Non-controlling interest	Total shareholders' equity
	Share capital	Share issue	Share premium fund	Fair value reserve	Invested unrestricted equity fund	Translation reserve	Retained earnings			
Balance at 31 Dec. 2012	259.6	-	131.1	-59.8	333.0	-5.5	357.4	1,015.8	44.2	1,060.0
IAS 12 amendment impact	-	-	-	-	-	-1.7	-54.2	-55.9	-8.6	-64.6
Balance at 31 Dec. 2012 amended ¹⁾	259.6	-	131.1	-59.8	333.0	-7.3	303.2	959.9	35.6	995.4
Profit for the period							94.9	94.9	7.1	102.0
Net losses/gains on cash flow hedges, net of tax (Notes 11, 12 and 19)				36.7				36.7		36.7
Share of other comprehensive income of joint ventures				0.3				0.3		0.3
Exchange gains/losses on translating foreign operations						-3.0		-3.0	-0.1	-3.1
Total other comprehensive expenses/ income for the period, net of tax				37.0		-3.0		34.0	-0.1	33.8
Total comprehensive loss/profit for the period				37.0		-3.0	94.9	128.8	7.0	135.8
Rights issue (Note 25)					200.2			200.2		200.2
Arrangement fee for rights issue					-4.2			-4.2		-4.2
Dividends and return from the invested unrestricted equity fund (Note 25)					-36.0		-13.1	-49.0		-49.0
Share-based payments (Notes 25 and 28)							0.6	0.6		0.6
Balance at 31 Dec. 2013 ¹⁾	259.6	-	131.1	-22.8	493.0	-10.3	385.6	1,236.2	42.6	1,278.8
Profit for the period							84.5	84.5	5.2	89.7
Net losses/gains on cash flow hedges, net of tax (Notes 11, 12 and 19)				19.0				19.0		19.0
Share of other comprehensive income of joint ventures				-3.3				-3.3		-3.3
Exchange gains/losses on translating foreign operations						-9.7		-9.7	-0.1	-9.8
Total other comprehensive expenses/ income for the period, net of tax				15.7		-9.7		6.0	-0.1	5.9
Total comprehensive loss/profit for the period				15.7		-9.7	84.5	90.5	5.0	95.5
Directed share issue and rights issue (Note 25)					402.9			402.9		402.9
Arrangement fee for directed share issue and rights issue					-1.8			-1.8		-1.8
Dividends and return from the invested unrestricted equity fund (Note 25)					-53.0		-13.2	-66.2		-66.2
Share-based payments (Notes 25 and 28)							0.3	0.3		0.3
Acquisition of non-controlling-interests							-11.3	-11.3	-45.7	-57.0
Balance at 31 Dec. 2014	259.6	-	131.1	-7.1	841.2	-19.7	445.7	1,650.7	1.8	1,652.5

1) Citycon amended its accounting policy regarding deferred taxes in the third quarter of 2014. The change has been applied also to comparison figures.

Notes to the consolidated financial statements

1. ACCOUNTING POLICIES

1.1 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, the Baltic Countries and Denmark. Citycon is a Finnish public limited liability company established under Finnish law and domiciled in Helsinki, the address of its registered office being Korkeavuorenkatu 35, FI-00130 Helsinki. The Board of Directors has approved the financial statements on 10 February 2015. In accordance with the Finnish Limited Liability Companies Act, annual general meeting has the right to not approve the financial statements approved by the Board of Directors and return the financial statements back to the Board of Directors for a correction.

A copy of Citycon's Consolidated Financial Statements is available on the corporate website at www.citycon.com and from the Group's headquarters at the address Korkeavuorenkatu 35, FI-00130 Helsinki, Finland.

1.2 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 2014, 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.

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 hundred 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 chapter 2 "*Key estimates and assumptions, and accounting policies requiring judgment*" provides a more detailed description of the factors underlying judgements and assumptions.

1.3 Changes in IFRS and accounting policies

1.3.1 New standards as well as interpretations and changes applied in 2014

The following new standards as well as amendments and interpretations to the

existing standards have been adopted in the financial statements 2014.

- **IAS 32** Financial Assets and Financial liabilities (amendment),
- **IAS 36** Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets (amendment),
- **IAS 39** Novation of Derivatives and continuation of hedge accounting (amendment),
- **IFRS 10** Consolidated Financial Statements (amendment),
- **IFRS 12** Disclosures of Interest in Other Entities (amendment),
- **IAS 27** Separate Financial Statements (amendment),
- **Annual Improvement to IFRSs 2010–2012 Cycle: IFRS 13** Short term receivables and payables (amendment),
- **Annual Improvement to IFRSs 2011–2013 Cycle: IFRS 1** – Meaning of effective IFRSs.

IAS 32 Financial Assets and Financial Liabilities. Clarify the meaning of "currently has a legally enforceable right set-off" and criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. The amendment had no impact on Group Financial Statements.

IAS 36 Impairment of Assets. Require an entity to disclose the recoverable amount of an individual asset (including goodwill) or a cash-generating unit for which the entity has recognized or reversed an impairment loss during the reporting period and require to disclose additional information about the fair value less costs of disposal of an individual asset, including goodwill, or a cash-generating unit for which an impairment loss has been recognized or reversed during the reporting

period. The amendment did not change Citycon's Financial Statements.

IAS 39 Novation of derivatives and continuation of hedge accounting. Provide relief from continuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. The amendment did not change Citycon's Financial Statements.

IFRS 10, IFRS 12 and IAS 27 Investment entities. Exception to consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities account for subsidiaries at fair value through profit or loss. The amendment had no impact on Group Financial Statements.

Annual improvements 2010–2012 Cycle, IFRS 13 Fair Value Measurement. Clarifies in the basis for conclusions that short term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discontinuing is immaterial. The amendment had no impact on Group Financial Statements.

Annual improvements 2011–2013 cycle IFRS 1. Clarifies the basis for Conclusion that an entity may choose to apply either current standard or a new standard that is not yet mandatory, but permits early application. The amendment had no impact on Group Financial Statements.

Citycon amended its accounting policy regarding deferred tax assets according to IFRS Interpretations Committee decision 15–16 July 2014 in the third quarter 2014. Deferred tax assets and liabilities are calculated from

difference between properties fair value and tax residual value of the underlying assets.

1.3.2 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 1 January 2015 or later periods, but the Group has not early adopted them. These are those that Citycon reasonably expects to have an impact on disclosures, financial position or performance when applied at future date. Citycon will adopt these standards when they become effective and EU has approved them.

- **IFRS 9** Financial Instruments (2014),
- **IFRIC 21** will be adopted as 1 of January 2015,
- **IFRS 2** Share – based payment,
- **IFRS 3** Business combinations,
- **IFRS 8** Operating segments,
- **IFRS 15** Revenue from contracts with customers,
- **IFRS 11** Joint Arrangements: Accounting for Acquisitions of Interest (amendment),
- Annual Improvement to IFRSs 2011–2013 cycle **IFRS 3** Business combinations,
- **IFRS 13** Fair Value Measurement (amendment),
- **IAS 40** Investment Property.

The Group is currently assessing the impact of the above mentioned new standards, amendments and interpretations.

IFRIC 21 Levies clarifies that an entity recognizes a liability for a levy when activity that triggers payment, as identified by relevant legislation, occurs. For that levy is

triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specific minimum threshold is reached. Retrospective application is required for IFRIC 21. Citycon will apply the interpretation as 1 January 2015. The interpretation may impact the way company reports property taxes in the interim reports.

The following standards and amendments and interpretations to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2015 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 nor presentation of the accounts.

- **IFRS 14** Regulatory Deferral Account,
- **IAS 16** Property, Plant and Equipment and **IAS 38** Intangible Assets,
- **IAS 24** Related Party Disclosures.

1.4 Summary of significant accounting policies

1.4.1 Group accounting

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

1.4.1.1 Subsidiaries

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

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

- the ability to use its power over the investee to affect its returns.

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

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

When an acquisition is made, judgment is needed whether the acquisition is treated as an asset acquisition or either as a business acquisition (see Chapter 2.2.2 Business acquisitions and asset acquisitions for judgment principles). An asset acquisition does not generate goodwill, but the entire acquisition cost is allocated to land, buildings and other assets and liabilities.

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

1.4.1.2 Joint operations

Mutual real estate companies in Finland, in which the ownership of Citycon is less than 100%, are treated as joint operations in

accordance with IFRS 11 Joint Arrangements. The Group recognizes its assets and liabilities in relation to its joint operations, including its share of any assets held and liabilities incurred jointly. In addition, the Group recognizes its revenue and expenses in relation to its joint operations, including its share of revenue of the joint operation and expenses incurred jointly. The consolidation method described above applies to all joint operations of this kind.

Citycon has no associated companies as referred to in IFRS, since all mutual real estate companies, also those in which the ownership is less than 50%, are treated as joint operations, as described above.

1.4.1.3 Joint ventures

Citycon has interests in joint ventures, which are treated as joint ventures based on IFRS 11 Joint Arrangements. In joint ventures, venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. Citycon recognises its interest in joint ventures with the equity method. The Group presents the aggregate share of profit or loss from the joint ventures on the face of its statement of comprehensive income in line "Share of profit of joint ventures". In the Note 15 "Investments in joint ventures" the assets and liabilities of joint ventures are presented.

1.4.2 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 statement of comprehensive income.

Monetary assets and liabilities denominated in foreign currencies on the statement of financial position date are measured at the exchange rate quoted on the statement of financial position date. Non-monetary items denominated in foreign currencies and measured at fair value are translated into euros using the exchange rates quoted on the valuation date, while other non-monetary items are measured at the exchange rate quoted on the transaction date.

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

1.4.3 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 statement of comprehensive income.

The investment properties are measured initially at cost, including transaction costs such as consultant fees and transfer taxes. After their initial measurement investment properties are valued at fair value at the end of the quarter following the acquisition.

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

The fair value measurement is based on the presumption that the transaction takes place either in the principal market, or in the absence of a principal market, in the most advantageous market which is accessible to the company at the measurement date. The fair value is measured using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

A fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The highest and best use of Citycon's properties does not differ from their current use.

Citycon uses valuation techniques that are appropriate under the existing circumstances, and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All investment properties are categorised within the fair value hierarchy, described below. Categorization is based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets
- Level 2 – Valuation inputs which are other than quoted market prices (level 1 observations) and are directly or indirectly observable

- Level 3 – Valuation inputs which are unobservable

Transfers between levels in the hierarchy are presented at the end of each reporting period.

An investment property's fair value reflects current market circumstances at the statement of financial position date, taking into account prices paid for similar properties with comparable location, condition, and lease portfolio.

Using International Valuation Standards (IVS), an external independent professional appraiser conducts the valuation of the company's properties at least once a year. During 2014 and 2013, 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 for determining the fair value of investment properties. The basic cash flow is determined by the company's lease agreements valid at the valuation date. Upon a 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 discount rate comprising of yield requirement and inflation assumption. Yield requirements are determined for each property by taking into account property-specific risk and market risk. The total value of the property portfolio is calculated as the sum of the individual properties' fair values and not adjusted by amendment of total value.

(Re)development projects i.e. investment properties under construction (IPUC) are also determined at fair value. The valuation is based on a cash flow analysis, where the capital expenditure on the (re)development

project and the property's future cash flows are taken into account according to the (re) development project's schedule. Citycon takes into account the (re)development projects in its fair value valuation as soon as an investment decision has been made and the external appraiser considers that sufficient information is available for a reliable valuation. In the fair value valuation on 31 December 2014, Citycon valued two properties (2 properties on 31 December 2013) as (re)development projects.

All potential development projects have been left out of the valuation conducted by the external appraiser.

The fair value of Citycon's investment properties in the statement of financial position is calculated as: the property portfolio's total value determined by the external appraiser, less transfers into investment properties held for sale, added by capital expenditure on development projects under planning that are not 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 netted and stated as a separate item in the statement of comprehensive income.

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

However, investment properties held for sale are still recognised at fair value in accordance with IAS 40. Further details are presented in Note 14. Investment properties.

1.4.5 Inventory properties

Under IAS 40, a property must be reclassified under inventories in the event of a change in the use of the property. 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 2014 or 31 December 2013.

1.4.6 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 statement of comprehensive income.

1.4.7 Intangible assets

An intangible asset is recognised in the statement of financial position, provided its historical cost can be measured reliably and it is probable that 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 software. They are amortised over their useful life on a straight-line basis over three to seven years.

1.4.8 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 statement of comprehensive income.

1.4.9 Financial assets and liabilities

1.4.9.1 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 fair value these assets under current and non-current assets are carried at amortised cost. Their statement of financial position value is impaired by the amount of any credit loss. In the company's consolidated

statements of financial position as at 31 December 2014 and 31 December 2013, 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 statement of comprehensive income 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 undefined period and can be sold at a time deemed appropriate. On 31 December 2014 or 31 December 2013, 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**.

Financial liabilities are classified as

1. financial liabilities at fair value through profit or loss or
2. loans, borrowings and payables.

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 2014 and 31 December 2013, financial liabilities at amortised cost include the items "Loans", "Other liabilities" and "Trade payables and other payables". On 31 December 2014 Citycon

had foreign exchange derivative contracts classified as a financial assets and liabilities at fair value through profit or loss.

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

1.4.9.2 Derivative contracts and hedge accounting

Derivatives are initially measured at fair value (if available) and re-measured at fair value on each statement of financial position date.

Citycon uses interest rate swaps to hedge the interest rate cash flow risk. These interest rate swaps hedge against volatility in future interest payment cash flows (cash flow hedging) resulting from interest rate fluctuations, and the resulting profit fluctuations. 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, if hedge accounting is not applied.

The fair value of interest rate swaps is shown in current or non-current receivables or current and non-current liabilities in the statement of financial position. The fair value of interest rate swaps is based on the present value of estimated future cash flows. As of 31 December 2014 all Citycon's interest rate swaps were under hedge accounting.

The company uses foreign exchange derivatives like for example forwards and cross currency swaps to hedge against exchange rate risk relating to financial assets and liabilities denominated in foreign currency. Fair value changes related to foreign exchange derivatives are recognised in the statement of comprehensive income, since fair value changes related to financial assets and liabilities denominated in foreign currencies are also recognised therein. The interest payments of cross currency swaps and forward points of currency forwards are included in interest expenses.

1.4.9.3 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.

1.4.9.4 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.

1.4.10 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.

1.4.11 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.

1.4.12 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.

1.4.13 Income recognition**1.4.13.1 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 statement of comprehensive income 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.

1.4.13.2 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. In addition, the tenant doesn't have a possibility to select the property maintenance service provider, nor can the tenant impact the service providers' pricing.

Service income, such as marketing income, is recognised for the period during which the services are provided.

1.4.13.3 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.

1.4.13.4 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.

1.4.13.5 Interest income

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

1.4.13.6 Dividend income

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

1.4.14 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 financial expenses, using the effective interest method.

1.4.15 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.

Due to an agenda decision by the IFRS Interpretations Committee, Citycon amends its accounting policy regarding deferred tax assets and liabilities. A major temporary difference arises between the fair value and taxable value of investment properties. In such a case, taxes are calculated on the difference between the property's fair value and residual tax value of the underlying asset. This rule applies even if the property is disposed by selling the shares of the property company and includes no assessment of likelihood of such tax consequences. Citycon has amended its accounting policy to be in line with this agenda decision. The amendment has been effective as of Q3/2014 reporting.

The company's policy maintains to realise its shareholding in property companies by selling the shares rather than the underlying asset. For properties owned abroad 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 statement of financial position date is used to determine deferred tax.

1.4.16 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 statement of comprehensive income 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.

1.4.17 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 statement of comprehensive income 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 statement of financial position. 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.

1.4.18 Share-based payments

Citycon has applied IFRS 2 Share-based Payment to its stock options and to the long-term share-based incentive plan. 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.

1.4.19 Dividend distribution

Dividends to the company's shareholders are 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.

2. 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 due to uncertainty related to these assumptions and estimates.

2.1 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.

2.1.1 Fair value of investment properties

Measuring the fair value of investment properties is a key accounting policy that is based on assessments and assumptions about future uncertainties. Market rents, yield requirement, vacancy rate and operating expenses form the key variables used in an investment property's fair value measurement. The evaluation of these variables involves the management's judgement and assumptions. Further details and an analysis of investment properties' sensitivity to key variables is presented under Note 14. 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 added by an inflation assumption 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 an 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 unit within a property.
- The yield requirement includes risk-free interest as well as property-specific risk and market risk. The property-specific risk is defined by Citycon and this definition involves the management's judgement and assumptions. Market risk is defined by an external appraiser. The yield requirement added by an inflation assumption is used as the discount rate in the cash flow analysis. When the yield requirement decreases, the fair value of the investment property increases.
- The vacancy rate denotes the lost rental income due to vacancy. Upon a lease's expiry vacancy is measured as an idle time between the expired contract and assumed new contract. For the remaining cash flow period and for the residual value, the vacancy rate denotes the percentage of rental income which is being lost due to vacancy. Measuring the vacancy rate involves the management's assessment.

- Operating expenses comprise costs resulting from a property's management, maintenance, heating, electricity, water supply etc. Operating expenses are determined according to actual or budgeted operating expenses.

Other variables involving the management's assessment and estimates include: the current leases' extension probability, the vacancy duration of unleased areas, investments, the inflation rate, and rental growth assumptions.

When evaluating the fair value of (re)-development projects, estimates or assumptions must be made regarding future investments, rental agreements and the project's timetable.

2.1.2 Taxes

Citycon is subject to income taxation in several countries. The complexity of tax legislation, as well as constant changes in it and in the operating environment, require Citycon to use estimates and assumptions when preparing its tax calculations. Tax legislation specifically related to tax deductibility of interest expenses is changing in the countries Citycon operates in. Citycon monitors and analyses the impact of these changes as part of its normal operations. Future taxable income is uncertain, and the final amount of taxes may deviate from the originally recorded amount. If final tax deviates from originally recorded amounts, such differences may affect the period's taxable profit, tax receivables or liabilities as well as deferred tax assets or liabilities.

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 arises between the fair value and taxable value of investment properties. In such a case, taxes are calculated on the difference between the property's fair value and residual tax value of the underlying asset.

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.

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. Deferred taxes are calculated on the statement of financial position day using valid tax rates.

Further details are presented in Note 12. Income Taxes and Note 19. Deferred Tax Assets and Liabilities.

2.2 Accounting policies requiring judgment
Citycon must use judgement when applying the following accounting policies.

2.2.1 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. 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.

- Properties which are held to earn rentals and/or for capital appreciation, but whose sale is deemed highly probable, are classified as investment properties held for sale.

2.2.2 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. Acquisitions are treated as business acquisitions when significant set of activities is acquired in addition to the property. The significance of activities is assessed in accordance with the definition of ancillary services (e.g. maintenance, cleaning, security, book-keeping, etc.) of IAS 40. Citycon did not have any business acquisitions in 2014 and 2013.

2.2.3 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 1.4.4 "Investment properties held for sale" and 1.4.5 "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. Businesses i.e. disposal groups such as segments or property portfolios are classified as non-current 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 1.4.4 "Investment properties held for sale". Profit for the period from the business held for sale must be stated as a separate item in the consolidated statement of comprehensive income, while the business held for sale must be presented in the statement of financial position, separately from other assets. In addition, liabilities under the business held for sale must be presented in the statement of financial position, separately from other liabilities. Citycon had no businesses held for sale on 31 December 2014 or 31 December 2013.

3. GROSS RENTAL INCOME

A) Breakdown of gross rental income

EUR million	2014	2013
Straight-lining of lease incentives	0.6	0.0
Temporary rental discounts	-1.9	-2.4
Additional rent from turnover based rental agreements	4.6	3.1
Gross rental income (excl. items above)	228.7	234.6
Total	232.0	235.4

B) General description of Citycon's lease agreements

In accordance with the table presented below, Citycon had 3,158 lease agreements on 31 December 2014 (3,287 agreements on 31 December 2013). The decrease in the number of lease agreements was due to divestment of 12 non-core properties of which 11 were in Finland and one in Lithuania. In the majority, i.e. in 89% (89% on 31 Dec. 2013) of Citycon's leases the rent is divided into base rent and maintenance charge. Base rent is typically tied to a yearly rent revision which is based on index, such as cost-of-living index, or percentual minimum increase. Maintenance charge, charged separately from the lessee, are used for covering operating expenses incurred by the property owner due to property maintenance.

Part of Citycon's lease agreements also contain a turnover-linked component in addition to rent revision. At the end of 2014, turnover based lease agreements accounted for roughly 53% (52% on 31 Dec. 2013) of Citycon's lease portfolio. The additional rent received from turnover based lease agreements is presented in Note 3. A) Breakdown of gross rental income.

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

Number of lease agreements at the end of the financial year	2014	2013
Finland	1,631	1,695
Sweden	1,082	1,078
Baltic Countries and New Business	445	514
Total	3,158	3,287

In accordance with the table presented below, the average remaining length of Citycon's lease portfolio was 3.2 years on 31 December 2014 (3.5 years on 31 December 2013). 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 10–15 or even 20 years. Leases for smaller retail premises, however, are chiefly negotiated for a term of 3 to 5 years.

Citycon mainly seeks to prepare fixed-term leases. Apartments, storage facilities and individual parking spaces form the main exception to this. Fixed-term leases represented around 81% of Citycon's lease portfolio on 31 December 2014 (80% on 31 December 2013) and initially fixed-term leases 11% on 31 December 2014 (11% on 31 December 2013). The rest of the lease agreements are leases in effect until further notice (8% out of all leases on 31 December 2014 and 9% on 31 December 2013).

Average remaining length of the lease portfolio at the end of the financial year, years	2014	2013
Finland	3.4	3.9
Sweden	3.0	2.8
Baltic Countries and New Business	3.0	3.3
Average	3.2	3.5

C) Future minimum lease payments receivable under non-cancellable leases at the end of the financial year

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	2014	2013
Not later than 1 year	60.9	54.0
1–5 years	113.2	118.8
Over 5 years	47.7	53.9
Total	221.8	226.7

4. SEGMENT INFORMATION

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

Citycon acquired ownership of 50% in Kista Galleria shopping centre on 17 January 2013. In Citycon's reporting, Kista Galleria is treated as a joint venture and the shopping centre's result or fair value will not impact on the turnover, net rental income or fair value of investment properties of the group. Kista Galleria is consolidated in Citycon's financial statements based on the equity method, meaning that Citycon's share of Kista Galleria's profit for the period is recognised in the line 'Share of result in joint ventures' in

the statement of comprehensive income and Citycon's share of Kista Galleria's total assets is recognised in the line 'Investments in joint ventures' in the statement of financial position. In addition, the management fee received by Citycon is reported in the line 'other operating income and expenses' and the interest income on the shareholder loan is reported in 'net financial income and expenses'. Citycon's management and Board of Directors also follow the performance of Kista Galleria as if it were fully consolidated with Citycon's net rental income and operating profit. Therefore, in the segment information numbers of Sweden are presented with (Segments) and without (IFRS) Kista Galleria.

Citycon's management and Board of Directors assess the business units' performance on the basis of net rental income and EPRA 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 cluster and 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, joint ventures, 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%. 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. 2014 and at 31 Dec. 2013

A) Segment information

The geographical segments are Finland, Sweden and the Baltic Countries and New Business. The segment Other mainly includes administrative expenses arising from the Group's functions.

Finland

Citycon is a market leader in the Finnish shopping centre business. It owns 21 shopping centres and 23 other properties in Finland. Of the Finnish properties 20 are located in the Helsinki Metropolitan Area and 24 elsewhere in Finland.

Sweden

Citycon has nine shopping centres and two other retail properties in Sweden. Eight of the properties in Sweden are located in the Greater Stockholm Area, one in the Greater Gothenburg Area and two in Umeå.

Baltic Countries and New Business

Citycon owns three shopping centres in Estonia. In addition Citycon owns one shopping centre in Denmark.

1 JAN.-31 DEC. 2014 EUR million	Finland	Sweden	Baltic Countries and New Business	Other	Total segments	Re- conciliation to IFRS	Total IFRS	Sweden IFRS
Gross rental income	141.3	96.4	32.8	-	270.5	-38.5	232.0	57.9
Service charge income	6.4	6.5	4.3	-	17.2	-3.9	13.3	2.5
Turnover	147.7	102.9	37.2	-	287.8	-42.4	245.3	60.5
Property operating expenses	44.0	33.2	9.3	-	86.5	-12.1	74.4	21.1
Other expenses from leasing operations	0.7	0.6	0.4	-	1.6	-0.1	1.6	0.5
Net rental income	103.0	69.2	27.5	-	199.6	-30.3	169.4	38.9
Direct administrative expenses	3.2	4.7	0.9	12.8	21.6	-0.9	20.7	3.8
Other operating income and expenses	0.4	-0.1	-0.6	-	-0.3	-	1.0	1.2
EPRA operating profit	100.1	64.3	26.1	-12.8	177.7	-29.4	149.7	36.3
Indirect administrative expenses								
Net fair value losses/gains on investment property	-15.8	50.5	18.1	-	52.8	-37.1	15.7	13.3
Losses/gains on disposal of investment property	-0.9	0.0	0.4	0.2	-0.3	-	-0.3	0.0
Operating profit/loss	83.5	114.7	44.2	-12.8	230.0	-66.5	165.0	49.6
Net financial income and expenses							-77.5	
Share of profit/loss of jointly controlled entities							14.9	
Income tax expense							-12.7	
Profit for the period							89.7	
Allocated assets								
Investment properties	1,710.0	1,277.6	349.4	-	3,337.0	-567.9	2,769.1	709.7
Investment properties held for sale	1.8	5.4	-	-	7.2	-	7.2	5.4
Other allocated assets	9.0	16.6	1.6	81.8	109.0	146.0	255.0	15.8
Unallocated assets								
Deferred tax assets					5.7	-	5.7	
Derivative financial instruments					0.2	-	0.2	
Assets	1,720.7	1,299.7	351.0	81.8	3,459.2	-422.0	3,037.2	731.0
Allocated liabilities								
Trade and other payables	20.5	46.6	4.6	-3.7	67.9	-17.9	50.0	28.7
Unallocated liabilities								
Interest-bearing liabilities					1,177.7	-	1,177.7	
Deferred tax liabilities					129.6	-	129.6	
Derivative financial instruments					8.2	-	8.2	
Other unallocated liabilities					19.4		19.4	
Liabilities	20.5	46.6	4.6	-3.7	1,402.7	-17.9	1,384.8	28.7
Capital expenditure	95.9	50.1	0.7	2.9	149.6	-24.1	125.5	26.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 JAN.–31 DEC. 2013 EUR million	Finland	Sweden	Baltic Countries and New Business	Other	Total segments	Re- conciliation to IFRS	Total IFRS	Sweden IFRS
Gross rental income	144.4	102.6	30.4	-	277.5	-42.1	235.4	60.5
Service charge income	6.0	5.2	4.5	-	15.6	-2.4	13.2	2.7
Turnover	150.4	107.8	34.9	-	293.1	-44.5	248.6	63.3
Property operating expenses	46.5	35.2	9.1	-	90.8	-12.4	78.4	22.8
Other expenses from leasing operations	0.4	0.9	0.1	-	1.5	-0.2	1.3	0.8
Net rental income	103.5	71.7	25.6	-	200.9	-32.0	168.9	39.7
Direct administrative expenses	4.0	6.3	0.8	12.0	23.0	-2.4	20.6	3.9
Other operating income and expenses	0.7	0.1	0.0	-	0.9	-	0.9	0.1
EPRA operating profit	100.3	65.6	24.8	-12.0	178.7	-29.6	149.1	36.0
Net fair value gains/losses on investment property	2.3	10.9	15.8	-	28.9	-2.8	26.1	8.1
Losses on disposal of investment property	-0.2	1.1	-	-	1.0	-0.1	0.8	1.1
Operating profit/loss	102.4	77.5	40.6	-12.0	208.4	-32.4	176.0	45.1
Net financial income and expenses							-90.1	
Share of profit/loss of jointly controlled entities							1.7	
Income tax expense							14.4	
Profit for the period							102.0	
Allocated assets								
Investment properties	1,671.2	1,255.3	342.2	-	3,268.7	-535.2	2,733.5	720.1
Investment properties held for sale	2.3	-	-	-	2.3	-	2.3	-
Other allocated assets	12.8	15.9	1.1	59.0	88.8	143.0	225.7	15.9
Unallocated assets								
Deferred tax assets					9.1	-	9.1	
Derivative financial instruments					2.4	-	2.4	
Assets	1,686.3	1,271.2	343.2	59.0	3,371.3	-392.2	2,973.0	736.0
Allocated liabilities								
Trade and other payables	15.5	49.3	21.0	-5.3	80.5	-17.5	63.0	31.8
Unallocated liabilities								
Interest-bearing liabilities					1,462.4	-	1,462.4	
Deferred tax liabilities					117.1	-	117.1	
Derivative financial instruments					32.3	-	32.3	
Other unallocated liabilities					19.4		19.4	
Liabilities	15.5	49.3	21.0	-5.3	1,711.7	-17.5	1,694.2	31.8
Capital expenditure	65.1	547.9	10.4	0.4	623.8	-397.7	226.1	150.2

B) Turnover by property type

EUR million	2014	2013
Shopping centres	219.5	221.3
Supermarkets and shops	25.8	27.3
Total	245.3	248.6

C) Major tenants

31 Dec. 2014	Proportion of gross rental income, % ¹⁾	Segment
Kesko	15.4	Finland
S Group	6.0	Finland and Baltic Countries and New Business
ICA Gruppen AB	4.1	Finland, Sweden and Baltic Countries and New Business
Stockmann	2.8	Finland, Sweden and Baltic Countries and New Business
H&M	2.1	Finland, Sweden and Baltic Countries and New Business
Total	30.3	

1) Proportion of gross rental income is based on the rent roll on 31 Dec. 2014.

31 Dec. 2013	Proportion of gross rental income, % ¹⁾	Segment
Kesko	16.1	Finland
S Group	5.7	Finland and Baltic Countries and New Business
ICA Gruppen AB	4.2	Finland, Sweden and Baltic Countries and New Business
Stockmann	2.7	Finland, Sweden and Baltic Countries and New Business
Tokmanni	2.0	Finland
Total	30.6	

1) Proportion of gross rental income is based on the rent roll on 31 Dec. 2013.

5. PROPERTY OPERATING EXPENSES

EUR million	2014	2013
Heating and electricity	23.2	25.1
Maintenance expenses	23.9	25.4
Land lease fees and other rents	1.8	1.8
Property personnel expenses	2.5	2.7
Administrative and management fees	2.5	3.1
Marketing expenses	5.6	5.6
Property insurances	0.5	0.5
Property taxes	7.4	7.1
Repair expenses	6.1	6.7
Other property operating expenses	0.9	0.5
Total	74.4	78.4

Two properties generated no income during the year 2014 (in 2013 two properties), while these generated expenses of EUR 0.1 million (EUR 0.2 million)

6. OTHER EXPENSES FROM LEASING OPERATIONS

EUR million	2014	2013
Tenant improvement expenses and commissions	0.3	0.4
Credit losses	1.2	0.9
Total	1.6	1.3

Significant tenant improvements are recognised as investments. Credit losses include increase of EUR 0.3 million in credit loss provisions (decrease of EUR 0.3 million) in the consolidated statement of comprehensive income. Credit loss provisions in the statement of financial position are presented in Note 23. Trade and other receivables.

7. ADMINISTRATIVE EXPENSES

EUR million	2014	2013
Personnel expenses	14.9	14.5
Non-recurring personnel expenses arising from employment terminations	0.3	0.1
Consultancy and advisory fees as well as external services	2.9	3.1
Office and other administrative expenses	1.7	2.1
Depreciation and amortisation	0.8	0.9
Total	20.7	20.6

Non-recurring personnel expenses arising from employment terminations include one-off compensations (incl. pension and social charges) payable to 4 persons in 2014 (to 3 persons in 2013).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

EUR million	2014	2013
Audit fees	0.3	0.4
Other advisory services	0.2	0.2
Total	0.5	0.5

8. PERSONNEL EXPENSES

EUR million	2014	2013
Wages and salaries of management		
CEO	0.8	0.9
Management committee	1.4	1.4
Board	0.8	0.8
Other wages and salaries	9.2	8.4
Pension charges: defined contribution plans	1.8	1.7
Social charges	1.5	1.3
Expense of share based payments	0.3	0.6
Total	15.8	15.0

Personnel expenses of EUR 2.5 million (EUR 2.7 million) are included in property operating expenses and EUR 13.3 million (EUR 12.3 million) in administrative expenses.

The share-based payment plans are described in Note 28. "Employee benefits".

Information on management benefits is presented in Note 31. "Related party transactions".

Average Group headcount by Business Units during the period	2014	2013
Finland	44	48
Sweden	37	30
Baltic Countries and New Business	10	10
Group functions	54	35
Total	145	123

9. DEPRECIATION AND AMORTISATION

Depreciation and amortisation of EUR 0.8 million (EUR 0.9 million) on machinery and equipment, as well as on intangible assets, is included in administrative expenses.

10. OTHER OPERATING INCOME AND EXPENSES

EUR million	2014	2013
Other operating income	2.0	0.9
Other operating expenses	-1.0	0.0
Total	1.0	0.9

11. NET FINANCIAL INCOME AND EXPENSES

A) Recognised in the income statement

EUR million	2014	2013
Interest income	7.2	6.5
Foreign exchange gains	48.2	26.5
Other financial income	0.0	0.0
Financial income, total	55.3	33.0
Interest expenses	55.5	66.8
Foreign exchange losses	48.1	26.5
Fair value loss from derivatives	26.5	23.0
Development interest capitalised	-4.5	-2.5
Other financial expenses	7.3	9.2
Financial expenses, total	132.8	123.1
Net financial income and expenses	77.5	90.1
Of which attributable to financial instrument categories:		
Interest-bearing loans and receivables	38.1	54.6
Finance lease liabilities	0.0	0.0
Derivative financial instruments	39.4	35.4
Other liabilities and receivables	0.0	0.0
Net financial income and expenses	77.5	90.1

In 2014, foreign exchange loss of EUR 1.6 million (2013: gains of EUR 7.2 million) were recognised in the statement of comprehensive income from foreign exchange derivative agreements.

Interest on development expenditure is capitalised at a rate of 4.33% as at 31 December 2014 (4.39% as at 31 December 2013).

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 "21. Derivative Financial Instruments".

B) Recognised in the other comprehensive income

EUR million	2014	2013
Gains/losses arising during the period from cash flow hedges	14.7	31.2
Less: interest expenses recognised in the income statement on cash flow hedges	9.0	18.2
Net gains/losses on cash flow hedges	23.7	49.4

12. INCOME TAXES

EUR million	2014	2013
Current tax	0.4	0.7
Tax for prior periods	-0.1	0.0
Deferred tax expense/benefit ¹⁾	12.4	-15.1
Income tax expense	12.7	-14.4

1) Citycon amended its accounting policy regarding deferred taxes in the third quarter of 2014. The change has been applied also to comparison figures.

Citycon did not recognise any current taxes directly in the equity during 2014 and 2013.

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

EUR million	2014	2013
Profit/loss before taxes	102.4	87.6
Taxes at Finnish tax rate	20.5	21.5
Change in tax rate	-	-12.6
Fair value gains and losses from investment properties ¹⁾	14.5	-12.4
Difference in foreign subsidiaries' tax rate	-3.6	-3.9
Unrecognised tax receivables from losses	-1.4	6.2
Utilisation of previously unrecognised tax losses	-3.4	-2.6
Depreciation and amortisation deducted in taxation	-10.1	-3.4
Tax free income deducted by non-deductible expenses	-3.9	-6.9
Other	0.1	-0.3
Income taxes	12.7	-14.4
Effective tax rate, %	12.4	-16.4

1) Citycon amended its accounting policy regarding deferred taxes in the third quarter of 2014. The change has been applied also to comparison figures.

13. 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.

	2014	2013
Earnings per share, basic		
Profit/loss attributable to parent company shareholders (EUR million)	84.5	94.9
Issue-adjusted average number of shares (1,000) ¹⁾	521,526.0	426,788.4
Earnings per share (basic) (EUR)	0.16	0.22
Earnings per share, diluted		
Profit/loss attributable to parent company shareholders (EUR million)	84.5	94.9
Expenses from convertible capital loan, the tax effect deducted (EUR million)	-	1.3
Profit/loss used in the calculation of diluted earnings per share (EUR million)	84.5	96.2
Issue-adjusted average number of shares (1,000) ¹⁾	521,526.0	426,788.4
Convertible capital loan impact, (1,000)	-	6,029.6
Adjustment for stock options (1,000)	1,069.9	-
Average number of shares used in the calculation of diluted Earnings per share (1,000)	522,595.9	432,818.0
Earnings per share (diluted) (EUR)	0.16	0.22

1) Result per share key figures have been calculated with the issue-adjusted number of shares resulting from the directed share issue executed in June 2014 and rights issue executed in July 2014.

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 had two categories of dilutive shares in place: convertible capital loan and stock options.

- The convertible capital loan 1/2006 was matured and repaid in full in August 2013. During the comparison period the holder of the convertible loan had the right, during 12 September 2006–27 July 2013, to convert the loan nominal amount into company shares.
- 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.

Average number of shares used in the calculation of Earnings per share	days	number of shares
1 Jan. 2014	160	442,713,372
10 June 2014	29	520,587,727
9 July 2014	176	593,328,419
Weighted average (daily) number of shares	365	521,525,987

14. INVESTMENT PROPERTIES

Citycon divides its investment properties into two categories: Investment Properties Under Construction (IPUC) and Operative Investment Properties. On 31 December 2014, the first mentioned category included IsoKristiina in Finland, as well as Stenungs Torg in Sweden. On 31 December 2013, the first mentioned category included IsoKristiina in Finland, as well as Stenungs Torg in Sweden.

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

Contractual obligations to purchase, construct or develop investment properties are presented in Note 30. B) Pledges and other contingent liabilities.

31 Dec. 2014 EUR million	Investment properties under construction	Operative investment properties	Investment properties total
At period-start	96.6	2,636.9	2,733.5
Acquisitions during the period	-	-	-
Investments during the period	32.8	59.8	92.7
Disposals during the period	-	-27.7	-27.7
Capitalised interest	1.3	1.9	3.2
Fair value gains on investment property	2.8	62.1	64.9
Fair value losses on investment property	-0.1	-49.2	-49.3
Exchange differences	-3.8	-37.1	-40.9
Transfer between IPUC and operative investment properties and transfer into investment properties held for sale	-5.4	-1.8	-7.2
At period-end	124.2	2,644.9	2,769.1

31 Dec. 2013 EUR million	Investment properties under construction	Operative investment properties	Investment properties total
At period-start	195.7	2,518.5	2,714.2
Acquisitions during the period	1.5	0.5	2.0
Investments during the period	8.3	64.6	72.9
Disposals during the period	-18.3	-18.7	-37.0
Capitalised interest	0.2	2.5	2.6
Fair value gains on investment property	0.3	61.0	61.2
Fair value losses on investment property	-0.4	-34.8	-35.2
Exchange differences	-0.6	-22.5	-23.1
Transfer between IPUC and operative investment properties and transfer into investment properties held for sale	-92.2	68.0	-24.2
At period-end	94.4	2,639.0	2,733.5

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, vacancy rate, operating expenses and yield requirement form the key variables used in the cash flow analysis.

A global property valuation expert, Jones Lang LaSalle, conducted the valuation of Citycon's properties for the financial statements for 2014 and 2013. The resulting fixed fees based on the 2014 valuations totalled EUR 0.2 million (EUR 0.2 million in 2013).

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 under planning, which the external appraiser does not take into account, 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. 2014	31 Dec. 2013
Fair value of investment properties determined by the external appraiser per 31 Dec.	2,763.0	2,729.6
Capital expenditure on development projects	7.9	6.1
Transfer into investment properties held for sale	-1.8	-2.3
Fair value of investment properties per 31 Dec.	2,769.1	2,733.5

The IFRS 13 standard categorises the valuation of a property's fair value according to a 3-level hierarchy, where categorisation is based on the inputs in the valuation measurement. Properties are usually heterogeneous and valuation inputs are often unobservable for comparable properties. Moreover, transactions are infrequent. The valuation of a property's fair value is therefore generally categorised as hierarchy level 2 or 3. In some cases, the valuation inputs in the fair value calculation can be on different levels in the hierarchy. In these cases, categorisation is based on the lowest hierarchy level input that is significant to the fair value measurement as a whole. Yield requirement is an important input parameter in the valuation measurement. A property's yield requirement is defined according to property-specific risk and market risk, and is derived from comparable market transactions. Citycon has decided to categorise all property fair valuations as level 3, because transactions of directly comparable properties have not been observed. Transfers between levels in the hierarchy did not occur during the year.

Fair value measurement of Investment properties, fair value measurement hierarchy, EUR million	31 Dec. 2014	31 Dec. 2013
Quoted prices (Level 1)	-	-
Observable inputs (Level 2)	-	-
Unobservable inputs (Level 3)	2,763.0	2,729.6
Total	2,763.0	2,729.6

The segments' inputs used by the external appraisers in the cash flow analysis per 31 December 2014 and 31 December 2013 are presented in the tables below. In Finland the weighted average yield requirement decreased mainly due to divested properties and due to stronger investor demand for prime properties. In Sweden, the weighted average yield requirement decreased due to improved market conditions and strong investor demand for prime shopping centres. Due to the limited supply of prime properties the investor demand for secondary shopping centres has also increased. In Baltic Countries and New Business the weighted average yield requirement decreased mainly due to more favorable market conditions in Estonia. The weighted average market rent for the whole property portfolio decreased from 25.3EUR/sq.m. per 31 December 2013 to 25.2 EUR/sq.m. per 31 December 2014 e.g. due to the weakened Swedish crown. The weighted average vacancy assumption for the cash flow period decreased by 40bps to 4.3% (4.7% 31 Dec. 2013), mostly due to decreased vacancy in Finland.

Inputs

31 Dec. 2014 EUR million	Finland	Sweden	Baltic Countries and New Business	Average
Yield requirement (%)	6.1	5.7	7.2	6.1
Market rents (EUR/sq.m.)	26.5	24.3	20.6	25.2
Operating expenses (EUR/sq.m.)	6.5	6.7	3.3	6.2
Vacancy during the cash flow period (%)	4.5	5.4	1.6	4.3
Market rent growth assumption (%)	2.0	2.0	1.4	-
Operating expense growth assumption (%)	2.0	1.9	2.3	-

31 Dec. 2013 EUR million	Finland	Sweden	Baltic Countries and New Business	Average
Yield requirement (%)	6.2	5.9	7.3	6.3
Market rents (EUR/sq.m.)	26.4	25.3	20.4	25.3
Operating expenses (EUR/sq.m.)	6.1	7.0	3.5	6.0
Vacancy during the cash flow period (%)	4.9	5.5	2.1	4.7
Market rent growth assumption (%)	2.0	1.8	1.0	-
Operating expense growth assumption (%)	2.0	1.8	2.7	-

Sensitivity analysis

A number of factors contribute to the value of retail properties, such as general 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, market rents, the vacancy 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 2,763.0 million defined by the external appraiser at 31 December 2014 as the starting value. Sensitivity analysis indicates that the market value is most sensitive to the market rents and yield requirement. A 10% decrease in the yield requirement results in an approximately 11% increase in market value. Correspondingly, a 10% increase in market rents increases the value by approximately 13%. The market value reacts to change in vacancy and operating expenses, but their relative effect is not as great as changes to market rent and yield requirement. In sensitivity analyses one parameter is changed at a time. In reality, changes in different parameters often occur simultaneously. For example a change in vacancy may connect to a change in market rents and yield requirement when they impact fair value simultaneously.

Change %	Value of properties (EUR million)				
	-10%	-5%	±0%	+5%	+10%
Yield requirement	3,070.0	2,908.5	2,763.0	2,631.5	2,511.8
Market rents	2,390.4	2,576.7	2,763.0	2,949.3	3,135.6
Operating expenses	2,864.6	2,813.8	2,763.0	2,712.3	2,661.5
Change, percentage points	-2	-1	±0	1	2
Vacancy	2,845.8	2,804.4	2,763.0	2,721.7	2,680.3

15. INVESTMENTS IN JOINT VENTURES

Kista Galleria shopping centre

In 2013, the Group acquired a 50% interest in Kista Galleria KB, the company owning and operating the Kista Galleria shopping centre in Sweden. The remaining 50% is held by a Canadian partner. Each partner has equal number of members in the board of directors taking decisions related to the Kista Galleria shopping centre and material operating and capital decisions in the board are made unanimously. Consequently the entity is considered to be jointly controlled and consolidated under the equity method.

The Group has granted a shareholder loan to the Kista Galleria joint venture. Pursuant to the agreement between the Kista Galleria joint venture partners, the Kista Galleria joint venture shall not distribute any dividends until shareholder loans have been repaid and the Group shall take no action or make no decision with respect to the shareholder loan without the prior consent of the other partner. All payments made by the Kista Galleria joint venture in respect of the shareholder loan shall be made pro rata to each of the joint venture partners.

Iso Omena shopping centre extension

In 2013, the Group acquired a 50% interest in Holding Metrokeskus Oy, which is the management company of the extension project of the Iso Omena shopping centre in Finland. In addition, the Group acquired a 50% interest in Holding Big Apple Housing Oy, which is the management company of apartment buildings to be built to the extension of Iso Omena shopping centre. The remaining 50% of both companies is held by the same partner. Each partner has the same number of members in the board of directors and the steering group of the development project, both of which make unanimous decisions. Consequently the entities are considered to be jointly controlled and consolidated under the equity method. The Group is committed to investing EUR 93.9 million in the development project as of 31 December, 2014. In addition, the Group has given commitments to purchase the other partner's share in Holding Metrokeskus Oy after the completion of the shopping center extension.

Pursuant to the project co-operation agreement between the Holding Metrokeskus Oy joint venture partners, partners are equally, in a 50/50 ratio, responsible for the financing of the companies during the shopping centre extension project. Both shareholders of Holding Metrokeskus Oy and Holding Big Apple Housing Oy have granted loans to the companies. According to the terms and conditions of such shareholder loans, the company cannot prepay its loans in whole or in part without the prior written consent of both shareholders.

Espagalleria Oy

On 30 June 2014 Citycon sold its 50% interest in Espagalleria Oy to Mutual Pension Insurance Company Ilmarinen and terminated the asset management agreement regarding shopping centre Galleria Esplanad.

Included in the consolidated financial statements are the following items that represent the Group's interest in the assets and liabilities, revenues and expenses of the joint ventures. The financial information presented in the table is based on the financial statements of the joint venture entities prepared in accordance with IFRS.

EUR million	2014			2013		
	Kista Galleria Group	Other joint ventures total	Joint ventures total	Kista Galleria Group	Other joint ventures total	Joint ventures total
Investment property	567.9	-	567.9	535.2	0.0	535.2
Other non-current assets	1.9	70.0	71.9	1.1	27.3	28.5
Cash and cash equivalents	9.3	-	9.3	18.6	0.6	19.2
Other current assets	6.9	0.0	6.9	6.1	0.2	6.4
Long-term loans	450.5	70.0	520.6	463.4	26.9	490.3
Deferred tax liabilities	15.6	-	15.6	4.8	-	4.8
Other long-term liabilities	7.7	-	7.7	0.2	-	0.2
Other short-term liabilities	30.2	0.1	30.3	29.7	0.4	30.1
Equity	82.5	0.0	82.6	63.0	0.9	63.9
Portion of the Group's ownership, %	50	50		50	50	
Share of joint venture's equity	41.3	0.0	41.3	31.5	0.4	31.9
Share of loans of joint ventures	105.5	36.1	141.6	105.4	13.4	118.8
Investments in joint ventures	146.7	36.1	182.9	136.9	13.8	150.7
Turnover	42.5	3.6	46.1	44.5	8.2	52.8
Net rental income	30.3	-0.2	30.0	32.0	-0.1	31.9
Asset management fee of the property	-1.3	0.1	-1.2	-	0.3	0.3
Profit on valuation of investment property	37.1	-0.2	37.0	2.8	-0.9	1.9
Operating profit	65.1	-0.5	64.6	32.4	-0.8	31.6
Financial income	0.1	0.0	0.1	0.1	0.0	0.1
Financial expenses	-23.7	0.0	-23.7	23.4	0.0	23.4
Change in deferred taxes ¹⁾	-11.5	0.0	-11.5	4.9	0.0	0.0
Profit/loss for the period	30.0	-0.2	29.8	4.2	-0.8	3.4
Other comprehensive income for the period, net of tax ¹⁾	-6.6	-	-6.6	0.6	-	0.6
Total comprehensive profit/loss for the period	23.4	-0.2	23.2	4.8	-0.8	4.0
Share of profit/loss of joint ventures	15.0	-0.1	14.9	2.1	-0.4	1.7

¹⁾ Citycon amended its accounting policy regarding deferred taxes in the third quarter of 2014. The change has been applied also to comparison figures.

16. BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS

Iso Omena shopping centre

Until 16 October 2014 the Group had a 60% interest in Iso Omena shopping centre in the Helsinki region. The remaining 40% was held by investor GIC. On 16 October 2014 Citycon acquired GIC's 40% stake in the Iso Omena shopping centre. After this transaction, Citycon owns 100% of the existing shopping centre.

Acquisition of non-controlling interests impact to equity attributable to parent company shareholders was EUR -11,3 million.

EUR million	2014	2013
Investment property	-	388.1
Other non-current assets	-	0.1
Cash and cash equivalents	-	3.3
Other current assets	-	3.8
Long-term loans	-	266.1
Other short-term liabilities	-	9.9
Equity	-	98.7
Equity attributable to parent company shareholders	-	59.1
Equity attributable to non-controlling interest	-	39.6
Turnover	-	26.3
Net rental income	-	20.2
Asset management fee of the property	-	-1.5
Profit on valuation of investment property	-	14.5
Operating profit	-	33.1
Financial expenses	-	-14.6
Income tax expenses ¹⁾	-	-0.6
Profit/loss for the period	-	19.1
Profit attributable to parent company shareholders	-	11.4
Profit attributable to non-controlling interest	-	7.6

1) Citycon amended its accounting policy regarding deferred taxes in the third quarter of 2014. The change has been applied also to comparison figures.

17. INTANGIBLE ASSETS

EUR million	2014	2013
Acquisition cost Jan. 1	5.1	4.3
Additions during the period	3.7	0.8
Accumulated acquisition cost Dec. 31.	8.8	5.1
Accumulated depreciation and impairment losses, Jan. 1	3.0	2.6
Depreciation during the period	0.5	0.4
Accumulated depreciation and impairment losses, Dec 31.	3.5	3.0
Net carrying amount Jan 1.	2.1	1.7
Net carrying amount Dec 31.	5.3	2.1

Intangible assets consisted mainly of computer software and licenses.

18. PROPERTY, PLANT AND EQUIPMENT

EUR million	2014	2013
Acquisition cost Jan. 1	4.4	4.5
Additions during the period	0.0	-0.1
Accumulated acquisition cost Dec. 31.	4.3	4.4
Accumulated depreciation and impairment losses, Jan. 1	3.6	3.0
Depreciation during the period	0.1	0.5
Accumulated depreciation and impairment losses, Dec 31.	3.7	3.6
Net carrying amount Jan 1.	0.8	1.4
Net carrying amount Dec 31.	0.7	0.8

Property, plant and equipment consisted mainly of machinery and equipment. Machinery and equipment acquired through financial leases amounted to EUR 0.1 million (EUR 0.2 million).

19. DEFERRED TAX ASSETS AND LIABILITIES

Changes in deferred tax assets and liabilities in 2014:

Deferred tax assets, EUR million	1 Jan. 2014	Recognised in income statement	Recognised in other comprehensive income	31 Dec. 2014
Tax losses	3.3	-1.4	-	4.7
Measurement of interest-rate swaps at fair value	5.8	-	-4.8	1.0
Deferred tax assets, total	9.1	-1.4	-4.8	5.7
Deferred tax liabilities				
Measurement of investment property at fair value	115.4	13.3	-	128.7
Temporary difference in financial expenses	1.8	-0.9	-	0.9
Deferred tax liabilities, total	117.1	12.4	-	129.6

The change in deferred tax liabilities related to investment properties includes EUR 1.1 million of translation difference.

Deferred tax assets, EUR million	1 Jan. 2013	Recognised in income statement	Recognised in other comprehensive income	31 Dec. 2013
Tax losses	1.0	2.3	-	3.3
Measurement of interest-rate swaps at fair value	18.5	-	-12.8	5.8
Deferred tax assets, total	19.5	2.3	-12.8	9.1
Deferred tax liabilities				
Measurement of investment property at fair value	128.4	-13.1	-	115.4
Temporary difference in financial expenses	2.1	-0.3	-	1.8
Deferred tax liabilities, total	130.5	-13.4	-	117.1

The change in deferred tax liabilities related to investment properties includes EUR 0.6 million of translation difference.

Citycon's deferred taxes mainly arise from changes in the fair value of investment properties. In 2014, deferred tax expense resulting from the changes in the investment properties' fair value recognised in the income statement totalled EUR 12.2 million (income of EUR 12.5 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 amended its accounting policy regarding deferred taxes according to IFRS Interpretations Committee decision 15-16 July 2014 in the third quarter of 2014. Deferred tax assets and liabilities are calculated from the difference between the properties' fair value and residual tax value of the underlying asset (previous policy was based on mostly likely method of disposal, i.e. by selling the shares of the assets and accounting for the deferred taxes accordingly). This rule applies even if the property is disposed by selling the shares of the property company and includes no assessment of likelihood of such tax consequences. The change has been applied also to comparison figures. The impact of the change on deferred tax liabilities was EUR 59.4 million, on total shareholders' equity EUR -64.0 million and on profit for the period EUR 4.6 million on investment properties as at 31.12.2013. The impact of the change on deferred tax liabilities was EUR 64.4 million and on total shareholders' equity was EUR -64.4 million on investment properties as at 1.1.2013.

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

The fair value of investment properties is measured in accordance with IFRS.

On 31 December 2014, Group companies had confirmed losses for which tax assets of EUR 15.0 million (EUR 22.7 million in 2013) were not recognised, since these Group companies are unlikely to record a taxable profit, before the expiration of carry forwards of these losses, against which loss carry forwards can be utilised.

20. CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

EUR million	Note	Carrying amount 2014	Fair value 2014	Carrying amount 2013	Fair value 2013
Financial assets					
I Loans and other receivables					
Trade and other receivables	23	29.8	29.8	34.0	34.0
Cash and cash equivalents	24	34.4	34.4	38.0	38.0
II Financial assets at fair value through profit and loss					
Derivative financial instruments	21	1.9	1.9	-	-
III Derivative contracts under hedge accounting					
Derivative financial instruments	21	-	-	2.4	2.4
Financial liabilities					
Financial liabilities amortised at cost					
I.I Loans					
Loans from financial institutions	26	199.9	199.9	806.1	809.6
Bond 1/2009	26	-	-	23.0	23.1
Bond 1/2012	26	138.1	138.4	138.0	138.4
Bond 1/2013	26	495.7	500.0	495.0	500.0
Bond 1/2014	26	343.9	350.0	-	-
Finance lease liabilities	26	0.1	0.1	0.2	0.2
I.II Other liabilities					
Other liabilities	27	0.6	0.6	0.8	0.8
Trade and other payables	27	67.9	67.9	81.5	81.5
II Financial liabilities at fair value through profit and loss					
Derivative financial instruments	21	3.0	3.0	3.4	3.4
III Derivative contracts under hedge accounting					
Derivative financial instruments	21	5.2	5.2	28.9	28.9

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

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

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

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

Derivative financial instruments

Derivative financial instruments are initially measured at 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 foreign exchange derivative contracts is based on quoted market prices. The fair value of both interest rate and foreign exchange derivative financial instruments corresponds to level 2 according to IFRS13.72-90.

Loans from financial institutions

Citycon's loans from financial institutions are floating rate loans which have a fair value and carrying value equal to the nominal amount of the loan. The fair value of loans from financial institutions corresponds to level 2 according to IFRS13.72-90.

Bonds 1/2012, 1/2013 and bond 1/2014

The bonds 1/2012, 1/2013 and 1/2014 are fixed rate loans which have fair values equal to the nominal amount of the loans. The difference between the fair value and carrying amount is the unamortised capitalised arrangement fees for the bonds and for the 1/2013 and 1/2014 bonds also the unamortised reoffer discount. The fair value of the bonds corresponds to level 2. according to IFRS13.72-90. In accordance with Citycon's accounting policies, the carrying amount and fair value of bonds are different from secondary market price. The difference between the secondary market price and the fair value of the bonds was EUR 91.2 million (EUR 9.6 million) as of 31 December 2014.

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. The fair value of finance lease liabilities corresponds to level 2 according to IFRS13.72-90.

21. DERIVATIVE FINANCIAL INSTRUMENTS

A) Nominal amounts and fair values of derivative financial instruments

EUR million	Nominal amount 2014	Fair value 2014	Nominal amount 2013	Fair value 2013
Interest rate derivatives				
Interest rate swaps				
Maturity:				
less than 1 year	-	-	108.0	-1.8
1-2 years	-	-	65.0	-2.6
2-3 years	58.6	-5.2	162.1	-9.4
3-4 years	-	-	140.3	-9.1
4-5 years	-	-	100.7	-6.1
over 5 years	-	-	-	-
Subtotal	58.6	-5.2	576.1	-28.9
Cross-currency swaps				
Maturity:				
over 5 years	150.0	0.8	-	-
Foreign exchange derivatives				
Forward agreements				
Maturity:				
less than 1 year	312.6	-2.0	421.9	-0.9
Total	521.2	-6.3	997.9	-29.8

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 2014 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 a foreign exchange loss of EUR 0.7 million (loss of EUR 0.6 million) from foreign exchange rate derivatives and cross-currency swaps, which is recognised in the statement of comprehensive income.

Hedge accounting is applied to interest rate swaps, which have a nominal amount of EUR 58.6 million (EUR 576.1 million).

The average fixed interest rate of the interest rate swaps as at 31 December 2014 was 3.35% (2.88%).

B) Cash flow hedging with derivatives

Cash flow hedging

Interest rate derivatives EUR million	Assets 2014	Liabilities 2014	Assets 2013	Liabilities 2013
Fair value	-	-5.2	-	-28.9

Citycon's cash flow hedges consist of interest rate 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 designated as cash flow hedges. Gains and losses are initially recognised 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 2014 and at 31 December 2013, interest rate derivatives assigned as cash flow hedges were assessed as highly effective. The fair values (net of taxes) of these derivatives were EUR -4.1 million (EUR -23.1 million) and the change of these fair values (net of taxes) EUR 19.0 million (EUR 36.7million) is recognised under other comprehensive income, taking the tax effect into account. In addition, EUR -3.3 million (EUR 0.3 million) have been recognised in 'Share of other comprehensive income of joint ventures' from interest rate swaps hedging the Kista Galleria loan.

22. INVESTMENT PROPERTIES HELD FOR SALE

On 31 December 2014, the Investment Properties Held for Sale comprised residential units in Stenungs Torg in Sweden and one residential property in Finland. These transactions are expected to be finalised during first quarter in 2015. On 31 December 2013, the Investment Properties Held for Sale comprised one property located in Finland. This transaction was finalised in February 2014.

EUR million	2014	2013
Acquisition cost Jan. 1	2.3	5.4
Disposals	-0.3	-15.2
Exchange differences	0.0	-
Transfers from investment properties	5.2	12.1
Accumulated acquisition cost Dec. 31	7.2	2.3

23. TRADE AND OTHER RECEIVABLES

EUR million	2014	2013
Trade receivables	6.5	8.9
Credit loss provision	-2.3	-2.0
Trade receivables (net)	4.1	6.9
Accrued income and prepaid expenses	17.0	16.9
Tax receivables (incl. VAT-receivables)	5.2	7.6
Other receivables	3.4	2.7
Total	29.8	34.0

Ageing structure of trade receivables:

EUR million	2014	2013
NOT past due nor impaired	1.0	1.3
Past due, less than 1 month	1.4	3.3
Past due, 1-3 months	1.0	0.6
Past due, 3-6 months	0.6	0.8
Past due, 6-12 months	1.0	0.7
Past due, 1-5 years	1.4	2.1
Total	6.5	8.9

Movement in credit loss provisions

EUR million	2014	2013
At the beginning of the year	-2.0	-1.8
Exchange difference	-	-
Charge for the year	-0.5	-0.7
Utilised	0.1	0.4
Unused amounts reversed	0.0	0.1
Credit loss provision at the end of the year	-2.3	-2.0

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.

24. CASH AND CASH EQUIVALENTS

EUR million	2014	2013
Cash in hand and at bank	34.4	38.0
Other bank deposits	0.0	0.0
Total	34.4	38.0

Cash and cash equivalents in the cash flow statement comprise the items presented above. Other bank deposits consists of pledged cash accounts related to rental guarantees.

25. 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. 2013	326,880,012	-	259.6	131.1	333.0	723.7
Rights issue	114,408,000	-	-	-	196.0	196.0
Return from the invested unrestricted equity fund	-	-	-	-	-36.0	-36.0
31 Dec. 2013	441,288,012	-	259.6	131.1	493.0	883.7
Directed share issue and rights issue	152,040,407	-	-	-	401.1	401.1
Return from the invested unrestricted equity fund	-	-	-	-	-53.0	-53.0
31 Dec. 2014	593,328,419	-	259.6	131.1	841.2	1,231.9

1) All outstanding shares were fully-paid on 31 December 2014 and 31 December 2013.

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

Share capital

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

Invested unrestricted equity fund

The invested unrestricted equity fund is credited, for instance, with that part of the subscription price of the shares that, according to the Memorandum of Association or the share issue decision, is not to be credited to the share capital. The invested unrestricted equity fund accumulated in 2014 and 2013, due to directed share issue and rights issues.

Fair value reserve

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

Translation reserve

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

To the Annual General Meeting to be held on 19 March 2015, the Board of Directors of Citycon proposes that no dividend be paid for the financial year 2014, and that the shareholders are paid an equity repayment of EUR 0.15 per share from the invested unrestricted equity fund, totalling approximately EUR 89.0 million. The proposal for dividends and equity return from the invested unrestricted equity fund has not been recognised in the consolidated financial statements on 31 December 2014.

26. LOANS

All Citycon loans were interest-bearing liabilities on 31 December 2014 and 2013. These interest-bearing loans are explained here in detail.

A) Breakdown of interest-bearing liabilities

EUR million	Effective interest rate (%)	Carrying amount 2014	Carrying amount 2013
Long-term interest-bearing liabilities			
Bonds			
Bond 1/2012	4.344	138.1	138.0
Bond 1/2013	3.934	495.7	495.0
Bond 1/2014	2.638	343.9	-
Syndicated term loans			
EUR 220 million term loan facility	Reference rate + 1.300	0.0	211.4
EUR 190 million term loan facility	EURIBOR + 2.100/STIBOR + 2.450	0.0	184.4
Syndicated revolving credit facilities			
EUR 500 million revolving credit facility	Reference rate + 0.90	103.9	-
Bilateral bank loans			
EUR 75 million bank loan	EURIBOR + 1.450	0.0	64.0
EUR 50 million bank loan	EURIBOR + 1.500	0.0	50.0
EUR 30 million bank loan	EURIBOR + 0.750	12.5	17.5
EUR 25 million bank loan	EURIBOR + 2.55	0.0	21.9
Finance lease liabilities	-	0.0	0.1
Other interest-bearing liabilities	-	0.5	135.1
Total long-term interest-bearing liabilities		1,094.5	1,317.5
Short-term interest-bearing liabilities			
Bond 1/2009	5.474	-	23.0
Short-term syndicated and bank loans and revolving credit facilities	-	9.7	99.9
Current portion of interest-bearing liabilities	-	5.0	21.0
Commercial papers	-	68.4	-
Cash pool overdrafts	-	0.0	0.9
Finance lease liabilities	-	0.1	0.1
Total short-term interest-bearing liabilities		83.1	144.9

The carrying amounts of syndicated loan facilities, bond 1/2012, bond 1/2013 and bond 1/2014 are stated at amortised cost, using the effective yield method. The fair values of liabilities are shown in Note "20. Classification of Financial Instruments".

Maturity of long-term interest-bearing liabilities

EUR million	2014	2013
1-2 years	5.5	62.5
2-3 years	143.1	229.5
3-4 years	2.5	261.0
4-5 years	103.9	269.6
over 5 years	839.6	494.9
Total	1,094.5	1,317.5

Long-term interest-bearing liabilities by currency

EUR million	2014	2013
EUR	841.4	1,029.3
SEK	253.1	279.6
LTL	-	8.6
Total	1,094.5	1,317.5

Currency split including cross-currency swaps.

Short-term interest-bearing liabilities by currency

EUR million	2014	2013
EUR	73.5	134.3
SEK	9.7	10.4
LTL	-	0.2
Total	83.1	144.9

B) Breakdown of finance lease liabilities

EUR million	2014	2013
Maturity of finance lease liabilities:		
Finance lease liabilities – minimum lease payments		
Not later than 1 year	0.1	0.1
1-5 years	0.0	0.1
Total	0.1	0.2
Finance lease liabilities – present value of minimum lease payments		
Not later than 1 year	0.1	0.1
1-5 years	0.0	0.1
Total	0.1	0.2
Future finance charges on finance leases	0.0	0.0
Total finance lease liabilities	0.1	0.2

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

C) Risk Management**Objectives**

The objective of risk management is to ensure that Citycon will reach its business targets and to identify and mitigate 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.

Part of the risk management 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 risk.

Process

Risk management in Citycon comprises three main elements, namely

- 1) risk management implemented in the main business processes
- 2) risk reporting and
- 3) continuous improvement of risk management.

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, the main business and support functions independently defines their 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. An additional feature of risk reporting involves each business unit function 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 function risk reports are prepared for the Board of Directors and Audit and Governance Committee. Risk reports to the Board of Directors and Audit and Governance Committee are prepared in conjunction with budgeting during the autumn.

Organisation

Each business and support function have a dedicated person responsible for the risk management process, who is in charge of reporting the risks and risk mitigation plans and following up on their implementation. The Group Treasurer prepares the risk report for the Board of Directors and Audit and Governance Committee.

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 uses interest rate and foreign exchange derivatives 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 financial risk management is performed by the Group Treasurer and Treasury Manager, under the supervision of the CFO. The Group Treasurer reports compliance with the objectives, in conjunction with the interim and annual report, to the 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% 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 2014 is depicted by the fact that a one-percentage point rise in money market interest rates would increase its interest expenses for 2014 by EUR 1.2 million, while a fall of one-percentage point in such rates would decrease them by EUR 1.2 million in the same year.

Interest rate sensitivity

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

Effect on interest expenses of an increase of 100 basis points

EUR million	2014	2013
EUR	0.7	0.6
SEK	0.5	0.5
Other currencies	0.0	0.1
Total	1.2	1.1

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

Effect on shareholders equity of an increase of 100 basis points

EUR million	2014	2013
EUR	0.0	7.3
SEK	1.3	4.4
Total	1.3	11.8

Liquidity risk

Given that Citycon's strategy is to expand in the Nordic and Baltic countries, 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 in the near term. Citycon aims to guarantee the availability and flexibility of financing, through unused credit limits and by using several banks and financing methods as sources of finance.

Citycon's financing policy states that the company's committed credit limits or liquid assets should cover all approved and on-going investments. In addition, available liquidity should provide a sufficient buffer for unexpected payments, based on the management's assessment of the amount required, and the company will arrange committed back-up limits for all funds drawn under commercial paper programmes. On 31 December 2014, unused committed credit limits amounted to EUR 397.5 million, in addition Citycon had unused cash pool limits of EUR 17.9 million and cash and cash equivalents of EUR 34.4 million.

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

EUR million	Less than 1 month	1 to 12 months	1-5 years	Over 5 years	Total
31 Dec. 2014					
Loans from financial institutions	28.5	56.7	124.8	-	210.0
Bond 1/2012	-	5.9	150.2	-	156.0
Bond 1/2013	-	18.8	593.8	-	612.5
Bond 1/2014	-	8.8	43.8	385.0	437.5
Finance lease liabilities	-	0.1	-	-	0.1
Derivative financial instruments	0.3	3.9	7.5	0.9	12.6
Trade and other payables (excl. interest liabilities)	22.8	28.0	0.9	0.0	51.7

EUR million	Less than 1 month	1 to 12 months	1-5 years	Over 5 years	Total
31 Dec. 2013					
Loans from financial institutions	2.4	139.9	738.4	-	880.7
Bond 1/2009	-	24.3	-	-	24.3
Bond 1/2012	-	5.9	156.0	-	161.9
Bond 1/2013	-	18.8	75.0	537.5	631.3
Finance lease liabilities	-	0.1	0.1	-	0.2
Derivative financial instruments	1.2	11.3	17.6	-	30.0
Trade and other payables (excl. interest liabilities)	44.6	1.3	8.2	9.9	64.1

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

EUR million	Less than 1 month	1 to 12 months	1-5 years	Over 5 years	Total
31 Dec. 2014					
Undrawn committed credit facilities	-	-	397.5	-	397.5
31 Dec. 2013					
Undrawn committed credit facilities	-	-	330.0	50.0	380.0

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

Credit risk

Citycon controls its receivables within the framework of the given credit limits and has not so far identified any major credit risk associated with them. Credit-risk management caters for customer-risk management, which is aimed at minimising the adverse effect of unexpected changes in the customers' financial standing on Citycon's business and financial results. Customer-risk management is primarily based on the knowledge of the customers' business and active monitoring of customer data. Citycon's lease agreements include lease deposit provisions used to contribute to managing customers' risks. The maximum exposure from trade receivables is the carrying amount as disclosed in Note "23. 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 on deposit bank accounts and in short term money market deposits, 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 presence in 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 uses foreign exchange derivatives to manage the transaction risk on committed transactions. The company hedges against exchange rate risk in the balance sheet by aiming to finance its foreign investments mainly in the local currency. Currently, the company's exchange rate risk relates to fluctuations in the euro/Swedish 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 per cent change in foreign exchange rates on net financial expenses

EUR million	2014	2013
SEK	0.1	0.4
LTL	-	0.0
Total	0.1	0.4

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D) 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.

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

The company's current syndicated loan agreements require a minimum equity ratio of 32.5%. As of 31 December 2014, the company's equity ratio stood at 54.6% and the equity ratio as defined in the loan agreement was around 54.8%.

The formulas for calculating the equity ratio and LTV can be found on page 61 in the consolidated financial statements.

Equity ratio:

EUR million	2014	2013
Total shareholders' equity (A)	1,652.5	1,340.6
Total assets	3,037.2	2,975.4
Less advances received	12.4	13.3
./. (Total assets - advances received) (B)	3,024.8	2,962.1
Equity ratio, % (A/B)	54.6	45.3

LTV (Loan-to-value) -%:

EUR million	2014	2013
Interest-bearing debt total (Note 26)	1,177.7	1,462.4
Less cash and cash equivalents (Note 24)	34.4	38.0
Interest-bearing net debt (A)	1,143.3	1,424.4
Fair value of investment properties including properties held for sale (Note 14) and investments in joint ventures (Note 15) (B)	2,959.1	2,886.5
LTV, % (A/B)	38.6	49.3

Equity ratio improved considerably in 2014 due to the equity raises, the profit of the period and a less negative fair value of interest rate derivatives under hedge accounting, which led to higher equity as a proportion of total assets. The LTV improved in 2014 both as a result of a higher fair value of investment properties as well as the share issue and the profit of the period, which resulted in a lower net interest-bearing debt.

27. TRADE AND OTHER PAYABLES

EUR million	2014	2013
Trade payables	12.4	11.6
Short-term advances received	11.8	12.4
Interest liabilities	16.7	17.5
Other liabilities	21.6	19.1
Accrued expenses total	38.3	36.6
VAT-liabilities	5.4	7.0
Other short-term payables	0.0	13.8
Other short-term payables total	5.4	20.8
Total	67.9	81.5

Due dates of future payments of trade and other payables:

EUR million	2014	2013
Due in less than 1 month	22.8	45.8
Due in 1–3 months	29.3	7.8
Due in 3–6 months	1.1	9.1
Due in 6–12 months	13.8	0.6
Due in 1–2 years	0.6	1.0
Due in 2–5 years	0.3	7.2
Due in over 5 years	0.0	9.9
Total	67.9	81.5

28. EMPLOYEE BENEFITS

A) Stock option schemes

Stock option plan 2011

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

The maximum total number of stock options that can be issued is 7,250,000, and they entitle their owners to subscribe for a maximum total of 9,748,350 new shares or treasury shares. The stock options will be issued gratuitously. Stock options entitle their holders to subscribe for company shares within the period specified in the terms and conditions of the stock options. If an employee leaves the Group, (s)he will forfeit his/her stock options for which the share subscription period has not begun on the date of the termination of his/her employment/executive contract.

However, the Board of Directors can specifically decide that the stock-option holder retains his/her stock options or some of them. The Board of Directors shall also decide upon the re-distribution of the stock options returned to the company.

At the end of 2014, stock options 2011A-D(I), 2011A-D(II) and 2011A-D(III) were held by 15 key employees within the Group. The amount of outstanding stock options was 6,185,000 on 31 December 2014. These option rights entitle their holders to subscribe for 8,316,351 shares in 2012–2018.

Citycon uses the Black & Scholes option-pricing model to measure the fair value of stock options at the grant date and reports them under personnel expenses in the statement of comprehensive income allocated over the instrument's vesting period. In 2014, the expense recognised in the statement of comprehensive income totalled EUR 0.3 million (EUR 0.6 million in 2013). The expected volatility is determined by calculating the company share price's historical volatility.

In order to ensure the equal treatment of shareholders and the stock option holders, the Board of Directors of Citycon Oyj decided on 8 June 2014 and 8 July 2014, due to rights issue arranged in June-July 2014, to adjust the subscription ratio and the subscription price of the stock options 2011. In addition, in 2013 the Board of Directors had decided, due to rights issue arranged in February-March 2013, to adjust the subscription price of the stock options 2011. The above mentioned adjustments were made in accordance with the terms and conditions of the Stock Option Plan 2011.

Option category	Subscription price, EUR	Subscription ratio
2011A-D(I)	2.7820 (2.8009)	1.3446 (1.1765)
2011A-D(II)	2.8862 (2.9199)	1.3446 (1.1765)
2011A-D(III)	2.3804 (2.3419)	1.3446 (1.1765)

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

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

Stock option plan 2011	Stock options 2011A-D(I)	Stock options 2011A-D(II)	Stock options 2011A-D(III)
Type of scheme	Share-based options, granted to the Group's key personnel	Share-based options, granted to the Group's key personnel	Share-based options, granted to the Group's key personnel
Grant date	3 May 2011	3 May 2011	11 October 2011
No. of instruments granted	2,250,000	1,910,000	2,025,000
Exercise price at grant date, EUR	3.17	3.31	2.63
Adjusted share subscription price, EUR (as from 9 July 2014)	2.7820 (2.8009)	2.8862 (2.9199)	2.3804 (2.3419)
Adjusted subscription ratio (as from 9 July 2014)	1.3446 (1.1765)	1.3446 (1.1765)	1.3446 (1.1765)
Vesting period as per option terms (No. of days) ¹⁾	332-1427	332-1427	172-1267
Vesting conditions	Employment during vesting period. In case of prior employment termination, stock options forfeited.	Employment during vesting period. In case of prior employment termination, stock options forfeited.	Employment during vesting period. In case of prior employment termination, stock options forfeited.
Exercise	In terms of shares	In terms of shares	In terms of shares
Expected volatility, %	35.00	35.00	35.00
Expected exercise period at grant date (No. of days) ¹⁾	1095-2190	1095-2190	1095-2190
Risk-free interest rate, %	3.18	2.85	1.73
Expected dividend/share, EUR	0.14	0.14	0.14
Instrument fair value determined at grant date, EUR	0.78	0.73	0.46
Option-pricing model	Black&Scholes	Black&Scholes	Black&Scholes

1) The number of days varies among the sub-categories of the options

Changes in the stock options and their weighted average exercise prices during the period were as follows:

	2014		2013	
	Exercise price, weighted average, EUR/share	No. of stock options	Exercise price, weighted average, EUR/share	No. of stock options
At period-start	2.69	6,305,000	2.87	6,505,000
New stock options granted	-	-	2.34	120,000
Forfeited stock options	2.72	120,000	2.78	320,000
Redistributed stock options	-	-	-	-
Exercised stock options	-	-	-	-
Lapsed stock options	-	-	-	-
At period-end	2.68	6,185,000	2.69	6,305,000

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Exercisable stock options at period-end

The company had 4,727,500 exercisable 2011A–C(I–III) stock options at period-end. No stock options were exercised during 2014.

The subscription prices of outstanding stock options were 2.7820 (2011A–D(I)), 2.8862 (2011A–D(II)) and 2.3804 (2011A–D(III)) and the subscription ratio 1.3446 at the period-end.

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

B) Long-term share-based incentive plan

Citycon has no valid long-term share-based incentive plan. The incentives earned through the previous long-term share-based incentive plan have been granted to the key persons of the Group during the years 2008–2012.

29. CASH GENERATED FROM OPERATIONS

	2014	2013
Profit before taxes	102.4	87.6
Adjustments for:		
Depreciation and amortisation (Note 9)	0.8	0.9
Net fair value gains(-)/losses(+) on investment property (Note 14)	-15.7	-26.1
Losses(+)/profit(-) on disposal of investment property (Notes 14 and 22)	0.3	-0.8
Share-based payments (Note 28)	0.3	0.5
Share of profit of joint ventures and other non-cash income	-15.0	-2.1
Foreign exchange gains(-)/losses(+) in financing expenses (Note 11)	-0.1	0.0
Interest and other financing income (Note 11)	-7.2	-6.5
Interest and other financing expenses (Note 11)	84.8	96.6
Changes in working capital		
Trade and other receivables (Note 23)	2.9	0.3
Trade and other payables (Note 27)	-8.1	-4.8
Cash generated from operations	145.4	145.6

30. COMMITMENTS AND CONTINGENT LIABILITIES

A) Other leases – Group as lessee

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

EUR million	2014	2013
Not later than 1 year	2.4	2.4
1–5 years	6.5	9.4
Over 5 years	3.2	19.5
Total¹⁾	12.2	31.3

1) Citycon reports land lease fees as a part of commitments and contingent liabilities as of 31 December 2014. The change has been applied also to the 2013 comparison figures.

Leases mainly concern premises, cars and land lease fees. Leases of premises are mostly 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 four years. While the lease agreements have no renewal clause, in practice the contract period can be extended for one to two years. During the reporting period, Citycon acquired one leased land lot, which decreases land lease commitments compared to previous year.

Lease payments recognised as expenses during the period were EUR 0.8 million (EUR 0.8 million) and they do not 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 7. Administrative expenses).

B) Pledges and other contingent liabilities

EUR million	2014	2013
Loans, for which mortgages are given in security and shares pledged		
Loans from financial institutions	-	2.5
Contingent liabilities for loans		
Mortgages on land and buildings	-	10.3
Bank guarantees	66.2	79.5
Capital commitments	244.7	213.8
VAT refund liabilities	94.9	80.0

Mortgages on land and buildings

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

Bank guarantees

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

Capital commitments

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

VAT refund liability

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

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

D) Financial covenant commitments

Under a commitment given in the terms of the bank 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 2014 stood at around 54.8% and interest coverage ratio at around 3.1 (2013: equity ratio was around 45.2% and interest coverage ratio around 2.4).

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

Accordingly, the solvency ratio on 31 December 2014 stood at around 0.38 (2013: 0.48) and the secured solvency ratio at around 0.00 (2013: 0.01).

31. RELATED PARTY TRANSACTIONS

A) Related parties

Citycon Group's related parties comprise the parent company Citycon Oyj and its subsidiaries, jointly controlled entities, associated companies and minority companies; Board members; CEO and other Corporate Management Committee members and Gazit-Globe Ltd., whose shareholding in Citycon Oyj accounted for 42.8% on 31 December 2014 (31 December 2013: 49.3%).

Group companies on 31 December 2014	Country	Group holding, %	Parent company holding, %
Parent company: Citycon Oyj	Finland		
1 Albertslund Centrum ApS	Denmark	100.0	-
2 Asematie 3 Koy	Finland	100.0	-
3 Big Apple Top Oy	Finland	100.0	-
4 Citycon AB	Sweden	100.0	100.0
5 Citycon Denmark ApS	Denmark	100.0	100.0
6 Citycon Development AB	Sweden	100.0	-
7 Citycon Estonian Investments B.V.	The Netherlands	100.0	-
8 Citycon Finland Oy	Finland	100.0	100.0

Group companies on 31 December 2014	Country	Group holding, %	Parent company holding, %
9 Citycon Högdalen Centrum AB	Sweden	100.0	-
10 Citycon Jakobsbergs Centrum AB	Sweden	100.0	-
11 Citycon Liljeholmstorget Galleria AB	Sweden	100.0	-
12 Citycon Services AB	Sweden	100.0	-
13 Citycon Shopping Centers AB	Sweden	100.0	-
14 Citycon Shopping Centers Shelf 6 AB	Sweden	100.0	-
15 Citycon Shopping Centers Vinden AB	Sweden	100.0	-
16 Citycon Treasury B.V.	The Netherlands	100.0	100.0
17 Citycon Tumba Centrumfastigheter AB	Sweden	100.0	-
18 Espoon Asemakuja 2 Koy	Finland	100.0	-
19 Etelä-Suomen Kauppakiinteistö Oy	Finland	100.0	-
20 Euro Montalbas B.V.	The Netherlands	100.0	-
21 Helsingin Hämeentie 109-111 Koy	Finland	100.0	-
22 Jyväskylän Forum Koy	Finland	100.0	-
23 Jyväskylän Kauppakatu 31 Koy	Finland	100.0	-
24 Kaarinan Liiketalo Koy	Finland	100.0	-
25 Karjaan Ratakatu 59 Koy	Finland	100.0	-
26 Kauppakeskus Columbus Koy	Finland	100.0	-
27 Kauppakeskus Isokarhu Oy	Finland	100.0	-
28 Kivensilmänkuja 1 Koy	Finland	100.0	-
29 Kotkan Keskuskatu 11 Koy	Finland	100.0	-
30 Kristiina Management Oy	Finland	100.0	-
31 Kristiine Keskus Oü	Estonia	100.0	-
32 Kuopion Kauppakatu 41 Koy	Finland	100.0	-
33 Lahden Hansa Koy	Finland	100.0	-
34 Lahden Kauppakatu 13 Koy	Finland	100.0	-
35 Lentolan Perusyhtiö Oy	Finland	100.0	-
36 Liljeholmstorget Development Services AB	Sweden	100.0	-
37 Lillinkulma Koy	Finland	100.0	-
38 Lintulankulma Koy	Finland	100.0	-
39 Lippulaiva Koy	Finland	100.0	-
40 Magistral Kaubanduskeskuse Oü	Estonia	100.0	-
41 Manhattan Acquisition Oy	Finland	100.0	-
42 Martinlaakson Kivivuorentie 4 Koy	Finland	100.0	-
43 Minkkikuja 4 Koy	Finland	100.0	-
44 Montalbas B.V.	The Netherlands	100.0	100.0
45 Myyrmanni Koy	Finland	100.0	-
46 New Manhattan Acquisition Oy	Finland	100.0	-
47 Oulu Big Street Top Oy	Finland	100.0	-
48 Oulun Galleria Koy	Finland	100.0	-
49 Oulun Isokatu 20 Koy	Finland	100.0	-
50 Oulun Isokatu 22 Koy	Finland	100.0	-
51 Porin Asema-aukio Koy	Finland	100.0	-
52 Porin Isolinnankatu 18 Koy	Finland	100.0	-
53 Riddarplatsen Fastigheter HB	Sweden	100.0	-

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Group companies on 31 December 2014	Country	Group holding, %	Parent company holding, %
54 Rocca al Mare Kaubanduskeskuse AS	Estonia	100.0	-
55 Runeberginkatu 33 Koy	Finland	100.0	-
56 Sinikalliontie 1 Koy	Finland	100.0	-
57 Stenungs Torg Fastighets AB	Sweden	100.0	-
58 Strömpilen AB	Sweden	100.0	-
59 Talvikkitie 7-9 Koy	Finland	100.0	-
60 Tampereen Hermanni Koy	Finland	100.0	-
61 Tampereen Koskikeskus Koy	Finland	100.0	-
62 Varkauden Relanderinkatu 30 Koy	Finland	100.0	-
63 Vaakalintu Koy	Finland	95.8	-
64 Lahden Trio Koy	Finland	89.5	-
65 Linjurin Kauppakeskus Koy	Finland	88.5	-
66 Tikkurilan Kauppakeskus Koy	Finland	83.8	-
67 Hervannan Liikekeskus Oy	Finland	83.2	-
68 Orimattilan Markkinatalo Oy	Finland	77.3	-
69 Ersboda Länken 1 AB	Sweden	75.0	-
70 RED City AB	Sweden	75.0	-
71 Åkersberga Centrum AB	Sweden	75.0	-
72 Myyrmäen Kauppakeskus Koy	Finland	74.0	-
73 Heikintori Oy	Finland	68.7	-
74 Kirkkonummen Liikekeskus Oy	Finland	66.7	-
75 Espoontori Koy	Finland	66.6	-
76 Myyrmäen Autopaikotus Oy	Finland	62.7	-
77 Vantaan Säästötalo Koy	Finland	61.2	-
78 Espoontorin Pysäköintitalo Oy	Finland	60.1	-
79 Espoon Asematori Koy	Finland	54.1	-
80 Lappeenrannan Villimiehen Vitonen Oy	Finland	50.0	-
81 Espoon Big Apple Housing As Oy	Finland	50.0	-
82 Holding Big Apple Housing Oy	Finland	50.0	-
83 Holding Metrokeskus Oy	Finland	50.0	-
84 Kista Galleria JV AB	Sweden	50.0	-
85 Kista Galleria Kommanditbolag	Sweden	50.0	-
86 Kista Galleria Holding AB	Sweden	50.0	-
87 Kista Galleria LP AB	Sweden	50.0	-
88 Mölndals Galleria AB (Goldcup 10075 AB)	Sweden	50.0	-
89 Mölndals Galleria Fastighets AB (PropCo)	Sweden	50.0	-
90 New Big Apple Top Koy	Finland	50.0	-
91 Retail Park Oy	Finland	50.0	-
92 Tikkurilan Kassatalo As Oy	Finland	41.7	-
93 Länsi-Keskus Koy	Finland	41.4	-
94 Hakunilan Keskus Oy	Finland	41.1	-
95 Hansaparkki Koy	Finland	36.0	-
96 Kontulan Asemakeskus Koy	Finland	34.8	-
97 Puijonlaakson Palvelukeskus Koy	Finland	31.3	-
98 Jyväskylän Ydin Oy	Finland	29.0	-

Group companies on 31 December 2014	Country	Group holding, %	Parent company holding, %
99 Hakucenter Koy	Finland	18.7	-
100 Tupakkikiven Parkki Koy	Finland	17.2	-
101 Liesikujan Autopaikat Oy	Finland	8.0	-
102 Martinlaakson Huolto Oy	Finland	3.8	-
Partnerships for taxation purposes:			
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

Citycon Group's key personnel in the management comprise Board members, CEO and other Corporate Management Committee members. The benefits of the key personnel in the management are presented in the following chapters.

CEO wages and salaries, EUR	2014	2013
Marcel Kokkeel (CEO as of 24 March 2011)	828,626	880,257

The Chief Executive Officer (CEO) of Citycon Oyj is appointed by the Board of Directors. The service terms of the CEO are stipulated in a written executive contract approved by the Board of Directors.

In 2011, the Board of Directors appointed Mr Marcel Kokkeel (LL.M, born in 1958), a Dutch citizen, Citycon Oyj's CEO.

According to his service agreement, the CEO's gross base salary in 2014 amounted to EUR 615,000.00. The amount of the CEO's base salary shall be adjusted based on changes in the consumer price index. At the discretion of the Board of Directors, the CEO may be awarded an additional bonus up to a maximal amount corresponding to 80% of his annual gross base salary. Pursuant to the CEO's service agreement amended as of 19 March 2014, the amount of CEO's annual bonus is determined by the extent to which the bonus performance and achievement of earnings goals set by the Board of Directors have been reached. The achievement of CEO's performance and earnings goals shall be evaluated annually. The goals support the strategy of the company. Performance measures include, among others, EPRA EPS, net rental income and fair value development of the like-for-like properties, and by investments, divestments and development portfolio. 50% of the amount of the CEO's additional bonus shall be paid as cash while the other 50% shall be paid as company's shares. The CEO is entitled to the following fringe benefits: company car, housing, telephone and luncheon benefits. The CEO's pension benefit is in line with mandatory provisions of the Finnish Pension Act.

As of 19 March 2014, the CEO's service agreement has been amended from a fixed term appointment to an appointment being valid for an indefinite period. The period of notice of the service agreement is six months, both for the CEO and the company. In case of notice by the company, the CEO will be paid, in addition to the salary payable for the notice period, a severance pay consisting of 1.5 times his annual base salary at the moment of termination. After the agreement amendment as of 19 March 2014, the severance pay no longer consists of additional 1.5 times the most recent annual bonus payment of the CEO.

Pursuant to the CEO's service agreement valid until 19 March 2014, in H1 of 2014, the CEO was paid, at discretion of the Board of Directors, a bonus of EUR 185,065.00 and 68,948 shares of the company as CEO's performance bonus payment for the year 2013.

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

Personnel expenses for the entire Corporate Management Committee, EUR million	2014	2013
Wages and salaries	2.2	2.3
Pensions: defined contribution plans	0.4	0.4
Social charges	0.2	0.2
Total	2.8	2.9

Citycon recognized EUR 0.2 million non-recurring personnel expenses arising from employment terminations of Corporate Management Committee members in 2014 (no expenses recognised in 2013).

The Corporate Management Committee members including the CEO held a total of 2,770,000 stock options 2011A-D(I), 2011A-D(II) and 2011A-D(III) at the end of 2014.

Remuneration of the members of the Board of Directors, EUR	2014	2013
Ashkenazi Ronen	85,800	84,300
Katzman Chaim	165,000	170,200
Knobloch Bernd	85,600	87,700
de Haan Arnold (Board member since 10 June 2014)	45,879	-
Kempe Roger (Board member until 21 March 2013)	-	4,000
Komi Kirsi	66,200	65,800
Ohana Karine	63,800	60,400
Orlandi Andrea (Board member since 10 June 2014) ¹⁾	0	-
Ottosson Claes	65,600	63,700
Ovin Per-Anders	66,200	60,400
Sonninen Jorma (Board member until 10 June 2014)	13,789	62,000
Westin Per-Håkan (Board member until 21 March 2013)	-	4,000
Yanai Yuval (Board member until 10 June 2014)	17,989	62,600
Zochovitzky Ariella	73,600	70,200
Total	749,457	795,300

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

Board members do not participate in the company's share-based incentive schemes. During 2014, the travel expenses of the Board members amounted to EUR 0.1 million (EUR 0.1 million 2013).

Transactions with Gazit-Globe Ltd.

Purchases of services and expenses charged forward

Citycon has paid expenses of EUR 0.0 million (EUR 0.1 million) to Gazit-Globe Ltd. and its subsidiaries and invoiced expenses of EUR 0.0 million (EUR 0.2 million) forward to Gazit-Globe Ltd. and its subsidiaries.

Rights issue 2014 and 2013

Citycon issued approximately 74 million new shares in a rights issue in June-July 2014. The gross proceeds raised by Citycon in the rights issue were approximately EUR 196.5 million. Gazit-Globe Ltd. subscribed for approximately 33.0 million shares in the rights issue. During the comparison period, Citycon issued approximately 114 million new shares in a rights issue (March 2013), raising approximately EUR 200 million gross proceeds in new equity. Gazit-Globe Ltd. subscribed for 56.1 million shares in this rights issue.

Reporting to Gazit-Globe Ltd.

The company's main shareholder, Gazit-Globe Ltd., holding 42.8% 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%. Gazit-Globe Ltd. holds the view that it exercises a controlling interest, as defined in IFRS, in Citycon Oyj based on the fact that it has been able to exercise controlling interest in Citycon's shareholders' meetings pursuant to its shareholding. In accordance with an agreement concluded between the companies, Citycon will provide Gazit-Globe Ltd. with a more detailed breakdown of the accounting information it discloses in its interim and full-year reports, so that Gazit-Globe Ltd. can consolidate Citycon Group figures into its own IFRS financial statements.

32. CHANGES IN GROUP STRUCTURE IN 2014

Companies established

Ersboda Länken 1 AB

Euro Montalbas B.V.

Möndals Galleria AB (Goldcup 10075 AB)

Möndals Galleria Fastighets AB (PropCo)

RED City AB

Companies acquired

Manhattan Acquisition Oy (increase of ownership by 40% to 100%)

Companies sold

Asolan Liikekiinteistö Oy

Espagalleria Oy

Forsan Hämeentie 3 Koy

Kuvernöörintie 8 Koy

Kuusankosken Kauppakatu 7 Koy

Laajasalon Liikekeskus Oy

Lauttasaaren Liikekeskus Oy

Pihlajamäen Liiketalo Oy

Salpausseläntie 11 Koy

Soukan Itäinentorni As Oy

Säkylän Liiketalo Koy

Tikkurilan Kassatalo As Oy (decrease of shareownership to 41.7%)

UAB Citycon

UAB Preskybos Centras Mandarinas

Valkeakosken Liikekeskus Koy

Valkeakosken Torikatu 2 Koy

Vantaan Laajavuoreнкуja 2 Koy

Companies merged

Citycon Holding S.à r.l.

Companies dissolved

Citycon Hedging C.V.

33. POST BALANCE SHEET DATE EVENTS

On 16 January 2015 Citycon announced that Harri Holmström, Citycon Oy's Chief Commercial Officer (CCO) and member of the Corporate Management Committee would leave the company at the end of January.

Also, on 28 January 2015 the company announced that it has signed an agreement with TK Development regarding the forward purchase of Straedet, a shopping centre to be built in Køge in the greater Copenhagen area. The purchase price is estimated to be approximately EUR 75 million and will be paid at completion in 2017.

Key figures and ratios

1) CONSOLIDATED KEY FIGURES AND RATIOS FOR FIVE YEARS

EUR million	Formula	2014	2013	2012	2011	2010
Statement of comprehensive income data						
Turnover		245.3	248.6	239.2	217.1	195.9
Other operating income and expense		1.0	0.9	0.2	0.2	0.3
Operating profit/loss		165.0	176.0	163.4	81.8	157.7
Profit/loss before taxes ¹⁾		102.4	87.6	95.5	19.7	102.8
Profit/loss attributable to parent company shareholders ¹⁾		84.5	94.9	63.4	11.5	79.9
Statement of financial position data						
Investment properties		2,769.1	2,733.5	2,714.2	2,522.1	2,367.7
Current assets		64.8	74.5	75.5	125.0	56.9
Equity attributable to parent company shareholders ¹⁾		1,650.7	1,236.2	959.9	861.7	810.1
Non-controlling interest		1.8	42.6	35.6	52.7	46.5
Interest-bearing liabilities		1,177.7	1,462.4	1,533.0	1,547.9	1,397.7
Total liabilities		1,384.8	1,694.2	1,823.1	1,763.4	1,579.9
Total liabilities and shareholders' equity		3,037.2	2,973.0	2,818.5	2,677.7	2,436.5
Key performance ratios						
Equity ratio, %	1	54.6	43.2	35.5	34.3	35.3
Equity ratio for the banks, %		54.8	45.2	40.5	39.0	39.4
Loan-to-value (LTV), %	2	38.6	49.3	54.5	57.5	58.2
Return on equity, % (ROE)	3	6.1	8.2	7.3	1.9	11.0
Return on investment, % (ROI)	4	8.4	7.8	7.8	3.9	10.8
Quick ratio	5	0.5	0.4	0.4	0.5	0.3
Gross capital expenditure, EUR million		125.5	226.1	161.7	216.4	133.7
% of turnover		51.2	91.0	67.6	99.7	68.3
Per-share figures and ratios						
Earnings per share, EUR ²⁾	6	0.16	0.22	0.20	0.04	0.31
Earnings per share, diluted, EUR ²⁾	7	0.16	0.22	0.20	0.04	0.31
Net cash from operating activities per share, EUR ²⁾	8	0.13	0.14	0.26	0.23	0.12
Equity per share, EUR	9	2.78	2.80	2.94	3.10	3.31
P/E (price/earnings) ratio ²⁾	10	16	12	13	59	10
Return from invested unrestricted equity fund per share, EUR ²⁾		0,15 ²⁾	0.12	0.11	0.11	0.10
Dividend per share, EUR ²⁾		0,00 ²⁾	0.03	0.04	0.04	0.04
Dividend and return from invested unrestricted equity fund per share total, EUR ²⁾		0,15 ²⁾	0.15	0.15	0.14	0.13
Dividend and return of equity per earnings, %	11	92.5	67.5	76.3	366.7	43.2
Effective dividend and return of equity yield, %	12	5.8	5.9	5.8	6.3	4.4
Operative key ratios						
Net rental yield, %	13	6.3	6.4	6.4	6.0	5.8
Occupancy rate (economic), %	15	96.3	95.7	95.7	95.5	95.1
Citycon's GLA, sq.m.		933,040	961,790	1,000,270	994,730	942,280
Personnel (at the end of the period)		151	127	129	136	129

1) Citycon amended its accounting policy regarding deferred taxes in the third quarter of 2014. The change has been applied also to comparison figures.

2) Result per share key figures have been calculated with the issue-adjusted number of shares resulting from the directed share issue executed in June 2014 and rights issue executed in July 2014.

3) Board proposal

Formulas are available on page 61.

KEY FIGURES AND RATIOS

2) FIVE YEAR SEGMENT INFORMATION

EUR million	2014	2013	2012	2011	2010
Turnover					
Finland	147.7	150.4	143.2	132.5	126.5
Sweden	60.5	63.3	63.1	60.1	52.8
Baltic Countries and New Business	37.2	34.9	32.8	24.5	16.7
Total	245.3	248.6	239.2	217.1	195.9
Net rental income					
Finland	103.0	103.5	98.2	90.5	86.7
Sweden	38.9	39.7	39.2	35.4	28.7
Baltic Countries and New Business	27.5	25.6	24.6	18.4	11.8
Total	169.4	168.9	162.0	144.3	127.2
EPRA operating profit					
Finland	100.1	100.3	89.3	83.2	80.9
Sweden	36.4	36.0	34.0	30.4	24.1
Baltic Countries and New Business	26.1	24.8	23.7	17.1	10.6
Other	-12.8	-12.0	-11.4	-13.4	-10.5
Total	149.8	149.1	135.7	117.4	105.0
Operating profit/loss					
Finland	83.5	102.4	87.5	42.3	107.5
Sweden	49.6	45.1	48.2	32.4	46.7
Baltic Countries and New Business	44.6	40.6	39.1	20.5	14.1
Other	-12.6	-12.0	-11.4	-13.4	-10.5
Total	165.0	176.0	163.4	81.8	157.7

Formulas for key figures and ratios

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

Parent company financial statements

PARENT COMPANY INCOME STATEMENT, FAS

EUR million	Note	1 Jan.-31 Dec. 2014	1 Jan.-31 Dec. 2013
Gross rental income		0.1	0.1
Service charge income		1.9	0.2
Turnover	2	2.0	0.3
Property operating expenses		0.1	0.1
Other expenses from leasing operations	3	0.0	0.0
Net rental income		1.9	0.2
Administrative expenses	4, 5	12.8	11.0
Other operating income and expenses	6	1.4	-0.1
Operating loss/profit		-9.4	-10.8
Financial income		116.6	131.8
Financial expenses		-150.9	-151.8
Net financial income and expenses	7	-34.3	-20.0
Loss/profit before appropriations and taxes		-43.7	-30.8
Group contributions		38.7	43.9
Income tax expense/benefit	8	0.0	0.0
Profit/loss for the period		-5.0	13.1

PARENT COMPANY BALANCE SHEET, FAS

EUR million	Note	31 Dec. 2014	31 Dec. 2013
ASSETS			
Non-current assets			
Intangible assets	9	3.9	1.1
Tangible assets	10	0.5	5.9
Investments			
Shares in subsidiaries	11	512.6	1,423.3
Other investments	12	1,764.3	810.1
Long-term receivables	12	1.7	-
Total investments		2,278.5	2,233.4
Total non-current assets		2,282.9	2,240.4
Current assets			
Short-term receivables	14	226.0	93.1
Cash and cash equivalents		1.6	15.7
Total current assets		227.7	108.8
Total assets		2,510.6	2,349.2

EUR million	Note	31 Dec. 2014	31 Dec. 2013
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital	15	259.6	259.6
Share premium fund		133.1	133.1
Invested unrestricted equity fund		851.5	501.6
Retained earnings		4.1	4.3
Profit/loss for the period		-5.0	13.1
Total shareholders' equity		1,243.3	911.6
Liabilities			
Long-term liabilities			
Bond 1/2012		138.1	138.0
Bond 1/2013		495.7	495.0
Other long-term liabilities		12.5	545.0
Total long-term liabilities		646.4	1,178.1
Short-term liabilities			
Bond 1/2009		-	23.0
Other short-term liabilities		621.0	236.5
Total short-term liabilities		621.0	259.5
Total liabilities		1,267.4	1,437.6
Total liabilities and shareholders' equity		2,510.6	2,349.2

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY CASH FLOW STATEMENT, FAS

EUR million	1 Jan.-31 Dec. 2014	1 Jan.-31 Dec. 2013
Cash flow from operating activities		
Loss/profit before taxes	-43.7	-30.8
Adjustments:		
Depreciation and impairment loss	0.2	0.2
Non-cash property operating expenses	0.0	0.0
Net financial income and expenses	34.3	20.0
Loss/gain on sale and on liquidation of shares in subsidiaries and other investments	0.0	0.1
Cash flow before change in working capital	-9.2	-10.6
Change in working capital	43.5	25.0
Cash generated from operations	34.3	14.5
Interest expense and other financial expenses paid	-80.8	-84.0
Interest income and other financial income received	35.1	83.3
Realized exchange rate losses and gains	22.6	-36.0
Income taxes paid	-	-
Net cash flow from operating activities	11.2	-22.2
Cash flow used in investing activities		
Investment in tangible and intangible assets	-1.6	1.5
Proceeds from sale of tangible assets	0.0	0.0
Loans granted	-181.5	-234.8
Repayments of loans receivable	401.2	291.7
Increase in subsidiary shares	0.0	-170.4
Net cash used in investing activities	218.1	-111.9
Cash flow from financing activities		
Proceeds from rights and share issue	402.9	200.2
Proceeds from short-term loans	272.4	95.5
Repayments of short-term loans	-204.8	-192.3
Proceeds from long-term loans	0.0	607.9
Repayments of long-term loans	-665.7	-544.9
Dividends paid and return from the invested unrestricted equity fund	-66.3	-49.1
Net cash from financing activities	-261.6	117.3
Net change in cash and cash equivalents	-32.2	-16.9
Cash and cash equivalents at period-start	-16.5	0.4
Effects of exchange rate changes	-	-
Cash and cash equivalents at period-end ¹⁾	-48.7	-16.5

1) Cash and cash equivalents of Citycon Oyj included the Group cash pool as at 31 December 2014 and at 31 December 2013, in which the parent company's bank account can have a negative balance. Cash pool balance of EUR -50.4 million as at 31 December 2014 and EUR -32.2 million as at 31 December 2013 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.

Intangible assets

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

Tangible assets

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

Pension Schemes

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

Foreign Currency Receivables and Payables

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

Income Taxes

Current taxes are recognised on an accrual basis. Deferred taxes arising from temporary differences between the book and fiscal values have been recognised separately in the income statement and the balance sheet.

Important Note

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

2. TURNOVER

EUR million	2014	2013
Turnover by country:		
Finland	1.6	0.2
Other countries	0.4	0.1
Total	2.0	0.3

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

EUR million	2014	2013
Administrative fees from Group companies	1.0	0.1

3. OTHER EXPENSES FROM LEASING OPERATIONS

EUR million	2014	2013
Tenant improvements and commissions	-	-
Credit losses	0.0	0.0
Total	0.0	0.0

4. PERSONNEL EXPENSES

EUR million	2014	2013
Average number of employees during period	49	33
Personnel expenses		
Wages and salaries	6.9	5.8
Pension charges	1.0	0.9
Other social charges	0.5	0.2
Total	8.3	6.9

The items presented above include CEO's statutory pension payments, EUR 0.1 million in 2014 (EUR 0.2 million in 2013). In addition, the items above include non-recurring personnel expenses of EUR 0.3 million in 2014 arising from employment terminations (0.1 milj. EUR in year 2013).

Personnel expenses include the following management salaries and emoluments

EUR million	2014	2013
Personnel expenses include the following management salaries and emoluments		
CEO's salary and emoluments	0.8	0.9
Board remuneration	0.8	0.8
Total	1.6	1.7

5. DEPRECIATION AND AMORTISATION AND IMPAIRMENTS

EUR million	2014	2013
The following depreciation and amortisation as well as impairments are included in the administrative expenses:		
Amortisation on intangible assets	0.1	0.1
Depreciation on machinery and equipment	0.1	0.1
Total	0.2	0.2

6. OTHER OPERATING INCOME AND EXPENSES

EUR million	2014	2013
Loss/gain on sale of tangible assets	-	-0.1
Other operating income	1.4	-
Total	1.4	-0.1

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

7. NET FINANCIAL INCOME AND EXPENSES

EUR million	2014	2013
Dividend income		
From Group companies	14.0	46.0
From others	0.0	-
Total	14.0	46.0
Interest and other financial income		
From Group companies	39.3	38.2
Foreign exchange gains	62.8	47.4
Other interest and financial income	0.5	0.1
Total	102.6	85.8
Total financial income	116.6	131.8
Interest and other financial expenses		
To Group companies	44.4	33.7
Foreign exchange losses	24.2	25.1
Realised fair value losses from interest rate swaps	26.5	23.0
Interest and other financial expenses	55.9	70.0
Total financial expenses	150.9	151.8
Net financial income and expenses	-34.3	-20.0

8. INCOME TAX EXPENSE

EUR million	2014	2013
Current taxes	-	-
Deferred tax benefit	-	-
Income taxes	-	-

9. INTANGIBLE ASSETS

EUR million	2014	2013
Intangible rights		
Acquisition cost 1 Jan.	2.2	1.7
Additions during the period	2.8	0.5
Accumulated acquisition costs 31 Dec.	5.0	2.2
Accumulated depreciation 1 Jan.	-1.3	-1.3
Depreciation for the period	0.0	0.0
Accumulated depreciation 31 Dec.	-1.4	-1.3
Net carrying amount 31 Dec.	3.6	0.8
Tenant improvements and other non-current assets		
Acquisition cost 1 Jan.	1.6	1.5
Additions during the period	0.1	0.2
Accumulated acquisition costs 31 Dec.	1.7	1.6
Accumulated depreciation 1 Jan.	-1.4	-1.3
Depreciation for the period	-0.1	-0.1
Accumulated depreciation 31 Dec.	-1.5	-1.4
Net carrying amount 31 Dec.	0.3	0.2
Total intangible assets 31 Dec.	3.9	1.1

10. TANGIBLE ASSETS

EUR million	2014	2013
Machinery and equipment		
Acquisition cost 1 Jan.	0.8	1.1
Additions during the period	0.1	0.1
Reductions during the period	-	-0.3
Accumulated acquisition costs 31 Dec.	0.9	0.8
Accumulated depreciation 1 Jan.	-0.5	-0.6
Accumulated depreciation on disposals	-	0.2
Depreciation for the period	-0.1	-0.1
Accumulated depreciation 31 Dec.	-0.6	-0.5
Net carrying amount 31 Dec.	0.4	0.3
Construction in progress		
Acquisition cost 1 Jan.	5.5	7.8
Additions during the period	-5.4	-2.3
Net carrying amount 31 Dec.	0.1	5.5
Total tangible assets 31 Dec.	0.5	5.9

11. SHARES IN SUBSIDIARIES

EUR million	2014	2013
Acquisition cost 1 Jan.	1,423.3	1,226.8
Additions during the period	-	196.5
Reductions during the period	-910.8	-
Net carrying amount 31 Dec.	512.6	1,423.3

12. OTHER INVESTMENTS

EUR million	2014	2013
Loan receivables from Group companies	1,764.3	810.1
Other receivables from outside the Group	1.7	0.0
Total other investments 31 Dec.	1,766.0	810.1
Total investments 31 Dec.	2,278.5	2,233.4

13. SUBSIDIARIES AND ASSOCIATED COMPANIES

Parent company's subsidiaries and associated companies are presented in the Note 31 Related Party Transactions in the Notes to the Consolidated Financial Statements.

14. LONG-TERM AND SHORT-TERM RECEIVABLES

EUR million	2014	2013
Receivables from outside the Group		
Trade receivables	0.4	0.5
Derivative financial instruments	0.2	2.4
Other receivables	0.6	0.6
Accrued income and prepaid expenses	0.9	1.0
Total	2.2	4.5
Receivables from Group companies		
Trade receivables	8.3	2.3
Loan receivables	167.7	0.0
Other receivables	0.6	13.2
Total other receivables	168.3	13.2
Interest receivables	7.6	1.9
Other accrued income and prepaid expenses	1.0	0.2
Total accrued income and prepaid expenses	8.5	2.1
Group contributions receivables	38.7	71.0
Total	223.9	88.6
Total short-term receivables	226.0	93.1

15. SHAREHOLDERS' EQUITY

EUR million	2014	2013
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.	501.6	337.3
Proceeds from directed share issue and rights issue	402.9	200.2
Sale of treasury shares	-	-
Equity return from the invested unrestricted equity fund	-53.0	-36.0
Invested unrestricted equity fund at 31 Dec.	851.5	501.6
Retained earnings at 1 Jan.	17.4	17.3
Dividends	-13.2	-13.1
Profit/ Loss for the period	-5.0	13.1
Retained earnings at 31 Dec.	-0.8	17.4
Total shareholders' equity at 31 Dec.	1,243.3	911.6

16. LIABILITIES**A) Long-term liabilities**

EUR million	2014	2013
Long-term interest-bearing liabilities		
Bond 1/2012	138.1	138.0
Bond 1/2013	495.7	495.0
Loans from financial institutions, which are		
converted into fixed rates through interest-rate swaps	-	476.1
tied to market interest rates	17.5	78.0
Total	17.5	554.1
Current portion of interest-bearing liabilities	-5.0	-9.1
Total	12.5	545.0
Loans from Group companies	-	-
Total long-term liabilities	646.4	1,178.1
Loans maturing later than 5 years	495.7	495.0

B) Short-term liabilities

EUR million	2014	2013
Short-term interest-bearing liabilities		
Bond 1/2009	-	23.0
Commercial paper	68.4	0.0
Loans from financial institutions converted into fixed rates through interest-rate swaps	-	99.9
Current portion of interest-bearing liabilities	5.0	9.1
Cash pool overdrafts	-	0.9
Loans from Group companies	509.8	72.4
Total	583.2	205.2
Short-term non-interest-bearing liabilities		
Payables to outside the Group		
Accounts payable	1.1	5.2
Derivative financial instruments	2.2	3.4
Other payables	1.2	-0.3
Total other payables	3.4	3.1
Interest liability	14.4	16.1
Other accruals	3.1	2.8
Total accruals	17.4	18.8
Total	21.9	27.1
Payables to Group companies		
Accounts payable	0.0	0.0
Other payables	13.6	27.2
Total other payables	13.6	27.2
Accruals	2.3	0.0
Total	16.0	27.2
Total short-term liabilities	621.0	259.5
Total liabilities	1,267.4	1,437.6

All Group external derivative financial instruments in Citycon are executed by the parent company Citycon Oyj. Derivative financial instruments held with external

counterparties are presented in Note 21. Derivative Financial Instruments in the Notes to the Consolidated Financial Statements. In addition Citycon Oyj had group internal foreign exchange derivatives as of 31 December 2014 with a fair value of EUR 11.9 million (EUR 9.5 million) and a nominal amount of EUR 699.2 million (EUR 712,1 million).

17. CONTINGENT LIABILITIES

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

A) Lease liabilities

EUR million	2014	2013
Payables on lease commitments		
Maturing next financial year	0.5	0.6
Maturing later	0.2	0.3
Total	0.7	0.9

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

B) Guarantees given

EUR million	2014	2013
Bank guarantees	66.2	79.5
Of which on behalf of Group companies	58.6	71.4

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

Shareholders and shares

Citycon Oyj's shares are listed on the NASDAQ Helsinki Stock Exchange Large Cap list (until 2 January 2015 on the Mid Cap list) under the trading code CTY1S. The market capitalisation of Citycon at the end of 2014 was EUR 1.5 billion (EUR 1.1 billion).

Shares and share capital

Citycon has one share series and each share entitles its holder to one vote at the General Meeting and to an equal dividend. At year-end 2014, Citycon's total number of shares was 593,328,419 (441,288,012).

In June–July 2014, Citycon executed two consecutive share issues. In the directed share issue 77,874,355 shares were subscribed, and in the rights issue 74,166,052 shares were subscribed.

Citycon share's latest price was EUR 2.58 (EUR 2.56) at the end of 2014. The daily prices for the Citycon share during 2014 ranged from EUR 2.29 to EUR 2.92.

In 2014, 88.8 million (104.5 million) Citycon shares were traded on the Helsinki stock exchange for a total value of EUR 234.9

SHARE PRICE AND TRADING VOLUME

Share price, transactions, EUR	2014	2013	2012	2011	2010
Low	2.29	2.12	2.12	2.02	2.29
High	2.92	2.67	2.71	3.41	3.31
Average	2.65	2.44	2.43	2.77	2.84
Market capitalisation, EUR million	1,530.8	1,129.7	840.1	641.7	753.3

Share trading volume

No. of shares traded as of year-start, 1,000	88,784	104,548	81,975	97,483	114,974
Percentage of total	15.0	23.7	25.1	35.1	47.0
Average number of shares, 1,000 ¹⁾	521,526	426,788	322,178	291,468	255,979
Average number of shares, diluted, 1,000 ¹⁾	522,596	432,838	338,511	310,646	275,791
Number of shares on 31. Dec., 1,000	593,328	441,288	326,880	277,811	244,565

¹⁾ Calculation of the number of shares is presented in Note 13. Earnings per share. Number of shares has been issue-adjusted resulting from the directed share issue and rights issue executed in 2014.

million (EUR 255.0 million). The daily average trading volume was 355,135 shares, representing a daily average turnover of EUR 0.9 million.

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

Shareholding

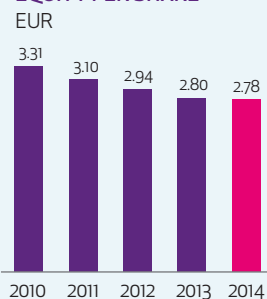
At year-end, Citycon had 7,657 (8,820) shareholders. Holders of nominee-registered shares held 68.9% (77.8%) of shares. Citycon is one of the companies on the Helsinki stock exchange with the most international ownership base.

Citycon's biggest shareholders are Gazit-Globe Ltd., CPP Investment Board European Holdings S.à.r.l (CPPIBEH) and Ilmarinen Mutual Pension Insurance Company. Gazit-Globe Ltd. has informed the company that the number of shares held by it amounted to 254,136,974 shares accounting for 42.8% of the shares and voting rights in the company at the year-end of 2014. Gazit-Globe Ltd.'s shareholding is nominee-registered. CPPIBEH owned 15.0% and Ilmarinen 7.63% of the issued shares and voting rights at year-end.

Dividend payout

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

EQUITY PER SHARE



SHARE PRICE AND VOLUME



BREAKDOWN OF SHAREHOLDERS ON 31 DECEMBER 2014 BY NUMBER OF SHARES

Number of shares	Number of owners	Percentage of owners	Number of shares	Percentage of shares and votes
1-100	659	8.61	31,778	0.01
101-1,000	3,231	42.20	1,573,664	0.27
1,001-5,000	2,700	35.26	6,517,882	1.10
5,001-10,000	539	7.04	3,771,066	0.64
10,001-50,000	413	5.39	8,101,472	1.37
50,001-100,000	55	0.72	3,597,862	0.61
100,001-500,000	36	0.47	8,498,817	1.43
500,001-1,000,000	12	0.16	7,679,038	1.29
1,000,001-	12	0.16	553,556,840	93.30
Total	7,657	100.00	593,328,419	100.00
of which nominee-registered	9		408,548,817	68.86
Issued shares, total				

SHAREHOLDERS BY OWNERGROUP ON 31 DECEMBER 2014

	Number of owners	Percentage of owners	Percentage of shares and votes
Financial and insurance corporations	31	0.40	67.81
Corporations	383	5.00	1.15
Households	7,083	92.50	3.62
General government	6	0.08	8.52
Foreign	47	0.61	18.47
Non-profit institutions	107	1.40	0.43
Total	7,657	100.00	100.00
of which nominee-registered	9		68.86

The Board of Directors proposes that no dividend be paid for the financial year 2014, and that the shareholders are paid an equity repayment of EUR 0.15 per share from the invested unrestricted equity fund, representing a payout ratio of 5.8% (5.9%).

Changes in the register of shareholders

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

Notifications of changes in shareholding

The company received two flagging notices in 2014. On 13 May 2014 CPPIBEH and Canada Pension Plan Investment Board notified the company that, if CPPIBEH would subscribe for the maximum amount it has undertaken to subscribe for in the directed share issue and the rights issue, including the shares to be potentially subscribed for pursuant to its underwriting commitment, its total holding would represent 16.7% of the shares and voting rights in Citycon provided that the share issues would be subscribed in full. On 9 June 2014

BIGGEST SHAREHOLDERS ON 31 DECEMBER 2014

Name	Number of shares	Percentage of shares and votes
CPP Investment Board European Holdings S.à.r.l.	88,999,262	15.00
Ilmarinen Mutual Pension Insurance Company	45,274,730	7.63
The State Pension Fund of Finland	3,800,000	0.64
Folketrygdfondet	2,868,617	0.48
Sijoitusrahasto Aktia Capital	2,328,674	0.39
ODIN Finland	2,305,646	0.39
Sijoitusrahasto Taaleritehdas Arvo Markka Osake	900,000	0.15
OP Pension Fund	800,000	0.13
Livråntestalten hereditas	735,000	0.12
OP-Finland Value Fund	690,748	0.12
10 biggest, total	148,702,677	25.06
Nominee-registered shares		
Danske Bank Plc	147,217,545	24.81
Nordea Bank Finland Plc	132,553,525	22.34
Skandinaviska Enskilda Banken AB (publ) Helsinki Branch	60,685,659	10.23
Evli Bank Plc	52,916,152	8.92
Euroclear Bank SA/NV	11,766,635	1.98
Other nominee-registered shares	3,409,301	0.57
Nominee-registered shares, total	408,548,817	68.86
Others	36,076,925	6.08
Shares, total	593,328,419	100.00

CPPIBEH and Canada Pension Plan Investment Board notified the company that CPPIBEH's holdings in Citycon represent approximately 15.0% of the total number of shares and voting rights in Citycon after the directed share issue.

Investor relations

The primary objective of Citycon's communication with capital market participants is to increase the company's appeal as an investment. The company aims to enhance investor-information transparency and improve the recognition of its

business and thus generate added value to its shareholders.

Citycon actively meets with investors both in and outside Finland. In addition, the company's representatives meet investors at conferences arranged by associations and banks, in broader public events and during asset tours to the company's shopping centres.

The company's key communication channel is the corporate website, which includes all financial reports, releases, presentations and other investor information.

Signatures to the financial statements

Signatures to the Financial Statements 1 January–31 December 2014

In Helsinki, on 10 February 2015

Chaim Katzman

Ronen Ashkenazi

Bernd Knobloch

Arnold de Haan

Kirsi Komi

Karine Ohana

Andrea Orlandi

Claes Ottosson

Per-Anders Ovin

Ariella Zochovitzky

Marcel Kokkeel
CEO

We have today submitted the report on the conducted audit.

In Helsinki, on 10 February 2015

Ernst & Young Oy
Authorized Public Accountants

Mikko Rytilahti
Authorized Public Accountant

Auditors' report

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, 2014. 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, 10 February 2015

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Ryttilahti
Authorized Public Accountant

Property list

Property	Address	Built in / renovated in	Citycon's GLA, sq.m.	Technical Occupancy rate, %, sq.m. ¹⁾	Economic Occupancy rate, %, EUR ¹⁾
FINLAND					
SHOPPING CENTRES, HELSINKI METROPOLITAN AREA					
1 Arabia			14,500	92.9	94.8
Helsingin Hämeentie 109-111 Koy	Hämeentie 109-111	00550 HELSINKI			
		1960/2002/2013			100
2 Columbus			21,000	97.2	97.7
Kauppakeskus Columbus Koy	Vuotie 45	00980 HELSINKI			
		1997/2007			100
3 Espoontori			16,300	95.9	95.8
Espoon Asemakuja 2 Koy	Asemakuja 2	02770 ESPOO			
		1991			100
Espoon Asematori Koy	Kamreerintie 5	02770 ESPOO			
		1989/2010			54
Espoontori Koy	Kamreerintie 3	02770 ESPOO			
		1987/2010			67
Espoontorin Pysäköintitalo Oy	Kamreerintie 1	02770 ESPOO			
		1987/2010			60
4 Heikintori			6,300	60.1	64.9
Heikintori Oy	Kauppamiehentie 1	02100 ESPOO			
		1968			69
5 Iso Omena			63,300	100.0	100.0
Big Apple Top Oy	Piispansilta 9	02230 ESPOO			
		2001/2012			100
Holding Metrokeskus Oy	Piispansilta 9	02230 ESPOO			
		under construction			50
New Big Apple Top Koy	Piispansilta 9	02230 ESPOO			
		under construction			50
Holding Big Apple Housing Oy	Piispansilta 9	02230 ESPOO			
		under construction			50
Espoon Big Apple Housing As Oy	Piispansilta 9	02230 ESPOO			
		under construction			50
6 Isomyyri			10,800	94.6	94.2
Myyrmäen Kauppakeskus Koy	Liesitori 1	01600 VANTAA			
		1987			74
Liesikujan Autopaikat Oy	Liesikuja 2	01600 VANTAA			
		1987			8
7 Lippulaiva			19,000	99.4	99.6
Lippulaiva Koy	Espoonlahdenkatu 4	02320 ESPOO			
		1993/2007			100
8 Martinlaakson Ostari			7,400	99.1	98.5
Martinlaakson Kivivuorentie 4 Koy	Kivivuorentie 4	01620 VANTAA			
		2011			100
9 Myllypuron Ostari			7,400	83.4	85.7
Kivensilmänkuja 1 Koy	Kivensilmänkuja 1	00920 HELSINKI			
		2011/2012			100
10 Myyrmanni			39,600	90.8	93.2
Myyrmanni Koy	Iskoskuja 3	01600 VANTAA			
		1994/2007/2011			100
Myyrmäen Autopaikoitus Oy	Iskoskuja 3	01600 VANTAA			
		1994			63
11 Tikkuri			13,010	91.2	91.1
Tikkurilan Kauppakeskus Koy	Asematie 4-10	01300 VANTAA			
		1984/1991			84
Asematie 3 Koy	Asematie 3	01300 VANTAA			
		1972			100
Tikkurilan Kassatalo As Oy	Asematie 1	01300 VANTAA			
		1956			42

Property	Address			Built in / renovated in	Holding, %	Citycon's GLA, sq.m.	Technical Occupancy rate, %, sq.m. ¹⁾	Economic Occupancy rate, %, EUR ¹⁾
SHOPPING CENTRES, OTHER AREAS IN FINLAND								
12 Duo						13,600	95.9	97.9
Hervannan Liikekeskus Oy	Insinöörinkatu 23	33720	TAMPERE	1979	83	5,200		
Tampereen Hermannin Koy	Pietilänkatu 2	33720	TAMPERE	2007	100	8,400		
13 Forum						16,800	93.7	95.6
Jyväskylän Forum Koy	Asemakatu 5	40100	JYVÄSKYLÄ	1953/1972/1980/1991/2010	100			
14 Galleria						6,400	86.7	90.8
Oulun Galleria Koy	Isokatu 23	90100	OULU	1987	100	3,400		
Oulun Isokatu 20 Koy	Isokatu 20	90100	OULU	1967/1993/1998	100	1,500		
Oulun Isokatu 22 Koy	Isokatu 22	90100	OULU	1967/1993/1998	100	1,500		
15 IsoKarhu						15,000	89.2	90.8
Kauppakeskus IsoKarhu Oy	Yrjönkatu 14	28100	PORI	1972/2001/2004/2014	100			
16 IsoKristiina						11,400	100.0	100.0
Lappeenrannan Villimiehen Vitonen Oy	Kaivokatu 5	53100	LAPPEENRANTA	1987/1993/2013-	50			
17 Jyväskeskus						5,900	91.7	93.9
Jyväskylän Kauppakatu 31 Koy	Kauppakatu 31	40100	JYVÄSKYLÄ	1955/1993	100			
18 Koskikeskus						34,300	96.6	98.6
Tampereen Koskikeskus Koy	Hatanpään valtatie 1	33100	TAMPERE	1988/1995/2012	100			
19 Linjuri						9,200	96.6	98.4
Linjurin Kauppakeskus Koy	Vilhonkatu 14	24100	SALO	1993/2007	89			
20 Sampokeskus						13,800	84.7	91.7
Rovaniemen Sampotalo	Maakuntakatu 29-31	96200	ROVANIEMI	1990	100	11,700		
Lintulankulma Koy	Rovakatu 28	96200	ROVANIEMI	1989/1990	100	2,100		
21 Trio						45,500	88.7	87.2
Lahden Hansa Koy	Kauppakatu 10	15140	LAHTI	1992/2010	100	10,900		
Lahden Trio Koy	Aleksanterinkatu 20	15140	LAHTI	1977/1985-1987/1992/2007	89	34,600		
Hansaparkki Koy	Kauppakatu 10	15140	LAHTI	1992	36			
OTHER RETAIL PROPERTIES, HELSINKI METROPOLITAN AREA								
1 Aseman Ostari						4,000	90.9	91.4
Kirkkonummen Liikekeskus Oy	Asematie 3	02400	KIRKKONUMMI	1991/2011	67			
2 Hakunilan Keskus						3,780	94.7	93.6
Hakucenter Koy	Laukkarinne 6	01200	VANTAA	1986	19	780		
Hakunilan Keskus Oy	Laukkarinne 4	01200	VANTAA	1982	41	3,000		
3 Kontulan Asemakeskus Koy	Keinulaudankuja 4	00940	HELSINKI	1988/2007	35	4,500	100.0	100.0
4 Länsi-Keskus Koy	Pihatörmä 1	02210	ESPOO	1989	41	7,900	91.5	93.3
5 Minkkikuja 4 Koy	Minkkikuja 4	01450	VANTAA	1989	100	2,300	100.0	100.0
6 Sampotori	Heikintori, Kauppamiehentie 1	02100	ESPOO	plot	100	50	100.0	100.0
7 Sinikalliontie 1 Koy	Sinikalliontie 1	02630	ESPOO	1964/1992/2014	100	15,400	90.3	94.8
8 Talvikkitie 7-9 Koy	Talvikkitie 7-9	01300	VANTAA	1989	100	9,700	99.5	99.4
9 Vantaan Säästöitalo Koy	Kielotie 20	01300	VANTAA	1983	61	3,800	96.7	98.3

PROPERTY LIST

Property	Address		Built in / renovated in		Holding, %	Citycon's GLA, sq.m.	Technical Occupancy rate, %, sq.m. ¹⁾	Economic Occupancy rate, %, EUR ¹⁾	
OTHER RETAIL PROPERTIES, OTHER AREAS IN FINLAND									
10	Kaarinan Liiketalo Koy	Oskarinkatu 5	20780	KAARINA	1979/1982	100	9,200	100.0	100.0
11	Karjaan Ratakatu 59 Koy	Ratakatu 59	10320	KARJAA	1993	100	3,100	100.0	100.0
12	Kotkan Keskuskatu 11 Koy	Keskuskatu 11	48100	KOTKA	1976	100	4,300	88.7	92.5
13	Kuopion Kauppakatu 41 Koy	Kauppakatu 41	70100	KUOPIO	1977	100	11,200	98.0	99.3
14	Lahden Kauppakatu 13 Koy	Kauppakatu 13	15140	LAHTI	1971	100	8,600	100.0	100.0
15	Lentolan Perusyhtiö Oy	Mäkirinteentie 4	36220	KANGASALA	2007	100	11,900	93.6	94.0
16	Lillinkulma Koy	Jännekatu 2-4	20760	PIISPANRISTI	2007	100	7,400	100.0	100.0
17	Orimattilan Markkinatalo Oy	Erkontie 3	16300	ORIMATTILA	1983	77	3,100	86.4	88.1
18	Porin Asema-aukio Koy	Satakunnankatu 23	28130	PORI	1957/1993	100	18,800	100.0	100.0
19	Porin Isolinnankatu 18 Koy	Isolinnankatu 18	28100	PORI	1986/2012	100	4,700	87.4	92.1
20	Puijonlaakson Palvelukeskus Koy	Sammakkolammentie 6	70200	KUOPIO	1971	31	1,500	100.0	100.0
21	Runeberginkatu 33 Koy	Runeberginkatu 33	06100	PORVOO	1988	100	6,300	100.0	100.0
22	Vaakalintu Koy	Keskuskatu 15	11100	RIIHIMÄKI	1980	96	5,900	88.3	92.5
23	Varkauden Relanderinkatu 30 Koy	Relanderinkatu 28-34	78200	VARKAUS	1990	100	8,200	100.0	100.0
44 FINLAND TOTAL							546,140	94.3	95.6
SWEDEN									
SHOPPING CENTRES, STOCKHOLM AREA AND UMEÅ									
1	Fruängen Centrum	Fruängsgången	12952	HÄGERSTERN	1965	100	14,800	99.5	99.8
2	Högdalen Centrum						19,300	93.8	95.0
	Citycon Högdalen Centrum AB	Högdalsgången 1-38	12454	BANDHAGEN	1959/1995	100			
3	Jakobsbergs Centrum						41,600	92.7	93.8
	Citycon Jakobsbergs Centrum AB	Tornérplatsen 30	17730	JÄRFALLA	1959/1993	100			
4	Liljeholmstorget Galleria						41,000	99.4	99.3
	Citycon Liljeholmstorget Galleria AB	Liljeholmstorget 7	11763	STOCKHOLM	1973/1986/2007/2008/2009	100			
5	Strömpilen						27,000	98.9	99.0
	Strömpilen AB	Strömpilsplatsen	90743	UMEÅ	1927/1997	100			
6	Tumba Centrum						25,500	95.5	97.1
	Citycon Tumba Centrumfastigheter AB	Tumba Torg 115	14730	BOTKYRKA	1954/2000	100			
7	Åkermyntan Centrum	Drivbänksvägen 1	16574	HÄSSELBY	1977/2012	100	10,200	94.3	96.4
8	Åkersberga Centrum						28,200	86.8	88.6
	Åkersberga Centrum AB	Storängstorget	18430	ÅKERSBERGA	1985/1995/1996/2010/2011	75			
SHOPPING CENTRES, GOTHENBURG AREA									
9	Stenungs Torg						40,700	94.6	96.1
	Stenungs Torg Fastighets AB	Östra Köpmansgatan 2-16, 18A-C	44430	STENUNGSUND	1967/1993/2014	100			

Property	Address	Built in / renovated in	Citycon's GLA, sq.m.	Technical Occupancy rate, %, sq.m. ¹⁾	Economic Occupancy rate, %, EUR ¹⁾	Holding, %			
OTHER RETAIL PROPERTIES, STOCKHOLM AREA AND UMEÅ									
1	Kallhäll	Skarprättarvägen 36-38	17677	JÄRFALLA	1991	100	3,700	66.1	74.5
2	Länken	Gräddvägen 1-2	90620	UMEÅ	1978/2004/2006	75	7,300	100.0	100.0
11 SWEDEN TOTAL							259,300	94.7	96.1
BALTIC COUNTRIES AND NEW BUSINESS									
ESTONIA, SHOPPING CENTRES									
1	Kristiine Keskus						43,700	99.7	99.6
	Kristiine Keskus Oü	Endla 45	10615	TALLINN	1999-2002/2010/2013	100			
2	Magistral						11,700	100.0	100.0
	Magistral Kaubanduskeskuse Oü	Sõpruse pst 201/203	13419	TALLINN	2000/2012	100			
3	Rocca al Mare						57,400	99.9	99.8
	Rocca al Mare Kaubanduskeskuse AS	Paldiski mnt 102	13522	TALLINN	1998/2000/2007-2009/2013	100			
DENMARK, SHOPPING CENTRES									
4	Albertslund Centrum						14,800	95.9	93.9
	Albertslund Centrum ApS	Stationstorvet 23	2620	ALBERTSLUND	1965	100			
4 BALTIC COUNTRIES AND NEW BUSINESS, TOTAL							127,600	99.4	99.3
59 TOTAL ALL							933,040	95.1	96.3
SHOPPING CENTRES OWNED THROUGH JOINT VENTURES									
1	Kista Galleria								
	Kista Galleria Kommanditbolag	Kista Galleria	16453	STOCKHOLM	1977/2002/2009/2014	50	95,200	99.0	99.7

1) Formulas are available on page 61.

Valuation statement 31 December 2014

1. Scope of Instructions

In accordance with our instructions as the External Valuer of Citycon Oyj ("Company"), we have carried out a fair valuation of the properties held within the Company's investment property portfolio as at 31 December 2014, to arrive at our opinion of Fair Value.

Fair value is defined by the International Accounting Standards Board (IASB) and IFRS 13 as:

"The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants on the measurement date."

The International Valuation Standards Board (IVSB) considers that definitions of Fair Value are generally consistent with Market Value and we confirm that the Fair Value reported is effectively the same as our opinion of Market Value.

We understand that this valuation is required for financial reporting and performance measurement purposes.

We confirm that our valuations are fully compliant with IFRS accounting standards and IVSC valuation standards and guidance. We also confirm that we have prepared our valuation as external valuers and that we have no involvement with the subscriber or the properties valued which is likely to cause a conflict of interest in our provision of this advice.

We carried out inspections of each of the properties during September–December 2011 when the property portfolio was evaluated by us for the first time. Properties added to the portfolio after the initial valuation have been inspected when added to the portfolio.

In addition, we have re-inspected 57 properties after the initial valuation. During Q4 2014 we have re-inspected seven properties in Finland (Iso Omena, Myyrmanni, Tikkuri, Minkkikuja 4, Sinikalliontie, IsoKristiina, Koskikeskus), one property in Sweden (Stenungs Torg) and all three properties in Estonia.

We have not measured the properties but have relied on the leasable areas supplied to us by the Company. We have not read copies of the leases or of other related documents, but have relied on the tenancy information provided by the Company, which reflects the latest available tenancy position.

The valuations were carried out by local JLL offices in Finland and Sweden. In Estonia and Denmark, we were supported in the delivery of our advice by local affiliates.

This report is addressed to and may be relied upon by the Company. It has no other purpose and should not be relied on by any other person or entity. No responsibility whatsoever is accepted on the part of any third party, other than those specified above and neither the whole of the Report, nor any part, nor references thereto, may be published in any document, statement or circular, nor in any communication with such third parties, without our prior written approval of the form and context in which it will appear.

2. Market overview

Finland

According to Statistics Finland the GDP growth in Q3 2014 was 0.2% compared to the previous quarter and 0.0% compared to Q3 2013. The forecasts for GDP growth for 2014 range from -0.1% to -0.5% and also the forecasts for 2015 are conservative varying

between +0.9% and -0.3%. Forecasts remain conservative due to weakening economic situation in Russia affecting the overall atmosphere in Finland. Investments and consumer spending are forecast to remain subdued or decrease thus domestic demand will not speed up growth.

Retail sales decreased, according to Statistics Finland's flash, by 4.9% in November (year-on-year). Sales volumes contracted respectively by 5.0%. Also the forecast for retail sales growth in 2014–2016 has been revised slightly down and stands now at 1.1% p.a. (Oxford Economics, October 2014). This development is mainly driven by decreasing consumer confidence, a persisting sluggish employment outlook and limited growth of purchasing power due to an increasing tax burden with stagnant salary growth.

Prime shopping centre rents decreased slightly compared to the previous quarter and year-on-year. The weak outlook for retail sales limits the rental growth potential and has made occupiers more cautious which has lengthened leasing negotiations and slowed down decision making. Also downsizing the coverage of store network has been seen among some retailers. This has narrowed down pool of possible occupiers in letting market. Particularly in secondary properties, in challenging locations inside the centre and in challenging local markets, this negative development has already been realised as lower rental levels and increasing vacancy rates. Prime rental forecast in 2015 assumes that rents stay unchanged.

Increased investment activity during the year 2014 can be seen clearly in retail transaction volumes. In 2014 the total retail

transaction volume was ca. 700 million euros when the volume in 2013 was ca. 490 million euros. Activity was picking up towards the end of year and peaked in Q4 as two of the year's top three transactions were made during the quarter. Citycon acquired GIC's 40% stake of Iso Omena and AXA Real Estate Managers sold a retail portfolio of 123 assets to joint venture between Trevian Asset Management and H.I.G. Capital. Demand for core assets remains strong, as equity rich investors keep looking for safe havens, but investors have also started to diversify their portfolios, both in terms of risk and geography, by looking for more value added and secondary opportunities. However, the uncertainty related to economic outlook keeps potential buyers still relatively cautious. Due to strong investment demand, shopping centre prime yields have moved in slightly during the year 2014 and are forecasted to stay stable during 2015.

Sweden

The Swedish economy continues to grow, although over the quarter GDP growth forecast for 2014 has been revised down marginally to 1.9% from 2.0% according to HUI. Consumer spending and business investment is driving GDP growth. Inflation is forecast to continue to be at very low levels in 2014. Weak economic growth in Sweden and other countries, as well as cost pressures from technology and production in low cost countries, has meant that inflation has been low over recent years. Low inflation expectations were the main reason that the Swedish Central Bank lowered the repo rate in the autumn from 0.25% to 0%. The current

forecast is that the repo rate will continue to be 0% until at least the end of 2015. Sweden, like many other European countries is struggling with a relatively high rate of unemployment. According to NIER (National Institution of Economic Research) the unemployment rate in 2013 reached 8% and is expected to have reduced nominally to 7.9% at the end of 2014 and will have reduced to 7.7% at the end of 2015, despite an increase in the number of working age.

Positive retail sales growth in Sweden has been assisted by factors such as low interest rates, low inflation and above average consumer confidence. The forecast from previous quarters of 3% growth for retail sales during 2014 has been revised up by HUI in the Q4 to 3.5%. Non-daily goods retail sales are forecast to outperform daily goods retail sales in 2014, HUI Research forecasts that non-daily goods are expected to grow by 4% in 2014 while daily goods growth is expected to be 2.5%. In 2014, furniture and electronic goods are the two retail sub-sectors that are likely to show the greatest growth in retail sales with +6% and +4.5% respectively. Building supplies and sport & leisure retail sales are expected to show the lowest retail growth with each at +2% for the year.

Prime shopping centre rents are increasing, the growth forecast for 2014 being approximately 2%. Competition limits real rental growth. Generally, prime retail rents will perform better than secondary retail rents in terms of growth.

The transaction volume of Swedish retail property for 2014 was approximately SEK 12 billion (excluding the transaction of properties in the Globen area of Stockholm which has

a mix of uses including retail) which compares with a transaction volume of SEK 12.7 billion in 2013. The largest transaction of 2014 was the retail portfolio containing 5 shopping centres which Steen & Ström sold to Olaf Thon for SEK 3.25 billion (SEK 26,423 / sqm). Prime shopping centre yields have lowered by 25 basis points quarter-on-quarter as well as year-on-year. The rumoured price and significant interest from investors for the regional shopping centre, Skärholmen Centrum in south Stockholm has contributed to this change.

Prime shopping centre yields increased significantly shortly after the financial crisis but in 2009 started to move in. Since 2012 the prime shopping centre yield has been stable but has hardened further during recent months. Yields for secondary shopping centres have not decreased to the same extent as prime yields; however, over the last year due to easier finance availability, limited supply of prime properties and decreased investors' risk aversion, there is increasing interest for this property class, although few such deals have occurred.

Estonia

According to Statistics Estonia, in Q3 GDP increased 0.4% quarter-on-quarter and 2.3% year-on year. Annual growth in manufacturing and in the retail sales volume index accelerated, indicating an increase in economic activity. The GDP growth was also positively influenced by increased receipts of value added tax. At the same time, the GDP growth was decelerated by a decrease in construction volumes and transportation activities. The Bank of Estonia expects that the GDP will increase 1.9% in 2014 and 2.1% in

2015 while sustainable growth over the long term is 3–4%. Estonian economic activity is restricted by the sluggish recovery in external demand and could be vulnerable to geopolitical tensions. However, the resilience of the Estonian economy to risks has improved because debt levels have lowered, there are fewer problem loans, and savings have increased.

Retail sales increased 5% year-on-year in November at constant prices. Sales increased in most economic activities while the sales via mail order or the Internet and in stores selling textiles, clothing and footwear increased the most. Since August, the retail sales growth has remained within a stable 5–6%. This has been driven by rising real incomes, which is partly due to higher average wages and partly due to negative inflation. The Bank of Estonia forecasts that private consumption growth will be 3.9% in 2015 and 3.6% in 2016 as the effect of the factors encouraging consumption growth will remain in the coming years. Consumer confidence is relatively high and in addition to low inflation helping to retain the real purchasing power of households, disposable income will increase as the income tax rate and the unemployment insurance rate are lowered and the basic exemption limit is raised.

Prime shopping centre rents remained more or less stable in Q4. Demand for large retail units is thin and rental rates for smaller units are already close to their potential level. Since most rents are completely or partially linked to consumer price inflation, rental growth is expected to remain flat in 2015.

The investment market has remained active as transaction volumes increased in

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Q4 with prime yields coming under downward pressure. Prime yields have somewhat decreased driven by low interest rate expectations and positive performance of the retail sector. While the usual range for attractive assets is 7.5–8.3%, there were few transactions recorded at a yield below 7.0%. The largest transaction in Q4 was the sale of Metro Plaza in Tallinn, a prime office building acquired by East Capital for EUR 21.8 million at a yield below 7% in October. The largest transaction in retail segment was carried out in December when Capital Mill acquired three Selve food stores (two in Tartu and one in Jõgeva) as a portfolio for EUR 11.54 million at a yield of 7.5%. The specific yield was affected positively by the pre-signed extension by anchor tenant. A slight yield compression can be expected to continue in 2015 due to shortage of investment grade properties and more active investment market.

Denmark

According to Statistics Denmark, the GDP growth in Q3 2014 was 0.5% compared to the previous quarter and 0.9% compared to Q3 2013. For year 2013 the total growth ended at 0.4%. For year 2014 forecasts are overall more positive, varying from 0.5% up to 1.5% growth. Exports and private consumption are expected to be the primary drivers to the growth in 2014 while public consumption and investments drove the growth in 2013.

While stable during second and third quarter, retail sales increased in the fourth quarter of 2014, and the total growth for the year is estimated at 2.2%. In both October and November, retail sales increased by 0.8%. This corresponds to increases of 3.0% and

0.8% compared to the same months in 2013, respectively. Total retail sales were up by 0.8% measured on both value and volume in October and up by 1.5% measured on value and up by 0.7% on volume in November. This is believed to be an effect of increasing real household income and the highest consumer confidence in years. Thus, private consumption is expected to increase in both 2015 and 2016 by 1.9% and 2.0% respectively.

Prime shopping centre rents have increased slightly throughout 2014 as consumers – and thereby retailers – continue to prefer attractive and well-assorted prime shopping. Outdated and non-optimised centres are in less demand. However, such centres, if well situated and with a strong catchment area, often have a substantial potential if subject to proper active asset management. Generally, prime and secondary shopping centre rents are expected to remain stable as private consumption growth – although positive due to real wage growth – is expected to remain at a moderate level.

Activity in the retail investment market has been significant again in Q4 2014. As in the previous quarter, international investors continue to demand prime retail properties, especially high street locations. Most significant transaction is German based Patrizia's acquisition of 10 properties in the Copenhagen city centre, containing a mix of retail and office units as well as a few residential units. The portfolio traded at 4.25% or DKK 1.21 billion. Having already acquired a number of Copenhagen properties earlier this year, Cordea Savills invested DKK 500 million at 4.5% in Frederiksberggade 40, containing

some 7,400 sqm of retail and office, located on the major shopping street close to the City Hall Square. Sinai Group invested in a secondary strip mall project close to the city of Helsingør north of Copenhagen. This is the second shopping centre for Sinai Group to invest in within the past 12 months. In addition to these two, in 2011 Sinai Group invested in a shopping centre west of Copenhagen.

3. Valuation Rationale

We have adopted a 10-year cash flow as the main valuation method. The model was provided by the Company. Cash flows are calculated based on information from existing lease agreements. For the period after the expiry of these agreements, our market evaluation of the estimated rental value (ERV) replaces the contract rent.

Potential Gross Rental Income equals leased space with respect to contract rents and vacant space with respect to ERV. Deducting both the ERV for the void period between the expired contract and assumed new contract, and the assumed general vacancy level after the start of the assumed new lease, results in the Effective Gross Rental Income. Effective Gross Rental Income less operating expenses (including repairs and tenant improvements) equals the Net Operating Income (NOI). NOI less any capital expenditure equals the bottom-level cash flow that has been discounted to reach the income stream's present value.

The residual value at the end of the 10-year cash flow period is calculated by using the exit yield to capitalise the 11th year bottom-level cash flow. The value of the property is calculated as the sum of the

annually discounted net income stream, the discounted residual value at the end of the calculation period and any other assets increasing the value (e.g. unused usable building right).

Development projects are included in the valuation of the portfolio in line with information received from representatives of the Company. Adopting the applied valuation model, future rental income is based on finalised rental agreements and rental projections for the valued development project. Correspondingly, the development period is considered as a period when premises generate no/limited income and when uncommitted investments are included in the cost side of the valuation model, as a value reducing factor. Thus, the value of a development project increases automatically as investments are committed and the opening day of the renewed premises approaches.

4. Valuation Property Portfolio

At the end of December 2014, Citycon owned 60 properties (including Kista Galleria). This valuation statement includes all properties except Kista Galleria which is valued separately. The property portfolio under valuation consists mainly of retail properties, of which 44 are located in Finland, 11 in Sweden, three in Estonia and one in Denmark. The core of the portfolio consists of 34 shopping centre properties, which comprise 84% of the portfolio's leasable area and represent most of its value. The rest of the property portfolio consists of other retail properties such as supermarkets and shops.

The total fair value of the portfolio in Q4 2014 was approximately EUR 2,763 million. Compared to Q3 2014 the fair value increased by EUR 29.2 million i.e. 1.1% when excluding the divested properties (Mandarinas, Vantaan Laajavuorenkuja, Pihlajanmäen Liiketalo, Salpausseläntie 11, Asolantien Liikekiinteistö, Forssan Hämeentie 3 and Kuusankosken Kauppakatu). This increase is mainly driven by committed investments, revision of yields and the positive development of prime shopping centre rents. The weighted average yield requirement of the portfolio decreased by 20bps compared to Q4 2013, being 6.1%.

Citycon's portfolio includes a few relatively valuable properties compared to the rest of the portfolio. This means that weighted averages are highly influenced by the changes in these properties. Iso Omena (located in Finland) is the most valuable property in the portfolio under valuation.

Properties in Finland

The fair value of the Finnish portfolio is €1,706 million and it increased by €26 million from Q3 2014 when excluding disposed properties (Vantaan Laajavuorenkuja, Pihlajanmäen Liiketalo, Salpausseläntie 11, Asolantien Liikekiinteistö, Forssan Hämeentie 3 and Kuusankosken Kauppakatu). Compared to the previous quarter, the weighted average yield requirement (6.1%), the weighted reversionary yield (6.5%) and the weighted initial yield (6.1%) have remained unchanged. The change in the value of the Finnish portfolio is driven by committed investments and revised yields. In two properties yield has been revised due to changes in the property and in one property due to the market situation. In most of the properties,

market rents have been adjusted to reflect the changes in the local market.

Properties in Sweden

The fair value of the Swedish portfolio is €707 million, meaning that the portfolio's value has decreased by 0.4% since Q3 2014. The decrease in the value of the portfolio is entirely due to the weakening of the Swedish Crown and excluding this the value of the properties increased by €15.9 million (2.3%) due to revised yields, committed investments and positive development of rents. The weighted average yield requirement (5.7%), the weighted average reversionary yield (6.3%) have decreased by 10bps from the previous quarter. The weighted average initial yield (5.8%) has remained unchanged. In seven properties the yield has been moved in due to enhancement in the property and the market situation. In every property the market rents have been adjusted to reflect the changes in the local market.

Properties in Baltic countries and Denmark

The fair value of the Baltic countries and Denmark property portfolio is €349 million when excluding disposed property (Mandarinas). Compared to the Q3 2014 value, this represents a 1.7% increase in value. The increase in value is mainly driven by the revised yield in two properties (in Estonia due to improved market conditions). The weighted average yield requirement of the portfolio has decreased by 10bps compared to previous quarter, being 7.2%. The weighted average initial yield standing at 7.6% and the weighted average reversionary yield standing at 7.3% have decreased by 20bps. In every property

there has been very slight upwards movement in market rents and in two properties expenses have been checked according to actuals.

5. Sensitivity Analysis

A sensitivity analysis of the portfolio's fair value was carried out by creating a summary cash flow based on individual cash flow calculations. Changes in fair value were tested by modifying the key input parameters of the calculations. The parameters tested were yield requirement, estimated rental value and operating expenses. The current fair value of the properties was used as a starting point for the analysis, which was performed by changing one parameter at a time while all others remain unchanged and then calculating the corresponding fair value of the total portfolio. The sensitivity analysis is a simplified model intended to support the understanding of the value effect of different parameters on the valuation.

The value of the portfolio is most sensitive to the changes in estimated rental value and yield requirement. A 10% increase in estimated rental value leads to change of around 13% in value, while a 10% fall in the yield requirement causes an increase of around 11% in value. Changes in expenses have a more modest effect on the value than other parameters.

6. Fair Value as at 31 December 2014

We are of the opinion that the aggregate of the Fair Values, free of liabilities and debt, of the properties in the subject portfolio as at 31 December 2014, is ca. EUR 2,763,000,000 (Two Thousand Seven Hundred and Sixty-Three Million Euros).

In Helsinki and Stockholm 23rd of January 2015

Yours faithfully

Tero Lehtonen
Director
For and on behalf of
Jones Lang LaSalle Finland Oy

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