

**CITYCON**  
creating success for retailing



CITYCON OYJ

INTERIM REPORT 1 JANUARY - 30 JUNE 2013

# Citycon in Brief

Citycon is an owner, developer and manager of predominantly supermarket-anchored shopping centres in the Nordic and Baltic region. The company's shopping centres are actively managed and developed by its locally-based professionals. In the Nordic countries, Citycon is a pioneer in adhering to sustainable development principles in its shopping centre business. Citycon strives to enhance the commercial appeal of its properties, taking the specific characteristics of each property's catchment area into account, such as purchasing power, competition and consumer demand. The ultimate goal is to create rental premises that generate added value for tenants and customers.

At the end of June 2013, Citycon owned 38 shopping centres and 38 other retail properties. In addition, the company manages and leases the Galleria Esplanad shopping centre, without owning it. Of the shopping centres owned by the company, 23 are located in Finland, ten in Sweden, including Kista Galleria, four in the Baltic region and one in Denmark.

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# Citycon Oyj Interim Report for 1 January – 30 June 2013

## Summary of the Second Quarter of 2013 Compared with the First Quarter of the Year

- Turnover decreased to EUR 61.6 million (Q1/2013: EUR 62.9 million) mainly due to divestments and (re)development projects.
- Net rental income increased by EUR 2.3 million, or 5.8 per cent, to EUR 42.7 million (EUR 40.4 million), mainly due to seasonal variations in property operating expenses.
- EPRA operating profit increased by EUR 2.3 million, or 6.6 per cent, to EUR 37.8 million (EUR 35.4 million), mainly due to higher net rental income. EPRA earnings increased to EUR 20.8 million (EUR 19.7 million) mainly due to higher EPRA operating profit. EPRA earnings per share decreased to EUR 0.047 (EUR 0.052) due to a higher number of shares resulting from the rights issue in March 2013. EPRA key figures exclude non-recurring items such as fair value changes in investment properties.
- The fair value change in investment properties was EUR 3.3 million (EUR 11.8 million), and the fair value of investment properties totalled EUR 2,711.3 million (EUR 2,730.9 million). The weighted average net yield requirement for investment properties was 6.3 per cent (6.3%).

## Summary of January – June 2013 Compared with the Corresponding Period of 2012

- Turnover increased to EUR 124.5 million (Q1-Q2/2012: EUR 116.2 million).
- Net rental income increased by EUR 5.8 million, or 7.5 per cent, to EUR 83.0 million (EUR 77.3 million). Completion of (re)development projects and the acquisition of shopping centres in 2012 increased net rental income by EUR 2.6 million.
- Net rental income of like-for-like properties increased by EUR 2.9 million, or 4.8 per cent, excluding the impact of the stronger Swedish krona.
- Earnings per share were EUR 0.07 (EUR 0.09). The reduction was mainly due to non-recurring financial expenses of EUR 26.8 million related to the refinancing and due to a higher number of shares.
- EPRA earnings per share (basic) were EUR 0.099 (EUR 0.096).
- Net cash from operating activities per share decreased to EUR -0.02 (EUR 0.10) mainly due to above-mentioned non-recurring financial expenses and timing issues.

## Key Figures

IFRS based key figures	Q2/2013	Q2/2012	Q1/2013	Q1-Q2/2013	Q1-Q2/2012	Change-% <sup>1)</sup>	2012
Turnover, EUR million	61.6	58.4	62.9	124.5	116.2	7.2%	239.2
Net rental income, EUR million	42.7	39.7	40.4	83.0	77.3	7.5%	162.0
Profit/loss attributable to parent company shareholders, EUR million	1.7	10.9	26.1	27.8	26.6	4.4%	77.2
Earnings per share (basic), EUR <sup>2)</sup>	0.00	0.03	0.07	0.07	0.09	-20.8%	0.24
Net cash from operating activities per share, EUR <sup>2)</sup>	-0.06	0.05	0.05	-0.02	0.10	-	0.19
Fair value of investment properties, EUR million	2,711.3	2,602.0	2,730.9	2,711.3	2,602.0	4.2%	2,714.2
Equity ratio, %	42.7	35.0	40.4	42.7	35.0	22.0%	37.8
Loan to Value (LTV), %	54.2	58.3	51.6	54.2	58.3	-7.0%	54.5
EPRA based key figures	Q2/2013	Q2/2012	Q1/2013	Q1-Q2/2013	Q1-Q2/2012	Change-% <sup>1)</sup>	2012
EPRA operating profit, EUR million	37.8	33.1	35.4	73.2	64.1	14.1%	135.7
% of turnover	61.2%	56.8%	56.3%	58.8%	55.2%	6.5%	56.7%
EPRA Earnings, EUR million	20.8	15.6	19.7	40.4	29.9	35.2%	63.9
EPRA Earnings per share (basic), EUR <sup>2)</sup>	0.047	0.050	0.052	0.099	0.096	2.6%	0.199
EPRA NAV per share, EUR	2.99	3.60	2.99	2.99	3.60	-17.0%	3.49
EPRA NNNAV per share, EUR	2.77	3.21	2.70	2.77	3.21	-13.5%	3.08

<sup>1)</sup> Change-% is calculated from exact figures and refers to the change between 2013 and 2012.

<sup>2)</sup> Result per share key figures have been calculated with the issue-adjusted number of shares resulting from the rights issue executed in March 2013.

## CEO's Comment

Comments from Citycon Oyj's Chief Executive Officer Marcel Kokkeel on the first half of the year:

"The first half of 2013 showed further improvements in rental growth and cost savings; we were able to increase like-for-like net rental income by 4.8 per cent and reduce administrative expenses by EUR 2.8 million compared to the corresponding period in 2012. Overall, Citycon's operating results in the first half of 2013 were positive. The occupancy rate reduced slightly during the second quarter, but remained at a solid level, close to 95 per cent. Leasing and vacancy reduction will continue to be a top priority for management.

In May, Citycon renewed eleven grocery store lease agreements in supermarket and shop properties with its largest tenant Kesko. The renewed leases increase the average length of Citycon's total lease portfolio by approximately four months. This is a clear example of Citycon's value-enhancing activities in its non-core portfolio.

During the reporting period, the company has strengthened its portfolio through acquisitions and (re)development projects. Following the start of the (re)development project at IsoKristiina shopping centre in Lappeenranta in April, Citycon announced the initiation of the first phase of the extension and (re)development project at Iso Omena shopping centre in June. The Iso Omena extension will further enhance Citycon's position in Espoo, the fastest growing and most affluent area in the Helsinki Metropolitan Area. Organic growth will continue to be a key focus for Citycon and the (re)development of existing core shopping centres contribute to this.

The company's goal has been to diversify funding sources and refinance debt. After receiving two investment grade credit ratings from Standard & Poor's (BBB-) and Moody's (Baa3) in May, we successfully placed a EUR 500 million seven-year eurobond with an annual coupon of 3.75 per cent. This strategic transaction enabled us to increase liquidity and extend average debt maturities. The proceeds of the bond have been used to pay back existing loans and repurchase domestic bonds maturing in 2014 and 2017. The one-off increase in financial expenses was mainly due to the unwinding of interest rate swaps in relation to the repayment of existing debt. Going forward, this transaction will reduce our interest expenses and improve the interest cover covenant."

## Other Events 1 January–30 June 2013

### Financial position

In May, Citycon received two long-term corporate investment grade credit ratings, BBB- from Standard & Poor's and Baa3 from Moody's. Both credit ratings have stable outlook.

On 14 June, the company issued an unsecured EUR 500 million eurobond. The seven-year bond matures on 24 June 2020 and carries fixed annual interest at the rate of 3.75 per cent, payable annually. The bond was rated BBB- by Standard & Poor's and Baa3 by Moody's, in line with Citycon's corporate credit rating. The company used the proceeds to prepay existing bank loans, pay down lines of credit and to repurchase part of its domestic bonds maturing in 2014 and 2017, together EUR 421.9 million. During Q3, Citycon will additionally repay the convertible bond maturing in August and other debt for a total of approximately EUR 55 million. The debt prepayment and the related unwinding of interest rate swaps and bond buy-backs caused some non-recurring indirect financial expenses that are explained in more detail in the Net financial expenses section.

In February, following authorisation granted at the EGM of 6 February 2013, the Citycon Board of Directors decided on an approximately EUR 200 million share issue based on the shareholders' pre-emptive subscription rights. A total of 114,408,000 new shares were offered at EUR 1.75 per share. The subscription period was 21 February–7 March. All offered shares were subscribed and subsequently entered in the Finnish Trade Register on 14 March.

### Leasing Activity

The economic occupancy rate of the shopping centres was 95.8 per cent (96.8%), and of the whole property portfolio 94.8 per cent (95.6%). The decline in the occupancy rate was mainly due to increased vacancies in Sweden and a finalised (re)development project with temporary vacancy.

In May, Citycon renewed eleven grocery store lease agreements with the trading sector company Kesko. The stores are part of Citycon's supermarket and shops portfolio. The agreements cover some 44,000 square metres of leasable area and increase the average remaining length of Citycon's total lease portfolio by approximately four months.

## **Acquisitions and Divestments**

On 16 April, Citycon sold the office and retail property Lindome in the Greater Gothenburg area to a local buyer for approximately SEK 81 million (approx. EUR 9.7 million).

On 3 April, Citycon signed an agreement to sell the office building on Wavulinentie, Helsinki, to ELF Invest Oy for approximately EUR 1.4 million. The closing of the transaction is expected to take place in July.

On 7 March, the company sold the office and retail property Hindås, located in the Greater Gothenburg area, to a local buyer for approximately SEK 12 million (approx. EUR 1.4 million).

On 28 February, Citycon sold its 50 per cent share of IsoKristiina shopping centre in Lappeenranta to Mutual Pension Insurance Company Ilmarinen. The disposal was related to the started (re)development project.

On 27 February, Citycon sold Ultima Oy, a company owning an undeveloped plot in Vantaa, to YIT Construction Ltd for approximately EUR 4.4 million.

On 17 January, Citycon acquired Kista Galleria shopping centre in Stockholm, together with the Canada Pension Plan Investment Board ("CPPIB"), from DNB Livsforsikring ASA for approximately SEK 4.6 billion (approx. EUR 530 million). Citycon and CPPIB each own 50 per cent of the shopping centre. The centre's gross leasable area is approximately 90,000 square metres, of which approximately 60,000 square metres is in retail premises. Kista Galleria attracts approximately 18 million visitors a year, more than any other shopping centre in the area, with annual sales of EUR 280 million. More information on this transaction is available in the stock exchange release issued on 17 January 2013.

In addition, during the period Citycon agreed on the sale of one non-core asset and one residential portfolio in Sweden for a total price of SEK 83 million (approximately EUR 9.7 million). These transactions are expected to be closed in Q3 and Q4 2013.

## **(Re)development projects**

In May, Citycon announced the start of the first phase of the extension to Iso Omena shopping centre. The estimated investment for the three-phase project, including partial (re)development of the existing shopping centre, totals approximately EUR 175 million. The first phase of the project, covering a EUR 120 million investment, will be carried out in a 50/50 partnership with NCC Property Development Oy. The extension expands the leasable retail area of the shopping centre by approximately 25,000 square metres, to over 75,000 square metres. More information on the project is available in the stock exchange and press releases issued on 31 May 2013.

In February, Citycon decided to expand and (re)develop IsoKristiina shopping centre, located in Lappeenranta city centre. The total investment will be slightly above EUR 100 million. The (re)development will increase the centre's leasable area from 19,800 square metres to 34,000 square metres. Mutual Pension Insurance Company Ilmarinen acquired a 50 per cent share of the existing shopping centre and joins the project with a 50 per cent share. More information on the project is available in the press release issued on 28 February 2013.

The renovation of Åkermyntan Centrum in Stockholm was finalised during Q2 2013.

## **Reorganisation and other events**

On 30 January, statutory collaborative negotiations in the Finnish Business Unit were concluded concerning the reorganisation of business operations. As a result of these negotiations, Citycon reduced the number of employees in its Finnish Business Unit by ten. At the same time, a cluster-based organisational model was adopted in all of Citycon's operating countries, resulting in shopping centres being combined to form entities led by commercial directors.

## **Reporting of Kista Galleria**

In Citycon's reporting, Kista Galleria is treated as a joint venture and the shopping centre's result or fair value will not impact the turnover, net rental income or fair value of investment properties of the group. Kista Galleria is consolidated into Citycon's financial statements with the equity method meaning that Citycon's share of Kista Galleria's profit for the period is recognised in the line "Share of result in joint ventures" in the statement of comprehensive income and Citycon's share of Kista Galleria's total assets is recognised in the line "Investments in joint ventures" in the statement of financial position. In addition, the management fee received by Citycon is reported in the line other operating income and expenses and the interest income on the shareholder loan is reported in the account net financial income and expenses. However, Citycon's management and the Board of Directors additionally follow

the performance of Kista Galleria as if it was fully consolidated into Citycon's net rental income and operating profit. The Notes to the interim condensed consolidated financial statements on pages 27-28 (Note 3. Segment Information) include more information about Kista Galleria shopping centre.

### **Events after the Reporting Period**

No events after the reporting period.

### **Outlook**

Citycon continues to focus on increasing both its net cash flow from operating activities and its direct operating profit. In order to implement this strategy, the company is pursuing value-added activities, selected acquisitions and proactive asset management.

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

In 2013, Citycon expects to continue generating solid cash flow and anticipates that its turnover will grow by EUR 7–17 million and its EPRA operating profit by EUR 8–18 million compared with the previous year. This is based on the existing property portfolio, including recent acquisitions and divestments. The company expects its EPRA earnings to increase by EUR 18–28 million from the previous year, and further forecasts an EPRA EPS (basic) of EUR 0.19–0.23 based on the existing property portfolio and the increased number of shares. The estimate for EPRA earnings per share (basic) reflects the increased number of shares from the rights offering.

These estimates are based on (re)development projects that have already been completed and those to be completed in the future, as well as on the prevailing level of inflation, the euro-krona exchange rate, and current interest rates. Properties taken offline for planned development projects will reduce net rental income during the year.

### **Business Environment**

On the whole, the first part of 2013 has been characterised by continued financial uncertainty in Citycon's operating countries.

At the beginning of the year, retail sales growth was strong in Estonia and positive in Finland and Sweden. The total retail sales growth for the first five months was 1.6 per cent in Finland, 1.5 per cent in Sweden and 5.0 per cent in Estonia (source: Statistics Finland, Statistiska Central Byrån, Statistics Estonia).

During the first half of the year, household consumer confidence improved in Finland and in Sweden. In Estonia and Lithuania the household consumer confidence indicator remained negative, but developed positively during the period (source: Eurostat).

Retail sales growth and the inflation rate are key factors for Citycon's business, and have an impact on rents from retail premises. Consumer prices continued to rise at the beginning of the year in Finland and Estonia, but decreased slightly in Sweden. In May, inflation was 1.6 per cent in Finland, -0.2 per cent in Sweden and 3.3 per cent in Estonia (source: Statistics Finland, Statistiska Central Byrån, Statistics Estonia).

In Finland, Sweden and Estonia, seasonally adjusted unemployment is lower than the European Union average (10.9%). At the end of May, the unemployment rate in Finland was 8.4 per cent and in Sweden 7.9 per cent. In Estonia and Lithuania, unemployment rates have been high but are decreasing: at the end of April they were 8.3 per cent in Estonia and 12.5 per cent in Lithuania (Source: Eurostat).

The instability of the financial markets in Europe is affecting the availability and margins of debt financing.

### **Property Market**

In the second quarter of 2013, the retail property market remained quiet in Finland and it seems that the transaction volume for H1 is remaining below the corresponding period in 2012. There is a possibility that the second half of the year might be more active than the first half, due to potential increase in supply. Shopping centre prime yields have remained stable but the secondary yields are facing upward pressure. Retail rents have also been increasing, even though the softening outlook for retail sales might weaken future prospects. Rental growth, however, has been focused on the prime locations.

In Sweden the retail property transaction volume in the second quarter 2013 was some SEK 2.5 billion, which is higher than the SEK 1.6 billion of retail property transacted in the first quarter 2013, but significantly lower than in the fourth quarter 2012, when some SEK 7.6 billion of retail property was transacted. In the second quarter of 2013, the majority of the retail transactions involved

an international investor. Investor interest continues to be strong for retail property that is in a good location and has high specification, with relatively strong tenants and low vacancy rates. However, retail property investments that do not meet some or all of these criteria are more difficult to sell. Yields for prime shopping centres have remained stable since mid-2011.

Demand for retail space is strong in Estonia, especially in central areas of Tallinn and modern shopping centres. Vacancy rates in Tallinn shopping centres is close to zero and rents have remained stable or have slightly increased due to fewer rental discounts and index increments. In addition, the investment market has strengthened and retail yields have dropped below 8 per cent. In Lithuania, the retail property market has shown an increase in activity from the fourth quarter of 2012.

(Source: Jones Lang LaSalle Finland Oy)

### **Tenants' Sales and Footfall in Citycon's Shopping Centres**

During the period, total sales in Citycon's shopping centres grew by one per cent and the footfall by three per cent, year-on-year. In Finland sales remained at the same level than in the comparison period, in Sweden sales increased by one per cent and in Baltic Countries and New Business sales grew by four per cent. The sales development was particularly impacted by the delayed spring. Footfall decreased in Finland by one per cent, it grew in Sweden by nine per cent and in the Baltic Countries and New Business by 14 per cent. The growth in footfall is mainly due to Liljeholmstorget; it was also impacted by the completion of the Magistral (re)development, as the centre was closed in the comparison period. Like-for-like shopping centre sales remained at the same level than in the comparison period and footfall increased by two per cent. There are estimates included in the sales and footfall figures.

### **Short-Term Risks and Uncertainties**

Citycon's Board of Directors considers the company's major short-term risks and uncertainties to be associated with economic developments in the company's operating regions, which affects demand, vacancy rates and market rents in retail premises. In addition, key near-term risks include rising financial expenses due to higher loan margins and interest rates, reduced availability of debt financing and the fair value development of properties in uncertain economic conditions. The refinancing risk of the company was, however, reduced considerably as a result of the EUR 500 million eurobond issued in June.

Although the effects of the financial crisis on rent levels for retail premises and on occupancy rates have so far been minor in Citycon's operating regions, lower demand for retail premises, higher vacancy rates and lower market rent levels pose challenges in a sluggish economic environment. Economic developments, particularly trends impacting on consumer confidence and consumer behaviour, inevitably affect demand for retail premises. During 2013 risks to the economic growth have persisted, and in conditions of weak economic growth the rental levels of retail premises typically fall, leasing of new premises is more difficult, and vacancy rates rise.

The implementation of Citycon's strategy will require new financing going forward, which means that risks associated with the availability and cost of financing are of fundamental importance to Citycon. The willingness of banks to lend money continues to be moderate, availability of financing is limited, and loan margins remain at a high level or have even increased. In the future, tightening regulation of the banking and insurance sectors (e.g. Basel III and Solvency II regulations) is likely to elevate the costs of debt financing and to limit the availability of long-term bank loans. This will probably raise the cost of Citycon's new loan financing. So far, this change in margins has been mitigated by reduced underlying base rates and Citycon's active financing policy. When refinancing loan agreements that were signed at low margins before the financial crisis, the margins on the new loans will be higher. Such a rise in loan margins, along with rising market interest rates, are likely to push Citycon's average interest rate upwards in the future.

The company is actively seeking to diversify its funding sources, as demonstrated by the EUR 500 million eurobond issued in June 2013 and the EUR 150 million domestic bond issued in May 2012, in order to mitigate the risks related to bank financing. However, there are no guarantees that such alternative funding sources will be available in the future at cost-efficient margins. The bond issues along with the EUR 360 million credit facility agreement signed with Nordic banks in September 2012, the EUR 90 million rights issue in October 2012, and the EUR 200 million rights issue in March 2013, considerably strengthened the balance sheet, improved the available liquidity, and decreased the refinancing risk for the coming years.

The fair value development of investment properties continues to be characterised by high uncertainty caused by the sovereign debt crisis and the resulting tough economic conditions. Several factors are affecting the fair value of the investment properties owned by Citycon, such as general and local economic development, interest rate levels, foreseeable inflation rates, market rent trends, vacancy rates, property investors' yield requirements, and the competitive environment. This uncertainty will be reflected most strongly on retail properties located outside major cities, or in otherwise less attractive properties, because investor demand

is not currently focused on these properties and banks are more reluctant to offer financing for such projects. On the other hand, the fair value of winning shopping centres, which attract investor interest in uncertain conditions, have remained stable or have even increased during 2013.

The company's short-term risks and uncertainties, as well as its risk management and risk management principles, are discussed in more depth at [www.citycon.com/riskmanagement](http://www.citycon.com/riskmanagement), on pages 43–46 of the Financial Statements for 2012, and on pages 50–51 of the Annual Report for 2012.

## Property Portfolio

Citycon's strategy is to focus on urban grocery-anchored shopping centres in the Nordic and Baltic countries. Citycon seeks growth, both through operational improvement, extensions and (re)developments of its existing shopping centres and selective shopping centre acquisitions. In its strategy updated in July 2011, Citycon defined supermarkets and shops as non-core properties and announced its intention to divest these properties within the next few years after the completion of value enhancing activities.

At the end of June, the fair value of Citycon's property portfolio totalled EUR 2,711.3 million (EUR 2,602.0 million). The company owned 37 (36) shopping centres, excluding Kista Galleria and 38 (41) other properties. Of the shopping centres, 23 (23) were located in Finland, nine (nine) in Sweden, four (four) in the Baltic countries and one (none) in Denmark.

Citycon's gross capital expenditure (including acquisitions) for the period totalled EUR 180.3 million (EUR 77.0 million), with new property acquisitions accounting for EUR 1.8 million (EUR 27.4 million), acquisitions of and investments into joint ventures for EUR 147.2 million (EUR 0.0 million), property development for EUR 31.1 million (EUR 49.0 million) and other investments for EUR 0.2 million (EUR 0.6 million).

In Finland gross capital expenditure (including acquisitions) during the period totalled EUR 29.6 million (EUR 64.2 million), EUR 145.7 million (EUR 8.3 million) in Sweden and EUR 4.9 million (EUR 4.3 million) in the Baltic Countries and New Business. Capital expenditure in the company's headquarters amounted to EUR 0.2 million (EUR 0.2 million). The company made divestments totalling EUR 33.3 million (EUR 15.0 million), from which a total of EUR 0.8 million (gain on sale of EUR 1.1 million) was recognised as loss on sale (tax effect included).

## Acquisitions

Acquisitions made during the period:

- In January, Citycon acquired Kista Galleria shopping centre in Stockholm, together with CPPIB, from DNB Livsforsikring ASA for approximately SEK 4.6 billion (approx. EUR 530 million).

## Divestments

Divestments during the period:

- In April, Citycon sold the office and retail property Lindome in the Greater Gothenburg area for approximately SEK 81 million (approx. EUR 9.7 million).
- In March, the company sold the office and retail property Hindås located in the Greater Gothenburg area for approximately SEK 12 million (approx. EUR 1.4 million).
- In February, Citycon sold its 50 per cent share of IsoKristiina shopping centre in Lappeenranta to Mutual Pension Insurance Company Ilmarinen.
- In February, Citycon sold Ultima Oy, a company owning an undeveloped plot in Vantaa, for approximately EUR 4.4 million.

As a result of these divestments, the company's total gross leasable area decreased by 19,800 square metres. Since the publication of its strategy update in July 2011, the company has divested ten non-core properties and two residential portfolios for a total value of approximately EUR 54 million.

## (Re)development projects

Citycon is pursuing a long-term increase in the footfall, cash flow and efficiency of its retail properties, as well as in the return on its investment in these properties. The purpose of the company's development activities is to keep its shopping centres competitive for both customers and tenants. In the short term, (re)development projects weaken returns on some properties, as some retail premises may have to be temporarily vacated for refurbishment, affecting rental income. Citycon aims to complete its construction



projects in phases, in order to secure continuous cash flow.

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

The construction work at Iso Omena started in June, and the three-phase project will be completed in the late summer of 2016. The extension project is being carried out in close co-operation with Länsimetro Oy, as the new end station on the western metro line will be located underneath the shopping centre. The retail mix of the centre will be focused increasingly on fashion stores and a wide offering of restaurant services. The pre-leasing rate is approximately 35 per cent, based on signed and concluded agreements.

The construction work at IsoKristiina started at the beginning of April. At that point, approximately 60 per cent of the retail space in the extension part was pre-leased. At IsoKristiina, the major emphasis will be placed on leisure and versatile restaurant and café services. As a special feature, the new premises of Lappeenranta City Theatre will be located inside the renovated shopping centre.

In addition, the company had two projects related to tenant fit-outs under way in Tallinn, at Rocca al Mare and Kristiine. The total estimated investment in the projects amounts to EUR 5.3 million for Rocca al Mare and EUR 3.3 million for Kristiine. New tenants at both centres will include Estonia's first H&M stores and, in Rocca al Mare, Estonia's first Debenhams. Finalisation of the projects is expected during the second half of 2013.

The renovation of Åkermyntan Centrum in Stockholm was finalised during Q2 2013.

The table below lists the most significant (re)development projects in progress, as well as projects completed in 2012. Further information on the company's completed, ongoing and planned (re)developments can be found on the corporate website and on pages 69–71 of the Annual Report for 2012.

#### **(Re)development Projects Completed in 2012 and in Progress on 30 June 2013**

	Location	Area before and after project completion, sq.m.	Citycon's (expected) net investment need (EUR million)	Actual gross capital investments by 30 June 2013 (EUR million)	Completion
Iso Omena	Espoo, Finland	63,300 90,000	88.0	9.3	2016
IsoKristiina	Lappeenranta, Finland	19,800 34,000	54.0	6.2	2015
Åkermyntan Centrum	Stockholm, Sweden	8,500 10,100	6.9	6.9	Completed Q2 2013
Koskikeskus	Tampere, Finland	27,700 28,600	41.8	41.8	Completed 2012
Iso Omena	Espoo, Finland	60,600 63,300	7.6	7.6	Completed 2012
Myllypuro	Helsinki, Finland	7,700 7,300	21.3	21.3 <sup>1)</sup>	Completed 2012
Magistral	Tallinn, Estonia	9,500 11,700	7.0	7.0	Completed 2012

<sup>1)</sup> The compensation of EUR 5.9 million and its tax impact received from the City of Helsinki in 2008 has been deducted from the actual gross investments.

## **Financial Performance**

The figures presented below are for the period January–June and the figures in brackets are the reference figures for the corresponding period in 2012, unless otherwise indicated.

### **Turnover**

The company's turnover consists mainly of rental income from retail properties, and utility and service charge income. Turnover came to EUR 124.5 million (EUR 116.2 million). Turnover grew by EUR 8.3 million, or 7.2 per cent. Completed or partly completed (re)development projects, such as Magistral and Koskikeskus, accounted for EUR 1.8 million of turnover growth, with acquisitions made in 2012 accounting for EUR 2.7 million. Divestments (see divestments in 2013 under paragraph Property Portfolio; sales of supermarkets and shops as well as apartments in Sweden in 2012 are also included in the reference period's divestment portfolio) decreased turnover by EUR 1.3 million. Like-for-like properties contributed to turnover growth by EUR 3.8 million. (See also the table Net Rental Income and Turnover by Segment and Property Portfolio.)

Turnover from like-for-like properties increased thanks to indexations and higher rental levels. Temporary rental rebates for like-for-like properties decreased to EUR 0.1 million (EUR 0.5 million).

At the period-end, Citycon had a total of 3,689 (3,911) leases. The leasable area decreased by 1.0 per cent to 982,970 square metres. The decrease in the leasable area is due to divestments. The average remaining length of the lease portfolio increased to 3.6 (3.5) years. The average rent increased from EUR 20.4/sq.m. to EUR 21.5/sq.m. thanks to (re)development projects, divestments as well as index increments and the strengthening of the Swedish krona. The economic occupancy rate decreased to 94.8 per cent (95.6 %) mainly due to increased vacancy rates in Sweden and a finalised (re)development project with temporary vacancy. The rolling twelve-month occupancy cost ratio for like-for-like shopping centre properties was 8.5 per cent.

### Total Portfolio Key Figures

	Q2/2013	Q2/2012	Q1/2013	Q1-Q2/2013	Q1-Q2/2012	Change-%	2012
Number of properties at the end of the period	75	77	76	75	77	-2.6%	78
Gross leasable area, sq.m.	982,970	992,570	989,870	982,970	992,570	-1.0%	1,000,270
Annualised potential rental value, EUR million <sup>1)</sup>	249.5	237.3	250.2	249.5	237.3	5.1%	245.9
Average rent (EUR/sq.m.)	21.5	20.4	21.3	21.5	20.4	5.3%	20.7
Number of leases started during the period	125	247	167	292	457	-36.1%	792
Total area of leases started, sq.m. <sup>2)</sup>	35,423	33,254	35,387	70,810	77,225	-8.3%	141,167
Average rent of leases started (EUR/sq.m.) <sup>2)</sup>	19.1	19.1	20.7	19.9	19.1	4.2%	20.5
Number of leases ended during the period	200	200	250	450	583	-22.8%	1,064
Total area of leases ended, sq.m. <sup>2)</sup>	46,057	19,758	55,151	101,208	85,879	17.8%	149,972
Average rent of leases ended (EUR/sq.m.) <sup>2)</sup>	17.3	20.9	18.6	18.0	17.2	4.7%	18.6
Occupancy rate at end of the period (economic), %	94.8	95.6	95.0	94.8	95.6	-	95.7
Average remaining length of lease portfolio at the end of the period, year	3.6	3.5	3.4	3.6	3.5	2.9%	3.5
Net rental yield, % <sup>3)</sup>	6.4	6.2	6.4	6.4	6.2	-	6.4
Net rental yield, like-for-like properties, %	6.2	6.0	6.1	6.2	6.0	-	6.1

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

<sup>2)</sup> Leases started and ended don't necessarily refer to the same premises.

<sup>3)</sup> Includes the plots for development projects.

### Property operating expenses

Property operating expenses consist of maintenance costs relating to real estate properties, such as electricity, cleaning and repairs. Property operating expenses rose by EUR 3.1 million, i.e. 8.1 per cent from EUR 37.9 million to EUR 41.0 million. Completed (re)development projects and acquisitions increased property operating expenses, while divestments decreased them. Like-for-like property operating expenses increased by EUR 1.5 million, mainly due to higher heating and electricity expenses resulting from a colder first quarter of the year (cf. Note 4: Property Operating Expenses).

### Other expenses from leasing operations

Other expenses from leasing operations, consisting of tenant improvements and credit losses, totalled EUR 0.5 million (EUR 1.0 million). The decrease was mainly attributable to lower credit losses and provisions for credit losses.

## Net rental income

Citycon's net rental income was EUR 83.0 million (EUR 77.3 million). Net rental income increased by EUR 5.8 million or 7.5 per cent. (Re)development projects such as Magistral, Koskikeskus and Myllypuron Ostari increased net rental income by EUR 1.2 million, while the acquisitions of the shopping centres Arabia, Citytalo and Albertslund Centrum increased net rental income by EUR 1.4 million. Divestments reduced net rental income by EUR 0.5 million. Like-for-like net rental income grew by EUR 2.9 million, or 4.8 per cent, mainly thanks to a clear increase in net rental income from shopping centres by 5.3 per cent. In addition, like-for-like net rental income for supermarkets and shops increased by 1.8 per cent. Large shopping centres, such as Iso Omena, Myyrmanni and Liljeholmstorget, contributed to the positive development in like-for-like net rental income of shopping centres.

Citycon's property portfolio's net rental yield was 6.4 per cent (6.2%).

The following table presents like-for-like net rental income growth by segment. Like-for-like properties are properties held by Citycon throughout two full preceding periods, excluding properties under (re)development or extension and undeveloped lots. 68.6 per cent of like-for-like properties are located in Finland, measured in net rental income.

Net Rental Income and Turnover by Segment and Property Portfolio						Turnover by portfolios
EUR million	Finland	Sweden	Baltic Countries and New Business	Other	Total	Citycon total
<b>Q1-Q2/2011</b>	<b>43.9</b>	<b>17.3</b>	<b>7.6</b>	<b>0.0</b>	<b>68.7</b>	<b>106.0</b>
Acquisitions	0.4	1.0	3.3	-	4.7	7.0
(Re)development projects	2.2	0.3	-0.3	-	2.2	3.2
Divestments	-0.3	-0.7	-	-	-1.0	-1.9
Like-for-like properties	1.1	0.8	0.8	-	2.7	1.8
Other (incl. exchange rate diff.)	0.0	0.0	0.0	0.0	-0.1	0.1
<b>Q1-Q2/2012</b>	<b>47.3</b>	<b>18.6</b>	<b>11.4</b>	<b>0.0</b>	<b>77.3</b>	<b>116.2</b>
Acquisitions	0.7	-	0.7	-	1.4	2.7
(Re)development projects	0.6	0.1	0.5	-	1.2	1.8
Divestments	0.0	-0.5	-	-	-0.5	-1.3
Like-for-like properties	1.8	1.1	0.0	-	2.9	3.8
Other (incl. exchange rate diff.)	0.0	0.8	0.0	0.0	0.8	1.3
<b>Q1-Q2/2013</b>	<b>50.3</b>	<b>20.1</b>	<b>12.7</b>	<b>0.0</b>	<b>83.0</b>	<b>124.5</b>

## Administrative expenses

Administrative expenses totalled EUR 10.5 million (EUR 13.2 million). This represented a decrease of EUR 2.8 million, or 20.9 per cent, mainly due to lower salary expenses worth EUR 1.6 million, non-cash stock option costs worth EUR 0.6 million and restructuring costs worth EUR 0.6 million.

At the end of June, Citycon Group employed a total of 127 (134) persons, of whom 85 worked in Finland, 31 in Sweden, ten in the Baltic countries and one in the Netherlands.

## Net fair value gains on investment properties

Net fair value gains on investment properties totalled EUR 15.1 million (EUR 6.0 million). The fair value gain of the shopping centres was EUR 12.2 million and the fair value gain of the supermarket and shop properties EUR 2.9 million. The company recorded a total value increase of EUR 32.2 million (EUR 25.4 million) and a total value decrease of EUR 17.1 million (EUR -19.4 million). On 30 June 2013, the average net yield requirement defined by Jones Lang LaSalle for Citycon's entire property portfolio was 6.3 per cent (31 December 2012: 6.3%). The average net yield requirement for properties in Finland, Sweden and the Baltic Countries and New Business was 6.2 per cent, 6.0 per cent and 7.6 per cent respectively.

The weighted average market rent used for the valuation rose to EUR 25.1/sq.m., up from EUR 24.8/sq.m. (cf. Note 6: Investment Property). Jones Lang LaSalle's Valuation Statement for the period-end can be found on the corporate website at [www.citycon.com/valuation](http://www.citycon.com/valuation).

### **Net gains/losses on sale of investment properties**

Net loss on the sale of investment properties totalled EUR 0.8 million (gain on sale of EUR 1.1 million) (cf. Property Portfolio).

### **Operating profit**

Operating profit came to EUR 87.5 million (EUR 71.2 million), being higher due to an increase in net rental income and higher fair value gains.

### **Net financial expenses**

Net financial expenses increased by EUR 26.9 million to EUR 59.5 million (EUR 32.7 million). Financial expenses increased mainly as a result of realised one-off expenses related to the prepayment of loans and the buyback of bonds. These costs include the realised negative market value of interest rate swaps that were unwound in relation to the prepaid bank loans, write-off of capitalised fees relating to prepaid debt, and the portion of the bond buy back price that exceeded their nominal value. Citycon uses interest rate swaps to hedge the floating interest rate risk exposure and applies hedge accounting when marking these swaps to market. Changes in fair values are reported under other comprehensive income, taking the tax effect into account. Following the bond issue, part of the proceeds were used to prepay existing bank loans and the related interest rate swaps were unwound. The realised losses were booked from other comprehensive income/loss to financial expenses, taking the tax effect into account. Due to mark to market valuation, the swap unwinding had no major impact on the equity. Debt prepayments and the unwinding of related swaps will reduce Citycon's future interest expenses and increase headroom under the interest cover ratio covenant.

At the period-end, the weighted average interest rate, including interest rate swaps, increased to 4.09 per cent (4.02%), mainly as a result of higher credit margins, but decreased compared to previous quarter (4.20%) following the refinancing. The year-to-date weighted average interest rate for interest-bearing debt, including interest rate swaps, increased to 4.14 per cent compared to the previous year's corresponding period (4.04%) and compared to previous quarter (4.09%).

### **Share of profit of joint ventures**

The share of profit of joint ventures totalled EUR 2.4 million (EUR -0.1 million) and represents Citycon's share of the profit of Kista Galleria shopping centre and Espagalleria Oy. Additionally, Citycon recognised a management fee included in the line item other operating income and expenses.

### **Income taxes**

Current tax expense for the period was EUR 0.4 million (EUR 0.7 million). Change in deferred taxes amounted to EUR 0.8 million (EUR -6.4 million). The positive change resulted mainly from a deferred tax receivable booked related to the net losses from the unwinding of interest rate swaps in the first half of 2013.

### **Profit for the period**

Profit for the period came to EUR 30.7 million (EUR 31.4 million). Despite an increase in operating profit, the profit was reduced by one-off financial expenses, resulting mainly from realised fair value losses on unwound interest rate swaps.

## **Statement of Financial Position and Financing**

### **Investment properties**

At the period-end, the fair value of the company's property portfolio totalled EUR 2,711.3 million (EUR 2,602.0 million), with Finnish properties accounting for 61.6 per cent (61.6%), Swedish properties for 26.5 per cent (27.2%) and Baltic Countries and New Business properties for 11.9 per cent (11.1%).

The fair value of investment properties decreased by EUR 2.9 million from the end of 2012 (Dec. 31, 2012: EUR 2,714.2 million) because of divestments of EUR 19.8 million and exchange rate changes of EUR 16.4 million, offset by gross capital expenditure totalling EUR 30.1 million (see Property Portfolio). In addition, net fair value gains on investment properties increased the value of

investment properties by EUR 15.1 million (see detailed analysis under Financial Performance: Net fair value gains on investment properties) and the transfer of supermarket and shop properties Lindome and Backa in Sweden and Louhenkulma in Finland to investment properties held for sale decreased the fair value of investment properties by EUR 14.7 million.

### **Shareholders' equity**

At the period-end, the shareholders' equity attributable to parent company's shareholders was EUR 1,225.8 million (EUR 887.1 million). This figure increased from the end of 2012 (31 December 2012: EUR 1,015.7 million) by EUR 210.1 million, mainly due to the rights issue, the net proceeds of which amounted to EUR 196.2 million. In addition, the shareholders' equity was increased by the profit for the reporting period attributable to parent company shareholders by EUR 27.8 million, as well as the positive fair value change in interest derivative contracts. On the other hand, dividend payments and equity returns decreased equity by EUR 49.3 million. Citycon applies hedge accounting, which means that fair value changes of applicable interest derivatives are recorded under Other Items of Comprehensive Income, which affects shareholders' equity. A gain on the fair value of interest derivatives of EUR 28.6 million was recorded for the period, taking into account their tax effect (a loss of EUR 2.7 million) (cf. Note 10: Derivative Contracts).

Due to the aforementioned items and the increased amount of shares resulting from the rights issue, equity per share decreased to EUR 2.78 (31 December 2012: EUR 3.11). The equity ratio increased to 42.7 per cent (March 31, 2013: 40.4%). The company's equity ratio, as defined in the loan agreement covenants, increased to 44.0 per cent (31 March 2013: 42.6 %).

Details of the company's share capital, number of shares and related matters can be found in Note 16: Shareholders, Share Capital and Shares of this report.

### **Loans**

Liabilities totalled EUR 1,711.1 million (EUR 1,768.9 million), with short-term liabilities accounting for EUR 150.4 million (EUR 118.1 million). At the period-end, Citycon's liquidity was EUR 453.8 million, of which EUR 380.0 million consisted of undrawn, committed credit facilities and EUR 73.8 million of cash and cash equivalents. At the period-end, Citycon's liquidity, excluding commercial papers, stood at EUR 416.5 million (EUR 269.9 million on 31 March 2013). The liquidity increased mainly as the drawn revolving credit facilities were repaid with the proceeds from the EUR 500 million eurobond issue.

Interest-bearing debt decreased year-on-year by EUR 47.4 million to EUR 1,546.4 million (EUR 1,593.8 million). The fair value of interest-bearing debt was EUR 1,555.9 million (EUR 1,599.7 million) at the period-end. Cash and cash equivalents totalled EUR 73.8 million (EUR 69.5 million), making the fair value of interest-bearing net debt EUR 1,482.1 million (EUR 1,530.3 million). The average loan maturity, weighted according to the principal amount of the loans, was 4.4 years (2.9 years). The average interest-rate fixing period increased to 4.2 years (3.8 years).

Interest coverage ratio increased to 2.2 (Q1/2013: 2.1).

Fixed-rate debt accounted for 90.2 per cent (87.3%) of the period-end interest-bearing debt, interest-rate swaps included. The hedge ratio increased mainly because of the new fixed interest bond, but will decrease in August when the fixed-rate convertible bond becomes due.

The company successfully placed a EUR 500 million senior unsecured eurobond on 14 June. The seven-year bond matures on 24 June 2020. The bond carries fixed annual interest at the rate of 3.75 per cent, payable annually on 24 June, and is listed on the Official List of the Irish Stock Exchange and traded on its regulated market. The bonds were allocated to a broad base of European investors and the bond offering was oversubscribed. Through this strategic transaction, Citycon was able to increase liquidity, diversify debt financing sources, and extend average debt maturities. The proceeds of the offering have been used to pay back existing debt. During Q3, Citycon will additionally repay the convertible bond maturing in August and other debt for a total of approximately EUR 55 million.

In June, Citycon repurchased part of domestic senior bonds maturing in 2014 and 2017. The company repurchased part of its unsecured domestic bond issued on 17 December 2009 from institutional investors for a price of 106.5 per cent of face value. The face value repurchased by the company amounted to EUR 16.9 million, corresponding to approximately 42.3 per cent of the aggregate amount of the domestic bond. The principal amount of the bond due in 2014 amounts to EUR 40 million and it carries interest at the rate of 5.10 per cent p.a. The deals were executed on 25 June 2013. At the same time, Citycon repurchased part of its unsecured domestic bond issued on 11 May 2012 from institutional investors for a price of 106.4 per cent of face value. The face value repurchased by the company amounted to EUR 11.6 million, corresponding to approximately 7.7 per cent of the aggregate amount of the domestic bond. The principal amount of the bond due in 2017 amounts to EUR 150 million and it carries interest at the rate of 4.25

per cent p.a. The deals were executed on 25 June 2013. All repurchases of the bonds were executed in the open market. In accordance with the terms and conditions of the domestic bonds, the company will cancel the repurchased bonds.

A new bilateral six-year revolving credit facility loan of EUR 50 million was signed during the period.

In May, Citycon received two investment grade credit ratings from Standard & Poor's (BBB-) and Moody's (Baa3).

On 12 February, Citycon's Board of Directors decided to issue a maximum of 114,408,000 new shares in a share issue for subscription at a price of EUR 1.75 per share worth approximately EUR 200 million, based on an authorisation granted by the EGM on 6 February 2013. The offered shares represented around 35 per cent of the total shares and voting rights in the company prior to the offering, and around 26 per cent following the offering. The share subscription period was 21 February – 7 March and all the offered shares were subscribed in the share issue. The new shares were entered in the Finnish Trade Register on 14 March. More detailed information on the rights issue can be found in Citycon's stock exchange releases, published in February and March.

On 14 January, Citycon and CPPIB signed a stand-alone asset backed loan agreement totalling SEK 2,290 million (approx. EUR 265 million) in order to finance the Kista Galleria shopping centre investment. The loan is secured by Kista Galleria and the loan period is for five years. The loan is granted by Skandinaviska Enskilda Banken AB (publ) which also coordinated the transaction, and Swedbank AB and Aareal Bank AG.

On top of the financial covenants, Citycon's debt financing agreements also contain other customary restrictive clauses. These include negative pledge and change of control clauses.

Regarding the negative pledge, Citycon's loan agreements limit the maximum amount of secured indebtedness to 7.5 per cent of the total financial indebtedness of the group. Change of control provisions relate to a situation where a person or a group of persons acting in concert would hold more than 50 per cent of the voting rights of Citycon and such change of control would (i) in respect of the debt financing agreements, impose an obligation for the company to either start negotiations with the relevant lenders on an alternative basis for the continuation of financing, or alternatively to repay the loans in question, and (ii) in respect of the debt securities, entitle the debt security holders to require the company to redeem such securities. Both clauses are subject to applicable grace periods and possible waivers.

## **Cash Flow Statement**

### ***Net cash from operating activities***

Net cash from operating activities totalled EUR –7.9 million (EUR 30.8 million) in the first half of the year. This decrease was mainly due to higher paid interest and other financial charges, which resulted from the realised fair value losses on interest rate swaps.

### ***Net cash used in investing activities***

Net cash used in investing activities totalled EUR 151.1 million (net cash used investing activities EUR 59.4 million). Capital expenditure related to investment properties, shares in joint ventures and tangible and intangible assets totalled EUR 181.6 million (EUR 48.3 million). Negative cash flow from investing activities was reduced by sales of investment properties totalling EUR 32.2 million (EUR 16.3 million).

### ***Net cash from financing activities***

Net cash from financing activities totalled EUR 181.7 million (net cash from financing activities EUR 6.3 million). Net cash from financing activities includes proceeds from the EUR 500 million bond issue in June, which were mainly used to repay existing debt. The rights issue in March increased net cash from financing activities by EUR 196.2 million.

## **Financial Performance of the Business Units**

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

### **Finland**

Citycon is a market leader in the Finnish shopping centre business. At period-end, the company owned 23 shopping centres and 35 other properties in Finland, with a total leasable area of 586,170 square metres (589,170 sq.m.). The leasable area decreased due

to property disposals (cf. Property Portfolio). The annualised potential rental value increased to EUR 153.5 million, mostly due to completion of the Koskikeskus (re)development project and the acquisition of Citytalo in Oulu during the third quarter of 2012.

Lease agreements started during the period applied to a GLA of 53,281 square metres (43,849 sq.m.) and the ended lease agreements applied to 65,776 square metres (48,275 sq.m.). The average rent for new lease agreements was higher than average rent for the ended leases, mainly due to the divestment of 50 per cent of IsoKristiina, where half of the lease agreements were booked as "leases ended". The average rent rose from EUR 21.5/sq.m. to EUR 22.2/sq.m., mainly thanks to completed (re)development projects, property disposals and index increments. The economic occupancy rate, 94.5 per cent, was at the same level as in the comparison period (94.5%). In shopping centres, the economic occupancy rate was 95.4 per cent and the average rent was EUR 25.6/sq.m.

Citycon's net rental income from Finnish operations during the period totalled EUR 50.3 million (EUR 47.3 million). Net rental income grew by EUR 3.1 million or 6.5 per cent, thanks to the EUR 1.2 million effect of completed (re)development projects such as Koskikeskus and acquisitions made in 2012 such as Arabia. Net rental income for like-for-like properties in Finland increased by EUR 1.8 million, or 4.4%, mainly due to good performance in the shopping centres. The business unit accounted for 60.6 per cent (61.2%) of Citycon's total net rental income. Net rental yield was 6.3 per cent (6.2%).

### Key Figures, Finland

	Q2/2013	Q2/2012	Q1/2013	Q1-Q2/2013	Q1-Q2/2012	Change-%	2012
Number of properties at the end of the period	58	59	58	58	59	-1.7%	59
Gross leasable area, sq.m.	586,170	589,170	586,170	586,170	589,170	-0.5%	595,670
Annualised potential rental value, EUR million <sup>1)</sup>	153.5	146.2	153.3	153.5	146.2	5.0%	150.6
Average rent (EUR/sq.m.)	22.2	21.5	22.2	22.2	21.5	3.1%	21.4
Number of leases started during the period	81	108	105	186	215	-13.5%	453
Total area of leases started, sq.m. <sup>2)</sup>	26,567	16,502	26,714	53,281	43,849	21.5%	89,689
Average rent of leases started (EUR/sq.m.) <sup>2)</sup>	18.6	22.5	20.5	19.6	20.5	-4.5%	21.7
Number of leases ended during the period	132	114	101	233	266	-12.4%	444
Total area of leases ended, sq.m. <sup>2)</sup>	28,482	13,968	37,294	65,776	48,275	36.3%	79,049
Average rent of leases ended (EUR/sq.m.) <sup>2)</sup>	18.3	23.0	18.7	18.5	19.6	-5.5%	21.9
Occupancy rate at end of the period (economic), %	94.5	94.5	94.3	94.5	94.5	-	95.3
Average remaining length of lease portfolio at the end of the period, year	4.0	3.6	3.6	4.0	3.6	11.1%	3.7
Gross rental income, EUR million	36.0	33.8	36.4	72.4	67.0	8.0%	137.0
Turnover, EUR million	37.4	35.1	37.9	75.4	69.9	7.8%	143.2
Net rental income, EUR million	26.1	24.4	24.2	50.3	47.3	6.5%	98.2
Net rental yield, % <sup>3)</sup>	6.3	6.2	6.3	6.3	6.2	-	6.3
Net rental yield, like-for-like properties, %	6.4	6.2	6.4	6.4	6.2	-	6.4
Fair value of investment properties, EUR million	1,670.7	1,604.0	1,657.6	1,670.7	1,604.0	4.2%	1,659.0

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

<sup>2)</sup> Leases started and ended don't necessarily refer to the same premises.

<sup>3)</sup> Includes the plots for development projects.

### Sweden

At the end of the period, the company had nine shopping centres (excluding Kista Galleria) and three other retail properties in Sweden, with a total leasable area of 266,200 square metres (287,800 sq.m.). These properties are located in the Greater Stockholm

and Gothenburg Areas and in Umeå. The leasable area decreased due to the divestment of residential units and supermarket properties. The annualised potential rental value increased to EUR 65.1 million due to strengthened Swedish krona.

Lease agreements started during the period applied to a GLA of 8,482 square metres (16,934 sq.m.) and ended lease agreements applied to 21,773 square metres (32,873 sq.m.). The average rent level for new lease agreements was higher than the average rent level for the ended lease agreements especially due to leases which were renewed at higher rent as well as due to a divestment of two supermarket properties.

The average rent rose from EUR 18.5/sq.m. to EUR 20.7/sq.m., mostly due to divestments and the strengthened Swedish krona. The economic occupancy rate decreased to 93.3 per cent (95.9%), mostly due to the increased vacancy rate in some of the shopping centres.

The company's net rental income from Swedish operations increased by EUR 1.5 million or 7.8 per cent to EUR 20.1 million (EUR 18.6 million). Excluding the impact of the strengthened Swedish krona, net rental income from Swedish operations increased by EUR 0.7 million or 3.5 per cent. The increase in net rental income was due to increases from like-for-like properties. Net rental income from like-for-like properties grew by EUR 1.1 million, or 5.9%, thanks mainly to improved net rental income from Liljeholmstorget and Jakobsberg. The business unit accounted for 24.2 per cent (24.1%) of Citycon's total net rental income. Net rental yield was 5.7 per cent (5.4%).

### Key Figures, Sweden

	Q2/2013	Q2/2012	Q1/2013	Q1-Q2/2013	Q1-Q2/2012	Change-%	2012
Number of properties at the end of the period	12	14	13	12	14	-14.3%	14
Gross leasable area, sq.m.	266,200	287,800	273,400	266,200	287,800	-7.5%	274,300
Annualised potential rental value, EUR million <sup>1)</sup>	65.1	63.3	65.6	65.1	63.3	2.8%	63.4
Average rent (EUR/sq.m.)	20.7	18.5	20.2	20.7	18.5	11.8%	19.3
Number of leases started during the period	25	58	44	69	151	-54.3%	231
Total area of leases started, sq.m. <sup>2)</sup>	3,695	3,120	4,787	8,482	16,934	-49.9%	33,464
Average rent of leases started (EUR/sq.m.) <sup>2)</sup>	19.7	17.2	22.7	21.4	18.6	15.1%	19.4
Number of leases ended during the period	58	71	100	158	292	-45.9%	575
Total area of leases ended, sq.m. <sup>2)</sup>	12,744	4,106	9,029	21,773	32,873	-33.8%	64,629
Average rent of leases ended (EUR/sq.m.) <sup>2)</sup>	13.6	9.2	19.5	16.1	12.9	24.4%	14.1
Occupancy rate at end of the period (economic), %	93.3	95.9	94.2	93.3	95.9	-	94.7
Average remaining length of lease portfolio at the end of the period, year	2.8	3.0	3.1	2.8	3.0	-6.7%	3.0
Gross rental income, EUR million	14.8	14.8	15.2	30.0	29.8	0.8%	60.3
Turnover, EUR million	15.8	15.5	16.2	32.1	31.3	2.5%	63.1
Net rental income, EUR million	10.4	9.4	9.7	20.1	18.6	7.8%	39.2
Net rental yield, % <sup>3)</sup>	5.7	5.4	5.6	5.7	5.4	-	5.6
Net rental yield, like-for-like properties, %	5.7	5.4	5.6	5.7	5.4	-	5.6
Fair value of investment properties, EUR million	717.3	708.3	755.1	717.3	708.3	1.3%	739.2

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

<sup>2)</sup> Leases started and ended don't necessarily refer to the same premises.

<sup>3)</sup> Includes the plots for development projects.



## Baltic Countries and New Business

Citycon has four shopping centres in the Baltic countries: Rocca al Mare, Kristiine and Magistral in Tallinn, Estonia, and Mandarinas in Vilnius, Lithuania. In addition, Citycon purchased in 2012 Albertslund Centrum in Denmark.

At the period-end, these properties' gross leasable area totalled 130,600 square metres (115,600 sq.m.). The annualised potential rental value increased to EUR 30.9 million, mainly due to the acquisition of Albertslund Centrum. The average rent increased from EUR 20.0/sq.m. to EUR 20.2/sq.m. due to increased rent in Kristiine.

Lease agreements started during the period applied to a GLA of 9,047 square metres (16,442 sq.m.) and ended lease agreements applied to 13,659 square metres (4,731 sq.m.). The average rent level for new lease agreements was higher than average for the ended lease agreements, mostly due to the ongoing tenant fit-out projects in Rocca al Mare and Kristiine. The economic occupancy rate decreased to 99.6 per cent (100.0%) due to the acquisition of Albertslund Centrum.

Net rental income from the Baltic Countries and New Business operations increased by EUR 1.3 million to EUR 12.7 million (EUR 11.4 million), mainly due to the acquisition of the Albertslund shopping centre and completing the (re)development project of Magistral shopping centre. The business unit accounted for 15.2 per cent (14.7%) of Citycon's total net rental income. Net rental yield was 8.5 per cent, representing an increase of 0.3 percentage points from the reference period. This increase was due to the rise in net rental income.

### Key Figures, Baltic Countries and New Business

	Q2/2013	Q2/2012	Q1/2013	Q1-Q2/2013	Q1-Q2/2012	Change-%	2012
Number of properties at the end of the period	5	4	5	5	4	25.0%	5
Gross leasable area, sq.m.	130,600	115,600	130,300	130,600	115,600	13.0%	130,300
Annualised potential rental value, EUR million <sup>1)</sup>	30.9	27.8	31.3	30.9	27.8	11.2%	31.9
Average rent (EUR/sq.m.)	20.2	20.0	20.0	20.2	20.0	0.8%	20.5
Number of leases started during the period	19	81	18	37	91	-59.3%	108
Total area of leases started, sq.m. <sup>2)</sup>	5,161	13,632	3,886	9,047	16,442	-45.0%	18,014
Average rent of leases started (EUR/sq.m.) <sup>2)</sup>	21.2	15.5	19.8	20.6	15.8	30.5%	16.5
Number of leases ended during the period	10	15	49	59	25	136.0%	45
Total area of leases ended, sq.m. <sup>2)</sup>	4,831	1,684	8,828	13,659	4,731	188.7%	6,294
Average rent of leases ended (EUR/sq.m.) <sup>2)</sup>	21.0	32.2	17.2	18.5	22.8	-18.7%	23.3
Occupancy rate at end of the period (economic), %	99.6	100.0	99.5	99.6	100.0	-	99.6
Average remaining length of lease portfolio at the end of the period, year	3.4	4.1	3.4	3.4	4.1	-17.1%	3.7
Gross rental income, EUR million	7.3	6.7	7.6	14.9	13.1	13.6%	28.6
Turnover, EUR million	8.3	7.7	8.8	17.1	15.1	13.5%	32.8
Net rental income, EUR million	6.2	5.8	6.4	12.7	11.4	11.1%	24.6
Net rental yield, % <sup>3)</sup>	8.5	8.2	8.6	8.5	8.2	-	8.6
Net rental yield, like-for-like properties, %	9.5	10.7	9.6	9.5	10.7	-	9.6
Fair value of investment properties, EUR million	323.3	289.6	318.2	323.3	289.6	11.6%	316.0

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

<sup>2)</sup> Leases started and ended don't necessarily refer to the same premises.

<sup>3)</sup> Includes the plots for development projects.

## **Environmental Responsibility**

Citycon seeks to lead the way in responsible shopping centre operations and promoting sustainable development within the business. The location of Citycon's shopping centres in city centres, local centres or generally adjacent to major traffic flows, combined with excellent public transport connections, means that they are well positioned to face the demands of sustainable development. In its sustainability reporting, Citycon applies the construction and real estate sector specific (CRESS) guidelines of the Global Reporting Initiative, as well as the guidelines published by EPRA in autumn 2011. The results and indicators for environmental responsibility for 2012 are presented on pages 72–77 of the Annual and Sustainability Report.

The company defined its long-term environmental responsibility objectives in connection with its strategic planning in summer 2009. Citycon has set targets for its carbon footprint, energy and water consumption, waste recycling rate as well as land use and sustainable construction. In 2013, Citycon's aim is to reduce its carbon footprint by 2–3 per cent and its energy consumption by 2–3 per cent in comparison to 2012. Citycon also aims to reduce water consumption in its shopping centres to an average of 3.9 litres per visitor per year. The target for the waste recycling rate in 2013 is 80 per cent. Landfill waste may account for a maximum of 20 per cent of total waste by 2015. In accordance with the long-term target, Citycon aims to reach the target of 20 per cent in 2013. The objective for sustainable construction is to assess all ongoing projects in 2013 with LEED criteria.

Environmental certification represents a key element in Citycon's efforts towards sustainable development. The (re)development project at IsoKristiina in Lappeenranta which was launched in April, and the (re)development project at Iso Omena in Espoo which started in June will follow the LEED certification requirements.

Citycon has conducted an extensive assessment of measures for improving its properties' energy efficiency and reducing energy consumption. The objective in 2013 is to continue to invest in measures that generate savings in consumption and costs, such as renewing lighting and lighting control solutions, or the greater use of frequency transformers and control in ventilation systems. Furthermore, Citycon ensures the continuous optimisation of adjustments and temperature settings for technical systems, in order to meet consumption and cost saving targets. The company has more extensive energy saving programmes ongoing in six shopping centres. Through investments, efforts will be made to markedly improve energy efficiency and reduce consumption levels in these shopping centres. By the end of May, the Ministry of Employment and the Economy had granted energy support for the energy saving measures in these seven shopping centres covering 20–25 per cent, or EUR 620,000, of the investment costs.

During the January–May period, electricity consumption saw a year-on-year decrease in like-for-like shopping centres in all operating countries. The decline in electricity consumption in like-for-like properties was 4 per cent in total. During the same time period, heating consumption in like-for-like properties increased by 4 per cent, mainly due to the relatively cold weather at the beginning of the year.

## **Governance**

### ***Annual General Meeting 2013***

Citycon Oyj's Annual General Meeting (AGM) was held in Helsinki, Finland, on 21 March 2013. 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 2012. The AGM decided on a dividend of EUR 0.04 per share for the financial year 2012 and on an equity repayment of EUR 0.11 per share from the invested unrestricted equity fund. The record date for the dividend payment and equity repayment was 26 March 2013 and the dividend and equity repayment of EUR 49.0 million were paid on 4 April 2013.

According to the terms and conditions of the issuance of new shares in accordance with the pre-emptive subscription right of shareholders, decided upon by the Board of Directors on 12 February 2013 based on the authorisation of the Extraordinary General Meeting of 6 February 2013, the new shares issued under the rights issue did not entitle their holders to the above-mentioned dividend payment or the equity repayment.

Other decisions made by the AGM are reported on the corporate website at [www.citycon.com/agm2013](http://www.citycon.com/agm2013). The AGM minutes are also available on the aforementioned website.

### ***Extraordinary General Meeting 2013***

Citycon Oyj's Extraordinary General Meeting (EGM) took place in Helsinki, Finland, on 6 February 2013. As proposed by the Board of Directors the EGM decided to authorise the Board of Directors to decide on the issuance of new shares for consideration. The

maximum amount of 125,000,000 shares corresponded to approximately 38.2 per cent of all the company's shares of that time. The authorisation was valid until the end of the AGM of 2013 and it revoked the share issue authorisation given by the AGM on 21 March 2012.

Helsinki, 9 July 2013

Citycon Oyj  
Board of Directors

## EPRA Performance Measures

EPRA (European Public Real Estate Association) is a common interest group for listed real estate companies in Europe. EPRA's mission is to promote, develop and represent the European publicly traded real estate sector. EPRA's objective is to 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. Since 2006, Citycon has been applying the best practices policy recommendations of EPRA for financial reporting. This section in Citycon's financial results release presents the EPRA performance measures and their calculations. For more information about EPRA's performance measures is available in Citycon's Financial Statements 2012 under section "EPRA Performance Measures".

### EPRA PERFORMANCE MEASURES

	Q2/2013	Q2/2012	Change-%	Q1-Q2/2013	Q1-Q2/2012	Change-%	2012
EPRA Earnings, EUR million	20.8	15.6	33.1%	40.4	29.9	35.2%	63.9
EPRA Earnings per share (basic), EUR <sup>1)</sup>	0.047	0.050	-6.3%	0.099	0.096	2.6%	0.199
EPRA NAV per share, EUR	2.99	3.60	-17.0%	2.99	3.60	-17.0%	3.49
EPRA NNAV per share, EUR	2.77	3.21	-13.5%	2.77	3.21	-13.5%	3.08
EPRA Net Initial Yield (NIY) (%)				6.2	6.4		6.0
EPRA "topped-up" NIY (%)				6.2	6.5		6.1
EPRA vacancy rate (%)				5.2	4.4		4.3

<sup>1)</sup> EPRA Earnings per share has been calculated with the issue-adjusted number of shares resulting from the rights issue executed in March 2013.

The following tables present how EPRA Performance Measures are calculated.

#### 1) EPRA EARNINGS

EPRA Earnings is presenting 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 limited other non-recurring items.

EPRA earnings increased by EUR 10.5 million to EUR 40.4 million in the first six months of 2013 from EUR 29.9 million in the corresponding period in 2012. The increase was a result of net rental income growth through acquisitions, (re)development projects and positive like-for-like growth. In addition, direct administrative expenses decreased by EUR 2.8 million. Acquisition of Kista Galleria shopping centre increased share of direct result in joint ventures by EUR 1.6 million. EPRA Earnings per share (basic) increased to EUR 0.099 compared to EUR 0.096 in the corresponding period in 2012 due to higher EPRA Earnings offset by higher number of shares, which resulted from the rights issues executed in October 2012 and in March 2013.

EUR million	Q2/2013	Q2/2012	Change-%	Q1-Q2/2013	Q1-Q2/2012	Change-%	2012
<b>Earnings in IFRS Consolidated Statement of Comprehensive Income</b>	<b>1.7</b>	<b>10.9</b>	<b>-84.0%</b>	<b>27.8</b>	<b>26.6</b>	<b>4.4%</b>	<b>77.2</b>
-/+ Net fair value gains/losses on investment property	-3.3	-0.1	-	-15.1	-6.0	152.1%	-23.6
+/- Net losses/gains on sale of investment property <sup>1)</sup>	0.4	0.3	21.7%	0.8	-1.1	-	-4.2
Indirect other operating income and expenses							
-/+ Fair value gains/losses of financial instruments	26.8	-	-	26.8	-	-	-
-/+ Fair value gains/losses of joint ventures	-0.9	-	-	-0.9	-	-	-0.3
+/- Change in deferred taxes arising from the items above	-4.4	3.9	-	-1.0	6.6	-	6.4
+/- Non-controlling interest arising from the items above	0.4	0.7	-36.7%	2.0	3.7	-46.1%	8.3
<b>EPRA Earnings</b>	<b>20.8</b>	<b>15.6</b>	<b>33.1%</b>	<b>40.4</b>	<b>29.9</b>	<b>35.2%</b>	<b>63.9</b>
Issue-adjusted average number of shares, million <sup>2)</sup>	441.3	310.7	42.0%	409.3	310.7	31.7%	321.1
<b>EPRA Earnings per share (basic), EUR <sup>2)</sup></b>	<b>0.047</b>	<b>0.050</b>	<b>-6.2%</b>	<b>0.099</b>	<b>0.096</b>	<b>2.6%</b>	<b>0.199</b>

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

<sup>2)</sup> EPRA Earnings per share has been calculated with the issue-adjusted number of shares resulting from the rights issue executed in March 2013.

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

EUR million	Q2/2013	Q2/2012	Change-%	Q1-Q2/2013	Q1-Q2/2012	Change-%	2012
Net rental income	42.7	39.7	7.5%	83.0	77.3	7.5%	162.0
Direct administrative expenses	-5.2	-6.6	-21.7%	-10.4	-13.2	-21.1%	-26.5
Direct other operating income and expenses	0.2	0.0	-	0.6	0.1	485.6%	0.2
<b>EPRA operating profit</b>	<b>37.8</b>	<b>33.1</b>	<b>13.9%</b>	<b>73.2</b>	<b>64.1</b>	<b>14.1%</b>	<b>135.7</b>
Direct net financial income and expenses	-16.3	-16.6	-1.7%	-32.7	-32.7	0.1%	-68.1
Direct share of profit/loss of joint ventures	0.4	0.0	-	1.5	-0.1	-	0.0
Direct current taxes	-0.2	-0.4	-54.3%	-0.4	-0.7	-47.5%	-1.4
Change in direct deferred taxes	-0.4	0.1	-	-0.3	0.3	-	0.0
Direct non-controlling interest	-0.5	-0.6	-20.1%	-0.9	-1.1	-15.8%	-2.2
<b>EPRA Earnings</b>	<b>20.8</b>	<b>15.6</b>	<b>33.1%</b>	<b>40.4</b>	<b>29.9</b>	<b>35.2%</b>	<b>63.9</b>
<b>EPRA Earnings per share (basic), EUR <sup>1)</sup></b>	<b>0.047</b>	<b>0.050</b>	<b>-6.2%</b>	<b>0.099</b>	<b>0.096</b>	<b>2.6%</b>	<b>0.199</b>

<sup>1)</sup> EPRA Earnings per share has been calculated with the issue-adjusted number of shares resulting from the rights issue executed in March 2013.

## 2) EPRA NAV PER SHARE AND EPRA NNAV PER SHARE

EPRA NAV is presenting the fair value of net assets of a real estate company. It intends to reflect the fair value of a business on a going-concern basis. Therefore, all items arising from future disposals and the fair value of financial instruments are excluded from EPRA NAV. To the contrary, EPRA NNAV 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. However, EPRA NNAV is not a liquidation NAV as the fair values of assets and liabilities are not based on a liquidation scenario.

EPRA NAV per share decreased by EUR 0.50 to EUR 2.99 (EUR 3.49 on December 31, 2012) due mainly to higher number of shares, which increased as a result of the rights issue executed in March 2013. EPRA NNAV per share decreased by EUR 0.30 to EUR 2.77 (EUR 3.08 on December 31, 2012).

	30 June 2013			30 June 2012			31 Dec. 2012		
	EUR million	Number of shares on the balance sheet date (1,000)	per share, EUR	EUR million	Number of shares on the balance sheet date (1,000)	per share, EUR	EUR million	Number of shares on the balance sheet date (1,000)	per share, EUR
Equity attributable to parent company shareholders	1,225.8	441,288	2.78	887.1	277,811	3.19	1,015.7	326,880	3.11
Deferred taxes from the difference of fair value and fiscal value of investment properties	69.1	441,288	0.16	64.2	277,811	0.23	64.0	326,880	0.20
Fair value of financial instruments	22.5	441,288	0.05	48.4	277,811	0.17	59.8	326,880	0.18
<b>Net asset value (EPRA NAV)</b>	<b>1,317.4</b>	<b>441,288</b>	<b>2.99</b>	<b>999.7</b>	<b>277,811</b>	<b>3.60</b>	<b>1,139.5</b>	<b>326,880</b>	<b>3.49</b>
Deferred taxes from the difference of fair value and fiscal value of investment properties	-69.1	441,288	-0.16	-64.2	277,811	-0.23	-64.0	326,880	-0.20
The difference between the secondary market price and fair value of bonds and capital loans <sup>1)</sup>	-1.8	441,288	0.0	3.9	277,811	0.01	-9.4	326,880	-0.03
Fair value of financial instruments	-22.5	441,288	-0.05	-48.4	277,811	-0.17	-59.8	326,880	-0.18
<b>EPRA NNAV</b>	<b>1,224.0</b>	<b>441,288</b>	<b>2.77</b>	<b>891.0</b>	<b>277,811</b>	<b>3.21</b>	<b>1,006.3</b>	<b>326,880</b>	<b>3.08</b>

<sup>1)</sup> **Secondary market price**

When calculating the EPRA NNAV in accordance with EPRA's recommendations, the shareholders' equity is adjusted using EPRA's guidelines so that bonds and capital loans are valued based on secondary market prices. In accordance with Citycon's accounting policies, the carrying amount and fair value of bonds and capital loans are different from this secondary market price. Due to this, in the calculation of this key figure convertible capital loan 1/2006, bond 1/2009, bond 1/2012 and bond 1/2013 have been valued using the price derived from the secondary market on the balance sheet date. The secondary market price for the convertible capital loan 1/2006 was 100.68 per cent (92.28%), for the bond 1/2009 104.74 per cent (104.10%), for the bond 1/2012 105.37 per cent (100.00%) and for the bond 1/2013 98.60 per cent on 30 June 2013. The difference between the secondary market price and the fair value of the bonds and capital loans was EUR -1.8 million (EUR 3.9 million) on 30 June 2013.

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

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

EPRA initial yields decreased mainly due to increased vacancy rate in Sweden and increased value added tax in Finland. However, EPRA NIY and EPRA "topped up" NIY at the end of June 2013 and 2012 are not fully comparable due to changes in the completed property portfolio (such as property acquisitions, disposals and started and completed (re)development projects).

EUR million	30 June 2013	30 June 2012	31 Dec. 2012
Fair value of investment properties determined by the external appraiser	2,709.4	2,569.9	2,704.1
Less (re)development properties, lots, unused building right and properties which valuation is based on the value of the building right	-240.6	-556.0	-389.1
Completed property portfolio	2,468.8	2,013.9	2,315.0
Plus the estimated purchasers' transaction costs	57.8	37.7	47.2
Gross value of completed property portfolio (A)	2,526.5	2,051.6	2,362.2
Annualised gross rents for completed property portfolio	218.6	188.4	206.9
Property portfolio's operating expenses	-62.7	-57.3	-64.1
Annualised net rents (B)	155.9	131.1	142.8
Plus the notional rent expiration of rent free periods or other lease incentives	1.5	2.2	1.6
Topped-up annualised net rents (C)	157.4	133.3	144.4
EPRA Net Initial Yield (NIY) (%) (B/A)	6.2	6.4	6.0
EPRA "topped-up" NIY (%) (C/A)	6.2	6.5	6.1

#### 4) EPRA VACANCY RATE (%)

EPRA vacancy rate (%) presents how much out of the full potential rental income is not received because of vacancy. EPRA vacancy rate is calculated by dividing the estimated rental value of vacant premises by the estimated rental value of the whole portfolio if all premises were fully let. EPRA vacancy rate is calculated using the same principles as economic occupancy rate, which Citycon also discloses.

EPRA vacancy rate increased due to increased vacancy in the Swedish property portfolio.

EUR million	30 June 2013	30 June 2012	31 Dec. 2012
Annualised potential rental value of vacant premises	12.4	10.2	10.3
./ Annualised potential rental value for the whole portfolio	240.2	229.6	239.0
EPRA vacancy rate (%)	5.2	4.4	4.3

# Interim Condensed Consolidated Financial Statements

## 1.1. - 30.6.2013

### Condensed Consolidated Statement of Comprehensive Income, IFRS

EUR million	Note	Q2/2013	Q2/2012	Change-%	Q1-Q2/2013	Q1-Q2/2012	Change-%	2012
Gross rental income		58.1	55.3	5.1%	117.3	109.9	6.7%	225.9
Service charge income		3.5	3.1	15.5%	7.2	6.3	14.7%	13.3
<b>Turnover</b>	3	<b>61.6</b>	<b>58.4</b>	<b>5.6%</b>	<b>124.5</b>	<b>116.2</b>	<b>7.2%</b>	<b>239.2</b>
Property operating expenses	4	18.8	18.0	4.3%	41.0	37.9	8.1%	75.8
Other expenses from leasing operations		0.2	0.6	-74.3%	0.5	1.0	-54.7%	1.4
<b>Net rental income</b>		<b>42.7</b>	<b>39.7</b>	<b>7.5%</b>	<b>83.0</b>	<b>77.3</b>	<b>7.5%</b>	<b>162.0</b>
Administrative expenses		5.1	6.6	-22.0%	10.5	13.2	-20.9%	26.5
Other operating income and expenses		0.2	0.0	-	0.6	0.1	485.6%	0.2
Net fair value gains/losses on investment property		3.3	0.1	-	15.1	6.0	152.1%	23.6
Net losses/gains on sale of investment property		-0.4	-0.3	21.7%	-0.8	1.1	-	4.2
<b>Operating profit</b>		<b>40.7</b>	<b>32.9</b>	<b>23.7%</b>	<b>87.5</b>	<b>71.2</b>	<b>22.8%</b>	<b>163.4</b>
Net financial income and expenses		-43.1	-16.6	160.3%	-59.5	-32.7	82.2%	-68.1
Share of profit/loss of joint ventures		1.3	0.0	-	2.4	-0.1	-	0.2
<b>Loss/profit before taxes</b>		<b>-1.1</b>	<b>16.3</b>	<b>-</b>	<b>30.3</b>	<b>38.5</b>	<b>-21.2%</b>	<b>95.5</b>
Current taxes		-0.2	-0.4	-54.3%	-0.4	-0.7	-47.5%	-1.4
Change in deferred taxes		3.9	-3.8	-	0.8	-6.4	-	-6.4
<b>Profit/loss for the period</b>		<b>2.7</b>	<b>12.1</b>	<b>-78.1%</b>	<b>30.7</b>	<b>31.4</b>	<b>-2.3%</b>	<b>87.7</b>
<b>Loss/profit attributable to</b>								
Parent company shareholders		1.7	10.9	-84.0%	27.8	26.6	4.4%	77.2
Non-controlling interest		0.9	1.3	-28.6%	2.9	4.8	-39.4%	10.5
<b>Earnings per share attributable to parent company shareholders<sup>1)</sup></b>								
Earnings per share (basic), EUR	5	0.00	0.03	-88.8%	0.07	0.09	-20.8%	0.24
Earnings per share (diluted), EUR	5	0.00	0.03	-85.5%	0.07	0.09	-20.5%	0.24
<b>Other comprehensive income</b>								
<b>Items that may be reclassified subsequently to profit or loss</b>								
Net gains/losses on cash flow hedges		37.4	-9.7	-	47.6	-3.9	-	-19.3
Income taxes relating to cash flow hedges		-8.8	2.5	-	-11.2	1.2	-	5.2
Share of other comprehensive income of joint ventures		1.1	-	-	0.9	-	-	-
Exchange losses/gains on translating foreign operations		-5.8	0.9	-	-2.6	1.6	-	3.3
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>		<b>23.9</b>	<b>-6.3</b>	<b>-</b>	<b>34.7</b>	<b>-1.1</b>	<b>-</b>	<b>-10.7</b>
<b>Other comprehensive income for the period, net of tax</b>		<b>23.9</b>	<b>-6.3</b>	<b>-</b>	<b>34.7</b>	<b>-1.1</b>	<b>-</b>	<b>-10.7</b>
<b>Total comprehensive profit/loss for the period</b>		<b>26.5</b>	<b>5.8</b>	<b>354.3%</b>	<b>65.5</b>	<b>30.4</b>	<b>115.6%</b>	<b>77.0</b>
<b>Total comprehensive profit/loss attributable to</b>								
Parent company shareholders		25.7	4.1	-	62.7	25.1	149.4%	65.4
Non-controlling interest		0.8	1.7	-53.2%	2.8	5.2	-46.6%	11.6

<sup>1)</sup> Result per share key figures have been calculated with the issue-adjusted number of shares resulting from the rights issue executed in March 2013.



## Condensed Consolidated Statement of Financial Position, IFRS

EUR million	Note	30 June 2013	30 June 2012	31 Dec. 2012
<b>Assets</b>				
Non-current assets				
Investment properties	6	2,711.3	2,602.0	2,714.2
Investments in joint ventures		150.4	0.5	0.9
Intangible assets and property, plant and equipment		2.8	2.8	3.1
Deferred tax assets		14.7	15.7	19.5
<b>Total non-current assets</b>		<b>2,879.2</b>	<b>2,621.0</b>	<b>2,737.6</b>
<b>Investment properties held for sale</b>	7	<b>6.6</b>	<b>11.6</b>	<b>5.4</b>
Current assets				
Derivative financial instruments	9, 10	3.3	0.1	-
Trade and other receivables		21.0	18.5	24.5
Cash and cash equivalents	8	73.8	69.5	51.0
<b>Total current assets</b>		<b>98.2</b>	<b>88.0</b>	<b>75.5</b>
<b>Total assets</b>		<b>2,983.9</b>	<b>2,720.5</b>	<b>2,818.5</b>
<b>Liabilities and Shareholders' Equity</b>				
Equity attributable to parent company shareholders				
Share capital		259.6	259.6	259.6
Share premium fund		131.1	131.1	131.1
Fair value reserve		-22.5	-48.4	-59.8
Invested unrestricted equity fund	11	493.0	243.1	333.0
Retained earnings	11	364.5	301.8	351.8
<b>Total equity attributable to parent company shareholders</b>		<b>1,225.8</b>	<b>887.1</b>	<b>1,015.7</b>
Non-controlling interest		47.0	64.4	44.2
<b>Total shareholders' equity</b>		<b>1,272.8</b>	<b>951.6</b>	<b>1,059.9</b>
Long-term liabilities				
Loans	12	1,458.1	1,524.4	1,406.3
Derivative financial instruments and other non-interest bearing liabilities	9, 10	31.2	60.3	76.6
Deferred tax liabilities		71.5	66.2	66.0
<b>Total long-term liabilities</b>		<b>1,560.8</b>	<b>1,650.9</b>	<b>1,548.9</b>
Short-term liabilities				
Loans	12	88.3	69.4	126.8
Derivate financial instruments	9, 10	2.4	1.1	0.7
Trade and other payables		59.6	47.5	82.2
<b>Total short-term liabilities</b>		<b>150.4</b>	<b>118.1</b>	<b>209.7</b>
<b>Total liabilities</b>		<b>1,711.1</b>	<b>1,768.9</b>	<b>1,758.6</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,983.9</b>	<b>2,720.5</b>	<b>2,818.5</b>

### Condensed Consolidated Cash Flow Statement, IFRS

EUR million	Note	Q1-Q2/2013	Q1-Q2/2012	2012
Cash flow from operating activities				
<b>Profit before taxes</b>		<b>30.3</b>	<b>38.5</b>	<b>95.5</b>
Adjustments		43.5	27.0	42.9
Cash flow before change in working capital		73.8	65.5	138.4
Change in working capital		-9.5	0.1	8.6
<b>Cash generated from operations</b>		<b>64.3</b>	<b>65.6</b>	<b>147.0</b>
Cash flow from investing activities				
Paid interest and other financial charges		-62.7	-28.7	-62.4
Interest income and other financial income received		0.1	0.4	0.6
Realized exchange rate losses		-8.7	-6.0	-22.9
Taxes paid/received		-0.9	-0.4	-0.8
<b>Net cash from operating activities</b>		<b>-7.9</b>	<b>30.8</b>	<b>61.5</b>
Cash flow from investing activities				
Acquisition of subsidiaries, less cash acquired	6,7	-1.7	-27.4	-41.0
Acquisition of investment properties	6,7	-	-	-1.1
Capital expenditure on investment properties, investments in joint ventures, intangible assets and PP&E	6,7	-181.6	-48.3	-93.9
Sale of investment properties	6,7	32.2	16.3	31.1
<b>Net cash used in/from investing activities</b>		<b>-151.1</b>	<b>-59.4</b>	<b>-104.9</b>
Cash flow from financing activities				
Proceeds from rights and share issue		196.2	-	89.9
Proceeds from short-term loans	12	88.6	43.0	117.1
Repayments of short-term loans	12	-109.0	-94.0	-157.5
Proceeds from long-term loans	12	607.9	277.5	623.5
Repayments of long-term loans	12	-552.6	-178.4	-600.6
Acquisition of non-controlling interests		-	-	-28.5
Dividends and return from the invested unrestricted equity fund	11	-49.3	-41.7	-41.7
<b>Net cash from/used in financing activities</b>		<b>181.7</b>	<b>6.3</b>	<b>2.3</b>
<b>Net change in cash and cash equivalents</b>				
		<b>22.7</b>	<b>-22.3</b>	<b>-41.1</b>
Cash and cash equivalents at period-start	8	51.0	91.3	91.3
Effects of exchange rate changes		0.1	0.4	0.8
<b>Cash and cash equivalents at period-end</b>	<b>8</b>	<b>73.8</b>	<b>69.5</b>	<b>51.0</b>

### Condensed Consolidated Statement of Changes in Shareholders' Equity, IFRS

EUR million	Equity attributable to parent company shareholders						Equity attributable to parent company shareholders	Non-controlling interest	Shareholders' equity, total
	Share capital	Share premium fund	Fair value reserve	Invested unrestricted equity fund	Translation reserve	Retained earnings			
<b>Balance at 1 January 2012</b>	259.6	131.1	-45.7	273.7	-7.8	291.7	902.6	59.2	961.8
Total comprehensive profit/loss for the period			-2.7		1.2	26.6	25.1	5.2	30.4
Dividends and return from the invested unrestricted equity fund (Note 11)				-30.6		-11.1	-41.7		-41.7
Share-based payments						1.1	1.1		1.1
<b>Balance at 30 June 2012</b>	259.6	131.1	-48.4	243.1	-6.6	308.4	887.1	64.4	951.6
<b>Balance at 1 January 2013</b>	259.6	131.1	-59.8	333.0	-5.5	357.3	1,015.7	44.2	1,059.9
Total comprehensive profit/loss for the period			37.3		-2.5	27.8	62.7	2.8	65.5
Rights issue				196.2			196.2		196.2
Dividends and return from the invested unrestricted equity fund (Note 11)				-36.2		-13.1	-49.3		-49.3
Share-based payments						0.5	0.5		0.5
<b>Balance at 30 June 2013</b>	259.6	131.1	-22.5	493.0	-8.0	372.5	1,225.8	47.0	1,272.8

# Notes to The Interim Condensed Consolidated Financial Statements

## 1. Basic Company Data

Citycon is a real estate company specialised in retail premises. Citycon operates in the business units Finland, Sweden and the Baltic Countries and New Business. Citycon is a Finnish public limited liability company established under the Finnish law and domiciled in Helsinki. The Board of Directors has approved the interim financial statements on 9 July 2013.

## 2. Basis of Preparation and Accounting Policies

Citycon prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). The interim financial statements for the six month period ended on 30 June 2013 have been prepared in accordance with IAS 34 Interim Financial Reporting. The figures are unaudited.

In addition, the following standards and amendments to existing standards have been adopted in the interim financial statements 30 June 2013:

- IAS 1 Presentation of Financial Statements (amendment)
- IAS 19 Employee Benefits (amendment)
- IAS 34 Interim Financial Reporting (amendment)
- IFRS 7 Financial instruments: Disclosures (amendment).
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosure of Interest in Other Entities
- IFRS 13 Fair Value measurement

Additional information on the accounting policies are available in Citycon's Financial Statements 2012 under the Notes to the Consolidated Financial Statements: in Note 3 "Changes in IFRS and accounting policies" and Note 4 "Summary of significant accounting policies".

## 3. Segment Information

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

Citycon acquired ownership of 50 per cent in Kista Galleria shopping centre on January 17, 2013. Kista Galleria is consolidated into Citycon's financial statements with the equity method meaning that Citycon's share of Kista Galleria's profit for the period is recognised in the line "Share of result in joint ventures" in the statement of comprehensive income and Citycon's share of Kista Galleria's total assets is recognised in the line "Investments in joint ventures" in the statement of financial position. However, Citycon's management and the Board of Directors additionally follow the performance of Kista Galleria as if it was fully consolidated into Citycon's net rental income and operating profit. Therefore, in the segment information numbers of Sweden are presented with (Segments) and without (IFRS) Kista Galleria.

EUR million	Q2/2013	Q2/2012	Change-%	Q1-Q2/2013	Q1-Q2/2012	Change-%	2012
<b>Turnover</b>							
Finland	37.4	35.1	6.6%	75.4	69.9	7.8%	143.2
Sweden	26.9	15.5	73.7%	54.4	31.3	73.9%	63.1
Baltic Countries and New Business	8.3	7.7	8.0%	17.1	15.1	13.5%	32.8
<b>Total Segments</b>	<b>72.7</b>	<b>58.4</b>	<b>24.6%</b>	<b>146.8</b>	<b>116.2</b>	<b>26.4%</b>	<b>239.2</b>
Reconciliation to IFRS	-11.1	-	-	-22.3	-	-	-
<b>Total IFRS</b>	<b>61.6</b>	<b>58.4</b>	<b>5.6%</b>	<b>124.5</b>	<b>116.2</b>	<b>7.2%</b>	<b>239.2</b>
<b>Sweden IFRS</b>	<b>15.8</b>	<b>15.5</b>	<b>2.2%</b>	<b>32.1</b>	<b>31.3</b>	<b>2.5%</b>	<b>63.1</b>
<b>Net rental income</b>							
Finland	26.1	24.4	6.7%	50.3	47.3	6.5%	98.2
Sweden	18.3	9.4	93.8%	35.8	18.6	92.2%	39.2
Baltic Countries and New Business	6.2	5.8	6.6%	12.7	11.4	11.1%	24.6
<b>Total Segments</b>	<b>50.6</b>	<b>39.7</b>	<b>27.4%</b>	<b>98.7</b>	<b>77.3</b>	<b>27.8%</b>	<b>162.0</b>
Reconciliation to IFRS	-7.9	-	-	-15.7	-	-	-
<b>Total IFRS</b>	<b>42.7</b>	<b>39.7</b>	<b>7.5%</b>	<b>83.0</b>	<b>77.3</b>	<b>7.5%</b>	<b>162.0</b>
<b>Sweden IFRS</b>	<b>10.4</b>	<b>9.4</b>	<b>10.0%</b>	<b>20.1</b>	<b>18.6</b>	<b>7.8%</b>	<b>39.2</b>

EUR million	Q2/2013	Q2/2012	Change-%	Q1-Q2/2013	Q1-Q2/2012	Change-%	2012
<b>EPRA operating profit</b>							
Finland	25.3	22.2	13.8%	48.7	43.1	13.0%	89.3
Sweden	17.0	8.3	104.8%	32.9	16.1	105.0%	34.0
Baltic Countries and New Business	6.0	5.6	7.8%	12.3	10.9	12.2%	23.7
Other	-3.1	-3.0	2.5%	-6.0	-5.9	2.1%	-11.4
<b>Total Segments</b>	<b>45.2</b>	<b>33.1</b>	<b>36.2%</b>	<b>87.8</b>	<b>64.1</b>	<b>36.9%</b>	<b>135.7</b>
Reconciliation to IFRS	-7.4	-	-	-14.6	-	-	-
<b>Total IFRS</b>	<b>37.8</b>	<b>33.1</b>	<b>13.9%</b>	<b>73.2</b>	<b>64.1</b>	<b>14.1%</b>	<b>135.7</b>
<b>Sweden IFRS</b>	<b>9.6</b>	<b>8.3</b>	<b>15.4%</b>	<b>18.3</b>	<b>16.1</b>	<b>13.9%</b>	<b>34.0</b>
<b>Net fair value gains/losses on investment property</b>							
Finland	2.6	-2.9	-	10.9	-5.2	-	-0.9
Sweden	0.9	0.2	-	3.6	3.5	4.4%	9.0
Baltic Countries and New Business	1.7	2.8	-40.0%	2.4	7.7	-69.0%	15.4
<b>Total Segments</b>	<b>5.1</b>	<b>0.1</b>	<b>-</b>	<b>16.9</b>	<b>6.0</b>	<b>182.3%</b>	<b>23.6</b>
Reconciliation to IFRS	-1.8	-	-	-1.8	-	-	-
<b>Total IFRS</b>	<b>3.3</b>	<b>0.1</b>	<b>-</b>	<b>15.1</b>	<b>6.0</b>	<b>152.1%</b>	<b>23.6</b>
<b>Sweden IFRS</b>	<b>-0.9</b>	<b>0.2</b>	<b>-</b>	<b>1.8</b>	<b>3.5</b>	<b>-47.5%</b>	<b>9.0</b>
<b>Operating profit/loss</b>							
Finland	27.8	19.3	44.1%	59.4	37.0	60.3%	87.5
Sweden	17.5	8.2	113.9%	35.9	21.5	67.4%	48.2
Baltic Countries and New Business	7.7	8.4	-8.0%	14.7	18.7	-21.5%	39.1
Other	-3.1	-3.0	5.6%	-6.1	-5.9	2.2%	-11.4
<b>Total Segments</b>	<b>49.9</b>	<b>32.9</b>	<b>51.7%</b>	<b>103.9</b>	<b>71.2</b>	<b>45.8%</b>	<b>163.4</b>
Reconciliation to IFRS	-9.2	-	-	-16.4	-	-	-
<b>Total IFRS</b>	<b>40.7</b>	<b>32.9</b>	<b>23.7%</b>	<b>87.5</b>	<b>71.2</b>	<b>22.8%</b>	<b>163.4</b>
<b>Sweden IFRS</b>	<b>8.3</b>	<b>8.2</b>	<b>1.3%</b>	<b>19.5</b>	<b>21.5</b>	<b>-9.2%</b>	<b>48.2</b>

EUR million	30 June 2013	30 June 2012	Change-%	31 Dec. 2012
<b>Assets</b>				
Finland	1,676.1	1,615.2	3.8%	1,672.9
Sweden	1,261.7	727.3	73.5%	749.4
Baltic Countries and New Business	324.0	290.9	11.4%	317.1
Other	256.8	87.1	194.8%	79.0
<b>Total Segments</b>	<b>3,518.7</b>	<b>2,720.5</b>	<b>29.3%</b>	<b>2,818.5</b>
Reconciliation to IFRS	-534.7	-	-	-
<b>Total IFRS</b>	<b>2,983.9</b>	<b>2,720.5</b>	<b>9.7%</b>	<b>2,818.5</b>
<b>Sweden IFRS</b>	<b>727.0</b>	<b>727.3</b>	<b>0.0%</b>	<b>749.4</b>
<b>Liabilities</b>				
Finland	57.3	47.6	20.4%	14.0
Sweden	7.5	11.8	-36.1%	21.0
Baltic Countries and New Business	20.8	3.0	-	3.7
Other	1,625.5	1,706.5	-4.7%	1,719.9
<b>Total</b>	<b>1,711.1</b>	<b>1,768.9</b>	<b>-3.3%</b>	<b>1,758.6</b>

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

#### 4. Property Operating Expenses

EUR million	Q2/2013	Q2/2012	Change-%	Q1-Q2/2013	Q1-Q2/2012	Change-%	2012
Heating and electricity expenses	5.2	5.2	0.1%	13.7	12.9	6.2%	25.1
Maintenance expenses	6.3	6.4	-1.0%	12.7	12.8	-0.7%	25.4
Land lease fees and other rents	0.5	0.5	3.6%	0.9	0.8	14.7%	1.8
Property personnel expenses	0.9	0.2	390.6%	1.3	0.4	277.8%	0.8
Administrative and management fees	0.7	0.6	20.3%	1.5	1.1	32.0%	2.3
Marketing expenses	1.3	1.5	-10.3%	2.6	2.5	0.9%	5.6
Property insurances	0.1	0.1	-21.9%	0.3	0.3	-12.3%	0.6
Property taxes	1.8	1.7	3.0%	3.6	3.4	8.2%	7.1
Repair expenses	1.8	1.7	7.0%	4.2	3.7	13.0%	7.0
Other property operating expenses	0.1	0.1	21.4%	0.2	0.1	267.2%	0.2
<b>Total</b>	<b>18.8</b>	<b>18.0</b>	<b>4.3%</b>	<b>41.0</b>	<b>37.9</b>	<b>8.1%</b>	<b>75.8</b>

Two properties generated no income during the first six months of 2013 and 2012, while these generated expenses of EUR 0.1 million (EUR 0.1 million).

#### 5. Earnings per Share

	Q1-Q2/2013	Q1-Q2/2012	Change-%	2012
<b>Earnings per share, basic</b>				
Profit/loss attributable to parent company shareholders, EUR million	27.8	26.6	4.4%	77.2
Issue-adjusted average number of shares, million <sup>1)</sup>	409.3	310.7	31.7%	321.1
<b>Earnings per share (basic), EUR<sup>1)</sup></b>	<b>0.07</b>	<b>0.09</b>	<b>-20.8%</b>	<b>0.24</b>
<b>Earnings per share, diluted</b>				
Profit/loss attributable to parent company shareholders, EUR million	27.8	26.6	4.4%	77.2
Expenses from convertible capital loan, the tax effect deducted (EUR million)	1.1	1.9	-42.4%	3.1
Profit/loss used in the calculation of diluted earnings per share (EUR million)	28.9	28.6	1.2%	80.3
Issue-adjusted average number of shares, million <sup>1)</sup>	409.3	310.7	31.7%	321.1
Convertible capital loan impact, million	10.3	17.0	-39.4%	15.1
Adjustment for stock options, million	-	-	-	-
Adjustments for long-term share-based incentive plan, million	-	0.0	-	0.0
Average number of shares used in the calculation of diluted earnings per share, million	419.6	327.7	28.0%	336.3
<b>Earnings per share (diluted), EUR<sup>1)</sup></b>	<b>0.07</b>	<b>0.09</b>	<b>-20.9%</b>	<b>0.24</b>

<sup>1)</sup> Result per share key figures have been calculated with the issue-adjusted number of shares resulting from the rights issue executed in March 2013.

#### 6. Investment Property

Citycon divides its investment properties into two categories: Investment Properties Under Construction (IPUC) and Operative Investment Properties. 30 June 2013, the first mentioned category included IsoKristiina in Finland, as well as Åkermyntan Centrum in Sweden. On 30 June 2012, the first mentioned category included Koskikeskus in Finland as well as Åkermyntan Centrum in Sweden.

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

EUR million		30 June 2013		
	Investment properties under construction (IPUC)	Operative investment properties	Investment properties, total	
<b>At period-start</b>	195.7	2,518.5	2,714.2	
Acquisitions	1.5	0.3	1.8	
Investments	5.5	24.6	30.1	
Disposals	-18.2	-1.6	-19.8	
Capitalized interest	0.3	0.7	1.0	
Fair value gains on investment property	-	32.2	32.2	
Fair value losses on investment property	-0.6	-16.5	-17.1	
Exchange differences	-0.4	-16.0	-16.4	
Transfers between items	-139.2	124.6	-14.7	
<b>At period-end</b>	<b>44.4</b>	<b>2,666.8</b>	<b>2,711.3</b>	

EUR million		30 June 2012		
	Investment properties under construction (IPUC)	Operative investment properties	Investment properties, total	
<b>At period-start</b>	526.4	1,995.7	2,522.1	
Acquisitions	7.9	19.5	27.4	
Investments	14.8	33.4	48.2	
Disposals	-	-2.1	-2.1	
Capitalized interest	0.4	0.4	0.8	
Fair value gains on investment property	-	25.4	25.4	
Fair value losses on investment property	-1.1	-18.3	-19.4	
Exchange differences	0.1	10.9	11.1	
Transfers between items	-373.7	362.2	-11.6	
<b>At period-end</b>	<b>174.8</b>	<b>2,427.2</b>	<b>2,602.0</b>	

EUR million		31 Dec. 2012		
	Investment properties under construction (IPUC)	Operative investment properties	Investment properties, total	
<b>At period-start</b>	526.4	1,995.7	2,522.1	
Acquisitions	7.9	50.9	58.8	
Investments	34.1	65.6	99.7	
Disposals	-	-1.4	-1.4	
Capitalized interest	1.1	0.7	1.8	
Fair value gains on investment property	0.6	53.7	54.4	
Fair value losses on investment property	-1.2	-29.6	-30.8	
Exchange differences	0.5	26.3	26.8	
Transfers between items	-373.7	356.5	-17.2	
<b>At period-end</b>	<b>195.7</b>	<b>2,518.5</b>	<b>2,714.2</b>	

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

	Weighted average yield requirement, %			Weighted average market rents, EUR/m <sup>2</sup>		
	30 June 2013	30 June 2012	31 Dec. 2012	30 June 2013	30 June 2012	31 Dec. 2012
Finland	6.2	6.3	6.2	26.1	25.6	25.9
Sweden	6.0	5.9	6.0	25.2	24.8	25.6
Baltic Countries and New Business	7.6	7.9	7.7	20.2	20.9	20.0
<b>Average</b>	<b>6.3</b>	<b>6.4</b>	<b>6.3</b>	<b>25.1</b>	<b>24.8</b>	<b>25.1</b>

## 7. Investment Properties Held for Sale

On 30 June 2013, the Investment Properties Held for Sale comprised properties located in Finland and in Sweden. These transactions are expected to be finalised during third quarter in 2013. On 31 December 2012, the Investment Properties Held for Sale included one plot and one property. Ultima Oy, the company owning the plot, was sold in February 2013.

EUR million	30 June 2013	30 June 2012	31 Dec. 2012
<b>At period-start</b>	<b>5.4</b>	<b>12.7</b>	<b>12.7</b>
Disposals	-13.5	-12.9	-25.0
Exchange differences	0.0	0.2	0.5
Transfers from investment properties	14.7	11.6	17.2
<b>At period-end</b>	<b>6.6</b>	<b>11.6</b>	<b>5.4</b>

## 8. Cash and Cash Equivalents

EUR million	30 June 2013	30 June 2012	31 Dec. 2012
Cash in hand and at bank	73.8	69.4	50.6
Short-term deposits	-	0.0	-
Other bank deposits	0.0	-	0.3
<b>Total</b>	<b>73.8</b>	<b>69.5</b>	<b>51.0</b>

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



## 9. Fair Values of Financial Assets and Liabilities

EUR million	30 June 2013		30 June 2012		31 Dec. 2012	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>						
<b>I Financial assets at fair value through profit and loss</b>						
Derivative financial instruments	3.3	3.3	0.1	0.1	-	-
<b>Financial liabilities</b>						
<b>I Financial liabilities amortised at cost</b>						
<b>Loans</b>						
Loans from financial institutions	850.5	854.3	1,335.1	1,337.9	1,304.3	1,308.6
Convertible capital loan 1/2006	39.7	39.8	69.0	71.3	39.1	39.8
Bond 1/2009	23.0	23.1	39.7	40.0	39.7	40.0
Bond 1/2012	138.0	138.4	149.5	150.0	149.5	150.0
Bond 1/2013	495.0	500.0	-	-	-	-
<b>II Financial liabilities at fair value through profit and loss</b>						
Derivative financial instruments	1.7	1.7	0.7	0.7	0.7	0.7
<b>III Derivative contracts under hedge accounting</b>						
Derivative financial instruments	31.0	31.0	59.3	59.3	75.6	75.6

### *The principles for determining the fair values of financial instruments*

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

#### *Derivative financial instruments*

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

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

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

The fair value of both interest rate and foreign exchange derivative financial instruments corresponds to level 2 of the fair value hierarchy according to IFRS7p27a. 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.

### **Convertible capital loan 1/2006**

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

### **Bond 1/2009, bond 1/2012 and bond 1/2013**

The bonds 1/2009, 1/2012 and 1/2013 are fixed rate loans which has 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 bond also the unamortised reoffer discount.

## **10. Derivative Financial Instruments**

EUR million	30 June 2013		30 June 2012		31 Dec. 2012	
	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount	Fair value
<b>Interest rate derivatives</b>						
Interest rate swaps						
Maturity:						
less than 1 year	25.0	-0.7	-	-	-	-
1-2 years	83.7	-1.8	25.0	-1.2	155.6	-6.0
2-3 years	99.2	-4.1	178.8	-6.1	176.2	-9.0
3-4 years	156.7	-10.4	198.9	-8.2	263.1	-19.9
4-5 years	112.7	-7.6	247.9	-16.5	217.2	-20.2
over 5 years	103.5	-6.4	362.6	-27.2	209.5	-20.6
<b>Subtotal</b>	<b>580.7</b>	<b>-31.0</b>	<b>1,013.2</b>	<b>-59.3</b>	<b>1,021.7</b>	<b>-75.6</b>
<b>Foreign exchange derivatives</b>						
Forward agreements						
Maturity:						
less than 1 year	438.5	1.6	69.3	-1.0	67.6	-0.7
<b>Total</b>	<b>1,019.3</b>	<b>-29.4</b>	<b>1,082.5</b>	<b>-60.3</b>	<b>1,089.3</b>	<b>-76.3</b>

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

The fair values include foreign exchange rate gain of EUR 1.8 million (loss EUR 0.9 million) which is recognised in the statement of comprehensive income under net financial income and expenses.

Hedge accounting is applied for interest rate swaps which have nominal amount of EUR 580.7 million (EUR 1,013.2 million). The change in fair values of these derivatives (net of taxes), EUR 28.6 million (EUR -2.7 million) is recognised under other comprehensive income, taking the tax effect into account. In addition, EUR -0.9 million have been recognised in "Share of other comprehensive income of joint ventures" from interest rate swaps hedging the Kista Galleria loan.

## **11. Dividends and Return from the Invested Unrestricted Equity Fund**

In accordance with the proposal by the Board of Directors, the Annual General Meeting held on 21 March 2013 decided on a dividend of EUR 0.04 per share for the financial year 2012 (EUR 0.04 for the financial year 2011) and EUR 0.11 per share was decided to be returned from the invested unrestricted equity fund (EUR 0.11 for the financial year 2011).

Dividend and equity return of EUR 49.0 million in total for the financial year 2012 (EUR 41.7 million for the financial year 2011) were paid on 4 April 2013.

## 12. Loans

During the period a EUR 500 million senior unsecured eurobond was issued. The seven-year bond matures on 24 June 2020 and carries fixed annual interest at the rate of 3.75 per cent, payable annually on 24 June. It is listed on the Official List of the Irish Stock Exchange. The proceeds of the offering have been used to pay back existing debt.

A new bilateral 6 year revolving credit facility loan of EUR 50 million was signed during the period.

During the period, repayments and prepayments of interest-bearing debt amounting to EUR 475.6 million were made with the bond proceeds and in line with repayment terms.

## 13. Contingent Liabilities

EUR million	30 June 2013	30 June 2012	31 Dec. 2012
Mortgages on land and buildings	10.5	36.4	37.1
Bank guarantees	74.5	62.3	63.8
Capital commitments	248.9	27.6	296.1

On 30 June 2013, Citycon had capital commitments of EUR 248.9 million (EUR 27.6 million) relating mainly to on-going (re)development projects.

Citycon owns 50 per cent of Kista Galleria joint venture. Shares in the joint venture have been pledged as security for the loans of the joint venture.

## 14. Related Party Transactions

Citycon Group's related parties comprise the parent company, subsidiaries, associated companies, minority companies, Board members, CEO, Corporate Management Committee members and Gazit-Globe Ltd., whose shareholding in Citycon Oyj accounted for 49.3 per cent on 30 June 2013 (30 June 2012: 48.0%). During the first and the second quarters in 2013 and 2012, Citycon had the following significant transactions with Gazit-Globe Ltd.:

### Convertible capital loan 1/2006

In August 2012 Citycon Oyj repurchased convertible capital bonds issued on 2 August 2006 from its main shareholder, Gazit-Globe Ltd. with face value of EUR 20 million. Based on the information Citycon has received, after the Citycon repurchases Gazit-Globe Ltd. did not hold any outstanding amount of the convertible capital loan on 30 June 2013. At the end of the corresponding period on 30 June 2012, based on the information Citycon has received, Gazit-Globe Ltd. held 58.9 per cent out of the outstanding amount of the convertible capital loan, i.e. EUR 40.7 million out of the carrying amount of the convertible capital loan then amounting to EUR 69.0 million.

### Purchases of services

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

### Rights issue 2013

In March 2013, the company issued approximately 114 million new shares in a rights issue, raising approximately EUR 200 million gross proceeds in new equity. Gazit-Globe Ltd. subscribed 56.1 million shares in this rights issue.

## 15. Key Figures

	Q1-Q2/2013	Q1-Q2/2012	Change-%	2012
Operating profit, EUR million	87.5	71.2	22.8%	163.4
% of turnover	70.2%	61.3%	14.6%	68.3%
Profit/loss before taxes, EUR million	30.3	38.5	-21.2%	95.5
Earnings per share (diluted), EUR <sup>1)</sup>	0.07	0.09	-20.8%	0.24
Equity per share, EUR	2.78	3.19	-13.0%	3.11
Gearing %	115.7	160.2	-27.8%	139.8
Net interest-bearing debt (fair value), EUR million	1,482.1	1,530.3	-3.1%	1,487.8
Personnel (at the end of the period)	127	134	-5.2%	129

<sup>1)</sup> EPRA Earnings per share has been calculated with the issue-adjusted number of shares resulting from the rights issue executed in March 2013.

The formulas for key figures can be found from the 2012 annual financial statements.

## 16. Shareholders, Share Capital and Shares

At the end of June, Citycon had a total of 8,613 (5,825) registered shareholders, of which 13 were account managers of nominee-registered shares. Nominee-registered and other international shareholders held 336.0 million (224.5 million) shares, or 76.1 per cent (80.8%) of shares and voting rights in the company.

### Rights issue

On 12 February 2013, the Board of Directors of the Citycon resolved, based on the authorisation of the Extraordinary General Meeting on 6 February 2013, to issue a maximum of 114,408,000 new shares. The shares issued in the rights issue represented approximately 35.0 per cent of the total shares and voting rights in Citycon before the offering and approximately 25.9 per cent of the total shares and voting rights in the company after the rights issue. The subscription period expired on 7 March 2013 and the new shares issued in the rights issue were registered with the Finnish Trade Register on 14 March 2013.

### Flagging notices

The company did not receive any flagging notices during the period.

### Information on shares and share capital

Shareholders, Share Capital and Shares	Q1-Q2/2013	Q1-Q2/2012	Change-%	2012
Low	2.12	2.12	-	2.12
High	2.67	2.71	-1.5%	2.71
Average	2.41	2.42	-0.4%	2.43
Latest	2.39	2.23	7.2%	2.57
Market capitalisation at period-end, EUR million	1054.7	619.6	70.2%	840.1
<b>Share trading volume</b>				
Number of shares traded, million	70.6	40.6	73.9%	82.0
Value of shares traded, EUR million	170.1	98.2	73.2%	199.2
<b>Share capital and shares</b>				
Share capital at period-start, EUR million	259.6	259.6	-	259.6
Share capital at period-end, EUR million	259.6	259.6	-	259.6
Number of shares at period-start, million	441.3	277.8	58.9%	277.8
Number of shares at period-end, million	441.3	277.8	58.9%	326.9

During the period, there were no changes in the company's share capital but the number of the company's shares increased by 114,408,000 shares in March following the rights issue. The company has a single series of shares, with each share entitling to one vote at general meetings of shareholders. The shares have no nominal value.

### Board authorisations and own shares

Pursuant to a share issue authorisation granted by the Annual General Meeting of 2013, the Board of Directors can decide on an issuance of a maximum of 25 million shares or conveyance of treasury shares. By virtue of this authorisation, the Board may also decide to issue special rights entitling to shares. The authorisation will be valid until the close of the next Annual General Meeting, however, no longer than until 30 June 2014.

The Board of Directors had also a share issue authorisation granted by the Extraordinary General Meeting held on 6 February 2013. The Board exercised this authorisation in February when it decided on rights issue mentioned above. This authorisation was valid until the close of the Annual General Meeting of 2013 and it revoked the share issue authorisation given by the Annual General Meeting of 2012.

The Annual General Meeting of 2013 authorised the Board of Directors to decide on the repurchase and/or on the acceptance as pledge of the company's own shares in one or several tranches. The amount of own shares to be repurchased and/or accepted as

pledge shall not exceed 20 million shares. The authorisation will be valid until the close of the next Annual General Meeting, however, no longer than until 30 June 2014.

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

During the reporting period, the company held no treasury shares.

### **Stock Options 2011**

The Board of Directors of Citycon Oyj 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.

In order to ensure the equal treatment of shareholders and the stock option holders, the Board of Directors of Citycon Oyj decided on 12 February 2013 and 13 March 2013, due to the rights issue, to adjust the subscription price of the stock options in accordance with the terms and conditions of the Stock Option Plan 2011.

The maximum total number of stock options which can be issued is 7,250,000. The subscription ratio is 1.1765 (1.0), thus, the stock options entitle their owners to subscribe for a maximum total of 8,529,625 (7,250,000) new shares in the company or existing shares held by the company. The subscription ratio has been adjusted from 1.0 to 1.1765 due to rights issue in October 2012.

The stock options are marked with the symbols 2011A(I), 2011A(II) and 2011A(III); 2011B(I), 2011B(II) and 2011B(III); 2011C(I), 2011C(II) and 2011C(III); and 2011D(I), 2011D(II) and 2011D(III).

By the end of the reporting period, a total of 6,185,000 stock options 2011 had been distributed comprising a total of 2,250,000 stock options divided into sub-categories 2011A–D(I), a total of 1,990,000 stock options divided into sub-categories 2011A–D(II) and a total of 1,945,000 stock options divided into sub-categories 2011A–D(III).

### **Share subscription price**

The subscription prices of the shares to be subscribed for by exercising the stock options 2011, adjusted due to the rights issue are as follows:

Option category	Subscription price	
2011A–D(I)	2.8009	(3.17)
2011A–D(II)	2.9199	(3.31)
2011A–D(III)	2.3419	(2.63)

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**

Share subscription periods of stock options 2011 are as follows:

Option category	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

The stock option plan 2011 is covered in more detail in the company's Financial Statements 2012. The terms and conditions of stock options 2011 in their entirety are available on the corporate website at [www.citycon.com/options](http://www.citycon.com/options).

### **Capital Convertible Bond**

Due to the rights issue pursuant to the pre-emptive subscription right of shareholders, Citycon's Board of Directors has also on 12 February 2013 and 13 March 2013 decided to adjust the conversion price of the convertible bonds from EUR 4.05 to EUR 3.76. After the new conversion price became effective, the maximum number of shares that can be subscribed for on the basis of the convertible bonds is 10,585,106.

# Financial Reports in 2013

Citycon will issue one more interim report during the financial year 2013 as follows:

January–September 2013 on Wednesday, 16 October 2013 at around 9.00 a.m.

For more investor information, please visit the corporate website at [www.citycon.com](http://www.citycon.com)

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# Report on Review of Citycon Oyj's Interim Financial Information for the period January 1–June 30, 2013

**To the Board of Directors of Citycon Oyj**

## **Introduction**

We have reviewed the accompanying statement of financial position of Citycon Oyj as of June 30, 2013 and the related statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes prepared in accordance with International Financial Reporting Standards as adopted by the EU. The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of this interim financial information in accordance with the Securities Market Act, chapter 2, paragraph 5 a. Based on our interim review we express at the request of the Board of Directors a report in accordance with the Securities Market Act, chapter 2, paragraph 5 a.

## **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Opinion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information, prepared in accordance with International Financial Reporting Standards as adopted by the EU, does not give a true and fair view of the financial position of the entity as at June 30, 2013, and of its financial performance and its cash flows for the six-month period then ended in accordance with the Securities Market Act.

9 July, 2013

ERNST & YOUNG OY  
Authorised Public Accountants

Eija Niemi-Nikkola, Authorised Public Accountant