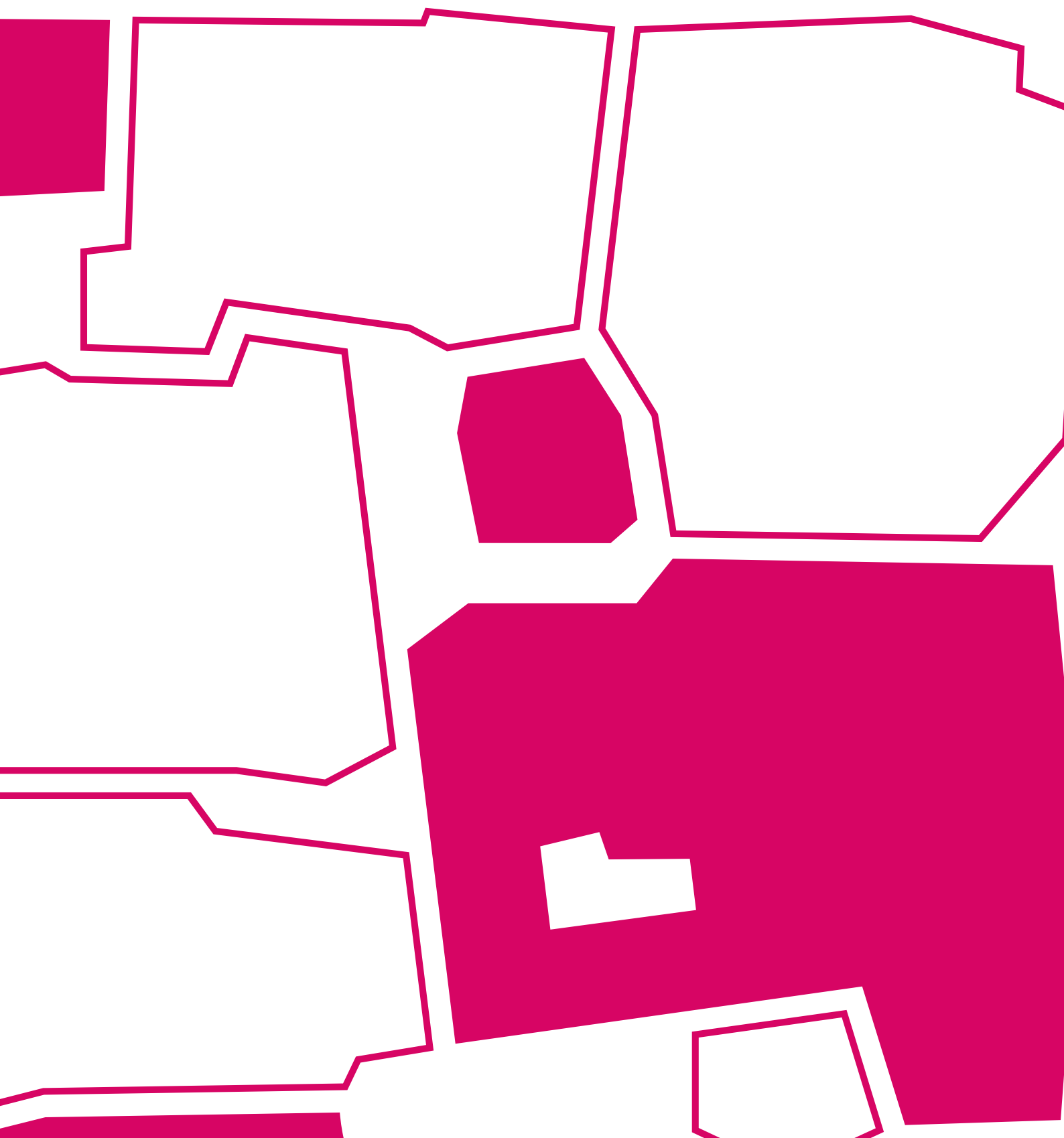


Interim Report  
1 January – 30 June 2010

**CITYCON**  
creating success for retailing



# Citycon Oyj's Interim Report for 1 January – 30 June 2010

## Summary of the Second Quarter of 2010 Compared with the Previous Quarter

- Turnover decreased to EUR 48.6 million (Q1/2010: EUR 49.5 million), due mainly to several (re)development projects initiated in Finland causing temporary reduction in turnover.
- Net rental income increased by 4.0 per cent to EUR 31.8 million (EUR 30.6 million). This increase was due to lower property operating expenses reflecting common seasonal variations.
- Earnings per share increased to EUR 0.13 (EUR 0.06) due mainly to fair value changes.
- Direct result per share (diluted) was EUR 0.05 (EUR 0.05).
- The fair value change of investment properties was EUR 22.9 million (EUR 0.8 million), and the fair value of investment properties totalled EUR 2,229.5 million (EUR 2,193.5 million).
- The average net yield requirement for investment properties remained at the previous quarter's level and was 6.6 per cent (6.6%) at the end of the period, according to an external appraiser.
- Net financial expenses increased to EUR 14.4 million (EUR 13.1 million) due mainly to higher interest expenses.
- On the basis of Citycon's loan agreement covenants, its interest cover ratio was 2.2x (2.3x) and equity ratio 37.1 per cent (39.2%).
- Citycon conducted repurchases of its convertible bonds due 2013 for EUR 3.4 million.
- During the period, the company signed three loan agreements, each worth EUR 50 million and maturing in five years.
- The construction of the Martinlaakso shopping centre was initiated during the period. The apartments built within the Liljeholms-torget shopping centre were sold, as per a previous agreement, for a price of SEK 176 million (approx. EUR 18.5 million).
- Chaim Katzman was elected to the Board of Directors by the Extraordinary General Meeting of 17 May 2010 and was appointed Board Chairman in June.
- The company revises its guidance regarding direct result and direct operating profit (from 3-6 per cent to 1-4 per cent). The change is due mainly to slower stabilisation and development of certain projects.

## Summary of January-June 2010 Compared with the Corresponding Period of 2009

- Turnover grew by 7.3 per cent to EUR 98.1 million (Q1-2/2009: EUR 91.5 million). This increase was due to the growth in gross leasable area and active development of the retail properties. Turnover growth was reduced by a slightly higher vacancy rate and the start-up of new (re)development projects.
- Profit/loss before taxes was EUR 52.0 million (EUR -28.7 million), including a EUR 23.7 million (EUR -57.6 million) change in the fair value of investment properties.
- Net rental income increased by 1.8 per cent to EUR 62.5 million (EUR 61.3 million). If the impact of the strengthened Swedish krona is excluded, net rental income decreased by -0.1 per cent.
- Net rental income from like-for-like properties decreased by 1.0 per cent, due mainly to higher property operating expenses than in the corresponding period. These higher operating expenses were caused mainly by exceptionally severe winter conditions. Additionally, prevailing low inflation or deflation resulted in very low indexation-based rental increases.
- The company's direct result decreased to EUR 21.5 million (EUR 24.2 million).
- Direct result per share (diluted) was EUR 0.10 (EUR 0.11).
- Earnings per share were EUR 0.19 (EUR -0.11). Changes in the fair value of investment properties have a substantial impact on earnings per share.
- The occupancy rate was 94.6 per cent (94.8%). The decrease in the occupancy rate resulted from the start-up of new (re)development projects and a slightly higher vacancy rate.
- Net cash from operating activities per share decreased to EUR 0.05 (EUR 0.19) due mainly to extraordinary items and timing differences.
- The equity ratio was 33.8 per cent (36.2%). This decrease resulted mainly from paid up dividends and equity return and higher debt due to investments.
- The company's financial position remained good during the period. Total liquidity at the end of the reporting period was EUR 246.2 million, including unutilised committed debt facilities amounting to EUR 221.2 million and EUR 25.0 million in cash.

## Key Figures

	Q2/2010	Q2/2009	Q1/2010	Q1-Q2/2010	Q1-Q2/2009	Change-% <sup>1)</sup>	2009
Turnover, EUR million	48.6	45.6	49.5	98.1	91.5	7.3%	186.3
Net rental income, EUR million	31.8	31.0	30.6	62.5	61.3	1.8%	125.4
Operating profit/loss, EUR million	49.2	1.1	30.3	79.6	-4.7	-	10.3
% of turnover	101.3%	2.4%	61.3%	81.1%	-	-	5.5%
Profit/loss before taxes, EUR million	34.8	-10.7	17.2	52.0	-28.7	-	-37.5
Profit/loss attributable to parent company shareholders, EUR million	28.4	-7.0	13.0	41.4	-23.8	-	-34.3
Direct operating profit, EUR million	26.3	27.1	26.4	52.7	52.8	-0.2%	107.7
% of turnover	54.2%	59.4%	53.3%	53.7%	57.7%	-	57.8%
Direct result, EUR million	10.1	12.6	11.4	21.5	24.2	-11.2%	50.9
Indirect result, EUR million	18.3	-19.5	1.6	19.9	-48.0	-	-85.2
Earnings per share (basic), EUR	0.13	-0.03	0.06	0.19	-0.11	-	-0.16
Earnings per share (diluted), EUR	0.12	-0.03	0.06	0.18	-0.11	-	-0.16
Direct result per share (diluted), (diluted EPRA EPS), EUR	0.05	0.06	0.05	0.10	0.11	-10.3%	0.23
Net cash from operating activities per share, EUR	0.01	0.09	0.03	0.05	0.19	-74.5%	0.30
Fair value of investment properties, EUR million			2,193.5	2,229.5	2,104.5	5.9%	2,147.4
Equity per share, EUR			3.20	3.30	3.35	-1.5%	3.31
Net asset value (EPRA NAV) per share, EUR			3.43	3.54	3.58	-1.2%	3.54
EPRA NNNNAV per share, EUR			3.22	3.35	3.46	-3.4%	3.35
Equity ratio, %			32.7	33.8	36.2	-	34.2
Gearing, %			175.9	174.6	157.4	-	169.5
Net interest-bearing debt (fair value), EUR million			1,327.2	1,369.6	1,234.8	10.9%	1,312.2
Net rental yield, %			6.0	6.0	6.0	-	6.1
Net rental yield, like-for-like properties, %			6.6	6.6	6.4	-	6.6
Occupancy rate, %			94.5	94.6	94.8	-	95.0
Personnel (at the end of the period)			120	124	114	8.8%	119

<sup>1)</sup> Change-% is calculated from exact figures and refers to the change between 2010 and 2009.

## CEO Petri Olkinuora's Comments on the First Half of 2010:

"Citycon's net rental income continued to grow in the second quarter. Growth was generated by both active retail property management and the completed development projects in Stockholm and Tallinn. On the other hand, growth was temporarily slowed down by simultaneous, ongoing (re)development projects, specifically in Finland. The stabilisation of the projects completed last year was slower than expected.

Earlier this year, Citycon launched four new (re)development projects. These projects will further enhance the competitiveness and attractiveness of Citycon's shopping centres. The company has accelerated the execution of its (re)development pipeline, with seven active major construction sites and several more being planned, enjoying softening of the construction cost. Naturally construction projects temporarily lower the rental income of properties, but once the projects are completed the centres will be more competitive in the rental market and more attractive to customers.

The financial position of the company is stable. During the reporting period, Citycon continued repurchasing its convertible bonds as well as selling non-core properties including the sales of the apartments in Liljeholmstorget and Jakobsbergs Centrum in Greater Stockholm area. The total value of all the divestments was about EUR 50 million. The property sales are in compliance with the company's strategy and release capital for core business.

During the period, the company signed three unsecured EUR 50 million five-year loan agreements on very competitive terms. At the period end, available liquidity totalled EUR 246.2 million. This is sufficient to fund ongoing development projects as well as maturing loans for at least the next 12 months."

## Business Environment

During the period, retail sales continued their slow growth both in Finland and Sweden. In spite of unemployment, consumer confidence in household economies improved further in all operating countries. In the Baltic countries, high unemployment and the difficult economic situation weakened consumers' purchasing power. Both in Finland and Sweden retail sales grew by 2.7 per cent in May compared with May last year. In Estonia, retail sales decreased by 5.0 per cent. During the first five months of 2010, retail sales have increased by 2.5 per cent in Finland and by 3.3 per cent in Sweden. (Sources: Statistics Finland, Statistics Sweden, Statistics Estonia)

In Finland and Sweden, rises in consumer prices continued during the second quarter. While in Finland higher prices concerned groceries in particular, in Sweden the prices of consumables rose faster than food prices. In May, inflation in Finland was 1.0 per cent, in Sweden 1.2 per cent and in Estonia 3.0 per cent (source: *ibid*).

The increased uncertainty in Europe arising from public sector's debt problems discovered in several countries weakened the stock market during the period. Availability of financing, however, clearly improved. The property market also showed signs of a revival, particularly in Sweden.

## Business and Property Portfolio Summary

Citycon focuses on the shopping centre business in Finland, Sweden and the Baltic countries. The company's shopping centres are actively managed and developed by the company's professional personnel, working locally. In the Nordic countries, the company is a pioneer in its adherence to the principles of sustainable development in its shopping centre business. Citycon's objective is to create added value for customers and to enhance the commercial appeal of its properties, taking account of each retail property's and its catchment area's commercial preconditions: purchasing power, competition and consumer demand.

At the end of June 2010, Citycon owned 33 (33) shopping centres and 50 (51) other properties. Of the shopping centres, 22 (22) were located in Finland, eight (8) in Sweden and three (3) in the Baltic countries. The market value of the company's property portfolio totalled EUR 2,229.5 million (EUR 2,104.5 million) with Finnish properties accounting for 65.7 per cent (69.0%), Swedish properties for 27.0 per cent (23.6%) and Baltic properties for 7.3 per cent (7.4%). The gross leasable area at the end of the period totalled 947,050 square metres.

## Changes in the Fair Value of Investment Properties

In accordance with the International Accounting Standards (IAS) and the International Valuation Standards (IVS), an external professional appraiser conducts a valuation of Citycon's property portfolio on a property-by-property basis at least once a year. In recent years, the valuation has been conducted on a quarterly basis, due to changing market conditions. A Property Valuation Statement at the end of June 2010 is available on the corporate website.

The valuation was conducted by Realia Management Oy, part of the international Realia Group, which is the preferred appraisal service supplier of CBRichard Ellis in Finland. The valuation statement includes a description of the valuation process and the factors contributing to the valuation, as well as the results of the valuation and a sensitivity analysis.

The valuation was primarily carried out as a cash flow analysis of the net operating income for a period of ten years. In the case of undeveloped lots and properties subject to significant alterations in the city plan, the market value has been determined based on the building volume permitted by the valid zoning plan. Development properties have been appraised using a specially designed project calculation model. The aforementioned valuation statement also contains more details on valuation methods.

The average net yield requirement defined by Realia Management Oy for Citycon's entire property portfolio came to 6.6 per cent on 30 June 2010. The same yield figure for Citycon's properties in Finland, Sweden and the Baltic countries stood at 6.5 per cent, 6.2 per cent and 8.2 per cent, respectively.

As required by IAS 40, Citycon recognises its investment property at fair value. Its properties' combined market value on the closing date of the interim accounts is reported in the statement of financial position, while any changes in their fair value through net fair value gains or losses on investment property are detailed in the statement of comprehensive income. Thus, the change in fair value also has a profit impact, and this is reported in the company's interim reports as a separate item under operating profit, and, consequently, the profit for the period.

The fair value of the company's investment property in the statement of financial position equals the property portfolio's total value determined by the external appraiser, capital expenditure on development projects which the external appraiser does not take into account when determining fair value, and the acquisition cost of new properties acquired during the last three months.

During the reporting period, the fair value of Citycon's property portfolio rose, mainly due to property development. The company recorded a total value increase of EUR 48.1 million and a total value decrease of EUR 24.4 million. The net effect of these changes on the company's profit was EUR 23.7 million (EUR -57.6 million).

## Lease Portfolio and Occupancy Rate

Citycon aims to have a versatile and efficiently manageable lease portfolio. The company favours fixed-term leases. In general, all new leases for retail premises are signed for a fixed term in all countries. The only exceptions to this are apartments, storage areas and individual parking spaces.

At the end of the reporting period, Citycon had a total of 4,019 (4,080) leases. The average remaining length of the lease agreements was 3.3 (3.0) years.

The net rental yield of Citycon's property portfolio was 6.0 per cent (6.0%) and the economic occupancy rate was 94.6 per cent (94.8%). The decrease in the occupancy rate was due to new development projects started or planned during the period and a slight increase in the property portfolio vacancy rate throughout the company's operating countries.

Citycon's net rental income increased by 1.8 per cent to EUR 62.5 million. The leasable area decreased by 0.3 per cent to 947,050 square metres. Net rental income from like-for-like properties decreased by 1.0 per cent.

Like-for-like properties are properties held by Citycon throughout the 24-month reference period, excluding properties under redevelopment or extension as well as undeveloped lots. 80.8 per cent of like-for-like properties are located in Finland. The calculation method for net yield and standing (like-for-like) investments is based on guidelines issued by the KTI Institute for Real Estate Economics and the Investment Property Databank (IPD). The following presents like-for-like net rental income growth by segment.

### Like-for-like Net Rental Income by Segments

EUR million	Finland	Sweden	Baltic Countries	Other	Total
<b>Q1-2/2008</b>	<b>44.9</b>	<b>12.2</b>	<b>3.1</b>	<b>0.0</b>	<b>60.1</b>
Acquisitions	0.4	0.0	-0.1	-	0.4
(Re)development projects	0.5	0.0	1.7	-	2.2
Divestments	-0.1	0.0	-	-	-0.1
Like-for-like	0.6	0.3	-0.1	-	0.8
Other (incl. exch. rate diff.)	-0.4	-1.7	0.0	0.0	-2.0
<b>Q1-2/2009</b>	<b>46.0</b>	<b>10.8</b>	<b>4.6</b>	<b>0.0</b>	<b>61.3</b>
(Re)development projects	-2.7	2.1	1.4	-	0.7
Divestments	-0.2	-0.2	-	-	-0.4
Like-for-like	-0.4	0.2	-0.2	-	-0.4
Other (incl. exch. rate diff.)	0.0	1.1	0.0	0.0	1.3
<b>Q1-2/2010</b>	<b>42.7</b>	<b>13.9</b>	<b>5.8</b>	<b>0.0</b>	<b>62.5</b>

During the last 12 months, the rolling twelve-month occupancy cost ratio for like-for-like properties was 8.4 per cent. The occupancy cost ratio is calculated as the share, represented by net rent and potential additional fees and charges paid by a tenant to Citycon, of the tenant's sales, excluding VAT. The VAT percentage is an estimate.

### Lease Portfolio Summary

	Q2/2010	Q2/2009	Q1/2010	Q1-Q2/2010	Q1-Q2/2009	Change-%	2009
Number of leases started during the period	175	219	185	360	347	3.7	873
Total area of leases started, sq.m. <sup>1)</sup>	36,256	32,511	42,997	79,253	48,577	63.1	141,628
Average rent of leases started (EUR/sq.m.) <sup>1)</sup>	17.2	21.9	18.2	17.8	21.0	-15.2	23.6
Number of leases ended during the period	185	215	392	577	410	40.7	781
Total area of leases ended, sq.m. <sup>1)</sup>	54,801	26,931	68,467	123,268	58,718	109.9	127,730
Average rent of leases ended (EUR/sq.m.) <sup>1)</sup>	14.2	21.1	17.7	16.2	17.0	-4.7	17.5
Occupancy rate at end of the period, %			94.5	94.6	94.8	-0.2	95.0
Average remaining length of lease portfolio at the end of the period, year			3.1	3.3	3.0	10.0	3.1

<sup>1)</sup> Leases started and ended don't necessarily refer to the same premises.

### Acquisitions and Divestments

Citycon continues to focus on the development and redevelopment of the company's retail properties, and follows developments in the shopping centre market across its operating area. No new property acquisitions took place during the reporting period, but several apartments were sold, as these are not part of the company's core business.

Early in January, Citycon divested the building rights for the apartments which are to be built in connection with the Myllypuro shopping centre and the three companies the company had established for managing them, to three different residential investors. The residential investors will each be responsible for the construction and leasing of their own apartments. Citycon recorded a gain on sale of EUR 1.7 million on this transaction, tax effects included.

In March, Citycon sold around 25 per cent of the apartments in the Jakobsbergs Centrum shopping centre for about SEK 120 million (approx. EUR 12 million). These apartments were sold to a newly-established owners' association under an agreement according to which the association agreed to purchase 100 per cent of the shares in Citycon's Swedish subsidiary Tenrot Fastighets AB. The total area of the apartments sold is approximately 8,000 square metres. Citycon recorded a gain on sale of EUR 1.0 million on this transaction, tax effects included.

The sale of the apartments at Liljeholmstorget agreed in the summer of 2009 was finalised in April. The apartments built within the Liljeholmstorget shopping centre were sold for a price of SEK 176 million (approx. EUR 18.5 million) to Heba Fastighets AB. Unlike reported earlier, the transaction had no effect on reported profits.

In April, Citycon also sold its nine per cent holding in Helsingin Autotalo Oy for EUR 4.5 million. The transaction had no effect on reported profits.

In May, Citycon sold the building rights for apartments to be built in connection with the new Martinlaakso shopping centre, and 100 per cent of the shares in the company Citycon had established for managing the apartments, to Skanska Talonrakennus Oy for a total of EUR 2.3 million. The transaction had no effect on reported profits.

## **Development Projects**

Citycon is pursuing a long-term increase in the footfall, cash flow and efficiency of, as well as the return from, its retail 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, redevelopment projects weaken returns from some properties, as some retail premises may have to be temporarily vacated for refurbishment, which affects rental income. Citycon aims to carry out any redevelopment projects phase by phase, thereby avoiding the need to close, for example, the whole shopping centre during the works in question, thus ensuring continuous cash flow.

### ***Completed (Re)development Projects***

No development projects were completed during the period. Liljeholmstorget, completed in 2009, became the first European shopping centre to be awarded the platinum-level LEED certificate in March. The Rocca al Mare development project, also completed in 2009, was awarded the silver level LEED certificate in January.

### ***(Re)development Projects in Progress***

The redevelopment and extension project of the Åkersberga Centrum, located in the Österåker district of Greater Stockholm area, is the largest of Citycon's ongoing (re)development projects. The total budget for the construction project is around SEK 467 million, or about EUR 49 million, of which Citycon's share is 75 per cent.

The leasable area of the shopping centre will grow by about 13,000 square metres, the existing shopping centre will be refurbished and additional parking facilities will be built for 350 vehicles. Construction work was initiated in the summer of 2009 and the redeveloped shopping centre will be completely ready in 2011. The shopping centre will remain open throughout the project.

Citycon is building a new shopping centre and an underground car park for 270 vehicles in the Myllypuro district in Helsinki. The shopping centre will have an excellent location, next to the Myllypuro metro station. The leasable area of the new shopping centre will be about 7,300 square metres, and its service offering will include grocery retailers and other daily services. Currently, more than 60 per cent of the centre's retail premises have been leased. The shopping centre will be completed in stages, with the first part being opened in early summer 2011 and the second a year later in 2012.

On 9 June, the cornerstone of the new Myllypuro shopping centre, which will rise on the site of the demolished old retail centre, was ceremonially laid in the presence of around 300 invited guests and Myllypuro residents. The new Myllypuro shopping centre is the first shopping centre in Finland built by Citycon from the very beginning. The total cost of the Myllypuro project will exceed EUR 60 million, with Citycon's share of the forthcoming shopping centre and parking hall accounting for EUR 20 million.

A similar project is run by Citycon in the Martinlaakso district in Vantaa, where the company is building a new shopping centre to replace the old retail centre. This project was launched in May. The shopping centre will enjoy an excellent location in the immediate vicinity of railway and bus stations. The company will invest EUR 26.3 million in the shopping centre, which will have a gross leasable area of 7,300 square metres and parking facilities for 475 cars. Apartments will be built in connection with the shopping centre and Citycon has sold the related building rights for EUR 2.3 million. In addition, Citycon will receive a one-off compensation of EUR 1.1 million from the City of Vantaa for the commuter parking facility investment. The project is due for completion in 2011.

Located in Espoo Centre near the railway station, the Espoontori shopping centre will be thoroughly refurbished during 2010. The shopping centre's premises of 10,400 square metres and its parking facilities will undergo major refurbishment and modernisation in order to meet current customer needs. Citycon will invest EUR 18 million in this project. The first refurbished premises were opened to customers at the end of May.

In downtown Jyväskylä, Citycon is conducting a complete refurbishment of the interior premises of the Forum shopping centre. The modernised Forum's offering will have a stronger emphasis on fashion and provide a more versatile range of specialty stores, cafés and restaurants. The shopping centre's functionality and ambiance will also be enhanced. Citycon will invest EUR 16 million in this project. The fully modernised Forum shopping centre will be opened in November 2010. Construction work will be conducted in phases, since most services remaining in the shopping centre will continue to operate normally throughout the renovation.

The Hansa property close to the recently redeveloped Trio shopping centre in Lahti will be provided with a better commercial link to Trio. An alteration to the city plan is pending, to allow for the construction of retail premises on the bridge connecting Trio and Hansa above the street of Vapaudenkatu. An area of 8,000 square metres will be redeveloped in the Hansa property and the project is due for completion in 2010.

At the Myyrmanni shopping centre in Vantaa, Finland, major tenant alteration works are under way. Over one fourth of the shopping centre's leasable retail area is being altered. In addition, the retail premises on Isolinnankatu in Pori will be redeveloped in two stages.

All of the above-mentioned projects fulfil Citycon's strategy, according to which the company will redevelop its excellently located retail properties. These projects are also in line with Citycon's strategy of sustainable development, which emphasises the redevelopment of retail properties located in key locations in city and district centres. This will also help to strengthen existing urban structures and improve the areas' service offering.

The enclosed table lists the most significant development and redevelopment projects in progress and projects completed in 2009, as approved by the Board of Directors. Capital expenditure during 2010 on all (re)development projects amounted to EUR 23.0 million in Finland, EUR 24.8 million in Sweden and EUR 5.7 million in the Baltic countries.

#### **(Re)development Projects Completed in 2009 and in Progress on 30 June 2010 <sup>1)</sup>**

	Location	Estimated total investment (EUR million)	Actual gross capital expenditure by 30 June 2010 (EUR million)	Estimated final year of completion
Liljeholmstorget	Stockholm, Sweden	154.7 <sup>2)</sup>	154.7	completed
Rocca al Mare	Tallinn, Estonia	53.8 <sup>3)</sup>	53.8	completed
Åkersberga Centrum	Österåker, Sweden	49.0 <sup>2)</sup>	26.4	2011
Torikeskus	Seinäjoki, Finland	4.0	2.7	2010
Hansa (Trio)	Lahti, Finland	8.0	2.2	2010
Forum	Jyväskylä, Finland	16.0	3.5	2010
Espoonatori	Espoo, Finland	18.0	9.6	2010
Myllypuro	Helsinki, Finland	20.0	7.6	2012
Isolinnankatu	Pori, Finland	3.0	1.5	2010
Myyrmanni	Vantaa, Finland	4.8	2.6	2010
Martinlaakso	Vantaa, Finland	26.3	2.7	2011

<sup>1)</sup> Calculated at end of period exchange rates.

<sup>2)</sup> Estimated total investment in SEK has not changed from the year end 2009.

<sup>3)</sup> The original estimated total investment in Rocca al Mare development project amounted to approximately EUR 68 million.

#### **(Re)development Projects under Planning**

The largest of the planned (re)development projects is the Iso Omena extension project, in which the Matinkylä station on the western metro line will be connected to the shopping centre by building retail premises on top of the station. The estimated investment amounts to EUR 100–130 million. Citycon has an exclusive land use reservation for the planning of the project together with NCC. The aim is to develop a metro centre which combines excellent commercial services with direct connections between the metro train and its feeder terminal. The western metro line connecting Helsinki and Espoo is due for completion at the end of 2015.

More information on planned projects can be found in Citycon's Annual Report 2009.



## Business Units

Citycon's business operations are divided into three business units: Finland, Sweden and the Baltic Countries. The latter two are sub-divided into two business areas: Retail Properties and Property Development. The Finnish business unit was reorganised towards the end of 2009. This unit is sub-divided into the business areas Retail Property Management (operative management of shopping centres), Asset Management (property management, investments and divestments), Leasing and Marketing and Property Development.

### Finland

Citycon is the market leader in the Finnish shopping centre business. In 2009, Citycon's market share was 22 per cent of the Finnish shopping centre market (source: Entrecon). The company's net rental income from Finnish operations during the reporting period was EUR 42.7 million (EUR 46.0 million). The business unit accounted for 68.4 per cent of Citycon's total net rental income.

The key figures of the Finnish property portfolio are presented below. Development projects and changes in the property portfolio have been covered previously in this document.

#### Lease Portfolio Summary, Finland

	Q2/2010	Q2/2009	Q1/2010	Q1-Q2/2010	Q1-Q2/2009	Change-%	2009
Number of leases started during the period	103	80	99	202	146	38.4	295
Total area of leases started, sq.m. <sup>1)</sup>	27,200	9,080	30,840	58,040	18,270	217.7	57,220
Average rent of leases started (EUR/sq.m.) <sup>1)</sup>	18.3	23.6	20.7	19.6	24.3	-19.3	22.5
Number of leases ended during the period	120	94	180	300	210	42.9	408
Total area of leases ended, sq.m. <sup>1)</sup>	48,460	15,520	48,260	96,720	37,790	155.9	81,480
Average rent of leases ended (EUR/sq.m.) <sup>1)</sup>	15.1	23.1	20.3	17.7	18.4	-3.8	19.8
Occupancy rate at end of the period, %			94.1	93.5	94.5	-1.1	94.6
Average remaining length of lease portfolio at the end of the period, year			3.0	3.2	2.9	10.3	2.8

<sup>1)</sup> Leases started and ended don't necessarily refer to the same premises.

#### Financial Performance, Finland

	Q2/2010	Q2/2009	Q1/2010	Q1-Q2/2010	Q1-Q2/2009	Change-%	2009
Number of properties			66	65	66	-1.5	66
Gross leasable area, sq.m.			587,650	581,550	593,550	-2.0	587,650
Annualised potential rental value, EUR million <sup>1)</sup>			135.5	134.7	135.3	-0.4	135.3
Gross rental income, EUR million	30.1	31.4	31.4	61.5	63.7	-3.4	126.5
Turnover, EUR million	31.1	32.6	32.5	63.7	66.1	-3.7	131.3
Net rental income, EUR million	21.5	22.9	21.3	42.7	46.0	-7.0	92.4
Net fair value gains/losses on investment property, EUR million	11.4	-20.5	-3.0	8.4	-46.0	-	-65.1
Operating profit/loss, EUR million	31.2	1.0	19.8	50.9	-3.0	-	21.2
Capital expenditure, EUR million	14.4	3.2	8.7	23.2	6.4	261.5	24.5
Fair value of investment properties, EUR million			1,446.6	1,465.7	1,451.6	1.0	1,442.0
Net rental yield, % <sup>2)</sup>			6.4	6.3	6.3		6.5
Net rental yield, like-for-like properties, %			6.5	6.6	6.4		6.5

<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> Includes the lots for development projects.

## Sweden

Citycon has strengthened its position in the Swedish shopping centre market and has eight shopping centres and seven other retail properties in Sweden, located in the Greater Stockholm and Greater Gothenburg areas and in Umeå. The company's net rental income from Swedish operations increased by 29.1 per cent to EUR 13.9 million (EUR 10.8 million). If the impact of the strengthened Swedish krona is excluded, net rental income from Swedish operations increased by 16.4 per cent on the previous year. The business unit accounted for 22.3 per cent of Citycon's total net rental income.

The key figures for the Swedish property portfolio are presented below. Development projects and changes in the property portfolio have been covered previously in this document.

### Lease Portfolio Summary, Sweden

	Q2/2010	Q2/2009	Q1/2010	Q1-Q2/2010	Q1-Q2/2009	Change-%	2009
Number of leases started during the period	70	72	82	152	133	14.3	449
Total area of leases started, sq.m. <sup>1)</sup>	8,177	7,320	11,775	19,952	14,193	40.6	59,351
Average rent of leases started (EUR/sq.m.) <sup>1)</sup>	13.9	14.4	11.7	12.6	13.1	-3.8	23.6
Number of leases ended during the period	61	81	209	270	149	81.2	318
Total area of leases ended, sq.m. <sup>1)</sup>	5,800	4,666	19,687	25,487	12,788	99.3	37,420
Average rent of leases ended (EUR/sq.m.) <sup>1)</sup>	7.7	19.4	11.2	10.4	12.9	-19.3	12.8
Occupancy rate at end of the period, %			94.4	95.6	94.4	1.3	94.7
Average remaining length of lease portfolio at the end of the period, year			2.9	3.0	2.4	25.0	3.0

<sup>1)</sup> Leases started and ended don't necessarily refer to the same premises.

### Financial Performance, Sweden

	Q2/2010	Q2/2009	Q1/2010	Q1-Q2/2010	Q1-Q2/2009	Change-%	2009
Number of properties			15	15	15	0.0	15
Gross leasable area, sq.m.			295,000	294,500	286,300	2.9	302,500
Annualised potential rental value, EUR million <sup>1)</sup>			52.3	52.8	39.4	34.2	48.8
Gross rental income, EUR million	12.5	9.2	12.2	24.7	18.2	35.5	39.3
Turnover, EUR million	13.2	9.5	12.6	25.9	18.8	37.9	41.0
Net rental income, EUR million	7.6	5.6	6.4	13.9	10.8	29.1	23.2
Net fair value gains/losses on investment property, EUR million	10.0	-4.7	4.9	14.9	-1.3	-	-19.6
Operating profit/loss, EUR million	16.2	0.1	11.2	27.4	7.9	246.5	0.3
Capital expenditure, EUR million	14.5	19.0	11.1	25.6	33.4	-23.4	95.9
Fair value of investment properties, EUR million			583.8	601.0	496.8	21.0	548.8
Net rental yield, % <sup>2)</sup>			4.6	4.7	4.9		4.7
Net rental yield, like-for-like properties, %			6.8	6.9	6.2		6.8

<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> Includes the lots for development projects.

## Baltic Countries

Citycon owns three shopping centres in the Baltic countries: Rocca al Mare and Magistral in Tallinn, Estonia, and Mandarinas in Vilnius, Lithuania. The difficult economic situation in the Baltic countries has affected the sales of Citycon's shopping centres and increased temporary rental rebates. At the same time, the risk of credit loss has increased. The Baltic vacancy rate has, however, not increased to any substantial degree during the period under review. Net rental income from the Baltic operations amounted to EUR 5.8 million (EUR 4.6 million). The business unit accounted for 9.3 per cent of Citycon's total net rental income.

The key figures for the Baltic property portfolio are presented below. No changes took place in the Baltic property portfolio during the period nor were there any development projects underway in the Baltic countries.

### Lease Portfolio Summary, Baltic Countries

	Q2/2010	Q2/2009	Q1/2010	Q1-Q2/2010	Q1-Q2/2009	Change-%	2009
Number of leases started during the period	2	67	4	6	68	-91.2	129
Total area of leases started, sq.m. <sup>1)</sup>	879	16,111	382	1,261	16,114	-92.2	25,057
Average rent of leases started (EUR/sq.m.) <sup>1)</sup>	17.1	24.3	19.8	17.9	24.3	-26.3	26.0
Number of leases ended during the period	4	40	3	7	51	-86.3	55
Total area of leases ended, sq.m. <sup>1)</sup>	541	6,745	520	1,061	8,140	-87.0	8,830
Average rent of leases ended (EUR/sq.m.) <sup>1)</sup>	8.8	17.5	27.8	18.1	17.0	6.5	17.1
Occupancy rate at end of the period, %			98.8	99.5	99.9	-0.4	99.4
Average remaining length of lease portfolio at the end of the period, year			5.0	4.8	5.6	-14.3	5.2

<sup>1)</sup> Leases started and ended don't necessarily refer to the same premises.

### Financial Performance, Baltic Countries

	Q2/2010	Q2/2009	Q1/2010	Q1-Q2/2010	Q1-Q2/2009	Change-%	2009
Number of properties			3	3	3	0.0	3
Gross leasable area, sq.m.			71,000	71,000	70,100	1.3	71,000
Annualised potential rental value, EUR million <sup>1)</sup>			15.3	15.4	13.8	11.8	15.8
Gross rental income, EUR million	3.4	3.3	3.6	7.0	6.3	10.3	12.0
Turnover, EUR million	4.2	3.5	4.3	8.6	6.6	29.1	14.0
Net rental income, EUR million	2.8	2.5	3.0	5.8	4.6	26.6	9.8
Net fair value gains/losses on investment property, EUR million	1.5	-0.7	-1.0	0.5	-10.3	-	-12.7
Operating profit/loss, EUR million	4.1	1.5	1.7	5.8	-6.2	-	-3.8
Capital expenditure, EUR million	-1.8	5.7	7.5	5.7	11.0	-48.3	13.9
Fair value of investment properties, EUR million			163.1	162.8	156.1	4.3	156.6
Net rental yield, % <sup>2)</sup>			7.0	7.1	6.4		6.4
Net rental yield, like-for-like properties, %			8.4	8.4	7.8		8.2

<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> Includes the lots for development projects.

## Turnover and Profit

The Citycon Group's turnover for the period came to EUR 98.1 million (EUR 91.5 million), principally derived from the rental income generated by Citycon's retail premises. Gross rental income accounted for 95.0 per cent (96.5%) of turnover.

Operating profit came to EUR 79.6 million (EUR -4.7 million). Profit before taxes was EUR 52.0 million (EUR -28.7 million) and profit after taxes attributable to the parent company's shareholders was EUR 41.4 million (EUR -23.8 million). The increase in operating profit was mainly due to the fair value changes of the property portfolio. The operating profit also rose due to the completion of (re)development projects, thanks to net rental income generated by new and refurbished premises. Credit losses remained modest at EUR 0.5 million. Temporary rental rebates totalled EUR 1.6 million during the period.

The effect of changes in the fair value of the property portfolio, of gains on sale and other indirect items on the profit attributable to the parent company's shareholders was EUR 19.9 million (EUR -48.0 million), tax effects included. Taking this into account, the direct result after taxes was EUR 2.7 million below the reference period level (cf. Note "Reconciliation between direct and indirect result"). The decrease in the direct result came mainly from increased administration and financial expenses. Administration expenses increased due to some one-off expenses. Financial expenses in 2010 increased due to higher interest expenses and the gain from the buybacks of convertible bonds recognised in 2009.

Earnings per share were EUR 0.19 (EUR -0.11). Direct result per share, diluted, (diluted EPRA EPS) came to EUR 0.10 (EUR 0.11). Net cash flow from operating activities per share was EUR 0.05 (EUR 0.19).

## Human Resources and Administrative Expenses

At the end of the period, Citycon Group employed a total of 124 (114) persons, of whom 82 were employed in Finland, 34 in Sweden and eight in the Baltic countries. Administrative expenses increased to EUR 10.2 million (EUR 8.5 million), including EUR 0.3 million (EUR 0.1 million) of expenses related to employee stock options and the company's share-based incentive scheme.

## Investments and Divestments

Citycon's reported gross capital expenditure in the period totalled EUR 55.0 million (EUR 51.0 million). Of this, agreed purchase price adjustments related to earlier concluded property acquisitions accounted for EUR 2.7 million (EUR 0.0 million), property development for EUR 51.5 million (EUR 50.7 million) and other investments for EUR 0.8 million (EUR 0.3 million). The investments were financed through cash flow from operations, gains from divestments of investment properties and existing financing arrangements.

During the period, the company has divested non-core properties in Finland and Sweden for a total of around EUR 50 million and recorded a total of EUR 2.9 million in gains on sales, including tax effects. These divestments have been covered in more detail above, under "Acquisitions and Divestments".

## Statement of Financial Position and Financing

The total assets at the end of the period stood at EUR 2,308.9 million (EUR 2,147.5 million). Liabilities totalled EUR 1,529.8 million (EUR 1,370.2 million), with short-term liabilities accounting for EUR 140.1 million (EUR 141.8 million). Citycon's financial position improved due to signing of three new loan agreements. At the end of the period under review, Citycon's liquidity was EUR 246.2 million, of which EUR 221.2 million consisted of undrawn, committed credit facilities and EUR 25.0 million of cash and cash equivalents. At the end of the accounting period, Citycon's liquidity, excluding short-term credit limits and commercial papers, stood at EUR 204.7 million (31 December 2009: EUR 172.9 million).

For the purpose of short-term liquidity management, the company uses a EUR 100 million non-committed Finnish commercial paper programme and a non-committed Swedish commercial paper programme worth SEK one billion. By the end of the period, Citycon had issued commercial papers to the value of EUR 41.5 million. Citycon's financing is mainly arranged on a long-term basis, with short-term interest-bearing debt constituting approximately 6.7 per cent of the Group's total interest-bearing debt at the end of the period.

Year-on-year, reported interest-bearing debt increased by 145.0 million to EUR 1,385.6 million (EUR 1,240.6 million). The fair value of the interest-bearing debt stood at EUR 1,394.7 million (EUR 1,251.6 million).

Cash and cash equivalents totalled EUR 25.0 million (EUR 16.7 million). The fair value of the interest-bearing net debt stood at EUR 1,369.6 million (EUR 1,234.8 million).

The year-to-date weighted average interest rate decreased compared to the previous year and was 4.0 per cent (4.2%). The average loan maturity, weighted according to the principal amount of the loans, stood at 3.3 years (4.2 years). The average interest-rate fixing period was 3.2 years (3.1 years).

Citycon's interest cover ratio declined to 2.2x (Q1/2010: 2.3x). The company's equity ratio covenant as defined in the loan agreements fell to 37.1 per cent (Q1/2010: 39.2%) due to the maturity of the subordinated bond.

The weighted average interest rate, interest-rate swaps included, was 3.87 per cent on 30 June 2010.

At the end of the reporting period, Citycon's equity ratio was 33.8 per cent (36.2%). Gearing stood at 174.6 per cent (157.4%).

At the end of the reporting period, Citycon's interest-bearing debt included 81.3 per cent (76.8%) of floating-rate loans, of which 77.4 per cent (70.1%) had been converted to fixed-rate ones by means of interest-rate swaps. Fixed-rate debt accounted for 81.6 per cent (77.1%) of the period-end interest-bearing debt, interest-rate swaps included. The debt portfolio's hedging ratio is in line with the company's financing policy. During the period, Citycon entered into new hedges, but the hedging ratio was unchanged due to maturity of the fixed rate subordinated bond.

Citycon applies hedge accounting, whereby changes in the fair value of interest-rate swaps subject to hedge accounting are recognised under other comprehensive income. The period-end nominal amount of interest-rate swaps totalled EUR 877.3 million (EUR 673.5 million), with hedge accounting applied to interest-rate swaps whose nominal amount totalled EUR 851.0 million (EUR 650.4 million).

On 30 June 2010, the nominal amount of all of the company's derivative contracts totalled EUR 877.3 million (EUR 678.3 million) and their fair value was EUR -45.7 million (EUR -26.2 million). The decline of market interest rates decreased the fair value of Citycon's interest rate derivatives. Hedge accounting is applied to the majority of interest rate derivatives, meaning that any changes in their fair value will be recognised under other comprehensive income. Thereby, the fair value loss for these derivatives does not affect the profit for the period or the earnings per share, but the total comprehensive income. During the period, the fair value loss recognised under other comprehensive income, taking account of the tax effect, totalled EUR -9.9 million (EUR -4.4 million).

Net financial expenses totalled EUR 27.6 million (EUR 24.0 million). This increase was mainly attributable to increased interest expenses as a result of lower capitalisation of interest expenses and higher amount of interest-bearing debt. In addition, the net financial expenses in the statement of comprehensive income include EUR 0.7 million (EUR 0.7 million) in non-cash expenses related to the option component on convertible bonds.

## **Loan Market Transactions**

### ***Loan Agreements***

During the period, Citycon entered into three loan agreements, each worth EUR 50 million and maturing in five years. New loans strengthen the company's available liquidity and enable it to finance its growth on a long-term basis. The loans will be used to finance investments complying with the company's strategy, such as shopping centre (re)development projects, and to refinance maturing loans.

### ***Buybacks of Convertible Bonds***

During the period under review, Citycon repurchased its subordinated convertible capital bonds issued on 2 August 2006 for an aggregate consideration of EUR 3.4 million (including accrued interest). The transaction was conducted in 26 May 2010. The repurchased principal amount of EUR 3.75 million corresponds to a total of 75 bonds with a face value of EUR 50,000, representing some three per cent of the aggregate amount of the convertible bonds maturing in 2013. These repurchased bonds were cancelled on 15 June 2010. Consequently, the number of shares available for subscription under the convertible bonds decreased to 17,321,428 and the maximum increase allowed in Citycon's share capital decreased to EUR 23,383,927.80. The amendments to Citycon's convertible bonds were registered in the Trade Register on 29 June 2010.

Including the buybacks between 28 October 2008 and 10 March 2009, Citycon has repurchased a total principal amount of EUR 37.25 million of the convertible bonds, corresponding to approximately 33.9 per cent of the aggregate amount of the convertible bonds. The weighted average repurchase price was 56.9 per cent of the face value of the bonds. The repurchases of the bonds were executed in accordance with term 7 (f) of the convertible bonds' terms and conditions, on the open market. These repurchases were conducted because the market situation allowed the company to repurchase the bonds at a price below their face value and because the repurchases enable the company to strengthen its financial position and to cut its net financial expenses.

## **Short-term Risks and Uncertainties**

For risk management purposes, Citycon has a holistic Enterprise Risk Management (ERM) programme in place. The aim of risk management is to ensure that the company meets its business targets. The ERM's purpose is to generate updated and consistent infor-

mation for the company's senior executives and Board of Directors on any risks threatening the targets set in the strategic and annual plans. More details on the company's risk management and risk management principles are available on the corporate website at [www.citycon.com/riskmanagement](http://www.citycon.com/riskmanagement) and on pages 32–34 of the Financial Statements 2009.

Citycon's Board of Directors estimates that major short-term risks and uncertainties are associated with economic developments in the company's operating regions, the cost of debt financing, changes in the fair value of investment properties and the execution of redevelopment projects.

Economic fluctuations and trends have a significant influence on demand for leasable premises as well as rental levels. These constitute one of the key near-term risks for the company. Economic growth has decelerated distinctly in all of the company's operating areas since 2008, and many economists predict that growth will remain modest in 2010 in Finland, Sweden and the Baltic countries. In addition, unemployment is expected to stay at above-normal levels while inflation remains low. Such an economic development might reduce demand for retail premises, weaken the lessees' ability to pay rent, increase the vacancy rate and limit opportunities for increasing rents.

The refurbishment and redevelopment of retail properties is an integral part of Citycon's growth strategy. Implementation of this strategy requires both equity and debt financing. The financial market weakened markedly in 2008 and the situation remained challenging throughout 2009. Banks' willingness to lend money to enterprises improved during the period under review, but has not recovered to pre-crisis levels. Moreover, the margins of long-term unsecured bank loans, in particular, have remained high. If stricter regulations for banks are realised in the future, this may lead to the maintenance of abnormally high costs for financing provided by banks. Citycon's financial position is good. At the end of the period, the company's available liquidity totalled EUR 246.2 million, consisting mainly of committed long-term credit limits and cash and cash equivalents. Citycon is capable of financing its current projects in their entirety as planned.

A number of factors contribute to the value of retail properties, such as general and local economic development, demand among property investors and interest rates. Investment property value trends are subject to untypical levels of uncertainty due to the challenging economic situation and increased unemployment throughout the company's operating areas. In recent years, retail property values have declined, with Citycon recognising fair value losses on its investment properties during the financial years 2008 and 2009. In 2010, however, Citycon has recognised fair value gains. Trading activity in the property market remained at low levels during 2009 and the first half of 2010. While changes in properties' fair value have an effect on the company's profit for the period under review, they do not have an immediate impact on cash flow.

A key element in Citycon's strategy lies in the development of existing properties to meet the lessees' needs more effectively. The most central short-term risk related to development projects includes leasing new premises in the currently difficult economic environment. Citycon is preparing major development projects throughout its operating countries, meaning – if all of these projects are carried out – that the leasable area within the company's shopping centres will increase significantly in the forthcoming years. Successful implementation of these new development projects is of primary importance as regards Citycon's financial development and growth. The key risk involves demand for retail premises as well as market rent levels in an environment characterised by slow economic growth. At this very moment, relatively low construction costs would favour launching new projects but, on the other hand, in order for new projects to be viable, they require attaining a sufficient rate of pre-leasing with sufficient rental levels.

## Environmental Responsibility

Citycon seeks to lead the way in responsible shopping centre business and to promote 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.

Citycon has initiated a Green Shopping Centre Management programme to foster sustainable development in all Citycon shopping centres. The programme was implemented in 2009, and it aims to improve energy efficiency, recycling and other operations that support sustainable development. Citycon's shopping centres were evaluated under the Green Shopping Centre Management programme during the second quarter of the year. According to this evaluation, all shopping centres showed improvement with respect to the various elements of sustainable development from the previous year.

In late March, the Liljeholmstorget shopping centre was awarded the platinum LEED® (Leadership in Energy and Environmental Design) environmental certificate, the highest of its kind. Liljeholmstorget's certificate is the first platinum-level certificate awarded to a shopping centre in Europe. The Rocca al Mare shopping centre, in turn, was awarded a silver LEED environmental certificate in January, the first of its kind in the Baltic countries. The Trio shopping centre already received its certificate in June 2009, being the

first to do so in the Nordic countries. All three projects were Citycon's pilot projects in sustainable construction. Certification forms an essential element of Citycon's efforts towards sustainable development.

Citycon defined its long-term strategic objectives related to environmental responsibility in connection with its strategic planning in the summer of 2009. These are presented in the company's first combined Annual and Corporate Social Responsibility Report for 2009, which was published in March. The report also describes the company's economic, social and environmental responsibility towards its various stakeholders, applying the recommendations of the Global Reporting Initiative (GRI) on the content and principles of corporate responsibility reporting. For the first time, Citycon also included data on its environmental performance, with key figures on energy and water consumption, waste recycling rates and the carbon footprint of the company's business operations. These key figures are used for specifying site-specific action plans to help promote the company's environmental performance goals.

The Green Building Council Finland (FIGBC) was established in April, with Citycon as one of its founding members. The FIGBC's mission includes promoting sustainable development practices related to built-up environments and environmental classification, connecting Finland into the international network of the Green Building Council, sharing knowledge and expertise as well as generating dialogue and discussion. Citycon's CEO Petri Olkinuora was elected onto the association's first Board.

## **Annual General Meeting 2010**

Citycon Oyj's Annual General Meeting (AGM) was held in Helsinki on 11 March 2010. 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 2009. The AGM decided on a dividend of EUR 0.04 per share for the financial year 2009 and, in addition, on an equity return of EUR 0.10 per share from the invested unrestricted equity fund. The record date for the dividend payout and equity return was 16 March 2010, and the dividend and equity return were paid on 7 April 2010. Other decisions made by the Annual General Meeting have been reported in the interim report published on 20 April 2010.

## **Extraordinary General Meeting 2010**

Citycon Oyj's Extraordinary General Meeting (EGM) took place in Helsinki on 17 May 2010. The EGM decided that the number of Board members should be ten and elected Chaim Katzman to the company's Board of Directors for a term expiring at the end of the next Annual General Meeting.

As proposed by the Board of Directors, the EGM also decided to amend the second paragraph of Article 4 of the Articles of Association so that instead of one Deputy Chairman, the Board of Directors elects one or more Deputy Chairmen from among its members. This amendment to the Articles of Association was recorded in the Trade Register on 24 May 2010.

In addition, the EGM decided, in line with a proposal from the Board's Nomination Committee, to amend the decision made by the AGM of 11 March 2010 on the remuneration of Board members, pertaining to the annual remuneration paid to a Deputy Chairman, in such a way that the one or more Deputy Chairmen of the Board will each be paid an annual remuneration of EUR 60,000.

Chaim Katzman was elected Chairman of the company's Board of Directors at the Board meeting held on 15 June 2010.

## **Shareholders, Share Capital and Shares**

### ***Trading and Share Performance***

During January–June, the number of Citycon shares traded on the NASDAQ OMX Helsinki totalled 57.9 million (92.7 million) at an overall value of EUR 159.9 million (EUR 150.2 million). The highest quotation during the period was EUR 3.15 (EUR 2.02), and the lowest EUR 2.29 (EUR 1.30). The reported trade-weighted average price was EUR 2.76 (EUR 1.62), and the share closed at EUR 2.42 (EUR 1.86). At the end of June, the company's market capitalisation totalled EUR 538.6 million (EUR 411.2 million).

### ***Shareholders***

Citycon had a total of 4,145 (3,160) registered shareholders at the end of June, of which nine were account managers of nominee-registered shares. Nominee-registered and other international shareholders held 195.8 million (202.6 million) shares, or 88.0 per cent (91.6%) of the company's share capital and voting rights.

### ***Notifications of Changes in Shareholdings***

The company has not received any notifications of changes in shareholdings during the reporting period.





### Share Capital

At the end of June 2010, the company's registered share capital totalled EUR 259,570,510.20 and the number of shares was 222,564,972. During the period, there were no changes in the company's share capital but the number of shares grew by 1,301,217 as a result of share subscriptions made by exercising option rights and by 204,020 shares which the company issued through directed, free share issues in May as part of its long-term, share-based incentive plan. In total, the number of shares increased by 1,505,237 shares. The company has a single series of shares, with each share entitling the holder to one vote at general meetings of shareholders. The shares have no nominal value.

### Board Authorisations

Under a share issue authorisation granted by the AGM of 2007, the Board of Directors can still decide on a maximum of 72,033,412 shares to be issued or treasury shares to be conveyed. Based on this authorisation, the Board may also decide on the granting of stock options and other special rights. This authorisation is valid until 13 March 2012.

The 2010 AGM authorised the Board of Directors to decide on the acquisition of 20 million of the company's own shares. This acquisition authorisation will be valid until the next Annual General Meeting.

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

### Own Shares

During the reporting period, the company conveyed a total of 80,000 own shares which it had directed to itself as part of the company's long-term, share-based incentive plan. The shares were conveyed in transactions on 1–2 June 2010, through public trading on the NASDAQ OMX Helsinki. Further details on the transactions can be found in the releases published on 1 and 2 June by the company on its website at [www.citycon.com](http://www.citycon.com). The company had no treasury shares at the end of the reporting period.

### Stock Options 2004

The Annual General Meeting held on 15 March 2004 authorised the issue of a maximum of 3,900,000 stock options to the personnel of the Citycon Group. The stock options are listed on the NASDAQ OMX Helsinki exchange.

The subscription period for Citycon's stock options 2004 B expired at the end of March. A total of 1,301,217 shares were subscribed with these options, all of them in the period of January–March. The subscription price received by the company for these shares, a total of EUR 3.3 million, has been recorded in the invested unrestricted equity fund, in accordance with the terms and conditions of the stock options.

The number of unexercised outstanding stock options 2004 B totalled 17,002. These stock options were deleted as worthless from their holders' book-entry accounts.

The enclosed table includes information on the remaining stock options 2004. The full terms and conditions of the stock option plan are available on the corporate website at [www.citycon.com/options](http://www.citycon.com/options).

#### Basic Information on Stock Options 2004 as at 30 June 2010

	2004 C
No. of options granted	1,050,000
No. held by Veniamo-Invest Oy <sup>1)</sup>	250,000
Subscription ratio, option/shares	1:1.2127
Subscription price per share, EUR <sup>2)</sup>	4.2213
Subscription period began	1.9.2008
Subscription period ends	31.3.2011
No. of options exercised	-
No. of shares subscribed with options	-
No. of options available for share subscription	1,050,000
No. of shares that can be subscribed	1,273,335

<sup>1)</sup> Veniamo-Invest Oy, a wholly-owned subsidiary of Citycon Oyj, cannot subscribe for its parent company's shares.

<sup>2)</sup> Following the dividend payment and equity return in 2010. The share subscription price is reduced by half of the per-share dividends paid and per-share equity returned.



## Events after the Accounting Period

In July 2009, Citycon agreed to sell premises, mainly consisting of apartments, located at Åkersberga Centrum for a price of about SEK 181 million (approx. EUR 19 million) to the Swedish investment company Tegeltornet AB. The sale was finalised in early July. This transaction has no effect on reported profits.

## Outlook

Citycon continues to focus on increasing its net cash from operating activities and direct operating profit. In order to implement this strategy, the company will pursue value-added activities while cautiously monitoring the market for potential acquisitions.

Due to the uncertainty on the markets, 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 to improve the property portfolio and strengthen the company's financial position. The company is also considering alternative property financing sources.

In 2010, Citycon's turnover is expected to grow by approximately 3-7 per cent and direct operating profit by approximately 1-4 per cent compared with the previous year, based on the existing portfolio. The company expects its direct result to be moderately lower than in the previous year. The estimate is based on completed (re)development projects and the prevailing low inflation level. In addition, properties taken offline for planned (re)development projects will reduce net rental income during the year.

The change in outlook regarding direct result and direct operating profit (from 3-6 per cent to 1-4 per cent) is due mainly to slower stabilisation and development of certain projects.

Helsinki, 13 July 2010

Citycon Oyj  
Board of Directors

# Interim Condensed Consolidated Financial Statements

## 1 January - 30 June 2010

### Condensed Consolidated Statement of Comprehensive Income, IFRS

EUR million	Note	Q2/ 2010	Q2/ 2009	Change- %	Q1-Q2/ 2010	Q1-Q2/ 2009	Change- %	2009
Gross rental income		46.0	43.9	4.7%	93.2	88.2	5.6%	177.8
Service charge income		2.6	1.7	56.6%	4.9	3.2	51.9%	8.5
<b>Turnover</b>	3	<b>48.6</b>	<b>45.6</b>	<b>6.6%</b>	<b>98.1</b>	<b>91.5</b>	<b>7.3%</b>	<b>186.3</b>
Property operating expenses	4	16.1	14.4	11.7%	34.9	29.8	17.1%	60.2
Other expenses from leasing operations		0.6	0.2	301.1%	0.7	0.4	113.1%	0.7
<b>Net rental income</b>		<b>31.8</b>	<b>31.0</b>	<b>2.7%</b>	<b>62.5</b>	<b>61.3</b>	<b>1.8%</b>	<b>125.4</b>
Administrative expenses		5.8	3.9	47.1%	10.2	8.5	20.6%	17.8
Other operating income and expenses		0.0	0.0	-	0.1	0.0	-	0.0
Net fair value gains/ losses on investment property		22.9	-26.0	-	23.7	-57.6	-	-97.4
Net gains on sale of investment property		0.3	0.0	-	3.5	0.1	-	0.1
<b>Operating profit/loss</b>		<b>49.2</b>	<b>1.1</b>	<b>-</b>	<b>79.6</b>	<b>-4.7</b>	<b>-</b>	<b>10.3</b>
Net financial income and expenses		-14.4	-11.8	22.4%	-27.6	-24.0	14.7%	-47.7
<b>Profit/loss before taxes</b>		<b>34.8</b>	<b>-10.7</b>	<b>-</b>	<b>52.0</b>	<b>-28.7</b>	<b>-</b>	<b>-37.5</b>
Current taxes		-1.9	-1.5	25.9%	-4.3	-3.3	33.1%	-6.5
Change in deferred taxes		0.0	4.5	-100.7%	-0.5	6.0	-	7.0
<b>Profit/loss for the period</b>		<b>32.8</b>	<b>-7.7</b>	<b>-</b>	<b>47.1</b>	<b>-26.0</b>	<b>-</b>	<b>-36.9</b>
<b>Profit/loss attributable to</b>								
Parent company shareholders		28.4	-7.0	-	41.4	-23.8	-	-34.3
Minority interest		4.4	-0.7	-	5.8	-2.2	-	-2.6
<b>Earnings per share attributable to parent company shareholders</b>								
Earnings per share (basic), EUR	6	0.13	-0.03	-	0.19	-0.11	-	-0.16
Earnings per share (diluted), EUR	6	0.12	-0.03	-	0.18	-0.11	-	-0.16
Direct result	5	10.1	12.6	-19.5%	21.5	24.2	-11.2%	50.9
Indirect result	5	18.3	-19.5	-	19.9	-48.0	-	-85.2
<b>Profit/loss for the period attributable to parent company shareholders</b>		<b>28.4</b>	<b>-7.0</b>	<b>-</b>	<b>41.4</b>	<b>-23.8</b>	<b>-</b>	<b>-34.3</b>
<b>Other comprehensive expenses /income</b>								
Net losses on cash flow hedges		-4.5	4.8	-	-13.4	-6.0	125.1%	-6.7
Income taxes relating to cash flow hedges		1.2	-1.2	-	3.5	1.6	125.1%	1.8
Exchange gains/losses on translating foreign operations		0.4	0.4	12.0%	1.3	0.2	-	2.0
<b>Other comprehensive expenses /income for the period, net of tax</b>		<b>-2.9</b>	<b>3.9</b>	<b>-</b>	<b>-8.6</b>	<b>-4.2</b>	<b>105.1%</b>	<b>-3.0</b>
<b>Total comprehensive profit/loss for the period</b>		<b>29.9</b>	<b>-3.8</b>	<b>-</b>	<b>38.5</b>	<b>-30.2</b>	<b>-</b>	<b>-39.9</b>
<b>Total comprehensive profit/loss attributable to</b>								
Parent company shareholders		23.9	-3.2	-	31.2	-28.1	-	-38.4
Minority interest		6.0	-0.6	-	7.3	-2.1	-	-1.4

## Condensed Consolidated Statement of Financial Position, IFRS

EUR million	Note	30 June 2010	30 June 2009	31 Dec. 2009
<b>Assets</b>				
Non-current assets				
Investment properties	7	2,229.5	2,104.5	2,147.4
Intangible assets and property, plant and equipment		2.0	1.6	1.6
Deferred tax assets		12.2	8.3	8.6
Derivative financial instruments and other non-current assets	10	0.0	0.0	3.8
<b>Total non-current assets</b>		<b>2,243.8</b>	<b>2,114.5</b>	<b>2,161.4</b>
Current assets				
Investment properties held for sale	8	19.0	-	26.0
Derivative financial instruments	10	1.0	5.8	-
Trade and other receivables		20.2	10.5	46.1
Cash and cash equivalents	9	25.0	16.7	19.8
<b>Total current assets</b>		<b>65.1</b>	<b>33.0</b>	<b>91.8</b>
<b>Total assets</b>		<b>2,308.9</b>	<b>2,147.5</b>	<b>2,253.2</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	10	-32.6	-22.1	-22.7
Invested unrestricted equity fund	11	136.6	155.2	155.2
Retained earnings	11	240.3	217.4	207.8
<b>Total equity attributable to parent company shareholders</b>		<b>735.0</b>	<b>741.3</b>	<b>731.1</b>
Minority interest		44.1	36.1	36.8
<b>Total shareholders' equity</b>		<b>779.1</b>	<b>777.4</b>	<b>767.9</b>
Long-term liabilities				
Long-term interest-bearing debt	12	1,292.8	1,145.3	1,175.4
Derivative financial instruments and other non-interest bearing liabilities	10	46.3	32.1	32.5
Deferred tax liabilities		50.7	51.0	50.0
<b>Total long-term liabilities</b>		<b>1,389.7</b>	<b>1,228.4</b>	<b>1,257.9</b>
Short-term liabilities				
Short-term interest-bearing debt	12	92.8	95.3	146.3
Derivate financial instruments	10	1.3	1.1	1.5
Trade and other payables		46.0	45.4	79.7
<b>Total short-term liabilities</b>		<b>140.1</b>	<b>141.8</b>	<b>227.4</b>
<b>Total liabilities</b>		<b>1,529.8</b>	<b>1,370.2</b>	<b>1,485.3</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,308.9</b>	<b>2,147.5</b>	<b>2,253.2</b>

## Condensed Consolidated Cash Flow Statement, IFRS

EUR million	Note	Q1-Q2/2010	Q1-Q2/2009	2009
Cash flow from operating activities				
<b>Profit/loss before taxes</b>		<b>52.0</b>	<b>-28.7</b>	<b>-37.5</b>
Adjustments		0.7	81.9	145.7
Cash flow before change in working capital		52.7	53.1	108.3
Change in working capital		-6.3	8.0	10.7
<b>Cash generated from operations</b>		<b>46.4</b>	<b>61.1</b>	<b>119.0</b>
Paid interest and other financial charges		-26.7	-27.6	-54.4
Interest income and other financial income received		0.0	0.2	0.3
Realized exchange rate losses/gains		-3.3	11.8	11.8
Taxes paid		-5.8	-3.7	-10.4
<b>Net cash from operating activities</b>		<b>10.7</b>	<b>41.7</b>	<b>66.2</b>
Cash flow from investing activities				
Capital expenditure on investment properties as well as on intangible assets and PP&E	7	-53.5	-52.1	-130.9
Sale of investment properties	7,8	47.3	3.1	3.1
<b>Net cash used in investing activities</b>		<b>-6.2</b>	<b>-49.0</b>	<b>-127.9</b>
Cash flow from financing activities				
Sale of treasury shares		0.2	0.0	-
Share subscriptions based on stock options		3.3	-	-
Proceeds from short-term loans	12	61.1	86.5	149.7
Repayments of short-term loans	12	-116.7	-41.5	-77.1
Proceeds from long-term loans	12	179.2	142.1	295.1
Repayments of long-term loans	12	-96.3	-149.0	-273.0
Dividends and return from the invested unrestricted equity fund	11	-31.0	-30.9	-30.9
<b>Net cash from financing activities</b>		<b>-0.2</b>	<b>7.2</b>	<b>63.8</b>
<b>Net change in cash and cash equivalents</b>		<b>4.3</b>	<b>-0.1</b>	<b>2.1</b>
Cash and cash equivalents at period-start	9	19.8	16.7	16.7
Effects of exchange rate changes		1.0	0.1	1.0
<b>Cash and cash equivalents at period-end</b>	9	<b>25.0</b>	<b>16.7</b>	<b>19.8</b>

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

EUR million	Equity attributable to parent company shareholders						Equity attributable to parent company shareholders	Minority interest	Shareholders' equity, total
	Share capital	Share premium fund	Fair value reserve	Invested un-restricted equity fund	Translation reserve	Retained earnings			
<b>Balance at 1 Jan. 2009</b>	259.6	131.1	-17.7	177.3	-10.3	259.1	799.1	38.2	837.3
Total comprehensive loss/profit for the period			-4.4		0.1	-23.8	-28.1	-2.1	-30.2
Recognized gain in the equity arising from convertible bond buybacks						1.1	1.1		1.1
Sale of treasury shares				0.0			0.0		0.0
Dividends and return from the invested unrestricted equity fund (Note 11)				-22.1		-8.8	-30.9		-30.9
Share-based payments						0.1	0.1		0.1
<b>Balance at 30 June 2009</b>	259.6	131.1	-22.1	155.2	-10.2	227.7	741.3	36.1	777.4
<b>Balance at 1 Jan. 2010</b>	259.6	131.1	-22.7	155.2	-9.5	217.3	731.1	36.8	767.9
Total comprehensive loss/profit for the period			-9.9		-0.2	41.4	31.2	7.3	38.5
Share subscriptions based on stock options				3.3			3.3		3.3
Recognized gain in the equity arising from convertible bond buybacks						0.0	0.0		0.0
Sale of treasury shares				0.2			0.2		0.2
Dividends and return from the invested unrestricted equity fund (Note 11)				-22.1		-8.8	-30.9		-30.9
Share-based payments						0.2	0.2		0.2
<b>Balance at 30 June 2010</b>	259.6	131.1	-32.6	136.6	-9.7	250.0	735.0	44.1	779.1

# Notes to the Interim Condensed Consolidated Financial Statements

## 1. Basic Company Data

Citycon is a real estate company investing in retail premises. Citycon operates mainly in Finland, Sweden and the Baltic countries. Citycon is a Finnish public limited liability company established under Finnish law and domiciled in Helsinki. The Board of Directors has approved the interim financial statements on 13 July 2010.

## 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 months ended 30 June 2010 have been prepared in accordance with IAS 34 Interim Financial Reporting. The following amendments and interpretations to the existing standards have been adopted in the interim financial statements: IAS 27 (revised) Consolidated and separate financial statements and IFRS 3 (revised) Business Combinations. Additional information on the new standards as well as on the amendments and interpretations to the existing standards are available in Citycon's Financial Statements 2009, in Chapter 3 "Changes in IFRS and accounting policies" under the Notes to the Consolidated Financial Statements (see pages 18-19 in the Financial Statements).

Otherwise, same accounting principles and policies are followed in the interim financial statements as in the annual financial statements for the year 2009. The interim financial statements do not include all the disclosures required in the annual financial statements. Therefore, they should be read in conjunction with Citycon's annual financial statements for the year 2009.

## 3. Segment Information

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

EUR million	Q2/2010	Q2/2009	Change-%	Q1-Q2/2010	Q1-Q2/2009	Change-%	2009
<b>Turnover</b>							
Finland	31.1	32.6	-4.5%	63.7	66.1	-3.7%	131.3
Sweden	13.2	9.5	40.0%	25.9	18.8	37.9%	41.0
Baltic Countries	4.2	3.5	19.6%	8.6	6.6	29.1%	14.0
<b>Total</b>	<b>48.6</b>	<b>45.6</b>	<b>6.6%</b>	<b>98.1</b>	<b>91.5</b>	<b>7.3%</b>	<b>186.3</b>
<b>Net rental income</b>							
Finland	21.5	22.9	-6.3%	42.7	46.0	-7.0%	92.4
Sweden	7.6	5.6	35.4%	13.9	10.8	29.1%	23.2
Baltic Countries	2.8	2.5	11.6%	5.8	4.6	26.6%	9.8
Other	0.0	0.0	-	0.0	0.0	-	0.0
<b>Total</b>	<b>31.8</b>	<b>31.0</b>	<b>2.7%</b>	<b>62.5</b>	<b>61.3</b>	<b>1.8%</b>	<b>125.4</b>
<b>Direct operating profit/loss</b>							
Finland	19.8	21.4	-7.8%	40.3	42.9	-6.0%	86.3
Sweden	6.2	4.8	27.7%	11.7	9.2	26.6%	20.0
Baltic Countries	2.6	2.2	17.4%	5.3	4.1	29.2%	8.8
Other	-2.2	-1.4	57.6%	-4.6	-3.4	34.4%	-7.4
<b>Total</b>	<b>26.3</b>	<b>27.1</b>	<b>-2.7%</b>	<b>52.7</b>	<b>52.8</b>	<b>-0.2%</b>	<b>107.7</b>
<b>Operating profit/loss</b>							
Finland	31.2	1.0	-	50.9	-3.0	-	21.2
Sweden	16.2	0.1	-	27.4	7.9	-	0.3
Baltic Countries	4.1	1.5	174.4%	5.8	-6.2	-	-3.8
Other	-2.2	-1.4	55.9%	-4.6	-3.4	33.8%	-7.4
<b>Total</b>	<b>49.2</b>	<b>1.1</b>	<b>-</b>	<b>79.6</b>	<b>-4.7</b>	<b>-</b>	<b>10.3</b>

EUR million	30 June 2010	30 June 2009	Change-%	31 Dec. 2009
<b>Assets</b>				
Finland	1,473.6	1,455.7	1.2%	1,455.5
Sweden	630.1	501.3	25.7%	605.7
Baltic Countries	163.7	157.5	4.0%	157.6
Other	41.5	33.1	25.5%	34.3
<b>Total</b>	<b>2,308.9</b>	<b>2,147.5</b>	<b>7.5%</b>	<b>2,253.2</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	Q2/2010	Q2/2009	Change-%	Q1-Q2/2010	Q1-Q2/2009	Change-%	2009
Heating and electricity	4.5	4.4	3.5%	11.7	10.5	11.1%	20.2
Maintenance expenses	6.3	5.0	26.6%	12.3	9.6	27.5%	20.1
Property personnel expenses	0.1	0.1	117.4%	0.3	0.3	19.4%	0.5
Administrative and management fees	0.6	0.7	-6.6%	1.2	1.3	-7.1%	2.5
Marketing expenses	1.4	1.1	28.1%	2.5	1.7	50.3%	4.4
Property insurances	0.2	0.2	-16.2%	0.3	0.4	-13.0%	0.7
Property taxes	1.5	1.2	23.7%	2.9	2.4	21.3%	4.7
Repair expenses	1.5	1.9	-18.9%	3.6	3.7	-1.5%	6.9
Other property operating expenses	0.0	0.0	-48.3%	0.1	0.0	-	0.1
<b>Total</b>	<b>16.1</b>	<b>14.4</b>	<b>11.7%</b>	<b>34.9</b>	<b>29.8</b>	<b>17.1%</b>	<b>60.2</b>

#### 5. Reconciliation between Direct and Indirect Result

Due to the nature of Citycon's business and the obligation to apply IFRS, the consolidated statement of comprehensive income includes several items related to non-operating activities. In addition to the consolidated statement of comprehensive income under IFRS, Citycon also presents its profit/loss attributable to parent company shareholders with direct result and indirect result separately specified, in an attempt to enhance the transparency of its operations and to facilitate comparability of reporting periods. Direct result describes the profitability of the Group's operations during the reporting period disregarding the effects of fair value changes, gains or losses on sales, other extraordinary items and other comprehensive income items. Earnings per share calculated based on direct result corresponds to the earnings per share definition recommended by EPRA.

Direct result excludes the changes in fair value of financial instruments that are recognized in the statement of comprehensive income under net financial income and expenses. In order to hedge against interest rate risk, Citycon has entered into, in accordance with its interest rate risk management policy, interest rate and inflation derivatives which do not qualify under hedge accounting treatment under IFRS. Changes in fair value of such derivatives are recognized in the statement of comprehensive income under net financial income and expenses. These derivatives hedge the group against interest rate risk and in accordance with the terms of the derivatives Citycon receives floating money market interest rate which has a matching interest rate determination procedure with group's floating rate debt. The interest rate which Citycon pays under these derivatives does not depend on the money market interest rate which means that these derivatives hedge Citycon against rising floating interest rates. The aim is to ensure effectiveness of the hedges by matching the interest rate fixing procedure between the derivatives recognized in the statement of comprehensive income under net financial income and expenses and floating rate debt of Citycon.



EUR million	Q2/2010	Q2/2009	Change-%	Q1-Q2/2010	Q1-Q2/2009	Change-%	2009
<b>Direct result</b>							
Net rental income	31.8	31.0	2.7%	62.5	61.3	1.8%	125.4
Direct administrative expenses	-5.5	-3.9	40.3%	-9.8	-8.5	15.6%	-17.7
Direct other operating income and expenses	0.0	0.0	-	0.1	0.0	-	0.0
<b>Direct operating profit</b>	<b>26.3</b>	<b>27.1</b>	<b>-2.7%</b>	<b>52.7</b>	<b>52.8</b>	<b>-0.2%</b>	<b>107.7</b>
Direct net financial income and expenses	-14.2	-12.1	17.2%	-27.1	-24.1	12.5%	-47.7
Direct current taxes	-1.4	-1.5	-10.7%	-3.2	-3.0	7.4%	-6.2
Change in direct deferred taxes	-0.1	-0.2	-69.0%	0.1	-0.2	-	-0.2
Direct minority interest	-0.6	-0.7	-10.6%	-1.0	-1.4	-28.2%	-2.8
<b>Total direct result</b>	<b>10.1</b>	<b>12.6</b>	<b>-19.5%</b>	<b>21.5</b>	<b>24.2</b>	<b>-11.2%</b>	<b>50.9</b>
Direct result per share (diluted), (diluted EPRA EPS), EUR <sup>1)</sup>	0.05	0.06	-18.3%	0.10	0.11	-10.3%	0.23
<b>Indirect result</b>							
Net fair value gains/losses on investment property	22.9	-26.0	-	23.7	-57.6	-	-97.4
Profit on disposal of investment property	0.3	-	-	3.5	0.1	-	0.1
Indirect administrative expenses	-0.3	-	-	-0.4	-	-	-0.1
Indirect other operating income and expenses	-	-	-	0.0	-	-	0.0
Movement in fair value of financial instruments	-0.3	0.3	-	-0.5	0.0	-	-0.1
Indirect current taxes	-0.6	-	-	-1.2	-0.3	-	-0.3
Change in indirect deferred taxes	0.0	4.7	-	-0.6	6.2	-	7.3
Indirect minority interest	-3.8	1.4	-	-4.7	3.6	-	5.3
<b>Total indirect result</b>	<b>18.3</b>	<b>-19.5</b>	<b>-</b>	<b>19.9</b>	<b>-48.0</b>	<b>-</b>	<b>-85.2</b>
Indirect result per share, diluted	0.08	-0.09	-	0.08	-0.22	-	-0.39
<b>Profit/loss for the period attributable to parent company shareholders</b>	<b>28.4</b>	<b>-7.0</b>	<b>-</b>	<b>41.4</b>	<b>-23.8</b>	<b>-</b>	<b>-34.3</b>

<sup>1)</sup> The calculation of the direct result per share is presented in the Note 6 "Earnings per Share".



## 6. Earnings per Share

	Q1-Q2/2010	Q1-Q2/2009	2009
<b>A) Earnings per share calculated from the profit/loss for the period</b>			
<b>Earnings per share, basic</b>			
Profit/loss attributable to parent company shareholders, EUR million	41.4	-23.8	-34.3
Issue-adjusted average number of shares, Million	221.8	221.0	221.0
<b>Earnings per share (basic), EUR</b>	<b>0.19</b>	<b>-0.11</b>	<b>-0.16</b>
<b>Earnings per share, diluted</b>			
Profit/loss attributable to parent company shareholders, EUR million	41.4	-23.8	-34.3
Expenses from convertible capital loan, the tax effect deducted, EUR million	2.1	-	-
Profit/loss used in the calculation of diluted earnings per share, EUR million	43.5	-23.8	-34.3
Issue-adjusted average number of shares, Million	221.8	221.0	221.0
Convertible capital loan impact, Million	18.0	-	-
Adjustment for stock options, Million	0.0	-	-
Adjustments for long-term share-based incentive plan	0.2	-	-
Issue-adjusted average number of shares used in the calculation of diluted earnings per share, Million	240.0	221.0	221.0
<b>Earnings per share (diluted), EUR</b>	<b>0.18</b>	<b>-0.11</b>	<b>-0.16</b>
The incremental shares from assumed conversions or any income or cost related to dilutive potential shares are not included in calculating 2009 diluted per-share figures because the profit attributable to parent company shareholders was negative.			
<b>B) Earnings per share calculated from the direct result for the period</b>			
<b>Direct result per share (diluted), (diluted EPRA EPS)</b>			
Direct result, EUR million (Note 5)	21.5	24.2	50.9
Expenses arising from convertible capital loan, adjusted with the tax effect deduction, EUR million	2.1	2.1	4.2
Profit used in the calculation of direct result per share, EUR million	23.6	26.2	55.1
Issue-adjusted average number of shares, Million	221.8	221.0	221.0
Convertible capital loan impact, Million	18.0	18.8	18.5
Adjustment for stock options, Million	0.0	-	-
Adjustments for long-term share-based incentive plan	0.2	0.1	0.0
Issue-adjusted average number of shares used in the calculation of diluted earnings per share, Million	240.0	239.8	239.5
<b>Direct result per share (diluted), (diluted EPRA EPS), EUR</b>	<b>0.10</b>	<b>0.11</b>	<b>0.23</b>

## 7. Investment Property

Citycon divides its investment properties into two categories: investment properties under construction (IPUC) and operative investment properties. At 30 June 2010 the first mentioned category included Espoontori, Jyväskylän Forum, Kirkkonummen Liikekeskus, Lahden Hansa, Myllypuro, Martinlaakso and Myyrmanni in Finland as well as Åkersberga in Sweden.

EUR million

30 June 2010

	Investment properties under construction (IPUC)	Operative investment properties	Investment properties total
<b>At period-start</b>	<b>269.8</b>	<b>1,877.6</b>	<b>2,147.4</b>
Acquisitions	2.0	0.7	2.7
Investments	25.8	24.2	50.0
Disposals	-3.3	-34.4	-37.7
Capitalized interest	0.7	0.9	1.6
Fair value gains on investment property	11.0	37.2	48.1
Fair value losses on investment property	-17.1	-7.3	-24.4
Exchange differences	2.9	38.9	41.8
Transfers between items	47.4	-47.4	0.0
<b>At period-end</b>	<b>339.1</b>	<b>1,890.4</b>	<b>2,229.5</b>

EUR million

30 June 2009

	Investment properties under construction (IPUC)	Operative investment properties	Investment properties total
<b>At period-start</b>	<b>271.8</b>	<b>1,839.9</b>	<b>2,111.6</b>
Investments	42.4	4.3	46.7
Disposals	-	-2.7	-2.7
Capitalized interest	3.6	0.3	4.0
Fair value gains on investment property	7.1	1.5	8.6
Fair value losses on investment property	-12.4	-53.8	-66.2
Exchange differences	1.3	1.2	2.5
Transfers between items	222.7	-222.7	0.0
<b>At period-end</b>	<b>536.5</b>	<b>1,568.0</b>	<b>2,104.5</b>

EUR million

31 Dec. 2009

	Investment properties under construction (IPUC)	Operative investment properties	Investment properties total
<b>At period-start</b>	<b>271.8</b>	<b>1,839.9</b>	<b>2,111.6</b>
Acquisitions	0.0	-	0.0
Investments	84.4	33.4	117.8
Disposals	-	-2.7	-2.7
Capitalized interest	6.3	1.6	7.9
Fair value gains on investment property	-	5.5	5.5
Fair value losses on investment property	-14.9	-88.0	-102.9
Exchange differences	10.6	17.3	27.9
Transfers between items	-88.3	70.6	-17.7
<b>At period-end</b>	<b>269.8</b>	<b>1,877.6</b>	<b>2,147.4</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 (€/m²)		
	30 June 2010	30 June 2009	31 Dec. 2009	30 June 2010	30 June 2009	31 Dec. 2009
Finland	6.5	6.5	6.6	23.4	22.2	22.5
Sweden	6.2	6.5	6.4	22.7	18.9	21.3
Baltic Countries	8.2	7.7	8.1	21.2	20.5	21.4
Average	6.6	6.6	6.6	23.0	21.3	22.1

## 8. Investment Properties Held for Sale

In 2009, the Investment properties held for sale comprised buildings rights acquired for the Myllypuro development project and 181 residential units in Åkersberga Centrum. Buildings rights acquired for the Myllypuro development project were sold to three different residential investors through share transactions on 12 January 2010. A gain on sale of EUR 2.3 million was recorded from this transaction. On 30 June 2010, investment properties held for sale include 181 residential units in Åkersberga Centrum, which were sold to Tegeltornet AB in July 2010.

EUR million	30 June 2010	30 June 2009	31 Dec. 2009
At period-start	26.0	-	-
Investments	0.1	-	8.3
Disposals	-8.4	-	-
Exchange differences	1.3	-	-
Transfers from investment properties	0.0	-	17.7
At period-end	19.0	-	26.0

## 9. Cash and Cash Equivalents

EUR million	30 June 2010	30 June 2009	31 Dec. 2009
Cash in hand and at bank	16.7	16.7	13.5
Short-term deposits	8.3	-	6.4
Total	25.0	16.7	19.8

## 10. Derivative Financial Instruments

EUR million	30 June 2010		30 June 2009		31 Dec. 2009	
	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate derivatives						
Interest rate swaps						
Maturity:						
less than 1 year	92.5	-0.3	66.0	-1.0	48.8	-1.2
1-2 years	70.0	-3.1	86.2	2.6	70.0	1.0
2-3 years	133.0	-10.2	70.0	-3.5	60.0	-3.0
3-4 years	155.4	-10.3	133.0	-7.5	262.9	-14.5
4-5 years	254.0	-13.4	146.2	-7.4	198.0	-7.3
over 5 years	172.5	-8.5	172.1	-9.5	97.9	-4.0
Subtotal	877.3	-45.7	673.5	-26.3	737.6	-29.0



EUR million	30 June 2010		30 June 2009		31 Dec. 2009	
	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount	Fair value
<b>Foreign exchange derivatives</b>						
Forward agreements						
Maturity:						
less than 1 year	0.0	0.0	4.8	0.1	22.0	-0.2
<b>Total</b>	<b>877.3</b>	<b>-45.7</b>	<b>678.3</b>	<b>-26.2</b>	<b>759.7</b>	<b>-29.2</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 1.0 million (EUR 5.7 million) which is recognized in the statement of comprehensive income under net financial income and expenses.

Hedge accounting is applied for interest rates swaps which have nominal amount of EUR 851.0 million (EUR 650.4 million). The fair value loss recognized under other comprehensive income taking into account the tax effect totals EUR -9.9 million (EUR -4.4 million).

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

In accordance with the proposal by the Board of Directors and the decision by the Annual General Meeting held on 11 March 2010, dividend for the financial year 2009 amounted to EUR 0.04 per share (EUR 0.04 for the financial year 2008) and EUR 0.10 per share was decided to be returned from the invested unrestricted equity fund (EUR 0.10 for the financial year 2008).

Dividend and equity return of EUR 30.9 million for the financial year 2009 (EUR 30.9 million for the financial year 2008) were paid on 7 April 2010.

## 12. Interest-bearing Liabilities

During the period, repayments of interest-bearing debt amounted to EUR 86.4 million were made in line with previously disclosed repayment terms.

Other proceeds and repayments from/of long-term loans in the cash-flow statement arose from the use of revolving credit facilities and new term loans.

## 13. Contingent Liabilities

EUR million	30 June 2010	30 June 2009	31 Dec. 2009
Mortgages on land and buildings	45.8	40.8	42.9
Bank guarantees	44.4	49.7	45.4
Capital commitments	39.1	11.6	44.0

On 30 June 2010, Citycon had capital commitments of EUR 39.1 million (EUR 11.6 million) relating mainly to development and redevelopment projects.

## 14. Related Party Transactions

There were no significant transactions with the related parties during the period.

## 15. Key Figures

	Q1-Q2/ 2010	Q1-Q2/ 2009	Change-%	2009
Earnings per share (basic), EUR	0.19	-0.11	-	-0.16
Earnings per share (diluted), EUR	0.18	-0.11	-	-0.16
Equity per share, EUR	3.30	3.35	-1.5%	3.31
Net asset value (EPRA NAV) per share, EUR	3.54	3.58	-1.2%	3.54
Equity ratio, %	33.8	36.2	-	34.2

The formulas for key figures can be found from the 2009 annual financial statements.

The figures are unaudited.

## Financial Reports in 2010

Citycon will issue one more interim report during the financial year 2010. The interim report 1-9/2010 will be published on Wednesday 13 October 2010, at approximately 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, 2010

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

### ***Introduction***

We have reviewed the accompanying statement on the financial position of Citycon Oyj as of June 30, 2010 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, at the request of the Board of Directors we submit our statement in accordance with chapter 2, paragraph 5 a, sub-paragraph 7 of the Securities Market Act.

### ***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 with persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially narrower in scope than an audit conducted in accordance with the Standards on Auditing. For this reason, a review does not provide assurance that all significant matters would come to light 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 gives us cause 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, 2010, and of its financial performance and its cash flows for the six-month period then ended, in accordance with the Securities Market Act.

Helsinki, July 13, 2010

Ernst & Young Oy  
Authorized Public Accountants

Tuija Korpelainen, Authorized Public Accountant