



ANNUAL REVIEW 2017

BUILDING URBAN COMMUNITY HUBS

WE ENRICH URBAN CROSSPOINTS BY OFFERING EVERYDAY SHOPPING, SERVICES AND EXPERIENCES TO OUR CUSTOMERS



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HOW TO READ THIS REPORT

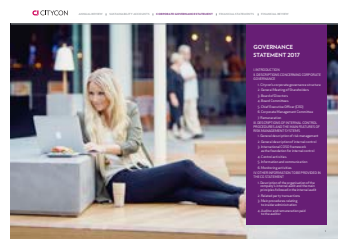
Citycon's Annual Report 2017 consists of four parts: Annual Review, Sustainability Accounts, Corporate Governance Statement and Financial Review. All parts are available in both English and Finnish.



Annual Review focuses on Citycon as a company as well as its strategy, value creation, portfolio and development projects.



Sustainability Accounts describes Citycon's environmental and social performance as well as sustainability highlights in 2017.



Corporate Governance Statement explains Citycon's structure of governance and the Board of Directors' activities in 2017.



Financial Review covers Citycon's financial performance in 2017, operational key figures, report by the Board of Directors and risk management review.



READ MORE

Citycon's previous Annual Reports can be found on the company's website at citycon.com/investors/reports-and-presentations/annual-reports.

A TRULY NORDIC SHOPPING CENTRE COMPANY

Citycon is a leading owner, manager and developer of urban, grocery-anchored shopping centres in the Nordic region. Citycon is the No. 1 shopping centre owner in Finland and among the market leaders in Norway, Sweden and Estonia. Citycon has also established a foothold in Denmark.

Citycon's shopping centres are located at urban crosspoints close to where customers live and work, and with direct connection to public transportation. Placed in the heart of communities, Citycon's shopping centres cater for the customers' everyday needs that exceed shopping.

43

SHOPPING CENTRES

+12 MANAGED/RENTED SHOPPING CENTRES



165

VISITORS

MILLION P.A.

1.2

GLA
MILLION SQ.M.

~2

MARKET CAP
EUR BILLION



READ MORE

Information on our core assets on pages 26-27.

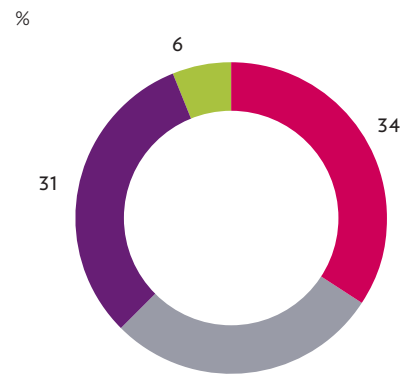
WE OPERATE IN URBAN LOCATIONS IN THE NORDICS

Citycon operates in the largest and fastest growing cities in the Nordics. The region is home to over 25 million consumers with high purchasing power, and the population growth in the area is among the strongest in Europe.



Majority of shopping centres located in capital or second-tier cities

BALANCED NORDIC PORTFOLIO



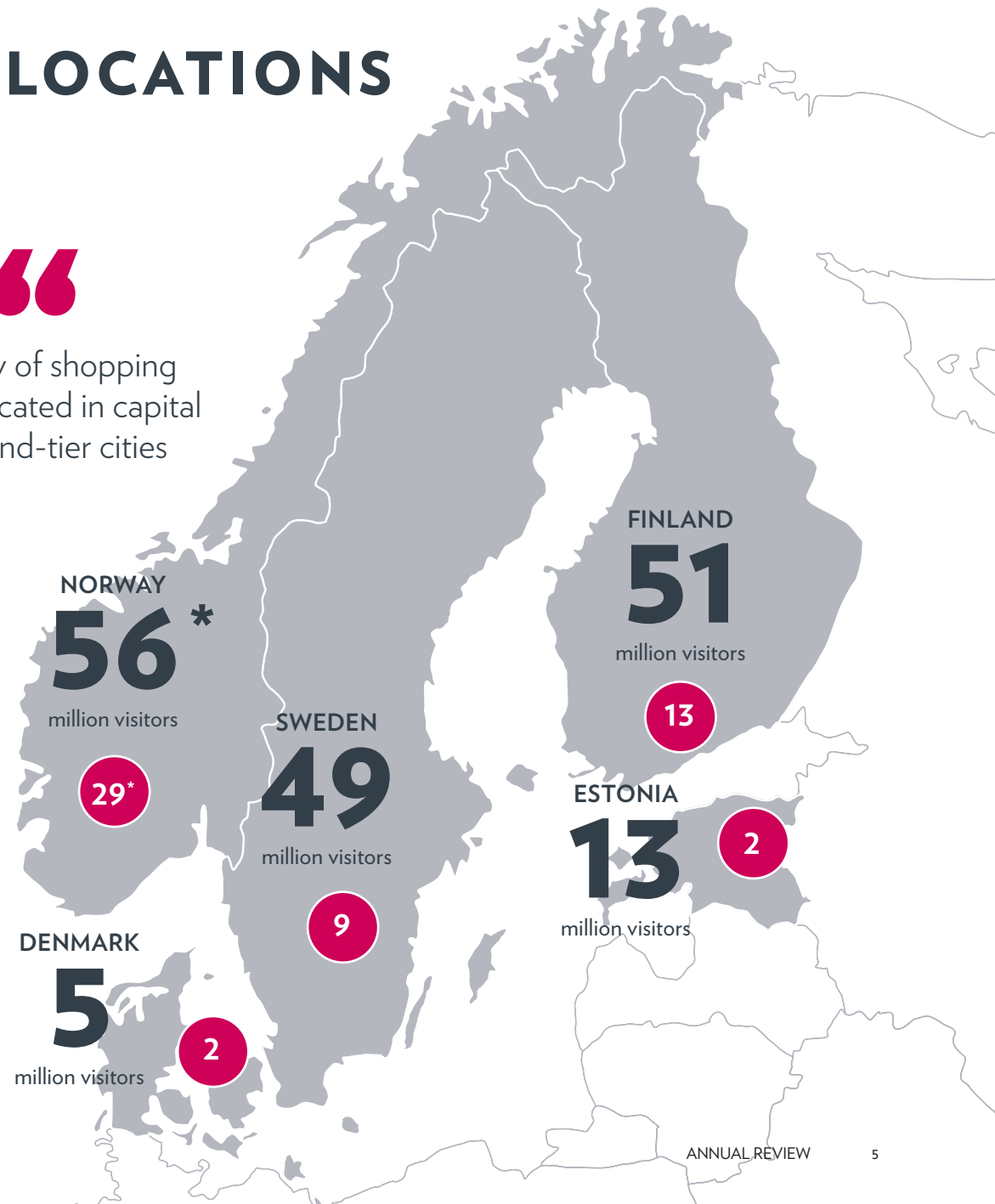
- Finland 28
- Norway 31
- Sweden and Denmark ¹⁾ 28
- Estonia 6

¹⁾Including Kista Galleria 100%



Number of shopping centres

*Including also the managed/rented centres



OUR JOURNEY TOWARDS HIGHER QUALITY ASSETS CONTINUES

WHAT WERE THE HIGHLIGHTS OF THE YEAR FOR YOU?

In 2017, we continued the execution of our strategy by focusing more on multi-functional shopping centres in growing urban locations. We divested 13 non-core assets for EUR 325 million during the year with the aim of shifting our portfolio increasingly towards larger urban assets.

The highlights of 2017 were the successful opening of the final part of the Iso Omena extension in Greater Helsinki Area, as well as the announced letter of intent regarding the joint venture with Klöver to develop Globen Shopping in Stockholm. The second phase of Iso Omena's extension comprising of the new M.E.E.T restaurant area concept and a seven-screen cinema, among others, was opened in April and the metro extension as well as bus terminal level premises were finally opened in mid-November, both of which we expect to boost footfall even further. All in all, the Iso Omena development project has been a success with the December 2017 footfall increasing by 49%, and retail sales by 40% compared to the previous year. In August, we announced a joint venture with Klöver to develop Globen Shopping in Stockholm, where we plan to double the size of the existing shopping centre by 2023 in an

up-and-coming neighbourhood of Globen, just South of Stockholm's CBD. I am very excited about this new development, which will further increase our presence in the growing Swedish capital.

DID YOU SEE ANY BIG CHANGES IN THE OPERATING ENVIRONMENT IN 2017?

The most notable change was the clear improvement in Finnish economy during the year, with consumer confidence reaching a record-high level and the GDP growth rate being among the highest in the Eurozone. However, we continue to see retail property overcapacity in Finland, which has had, and will still have, an impact on the operating environment especially outside Greater Helsinki. On the other hand, the economies in Sweden and Norway continued to develop strongly, although the sentiment in both countries softened during the year due to a decline in housing prices.

HOW WOULD YOU DESCRIBE CITYCON'S OPERATING PERFORMANCE?

Overall, Citycon's good operational results in 2017 were mainly driven by strong business performance in Sweden and



In 2017, we continued transforming our portfolio increasingly towards larger and higher quality urban assets



Norway, which compensated for the weaker performance in our Finnish operations. The situation in Finland remains polarised: our shopping centres in Greater Helsinki clearly outperformed the rest of the country, and we expect this trend to continue. I am pleased that our diversified asset portfolio has helped us weather the headwinds we have seen in Finland. In addition, we continued to strengthen our financial position by diversifying financing sources, reducing the cost of debt, and extending debt maturities.

Our people have played a key role in our good operational results and I would like to thank everyone for the good performance and commitment.

HOW WILL ONLINE RETAIL IMPACT THE INDUSTRY AND CITYCON'S BUSINESS?

In the Nordics, online sales currently accounts for around 10% of total retail sales, and it is hard to predict how it will develop. However, having an omni-channel approach is vital for a retailer, as customers do not pay that much attention whether they buy a product online or from a physical store. There continues to be clear demand for two shopping centre types: destination shopping centres, where people go to spend time, and convenience-based shopping centres, which focus more on the daily needs of customers. A common denominator for success is an urban location and connection to public transportation. Thus, a shopping centre operator needs a clear strategy and successful asset allocation to succeed in an increasingly competitive environment.

We at Citycon are very much focused on daily convenience-based urban properties, and I am confident that we are constantly improving our offering for our customers, including various non-retail services. Therefore, we see our role shifting more towards a city platform operator, offering everyday services and experiences on top of retail.

IS ONLINE RETAIL THE REASON CITYCON IS DIVESTING SOME ASSETS?

Necessity-based shopping centres in growing urban areas are at the core of our strategy. As a result, we need to divest our smaller and non-urban assets to strengthen and improve the quality of our asset portfolio. Looking at 2017, we successfully divested assets with EUR 325 million mainly in Finland and in Norway. The proceeds from the divestments will be used to further develop our core assets and to strengthen our balance sheet. Our capital recycling actions will continue in the coming years and we expect to divest 5–10% of the fair value of our property portfolio within the next 3 to 5 years.

HOW IS THE INCREASING FOCUS ON SUSTAINABILITY IMPACTING CITYCON?

We have always been a frontrunner in sustainability as we believe we can contribute to better communities with sustainable shopping centres. Sustainability is an integral part of the way we work at Citycon, and in 2017 we wanted to define clear sustainability priorities for the company, and assess how we can create more value through sustain-

ability. The four long-term sustainability objectives of the new strategy are described in more detail on page 21. One of our main objectives is to provide convenient, accessible and safe shopping centres that are also energy-efficient.

WHAT KIND OF EXPECTATIONS DO YOU HAVE FOR THE COMING YEAR?

Strategically, we will continue our journey towards higher quality assets, and hence we will continue to divest non-core properties in 2018. Operationally, we want to offer more than shopping by integrating e.g. more municipal services and food and beverage operators in our shopping centres. This will also make our tenant mix more online-resilient. We continue to develop and invest in our existing centres, where we see good opportunities for value growth. In practice, we focus our development on assets in capital or second-tier cities in our core countries. In 2018, we will continue our development work in Lippulaiva, in addition to which I am very much looking forward to the completion of our development project in Mölndal in Gothenburg, Sweden.

In addition, of course we want to offer great everyday shopping centre experiences for all our visitors across the Nordics in 2018!



Marcel Kokkeel
CEO

OUR PERFORMANCE IN 2017

NET RENTAL INCOME
MEUR **228.5**

CLIMATE IMPACT
KGCO₂E/SQ.M. **36**

OCCUPANCY RATE **96%**

EPRA EARNINGS PER SHARE
EUR **0.171**

OF PORTFOLIO BREEAM IN-USE
CERTIFIED¹⁾ **80%**

DIVIDEND/EQUITY REPAYMENT PER SHARE (PROPOSAL)
EUR **0.13**

¹⁾Includes three properties where certification process was finalised, but final certificates were not confirmed to Citycon by end of the reporting period.



READ MORE

Our key figures in the Financial Review on **pages 6-7**.

URBAN HUBS IN THE NORDICS

Four global megatrends are impacting and reshaping the shopping centre industry also in the Nordics.

URBANISATION

- Continued growth of cities and migration to urban areas

→ 85% of Nordic citizens lived in urban areas in 2014¹⁾

DEMOGRAPHIC CHANGES

- Higher level of education, rising income levels
- Increasing life expectancy, ageing population
- Smaller households

→ Life expectancy of women 83.8 years and men 79.7 years in the Nordic region²⁾

DIGITALISATION

- Growth of digital services and ecommerce, high-impact & disruptive technologies, automation
- Innovations in business, construction, infrastructure, consumer culture

→ 62% of Nordic citizens aged 18–79 made online purchases in 2016³⁾

CLIMATE CHANGE AND RESOURCE SCARCITY

- Environmental and sustainability awareness

→ All Nordic capital cities aim to be carbon neutral by 2035⁴⁾



HOW ARE THE TRENDS RESHAPING THE SHOPPING CENTRE INDUSTRY?



INCREASED DENSITY OF URBAN STRUCTURE

- Mixed-use buildings
- Walkability and cyclability

POLARISATION OF URBAN AREAS

- Major growth concentrated in capital and metropolitan regions

SIGNIFICANCE OF PUBLIC TRANSPORTATION

- Increased development of public transportation infrastructure and its usability
- Gradually diminishing role of passenger cars



URBAN CONSUMER LIFESTYLE

- Increased consumption of services, demand for services 24/7, call for convenient F&B services
- Growing price and quality consciousness
- Preference for sustainable products and services
- Sharing economy: peer-to-peer based sharing of goods and services, diminishing role of owning
- Call for sense of community



ACCESSIBILITY OF SERVICES

- Call for convenience in everyday life, preference for 'one stop shops'
- Increasingly important role of location

MULTICHANNEL APPROACH

- Online and physical services complementing each other for optimal customer experience



ENERGY EFFICIENCY AND AIM FOR CLEANER ENVIRONMENT

- Efficiency requirements e.g. for building and industrial sectors
- Increased role of decentralised energy production (e.g. solar, wind, geothermal)
- Sustainability and carbon neutrality objectives of cities
- Emission reductions for cars

1) Source: Nordregio State of the Nordic Region 2016

2) Source: Nordic Council of Ministers: Nordic Statistics 2016

3) Source: Postnord Ecommerce in the Nordics 2017

4) Source: City of Helsinki/Stockholm/Oslo/Copenhagen

ENRICHING EVERYDAY LIFE

Located in the hearts of urban areas, our multifunctional centres serve as true community hubs and meeting places where people come for everyday shopping, services, recreation and fun. Linked to easily accessible public transportation, our modern shopping centres are easy to visit, lovely to stay.



Over 100 grocery stores

Our necessity-based shopping centres provide everyday convenience, as they are anchored by grocery stores and other daily shopping and services.



More entertainment and fun

As part of a modern lifestyle, people want to combine shopping with other experiences. F&B, cinemas, theatres, game studios, bowling, and many other entertainment services are growing areas in the shopping centre tenant mix.

Share of online-resilient tenants' sales 60%

Broader offerings of food and beverage are an increasingly important part of a shopping centre visit. We have steadily raised the share of F&B in the tenant mix. Our centres host many global and local café and restaurant brands that offer a great variety of different cuisines and tastes.



Enjoyable food and beverage



Increasing amount of municipal services

Municipal services such as libraries, public service points and health care centres are a growing element in our shopping centres. Public services are easily and conveniently accessible to people when they are located in shopping centres. They also bring steady customer flow to the centres.



Well-being is a growing trend

Our shopping centres offer a wide variety of health, well-being and beauty services. Public and private medical and dental health services, gyms, pharmacies as well as beauty parlours, hair salons and cosmetics shops are an essential part of the shopping centre offering.



Digital engagement and dialogue

700,000 registered customers

In addition to our physical premises, we engage our customers digitally. Our mobile application provides us and our tenants with an additional touchpoint to interact with shopping centre customers by offering them benefits and offers.



Well-known and strong fashion brands form one of the cornerstones of an attractive retail mix. Many Citycon shopping centres are anchored by a strong fashion offering.



Fashion creates appeal



100% linked to public transportation

Metros, trains, buses and tramlines are connected or even directly integrated to our shopping centres to drive footfall and make shopping centres easily accessible.

WE WANT TO BE THE HOUSEHOLD NAME FOR NORDIC SHOPPING CENTRES

OUR MISSION

Offering the best retail space and everyday shopping experience in urban shopping centres in the Nordics

OUR VISION

Household name for Nordic shopping centres

OUR STRATEGIC FOCUS AREAS



RIGHT ASSETS



RETAIL EXPERTS



STRONG CAPITAL BASE

OUR SUSTAINABILITY PROMISE

Convenient, energy-efficient, accessible and safe shopping centres for our customers and tenants

OUR VALUES

Passionate

Solution-Oriented

Together One



REACHING OUR VISION

OUR STRATEGIC FOCUS AREAS

WHAT DOES THIS MEAN IN PRACTICE?

HOW DID WE GET CLOSER TO OUR VISION IN 2017?



Right assets

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

- Invest in energy-efficient urban shopping centres directly linked to public transportation.
- Focus on the daily needs of customers by developing multifunctional shopping centres.

- Strengthening presence in growing urban areas following continued investments in development projects.
- Further improved portfolio balance and quality after non-core divestments.



Retail experts

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

- Create positive shopping experiences for customers, and build close ties with surrounding communities.
- Attract and retain right talent by offering an excellent place to work that supports professional growth.

- Positive development in our annual tenant satisfaction survey.
- High score in employee engagement survey.



Strong capital base

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

- Secure sufficient and attractively priced financing to provide flexibility for strategic decisions.
- Solid investment-grade credit ratings.

- Increased average maturity and lower cost of debt.
- Solid credit ratings by both Moody's and S&P.



READ MORE

Further information on our development projects on [pages 28-31](#).



READ MORE

Concrete examples of our strategy execution on [pages 16-19](#).

HOW DO WE CREATE VALUE?

INPUTS



FINANCIAL

- Portfolio value about EUR 5 billion
- Debt EUR 2.1 billion
- Active recycling of capital



EMPLOYEES

- Number of employees 247
- Training/development expenses EUR 0.4 million
- Female 41% / Male 59%



RETAIL EXPERTISE

- Lease agreements 4,580, of which new 1,260
- Tenant/customer feedback received 1,300/2,500
- Responding to new retail trends, e.g. M.E.E.T



NATURAL RESOURCES

- Land area 1,730,000 sq.m.
- Energy consumption 315,000 MWh
- Water consumption 805,000 m³



SOCIAL AND COMMUNITY RELATIONSHIPS

- 100% linked to public transportation
- Security training in 100% of shopping centres
- Continuous dialogue and loyalty building



OUR BUSINESS MODEL

STRATEGY



RIGHT ASSETS

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



RETAIL EXPERTS

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



STRONG CAPITAL BASE

Allocating capital efficiently and maintaining a moderate gearing level in order to finance developments and maximise returns.



SUSTAINABILITY

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

More about Sustainability on pages 21-23.



VALUES

- Passionate
- Solution-Oriented
- Together One

More about Values on page 24.



OUR BUSINESS MODEL

ASSETS

SHOPPING CENTRES

- Leading owner, manager and developer of shopping centres in the Nordics
- Total of 43 shopping centres
 - 13 in Finland
 - 17 in Norway
 - 11 in Sweden and Denmark
 - 2 in Estonia
- 12 managed/rented assets
- Gross leasable area 1.2 million sq.m.
- Footfall 165 million visitors p.a.
- Largest environmentally certified shopping centre portfolio of 80% in the Nordics
- Tenant mix 60% online resilient

DEVELOPMENT PIPELINE

- Development pipeline more than EUR 800 million
- Development investments for EUR 100–150 million p.a. with an average yield on cost of 150 bps over yield requirement

More about development projects on [pages 28–31](#).

RISK MANAGEMENT

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

More about risks and risk management in the Financial Review on [pages 38–39](#).

OUTCOMES



FINANCIAL

- Net rental income EUR 228,5 million
- Credit ratings BBB/Baa1
- Average interest rate 2.78%
- Divestments EUR 325 million
- Dividend and equity repayment per share EUR 0.13 (proposal)



EMPLOYEES

- Employee survey score 76.9/100
- Salaries and wages paid EUR 24.1 million



RETAIL EXPERTISE

- Good tenant satisfaction: 83% of our tenants are satisfied with Citycon
- Tenant sales EUR 3.3 billion
- Occupancy rate 96%



NATURAL RESOURCES

- Share of renewable electricity 70%
- Collected and sorted waste 22,530 tn
- Recycling rate 94%



SOCIAL AND COMMUNITY RELATIONSHIPS

- Jobs in Citycon shopping centres 29,660
- Loyalty programme members 700,000
- Community enriching events held 500

BRINGING OUR STRATEGY TO LIFE

ISO OMENA SETTING AN EXAMPLE FOR FUTURE SHOPPING CENTRES

The extensive three-year development project in shopping centre Iso Omena in Greater Helsinki Area was fully completed when the second phase of the shopping centre was opened in April 2017. Iso Omena now has 101,000 sq.m. of leasable area and about 220 different stores and services.

The new Western metro line was opened for use in November 2017, and the feeder bus terminal was launched in the beginning of 2018. Together, the two public transportation channels will be bringing around 35,000 daily commuters via Iso Omena.

UNIQUE OFFERING

Iso Omena is one of our core assets. It is a dominant shopping centre within its catchment area, and located in a fast-growing neighbourhood with strong purchasing power. Furthermore, it is fully integrated with public transportation and has versatile offering of daily shopping, services, entertainment and F&B.



Iso Omena sets an example for many future shopping centres. Its' restaurant world M.E.E.T (Meet, Eat, Enjoy, Together) is Finland's largest uniform restaurant area located inside a shopping centre, and a new urban meeting place consisting of a variety of high-quality restaurants.

The leisure offering also sets Iso Omena apart: Finkino's seven-screen cinema is connected to the M.E.E.T area and the 4,000 sq.m. Dudesons Activity Park was opened in October.

At the core of Iso Omena's offering are strong retail brands, e.g. Zara, H&M, Superdry and Peak Performance. The grocery retail offering is exceptionally wide and covers a quarter of Iso Omena's gross leasable area.

The City of Espoo's 6,000 sq.m. service square is a significant anchor tenant at Iso Omena. The concept has been a great success - the annual number of visitors is expected to be 1.5 million.



ESTABLISHING STRONGER Foothold IN DENMARK

Citycon took another step in balancing its Nordic portfolio and establishing stronger foothold in Denmark by acquiring its second Danish property. Citycon purchased the first two parts of the newly constructed shopping centre Strædet in the heart of Køge, in the Greater Copenhagen Area, from TK Development. Citycon signed an agreement with TK Development already in 2015 regarding the forward purchase of Strædet and committed to acquiring the property at a fixed yield.

Strædet will be a modern urban open-air shopping centre anchored by two grocery retailers and a cinema. The shopping area comprises of some 40 retail units, cafés and restaurants. Citycon will acquire the third and final part in Q2/2018.



SUSTAINABILITY STRATEGY UPDATED

In 2017, Citycon updated its sustainability strategy to focus increasingly on the most relevant topics from the perspective of sustainability. Our guiding principle has been to find issues we can influence directly, combining both business relevance and the most important topics to our stakeholders. The new sustainability strategy highlights Citycon's strategic sustainability priorities and sets concrete actions for upcoming years to achieve these priorities.

With our new sustainability strategy, we want to reduce our carbon footprint and increase our energy efficiency, make our shopping centres easier to access by low-emission transportation, and improve our convenience and safety for our tenants and customers.

Read more about our updated sustainability strategy in our Sustainability Accounts on [pages 3-4](#) and on our sustainability targets on [page 21](#) in the Annual Review.

WIDENING OUR TENANT BASE

Citycon has actively developed its tenant mix in recent years by especially increasing the share of non-retail tenants in order to optimise the offering for customers and to be more resilient towards ecommerce. This strategy responds to the global customer behaviour trend of consumers increasingly preferring to combine shopping with other activities and experiences. Different public and private services such as libraries, health centres, gyms, and cinemas have all become an essential part of shopping centres' offering.

Furthermore, according to the CBRE's global F&B report, approximately 1/3 of shopping centre customers visit shopping centres just to eat or drink.

In 2017, we signed several new lease agreements with non-retail tenants. In Myrmani,



Finland, we leased 1,000 sq.m. of premises to the private health clinic Terveystalo. In Jakobsbergs Centrum, Sweden, the existing public library will be expanded and refurbished. In Iso Omena, Finland, 4,000 sq.m. Dudeson's Activity Park was opened, whilst the 6,000 sq.m. public service square, opened already in 2016, combining many municipal services into the same space, has shown to be a success. In Högdalen, Sweden, an urban farming unit was established in unused underground premises of the shopping centre.

Citycon's future plans include, for example, bringing kindergartens to shopping centres. The Finnish private kindergarten operator Pilke, our first kindergarten operator and lease agreement signer, will open a kindergarten in 2021 in the new shopping centre Lippulaiva, which is currently under construction.

Urban farming in unused underground premises of Högdalen Centrum, Stockholm.



WORKING TOWARDS SAFER SHOPPING CENTRES

For Citycon, safety and security in our shopping centres is a significant part of shopping centre management. We aim to ensure the highest level of safety and security for our visitors, tenants and employees.

We are also actively endorsing collaboration within the industry. This year we have collaborated with SAFE ShoppingCenters and Nordic Council of Shopping Centres to produce the "Guide to Shopping Centre Risk and Security". The guide aims to assist, advise and provide knowledge of the basic risk and security management needs, which should be in place in a shopping centre. In 2018, we will continue with our safety and security trainings on various levels across the organisation.



PERSONALISED CUSTOMER EXPERIENCE THROUGH DIGITAL COMMUNITY PROGRAMME

Citycon strongly believes in the robust relationship between our physical shopping centres and our digital customer community programme, enhancing e-commerce resilience and providing better customer experience, making the customer journey smoother. Our digital community programme also allows us to tailor highly personalised solutions that are based on customer interest and matching these with our tenants' products and services.

We are continuously building our customer community programme further, both in terms of membership coverage and customer-centric value, as well as developing and strengthening our digital position. By the end of 2017, we had successfully welcomed more than 100,000 new members into the programme across the Nordics, totalling approximately 700,000 registered customers.



STOVNER SENTER IN OSLO: REBORN AS A TRUE URBAN CROSSPOINT

The first development and refurbishing project in our Norwegian business unit, Stovner Senter, was opened in Oslo, Norway. In line with its strategy, Citycon created Stovner Senter as a true urban crosspoint and extended it by 4,500 sq.m. as well as opened the centre towards its

surroundings, creating a new urban square connected to a neighbourhood park. The centre welcomed several new tenants, an increased food and beverage offering, a brand new library, and a variety of public services. Public transportation is integrated in the centre.



TENANT SURVEY OUTLINES ENHANCEMENT PLANS

Citycon undertakes extensive customer satisfaction surveys annually across the business, enabling us to work with our tenants to identify areas for improvement. In 2017, we conducted our largest survey yet reaching all tenants in

Sweden, Norway, Finland and Estonia. Over 1,300 tenants, 34%, chose to complete the questionnaire. The result shows that 83% of our tenants are satisfied with Citycon.



Citycon transformed an outdated retail property in Pori, Finland, into a modern campus building of Satakunta University of Applied Sciences and sold it to a Swedish investor.

SOLID FINANCIAL POSITION

During the year, Citycon’s financial position was further strengthened. In July, Citycon established an EMTN (“Euro Medium Term Note”) programme in the amount of EUR 1.5 billion enabling it to raise bond financing quicker in any currency on the European and Nordic capital markets. Under the EMTN programme, Citycon successfully issued an eight year bond of NOK 1,000 million in

September. The bond was issued in Norwegian crowns to even further match the debt portfolio with the asset portfolio in terms of currency distribution. Citycon issues bonds to lengthen the average maturity of loans, to secure a low cost of debt, as well as to be less dependent on bank financing. Citycon has investment-grade credit ratings from Moody’s and S&P.

MOODY’S

STANDARD & POOR’S



DIVESTMENT OF NON-CORE ASSETS CONTINUED

During 2017, Citycon continued to recycle capital, and successfully divested 13 non-core assets in Finland, Norway and Sweden for a total value of EUR 325 million. Citycon’s strategy is to focus on urban convenience-based shopping centres in growing urban areas connected to public

transportation, and the divested assets consisted of smaller assets in less urban non-growing areas. In the next 3-5 years, Citycon aims to divest 5-10% of the fair value of total property portfolio to further improve the quality and increase the average size of its assets.

JOURNEY TOWARDS BETTER QUALITY CONTINUES – OUR LONG-TERM FINANCIAL TARGETS REMAIN INTACT

TARGET	PERFORMANCE IN 2017	STRATEGIC ACTIONS FROM 2018 ONWARDS
Like-for-like net rental income growth of 100 bps above CPI	1.0% ¹⁾ (89 BPS BELOW CPI)	<ul style="list-style-type: none"> • Investments in development projects • Redevelopment of core assets and disposals of non-core assets • Proactive leasing activity to ensure high occupancy
Loan to Value (LTV) of 40–45%	46.7%	<ul style="list-style-type: none"> • Continued disposals of non-core assets to strengthen balance sheet
Dividend/equity return payout ratio of >50% of the result for the period (excluding fair value changes of property portfolio)	76% ²⁾	<ul style="list-style-type: none"> • Focus on maintaining solid operative performance to ensure sustainable cash generation going forward • Continued focus on cost management

¹⁾ Including Kista Galleria 50%

²⁾ Calculated from EPRA Earnings per share



READ MORE

More information on Outlook 2018 in the Financial Review on [page 22](#).

LONG-TERM VALUE THROUGH SUSTAINABILITY

In 2017, Citycon updated its sustainability strategy and defined long-term main targets that span until 2030. The objective of the updated strategy is to define clear and justified sustainability priorities that create value both for us and our stakeholders.

OUR PRIORITIES



CARBON NEUTRAL

Citycon is carbon neutral by 2030.



ACCESSIBLE

100% of assets are connected to public transportation, encouraging green ways to visit our centres. By 2030, the majority of our visitors will visit us by public transportation, foot, bike or electrical vehicles.



CONVENIENT AND SAFE

Tenant satisfaction stays consistently above 90% in areas of safety, security, hospitality and service-mindedness. Visitor dwell-time will increase.



EXCELLENCE IN ACTION

Citycon puts best sustainability practices into effect by following a clear roadmap and monitoring success.

HIGHLIGHTS OF OUR STRATEGIC ACTIONS FROM 2018 ONWARDS

By year-end 2020

- Renewable energy production in all assets
- Decreasing energy consumption per sq.m. by 15% (from 2014 levels)
- Public transportation options proactively developed together with local stakeholders
- Electrical vehicle charging possibilities for cars and bikes in all assets
- Youth involvement activities in all assets
- Each asset annually aiming to accommodate some space for local community, NGOs or local businesses
- Clear objectives and cooperation to implement sustainability actions: lessons learned clearly listed, results reported and best practices actively taken into use across all assets
- 100% of properties BREEAM In-Use certified with the minimum level being good or higher



READ MORE

More information on the updated sustainability strategy in the Sustainability Accounts on [pages 3-4](#).

TOMORROW'S SUSTAINABLE SHOPPING CENTRE

Modern shopping centres are vivid urban hubs: they are located in public transportation crosspoints, and have strong engagement with their surrounding communities. They are environmentally-friendly, and provide safe and inviting premises for the tenants and customers.





PROXIMITY AND EASY ACCESS

Our shopping centres are located close to where people live and work. Access to public transportation is seamless or directly integrated to the shopping centres.



ENVIRONMENTALLY-FRIENDLY TRANSPORTATION

Bicycle parking and good pedestrian access make our shopping centres easy to visit without a car. Additionally, we offer designated parking spaces and charging stations for electric vehicles.



ENERGY- AND WATER-EFFICIENT SOLUTIONS

We optimise ventilation and increasingly use LED lighting. We also recover heat from technical systems and appliances. Low-flow water fixtures and toilets save water.



EFFECTIVE WASTE MANAGEMENT

Well-planned waste management provides multiple possibilities to recycle and dispose of waste. We also offer waste management consultation to our tenants to raise the recycling rates.



GROWING TO THE ROOFTOPS

We optimise the use of urban space by building green roofs. They isolate reducing the need for heating or cooling, retain rain water, and ease storm water management and create pleasant environment.



LOCAL SERVICE HUB

Shopping centres are important members of their surrounding communities: hubs that offer health services, libraries, theatres, sports facilities or playgrounds for local people.



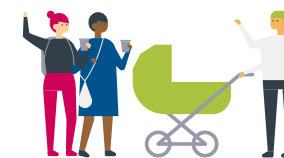
SUSTAINABLE AND LOCAL ENERGY SOURCES

Solar panels produce electricity and provide shade, which reduces the need for cooling in the summer. Geothermal heating and cooling plants can make the shopping centre self-sufficient with heating and cooling.



SAFETY AND SECURITY IN FOCUS

Safety is taken into consideration during every step of the shopping centre's planning, design and management. All safety procedures are planned, tested and trained.



ENGAGEMENT WITH THE COMMUNITY

Shopping centres are natural meeting places for the residents of the community and provide spaces for local engagement. They are also excellent venues for many local events.



GROWING RESIDENTIAL AREAS

Our shopping centres are located in growing urban areas. We concentrate on the growth and well-being of our surrounding community and welcome new neighbours to join it.

MAKING OUR PEOPLE GROW AND GLOW

The core of Citycon’s HR strategy is to empower our personnel and provide them with the possibility to grow as professionals. Citycon has a strong performance culture, and in order to build a great employee experience, Citycon’s “Together One” ensures that Cityconners enjoy and feel proud of their work.

All Cityconners are encouraged to look for **opportunities to learn and develop**. We promote internal mobility, as every year several employees move into new positions, cross-functions and even cross-borders. We aim to fill in as many open positions internally as possible.

We constantly seek for the best possible fit regarding the culture, job and the person by active **talent management**. Many employees are recruited to trainee positions at the end of their studies. We support our professionals to reach their full potential and offer them a path to move further in their careers within the company. Our employees learn in many ways – through experience at work, from others, in trainings and seminars, and through their professional networks. We aim to proactively find the next possible career steps and ensure that we have potential successors as vacant positions open.

We believe in **inspiring leadership**, which empowers our personnel to reach their challenging goals. Our leaders coach their teams to ensure that everyone knows what to do, where to aim for, and how to get there. In addition to daily work, we develop our leadership culture twice a year in our internal “Let’s Lead” training programme.

In 2017, we launched a new leadership and personnel management tool called “CityPeople”, a digital platform that helps our leaders to set and monitor targets, and goals in a transparent way. In 2018, we continue to further develop CityPeople by launching new features, e.g. self-learning sections to be used as a part of induction process. CityPeople will also be an important tool for our talent management.

Citycon’s values: Passionate, Solution-Oriented and Together One lay the foundation of everything that we do in our operations and leadership. It’s important that all Cityconners are engaged and committed



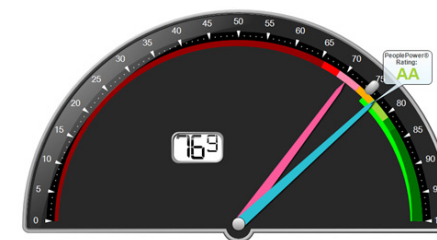
Focus areas in 2018

- Employer image and employee experience development
- CityPeople HR tool development
- Talent management and competence development

to our values in their work. That’s why we seek for passionate, solution-oriented people with a together one mindset in our recruitment processes, so that the cultural fit is optimal. Our values are also discussed every year as a natural part of our performance plans. Building a strong culture with people living our values makes learning, development, talent management and leadership more efficient, allowing us to focus on reaching our goals.

Response rate to the employee satisfaction survey:

97.3%



HIGH EMPLOYEE SATISFACTION LEVEL

In 2017, we conducted a personnel survey, and the results indicate very positive improvement compared to our last survey in 2014¹⁾. Citycon’s indexes were also clearly above the expert norm compared to the Nordic benchmarks.

The survey result indicate that employees trust the company: we have been able to communicate the company’s strategy and future vision clearly, employees trust our management, feel that they are rewarded fairly, as well as possess clear goals.

The survey results also indicate that we still need to further develop the feeling of independence in decision making as well as ensure that our employees feel that everyone is treated in a fair and equal way.

¹⁾Norway is excluded, since it was not part of Citycon in 2014.

CITYCON CAREER PATHS

FROM TRAINEE TO RETAIL AND REAL ESTATE SPECIALIST



Mehmet Ruusuvirta started his career at Citycon Sweden as a trainee in a large IT project in

2014. After that, he was appointed to the Swedish leasing team as a Support Specialist. In 2015, Mehmet transferred to shopping centre management, where he worked as a Shopping Centre Manager in different assets in the Stockholm area. Since fall 2017, he has worked as a Business Analyst for Citycon.

"I feel that new challenges are a necessity, status quo would be for me the biggest challenge to cope", Mehmet says.

Mehmet explains that he has had a possibility to participate in different trainings when moving to new positions. "In addition, I have received great support from my senior colleagues."

MOVING CROSS-BORDERS AND CROSS-FUNCTIONS



Henrica Ginström joined Citycon in 2011. Previously, she had worked with financial due diligence processes in a big consultancy company. She started at Citycon as a Transaction Controller, but started a few months later as an Operation Analysis Manager.

A different opportunity opened two years later, as Henrica was appointed as an Investor Relations Manager. These responsibilities grew a while later, as she resumed the position of Vice President, IR and Communications. In 2017, her career took a turn to business - and to the West. From the beginning of September, she has worked as a Commercial Director in Oslo.

Henrica has moved cross-functions already many times. "I feel that my superiors have supported me, as they have given me new opportunities. Even though my role has changed many times, I have always been able to utilise many skills and competences in new positions, that relate to my previous duties."

In addition, Henrica points out that in expert organization, the team leader does not have to be the best expert in everything. "I have been led by experienced professionals and I have also learnt a lot from my teams."



CITYCON AWARDS RECOGNISED GREAT ACHIEVEMENTS

During our annual get-together and internal education event of Citycon Days, company-wide Citycon Awards were selected already for the second time. The purpose of the contest is to reward great achievements where people have shown Citycon's values, made people proud of their work, lift up the team spirit, and raise awareness on great results within the company.

The programme recognises outstanding achievements in five categories: Deal of the Year, Community Action of the Year, Team of the Year, Innovation of the Year and The Best Customer Experience.

In total, the jury received 68 applications for the contest. Many employees participated in the competition in one or several categories.



We support our employees to have fun together also after working hours by funding the Citycon Activity Clubs. All clubs are started and initialised by our personnel to make sure that they are relevant to the employees. Examples of the activities already tested include badminton, beach volley, yoga and canoeing.

OUR CORE ASSETS



ISO OMENA

Greater Helsinki Area, Finland Iso Omena is located in the strongly developing neighbourhood of Matinkylä, Espoo, with one of the most affluent customer bases in Finland. The shopping centre has just undergone a major expansion project, and today hosts more than 200 stores, an excellent selection of grocery stores, and a wide range of private and public services, including a 6,000 sq.m. service square by City of Espoo. The heart of Iso Omena is the restaurant world M.E.E.T (Meet, Eat, Enjoy, Together), Finland's largest uniform restaurant area located inside a shopping centre, housing a wide range of high-quality restaurants.

All figures are from 31 December 2017



Majority of Citycon's shopping centres are located in capital or second-tier cities



GLA **100,900 sq.m.**
 Number of stores **220**
 Annual visitors **11.5 million**
 Annual sales **MEUR 268.8**
 Sustainability certifications: **BREEAM In-Use Very Good, LEED Platinum**

KISTA GALLERIA

Stockholm, Sweden Kista Galleria is one of Sweden's largest and most successful shopping centres, boasting about 18 million visitors annually. The shopping centre houses a vast selection of shops and restaurants, cinema, Stockholm's second largest library, bowling and carting track, as well as a range of other services including a childcare centre, a healthcare centre, a dentist and much more. Kista Galleria is truly more than shopping – a unique market place and transportation hub where people living and working in the area meet.

GLA **92,500 sq.m.**
 Number of stores **180**
 Annual visitors **18.4 million**
 Annual sales **MEUR 186.6**
 Sustainability certifications: **BREEAM In-Use Good**





LILJEHOLMSTORGET GALLERIA

Stockholm, Sweden Liljeholmstorget Galleria is an urban shopping centre in the heart of busy Liljeholmen, a growing and affluent residential and office area just outside of Stockholm's city centre. It is conveniently located directly adjacent to one of Stockholm's largest public transport hubs, where the city's metro, buses and trams meet. Liljeholmstorget Galleria houses a wide range of shops, services, cafés and restaurants, the main focus being fashion, interior decoration, sporting and leisure goods. It also hosts an excellent grocery store.

GLA **40,600 sq.m.**
 Number of stores **94**
 Annual visitors **9.8 million**
 Annual sales **MEUR 157.8**
 Sustainability certifications: **BREEAM In-Use Very Good, LEED Platinum**



OASEN

Bergen, Norway Oasen Senter is often referred as the "centre of a nice neighbourhood" with its versatile health care and cultural services as well as retail stores. The centre was expanded by 8,000 m² in November 2014 to include about 70 shops, a health centre and offices for Municipality of Bergen.

GLA **57,000 sq.m.**
 Number of stores **68**
 Annual visitors **4.4 million**
 Annual sales **MEUR 98.9**
 Sustainability certifications: **BREEAM In-Use Excellent**



KOSKIKESKUS

Tampere, Finland Koskikeskus is the largest and most diverse shopping centre in Tampere. Located in the heart of the city, the shopping centre is home to a wide range of specialty stores and services as well as attractive cafés and restaurants.



GLA **33,100 sq.m.**
 Number of stores **93**
 Annual visitors **5.5 million**
 Annual sales **MEUR 112.0**
 Sustainability certifications: **BREEAM In-Use Very Good**

OUR DEVELOPMENT PROJECTS

Ongoing developments



MÖLNDAL GALLERIA – MODERN URBAN CITY GALLERY

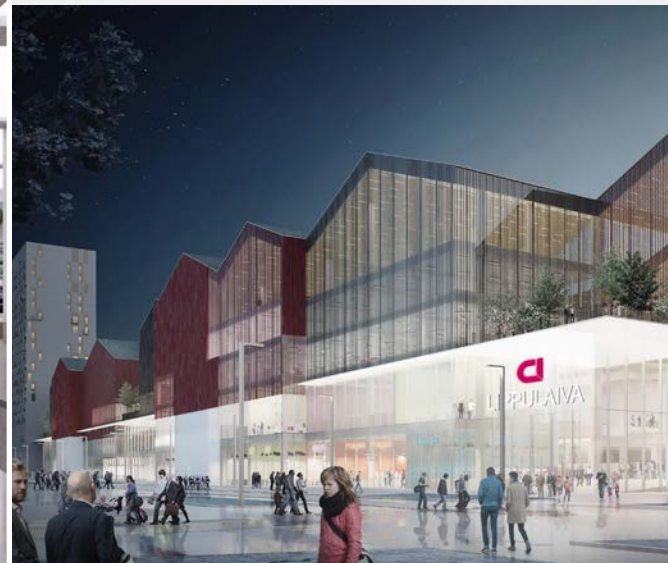
Greater Gothenburg Area. Mölndal Galleria is a completely new, modern urban city gallery, focusing on daily necessities, services and a generous food and beverage offering. Located in the city centre of the fast growing Mölndal and connected to a large hub for public transportation, the shopping centre will serve as the natural meeting place for people working and living in the neighbourhood.

Investment: **MEUR 60.0 (120.0)**¹⁾
 GLA 0 → **24,000 sq.m.**
 Completion: **Q3/2018**
 Certification target: **BREEAM Very Good**

¹⁾ The number in brackets reflects the total investment in the project including agreed buyouts of joint venture shares.



Investment: MEUR 215
 GLA 19,200 → 44,300 sq.m.
 Completion: 2021
 Certification target: BREEAM Excellent



LIPPULAIVA – TO A COMMUNITY SHOPPING CENTRE

Greater Helsinki Area. The already established Lippulaiva is located in the rapidly growing and affluent neighbourhood of Espoonlahti. A completely new, modern and urban shopping centre, more than double the size of the old centre, will be built in order to accommodate the new metro station and bus terminal. The new Lippulaiva will host around 80 different shops, cafés, restaurants and services in addition to municipal and health care facilities as well as a kindergarten. Lippulaiva will house the world's largest geothermal plant in a shopping centre, which will make Lippulaiva almost completely self-sufficient in terms of heating and cooling energy.



PIKKULAIVA – FINLAND'S FIRST POP-UP SHOPPING CENTRE

Greater Helsinki Area. While the new Lippulaiva is being built, Citycon constructed a temporary pop-up shopping centre, Pikkulaiva, to ensure that local residents have access to services and to provide convenient premises for 23 existing tenants to continue operating during the construction project.

Pikkulaiva was constructed from recyclable elements that can be moved by truck, so the whole building can be relocated once the temporary facilities are no longer needed. The temporary shopping centre has a gross leasable area of 8,300 sq.m. and is completely leased.

Planned developments



OASEN – THE NEW TOWN SQUARE

Bergen. Oasen is located in the rapidly growing area just outside central Bergen, and will shortly have a new tram line stop and new residential housing. Citycon is aiming to make Oasen the new town square, and the development project would increase the GLA by approx. 12,000 sq.m. The project would also connect the centre better to the surrounding urban environment with a new

Expected investment: **MEUR 100**
 GLA **57,000 → 68,800 sq.m.**
 Target initiation/completion: **2019/2022**
 Certification target: **BREEAM Very Good**

main entrance, while also giving room for new anchor tenants and a broader food and beverage offering.

TUMBA CENTRUM – INCREASING OFFERING OF RETAIL AND SERVICES

Greater Stockholm Area. The newly refurbished Tumba Centrum is located in Southern Botkyrka and is connected to a commuter rail station. Citycon is planning a further extension of Tumba Centrum, integrating it with the new bus terminal while also increasing the offering of retail and health care services as well as parking facilities.

Expected investment: **MEUR 40**
 GLA **23,100 → 30,500 sq.m.**
 Target initiation/completion: **2018/2020**
 Certification target: **BREEAM Very Good**



Key investment criteria

- ≥ 150 bps over required valuation yield
- 50% pre-leasing target



TREKANTEN – CREATING A FLAGSHIP SHOPPING CENTRE

Greater Oslo Area. Trekanten is a popular meeting place in an affluent urban location in Asker. The selection of shops and health care services is diverse, and the centre is easily accessible with a public transportation hub in the immediate vicinity. The planned extension includes increasing the offering of shops and services as well as creating more visible and inviting entrances and improved customer flow.

Expected investment: **MEUR 135**
 GLA **23,900 → 45,000 sq.m.**
 Target initiation/completion: **2019/2022**
 Certification target: **BREEAM Very Good**



LILJEHOLMSTORGET GALLERIA – FROM GOOD TO GREAT

Stockholm. Liljeholmstorget Galleria has established itself as a successful community centre, offering its customers a wide range of shopping options and health care services in a modern and enjoyable atmosphere, all directly connected to the metro station and bus terminal. An extension is planned to meet the strong demand for more retail opportunities and services, including culture, a library, entertainment and food.

Expected investment: **MEUR 100**
GLA **40,600 → 64,500 sq.m.**
Target initiation/completion:
2020/2023
Certification target: **LEED Platinum**



KISTA GALLERIA – ONE OF THE MOST VISITED SHOPPING CENTRES IN THE NORDICS

Stockholm. Kista Galleria is one of Sweden's largest and most successful shopping centres, boasting approximately 18 million visitors annually. With a vast number of shops and restaurants, cinema, bowling and municipal services, Kista Galleria is the heart of the local community. There are plans to extend the shopping centre towards the metro and bus stations to create a seamless connection with public transportation and additional space for new retail, groceries and services. The plan also entails a large number of housing, offices and other non-retail operators.

Expected investment: **MEUR 80¹⁾**
GLA **92,500 → 105,000 sq.m.**
Target initiation/completion:
2020/2023
Certification target:
BREEAM Very Good

¹⁾ Citycon's share MEUR 40 (50%)



CITYCON AS AN INVESTMENT

Citycon’s aim is to create shareholder value through active asset management, strengthening of the property portfolio, as well as efficient financing. With our focused business model and solid balance sheet, we strive to create steady and predictable cash flows across cycles, and offer a strong dividend yield for our shareholders.

CITYCON’S INVESTMENT PROPOSITION

STABLE BUSINESS MODEL WITH A HIGH DIVIDEND YIELD

- Strong and sustainable dividend yield with a target payout ratio of over 50%
- Stable and resilient cash flow generation across economic cycles
- Solid financial position and balance sheet

FOCUSED STRATEGY IN A CHANGING OPERATING ENVIRONMENT

- Focus on larger multifunctional shopping centres in growing urban areas with strong demographics
- Focus on convenience-based and online-resilient tenant mix
- Clear actions to increase the share of online-resilient tenants

WELL-BALANCED PROPERTY PORTFOLIO

- Diversified Pan-Nordic asset portfolio providing stability as well as operational scale
- Strategy in place to transform the current property portfolio further towards larger and higher quality assets

ATTRACTIVE DIVIDEND YIELD



¹⁾ The proposal by the Board of Directors includes an authorisation for a dividend and equity repayment of EUR 0.13 in total

OUR CORPORATE MANAGEMENT COMMITTEE



READ MORE

More information on our Corporate Management Committee in the Corporate Governance Statement on **pages 12-13**.

EERO SIHVONEN
Chief Financial Officer,
Executive Vice President

JURN HOEKSEMA
Chief Operating Officer

TOM LISIECKI
Chief Development
Officer

MARCEL KOKKEEL
Chief Executive Officer

ANU TUOMOLA
General Counsel,
Head of Legal Affairs

Marianne Håknsen acted in the position of Vice President, Marketing and Branding, and a member of the corporate management committee until 31 December 2017, following the decision to leave the company as of early 2018.

OUR BOARD OF DIRECTORS

31 December 2017



CHAIM KATZMAN
Chairman of the Board



BERND KNOBLOCH
Deputy Chairman of the Board



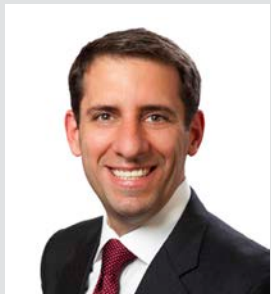
ARNOLD DE HAAN
Member of the Board



KIRSI KOMI
Member of the Board



RACHEL LAVINE
Member of the Board



DAVID LUKES
Member of the Board



ANDREA ORLANDI
Member of the Board



CLAES OTTOSSON
Member of the Board



PER-ANDERS OVIN
Member of the Board



ARIELLA ZOCHOVITZKY
Member of the Board



READ MORE

More information on our Board of Directors in the Corporate Governance Statement on **pages 4-12**.

CITYCON'S SHOPPING CENTRES

Finland Greater Helsinki Area



1. ISO OMENA, Espoo ★
 GLA 100,900 sq.m.
 Anchor tenants K-Citymarket, Prisma, Lidl, Service Centre (City of Espoo), Finnkino, H&M, Zara
 Sales EUR 268.8 million
 Visitors 11.5 million



2. MYYRMANNI, Vantaa ★
 GLA 40,200 sq.m.
 Anchor tenants K-Citymarket, S-Market, Clas Ohlson, Jysk, Alko
 Sales EUR 129.6 million
 Visitors 8.0 million



3. COLUMBUS, Helsinki
 GLA 20,700 sq.m.
 Anchor tenants K-Supermarket, S-Market, Clas Ohlson, Jysk, Tokmanni, Alko, pharmacy
 Sales EUR 76.6 million
 Visitors 6.4 million



4. ARABIA, Helsinki
 GLA 15,800 sq.m.
 Anchor tenants S-Market, K-Supermarket, Lidl, Alko, pharmacy, Tokmanni, H&M
 Sales EUR 44.2 million
 Visitors 2.7 million



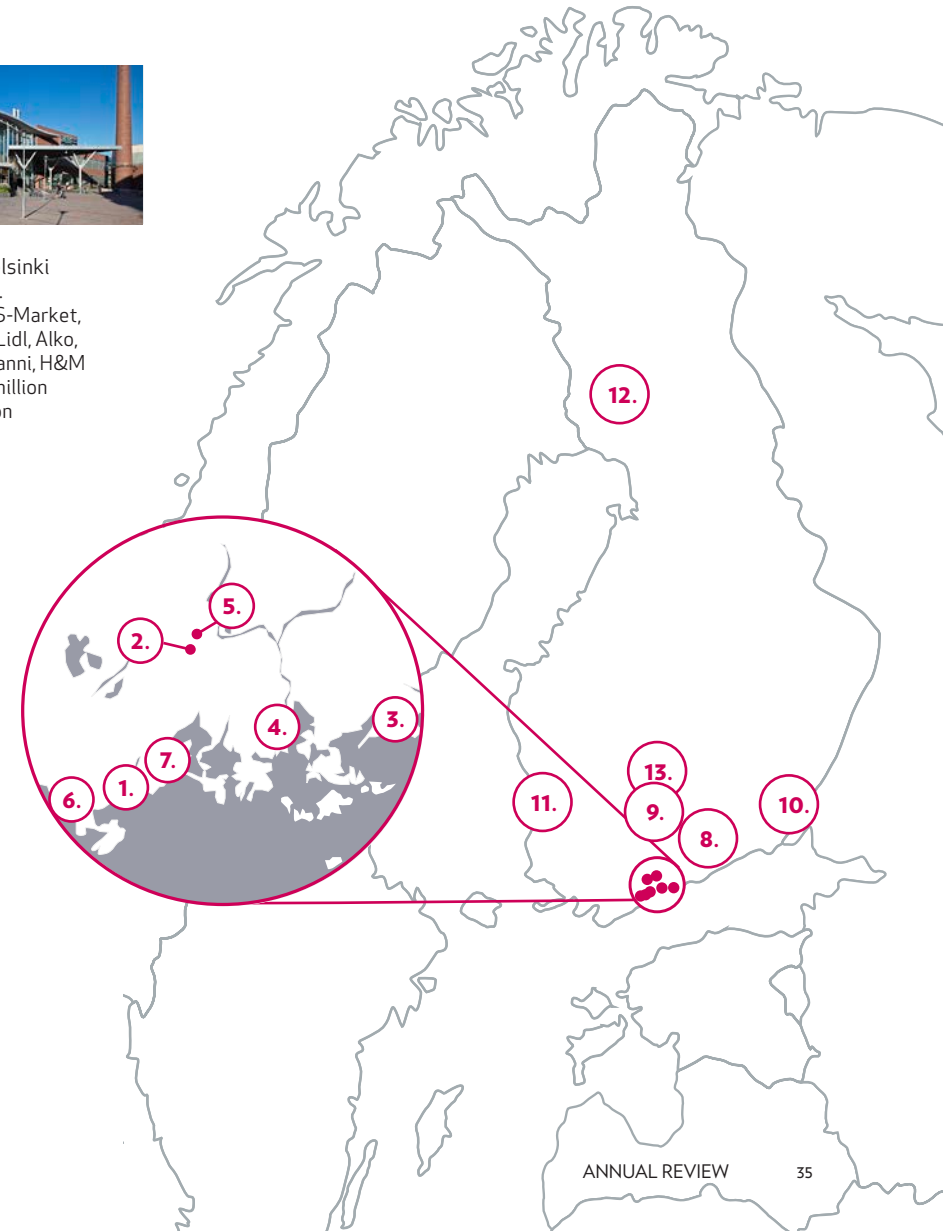
5. ISOMYYRI, Vantaa
 GLA 11,600 sq.m.
 Anchor tenants Lidl, Tokmanni, Cityvarasto
 Sales EUR 9.3 million
 Visitors N.A.



6. PIKKULAIVA (LIPPULAIVA), Espoo
 GLA 8,300 sq.m.
 Anchor tenants Lidl, K-Supermarket, Burger King, Clas Ohlson
 Sales EUR 26.0 million
 Visitors 1.2 million



7. HEIKINTORI, Espoo
 GLA 6,250 sq.m.
 Anchor tenants Eurokangas, R-kioski
 Sales N.A.
 Visitors N.A.



Finland Other areas



8. TRIO, Lahti ★
 GLA 45,900 sq.m.
 Anchor tenants Cumulus, K-Supermarket, H&M, Stadium, Kekäle, Lindex, Tokmanni
 Sales EUR 43.8 million
 Visitors 5.3 million



9. KOSKIKESKUS, Tampere ★
 GLA 33,100 sq.m.
 Anchor tenants Pihlajalinna, Koskiklinikka, Intersport, Stadium, Lindex, Rivermax
 Sales EUR 112.0 million
 Visitors 5.5 million



10. ISOKRISTIINA, Lappeenranta ★
 GLA 34,300 sq.m.
 Anchor tenants Sokos, Hotel Lappee, Tokmanni, K-Supermarket, S-Market, Terveystalo, Alko
 Sales EUR 74.4 million
 Visitors 4.2 million



11. ISOKARHU, Pori
 GLA 14,600 sq.m.
 Anchor tenants Burger King, H&M, Intersport, IrtiMaasta
 Sales EUR 18.2 million
 Visitors 2.2 million



12. SAMPOKESKUS, Rovaniemi
 GLA 14,500 sq.m.
 Anchor tenants Penttik, Classic American Diner, Gina Tricot, MODA, Vero Moda, Jack&Jones, Fitness24Seven
 Sales EUR 17.2 million
 Visitors 1.9 million



13. DUO, Tampere
 GLA 13,100 sq.m.
 Anchor tenants S-Market, K-Supermarket, Lidl, Alko, Tokmanni, pharmacy
 Sales EUR 54.5 million
 Visitors 4.5 million

Estonia



1. ROCCA AL MARE, Tallinn ★
 GLA 57,600 sq.m.
 Anchor tenants Prisma, H&M, Debenhams, NewYorker, Lindex
 Sales EUR 113.8 million
 Visitors 5.5 million



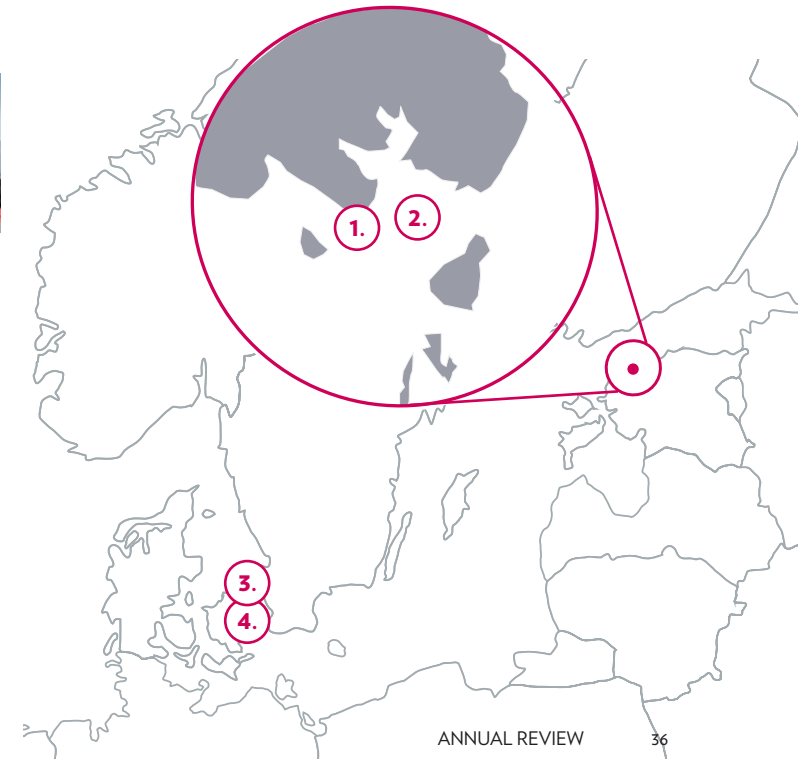
2. KRISTIINE KESKUS, Tallinn
 GLA 44,000 sq.m.
 Anchor tenants Prisma, H&M, NewYorker, JYSK
 Sales EUR 104.8 million
 Visitors 7.1 million



3. ALBERTSLUND CENTRUM, Albertslund
 GLA 18,500 sq.m.
 Anchor tenants Kvickly, Albertslund Kommune, Imerco
 Sales EUR 45.3 million
 Visitors 5.2 million



4. STRÆDET, Køge
 GLA 15,300 sq.m.
 Anchor tenants Nordisk Film Biografer, Bones, Butchers Kebab
 Sales EUR 4.3 million
 Visitors N.A.



Norway Greater Oslo Area



1. BUSKERUD STORSENTER, Krokstadelva
 GLA 30,900 sq.m.
Anchor tenants Coop, Vinmonopolet, H&M, Elkjøp, Clas Ohlson
Sales EUR 96.6 million
Visitors 1.8 million



2. LIERTOPPEN, Lierskogen ★
 GLA 25,600 sq.m.
Anchor tenants Meny, Kiwi, Vinmonopolet, H&M, Europris
Sales EUR 85.0 million
Visitors 2.0 million



3. TREKANTEN SENTER, Asker ★
 GLA 23,900 sq.m.
Anchor tenants Meny, H&M, Clas Ohlson
Sales EUR 70.2 million
Visitors 3.1 million



4. LINDERUD SENTER, Oslo ★
 GLA 20,900 sq.m.
Anchor tenants Coop Mega, Vinmonopolet, Elixia
Sales EUR 61.9 million
Visitors 2.1 million



5. KOLBOTN TORG, Kolbotn ★
 GLA 17,700 sq.m.
Anchor tenants Mega, Vinmonopolet, H&M
Sales EUR 61.0 million
Visitors 1.8 million



6. MAGASINET DRAMMEN, Drammen ★
 GLA 15,400 sq.m.
Anchor tenants Kiwi, Starbucks
Sales EUR 26.2 million
Visitors 2.6 million



7. DOWN TOWN, Porsgrunn ★
 GLA 37,800 sq.m.
Anchor tenants Rema 1000, XXL, H&M, Clas Ohlson, Home & Cottage, Bohus
Sales EUR 69.0 million
Visitors 2.2 million



8. OASEN KJØPESENTER, Fyllingsdalen ★
 GLA 57,000 sq.m.
Anchor tenants Meny, Kiwi, Vinmonopolet, H&M, Jula, Elkjøp
Sales EUR 98.9 million
Visitors 4.4 million



9. HERKULES, Skien ★
 GLA 49,400 sq.m.
Anchor tenants Meny, Elkjøp Megastore, XXL, GMAX, Møbelringen, H&M, Clas Ohlson
Sales EUR 124.0 million
Visitors 3.4 million

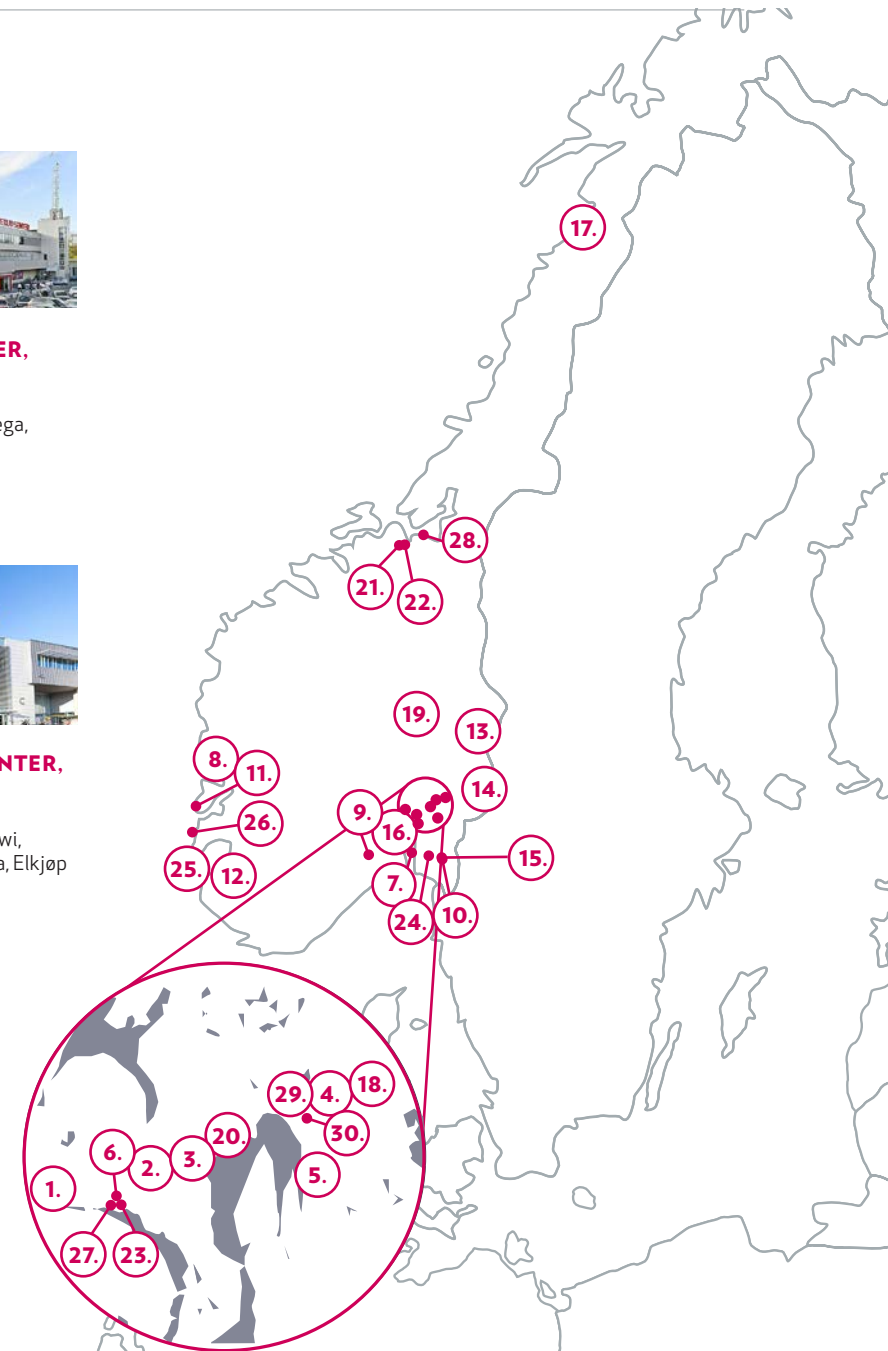


10. STORBYEN, Sarpsborg ★
 GLA 25,500 sq.m.
Anchor tenants Meny, Vinmonopolet, H&M, SATS, Clas Ohlson, Egon
Sales EUR 59.6 million
Visitors 2.4 million



11. HEIANE STORSENTER, Stord ★
 GLA 23,900 sq.m.
Anchor tenants Coop, Skeidar, Elkjøp, Clas Ohlson
Sales EUR 42.2 million
Visitors 1.2 million

Norway Other areas



★ BREEAM/LEED environmentally certified



12. KILDEN KJØPESENTER, Stavanger ★
 GLA 23,100 sq.m.
Anchor tenants Coop Mega, Vinmonopolet, H&M, Clas Ohlson
Sales EUR 65.9 million
Visitors 1.5 million



13. KREMMERTORGET, Elverum ★
 GLA 19,400 sq.m.
Anchor tenants Meny, H&M, Clas Ohlson
Sales EUR 38.2 million
Visitors 1.1 million



14. KONGSSENTERET, Kongsvinger ★
 GLA 18,300 sq.m.
Anchor tenants Meny, H&M, Clas Ohlson, Expert
Sales EUR 39.9 million
Visitors 1.2 million



15. STOPP TUNE, Sarpsborg ★
 GLA 12,100 sq.m.
Anchor tenants Meny, XXL
Sales EUR 28.5 million
Visitors 0.9 million



16. SJØSIDEN, Horten ★
 GLA 11,200 sq.m.
Anchor tenants Vinmonopolet, H&M, Clas Ohlson
Sales EUR 30.3 million
Visitors 0.9 million



17. GLASSHUSPASSASJEN, Bodø ★
 GLA 2,300 sq.m.
Anchor tenants Burger King
Sales EUR 6.3 million
Visitors N.A.

Norway Managed Shopping Centres



18. STOVNER SENTER, Oslo
 GLA 41,800 sq.m.
Anchor tenants Meny, Vinmonopolet, H&M
Sales N.A.
Visitors 5.0 million



19. STRANDTORGET, Lillehammer ★
 GLA 29,600 sq.m.
Anchor tenants Elkjøp, CC Mat, Clas Ohlson, Plantasjen, Monter, Sport 1
Sales N.A.
Visitors 2.2 million



20. HOLMEN SENTER, Nesbru ★
 GLA 24,200 sq.m.
Anchor tenants Meny, Vinmonopolet, H&M
Sales N.A.
Visitors 1.4 million



21. TILLER TORGET, Trondheim ★
 GLA 23,700 sq.m.
Anchor tenants Meny, Elkjøp, G-MAX
Sales N.A.
Visitors 1.3 million



22. CITY SYD, Tiller ★
 GLA 15,500 sq.m.
Anchor tenants Coop, Obs, H&M, Vinmonopolet, Clas Ohlson, Cubus
Sales N.A.
Visitors 3.7 million



23. CC DRAMMEN, Drammen
 GLA 17,300 sq.m.
Anchor tenants Eurospar, KappAhl, Jernia, G-Max, pharmacy
Sales N.A.
Visitors N.A.

Norway Rented Shopping Centres



24. TORVBYEN, Fredrikstad ★
 GLA 15,500 sq.m.
Anchor tenants Clas Ohlson
Sales N.A.
Visitors 3.9 million



25. STADIONPARKEN, Stavanger ★
 GLA 11,100 sq.m.
Anchor tenants Meny, Vinmonopolet, Rema 1000
Sales N.A.
Visitors 0.9 million



26. MARKEDET, Haugesund ★
 GLA 10,600 sq.m.
Anchor tenants Vinmonopolet, H&M, Bunnpris
Sales N.A.
Visitors 0.9 million



27. TORGET VEST, Drammen
 GLA 8,000 sq.m.
Anchor tenants Eurospar
Sales N.A.
Visitors 1.3 million



28. SOLSIDEN, Trondheim ★
 GLA 14,000 sq.m.
Anchor tenants Vinmonopolet, H&M, Clas Ohlson
Sales EUR 53.6 million
Visitors 2.3 million



29. NAF-HUSET, Oslo
 GLA 4,200 sq.m.
Anchor tenants XXL, Dolly Dimples, Kaffebrenneriet
Sales EUR 26.1 million
Visitors N.A.

★ BREEAM/LEED environmentally certified

Sweden Greater Stockholm Area



1. KISTA GALLERIA, Stockholm ★
 GLA 92,500 sq.m.
Anchor tenants ICA, Coop, Systembolaget, H&M, JD Sports, Next, SF Bio, O'Learys, library, health care
Sales EUR 186.6 million
Visitors 18.4 million



2. JAKOBSBERGS CENTRUM, Stockholm area ★
 GLA 43,000 sq.m.
Anchor tenants Coop, Hemköp, Systembolaget, H&M, Lindex, KappAhl
Sales EUR 62.9 million
Visitors 5.8 million



3. LILJEHOLMSTORGET GALLERIA, Stockholm ★
 GLA 40,600 sq.m.
Anchor tenants ICA Kvantum, Willy's, Systembolaget, H&M, KappAhl, SATS, Lindex, Cubus, Clas Ohlson, O'Learys, health care
Sales EUR 157.8 million
Visitors 9.8 million



4. ÅKERSBERGA CENTRUM, Stockholm area ★
 GLA 28,400 sq.m.
Anchor tenants ICA, Systembolaget, H&M, Lindex, KappAhl
Sales EUR 79.2 million
Visitors 6.0 million



5. TUMBA CENTRUM, Stockholm area
 GLA 23,100 sq.m.
Anchor tenants ICA, Lidl, Systembolaget, H&M, Lindex, KappAhl
Sales EUR 48.6 million
Visitors 3.9 million



6. HÖGDALEN CENTRUM, Stockholm area
 GLA 19,900 sq.m.
Anchor tenants Coop, ICA, Systembolaget, Lindex, healthcare centre, Kicks, Jysk, pharmacy, dentist
Sales EUR 59.1 million
Visitors N.A.



7. FRUÄNGEN CENTRUM, Stockholm area
 GLA 14,700 sq.m.
Anchor tenants Coop, Hemköp, Systembolaget, Fitness24Seven, library, health centre
Sales EUR 31.9 million
Visitors N.A.

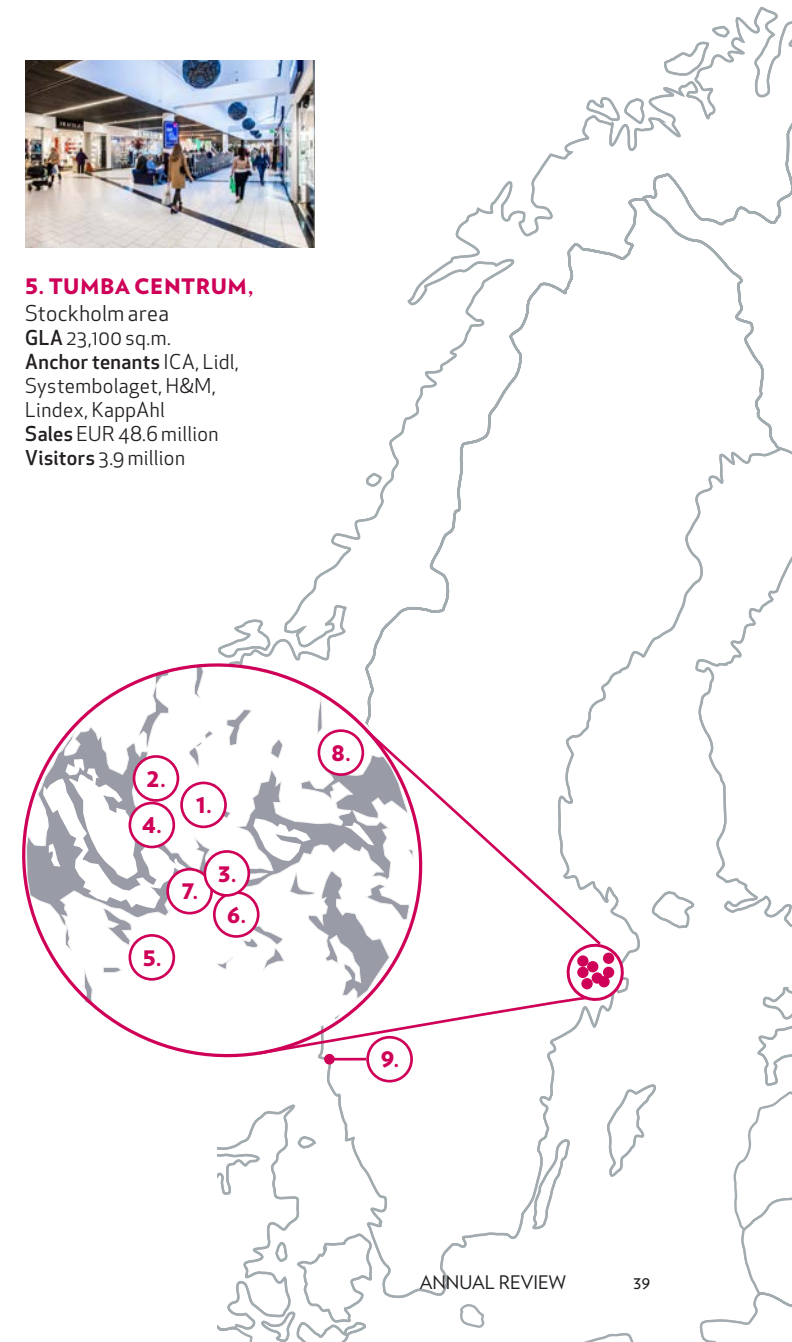


8. ÅKERMYNTAN CENTRUM, Stockholm area
 GLA 10,300 sq.m.
Anchor tenants ICA, Lidl, health centre, library, daycare
Sales EUR 28.8 million
Visitors 1.8 million



9. STENUNGSTORG CENTRUM, Stenungsund ★
 GLA 35,400 sq.m.
Anchor tenants Coop, H&M, Systembolaget, Team Sportia, KappAhl, pharmacy, Kjell & Kompani
Sales EUR 62.9 million
Visitors 3.3 million

Gothenburg Area



★ BREEAM/LEED environmentally certified



SUSTAINABILITY ACCOUNTS 2017

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SUSTAINABILITY KEY FIGURES

-42% CLIMATE CHANGE IMPACT FROM BASELINE 2014 (tCO₂e)

80% BREEAM IN-USE CERTIFIED SHOPPING CENTRES MEASURED BY FAIR VALUE*

*Includes three properties where certification process was finalised, but final certificates were not confirmed to Citycon by the end of the reporting period.

83% TENANT SATISFACTION SATISFIED

500 COMMUNITY ENGAGEMENT EVENTS HELD

70% SHARE OF RENEWABLE ELECTRICITY USED

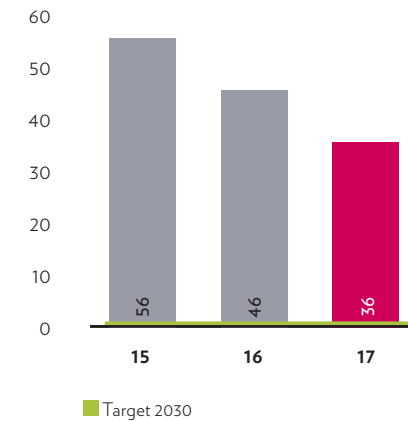
100% SHARE OF SHOPPING CENTRES ACCESSIBLE BY PUBLIC TRANSPORT



3,695 BICYCLE PARKING SPACES

GREENHOUSE GAS INTENSITY FROM BUILDING ENERGY

(Baseline corrected, kgCO₂e/sq.m)



ENERGY INTENSITY OF SHOPPING CENTRES

Baseline corrected, kWh/sq.m

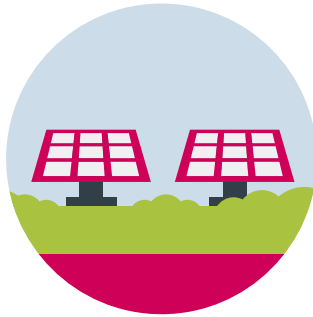


CITYCON'S SUSTAINABILITY STRATEGY

In 2017, Citycon updated its Sustainability Strategy. The objective of our strategy is to define clear and justified sustainability priorities that create value for us as well as our stakeholders. Our guiding principle has been to find issues that we can influence directly. Our priorities combine business relevance and are the most important to our stakeholders, the environment, and the communities we operate in. In our strategy, we define long-term main objectives that span until 2030 as well as strategic actions for the next three years that will guide us in achieving the main objectives. Our new sustainability strategy has been taken into action from the beginning of 2018.

Our strategy is built around four priority areas of our long-term sustainability promises.





CARBON NEUTRAL

Using less energy and producing more of it ourselves

Long-term main objective: Citycon is carbon neutral by 2030

Strategic actions for next years:

- All assets will produce renewable energy for their own use.
- By the end of 2020, Citycon will have decreased energy consumption per sq.m. by 15% (from levels measured in 2014).
- As of 2018, all assets will use 100% green electricity.
- As of 2018, an allowance amounting to 2% of net rental income will be budgeted for value enhancing energy investments.



ACCESSIBLE

Encouraging green transportation

Long-term main objective: 100% of assets are connected to public transportation, encouraging green ways to visit our centres. By 2030, the majority of our visitors will visit us by public transportation, foot, bike or electrical vehicles.

Strategic actions for next years:

- All assets will offer electrical vehicle charging possibilities for cars and bikes.
- All assets will promote cycling, with different methods tested, and the best practices will be spread across all sites.
- Public transport options will be proactively developed together with local stakeholders.
- Citycon will focus on shopping centres connected to rail transport.



CONVENIENT AND SAFE

Customers, tenants and personnel all feel right at home

Long-term main objective: Tenant satisfaction stays consistently above 90% in areas of safety, security, hospitality and service-mindedness. In addition, visitor dwell-time in shopping centres will increase.

Strategic actions for next years:

- Citycon will play a proactive role to establish an industry standard certification with regards to safety and security
- Youth cooperation and involvement projects will be instituted, with different methods tested and the best practices spread across all sites. By year-end 2020 all assets will have youth involvement activities in place.
- Each asset will aim to accommodate some space annually for rent-free use by the local community, NGOs, or local businesses to foster ownership and engagement with the local community.
- Each Citycon employee will be able to use one work day per year for voluntary work in community engagement events that take place in Citycon's shopping centres.



EXCELLENCE IN ACTION

Making best practices the norm

Long-term main objective: Citycon puts best sustainability practices into effect by following a clear roadmap and monitoring success.

Strategic actions for next years:

- Personal targets will be set in place for sustainability work for Citycon employees.
- Sustainability actions at Citycon are carried out through clear responsibilities. Lessons learned will be clearly listed, results reported, and best practices will be actively taken into use across all assets.
- 100% of assets will be BREEAM In-Use certified by the end of 2020 with the minimum level being "good".
- All new development projects will obtain a green building certification.
- Citycon will present an annual award for the year's actions which best support its sustainability strategy (to tenants, community initiatives etc.).

THE SUSTAINABLE SHOPPING CENTRE

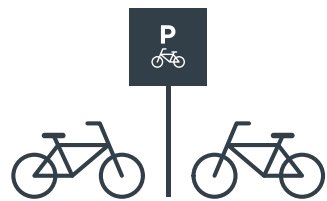
Buildings represent a large fraction of global carbon emissions and energy consumption. In addition, shopping centres affect local communities in several ways. By integrating sustainability measures into our daily operations, we aim to do more than expected to achieve sustainable development. Below are a few examples of how we do this.





PROXIMITY AND EASY ACCESS

Shopping centres are located close to people, in urban hubs with excellent connections to public transport. Access to commuter rail, metro and busses is seamless or integrated into the centre itself.



ENVIRONMENTALLY-FRIENDLY AND HEALTHY TRANSPORTATION

Ample bicycle parking and good pedestrian access makes it easy to leave the car at home. Designated parking spaces and charging stations for electrical vehicles and electrical bicycles encourages environmentally-friendly modes of transportation.



ENERGY- AND WATER-EFFICIENT SOLUTIONS

There is a host of big and small technical solutions that minimise energy consumption: effective heat recovery from technical systems and appliances, LED lighting in both common areas and shops, optimised ventilation, low-flow water fixtures and toilets, as well as waterless urinals save both water and energy.



ENERGY PRODUCTION

Part of the energy needed is produced by shopping centres locally, using fossil free resources. Solar panels on the roof produce electricity and provide shade, which also reduce the need for cooling during summer. Geothermal heating and cooling reduces the need for external heat and cooling.



WASTE MANAGEMENT AND MAINTENANCE

Well-planned and conducted waste management provides both tenants and visitors with the possibility to reduce, reuse and recycle, as well as dispose of waste in a sustainable way.



ENVIRONMENTALLY-FRIENDLY AND HEALTHY MATERIALS

Low carbon materials and recycled building elements reduce the carbon footprint of the building. Focusing on the building materials used also ensure a good indoor climate.



SAFETY AND SECURITY

Safety is taken into consideration in the design of the centre as well as the building materials and technology. Safety procedures are planned and tested and shopping centre management is trained in safety matters. Security guards are trained to take a pre-emptive and de-escalation approach.



LOCAL ENGAGEMENT AND SERVICES

The shopping centre is a part of the local community with services such as health care centres, libraries, theatres, playgrounds and places of worship. It is a meeting point for local residents and provides a space for local engagement – a place for more than just shopping.



ACCESSIBILITY FOR ALL

Accessibility for people with disabilities is taken into consideration as well as youth, the elderly and children and their families. This is done through continuous dialogue with local residents and other stakeholders.



A GREEN ROOF

A green roof has both aesthetic and practical benefits: it provides isolation which reduces the need of heating during winter and cooling during summer. Green roofs retain rainwater, easing storm water management during heavy rains. They improve air quality by filtering noxious gases and can help support local biodiversity.

HOW DID WE DEFINE OUR SUSTAINABILITY FOCUS AREAS?

Citycon wants to offer the best retail space and everyday shopping experience in urban shopping centres in the Nordics. In order to achieve this, we must secure and maintain financial stability and successful business operations. Citycon's sustainability work enhances stakeholder relations and can generate added value for operations, improve financial performance, and improve risk management.

According to Citycon's definition, stakeholders include parties who are or may be affected by our operations and who may affect the fulfilment of our objectives. Our defined stakeholders are consumers, tenants, employees, investors, analysts and shareholders, partners, local communities, municipalities, and media, as well as NGOs and industry associations. A well-functioning relationship between us and our stakeholders increases transparency, promotes the fulfilment of objectives, consolidates mutual understanding, and acts as a shared learning process.

STAKEHOLDER CONSIDERATION IN OUR SUSTAINABILITY STRATEGY

Citycon performed a sustainability materiality assessment for the first time in 2009, and since then the assessment has been reviewed internally by Citycon and through stakeholder group studies. Updates have

been recently conducted in 2014 and 2015. The materiality assessment was updated in 2017 in relation to the update of Citycon's sustainability strategy.

Material aspects for Citycon's sustainability strategy were identified by the sustainability team through workshops with corporate management, in-depth interviews with major tenants, investors and municipalities as well as a sustainability survey intended for all Citycon employees. We also included specific sustainability-themed questions in our tenant survey which was distributed to all of our tenants. In 2018, we will extend the distribution of the sustainability survey to our shopping centre visitors.

When identifying the focus areas for our sustainability work, our three primary questions were "How can we create value through sustainability?", "What is important for our overall business?" and "Which issues can we impact directly?". During this process, we recognised an extensive list of sustainability issues that matter to us and our stakeholders, and the work that we do during our daily business operations. Since the possibilities to influence some of the issues are limited, as well as the overall impact of others are not as big, we compressed the list of most relevant topics.

We continuously follow up and reflect on our objectives through global initiatives, such as the UN's Sustainable Development Goals published in 2015.

All items presented in the matrix are considered important. The positioning of each item takes the impact as well as the current internal and external operating environments into consideration.

Both sustainability strategy and priority matrix have been discussed and approved by Citycon's Corporate Management Committee. The GRI indicators presented in this report were selected based on the materiality assessment results. In addition to our material aspects, Citycon reports certain other sustainability issues due to their importance to external stakeholders or the importance based on continuity of sustainability reporting. The issues which have been identified as material by Citycon are presented in the matrix on **page 8**. Issues that were identified as strategically important for our sustainability work are featured in our sustainability strategy and discussed under the headline "Our Sustainability Priorities". Due to their strategic importance, these issues will be the focus of our sustainability work in the near future. This is where the most value through sustainability is created.

WE CONSIDER THE FOLLOWING ASPECTS WHEN IDENTIFYING MATERIAL ITEMS:

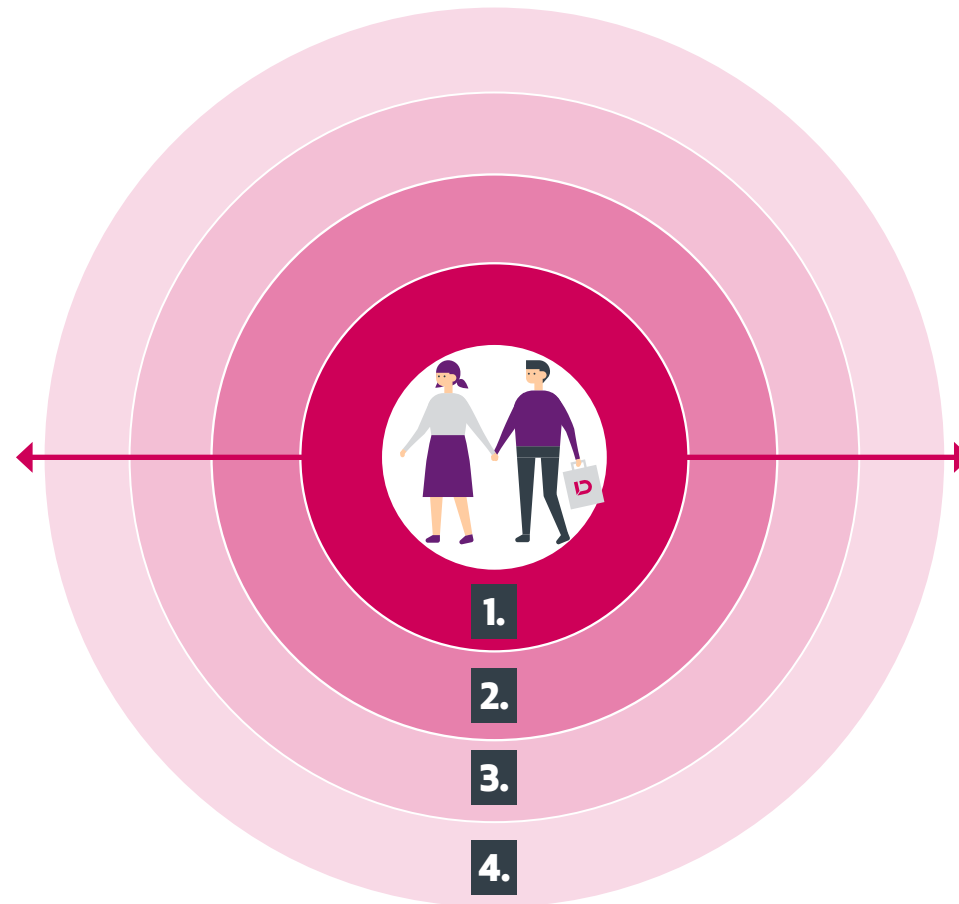
- 1) Considerations identified during stakeholder surveys and interviews
- 2) Strategic policies
- 3) Risk management programme
- 4) Changes in internal and external operating environments (including trends)
- 5) Industry best practices and benchmarks
- 6) Framework of sustainable development
- 7) Principles regarding the scope of reporting

Other important sustainability issues are discussed under the headline "Other cornerstones for a sustainable shopping centre operator". These issues lay the foundation for our sustainable business operations at Citycon, but are not featured in our sustainability strategy.

PRIORITY MATRIX

MATERIAL ISSUES FOR CITYCON

1. **Extreme business importance & immediate possibility to impact**
 - Health and safety in shopping centres
 - Energy efficiency & CO₂ footprint
2. **Extreme business importance & indirect possibility to impact**
 - Accessibility – central location, easy access to public transportation & green transportation
 - Tenant satisfaction & cooperation
3. **Very high business importance & direct possibility to impact**
 - Community engagement
 - Good employer
4. **High business importance & immediate possibility to impact**
 - Sustainable construction & green buildings
 - Ethical business conduct & transparency



MATERIAL ISSUES ACCORDING TO STAKEHOLDER GROUPS

TENANTS

- Health & safety
- Accessibility
- Recycling and waste management
- Community engagement

PERSONNEL

- Good employer
- Tenant satisfaction
- Energy efficiency

ANALYSTS & INVESTORS

- Community engagement
- Energy efficiency & CO₂ footprint
- Ethical business conduct & transparency

MUNICIPALITIES & CITIES

- Community engagement
- Energy efficiency & CO₂ footprint
- Accessibility

In our materiality assessment, we identify and rank issues of significance both to us and our stakeholders in the context of business importance and degree of possibility to impact these issues.

ONGOING DIALOGUE WITH STAKEHOLDERS

It is a priority for us to maintain cooperative relationships with local residents, tenants, municipalities and visitors in and around our shopping centres. We are committed to high ethical principles and strive to offer carbon neutral, accessible, convenient and safe shopping centres to all of our visitors. We aim to continuously explore ways of further improving interaction and consider issues identified in dealings with stakeholders.

Our daily operations include several ways of listening to our stakeholders. Our channels range from receiving and responding to customer feedback to listening and engaging with local residents in connection with (re) development projects. We also invite local residents to celebrate completed work and opening of the shopping centre.

In 2017, our interaction with stakeholders took place in a wide range of forms and locations. For consumers, we continued to develop our customer community programme both in terms of volume and customer-centric value. We welcomed more than 100,000 new members, and by the end of the year our digital customer community programme had 700,000 members. We believe that developing our digital customer community programme plays an important role in making the customer journey smoother whilst simultaneously enhancing our e-commerce resilience.

We received nearly 2,500 individual customer feedback messages through our webpages and digital community programme.

We performed satisfaction surveys for our tenants and participated in several retail and real estate industry seminars. Citycon has an active and continuous dialogue with capital market participants from retail investors to institutional investors and sell-side analysts. Citycon aims for open and continuous communication with capital markets through stock exchange releases, as well as financial and other reporting. In addition, Citycon conducts more personal discussions with investors through management meetings, investor conferences and roadshows, Annual General Meetings as well as Capital Markets Days. In 2017, Citycon met with over 120 financial institutions and participated in 13 conferences and roadshows. In May 2017, Citycon arranged a Capital Markets Day for institutional investors in Espoo, Finland, and provided an update on the company's strategic direction. Citycon's Investor Relations function coordinates all investor activities, and aims to provide equal treatment of all capital market participants.

We provided our stakeholders with in-depth sustainability information through our Sustainability Accounts, as well as participated in GRESB and CDP surveys. We also interacted with industry asso-

ciations and NGOs in different projects and forums through, for example, EPRA (European Public Real Estate Association), FIBS (Finnish Business & Society), FIGBC (Green Building Council Finland), NCSC (Nordic Council of Shopping Centres), ICSC (International Council of Shopping Centres) and Nuorten Palvelu ry.



It is of paramount importance that we continue to successfully convert our centres to urban platforms where commerce meets community. We should think as 'city platform operators' with an open mind for non-retail services and experiments that address the needs for convenience and community engagement."

-Marcel Kokkeel, CEO



READ MORE

about our stakeholder interactions on
page 16-17.

BUILDING A SUSTAINABLE BUSINESS CULTURE



Sustainability is an embedded contributor to added-value for operations, financial performance, and all our stakeholders. Citycon's strategy is to create value for its stakeholders through developing and offering the right assets and retail expertise supported by a strong capital base. In order to achieve this, we must develop and manage shopping centres that are resilient towards megatrends, changing the areas where we operate. Our sustainability strategy and strategic sustainability actions for the upcoming years, work as a guideline for all Citycon employees working with these issues.

Sustainability, and our material aspects, are integrated into the overall strategy and operations of the company, and we are advancing our ambition to make sustainable thinking and action natural trademarks of our company culture.

In practice, business operations are supported by Group functions such as sustainability, communications, marketing, finance, legal and HR. These functions all work closely with business operations on all levels and the heads of the functions all report to the CEO or COO.

The purpose of our sustainability management approach is to avoid and mitigate negative environmental impacts from our business operations as well as enhance positive social and economic impacts. On a global scale, we strive to minimize our impact on climate change and contribute to building sustainable cities and communities.

An overview of our management approach to our material aspects is presented in the table below.



READ MORE

Description of how we create value can be found in the Annual Review **on pages 14-15**.

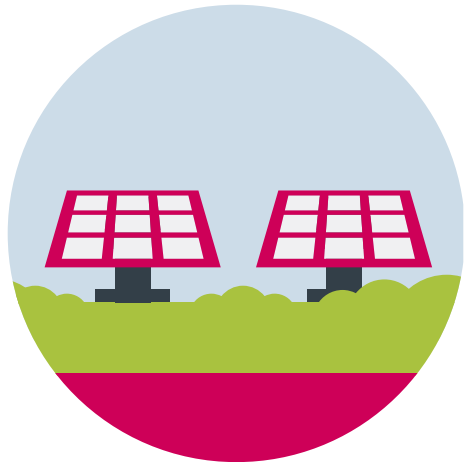
More information on how megatrends are shaping our business **on pages 8-9** of our Annual Review.

OVERVIEW OF MANAGEMENT APPROACH

MATERIAL ASPECT	ENERGY EFFICIENCY & CARBON FOOTPRINT, SUSTAINABLE CONSTRUCTION & GREEN BUILDINGS	ACCESSIBILITY AND ENGAGEMENT WITH LOCAL COMMUNITIES	TENANT SATISFACTION AND COOPERATION	HEALTH AND SAFETY IN SHOPPING CENTRES	GOOD EMPLOYER	RESPONSIBLE SUPPLY CHAIN MANAGEMENT, ETHICAL BUSINESS CONDUCT AND TRANSPARENCY
Management approach	<p>Citycon's approach to sustainability management is governed by the company's strategy, goals and sustainability strategy. The objectives and measures specified in the sustainability strategy have been integrated into day-to-day operations and ordinary practices in shopping centre management and property development</p> <p>Sustainability information is part of the company's quarterly reporting. Our day-to-day sustainability management consists of:</p> <ul style="list-style-type: none"> • Observing environmental responsibility in all functions and anticipating future amendments to legislation. • Continuously developing steering, management and reporting of sustainability practices. Sharing best practices. • Expecting partners to operate in a way that supports the fulfilment of Citycon's sustainability goals. • Guiding personnel towards sustainability issues through target-setting, training and internal communications. <p>• Acting ethically and responsibly by following our Code of Conduct and making a good faith effort to have our business partners adhering to the Code or similar high ethical standards.</p> <p>Our approach to managing our social impacts culminates in HR management and the promotion of ethical principles and good administrative practices throughout the value chain.</p> <p>The HR strategy and shared HR processes provide support and guidance for leadership.</p> <p>The performance management process plays a key role in driving our retail experts to deliver on our commitments to our stakeholders and the communities we are present in.</p>					
Purpose of management approach	Avoid and mitigate impact on climate change. Increase use and production of renewable energy, and mitigate negative environmental impacts from operations.	Contribute to building sustainable cities and communities, and mitigate climate change impact of travel to and from our shopping centres.	Enhance cooperation and communication with our tenants. Ensure a high level of safety and security for our employees, tenants and visitors, and broaden cooperation to achieve this.	Build a great employer experience. Provide employees with possibilities to grow as professionals, and a healthy, safe, and respectful work environment for all.	Consistently comply with applicable laws and regulations and embrace ethical principles. Being a reliable partner in each community and in all of our business activities.	
Policies and commitments	<p>Subject to the EED, energy efficiency audit law.</p> <p>Member of the Finnish Property and Building sector Energy Efficiency Agreement 2017–2025.</p> <p>Strategic targets (Energy efficiency, Carbon footprint, Renewable energy, Building certifications) guide the work.</p> <p>New buildings: all new development projects will obtain a green building certificate.</p> <p>In addition to external environmental classification principles, Citycon has internal guidelines.</p> <p>Existing buildings: internal guidelines as well as external benchmarks used.</p> <p>All assets to be BREEAM In-Use certified by year-end 2020 with minimum level of good or higher.</p>	<p>Accessibility is part of our core portfolio criteria: linked to public transportation, focused on capital city regions and population growth, health care, municipal services, and education incorporated in the centres.</p> <p>Community activity checklist in place to steer our community activities.</p> <p>A socio-economic impact measurement through a few key indicators, such as local jobs created and community engagement events held.</p>	<p>Annual tenant satisfaction survey taking into account several different aspects.</p> <p>e.g. fluency of co-operation, the activities of Citycon shopping centre teams, satisfaction with marketing and services provided by the shopping centres, and sustainability issues. The results help Citycon to identify development areas in the centres, to improve activities and to measure the impact of measures taken.</p>	<p>Policies and trainings in place, including crisis plan and training. Various initiatives and collaboration agreements are in place to ensure the safety of our shopping centres.</p>	<p>Several policies and guidelines in place to commit our management and employees to act as One:</p> <ul style="list-style-type: none"> • HR Strategy • Employee Equality Plan • Occupational Health and Safety Action Plan • Performance Management process CODE • Different policies to support employees' capability and ability to work, including rehabilitation and early intervention plans. • Code of Conduct • Company values <p>We also see our One Citycon Cooperation Group and local health and safety committees as a commitment to the cooperation with our employees.</p>	<ul style="list-style-type: none"> • Citycon's Code of Conduct lays down the ethical principles and business standards the company adheres to in all of its operations. • By applying Citycon's Business Code of Conduct to all material business relationships Citycon requires suppliers to embrace Citycon's Code of Conduct or similar high ethical principles, and act accordingly.

MATERIAL ASPECT	ENERGY EFFICIENCY & CARBON FOOTPRINT, SUSTAINABLE CONSTRUCTION & GREEN BUILDINGS	ACCESSIBILITY AND ENGAGEMENT WITH LOCAL COMMUNITIES	TENANT SATISFACTION AND COOPERATION	HEALTH AND SAFETY IN SHOPPING CENTRES	GOOD EMPLOYER	RESPONSIBLE SUPPLY CHAIN MANAGEMENT, ETHICAL BUSINESS CONDUCT AND TRANSPARENCY
Targets and actions	Main targets and results during 2017 are presented in the Sustainability Accounts on page 2 . Citycon's sustainability strategy, our long term main objectives and strategic targets for next years are presented on pages 3-4 in the Sustainability Accounts and page 21 in the Annual Review.					
Responsibilities and resources	Business operations are supported by group level coordinator. Heads of sustainability, legal and HR all report to the CEO or COO. The management of environmental matters is coordinated at group level with the objective of sharing best practices throughout the company.	Business operations are supported by group functions such as sustainability, finance, legal, marketing, communications, security and HR management activities			The VP of Human Resources is responsible for ensuring that the HR processes and plans are implemented in all Citycon countries by the HR Team, in cooperation with management.	The General Counsel is responsible for ensuring compliance with laws and regulations and our Code of Conduct. The legal function supports business operations and group functions in legal matters. Data Protection Officer is a member of the legal team.
Evaluation of management approaches	We follow up on results achieved, and develop our management practices in connection to other strategic policies, the risk management programme, and changes in the internal and external operating environments. The Corporate Management Committee (CMC) makes a thorough review of the sustainability strategy and strategic actions every third year. The sustainability team provides yearly progress reports to the CMC on the strategic sustainability actions.				We collect information from the employees annually with an employee survey to evaluate the effectiveness and results of this management approach. The results are reviewed, and actions plans are taken to improve them. Possible changes to the approach are made. We also perform various analyses to review that employees are treated fairly and equally.	Legal policies and management practices are reviewed and developed in connection to other strategic policies, as well as changes in internal and external operating regulatory environments.

OUR SUSTAINABILITY PRIORITIES



CARBON NEUTRAL: Using less energy and producing more of it ourselves

We recognise that buildings represent a large fraction of global carbon emissions and energy consumption, and that the real estate sector holds opportunities to reduce operating expenses while mitigating energy-related environmental impacts. This is seen directly in energy efficiency questions, since lower energy costs improve profitability and make properties

more attractive and competitive. Our sustainability strategy focuses strongly on energy efficiency, own renewable energy production, and using green electricity. In our daily work, we strive to reduce energy demand, promote efficiency, and generate clean and renewable power solutions.

ENERGY EFFICIENCY AND CARBON FOOTPRINT

Citycon seeks to mitigate its impact on climate change through energy saving measures, by increasing cooperation with tenants for the conservation of energy, increasing own renewable energy production, and increasing the ratio of renewable energy in purchased electricity. In 2017, the total share of green electricity amounted to 70% (58% in 2016). Furthermore, the central locations and good public transport connections of shopping centres reduce the negative environmental impacts of customer car-bound traffic. Energy consumption in Citycon's properties is mostly indirect consumption, i.e. procured energy. Only a few shopping centres are heated by fossil fuels, and this fuel used is reported as direct energy consumption.

Electricity consumption in common areas (excluding tenant consumption) decreased by 6,7%. In like-for-like shopping centres, electricity consumption in common areas decreased by 6,3%.

District heating consumption decreased by 7,3% compared to the previous year. Weather adjusted consumption decreased by 4%. Heating energy consumption in like-for-like shopping centres decreased by 6,1%.

Citycon's total baseline-corrected energy consumption in shopping centres (including electricity consumption in common areas, and weather corrected heating and cooling) per gross leasable area decreased by 4,4% compared to previous year.

The total carbon footprint decreased by 23% compared to the previous year. This change was caused by the increased share of CO₂ free electricity, changes in the property portfolio and an increase in energy efficiency. The carbon footprint of like-for-like properties decreased by 27%. The greenhouse gas intensity of our properties decreased by 22,5% compared to previous year.

SUSTAINABLE CONSTRUCTION AND GREEN BUILDINGS

Green buildings focus on efficient resource use and reduce impacts on human health and the environment. In both new projects and (re)developments, the environmental effects, occupant and visitor health and comfort are all taken into account. This is done through following and exceeding building regulations and focusing on energy efficiency measures, choice, use and re-use



Citycon's total carbon footprint decreased by 23% compared to the previous year.

of materials, indoor air quality and efficient water use. Citycon's properties are not situated on protected land areas. The location of our shopping centres in urban areas, and our focus on public and carbon free transport, reduce the environmental impact of our shopping centres and the indirect impacts they have on biodiversity. In connection with majority of zoning and major projects, environmental impact assessments are carried out, and when not required by law, Citycon evaluates the need for an assessment of its own on a case-by-case basis.

EXCELLENCE IN ACTION

Citycon's Buskerud Storsenter was the first shopping centre to use CO2 as a refrigerant for carbon neutral comfort cooling for the entire building, when new heat pumps were installed during a refurbishment in the winter of 2017. Using CO2 as a refrigerant reduces the global warming potential from the refrigerant itself, but also has energy efficiency benefits since it enhances surplus heat recovery, as well as transfer of heat and cooling within the building. Energy consumption at Buskerud has decreased by 27% compared to pre-refurbishment. This technology has already been adapted at Linderud and we are planning to implement similar technology at two more of our Norwegian shopping centres.

In May 2017, Citycon initiated a large solar power plant at Iso Omena. Installations have been done in stages. By the end of the year, the power plant consisted of 1998 solar panels with an estimated annual production of 455,000 kWh, roughly equalling the annual consumption of 250 residential flats. In Jakobsberg Centrum a smaller solar power plant installation is under way which, once operational in February 2018, will produce 72,000 kWh of renewable electricity per year. We are currently looking into solar power plant installations on 10 more of our properties during 2018.

Citycon is building the new state-of-the-art Lippulaiva shopping centre. The heating and cooling of the shopping centre will be produced by renewable carbon-neutral geothermal energy derived from the bedrock. The geoenery power plant will make Lippulaiva almost completely self-sufficient in terms of heating and cooling energy. Lippulaiva's plant is as far as known the largest geothermal heating and cooling facility in the world to be constructed in connection with a retail property. The total output of the facility is roughly 4,000kW, equalling to 500 residential house heat pump systems. The geothermal power plant will provide heating and cooling for a gross area of 76,000 square metres in total. In addition to the leasable premises, the system provides heating and cooling for the parking garage and to the service floors located in connection to the shopping centre.

2017 has been a year of BREEAM In-Use re-certification, and working towards certifying new assets. At the end of 2017, 80% of our shopping centres were BREEAM In-Use certified. All ongoing and planned development projects strive to obtain either BREEAM or LEED certifications. According to our sustainability strategy, all of our assets aim to be BREEAM In-Use certified by 2020 and all new development projects will be environmentally-certified.



In the Excellence in Action section we show some of the best practices that we have put into effect during 2017.



**ACCESSIBLE:
Encouraging green
transportation**

Being connected to public transport is an integral part of both our overall strategy and our renewed sustainability strategy. All of our shopping centres are connected to public transportation, and our aim is to make our shopping centres seamlessly integrated into the transportation systems of the cities we operate in. In addition to this, we aim to make our shopping centres easy to visit by foot, bike and electrical vehicles. We strive to make our shopping centres easy to visit by

dedicating parking spaces for low-emission cars, families and people with disabilities, as well as making sure our shopping centres are easily accessible for people with disabilities.

Accessibility as a separate topic in our sustainability strategy is a new approach for Citycon. We strive to increase the role of our shopping centres as community hubs by broadening our focus to all sorts of environmentally friendly modes of transport.

The following figures describe the accessibility of our shopping centres at the end of 2017:

- Connectivity to public transport: 100% of shopping centres
- Charging points for electric cars: 206
- Eco-parking, low emission, hybrid cars: 163
- Parking for people with disabilities, family parking: 893
- Number of dedicated bicycle parking: 3,695
- Shopping centres with commuter parking access: 10

Iso Omena is a great example of excellent accessibility. The end station of the first phase of the western metro line and the bus terminal for feeder traffic are located under the shopping centre, which makes Iso Omena a strong public transportation hub, and the heart of Southern Espoo. Iso Omena is equipped with parking space dedicated



We aim to make our shopping centres easy to visit by public transport, foot, bike and electrical vehicles.

to families and low-emission cars, with the parking spaces situated closest to entrances. The shopping centre also holds electrical vehicle charging stations as well as commuter parking spaces for those who wish to continue their journey towards Helsinki with the metro. There are over 600 dedicated bicycle parking spaces and Espoo City bike pick-up points right outside the centre.

EXCELLENCE

In Espoonlahti, Finland, Citycon made the decision to invest in Lippulaiva shopping centre's development project. Lippulaiva shopping centre was demolished, giving way to a modern, multi-functional shopping centre. The Western metro extension's station and a bus terminal for feeder traffic will be located within the new centre. Given that shopping centre Lippulaiva is closed for the duration of the construction work, Citycon secured everyday services for residents of the surrounding area, and the prerequisites for its tenants' business during the period of the renovation, by building Finland's first pop-up shopping centre, Pikkulaiva.



READ MORE ABOUT

Lippulaiva and Pikkulaiva in our Annual Review **page 29**.



CONVENIENT AND SAFE: Customers, tenants and personnel all feel right at home

TENANT SATISFACTION AND COOPERATION

At Citycon we have established various channels for communicating and gathering feedback from our tenants, ranging from an online tenant information portal to regular tenant meetings with shopping centre management. We recognise that cooperation with tenants plays an important part in achieving our sustainability goals. We

strive to encourage and help our tenants to take part in our sustainability work by, for instance, encouraging them to take energy efficiency into consideration when making alterations to their stores, providing recycling advice to their employees, and inviting them to take part in our youth cooperation work to make our shopping centres attractive and pleasant for all of our visitors.

We undertake extensive tenant satisfaction surveys across the business, enabling us to work with our tenants to identify areas of improvement. In 2017, we commissioned our largest uniform survey yet, reaching all tenants in our operating countries of Sweden, Norway, Finland and Estonia, making it easier to compare the results all over our operations. From over 1,300 tenants 34% chose to complete the questionnaire. The results show that 83% of our tenants are satisfied with Citycon.

We were happy to see that 93% of our tenants are satisfied with environmental issues in our shopping centres, and 84% are satisfied with the social responsibility issues at our centres.

HEALTH AND SAFETY IN OUR SHOPPING CENTRES

Safety, security and convenience in our shopping centres is a very important business aspect, and we aim to ensure the highest level of safety and security for

our employees, tenants and visitors. We recognise that health and safety is not something achieved alone, therefore we work closely with tenants, residents and authorities on safety issues. In addition to this, we actively endorse collaboration within the industry. We strive to link health and safety issues to community engagement activities, since we believe that the best foundation to build convenient and safe shopping centres is by being an active and enjoyed part of the local community.

All of Citycon's shopping centre personnel in Finland and Norway participated in medical and fire trainings. In Sweden, these trainings have been held bi-annually, hence not performed in 2017. Basic security trainings for our tenants were held at all of our Finnish shopping centres during 2017. In connection to this, we organised fire safety training possibilities using a mobile fire training simulator with hands-on guidance for fire extinguishing using real fire in six of our shopping centres. Annual health and safety reviews are carried out in all of our assets, and there were no reports of incidences of non-compliance with health and safety regulations during 2017.

From 2018 onward, together with our security partner, we will provide security, safety and fire prevention trainings for all of our staff and guards, as well as fire training and evacuation trainings for all tenants in

each shopping centre. The on-site fire, evacuation and security training for all tenants will be preceded by an e-learning session.

ENGAGEMENT WITH LOCAL COMMUNITIES

At Citycon, we believe that one of the key elements of being a successful shopping centre, is by being a true community hub, where people come to visit, not only for convenient shopping and services, but also to spend time with friends and family. Shopping centres provide natural places for engagement with the local community and provide excellent venues for many local events. Our engagement with local communities has revolved around inclusion, where local communities are tied with our work and the building itself. We strive to engage both younger and older generations.

Across our shopping centres in the Nordics, we have organised a large number of different events, happenings and community engagement projects ranging from musical events, local food fairs, performances, informational events, a pop-up library, and long-lasting co-operations with NGOs.

We have organised senior walks and senior gymnastics in shopping centres in both Norway and Finland, and cooperated with youth engagement in several ways. In Isokarhu we have cooperated in a project where unemployed young men are given

the possibility to carry out a work project of their own. Citycon provided a space that young men refurbished on their own, turning it into a pop-up café. In Trondheim, Norway, we took part in a project enhancing young entrepreneurship together with local schools. In Stenungstorg Centrum, Sweden, we organised a Young Enterprise Market, where students who have started their own business were able to sell their products and tell about their businesses. In Myrmanri, Iso Omena, and Kista, we cooperated with local youth organisations, local police, and schools, in order to build a good relationship with the local youth.

During fall, the City Library of Stockholm held a pop-up library for the visitors at Liljeholmstorget Galleria and in Kista Galleria, where we collaborated with charity organisation Giving People and some of our centre's restaurants, to organise free meals for families in need. At Kista Galleria, a large portion of our visitors have international roots, hence the centre celebrates festivities from many different cultures during the year. For example, we have organised very appreciated events during the festivities of Eid al-Adha and Eid al-Fitr for the second time in 2017.

In the Stockholm area, we have arranged several flea market events at Liljeholmstorget Galleria, Kista Galleria, Högdalen Centrum, Stenungstorg and Jakobsberg.

These events allow visitors, using the back of their car trunks, to utilise the parking area as a flea market, transforming our parking areas into lively market places several times a year.

In Iso Omena, we partnered up with our tenant Chapple - Evangelical Lutheran Parishes of Espoo, for a Climate Week at the beginning of November. During the week, discussions and informational events on climate change were held, and advice on diminishing your own carbon footprint was given.

Citycon does not endorse the activities of any political party or groups. Citycon's shopping centres can, however be used by political parties to host election campaign events, subject to standard leasing terms. Citycon wants to engage in open dialogue with regional decision makers and officials in our operating areas. In 2017 in connection with the zoning and planning of our development projects, our representatives participated in meetings with municipal political bodies. Citycon has also participated in informational meetings for residents concerning planning and zoning of our development projects together with municipal bodies. The purpose of these activities was to increase and facilitate interaction, and openly share information with local residents.

EXCELLENCE IN ACTION

In 2017, we have actively endorsed collaboration for security in the industry and with other stakeholders. Together with SAFE Shopping Centers and Nordic Council of Shopping Centres, we produced a "Guide to Shopping Centre Risk and Security". The guide aims to assist, give guidance, and provide knowledge of the basic risk and security management needs which should be in place in a shopping centre. It covers topics like risk assessment, security planning and crisis management, as well as high threat procedures. Our Head of Group Security is a member of the European Security Group of the International Council of Shopping Centres (ICSC), and has been active in sharing best practices in different forums internationally.

Citycon is a partner in an urban farming project beneath Högdalen Centrum in Stockholm. An underground cargo space at the shopping centre has been converted to a high-technology farming space that can be active all year-round. The goal is to create a small-scale industry and provide local job opportunities. Soon, the cafés and retailers in Högdalen Centrum will be able to offer fresh salad and herbs from the shopping centre's underground farming project. "Cultivating City Bazaars" is a unique collaboration between Nya Rågsveds Folkets Hus, the City of Stockholm, and Citycon, that aims to promote social and sustainable city development by producing local produce and offering job opportunities to long-term unemployed citizens.

In Finland, we continued and extended our youth security guard project in cooperation with the NGO Youth Service Association. Security guards for youngsters are now available in both Iso Omena and Koskikeskus. The youngsters' security guards serve as security guards, and trusted and reliable adults, that youth spending time at the centres can contact in both big and small issues. As both shopping centres have received very positive feedback and promising results, we are planning to take this model into use in two more Finnish shopping centres next year, and to start a similar cooperation project with a local organisation in Stockholm.

OTHER CORNERSTONES FOR A SUSTAINABLE SHOPPING CENTRE OPERATOR

GOOD EMPLOYER

At Citycon, we want to ensure that all Cityconners enjoy and feel proud of their work. Since our retail and real estate experts are one of our most important assets, the core of our HR strategy is to provide our personnel with possibilities and prerequisites to grow as professionals. Our values *Passionate*, *Solution-Orientated* and *Together One* also guide all Cityconners in their everyday work.

All employees have target setting and evaluation discussions in January-February, and review discussions in August-September with their immediate superiors. As a part of these discussions, employees review their competence development plan together with their manager on an annual basis, and agree about further actions for developing their competences. These actions might include job learning, internal or external trainings, job rotation, participation in a project, benchmarking, mentoring, coaching, etc. We believe that the best results are achieved through individual development plans, and encourage our employees to proactively discuss with their manager what kind of development actions would benefit them best. Our personnel does not report on all trainings that they have participated in, since the development actions vary a lot

– with training being only one way to develop competences.

In 2017, we launched a new digital leadership and personnel management tool called “CityPeople”, that helps our leaders to set and monitor targets and goals. In 2018, we will continue to further develop CityPeople by launching new features, e.g. self-learning sections, to be used as a part of induction process. New employees participate on a group level induction days, where participants receive more information about Citycon’s culture and ways of working.

In tasks concerning the daily operations of shopping centres, Citycon engages outsourced workers for certain tasks. These tasks are security, cleaning functions, as well as part of the technical personnel. All of these operators are subject to Citycon’s Business Code of Conduct, and expected to follow the same high ethical standards as all of Citycon’s staff.



READ MORE

on how we make our people grow and glow in our Annual review **pages 24-25**. More information on our personnel structure in our Key Sustainability Indicators **pages 35-36**.

RESPONSIBLE SUPPLY CHAIN MANAGEMENT

Citycon’s Business Code of Conduct, updated in 2017, sets forth the standards of business behavior and ethics which Citycon expects of its business partners, as well as personnel employed by or engaged to provide services to such business partners. The Business Code of Conduct is based on Citycon’s Code of Conduct.

Citycon’s supplier selection process is set forth in internal purchasing policies. As adherence to high ethical principles promotes mutual trust of business partners, as well as contributes to their sustainability in the market, Citycon requires its suppliers to commit to Citycon’s Business Code of Conduct, or similar or higher ethical principles, and act accordingly. If a supplier acts inconsistent with Citycon’s Business Code of Conduct, the supplier is required to correct such action. If inconsistent action is continued, Citycon may choose to terminate the business relationship.

All new lease agreements signed in 2017 contained a Code of Conduct commitment clause. At the end of year 2017, more than two thirds of our total lease agreements included a Code of Conduct clause. In 2018, Citycon will focus on raising an overall awareness of the updated Business Code of Conduct, and ensuring the use of the

Business Code of Conduct in its tendering processes.

Citycon’s business partners can report any suspected or detected violations of Citycon’s Code of Conduct by Citycon’s executives, employees or other persons representing Citycon, via a web-based whistleblowing line.



MORE INFORMATION

Citycon’s Business Code of Conduct and further information on whistleblowing line are available at www.citycon.com/code-of-conduct.



CITYCON CODE OF CONDUCT AND TRANSPARENCY

Citycon's Code of Conduct reinforces the company's values and lays the foundation for its business operations, guiding its personnel to act both ethically and responsibly. The Code of Conduct governs Citycon's all business decisions and actions, and applies to every employee and executive at Citycon (including employees of our subsidiaries and joint ventures over which Citycon has management control).

Citycon promotes the Code of Conduct in its internal communication and occasions. All new employees are required to confirm their commitment to comply with the principles of Citycon's Code of Conduct. Training is arranged each year for all Citycon employees.

Citycon also makes a good faith effort to have its business partners to commit to the principles of Citycon's Code of Conduct, or ensure their adoption of a similar set

of policies in their business activities. The standards of business behavior and ethics, the standards Citycon expects from its business partners are set out in Citycon's Business Code of Conduct available on the company's web page.

To maximise stakeholder engagement to the code, Citycon has various implementation to the codemeasures, such as:

- Commitment clauses included in lease agreements.
- Reviews performed in connection with material investment processes.
- Inviting business partners to embrace and act according to Citycon's Business Code of Conduct.

Each Citycon employee and executive is encouraged to raise questions and concerns regarding the Code of Conduct, and to report, anonymously if so wished, any suspected or detected violations. Citycon's business partners can also report such violations. Reporting is conducted through a web-based whistleblowing line, and reports are processed on confidential basis in accordance with the applicable data protection and other regulations.

In 2017, Citycon updated its Code of Conduct in whole. The updated Code of Conduct reflects Citycon's values (Passionate, Solution-Oriented and Together One) better, and includes guidance on new topics such as privacy, safety and security, and social media. All of these areas have become increasingly

relevant in Citycon's business. The company also added a new internal speak up channel through the employee's co-operation group, offering yet another convenient way to raise concerns regarding the Code of Conduct.

No fraud, bribery, or corruption cases were brought to the company's attention in 2017.

In 2018, Citycon will pay attention to implementation of the updated Code of Conduct and arrange special internal trainings to its employees. The company will continue open dialogue and further promote awareness of Citycon's ethical principles among internal and external parties.



MORE INFORMATION

Citycon's code of conduct is available at www.citycon.com/code-of-conduct.

WASTE RECYCLING AND WATER MANAGEMENT

Water consumption includes water consumed at our properties and by tenants. Tenant water consumption is highest in grocery stores, restaurants and cafés, hair salons, laundries and car wash facilities. A property's water consumption includes water used in public facilities, and water used for cleaning and property maintenance. Reported water covers water consumed in common areas and by tenants. All water comes from municipal waterworks.

Citycon's total water consumption decreased by 4,8% compared to the pre-

vious year. Water consumption per visitor in like-for-like shopping centres was 5.2 litres, remaining at the same level as previous year.

Property waste management and sorting in Citycon's properties is organised in accordance with country-specific waste legislation and other local regulations.

We have reached a recycling rate of 94%, an increase of one percentage point from last year. The total amount of waste generated in our shopping centres increased by 3,8%. In like-for like shopping centres, the increase was 3,4%.

EXCELLENCE IN ACTION

During the year, Citycon piloted an automatic water surveillance system with leakage alarms to detect even small possible leakages. We continued measures, such as the installation of user-specific water meters, to reduce water consumption.

In Finland, together with our recycling service provider, we increased the use of an online recycling training module to cover all of our shopping centres and tenants. We are looking into making the passing of this training module a prerequisite for receiving a key card, for everyone working at our Finnish shopping centres. Recycling coordinators visited ten of our shopping centres, giving hands-on advice to our property managers as well as our tenants on how to increase the recycling rate.

As we have achieved a high rate of waste recycling, in the future we want to further help and involve our tenants and visitor in effective recycling.



REPORTING PRINCIPLES, METHODOLOGY AND BOUNDARIES

Regarding the content and principles of sustainability reporting, Citycon applies the Global Reporting Initiative's (GRI) Standards Sustainability Reporting Guidelines, Construction and Real Estate Sector Supplement (CRESS), as well as the Best Practices Recommendations on Sustainability Reporting published by EPRA (European Public Real Estate Association, sBPR Guidelines 3rd edition). Coverage of the mentioned reporting recommendations is presented on **pages 39–44**. This report has been prepared in accordance with the GRI Standards: Core option. The information is published annually, and the information presented corresponds to the company's financial year i.e. 1 January – 31 December.

Reported measures related to environmental performance included owned and rented shopping centres, and other properties where Citycon's ownership is at least 50% and where it has operational control (excluding two properties). This represents 98% of the leasable area owned by Citycon. Environmental data covers shopping centres and other properties which were owned by Citycon on 31 December 2017, acquired before 30 June 2017, or divested after 30 June 2017. Energy figures from development projects are included from completion. Environmental data of managed properties (on behalf of

other owners) is presented on **page 28**, however, these are excluded from Citycon's total numbers. Development project energy figures are included from the day when they are completed. The environmental performance figures are based on actual measurements, in other words, estimates are not used.

Even though annual changes in the property portfolio – due to acquisitions, sales and (re)development – do not make reasonable comparisons over years, Citycon still reports a total portfolio performance according to the limitations mentioned earlier. Citycon follows EPRA's financial Best Practices Recommendations. Properties, which have been consistently in operation (and not under development) during the previous two full reporting periods, are included in the "like-for-like" portfolio. Sold properties are excluded from like-for-like comparison. Figures for Citycon Norway in 2014 have been included in the baseline calculation for Citycon's environmental target setting. However, data for 2014 has not otherwise been retrospectively corrected.

Ernst & Young Oy has provided limited assurance for numerical environmental indicators. The assured indicators have been marked into the **Sustainability Data Guide** on **pages 39–44**. **The Assurance Statement** can be found on **page 45**.

ELECTRICITY AND ENERGY

Citycon reports the tenants' electricity consumption in cases where Citycon is responsible for electricity procurement. In shopping centres, tenants have (in most cases) their own electricity meters and purchase agreement, and Citycon has no access to data related to tenant consumption. When energy procurement is the tenant's responsibility, it has been excluded from reporting. Energy used for heating and cooling is reported in its entirety. In terms of intensity figures, Citycon has limited the reported electricity consumption to common areas, where it can have direct influence. This includes the electricity used for general lighting, ventilation and cooling, as well as lifts and escalators and other building technical systems. Based on case studies, the share of electricity consumption in common areas is between 25–70% of total electricity consumption, depending on heating, lighting and other technical solutions, as well as on the level of controllability.

CARBON

In calculating its carbon footprint, Citycon applies the Greenhouse Gas Protocol (GHG) developed by the World Resources Institute and the World Business Council for Sustainable Development. The market-based emissions factors for 2014–2017 for electricity are supplier-specific emissions factors, and in addition, Guarantees of Origin have been taken into account. For Estonia, supplier-specific factors were not available, therefore, national residual mix-based emissions factors have been used. For location-based emissions, national production-based emissions factors from IEA (five-year averages 2012–2016) have been used. In 2013 and before, emissions were calculated using only location-based emission factors, therefore the figures for 2014–2016 are not entirely comparable with earlier figures. For all CO₂ emission calculations, the source for global warming potential is the IPCC Fifth Assessment Report (AR5 - 100 year).

District heat emission factors for 2017 are based on national statistics in Finland and Sweden (five-year averages). In Norway and Estonia emission factors for district heating are based on data provided by heat suppliers. In the calculation of greenhouse gas intensity from building energy, the same principles are applied as for energy intensity calculation, with the exception that landlord obtained tenant electricity is included.

WATER AND WASTE

The reported recycling rate indicates recycled, incinerated or reused waste fractions as a share of the total waste volume. Landfill waste is not included in recycled items.

Waste reporting covers all properties where Citycon is responsible for waste management (99% of the leasable area owned by Citycon). Properties in which tenants are responsible for waste management are excluded from reporting, as there is no record available of their waste quantities.

KEY SUSTAINABILITY INDICATORS

ENERGY

TOTAL ENERGY CONSUMPTION (302-1, CRE1)¹⁾

MWh	2017	2016	2015	2014	2013	GRI Standards	EPRA CODE
Electricity in common areas	123,582	132,411	131,916	105,246	110,211	302-1	Elec-Abs
Tenants' electricity purchased by landlord ²⁾	78,987	80,609	85,546	72,922	71,745	302-1	Elec-Abs
Total electricity consumption in premises	202,568	213,020	217,461	178,168	181,956	302-1	Elec-Abs
Electricity consumption in Citycon's offices ⁶⁾	74	95	97	33	72	302-1	Elec-Abs, own office
Non-renewable electricity in premises	59,860	89,362	116,312	143,471	167,478	302-1	Elec-Abs
Renewable electricity in premises	142,635	123,563	101,150	34,697	14,406	302-1	Elec-Abs
District heating ³⁾	101,502	109,522	98,404	126,614	133,811	302-1	DH&C-Abs
Weather corrected district heating	108,931	113,481	117,080	139,718	-		
District cooling ³⁾	7,993	7,773	5,888	6,694	2,025	302-1	DH&C-Abs
Direct energy consumption							
Fuels ⁷⁾	2,959	3,192	2,782	3,279	4,590	302-1	Fuels-Abs
Fuels like-for-like ⁷⁾	588	0	0	-	-		Fuels-Iff
Total energy consumption in premises	315,023	333,506	324,536	314,754	322,382	302-1	

ENERGY INTENSITY INDICATORS⁴⁾

	Unit	2017	2016	2015	2014	2013	GRI Standards	EPRA CODE
Building energy intensity shopping centres	kWh/sq.m.	183	196	184	245	280	CRE1	Energy-Int
Building energy intensity shopping centres ⁵⁾	kWh/visitor	1.36	1.34	1.23	1.43	1.50	CRE1	Energy-Int
Building energy intensity other retail properties	kWh/sq.m.	275	184	172	208	235	CRE1	Energy-Int
Baseline corrected building energy intensity shopping centres ⁸⁾	kWh/sq.m.	190	199	198	211	-	CRE1	Energy-Int

The coverage of energy and associated GHG disclosure is 98% of GLA under operative control. The figures are based on measured consumption, estimates are not used.

¹⁾ Citycon's reported energy consumption covers shopping centres and other retail properties where Citycon's share of ownership is at least 50%, and where Citycon has operation control. Kista Galleria's environmental data is included in its entirety for 2014–2017. Kista Gal-

leria's environmental data is not included for previous years.

²⁾ Citycon also reports the tenants' electricity consumption in cases where Citycon is responsible for electricity procurement. When energy procurement is on tenant's responsibility, it has been excluded from reporting.

³⁾ Energy used for heating and cooling is reported in its entirety.

⁴⁾ In terms of intensity figures, Citycon has limited the reported electricity consumption to common areas,

where it can directly influence. This includes the electricity used for general lighting, ventilation and cooling, as well as lifts and escalators and other building technical systems.

⁵⁾ Excluding shopping centres where the amount of visitors is not collected. In 2017 these were Fruängen Centrum, Högdalen Centrum, Myllypuro, Heikintori, Espoontori, Forum, Isomyyri, Jyväskylä, Tikkuri, Martinlaakson ostari Glasshuspassasjen, Krokstad Senter and Oasen Kontoreiendom

⁶⁾ The reported consumption includes the headquarters and Citycon Norway office 2015–2017, other offices are integrated into shopping centres. Heating, water and waste in offices are excluded from reporting as they are included in the rent and not reported separately to Citycon.

⁷⁾ Fuels include oil, natural gas and biofuel.

⁸⁾ Baseline corrected intensity includes Citycon Norway data 2014, in addition the intensity is calculated with weather corrected heating consumption.

ENERGY CONSUMPTION¹⁾

MWh	2017	2016	2015	2014	2013	%, 2016-2017	%, 2013-2017
Electricity in common areas	123,582	132,411	131,916	105,246	110,211	-6.7	12.1
District heat	101,503	109,522	98,404	126,614	133,811	-7.3	-24.1
Total energy consumption ¹⁾	236,036	252,897	238,989	241,832	250,637	-6.7	-5.8

ENERGY CONSUMPTION BY PROPERTY TYPE (EPRA ELEC-ABS & DH&C-ABS)

MWh	MWh	2017	2016	2015	2014	2013	%, 2016-2017	%, 2013-2017
	Electricity in common areas	122,172	129,917 ²⁾	128,478	92,851	92,585	-6.0	32.0
	District heat	98,355	103,825	89,979	110,358	115,285	-5.3	-14.7
	Total energy consumption ¹⁾	231,479	244,649	227,109	207,568	213,175	-5.4	8.6
Shopping Centres	Electricity in common areas	1,410	2,494	3,438	12,395	19,002	-43.4	-92.6
	District heat	3,147	5,697	8,425	23,453	28,110	-44.8	-88.8
Other Retail Properties	Total energy consumption ¹⁾	4,557	8,248	11,881	34,264	47,129	-44.8	-90.3

ENERGY CONSUMPTION BY PROPERTY TYPE, LIKE-FOR-LIKE (EPRA ELEC-LFL & DH&C-LFL)

MWh	MWh	2017	2016	2015	2014	2013	%, 2016-2017
	Electricity in common areas	73,483	78,356	70,826			-6.2
	District heat	54,552	58,125	48,171			-6.1
	Total energy consumption ¹⁾	135,664	144,116	122,596			-5.9
Shopping Centres	Electricity in common areas	74,789	79,852	72,028			-6.3
	District heat	57,699	61,022	50,615			-5.4
Like-for-Like Properties	Total energy consumption ¹⁾	140,117	148,509	126,242			-5.7

¹⁾ Total energy consumption incl. electricity in common areas, heating, cooling and fuels.

²⁾ Corrected calculation error.

ENERGY CONSUMPTION BY BUSINESS AREA (EPRA ELEC-ABS & DH&C-ABS)

MWh	MWh	2017	2016	2015	2014	2013	%, 2016-2017	%, 2013-2017
Finland	Electricity in common areas	52,052	55,136	55,301	65,969	77,309	-5.6	-32.7
	District heat	72,695	78,447	67,541	92,008	99,319	-7.3	-26.8
	Total energy consumption ¹⁾	127,094	135,448	122,842	157,976	176,629	-6.2	-28.0
	Total energy consumption in like-for-like shopping centres ¹⁾	47,882	50,814	48,761	-	-	-5.8	
Norway	Electricity in common areas	35,726	39,600	38,280	-	-	-9.8	
	District heat	4,298	4,597	3,843	-	-	-6.5	
	Total energy consumption ¹⁾	41,155	45,133	43,078	-	-	-8.8	
	Total energy consumption in like-for-like shopping centres ¹⁾	32,795	35,080	34,490			-6.5	
Sweden	Electricity in common areas	27,133	29,013	28,508	29,219	21,820	-6.5	24.3
	District heat	21,226	23,492	23,756	30,726	30,051	-9.6	-29.4
	Total energy consumption ¹⁾	53,495	57,896	57,620	66,639	53,896	-7.6	-0.7
	Total energy consumption in like-for-like shopping centres ¹⁾	47,200	50,618	32,262	-	-	-6.8	
Baltics and Denmark	Electricity in common areas	8,671	8,662	9,827	10,058	11,081	0.1	-21.7
	District heat	3,284	2,986	3,265	3,880	4,441	10.0	-26.1
	Total energy consumption ¹⁾	14,292	14,421	15,449	17,217	20,112	-0.9	-28.9
	Total energy consumption in like-for-like shopping centres ¹⁾	7,788	7,603	7,083	-	-	2.4	

¹⁾ Total energy consumption incl. electricity in common areas, heating, cooling and fuels.

CARBON

GREENHOUSE GAS EMISSIONS BY SCOPES (GRI 305-1, GRI 305-2, GRI 305-3, EPRA GHG-DIR-ABS, DHG-INDIR-ABS)

tCO ₂ e	2017	2016	2015	2014	2013
Scope 1, direct	496	603	566	650	909
Scope 2, indirect, market-based	44,337	58,124	71,593	77,648	71,816
Scope 2, indirect, location-based	57,585	65,320	67,849		
Scope 3, indirect	1,515	1,567	1,500	1,240	693
Total (Market-based)	46,347	60,295	73,659	79,538	73,419

GREENHOUSE GAS EMISSIONS BY SCOPES IN LIKE-FOR-LIKE PROPERTIES (EPRA GHG-DIR-LFL, GHG-INDIR-LFL)

tCO ₂ e	2017	2016	2015
Scope 1, direct	24	15	71
Scope 2, indirect	20,481	28,350	31,178
Scope 3, indirect	678	707	503
Total	21,183	29,072	31,752

TOTAL DIRECT AND INDIRECT GREENHOUSE GAS EMISSIONS (GRI 305-1, GRI 305-2, GRI 305-3, EPRA GHG-DIR-ABS, DHG-INDIR-ABS)

tCO ₂ e	2017	2016	2015	2014	2013
Electricity in common areas	2,195	15,928	19,619	20,880	20,850
Tenants' electricity supplied by the landlord ²⁾	25,876	23,460	34,919	34,036	25,626
Electricity in Citycon offices	4	10	11	17	53
District heat and cooling	16,262	18,726	17,044	22,715	25,287
Fuels	496	603	566	650	909
Wastewater	846	889	879	762	225
Waste logistics	113	109	116	86	75
Business travel	404	397	315	300	317
Commuting	148	169	187	90	73
Paper consumption and mail	4	4	4	3	3
Total	46,347	60,295	73,659	79,538	73,419

LIKE-FOR-LIKE TOTAL DIRECT AND INDIRECT GREENHOUSE GAS EMISSIONS (EPRA GHG-DIR-LFL, GHG-INDIR-LFL)

tCO ₂ e	2017	2016	2015
Electricity in common areas	502	6,878	7,987
Tenants' electricity supplied by the landlord ²⁾	11,832	12,115	15,306
Heating and cooling (including fuels)	8,171	9,372	7,956
Wastewater	607	638	439
Waste logistics	71	68	64
Total	21,183	29,072	31,752

**GREENHOUSE GAS INTENSITY FROM BUILDING ENERGY
(CRE3, EPRA GHG-INT)**

	2017	2016	2015	2014	2013
Building greenhouse gas intensity, kgCO ₂ e/sq.m.	36	46	56	48	50
Building greenhouse gas intensity, kgCO ₂ e/visitor	0.26	0.32	0	0.33	0.36
Baseline corrected building greenhouse gas intensity ⁴⁾ , kgCO ₂ e/sq.m.	36	46	56	63	

The coverage of Energy and associated GHG disclosure is 98% of GLA under operative control.

For Scope 2 emissions, Citycon uses market-based emission factors. Location based emission factors are used only where clearly stated.

Biogenic Scope 1 emissions from biofuel use in shopping centres are 114 tCO₂. Biogenic scope 3 emissions have not been assessed.

²⁾ Citycon also reports emissions from tenants' electricity consumption in cases where Citycon is responsible for electricity procurement. When energy procurement is on tenant's responsibility, it has been excluded from reporting.

In the calculation of greenhouse gas intensity, the numerator corresponds to emissions from electricity in common areas, district heating and cooling as well as emissions from waste water and waste. Additionally,

tenants' electricity supplied by the landlord is included in 2015-2017 figures. I.e. the figures for 2014 and 2015 are not directly comparable.

⁴⁾ Baseline corrected intensity 2014 includes Citycon Norway data as well as tenants' electricity supplied by the landlord.

**PROPERTIES' GREENHOUSE GAS EMISSIONS BY SCOPE AND BUSINESS AREA
(EPRA GHG-DIR-ABS, DHG-INDIR-ABS, GHG-INT)**

		2017	2016	2015
Finland	Scope 1, direct, tCO ₂ e	0	0	0
	Scope 2, indirect, tCO ₂ e	23,897	30,338	34,350
	Scope 3, indirect, tCO ₂ e	300	309	314
	Building greenhouse gas intensity ¹⁾ , kgCO ₂ e/sq.m.	56	69	77
Norway	Scope 1, direct, tCO ₂ e	24	43	99
	Scope 2, indirect, tCO ₂ e	144	153	131
	Scope 3, indirect, tCO ₂ e	232	230	239
	Building greenhouse gas intensity ¹⁾ , kgCO ₂ e/sq.m.	1	1	1
Sweden	Scope 1, direct, tCO ₂ e	0	0	0
	Scope 2, indirect, tCO ₂ e	1,939	2,843	3,333
	Scope 3, indirect, tCO ₂ e	371	400	373
	Building greenhouse gas intensity ¹⁾ , kgCO ₂ e/sq.m.	8	10	12
Baltics and Denmark	Scope 1, direct, tCO ₂ e	472	560	467
	Scope 2, indirect, tCO ₂ e	18,353	24,780	33,768
	Scope 3, indirect, tCO ₂ e	56	59	68
	Building greenhouse gas intensity ¹⁾ , kgCO ₂ e/sq.m.	186	251	303

¹⁾ In the calculation of greenhouse gas intensity, the numerator corresponds to emissions from electricity in common areas, tenants' electricity supplied by the landlord, district heating and cooling as well as emissions from waste water and waste.

ENVIRONMENTAL DATA, MANAGED PROPERTIES

MANAGED SHOPPING CENTRES, NORWAY ¹⁾

Energy, MWh	2017	2016	2015
Electricity consumption in common areas	19,722	18,552	18,289
Tenants' electricity purchased by landlord	5,114	4,951	1,798
District heat	4,043	3,754	2,984
Fuels	1,594	1,783	2,598
Total energy consumption	30,473	29,040	25 669
Renewable electricity	24,836	23,503	17,994
Building energy intensity, kWh/sq.m.	127	115	114
Carbon, tCO₂e			
Scope 1, direct	232	294	142
Scope 2, indirect, market-based	125	118	888
Scope 2, indirect, location-based	331		
Scope 3, indirect	146	158	157
Building greenhouse gas intensity, kgCO ₂ e/sq.m.	3	3	6
Water, m³			
Total water consumption	124,978	138,038	136,662
Waste, t			
Landfill waste	67.2 (2%)	47.8 (2%)	31.7 (1%)
Incinerated waste	861.46 (30%)	800.7 (31%)	784.4 (29%)
Composted waste	576.77 (20%)	530.6 (20%)	544.9 (20%)
Recycled waste	1,339 (46%)	1,186.0 (46%)	1,259.6 (47%)
Reused waste	53.91 (2%)	40.9 (2%)	84.1 (3%)
Total waste amount	2,898	2,606	2,705

¹⁾ The coverage is 100% for managed properties (on behalf of other owners), but the figures are excluded from Citycon total numbers.

ENVIRONMENTAL CERTIFICATIONS

ENVIRONMENTAL CERTIFICATES (CRE8, EPRA CERT-TOT)

	Proportion by value, %
Total portfolio - BREEAM in use	
BREEAM Outstanding, asset / building management	0 / 7
BREEAM Excellent, asset / building management	8 / 18
BREEAM Very Good, asset / building management	46 / 0
BREEAM Good, asset / building management	22 / 55
Total - BREEAM in use¹⁾	80
Total portfolio - LEED	
LEED Platinum	22
LEED Gold	1
LEED Silver	4
LEED Certified	2
Total - LEED	29
Total portfolio - environmental certificates	81
(Re)Developments (on track to achieve)	
Möln dal Galleria - BREEAM Very good	22
Lippulaiva - BREEAM Excellent	78
Total	100% of development projects ongoing or finished in 2017 to be certified

¹⁾ Includes three properties where certification process was finalised, but final certificates were not confirmed to Citycon by end of reporting period.

WATER

WATER CONSUMPTION ²⁾ (GRI 303-1, CRE2, EPRA WATER-ABS, WATER-LFL, WATER-INT)

	2017	2016	2015	2014	2013	% 2016-2017	% 2013-2017
Total water consumption, m ³	804,494	845,314	835,054	723,423	603,014	-4.8	33.4
Like-for-like total water consumption, m ³	577,364	606,733	417,412	-	-	-4.8	-
Total water consumption in shopping centres, m ³	799,305	839,477	815,374	685,898	560,464	-4.8	42.6
Total water consumption in like-for-like shopping centres, m ³	572,175	604,379	411,459	-	-	-5.3	-
Water intensity in shopping centres ¹⁾ , l/visitor	4.7	4.6	4.3	4.3	3.7	4.3	28.4
Water intensity in like-for-like shopping centres ¹⁾ , l/visitor	5.2	5.2	-	-	-	0.0	-

TOTAL WATER CONSUMPTION BY BUSINESS UNIT (EPRA WATER-ABS, WATER-LFL, WATER-INT)

	2017	2016	2015	2014	2013	% 2016-2017	% 2013-2017
Total water consumption, m ³	242,197	249,977	253,637	280,803	294,216	-3.1	-17.7
Total water consumption in shopping centres, m ³	237,009	245,337	235,001	245,193	253,844	-3.4	-6.6
Total water consumption in like-for-like shopping centres, m ³	93,744	89,870	87,407	-	-	4.3	-
Finland Water intensity in shopping centres ¹⁾ , l/visitor	3.7	3.1	3.0	3.1	2.9	17.1	26.9
Total water consumption, m ³	189,009	187,449	192,998	-	-	0.8	-
Total water consumption in shopping centres, m ³	189,009	187,449	192,998	-	-	0.8	-
Water intensity in shopping centres ¹⁾ , l/visitor	5.0	5.0	5.1	-	-	-1.5	-
Norway Total water consumption in like-for-like shopping centres, m ³	150,569	154,197	157,886	-	-	-2.4	-
Total water consumption, m ³	324,598	356,026	328,039	378,896	237,718	-8.8	36.5
Total water consumption in shopping centres, m ³	324,598	354,829	326,995	376,786	235,540	-8.5	37.8
Total water consumption in like-for-like shopping centres, m ³	302,333	332,536	138,922	-	-	-9.1	-
Sweden Water intensity in shopping centres ¹⁾ , l/visitor	6.0	6.4	5.8	6.6	5.9	-7.2	0.9
Total water consumption, m ³	48,689	51,861	60,381	63,919	71,080	-6.1	-31.5
Total water consumption in shopping centres, m ³	48,689	51,861	60,381	63,919	71,080	-6.1	-31.5
Total water consumption in like-for-like shopping centres, m ³	25,529	27,775	27,245	-	-	-8.1	-
Baltics and Denmark Water intensity in shopping centres ¹⁾ , l/visitor	3.9	3.9	3.5	3.7	3.5	-1.1	9.2

¹⁾ Excluding shopping centres where amount of visitors is not collected. In 2017 these were Fruängen Centrum, Högdalen Centrum, Myllypuro, Heikintori, Espoontori, Forum, Isomyyri, Jyväskeskus, Tikkuri, Martinlaakson ostari Glasshuspassasjen, Krokstad Senter and Oasen Kontoreiendom. The water intensity increase in Finnish shopping centres largely stems from changes in the portfolio, and a 13% increase in food & beverage GLA in like-for-like properties.

²⁾ Water consumption figures for 2016 and 2017 include also a hotel and a student apartment block located in Kista Galleria. Kista Galleria is included in lfl figures.

WASTE

TOTAL WEIGHT OF WASTE BY DISPOSAL ROUTE (GRI 306-2, EPRA WASTE-ABS)

	2017		2016		2015		2014		2013		2012	
	t	%	t	%	t	%	t	%	t	%	t	%
Landfill waste	1,350	6	1,545	7.1	1,137	4.9	2,106	12.3	2,410	12.3	2,695	12.3
Incinerated waste	7,487	33	6,873	31.6	8,151	35.3	4,294	25.1	4,179	25.1	4,080	25.1
Composted waste	4,228	19	4,143	19.0	4,148	17.9	2,628	15.4	2,724	15.4	2,797	15.4
Recycled waste	8,257	37	8,180	37.6	8,645	37.4	7,387	43.2	5,299	43.2	4,955	43.2
Reused waste	1,240	5	1,021	4.7	1,029	4.5	689	4.0	485	4.0	370	4.0
Total	22,562	100	21,761	100	23,110	100	17,105	100	15,097	100	14,896	100

TOTAL WEIGHT OF WASTE IN SHOPPING CENTRES BY DISPOSAL ROUTES

	2017		2016		2015		2014		2013		2012	
	t	%	t	%	t	%	t	%	t	%	t	%
Landfill waste	1,336	6	1,530	7.1	1,135	5.0	1,918	11.6	2,112	14.7	2,375	16.8
Incinerated waste	7,420	33	6,804	31.6	8,047	35.2	4,229	25.5	4,104	28.3	3,909	27.7
Composted waste	4,218	19	4,134	19.2	4,125	18.0	2,580	15.5	2,658	18.5	2,711	19.2
Recycled waste	8,147	36	8,061	37.4	8,559	37.4	7,207	43.4	5,088	35.2	4,759	33.7
Reused waste	1,240	6	1,016	4.7	1,017	4.4	665	4.0	484	3.4	364	2.6
Total	22,362	100	21,545	100	22,882	100	16,599	100	14,446	100	14,118	100

TOTAL WEIGHT OF WASTE BY DISPOSAL ROUTES, LIKE-FOR-LIKE (EPRA WASTE-LFL) ¹⁾

	2017		2016		2015	
	t	%	t	%	t	%
Landfill waste	675	4.8	639	4.7	801	6.3
Incinerated waste	5,257	37.7	4,843	36.0	4,384	34.4
Composted waste	2,428	17.4	2,396	17.8	2,269	17.8
Recycled waste	4,966	35.7	4,946	36.7	4,785	37.5
Reused waste	600	4.3	647	4.8	517	4.1
Total	13,926	100	13,471	100	12,757	100

	2017		2016		2015	
	t	%	t	%	t	%
Landfill waste	687	4.9	650	4.8	801	6.3
Incinerated waste	5,318	37.7	4,903	36.3	4,397	34.4
Composted waste	2,434	17.2	2,401	17.7	2,274	17.8
Recycled waste	5,071	35.9	5,053	37.4	4,794	37.5
Reused waste	600	4.3	517	3.8	517	4.0
Total	14,109	100	13,525	100	12,784	100

¹⁾The coverage of waste data is 99% of GLA under operative control.

TOTAL WASTE AMOUNT BY BUSINESS UNIT (EPRA WASTE-ABS)

t	2017	2016	2015	2014	2013
Finland	9,065	9,253	9,465	9,780	9,959
Norway	6,645	6,524	7,088	-	-
Sweden	5,875	5,109	5,621	6,338	4,117
Baltics and Denmark	977	877	937	986	1,021
Total	22,562	21,761	23,110	17,105	15,097

TOTAL WASTE AMOUNT BY SOURCE (EPRA WASTE-ABS)

t	2017	2016	2015	2014	2013	%, 2016-2017	%, 2013-2017
Shopping centres	22,362	21,545	22,882	16,599	14,446	3.8	54.8
Other	200	217	228	506	651	-7.4	-69.2
Total	22,562	21,761	23,110	17,105	15,097	3.7	49.4

TOTAL WEIGHT OF WASTE IN SHOPPING CENTRES BY TYPE

	2017		2016		2015		2014		2013	
	t	%	t	%	t	%	t	%	t	%
Non-hazardous waste										
Landfill	1,283	6	1,308	6	901	4	1,644	7	1,964	14
Energy	7,420	33	6,804	32	8,047	35	4,229	18	4,104	28
Paper	517	2	632	3	667	3	711	3	739	5
Plastic	310	1	296	1	335	1	1,900	8	66	0
Cardboard	6,535	29	6,347	29	6,785	30	4,066	18	3,686	26
Compost	4,218	19	4,134	19	4,125	18	2,580	11	2,658	18
Metal	288	1	330	2	327	1	221	1	220	2
Glass	495	2	455	2	445	2	308	1	377	3
Other recycled	1,096	5	923	4	795	3	578	3	432	3
Other unsorted waste	53	0	222	1	235	1	274	1	148	1
Hazardous	144	1	93	0	221	1	87	0	51	0
Total	22,362	100	21,545	100	22,882	100	16,599	100	14,446	100

**PROPORTION OF WASTE BY DISPOSAL ROUTE IN SHOPPING CENTRES BY BUSINESS UNIT
(EPRA WASTE-ABS)**

%		2017	2016	2015
	Landfill waste	12	15	8
	Incinerated waste	25	23	29
	Composted waste	21	21	21
	Recycled waste	34	35	35
	Reused waste	8	7	8
Finland	Total	100	100	100
	Landfill waste	0	0	1
	Incinerated waste	28	28	28
	Composted waste	22	26	24
	Recycled waste	47	44	45
	Reused waste	3	3	2
Norway	Total	100	100	100
	Landfill waste	5	3	5
	Incinerated waste	50	49	52
	Composted waste	14	10	8
	Recycled waste	27	33	32
	Reused waste	3	4	3
Sweden	Total	100	100	100
	Landfill waste	0	0	8
	Incinerated waste	45	51	48
	Composted waste	8	8	4
	Recycled waste	36	40	40
	Reused waste	11	0	0
Baltics and Denmark	Total	100	100	100

TOTAL WEIGHT OF WASTE IN LIKE-FOR-LIKE SHOPPING CENTRES BY TYPES

	2017		2016		2015	
	t	%	t	%	t	%
Non-hazardous waste						
Landfill	671	5	581	4.3	722	5.7
Energy	5,257	38	4,843	36.0	4,384	34.4
Paper	209	1	238	1.8	210	1.6
Plastic	243	2	246	1.8	275	2.2
Cardboard	4,011	29	4,041	30.0	3,909	30.6
Compost	2,482	18	2,396	17.8	2,269	17.8
Metal	147	1	164	1.2	147	1.2
Glass	357	3	256	1.9	243	1.9
Other recycled	75	1	57	0.4	51	0.4
Other	525	4	590	4.4	466	3.7
Hazardous	5	0	59	0.4	79	0.6
Total	13,982	100	13,471	100	12,755	100.0
Total amount change, %	3,8		5,6			

RECYCLING RATE OF SHOPPING CENTRES

%	2017	2016	2015	2014	2013	2012
Finland	88	85	92	84	80	77
Norway	100	100	99	-	-	-
Sweden	95	97	95	95	97	96
Baltics and Denmark	100	100	92	92	86	86
Total	94	93	95	88	85	83

PERSONNEL

NUMBER OF EMPLOYEES

	2017		2016		2015	
	FTE	%	FTE	%	FTE	%
Total number of employees 31 Dec. (102-7)						
Total	247.1		272		297	
Personnel by country 31 Dec. (102-8)						
Finland	70.2	28	78	29	77	25
Norway	107.5	44	132	49	160	55
Sweden	56.4	23	50	18	48	16
Estonia	10	4	8	3	8	3
Netherlands	2	1	3	1	3	1
Denmark	1	0	1	0	1	0

PERSONNEL KEY FIGURES

	2017		2016		2015	
	FTE	%	FTE	%	FTE	%
Employment type 31 Dec. (102-8, 401-1)						
Permanent employees/Fixed-term employees	230,1/17	93/7	259/13	95/5	286/11	96/4
Full-time employees/Part-time employees	244,5/2,6	99/1	270/2	99/1	288/9	97/3
Average age of employees and sex distribution (401-1)						
Average age, years 31 Dec.	42		43		44	
Employees under age 18 during the year	0		0		0	
Female/male percentage 31 Dec.	100,7/146,4	41/59		45/55		46/54
Employee turnover during the year (401-1)						
New contracts including short-term substitutions	40.6		42		32	
Female/male percentage of new contracts	17,2/23,4	42/58		45/55		62/38
Permanent employees left Citycon	34		59		27	
Female/male percentage of left employees	14,9/19	44/56		45/55		30/70
Employees returning to work after parental leave		99		99		100
Sick days (403-2)						
Number of sick days during the year	2058		896		307	
Sick days per employee	8		3		3	

Full-time equivalent (FTE) is a unit that describes the amount of human resources available, including full-time and part-time employees pro rata, excluding employees who are on long-term leaves.

All employment relationships are based on a legal employment contract.

EMPLOYEE GROUP BY GENDER 31 DECEMBER 2017

	Total		of which female	
	FTE	%	FTE	%
Management committee	6.0	2.4	2.0	33.0
Other directors	25.0	10.1	7.0	28.0
Managers	117.5	47.6	45.5	39.0
Other employees	98.6	39.9	46.2	47.0
Total	247	100	101	41

DURATION OF EMPLOYMENT 31 DECEMBER 2017

	FTE	%
Less than 2 years	85.3	34.5
2-4 years	49	19.8
More than 4 years	112.8	45.7
Total	247.1	100

AGE PROFILE 31 DECEMBER 2017

	FTE	%
Under 30	38.8	15.7
30-50	152.7	61.8
Over 50	55.6	22.5
Total	247.1	100

Compensation in Citycon is based on the level of responsibility, job requirements and demands, employees' competences and skills, as well as employee's performance. Salaries are reviewed once a year within each function and on company level. As part of the review, it is ensured that the salaries are in line within each team in terms of the job requirements and employee performance, and that gender does not have an impact on salary levels. On a general level, the gender pay-ratio is 92%. The pay ratio is calculated of average salary of female employees/average salary of male employees (excluding CEO). The responsibility level, job requirements, employees' competences or performance is not taken into account in this pay ratio.

ECONOMIC RESPONSIBILITY

ECONOMIC VALUE GENERATED AND DISTRIBUTED (EC 201-1) ¹⁾

MEUR	2017	2016 ⁵⁾	2015 ⁵⁾
Direct economic value generated			
a) Revenues			
Finland	126.2	127.2	139.0
Norway	121.6	115.1	60.5
Sweden and Denmark	61.7	60.3	63.1
Estonia	28.7	29.2	32.9
Gross rental income	257.4	251.4	223.9
Service charge income	80.8	80.3	71.7
Revenues from sale of investment properties ²⁾	315.9	109.9	126.8
Economic value distributed			
b) Operating costs			
Finland	-33.1	-32.2	-35.2
Norway	-28.9	-26.6	-15.6
Sweden and Denmark	-14.8	-14.8	-15.6
Estonia	-6.0	-6.1	-7.4
Other ⁴⁾	0.7	0.5	0.0
Purchases related to property operating costs ³⁾	-82.2	-79.2	-73.8
Finland	100.1	220.3	-109.0
Norway	84.9	45.7	-1 556.2
Sweden and Denmark	109.0	45.7	-43.7
Estonia	3.9	1.7	-8.4
Other ⁴⁾	0.8	1.1	-1.3
Investments	298.7	314.5	-1,718.6

MEUR	2017	2016 ⁵⁾	2015 ⁵⁾
c) Employee wages and salaries			
Finland	-3.3	-3.2	-2.7
Norway	-9.8	-12.0	-9.5
Sweden and Denmark	-3.8	-3.9	-3.5
Estonia	-0.5	-0.4	-0.4
Other ⁴⁾	-6.8	-6.8	-6.0
Paid wages and salaries	-24.1	-26.2	-22.1
Finland	0.0	0.0	0.0
Norway	-0.1	0.0	-0.1
Sweden and Denmark	-0.1	-0.1	0.0
Estonia	0.0	0.0	0.0
Other ⁴⁾	-0.1	-0.1	0.0
Funds used for employee training	-0.4	-0.1	-0.2
d) Payments to providers of capital ²⁾			
Paid dividends and return from invested unrestricted equity fund	-116.2	-131.4	-89.2
Loan repayments and proceeds	-52.0	3.8	3.9
Paid and received financial expenses as well as realised exchange rate losses/gains	-65.7	-57.9	-57.9
e) Payments to government			
Income taxes received/paid (directly from/ to government) ²⁾			
Finland	-0.1	-0.8	-0.2
Norway	-4.6	-3.7	-3.6
Sweden and Denmark	-1.6	-1.4	-0.7
Sweden and Denmark	-3.0	-2.9	-3.5
Estonia	-0.1	-0.1	-0.1
Property taxes (payments to government as agent, recharged to tenants)	-9.3	-8.1	-7.8

¹⁾ The figures do not include Kista Galleria.

²⁾ Items from the cash flow.

³⁾ Services related to property maintenance always require the use of local employees. Energy was the largest cost item in maintenance costs.

Locally procured district heating from regional heating companies is the principal heating method. Electricity is purchased on a centralised basis in all countries.

⁴⁾ Mainly expenses arising from the Group's functions.

⁵⁾ Citycon changed the presentation of segments during the last quarter of 2017 to better meet the segment information presented to the Board of Directors, by combining the monitoring of Danish operations as a part of the new Sweden and Denmark-segment. Simultaneously, the monitoring of Estonian operations was transferred to a separate Estonia-segment. Information from previous years is presented on the basis of new segmentation.

GRI TABLES

AR: Annual report
 FS: Financial review
 SA: Sustainability accounts
 CGS: Corporate governance statement

GRI Standards	EPRA Sustainability BPR	Content	Location	Comments	Limited assurance	Coverage % (EPRA sBPR)
GRI 102: General disclosures						
Organisation						
102-1		Name of the organization	AR p. 4		x	
102-2		Activities, brands, products, and services	AR p. 4-5		x	
102-3		Location of headquarters	back cover		x	
102-4		Location of operations	AR, p. 5		x	
102-5		Ownership and legal form	CGS, p. 2, FS p. 40		x	
102-6		Markets served	AR, p. 35-39		x	
102-7		Scale of the organization	FS, p. 4, 6-7		x	
102-8		Information on employees and other workers	SA, p. 35		x	
102-9		Supply chain	AR p. 14-15		x	
102-10		Significant changes to the organization and its supply chain	FS, p. 8, 86-88	No significant changes in the supply chain.	x	
102-11		Precautionary Principle or approach	SA, p. 12 CGS, p. 14-15		x	
102-12		External initiatives	SA, p. 29		x	
102-13		Membership of associations	SA, p. 9		x	
Strategy						
102-14		Statement from senior decision-maker	AR, p. 6-7		x	
102-15		Key impacts, risks, and opportunities	AR, p. 8-9, 14-15 FS, p. 8-9, 38		x	
Ethics and integrity						
102-16		Values, principles, standards, and norms of behavior	SA, p. 9		x	
102-17		Mechanisms for advice and concerns about ethics	SA, p. 9, 18		x	
Governance						
102-18		Governance structure	CGS, p. 2, 12		x	
102-19		Delegating authority	CGS, p.12		x	
102-20		Executive-level responsibility for economic, environmental, and social topics	CGS, p. 12-13	CEO and COO are responsible for the day-to-day management of the company, which includes economic, environmental and social topics. CEO regularly reports to the board.	x	

GRI Standards	EPRA Sustainability BPR	Content	Location	Comments	Limited assurance	Coverage % (EPRA sBPR)
102-21		Consulting stakeholders on economic, environmental, and social topics	CGS, p. 16	Stakeholder consultation is carried out in shareholders general meetings, expert panels as well as different surveys to tenants, personnel, and investors. Material results from surveys reported to the board.	x	
102-22	Gov-Board	Composition of the highest governance body and its committees	CGS, p. 4-6		x	
102-23		Chair of the highest governance body	CGS, p. 5, 12		x	
102-24	Gov-Select	Nominating and selecting the highest governance body	CGS, p. 4		x	
102-25	Gov-Col	Conflicts of interest	CGS, p. 17		x	
102-26		Role of highest governance body in setting purpose, values, and strategy	CGS, p. 7-8		x	
102-27		Collective knowledge of highest governance body	CGS, p. 9		x	
102-28		Evaluating the highest governance body's performance	CGS, p. 7-8		x	
102-29		Identifying and managing economic, environmental, and social impacts	CGS, p. 14, FS, p. 38-39		x	
102-30		Effectiveness of risk management processes	CGS, p. 10		x	
102-31		Review of economic, environmental, and social topics	CGS, p. 7		x	
102-32		Highest governance body's role in sustainability reporting		CEO reviews and approves sustainability report.	x	
102-33		Communicating critical concerns	CGS, p. 16, Disclosure policy	www.citycon.com/investors/corporate-governance/disclosure-policy	x	
102-34		Nature and total number of critical concerns	SA, p. 19	All good faith concerns can be reported through Citycon's whistleblowing line. www.citycon.com/sustainability/code-of-conduct/report-a-violation-page-en No major critical concerns reported during 2017.	x	
102-35		Remuneration policies	www.citycon.com/remuneration		x	
102-36		Process for determining remuneration	CGS, p. 11, www.citycon.com/remuneration		x	
102-37		Stakeholders' involvement in remuneration	www.citycon.com/remuneration		x	
Stakeholder engagement						
102-40		List of stakeholder groups	SA, p. 7		x	
102-41		Collective bargaining agreements	GRI content index	Personnel is not covered by collective bargaining agreements.	x	
102-42		Identifying and selecting stakeholders	SA, p. 7		x	
102-43		Approach to stakeholder engagement	SA, p. 9, 16-17		x	
102-44		Key topics and concerns raised	SA, p. 9, 16-17		x	

GRI Standards	EPRA Sustainability BPR	Content	Location	Comments	Limited assurance	Coverage % (EPRA sBPR)
Reporting practice						
102-45		Entities included in the consolidated financial statements	FS, p. 52, 86-88		x	
102-46		Defining report content and topic Boundaries	SA, p. 7, 21		x	
102-47		List of material topics	SA, p. 6		x	
102-48		Restatements of information	SA, p. 21-22		x	
102-49		Changes in reporting	SA, p. 21-22		x	
102-50		Reporting period	SA, p. 21		x	
102-51		Date of most recent report	SA, p. 21		x	
102-52		Reporting cycle	SA, p. 21		x	
102-53		Contact point for questions regarding the report	GRI content index	Sustainability Analyst, wilhelm.ehrnrooth (at) citycon.com	x	
102-54		Claims of reporting in accordance with the GRI Standards	SA, p. 21		x	
102-55		GRI content index	SA, p. 39-44		x	
102-56		External assurance	SA, p. 21		x	
GRI 103: Management approach						
103-1		Explanation of the material topic and its Boundary	SA, p. 21-22		x	
103-2		The management approach and its components	SA, p. 11-12		x	
103-3		Evaluation of the management approach	SA, p. 11-12		x	
ECONOMIC STANDARDS						
GRI 201: Economic performance						
201-1		Direct economic value generated and distributed	SA, p. 37-38		x	
201-2		Financial implications and other risks and opportunities due to climate change	AR, p. 8-9 www.citycon.com/sustainability/environment/climate-change	Reported partly.	x	
201-3		Defined benefit plan obligations and other retirement plans	GRI content index	The company acts in accordance with legislation, not reported separately.	x	
201-4		Financial assistance received from government	GRI content index	Received subsidies amount to 0.126 MEUR for Finland and 2.5 MEUR for Norway.	x	
GRI 203: Indirect economic impacts						
203-2		Significant indirect economic impacts	AR, p. 15	Reported partly.	x	
GRI 205: Anti-corruption						
205-1		Operations assessed for risks related to corruption	GRI content index	No assessments. Citycon Code of Conduct is applied in all significant business relationships.	x	
205-2		Communication and training about anti-corruption policies and procedures	SA, p. 19		x	
205-3		Confirmed incidents of corruption and actions taken	GRI content index	No cases in 2017.	x	

GRI Standards	EPRA Sustainability BPR	Content	Location	Comments	Limited assurance	Coverage % (EPRA sBPR)
GRI 206: Anti-competitive behavior						
206-1		Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	GRI content index	No cases in 2017.	x	
ENVIRONMENTAL STANDARDS						
GRI 302: Energy						
302-1	Elec-Abs, DH&C-Abs, Fuel-Abs, Elec-LfL, DH&C-LfL, Fuels-LfL	Energy consumption within the organization	SA, p. 23-25		x	98, lfl 100
302-4		Reduction of energy consumption	SA, p. 13		x	
302-5		Reductions in energy requirements of products and services	SA, p. 23-25		x	
CRE 1	Energy-Int	Building energy intensity	SA, p. 23		x	98
GRI 303: Water						
303-1	Water-Abs; Water-LfL	Water consumption	SA, p. 20, 30		x	98, lfl 100
CRE2	Water-Int	Building water intensity	SA, p. 30		x	98
GRI 304: Biodiversity						
304-1		Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	SA, p. 13		x	
GRI 305: Emissions						
305-1	GHG-Dir-Abs	Direct (Scope 1) GHG emissions	SA, p. 13, 26-28, 22		x	98, lfl 100
305-2	GHG-Indir-Abs	Energy indirect (Scope 2) GHG emissions	SA, p. 13, 26-28, 22		x	98, lfl 100
305-3	GHG-Indir-Abs	Other indirect (Scope 3) GHG emissions	SA, p. 13, 26-28,		x	98, lfl 100
305-5		Reduction of GHG emissions	SA, p. 13, 26-28		x	
CRE 3	GHG-Int	Greenhouse gas emissions from buildings	SA, p. 27		x	98, lfl 100
GRI 306: Effluents and waste						
306-1		Water discharge by quality and destination	GRI content index	Waste water and rain water is led to municipal sewer systems.	x	
306-2	Waste-Abs; Waste I-f-l	Waste by type and disposal method	SA, p. 31-34		x	99, lfl 100
306-3		Significant spills	GRI content index	No spills in 2017.	x	
GRI 307: Environmental compliance						
307-1		Non-compliance with environmental laws and regulations	GRI content index	No cases in 2017.	x	

GRI Standards	EPRA Sustainability BPR	Content	Location	Comments	Limited assurance	Coverage % (EPRA sBPR)
GRI 308: Supplier environmental assessment						
308-1		New suppliers that were screened using environmental criteria	GRI content index	No assessments. Citycon Code of Conduct is applied in all significant business relationships.	x	
SOCIAL STANDARDS						
GRI 401: Employment						
401-1	Emp-Turnover	New employee hires and employee turnover	SA, p. 35		x	
401-3		Parental leave	SA, p. 35	Reported partly.	x	
GRI 402: Labor/ management relations						
402-1		Minimum notice periods regarding operational changes	GRI content index	Citycon complies with local legislation and regulations. Statutory negotiations between the employer and employees take place within a co-operation group. Employee representatives are elected for a term of two years at a time. The group discusses matters affecting the entire personnel.	x	
GRI 403: Occupational health and safety						
403-1		Workers representation in formal joint management-worker health and safety committees	GRI content index	Co-operative occupational safety committee in Finland. Matters discussed include issues related to health and safety, and well-being in the workplace. Raportoitu osittain.	x	
403-2	H&S-Emp	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	SA, p. 35	Citycon has formed safety committees or appointed a safety representative in each country. Matters discussed include issues related to safety and job well-being.	x	
GRI 404: Training and education						
404-2		Average hours of training per year per employee	SA, p. 18 AR, p. 24-25	Reported partly.	x	
404-3	Emp-Dev	Percentage of employees receiving regular performance and career development reviews	SA, p. 18	In accordance to our HR strategy all employees partake in annual performance reviews.	x	
GRI 405: Diversity and equal opportunity						
405-1	Diversity-emp	Diversity of governance bodies and employees	SA, p. 36 CGS, p. 5-6, 9		x	
GRI 406: Non-discrimination						
406-1		Incidents of discrimination and corrective actions taken	GRI content index	No cases in 2017.	x	
GRI 407: Freedom of association and collective bargaining						
412-3		Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	GRI content index	No such risks in operating areas.	x	

GRI Standards	EPRA Sustainability BPR	Content	Location	Comments	Limited assurance	Coverage % (EPRA sBPR)
GRI 410: Security practices						
410-1		Security personnel trained in human rights policies or procedures	GRI content index	Citycon's Group Security Manager has been trained as well as other relevant personnel.	x	
GRI 412: Human rights assessment						
412-3		Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	GRI content index	No such risks in operating areas.	x	
GRI 413: Local communities						
413-1		Operations with local community engagement, impact assessments, and development programs	SA, p. 16-17		x	
GRI 414: Supplier social assessment						
414-1		New suppliers that were screened using social criteria	GRI content index	No screenings. Citycon's Business Code of Conduct applied to all material business relationships.	x	
GRI 415: Public policy						
415-1		Political contributions	SA, p. 17		x	
GRI 416: Customer health and safety						
416-2		Incidents of non-compliance concerning the health and safety impacts of products and services	GRI content index	No incidents of non-compliance with regulations or voluntary codes.	x	
CRE 8	Cert-tot	Sustainable development certificates	SA, p. 29		x	100
GRI 417: Marketing and labelling						
417-3		Incidents of non-compliance concerning marketing communications	GRI content index	No incidents in 2017.	x	
GRI 418: Customer privacy						
418-1		Substantiated complaints concerning breaches of customer privacy and losses of customer data	GRI content index	No complaints in 2017.	x	
GRI 419: Socioeconomic compliance						
419-1		Non-compliance with laws and regulations in the social and economic area	GRI content index	No non-compliances according to our knowledge.	x	

INDEPENDENT ASSURANCE REPORT

(TRANSLATED FORM ORIGINAL REPORT IN FINNISH LANGUAGE)

TO THE MANAGEMENT OF CITYCON OYJ

At the request of the Management of Citycon Oyj (hereafter Citycon) we have performed a limited assurance engagement on the corporate responsibility data presented for the reporting period 1.1.–31.12.2017 in Citycon's Sustainability Accounts 2017 (hereafter corporate responsibility information).

MANAGEMENT'S RESPONSIBILITY

The Management of Citycon is responsible for the preparation and presentation of the corporate responsibility information in accordance with the Global Reporting Initiative (GRI) Standards, EPRA (European Public Real Estate Association) Best Practice Recommendations on Sustainability Reporting (3rd Edition) and Citycon's internal reporting guidelines (hereafter the reporting principles).

ASSURANCE PROVIDER'S RESPONSIBILITY

It is our responsibility to present an independent conclusion on the corporate responsibility information based on our work performed. We do not accept nor assume responsibility to anyone else except to Citycon for our work, for the

assurance report and for the conclusions that we have reached.

We have conducted the assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information'. The ISAE 3000 standard requires compliance with ethical requirements as well as planning and performing the assurance engagement to obtain limited assurance on whether the corporate responsibility information has been prepared, in all material respects, in accordance with the reporting principles.

ASSURANCE PROVIDER'S INDEPENDENCE AND QUALITY ASSURANCE

We comply with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the IESBA (International Ethics Standards Board for Accountants). We apply ISQC 1 (International Standard on Quality Control) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding

compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

LIMITATIONS OF THE ENGAGEMENT

In a limited assurance engagement the evidence gathering procedures are more limited than in a reasonable assurance engagement, therefore, less assurance is obtained than in a reasonable assurance engagement. The procedures selected depend on the Assurance Provider's judgment, including an assessment of the risks that the corporate responsibility information would not, in all material respects, comply with the reporting principles. We have planned and performed our engagement to obtain sufficient appropriate evidence on which to base our conclusion.

We have performed, among others, the following procedures:

- a. An update of our knowledge and understanding of Citycon's material corporate responsibility reporting topics, organisation and activities.
- b. An assessment of corporate responsibility and application of the reporting

principles regarding the stakeholders' needs for information.

- c. Interviews with personnel responsible for gathering and consolidation of the corporate responsibility information to understand the systems, processes and controls related to gathering and consolidating the information.
- d. Visiting a site in Sweden, Norway and Finland to obtain evidence of the data gathering and consolidation process.
- e. Reviewing corporate responsibility data from internal and external sources and checking the data to reporting information on a sample basis.
- f. Reviewing the disclosed data presentation with regard to GRI Standards and EPRA Best Practice recommendations.

Our assurance report should be read in conjunction with the inherent limitations of accuracy and completeness for corporate responsibility information. This independent assurance report should not be used on its own as a basis for interpreting Citycon's performance in relation to its principles of corporate responsibility.

CONCLUSION

Based on our work described in this report, nothing has come to our attention that causes us to believe that the corporate responsibility information has not been prepared, in all material respects, in accordance with the reporting principles, or that the information is not reliable, in all material respects, based on the reporting principles.

Helsinki, 20 February 2018

Ernst & Young Oy

Mikko Ryttilahti
Partner, Authorized Public Accountant

Jani Alenius
Leader of Climate Change and Sustainability Services



GOVERNANCE STATEMENT 2017

I. INTRODUCTION

II. DESCRIPTIONS CONCERNING CORPORATE GOVERNANCE

1. Citycon's corporate governance structure
2. General Meeting of Shareholders
3. Board of Directors
4. Board Committees
5. Chief Executive Officer (CEO)
6. Corporate Management Committee
7. Remuneration

III. DESCRIPTIONS OF INTERNAL CONTROL PROCEDURES AND THE MAIN FEATURES OF RISK MANAGEMENT SYSTEMS

1. General description of risk management
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3. International COSO framework as the foundation for internal control
4. Control activities
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IV. OTHER INFORMATION TO BE PROVIDED IN THE CG STATEMENT

1. Description of the organisation of the company's internal audit and the main principles followed in the internal audit
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CITYCON GROUP'S CORPORATE GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR 2017

I. INTRODUCTION

Citycon Oyj (**Citycon** or **company**) is a Finnish public limited liability company listed on the Nasdaq Helsinki Ltd (the **Helsinki Stock Exchange**). Citycon Oyj and its subsidiaries constitute the Citycon group.

Citycon's corporate governance principles are based on legislation in force in Finland, the rules and regulations issued for listed companies by the Helsinki Stock Exchange and the Finnish Financial Supervisory Authority as well as Citycon's Articles of Association. Corporate governance in Citycon's subsidiaries is also governed by the laws of the country in which the subsidiary is domiciled, and by each subsidiary's Articles of Association. In addition, Citycon applies the Finnish Corporate Governance Code 2015 published by the Finnish Securities Market Association (**Corporate Governance Code**) and Citycon's own Code of Conduct and Corporate Governance Guidelines.

This corporate governance statement (**CG Statement**) has been prepared in accordance with the recommendations of the Corporate Governance Code.

In 2017, Citycon followed the recommendations of the Corporate Governance Code without deviation.



In 2017, Citycon followed the recommendations of the Corporate Governance Code without deviation

This CG Statement has been prepared as a separate report, distinct from the Report by the Board of Directors. The Audit and Governance Committee of the Board of Directors has reviewed the CG Statement on 6 February 2018. Ernst & Young Oy, the company's auditor, has verified that the CG Statement has been issued and that the description of the main features of the internal control and risk management systems related to the financial reporting process is consistent with the company's Financial Statements.

This CG Statement was published on 8 February 2018 simultaneously with Citycon's Financial Statements and the Report by the Board of Directors for 2017.

II. DESCRIPTIONS CONCERNING CORPORATE GOVERNANCE

Citycon's statutory bodies are the General Meeting, the Board of Directors and the CEO. The General Meeting elects members to the company's Board of Directors, and the Board of Directors appoints the company's CEO. The Board of Directors' work is enhanced by three Board committees whose members are elected by the Board of Directors among its members. In managing the company's business operations, the CEO is assisted by the Corporate Management Committee whose

members are appointed, upon the CEO's proposal, by the Board of Directors.

The work of the Board of Directors and its committees, the CEO and the Corporate Management Committee is governed by the Corporate Governance Guidelines approved by the Board of Directors. These guidelines contain charters for the Board and the committees, guidelines for the division of duties between the decision-making bodies, and guidelines for the arrangement of internal control and risk management. Charters are discussed in more detail below.

1. CITYCON'S CORPORATE GOVERNANCE MODEL

CORPORATE GOVERNANCE STRUCTURE



The Corporate Governance Code is available on the Securities Market Association's website at cgfinland.fi. The CG Statement and the same statements for previous years since 2010 are available on the company website at citycon.com/corporate-governance.

2. GENERAL MEETING OF SHAREHOLDERS

Citycon's shareholders exercise their decision-making power at the General Meeting. According to the Articles of Association, Citycon's Annual General Meeting is held annually by the end of April, once the financial statements have been prepared. Extraordinary General Meetings are convened whenever deemed necessary for decision-making purposes or when required by law.

The company publishes the notice to a General Meeting which includes a proposal for the meeting's agenda, the documents to be presented to the General Meeting and the Board of Directors' resolution proposals on the company's website, no later than three weeks prior to the General Meeting. The notice of a General Meeting includes proposals for the composition of the Board of Directors and the remuneration of Board members as well as a proposal for auditor, if these matters are to be processed at the General Meeting. If new persons are proposed for the Board of Directors, information about the candidates is presented on the company's website. The notice to the General Meeting is also published simultaneously as a stock exchange release.

A shareholder is entitled to demand a matter for discussion at a General Meeting if such a matter belongs to the General Meeting according to the Finnish Limited Liability Companies Act and if they demand it by giving notice to the company well in advance so that the matter can be included in the notice of a General Meeting. Before the end of the financial year 2016, the company

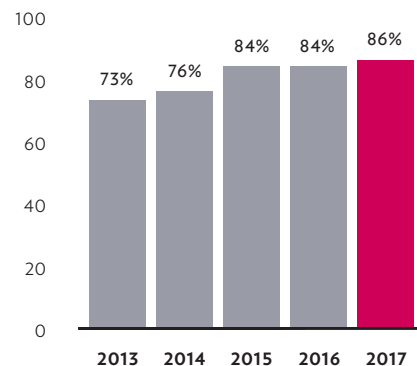
announced on its website at citycon.com/general-meeting and in the investor calendar that 31 January 2017 is the latest date on which shareholders may request a matter for discussion at the Annual General Meeting of 2017, and provided instructions for sending such a request. The company did not receive any such shareholder's request.

Citycon strives to facilitate the participation of its shareholders in General Meetings by arranging such meetings in a manner that enables both Finnish and international shareholders to participate in the meeting as extensively as possible and to efficiently exercise their right to vote, ask questions and speak at the meeting. The representation of shareholders in the company's Annual General Meetings has increased in the last five years.

Citycon's Annual General Meeting (AGM) 2017 was held on 22 March 2017. The meeting was attended by members of the Board of Directors, a first-time Board member candidate, the CEO, other senior executives of the company and the company's auditor. The Board Chairman's words to shareholders were heard on video.

Citycon published the decisions made by the AGM 2017 in a stock exchange release and on its website. The minutes of the AGM were available on the company's website within two weeks of the meeting.

ATTENDANCE IN GENERAL MEETINGS 2013-2017



Shareholders' attendance in Citycon's Annual General Meeting (in person or through a proxy representative) during 2013-2017 (% of all shares and votes)



Minutes of the General Meetings, General Meeting documents presented on the website and summaries of the resolutions of each General Meeting since 2010 are available in Citycon's GM archive at citycon.com/agm-archive. General information on General Meetings and shareholder rights can be found at citycon.com/general-meeting.

3. BOARD OF DIRECTORS

3.1 The composition of the Board of Directors

According to Citycon's Articles of Association, the company's Board of Directors consists of a minimum of five and a maximum of ten members. The Articles of Association do not contain any regulations on a specific procedure according to which the Board members are to be appointed.

The General Meeting of shareholders decides on the number of members of the Board of Directors and elects them at the Annual General Meeting and, when necessary, Extraordinary General Meetings.

According to the Corporate Governance Code, the majority of the members of the Board of Directors must be independent of the company. In addition, a minimum of two of these independent members must also be independent of the company's significant shareholders. The Board of Directors evaluates its members' independence annually.

The Board of Directors' proposal to the General Meeting on the composition of Citycon's Board of Directors is prepared by the Nomination and Remuneration Committee of the Board of Directors. The company's strategy and the requirements set by its operations, the company's development stage and the diversity principles specified by the company for the Board as described in **3.4 Diversity of the Board of Directors** shall be taken into account when planning the composition of the Board of Directors. However, the proposal to the General Meeting on the composition of the

Board of Directors shall always be primarily based on the candidates' qualifications. A person to be elected to the Board of Directors also must have the possibility to devote a sufficient amount of time to the work. Both genders shall be proposed as Board members.

Members of the Board of Directors and candidates for the Board are obligated to provide the Board with sufficient information for the evaluation of their qualifications and independence, and to notify the Board of any changes to this information.

The company shall ensure that new directors are adequately familiarised with the company and its business operations and practices.

The Board of Directors elects the Chairman and one or more Deputy Chairmen from among its members.

Citycon's AGM on 22 March 2017 set the number of Board members at ten. The following Board members were re-elected: Chaim Katzman, Bernd Knobloch, Arnold de Haan, Kirsi Komi, Rachel Lavine, Andrea Orlandi, Claes Ottosson, Per-Anders Ovin and Ariella Zochovitzky, and a new member of the Board, David Lukes, to replace Dor J. Segal. The members of the Board of Directors were elected for a term of one year that ends at the close of the first AGM following their election.

The Board of Directors evaluated its members' independence in its formative meeting on 22 March 2017. The Board of Directors concluded that all Board members are independent of the company. Furthermore, according to the Board of

Directors' evaluation, Arnold de Haan, Bernd Knobloch, Kirsi Komi, Claes Ottosson, Per-Anders Ovin and Ariella Zochovitzky are independent of the company's significant shareholders. Chaim Katzman, Rachel Lavine and David Lukes are, or have recently been, in the employ of or Board members of Citycon's main shareholder, Gazit-Globe Ltd., or its affiliated companies and, therefore, are not independent of the company's significant shareholders. Andrea Orlandi is in the employ of Canada Pension Plan Investment Board, the parent company of CPP Investment Board European Holdings S.à.r.l, which is a significant shareholder in the company. Therefore, Andrea Orlandi is not independent of the company's significant shareholders.

The Board Chairman in 2017 was Chaim Katzman, with Bernd Knobloch and Dori Segal (until 22 March 2017) serving as Deputy Chairmen.



The diversity of the Board enables value-creating Board work

3.2 Information about Board members, 31 December 2017

**Board Chairman****CHAIM KATZMAN**

Member and Chairman of the Board of Directors since 2010
LL.B., Israeli and US citizen, born 1949

Main occupation: Norstar Holdings Inc. (former Gazit Inc.), founder, controlling shareholder and Board Chairman since 1991 and CEO since 2017; Gazit-Globe Ltd., Executive Chairman of the Board of Directors since 1998; Equity One Inc., founder and Board Chairman 1992–2017 (the company merged with Regency Centers Corporation in 2017); Regency Centers Corporation, Vice Chairman of the Board since 2017

The Board's assessment of independence: Independent of the company

Citycon shares*: 178,856

Membership in Citycon's Board committees:

Nomination and Remuneration Committee, Chairman

**Deputy Chairman of the Board****BERND KNOBLOCH**

Member of the Board of Directors since 2012, Deputy Chairman since 2013

University degrees in Law and Business Administration, German citizen, born 1951

Main occupation: Professional non-executive director

The Board's assessment of independence: Independent of the company and significant shareholders

Citycon shares*: 108,685

Membership in Citycon's Board committees:

Audit and Governance Committee
Strategy and Investment Committee

**ARNOLD DE HAAN**

Member of the Board of Directors since 2014

LL.M, Dutch citizen, born 1954

Main occupation: Boishaen B.V., Founder and Managing Director since 2008

The Board's assessment of independence: Independent of the company and significant shareholders

Citycon shares*: 450,000

Membership in Citycon's Board committees:

Nomination and Remuneration Committee
Strategy and Investment Committee

**KIRSI KOMI**

Member of the Board of Directors since 2011

LL.M., Finnish citizen, born 1963

Main occupation: Professional non-executive director

The Board's assessment of independence:

Independent of the company and significant shareholders

Citycon shares*: 11,933

Membership in Citycon's Board committees:

Audit and Governance Committee
Nomination and Remuneration Committee

**RACHEL LAVINE**

Member of the Board of Directors since 2015

CPA., MBA, Israeli citizen, born 1965

Main occupation: Atrium European Real Estate Ltd., Vice Chairman of the Board since 2014; Gazit-Globe Ltd., CEO 2015–2017

The Board's assessment of independence:

Independent of the company

Citycon shares*: -

Membership in Citycon's Board committees:

Audit and Governance Committee
Strategy and Investment Committee

* Includes the shares and share-based rights in the company and companies belonging to the same group held by the director and corporations over which he or she exercises control



Board members' personal details can also be found on the company's website at citycon.com/board-directors and information on their personal shareholdings in Citycon at citycon.com/managers-holdings-shares.



DAVID LUKES

Member of the Board of Directors since 2017

M.Sc. (real estate development), Architect, US citizen, born 1970

Main occupation: DDR Corp., CEO and President since 2017; Equity One, Inc., CEO and President 2014–2017

The Board's assessment of independence: Independent of the company

Citycon shares*: -

Membership in Citycon's Board committees:

Strategy and Investment Committee, Chairman



ANDREA ORLANDI

Member of the Board of Directors since 2014

MBA (INSEAD), Italian citizen, born 1971

Main occupation: Canada Pension Plan Investment Board (CPPIB), London, Managing Director, Head of Real Estate Investments Europe since 2014

The Board's assessment of independence: Independent of the company

Citycon shares*: -

Membership in Citycon's Board committees:

Audit and Governance Committee
Strategy and Investment Committee



CLAES OTTOSSON

Member of the Board of Directors since 2004

Electrical Engineer, Swedish citizen, born 1961

The Board's assessment of independence: Independent of the company and significant shareholders

Main occupation: ICA Kvantum Hovås, Managing Director since 1990

Citycon shares*: 77,802

Membership in Citycon's Board committees:

Nomination and Remuneration Committee
Strategy and Investment Committee



PER-ANDERS OVIN

Member of the Board of Directors since 2013

M.Sc (Economics), Swedish citizen, born 1956

Main occupation: Mengus Stockholm AB, Board Chairman, Partner and Owner since 2005; Marrakech Design/Ovin Consulting AB, owner since 2003

The Board's assessment of independence: Independent of the company and significant shareholders

Citycon shares*: 23,000

Membership in Citycon's Board committees:

Audit and Governance Committee
Nomination and Remuneration Committee



ARIELLA ZOCHOVITZKY

Member of the Board of Directors since 2009

B.A. (Economics and Accounting), CPA (Israel), MBA, Israeli citizen, born 1957

Main occupation: C.I.G. Consultants Ltd., General Manager & partner since 2001; C.I.G. Zochovitzky Ltd., General Manager & partner since 2012

The Board's assessment of independence: Independent of the company and significant shareholders

Citycon shares*: 11,700

Membership in Citycon's Board committees:

Audit and Governance Committee, Chairman
Nomination and Remuneration Committee

** Includes the shares and share-based rights in the company and companies belonging to the same group held by the director and corporations over which he or she exercises control*



Board members' personal details can also be found on the company's website at citycon.com/board-directors and information on their personal shareholdings in Citycon at citycon.com/managers-holdings-shares.

3.3 Description of the charter and operations of the Board of Directors

In addition to the statutory duties, the charter of the Board of Directors is included in the Corporate Governance Guidelines. According to the charter, the most important duties of the Board of Directors are as follows:

- confirm the business strategy, targets and main procedures
- appoint the CEO and approve the appointment of other members of the Corporate Management Committee
- supervise the finances (including, for example, approval of interim and half-yearly reports, financial statements and group-level budgets and financing plans and overseeing their implementation)
- determine the company's dividend policy
- decide on major and strategically important (property) acquisitions, (property) divestments and (property) development projects
- decide on the remuneration principles and schemes of the CEO and employees and approve the division of remunerations paid under the schemes
- confirm the corporate governance principles and the principles of internal control and risk management and monitor the adequacy, appropriateness and efficiency of the company's administrative processes

The CEO provides the Board of Directors with a regular review of the most significant matters with regard to the company's operations, business environment and financial position.



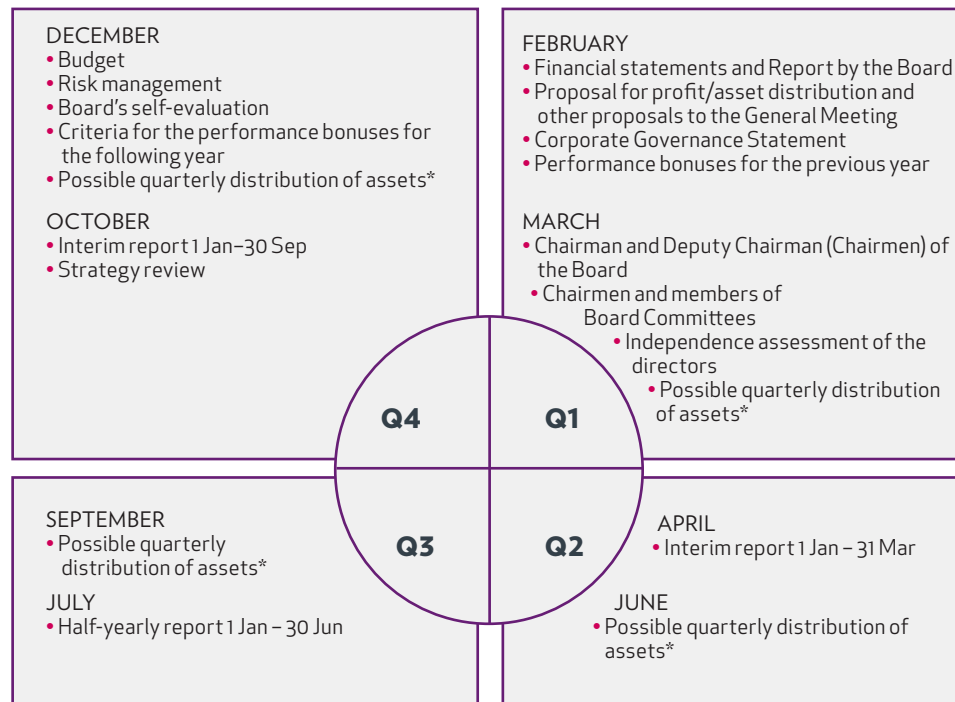
The Board members are strongly committed to the company and actively participate in the Board and Committee work

The Board of Directors convenes according to a predetermined meeting schedule eight times a year and when deemed necessary. The meeting schedule is based on the company's financial reporting schedule, the asset distribution schedule and the Board of Directors' strategy and budget meetings, as indicated in the Board's year clock shown on the right.

Items are discussed in Board meetings in accordance with a prepared agenda. The Board of Directors constitutes a quorum if more than half of its members are present. Considering the Board of Directors' international composition, the use of telephone or video conferencing for meetings is possible. Minutes are kept of each meeting, and they are reviewed and approved in the following meeting.

The Board of Directors evaluates its operations and working methods annually. The Nomination and Remuneration Committee ensures that the evaluation

BOARD OF DIRECTORS' YEAR CLOCK



* Authorisation granted by the GM to the Board is required

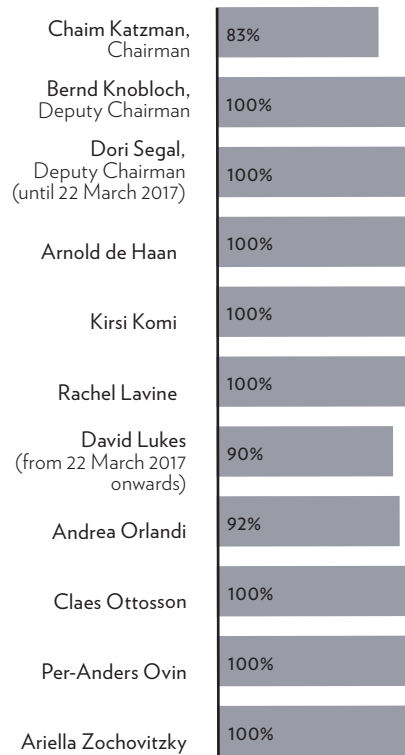
is carried out. In 2017, the evaluation was conducted as self-evaluation. One of the highlights of the evaluation was the significance of the diverse expertise of the Board as facilitator of efficient and value creating Board work.

In 2017, Citycon's Board of Directors held four meetings in addition to its original meeting schedule, convening a total of 12 times during the year. Of the meetings, four were held in the headquarters of the company, two in the company's office in Stockholm, five as video/teleconferences, and one as a per capsulam meeting, i.e. through a unanimous written decision. Board meetings outside the original meeting schedule were mostly related to the sale of non-core assets, and the NOK-denominated bond issued in September.

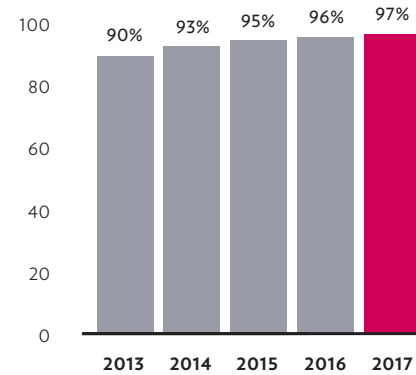
The Board members are committed to Board work and participate actively in the meetings.

The average attendance rate at Board meetings in 2017 was 97%.

BOARD MEETING ATTENDANCE IN 2017



AVERAGE BOARD MEETING ATTENDANCE IN 2013-2017



3.4 Diversity of the Board of Directors

Citycon's Corporate Governance Guidelines states the principles of diversity for the Board of Directors. According to the principles of diversity, when planning the composition of the Board, the Nomination and Remuneration Committee shall take into account the candidates' background, independence, age, gender, skills and experience, the suitable number of candidates and their opportunity to devote a sufficient amount of time to their work. In addition, the company's strategy, the requirements set by the company's operations and the company's stage of development shall be taken into account in the composition of the Board of Directors. The Nomination and Remuneration Committee shall take account of proposing both genders as members of the Board of Directors.

The company's Nomination and Remuneration Committee took into account

the company's diversity principles when preparing a proposal for the composition of the Board of Directors in 2017. The members elected for the Board of Directors in 2017 are presented above under item **3.2 Information about Board members**.

In 2017, the composition of Citycon's Board of Directors was balanced with regard to the diversity principles. The members of Citycon's Board of Directors had extensive and diverse expertise and an international background. The members' competence, education, experience and seniority complemented each other. Some members have been in the Board for a longer time, some less. The Board of Directors has special expertise and experience in the fields of real estate and retail business, financing and accounting, legal affairs and corporate management and administration. The directors represented

NATIONALITY

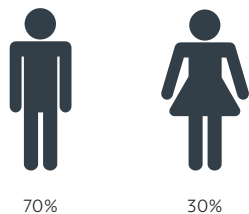


Finland, Germany, Israel, Italy, Sweden, The Netherlands and The United States

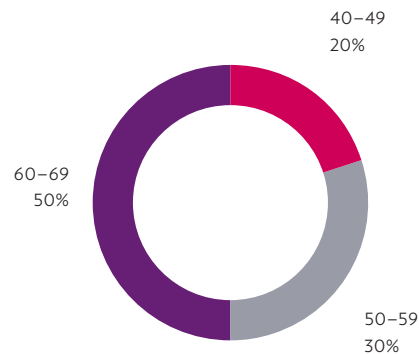
seven nationalities. Both genders were represented in Citycon's Board of Directors in accordance with the objectives specified by

the company, and the directors were active in their participation in the operations of the Board.

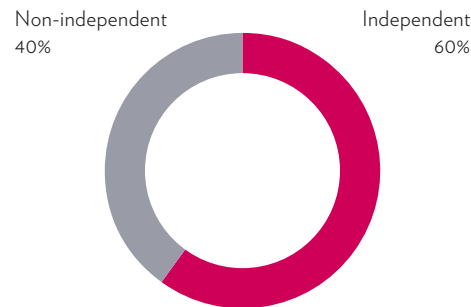
GENDER



AGE

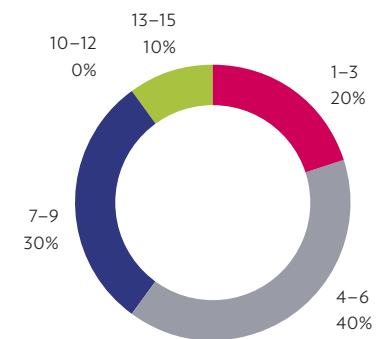


INDEPENDENCE OF SIGNIFICANT SHAREHOLDERS*



* All Board members are independent of the company

DURATION OF BOARD MEMBERSHIP*



4. BOARD COMMITTEES

4.1 Operations and compositions of the committees

Citycon's Board of Directors is assisted by three committees set up by the Board of Directors: the Audit and Governance Committee, the Nomination and Remuneration Committee and the Strategy and Investment Committee.

In Board committees, directors are able to delve into matters in greater detail than the Board of Directors as a whole. Each committee's main duties and working principles are established in writing by the committee charters included in Citycon's Corporate Governance Guidelines.

The Board of Directors elects the Board Committee members and chairmen from among its members. The committee members shall have the expertise and experience required for the duties of the committee. A committee always has at least three members. The CEO does not belong to any of the committees.

The committees' chairmen report on issues discussed by the committees to the Board of Directors. In addition, minutes are prepared of all committee meetings and made available to all Board members.

The members of Board committees in 2017 are listed above under **3.2 Information about Board members** and below in connection with the description of each committee.

4.2 Descriptions of committee charters and operations

Audit and Governance Committee

The Audit and Governance Committee has a central role in the company's financial reporting process and the development of corporate governance practices. Furthermore, the committee's tasks include communications with the auditor and internal audit.

According to the committee charter, the most important duties of the Audit and Governance Committee are as follows:

- monitor financial reporting and review the financial reports and the corporate governance statement
- monitor the efficiency of internal control, internal audit and risk management systems and approve internal audit plans and reports
- make recommendations related to corporate governance and review the company's Code of Conduct principles and compliance with them
- evaluate the independence of the Board members and make related recommendations to the Board
- prepare a proposal to the Board on the election and remuneration of the auditor to be presented to the General Meeting
- review auditor's reports and communicate with the auditor
- evaluate the auditor's independence
- prepare a proposal to the Board of Directors for the election of an external appraiser to assess the company's property portfolio

Members of the Audit and Governance Committee must be independent of the company and at least one committee member must be independent of the company's significant shareholders. Committee members must have expertise and experience in the respective field. At least one committee member must be a financial expert with sufficient knowledge and experience in the fields of accounting or auditing and in the accounting principles applicable to the company.

Citycon's responsible auditor attends the Audit and Governance Committee meeting in which the company's annual financial statements are reviewed, and reports on audit findings. The responsible auditor also attends other Audit and Governance Committee meetings upon the committee's request. In 2017, the company's auditor, Ernst & Young Oy, was represented in the committee meetings in which the company's interim and half-yearly reports, financial statements and budget-related risks were reviewed.

The Audit and Governance Committee meets at least four times a year in accordance with the company's financial reporting schedule in order to review the interim and half-yearly reports and annual financial statements of the company. In 2017, the Audit and Governance Committee processed, in addition to the regular financial reports, the company's risk management and treasury reports, internal audit plans and reports, property portfolio valuation reports, updates to the Insider Guidelines, the Disclosure Policy and Code of Conduct, and auxiliary services purchased from the auditor. The

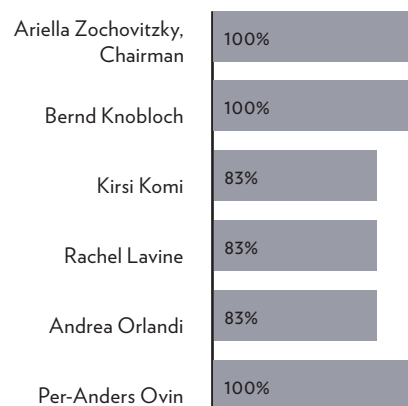


Good collaboration with the auditor and internal audit

Audit and Governance Committee also prepared a proposal for a decision on the election of an external property evaluator.

The committee also prepared a suggestion on the election of the auditor and remuneration paid to the auditor to the Board of Directors who presented it to the Annual General Meeting.

The Audit and Governance Committee convened six times in 2017. The average attendance rate at the meetings stood at 92%. The graph below indicates attendance rates by member.



Nomination and Remuneration Committee

The Nomination and Remuneration Committee prepares proposals for the election of the Board of Directors and their remuneration, as well as matters regarding the appointment and remuneration of the CEO and other senior executives, and employee remuneration schemes.

According to the committee charter, the most important duties of the Nomination and Remuneration Committee are as follows:

- find candidates for the Board of Directors and prepare proposals on the election of the Board members and their remuneration to the Board of Directors for presentation to the General Meeting
- prepare a proposal to the Board of Directors for the composition and chairmen of the Board committees
- ensure that the Board carries out its annual self-evaluation
- prepare matters pertaining to the appointment and remuneration of the company's CEO, the CEO's deputy and other senior executives
- prepare the company's remuneration schemes and monitor their appropriateness
- evaluate the CEO's performance
- evaluate the successor planning of the senior executives

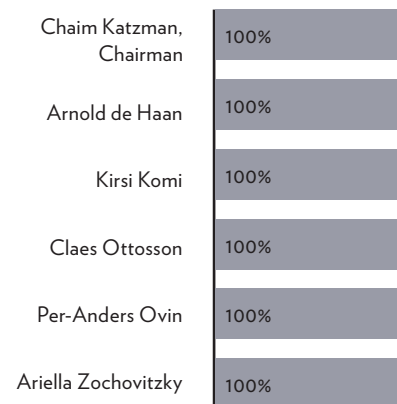
The members of the Nomination and Remuneration Committee must be independent of the company.

When seeking potential Board members, the Nomination and Remuneration Committee shall take account of the requirements of the company's strategy and operations, the diversity principles of the Board and the company's stage of development. The company's diversity principles are described above under **3.4 Diversity of the Board of Directors**. The committee begins preparations for the election of Board members in the autumn prior to the following year's AGM. The Nomination and

Remuneration Committee consults significant shareholders of the company in this matter.

The Nomination and Remuneration Committee meets at least twice a year. In 2017, the Nomination and Remuneration Committee prepared proposals for the Board concerning the number and remuneration of Board members and the composition of the Board, which the Board then presented to the AGM. Other matters addressed at the committee's meetings focused on, among others, the company's short- and long-term remuneration schemes and remunerations paid under the schemes.

In 2017, the Nomination and Remuneration Committee convened three times with an average attendance rate of 100%. The graph below indicates attendance rates by member.



Strategy and Investment Committee

The Strategy and Investment Committee supports the Board of Directors in defining and monitoring the company's strategic direction, and monitors the company's prop-



Guidance for optimising the property portfolio

erty development projects and optimisation of the property portfolio.

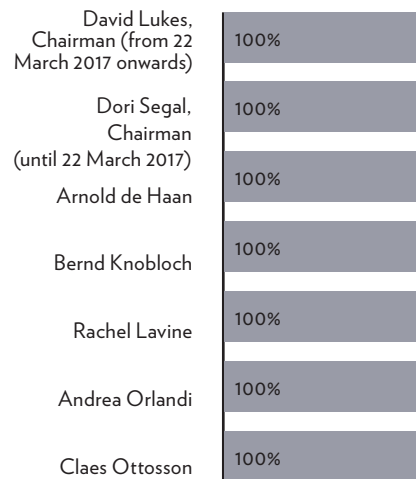
According to the committee charter, the most important duties of the Strategy and Investment Committee are as follows:

- guide and develop the optimisation of the company's property portfolio and explore alternative ownership structures to optimise the property portfolio
- set general guidelines for the acquisition of new properties and the redevelopment of properties
- develop and supervise planning and approval processes of acquisitions, property development projects and divestments pertaining to the company's property business
- follow-up on property development projects as well as integration process and profitability of completed projects and acquired properties
- decide on acquisitions, property development projects and divestments within the authorisations set by the Board of Directors, or make recommendations on decisions to the Board

The members of the Strategy and Investment Committee must be independent of the company.

The Strategy and Investment Committee meets as necessary but at least twice a year. In 2017, the Strategy and Investment Committee made recommendations for resolutions to the Board regarding, for instance, divestment of non-core assets and property development projects. The committee also discussed further development of Citycon's property portfolio and the market conditions in Citycon's operating countries.

In 2017, the Strategy and Investment Committee convened four times with an average attendance rate of 100%. The graph below indicates attendance rates by member.



5. CHIEF EXECUTIVE OFFICER (CEO)

Citycon's Board of Directors appoints the company's CEO and decides on the terms and conditions of his/her service agreement. The service terms of the CEO are stipulated in a written service agreement approved by the Board of Directors.

According to the company's Corporate Governance Guidelines, the duties of the CEO are as follows:

- be in charge of the day-to-day management and supervision of the company in accordance with the provisions of the Finnish Limited Liability Companies Act, the company's Corporate Governance Guidelines and the authorisations and guidelines received from the Board of Directors
- bear responsibility for ensuring that the company's accounting is legally compliant and that its financial affairs are arranged in a reliable manner
- attend to the everyday management of the company in accordance with the guidelines and instructions given by the Board of Directors
- prepare matters to be presented to the Board
- attend the meetings of the Board of Directors and its committees and present matters to the Board and its committees insofar as this is not done by the chairman of the Board or the committee in question
- oversee compliance with the guidelines, procedures and strategic plans established by the Board of Directors
- ensure that Board members continuously receive all the information they need to

monitor the company's financial position, liquidity, financing and other development

- inform the Board of Directors of any major events, decisions and plans related to the company's business
- serve as the Chairman of the company's Corporate Management Committee

Marcel Kokkeel (LL.M., born 1958), a Dutch citizen, has been the company's CEO since 2011. The CEO's service agreement is valid until further notice. 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 shall be paid, in addition to the salary payable for the notice period, a severance pay consisting of 1.5 times the CEO's fixed annual salary at the moment of termination.

6. CORPORATE MANAGEMENT COMMITTEE

In managing the company's business operations, Citycon's CEO is assisted by the Corporate Management Committee, comprising at least three members.

As an expert body, the Corporate Management Committee's main duty is to assist the CEO in the management of the company's operative business, to co-ordinate and develop the company's various operative functions and to promote information flow and co-operation between different parts of the organisation.

In accordance with the company's Corporate Governance Guidelines, the Corporate Management Committee assists the CEO, particularly in the following matters:

- preparing changes and revisions related to the company's strategy in accordance with the guidelines issued by the Board of Directors for presentation to the Board
- preparing the company's budget for presentation to the Board and monitoring its implementation
- planning and preparing organisational changes required by the Board of Directors and the CEO
- monitoring the profitability of the company and its business units and current affairs relevant to the business

As a general rule, the Corporate Management Committee convenes once a month in the various countries the company operates in. In 2017, the Corporate Management Committee convened 15 times. The Secretary to the Corporate Management Committee was, until September 2017, Henrica Ginström, Vice President, IR and Communications, and from November 2017, Mikko Pohjala, Head of Investor Relations.

Information about the CEO and other members of the Corporate Management Committee, 31 December 2017



**Chief Executive Officer (CEO)
Chairman of the Corporate Management
Committee**

MARCEL KOKKEEL

Member of the Corporate Management Committee since 2011

LL.M. (Law), Dutch citizen, born 1958

Citycon shares*: 674,748

Citycon stock options 2011: 1,000,000



**Executive Vice President and
Chief Financial Officer**

EERO SIHVONEN

Member of the Corporate Management Committee since 2005

M. Sc. (Econ.), Finnish citizen, born 1957

Area of responsibility: finance, treasury, investor relations, IT

Citycon shares*: 161,892

Citycon stock options 2011: 750,000



General Counsel, Head of Legal Affairs

ANU TUOMOLA

Member of the Corporate Management Committee since 2011

LL.M., Trained at the Bench, Finnish citizen, born 1974

Area of responsibility: legal matters, compliance, Board secretary

Citycon shares*: 2,992

Citycon stock options 2011: 300,000



Chief Operating Officer

JURN HOEKSEMA

Member of the Corporate Management Committee since 2014

M.Sc. (Engineering), Dutch citizen, born 1974

Area of responsibility: operational business, marketing

Citycon shares*: 7,252

Citycon stock options 2011: -



Chief Development Officer

TOM LISIECKI

Member of the Corporate Management Committee since July 2017

BA (Honours) (Econ.), EMBA, Canadian and Polish citizen, born 1979

Area of responsibility: property investments and development

Citycon shares*: -

Citycon stock options 2011: -

7. REMUNERATION

Citycon's Remuneration Statement is provided as a separate report, distinct from this CG Statement. The Remuneration Statement includes the description of the decision-making procedure concerning the remuneration of the directors, the CEO and any other executives and of the main principles of remuneration, as well as the remuneration report which discloses the remuneration paid during the previous reporting period.



Citycon's Remuneration Statement is available on the company's website at citycon.com/remuneration.

The personal information and holdings of the Vice President, Marketing and Branding who stepped down from Citycon's Corporate Management Committee on 31 December 2017 are included in the footnote (information as of the day of resignation).**

* Includes the shares and share-based rights in the company and companies belonging to the same group held by the CEO or CMC member and corporations over which he or she exercises control.

** Vice President, Marketing and Branding, Marianne Mazarino Håkonsen, Member of the Corporate Management Committee 2015 - 31 December 2017, M.Sc. (Communications), Norwegian citizen, born 1967
Citycon shares*: -
Citycon stock options 2011: -



Information on Corporate Management Committee members' career histories and positions of trust is available on the company's website at citycon.com/corporate-management-committee.

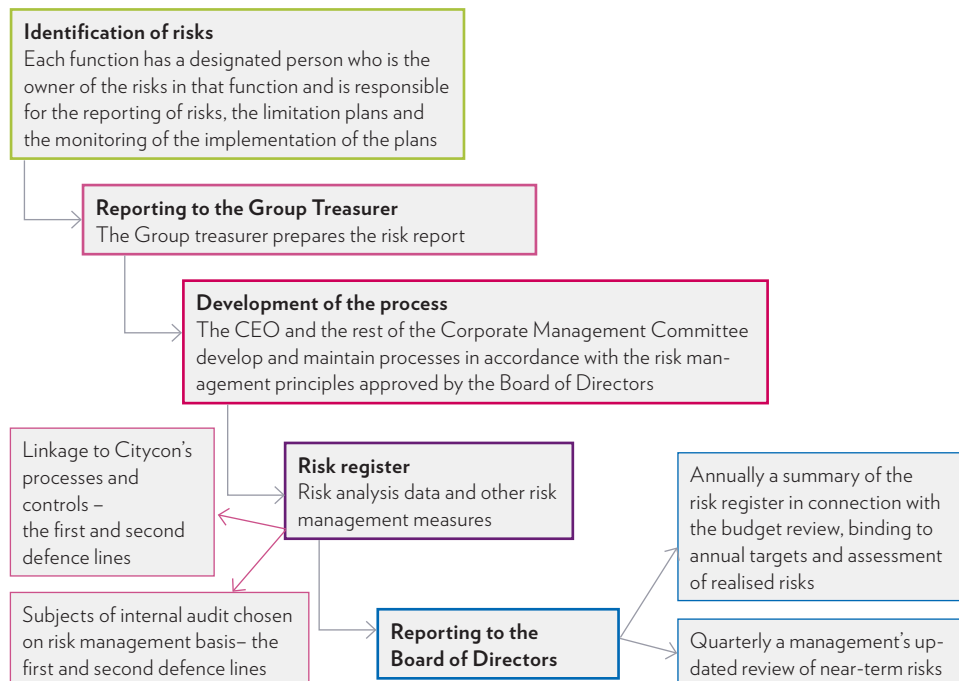
III. DESCRIPTIONS OF INTERNAL CONTROL PROCEDURES AND THE MAIN FEATURES OF RISK MANAGEMENT SYSTEMS

The purpose of Citycon's risk management and internal control is to ensure that the Group's operations are both efficient and effective, that reporting is consistent and reliable and that the applicable laws and regulations as well as the Citycon group's operating principles are observed. Internal control of financial reporting aims to ensure

that any interim and half-yearly reports and financial statements to be published are reliable and are prepared in compliance with the accounting policies and reporting principles applied by Citycon and give materially correct information about the company's financial position.

On 31 December 2017 Citycon had a total of 95 subsidiaries, 25 joint ventures and associated companies and 3 companies with less than 20% minority ownership in its operating countries.

MAIN FEATURES OF THE RISK MANAGEMENT PROCESS AND ITS RELATION TO INTERNAL CONTROL



1. GENERAL DESCRIPTION OF RISK MANAGEMENT

Citycon is exposed to various risks through the normal course of its business operations. Expected gains are to be assessed against the involved risks. Citycon's risks are managed in the various functions as a part of operational management and risk management constitutes part of the company's internal control.

The risk management and reporting process involves:

- identifying the existing risks
- assessing the risk management measures
- making new risk limitation plans if the current measures are not deemed sufficient for the management of the identified risks.

The risk reporting process gathers data on risk analysis, risk management plans and risk owners into one group-wide risk register, for annual reporting to Citycon's Board of Directors. This is done in conjunction with the budgeting process so that the risks are linked to the annual targets. In order to evaluate the importance of each risk, an estimate of the potential future loss associated with the realisation of the risk is determined together with the probability of the realisation of the risk, whenever possible. This also improves the comparability of risks between business units and functions. In addition, the realised risks during the previous year are assessed and reported.

Each function in the company has a designated person who is the owner of risk management in that area and is also responsible for the reporting of risks, limitation plans and



The objective of Citycon's risk management is to ensure that the business targets are achieved by identifying, assessing and monitoring key risks as well as to avoid, transfer or mitigate these risks

monitoring the implementation of the plans. Key risks are reported to the Group Treasurer, who prepares the risk report for the Board of Directors. The CEO and the Corporate Management Committee are responsible for developing and maintaining the processes in accordance with the risk management principles approved by the Board of Directors. The Board of Directors monitors the company's business risks and uncertainties on a regular basis and reports them as required by law and the regulations and guidelines issued by the Finnish Financial Supervisory Authority.

Each year, Citycon assesses risks related to processes deemed significant to financial reporting, to serve as a basis for internal control over external financial reporting. In addition to the group's finance function, the business units' financial management participates in the risk assessment process. Fraud risks are also assessed in this connection.

The company's key risks and uncertainties and the most important risk management measures and principles are covered more extensively annually in connection with Citycon's financial statements.

2. GENERAL DESCRIPTION OF INTERNAL CONTROL

Citycon's internal control system is based on the international COSO 2013 framework (The Committee of Sponsoring Organizations of the Treadway Commission). It includes the key principles related to the control environment, risk assessment, control activities, information, communication and monitoring

activities. The cornerstones of Citycon's control environment include group-level operating policies and guidelines, harmonised controls in the operating processes and assessment of controls and deviations during the reporting period. In 2017, Citycon continued to develop, supervise and monitor the internal controls in its processes, within the framework prepared in 2010 and updated in 2014. The assessment of the effectiveness of control points continued by testing controls in the business units and group functions. The company evaluated the testing, and any exceptions in the tests were assessed individually and in aggregate. On

the basis of the summary prepared by the company, there are no indications that these control deviations would lead to material errors in Citycon's financial statements.

3. INTERNATIONAL COSO FRAMEWORK AS THE FOUNDATION FOR INTERNAL CONTROL

Control environment

The division of duties included in Citycon's Corporate Governance Guidelines and the group's organisational structure ensure that the areas of responsibility and division of authority are clear for all functions and the management and employees.

At Citycon, the Board of Directors is responsible for arranging and maintaining adequate and effective internal control.

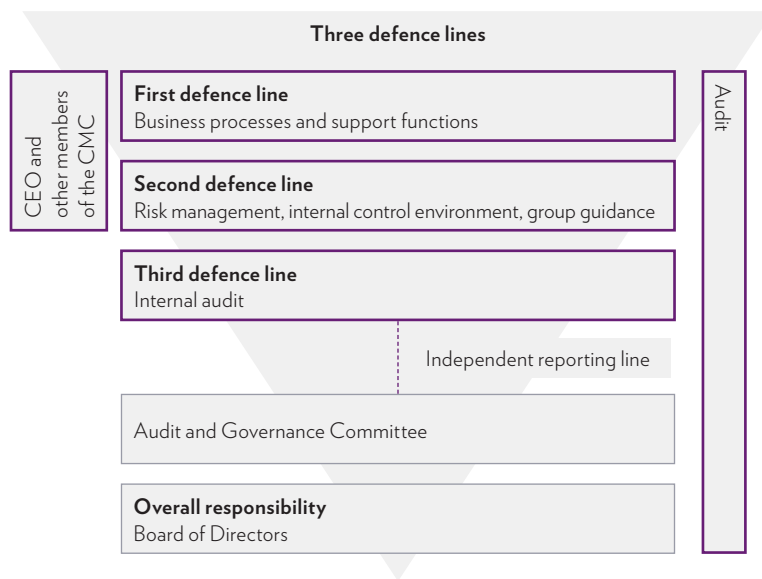
In accordance with the Board of Directors' and its committees' written charters, the Board's Audit and Governance Committee assesses the company's financial reporting process and the appropriateness of the internal control system and reviews the internal control reports. The duties of the Board of Directors and the Audit and Governance Committee are presented in more detail in the section regarding the Board of Directors and its committees.

It is the CEO's duty to attend to the implementation of practical actions regarding internal control and to maintain an organisational structure in which responsibility, authority and reporting relationships are clearly and comprehensively defined in writing. Citycon uses an authorisation matrix that covers all functions. It defines the

division of authority by specifying approval limits in euros for each organisational role. In addition, all of Citycon group's employees have a written job description, which includes the employee's key duties, areas of responsibility and authorisations. Job descriptions are reviewed twice a year during employee performance reviews, in which each employee's performance is assessed against set targets.

The ethical principles and business norms of Citycon's business are specified in Citycon's Code of Conduct, which is one of the basic documents of the company's corporate governance principles. Compliance with the principles is promoted through internal communication and training. Citycon makes an effort to ensure that its key business partners also comply with the same or similar principles.

ROLES IN INTERNAL CONTROL AND RISK MANAGEMENT



The group's personnel and business partners can report suspected violations of Citycon's Code of Conduct on Citycon's website at citycon.com/sustainability/report-violation.

4. CONTROL ACTIVITIES

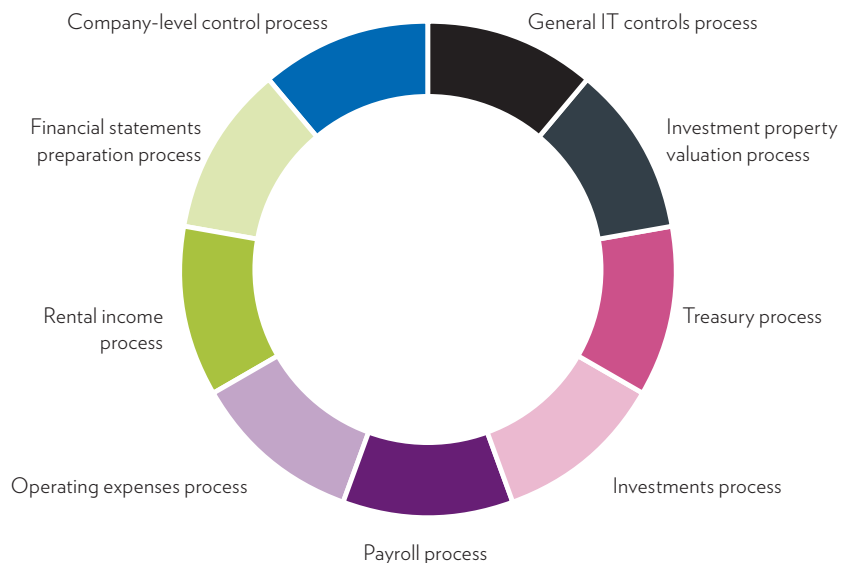
The company’s accounting and reporting manuals define the standards, processes and responsibilities for financial reporting. These manuals facilitate the achievement of Citycon’s objectives regarding the reliability of financial reporting. The Board of Directors approves group-level policies as determined in company’s Corporate Governance Guidelines and any changes to them. Accounting and reporting manuals and policies are available on the company’s intranet site. Meetings are held on a regular basis in which the manuals are discussed with all personnel involved in the financial reporting process.

Descriptions of processes that are significant to Citycon’s business and reporting have been documented. These are implemented in the organisation’s daily operations and thus constitute a material part of the daily risk management within the organisation. The process descriptions have been supplemented by defining control points in each process, based on the risk assessment of reporting. These control points include, for example, approvals, reconciling sub-ledgers and accounts, analytic reviews, limitations of access rights and segregation of duties. Control points for each process are documented in control catalogues, which have been customised by the business units

to reflect the characteristics of their own organisation’s operations.

The defined control points are designed to prevent, detect and correct material errors and deviations in financial reporting. The number of control points varies by process, from approximately 10 to 20. These control points are also included in the descriptions of the day-to-day duties of employees participating in the reporting.

FINANCIAL REPORTING PROCESSES



5. INFORMATION AND COMMUNICATION

All external communication is carried out in accordance with Citycon’s Disclosure Policy. The Board of Directors approves all financial reports issued by the company, before they are published as stock exchange releases.

The control points of the internal control are communicated to Citycon group’s personnel. Business units have the main responsibility for this communication; they discuss the internal control targets and the defined control points in their meetings at various organisational levels.

THE COMPANY’S EXTERNAL COMMUNICATIONS ARE CARRIED OUT IN SEVERAL EVENTS AND IN DIFFERENT CHANNELS:



General meeting



Investor meetings



Analyst events



Company visits



Reports and releases



Website



Interviews



Expert panels

6. MONITORING ACTIVITIES

Citycon's business unit executives are responsible for ensuring that the relevant laws and regulations are adhered to in their respective functions of responsibility. The Corporate Management Committee also monitors compliance with laws and regulations as part of regular supervisory activities. The financial performance of the group and business units is monitored monthly through the group's business review processes.

In Citycon group, monitoring of internal control includes both ongoing and separate evaluations and audits. The objective of the monthly analysis of reported figures at various levels (e.g. shopping centre, cluster, business unit, group) is to detect whether the reported figures deviate from budgeted or forecast figures. The purpose of internal controls monitoring and testing is to detect control deviations in each significant process for financial reporting that might affect the accuracy of Citycon's financial reporting if the deviation in question is not corrected.

In 2017, testing of internal controls continued with regard to the main processes of the group management and each business unit. These tests were conducted by assessors who are independent of the business unit's daily operations and were steered by the group management. The significance and impacts of deviations detected in these tests were evaluated by the group management, and the necessary corrective measures were initiated. On the basis of the resulting summary drawn up by the group management, there are no indications that these control deviations would lead to material errors in Citycon's financial statements.

IV. OTHER INFORMATION TO BE PROVIDED IN THE CG STATEMENT

1. DESCRIPTION OF THE ORGANISATION OF THE COMPANY'S INTERNAL AUDIT AND OF THE MAIN PRINCIPLES FOLLOWED IN THE INTERNAL AUDIT

Citycon has a separate internal audit function. The duties of internal audit include independent and objective auditing activities, as well as value-adding consulting activities that improve operations. Internal audit contributes to the achievement of the company's objectives through systematic assessment and development of the company's risk management, internal control and corporate governance processes. The internal audit function reports directly to the Board's Audit and Governance Committee and, administratively, to the CEO. The internal audit reporting relationships are also described in section II **Descriptions concerning corporate governance** of this statement (see the figure 'Citycon's corporate governance structure'). A representative from Citycon's organisation has been designated to co-ordinate the practical work of internal audit. In 2017, internal audit services were purchased from an external service provider, PricewaterhouseCoopers Oy.

The Internal Audit Charter was last approved by the Board's Audit and Governance Committee in 2014. According to the charter, the duties of internal audit include, among others, assisting the Board of Directors, its committees and the corporate management with the assessment of processes related to the identification and management of risks,

supervision of financial reporting, efficiency of operations and compliance with law. Within the scope of the authorisation granted through the Internal Audit Charter, the internal audit function has unlimited access to Citycon's functions, processes, documents and personnel in order to perform audits.

The internal audit function assists the Board's Audit and Governance Committee in assessing and monitoring the adequacy and effectiveness of Citycon's internal controls and risk management, by performing audits in group legal entities and processes in accordance with the annual plan approved by the Board's Audit and Governance Committee. The annual plan is approved by the Audit and Governance Committee at its meeting each year. The progress of audits under the internal audit annual plan is reported to the Board's Audit and Governance Committee each quarter. In addition, the Board's Audit and Governance Committee deals with each internal audit report at its meeting, including observations, recommendations and action plans. Observations from the previous year and the progress of implementing the action plans are reported to the Audit and Governance Committee's second meeting of the year.

In accordance with Citycon's audit plan, internal audits in 2017 focused on a selected property development project, purchasing and leasing processes, selected security-related areas and follow-up of previous years' audit observations.

2. RELATED PARTY TRANSACTIONS

The company has determined that its related parties comprise Citycon Oyj and its

subsidiaries, associated companies and joint ventures; Board members; CEO and other Corporate Management Committee members; and the company's largest shareholder Gazit-Globe Ltd. that held 44.6% of the company's shares and votes on 31 December 2017.

Citycon evaluates and monitors transactions concluded between the company and its related parties and reports on them as required by the Finnish Limited Liability Companies Act and regulations concerning the preparation of financial statements, in the company's Report by the Board of Directors, the notes to the financial statements and interim and half-yearly reports. In addition, the company's Executive Vice President and Chief Financial Officer reports quarterly on the company's related party transactions to the Audit and Governance Committee of the Board of Directors and to Board members who are independent of significant shareholders.

In decision-making pertaining to related party transactions, the company ensures that potential conflicts of interests are appropriately taken into account and related parties or their representatives do not participate in the decision-making.

In 2017, the company had no related party transactions deviating from the company's normal business operations or not made on market or market equivalent terms.

3. MAIN PROCEDURES RELATING TO INSIDER ADMINISTRATION

In its insider administration, Citycon applies the EU's Market Abuse Regulation (MAR) and the Insider Guidelines issued by Helsinki Stock Exchange. The company's own Insider Guidelines approved by the company's Board of Directors supplement the applied insider regulation and specify the company's insider administration procedures. The company's General Counsel and Head of Legal Affairs is in charge of Citycon's insider issues.

3.1 Persons discharging managerial responsibilities and insider lists

The company has specified the members of the Board of Directors, the CEO and other members of the Corporate Management Committee as its managers referred to in the MAR. Citycon maintains a list of managers and their closely associated persons in Euroclear Finland Ltd's SIRE system. The persons on the list are obligated to report their business transactions in Citycon's financial instruments to the company and the Finnish Financial Supervisory Authority. Citycon publishes such transactions as stock exchange releases.

At the beginning of insider projects, the company sets up a project- or event-based insider lists. The lists include information of persons participating in projects, such as capital market events or significant company or property business transactions. During insider projects, they are not allowed to trade in financial instruments related to the company.

The company does not maintain a list of permanent insiders.



Managers' and their closely associated persons' transactions in Citycon financial instruments are published in the Managers' Transactions section in the Citycon Newsroom at citycon.com/newsroom.

3.2 Closed period and trading restrictions

Citycon applies a closed period of 30 calendar days prior to announcing its financial statements, half-yearly reports and interim reports. The closed period concerns persons discharging managerial responsibilities in the company and other company employees who participate in the preparation of financial statements, half-yearly reports and interim reports. During that period, they are not allowed to trade in securities issued by Citycon, or other securities or financial instruments targeting Citycon shares or securities entitling to Citycon shares. In addition, persons discharging managerial responsibilities are at all times obligated to consult Citycon's insider administration prior to a planned transaction in Citycon's financial instruments.



Closed window periods are shown in the investor calendar which is available at citycon.com/investor-calendar.

4. AUDITOR AND REMUNERATION PAID TO THE AUDITOR

On 22 March 2017, Citycon's Annual General Meeting re-elected audit firm Ernst & Young Oy the company's auditor, with Mikko Ryttilahti (Authorised Public Accountant) acting as the responsible auditor appointed by the firm since 2014.

In 2017, Citycon paid EUR 0.7 million in remuneration to its auditor, related to its general audit. In addition, Citycon purchased advisory services from the auditor by EUR 0.1 million, relating to matters such as the establishment of the company's EMTN ("Euro Medium Term Note") programme and the bond issued in the EMTN programme in September.



FINANCIAL REVIEW 2017

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ABOUT THIS REPORT

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

The accounting principles have been marked with grey background.

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

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

INFORMATION TO SHAREHOLDERS

LISTING OF CITYCON'S SHARES

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

ANNUAL GENERAL MEETING

Citycon Oyj's Annual General Meeting will be held in Helsinki, at the Finlandia Hall (Veranda 4 Hall) on 20 March 2018 at 12:00 noon. The notice, topics discussed in the meeting, proposals made for the Annual General Meeting, as well as the instructions on how to register 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 8 March 2018.

CHANGES OF ADDRESS

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

PUBLICATION OF FINANCIAL INFORMATION

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

SUBSCRIPTION TO PUBLICATIONS

Citycon's financial reports and stock exchange and press releases can be ordered by registering an e-mail address on Citycon's website at citycon.com/newsroom.

INVESTOR RELATIONS CONTACTS

Citycon's Investor Relations function assists in all investor relations related questions. The primary contact is the Head of Investor Relations, Mikko Pohjala (mikko.pohjala@citycon.com).

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 2017, 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 2018

Financial Statements Bulletin and Financial Statements 2017	8 February
Interim Report January – March 2018	19 April
Half-yearly Report January – June 2018	12 July
Interim Report January – September 2018	18 October
AGM record date	8 March
Last day for AGM registration	15 March
AGM	20 March
Dividend payment/equity repayment ¹⁾	29 March 29 June 28 September 28 December

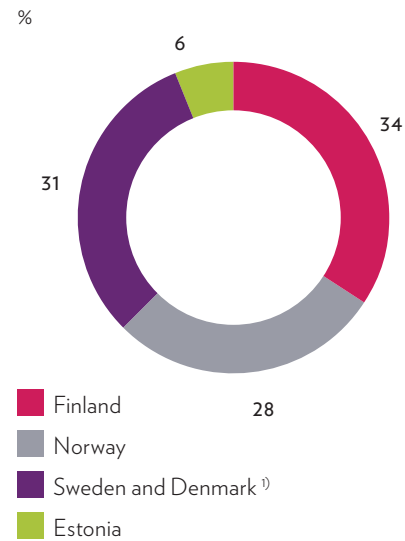
More information: Shares and shareholders, **pages 40–41**

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

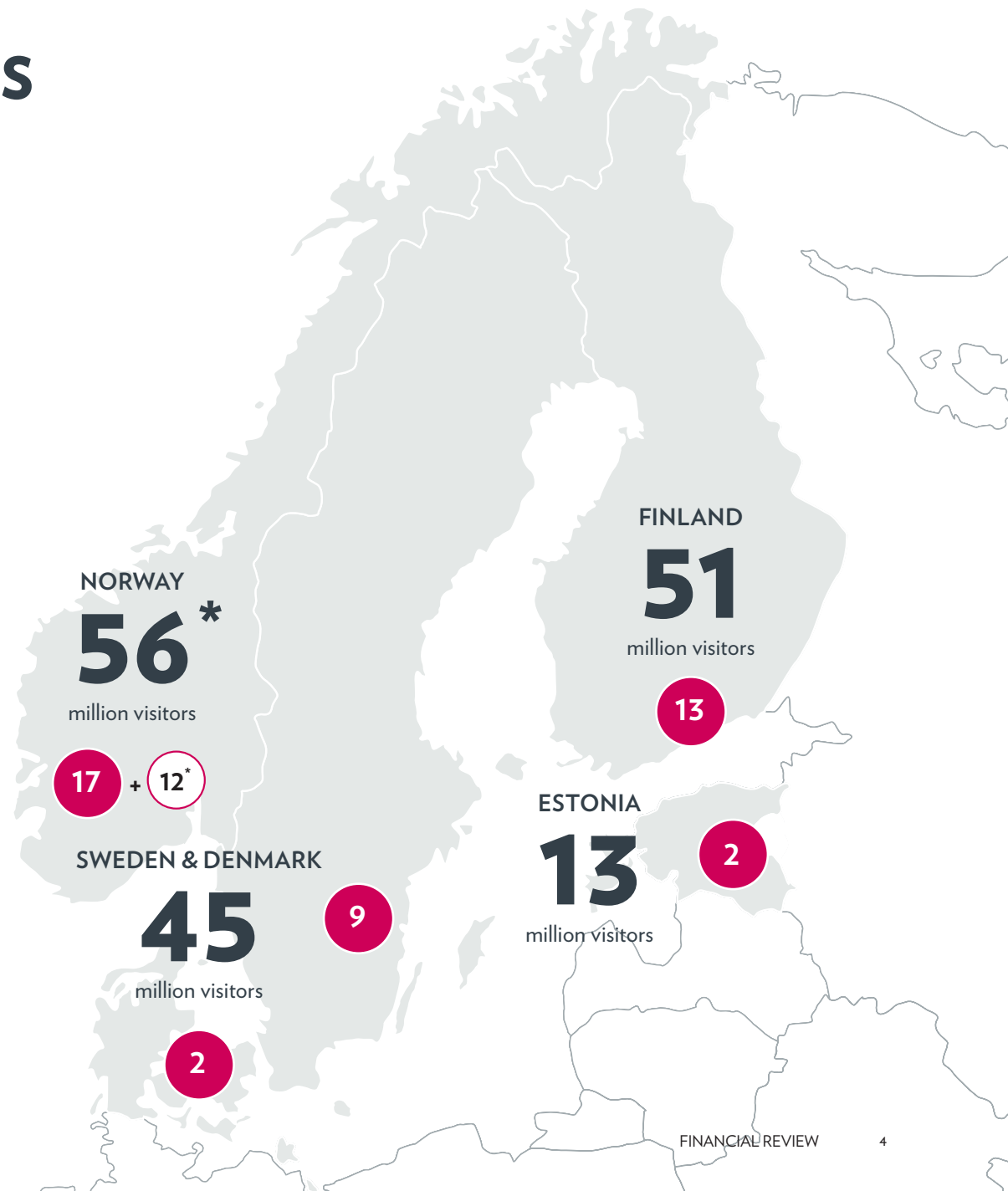
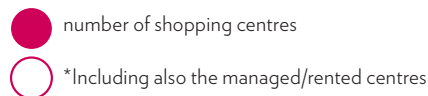
OPERATING LOCATIONS IN THE NORDICS

Citycon operates in the largest and fastest growing cities in the Nordics. The region is home to over 25 million consumers with high purchasing power, and the population growth in the area is among the strongest in Europe.

BALANCED NORDIC PORTFOLIO



¹⁾Including Kista Galleria 100%



WE WANT TO BE THE HOUSEHOLD NAME FOR NORDIC SHOPPING CENTRES

OUR MISSION

Offering the best retail space and everyday shopping experience in urban shopping centres in the Nordics

OUR VISION

Household name for Nordic shopping centres

OUR STRATEGIC FOCUS AREAS



RIGHT ASSETS



RETAIL EXPERTS



STRONG CAPITAL BASE

OUR SUSTAINABILITY PROMISE

Convenient, energy-efficient, accessible and safe shopping centres for our customers and tenants

OUR VALUES

Passionate

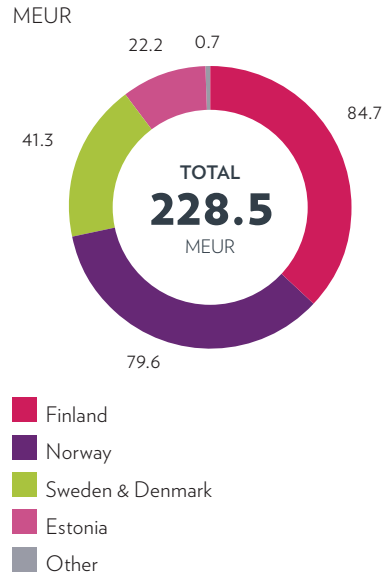
Solution-Oriented

Together One

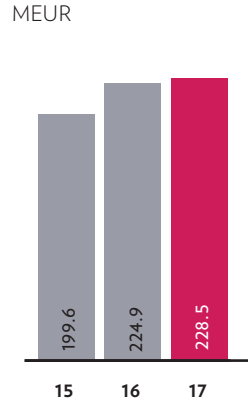


KEY FIGURES

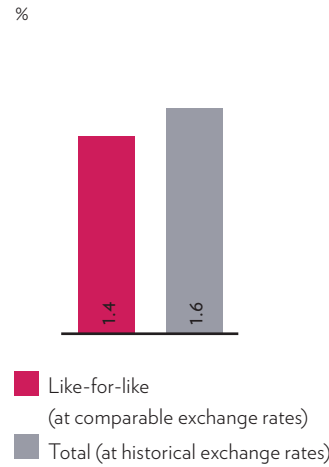
NET RENTAL INCOME BY SEGMENT



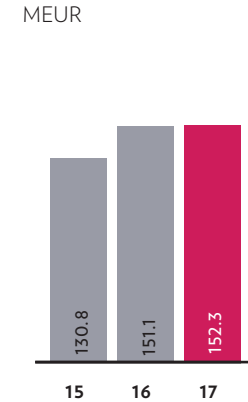
NET RENTAL INCOME



NET RENTAL INCOME GROWTH 2017 VS. 2016



EPRA EARNINGS



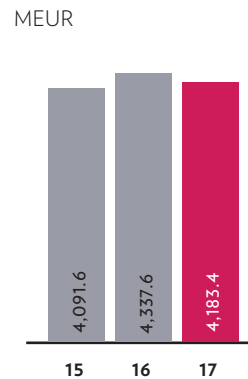
EPRA EARNINGS PER SHARE (BASIC)



EPRA NAV PER SHARE



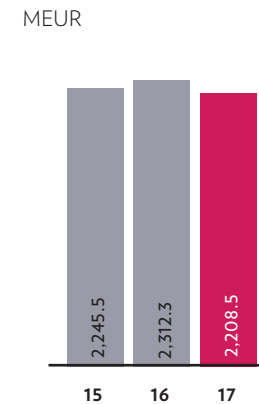
FAIR VALUE OF INVESTMENT PROPERTIES



INVESTMENTS IN PROPERTIES



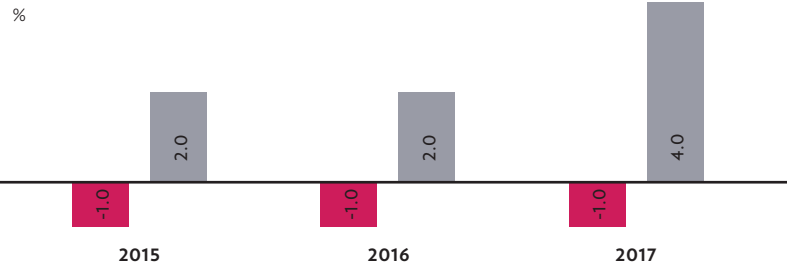
EQUITY



OCCUPANCY RATE (ECONOMIC)



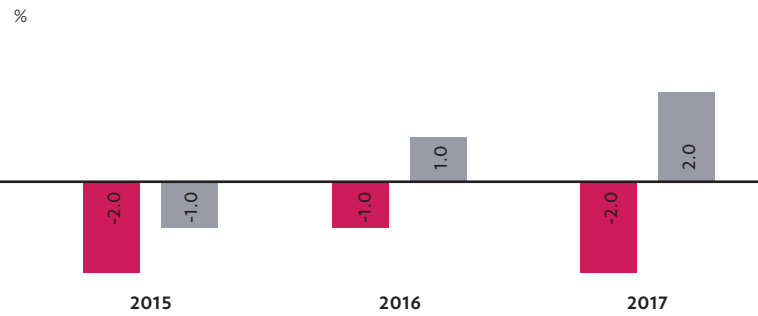
TENANT SALES DEVELOPMENT ¹⁾



- Like-for-like sales
- Total sales

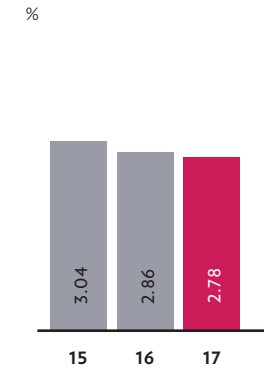
¹⁾ Sales figures exclude VAT.

FOOTFALL DEVELOPMENT

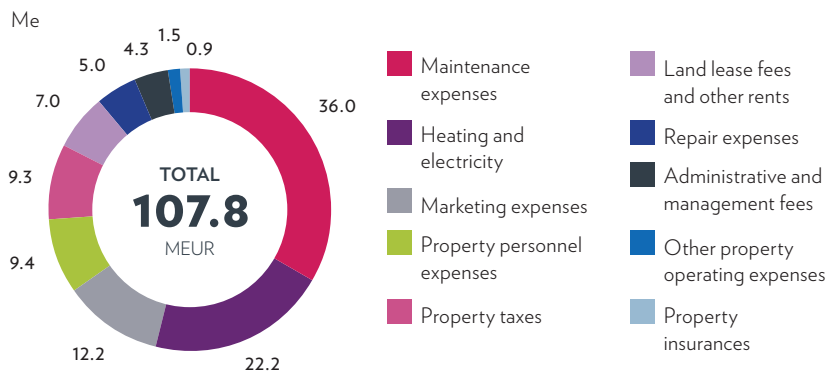


- Like-for-like footfall
- Total footfall

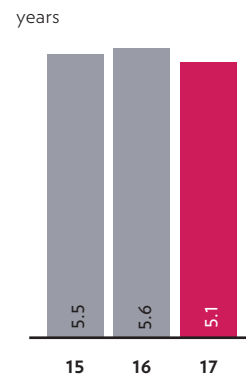
WEIGHTED AVERAGE INTEREST RATE, INCL. INTEREST RATE SWAPS



OPERATING EXPENSES 2017



AVERAGE LOAN MATURITY



LOAN TO VALUE



PERSONNEL



REPORT BY THE BOARD OF DIRECTORS

Citycon's financial performance in 2017 was stable and EPRA Earnings per share grew slightly to EUR 0.171 despite the disposal of 13 non-core assets. The EPS was supported by efficient cost management as well as strong operating performance in Sweden and Norway, which offset weaker operations in Finland, predominantly in secondary towns which were impacted by extensive competition. As a whole, Citycon's total net rental income excluding Kista Galleria grew by 1.6%, while the like-for-like net rental income growth was 1.4%. During the year, Citycon focused on enhancing the quality and composition of the asset portfolio. The quality of the portfolio continued to improve after 13 non-core assets were divested for a total of EUR 325 million. During the year, Citycon also used EUR 151 million in acquisitions and acquired the majority of shopping centre Straedet in the greater Copenhagen area and an office building next to Citycon's Oasen shopping centre in Bergen. In addition, Citycon continued its (re)development projects in Lippulaiva and Mölndal Galleria. The divestments and (re)development projects put some pressure on earnings during the year; however, the quality of earnings continued to increase. Citycon's financing position remained solid, which was demonstrated by the successful issuance of an 8-year NOK bond in September at a fixed 2.75% coupon.

MAIN EVENTS IN 2017

- The second phase of shopping centre Iso Omena's extension in the greater Helsinki area was opened on 20 April. The final part with the bus terminal retail premises was opened in mid-November when the metro started to operate.
- Citycon acquired the first part of the shopping centre Straedet in Køge in the greater Copenhagen area on 4 July and the second and the largest part on 21 December for approximately EUR 72.5 million. The third and final part is expected to be acquired during Q2/2018.
- In July, Citycon established a EUR 1,500 million EMTN ("Euro Medium Term Note") programme to enable quicker bond issues going forward.
- On 31 August, Citycon signed a Letter of Intent with Klövern to develop 'Globen Shopping' in Stockholm.
- Citycon successfully placed a NOK 1,000 million bond on 13 September at a fixed 2.75% coupon and 8-year maturity.
- Citycon continued to implement its divestment strategy by selling 13 non-core properties mainly in Finland and Norway for approximately EUR 325 million.

BUSINESS ENVIRONMENT

The most notable change in Citycon's macroeconomic environment in 2017 was seen in Finland, where the economy picked up clearly during the year. Also, the economies in Sweden and Norway continued to develop well with GDP growing strongly, although the sentiment in both countries softened during 2017 due to a decline in real estate prices. Estonia and Denmark continued to see relatively strong GDP growth as well.

In 2017, the Finnish economy grew at its fastest pace in five years with consumer confidence reaching historically high levels. The GDP growth in 2017 was driven by strong performance in exports and good domestic demand. Unemployment decreased slightly during the year, but hourly wages remained stable due to the Competitiveness Pact between the government and labour unions made in 2016. Real estate transactions in 2017

grew strongly, while retail transaction volumes grew clearly compared to the previous year. Retail sales increased slightly during the year, while rental levels and prime shopping centre yields in greater Helsinki remained relatively stable. The retail real estate market remained competitive, particularly in the secondary cities, resulting in negative rental growth in many areas outside greater Helsinki.

The Norwegian economy accelerated in 2017 and GDP grew due to positive development across sectors as well as a recovery in the oil industry. Consumer confidence declined slightly due to the decline in housing prices, in greater Oslo in particular, but remained at a healthy level. Unemployment rate continued to decline during the year and wages grew modestly. During 2017, retail investment transactions increased somewhat compared to 2016. Retail sales grew slightly compared to the previous year and shopping centre rents remained relatively stable in 2017.

BUSINESS ENVIRONMENT KEY FIGURES

%	Finland	Norway	Sweden	Denmark	Estonia	Euro area
GDP growth forecast, 2017	3.2%	1.9%	2.7%	2.0%	4.0%	2.4%
Unemployment, 12/2017	8.7%	4.1%	6.5%	5.6%	5.4%	8.7%
Inflation, 12/2017	0.5%	1.6%	1.7%	1.0%	3.4%	1.4%
Retail sales growth, 1-12/2017	2.2%	2.3%	2.3%	0.8%	1.0%	1.9%

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

The Swedish economy continued to grow strongly in 2017 driven by strong household consumption and fixed gross investments. Also, the unemployment rate continued to decline during the year, while the employment rate reached its highest level since the early 1990s. However, wages increased only modestly in 2017. The construction sector has been an important driver of economic growth, but towards the end of the year, signals of overheating were visible with housing prices declining across Sweden, in greater Stockholm in particular. In the real estate market, strong investment demand for retail properties and low supply assisted by low interest rates compressed prime shopping centre yields during the year. Additionally, retail rents for primary shopping centers continued to develop positively, while retail sales grew slightly compared to 2016.

In Denmark, the economy continued to recover and saw the strongest GDP growth rate in a decade. Unemployment remained at a very low level and consumer confidence continued to grow. Retail sales remained relatively flat compared to the previous year. Prime shopping centre rents, vacancy rates and investment demand remained rather stable in 2017. The Estonian economy accelerated clearly in 2017 due to good foreign demand for exports and investments. Retail sales were softer temporarily, but remained at a high level. In Tallinn, prime shopping centre rents remained stable and vacancy rates at very low levels. However, the increased retail real estate competition in Tallinn is expected to put pressure on retailers and increase vacancies in shopping centres in secondary locations.

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

FINANCIAL PERFORMANCE 2017

- Net rental income increased to EUR 228.5 million (Q1-Q4/2016: 224.9) mainly due to (re)development projects coming online, which increased net rental income by EUR 6.9 million. The acquisitions of the adjacent building to Oasen shopping centre in Norway and Straedet phase 1 and 2 in Denmark added a total of EUR 4.5 million. In addition, positive like-for-like growth contributed to net rental income growth by EUR 1.9 million. The non-core property divestments in 2016 and 2017 decreased net rental income by EUR 9.4 million.
- EPRA Earnings increased by EUR 1.2 million, or 0.8%, to EUR 152.3 million (151.1) due to net rental income growth. EPRA Earnings per share (basic) increased to EUR 0.171 (0.170).
- IFRS-based earnings per share decreased to EUR 0.10 (0.18) mainly due to valuation items, such as fair value losses recorded during the period.
- Cash generated from operations improved slightly due to higher net rental income and positive development in working capital.
- The Board of Directors proposes that the Board be authorised to decide in its discretion on the distribution of dividend for the financial year 2017, and assets from the invested unrestricted equity fund. Based on this authorization the maximum amount of dividend to be distributed shall not ex-

OUTLOOK

Citycon forecasts the 2018 EPRA Earnings per share (basic) to be EUR 0.155-0.175. Furthermore, the Direct operating profit is expected to change by EUR -15 to +1 million and EPRA Earnings to change by EUR -14 to +4 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.

KEY FIGURES

		Q4/2017	Q4/2016	% ¹⁾	2017	2016	% ¹⁾
Net rental income	MEUR	53.9	55.9	-3.7%	228.5	224.9	1.6%
Direct Operating profit ²⁾	MEUR	45.9	49.9	-8.1%	200.5	198.5	1.0%
Earnings per share (basic)	EUR	0.03	0.04	-32.0%	0.10	0.18	-45.5%
Fair value of investment properties	MEUR	4,183.4	4,337.6	-3.6%	4,183.4	4,337.6	-3.6%
Loan to Value (LTV) ²⁾	%	46.7	46.6	0.3%	46.7	46.6	0.3%
EPRA based key figures²⁾							
EPRA Earnings	MEUR	33.8	37.9	-10.8%	152.3	151.1	0.8%
EPRA Earnings per share (basic)	EUR	0.038	0.043	-10.8%	0.171	0.170	0.8%
EPRA NAV per share	EUR	2.71	2.82	-3.9%	2.71	2.82	-3.9%

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.

ceed 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.

POSITIVE LIKE-FOR-LIKE NET RENTAL INCOME GROWTH CONTINUED IN SWEDEN AND NORWAY

Citycon's net rental income increased by 1.6% and was EUR 228.5 million (224.9). The increase was mainly attributable to (re) development projects (mainly Iso Omena, Buskerud, Myyrmanni and Downtown) coming online with a positive impact of EUR 6.9 million. Also the acquisition of the adjacent building to Oasen shopping centre together with Straedet phase 1 and 2 acquisition increased net rental income by a total of EUR 4.5 million. In addition, the like-for-like portfolio net rental income increased by EUR 1.9 million. The divestments lowered net rental income by EUR 9.4 million.

The like-for-like net rental income growth including the like-for-like performance of Kista Galleria (50%) was 1.0%. Citycon's standard like-for-like portfolio definition, based on EPRA's recommendations, does not include Kista Galleria. For the standard like-for-like portfolio, gross rental income increased by EUR 2.6 million, or 1.6%, and net rental income increased respectively by EUR 1.9 million, or 1.4%. Like-for-like property operating expenses increased from the corresponding period by EUR 1.5 million, or 2.2%.

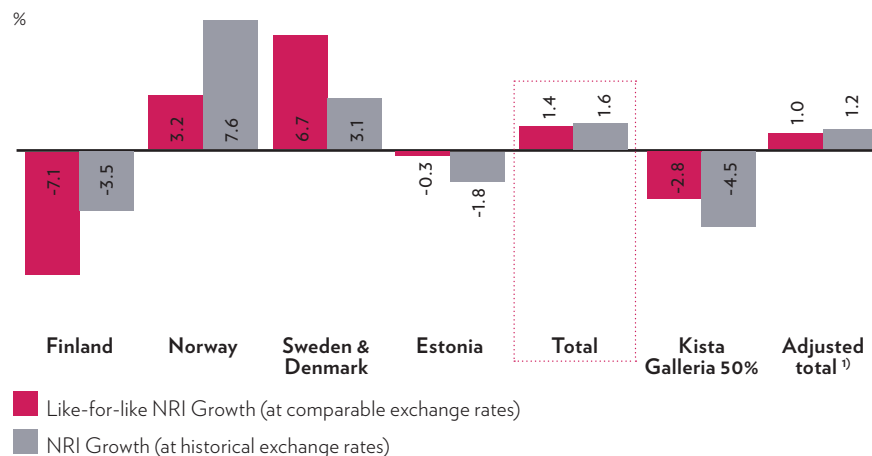
Citycon's net rental income from Finnish operations decreased by 3.5% compared

to the previous year and totalled EUR 84.7 million (87.8). This was mainly a result of divestments of non-core assets in 2016 and 2017, which lowered net rental income by EUR 5.9 million. In addition, net rental income for the like-for-like portfolio decreased by EUR 2.2 million, or 7.1%, mainly due to the competitive retail real estate environment in Finland. Finnish like-for-like portfolio accounted for 34% out of total Finnish portfolio measured by net rental income. On the other hand, ongoing and completed (re) development projects (e.g. Iso Omena and Myyrmanni) increased net rental income by EUR 4.7 million.

Citycon's net rental income from Norwegian operations increased by 7.6% compared to the previous year and totalled EUR 79.6 million (74.0). In January 2017, Citycon acquired adjacent building to Oasen shopping centre in Bergen, which increased net rental income by EUR 4.3 million. Furthermore, ongoing and completed (re)development projects (e.g. Buskerud and DownTown) increased net rental income by EUR 1.6 million. In addition, net rental income for the like-for-like portfolio increased by EUR 1.9 million, or 3.2% driven mainly by capital rent growth from indexation, and higher mall income.

The company's net rental income from Swedish and Danish operations increased by 3.1% to EUR 41.3 million (40.1) mainly due to like-for-like growth of EUR 2.3 million, or 6.7%. Like-for-like portfolio growth was mainly due to new and renegotiated lease agreements especially in Liljeholmsorget Galleria, growth in service charges and energy saving actions.

LIKE-FOR-LIKE AND TOTAL NET RENTAL INCOME GROWTH, 2017 VS. 2016



¹⁾ Including Kista Galleria 50%.

NET RENTAL INCOME AND GROSS RENTAL INCOME BREAKDOWN

MEUR	Net rental income						Total	Gross rental income
	Finland	Norway	Sweden & Denmark	Estonia	Other	Total		
2016	87.8	74.0	40.1	22.6	0.5	224.9	251.4	
Acquisitions	-	4.3	0.3	-	-	4.5	4.9	
(Re)development projects	4.7	1.6	0.5	0.1	-	6.9	9.2	
Divestments	-5.9	-1.9	-1.2	-0.4	-	-9.4	-9.6	
Like-for-like properties ¹⁾	-2.2	1.9	2.3	0.0	-	1.9	2.6	
Other (incl. exchange rate differences)	0.3	-0.3	-0.7	-	0.2	-0.4	-1.1	
2017	84.7	79.6	41.3	22.2	0.7	228.5	257.4	

¹⁾ Like-for-like properties are properties held by Citycon throughout two full preceding periods. Like-for-like properties exclude properties under (re)development or extension and undeveloped lots.

Net rental income from the Estonian operations decreased by 1.8% compared to the previous year and came to EUR 22.2 million (22.6). This decrease was mainly due to the divestment of the non-core shopping centre Magistral in 2016, which decreased net rental income by EUR 0.4 million. Net rental income for like-for-like properties was almost flat (EUR -0.0 million or -0.3%) compared to previous year.

OCCUPANCY RATE REMAINED AT A HIGH LEVEL OF 96.0%

Citycon has changed its presentation of the key operational figures starting from the first interim report in 2017. Citycon reports the key operational figures so that Kista Galleria numbers are included based on a 50% share. The change in the presentation has impacted the following key operational figures: economic occupancy rate, lease portfolio summary, leasing activity, annual-

ised potential rental value, net rental yield, yield requirement, market rents, shopping centre sales and footfall as well as occupancy cost ratio. The comparison periods have been adjusted accordingly.

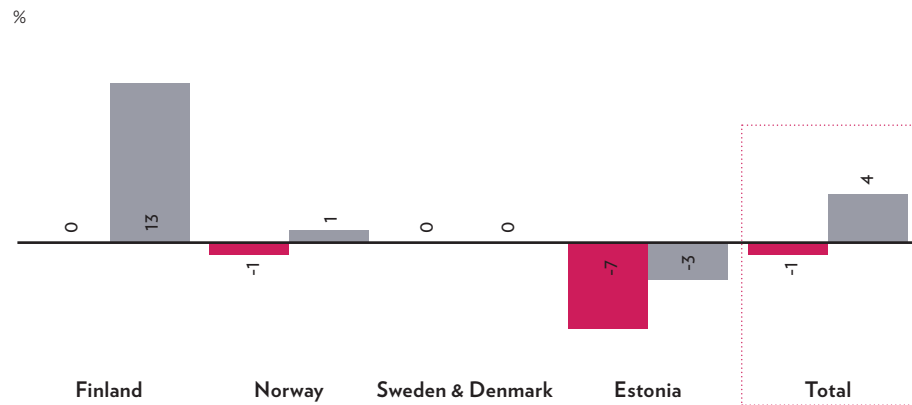
The economic occupancy rate for Citycon's property portfolio decreased by 30 bps compared to year-end 2016 and by 20 bps compared to the previous quarter. The year-to-date change was mostly due to increased vacancies in Sweden and Estonia.

During the period, total sales in Citycon's shopping centres increased by 4% and footfall 2% compared to the corresponding period of the previous year.

At period-end, Citycon had a total of 4,581 (4,848) leases, of which the average remaining length was 3.5 years (3.3).

The average rent per sq.m. for Citycon's property portfolio at the year-end 2017 amounted to EUR 23.2 (23.2). The intense competition in secondary cities in Finland and increased competition in Estonia resulted in a year-to-date leasing spread of -4.0% for renewals and re-lettings.

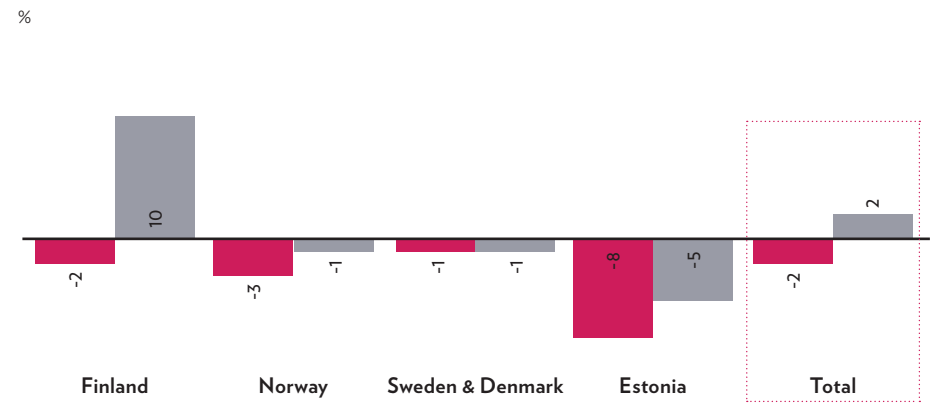
TENANT SALES DEVELOPMENT, 2017 VS. 2016 ¹⁾



■ Like-for-like sales ■ Total sales

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

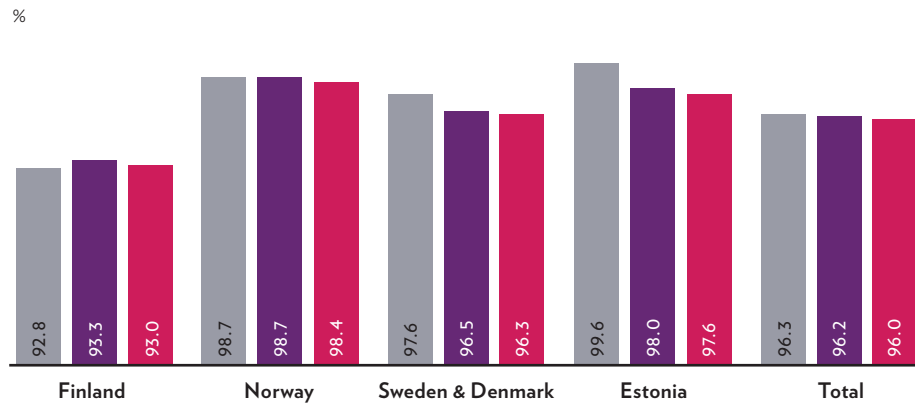
FOOTFALL DEVELOPMENT, 2017 VS. 2016 ¹⁾



■ Like-for-like footfall ■ Total footfall

¹⁾ Including Kista Galleria 50%. Footfall figures include estimates.

ECONOMIC OCCUPANCY RATE ¹⁾



■ 31 December 2016 ■ 30 September 2017 ■ 31 December 2017

¹⁾ Including Kista Galleria 50%.

LEASE PORTFOLIO SUMMARY ¹⁾

		31 December 2017	31 December 2016
Number of leases	pcs	4,581	4,848
Average rent	EUR/sq.m.	23.2	23.2
Finland	EUR/sq.m.	26.3	26.2
Norway	EUR/sq.m.	21.8	21.4
Sweden and Denmark	EUR/sq.m.	22.4	22.5
Estonia	EUR/sq.m.	20.7	21.4
Average remaining length of lease portfolio	years	3.5	3.3
Occupancy cost ratio ²⁾	%	9.0	9.0

¹⁾ Including Kista Galleria 50%.

²⁾ The rolling twelve month occupancy cost ratio for like-for-like shopping centres.

LEASING ACTIVITY ¹⁾

		2017	2016
Number of leases started during the period	pcs	1,255	1,356
Total area of leases started ²⁾	sq.m.	259,053	270,839
Average rent of leases started ²⁾	EUR/sq.m.	22.9	22.4
Number of leases ended during the period	pcs	1,565	1,315
Total area of leases ended ²⁾	sq.m.	347,330	312,061
Average rent of leases ended ²⁾	EUR/sq.m.	23.1	21.3
Leasing spread, renewals and re-lettings	%	-4.0	-2.5

¹⁾ Including Kista Galleria 50%.

²⁾ Leases started and ended do not necessarily refer to the same premises.

ANNUALISED POTENTIAL RENTAL VALUE ¹⁾

MEUR	31 December 2017	31 December 2016
Finland	113.0	138.4
Norway	108.1	114.0
Sweden and Denmark	81.4	80.6
Estonia	25.1	26.0
Total	327.6	359.0

¹⁾ Including Kista Galleria 50%. Annualised potential rental value 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.

NET RENTAL YIELD ¹⁾

%	31 December 2017	31 December 2016
Finland	4.7	5.2
Norway	5.4	5.2
Sweden and Denmark	5.1	5.2
Estonia	7.5	7.5
Average	5.2	5.4

¹⁾ Including Kista Galleria 50%. Net rental yield is based on the net rental income from prior 12 months period calculated from the reporting date divided by the fair value of investment properties. Includes the value of unused building rights.

VALUATION ITEMS IMPACTED OPERATING PROFIT

Administrative expenses totalled EUR 29.1 million (28.2). The increase of EUR 0.9 million was driven by higher personnel expenses, mainly severance costs and non-cash incentive expenses. At the end of December 2017, Citycon Group employed a total of 247 (272) full-time employees (FTEs), of whom 70 worked in Finland, 108 in Norway, 56 in Sweden, 10 in Estonia, 2 in the Netherlands and 1 in Denmark.

In all, Citycon Group paid EUR 21.6 million (23.2) 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 (0.7). The parent company paid out, in total, EUR 6.7 million (6.8) in wages and salaries, 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 (0.7).

Operating profit came to EUR 150.9 million (224.4), being lower than previous year due to the fair value losses of EUR -42.9 million (gain 25.9) and higher other operating expenses EUR -11.6 million (-2.6) which increased mainly due to reduction of goodwill as a result of divestments of shopping centres Lade, Lietorvet and Krokstad in Norway in 2017 and reduction of tax rate in Norway for 2018.

Net financial expenses year-to-date decreased by EUR 1.3 million to EUR 56.4 million (57.7) due to lower average cost of debt, lower other financial expenses and despite lower interest income and higher average debt level.

Share of profit of joint ventures totalled EUR -0.7 million (14.8). The decrease came mainly from fair value loss and higher deferred taxes in Kista Galleria during 2017. Furthermore, comparison period 2016 included fair value gains from Iso Omena extension part.

Profit for the period came to EUR 87.9 million (161.3). The decrease was mainly a result of fair value losses.

PERSONNEL KEY FIGURES

	2017	2016	2015
Average number of personnel (FTE)	251	288	224
Wages and salaries, EUR million	21.6	23.2	21.7

PROPERTY PORTFOLIO VALUE DECLINED SLIGHTLY

The fair value of investment properties decreased by EUR 154.2 million to EUR 4,183.4 million (31 December 2016: 4,337.6). Property disposals and transfers from investment properties to investment properties held for sale decreased the fair value by EUR 260.4 million while the acquisitions and investments increased the fair value by EUR 279.5 million. In addition, changes in exchange rates decreased the fair value by EUR 130.3 million and fair value losses by EUR 42.9 million.

The fair value change of investment properties amounted to EUR -42.9 million (25.9). The company recorded a total value increase

of EUR 113.0 million (100.9) and a total value decrease of EUR 155.9 million (74.9).

Citycon has changed its external appraiser and the fair value of Citycon's properties has been measured by CBRE for the first time for the half-yearly report and for the financial statements of 2017. The property valuations in 2016 were conducted by JLL. Moreover, in 2017 Citycon started to measure the fair values of the properties internally in the first and third quarter of the year.

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

FAIR VALUE CHANGES

MEUR	Q4/2017	Q4/2016	2017	2016
Finland	-8.4	-18.3	-44.7	-33.2
Norway	-10.7	-5.0	-22.2	19.8
Sweden and Denmark	10.5	11.4	30.6	40.5
Estonia	-2.1	-0.6	-6.5	-1.2
Investment properties, total	-10.6	-12.5	-42.9	25.9
Kista Galleria (50%)	-1.1	3.4	-0.6	5.5
Investment properties and Kista Galleria (50%), total	-11.7	-9.0	-43.5	31.5

PROPERTY PORTFOLIO SUMMARY

31 December 2017	No. of properties	Gross leasable area	Fair value, MEUR	Properties held for sale, MEUR	Portfolio, %	Weighted average yield requirement, %	Weighted average market rents, EUR/sq.m./mo
Shopping centres, Finland	13	341,950	1,628.8	-	39%	-	-
Other retail properties, Finland	2	12,540	23.9	-	1%	-	-
Finland, total	15	354,490	1,652.6	-	39%	5.3%	31.2
Shopping centres, Norway	17	414,400	1,346.9	25.4	33%	-	-
Rented shopping centres, Norway ¹⁾	2	18,200	-	-	-	-	-
Norway, total	19	432,600	1,346.9	25.4	33%	5.4%	22.0
Sweden and Denmark, total	10	249,200	877.9	-	21%	5.2%	25.9
Estonia, total	2	101,600	306.0	-	7%	6.5%	20.7
Shopping centres, total	44	1,125,350	4,159.6	25.4	99%	-	-
Other retail properties, total	2	12,540	23.9	-	1%	-	-
Investment properties, total	46	1,137,890	4,183.4	25.4	100%	5.4%	26.2
Kista Galleria (50%)	1	46,250	305.3	-	-	-	-
Investment properties and Kista Galleria (50%), total	47	1,184,140	4,488.7	25.4	-	5.3%	26.9

¹⁾ Value of rented properties is recognised within intangible rights based on IFRS rules.

ACCELERATED RECYCLING OF CAPITAL

During the last quarter of 2017, Citycon acquired the second and the largest part of shopping centre Straedet in Køge in the greater Copenhagen area for approximately EUR 60 million. The final part of the centre is expected to be acquired during Q2/2018 for approximately EUR 3 million. Additionally, in November 2017 Citycon successfully closed the divestment transaction of a property portfolio including five shopping centres in Finland.

In 2017, Citycon continued to implement its divestment strategy and divested 13 non-core properties and residential building rights for a total value of approximately EUR 325 million. Since the strategy update in 2011, Citycon has divested 62 non-core properties and five residential portfolios for a total value of EUR 675 million. The company will continue to improve the quality of the portfolio and we expect to divest 5–10% of our property portfolio in terms of value in the next 3 to 5 years.

ACQUISITIONS AND DIVESTMENTS 2017

		Location	Date	Gross leasable area, sq.m.	Price, MEUR
Acquisitions					
Oasen	Office building	Bergen, Norway	5 January	19,000	78.0
Straedet, Part 1	Shopping centre	Køge, Denmark	4 July	4,300	12.5
Straedet, Part 2	Shopping centre	Køge, Denmark	21 December	11,000	60.0
Acquisitions, total				34,300	150.5
Divestments					
Länken	Retail property	Umeå, Sweden	31 January	12,500	24.0
Kaarinan Liiketalo	Retail property	Kaarina, Finland	28 February	9,400	1.0
Lade	Shopping centre	Trondheim, Norway	3 March	8,700	21.0
Porin Asema-aukio	Retail property	Pori, Finland	31 May	23,000	57.0
Linjuri	Shopping centre	Salo, Finland	31 May	9,200	3.0
Jakobsbergs Centrum	Residential building rights	Stockholm, Sweden	30 June	-	12.0
Lietorvet	Shopping centre	Skien, Norway	7 July	7,200	13.0
Jyväskeskus	Shopping centre	Jyväskylä, Finland	31 August	5,900	9.0
Krokstad	Shopping centre	Krokstadelva, Norway	17 October	10,200	20.0
Portfolio transaction ¹⁾	Shopping centres	Finland	15 November	61,000	165.0
Divestments, total ²⁾				147,100	325.0

¹⁾ Including five shopping centres in Finland: Espoontori, Tikkuri, Myllypuron Ostari, Martinlaakson Ostari ja Jyväskylän Forum.

²⁾ Additionally Citycon sold its 20% share of Halden Storsenter in Norway.

(RE)DEVELOPMENT PROJECTS PROGRESSSED

At the end of the reporting period, Citycon had two major (re)development projects underway: the Mölndal Galleria project in Gothenburg and the Lippulaiva project in the Greater Helsinki area.

The existing Lippulaiva shopping centre was demolished during the last quarter of the year and the completely new shopping centre, fully integrated with the new metro station, is expected to open in 2021. In the meantime, the 8,500 sq.m. pop-up shopping centre Pikkulaiva is the temporary location for 23 tenants during the Lippulaiva (re) development project. Pikkulaiva opened to

the public on 27 July 2017 and is fully leased.

The tenant demand for the new Mölndal Galleria shopping centre has been strong and pre-leasing was 80% at the end of the period. Citycon will buy-out 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 smaller refurbishments in e.g. Kristiine in Estonia and Tumba Centrum in Sweden.

Further information on the company's completed, ongoing and planned (re)developments can be found on pages 34–35 in the Financial Review 2017.

(RE)DEVELOPMENT PROJECTS COMPLETED IN 2017 AND IN PROGRESS ON 31 DECEMBER 2017 ¹⁾

	Location	Area before/after, sq.m.	Expected gross investment, MEUR	Actual gross investment by 31 December 2017, MEUR	Completion
Mölndal Galleria	Gothenburg, Sweden	-/24,000	60,0 (120,0) ²⁾	44.4	Q3/2018
Lippulaiva	Greater Helsinki area, Finland	19,200/44,300	215.0	44.0	2021
Iso Omena	Greater Helsinki area, Finland	63,300 /101,000	270.0	269.5	Completed: Q2/2017
Porin Asema-aukio ³⁾	Pori, Finland	18,800/23,000	40.0	40.0	Completed: Q2/2017

¹⁾ In addition to these projects, Citycon has signed 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 three parts: the first part was acquired on 4 July 2017, the second part was acquired 21 December 2017 and the final part is expected to be acquired during Q2/2018. The purchase price is 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⁾ The property was divested in connection with the completion on 31 May 2017.

CAPITAL EXPENDITURE

Citycon's gross capital expenditure (including acquisitions) for the period totalled EUR 298.7 million (314.5).

SHAREHOLDERS' EQUITY

Equity per share decreased to EUR 2.48 (31 December 2016: 2.60), mainly due to dividends and equity return of EUR 115.7 million and a translation loss of EUR 76.3 million. On the other hand, profit for the period of EUR 87.4 million attributable to parent company shareholders increased equity per share.

At period-end, **shareholders' equity** attributable to parent company's shareholders was EUR 2,207.3 million (2,311.4). This figure decreased by EUR 104.1 million from the end of 2016 due to the above-mentioned reasons.

CAPITAL EXPENDITURE

MEUR	2017	2016
Acquisitions of properties ¹⁾	142.5	81.5
Acquisitions of and investments in joint ventures	18.0	37.1
Property development	137.0	194.4
Goodwill and other investments	1.2	1.5
Total capital expenditure incl. acquisitions	298.7	314.5
Capital expenditure by segment		
Finland	100.1	220.3
Norway	84.9	45.7
Sweden and Denmark	109.0	45.7
Estonia	3.9	1.7
Group administration	0.8	1.1
Total capital expenditure incl. acquisitions	298.7	314.5
Divestments ²⁾	319.6	95.5

¹⁾ Capital expenditure takes into account deduction in the purchase price calculations and FX rate changes

²⁾ Excluding transfers into 'Investment properties held for sale' -category

FINANCING

During the year, Citycon completed several actions to strengthen its financing position further, diversifying the financing sources, reducing the cost of debt and extending debt maturities.

In January, the Swedish commercial paper programme limit was increased from SEK 1,000 million to SEK 2,000 million. In June, a new Norwegian commercial paper programme with a limit of NOK 2,000 million was set up.

In July, Citycon established a EUR 1,500 million EMTN ("Euro Medium Term Note") programme to enable quicker bond issues going forward. The programme is established by Citycon Treasury B.V. and the notes issued under the programme will be guaranteed by Citycon Oyj. Notes may be denominated in any currency. Citycon will apply for the notes issued under the Programme to be admitted to the Official

List of the Irish Stock Exchange, except for notes denominated in Norwegian krone that will be listed on the main list of the Oslo Stock Exchange. Citycon has mandated eight dealer banks under the programme, and the Offering Circular is available on Citycon's website.

In September, a senior unsecured 1,000 million NOK bond was issued under the EMTN programme. The eight-year bond carries a fixed annual interest of 2.75 per cent. The bond has been rated in line with Citycon's corporate credit ratings. The proceeds were mainly used to repay short-term commercial papers, thus extending Citycon's average debt maturities.

In the fourth quarter of 2017, the proceeds from divested non-core properties were used mainly to repay commercial papers to decrease leverage.

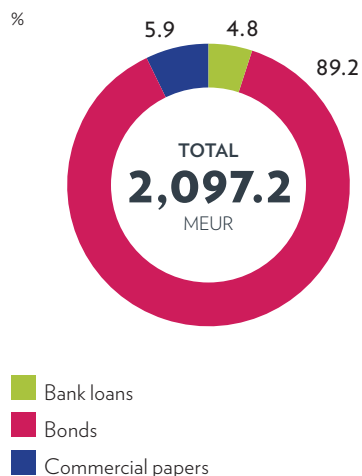
KEY FINANCING FIGURES

		31 December 2017	31 December 2016
Interest bearing debt, fair value	MEUR	2,097.2	2,191.5
Available liquidity	MEUR	559.4	560.4
Average loan maturity	years	5.1	5.6
Loan to Value (LTV)	%	46.7	46.6
Equity ratio (financial covenant > 32.5)	%	47.4	47.3
Interest cover ratio (financial covenant > 1.8)	x	3.8	3.8
Solvency ratio (financial covenant < 0.65)	x	0.46	0.46
Secured solvency ratio (financial covenant < 0.25)	x	0.02	0.02

INTEREST-BEARING DEBT

The fair value of interest-bearing debt decreased year-on-year by EUR 94.3 million to EUR 2,097.2 million, as operative cash flow and major divestments more than covered the funding need for (re)development project investments, acquisitions, equity repayments and dividends. The weighted average loan maturity decreased to 5.1 years, despite the issuance of the 8-year 1,000 million NOK bond and repayment of short-term commercial papers with its proceeds. The loan-to-value ratio stayed at approximately the same level as previous year, but improved during the quarter to 46.7 (47.5), due to lower net debt and despite lower property fair values.

BREAKDOWN OF LOANS



DEBT MATURITIES



FINANCIAL EXPENSES

Net financial expenses year-to-date decreased by EUR 1.3 million to EUR 56.4 million (57.7) due to lower average cost of debt, lower other financial expenses and despite lower interest income and higher average debt level. The other financial expenses include EUR 2.0 million of indirect financial expenses that relate to fair value changes of cross-currency swaps not under hedge accounting. The financial income mainly consists of interest income on the loan to Kista Galleria, and partly of 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, and despite less outstanding commercial papers.

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.

FINANCIAL EXPENSES

		2017	2016
Financial expenses	MEUR	-63.2	-65.9
Financial income	MEUR	6.9	8.3
Net financial expenses	MEUR	-56.4	-57.7
Weighted average interest rate ¹⁾	%	2.78	2.86
Year-to-date weighted average interest rate ¹⁾	%	2.70	2.98

¹⁾ Including interest rate swaps and cross-currency swaps

SUSTAINABILITY

Citycon's strategy is to be a forerunner in sustainable shopping centre management. Citycon's sustainability strategy was updated in 2017 and Citycon has set ambitious targets that extend to 2030.

Citycon uses BREEAM In-Use to assess and develop the sustainable management of its shopping centres. Approximately 80% of Citycon's shopping centres, measured by fair value, had acquired the certification at period-end. Citycon now boasts the largest shopping centre portfolio with BREEAM In-Use certification in the Nordic countries.

In its sustainability reporting, Citycon applies the construction and real estate sector specific (CRESS) guidelines of the Global Reporting Initiative, as well as the guidelines published by European Public Real Estate Association (EPRA) in autumn 2017. Citycon's updated sustainability strategy, targets and measures are described in detail in the upcoming Annual Review and Sustainability Accounts 2017.

Citycon's Annual and Sustainability Report 2016 was awarded as one of the best within the industry. Citycon received the EPRA Gold Award in the Sustainability Best Practices series for the sixth 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 six per cent of all reviewed companies. Citycon has received GRESB Green star status since 2013.

Key environmental indicators 2017:

- Citycon's total energy consumption (incl. electricity consumption in common areas, heating and cooling) amounted to 236 gigawatt hours (253 GWh). Shopping centre energy intensity (kWh/sq.m) decreased by 4.4% compared to previous year (target -3%).
- The carbon footprint totalled 46,000 thousand carbon equivalent tonnes (60,000 tCO_{2e}). The carbon intensity (kgCO_{2e}/sq.m) of shopping centres decreased by 23% compared to previous year. This was due to e.g. an increased share of green electricity acquired, 70% in 2017 (58%).
- The recycling rate in shopping centres increased 1%-point compared to the previous year and was 94%.

RISKS AND UNCERTAINTIES

The most significant near-term risks and uncertainties in Citycon's business operations are associated with the general development of the economy and consumer confidence in the Nordic countries and Estonia as well as how this affects the fair values, occupancy rates and rental levels of the shopping centres and thereby Citycon's financial result. Increased competition locally or from e-commerce might affect demand for retail premises, which could lead to lower rental levels or increased vacancy, especially outside capital city regions.

The main risks that can materially affect Citycon's business and financial results, along with the main risk management actions, are presented in detail [on pages](#)

38-39 in the Financial Review 2017 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 2017

Citycon's Annual General Meeting (AGM) was held in Helsinki on 22 March 2017. A total of 461 shareholders attended the AGM either personally or through a proxy representative, representing 86.0% of shares and votes in the company.

The AGM adopted the company's Financial Statements and discharged the members of the Board of Directors and the Chief Executive Officer from liability for the financial year 2016. The General Meeting decided that no dividend is distributed by a resolution of the AGM and authorised the Board of Directors to decide in its discretion on the distribution of dividend and assets from the invested unrestricted equity fund. Based on the authorisation the maximum amount of dividend to be distributed shall not exceed EUR 0.01 per share and the maximum amount of equity repayment

distributed from the invested unrestricted equity fund shall not exceed EUR 0.12 per share. The authorisation is valid until the opening of the next AGM.

The AGM decisions are reported on the company's website at citycon.com/agm2017, where meeting minutes of the AGM are also available.

Board of Directors

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

In 2017, the Board of Directors had ten members: Chaim Katzman, Bernd Knobloch, Arnold de Haan, Kirsi Komi, Rachel Lavine, David Lukes (as of 22 March 2017), Andrea Orlandi, Claes Ottosson, Per-Anders Ovin and Ariella Zochovitzky. Dori Segal resigned from the Board of Directors as of 22 March 2017.

Chaim Katzman was the Chairman of the Board of Directors in 2017, and Bernd Knobloch and Dori Segal (until 22 March 2017) 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 Ryttilähti to act as the responsible auditor of Citycon in 2017.

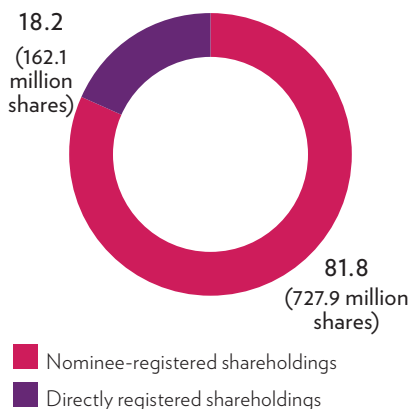
Chief Executive Officer (CEO)

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 posi-

tions of trust can be found on the company's website at citycon.com/our-management. Information on the CEO's executive contract and its terms and conditions are available on page 59 of the Financial Statements.

SHAREHOLDERS

% of shares and voting rights



SHARES AND SHARE CAPITAL

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

CORPORATE GOVERNANCE STATEMENT

Citycon has published Citycon Group's Corporate Governance Statement 2017 as a separate report, distinct from the Report by the Board of Directors. The statement is prepared in accordance with the recommendations of the Finnish Corporate Governance Code and is available on the company's website at citycon.com/corporate-governance.

SHARES, SHARE CAPITAL AND SHAREHOLDERS

The company has a single series of shares, with each share entitling to one vote at a General Meeting of shareholders. At the end of December 2017, the total number of shares outstanding in the company was 889,992,628. The shares have no nominal value. During 2017, there were no changes in the company's share capital.

At the end of December 2017, Citycon had a total of 15,368 (12,419) registered shareholders, of which nine were account managers of nominee-registered shares. Holders of the nominee-registered shares held approximately 727.9 million (611.0)

shares, or 81.8% (68.6) 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, of the distribution of ownership and of the issue-adjusted average number of shares can be found **on pages 40-41 and 27** of the Financial Review.

DIVIDEND AND EQUITY REPAYMENT

Citycon's dividend paid in 2017 for the financial year 2016 and equity repayments in 2017:

DIVIDENDS AND EQUITY REPAYMENTS PAID ON 31 DECEMBER 2017 ¹⁾

	Record date	Payment date	EUR / share
Dividend for 2016	24 March 2017	31 March 2017	0.01
Equity repayment Q1	24 March 2017	31 March 2017	0.0225
Equity repayment Q2	22 June 2017	30 June 2017	0.0325
Equity repayment Q3	22 September 2017	29 September 2017	0.0325
Equity repayment Q4	14 December 2017	29 December 2017	0.0325

¹⁾ Board decision based on the authorisation issued by the AGM 2017

BOARD AUTHORISATIONS

In addition to the above explained asset distribution authorisation of the Board of Directors, the Board of Directors of the company had two valid authorisations at the period-end granted by the AGM held on 22 March 2017:

- The Board of Directors may decide on an issuance of a maximum of 85 million shares or special rights entitling to shares referred to in Chapter 10 Section 1 of the Finnish Companies Act, which corresponded to approximately 9.55% of all the shares in the company at the period-end. The authorisation is valid until the close of the next AGM, however, no longer than until 30 June 2018.
- 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 2018.

In August 2017, the Board of Directors used its authorisation to repurchase its own shares and issue them by conveying repurchased shares to three persons belonging to the key personnel of the company for payment of rewards earned under the Restricted Share Plan 2015 in accordance with the terms and conditions of the plan. The

company repurchased a total of 12,854 its own shares on 16 August 2017 and conveyed them on 22 August 2017.

After the reporting period the Board of Directors again used its authorisation to repurchase company's own shares and issue them by conveying repurchased shares to two persons belonging to the key personnel of the company for payment of rewards earned under the Restricted Share Plan 2015. The company repurchased a total of 30,000 its own shares on 5 January 2018 and conveyed them on 10 January 2018.

OWN SHARES

During the reporting period, the company held a total of 12,854 company's own shares which the company conveyed for payment of rewards earned under the share plan before the period end as explained in the section Board authorisations above. At the end of the period, the company or its subsidiaries held no shares in the company.

FLAGGING NOTICES

During the year 2017 the company received one flagging notice pursuant to Chapter 9, Section 5 of the Finnish Securities Markets Act. On 28 June 2017 the Swedish Alecta pensionsförsäkring, ömsesidigt notified that its ownership in the company had increased above the 5% threshold. According to the notification, on the flagging notice date Alecta pensionsförsäkring, ömsesidigt's holdings in Citycon represent 5.10% of the total number of shares and voting rights in Citycon.

Further information on the flagging notice is available on the stock exchange release published by the company on 28 June 2017 and on the company's website at citycon.com/flagging-notices.

SHARE-RELATED EVENTS

Shareholder agreements

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

Based on the information received by Citycon, Gazit-Globe Ltd. and CPPIBEH have undertaken to vote in Citycon's general meetings in favour of the election of members to the Citycon Board of Directors so that no less than three members of the Board of Directors will be nominated by Gazit-Globe Ltd. and no less than two 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 excep-

tions, Gazit-Globe Ltd. shall support and vote in favour of a proposal by CPPIBEH at a general meeting of shareholders of Citycon to introduce a shareholders' nomination board to replace the Board's Nomination and Remuneration Committee.

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

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

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

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

The company has no knowledge of any other shareholder agreements.

INCENTIVE PLANS

Long-term Share-based Incentive Plans 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 59-62 of the Financial Statements. The subscription ratios, prices and periods of the stock option plan 2011 as well as the stock option 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.

In March 2017 Citycon's Board of Directors adjusted the total amount of the maximum reward under the Restricted Share Plan 2015 up to 700,000 Citycon shares and extended the allocation period of the restricted shares with one year, until the end of 2018. Otherwise the terms of the long-term share-based incentive plans and stock option plan 2011 remain unchanged and as explained in the Note 1.6 of the Financial Statements.

The full terms and conditions of both share-based incentive plans are available on the company's website at citycon.com/remuneration and the full terms and conditions of the stock option plan 2011 on the company's website at 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 1708 860 company shares on 31 December 2017. These shareholdings represented 0.19% 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 2017 are available in the Note 1.6 of the Financial Statements. The maximum number of shares that they can subscribed 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 shareholdings of the members of the Board of Directors, the CEO and the other members of the Corporate Management Committee are available on the company's website at

citycon.com/managers-holdings-shares.

EVENTS AFTER THE REPORTING PERIOD

No material events after the reporting period.

OUTLOOK

Citycon forecasts the 2018 EPRA earnings per share (basic) to be EUR 0.155-0.175. Furthermore, the Direct operating profit is expected to change by EUR -15 to +1 million and EPRA Earnings to change by EUR -14 to +4 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.

Espoo, 7 February 2018
Citycon Oyj
Board of Directors

EPRA PERFORMANCE MEASURES

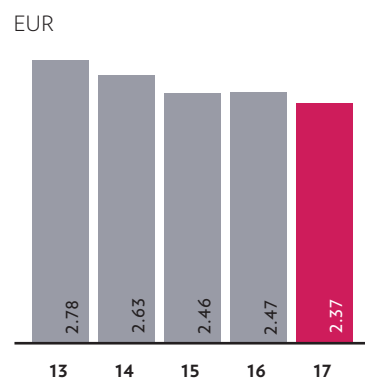
EPRA (European Public Real Estate Association) is a common interest group for listed real estate companies in Europe. Citycon is an active member of EPRA. EPRA's objective is to encourage greater investment in European listed real estate companies and strive for 'best practices' in accounting, financial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

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

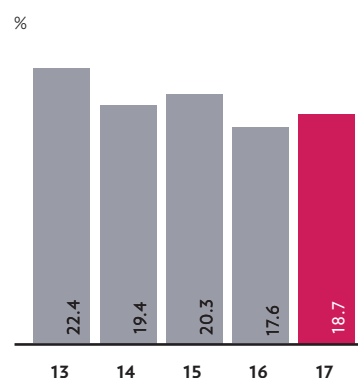
EPRA PERFORMANCE MEASURES

	Note	2017	2016	2015	2014	2013
EPRA Earnings, MEUR	1	152.3	151.1	130.8	99.7	86.7
EPRA Earnings per share (basic), EUR	1	0.171	0.170	0.173	0.178	0.189
EPRA NAV per share, EUR	2	2.71	2.82	2.74	3.01	3.13
EPRA NNNAV per share, EUR	2	2.37	2.47	2.46	2.63	2.78
EPRA Cost Ratio (including direct vacancy costs), %	3	18.7	17.6	20.3	19.4	22.4
EPRA Cost Ratio (excluding direct vacancy costs), %	3	16.5	15.5	18.5	17.7	20.0
EPRA Net Initial Yield (NIY), %	4	5.2	5.5	5.4	6.1	6.2
EPRA 'topped-up' NIY, %	4	5.3	5.6	5.5	6.1	6.3
EPRA vacancy rate, %	5	4.0	3.7	3.1	3.5	4.0

EPRA NNNAV



EPRA COST RATIO



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

EPRA Earnings presents the underlying operating performance of a real estate company excluding all so called non-recurring items such as net fair value gains/losses on investment properties, profit/loss on disposals and other non-recurring items. EPRA Earnings is especially important for investors who want to assess the extent to which dividends are supported by recurring income.

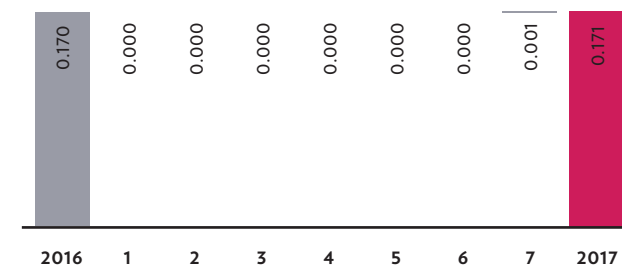
	2017			2016		
	MEUR	Average number of shares (1,000)	per share, EUR	MEUR	Average number of shares (1,000)	per share, EUR
Earnings in IFRS Consolidated Income Statement	87.4	889,992	0.098	160.4	889,993	0.180
-/+ Net fair value gains/losses on investment property	42.9	889,992	0.048	-25.9	889,993	-0.029
-/+ Net losses/gains on disposal of investment property	-6.0	889,992	-0.007	-4.3	889,993	-0.005
+/- Indirect other operating expenses	12.8	889,992	0.014	4.4	889,993	0.005
-/+ Fair value gains/losses of financial instruments	2.0	889,992	0.002	5.9	889,993	0.007
-/+ Indirect gains/losses of joint ventures and associated companies	6.9	889,992	0.008	-10.4	889,993	-0.012
+/- Change in deferred taxes arising from the items above	5.8	889,992	0.007	20.2	889,993	0.023
+/- Non-controlling interest arising from the items above	0.5	889,992	0.001	0.7	889,993	0.001
EPRA Earnings (basic)	152.3	889,992	0.171	151.1	889,993	0.170

EPRA Earnings grew by EUR 1.2 million, EPRA EPS increased to EUR 0.171.
 EPRA Earnings increased due to higher net rental income and improved result of joint ventures and associates.

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.

	2017			2016		
	MEUR	Average number of shares (1,000)	per share, EUR	MEUR	Average number of shares (1,000)	per share, EUR
Net rental income (NRI)	228.5	889,992	0.257	224.9	889,993	0.253
Direct administrative expenses	-29.1	889,992	-0.033	-28.2	889,993	-0.032
Direct other operating income and expenses	1.1	889,992	0.001	1.8	889,993	0.002
Direct Operating profit	200.5	889,992	0.225	198.5	889,993	0.223
Direct net financial income and expenses	-54.4	889,992	-0.061	-51.7	889,993	-0.058
Direct share of profit/loss of joint ventures and associated companies	6.2	889,992	0.007	4.4	889,993	0.005
Direct current taxes	-0.8	889,992	-0.001	-0.7	889,993	-0.001
Change in direct deferred taxes	0.7	889,992	0.001	0.7	889,993	0.001
Direct non-controlling interest	0.0	889,992	0.000	-0.1	889,993	0.000
EPRA Earnings (basic)	152.3	889,992	0.171	151.1	889,993	0.170

CHANGE IN EPRA EARNINGS PER SHARE



- 1 Net rental income
- 2 Direct net financial income and expenses
- 3 Direct administrative expenses
- 4 Direct other operating income and expenses
- 5 Direct current and deferred taxes
- 6 Other direct items
- 7 Change in number of shares

2. EPRA NAV PER SHARE AND EPRA NNNAV PER SHARE

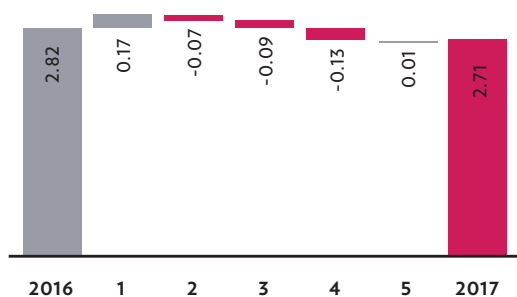
EPRA NAV presents the fair value of net assets of a real estate company. It is based on the assumption of owning and operating investment properties for a long term and therefore it is a useful tool to compare against the share price of a real estate company. The closing share price of Citycon was 2.158 EUR per share on 31 December 2017.

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

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

CHANGE OF NET ASSET VALUE (EPRA NAV)

EUR



- 1 EPRA Earnings
- 2 Indirect result
- 3 Translation reserve
- 4 Dividends paid and equity return
- 5 Other

EPRA NAV per share decreased by EUR 0.11 to EUR 2.71 mainly due to valuation items like fair value losses and foreign exchange movements.
EPRA NNNAV per share decreased by 0.10 to EUR 2.37.

	2017			2016		
	MEUR	Number of shares on the balance sheet date (1,000)	per share, EUR	MEUR	Number of shares on the balance sheet date (1,000)	per share, EUR
Equity attributable to parent company shareholders	2,207.3	889,993	2.48	2,311.4	889,993	2.60
Deferred taxes from the difference between the fair value and fiscal value of investment properties	297.6	889,993	0.33	309.1	889,993	0.35
Goodwill as a result of deferred taxes	-91.8	889,993	-0.10	-108.7	889,993	-0.12
Fair value of financial instruments	0.8	889,993	0.00	0.3	889,993	0.00
Net asset value (EPRA NAV)	2,413.8	889,993	2.71	2,512.2	889,993	2.82
Deferred taxes from the difference between the fair value and fiscal value of investment properties	-297.6	889,993	-0.33	-309.1	889,993	-0.35
Goodwill as a result of deferred taxes	91.8	889,993	0.10	108.7	889,993	0.12
Difference between the secondary market price and fair value of bonds and capital loans ¹⁾	-100.2	889,993	-0.11	-116.2	889,993	-0.13
Fair value of financial instruments	-0.8	889,993	0.00	-0.3	889,993	0.00
EPRA NNNAV	2,107.1	889,993	2.37	2,195.2	889,993	2.47

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 100.2 million (116.2) as of 31 December 2017.

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	2017	2016
Include:		
Administrative expenses ¹⁾	29.1	28.2
Property operating expenses and other expenses from leasing operations less service charge costs	85.5	81.3
Net service charge costs/fees	13.5	14.0
Management fees less actual/estimated profit element	-1.9	-2.8
Other operating income/recharges intended to cover costs less any related profit	-12.0	-11.1
Share of joint venture expenses	4.9	5.5
Exclude:		
Ground rent costs	-6.0	-6.1
Service charge costs recovered through rents but not separately invoiced	-60.4	-60.1
Share of joint venture investment property depreciation, ground rent costs and service charge costs recovered through rents but not separately invoiced	-2.1	-2.2
EPRA Costs (including direct vacancy costs) (A)	50.5	46.7
Direct vacancy costs	-5.7	-5.6
EPRA Costs (excluding direct vacancy costs) (B)	44.8	41.1
Gross rental income less ground rent costs	251.4	245.4
Add: share of joint ventures (Gross rental income less ground rent costs less service fees in GRI)	19.3	19.7
Gross Rental Income (C)	270.7	265.1
EPRA Cost Ratio (including direct vacancy costs) (A/C, %)	18.7	17.6
EPRA Cost Ratio (excluding direct vacancy costs) (B/C, %)	16.5	15.5

¹⁾Administrative expenses are net of costs capitalised of EUR 3.6 million in 2017 and EUR 4.6 million in 2016. Citycon's policy is to capitalise, for example, expenses related to property development projects and major software development projects.

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

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

EPRA NIY, % is calculated by dividing the net rental income for the completed property portfolio, based on the valid lease portfolio on the balance sheet date, by the gross market value of the completed property portfolio. EPRA initial yields calculation does not include Kista Galleria.

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

MEUR	31 December 2017	31 December 2016
Fair value of investment properties determined by the external appraiser	4,134.1	4,369.4
Less (re)development properties, unused building rights and properties which valuation is based on the value of the building right	-146.3	-764.2
Completed property portfolio	3,987.8	3,605.2
Plus the estimated purchasers' transaction costs	72.2	83.6
Gross value of completed property portfolio (A)	4,060.0	3,688.8
Annualised gross rents for completed property portfolio	285.3	278.3
Property portfolio's operating expenses	-72.5	-74.3
Annualised net rents (B)	212.9	204.0
Plus the notional rent expiration of rent free periods or other lease incentives	2.7	1.8
Topped-up annualised net rents (C)	215.6	205.8
EPRA Net Initial Yield (NIY), % (B/A)	5.2	5.5
EPRA 'topped-up' NIY, % (C/A)	5.3	5.6



EPRA Cost Ratio increased to 18.7% due to higher property operating expenses.

EPRA Cost Ratio (including direct vacancy costs) increased to 18.7% in 2017. EPRA Cost Ratio (excluding direct vacancy costs) increased to 16.5%. The increases in the EPRA Cost Ratios were mainly a result of increased property operating expenses (especially property tax).



EPRA NIY and EPRA 'TOPPED-UP' NIY decreased.

EPRA initial yields decreased during the year due to changes in the property portfolio such as completion of the Iso Omena (re)development project and property disposals. For comparable properties initial yields increased by 10bps. Kista Galleria EPRA NIY at the end of the period is 4.3% (4.6). The decrease was due to higher vacancy.

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 2017	31 December 2016
Annualised potential rental value of vacant premises	12.4	12.0
./ Annualised potential rental value for the whole property portfolio	307.2	328.9
EPRA vacancy rate, %	4.0	3.7

EPRA vacancy rate close to last years' level.

The EPRA vacancy rate at the end of 2017 for the entire property portfolio was 4.0%. Vacancy was slightly higher in Norway, Sweden and Estonia.

6. PROPERTY RELATED CAPEX

MEUR	2017	2016
Acquisitions	142.9	126.9
(Re)development	100.1	116.9
Like-for-like portfolio	26.3	26.5
Capex on disposed assets	7.0	0.0
Other incl. capitalised interest	3.2	5.6
Capital expenditure	279.5	275.9

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 142.5 million related to acquisitions and EUR 0.4 million of investments in acquisition portfolio's properties. In 2016, investments into acquisition portfolio's properties totaled EUR 45.4 million, and in addition, acquisitions included EUR 81.5 million.

7. EPRA EARNINGS FOR FIVE YEARS

MEUR	2017	2016	2015	2014	2013
Earnings in IFRS Consolidated Income Statement	87.4	160.4	108.8	84.5	94.9
-/+ Net fair value gains/losses on investment property	42.9	-25.9	-7.3	-15.7	-26.1
-/+ Net losses/gains on disposal of investment property	-6.0	-4.3	17.1	0.3	-0.8
+ Transaction costs related to business combinations and investment property disposals	-	-	7.5	0.1	-
-/+ Indirect other operating expenses	12.8	4.4	9.2	-	-
-/+ Fair value gains/losses of financial instruments and early close-out costs of debt and financial instruments	2.0	5.9	6.1	26.5	27.0
-/+ Indirect gains/losses of joint ventures and associated companies	6.9	-10.4	-16.9	-12.8	1.4
+/- Change in deferred taxes arising from the items above	5.8	20.2	5.8	13.2	-15.0
+/- Non-controlling interest arising from the items above	0.5	0.7	0.5	3.5	5.3
EPRA Earnings (basic)	152.3	151.1	130.8	99.7	86.7
Issue-adjusted average number of shares, million	889,992	889,993	755,496	559,863	458,161
EPRA Earnings per share (basic), EUR	0.171	0.170	0.173	0.178	0.189

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	2017	2016	2015	2014	2013
Net rental income	228.5	224.9	199.6	169.4	168.9
Direct administrative expenses	-29.1	-28.2	-27.0	-20.6	-20.6
Direct other operating income and expenses	1.1	1.8	2.7	1.0	0.9
Direct operating profit	200.5	198.5	175.4	149.8	149.1
Direct net financial income and expenses	-54.4	-51.7	-46.2	-51.0	-63.0
Direct share of profit/loss of joint ventures and associated companies	6.2	4.4	2.6	2.1	3.1
Direct current taxes	-0.8	-0.7	-0.4	-0.3	-0.7
Change in direct deferred taxes	0.7	0.7	0.6	0.9	0.1
Direct non-controlling interest	0.0	-0.1	-1.1	-1.6	-1.9
EPRA Earnings	152.3	151.1	130.8	99.7	86.7
Issue-adjusted average number of shares, million	889,992	889,993	755,496	559,863	458,161
EPRA Earnings per share (basic), EUR	0.171	0.170	0.173	0.178	0.189

OPERATIONAL KEY FIGURES

FAIR VALUE

	No. of properties 31 December 2017	Fair value, MEUR ¹⁾		Fair value change, MEUR 2017	Average yield requirement, %		Average market rent, EUR/sq.m./month 31 December 2017
		31 December 2017	31 December 2016		31 December 2017	31 December 2016	
Shopping centres, Finland	13	1,628.8	1,755.7	-42.9	-	-	-
Other retail properties, Finland	2	23.9	76.1	-1.8	-	-	-
Finland, total	15	1,652.6	1,831.7	-44.7	5.3	5.6	31.2
Shopping centres, Norway ¹⁾	17	1,346.9	1,412.8	-22.2	-	-	-
Rented shopping centres, Norway ²⁾	2	-	-	-	-	-	-
Norway, total	19	1,346.9	1,412.8	-22.2	5.4	5.3	22.0
Sweden and Denmark, total	10	877.9	784.5	30.6	5.2	5.2	25.9
Estonia, total	2	306.0	308.6	-6.5	6.5	6.7	20.7
Shopping centres, total	44	4,159.6	4,261.5	-41.1	-	-	-
Other retail properties, total	2	23.9	76.1	-1.8	-	-	-
Investment properties, total	46	4,183.4	4,337.6	-42.9	5.4	5.5	26.2
Kista Galleria, 50%	1	305.3	312.8	-0.6	-	-	-
Investment properties and Kista Galleria (50%), total	47	4,488.7	4,650.4	-43.5	5.3	5.4	26.9

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

²⁾Value of rented properties is recognised within intangible rights based on IFRS rules.

LIKE-FOR-LIKE PORTFOLIO

	No. of properties 31 December 2017	Fair value, MEUR		Fair value change, MEUR 2017	Average yield requirement, %		Average market rent, EUR/sq.m./month 31 December 2017
		31 December 2017	31 December 2016		31 December 2017	31 December 2016	
Shopping centres, Finland	6	433.5	485.5	-58.2	-	-	-
Other retail properties, Finland	2	23.9	24.7	-2.8	-	-	-
Finland, total	8	457.4	510.2	-61.0	6.4	6.3	27.1
Shopping centres, Norway ¹⁾	14	1,014.3	1,109.0	-11.1	-	-	-
Rented shopping centres, Norway ²⁾	2	-	-	-	-	-	-
Norway, total	16	1,014.3	1,109.0	-11.1	5.3	5.2	22.6
Sweden and Denmark, total	8	721.8	699.7	33.6	5.0	5.1	27.0
Estonia, total	1	179.0	175.8	2.8	6.5	6.7	21.0
Like-for-like properties, total	33	2,372.4	2,494.7	-35.7	5.5	5.5	24.6

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.

AVERAGE RENT¹⁾

	Average remaining length of lease agreements, years 31 December 2017	Average rent, EUR/sq.m./month 31 December 2017
Finland	4.1	26.3
Norway	3.6	21.8
Sweden and Denmark	2.9	22.4
Estonia	2.5	20.7
Total	3.5	23.2

¹⁾Including Kista Galleria 50%.

RENTAL INCOME BY BUSINESS UNITS

	Gross rental income, MEUR		Net rental income, MEUR	
	2017	2016	2017	2016
Finland	94.2	94.4	84.7	87.8
Norway	91.5	85.3	79.6	74.0
Sweden and Denmark	49.0	48.6	41.3	40.1
Estonia	22.6	23.2	22.2	22.6
Other	-	-	0.7	0.5
Investment properties, total	257.4	251.4	228.5	224.9
Kista Galleria, 50%	16.5	17.2	14.4	15.0
Investment properties and Kista Galleria (50%), total	273.9	268.6	242.8	239.9

RENTAL INCOME BY CATEGORY, %¹⁾

	Finland	Norway	Sweden and Denmark	Estonia	Total
Cafes and Restaurants	10.6	6.3	11.7	6.1	9.0
Cosmetics and Pharmacies	5.4	7.3	7.1	7.8	6.7
Department Stores	2.6	-	0.7	1.1	1.1
Fashion and Accessories	20.2	29.7	22.3	36.4	25.3
Groceries	24.6	9.5	17.7	15.7	17.0
Home and Sporting Goods	12.7	30.8	10.3	26.6	19.5
Leisure	2.4	0.4	1.0	0.2	1.2
Residential and Hotels	1.3	0.1	4.2	-	1.5
Services and Offices	15.2	11.5	18.6	4.0	13.8
Specialty Stores	2.2	0.7	1.2	1.2	1.4
Wellness	2.9	3.9	5.3	1.0	3.7
Total	100.0	100.0	100.0	100.0	100.0

¹⁾Including Kista Galleria 50%. Rental income based on valid rent roll at 31 December 2017.

CITYCON'S FIVE LARGEST PROPERTIES

	Average rent, EUR/sq.m./month 31 December 2017	Gross rental income, MEUR 2017	Net rental income, MEUR 2017	Fair value, MEUR 31 December 2017	Fair value change, MEUR 2017	Net rental yield, % 2017
Iso Omena	34.3	30.0	26.2	750.0	33.9	3.7
Liljeholmstorget Galleria	32.9	15.1	13.1	311.6	12.9	4.3
Kista Galleria, 50%	33.4	16.5	14.4	305.3	-0.6	4.7
Oasen	22.9	12.4	11.6	208.4	12.0	5.8
Koskikeskus	31.0	11.0	11.0	181.0	-12.0	6.0
Five largest properties, total	31.1	85.0	76.3	1,756.3	46.1	-

SHOPPING CENTRES¹⁾

	Location	GLA, sq.m.	Retail GLA, sq.m.	Economic occupancy rate, % 31 December 2017	Number of lease agreements	Parking spaces	Year of acquisition	Year built/ latest year of renovation	
Finland									
Shopping centres, Helsinki area									
	Arabia	Helsinki	15,800	13,200	97.9	44	340	2012	1960/2013
	Columbus	Helsinki	20,700	18,800	95.4	74	900	2006	1997/2007
	Heikintori	Espoo	6,250	4,500	37.2	30	260	1998	1968
	Isomyyri	Vantaa	11,600	8,300	91.0	26	-	1999	1987
	Iso Omena	Espoo	100,900	84,600	96.9	387	2,600	2007	2001/2016,2017
	Pikkulaiva	Espoo	8,300	8,100	100.0	34	400	2017	2017
	Myyrmanni	Vantaa	40,200	31,100	97.5	122	1,100	1999	1994/2016
Shopping centres, other areas in Finland									
	Duo	Tampere	13,100	11,700	92.1	45	380	1998	1979, 2007
	IsoKarhu	Pori	14,600	12,700	84.1	43	220	1999	1972/2014
	IsoKristiina	Lappeenranta	17,000	12,800	83.8	86	550	1999, 2005	1987,1993/2015
	Koskikeskus	Tampere	33,100	28,600	96.2	172	430	1999, 2003	1988/2012
	Sampokeskus	Rovaniemi	14,500	8,500	85.0	81	220	1999, 2005	1989, 1990
	Trio	Lahti	45,900	26,900	83.1	148	330	1999, 2007	1977, 1992/2010
	Shopping centres, total		341,950	269,800	93.3	1,292	-	-	-
	Other retail properties, total		12,540	7,700	80.9	48	-	-	-
	Finland, total		354,490	277,500	93.0	1,340	-	-	-

	Location	GLA, sq.m.	Retail GLA, sq.m.	Economic occupancy rate, % 31 December 2017	Number of lease agreements	Parking spaces	Year of acquisition	Year built/ latest year of renovation	
Norway									
Shopping centres, Oslo area									
	Buskerud Storsenter	Krokstadelva	30,900	28,100	98.9	74	770	2015	1984/2016
	Kolbotn Torg	Kolbotn	17,700	16,200	100.0	68	800	2015	2008
	Liertoppen Kjøpesenter	Lierskogen	25,600	23,500	99.1	88	1,200	2015	1987/1990
	Linderud Senter	Oslo	20,900	16,000	98.9	88	370	2015	1967/2009
	Magasinet Drammen	Drammen	15,400	9,600	97.5	53	190	2015	1992/2008
	NAF-Huset ²⁾	Oslo	4,200	3,800	100.0	6	-	2015	1973
	Trekanten	Asker	23,900	16,600	97.8	104	800	2015	1997/2008
Shopping centres, other areas in Norway									
	Down Town	Porsgrunn	37,800	32,400	100.0	83	800	2015	1988/2016
	Glasshuspassasjen	Bodø	2,300	2,000	89.8	9	300	2015	1947/1992
	Heiane Storsenter	Stord	23,900	19,200	99.2	41	450	2015	2008
	Herkules	Skien	49,400	42,700	99.5	136	1,550	2015	1969/2013
	Kilden Kjøpesenter	Stavanger	23,100	18,300	94.5	75	350	2015	1989/2015
	Kongssenteret	Kongsvinger	18,300	16,200	98.4	58	350	2015	2001/2016
	Kremmertorget	Elverum	19,400	16,500	91.5	56	430	2015	1979/2012
	Oasen Kjøpesenter	Fyllingsdalen	57,000	23,400	99.4	93	850	2015	1971/2014
	Sjøsidan	Horten	11,200	10,200	97.4	47	170	2015	2001
	Solsiden ²⁾	Trondheim	14,000	13,100	100.0	71	450	2015	2000
	Stopp Tune	Sarpsborg	12,100	11,200	98.2	32	650	2015	1993
	Storbyen	Sarpsborg	25,500	22,700	98.7	80	570	2015	1999/2015
Norway, total			432,600	341,700	98.4	1,262			

	Location	GLA, sq.m.	Retail GLA, sq.m.	Economic occupancy rate, % 31 December 2017	Number of lease agreements	Parking spaces	Year of acquisition	Year built/ latest year of renovation	
Sweden and Denmark									
Shopping centres, Stockholm area									
	Fruängen Centrum	Hägerstern	14,700	7,400	96.8	84	150	2005	1965/2013
	Högdalen Centrum	Bandhagen	19,900	14,400	98.6	84	-	2011	1959/2015
	Jakobsbergs Centrum	Järfalla	43,000	25,900	91.3	156	1,300	2006	1959/1993
	Kista Galleria, 50%	Stockholm	46,250	28,000	94.6	608	2,500	2013	1977,2002/ 2014
	Liljeholmstorget Galleria	Stockholm	40,600	26,700	99.9	176	900	2006	1973/2009
	Tumba Centrum	Botkyrka	23,100	12,900	98.0	164	600	2007	1954/2016
	Åkermyntan Centrum	Hässelby	10,300	7,500	97.6	48	245	2005	1977/2012
	Åkersberga Centrum	Åkersberga	28,400	23,000	94.4	92	900	2005, 2015	1985/2011
Shopping centres, Gothenburg area									
	Stenungstorg Centrum	Stenungsund	35,400	21,800	94.7	186	1,030	2006	1967/2016
Shopping centres, Denmark									
	Albertslund Centrum	Copenhagen	18,500	14,000	99.5	71	750	2012	1965/2015
	Strædet	Køge	15,300	14,700	100.0	35	450	2017	2017
Sweden and Denmark, total			295,450	196,300	96.3	1,704			
Estonia									
Shopping centres, Estonia									
	Kristiine Keskus	Tallinn	44,000	43,600	95.2	126	1,100	2011	1999/2013
	Rocca al Mare	Tallinn	57,600	56,600	99.3	149	1,350	2005	1998/2013
Estonia, total			101,600	100,200	97.6	275	-	-	-
Total			1,184,140	915,700	96.0	4,581	-	-	-

¹⁾Including Kista Galleria 50%.

²⁾Rented property

SHOPPING CENTRE SALES AND NUMBER OF VISITORS ¹⁾

	Sales, MEUR ²⁾			Number of visitors, million		
	2017	2016	Change, %	2017	2016	Change, %
Finland						
Helsinki area						
Arabia	44.2	46.6	-5%	2.7	2.7	2%
Columbus	76.6	82.2	-7%	6.4	6.4	1%
Heikintori	-	-	-	-	-	-
Isomyyri	9.3	11.7	-21%	-	-	-
Iso Omena	268.8	194.8	38%	11.5	9.0	28%
Pikkulaiva	26.0	-	-	1.2	-	-
Myyrmanni	129.6	120.6	7%	8.0	7.0	14%
Other areas in Finland						
Duo	54.5	54.0	1%	4.5	4.5	0%
IsoKarhu	18.2	20.0	-9%	2.2	2.2	-1%
IsoKristiina	37.0	35.6	4%	2.1	2.0	4%
Koskikeskus	112.0	110.4	1%	5.5	5.6	-2%
Sampokeskus	17.2	17.4	-1%	1.9	1.9	-1%
Trio	43.8	45.4	-4%	5.3	5.6	-6%
Shopping centres, Finland, total	837.1	738.7	13%	51.2	46.8	10%
Norway						
Oslo area						
Buskerud Storsenter	96.6	86.9	11%	1.8	1.6	12%
Kolbotn Torg	61.0	60.7	1%	1.8	1.9	0%
Liertoppen Kjøpesenter	85.0	87.5	-3%	2.0	2.0	-3%
Linderud Senter	61.9	64.4	-4%	2.1	2.2	-5%
Magasinet Drammen	26.2	28.3	-8%	2.6	2.7	-3%
NAF-Huset ³⁾	26.1	25.4	3%	-	-	-
Trekanten	70.2	69.6	1%	3.1	3.1	-2%
Other areas in Norway						
Down Town	69.0	66.0	5%	2.2	2.2	-1%
Glasshuspassasjen	6.3	6.3	-1%	-	-	-
Heiane Storsenter	42.2	41.4	2%	1.2	1.3	-5%
Herkules	124.0	120.7	3%	3.4	3.3	3%
Kilden Kjøpesenter	65.9	64.8	2%	1.5	1.6	-7%
Kongssenteret	39.9	35.5	12%	1.2	1.1	10%
Kremmertorget	38.2	39.6	-3%	1.1	1.2	-8%

	Sales, MEUR ²⁾			Number of visitors, million		
	2017	2016	Change, %	2017	2016	Change, %
Oasen Kjøpesenter	98.9	97.4	1%	4.4	4.4	1%
Sjøsidan	30.3	31.8	-5%	0.9	1.0	-6%
Solsiden ³⁾	53.6	55.1	-3%	2.3	2.4	-5%
Stopp Tune	28.5	29.4	-3%	0.9	1.0	-9%
Storbyen	59.6	65.3	-9%	2.4	2.5	-3%
Shopping centres, Norway, total	1,083.4	1,076.3	1%	35.0	35.5	-1%
Sweden and Denmark						
Stockholm area						
Fruängen Centrum	31.9	31.2	2%	-	-	-
Högdalen Centrum	59.1	57.6	3%	-	-	-
Jakobsbergs Centrum	62.9	65.3	-4%	5.8	5.9	-2%
Kista Galleria, 50%	93.3	99.7	-6%	9.2	9.4	-2%
Liljeholmstorget Galleria	157.8	155.2	2%	9.8	9.8	0%
Tumba Centrum	48.6	48.4	0%	3.9	3.8	2%
Åkermytan Centrum	28.8	27.8	4%	1.8	1.8	4%
Åkersberga Centrum	79.2	79.3	0%	6.0	6.2	-2%
Gothenburg area						
Stenungstorg Centrum	62.9	62.6	0%	3.3	3.3	-1%
Denmark						
Albertslund Centrum	45.3	45.3	0%	5.2	5.3	-2%
Straedet	4.3	-	-	-	-	-
Shopping centres, Sweden and Denmark, total	674.0	672.4	0%	44.9	45.4	-1%
Estonia						
Kristiine Keskus	104.8	104.0	1%	7.1	7.3	-3%
Rocca al Mare	113.8	121.8	-7%	5.5	6.0	-8%
Shopping centres, Estonia, total	218.5	225.8	-3%	12.6	13.3	-5%
Total	2,813.0	2,713.3	4%	143.7	141.0	2%

¹⁾ Including Kista Galleria 50%.

²⁾ Sales include estimates. Sales do not include VAT.

³⁾ Rented property.

MANAGED SHOPPING CENTRES, NORWAY

	Location	Ownership, % 31 December 2017	GLA, sq.m. 31 December 2017	Number of visitors, million 2017
CC Drammen	Drammen	-	17,300	-
City Syd	Trondheim	-	15,500	3.7
Holmen Senter	Asker	-	24,200	1.4
Markedet	Haugesund	20 %	10,600	0.9
Stadionparken	Stavanger	-	11,100	0.9
Stovner Senter	Oslo	20 %	41,800	5.0
Strandtorget	Lillehammer	-	29,600	2.2
Tiller Torget	Trondheim	-	23,700	1.3
Torget Vest	Drammen	-	8,000	1.3
Torvbyen	Fredrikstad	20 %	15,500	3.9
Managed shopping centres, total			197,300	20.6

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

	Number of lease agreements	Leased area, sq.m.	Average rent, EUR/sq.m./month
Status 1 January 2017	4,848	1,143,408	23.2
Leases started	1,255	259,053	22.9
Leases ended	1,565	347,330	23.1
Acquisitions	40	40,464	15.0
Other changes	3	1,694	-
Status 31 December 2017	4,581	1,097,289	23.2

TOP FIVE TENANTS ¹⁾

	Proportion of rental income based on valid rent roll at 31 December 2017, %
Kesko Group	16.0%
S Group	8.7%
Varner Group	3.8%
Nordea	2.6%
Tokmanni Group	2.2%
Finland, total	33.5%
Varner-Group	8.2%
Gresvig	5.7%
NorgesGruppen Group	5.2%
Tryg Forsikring	4.4%
Clas Ohlson	3.0%
Norway, total	26.6%
ICA Group	8.1%
Coop	4.6%
H&M	3.0%
Stockholms Läns Landsting	2.6%
KappAhl	2.2%
Sweden and Denmark, total	20.5%
S Group	15.1%
Sports Direct International	3.3%
Baltman	3.3%
Pöldma Kaubanduse	3.1%
Antista	2.9%
Estonia, total	27.7%
Kesko Group	5.3%
Varner-Group	4.5%
S Group	4.1%
H&M	2.2%
Coop	2.2%
Total	18.2%

¹⁾ Including Kista Galleria 50%.

(RE)DEVELOPMENT PROJECTS

31 DECEMBER 2017

ONGOING (RE)DEVELOPMENT PROJECTS ¹⁾

		Area before/ after, sq.m.	Expected gross investment, MEUR ²⁾	Actual gross investment by 31 December 2017, MEUR	Completion target	Pre-leasing rate ³⁾	Yield on cost ⁴⁾	
Möndal Galleria	Gothenburg, Sweden	-/24,000	60.0 (120.0)	44.4	Q3/2018	80%	6.0-6.5	Development of a completely new shopping centre replacing an outdated retail property. Möndal Galleria will be a modern urban city centre focusing on daily necessities with altogether 70 shops, restaurants and service units. Citycon has signed a joint venture agreement with NCC for the (re)development based on a 50/50 partnership. Citycon will acquire NCC's stake at completion.
Lippulaiva	Helsinki metropolitan area, Finland	19,200/44,300	215.0	44.0	2021	55%	6.25-6.75	A completely new, modern shopping centre, double the size of the old centre, will be built in order to accommodate a new metro station and bus terminal. The new Lippulaiva will host around 80 different shops, cafés, restaurants and services as well as municipal and health care facilities.

¹⁾ In addition to these projects, Citycon has signed 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 three parts: the first part was acquired on 4 July 2017, the second part was acquired 21 December 2017 and the final part is expected to be acquired during Q2/2018. The purchase price is 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.

POTENTIAL (RE)DEVELOPMENT PROJECTS

Citycon is investigating the following development and/or extension opportunities ²⁾.

		Area before/after, sq.m.	Expected investment, MEUR	Target initiation/completion	
Tumba Centrum	Stockholm, Sweden	23,100/30,500	40	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, Sweden	92,500/105,000	80 ¹⁾	2020/2023	Shopping centre extension project in which the shopping centre is planned to be extended towards the metro station to create seamless connection with the public transportation and additional space for new retail, groceries and services. Plan also include creating building rights for residential and offices.
Oasen Kjøpesenter	Bergen, Norway	56,800/68,800	100	2019/2022	Shopping centre extension project in which the main part of the two lowest floors of the the adjacent office building is converted into retail space and a new part that further connects the two buildings is built. The goal is to significantly improve the circulation of the shopping centre and connect it better to the surrounding urban environment with a new main entrance, while also giving space for new anchor tenants and a broader food and beverage offering.
Liljeholmstorget Galleria	Stockholm, Sweden	40,500/64,500	100	2020/2023	Extension possibility of the shopping centre to meet the strong demand for more retail, office/healthcare and services including culture and library, entertainment and food, all directly connected to the metro station and bus terminal. Plans also include creating building rights for residential.
Trekanten	Oslo, Norway	23,800/45,000	135	2019/2022	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.
Down Town	Porsgrunn, Norway		Under review		The Down Town project was scaled down to optimise the current shopping centre instead of extending it.

¹⁾ Citycon's share is MEUR 40 (50%)

²⁾ In addition Citycon has signed a Letter of Intent with Klöveren on 31 August 2017 to develop Globen Shopping.

COMPLETED (RE)DEVELOPMENT PROJECTS IN 2017

		Area before/after, sq.m.	Actual gross investment by 31 December 2017, MEUR	Expected yield on completion when stabilised ¹⁾	Completion	
Iso Omena	Helsinki metropolitan area, Finland	63,300/101,000	296.5	5.50–6.0	Q2/2017	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 opened in April 2017. The extended Iso Omena is fully integrated with the new Western metro line and Matinkylä bus terminal. The extended shopping centre has a wide offering of restaurants, public services and leisure activities including a seven screen cinema and 4,000 sq.m. activity park.
Porin Asema-aukio	Pori, Finland	18,800/23,000	40.0	-	Q2/2017	Construction of a new campus for Satakunta University of Applied Sciences in Porin Asema-aukio. According to the contract, Citycon has sold the property with the completion on 31 May 2017.

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

RISKS AND RISK MANAGEMENT

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

RISK MANAGEMENT PRINCIPLES

Citycon is exposed to various risks through the normal course of its activities. No business can be conducted without accepting a certain risk level, and expected gains are to be assessed against the involved risks. Successful risk management implemented in the business processes decreases the likelihood of risk 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, fi-

ancial risks and hazard risks are managed in the various functions as a part of operational management. Each function has a dedicated person who is the owner of the risks in that area and also responsible for the reporting of the risks, the mitigation plans and the follow-up on their implementation.

RISK REPORTING

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

the identified risks in order to continuously improve risk management processes.

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

the previous year are also estimated and reported. Group Treasury is responsible for the risk reporting process.

INSURANCES

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



	RISK AND IMPACT	RISK MANAGEMENT MEASURES
Leasing	<ul style="list-style-type: none"> The economic development in Citycon's operating countries impacts consumer confidence which could affect demand for retail premises. This may lead to lower rental levels or increased vacancy. It could also increase the risks for credit losses or decrease turnover based rental income. The growing online retailing that affects customer behaviour, or increased local competition may affect demand for retail premises and put pressure on rental levels or increase vacancy, especially in less urban locations. 	<ul style="list-style-type: none"> Citycon's strategy to focus on grocery anchored, urban shopping centres connected to public transportation with necessity-driven retail has proven to be a recession-proof business model with steady cash flows, occupancy and low credit losses also during a downturn. This strategy also decreases the negative effects of the increasing online retailing. The fact that most of the company's assets are in AAA/AA+ rated countries decreases the risk of a major downturn affecting the retail sector. Citycon is continuously following and analysing tenants to identify risk tenants, and requires a rent collateral. Tenant diversification has improved considerably through focused leasing efforts and through entering Norway.
Property Development & transactions	<ul style="list-style-type: none"> Increased costs in development projects due to rising construction costs or delays due to unforeseeable challenges. Reduced demand for retail space in new premises could result in a lower occupancy rate or lower rent levels. Planned divestments of non-core properties could be delayed due to relatively low liquidity for secondary assets. 	<ul style="list-style-type: none"> Construction costs are managed through competitive tendering, careful project monitoring of costs and by entering into contracts with price caps when appropriate. Leasing risks are minimised by having strict pre-leasing requirements prior to project start, by signing agreements with key anchor tenants at an early stage and by carrying out developments in proven retail locations with strong and growing demographics. Maintaining relatively low level of development exposure and keeping no landbank.
Operations	<ul style="list-style-type: none"> A major accident, system failure or terrorist incident could threaten the safety of shoppers and retailers, leading to loss of consumer confidence and thereby loss of income and extra costs. Risk of increased operating cost for e.g. maintenance, energy or security. In some lease agreements the rent paid by the lessee is not affected by changed operating expenses, and a rise in operating expenses higher than inflation would decrease the profitability. Also when the higher costs can be passed to tenants, rising operating expenses may reduce tenants' rental payment capacity. 	<ul style="list-style-type: none"> Risk of accidents and incidents mitigated by adequate security plans and incident procedures supported by crisis case exercises for personnel. Comprehensive insurance coverage. Citycon tries to minimize the impact of rising operating expenses by lease contracts with specified rent components when possible and charging tenants based on actual operating costs. Efficient centralized procurement, cost monitoring and cost benchmarking between shopping centres. To mitigate the risk of energy price hikes, electricity prices are fixed according to a hedging policy, and energy efficiency actions have been implemented.
Property values	<ul style="list-style-type: none"> The value of the properties can decrease for a number of reasons: a weaker general or local economic environment, decreased market rents trends, increased vacancy rates, reduced availability and higher cost of financing, a higher yield requirement, the relative attractiveness of other asset classes and increased competition. 	<ul style="list-style-type: none"> While many of the factors affecting property values cannot be influenced, Citycon seeks to impact the fair market value through active shopping centre management and optimising the profitability of its centres. Citycon's strategy to focus on urban shopping centres with necessity-driven retail in strong and growing locations results in relatively stable property valuations throughout the economic cycle. Citycon's presence in five highly rated countries gives country risk diversification and decreases the volatility of the total property values.
Environment	<ul style="list-style-type: none"> Environmental 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 and regulation implemented to mitigate climate change can increase energy, maintenance and construction costs. 	<ul style="list-style-type: none"> Environmental impact assessments are conducted in connection with major projects. Ensuring the environmental compliance of our buildings through energy investments, internal management practices, green energy purchase and production as well as external standards and certifications.
People	<ul style="list-style-type: none"> An expert organisation of Citycon's nature relies heavily on its personnel for success, and therefore it is crucial to attract and retain the right people, develop competencies and ensure clear roles and targets. 	<ul style="list-style-type: none"> Citycon sees good leadership as essential to reduce personnel related risks and places great emphasis on target-setting and performance management, competence development, career advancement, and commitment of key employees.
Financing	<ul style="list-style-type: none"> Both bank and bond financing have been available for Citycon at competitive terms, but banks' or bond investors' willingness to lend could decline due to turmoil in financial markets, tightening regulation, a credit rating downgrade or other reasons, which could affect the availability and cost of debt financing. Interest rates continue to be historically low and will inevitably increase over time. 	<ul style="list-style-type: none"> Citycon has a conservative but active financing policy, with a focus on long-term financing, a solid balance sheet and keeping 70-90 % of debt tied to fixed interest rates to reduce the effects of increased interest rates. Investment grade credit ratings by Standard & Poor's and Moody's (BBB and Baa1) has improved the availability and cost of financing. Several long-term bond issues has further reduced the refinancing risk and dependency on bank financing.

SHARES AND SHAREHOLDERS

Listing

Market place	Nasdaq Helsinki
Listed since	1988
Trading currency	euro
Segment	Suuret yhtiöt / 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 2017, Citycon's total number of shares was 889,992,628. The market capitalisation of Citycon at the end of 2017 was EUR 1.9 billion.

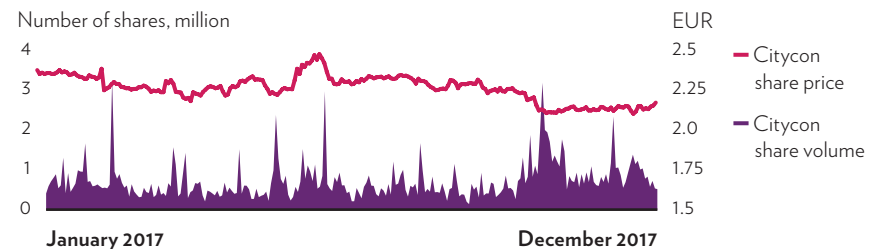
In 2017, approximately 177.3 million Citycon shares were traded on the Helsinki Stock Exchange. The daily average trading volume was 706,319 shares, representing a daily average turnover of approximately EUR 1.6 million.

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

SHAREHOLDERS

The number of registered shareholders at year-end 2017 was 15,368 (12,419). Shares owned by nominee-registered parties equaled 81.8% at year-end 2017 (68.6%). Citycon is one of the companies on the Helsinki Stock Exchange with the most international ownership base.

SHARE PRICE AND VOLUME



Share price and trading

		2017	2016	2015	2014	2013
Number of shares traded	*1,000	177,286	147,684	158,343	88,784	104,548
Stock turnover	%	19.9	16.6	17.8	15.0	23.7
Share price, high	EUR	2.50	2.39	3.24	2.92	2.67
Share price, low	EUR	2.08	1.98	2.13	2.29	2.12
Share price, average	EUR	2.23	2.18	2.53	2.65	2.44
Share price, closing	EUR	2.16	2.34	2.40	2.58	2.56
Market capitalisation, period-end	MEUR	1,920.6	2,080.8	2,136.0	1,530.8	1,129.7
Number of shares, period-end	*1,000	889,993	889,993	889,993	593,328	441,288

Major shareholders 31 December 2017

Gazit-Globe Ltd. 396,864,474 shares, i.e. 44.59% of the total shares and votes in the company and CPP Investment Board European Holdings S.à.r.l. 133,498,893 shares, i.e. 15.00% of the total shares and votes in the company. Their shareholdings are nominee-registered.

	Shares	%
Ilmarinen Mutual Pension Insurance Company	63,470,695	7.13
The State Pension Fund of Finland	6,800,000	0.76
Gazit-Globe Ltd. ¹⁾	3,401,401	0.38
ODIN Finland	2,741,781	0.31
OP-Henkivakuutus Ltd.	1,753,897	0.20
SR Danske Invest Suomi Yhteisöosake	1,541,551	0.17
Suomalaisen Kirjallisuuden Seura ry	1,394,000	0.16
Sijoitusrahasto Taaleritehdas Arvo Markka Osake	1,250,000	0.14
FIM Fenno Sijoitusrahasto	1,000,000	0.11
Keskinäinen Työeläkevakuutusyhtiö Elo	1,000,000	0.11
10 largest shareholders, total	84,353,325	9.48
Nominee-registered shares	727,940,192	81.79
Others	77,699,111	8.73
Total	889,992,628	100.00

¹⁾ The total holdings of Gazit-Globe Ltd. 396,864,474 shares, representing 44.59%.

Shareholders by ownergroup 31 December 2017	Number of shareholders	%	Number of shares	%
Financial and insurance corporations	30	0.20	733,442,556	82.41
Corporations	709	4.61	11,473,868	1.29
Households	14,399	93.69	49,649,605	5.58
General government	9	0.06	71,952,626	8.08
Foreign	58	0.38	14,429,104	1.62
Non-profit institutions	163	1.06	9,044,869	1.02
Total	15,368	100.00	889,992,628	100.00

Shareholdings by number of shares 31 December 2017	Number of shareholders	%	Number of shares	%
Number of shares				
1 - 100	1,634	10.63	87,497	0.01
101 - 500	3,559	23.16	1,150,239	0.13
501 - 1,000	2,627	17.09	2,157,486	0.24
1,001 - 5,000	5,182	33.72	13,124,130	1.47
5,001 - 10,000	1,227	7.98	9,171,089	1.03
10,001 - 50,000	939	6.11	19,179,166	2.15
50,001 - 100,000	93	0.61	6,714,135	0.75
100,001 - 500,000	76	0.49	16,589,416	1.86
500,001 - 1,000,000	16	0.10	12,307,119	1.38
1,000,001 -	15	0.10	809,512,351	90.96
Total	15,368	100.00	889,992,628	100.00

LARGEST SHAREHOLDERS

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

Two main shareholders of Citycon, Gazit-Globe Ltd. and CPP Investment Board European Holdings S.à.r.l. are nominee-registered shareholders.

Gazit-Globe Ltd. has informed the company that it holds 396,864,474 shares, i.e. 44.6% and CPP Investment Board European Holdings S.à.r.l. has informed that it holds 133,498,893 shares, i.e. 15.0% of the shares and voting rights in the company and at year-end 2017.

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 2017 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
29 March 2018	22 March 2018
29 June 2018	21 June 2018
28 September 2018	20 September 2018
28 December 2018	14 December 2018

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

KEY FIGURES AND FINANCIAL DEVELOPMENT FOR FIVE YEARS

MEUR	2017	2016	2015	2014	2013
Consolidated income statement data					
Gross rental income	257.4	251.4	223.9	189.4	192.6
Net rental income					
Finland	84.7	87.8	96.9	103.0	103.5
Norway	79.6	74.0	36.8	-	-
Sweden and Denmark	41.3	40.1	41.2	40.0	41.2
Estonia	22.2	22.6	24.7	26.4	24.1
Total	228.5	224.9	199.6	169.4	168.9
Other operating income and expense	-11.6	-2.6	-6.4	1.0	0.9
Operating profit/loss	150.9	224.4	148.9	165.0	176.0
Profit/loss before taxes	93.8	181.5	116.0	102.4	87.6
Profit/loss attributable to parent company shareholders	87.4	160.4	108.8	84.5	94.9
Statement of financial position data					
Investment properties	4,183.4	4,337.6	4,091.6	2,769.1	2,733.5
Current assets	43.7	56.2	89.1	64.8	74.5
Equity attributable to parent company shareholders	2,207.3	2,311.4	2,245.5	1,650.7	1,236.2
Non-controlling interest	1.2	0.8	0.0	1.8	42.6
Interest-bearing liabilities	2,083.9	2,176.8	2,023.2	1,177.7	1,462.4
Total liabilities	2,469.5	2,588.7	2,418.8	1,384.8	1,694.2
Total liabilities and shareholders' equity	4,678.0	4,900.9	4,664.4	3,037.2	2,973.0

KEY FIGURES AND FINANCIAL DEVELOPMENT FOR FIVE YEARS

MEUR	Formula	2017	2016	2015	2014	2013
Key performance ratios						
Equity ratio, %	1	47.4	47.3	48.3	54.6	43.2
Equity ratio for the banks, %		47.4	47.3	48.3	54.8	45.2
Loan to value (LTV), %	2	46.7	46.6	45.7	38.6	49.3
Return on equity, % (ROE)	3	3.8	7.0	5.9	6.1	8.2
Return on investment, % (ROI)	4	5.8	6.1	8.2	8.4	7.8
Quick ratio	5	0.4	0.4	0.4	0.5	0.4
Gross capital expenditure, MEUR		298.7	314.5	1,718.6	125.5	226.1
% of gross rental income		116.0	125.1	767.7	66.3	117.4
Per-share figures and ratios						
Earnings per share, EUR ¹⁾	6	0.10	0.18	0.14	0.15	0.21
Earnings per share, diluted, EUR ¹⁾	7	0.10	0.18	0.14	0.15	0.21
Net cash from operating activities per share, EUR ¹⁾	8	0.17	0.15	0.15	0.12	0.13
Equity per share, EUR	9	2.48	2.60	2.52	2.78	2.80
P/E (price/earnings) ratio	10	22	13	16	16	12
Return from invested unrestricted equity fund per share, EUR ²⁾		0.12	0.12	0.14	0.15	0.12
Dividend per share, EUR ²⁾		0.01	0.01	0.01	-	0.03
Dividend and return from invested unrestricted equity fund per share total, EUR ²⁾		0.13	0.13	0.15	0.15	0.15
Dividend and return of equity per earnings, %	11	132.4	72.1	104.2	99.3	72.4
Effective dividend and return of equity yield, %	12	6.0	5.6	6.3	5.8	5.9
Issue-adjusted average number of shares (1,000) ¹⁾		889,992	889,993	755,496	559,863	458,161
Issue-adjusted number of shares at the end of financial year (1,000) ¹⁾		889,993	889,993	889,993	593,328	441,288
Operative key ratios						
Net rental yield, % ³⁾	13	5.2	5.4	5.9	6.2	6.4
Occupancy rate (economic), % ³⁾	14	96.0	96.3	96.9	96.5	96.0
Citycon's GLA, sq.m. ³⁾		1,184,140	1,271,940	1,288,090	980,640	1,008,890
Personnel (at the end of the period)		265	287	310	151	127

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 2017 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.

³⁾Including Kista Galleria 50%.

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

FORMULAS FOR KEY FIGURES AND RATIOS

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

FINANCIAL STATEMENTS 2017

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CITYCON OYJ'S CONSOLIDATED FINANCIAL STATEMENTS

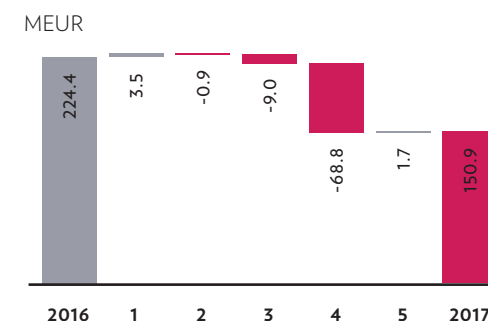
CONSOLIDATED INCOME STATEMENT, IFRS

MEUR	Note	2017	2016
Gross rental income	1.2.	257.4	251.4
Service charge income	1.3.	80.8	80.3
Property operating expenses	1.4.	-107.8	-105.5
Other expenses from leasing operations		-1.9	-1.4
Net rental income	1.1.	228.5	224.9
Administrative expenses	1.5.	-29.1	-28.2
Other operating income and expenses	1.7.	-11.6	-2.6
Net fair value losses/gains on investment property	2.1.	-42.9	25.9
Net gains on sale of investment property	2.1., 2.2.	6.0	4.3
Operating profit		150.9	224.4
Financial income		107.8	25.5
Financial expenses		-164.1	-83.2
Net financial income and expenses	3.2.	-56.4	-57.7
Share of profit of associated companies and joint ventures	2.3.	-0.7	14.8
Profit before taxes		93.8	181.5
Current taxes	4.1.	-0.8	-0.7
Change in deferred taxes	4.2.	-5.1	-19.5
Income taxes		-5.9	-20.2
Profit for the period		87.9	161.3
Profit attributable to			
Parent company shareholders		87.4	160.4
Non-controlling interest		0.5	0.9
Earnings per share attributable to parent company shareholders:			
Earnings per share (basic), EUR	1.8.	0.10	0.18
Earnings per share (diluted), EUR	1.8.	0.10	0.18

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

MEUR	Note	2017	2016
Profit for the period		87.9	161.3
Other comprehensive expenses/income			
Items that may be reclassified to profit or loss in subsequent periods			
Net losses/gains on cash flow hedges	3.2.	-3.1	8.0
Income taxes relating to cash flow hedges	4.1., 4.2.	0.6	-1.6
Share of other comprehensive income of associated companies and joint ventures		1.9	1.1
Exchange losses/gains on translating foreign operations		-76.3	31.1
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		-76.8	38.5
Other comprehensive expenses for the period, net of tax		-76.8	38.5
Total comprehensive profit/loss for the period		11.1	199.8
Total comprehensive profit/loss attributable to			
Parent company shareholders		10.6	198.9
Non-controlling interest		0.5	0.9

CHANGE IN OPERATING PROFIT



Operating profit and profit for the period lower due to valuation items like fair value losses.

The decrease in operating profit and profit for the period resulted from the fair value losses in Finland and Norway as well as higher other operating expenses including reduction of goodwill relating to sale of non-core properties in Norway.

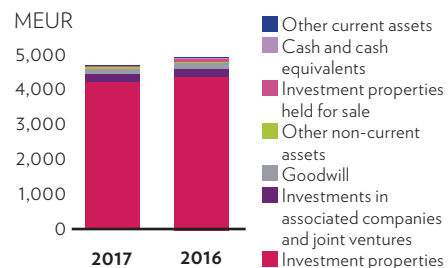
- 1 Change in net rental income
- 2 Change in administrative expenses
- 3 Change in other operating income and expenses
- 4 Change in fair value gains/losses
- 5 Change in gains/losses on sale

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

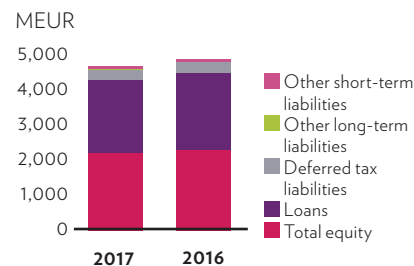
MEUR	Note	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Investment properties	2.1.	4,183.4	4,337.6
Goodwill	5.1.	153.3	173.4
Investments in associated companies and joint ventures	2.3.	228.0	219.0
Intangible assets	4.3.	18.8	22.5
Property, plant and equipment		1.1	1.7
Deferred tax assets	4.2.	4.3	2.9
Derivative financial instruments and other non-current assets	3.6.	19.9	5.8
Total non-current assets		4,608.9	4,762.8
Investment properties held for sale	2.2.	25.4	81.9
Current assets			
Derivative financial instruments	3.6.	1.8	1.0
Current tax receivables	4.1.	0.4	0.5
Trade and other receivables	3.3., 4.4.	31.5	38.8
Cash and cash equivalents	3.8.	10.1	15.9
Total current assets		43.7	56.2
Total assets		4,678.0	4,900.9

MEUR	Note	31 December 2017	31 December 2016
EQUITY AND LIABILITIES			
Equity			
	3.1.		
Share capital		259.6	259.6
Share premium fund		131.1	131.1
Fair value reserve		-0.8	-0.3
Invested unrestricted equity fund		1,123.5	1,230.3
Translation reserve		-93.2	-16.9
Retained earnings		787.1	707.6
Total equity attributable to parent company shareholders		2,207.3	2,311.4
Non-controlling interest		1.2	0.8
Total equity		2,208.5	2,312.3
Long-term liabilities			
Loans	3.3., 3.4.	1,959.2	1,887.1
Derivative financial instruments	3.3., 3.6.	4.3	3.1
Deferred tax liabilities	4.2.	301.1	312.2
Other liabilities	3.3.	1.3	0.8
Total long-term liabilities		2,265.9	2,203.2
Short-term liabilities			
Loans	3.3., 3.4.	124.7	289.7
Derivative financial instruments	3.3., 3.6.	1.2	2.7
Current tax liabilities	4.1.	1.9	0.7
Trade and other payables	3.3., 4.5.	75.8	92.3
Total short-term liabilities		203.6	385.5
Total liabilities		2,469.5	2,588.7
Total liabilities and equity		4,678.0	4,900.9

ASSETS



EQUITY AND LIABILITIES



Value of investment properties decreased by EUR 154.2 million and interest-bearing debt reduced by EUR 92.9 million.

The value of properties went up due to investments and acquisitions of EUR 279.5 million. Value decreased due to fair value losses of EUR 42.9 million and EUR 130.3 million exchange differences. Also divestments in Finland and Norway and transfers to held-for-sale decreased the value by EUR 260.4 million. Interest-bearing debt decreased due to repayment of short-term loans.

CONSOLIDATED CASH FLOW STATEMENT, IFRS

MEUR	Note	2017	2016
Cash flow from operating activities			
Profit before taxes		93.8	181.5
Adjustments		110.5	21.3
Cash flow before change in working capital		204.3	202.8
Change in trade and other receivables	4.4.	8.6	-2.6
Change in trade and other payables	4.5.	-1.0	4.1
Change in working capital		7.6	1.5
Cash generated from operations		212.0	204.3
Interest expenses and other financial expenses paid		-66.8	-68.9
Interest income and other financial income received		3.8	1.8
Taxes paid/received		-0.1	-0.8
Net cash from operating activities		148.9	136.4
Cash flow from investing activities			
Acquisition of subsidiaries, less cash acquired	2.1.	-144.4	-81.5
Capital expenditure on investment properties	2.1.	-143.0	-190.7
Capital expenditure on investments in joint ventures, intangible assets and PP&E	2.3., 4.3.	-11.0	-0.6
Sale of investment properties	2.1., 2.2.	315.9	109.9
Net cash used in investing activities		17.5	-162.9
Cash flow from financing activities			
Proceeds from short-term loans	3.4.	2,078.7	1,131.4
Repayments of short-term loans	3.4.	-2,099.0	-1,142.0
Proceeds from long-term loans	3.4.	107.6	375.2
Repayments of long-term loans	3.4.	-139.3	-231.1
Acquisition of non-controlling interests	5.2.	0.0	-
Dividends and return from the invested unrestricted equity fund		-116.2	-131.4
Realised exchange rate profit/loss		-2.7	12.8
Net cash from/used in financing activities		-171.0	14.9
Net change in cash and cash equivalents			
		-4.7	-11.6
Cash and cash equivalents at period-start	3.8.	15.9	27.9
Effects of exchange rate changes		-1.1	-0.5
Cash and cash equivalents at period-end	3.8.	10.1	15.9

MEUR	Note	2017	2016
Adjustments:			
Depreciation and amortisation	1.5., 4.3.	3.7	3.8
Net fair value gains/losses on investment property	2.1.	42.9	-25.9
Gains on disposal of investment property	2.2.	-6.0	-4.3
Financial income	3.2.	-107.8	-25.5
Financial expenses	3.2.	164.1	83.2
Share of profit of associated companies and joint ventures	2.3.	0.7	-14.8
Share-based payments	1.6.	1.5	0.4
Non-cash reduction in goodwill	1.7.	11.4	4.4
Total		110.5	21.3

MEUR	2017	2016
Net cash from operating activities	148.9	136.4
Average number of shares (1,000)	889,992	889,993
Net cash from operating activities per share	0.17	0.15

Net cash from operations per share improved and was EUR 0.17. Net cash used in investments was positive at EUR 17.5 million following sale of properties.

Net cash from operations per share increased to EUR 0.17 mainly due to positive working capital change and higher cash generated from operations and lower paid net financial expenses. Citycon invested EUR 298.4 million and financed these investments via sale of properties mainly in Finland and Norway for EUR 315.9 million in 2017. Citycon acquired in 2017 adjacent office building of shopping centre Oasen in Norway and in Denmark two first phases of shopping centre Straedet for EUR 144.4 million. The biggest redevelopment investments in 2017 were the Iso Omena extension (EUR 41.2 million) and Lippulaiva redevelopment project (EUR 32.5 million).

CASH NEEDS AND CASH PROCEEDS

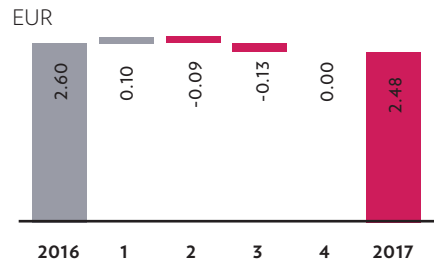


- 1 Acquisitions and investments
- 2 Dividends and equity returns
- 3 Cash from operations
- 4 Sale of properties
- 5 Cash from financing
- 6 Other

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, IFRS

MEUR	Equity attributable to parent company shareholders							Non-controlling interest	Total equity
	Share capital	Share premium fund	Fair value reserve	Invested unrestricted equity fund	Translation reserve	Retained earnings	Total		
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		31.0		38.5	0.0	38.5
Total comprehensive loss/profit for the period			7.5		31.0	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						0.0	0.0	-0.1	-0.1
Balance at 31 December 2016	259.6	131.1	-0.3	1,230.3	-16.8	707.6	2,311.4	0.8	2,312.3
Profit for the period 2017						87.4	87.4	0.5	87.9
Net losses/gains on cash flow hedges, net of tax (Notes 3.2., 4.1. and 4.2.)			-2.5				-2.5		-2.5
Share of other comprehensive income of joint ventures			1.9				1.9		1.9
Exchange gains/losses on translating foreign operations			0.1		-76.3		-76.2	0.0	-76.3
Total other comprehensive expenses/income for the period, net of tax			-0.5		-76.3		-76.8	0.0	-76.8
Total comprehensive profit/loss for the period			-0.5		-76.3	87.4	10.6	0.5	11.1
Dividends and return from the invested unrestricted equity fund (Note 3.1.)				-106.8		-8.9	-115.7		-115.7
Share-based payments (Notes 3.1. and 1.6.)						0.8	0.8		0.8
Acquisition of non-controlling-interests						0.1	0.1	-0.1	0.0
Balance at 31 December 2017	259.6	131.1	-0.8	1,123.5	-93.2	787.1	2,207.3	1.2	2,208.5

DEVELOPMENT OF EQUITY PER SHARE



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

Weakening of Norwegian and Swedish crowns especially during the last quarter resulted in a foreign exchange translation loss of EUR 76.3 million into the shareholders' equity, of which the impact from weaker Norwegian crown was EUR 66.8 million.

During 2017, Citycon paid a dividend of EUR 0.01 per share and an equity repayment of EUR 0.12 per share from the invested unrestricted equity fund. Distributed dividends were EUR 8.9 million and equity return EUR 106.8 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Accounting Principle	Note	Number	IFRS
Segment information	Segment information	1.1.	IFRS8
Revenue recognition, other income and trade 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	3.1., 3.2., 3.3., 3.4., 3.5., 3.6., 3.7., 3.8., 4.4., 4.5.	IAS39, IAS32, IFRS7
Provisions, Contingent Liabilities, Contingent Assets	Commitments and contingent liabilities	1.4., 2.1., 3.7.	IAS37
Consolidated Financial Statements, Business Combination	Business Combinations, Goodwill, Acquisition of non-controlling interests	5.1., 5.2.	IFRS10, IFRS3
Related Party Disclosures	Related party transactions and changes in group structure	5.3.	IAS24
Impairment of Assets	Goodwill, Intangible assets, Trade and other receivables	4.3., 4.4., 5.1.	IAS36
Income taxes	Income taxes, Deferred tax assets and liabilities	4.1.	IAS12
Intangible assets	Intangible assets	4.3.	IAS38
Events after the Reporting Period	Post balance sheet date events	5.5.	IAS10
Contingent liabilities	Land lease agreements, Capital Commitments, VAT refund liabilities, Securities and Pledges	1.4., 2.1., 3.7.	-

BASIC COMPANY DATA

As a real estate investment company specialising in retail properties, Citycon operates in Finland, Norway, Sweden, Estonia and Denmark. Citycon is a Finnish public limited liability company established under Finnish law and domiciled in Helsinki, the address of its registered office being Suomenlahdentie 1, 02230 Espoo.

The Board of Directors has approved the financial statements of the company on 7th, February 2018. 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 citycon.com and from the Group's headquarters at the address Suomenlahdentie 1, FI-02230 Espoo, Finland.

BASIS OF PREPARATION

Citycon has prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and applied the International Accounting Standards (IAS) and IFRS as well as Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective as of 31 December 2017. 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 Denmark and Estonia. The segment Other mainly includes administrative expenses arising from the Group's functions.

Citycon changed the presentation of segments during the last quarter of 2017 to better meet the segment information presented to the Board of directors by combining the monitoring of Danish operations as a part of the new Sweden and Denmark -segment. Simultaneously, the monitoring of Estonian operations was transferred to a separate Estonia-segment. As the company has changed the composition of its reported segments during financial year 2017, has the segment information concerning financial year 2017 and 2016 been presented both on the old basis and the new basis of segmentation.

The Board of Directors follows IFRS segment result and in addition Kista Galleria's financial performance separately, and therefore, segment information includes IFRS segment results and Kista Galleria result. The Board of Directors has started to follow the Kista Galleria result and financial position based on a 50% share during the first quarter of 2017 (previously 100%).

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

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

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

None of the tenants' proportion of Citycon's gross rental income exceeded 10% during financial years 2017 and 2016, and the management does not manage operations according to customer segments.

1 JANUARY - 31 DECEMBER 2017

MEUR	Finland	Norway	Sweden and Denmark	Estonia	Other	Total IFRS segments	Kista Galleria (50%) ¹⁾
Gross rental income	94.2	91.5	49.0	22.6	-	257.4	16.5
Service charge income	31.9	30.0	12.7	6.1	-	80.8	3.4
Property operating expenses	-40.7	-41.5	-19.8	-6.5	0.7	-107.8	-5.4
Other expenses from leasing operations	-0.7	-0.5	-0.6	-0.1	-	-1.9	-0.1
Net rental income	84.7	79.6	41.3	22.2	0.7	228.5	14.4
Direct administrative expenses	-3.4	-4.5	-4.4	-0.6	-16.1	-29.1	-0.1
Direct other operating income and expenses	0.3	-0.2	1.0	0.0	-	1.1	-0.5
Direct operating profit	81.6	74.8	37.9	21.6	-15.4	200.5	13.8
Indirect other operating income and expenses	-	-11.4	-1.4	-	-	-12.8	-
Net fair value losses/gains on investment property	-44.7	-22.2	30.6	-6.5	-	-42.9	-0.6
Gains/losses on disposal of investment property	-4.0	-0.5	10.5	-	-	6.0	0.0
Operating profit/loss	32.9	40.8	77.6	15.0	-15.4	150.9	13.2
Allocated assets							
Investment properties	1,652.6	1,346.9	877.9	306.0	-	4,183.4	305.3
Investment properties held for sale	-	25.4	-	-	-	25.4	-
Other allocated assets	6.0	206.4	210.6	1.4	19.3	443.7	9.5
Unallocated assets							
Deferred tax assets	-	-	-	-	4.3	4.3	-
Derivative financial instruments	-	-	-	-	21.2	21.2	-
Assets	1,658.6	1,578.7	1,088.5	307.3	44.9	4,678.0	314.8
Allocated liabilities							
Trade and other payables	8.2	17.5	20.9	1.3	28.1	75.8	6.9
Unallocated liabilities							
Interest-bearing liabilities	-	-	-	-	2,083.9	2,083.9	228.0
Deferred tax liabilities	-	-	-	-	301.1	301.1	-
Derivative financial instruments	-	-	-	-	5.5	5.5	-
Other unallocated liabilities	-	-	-	-	3.2	3.2	14.9
Liabilities	8.2	17.5	20.9	1.3	2,421.7	2,469.5	249.7
Capital expenditure	100.1	84.9	109.0	3.9	0.8	298.7	2.3
Number of shopping centres	13	19	10	2	-	44	1
Number of other properties	2	0	0	0	-	2	-

¹⁾ During the first quarter in 2017 the Board of Directors have started to follow Kista Galleria result and financial position based on a 50% share (previously 100%)

1 JANUARY - 31 DECEMBER 2016

MEUR	Finland	Norway	Sweden and Denmark	Estonia	Other	Total IFRS segments	Kista Galleria (50%) ¹⁾
Gross rental income	94.4	85.3	48.6	23.2	-	251.4	17.2
Service charge income	32.8	29.8	11.7	6.1	-	80.3	3.7
Property operating expenses	-38.9	-40.8	-19.7	-6.5	0.5	-105.5	-5.7
Other expenses from leasing operations	-0.5	-0.3	-0.5	-0.1	-	-1.4	-0.2
Net rental income	87.8	74.0	40.1	22.6	0.5	224.9	15.0
Direct administrative expenses	-3.2	-5.1	-4.4	-0.6	-14.9	-28.2	-0.2
Direct other operating income and expenses	0.2	0.5	1.1	0.0	-	1.8	-0.4
Direct operating profit	84.8	69.4	36.8	21.9	-14.4	198.5	14.4
Indirect other operating income and expenses	0.0	-4.4	-	-	-	-4.4	-
Net fair value losses/gains on investment property	-33.2	19.8	40.5	-1.2	-	25.9	5.6
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	78.1	20.6	-14.5	224.4	20.0
Allocated assets							
Investment properties	1,831.7	1,412.8	784.5	308.6	-	4,337.6	312.8
Investment properties held for sale	2.7	57.1	22.2	-	-	81.9	-
Other allocated assets	8.7	240.1	194.0	1.2	28.8	472.9	5.2
Unallocated assets							
Deferred tax assets	-	-	-	-	2.9	2.9	-
Derivative financial instruments	-	-	-	-	5.7	5.7	-
Assets	1,843.1	1,710.0	1,000.7	309.8	37.4	4,900.9	318.0
Allocated liabilities							
Trade and other payables	18.7	21.1	21.1	2.2	29.2	92.3	6.9
Unallocated liabilities							
Interest-bearing liabilities	-	-	-	-	2,176.8	2,176.8	231.9
Deferred tax liabilities	-	-	-	-	312.2	312.2	-
Derivative financial instruments	-	-	-	-	5.8	5.8	-
Other unallocated liabilities	-	-	-	-	1.5	1.5	12.8
Liabilities	18.7	21.1	21.1	2.2	2,525.6	2,588.7	251.6
Capital expenditure	220.3	45.7	45.7	1.7	1.1	314.5	3.8
Number of shopping centres	20	22	9	2	-	53	1
Number of other properties	4	0	1	0	-	5	-

¹⁾ During the first quarter in 2017 the Board of Directors have started to follow Kista Galleria result and financial position based on a 50% share (previously 100%).

1 JANUARY - 31 DECEMBER 2017 ²⁾

MEUR	Finland	Norway	Sweden	Estonia and Denmark	Other	Total IFRS segments	Kista Galleria (50%) ¹⁾
Gross rental income	94.2	91.5	46.0	25.7	-	257.4	16.5
Service charge income	31.9	30.0	12.2	6.6	-	80.8	3.4
Property operating expenses	-40.7	-41.5	-18.4	-7.9	0.7	-107.8	-5.4
Other expenses from leasing operations	-0.7	-0.5	-0.5	-0.2	-	-1.9	-0.1
Net rental income	84.7	79.6	39.2	24.3	0.7	228.5	14.4
Direct administrative expenses	-3.4	-4.5	-4.2	-0.8	-16.1	-29.1	-0.1
Direct other operating income and expenses	0.3	-0.2	1.0	0.1	-	1.1	-0.5
Direct operating profit	81.6	74.8	35.9	23.6	-15.4	200.5	13.8
Indirect other operating income and expenses	-	-11.4	-1.4	-	-	-12.8	-
Net fair value losses/gains on investment property	-44.7	-22.2	29.5	-5.4	-	-42.9	-0.6
Gains/losses on disposal of investment property	-4.0	-0.5	10.5	-	-	6.0	0.0
Operating profit/loss	32.9	40.8	74.5	18.2	-15.4	150.9	13.2
Allocated assets							
Investment properties	1,652.6	1,346.9	770.3	413.6	-	4,183.4	305.3
Investment properties held for sale	-	25.4	-	-	-	25.4	-
Other allocated assets	6.0	206.4	209.5	2.5	19.3	443.7	9.5
Unallocated assets							
Deferred tax assets	-	-	-	-	4.3	4.3	-
Derivative financial instruments	-	-	-	-	21.2	21.2	-
Assets	1,658.6	1,578.7	979.7	416.1	44.9	4,678.0	314.8
Allocated liabilities							
Trade and other payables	8.2	17.5	18.0	4.2	28.1	75.8	6.9
Unallocated liabilities							
Interest-bearing liabilities	-	-	-	-	2,083.9	2,083.9	228.0
Deferred tax liabilities	-	-	-	-	301.1	301.1	-
Derivative financial instruments	-	-	-	-	5.5	5.5	-
Other unallocated liabilities	-	-	-	-	3.2	3.2	14.9
Liabilities	8.2	17.5	18.0	4.2	2,421.7	2,469.5	249.7
Capital expenditure	100.1	84.9	33.7	79.1	0.8	298.7	2.3
Number of shopping centres	13	19	9	4	-	44	1
Number of other properties	2	0	0	0	-	2	-

¹⁾ During the first quarter in 2017 the Board of Directors have started to follow Kista Galleria result and financial position based on a 50% share (previously 100%)

²⁾ In the table above, segment information from 2017 is presented according to previous segmentation.

1 JANUARY - 31 DECEMBER 2016 ²⁾

MEUR	Finland	Norway	Sweden	Estonia and Denmark	Other	Total IFRS segments	Kista Galleria (50%) ¹⁾
Gross rental income	94.4	85.3	45.8	26.0	-	251.4	17.2
Service charge income	32.8	29.8	11.6	6.2	-	80.3	3.7
Property operating expenses	-38.9	-40.8	-18.5	-7.8	0.5	-105.5	-5.7
Other expenses from leasing operations	-0.5	-0.3	-0.4	-0.3	-	-1.4	-0.2
Net rental income	87.8	74.0	38.5	24.2	0.5	224.9	15.0
Direct administrative expenses	-3.2	-5.1	-4.3	-0.7	-14.9	-28.2	-0.2
Direct other operating income and expenses	0.2	0.5	1.1	0.0	-	1.8	-0.4
Direct operating profit	84.8	69.4	35.2	23.5	-14.4	198.5	14.4
Indirect other operating income and expenses	-	-4.4	-	-	-	-4.4	-
Net fair value losses/gains on investment property	-33.2	19.8	39.7	-0.4	-	25.9	5.6
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	20.0
Allocated assets							
Investment properties	1,831.7	1,412.8	753.2	339.9	-	4,337.6	312.8
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	5.2
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	318.0
Allocated liabilities							
Trade and other payables	18.7	21.1	19.2	4.1	29.2	92.3	6.9
Unallocated liabilities							
Interest-bearing liabilities	-	-	-	-	2,176.8	2,176.8	231.9
Deferred tax liabilities	-	-	-	-	312.2	312.2	-
Derivative financial instruments	-	-	-	-	5.8	5.8	-
Other unallocated liabilities	-	-	-	-	1.5	1.5	12.8
Liabilities	18.7	21.1	19.2	4.1	2,525.6	2,588.7	251.6
Capital expenditure	220.3	45.7	45.6	1.8	1.1	314.5	3.8
Number of shopping centres	20	22	8	3	-	53	1
Number of other properties	4	0	1	0	-	5	-

¹⁾ During the first quarter in 2017 the Board of Directors have started to follow Kista Galleria result and financial position based on a 50% share (previously 100%).

²⁾ In the table above, segment information from 2016 is presented according to previous segmentation.

1.2. GROSS RENTAL INCOME

Breakdown of gross rental income

MEUR	2017	2016
Straight-lining of lease incentives	1.0	3.5
Temporary and contractual rental discounts	-4.2	-6.6
Gross rental income (excl. items above)	260.6	254.5
Total	257.4	251.4

General description of Citycon's lease agreements

In the majority, i.e. in 90% (90) of Citycon's lease agreements the rent is divided into base rent and maintenance rent. Base rent is typically tied to a yearly rent revision which is based on an index, such as cost-of-living index, or percentual minimum increase. Maintenance rent, charged separately from the lessee, are used for covering operating expenses incurred by the property owner due to property maintenance.

Part of Citycon's lease agreements also contain a turnover-linked component in addition to base rent. In addition, Citycon also has some lease agreements which are fully tied to tenant's turnover. At the end of 2017, all turnover based lease agreements accounted for roughly 65% (65) 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 4,581 (4,848) lease agreements on 31 December 2017. The decrease in the number of lease agreements was mainly due to non-core property divestments in Finland.

Number of leases ¹⁾

	31 December 2017	31 December 2016
Finland	1,340	1,604
Norway	1,262	1,302
Sweden and Denmark	1,704	1,655
Estonia	275	287
Total	4,581	4,848

¹⁾Including Kista Galleria 100%.

In accordance with the table presented below, the average remaining length of Citycon's lease portfolio was 3.5 (3.3) years on 31 December 2017. The change was mostly due to completion of the Iso Omena (re)development project and non-core property disposals in Finland. The duration of a new lease depends on the type of premises to be leased and the tenant. With larger anchor tenants, Citycon typically concludes long-term leases of 10-15 or even 20 years while leases for smaller retail premises are mainly agreed for a term of 3 to 5 years.

Average remaining length of lease portfolio, years ¹⁾

	31 December 2017	31 December 2016
Finland	4.1	3.6
Norway	3.6	3.5
Sweden and Denmark	2.9	2.7
Estonia	2.5	2.7
Average	3.5	3.3

¹⁾Including Kista Galleria 50%.

Citycon mainly seeks to sign fixed-term leases with the exception of apartment, storage and individual parking space leases. At the year end 2017, fixed-term leases represented around 93% (93), initially fixed-term leases 4% (3) 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 2017 and 2016.

Future minimum lease payments receivable under non-cancellable leases ¹⁾

MEUR	31 December 2017	31 December 2016
Not later than 1 year	59.6	73.1
1-5 years	177.3	171.3
Over 5 years	51.0	55.9
Total	287.9	300.3

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	2017	2016
Service charges	60.4	60.1
Utility charges	8.1	8.9
Other service income (incl. marketing income)	12.2	11.4
Total	80.8	80.3

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	2017	2016
Heating and electricity	-22.2	-23.7
Maintenance expenses	-36.0	-33.8
Land lease fees and other rents	-7.0	-7.1
Property personnel expenses	-9.4	-10.6
Non-recurring personnel expenses arising from employment terminations	-	-0.6
Administrative and management fees	-4.3	-3.3
Marketing expenses	-12.2	-11.1
Property insurances	-0.9	-0.9
Property taxes	-9.3	-8.1
Repair expenses	-5.0	-4.6
Other property operating expenses	-1.5	-1.7
Total	-107.8	-105.5

In 2016, 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 8.5 million (9.0) 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	2017	2016
Not later than 1 year	8.3	8.7
1-5 years	15.0	21.5
Over 5 years	5.2	10.4
Total	28.5	40.6

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	2017	2016
Personnel expenses	-15.1	-14.9
Non-recurring personnel expenses arising from employment terminations	-0.9	-0.3
Consultancy and advisory fees as well as external services	-3.7	-3.2
Office and other administrative expenses	-7.6	-8.0
Depreciation and amortisation	-1.8	-1.8
Total	-29.1	-28.2

Non-recurring personnel expenses arising from employment terminations include one-off compensations paid to 10 persons, out of the total compensation EUR 0.9 million (0.3) within administrative expenses. In 2016 EUR 0.4 million was within other operating income and expenses. Also, EUR 0.6 million one-off compensation was within property operating expenses in 2016. In 2016, non-recurring personnel expenses include one-off compensations paid to 28 persons.

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	2017 Group	2017 Parent company
Audit fees	-0.7	-0.2
Ernst & Young Oy	-0.3	-0.2
Other EY offices	-0.4	0.0
Other advisory services	0.0	0.0
Ernst & Young Oy	0.0	0.0
Other EY offices	0.0	0.0
Total	-0.7	-0.2

MEUR	2016 Group	2016 Parent company
Audit fees	-0.7	-0.1
Ernst & Young Oy	-0.3	-0.1
Other EY offices	-0.4	0.0
Other advisory services	-0.1	0.0
Ernst & Young Oy	-0.1	0.0
Other EY offices	0.0	0.0
Total	-0.7	-0.1

1.6. EMPLOYEE BENEFITS AND PERSONNEL EXPENSES

MEUR	Note	2017	2016
Wages and salaries of management			
CEO	A	-0.9	-0.9
Management committee	B	-1.9	-1.6
Board	C	-0.7	-0.7
Other wages and salaries		-18.2	-20.0
Pension charges: defined contribution plans		-2.5	-2.8
Social charges		-3.3	-4.1
Expense of share based payments	D, E	-1.5	-0.6
Total		-28.9	-30.7

Personnel expenses of EUR 15.1 million (14.9) are included in administrative expenses, EUR 9.4 million (10.6) in property operating expenses and EUR 4.4 million (5.2) 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	2017	2016
Finland	36	37
Norway	106	132
Sweden and Denmark	53	50
Estonia	10	9
Group functions	42	44
Total	247	272

A) CEO wages and salaries

	2017	2016
In cash, EUR	869,723	903,386
In Citycon Oyj shares, pcs	102,396	113,192

According to his service agreement, the CEO's gross base salary in 2017 amounted to EUR 624,256. 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	2017	2016
Wages and salaries	-1.9	-1.6
Pensions: defined contribution plans	-0.2	-0.2
Social charges	-0.2	-0.2
Total	-2.2	-2.1

Citycon recognized EUR 0.3 million (0.0 million) non-recurring personnel expenses arising from employment terminations of Corporate Management Committee members.

C) Remuneration of the members of the Board of Directors

EUR	2017	2016
Katzman Chaim	165,000	165,000
Knobloch Bernd	84,000	85,000
de Haan Arnold	61,400	62,000
Komi Kirsi	62,000	63,200
Lavine Rachel	62,600	62,200
Lukes David (Board member since 22 March 2017)	62,800	-
Orlandi Andrea ¹⁾	-	-
Ottosson Claes	61,400	61,400
Ovin Per-Anders	62,600	63,200
Zochovitzky Ariella	68,800	69,600
Ashkenazi Ronen (Board member until 16 March 2016)	-	2,000
Segal Dori (Board member 16 March 2016–22 March 2017)	2,000	83,600
Total	692,600	717,200

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

During 2017, the travel expenses of the Board members amounted to EUR 0.2 million (0.1).

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

D) Long-term share-based incentive plans

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 2017, expenses from long-term share-based incentive plans recognised in consolidated financial statements amounted to EUR 1.5 million (0.6).

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, a maximum total of 1,521,280 shares on the basis of the performance period 2016–2018 and a maximum total of 1,374,385 shares on the basis of performance period 2017–2019. The potential reward of the plan from all three performance periods will be based on the total shareholder return of Citycon's share (TSR) (weight 100%).

The potential reward from the performance period 2015–2017, 2016–2018 and 2017–2019 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 and the end of March 2020, 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 ended before the end of 2017. Should the participant's employment or service end during calendar years 2018 or 2019, the participant 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 could be allocated during 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 350,000 shares were allocated in 2017 (170,705). At the period-end a total of 16 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 2017, stock options 2011A–D(I), 2011A–D(II) and 2011A–D(III) were held by 8 key employees within the Group. The amount of outstanding stock options was 6,185,000 on 31 December 2017. 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 2017, there are no expenses recognised in the consolidated financial statements (0.0). The expected volatility is determined by calculating the company share price's historical volatility.

Option category	Subscription price, EUR		Subscription ratio	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
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

	2017		2016	
	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	2.47	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 2016 and 2017, 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 2017

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

	2011A(I-III)	2011B(I-III)	2011C(I-III)	2011D(I-III)	Total
Other CMC Members	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 acquisition 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 2017.

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

1.7. OTHER OPERATING INCOME AND EXPENSES

MEUR	2017	2016
Management fees	5.8	7.8
Management fee related expenses	-3.1	-4.3
Depreciation on contract values of managed and rented centres	-1.9	-1.9
Non-recurring personnel expenses arising from employment terminations	-	-0.4
Other operating income	0.3	0.6
Reduction in goodwill resulting from corporate income tax rate change in Norway	-3.6	-4.4
Reduction in goodwill resulting from sales of assets in Norway	-7.8	-
Translation difference related to disposals in foreign companies	-1.4	-
Total	-11.6	-2.6

In 2016, 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 2017 in Norway reduced the deferred tax liabilities by EUR 3.6 million, which arose from Norwegian business unit acquisition as treated in accordance with

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

MANAGEMENT FEES FROM JOINT VENTURES AND MANAGED CENTRES

Citycon 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	2017	2016
Profit/loss attributable to parent company shareholders (MEUR)	87.4	160.4
Issue-adjusted average number of shares (1,000)	889,992	889,993
Earnings per share (basic) (EUR)	0.10	0.18

Earnings per share, diluted	2017	2016
Profit/loss attributable to parent company shareholders (MEUR)	87.4	160.4
Issue-adjusted average number of shares (1,000)	889,992	889,993
Adjustment for stock options and share-based incentive plans (1,000)	9,004	6,429
Average number of shares used in the calculation of diluted Earnings per share (1,000)	898,996	896,422
Earnings per share (diluted) (EUR)	0.10	0.18

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

	days	number of shares
Weighted average (daily) number of shares	365	889,992,417

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

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

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

2. PROPERTY PORTFOLIO AND ASSETS

2.1. INVESTMENT PROPERTIES AND RELATED LIABILITIES

INVESTMENT PROPERTIES IN FINANCIAL STATEMENT

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

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

The fair valuation of the company's properties is conducted half-yearly by an independent external appraiser according to the International Valuation Standards (IVS) while on the first and third quarter of the year Citycon conducts the fair value measurement internally except for ongoing (re)development projects and new acquired properties which are valued externally. When measuring the values internally, Citycon has based the valuations on the yields and market rent

indications received from the external appraiser. In addition, the external appraiser conducts the fair value evaluation of properties under (re)development.

(Re)development projects are classified as investment properties and determined at fair value after an investment decision has been made and the external appraiser considers that sufficient information is available for a reliable valuation. Potential development projects are projects whose realization is uncertain. Therefore they have been left out of the valuation conducted by the external appraiser. In the fair value valuation on 31 December 2017, 1 property (2) was classified as (re)development project.

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

The fair value of Citycon's properties was measured by CBRE for the financial statements for 2017 and by JLL for the financial statements for 2016. The resulting fixed fees based on the 2017 valuations totaled EUR 0.2 million (0.3). 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:

	31 December 2017	31 December 2016
MEUR		
Fair value of investment properties determined by the external appraiser per 31 December	4,134.1	4,369.4
Capital expenditure on development projects	13.3	26.0
Transfer into investment properties held for sale	-25.4	-57.8
Acquisition cost of properties acquired during the last quarter of the year	61.4	-
Fair value of investment properties per 31 December	4,183.4	4,337.6

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 and especially shopping centres are usually heterogeneous and transactions are infrequent. Transfers between levels in the hierarchy did not occur during the year.

FAIR VALUE MEASUREMENT OF INVESTMENT PROPERTIES, FAIR VALUE MEASUREMENT HIERARCHY

	31 December 2017	31 December 2016
MEUR		
Quoted prices (Level 1)	-	-
Observable inputs (Level 2)	-	-
Unobservable inputs (Level 3)	4,134.1	4,369.4
Total	4,134.1	4,369.4

FAIR VALUE OF INVESTMENT PROPERTIES

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

FAIR VALUE MEASUREMENT

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

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

INPUTS

The segments' inputs used by the external appraisers in the cash flow analysis per 31 December 2017 and 31 December 2016 are presented in the tables below.

In Finland the weighted average yield requirement decreased mostly due to property divestments and completion of the Iso Omena (re)development project. In Norway, the weighted average yield requirement increased due to increased yield requirements for better quality secondary shopping centre properties.

In Sweden and Denmark, the weighted average yield requirement remained at the level of the comparison year due to roundings while the actual change was -4bps followed by the strong demand and low supply of prime properties and continued low interest rates. In Estonia 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 26.2EUR/sq.m. (26.1). The weighted average vacancy assumption for the cash flow period was 3.4% (3.4).

INPUTS

31 December 2017

MEUR	Finland	Norway	Sweden and		Estonia	Average
			Norway	Denmark		
Yield requirement (%)	5.3	5.4	5.2	6.5	5.4	
Market rents (EUR/sq.m.)	31.2	22.0	25.9	20.7	26.2	
Operating expenses (EUR/sq.m.)	7.3	5.0	6.8	3.1	6.2	
Vacancy during the cash flow period (%)	3.5	3.0	3.5	5.2	3.4	
Market rent growth assumption (%)	1.9	2.2	2.0	2.0	-	
Operating expense growth assumption (%)	1.7	2.2	2.0	2.0	-	

31 December 2016

MEUR	Finland	Norway	Sweden and		Estonia	Average
			Norway	Denmark		
Yield requirement (%)	5.6	5.3	5.2	6.7	5.5	
Market rents (EUR/sq.m.)	29.8	22.9	25.9	20.6	26.1	
Operating expenses (EUR/sq.m.)	7.1	5.6	7.0	3.1	6.3	
Vacancy during the cash flow period (%)	4.4	1.8	4.9	1.2	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	-	

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 4,134.1 million defined by the external appraiser at 31 December 2017 as the starting value. Sensitivity analysis indicates that the market value is most sensitive to changes in market rents and yield requirement. A 10% increase in market rents increases the market value of the investment properties by approximately 13%. Correspondingly,

a 10% decrease in the yield requirement results in an approximately 11% increase in market value.

The market value reacts to changes in vacancy and operating expenses, but their relative effect is not as great as changes to market rent and yield requirement. In sensitivity analyses one parameter is changed at a time. In reality, changes in different parameters often occur simultaneously. For example, a change in vacancy may connect to a change in market rents and yield requirement when they impact fair value simultaneously.

SENSITIVITY ANALYSIS

Change %	Fair value (MEUR)				
	-10%	-5%	±0%	+5%	+10%
Yield requirement	4,593.4	4,351.7	4,134.1	3,937.2	3,758.3
Market rents	3,589.8	3,862.0	4,134.1	4,406.3	4,678.4
Operating expenses	4,276.8	4,205.4	4,134.1	4,062.8	3,991.4
Change, percentage points	-2	-1	±0	1	2
Vacancy	4,254.6	4,194.4	4,134.1	4,073.8	4,013.6

INVESTMENT PROPERTY CHANGES AND CLASSIFICATION

31 December 2017

MEUR	Investment properties under construction	Operative investment properties	Investment properties total
At period-start	723.9	3,613.7	4,337.6
Acquisitions	-	142.5	142.5
Investments	49.7	84.0	133.7
Disposals	-	-59.8	-59.8
Capitalised interest	1.1	2.2	3.2
Fair value gains on investment property	-	113.0	113.0
Fair value losses on investment property	-2.4	-153.5	-155.9
Exchange differences	-	-130.3	-130.3
Transfer between IPUC and operative investment properties and transfer into investment properties held for sale	-651.3	450.7	-200.6
At period-end	121.0	4,062.4	4,183.4

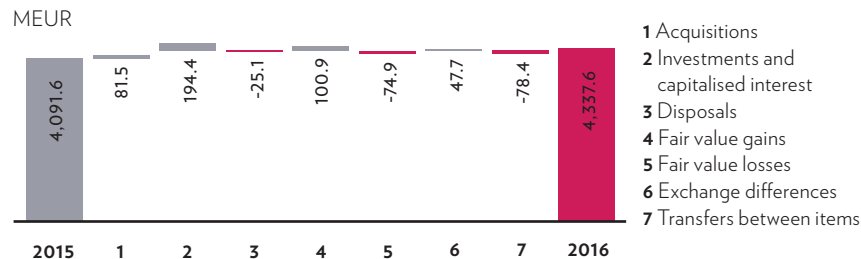
31 December 2016

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 2017



INVESTMENT PROPERTIES 2016



Citycon divides its investment properties into two categories: Investment Properties Under Construction (IPUC) and Operative Investment Properties. On 31 December 2017, the first mentioned category included Lippulaiva in Finland. On 31 December 2016, the first mentioned category included Iso Omena and Porin Asema-aukio in Finland.

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

Contractual obligations to purchase, construct or develop investment properties are presented below.

Contingent liabilities related to investment properties

MEUR	31	31
	December 2017	December 2016
Capital commitments	337.9	254.8
VAT refund liabilities	106.9	132.1

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

MEUR	2017	2016
Acquisition cost January 1	81.9	1.7
Investments	0.0	0.0
Disposals	-251.9	-70.0
Exchange differences	-5.0	0.0
Transfers from investment properties	200.4	150.3
Accumulated acquisition cost December 31	25.4	81.9

On 31 December 2017, the Investment Properties Held for Sale comprised of one property in Norway. The property transaction is expected to be finalized during the first six months of 2018. 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.

Citycon had no businesses held for sale (in accordance with IFRS 5) on 31 December 2017 or 31 December 2016.

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 its current fair value,
- the sale is being expected to qualify for recognition as a completed sale within one year.

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

2.3. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

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

MEUR	2017				2016			
	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	610.5	0.8	90.3	701.6	625.6	38.1	57.1	720.8
Other non-current assets	0.6	0.4	0.3	1.3	2.2	0.7	1.1	4.0
Cash and cash equivalents	15.1	5.4	0.8	21.3	5.1	1.1	7.1	13.3
Other current assets	3.3	7.5	2.0	12.8	3.0	3.6	1.6	8.3
Long-term loans	456.0	-	87.2	543.1	463.8	2.3	59.7	525.8
Deferred tax liabilities	29.8	-	0.8	30.5	23.8	2.8	0.9	27.5
Other long-term liabilities	-	-	-	-	1.8	6.7	-	8.5
Short-term liabilities	13.8	3.4	-0.1	17.1	13.7	16.5	2.4	32.6
Equity	132.1	10.8	5.7	148.6	132.7	15.2	4.0	151.9
Portion of the Group's ownership, %	50%	50%	50%		50%	50%	50%	
Share of joint venture's equity	66.1	5.4	2.8	74.3	66.4	7.6	2.0	75.9
Share of loans of joint ventures	84.6	-	43.6	128.2	84.6	1.1	29.1	114.8
Investments in joint ventures	150.6	5.4	46.4	202.5	150.9	8.7	31.1	190.7
Gross rental income	33.0	-	-	33.0	34.3	-	0.0	34.4
Net rental income	28.7	-	0.0	28.7	30.0	-	-0.2	29.9
Administrative expenses	-0.2	-	0.0	-0.2	-0.4	-	0.0	-0.4
Other operating expenses/income	-1.0	0.3	-	-0.7	-0.8	0.8	-	0.0
Losses/gains on sale	-	-	-	-	-	-	-0.4	-0.4
Net fair value gains on investment property	-1.2	-	-1.1	-2.2	11.1	-	10.3	21.3
Operating profit	26.4	0.3	-1.1	25.6	39.9	0.8	9.7	50.3
Financial income	0.0	0.1	-	0.1	0.0	0.0	0.0	0.0
Financial expenses	-21.2	-0.1	-	-21.3	-23.8	0.0	-0.2	-24.1
Taxes	-5.6	0.0	0.1	-5.4	1.9	-0.2	-3.5	-1.7
Profit / loss for the period	-0.4	0.2	-0.9	-1.1	18.0	0.6	6.0	24.6
Share of profit/loss of joint ventures	-0.2	0.1	-0.5	-0.6	9.0	0.3	3.0	12.3
Other comprehensive income for the period, net of tax	3.6	-	-	3.6	1.5	0.0	-	1.5
Exchange losses/gains on translating foreign operations	-5.2	-1.2	-0.1	-6.5	-4.9	1.0	-	-3.9
Share of other comprehensive income of associated companies and joint ventures	-0.8	-0.6	0.0	-1.4	-1.7	0.5	-	-1.2
Total comprehensive profit/loss for the period	-2.0	-1.0	-1.0	-4.0	14.6	1.6	6.0	22.2

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 Iso Omena 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 five joint ventures: Klosterfoss Utvikling AS, Dr Juells Park AS, Sandtranda Bolig AS, Centerteam AS and Magasinet Drammen AS, all of which Citycon owns 50% of the shares. First three of the former companies are residential real estate development companies, others operate outside the real estate business.

B) Investments in associated companies

MEUR	2017	2016
Investment properties	291.1	321.2
Current assets	8.2	7.6
Short-term liabilities	2.4	3.9
Long-term liabilities	168.9	183.8
Total shareholders' equity	128.0	141.1
Portion of the Group's ownership, %	20%	20%
Investments in associated companies	25.6	28.2
Gross rental income	18.3	16.7
Net rental income	11.7	10.1
Net fair value gains on investment property	-1.9	10.5
Net gains/losses on sale of investment property	-4.2	-
Net financial income and expenses	-6.5	-5.9
Income taxes	0.0	-2.2
Profit for the period	-0.9	12.5
Share of profit/loss of associated companies	-0.2	2.5
Other comprehensive income for the period, net of tax	0.0	0.5
Exchange losses on translating foreign operations	-10.8	6.7
Share of other comprehensive income of associated companies and joint ventures	-2.2	1.4
Total comprehensive profit/loss for the period	-11.7	19.7

ASSOCIATED COMPANIES IN NORWAY

At the end of 2017, the acquired portfolio includes associate interests in three shopping centres: Markedet, Stovner Senter and Torvbyen. Citycon owns 20% interest in all of these shopping centres. An associate interest of Halden Storsenter shopping centre was sold during the last quarter of 2017.

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

3. FINANCING

3.1. EQUITY

A) Description of funds and reserves included in the equity

SHARE CAPITAL

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

SHARE PREMIUM FUND

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

INVESTED UNRESTRICTED EQUITY FUND

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

FAIR VALUE RESERVE

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

TRANSLATION RESERVE

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

TREASURY SHARES

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

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

The Board of Directors proposes that based on the balance sheet to be adopted for the financial period ended on 31 December 2017 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
29 March 2018	22 March 2018
29 June 2018	21 June 2018
28 September 2018	20 September 2018
28 December 2018	14 December 2018

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	2017	2016
Interest income	6.9	8.3
Foreign exchange gains	100.9	17.2
Fair value gain from derivatives	-	-
Other financial income	0.0	0.0
Financial income, total	107.8	25.5
Interest expenses	-61.0	-64.1
Foreign exchange losses	-101.2	-17.2
Fair value loss from derivatives	-2.0	-5.9
Development interest capitalised ¹⁾	4.4	7.8
Other financial expenses	-4.3	-3.8
Financial expenses, total	-164.1	-83.2
Net financial income and expenses	-56.4	-57.7
Of which attributable to financial instrument categories:		
Interest-bearing loans and receivables	-70.9	-56.1
Finance lease liabilities	-	-
Derivative financial instruments	14.9	-1.4
Other liabilities and receivables	-0.4	-0.2
Net financial income and expenses	-56.4	-57.7

¹⁾Including also capitalized interest from joint ventures.

In 2017, foreign exchange gains of EUR 22.0 million (7.6) were recognised in the consolidated statement of comprehensive income from foreign exchange derivative agreements.

Interest on development expenditure is capitalised as at 31 December 2017 at a rate of 2.85% (3.18%).

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	2017	2016
Gains/losses arising during the period from cash flow hedges	-5.2	4.3
Less: interest expenses recognised in the consolidated income statement on cash flow hedges	2.1	3.7
Net gains/losses on cash flow hedges	-3.1	8.0

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 2017 and 31 December 2016, 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 2017 and 31 December 2016, financial liabilities at amortised cost include the items "Loans", "Other liabilities" and "Trade payables and other payables". On 31 December 2017 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 2017	Fair value 2017	Carrying amount 2016	Fair value 2016
Financial assets					
I Loans and other receivables					
Trade and other receivables	4.4.	31.5	31.5	38.8	38.8
Cash and cash equivalents	3.8.	10.1	10.1	15.9	15.9
II Financial assets at fair value through profit and loss					
Derivative financial instruments	3.6.	14.2	14.2	3.1	3.1
III Derivative contracts under hedge accounting					
Derivative financial instruments	3.6.	7.0	7.0	2.5	2.5
Financial liabilities					
I Financial liabilities amortised at cost					
I.I Loans					
Loans from financial institutions	3.4.	225.9	226.3	260.8	261.4
Bonds	3.4.	1,858.0	1,870.9	1,916.0	1,930.0
Finance lease liabilities	3.4.	0.0	0.0	0.0	0.0
I.II Other liabilities					
Other liabilities	5.5.	1.3	1.3	0.8	0.8
Trade and other payables	5.5.	75.8	75.8	92.3	92.3
II Financial liabilities at fair value through profit and loss					
Derivative financial instruments	3.6.	3.7	3.7	4.3	4.3
III Derivative contracts under hedge accounting					
Derivative financial instruments	3.6.	0.7	0.7	1.6	1.6

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

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

CASH AND CASH EQUIVALENTS, INVESTMENTS, TRADE AND OTHER RECEIVABLES, TRADE PAYABLES AND OTHER PAYABLES

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

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are initially measured at 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 currency forward agreement is based on the difference between the exchange rate of the agreement

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

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

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

LOANS FROM FINANCIAL INSTITUTIONS

Citycon's loans from financial institutions are floating rate loans which have a fair value equal to the nominal amount of the loan. The

difference between the fair value and carrying amount is the unamortised capitalised arrangement fees of the loans. The fair value of loans from financial institutions corresponds to level 2 according to IFRS13.72-90.

BONDS

All bonds are loans which have fair values equal to the nominal amount of the loans. The difference between the fair value and carrying amount is the unamortised capitalised arrangement fees for the bonds, and for the 1/2013, 1/2014, 3/2015, 1/2016 and 1/2017 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 100.2 million (116.2) as of 31 December 2017.

3.4. LOANS

All Citycon loans were interest-bearing liabilities on 31 December 2017 and 2016. These interest-bearing loans are explained here in detail.

Breakdown of interest-bearing liabilities

MEUR	Effective interest rate, %	Carrying amount 2017	Carrying amount 2016
Long-term interest-bearing liabilities			
Bonds			
Bond 1/2013	3.82	497.9	497.2
Bond 1/2014	2.62	345.5	345.0
Bond 1/2015	3M Nibor +1.55	126.5	136.9
Bond 2/2015	3.90	141.4	153.2
Bond 3/2015	2.40	298.4	298.0
Bond 1/2016	1.26	347.6	347.4
Bond 1/2017	2.77	100.6	-
Syndicated term loans			
NOK 1,000 million term loan facility	Reference rate + 1.30	101.2	109.5
Syndicated revolving credit facilities			
EUR 500 million revolving credit facility	Reference rate + 0.90	0.0	0.0
NOK 300 million revolving credit facility	Reference rate + 1.30	0.0	0.0
Finance lease liabilities	-	0.0	0.0
Other interest-bearing liabilities	-	0.0	0.0
Total long-term interest-bearing liabilities		1,959.2	1,887.1
Short-term interest-bearing liabilities			
Bond 1/2012	4.25	-	138.4
Current portion of interest-bearing liabilities	-	0.0	0.6
Commercial papers	-	124.1	142.2
Cash pool overdrafts	-	0.6	8.7
Total short-term interest-bearing liabilities		124.7	289.7

Maturity of long-term interest-bearing liabilities

MEUR	2017	2016
1-2 years	-	-
2-3 years	497.9	-
3-4 years	126.5	497.2
4-5 years	399.5	136.9
over 5 years	935.3	1253.0
Total	1,959.2	1,887.1

Currency split including cross-currency swaps.

Long-term interest-bearing liabilities by currency

MEUR	2017	2016
EUR	1,050.2	1,027.4
NOK	571.4	511.8
SEK	337.6	347.9
Total	1,959.2	1,887.1

Short-term interest-bearing liabilities by currency

MEUR	2017	2016
EUR	53.2	181.0
NOK	36.0	3.5
SEK	35.6	105.2
Total	124.7	289.7

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

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 94.1%.

The interest sensitivity of Citycon's loan portfolio at the end of 2017 is depicted by the fact that a one-percentage point rise in money market interest rates would increase its interest expenses by EUR 1.2 million, while a fall of one-percentage point in such rates would decrease them by EUR 0.4 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	2017	2016
Euro	0.5	0.4
Norwegian crown	0.4	-
Swedish crown	0.4	1.0
Total	1.2	1.4

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	2017	2016
Norwegian crown	0.5	0.3
Swedish crown	0.1	0.0
Total	0.6	0.4

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 2017, unused committed credit limits amounted to EUR 530.5 million, in addition Citycon had unused cash pool limits of EUR 25.2 million and unrestricted cash and cash equivalents of EUR 3.7 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 2017					
Loans from financial institutions	73.3	53.1	109.1	0.0	235.5
Bonds	-	50.3	1,085.7	1,003.9	2,139.9
Finance lease liabilities	-	-	-	-	0.0
Derivative financial instruments	0.0	4.4	14.3	0.0	18.7
Trade and other payables (excl. interest liabilities)	57.2	17.7	0.2	0.8	75.8
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

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

Undrawn committed credit facilities

MEUR	Less than 1 month	1 to 12 months	1-5 years	Over 5 years	Total
31 December 2017					
Undrawn committed credit facilities	-	-	530.5	-	530.5
31 December 2016					
Undrawn committed credit facilities	-	-	500.0	33.0	533.0

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

Changes in liabilities from financing activities

MEUR	1 January 2017	Cash flow	Foreign exchange movement	Change in fair values	Other	31 December 2017
Long term interest bearing liabilities	1,887.1	106.7	-34.6	-	-	1,959.2
Short-term interest bearing liabilities	289.7	-158.7	-6.3	-	-	124.7
Derivatives	5.8	-	-4.0	2.7	-	4.4
Total in liabilities from financing activities.	2,182.5	-52.0	-44.9	2.7	-	2,088.3

CREDIT RISK

Citycon controls its receivables within the framework of the given credit limits and has not so far identified any major credit risk associated with them. Credit risk management caters for customer risk management, which is aimed at minimising the adverse effect of unexpected changes in the customers' financial standing on Citycon's business and financial results. Customer risk management is primarily based on the knowledge of the customers' business and active monitoring of customer data. Citycon's lease agreements include lease deposit provisions used to contribute to managing customers' risks. The maximum exposure from trade receivables is the carrying amount as disclosed in Note 4.4. Trade and other receivables.

Credit risk arising from cash and cash equivalents and certain derivative agreements relate to 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 and does not, for example, invest in equity markets. Citycon's cash and cash equivalents are primarily placed on bank accounts and in short term deposits, in which the counterparties are commercial banks participating in Citycon's credit agreements. Citycon's financing policy also sets forth approved financial instruments in which the company can invest, and includes counterparty limits for those investments.

EXCHANGE RATE RISK

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

The company manages its exchange rate risk in the balance sheet by aiming to finance its foreign investments mainly in the local currency. Currently, the company's exchange rate risk relates to fluctuations in the Euro/Swedish crown and the Euro/Norwegian crown exchange rates.

FOREIGN EXCHANGE SENSITIVITY

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

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

MEUR	2017	2016
Swedish crown	0.0	-0.1
Norwegian crown	-0.8	-0.7
Total	-0.9	-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 44 in the formulas for key figures and ratios.

Equity ratio:

MEUR	2017	2016
Total shareholders' equity (A)	2,208.5	2,312.3
Total assets	4,678.0	4,900.9
Less advances received	15.8	16.6
./ (Total assets - advances received) (B)	4,662.2	4,884.3
Equity ratio, % (A/B)	47.4%	47.3%

LTV (Loan to value) -%:

MEUR	2017	2016
Interest-bearing debt total (Note 3.4.)	2,083.9	2,176.8
Less cash and cash equivalents (Note 3.8.)	10.1	15.9
Interest-bearing net debt (A)	2,073.7	2,160.9
Fair value of investment properties including properties held for sale and investments in joint ventures (Note 2.1, 2.2 and 2.3.) (B)	4,436.9	4,638.5
LTV, % (A/B)	46.7%	46.6%

Equity ratio increased slightly in 2017 despite a lower total shareholders equity as the total assets in proportion decreased more. The LTV increased slightly in 2017 despite the lower interest-bearing net debt as the fair value of investment properties in proportion decreased more.

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 2017 stood at 47.4% (47.3) and interest coverage ratio at 3.8 (3.8).

Under a commitment given in the terms of the Trust Deeds regarding the eurobonds issued in 2013, 2014, 2015, 2016 and 2017 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 2017 stood at 0.46 (0.46) and the secured solvency ratio at 0.02 (0.02).

3.6. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative contracts and hedge accounting

Derivative financial instruments are used in accordance with Citycon's Treasury Policy to hedge the interest rate risk of interest bearing liabilities and foreign currency risk. Derivatives are initially measured at fair value (if available) and re-measured at fair value on each statement of financial position date.

Citycon uses interest rate swaps to hedge the interest rate cash flow risk. These interest rate swaps hedge against volatility in future interest payment cash flows (cash flow hedging) resulting from interest rate fluctuations, and the resulting profit fluctuations. Hedged instruments consist of long term floating rate debt, which is expected to be refinanced upon maturity on similar terms. 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. At the moment Citycon has three interest rate swaps under hedge accounting at nominals of NOK 625, 625 and 1,000 million.

Interest payments based on interest rate swaps are included in interest expenses. Fair value changes that are booked through profit or loss are recognised as financial expenses or income, if hedge accounting is not applied. The fair value of interest rate swaps is shown in current or non-current receivables or current and non-current liabilities in the statement of financial position. As of 31 December 2017 all Citycon's interest rate swaps were under hedge accounting.

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

Hedge accounting (fair value hedge) for cross currency swaps is performed in the same manner as explained above for interest rate swaps with the exception that fair value changes from foreign exchange rate is booked through profit and loss and the fair value change due to changed interest rates is shown in current or non-current receivables or current and non-current liabilities in the statement of financial position. At the moment Citycon has one cross currency swap under hedge accounting with a nominal of NOK 1,000 million.

A) Nominal amounts and fair values of derivative financial instruments

	Nominal amount	Fair value	Nominal amount	Fair value
MEUR	2017	2017	2016	2016
Interest rate swaps				
Maturity:				
less than 1 year	-	-	-	-
1-5 years	228.7	0.2	247.6	1.2
over 5 years	-	-	-	-
Subtotal	228.7	0.2	247.6	1.2
Cross-currency swaps				
Maturity:				
less than 1 years	-	-	-	-
1-5 years	457.9	15.0	350.0	0.6
over 5 years	-	-	107.9	-0.3
Subtotal	457.9	15.0	457.9	0.3
Foreign exchange forward agreements				
Maturity:				
less than 1 year	84.6	1.6	220.2	-1.8
Total	771.2	16.8	925.7	-0.2

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

The fair values include a foreign exchange gain of EUR 20.9 million (-1.1) 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 2017 was 1.97% (1.97%).

B) Derivatives under hedge accounting

Interest rate swaps and cross-currency swaps MEUR	Assets	Liabilities	Assets	Liabilities
	2017	2017	2016	2016
Interest rate swaps, fair value	0.2	-	1.2	-
Cross-currency swaps, fair value	6.2	-	-	-0.3

The Group applies hedge accounting in accordance with IAS 39 to all of its interest rate swaps valid as at 31 December 2017, according to which the amount of financial instruments' fair value change from effective hedging is recognised under other consolidated comprehensive income. Fair value gains and losses are transferred to the statement of consolidated income when the forecasted cash flows realize and affect the statement of consolidated income. Citycon also has cross-currency swaps to effectively convert EUR debt into 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 336.6 million (355.6).

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 2017 and at 31 December 2016, derivatives under hedge accounting were assessed as highly effective. The fair values of these derivatives were EUR 6.3 million (2.0) and the change of these fair values (net of taxes) EUR -2.5 million (6.4) is recognised under other consolidated comprehensive income, taking the tax effect into account.

In addition, EUR 0.8 million (2.3) 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	2017	2016
Loans, for which mortgages are given in security and shares pledged		
Loans from financial institutions	101.6	110.1
Contingent liabilities for loans		
Mortgages on land and buildings	132.1	143.1
Bank guarantees	40.9	154.7

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	2017	2016
Cash in hand and at bank	3.7	9.3
Other bank deposits	6.4	6.5
Total	10.1	15.9

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	2017	2016
Current tax	-0.8	-0.7
Tax for prior periods	0.0	0.0
Deferred tax expense	-5.1	-19.5
Income tax expense	-5.9	-20.2

Citycon did not recognise any current taxes directly in the equity during 2017 and 2016.

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

MEUR	2017	2016
Profit before taxes	93.8	181.5
Taxes at Finnish tax rate	18.8	36.3
Change in subsidiaries' tax rate	-6.4	-6.4
Fair value of investment properties	-17.2	-5.3
Difference in foreign subsidiaries' tax rate	-2.0	-0.5
Unrecognised tax receivables from losses	1.2	-0.3
Utilisation of tax losses	1.2	-2.1
Tax free income deducted by non-deductible expenses	6.5	-1.9
Other	3.8	0.4
Income taxes	5.9	20.2
Effective tax rate, %	6.3%	11.1%

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 2017:

MEUR	1 January 2017	Recognised in income statement	Recognised in other comprehensive income	Recognised from Business combinations	Items not recognized on the balance sheet	Exchange rate differences	31 December 2017
Deferred tax assets							
Tax losses	3.6	1.2	-	-	-	-	4.8
Measurement of interest-rate swaps at fair value	-0.8	-0.4	0.6	-	-	-	-0.6
Deferred tax assets, total	2.9	0.8	0.6	-	-	-	4.3
Deferred tax liabilities							
Measurement of investment property at fair value ¹⁾	309.1	3.3	-	-	-	-13.4	299.0
Contract values of managed and rented centre	2.6	-0.5	-	-	-	-0.2	1.9
Temporary difference in financial expenses	0.6	-0.2	-	-	-	-	0.4
Deferred tax discounts due to sales of assets	-	3.3	-	-	-3.3	-	-
Deferred tax liabilities, total	312.2	5.9	-	-	-3.3	-13.6	301.1

¹⁾Deferred tax liabilities are net of EUR 12.8 million of deferred tax assets arising from confirmed tax losses.

Changes in deferred tax assets and liabilities in 2016:

MEUR	1 January 2016	Recognised in income statement	Recognised in other comprehensive income	Recognised from Business combinations	Items not recognized on the balance sheet	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 centers	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 assets arising from confirmed tax losses.

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

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

On 31 December 2017, Group companies had confirmed losses for which tax assets of EUR 7.0 million (6.1) 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	2017	2016
Acquisition cost January 1	35.2	33.0
Additions during the period	3.7	1.4
Divestments	-1.1	-0.3
Net exchange differences	-1.6	1.1
Accumulated acquisition cost December 31	36.2	35.2

Accumulated depreciation and impairment losses, January 1	2017	2016
	-12.7	-9.5

Amortization during the period	-5.0	-3.2
Net exchange differences	0.3	0.0

Accumulated depreciation and impairment losses, December 31	2017	2016
	-17.4	-12.7

Net carrying amount January 1	2017	2016
	22.5	23.6

Net carrying amount December 31	2017	2016
	18.8	22.5

Intangible assets consisted of contract values of managed and rented centers arising from business combination (acquisition of Norwegian business unit on 14 July 2015) and computer software and licenses. The contract values of managed and rented centers were EUR 14.8 million on 31 December 2017 (17.7).

During financial year 2017 Citycon has defined the disclosure of intangible assets by disclosing the net exchange differences as separate items. In order to ensure comparability between financial years 2017 and 2016, has the comparative information been adjusted accordingly. The change did not have any effect on the book values of intangible assets.

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	2017	2016
Trade receivables	11.8	11.1
Credit loss provision	-2.9	-2.8
Trade receivables (net)	8.9	8.3
Accrued income and prepaid expenses	11.3	14.8
VAT-receivables	2.7	7.3
Other receivables	8.5	8.4
Total	31.5	38.8

Ageing structure of trade receivables:

MEUR	2017	2016
NOT past due nor impaired	2.4	2.9
Past due, less than 1 month	1.9	2.7
Past due, 1-3 months	2.0	1.6
Past due, 3-6 months	1.3	1.1
Past due, 6-12 months	2.7	1.6
Past due, 1-5 years	1.6	1.1
Total	11.8	11.1

Movement in credit loss provisions:

MEUR	2017	2016
At the beginning of the year	-2.8	-3.3
Charge for the year	-0.5	0.0
Utilised	-0.5	-0.1
Unused amounts reversed	1.0	0.6
Credit loss provision at the end of the year	-2.9	-2.8

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	2017	2016
Trade payables	14.7	19.2
Short-term advances received	15.7	16.3
Interest liabilities	18.4	22.8
Other liabilities	23.6	28.9
Accrued expenses total	42.0	51.8
VAT-liabilities	3.5	5.0
Other short-term payables	0.0	0.1
Other short-term payables total	3.5	5.1
Total	75.8	92.3

Due dates of future payments of trade and other payables:

MEUR	2017	2016
Due in less than 1 month	57.2	72.4
Due in 1–3 months	6.5	1.3
Due in 3–6 months	9.5	13.6
Due in 6–12 months	1.6	3.3
Due in 1–2 years	0.2	1.5
Due in 2–5 years	0.0	0.1
Due in over 5 years	0.8	0.0
Total	75.8	92.3

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

BUSINESS ACQUISITIONS

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

GOODWILL

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

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

nominal value of deferred tax liabilities is higher than their fair value at the time of acquisition.

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

If part of the CGU, to which goodwill has been allocated, is disposed, goodwill that has been allocated to that disposed part is booked in other operating expenses. Goodwill is allocated to the disposed part based on the relative values of the disposed operations and the portion of the retained part.

BUSINESS ACQUISITIONS AND ASSET ACQUISITIONS

Citycon purchases investment properties through business acquisitions and asset acquisitions.

Citycon applies IFRS 3 Business Combinations to the accounting treatment of business acquisitions and IAS 40 Investment Property to the asset acquisitions. Citycon exercises judgement in assessing whether the purchase

of an investment property portfolio or an investment property is classified as a business combination or an asset acquisition. Acquisitions are treated as business combinations when significant set of activities is acquired in addition to the property. The significance of activities is assessed in accordance with the definition of business (e.g. maintenance, cleaning, security, book-keeping, etc.) of IFRS 3.

A) Business combinations and goodwill

MEUR	2017	2016
Acquisition cost January 1	173.4	171.5
Purchase price adjustment	-	0.0
Change from exchange rate	-9.3	6.4
Reduction in goodwill resulting from corporate income tax rate change in Norway	-3.4	-4.4
Reduction in goodwill resulting from sales of assets in Norway	-7.4	-
Accumulated acquisition cost December 31	153.3	173.4

Goodwill at the end of 2017 results fully from the acquisition of Norwegian business unit on 14.7.2015. The goodwill is allocated to the Norway business unit as a whole. During financial year 2017 three shopping centres were sold from the business unit.

Due to the forthcoming decrease in income tax percent in Norway from 2018 on and the decrease during 2017, goodwill was reduced in the last quarters of financial year 2017 and 2016 by EUR 3.4 million and EUR 4.4 million, respectively. Whereas, the reduction in the tax rate had a positive impact on the deferred tax change.

Citycon did not acquire any businesses during financial years 2017 and 2016.

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.

Total carrying value including goodwill to be tested was approximately EUR 1,431.0 million (1,552.3). The pre-tax discount rate applied to the cash flow projections was 3.91% (4.63). The recoverable amount of Norway amounted to EUR 1,605.2 million (1,954.1) with a headroom of EUR 174.5 million (401.8) 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 5.40% (5.25) which reflects property specific risks and market risks.

Sensitivity has been analysed regarding market rents and yield assumptions separately. Asset's total recoverable amount would fall below total carrying value if market rents decreased more than approximately 9,50% (22.51) from current level. If both WACC determined by the company 3.91% (4.63) and yield assumption determined by external appraiser 5.40% (5.25) would increase more than approximately 0.63% points (1.49), then total recoverable amount of asset would fall below total carrying value.

5.2. ACQUISITION OF NON-CONTROLLING INTERESTS

Citycon did not acquire minority shares during 2017. During 2016 Citycon acquired a 29.4% minority share of Råd & Bokføring AS. Citycon previously owned a 70.6% majority share from the company.

Citycon didn't have any material non-controlling interests in its subsidiaries on December 31, 2017 and 2016.

MEUR	2017	2016
Total goodwill	153.3	173.4
Residual balance of deferred tax liability, in excess of the fair value, initially provided on acquisition	-91.8	-108.7
Goodwill tested for impairment	61.5	64.7

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

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.

5.3. RELATED PARTY TRANSACTIONS AND CHANGES IN GROUP STRUCTURE

A) Related parties

Group companies and changes in group structure

Group companies on 31 December 2017	Country	Group holding, %	Parent company holding, %
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 Drift AS	Norway	100	
Citycon Kolbotn Torg Næring AS	Norway	100	

¹⁾ Company acquired in 2017

²⁾ Name of the company changed in 2017

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 44.6% on 31 December 2017 (31 December 2016: 43.9%).

Group companies on 31 December 2017	Country	Group holding, %	Parent company holding, %
Citycon Kongssenteret Drift AS	Norway	100	
Citycon Kongssenteret Eiendom AS	Norway	100	
Citycon Kremmertorget Drift AS	Norway	100	
Citycon Kremmertorget Eiendom AS	Norway	100	
Citycon Liertoppen Drift AS	Norway	100	
Citycon Liertoppen Eiendom AS	Norway	100	
Citycon Liljeholmstorget Galleria AB	Sweden	100	
Citycon Linderud Drift AS	Norway	100	
Citycon Linderud Eiendom AS	Norway	100	
Citycon Magasinet Drammen Eiendom AS	Norway	100	
Citycon Magasinet Drammen Invest AS	Norway	100	
Citycon Magasinet Drammen Invest I ANS	Norway	100	
Citycon Magasinet Drammen Invest II ANS	Norway	100	
Citycon NAF-Huset Drift AS	Norway	100	
Citycon NAF-Huset Eiendom AS	Norway	100	
Citycon Norway AS	Norway	100	
Citycon Oasen Drift AS	Norway	100	
Citycon Oasen Eiendom AS	Norway	100	
Citycon Oasen Kontoreiendom AS ¹⁾	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 Shopping Centers Shelf 7 AB ²⁾	Sweden	100	
Citycon Sjøsiden Drift AS	Norway	100	
Citycon Sjøsiden Eiendom AS	Norway	100	
Citycon Solsiden Drift AS	Norway	100	
Citycon Solsiden Eiendom AS	Norway	100	
Citycon Stopp Drift AS	Norway	100	

Group companies on 31 December 2017	Country	Group holding, %	Parent company holding, %
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 Strædet Cinema ApS (Citycon Køge B2 ApS) ¹⁾²⁾	Denmark	100	
Citycon Strædet Pedestrian Street ApS ¹⁾	Denmark	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	
Espoonlahden Bussiterminaali Koy	Finland	100	
Espoonlahden Metroasema Koy (Special Purpose Vehicle No. 257 Oy) ¹⁾²⁾	Finland	100	
Etelä-Suomen Kauppakiinteistö Oy	Finland	100	
Helsingin Hämeentie 109-111 Koy	Finland	100	
Kauppakeskus Columbus Koy	Finland	100	
Kauppakeskus Isokarhu Oy	Finland	100	
Kristiina Management Oy	Finland	100	
Kristiine Keskus Oü	Estonia	100	
Kuopion Kauppakatu 41 Koy	Finland	100	
Lahden Hansa Koy	Finland	100	
Lintulankulma Koy	Finland	100	
Lippulaiva Koy	Finland	100	
Lippulaivan Palvelutilat Koy	Finland	100	
Manhattan Acquisition Oy	Finland	100	
Montalbas B.V.	The Netherlands	100	100
Myyrmanni Koy	Finland	100	
Riddarplatsen Fastigheter HB	Sweden	100	
Rocca al Mare Kaubanduskese AS	Estonia	100	
Stenungs Torg Fastighets AB	Sweden	100	
Tampereen Hermannin Koy	Finland	100	
Tampereen Koskikeskus Koy	Finland	100	
Åkersberga Centrum AB	Sweden	100	
Lahden Trio Koy	Finland	89.5	

Group companies on 31 December 2017	Country	Group holding, %	Parent company holding, %
Hervannan Liikekeskus Oy	Finland	83.2	
Myyrmäen Kauppakeskus Koy	Finland	78.6	
RED City AB	Sweden	75	
Heikintori Oy	Finland	68.7	
Myyrmäen Autopaikoitus Oy	Finland	62.7	
Centerteam AS	Norway	50	
Dr Juells Park AS	Norway	50	
Holding Big Apple Housing Oy	Finland	50	
Lappeenrannan Villimiehen Vitonen Oy	Finland	50	
Kista Galleria JV AB	Sweden	50	
Kista Galleria Kommanditbolag	Sweden	50	
Kista Galleria Holding AB	Sweden	50	
Kista Galleria LP AB	Sweden	50	
Klosterfoss Utvikling AS	Norway	50	
Magasinet Drammen AS	Norway	50	
Mölnåls Galleria AB	Sweden	50	
Mölnåls 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	
Centro Henrique Oy	Finland	34.4	
Sektor Markedet Drift AS	Norway	20	
Sektor Markedet Eiendom AS	Norway	20	
Sektor Portefølje II AS	Norway	20	
Sektor Stovner Drift AS	Norway	20	
Sektor Stovner Eiendom AS	Norway	20	
Sektor Torvbyen Eiendom AS	Norway	20	
Torvbyen Utvikling AS	Norway	20	
Tupakkikiven Parkki Koy	Finland	13.7	
Torvbyen Drift AS	Norway	7.6	
Partnerships for taxation purposes:			
Parkeringshuset Våpnaren	Sweden	64	

¹⁾ Company acquired in 2017

²⁾ Name of the company changed in 2017

Merged

Citycon Skomværkvartalet Eiendom AS merged into Citycon Norway AS.
Holding Metrokeskus Oy merged into New Manhattan Acquisition Oy.
New Big Apple Top Koy merged into Big Apple Top Oy.
New Manhattan Acquisition Oy merged into Manhattan Acquisition Oy.

Companies liquidated

Liljeholmstorget Development Services AB	Sweden
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Companies sold (Group holding% on the time of sale)

Citycon Krokstad Eiendom AS (100%)	Norway
Citycon Lade Eiendom AS (100%)	Norway
Citycon Lietorvet Drift AS (100%)	Norway
Citycon Lietorvet Eiendom AS (100%)	Norway
Espoon Asemakuja 2 Koy (100%)	Finland
Jyväskylän Forum Koy (100%)	Finland
Jyväskylän Kauppakatu 31 Koy (100%)	Finland
Kaarinan Liiketalo Koy (100%)	Finland
Kivensilmänkuja 1 Koy (100%)	Finland
Martinlaakson Kivivuorentie 4 Koy (100%)	Finland
Porin Asema-aukio Koy (100 %)	Finland
Råd & Bokføring AS (100%)	Norway
Tikkurilan Kauppakeskus Koy (98.8%)	Finland
Linjurin Kauppakeskus Koy (88.5%)	Finland
Ersboda Länken 1 AB (75%)	Sweden
Espoonatorin Pysäköintitalo Oy (68.6%)	Finland
Espoonatori Koy (66.6%)	Finland
Espoon Asematori Koy (54.1%)	Finland
Jyväskylän Ydin Oy (29%)	Finland
Sektor Halden Drift AS (20%)	Norway
Sektor Halden Eiendom AS (20%)	Norway
Martinlaakson Huolto Oy (2.2%)	Finland

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

REPORTING TO GAZIT-GLOBE LTD.

The company's main shareholder, Gazit-Globe Ltd., holding 44.6% 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 2017

The following new standards as well as amendments and interpretations to the existing standards have been adopted in the financial statements 2017. These were not significantly relevant to Citycon, because they didn't significantly change Citycon's accounting policies nor presentation of the accounts.

- Disclosure initiative (amendments to IAS 7)
- Recognition of Deferred Tax Assets for Unrealized Losses (amendments to IAS 12)
- Disclosure of Interest in Other entities: Clarification of the scope of the Standard (annual improvements to IFRS 12)

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 2018 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

- IFRS 2 Share-based Payments: Clarification and Measurement of Share-based Payment Transactions (amendments) I.e. guidance to accounting for cash-settled share-based payment transactions that include a performance a performance condition and the classification of shared-based payment transactions with net settlement features.

- IFRIC 22 Foreign Currency Transactions and Advance Consideration Guidance for foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income.

- IFRIC 23 Uncertainty over Income Tax Treatments Guidance to the determination of taxable profit (tax loss), tax bases, unused tax losses and tax rates, when there is uncertainty over income tax treatments under IAS 12.

IFRS 15 Revenues from Contracts with Customers standard (effective from 1 January 2018) will replace IAS 11 and IAS 18 standards and their interpretations. IFRS 15 will provide more detailed guidance regarding income recognition and disclosure of contracts with customers. The main impacts of IFRS 15 to Citycon's reporting have been analyzed during the year 2017. Based on the analysis, the impact from adaptation of IFRS 15 to Citycon's reporting will be minor apart from expansion of financial statement disclosures.

The majority Citycon's sales revenues consist of rental income which by definition falls under the scope of IAS 17 (from 1 January 2019 on IFRS 16). In Citycon's business operations, only the service charge income will be treated according to IFRS 15 and the accounting treatment of service charge income is presently in line with the upcoming IFRS 15 standards guidance.

The main impact from the implementation of the standard to Citycon's reporting will be the change in disclosure regarding rental agreements in which the rent has not been divided between capital rent and service charge income (see Note 1.2). Due to this, part of gross rental income will be allocated to service charge income in the income statement from 1 January 2018 onwards. The allocation is estimated to have a positive impact of EUR 7 million to service charge

income and an equivalent negative impact on gross rental income. The change will not have any impact on Citycon's net rental income.

Citycon's transition method to applying IFRS 15 to its accounts will be the retrospective application with the cumulative effect recognized in the current period and due to that, the comparative information from financial year 2017 will not be restated and will be presented according to guidance of previously applied IFRS standards.

IFRS 9 Financial instruments standard (effective from 1 January 2018) will replace the IAS 39 standard. IFRS 9 will offer more possibilities regarding hedge accounting, but does not require mandatory changes to Citycon's present principles of booking nor disclosure of financial instruments.

The guidance provided in the standard includes substantial changes to accounting treatment of financial instruments' impairment. In addition to financial instruments, expected credit loss must be estimated also among rental and sales receivables, but for this purpose, a simplified valuation model can be applied. During the financial year 2018, Citycon will assess the expected credit losses by segment, with help of a model based on the amount and maturity of receivables, realized credit losses and expectations regarding the future development of the economic situation. Effects from the implementation of the standard to Citycon's credit loss provision are not expected to be material during financial year 2018.

IFRS 16 Leases standard (effective from 1 January 2019) will replace IAS 17 standard and its interpretations. Above all, IFRS 16 provides guidance for the lessee and defines principles for accounting treatment of rental agreement as an asset and a liability (lease obligation). In the income statement, the cost of the rental agreements will be presented as depreciations and financing expenses instead of rental expenses. The standard contains two exemptions for short-term and low-value leases.

The impacts of implementing the standard to Citycon's reporting are estimated to be minor and the assessment is on-going. The arising effects are estimated to be limited to land lease agreements and to rental agreements of machinery and equipment.

5.5. POST BALANCE SHEET DATE EVENTS

No major events have taken place post balance sheet date.

PARENT COMPANY FINANCIAL STATEMENTS, FAS

PARENT COMPANY INCOME STATEMENT, FAS

MEUR	Note	1 January– 31 December 2017	1 January– 31 December 2016
Service charge income		2.7	3.0
Turnover	2	2.7	3.0
Property operating expenses		0.0	0.0
Net rental income		2.7	3.0
Administrative expenses	3, 4	-14.3	-14.3
Other operating income and expenses	5	3.4	3.0
Operating loss/profit		-8.2	-8.3
Financial income		153.9	116.9
Financial expenses		-105.6	-115.2
Net financial income and expenses	6	48.2	1.7
Profit/loss before appropriations and taxes		40.1	-6.5
Group contributions		6.2	19.2
Profit for the period		46.2	12.6

PARENT COMPANY BALANCE SHEET, FAS

MEUR	Note	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Intangible assets	7	3.7	4.3
Tangible assets	8	1.1	0.9
Investments			
Shares in subsidiaries	9	1,425.7	1,354.3
Loan receivables and derivative contracts ¹⁾	10	1,307.0	1,512.7
Total investments		2,732.7	2,867.0
Total non-current assets		2,737.5	2,872.2
Current assets			
Short-term receivables	12	397.0	363.8
Cash and cash equivalents		0.1	0.1
Total current assets		397.0	363.9
Total assets		3,134.5	3,236.1

MEUR	Note	31 December 2017	31 December 2016
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
	13		
Share capital		259.6	259.6
Share premium fund		133.1	133.1
Invested unrestricted equity fund		1,139.3	1,246.1
Retained earnings ¹⁾		9.8	6.0
Profit for the period		46.2	12.6
Total shareholders' equity ¹⁾		1,587.9	1,657.4
Liabilities			
	14		
Long-term liabilities			
Bond 1/2013		497.9	497.2
Other long-term liabilities ¹⁾		11.3	5.7
Total long-term liabilities		509.2	502.9
Short-term liabilities			
Bond 1/2012		-	138.4
Other short-term liabilities		1037.3	937.5
Total short-term liabilities		1,037.3	1,075.8
Total liabilities		1,546.6	1,578.7
Total liabilities and shareholders' equity		3,134.5	3,236.1

¹⁾The comparative balance sheet has been adjusted due to the incorrect valuation of derivatives at 2016.

PARENT COMPANY CASH FLOW STATEMENT, FAS

MEUR	1 January–31 December 2017	1 January–31 December 2016
Cash flow from operating activities		
Profit /loss before taxes	40.1	-6.5
Adjustments:		
Depreciation and impairment loss	1.2	1.0
Net financial income and expenses	-48.2	-1.7
Cash flow before change in working capital	-7.0	-7.2
Change in working capital	16.7	38.3
Cash generated from operations	9.8	31.1
Interest expense and other financial expenses paid	-52.8	-51.4
Interest income and other financial income received	35.2	50.1
Realised exchange rate losses and gains	0.9	15.0
Income taxes paid	-	-
Net cash flow from operating activities	-6.9	44.9
Cash flow used in investing activities		
Investment in tangible and intangible assets	-0.8	-1.2
Loans granted	-736.0	-899.3
Repayments of loans receivable	1,038.7	1,078.0
Increase in subsidiary shares	-11.3	0.0
Net cash used in investing activities	290.6	177.5
Cash flow from financing activities		
Proceeds from short-term loans	1,908.6	1,120.2
Repayments of short-term loans	-1,965.5	-1,142.0
Repayments of long-term loans	-138.3	0.0
Dividends paid and return from the invested unrestricted equity fund	-116.2	-131.4
Net cash from financing activities	-311.4	-153.1
Net change in cash and cash equivalents	-27.7	69.2
Cash and cash equivalents at period-start	-57.4	-126.6
Cash and cash equivalents at period-end¹⁾	-85.1	-57.4

¹⁾ Cash and cash equivalents of Citycon Oyj included the Group cash pool as at 31 December 2017 and at 31 December 2016, in which the parent company's bank account can have a negative balance. Cash pool balance of EUR -57.5 million as at 31 December 2016 and EUR -85.2 million as at 31 December 2017 has been recognised in the parent company's balance sheet under short-term liabilities.

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS, FAS

1. ACCOUNTING POLICIES

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

Income statement format

The income statement is presented in accordance with the function-based format.

Non-current assets

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

Intangible assets

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

Tangible assets

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

Pension schemes

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

Foreign currency receivables and payables

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

Income taxes

Current taxes are recognised on an accrual basis.

Deferred taxes arising from temporary differences between the book and fiscal values have been recognised separately in the income statement and the balance sheet.

Derivatives

All derivatives are valued according to the Finnish bookkeeping act KPL 5.2a at fair value. The comparative balance sheet has been adjusted due to the incorrect valuation of derivatives at 2016.

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	2017	2016
Turnover by country:		
Finland	0.8	1.7
Other countries	1.9	1.3
Total	2.7	3.0

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

MEUR	2017	2016
Administrative fees from Group companies	2.3	2.8

3. PERSONNEL EXPENSES

MEUR	2017	2016
Average number of employees during period	34	42
Personnel expenses		
Wages and salaries	-6.7	-6.8
Pension charges	-1.0	-1.0
Other social charges	-0.3	-0.5
Total	-8.0	-8.4

The items presented above include CEO's statutory pension payments, EUR 0.1 million in 2017 (0.1).

Personnel expenses include the following management wages and salaries

MEUR	2017	2016
CEO's wages and salaries	-0.7	-0.7
Board remuneration	-0.7	-0.7
Total	-1.4	-1.4

4. DEPRECIATION AND AMORTISATION AND IMPAIRMENTS

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

MEUR	2017	2016
Amortisation on intangible assets	-1.0	-0.9
Depreciation on machinery and equipment	-0.2	-0.1
Total	-1.2	-1.0

5. OTHER OPERATING INCOME AND EXPENSES

MEUR	2017	2016
Other operating income	3.4	3.0
Total	3.4	3.0

6. NET FINANCIAL INCOME AND EXPENSES

MEUR	2017	2016
Dividend income		
From Group companies	60.0	20.0
From others	-	0.0
Total	60.0	20.0

Interest and other financial income

From Group companies	43.0	40.4
Foreign exchange gains	52.9	51.3
Other interest and financial income	-2.0	5.2
Total	93.9	96.9

Total financial income	153.9	116.9
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Interest and other financial expenses

To Group companies	19.1	21.1
Foreign exchange losses	55.5	55.5
Interest and other financial expenses	31.0	38.6
Total financial expenses	105.6	115.2

Net financial income and expenses	48.2	1.7
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7. INTANGIBLE ASSETS

MEUR	2017	2016
Intangible rights		
Acquisition cost 1 January	7.2	6.2
Additions during the period	0.3	1.0
Accumulated acquisition costs 31 December	7.4	7.2

Accumulated depreciation 1 January	-2.8	-2.0
Depreciation for the period	-1.0	-0.9
Accumulated depreciation 31 December	-3.9	-2.8

Net carrying amount 31 December	3.6	4.3
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Tenant improvements and other non-current assets

Acquisition cost 1 January	1.6	1.6
Additions during the period	0.1	0.0
Accumulated acquisition costs 31 December	1.7	1.6

Accumulated depreciation 1 January	-1.6	-1.5
Depreciation for the period	0.0	0.0
Accumulated depreciation 31 December	-1.6	-1.6

Net carrying amount 31 December	0.1	0.0
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Total intangible assets 31 December	3.7	4.3
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8. TANGIBLE ASSETS

MEUR	2017	2016
Machinery and equipment		
Acquisition cost 1 January	1.1	1.0
Additions during the period	0.4	0.1
Accumulated acquisition costs 31 December	1.6	1.1

Accumulated depreciation 1 January	-0.8	-0.7
Depreciation for the period	-0.2	-0.1
Accumulated depreciation 31 December	-1.0	-0.8

Net carrying amount 31 December	0.6	0.3
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Construction in progress

Acquisition cost 1 January	0.5	0.4
Additions during the period	-	0.2

Net carrying amount 31 December	0.5	0.5
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Total tangible assets 31 December	1.1	0.9
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9. SHARES IN SUBSIDIARIES

MEUR	2017	2016
Acquisition cost 1 January	1,354.3	1,334.0
Additions during the period	71.3	20.4
Net carrying amount 31 December	1,425.7	1,354.3

10. LONG TERM LOAN RECEIVABLES AND DERIVATIVE CONTRACTS

MEUR	2017	2016
Loan receivables from Group companies	1,286.9	1,506.4
Derivative financial instruments, from Group companies ¹⁾	0.7	1.6

Derivative financial instruments, from outside the Group ¹⁾	19.5	4.7
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Total other investments 31 December	1,307.0	1,512.7
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Total investments 31 December	2,732.7	2,867.0
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¹⁾ The comparative balance sheet has been adjusted due to the incorrect valuation of derivatives at 2016.

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	2017	2016
Receivables from outside the Group		
Trade receivables	0.2	0.1
Derivative financial instruments	1.7	1.0
Other receivables	1.1	0.9
Accrued income and prepaid expenses	0.4	0.3
Total	3.4	2.3
Receivables from Group companies		
Trade receivables	3.0	1.9
Loan receivables	374.2	331.5
Other receivables	3.0	1.3
Total other receivables	377.3	332.8
Interest receivables	7.1	7.0
Other accrued income and prepaid expenses	-	0.5
Total accrued income and prepaid expenses	7.1	7.6
Group contributions receivables	6.2	19.2
Total	393.5	361.5
Total short-term receivables	397.0	363.8

13. SHAREHOLDERS' EQUITY

MEUR	2017	2016
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	1,246.1	1,370.7
Equity return from the invested unrestricted equity fund	-106.8	-124.6
Invested unrestricted equity fund at 31 December	1,139.3	1,246.1
Retained earnings at 1 January	18.7	15.0
Dividends	-8.9	-8.9
Profit for the period	46.2	12.6
Retained earnings at 31 December¹⁾	56.0	18.7
Total shareholders' equity at 31 December¹⁾	1,587.9	1,657.4

¹⁾ The comparative balance sheet has been adjusted due to the incorrect valuation of derivatives at 2016.

14. LIABILITIES

A) Long-term liabilities

MEUR	2017	2016
Long-term interest-bearing liabilities		
Bond 1/2013	497.9	497.2
Total	497.9	497.2
Derivative financial instruments ¹⁾	4.3	3.1
Derivative financial instruments, from Group companies ¹⁾	7.0	2.5
Total long-term liabilities	509.2	502.9
Loans maturing later than 5 years	-	-

¹⁾ The comparative balance sheet has been adjusted due to the incorrect valuation of derivatives at 2016.

B) Short-term liabilities

MEUR	2017	2016
Short-term interest-bearing liabilities		
Bond 1/2012	-	138.4
Commercial paper	88.5	142.2
Loans from Group companies	925.0	765.6
Total	1,013.6	1,046.1
Short-term non-interest-bearing liabilities		
Payables to outside the Group		
Accounts payable	0.7	1.1
Derivative financial instruments	0.2	2.6
Other payables	1.1	1.4
Total other payables	1.3	4.1
Interest liability	10.9	14.9
Other accrued expenses and deferred income	3.5	2.9
Total accrued expenses and deferred income	14.4	17.7
Total	16.3	22.9
Payables to Group companies		
Accounts payable	0.0	0.9
Other payables	1.3	0.1
Accrued expenses and deferred income	6.1	5.8
Total	7.4	6.8
Total short-term liabilities	1,037.3	1,075.8
Total liabilities	1,546.6	1,584.4

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 definition 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 2017 with a fair value of EUR 0,6 million (-2,5) and a nominal amount of EUR 336,6 million (355,6).

15. CONTINGENT LIABILITIES

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

A) Lease liabilities

MEUR	2017	2016
Payables on lease commitments		
Maturing next financial year	0.5	0.5
Maturing later	2.4	2.5
Total	3.0	3.0

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

B) Guarantees given

MEUR	2017	2016
Guarantees	1,444.4	1,440.5
Of which on behalf of Group companies	1,444.4	1,440.4

Guarantees in 2017 mainly relate to issued bonds of subsidiaries which Citycon Oyj has guaranteed via parent guarantee or alternatively third party bank guarantees.

SIGNATURES TO THE FINANCIAL STATEMENTS

Signatures to the Financial Statements 1 January–31 December 2017

Helsinki, 7 February 2018

Chaim Katzman

Bernd Knobloch

Arnold de Haan

Kirsi Komi

Rachel Lavine

David Lukes

Andrea Orlandi

Claes Ottosson

Per-Anders Ovin

Ariella Zochovitzky

Marcel Kokkeel
CEO

We have today submitted the report on the conducted audit.

Helsinki, 7 February 2018

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Rytilahti
Authorized Public Accountant

AUDITOR'S REPORT

TO THE ANNUAL GENERAL MEETING OF CITYCON OYJ

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Citycon Oyj (business identity code 0699505-3) for the year ended 31 December, 2017. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

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

Our opinion is consistent with the additional report submitted to the Audit and Governance Committee.

Basis for Opinion

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

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

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 1.5 to the consolidated financial statements.

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

Key Audit Matters

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

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

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

Key Audit Matter**Valuation of Investment Properties**

We refer to the note 2.1

At the balance sheet date, the fair value of investment properties amounted to 4183.4 M€ representing 89.4 % of the total assets and 189.4 % of the total equity (2016 4337.6M€, 88.5% of the total assets and 187.7% of the total equity). Fair value measurement of the investment properties is a key audit matter, because the fair value measurement involves judgment and assumptions. Market rents, yield requirement, vacancy rate and operating expenses form the key variables used in investment property's fair-value measurement. The evaluation of these variables involves judgment and assumptions of Citycon management.

This matter is a significant risk of material misstatement referred to in EU Regulation No 537/241, point (c) of Article 10(2).

Valuation of Goodwill

We refer to the note 5.1

At the balance sheet date, the carrying amount of goodwill amounted to 153.3 M€ representing 3.3% of the total assets and 6.9 % of the total equity (2016: 173.4M€, 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.

This matter is a significant risk of material misstatement referred to in EU Regulation No 537/241, point (c) of Article 10(2).

How our audit addressed the Key Audit Matter

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.

Our audit procedures included among others the following procedures:

- Valuation specialists assisted us in evaluating the methodologies and assumptions used, in particular those relating to net rental income and the weighted average cost of capital.
- We assessed the competence and objectivity of the external appraiser and historical accuracy of management's judgment and assumptions. Net rental income is based on external appraiser's 10 year cash flow analysis to determine fair value of investment properties.
- We focused on, how much the recoverable amount exceeds the carrying amount of goodwill, and whether any reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount.

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

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

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

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

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of

- accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
 - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on

the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 5 April 2005, and our appointment represents a total period of uninterrupted engagement of 13 years.

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge

obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 7.2.2018

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Ryttilahti
Authorized Public Accountant



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