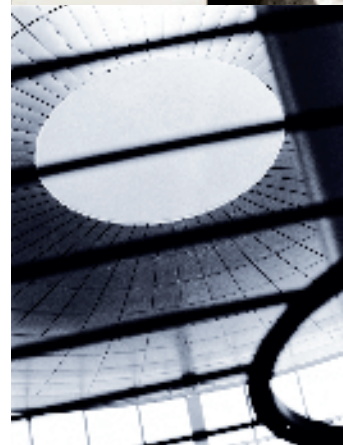


*Annual report 1998*



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## CITYCON SPECIALISES IN RETAIL PROPERTIES

Measures implemented by Citycon in 1998 created a sound basis for both further growth potential and enhanced profitability. Since restructuring in line with its new business concept, Citycon has become a listed company specialising in commercial properties, and a major player on a Nordic scale. The company has a strong position as a commercial property expert.

### 1998 – A YEAR OF GROWTH AND PROFITABILITY

For Citycon, the 1998 financial year was one of controlled growth based on profitability. The company committed itself to developing its business concept and focused on becoming an owner of retail properties. Earlier office premises were disposed of as the company restructured its property portfolio to include retail properties in line with its new business concept. At the same time the company developed letting services and retail property expertise to become a major Finnish property investment company.

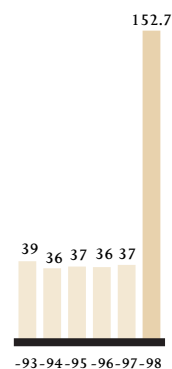
### SUCCESSFUL PROPERTY PORTFOLIO

Citycon's dynamic year of change began to gather momentum in March 1998, when it acquired 223 commercial properties throughout Finland from Kesko Corporation, Merita Real Estate Ltd and Nova Life Insurance Company Ltd. After the deals, which cost in excess of FIM 1bn, Citycon's property portfolio rose to around FIM 1.5bn, thus making it Finland's leading specialist business property investment company.

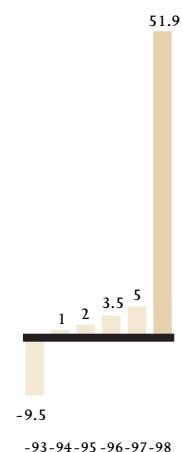
August 1998 saw Citycon sell five properties to Merita Life Assurance Ltd in a deal worth FIM 249 million. These properties were essentially office premises. The move was made to consolidate Citycon's new profile as an owner of commercial and retail properties.

Further additions were made to the company's property portfolio in October when Citycon announced it was to buy commercial properties from Kesko Corporation, the Sampo Group and Asset Management Company Arsenal plc for a total of FIM 687 million. The deal involved major retail properties and supermarkets and significantly improved Citycon's ability to cater to the needs of various chain stores.

TURNOVER,  
FIM MILLION



RESULT BEFORE  
EXTRAORDINARY  
ITEMS, PROVISIONS  
AND TAXES,  
FIM MILLION



## MANAGING DIRECTOR'S REVIEW



OLLI-PEKKA MIKKOLA

The property market remained very buoyant during the year under review. Property investment companies grew in size and several new companies set up in business during the year. It is only to be expected that we will see new property investment companies being listed, perhaps even during the current year. Existing property owners are seeking greater liquidity for their assets via the stock exchange.

These signs first began to emerge a couple of years ago. Nevertheless, it will be several years before the Finnish property market achieves the level of securitisation currently existing in Sweden. Within a few years, however, we can expect to find 5-10 publicly listed companies, from which investors can choose suitable vehicles for their investment portfolio.

The property market continues to have encouraging potential. The Finnish economy is expected to remain on the growth track, albeit at a somewhat slower pace than we have witnessed to date. Nevertheless, Finland is enjoying a growth rate above the EU average and inflation and interest rates are likely to remain low.

Another healthy market trend is the absence of speculative development. Construction companies are no longer developing sites for their own balance sheet, but are now starting work only once they have found occupants and investors. This was certainly not the case during earlier economic upswings. The markets have improved in this respect, too.

The significant growth witnessed by Citycon and other property investment companies stems from a need to spread risks. Economy of scale also seeks to relatively reduce administrative costs. It is also important for property investment companies to grow in size because more and more investors, especially international ones, have adopted an investment policy with minimum requirements on the size and market value of the companies they invest in.

The last couple of years have seen radical changes taking place in the property business. It is now evident that properties will not provide optimum returns unless managed professionally and integrated into the equity market. Property in-

vestments compete in the market with deposits and bonds, both typical long-term portfolio investments.

This highlights the importance of dividend policy. Dividends must be able to successfully compete with the income earned on long-term bonds.

Any comparison of property investments with bonds should take into account taxation treatment. Unlike interest, shareholders as a rule pay no tax on dividends received. Moreover, index-linked tenancy agreements usually hedge property investment companies against inflation. This being the case, there are attractive real returns in property investment companies that distribute an adequate part of their post-tax profits for the year as dividend. Citycon pays out over half its post-tax profit in the form of dividend.

Citycon successfully implemented its new business concept during the year under review, and is now in this respect, one of the most concept-focused companies in the Nordic countries. Well over 90 per cent of Citycon's property portfolio is in line with its business concept and core business. Citycon intends to continue to focus on the Helsinki Metropolitan Area, major growth centres in Turku, Tampere, Oulu and Jyväskylä and centres with a population greater than 50,000.

Growth will remain our principal objective during 1999. The business climate seems encouraging, allowing us to continue to focus further on our successful core business.

The Finnish property market is part of the Nordic one. Progress in Finland is rapidly heading in the same direction as in Sweden, which is home to the world's most securitised property market. We must also ensure that in the eyes of European and American investors we are competitive in the Nordic market.

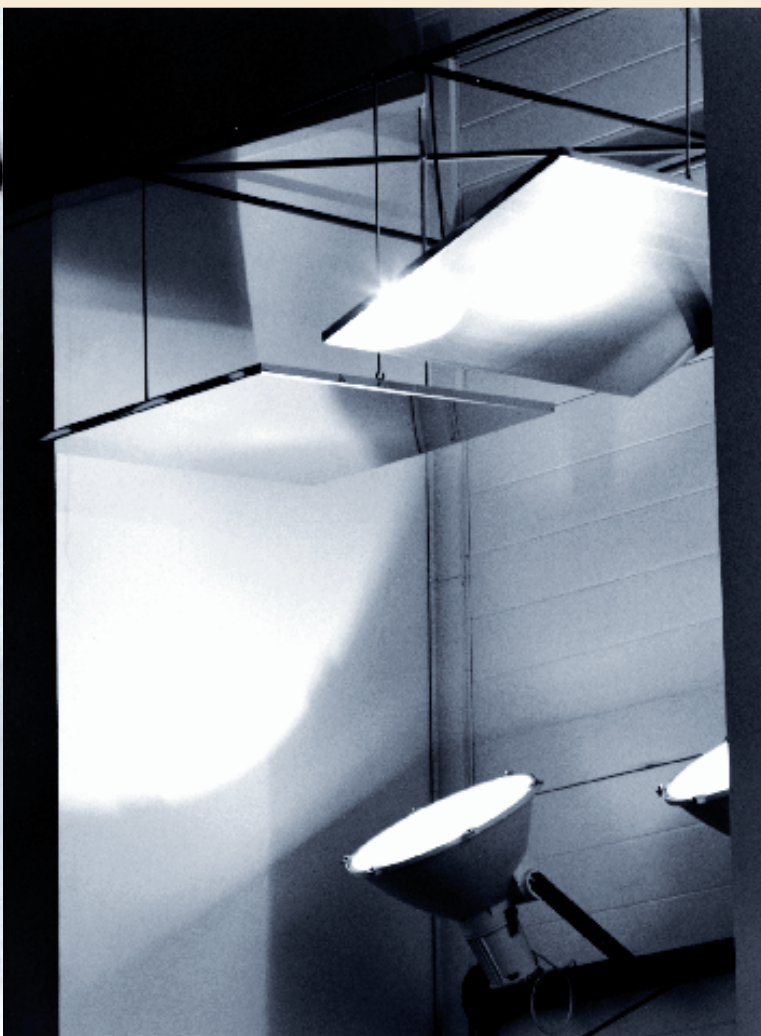


Olli-Pekka Mikkola  
Managing director





CITYCON IS FOCUSING RESOURCES ON CONSOLIDATING ITS MARKET POSITION AND THE ONGOING DEVELOPMENT OF ITS BUSINESS PROPERTY EXPERTISE. THE COMPANY IS COMMITTED TO PROFITABLE GROWTH. AT THE MOMENT MOST OF CITYCON'S PROPERTIES ARE LOCATED IN THE HELSINKI METROPOLITAN AREA, TURKU, TAMPERE, OULU AND IN OTHER REGIONAL GROWTH CENTRES.



## RETAIL PROPERTIES - THE CORNERSTONE OF OUR STRATEGY

Citycon's business strategy is to focus on owning retail properties and shopping centres, and controlled profitable growth. The decision to focus on retail properties in growth centres has given the company a distinct property portfolio and enhanced cost effectiveness. Citycon is using volume and its focused business strategy to help spread the overall risk involved in property investment. Risk assessment becomes easier and the company consolidates its position in the letting market for retail properties.

### PERFORMANCE REFLECTS SUCCESSFUL BUSINESS STRATEGY

The 1998 financial year saw Citycon shift the focus of its operations from investment in office premises to investment in retail properties. At the same time the company increased business volume and expanded operations increasingly further afield. By concentrating on retail properties, Citycon seeks to achieve major economies of scale in administration costs and improving letting operations. To this end, Citycon has reshaped into a property investment company that, through risk spread, is able to offer its owners a steady yield on their investment.

Citycon is committed to maintaining its ability to pay a competitive dividend and to enhance return on equity. The company seeks to optimise its equity ratio in respect of earnings and risk, and to distribute more than half its yearly earnings to shareholders.

Citycon has a distinct and sufficiently extensive property portfolio to enable it to offer tenants a good, competitive business environment. Long-term tenancy agreements translate into a steady secure level of earnings for investors. Such agreements also mean rental income remains stable during any economic downturn.

### BUSINESS BASED ON FLEXIBLE RESOURCES

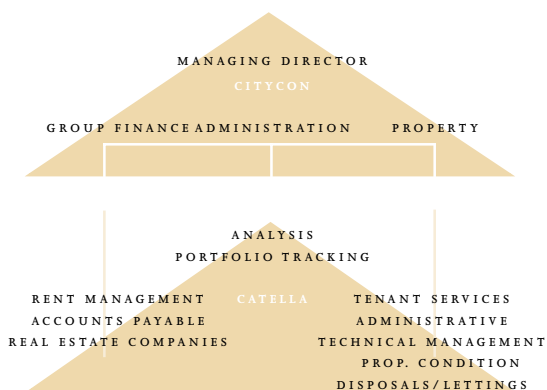
Citycon's business strategy differs significantly from that of other Finnish property investment companies in that the company has outsourced a major part of its administrative functions. In a bid to minimise costs, Citycon is committed to a lean organisation. By outsourcing most of its operative functions, the company seeks to make flexible use of its resources, thus making the best possible expertise available for various other requirements. This has allowed Citycon to focus on the ongoing development of its core competence.

Citycon has developed an effective property management system together with Catella Property Consultants Ltd, a member of the Catella Group. Catella is responsible for letting Citycon's properties and for the disposal of individual properties. Acting on Citycon's instructions Catella is also responsible for administrative routines.

### WORK CONTINUES ON ENHANCING OPERATIONS

The 1999 financial year will see Citycon concentrate on further improving its retail property expertise and gaining a deep insight into the needs of its tenants in a bid to forecast their need for space. Citycon focuses on properties and retail premises in the Helsinki Metropolitan Area and regional growth centres such as Turku, Tampere and

CITYCON'S CORE BUSINESS AND SERVICES OUTSOURCED TO CAELLA



Oulu, where the company is committed to increasing property ownership. Demand for retail premises and rents are expected to remain good in the long term in these areas.

Demand for Citycon's commercial premises has also been marked by the increasing concatenation of retail stores in Finland. There is an evident trend among Finnish companies to form new expansive chains. In addition to which, increasing numbers of international chain stores are also setting up in Finland. Ownership of property in commercial growth centres enhances Citycon's potential to serve these target groups and to provide the premises some of these chains require for their national network of outlets.

Citycon's core expertise and more extensive property stock also enables it to offer existing tenants prime locations to suit their needs. This in turn means we can provide tenants a good, competitive business environment in various market conditions.

## ENCOURAGING BUSINESS ENVIRONMENT

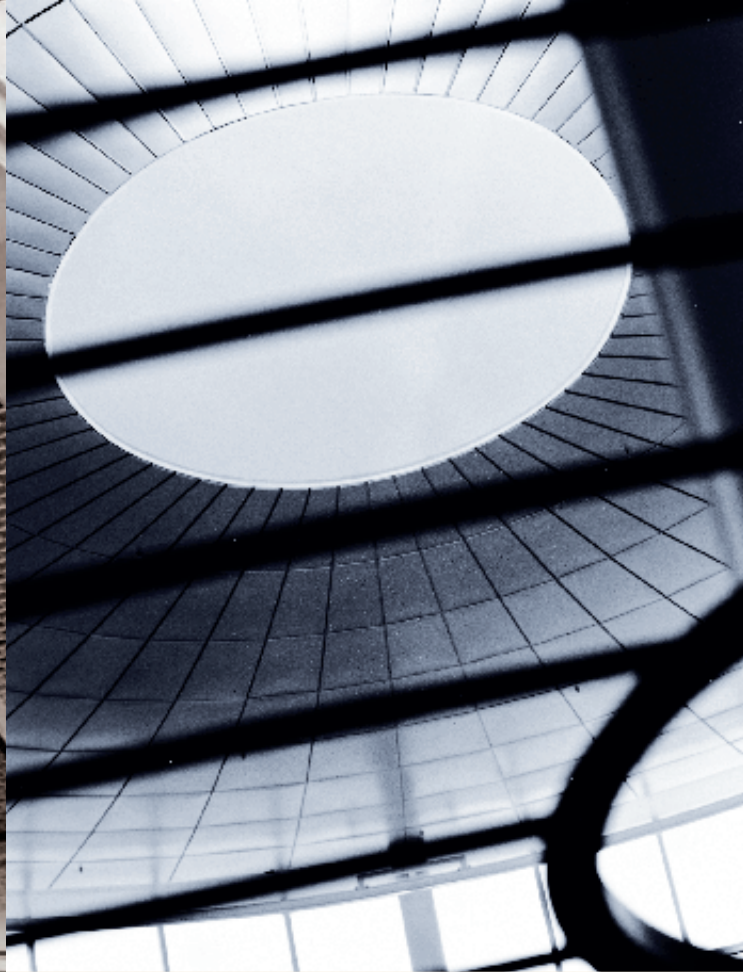
Citycon considers the outlook for the property market encouraging. Private consumption continues to grow, with retailers reporting new sales records. Demand for commercial premises has remained buoyant and the last few years have seen an unprecedented low in the availability of vacant premises. In the letting market, this has long fuelled fierce competition for prime locations. This is reflected in above average rises in rent for retail premises compared to other types of property.

The purchasing power driving demand for retail premises will grow as unemployment continues to fall. In the Helsinki Metropolitan Area and other economic zones centred on major cities, purchasing power is also rising as a result of permanent population gains which, according to Statistics Finland, are likely to continue for the next twenty years. Aside from this, the optimistic outlook prevailing among consumers has a positive impact on purchasing behaviour. Consequently demand for retail premises is expected to remain buoyant in the future.

New development will go some way to meeting the increased demand for commercial premises in growth centres. Nevertheless, since demand greatly exceeds supply, it is not thought new development will lead to falling rents. Building costs, which have been rising by around ten per cent a year, also lend support to this view.

Since retail premises each have their own peculiar features, it is difficult to form a straightforward picture of rent trends in this sector. Tenant profitability is one of the key factors affecting rent levels. Whilst rents are generally expected to continue rising, new development in individual markets and improved infrastructure may change the market position of some properties at the micro level.





FOCUSING ON RETAIL PREMISES ENABLES US TO GAIN A DEEPER INSIGHT INTO OUR CLIENTS' BUSINESS AND THEIR FUTURE NEEDS. IN THIS RESPECT, CITYCON'S EXTENSIVE PORTFOLIO OF COMMERCIAL PROPERTIES HAS IMPROVED THE COMPANY'S ABILITY TO RESPOND TO THE NEEDS OF RETAIL CHAIN STORES.





## CITYCON'S PROPERTY PORTFOLIO

Citycon's income property portfolio is divided into retail properties and other premises. Retail properties include holdings in business properties and real estate companies, suites in commercial buildings and shopping centres and business premises essentially in office or residential buildings. Of the retail properties, two are development projects. Other premises comprises two warehouse properties and one office property. Moreover, Citycon owns one undeveloped site. This is not included in the company's productive portfolio.

An analysis of the property portfolio shows that Citycon has been extremely successful in its strategy to specialise in retail premises. At year-end 1998, retail premises accounted for 98 per cent of the book value of the portfolio, the remaining two per cent consisting of other premises.

### PROPERTY STOCK FOCUSED ON HELSINKI METROPOLITAN AREA

More than half of Citycon's property stock and floor space is located in the Helsinki Metropolitan Area and Uusimaa. Around one quarter of space is located in cities of more than 50,000 inhabitants, with the remainder in smaller places.

#### HELSINKI METROPOLITAN AREA

In the Helsinki Metropolitan Area the supply of the retail premises is across the board. Citycon owns parts of shopping centres (Lippulaiva, Espoontori and Isomyyri), entire shopping centres and various retail premises both in the Central Business District and in local centres. The focus of the property stock is on local centres outside the centre of Helsinki. As regards earnings potential, the properties are well positioned in the local market. The company considers that in terms of market position around half of the premises are of average standard, and 35 per cent above average. These percentages are based on book values.

#### TURKU, TAMPERE AND OULU ECONOMIC ZONES

Citycon owns two shopping centres and individual business premises in the Turku economic zone, and mainly individual business premises in Tampere. In the centre of Oulu, Citycon owns the Oulun Galleria shopping centre. The properties in growth centres are well positioned in the local market, with around 50 per cent being of average standard and 40 per cent higher than average. This in turn explains the lower than average returns made by the properties in the portfolio.

#### OTHER AREAS

In smaller places, Citycon's properties are considered as having a good market position. In terms of numbers, over half the properties in other areas are individual apartments, with large supermarkets and department stores accounting for 44 per cent of the book value.

Retail premises	Share % of value
<b>Apartments</b>	
in commercial buildings or shopping centres	32%
in office buildings	0%
in residential buildings	3%
total	35%
<b>Entirely or mainly owned buildings</b>	
commercial building	7%
local shopping centre	10%
department store or car showroom	39%
shopping centre	1%
development properties (commercial premises)	5%
total	63%
<b>Retail premises, total</b>	<b>98%</b>
<b>Other premises</b>	
office properties	1%
warehouse premises	1%
other premises, total	2%
total	100%

The portfolio values given are the book values. For properties acquired in 1998, the book value is the price paid for them according to selling price based on the market values determined by an independent authorised estate agent.

All property earnings in the annual report are expressed as pro forma figures at 31 December 1998 as if the company had owned all the properties for the entire calendar year. The pro forma figures are based on the rents existing according to valid leases at the end of 1998 and operating expenses data realised during the time Citycon has owned the properties. Both expenses and earnings data have been adjusted to give a figure for the entire year.

The proportion of properties below average market standard is relatively greatest in towns with 20,000 to 50,000 inhabitants. These properties generate 3 per cent of the portfolio yield as a whole, with the average yield being 7.2 per cent. The total value of assets in towns of this size is around 15 per cent.

After the Helsinki Metropolitan Area, the second largest single cluster of assets in terms of value is in Pori on the southwest coast of Finland, where Citycon owns a department store and a developable hypermarket and office complex.

## RENTAL AGREEMENTS

The company's strategy of distributing a steady dividend to its shareholders is clearly reflected in rental agreements. These are fixed and independent of turnover, with 90 per cent of them being linked to the cost of living index. Citycon is committed to fixed rental agreements in the future since this enables us to forecast returns in the long-term.

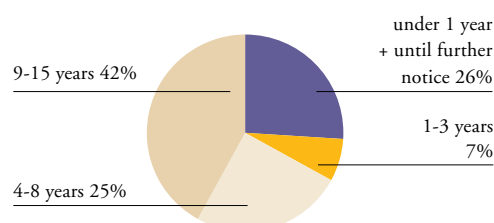
Citycon's largest tenant is Kesko Corporation, whose various chains of stores generate the following percentages of overall rental income.

- Anttila 10%
- Citymarkets 19%
- K Supermarkets 16%
- Other Kesko foodstuff and retail chains 23%

Kesko also has some subtenants in some of the properties it rents. These are not itemised in the above figures.

All leases between Citycon and Kesko have been prepared as net and linked to the cost of living index. Kesko is responsible for all normal operating expenses and maintenance costs. The leases are intended to ensure Citycon receives a steady rental income without the risks associated with changes in operating expenses.

LENGTH OF LEASES\*)



\* Share of gross rents. Some of Citycon's leases are net rents. In the diagram these have been calculated as gross rents with estimated operating expenses of FIM 15 per m<sup>2</sup> per month.

## INVESTMENTS BY AREA

	Surface area 1,000 m <sup>2</sup>	net FIM mill. p.a	value FIM mill.	pro forma yield % 31 Dec. 1998
Helsinki	34.7	20.0	263.8	7.6
Espoo	41.8	36.8	396.2	9.3
Vantaa	34.5	27.2	302.4	9.0
Helsinki Metropolitan Area, total	110.9	84.0	962.4	8.7
Other Uusimaa	22.1	11.0	134.0	8.2
Tampere + environs	14.0	7.3	82.6	8.8
Turku + environs	15.2	4.8	76.2	6.3
Oulu + environs	6.5	2.3	34.9	6.5
Other cities of over 50,000 inh.	58.9	27.7	264.5	10.5
Other municipalities	111.8	37.4	403.3	9.3
Total	339.6	174.5	1,958.0	8.9





The leases for other tenants are largely standard, valid until further notice or fixed-term gross rent agreements. Under these agreements Citycon is responsible for operating expenses and maintenance costs and, of course, modernisation and improvements.

## YIELDS

The company's property portfolio grew tremendously during 1998. The yields and percentages no longer give a true and fair view of the profitability of properties since only 3 of the company's 213 properties owned at the end of 1998 were owned for the entire calendar year. For this reason property returns appear as pro forma figures at 31 December 1998.

Citycon's property portfolio generates an average yield of around 8.9 per cent. Around 54 per cent of earnings are derived from the Helsinki Metropolitan Area and Uusimaa, where the average yield was 8.7 per cent. Municipalities of more than 50,000 inhabitants generate the second greatest share of property earnings, around 16 per cent, with the average yield being 10.5 per cent. Growth centres account for around 8 per cent of total yield, and other municipalities 21 per cent.

Citycon's largest properties by book value:

- Koy Talvikkitie 7-9, Vantaa
- Koy Sinikalliontie 1, Espoo
- Koy Länsi-Keskus, Espoo
- Koy Porin Asema-Aukio, Pori
- Isonlinnankatu 18, Pori
- Kauppakatu 13, Lahti
- Varkauden K-Kauppakeskus Oy
- Runeberginkatu 33, Porvoo
- Koy Kontulan Asemakeskus, Helsinki
- Koy Vaakalintu, Riihimäki

These properties accounted for some 44 per cent of net yields at 31 December 1998.

## VACANT PREMISES

At the end of 1998, there were some 27,000 m<sup>2</sup> of unlet premises. This corresponds to approx. 8 per cent of the entire business premises stock and 4.5 per cent of the retail premises surface area. Four properties accounted for over half the vacant premises. There was a total of some 5,300 m<sup>2</sup> of vacant space in warehouse premises in Seinäjoki and Joensuu and vacant space totalling around 8,900 m<sup>2</sup> in retail premises currently being developed in Pori and warehouse capacity in Pietarsaari. Work has already begun on planning the development required by these premises before they can be let.

The majority of the empty premises in question were vacant upon acquisition. This and the ability to which they can be let were taken into account in the price paid. Citycon intends to dispose of most of these properties.

## PROPERTY DISPOSAL PROGRAMME

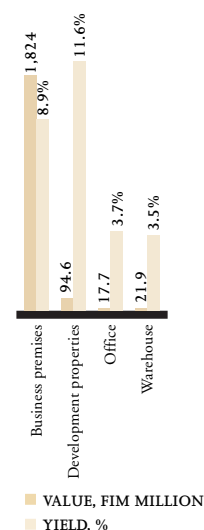
Citycon's property portfolio is being enhanced on two fronts. Firstly by consolidating property ownership in focus areas and secondly by disposing of properties that are not in line with our core strategy. A separate property disposal programme has been drawn up to dispose of properties mainly in small localities and those properties whose long-term earnings potential fails to meet the yield and risk targets established for the company's overall property portfolio. At the end of 1998, around 15 per cent of the book value of Citycon's property assets was earmarked for disposal.

## INVESTMENT REQUIREMENT

During the year under review, Citycon began a study of long-term investment requirements in respect of its properties. This study will continue into 1999. Investment requirements primarily concern properties acquired in spring 1998. Some of the properties require closer study, and some may be refurbished between 1999 and 2008 to bring them in line with modern demands.

The retail and commercial premises acquired in autumn 1998 have a major impact on Citycon's returns and as a whole are in good condition, with no technical investments expected. It is worth noting that as far as these properties are concerned, it is the tenant that is responsible for operating expenses and maintenance costs, as well as the cost of refurbishment and improvements.

PROPERTY VALUE AND YIELD BY USE



### VALUE OF KIINTEISTÖSIJOITUS OYJ CITYCON'S PROPERTY ASSETS AS AT 31 DECEMBER 1998

We have assessed the value of Kiinteistösijoitus Oyj Citycon's property assets reported at 31 December 1998 at two different stages during the year:

- according to the valuation document of 5 February 1998 new properties (FIM 1,043 million, 223 properties) and old properties (FIM 503 million, 10 properties) and
- according to the valuation document of 10 September 1998 new properties (FIM 843 million, 22 properties).

The valuation documents explain the valuation principles followed and an itemisation and value for each property.

### CHANGES TAKING PLACE SUBSEQUENT TO VALUATIONS

The following changes in the market have taken place since the valuation date (5.2.1998):

- Market interest rates have fallen slightly from just over 1 per cent to around 4 per cent, which reduces the yield expectation and increases the value of property (inflation expectations have fallen at the same time).
- Vacancy rates for retail premises have continued to fall in the Helsinki Metropolitan Area and growth centres. This also has a slightly moderating impact on yield expectation (risk).
- During the year under review, rents have risen faster than inflation (Institute for Real Estate Economics - Finland statistics show the rise as being well over 2%)
- Nine months has elapsed since the tenancy agreements, so that the present value of cash flow based on agreements has fallen.
- The market situation can be considered as remaining virtually unchanged in small locations.

Kiinteistösijoitus Oyj Citycon has disposed of virtually all its old properties and some new ones. The selling price was the same or above that given in the valuation documents.

**In respect of properties included in the valuation document dated 5 February 1998**, given the grounds above it can be noted that their overall value corresponds to earlier values within the limits of precision of estimation or the value has slightly risen. We do not take a stand on the values of individual properties in this context. No new review of the properties has been carried out in this connection.

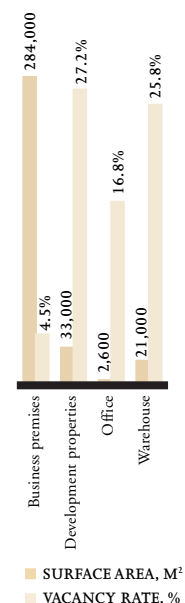
Only a short period of time has elapsed since valuing the properties included in the **valuation document dated 10 September 1998**. The changes taking place are so minor that they have no impact on values.

Helsinki, 22 February 1999  
Kiinteistötaito Peltola & Pulkkanen Oy

Jouko Peltola, LicSc (Tech)  
Authorised Property Valuer  
(AKA) Generally authorised

Juhani Pulkkanen, MSc (Tech)  
Authorised Property Valuer  
(AKA) Office premises

PREMISES AND VACANCY RATES BY USE



## REPORT BY THE BOARD OF DIRECTORS

Citycon's business underwent a radical change during 1998. This change was triggered by the Board of Directors' decisions to transform Citycon into a property investment company specialising in retail properties. The company was given a clear growth target, with the regional focus on the Helsinki Metropolitan Area.

The year under review saw several major property deals taking place in a bid to implement the new strategy. Under contracts signed on 12 February, Citycon acquired 223 business properties from Kesko Corporation, Merita Bank Plc and Nova Life Insurance Company Ltd for FIM 1,034 million. Citycon paid for part of the properties through a FIM 520 million private placing targeted at the vendors. On 31 August Citycon sold five properties to Merita Life Assurance Ltd in a deal worth FIM 249 million. These properties were essentially used as office premises.

On 18 November, Citycon added to its property portfolio with the acquisition of retail premises from Kesko Corporation, its associates and Kesko Pension Fund for FIM 687 million and two business properties for FIM 39 million from the Sampo Group and Asset Management Company Arsenal plc. These new acquisitions took Citycon's property assets to approx. FIM 2 billion and total surface area to 340,000 m<sup>2</sup>

### TURNOVER AND PERFORMANCE

Citycon's 1998 turnover rose to FIM 152.7 million, compared with FIM 37.4 million for the previous year. The operating profit grew to FIM 84.3 million (FIM 17.1 million). Net profit for the financial year before appropriations and taxes surged to FIM 51.9 million (FIM 5.1 million). This dynamic rise in turnover and enhanced performance is attributable to the major property deals effected during the year under review, when the company quadrupled the size of its property portfolio. The full impact of these acquisitions will be evident in the results for 1999. Over FIM 10 million was booked as income from the disposal of properties.

### FINANCE

At year-end, Citycon's liabilities stood at FIM 846.2 million. Citycon's loan portfolio comprises FIM 468.0 million covered by interest options (5 year interest cap) and FIM 121.2 million linked to a three-year fixed interest rate. The remainder of the loan portfolio is linked to short-term reference rates. At 31 December 1998, the company's equity ratio was 43.6 per cent.



## **I N V E S T M E N T S**

Citycon's fixed asset investments were FIM 1,809.6 million. This sum consists almost exclusively of the property deals that took place in the spring and autumn.

## **S H A R E S**

During the year under review 30,878,903 shares were traded. This corresponds to 38 per cent of the total number of shares. The middle price weighted by trading volume was FIM 10.70. As a result of deals taking place in June, just under one fifth of Citycon's shares transferred to international investors.

## **E M P L O Y E E S   A N D   S A L A R I E S**

The parent company and group had five employees during the year under review. Salaries and remunerations totalled FIM 1,727,000 of which the managing director and members of the Board of Directors were paid FIM 806,000.

## **T H E   Y E A R   2 0 0 0**

Citycon has assessed the impact of the year 2000 on its business. All the company's financial management software has been upgraded to Y2K versions. Work is currently under way on mapping any potential problems that might affect technical functions in its properties. Any measures to eliminate such problems will be implemented before the turn of the millennium.

Given the above, Citycon does not expect the change of millennium to have any significant impact on either the company's financial standing or on future cash flows.

## **T H E   F U T U R E**

Helped by strong economic growth and low interest rates, the commercial property market has developed encouragingly. Furthermore interest in property markets and the securitisation of property are gaining momentum. It is likely that these factors will continue to strengthen and this will in turn be reflected in the listing of companies on the Helsinki Exchanges.

Citycon effected significant property deals during 1998 to revitalise the company's business idea and property portfolio. These moves provide a sound basis for the company to achieve its core objectives: profitable growth and liquidity of the company's shares.

## I N C O M E   S T A T E M E N T S

### G R O U P   ( F I M   1 , 0 0 0 )

	1.1.-31.12.1998	1.1.-31.12.1997
<b>Turnover</b>	152,687	37,402
<b>Costs</b>		
Staff costs	2,114	1,561
Rents and maintenance charges	11,928	186
Share of associated undertakings' losses	2,703	900
Other costs	30,095	6,828
<b>Total</b>	<b>46,840</b>	<b>9,474</b>
<b>Depreciation</b>		
Buildings	18,080	9,894
Machinery and equipment	983	471
Other long-term expenditure	2,456	502
<b>Total</b>	<b>21,519</b>	<b>10,867</b>
<b>Operating profit</b>	<b>84,327</b>	<b>17,059</b>
<b>Financial income and charges</b>		
Dividends receivable	0	56
Interest receivable	740	313
Other financial income	364	0
Interest payable	28,621	12,372
Other financial charges	4,954	5
<b>Total</b>	<b>-32,471</b>	<b>-12,008</b>
<b>Profit before appropriations and taxes</b>	<b>51,856</b>	<b>5,052</b>
Taxes	-9,818	-125
Minority interest	126	0
<b>Group profit for the financial year</b>	<b>42,164</b>	<b>4,927</b>

**PARENT COMPANY (FIM 1,000)**

	1.1.-31.12.1998	1.1.-31.12.1997
<b>Turnover</b>	139,821	37,528
<b>Costs</b>		
Staff costs	2,114	1,561
Rents and maintenance charges	24,804	11,731
Other costs	14,040	3,504
<b>Total</b>	40,959	16,796
<b>Depreciation</b>		
Buildings	5,484	3,216
Machinery and equipment	213	77
Other long-term expenditure	2,481	492
<b>Total</b>	8,179	3,785
<b>Operating profit</b>	90,684	16,947
<b>Financial income and charges</b>		
Dividends receivable	528	56
Interest receivable	10,372	14,121
Interest payable	28,289	12,377
Financial contributions	8,753	13,290
Other financial charges	4,946	0
<b>Total</b>	-31,088	-11,491
Depreciation on shares	0	-2,950
<b>Profit before appropriations and taxes</b>	59,596	2,507
Taxes	-11,861	0
<b>Profit for the financial year</b>	47,735	2,507

## BALANCE SHEETS

( F I M 1 , 0 0 0 )	G R O U P		P A R E N T C O M P A N Y	
ASSETS	31.12.1998	31.12.1997	31.12.1998	31.12.1997
<b>Fixed assets and other long-term investments</b>				
Intangible assets				
Other long-term expenditure	9,166	2,408	1,882	1,141
Tangible assets				
Land and water	265,488	136,623	59,477	0
Buildings	1,065,594	311,043	460,010	96,032
Machinery and equipment	913	3,272	550	233
Payments on account and work in progress	0	4,636	0	0
Other tangible assets	1,579	0	0	0
Total	1,333,573	455,574	520,037	96,264
Long-term financial assets				
Shares in subsidiary undertakings	0	0	630,008	88,422
Shares and holdings in associated undertakings	499,975	50,959	501,571	49,850
Other shares and securities	230,238	799	230,162	473
Total	730,213	51,758	1,361,741	138,745
<b>Fixed assets, total</b>	<b>2,072,953</b>	<b>509,740</b>	<b>1,883,661</b>	<b>236,150</b>
<b>Stocks and current assets</b>				
Long-term debtors				
Loans receivable from subsidiary undertakings	0	0	117,541	270,372
Loans receivable from associated undertakings	770	0	770	0
			118,311	270,372
Debtors				
Trade debtors	317	668	274	668
Prepayments and accrued income	13,644	1,799	12,937	1,762
Total	13,961	2,467	13,211	2,430
Cash at bank and in hand	31,876	2,593	27,592	2,215
<b>Stocks and current assets, total</b>	<b>46,607</b>	<b>5,060</b>	<b>159,114</b>	<b>275,017</b>
<b>Assets, total</b>	<b>2,119,560</b>	<b>514,800</b>	<b>2,042,775</b>	<b>511,167</b>

( F I M 1 , 0 0 0 )

	G R O U P		P A R E N T C O M P A N Y	
SHAREHOLDERS' EQUITY AND LIABILITIES	31.12.1998	31.12.1997	31.12.1998	31.12.1997
<b>Shareholders' equity</b>				
Subscribed capital	657,064	300,800	657,064	300,800
Share premium account	104,106	0	104,106	0
Contingency fund	493	0	0	0
Loan amortisation fund	17,921	0	0	0
Other funds	38,241	0	38,952	0
Profit or loss brought forward	-21,208	-26,135	-21,208	-23,715
Previous losses covered	21,208	0	21,208	0
Profit for the financial year	42,164	4,927	47,735	2,507
<b>Shareholders' equity, total</b>	<b>859,989</b>	<b>279,592</b>	<b>847,857</b>	<b>279,592</b>
<b>Minority interest</b>	<b>63,456</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Creditors</b>				
Long-term				
Loans from financial institutions	846,166	198,260	842,260	198,260
Short-term				
Loans from financial institutions	280,301	30,000	280,000	30,000
Advances received	284	224	282	224
Trade creditors	1,748	801	1,213	275
Accruals and deferred income	67,615	5,923	68,727	2,817
Other amounts owed to subsidiary undertakings	0	0	2,436	0
Total	349,949	36,948	352,658	33,315
<b>Creditors, total</b>	<b>1,196,115</b>	<b>235,208</b>	<b>1,194,918</b>	<b>231,575</b>
<b>Shareholders' equity and liabilities, total</b>	<b>2,119,560</b>	<b>514,800</b>	<b>2,042,775</b>	<b>511,167</b>

## FUNDS STATEMENTS

( F I M 1 , 0 0 0 )	G R O U P		P A R E N T C O M P A N Y	
	1998	1997	1998	1997
<b>Source of funds</b>				
<b>Income from operations</b>				
Operating profit before depreciation	105,847	27,927	98,863	20,732
Financial income and charges	- 32,471	-12,008	-31,088	-11,491
Taxes	-9,818	-125	-11,861	0
<b>Total</b>	<b>63,558</b>	<b>15,794</b>	<b>55,914</b>	<b>9,241</b>
<b>Equity finance</b>				
Increase in shareholders' equity	538,358	0	520,530	0
Increase in minority interest	63,456	0	0	0
Increase in long-term loans	647,906	0	644,000	0
<b>Total</b>	<b>1,249,720</b>	<b>0</b>	<b>1,164,530</b>	<b>0</b>
<b>Change in net working capital</b>	<b>272,224</b>	<b>25,750</b>	<b>283,184</b>	<b>22,978</b>
<b>Source of funds, total</b>	<b>1,585,502</b>	<b>41,544</b>	<b>1,503,628</b>	<b>32,219</b>
<b>Application of funds</b>				
Fixed asset investments	1,584,732	21,544	1,655,689	860
Change in long-term receivables	770	0	-152,060	11,359
Change in long-term loans	0	20,000	0	20,000
<b>Total</b>	<b>1,585,502</b>	<b>41,544</b>	<b>1,503,628</b>	<b>32,219</b>
<b>Change in net working capital</b>				
Current assets	40,777	-2,318	36,159	-2,731
Short-term creditors	-313,001	-23,432	-319,343	-20,247
<b>Total</b>	<b>-272,224</b>	<b>-25,750</b>	<b>-283,184</b>	<b>-22,978</b>



## ACCOUNTING POLICIES

### VALUATION OF PROPERTIES

Most of the company's property assets were acquired during the year under review. Valuation is based on estimates of the market value of properties carried out in connection with acquisition. The market value is calculated on the basis of expected long-term return potential.

Property acquired before the start of the financial year is valued according to estimated made in 1992.

The acquisition cost of buildings is depreciated on a linear basis at 1.5 per cent a year. Should the acquisition cost include excess value arising from the rent in the agreement significantly exceeding the market rent, this is depreciated in line with the prudence concept during the tenancy agreement if the potential value of the property is considered as remaining below the acquisition cost during the tenancy period.

### OTHER FIXED ASSETS

Other long-term expenditure includes costs capitalised in association with the acquisition of property assets, which are depreciated within three years, and capitalised apartment repair costs, which are capitalised during the validity of tenancy agreements. Machinery and equipment is depreciated over a period of 4-8 years.

### BASIS OF CONSOLIDATION

The consolidated accounts have been prepared in accordance with the purchase method under which the acquisition cost of shares in subsidiary undertakings in the parent company's fixed assets have been eliminated against shareholders' equity when the subsidiary was acquired. Acquisition costs are included in land and buildings up to their market value. Acquisition costs included in buildings are depreciated on a linear basis at a rate of 1.5 per cent a year.

Intragroup transactions and the distribution of profit have been eliminated in the consolidated accounts.

### ASSOCIATED UNDERTAKINGS

Associated undertakings have been accounted for using the equity method. The part of the acquisition cost exceeding the shareholders' equity is included in land and buildings up to their market value. Acquisition costs included in buildings are depreciated on a linear basis at a rate of 1.5 per cent a year. Depreciation is shown as part of the associate's result together with the share of result for the financial year.

### PENSION ARRANGEMENTS

Employee pension cover has been arranged through statutory pension insurance.

## NOTES TO THE BALANCE SHEET AND INCOME STATEMENT

( F I M 1 , 0 0 0 )	G R O U P		P A R E N T C O M P A N Y	
	1998	1997	1998	1997

### T U R N O V E R

Turnover consists mainly of income derived from property rents and maintenance income. Most of the turnover comes from properties in the Helsinki Metropolitan Area.

Turnover of the parent company includes payments made by group undertakings for technical and administrative management,

			42	162
Rents and maintenance charges	140,433	36,564	133,147	36,528
Other operating income				
Gains from the disposal of fixed assets	12,253	838	6,633	838
Total	152,687	37,402	139,821	37,528

### E M P L O Y E E S

Number of employees during the financial year	5	4	5	4
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#### Staff costs

Wages and salaries	1,727	1,193	1,727	1,193
Pension costs	237	202	237	202
Other social security costs	150	166	150	166
Total	2,114	1,561	2,114	1,561

Staff costs include management salaries and remunerations:

Managing director	484	587	484	587
Board of Directors	322	28	322	28
Total	806	615	806	615

### R E N T A S A N D M A I N T E N A N C E C H A R G E S

This item in the parent company includes rents paid to group undertakings

	12,876	11,545
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### O T H E R C O S T S

Operating expenses	19,362	3,574	3,374	358
External services	7,281	1,821	7,278	1,760
Other costs	3,452	1,423	3,388	1,386
Total	30,095	6,828	14,040	3,504

### P L A N N E D D E P R E C I A T I O N

Other long-term expenditure	2,456	502	2,481	492
Buildings	18,080	9,894	5,484	3,216
Machinery and equipment	983	471	213	77
Total	21,519	10,867	8,179	3,785

( FIM 1,000 )	G R O U P		P A R E N T C O M P A N Y	
	1998	1997	1998	1997

#### INTRAGROUP FINANCIAL INCOME AND CHARGES

Dividends received by the parent company from group undertakings			528	0
Interest received by the parent company from group undertakings			9,672	13,808
Financial considerations paid by the parent company to group undertakings			8,753	13,290

#### T A X E S

Taxes for the financial year	9,818	125	11,861	0
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#### FIXED ASSETS

Fixed assets appear in the balance sheet at the original acquisition cost less value adjustments made in 1992 and booked depreciation,

##### Intangible assets

<b>Intangible rights</b>	0	0	0	0
Increase 1 Jan-31 Dec	876	0	0	0
Book value at 31 Dec	876	0	0	0
<b>Connection fees</b>	1,247	1,247	0	0
Increase 1 Jan-31 Dec	2,507	0	0	0
Decrease 1 Jan-31 Dec	-969	0	0	0
Book value at 31 Dec	2,785	1,247	0	0

##### Other long-term expenditure

Acquisition cost at 1 Jan	3,822	2,896	3,722	2,796
Increase 1 Jan-31 Dec	6,863	926	3,222	926
Decrease 1 Jan-31 Dec	-4,180	0	-4,080	0
Acquisition cost at 31 Dec	6,506	3,822	2,865	3,722
Accumulated depreciation at 1 Jan	2,662	2,160	2,582	2,090
Depreciation for the financial year	949	502	931	492
Accumulated depreciation on decreases	-2,610	0	-2,530	0
Accumulated depreciation at 31 Dec	1,001	2,662	983	2,582
Book value at 31 Dec	5,505	1,161	1,882	1,141
Intangible assets, total	9,166	2,408	1,882	1,141

##### Tangible assets

###### Land

Acquisition cost at 1 Jan	136,623	136,623	0	0
Increase 1 Jan-31 Dec	215,151	0	59,477	0
Decrease 1 Jan-31 Dec	-86,286	0	0	0
Acquisition cost at 31 Dec	265,488	136,623	59,477	0

( F I M 1 , 0 0 0 )	G R O U P		P A R E N T C O M P A N Y	
	1998	1997	1998	1997
<b>Buildings</b>				
Acquisition cost at 1 Jan	439,703	425,598	112,549	112,500
Increase 1 Jan-31 Dec	974,365	14,105	369,463	49
Decrease 1 Jan-31 Dec	-309,131	0	0	0
Acquisition cost at 31 Dec	1,104,937	439,703	482,011	112,549
Accumulated depreciation at 1 Jan	73,321	63,427	16,517	13,301
Depreciation for the financial year	13,385	9,894	5,484	3,216
Accumulated depreciation on decreases	-51,861	0	0	0
Accumulated depreciation at 31 Dec	34,846	73,321	22,001	16,517
Value adjustment	-4,498	-55,338	0	0
Book value at 31 Dec	1,065,594	311,043	460,010	96,032
<b>Machinery and equipment</b>				
Acquisition cost at 1 Jan	6,838	3,996	881	851
Increase 1 Jan-31 Dec	1,089	2,842	531	30
Decrease 1 Jan-31 Dec	-5,957	0	0	0
Acquisition cost at 31 Dec	1,970	6,838	1,412	881
Accumulated depreciation at 1 Jan	3,566	3,094	648	571
Depreciation for the financial year	409	471	213	77
Accumulated depreciation on decreases	-2,917	0	0	0
Accumulated depreciation at 31 Dec	1,058	3,566	862	648
Book value at 31 Dec	913	3,272	550	233
<b>S H A R E S</b>				
<b>Shares in subsidiary undertakings</b>				
Acquisition cost at 1 Jan	0	0	88,422	88,422
Increase 1 Jan-31 Dec	0	0	610,266	0
Decrease 1 Jan-31 Dec	0	0	-68,680	0
Acquisition cost at 31 Dec	0	0	630,008	88,422
Accumulated depreciation at 1 Jan	0	0	0	0
Depreciation for the financial year	0	0	0	0
Accumulated depreciation on decreases	0	0	0	0
Accumulated depreciation at 31 Dec	0	0	0	0
Book value at 31 Dec	0	0	630,008	88,422
<b>Shares in associated undertakings</b>				
Acquisition cost at 1 Jan	52,800	52,800	52,800	52,800
Increase 1 Jan-31 Dec	451,721	0	451,721	0
Decrease 1 Jan-31 Dec	0	0	0	0
Acquisition cost at 31 Dec	504,521	52,800	504,521	52,800

( F I M 1 , 0 0 0 )	G R O U P		P A R E N T C O M P A N Y	
	1998	1997	1998	1997
Accumulated depreciation at 1 Jan	1,841	941	2,950	0
Depreciation for the financial year	2,704	900	0	2,950
Accumulated depreciation on decreases	0	0	0	0
Accumulated depreciation at 31 Dec	4,545	1,841	2,950	2,950
Book value at 31 Dec	499,975	50,959	501,571	49,850
<b>Other shares and holdings</b>				
Acquisition cost at 1 Jan	800	944	473	618
Increase 1 Jan-31 Dec	229,748	5	229,689	5
Decrease 1 Jan-31 Dec	-310	-150	0	-150
Acquisition cost at 31 Dec	230,238	799	230,162	473
Book value at 31 Dec	230,238	799	230,162	473
Shares, total at 31 Dec	730,213	51,758	1,361,741	138,745

#### G R O U P C O M P A N I E S

Owned by parent company	Registered office	Group interest, %	Parent company interest, %
Asolantien Liikekiinteistö	Vantaa		100.00
Espoon Ruukintie	Espoo		100.00
Hollolan Keskuspuoti	Hollola		100.00
Härmälän Markkinatalo	Tampere		100.00
Joensuun Penttilänkatu	Joensuu		100.00
Kaarinan Keskusta	Kaarina		100.00
Kanervatien Hallitalo	Laukaa		100.00
Kangasniemen Liiketalo	Kangasniemi		100.00
Keijutie 15	Lahti		100.00
Martinlaakson Kivivuorentie	Vantaa		100.00
Naantalın Tullikatu	Naantali		100.00
Oulun Galleria	Oulu		100.00
Porin Asema-aukio	Pori		100.00
Sinikalliontie	Espoo		100.00
Säkylän Liiketalo	Säkylä		100.00
Talvikkitie	Vantaa		100.00
Ultima	Helsinki		100.00
Valkeakosken Apiankatu	Valkeakoski		100.00
Varkauden K-Kauppakeskus	Varkaus		100.00
Wavulinintie	Helsinki		100.00
Veniamo-Invest	Helsinki		100.00
Loviisan Ulrika	Loviisa		97.90
Vaakalintu	Riihimäki		95.80
Metsäpellon Liikekeskus	Lahti		91.30
Mäntyvuoksi	Imatra		86.80
Taivalalaisen Liiketalo	Suomussalmi		84.50
Ilomäen Liikekeskus	Riihimäki		82.80

( F I M 1 , 0 0 0 )

G R O U P

P A R E N T C O M P A N Y

		1998	1997	1998	1997
<b>Owned by parent company, cont.</b>	Registered office		Group interest, %	Parent company interest, %	
Kuivasjärven Liikekeskus	Oulu			81.60	
K-Piste	Luumäki			80.60	
Killan Liiketalo	Kerava			77.90	
Ylihärmän Liiketalo	Ylihärnä			77.60	
Orimattilan Markkinatalo	Orimattila			77.30	
Kuusamon Linja-autoasema	Kuusamo			69.70	
Tornion Kauppakatu	Tornio			68.10	
Haukiputaan Markkinatalo	Haukipudas			67.70	
Kirkkonummen Liikekeskus	Kirkkonummi			66.70	
Välvainion ostoskeskus	Oulu			66.00	
Pälkäneen Liikekeskus	Pälkäne			65.10	
Halkokarin Ostoskeskus	Kokkola			63.20	
Eerolan Liikekeskus	Valkeakoski			62.90	
Kauppapiha	Iisalmi			61.60	
Vantaan Säästötalo	Vantaa			61.24	
Kivensilmänkuja	Helsinki			60.00	
Opiskelijankatu	Tampere			59.70	
Otakaari	Espoo			57.70	
Saariportti	Kuopio			57.30	
Orimattilan Säästöpankkitalo	Orimattila			56.90	
Sahalahden Liikekeskus	Sahalahti			56.10	
Väinöläntammi	Pori			55.00	
Vesalankeskus	Hollola			52.10	
Tapiolan Pankkitalo	Espoo			51.70	
Rajamäen Liikeristeys	Rajamäki			50.70	
Jyrängön Palvelukeskus	Heinola			50.50	
Hollolan Keskuskatu	Hollola			50.30	
<b>Associated undertakings</b>	Registered office		Group interest, %	Parent company interest, %	
Espoonatori	Espoo		28.0	28.0	
Aniankeskus	Vääksy		34.5	34.5	
Bulevardi 6	Helsinki		37.7	37.7	
Eneby	Lohja		48.7	48.7	
Erottaja 1-3	Helsinki		23.0	23.0	
Hakunilan Keskus	Vantaa		28.0	28.0	
Hervannan Liikekeskus	Tampere		41.2	41.2	
Hopeakartano	Helsinki		22.2	22.2	
Hyrylän Ostoskeskus	Tuusula		20.7	20.7	
Kaarinan Kauppakeskus	Kaarina		26.2	26.2	
Kaivokadun Tunneli	Helsinki		39.8	39.8	
Kajaanin Kauppakatu 26	Kajaani		20.2	20.2	
Kalajoen Linja-autoasema	Kalajoki		47.3	47.3	
Karhulantie	Karhula		29.6	29.6	
Kastellintalo	Oulu		31.3	31.3	
Keravan Liikekeskus	Kerava		34.4	34.4	
Kirkkonummen Liiketalo	Kirkkonummi		24.3	24.3	



( F I M 1 , 0 0 0 )

G R O U P

P A R E N T C O M P A N Y

		1998	1997	1998	1997
<b>Associated undertakings, cont.</b>	<b>Registered office</b>		<b>Group</b>	<b>Parent company</b>	
			interest, %	interest, %	
Koivukylän Liikekiinteistö	Vantaa		50.0	50.0	
Kolsarintie 2	Helsinki		34.9	34.9	
Kommila	Varkaus		43.4	43.4	
Kouvolan Hämeenkulma	Kouvola		26.4	26.4	
Kuopion Viiskulma	Kuopio		36.6	36.6	
Kärpäsän Ostoskeskus	Lahti		33.9	33.9	
Laajasalon Liikekeskus	Helsinki		38.8	38.8	
Laitisenkulma	Mikkeli		24.1	24.1	
Lauttasaaren Liikekeskus	Helsinki		23.6	23.6	
Lentokentän Palvelutalo	Vantaa		36.7	36.7	
Lentävä	Tampere		35.3	35.3	
Martinmiilu	Vantaa		22.6	22.6	
Mastonkulma	Ylöjärvi		31.2	31.2	
Multian Palvelukeskus	Multia		46.4	46.4	
Myyrmäen Kauppakeskus	Vantaa		26.2	26.2	
Otaniemen Liikekeskus	Espoo		39.2	39.2	
Parikkalan Liiketalo	Parikkala		50.0	50.0	
Petäjaveden Palv. keskus	Petäjävesi		49.0	49.0	
Pieni Roobertinkatu	Helsinki		23.3	23.3	
Pihlajamäen Liiketalo	Helsinki		42.8	42.8	
Pormestarintuodon kesk.	Pori		20.1	20.1	
Puijonlaakson Palvelukeskus	Kuopio		30.6	30.6	
Pukinmäen Liikekeskus	Helsinki		43.9	43.9	
Ristinummen Palvelukeskus	Vaasa		43.9	43.9	
Salpakankaan Ostoskeskus	Hollola		44.5	44.5	
Salpausseläntie	Helsinki		31.3	31.3	
Seurahuoneenranta	Jämsä		24.4	24.4	
Sibeliuksenkatu 14	Järvenpää		26.0	26.0	
Siltavoudintie	Helsinki		20.8	20.8	
Sollefteågatan	Uusikaarlepyy		34.8	34.8	
Soukan Itäinentorni	Espoo		27.3	27.3	
Suvilahden Palvelukeskus	Vaasa		41.7	41.7	
Tapiolan Ostoskeskus	Espoo		29.2	29.2	
Toritalo	Jyväskylä		20.7	20.7	
Tuiran Palvelukeskus	Oulu		40.0	40.0	
Tulliherra	Kuopio		23.2	23.2	
Törnäväkulma	Seinäjoki		30.1	30.1	
Uudenmaankatu 2	Hyvinkää		24.7	24.7	
Valtakatu 5-7	Valkeakoski		31.3	31.3	
Vantaanlaakson Liiketalo	Vantaa		46.9	46.9	
Varkauden Kauppakatu	Varkaus		46.1	46.1	
Varkauden Torinkulma	Varkaus		45.4	45.4	
Vihdin Linjatalo	Vihti		21.0	21.0	
Vuosaaren Ostoskeskus	Helsinki		25.2	25.2	
Yhdeksän	Turku		24.0	24.0	
Espoon Louhenkulma	Espoo		49.0	49.0	
Länsi-Keskus	Espoo		41.4	41.4	
Kontulan Asemakeskus	Helsinki		33.5	33.5	

( F I M 1 , 0 0 0 )	G R O U P		P A R E N T C O M P A N Y	
	1998	1997	1998	1997
<b>D E B T O R S</b>				
<b>Short term debtors</b>				
Trade debtors				
Owed by associated undertakings	250	250	262	250
Owed by others	67	418	12	418
Total	317	668	274	668
Prepayments and accrued income				
From subsidiary undertakings	0	0	279	0
From associated undertakings	40	0	40	0
From others	13,604	1,762	12,618	1,762
Total	13,644	1,762	12,937	1,762
Short-term debtors, total	13,961	2,430	13,211	2,430
<b>S H A R E H O L D E R S ' E Q U I T Y</b>				
Shareholders' equity at 1 Jan	300,800	300,800	300,800	300,800
Decrease	-60,160	0	-60,160	0
Increase	416,424	0	416,424	0
Shareholders' equity at 31 Dec	657,064	300,800	657,064	300,800
Share premium account at 1 Jan	0	0	0	0
Issue premium	104,106	0	104,106	0
Share premium account at 31 Dec	104,106	0	104,106	0
Reserve fund at 1 Jan	0	0	0	0
Reserve fund at 31 Dec	493	0	0	0
Loan amortisation fund at 1 Jan	0	0	0	0
Loan amortisation fund at 31 Dec	17,921	0	0	0
Other funds at 1 Jan	0	0	0	0
Other funds at 31 Dec	38,241	0	38,952	0
Loss from previous years at 1 Jan	-21,208	-26,135	-21,208	-23,715
Loss coverage	21,208	0	21,208	0
Loss from previous years at 31 Dec	0	-26,135	0	-23,715
Profit for the financial year	42,164	4,927	47,735	2,507
Shareholders' equity, total at 31 Dec	859,989	279,592	847,857	279,592

( F I M 1 , 0 0 0 )	G R O U P		P A R E N T C O M P A N Y	
	1998	1997	1998	1997

## C R E D I T O R S

### Long-term creditors at 31 December 1998

Fixed interest		FIM 100 million		
Agreed at fixed interest through interest swaps		FIM 121 million		
Hedged interest cap		FIM 468 million		
Market based linked to Eurobor rates		FIM 433 million		
Debts maturing in five years or more	736,620	78,260	736,620	78,260

### Short-term creditors

Loans from financial institutions	280,301	30,000	280,000	30,000
Advances received				
From other than group companies	284	224	282	224
Trade creditors				
Owed to others	1,748	801	1,213	275
Accruals and deferred income				
To subsidiary undertakings	0	0	2,675	0
To associated undertakings	0	0	0	0
To others	67,615	5,923	66,052	2,817
Total	67,615	5,923	68,727	2,817
Other creditors				
Owed to subsidiary undertakings	0	0	2,436	0
Short-term creditors	349,949	36,948	352,658	33,316

## G R O U P C O N T I N G E N T L I A B I L I T I E S

Shares pledged (book value)	1,277,548	19,120	1,277,548	19,120
Mortgages on land and buildings	87,864	278,059	87,864	50,000
Contingent liabilities				
Collateral has been given as surety for loans totalling FIM 1,122 million from financial institutions				
Interest swaps (3 years fixed interest)				
value of underlying instrument	121,260	121,260	121,260	121,260
Interest option (5-year interest cap)				
value of underlying instrument	468,000	0	468,000	0

## FINANCIAL RATIOS IN FINNISH MARKKA

### INCOME STATEMENT (FIM 1,000)

	1998	1997	1996	1995	1994
Turnover	152,687	37,402	36,318	36,585	35,734
Planned depreciation	21,519	10,867	10,764	10,580	10,574
Operating profit	84,327	17,059	18,969	19,517	18,678
as % of turnover	55,2	45,6	52,2	53,3	52,3
Net financial charges	-32,471	-12,008	-15,468	-17,548	-17,575
Result before extraordinary items, provisions and taxes	51,856	5,052	3,501	1,969	1,103
as % of turnover	34,0	13,5	9,6	5,4	3,1
Result before provisions and taxes	51,856	5,052	3,501	1,969	1,103
as % of turnover	34,0	13,5	9,6	5,4	3,1
Result for the financial year	42,164	4,927	3,484	1,969	1,106

### BALANCE SHEET (FIM 1,000)

	1998	1997	1996	1995	1994
Fixed assets	2,072,953	509,740	499,063	509,304	519,944
Current assets	46,607	5,060	7,378	4,530	2,604
Shareholders' equity	859,989	279,592	274,665	271,181	269,212
Minority interest	63,456	-	-	-	-
Creditors	1,196,115	235,208	231,776	242,653	253,336
Balance sheet total	2,119,560	514,800	506,441	513,834	522,548

### FINANCIAL PERFORMANCE

	Formula	1998	1997	1996	1995	1994
Return on equity (ROE), %	1	5.7	1.8	1.3	0.7	0.4
Return on capital invested (ROI), %	2	6.2	3.4	3.7	3.8	3.6
Equity ratio, %	3	43.6	54.3	54.2	52.8	51.5
Current ratio	4	0.1	0.1	0.5	0.3	0.2
Gross fixed asset investments		1,809,569	17,959	824	622	1,337
as % of turnover		1,185.1	48.0	2.3	1.7	3.7
Employees, average		5	4	3	3	3

### FORMULA FOR FINANCIAL RATIOS

1 Return on equity % (ROE)	$\frac{\text{Profit before extraordinary items - taxes}}{\text{Shareholders' equity + minority interest (average for year)}} \times 100$
2 Return on capital invested % (ROI)	$\frac{\text{Profit/loss before extraordinary items - taxes} + \text{interest and other financial charges}}{\text{Balance sheet total - zero-interest liabilities (average for year)}} \times 100$
3 Equity ratio %	$\frac{\text{Shareholders' equity + minority interest}}{\text{Balance sheet total - advances received}} \times 100$
4 Current ratio	$\frac{\text{Current assets+ stocks}}{\text{Short-term creditors}} \times 100$
5 Earnings per share (EPS)	$\frac{\text{Result before extraordinary items - taxes +/- minority interest}}{\text{Adjusted number of shares for the financial year}} \times 100$
6 Shareholders' equity per share	$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares at balance sheet date}} \times 100$

## FINANCIAL RATIOS IN EUROS

### INCOME STATEMENT (1,000 EURO)

	1998	1997	1996	1995	1994
Turnover	25,680	6,291	6,108	6,153	6,010
Planned depreciation	3,619	1,828	1,810	1,779	1,778
Operating profit	14,183	2,869	3,190	3,283	3,141
as % of turnover	55.2	45.6	52.2	53.3	52.3
Net financial charges	-5,461	-2,020	-2,602	-2,951	-2,956
Result before extraordinary items, provisions and taxes	8,722	850	589	331	186
as % of turnover	34.0	13.5	9.6	5.4	3.1
Result before provisions and taxes	8,722	850	589	331	186
as % of turnover	34.0	13.5	9.6	5.4	3.1
Result for the financial year	7,091	829	586	331	186

### BALANCE SHEET (1,000 EURO)

	1998	1997	1996	1995	1994
Fixed assets	348,646	85,732	83,936	85,659	87,448
Current	7,839	851	1,241	762	438
Shareholders' equity	144,640	47,024	46,195	45,609	45,278
Minority interest	10,673	-	-	-	-
Creditors	201,172	39,559	38,982	40,811	42,608
Balance sheet total	356,485	86,583	85,177	86,421	87,886

### FINANCIAL PERFORMANCE

	Formula	1998	1997	1996	1995	1994
Return on equity (ROE), %	1	5.7	1.8	1.3	0.7	0.4
Return on capital invested (ROI), %	2	6.2	3.4	3.7	3.8	3.6
Equity ratio, %	3	43.6	54.3	54.2	52.8	51.5
Current ratio	4	0.1	0.1	0.5	0.3	0.2
Gross fixed asset investments		304,348	3,020	139	105	225
as % of turnover		1,185.1	48.0	2.3	1.7	3.7
Employees, average		5	4	3	3	3

7 P/E ratio	$\frac{\text{Price at balance sheet date}}{\text{Earnings per share (EPS)}}$
8 Average price	$\frac{\text{Value of shares traded in Finnish markka}}{\text{Average number of shares traded}}$
9 Capitalisation value	Number of shares at 31 Dec x final trading price for the financial year
10 Dividend per earnings, %	$\frac{\text{Dividend per share}}{\text{Earnings per share (EPS)}} \times 100$
11 Effective dividend yield, %	$\frac{\text{Dividend per share}}{\text{Adjusted middle trading price at balance sheet date}}$

## SHARES AND SHAREHOLDERS

### SHAREHOLDERS' EQUITY

Kiinteistösjointus Oyj Citycon's subscribed capital is FIM 657,064,000 divided between 82,133,000 shares each having a nominal value of FIM 8. The company has one class of shares. Under the Articles of Association, the maximum authorised share capital is FIM 1,203,200,000.

### GROWTH IN SHARE CAPITAL

When formed on 29 January 1988, the company's share capital was FIM 50 million divided between 2,500,000 shares. The share capital has since been increased as follows:

Payment date	Subscriber	Number of shares issued	Issue price FIM/share	Total shares	Subscribed capital FIM million
23.06.88	Helsingin Myyntitalo Oy	750,000	20	3,250,000	65
30.07.88	Oy Terrasilvana Ab	750,000	20	4,000,000	80
19.08.88	Insurance Company Sampo Pension Ltd	250,000	20	4,250,000	85
19.08.88	PSP Pension Fund	250,000	20	4,500,000	90
19.08.88	Kupari&Uusitalo Invest Oy	500,000	20	5,000,000	100
07.10.88	Public	2,000,000	22	7,000,000	140
07.12.88	Team-Keskus Oy	800,000	23	7,800,000	156
17.04.89	New issue (4:1)	1,950,000	22	99,750,000	195
11.11.92	decrease in accordance with a resolution made by an extraordinary general meeting, entered in the Trade register on 23.12.1992		10	9,750,000	97.5
11.11.92	Kansallis-Osake-Pankki Oy, Tukkukauppojen Oy and Ferenda Oy	20,330,000	10	30,080,000	300.8
10.03.98	decrease in accordance with a resolution made by the annual general meeting, entered in the Trade register on 11.3.1998		8	82,133,000	657.1

### ANALYSIS OF SHAREHOLDINGS

This analysis is based on information contained in the share register kept by the Finnish Central Securities Depository. At the end of 1998, 82,112,468 shares, equivalent to 99.9 per cent of the share capital, had been converted to book entries (20,532 shares remained in physical form). According to the share register, Citycon had 746 owners at the end of 1998. Members of Kiinteistösjointus Oyj Citycon's Board of Directors and managing director had no shares in the company at 31 December 1998.

Shareholders	No of shares and votes	%
1. Merita Real Estate Ltd	28,487,000	34.68
2. Center-Yhtiöt Oy	12,761,000	15.53
3. Nova Life Insurance Company	9,897,000	12.05
4. Stimato Oy (Merita Invest Oy)	6,373,667	7.76
5. Merita Bank Plc, nominee registered	5,639,480	6.87
6. Svenska Handelsbanken, Helsinki, nominee registered	3,509,657	4.27
7. Polar Corporation	1,009,091	1.15
8. Imatran Voima Oy	947,700	1.15
9. Varma-Sampo Mutual Pension Insurance Company	937,500	1.14
10. Employment Pension Fund	750,000	0.91
Total	61,063,958	74.32

Ownership structure	Owners	Shares and votes
Public corporations	1	947,700
Private corporations	105	50,573,751
Financial and insurance institutions	17	24,396,634
Public sector entities	8	2,599,500
Non-profit-making organisations	10	1,830,600
Households and private individuals	604	1,763,283
Foreign	1	1,000
Total	746	82,112,468



## PER SHARE DATA IN FINNISH MARKKA

	Formula	1998	1997	1996	1995	1994
Earnings per share (EPS), FIM	5	0.58	0.16	0.12	0.07	0.04
Shareholders' equity per share, FIM	6	10.47	9.29	9.13	9.02	8.95
PE ratio (price/earnings ratio)	7	13	54	77	76	128
Share performance.						
Lowest price, FIM		6.50	8.00	5.00	5.00	4.00
Highest price, FIM		13.80	14.20	8.90	8.50	12.00
Middle price, FIM	8	10.70	12.10	7.45	5.50	8.78
Capitalisation value, FIM 1,000	9	615,998	240,640	267,712	150,400	141,376
Share trading						
Shares traded, 1,000		30,879	458	14,592	996	95
as % of total shares		37.6	1.5	48.5	3.3	0.3
Adjusted average number of shares 1,000		72,293	30,080	30,080	30,080	30,080
Adjusted number of shares at 31 Dec, 1,000		82,133	30,080	30,080	30,080	30,080
Dividend per share	1)	0.35	0	0	0	0
As % of earnings	10 1)	60.0	0	0	0	0
Effective dividend yield	11 1)	4.67	0	0	0	0

1) Proposal by the Board of Directors

## PER SHARE DATA IN EUROS

	Formula	1998	1997	1996	1995	1994
Earnings per share (EPS), euro	5	0.10	0.03	0.02	0.01	0.01
Shareholders' equity per share, euro	6	1.76	1.56	1.54	1.52	1.51
PE ratio (price/earnings ratio)	7	13	54	77	76	128
Share performance,						
Lowest price, euro		1.09	1.35	0.84	0.84	0.67
Highest price, euro		2.32	2.39	1.50	1.43	2.02
Middle price, euro	8	1.80	2.04	1.25	0.93	1.48
Capitalisation value, 1,000 euro	9	103,603	40,473	45,026	25,295	23,778
Share trading						
Shares traded, 1,000		30,879	458	14,592	996	95
as % of total shares		37.6	1.5	48.5	3.3	0.3
Adjusted average number of shares 1,000		72,293	30,080	30,080	30,080	30,080
Adjusted number of shares at 31 Dec, 1,000		82,133	30,080	30,080	30,080	30,080
Dividend per share	1)	0.06	0	0	0	0
As % per share	10 1)	60.0	0	0	0	0
Effective dividend yield	11 1)	4.67	0	0	0	0

1) Proposal by the Board of Directors

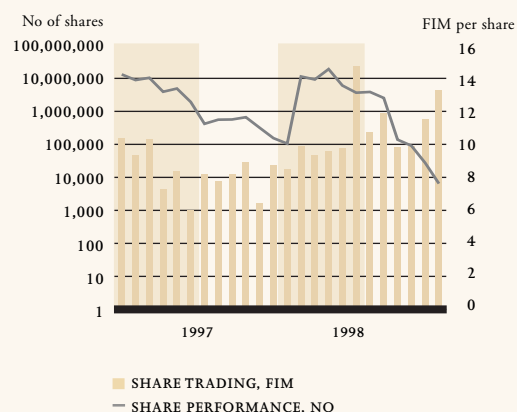
## SHARE TRADING 1994-1998

	No of shares	Lowest FIM	Highest FIM
1994	94,573	4.00	12.00
1995	996,016	5.00	8.75
1996	14,594,633	5.00	8.90
1997	458,353	8.00	14.20
1998	30,878,903	6.50	13.80

## MONTHLY SHARE TRADING FIGURES AND TRADING PRICES 1998

	No of shares	Lowest FIM	Highest FIM
January	18,425	8.00	10.50
February	88,492	10.00	13.80
March	46,615	11.00	13.00
April	63,850	12.00	13.50
May	75,500	10.60	12.00
June	24,165,413	11.00	12.00
July	227,962	11.00	11.90
August	918,625	9.50	11.50
September	82,906	8.50	10.00
October	90,330	8.00	9.50
November	573,245	7.50	9.00
December	4,527,540	6.50	7.80

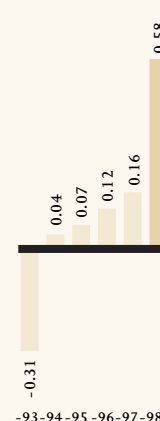
## CITYCON'S MONTHLY SHARE PERFORMANCE AND TRADING 1997-98



## SHAREHOLDERS' EQUITY PER SHARE, FIM



## EARNINGS PER SHARE, FIM



## PROPOSAL FOR THE DISPOSAL OF PROFIT

### Parent company's distributable capital:

Other distributable capital	38,951,888.49
Profit for the financial year	47,734,967.74
Total	86,686,856.23

The distributable capital shown in the balance sheet is FIM 98, 326,000.

The Board of Directors is to recommend to the Annual General Meeting that a dividend of FIM 0,35 per share be paid for 1998 and that the remainder be retained.

Signatories to the financial statements dated 31 December 1998

Helsinki, 26<sup>th</sup> February 1999

Matti Sarnela

Heikki Valkjärvi

Risto Lassila

Erkka Valkila

Jorma Lehtonen

Risto Wartiovaara

Olli-Pekka Mikkola

Managing director

## AUDITORS' REPORT (TRANSLATION)

### To the shareholders of Kiinteistösjointus Oyj Citycon

We have audited the accounting records and the financial statements, as well as the administration by the Board of Directors and the Managing Director of Kiinteistösjointus Oyj Citycon for the year ended 31 December 1998. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit, we express an opinion on these financial statements and the company's administration.

We have conducted our audit in accordance with Finnish Generally Accepted Auditing Standards. Those standards require that we plan and perform the audit in order to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration has been to examine that the Board of Directors and the Managing Director have complied with the rules of the Finnish Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company result of operations, as well as of the financial position. The financial statements can be adopted and members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the year audited by us. The proposal made by the Board of Directors on how to deal with the distributable earnings is in compliance with the Finnish Companies Act.

We have acquainted ourselves with the interim financial statements made public by the company during the year. It is our understanding that the interim financial statements have been prepared in accordance with the rules and regulations governing the preparation of such statements in Finland.

Helsinki, 8 March 1999

Ari Ahti

Authorized Public Accountant

Jaakko Nyman

Authorized Public Accountant

## CORPORATE ADMINISTRATION AND MANAGEMENT



*Matti Sarnela*



*Heikki Valkjärvi*



*Risto Lassila*



*Jorma Lehtonen*



*Erkkä Valkila*



*Risto Wartiovaara*

### BOARD OF DIRECTORS

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Matti Sarnela, chairman  
Managing director, LLM  
Sato-Yhtymä Oyj

Heikki Valkjärvi, deputy chairman  
Divisional director, LLM  
Kesko Corporation

Risto Lassila  
Director  
Kesko Corporation, Kiinteistökesko

Jorma Lehtonen,  
Director, real estate  
Sampo Group

Erkkä Valkila  
Managing director, MSc (Eng)  
Polar Corporation

Risto Wartiovaara  
Managing director, MSc (Econ. & Bus. Ad.)  
Merita Invest Oy

### AUDITORS

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The company's auditors were authorized public accountants Ari Ahti and Jaakko Nymän, with Authorized Public Accountants KPMG Wideri Oy Ab as deputy auditors.

### MANAGEMENT

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Managing director of the company was Olli-Pekka Mikkola LLM.

## MILESTONES IN CITYCON'S HISTORY

1998

Business expansion and development of the company's core concept started in February 1998. Against the background successful restructuring during the year, 1998 saw Citycon report its best ever result.

1997

Citycon improved its performance and created a new business concept during the financial year. This concept culminated in property deals taking place in early 1998.

1996

Economic growth and low interest rates stimulate the property market. Citycon's steady growth creates the basis for positive results.

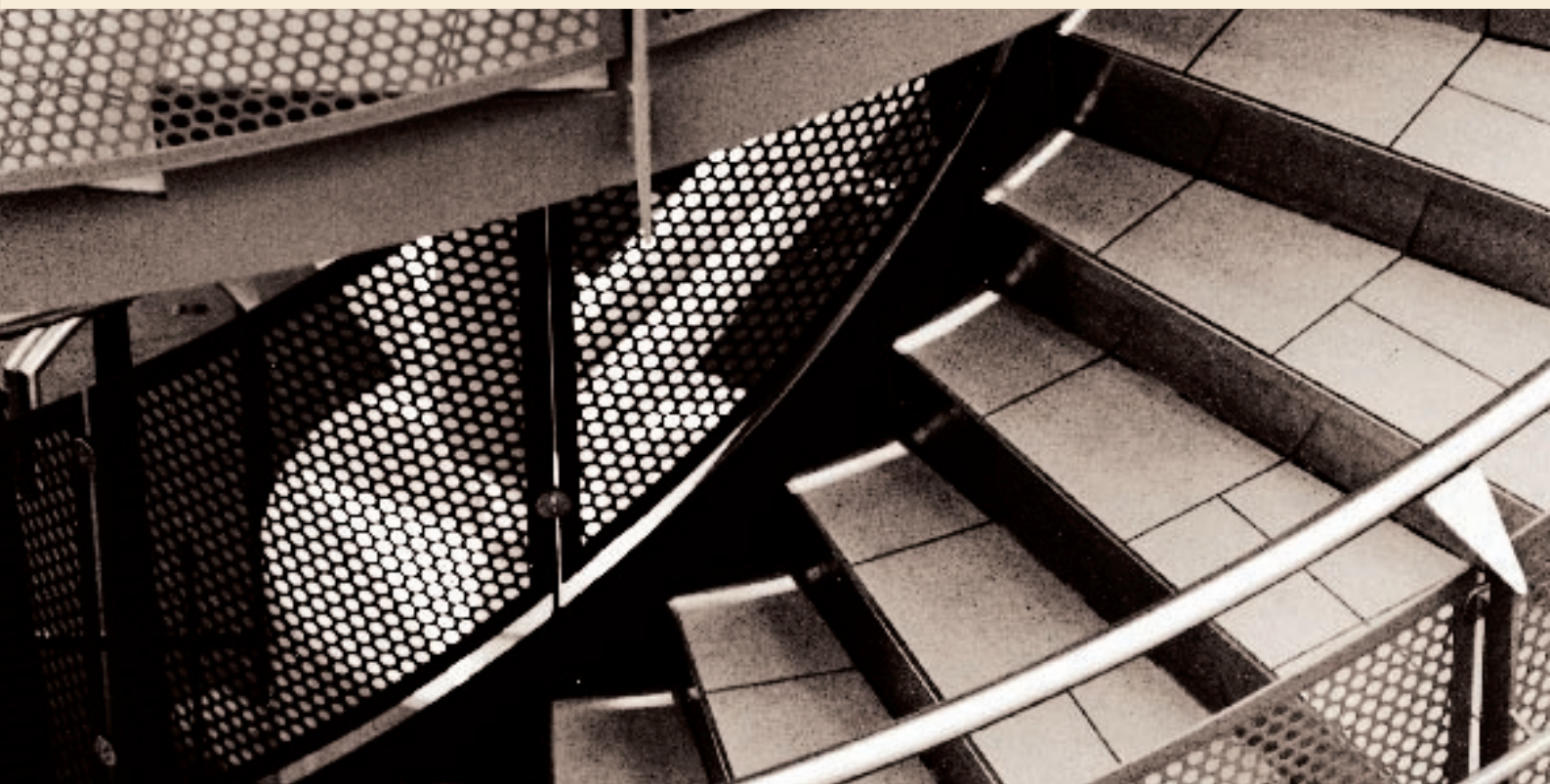
1988

Citycon was founded by Sampo Pension Insurance Company Ltd, Imatran Voima Oy, Postipankki and Rakennustoimisto A. Puolimatka Oy.





IN RECENT YEARS THE BUSINESS ENVIRONMENT FOR PROPERTY INVESTMENT HAS BEEN FAVOURABLE BECAUSE STEADY ECONOMIC GROWTH HAS INCREASED THE DEMAND FOR BUSINESS PREMISES, WHICH HAVE BEEN TAKEN BY LONG-TERM TENANTS. PROFITABILITY IN THE RETAIL TRADE HAS IMPROVED AS A RESULT OF GREATER PURCHASING POWER AND DEMAND.



## SHAREHOLDER INFORMATION

### ANNUAL GENERAL MEETING

Kiinteistösjointus Oyj Citycon's 1999 Annual general Meeting will be held at 1pm on Friday 26 March 1999 in the Diana Auditorium at Erottajankatu 5, 00120 Helsinki.

Shareholders registered by 19 March 1999 in the company's share register kept by the Finnish Central Securities Depository (APK) or under chapter 3a, section 4, paragraph 2 of the Companies Act are eligible to attend the Annual General Meeting.

Shareholders wishing to attend the Annual General Meeting should notify the company of their intention to do so by 1pm on 24 March 1999, either in writing to the company's office at Kluuvikatu 5, 00100 Helsinki, by faxing (09) 680 36788 or by telephoning (09) 680 3670.

### PAYMENT OF DIVIDEND

The Board of Directors will propose to the Annual General Meeting that a dividend of FIM 0,35 per share be paid on 1998. The dividend decided by the Annual General Meeting shall be paid to shareholders who, on 31 March 1999, the record date confirmed by the Board of Directors for the payment of dividends, are on the share register kept by the Finnish Central Securities Depository. The Board of Directors will propose to the Annual General Meeting that the dividend be paid at the end of the settlement period on 9 April 1999.

### INTERIM REPORTS

Citycon will publish two interim reports for 1999. The first of these covers the first four months of the year and will be published on 23 June 1999, the second covers the first eight months of the year and will appear on 29 October 1999. Copies of the company's annual and interim reports may be ordered from Citycon's office by telephoning (09) 680 3670.



## **CITYCON**

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[www.citycon.fi](http://www.citycon.fi)