



ANNUAL REPORT 1999

CITYCON

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CITYCON IN BRIEF

KIINTEISTÖSIJOITUS OYJ CITYCON

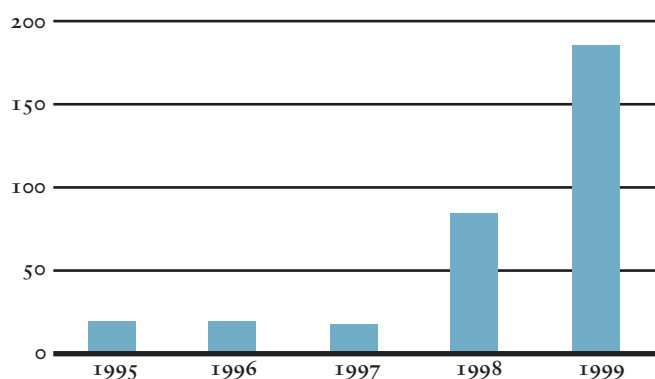
is Finland's largest listed property investment company specialising in shopping centres and retail premises. The company has a market capitalisation approaching FIM 4 billion.

Citycon owns, lets and manages properties in Finland's largest growth centres, where demand for premises is buoyant and rents are rising.

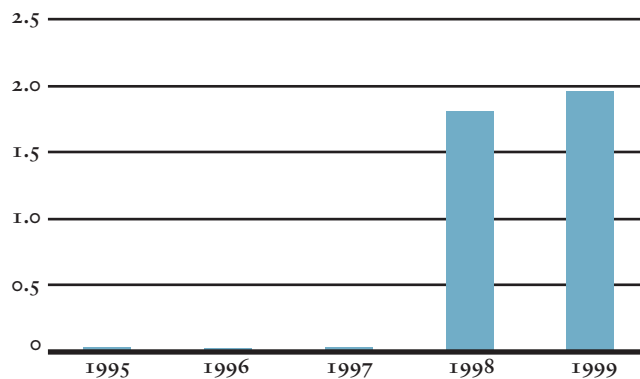
KEY FIGURES, FIM 1,000

	1999	1998
Turnover	330,360	152,687
Operating profit	184,720	84,327
as % of turnover	55.9	55.2
Result for the financial year	63,554	42,164
Return on equity (ROE), %	4.9	5.6
Return on capital invested (ROI), %	6.2	6.2
Equity ratio, %	37.2	43.6
Earnings per share, FIM	0.67	0.58
Shareholders' equity per share, FIM	10.72	10.47
Dividend per share (year 1999 dividend Board of Directors' recommendation)	0.40	0.35
Gross fixed asset investments	1,947,750	1,809,569
Employees, average	12	5

OPERATING PROFIT, FIM MILLION



GROSS FIXED ASSET INVESTMENTS, FIM BILLION



MANAGING DIRECTOR'S REVIEW

OLLI-PEKKA MIKKOLA



Olli-Pekka Mikkola

Two major features will shape the development of listed Finnish property investment companies over the next few years: company size will grow as companies specialise in business concepts that differ increasingly from each other. I think these trends will be reflected positively in stock exchange values.

Listed companies own only a minority of property assets in Finland and Scandinavia. Similarly in Europe, just 4-5 per cent of properties are listed through stock exchanges. This gives us every reason to believe that the share of listed property assets is poised to grow significantly in the future. This is likely to happen also in Finland, where the property sector is one of the fastest growing markets in Europe. There are conditions for continued growth in the Finnish property sector because the overall market is still lagging considerably behind Sweden, where there is already strong investor interest in property investment companies.

To date, the specialisation of companies in the property sector has been by property type on a regional and national basis. Future development will be found in European-wide property arrangements, which could take place in several markets simultaneously. These arrangements will increase the market value of property companies, which in turn will drive investor interest.

One reason for property companies to increase in size is to improve share liquidity. Low trading of a company's shares has generally been considered a problem. Increases in market value have usually boosted the liquidity of listed property companies, too, and the market value has also begun to be reflected in the net value of these companies.

Greater company size also has other impacts. Mergers have not just served as a catalyst to raise share prices. Growth in size has also reduced the relative cost structure of these companies and consolidated their position in the letting market. Enhanced investor interest also affects the availability and cost of money: the more interesting a company, the easier it can obtain funds, by tapping the international capital market, for example.

Development of the Finnish property market has fluctuated for many years. At times there has been an oversupply of office space, at others a fear of the market overheating, at least in growth centres. Fortunately both these extremes were avoided in 1999 and supply and demand remained surprisingly well balanced.

The greatest future challenge facing property investment companies will be to apply for credit rating. Credit rating is required to improve the equilibrium between subordinated and preferred loans. Even though many still consider it strange to talk about applying for a credit rating, it is one of the essential elements of an advanced market.

Property markets have traditionally been dependant on trends in the construction industry and on economic growth. These factors also have an impact on the performance and investment value of property investment companies through demand for business premises. One key factor in this respect are changes in interest rates. Higher interest rates somewhat eroded Citycon's 1999 result, even though interest-rate hedging and its equity ratio made Citycon less vulnerable than average to changes in interest rates.

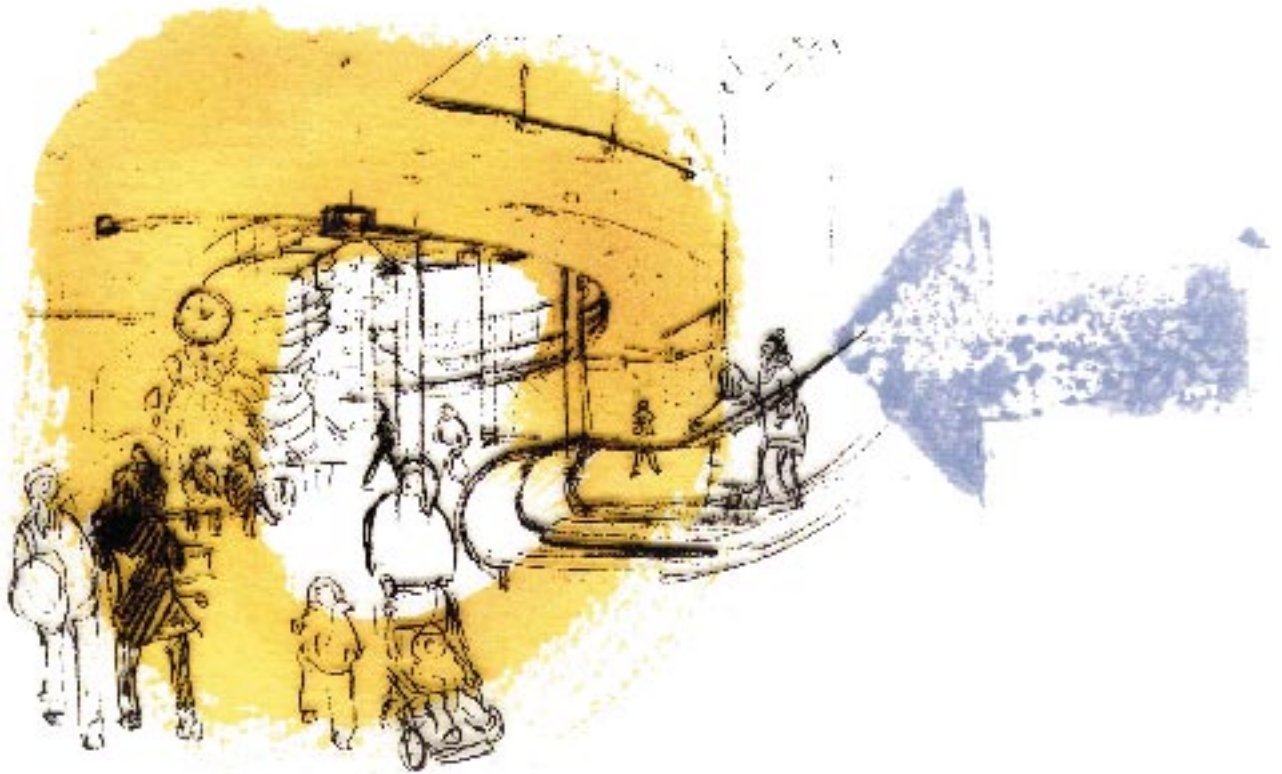
The year under review saw Citycon focus its efforts on shaping itself into a property investment company with a major Shopping Centre portfolio. To this end we considerably strengthened the competence of our organisation. The arrangements carried out have given the company more room to move and improved our potential to roll out new types of financing instruments under the Citycon name.

Financially, 1999 was very much in line with what we expected. Despite rising interest rates, we expect performance during the current year to remain similar to last year's.



Olli-Pekka Mikkola
Managing Director

CITYCON'S ACTIVITIES



Kiinteistösi joitus Oyj Citycon is Finland's largest listed property investment company specialising in shopping centres and retail premises. The company has a market capitalisation approaching FIM 4 billion. Citycon owns, lets and manages properties in Finland's largest growth centres, where demand for premises is buoyant and rents are rising.

CITYCON'S SUCCESS FACTORS ARE SPECIALISATION AND A FOCUSED PROPERTY STOCK

On a Nordic scale, Citycon is one of the leading concept-focused property investment companies. This gives it a strong position in its chosen strategic areas both as a retail property expert and a provider of good rental premises. Specialisation in shopping centres and retail premises ensures Citycon has the potential to achieve its profitability and growth targets. Its distinct business concept enables the company to meet the changing needs of its tenants. Citycon has two property portfolios to help ensure long-term satisfied tenants. Its two portfolios give the company excellent ability to cater to the needs of a wide variety of tenants, including chain stores.

Most of Citycon's properties are located in the Helsinki Metropolitan Area and in other growth centres in Finland. In 1999, Citycon had a presence in 70 localities.

SPECIALISATION MEANS COST EFFECTIVENESS

At 31 December 1999, the book value of Citycon's property stock was FIM 3.9 billion. The property stock includes 203 properties, of which 98 per cent are either shopping centres, supermarkets or shops. The remaining two per cent are either offices or warehouses. At 93.4 per cent, the occupancy rate of the company's premises during 1999 was good. Retail premises and shopping centres were let 98 per cent.

Citycon's turnover consists of rent from the properties it lets. During the year under review rents were up by 123 per cent on the previous year to stand at FIM 3026 million.

In 1998, Citycon outsourced a sizeable part of the administration of its properties. Working together with Catella Property Consultants Ltd, Citycon has developed an effective property management system allowing it to make maximum use of its own resources and to minimise administration costs. Citycon buys mostly maintenance and technical management services for its properties from outside experts, thus freeing valuable resources to allow the company to focus on further developing its core business.

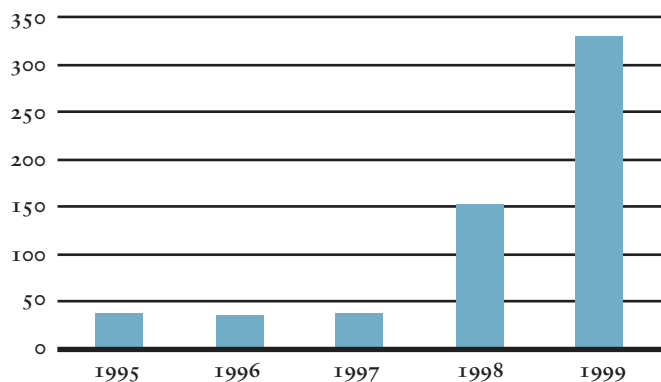
COMMITTED TO FOCALISATION AND BUILDING ON PROPERTY PORTFOLIO

Citycon is committed to controlled profitable growth. In keeping with its growth strategy, the company added almost FIM 2 billion of property to its portfolio in 1999.

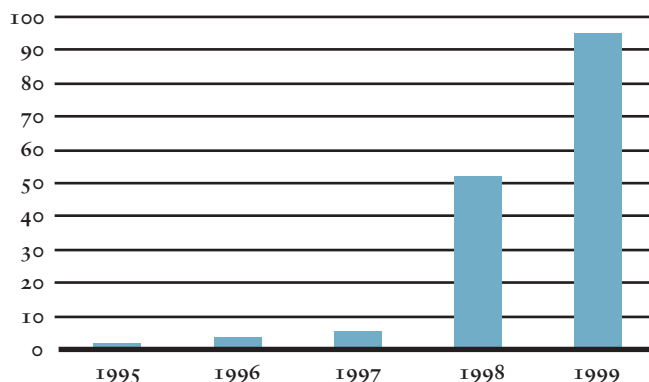
In 1999, Citycon acquired 13 properties for FIM 1.9 billion and disposed of 26 properties for FIM 38 million. Citycon's business structure allows it to flexibly buy and sell properties to develop and to expand its property portfolio. The company will step up its geographical focus on growth centres by consolidating property ownership in focus areas and by disposing of those properties not forming part of Citycon's strategy.

During the next few years, Citycon will seek to reduce the number of properties it owns outside growth centres and to focus increasingly on the Helsinki Metropolitan Area and growth centres, where economic growth and the demand for retail premises is expected to remain buoyant. Our objective in the year 2000 is to build on our reputation as a retail property expert and to better map the needs of our customers.

TURNOVER, FIM MILLION



RESULT BEFORE APPROPRIATIONS AND TAXES, FIM MILLION



RENTAL AGREEMENTS FORM A SOUND BASE FOR STEADY DIVIDENDS

Citycon is committed to remaining a competitive payer of dividends and to increasing returns on equity by optimising the ratio between shareholders' equity and liabilities in relation to yield and risk. Additionally, the company seeks to increase its renown and to be an attractive investment.

Flexible cost-effective administration of its properties supports Citycon's efforts to secure a competitive yield for its owners. The company aims to pay out over half its post-tax profit as dividend to shareholders, thus making Citycon shares a viable option to other capital investments.

Since they are fixed and mostly index-linked, Citycon's rental agreements provide a sound base for steady dividends. Fixed agreements and long rental agreements ensure a steady yield, making it easier to forecast long-term returns. Some 50 per cent of the company's rental agreements were over 5 years and 15 percent over 10 years.

Underutilisation of retail premises has fallen since the mid-1990s in line with growth of the Finnish economy, which has fuelled a strong demand for such premises. The number of unoccupied premises in the Helsinki Metropolitan Area has remained low despite new development and conversions. This has created encouraging conditions for profitable property ownership.

Citycon spread the overall risk of property investment by focusing in line with its strategy and a large number of rental agreements. This makes risk assessment easier and allows the company to strengthen its position in the retail premises letting market.

EMPLOYEES

In 1999, Kiinteistösi joitus Oyj Citycon Group employed 12 persons, of which 7 were employed by the parent company. Company growth has also been reflected in the number of employees, which rose by 7 persons. Nevertheless, in keeping with our business strategy, we intend to keep our organisation lean in a bid to minimise fixed costs. To this end Citycon seeks to subcontract maintenance and property management services. A bonus scheme was introduced for the entire personnel during the year under review. The scheme will continue until 2007.

OVERVIEW OF THE PROPERTY MARKET

The number of unoccupied business premises on the market continued to fall throughout 1999. Figures released by Catella show that just 1.8 per cent of property stock in the Helsinki Metropolitan Area was vacant in autumn 1999. The situation is similar in other major cities such as Turku and Tampere, where the number of vacant business premises was between two and four per cent. Because growth often involves the need for more

space, the lack of vacant premises also makes it difficult for businesses to expand in these areas.

The fact that economic growth is focused in regional centres is also reflected in the real estate market. Centres grow in line with economic prosperity, with the range and number of services increasing and becoming more diversified. In this kind of environment, location, building size and real estate type are significant factors in assessing interest in a property and thus the rent level applicable.

Economic growth has remained slower in smaller centres than it has in growth centres. This is also reflected in the local property market concerned.

NEW DEVELOPMENT

New development projects in respect of business premises have continued to pick up. In the Helsinki Metropolitan Area the construction of retail premises is centred on building large complexes, with far fewer individual retail premises and supermarkets being completed.

A reform of building legislation will hamper the construction of large foodstuff stores. Citycon owns several excellently located supermarkets and hypermarkets in the Helsinki Metro-

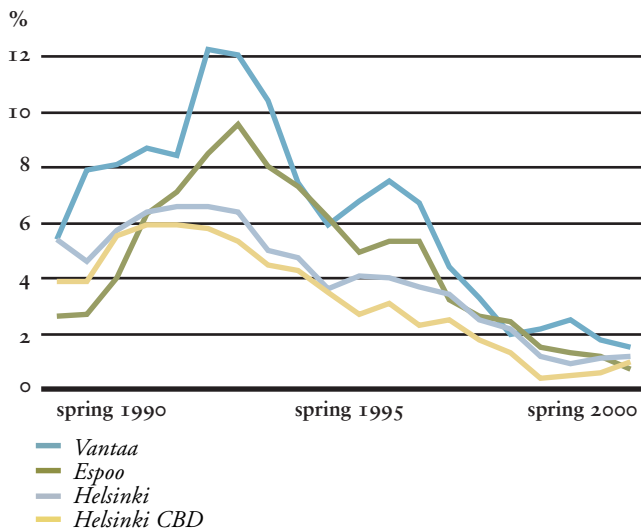
politan Area and elsewhere in the country. Management considers that the market position of these premises will strengthen.

Citycon has begun to actively develop the management of its shopping centres in the Helsinki Metropolitan Area taking into account the peculiar features of each centre. The company is committed to consolidating the market position of each centre by enhancing customer satisfaction and interest in the centres. Our work on this front will ensure the vitality of Citycon's shopping centres also in the future.

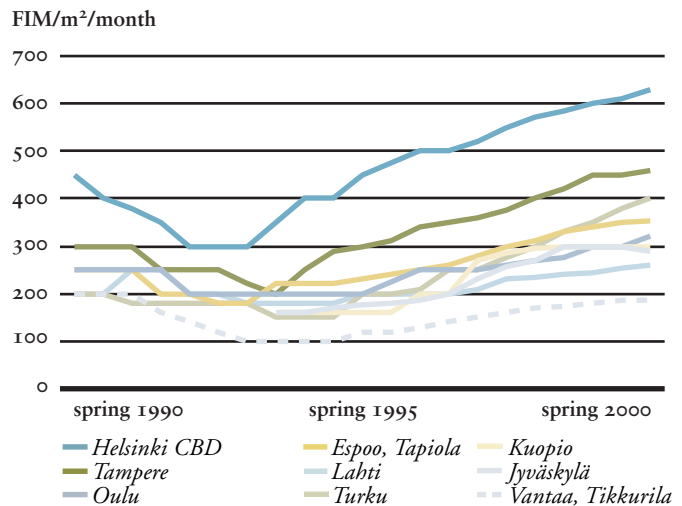
RENT LEVELS

Demand for retail premises is expected to remain buoyant in the foreseeable future. Higher purchasing power resulting from permanent population gains and falling unemployment in the Helsinki Metropolitan Area have also continued to fuel retail sales and the demand for premises. The shortage of prime commercial premises and fierce competition have led to higher rents. Rents are generally still rising since rental agreements are usually renewed at a higher rent than earlier. The rent for retail premises clearly reflects the link between the location of the premises and the output capacity of business carried on there.

VACANCY RATES FOR RETAIL PREMISES
HELSINKI METROPOLITAN AREA



RENTS FOR RETAIL PREMISES^(*)
IN THE CENTRE OF MAJOR CITIES



^(*) Prime properties, average surface area 150 m², gross rent FIM/m²/month (excl. VAT), new rental agreements

CITYCON'S PROPERTY PORTFOLIO



During 1999, Citycon added almost FIM 2 billion of properties to its portfolio, with the acquisition of majority holdings in nine shopping centres in the Helsinki Metropolitan Area and minority stakes in Koskikeskus in Tampere and Jyväskeskus in Jyväskylä.

The above deals resulted in Citycon almost doubling its property stock and led to the company restructuring the management of its property portfolio accordingly at both the operative and investment tracking level. Citycon's property stock is now split into two portfolios:

SHOPPING CENTRES, 13 PREMISES

Shopping centres are defined as those buildings where many different tenants have main access to their premises via a shared space inside the building. Citycon has a clear majority holding in most of the shopping centres in which it has an interest.

SUPERMARKETS AND SHOPS, 190 PREMISES

The largest premises in the portfolio are department stores and hypermarkets, the smallest are individual business premises. Citycon's other retail premises also come under Supermarkets and Shops.

At the end of 1999, in addition to the above portfolios Citycon also owned three other premises: warehouse properties in Seinäjoki and Joensuu and an office property in Helsinki. Citycon also owns an undeveloped site in Vantaa.

LETTING ACTIVITIES

Citycon's core business, letting, developed in line with growth in the company's business activities during the year. The company reviewed the terms of new leases to be signed and rents based on existing agreements. Some 170 new rental agreements were signed during the year.

PROPERTY DISPOSAL PROGRAMME

Citycon has drawn up a property disposal programme aimed at reducing the localities in which the company has a presence to almost 50. In 1999, Citycon had a presence in 70 localities. In line with its business strategy, Citycon is consolidating its property stock in its chosen focus areas: the Helsinki Metropolitan Area and

other centres in Finland with over 50,000 inhabitants. The company is also committed to specialising solely in commercial and retail premises. At 31 December 1999, less than 10 per cent of the book value of Citycon's property stock was earmarked for disposal.

Citycon made progress with its property disposal programme as planned during the year under review and sold business premises in a total of 26 real estate companies. These deals were worth almost FIM 36.8 million free of debt. The company booked a FIM 3.9 million profit on the deals. The property disposal programme will continue as planned during the year 2000.

OBJECTIVES FOR THE YEAR 2000

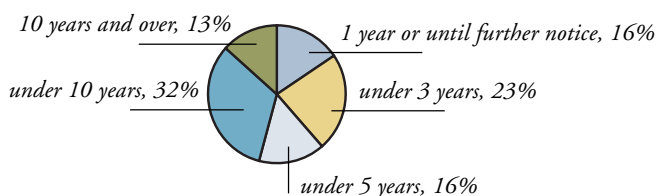
The year 2000 will see Citycon continue to implement its investment strategy and further consolidate its position as an owner of retail premises. In practice this means building on the company's property stock through new investments, investments in the existing property stock, optimising yields on properties owned by the company and actively pursuing the property disposal programme.

CITYCON'S PROPERTY STOCK TOTAL

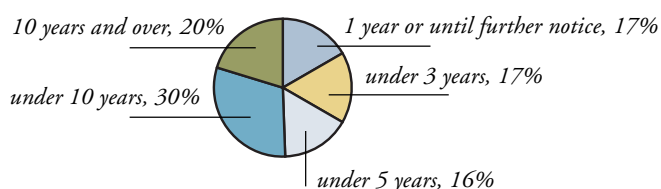
	NO.	SURFACE AREA, M ²	NET RENT, FIM MILL.	BOOK VALUE, FIM MILL.	NET YIELD [*] , %
Helsinki	40	32,989	20.1	262.2	7.7
Espoo	14	44,935	66.3	751.5	8.8
Vantaa	20	74,877	81.2	956.3	8.5
Rest of Uusimaa	15	20,873	11.7	146.5	8.0
Tampere, Turku, Oulu and Jyväskylä	29	49,983	23.3	368.1	6.3
Other municipalities of over 50,000 inhabitants	30	105,084	56.0	727.4	7.7
Other	61	129,588	48.6	635.6	7.6
Total	209	458,329	307.1	3,847.7	8.0

^{*} Net yields are pro forma.

LENGTH OF LEASES, SHOPPING CENTRES



LENGTH OF LEASES, SUPERMARKETS AND SHOPS



SHOPPING CENTRES

Citycon has premises in thirteen shopping centres that are owned and managed through fifteen mutual real estate companies.

Most of the properties in the portfolio were acquired in June 1999, when Citycon acquired majority holdings in nine shopping centres and minority stakes in two others. Aside from these, the portfolio also contains interests in Galleria in Oulu and a holding in the Heikintori shopping centre in Espoo, which were acquired prior to June 1999.

Information about the net income of the shopping centres is shown in the table below. Actual figures have been given for properties owned throughout 1999 and pro forma figures (actual/number of months owned x 12) for properties owned for part of the year.

RENTAL AGREEMENTS

There is a marked difference between the rental agreement structure in respect of Shopping Centres and that for Supermarkets and Shops. Although, the average length of rental agreement weighted by the amount of rent is over six years in each portfolio, the agreement spread differs. There are relatively fewer long rental agreements for shopping centres. Shorter agreements pave the way for active development of the tenant structure in line with development of shopping centre retail activities.

SHOPPING CENTRES

	NO.	SURFACE AREA, M ²	NET RENT, FIM MILL.	BOOK VALUE, FIM MILL.	NET YIELD ^{*)} , %
Helsinki Metropolitan Area	6	56,648	97.9	1,207.4	8.1
Tampere, Oulu ja Jyväskylä	3	17,985	10.0	205.8	4.9
Other municipalities of over 50,000 inh.	6	57,282	36.6	531.3	6.9
Total	15	131,915	144.6	1,944.6	7.4

**) Net yields are pro forma.*

SHOPPING CENTRES ACCORDING TO BOOK VALUE

	LOCATION	TOTAL RETAIL AREA, M ²	CITYCON'S SHARE OF RE- TAIL AREA, %
Myyrmanni	Vantaa	32,112	72
Lippulaiva	Espoo	17,923	100
Lahden Trio	Lahti	22,734	76
Tikkuri	Vantaa	9,594	100
Koskikeskus	Tampere	36,068	21
Iso Kristiina	Lappeenranta	8,880	93
Espoonatori	Espoo	6,328	100
Isomyyri	Vantaa	11,928	84
Sampokeskus	Rovaniemi	12,892	84
Iso-Karhu	Pori	8,687	98
Jyväskeskus	Jyväskylä	6,508	44
Heikintori	Espoo	7,050	24
Oulun Galleria	Oulu	3,040	100

Major tenants in the Shopping Centre portfolio include Kesko Corporation, Lindex Oy, Rautakirja Oyj, KappAhl Oy, Stockmann Group, Merita Bank Plc, H&M Hennes & Mauritz Ab Oy and Tiimari Oy.

Kesko accounts for around 50 per cent of the gross net cash inflow. The properties occupied by Kesko are divided into different business areas roughly as follows:

- Anttila stores, 16%^c
- Citymarkets, 8%^c
- Speciality shops + others, 20%^c
- Other foodstuff chains, 7%^c

^c The figures shown are the percentage of total rent yield in the Supermarkets and Shops portfolio.

VACANT PREMISES

At the 31 December 1999, around 1.5 per cent of the property stock was vacant. The majority of vacant premises was office and warehouses.

RENOVATION AND REFURBISHMENT

None of the Shopping Centre portfolio properties required renovation or refurbishment in 1999. Citycon is committed to

developing and refurbishing its property stock to bring it line with modern commercial and technical demands.

SHOPPING CENTRE MANAGEMENT

Citycon enjoys a unique position as a shopping centre owner in the Finnish property market. Ownership of several shopping centres gives Citycon excellent potential to develop shopping centre activities and consolidate its market position. Given the significance and number of the properties concerned, Shopping Centres are managed differently to the Supermarkets and Shops portfolio. Shopping centre directors play a key role in the largest shopping centres, with responsibility for all Citycon's activities in all shopping centres.

The year 2000 will see a business strategy being drawn up for each shopping centre in a bid to optimise Citycon's cash inflow from shopping centres. The programmes take account of the business environment in each shopping centre, the investments planned and the development of shopping centre activities, including stepping up cooperation with tenants. Our efforts in respect of the latter are already bearing fruit. The Helsinki Metropolitan Area Council (YTV) presented the Myyrmanni Shopping Centre with an award for cutting the amount of waste and increasing recycling.

VALUATION OF KIINTEISTÖSIJOITUS OYJ CITYCON'S PROPERTIES

We have assessed the value of Kiinteistösijoitus Oyj Citycon's property assets reported in the balance sheet at 31 December 1999. The main valuation principle used was yield value, where market-based net yields are capitalised by property. Capitalisation factors take into account the prevailing interest rate, yield growth expectations, yield and property risks relating to the properties, and the liquidity for each area and property. Additionally we took into account the impact of existing rental agreements on the value of the property on a cash flow basis.

The properties acquired by Kiinteistösijoitus Oyj Citycon in 1999 were valued on the same basis.

CHANGES IN PROPERTY VALUE DURING 1999

The following changes taking place in the market and premises affected property values in 1999:

Impacts enhancing value

- inflation is expected to rise slightly, this has a moderating impact on yield requirement
- the underutilisation rate of retail premises has further fallen in the Helsinki Metropolitan Area and growth centres. This also has a moderating impact on yield requirement (risk).
- there is buoyant demand for prime retail premises. This has led to rising rents, yields and value.
- new rental agreements are partly at higher rent levels than earlier
- some properties have been refurbished

Impacts moderating value

- market interest rates have risen. This increases property yield requirement
- rental agreement shortened in some properties
- in small localities the market can be seen as having remained virtually unchanged, only yield expectation can be considered as having risen slightly.

Our interest rate and inflation figures are based on economic forecasts prepared by the Finnish Ministry of Finance. These have been used as the basis when determining yield requirements for individual properties. Market rents have been determined on the basis of comparative data.

Changes in property values have taken place in both directions. Higher market rents, new improved rental agreements are the main factors exerting a positive impact on property values. Higher expected risks and yield requirements are the most common factors reducing property values. Nevertheless, there were more rises in property values than falls.

In our opinion the unencumbered market value of Kiinteistösijoitus Oyj Citycon's property assets was FIM 3.9 billion.

Helsinki, 22 February 2000
Kiinteistötaito Peltola & Pulkkanen Oy

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

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

SUPERMARKETS AND SHOPS

At 31 December 1999, the Supermarkets and Shops portfolio contained 190 properties in 70 localities. The premises are foodstuff outlets ranging from local shops to hypermarkets.

RENTAL AGREEMENTS

The length of rent agreements in the Supermarkets and Shops portfolio is rather long, with the average value weighted by the amount of rent being more than six years. Citycon has been committed to drawing up long, index-linked rent agreements for principal premises to ensure steady cash inflow. Rental agreements lasting 12 years or longer account for 20 per cent of the agreements in the Supermarkets and Shops portfolio.

There were 520 supermarket and shop rental agreements at the end of 1999. The largest tenant is Kesko Corporation. Other major tenants include Merita Bank Plc, local cooperative stores, Rautakirja Oyj, Huoneistokeskus Oy, McDonald's Oy and Tiimari Oy.

Information about the net income and charges for supermarkets and shops is shown in the table below. Actual figures have been given for properties owned throughout 1999 and pro forma figures (actual/number of months owned x 12) for properties owned for part of the year.

SUPERMARKETS AND SHOPS

	NO.	SURFACE AREA, M ²	NET RENT FIM MILL.	BOOK VALUE FIM MILL.	NET YIELD ^{*)} , %
Helsinki	39	30,401	20.2	245.1	8.3
Espoo	11	30,870	26.0	272.7	9.5
Vantaa	17	30,295	23.5	227.7	10.3
Rest of Uusimaa	15	20,873	11.7	146.5	8.0
Tampere	12	16,172	8.4	96.7	8.7
Turku	8	11,995	3.4	51.1	6.6
Oulu	4	2,752	0.9	8.1	11.1
Jyväskylä	2	1,080	0.6	6.4	8.8
Other municipalities of over 50,000 inhabitants	25	59,274	24.8	284.2	8.7
Others	57	97,815	41.9	524.9	8.0
Total	190	301,527	160.9	1,863.4	8.6

^{*)} Net yields are pro forma.

The properties occupied by Kesko are divided into different business areas roughly as follows:

- Anttila stores, 8%^c
- Citymarkets, 24%^c
- Speciality shops + others, 6%^c
- Other foodstuff chains, 38%^c

^c The figures shown are the percentage of total rent yield in the Supermarkets and Shops portfolio.

There are also speciality shops outside the Kesko Group operating as subtenants in the premises above. These are included in the above figures.

VACANT PREMISES

At 31 December 1999, 5.5 per cent of the property stock in the Supermarkets and Shops portfolio was vacant. Most of these vacant premises were in properties requiring development. The figure excluding these is 3.9 per cent (4.5 per cent in December 1998).

PROPERTY MAINTENANCE AND INVESTMENT

The company carried out surveys of its core properties. These surveys included repair plans for future years. Surveys will be made in connection with repair projects in properties where they have not yet been done.

Surveys are an integrated part of studying the life cycle of the properties in question and are used to forecast and steer property management over reference periods lasting as long as 15 to 20 years. Property management costs are also monitored using a property management system, which includes wear monitoring information, maintenance manual information and surveys.

There were also conversion and refurbishment investments in addition to the normal maintenance measures carried out during the financial year under review. These will have an impact on rent. Most of the conversion work carried out during the year was done so at the tenants' expense.

The most significant investments were in conversion of the Kiinteistö Oy Vaakalinnun (Foorumi) supermarket in Riihimäki, extensions to Liiketalo Oy in Säkylä and Myllypuron Ostoskeskus Oy in Helsinki. Investment costs have been capitalised in the rents and are recouped from tenants during the tenancy period.

PROPERTY MANAGEMENT

At the operative level, management of the Supermarkets and Shops portfolio has been outsourced to Catella Property Consultants Ltd. Catella is responsible for practical matters relating to the properties and letting. Property management decisions are made by Citycon.

THE PRINCIPAL PROPERTIES IN THE PORTFOLIO BY RETAIL AREA

LOCATION	TOTAL RETAIL	CITYCON'S	
	AREA, M ²	SHARE OF RETAIL AREA,%	
Citymarket	Pori	18,450	100
Super-Vexi	Espoo	11,455	100
Citymarket	Porvoo	10,506	100
Citymarket	Savonlinna	10,300	100
Tikkurilan Anttila	Vantaa	9,800	100
Paavolan Citymarket	Lahti	9,400	100
Citymarket	Varkaus	7,960	100
Länsikeskuksen Citymarket	Espoo	6,924	100
Foorumi	Riihimäki	5,822	100
Anttila	Pori	5,200	100
Kirkkonummen Liikekeskus Oy	Kirkkonummi	5,000	100
Kaarinan liikekeskus	Kaarina	4,107	100
Vantaan Säästötalo Koy	Vantaa	2,833	100
Anttila	Salo	9,900	95
Kontumarket	Helsinki	11,804	37

FINANCE

CITYCON'S FINANCING POLICY

The principal function of Citycon's treasury operation is to ensure the availability of funds and to manage financial risk in line with the company's financing policy. The group's treasury operation is centred on the parent company. Treasury is responsible for funding, liquidity management, balance sheet planning, interest rate and currency risk management.

In keeping with the company's financing policy, funding is to take place at minimum cost and broaden the investor base as appropriate. By acting consistently, the company aims to create increasingly better conditions for competitive funding in respect of cost, availability and timing.

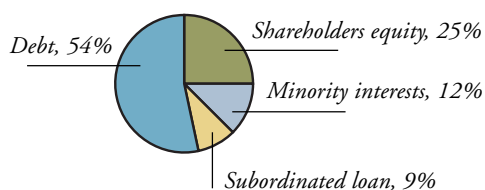
Liquidity management aims at the ongoing dependability of the company's cash situation. Cash assets are invested in only the best instruments with regard to risk and, if appropriate, in the most liquid certificates of claim. Interest rate risk management is engineered to manage uncertainty of the company's performance and value attributable to changes in interest rates.

One aim is to match the average interest-rate fixing period of liabilities and assets and on the other to manage the relationships between liabilities and assets in each interest-rate fixing period. Citycon takes no currency risks and uses derivative instruments solely to reduce or eliminate the risks in the balance sheet. Derivatives are included when determining the company's overall interest rate risk exposure. Interest sensitivity is measured in terms of the impact of one percentage unit change on net income.

MATURITY PROFILE OF INTEREST-RATE SWAP PORTFOLIO

Year	2004	2009	2010
Maturing, FIM million	297	392	490
%	25.2	33.3	41.5

CAPITAL STRUCTURE AT 31 DECEMBER 1999



FINANCIAL STRUCTURE

The book value of properties in the balance sheet virtually doubled during the year to stand at around FIM 3.9 billion. Property acquisitions were funded through FIM 1.25 billion debt, a FIM 407 million subordinated loan and by increasing the share capital by FIM 846 million. At year end, the balance sheet total was about FIM 4.5 billion, of which some FIM 2.4 were corporate loans and FIM 0.4 billion subordinated loan. The company's equity ratio, when the subordinated loan is included in core capital, was around 46 per cent and around 37 per cent when the subordinated loan is included in debts. The EBITDA¹⁾/interest charge ratio, which describes debt serving ability, was 2.1.

The company's loan portfolio was restructured during the year. Approximately FIM 100 million of the loan portfolio, including amortisations, matures in the year 2000 and between 2002 and 2007. The equivalent figure in 2001 is around FIM 160 million. It has been agreed to commence negotiations with our debt investors in 2006 in respect of a loan of about FIM 800 million maturing in 2008.

The average interest rate of the loan portfolio was 5.0 per cent and interest cost was FIM 102 million. Average loan maturity was about 7.5 years. Of the loans, 85 per cent were at floating interest rates. Half of these were swapped to fixed interest rates using interest-rate swaps and a third were hedged by inter-

est rate caps. The nominal value of interest-rate swaps was FIM 1.2 billion and that of interest rate caps about FIM 800 million.

Derivative instruments hedge the loan stock against interest rate hikes and the new interest-rate fixing period, 6.1 years at the turn of the year, now better corresponds to that of rents receivables. The effective interest-rate fixing period of the loan portfolio was 6.4 years. The low interest sensitivity of the loan portfolio or the high degree of hedging reflects the fact that a 1 percentage point rise in money market interest rates in the year 2000 would increase the interest charges of the loan portfolio from 5.4 per cent to 5.7 per cent p.a. The equivalent changes for other interest rate changes in the year 2000 would be +2 percentage points 5.7 per cent, +3 percentage points 5.8 per cent and +5 percentage points 5.8 per cent. The rest of the loan portfolio is hedged by cash flow, which consists of inflation-linked rental agreements.

OBJECTIVES FOR THE YEAR 2000

The principal year 2000 objectives for Citycon's treasury function are to broaden the investor base, diversify the debt instruments used in funding and to further develop balance sheet risk management.

¹⁾ EBITDA, *Earnings before Interest, Tax, Depreciation and Amortisations*

MATURITY PROFILE OF LOAN PORTFOLIO

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Maturing+ amort., FIM million	100	157	97	97	97	97	97	97	1,525	407
%	3.6	5.7	3.5	3.5	3.5	3.5	3.5	3.5	55.0	14.7

FINANCIAL STATEMENTS

REPORT BY THE BOARD OF DIRECTORS

BUSINESS ENVIRONMENT

For the property investment business, 1999 was extremely encouraging. Economic growth, on which demand for business premises is based, remained strong. This resulted in higher rents and a continued scant supply of vacant business premises. Interest rates began to rise in the first part of the year and continued rising until year-end. Inflation picked up towards the end of the year and, if it keeps rising, may lead to higher interest rates than expected.

TURNOVER AND PERFORMANCE

Citycon Group's result for the 1999 financial year was FIM 63.6 million (FIM 42.2 million in 1998). Turnover more than doubled to reach FIM 330.4 million (FIM 152.7 million a year earlier). The operating profit was FIM 184.7 million (FIM 84.3 million). The profit for the financial year before appropriations and taxes stood at FIM 95.0 million (FIM 51.9 million). A shopping centre deal in June 1999 had the greatest impact on turnover growth. Under the approximately FIM 1.9 billion deal, which took place on 30 June, Citycon acquired a majority holding in 9 shopping centres and a minority interest in two more.

EXPANSION OF PROPERTY BUSINESS

Last June's deal was in keeping with Citycon's chosen strategy of focusing on the ownership and letting of shopping centres and retail premises. The deal consolidated Citycon's position as Finland's largest publicly listed company specialising in retail premises and shopping centres.

Related to the deals taking place at the end of June, Citycon's Board of Directors decided on 29 June 1999 to increase the company's share capital by FIM 189,158,864 to FIM 846,222,864 by issuing a total of 23,644,858 new shares having a nominal value of FIM 8. Disapplying the pre-emption rights of existing shareholders, the shares were offered to the sellers of the premises concerned.

As part of the deal, Citycon issued a 68,452,486 euro subordinated loan to fund part of the purchase price. The loan was issued on 30 June 1999 and is for ten years.

PROPERTY DISPOSALS

During the financial year under review, Citycon disposed of its holdings in 26 real estate companies for FIM 36.8 million. The surface area involved was 14,437 m². Citycon gained a total of FIM 3.9 million (FIM 6.6 million) on the disposal of properties. The sales were in keeping with the company's disposal programme, which is designed to increase the company's geographical focus on growth centres.

FINANCING

At the end of 1999, Citycon had long-term debt of FIM 2,364 million at floating interest rates and a fixed rate subordinated loan of FIM 407 million. The floating interest loans were hedged, FIM 1,180 million by interest-rate swaps and FIM 788 by interest caps. The remainder, FIM 396 million of floating rate loans, is hedged by inflation-linked tenancy agreements. At the 31 December 1999, Group equity ratio was 37.2 per cent, 46.2 per cent if the subordinated loan is included in core capital.

INVESTMENTS

Citycon's fixed asset investments amounted to FIM 1,947.8 million and related almost exclusively to the property deals taking place in the summer. Otherwise fixed asset investments related to maintenance. Additionally FIM 9.0 million was spent on property conversion and refurbishment, which will have an impact on rent. There were no major projects in the course of completion worth mentioning at the end of the year under review.

SHARE PERFORMANCE

During the 1999 financial year, 59,901,949 of the company's shares were traded, equivalent to 56.6 per cent of the total. The weighted middle price was 1.12 euro or FIM 6.66. At year-end the company's shares had a market capitalisation value of 123,760,094 euro or FIM 742.5 million.

EXTRAORDINARY GENERAL MEETING ON 4 NOVEMBER

Citycon's extraordinary general meeting held on 4 November 1999 authorised the Board of Directors to decide whether to increase the shared capital through a private placing, whether to purchase the company's own shares and assign the company's own shares and whether to issue options. The general meeting confirmed the number of Board members at six and appointed Jukka Ruuska, former director of corporate planning at Helsinki Telephone Corporation, as a new member to the Board. The responsibilities of the other Board members remain unchanged.

The meeting authorised the Board of Directors to decide whether to increase the company's share capital by a maximum of FIM 169,244,568 through one or more new issues, provided that the aggregate issuance of such offerings may not result in the issuance of more than 21,155,571 new shares having a nominal value of FIM 8.00.

Furthermore, the Board of Directors is entitled to use the distribution of profit to purchase a maximum of 5,288,892 of the company's own shares and to assign a maximum of 5,288,892 of the company's own shares.

Citycon is issuing 5,500,000 options entitling holders to subscribe to an aggregate of 5,500,000 of the Kiinteistösi joitus Oyj Citycon's shares. Disapplying the pre-emption rights of existing shareholders, the options will be issued to Kiinteistösi joitus Oyj Citycon's managing director, Citycon Group employees and to Kiinteistösi joitus Oyj Citycon's subsidiary Veniamo-Invest Oy. It is proposed to disapply the pre-emption rights of existing shareholders because the options are intended as part of a group incentive scheme.

PURCHASE OF OWN SHARES

Meeting on 16 November 1999, Citycon's Board of Directors decided, on the basis of the authorisation received from the extraordinary general meeting held on 4 November 1999, to use the funds available for the distribution of profit to purchase the company's own shares. These shares are being acquired for use as consideration in any property or share deals or when the company acquires other assets important to its business activities.

A maximum of 5,288,892 of the company's own shares are to be purchased so that the total nominal value of the shares owned by the company and its subsidiary undertakings or the number of votes conferred by such shares does not exceed five per cent (5%) of the company's share capital or votes.

The shares are to be purchased other than on a pro-rata ownership basis in accordance with the period for payment determined according to the rules of procedure of the Helsinki Exchanges and the regulations of the Finnish Central Securities Depository. Purchase of own shares reduces the company's distributable equity. The company began purchasing its own shares on 25 November 1999 and will cease doing so on 30 March 2000. By 30 December 1999, the company had purchased 898,000 shares at a total price of 1,031,800 euro (FIM 6,135,804 million). The middle price was 1.15 euro (FIM 6.84), the highest price paid was 1.20 euro (FIM 7.13) and the lowest 1.10 euro (FIM 6.59). The shares purchased represent 0.84 per cent of Citycon's share capital and votes.

EMPLOYEES AND SALARIES

During the year under review, the group employed 12 persons, seven of whom were employed by the parent company. During the corresponding period in 1998, the parent and group had five employees. Citycon strengthened its organisation. The Board of Directors appointed Henrik Winberg as commercial director and Ari Karhu as director of finance.

Henrik Winberg's principal responsibility is to manage and develop the shopping centres owned by Citycon. Ari Karhu is responsible for the company's investor relations, funding and balance sheet planning.

Meeting on 4 November 1999, the extraordinary general meeting authorised the Board of Directors to issue options to the group's entire staff and to the company's subsidiary. The options are intended to encourage employees to commit themselves long-term to increasing shareholder value and to commit the employees to the employer.

Wages and salaries totalled FIM 5.279 million, of which FIM 1.0 million was paid to the managing director and to members of the Board of Directors.

CORPORATE GOVERNANCE

Citycon's Board of Directors has approved a new owner-driven working plan.

The plan determines the jobs and areas of responsibility of the Board of Directors, managing director and corporate management group, as well as the company's incentive scheme.

EVENTS TAKING PLACE SUBSEQUENT TO 31 DECEMBER 1999

At its meeting on 29 February 2000, Citycon's Board of Directors resolved to convene the annual general meeting on Thursday 30 March 2000, to recommend to the meeting that a dividend of FIM 0.40 per share be paid on all shares outside the company's ownership and that the annual general meeting authorise the Board of Directors to decide to increase the share capital through a new issue and to purchase and assign the company's own shares.

FUTURE OUTLOOK

Forecasts show continued strong economic growth in Finland. Rising real incomes mean promising prospects in the retail trade. Demand in the letting market remains buoyant and this will be reflected in slightly higher rents. Thanks to interest hedging already effected in Citycon's loan portfolio, any rise in interest rates, even if it were to continue throughout the year 2000, will have no impact on Citycon's performance during the current year. We expect performance during the year 2000 to be on a par with last year's.

FINANCIAL STATEMENTS

INCOME STATEMENTS

FIM 1,000	GROUP	
	1 Jan.-31 Dec. 1999	1 Jan.-31 Dec. 1998
Turnover	330,360	152,687
Charges		
Materials and services	61,975	22,788
Staff costs	5,839	2,074
Depreciation	39,534	21,519
Rents and maintenance	24,140	11,928
Other operating charges	4,989	2,703
Other operating charges	<u>9,163</u>	<u>7,348</u>
Charges, total	145,640	68,360
Operating profit	184,720	84,327
Financial income and charges	-89,755	-32,471
Profit before appropriations and taxes	94,965	51,856
Taxes	-31,725	-9,818
Minority interest	314	126
Profit for the financial year	63,554	42,164

FIM 1,000

PARENT COMPANY

	1 Jan.-31 Dec. 1999	1 Jan.-31 Dec. 1998
Turnover	299,446	139,821
Charges		
Materials and services	18,678	6,736
Staff costs	3,155	2,074
Depreciation	3,687	8,179
Rents and maintenance	58,941	24,804
Other operating charges	<u>9,114</u>	<u>7,344</u>
Charges, total	93,576	49,137
Operating profit	205,870	90,684
Financial income and charges	-103,253	-31,088
Profit before appropriations and taxes	102,618	59,596
Taxes	-28,917	-11,861
Profit for the financial year	73,701	47,735

FINANCIAL STATEMENTS

BALANCE SHEETS

FIM 1,000	GROUP		PARENT COMPANY	
	31 Dec. 1999	31 Dec. 1998	31 Dec. 1999	31 Dec. 1998
ASSETS				
Fixed assets				
Intangible assets	29,304	9,166	9,120	1,902
Tangible assets	3,641,874	1,333,573	92,608	179,056
Financial assets				
Shares in associated undertakings			2,233,826	630,008
Shares in associated undertakings	573,373	499,975	580,720	501,571
Own shares	6,165	0	6,165	0
Other financial assets	<u>160,948</u>	<u>231,008</u>	<u>980,663</u>	<u>689,434</u>
Financial assets, total	740,487	730,983	3,801,374	1,821,013
Fixed assets, total	4,411,665	2,073,722	3,903,102	2,001,971
Current assets				
Short-term debtors	35,625	13,961	34,099	13,211
Cash in hand and at bank	<u>72,665</u>	<u>31,876</u>	<u>60,129</u>	<u>27,592</u>
Current assets, total	108,290	45,837	94,228	40,803
Assets, total	4,519,955	2,119,560	3,997,330	2,042,775

FIM 1,000	GROUP		PARENT COMPANY	
	31 Dec. 1999	31 Dec. 1998	31 Dec. 1999	31 Dec. 1998
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Subscribed capital	846,223	657,064	846,223	657,064
Share premium account	167,947	104,599	167,947	104,106
Own shares fund	6,165	0	6,165	0
Loan amortisation fund	0	17,921	0	0
Other reserves	38,952	38,241	38,952	38,952
Retained earnings	7,347	0	12,827	-21,208
Previous losses covered	0	0	0	21,208
Profit for the financial year	63,554	42,164	73,701	47,735
Subordinated loan	<u>407,000</u>	<u>0</u>	<u>407,000</u>	<u>0</u>
Shareholders' equity, total	1,537,190	859,989	1,552,815	847,857
Minority interests	550,813	63,456	0	0
Liabilities				
Long-term liabilities	2,265,814	846,166	2,264,140	842,260
Short-term liabilities	<u>166,137</u>	<u>349,949</u>	<u>180,375</u>	<u>352,658</u>
Liabilities, total	2,431,952	1,196,115	2,444,515	1,194,918
Shareholders' equity and liabilities, total	4,519,955	2,119,560	3,997,330	2,042,775

FINANCIAL STATEMENTS

FUNDS STATEMENTS

FIM 1,000	GROUP		PARENT COMPANY	
	1999	1998	1999	1998
SOURCE OF FUNDS				
Income from operations				
Operating profit before depreciation	224,255	105,847	209,558	98,863
Financial income and charges	-89,755	-32,471	-103,253	-31,088
Taxes	<u>-31,725</u>	<u>-9,818</u>	<u>-28,917</u>	<u>-11,861</u>
Total	102,775	63,558	77,389	55,914
Equity finance				
Increase in shareholders' equity	235,704	538,358	253,000	520,530
Increase in minority interests	487,357	63,456		
Increase in subordinated loan	407,000	0	407,000	0
Increase in long-term loans	<u>1,419,648</u>	<u>647,906</u>	<u>1,421,880</u>	<u>644,000</u>
Total	2,549,710	1,249,720	2,081,880	1,164,530
Change in net working capital	-246,265	272,224	-225,707	283,184
Source of funds, total	2,406,220	1,585,502	1,933,561	1,503,628
APPLICATION OF FUNDS				
Fixed asset investments	2,376,929	1,584,732	1,529,162	1,655,689
Change in long-term debtors	548	770	375,657	-152,060
Dividends paid	28,747	0	28,747	0
Undrawn dividend	-4	0	-4	0
Application of funds, total	2,406,220	1,585,502	1,933,561	1,503,628
Change in net working capital				
Current assets	62,453	40,777	53,425	36,159
Short-term liabilities	<u>183,812</u>	<u>-313,001</u>	<u>172,282</u>	<u>-319,343</u>
Total	246,265	-272,224	225,707	-283,184

ACCOUNTING POLICIES

PROPERTY VALUATION

Properties are valued on the basis of their estimated market value on acquisition. The market value is based on the expected long-term yield potential.

Property acquired before the start of 1998 is valued according to estimates 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 the capitalised costs of repairs to premises, which are capitalised during the validity of the tenancy agreement. Machinery and equipment is depreciated over a period of 4 to 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 has 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 on 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.

Minority interests appear as a separate item in the consolidated shareholders' equity and result.

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 on 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 profit for the financial year.

PENSION ARRANGEMENTS

Employee pension cover has been arranged through statutory pension insurance.

OWN SHARES

Own shares are shown in financial assets under fixed assets and in the own share fund under shareholders' equity. The own share fund is non-distributable. Own shares have been subtracted from share capital and the number of shares when calculating the financial indicators.

SUBORDINATED LOAN

The subordinated loan appears as a separate item under shareholders' equity and has been treated as debt when calculating the financial indicators.

TAXES

Taxes are shown on an accrual basis. The company has no deferred tax liabilities or assets arising from matching items.

FINANCIAL STATEMENTS

NOTES TO THE BALANCE SHEET

FIM 1,000	GROUP		PARENT COMPANY	
	1999	1998	1999	1998
TURNOVER				
Turnover consists mainly of income derived from property rents and maintenance income. Most of the turnover comes from properties in the Helsinki Metropolitan Area.				
Parent company turnover includes payments made by group undertakings for technical and administrative management				
			40	42
Rents and maintenance charges	326,257	140,433	29,545	133,189
Other operating income				
Gains from the disposal of fixed assets	<u>4,102</u>	<u>12,253</u>	<u>3,902</u>	<u>6,633</u>
Turnover, total	330,360	152,687	299,446	139,821
MATERIALS AND SERVICES				
Raw materials and consumables				
Purchases during the financial year	56,399	20,361	13,102	4,310
External services	<u>5,576</u>	<u>2,426</u>	<u>5,576</u>	<u>2,426</u>
Materials and services, total	61,975	22,787	18,678	6,736
EMPLOYEES				
Number of employees during the financial year	12	5	7	5
Staff costs				
Swages and salaries	5,279	1,727	2,596	1,727
Pension costs	372	237	372	237
Other social security costs	<u>187</u>	<u>110</u>	<u>187</u>	<u>110</u>
Staff costs, total	5,839	2,074	3,155	2,074
Staff costs include management salaries and emoluments:				
Managing director	649	484	649	484
Board of Directors	<u>387</u>	<u>322</u>	<u>387</u>	<u>322</u>
Total	1,036	806	1,036	806
PLANNED DEPRECIATION				
on intangible assets	2,210	2,456	1,976	2,481
on buildings	34,088	18,080	1,536	5,484
on machinery and equipment	<u>3,235</u>	<u>983</u>	<u>175</u>	<u>213</u>
Planned depreciation, total	39,534	21,519	3,687	8,179
RENTS AND MAINTENANCE				
The item in the parent company includes rents paid to group undertakings.			34,605	12,876
FINANCIAL INCOME AND CHARGES				
Dividends received				
from group undertakings			340	380
from others	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>
Dividends received, total	0	1	340	380
Interest received from long-term investments				
from group undertakings			15,271	9,672
from participating interests	71	52	71	52
from others	<u>49</u>	<u>7</u>	<u>40</u>	<u>0</u>
Interest from long-term investments, total	120	59	15,382	9,724

FIM 1,000	GROUP		PARENT COMPANY	
	1999	1998	1999	1998
Other interest received and similar income from others	<u>16,380</u>	<u>1,044</u>	<u>1,993</u>	<u>796</u>
Other int rec'd and similar income, total	16,380	1,044	1,993	796
Interest received from long-term investments and other int rec'd and similar income, total	16,500	1,104	17,715	10,900
Interest paid and similar charges to group undertakings			23,872	8,753
to others	<u>106,255</u>	<u>33,575</u>	<u>97,095</u>	<u>33,235</u>
Interest paid and similar charges, total	106,255	33,575	120,968	41,988
Financial income and charges, total	-89,756	-32,471	-103,253	-31,088
TAXES				
Taxes for the financial year	31,725	9,818	28,917	11,861

FIXED ASSETS

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

Intangible assets

Intangible rights

Acquisition cost at 1 Jan.	876	0	148	49
Increase, 1 Jan.-31 Dec.	63	876	43	99
Transfer between items	-728	0	0	0
Acquisition cost at 31 Dec.	211	876	191	148
Accumulated depreciation at 1 Jan.	60	0	60	35
Depreciation for the financial year	33	0	33	25
Accumulated depreciation at 31 Dec.	93	0	93	60
Book value at 31 Dec.	118	876	98	88

Connection fees

Acquisition cost at 1 Jan.	2,785	1,247	20	20
Increase, 1 Jan.-31 Dec.	11,552	2,507	0	0
Decrease, 1 Jan.-31 Dec.	-42	-969	0	0
Transfer between items	755	0	0	0
Book value at 31 Dec.	15,050	2,785	20	20

Other long-term expenditure

Acquisition cost at 1 Jan.	6,506	3,822	2,717	3,673
Increase, 1 Jan.-31 Dec.	10,524	6,863	9,152	3,123
Decrease		-4,180		
Acquisition cost at 31 Dec.	17,005	6,506	11,869	2,716
Accumulated depreciation at 1 Jan.	1,001	2,662	923	2,547
Depreciation for the financial year	1,944	949	1,944	906
Accumulated depreciation on decrease	-76	-2,610	0	-2,530
Accumulated depreciation at 31 Dec.	2,869	1,001	2,867	923
Book value at 31 Dec.	14,136	5,505	9,002	1,794
Total intangible assets at 31 Dec.	29,304	9,166	9,120	1,902

FINANCIAL STATEMENTS

NOTES TO THE INCOME STATEMENT

FIM 1,000	GROUP		PARENT COMPANY	
	1999	1998	1999	1998
Tangible assets				
Land				
Acquisition cost at 1 Jan.	265,488	136,623	15,912	0
Increase, 1 Jan.-31 Dec.	433,819	215,151	0	15,912
Decrease, 1 Jan.-31 Dec.	-3,282	-86,286	-14,093	0
Transfer between items	-1,850	0	-1,409	0
Acquisition cost at 31 Dec.	694,175	265,488	410	15,912
Buildings				
Acquisition cost at 1 Jan.	1,101,369	439,703	184,595	112,549
Increase, 1 Jan.-31 Dec.	1,950,131	970,797	1,222	72,046
Decrease, 1 Jan.-31 Dec.	-9,100	-309,131	-72,093	0
Transfer between items	908	0	1,409	0
Acquisition cost at 31 Dec.	3,043,308	1,101,369	115,133	184,595
Accumulated depreciation at 1 Jan.	34,846	73,321	22,001	16,517
Depreciation for the financial year	36,298	13,385	1,536	5,484
Depreciation on decrease	-100	-51,861	-25	0
Accumulated depreciation at 31 Dec.	71,044	34,846	23,512	22,001
Accumulated value adjustments at 1 Jan.	-4,498	0	0	0
Value adjustments for the financial year	-118,716	-4,498	0	0
Accumulated value adjustments at 31 Dec.	-123,214	-4,498	0	0
Book value at 31 Dec.	2,849,050	1,062,025	91,621	162,594
Machinery and equipment				
Acquisition cost at 1 Jan.	5,487	10,355	1,360	829
Increase, 1 Jan.-31 Dec.	95,535	1,089	202	531
Decrease, 1 Jan.-31 Dec.	-271	-5,957	0	0
Transfer between items	500	0	0	0
Acquisition cost at 31 Dec.	101,251	5,487	1,562	1,360
Accumulated depreciation at 1 Jan.	1,058	3,566	862	648
Depreciation for the financial year	3,234	409	175	213
Accumulated depreciation on decrease	0	-2,917	0	0
Accumulated depreciation at 31 Dec.	4,292	1,058	1,037	862
Book value at 31 Dec.	96,959	4,429	525	498
Machinery and equipment also includes the technical equipment inside building				
Other tangible assets				
Acquisition cost at 1 Jan.	1,631	52	52	52
Increase, 1 Jan.-31 Dec.	49	1,579	0	0
Decrease, 1 Jan.-31 Dec.	-5	0	0	0
Acquisition cost at 31 Dec.	1,674	1,631	52	52
Depreciation for the financial year	111	0	0	0
Accumulated depreciation	111	0	0	0
Book value at 31 Dec.	1,563	1,631	52	52
Advances on acquisitions				
Acquisition cost at 1 Jan.	0	0	0	0
Increase	127	0	0	0
Book value at 31 Dec.	127	0	0	0
Tangible rights, total	3,641,874	1,333,573	92,608	179,056

FIM 1,000	GROUP		PARENT COMPANY	
	1999	1998	1999	1998
FINANCIAL ASSETS				
Shares in subsidiary undertakings				
Acquisition cost at 1 Jan.			630,008	88,422
Increase, 1 Jan.-31 Dec.			1,558,917	610,266
Decrease, 1 Jan.-31 Dec.			-80,890	-68,680
Transfer between items			128,741	0
Acquisition cost at 31 Dec.			2,236,776	630,008
Accumulated depreciation at 1 Jan.			-2,950	0
Depreciation for the financial year			0	0
Accumulated depreciation on decrease			0	0
Accumulated depreciation at 31 Dec.			-2,950	0
Book value at 31 Dec.			2,233,826	630,008
Shares in associated undertakings				
Acquisition cost at 1 Jan.	504,521	52,800	504,521	52,800
Increase, 1 Jan.-31 Dec.	140,116	451,721	140,116	451,721
Decrease, 1 Jan.-31 Dec.	-10,324	0	-10,312	0
Transfer between items	-53,605	0	-53,605	0
Acquisition cost at 31 Dec.	580,708	504,521	580,720	504,521
Accumulated depreciation at 1 Jan.	4,545	1,841	2,950	2,950
Depreciation for the financial year	5,049	2,704	0	0
Accumulated depreciation on decrease	-2,259	0	-2,950	0
Accumulated depreciation at 31 Dec.	7,335	4,545	0	2,950
Book value at 31 Dec.	573,373	499,976	580,720	501,571
Own shares				
Acquisition cost at 1 Jan.	0	0	0	0
Increase, 1 Jan.-31 Dec.	6,165	0	6,165	0
Book value at 31 Dec.	6,165	0	6,165	0
Other financial assets				
Shares in minority interests				
Acquisition cost at 1 Jan.	230,238	800	230,142	453
Increase, 1 Jan.-31 Dec.	20,444	229,748	6,603	229,689
Decrease, 1 Jan.-31 Dec.	-15,895	-310	-15,895	0
Transfer between items	-75,157	0	-75,137	0
Acquisition cost at 31 Dec.	159,630	230,238	145,714	230,142
Accumulated depreciation at 1 Jan.	0	0	0	0
Depreciation for the financial year	0	0	0	0
Accumulated depreciation on decrease	0	0	0	0
Accumulated depreciation at 31 Dec.	0	0	0	0
Book value at 31 Dec.	159,630	230,238	145,714	230,142
Loans receivable from subsidiary undertakings				
from associated undertakings			833,631	458,522
from associated undertakings	702	770	702	770
from others	616	0	616	0
Total other financial assets at 31 Dec.	160,948	231,008	980,663	689,434
Total financial assets at 31 Dec.	740,487	730,984	3,801,374	1,821,013

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GROUP COMPANIES	Registered office	Group interest, %	Parent company interest, %
Owned by parent company			
Asolantien Liikekiinteistö	Vantaa		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
Naantalin 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
Jyväskylän Kauppakatu	Jyväskylä		100.00
Kiinteistö-Kompas	Helsinki		100.00
Lippulaiva	Espoo		100.00
Porin Itäpuisto	Pori		100.00
Rovaniemen Sampotalo	Rovaniemi		100.00
Forssan Hämeentie	Forssa		100.00
Kaarinan Liiketalo	Kaarina		100.00
Kajaanin Kauppakatu	Kajaani		100.00
Kuvernöörintie 8	Helsinki		100.00
Latokasken Ostoskeskus	Espoo		100.00
Martinlaaksontie 36	Vantaa		100.00
Pietarsaaren Liiketalo	Pietarsaari		100.00
Nokian Välikatu 17	Nokia		100.00
Iisalmen Kauppakatu 17	Iisalmi		100.00
Loviisan Ulrika	Loviisa		97.90
Vaakalintu	Riihimäki		95.80
Porin Markkinatalo	Pori		95.00
Metsäpellon Liikekeskus	Lahti		91.30
Linjurin Kauppakeskus	Lahti		88.50
Mäntyvuoksi	Imatra		86.80
Taivalalaisen Liiketalo	Suomussalmi		84.50
Lappeenrannan Brahenkatu	Lappeenranta		84.40
Tikkurilan Kauppakeskus	Vantaa		83.90
Ilomäen Liikekeskus	Riihimäki		82.80
Kuivasjärven Liikekeskus	Oulu		81.60
K-Piste	Luumäki		80.60
Ylihärmän Liiketalo	Ylihärämä		77.60

	Registered office	Group interest, %	Parent company interest, %
Orimattilan Markkinatalo	Orimattila		77.30
Lappeen Liikekeskus	Lappeenranta		74.20
Myyrmanni	Vantaa		74.01
Kuusamon Linja-autoasema	Kuusamo		69.70
Myyrmäen Kauppakeskus	Vantaa		68.20
Tornion Kauppakatu	Tornio		68.10
Haukiputaan Markkinatalo	Haukipudas		67.70
Espoonatori	Espoo		66.70
Kirkkonummen Liikekeskus	Kirkkonummi		66.70
Välivainion ostoskeskus	Oulu		66.00
Pälkäneen Liikekeskus	Pälkäne		65.10
Halkokarin Ostoskeskus	Kokkola		63.20
Eerolan Liikekeskus	Valkeakoski		62.90
Kauppapiha	Iisalmi		61.60
Vantaan Säästöitalo	Vantaa		60.40
Kivensilmänkuja	Helsinki		60.00
Otakaari	Espoo		57.70
Saariportti	Kuopio		57.30
Orimattilan Säästöpankkitalo	Orimattila		56.90
Sahalahden Liikekeskus	Sahalahti		56.10
Lahden Trio	Lahti		55.50
Väinöläntammi	Pori		55.00
Vesalankeskus	Hollola		52.10
Rajamäen Liikeristeys	Rajamäki		50.70
Jyrängön Palvelukeskus	Heinola		50.50
Hollolan Keskuskatu	Hollola		50.30
Associated undertakings			
Aniankeskus	Vääksy	34.5	34.5
Bulevardi 6	Helsinki	37.8	37.8
Eneby	Lohja	45.7	45.7
Erottaja 1-3	Helsinki	23.0	23.0
Espoon Louhenkulma	Espoo	48.9	48.9
Hakunilan Keskus	Vantaa	29.5	29.5
Hervannan Liikekeskus	Tampere	41.2	41.2
Hopeakartano	Helsinki	22.0	22.0
Hyrylän Ostoskeskus	Tuusula	20.6	20.6
Kaarinan Kauppakeskus	Kaarina	26.2	26.2
Kaivokadun Tunneli	Helsinki	39.7	39.7
Kajaanin Kauppakatu 26	Kajaani	20.2	20.2
Kalajoen Linja-autoasema	Kalajoki	47.3	47.3
Karhulantie	Karhula	30.0	30.0
Keravan Liikekeskus	Kerava	34.4	34.4
Kirkkonummen Liiketalo	Kirkkonummi	25.0	25.0
Koivukylän Liikekiinteistö	Vantaa	50.0	50.0
Kolsarintie 2	Helsinki	34.8	34.8
Kommila	Varkaus	43.4	43.4
Kontulan Asemakeskus	Helsinki	34.0	34.0

FINANCIAL STATEMENTS

	Registered office	Group interest, %	Parent company interest, %
Kouvolan Hämeenkulma	Kouvola	26.0	26.0
Kuopion Viiskulma	Kuopio	37.2	37.2
Kärpäsen Ostoskeskus	Lahti	33.9	33.9
Laajasalon Liikekeskus	Helsinki	38.8	38.8
Laitisenkulma	Mikkeli	24.1	24.1
Lauttasaaren Liikekeskus	Helsinki	23.0	23.0
Lentävä	Tampere	35.0	35.0
Länsi-Keskus	Espoo	41.4	41.4
Martinmiilu	Vantaa	20.8	20.8
Mastonkulma	Ylöjärvi	29.6	29.6
Multian Palvelukeskus	Multia	46.4	46.4
Otaniemen Liikekeskus	Espoo	39.2	39.2
Parikkalan Liiketalo	Parikkala	50.0	50.0
Petäjaveden Palv.keskus	Petäjävesi	49.0	49.0
Pihlajamäen Liiketalo	Helsinki	42.6	42.6
Pormestariluodon kesk.	Pori	20.1	20.1
Puijonlaakson Palvelukeskus	Kuopio	31.3	31.3
Pukinmäen Liikekeskus	Helsinki	43.9	43.9
Ristinummen Palvelukeskus	Vaasa	44.0	44.0
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	20.1	20.1
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	20.2	20.2
Tuiran Palvelukeskus	Oulu	40.0	40.0
Tulliherra	Kuopio	23.2	23.2
Törnävänkulma	Seinäjoki	29.6	29.6
Uudenmaankatu 2	Hyvinkää	23.8	23.8
Valtakatu 5-7	Valkeakoski	31.0	31.0
Varkauden Kauppakatu	Varkaus	46.1	46.1
Varkauden Torinkulma	Varkaus	45.5	45.5
Vihdin Linjatalo	Vihti	29.0	29.0
Vuosaaren Ostoskeskus	Helsinki	22.4	22.4
Yhdeksän	Turku	24.0	24.0
Heikintori	Espoo	31.7	31.7
Opiskelijankadun Liikekeskus	Tampere	43.2	43.2
Tampereen Koskenranta	Tampere	49.3	49.3

FIM 1,000	GROUP		PARENT COMPANY	
	1999	1998	1999	1998
SHORT-TERM DEBTORS				
Trade debtors	8,314	317	7,452	274
Amounts owed by group undertakings				
Amounts owed by others			5,486	0
Prepayments and accrued income			<u>3,898</u>	<u>279</u>
Total			9,383	279
Amounts owed by participating interests				
Prepayments and accrued income	<u>0</u>	<u>40</u>	<u>0</u>	<u>40</u>
Total	0	40	0	40
Amounts owed by others	9,943	1,337	1,454	678
Prepayments and accrued income	17,367	12,267	15,810	11,940
Short-term debtors	35,625	13,961	34,099	13,211
Significant prepayments and accrued income				
Interest cap premium	11,938	9,843	11,938	9,843
SHAREHOLDERS' EQUITY				
Subscribed capital at 1 Jan.	657,064	300,800	657,064	300,800
Decrease in subscribed capital	0	-60,160	0	-60,160
New issue 10/3/98	0	416,424	0	416,424
New issue 29/6/99	189,159	0	189,159	0
Subscribed capital at 31 Dec.	846,223	657,064	846,223	657,064
Share premium account at 1 Jan.	104,106	0	104,106	0
Issue premium	63,841	104,106	63,841	104,106
Share premium account at 31 Dec.	167,947	104,106	167,947	104,106
Contingency fund at 1 Jan.	493	0	0	0
Increase	0	493	0	0
Decrease	-493	0	0	0
Contingency fund at 31 Dec.	0	493	0	0
Loan amortisation fund at 1 Jan.	17,921	0	0	0
Increase	0	17,921	0	0
Decrease	-17,921	0	0	0
Loan amortisation fund at 31 Dec.	0	17,921	0	0
Own share fund at 1 Jan.	0	0	0	0
Increase	6,165	0	6,165	0
Own share fund at 31 Dec.	6,165	0	6,165	0
Other reserves at 1 Jan.	38,241	0	38,952	0
Increase	711	38,241	0	38,952
Other reserves at 31 Dec.	38,952	38,241	38,952	38,952

FINANCIAL STATEMENTS

FIM 1,000	GROUP		PARENT COMPANY	
	1999	1998	1999	1998
Retained profit/loss at 1 Jan.	42,164	-21,208	47,735	-21,208
Loss coverage	0	21,208	0	21,208
Dividends paid	-28,747	0	-28,747	0
Transfer to own share fund	-6,165	0	-6,165	0
Undrawn dividends	4	0	4	0
Change in group structure	92	0		
Retained earnings at 31 Dec.	7,348	0	12,827	0
Profit for the financial year at 31 Dec.	63,554	42,164	73,701	47,735
Subordinated loan at 31 Dec.	407,000	0	407,000	0
Total shareholders' equity at 31 Dec.	1,537,190	859,989	1,552,815	847,857

SUBORDINATED LOAN

The parent company has a subordinated loan of FIM 407,000,000.

Principal terms

- 1) In the event of the company being dissolved or becoming bankrupt, repayment of the loan ranks junior to the company's other debts.
- 2) The loan principal, with accrued interest to the repayment date, will be repaid in full in one instalment on 30 June 2009, provided repayment of the loan leaves full cover for the restricted equity and other restricted reserves in the adopted parent company and consolidated balance sheet for the most recent financial year ended.
- 3) Fixed interest at 7.38% p.a. will be paid on the loan principal until 30 June 2009. Interest will be paid annually in arrears on 30 June. Should the loan not be repaid in full on the maturity date 30 June 2009, interest on the outstanding loan principal after this date shall be 5 percentage units above the 12-month Euribor rate. Interest may be paid only if, according to the adopted parent company and consolidated balance sheet for the most recent financial year ended, the amount payable is available for the distribution of profit.

The loan matures on 30 June 2009

The accrued interest at 31 December 1999 has been booked as a charge.

LIABILITIES

Long-term liabilities

Fixed interest loans	92,400	100,000	92,400	100,000
Agreed at fixed interest rate through swaps	1,179,705	121,260	1,179,705	121,260
Hedged by interest capping	787,880	468,000	787,880	468,000
Market-based linked to Euribor rates	<u>204,155</u>	<u>153,000</u>	<u>204,155</u>	<u>153,000</u>
	2,264,140	842,260	2,264,140	842,260
Long-term debts				
Loans from financial institutions	2,265,651	843,195	2,264,140	842,260
Loans from others	163	2,971	0	0
Long-term debts, total	2,265,815	846,166	2,264,140	842,260
Debts maturing in five years or more				
Loans from financial institutions	1,718,660	736,620	1,718,660	736,620
Subordinated loan	<u>407,000</u>	0	<u>407,000</u>	0
	2,125,660	736,620	2,125,660	736,620

FIM 1,000	GROUP		PARENT COMPANY	
	1999	1998	1999	1998
Short-term liabilities				
Loans from financial institutions	99,532	280,301	99,520	280,000
Advances received	1,164	284	770	282
Trade liabilities	<u>10,571</u>	<u>1,748</u>	<u>8,388</u>	<u>1,213</u>
	111,267	282,333	108,678	281,495
Amounts owed to group undertakings				
Amounts owed to others			27,994	2,436
Accruals and deferred income			<u>1,031</u>	<u>2,675</u>
			29,026	5,111
Amounts owed to participating interests				
Amounts owed to others	36	0	36	0
Accruals and deferred income	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	36	0	36	0
Other accruals and deferred income	4,994	7,682	4,890	7,682
Accruals and deferred income	<u>49,839</u>	<u>59,933</u>	<u>37,746</u>	<u>58,370</u>
	54,833	67,615	42,636	66,052
Short-term liabilities, total	166,137	349,948	180,376	352,658
Liabilities, total	2,431,951	1,196,114	2,444,516	1,194,918
Significant accruals and deferred income				
Loan interest	24,473	5,556	20,235	5,556
Tax debt	15,984	11,861	14,336	11,861
Transfer tax		16,803		16,803
Outstanding purchase price		<u>23,000</u>		<u>23,000</u>
	40,457	57,220	34,571	57,220
CONTINGENT LIABILITIES				
Contingent liabilities for group debts				
Mortgages on land and buildings	2,180	0	0	0
Contingent liabilities for parent company debts				
Shares pledged (book value)	2,926,092	1,277,548	2,926,092	1,277,548
Other pledges given	238,592	0	238,592	0
Mortgages on land and buildings	269,364	87,864	269,364	87,864
Leasing commitments	497	0	343	0

FINANCIAL STATEMENTS

FIM 1,000	GROUP		PARENT COMPANY	
	1999	1998	1999	1998
Liabilities arising from derivatives				
Interest-rate derivatives				
Interest-rate swaps 1996 (3-year fixed interest)				
nominal value of underlying instrument	0	121,260	0	121,260
Interest-rate swaps 1999 (5-year fixed interest)				
nominal value of underlying instrument	297,287	0	297,287	0
Interest-rate swaps 1999 (10-year fixed interest)				
nominal value of underlying instrument	392,418	0	392,418	0
Interest-rate swaps 1999 (11-year fixed interest)				
nominal value of underlying instrument	490,000	0	490,000	0
Interest-rate swaps, total	1,179,705	121,260	1,179,705	121,260
Interest-rate option 1998 ja 1999 (5-year interest cap)				
nominal value of underlying instrument	787,880	468,000	787,880	468,000

Derivatives have been used to hedge the loan stock against rises in interest rates.
The company uses derivatives solely to reduce or eliminate risks in the balance sheet.

PLEDGES GIVEN

Debts for which mortgages given and shares pledged				
Loans from financial institutions	2,364,777	1,122,260	2,363,660	1,122,260

OTHER COMMITMENTS

Equity ratio

Under a commitment given to its backers, Citycon undertakes to keep the group's equity ratio above 40%. The subordinated loan and minority interests are included in the core capital when calculating the capital base, subject to minority interests accounting for a maximum of 15% of shareholders' equity, correspondingly subtracting the remaining minority interest from the balance sheet total. Calculated in this way, the group equity ratio was 42.1% at 31 December 1999.

OWN SHARES

Acquired between 25 November and 31 December 1999	
Number of shares, 1,000	898
Total nominal value, FIM 1,000	7,184
Share of subscribed capital, %	0.8
Share of votes, %	0.8
Consideration paid, FIM 1,000	6,165
Acquired between 25 November 1999 and 29 February 2000	
Number of shares, 1,000	2,220
Total nominal value, FIM 1,000	17,760
Share of subscribed capital, %	2.1
Share of votes, %	2.1

MAJOR TRANSACTIONS WITH COMPANIES BELONGING TO THE INNER CIRCLE

On 30 June 1999, the parent company acquired shares entitling it to possession of 12 local shopping centres and one shopping centre building from companies belonging to the company's inner circle: the Merita Group, Sampo Group, Kesko Group and Pohjola Group.

Deeds of sale were signed in respect of:

- Kauppakeskus Myyrmanni, Vantaa; 74% of Kiinteistö Oy Myyrmanni shares
- Kauppakeskus Isomyyri, Vantaa; 41.2% of Kiinteistö Oy Myyrmäen Kauppakeskus shares
- Kauppakeskus Lippulaiva, Espoo; 84.2% of Kiinteistö Oy Lippulaiva shares
- Kauppakeskus Espoontori, Espoo; 38.7% of Kiinteistö Oy Espoontori shares
- Kauppakeskus Tikkuri, Vantaa; 83.9% of Kiinteistö Oy Tikkurilan Kauppakeskus shares
- Koskikeskus, Tampere; 46.2% of Kiinteistö Oy Tampereen Koskenranta shares
- Jyväskeskus, Jyväskylä; 100% of Kiinteistö Oy Jyväskylän Kauppakatu 31 shares
- Kauppakeskus Lahden Trio, Lahti; 55.5% of Kiinteistö Oy Lahden Trio shares
- Kauppakeskus Linjuri, Salo; 88.5% Kiinteistö Oy Linjuri shares
- Kauppakeskus Iso-Kristiina, Lappeenranta; 74.2% of Kiinteistö Oy Lappeen Liikekeskus shares and 84.4% of Kiinteistö Oy Lappeenrannan Brahenkatu 7 shares
- Kauppakeskus Iso-Karhu, Pori; 100% of Kiinteistö Oy Porin Itäpuisto 2-4 shares and 95% of Porin Markkinatalo Oy shares
- Savonlinnan Citymarket, Savonlinna, building
- Liiketalo Sampokeskus, Rovaniemi; 100% of Kiinteistö Oy Rovaniemen Sampotalo shares

The purchase price, free of debt, was divided between the vendors as follows:

	FIM 1,000
Merita Group	806,605
Kesko Group	560,241
Sampo Group	325,019
Pohjola Group	<u>180,594</u>
	1,872,460

These deals accounted for 98% of gross fixed asset investments in the 1999 financial year.

Valuations made by outside independent authorised property valuers were used to determine the price paid for the above properties.

FINANCIAL STATEMENTS

FIVE - YEAR FINANCIAL SUMMARY, FIM 1,000

INCOME STATEMENT

	Formula	1999	1998	1997	1996	1995
Turnover		330,360	152,687	37,402	36,318	36,585
Planned depreciation		39,534	21,519	10,867	10,764	10,580
Operating profit		184,721	84,327	17,059	18,969	19,517
as % of turnover		55.9	55.2	45.6	52.2	53.3
Net financial charges		-89,755	-32,471	-12,008	-15,468	-17,548
Result before exceptional items, provisions and taxes		94,965	51,856	5,052	3,501	1,969
as % of turnover		28.7	34.0	13.5	9.6	5.4
Result before provisions and taxes		94,965	51,856	5,052	3,501	1,969
as % of turnover		28.7	34.0	13.5	9.6	5.4
Result for the financial year		63,554	42,164	4,927	3,484	1,969

BALANCE SHEET DATA

Fixed assets	4,411,665	2,072,953	509,740	499,063	509,304
- of which own shares	6,165	0	0	0	0
Current assets	108,290	46,607	5,060	7,378	4,530
Shareholders' equity	1,130,190	859,989	279,592	274,665	271,181
Subordinated loan	407,000	0	0	0	0
Minority interests	550,813	63,456	0	0	0
Liabilities	2,431,952	1,196,115	235,208	231,776	242,653
Balance sheet total	4,519,955	2,119,560	514,800	506,441	513,834

SELECTED FINANCIAL INFORMATION

Return on equity (ROE), %	1 ¹⁾	4.9	5.6	1.8	1.3	0.7
Return on investment (ROI), %	2	6.2	6.2	3.4	3.7	3.8
Equity ratio, %	3	37.2	43.6	54.3	54.2	52.8
Equity ratio, %, when subordinated loan is included in core capital		46.2	43.6			
Current ratio	4	0.7	0.1	0.1	0.5	0.3
Gross fixed asset investments		1,947,750	1,809,569	17,959	824	622
as % of turnover		589.6	1,185.1	48.0	2.3	1.7
Employees, average		12	5	4	3	3

¹⁾ Own shares subtracted from shareholders' equity and number of shares when calculating financial ratios.

FORMULAE FOR FINANCIAL RATIOS

1 Return on equity (ROE), %	$\frac{\text{profit/loss before exceptional items - taxes}}{\text{shareholders' equity} + \text{minority interests (average for year)}} \times 100$
2 Return on investment (ROI), %	$\frac{\text{profit/loss before exceptional items and taxes} + \text{interest and other financial charges}}{\text{balance sheet total} - \text{zero-interest debts (average for year)}} \times 100$
3 Equity ratio, %	$\frac{\text{shareholders' equity} + \text{minority interests}}{\text{balance sheet total} - \text{advances received}} \times 100$
4 Current ratio	$\frac{\text{current assets} + \text{stock}}{\text{short-term creditors}}$
5 EPS	$\frac{\text{result before exceptional items - taxes} +/- \text{minority interest}}{\text{adjusted number of shares for the financial year}}$

FIVE - YEAR FINANCIAL SUMMARY, 1,000 EURO

INCOME STATEMENT

	Formula	1999	1998	1997	1996	1995
Turnover		55,563	25,680	6,291	6,108	6,153
Planned,depreciationt		6,649	3,619	1,828	1,810	1,779
Operatingprofit		31,068	14,183	2,869	3,190	3,283
as % of turnover		55.9	55.2	45.6	52.2	53.3
Net financial charges		-15,096	-5,461	-2,020	-2,602	-2,951
Result before exceptional items						
provisions and taxes		15,972	8,722	850	589	331
as % of turnover		28.7	34	13.5	9.6	5.4
Result before provisons and taxes		15,972	8,722	850	589	331
as % of turnover		28.7	34	13.5	9.6	5.4
Result for the financial year		10,689	7,091	829	586	331

BALANCE SHEET DATA

Fixed,assets	741,989	348,646	85,732	83,936	85,659
-of which own shares	1,037				
Current assets	18,213	7,839	851	1,241	762
Shareholders' equity	190,084	144,640	47,024	46,195	45,609
Subordinated loan	68,453				
Minority interests	92,640	10,673			
Liabilities	409,025	201,172	39,559	38,982	40,811
Balance sheet total	760,202	356,485	86,583	85,177	86,421

SELECTED FINANCIAL INFORMATION

Return on equity						
(ROE),%	1 ¹⁾	4.9	5.6	1.8	1.3	0.7
Return on investment						
(ROI),%	2	6.2	6.2	3.4	3.7	3.8
Equity ratio, %	3	37.2	43.6	54.3	54.2	52.8
Equity ratio, %, when subordinated loan is included in core capital		46.2	43.6			
Current ratio	4	0.7	0.1	0.1	0.5	0.3
Gross fixed asset investments		327,588	304,348	3,020	139	105
as % of turnover		589.6	1,185.1	48.0	2.3	1.7
Employees average		12	5	4	3	3

¹⁾ Own shares subtracted from shareholders' equity and number of shares when calculating financial ratios.

6 Shareholders' equity per share	$\frac{\text{shareholders' equity}}{\text{adjusted number of shares at balance sheet date}}$
7 P/E ratio	$\frac{\text{middle closing price at balance sheet date}}{\text{earnings per share}}$
8 Middle price	$\frac{\text{value of shares traded in Finnish marks}}{\text{average number of shares traded}}$
9 Market capitalisation	number of shares at 31 Dec. x closing price for the financial year
10 Dividend per earnings, %	$\frac{\text{dividend per share}}{\text{EPS}} \times 100$
11 Effective dividend yield	$\frac{\text{dividend per share}}{\text{adjusted middle closing price at balance sheet date}}$

FINANCIAL STATEMENTS

SHARES AND SHAREHOLDERS

SUBSCRIBED CAPITAL

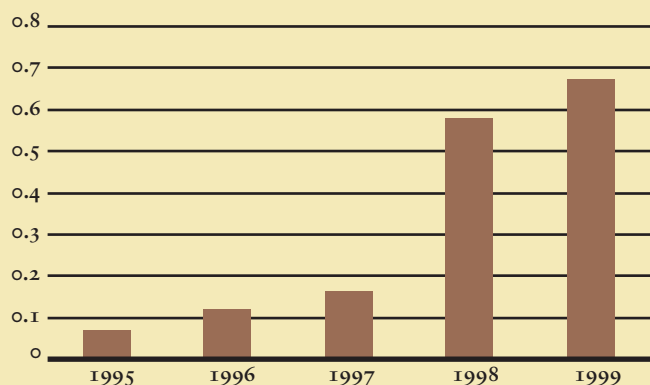
Kiinteistösjointus Oyj Citycon's subscribed capital is FIM 846,222,864 divided between 105,777,858 shares each having a nominal value of FIM 8. The company has one class of shares, which are in the book-entry securities system. Under its Articles of Association, Citycon's maximum authorised share capital is FIM 1,203,200,000.

INCREASES IN SUBSCRIBED CAPITAL

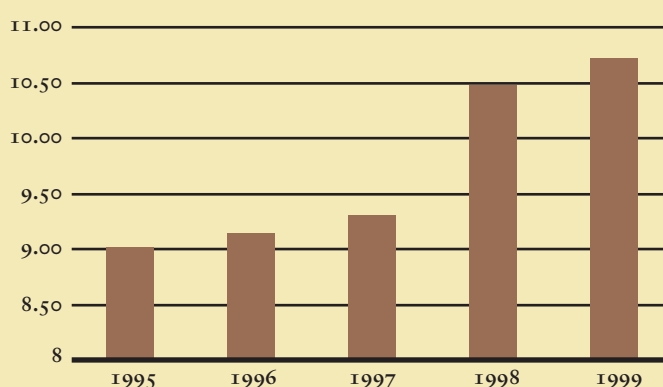
When formed on 29 January 1988, the company had FIM 50 million in subscribed capital distributed among 2,500,000 shares. Since then increases have been made as follows:

Date of payment	Subscriber	Number of shares issued	Issue price FIM/share	Total number of 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 and extraordinary general meeting, entered in Trade Register on 23.12.1992		10	9,750,000	97.5
11.11.92	Kansallis-Osake-Pankki, Tukkukauppojen Oy and Ferenda Oy	23,330,000	10	30,080,000	300.8
10.03.98	Decrease and new issue in accordance with a resolution passed by the annual general meeting. Merita Real Estate Ltd, Center-Yhtiöt Oy, Kesko Corporation and Nova Life Insurance Company Entered in the Trade Register on 11.3.1998	52,053,000	10	82,133,000	657.1
30.06.99	Increase through new issue in accordance with resolution by extraordinary general meeting. Merita Real Estate Ltd, Kesko Corporation, Hämeenkylin Kauppa Oy, Sampo Insurance Company Plc, Sampo Enterprise Insurance Company Ltd and Pohjola Life Assurance Company Ltd. Entered in the Trade Register on 02.07.1999	23,644,858	10.70	105,777,858	846.2

EARNINGS PER SHARE, FIM



SHAREHOLDERS' EQUITY PER SHARE, FIM



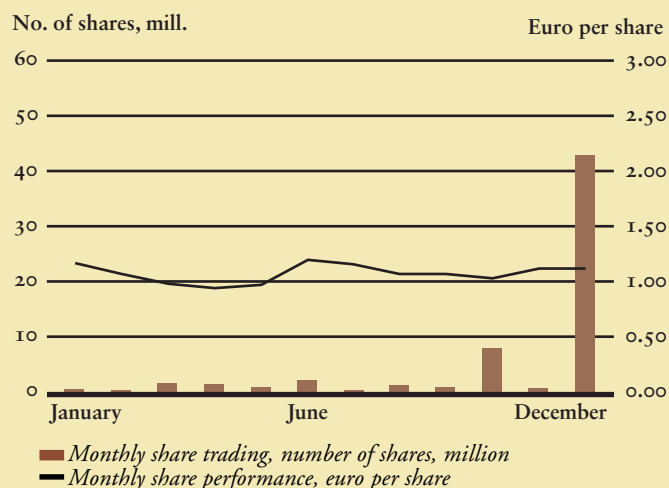
ANALYSIS OF SHAREHOLDINGS

This analysis is based on information contained in the share register kept by the Finnish Central Securities Depository (APK). At the end of 1999, 105,763,873 shares, equivalent to 99.9 per cent of the subscribed capital, had been traded (13,985 shares remained in physical form). According to the share register, Citycon had 939 owners at the end of 1999. Members of the Board of Directors and the company's managing director had 2,000 Citycon shares at 31 December 1999.

Shareholders	No. of shares and votes	% of total
1. Partita Oy (Merita)	45,030,594	42.57
2. Center-Yhtiöt Oy (Kesko)	12,761,000	12.06
3. Sampo Life Insurance Company Ltd	10,573,000	9.99
4. Kesko Corporation	4,535,760	4.29
5. Merita Bank Plc (nominee registered)	3,738,671	3.53
6. Sampo Insurance Company Plc	3,438,903	3.25
7. Hämeenkyllän Kauppa Oy (Kesko)	2,550,000	2.41
8. Pohjola Life Assurance Company Ltd	2,284,100	2.16
9. Norvestia Plc	2,271,000	2.15
10. Svenska Handelsbanken Ab (nominee registered)	2,239,909	2.12
11. Polar Real Estate Corporation	1,009,091	0.95
12. Fortum Power and Heat Oy	947,700	0.89
13. Varma-Sampo Mutual Pension Insurance Company	937,500	0.89
14. Kiinteistösi joitus Oyj Citycon	788,000	0.74
15. LEL Employment Pension Fund	750,000	0.71
16. Liikesivistysrahaston Kannatusyhdistys	750,000	0.71
17. Finnish Red Cross	725,000	0.68
18. Helsingin Arvo-osuuskeskus Oy (nominee registered)	705,000	0.67
19. Sampo Enterprise Insurance Company Ltd	666,168	0.63
20. Verdandi Pension Insurance Company	530,000	0.50
Total	97,231,396	91.91

Shareholdings by owner group	No. of shares and votes	Owners
Public sector corporations	947,700	1
Private corporations	71,815,855	125
Financial and insurance institutions	25,988,251	16
Public sector entities	2,237,500	4
Non profit-making organisations	2,110,600	10
Households and private individuals	2,635,867	779
Foreign	28,100	4
Unsettled	13,985	-
Total	105,777,858	939

CITYCON'S MONTHLY SHARE PERFORMANCE AND TRADING 1.1.1999-30.12.1999



FINANCIAL STATEMENTS

MONTHLY SHARE TRADING FIGURES AND TRADING PRICES 1999

	No. of shares	Lowest euro	Highest euro
January	508,588	1.11	1.38
February	382,525	0.97	1.13
March	1,733,653	0.95	1.10
April	1,570,273	0.90	1.00
May	878,005	0.93	1.04
June	2,285,420	1.00	1.35
July	353,047	1.08	1.22
August	1,435,994	1.07	1.15
September	906,870	1.03	1.11
October	7,094,731	1.01	1.10
November	741,268	1.06	1.19
December	42,011,575	1.10	1.20

SHARE TRADING 1995 - 1999

	No. of shares	Lowest euro	Highest euro
1995	996,016	0.84	1.47
1996	14,594,633	0.84	1.50
1997	458,353	1.35	2.39
1998	30,878,903	1.09	2.32
1999	59,901,949	0.90	1.38

PER SHARE DATA IN FINNISH MARKKA

	Formula	1999	1998	1997	1996	1995
EPS	5 ²⁾	0.67	0.58	0.16	0.12	0.07
Shareholders' equity per share	6 ²⁾	10.72	10.47	9.29	9.13	9.02
P/E ratio	7 ²⁾	10	13	54	77	76
Share performance, trading						
Lowest price		5.35	6.50	8.00	5.00	5.00
Highest price		8.21	13.80	14.20	8.90	8.50
Middle price	8	6.66	10.70	12.10	7.45	5.50
Market capitalisation, FIM 1,000	9	729,598	615,998	240,640	267,712	150,400
Share trading						
Shares traded, 1,000		59,902	30,879	458	14,592	996
as % of total		57.1	37.6	1.5	48.5	3.3
Adjusted average number of shares, 1,000		94,016	72,293	30,080	30,080	30,080
Adjusted number of shares at 31 Dec., 1,000		104,880	82,133	30,080	30,080	30,080
Own shares fund		6,165				
Own shares, 1,000		898				
Dividend per share	1)	0.40	0.35	0	0	0
Dividend per earnings, %	10 ¹⁾	59.5	60.2	0	0	0
Effective dividend yield	11 ¹⁾	5.75	4.67	0	0	0

PER SHARE DATA IN EUROS

	Formula	1999	1998	1997	1996	1995
EPS	5 ²⁾	0.11	0.10	0.03	0.02	0.01
Shareholders' equity per share	6 ²⁾	1.81	1.76	1.56	1.54	1.52
P/E ratio	7 ²⁾	10	13	54	77	76
Share performance, trading						
Lowest price		0.9	1.09	1.35	0.84	0.84
Highest price		1.38	2.32	2.39	1.50	1.43
Middle price	8	1.12	1.80	2.04	1.25	0.93
Market capitalisation, 1,000 euro	9	122,710	103,603	40,473	45,026	25,295
Share trading						
Shares traded, 1,000		59,902	30,879	458	14,592	996
as % of total		57.1	37.6	1.5	48.5	3.3
Adjusted average number of shares, 1,000		94,016	72,293	30,080	30,080	30,080
Adjusted number of shares at 31 Dec., 1,000		104,880	82,133	30,080	30,080	30,080
Own shares fund		6,165				
Own shares, 1,000		898				
Dividend per share	1)	0.07	0.06	0	0	0
Dividend per earnings, %	10 ¹⁾	59.2	60.0	0	0	0
Effective dividend yield	11 ¹⁾	5.75	4.67	0	0	0

¹⁾ Board of Directors' recommendation.

²⁾ Own shares subtracted from shareholders' equity and number of shares when calculating financial ratios.

PROPOSAL FOR THE DISPOSAL OF PROFIT

	Parent company, FIM	Group, FIM
Other funds	38,951,888.49	38,951,888.49
Retained earnings	7,347,283.00	12,826,849.69
Profit for the financial year	<u>63,555,494.31</u>	<u>73,701,079.25</u>
Distributable capital	109,854,665.80	125,479,817.43

The Board of Directors is to recommend to the annual general meeting that a dividend of FIM 0.40 per share be paid on shares outside the company and that the remainder be retained.

Signatories to the financial statements dated 31 December 1999
Helsinki, 29 February 2000

Pertti Voutilainen
Jorma Lehtonen
Juha Olkinuora

Heikki Valkjärvi
Carl G. Nordman
Jukka Ruuska

Olli-Pekka Mikkola
Managing Director

AUDITORS' REPORT (TRANSLATION)

To the shareholders of Kiinteistösi joitus 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 Kiinteistösi joitus Oyj Citycon for the year ended 31 December 1999. 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.

Helsinki, 16 March, 2000

Ari Ahti
Authorized Public Accountant

Jaakko Nyman
Authorized Public Accountant

CORPORATE ADMINISTRATION

MANAGEMENT AND EMPLOYEES



From left to right Pertti Voutilainen, Carl G. Nordman, Juha Olkinuora, Jorma Lehtonen, Jukka Ruuska and Heikki Valkjärvi.

Citycon complies with the recommendations on the corporate governance of listed companies issued by the Helsinki Exchanges, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employees. Citycon has also drawn up a set of Corporate Governance guidelines, which separately define the roles and responsibilities of the Board of Governors, the managing director and the Corporate Management Committee.

BOARD OF DIRECTORS

COMPOSITION

Citycon's Annual General Meeting elects a Board of Directors comprising from four to eight members. Persons appointed to the Board of Directors are required to have an adequate understanding of the capital markets and property business. The Board of Directors elects a chairman and deputy chairman from among its members. Neither the chairman nor the deputy chairman may be the company's managing director. The term of office of the Board of Directors is the period between Annual General Meetings.

In 1999, the Board of Directors had six members, Chairman of the Board was Pertti Voutilainen and deputy chairman Heikki Valkjärvi. A profile of Board members is given in this report.

Citycon's Board of Directors meets as often as the chairman, any other member of the Board or the company's managing director deems fit. In 1999, the Board of Directors met 18 times. The Board of Directors is quorate when over half of its members are present.

FUNCTIONS AND RESPONSIBILITIES

The functions and responsibilities of Citycon's Board of Directors are determined in accordance with the provisions of the Finnish Companies Act and other applicable legislation. To fulfil the requirements imposed on boards of directors in this manner, the company's Board of Directors

- approves the company's strategy and practical objectives and the budget relating thereto
- approves the company's risk management principles
- decides on the budget and interim reports
- monitors the enforcement and financial development of plans made
- decides on all investments exceeding FIM 5 million
- decides on the appointment of the managing director and Corporate Management Committee
- supervises the effectiveness of the company's management and financial reporting and decides on any changes warranted
- ensures that all shareholders are treated equally and that corporate communications comply with the principle of transparency
- determines the company's dividend policy and
- decides important operative solutions such as actions in the capital market and developing the property portfolio.

The property portfolio is developed by concluding agreements on individual, large – by Finnish standards – properties or with complexes formed by numerous properties that fit into the company's strategy. The Board of Directors decides preliminary agreements relating to such projects and authorises the managing director to sign the final agreements and deeds of sale.

To fulfil the above functions, the Board of Directors generally meets once a month. Each month the Board receives an account of the company's financial performance, whereupon it decides on any actions warranted by it on the basis of proposals made by the managing director. Minutes are kept of the decisions made at Board meetings.

MANAGING DIRECTOR AND CORPORATE MANAGEMENT COMMITTEE

The functions and responsibilities of Citycon's managing director are determined in accordance with the provisions of the Finnish Companies Act and other applicable legislation. Under these provisions, the managing director is responsible for the everyday running of the company in accordance with instructions issued by the Board of Directors. The managing director also oversees the company's financial performance, prepares items to be presented to the Board of Directors and is responsible for ensuring that the Board is fully informed of the company's situation and business environment. Additionally, the managing director is responsible for the adequacy of human resources and that the organisation is properly manned. The managing director is also the company's outside representative.

The managing director is assisted by the company's Corporate Management Committee (CMC). The managing director's work primarily takes place in connection with CMC working and the decisions made there. Meeting once a week, Citycon's

CMC is a forum for discussion and minutes are kept of decisions made in the meetings.

Besides the managing director, CMC members include the commercial director, the director of finance and the finance manager. Each member brings up the matters he or she considers important at CMC meetings. These talks ensure matters are sufficiently supervised.

INSIDER HOLDING

Citycon keeps a list of insider holdings in the Finnish Central Security Depository's SIRE system. Citycon has harmonised its insider holding rules in accordance with the insider holder instructions issued by the Helsinki Exchanges, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers.

CONTROL SYSTEM

Under the Finnish Companies Act, ultimate responsibility for accounting and asset management is vested in a company's board of directors. Citycon's Board of Directors convenes an Audit Committee once a year.

An auditor appointed by Citycon's Annual General Meeting is responsible for the company's statutory audit. The company's auditors during the 1999 financial year were authorised public accountants Ari Ahti and Jaakko Nyman, with authorised public accountants KPMG Wideri Oy Ab as deputy auditors.

The auditors furnish the company shareholders with a statutory auditors' report with the company's annual accounts. Moreover, the auditors report to Citycon's managing director at least four times a year.

COMPANY INCENTIVE SCHEME

Citycon has an incentive scheme based on options for its employees. The incentive scheme is managed by a Compensation Committee which, during the financial year, consisted of Pertti Voutilainen, chairman of the Board of Directors, Carl G. Nordman, member of the Board of Directors, and Olli-Pekka Mikkola, Citycon's managing director. The Compensation Committee is responsible for preparing the managing director's remuneration package and the principles of the bonus and incentive schemes for consideration by the Board of Directors.

The extraordinary general meeting in November 1999 issued 5,500,000 options, which can be used to subscribe a total of 5,500,000 Citycon shares. The options are given free of charge and must be exercised by 31 August 2000. The Board of Directors decides if the options are to be continued. The options may be freely assigned once the subscription period in respect of them has begun. Nevertheless, the Board of Directors shall be entitled to permit assignment of the options earlier.

Each option entitles the bearer to subscribe to one (1) Citycon share having a nominal value of FIM 8 (eight Finnish marks). Under the options scheme, the company's share capital may be increased by a maximum of 5,500,000 new shares, in other words FIM 44 million. Further details about the options are available from the company's head office.

Moreover, the company has an annual bonus scheme for its employees. The Board of Directors decides on the annual bonus for the managing director.

The group's overall result, the development of areas of responsibility and tenant satisfaction are core factors affecting bonuses.

BOARD OF DIRECTORS

Pertti Voutilainen MSc (Eng), 59

Chairman since 1999

President, Merita Bank Plc

Heikki Valkjärvi LLM, 48

Deputy chairman since 1998

Divisional director, Kesko Corporation

Carl G. Nordman MSc (Eng), 60

Board member since 1999

Counsellor of Industry (Hon)

Jorma Lehtonen MSc (Eng), 42

Board member since 1998

Director, real estate, Sampo

Juha Olkinuora MSc (Eng), 47

Board member since 1999

Managing director, Merita Real Estate Ltd

Jukka Ruuska LLM MBA, 39

Board member 4 Nov.-31 Dec. 1999

Director, Corporate Planning

Helsinki Telephone Corporation

AUDITORS

The company's auditors were authorised public accountants

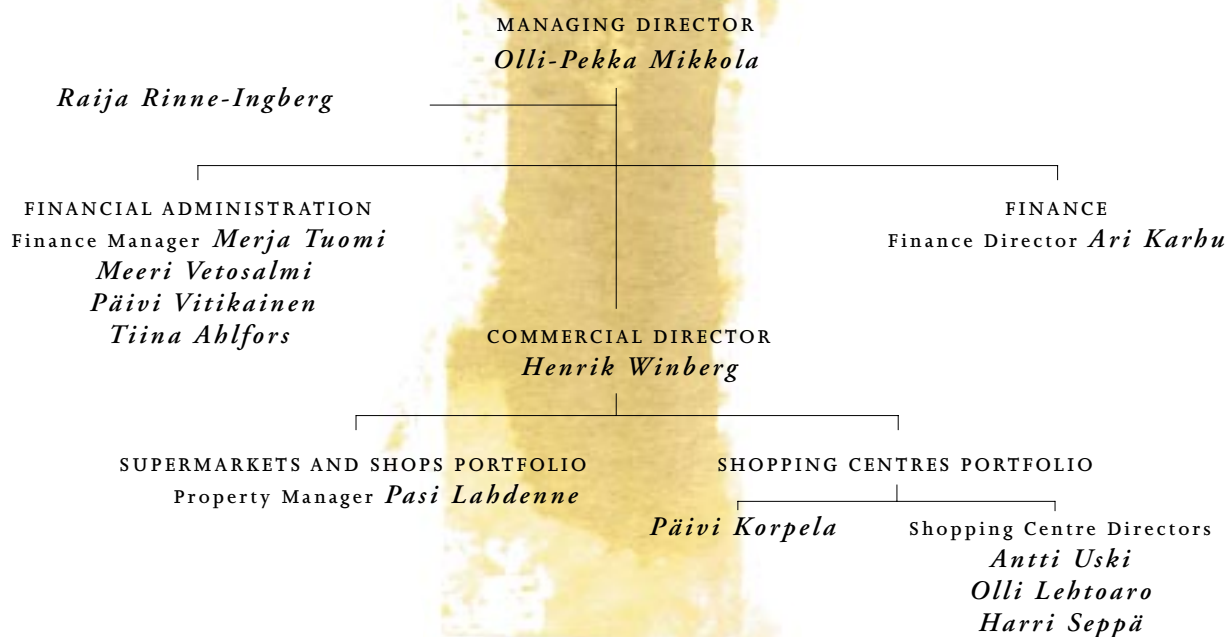
Ari Ahti and Jaakko Nyman, with authorised public

accountants KPMG Wideri Oy Ab as deputy auditors.

MANAGEMENT

The company's managing director since 1995 is

Olli-Pekka Mikkola LLM, 49.



SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING

The 2000 Annual General Meeting of Kiinteistösi joitus Oyj Citycon is to be held in Kansallissali, Aleksanterinkatu 44, Helsinki at 10am on Thursday 30 March 2000.

Shareholders should give notification of their intention to attend the Annual General Meeting by 10am on Tuesday 28 March 2000.

Shareholders registered by 24 March 2000 in the company's share register kept by the Finnish Central Securities Depository (APK) are eligible to attend the Meeting.

DIVIDEND

The Board of Directors is to recommend to the Annual General Meeting that a dividend of FIM 0.40 per share be paid for 1999. The dividend approved by the Meeting will be paid to shareholders on the company's share register kept by the Finnish Central Securities Depository at the record date, 4 April 2000. The Board of Directors is to recommend to the Meeting that the dividend be paid out after the end of the record period on 11 April 2000.

CHANGES OF NAME AND ADDRESS

Any changes of name and address should be notified to the book entry securities register where the book-entry account is registered.

INTERIM REPORTS

Citycon will publish the following interim reports in the year 2000
Jan-Mar 2000 to be published on 31 May 2000
Jan-Jun 2000 to be published on 31 August 2000
Jan-Sept 2000 to be published on 30 November 2000

The annual report and interim reports are published in Finnish and English.

BANKS AND STOCKBROKERS TRACKING CITYCON'S BUSINESS

The following banks and brokers have announced that they make investment analyses relating to Citycon's business:

Conventum Securities Limited
Enskilda Securities
Evli Pankkiiriliike Oyj
Handelsbanken Markets
Merita Securities Ltd
Morgan Stanley Dean Witter
Opstock Investointipankki

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