

AN EXPERT IN RETAIL PREMISES >



# CITYCON



Annual Report 2004



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> Citycon in brief

# CITYCON OYJ

## An expert in retail premises

Citycon is a property investment company specialising in retail premises. The company leases, manages and develops its property portfolio, which has a book value of approximately MEUR 732.1. Citycon also plans and commissions the construction of new premises. Citycon's business focuses on the Helsinki Metropolitan Area and other large Finnish cities with a population of more than 50,000.

Citycon is the Finnish market leader for shopping centre business. It serves companies which need retail premises, Finnish and international retail chains and private dealers. Citycon is an expert in retail premises and a partner for its customers.

Citycon had a successful year in 2004. The company's growth and internationalisation continued. Citycon's ownership structure and Board of Directors became international, trading in its shares on the Helsinki Exchanges grew substantially, and the share price increased by a factor of more than 1.6. Citycon deployed effort in the development of the property portfolio and new retail sites as well as investing in the business structure and the standardisation of operating methods.

Citycon began to investigate the potential for expansion in the Baltic countries and Scandinavia. At the same time, the company continued the implementation of its strategy of growth as a major owner of retail premises in Finland.

> Key figures

	2004	Change, %	2003
<b>Turnover, MEUR</b>	88.6	13.4	78.1
<b>Operating profit, MEUR</b>	50.3	16.2	43.3
<b>Net profit for the year, MEUR</b>	17.4	21.7	14.3
<b>Book value of the property portfolio, MEUR</b>	732.1	1.4	721.8
<b>Market value of the property portfolio, MEUR</b>	738.7	1.7	726.5
<b>Balance sheet total, MEUR</b>	840.4	0.6	835.3
<b>Market capitalisation, MEUR</b>	273.9	76.8	154.9
<b>Return on equity (ROE), %</b>	8.4		7.1
<b>Return on equity, including minority interest, %</b>	5.7		4.9
<b>Return on investment (ROI), %</b>	6.2		5.8
<b>Equity ratio, %</b>	47.6		44.9
<b>Equity ratio, with capital loan not counted as part of shareholders' equity, %</b>	39.4		36.7
<b>Gearing, %</b>	146.8		163.2
<b>Net rental income, %</b>	8.5		8.5
<b>Occupancy rate, %</b>	95.7		97.3
<b>Personnel at year-end</b>	45	32.4	34
<b>Earnings per share, EUR</b>	0.17	21.4	0.14
<b>Earnings per share, diluted, EUR</b>	0.16	14.3	0.14
<b>Equity per share, EUR</b>	2.04	1.5	2.01
<b>P/E ratio (price/earnings)</b>	15	36.4	11
<b>Dividend per share, EUR</b>	0.14*		0.14

\* Board's proposal

# CITYCON

## as an investment

### Investment in Citycon

› Investing in Citycon is an investment in a profitably growing property investment company. Concentrating on profitable retail premises, developing the properties and devoting effort to creating a new type of large retail unit, combined with favourable market forecasts for retailing, create a basis for Citycon's ongoing success.

As a specialised company, Citycon has strong knowledge of the market and professional skills, and the company's management of shopping centres in particular is first class. As an energetic company, Citycon develops its sector, increases the value of its property portfolio and boosts income.

### Strong rise in value

› Citycon's position on the stock market changed in 2004. The high-earning share, which had been traded in moderation, became a liquid and attractive investment for both Finnish and international investors. Trade in company shares grew by 10.1 per cent and the share price went up by a factor of more than 1.6. Citycon shares were one of the most successful of any European property investment companies in terms of share price rise.

Citycon has been quoted on the Helsinki Exchanges' Main List since 1988 and it is in the investment group. In terms of market capitalisation, Citycon is Finland's second-biggest listed property investment company. Citycon is among the smallest European property investment companies.

Citycon is included in international indexes of property investment companies. EPRA/NAREIT Global Real Estate Index and GPR 250 Property Securities Index serve as comparative indices for international investors and they measure share price rises and total return.

### Financial targets

› The company's financial targets are as follows:

- The company will pay shareholders at least 50 per cent of the after-tax profit in dividends. In 2004, the dividend was 84.1 per cent (100.0%) of the profit.
- The targeted equity ratio is 40 per cent based on FAS. In 2004, the equity ratio was 47.6 per cent (44.9%).

### Information for shareholders

› The annual general meeting of Citycon Oyj will be held on 5 April 2005 at 10 a.m. at Kansallissali, Aleksanterinkatu 44, 2nd floor, 00100 Helsinki.

Shareholders wishing to attend the annual general meeting must be listed by 26 March 2005 as shareholders in the Company's share register kept by Finnish Central Securities Depository Ltd and they must give notice of their intention to attend the meeting before 4 p.m. on 31 March 2005, by telephone to Raija Rinne-Ingberg, Tel. +358 9 680 3670, fax +358 9 680 36 788, by e-mail to [raija.rinneingberg@citycon.fi](mailto:raija.rinneingberg@citycon.fi) or in writing to Citycon Oyj, Raija Rinne-Ingberg, Pohjoisesplanadi 35 AB, FI-00100 Helsinki, Finland.

Please send any proxy documentation to arrive at the above address by the deadline given.

› According to the proposal by the Board of Directors, a dividend of EUR 0.14 per share will be paid for 2004 on 15 April 2005 to shareholders listed no later than 8 April 2005 in the share register kept by Finnish Central Securities Depository Ltd.

› Shareholders are asked to notify any changes of name, address or ownership to the book-entry manager account.

➤ Citycon Oyj will publish financial information in Finnish and English during 2005 as follows:

Midday, 27 April 2005, interim report for January–March

Midday, 20 July 2005, interim report for January–June

Midday, 18 October 2005, interim report for January–September

The company's annual report will be published on the Citycon website during week 10. The printed version will be issued in week 12. Printed copies of the annual report can be ordered from the company's website, by e-mail from [info@citycon.fi](mailto:info@citycon.fi) or by telephone +358 9 680 3670.

Citycon's annual reports, interim reports and other disclosures, as well as further information on the Citycon Group, can be found on Citycon's website, [www.citycon.fi](http://www.citycon.fi). The site also shows up-to-date information on share trading and price trends.

➤ Citycon constantly produces accurate and up-to-date information on the company for the market. The aim is to raise the profile of Citycon's business, to make investment information more transparent and thus to boost Citycon's attractiveness as an investment. The company's contacts are the CEO, the CFO and the Investor Relations Officer.

Citycon will not hold meetings and company representatives will not comment on the company's financial performance after the end of the accounting period and before the release of the notification on the financial performance of said period.

#### ➤ Contact information

##### CEO

Petri Olkinuora  
Tel. +358 9 680 36 738  
[petri.olkinuora@citycon.fi](mailto:petri.olkinuora@citycon.fi)

##### CFO

Pirkko Salminen  
Tel. +358 9 680 36 730  
[pirkko.salminen@citycon.fi](mailto:pirkko.salminen@citycon.fi)

##### Investor Relations Officer

Jukka Vakula  
Tel. +358 9 680 36 742  
[jukka.vakula@citycon.fi](mailto:jukka.vakula@citycon.fi)

➤ According to information received by the company, the following banks and brokerages have analysts monitoring Citycon Oyj. These analysts monitor Citycon on their own initiative. The list may not be exhaustive. Citycon is not responsible for their comments.

##### Kempen & Co N.V.

Tel. +31 20 348 8000  
Beethovenstraat 300  
PO Box 75666  
NL-1070 AR Amsterdam

##### Opstock Oy

Tel. 010 252 7390  
Teollisuuskatu 1b, PL 362  
FI-00101 Helsinki

##### FIM Pankkiiriliike Oy

Tel. +358 9 613 4600  
Pohjoisesplanadi 33 A  
FI-00100 Helsinki

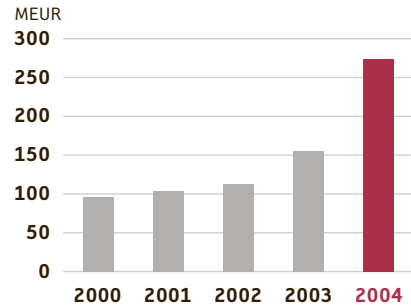
##### Evli Bank Plc

Tel. +358 9 476 690  
Aleksanterinkatu 19 A, 3. krs  
PO Box 1080  
FI-00101 Helsinki

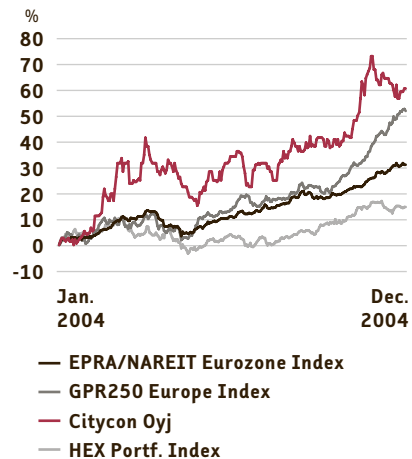
##### Mandatum Pankkiiriliike Oy

Tel. +358 10 236 10  
Eteläesplanadi 8 A, PL 66  
FI-00131 Helsinki

#### Trend in market capitalisation



#### Comparative indexes



#### Breakdown of shareholders by type



# A LEADING SPECIALIST in retail premises

## MISSION

> Citycon is an expert in retail premises. The company owns, leases, manages and develops shopping centres as well as supermarkets and shops. The company also designs and commissions the construction of new retail facilities. Citycon is the market leader for shopping centre business in Finland.

Citycon is a profitably growing and constantly developing specialist in property business. For its shareholders, the company is a competitive investment for its excellent capacity to pay dividends.

## VISION AND GOALS

> Citycon aims for its property portfolio to grow and rise in value. The development of the existing shopping centres, the construction of new properties, and acquisitions of properties in accordance with the strategy provide a good basis for attaining the goal.

In its operations, Citycon seeks to expand the company's value and expertise as well as seeking customer relationships based on strong partnership. The company's objective is to serve the various sectors of retailing by providing the best expertise in the field as well as premises that match the customer's needs.

Citycon is a developing and profitably growing property investment company. The goal is to retain a strong and competitive profit for the investor. The company's ability to develop solutions for retailing premises and services opens up opportunities for growth and increases the company's attraction as a place to invest in.

## STRATEGY

> Citycon focuses on retail premises and the shopping centres, supermarkets and other large retail units which constitute the company's core business. The company is prepared to sell off properties not related to its strategy in order to finance growth in its core business. Citycon's main business areas are urban growth centres in Finland and the company is investigating possibilities for expansion in the Baltic countries and Scandinavia.

Shopping centres are the heart of Citycon's business. Citycon manages its shopping centres using standardised business principles. Lessees are offered value-added services such as joint marketing, security services, and market information about the area and the property.

Citycon develops its properties to improve them commercially and make them more profitable, and it deploys efforts in commissioning the construction of MAXX retail parks. MAXX retail parks are a new generation of retail site, designed for major outlets that need a lot of space, located in Finland's largest cities.

Citycon leverages the company's accumulated expertise in developing its business and it remoulds its operations to make them ever more customer- and service-centred.

## > Examples of Citycon properties

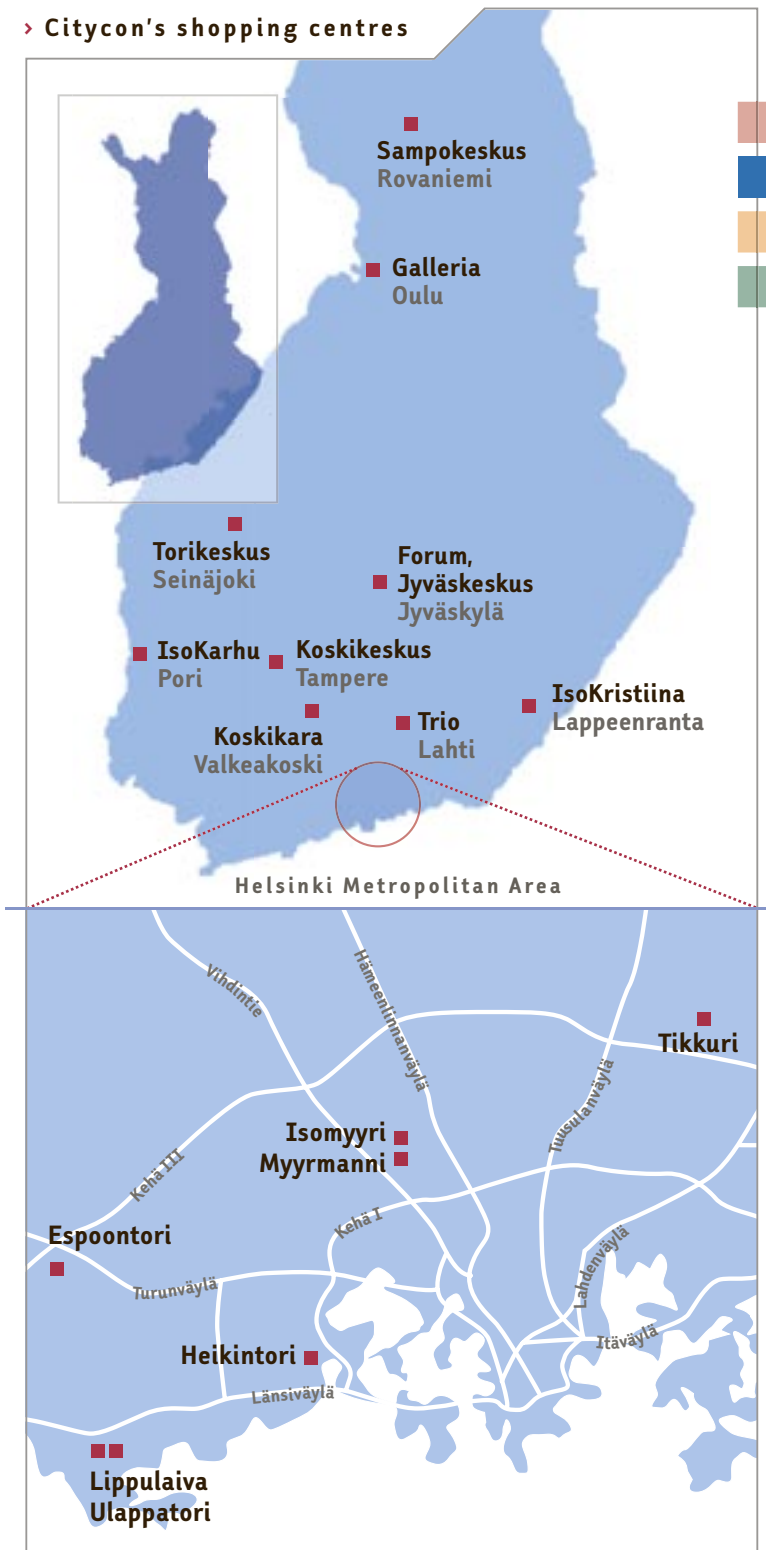
### > Shopping centre > M Y Y R M A N N I , V A N T A A



<b>Built</b>	1994
<b>Total area, sq.m.</b>	42,000
<b>Parking spaces</b>	1,297
<b>of which covered</b>	1,078
<b>Number of tenants</b>	119
<b>Anchor tenants</b>	Citymarket, Anttila, Apteekki, Alko, Tarjoustalo, Suomalainen Kirjakauppa, Intersport, Red Onion
<b>Visitors, million</b>	7.3
<b>Sales, MEUR</b>	163.3



> Citycon's shopping centres



> Citycon's path to market leadership

**2 0 0 4** Citycon's growth and internationalisation of ownership structure continued. The company begins to investigate the potential for expansion in the Baltic countries and Scandinavia.

**2 0 0 3** Citycon specifies its business structure and expands its business to include development as well as owning, leasing and managing retail premises. The company's property portfolio grows substantially. The ownership base changes as the former main owners give up their shareholdings and international investors become interested in Citycon.

**2 0 0 2** Citycon strengthens its position as Finland's leading property investment company specialising in retail premises and remoulds its operations to make them even more customer- and service-centered. The positive trend in the company's financial performance continues and profitability improves.

**2 0 0 1** Citycon concentrates even more clearly on owning and leasing retail premises and develops its property portfolio through acquisitions and divestments. The company's turnover rises and the trend in profits continues to be markedly upbeat.

**2 0 0 0** Citycon increases its portfolio in the regions determined by its strategy and reduces its holdings in properties which do not form part of its core business.

**1 9 9 9** Citycon underpins its position and its profile as a property investment company specialising in retail premises. The company doubles its property portfolio and selects the Helsinki Metropolitan Area and Finland's other cities with population over 50,000 as its geographical priority areas.

# AN INTERNATIONALISING EXPERT in retail premises

**Property development  
is our answer to  
intensifying competition**

**The property business in  
Finland has internationalised  
permanently**

> In 2004, Citycon evolved, as did the Finnish property investment market. Our ownership structure became international and we initiated the assessment of expanding operations beyond Finnish territory. We have grown to become the Finnish market leader for shopping centres business, and specialisation in retail premises opens up opportunities for profitable business also in other countries.

Citycon's financial performance was good and turnover grew by MEUR 10.5 in spite of smaller index increases in rents than had been expected. Turnover and net profit were boosted as expected by the property acquisitions effected at the end of 2003 and during 2004 as well as by the property development projects which were completed at IsoKarhu in Pori and Jyväskeskus in Jyväskylä. On the other hand, building maintenance expenses and the Group's financial expenses were lower than forecast. Building maintenance expenses were reduced, among other things, by MEUR 0.7 in refunds of municipal tax on real property.

Citycon's divisions were able to develop their business and their customer service capability in accordance with their goals due to the business model organised in 2003. According to a customer survey we commissioned, Citycon is seen as a highly professional partner. From the customers' viewpoint, the premises are in good locations and the lessors believe that trading will continue and develop in these premises also in the future.

> Active development work and the commissioning of construction of new properties are essential to Citycon's growth. In 2004 we acquired a new shopping centre by purchasing Torikeskus in Seinäjoki for MEUR 8.3 and we invested approximately MEUR 12 in extensions at IsoKarhu in Pori and Jyväskeskus in Jyväskylä. Also, in December we launched the marketing of the MAXX retail park in Tampere. The planned area will be 65,000 square metres and according to the targeted schedule, the retail park will open in 2007.

In spite of the long-term and time-consuming development times, property development and the commissioning of construction guarantee profitable investments in our selected properties. To enable ourselves to respond to rising demand, we intend to extend the Myyrmanni in Vantaa, Lippulaiva and Espoontori in Espoo and Koskikeskus in Tampere shopping centres as well as several supermarket properties. Moreover, we intensely monitor potential acquisitions that comply with the company's strategy and we sell off small properties that do not form part of our core business.

Citycon's success as a retail premises expert has made it an attractive investment. Citycon shares became a liquid and attractive investment for both Finnish and international investors. Trading in the shares grew markedly and the share price went up by a factor of more than 1.6. Citycon shares were one of the most successful for a European property investment company in terms of the share price rise. Our aim was to enhance investor relations in 2004 and we can be pleased with the results obtained.

> Demand for retail premises continued to be good due to strong retail sales, and vacancy rates stayed low in Finland's major cities. Demand for retail premises is expected to remain good. The supply of premises is growing all the time in the urban centres of growth, but new construction cannot satisfy all the demand. Besides, the upswing in private consumption is expected to continue.





***"Citycon needs to be a sought-after and prestigious employer for the top professionals in the property business. This will also ensure rising shareholder value."***

The upbeat trend in the Finnish economy, the common currency and good net income for property have stimulated international investors' interest, particularly in retail premises. The property business in Finland has internationalised permanently in terms both of investors and of the demand and supply of services. In 2004,

the market was characterised by intense competition for acquisitions, and international investors made a record number of property deals in Finland. The number of property deals is expected to continue to rise, and prices are expected to go up for properties in the best locations and for broader investment packages.

› Citycon has become a significant property developer in Finland. Since the prospects for growth in the domestic market are limited, we are examining possibilities for expanding in the Baltic countries and Scandinavia. We forecast that we will move on from planning to implementation in 2005. The company's excellent financial position and standing in the capital market, combined with its internationalised Board of Directors resulting from changes in ownership, create an opportunity for growth.

Potential expansion outside Finland will also mean a greater need for resources. In addition to financing arrangements, we will need more talent for our team to enable us to operate successfully in the future. To our customers, expansion will mean the provision of competitive and even better developed services and retail sites.

In addition to property development projects, in 2005 we will develop our business processes to correspond ever better with the customers' needs as well as the latest trends in the sector. Our aim is also to improve our customer service by deepening our knowledge of our customers' business. Investor relations are an increasingly important part of our business. We will continue to devote effort to investor relations in the future and it is our goal to provide more and higher-quality information.

We attained good results in 2004. We have every prospect of continuing to grow profitably. For this to happen, Citycon needs to be a sought-after and prestigious employer for the top professionals in the property business. This will also ensure rising shareholder value.

I would like to thank our personnel, customers, shareholders and partners for a successful year.

Helsinki, 25 February 2005

Petri Olkinuora  
CEO

**Growth to continue  
in 2005**

# DEMAND FOR RETAIL PREMISES still vibrant

## Energetic property investment market in Finland

> Citycon is one of the five property investment companies listed on the Helsinki Exchanges. The market capitalisation of the property investment companies listed on the Helsinki Exchanges on 31 December 2004 was EUR 1.0 billion. Finnish property investment companies operate and invest mostly in Finland.

During 2004, the total volume of commercial property market was EUR 3.2 billion. International buyers once again accounted for almost half of the total volume.<sup>1</sup>

1) Source: Catella Property Consultants Ltd

## The market leader in shopping centre business

> Citycon is the market leader for shopping centre business in Finland and the company is the second-biggest listed property investment company in terms of market capitalisation.

## Trend in the business environment

> The overall trend in the Finnish economy, consumer purchasing power, and consumers' confidence in their own economy are key factors in the success of retail enterprises. Changes in these factors are markedly reflected in the trend in demand for private consumption and thus affect retailers' demand for premises and their ability to pay rent. Factors influencing the trend in consumer purchasing power include the trend in wages and salaries, rises in consumer prices, and decisions on tax.

Consumer purchasing power has increased in the past few years and consumers' confidence in their own economy has been strong. Demand for retail premises continued to be good in 2004, and as a result of this vacancy rates were low.

The trend in retailing in Finland has been strong in recent years. Total retail sales were up by 4.3 per cent. Department store business was up by 4.8 per cent and grocery retail by 1.4 per cent on the previous year.<sup>2</sup> Growth in retailing is forecast to average 2.5 per cent (car retail not included) in 2005.<sup>2</sup> The concentration of purchasing power in the Helsinki Metropolitan Area and larger cities in Finland will continue.

2) Source: Statistics Finland 3) Source: Suomen Kaupan Liitto

## Internationalisation continued

> The interest of foreign investors in the Finnish property investment market continued to grow in 2004. Retail premises and the Helsinki Metropolitan Area particularly attracted investors.

## Return of property investment companies

	2004 return, %	Five-year's return, %
Property investment, world	+28.0	+67.5
Europe	+41.7	+104.7
North America	+23.9	+107.3
Asia	+27.0	+16.5
Shares, world	+6.9	-33.5
Bonds, world	+5.5	+37.2

Source: EPRA / MSCI / JP Morgan

The Finnish property investment market will continue for many reasons to be very attractive to foreign investors in the near future. Finland is the only Nordic country in the European Economic and Monetary Union. The trend in the Finnish economy in recent years has been good and the outlook is favourable.

Business methods are transparent, market information is of high quality and the legislation on the property market is clear. Furthermore, the earnings of retail premises in particular are better than in the rest of the euro zone.

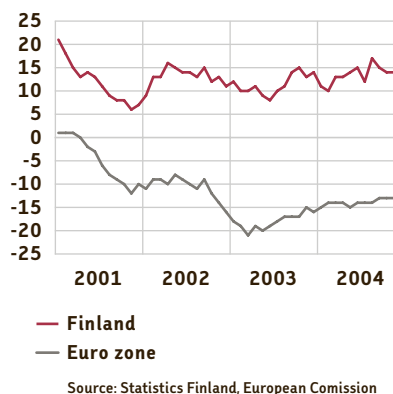
A weakness of the Finnish property investment market has been low levels of liquidity, meaning there have been few property transactions and there were only a handful of potential buyers and sellers. The arrival of foreign players in the Finnish property market has stimulated trading considerably, however, which in turn has boosted the liquidity of properties.

A reform of property fund legislation is under preparation in Finland which will enable the founding of property funds in the country, which in turn will attract new types of players into the market. The Ministry of Finance's final report on the matter will be issued in May 2005.

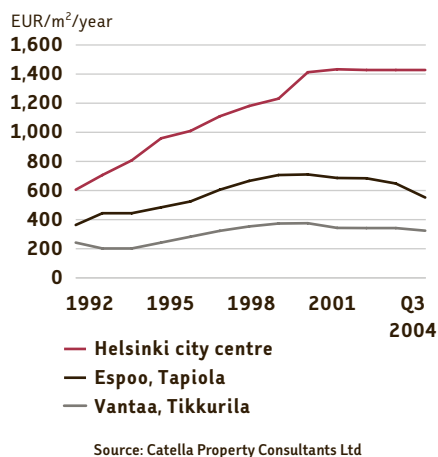
### GDP and inflation in Finland, %



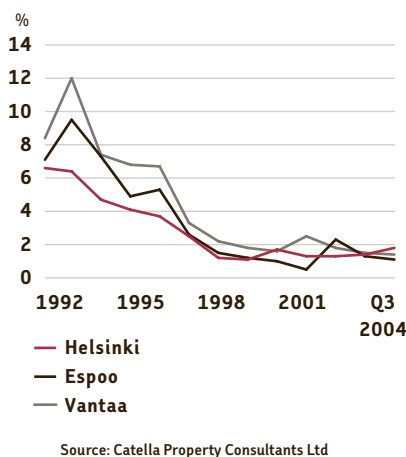
### Consumer confidence indicator



### Rents for retail premises in the Helsinki Metropolitan Area



### Vacancy rates for retail premises in the Helsinki Metropolitan Area



# A UNIQUE PROPERTY INVESTMENT company

## Mastery of retail premises' entire life cycle

> Citycon is specialised in retail premises and it is the market leader for shopping centre business in Finland. The shopping centres wholly or partly owned by the company account for roughly 25.2 per cent of total sales by shopping centres in Finland.

Citycon is the only property investment company in Finland which concentrates exclusively on retail premises. The company practises the entire chain of retail premises ownership - meaning it owns, leases, manages, and upgrades and develops its properties. Citycon operates in three divisions, according to customer needs and the type of premises: Shopping Centres, Supermarkets and Shops, and Property Development. The product of all the divisions is retail premises and related services. The specialised divisions are able to operate in a customer-driven way and support the entire ownership chain efficiently.

The cornerstone of the company's active property business is that the properties respond, technically and commercially, to the changing needs of the retail business. The purpose of property development is to improve the properties' commercial success and their earnings as an investment. The acquisition of properties in the right locations and for a reasonable price, combined with the construction of new properties, prepares the ground for strengthening Citycon's market position and the expansion of business.

## Aiming for growth and rising value

> Citycon aims for constant improvement in the quality of its properties and in customer satisfaction. The aim is to enhance the commercial positioning of the properties. For the lessee, this means increased customer flows and better sales. For Citycon as the owner, it means a higher return on the property portfolio and an increase in the properties' value. Maintaining quality and customer satisfaction means, among other things, the active maintenance and development of buildings, and the extension of existing properties and the creation of new ones.

## > Examples of Citycon properties

### > Shopping centre > KOSKIKESKUS, TAMPERE



<b>Built</b>	1988
<b>Total area, sq.m.</b>	28,790
<b>Parking spaces</b>	425
<b>of which covered</b>	425
<b>Number of tenants</b>	100
<b>Anchor tenants</b>	Intersport Megastore, K-Kenkä, Top-Sport, Dressmann, Marimekko, Lindex, Seppälä
<b>Visitors, million</b>	6.0
<b>Sales, MEUR</b>	112.1

### A partner for the retail trade

> Citycon mainly serves the retail trade. Among its major customer groups are Finnish and international speciality and grocery chains, but also banks and financial service companies. Among Citycon's foremost lessees are Kesko's various chains, including Citymarket, K-market, Anttila, grocery chains and foreign speciality retail chains. Kesko chains accounted for 52.2 per cent of the company's total rental income.

### Evolving property portfolios

> At the end of 2004, Citycon owned 146 properties with a fair value totalling MEUR 738.7<sup>1</sup> and a book value of MEUR 732.1. Practically the whole of the company's property portfolio consists of retail premises. The company owned 16 shopping centres and 130 supermarkets and shops.

Citycon deployed efforts in the development of the property portfolio in accordance with its strategy and it focused on standardising the business structure and operating methods in 2004.

The company acquired one and sold wholly three properties and decreased its ownership in one property, developed existing properties and made preparations for three new retail site projects. The most important acquisition was Torikeskus in Seinäjoki. The main development projects were an extension to the IsoKarhu shopping centre in Pori, alterations to Jyväskyläkeskus in Jyväskylä, the completion of the renovation of the Laajavuoreнкуja retail site in Vantaa, and the launching of a new MAXX retail park in Tampere.

1) See Citycon's Financial Statements for 2004 on page 32

### Net rental yield of property portfolio, %



### Trend in portfolio of leases by division

	Shopping Centres	Supermarkets and Shops	Total
Number of leases started during the financial year, total	242	83	325
Total area of leases started, sq.m.	32,451	24,155	56,606
Occupancy rate at end of financial year, %	97.4	93.4	95.7
Average length of lease portfolio at the end of financial year, years	2.7	4.5	3.4

### Key indicators of property portfolio, 2004

	Shopping Centres	Supermarkets and Shops	Total
Citycon's gross leasable area (GLA), sq.m.	216,342	272,851	489,193
Gross rental income, MEUR	47.0	36.2	83.2
Net rental income, MEUR	35.0	27.0	62.1
Net yield, %	8.2	9.0	8.5
Net yield, standing investments, %	8.3	9.0	8.7

Net rental returns have been calculated in accordance with the recommendations of the Finnish Institute of Real Estate Economics. The value of property portfolio is based on the year's average book value of the property assets. Standing investments means those properties which have been Citycon-held for the entire comparison year. Properties subject to development and extension have been eliminated from the figures.

### Property portfolio by region, 31 Dec. 2004, MEUR

	Shopping Centres	Supermarkets and Shops	Total
Helsinki Metropolitan Area	210.6	131.0	341.6
Other cities with over 50,000 inhabitants	196.6	64.4	261.0
Rest of Finland	25.1	104.4	129.5
Total	432.3	299.9	732.1

Based on book value of the property assets at 31 December 2004.

## > Property portfolio and business

### A solid portfolio of leases

> Citycon's turnover in 2004 was MEUR 88.6. Most of the turnover consists of rental income from retail premises, of which the 16 shopping centres and 15 biggest supermarkets account for 84.0 per cent. Roughly 59.3 per cent of Citycon's rental income is generated by leases made with the 5 biggest customers.

Citycon's goal is a diverse portfolio of leases. Short (1-12 month leases) or indefinitely valid leases bring flexibility and a possibility for alterations to the portfolio of leases. Medium-length leases are 3-5 years in length and generate a steady cash flow. Long, approximately 10-year leases are typical for anchor tenants. Long leases steady Citycon's cash flow while also allowing the lessees a possibility for the long-term development of the retail premises together with Citycon.

Most of Citycon's leases are so-called divided-rent agreements, in which the basis for the payment of rent is divided into two parts, a capital rent tied to the cost-of-living index and a maintenance rent. The maintenance rent billed separately to the lessee covers the costs arising to the owner from the maintenance of the building and it permits services for the customers in accordance with their needs. The Shopping Centres Division also has leases tied to turnover. These account for roughly 5.2 per cent of Citycon's entire portfolio of leases. The proportion of leases tied to turnover will rise in the future.

### Regional distribution of rental income 2004, MEUR

	Shopping Centres		Supermarkets and Shops		Total	
	Gross	Net	Gross	Net	Gross	Net
Helsinki Metropolitan Area	22.7	17.5	14.6	11.0	37.3	28.5
Other cities with over 50,000 inhabitants	20.7	15.4	9.0	7.0	29.7	22.3
Rest of Finland	3.6	2.1	12.6	9.0	16.3	11.2
Total	47.0	35.0	36.2	27.0	83.2	62.1

### Citycon's five biggest customers

Name	Share of rental income, %
Kesko total (includes different chains like Anttila, Citymarket, Intersport, K-Supermarket and Tähti Optikko)	52.2
S-Group	2.6
Nordea Bank	1.9
Lindex	1.3
IF	1.3
5 biggest, total	59.3
Others	40.7
Total	100.0



**Excellent conditions for growth**

➤ Citycon's strength is its broad space offering. The company is able to provide a wide range of different retail sites

around Finland, in places where business is done. The company has excellent prospects for continuing its profitable growth by developing its existing properties and by creating new large retail units.

Citycon has solid experience and proof of its profitable property investment. Particularly in its shopping centre business, Citycon has the strongest expertise in Finland. The company has a strong will to retain market leadership in its sector and to evolve and grow.

Citycon's strong position and extensive expertise create a good basis for expanding business operations to the Baltic countries and Scandinavia. Expansion beyond the present strategic areas means new risks as well as potential for growth, as do totally new development projects in Finland. Challenges also come from intensifying competition and the growing supply of premises as well as properties requiring commercial and technical revamps.

Retaining and strengthening the market position require Citycon to have the ability to recognise new trends in retailing and to influence and respond to them.

**Aiming for reduced energy consumption**

➤ Citycon is included in the KRESS agreement sponsored by the Ministry of Trade and Industry and the Finnish Association of Building Owners and

Construction Clients. KRESS is an independent climate programme by the property and construction sector and it is intended to reduce buildings' energy consumption.

Citycon continued energy reviews for its buildings at five properties and it carried out an energy report for them in accordance with the guidelines of the Motiva Information Centre for Energy Efficiency. According to the energy report, the potential energy savings for these properties averaged 7.3 per cent. Among the main conservation measures were changes in the running time and control methods for ventilation, changes in lighting or the control of it, reducing the pressure in the plumbing circuit, renovating or increasing compensation, and reducing the demand rating for district heating.

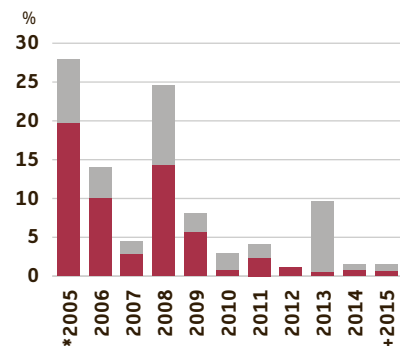
**Citycon poised for challenges**

➤ The near future will be marked by intensifying competition, both for customers and for good retail sites. The key

element in Citycon's business is to keep the properties attractive and vibrant as retailing centres. Citycon will respond to these challenges by recognising new trends in retailing, by upgrading its operations and by boosting the company's development functions as well as by actively winning new lessees, particularly among new retailers entering the market.

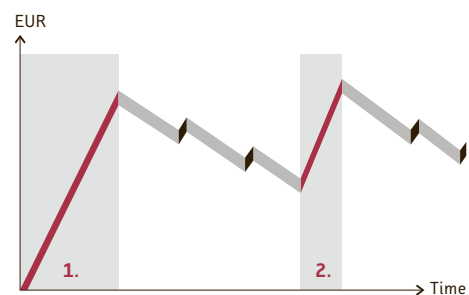
It is the company's aim to maintain its leading market position in shopping centres business. The company concentrates large retail units in Finland's centres of growth and will continue to do so in the future, and it is examining the potential for expansion in the Baltic countries and Scandinavia.

**1st possible maturity of the leases, 31 December 2004**



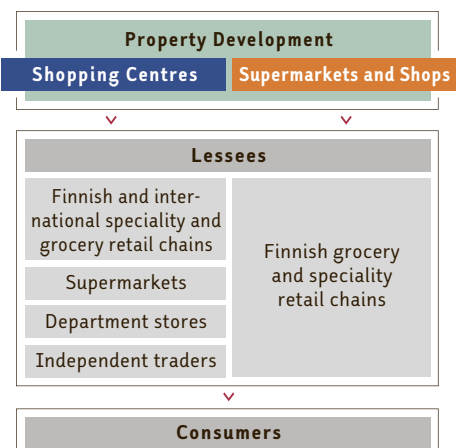
■ Shopping Centres  
 ■ Supermarkets and Shops  
 \* Agreement running until further notice

**Technical life cycle retail premises**



■ Project time  
 1. Construction of the property and increasing the technical value.  
 2. Technical and commercial renovation are integrated into the same period.  
 ■ Wear  
 ■ Renovation

**Business Structure**



# SHOPPING CENTRES

## - the heart of Citycon's business

### Broad-spectrum service palettes

> Citycon is the market leader for shopping centre business in Finland. In 2004, the shopping centres wholly or partly owned by the company were visited by 62.1 million customers. The shopping centres' sales totalled MEUR 741.5, the equivalent of roughly 25.2 per cent of total sales by shopping centres in Finland.<sup>1</sup>

Shopping centres are the heart of Citycon's business. The shopping centres owned by the company are service palettes designed for consumers, busy retailing facilities comprised of the centre's ambience combined with the offerings of the retailers and service companies. The shopping centres offer a diverse range of products and services in varying price brackets.

Citycon's business in shopping centres is based on active management; in a good and smoothly running shopping centre, consumers are comfortable and the number of visitors rises. This creates customer potential for Citycon's lessees, thus boosting the shopping centre's sales potential. This is in turn reflected through the commercial attractiveness of the shopping centre in Citycon's rental income.

1) Source: Entrecor Oy

### An active developer of shopping centres

> The Shopping Centres Division is responsible for the management and development of shopping centres. The division's work is seen by lessees in the form of attractive business premises in 16 shopping centres around Finland. The aim is to create a successful experience of shopping and services that the consumer wants to repeat. Another goal is the constant improvement of the shopping centres' business prospects, which in turn supports the lessees' achievement of the highest possible sales of retail products and services.

The division serves consumers together with the lessees, and it is responsible for the properties' marketing and it manages their maintenance. In practice, this means managing the marketing and development of the shopping centres toget-

### > Examples of Citycon properties

#### > Shopping centre > ISOKARHU, PORI



Pori's Junior Chamber of Commerce presented the shopping centre IsoKarhu with the 2004 award for a major contribution to Pori in recognition of its long-term development which has done much to promote Pori becoming a retail magnet for the Satakunta region. Pori was also chosen by Elävä Kaupunkikeskusta ry as the city centre of the year.



her with the lessees, making alterations to the premises in line with the lessees' needs, and constantly renewing the lessee mix. In managing the shopping centres, the primary partners are precisely the lessees, who each generate part of the services aimed at the consumer-customer.

**Success comes from experience and expertise** > The Shopping Centres Division's factor of success is Finland's best experience in managing shopping centres. The division's professionally skilled personnel know how to guide the constant improvement of the shopping centres according to changes in consumer behaviour.

The Shopping Centres Division's customers are prestigious Finnish and international speciality and grocery chains, supermarkets and departments stores, and small dealers. The most important lessees are the various Kesko chains, including Anttila, Citymarket and Intersport, which account for 36.1 per cent of rental income. Various retail chains contribute an important percentage. Some of the chains operate in a limited geographical area, but most are nationwide. In addition to these, the lessees in the shopping centres include a number of independent, non-chain dealers.

The mission of the Shopping Centres Division is to sign new leases with developing, growing, and both Finnish and internationally known companies which will participate actively together with Citycon in the operations and marketing of the shopping centre. Citycon's point of departure is that the lessees benefit from the shopping centres' customer flows and from the services associated with the whole package. The development of the centres is always driven by the consumers' interest and by their as yet unrecognised needs.

**Speciality goods trade continued to grow** > Speciality goods trade enjoyed a strong year in 2004. Department store trade grew by 4.8 per cent<sup>2</sup> and Kesko's utility goods shops boosted their after-tax retail sales by 9.1 per cent in Finland.<sup>3</sup>

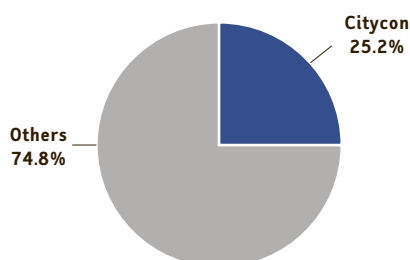
Growth is forecast to continue. The forecast growth rate for retail is 2.5 per cent.<sup>4</sup> The strongest growth is expected in construction and interior accessories trade, at 3-5 per cent.

2) Source: Statistics Finland

3) Source: Kesko Group

4) Source: Suomen Kaupan Liitto. Car retail not included.

**Total sales of shopping centres wholly or partly owned by Citycon of total sales of all shopping centres in Finland**



**Key figures of Shopping Centres Division, MEUR**

	2004	Change, %	2003
Turnover	51.9	26.6	41.0
Operating profit	28.0	17.0	23.9
Book value of the property portfolio	432.3	3.4	417.9
Market value of the property portfolio	446.6	0.3	445.4
Net yield, %	8.2		8.1
Net yield, standing investments, %	8.3		8.1
Gross investments	17.4	-78.8	82.2
Personnel at year-end	22	46.7	15

Standing investments means those properties which have been Citycon-held for the entire comparison year. Properties subject to development and extension have been eliminated from the figures.

## ASSESSMENT OF CUSTOMER SATISFACTION POLL

MERCURI INTERNATIONAL OY assessed Citycon Oyj's customer satisfaction rating with a MI-CARE survey in autumn 2004.

A MI-CARE customer satisfaction survey was used to study the customers' opinions on Citycon's premises and services, its handling of customer relationships and collaboration with Citycon personnel, the development and management of retail sites, and corporate image statements. Respondents were also given an opportunity to give free replies to open questions.

Questionnaires for the anonymous survey were mailed to 453 Citycon lessees. The response rate was 37.

According to the survey, Citycon is seen on the whole as a good, large and mostly reliable and professional partner. According to the customers' view, the retail premises are in good locations and the lessees believe that business will continue in these premises in the future. On the whole, relations with lessees are of good standards.

The study reveals a wish on the part of the customers for closer, more active collaboration and for development by Citycon. In practice, this means understanding the customer's situation and business as well as passing on information to the customer in the form, for example, of feedback and bulletins.

As the customers have actively taken a position on the survey and wish to step up collaboration, the prospects for business are good and there are excellent opportunities for deepening partnerships and for further work with the customers.

Helsinki, 25 January 2005

Juha Porkka

Sales and Marketing Consultant

Mercuri International Oy

## › Shopping Centres

### Description of the property portfolio

› The shopping centres owned by Citycon constitute a unique constellation in the Finnish property investment market. The Shopping Centres Division manages a total of 16 facilities with a leasable area of roughly 216,342 square metres. The properties' combined book value is roughly MEUR 432.3, which is approximately 59.0 per cent of the value of Citycon's property portfolio. The shopping centres' net income was MEUR 35.0 (27.5), which is roughly 56.5 per cent (50.2%) of Citycon's leasing income.

The sales of Citycon's wholly or partly owned shopping centres relative to the total sales by shopping centres in Finland is approximately 25.2 per cent. Trade in shopping centres as a share of total retail in Finland is roughly 14.0 per cent.

The division's most significant property acquisition was Torikeskus in Seinäjoki. Citycon acquired the property companies which owned the retail premises in Torikeskus in two stages during the year and the total purchase price was MEUR 8.3. The acquisition of Torikeskus boosted leasable area by 11,209 square metres and Citycon's portfolio of leases grew by 79.

Torikeskus is one of Southern Ostrobothnia's foremost shopping centres. The acquisition underpins the division's ability to provide customers with a comprehensive range of alternative business locations around Finland.

The division sold no properties in 2004.

### A busy year for development

› For the Shopping Centres Division, 2004 was a year of growth. The acquisitions of shopping centres effected at the end of 2003 made themselves felt in the past year in the form of increased turnover and profit.

The Shopping Centres Division prepared itself for changes in the competitive scenario, and the division's development operations together with Citycon's Property Development Division was more active than before. An example of this is an extension to the IsoKarhu shopping centre, which was completed in autumn 2004. The extension increased the leasable area by 4,037 square metres and Citycon made 11 new leases. In 2004, the sales of the retail outlets in IsoKarhu increased by 10.3 per cent to MEUR 30.7. The extension strengthens Citycon's leading position in the Pori market zone and augments IsoKarhu's service offering. The extension of IsoKarhu has had a positive effect on the development of the entire city. According to an estimate by the City of Pori, 30 per cent of the city's new jobs in service industries have been created by IsoKarhu.

Another major development project was conversion work at Jyväskeskus in Jyväskylä. The division also planned extensions at Lippulaiva and Espoontori in Espoo, Myyrmanni in Vantaa, and Koskikeskus in Tampere, and it examined the possibilities for development at Trio in Lahti and Forum in Jyväskylä. The division also prepared the development of Heikintori in Espoo.

The division also deployed effort in developing joint marketing by the shopping centres. Marketing was launched at shopping centres where this

### Five biggest customers of Shopping Centres Division

Name	Share of rental income, %
Kesko total (includes different chains like Anttila, Citymarket and Intersport)	36.1
Lindex	2.3
S-Group	2.2
H & M Hennes & Mauritz Oy	2.2
Seppälä	2.1
5 biggest, total	44.8
Others	55.2
Total	100.0

had not been done previously or had been on a very small scale. Experiences were positive on the basis of feedback from the lessees and customers. The development of marketing continues.

**Market leader also in the future**

➤ Competition between shopping centres is intensifying, particularly in the Helsinki Metropolitan Area. A considerable amount

of new shopping centre space will be built, an estimated 0.25–0.30 square metres per inhabitant.<sup>5</sup> In spite of the increasing competition, a professional company engaging nationwide in shopping centres business, like Citycon, has good prospects to strengthen its position.

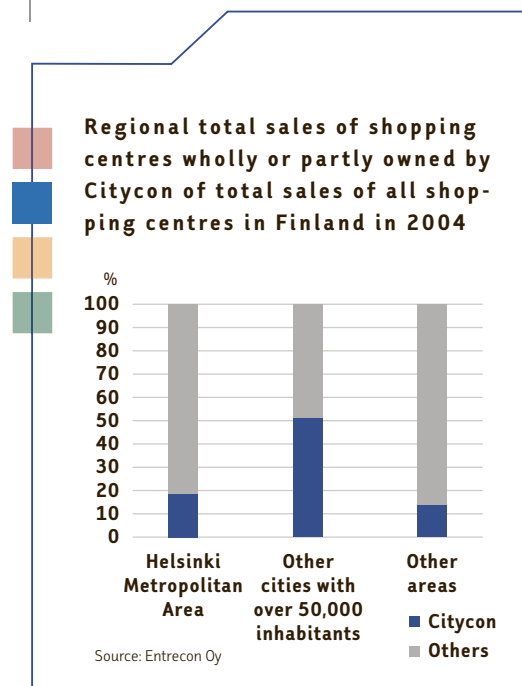
Citycon's strength lies in its diverse range of shopping centres. The role of shopping centres in Citycon's business will stay remarkable and it will continue to develop in the future. Many customers operate nationwide and Citycon is able to provide services related to premises in professionally managed retail sites. High-quality market information on the area, on the number of visitors to the properties, and on sales is a value-added service for lessees.

The goal of the Shopping Centres Division is growth in business and an increase in the overall yield by developing and extending existing properties, by acquiring new shopping centres and by boosting efficiency. The attainment of the goal will be supported the provision of new services and experiences in the larger urban centres.

Challenges for the near future are intensifying competition in the Helsinki Metropolitan Area and the diversification of the lessee structure, the ageing of the properties and the resultant need for renovation. The division will respond to the challenges by constantly deploying effort in development action, such as developing the shopping centres' commercial framework, updating the lessee mix or extension projects.

5) Source: Entrecor Oy

*"Competition between shopping centres is intensifying, particularly in the Helsinki Metropolitan Area."*



**Citycon's shopping centres in 2004**

Shopping centre	Location	Population of catchment area <sup>1</sup>	Local purchasing power, MEUR <sup>2</sup>	Total area, sq.m. <sup>3</sup>	Citycon's GLA, sq.m.	Sales MEUR	Visitors million
Trio	Lahti	168,600	669	58,000	25,697	82.2	9.2
Myyrmanni	Vantaa	50,700	233	42,000	30,031	163.3	7.3
Koskikeskus	Tampere	306,200	1,215	28,790	25,706	112.1	6.0
Forum	Jyväskylä	142,900	487	23,000	17,207	44.6	7.0
IsoKristiina	Lappeenranta	69,600	276	19,826	9,706	44.2	2.6 <sup>5</sup>
Lippulaiva	Espoo	46,700	215	18,000	22,607 <sup>4</sup>	54.6	3.4
Tikkuri	Vantaa	36,900	170	15,277	10,614	29.9	2.8
Isomyyri	Vantaa	50,700	233	14,819	9,856	25.2 <sup>5</sup>	2.0
Sampokeskus	Rovaniemi	126,000	435	14,300	11,577	19.3	3.3
Jyväskeskus	Jyväskylä	142,900	487	11,500	4,984	17.9	4.1
Torikeskus	Seinäjäki	194,000	213	11,190	11,209	17.3	1.4
IsoKarhu	Pori	115,600	459	14,737	14,737	30.7	3.4
Koskikara	Valkeakoski	34,000	138	9,760	5,708	31.8	2.3
Heikintori	Espoo	42,000	193	9,500	4,358	30.0 <sup>5</sup>	2.7
Espoontori	Espoo	28,900	133	15,000	8,946	30.0	3.5
Galleria	Oulu	196,100	678	4,227	3,401	8.4	1.1
<b>Yhteensä</b>		<b>1,751,800</b>	<b>6,234</b>	<b>310,016</b>	<b>216,342</b>	<b>741.5</b>	<b>62.1</b>

1) Source: Entrecor Oy. Figures from 2002. 2) Source: Statistics Finland. Figures from 2002. 3) Including offices 4) Includes gross leasable area of Ulappatori 5) Estimate

# A COMPREHENSIVE OFFERING of properties all over Finland

## Attractive retail sites for groceries and speciality goods trade

> Citycon's Supermarkets and Shops Division serves the groceries and speciality goods trade by leasing and developing supermarket and shop properties. The division administers the properties and manages their maintenance.

Each year, four per cent of Finland's grocery business is conducted in the supermarket and shop properties owned by Citycon. This means sales of roughly MEUR 420 and it satisfies more than 200,000 Finns' annual demand for groceries.<sup>1</sup>

The division's goal is to improve the return on the properties and their value. This is attained by retaining and developing them in such a way that they will be attractive retail sites also in the future. For lessees, this is seen in the form of strong customer flows and premises that function properly and are appropriate.

The division handles customer relationships and focuses on developing the properties, leasing premises, and managing maintenance. The building manager services for the properties, however, are outsourced to partners specialising in building management for commercial properties. This method is cost-effective but it also permits a rapid and flexible response to changes in the situation.

1) Source: Entrecor Oy

## Specialisation as a factor of success

> The Supermarkets and Shops Division is specialised in a closely defined customer group, as a result of which it is able to study its customers' business and needs in depth. Understanding customer needs and seeking solutions for divergent needs for premises are Citycon's factors of success in constantly intensifying competition.

Among the division's major customers are the various Kesko chains, K-supermarket, K-market, Citymarket, K-extra, K-Pikkolo and Cassa as well as Anttila department stores, whose share of rental income is 74.6 per cent. Kesko's share of total groceries trade in Finland was roughly 36 per cent in 2003.<sup>2</sup>

2) Source: AC Nielsen Oy

## > Examples of Citycon properties

### > Supermarkets and Shops > MARTINLAAKSO, VANTAA



An excellent retail site and responding to the customer's needs for premises will also be key factors in the competition for market share in the future. It is becoming more important to revamp and extend retail sites, as it will be more difficult to set up new large facilities in the future than before. Citycon upgrades its properties at intervals of roughly 6-8 years, so the premises change to match new retail concepts.





➤ The Supermarkets and Shops Division's property portfolio has been divided into three parts: supermarkets, shops and other properties. Compared with Citycon's shopping centres, the supermarkets and shops are smaller properties and they are located in various areas.

The division is responsible for a total of 130 properties, the total leasable area of which is roughly 272,851 square metres. The properties' combined book value is roughly MEUR 299.9, which is approximately 41.0 per cent of the value of Citycon's property portfolio. At the end of 2004, the properties' market value was MEUR 292.1.

The net income of the supermarkets and shops was MEUR 27.0, which is roughly 43.5 per cent (49.8%) of Citycon's leasing income. The net income of the fifteen biggest supermarkets represents roughly 63.3 per cent of the Supermarkets and Shops Division's earnings.

A supermarket or shop is often modernised at intervals of 6-8 years to bring the business idea of the property into line with developments in retailing concepts and with changes in the competitive environment in the market area. When these revamps are carried out, Citycon seeks to effect the necessary technical repairs on the properties, thus creating cost-effectiveness and limiting disruption to business.

The supermarkets are mostly wholly owned by Citycon and they are leased out on a single lease. The customers for supermarkets are the various Kesko chains, Anttila stores and other large groceries outlets or department stores. The supermarkets are mostly in the Helsinki Metropolitan Area and other regional centres in Finland. Their share of the book value of the division's property portfolio is 57.0 per cent and they generate 63.3 per cent of the division's net income.

Shop properties are supermarkets, commercial buildings or suites in Citycon's geographical areas of emphasis. The premises are mostly used for grocery retail, speciality goods retailing, and restaurant and bank services. The book value of the properties account for 32.6 per cent of the value of the division's property portfolio and they generate 31.8 per cent of the division's net income.

In addition to its supermarket and shop premises, Citycon also owns 32 other properties which are for development due either to their type or their location. The value of the properties is 10.5 per cent of the book value of the division's property portfolio and they generate 5.0 per cent of the division's income.

The division acquired no properties in 2004. The division sold holdings partly in one and wholly in three properties in accordance with its strategy.

## Description of the property portfolio

### Key figures of Supermarkets and Shops Division, MEUR

	2004	Change, %	2003
Turnover	36.8	-0.8	37.1
Operating profit	21.8	0.7	21.7
Book value of the property portfolio	299.9	-1.3	303.9
Market value of the property portfolio	292.1	3.9	281.1
Net yield, %	9.0		8.9
Net yield, standing investments, %	9.0		8.9
Gross investments	1.3	-36.4	2.0
Personnel at year-end	6	20.0	5

Standing investments means those properties which have been Citycon-held for the entire comparison year. Properties subject to development and extension have been eliminated from the figures.

*"The Supermarkets and Shops Division is specialised in a closely defined customer group."*

## › Supermarkets and Shops

### A year of development and modernisation

› The division defined the development potential of all its properties. In addition, the strategies and goals for specific properties were further targeted so that the property portfolio held by the division can be actively developed in accordance with the goals of the company as a whole.

In 2004, the division reorganised the technical property management and financial administration of its properties. The arrangements developed and streamlined the operations of the division. A noteworthy operational development project was the consolidation of energy monitoring for the properties and the adoption of a repair requirement management software package. These solutions provide both Citycon and the technical building managers with real-time information on the properties' energy budgets and their repair requirements.

The main projects carried out during the year were the completion of the modernisation of the Laajavuorenkuja retail site in Vantaa and the modernisation of the Sinikalliontie and Karjaa supermarkets. Citycon invested a total of MEUR 0.9 in properties. The investments raised the quality and rental rates of the properties.

### The location of a retail site will continue to be crucial in the future

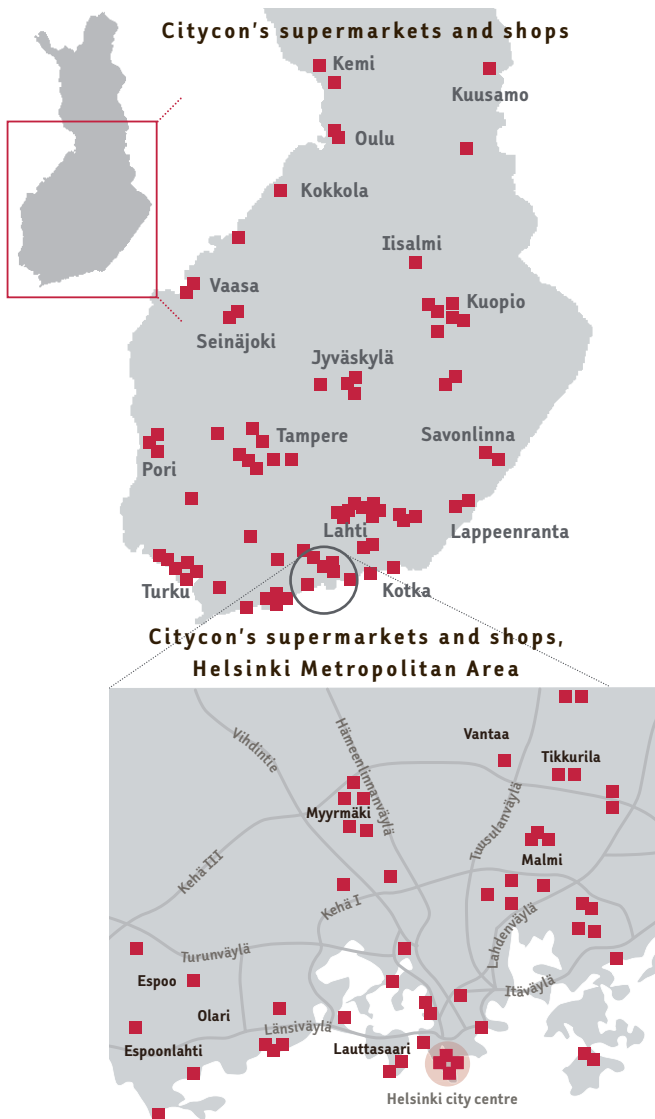
› Grocery retailing has undergone significant changes in the past few years. The long decline in the number of retail outlets has come to a halt due to the Opening Hours Act which came into effect in 2001. The law has given self-service shops of less than 400 square metres a clear competitive advantage. The losers have been supermarkets with an area of 500-1,500 square metres. This has affected the attitude in the retail trade towards concept development and demand for premises in this size class. The chains have planned efficient business models for small retail outlets which are open long hours and serve people in the vicinity. However, pressure for extended opening hours is growing in the groceries business. As competition intensifies, margins dwindle, which forces purchasing to be made more efficient and may lead to a broader reorganisation in the sector. The market shares of low-price outlets and own-brand products are forecast to continue to grow.

A good retail site will continue to be the key factor in the struggle for market shares in the future. The importance of modernising and extending retail sites will grow as it will be increasingly difficult to establish new large outlets in the future.

Citycon's Supermarkets and Shops Division will respond to the challenges created by the business environment by expanding its expertise in retailing on a long-term basis and by deploying effort in developing properties together with the lessees. The properties will be developed further in accordance with Citycon's strategy. The main thrust in operations will be channelled towards the larger cities, premises serving the retail trade, and ever-larger units. Furthermore, the divisions will continue the development of maintenance and retail sites. Another goal is vigorously to promote development projects together with the Property Development Division.

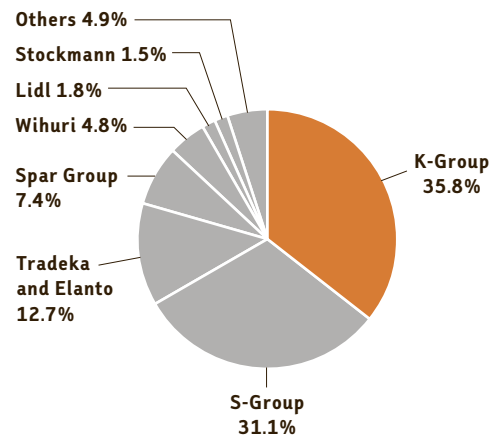
### Five biggest customers of Supermarkets and Shops Division

Name	Share of rental income, %
Kesko total (includes different chains like K-Supermarket, K-Market and K-Pikkolo)	74.6
S-Group	3.1
Nordea Bank	2.8
Huoneistokeskus	0.8
Tradeka	0.6
5 biggest, total	82.0
Others	18.0
Total	100.0



*"A good retail site will continue to be the key factor in the struggle for market shares in the future."*

**Grocery retail sales in Finland <sup>1</sup>**



<sup>1</sup> Figures from 2003  
Sources: A.C. Nielsen Finland Oy and Finnish Food Marketing Association

**15 largest properties of Supermarkets and Shops Division**

Property	Location	Grocery retail sales MEUR <sup>1</sup>	Citycon's GLA, sq.m.	Citycon's share of property, %
Porin Asema-Aukio / Citymarket	Pori	16.6	18,881	100.0
Sinikalliontie 1 / Mankkaan Supermarket	Espoo	26.0	15,624	100.0
Talvikkitie 7-9 / Tikkurilan Anttila	Vantaa	6.7	11,200	100.0
Kauppakatu 41 / Kuopion Anttila	Kuopio	14.0	11,122	100.0
Savonlinnan Tulliportinkatu 6-10 / Citymarket	Savonlinna	18.6	11,071	100.0
Lahden Kauppakatu 13 / Citymarket	Lahti	14.3	8,577	100.0
Varkauden K-Kauppakeskus / Citymarket	Varkaus	13.5	8,145	100.0
Runeberginkatu 33 / Citymarket	Porvoo	20.6	6,255	100.0
Porin Isolinnankatu 18 / Anttila	Pori	5.8	5,240	100.0
Valkeakosken Apiankatu 6 / Apiantori Supermarket	Valkeakoski	10.6	4,006	100.0
Vaakalintu / Riihimäen Foorumi	Riihimäki	7.7	6,608	95.8
Anttila	Salo	2)	9,920	88.5
Kirkkonummen Liikekeskus	Kirkkonummi	13.6	5,000	66.7
Länsi-keskus	Espoo	2)	8,535	41.4
Kontulan Asemakeskus	Helsinki	22.4	4,332	34.0

<sup>1</sup> Figures from 2003, Source: Entrecor Oy <sup>2</sup> Figures not available

# DEVELOPMENT and new retail sites

## Demand for retail premises continues to grow

> The demand for retail premises continues to grow in the developing market areas. At the same time, the retailing sector's demands for efficiency are rising and the location of properties has a greater importance than before. New premises are needed to respond to the demand for space from new Finnish and foreign retail chains. As consumers' standards of demand rise and competition between retail sites intensifies, retail sites' needs for renovation are also growing.

Citycon's strategy is to reinforce its position as Finland's leading provider of retail premises. The Property Development Division's mission is to contribute to securing the implementation of the strategy by developing and extending Citycon's existing retail sites together with the other divisions. The division is also responsible for commissioning the construction of new retail sites - i.e., for acquiring land and controlling and developing the commercial and functional planning, including negotiations on planning permission, liaison with the authorities, and administering projects. The division also handles the marketing and leasing of premises in new retail sites.

The strengths of the Property Development Division are its management of retail site development and its knowledge of the retailing trade's business concepts. The baseline for development is close collaboration with the retail sites' future lessees and a vision of future retail sites' locations. It is a prerequisite for success to know and utilise consumers' purchasing motivations as well as consumer habits and needs.

## Numerous development projects in partnership with the other divisions

> The Property Development Division took part in more than ten retail site development projects together with Citycon's other divisions in 2004.

The division's role is to recognise the sites' development potential, to define the business idea, and to control the commercial dimensioning and content planning. The division is responsible for negotiations on planning permission, for providing

## > Examples of Citycon properties



ma  
XX

### > MAXX RETAIL PARK

MAXX Retail Park is a new business location concept. Lahdesjärvi MAXX in Tampere will be the first project that has reached the marketing stage. The planning and marketing of the centre is the responsibility of Retail Park Oy, the joint marketing company of Citycon and Skanska.

guidelines for the architect and other designers, and it prepares investment decisions and coordinates development work together with Citycon's other divisions.

The division prepared three totally new retail site projects in the Tampere and Vantaa market zones. According to market research studies carried out by Citycon, the projects are superbly located in their market zones and there will be demand for the new premises they offer within the planned implementation schedule. Citycon estimates that the first investment decisions could be made in 2005.

› Citycon's aim is, together with its partners, to create a MAXX retail park brand, based on retail park projects, which stands out clearly in the market.

MAXX retail parks are new-style retail sites planned for the larger Finnish cities. They are designed for space-hungry retail units such as dealers in home electronics, furniture, interior design, hardware and sporting goods. The parks will also include service companies, factory clearance outlets, grocery retailers, and restaurant, café and service station facilities. The aim is for MAXX retail parks to constitute the biggest concentration of home and leisure retailing in their areas. Consumers will be attracted to the retail parks by the enjoyable setting, affordable prices, abundant ranges, and events.

The competitive advantages of the chain of MAXX retail parks are location, size, the unique concept, and cost-effectiveness. Retail parks and their parking areas are to be built on a single level without heated concourses, which will reduce the investment costs and provide a competitive level of rent. Other advantages for the lessees are steady ownership, efficient joint marketing, and an advanced life cycle philosophy.

In 2004, marketing was started for the Lahdesjärvi MAXX retail park in Tampere. Permitted building volume is 65,000 square metres. According to the targeted schedule, phase one of the retail park will be opened in 2007.

› Intensifying competition in the market demands active development of retail sites. Citycon's development projects are without exception located in market areas where the population and purchasing power are forecast to grow.

The division's aim in 2005 is to promote projects to the construction stage. This goal will be achieved by continuing close collaboration with customers, municipal authorities and the leading partners in the sector as well as by devoting sufficient resources to property development activities.

The challenges to development work are intensifying competition between retail sites and long project development times. The division responds to these challenges, for example, by efficient project coordination and by developing retail sites in close collaboration with the other divisions and the customers.

In the future, Citycon will deploy more resources than before to the development of its properties. In the next few years, a particular focus of development work will be on the commercial and technical enhancement of existing properties. Construction of new properties will be stepped up markedly.

## **Retail parks are the retail sites of the future**

## **Outlook for the future**

***"Intensifying competition  
in the market demands  
active development of  
retail sites."***

# A HIGHLY MOTIVATED expert organisation

## Top experts in the sector

> Citycon's organisation consists of three divisions based on various property types and customer needs, as well as units for financial and general administration. The divisions are Shopping Centres, Supermarkets and Shops, and Property Development.

Citycon commissions the construction of retail premises and it owns, leases, manages and develops them. The maintenance, building supervisor services and management of the properties are outsourced to the best specialists in the sector.

At the end of 2004, the Citycon Group had 45 employees. The number of employees increased by 11 compared to 2003. 27 of the employees are women and 18 men. All are in permanent employment.

> Citycon is an expert organisation employing specialists with long and broad experience of and education in the property business. Specialist experience and skills are required of employees in successful property management, in its development, in appraising the value of properties, in retailing, and in knowledge of the rental and property markets.

Citycon's goal is to serve the various sectors of retailing by providing the best expertise in the business. The company's resource and one of the main strengths is the sector's top experts and their long experience.

The attainment of goals and the requirements for training are charted by annual progress interviews. Reinforcing the personnel's international capabilities will be one of the challenges for the future. In addition to external training, efforts are made to boost internal information exchange. Specialised skills are enhanced by training and by recruiting new talent.

## > Examples of Citycon properties

### > Shopping centre > TIKKURI, VANTAA



Citycon's aim is to improve the properties' quality, customer satisfaction and commercial prospects. For lessees this means functional premises and increased customer flows, and for Citycon it means rising income and property values.

Citycon's Marketing Manager Maaret Weide, Shopping Centre Director Olli Lehtoaro and Property Manager Mika Lehtonen are discussing with Sesto's Store Manager Juha Kirjonen.



**Target-orientation and incentives**

➤ Citycon maintains and promotes its employees' work ability and well-being with comprehensive occupational health care and occupational safety activities, which include, for example, ergonomic check-ups. The company also supports the employees' fitness and recreational activities.

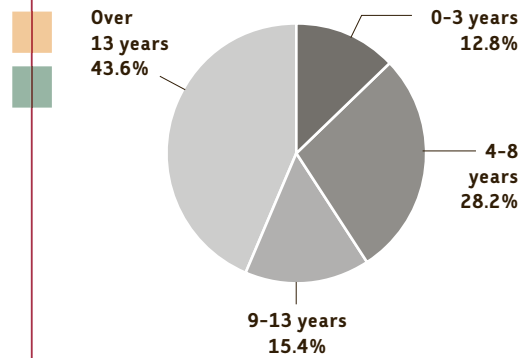
Events for the personnel include twice-yearly Citycon days, which include training and reviews of current affairs, as well as an annual outing.

The wellbeing of the personnel is monitored with regular workplace atmosphere surveys, the third of which was carried out in 2004. The results are reported and discussed both on the all-company level and by the separate divisions or departments.

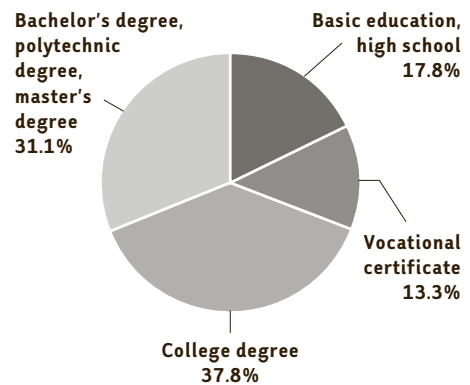
The personnel's work motivation and job satisfaction is on a high level, as it was in the previous year. The 2004 workplace atmosphere survey yielded better results than in the previous year in practically all its subdivisions.

The incentive criteria affecting the entire personnel are based on company and unit level results as well as on the personal targets agreed on during the progress interviews. The maximum incentive bonus is 1-3 months' salary. In addition to the short-term incentive scheme, Citycon also has a share option scheme aimed at rewarding and committing the personnel to boost the company's market capitalisation in the long term.

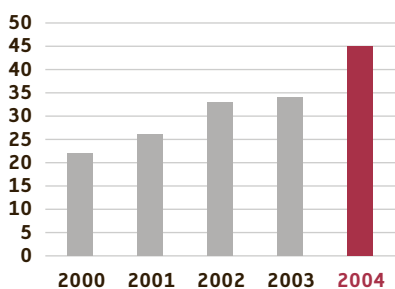
**Personnels' work experience in property sector**



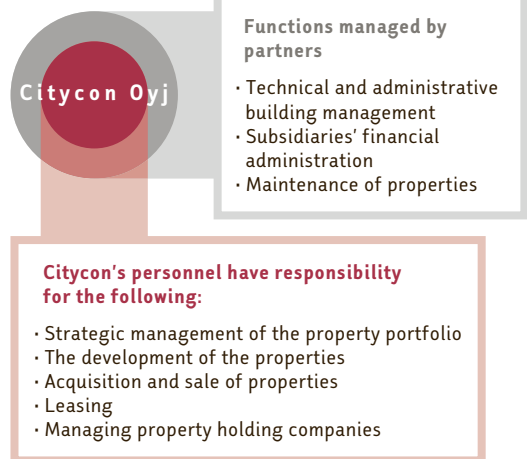
**Personnels' education**



**Changes in personnel figures**



**Citycon's organisation**



# TREND IN EARNINGS 2004

## Trend in earnings, 2004

> Citycon's turnover is generated mainly by the rental income from retail premises. The company's turnover in 2004 was MEUR 88.6 (MEUR 78.1). Turnover without the shopping centres acquired in the end of 2003 and during 2004 was MEUR 78.1 (MEUR 77.4).

The shopping centres contributed 56.5 per cent of rental income (50.2%) and supermarkets and shops contributed 43.5 per cent (49.8%). Net income was MEUR 62.1 (MEUR 54.7). The shopping centres' net yield was 8.2 per cent (8.1%) and that of supermarkets and shops was 9.0 per cent (8.9%).

Shopping centres and the 15 biggest supermarkets generate 84.0 per cent of the income from Citycon's operations. Roughly 46.0 per cent of net income is generated by properties in the Helsinki Metropolitan Area, 36.0 per cent by properties in Finland's other largest cities and roughly 18.0 per cent by other properties in Finland. Other income was MEUR 0.8 and was comprised largely of refunds of property tax from previous years.

Depreciation for the financial year was MEUR 7.6 (MEUR 6.5).

Operating profit for the financial year was MEUR 50.3 (MEUR 43.3). The increase in operating profit was largely due to Citycon's acquisition of shopping centres at the end of 2003 and during 2004 as well as to the income from the extension to the IsoKarhu shopping centre. Net financial expenses increased by MEUR 1.9 to MEUR 26.1. The net profit for the year was MEUR 17.4 (MEUR 14.3). This figure includes gains on sales of fixed assets totalling MEUR 0.1 (losses of MEUR 0.5).

Return on investment (ROI) was 6.2 per cent (5.8%) and return on equity (ROE) was 8.4 per cent (7.1 %). Figuring in minority interest, ROE was 5.7 per cent (4.9%). Earnings per share were EUR 0.17 (EUR 0.14). Equity per share was EUR 2.04 (EUR 2.01).

## > Examples of Citycon properties

### > Shopping centre > TRIO, LAHTI



<b>Built</b>	1977/1992
<b>Total area, sq.m.</b>	58 000
<b>Parking spaces</b>	1 000
<b>of which covered</b>	1 000
<b>Number of tenants</b>	145
<b>Anchor tenants</b>	Hennes&Mauritz, Intersport, McDonald's, River Sport, Tarjoustalo, Kekäle, Tiimari, Top Sport
<b>Visitors, million</b>	9.2
<b>Sales, MEUR</b>	82.2

**Balance sheet and investments**

➤ At the end of 2004, Citycon owned 146 properties with a combined book value of MEUR 732.1 (MEUR 721.8). The book value of the shopping centres was MEUR 432.3 (MEUR 417.9) and the book value of the supermarkets and shops was MEUR 299.9 (MEUR 303.9). The fair value of the property portfolio as stated by an external valuer at the end of 2004 was MEUR 738.7 (MEUR 726.5). The valuation statement is given on page 32-33 of the financial statements supplement.

Citycon's gross investments in 2004 totalled MEUR 18.8 (MEUR 84.2), of which new acquisitions accounted for MEUR 8.3. The combined book value of the properties sold by Citycon during the financial year was MEUR 0.7 and the capital gains were MEUR 0.1.

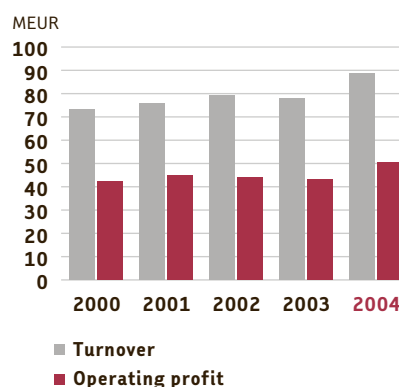
The major property acquired during the year was the Torikeskus shopping centre in Seinäjoki, which is one of Southern Ostrobothnia's leading shopping centres. The real estate companies which own the retail premises in Torikeskus became owned by Citycon by transactions effected on 1 March 2004 and 30 December 2004 for a purchase price totalling MEUR 8.3. Other major investments were an extension to the IsoKarhu shopping centre in Pori and the commercial development of the Jyväskylän shopping centre. Both projects were completed in 2004.

The balance sheet total was MEUR 840.4 (MEUR 835.3), of which liquid cash assets were MEUR 8.6 (MEUR 15.1).

Citycon's share capital rose by MEUR 13.5 in September when the company carried out a directed issue of 10 million new shares with a par value of EUR 1.35 each to international and Finnish institutional investors. Moreover, in October-December 2004 a total of 355,500 Citycon shares were subscribed with warrants issued in 1999, which boosted Citycon's share capital to MEUR 156.8 (MEUR 142.8).

At year-end, the liabilities on the consolidated balance sheet totalled MEUR 438.4 (MEUR 457.5). Interest-bearing debt liabilities reduced by MEUR 21.0 to MEUR 491.3 (MEUR 512.3), including the capital loan of MEUR 68.5 (MEUR 68.5). Of the interest-bearing debt, MEUR 31.1 (MEUR 29.2) was current.

**Turnover and operating profit**



**Return on investment and return on equity**



**Maturity profile of loans and interest rate swaps, MEUR**

	2005	2006	2007	2008	2009	2010
Maturity of loans, MEUR	15.3	24.8	14.0	82.0	355.2	
Percentage	3.1	5.0	2.8	16.7	72.4	
Maturity of interest rate swaps, MEUR	2.9	2.9	81.1	52.9	116.8	83.0
Percentage	0.9	0.9	23.8	15.6	34.4	24.4

## > Finances

### Financing

#### > The Group's financing position remained good.

Most of Citycon's loans were reorganised in November 2004. Citycon signed a MEUR 450 syndicated unsecured credit facility, divided into a MEUR 350 term loan and a MEUR 100 revolving credit facility. The maturity of the facility was 4.5 years. The facility is intended to broaden Citycon's financing base, to reduce the cost of funding and to secure financing of future investments. By the facility, Citycon refinanced the existing MEUR 435 secured syndicated loan facility and MEUR 10 overdraft facility.

Mandated lead arrangers of the facility were Nordea (Coordinator), SEB Merchant Banking, Skandinaviska Enskilda Banken AB (publ) and Eurohypo AG. The other participating financial institutions were Danske Bank, OKO Bank, Swedbank and Aktia Savings Bank Plc.

The average interest rate for interest-bearing liabilities during the period was 5.2 per cent (5.5%). The average loan period, weighted according to the principals of the loans, was 4.0 years (4.6 years), and the average interest-rate fixing period was 3.6 years (4.0 years). The Group's equity ratio was 47.6 per cent (44.9%) if the capital loan is not included in shareholders' equity and 39.4 per cent (36.7%).

The interest coverage ratio - the previous 12 months' profit before interest expenses, taxes and depreciation to net financing expenses - which describes debt servicing ability, was 2.2 (2.1). The gearing ratio at year-end was 146.8 per cent (163.2%). At the end of 2004, Citycon's interest-bearing debt included 86.0 per cent (87.0%) floating-rate loans, of which 69.1 per cent (69.0%) was converted to fixed-rate by swaps. The par value of the interest rate swaps at year-end was MEUR 339.4 (MEUR 302.2). The market value of the derivatives on 31 December 2004 was MEUR-18.5 (MEUR -11.4).

### Citycon's potential development projects

Property	Location	Project description	Project area, sq.m.	Area after development, sq.m.	Total investment, estimate, MEUR*	Completion target year
<b>Shopping Centres</b>						
Lippulaiva and Ulappatori	Espoo	Refurbishment and extension	25,000	32,000	60	2008
Koskikeskus	Tampere	Refurbishment and extension	20,000	45,000	50	2010
Myyrmani	Vantaa	Extension	15,000	55,000	40	2009
Trio	Lahti	Refurbishment and extension	open	50,000	open	2008
Espoonatori	Espoo	Extension and refurbishment	open	open	open	2008
Tikkuri	Vantaa	Refurbishment	open	10,600	2	2007
Heikintori	Espoo	Refurbishment and extension	20,000	20,000	40	2009
Forum in Jyväskylä	Jyväskylä	Refurbishment and extension	open	open	open	2009
<b>Supermarkets and Shops</b>						
Hervannan Liikekeskus	Tampere	Refurbishment and extension	13,000	15,500	20	2007
Anttila	Kuopio	Refurbishment and extension	15,000	15,000	30	2008
Hakunilan Ostoskeskus	Vantaa	Refurbishment	open	open	open	2008
Martinlaakson Ostoskeskus	Vantaa	Refurbishment and extension	6,000	6,000	10	2007
<b>Others</b>						
MAXX	Tampere	Construction project	60,000	60,000	70	2007 <sup>1</sup>

The development plans shown in the table are preliminary and of a size that requires a decision by Citycon's Board of Directors.

The progress of the development projects also requires decisions by a number of authorities and partners.

Citycon will announce decisions on major development projects separately.

\*) Investments in land areas and construction (excluding possible acquisitions).

1) Phased, starting from

*"The Group's financing position remained good."*

**Risks and risk management**

➤ The main risks of Citycon's business are financing and customer risks. Citycon's main financial risk is the interest risk associated with the loan portfolio. The aim of interest risk management is to reduce

or eliminate the negative impact of market rate fluctuations on the company's profit, balance sheet and cash flow. Under the company's financial policy, the interest position must be hedged at least 50 and at most 100 per cent. The company uses forward rate agreements, interest rate swaps and interest rate caps to manage interest risks. Citycon uses derivatives exclusively to reduce or eliminate financial risks on the balance sheet.

The interest sensitivity of Citycon's debt portfolio in the end of 2004 is reflected by the fact that a one percentage point rise in money market interest rates would increase the interest expenses by MEUR 0.8. Similarly, a fall of one percentage point in money market interest rates would decrease the interest expenses by MEUR 0.8. Citycon has no currency risk.

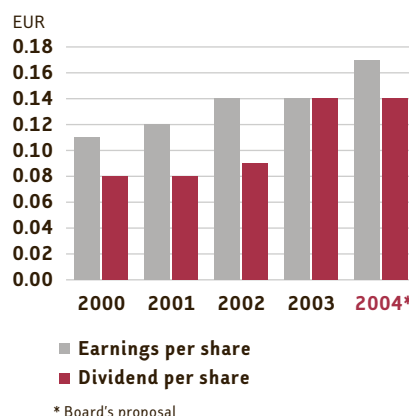
The goal of customer risk management is to minimise the potential negative impact of changes in customers' financial status on business and the company's profit. The principal tools used in customer risk management are knowledge of the customers' business and active monitoring and surveillance of customer data. Citycon's lease agreements include lease deposit provisions which are associated with the management of customer risk.

Full-value insurance has been taken out on the properties.

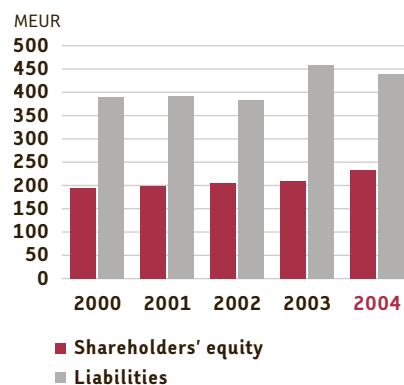
**Citycon and IFRS**

➤ Citycon Oyj is to go over to reporting in accordance with IAS/IFRS standards (International Financial Reporting Standards) in its interim reports and financial statements for 2005. Further information on the effects of the changeover to IFRS accounting standards, on the main accounting principles from Citycon's perspective and preliminary comparative accounts can be found on pages 36-43 of this annual report's IFRS Statements.

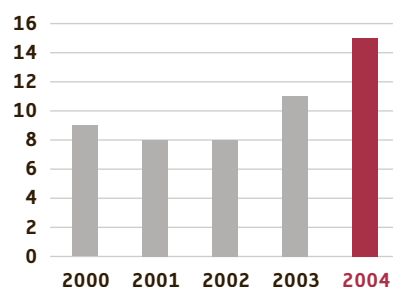
**Earnings per share and dividend per share**



**Shareholders' equity and liabilities**



**P/E-ratio**



# CORPORATE GOVERNANCE

## Citycon's rules of procedure

› In the governance of Citycon, the Finnish Companies Act and the Corporate Governance Recommendation for Listed Companies issued by the Helsinki Stock Exchanges, the Central Chamber of Commerce and the Confederation of Industry and Employers in December 2003 are complied with.

The recommendations are augmented by Citycon's own guidelines for the division of work between the company's decision-making bodies as well as for the principles of internal supervision and risk management.

Ultimate responsibility for the management and business of the Citycon Group is vested in Citycon's decision-making bodies, being the annual general meeting, the Board of Directors, and the CEO. The CEO is assisted in managing the company's business by the Corporate Management Committee.

## General meeting of shareholders

› Ultimate decision-making authority is vested in the general meeting of shareholders. The annual general meeting is held by the end of April once the financial statements have been drawn up. An extraordinary general meeting is held whenever required for decision-making.

Citycon makes sufficient information of the matters to be dealt with at the general meeting available to its shareholders, for example by posting material on its website and by providing information to shareholders by mail on request. The general meetings are organised in a manner that permits shareholders effectively exercise their ownership rights. Citycon's chairman of the Board and the CEO shall attend the general meetings. The members of the Board of Directors attend the meetings to the extent necessary. A person who is nominated for the Board for the first time attends the general meeting at which the election is held unless there are weighty reasons for his absence.

The annual general meeting adopts the financial statements, decides on the disposal of profits and appoints the company's Board of Directors and auditors. In addition, the annual general meeting decides the remuneration of members of the Board of Directors and auditors and releases the Board of Directors and the CEO from personal liability.

## Board of Directors

› The annual general meeting decides the number of Board members and elects members to the Board for one year at a time. A person nominated for membership must have the necessary qualifications for the post and sufficient time to devote for the duties. A majority of the members of Citycon's Board of Directors must be independent of the company. In addition, at least two of the members included in this majority must be independent of major shareholders in the company. An extraordinary general meeting of Citycon in August 2004 increased the number of members of the Board from seven to eight, within the limits of the articles of association.

The annual general meeting of Citycon held on 15 March 2004 decided to re-elect to the Board of Directors Stig-Erik Bergström and Carl G. Nordman, and to elect as new member Amir Gal, Timo Kankuri, Raimo Korpinen, Tuomo Lähdesmäki, and Claes Ottosson. Stig-Erik Bergström was elected as chairman and Tuomo Lähdesmäki as deputy chairman.

An extraordinary general meeting of Citycon held on 10 August 2004 decided in accordance with a proposal by the Nomination Committee to increase the number of members on the Board of Directors from seven to eight, in accordance with the articles of association. Dori Segal was elected to the Board as a new member.

In the view of the Board of Directors, all eight members of the Board are independent of the company. Further, in the view of the Board of Directors, Stig-Erik Bergström, Tuomo Lähdesmäki, Timo Kankuri, Raimo Korpinen and Carl Nordman are independent of a major shareholder.

The Board of Directors elects a chairman and deputy chairman from among its members, neither of whom may be the company's CEO. In 2004 Stig-Erik Bergström served as the chairman and Tuomo Lähdesmäki as the deputy chairman of the Board of Directors.

In 2004 Citycon's Board of Directors convened 18 times, of which five were held in the form of a conference call. The average ratio of attendance was 96 per cent. The Board has four committees to assist it. These are the Audit Committee, the Nomination Committee, the Compensation Committee and the Investment Committee.

› The duties and responsibilities of the Board of Directors are determined in accordance with the Finnish Companies Act, the articles of association and the Board of Director's working order. The Board of Directors is responsible, inter alia, for the Citycon Group's strategic policies and the proper arrangement of activities and group administration. The company's CEO attends Board meetings and prepares and presents to the Board the issues to be discussed at meetings. The Board of Directors forms a quorum when more than half of its members are present.

Aside from that provided by the legislation and the company's articles of association, Citycon's Board of Directors:

- confirms the company's long-term objectives and strategy
- approves the company's business plan and budget and financing plan and oversees their implementation
- confirms the company's principles of internal control and risk management
- decides on individual, major, strategically important investments, property acquisitions and divestments as well as other decisions entailing business responsibilities
- confirms the obligations and areas of responsibility of the executive management and the reporting system
- decides on the principles of bonus and incentive schemes for employees
- determines the dividend policy.

Citycon's Board of Directors annually during January assesses its operations and its working methods in the form of an internal self-assessment.

› The work of Citycon's Board of Directors is streamlined by four committees which prepare matters to be discussed in the Board. The members of the Board of Directors who work on the committees are able to go into matters handled by the committee in greater detail than the entire Board of Directors. The main duties and working principles of the committees are set out in the rules of procedure for the company's decision-making bodies, which is approved by the company's Board of Directors.

› Citycon's Audit Committee is comprised of at least three members chosen by the Board of Directors. The members of the Audit Committee must be independent of the company and of a major shareholder. They must also have the qualifications required by the Committee's duties. The auditors may, on the invitation of the Committee, attend meetings of the Committee as experts when necessary. The function of the Audit Committee is to review matters related to the financial statements and financial reports, to assess the adequacy of internal auditing and risk management, to deal with the plans and reports of internal audit, to prepare the decision on the election of the auditor, and when necessary to deal with particular other matters concerning the company's finances. The Audit Committee convenes as necessary when summoned by the Committee chairman, but not less than twice a year. The chairman of the Audit Committee reports to the Board of Directors on the matters discussed by the Audit Committee. The members of the Audit Committee are Stig-Erik Bergström, Raimo Korpinen and Claes Ottosson. In 2004, the committee convened on one occasion. In its meeting on 7 February the audit committee discussed the financial statements 2004 and issues related to external and internal audit.

## **Board of Directors' work**

## **The Committees of the Board of Directors**

### **Audit Committee**



## › Corporate Governance

### **Nomination Committee**

› Citycon's Nomination Committee is comprised of three members chosen by the Board of Directors. The Nomination Committee's task is to prepare a proposal to be presented to a general meeting for the election of members of the Board of Directors, to prepare matters concerning incentives for the Board of Directors, and to seek candidates for successors to members of the Board. The Nomination Committee convenes as necessary, when summoned by the Committee chairman, but no less frequently than once a year. Decisions made by the Nomination Committee are reported to the Board of Directors. The members of the committee are Stig-Erik Bergström, Amir Gal and Timo Kankuri. In 2004, the committee convened on two occasions.

### **Compensation Committee**

› Citycon's Compensation Committee is comprised of three members chosen by the Board of Directors. The Committee's function is, in accordance with the guidelines confirmed and instructions given by the Board of Directors, to prepare in greater detail matters related in particular to Citycon's organisation, management appointments and the personnel's salaries and incentive schemes for decision by the Board of Directors. The Compensation Committee convenes as necessary, when summoned by the Committee chairman, but no less frequently than once a year. Matters discussed by the Committee are reported to the Board of Directors. The members of the committee are Stig-Erik Bergström, Tuomo Lähdesmäki and Carl Nordman. In 2004, the committee convened on two occasions.

### **Investment Committee**

› The Investment Committee is comprised of three members appointed by the Board of Directors. The duty of the committee is to supervise the planning and approval process for investments. The committee prepares all investments to be proposed to the Board of Directors for decision making. Also, the committee monitors the progress of investment projects and the integration of the properties acquired. The committee convenes when summoned by the chairman or CEO as necessary, no less than twice a year. The committee's chairman reports to the Board of Directors on the matters handled by the committee. The members of the committee are Stig-Erik Bergström, Tuomo Lähdesmäki and Dori Segal. In 2004, the committee convened on one occasion. The committee was established in November 2004.

### **CEO**

› The CEO is responsible for the everyday management and supervision of the company in accordance with the provisions of the Finnish Companies Act and authorisations and guidelines received from the Board of Directors. Citycon's Board of Directors appoints the CEO and decides the terms and conditions of his contract.

The CEO is responsible for ensuring that the documentation on information and decisions to be discussed at Board meetings has been properly prepared and that the objectives, procedures and plans set are submitted to the Board of Directors for update or review as appropriate. Additionally, the CEO ensures that members of the Board of Directors on a continuous basis receive sufficient information to monitor the company's financial position and progress.

In addition to managing the company's operations, the CEO also:

- serves as chairman of the company's Corporate Management Committee
- appoints, on a proposal from a member of the Corporate Management Committee, other persons in managerial positions and decides on the salaries of employees subordinate to a member of the Corporate Management Committee in accordance with the principles applied by the company
- decides, in accordance with the principles and instructions applied by the company, on the granting of employee fringe benefits and the approval of expenses
- informs the company's Board of Directors of any major events, decisions and future projects related to the company's business.

The CEO has a written contract approved by the Board of Directors. The CEO was paid EUR 191,457 in salary and other pay-related benefits in 2004. The CEO holds a total of 1,500,000 warrants under the 1999 option scheme, which were

handed over in 2002. Moreover, 150,000 A-warrants of the 2004 option scheme were handed over to the CEO in 2004. The CEO is entitled to a full pension upon reaching the age of 62 if he is working for the company until this time. The company has pension insurance to cover the pension arrangements. The period of notice of termination is six months for the CEO and the company. If the contract is terminated by the company for a reason not attributable to the CEO, the CEO will be paid 18 months' cash salary as lump-sum compensation in addition to the salary for the termination notice period.

› Citycon has a Corporate Management Committee which has at least three members. The CEO chairs the Committee. Members of the Committee are appointed by Citycon's Board of Directors at the proposal of the company's CEO. In 2004, the Corporate Management Committee was comprised of six members. From the beginning of 2005, the Corporate Management Committee had seven members.

The main responsibility of the Corporate Management Committee is to assist the CEO, to monitor and develop the company's business in accordance with established objectives, to distribute information, and to prepare decisions for consideration by the Board of Directors. The Corporate Management Committee convenes as necessary and is summoned by the chairman.

The Corporate Management Committee is particularly responsible for the following:

- drawing up changes and revisions related to the company's strategy for presentation to the Board of Directors in accordance with the guidelines issued by the Board of Directors
- preparing a business plan and budget for presentation to the Board of Directors and monitoring the implementation of these
- planning and drafting organisational changes assigned by the Board of Directors and CEO
- approving the replies to internal and external auditors' reports for presentation to the Board of Directors
- attending to the implementation of actions related to annual planning in accordance with instructions.

› The annual general meeting confirms the remuneration of members of the Board of Directors each year in advance. The Board of Directors confirms the CEO's salary and other benefits and on the proposal of the CEO also decides the salaries and benefits of senior management.

Members of the Board of Directors have undertaken to use the annual remuneration paid to them for Board membership, less statutory withdrawal tax, to acquire Citycon shares. Board members may not convey or pledge shares acquired in this way before the next annual general meeting.

The 2004 Annual General Meeting decided that the chairman of the Board will receive a yearly compensation in the amount of EUR 26,000, the deputy chairman EUR 16,000 and a member EUR 13,000. In addition the General Meeting decided that the chairman will receive a meeting bonus of EUR 420 per meeting and member EUR 350 per meeting.

In 2004, the members of Citycon's Board of Directors were paid EUR 158,269 in emoluments, of which they used EUR 107,000 or 67.6 per cent for the acquisition of shares in the company. The members of Citycon's Board of Directors are not remunerated with warrants.

The members of the Citycon's Board of Directors are not included in the company's share-based incentive scheme. The members of the committees receive a meeting bonus for their participation.

## Corporate Management Committee

## Salaries and emoluments

	Stig-Erik Bergström	Tuomo Lähdesmäki	Amir Gal	Timo Kankuri	Raimo Korpinen	Carl G. Nordman	Claes Ottosson	Dori Segal
Basic fee	26,000	16,000	13,000	13,000	13,000	13,000	13,000	7,729
Meeting bonus*	9,170	4,900	5,250	4,900	5,320	6,300	4,200	3,500
Total	35,170	20,900	18,250	17,900	18,320	19,300	17,200	11,229

\* Meeting bonuses include both Board and committee meetings.

## › Corporate Governance

### Insiders

› Citycon has guidelines for insiders covering the obligations and disclosure liability of insiders. This instruction has been drafted to complement the provisions of the Securities Market Act and the guidelines for insiders issued by the Finnish Financial Supervision Authority and the Helsinki Exchanges. The company complies with at least the minimum requirements of the insider guidelines issued by the Helsinki Exchanges and the Finnish Financial Supervision Authority. Insiders defined by law by virtue of their position include the members of the Board of Directors, the CEO, the CEO's deputy, the company's auditors and any organisation or foundation in which these persons have a controlling interest either alone, together with other family members, with any other of the persons above or a member of their family.

The members and secretary of the Corporate Management Committee, the Controller, the Legal Director, the Directors of Shopping Centres, the investor relationship manager, the accounting experts, the chief accountant, the project development manager, and their secretaries are defined as insiders within Citycon by virtue of their work. At 31 December 2004, there were 16 persons classified as insiders at Citycon.

Citycon maintains its permanent list of insiders in the Finnish Central Security Depository's SIRE system. The company reviews twice a year the information to be disclosed by permanent insiders, in addition to which it also uses register data provided by the Finnish Central Securities Depository, at least once a year, to check trading carried out by permanent insiders. If required, the company also monitors insider trading on a per-transaction basis in other ways.

The guidelines on insider trading of Citycon were altered as of 1 December 2004 in such a way that the company's permanent insiders may not engage in trading Citycon shares or securities conferring entitlement to shares for a period of 21 days prior to the publication of the company's financial statements, interim results or and interim report. Previously trading was permitted only for 14 days after the publication of the company's financial information.

Insiders are obliged to request the person in charge of the company's insider affairs for an opinion of the legality and permissibility of the securities trading they propose to engage in. The person in charge is keeping a log book on contracts made.

### Supervision systems

› Control and supervision of Citycon's business activities takes place using the governance and management system described above. The company has appropriate and reliable accounting and other data systems in place to monitor business activities and supervise treasury operations.

The accounting system can be used to monitor actual performance and forecasts on a rolling scale in 3- and 12- month periods. The scheme also permits long-term planning and serves as a tool for budgeting.

### Internal supervision

› Citycon's internal supervision includes financial and other supervision. Internal supervision is carried out in-house by the senior and executive management as well as by all other personnel. Internal supervision is intended to ensure the following:

- the attainment of goals and objectives set
- the economical and efficient use of resources
- the management of risks associated with business
- the reliability and accuracy of financial and other management information
- compliance with external regulations and internal procedures as well as compliance with appropriate procedures in customer relationships
- safeguarding operations, information and the company's assets
- appropriate data systems and work processes in support of operations.

The company's Board of Directors is responsible for arranging and maintaining adequate and functional internal auditing. It is the CEO's duty to attend to the implementation of the practical action for internal supervision.

The CEO is responsible for ensuring that the goals, procedures and strategic plans set by the Board of Directors are complied with. It is the CEO's duty to main-

tain an organisational structure in which responsibilities, authorisations and reporting relationships are clearly and comprehensively defined in writing.

The CEO and the members of the company's Corporate Management Committee are responsible for ensuring that current law and regulations issued on the basis of them, as well as the company's business principles and the decisions of the Board of Directors, are complied with in the Group's everyday activities.

The auditors' reports drawn up during the year for the Board of Directors and the CEO include an audit of the administration and the auditors must also, where applicable, carry out an internal audit of the company by which the affectivity of internal supervision can be assessed. When internal audit is outsourced, internal audit is to be carried out by other auditors of the auditing firm, than the ones carrying out the audit. For this purpose, the Audit Committee draws up an audit plan annually for the internal audit to act as the basis for the performance of the audit. The parties who carry out the internal audit should be other auditors of the auditing firm than those who perform the actual audit. The auditors report on the internal audit to the chairman of the Board of Directors and to the Audit Committee.

Shortcomings and items for improvement related to internal supervision found by business operations or otherwise are documented and a report on them is made to the CEO, who must initiate the action necessitated by the observations without delay. Internal audit was outsourced to KPMG Oy Ab year 2004.

› The annual general meeting appoints annually two auditors and one deputy auditor, one of which must be an auditor authorised by the Central Chamber of Commerce, to audit Citycon's administration and accounts. An auditing firm approved by the Central Chamber of Commerce may be appointed as the auditor.

Citycon's auditors provide shareholders with a statutory auditor's report along with the company's annual financial statements. The main function of the statutory auditors' report is to verify that the financial statements give a true and fair view of the company's net profit and of the company's financial position for each financial year. In addition to providing the auditors' report above, the auditors also report to Citycon's CEO and the Audit Committee as necessary.

The auditors may, on the invitation of the Audit Committee, attend meetings of the Committee as experts when necessary.

The 2004 Annual General Meeting elected as auditors authorised public accountants Ari Ahti and Jaakko Nyman, with authorised public accountants KPMG Oy Ab as deputy auditor.

In 2004 Citycon paid a total of EUR 85,282 to the auditors as fees for the audit. In addition, Citycon purchased specialist services in relation to IAS/IFRS standards (IFRS = International Financial Reporting Standards), property deals and taxation for a total of EUR 24,295.

› Citycon's Board of Directors and management are responsible for managing business risks. Risk management is intended to reduce the probability or threat of unforeseen losses. Risk management should cover both internal and external risks, measurable and immeasurable risks, as well as risks both within and beyond the influence of the company.

The risk management process is examined annually at Citycon, in such a way that the company's risk chart and its annual action plan are updated and presented to the Board of Directors at a separately agreed meeting in the autumn. A member of the Corporate Management Committee is appointed in charge of each subdivision of the risk chart, and he must keep a particularly close watch on the situation for that risk area within the company in his own duties.

› The mission of Citycon's corporate communications is to inform the various stakeholders of matters concerning the company. The objective is to supply correct, sufficient and timely information regularly, fairly and simultaneously to all relevant parties.

## Auditors

## Risk management

## Communications

## › Corporate Governance | Board of Directors



Upper row, left to right:  
Carl G. Nordman, Timo Kankuri,  
Amir Gal and Raimo Korpinen.  
Lower row, left to right:  
Dori Segal, Claes Ottosson,  
Stig-Erik Bergström and  
Tuomo Lähdesmäki.

Chairman of the Board

**Stig-Erik Bergström**, born 1941

Doctor of Science (Econ.)

Member of Citycon's Board of Directors since 2000 and chairman since 2002

Significant work experience:

· Stockmann Plc, Deputy Managing Director 1988-2002

· Midland Montagu Osakepankki, Managing Director 1986-1988

· Rauma-Repola Oy, Executive Vice President 1984-1986

Deputy chairman of the Board of Directors at Svenska Handelsbanken (Finnish regional branch)

Member of the Board of Directors at Norvestia Oyj and Neomarkka Oyj and European Renaissance Fund Ltd in the UK

The Finnish Association of Professional Board Members, Member of the Board  
Citycon shares: 29,307

Deputy chairman of the Board of Directors

**Tuomo Lähdesmäki**, born 1957

M.Sc.(Eng.), MBA

Member of Citycon's Board of Directors since 2004

Significant work experience:

· Boardman Oy, founder member and Senior Partner since 2002

· Elcoteq Network Corporation, CEO 1997-2001

· Leiras Oyj, CEO 1991-1997

Chairman of the Board of Directors at Aspocomp Group Plc, VTI Technologies Oy and Turku University Foundation

Member of the Board of Directors at Amer Yhtymä Plc, Eltel Network Oy and Orion Oyj  
Citycon shares: 27,967

Member of the Board of Directors

**Amir Gal**, born 1971

Ph.D. candidate, LL.B.; B.A. (Economics)

Member of Citycon's Board of Directors since 2004

Significant work experience:

· Gazit Europe, Inc., UK, Executive Vice President since 2004

· Dewey Ballantine, UK, attorney 2002-2004

· Leshem, Brandwein & Co., Israel, attorney 1997-2001

Citycon shares: 3,918

Member of the Board of Directors

**Timo Kankuri**, born 1954

M.Sc. (Eng.)

Member of Citycon's Board of Directors since 2004

Significant work experience:

· Ilmarinen Mutual Pension Insurance Company, Head of Real Estate Investments since 1998

· Rettig Group Ltd Oy, Real Estate Director 1994-1998

· Kansallis-Osake-Pankki, Real Estate, retail and leasing, international property investments, realisations and acquisitions of property in Finland, expert reports, 1992-1994

Member of the Board of Directors at the Finnish Association of Building Owners and Construction Clients and Aberdeen Property Investors  
Citycon shares: 2,411

Member of the Board of Directors

**Raimo Korpinen**, born 1950

LL.M.

Member of Citycon's Board of Directors since 2004

Significant work experience:

· Solidium Oy, Managing Director since 1998

· Yrityspankki SKOP Oyj, Unit Director, membership of boards of group subsidiaries and property holding companies 1994-1998

· USF Holdings, Inc., USA, Vice President, memberships of group real estate financing companies' boards 1991-1993

Member of the Board of Directors

Kruunuasunnot Ltd and Edita Plc

Member of the Association of Board Professionals  
Citycon shares: 3,411

Member of the Board of Directors

**Carl G. Nordman**, born 1939

Counsellor of Industry

Member of Citycon's Board of Directors since 1999

Significant work experience:

· Oy Aga Ab, President 1978-2000

Member of the Board of Directors at ADR-Haapää Oy and Machinery Oy

The Finnish Association of Professional Board Members, Member of the Board  
Citycon shares: 20,735

Member of the Board of Directors

**Claes Ottosson**, born 1961

Electrical Engineer

Member of Citycon's Board of Directors since 2004

Significant work experience:

· ICA Supermarket Hovås, Sweden, Managing Director since 1989

· ICA Gourmet, Sweden, Department Store Manager 1985-1989

· Saga Sofiagatan, Sweden, Department Store Manager 1980-1982

Chairman of ICA Supermarket Sweden since 2003  
Citycon shares: 3,918

Member of the Board of Directors

**Dori Segal**, born 1962

Member of the Board of Directors at Citycon since August 2004

Significant work experience:

· Gazit-Globe (1982) Ltd., Israel, President since 1993

· First Capital Realty Inc., Canada, President since 2000

Citycon shares: none

› Corporate Governance | Corporate Management Committee



**Petri Olkinuora**, born 1957  
 CEO  
 M.Sc. (Eng.), MBA  
 Significant work experience:  
 · Uponor Oyj, Real Estate Division, CEO 1996-2002  
 · Tampereen Kiinteistö Invest Oy, CEO 1990-2002  
 · Jouko Salonen Oy, Construction and Project Manager 1984-1989  
 · Oy Kaista & Sebbas Ab, Structural Designer 1980-1984  
 Citycon shares: 100,000  
 Warrants: 1,650,000



**Carl Slätis**, born 1959  
 Head of Division, Property Development  
 M.Sc. (Eng.), MBA, KJs  
 Significant work experience:  
 · McDonald's Oy, Real Estate Manager, Development Department 1996-2002  
 · Posinet Oy, Facilities Manager, 1994-1996  
 · Suomen Osakaskiinteistöt Oy, Managing Director 1990-1994 and Investment Manager 1989-1990  
 Citycon shares: 2,000  
 Warrants: 175,000



**Harri Holmström**, born 1956  
 Director of Property Investment  
 M.Sc.(Eng.), AKA  
 Significant work experience:  
 · SRV Viitokset Oy, Director, International Marketing  
 · Catella Property Consultants, Finland, Director 1999-2002  
 · Catella Property Consultant, UK, Director 1998-1999  
 · Chesterton International Plc, UK, consultant 1997-1998  
 Citycon shares: none  
 Warrants: none



**Pirkko Salminen**, born 1957  
 CFO  
 M.Sc. (Econ.&BA)  
 Significant work experience:  
 · Stockmann Plc, Financial Manager 1995-2003  
 · Ahlström Corporation, Financial Manager 1992-1995  
 · Polar Corporation, Cash Manager 1992  
 · Tampella Oy, Cash Manager 1987-1992  
 Citycon shares: none  
 Warrants: 225,000



**Kaisa Vuorio**, born 1967  
 Head of Shopping Centres Division  
 M.Sc.(Eng.), AKA  
 Significant work experience:  
 · Citycon Oyj, Director of Shopping Centres 2003, Region Director for the Rest of Finland 2002-2002 and Head of Supermarkets and Shops Division 2000-2001  
 · Catella Property Consultants Oy, Key Account Manager and Property Analyst 1998-2000, Appraisal Specialist 1994-1998, Specialist Services 1993-1994  
 Citycon shares: 1,000  
 Warrants: 225,000



**Outi Raekivi**, born 1968  
 Head of Legal Affairs (on maternity leave till 2 May 2005)  
 LL.M., KJs  
 Significant work experience:  
 · Citycon Oyj, Corporate General Counsel 2002-2003  
 · Rasi-Kiinteistöt Oy (Nordea Group), Director of Administration 2000-2002  
 · Aleksia Oyj, Director of Administration 1999-2000  
 · Merita Real Estate Ltd, Assistant Vice President 1997-1998 and Attorney-at-Law 1995-1997  
 · Sabinvest Oy (Union Bank of Finland Group), Attorney-at-Law 1991-1995  
 Citycon shares: none  
 Warrants: 175,000



**Jyrki Karjalainen**, born 1965  
 Head of Division, Supermarkets and Shops  
 M.Sc. (Eng.)  
 Significant work experience:  
 · Citycon Oyj, Technical Director, 2000-2003  
 · Kiinteistö Oy Myyrmanni, Property Manager 1994-2001  
 · Oy Huber Ab, Product Development Engineer 1989-1994  
 Citycon shares: none  
 Warrants: 171,670

The acting Head of Legal Affairs is Marja Hanski, LL.M., M.Sc. Econ.



# CITYCON

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AN EXPERT IN RETAIL PREMISES >



# CITYCON



Financial Statements and IFRS Appendix 2004



A N E X P E R T I N R E T A I L P R E M I S E S >

# CITYCON

## Financial Statements 2004

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### Trend in the business environment

› Development in retail business continued to be favourable in Finland. In 2004, the value of retail sales was 4.3 per cent higher than in 2003. The value of department store sales increased by 4.8 per cent and trade in groceries by 1.4 per cent on the previous year.<sup>1)</sup> Interest rates in euro zone remained historically low in 2004.

Strong retail sales kept up healthy demand for leased retail premises throughout the year and vacancy rates continued to remain low, particularly in the Helsinki Metropolitan Area and Finland's other major cities. The average vacancy rate for retail premises was below 2 per cent in the Helsinki Metropolitan Area and 1.1–4.5 per cent in the larger cities, such as Tampere, Lahti and Jyväskylä<sup>2)</sup>.

Foreign investors' interest in the Finnish property market continued to grow and the internationalisation of the market continued. Commercial premises and the Helsinki Metropolitan Area as a region are particularly attractive to investors. The deals made by international investors accounted for roughly 50 per cent of Finnish transactions on investment properties in 2004<sup>2)</sup>.

1) Source: Statistics Finland

2) Source: Catella Property Consultants Ltd.

### Property portfolio and business activities

› At year-end, Citycon owned 146 (148) properties with a combined book value of EUR 732.1 million (EUR 721.8 million) and a fair value of EUR 738,7 million (EUR 726.5 million). Practically the whole of the company's property portfolio consists of retail properties.

The company owned 16 shopping centres and 130 supermarkets and shops. Shopping centres accounted for 59.0 per cent of the company property portfolio's book value and supermarket and shop premises for 41.0 per cent. At year-end, in terms of book values, 46.6 per cent were in the Helsinki Metropolitan Area, 35.7 per cent were in other major Finnish cities and 17.7 per cent were in other parts of Finland.

Citycon is assessing opportunities for expansion in the Baltic countries and Scandinavia. At the same time, the

company continued the implementation of its growth strategy in Finland where the company will continue to focus on retail premises, mainly in the Helsinki Metropolitan Area and other major cities.

### Customers, lease portfolio, and occupancy rate

› Citycon's customers are Finnish and international speciality and grocery retail chains, supermarkets and department stores, and independent retailers. There were no significant changes in the customer base in 2004.

During the financial year, the company signed a total of 325 leases. At the end of the financial year, Citycon had a total of 1,486 leases with roughly 850 lessees. The average length of the leases was 3.4 years.

The occupancy rate for Citycon's property portfolio at year-end was 95.7 per cent (97.3%). The decline in the occupancy rate was due primarily to the end of the lease on Länsikeskus in Espoo, belonging to the Supermarkets and Shops division, on 31 October 2004. The occupancy rate for Citycon's property portfolio without Länsikeskus was 96.9 per cent and that of the Supermarkets and Shops division was 96.2 per cent. Citycon made a new lease for Länsikeskus in Espoo with a new grocery chain in the area. The lease will commence in March 2005.

### Trend in portfolio of leases by division

	2004	2003
<b>Shopping centres</b>		
Number of leases started during the financial year, total	242	151
Total area of leases started, sq.m.	32,451	16,399
Occupancy rate at end of financial year, %	97.4	97.6
Average length of lease portfolio at the end of financial year, years	2.7	3.0
<b>Supermarkets and shops</b>		
Number of leases started during the financial year, total	83	51
Total area of leases started, sq.m.	24,155	9,806
Occupancy rate at end of financial year, %	93.4	96.8
Average length of lease portfolio at end of financial year, years	4.5	4.4

## Rental income

› The net rental income of Citycon's leasing business was EUR 62.1 million (EUR 54.7 million). The average net rental yield of the properties owned by the company remained good and was 8.5 per cent (8.5 %).

Shopping centres accounted for 56.5 per cent of the net rental income (50.2 %) and supermarkets and shops accounted for 43.5 per cent (49.8 %). Of net income, roughly 46.0 per cent was generated by properties in the Helsinki Metropolitan Area, 36.0 per cent by properties in other major Finnish cities, and roughly 18.0 per cent by other properties in Finland.

### Trend in rental income by division

	2004	2003
<b>Shopping centres</b>		
Gross rental income, EUR million	47.0	36.5
Net rental income, EUR million	35.0	27.5
Net rental yield, %	8.2	8.1*
<b>Supermarkets and shops</b>		
Gross rental income, EUR million	36.2	36.5
Net rental income, EUR million	27.0	27.2
Net rental yield, %	9.0	8.9

\* Figures include uncompleted projects

## Investments and development projects

› Citycon's gross investments in 2004 amounted to EUR 18.8 million (EUR 84.2 million). Gross investments include the acquisition of a new shopping centre, Torikeskus in Seinäjoki, in two stages for a total of EUR 8.3 million and EUR 10.5 million on development projects.

**The Shopping Centres division's** main property acquisition was Torikeskus in Seinäjoki. Citycon acquired the property during the year in two stages and the total price was EUR 8.3 million. With the acquisition of Torikeskus, the leasable area grew by 11 209 square metres and 79 leases were transferred to Citycon. Torikeskus in Seinäjoki is one of Southern Ostrobothnia's leading shopping centres.

The extension to the IsoKarhu shopping centre in Pori was completed during the third quarter and added Citycon's profit in the last quarter of the year. The extension reinforces Citycon's leading market position in the Pori market area and augments the services provided by IsoKarhu. The renovation work on Jyväskeskus, which is in Jyväskylä, was completed in May, and this immediately added rental income. The combined total of the investments in IsoKarhu and Jyväskeskus was roughly EUR 12 million.

The division also planned extensions at the Lippulaiva and Espoontori shopping centres in Espoo, the Myyrmanni shopping centre in Vantaa, and the Koskikeskus shopping centre in Tampere, as well as assessing the possibilities for development at Trio in Lahti and Forum in Jyväskylä.

**The Supermarket and Shops division's** main projects carried out during the year are the completion of the renovation of the Laajavuoreнкуja retail site in Vantaa and the development project for Karjaa and Sinikalliontie in Espoo. Citycon invested a total of EUR 0.9 million in the properties. The division negotiated on the modernisation of the Länsikeskus retail site in Espoo and brought a new grocery chain into the property. The division also examined possibilities for development at the shopping centres in the Hervanta district of Tampere and in Kuopio city centre.

**The Property Development Division** supported Citycon's other division on development projects for a total of ten retail properties in 2004. The division also prepared new retail site projects in the Tampere market zone and in the Helsinki Metropolitan Area. Marketing was launched for the MAXX retail park in the Lahdesjärvi district of Tampere. The municipal plan for the area came into force legally in March 2004 and it has roughly 65,000 square metres of permitted building volume. According to the scheduled timetable, phase one of the retail park will open in 2007.

## Divestments

› During the period, Citycon sold, in accordance with its strategy, three properties belonging to the Supermarkets and Shops Division. The combined book value of the properties sold was EUR 0.7 million and the capital gains were EUR 0.1 million.

## Turnover and profit

› The turnover for the financial year was EUR 88.6 million (EUR 78.1 million). Gross rental income accounted for 93.9 per cent (93.3 %) of turnover. Operating profit rose to EUR 50.3 million (EUR 43.3 million). The increase was mostly due to the acquisitions of shopping centres carried out by Citycon at the end of 2004 and in the first quarter of 2004.

Turnover increased by EUR 10.5 million although was affected by a small rise in the cost-of-living-index, which resulted smaller than expected indexed increases in rents. On the other hand, the maintenance costs of properties and the Group's financing expenses were lower than estimated. Property maintenance costs were reduced by factors including

## › Report by the Board of Directors

refunds of property tax, which were EUR 0.7 million. Financing expenses were lower than expected due to low interest rates and refinancing.

### Balance sheet and financing

› The balance sheet total was EUR 840.4 million (EUR 835.3 million), of which cash and cash equivalents were EUR 8.6 million (EUR 15.1 million). The Group's financial situation remained good.

Citycon's share capital increased by EUR 13,979,925.00 as a result of a directed share issue and share subscriptions based on Citycon's 1999 A/B/C warrants during the financial year and it was EUR 156,780,033.30 at year-end. Into this figure are included subscriptions made on 28 December 2004 for 92,000 new shares at a par value of EUR 1.35. The share capital based on the share subscriptions was entered in the Trade Register on 3 February 2005.

At year-end Group's liabilities totalled to EUR 438.4 million (EUR 457.5 million). Interest-bearing liabilities decreased by EUR 21.0 million to EUR 491.3 million (EUR 512.3 million), when the capital loan of EUR 68.5 million (EUR 68.5 million) was regarded as interest-bearing liabilities. Short-term liabilities accounted for EUR 31.1 million (EUR 29.2 million) of interest-bearing liabilities.

Most of Citycon's loans were reorganised in November 2004. Citycon signed an EUR 450 million syndicated unsecured credit facility, divided into an EUR 350 million loan and an EUR 100 million revolving credit facility. The maturity of the facility is 4.5 years. The facility is intended to broaden Citycon's financing base, to reduce cost of funding and to secure financing of future investments. The facility financed the old EUR 435 million secured syndicated loan facility and EUR 10 million overdraft facility. The facility was principally arranged by Nordea (Coordinator), SEB Merchant Banking, Skandinaviska Enskilda Banken AB (publ) and Eurohypo AG. The other participating financial institutions were Danske Bank, OKO Bank, Swedbank and Aktia Savings Bank Plc.

The average interest rate for interest-bearing liabilities during the financial year was 5.2 per cent (5.5%). The average loan period, weighted according to the principals of the loans, was 4.0 years (4.6 years), and the average interest-rate fixing

period was 3.6 years (4.0 years). The Group's equity ratio was 47.6 per cent (44.9%) and 39.4 per cent (36.7%) if the capital loan is not included in shareholders' equity.

The interest coverage ratio, i.e. the previous twelve months' profit before interest expenses, taxes and depreciation relative to net financial expenses, was 2.2 (2.1). Gearing at year-end was 146.8 per cent (163.2). At the end of 2004, Citycon's interest-bearing liabilities included 86.0 per cent (87.0%) of floating rate loans, of which 69.1 per cent (69.0%) has been converted to a fixed rate by means of interest rate swaps. The par value of the interest rate swaps at year-end was EUR 339.4 million (EUR 302.2 million). The market value of the derivatives at year-end was EUR -18.5 million (EUR -11.4 million).

Net financial expenses increased by EUR 1.9 million to EUR 26.1 million (EUR 24.2 million).

### Citycon and IFRS

› Citycon Oyj is to go over to reporting in accordance with IAS/IFRS standards (International Financial Reporting Standards) in its interim reports and financial statements for 2005. The company made decisions on the main optional accounting principles in IFRS at the beginning of 2004 and examined the effect of the adoption of IFRS on its accounting principles in its financial statements bulletin released on 12 February 2004. In addition, in 2004, Citycon issued preliminary IFRS comparative figures on the balance sheet as at 1 January 2004 and for all quarters of the year.

In the future, Citycon will disclose preliminary IFRS-comparative figures for 2004 in a separate bulletin on the issue dates of this financial statements bulletin. Citycon will present final reconciliation calculations in its interim report for the first quarter of 2005.

### Personnel

› Citycon strengthened its personnel resources in property investment by appointing Mr. Harri Holmström, M.Sc. (Surveying), as Chief Investment Officer and member of the Corporate Management Committee. At year-end, the Citycon

Group had a total of 45 (34) employees, of whom 34 (27) were employed by the parent company.

Wages and salaries paid by the Citycon Group totalled EUR 2.3 million (EUR 2.1 million), of which EUR 0.3 million (EUR 0.2 million) was paid to managing directors and members of the Board of Directors were paid EUR 0.2 million (EUR 0.1 million). Wages and salaries paid to employees in the company totalled EUR 1.9 million (EUR 1.8 million), of which EUR 0.2 million (EUR 0.2 million) was paid to the CEO and the members of the Board of Directors were paid EUR 0.2 million (EUR 0.1 million).

### **Board of Directors and Auditors**

➤ The annual general meeting of Citycon held on 15 March 2004 decided to re-elect to the Board of Directors Stig-Erik Bergström and Carl G. Nordman, and to elect as new members Amir Gal, Timo Kankuri, Raimo Korpinen, Tuomo Lähdesmäki, and Claes Ottosson. Stig-Erik Bergström was elected as chairman and Tuomo Lähdesmäki as deputy chairman.

Ari Ahti, Authorised Public Accountant, and Jaakko Nyman, APA, were re-elected in 2004 as the company's auditors for a new term in office, with the APA firm KPMG Oy Ab as deputy auditor.

An extraordinary general meeting of Citycon held on 10 August 2004 decided in accordance with a proposal by the Nomination Committee to increase the number of members on the Board of Directors from seven to eight, in accordance with the articles of association. Dori Segal was elected to the Board as a new member.

### **Shares and shareholders Directed share offering**

➤ During the financial year, Citycon carried out a directed share offering to Finnish and international institutional investors. The intention of the share offering was to expand Citycon's ownership structure to support the company's forthcoming growth and to improve the liquidity of the company's shares. The decision by the Board of Directors to hold the share offering was based on an authorisation granted

by the annual general meeting of 15 March 2004 to increase the share capital by means of a new issue of shares.

New shares in the amount of 10,000,000 were offered for subscription at a price of EUR 2.03. Of the shares, 91 per cent were sold to foreign and 9 per cent to Finnish investors. The new shares were the equivalent of roughly 9.4 per cent of Citycon's share capital and voting rights conferred by shares before the offering, and after it they were equal to roughly 8.6 per cent. The share offering was carried out in a bookbuilding process on 13 and 14 September 2004. The share offering was oversubscribed by a factor of 2.4. The increase in share capital, being EUR 13,500,000, was entered in the Trade Register on 24 September 2004. The new shares were quoted on the Main List of the Helsinki Exchanges as of 27 September 2004.

The details of the directed share offering are disclosed in the stock exchange releases issued by Citycon in September 2004.

### **Share capital, the number and par value of shares**

➤ Table of Citycon Oyj's share trend is on page 23. Citycon's share capital at year-end was EUR 156,655,833.30 and the number of shares was 116,041,358. The par value of a share is EUR 1.35.

### **Traded volume and price**

➤ Trading in Citycon shares grew by 10.1 per cent and the share price increased by more than a factor of 1.6 in 2004. The total for Citycon Oyj shares traded on the Helsinki Exchanges was 115.1 million shares (104.5 million shares), equalling EUR 223.0 million (EUR 153.8 million) of trading. The high price quoted during the period was EUR 2.65 and the low was EUR 1.52. The weighted average price for the period was EUR 1.94 and the closing price of the period was EUR 2.44. The company's market capitalisation at the end of the period was EUR 273.9 million (EUR 154.9 million), after deducting treasury shares from the total.



## › Report by the Board of Directors

### Shareholdings

› The ownership of Citycon changed during the financial year, becoming more international. During the financial year, 6 statutory notices of changes in ownership were issued.

Date of change in holding		Number of shares	Percentage of share capital	Percentage of voting rights
16 Feb. 2004	Evli Bank Plc	4,294,944	4.06	4.06
	Total holding of funds managed by Evli Fund Management Ltd	2,442,000	2.31	2.31
	Evli Group, total	6,736,944	6.37	6.37
17 Feb. 2004	Deutsche Bank AG and subsidiaries	5,230,051	4.94	4.94
18 Feb. 2004	Evli Bank Plc	3,108,944	2.94	2.94
	Total holding of funds managed by Evli Fund Management Ltd	2,142,000	2.02	2.02
	Evli Group, total	5,250,944	4.96	4.96
1 Mar. 2004	Gazit-Globe (1982) Ltd	13,277,400	12.55	12.55
3 Mar. 2004	Gazit-Globe (1982) Ltd	26,902,400	25.43	25.43
5 Apr. 2004	Gazit-Globe (1982) Ltd	35,330,000	33.40	33.40

At the end of the period, Citycon had a total of 1,175 registered shareholders (1,450). The registered shareholders held 116.0 million shares, so they had 99.9 per cent of the shares and voting rights. Nominee-registered shareholders, mostly international investors, had 99.6 million shares, which is 85.8 per cent of the number of shares and voting rights.

### Treasury shares and shareholdings of the Board of Directors and the management

› At year-end, the company held 3,874,000 of its own shares, which is the equivalent of 3.3 per cent of the company's total shares and voting rights. The total purchase price for the shares was EUR 4.7 million. The book value of treasury shares on 31 December 2004 corresponded to their purchase price, which was lower than their market value at the end of period. The effect of treasury shares has been deducted for the calculation of the key figures.

In deciding on carrying out the directed share offering on 15 September 2004, Citycon's Board of Directors also decided to propose to the annual general meeting to be held

in spring 2005 that the 3,874,000 treasury shares held by the company be invalidated instead of selling them in public trading at the Helsinki Exchanges as decided by the Board of Directors on 11 August 2004.

The members of Citycon's Board of Directors held a total of 91,667 shares on 31 December 2004, which was 0.07 per cent of the company's total shares and voting rights. Citycon's CEO held 100,000 shares and 1,650,000 stock options, in addition to which the other members of the Corporate Management Committee held a total of 3,000 shares and 971,670 stock options on 31 December 2004.

### Citycon in international investors' comparative indexes

› Citycon is included in international property investment companies' indexes.

The EPRA/NAREIT Global Real Estate Index and the GPR 250 Property Securities Index serve as comparative indexes for international investors, measuring the appreciation and total earnings of shares.

### Authorisations and stock options

› During the financial year, Citycon's Board of Directors exercised the authorisation granted by the company's annual general meeting of 15 March 2004 to increase the share capital by an issue of new shares and it decided on 15 September 2004 to carry out a share offering to selected investors. The authorisation was used for 10,000,000 shares.

The annual general meeting of 15 March 2004 authorised the Board of Directors to buy back a number of the company's shares amounting to a maximum of 5 per cent of the company's share capital and of the total voting rights conferred by all shares. The authorisation is valid until 15 March 2005. The authorisation has not been exercised.

The annual general meeting authorised the Board of Directors to surrender the treasury shares held by the company. The authorisation is valid until 15 March 2005. On 11 August 2004, the Board of Directors decided to exercise the authorisation granted by the annual general meeting of 15 March 2004 to surrender treasury shares. However, the surrender of treasury shares was not effected; the Board of Directors decided on 15 September 2004 to propose the cancellation of these shares to the next annual general meeting.

Citycon applied for the listing of the 1999 A/B/C warrants on the main list of the Helsinki Exchanges during the financial year. The A/B warrants were included on the main list of the Helsinki Exchanges as of 23 April 2004 and the C warrants have been included on the same list since 1 September 2004. By the end of the financial year, A/B/C warrants had been exercised to subscribe a total of 263,500 new Citycon shares at a par value of EUR 1.35 per share. The subscription price of the shares was EUR 1.54 per share. In addition subscriptions were made for 92,000 new shares on 28 December 2004. The share capital in accordance with the share subscriptions was entered in the Trade Register on 3 February 2005. Each share confers one vote. The new shares will confer entitlement to dividend for the financial year 2004. The other shareholders rights has become into force when the increase in the share capital was registered.

The annual general meeting of 15 March 2004 decided on issuing stock options to personnel of Citycon and of its subsidiaries and to a wholly owned subsidiary of Citycon as part of the Group's incentive system. Citycon's Board of Directors decided on 26 May 2004 on the distribution of stock options in accordance with the decision of the annual general meeting. A total of 1,135,000 2004 A stock options were distributed to the personnel of the Group. The rest of the stock options, 2,765,000 (2004A/B/C), were granted to Veniamo-Invest Oy, a subsidiary of Citycon Oyj, to be further distributed to the present and future personnel of the Group.

### **Events after the end of the financial year**

➤ Subscriptions were made for 92,000 new shares at a par value of EUR 1.35 based on the option rights 1999 A/B/C. The share capital based on the share subscriptions was entered in the Trade Register on 3 February 2005.

### **Board's proposal on dividend**

➤ Citycon's Board of Directors proposes the annual general meeting convening on 5 April 2005 that a dividend of EUR 0.14 per share be paid for the financial year ending on 31 December 2004 on all shares outside the company's ownership. The Board of Directors proposes that the record date be 8 April 2005 and that the dividend be paid to shareholders on 15 April 2005.

### **Outlook for the future**

➤ Citycon expects that demand, occupancy rates and rents for its retail premises will continue to remain positive in the Helsinki Metropolitan Area and Finland's major cities. Within more competitive environment the company is pursuing its possibilities of expanding its business in Finland, Baltic countries and Scandinavia. The implementation of the growth strategy is forecast to begin in 2005. At the same time, the company will continue the implementation of the growth strategy for its business in Finland. Because of the favourable market prospects and the shopping centre acquisitions in 2004 as well as the extension projects carried out, the company estimates that turnover and profit for 2005 will be at least on the level of the 2004 figures.

Helsinki, 18 February 2005

Citycon Oyj

Board of Directors

## › Income Statement

EUR 1,000	Note	Group		Parent Company	
		1 Jan.–31 Dec. 2004	1 Jan.–31 Dec. 2003	1 Jan.–31 Dec. 2004	1 Jan.–31 Dec. 2003
TURNOVER	1.	88,636	78,064	83,218	72,912
Other income	2.	769	-482	155	691
EXPENSES					
Materials and services	3.	22,835	18,688	2,603	897
Salaries and social expenses	4.	2,998	2,625	2,499	2,287
Depreciation and impairments	5.	7,635	6,534	1,808	1,249
Rents and maintenance charges	6.	3,523	4,071	19,103	19,066
Share of associated companies' profit		-57	422		
Other expenses of business operations		2,130	1,930	2,131	1,913
Expenses, total		39,064	34,270	28,144	25,413
OPERATING PROFIT		50,342	43,312	55,229	48,190
Net financial income and expenses	7.	-26,098	-24,174	-35,800	-32,165
PROFIT BEFORE APPROPRIATIONS AND TAXES		24,244	19,137	19,429	16,025
Taxes	8.	-6,802	-4,870	-5,645	-4,130
Minority interest		-9	-8		
PROFIT		17,432	14,260	13,784	11,895

## > Balance Sheet

EUR 1,000	Note	Group 31 Dec. 2004	Group 31 Dec. 2003	Parent Company 31 Dec. 2004	Parent Company 31 Dec. 2003
ASSETS					
Non-current assets					
Intangible assets	9.	4,704	4,493	3,167	3,380
Tangible assets		740,509	729,089	24,859	25,392
Investments					
Holdings in Group companies	10.			540,547	531,087
Holdings in associated companies	11.	55,719	55,510	58,042	57,890
Treasury shares	18.	4,676	4,676	4,676	4,676
Other investments		21,345	23,093	107,449	105,504
Investments, total		81,740	83,278	710,713	699,156
Non-current assets, total		826,953	816,860	738,739	727,928
Current assets					
Short-term receivables	12.	4,915	3,390	5,768	5,478
Cash and cash equivalents		8,578	15,074	4,258	11,921
Current assets, total		13,494	18,464	10,025	17,399
Assets, total		840,446	835,324	748,764	745,327
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity					
Share capital	13.	156,780	142,800	156,780	142,800
Share premium fund		35,121	28,253	35,121	28,253
Treasury share reserve		4,676	4,676	4,676	4,676
Other funds		6,551	6,551	6,551	6,551
Retained profits		13,000	13,010	4,460	6,832
Net profit		17,432	14,260	13,784	11,895
Capital loan	14.	68,452	68,452	68,452	68,452
Shareholders' equity, total		302,012	278,002	289,824	269,460
Minority interest		100,003	99,803		
Liabilities					
Long-term	16.	407,378	428,344	427,948	447,085
Short term		31,053	29,175	30,992	28,783
Liabilities, total		438,431	457,519	458,940	475,868
Liabilities and shareholders' equity, total		840,446	835,324	748,764	745,327

## › Cash Flow Statement

EUR 1,000	Group 1 Jan.–31 Dec. 2004	Group 1 Jan.–31 Dec. 2003	Parent Company 1 Jan.–31 Dec. 2004	Parent Company 1 Jan.–31 Dec. 2003
<b>OPERATING ACTIVITIES</b>				
Profit before extraordinary items	24,243	19,137	19,429	16,025
Adjustments:				
Depreciation	7,635	6,534	1,808	1,249
Financial income and expenses	26,098	24,174	35,800	32,165
Other adjustments	-75	919	-162	496
Cash flow before change in working capital	57,902	50,764	56,875	49,935
Change in working capital	-159	-16	789	723
Cash flow from operating activities before financial items and taxes	57,743	50,748	57,664	50,658
Interest paid and payments for other financial expenses of operating activities	-28,042	-24,129	-31,793	-26,057
Dividend and interest received from business operations	768	492	600	481
Taxes paid	-4,211	-4,686	-4,208	-4,674
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>26,258</b>	<b>22,425</b>	<b>22,263</b>	<b>20,407</b>
<b>INVESTING ACTIVITIES</b>				
Investments in tangible and intangible assets	-10,829	-4,869	-1,082	-1,578
Proceeds from the sale of tangible and intangible assets	27	109	24	9
Shares in associated companies purchased	-26	-765	-26	-765
Shares in associated companies sold	74	1,574	74	1,574
Loans granted			-7,128	-3,179
Repayments of loans receivable	2	2	4	604
Shares in subsidiaries purchased	-8,783	-77,140	-9,276	-77,052
Shares in subsidiaries sold	828	1,379	840	1,381
Interest received from investments	6	8	61	8
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-18,701</b>	<b>-79,702</b>	<b>-16,509</b>	<b>-78,999</b>
<b>FINANCIAL ACTIVITIES</b>				
Share issue	20,847		20,847	
Fund payments from minority interest	63	35		
Withdrawals of short-term loans	18,207	2,100	18,052	2,100
Repayments of short-term loans	-18,052		-18,052	
Withdrawals of long-term loans	414,850	67,900	415,000	67,900
Repayments of long-term loans	-435,704	-244	-435,000	0
Dividend paid and other distribution of profit	-14,266	-9,171	-14,266	-9,171
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>	<b>-14,054</b>	<b>60,621</b>	<b>-13,419</b>	<b>60,829</b>
Increase (+) / decrease (-) in cash and cash equivalents	-6,496	3,344	-7,665	2,237
Liquid assets from Sampotalo in Rovaniemi, merger				645
Cash and cash equivalents at beginning of period	15,074	11,730	11,921	9,039
Cash and cash equivalents at end of period	8,578	15,074	4,258	11,921

## › Accounting Principles

### Property portfolio

› The historical cost of buildings is depreciated according to plan on a straight-line basis at 1 per cent a year. Should the historical cost include excess value as a result of the rent stated in the lease significantly exceeding the market rent, this is depreciated in line with the concept of prudence during the lease period if the potential value of the property concerned is considered as remaining below the historical cost during the lease period. If returns from a property have significantly fallen, planned depreciation for it has been accelerated.

Repair costs are booked as expenses as they occur.

### Other fixed assets

› Other long-term expenditure includes costs capitalised in association with the acquisition of property portfolio, which are depreciated within three years, and the capitalised costs of repairs to premises, which are depreciated during the validity of the lease. Machinery and equipment is depreciated over a period of from 4 to 30 years. Machinery and equipment includes the technical equipment in buildings. Basic improvements and repairs to such equipment are included in annual expenses.

### Principles of consolidation

› The consolidated accounts have been prepared in accordance with the historical cost accounting method under which the historical cost of shares in subsidiary undertakings in the parent company's fixed assets has been eliminated against the subsidiary's shareholders' equity on the date the subsidiary was acquired. Historical costs are applied to land and buildings up to their fair value. Historical costs of buildings are depreciated on a straight-line basis at a rate of 1 per cent a year.

Intra-Group transactions and distribution of profit have been eliminated in the consolidated accounts.

Minority interest appears as a separate item in the consolidated shareholders' equity and profits.

### Associated companies

› Associated companies have been consolidated using the equity method. The part of the historical cost exceeding the shareholders' equity is applied to land and buildings up to their

fair value. Historical costs of buildings are depreciated on a straight-line basis at a rate of 1 per cent a year. Depreciation is shown as part of the associated company's net profit together with the share of profit for the financial year.

### Pension arrangements

› Employee pension cover has been arranged through statutory pension insurance.

### Treasury shares

› Treasury shares are shown in financial assets under non-current assets and in the treasury share fund under shareholders' equity. This fund is non-distributable equity. The treasury shares have been subtracted from the share capital and from the number of shares when calculating the key figures.

### Capital loan

› The capital loan appears as a separate item under shareholders' equity. The capital loan has been treated as debt according to its nature when calculating the key figures.

### Taxes

› Taxes are shown on an accrual basis. The company has no deferred tax liabilities or credits arising from matching differences.

### Environmental costs

› The Group's environmental costs result from the disposal, sorting and recycling of waste. Environmental costs related to business have been recorded as annual expenses. There were no major environmental investments made during the financial year.

### Note

› Individual figures and totals presented in the financial statements have been rounded to the nearest EUR 1,000, which may cause discrepancies between the sums of the individual figures when added together and the total amounts.

## › Notes to the Income statement

EUR 1,000	Group 1 Jan.-31. Dec. 2004	Group 1 Jan.-31. Dec. 2003	Parent company 1 Jan.-31. Dec. 2004	Parent company 1 Jan.-31. Dec. 2003
<b>1. TURNOVER</b>	88,636	78,064	83,218	72,912
Turnover is comprised primarily of rental and maintenance charge income				
The parent company's turnover includes building management and administration fees charged from the Group companies.			500	448
<b>2. OTHER INCOME</b>				
Koy Sampotalo in Rovaniemi was merged with the parent company on 31 Dec. 2003				
Capital gains on sales of fixed assets	110	147	147	190
Refund of price for Kaivokatu underpass		-631		-631
Other income from business operations				
Merger profit, Koy Sampotalo in Rovaniemi				1,132
Refunds of property tax	642			
Other income	17	2	8	
Other income, total	769	-482	155	691
<b>3. MATERIALS AND SERVICES</b>				
Materials and supplies				
Purchases during the financial year	22,469	18,444	2,237	654
External services	366	244	366	244
Materials and services, total	22,835	18,688	2,603	897
<b>4. PERSONNEL</b>				
Average number of employees during the financial year	40	33	30	27
Personnel expenses				
Wages and salaries	2,326	2,079	1,923	1,802
Pension costs	417	365	348	322
Other personnel expenses	256	181	228	163
Personnel expenses, total	2,998	2,625	2,499	2,287
Personnel expenses include management salaries and emoluments				
CEOs' salary and emoluments	264	240	191	152
Board's salaries and emoluments	165	107	165	107
Total	429	347	356	259
On the basis of his contract, the CEO of the parent company is entitled to a total of 1,500,000 warrants under the 1999 warrant scheme, which were handed over in 2002, as well as 150,000 warrants under the 2004 warrant scheme. The CEO is entitled to a full pension on reaching the age of 62 if he is still in the company's employ. The company has pension insurance cover for this. The period of notice of termination for the CEO is 6 months on either side. If the contract is terminated by the company for a reason not due to the CEO, the CEO will be paid 18 months' salary in lump-sum compensation in addition to the salary for the notice period.				
<b>5. DEPRECIATION AND VALUE ADJUSTMENTS</b>				
On intangible assets	689	708	671	688
On buildings and structures	5,965	5,139	911	520
On machinery and equipment	981	687	227	41
Planned depreciation and value adjustments, total	7,635	6,534	1,808	1,249
<b>6. RENTS AND MAINTENANCE CHARGES</b>				
The item in the parent company includes rents paid to Group companies			15,888	15,302
<b>7. FINANCIAL INCOME AND EXPENSES</b>				
Dividend income				
From Group companies			61	61
From others	272	80	270	79
Dividend income, total	272	80	331	140
Interest income from long-term investments				
From Group companies			2,967	2,555
From participating interests		4	3	4
From others	6	-46	6	-46
Interest income from long-term investments, total	6	-43	2,976	2,512
Other interest and financial income				
From Group companies			25	25
From others	613	442	432	432
Other interest and financial income, total	613	442	457	457
Interest income from long-term investments and other interest and financial income, total	891	479	3,763	3,109
Interest expenses and other financial expenses				
To Group companies			12,625	10,670
To others	26,989	24,653	26,938	24,603
Interest expenses and other financing expenses, total	26,989	24,653	39,563	35,274
Net financial expenses, total	-26,098	-24,174	-35,800	-32,165
<b>8. DIRECT TAXES</b>				
Taxes for the financial year	-6,802	-4,870	-5,645	-4,130



## > Notes to the Balance Sheet

EUR 1,000		Group 2004	Group 2003	Parent company 2004	Parent company 2003
<b>9. FIXED ASSETS</b>					
Fixed assets have been entered in the balance sheets at historical cost less value adjustments as well as the depreciation booked.					
On 31.12.2003 Koy Sampotalo in Rovaniemi was merged with the parent company and at year-end Jyväskylä Forum, which was acquired in 2003, was spun off. The effects of the spin-off are seen as an increase in the parent company's buildings, land areas and subsidiary shares and as a transfer between items.					
<b>Intangible assets</b>					
<u>Intangible rights</u>					
Historic cost	1 Jan.	289	192	285	188
Increases		112	44	112	44
Transfer between items			54		54
Historic cost	31 Dec.	402	289	398	285
Accumulated depreciation	1 Jan.	132	81	132	81
Depreciation for year		63	51	63	51
Accumulated depreciation	31 Dec.	195	132	195	132
Book value	31 Dec.	207	157	203	153
<u>Rental agency commissions</u>					
Historic cost	1 Jan.				
Increases		44		44	
Transfer between items					
Historic cost	31 Dec.	44		44	
Accumulated depreciation	1 Jan.				
Depreciation for year		3		3	
Accumulated depreciation	31 Dec.	3		3	
Book value	31 Dec.	41		41	
<u>Connection fees</u>					
Historic cost	1 Jan.	2,779	2,640	101	3
Increases		151	144		97
Reductions		-11	-5		
Book value	31 Dec.	2,919	2,779	101	101
<u>Other long-term expenditure</u>					
Historic cost	1 Jan.	3,422	3,073	5,092	3,265
Increases		20	2,507	278	2,232
Decreases		-133	-447	-159	-447
Transfer between items		182	-1,712	182	41
Historic cost	31 Dec.	3,492	3,422	5,393	5,092
Accumulated depreciation	1 Jan.	1,865	1,787	1,966	1,767
Depreciation for year		90	462	605	443
Accumulated depreciation on reductions and transfers			-385		-243
Accumulated depreciation	31 Dec.	1,955	1,865	2,571	1,966
Book value	31 Dec.	1,537	1,557	2,822	3,126
<b>Intangible assets, total</b>	<b>31 Dec.</b>	<b>4,704</b>	<b>4,493</b>	<b>3,167</b>	<b>3,380</b>
<b>Tangible assets</b>					
<u>Land areas</u>					
Historic cost	1 Jan.	145,027	123,862	1,859	69
Increases		1,448	21,754		10,110
Decreases		-32	-589		
Transfer between items					-8,320
Depreciation		-2,050			
Historic cost	31 Dec.	146,443	145,027	1,859	1,859
<u>Buildings and structures</u>					
Historic cost	1 Jan.	599,153	516,691	46,741	19,556
Increases		12,332	83,457		48,303
Decreases		-488	-995		
Transfer between items		5,711			-21,118
Historic cost	31 Dec.	616,707	599,153	46,741	46,741
Accumulated depreciation	1 Jan.	35,561	30,389	23,159	5,746
Accumulated depreciation on increases, merger					16,893
Depreciation for year		5,965	5,138	911	520
Accumulated depreciation on decreases		42	34		
Accumulated depreciation	31 Dec.	41,568	35,561	24,069	23,159
Accumulated value adjustments	1 Jan.-31 Dec.	-1,572	-1,572	-815	-815
Book value	31 Dec.	573,567	562,020	21,856	22,767

## › Notes to the Balance Sheet

EUR 1,000		Group 2004	Group 2003	Parent company 2004	Parent company 2003
<b>Machinery and equipment</b>					
Historic cost	1 Jan.	18,650	17,513	2,719	395
Increases		2,311	1,179	20	2,358
Decreases		10	-8	15	
Transfer between items		13			
Historic cost	31 Dec.	20,984	18,683	2,754	2,752
Accumulated depreciation	1 Jan.	3,400	2,714	2,282	243
Accumulated depreciation on increases, merger					1,999
Depreciation for year		859	687	105	41
Accumulated depreciation on decreases		4	-1		
Accumulated depreciation	31 Dec.	4,264	3,400	2,389	2,282
Book value	31 Dec.	16,720	15,283	366	470
Machinery and equipment also include technical equipment in buildings					
<b>Other tangible assets</b>					
Historic cost	1 Jan.	4,808	3,055	211	13
Increases		13		13	197
Decreases					
Transfer between items		231	1,753		
Historic cost	31 Dec.	5,052	4,808	223	211
Accumulated depreciation	1 Jan.	1,370	1,229	75	
Accumulated depreciation on decreases and transfers		533	141		
Accumulated depreciation on increases, merger					75
Depreciation for year		122		122	
Accumulated depreciation	31 Dec.	2,026	1,370	197	75
Book value	31 Dec.	3,026	3,438	26	135
<b>Acquisitions in progress</b>					
Historic cost	1 Jan.	3,321	291	161	291
Increases		3,356	3,207	773	46
Decreases			-82		-82
Transfer between items		-5,926	-95	-182	-95
Book value	31 Dec.	751	3,321	751	161
<b>Tangible assets, total</b>		<b>740,509</b>	<b>729,089</b>	<b>24,859</b>	<b>25,392</b>
<b>Investments</b>					
<b>Share in subsidiaries</b>					
Historic cost	1 Jan.			531,583	469,979
Increases				10,167	48,791
Decreases				-707	-15,675
Transfer between items					28,488
Historic cost	31 Dec.			541,043	531,583
Accumulated depreciation	1 Jan. and 31 Dec.			-496	-496
Book value	31 Dec.			540,547	531,087
<b>Share in associated companies</b>					
Historic cost	1 Jan.	57,456	77,363	57,890	77,576
Increases		405	769	133	769
Decreases		-13	-507	-13	-286
Transfer between items		32	-20,168	32	-20,168
Historic cost	31 Dec.	57,880	57,456	58,042	57,890
Accumulated depreciation	1 Jan.	1,946	2,080		
Depreciation for year		215	204		
Accumulated depreciation on decreases			-339		
Accumulated depreciation	31 Dec.	2,161	1,946		
Book value	31 Dec.	55,719	55,510	58,042	57,890
<b>Treasury shares</b>					
Historic cost	1 Jan.	4,676	4,261	4,676	4,261
Change in value	31 Dec.		414		414
Book value	31 Dec.	4,676	4,676	4,676	4,676
<b>Other investments</b>					
<b>Shares in minority companies</b>					
Historic cost	1 Jan.	21,404	22,388	18,839	19,826
Increases		9	12	8	8
Decreases		-86	-995	-86	-995
Transfer between items					
Historic cost	31 Dec.	21,328	21,404	18,762	18,839
Book value	31 Dec.	21,328	21,404	18,762	18,839
<b>Notes receivable</b>					
From subsidiaries				88,670	86,627
From associated companies		16	38	16	38
From others			1,651		
<b>Investments, total</b>	<b>31 Dec.</b>	<b>81,740</b>	<b>83,278</b>	<b>710,713</b>	<b>699,156</b>

10. GROUP COMPANIES	Domicile	Parent company's holding, %
Asolantien Liikekiinteistö	Vantaa	100.00
Eskolanmäki	Kouvola	100.00
Forssan Hämeentie 3	Forssa	100.00
Hollolan Keskuspuoti	Hollola	100.00
Härmälän Markkinatalo	Tampere	100.00
Jyväskylän Forum	Jyväskylä	100.00
Jyväskylän Kauppakatu 31	Jyväskylä	100.00
Kaarinan Liiketalo	Kaarina	100.00
Kanervatien Hallitalo	Laukaa	100.00
Karjaan Ratakatu 59	Karjaa	100.00
Kauppakeskus IsoKarhu	Pori	100.00
Keijutie 15	Lahti	100.00
Kotkan Keskuskatu 11	Kotka	100.00
Kuopion Kauppakatu 41	Kuopio	100.00
Kuusankosken Kauppakatu 7	Kuusankoski	100.00
Kuvernöörintie 8	Helsinki	100.00
Lahten Kauppakatu 13	Lahti	100.00
Latokasken Ostoskeskus	Espoo	100.00
Larvalankatu 12	Seinäjoki	100.00
Lippulaiva	Espoo	100.00
Loviisan Ulrika	Loviisa	100.00
Martinlaakson Kivivuorentie 4	Vantaa	100.00
Martinlaakson tie 36	Vantaa	100.00
Minkkikuja 4	Vantaa	100.00
Naantalin Tullikatu	Naantali	100.00
Nokian Välikatu 17	Nokia	100.00
Oulun Galleria	Oulu	100.00
Porin Asema-Aukio	Pori	100.00
Porin Isolinna 18	Pori	100.00
Runeberginkatu 33	Porvoo	100.00
Savonlinnan Tulliportinkatu 6-10	Savonlinna	100.00
Seinäjoen Kino	Seinäjoki	100.00
Seinäjoen Teollisuustie	Seinäjoki	100.00
Seinäjoen Varastotie	Seinäjoki	100.00
Sinikalliontie	Espoo	100.00
Säköliiketalo	Säköli	100.00
Talvikkitie	Vantaa	100.00
Tampereen Hantanpää	Tampere	100.00
Tampereen Suvantokatu	Tampere	100.00
Ulappatori	Espoo	100.00
Ultima	Helsinki	100.00
Valkeakosken Apiankatu	Valkeakoski	100.00
Valkeakoskien Torikatu	Valkeakoski	100.00
Vantaan Laajavuoreнкуja 2	Vantaa	100.00
Varkauden Relanderinkatu 30	Varkaus	100.00
Wavulinintie	Helsinki	100.00
Veniamo-Invest	Helsinki	100.00
Vaakalintu	Riihimäki	95.80
Metsäpellon Liikekeskus	Lahti	91.30
Linjurin Kauppakeskus	Salo	88.50
Mäntyvuoksi	Imatra	86.80
Taivalalaisen Liiketalo	Suomussalmi	84.50
Lappeenrannan Brahenkatu	Lappeenranta	84.40
Tikkurilan Kauppakeskus	Vantaa	83.84
Koskikeskuksen Huolto	Tampere	81.67
Orimattilan Markkinatalo	Orimattila	77.30
Lappeen Liikekeskus	Lappeenranta	75.27
Myymanni	Vantaa	74.01
Kuusamon Linja-autoasema	Kuusamo	69.70
Myymäen Kauppakeskus	Vantaa	67.80
Haukiputaan Markkinatalo	Haukipudas	67.70
Kirkkonummen Liikekeskus	Kirkkonummi	66.70
Espoontori	Espoo	66.64
Tampereen Koskenranta	Tampere	63.73
Eerolan Liikekeskus	Valkeakoski	62.90
Vantaa Säästötalo	Vantaa	61.24
Kivensilmänkuja	Helsinki	60.00
Ulappapaikoitus	Espoo	59.85
Tornion Kauppakatu	Tornio	58.56
Saariportti	Kuopio	57.30
Orimattilan Säästöpankkitalo	Orimattila	56.90
Lahten Trio	Lahti	55.56
Väinöläntammi	Pori	55.00
Kauppapiha	Iisalmi	54.61
Heikintori	Espoo	52.10
Hollolan Keskuskatu	Hollola	50.30

Total 76 Group companies

11. ASSOCIATED COMPANIES	Domicile	Group's holding, %	Parent company's holding, %
Espoon Louhenkulma	Espoo	49.93	49.93
Espoon Pysäköintitalo	Espoo	27.28	0.00
Hakunilan Keskus	Vantaa	29.50	29.50
Hervannan Liikekeskus	Tampere	41.20	41.20
Hyrylän Ostoskeskus	Tuusula	20.70	20.70
Kaarinan Kauppakeskus	Kaarina	26.20	26.20
Kalajoen Linja-autoasema	Kalajoki	47.30	47.30
Kauppalantie	Helsinki	28.91	28.91
Keravan Liikekeskus	Kerava	34.40	34.40
Kirkkonummen Liiketalo	Kirkkonummi	24.30	24.30
Kommila	Varkaus	43.40	43.40
Kontulan Asemakeskus	Helsinki	33.50	33.50
Kärpäsen Ostoskeskus	Lahti	33.90	33.90
Laajasalon Liikekeskus	Helsinki	38.80	38.80
Lauttasaaren Liikekeskus	Helsinki	23.60	23.60
Länsi-Keskus	Espoo	41.36	41.36
Martinmiilu	Vantaa	20.80	20.80
Mastonkulma	Ylöjärvi	24.38	24.38
Multian Palvelukeskus	Multia	46.40	46.40
Myymäen Autopaikoitus	Vantaa	46.38	0.00
Otaniemen Liikekeskus	Espoo	39.22	39.22
Parikkalan Liiketalo	Parikkala	50.00	50.00
Petäjäveden Palvelukeskus	Petäjävesi	49.02	49.02
Pihlajamäen Liiketalo	Helsinki	42.80	42.80
Puijonlaakson Palvelukeskus	Kuopio	31.30	31.30
Pukinmäen Liikekeskus	Helsinki	43.92	43.92
Ristinummen Palvelukeskus	Vaasa	43.95	43.95
Salpausseläntie	Helsinki	31.30	31.30
Saturnus	Helsinki	20.02	20.02
Sibeliuskatu 14	Järvenpää	25.95	25.95
Siltavouhintie	Helsinki	20.80	20.80
Solletteäгатan	Uusikaarlepyy	34.77	34.77
Soukan Itäinentorni	Espoo	27.30	27.30
Valkeakosken Liikekeskus	Valkeakoski	25.39	25.39
Tapiolan Ostoskeskus	Espoo	29.20	29.20
Tulliherra	Kuopio	23.20	23.20
Valtakatu 5-7	Valkeakoski	31.00	31.00
Vihdin Linjatalo	Vihti	30.00	30.00

Total 38 associated companies

## › Notes to the Balance Sheet

EUR 1,000		Group 2004	Group 2003	Parent company 2004	Parent company 2003
<b>12. SHORT-TERM RECEIVABLES</b>					
Accounts receivable		742	591	577	457
Receivables from Group companies					
Other receivables				2,956	3,197
Accrued assets				40	
Total				2,996	3,197
Receivables from associated companies					
Other receivables			12		12
Total			12		12
Other receivables		2,606	2,114	825	1,365
Accrued assets		1,567	674	1,369	446
Short-term receivables		4,915	3,390	5,767	5,478
Significant accrued income					
Interest cap premium			119		11
<b>13. SHAREHOLDERS' EQUITY</b>					
Share capital	1 Jan.	142,800	142,800	142,800	142,800
Share issue to selected investors	24 Sep.	13,500		13,500	
Subscriptions based on warrants	27 Oct.	47		47	
	1 Dec.	308		308	
	28 Dec.	124		124	
Share capital	31 Dec.	156,780	142,800	156,780	142,800
Share premium fund	1 Jan.	28,253	28,253	28,253	28,253
Increase		6,868		6,868	
Share premium fund	31 Dec.	35,121	28,253	35,121	28,253
Treasury shares fund	1 Jan.	4,676	4,261	4,675	4,261
Change in value	31 Dec.		414		414
Treasury shares fund	31 Dec.	4,676	4,676	4,675	4,675
Other funds	1 Jan. and 31 Dec.	6,551	6,551	6,551	6,551
Retained profits	1 Jan.	27,270	22,179	18,727	16,003
Dividend		-14,267	-9,171	-14,267	-9,171
Retained profits	31 Dec.	13,000	13,010	4,460	6,832
Profit	31 Dec.	17,432	14,260	13,784	11,895
Capital loan	31 Dec.	68,452	68,452	68,452	68,452
Shareholders' equity, total	31 Dec.	302,012	278,002	289,824	269,460

### 14. CAPITAL LOAN I/1999

The parent company has a capital loan of EUR 68,452,486.

#### 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 at 30 June 2009, interest on the outstanding principal after this date shall be five (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 just ended, the amount payable is available for the distribution of profits.
- 4) The company is entitled to repay the principal wholly or in part on each interest payment date, at a rate determined by discounting the remaining cash flows up to the repayment date. The interest rate to be used for discounting is the Finnish government reference rate for the same period plus 2.75 per cent.

The loan matures on 30 June 2009.

Interest has been paid annually on 30 June and booked as an interest expense.

### 15. STOCK OPTIONS

#### 1999 warrants

Options	Number	Par value	Subscription period started
1999A	1,800,000	2,430,000.00	1 Sep. 2000
1999B	1,800,000	2,430,000.00	1 Sep. 2002
1999C	1,727,500	2,332,125.00	1 Sep. 2004
Not distributed	172,500	232,875.00	1 Sep. 2004
Total	5,500,000	7,425,000.00	

The subscription price is 2 euros minus dividend per share paid after 4 November, 1999 and before the subscription made. The minimum subscription price is however the par value of the share. The subscription price after the dividend paid in 2004 was EUR 1.54 per share. The subscription period ends 30 September, 2007.

1999 A/B/C -options were listed on the Helsinki Exchanges main list during 2004. Subscriptions were made for 355 500 Citycon new shares based on the warrants 1999 A/B/C after which the number of distributed outstanding 1999 warrants was 4 972 000. The outstanding number of warrants represent 4.4 per cent of the total number of Citycon shares and voting rights.

## 2004 stock options

Options		Number	Par value	Subscription period starts	Subscription period ends
2004A		1,135,000	1,532,250.00	1 Sept. 2006	31 Mar. 2009
2004B	not distributed	1,300,000	1,755,000.00	1 Sept. 2007	31 Mar. 2010
2004C	not distributed	1,300,000	1,755,000.00	1 Sept. 2008	31 Mar. 2011
2000A	not distributed	165,000	222,750.00	1 Sept. 2006	31 Mar. 2009
Total		3,900,000	5,265,000.00		

The share subscription price is the trade volume weighted average quotation of the Citycon share on the Helsinki Exchanges for stock options 2004A between 1 April and 30 April, 2004, for stock options 2004B between 1 April and 30 April, 2005 and for stock options 2004C between 1 April and 30 April, 2006, with addition of twenty (20) per cent. From the share subscription price of stock options shall, as per the dividend record date, be deducted fifty (50) per cent of the amount of the dividend per share paid after the beginning of the period for determination of the share subscription price but before share subscription. The minimum subscription price is however the par value of the share. The subscription price for stock options 2004A is EUR 2.51.

EUR 1,000	Group 2004	Group 2003	Parent company 2004	Parent company 2003
<b>16. LIABILITIES</b>				
<b>Long-term liabilities</b>				
Floating rate loans				
fixed with swaps	339,350	302,200	339,350	302,200
hedged with a cap		53,800		53,800
market loans tied to Euribor	81,448	85,750	81,448	84,798
Total	420,798	441,750	420,798	440,798
Next year's repayments	-14,154	-13,423	-14,000	-13,200
Total	406,644	428,327	406,798	427,598
Long-term debts				
Loans from financial institutions	407,364	428,327	406,798	427,598
Loans from Group companies			21,150	19,487
Loans from others	15	17		
Long-term liabilities, total	407,379	428,344	427,948	447,085
<b>Debts maturing in more than five years</b>				
Loans from financial institutions	171	224,201		224,000
Capital loan		68,452		68,452
Total	171	292,654		292,453
<b>Short-term liabilities</b>				
Loans from financial institutions	14,163	13,897	14,000	13,200
Advances received	850	322	539	192
Accounts payable	855	1,083	211	142
Total	15,868	15,301	14,750	13,534
Debts to associated companies				
Other debts			6,147	7,106
Accrued liabilities			717	
Total			6,863	7,106
Debts to participating interests				
Other debts	22	21		
Accrued liabilities				
Total	22	21		
Other debts	3,959	3,295	3,338	1,647
Accrued liabilities	11,204	10,558	6,041	6,496
Total	15,163	13,853	9,379	8,143
Short-term liabilities, total	31,053	29,175	30,992	28,783
<b>Liabilities, total</b>	<b>438,431</b>	<b>457,519</b>	<b>458,940</b>	<b>475,868</b>
Significant deferred liabilities				
Loan interest	4,133	4,253	4,130	4,247
Fund transfer tax debt		776		776
Tax liability	5,401	3,165	1,082	
Other liabilities	1,661		1,661	
Total	11,195	8,194	6,873	5,023

## › Notes to the Balance Sheet

EUR 1,000	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Contingent liabilities for debts				
Mortgages on land and buildings	2,366	338,430		16,100
Shares pledged (book value)		76,684		594,615
Other pledges given		3,165		3,165
The new 2004 financing arrangements are unsecured.				
Debts, for which mortgages have been given as surety and shares pledged				
Loans from financial institutions	580	442,220		440,798
Payables on leasing commitments				
Leasing commitments maturing during the next year	344	254	280	202
Maturing later	416	389	313	294
Total	760	643	593	496
VAT refund liabilities	3,962	2,668	201	638
<b>The Group's derivatives</b>				
EUR 1,000	31 Dec. 2004 Par value	31 Dec. 2004 Fair value	31 Dec. 2003 Par value	31 Dec. 2003 Fair value
Interest-rate derivatives				
Interest-rate swaps				
maturing in 2007	78,200	-535	78,200	1,143
maturing in 2008	50,000	-2,153	50,000	-1,344
maturing in 2009	128,150	-7,940	91,000	-5,439
maturing in 2010	83,000	-7,920	83,000	-5,750
Interest-rate swaps, total	339,350	-18,549	302,200	-11,390
Interest-rate options				
Purchased				
Interest rate caps				
Matured in 2004			53,800	-1
Interest rate caps, total			53,800	-1

The fair values of the derivatives describe their value if all the derivatives were closed at the market price at the year end. Derivatives have been used to hedge loans. The fair values of the derivatives include the accumulated interest for the financial year MEUR 0.6 (MEUR 0.6), which has been posted to interest expenses.

### 17. OTHER COMMITMENTS

#### Equity ratio commitments

Under a commitment given to financiers, Citycon undertakes to maintain the Group's equity ratio at above 32.5 per cent, and the interest coverage ratio should be at least 1.8. The interest coverage ratio is calculated by dividing the operating margin, less gains from the divestment of fixed assets and plus share of associates companies' profit, by net financial charges. The capital loan and minority interest are included in shareholders' equity when calculating the capital, subject to minority interest accounting for a maximum of 15 per cent of shareholders' equity, likewise subtracting the remaining minority interest from the balance sheet total.

Calculated in this way, the group equity ratio was 43.5% at year-end and the interest coverage ratio was 2.2.

#### Negative Pledge

The parent company has given financiers a Negative Pledge.

### 18. TREASURY SHARES

EUR 1,000	2004	2003
Number of shares, 1,000	3,874	3,874
Combined par value	5,230	5,230
Percentage of share capital	3.3	3.7
Percentage of voting rights	3.3	3.7
Consideration paid	4,676	4,676

The book value of the treasury shares at year-end corresponded to historic cost, which was lower than the closing price as at 31 December 2004. The effect of treasury shares has been eliminated in the calculation of the key figures.

Citycon's Board of Directors has decided to propose to the annual general meeting of 5 April 2005 that the treasury shares be cancelled.

## > Key Figures

EUR 1,000	formula / note	2004	2003	2002	2001	2000
<b>INCOME STATEMENT DATA</b>						
Turnover		88,636	78,064	78,950	75,771	73,013
Other income		769	-482	734	2,050	3,139
Depreciation according to the plan		7,635	6,534	6,805	6,792	8,522
Impairments				815		
Operating profit		50,342	43,312	43,895	44,895	42,279
Profit before extraordinary items and taxes		24,243	19,137	19,180	17,643	15,819
Profit before taxes		24,243	19,137	19,180	17,643	15,819
Profit		17,432	14,260	13,801	12,595	11,288
<b>BALANCE SHEET DATA</b>						
Non-current assets		826,953	816,860	731,515	738,980	735,095
Treasury shares		4,676	4,676	4,261	3,951	3,642
Current assets		13,494	18,464	14,818	9,948	8,289
Shareholders' equity and treasury shares		233,560	209,550	204,045	198,086	193,422
Capital loan		68,452	68,452	68,452	68,452	68,452
Minority interest		100,003	99,803	90,521	89,918	91,026
Liabilities		438,431	457,519	383,315	392,471	390,484
Balance sheet total		840,446	835,324	746,333	748,928	743,384
<b>KEY FIGURES FOR FINANCIAL PERFORMANCE</b>						
Return on equity, % (ROE)	1 1)	8.4	7.1	7.1	6.7	6.0
Return on equity, (ROE) including minority interest, %	1)	5.7	4.9	4.8	4.5	4.0
Return on investment, % (ROI)	2	6.2	5.8	6.0	6.1	5.8
Equity ratio, %	3	47.6	44.9	48.4	47.3	47.2
Equity ratio, with capital loan not counted as part of shareholders' equity, %		39.4	36.7	39.1	38.2	38.0
Equity ratio for bank, %		43.5	40.4	44.2	43.0	42.7
Quick ratio	4	0.4	0.6	1.3	0.3	0.2
Gearing, %	5	146.8	163.2	147.7	156.9	160.2
Gross investment in non-current assets		18,770	84,244	5,854	20,368	9,739
% of turnover		21.2	107.9	7.4	26.2	12.8
Personnel, average		40	33	33	26	22
<b>KEY FIGURES FOR SHARES</b>						
Earnings per share, EUR	6 1)	0.17	0.14	0.14	0.12	0.11
Earnings per share, diluted, EUR	7 1)	0.16				
Equity per share, EUR	8 1)	2.04	2.01	1.96	1.91	1.86
P/E (price/earnings) ratio	9 1)	15	11	8	8	9
Dividend per share EUR	2)	0.14	0.14	0.09	0.08	0.08
Dividend per earnings, %	10 2)	84.1	100.0	66.5	64.7	73.0
Effective dividend yield, %	11 2)	5.7	9.2	8.2	7.8	8.6

1) Treasury shares are deducted from shareholders' equity and the number of shares for the calculation of the key figures.

2) Board's proposal

Formulas on page 26.



## › Shares and Shareholders

### Trend in share capital

› Citycon Oyj's minimum and maximum authorised share capital is EUR 100,000,000 and EUR 300,000,000 respectively, within which limits the share capital may be increased or decreased without amending the articles of association. During the financial year, Citycon carried out a directed share offering to Finnish and international institutional investors. The intention of the share offering was to expand Citycon's ownership structure to support the company's forthcoming growth and to improve the liquidity of the company's shares. The decision by the Board of Directors to hold the share offering was based on an authorisation granted by the annual general meeting of 15 March 2004 to increase the share capital by means of a new issue of shares.

A total of 10,000,000 new shares were offered for subscription at a price of EUR 2.03. Of the shares, 91 per cent were sold to foreign and 9 per cent to Finnish investors. The new shares were the equivalent of roughly 9.4 per cent of Citycon's share capital and voting rights conferred by shares before the offering, and after it they were equal to roughly 8.6 per cent. The share offering was carried out in a book building process on 13 and 14 September 2004. The share offering was oversubscribed by a factor of 2.4. The increase in share capital, being EUR 13,500,000, was entered in the Trade Register on 24 September 2004. The new shares were quoted on the Main List of the Helsinki Exchanges as of 27 September 2004. The details of the directed share offering are disclosed in the stock exchange releases issued by Citycon in September 2004.

The company's registered share capital on 31 December 2004 was EUR 156,655,833.30, distributed among 116,041,358 shares each having a par value of EUR 1.35. The 92,000 shares subscribed with options on 28 December were entered in the Trade Register on 3 February 2005.

### Shares and share quotation

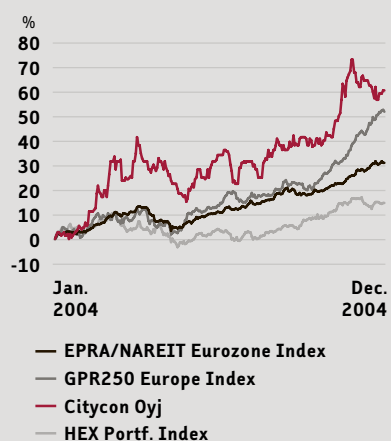
› Citycon Oyj has a single series of shares. Each share confers entitlement to one vote at general meetings of shareholders. Citycon's shares have been quoted on the main list of the Helsinki Exchanges since 1988. The trading code is CTY1S, its industry classification is investment and a stock exchange lot is 1,000 shares. The ISIN code used in international securities clearing is FI0009002471.

### Shareholders

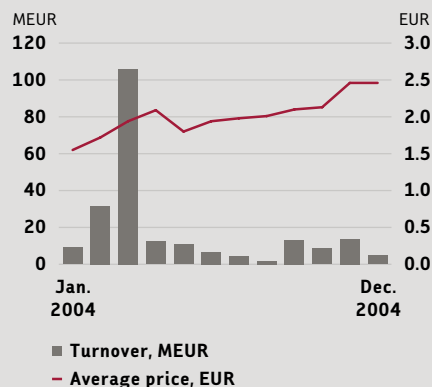
› At year-end 2004, 99.9 per cent or a total of 116,033,821 shares were in the book-entry securities system kept by the Finnish Central Securities Depository. There were 7,537 non-registered shares.

At year-end 2004, Citycon had a total of 1,175 registered shareholders. The registered shareholders held 16.5 million shares being 14.2 per cent and nominee-registered shareholders held 99.6 million shares being 85.8 per cent of the shares and voting rights.

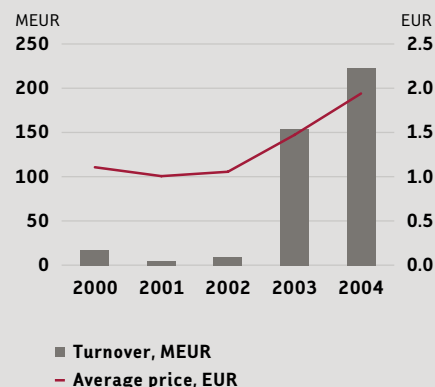
Trend of comparative indexes



Share turnover and average price



Share turnover and average prices



## Largest shareholders on 31 December 2004

Name	Shares, number	Percentage
Ilmarinen Mutual Pension Insurance Company	2,620,000	2.26
Odin Finland	1,186,000	1.02
Pohjola Finland Value mutual fund	1,170,000	1.01
Emil Aaltonen Foundation	550,000	0.47
Etera Mutual Insurance Company	500,000	0.43
Fieandt von Johan	400,000	0.34
Oy Fincorp Ab	400,000	0.34
Säästöpankki Kotimaa mutual fund	187,000	0.16
Tallberg Carl Johan	180,000	0.15
Veritas Life Insurance Company Veritas	147,000	0.13
<b>Total for 10 largest</b>	<b>7,340,000</b>	<b>6.31</b>
Citycon Oyj	3,874,000	3.34
Nominee registered and foreign	99,552,991	85.80
Other	4,340,030	3.74
Non-registered	7,537	0.01
<b>Total</b>	<b>116,041,358</b>	<b>100.00</b>

Gazit-Globe Ltd has announced on 5 April 2004 that it's holding of Citycon Oyj's shares is 35,330,000 shares. This accounts for 30.4 per cent of shares and voting rights of the number of shares 31 December 2004. Fidelity Investment Limited has announced on 13 November 2003 that it's holding of Citycon Oyj's shares is 13,912,800. This accounts for 12.0 per cent of shares and voting rights of the number of shares 31 December 2004. The statutory notices of changes in ownership issued during the financial year are presented on page 8.

## Shareholders by ownergroup on 31 December 2004

	Shareholders, number	%	Book entry securities, number	%	Nominee-regist- ered, number	%	Voting rights, number	%
Companies	97	8.26	5,312,446	4.59	355,801	0.31	5,668,247	4.89
Financial and insurance institutions	13	1.11	1,611,044	1.39	99,197,190	85.48	100,808,234	86.87
Public sector	3	0.26	3,156,000	2.72			3,156,000	2.72
Non-profit	17	1.45	857,451	0.74			857,451	0.74
Household	1,037	88.24	4,198,053	3.62			4,198,053	3.62
Finnish, total	1,167	99.32	15,134,994	13.06	99,552,991	85.79	114,687,985	98.83
Foreign	8	0.68	1,345,836	1.16			1,345,836	1.16
<b>Total</b>	<b>1,175</b>	<b>100.00</b>	<b>16,480,830</b>	<b>14.20</b>	<b>99,552,991</b>	<b>85.79</b>	<b>116,033,821</b>	<b>99.99</b>
of which nominee-registered	6				99,552,991	85.79		
Non-registered			7,537	0.01			7,537	0.01
Issued total			116,041,358	100.00			116,041,358	100.00

Tables are based on the list kept on the register by Finnish Central Securities Depository Ltd.

In addition, on 28 Dec. 2004 92,000 new shares were subscribed using 1999 A/B/C warrants. The corresponding increase in share capital was registered on 3 Feb. 2005.

## The trend in Citycon Oyj's share capital during the financial year

Date	Event	Change in number of shares	Number of shares	Change in share capital, EUR	Share, capital, EUR
<b>1 Jan. 2004</b>	<b>Share capital</b>		<b>105,777,858</b>		<b>142,800,108.30</b>
24 Sept. 2004	Increase in share capital based share offering	10,000,000	115,777,858	13,500,000	156,300,108.30
27 Oct. 2004	Increase in share capital based on stock options	35,000	115,812,858	47,250	156,347,358.30
16 Dec. 2004	Increase in share capital based on stock options	228,500	116,041,358	308,475	156,655,833.30
<b>31 Dec. 2004</b>	<b>Share capital</b>		<b>116,041,358</b>		<b>156,655,833.30</b>
3 Feb. 2005	Increase in share capital based on stock options	92,000	116,133,358	124,200	156,780,033.30

## › Shares and Shareholders

During the financial year, 6 statutory notices of changes in ownership were issued. The details of statutory notices are on page 8.

At year-end, Citycon held 3,874,000 of its own shares, acquired for a total of MEUR 4.7, the lowest price paid being EUR 1.10 and the highest EUR 1.35. The number of shares acquired corresponded to 3.3 per cent of Citycon's share capital and voting rights.

### Shareholdings of the Board and management

› On 31 December 2004, members of Citycon Oyj's Board of Directors owned a total of 91,667 shares, corresponding to 0.07 per cent of the company's total shares and voting rights. Citycon's CEO held 100,000 shares, 1,650,000 stock options and members of the Corporate Management Committee held a total of 3,000 shares and 971,670 stock options on 31 December 2004.

### Share price trend

› In 2004, Citycon shares were traded on the Helsinki Exchanges for a total of MEUR 223.0. The total trade was 115.1 million shares being 99.1 per cent of the total number of shares.

The highest and lowest trading prices in 2004 were EUR 2.65 and EUR 1.52 respectively. The average trading price weighted by the number of shares traded was EUR 1.94 and the closing price was EUR 2.44. The company's market capitalisation at year-end was MEUR 273.9 (MEUR 154.9), excluding the effect of treasury shares.

### Dividend for 2004

› Citycon Oyj's Board of Directors is proposing to the annual general meeting that a dividend of EUR 0.14 per share be paid from the company's net profit for 2004 on shares outside the company's ownership. The effective dividend yield for 2004 is 5.7 per cent (9.2%).

### Taxable value of the share in 2004

› The taxable value of a Citycon share in 2004 is EUR 1.69.

### Stock options <sup>1)</sup>

› Citycon warrants are part of the Group's system of incentives. The extraordinary general meeting of 4 November 1999 authorised the issue of a maximum aggregate of 5,500,000 warrants to the company's CEO, Citycon Group employees and to the company's subsidiary Veniamo-Invest

Oy. Each warrant entitles the holder to subscribe one Citycon Oyj share having a par value of one euro and thirty-five cents (EUR 1.35).

1,800,000 of the warrants issued in 1999 are endorsed with the letter A, 1,800,000 with the letter B and 1,900,000 with the letter C. Warrants endorsed with the letter A could be exercised from 1 September 2000, those with the letter B from 1 September 2002, and subscriptions with those with the letter C began on 1 September 2004. The subscription price of shares subscribed with the warrants is EUR 2 per share less the dividend per share to be paid after 4 November 1999. The subscription price for one share, after dividend paid in 2004, is EUR 1.54 per share. The exercise period for all warrants expires on 30 September 2007.

Citycon Oyj applied for the listing of the 1999 A/B/C warrants on the main list of the Helsinki Exchanges during the financial year. The A/B warrants were included on the main list of the Helsinki Exchanges as of 23 April 2004 and the C warrants have been included on the same list since 1 September 2004. By the end of the financial year, A/B/C warrants had been exercised to subscribe a total of 263,500 new Citycon Oyj shares at a par value of EUR 1.35 per share. In addition, 92,000 new shares were subscribed on 28 December 2004 which increased the share capital on 3 February 2005. Each share confers one vote. The shares subscribed in 2004 confer entitlement to dividend for the financial year 2004. The other shareholders rights will come into force when the increase in the share capital is registered.

The annual general meeting of 15 March 2004 decided on issuing stock options to personnel of Citycon Oyj and of its subsidiaries and to a wholly owned subsidiary of Citycon Oyj as part of the Group's incentive system. Citycon's Board of Directors decided on 26 May 2004 on the distribution of stock options in accordance with the decision of the annual general meeting.

Of the 2004 stock options, 1,135,000 have been marked with the letter A, 1,300,000 with B and 1,300,000 with C. The exercise period for stock options marked A begins on 1 September 2006 and those with B on 1 September 2007. The exercise period with options marked C begins on 1 September 2008. The subscription price for shares when the options are exercised is the weighted average price for the share on the Helsinki Exchanges for the period 1-30 April 2004 in the case of the 2004A options, 1-30 April 2005 in the case of the 2004B options, and 1-30 April 2006 in the case of the 2004C options, plus 20 per cent. The subscription price for a share will be reduced by one-half of the dividend

per share decided upon after the period for setting the share price and before the subscription. The share subscription price will, however, be no less than the par value of the share. The subscription price with 2004A stock options is EUR 2.51 in the end of 2004.

1) 1999 are warrants and 2004 are stock options

## Authorisations

► During the financial year, Citycon's Board of Directors exercised an authorisation granted by the annual general meeting on 15 March 2004 to increase the share capital by means of a share offering, and it decided on 15 September 2004 to carry out a directed share offering. Of the authorisation, 10 million shares were used.

The annual general meeting on 15 March 2004 authorised the Board of Directors to buy back a number of company's shares amounting to no more than 5 per cent of the company's share capital and the total voting rights conferred by shares. The authorisation will be in effect until 15 March 2005. The authorisation has not been exercised.

The annual general meeting authorised the Board of Directors to dispose of treasury shares held by the company. This authorisation is valid till 15 March 2004. The Board of Directors decided on 11 August 2004 to exercise the authorisation, granted by the annual general meeting of 15 March 2004, to dispose of the treasury shares. The disposal of treasury shares was not carried out, however, and instead the Board of Directors decided on 15 September 2004 to propose the cancellation of these shares to the next annual general meeting.

## Breakdown of shareholders as at 31.12.2004 by number of shares

Number of shares	Number of shareholders	Percentage of shareholders %	Number of shares	Percentage of shares and voting rights, %
1-1,000	600	51.07	328,154	0.28
1,001-5,000	369	31.40	1,011,088	0.87
5,001-10,000	84	7.15	685,455	0.59
10,001-50,000	89	7.57	1,951,333	1.68
50,001-100,000	15	1.28	1,150,000	0.99
1,00,001-	18	1.53	110,907,791	95.58
Total	1,175	100.00	116,033,821	99.99
of which nominee-registered	6		99,552,991	
Non-registered shares			7,537	0.01
Issued stock			116,041,358	100.00

In addition, on 28 Dec. 2004 92,000 new shares were subscribed using 1999 A/B/C warrants. The corresponding increase in share capital was registered on 3 Feb. 2005.

## Share price and trading

	formula / note	2004	2003	2002	2001	2000
Share price, trades, EUR						
Low		1.52	1.00	0.98	0.93	0.92
High		2.65	1.59	1.12	1.07	1.35
Average	12	1.94	1.47	1.06	1.01	1.11
Market capitalisation, EUR 1,000	13 1)	273,913	154,894	112,094	103,942	95,790
Trend in share trading						
Number of shares traded 2004, 1,000		115,056	104,487	8,581	4,653	15,603
Percentage of total		102.5	102.5	8.4	4.6	15.3
Adjusted average number of shares, 1,000	1)	104,685	101,904	101,904	101,904	102,073
Adjusted average number of shares, diluted, 1,000	1)	105,710	101,904	101,904	101,904	102,073
Adjusted average number of shares at year-end, 1,000	1)	112,259	101,904	101,904	101,904	101,904
Treasury share fund, EUR 1,000		4,676	4,676	4,261	3,951	3,642
Treasury shares, 1,000		3,874	3,874	3,874	3,874	3,874

1) In the calculation of the key figures, treasury shares have been deducted from shareholders' equity and the number of shares

Formulas on page 26.

## › Formulas for Key Figures

<b>1 Return on equity, % (ROE)</b>	$\frac{\text{Profit/loss before extraordinary items – taxes}}{\text{Shareholders' equity (weighted average)}} \times 100$
<b>2 Return on investment, % (ROI)</b>	$\frac{\text{Profit/loss before extraordinary items and taxes} + \text{interest and other financing expenses}}{\text{Balance sheet total (weighted average) – non-interest-bearing debts (2-year average)}} \times 100$
<b>3 Equity ratio, %</b>	$\frac{\text{Shareholders' equity} + \text{capital loan} + \text{minority interest} – \text{treasury shares}}{\text{Balance sheet total} – \text{advances received} – \text{treasury shares}} \times 100$
<b>4 Quick ratio</b>	$\frac{\text{Current assets}}{\text{Short-term liabilities}}$
<b>5 Gearing ratio, %</b>	$\frac{\text{Interest-bearing debts} – \text{cash and cash equivalents}}{\text{Shareholders' equity} + \text{minority interest}} \times 100$
<b>6 Earnings per share (EPS)</b>	$\frac{\text{Profit before extraordinary items – taxes} \text{ } \text{€} \text{ minority interest}}{\text{Adjusted average number of shares for year}} \times 100$
<b>7 Earnings per share, diluted</b>	$\frac{\text{Profit before extraordinary items – taxes} \text{ } \text{€} \text{ minority interest}}{\text{Diluted adjusted average number of shares for year}} \times 100$
<b>8 Equity per share</b>	$\frac{\text{Shareholders' equity} – \text{treasury shares (without capital loan)}}{\text{Adjusted number of shares at year-end}}$
<b>9 P/E ratio (price/earnings)</b>	$\frac{\text{Adjusted closing price at year-end}}{\text{EPS}}$
<b>10 Dividend per earnings, %</b>	$\frac{\text{Dividend per share}}{\text{EPS}} \times 100$
<b>11 Effective dividend yield, %</b>	$\frac{\text{Dividend per share}}{\text{Adjusted closing price at year-end}} \times 100$
<b>12 Mean share price</b>	$\frac{\text{Shares traded, EUR}}{\text{Average number of shares traded}}$
<b>13 Market capitalisation</b>	Number of shares when treasury shares excluded * last traded closing price
<b>14 Financial rental occupancy rate, %</b>	$\frac{\text{Rental income as per leases}}{\text{Estimated market rent of vacant premises} + \text{rental income as per lease}} \times 100$
<b>15 Net income, %</b>	$\frac{\text{Rental income} – \text{maintenance expenses}}{\text{Average value of property portfolio}} \times 100$

Maintenance expenses include the alterations to rented premises booked as an expense as well as the depreciation on capitalised alterations to rented premises. Income and expenses have been annualised. The figure used for the value of the property portfolio is the year's average for Citycon's holdings. The calculation for net income complies with the regulations issued by the Finnish Institute for Real Estate Economics.

## > Distribution of Profits and Auditors' Report

### BOARD'S PROPOSAL FOR THE DISTRIBUTION OF PROFITS

	2004 Group	2004 Parent company
DISTRIBUTABLE ASSETS		
Other funds	6,551,237.36	6,551,237.36
Retained profits	13,000,119.85	4,460,277.39
Profit	17,431,836.54	13,783,539.19
	<u>36,983,193.75</u>	<u>24,795,053.94</u>

The Board of Directors proposes a dividend of EUR 0.14 per share be paid on company shares excluding treasury shares and that the remainder be posted to the retained profits account.

Signatories to the financial statement dated 31 December 2004

Helsinki, 18 February 2005

Stig-Erik Bergström

Timo Kankuri

Tuomo Lähdesmäki

Claes Ottosson

Amir Gal

Raimo Korpinen

Carl G. Nordman

Dor Segal

Petri Olkinuora

CEO

## Auditors' Report

### To the shareholders of Citycon Oyj

We have audited the accounting records, the financial statements and the administration of Citycon Oyj for the year 2004. The financial statements, which include the report by 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 CEO. Based on our audit we express an opinion on these financial statements and on the parent company's administration.

We have conducted the audit in accordance with the 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 misstatements. An audit includes examining on 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 statements presentation. The purpose of our audit of administration is to examine that the Board of Directors and the CEO 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 with 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 Finnish 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 the members of the Board of Directors and the CEO of the parent company can be discharged from liability for the financial year audited by us. The proposal by the Board of Directors concerning the distribution of retained earnings is in compliance with the Finnish Companies Act.

Helsinki, 18 February 2005

Ari Ahti

Authorized Public Accountant

Jaakko Nyman

Authorized Public Accountant

## > List of Properties

Property known as	Street address	Postal code	Municipality	Year of completion/renovation	Holding in company, %	Citycon's GLA, sq.m.	Occupancy rate %, sq.m.	Economic occupancy rate %, EUR
<b>SHOPPING CENTRES</b>								
HELSINKI METROPOLITAN AREA								
<b>Espoonatori</b>						<b>8,946</b>	<b>99.9</b>	<b>99.9</b>
Espoonatori Koy	Kamreerintie 3	02770	ESPOO	1988	67			
<b>Heikintori</b>						<b>4,358</b>	<b>97.3</b>	<b>98.1</b>
Heikintori Oy	Heikintori	02100	ESPOO	1968	52			
<b>Isomyyri</b>						<b>9,856</b>	<b>90.7</b>	<b>96.6</b>
Myyrmäen Kauppakeskus Koy	Liesitori 1	01600	VANTAA	1987	68			
<b>Lippulaiva</b>						<b>22,607</b>	<b>93.0</b>	<b>95.8</b>
Lippulaiva Koy	Espoonlahdenkatu 4	02320	ESPOO	1993	100	17,854		
Ulappatori Koy	Ulappakatu 1	02320	ESPOO	1991	100	4,753		
<b>Myyrmanni</b>						<b>30,031</b>	<b>98.0</b>	<b>98.4</b>
Myyrmanni Koy	Iskoskuja 3	01600	VANTAA	1994	74			
<b>Tikkuri</b>						<b>10,614</b>	<b>94.1</b>	<b>96.4</b>
Tikkurilan Kauppakeskus Koy	Asematie 4-10	01300	VANTAA	1984/91	84			
<b>SHOPPING CENTRES</b>								
MAJOR CITIES								
<b>IsoKarhu</b>						<b>14,737</b>	<b>96.3</b>	<b>97.5</b>
Kauppakeskus IsoKarhu Oy	Yrjönkatu 16	28100	PORI	1972/01/04	100			
<b>IsoKristiina</b>						<b>9,706</b>	<b>99.1</b>	<b>99.4</b>
Lappeen Liikekeskus Koy	Brahenkatu 5	53100	LAPPEENRANTA	1987	75	6,054		
Lappeenrannan Brahenkatu 7	Brahenkatu 7	53100	LAPPEENRANTA	1993	84	3,652		
<b>Jyväskeskus</b>						<b>4,984</b>	<b>97.9</b>	<b>98.1</b>
Jyväskylän Kauppakatu 31 Koy	Kauppakatu 31	40100	JYVÄSKYLÄ	1955/93	100			
<b>Forum</b>						<b>17,207</b>	<b>95.7</b>	<b>97.5</b>
Jyväskylän Forum Koy	Asematie 5	40100	JYVÄSKYLÄ	1953/72/80/91	100			
<b>Koskikeskus</b>						<b>25,706</b>	<b>98.9</b>	<b>99.4</b>
Tampereen Hatanpää Koy	Hatanpäänvaltatie 1	33100	TAMPERE	1988	100	6,933		
Otavalan Tunneli	Hatanpäänvaltatie 1	33100	TAMPERE	1988	100	772		
Tampereen Koskenranta Koy	Hatanpäänvaltatie 1	33100	TAMPERE	1988/95	64	9,671		
Tampereen Suvantokatu Koy	Hatanpäänvaltatie 1	33100	TAMPERE	1988	100	8,331		
<b>Trio</b>						<b>25,697</b>	<b>97.0</b>	<b>97.3</b>
Lahden Trio Koy	Aleksanterinkatu 20	15140	LAHTI	1977/87	56			
<b>Galleria</b>						<b>3,401</b>	<b>99.6</b>	<b>99.9</b>
Oulun Galleria Koy	Isokatu 23	90100	OULU	1987	100			
<b>SHOPPING CENTRES</b>								
OTHER AREAS								
<b>Koskikara</b>						<b>5,708</b>	<b>94.7</b>	<b>96.6</b>
Valkeakosken Torikatu 2 Koy	Valtakatu 9-11	37630	VALKEAKOSKI	1993	100	4,248		
Valkeakosken Liikekeskus Koy	Valtakatu 9-11	37630	VALKEAKOSKI	1993	25	1,460		
<b>Sampokeskus</b>						<b>11,577</b>	<b>88.9</b>	<b>93.8</b>
Rovanimen Sampotalo Koy	Rovakatu 28	96100	ROVANIEMI	1990	100			
<b>Torikeskus</b>						<b>11,209</b>	<b>89.2</b>	<b>88.0</b>
Larvalankatu 13 Koy	Kauppatori 1	60100	SEINÄJOKI	1992	100	5,436		
Seinäjoen Kino Koy	Kauppatori 1	60100	SEINÄJOKI	1992	100	5,773		
<b>Shopping centres total</b>						<b>216,342</b>	<b>95.8</b>	<b>97.4</b>



Property known as	Street address	Postal code	Municipality	Year of completion/ renovation	Holding in company, %	Citycon's GLA, sq.m.	Occupancy rate %, sq.m.	Economic occupancy rate %, EUR
<b>SUPERMARKETS AND SHOPS</b>								
HELSINKI METROPOLITAN AREA								
Alppilan-Aho As.Oy	Aleksis Kiven katu 48	00510	HELSINKI	1962/95	3	576	100	100
Asolantien Liikekiinteistö Oy	Asolanväylä 50	01360	VANTAA	1986	100	1,881	100	100
Espoon Louhenkulma Koy	Louhentie 2	02130	ESPOO	1963	49	880	100	100
Espoo, Tapiola, Sampotori	Kauppamiehentie 1	02100	ESPOO	1985		48	100	100
Espoon Toimistotalo Oy	Kirkkojärventie 6	02770	ESPOO	1979	12	887	100	100
Hakarinne 4	Hakarinne 4	02120	ESPOO	1985	56	379	100	100
Hakopolun Liikekiinteistöt Oy	Hakopolku 2	01360	VANTAA	1981	7	317	100	100
Hakucenter Koy	Laukkarinne 6	01200	VANTAA	1986	19	772	100	100
Hakunilan Keskus Oy	Laukkarinne 4	01200	VANTAA	1982	30	2,133	100	100
Helsingin Autotalo Oy	Salomonkatu 17	00100	HELSINKI	1958	9	1,286	100	100
Helsingin Uudenmaankatu 16-20 Koy	Uudenmaankatu 16-20	00120	HELSINKI	1967/97	5	469	100	100
Helsingin Viljatie 6 As.Oy	Malmniraitti 11	00700	HELSINKI	1962	10	315	40.1	44.7
Hyyrälän Ostoskeskus Koy	Koskenmäentie 4	04300	TUUSULA	1983	21	597	100	100
Irjanpirtti As.Oy	Aleksis Kiventie 14	04200	KERAVA	1988	13	208	100	100
Järvenpään Torinkulma As.Oy	Helsingintie 13	04400	JÄRVENPÄÄ	1983	10	250	100	100
Kaivoskaupat Koy	Kaivosvoudintie	01610	VANTAA	1965	19	202	100	100
Kannelmäen Ostoskeskus Oy	Vanhaisentie 1	00420	HELSINKI	1959	8	287	100	100
Kauppalantie 20 As.Oy	Kauppalantie 20	00320	HELSINKI	1960	29	229	100	100
Keravan Liikekeskus Oy	Kauppakaari 8	04200	KERAVA	1968	34	1,046	100	100
Kirkkonummen Kirkkotalli Koy	Kirkkotallintie 2	02400	KIRKKONUMMI	1981	16	168	100	100
Kirkkonummen Liikekeskus Oy	Asematie 3	02400	KIRKKONUMMI	1991	67	5,000	100	100
Kirkkonummen Liiketalo Koy	Kirkkotallintie 4	02400	KIRKKONUMMI	1981	24	376	100	100
Kivensilmänkuja 1 Koy	Kivensilmänkuja 1	00920	HELSINKI	1988	60	585	100	100
Kolsarintie 2 Koy	Kolsarintie 2	00390	HELSINKI	1984	20	242	100	100
Kontulan Asemakeskus Koy	Keinulaudankuja 4	00940	HELSINKI	1988	34	4,332	100	100
Kuvernöörintie 8 Koy	Kuvernöörintie 8	00840	HELSINKI	1982	100	359	100	100
Laajasalon Liikekeskus Oy	Yliskyläntie 3	00840	HELSINKI	1972/95	39	1,699	100	100
Latokasken Ostoskeskus Koy	Kaskipiha 1	02340	ESPOO	1983	100	809	100	100
Lauttasaaren Liikekeskus Oy	Lauttasaarentie 28-30	00200	HELSINKI	1970/95	24	1,464	100	100
Länsi-Keskus Koy	Pihatörmä 1	02210	ESPOO	1989	41	8,535	3.5	3.9
Malmintorin Koy	Malmn Kauppatie 18	00700	HELSINKI	1987	8	1,014	100	100
Martinlaakson Kivivuorentie 4 Koy	Kivivuorentie 4	01620	VANTAA	1976	100	3,780	98.2	98.9
Martinmiilu Koy	Laajaniityntie 3	01620	VANTAA	1988	21	1,171	100	100
Minkkikuja 4 Koy	Minkkikuja 4	01450	VANTAA	1989	100	2,270	100	100
Munkkiniemen puistotie 17 As.Oy	Munkkiniemen puistotie 17	00330	HELSINKI	1959	5	148	100	100
Myllypuron Ostoskeskus Oy	Kiviparintie 2	00920	HELSINKI	1966	20	1,137	100	100
Myyrinpuro As.Oy	Virtatie 9	01600	VANTAA	1972	4	275	100	100
Otaniemen Liikekeskus Oy	Otakaari 11	02150	ESPOO	1969	39	336	100	100
Pihlajamäen Liiketalo Oy	Meripihkantie 1	00710	HELSINKI	1970	43	1,120	100	100
Porthaninhovi As.Oy	Porthaninkatu 11	00530	HELSINKI	1961	11	317	100	100
Pukinmäen Liikekeskus Oy	Eskolantie 2	00720	HELSINKI	1968	44	629	100	100
Raitinlinna As.Oy	Länsituulentie 8	02100	ESPOO	1978	4	169	100	100
Runeberginkatu 30 As.Oy	Runeberginkatu 30	00100	HELSINKI	1926	3	194		
Salpausseläntie 11 Koy	Salpausseläntie 11	00710	HELSINKI	1973	31	592	100	100
Saturnus Koy	Kalevankatu 12	00100	HELSINKI	1967	20	1,166	100	100
Sibeliuksenkatu 14 Koy	Sibeliuksenkatu 14	04400	JÄRVENPÄÄ	1983	26	845	100	100
Siltavoudintie 3 As.Oy	Siltavoudintie 3	00640	HELSINKI	1963	21	204	100	100
Sinikalliontie 1 Koy	Sinikalliontie 1	02630	ESPOO	1964/92	100	15,624	99.1	99.5
Soukan Itäinentorni As.Oy	Soukantie 16	02360	ESPOO	1972	27	1,547	100	100
Tapiolan Ostoskeskus Oy	Tapiontori	02100	ESPOO	1961	29	885	100	100
Talvikkitie 7-9 Koy / Tikkurilan Anttila	Talvikkitie 7-9	01300	VANTAA	1989	100	11,200	100	100
Töölönhoivi As. Oy	Runeberginkatu 57	00260	HELSINKI	1935/94	8	139	100	100
Töölönkulma As. Oy	Töölönkatu 29	00260	HELSINKI	1935/90	13	341	100	100
Ultima	Äyritie 1	01510	VANTAA	lot	100			

## > List of Properties

Property known as	Street address	Postal code	Municipality	Year of completion/ renovation	Holding in company, %	Citycon's GLA, sq.m.	Occupancy rate %, sq.m.	Economic occupancy rate %, EUR
<b>SUPERMARKETS AND SHOPS</b>								
HELSINKI METROPOLITAN AREA								
Uudenmaankatu 2 Koy	Uudenmaankatu 2	05800	HYVINKÄÄ	1960	10	400	100	100
Vantaan Laajavuorenkujat 3 Koy	Laajavuorenkujat 2	01620	VANTAA	1976	100	1,926	100	100
Vantaan Säästötalo Koy	Kielotie 20	01300	VANTAA	1983	61	3,709	100	100
Wavulinintie 1 Koy	Wavulinintie 1	00210	HELSINKI	1950/92	100	1,678	21.7	15.5
Viiskulma As.Oy	Laivurinkatu 43	00150	HELSINKI	1927	3	196	100	100
Vuosaaren Liikekeskus Oy	Mustalahdentie 4	00960	HELSINKI	1965	9	296	80.9	81.9
Ylä-Malmintori 3 Koy	Ylä-Malmintori 3	00700	HELSINKI	1989	10	300	100	100
<b>SUPERMARKETS AND SHOPS</b>								
MAJOR CITIES								
Hervannan Liikekeskus Oy	Insinöörinkatu 23	33720	TAMPERE	1979	41	2,749	100	100
Härmälän Markkinatalo Oy	Nuolialantie 40	33900	TAMPERE	1977	100	1,820	69.5	74.4
Jankan Liikekeskus Koy	Ristinarkuntie 20	33700	TAMPERE	1989	18	201	100	100
Kaivokolmio As.Oy	Hämeenkatu 5	20500	TURKU	1973	15	579	100	100
Kauppapuistikko 32 As.Oy	Kauppapuistikko 32	65100	VAASA	1969	9	196	100	100
Keijutie 15 Koy	Keijutie 15	15700	LAHTI	1975	100	7,116	100	100
Kotkan Keskuskatu 11 Koy	Keskuskatu 11	48100	KOTKA	1976	100	4,242	100	100
Kuopion Kauppakatu 41 Koy / Kuopion Anttila	Kauppakatu 41	70100	KUOPIO		100	11,122	97.5	99.00
Kuopion Neulasoppi As.Oy	Juontotie 6	70150	KUOPIO	1986	8	201	100	100
Kärpäsen Ostoskeskus Oy	Satulakatu 13	15830	LAHTI	1975	34	636	100	100
Käsityömasteri As.Oy	Yliopistonk.30A	20100	TURKU	1982	10	373	100	100
Lahden Kauppakatu 13 Koy	Kauppakatu 13	15140	LAHTI	1971	100	8,577	100	100
Lahden Seudun Maakuntatalo Oy	Hämeenkatu 9	15110	LAHTI	1964	13	367	0	0
Metsäpellon Liikekeskus Oy	Heinlammintie 29	15210	LAHTI	1970	91	674	100	100
Nekalan Rakentajatalo Koy	Viinikankatu 36	33800	TAMPERE	1987	20	490	100	100
Isolinnankatu 18 Koy / Porin Anttila	Isolinnankatu 18	28100	PORI	1986	100	5,240	100	100
Porin Asema-Aukio Koy Puijonlaakson	Satakunnankatu 23	28130	PORI	1957/93	100	18,881	87.2	91.7
Palvelukeskus Koy	Sammakkolammentie 6	70200	KUOPIO	1971	31	1,412	100	100
Puutorinkulma As. Oy	Maariankatu 1	20100	TURKU	1956	3	417	100	100
Ristinummen Palvelukeskus Oy	Kappelinmäentie 8	65370	VAASA	1978	44	981	100	100
Saariportti Koy	Kullervonkatu 14	70500	KUOPIO	1972	57	384	100	100
Tawastinkulma Koy	Kauppakatu 33	40100	JYVÄSKYLÄ	1970	5	510	100	100
Tulliherra As.Oy	Tulliportinkatu 23-25	70100	KUOPIO	1982	23	831	100	100
Väinöläntammi Koy	Joukahaisentie 8	28330	PORI	1979	55	600	100	100
<b>SUPERMARKETS AND SHOPS</b>								
OTHER AREAS								
Eerolan Liikekeskus Oy	Eerolantie 9	37630	VALKEAKOSKI	1980	63	820	0	0
Forssan Hämmentie 3 Koy	Hämmentie 3	31100	FORSSA	1978	100	4,406	100	100
Haukiputaan Markkinatalo Oy	Kirkkotie 1	90830	HAUKIPUDAS	1978	68	854	100	100
Hollolan Keskuskatu Koy	Keskuskatu 4	15870	HOLLOLA	1989	50	1,085	94.6	93.8
Hollolan Keskusuoti Koy	Kauppakuja 4	15870	HOLLOLA	1987	100	1,838	79.3	80.6
Imatran Keskusasema Koy	Koskikatu 1	55120	IMATRA	1977	9	315	23.7	14.9
Kaarinan Kauppakeskus Koy	Puntarinkatu 3	20780	KAARINA	1988	26	325	100	100
Kaarinan Liiketalo Koy	Oskarinaukio 5	20780	KAARINA	1979/82	100	9,172	86.5	89.8
Kalajoen Linja-autoasema Koy	Kalajoentie 1	85100	KALAJOKI	1976	47	1,126	100	100
Kanervien Hallitalo Oy	Laukaantie 25	41340	LAUKAA	1986	100	2,802	100	100
Karakeskus Koy	Valtakatu 30	45100	KOUVOLA	1988	3	359	0	0
Karjaan Ratakatu 59 Koy	Ratakatu 59	10320	KARJAA	1993	100	3,046	100	100
Karkkilan Linja-autoasema Oy	Huhdintie 10-12	03600	KARKKILA	1989	8	289	100	100
Kauppapiha Koy	Kauppakatu 15	74100	IISALMI	1792	55	1,423	78	85.4

Property known as	Street address	Postal code	Municipality	Year of completion/ renovation	Holding in company, %	Citycon's GLA, sq.m.	Occupancy rate %, sq.m.	Economic occupancy rate %, EUR
<b>SUPERMARKETS AND SHOPS</b>								
OTHER AREAS								
Kommila Koy	Savontie 42	78900	VARKAUS	1974	43	702	100	100
Eskolanmäki Koy	Tasankotie 13	45150	KOUVOLA	1975	100	1,476	100	100
Kuusamon Linja-autoasema Oy	Keskuskatu 3	93600	KUUSAMO	1983	70	1,620	67.9	62.9
Kuusankosken								
Kauppakatu 7 Koy	Kauppakatu 7	45700	KUUSANKOSKI	1980	100	2,028	100	100
Lovisan Ulrika Koy	Kuningattarenkatu 9	07900	LOVIISA	1988	100	1,862	86	87
Mastonkulma Koy	Soppeentie 2	33470	YLÖJÄRVI	1978/89	29	688	92.7	94.9
Multian Palvelukeskus Oy	Keskustie 33	42600	MULTIA	1982	46	496	100	100
Mäntyvuoksi Koy	Vuoksenniskantie	55800	IMATRA	1974	87	1,268	0	0
Naantalin Tullikatu 16 Koy	Tullikatu 16	21100	NAANTALI	1985	100	4,347	77.9	78.9
Nokian Välikatu 17 Koy	Välikatu 17	37100	NOKIA	1965/90	100	868	90.2	95.6
Orimattilan Markkinatalo Oy	Erkontie 3	16300	ORIMATTILA	1983	77	3,410	100	100
Orimattilan								
Säästöpankkitalo Koy	Erkontie 15	16300	ORIMATTILA	1981	57	2,603	72.0	75.2
Parikkalan Liiketalo Oy	Parikkalantie 29	59100	PARIKKALA	1970	50	478	100	100
Petäjäveden Palvelukeskus Oy	Asematie	41900	PETÄJÄVESI	1980	49	708	100	100
Runeberginkatu 33 Koy	Runeberginkatu 33	06100	PORVOO	1988	100	6,255	100	100
Linjurin Kauppakeskus Koy /								
Salon Anttila	Vilhonkatu 14	24100	SALO	1993	89	9,920	100	100
Savonlinnan								
Tulliportinkatu 6-10 Koy	Tulliportinkatu 8-10	57100	SAVONLINNA	1967/96	100	11,071	100	100
Seinäjoen Teollisuustie Koy	Teollisuustie 10	60100	SEINÄJOKI	1964/85	100	3,850	65.8	54.1
Seinäjoen Varastotie Koy	Varastotie 9	60100	SEINÄJOKI	1965/1985	100	9,315	65	70.7
Sollefteågatan 9 Fastighets Ab	Sollefteåkatu 9	66900	UUSIKAARLEPY	1979	35	712	100	100
Syppis As.Oy	Rakentajantie 8	15870	HOLLOLA	1981	6	121	100	100
Säkylän Liiketalo Oy	Pyhäjärventie	27800	SÄKYLÄ	1969/99	100	1,141	100	100
Taivalalasen Liiketalo Oy	Jäniksenpolku 10	89800	SUOMUSSALMI	1979	85	568		
Tornion Kauppakatu Koy	Kauppakatu 11	95400	TORNIO	1983	59	932	90.8	94.8
Vaakalintu Koy /								
Riihimäen Foorumi	Keskuskatu 15	11100	RIIHIMÄKI	1980	96	6,608	100	100
Valkeakosken Apiankatu 6 Koy	Apiankatu 6	37600	VALKEAKOSKI	1982	100	4,006	100	100
Valtakatu 5-7 Koy	Valtakatu 5-7	37600	VALKEAKOSKI	1938/92	31	451	100	100
Varkauden K-Kauppakeskus Oy	Relanderinkatu 28-34	78200	VARKAUS	1990	100	8,145	100	100
Vihdin Linjatalo Oy	Linjakuja 3	03400	VIHTI	1978	30	817	100	100
<b>Supermarkets and shops total</b>						<b>272,851</b>	<b>90.4</b>	<b>93.4</b>

## › Valuation Statement

**31 December 2004**

### 1. Appraisal Method

› Aberdeen Property Investors (API) has made a valuation of Citycon's property portfolio 31 December 2004. The valuation was carried out as a cash flow analyses on the net operating income for a period of 10-years.

#### 1.1. Cash Flow Calculation Method

› The year on year cash flow has been calculated on Citycon's existing leases, on expiration the contract rent has been replaced with API's view on the market rent. Potential Gross Rental Income (PGI) equals leased space with contract rents and vacant space with market rents. Deducting both the market rent for the idle time between the expired contract and assumed new contract, and the assumed general vacancy level, results in the Effective Gross Rental Income. Effective Gross Rental Income less operating expenses (incl. repairs and tenant improvements) equals the Net Operating Income (NOI). NOI less any investment type of repairs (CAPEX) equals the bottom level cash flow that has been discounted to reach the present value of the income stream.

The exit value at the end of the valuation period was calculated by capitalizing the 11th year cash flow (base year) with an exit yield. The total value for the property was calculated as the sum of the yearly discounted income stream, the discounted residual value at the end of the calculation period and any other value added assets such as unused construction rights and lots.

#### 1.2. Assumption and Dependent Variables

› The valuation was made using; each property's budgeted/estimated operating expenses as the valuation's cost component and each property's lease commitments with assumptions of most probable maturity. Assumptions were also made for market rents, general long term vacancy, inflation which was used as the indexation for operating costs and contract rents, probability for current agreement to continue and net yields. See table below for assumptions:

Year	1. year	2. year	3. year	4. year	Year 5-11
Inflation, %	1.4	1.8	1.9	1.9	2.0
Growth for operating expenses, %	1.4	1.8	1.9	1.9	2.0
Growth for market rents, %	2.0	2.0	2.0	2.0	2.0

Yields were determined separately for each property by using risk rating methodology that were adjusted with market observations. The risk were broken down into two components; market risk and specific property risk. The risk parameters were defined based on a qualitative rating method. The property rating was carried out by Citycon's property managers and the market risk by API. The rating was made on a scale of 1-5. The rating was used as a tool when API defined the net yield for each property. For some properties the cash flows were discounted with a lower discount rate than the generally defined discount factor. This was done in cases where the tenants cash flow was estimated to carry a lower risk than the traditional real estate market risk. Typically done for long contracts with solid major tenants.

#### 1.3. Transaction and Market Data Methodology

› All variables were estimated based on API's market observation, such as transactions, rental levels and other observations. All this was made in close cooperation with Citycon's property management, where API used its objective veto on the data provided.

#### 1.4. Potential Development Projects

› All potential development options were left out from the valuation. All properties were evaluated based on the current situation and current estimated rental value. All undeveloped lots were evaluated based on their current zoning. The value was set based on market observations.

## 2. Results

› The value of the total portfolio is calculated as the sum of the individual properties. The different portfolios have further been group based on their geographical location. The last section has also been grouped into sub portfolios. The highest net yield was set to 15.0 per cent and the lowest to 7.0 per cent.

The total market value, free from debt 31 December 2004 was EUR 738,7 million.

## 2.1. Total Property Portfolio

Geographical Area	Number of Properties	Citycon's Gross Leasable Area	Average Yield Requirement, %	Average Market Rent, EUR/sq.m./month	Average Operating Expenses, EUR/sq.m./month	Market Value, EUR 1,000
Helsinki Metropolitan Area	68	176,344	8.1	16.9	4.2	333,342
Other Finnish Major Cities	31	170,034	8.3	15.2	4.0	272,250
Other Parts of Finland	47	142,815	9.1	10.9	2.8	133,082
Total	146	489,193	8.3	14.7	3.7	738,674

## 2.2. Shopping Centres Division

Geographical Area	Number of Properties	Citycon's Gross Leasable Area	Average Yield Requirement, %	Average Market Rent, EUR/sq.m./month	Average Operating Expenses, EUR/sq.m./month	Market Value, EUR 1,000
Helsinki Metropolitan Area	6	86,411	7.7	21.0	5.2	213,673
Other Finnish Major Cities	7	101,438	8.1	18.0	4.9	204,194
Other Parts of Finland	3	28,493	9.2	13.0	4.4	28,753
Total	16	216,342	8.0	18.6	5.0	446,620

## 2.3. Supermarkets and Shops Division

Geographical Area	Number of Properties	Citycon's Gross Leasable Area	Average Yield Requirement, %	Average Market Rent, EUR/sq.m./month	Average Operating Expenses, EUR/sq.m./month	Market Value, EUR 1,000
<b>Helsinki Metropolitan Area</b>						
Supermarkets	5	44,691	8.4	12.4	2.6	59,803
Shops	49	42,283	8.9	13.4	3.9	50,910
Other properties	8	2,959	8.7	17.3	3.6	8,956
<b>Other Finnish Major Cities</b>						
Supermarkets	4	43,819	8.5	12.1	2.6	50,565
Shops	16	21,772	9.5	8.1	2.2	16,155
Other properties	4	3,005	10.7	8.2	3.6	1,336
<b>Other Parts of Finland</b>						
Supermarkets	6	46,004	8.4	12.8	2.6	64,614
Shops	18	40,903	9.7	9.9	2.6	27,979
Other properties	20	27,415	10.8	6.2	1.7	11,736
Total	130	272,851	8.8	11.3	2.7	292,054

## 3. Second Opinion Valuation

➤ Kiinteistötaito Peltola & Pulkkanen Oy (P&P) has made a second opinion valuation of Citycon's property portfolio 31 December 2004. The primary valuation method is the income capitalization method (direct capitalisation). In capitalization method the values of the properties are determined on the basis of the potential annual net income and adequate yield demand. The capital value is corrected by using the present value of the excess/under rent of the valid leases.

The second opinion market value, free from debt 31 December 2004 was EUR 768.2 million.

## 4. Definitions

Yield requirement, % = Required rate of return  
(risk free rate + market risk + property risk)

Yield requirement was defined by Aberdeen Property Investors.



AN EXPERT IN RETAIL PREMISES >

# CITYCON

## **IFRS Appendix 2004**

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**Preliminary IFRS comparative figures for 2004**

› In its bulletins issued on 31 August 2004, 21 October 2004 and 18 February 2005 Citycon presented the preliminary opening IFRS balance as at 1 January 2004, preliminary comparative figures for the first, second, third and fourth quarters, and the major impacts of the transition from FAS (Finnish Accounting Standards) to IFRS (International Financial Reporting Standards).

Citycon will go over to reporting in accordance to IFRS in its interim reports and final accounts for 2005. The segment information required by IAS 14 will be given starting with the first quarter of 2005. The final reconciliation required by IFRS 1 (first-time adoption of IFRS) will be presented in the interim report for the first quarter of 2005 as Citycon starts reporting according to IFRS for the first time.

The comparative information has been prepared in accordance with the latest versions of IFRS. The 'notes' column refers to the additional information explained in the separate section. A summary of the IFRS accounting principles most significant to Citycon is at page 41-42.

The figures are unaudited.

**Key Figures**

	Note	Preliminary		Preliminary	
		FAS Q4	IFRS Q4	FAS Q4 cum.	IFRS Q4 cum.
Earnings per share, EUR		0.04	0.02	0.17	0.22
Earnings per share, diluted, EUR		0.04	0.02	0.16	0.22
Equity per share, EUR		2.04	2.01	2.04	2.01
Return on equity (ROE), %		8.1	3.3	8.4	11.0
Return on investment (ROI), %		6.3	5.5	6.2	7.3
Equity ratio, %	g	47.6	29.6	47.6	29.6

## > IFRS | Income Statement

### Preliminary IFRS Q4 2004 Comparison

EUR 1,000	Note	FAS Q4	Change Q4	Preliminary IFRS Q4	FAS Q4 cum.	Change Q4 cum.	Preliminary IFRS Q4 cum.
Turnover		22,540	-1,140	21,400	88,636	-3,941	84,696
Other income		497	9	506	769	-62	707
Change in value of investment property	a		-4,853	-4,853		-4,853	-4,853
Expenses							
Depreciation and impairments		1,933	-1,958	-25	7,635	-7,461	174
Share of associated companies profit	b	-343	343		-57	57	
Other expenses		8,636	-1,443	7,193	31,486	-3,695	27,791
Operating profit		12,811	-2,926	9,885	50,342	2,245	52,586
Net financial expenses		-6,402	-193	-6,595	-26,098	12	-26,086
Profit before taxes		6,409	-3,119	3,290	24,243	2,257	26,500
Taxes	d	-1,802	379	-1,423	-6,802	3,036	-3,767
Profit before taxes		4,602	-2,730	1,872	17,432	5,302	22,734
Earnings per share, EUR		0.04	-0.02	0.02	0.17	0.05	0.22
Earnings per share, diluted, EUR		0.04	-0.02	0.02	0.16	0.06	0.22

## › IFRS | Balance Sheet

### Preliminary IFRS Q4 2004 Comparison

EUR 1,000	Note	FAS 31.12.2004	Change	Preliminary IFRS 31.12.2004
Assets				
Non-current assets				
Intangible assets		4,704	-4,244	460
Tangible assets		740,509	-738,851	1,658
Investment properties	a		738,674	738,674
Investments				
Holdings in associated companies	b	55,719	-55,719	
Treasury shares	c	4,676	-4,676	
Other investments		21,345	-21,316	29
Investments, total		81,740	-81,711	29
Deferred tax assets	d			
Non-current assets, total		826,953	-86,132	740,821
Current assets				
Short-term receivables		4,915	-672	4,243
Cash and cash equivalents		8,578	-642	7,936
Current assets, total		13,494	-1,315	12,179
Assets, total		840,446	-87,446	753,000
Liabilities and shareholders' equity				
Equity attributable to equity holders of the parent				
Share capital		156,780		156,780
Share premium fund		35,121	-135	34,986
Treasury share fund	c	4,676	-4,676	
Treasury shares	c		-4,676	-4,676
Fair value reserve	e		-13,296	-13,296
Other funds		6,551		6,551
Retained profits	a,b,d	13,000	9,905	22,905
Profit		17,432	5,302	22,734
Capital loan	f	68,452	-68,452	
Shareholders' equity, total		302,012	-76,028	225,984
Minority Interest		100,003	-100,003	
Liabilities				
Long-term liabilities	f	407,378	86,143	493,521
Deferred tax liabilities	d	0	3,037	3,037
Long-term liabilities, total		407,378	89,180	496,558
Short-term liabilities		31,053	-595	30,458
Short-term liabilities, total		31,053	-595	30,458
Liabilities, total		438,431	88,585	527,016
Liabilities and shareholders' equity, total		840,446	-87,446	753,000

## › IFRS | Changes in Shareholders' Equity

### Preliminary statement of changes in shareholders' equity Attributable to equity holders of the parent

EUR 1,000	Share capital	Share premium fund and other reserves	Fair value reserve	Treasury shares and capital loan	Retained profits	Total equity
FAS Balance 31 Dec. 2003	142,800	34,804		73,128	27,270	278,002
IFRS Balance 1 Jan. 2004	142,800	34,804	-7,675	-4,676	37,142	202,395
Cash flow hedges			-4,741			-4,741
Profit					8,358	8,358
Total recognised income and expense			-4,741		8,358	3,617
Dividends					-14,266	-14,266
IFRS Balance 31 Mar. 2004	142,800	34,804	-12,416	-4,676	31,234	191,746
Cash flow hedges			4,792			4,792
Profit					6,276	6,276
Total recognised income and expense			4,792		6,276	11,068
IFRS Balance 30 June 2004	142,800	34,804	-7,624	-4,676	37,510	202,814
Cash flow hedges			-3,259			-3,259
Equity-related compensation benefits					11	11
Profit					6,232	6,232
Total recognised income and expense			-3,259		6,243	2,984
Shares issued	13,500	6,656				20,156
IFRS Balance 30 Sep. 2004	156,300	41,460	-10,883	-4,676	43,753	225,954
Cash flow hedges			-2,412			-2,412
Equity-related compensation benefits					15	15
Profit					1,872	1,872
Total recognised income and expense			-2,412		1,887	-526
Shares subscribed based on warrants	480	77				557
IFRS Balance 31 Dec. 2004	156,780	41,537	-13,296	-4,676	45,639	225,984

**Cash flow statements**

› Cash flow statements are not presented, as the differences between IFRS cash flow statement and the cash flow statement prepared according to Finnish Accounting Standards are not considered to be material.

**Notes to the preliminary comparative financial information for Q4 in 2004**

- a) Investment properties have been valued at fair value and the change in values has been recorded in the income statement and the equity in the opening balance.
- b) Consolidation principles of mutual real estate companies have been changed.
- c) Treasury shares held by the parent company are not presented in assets but are deducted from equity.
- d) Deferred taxes have been recognised for all temporary differences according to IAS 12 Income Taxes.
- e) The fair value of cash flow hedging derivatives has been included in the balance sheet and the changes in the values in cash flow hedge reserve in equity.
- f) Capital loan has been classified as a liability in the IFRS balance sheet.
- g) The covenant calculation used in the financial agreements will remain the same.
- h) The transaction costs related to the acquisition of shareholders' equity have been treated as a reduction in shareholders' equity with an adjustment for income tax.

**Summary of Citycon's most significant IFRS accounting principles**

› The consolidated financial statements for 2005 of Citycon are to be prepared in accordance with International Financial Reporting Standards (IFRS). The comparative figures of 2004 are restated from previous applied Finnish Accounting Standards (FAS) to IFRS.

**Principles of consolidation**

› Mutual real estate companies are consolidated by proportional consolidation, where Citycon's share of assets, liabilities, income and expenses of the company is combined line by line with similar items in the Citycon's financial statements.

**Investment properties**

› Investment property is property (land or building - or part of a building - or both) held to earn rental income or capital gain or both. In the valuation of investment properties according to IAS 40 Citycon has decided to use the fair value model, which will result in changes in value being posted to the income statement. The valuation of investment properties is assessed in accordance with International Valuation Standards (IVS) at least once a year by an external valuer.

**Property, plant and equipment**

› Property (other than investment property), plant and equipment are recorded at historical cost and depreciated over the estimated economic lives of the assets. Machinery and equipment is depreciated over a period of from 4 to 10 years.

**Intangible assets**

› Intangible assets include software licenses. They are recorded at cost and amortised on straight-line basis over 5 years.

**Impairment**

› Property, plant and equipment and intangible assets are assessed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount shall be estimated. An impairment loss is recognised in the income statement if the carrying amount exceeds the recoverable amount.

**Revenue recognition**

› Revenue comprise mainly of rental income from investment property. Rental income is recognised on a straight-line basis over the term of the lease.

**Leases**

› Leases, for which Citycon acts as a lessee, are classified as finance leases and recognised as assets and liabilities if the risks and rewards have been transferred. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

- Pension benefits** › Employee pension cover has been arranged through statutory pension insurance. The contributions to defined contribution plans are charged to the income statement in the period to which they relate.
- Equity and equity-related compensation benefits** › IFRS 2 Share-based payment -standard has been applied to share options that were granted after 7 November 2002 and have not vested before 1 January 2005. For such option plans the fair value of the equity instruments granted is measured at granted date and the options are expensed over the vesting period of the instrument.
- Share offering expenditure** › The transaction costs related to the acquisition of shareholders' equity have been treated as a reduction in shareholders' equity with an adjustment for income tax.
- Capital loan** › The capital loan is treated under IFRS as a liability.
- Reacquired own equity instruments (treasury shares)** › Treasury shares are deducted from the shareholders' equity.
- Derivatives** › Interest rate derivatives are used as hedging instruments. They are designated as cash flow hedges of the future interest payments on variable rate liabilities. Hedging instruments are measured at fair value and the change in value that relates to the effective part of the hedge is recognised directly in equity. The ineffective part, if any, is recognised in the income statement. Fair value changes remain in equity until the hedged cash flow is recognised.
- Provisions** › Provisions are recognised, when the group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made.
- Taxes** › Income taxes include taxes based on taxable profit for the financial period, adjustments to prior year taxes and change in deferred taxes.  
Deferred tax assets and liabilities are recognised using the liability method for all temporary differences arising from the difference between the tax basis of assets and liabilities and their carrying values in IFRS. The enacted tax rate is used in the determination of deferred income tax.



**Independent Auditors' Review Report  
to the Board of Directors of Citycon Oyj**

We have reviewed the preliminary comparative IFRS information for the fourth quarter of 2004. These statements are the responsibility of the company.

We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the preliminary comparative information for the fourth quarter of 2004, for them to be in conformity with the IFRS principles.

Helsinki, February 18, 2005

Ari Ahti  
Authorized Public Accountant

Jaakko Nyman  
Authorized Public Accountant



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