INFORMATION TO SHAREHOLDERS

LISTING OF CITYCON'S SHARES

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

ANNUAL GENERAL MEETING

Citycon Oyj's Annual General Meeting will be held in Helsinki, in the Finlandia Hall (Veranda 4 Hall) on 22 March 2017 at 12:00 noon. The notice, issues discussed in the meeting, proposals made for the Annual General Meeting, as well as the instructions on how to register can be found on Citycon's website. Shareholders wishing to attend the meeting must be registered in Citycon's shareholder register at Euroclear Finland Ltd. on the record date.

CHANGES OF ADDRESS

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

PUBLICATION OF FINANCIAL INFORMATION

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

SUBSCRIPTION TO PUBLICATIONS

Subscription to Citycon's financial disclosure and press releases can be ordered by registrating an e-mail address on Citycon's website at **www.citycon.com/newsroom**.

Payment of dividends

The Board of Directors proposes that the Board of Directors be authorized to decide in its discretion on the distribution of dividend for the financial year 2016, and assets from the invested unrestricted equity fund.

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

FINANCIAL CALENDAR 2017

Financial Statements Bulletin and Financial Statements 2016	**9 February**
Interim Report January – March 2017	**20 April**
Interim Report January – June 2017	**13 July**
Interim Report January – September 2017	**19 October**
AGM record date	**10 March**
Last day for AGM registration	**17 March**
AGM	**22 March**
Dividend payment/asset distribution[1]	**31 March** **30 June** **29 September** **29 December**

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

More information: Shares and shareholders, page 75

CONTENTS

ABOUT THIS REPORT

The structure of the consolidated financial statements of Citycon was changed in 2016 to better reflect and clarify the overall picture of the Citycon Group's business operations and financial position on the reporting date.

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

The accounting principles have been marked with grey background.

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

CFO Eero Sihvonen comments on significant items during the reporting period.

HOW TO READ CITYCON'S ANNUAL REPORT 2016

Citycon's Annual Report 2016 consists of four parts. To read all the parts, please visit **www.citycon.com/annual-reports**

01 Annual Review*

02 Sustainability Accounts*

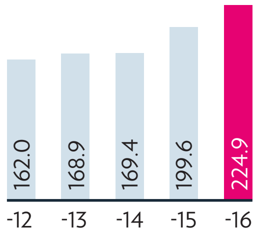
03 Corporate Governance Statement

04 Financial Statements

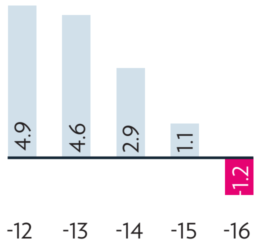
* To be published week 8

KEY FIGURES

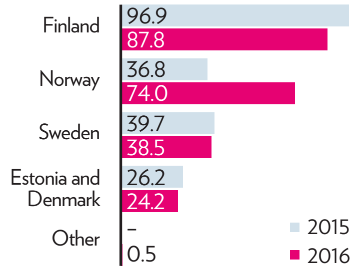
NET RENTAL INCOME
MEUR



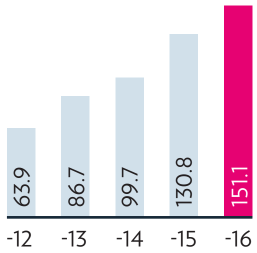
LIKE-FOR-LIKE NET RENTAL INCOME GROWTH
%



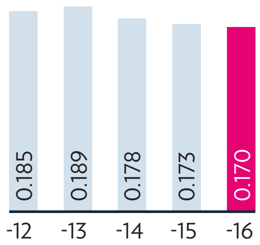
NET RENTAL INCOME BY SEGMENTS
MEUR



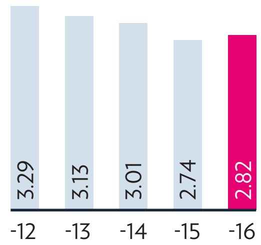
EPRA EARNINGS
MEUR



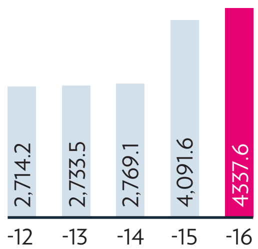
EPRA EARNINGS PER SHARE (BASIC)
EUR



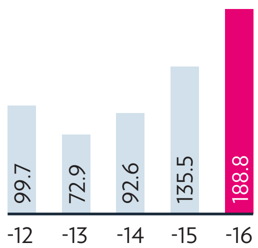
EPRA NAV PER SHARE
EUR



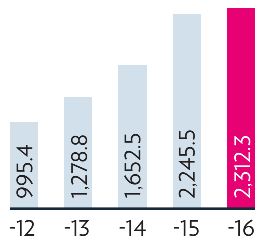
INVESTMENT PROPERTIES
MEUR



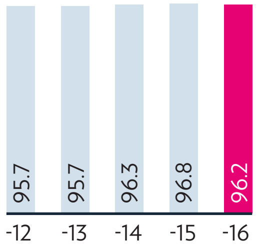
INVESTMENTS IN PROPERTIES
MEUR



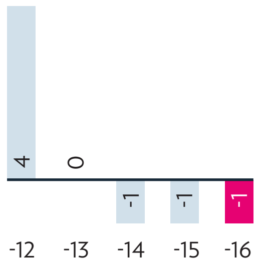
EQUITY
MEUR



OCCUPANCY RATE (ECONOMIC)
%

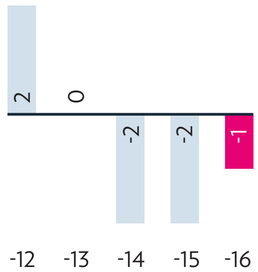


LIKE-FOR-LIKE SALES GROWTH[1)]
%

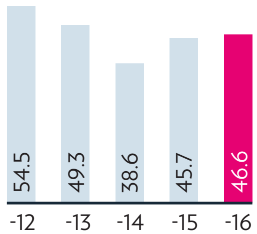


1) Sales figures exclude VAT.

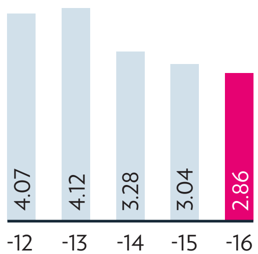
LIKE-FOR-LIKE FOOTFALL GROWTH
%



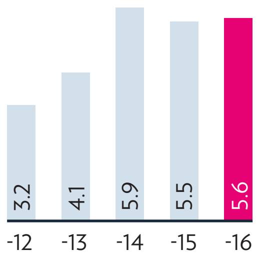
LOAN TO VALUE
%



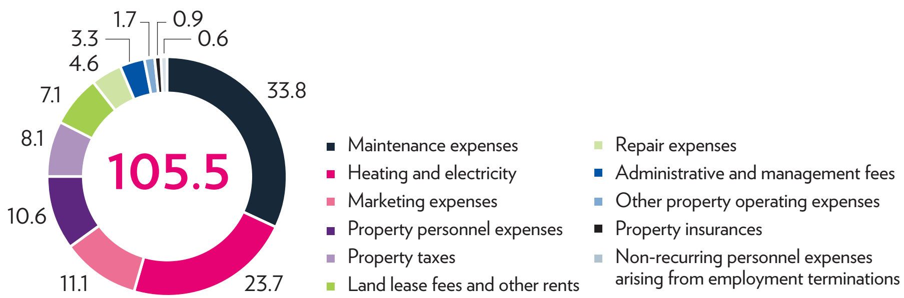
WEIGHTED AVERAGE INTEREST RATE, INCL. INTEREST RATE SWAPS
%



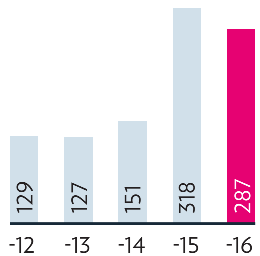
AVERAGE LOAN MATURITY
years



OPERATING EXPENSES 2016
MEUR



PERSONNEL
(at the end of the period)



REPORT BY THE BOARD OF DIRECTORS

Citycon's financial performance during 2016 was stable with EPRA Earnings per share close to last year's level despite an 18% increase in the average number of shares. This was supported by successful cost management as well as strong performance in Sweden and Norway which compensated for a weaker market in Finland. During the first full year of operations the Norwegian business delivered strong like-for-like net rental income growth of 3.6%. During the year Citycon focused on enhancing the quality and composition of its portfolio. Citycon divested non-core assets for EUR 120 million, acquired an asset in Bergen for EUR 78 million enabling extension of the adjacent shopping centre, and invested approximately EUR 230 million in (re) developments, including Iso Omena and Mölndal Galleria. The high level of (re)development activities put some pressure on earnings during the year; however, the quality of earnings continued to increase. Citycon's financing position remained strong which was demonstrated by the successful 10-year Eurobond issued in September at a fixed 1.25% coupon.

MAIN EVENTS IN 2016

- On 15 January Moody's upgraded Citycon's investment grade level long-term corporate credit rating to Baa1. The previous rating was Baa2 with a stable outlook.
- In March, Citycon launched an extensive project to introduce BREAAM In-Use certification for its shopping centres. At the end of the year, the BREEAM In-Use certified properties represented 74% of Citycon's portfolio measured by value.
- In April, Citycon made a decision to invest in the Lippulaiva shopping centre development project in the Helsinki area. The plan is to demolish the current shopping centre and build a completely new shopping centre above the new metro station. Citycon's total investment in the project will be around EUR 200 million.
- The first phase of shopping centre Iso Omena's extension, covering 27,000 sq.m. , was opened on 11 August. The grand opening of the second phase will be in April 2017.
- Citycon placed a EUR 350 million 10-year Eurobond on 30 August at a fixed 1.25% coupon. The bond offering was oversubscribed and allocated to a broad base of European investors.
- Citycon signed an agreement to acquire an office building adjacent to the Oasen shopping centre in Bergen for EUR 78 million. The acquisition was closed after the reporting period.
- Citycon continued implementing its divestment strategy by selling non-core properties for approximately EUR 125 million. The divestment of retail property Länken was closed after the reporting period.

BUSINESS ENVIRONMENT KEY FIGURES

%	Finland	Norway	Sweden	Estonia	Denmark	Euro area
GDP growth forecast for 2016	0.8	0.7	3.4	1.1	1.0	1.7
GDP growth forecast for 2017	0.8	1.6	2.4	2.3	1.7	1.5
Unemployment, December 2016	8.7	4.7	6.9	6.7	6.2	9.6
Retail sales growth, Jan-Dec 2016	0.7	2.9	3.3	3.0	-0.1	1.1

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

BUSINESS ENVIRONMENT

There were no major changes in Citycon's macroeconomic environment during 2016. According to the European Commission (forecast), GDP growth in 2016 was 1.7% in the Euro area. Citycon's operating countries are still on diverging courses: the business environment in Norway, Sweden, Estonia and Denmark remains strong or relatively strong, while the Finnish economy is still showing weaker growth.

In 2017, the European Commission forecasts Euro area GDP growth to reach 1.5%. GDP growth will be stronger than Euro area average in all Citycon's operating countries apart from Finland where the growth is forecast to be 0.8%. In Finland the GDP growth will remain modest for a few years, although the trend is positive. Overall the GDP growth is expected to gradually converge in Citycon's operating countries.

The unemployment increased slightly in Denmark and Estonia during 2016, but decreased in Finland and Sweden. In Norway the unemployment was only at 4.7%. The unemployment rates in all of Citycon's operating countries remained below the Euro area average (9.6%). Retail sales growth has been strong in Sweden, Estonia and Norway, positive in Finland and slightly negative in Denmark. (Source: Statistics Finland/Norway/Sweden/Estonia/ Denmark).

In Sweden and Finland the consumer confidence levels during 2016 have continued a positive trend. The consumer confidence in Estonia and on average in the Euro area is still negative. (Source: Eurostat) Consumer prices have increased in all of Citycon's operating countries during 2016, and also in the Euro area generally. (Source: Statistics Finland/Norway/Sweden/Estonia/Denmark).

In Finland, prime shopping centre rents have decreased compared to the previous year and are forecast to remain stable or increase slightly in 2017. In Norway, prime rents are forecast to remain unchanged. In Sweden, prime shopping centre rents have increased during the year while in Estonia rents have decreased and the downward pressure is expected to continue due to intensifying competition. (Source: JLL)

In Finland, the demand for core properties remains strong and the demand for secondary properties has also been evident. In Norway, the investment demand continues to exceed the supply and the market is expected to remain active in 2017. In Sweden, the prime shopping centre yields have moved in and stabilised during the last year. In Estonia, prime yields are expected to continue decreasing. (Source: JLL)

FINANCIAL PERFORMANCE 2016

- Gross rental income increased to EUR 251.4 million (Q1–Q4/2015: 223.9) mainly due to the acquisition of the Norwegian business unit. Gross rental income of Citycon's Norwegian operations amounted to EUR 85.3 million (43.0). The acquisition also increased net rental income by EUR 37.2 million, which amounted to EUR 224.9 million (199.6).
- EPRA Earnings increased by EUR 20.3 million, or 15.5%, to EUR 151.1 million, especially due to the Norwegian acquisition. EPRA Earnings per share (basic) decreased slightly to EUR 0.170 (0.173) due to the higher number of shares.
- Earnings per share (basic) increased to EUR 0.18 (0.14). The increase was mainly a result of higher fair value gains and gains on sale as well as lower administrative expenses.
- Net cash from operating activities per share stayed at the same level at EUR 0.15 (0.15).
- The Board of Directors proposes that the Board be authorized to decide in its discretion on the distribution of dividend for the financial year 2016, and assets from the invested unrestricted equity fund. Based on this authorization the maximum amount of dividend to be distributed shall not exceed EUR 0.01 per share and the maximum amount of equity repayment distributed from the invested unrestricted equity fund shall not exceed EUR 0.12 per share. The dividend/equity repayment would be paid to shareholders in four instalments.

NET RENTAL INCOME GROWTH DRIVEN BY THE ACQUISITION OF NORWEGIAN OPERATIONS

Citycon's net rental income increased by 12.7% and was EUR 224.9 million (199.6). The increase was mainly attributable to the acquisition of the Norwegian operations, which contributed to Citycon's net rental income growth by EUR 37.2 million. The acquisition more than offset the impact of divestments, as divestments lowered net rental income by EUR 13.0 million. Ongoing and completed (re)development projects increased net rental income by a total of EUR 1.3 million.

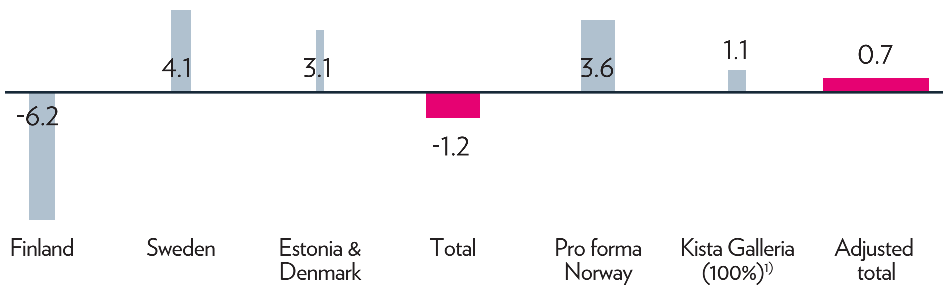
The like-for-like net rental income growth including the like-for-like performance for the Norwegian operations and Kista Galleria (100%) was 0.7%. Citycon's standard like-for-like portfolio definition, based on EPRA's recommendations, does not include Norway and Kista Galleria and represents only 34.6% of the total portfolio at period end. For the standard

KEY FIGURES

		2016	2015	%[1]
Net rental income	MEUR	224.9	199.6	12.7
Direct Operating profit[2]	MEUR	198.5	175.4	13.2
Earnings per share (basic)	EUR	0.18	0.14	25.2
Fair value of investment properties	MEUR	4,337.6	4,091.6	6.0
Loan to Value (LTV)[2]	%	46.6	45.7	1.9
EPRA based key figures[2]				
EPRA Earnings	MEUR	151.1	130.8	15.5
EPRA Earnings per share (basic)	EUR	0.170	0.173	-1.9
EPRA NAV per share	EUR	2.82	2.74	3.2

1) Change from previous year. Change-% is calculated from exact figures.
2) Citycon presents alternative performance measures according to the European Securities and Markets Authority (ESMA) new guidelines. More information is presented in Basis of Preparation and Accounting Policies in the notes to the accounts.

LIKE-FOR-LIKE NET RENTAL INCOME GROWTH
%



The width of each column refers to the weight of the business unit in the like-for-like portfolio.
1) Citycon's ownership in Kista Galleria is 50%, but management follows it as if it was fully consolidated. The adjusted total including Kista Galleria 50% would be 0.6%.

NET RENTAL INCOME

Net rental income							Gross rental income
MEUR	Finland	Norway	Sweden	Estonia and Denmark	Other	Total	Total
Q1-Q4/2015	96.9	36.8	39.7	26.2	-	199.6	223.9
Acquisitions	0.6	38.6	-	0.2	-	39.3	44.4
(Re)development projects	2.1	-	0.3	-1.1	-	1.3	2.3
Divestments	-9.1	-	-2.4	-1.5	-	-13.0	-15.1
Like-for-like properties[1]	-2.8	-	1.3	0.4	-	-1.1	-1.9
Other (incl. exchange rate differences)	0.0	-1.4	-0.5	-	0.5	-1.3	-2.2
Q1-Q4/2016	87.8	74.0	38.5	24.2	0.5	224.9	251.4

1) Like-for-like properties are properties held by Citycon throughout two full preceding periods. Therefore, the Norwegian properties are not included in the like-for-like figures. Like-for-like properties exclude also properties under (re)development or extension and undeveloped lots.

like-for-like portfolio, gross rental income decreased by EUR 1.9 million, or 1.9%, and net rental income decreased respectively by EUR 1.1 million, or 1.2%. Like-for-like property operating expenses were 3.4% lower than the previous year, the decrease deriving from strict cost management.

Citycon's net rental income from Finnish operations decreased by 9.4% compared to the previous year and totalled EUR 87.8 million (96.9). This was mainly a result of divestments of non-core assets in 2015 and 2016, which lowered net rental income by EUR 9.1 million. In addition, net rental income for the like-for-like portfolio decreased by EUR 2.8 million, or 6.2%, mainly due to the challenging retail environment in Finland. On the contrary, ongoing and completed (re) development projects (e.g. IsoKristiina and Iso Omena) increased net rental income by EUR 2.1 million.

Citycon's **Norwegian** operations contributed to the result in 2016 by a gross rental income of EUR 85.3 million and net rental income of EUR 74.0 million, in line with our expectations. All the Norwegian properties are included in the acquisition portfolio until held by Citycon throughout two full preceding reporting periods.

The company's net rental income from **Swedish** operations decreased by 3.2% to EUR 38.5 million (39.7) mainly due to divestments executed in 2015. For the like-for-like portfolio, net rental income increased by EUR 1.3 million, or 4.1%, mainly due to new and renegotiated lease agreements especially in Liljeholmstorget Galleria.

Net rental income from the **Estonian** and **Danish** operations decreased by 7.5% compared to the previous year and came to EUR 24.2 million (26.2). This was mainly due to the start of a refurbishment project in Kristiine and the divestment of shopping centre Magistral, which decreased net rental income by EUR 1.5 million in total. Like-for-like properties increased net rental income by EUR 0.4 million, or 3.1%, which mainly resulted from the better rental levels, lower vacancy and lower credit losses in Rocca al Mare.

OCCUPANCY RATE REMAINS AT A HIGH LEVEL OF 96.2%

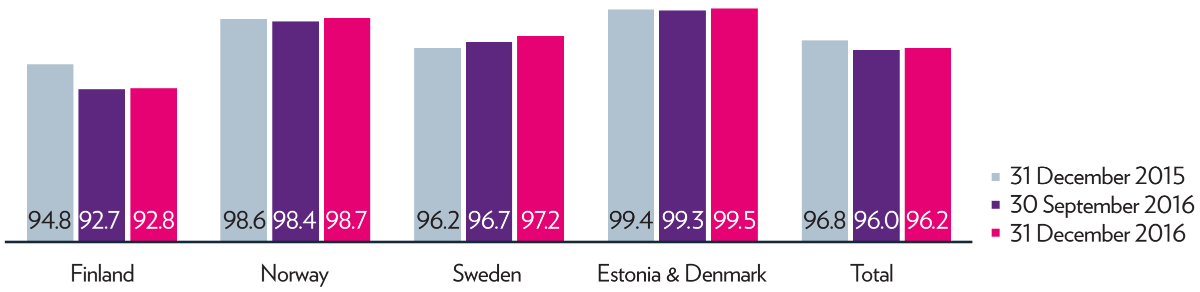
The economic occupancy rate for Citycon's property portfolio increased by 20 bps during the last quarter of 2016 due to an increase in all business units, but especially in Sweden. Occupancy rate in Finland increased even though former Anttila's premises were vacated during the fourth quarter of the year. The increase was due to signed leases in larger shopping centres.

Total sales in Citycon's shopping centres increased by 2% and footfall by 1% compared to the corresponding period of the previous year. The increase in sales was mostly due to completed (re)development projects. Total sales in Norway increased by 2% while footfall decreased by 2%, mostly due to a closed grocery store in a property which will be refurbished.

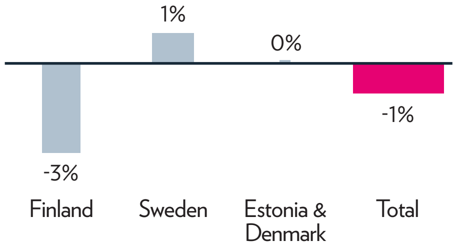
At period-end, Citycon had a total of 4,230 (4,214) leases, of which the average remaining length was 3.3 (3.3) years.

The average rent per sq.m. for the Citycon portfolio increased during 2016 to EUR 22.8 (22.2) mostly due to started leases relating to the Iso Omena (re)development and property divestments. The challenging retail environment in Finland and increased competition in Estonia resulted in a negative annual leasing spread of -3.1% for renewals and re-lettings. Including Kista Galleria (100%), the leasing spread for renewals and re-lettings was -2.0%. The Anttila lease, renewed during the first quarter of the year, is excluded due to the tenant's bankruptcy.

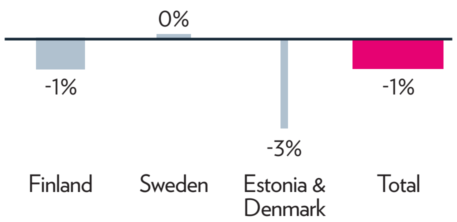
ECONOMIC OCCUPANCY RATE
%



LIKE-FOR-LIKE SHOPPING CENTRE SALES[1)]
2016 vs 2015, %



LIKE-FOR-LIKE SHOPPING CENTRE FOOTFALL[1)]
2016 vs 2015, %



The width of each column is weighted by the sales or footfall of the business unit.
1) Sales and footfall figures include estimates. Sales figures exclude VAT.

LEASE PORTFOLIO SUMMARY

		31 December 2016	31 December 2015
Number of leases	pcs	4,230	4,214
Average rent[1)]	EUR/sq.m.	22.8	22.2
Finland	EUR/sq.m.	26.2	24.1
Norway	EUR/sq.m.	21.4	21.5
Sweden[1)]	EUR/sq.m.	20.6	21.0
Estonia and Denmark	EUR/sq.m.	20.5	20.4
Average remaining length of lease portfolio	years	3.3	3.3
Occupancy cost ratio[2)]	%	8.5	9.0

1) Comparison figures harmonised in Sweden.
2) The rolling twelve month occupancy cost ratio for like-for-like shopping centres.

ANNUALISED POTENTIAL RENTAL VALUE[1)]

MEUR	31 December 2016	31 December 2015
Finland	138.4	136.3
Norway[2)]	114.0	101.9
Sweden[2)]	56.9	57.3
Estonia and Denmark	29.4	31.9
Total	338.6	327.4

1) Includes annualised base rent and maintenance charge based on valid rent roll at the end of the period, market rent of vacant premises and rental income from turnover based contracts (estimate) and possible other rental income.
2) Comparison figures harmonised.

LEASING ACTIVITY

		31 December 2016	31 December 2015
Number of leases started during the period	pcs	1,104	895
Total area of leases started[1)]	sq.m.	260,229	173,301
Average rent of leases started[1)]	EUR/sq.m.	21.9	23.2
Number of leases ended during the period	pcs	1,062	1,114
Total area of leases ended[1)]	sq.m.	302,086	278,984
Average rent of leases ended[1)]	EUR/sq.m.	20.8	20.1
Leasing spread, renewals and re-lettings	%	-3.1	-

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

NET RENTAL YIELD[1)]

%	31 December 2016	31 December 2015
Finland	5.2	5.8
Norway[2)]	5.2	2.7
Sweden	5.3	5.6
Estonia and Denmark	7.3	7.6
Average	5.4	5.9

1) Based on the net rental income from 12 months period divided by the fair value of investment properties. Includes the value of unused building rights.
2) Net rental yield 2.7% at the end of the year 2015 is based on the net rental income from 6 months period divided by the fair value of investment properties.

ACQUISITION OF NORWEGIAN OPERATIONS SUPPORTED EPRA EARNINGS GROWTH

Administrative expenses totalled EUR 28.2 million (34.5). The decrease of EUR 6.4 million was mainly driven by the transaction costs during the comparable period arising from the acquisition of the Norwegian operations as well as from the tight cost control. A cost savings programme decreased the headcount during 2016. At the end of December, Citycon Group employed a total of 272 (297) full-time employees (FTEs), of whom 78 worked in Finland, 132 in Norway, 50 in Sweden, 8 in Estonia, 3 in the Netherlands and 1 in Denmark.

In all, Citycon Group paid EUR 23.2 million (21.7) in salaries and other remuneration, of which the Group's CEO's salaries and other remuneration consisted of EUR 0.9 million (0.9) and the equivalent figure for the Board of Directors accounted for EUR 0.7 million (0.8). The parent company paid out, in total, EUR 6.8 million (6.0) in salaries and other remuneration, of which the CEO's salary and other compensation accounted for EUR 0.7 million (0.7) and those of the Board of Directors came to EUR 0.7 million (0.8).

Operating profit came to EUR 224.4 million (148.9), being higher than in the previous year due to the higher fair value gains, gains on sale and the acquisition of the Norwegian operations.

Net financial expenses year-to-date increased by EUR 5.3 million compared to the corresponding period last year to EUR 57.7 million (52.3) despite a lower average interest rate, due to the acquisition of the Norwegian operations and the resulting higher debt level.

Share of profit of joint ventures totalled EUR 14.8 million (19.4). The decrease came mainly from lower fair value gain in Kista Galleria and in four properties in Norway, in which Citycon has an ownership of20%.

Profit for the period came to EUR 161.3 million (110.4). The increase was mainly a result of higher fair value gains and gains on sale.

PROPERTY PORTFOLIO INCREASED IN VALUE

The fair value of investment properties increased by EUR 246.0 million to EUR 4,337.6 million (31 December 2015: 4,091.6). Acquisitions (joint venture partner NCC's buy-out in Iso Omena extension project) and investments increased the value of properties by EUR 275.9 million, while the divestments of shopping centre Magistral and Finnish property portfolio decreased the fair value by EUR 94.2 million. Three properties in Norway, one in Sweden and one in Finland, a total of EUR 81.3 million, was moved to investment properties held for sale. Changes in exchange rates increased value of properties by EUR 47.7 million, and fair value gains were EUR 25.9 million.

The fair value change of investment properties amounted to EUR 25.9 million (7.3). The company recorded a total value increase of EUR 100.9 million (77.7) and a total value decrease of EUR 74.9 million (70.3).

Jones Lang LaSalle's (JLL) Valuation Statement for the period-end is available on Citycon's website.

PERSONNEL KEY FIGURES

		2016	2015	2014
Average number of personnel		306	232	145
Salaries and other remuneration	EUR million	23.2	21.7	12.2

PROPERTY PORTFOLIO SUMMARY

31 December 2016	No. of properties	Gross leasable area	Fair value, MEUR	Portfolio, %	Weighted average yield requirement, %	Weighted average market rents, EUR/sq.m./mo
Shopping centres, Finland	20	418,340	1,756.4	40	-	-
Other retail properties, Finland[1]	4	27,150	75.3	2	-	-
Finland, total	24	445,490	1,831.7	42	5.6	29.8
Shopping centres, Norway[1]	20	415,700	1,412.8	33	-	-
Rented shopping centres, Norway[2]	2	18,200	-	-	-	-
Norway, total	22	433,900	1,412.8	33	5.3	22.9
Shopping centres, Sweden[3]	8	215,100	753.2	17	-	-
Other retail properties, Sweden[1]	1	11,600	-	-	-	-
Sweden, total	9	226,700	753.2	17	5.2	26.3
Shopping centres, Estonia and Denmark	3	119,600	339.9	8	-	-
Estonia and Denmark, total	3	119,600	339.9	8	6.7	20.1
Shopping centres, total	53	1,186,940	4,262.3	98	-	-
Other retail properties, total	5	38,750	75.3	2	-	-
Total	58	1,225,690	4,337.6	100	5.5	26.1

1) Fair value of investment properties does not include properties held for sale.
2) Value of rented properties is recognised within intangible rights based on IFRS rules.
3) Excludes Kista Galleria.

FAIR VALUE CHANGES

MEUR	Q4/2016	Q4/2015	2016	2015
Finland	-18.3	-11.7	-33.2	-37.1
Norway	-5.0	0.2	19.8	0.2
Sweden	10.5	12.6	39.7	39.6
Estonia and Denmark	0.3	-0.9	-0.4	4.7
Total	-12.5	0.2	25.9	7.3

ACTIVE RECYCLING OF CAPITAL

During the last quarter, Citycon signed an agreement to acquire an office building adjacent to the Oasen shopping centre in Bergen for EUR 78 million and to divest retail property Länken in Umeå for EUR 24 million. These transactions were closed after the reporting period.

During the year, Citycon has continued implementing its divestment strategy. Since the publication of its strategy update in July 2011, the company has divested 49 non-core properties and four residential portfolios for a total value of EUR 350 million. Citycon aims to divest an additional EUR 200-250 million of non-core assets, mainly in Finland and Norway, within the coming 1-2 years.

(RE)DEVELOPMENT PROJECTS PROGRESSED – THE OPENING OF ISO OMENA'S FIRST PHASE WAS A SUCCESS

At the end of the reporting period, the company had two major (re)development projects underway: the extension and (re)development of Iso Omena in the Helsinki area and the Mölndal Galleria project in Gothenburg.

The first phase of Iso Omena's extension was opened successfully in August. The footfall and sales of Iso Omena have increased by approximately 30% after the opening. The second phase comprises an additional 13,000 square metres of gross leasable area and the grand opening will be in April 2017. The leasing rate for the whole Iso Omena, including the unfinished second phase of the extension, increased to 95% during the last quarter.

The tenant demand for the new Mölndal Galleria shopping centre has been strong and pre-leasing was 65% at the end of the period. Citycon will purchase joint venture partner NCC's 50% share after the project is completed.

In addition to the (re)development projects listed below, Citycon has several ongoing refurbishments in e.g. Myyrmanni, Kristiine, Buskerud Storsenter and Down Town.

Further information on the company's completed, ongoing and planned (re)developments can be found on pages 89–90 in the Financial Statements.

ACQUISITIONS AND DIVESTMENTS 2016

		Location	Date	Gross leasable area, sq.m.	Price, MEUR
Acquisitions					
Iso Omena, extension	50% stake of the extension (phase[1]	Helsinki area, Finland	11 August	-	81.5
Acquisitions, total					81.5
Divestments					
Magistral	Shopping centre	Tallinn, Estonia	29 February	11.800	24.0
Portfolio transaction[1]	Retail properties	Finland	29 April	46.800	74.0
Divestments, total				58.600	98.0

1) Including five supermarket and shop properties in Finland: Sinikallliontie 1 KOy (Espoo), Kontulan Asemakeskus KOy (Helsinki), Lentolan Perusyhtiö Oy (Kangasala), Lillinkulma KOy (Kaarina), Länsi-Keskus KOy (Espoo)

(RE)DEVELOPMENT PROJECTS COMPLETED IN 2016 AND IN PROGRESS ON 31 DECEMBER 2016[1]

	Location	Area before/after, sq.m.	Expected gross investment, MEUR[2]	Actual gross investment by 31 December 2016, MEUR	Completion
Iso Omena	Helsinki area, Finland	63,300 /101,000	270.0	242.0	Phase 2: Q2/2017
Mölndal Galleria	Gothenburg, Sweden	-/24,000	60.0 (120.0)	30.3	Q3/2018
Porin Asema-aukio[3]	Pori, Finland	18,800/23,000	40.0	35.8	Q2/2017
Stenungstorg Centrum	Gothenburg area, Sweden	30,000/35,300	18.0	17.1	Completed Q2/2016

1) In addition to these projects, Citycon has signed on 28 January 2015 an agreement with TK development regarding the forward purchase of Straedet project in Køge in the greater Copenhagen area. Citycon will acquire the newly constructed shopping centre at completion in Q3/2017 for EUR 75 million based on a fixed 6.25% net initial yield.

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

3) New campus for the Satakunta University of Applied Sciences. Citycon has signed an agreement to sell the property at completion of the project.

CAPITAL EXPENDITURE

Citycon's gross capital expenditure (including acquisitions) for the period totalled EUR 314.5 million (1,718.6).

SHAREHOLDERS' EQUITY

Equity per share increased to EUR 2.60 (31 December 2015: 2.52), mainly due to profit for the period and a translation gain of EUR 31.1 million. On the other hand, dividends and equity repayment of EUR 133.5 million decreased equity per share.

At period-end, **shareholders' equity** attributable to parent company's shareholders was EUR 2,311.4million (2,245.5). This figure increased from the end of 2015 by EUR 65.9 million due to the above-mentioned reasons.

FINANCING

On 30 August, Citycon issued a EUR 350 million 10-year senior unsecured Eurobond with a fixed coupon of 1.25%, payable annually on 8 September. The bond is rated BBB by Standard & Poor's and Baa1 by Moody's, in line with Citycon's corporate credit ratings. The net proceeds of the bond have mainly been used to fully repay loans drawn under the revolving credit facility and partially repay outstanding commercial papers, thereby clearly improving the available liquidity and extending the average loan maturity.

In the largest joint venture company Kista Galleria, the bank term loan facility was refinanced in June. The new loan facility was signed with three lending banks for five years and at a lower interest rate than the old facility. As the debt of Kista Galleria is not consolidated on Group level, it does not affect any of the reported debt-related key ratios.

Interest-bearing debt

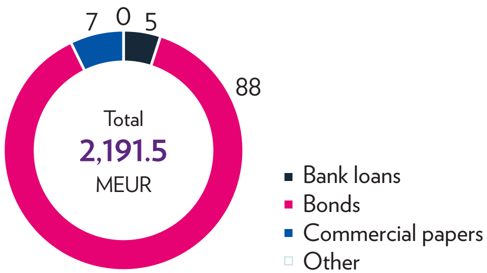
The fair value of interest-bearing debt increased year-on-year by EUR 154.4 million to EUR 2,191.5 million, partly as a result of the buy-out of NCC in the Iso Omena extension in August. The weighted average loan maturity increased to 5.6 years, due to the issuance of the 10-year 350 million Eurobond in August, refinancing of shorter-term debt and due to utilizing a one year extension option in some bank facilities.

CAPITAL EXPENDITURE

MEUR	2016	2015
Acquisitions of properties	81.5	1,316.5
Acquisitions of and investments in joint ventures	37.1	62.2
Property development	194.4	139.0
Goodwill and other investments	1.5	200.9
Total capital expenditure incl. acquisitions	314.5	1,718.6
Capital expenditure by segment		
Finland	220.3	109.0
Norway	45.7	1,556.2
Sweden	45.6	43.7
Estonia and Denmark	1.8	8.4
Group administration	1.1	1.3
Total capital expenditure incl. acquisitions	314.5	1,718.6
Divestments[1]	95.5	97.8

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

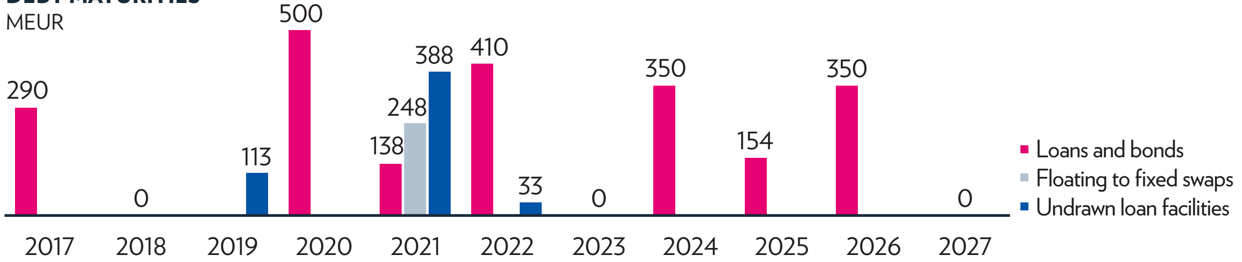
BREAKDOWN OF LOANS



KEY FINANCING FIGURES

		30 September 2016	31 December 2015
Interest bearing debt, fair value	MEUR	2,191.5	2,037.1
Available liquidity	MEUR	560.4	377.1
Average loan maturity	years	5.6	5.5
Loan to Value (LTV)	%	46.6	45.7
Equity ratio (financial covenant > 32.5)	%	47.3	48.3
Interest cover ratio (financial covenant > 1.8)	x	3.8	3.8
Solvency ratio (financial covenant < 0.65)	x	0.46	0.45
Secured solvency ratio (financial covenant < 0.25)	x	0.02	0.03

DEBT MATURITIES
MEUR



FINANCIAL EXPENSES

		2016	2015
Financial expenses	MEUR	-65.9	-60.6
Financial income	MEUR	8.3	8.3
Net financial expenses	MEUR	-57.7	-52.3
Weighted average interest rate1)	%	2.86	3.04
Year-to-date weighted average interest rate1)	%	2.98	3.37

1) Including interest rate swaps and cross-currency swaps

Financial expenses

The financial year's net financial expenses increased by EUR 5.3 million compared to the corresponding period last year to EUR 57.7 million (52.3) despite a lower average cost of debt, mainly due to the acquisition of the Norwegian operations and the resulting higher debt level. The financial expenses include EUR 5.9 million of indirect financial expenses. A large part, EUR 4.6 million, related to closing out and renegotiation of interest rate and cross-currency swaps, following the 350 million Eurobond issuance and repayment of existing loans. Out of this, an amount of EUR 2.8 million is also booked as a corresponding gain in other comprehensive income due to hedge accounting. The rest EUR 1.3 million relates to fair value changes of cross-currency swaps not under hedge accounting. The financial income mainly consists of the interest income on the loan to Kista Galleria, and partly on interest differences from forward agreements..

The period-end weighted average interest rate decreased year-on-year as a result of debt refinancing transactions at lower margins, unwinding of interest rate swaps and also due to even lower market interest rates.

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

SUSTAINABILITY

Citycon's ambition is to be among the forerunners in sustainable shopping centre management. Citycon's sustainability strategy was updated in 2014 with ambitious targets that extend to 2020.

Citycon's Annual and Sustainability Report 2015 was awarded as one of the best within the industry. Citycon received the EPRA Gold Award in the Sustainability Best Practices series for the fifth year in a row. Citycon was also honoured with the Green Star status in the GRESB (Global Real Estate Sustainability Benchmark) and Citycon was globally among the top five per cent of all reviewed companies. Citycon has received GRESB Green star status since year 2013.

Key environmental indicators 2016:

- Citycon's total energy consumption (incl. electricity consumption in common areas, heating and cooling) amounted to 253 gigawatt hours (239 GWh). Shopping centre energy intensity (kWh/sq.m) increased by 0.5 % compared to previous year (target -2%).
- The carbon footprint totalled 60 000 thousand carbon equivalent tonnes (74 000 tCO_2e). The carbon intensity ($kgCO_2e$/sq.m) of shopping centres decreased by 18% compared to previous year (target -4%). This was due to e.g. an increased share of green electricity acquired, 58% in 2016 (47%).
- The recycling rate in shopping centres decreased 2%-points compared to the previous year and was 93% (targeted recycling rate 90%).

In 2016, Citycon took a step forward in its environmental management practices with the implementation of BREEAM In-Use certificates. 74% of Citycon's shopping centres, measured by value, have received the certification at year-end. Citycon now boasts the largest shopping centre portfolio with BREEAM In-Use certification in the Nordic countries.

In its sustainability reporting, Citycon applies the construction and real estate sector specific (CRESS) guidelines of the Global Reporting Initiative, as well as the guidelines published by EPRA in autumn 2014. Results, indicators and calculation methods for Citycon's corporate sustainability efforts are presented in detail in the upcoming Sustainability Accounts 2016.

RISKS AND UNCERTAINTIES

The most significant near-term risks and uncertainties in Citycon's business operations are associated with the general development of the economy and consumer confidence in the Nordic countries and Estonia as well as how this affects the fair values, occupancy rates and rental levels of the shopping centres and thereby Citycon's financial result. Especially a slower economic recovery in Finland could hamper the achievement of the set financial objectives.

The main risks that can materially affect Citycon's business and financial results, along with the main risk management actions, are presented in detail in note 3.5 A) and on pages 73-74 in the Financial Statements 2016 as well as on Citycon's website in the Corporate Governance section.

LEGAL PROCEEDINGS

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

GENERAL MEETING

Annual General Meeting 2016

Citycon's Annual General Meeting (AGM) was held in Helsinki on 16 March 2016. A total of 450 shareholders attended the AGM either personally or through a proxy representative, representing 83.5% of shares and votes in the company.

The AGM adopted the company's Financial Statements for the financial year 2015 and discharged the members of the Board of Directors and the Chief Executive Officer from liability. The AGM decided that a dividend of EUR 0.01 per share be distributed for the financial year 2015 and that the shareholders be paid an equity repayment of EUR 0.0275 per share from the invested unrestricted equity fund. The Board of Directors was also authorised to decide in its discretion on the distribution of assets from the invested unrestricted equity fund to a maximum of EUR 0.1125 per share. The authorisation is valid until the opening of the next AGM.

All General Meeting decisions are reported on the company's website at www.citycon.com/agm2016, where meeting minutes of the General Meeting are also available.

Board of directors

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

In 2016, the Board of Directors had ten members: Chaim Katzman, Bernd Knobloch, Dori Segal (since 16 March 2016), Arnold de Haan, Kirsi Komi, Rachel Lavine, Andrea Orlandi, Claes Ottosson, Per-Anders Ovin and Ariella Zochovitzky. Ronen Ashkenazi resigned from the Board of Directors as of 16 March 2016.

Chaim Katzman was the Chairman of the Board of Directors in 2016, and Bernd Knobloch and Dori Segal (since 16 March 2016) and Ronen Ashkenazi (until 16 March 2016) the Deputy Chairmen.

Auditor

Since 2006, the company's auditor has been Ernst & Young Oy, a firm of authorised public accountants, which had designated Authorised Public Accountant Mikko Rytilahti to act as the responsible auditor of Citycon in 2016.

Chief Executive Officer (CEO)

Marcel Kokkeel (LL.M., born in 1958), a Dutch citizen, has been the company's CEO since 2011. Eero Sihvonen, Chief Financial Officer, is Citycon's Executive Vice President. Their personal details, career histories and 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 32 of the Financial Statements.

SHARES, SHARE CAPITAL AND SHAREHOLDERS

At the end of December 2016, the total number of shares outstanding in the company was 889,992,628. During the year 2016, there were no changes in the company's share capital or number of shares.

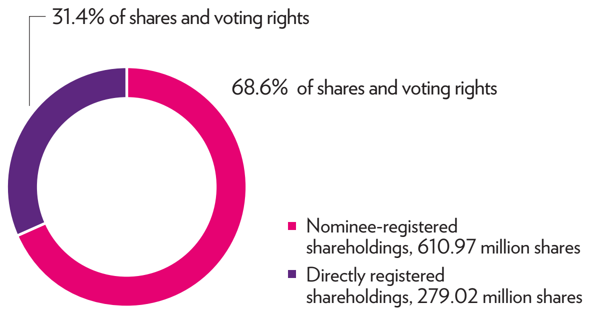
At the end of December 2016, Citycon had a total of 12,419 (9,537) registered shareholders, of which nine were account managers of nominee-registered shares. Holders of the nominee-registered shares held approximately 611.0 million (622.0) shares, or 68.6% (69.9) of shares and voting rights in the company.

Further information of the company's stock listing, trading volume, share price, market cap, share capital, most significant registered shareholders and of the distribution of ownership can be found on page 75–76 and of the issue-adjusted average number of shares on page 67 of the Financial Statements.

Dividend and equity repayment

Citycon's dividend paid in 2016 for the financial year 2015 and equity repayments in 2016:

SHAREHOLDERS



SHARE CAPITAL AND SHARES

		Q1-Q4/2016	Q1-Q4/2015	%
Share capital at period-start	MEUR	259.6	259.6	-
Share capital at period-end	MEUR	259.6	259.6	-
Number of shares at period-start		889,992,628	889,992,628	-
Number of shares at period-end		889,992,628	889,992,628	-

DIVIDENDS AND EQUITY REPAYMENTS PAID ON 31 DECEMBER 2016

EUR/share	
Dividend (record date 18 March 2016, payment date 29 March 2016)[1)]	0.01
Equity repayment Q1 (record date 18 March 2016, payment date 29 March 2016)[1)]	0.0275
Equity repayment Q2 (record date 22 June 2016, payment date 30 June 2016)[2)]	0.0375
Equity repayment Q3 (record date 23 September 2016, payment date 30 September 2016)[2)]	0.0375
Equity repayment Q4 (record date 22 December 2016, payment date 30 December 2016)[2)]	0.0375

1) AGM 2016 decision
2) Board decision based on the authorisation issued by the AGM 2016

Board authorisations and own shares
In addition to the asset distribution authorisation of the Board of Directors as explained in the section above, the Board of Directors of the company had two valid authorisations at the period-end granted by the AGM held on 16 March 2016:

— Board of Directors may decide on an issuance of a maximum of 85 million shares or special rights entitling to shares referred to in Chapter 10 Section 1 of the Finnish Companies Act, which corresponded to approximately 9.55% of all the shares in the company at the period-end. The authorisation is valid until the close of the next AGM, however, no longer than until 30 June 2017.
— The Board of Directors may decide on the repurchase and/or on the acceptance as pledge of the company's own shares in one or several tranches. The amount of own shares to be repurchased and/or accepted as pledge shall not exceed 50 million shares, which corresponded to approximately 5.61% of all the shares in the company at the period-end. The authorisation is valid until the close of the next AGM, however, no longer than until 30 June 2017.

During the year 2016, Citycon did neither use its authorisations to issue shares or special rights entitling to shares nor to repurchase its own shares.

Own shares
During the year 2016, the company or its subsidiaries held no shares in the company.

Flagging notices
The company did not receive any notifications of changes in shareholding during the year 2016.

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

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

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

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

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

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

The company has no knowledge of any other shareholder agreements.

INCENTIVE PLANS

Long-term Share-based Incentive Plans and Stock Option Plan 2011
Citycon has three incentive plans for the Group key employees:

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

The main terms of the long term share-based incentive plans and stock option plan 2011 are explained in the Note 1.6 on pages 33–34 of the Financial Statements. The subscription ratios, prices and periods of the stock option plan 2011 as well as the stock options granted to the CEO and other Corporate Management Committee members are available in the section E of the Note 1.6 of the Financial Statements.

Further information and the terms and conditions of both incentive plans are available on the company's website at www.citycon.com/remuneration. The terms and conditions of the stock option plan 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

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 1,340,592 company shares on 31 December 2016. These shareholdings represented 0.15% of the company's total shares and total voting rights.

The number of stock options held by the CEO and other Corporate Management Committee members at the year-end 2016 are available in the Note 1.6 of the Financial Statements. The maximum number of shares that they can subscribe for by exercising these outstanding 2011 stock options amounts to 4,134,645. Members of the Board of Directors are not included in the company's share-based incentive plans.

Details of the share 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/managers-holdings-shares.

OUTLOOK

In 2017 Citycon forecasts the EPRA Earnings per share (basic) to be EUR 0.16–0.18. Furthermore, Citycon expects its Direct operating profit to change by EUR -7 to 12 million and its EPRA Earnings to change by EUR -9 to 9 million from the previous year.

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

Helsinki, 8 February 2017
Citycon Oyj
Board of Directors

EPRA PERFORMANCE MEASURES

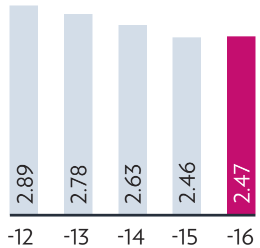
EPRA PERFORMANCE MEASURES

		Note	2016	2015	2014	2013	2012
EPRA Earnings	MEUR	1	151.1	130.8	99.7	86.7	63.9
EPRA Earnings per share (basic)	EUR	1	0.170	0.173	0.178	0.189	0.185
EPRA NAV per share	EUR	2	2.82	2.74	3.01	3.13	3.29
EPRA NNNAV per share	EUR	2	2.47	2.46	2.63	2.78	2.89
EPRA Cost Ratio (including direct vacancy costs)	%	3	17.6	20.3	19.4	22.4	26.2
EPRA Cost Ratio (excluding direct vacancy costs)	%	3	15.5	18.5	17.7	20.0	23.3
EPRA Net Initial Yield (NIY)	%	4	5.5	5.4	6.1	6.2	6.0
EPRA 'topped-up' NIY	%	4	5.6	5.5	6.1	6.3	6.1
EPRA vacancy rate	%	5	3.8	3.2	3.7	4.3	4.3

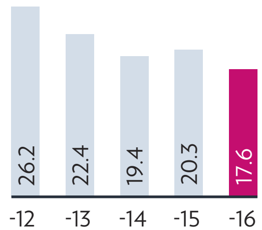
EPRA (European Public Real Estate Association) is a common interest group for listed real estate companies in Europe. Citycon is an active member of EPRA. EPRA's objective is to encourage greater investment in European listed real estate companies and strive for 'best practices' in accounting, financial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

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

EPRA NNNAV 2012-2016



EPRA COST RATIO 2012–2016



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

EPRA Earnings presents the underlying operating performance of a real estate company excluding all so called non-recurring items such as net fair value gains/losses on investment properties, profit/loss on disposals and other non-recurring items. 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.

	2016 MEUR	2016 Average number of shares (1,000)	2016 per share, EUR	2015 MEUR	2015 Average number of shares (1,000)	2015 per share, EUR
Earnings in IFRS Consolidated Income Statement	160.4	889,993	0.180	108.8	755,496	0.144
-/+ Net fair value gains/losses on investment property	-25.9	889,993	-0.029	-7.3	755,496	-0.010
-/+ Net losses/gains on disposal of investment property	-4.3	889,993	-0.005	17.1	755,496	0.023
+ Transaction costs related to business combinations and investment property disposals	-	889,993	-	7.5	755,496	0.010
+/- Indirect other operating expenses	4.4	889,993	0.005	9.2	755,496	0.012
+ Early close-out costs of debt and financial instruments	-	889,993	-	4.4	755,496	0.006
-/+ Fair value gains/losses of financial instruments	5.9	889,993	0.007	1.7	755,496	0.002
-/+ Indirect gains/losses of joint ventures and associated companies	-10.4	889,993	-0.012	-16.9	755,496	-0.022
+/- Change in deferred taxes arising from the items above	20.2	889,993	0.023	5.8	755,496	0.008
+/- Non-controlling interest arising from the items above	0.7	889,993	0.001	0.5	755,496	0.001
EPRA Earnings (basic)	151.1	889,993	0.170	130.8	755,496	0.173

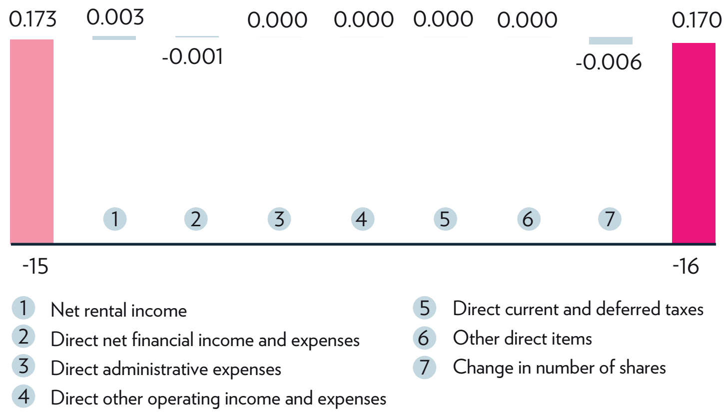
Strong growth in EPRA Earnings of EUR 20.3 million, while EPRA EPS decreased slightly to EUR 0.170 due to substantially higher number of shares resulting from the rights issue in July 2015. EPRA Earnings increased mainly due to the acquisition of Norwegian business , which increased the net rental income by EUR 37.2 million, while higher direct financial expenses of EUR 5.5 million decreased EPRA Earnings.

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

	2016 MEUR	2016 Average number of shares (1,000)[1]	2016 per share, EUR	2015 MEUR	2015 Average number of shares (1,000)[1]	2015 per share, EUR
Net rental income (NRI)	224.9	889,993	0.253	199.6	755,496	0.264
Direct administrative expenses[1]	-28.2	889,993	-0.032	-27.0	755,496	-0.036
Direct other operating income and expenses[1]	1.8	889,993	0.002	2.7	755,496	0.004
Direct Operating profit	198.5	889,993	0.223	175.4	755,496	0.232
Direct net financial income and expenses	-51.7	889,993	-0.058	-46.2	755,496	-0.061
Direct share of profit/loss of joint ventures and associated companies	4.4	889,993	0.005	2.6	755,496	0.003
Direct current taxes	-0.7	889,993	-0.001	-0.4	755,496	-0.001
Change in direct deferred taxes	0.7	889,993	0.001	0.6	755,496	0.001
Direct non-controlling interest	-0.1	889,993	0.000	-1.1	755,496	-0.001
EPRA Earnings (basic)	151.1	889,993	0.170	130.8	755,496	0.173

1) *In the first quarter of 2016, managed centre related administrative costs and rented centre contract value amortization have been reclassified from administrative expenses to other operating income and expenses (EUR 2.3 million in 2015).*

CHANGE IN EPRA EARNINGS PER SHARE (EPS)



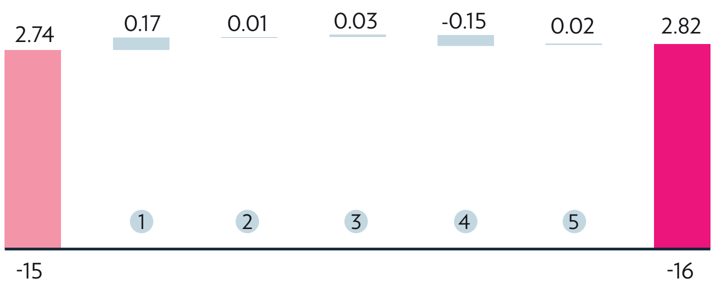
2. EPRA NAV PER SHARE AND EPRA NNNAV PER SHARE

EPRA NAV presents the fair value of net assets of a real estate company. It is based on the assumption of owning and operating investment properties for a long term and therefore it is a useful tool to compare against the share price of a real estate company. The closing share price of Citycon was 2.34 EUR per share on 31 December 2016.

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

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

CHANGE OF NET ASSET VALUE (EPRA NAV)



	2016 MEUR	2016 Number of shares on the balance sheet date (1,000)	2016 per share, EUR	2015 MEUR	2015 Number of shares on the balance sheet date (1,000)	2015 per share, EUR
Equity attributable to parent company shareholders	2,311.4	889,993	2.60	2,245.5	889,993	2.52
Deferred taxes from the difference between the fair value and fiscal value of investment properties	309.1	889,993	0.35	288.3	889,993	0.32
Goodwill as a result of deferred taxes	-108.7	889,993	-0.12	-106.6	889,993	-0.12
Fair value of financial instruments	0.3	889,993	0.00	7.9	889,993	0.01
Net asset value (EPRA NAV)	2,512.2	889,993	2.82	2,435.1	889,993	2.74
Deferred taxes from the difference between the fair value and fiscal value of investment properties	-309.1	889,993	-0.35	-288.3	889,993	-0.32
Goodwill as a result of deferred taxes	108.7	889,993	0.12	106.6	889,993	0.12
Difference between the secondary market price and fair value of bonds and capital loans[1)]	-116.2	889,993	-0.13	-59.8	889,993	-0.07
Fair value of financial instruments	-0.3	889,993	0.00	-7.9	889,993	-0.01
EPRA NNNAV	2,195.2	889,993	2.47	2,185.8	889,993	2.46

1) When calculating the EPRA NNNAV in accordance with EPRA's recommendations, the shareholders' equity is adjusted using EPRA's guidelines so that bonds are valued based on secondary market prices. In accordance with Citycon's accounting policies, the carrying amount and fair value of bonds are different from this secondary market price. The difference between the secondary market price and the fair value of the bonds was EUR 116.2 million (59.8) as of 31 December 2016.

EPRA NAV per share increased by EUR 0.09 to EUR 2.82 mainly due to EPRA Earnings. EPRA NNNAV per share increased by 0.01 to EUR 2.47 .

3. EPRA COST RATIOS

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

MEUR		2016	2015
Include:			
Administrative expenses[1]		28.2	29.3
Property operating expenses and other expenses from leasing operations less service charge costs		81.3	71.9
Net service charge costs/fees		14.0	13.0
Management fees less actual/estimated profit element		-2.8	-4.3
Other operating income/recharges intended to cover costs less any related profit		-11.1	-9.9
Share of joint venture expenses		5.5	5.5
Exclude:			
Ground rent costs		-6.1	-4.3
Service charge costs recovered through rents but not separately invoiced		-60.1	-50.6
Share of joint venture investment property depreciation, ground rent costs and service charge costs recovered through rents but not separately invoiced		-2.2	-1.9
EPRA Costs (including direct vacancy costs) (A)		46.7	48.4
Direct vacancy costs		-5.6	-4.3
EPRA Costs (excluding direct vacancy costs) (B)		41.1	44.2
Gross rental income less ground rent costs		245.4	219.6
Add: share of joint ventures (Gross rental income less ground rent costs less service fees in GRI)		19.7	19.4
Gross Rental Income (C)		265.1	239.0
EPRA Cost Ratio (including direct vacancy costs) (A/C,)	%	17.6	20.3
EPRA Cost Ratio (excluding direct vacancy costs) (B/C,)	%	15.5	18.5

1) Administrative expenses are net of costs capitalised of EUR 4.6 million in 2016 and EUR 2.3 million in 2015. Citycon's policy is to capitalise, for example, expenses related to property development projects and major software development projects. Non-recurring transaction costs of EUR 7.5 million are excluded from the administrative expenses in 2015.

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

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

EPRA NIY, % is calculated by dividing the net rental income for the completed property portfolio, based on the valid lease portfolio on the balance sheet date, by the gross market value of the completed property portfolio.

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

MEUR	31 December 2016	31 December 2015
Fair value of investment properties determined by the external appraiser	4,369.4	4,081.8
Less (re)development properties, unused building rights and properties which valuation is based on the value of the building right	-764.2	-126.3
Completed property portfolio	3,605.2	3,955.5
Plus the estimated purchasers' transaction costs	83.6	95.5
Gross value of completed property portfolio (A)	3,688.8	4,051.1
Annualised gross rents for completed property portfolio	278.3	301.0
Property portfolio's operating expenses	-74.3	-81.8
Annualised net rents (B)	204.0	219.1
Plus the notional rent expiration of rent free periods or other lease incentives	1.8	2.2
Topped-up annualised net rents (C)	205.8	221.3
EPRA Net Initial Yield (NIY), % (B/A)	5.5	5.4
EPRA 'topped-up' NIY, % (C/A)	5.6	5.5

EPRA NIY and EPRA 'TOPPED-UP' NIY increased. EPRA initial yields increased during the year due to changes in the completed property portfolio, such as property disposals and started or completed (re)development projects. For comparable properties initial yields stayed unchanged.

Cost savings program and tight cost control lead to an improvement in EPRA Cost Ratio which was 17.6%. EPRA Cost Ratio (including direct vacancy costs) decreased to 17.6% in 2016. EPRA Cost Ratio (excluding direct vacancy costs) decreased to 15.5%. The decreases in the EPRA Cost Ratios were mainly a result of cost saving program in Norway and in headquarter initiated in Q2/2016.

5. EPRA VACANCY RATE, %

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

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

MEUR	31 December 2016	31 December 2015
Annualised potential rental value of vacant premises	11.8	10.2
./. Annualised potential rental value for the whole property portfolio	310.8	313.7
EPRA vacancy rate (%)	3.8	3.2

EPRA vacancy increased. The EPRA vacancy rate at the end of 2016 for the entire property portfolio increased to 3.8% due to higher vacancy in the Finnish property portfolio.

6. PROPERTY RELATED CAPEX

	2016	2015
Acquisitions	126.9	1,344.7
(Re)development	116.9	69.0
Like-for-like portfolio	26.5	32.9
Capex on disposed assets	0.0	5.1
Other incl. capitalised interest	5.6	3.5
Capital expenditure	275.9	1,455.1

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

Acquisitions include EUR 81.5 million related to acquisitions and EUR 45.4 million of investments in acquisition portfolio's properties. In 2015, investments into acquisition portfolio's properties totaled EUR 28.6 million, and in addition, acquisitions included the acquisition of Norwegian business unit (14 July 2015).

7. EPRA EARNINGS FOR FIVE YEARS

MEUR		2016	2015	2014	2013	2012
Earnings in IFRS Consolidated Income Statement		160.4	108.8	84.5	94.9	63.4
-/+ Net fair value gains/losses on investment property		-25.9	-7.3	-15.7	-26.1	-23.6
-/+ Net losses/gains on disposal of investment property		-4.3	17.1	0.3	-0.8	-4.2
+ Transaction costs related to business combinations and investment property disposals		0.0	7.5	0.1	-	-
-/+ Indirect other operating expenses		4.4	9.2	-	-	-
-/+ Fair value gains/losses of financial instruments and early close-out costs of debt and financial instruments		5.9	6.1	26.5	27.0	-
-/+ Indirect gains/losses of joint ventures and associated companies		-10.4	-16.9	-12.8	1.4	-0.3
+/- Change in deferred taxes arising from the items above		20.2	5.8	13.2	-15.0	23.0
+/- Non-controlling interest arising from the items above		0.7	0.5	3.5	5.3	5.6
EPRA Earnings (basic)		151.1	130.8	99.7	86.7	63.9
Issue-adjusted average number of shares, million		889,993	755,496	559,863	458,161	345,861
EPRA Earnings per share (basic)	EUR	0.170	0.173	0.178	0.189	0.185

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

MEUR		2016	2015	2014	2013	2012
Net rental income		224.9	199.6	169.4	168.9	162.0
Direct administrative expenses[1)]		-28.2	-27.0	-20.6	-20.6	-26.5
Direct other operating income and expenses[1)]		1.8	2.7	1.0	0.9	0.2
Direct operating profit		198.5	175.4	149.8	149.1	135.7
Direct net financial income and expenses		-51.7	-46.2	-51.0	-63.0	-68.1
Direct share of profit/loss of joint ventures and associated companies		4.4	2.6	2.1	3.1	0.0
Direct current taxes		-0.7	-0.4	-0.3	-0.7	-1.4
Change in direct deferred taxes		0.7	0.6	0.9	0.1	0.0
Direct non-controlling interest		-0.1	-1.1	-1.6	-1.9	-2.2
EPRA Earnings		151.1	130.8	99.7	86.7	63.9
Issue-adjusted average number of shares	million	889,993	755,496	559,863	458,161	345,861
EPRA Earnings per share (basic)	EUR	0.170	0.173	0.178	0.189	0.185

1) In the first quarter of 2016, managed centre related administrative costs and rented centre contract value amortization have been reclassified from administrative expenses to other operating income and expenses (EUR 2.3 million in 2015).

CITYCON OYJ'S CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT, IFRS

MEUR		Note	2016	2015
Gross rental income		1.2.	251.4	223.9
Service charge income		1.3.	80.3	71.7
Property operating expenses		1.4.	-105.5	-94.6
Other expenses from leasing operations			-1.4	-1.4
Net rental income		1.1.	224.9	199.6
Administrative expenses[1]		1.5.	-28.2	-34.5
Other operating income and expenses[1]		1.7.	-2.6	-6.4
Net fair value gains on investment property		2.1.	25.9	7.3
Net gains/losses on sale of investment property		2.1., 2.2.	4.3	-17.1
Operating profit			224.4	148.9
Financial income			25.5	112.9
Financial expenses			-83.2	-165.2
Net financial income and expenses		3.2.	-57.7	-52.3
Share of profit of associated companies and joint ventures		2.3.	14.8	19.4
Profit before taxes			181.5	116.0
Current taxes		4.1.	-0.7	-0.4
Change in deferred taxes		4.2.	-19.5	-5.1
Income taxes			-20.2	-5.6
Profit for the period			161.3	110.4
Profit attributable to				
Parent company shareholders			160.4	108.8
Non-controlling interest			0.9	1.6
Earnings per share attributable to parent company shareholders:				
Earnings per share (basic)	EUR	1.8.	0.18	0.14
Earnings per share (diluted)	EUR	1.8.	0.18	0.14

1) *In the first quarter of 2016, managed centre related administrative costs and rented centre contract value amortization have been reclassified from administrative expenses to other operating income and expenses (EUR 1.2 million in Q4/2015 and EUR 2.3 million in 2015).*

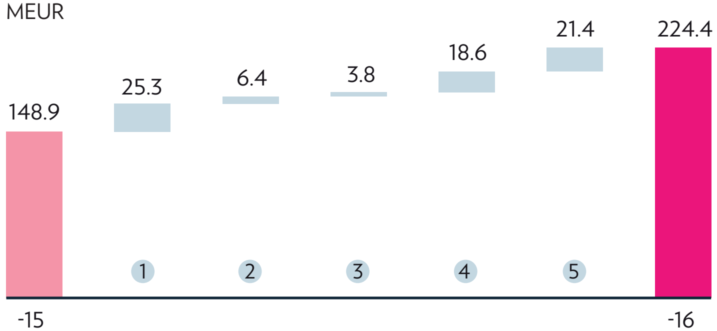
Operating profit increased to EUR 224.4 million
The increase in operating profit resulted from the acquisition of the Norwegian business unit and the fair value gains in Norway and Sweden.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

MEUR	Note	2016	2015
Profit for the period		161.3	110.4
Other comprehensive expenses/income			
Items that may be reclassified to profit or loss in subsequent periods			
Net gains/losses on cash flow hedges	3.2.	8.0	-0.3
Income taxes relating to cash flow hedges	4.1., 4.2.	-1.6	0.1
Share of other comprehensive income of associated companies and joint ventures		1.1	-0.5
Exchange gains/losses on translating foreign operations		31.1	-28.1
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		38.5	-28.9
Other comprehensive expenses for the period, net of tax		38.5	-28.9
Total comprehensive profit/loss for the period		199.8	81.5
Total comprehensive profit/loss attributable to			
Parent company shareholders		198.9	79.9
Non-controlling interest		0.9	1.6

GROWTH IN OPERATING PROFIT

MEUR



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

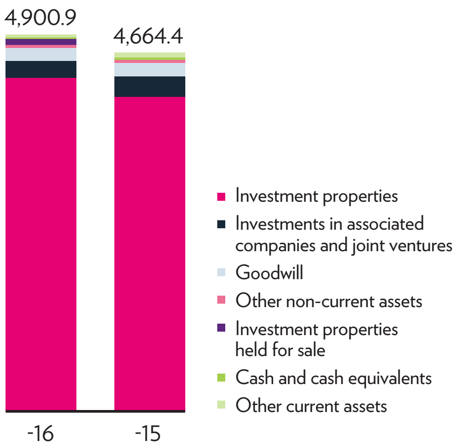
CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

MEUR	Note	31 December 2016	31 December 2015
ASSETS			
Non-current assets			
Investment properties	2.1.	4,337.6	4,091.6
Goodwill	5.1.	173.4	171.5
Investments in associated companies and joint ventures	2.3.	219.0	269.0
Intangible assets	4.3.	22.5	23.6
Property, plant and equipment		1.7	2.7
Deferred tax assets	4.2.	2.9	10.3
Derivative financial instruments and other non-current assets	3.6.	5.8	5.0
Total non-current assets		4,762.8	4,573.6
Investment properties held for sale	2.2.	81.9	1.7
Current assets			
Derivative financial instruments	3.6.	1.0	7.7
Current tax receivables	4.1.	0.5	0.5
Trade and other receivables	3.3., 4.4.	38.8	53.0
Cash and cash equivalents	3.8.	15.9	27.9
Total current assets		56.2	89.1
Total assets		4,900.9	4,664.4

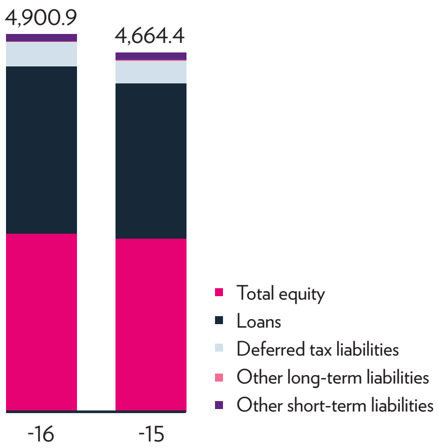
MEUR	Note	31 December 2016	31 December 2015
EQUITY AND LIABILITIES			
Equity	3.1.		
Share capital		259.6	259.6
Share premium fund		131.1	131.1
Fair value reserve		-0.3	-7.9
Invested unrestricted equity fund		1,230.3	1,354.9
Translation reserve		-16.9	-47.9
Retained earnings		707.6	555.7
Total equity attributable to parent company shareholders		2,311.4	2,245.5
Non-controlling interest		0.8	0.0
Total equity		2,312.3	2,245.5
Long-term liabilities			
Loans	3.3., 3.4.	1,887.1	1,855.3
Derivative financial instruments	3.3., 3.6.	3.1	7.8
Deferred tax liabilities	4.2.	312.2	292.1
Other liabilities	3.3.	0.8	0.8
Total long-term liabilities		2,203.2	2,155.9
Short-term liabilities			
Loans	3.3., 3.4.	289.7	167.9
Derivative financial instruments	3.3., 3.6.	2.7	5.4
Current tax liabilities	4.1.	0.7	1.1
Trade and other payables	3.3., 4.5.	92.3	88.5
Total short-term liabilities		385.5	262.9
Total liabilities		2,588.7	2,418.8
Total liabilities and equity		4,900.9	4,664.4

Value of properties increased by EUR 246.0 million and interest-bearing debt by EUR 153.6 million. The value of properties went up due to investments and acquisitions of EUR 275.9 million and fair value changes of EUR 25.9mllion. The divestments (5 properties in Finland and 1 in Estonia) decreased the value by EUR 94.2 million. Interest-bearing debt increased due to financing the investments.

ASSETS
MEUR



EQUITY AND LIABILITIES
MEUR



CONSOLIDATED CASH FLOW STATEMENT, IFRS

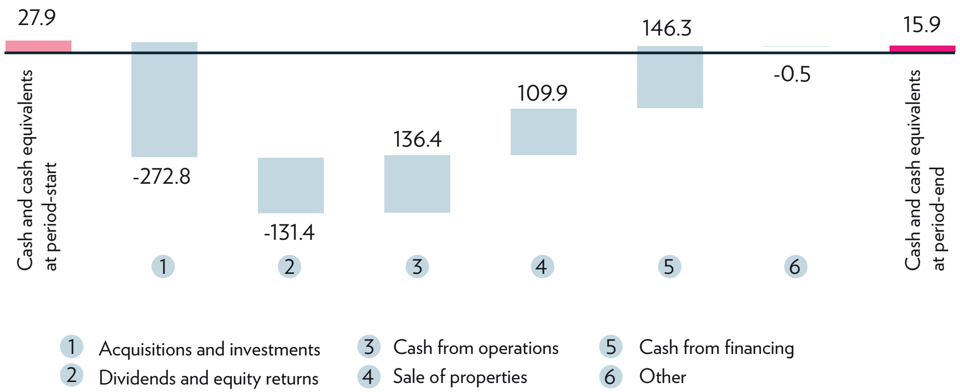
MEUR	Note	2016	2015
Cash flow from operating activities			
Profit before taxes		181.5	116.0
Adjustments		21.3	54.7
Cash flow before change in working capital		202.8	170.7
Change in trade and other receivables	4.4.	-2.6	-11.5
Change in trade and other payables	4.5.	4.1	1.1
Change in working capital		1.5	-10.4
Cash generated from operations		204.3	160.3
Interest expenses and other financial expenses paid		-68.9	-49.4
Interest income and other financial income received		1.8	1.1
Taxes paid/received		-0.8	-0.2
Net cash from operating activities		136.4	111.8
Cash flow from investing activities			
Acquisition of subsidiaries, less cash acquired	2.1.	-81.5	-526.0
Capital expenditure on investment properties	2.1.	-190.7	-135.5
Capital expenditure on investments in joint ventures, intangible assets and PP&E	2.3., 4.3.	-0.6	-60.7
Sale of investment properties	2.1., 2.2.	109.9	126.8
Net cash used in investing activities		-162.9	-595.4
Cash flow from financing activities			
Proceeds from rights and share issue	3.1.	-	602.7
Proceeds from short-term loans	3.4.	1,131.4	1,156.2
Repayments of short-term loans	3.4.	-1,142.0	-1,000.4
Proceeds from long-term loans	3.4.	375.2	508.1
Repayments of long-term loans	3.4.	-231.1	-660.2
Acquisition of non-controlling interests	5.2.	-	-34.9
Dividends and return from the invested unrestricted equity fund		-131.4	-89.2
Realised exchange rate profit/loss		12.8	-9.7
Net cash from/used in financing activities		14.9	472.8
Net change in cash and cash equivalents		-11.6	-10.9
Cash and cash equivalents at period-start	3.8.	27.9	34.4
Effects of exchange rate changes		-0.5	4.3
Cash and cash equivalents at period-end	3.8.	15.9	27.9

MEUR	Note	2016	2015
Adjustments:			
Depreciation and amortisation	1.5., 4.3.	3.8	2.5
Net fair value gains/losses on investment property	2.1.	-25.9	-7.3
Gains on disposal of investment property	2.2.	-4.3	17.1
Financial income	3.2.	-25.5	-112.9
Financial expenses	3.2.	83.2	165.2
Share of profit of associated companies and joint ventures	2.3.	-14.8	-19.4
Share-based payments	1.6.	0.4	0.3
Non-cash reduction in goodwill		4.4	9.3
Total	32	21.3	54.7

MEUR	2016	2015
Net cash from operating activities	136.4	111.8
Average number of shares (1,000)	889,993	755,496
Net cash from operating activities per share	0.15	0.15

Net cash from operations per share was EUR 0.15 and investments amounted to EUR 272.8 million. Net cash from operations per share stayed at EUR 0.15 mainly due to higher operating cash flow offset by higher interest costs. Citycon invested EUR 272.8 million in 2016. Citycon acquired for EUR 81.5 million NCC 's share in the Iso Omena project and Citycon also invested EUR 66.2million directly in the project. The first phase of Iso Omena project was finalised in August 2016. Other investments were Porin Asema-aukio and Lippulaiva in Finland (19.4 and 16.7), Mölndal Galleria in Sweden (19.0) and Buskerud project in Norway (EUR 13.2million). Citycon disposed 5 properties in Finland and one in Estonia, of which proceeds were EUR 97.4 million.

CASH NEEDS AND CASH PROCEEDS

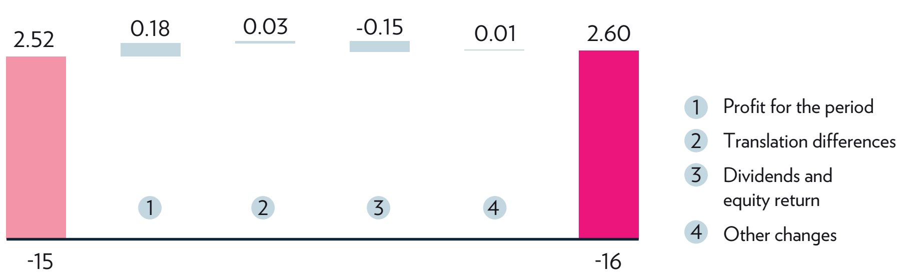


CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, IFRS

	Equity attributable to parent company shareholders								
MEUR	Share capital	Share premium fund	Fair value reserve	Invested unrestricted equity fund	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 31 December 2014	259.6	131.1	-7.1	841.1	-19.7	445.7	1,650.7	1.8	1,652.5
Profit for the period 2015						108.8	108.8	1.6	110.4
Net losses/gains on cash flow hedges, net of tax (Notes 3.2., 4.1. and 4.2.)			-0.2				-0.2		-0.2
Share of other comprehensive income of joint ventures			-0.5				-0.5		-0.5
Exchange gains/losses on translating foreign operations					-28.1		-28.1	0.0	-28.1
Total other comprehensive expenses/income for the period, net of tax			-0.7		-28.1		-28.8	0.0	-28.9
Total comprehensive loss/profit for the period			-0.7		-28.1	108.8	79.9	1.6	81.5
Rights issue (Note 3.1.)				608.2			608.2		608.2
Arrangement fee for rights issue				-5.5			-5.5		-5.5
Dividends and return from the invested unrestricted equity fund (Note 3.1.)				-89.0			-89.0		-89.0
Share-based payments (Notes 3.1. and 1.6.)						0.3	0.3		0.3
Acquisition of non-controlling-interests						0.9	0.9	-3.4	-2.5
Balance at 31 December 2015	259.6	131.1	-7.9	1,354.9	-47.9	555.7	2,245.5	0.0	2,245.5
Profit for the period 2016						160.4	160.4	0.9	161.3
Net losses/gains on cash flow hedges, net of tax (Notes 3.2., 4.1. and 4.2.)			6.4				6.4		6.4
Share of other comprehensive income of joint ventures			1.1				1.1		1.1
Exchange gains/losses on translating foreign operations			0.1		31.0		31.1	0.0	31.1
Total other comprehensive expenses/income for the period, net of tax			7.5		31.1		38.6	0.0	38.6
Total comprehensive profitloss/for the period			7.5		31.1	160.4	198.9	0.9	199.8
Dividends and return from the invested unrestricted equity fund (Note 3.1.)				-124.6		-8.9	-133.5		-133.5
Share-based payments (Notes 3.1. and 1.6.)						0.4	0.4		0.4
Acquisition of non-controlling-interests							-	-	-
Balance at 31 December 2016	259.6	131.1	-0.3	1,230.3	-16.8	707.6	2,311.4	0.8	2,312.3

Strenghtening of Norwegian crown resulted in a foreign exchange translation gain of EUR 43.2 million into the shareholders' equity, while weakening of Swedish crown resulted in a loss of EUR 12.2 million. During 2016, Citycon paid a dividend of EUR 0.01 per share and an equity repayment of EUR 0.14 per share from the invested unrestricted equity fund. Distributed dividends were EUR 8.9 million and equity return EUR 124.6 million.

DEVELOPMENT OF EQUITY PER SHARE



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Accounting Principle	Note	Number	IFRS
Segment information	Segment information	1.1.	IFRS8
Revenue recognition, other income and trade receivables	Gross rental income, Service charge income, Other operating income and expenses, Trade and other receivables	1.2., 1.3., 1.7., 4.4.	IAS18, IAS11
Employee benefits and share-based payments	Employee benefits and personnel expenses	1.6.	IAS19, IFRS2
Earnings per share	Earnings per share	1.8.	IAS33
Investment property	Investment properties and related liabilities	2.1.	IAS40, IFRS13
Assets held for sale	Investment properties held for sale	2.2.	IAS 40, IFRS5
Investments in associates and joint ventures	Investments in joint ventures, Investments in associates	2.3.	IAS28, IFRS11, IFRS12
Financial Instruments: recognition and measurement, presentation	Equity, Net financial income and expenses, Classification of financial instruments, Loans, Cash and cash equivalents Derivative financial instruments	3.2., 3.3., 3.4., 3.5., 3.6., 3.7., 4.4., 4.5.	IAS39, IAS32, IFRS7
Provisions, Contingent Liabilities, Contingent Assets	Commitments and contingent liabilities	1.4., 2.1., 3.6.	IAS37
Consolidated Financial Statements, Business Combination	Business Combinations, Goodwill, Acquisition of non-controlling interests	5.1., 5.2.	IFRS10, IFRS3
Related Party Disclosures	Related party transactions and changes in group structure	5.3.	IAS24
Impairment of Assets	Goodwill, Intangible assets, Trade and other receivables	4.3., 4.4., 5.1.	IAS36
Income taxes	Income taxes, Deferred tax assets and liabilities	4.1.	IAS12
Intangible assets	Intangible assets	4.3.	IAS38
Events after the Reporting Period	Post balance sheet date events	5.6.	IAS10
Contingent liabilities	Land lease agreements, Capital Commitments, VAT refund liabilities, Securities and Pledges	1.4., 2.1., 3.7.	

BASIC COMPANY DATA

As a real estate investment company specialising in retail properties, Citycon operates in Finland, Norway, Sweden, Estonia and Denmark. Citycon is a Finnish public limited liability company established under Finnish law and domiciled in Helsinki, the address of its registered office being Korkeavuorenkatu 35, FI-00130 Helsinki.

The Board of Directors has approved the financial statements of the company on 8th, February 2017. 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.

BASIS OF PREPARATION

Citycon has prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and applied the International Accounting Standards (IAS) and IFRS as well as Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective as of 31 December 2016. International financial reporting standards refer to the approved applicable standards and their interpretations under Finnish accounting legislation and the following rules on European Union Regulation No. 1606/2002. Notes to the consolidated financial statements are also in compliance with Finnish accounting legislation and community legislation.

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

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

Key estimates and assumptions and accounting policies requiring judgment

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised for the period in which the estimate is revised if the revision affects only that period, or in the current and future periods if the revision affects both current and future periods.

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

1. OPERATING PERFORMANCE

1.1. SEGMENT INFORMATION

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

Citycon changed the presentation of segments during the first quarter of 2016 to better meet the segment information presented to the Board of directors. Kista Galleria is a 50% owned joint venture, but in addition to IFRS segment results, the Board of directors follows Kista Galleria's financial performance separately (100% IFRS consolidation). Therefore segment information presents both IFRS segment results and Kista Galleria (100%) result separately. Comparison information has been adjusted accordingly.

Citycon's Board of directors assess the business units' performance on the basis of net rental income and Direct operating profit. Fair value changes are also reported to Citycon's Board of directors, by business unit.

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

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

None of the customers' proportion of Citycon's gross rental income exceeded 10% during financial years 2016 and 2015, and the management does not manage operations according to customer segments.

1 JANUARY – 31 DECEMBER 2016

MEUR	Finland	Norway	Sweden	Estonia and Denmark	Other	Total IFRS segments	Kista Galleria (100%)
Gross rental income	94.4	85.3	45.8	26.0	-	251.4	34.3
Service charge income	32.8	29.8	11.6	6.2	-	80.3	7.4
Property operating expenses	-38.9	-40.8	-18.5	-7.8	0.5	-105.5	-11.3
Other expenses from leasing operations	-0.5	-0.3	-0.4	-0.3	-	-1.4	-0.3
Net rental income	87.8	74.0	38.5	24.2	0.5	224.9	30.0
Direct administrative expenses	-3.2	-5.1	-4.3	-0.7	-14.9	-28.2	-0.4
Direct other operating income and expenses	0.2	0.5	1.1	0.0	-	1.8	-0.8
Direct operating profit	84.8	69.4	35.2	23.5	-14.4	198.5	28.8
Indirect other operating income and expenses	-	-4.4	-	-	-	-4.4	-
Net fair value gains/losses on investment property	-33.2	19.8	39.7	-0.4	-	25.9	11.1
Gains/losses on disposal of investment property	3.5	0.3	0.8	-0.1	-0.1	4.3	0.0
Operating profit/loss	55.1	85.1	75.7	22.9	-14.5	224.4	39.9
Allocated assets							
Investment properties	1,831.7	1,412.8	753.2	339.9	-	4,337.6	625.6
Investment properties held for sale	2.7	57.1	22.2	-	-	81.9	-
Other allocated assets	8.7	240.1	194.9	0.3	28.8	472.9	10.3
Unallocated assets							
Deferred tax assets					2.9	2.9	
Derivative financial instruments					5.7	5.7	
Assets	1,843.1	1,710.0	970.2	340.2	37.4	4,900.9	635.9
Allocated liabilities							
Trade and other payables	18.7	21.1	19.2	4.1	29.2	92.3	13.7
Unallocated liabilities							
Interest-bearing liabilities					2,176.8	2 176.8	463.8
Deferred tax liabilities					312.2	312.2	-
Derivative financial instruments					5.8	5.8	-
Other unallocated liabilities					1.5	1.5	25.6
Liabilities	18.7	21.1	19.2	4.1	2,525.6	2 588.7	503.2
Capital expenditure	220.3	45.7	45.6	1.8	1.1	314.5	7.6
Number of shopping centres	20	22	8	3	-	53	1
Number of other properties	4	0	1	0	-	5	-

1 JANUARY – 31 DECEMBER 2015 MEUR	Finland	Norway	Sweden	Estonia and Denmark	Other	Total IFRS segments	Kista Galleria (100%)[1]
Gross rental income	105.3	43.0	47.8	27.8	-	223.9	34.4
Service charge income	33.8	17.5	12.6	7.8	-	71.7	7.4
Property operating expenses	-41.6	-23.6	-20.5	-8.9	-	-94.6	-11.5
Other expenses from leasing operations	-0.5	-0.2	-0.2	-0.5	-	-1.4	-0.2
Net rental income	96.9	36.8	39.7	26.2	-	199.6	30.1
Direct administrative expenses[2]	-3.3	-4.3	-4.3	-1.2	-14.0	-27.1	-0.3
Direct other operating income and expenses[2]	1.6	-0.1	1.3	0.0	-	2.7	-1.4
Direct operating profit	95.2	32.4	36.7	25.0	-14.0	175.4	28.4
Indirect administrative expenses	-0.7	-6.8	-	-	-0.1	-7.5	-
Indirect other operating income and expenses	-	-9.2	-	-	-	-9.2	-
Net fair value losses/gains on investment property	-37.1	0.2	39.6	4.7	-	7.3	38.7
Losses on disposal of investment property	-8.8	-	-8.3	0.0	0.0	-17.1	-
Operating profit/loss	48.6	16.6	68.0	29.7	-13.9	148.9	67.1
Allocated assets							
Investment properties	1,659.4	1330.8	739.0	362.4	-	4,091.6	630.9
Investment properties held for sale	1.7	-	-	-	-	1.7	-
Other allocated assets	78.2	276.0	200.6	-0.1	16.4	571.1	15.3
Unallocated assets							
Deferred tax assets					10.3	10.3	
Derivative financial instruments					7.7	7.7	
Assets	1,739.3	1,606.8	939.6	362.3	16.4	4,664.4	646.2
Allocated liabilities							
Trade and other payables	11.9	12.6	25.9	11.7	4.1	66.3	19.0
Unallocated liabilities							
Interest-bearing liabilities					2,023.2	2,023.2	475.0
Deferred tax liabilities					292.1	292.1	-
Derivative financial instruments					13.2	13.2	-
Other unallocated liabilities					24.1	24.1	34.8
Liabilities	11.9	12.6	25.9	11.7	2,356.7	2,418.8	528.8
Capital expenditure	109.0	1,556.2	43.7	8.4	1.3	1,718.6	25.4
Number of shopping centres	20	22	8	4	-	54	1
Number of other properties	9	0	1	0	-	10	-

1) Citycon changed the presentation of segments during the first quarter of 2016 to better meet the segment information presented to the Board of Directors. In addition to IFRS segment results, the Board of Directors follow Kista Galleria's financial performance separately. Therefore segment information presents both IFRS segment results and Kista Galleria (100%) result separately.

2) In the first quarter of 2016, managed center related administrative costs and rented center contract value amortization have been reclassified from administrative expenses to other operating income and expenses, EUR 2.3 million in 2015.

1.2. GROSS RENTAL INCOME

Breakdown of gross rental income MEUR	2016	2015
Straight-lining of lease incentives	3.5	-0.5
Temporary and contractual rental discounts	-6.6	-1.5
Gross rental income (excl. items above)	254.5	225.9
Total	251.4	223.9

General description of Citycon's lease agreements

In the majority, i.e. in 91% (90) of Citycon's lease agreements the rent is divided into base rent and maintenance rent. Base rent is typically tied to a yearly rent revision which is based on an index, such as cost-of-living index, or percentual minimum increase. Maintenance rent, charged separately from the lessee, are used for covering operating expenses incurred by the property owner due to property maintenance. Part of Citycon's lease agreements also contain a turnover-linked component in addition to base rent. In addition Citycon also has some lease agreements which are fully tied to tenant's turnover. At the end of 2016, all turnover based lease agreements accounted for roughly 64% (64) of Citycon's lease portfolio. Because the majority of the lease portfolio is tied to indexation, a predetermined minimum rent increase and/or the tenant's turnover, Citycon's leases are mainly leases with contingent rent payments in accordance with IAS 17.4.

In accordance with the below table, Citycon had 4,230 (4,214) lease agreements on 31 December 2016. The increase in the number of lease agreements was mainly due to the opening of Iso Omena first phase extension during the third quarter of 2016. The increase was offset by non-core property divestments in Estonia and Finland.

Number of leases	31 December 2016	31 December 2015
Finland	1,604	1,544
Norway	1,302	1,295
Sweden	970	941
Estonia and Denmark	354	434
Total	4,230	4,214

In accordance with the table presented below, the average remaining length of Citycon's lease portfolio was 3.3 (3.3) years on 31 December 2016. The duration of a new lease depends on the type of premises to be leased and the tenant. With larger anchor tenants, Citycon typically concludes long-term leases of 10-15 or even 20 years while leases for smaller retail premises are mainly agreed for a term of 3 to 5 years.

Average remaining length of lease portfolio, years	31 December 2016	31 December 2015
Finland	3.6	3.3
Norway	3.5	3.7
Sweden	2.5	2.9
Estonia and Denmark	2.7	3.1
Average	3.3	3.3

Citycon mainly seeks to sign fixed-term leases with the exception of apartment, storage and individual parking space leases. At the year end, fixed-term leases represented around 93% (92), initially fixed-term leases 3% (5) and leases in effect until further notice 3% (3) of Citycon's lease portfolio.
The table below presents the future minimum lease payments by first possible termination dates based on the valid rent roll at the end of the year 2015 and 2016.

Future minimum lease payments receivable under non-cancellable leases[1] MEUR	31 December 2016	31 December 2015
Not later than 1 year	73.1	70.6
1–5 years	171.3	176.1
Over 5 years	55.9	59.2
Total	300.3	305.8

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

The Investment properties leases, in which Citycon is a lessor, are classified under operating leases, since Citycon retains a significant share of risks and rewards of ownership. Rental income from operating leases is spread evenly over the lease term.

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

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

1.3. SERVICE CHARGE INCOME

MEUR	2016	2015
Maintenance rents and charges	60.1	53.4
Utility charges	8.9	8.3
Other service income (incl. marketing income)	11.4	10.0
Total	80.3	71.7

Service charge income

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

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

1.4. PROPERTY OPERATING EXPENSES

MEUR	2016	2015
Heating and electricity	-23.7	-22.3
Maintenance expenses	-33.8	-30.7
Land lease fees and other rents	-7.1	-4.3
Property personnel expenses	-10.6	-7.8
Non-recurring personnel expenses arising from employment terminations	-0.6	-
Administrative and management fees	-3.3	-3.0
Marketing expenses	-11.1	-10.6
Property insurances	-0.9	-0.8
Property taxes	-8.1	-7.8
Repair expenses	-4.6	-6.0
Other property operating expenses	-1.7	-1.3
Total	-105.5	-94.6

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

Property operating expenses

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

Land lease fees and other rents

Citycon has land leases and other leases. Other leases mainly concern waste press equipment, office premises and cars.

Lease payments recognised as expenses during the period were EUR 9.0 million (5.8) and they do not include contingent rents or sublease payments. Lease expenses recognised in the consolidated income statement are included in Property operating expenses on row Land lease fees and other rents and in Administrative expenses on row office and other administrative expenses.

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

MEUR	2016	2015
Not later than 1 year	8.7	8.3
1–5 years	21.5	24.4
Over 5 years	10.4	11.0
Total	40.6	43.7

Leases – Citycon as lessee

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

1.5. ADMINISTRATIVE EXPENSES

MEUR	2016	2015
Personnel expenses[1)]	-14.9	-15.0
Non-recurring personnel expenses arising from employment terminations	-0.3	-0.6
Consultancy and advisory fees as well as external services	-3.2	-11.2
Office and other administrative expenses	-8.0	-6.2
Depreciation and amortisation[1)]	-1.8	-1.5
Total	-28.2	-34.5

1) 1)In the first quarter of 2016, managed centre related administrative costs and rented centre contract value amortization have been reclassified from administrative expenses to other operating income and expenses (EUR 2.3 million in 2015).

Non-recurring personnel expenses arising from employment terminations include one-off compensations paid to 28 persons, out of the total compensation EUR 0.6 million is recognized within property operating expenses, EUR 0.3 million within administrative expenses and EUR 0.4 million in other operating income and expenses. In 2015, non-recurring personnel expenses include one-off compensations paid to 2 persons.

Consultancy and advisory fees included in 2015 transaction costs related to Norwegian business unit acquisition.

Depreciation and amortisation

Depreciation and amortisation are booked from intangible and tangible assets.

Audit fees

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

MEUR	2016	2015
Audit fees	-0.7	-0.6
Other advisory services	-0.1	-0.7
Total	-0.7	-1.3

1.6. EMPLOYEE BENEFITS AND PERSONNEL EXPENSES

MEUR	Note	2016	2015
Wages and salaries of management			
CEO	A	-0.9	-0.9
Management committee	B	-1.6	-1.7
Board	C	-0.7	-0.8
Other wages and salaries[1)]		-20.0	-18.4
Pension charges: defined contribution plans		-2.8	-2.3
Social charges		-4.1	-1.8
Expense of share based payments	D, E	-0.6	-0.4
Total[1)]		-30.7	-26.2

1) 1)In the first quarter of 2016, managed centre related administrative costs and rented centre contract value amortization have been reclassified from administrative expenses to other operating income and expenses (EUR 2.3 million in 2015).

Personnel expenses of EUR 14.9 million (15.0) are included in administrative expenses, EUR 10.6 million (7.8) in property operating expenses and EUR 5.2 million (3.4) in other operating income and expenses.

Pensions

The Group's employee pension cover is based on statutory pension insurance. Pension schemes are classified into two categories: defined contribution plans and defined benefit plans. At Citycon, all pension covers are classified as contribution plans, which are recognised in the consolidated income statement for the period during which such contributions are made.

Group full-time equivalent (FTE) by Business Units as at 31 December	2016	2015
Finland	37	35
Norway	132	159
Sweden	50	48
Estonia and Denmark	9	9
Group functions	44	45
Total	272	297

A) CEO wages and salaries

EUR	2016	2015
In cash	903,386	858,507
In Citycon Oyj shares	113,192	62,630

According to his service agreement, the CEO's gross base salary in 2016 amounted to EUR 621,150. The CEO's pension benefit is in line with mandatory provisions of the Finnish Pension Act.

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

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

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

MEUR	2016	2015
Wages and salaries	1.6	1.7
Pensions: defined contribution plans	0.2	0.3
Social charges	0.2	0.3
Total	2.1	2.3

Citycon has not recognized non-recurring personnel expenses arising from employment terminations of Corporate Management Committee members in 2016 (0.2).

C) Remuneration of the members of the Board of Directors

EUR	2016	2015
Ashkenazi Ronen (Board member until 16 March 2016)	2,000	87,800
Katzman Chaim	165,000	165,000
Knobloch Bernd	85,000	85,600
de Haan Arnold	62,000	63,200
Komi Kirsi	63,200	65,000
Rachel Lavine (Board member since 19 March 2015)	62,200	61,400
Ohana Karine (Board member until 19 March 2015)	-	2,400
Orlandi Andrea[1)]	-	-
Ottosson Claes	61,400	64,400
Ovin Per-Anders	63,200	65,000
Segal Dori (Board member since 16 March 2016)	83,600	-
Zochovitzky Ariella	69,600	71,800
Total	717,200	731,600

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

During 2016, the travel expenses of the Board members amounted to EUR 0.1 million (0.1).

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

D) Long-term share-based incentive plans

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

In 2016, expenses from long-term share-based incentive plans recognised in consolidated financial statements amounted to EUR 0.6 million (0.4).

Performance share plan 2015

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

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

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

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

Restricted share plan 2015

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

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

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

The rewards on the basis of the restricted share plan corresponding to the value of a total of 170,705 shares were allocated in 2016 (2015: 90,000). At the period-end a total of 13 key employees were included in the restricted share plan.

E) Stock option schemes

Stock option plan 2011

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

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

At the end of 2016, stock options 2011A–D(I), 2011A–D(II) and 2011A–D(III) were held by 10 key employees within the Group. The amount of outstanding stock options was 6,185,000 on 31 December 2016. These option rights entitle their holders to subscribe for 12,474,526 shares in 2012–2018.

Citycon has used the Black & Scholes option-pricing model to measure the fair value of stock options at the grant date and reports them under personnel expenses in the consolidated financial statements allocated over the instrument's vesting period. In 2016, there are no expenses recognised in the consolidated financial statements (0.1). The expected volatility is determined by calculating the company share price's historical volatility.

Option category	Subscription price, EUR		Subscription ratio	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
2011A–D(I)	2.5380	2.5380	2.0169	2.0169
2011A–D(II)	2.6075	2.6075	2.0169	2.0169
2011A–D(III)	2.2703	2.2703	2.0169	2.0169

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

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

	2016		2015	
	Exercise price, weighted average, EUR/share	No. of stock options	Exercise price, weighted average, EUR/share	No. of stock options
At period-start	2.47	6,185,000	2.68	6,185,000
At period-end	2.47	6,185,000	2.47	6,185,000

There were no changes in the stock options in years 2015 and 2016, i.e. no new stock options were granted, there were no forfeited, re-distributed, exercised or lapsed stock options.

Stock Option rights of CEO and other Corporate Management Committee (CMC) members on 31 December 2016

	2011A(I–III)	2011B(I–III)	2011C(I–III)	2011D(I–III)	Total
Chief Executive Officer (CEO)	250,000	250,000	250,000	250,000	1,000,000
Other CMC Members	262,500	262,500	262,500	262,500	1,050,000

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

Exercisable stock options at period-end

The company had 6,185,000 outstanding 2011A-D(I-III) stock options at period-end. No stock options were exercised during 2016.

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

1.7. OTHER OPERATING INCOME AND EXPENSES

MEUR	2016	2015
Management fees	7.8	6.9
Management fee related expenses	-4.3	-3.9
Depreciation on contract values of managed and rented centres[1]	-1.9	-1.0
Non-recurring personnel expenses arising from employment terminations	-0.4	-
Other operating income	0.6	0.7
Reduction in goodwill resulting from corporate income tax rate change in Norway	-4.4	-9.2
Total	-2.6	-6.4

1) In the first quarter of 2016, managed center related administrative costs and rented center contract value amortization have been reclassified from administrative expenses to other operating income and expenses, EUR 2.3 million in 2015.

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

The corporate income tax percent decrease in 2016 in Norway reduced the deferred tax liabilities by EUR 4.4 million, which arose from Norwegian business unit acquisition as treated in accordance with the business combination method. The income tax percent decreased also in 2015. As the goodwill from Norwegian business unit acquisition arose mainly from deferred tax liabilities, the tax percent change reduced the goodwill accordingly. This reduction in goodwill does not indicate any changes in the future cash flows of Norway business unit.

Management fees from joint ventures and managed centres

Cityon manages some of the shopping centres owned by joint ventures and third parties and recognizes management fees over the contract period.

1.8. EARNINGS PER SHARE

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

Earnings per share, basic		2016	2015
Profit/loss attributable to parent company shareholders	MEUR	160.4	108.8
Issue-adjusted average number of shares[1]	1,000	889,993	755,496
Earnings per share (basic)	EUR	0.18	0.14

Earnings per share, diluted		2016	2015
Profit/loss attributable to parent company shareholders	MEUR	160.4	108.8
Issue-adjusted average number of shares[1]	1,000	889,993	755,496
Adjustment for stock options and share-based incentive plans	1,000	6,429	3,288
Average number of shares used in the calculation of diluted Earnings per share	1,000	896,422	758,783
Earnings per share (diluted)	EUR	0.18	0.14

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

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

	days	number of shares
Weighted average (daily) number of shares	365	889,992,628

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

Stock options have dilutive potential when the subscription price of shares based on the stock options is lower than the share's fair value. The dilutive potential of stock options is calculated by taking account of the total number of shares that can be subscribed based on stock options, less the number of shares the Group could acquire using assets derived from exercising stock options.

The share-based incentive scheme has a dilutive effect during the earning period when the performance conditions for the bonus have been fulfilled, and the shares have not yet been granted.

2. PROPERTY PORTFOLIO AND ASSETS

2.1. INVESTMENT PROPERTIES AND RELATED LIABILITIES

Investment properties in financial statement

Investment property refers to land or a building, or part of a building, held to earn rental income or capital appreciation, or both. Under IAS 40, investment property is measured at fair value, with gains and losses resulting from fair value changes for investment properties are netted and stated as a separate item in the consolidated income statement.

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

The fair valuation of the company's properties is conducted by an external independent professional appraiser according to the International Valuation Standards (IVS).

(Re)development projects are classified as investment properties and determined at fair value after an investment decision has been made and the external appraiser considers that sufficient information is available for a reliable valuation. Potential development projects are projects whose realization is uncertain. Therefore they have been left out of the valuation conducted by the external appraiser. In the fair value valuation on 31 December 2016, 2 properties (3) were classified as (re)development projects.

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

A global property valuation expert, Jones Lang LaSalle, conducted the valuation of Citycon's properties for the financial statements for 2016 and 2015. The resulting fixed fees based on the 2016 valuations totaled EUR 0.3 million (0.2).

The reconciliation between the fair value determined by the external appraiser and the fair value of investment properties in Citycon's balance sheet, is presented below:

MEUR	31 December 2016	31 December 2015
Fair value of investment properties determined by the external appraiser per 31 December	4,369.4	4,081.8
Capital expenditure on development projects	26.0	9.7
Transfer into investment properties held for sale	-57.8	-
Fair value of investment properties per 31 December	4,337.6	4,091.6

Fair value definition and hierarchy

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

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

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

Fair value measurement of investment properties, fair value measurement hierarchy, MEUR	31 December 2016	31 December 2015
Quoted prices (Level 1)	-	-
Observable inputs (Level 2)	-	-
Unobservable inputs (Level 3)	4,369.4	4,081.8
Total	4,369.4	4,081.8

FAIR VALUE MEASUREMENT

Fair value measurement

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

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

Fair value of investment properties

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

Inputs

The segments' inputs used by the external appraisers in the cash flow analysis per 31 December 2016 and 31 December 2015 are presented in the tables below. In Finland the weighted average yield requirement decreased due to divested properties, progress of (re)development projects and due to strong investor demand for prime properties. In Norway, the weighted average yield requirement increased due to increased yield requirements for secondary shopping centre properties.

In Sweden, the weighted average yield requirement decreased due to strong demand and low supply of prime properties and continued low interest rates. Also secondary shopping centre yields decreased. In Estonia and Denmark the weighted average yield requirement decreased due to properties being attractive investment class in the low interest rate environment. The weighted average market rent for the whole property portfolio was 26.1 EUR/sq.m. (25.1). The weighted average vacancy assumption for the cash flow period was 3.4% (3.2).

31 December 2016		Finland	Norway	Sweden	Estonia and Denmark	Average
Yield requirement	%	5.6	5.3	5.2	6.7	5.5
Market rents	EUR/sq.m.	29.8	22.9	26.3	20.1	26.1
Operating expenses	EUR/sq.m.	7.1	5.6	7.1	3.3	6.3
Vacancy during the cash flow period	%	4.4	1.8	4.8	1.6	3.4
Market rent growth assumption	%	2.0	2.5	1.9	2.0	-
Operating expense growth assumption	%	2.0	2.5	1.9	2.3	-

31 December 2015		Finland	Norway	Sweden	Estonia and Denmark	Average
Yield requirement	%	5.9	5.2	5.4	6.9	5.7
Market rents	EUR/sq.m.	29.0	21.2	26.1	20.4	25.1
Operating expenses	EUR/sq.m.	6.7	5.4	7.3	3.4	6.1
Vacancy during the cash flow period	%	4.2	1.5	4.8	1.6	3.2
Market rent growth assumption	%	2.0	2.3	1.9	1.9	-
Operating expense growth assumption	%	2.0	2.3	1.9	2.2	-

Sensitivity analysis

Sensitivity to change in the properties' fair value, or the risk associated with fair value, can be tested by altering the key parameters. The sensitivity analysis below uses the investment properties' fair value of EUR 4,369.4 million defined by the external appraiser at 31 December 2016 as the starting value. Sensitivity analysis indicates that the market value is most sensitive to changes in 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 changes in vacancy and operating expenses, but their relative effect is not as great as changes to market rent and yield requirement. In sensitivity analyses one parameter is changed at a time. In reality, changes in different parameters often occur simultaneously. For example a change in vacancy may connect to a change in market rents and yield requirement when they impact fair value simultaneously.

Value of properties (MEUR)					
Change %	-10 %	-5 %	±0%	+5%	+10%
Yield requirement	4,854.9	4,599.4	4,369.4	4,161.3	3,972.2
Market rents	3,784.7	4,077.1	4,369.4	4,661.7	4,954.1
Operating expenses	4,534.3	4,451.8	4,369.4	4,287.0	4,204.5
Change, percentage points	-2	-1	±0	1	2
Vacancy	4,504.9	4,437.2	4,369.4	4,301.6	4,233.9

INVESTMENT PROPERTY CHANGES AND CLASSIFICATION

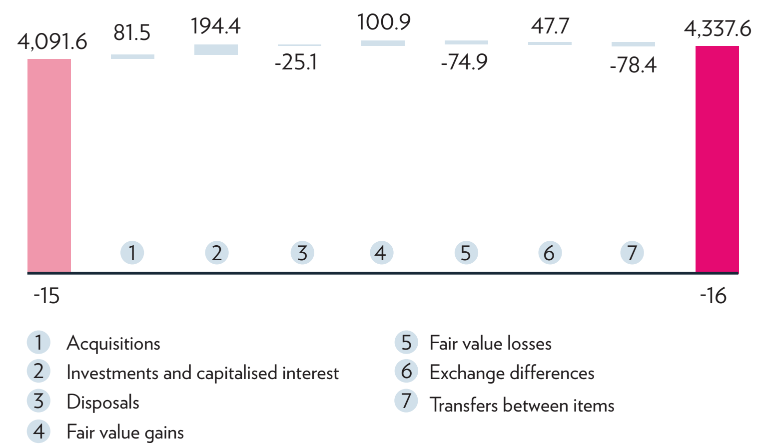
Citycon divides its investment properties into two categories: Investment Properties Under Construction (IPUC) and Operative Investment Properties. On 31 December 2016, the first mentioned category included Iso Omena and Porin Asema-aukio in Finland. On 31 December 2015, the first mentioned category included Porin Asema-aukio in Finland as well as Stenungstorg 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 below.

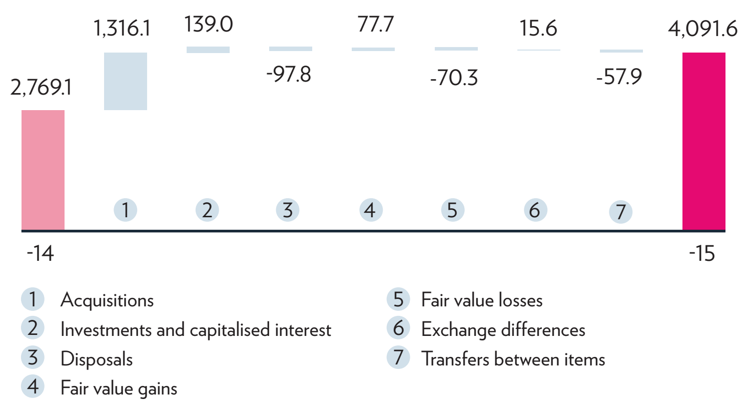
31 December 2016 MEUR	Investment properties under construction	Operative investment properties	Investment properties total
At period-start	106.7	3,984.9	4,091.6
Acquisitions	81.5	-	81.5
Investments	80.7	108.1	188.8
Disposals	0.0	-25.1	-25.1
Capitalised interest	4.4	1.2	5.6
Fair value gains on investment property	15.1	85.8	100.9
Fair value losses on investment property	-	-74.9	-74.9
Exchange differences	-	47.7	47.7
Transfer between IPUC, operative investment properties, joint venture properties and transfer into investment properties held for sale	435.4	-513.8	-78.4
At period-end	723.9	3,613.7	4,337.6

INVESTMENT PROPERTIES 2016



31 December 2015 MEUR	Investment properties under construction	Operative investment properties	Investment properties total
At period-start	124.2	2,644.9	2,769.1
Acquisitions	-	1,316.1	1,316.1
Investments	20.9	114.6	135.5
Disposals	-	-97.8	-97.8
Capitalised interest	0.6	2.9	3.5
Fair value gains on investment property	4.0	73.6	77.7
Fair value losses on investment property	-	-70.3	-70.3
Exchange differences	1.5	14.1	15.6
Transfer between IPUC and operative investment properties and transfer into investment properties held for sale	-44.6	-13.3	-57.9
At period-end	106.7	3,984.9	4,091.6

INVESTMENT PROPERTIES 2015



CONTINGENT LIABILITIES RELATED TO INVESTMENT PROPERTIES

MEUR	2016	2015
Capital commitments	254.8	219.2
VAT refund liabilities	132.1	110.4

Capital commitments

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

VAT refund liability

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

2.2. INVESTMENT PROPERTIES HELD FOR SALE

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

MEUR	2016	2015
Acquisition cost January 1.	1.7	7.2
Investments	0.0	-
Disposals	-70.0	-63.6
Exchange differences	0.0	0.1
Transfers from investment properties	150.3	57.9
Accumulated acquisition cost December 31.	81.9	1.7

On 31 December 2016, the Investment Properties Held for Sale comprised of three properties in Norway, one property in Sweden and one property and one residential property in Finland. One property transaction in Sweden was finalised in January 2017, the other property transactions are expected to be finalized during first quarter in 2017 while residential property transaction is expected to be finalized during the next 12 months. On 31 December 2015 the Investment Properties Held for Sale comprised of one residential property in Finland.

Citycon had no businesses held for sale (in accordance with IFRS 5) on 31 December 2016 or 31 December 2015.

An investment property is reclassified in the financial statement in cases where the investment property is divested or permanently withdrawn from use, and no future economic benefits are expected.
For Citycon, the characteristics of a sale of a business include, for example, the sale of a major line of business or geographical area of operations that also involves the transfer of staff and/or management essential to the business.

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

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

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

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

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

2.3. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

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

A) Investments in joint ventures

	2016				2015			
MEUR	Kista Galleria Group	Norwegian joint ventures	Other joint ventures total	Joint ventures total	Kista Galleria Group	Norwegian joint ventures	Other joint ventures total	Joint ventures total
Investment property	625.6	38.1	57.1	720.8	630.9	39.6	110.4	780.9
Other non-current assets	2.2	0.7	1.1	4.0	1.6	0.5	10.7	12.8
Cash and cash equivalents	5.1	1.1	7.1	13.3	8.3	0.2	2.1	10.6
Other current assets	3.0	3.6	1.6	8.3	5.4	3.0	-	8.4
Long-term loans	463.8	2.3	59.7	525.8	475.0	12.9	116.3	604.1
Deferred tax liabilities	23.8	2.8	0.9	27.5	27.6	2.7	-	30.3
Other long-term liabilities	1.8	6.7	-	8.5	7.2	13.8	9.5	30.6
Short-term liabilities	13.7	16.5	2.4	32.6	19.0	0.0	-	19.0
Equity	132.7	15.2	4.0	151.9	117.4	13.8	0.4	131.6
Portion of the Group's ownership, %	50	50	50		50	50	50	
Share of joint venture's equity	66.4	7.6	2.0	75.9	58.7	6.9	0.2	65.8
Share of loans of joint ventures	84.6	1.1	29.1	114.8	114.4	0.7	64.6	179.6
Investments in joint ventures	150.9	8.7	31.1	190.7	173.1	7.6	64.7	245.5
Gross rental income	34.3	-	0.0	34.4	34.4	-	-	34.4
Net rental income	30.0	-	-0.2	29.9	30.1	-	0.0	30.1
Administrative expenses	-0.4	-	0.0	-0.4	-0.3	-	-	-0.3
Other operating expenses/income	-0.8	0.8	-	0.0	-1.4	-	-	-1.4
Losses/gains on sale	-	-	-0.4	-0.4	-	-	-2.1	-2.1
Net fair value gains on investment property	11.1	-	10.3	21.3	38.7	-	-2.9	35.9
Operating profit	39.9	0.8	9.7	50.4	67.2	-	-5.0	62.1
Financial income	0.0	0.0	0.0	0.0	0.1	-	1.3	1.4
Financial expenses	-23.8	0.0	-0.2	-24.1	-23.7	-	-1.4	-25.1
Taxes	1.9	-0.2	-3.5	-1.7	-11.4	0.3	-	-11.1
Profit / loss for the period	18.0	0.6	6.0	24.6	32.1	0.3	-5.1	27.2
Share of profit/loss of joint ventures	9.0	0.3	3.0	12.3	16.0	0.2	-2.6	13.6
Other comprehensive income for the period, net of tax	1.5	0.0	-	1.5	-1.0	0.0	0.0	-1.0
Exchange losses/gains on translating foreign operations	-4.9	1.0	-	-3.9	1.0	-0.2	0.0	0.8
Share of other comprehensive income of associated companies and joint ventures	-1.7	0.5	-	-1.2	0.0	-0.1	0.0	-0.1
Total comprehensive profit/loss for the period	14.7	1.6	6.0	22.2	32.0	0.1	-5.1	27.0

Investments in Associates and Joint Ventures

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

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

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

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

Kista Galleria shopping centre

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

Iso Omena shopping centre extension

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

Mölndal Galleria shopping centre

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

Joint ventures in Norway

Citycon acquired all the shares in Norwegian shopping centre company Sektor on 14 July 2015. The acquired portfolio includes two joint ventures, namely Klosterfoss Utvikling AS and Dr Juells Park AS, of which Citycon owns 50% of the shares. Both companies are residential real estate development companies.

B) Investments in associated companies

MEUR	2016	2015
Investment properties	321.2	273.1
Current assets	7.6	2.6
Short-term liabilities	3.9	2.9
Long-term liabilities	183.8	154.7
Total shareholders' equity	141.1	118.1
Portion of the Group's ownership, %	20	20
Investments in associated companies	28.2	23.6
Gross rental income	16.7	6.9
Net rental income	10.1	4.8
Net fair value gains on investment property	10.5	30.4
Net financial income and expenses	-5.9	-3.0
Income taxes	-2.2	-3.1
Profit for the period	12.5	29.0
Share of profit/loss of associated companies	2.5	5.8
Other comprehensive income for the period, net of tax	0.5	0.0
Exchange losses on translating foreign operations	6.7	-1.5
Share of other comprehensive income of associated companies and joint ventures	1.4	-0.3
Total comprehensive profit/loss for the period	19.7	27.5

Citycon has issued a builder warranty on behalf of Sektor Portefølje II AS of EUR 5 million.

Associated companies in Norway

Citycon acquired on 14 July 2015 all the shares in Norwegian shopping centre company Sektor. The acquired portfolio includes associate interests in four shopping centres: Halden Storsenter, Markedet, Stovner Senter and Torvbyen. Citycon owns 20% interest in all of these shopping centres.

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

3. FINANCING

3.1. EQUITY

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

	Outstanding number of shares[1]	Treasury shares	Share capital (MEUR)	Share premium fund (MEUR)	Invested unrestricted equity fund (MEUR)	Total (MEUR)
1 January 2015	593,328,419	-	259.6	131.1	841.1	1,231.9
Rights issue	296,664,209	-	-	-	602.7	602.7
Return from the invested unrestricted equity fund	-	-	-	-	-89.0	-89.0
31 December 2015	889,992,628	-	259.6	131.1	1,354.9	1,745.6
Return from the invested unrestricted equity fund	-	-	-	-	-124.6	-124.6
31 December 2016	889,992,628	-	259.6	131.1	1,230.3	1,621.0

1) All outstanding shares were fully-paid on 31 December 2016 and 31 December 2015.

B) Description of funds and reserves included in the equity

Share capital

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

Share premium fund

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

Invested unrestricted equity fund

The invested unrestricted equity fund is credited, for instance, with that part of the subscription price of the shares that, according to the Memorandum of Association or the share issue decision, is not to be credited to the share capital. The invested unrestricted equity fund accumulated in 2015 due to rights issues. Incremental transaction costs (net of taxes) directly attributable to the issue of new shares or options are deducted from the proceeds.

Fair value reserve

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

Translation reserve

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

Treasury Shares

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

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

The Board of Directors proposes that based on the balance sheet to be adopted for the financial period ended on 31 December 2016 no dividend is distributed by a resolution of the Annual General Meeting. Nonetheless, the Board of Directors proposes that the Board of Directors be authorized to decide in its discretion on the distribution of dividend and assets from the invested unrestricted equity fund as follows.

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

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

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

Preliminary payment date	Preliminary record date
31 March 2017	24 March 2017
30 June 2017	22 June 2017
29 September 2017	22 September 2017
29 December 2017	14 December 2017

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

3.2. NET FINANCIAL INCOME AND EXPENSES

A) Recognised in the consolidated income statement

MEUR	2016	2015
Interest income	8.3	8.3
Foreign exchange gains	17.2	104.5
Fair value gain from derivatives	-	-
Other financial income	0.0	0.1
Financial income, total	25.5	112.9
Interest expenses	-64.1	-56.8
Foreign exchange losses	-17.2	-104.8
Fair value loss from derivatives	-5.9	-1.7
Development interest capitalised[1)]	7.8	6.2
Other financial expenses	-3.8	-8.1
Financial expenses, total	-83.2	-165.2
Net financial income and expenses	-57.7	-52.3
Of which attributable to financial instrument categories:		
Interest-bearing loans and receivables	-56.1	-31.4
Finance lease liabilities	-	-
Derivative financial instruments	-1.4	-20.9
Other liabilities and receivables	-0.2	-
Net financial income and expenses	-57.7	-52.3

1) Including also capitalized interest from joint ventures.

In 2016, foreign exchange gains of EUR 7.6 million (-8.3) were recognised in the consolidated statement of comprehensive income from foreign exchange derivative agreements.

Interest on development expenditure is capitalised at a rate of 3.18% as at 31 December 2016 (3.88%).

Citycon's interest expenses in the consolidated statement of comprehensive income contain interest expenses from interest-bearing debt as well as all interest expenses arising from derivative financial instruments used for hedging purposes. Additional information on Citycon's derivative financial instruments, their fair values and hedge accounting treatment can be found in Note 3.6. Derivative Financial Instruments.

B) Recognised in the other consolidated comprehensive income

MEUR	2016	2015
Gains/losses arising during the period from cash flow hedges	4.3	-8.8
Less: interest expenses recognised in the consolidated income statement on cash flow hedges	3.7	8.5
Net gains/losses on cash flow hedges	8.0	-0.3

Interest income

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

Dividend income

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

Borrowing costs

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

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

3.3. CLASSIFICATION OF FINANCIAL INSTRUMENTS

Financial assets and liabilities

Recognition and measurement

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

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

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

Loans and other receivables not held for trading include financial assets which the company has created by providing money, goods or services directly to the debtor. Initially recognised at fair value these assets under current and non-current assets are carried at amortised cost. Their balance sheet value is impaired by the amount of any credit loss. In the company's consolidated statements of financial position as at 31 December 2016 and 31 December 2015, loans and other receivables include the items "Other non-current assets", "Trade and other receivables" and "Cash and cash equivalents".

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

Financial liabilities are classified as

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

Financial liabilities are initially recognised at fair value. Afterwards, financial liabilities excluding derivative debt are recognised at amortised cost using the effective interest method. In the company's consolidated statement of financial position, on 31 December 2016 and 31 December 2015, financial liabilities at amortised cost include the items "Loans", "Other liabilities" and "Trade payables and other payables". On 31 December 2016 Citycon had foreign exchange derivative contracts classified as a financial assets and liabilities at fair value through profit or loss.

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

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

MEUR	Note	Carrying amount 2016	Fair value 2016	Carrying amount 2015	Fair value 2015
Financial assets					
I Loans and other receivables					
Trade and other receivables	4.4.	38.8	38.8	53.0	53.0
Cash and cash equivalents	3.8.	15.9	15.9	27.9	27.9
II Financial assets at fair value through profit and loss					
Derivative financial instruments	3.6.	3.1	3.1	7.7	7.7
III Derivative contracts under hedge accounting					
Derivative financial instruments	3.6.	2.5	2.5	4.4	4.4
Financial liabilities					
I Financial liabilities amortised at cost					
I.I Loans					
Loans from financial institutions	3.4.	260.8	261.4	472.2	472.7
Bonds	3.4.	1,916.0	1,930.0	1,550.9	1,564.4
Finance lease liabilities	3.4.	0.0	0.0	0.0	0.0
I.II Other liabilities					
Other liabilities	5.5.	0.8	0.8	0.8	0.8
Trade and other payables	5.5.	92.3	92.3	88.5	88.5
II Financial liabilities at fair value through profit and loss					
Derivative financial instruments	3.6.	4.3	4.3	7.8	7.8
III Derivative contracts under hedge accounting					
Derivative financial instruments	3.6.	1.6	1.6	5.4	5.4

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

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

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

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

Derivative financial instruments

Derivative financial instruments are initially measured at fair value in the statement of financial position and subsequently re-measured at their fair value on each balance-sheet date. The fair value of interest rate swaps is calculated using the present value of estimated future cash flows. The fair value of Citycon's interest rate derivatives is determined by the counterparty banks based on customary valuation techniques used by market participants in the OTC derivative market. An interest rate curve is determined based on observable market rates. The curve is used to determine future interest payments, which are then discounted to present value.

The fair value of a forward agreement is based on the difference between the exchange rate of the agreement and the prevailing exchange rate fixing on each balance-sheet date as well as the currency basis spreads between the respective currencies. The fair value of derivative financial instruments is the estimated amount that Citycon would receive or pay to settle the related agreements.

The fair value of foreign exchange derivative contracts is based on quoted market prices.

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

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

Loans from financial institutions

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

Bonds

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

The difference between the secondary market price and the fair value of the bonds was EUR 116.2 million (59.8) as of 31 December 2016.

3.4. LOANS

All Citycon loans were interest-bearing liabilities on 31 December 2016 and 2015. These interest-bearing loans are explained here in detail.

Breakdown of interest-bearing liabilities

	Effective interest rate (%)	Carrying amount 2016	Carrying amount 2015
Long-term interest-bearing liabilities			
Bonds			
Bond 1/2012	4.25	-	138.2
Bond 1/2013	3.84	497.2	496.4
Bond 1/2014	2.64	345.0	344.4
Bond 1/2015	Reference rate +1.55	136.9	129.3
Bond 2/2015	3.90	153.2	144.8
Bond 3/2015	2.41	298.0	297.8
Bond 1/2016	1.26	347.4	-
Syndicated term loans			
NOK 1,000 million term loan facility	NIBOR +1.3	109.5	103.6
Syndicated revolving credit facilities			
EUR 500 million revolving credit facility	Reference rate + 0.90	0.0	169.5
NOK 300 million revolving credit facility	NIBOR +1.3	0.0	31.2
Finance lease liabilities	-	0.0	0.0
Other interest-bearing liabilities	-	0.0	0.0
Total long-term interest-bearing liabilities		1,887.1	1,855.3
Short-term interest-bearing liabilities			
Bond 1/2012	4.25	138.4	0.0
Short-term syndicated and bank loans and revolving credit facilities	-	0.0	0.0
Current portion of interest-bearing liabilities	-	0.6	0.5
Commercial papers	-	142.2	167.3
Cash pool overdrafts		8.7	0.0
Finance lease liabilities	-	0.0	0.0
Total short-term interest-bearing liabilities		289.7	167.9

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

Maturity of long-term interest-bearing liabilities

MEUR	2016	2015
1–2 years	-	138.2
2–3 years	-	-
3–4 years	497.2	38.1
4–5 years	136.9	627.8
over 5 years	1,253.0	1051.1
Total	1,887.1	1,855.3

Currency split including cross-currency swaps.

Long-term interest-bearing liabilities by currency

MEUR	2016	2015
EUR	1027.4	1020.6
NOK	511.8	591.2
SEK	347.9	243.5
Total	1,887.1	1,855.3

Short-term interest-bearing liabilities by currency

MEUR	2016	2015
EUR	181.0	142.3
NOK	3.5	0.0
SEK	105.2	25.6
Total	289.7	167.9

3.5 FINANCIAL RISK MANAGEMENT

A) Financial risk management

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

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

Financial risks have been identified as business critical risks for Citycon. Financial risk arises for Citycon in the form of financial instruments, which are mainly used to raise financing for operations. The Group uses interest rate and foreign exchange derivatives to manage interest rate and currency risks arising from operations and financing sources.

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

Interest rate risk

One of Citycon's key financial risks is the interest rate risk of its interest bearing liabilities, whereby changes in money market interest rates lead to fluctuations in future interest cash flows on floating rate borrowings. Interest rate risk management aims to reduce or eliminate the adverse effect of interest rate fluctuations on the company's profit and cash flow. The company aims at a loan portfolio with the right balance of fixed and variable rate debt.

During recent years, the amount of fixed rate debt has increased, so now a relatively small part of Citycon's debt is floating rate. A part of this floating rate debt has been converted to fixed rate using interest rate swaps. Under the company's interest rate risk management policy, the target debt portfolio is one in which a minimum of 70% and a maximum of 90% of interest bearing liabilities are based on fixed interest rates over time. At year-end the ratio of fixed rate debt was however temporarily higher, at 93.1%.

The interest sensitivity of Citycon's loan portfolio at the end of 2016 is depicted by the fact that a one-percentage point rise in money market interest rates would increase its interest expenses by EUR 1.4 million, while a fall of one-percentage point in such rates would decrease them by EUR 0.2 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 floating rate debt.

Effect on interest expenses of an increase of 100 basis points

MEUR	2016	2015
Euro	0.4	1.3
Norwegian krona	-	0.8
Swedish krona	1.0	0.5
Total	1.4	2.6

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

Effect on shareholders equity of an increase of 100 basis points

MEUR	2016	2015
Euro	0.0	0.0
Norwegian krona	0.3	0.4
Swedish krona	0.0	0.1
Total	0.4	0.5

Liquidity risk

Citycon's strategy is to grow, which for a real estate company means that both equity capital and debt is needed. Minimum shareholders' equity is determined by the company's loan covenants. The Group uses cash-flow forecasts to continuously assess and monitor financing required for its business. Here, the goal is to arrange financing on a long term basis and avoid any large concentration of due dates for the loan agreements in the near term. Citycon aims to guarantee the availability and flexibility of financing, through sufficient committed unused credit limits and by using several banks and financing methods as sources of finance.

Citycon's financing policy states that all maturing debt, committed capital expenditures and committed acquisitions for the coming rolling 12 months period, not covered by Operating cash flow in approved budget or forecast or committed disposals of assets must be covered by available liquidity consisting of cash and long-term committed credit limit facilities . On 31 December 2016, unused committed credit limits amounted to EUR 533.0 million, in addition Citycon had unused cash pool limits of EUR 18.0 million and cash and unrestricted cash equivalents of EUR 9.3 million.

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

Maturity profile of financial liabilities including interest flows MEUR	Less than 1 month	1 to 12 months	1–5 years	Over 5 years	Total
31 December 2016					
Loans from financial institutions	37.5	108.1	11.1	111.4	268.1
Bonds	-	193.1	811.1	1,233.4	2,237.5
Finance lease liabilities	-	-	-	-	0.0
Derivative financial instruments	0.0	4.1	14.2	4.0	22.3
Trade and other payables (excl. interest liabilities)	72.4	18.2	1.7	0.0	92.3
31 December 2015					
Loans from financial institutions	112.5	61.2	193.2	137.0	504.0
Bonds	-	49.9	819.8	1,004.5	1,874.3
Finance lease liabilities	-	0.0	-	-	0.0
Derivative financial instruments	0.9	1.6	15.4	-0.6	17.3
Trade and other payables (excl. interest liabilities)	61.9	26.2	0.4	0.0	88.5

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.

MEUR	Less than 1 month	1 to 12 months	1–5 years	Over 5 years	Total
31 December 2016					
Undrawn committed credit facilities	-	-	500.0	33.0	533.0
31 December 2015					
Undrawn committed credit facilities	-	-	331.1	-	331.1

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 4.4. Trade and other receivables.

Credit risk arising from cash and cash equivalents and certain derivative agreements relate to a default of a counterparty with a maximum exposure equal to the carrying amount of these instruments. Citycon invests its liquidity in a manner which minimizes the risk. 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 approved financial instruments in which the company can invest, and includes counterparty limits for those investments.

Exchange rate risk

Citycon's presence in countries outside the eurozone exposes the company to exchange rate risk. Exchange rate risk stems from transaction risks resulting from the conversion of foreign currency denominated transactions into local currency, as well as from translation risks in the balance sheet associated with investments in foreign subsidiaries. The company uses foreign exchange derivatives to manage the transaction risk on committed transactions. The company 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 crown and the euro / Norwegian crown exchange rates.

Foreign exchange sensitivity

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

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

MEUR	2016	2015
Swedish krona	0.4	0.0
Norwegian krona	0.2	0.8
Total	0.6	0.8

B) Capital management and financial covenants

Capital management

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

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

The formulas for calculating the equity ratio and LTV can be found on page 77 in the consolidated financial statements.

Equity ratio:

MEUR		2016	2015
Total shareholders' equity (A)		2,312.3	2,245.5
Total assets		4,900.9	4,664.4
Less advances received		16.6	13.4
./. (Total assets - advances received) (B)		4,884.3	4,651.0
Equity ratio (A/B)	%	47.3	48.3

LTV (Loan to value) -%:

MEUR		2016	2015
Interest-bearing debt total (Note 3.4.)		2,176.8	2,023.2
Less cash and cash equivalents (Note 3.8.)		15.9	27.9
Interest-bearing net debt (A)		2,160.9	1,995.2
Fair value of investment properties including properties held for sale (Note 2.2.) and investments in joint ventures (Note 2.3.) (B)		4,638.5	4,362.3
LTV (A/B)	%	46.6	45.7

Equity ratio decreased in 2016 despite a higher total shareholders' equity as the total assets in proportion increased more. The LTV increased in 2016 despite the higher fair value of investment properties due to the higher net interest-bearing debt.

Financial covenants

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

Accordingly, equity ratio on 31 December 2016 stood at around 47.3% and interest coverage ratio at around 3.8 (2015: equity ratio was around 48.3% and interest coverage ratio around 3.8).

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

Accordingly, the solvency ratio on 31 December 2016 stood at around 0.46 (0.45) and the secured solvency ratio at around 0.02 (0.03).

3.6. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative contracts and hedge accounting

Derivative financial instruments are used in accordance with Citycon's Treasury Policy to hedge the interest rate risk of interest bearing liabilities and foreign currency risk.

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

Citycon uses interest rate swaps to hedge the interest rate cash flow risk. These interest rate swaps hedge against volatility in future interest payment cash flows (cash flow hedging) resulting from interest rate fluctuations, and the resulting profit fluctuations. Hedged instruments consist of long term floating rate debt, which is expected to be refinanced upon maturity on similar terms. Citycon applies hedge accounting according to IAS 39 to its interest rate swaps. Subsequently the fair value change of the effective part of the derivative hedge is recognised in the fair value reserve in equity and correspondingly under other consolidated comprehensive income. Any significant fair value change resulting from an ineffective part of the derivative hedge is recognised in the statement of consolidated comprehensive income under financial income and expenses. The amount in the fair value reserve is recognised in the statement of consolidated comprehensive income during the period when the cash flow from the hedged item is realised and affects earnings. If the criteria for hedge accounting are not met, changes in fair value are recognised in full through profit or loss.

Interest payments based on interest rate swaps are included in interest expenses. Fair value changes that are booked through profit or loss are recognised as financial expenses or income, if hedge accounting is not applied. The fair value of interest rate swaps is shown in current or non-current receivables or current and non-current liabilities in the statement of financial position. As of 31 December 2016 all Citycon's interest rate swaps were under hedge accounting.

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

For some cross-currency swaps, hedge accounting is applied. Hedge accounting for cross currency swaps is performed in the same manner as explained above for interest rate swaps with the exception that fair value changes from foreign exchange rate is booked through profit and loss and the fair value change due to changed interest rates is shown in current or non-current receivables or current and non-current liabilities in the statement of financial position.

A) Nominal amounts and fair values of derivative financial instruments

MEUR	Nominal amount 2016	Fair value 2016	Nominal amount 2015	Fair value 2015
Interest rate swaps				
Maturity:				
less than 1 year	-	-	-	-
1–5 years	247.6	1.2	59.9	-4.1
over 5 years	-	-	234.3	0.1
Subtotal	247.6	1.2	294.2	-3.9
Cross-currency swaps				
Maturity:				
less than 1 years	-	-	-	-
1-5 years	350.0	0.6	150.0	-2.5
over 5 years	107.9	-0.3	107.9	2.9
Subtotal	457.9	0.3	257.9	0.4
Foreign exchange forward agreements				
Maturity:				
less than 1 year	220.2	-1.8	291.8	2.4
Total	925.7	-0.2	843.9	-1.1

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

The fair values include a foreign exchange loss of EUR 1.1 million (5.0) from foreign exchange rate derivatives and cross-currency swaps, which is recognised in the consolidated statement of comprehensive income.

The average fixed interest rate of the interest rate swaps and and cross-currency swaps as at 31 December 2016 was 1.97% (2.85%).

B) Derivatives under hedge accounting

Interest rate swaps and cross-currency swaps MEUR	Assets 2016	Liabilities 2016	Assets 2015	Liabilities 2015
Interest rate swaps, fair value	1.2	-	-	-4.1
Cross-currency swaps, fair value	-	-0.3	3.0	-

The Group applies hedge accounting in accordance with IAS 39 to all of its interest rate swaps valid as at 31 December 2016, according to which the amount of financial instruments' fair value change from effective hedging is recognised under other consolidated income. Fair value gains and losses are transferred to the statement of consolidated income when the forecasted cash flows realize and affect the statement of consolidated income. Citycon also has cross-currency swaps to effectively convert EUR debt into NOK and SEK debt, and for part of them, hedge accounting is applied.

Hedge accounting is applied to interest rate swaps and cross-currency swaps which have a nominal amount of EUR 355.6 million (402.1).

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

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

At 31 December 2016 and at 31 December 2015, derivatives under hedge accounting were assessed as highly effective. The fair values (net of taxes) of these derivatives were EUR 2.0 million (EUR -4.4 million) and the change of these fair values (net of taxes) EUR 6.4 million (-0.2 million) is recognised under other consolidated comprehensive income, taking the tax effect into account.

In addition, EUR 2.3 million (-0.4) have been recognised in 'Share of other consolidated comprehensive income of joint ventures' from interest rate swaps hedging loans of Kista Galleria loan and Sektor Portefølje II AS.

3.7. COMMITMENTS AND CONTINGENT LIABILITIES

Pledges and other contingent liabilities MEUR	2016	2015
Loans, for which mortgages are given in security and shares pledged		
Loans from financial institutions	110.1	135.4
Contingent liabilities for loans		
Mortgages on land and buildings	143.1	135.4
Bank guarantees	154.7	124.1

Mortgages on land and buildings

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

Bank guarantees

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

3.8. CASH AND CASH EQUIVALENTS

MEUR	2016	2015
Cash in hand and at bank	9.3	23.4
Other bank deposits	6.5	4.5
Total	15.9	27.9

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

Cash and cash equivalents

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

4. OTHER NOTES TO THE ACCOUNTS

4.1. INCOME TAXES

MEUR	2016	2015
Current tax	-0.7	-0.5
Tax for prior periods	0.0	0.0
Deferred tax expense	-19.5	-5.1
Income tax expense	-20.2	-5.6

Citycon did not recognise any current taxes directly in the equity during 2016 and 2015.

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

MEUR	2016	2015
Profit before taxes	181.5	116.0
Taxes at Finnish tax rate	36.3	23.2
Change in subsidiaries' tax rate	-6.4	-12.5
Fair value of investment properties	-5.3	-1.3
Difference in foreign subsidiaries' tax rate	-0.5	-0.1
Unrecognised tax receivables from losses	-0.3	-0.4
Utilisation of tax losses	-2.1	0.5
Tax free income deducted by non-deductible expenses	-1.9	-4.6
Other	0.4	0.9
Income taxes	20.2	5.6
Effective tax rate, %	11.1	4.9

Income taxes include taxes based on the taxable income of Group companies for the financial period, adjustments for previous periods' taxes and changes in deferred taxes. Tax based on taxable income for the period is calculated in accordance with the tax legislation enacted in each country. If the recognition of deferred taxes is attributable to an item recognised in shareholders' equity, such as a change in the fair value of a derivative instrument used for hedging purposes, deferred taxes will also be recognised in shareholders' equity.

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

Future taxable income is uncertain, and the final amount of taxes may deviate from the originally recorded amount. If final tax deviates from originally recorded amounts, such differences may affect the period's taxable profit, tax receivables or liabilities as well as deferred tax assets or liabilities.

4.2. DEFERRED TAX ASSETS AND LIABILITIES

Changes in deferred tax assets and liabilities in 2016:

MEUR	1 January 2016	Recognised in income statement	Recognised in other comprehensive income	Transfer from deferred tax assets to tax liabilities	Exchange rate differences	31 December 2016
Deferred tax assets					-	
Tax losses	9.2	0.6		-6.2	-	3.6
Measurement of interest-rate swaps at fair value	1.1	-0.2	-1.6		-	-0.8
Deferred tax assets, total	10.3	0.4	-1.6	-6.2	-	2.9
Deferred tax liabilities						
Measurement of investment property at fair value[1)]	288.3	20.6	-	6.2	-6.0	309.1
Contract values of managed and rented centre	2.9	-0.6	-		0.2	2.6
Temporary difference in financial expenses	0.7	-0.2	-			0.6
Deferred tax liabilities, total	292.1	19.8	-	6.2	-5.8	312.2

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

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

Other main temporary differences relate to among other things unused tax losses and financial instruments. Deferred tax assets are recognised to the extent that it appears probable that future taxable profit will be available, against which the temporary differences can be utilised.

Changes in deferred tax assets and liabilities in 2015:

MEUR	1 January 2015	Recognised in income statement	Recognised in other comprehensive income	Recognised from Business combinations	Exchange rate differences	31 December 2015
Deferred tax assets						
Tax losses	4.7	1.2		3.6	-0.3	9.2
Measurement of interest-rate swaps at fair value	1.0	-4.6	0.1	4.3	0.3	1.1
Deferred tax assets, total	5.7	-3.4	0.1	7.8	0.1	10.3
Deferred tax liabilities						
Measurement of investment property at fair value[1]	128.7	1.9		157.8	0.1	288.3
Contract values of managed and rented centers	-	0.5		2.4		2.9
Temporary difference in financial expenses	0.9	-4.2		3.8	0.3	0.7
Deferred tax liabilities, total	129.6	-1.8	0.0	163.9	0.3	292.1

1) Deferred tax liabilities are net of EUR 22.0 million of deferred tax assets arising from confirmed tax losses.

On 31 December 2016, Group companies had confirmed losses for which tax assets of EUR 6.1 million (8.3) were not recognised, since these Group companies are unlikely to record a taxable profit, before the expiration of carry forwards of these losses, against which loss carry forwards can be utilised.

When tax receivables are recognised for tax losses that have been confirmed in taxation, the company must evaluate whether it is probable that such tax losses can be used against a taxable profit arising in the future.

4.3. INTANGIBLE ASSETS

MEUR	2016	2015
Acquisition cost January 1.	29.1	8.8
Additions during the period	2.1	1.7
Additions from Business Combination (Note 5.1.)	-	18.6
Divestments	-0.1	0.0
Accumulated acquisition cost December 31.	31.2	29.1
Accumulated depreciation and impairment losses, January 1.	-5.5	-3.5
Amortization during the period	-3.2	-2.0
Accumulated depreciation and impairment losses, Dec 31.	-8.7	-5.5
Net carrying amount January 1.	23.6	5.3
Net carrying amount December 31.	22.5	23.6

Intangible assets consisted of contract values of managed and rented centers arising from business combination (acquisition of Norwegian business unit on 14 July 2015) and computer software and licenses. The contract values of managed and rented centers were EUR 17.7 million on 31 December 2016 (18.2).

Intangible assets

An intangible asset is recognised in the statement of financial position, provided its historical cost can be measured reliably and it is probable that expected economic benefits will flow to the company. Intangible assets are measured at cost less amortisation and any impairment losses.

The following depreciation periods apply:
Contract value of rented centers is amortized on a straight-line basis over the contract period.
Contract value of managed centers is amortized on a straight-line basis over the contract period.
Software is amortised over their useful life on a straight-line basis over three to seven years.

Impairment of intangible assets

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

4.4. TRADE AND OTHER RECEIVABLES

MEUR	2016	2015
Trade receivables	11.1	9.6
Credit loss provision	-2.8	-3.2
Trade receivables (net)	8.3	6.4
Accrued income and prepaid expenses	14.8	20.4
Unpaid purchase prices related to investment disposals	-	15.9
VAT-receivables	7.3	7.1
Other receivables	8.4	3.2
Total	38.8	53.0

Ageing structure of trade receivables:

MEUR	2016	2015
NOT past due nor impaired	2.9	2.7
Past due, less than 1 month	2.7	2.0
Past due, 1–3 months	1.6	1.1
Past due, 3–6 months	1.1	0.7
Past due, 6–12 months	1.6	1.4
Past due, 1–5 years	1.1	1.7
Total	11.1	9.6

Movement in credit loss provisions

MEUR	2016	2015
At the beginning of the year	-3.3	-2.3
Additions from Business Combination (Note 5.1)	-	-0.8
Charge for the year	0.0	-1.0
Utilised	-0.1	0.6
Unused amounts reversed	0.6	0.1
Credit loss provision at the end of the year	-2.8	-3.3

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

Financial assets

Financial assets include trade receivables and other receivables not held for trading, which the company has created by providing money, goods or services directly to the debtor. Initially recognised at fair value these assets under current and non-current assets are carried at amortised cost. Their balance sheet value is impaired by the amount of any credit loss.

Impairment of financial assets

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

4.5. TRADE AND OTHER PAYABLES

MEUR	2016	2015
Trade payables	19.2	27.2
Short-term advances received	16.3	12.9
Interest liabilities	22.8	21.6
Other liabilities	28.9	22.4
Accrued expenses total	51.8	44.0
VAT-liabilities	5.0	4.1
Other short-term payables	0.1	0.3
Other short-term payables total	5.1	4.4
Total	92.3	88.5

Due dates of future payments of trade and other payables:

MEUR	2016	2015
Due in less than 1 month	72.4	61.9
Due in 1–3 months	1.3	24.9
Due in 3–6 months	13.6	0.3
Due in 6–12 months	3.3	1.0
Due in 1–2 years	1.5	0.2
Due in 2–5 years	0.1	0.2
Due in over 5 years	0.0	0.0
Total	92.3	88.5

Financial liabilities

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

5. CONSOLIDATION

Group accounting policies

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

Subsidiaries

Subsidiaries refer to companies in which the Group has control. The Group controls an investee if the Group has: power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee), exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns.

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

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

Joint operations

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

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

Foreign currency transactions

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

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

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

5.1. BUSINESS COMBINATIONS AND GOODWILL

A) Business combinations and goodwill

Assets acquired and liabilities assumed, purchase consideration and net cash flow from acquisition

MEUR	1 July 2015
The fair values of the identifiable assets and liabilities of Sektor Gruppen as at the date of acquisition with the acquisition date exchange rate were:	Fair value of assets and liabilities recognised on acquisition
Assets	
Investment properties	1,441.9
Investments in joint ventures and associated companies	31.0
Intangible assets, property, plant and equipment and other non-current assets	20.1
Deferred tax assets	17.7
Derivative financial instruments and other non-current assets	1.1
Trade and other current assets	8.3
Cash and cash equivalents	35.1
Total assets	1,555.2
Loans	-946.5
Derivative financial instruments	-17.4
Deferred tax liabilities	-179.1
Total liabilities	-1,143.0
Total identifiable net assets at fair value	412.2
Non-controlling interest	-33.3
FX-change from the fixed NOK/EUR-rate	52.2
Goodwill arising from acquisition	140.4
Purchase consideration transferred	571.5
Analysis of cash flows on acquisition:	
Net cash acquired (included in the cash flows from investing activities)	35.1
Cash paid	-571.5
Net cash flow on acquisition	-536.3

Business acquisitions

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

Goodwill

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

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

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

If part of the CGU, to which goodwill has been allocated, is disposed, goodwill that has been allocated to that disposed part is written off as part of the gains/losses on sale. Goodwill is allocated to the disposed part based on the relative values of the disposed operations and the portion of the retained part.

Business acquisitions and asset acquisitions

Citycon purchases investment properties through business acquisitions and asset acquisitions. Citycon applies IFRS 3 Business Combinations to the accounting treatment of business acquisitions and IAS 40 Investment Property to the asset acquisitions. Citycon exercises judgement in assessing whether the purchase of an investment property portfolio or an investment property is classified as a business combination or an asset acquisition. Acquisitions are treated as business combinations when significant set of activities is acquired in addition to the property. The significance of activities is assessed in accordance with the definition of business (e.g. maintenance, cleaning, security, book-keeping, etc.) of IFRS 3.

Citycon did not acquire any business during financial year 2016

Citycon acquired 100% of shares in Sektor Gruppen AS (Sektor), Norway's second largest shopping centre owner and manager on 14 July, 2015 in order to strengthen its Nordic position. Citycon treated the acquisition of Sektor Gruppen AS as a business combination in 2015. Even thought the closing of the acquisition was made on 14 July, Citycon has consolidated the Sektor numbers into its consolidated financial statements as of 1 July 2015 as Citycon has considered to have rights to variable returns of Sektor from 1 July onwards and as Citycon has had the ability to affect those returns.

Citycon has elected the accounting principle option to not measure non-controlling interests at acquisition-date fair value.

Gross rental income of Sektor amounted to EUR 43.0 million and direct operating profit EUR 32.4 million for the six months and they are included in Citycon's consolidated income statement in the annual financial statements. If Sektor had been consolidated from the beginning of 2015, the gross rental income of Citycon would have amounted to EUR 286.1 million and EPRA Operating profit EUR 208.6 million. Citycon has recognised transaction costs of EUR 6.8 million from the Sektor transaction and those costs have been reported within administrative expenses in the income statement.

The Sektor acquisition generated a goodwill of EUR 192.6 million (based on the exchange rates on 1 July 2015 and after two purchase price adjustments). The goodwill was a result of the difference between how deferred taxes are calculated for IFRS based financial statements and the value ascribed to it in negotiations. The IFRS based deferred taxes are based on the difference between the fair values of the assets and liabilities and tax values. In measuring deferred tax, no account is taken on the likelihood that more or less tax will be paid or timing of any tax payments in the future. On top of the goodwill arising from deferred taxes, approximately EUR 52.2 million of the goodwill arises from FX-change of fixed NOK/EUR exchange rate. In addition, the goodwill recognised is attributed to the portfolio premium, expected synergies and other benefits from combining the assets and activities of Sektor with those of Citycon.

MEUR	2016	2015
Acquisition cost 1 January	171.5	-
Additions from Business Combination (Note 5.1.)	-	194.1
Purchase price adjustment	0.0	-1.5
Change from exchange rate	6.4	-11.9
Reduction in goodwill resulting from corporate income tax rate change in Norway	-4.4	-9.2
Accumulated acquisition cost 31 December	173.4	171.5

Goodwill at the end of 2016 results fully from the acquisition of Norwegian business unit on 14.7.2015. The goodwill is allocated to the Norway business unit as a whole.

Due to change in income tax percent in Norway, a EUR 9.2 million reduction in goodwill was recognized in the last quarter of financial year 2015 in other operating income and expenses. The income tax percent decreased also in 2016, hence goodwill was reduced by EUR 4.4 million. The reduction in the tax rate had a positive impact on the deferred tax change.

B) Impairment testing of goodwill

Impairment testing of Goodwill

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

Citycon determines recoverable amounts using value in use cash flows based on cash flows used in investment property fair value evaluation over 10 year period prepared by external appraiser as presented in notes 2.1 and administrative expenses as well as other operating income and expenses according to budget approved by Board of Directors. Cash flows do not include restructuring activities that Citycon is not yet committed to or significant future uncommitted investments that will enhance the assets' performance of the cash generating unit being tested. The recoverable amount is sensitive especially to assumption of discount rate and net rental income.

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

MEUR	2016	2015
Total goodwill	173.4	171.5
Residual balance of deferred tax liability, in excess of the fair value, initially provided on acquisition	-108.7	-106.6
Goodwill tested for impairment	64.7	64.9

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

Total carrying value including goodwill to be tested was approximately EUR 1,552.3 million (1,408.5). The pre-tax discount rate applied to the cash flow projections was 4.63% (4.54). The recoverable amount of Norway amounted to EUR 1,954.1 million (1,669.1) with a headroom of EUR 401.8 million (260.6) to balance value, hence there is no need for goodwill impairment.

Key assumptions used in value in use calculations

The calculation of value in use is most sensitive to discount rate and assumptions used in net rental income projections. Net rental income is based on external appraiser's 10 year cash flow analysis to determine fair value of investment properties. The assumption related to aforementioned cash flows are presented in Note 2.1. Discount rate represents the current market assessment of the risks specific to Norway, taking into consideration the time value of money and individual risks of Norway. The discount rate calculation is based on weighted average cost of capital (WACC). Terminal value is capitalized with external appraiser's yield assumption 5.25% (5.17) which reflects property specific risks and market risks.

Sensitivity to changes in assumptions

The implications of the key assumptions for the recoverable amount are market rent and yield requirement as presented in Note 2.1. Sensitivity has been analysed regarding market rents and yield assumptions seperately. Asset's total recoverable amount would fall below total carrying value if market rents decreased more than approximately 22,51% (10.46) from current level. If both WACC determined by the company 4,63% (4.54) and yield assumption determined by external appraiser 5.25% (5.17) would increase more than approximately 1.49% points (0.875), then total recoverable amount of asset would fall below total carrying value.

5.2. ACQUISITION OF NON-CONTROLLING INTERESTS

Citycon acquired the 29.4% minority stake of Råd & Bokføring AS on 29 December 2016. The following acquisitions were made in 2015:

Acquisition of the minority shares in three shopping centres in Norway

Citycon acquired on 11 November 2015 the 31% minority stakes in Storbyen and Sjøsiden shopping centres in the Oslo region and Oasen shopping centre in Bergen for an equity consideration of approximately EUR 31 million (approximately NOK 290 million) from four minority shareholders. Citycon previously owned the 69% majority share in these shopping centres, which were part of the Sektor acquisition in July 2015.

Åkersberga shopping centre

Citycon acquired on 22 December 2015 25% minority stake in Åkersberga shopping centre for an equity consideration of approximately EUR 2.9 million (approximately SEK 27 million) from Armada Fastighets AB. Citycon previously owned 75% majority stake in Åkersberga shopping centre.

Impact of acquisitions

Acquisition of non-controlling interests impacted the equity attributable to parent company shareholders with EUR 0.9 million in 2015.

Citycon didn't have any material non-controlling interests in its subsidiaries on December 31, 2016 and 2015.

5.3. RELATED PARTY TRANSACTIONS AND CHANGES IN GROUP STRUCTURE

A) Related parties

Citycon Group's related parties comprise the parent company Citycon Oyj and its subsidiaries, associated companies, joint ventures; Board members; CEO and other Corporate Management Committee members; and the company's largest shareholder Gazit-Globe Ltd. , whose shareholding in Citycon Oyj accounted for 43.9% on 31 December 2016 (31 December 2015: 43.4%).

Group companies and changes in group structure

Group companies on 31 December 2016	Country	Group holding, %	Parent company holding, %	Companies acquired in 2016	Companies established in 2016	Companies with changed business names in 2016 Former name
Parent company: Citycon Oyj	Finland					
Albertslund Centrum ApS	Denmark	100				
Asematie 3 Koy	Finland	100				
Big Apple Top Oy	Finland	100				
Citycon AB	Sweden	100	100			
Citycon Bodø Drift AS	Norway	100				
Citycon Bodø Eiendom AS	Norway	100				
Citycon Buskerud Drift AS	Norway	100				
Citycon Buskerud Eiendom AS	Norway	100				
Citycon Buskerud Invest AS	Norway	100				
Citycon Buskerud Invest KS	Norway	100				
Citycon Denmark ApS	Denmark	100	100			
Citycon Development AB	Sweden	100				
Citycon Down Town Drift AS	Norway	100				
Citycon Down Town Eiendom AS	Norway	100				
Citycon Eiendomsmegling AS	Norway	100				
Citycon Finland Oy	Finland	100	100			
Citycon Heiane Drift AS	Norway	100				
Citycon Heiane Eiendom AS	Norway	100				
Citycon Herkules Drift AS	Norway	100				
Citycon Herkules Eiendom AS	Norway	100				
Citycon Holding AS	Norway	100	100			
Citycon Högdalen Centrum AB	Sweden	100				
Citycon Jakobsbergs Centrum AB	Sweden	100				
Citycon Kilden Drift AS	Norway	100				
Citycon Kilden Eiendom AS	Norway	100				
Citycon Kolbotn Torg Eiendom AS	Norway	100				Citycon Kolbotn Torg AS
Citycon Kolbotn Torg Drift AS	Norway	100				
Citycon Kolbotn Torg Næring AS	Norway	100				
Citycon Kongssenteret Drift AS	Norway	100				
Citycon Kongssenteret Eiendom AS	Norway	100				

Group companies on 31 December 2016	Country	Group holding, %	Parent company holding, %	Companies acquired in 2016	Companies established in 2016	Companies with changed business names in 2016 Former name
Citycon Kremmertorget Drift AS	Norway	100				
Citycon Kremmertorget Eiendom AS	Norway	100				
Citycon Krokstad Eiendom AS	Norway	100				
Citycon Lade Eiendom AS	Norway	100				
Citycon Liertoppen Drift AS	Norway	100				
Citycon Liertoppen Eiendom AS	Norway	100				
Citycon Lietorvet Drift AS	Norway	100				
Citycon Lietorvet Eiendom AS	Norway	100				
Citycon Liljeholmstorget Galleria AB	Sweden	100				
Citycon Linderud Drift AS	Norway	100				
Citycon Linderud Eiendom AS	Norway	100				
Citycon Magasinet Drammen Eiendom AS	Norway	100				
Citycon Magasinet Drammen Invest AS	Norway	100				
Citycon Magasinet Drammen Invest I ANS	Norway	100				
Citycon Magasinet Drammen Invest II ANS	Norway	100				
Citycon NAF-Huset Drift AS	Norway	100				
Citycon NAF-Huset Eiendom AS	Norway	100				
Citycon Norway AS	Norway	100				
Citycon Oasen Drift AS	Norway	100				
Citycon Oasen Eiendom AS	Norway	100				
Citycon Senterdrift AS	Norway	100				
Citycon Services AB	Sweden	100				
Citycon Shopping Centers AB	Sweden	100				
Citycon Shopping Centers Shelf 6 AB	Sweden	100				
Citycon Sjøsiden Drift AS	Norway	100				
Citycon Sjøsiden Eiendom AS	Norway	100				
Citycon Skomværkvartalet Eiendom AS	Norway	100				
Citycon Solsiden Drift AS	Norway	100				
Citycon Solsiden Eiendom AS	Norway	100				
Citycon Stopp Drift AS	Norway	100				
Citycon Stopp Eiendom AS	Norway	100				
Citycon Storbyen Drift AS	Norway	100				
Citycon Storbyen Eiendom AS	Norway	100				
Citycon Storgata 53 Eiendom AS	Norway	100				
Citycon Treasury B.V.	The Netherlands	100	100			
Citycon Trekanten Drift AS	Norway	100				
Citycon Trekanten Eiendom AS	Norway	100				
Citycon Tumba Centrumfastigheter AB	Sweden	100				
Espoon Asemakuja 2 Koy	Finland	100				
Espoonlahden Bussiterminaali Koy	Finland	100		X		Special Purpose Vehicle No. 253 Oy
Etelä-Suomen Kauppakiinteistöt Oy	Finland	100				
Helsingin Hämeentie 109-111 Koy	Finland	100				

Group companies on 31 December 2016	Country	Group holding, %	Parent company holding, %	Companies acquired in 2016	Companies established in 2016	Companies with changed business names in 2016 Former name
Holding Big Apple Housing Oy	Finland	100		increase of ownership from 50% to 100%		
Holding Metrokeskus Oy	Finland	100		increase of ownership from 50% to 100%		
Jyväskylän Forum Koy	Finland	100				
Jyväskylän Kauppakatu 31 Koy	Finland	100				
Kaarinan Liiketalo Koy	Finland	100				
Kauppakeskus Columbus Koy	Finland	100				
Kauppakeskus Isokarhu Oy	Finland	100				
Kivensilmänkuja 1 Koy	Finland	100				
Kristiina Management Oy	Finland	100				
Kristiine Keskus Oü	Estonia	100				
Kuopion Kauppakatu 41 Koy	Finland	100				
Lahden Hansa Koy	Finland	100				
Liljeholmstorget Development Services AB	Sweden	100				
Lintulankulma Koy	Finland	100				
Lippulaiva Koy	Finland	100				
Lippulaivan Palvelutilat Koy	Finland	100		X		Special Purpose Vehicle No. 254 Oy
Manhattan Acquisition Oy	Finland	100				
Martinlaakson Kivivuorentie 4 Koy	Finland	100				
Montalbas B.V.	The Netherlands	100	100			
Myyrmanni Koy	Finland	100				
New Big Apple Top Koy	Finland	100		increase of ownership from 50% to 100%		
New Manhattan Acquisition Oy	Finland	100				
Porin Asema-aukio Koy	Finland	100				
Riddarplatsen Fastigheter HB	Sweden	100				
Rocca al Mare Kaubanduskeskuse AS	Estonia	100				
Råd & Bokføring AS	Norway	100		increase of ownership from 70.6% to 100%		
Stenungs Torg Fastighets AB	Sweden	100				
Tampereen Hermanni Koy	Finland	100				
Tampereen Koskikeskus Koy	Finland	100				
Åkersberga Centrum AB	Sweden	100				
Tikkurilan Kauppakeskus Koy	Finland	98,8				
Lahden Trio Koy	Finland	89,5				
Linjurin Kauppakeskus Koy	Finland	88,5				
Hervannan Liikekeskus Oy	Finland	83,2				
Myyrmäen Kauppakeskus Koy	Finland	78,6				
Ersboda Länken 1 AB	Sweden	75				
RED City AB	Sweden	75				
Heikintori Oy	Finland	68,7				
Espoontorin Pysäköintitalo Oy	Finland	68,6				
Espoontori Koy	Finland	66,6				
Myyrmäen Autopaikoitus Oy	Finland	62,7				
Espoon Asematori Koy	Finland	54,1				

Group companies on 31 December 2016	Country	Group holding, %	Parent company holding, %	Companies acquired in 2016	Companies established in 2016	Companies with changed business names in 2016 Former name
Centerteam AS	Norway	50				
Dr Juells Park AS	Norway	50				
Lappeenrannan Villimiehen Vitonen Oy	Finland	50				
Kista Galleria JV AB	Sweden	50				
Kista Galleria Kommanditbolag	Sweden	50				
Kista Galleria Holding AB	Sweden	50				
Kista Galleria LP AB	Sweden	50				
Klosterfoss Utvikling AS	Norway	50				
Magasinet Drammen AS	Norway	50				
Mölndals Galleria AB	Sweden	50				
Mölndals Galleria Fastighets AB	Sweden	50				
Retail Park Oy	Finland	50				
Sandstranda Bolig AS	Norway	50				
Tikkurilan Kassatalo As Oy	Finland	39				
Hansaparkki Koy	Finland	36				
Liesikujan Autopaikat Oy	Finland	35,7		increase of ownership from 6.3% to 35.7%		
Centro Henrique Oy	Finland	34,4				
Jyväskylän Ydin Oy	Finland	29				
Sektor Halden Drift AS	Norway	20				
Sektor Halden Eiendom AS	Norway	20				
Sektor Markedet Drift AS	Norway	20				
Sektor Markedet Eiendom AS	Norway	20				
Sektor Portefølje II AS	Norway	20				
Sektor Stovner Drift AS	Norway	20				
Sektor Stovner Eiendom AS	Norway	20				
Sektor Torvbyen Eiendom AS	Norway	20				
Torvbyen Utvikling AS	Norway	20				
Tupakkikiven Parkki Koy	Finland	13,9				
Torvbyen Drift AS	Norway	7,6				
Martinlaakson Huolto Oy	Finland	2,2				
Partnerships for taxation purposes:						
Parkeringshuset Väpnaren	Sweden	64				

Merged
Citycon Portefølje III AS , Citycon Portefølje Syd AS, Citycon Portefølje I AS, Citycon Portefølje I Vest AS and Citycon Portefølje I Øst AS merged into Citycon Norway AS.
Citycon Kolbotn Torg Eiendom AS ja Citycon Kolbotn Torg Parkering AS merged into Citycon Kolbotn Torg Eiendom AS (former Citycon Kolbotn Torg AS).
Citycon Estonian Investments B.V. ja Euro Montalbas B.V. merged into Montalbas B.V.

Companies sold	
Lentolan Perusyhtiö Oy	Finland
Lillinkulma Koy	Finland
Sinikalliontie 1 Koy	Finland
Länsi-Keskus Koy	Finland
Kontulan Asemakeskus Koy	Finland
Magistral Kaubanduskeskuse Oü	Estonia

B) Related party transactions

Group companies

Group companies have paid each other fees such as maintenance and financial charges, interest expenses, loan repayments and other administrative service charges.
Such income and expenses have been eliminated from the consolidated financial statements. There have been no other related party transactions between Group companies.

Management remuneration

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

Transactions with Gazit-Globe Ltd.

Purchases of services and expenses charged forward

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

Rights issues 2015

During 2015 Citycon issued approximately 296.7 million new shares in a rights issue in June-July 2015. The gross proceeds raised by Citycon in the rights issue were approximately EUR 608.2 million. Gazit-Globe Ltd. subscribed for approximately 127,1 million shares in the rights issue.

Reporting to Gazit-Globe Ltd.

The company's main shareholder, Gazit-Globe Ltd., holding 43.9% of the shares in the company, has announced that it has been applying IFRS in its financial reporting starting from 2007. According to IFRS, one company may exercise a controlling interest in another company even if its shareholding in that company does not exceed 50%. Gazit-Globe Ltd. holds the view that it exercises a controlling interest, as defined in IFRS, in Citycon Oyj based on the fact that it has been able to exercise controlling interest in Citycon's shareholders' meetings pursuant to its shareholding. In accordance with an agreement concluded between the companies, Citycon will provide Gazit-Globe Ltd. with a more detailed breakdown of the accounting information it discloses in its interim and full-year reports, so that Gazit-Globe Ltd. can consolidate Citycon Group figures into its own IFRS financial statements.

5.4. CHANGES IN IFRS AND ACCOUNTING POLICIES

New standards as well as interpretations and changes applied in 2016

The following new standards as well as amendments and interpretations to the existing standards have been adopted in the financial statements 2016. These were not significantly relevant to Citycon, because they didn't significantly change its accounting policies nor presentation of the accounts.

- **IFRS 14** Regulatory Deferral Accounts
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to **IFRS 11**)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to **IAS 16** and **IAS 38**)
- Equity Method in Separate Financial Statements (Amendments to **IAS 27**)
- **IFRS 5** Non-current Assets Held for Sale and Discontinued Operations: Changes in methods of disposal
- **IFRS 7** Financial Instruments: Disclosures: Servicing contracts Applicability of the amendments to **IFRS 7** to condensed interim financial statements
- **IAS 19** Employee Benefits : Discount rate: regional market issue
- **IAS 34** Interim Financial Reporting: Disclosure of information 'elsewhere in the interim financial report'
- Investment Entities: Applying the Consolidated Exception (Amendments to **IFRS 10**, **IFRS 12** and **IAS 28**)
- Disclosure Initiative (Amendments to **IAS 1**)

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

The following standards and amendments to existing standards have been published and must be applied in Citycon Group's (Group) accounting periods from 1 January 2017 or later, but the Group has not early adopted them. Citycon will adopt these standards when they become effective and EU has approved them.

- **IFRS 9** Financial Instruments
- **IFRS 15** Revenue from Contracts with Customers
- **IFRS 16** Leases
- Amendments regarding the interaction of **IFRS 4** and **IFRS 9**
- **IAS 7** Amendments as result of the Disclosure initiative
- **IAS12** Amendments regarding the recognition of deferred tax assets for unrealised losses

Citycon expects that these have an impact on disclosures, financial position or performance when applied at future date, however, it is expected that the impacts will not be specifically significant. Applying IFRS 16 will not have an impact on lessors so therefore it will only impact Citycon when Citycon is a lessee e.g. when Citycon has leased the land where the investment property is located. In these cases applying IFRS 16 will increase the balance sheet value from recognizing e.g. the land lease agreements on the assets and liabilities and will change presenting the expenses in depreciations and in interest expenses instead of as land lease fees. IFRS 9 Financial instruments provides some opportunities in hedging, but requires no obligatory changes in recognizing and presenting financing instruments used currently. IFRS 15 is not expected to have a significant impact, because Citycon is in the business of leasing investment properties.

5.5. POST BALANCE SHEET DATE EVENTS

The acquisition of an office building in Bergen, adjacent to Citycon's Oasen shopping centre, was closed on 5 January. The purchase price for the building covering 19,000 sq.m. was approximately EUR 78 million. The acquisition creates new opportunities for Citycon to develop and expand the Oasen shopping centre.

The divestment of retail property Länken in Umeå was closed on 31 January. Citycon's proceeds from the transaction are approximately EUR 24 million.

KEY FIGURES AND FINANCIAL DEVELOPMENT FOR FIVE YEARS

MEUR	2016	2015	2014	2013	2012
Consolidated income statement data					
Gross rental income	251.4	223.9	189.4	192.6	185.5
Net rental income					
Finland	87.8	96.9	103.0	103.5	98.2
Norway	74.0	36.8	-	-	-
Sweden	38.5	39.7	38.9	39.7	39.2
Estonia and Denmark	24.2	26.2	27.5	25.6	24.6
Other	0.5	-	-	-	-
Total	224.9	199.6	169.4	168.9	162.0
Other operating income and expense[1)]	-2.6	-6.4	1.0	0.9	0.2
Operating profit/loss	224.4	148.9	165.0	176.0	163.4
Profit/loss before taxes	181.5	116.0	102.4	87.6	95.5
Profit/loss attributable to parent company shareholders	160.4	108.8	84.5	94.9	63.4
Statement of financial position data					
Investment properties	4,337.6	4,091.6	2,769.1	2,733.5	2,714.2
Current assets	56.2	89.1	64.8	74.5	75.5
Equity attributable to parent company shareholders	2,311.4	2,245.5	1,650.7	1,236.2	959.9
Non-controlling interest	0.8	0.0	1.8	42.6	35.6
Interest-bearing liabilities	2,176.8	2,023.2	1,177.7	1,462.4	1,533.0
Total liabilities	2,588.7	2,418.8	1,384.8	1,694.2	1,823.1
Total liabilities and shareholders' equity	4,900.9	4,664.4	3,037.2	2,973.0	2,818.5

1) In the first quarter of 2016 income statement format was changed regarding the managed center related administrative costs and rented center contract value amortization, which have been reclassified from administrative expenses to other operating income and expenses (EUR 2.3 million in 2015). The change does not impact other comparison periods.

KEY FIGURES AND FINANCIAL DEVELOPMENT FOR FIVE YEARS

MEUR		Formula	2016	2015	2014	2013	2012
Key performance ratios							
Equity ratio	%	1	47.3	48.3	54.6	43.2	35.5
Equity ratio for the banks	%		47.3	48.3	54.8	45.2	40.5
Loan to value (LTV)	%	2	46.6	45.7	38.6	49.3	54.5
Return on equity (ROE)	%	3	7.0	5.9	6.1	8.2	7.3
Return on investment (ROI)	%	4	6.1	8.2	8.4	7.8	7.8
Quick ratio		5	0.4	0.4	0.5	0.4	0.4
Gross capital expenditure	MEUR		314.5	1,718.6	125.5	226.1	161.7
% of gross rental income			125.1	767.7	66.3	117.4	87.2
Per-share figures and ratios							
Earnings per share[1)]	EUR	6	0.18	0.14	0.15	0.21	0.18
Earnings per share, diluted[1)]	EUR	7	0.18	0.14	0.15	0.21	0.18
Net cash from operating activities per share[1)]	EUR	8	0.15	0.15	0.12	0.13	0.25
Equity per share	EUR	9	2.60	2.52	2.78	2.80	2.94
P/E (price/earnings) ratio		10	13	17	16	12	13
Return from invested unrestricted equity fund per share[2)]	EUR		0.12	0.14	0.15	0.12	0.11
Dividend per share[2)]	EUR		0.01	0.01	-	0.03	0.04
Dividend and return from invested unrestricted equity fund per share total[2)]	EUR		0.13	0.15	0.15	0.15	0.15
Dividend and return of equity per earnings	%	11	72.1	104.2	99.3	72.4	81.9
Effective dividend and return of equity yield	%	12	5.6	6.3	5.8	5.9	5.8
Issue-adjusted average number of shares[1)]	1,000		889,993	755,496	559,863	458,161	345,861
Issue-adjusted number of shares at the end of financial year[1)]	1,000		889,993	889,993	593,328	441,288	326,880
Operative key ratios							
Net rental yield	%	13	5.4	5.9	6.3	6.4	6.4
Occupancy rate (economic)	%	14	96.2	96.8	96.3	95.7	95.7
Citycon's GLA	sq.m.		1,225,690	1,240,440	933,040	961,790	1,000,270
Personnel (at the end of the period)			287	310	151	127	129

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

2) The Board of Directors proposes that based on the balance sheet to be adopted for the financial period ended on 31 December 2016 no dividend is distributed by a resolution of the Annual General Meeting. Nonetheless, the Board of Directors proposes that the Board of Directors be authorized to decide in its discretion on the distribution of dividend and assets from the invested unrestricted equity fund as follows. Based on this authorization the maximum amount of dividend to be distributed shall not exceed EUR 0.01 per share and the maximum amount of equity repayment distributed from the invested unrestricted equity fund shall not exceed EUR 0.12 per share.

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

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT, FAS

MEUR	Note	1 January–31 December 2016	1 January–31 December 2015
Gross rental income		-	0.0
Service charge income		3.0	2.4
Turnover	2	3.0	2.4
Property operating expenses		0.0	-
Net rental income		3.0	2.4
Administrative expenses	3,4	-14.3	-13.5
Other operating income and expenses	5	3.0	2.6
Operating loss/profit		-8.3	-8.6
Financial income		116.9	165.3
Financial expenses		-115.2	-165.6
Net financial income and expenses	6	1.7	-0.3
Loss/profit before appropriations and taxes		-6.5	-8.9
Group contributions		19.2	24.7
Profit/loss for the period		12.6	15.8

PARENT COMPANY BALANCE SHEET, FAS

MEUR	Note	31 December 2016	31 December 2015
ASSETS			
Non-current assets			
Intangible assets	7	4.3	4.3
Tangible assets	8	0.9	0.7
Investments			
Shares in subsidiaries	9	1,354.3	1,334.0
Loan receivables and derivative contracts[1)]	10	1,514.3	1,684.5
Total investments		2,868.7	3,018.5
Total non-current assets		2,873.9	3,023.5
Current assets			
Short-term receivables	12	363.8	325.1
Cash and cash equivalents		0.1	0.1
Total current assets		363.9	325.2
Total assets		3,237.7	3,348.6
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity	13		
Share capital		259.6	259.6
Share premium fund		133.1	133.1
Invested unrestricted equity fund		1,246.1	1,370.7
Retained earnings[1)]		2.0	-5.0
Profit/loss for the period		12.6	15.8
Total shareholders' equity[1)]		1,653.3	1,774.2
Liabilities	14		
Long-term liabilities			
Bond 1/2012		-	138.2
Bond 1/2013		497.2	496.4
Other long-term liabilities[1)]		11.4	12.5
Total long-term liabilities		508.6	647.1
Short-term liabilities			
Bond 1/2012		138.4	-
Other short-term liabilities		937.5	927.3
Total short-term liabilities		1,075.8	927.3
Total liabilities		1,584.4	1,574.4
Total liabilities and shareholders' equity		3,237.7	3,348.6

1) Citycon Oyj amended its accounting policy regarding derivatives during the financial year 2016. The comparative balance sheet have been adjusted to the new accounting policy.

PARENT COMPANY CASH FLOW STATEMENT, FAS

MEUR	1 January–31 December 2016	1 January–31 December 2015
Cash flow from operating activities		
Loss/profit before taxes	-6.5	-8.9
Adjustments:		
Depreciation and impairment loss	1.0	0.8
Net financial income and expenses	-1.7	0.3
Cash flow before change in working capital	-7.2	-7.8
Change in working capital	38.3	30.2
Cash generated from operations	31.1	22.4
Interest expense and other financial expenses paid	-51.4	-47.6
Interest income and other financial income received	50.1	41.5
Realised exchange rate losses and gains	15.0	-31.6
Income taxes paid	-	-
Net cash flow from operating activities	44.9	-15.2
Cash flow used in investing activities		
Investment in tangible and intangible assets	-1.2	-1.3
Loans granted	-899.3	-3,207.3
Repayments of loans receivable	1,078.0	3,367.2
Increase in subsidiary shares	0.0	-821.4
Net cash used in investing activities	177.5	-662.8
Cash flow from financing activities		
Proceeds from rights and share issue	0.0	608.2
Proceeds from short-term loans	1,120.2	1,089.3
Repayments of short-term loans	-1,142.0	-990.6
Repayments of long-term loans	0.0	-17.5
Dividends paid and return from the invested unrestricted equity fund	-131.4	-89.2
Net cash from financing activities	-153.1	600.2
Net change in cash and cash equivalents	69.2	-77.9
Cash and cash equivalents at period-start	-126.6	-48.7
Cash and cash equivalents at period-end[1)]	-57.4	-126.6

1) Cash and cash equivalents of Citycon Oyj included the Group cash pool as at 31 December 2016 and at 31 December 2015, 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 2015 and EUR -57,5 million as at 31 December 2016 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 recognised in the balance sheet at acquisition cost less impairment losses and depreciation/amortisation.

Intangible assets

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

Tangible assets

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

Pension schemes

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

Foreign currency receivables and payables

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

Income taxes

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

Derivatives

Citycon Oyj amended its accounting policy regarding derivatives during the financial year 2016. All derivatives are valued according to the Finnish bookkeeping act KPL 5.2a at fair value. The comparative balance sheet have been adjusted to the new accounting policy.

Important note

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

2. TURNOVER

MEUR	2016	2015
Turnover by country:		
Finland	1.7	1.0
Other countries	1.3	1.4
Total	3.0	2.4

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

MEUR	2016	2015
Administrative fees from Group companies	2.8	2.4

3. PERSONNEL EXPENSES

MEUR	2016	2015
Average number of employees during period	42	39
Personnel expenses		
Wages and salaries	-6.8	-6.0
Pension charges	-1.0	-1.0
Other social charges	-0.5	-0.4
Total	-8.4	-7.4

The items presented above include CEO's statutory pension payments, EUR 0.1 million in 2016 (0.1).

MEUR	2016	2015
Personnel expenses include the following management salaries and emoluments		
CEO's salary and emoluments	-0.7	-0.7
Board remuneration	-0.7	-0.8
Total	-1.4	-1.5

4. DEPRECIATION AND AMORTISATION AND IMPAIRMENTS

MEUR	2016	2015
The following depreciation and amortisation as well as impairments are included in the administrative expenses:		
Amortisation on intangible assets	-0.9	-0.7
Depreciation on machinery and equipment	-0.1	-0.1
Total	-1.0	-0.8

5. OTHER OPERATING INCOME AND EXPENSES

MEUR	2016	2015
Other operating income	3.0	2.6
Total	3.0	2.6

6. NET FINANCIAL INCOME AND EXPENSES

MEUR	2016	2015
Dividend income		
From Group companies	20.0	-
From others	0.0	0.0
Total	20.0	0.0
Interest and other financial income		
From Group companies	40.4	2.0
Foreign exchange gains	51.3	118.6
Other interest and financial income	5.2	44.6
Total	96.9	165.3
Total financial income	116.9	165.3
Interest and other financial expenses		
To Group companies	21.1	12.4
Foreign exchange losses	55.5	116.5
Interest and other financial expenses	38.6	36.7
Total financial expenses	115.2	165.6
Net financial income and expenses	1.7	-0.3

7. INTANGIBLE ASSETS

MEUR	2016	2015
Intangible rights		
Acquisition cost 1 January	6.2	5.0
Additions during the period	1.0	1.2
Accumulated acquisition costs 31 December	7.2	6.2
Accumulated depreciation 1 January	-2.0	-1.4
Depreciation for the period	-0.9	-0.6
Accumulated depreciation 31 December	-2.8	-2.0
Net carrying amount 31 December	4.3	4.2
Tenant improvements and other non-current assets		
Acquisition cost 1 January	1.6	1.7
Additions during the period	0.0	-0.2
Accumulated acquisition costs 31 December	1.6	1.6
Accumulated depreciation 1 January	-1.5	-1.5
Depreciation for the period	0.0	-0.1
Accumulated depreciation 31 December	-1.6	-1.5
Net carrying amount 31 December	0.0	0.0
Total intangible assets 31 December	4.3	4.3

8. TANGIBLE ASSETS

MEUR	2016	2015
Machinery and equipment		
Acquisition cost 1 January	1.0	0.9
Additions during the period	0.1	0.1
Accumulated acquisition costs 31 December	1.1	1.0
Accumulated depreciation 1 January	-0.7	-0.6
Depreciation for the period	-0.1	-0.1
Accumulated depreciation 31 December	-0.8	-0.7
Net carrying amount 31 December	0.3	0.4
Construction in progress		
Acquisition cost 1 January	0.4	0.1
Additions during the period	0.2	0.2
Net carrying amount 31 December	0.5	0.4
Total tangible assets 31 December	0.9	0.7

9. SHARES IN SUBSIDIARIES

MEUR	2016	2015
Acquisition cost 1 January	1,334.0	512.6
Additions during the period	20.4	821.4
Net carrying amount 31 December	1,354.3	1334.0

10. LOAN RECEIVABLES AND DERIVATIVE CONTRACTS

MEUR	2016	2015
Loan receivables from Group companies	1,506.4	1678.5
Derivative financial instruments, from Group companies[1)]	3.1	1.5
Derivative financial instruments, from outside the Group[1)]	4.9	4.5
Total other investments 31 December	1,514.3	1,684.5
Total investments 31 December	2,868.7	3,018.4

1) Citycon Oyj amended its accounting policy regarding derivatives during the financial year 2016. The comparative balance sheet have been adjusted to the new accounting policy.

11. SUBSIDIARIES AND ASSOCIATED COMPANIES

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

12. SHORT-TERM RECEIVABLES

MEUR	2016	2015
Receivables from outside the Group		
Trade receivables	0.1	0.1
Derivative financial instruments	1,0	7.7
Other receivables	0,9	0.8
Accrued income and prepaid expenses	0.3	0.4
Total	2.3	9.0
Receivables from Group companies		
Trade receivables	1.9	8.1
Loan receivables	331.5	258.3
Other receivables	1.3	13.8
Total other receivables	332.8	272.1
Interest receivables	7.0	10.3
Other accrued income and prepaid expenses	0.5	0.9
Total accrued income and prepaid expenses	7.6	11.2
Group contributions receivables	19.2	24.7
Total	361.5	316.1
Total short-term receivables	363.8	325.1

13. SHAREHOLDERS' EQUITY

MEUR	2016	2015
Share capital at 1 January	259.6	259.6
Share capital at 31 December	259.6	259.6
Share premium fund at 1 January	133.1	133.1
Share premium fund at 31 December	133.1	133.1
Invested unrestricted equity fund at 1 January	1,370.7	851.5
Proceeds from directed share issue and rights issue	0.0	608.2
Equity return from the invested unrestricted equity fund	-124.6	-89.0
Invested unrestricted equity fund at 31 December	1,246.1	1,370.7
Retained earnings at 1 January	10.9	-0.8
Dividends	-8.9	-
Change in accounting rule[1)]	-	-4.1
Profit/ Loss for the period	12.6	15.8
Retained earnings at 31 December[1)]	14.6	10.9
Total shareholders' equity at 31 December	1,653.3	1,774.2

1) *Citycon Oyj amended its accounting policy regarding derivatives during the financial year 2016. The comparative balance sheet have been adjusted to the new accounting policy.*

14. LIABILITIES

A) Long-term liabilities

MEUR	2016	2015
Long-term interest-bearing liabilities		
Bond 1/2012	-	138.2
Bond 1/2013	497.2	496.4
Total	497.2	634.7
Derivative financial instruments[1)]	8.7	12.3
Derivative financial instruments, from Group companies[1)]	2.7	0.1
Total long-term liabilities	508.6	647.1
Loans maturing later than 5 years	-	-

1) *Citycon Oyj amended its accounting policy regarding derivatives during the financial year 2016. The comparative balance sheet have been adjusted to the new accounting policy.*

B) Short-term liabilities

MEUR	2016	2015
Short-term interest-bearing liabilities		
Bond 1/2012	138.4	-
Commercial paper	142.2	167.3
Loans from Group companies	765.6	727.8
Total	1,046.1	895.2
Short-term non-interest-bearing liabilities		
Payables to outside the Group		
Accounts payable	1.1	1.2
Derivative financial instruments	2.6	5.4
Other payables	1.4	-0.6
Total other payables	4.1	4.8
Interest liability	14.9	14.5
Other accrued expenses and deferred income	2.9	2.4
Total accrued expenses and deferred income	17.7	16.8
Total	22.9	22.9
Payables to Group companies		
Accounts payable	0.9	0.7
Other payables	0.1	7.7
Accruals	5.8	0.9
Total	6.8	9.2
Total short-term liabilities	1,075.8	927.3
Total liabilities	1,584.4	1,574.4

Derivative financial instruments are used in Citycon group in accordance with the Treasury Policy to hedge the interest rate risk of interest bearing liabilities and foreign currency risk. All Group external derivative financial instruments in Citycon are executed by the parent company Citycon Oyj. Citycon Oyj values derivatives according to the Finnish bookkeeping act KPL 5.2a fair value model and fair value changes are booked through profit and loss. The fair value defination of derivatives are presented in note 3.6 of the consolidated Financial Statements. In addition Citycon Oyj had group internal derivatives as of 31 December 2015 with a fair value of EUR -2.5 million (11.9) and a nominal amount of EUR 355.6 million (495.1).

15. CONTINGENT LIABILITIES

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

A) Lease liabilities

MEUR	2016	2015
Payables on lease commitments		
Maturing next financial year	0.5	0.5
Maturing later	2.5	0.5
Total	3.0	1.0

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

B) Guarantees given

MEUR	2016	2015
Guarantees	1,440.5	1542.1
Of which on behalf of Group companies	1,440.4	1534.4

Guarantees in 2016 mainly relate to issued bonds of subsidiaries which Citycon Oyj has guaranteed via parent guarantee or alternatively third party bank guarantees.

RISKS AND RISK MANAGEMENT

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

RISK MANAGEMENT PRINCIPLES

Citycon is exposed to various risks through the normal course of its activities. No business can be conducted without accepting a certain risk level, and expected gains are to be assessed against the involved risks. The objective of Citycon's risk management is to ensure that the business targets are achieved by identifying, assessing and monitoring key risks which may threaten these targets, and to the extent possible, avoid, transfer or mitigate these risks. Successful risk management implemented in the business processes decreases the likelihood of risk realization and mitigates the negative effects of realised risk. Many of the risks and threats have not only potential negative effects, but could also develop in a favourable manner, or if effective proactive measures are taken, be turned into opportunities for Citycon.

The Board of Directors determines Citycon's strategic direction and is jointly with the Management Committee responsible for the long-term and overall management of strategic risks. The operational risks, financial risks and hazard risks are managed in the various functions as a part of operational mangement. Each function has a dedicated person who is the owner of the risks in that area and also responsible for the reporting of the risks, the mitigation plans and the follow-up on their implementation.

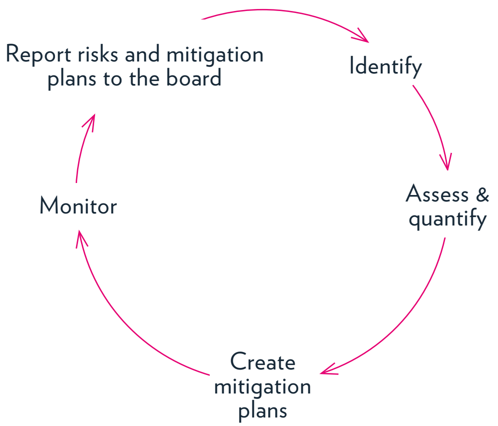
RISK REPORTING

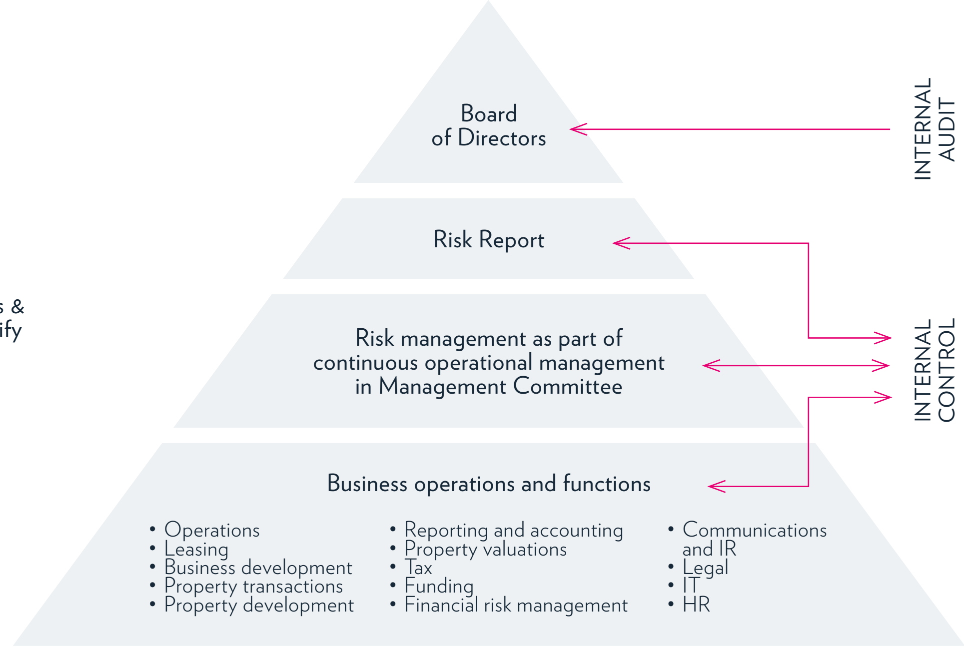
The risk management and reporting process involves identifying, assessing, quantifying, mitigating and monitoring risks in all main business operations and processes. The process also includes evaluation of existing, and the planning of new, risk mitigation plans for the identified risks in order to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

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

INSURANCES

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





	RISK AND IMPACT		RISK MANAGEMENT MEASURES	
PROPERTY VALUES	- The value of the properties can decrease for a number of reasons: a weaker general or local economic environment, reduced availability and higher cost of financing, decreased market rents trends, increased vacancy rates, a higher yield requirement, the relative attractiveness of other asset classes and increased competition.		- While Citycon cannot influence many of the broad factors affecting the property values, it seeks to impact the fair market value through active shopping centre management and optimising the profitability of its centres. - Citycon's strategy to focus on urban shopping centres with necessity-driven retail in strong and growing locations results in relatively stable property valuations throughout the economic cycle.	- The fact that most properties are located in AAA/AA+ rated countries also decreases the volatility of the valuations. The expansion into Norway increases country risk diversification.
LEASING	- The economic development in the company's operating regions impacts consumer confidence which could affect demand for retail premises . This may lead to lower rental levels or increased vacancy. It could also increase the risks for credit losses or lead to decreased turnover based rental income.	- The growing online retailing affects customer behaviour which also may affect demand for retail premises. - Some larger tenants leads to tenant concentration risks.	- Citycon's strategy to focus on grocery anchored, urban shopping centres connected to public transportation with necessity-driven retail has proven to be a recession proof business model with steady cash flows, occupancy and low credit losses also during a downturn. The strategy also decreases the negative effects of the increasing online retailing. - The fact that most of the company's assets are in AAA/AA+ rated countries decreases the risk of a major downturn affecting the retail sector.	- The company tries to mitigate and manage the risks related to the economic development by continuously following and analysing tenants to identify risk tenants, and by requiring rent collateral from tenants. - Tenant diversification improved through focused leasing efforts and through entering into Norway.
PROPERTY DEVELOPMENT	- Increased costs in development projects due to rising construction costs, unforeseeable challenges or changed plans leading to delays.	- Reduced demand for retail premises could prevent the letting of new premises, which could result in a lower occupancy rate or in lower rent levels.	- Construction costs are managed through competitive tendering , careful project monitoring of costs and by entering into contracts with price caps when appropriate. - Leasing risks are minimised by having strict pre-leasing requirements prior to project start and by signing agreements with key anchor tenants at an early stage.	- Carrying out developments in proven retail locations with strong and growing demographics. - Maintaining the development exposure as a proportion of the investment portfolio at a relatively low level and keeping no landbank.
OPERATIONS	- A major accident, system failure or terrorist incident could threaten the safety of shoppers and retailers, leading to loss of consumer confidence and thereby loss of income and extra costs.	- Increased operating expenses (e.g. maintenance, energy costs, security expenses). In some lease agreements the rent paid by the lessee is not affected by changed operating expenses, and a rise in operating expenses higher than inflation would decrease the profitability. Also in cases where Citycon can pass on the higher costs to tenants, rising operating expenses may reduce tenants' rental payment capacity.	- Risk of accidents and incidents mitigated by adequate security plans and incident procedures supported by crisis case exercises for personnel. - Comprehensive insurance coverage. - Citycon tries to minimize the impact of rising operating expenses by concluding agreements with specified rent components when possible and using a true up method to charge the tenants based on actual operating costs.	- Efficient procurement, cost monitoring and cost benchmarking between shopping centres. - To mitigate the risk of energy price hikes, electricity prices are fixed according to a hedging policy, and energy efficiency actions have been implemented
ENVIRONMENT AND PEOPLE	- Environment concerns, customer expectations or legislation might restrict land use and construction. - Risks associated with climate change might affect Citycon's business environment in the long term. For example, extreme weather conditions can increase energy and maintenance costs.	- An expert organisation of Citycon's nature relies heavily on its personnel for success, and therefore inability to attract, develop and retain the right people is a key risk. - Organisational performance could suffer due to unclear roles, unspecified targets, or competence gaps.	- Environmental impact assessments are conducted in connection with major projects. - Ensuring the environmental compliance of our buildings through energy investments, internal management practices as well as external standards and certifications.	- To reduce personnel-related risks, Citycon places great emphasis on target-setting and performance management, competence development, career advancement, and commitment of key employees. - Citycon sees good leadership as an important part of reducing human-related risks.
FINANCING	- Risks associated with the availability and cost of debt financing are important to Citycon due to the relatively large debt portfolio. - Market interest rates continue to be historically low and will inevitably increase over time, increasing Citycon's financing costs.	- Both bank and bond financing have been available for Citycon at competitive terms, but banks' willingness to lend could reduce and investors' demand for corporate bonds could decrease. - Margins required by banks or bond investors could also rise due to tightening regulation, a credit rating downgrade or other reasons.	- Interest-rate risk management aims to reduce the adverse effect of increased market rates. Citycon has a conservative but active financing policy, with a focus on long-term financing, a solid balance sheet (<45 % LTV) and keeping 70–90 % of debt tied to fixed interest rates. - To reduce the refinancing risk and dependency on bank financing, Citycon has actively diversified its funding sources with several bond issues.	- Investment grade credit ratings by Standard & Poor's and Moody's (BBB and Baa1) have further improved the availability and cost of financing.

SHARES AND SHAREHOLDERS

LISTING

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

Shares and share capital

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

At year-end 2016, Citycon's total number of shares was 889,992,628. The market capitalisation of Citycon at the end of 2016 was EUR 2.1 billion.

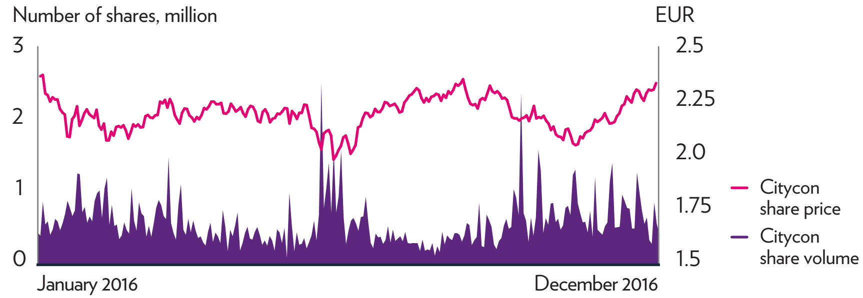
In 2016, approximately 147.7 million Citycon shares were traded on the Helsinki Stock Exchange. The daily average trading volume was 583,732 shares, representing a daily average turnover of approximately EUR 1.3 million.

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).

Shareholders

The number of registered shareholders at year-end 2016 was 12,419 (9,537). Shares owned by nominee-registered parties and by non-Finnish parties equaled 68.6% at year-end 2016

SHARE PRICE AND VOLUME



SHARE PRICE AND TRADING

		2016	2015	2014	2013	2012
Number of shares traded	*1000	147,684	158,343	88,784	104,548	81,975
Stock turnover	%	16.6	17.8	15.0	23.7	25.1
Share price, high	EUR	2.39	3.24	2.92	2.67	2.71
Share price, low	EUR	1.98	2.13	2.29	2.12	2.12
Share price, average	EUR	2.18	2.53	2.65	2.44	2.43
Share price, closing	EUR	2.34	2.40	2.58	2.56	2.57
Market capitalisation, period-end	MEUR	2080.8	2136.0	1530.8	1129.7	840.1
Number of shares, period-end	*1000	889,993	889,993	593,328	441,288	326,880

MAJOR SHAREHOLDERS

31 December 2016	Shares	%
CPP Investment Board European Holdings S.àr.l.	133,498,893	15.00
Ilmarinen Mutual Pension Insurance Company	63,470,695	7.13
The State Pension Fund of Finland	6,700,000	0.75
Gazit-Globe Ltd.[1)]	3,401,401	0.38
ODIN Finland	2,841,516	0.32
Sijoitusrahasto Aktia Capital	2,149,025	0.24
OP-Suomi Arvo -sijoitusrahasto	1,479,539	0.17
OP-Henkivakuutus Ltd.	1,473,079	0.17
Mandatum Life Unit-Linked	1,260,081	0.14
Livränteanstalten Hereditas AB	1,035,000	0.12
10 largets shareholders, total	217,309,229	24.42
Nominee-registered shares	610,971,097	68.65
Others	61,712,302	6.93
Total	889,992,628	100.00

1) The total holdings of Gazit-Globe Ltd. 390,568,970 shares, representing 43.88%.

SHAREHOLDERS BY OWNERGROUP

31 December 2016	Number of shareholders	%	Number of shares	%
Financial and insurance corporations	32	0.26	617,412,265	69.37
Corporations	628	5.06	10,522,297	1.18
Households	11,568	93.15	37,972,052	4.27
General government	8	0.06	71,732,526	8.06
Foreign	48	0.39	147,565,215	16.58
Non-profit institutions	135	1.09	4,788,273	0.54
Total	12,419	100.00	889,992,628	100.00

SHAREHOLDINGS BY NUMBER OF SHARES

31 December 2016 Number of shares	Number of shareholders	%	Number of shares	%
1–100	1,079	8.69	55,400	0.01
101–1,000	3,023	24.34	984,602	0.11
1,001–5,000	2,215	17.84	1,786,163	0.20
5,001–10,000	4,277	34.44	10,521,455	1.18
10,001–50,000	958	7.71	6,999,728	0.79
50,001–100,000	701	5.64	14,146,116	1.59
100,001–500,000	77	0.62	5,383,151	0.60
500,001–1,000,000	56	0.45	11,766,961	1.32
1,000,001–	33	0.27	838,349,052	94.20
Total	12,419	100.00	889,992,628	100.00

(69.9%). Citycon is one of the companies on the Helsinki Stock Exchange with the most international ownership base.

Largest shareholders

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

In addition, Gazit-Globe Ltd. has informed the company that it holds 390,568,970 shares accounting for 43.9% of the shares and voting rights in the company at year-end 2016. Gazit-Globe Ltd.'s shareholding is partly nominee-registered.

Dividend payout

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

The Board of Directors proposes that based on the balance sheet to be adopted for the financial period ended on 31 December 2016 no dividend is distributed by a resolution of the Annual General Meeting. Nonetheless, the Board of Directors proposes that the Board of Directors be authorised to decide in its discretion on the distribution of dividend and assets from the invested unrestricted equity fund as follows.

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

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

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

Preliminary payment date	Preliminary record date
31 March 2017	24 March 2017
30 June 2017	22 June 2017
29 September 2017	22 September 2017
29 December 2017	14 December 2017

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

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 (economic), %**

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

SIGNATURES TO THE FINANCIAL STATEMENTS

Signatures to the Financial Statements 1 January - 31 December 2016

Helsinki, 8 February 2017

Chaim Katzman	Bernd Knobloch
Dori Segal	Arnold de Haan
Kirsi Komi	Rachel Lavine
Andrea Orlandi	Claes Ottosson
Per-Anders Ovin	Ariella Zochovitzky

Marcel Kokkeel
CEO

We have today submitted the report on the conducted audit.

Helsinki, 8 February 2017

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Rytilahti
Authorized Public Accountant

AUDITOR'S REPORT (TRANSLATION OF THE FINNISH ORIGINAL)

TO THE ANNUAL GENERAL MEETING OF CITYCON OYJ

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Citycon Oyj (business identity code 0699505-3) for the year ended 31 December, 2016. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

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

Basis for Opinion

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

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

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

Key Audit Matters

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

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

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

1) Investment properties

Refer to Note 2.1

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

Our audit procedures included among others the following procedures:

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

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

2) Goodwill

Refer to Note 5.1

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

Our audit procedures included among others the following procedures:

- Valuation specialists assisted us in evaluating the methodologies and assumptions used, in particular those relating to net rental income and the weighted average cost of capital.
- We assessed the competence and objectivity of the external appraiser and historical accuracy of management's judgment

and assumptions. Net rental income is based on external appraiser's 10 year cash flow analysis to determine fair value of investment properties.
- We focused on, how much the recoverable amount exceeds the carrying amount of the goodwill, and whether any reasonably possible change in assumptions could cause the carrying amount of goodwill to exceed its recoverable amount.

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

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

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

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

Auditor's Responsibilities for the Audit of Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

OTHER REPORTING REQUIREMENTS

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

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

If, based on the work we have performed, we conclude that there is a material misstatement in the information included in the report of the Board of Directors, we are required to report this fact. We have nothing to report in this regard.

Helsinki 8.2.2017

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Rytilahti
Authorized Public Accountant

OPERATIONAL KEY FIGURES

FAIR VALUE

	No. of properties	Fair value, EUR million[1]		Fair value change, EUR million	Average yield requirement, %		Average market rent, EUR/sq.m./month
		31 December 2016	31 December 2015	2016	31 December 2016	31 December 2015	31 December 2016
Shopping centres, Finland	20	1,756.4	1,535.4	-34.4	-	-	-
Other retail properties, Finland[1]	4	75.3	124.0	1.2	-	-	-
Finland, total	24	1,831.7	1,659.4	-33.2	5.6	5.9	29.8
Shopping centres, Norway[1]	20	1,412.8	1,330.8	19.8	-	-	-
Rented shopping centres, Norway[2]	2	-	-	-	-	-	-
Norway, total	22	1,412.8	1,330.8	19.8	5.3	5.2	22.9
Shopping centres, Sweden	8	753.2	722.7	36.2	-	-	-
Other retail properties, Sweden[1]	1	-	16.3	3.5	-	-	-
Sweden, total	9	753.2	739.0	39.7	5.2	5.4	26.3
Shopping centres, Estonia and Denmark	3	339.9	362.4	-0.4	-	-	-
Estonia and Denmark, total	3	339.9	362.4	-0.4	6.7	6.9	20.1
Shopping centres, total	53	4,262.3	3,951.2	21.2	-	-	-
Other retail properties, total	5	75.3	140.3	4.8	-	-	-
Investment properties, total	58	4,337.6	4,091.6	25.9	5.5	5.7	26.1
Kista Galleria, 100%	1	625.4	630.9	11.1	-	-	-
Investment properties and Kista Galleria, total	59	4,963.0	4,722.4	37.0	5.4	5.5	27.6

1) Fair value of investment properties does not include properties held for sale.
2) Value of rented properties is recognised within intangible rights based on IFRS rules.

LIKE-FOR-LIKE PORTFOLIO

	No. of properties	Fair value, EUR million		Fair value change, EUR million	Average yield requirement, %		Average market rent, EUR/sq.m./month
		31 December 2016	31 December 2015	2016	31 December 2016	31 December 2015	31 December 2016
Shopping centres, Finland	13	631.0	654.7	-32.1	-	-	-
Other retail properties, Finland[1]	3	23.9	26.1	-2.0	-	-	-
Finland, total	16	654.9	680.8	-34.1	6.3	6.4	27.1
Shopping centres, Sweden	7	668.4	643.3	33.3			-
Sweden, total	7	668.4	643.3	33.3	5.1	5.2	27.4
Shopping centres, Estonia and Denmark	1	175.8	174.3	1.1			-
Estonia and Denmark, total	1	175.8	174.3	1.1	6.7	6.8	20.2
Like-for-like properties, total	24	1,499.1	1498.4	0.3	5.8	5.9	26.4

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

RENTAL INCOME BY BUSINESS UNITS

	Average remaining length of lease agreements, years 31 December 2016	Average rent, EUR/sq.m./month 31 December 2016	Gross rental income, EUR million 2016	Gross rental income, EUR million 2015	Net rental income, EUR million 2016	Net rental income, EUR million 2015
Finland	3.6	26.2	94.4	105.3	87.8	96.9
Norway	3.5	21.4	85.3	43.0	74.0	36.8
Sweden	2.5	20.6	45.8	47.8	38.5	39.7
Estonia and Denmark	2.7	20.5	26.0	27.8	24.2	26.2
Other	-	-	-	-	0.5	-
Investment properties, total	3.3	22.8	251.4	223.9	224.9	199.6
Kista Galleria, 100%	3.1	34.3	34.3	34.4	30.0	30.1
Investment properties and Kista Galleria, total	3.3	23.7	285.8	258.3	255.0	229.7

RENTAL INCOME BY CATEGORY, %[1)]

	Finland	Norway	Sweden	Estonia and Denmark	Citycon, investment properties total	Citycon, investment properties and Kista Galleria total
Fashion	20	29	17	31	24	24
Home and leisure	15	38	18	27	25	24
Groceries	25	11	23	16	19	18
Health and beauty	8	10	9	9	9	9
Services and offices	16	6	22	6	13	13
Cafés and restaurants	9	6	9	7	8	9
Specialty stores	4	1	2	1	2	2
Department stores	3	-	-	4	1	2
Total	100	100	100	100	100	100

1) Shopping centre rental income based on valid rent roll at 31 December 2016.

CITYCON'S FIVE LARGEST PROPERTIES

	Average rent, EUR/sq.m./month 31 December 2016	Gross rental income, EUR million 2016	Net rental income, EUR million 2016	Fair value, EUR million 31 December 2016	Fair value change, EUR million 2016	Net rental yield, % 2016
Iso Omena	35.4	21.7	20.1	672.5	11.3	4.0
Kista Galleria, 100%	34.3	34.3	30.0	625.4	11.1	4.9
Liljeholmstorget Galleria	32.5	14.6	13.2	306.9	23.9	4.6
Herkules	21.2	9.8	9.4	201.8	5.4	4.9
Koskikeskus	32.0	11.2	11.2	191.2	3.0	6.2
Five largest properties, total	31.9	91.5	84.0	1,997.9	54.7	-

SHOPPING CENTRES

	Location	GLA, sq.m.	Retail GLA, sq.m.	Economic occupancy rate, % 31 December 2016	Number of lease agreements	Parking spaces	Year of acquisition	Year built/latest year of renovation
Finland								
Shopping centres, Helsinki area								
Arabia	Helsinki	14,200	11,400	87.5	40	340	2012	1960/2013
Columbus	Helsinki	20,700	18,800	99.2	77	900	2006	1997/2007
Espoontori	Espoo	16,500	10,000	94.1	52	520	1999, 2007	1987/2010
Heikintori	Espoo	6,200	4,500	56.9	34	260	1998	1968
Isomyyri	Vantaa	11,600	8,300	93.9	27	-	1999	1987
Iso Omena	Espoo	89,600	75,500	96.2	319	2,600	2007	2001/2016
Lippulaiva	Espoo	19,200	17,000	100.0	52	550	1999	1993/2007
Martinlaakson Ostari	Vantaa	7,500	7,300	100.0	26	475	1998	2011
Myllypuron Ostari	Helsinki	7,300	7,100	93.7	26	120	1998	2011, 2012
Myyrmanni	Vantaa	39,900	31,300	95.1	105	1,100	1999	1994/2011
Tikkuri	Vantaa	16,140	9,000	95.8	71	280	1999, 2010	1984/1991
Shopping centres, other areas in Finland								
Duo	Tampere	13,100	11,700	92.2	47	380	1998	1979, 2007
Forum	Jyväskylä	16,200	13,700	91.5	68	140	2003	1953/2010
IsoKarhu	Pori	14,500	12,500	93.9	50	220	1999	1972/2014
IsoKristiina	Lappeenranta	17,200	12,900	79.4	86	550	1999, 2005	1987,1993/2015
Jyväskeskus	Jyväskylä	5,900	3,200	71.6	68	200	1999	1955/1993
Koskikeskus	Tampere	33,100	28,600	98.2	176	430	1999, 2003	1988/2012
Linjuri	Salo	9,200	6,800	29.9	11	350	1999	1993/2007
Sampokeskus	Rovaniemi	14,400	8,500	85.7	80	220	1999, 2005	1989, 1990
Trio	Lahti	45,900	26,900	91.2	149	330	1999, 2007	1977, 1992/2010
Shopping centres, total		418,340	325,000	93.1	1,564	-	-	-
Other retail properties, total		27,150	15,500	85.4	40	-	-	-
Finland, total		445,490	340,500	92.8	1,604	-	-	-
Norway								
Shopping centres, Oslo area								
Buskerud Storsenter	Krokstadelva	31,300	28,700	100.0	61	770	2015	1984/2016
Kolbotn Torg	Kolbotn	17,700	16,200	99.9	68	800	2015	2008
Krokstad Senter	Krokstadelva	10,300	9,800	99.9	9	400	2015	1977/2015
Liertoppen Kjøpesenter	Lierskogen	25,600	23,500	99.9	88	1,200	2015	1987/1990
Linderud Senter	Oslo	21,000	16,000	99.4	90	370	2015	1967/2009
Magasinet Drammen	Drammen	15,400	9,600	94.7	57	190	2015	1992/2008
NAF-Huset[1)]	Oslo	4,200	3,800	100.0	6	-	2015	1973
Trekanten	Asker	23,900	16,600	97.5	106	800	2015	1997/2008

	Location	GLA, sq.m.	Retail GLA, sq.m.	Economic occupancy rate, % 31 December 2016	Number of lease agreements	Parking spaces	Year of acquisition	Year built/ latest year of renovation
Shopping centres, other areas in Norway								
Down Town	Porsgrunn	38,000	32,700	99.3	90	800	2015	1988/2016
Glasshuspassasjen	Bodø	2,300	2,000	90.4	11	300	2015	1947/1992
Heiane Storsenter	Stord	24,000	19,200	98.6	36	450	2015	2008
Herkules	Skien	49,300	42,700	99.5	134	1,550	2015	1969/2013
Kilden Kjøpesenter	Stavanger	23,100	18,300	98.7	73	350	2015	1989/2015
Kongssenteret	Kongsvinger	18,300	16,200	99.6	57	350	2015	2001/2016
Kremmertorget	Elverum	19,400	16,900	90.2	59	430	2015	1979/2012
Lade	Trondheim	8,700	8,600	100.0	5	300	2015	2008
Lietorvet	Skien	7,300	6,000	98.0	32	125	2015	1971/1999
Oasen Kjøpesenter	Fyllingsdalen	31,300	23,100	99.3	86	850	2015	1971/2014
Sjøsiden	Horten	11,200	10,200	98.3	49	170	2015	2001
Solsiden[1)]	Trondheim	14,000	13,100	100.0	73	450	2015	2000
Stopp Tune	Sarpsborg	12,100	10,600	99.9	33	650	2015	1993
Storbyen	Sarpsborg	25,500	22,700	98.2	79	570	2015	1999/2015
Norway, total		433,900	366,500	98.7	1,302	-	-	-
Sweden								
Shopping centres, Stockholm area								
Fruängen Centrum	Hägerstern	14,700	7,400	99.9	85	150	2005	1965/2013
Högdalen Centrum	Bandhagen	19,600	14,400	95.4	72	-	2011	1959/2015
Jakobsbergs Centrum	Järfalla	42,900	25,800	95.0	157	1,300	2006	1959/1993
Liljeholmstorget Galleria	Stockholm	40,500	26,700	100.0	172	900	2006	1973/2009
Tumba Centrum	Botkyrka	23,400	13,100	96.2	147	600	2007	1954/2016
Åkermyntan Centrum	Hässelby	10,300	7,500	97.8	46	245	2005	1977/2012
Åkersberga Centrum	Åkersberga	28,400	23,000	94.5	93	900	2005, 2015	1985/2011
Shopping centres, Gothenburg area								
Stenungstorg Centrum	Stenungsund	35,300	21,700	95.8	195	1,030	2006	1967/2016
Shopping centres, total		215,100	139,600	97.1	967	-	-	-
Other retail properties, total		11,600	11,500	100.0	3	-	-	-
Sweden, total		226,700	151,100	97.2	970	-	-	-
Estonia and Denmark								
Shopping centres, Estonia								
Kristiine Keskus	Tallinn	43,700	43,600	99.3	138	1,100	2011	1999/2013
Rocca al Mare	Tallinn	57,400	56,300	99.9	149	1,350	2005	1998/2013
Shopping centres, Denmark								
Albertslund Centrum	Copenhagen	18,500	13,800	98.3	67	750	2012	1965/2015
Estonia and Denmark, total		119,600	113,700	99.5	354	-	-	-
Investment properties, total		1,225,690	971,800	96.2	4,230	-	-	-
Kista Galleria, 100%	Stockholm	92,500	56,100	98.6	618	2,500	2013	1977, 2002/2014
Investment properties and Kista Galleria, total		1,318,190	1,027,900	96.5	4,848	-	-	-

1) Rented property

SHOPPING CENTRE SALES AND NUMBER OF VISITORS

	Sales, EUR million[1]			Number of visitors, million		
	2016	2015	Change, %	2016	2015	Change, %
Finland						
Helsinki area						
Arabia	46.6	47.0	-1	2.7	2.5	5
Columbus	81.9	83.8	-2	6.4	6.1	4
Espoontori	32.5	31.5	3	3.8	3.7	3
Heikintori	n/a	n/a	0	n/a	n/a	-
Isomyyri	11.7	12.1	-3	1.8	1.7	1
Iso Omena	194.6	182.1	7	8.9	8.0	11
Lippulaiva	78.2	75.6	3	3.9	3.7	4
Martinlaakson Ostari	34.6	32.9	5	2.5	2.0	24
Myllypuron Ostari	20.5	19.9	3	n/a	n/a	-
Myyrmanni	120.4	117.0	3	7.0	6.5	7
Tikkuri	17.9	16.8	6	2.1	2.0	4
Other areas in Finland						
Duo	53.9	53.5	1	4.5	4.2	6
Forum	30.4	32.1	-5	5.6	5.6	2
IsoKarhu	20.0	20.6	-3	2.2	2.1	4
IsoKristiina	70.3	50.4	40	4.0	2.7	48
Jyväskeskus	4.1	8.7	-53	3.0	3.5	-15
Koskikeskus	110.5	111.0	0	5.6	5.9	-5
Linjuri	11.9	16.3	-27	2.2	2.4	-10
Sampokeskus	17.4	17.4	0	1.9	1.8	4
Trio	45.4	50.0	-9	5.6	6.1	-9
Shopping centres, Finland, total	1,002.8	978.7	2	73.7	70.9	4
Norway						
Oslo area						
Buskerud Storsenter	87.2	85.5	2	1.6	1.4	14
Kolbotn Torg	60.9	59.4	3	1.9	1.9	-3
Krokstad Senter	14.6	8.3	75	n/a	n/a	-
Liertoppen Kjøpesenter	87.8	84.9	3	2.0	2.0	0
Linderud Senter	64.6	63.0	3	2.2	2.3	-6
Magasinet Drammen	30.4	31.1	-2	2.7	2.9	-9
NAF-Huset[2]	24.1	22.9	5	n/a	n/a	-
Trekanten	70.8	68.8	3	3.1	3.2	-2
Other areas in Norway						
Down Town	66.2	72.7	-9	2.2	2.6	-17
Glasshuspassasjen	6.3	6.9	-8	n/a	n/a	-
Heiane Storsenter	41.6	40.9	2	1.3	1.4	-6
Herkules	121.1	125.8	-4	2.7	2.8	-1
Kilden Kjøpesenter	65.0	58.5	11	1.6	1.6	2

	Sales, EUR million[1]			Number of visitors, million		
	2016	2015	Change, %	2016	2015	Change, %
Kongssenteret	36.2	33.3	9	1.2	1.2	2
Kremmertorget	39.7	41.1	-3	1.2	1.3	-7
Lade	20.2	17.5	15	n/a	n/a	-
Lietorvet	38.1	37.3	2	1.3	1.4	-5
Oasen Kjøpesenter	97.8	96.3	2	4.4	4.2	5
Sjøsiden	32.0	32.8	-3	1.0	1.0	-4
Solsiden[2]	55.3	53.8	3	2.4	2.2	8
Stopp Tune	29.5	29.5	0	1.0	1.1	-7
Storbyen	65.6	62.0	6	2.5	2.6	-2
Shopping centres, Norway, total	1,154.9	1,132.5	2	36.2	37.0	-2
Sweden						
Stockholm area						
Fruängen Centrum	30.8	29.7	4	n/a	n/a	-
Högdalen Centrum	58.0	58.4	-1	n/a	n/a	-
Jakobsbergs Centrum	65.9	67.5	-2	5.9	6.0	-2
Liljeholmstorget Galleria	157.9	151.7	4	9.7	9.9	-1
Tumba Centrum	49.2	49.7	-1	3.8	3.7	3
Åkermyntan Centrum	28.3	28.4	0	1.8	1.8	-2
Åkersberga Centrum	80.4	79.9	1	6.2	5.9	5
Gothenburg area						
Stenungstorg Centrum	63.6	59.8	6	3.3	3.2	6
Shopping centres, Sweden, total	534.1	525.0	2	30.7	30.4	1
Estonia and Denmark						
Estonia						
Kristiine Keskus	103.9	104.3	0	7.3	7.6	-4
Rocca al Mare	121.8	121.2	0	6.0	6.2	-3
Denmark						
Albertslund Centrum	36.2	30.0	21	3.9	3.6	8
Shopping centres, Estonia and Denmark, total	261.8	253.6	2	17.2	17.4	-1
Investment properties, total	2,953.6	2,889.8	2	157.8	155.7	1
Kista Galleria, 100%	204.1	217.5	-6	18.7	19.0	-2
Investment properties and Kista Galleria, total	3,157.7	3,107.4	2	176.5	174.7	1

1) Sales include estimates. Sales do not include VAT.
2) Rented property.

MANAGED SHOPPING CENTRES, NORWAY

	Location	Ownership, %	GLA, sq.m.	Number of visitors, million
			31 December 2016	2016
CC Drammen	Drammen	-	15,500	-
City Syd	Trondheim	-	15,500	3.9
Halden Storsenter	Halden	20	9,400	0.7
Holmen Senter	Asker	-	24,200	1.6
Markedet	Haugesund	20	10,400	1.0
Stadionparken	Stavanger	-	11,100	0.9
Stovner Senter	Oslo	20	39,200	4.0
Strandtorget	Lillehammer	-	29,600	1.8
Tiller Torget	Trondheim	-	24,000	1.4
Torget Vest	Drammen	-	8,000	1.3
Torvbyen	Fredrikstad	20	15,000	4.0
Managed shopping centres, total			201,900	20.5

LEASING ACTIVITY, INVESTMENT PROPERTIES

	Number of lease agreements	Leased area, sq.m.	Average rent, EUR/ sq.m./month
Status 1 Jan. 2016	4,214	1,140,682	22.2
Leases started	1,104	260,229	21.9
Leases ended	1,062	302,086	20.8
Other changes	-26	-463	-
Status 31 December 2016	4,230	1,098,362	22.8

LEASING ACTIVITY, INVESTMENT PROPERTIES AND KISTA GALLERIA TOTAL

	Number of lease agreements	Leased area, sq.m.	Average rent, EUR/ sq.m./month
Status 1 Jan. 2016	4,836	1,233,824	23.0
Leases started	1,356	281,448	22.8
Leases ended	1,315	322,035	21.7
Other changes	-29	-4,783	-
Status 31 December 2016	4,848	1,188,454	23.7

TOP FIVE TENANTS

	Proportion of rental income based on valid rent roll at 31 December 2016, %
Kesko	17.1
S Group	8.7
Varner-Group	3.4
Nordea	3.2
City of Espoo	2.6
Finland, total	35.0
Varner-Group	8.4
NorgesGruppen Group	6.5
Gresvig	4.8
Clas Ohlson	3.1
Coop Norge	3.0
Norway, total	25.8
ICA Group	10.8
Coop	4.6
Axfood	3.5
Stockholms Läns Landsting	3.3
Systembolaget	2.7
Sweden, total	24.9
S Group	12.3
Tallinna Kaubamaja Group	3.8
Sports Direct International	2.9
LPP SA Capital Group	2.9
Baltman	2.7
Estonia and Denmark, total	24.7
Kesko	6.6
S Group	4.5
Varner-Group	4.4
NorgesGruppen Group	2.2
ICA Group	2.0
Investment properties, total	19.7
Kesko	5.8
Varner-Group	4.3
S Group	4.0
ICA Group	2.2
H&M	2.0
Investment properties and Kista Galleria, total	18.3

(RE)DEVELOPMENT PROJECTS

31 DECEMBER 2016

ONGOING (RE)DEVELOPMENT PROJECTS[1)]

		Area before/ after, sq.m.	Expected gross investment, MEUR[2)]	Actual gross investment by 31 December 2016, MEUR	Completion target	Pre-leasing rate[3)]	Yield on cost[4)]	
Iso Omena	Helsinki area	63,300/101,000	270.0	242.0	Phase 2: Q2/2017	Phase 2: 90% Total SC: 95%	6.0%	Extension project including partial (re)development of existing centre. The first phase of the extension was completed in August 2016 and the second phase covering a 13,000 sq.m. extension will be opened in April 2017. The extended Iso Omena will be fully integrated with the new Western metro line and Matinkylä bus terminal. The extended shopping centre will have a wide offering of restaurants, public services and leisure activities including a seven screen cinema and 4,000 sq.m. activity park.
Mölndal Galleria	Gothenburg	-/24,000	60.0 (120.0)	30.3	Q3/2018	65%	7.0%	Development of a completely new shopping centre replacing an outdated retail property. Mölndal Galleria will be a modern urban city gallery focusing on daily necessities with altogether 70 shops, restaurants and service units. Citycon has signed a joint venture agreement with NCC PD for the (re)development based on a 50/50 partnership. Citycon will acquire NCC's stake at completion.
Porin Asema-aukio	Pori	18,800/23,000	40.0	35.8	Q2/2017	100%	-	Construction of a new campus for Satakunta University of Applied Sciences in Porin Asema-aukio. Citycon has signed an agreement to sell the property at completion of the project.

1) In addition to these projects, Citycon has signed on 28 January 2015 an agreement with TK development regarding the forward purchase of Straedet project in Køge in the greater Copenhagen area. Citycon will acquire the newly constructed shopping centre at completion in Q3/2017 for EUR 75 million based on a fixed 6.25% net initial yield.
2) The number in brackets reflects Citycon's total investment in the project including agreed buyouts of JV shares.
3) Signed or agreed lease agreements
4) Expected stabilised yield (3rd year after completion). Calculated on total development costs, also including financing and Citycon's internal costs.

PLANNED (RE)DEVELOPMENT PROJECTS

Citycon's Board of Directors has made an investment decision on these projects.

		Area before/after, sq.m.	Expected investment, MEUR	Target initiation/ completion	
Lippulaiva	Helsinki area	19,200/42,000	200	2017/2020	A completely new, modern shopping centre, double the size of the old centre, will be built in order to accommodate a new metro station and bus terminal. The new Lippulaiva will host around 80 different shops, cafés, restaurants and services as well as municipal and health care facilities.
Down Town	Porsgrunn	38,000/46,000	75	2017/2019	An extension of 8,000 sq.m. will be built to create the urban meeting point of Porsgrunn with an improved mix of shopping, restaurants and cafés. Citycon is planning the project to respond to the increased residential and office development in the area.

POTENTIAL (RE)DEVELOPMENT PROJECTS

Citycon is investigating the development and/or extension opportunities for these properties.

		Area before/after, sq.m.	Expected investment, MEUR	Target initiation/ completion	
Tumba Centrum	Stockholm	23,400/32,000	50	2018/2020	Extension possibility of the newly refurbished Tumba Centrum integrating it with the new bus terminal while also increasing the offering of retail, healthcare services and parking facilities.
Kista Galleria	Stockholm	92,500/111,000	80[1)]	2019/2021	Shopping centre extension project in which the shopping centre is planned to be extended towards the metro station to create seamless connection with the public transportation and additional space for new retail, groceries and services.
Oasen Kjøpesenter	Bergen	31,300/43,300	80	2019/2021	Shopping centre extension project in which the main part of the two lowest floors of the the adjacent office building is converted into retail space and a new part that further connects the two buildings is built. The goal is to significantly improve the circulation of the shopping centre and connect it better to the surrounding urban environment with a new main entrance, while also giving space for new anchor tenants and a broader food and beverage offering.
Liljeholmstorget Galleria	Stockholm	40,500/63,000	120	2020/2022	Extension possibility of the shopping centre to meet the strong demand for more retail and services including culture and library, entertainment and food, all directly connected to the metro station and bus terminal. Plans also include creating building rights for residential and health care/offices.
Trekanten	Oslo	23,900/45,000	110	2020/2022	Extension possibility of the shopping centre with the main objective to increase the offering of shops and services as well as create more visible and inviting entrances and improved circulation. Plans also include adding residential, offices, healthcare and sports facilities on top of the centre.

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

COMPLETED (RE)DEVELOPMENT PROJECTS IN 2016

		Area before/after, sq.m.	Actual gross investment by 31 December 2016, MEUR	Expected yield on completion when stabilised [1)]	Completion	
Stenungstorg Centrum	Gothenburg area	30,000/35,300	17,1	7.5%	Q2/2016	An extension of 5,000 sq.m. with retail space for new shops and a new main entrance.

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