



H1 | 2019

HALF-YEARLY REPORT
JANUARY–JUNE

CITYCON H1/2019: STABLE OVERALL PERFORMANCE

- Solid first half of the year
- Growth in tenant sales and footfall
- Net rental income and EPRA earnings continued to grow
- Occupancy remained at a high level; positive leasing spread continued
- Two shopping centres successfully divested during Q2/2019
- Outlook specified after stable half-year performance and completed disposals

APRIL–JUNE 2019

- Net rental income was EUR 56.1 million (Q2/2018: 54.3). Development project in Mölndal coming online increased net rental income by EUR 1.5 million, which was offset by planned divestments in 2018 and Q2/2019, impacting net rental income by EUR 1.1 million. Weaker currencies had an impact of EUR -0.6 million. Adoption of IFRS 16 standard increased net rental income in Q2/2019 by EUR 1.8 million in total.
- EPRA Earnings excluding the one-time expenses related to organizational changes increased to EUR 39.2 million or EUR 0.220 per share. Reported EPRA Earnings increased to EUR 38.7 million (36.4) as result of higher net rental income, lower net financial expenses and the adoption of IFRS 16 standard. EPRA Earnings per share (basic) was EUR 0.217 (0.205), impact from weaker currencies was EUR -0.002 per share.
- IFRS-based earnings per share was EUR 0.04 (0.00) as a result of higher net rental income and higher other operating income and expenses.
- The reporting period includes the adoption of IFRS 16 from 1.1.2019 onwards. Please see Note 2 for more information.

JANUARY–JUNE 2019

- Net rental income was EUR 109.7 million (H1/2018: 107.6). Completed (re)development projects increased NRI by EUR 2.6 million, while divestments decreased net rental income by EUR 2.9 million and weaker SEK and NOK by EUR 1.2 million. Adoption of IFRS 16 standard increased net rental income in H1/2019 by EUR 3.5 million in total.
- EPRA Earnings excluding the one-time expenses related to organizational changes increased to EUR 76.1 million or EUR 0.427 per share. Reported EPRA Earnings was EUR 74.5 million (72.5) due to higher net rental income and lower net financial expenses. EPRA Earnings per share (basic) was EUR 0.418 (0.407), negative impact from weaker currencies was EUR 0.006.
- IFRS-based earnings per share was EUR 0.12 (0.11) as a result of higher net rental income, lower net financial expenses and higher other operating income and expenses.
- The reporting period includes the adoption of IFRS 16 from 1.1.2019 onwards. Please see Note 2 for more information.

OUTLOOK FOR THE YEAR 2019 SPECIFIED

			Previously
EPRA Earnings per share (basic)	EUR	0.785–0.850	0.775–0.875
Direct operating profit	Me	189–200	188–206
EPRA Earnings	Me	140–151	138–156

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

KEY FIGURES

		Q2/2019	Q2/2018	% ¹⁾	Comparable change % ³⁾	Q1-Q2/ 2019	Q1-Q2/ 2018	% ¹⁾	Comparable change % ³⁾	2018
Net rental income	MEUR	56.1	54.3	3.3%	4.4%	109.7	107.6	2.0%	3.1%	214.9
Direct Operating profit ²⁾	MEUR	50.7	48.4	4.9%	6.0%	98.4	95.8	2.7%	3.9%	187.6
IFRS Earnings per share (basic) ⁴⁾	EUR	0.04	0.00	-	-	0.12	0.11	7.5%	12.3%	0.09
Fair value of investment properties	MEUR	4,149.8	4,140.8	0.2%	-	4,149.8	4,140.8	0.2%	-	4,131.3
Loan to Value (LTV) ²⁾	%	48.9	47.0	4.1%	-	48.9	47.0	4.1%	-	48.7
EPRA based key figures ²⁾										
EPRA Earnings	MEUR	38.7	36.4	6.1%	7.7%	74.5	72.5	2.7%	4.4%	143.5
EPRA Earnings per share (basic) ⁴⁾	EUR	0.217	0.205	6.1%	7.7%	0.418	0.407	2.7%	4.4%	0.806
EPRA NAV per share ⁴⁾	EUR	12.77	13.42	-4.9%	-	12.77	13.42	-4.9%	-	12.95

¹⁾ Change from previous year. Change-% is calculated from exact figures.

²⁾ Citycon presents alternative performance measures according to the European Securities and Markets Authority (ESMA) new guidelines. More information is presented in Basis of Preparation and Accounting Policies in the notes to the accounts.

³⁾ Change from previous year (comparable exchange rates). Change-% is calculated from exact figures.

⁴⁾ Key ratios have been adjusted in the comparison periods to reflect the new number of shares after the reverse share split executed in March 2019.

CEO F. SCOTT BALL:

"Citycon's operational performance remained solid and the total net rental income grew to EUR 109.7 million during the first half of 2019. Like-for-like net rental income grew over 2018 and we were pleased to see a stable like-for-like development in Finland after many subdued years. EPRA earnings continued to grow and the EPRA EPS reached EUR 0.418 during January-June 2019. The occupancy rate also remained stable at the high level of 95.6%.

We continued to take steps to further strengthen our asset management during January-June 2019. We introduced a new organization in the first quarter of the year and the onboarding continued during the second quarter. This new organization provides consistency across the countries and enables us to intensify our asset management efforts. I am also pleased that we strengthened our team with several key recruitments during the quarter, including Erik Lennhammar, who will join our Corporate Management Committee in August 2019 as the new Chief Development Officer. He will be a great addition to our team thanks to his broad background in asset management and property development in various sectors. Together with the strengthened development team, we will begin to exploit the various densification opportunities within our portfolio.

Citycon once again received recognition for the Iso Omena shopping centre during the second quarter. In April, this project was awarded the best large shopping centre expansion project in Europe by the International Council of Shopping Centres and in June, it was awarded the best shopping centre in the Nordics by the Nordic Council of Shopping Centres. Iso Omena is the prototype of the type of asset we want to own in the future. Further, these recognitions are a great acknowledgement of our strategy and of our development capabilities. In particular, the service square in Iso Omena, which combines a range of the City of Espoo's municipal services from a library to medical services, has received praise from visitors and also several global acknowledgements. In May, we announced that a similar service square concept will be launched later this year in our shopping centre Trio in Lahti, Finland. The service square will be a great addition to the shopping centre and we are confident it will drive further footfall to the centre. It is also a great example of our intensified focus on asset management.

We continued to take action to strengthen our balance sheet during January-June 2019. During the second quarter of the year, we sold two shopping centres in Finland for EUR 77 million. The disposal price was in line with the assets' latest IFRS fair value, which demonstrates that there is investor demand for good retail assets and is a further confirmation of the stable value of our assets. In addition, we agreed to sell another land plot adjacent to our Columbus shopping centre in Helsinki, Finland during the quarter with the buyer intending to build 900 residential units which will further strengthen our shopping centre. We will continue to recycle capital going forward as our vision is to focus on multi-functional properties that are connected to public transportation in growing urban areas.

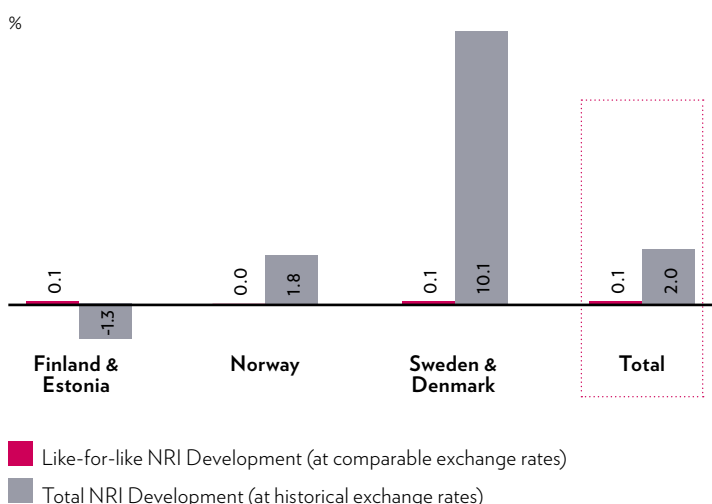
We have a very stable business model with the clear majority of our leases linked to indexation. In addition, our diversified tenant mix with a relatively low share of fashion tenants, has helped us weather the headwinds the retail sector is facing. After six months of solid performance and completed disposals of two shopping centres, we have specified our guidance. We now expect EPRA EPS to be in the range of EUR 0.785-0.850 for the full year 2019."

1. NET RENTAL INCOME GREW

The net rental income increased to EUR 109.7 million (107.6). The increase was mainly due to successful opening of development project in Mölndal in September 2018 and positive impact from applying IFRS 16 standard from the start of 2019. Planned divestments conducted during 2018 and Q2/2019 decreased the net rental income expectedly.

Like-for-like gross rental and service charge income increased slightly from the corresponding period by EUR 0.1 million. Like-for-like property operating expenses and other expenses from leasing operations were in line with the previous year. As a result, like-for-like net rental income increased by EUR 0.1 million or 0.1%.

LIKE-FOR-LIKE AND TOTAL NET RENTAL INCOME DEVELOPMENT, Q1-Q2/2019 VS. Q1-Q2/2018



Net rental income from the Finnish & Estonian operations decreased by 1.3% compared to H1/2018 mainly due to planned divestments of non-core assets in 2018 and Q2/2019. This was partly offset by positive impact from ongoing (re)development projects. Net rental income from the like-for-like portfolio increased by 0.1% due to savings in property operating expenses.

Net rental income from Norwegian operations increased by 1.8% compared to H1/2018 due to positive impact from applying the IFRS 16 standard from the start of 2019. Planned divestments of non-core assets in 2018 and weaker NOK compared to previous year, as well as slightly lower net rental income from ongoing (re)development projects impacted net rental income negatively. Net rental income from like-for-like properties was in line with previous year.

Net rental income from Swedish & Danish operations increased by 10.1% due to the successful opening of development project in Mölndal in September 2018. On the other hand, divestment of a non-core asset in 2018, and weaker SEK compared to previous year impacted net rental income negatively. Like-for-like net rental income increased by 0.1% mainly as result of positive leasing spread and higher turnover-based rents, offset by positive one-off items in H1/2018.

NET RENTAL INCOME AND GROSS RENTAL INCOME BREAKDOWN

MEUR	Net rental income				Gross rental income	
	Finland & Estonia	Norway	Sweden & Denmark	Other	Total	Total
Q1-Q2/2018	48.0	37.7	21.7	0.2	107.6	120.1
Acquisitions	-	-	0.0	-	0.0	0.0
(Re)development projects	0.2	-0.1	2.6	-	2.6	3.1
Divestments	-1.2	-1.3	-0.3	-	-2.9	-3.8
Like-for-like properties ¹⁾	0.0	0.0	0.0	-	0.1	0.5
Other (incl. IFRS 16 and exchange rate differences)	0.4	2.0	0.0	-0.1	2.4	-1.3
Q1-Q2/2019	47.4	38.4	23.9	0.1	109.7	118.5

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

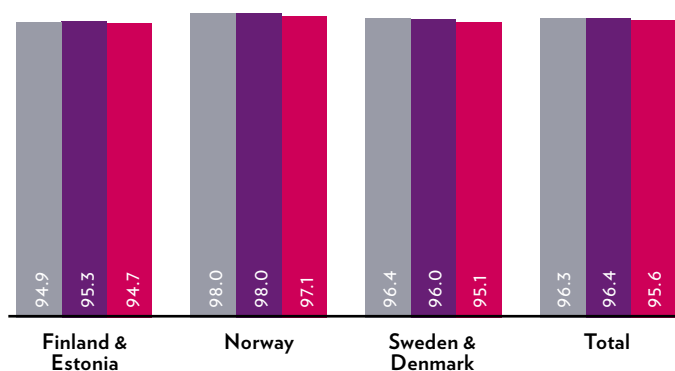
2. OCCUPANCY RATE REMAINED AT A GOOD LEVEL

The economic occupancy rate declined slightly during the period but remained at a good level of 95.6%. Occupancy declined slightly in all countries. The average rent per sq.m. increased to EUR 23.3 (23.2). With comparable rates, the average rent per sq.m. increased by EUR 0.4. The year-to-date leasing spread of renewals and re-lettings was 0.6% due to positive development in Norway and Sweden & Denmark.

During the period, total sales in Citycon's shopping centres increased by 3% and footfall 4% compared to the corresponding period of the previous year.

ECONOMIC OCCUPANCY RATE ¹⁾

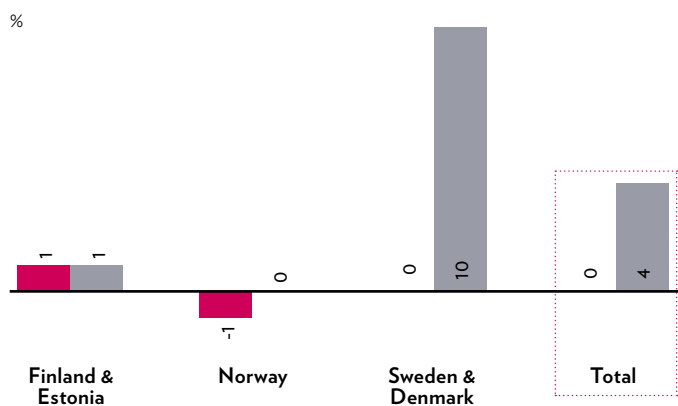
%



■ 30 June 2018 ■ 31 December 2018 ■ 30 June 2019

¹⁾ Including Kista Galleria 50%.

FOOTFALL DEVELOPMENT, Q1-Q2/2019 VS. Q1-Q2/2018 ¹⁾

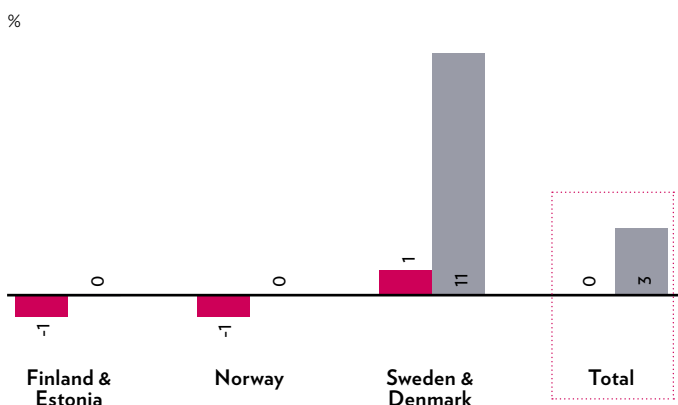


■ Like-for-like footfall

■ Total footfall (including Kista Galleria 50%)

¹⁾ Footfall figures include estimates.

TENANT SALES DEVELOPMENT, Q1-Q2/2019 VS. Q1-Q2/2018 ¹⁾



■ Like-for-like sales

■ Total sales (including Kista Galleria 50%)

¹⁾ Sales figures include estimates. Sales figures exclude VAT and the change has been calculated using comparable exchange rates.

LEASE PORTFOLIO SUMMARY ¹⁾

		30 June 2019	30 June 2018	31 December 2018
Number of leases	pcs	4,275	4,434	4,454
Average rent	EUR/sq.m.	23.3	23.2	23.2
Finland & Estonia	EUR/sq.m.	25.8	25.1	25.6
Norway	EUR/sq.m.	22.1	21.9	21.8
Sweden & Denmark	EUR/sq.m.	21.7	21.9	21.8
Average remaining length of lease portfolio	years	3.3	3.4	3.4
Occupancy cost ratio ²⁾	%	9.4	8.9	9.1
Leasing spread, renewals and re-lettings	%	0.6	-0.1	-0.3

¹⁾ Including Kista Galleria 50%.

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

LEASING ACTIVITY ¹⁾

		Q1-Q2/2019	Q1-Q2/2018	2018
Total area of leases started	sq.m.	85,199	80,429	186,576
Average rent of leases started	EUR/sq.m.	26.2	23.4	22.5
Total area of leases ended	sq.m.	134,037	121,002	220,202
Average rent of leases ended	EUR/sq.m.	25.1	21.5	22.1

¹⁾ Including Kista Galleria 50%. Leases started and ended do not necessarily refer to the same premises.

3. PROFIT FOR THE PERIOD REMAINED STABLE

Administrative expenses decreased 5.0% excluding the one-off expenses related to organizational changes. Including these one-off expenses, administrative expenses increased to EUR 13.2 million (12.4). At the end of the reporting period, Citycon Group employed a total of 239 (250) full-time employees (FTEs), of whom 44 worked in Finland & Estonia, 102 in Norway, 54 in Sweden & Denmark, and 39 in Group functions.

Operating profit declined to EUR 50.0 million (57.5) due to divestments and fair value losses of EUR -46.8 million (-33.5).

Net financial expenses decreased by EUR 1.3 million to EUR 24.5 million (25.8) mainly due to a lower average cost of debt and despite a higher amount of debt, a lower interest income and interest expenses resulting from lease liabilities recognized according to IFRS 16.

Share of loss of joint ventures and associated companies totalled EUR -4.3 million (-4.9).

Profit for the period was EUR 20.8 million (19.4).

4. PROPERTY PORTFOLIO VALUE DEVELOPMENT

The fair value of investment properties increased by EUR 8.9 million to EUR 4,149.8 million (30 June 2018: 4,140.8). The fair value of investment properties increased by EUR 18.5 million from year-end (31 December 2018: 4,131.3) due to the adoption of IFRS 16, which increased the value of investment properties by EUR 57.4 million. In addition, investments increased the fair value by EUR 34.8 million and changes in exchange rates by EUR 10.2 million. On the contrary, fair value losses decreased the value of investment properties by EUR 46.8 million. Furthermore, investment properties decreased as one property was moved to investment properties held for sale.

PROPERTY PORTFOLIO SUMMARY

30 June 2019	No. of properties	Gross leasable area	Fair value, MEUR	Properties held for sale, MEUR	Portfolio, %
Shopping centres, Finland & Estonia	12	401,050	1,836.7	-	44%
Other properties, Finland & Estonia	1	2,240	2.6	-	0%
Finland & Estonia, total	13	403,290	1,839.3	-	45%
Shopping centres, Norway	15	387,600	1,354.2	-	33%
Rented shopping centres, Norway ¹⁾	1	14,000	-	-	-
Norway, total	16	401,600	1,354.2	-	33%
Sweden & Denmark, total	10	269,200	901.9	37.5	23%
Shopping centres, total	38	1,071,850	4,092.8	37.5	100%
Other properties, total	1	2,240	2.6	-	0%
Investment properties, total	39	1,074,090	4,095.4	37.5	100%
Right-of-use assets classified as investment properties (IFRS 16)	-	-	54.4	-	-
Investment properties in the statement of financial position, total	-	-	4,149.8	-	-
Kista Galleria (50%)	1	46,300	278.0	-	-
Investment properties and Kista Galleria (50%), total	40	1,120,390	4,427.7	37.5	-

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

The fair value change of investment properties amounted to EUR -46.8 million (-33.5). The company recorded a total value increase of EUR 6.8 million (33.1) and a total value decrease of EUR 50.7 million (66.7). In addition, the application of IFRS 16 standard had an impact of EUR -3.0 million to the fair value change of investment properties during the January-June reporting period.

FAIR VALUE CHANGES

MEUR	Q2/2019	Q2/2018	Q1-Q2/2019	Q1-Q2/2018	2018
Finland & Estonia	-9.5	-16.2	-18.7	-33.2	-58.8
Norway	-10.7	-10.3	-18.8	-13.9	-22.2
Sweden & Denmark	-7.4	0.8	-6.3	13.6	8.5
Right-of-use assets classified as investment properties (IFRS 16)	-1.5	-	-3.0	-	-
Investment properties, total	-29.2	-25.6	-46.8	-33.5	-72.5
Kista Galleria (50%)	-5.4	-3.7	-6.4	-4.2	-8.6
Investment properties and Kista Galleria (50%), total	-34.6	-29.3	-53.2	-37.7	-81.1

External appraiser, CBRE, measures the fair values for the half-yearly report and Financial statements. Citycon measures the fair values of the properties internally in the first and third quarter.

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

5. RECYCLING OF CAPITAL CONTINUED

During the reporting period, Citycon continued to implement its divestment strategy and sold two shopping centres and agreed to sell two land plots for approximately EUR 86.4 million.

Since the strategy update in 2011, Citycon has divested 70 non-core properties, five residential portfolios and two land plots for a total value of approximately EUR 865 million. Strengthening the balance sheet remains a key priority and the company will continue its capital recycling actions going forward.

ACQUISITIONS AND DIVESTMENTS Q1-Q2/2019

	Location	Date	Gross leasable area, sq.m.	Price, MEUR
Divestments				
Two land plots next to Columbus shopping centre	Helsinki, Finland	22 February & 2 May 2019	-	9.4 ¹⁾
Arabia & Duo		13 June 2019		77.0
Arabia	Shopping centre	Helsinki, Finland	15,800	
Duo	Shopping centre	Tampere, Finland	13,100	
Divestments, total			28,900	86.4

¹⁾ The total value of preliminary agreements is approximately MEUR 9.4. Both transactions will take place after the zoning has been approved.

6. (RE)DEVELOPMENT PROJECTS PROGRESSED

At the end of the reporting period, Citycon had one major (re)development project underway: the Lippulaiva project in the Helsinki Metropolitan area.

Further information on Citycon's completed, ongoing and planned (re)developments can be found in the company's Financial Review 2018.

(RE)DEVELOPMENT PROJECTS IN PROGRESS ON 30 JUNE 2019

	Location	Area before/ after, sq.m.	Expected gross investment, MEUR	Actual gross investment by 30 June 2019, MEUR	Completion
Lippulaiva	Helsinki metropolitan area, Finland	19,200/44,300	TBC ¹⁾	95.0	2022

¹⁾ Negotiations regarding construction of main part of shopping centre are on-going. Impact on expected investment to be confirmed after the agreement has been signed.

7. SHAREHOLDERS' EQUITY

Equity per share was EUR 11.56 (31 December 2018: 11.74). Profit for the period and positive translation gains had a positive impact on the equity per share, while dividends and equity return paid of EUR 57.8 million decreased the equity per share.

At period-end, **shareholders' equity** attributable to parent company's shareholders was EUR 2,058.2 million (30 June 2018: 2,180.5). This figure decreased by EUR 30.7 million from the end of last year (31 December 2018: 2,088.9) due to the above-mentioned reasons.

8. FINANCING

KEY FINANCING FIGURES

		30 June 2019	30 June 2018	31 December 2018
Fair value of debt	MEUR	2,123.3	2,083.6	2,154.6
Interest bearing liabilities, carrying value ¹⁾	MEUR	2,168.5	2,071.5	2,140.0
Available liquidity	MEUR	560.4	565.7	556.4
Average loan maturity	years	4.6	4.7	5.0
Loan to Value (LTV) ²⁾	%	48.9	47.0	48.7
Equity ratio (financial covenant > 32.5) ³⁾	%	44.7	47.1	45.4
Interest cover ratio (financial covenant > 1.8)	x	4.0	3.8	3.8
Solvency ratio (financial covenant < 0.65) ³⁾	x	0.47	0.46	0.48
Secured solvency ratio (financial covenant < 0.25) ³⁾	x	0.02	0.02	0.02
Average interest-rate fixing period	years	4.6	4.6	5.0
Interest rate hedging ratio	%	83.3	94.9	91.7

¹⁾ Including EUR 58.6 million lease liabilities due to adoption of IFRS 16 beginning 1 January 2019.

²⁾ Excluding both right-of-use assets recognized as part of investment properties, as well as lease liabilities pertaining to these right-of-use assets, which are based on IFRS 16 requirements. Thus, IFRS 16 has no impact on LTV calculations as compared to earlier periods.

³⁾ Not comparable to earlier periods due to impact of IFRS 16 items.

In March, Standard & Poor's downgraded Citycon's credit rating from BBB (negative outlook) to BBB- (stable outlook). In May, Moody's downgraded Citycon's credit rating from Baa2 (negative outlook) to Baa3 (stable outlook).

During the first two quarters there were no major financing transactions.

In June Citycon sold shopping centres Arabia and Duo in Finland and the proceeds were mainly used to repay commercial paper.

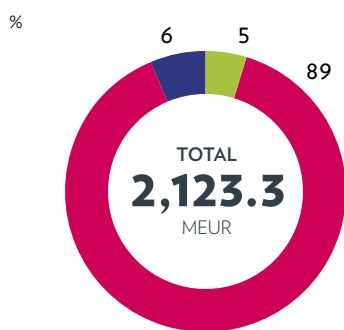
The dividends and equity return paid in March and June were mainly financed by operative cash flow.

INTEREST-BEARING DEBT

The fair value of interest-bearing debt decreased by EUR 31.3 million compared to year-end to EUR 2,123.3 million, mainly due to the divestment of Arabia and Duo. The carrying amount of interest-bearing liabilities in balance sheet on the other hand increased due to EUR 58.6 million of lease liabilities arising from the adoption of IFRS 16 from the beginning of 2019. The weighted average loan maturity decreased compared to year-end to 4.6 years, as no new long-term financing transactions were done.

The LTV increased slightly to 48.9% (Q4/2018: 48.7%).

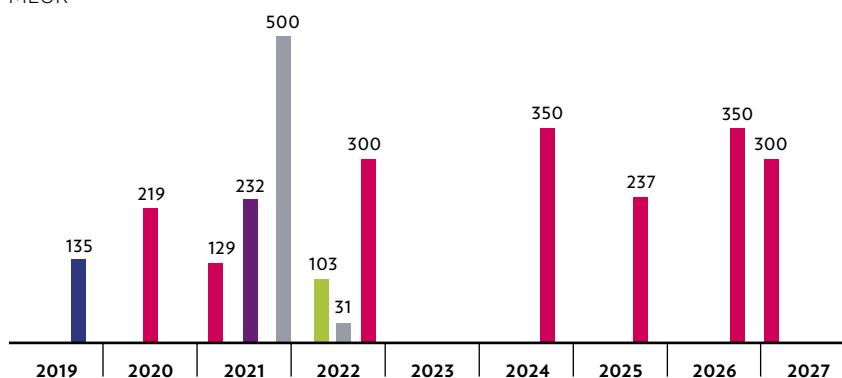
BREAKDOWN OF LOANS



- Bank loans
- Bonds
- Commercial papers

DEBT MATURITIES

MEUR



- Bonds
- Commercial papers
- Bank loans
- Floating to fixed swaps
- Undrawn loan facilities

FINANCIAL EXPENSES

FINANCIAL EXPENSES KEY FIGURES

		Q1-Q2/2019	Q1-Q2/2018	2018
Financial expenses ¹⁾	MEUR	-27.7	-30.2	-79.1
Financial income	MEUR	3.2	4.4	8.7
Net financial expenses (IFRS)	MEUR	-24.5	-25.8	-70.5
Direct net financial expenses (EPRA)	MEUR	-24.9	-26.1	-50.1
Weighted average interest rate ²⁾	%	2.42	2.78	2.35
Weighted average interest rate excluding derivatives	%	2.47	2.79	2.36
Year-to-date weighted average interest rate ²⁾	%	2.40	2.79	2.69

¹⁾ Q1-Q2/2019 including EUR 1.0 million interest expenses due to adoption of IFRS 16 so not fully comparable to earlier periods.

²⁾ Including interest rate swaps and cross-currency swaps

The direct net financial expenses (EPRA) declined year-on-year mainly due to lower average cost of debt and despite higher amount of debt, lower interest income and interest expenses resulting from lease liabilities recognized according to IFRS 16. Net financial expenses (IFRS) decreased by EUR 1.3 million to EUR 24.5 million (25.8) for the same reasons and includes indirect financial gains of EUR 0.3 million from positive fair value changes of cross-currency swaps not under hedge accounting.

The financial income mainly consisted of interest income on a loan to Kista Galleria. The foreign exchange differences are netted in financial expenses in the table above.

The average cost of debt decreased clearly following refinancing transactions in Q3 2018 and was 2.42% (Q2/2018: 2.78%).

FINANCIAL RISK MANAGEMENT

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

FINANCIAL RISK MANAGEMENT

		30 June 2019	30 June 2018	31 December 2018
Average interest-rate fixing period	years	4.6	4.6	5.0
Interest rate hedging ratio	%	83.3	94.9	91.7

9. BUSINESS ENVIRONMENT

BUSINESS ENVIRONMENT KEY FIGURES

	Finland	Norway	Sweden	Denmark	Estonia	Euro area
GDP growth forecast, 2019	1.6%	2.5%	1.4%	1.7%	2.8%	1.2%
Unemployment, 4/2019	6.8%	3.5%	6.4%	5.3%	4.1%	7.6%
Inflation, 5/2019	1.2%	2.5%	2.1%	3.1%	3.1%	1.2%
Retail sales growth, 1-4/2019	1.6%	1.6%	3.9%	1.9%	8.0%	1.5%

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

In Finland, the retail sales grew at the start of the year by 1.6% year-on-year and solid growth in private consumption is expected to continue in 2019. Rental levels continued to be rather stable in Q2/2019 in the prime centres. Rent pressure continued in many centres outside the Helsinki Metropolitan area (HMA) and in secondary centres in the HMA. The prime shopping centre yield in the Helsinki Metropolitan Area remained relatively stable at approximately 4.5%. Retail property transaction volume in Q2 was ca. EUR 230 million or 14% of total transaction volume.

In Norway, retail sales grew at the start of the year by 1.6% year-on-year. According to a report by Kvarud Analyse overall shopping centre footfall in Norway increased 1.2% in the beginning of 2019 and the average shopping basket size was stable. There was some pressure on market rents, particularly in the secondary centres. The prime shopping centre yield in Q2/2019 increased 25 bps to 4.50%, while there continued to be some pressure on secondary yields. Retail transactions amounted to around 14 percent of the preliminary transactions volume for Q2/2019.

In Sweden, retail sales grew at the start of the year by 3.9% year-on-year. here continued to be some pressure on market rents. The prime shopping centre yields remained unchanged at 4.25%, and the gap between prime and secondary assets widened somewhat. Retail represented ca. 9.8% of the total transaction volume; at the same level as the year before.

In Denmark, retail sales grew at the start of the year by 3.9% year-on-year. There were no major changes in rental levels and the prime shopping centre yields were stable at approximately 4.50%. Also, secondary yield was stable at 6.00%.

In Estonia, the shopping centre market grew thanks to the strong economy. At the beginning of the year, retail sales grew by 5.5% year on year. Retail sales grew particularly in textiles, clothing and footwear and in household equipment and recreation goods. In Tallinn, prime shopping centre rents in Q2/2019 remained stable on a quarterly basis. The prime shopping centre yield in Estonia was 6.25%.

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

10. CHANGES IN CORPORATE MANAGEMENT

On 6 May 2019 it was disclosed that Erik Lennhammar has been appointed Citycon Oyj's Chief Development Officer (CDO) and member of the Corporate Management Committee. Mr Lennhammar will start in his position in August 2019.

11. RISKS AND UNCERTAINTIES

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

The main risks that can materially affect Citycon's business and financial results, along with the main risk management actions, are presented in detail on pages 37–38 in the Financial Statements 2018, in Note 3.5 A) as well as on Citycon's website in the Corporate Governance section.

12. GENERAL MEETING

Citycon's Annual General Meeting (AGM) was held in Espoo, Finland on 13 March 2019. The AGM adopted the company's Financial Statements and discharged the members of the Board of Directors and the CEO from liability for the financial year 2018. The General Meeting decided that no dividend is distributed by a resolution of the AGM and authorised the Board of Directors to decide in its discretion on the distribution of dividend and assets from the invested unrestricted equity fund. Based on the authorisation the maximum amount of dividend to be distributed shall not exceed EUR 0.05 per share and the maximum amount of equity repayment to be distributed from the invested unrestricted equity fund shall not exceed EUR 0.60 per share. The authorisation is valid until the opening of the next AGM.

The AGM decisions and the minutes of the AGM are available on the company's website at citycon.com/agm2019.

13. SHARES, SHARE CAPITAL AND SHAREHOLDERS

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

The number of shares in Citycon changed due to the reverse share split. The number of shares in the company was reduced from 889,992,628 to 177,998,525 by merging each five (5) shares into one (1) share. The new number of shares was registered with the Trade Register on 16 March 2019 and trading with the merged shares commenced on 18 March 2019.

At the end of June 2019, Citycon had a total of 17,839 (16,876) registered shareholders, of which 12 were account managers of nominee-registered shares. The most significant registered shareholders at month-end can be found on company's website citycon.com/major-shareholders.

SHARES AND SHARE CAPITAL

		Q1-Q2/2019	Q1-Q2/2018	2018
Share capital at period-start	Me / MEUR	259.6	259.6	259.6
Share capital at period-end	Me / MEUR	259.6	259.6	259.6
Number of shares at period-start		889,992,628	889,992,628	889,992,628
Number of shares at period-end		177,998,525	889,992,628	889,992,628

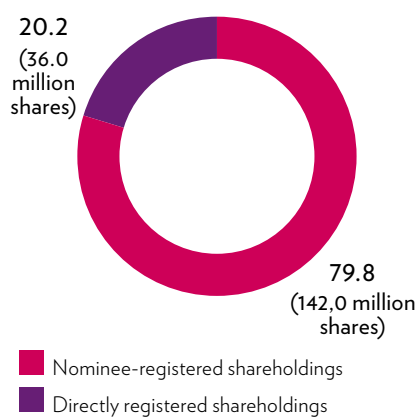
SHARE PRICE AND TRADING ¹⁾

		Q1-Q2/2019	Q1-Q2/2018	%	2018
Low	EUR	8.10	8.92	-9.2%	7.98
High	EUR	9.45	11.25	-16.0%	11.24
Average	EUR	8.92	9.74	-8.4%	9.29
Latest	EUR	9.16	9.27	-1.2%	8.08
Market capitalisation at period-end	Me / MEUR	1,630.5	1,650.0	-1.2%	1,437.3
Number of shares traded	million	17.4	27.0	-35.5%	49.2
Value of shares traded	Me / MEUR	155.1	261.7	-40.7%	456.6

¹⁾ Comparative figures adjusted to reflect the reverse split on March 18, 2019.

SHAREHOLDERS 30 JUNE 2019

% of shares and voting rights



DIVIDEND AND EQUITY REPAYMENT

DIVIDENDS AND EQUITY REPAYMENTS PAID ON 30 JUNE 2019 ¹⁾

	Record date	Payment date	EUR / share
Dividend for 2018	22 March 2019	29 March 2019	0.05
Equity repayment Q1	22 March 2019	29 March 2019	0.1125
Equity repayment Q2	21 June 2019	28 June 2019	0.1625
Total			0.325

REMAINING BOARD AUTHORISATION FOR EQUITY REPAYMENT ²⁾

	Preliminary record date	Preliminary payment date	EUR / share
Equity repayment Q3	23 September 2019	30 September 2019	0.1625
Equity repayment Q4	19 December 2019	30 December 2019	0.1625
Total			0.325

¹⁾ Board decision based on the authorisation issued by the AGM 2019

²⁾ The AGM 2019 authorised the Board of Directors to decide in its discretion on the distribution of dividend and assets from the invested unrestricted equity fund. Based on the authorisation the maximum amount of dividend to be distributed shall not exceed EUR 0.05 per share and the maximum amount of equity repayment distributed from the invested unrestricted equity fund shall not exceed EUR 0.60 per share. Unless the Board of Directors decides otherwise for a justified reason, the authorisation will be used to distribute dividend and/or equity repayment four times during the period of validity of the authorisation. In this case, the Board of Directors will make separate resolutions on each distribution of the dividend and/or equity repayment so that the preliminary record and payment dates will be as stated above. Citycon shall make separate announcements of such Board resolutions.

BOARD AUTHORISATIONS

In addition to the above explained asset distribution authorisation of the Board of Directors, the Board of Directors of the company had two valid authorisations at the period-end granted by the AGM held on 13 March 2019:

- The Board of Directors may decide on an issuance of a maximum of 17 million shares or special rights entitling to shares referred to in Chapter 10 Section 1 of the Finnish Companies Act, which corresponded to approximately 9.55% of all the shares in the company at the period-end. The authorisation is valid until the close of the next AGM, however, no longer than until 30 June 2020.
- The Board of Directors may decide on the repurchase and/or on the acceptance as pledge of the company's own shares in one or several tranches. The amount of own shares to be repurchased and/or accepted as pledge shall not exceed 10 million shares, which corresponded to approximately 5.62% of all the shares in the company at the period-end. The authorisation is valid until the close of the next AGM, however, no longer than until 30 June 2020.

During January – June 2019, the Board of Directors used five times its authorisation to repurchase its own shares and issue them by conveying repurchased shares. The repurchases and conveyances were made for payment of agreed severance payments and rewards earned under the company's share plans in accordance with the terms and conditions of the plans:

Matching Share Plan 2018–2020

- The company repurchased a total of 15,702 of its own shares and conveyed them on 8 May 2019 to two persons.

Restricted Share Plan 2018–2020

- The company repurchased a total of 20,000 of its own shares and conveyed them on 8 May 2019 to three persons.

Severance payments

- The company repurchased a total of 25,000 of its own shares and conveyed them on 8 May 2019 to two persons.

All repurchases were made during 25 April - 2 May 2019.

OWN SHARES

During the reporting period, the company held a total of 60,702 of the company's own shares. These 60,702 shares were conveyed to implement payments of severance payments and rewards earned under the company's share plans before the end of the reporting period and as described in the section Board authorisations. At the end of the period, the company or its subsidiaries held no shares in the company.

FLAGGING NOTICES

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

SHARE-RELATED EVENTS

Shareholder agreements

Gazit-Globe Ltd. and Canada Pension Plan Investment Board European Holdings S.à r.l (CPPIBEH) have signed an agreement regarding certain governance matters relating to Citycon on 12 May 2014. Further information on the agreement between Gazit-Globe Ltd. and CPPIBEH is available on the company's website at citycon.com/shareholder-agreements.

The company has no knowledge of any other shareholder agreements.

INCENTIVE PLANS

Long-term Share-based Incentive Plans

Citycon has five long-term share-based incentive plans for the Group key employees:

- CEO Restricted Share Plan 2018–2021
- Matching Share Plan 2018–2020,
- Restricted Share Plan 2018–2020
- Performance Share Plan 2015, and
- Restricted Share Plan 2015.

The full terms and conditions of share-based incentive plans are available on the company's website at citycon.com/remuneration.

14. EVENTS AFTER THE REPORTING PERIOD

No material events after the reporting period.

OUTLOOK 2019 SPECIFIED

Citycon forecasts the 2019 EPRA Earnings per share (basic) to be EUR 0.785–0.850. Furthermore, the Direct operating profit is expected to be in the range of EUR 189–200 million and EPRA Earnings in the range of EUR 140–151 million.

			Previously
EPRA Earnings per share (basic)	EUR	0.785–0.850	0.775–0.875
Direct operating profit	Me	189–200	188–206
EPRA Earnings	Me	140–151	138–156

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

CITYCON'S PREVIOUS OUTLOOK FOR THE YEAR 2019 (MARCH 18, 2019)

Citycon forecasts the 2019 EPRA Earnings per share (basic) to be EUR 0.775–0.875. Furthermore, the Direct operating profit is expected to be in the range of EUR 188–206 million and EPRA Earnings in the range of EUR 138–156 million.

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

For more investor information, please visit the company's website at www.citycon.com.

Helsinki, 10 July 2019
Citycon Oyj
Board of Directors

For further information, please contact:

Eero Sihvonen
Executive VP and CFO
Tel. +358 50 557 9137
eero.sihvonen@citycon.com

Mikko Pohjala
IR and Communications Director
Tel. +358 40 838 0709
mikko.pohjala@citycon.com

Citycon is a leading owner, manager and developer of urban, grocery-anchored shopping centres in the Nordic region, managing assets that total almost EUR 4.5 billion. Citycon is No. 1 shopping centre owner in Finland and among the market leaders in Norway, Sweden and Estonia. Citycon has also established a foothold in Denmark.

Citycon has investment-grade credit ratings from Moody's (Baa3) and Standard & Poor's (BBB-). Citycon Oyj's share is listed in Nasdaq Helsinki.

www.citycon.com

EPRA PERFORMANCE MEASURES

Citycon applies to the best practices policy recommendations of EPRA (European Public Real Estate Association) for financial reporting. More information about EPRA's performance measures is available in Citycon's Financial Statements 2018 in section "EPRA performance measures".

EPRA PERFORMANCE MEASURES

		Q2/2019	Q2/2018	%	Q1-Q2/2019	Q1-Q2/2018	%	2018
EPRA Earnings	MEUR	38.7	36.4	6.1%	74.5	72.5	2.7%	143.5
EPRA Earnings per share (basic) ¹⁾	EUR	0.217	0.205	6.1%	0.418	0.407	2.7%	0.806
EPRA NAV per share ¹⁾	EUR	12.77	13.42	-4.9%	12.77	13.42	-4.9%	12.95
EPRA NNNAV per share ¹⁾	EUR	11.51	11.88	-3.2%	11.51	11.88	-3.2%	11.90

¹⁾ Key ratios have been adjusted in the comparison periods to reflect the new number of shares after the reversed share split executed in March 2019.

The following tables present how EPRA Performance Measures are calculated.

1) EPRA EARNINGS

MEUR	Q2/2019	Q2/2018	%	Q1-Q2/ 2019	Q1-Q2/ 2018	%	2018
Earnings in IFRS Consolidated Statement of Comprehensive Income	7.9	-0.6	-	20.8	19.4	7.5%	16.6
+/- Net fair value losses/gains on investment property	29.2	25.6	13.8%	46.8	33.5	39.6%	72.5
+/- Net losses/gains on sale of investment property	1.3	1.8	-29.8%	1.6	-1.4	-	0.2
+ Indirect other operating expenses	-	2.7	-	-	6.1	-	10.3
+/- Early close-out costs of debt and financial instruments	-	-	-	-	0.6	-	21.4
-/+ Fair value losses/gains of financial instruments	0.3	-0.1	-	-0.3	-0.9	-60.7%	-1.1
-/+ Indirect losses/gains of joint ventures and associated companies	4.6	3.3	40.2%	5.8	7.7	-24.5%	17.9
+/- Change in deferred taxes arising from the items above	-4.5	3.7	-	-0.2	7.5	-	5.7
+ Non-controlling interest arising from the items above	-	0.0	-	-	-	-	-
EPRA Earnings	38.7	36.4	6.1%	74.5	72.5	2.7%	143.5
Weighted average number of ordinary shares, million	178.0	178.0	0.0%	178.0	178.0	0.0%	178.0
EPRA Earnings per share (basic), EUR	0.217	0.205	6.1%	0.418	0.407	2.7%	0.806

The table below presents an alternative calculation of EPRA Earnings from the statement of comprehensive income from top to bottom.

MEUR	Q2/2019	Q2/2018	%	Q1-Q2/ 2019	Q1-Q2/ 2018	%	2018
Net rental income	56.1	54.3	3.3%	109.7	107.6	2.0%	214.9
Direct administrative expenses	-6.7	-6.2	8.4%	-13.2	-12.4	6.9%	-28.0
Direct other operating income and expenses	1.4	0.3	-	1.9	0.5	-	0.8
Direct operating profit	50.7	48.4	4.9%	98.4	95.8	2.7%	187.6
Direct net financial income and expenses	-12.3	-13.1	-5.7%	-24.9	-26.1	-4.7%	-50.1
Direct share of profit/loss of joint ventures and associated companies	0.9	1.2	-26.9%	1.5	2.7	-44.9%	5.3
Direct current taxes	-0.5	-0.2	-	-0.6	-0.2	-	-0.2
Direct deferred taxes	-0.2	0.1	-	0.0	0.4	-96.1%	0.9
Direct non-controlling interest	-	0.0	-	-	0.0	-	0.0
EPRA Earnings	38.7	36.4	6.1%	74.5	72.5	2.7%	143.5
EPRA Earnings per share (basic), EUR	0.217	0.205	6.1%	0.418	0.407	2.7%	0.806

2) EPRA NAV PER SHARE AND EPRA NNNAV PER SHARE

	30 June 2019			30 June 2018			31 December 2018		
	MEUR	Number of shares on the balance sheet date (1,000)	per share, EUR	MEUR	Number of shares on the balance sheet date (1,000)	per share, EUR	MEUR	Number of shares on the balance sheet date (1,000)	per share, EUR
Equity attributable to parent company shareholders	2,058.2	177,999	11.56	2,180.5	177,999	12.25	2,088.9	177,999	11.74
Deferred taxes from the difference of fair value and fiscal value of investment properties	304.1	177,999	1.71	305.5	177,999	1.72	302.6	177,999	1.70
Goodwill as a result of deferred taxes	-87.3	177,999	-0.49	-94.5	177,999	-0.53	-85.1	177,999	-0.48
Fair value of financial instruments	-1.6	177,999	-0.01	-2.2	177,999	-0.01	-1.1	177,999	-0.01
Net asset value (EPRA NAV)	2,273.4	177,999	12.77	2,389.3	177,999	13.42	2,305.3	177,999	12.95
Deferred taxes from the difference of fair value and fiscal value of investment properties	-304.1	177,999	-1.71	-305.5	177,999	-1.72	-302.6	177,999	-1.70
Goodwill as a result of deferred taxes	87.3	177,999	0.49	94.5	177,999	0.53	85.1	177,999	0.48
The difference between the secondary market price and carrying value of bonds ¹⁾	-10.1	177,999	-0.06	-65.4	177,999	-0.37	29.3	177,999	0.16
Fair value of financial instruments	1.6	177,999	0.01	2.2	177,999	0.01	1.1	177,999	0.01
EPRA NNNAV	2,048.1	177,999	11.51	2,115.1	177,999	11.88	2,118.2	177,999	11.90

¹⁾ When calculating the EPRA NNNAV in accordance with EPRA's recommendations, the shareholders' equity is adjusted using EPRA's guidelines so that bonds are valued based on secondary market prices. In accordance with Citycon's accounting policies, the carrying amount and fair value of bonds are different from this secondary market price. The difference between the secondary market price and the carrying value of the bonds was EUR -10.1 million (-65.4) as of 30 Jun 2019.

CONSOLIDATED HALF-YEARLY REPORT 1 January–30 June 2019

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

MEUR	Note	Q2/2019	Q2/2018	%	Q1-Q2/ 2019	Q1-Q2/ 2018	%	2018
Gross rental income	3	59.0	59.4	-0.6%	118.5	120.1	-1.3%	237.0
Service charge income	3, 4	19.1	18.9	1.1%	38.4	38.8	-1.2%	79.2
Property operating expenses		-21.2	-23.4	-9.5%	-45.9	-50.5	-9.2%	-98.9
Other expenses from leasing operations		-0.8	-0.6	47.5%	-1.2	-0.8	54.7%	-2.4
Net rental income	3	56.1	54.3	3.3%	109.7	107.6	2.0%	214.9
Administrative expenses		-6.7	-6.2	8.4%	-13.2	-12.4	6.9%	-28.0
Other operating income and expenses	4	1.4	-2.4	-	1.9	-5.6	-	-9.5
Net fair value losses on investment property	3	-29.2	-25.6	13.8%	-46.8	-33.5	39.6%	-72.5
Net losses/gains on sale of investment property		-1.3	-1.8	-29.8%	-1.6	1.4	-	-0.2
Operating profit	3	20.3	18.2	11.5%	50.0	57.5	-13.0%	104.7
Net financial income and expenses		-12.6	-13.0	-3.1%	-24.5	-25.8	-4.9%	-70.5
Share of loss/profit of joint ventures and associated companies		-3.7	-2.1	80.8%	-4.3	-4.9	-13.2%	-12.5
Profit before taxes		4.0	3.1	26.9%	21.2	26.7	-20.7%	21.7
Current taxes		-0.4	-0.2	-	-0.5	-0.2	101.5%	-0.2
Deferred taxes		4.3	-3.6	-	0.1	-7.1	-	-4.8
Profit for the period		7.9	-0.6	-	20.8	19.4	7.5%	16.6
Profit/loss attributable to								
Parent company shareholders		7.9	-0.6	-	20.8	19.4	7.5%	16.6
Non-controlling interest		0.0	0.0	-	0.0	0.0	-	0.0
Earnings per share attributable to parent company shareholders								
Earnings per share (basic), EUR ¹⁾	5	0.04	0.00	-	0.12	0.11	7.5%	0.09
Earnings per share (diluted), EUR ¹⁾	5	0.04	0.00	-	0.12	0.11	7.8%	0.09
Other comprehensive income								
Items that may be reclassified subsequently to profit or loss								
Net gains on cash flow hedges		0.3	-0.8	-	0.6	3.5	-81.8%	2.0
Income taxes relating to cash flow hedges		-0.1	0.2	-	-0.1	-0.7	-81.8%	-0.4
Share of other comprehensive income of joint ventures and associated companies		0.0	0.0	-	0.0	0.2	-77.6%	0.3
Exchange losses/gains on translating foreign operations		-9.2	8.2	-	5.4	7.9	-32.0%	-22.7
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		-9.0	7.6	-	5.9	10.9	-45.5%	-20.9
Other comprehensive income for the period, after taxes		-9.0	7.6	-	5.9	10.9	-45.5%	-20.9
Total comprehensive loss/profit for the period		-1.1	7.0	-	26.7	30.2	-11.6%	-4.2
Total comprehensive loss/profit attributable to								
Parent company shareholders		-1.1	7.1	-	26.8	30.3	-11.8%	-4.2
Non-controlling interest		0.0	-0.1	-	0.0	-0.1	-95.3%	0.0

¹⁾ Key ratios have been adjusted in the comparison periods to reflect the new number of shares after the reversed share split executed in March 2019.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

MEUR	Note	30 June 2019	30 June 2018	31 December 2018
ASSETS				
Non-current assets				
Investment properties	6	4,149.8	4,140.8	4,131.3
Goodwill		148.2	154.1	145.7
Investments in joint ventures and associated companies		159.7	223.4	164.8
Intangible and tangible assets, and other non-current assets		43.7	57.9	37.6
Deferred tax assets		8.7	6.0	9.0
Total non-current assets		4,510.0	4,582.3	4,488.4
Investment properties held for sale	8	37.5	3.7	78.1
Current assets				
Derivative financial instruments	10, 11	0.4	1.8	1.5
Trade and other current assets		54.9	35.0	43.3
Cash and cash equivalents	9	9.2	17.4	11.4
Total current assets		64.6	54.2	56.2
Total assets	3	4,612.1	4,640.1	4,622.7
SHAREHOLDERS' EQUITY AND LIABILITIES				
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		1.6	2.2	1.1
Invested unrestricted equity fund	12	967.8	1,074.6	1,016.7
Retained earnings	12	698.1	713.0	680.4
Total equity attributable to parent company shareholders		2,058.2	2,180.5	2,088.9
Non-controlling interest		0.1	0.1	0.1
Total shareholders' equity		2,058.3	2,180.6	2,089.0
Long-term liabilities				
Loans		1,808.8	1,966.2	1,961.4
Derivative financial instruments and other non-interest bearing liabilities	10, 11	1.1	3.1	9.3
Deferred tax liabilities		305.7	309.4	304.4
Total long-term liabilities		2,115.6	2,278.7	2,275.1
Short-term liabilities				
Loans		359.7	105.3	178.6
Derivative financial instruments	10, 11	0.4	0.2	0.9
Trade and other payables		78.1	75.3	79.1
Total short-term liabilities		438.2	180.8	258.6
Total liabilities	3	2,553.8	2,459.5	2,533.7
Total liabilities and shareholders' equity		4,612.1	4,640.1	4,622.7

CONDENSED CONSOLIDATED CASH FLOW STATEMENT, IFRS

MEUR	Note	Q1-Q2/2019	Q1-Q2/2018	2018
Cash flow from operating activities				
Profit before taxes		21.2	26.7	21.7
Adjustments to profit before taxes		79.3	71.2	169.9
Cash flow before change in working capital		100.5	98.0	191.6
Change in working capital		-7.4	-9.2	1.5
Cash generated from operations		93.1	88.8	193.1
Paid interest and other financial charges		-16.9	-24.7	-101.5
Interest income and other financial income received		0.3	0.5	4.1
Current taxes paid		-0.9	-1.0	-0.2
Net cash from operating activities		75.7	63.6	95.5
Cash flow from investing activities				
Acquisition of subsidiaries, less cash acquired	6, 7, 8	-0.3	-0.1	-68.4
Capital expenditure on investment properties, investments in joint ventures, intangible assets and tangible assets	6, 7, 8	-32.8	-46.1	-98.4
Sale of investment properties	6, 7, 8	59.8	70.5	87.7
Net cash used in investing activities		26.7	24.3	-79.0
Cash flow from financing activities				
Proceeds from short-term loans		786.5	451.9	1,131.8
Repayments of short-term loans		-833.9	-452.6	-1,029.9
Proceeds from long-term loans and receivables		0.0	0.1	297.3
Repayments of long-term loans		0.0	-14.6	-292.4
Acquisition of non-controlling interests		0.0	-1.4	-1.4
Dividends and return from the invested unrestricted equity fund	12	-57.8	-57.8	-115.7
Realized exchange rate gains/losses		1.0	-5.3	-4.0
Net cash used in financing activities		-104.2	-79.8	-14.3
Net change in cash and cash equivalents		-1.8	8.1	2.2
Cash and cash equivalents at period-start	9	11.4	10.1	10.1
Effects of exchange rate changes		-0.4	-0.9	-0.9
Cash and cash equivalents at period-end	9	9.2	17.4	11.4

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, IFRS

MEUR	Share capital	Share premium fund	Fair value reserve	Invested unrestricted equity fund	Translation reserve	Retained earnings	Equity attributable to parent company shareholders	Non-controlling interest	Shareholders' equity, total
Balance at 1 January 2018	259.6	131.1	-0.8	1,123.5	-93.2	787.9	2,208.1	1.2	2,209.4
Total comprehensive profit/loss for the period			3.0		7.9	19.4	30.2	-0.1	30.2
Dividends paid and equity return (Note 12)				-48.9		-8.9	-57.8		-57.8
Share-based payments						0.3	0.3		0.3
Disposal of non-controlling interests						-0.3	-0.3	-1.1	-1.4
Balance at 30 June 2018	259.6	131.1	2.2	1,074.6	-85.3	798.3	2,180.5	0.1	2,180.6
Balance at 1 January 2019	259.6	131.1	1.1	1,016.7	-115.9	796.3	2,088.9	0.1	2,089.0
Total comprehensive profit/loss for the period			0.5		5.4	20.8	26.8	0.0	26.7
Dividends paid and equity return (Note 12)				-48.9	0.0	-8.9	-57.8		-57.8
Share-based payments						0.4	0.4		0.4
Balance at 30 June 2019	259.6	131.1	1.6	967.8	-110.5	808.6	2,058.2	0.1	2,058.3

NOTES TO THE CONSOLIDATED HALF-YEARLY REPORT

1. BASIC COMPANY DATA

Citycon is a real estate company specialised in retail premises. Citycon operates in the business units Finland & Estonia, Norway and Sweden & Denmark. Citycon is a Finnish public limited liability company established under the Finnish law and domiciled in Helsinki. The Board of Directors has approved the half-yearly report's financial statements on 10th of July 2019.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Citycon prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). The half-yearly report for the six month period ended on 30 June 2019 have been prepared, apart from the exceptions listed below, in accordance with the same accounting policies and methods as in previous annual financial statements and in accordance with IAS 34 Interim Financial Reporting standard. The figures are unaudited.

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS APPLIED IN 2019

IFRS 16 Leases (applied since 1 January 2019)

The IFRS 16 Leases standard has replaced the IAS 17 standard at the beginning of the 2019 financial period. First and foremost, the standard has provided reporting entities with instructions on the accounting treatment of leases in the lessee's financial statements, changes the definition of leasing and sets the principles regarding the recognition of leases in the balance sheet both as a right-of-use asset and a lease liability. The application of the standard did not result in any changes to the accounting treatment of leases where Citycon Group acts as the lessor. Nonetheless, with regard to the majority of the Group's leases where Citycon acts as the lessee, in the 2019 financial period Citycon has recognized assets and liabilities to the Group's balance sheet pertaining to these leases.

Citycon Group has recognized right-of-use assets from the leases subject to the scope of the standard as part of the 'Investment properties' and 'Tangible assets' balance sheet items. The right-of-use assets recognized as part of investment properties consist of leases subject to Citycon Group's core business, such as the leases of shopping centres, shopping centre land areas and shopping centre machinery. The right-of-use assets recognized as tangible assets, on the other hand, have primarily been recognized for leases included in administrative expenses, such as office leases, IT assets and leased cars. The lease liability of Citycon Group has been valued by discounting the lease payment liabilities of the leases subject to the scope of the IFRS 16 standard to their present value using as the discounting factor the view of the company's management on the incremental borrowing rate at the starting time of the lease.

The majority of the leased right-of-use assets of Citycon Group are fixedly linked to Citycon's investment properties. As a result, Citycon has disclosed its lease expenses primarily as part of the fair value changes of its investment properties (comparable to straight-line depreciations) and as interest expenses determined by the incremental borrowing rate of each lease liability. The impacts on profit pertaining to the right-of-use assets classified as 'Tangible assets' are disclosed in the profit and loss account as interest expenses and as depreciations included in the line item 'Administrative expenses'.

With regard to the implementation of the IFRS 16 Leases standard, Citycon has applied a simplified approach and, hence, has not adjusted the comparative information from corresponding reporting period. In addition, Citycon has applied the recognition exemptions permitted by the standard and, hence, has not applied the standard to short-term leases with a duration of less than a year or leases of a low value, such as leases applicable to specific office equipment.

The impact from the standard to Citycon's reporting in the first two quarters of 2019 is as follows:

Consolidated income statement

MEUR	Q2/2019	Q1-Q2/2019
Property operating expenses	1.8	3.5
Net rental income	1.8	3.5
Administrative expenses	0.0	0.0
Net fair value losses on investment property	-1.5	-3.0
Other operating income and expenses	0.0	-0.0
Operating profit	0.2	0.5
Net financial income and expenses	-0.5	-1.0
Loss before taxes	-0.2	-0.4
Deferred taxes	0.1	0.1
Loss/profit for the period	-0.1	-0.3

Consolidated statement of financial position

MEUR	Investment properties	Tangible assets	Total right-of-use assets	Lease liabilities
1 January 2019	57.4	4.4	61.9	61.9
30 June 2019	54.4	3.8	58.2	58.6

Consolidated cashflow statement

MEUR	Q2/2019	Q1-Q2/2019
Net cashflows from operating activities	1.6	3.1
Net cashflows from financing activities	-1.6	-3.1

Changes to calculation of key figures

When calculating loan to value (LTV), both the right-of-use assets classified as part of investment properties, as well as lease liabilities pertaining to these right-of-use assets, have not been taken into account. Thus, IFRS 16 has no impact on LTV calculations as compared to earlier periods. The updated formula is as follows:

$$\frac{\text{Interest bearing liabilities - lease liabilities (IFRS 16) - cash}}{\text{Fair value of investment properties + properties held for sale + investments in joint ventures - right-of-use assets classified as investment properties (IFRS 16)}} \times 100$$

Other accounting policies

Additional information on the otherwise unchanged accounting policies is available in Citycon's annual financial statements 2018.

ESMA (European Securities and Markets Authority) guidelines on alternative performance measures are effective for the financial year 2016. Citycon also presents alternative performance measures, such as EPRA performance measures and loan to value, to reflect the underlying business performance and to enhance comparability between financial periods. Alternative performance measures presented in this report should not be considered as a substitute for measures of performance in accordance with the IFRS.

3. SEGMENT INFORMATION

Citycon's business consists of the regional business units Finland & Estonia, Norway and Sweden & Denmark.

In Citycon's reporting, Kista Galleria is treated as a joint venture and the shopping centre's result or fair value will not impact on the gross rental income, net rental income or fair value of investment properties of the group. Kista Galleria is consolidated in Citycon's financial statements based on the equity method, meaning that Citycon's share of Kista Galleria's profit for the period is recognised in the line 'Share of result in joint ventures' and associated companies 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 and associated companies' in the statement of financial position. In addition, the management fee received by Citycon is reported in the line 'other operating income and expenses' and the interest income on the shareholder loan is reported in 'net financial income and expenses'. Kista Galleria contributed to the IFRS based profit for the period by approximately EUR -1.9 million.

The Board of Directors follows IFRS segment result and in addition Kista Galleria's financial performance separately, and therefore, segment information includes both IFRS segment results and Kista Galleria result.

MEUR	Q2/2019	Q2/2018	%	Q1-Q2/ 2019	Q1-Q2/ 2018	%	2018
Gross rental income							
Finland & Estonia	25.2	25.8	-2.3%	50.4	52.1	-3.2%	102.8
Norway	20.5	21.6	-5.1%	41.3	43.2	-4.4%	84.7
Sweden & Denmark	13.4	12.0	11.1%	26.8	24.8	8.2%	49.5
Total Segments	59.0	59.4	-0.6%	118.5	120.1	-1.3%	237.0
Kista Galleria (50%)	3.1	3.4	-10.0%	6.2	7.0	-11.3%	13.6
Service charge income							
Finland & Estonia	8.6	8.8	-2.1%	17.3	17.9	-3.1%	35.2
Norway	6.8	6.9	-0.4%	13.4	13.8	-3.2%	29.4
Sweden & Denmark	3.6	3.2	12.9%	7.6	7.1	7.2%	14.5
Total Segments	19.1	18.9	1.1%	38.4	38.8	-1.2%	79.2
Kista Galleria (50%)	0.8	0.9	-12.7%	1.7	1.9	-12.4%	3.8
Net rental income							
Finland & Estonia	24.8	24.6	0.7%	47.4	48.0	-1.3%	96.9
Norway	19.0	18.8	0.9%	38.4	37.7	1.8%	74.3
Sweden & Denmark	12.3	10.8	13.7%	23.9	21.7	10.1%	43.5
Other	0.1	0.1	-33.8%	0.1	0.2	-41.7%	0.2
Total Segments	56.1	54.3	3.3%	109.7	107.6	2.0%	214.9
Kista Galleria (50%)	2.5	3.0	-16.8%	4.9	6.2	-20.1%	11.7
Direct operating profit							
Finland & Estonia	24.0	23.8	0.8%	46.2	46.7	-1.0%	93.9
Norway	19.2	17.7	8.3%	37.7	35.4	6.7%	69.8
Sweden & Denmark	11.4	9.9	15.4%	22.7	20.1	12.6%	39.7
Other	-3.8	-3.0	27.7%	-8.2	-6.4	28.3%	-15.8
Total Segments	50.7	48.4	4.9%	98.4	95.8	2.7%	187.6
Kista Galleria (50%)	2.4	2.9	-17.8%	4.6	5.9	-21.5%	11.1
Net fair value losses/gains on investment property							
Finland & Estonia	-9.6	-16.2	-40.3%	-19.1	-33.2	-42.6%	-58.8
Norway	-11.8	-10.3	15.1%	-20.9	-13.9	50.1%	-22.2
Sweden & Denmark	-7.7	0.8	-	-6.8	13.6	-	8.5
Total Segments	-29.2	-25.6	13.8%	-46.8	-33.5	39.6%	-72.5
Kista Galleria (50%)	-5.4	-3.7	45.8%	-6.4	-4.2	52.2%	-8.6
Operating profit/loss							
Finland & Estonia	13.0	5.9	-	25.6	11.2	-	31.4
Norway	7.4	3.4	-	16.8	17.4	-3.3%	39.8
Sweden & Denmark	3.7	11.8	-69.0%	15.8	35.2	-55.2%	49.3
Other	-3.8	-3.0	26.5%	-8.2	-6.4	27.7%	-15.8
Total Segments	20.3	18.2	11.5%	50.0	57.5	-13.0%	104.7
Kista Galleria (50%)	-3.0	-0.8	-	-1.8	1.7	-	2.4

MEUR	30 June 2019	30 June 2018	%	2018
Assets				
Finland & Estonia	1,869.40	1,937.30	-3.50%	1,924.20
Norway	1,595.1	1,596.1	-0.1%	1,522.2
Sweden & Denmark	1,102.0	1,033.8	6.6%	1,128.6
Other	45.5	72.9	-37.6%	47.7
Total Segments	4,612.1	4,640.1	-0.6%	4,622.7
Kista Galleria (50%)	285.5	294.3	-3.0%	300.7
Liabilities				
Finland & Estonia	17.2	12.5	37.0%	13.3
Norway	60.6	12.7	-	20.7
Sweden & Denmark	21.4	11.4	88.0%	22.2
Other	2,454.6	2,423.0	1.3%	2,477.5
Total Segments	2,553.8	2,459.5	3.8%	2,533.7
Kista Galleria (50%)	237.6	238.1	-0.2%	246.2

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

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

MEUR	Q2/2019	Q2/2018	%	Q1-Q2/2019	Q1-Q2/2018	%	2018
Service charges ¹⁾	14.6	14.6	0.2%	29.9	30.2	-1.0%	60.9
Utility charges ¹⁾	1.9	1.7	15.6%	3.9	3.5	11.4%	7.3
Other service income ¹⁾	2.6	2.7	-3.2%	4.5	5.1	-11.4%	10.9
Service charge income	52.1	51.3	1.5%	106.0	106.3	-0.2%	215.6
Management fees ²⁾	1.4	1.4	-5.9%	2.6	2.9	-10.0%	5.4
Revenue from contracts with customers	20.4	20.3	0.6%	41.0	41.7	-1.8%	84.6

¹⁾ Is included in the line item 'Service charge income' in the Consolidated income statement

²⁾ Is included in the line item 'Other operating income and expenses' in the Consolidated income statement

5. EARNINGS PER SHARE

		Q1-Q2/2019	Q1-Q2/2018	%	2018
Earnings per share, basic					
Profit attributable to parent company shareholders	MEUR	20.8	19.4	7.5%	16.6
Weighted average number of ordinary shares ¹⁾	million	178.0	178.0	0.0%	178.0
Earnings per share (basic) ¹⁾	EUR	0.12	0.11	7.5%	0.09
Earnings per share, diluted					
Profit attributable to parent company shareholders	MEUR	20.8	19.4	7.5%	16.6
Weighted average number of ordinary shares ¹⁾	million	178.0	178.0	0.0%	178.0
Adjustment from share-based incentive plans and options	million	0.5	1.2	-53.2%	0.9
Weighted average number of ordinary shares, diluted ¹⁾	million	178.5	179.2	-0.3%	178.9
Earnings per share (diluted) ¹⁾	EUR	0.12	0.11	7.9%	0.09

¹⁾ Key ratios have been adjusted in the comparison periods to reflect the new number of shares after the reversed share split executed in March 2019.

6. INVESTMENT PROPERTIES

Citycon divides its investment properties into two categories: Investment Properties Under Construction (IPUC) and Operative Investment Properties. On reporting date and the comparable period 30 June 2018, the first mentioned category included Lippulaiva in Finland.

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

30 JUNE 2019

MEUR	Investment properties under construction (IPUC)	Operative investment properties	Investment properties, total
At period-start	149.6	3,981.6	4,131.3
Acquisitions	-	0.3	0.3
Investments	10.8	22.1	33.0
Capitalized interest	1.2	0.3	1.5
Fair value gains on investment property	-	6.8	6.8
Fair value losses on investment property (including effect of IFRS 16)	-3.9	-49.8	-53.7
Exchange differences	-	10.2	10.2
Transfer between IPUC, operative investment properties and transfer into investment properties held for sale	-	-36.9	-36.9
Right-of-use assets classified as investment properties (IFRS 16)	-	57.4	57.4
At period-end	157.8	3,992.1	4,149.9

30 JUNE 2018

MEUR	Investment properties under construction (IPUC)	Operative investment properties	Investment properties, total
At period-start	121.0	4,062.4	4,183.4
Acquisitions	-	0.1	0.1
Investments	10.6	24.5	35.0
Disposals	-	-23.2	-23.2
Capitalized interest	0.8	0.1	0.9
Fair value gains on investment property	-	33.1	33.1
Fair value losses on investment property	-0.2	-66.5	-66.7
Exchange differences	-	1.5	1.5
Transfers between items	-	-23.4	-23.4
At period-end	132.2	4,008.6	4,140.8

31 DECEMBER 2018

MEUR	Investment properties under construction (IPUC)	Operative investment properties	Investment properties, total
At period-start	121.0	4,062.4	4,183.4
Acquisitions	4.3	64.0	68.4
Investments	22.7	58.0	80.7
Disposals	-	-24.5	-24.5
Capitalized interest	1.8	1.2	3.0
Fair value gains on investment property	-	39.2	39.2
Fair value losses on investment property	-0.2	-111.5	-111.7
Exchange differences	-	-45.9	-45.9
Transfers between items	-	-61.3	-61.3
At period-end	149.6	3,981.6	4,131.3

The fair value of investment properties has been measured by CBRE for the half-yearly reports in 2019 and 2018 as well as for the financial statements for 2018.

The fair value is calculated by a net rental income based cash flow analysis. Market rents, the yield requirement, the occupancy rate and operating expenses form the key variables used in the cash flow analysis. The segments' yield requirements and market rents used in the cash flow analysis were as follows:

YIELD REQUIREMENT AND MARKET RENTS

	Weighted average yield requirement, %			Weighted average market rents, EUR/sq.m./mo		
	30 June 2019	30 June 2018	31 December 2018	30 June 2019	30 June 2018	31 December 2018
Finland & Estonia	5.4	5.5	5.5	30.3	29.6	29.9
Norway	5.4	5.4	5.4	22.9	23.1	22.3
Sweden & Denmark	5.2	5.1	5.2	25.1	24.9	25.7
Investment properties, average	5.4	5.4	5.4	26.5	26.4	26.4
Investment properties and Kista Galleria (50%), average	5.3	5.3	5.3	26.9	26.9	26.9

7. CAPITAL EXPENDITURE

MEUR	Q1-Q2/2019	Q1-Q2/2018	2018
Acquisitions of properties ¹⁾	0.3	0.1	68.4
Acquisitions of and investments in joint ventures	2.6	10.5	14.4
Property development	34.5	36.0	83.7
Goodwill and other investments	1.3	0.5	2.4
Total capital expenditure incl. acquisitions	38.7	47.1	168.8

Capital expenditure by segment

Finland & Estonia	20.0	25.3	54.9
Norway	9.6	6.4	21.1
Sweden & Denmark	8.0	15.0	91.7
Group administration	1.1	0.3	1.2
Total capital expenditure incl. acquisitions	38.7	47.1	168.8

Divestments ²⁾	77.8	72.1	93.1
----------------------------------	-------------	-------------	-------------

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

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

8. INVESTMENT PROPERTIES HELD FOR SALE

Investment property held for sale includes one asset from the Sweden&Denmark -segment. On 31 December 2018 the Investment Properties Held for Sale comprised of two properties in Finland. Transactions were finalized during Q2 2019. Transfer from investment properties includes also fair value changes of properties in Investment Properties Held for Sale.

MEUR	30 June 2019	30 June 2018	2018
At period-start	78.1	25.4	25.4
Disposals	-77.6	-46.0	-65.4
Exchange differences	-	0.9	-0.3
Transfer from investment properties	36.9	23.4	118.4
At period-end	37.5	3.7	78.1

9. CASH AND CASH EQUIVALENTS

MEUR	30 June 2019	30 June 2018	31 December 2018
Cash in hand and at bank	4.2	12.1	4.2
Restricted cash	5.1	5.3	7.2
Total	9.2	17.4	11.4

Cash and cash equivalents in the cash flow statement comprise the items presented above. Restricted cash mainly relates to gift cards.

10. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Classification of financial instruments and their carrying amounts and fair values

MEUR	30 June 2019		30 June 2018		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
I Financial assets at fair value through profit and loss						
Derivative financial instruments	18.2	18.2	33.8	33.8	16.7	16.7
II Derivative contracts under hedge accounting						
Derivative financial instruments	2.0	2.0	6.3	6.3	1.4	1.4
Financial liabilities						
I Financial liabilities amortised at cost						
Loans						
Loans from financial institutions	238.1	238.4	210.0	210.4	278.7	279.1
Bonds	1,871.8	1,884.9	1,861.5	1,873.2	1,861.3	1,875.5
Lease liabilities (IFRS 16)	58.6	58.6	-	-	-	-
II Financial liabilities at fair value through profit and loss						
Derivative financial instruments	0.4	0.4	2.8	2.8	8.2	8.2
III Derivative contracts under hedge accounting						
Derivative financial instruments	-	-	0.0	0.0	-	-

11. DERIVATIVE FINANCIAL INSTRUMENTS

MEUR	30 June 2019		30 June 2018		31 December 2018	
	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swaps						
Maturity:						
less than 1 year	-	-	-	-	-	-
1-5 years	232.1	2.0	236.6	1.8	226.2	1.4
over 5 years	-	-	-	-	-	-
Subtotal	232.1	2.0	236.6	1.8	226.2	1.4
Cross-currency swaps						
Maturity:						
less than 1 year	-	-	-	-	-	-
1-5 years	-	-	457.9	33.9	-	-
over 5 years	316.8	17.8	-	-	316.8	8.0
Subtotal	316.8	17.8	457.9	33.9	316.8	8.0
Foreign exchange forward agreements						
Maturity:						
less than 1 year	99.9	0.0	52.8	1.6	269.6	0.5
Total	648.8	19.8	747.3	37.3	812.6	9.9

Derivative financial instruments are used in hedging the interest rate and foreign currency risk.

Hedge accounting is applied for interest swaps which have a nominal amount of EUR 232.1 million (236.6). The change in fair values of these derivatives is recognised under other comprehensive income, taking the tax effect into account

Citycon also has cross-currency swaps to convert EUR debt into SEK debt and currency forwards. Changes in fair values of these are reported in the profit and loss statement as hedge accounting is not applied.

Furthermore, changes in fair values of interest rate caps hedging Kista Galleria's loans are recognised under 'Share of profit of joint ventures and associated companies'.

12. DIVIDEND AND EQUITY REPAYMENT

Citycon's AGM 2019 decided that no dividend is distributed by a resolution of the AGM and authorised the Board of Directors to decide in its discretion on the distribution of dividend and assets from the invested unrestricted equity fund. Based on the authorisation the maximum amount of dividend to be distributed for the financial year 2018 shall not exceed EUR 0.05 per share and the maximum amount of equity repayment to be distributed from the invested unrestricted equity fund shall not exceed EUR 0.60 per share. The authorisation is valid until the opening of the next AGM.

On the basis of the authorisation mentioned above and explained in half-yearly report sections 12 and 13 the Board of Directors decided in March 2019 and in June 2019 to distribute dividend of EUR 0.05 per share, or EUR 8.9 million and equity repayment of EUR 0.275 per share, or EUR 48.9 million. Following the dividend and equity repayments paid on 29 March 2019 and 28 June 2019, the Board's authorization for dividend distribution is used in its entirety and the remaining authorisation for equity repayment is EUR 0.0325 per share. Preliminary payment dates for equity repayments to be distributed on basis of the authorization are 30 September 2019 and 30 December 2019. The Board of Directors will make separate resolutions on each distribution of the equity repayment and the company shall make separate announcements of such Board resolutions.

Total amount of dividend EUR 8.9 million and equity repayment EUR 106.8 million were distributed during the financial year 2018, of which EUR 8.9 million dividend and EUR 48.9 million equity repayment were distributed during the first half of 2018.

13. CONTINGENT LIABILITIES

MEUR	30 June 2019	30 June 2018	31 December 2018
Mortgages on land and buildings	134.1	136.7	130.7
Bank guarantees and parent company guarantees	39.4	31.9	33.2
Capital commitments	37.2	262.5	23.7

At period-end, Citycon had capital commitments of EUR 37.2 million (262.5) relating mainly to on-going (re)development projects. Citycon owns 50% 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 Citycon Oyj and its subsidiaries, associated companies, joint ventures, Board members, CEO and other Corporate Management Committee members, and the company's largest shareholder Gazit-Globe Ltd., whose shareholding in Citycon Oyj accounted for 48.6% on 30 June 2019 (46.4%).

Over the period, Citycon paid no expenses to Gazit-Globe Ltd and its subsidiaries, but invoiced EUR 0.0 million expenses forward to Gazit-Globe Ltd and its subsidiaries (0.0).

Citycon has made a consultant agreement with the company owned by Board member Ofer Stark and paid consulting fees of EUR 0.0 million (-) during the reporting period.

REPORT ON REVIEW OF CITYCON OYJ'S HALF-YEARLY REPORT'S FINANCIAL INFORMATION FOR THE PERIOD JANUARY 1-JUNE 30, 2019 (TRANSLATION)

TO THE BOARD OF DIRECTORS OF CITYCON OYJ

Introduction

We have reviewed the accompanying consolidated condensed statement of financial position of Citycon Oyj as of June 30th, 2019 and the related condensed statement of comprehensive income, condensed statement of changes in shareholders' equity, condensed cash flow statement and explanatory notes for the six-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the half-yearly report's financial information in accordance with International Accounting Standard 34 Interim Financial Reporting and in accordance with other laws and regulations governing the preparation of the half-yearly report's financial information in Finland. Our responsibility is to express a conclusion on this half-yearly report's financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of half-yearly report's 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly report's financial information has not been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting and in accordance with other laws and regulations governing the preparation of the half-yearly report's financial information in Finland.

Helsinki, July 10th, 2019

Ernst & Young Oy
Accountant Firm

Mikko Ryttilahti
Authorized Public Accountant