2005 | Annual Report

CITYCON

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CITYCON IN BRIEF

International retail-property expert

Citycon is a property investment company specialising in retail premises. Citycon not only owns, manages, leases and develops shopping centres, supermarkets and other retail outlets but also plans and commissions the construction of new retail premises. Based on customer needs and the type of premises, the company operates through the following three divisions: Shopping Centres, Supermarkets and Shops and Property Development.

Citycon shares are quoted on the Helsinki Stock Exchange's Main List within the Real Estate industry group under the Financials sector. The company's market capitalisation totalled EUR 424.1 million at the end of the year. International investors accounted for 93.2 per cent of the company's shareholders at the end of 2005.

Leading the Finnish property market for shopping centres, Citycon also entered the Swedish and Estonian markets in 2005, currently owning a total of 21 shopping and retail centres - 16 in Finland, four in Sweden and one in Estonia. In addition to these shopping centres, Citycon owns 127 supermarket and retail properties in Finland.

At year end, the market value of Citycon's property portfolio totalled EUR 956.6 million, of which shopping centres accounted for 66.6 per cent and supermarkets and shops for 33.4 per cent.

Key figures and ratios

	2005	2004
Turnover, EUR million	92.2	84.7
Operating profit, EUR million	105.2	51.8
% of turnover	114.1	61.2
Profit before taxes, EUR million	74.2	25.7
Profit, EUR million	59.8	19.9
Earnings per share, EUR	0.49	0.19
Earnings per share, diluted, EUR	0.49	0.19
Dividend per share, EUR	0.14*	0.14
Equity per share, EUR	2.60	2.12
P/E (price/earnings) ratio	6	13
Return on equity (ROE), %	22.5	9.5
Return on investment (ROI), %	13.5	7.2
Equity ratio, %	36.7	31.4
Gearing, %	156.8	201.3
Net rental income yield, %	8.4	8.8
Occupancy rate, %	97.2	95.7
Personnel at the end of year	57	45

*Board of Directors' proposal

CITYCON AS AN INVESTMENT AND INFORMATION FOR SHAREHOLDERS

Investment in Citycon

Investing in Citycon is an investment in a growing Finnish property-investment company, whose focus on profitable, carefully selected retail premises in Finland, Estonia and Sweden, and their development, coupled with promising retail market prospects, will provide solid foundations for the company's future success. Citycon is also active in developing its line of business and aims to increase the value of, and return on, its property portfolio.

Strong increase in value

Listed on the Helsinki Stock Exchange since 1988, Citycon shares are quoted on the Main List within the Real Estate industry group under the Financials sector. As an investment, the company appeals to investors both at home and abroad, as evidenced by its two share issues in 2005 that were oversubscribed by a factor of 1.7. International investors accounted for 93.2 per cent of the company's shareholders at the end of 2005. The company's market capitalisation totalled EUR 424.1 million on 31 December 2005.

Citycon is included in international indices of property-investment companies. For example, EPRA/NAREIT Global Real Estate Index serves as a benchmarking index for international investors, tracking share-price performance and total return.

Financial targets

The Board of Directors has set the following financial targets for the company:

- The company will pay out a minimum of 50 per cent of its distributable earnings per share after deduction of taxes in dividends. Change in fair value of investment property (IAS 40) is not considered as distributable earnings. Dividend payments accounted for 63.4 per cent of the 2004 distributable earnings. Dividend payments for 2005 will account for 96.9 per cent of the distributable earnings, provided that the Annual General Meeting (AGM) of 14 March 2006 approves the Board's proposal for dividend distribution.
- The company's long-term equity ratio target is 40 per cent. On 31 December 2005, equity ratio stood at 36.7 per cent.

Annual General Meeting 2006

Citycon Oyj will hold its AGM at Finlandia Hall, Helsinki Auditorium, Mannerheimintie 13e, Helsinki, Finland on 14 March 2006, starting at 2.00 p.m.

Company shareholders listed in the shareholders' register by 3 March 2006 are entitled to attend the AGM and they should notify the company of their intention to attend it by 4.00 p.m. on 9 March 2006.

A shareholder whose shares have been entered in his/her personal book-entry securities account is listed on the shareholders' register. A shareholder holding nominee-registered shares should contact his/her account manager if (s)he wishes to attend the AGM.

If you wish to attend the AGM, please contact Tiina Tahkolahti, tel. +358 9 680 36 70, fax +358 9 680 36 788, e-mail: tiina.tahkolahti@citycon.fi or by letter addressed to Citycon Oyj, Tiina Tahkolahti, Pohjoisesplanadi 35 AB, FI-00100, Helsinki, Finland.

Please send any proxies to the above address by the above deadline.

Shareholders' register available for public inspection

The company's shareholders' register and the temporary shareholders' register for the shareholders' meeting are available for public inspection at Finnish Central Securities Depository Ltd's customer-service outlet, Urho Kekkosen katu 5 C, Helsinki.

Proposal for dividend distribution

As proposed by the Board of Directors, a per-share dividend of EUR 0.14 for 2005 will be paid on 24 March 2006 to shareholders listed no later than 17 March 2006 in the shareholders' register.

Notification of changes in shareholders' register

Shareholders should notify their book-entry account manager of any changes in addresses and names, which also automatically updates information in the shareholders' register maintained by Finnish Central Securities Depository Ltd.

Financial reports in 2006

During 2006, Citycon Oyj will disclose financial information in Finnish and English as follows:

- Interim Report for January–March, noon, 27 April 2006
- Interim Report for January–June, noon, 21 July 2006
- Interim Report for January–September, noon, 19 October 2006

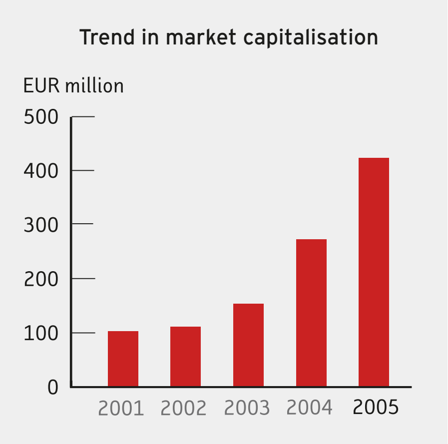
Citycon's annual reports, interim reports and other releases are available on the company's website at www.citycon.fi. The site also shows up-to-date information on share trading and share-price performance.

The company will publish its printed Annual Report in week 10. The printed version may be ordered via the website, by e-mail to info@citycon.fi or by telephone on +358 9 680 36 70.

IR principles

Citycon constantly provides the market with accurate and up-to-date information on the company, with the aim of improving the recognition of the company's business and enhancing investor-information transparency and, consequently, the company's appeal as an investment. The company's contacts are the CEO, the CFO and the Investor Relations Officer.

Adhering to the principle of objectivity in its investor communications, Citycon publishes all of its investor information in Finnish and English, primarily on its website. The company publishes its printed annual report in Finnish and English. Citycon's stock exchange and press releases may be ordered via its website by e-mail or directly by e-mail to info@citycon.fi.



Contact information

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Eero Sihvonen
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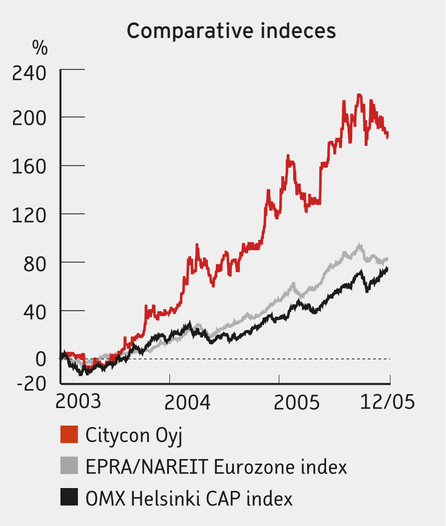
Jukka Vakula
Tel.: +358 9 680 36 742
jukka.vakula@citycon.fi



Brokerage and other firms analysing Citycon

Based on the information received by the company, analysts from the following banks, brokerage and other firms monitor Citycon Oyj and its performance on their own initiative. The list below is not necessarily an exhaustive one. Citycon is not responsible for analysts' comments and statements.

Evli Bank Plc
Tel.: +358 9 476 690
Aleksanterinkatu 19 A,
3rd floor
P.O. Box 1080
FI-00101 Helsinki
Finland

FIM Pankkiiriliike Oy
Tel.: +358 9 613 4600
Pohjoisesplanadi 33 A
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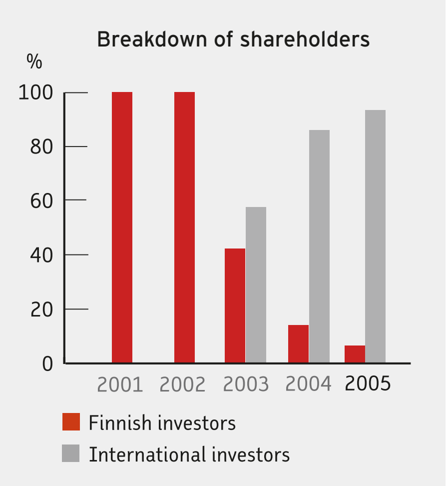
Finland

Goldman Sachs International
Tel.: +44 207 552 5986
Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

Kempen & Co N.V.
Tel.: +31 20 348 8000
Beethovenstraat 300
P.O. Box 75666
NL-1070 AR Amsterdam
Netherlands

Opstock Oy
Tel.: +358 (0)10 252 7390
Teollisuuskatu 1b
P.O. Box 362
FI-00101 Helsinki
Finland

Standard & Poor's
Tel.: +46 8 440 5900
Mäster Samuelsgatan 6
P.O. Box 1753
SE-111 87 Stockholm
Sweden



MISSION, VISION, GOALS AND STRATEGY

Strategic partner with the retail business

Mission

Demonstrating expertise in retail property business, Citycon not only owns, manages, leases and develops shopping centres, supermarkets and retail outlets but also plans and commissions the construction of new retail premises. The company leads the Finnish property market for shopping centres.

As a profitably growing and dynamic specialist in the property business, Citycon is a competitive investment for its shareholders in terms of its outstanding dividend-payment performance.

Vision and goals

Citycon aims to expand its property portfolio and increase its value. The development of its existing shopping centres, the construction of new properties, and strategy-based property acquisitions provide a sound basis for meeting this aim.

In its operations, Citycon seeks to enhance its value and expertise, and forge customer relationships based on strong partnerships. The company's objective is to serve an array of retailers by providing them with the best industry expertise and premises meeting their needs.

The company's excellence in developing solutions for retail premises and services opens up growth opportunities and increases its attractiveness as an investment. The company aims at providing sustained shareholder value.

Strategy

With its strategic goal of safeguarding profitable growth by going international and developing its existing business, Citycon focuses on retail properties, its core business consisting of shopping centres, supermarkets and other large retail units. The company aims to sell off non-core properties in order to finance its core business growth. Its business operations concentrate on urban growth centres in Finland, Sweden and the Baltic countries.

Citycon makes continuous efforts to develop its properties for improved business performance and profitability, while seeking to identify new shopping-centre concepts used to enhance shopping centres' retail appeal. Based on its dedicated business development efforts, the company aims to create increasingly customer and service-focused operations.

The acquisition of ROCCA AL MARE in Tallinn was Citycon's first-ever shopping-centre property investment in the Baltic countries. In 2005, Rocca al Mare generated total sales of around EUR 50.0 million and attracted some 4.1 million customers. It has a gross leasable area of 28,700m^2.

History

Citycon's path to becoming the market leader and an international property investment company

2000

Citycon expands its property portfolio in the Helsinki Metropolitan Area and other major Finnish cities with a population of over 50,000. The company strengthens its position and profile as a property investment company specialising in retail properties.

2001

Citycon places an increasingly stronger focus on owning and leasing retail premises while upgrading its property portfolio through acquisitions and divestments. Its turnover rises and profit performance shows a marked upward trend.

2002

Citycon strengthens its position as Finland's leading property-investment company specialising in retail premises, while creating increasingly customer and service-focused operations. The company's financial performance makes good progress and profitability improves.

2003

Citycon specifies its business structure and branches out into the development of retail properties, in addition to owning, leasing and managing them. The company's property portfolio expands considerably. The company's ownership base changes when the former main shareholders sell their holdings in the company. International investors become interested in Citycon.

2004

Citycon continues to grow and its ownership structure becomes very international. It begins to analyse potential for entry into the Baltic countries and Scandinavia.

2005

Citycon enters foreign markets by acquiring its first properties in Sweden and Estonia. It increases its holding in a number of Finnish shopping centres with a view to enabling more efficient development operations. The year also sees the preparation of several other shopping-centre development projects.

CEO'S REVIEW | Growth through internationalisation

For Citycon, 2005 was primarily a year of growth. Year-on-year, our consolidated turnover improved by 8.9 per cent, to EUR 92.2 million, this growth stemming mainly from the acquisition of new retail properties. Capital expenditure totalled EUR 178.5 million. Net profit rose to EUR 59.8 million. This net profit includes a substantial amount of EUR 45.9 million coming from an increase in our properties' fair value, due mainly to favourable market conditions.

In 2005, we began our entry into Sweden and the Baltic countries. These investments in the neighbouring countries support Citycon's strategy to own shopping centres and commercial properties in the Baltic Rim.

As a matter of fact, there is no comparison between Citycon's operations and the conventional property-investment business. As an active player in the shopping-centre property business, the company engages in both the management and commercial development of shopping centres with a view to providing retailers and retail chains with competitive premises and services using our strongly expanding property portfolio.

This approach forms the basis of Citycon's operating model which can be applied to the shopping-centre property business both at home and abroad. Accordingly, we aim to identify properties which not only generate a steady return but also provide major opportunities to increase returns through active development efforts.

In practice, all of our new properties have the potential to generate higher returns by means of efficient management and additional investments. This requires us to demonstrate not only expertise in areas traditionally related to property ownership but also an in-depth knowledge of the retail business conducted within the premises we own.

Our aim is to be a professional and dynamic partner for our customers, assuming responsibility for customer-flow maintenance within our shopping-centre premises. Our customers will benefit from our expansion and internationalisation in the form of a more competitive and sophisticated range of services and retail sites. Based on our dedicated, forward-looking business development efforts, we also aim to create ever-more customer and service-focused operations.

During the financial year, Citycon invested in a total of ten properties. It increased its holding in IsoKristiina, Trio and Sampokeskus in Finland; acquired the Åkersberga shopping centre as well as the Åkermyntan, Fruängen, Kallhäll and Lindome retail centres in

Sweden; and bought the Rocca al Mare shopping centre in Estonia. At the end of the year, we signed an agreement to acquire the Landvetter, Floda, Hindås and Backa retail centres in the Gothenburg Metropolitan Area. The closing of such transaction took place in February 2006. In Tampere, we began to refurbish and extend a retail centre into a shopping centre. Investments totalled EUR 178.5 million in 2005.

Financing the acquisitions carried out during the financial year was based on both two private placements and raising bank loans. In an effort to reduce its financial expenses, Citycon re-financed its previous subordinated loan. Despite our strong growth, we will pay attention to keeping a sound balance sheet. Our long-term equity ratio target is 40 per cent.

Citycon will aim to continue to expand rapidly, based on property investments both at home and abroad. We will expand our shopping-centre business by acquiring new properties, increasing our holdings in existing properties and actively developing our existing properties. Our development efforts are aimed at improving the return on property by enhancing its competitiveness and appeal. Citycon boasts expertise in implementing development investments, rapidly and efficiently. We are also going to place an increasing focus on the shopping-centre property business while reducing the share of investments in smaller units within our property portfolio.

At the current stage of rapid growth, one of our key goals involves the well-balanced management of our organisational development vis-à-vis business expansion. Although our future aim is to nurture our flat organisation which enables efficient operations, we are going to retain local expertise in our overseas sites, too.

Within its line of business, future prospects for Citycon look good, with consumer confidence expected to remain reasonably robust and no swift changes anticipated in the market. A slight increase in interest rates is not expected to change the consumer behaviour of retail customers – Citycon's key target group.

In our operating regions in Finland, Sweden and the Baltic countries, we expect competition for investment properties to intensify further and purchase prices to increase. This will present major challenges to the management and staff to remain expansive and profitable.

It gives me great pleasure to thank our customers, partners and personnel for the major contribution they made last year to the company's performance. With our internationalisation process well underway, let our strong growth continue.

Helsinki, 16 February 2006

PETRI OLKINUORA
CEO

BUSINESS ENVIRONMENT

Ever-internationalised property investment market

Citycon is one of the five property-investment companies listed on the Helsinki Stock Exchange and the second largest in Finland, measured by market capitalisation. On 31 December 2005, the market capitalisation of the property-investment companies listed on the Helsinki Stock Exchange totalled approximately EUR 1.3 billion, Citycon accounting for 31.8 per cent. In 2005, the market capitalisation of these five listed property-investment companies rose by 33.1 per cent while the OMX Helsinki CAP index improved by 30.1 per cent.

Citycon focuses on retail properties, its core business consisting of shopping centres, supermarkets and other large retail units. For this reason, the company is active in watching retail developments closely. Finnish retailing has made strong progress in recent years, with total retail sales growing by 5.0 per cent in 2005, department-store sales and grocery sales improving by 5.6 per cent and 2.7 per cent, respectively, on the previous year (Source: Statistics Finland). Growth in retail sales is due largely to favourable economic development and an increase in households' purchasing power and consumer spending. This stronger spending power is due, for example, to low interest and inflation rates. Statistics Finland's consumer survey suggests that consumer confidence in Finland continued to remain high in 2005, which will sustain growth in consumer spending and retail sales in the near future.

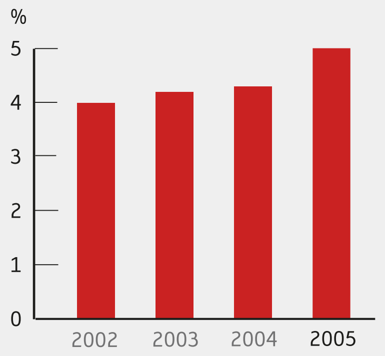
Spurred on by favourable economic development and the growing need for retail premises, demand for commercial properties has remained buoyant in both the Helsinki Metropolitan Area and major regional centres elsewhere in Finland. Construction of retail premises has remained reasonably lively, especially that of shopping centres in the Helsinki Metropolitan Area. Purchasing power continued its concentration process in regional centres and demand for premises housed in good retail sites in particular remained strong. Vacancy rates continued to remain low.

Finnish property-investment companies have mostly operated and invested in Finland. Citycon was the first Finnish property-investment company to make direct foreign property investments in 2005, and now other industry players have begun to examine op-

Renowned for its wide product range, the K-SUPERMARKET MANKKAA in Espoo has an area of 15,600m^2 and its grocery sales totalled EUR 27.4 million in 2005.

portunities to expand by entering foreign markets. During 2005, the Finnish commercial-property market volume totalled EUR 2.7 billion (Source: Catella Property Consultants Ltd). Foreign investors have continued to show keen interest in the Finnish property-investment market, and they accounted for almost half of this market volume in 2005. In particular, commercial premises and the Helsinki Metropolitan Area as a region appeal to these investors. There are several reasons why the Finnish property-investment market is appealing. First, Finland is the only Nordic country which is an EMU member. Second, it has enjoyed favourable economic development in recent years and its future prospects look promising. Third, it boasts transparent business practices and high-quality market information. Finally, the country has well-defined property-market legislation in place. The entry in recent years of foreign property investors into the Finnish market has considerably invigorated property trading, which has, in turn, increased the liquidity of properties and depressed yield requirements set for invested properties.

Retail sales growth in Finland



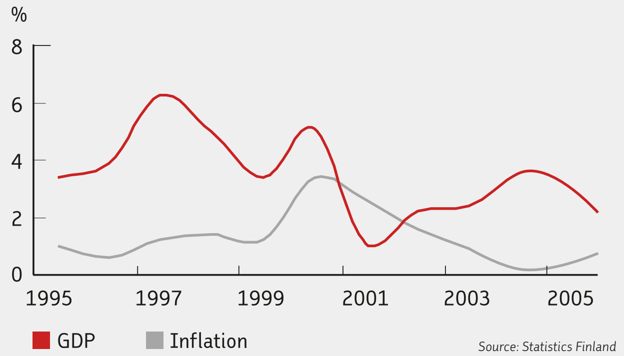
Source: Statistics Finland

Return of property investments companies

	2005 return, %	Rolling five year's return, %
Global real estate	32.9	77.4
Europe real estate	26.1	119.9
North America real estate	30.5	94.5
Asia real estate	42.2	50.5
Global equities	29.0	-5.3
Global bonds	3.8	31.5

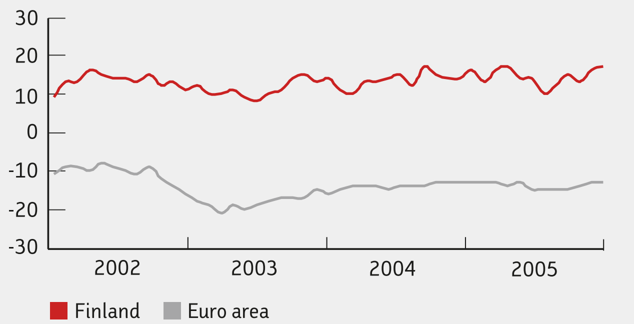
Source: EPRA/FTSE/JP Morgan

GDP and inflation in Finland



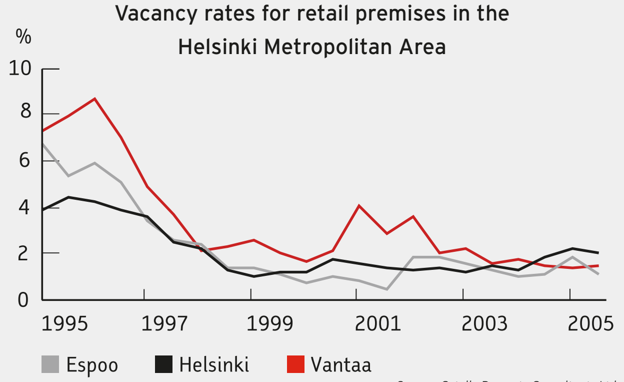
Source: Statistics Finland

Consumer confidence indicator



Source: Statistics Finland and European Commission

Vacancy rates for retail premises in the Helsinki Metropolitan Area



Source: Catella Property Consultants Ltd

BUSINESS AND PROPERTY PORTFOLIO

An expert in the shopping centre business

THE ÅKERSBERGA SHOPPING CENTRE forms an important part of the Österåker municipal centre, located about 30 kilometres from central Stockholm. Citycon is going to develop the shopping centre by extending it and modernising the existing premises. The extension will increase its area from the current 33,000m^2 to around 50,000m^2.

Business / Introduction

Specialising in retail properties and leading the Finnish property market for shopping centres, Citycon engages in the retail-property business throughout the ownership chain i.e., ownership, leasing, management and development of properties. The company is Finland's only listed company concentrating exclusively on retail premises. With respect to the company's business, it is important to identify the right properties and develop and maintain them in such a way that they appear attractive and dynamic retail centres in the eyes of both consumers and lessees.

Finland is Citycon's main geographic operating region but the company also entered the Swedish and Estonian markets in 2005. Citycon operates through the following three divisions: Shopping Centres, Supermarkets and Shops and Property Development. All these divisions support the company's overall business, ranging from the acquisition, management and maintenance of properties to their active development.

Property portfolio in summary

On 31 December 2005, Citycon's property portfolio comprised 21 retail properties within the Shopping Centres division and 127 properties within the Supermarkets and Shops division, their market value totalling EUR 956.6 million. With the year-end market value of its shopping centres totalling EUR 636.7 million, 16 of them are located in Finland, four in Sweden and one in Estonia. All of Cityson's supermarkets and shops are located in Finland. The market value of properties within the Supermarkets and Shops division totalled EUR 320.0 million at the end of 2005.

Key indicators of property portfolio, 2005

	Shopping Centres	Supermarkets and Shops	Total
Citycon's GLA, sq.m	322,900	273,073	595,973
Gross rental income, EUR million	56.1	34.7	90.8
Net rental income, EUR million	40.6	25.3	65.9
Net rental income yield, %	8.2	8.9	8.4
Net rental income yield, like-to-like properties, %	8.5	9.0	8.7

Property portfolio by region, 31 Dec. 2005, EUR million

	Shopping Centres	Supermarkets and Shops	Total
Helsinki Metropolitan Area	208.7	127.5	336.2
Other Finnish major cities	258.4	80.8	339.2
Other parts of Finland	32.9	111.7	144.6
Sweden	76.1		76.1
Estonia	60.5		60.5
Total	**636.7**	**320.0**	**956.6**

Based on market value of the property portfolio 31 Dec. 2005

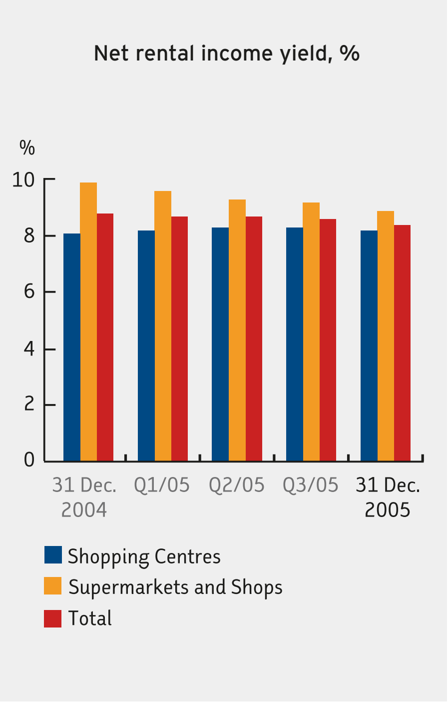
Regional distribution of rental income 2005, EUR million

	Shopping Centres		Supermarkets and Shops		Total	
	Gross	Net	Gross	Net	Gross	Net
Helsinki Metropolitan Area	23.1	17.8	13.3	9.8	36.4	27.6
Other Finnish major cities	23.8	17.5	9.0	6.7	32.8	24.2
Other parts of Finland	4.1	2.5	12.4	8.8	16.5	11.3
Sweden	3.0	1.2			3.0	1.2
Estonia	2.1	1.6			2.1	1.6
Total	**56.1**	**40.6**	**34.7**	**25.3**	**90.8**	**65.9**

Trend in lease portfolio by division

	Shopping Centres	Supermarkets and Shops	Total
Number of leases started during the financial year	233	65	298
Total area of leases started, sq.m.	29,160	22,316	51,476
Occupancy rate at end of financial year ,%	98.0	95.8	97.2
Average length of lease portfolio at the end of financial year, year	2.6	4.2	3.2

BUSINESS AND PROPERTY PORTFOLIO



Property portfolio's valuation

Using the International Valuation Standards (IVS), an external professional appraiser conducts the valuation of Citycon's property portfolio at least once a year. 2005 saw three valuations of Citycon's property portfolio carried out by an external expert: the properties' market value at the end of June, September and December. The most recent valuation statement by Aberdeen Property Investors is included in the Financial Statements Appendix on page 59.

The valuation is based on a ten-year cash-flow analysis according to which the basic cash flow is determined by Citycon's lease agreements valid on the valuation date. The total value of the portfolio is calculated as the sum of the individual properties' value.

On 31 December 2005, Aberdeen Property Investors evaluated the average yield requirement for Citycon's shopping-centre properties at 7.5 per cent and for supermarkets and shops at 7.9 per cent. The average yield requirement for the entire property portfolio was valued at 7.6 per cent. During the financial year, the fair value of Citycon's property portfolio rose by EUR 45.9 million, as a result of growth in the property portfolio and changes in general market conditions and the leasing business. The year saw a total increase of EUR 60.3 million in the value of 111 properties and a total decrease of EUR 14.3 million in the value of 37 properties. The year's most significant change affecting market values included growing interest in the Finnish property market shown by international investors, especially in commercial properties.

Citycon's five largest customers

Name	Proportion (%) of rental income
Kesko	42.7
S-Group	
Nordea Bank	
Seppälä	
Lindex	
5 largest, total	**49.6**
Others	50.4
Total	**100.0**

Portfolio by market value and number of properties 31 Dec. 2005

Market value, EUR million	Share of total portfolio, %	Number of properties
80-100	18.1	2
60-80	13.1	2
40-60	9.7	2
20-40	15.5	5
10-20	23.0	16
5-10	8.6	11
0-5	12.0	110

Property portfolio changes during the year

On 1 January 2005, Citycon owned 16 shopping centres and 130 supermarkets and shops, all of them located in Finland and their market value totalling EUR 738.7 million. During 2005, the company acquired five shopping or retail centres and increased its holding in three shopping centres, these acquisitions totalling EUR 165.8 million, and divested properties for EUR 3.8 million. All of the divested properties belonged to the Supermarkets and Shops division.

The most significant shopping-centre acquisitions in 2005 included Åkersberga in Sweden and Rocca al Mare in Estonia, both bought in July, the former representing Citycon's first property investment abroad. Located in the Österåker Municipality north-east of Stockholm, the Åkersberga shopping centre has a market value of EUR 48.8 million. Citycon owns 75 per cent of the shopping centre, which provides scope for major extensions. Consequently, Citycon launched an extension project soon after closing the deal. The investment's value, including the existing shopping centre and the launched extension project, totals approximately EUR 95–100 million, and the project is expected to be completed by 2009. Citycon has undertaken to buy the remaining holding in the shopping centre once the extension has been completed.

The acquisition of Rocca al Mare, a shopping centre in Tallinn, is Citycon's first-ever property investment in the Baltic countries, and its market value totals EUR 60.5 million, including an adjacent site reserved for the shopping centre's extension. The site purchased for the extension project has permitted building volume of 25,000 square metres of floor space. The extension project is estimated to be completed in 2009.

Other shopping-centre acquisitions included holdings in the real estate company KOy Karjalan Kauppakeskus, bought in May, which owns retail premises in the IsoKristiina shopping centre in Lappeenranta, making Citycon the main owner of the shopping centre's retail premises. In September, Citycon increased its holding in the Lahti Trio shopping centre. In November, the company became the sole owner of the Rovaniemi Sampokeskus by buying all shares in the real estate company KOy Lintulankulma.

In December, the company acquired shopping centres in Åkermyntan, Kallhäll and Fruängen in the Stockholm Metropolitan Area for EUR 27.6 million. The company also expanded its Swedish operations to the Gothenburg Metropolitan Area in early 2006 when it purchased a retail and shopping centre in Lindome for EUR 7.8 million.

The most important development project launched in 2005 includes the extension (8,300 sq.m.) and refurbishment of a retail centre in Hervanta, a district of Tampere. The aim is to open the extended section in late spring 2007, with the new shopping centre as a whole being ready to welcome Christmas shoppers later in the same year. The project's estimated total investment is EUR 25.3 million.

The year's investment decisions and their implementation are in line with Citycon's growth strategy while supporting the company's efforts to develop its business in Finland, Sweden and the Baltic countries.

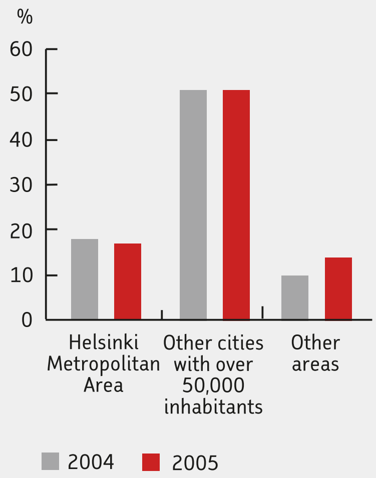
Market share in Finland

According to a market-share analysis conducted by Entrecon, a consulting firm, in December 2005, Citycon continues to account for about a quarter of the Finnish shopping-centre market, based on total shopping centre sales.

Leasing business

During 2005, Citycon extended lease agreements or negotiated new ones for business premises, covering a total of 51,746 square metres, with the number of extended

Regional total sales of shopping centres wholly or partly owned by Citycon of total sales of all shopping centres in Finland in 2005



Source: Entrecon Oy

1st possible maturity of the leases, 31 December 2005

** Incl. agreements running until further notice*

BUSINESS AND PROPERTY PORTFOLIO

and new agreements totalling 57 and 241, respectively. A total of 630 lease agreements and 550 new lessees were transferred to Citycon as a result of property acquisitions. On 31 December 2005, the number of lessees totalled 1,120.

Finnish and international speciality and grocery chains, as well as banks and other financial institutions are among the company's major lessees, of which the most significant ones include the various Kesko chains, such as the Citymarket hypermarkets, the K-market supermarkets and the Anttila department stores, accounting for 42.7 per cent of the company's total rental income. However, these leases are based on agreements concluded on a premises-by-premises basis, which is why the number of lease agreements between Citycon and Kesko totals 97 covering 67 premises.

Citycon aims at a versatile and efficiently manageable lease portfolio. This implies that the company may change the business mix and contract base of its properties without risking their cash flow. Short-term (1–12 months) leases or leases valid until further notice provide the required flexibility and the opportunity to alter the lease portfolio, while medium-term leases of 3–5 years generate a steady cash flow and provide the business mix with stability. Long-term agreements with a duration of some ten years are typical for anchor tenants and stabilise Citycon's cash flow while providing tenants with the opportunity to develop their retail premises in co-operation with Citycon on a long-term basis.

Most of Citycon's leases are based on agreements, whereby the rental rate is determined by the absolute net lease tied to the cost-of-living index, and the maintenance rent. This maintenance rent, charged separately from the lessee, covers operating ex-

Leasing activity

	Number of lease agreements	Citycon's Gross Leasable Area, sq.m.	Leased area, sq.m.	Average rent EUR/m²/month
SHOPPING CENTRES				
Status 1 January 2005	**1,072**	**215,420**	**210,894**	**18.8**
Leases started:				
New or extended leases	233		29,159	18.3
Acquisitions	630	107,480	104,995	13.0
Leases ended:				
Expired, fixed-term leases	61		7,659	16.2
Terminated leases	175		24,260	16.8
Divestments				
Status 31 December 2005	**1,699**	**322,900**	**313,128**	**17.4**
SUPERMARKETS AND SHOPS				
Status 1 January 2005	**416**	**272,851**	**245,177**	**11.6**
Leases started:				
New or extended leases	65		22,316	9.8
Acquisitions	2	2,265	2,265	13.8
Leases ended:				
Expired, fixed-term leases	19		6,441	7.8
Terminated leases	48		9,081	8.8
Divestments	6	2,043	1,676	16.7
Status 31 December 2005	**410**	**273,073**	**252,560**	**11.6**

penses incurred by the property owner due to property maintenance, and any additional services requested by the lessee.

The Shopping Centres division also has leases tied to turnover generated by retailers, these accounting for roughly 4.9 per cent of Citycon's lease portfolio. The rental rate of these lease agreements is determined by the base rent tied to the cost-of-living index, and a portion tied to turnover. This portion tied to turnover is determined by sales posted by the lessee operating on the leased premises. These turnover-based lease agreements support both the lessee's and Citycon's shared goal of boosting the lessee's sales. Citycon will increase the share of its lease agreements tied to the lessee's turnover.

Future

Citycon will continue to focus on profitable growth by expanding its property holdings in Finland, Scandinavia and the Baltic countries, and by upgrading its properties to create complexes that serve the retailing sector better than ever. The company aims to retain its market leadership in the Finnish shopping-centre property business and strengthen its position in Sweden and Estonia.

Increasing competition for productive property investments and continuous business development will present challenges.

Retaining and strengthening its market position will require Citycon to be able to recognise new trends in retailing and contribute and respond to them, for example, by intensifying its property-development operations and actively winning new lessees, especially among new retailers entering the market.

As the largest shopping centre in the province of Southern Karelia, ISOKRISTIINA, located in the heart of Lappeenranta, is a popular site for shopping and rendezvous. With an area of 19,800m^2, its total sales came to around EUR 45.5 million in 2005.

Property portfolio analysis 31 Dec. 2005

Total portfolio	Location	Citycon's GLA, sq.m.	Number of tenants	Average lengths of lease agreements, yrs	Average rent, EUR /sq.m./ month	Fair market value, EUR million		Rental income		Occupancy rate, %	
								Gross rental income, EUR million	Net rental income, EUR million	EUR	sq.m.
						31 Dec. 05	31 Dec. 04	Year 05	Year 05	31 Dec. 05	31 Dec. 05
SHOPPING CENTRES											
Helsinki Metropolitan Area											
Espoontori	Espoo	9,000	38	0.8	18.5	16.0	14.9	1.9	1.3	97.1	95.5
Heikintori	Espoo	4,600	22	1.9	27.7	11.6	11.4	1.3	1.0	95.0	92.3
Lippulaiva	Espoo	22,600	56	2.2	27.4	48.4	57.4	7.2	5.7	97.2	95.0
Isomyyri	Vantaa	9,900	15	4.0	15.1	15.5	14.8	1.7	1.3	96.6	91.8
Myyrmanni	Vantaa	30,100	111	4.3	24.3	96.8	96.1	8.7	6.9	99.6	99.4
Tikkuri	Vantaa	10,700	46	1.2	18.4	20.5	19.1	2.2	1.5	93.2	91.5
Other Finnish major cities											
Jyväskeskus	Jyväskylä	5,300	44	6.6	17.7	10.4	8.2	1.3	0.9	97.4	95.0
Forum	Jyväskylä	17,300	43	1.6	18.8	38.0	33.4	3.6	2.8	98.3	96.8
Trio	Lahti	32,200	102	1.1	15.6	64.6	41.6	4.8	3.7	97.4	96.6
IsoKristiina	Lappeenranta	18,200	46	3.2	15.6	28.9	15.5	2.6	1.8	98.9	95.3
Galleria	Oulu	3,500	22	1.9	17.6	6.0	5.5	0.7	0.5	99.6	99.0
IsoKarhu	Pori	14,800	39	3.4	18.9	34.2	33.0	3.2	2.4	95.7	94.0
Koskikeskus	Tampere	25,800	108	3.1	21.2	76.3	67.0	7.6	5.4	99.8	99.4
Other parts of Finland											
Sampokeskus	Rovaniemi	13,600	84	1.6	15.4	18.2	14.3	2.1	1.4	95	87.4
Torikeskus	Seinäjoki	11,300	58	1.7	10.4	9.6	8.8	1.2	0.7	90	88.5
Koskikara	Valkeakoski	5,800	29	1.3	11.3	5.1	5.7	0.8	0.4	96.8	94.9
Sweden											
Åkersberga*	Österåker	33,000	251	2.0	8.6	48.8	-	2.7	1.0	99.6	99.7
Åkermyntan	Hässelby	8,400	33	3.3	11.9	11.6	-	0.1	0.1	100	100
Kallhäll	Järfalla	3,500	1	3.5	9.8	4.2	-	0.1	0.1	100	100
Fruängen	Fruängen	14,600	64	2.0	9.6	11.4	-	0.0	0.0	98.9	97.9
Estonia											
Rocca al Mare	Tallinn	28,700	105	3.4	14.4	60.5	-	2.1	1.6	100	100
Shopping Centres, total		**322,900**		**2.6**	**17.4**	**636.7**	**446.6**	**56.1**	**40.6**	**98.0**	**96.5**
SUPERMARKETS AND SHOPS											
Helsinki Metropolitan Area											
Supermarkets		44,691	12	6.3	12.4	66.2	59.8	6.3	5.0	99.7	99.8
Shops		41,117	87	2.4	13.7	52.5	50.9	6.4	4.5	99.6	99.3
Other properties		2,959	16	1.6	3.4	8.8	9.0	0.6	0.3	67.8	64.1
Other Finnish major cities											
Supermarkets		43,819	23	4.5	11.1	56.5	50.6	6.5	5.0	91	95.7
Shops		23,160	8	2.4	8.6	22.9	16.2	2.3	1.6	100	100
Other properties		3,005	5	1.0	9.0	1.4	1.3	0.2	0.1	80.4	78.1
Other parts of Finland											
Supermarkets		46,004	1	5.7	12.8	69.7	64.6	7.2	5.5	100	100
Shops		40,903	76	3.0	9.5	30.4	28.0	3.9	2.7	87.7	84.2
Other properties		27,415	32	1.5	5.5	11.6	11.7	1.4	0.6	72.6	70.2
Supermarkets and Shops, total		**273,073**		**4.2**	**11.6**	**320.0**	**292.1**	**34.7**	**25.3**	**95.8**	**92.4**
Total Combined Portfolio		**595,973**		**3.2**		**956.6**	**738.7**	**90.8**	**65.9**	**97.2**	**94.6**

** Entire shopping centre*

Like-to-like properties	Citycon's GLA, sq.m.	Number of tenants	Average lengths of lease agreements, yrs	Average rent, EUR /sq.m./ month	Fair market value, EUR million		Rental income: Gross rental income, EUR million	Rental income: Net rental income, EUR million	Occupancy rate, %: EUR	Occupancy rate, %: sq.m.
					31 Dec. 05	31 Dec. 04	Year 05	Year 05	31 Dec. 05	31 Dec. 05
Helsinki Metropolitan Area										
Shopping Centres	86,900	242	2.9	22.9	208.7	213.7	23.1	17.8	97.5	95.6
Supermarkets and Shops	88,767	112	4.3	13.0	125.1	114.7	13.2	9.8	99.0	98.3
Other Finnish major cities										
Shopping Centres	46,600	158	2.6	20.3	120.3	105.9	11.9	8.6	99.3	98.4
Supermarkets and Shops	64,970	33	3.9	10.1	70.5	64.1	8.3	6.3	96.0	95.9
Other parts of Finland										
Shopping Centres	5,800	29	1.3	11.3	5.1	5.7	2.0	1.1	94.9	96.8
Supermarkets and Shops	114,322	105	4.4	10.3	111.7	104.3	12.4	8.8	92.4	87.2
Shopping Centres total	**139,300**		**2.7**	**21.5**	**334.1**	**325.3**	**37.0**	**27.4**	**98.1**	**96.5**
Supermarkets and Shops total	**268,060**		**4.3**	**11.1**	**307.2**	**283.1**	**34.0**	**24.8**	**95.7**	**92.3**

Like-to-like properties equal those owned by Citycon during the 12-month comparison period. Properties under development and extension as well as sites are excluded from the figures.

Market value analysis, 31 Dec. 2005

Total portfolio	Fair market value, EUR million		Change in market value, year 2005, EUR million: Positive	Negative	Total	Average yield requirement, %		Average market rent, EUR/sq.m./month	Average operating expenses EUR/ sq.m./month
	31 Dec. 05	31 Dec. 04				31 Dec. 05	31 Dec. 04	31 Dec. 05	31 Dec. 05
SHOPPING CENTRES									
Helsinki Metropolitan Area	208.7	213.7	3.5	-10.2	-6.7	7.3	7.7	21.1	5.3
Other Finnish major cities	258.4	204.2	26.3	0.0	26.3	7.3	8.1	18.6	4.3
Other parts of Finland	32.9	28.8	2.7	-0.6	2.1	8.5	9.2	14.3	4.5
Sweden	76.1		1.7	0.0	1.7	7.4		12.2	4.0
Estonia	60.5		0.0	-1.2	-1.2	8.2		14.5	2.5
Shopping Centres, total	**636.7**	**446.6**	**34.2**	**-12.1**	**22.1**	**7.5**	**8.0**	**17.5**	**4.4**
SUPERMARKETS AND SHOPS									
Helsinki Metropolitan Area									
Supermarkets	66.2	59.8	6.0	0.0	6.0	7.0	8.4	12.1	2.6
Shops	52.5	50.9	4.6	-0.4	4.1	8.3	8.9	13.2	3.9
Other properties	8.8	9.0	0.3	-0.6	-0.3	8.0	8.7	21.7	4.2
Other Finnish major cities									
Supermarkets	56.5	50.6	6.0	-0.2	5.8	7.8	8.5	12.1	2.5
Shops	22.9	16.2	1.0	-0.2	0.8	8.6	9.5	8.5	2.4
Other properties	1.4	1.3	0.1	0.0	0.1	10.2	10.7	9.8	3.5
Other parts of Finland									
Supermarkets	69.7	64.6	5.1	0,0	5.1	7.6	8.4	12.3	2.5
Shops	30.4	28.0	2.5	-0.2	2.4	9.0	9.7	10.3	2.6
Other properties	11.6	11.7	0.5	-0.7	-0.2	10.1	10.8	9.3	1.8
Supermarkets and Shops, total	**320.0**	**292.1**	**26.1**	**-2.3**	**23.8**	**7.9**	**8.8**	**11.6**	**2.7**
Total portfolio	**956.6**	**738.7**	**60.3**	**-14.3**	**45.9**	**7.6**	**8.3**	**14.8**	**3.6**
Like-to-like portfolio									
SHOPPING CENTRES									
Helsinki Metropolitan Area	208.7	213.7	3.5	-10.2	-6.7				
Other Finnish major cities	120.3	105.9	13.8	0.0	13.8				
Other parts of Finland	5.1	5.7	0.0	-0.6	-0.6				
Shopping Centres, like-to-like properties, total	**334.1**	**325.3**	**17.3**	**-10.9**	**6.4**				
SUPERMARKETS AND SHOPS									
Helsinki Metropolitan Area	125.1	114.7	10.9	-1.0	9.8				
Other Finnish major cities	70.5	64.1	6.7	-0.4	6.3				
Other parts of Finland	111.7	104.3	8.1	-0.8	7.3				
Supermarkets and Shops, like-to-like properties, total	**307.2**	**283.1**	**25.7**	**-2.3**	**23.4**				
Like-to-like properties, total	**641.3**	**608.3**	**43.0**	**-13.1**	**29.8**				

SHOPPING CENTRES

Versatile service palettes

THE TRIO SHOPPING CENTRE in Lahti is the most powerful specialist retail concentration in Päijät-Häme. With an area of 46,800m², it is one of the largest retail centres in inner part of Finland. Citycon's holding in Trio totals 88.7 per cent. In 2005, Trio generated total sales of EUR 82.5 million.

Engaging in active shopping-centre property business in Finland, Sweden and Estonia, at the end of 2005, Citycon owned, either wholly or partly, a total of 21 shopping centre properties, 16 in Finland, four in Sweden and one in Estonia.

The company leads the Finnish property market for shopping centres. In 2005, its Finland-based shopping centres served almost 62 million customers and generated total sales of EUR 760.5 million, representing about a quarter of all shopping-centre sales in Finland (Source: Entrecon Oy).

Citycon's net rental income from shopping centres improved by 16 per cent, to EUR 40.6 million, accounting for 61.5 per cent of the company's total rental income, while the floor area of leased premises rose by 49.3 per cent to 322,900m^2. Shopping centres represent 66.6 per cent of the value of the company's property portfolio.

As Citycon's main products, shopping centres are service palettes built around each shopping centre's business concept and the services provided by our partners. Where lessees are Citycon's partners, consumers at shopping centres represent the company's real customers. Citycon adheres to standardised business principles in the management of its shopping centres, with a view to maintaining a wide and diversified range of services that meet the needs of consumers living within the shopping centre's operating region.

The international property business model for shopping centres is emerging as an independent line of business in Finland and the Baltic countries, too. Accordingly, shopping centres are gradually managed as 'products' used by ordinary consumers. The management style applied to the majority of shopping centres other than those of Citycon is still inclined towards traditional leasing operations.

Citycon's shopping centres

Citycon's shopping centres in the Helsinki Metropolitan Area

SHOPPING CENTRES

Citycon's shopping-centre business principles involve taking a holistic approach to the management and development of shopping centres and their operations on a long-term basis. In this respect, the company is in active co-operation with its lessees.

Citycon aims to increase the competitiveness of its shopping centres and, consequently, provide its lessees with success opportunities. The company also develops methods for the benefit of all shopping centres, as evidenced by joint marketing development projects and market surveys. It is constantly mapping customer needs and watching retailing trends closely, thus providing the foundations for its lessees' business development. Boasting strong expertise in commercial properties, Citycon has a comprehensive property portfolio that enables it to establish long-term partnerships and efficiently serve retail chains and other lessees.

First-ever foreign investments in 2005

In 2005, Citycon entered foreign markets by acquiring shopping and retail centres in Åkersberga, Åkermyntan, Kallhäll and Fruängen in the Stockholm Metropolitan Area, Sweden, and the Rocca al Mare shopping centre in Tallinn, Estonia. The financial year's foreign investments totalled EUR 137.1 million.

The company's Shopping Centres division expanded its Swedish operations to the Gothenburg Metropolitan Area in early 2006 when it purchased the Lindome retail centre. In late 2005, the company also announced an agreement to acquire the Landvetter, Floda, Hindås and Backa retail centres located in the same area. The closing of such transaction took place in February 2006.

Sweden abounds in municipalities characterised by the concentration of retailing and public services in shopping centres. By actively developing these shopping centres, it is possible to increase their appeal and productivity in the long term. Citycon demonstrates expertise in this kind of development operations.

Moreover, Swedish shopping centres are on their way towards specialisation while aiming to target their services at more specified customer groups. Despite tough competition, investors are showing keen interest in Swedish shopping centres.

Meanwhile, Estonia is marked by a less developed shopping-centre business but its entire retailing sector is making rapid progress. Citycon is contributing to creating business models for shopping centres in Estonia. The acquisition of the Rocca al Mare shopping centre has been by far the largest property investment in the country.

Citycon's most significant shopping-centre property investments in Finland in 2005 related to Trio in Lahti, IsoKristiina in Lappeenranta and Sampokeskus in Rovaniemi.

Shopping-centre investments totalled EUR 174.9 million, of which development projects came to EUR 6.8 million and the acquisition of new properties to EUR 168.1 million.

An ever-changing shopping centre

Monitoring the behaviour of its shopping-centre customers forms the basis of Citycon's shopping-centre business development. Bearing in mind that a shopping centre is not a static one-off investment, it is Citycon's goal to manage the development of its shopping centres by remaining proactive to changes in order to keep them as competitive retail sites.

Structural changes in the retail trade have a major impact on the shopping-centre

Top 5 tenants by rental income

	% of rental income
Kesko	26.4
S-Group	
Seppälä	
Lindex	
H&M Hennes&Mauritz	
5 largest, total	**35.1**
Others	64.9
Total	**100.0**

Key figures of Shopping Centres division, EUR million

	2005	2004
Turnover	57.4	48.4
Operating profit	61.2	18.8
Market value of the property portfolio	636.7	446.6
Net rental income yield, %	8.2	8.1
Net rental income yield, like-to-like properties, %	8.5	8.1
Capital expenditure	174.9	17.4
Personnel at year-end	30	22

business. The underlying trends include the growing size of retail outlets and the proliferation of retail chains, which will contribute towards strengthening the position of speciality retailing. This also means that shopping centres will win increasing popularity and play an ever-increasing role in total retail sales.

Upgrading service offerings on an ongoing basis will become necessary and active marketing efforts based on a diverse range of tools will play an increasingly important role. The aim is to create a positive shopping experience and make customers feel comfortable and return to the shopping centre again and again. Citycon is continuously analysing new shopping-centre concepts adopted worldwide and applying them to its own business operations.

The company responds to toughening competition through careful planning and timing of investments, as well as active shopping-centre business operations. Thanks to its extensive property portfolio, Citycon will have every prospect of acting as a partner providing large retail chains with business premises not only in Finland but also in Sweden and the Baltic countries.

Citycon's shopping centres 2005

		Entire shopping centre							
		Gross leasable area total, sq.m.	Retail premises total, sq.m.	Sales, EUR million		No. of visitors, million		Catchment area's population [1]	Citycon's gross leasable area, sq.m.
	Location			2005	2004	2005	2004		
Helsinki Metropolitan Area									
Espoontori	Espoo	15,000	8,300	30.7	30.0	3.3	3.5	52,400	9,000
Heikintori	Espoo	9,500	7,000	29.0*	30.0*	2.4	2.7	187,100	4,600
Lippulaiva [2]	Espoo	22,600	18,300	52.7	54.6	3.3	3.4	103,300	22,600
Isomyyri	Vantaa	14,800	8,800	29.2	25.2*	2.2	2.0	88,900	9,900
Myyrmanni [3]	Vantaa	42,000	32,000	158.1	163.3	7.1	7.3	93,100	30,100
Tikkuri	Vantaa	15,300	8,100	30.6	29.9	2.8	2.8	166,900	10,700
Other Finnish major cities									
Jyväskeskus	Jyväskylä	11,500	6,300	19.9	17.9	4.2	4.1	134,200	5,300
Forum	Jyväskylä	23,000	18,800	45.0*	44.6*	7.2	7.0	134,200	17,300
Trio	Lahti	46,800	28,000	82.5	82.2	9.2	9.2	118,600	32,200
IsoKristiina	Lappeenranta	19,800	14,100	45.5	44.2	2.2	2.6*	85,000	18,200
Galleria	Oulu	4,200	2,600	8.5	8.4	1.1	1.1	197,700	3,500
IsoKarhu	Pori	14,800	12,500	38.3	30.7	4.1	3.4	91,500	14,800
Koskikeskus	Tampere	28,800	23,900	117.8	112.1	5.9	6.0	274,800	25,800
Other parts of Finland									
Sampokeskus	Rovaniemi	13,600	7,800	22.9	19.3	3.3	3.3	87,500	13,600
Torikeskus	Seinäjoki	11,300	8,000	17.6	17.3	1.3	1.4	109,600	11,300
Koskikara	Valkeakoski	10,400	10,000	32.2	31.8	2.3	2.3	20,500	5,800
Sweden									
Åkersberga	Österåker	33,000	19,800	-	-	4.0	4.0	37,000*	33,000 [4]
Åkermyntan	Hässelby	8,400	6,700	-	-	-	-	32,000*	8,400
Kallhäll	Järfalla	3,500	3,500	-	-	-	-	12,200*	3,500
Fruängen	Fruängen	14,600	6,600	-	-	-	-	33,400*	14,600
Estonia									
Rocca al Mare	Tallinn	28,700	28,700	50.0*	-	4.1	4.1	340,000	28,700
Total		**391,600**	**279,800**	**810.5**	**741.5**	**70.0**	**70.2**		**322,900**

1) The figures are based on the customer and driving time researches conducted by Taloustutkimus Oy during 2004 and 2005, and Citycon's own estimate. Figures on the Swedish properties are estimated. Population within Rocca al Mare's catchment area includes inhabitants within a 10-minutes-drive.
2) Inc. gross leasable area of Ulappatori
3) Citycon's share 100 per cent from 16 January 2006
4) Entire shopping centre
**) Estimate*

SUPERMARKETS AND SHOPS

A specialist in retail premises

Minimani, a privately owned hypermarket chain, opened its first Helsinki Metropolitan Area-based outlet in Citycon's premises in LÄNSIKESKUS, Espoo, in 2005. With an area of 8,500m², its estimated grocery sales for 2005 amounted to roughly EUR 16 million.

Specialising in the development, lease and management of supermarket and other retail outlet properties, the Supermarkets and Shops division had 15 supermarkets, 79 shops and 33 other commercial premises in 48 locations in Finland at the end of 2005. The division has a variety of commercial properties covering a total of 273,073m^2.

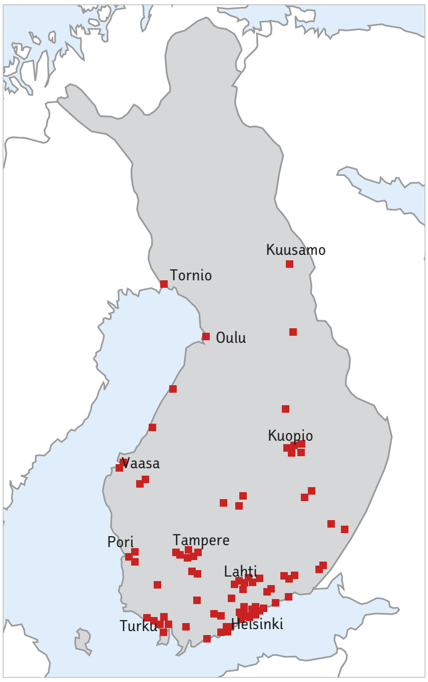
The Supermarkets and Shops division's business strategy involves focusing on shops of over 2,000m^2 located in urban areas with a population of over 50,000 characterised by strong spending power, while reducing its holdings in smaller, non-core properties. The division aims to upgrade its property portfolio in such a way that it consists mostly of properties with excellent scope for development and, thus, good opportunities to increase the return on, and the value of, the portfolio.

The division's major customers include the various Kesko chains, such as the Anttila department store chain, the Citymarket hypermarket chain and the K-Supermarket chain. Other grocery chains as well as financial-services firms and speciality shops are among its other important customers.

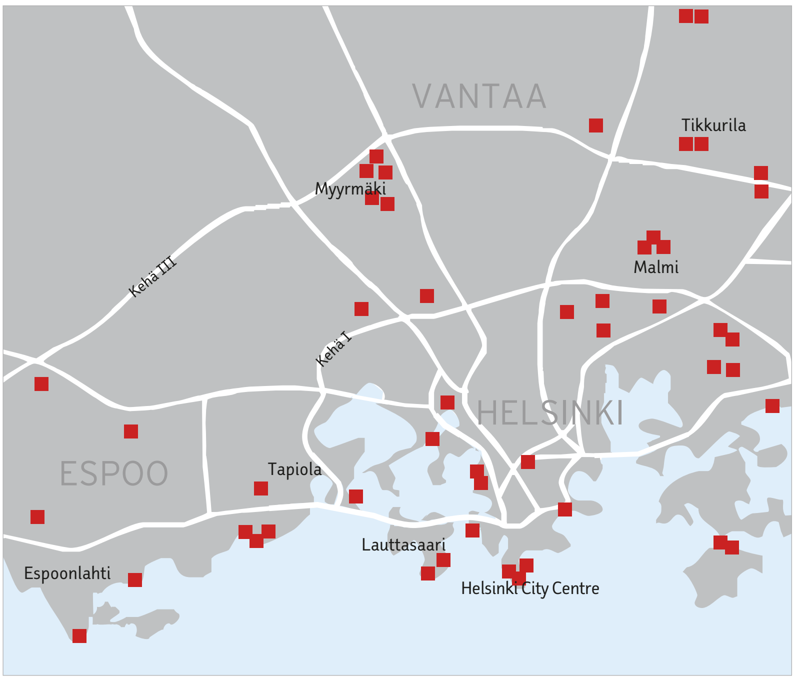
Grocery sales recorded by Citycon's supermarkets and shops account for around four per cent of all Finnish grocery sales, which equals annual grocery purchases made by about 200,000 customers. The 15 largest supermarkets account for roughly 61.1 per cent of the division's net income and around 60.1 per cent of the property portfolio's market value.

Citycon manages its properties on a centralised basis and aims at efficient property maintenance services, with a view to enhancing the return on, and the value of, its properties on an ongoing basis by improving their competitiveness and providing lessees with solid foundations for business operations.

Citycon's supermarkets and shops in Finland

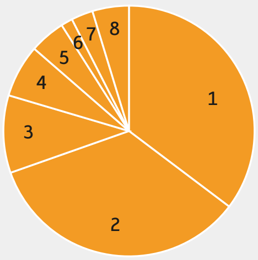


Citycon's supermarkets and shops in the Helsinki Metropolitan Area



SUPERMARKETS AND SHOPS

Grocery retail sales in Finland 2004, total sales EUR 11,639 million



1. K-Group 35.3%
2. S-Group 34.3%
3. Tradeka 10.0%
4. Spar-ryhmä 6.8%
5. Wihuri* 4.6%
6. Stockmann* 1.5%
7. Lidl 2.8%
8. Others 4.7%

*Finnish Food Marketing Association

Source: A.C. Nielsen Finland Oy

Sharpening competition

Supermarkets and shops are constantly faced by toughening competition. In recent years, price as a marketing tool has tended to play a considerably more important role in retailing, which has been reflected in lower margins for retailers. This trend has applied to grocery retailing in particular. As a result, the retail industry has undergone swift restructuring and rapid changes in business concepts, which has been reflected in the store size, for example.

Citycon is making dedicated efforts to look for new store concepts for its retail sites with the aim of diversifying local service offerings by developing local retail and shopping centres. The most challenging properties include small-town retail outlets which cannot escape declining customer volumes, due to the region's decreasing and ageing population.

It all depends on expertise

How supermarkets and shops succeed in their operations will depend on the ability to upgrade retail sites in such a way that they appeal to customers and ensure high customer flows. In particular, there is natural demand for new operating models applied to the management of conventional retail centres and there is plenty of potential for this kind of development work. Increasingly toughening competition for completely new retail sites, coupled with the downward trend in drawing plans for them, will also raise the value of old retail sites.

Top 5 tenants by rental income

	% of rental income
Kesko	73.0
MiniMani	
Nordea Bank	
S-Group	
Spar	
5 largest, total	**81.7**
Others	18.3
Total	**100.0**

Key figures of Supermarkets and Shops division, EUR million

	2005	2004
Turnover	34.8	36.3
Operating profit	49.6	37.5
Market value of the property portfolio	320.0	292.1
Net rental income yield, %	8.9	9.9
Net rental income yield, like-to-like properties, %	9.0	10.0
Capital expenditure	3.6	1.3
Personnel at year-end	6	6

Supermarkets and shops: 15 largest properties

	Location	Anchor tenant	Retail type	Grocery retail sales, EUR million	Citycon's GLA, sq.m.	Citycon's share of property, %
Helsinki Metropolitan Area						
Sinikalliontie 1	Espoo	K-Supermarket	Market	27.4	15,600	100.0
Länsikeskus	Espoo	MiniMani	Hypermarket	16.0*	8,500	41.4
Kontulan Asemakeskus	Helsinki	K-Supermarket	Market	20.5	4,300	34.0
Kirkkonummen Liikekeskus	Kirkkonummi	K-Supermarket	Market	12.6	5,000	66.7
Talvikkitie 7-9	Vantaa	Anttila	Department store	6.3	11,200	100.0
Other Finnish major cities						
Kuopion Kauppakatu 41	Kuopio	Anttila	Department store	14.0	11,100	100.0
Lahden Kauppakatu 13	Lahti	Citymarket	Hypermarket	13.0	8,600	100.0
Porin Asema-Aukio	Pori	Citymarket	Hypermarket	17.9	18,900	100.0
Porin Isolinnankatu 18	Pori	Anttila	Department store	5.1	5,240	100.0
Other parts of Finland						
Runeberginkatu 33	Porvoo	Citymarket	Hypermarket	19.9	6,300	100.0
Vaakalintu/Riihimäen Forum	Riihimäki	K-Supermarket	Market	7.8	6,600	95.8
Linjurin Kauppakeskus	Salo	Anttila	Department store	6.0*	9,900	88.5
Savonlinnan Tulliportinkatu 6-10	Savonlinna	Citymarket	Hypermarket	19.3	11,100	100.0
Valkeakosken Apiankatu 6	Valkeakoski	K-Supermarket	Market	12.0	4,000	100.0
Varkauden Relanderinkatu 30	Varkaus	Citymarket	Hypermarket	12.1	8,100	100.0
Total				**209,7**	**134,440**	

** Estimate*

PROPERTY DEVELOPMENT | Ever-improving retail sites

The Property Development division is responsible for developing Citycon's retail sites and for commissioning the construction of new retail sites. Because the division has no property portfolio of its own, its figures and ratios are not reported separately.

The Property Development division is in charge of developing Citycon's commercial properties in co-operation with other company divisions. Its role involves identifying properties' development potential, participating in business-concept planning and controlling content planning for properties. If necessary, the division acquires land required for the construction of a retail site, negotiates over planning permission and supervises architects and other engineers and designers. It is also responsible for commissioning the construction of retail premises and marketing and leasing them.

The Property Development division demonstrates in-depth expertise in retail business concepts. Intense co-operation with retail sites' lessees and a vision of retail sites' future requirements form the basis for the division's development work. Furthermore, this work also necessitates knowledge of consumer behaviour supported by in-depth market research and analyses conducted for each property subject to development.

In 2005, the Property Development division, together with Citycon's other divisions, engaged in development projects for more than ten properties, two of them being under construction at the turn of the year – the Hervanta shopping centre in Tampere and Lippulaiva in Espoo.

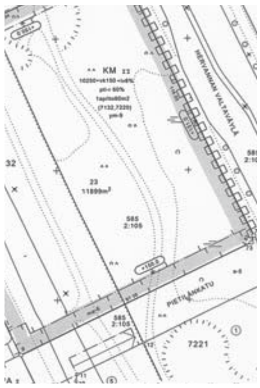
Ever-shorter retail premises' lifecycle

Demand for retail premises continues to grow in dynamic regions characterised by population growth and strong spending power. At the same time, retailers require greater efficiency and the location of properties plays a more vital role. More new commercial properties must also be built to satisfy domestic and foreign retail chains' demand for premises. As consumers require higher quality and standards and competition intensifies between retail sites, the need to modernise retail sites will also grow.

Against this background, the lifecycle of retail sites has become shorter. This means that retail sites may become obsolete in commercial terms within a few years without ongoing efforts to rejuvenate and modernise them. Maintaining this lifecycle not only involves technical improvements but also commercial ones.

Toughening competition between retail sites and long project-development times present challenges to property-development operations. The division rises to these challenges by co-ordinating projects efficiently and developing retail sites in close

Citycon is building a new shopping centre in Hervanta, Tampere. The existing HERVANTA RETAIL CENTRE, in which Citycon holds a 75 per cent stake, will form part of the new shopping centre. With a gross leasable area of roughly 15,000m^2, the new shopping centre as a whole will be ready to welcome Christmas shoppers in 2007.



co-operation with the company's other divisions and customers.

In early 2006, the Property Development division worked on well over a dozen projects in Finland and abroad. The underlying goal of its operations is to support the implementation of Citycon's growth strategy in the next few years.

New investments

During the year Citycon strengthened its property investment function with an Investment-unit belonging to the company's support functions. The unit aims to ensure Citycon's growth by identifying and analysing potential acquisitions in Finland and in selected market areas abroad.

It is a fact that these analyses do not necessarily lead to affirmative investment decisions; on the contrary, only a few acquisitions are given the go-ahead. When venturing into new property projects, Citycon aims to ensure a steady return on the property after its acquisition and map its development prospects.

The most attractive properties are those providing ample development potential and the opportunity to increase income enabled by active shopping-centre management policies. Citycon's new investments are, without exception, located in market areas where the population and its spending power are predicted to grow.

The unit is continuously scrutinising numerous projects of differing stages, of which only some will lead to an investment decision. As a result of in-depth analyses carried out by Citycon, the majority of the properties under scrutiny do not fulfil the company's strict criteria, necessitating withdrawal from such projects.

Citycon's potential development projects 31 Dec. 2005

Entire property portfolio	Location	Project status	Project description	Project area, sq.m. (1)	Post-development area, sq.m. Retail	Other	Total	Estimated further investments, EUR million (2)	Targeted year of completion
SHOPPING CENTRES									
Helsinki Metropolitan Area									
Lippulaiva	Espoo	■ (green)	Extension and refurbishment	25,000	29,000	3,000	32,000	60	2008
Other Finnish major cities									
Jyväskylän Forum	Jyväskylä	■ (red)	Extension and refurbishment	23,000	20,800	4,200	25,000		2008
Lahden Trio	Lahti	■ (red)	Extension and refurbishment	30,000	25,000	15,000	40,000		2009
IsoKristiina	Lappeenranta	■ (red)	Refurbishment	5,000	14,100	5,700	19,800		2008
Sweden									
Åkersberga	Österåker	■ (orange)	Extension and refurbishment	24,000	31,500	18,500	50,000	35	2009
Estonia									
Rocca al Mare	Tallinn	■ (red)	Extension and refurbishment	30,000	48,000		48,000		2009
SUPERMARKETS AND SHOPS									
Helsinki Metropolitan Area									
Laajasalo	Helsinki	■ (red)	New project	6,000	6,000		6,000	16	2010
Myllypuro	Helsinki	■ (red)	New project	6,000	6,000		6,000	14	2009
Other Finnish major cities									
Hervanta (3	Tampere	■ (green)	Extension and refurbishment	13,000	12,500	2,500	15,000	20	2007
Anttila (3	Kuopio	■ (red)	Extension and refurbishment	15,000	13,000	2,000	15,000	30	2009
Other									
MAXX	Tampere	■ (orange)	New project	60,000	60,000		60,000	70	2010

■ (green) = Under construction
■ (orange) = Decision by Citycon's Board of Directors required
■ (red) = Under planning

The development plans shown in the table are preliminary and require a decision by Citycon's Board of Directors due to their extent. A number of decisions taken by the relevant authorities and partners are also required for development projects. Citycon will notify separately of decisions on its major development projects.

1) The project area refers to the area of the existing property under refurbishment and the extension area.
2) Investments in land and construction (excl. any property acquisition).
3) Shopping centre project. Property will be a shopping centre after development project.

HUMAN RESOURCES

Competitiveness is based on skills and competencies

Citycon is an expert organisation whose staff strengths lie in expertise in the property sector and knowledge of the retail business. This organisation is supported by services provided by the best-of-breed professionals in the field of property maintenance, building management and administration, to name but a few. The company is active in developing its organisation in order to ensure the implementation of its growth strategy and make it possible to go international in support of this growth. As a matter of fact, Citycon ranks among the most attractive employers within the Finnish property industry.

At the end of 2005, Citycon Group had a staff of 57, 50 of whom worked in Finland and 7 abroad, up by 12 year-on-year. The number of females and males came to 31 and 26, respectively.

Citycon nurtures its employees' skills by providing them with internal and external training, and by recruiting fresh talent as a result of business expansion. In order to encourage in-house exchange of information and opinions, the company publishes internal bulletins and holds a special Citycon Day twice a year providing reviews and cross-sections of topical issues at the company and within the industry.

Citycon's extensive occupational healthcare services and industrial-safety programme are used to maintain employee well-being and working capacity. A special industrial-safety committee is in charge of safety issues. The company also supports its employees' keep-fit and recreational activities, and regularly monitors employee well-being by conducting a working-climate survey every year. The results of this survey are discussed not only at Group but also at the division and department levels. The 2005 survey suggests that job motivation and satisfaction have remained at good levels.

In support of job motivation, Citycon applies a short-term incentive scheme to all of its employees on the payroll. The related incentive criteria are based on Group and unit-level financial performance, as well as on personal targets agreed annually in employee performance reviews. The maximum incentive bonus accounts for 10-25 per cent of annual pay.

In addition to its short-term incentive scheme, the company also has a stock-option

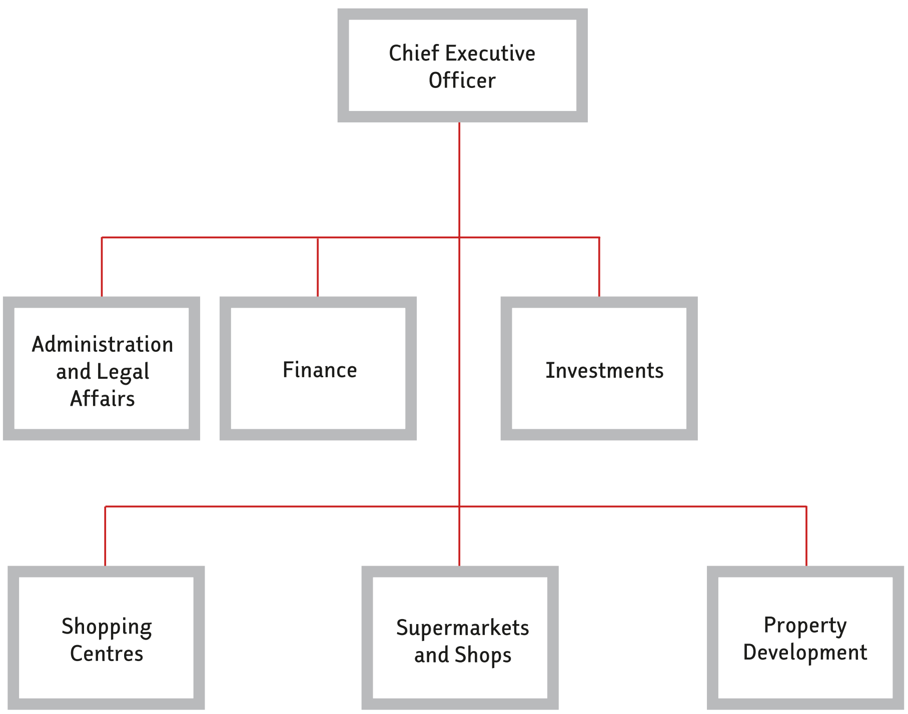
A special Citycon Day held twice a year provides Group staff with discussions on topical issues and the opportunity to exchange information and ideas in-house.

scheme aimed at encouraging and committing employees to increase the company's market capitalisation in the long term.

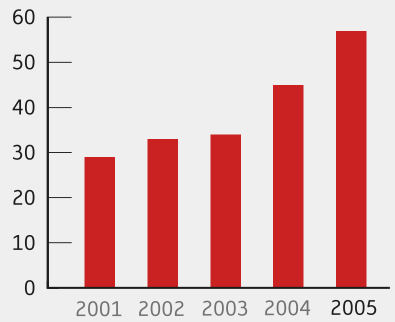
Future challenges

Enhancing employees' capabilities to work in an international environment is one of the most important aspects of staff training, given that the company's internationalisation will require skills in operating in new market areas and the development of takeover processes required for new properties. Moreover, managing foreign organisations will present special challenges.

CITYCON'S ORGANISATION



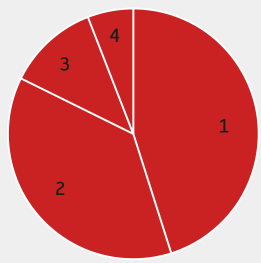
Number of employees



Breakdown of personnel

1. Shopping Centres 52%
2. Finance and Administration 26%
3. Supermarkets and Shops 11%
4. Property Development and Investments 11%

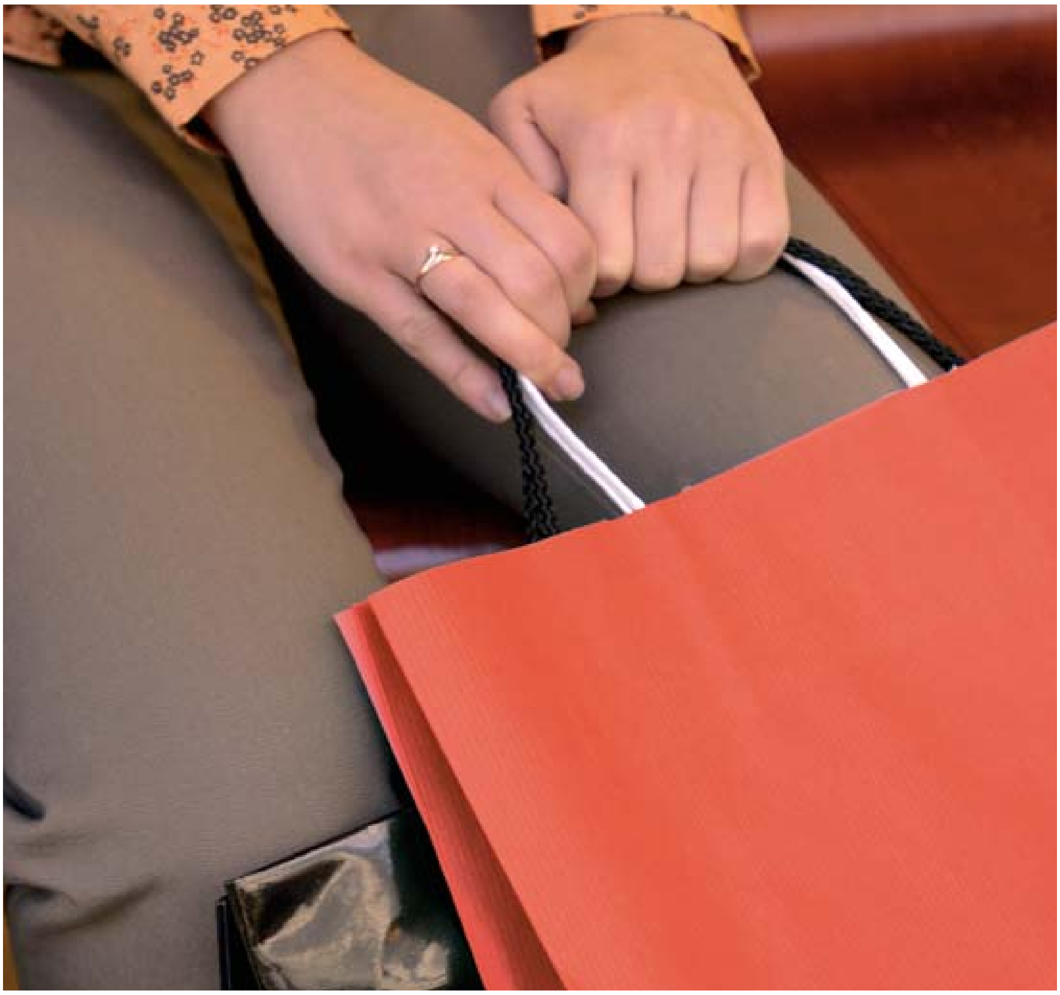
Personnel by education



1. University degree 45.1%
2. College or polytechnic degree 37.2%
3. Vocational certificate 11.8%
4. Basic education 5.9%

PROFIT PERFORMANCE AND FINANCIAL POSITION

Capital expenditure affected profit performance



THE LIPPULAIVA SHOPPING CENTRE in Espoonlahti offers an extensive range of both basic services and speciality shops with expert staff. Thanks to good connections, easy access and free parking facilities for over 700 vehicles, shopping at Lippulaiva is easy and quick. Lippulaiva plays a key role in the development of the Espoonlahti region into a cosier residential area convenient for a fuller range of services that better meet customer needs. With an area of 22,600m², Lippulaiva's total sales came to EUR 52.7 million in 2005.

Citycon and IFRS

Citycon Oyj has adopted IAS/IFRS (International Financial Reporting Standards) for its interim reports and financial statements for 2005. Information related to this change is available on pages 35-39 in the Financial Statements Appendix to the Annual Report.

Profit performance 2005

Citycon's turnover comes mainly from the rental income generated by its retail premises, gross rental income accounting for 98.5 per cent of turnover. In 2005, the company continued to implement its growth strategy, its turnover showing a marked improvement to EUR 92.2 million (2004: EUR 84.7 million).

Shopping centres represented 61.5 per cent of net rental income (56.5 per cent) while supermarkets and shops accounted for 38.5 per cent (43.5 per cent). Net rental income totalled EUR 65.9 million (EUR 62.1 million). Shopping centres' net yield stood at 8.2 per cent (8.1 per cent) while that of supermarkets and shops was 8.9 per cent (9.9 per cent).

Shopping centres and the 15 largest supermarkets bring in 85.1 per cent of Citycon's net operating income. Roughly 41.9 per cent of net income came from properties in the Helsinki Metropolitan Area, 36.7 per cent from properties in Finland's major cities and about 17.1 per cent from other properties in Finland. Foreign properties accounted for 4.3 per cent of net income.

Operating profit rose to EUR 105.2 million (EUR 51.8 million), due mainly to changes in the fair value of the property portfolio, totalling EUR 45.9 million, and the operating profit generated by the acquired new shopping centres.

Net financial expenses increased by EUR 5.0 million, to EUR 31.1 million, which include EUR 5.7 million in one-off expenses related to the redemption of the company's prior subordinated loan.

Net profit for the financial year totalled EUR 59.8 million (EUR 19.9 million), the figure including a total of EUR 0.3 million in capital gains on fixed assets.

Return on investment (ROI) was 13.5 per cent (7.2 per cent) and return on equity (ROE) stood at 22.5 per cent (9.5 per cent). Earnings per share were EUR 0.49 (EUR 0.19). Equity per share was EUR 2.60 (EUR 2.12).

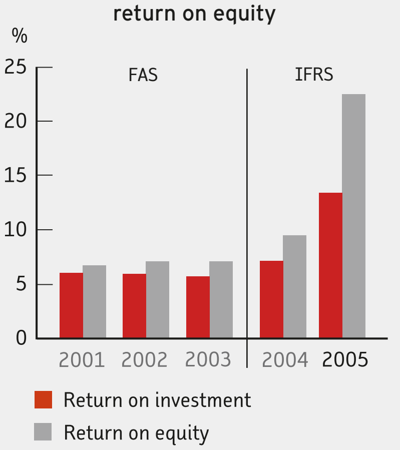
Balance sheet and capital expenditure

At the end of 2005, Citycon owned 148 properties, 21 of which were shopping centres and 127 supermarkets and shops. The company's property portfolio's year-end fair value, based on a valuation conducted by an external appraiser, totalled EUR 956.6 million, showing a total annual increase of EUR 45.9 million. The fair value of shopping centres came to EUR 636.7 million (EUR 446.6 million) and that of supermarkets and shops was EUR 320.0 million (EUR 292.1 million). The valuation statement by Aberdeen Property Investors Finland Oy can be found in the Financial Statements Appendix on page 59.

Citycon's gross capital expenditure in 2005 totalled EUR 178.5 million (EUR 18.8 million), of which new acquisitions accounted for EUR 171.0 million. The year's most significant property acquisitions included the first foreign investments made in Sweden and Estonia. Total foreign acquisitions were worth EUR 137.1 million in 2005. Other

Turnover and operating profit

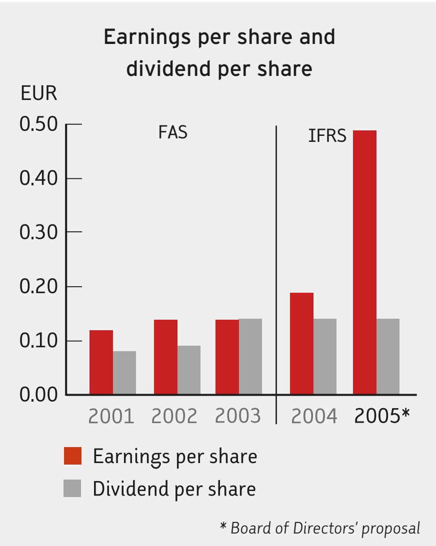
Return on investment and return on equity

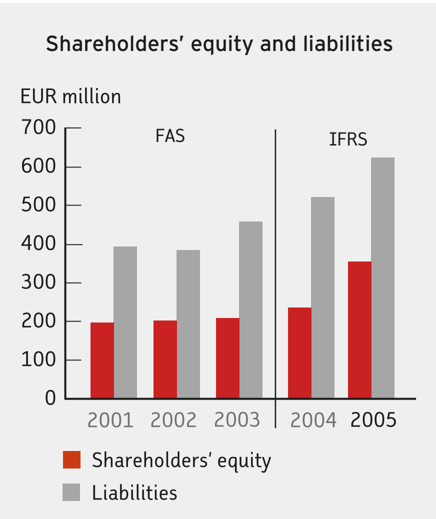


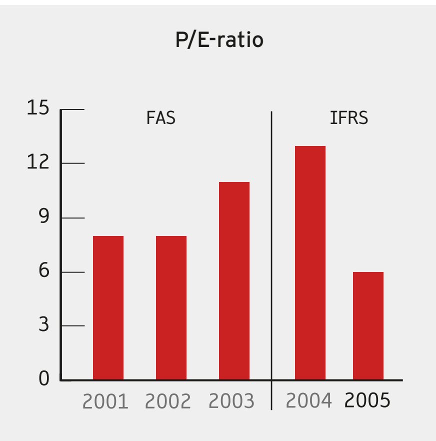
Maturity profile of interest-bearing liabilities and interest rate swaps

	2006	2007	2008	2009	2010	Total
Maturity of interest-bearing liabilities, EUR million	52.1	50.7	82.0	325.8	70.0	580.5
Percentage	9.0	8.7	14.1	56.1	12.1	100.0
Maturity of interest rate swaps, EUR million		78.2	50.0	125.3	83.0	336.5
Percentage		23.2	14.9	37.2	24.7	100.0

PROFIT PERFORMANCE AND FINANCIAL POSITION







major investments related to the Trio shopping centre in Lahti and the IsoKristiina shopping centre in Lappeenranta. Gross capital expenditure on properties in Finland totalled EUR 38.9 million (EUR 18.8 million).

During the financial year, the company divested three investment properties for EUR 3.8 million, bringing in total capital gains of EUR 0.3 million.

The balance-sheet total was EUR 983.1 million (EUR 757.7 million), of which cash and cash equivalents accounted for EUR 15.6 million (EUR 7.9 million).

In 2005, Citycon arranged two private placements by issuing shares for selected international and Finnish institutional investors with the result that the company's share capital increased by a total of EUR 31.3 million and the number of shares by a total of 23.2 million new shares. In addition, share subscriptions based on Citycon's 1999 stock options increased the company's share capital by EUR 1.4 million. At the end of 2005, the share capital totalled EUR 184.1 million and shareholders' equity EUR 356.6 million (EUR 237.7 million).

Financial position

The Group's financial position remained at a healthy level.

Liabilities totalled EUR 622.9 million (EUR 520.0 million), short-term liabilities and long-term liabilities accounting for EUR 74.4 million (EUR 26.1 million) and EUR 548.4 million (EUR 493.9 million), respectively.

The interest rate of interest-bearing liabilities averaged 4.8 per cent (5.1 per cent). The average loan period, weighted according to the principals of the loans, was 2.7 years (4.0 years) and the average interest-rate fixing period was 2.5 years (3.6 years). The Group's equity ratio stood at 36.7 per cent (31.4 per cent).

The interest coverage ratio, i.e. the previous 12 months' profit before interest expenses, taxes and depreciation relative to net financial expenses, was 2.3 (2.2). Year-end gearing was 156.8 per cent (201.3 per cent). At the end of 2005, Citycon's interest-bearing liabilities included 87.3 per cent (86.0 per cent) of floating-rate loans, of which 69.8 per cent (69.1 per cent) had been converted to fixed-rate ones by means of interest-rate swaps. On 31 December 2005, the par value of the interest-rate swaps was EUR 336.5 million (EUR 339.4 million) while the market value of derivative contracts totalled EUR -14.7 million (EUR -18.5 million).

Citycon Oyj repaid its I/1999 subordinated loan on 30 June 2005 prior to the loan's maturity and on 17 June 2005 issued the 1/2005 five-year subordinated loan of EUR 70 million at a fixed annual nominal interest rate of 4.70 per cent.

The loan's issue price accounted for 99.956 per cent of the nominal loan amount, and its maturity date is 17 June 2010.

As a consequence of the I/1999 loan's premature repayment and issue of the new 1/2005 subordinated loan, the net savings in Citycon Oyj's financing expenses will, after taking account of the one-off expense of EUR 5.7 million, come to approximately EUR 1.5 million over the next four years.

RISKS AND RISK MANAGEMENT

Risk management

Citycon continuously monitors risks associated with its business operations. The company's risk-management process involves identifying, analysing, measuring, mitigating and controlling business-related risks. The Board of Directors has approved the company's risk-management guidelines specifying risk-management principles. Citycon's business-critical risks relate to those associated with its lessees and customers, property portfolio, price developments and business expansion, as well as financial risks.

Tenant risk

Around 49.6 per cent of Citycon's net rental income stems from leases concluded with its five largest lessees. The company's lessees consist of highly recognised domestic and international speciality and grocery chains, supermarkets, department stores and small retailers. Accounting for roughly 42.7 per cent of the Citycon's leases, the various Kesko chains represent the most significant lessee group.

The length of the company's lease portfolio averages 3.2 years. Part of the leases fall into the category of the valid-until-further-notice agreements applying a 3, 6 or 12-month notice period for the lessee. In Finland, these leases are not perceived as short-term agreements because they usually remain valid for several years.

Aiming to minimise the adverse effect of any unexpected changes in the lessee's financial standing on Citycon's business and financial results, lessee risk management focuses on understanding and knowing the lessee's business line, actively monitoring retail-market data and adjusting the lease duration to be appropriate for each lessee and its line of business.

Property portfolio

Citycon's property portfolio comprises retail properties in almost its entirety, which is why the company's business is heavily dependent on demand for retail premises, retail-sector developments and consumer behaviour in its operating regions. Of the properties, 35.1 per cent are located in the Helsinki Metropolitan Area, 35.5 per cent in other major Finnish cities and 15.1 per cent elsewhere in Finland, foreign properties accounting for 14.3 per cent.

At the end of 2005, the occupancy rate for the company's property portfolio stood at 97.2 per cent, that for shopping centres at 98.0 per cent and supermarkets and shops at 95.8 per cent. Demand for retail premises has remained strong for several years now, with no major changes recorded for the company's property occupancy rates. Demand and occupancy rates for, and rental income from, its retail premises are expected to continue to remain at steady levels, especially in the Helsinki Metropolitan Area and major Finnish cities.

The company has covered its property portfolio against, for instance, fire and other damage to the full amount.

Citycon maintains its property portfolio's value by continuously maintaining its properties and developing and extending its current retail sites.

Price developments

A number of factors have an effect on commercial properties' price formation, such as national and local economic development, investment demand created by investors, and interest rates. By and large, changes in the inflation rate have a major impact on property markets and rental levels. The majority of Citycon's lease agreements are tied to the cost-of-living index, which is why they depend heavily on future price developments. However, a reduction in the cost-of-living index does not lead to lower rental rates. The prevailing interest rate affects not only the cost of capital but also consumer behaviour and spending power. International investors have shown keen interest in the Finnish property market, which has been reflected in the return requirements and price levels of the most sought-after properties.

Entry into new market areas

Citycon expanded its operations by entering Sweden and Estonia in July 2005. Exchange rate changes between the euro and the Swedish krona and the Estonian kroon may have an effect on Citycon's financial situation and performance in these new market areas. Transactions denominated in foreign currencies are stated at the exchange rate quoted on the transaction date. Any exchange-rate differences resulting from currency translation are entered under financial expenses and income in the income statement. Due to the euro being Citycon's reporting currency, all foreign properties' balance sheet items and income and expenses are translated into euros. In order to minimise currency risks, the company has financed its Swedish and Estonian investments using mainly the local currency.

Operating in international markets also involves risks other than those associated with exchange-rate fluctuations, such as local legislative amendments, administrative standards governing properties and knowledge of the destination country's market and business practices. Furthermore, taking over properties in these new market areas also has its own

RISKS AND RISK MANAGEMENT

special requirements, which is why Citycon has improved its takeover processes.. In addition, the company will strengthen its organisation in these new operating regions.

Financing and capital

Given that Citycon's strategy is to expand in Finland, the Baltic countries and Scandinavia, the company will need both equity capital and borrowings, and any difficulties in raising capital may hinder the implementation of this strategy.

Citycon's main financial risk refers to the interest-rate risk associated with the company's loan portfolio. Interest-rate risk management aims to reduce or eliminate the adverse effect of market-rate fluctuations on the company's profit, balance sheet and cash flow. Under the company's financing policy, the interest position must be hedged at a minimum level of 50 per cent and at a maximum level of 100 per cent. On 31 December 2005, the overall hedging rate of the loan portfolio was 58.2 per cent. The company mainly uses interest-rate swaps to manage its interest-rate risks. Citycon uses derivatives only to reduce or eliminate financial risks on the balance sheet. The interest sensitivity of Citycon's loan portfolio at the end of 2005 is depicted by the fact that a one percentage point rise in money-market interest rates would increase its annual interest expenses by EUR 1.6 million while a fall of one percentage point in money-market interest rates would decrease them by EUR 1.6 million.

Interest-rate changes play a major role in Citycon's business, bearing in mind that higher interest rates may affect its lessees' financial standing and ability to pay rents. 2005 was characterised by extremely low interest rates and high consumer confidence.

Citycon's financial position remained at a healthy level, the Group's equity ratio standing at 36.7 per cent. The Group's long-term equity ratio target is 40 per cent. Year-end gearing came to 156.8 per cent. At the year-end, the Group's interest-bearing liabilities included 87.3 per of floating-rate loans, 69.8 per cent of which were converted into fixed rate ones, based on interest-rate swaps.

CORPORATE GOVERNANCE

Citycon's corporate governance complies with the Finnish Companies Act and the Corporate Governance Recommendation for Listed Companies issued by the Helsinki Stock Exchange, the Finnish Central Chamber of Commerce and the Confederation of Finnish Industry and Employers in December 2003.

This recommendation for corporate governance is supported by Citycon's guidelines for the division of duties between the company's decision-making bodies and the principles governing internal control and risk management.

Citycon's highest decision-making bodies - the shareholders' meeting, the Board of Directors and the CEO - assume ultimate responsibility for the Group's management and business. The Corporate Management Committee assists the CEO in managing the company's business.

Shareholders' meeting

The shareholders' meeting exercises the highest decision-making power. The Annual General Meeting (AGM) convenes by the end of April, as soon as the financial statements have been prepared. An Extraordinary General Meeting (EGM) convenes when needed for decision-making purposes.

Citycon provides its shareholders with sufficient information on the items to be discussed at the shareholders' meeting, via its website and, upon request, by mail. Citycon's policy is to hold shareholders' meetings in such a way that its shareholders can effectively exercise their rights. The Chairman of the Board of Directors and the CEO attend the shareholders' meeting and the members of the Board of Directors attend to the extent deemed necessary. A first-time nominee for the Board shall attend the shareholders' meeting that decides on his/her election, unless there are cogent reasons for his/her absence.

The AGM adopts the financial statements, decides on profit allocation and elects the Board of Directors and auditors. In addition, it decides on Board emoluments and auditors' remuneration, and also discharges the Board of Directors and the CEO from liability.

Board of Directors

The shareholders' meeting decides the number of Board members and elects them for a one-year term. Under the Articles of Association, the Board consists of a minimum of five and a maximum of eight members. An eligible Board nominee must have the qualifications required for membership and sufficient time to manage his/her Board duties. A majority of members of Citycon's Board of Directors must be independent of the company. In addition, a minimum of two members included in this majority must be independent of the company's major shareholders. The company has not limited the number of a Board member's terms, nor has it set a specific retirement age for Board members.

Citycon's AGM of 5 April 2005 decided to re-elect the following Board members: Stig-Erik Bergström, Amir Gal, Raimo Korpinen, Tuomo Lähdesmäki, Carl G. Nordman, Claes Ottosson and Dor J. Segal. It elected Thomas Wernink a new Board member, succeeding Timo Kankuri.

The Board of Directors elects Chairman and Vice Chairman from among its members, however the company's CEO can hold neither of those positions. In 2005, Stig-Erik Bergström acted as the Chairman and, as of 5 April 2005, Thomas Wernink as the Vice Chairman.

In the Board of Directors' opinion, all Board members are independent of the company, with the exception of Thomas Wernink, who has entered into a Consultancy Agreement with the company. Furthermore, the Board of

Chairman of the Board of Directors
STIG-ERIK BERGSTRÖM
Doctor of Science (Economics), Finnish citizen, born 1941
Citycon's Board member 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, Deputy Managing Director 1984-1986

Directorships:
Svenska Handelsbanken, Finnish regional branch, Deputy Chairman of the Board since 2004, Chairman 1998-2003
Norvestia Oyj, Board member since 2001
Neomarkka Oyj, Board member since 2001
European Renaissance Fund Ltd, UK, Board member since 2004
The Finnish Association of Professional Board Members, Board member since 2001

Deputy Chairman of the Board of Directors
THOMAS W. WERNINK
M.A. (General Economics), Dutch citizen, born 1945
Member and Deputy Chairman of Citycon's Board of Directors since 2005

Significant work experience:
Wernink Consultancy & Investment B.V., Managing Director since 2004
Corio N.V., Managing Director and Chairman of the Management Board 2001-2003. VIB N.V., Managing Director and Chairman of the Management Board 1993-2001. Vaste Waarden Nederland (VWN) N.V., General Manager and shareholder 1986-1993

Direstorships:
Veer Palthe Voute N.V., Board member since 2001. Delta Deelnemingen Fonds N.V., Board member since 2003. Q-park N.V., Board member since 2003. Hillgate Properties N.V., Board member since 2004. Annexum Invest B.V., Board member since 2004. Slough Estates plc, Board member since 2005. AZL Vastgoed Winkels N.V., Board member since 2005. European Public Real Estate Association (EPRA), Chairman of the Board 2002-2005

CORPORATE COVERNANCE

Member of the Board of Directors

AMIR GAL

Ph.D. candidate, LL.B., B.A. (Economics), Israeli citizen, born 1971
Citycon's Board member since 2004

Significant work experience:
Gazit Europe, Inc., UK, Managing Director since 2006
Gazit Europe, Inc., UK, Executive Vice President since 2004
Dewey Ballantine, UK, Associate 2002-2004
Leshem, Brandwein & Co., Israel, lawyer 1997-2001

Member of the Board of Directors

RAIMO KORPINEN

LL.M., Finnish citizen, born 1950
Citycon's Board member since 2004

Significant work experience:
Solidium Oy, Managing Director since 1998
Yrityspankki SKOP Oyj, Senior Vice President 1994-1998
USF Holdings Inc., USA, Vice President 1991-1993

Directorships:
Edita Publishing Oy, Chairman of the Board since 2005
Kruunuasunnot Oy, Board member since 2004 and Chairman since 2005
Edita Plc, Board member since 2002
The Finnish Association of Professional Board Members, member since 2004

Member of the Board of Directors

TUOMO LÄHDESMÄKI

M.Sc. (Eng), MBA, Finnish citizen, born 1957
Citycon's Board member since 2004

Significant work experience:
Boardman Oy, Founding and Senior Partner since 2002
Elcoteq Network Corporation, President and CEO 1997-2001
Leiras Oy, Managing Director 1991-1997

Directorships:
Turku University Foundation, Chairman of the Board since 1995
Aspocomp Group Plc, Chairman of the Board since 2002
VTI Technologies Oy, Chairman of the Board since 2002
Satel Oy, Chairman of the Board since 2002
Amer Sports Corporation, Board member since 2000
Metsä Tissue Oyj, Board member since 2004
Scanfil Oyj, Board member since 2005
Helkama Forste Oy, Board member since 2005

Member of the Board of Directors

CARL G. NORDMAN

Counsellor of Industry (Hon), B.Sc. (Eng), Finnish citizen, born 1939
Citycon's Board member since 1999

Significant work experience:
Oy Aga Ab, President and CEO and Board member 1978-1999
AGA Group, Vice President, Region North 1991-1999

Directorships:
Machinery Oy, Board member since 1998
ADR-Haanpää Oy, Board member 2000-2005
PIC-Engineering Oy, Board member 1999-2005
Patria Industries Oyj, Board member 1996-2004
SKF Oy, Board member 1987-2004
The Finnish Association of Professional Board Members, member since 2001

Directors holds the view that Stig-Erik Bergström, Raimo Korpinen, Tuomo Lähdesmäki, Carl G. Nordman and Thomas Wernink are independent of major shareholders.

In 2005, Citycon's Board of Directors met 22 times, 12 of those meetings held via telephone. The attendance rate stood at 92 per cent. The following four committees assist the Board: Audit Committee, Investment Committee, Nomination Committee and Compensation Committee.

Board work

The Finnish Companies Act, the Articles of Association and the Board of Directors' working order, all determine the Board of Directors' duties and responsibilities. The Board of Directors is responsible, for example, for Citycon Group's strategic policies and the due organisation of business operations and Group administration. The company's CEO attends Board meetings and prepares and presents discussion topics for the Board. The Board of Directors constitutes a quorum if more than half of its members are present.

In addition to duties provided by applicable legislation and the company's Articles of Association, Citycon's Board of Directors shall:

- Confirm the company's long-term goals and strategy;
- Approve the company's business plan, budget and financing plan and oversee their implementation;
- Confirm the principles of the company's internal control and risk management;
- Decide on major, individual and strategically important investments, property acquisitions and divestments, as well as other issues pertaining to business responsibilities;
- Confirm the company executives' obligations and remits, and the reporting system;
- Decide on the principles governing employee bonus and incentive schemes;
- Determine the company's dividend policy.

Every January, Citycon's Board of Directors reviews its performance and working methods based on an internal self-assessment.

Board committees

Four committees responsible for preparing matters discussed on the Board support Citycon's Board work. Board members sitting on the committees are able to examine the matters discussed by the committee in greater detail than the remaining Board of Directors. The rules of procedure for the company's decision-making bodies, approved by the Board of Directors, lay down the committees' main duties and working principles.

Audit Committee

It is the Audit Committee's duty to support the Board of Directors in supervising and maintaining the integrity and reliability of the company's financial reporting. The Audit Committee regularly reviews the company's internal control system, financial risk management and reporting, as well as the audit process. If necessary, its members can consult the company's auditor at the committee's meeting. The Audit Committee is also responsible for preparing a decision concerning the election of the company's auditor.

The Audit Committee comprises a minimum of three Board members who must be independent of the company and its major shareholders. At least one committee member must have extensive knowledge of, and experience in, accounting and accounting principles applicable to the preparation of the company's financial statements. The committee convenes at least twice a year and its Chairman reports on the topics discussed by the committee to the Board of Directors. The Audit Committee met 7 times in 2005.

Investment Committee

The Investment Committee is responsible for supervising investment planning and approval processes, and prepares all investment proposals submitted to the Board of Directors. In addition, the committee monitors the progress of investment projects and the integration of acquired properties. The Investment Committee consists of at least three Board members, all of whom must be independent of the company. The committee convenes when necessary, but at least twice a year. The committee's Chairman reports on the topics discussed by the committee to the Board of Directors. The Investment Committee met 9 times in 2005.

Member of the Board of Directors

CLAES OTTOSSON

Electrical Engineer, Swedish citizen, born 1961
Citycon's Board member 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

Directorships:
ICA Förbundet AB, Board member since 2005

Member of the Board of Directors

DOR J. SEGAL

American citizen, born 1962
Citycon's Board member since 2004

Significant work experience:
Gazit-Globe Ltd., Israel, President since 1998 and Board member since 1993
First Capital Realty Inc., Canada, President and CEO and Board member since 2000

Directorships:
Equity One, Inc., USA, Board member since 2000

Nomination Committee

The Nomination Committee is in charge of preparing proposals for the election of Board members and their emoluments submitted to the shareholders' meeting, as well as seeking for potential successors to Board members. When searching for potential successors, the Nomination Committee must take account of the requirements set for the number of Board members, their independence, age, skills and experience, and their possibility to allow sufficient time for performing this task. In this case, the Nomination Committee must also consult major shareholders. The committee also drafts a proposal for the composition and chairmen of the Board committees submitted to the Board of Directors, and organises self-assessment for the Board of Directors, its members and Chairman.

The Nomination Committee comprises a minimum of three Board members independent of the company and convenes when necessary, but at least once a year. The committee's Chairman reports on the topics discussed by the committee to the Board of Directors. The Nomination Committee met 3 times in 2005.

Compensation Committee

In accordance with the guidelines confirmed and instructions issued by the Board of Directors, the Compensation Committee is responsible for preparing matters in greater detail, related particularly to Citycon's organisation, management appointments, and employee remuneration and incentive schemes, submitted for approval by the Board of Directors. The committee is also in charge of assessing the CEO's performance, preparing a plan for his/her potential successor and seeking for potential successors to other company executives.

The Compensation Committee comprises a minimum of three Board members, who must be independent of the company. It convenes whenever necessary but at least once a year. The committee's Chairman reports on the topics discussed by the committee to the Board of Directors. The Compensation Committee met 4 times in 2005.

Pay and emoluments

The AGM confirms Board emoluments every year in advance. The Board of Directors confirms the CEO's salary and other benefits and, upon the CEO's proposal, determines other senior managers' salaries and benefits. The Finnish Board members have agreed to spend their annual Board emoluments, less statutory tax deductions, buying Citycon shares. Board members

Board emoluments in 2005

	Annual emoluments, EUR	Meeting fees, EUR	Total, EUR
Stig-Erik Bergström	40,000	20,020	60,020
Amir Gal	20,000	10,800	30,800
Raimo Korpinen	20,000	11,890	31,890
Tuomo Lähdesmäki	20,000	10,400	30,400
Carl G. Nordman	20,000	8,450	28,450
Claes Ottosson	20,000	7,700	27,700
Dor J. Segal	20,000	11,800	31,800
Thomas W. Wernink	30,000	12,500	42,500
Total	**190,000**	**93,560**	**283,560**

Corporate Management Committee

Chief Executive Officer

PETRI OLKINUORA

M.Sc. (Engineering), MBA, born 1957

Other significant work experience:
Uponor Corporation, Real Estate Division, President 1996-2002
Tampereen Kiinteistö Invest Oy, Managing Director 1990-2002

Chief Financial Officer

EERO SIHVONEN

M.Sc. (Economics), born 1957

Other significant work experience:
Dynea Group, Vice President, Group Treasury 1999-2005
Various positions in Neste Group since 1981, latest Chief Financial Officer in Chemicals Division 1997-1999

Ms Pirkko Salminen, M.Sc. (Econ.), held the position of the company's CFO until 27 September 2005.

Head of Legal Affairs

OUTI RAEKIVI

LL.M., Certified Property Manager, born 1968

Other significant work experience:
Citycon Oyj, Manager, Legal Affairs and Administration 2002-2003
Rasi-Kiinteistöt Oy (Nordea Group), Director of Administration 2000-2002
Aleksia Oyj, Director of Administration 1999-2000
Merita Kiinteistöt Oy, Assistant Vice President 1997-1998, Legal Counsel 1995-1997
Sabinvest Oy (SYP Group), Legal Counsel 1991-1995

may not assign or pledge said shares prior to the next Annual General Meeting.

The AGM 2005 decided that the Board Chairman be paid an annual fee of EUR 40,000, the Vice Chairman an annual fee of EUR 30,000 and the ordinary Board members an annual fee of EUR 20,000. It also decided that the Chairman be paid a meeting fee of EUR 500 and the Vice Chairman and other Board members a meeting fee of EUR 400 for each meeting. Meeting fees also apply to the Board committee meetings.

The table below shows Citycon's Board emoluments paid in 2005. Meeting fees include those paid for both the Board's and its committees' meetings. Citycon's Board members are not involved in the company's share-based incentive schemes.

In accordance with the AGM's decision, the Finnish Board members spent their annual emoluments, after tax deductions, buying Citycon shares as follows: Stig-Erik Bergström, 6,482 shares; Raimo Korpinen, 3,929 shares; Tuomo Lähdesmäki, 3,915 shares; and Carl G. Nordman, 3,048 shares.

Chief Executive Officer

The CEO is responsible for the management and supervision of the company's operations, in accordance with the provisions of the Finnish Companies Act and the authorisations and guidelines issued by the Board of Directors. The Board of Directors appoints the CEO and decides on the terms and conditions of his/her executive contract. The CEO is responsible for ensuring that the material and documents discussed at Board meetings have been duly prepared and that the set goals, procedures and plans are presented to the Board of Directors for update or review purposes, when necessary. The CEO must also ensure that Board members continuously receive information required for monitoring the company's financial position and performance.

In addition to managing the company's day-to-day business, the CEO:

- Chairs the company's Corporate Management Committee;
- Appoints, upon a proposal by a Corporate Management Committee member, other managerial employees and decides on the remuneration of employees subordinate to a Corporate Man-

agement Committee member, in accordance with the principles applied by the company;
- Decides on employee perquisites and expense approvals, in accordance with the principles and guidelines applied by the company;
- Informs the Board of Directors of any major events, decisions and future projects related to the company's business.

A written executive contract approved by the Board of Directors stipulates the terms and conditions of the CEO's employment. In 2005, the CEO received EUR 205,220 in salary and other pay-related benefits. He is entitled to retire upon turning 62, provided that he will remain employed at the company until that age is reached. The company has pension insurance to cover the pension plan. Both the CEO and the company may terminate the CEO's executive contract at six months' notice. If the company terminates the contract for a reason not attributable to the CEO, it will pay the CEO lump-sum compensation equalling his/her 18-month salary in cash, in addition to the salary payable for the notice period.

Corporate Management Committee

Comprising at least three members, Citycon has a Corporate Management Committee chaired by the CEO. Upon the CEO's proposal, the Board of Directors is responsible for appointing members of the Committee. In 2005, the Corporate Management Committee had seven members. The Corporate Management Committee's main duty, as an expert body, is to assist the CEO in the management of the company's business. It is also responsible for co-ordinating and developing the company's various operations in accordance with set goals, distributing information and preparing decisions for the Board's discussion. The Corporate Management Committee convenes whenever deemed necessary by its Chairman.

In particular, the Corporate Management Committee is in charge of:
- Preparing changes and revisions submitted to the Board of Directors related to the company's strategy, in accordance with the guidelines issued by the Board of Directors;
- Preparing a business plan and budget submitted to the Board of Directors, and monitoring their implementation;

Head of Division, Shopping Centres

KAISA VUORIO

M.Sc. (Engineering), Authorised Property Appraiser, born 1967

Other significant work experience:
Citycon Oyj, Shopping Centre Manager 2003-2004
Citycon Oyj, Area Manager, Other Finland 2002-2003
Citycon Oyj, Business Manager, Supermarkets and Shops, 2000-2001
Catella Property Consultant Ltd, Account Manager and Property Analyst 1998-2000, Real Estate Assessor 1994-1998, Research & Development services 1993-1994

Head of Division, Supermarkets and Shops

JYRKI KARJALAINEN

M.Sc. (Engineering), born 1965

Other significant work experience:
Citycon Oyj, Technical Director, 2000-2002
Kiinteistö Oy Myyrmanni, Property Manager 1994-2000
Oy Huber Ab, R&D Engineer 1989-1994

Head of Division, Property Development

CARL SLÄTIS

M.Sc. (Engineering), MBA, Certified Property Manager, born 1959

Other significant work experience:
McDonalds Oy, Real Estate Manager, Development 1996-2002
Posinet Oy, Facilities Manager 1994-1996

Chief Investment Officer

HARRI HOLMSTRÖM

M.Sc. (Surveying), Authorised Property Appraiser, born 1956

Other significant work experience:
SRV Viitoset Ltd, Director, International Marketing 2002-2004
Catella Property Consultants, Finland, Director, International Services 1999-2002. Catella Property Consultants, UK, Director, International Services 1998-1999. Chesterton International Plc (London), Consultant, Overseas Department/City Office 1997-1998

Share and stock option holdings by statutory insiders and those closely associated with them, 1 Jan.–31 Dec. 2005

Insider	Date 2005	Shares	Stock options 1999 A/B/C	Stock options 2004A	Stock options 2004B
Board of Directors					
Stig-Erik Bergström	1.1.	29,307	-	-	-
Board Chairman	31.12.	35,789	-	-	-
Amir Gal	1.1.	3,918	-	-	-
Board member	31.12.	3,918	-	-	-
Raimo Korpinen	1.1.	3,411	-	-	-
Board member	31.12.	7,340	-	-	-
Tuomo Lähdesmäki	1.1.	27,967	-	-	-
Board member	31.12.	31,882	-	-	-
Carl G. Nordman	1.1.	20,735	-	-	-
Board member	31.12.	23,783	-	-	-
Claes Ottosson	1.1.	3,918	-	-	-
Board member	31.12.	3,918	-	-	-
Dor J. Segal	1.1.	-	-	-	-
Board member	31.12.	1,971	-	-	-
Thomas W. Wernink	1.1.	-	-	-	-
Board Deputy Chairman	31.12.	-	-	-	-
Corporate Management Committee					
Petri Olkinuora	1.1.	100,000	1,500,000	150,000	-
CEO	31.12.	100,000	1,000,000	150,000	140,000
Harri Holmström	1.1.	-	-	-	-
Chief Investment Officer	31.12.	-	-	-	70,000
Jyrki Karjalainen	1.1.	-	96,670	75,000	-
Head of Division	31.12.	-	20,670	75,000	70,000
Outi Raekivi, Head of Legal Affairs,	1.1.	-	100,000	75,000	-
Board secretary	31.12.	-	80,000	75,000	70,000
Carl Slätis	1.1.	2,000	100,000	75,000	-
Head of Division	31.12.	2,000	100,000	75,000	70,000
Eero Sihvonen	31.12.		-	-	-
CFO (since 5 Dec. 2005)	1.1.		-	-	35,000
Kaisa Vuorio	1.1.	1,000	150,000	75,000	-
Head of Division	31.12.	1,000	150,000	75,000	70,000
Auditors					
Mikael Holmström	1.1.	-	-	-	-
	31.12.	-	-	-	-
Tuija Korpelainen	1.1.	-	-	-	-
	31.12.	-	-	-	-

The company's public insider register is available for public inspection at Finnish Central Securities Depository Ltd's customer-service outlet, Urho Kekkosen katu 5 C, Helsinki, Finland.

- Planning and drafting organisational changes assigned by the Board of Directors and CEO;
- Approving replies to internal and external auditors' reports submitted to the Board of Directors;
- Ensuring the implementation of measures related to annual planning, in accordance with instructions.

Insiders

Citycon applies insider guidelines covering insiders' obligations and disclosure requirements, specifying and supplementing provisions of the Securities Market Act, the Standard for Insiders issued by the Financial Supervision Authority and the Insider Guidelines issued by the Helsinki Stock Exchange. On 18 October 2005, the company altered its insider guidelines to meet the new requirements set by amended legislation.

The company's statutory insiders include Board members, the CEO and auditors. Statutory insiders also include Corporate Management Committee members, whom the Board of Directors has defined as other senior executives, as referred to in the Securities Market Act. Holdings in the company by statutory insiders and those closely associated with them are regarded as public information. The table below shows such holdings.

In addition to statutory insiders, Citycon also has so-called permanent insiders entered in the company's company-specific insider register, based on their position or duties, or another contract they have concluded with the company. These company-specific insiders include the secretaries and assistants of the CEO and Corporate Management Committee's members, and those in charge of corporate finances and financial reporting, financing, legal affairs, investment and development issues, corporate communications, investor relations, IT functions, as well as internal and external control and audit. The company-specific insider register is not available for public inspection.

Citycon maintains its insider register of statutory and company-specific insiders within the Finnish Central Securities Depository's SIRE Extranet system. The Company verifies the data on its statutory insiders included in the insider register twice a year, and regularly supervises its insiders' trading on the basis of Finnish Central Securities Depository Ltd's registered data. It also supervises its insiders' trading on a case-by-case basis, if necessary.

As stipulated by Citycon's insider guidelines, the company's statutory and permanent insiders may not trade in Citycon shares or instruments entitling to Citycon shares, for 21 days prior to the disclosure of the company's annual accounts, interim accounts or interim report. Insiders must also request the person in charge of the company's insider issues for an opinion on the legality and permissibility of any securities trading in which they plan to engage. The person in charge of insider issues records each contact made.

Control and supervision systems

The control and supervision of Citycon's business operations are based on the use of the governance and management system described above. The company applies appropriate and reliable accounting and other information systems for monitoring business operations and supervising treasury operations. The accounting system enables the monitoring of performance and forecasts by means of a rolling scale in 3- and 12-month periods. It also enables long-term planning and serves as a budgeting tool.

Internal control and supervision

Citycon's internal control involves financial and other supervision carried out by senior and executive management, as well as all other personnel. Internal control and supervision aims to ensure:

- The achievement of set goals and objectives;
- The cost-effective 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 adherence to appropriate procedures in customer relationships;
- The security of the company's operations, information and assets;
- Appropriate information systems and working processes in support of operations.

The Board of Directors is responsible for organising and maintaining adequate and effective internal supervision, while the CEO is in charge of ensuring the implementation of practical measures related to internal supervision.

The CEO is responsible for ensuring adherence to the goals, procedures and strategic plans set by the Board of Directors. It is the CEO's duty to maintain an organisational structure characterised by explicitly and exhaustively defined written responsibilities, authorisations and reporting relationships.

The CEO and Corporate Management Committee members are responsible for ensuring that the Group complies with applicable laws and regulations, as well as the company's business principles and Board decisions in its daily operations.

Citycon assesses the effectiveness of its internal supervision through internal audit. For the internal audit, the Audit Committee annually draws up an audit plan, which forms the basis for the performance of the audit. The auditors responsible for internal audit report to the Board's Chairman and the Audit Committee. The internal audit 2005 was outsourced to KPMG Oy Ab. The audit conducted by Citycon's external auditors also include auditing the company's corporate governance on which they report to the Board of Directors and the CEO.

Any shortcomings in internal control detected in business operations or in other respects as well as any areas of improvement are documented and reported to the CEO, who must then initiate the required measures without delay.

Auditors

The AGM annually elects two regular auditors and one deputy auditor, one of whom must be an accountant authorised by the Central Chamber of Commerce of Finland, responsible for auditing Citycon's corporate governance and accounts. An accounting firm approved by the Central Chamber of Commerce of Finland may be elected the regular auditor. Citycon's auditors provide its shareholders with a statutory auditors' report, along with the company's annual financial statements. The main purpose of the statutory auditors' report is to verify that the financial statements give a true and fair view of the company's profit and financial position for each financial year. In addition to the statutory auditors' report, the auditors also report directly to the CEO and the Audit Committee, when necessary.

Upon the Audit Committee's invitation, auditors may attend the Committee meetings as experts, when necessary.

The AGM 2005 elected Tuija Korpelainen and Mikael Holmström (Authorised Public Accountants) the company's auditors and Ernst & Young Oy (a firm of authorised public accountants) the deputy auditor.

In 2005, Citycon paid EUR 124,376 in remuneration to its auditors, related to its general audit. In addition, Citycon paid a total of EUR 22,918 in external expert services related to IFRS (International Financial Reporting Standards), property deals and taxation.

Risk management

Citycon's Board of Directors and corporate management are regularly monitoring the company's business risks. The Board of Directors has approved the company's risk management guidelines specifying risk management principles and the risk management process. This process involves identifying, analysing, measuring, mitigating and controlling business-related risks.

Citycon's annual review of its risk management process includes updating its risk chart and annual action plan, which will be presented to the Board of Directors at a separately agreed meeting in the autumn.

Risk management has been covered in greater detail on pages 35 and 36 of the Annual Report.

Communications

The purpose of Citycon's corporate communications is to inform the company's stakeholders of company-related matters, with the aim of providing all relevant parties with correct, sufficient and topical information regularly, equitably and simultaneously.

CITYCON

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REPORT BY THE BOARD OF DIRECTORS

Year 2005 in brief

KEY FIGURES

- Turnover increased to EUR 92.2 million (2004: EUR 84.7 million) mainly due to property acquisitions in Finland, Sweden and Estonia during 2004 and 2005.
- Profit before taxes amounted to EUR 74.2 million (EUR 25.7 million), including EUR 45.9 million increase in the fair value of investment properties and EUR 5.7 million in one-off financial expenses.
- Earnings per share were EUR 0.49 (EUR 0.19).
- The Board of Directors proposes a per-share dividend of EUR 0.14 (EUR 0.14).

Key Figures and Ratios	2005	2004
Turnover, EUR million	92.2	84.7
Operating profit, EUR million	105.2	51.8
% of turnover	114.1	61.2
Profit before taxes, EUR million	74.2	25.7
Profit, EUR million	59.8	19.9
Earnings per share, EUR	0.49	0.19
Earnings per share, diluted, EUR	0.49	0.19
Dividend per share, EUR	0.14*	0.14
Equity per share, EUR	2.60	2.12
P/E (price/earnings) ratio	6	13
Return on equity (ROE), %	22.5	9.5
Return on investment (ROI), %	13.5	7.2
Equity ratio, %	36.7	31.4
Gearing, %	156.8	201.3
Net rental yield, %	8.4	8.8
Occupancy rate, %	97.2	95.7
Personnel at the end of year	57	45

**Board of Directors' proposal*

BUSINESS

- At year-end, the company owned 21 (16) shopping and retail centres and 127 (130) supermarkets and shops. The market value of Citycon's property portfolio totalled EUR 956.6 million, of which shopping centres accounted for 66.6 per cent (60.5 per cent) and supermarkets and shops for 33.4 per cent (39.5 per cent).
- At the end of the reporting year, Citycon had a total of 2,109 leases concluded with 1,120 lessees. The year-end occupancy rate for Citycon's property portfolio stood at 97.2 per cent (95.7 per cent) and net yield at 8.4 per cent (8.8 per cent).
- Citycon's net rental income improved by 6.1 per cent, to EUR 65.9 million, while the leasable area rose by 21.8 per cent, to 595,973 sq.m.

CAPITAL EXPENDITURE

- The internationalisation process began, in line with the company's strategy, with investments in Sweden and Estonia. The company bought the Rocca al Mare shopping centre in Estonia and acquired the Åkersberga shopping centre as well as the Åkermyntan, Fruängen and Kallhäll retail centres in Sweden. At the end of December, Citycon signed a deal to acquire five other retail centres in Sweden.
- Citycon's most significant shopping-centre property investments in Finland related to Trio in Lahti, IsoKristiina in Lappeenranta and Sampokeskus in Rovaniemi. In addition, the company decided to build a new shopping centre in Hervanta, a district of Tampere.
- Capital expenditure for 2005 totalled EUR 178.5 million (EUR 18.8 million).

FINANCES

- The Group's equity ratio was 36.7 per cent (31.4 per cent). At year-end, gearing stood at 156.8 per cent (201.3 per cent).
- In 2005, Citycon arranged two private placements by issuing shares for selected international and Finnish institutional investors. As a result of these issues the company's share capital increased by a total of EUR 31.3 million.
- Citycon repaid its I/1999 subordinated loan prematurely on 30 June 2005 and on 17 June 2005 issued the 1/2005 five-year subordinated loan of EUR 70 million at a fixed annual nominal interest rate of 4.70 per cent. The loan's maturity date is 17 June 2010.

SHARE PERFORMANCE

- Share performance during the report period was positive: The trade-weighted average share price rose to EUR 2.95 (EUR 1.94) and the company's market capitalisation by EUR 150.2 million to EUR 424.1 million.

Business Environment

The Finnish retail property market continued its favourable development in 2005, characterised by growth in demand for retail premises and high occupancy rates.

Spurred by favourable economic development and the growing need for retail premises, demand for commercial properties has remained buoyant in both the Helsinki Metropolitan Area and major regional centres elsewhere in Finland. Construction of retail premises has remained lively, especially that of shopping centres in the Helsinki Metropolitan Area. Purchasing power continued its concentration process in regional centres and demand for premises housed in good retail sites in particular remained strong. Vacancy rates continued to remain low.

Foreign investors have continued to show keen interest in the Finnish property-investment market.

Line of Business and Property Portfolio Summary

Citycon engages in the retail-property business throughout the ownership chain i.e., ownership, leasing, management and development of properties. Citycon operates through the following three divisions: Shopping Centres, Supermarkets and Shops, and Property Development. At the end of the financial year, Citycon owned 148 properties (146), their fair value totalling EUR 956.6 million (EUR 738.7 million).

Almost all the company's property portfolio consists of retail premises. At year-end, the company owned 21 shopping and retail centres and 127 supermarkets and shops, the former accounting for 66.6 per cent and the latter for 33.4 per cent of the property portfolio's fair value.

On 31 December 2005, 35.1 per cent of the company's properties were located in the Helsinki Metropolitan Area, 35.5 in other major Finnish cities and 15.1 elsewhere in Finland. Foreign properties accounted for 14.3 per cent of the property portfolio. These shares are calculated on the basis of fair values.

Changes in Property Portfolio Fair Value

Citycon applies IAS 40 in the valuation of its investment properties, whereby investment property is measured at fair value, with gains and losses arising from changes in fair values being included under operating income in the income statement. Using International Valuation Standards (IVS), an external professional appraiser conducts the valuation of the company's property at least once a year. The most recent valuation statement on 31 December status, by Aberdeen Property Investors Finland Oy, is on page 59.

During the financial year, the fair value of Citycon's property portfolio rose by EUR 45.9 million, as a result of changes in general market conditions and the leasing business. The company recorded a total increase of EUR 60.3 million in the fair value and a total decrease of EUR 14.3 million in the fair value of the properties during the financial period.

The year's most significant change in the market included growing interest in the Finnish property market shown by international investors, especially in commercial properties. Greater demand will cut the net yield requirements set by investors while putting upward pressure on property prices, especially in the liveliest urban growth centres.

Customers, Lease Portfolio and Occupancy Rate

At the end of the reporting year, Citycon had a total of 2,109 leases concluded with 1,120 lessees, with the length of the leases averaging 3.2 years. The year-end occupancy rate for Citycon's property portfolio stood at 97.2 per cent (95.7 per cent), this change resulting from normal fluctuations in the leasing business and new properties in the company's property portfolio.

Lease portfolio summary	2005	2004
Number of leases started during the financial year	298	325
Total area of leases started, sq.m.	51,476	56,606
Occupancy rate at end of financial year ,%	97.2	95.7
Average length of lease portfolio at the end of financial year, year	3.2	3.4

Shopping Centres Division

Citycon leads the Finnish shopping centre business. Its net rental income from shopping centres improved by 16.0 per cent, to EUR 40.6 million, accounting for 61.5 per cent of the company's total net rental income, while the leasable area rose by 49.3 per cent, to 322,900 sq.m.

Key Figures of the Shopping Centres Division

Lease portfolio summary	2005	2004
Number of leases started during the financial year	233	242
Total area of leases started, sq.m.	29,160	32,451
Occupancy rate at end of financial year, %	98.0	97.4
Average length of lease portfolio at the end of financial year, year	2.6	2.7
Financial performance		
Turnover, EUR million	57.4	48.4
Change in value of investment property, EUR million	22.1	-15.3
Operating profit, EUR million	61.2	18.8
Gross rental income, EUR million	56.1	47.0
Net rental income, EUR million	40.6	35.0
Net rental yield, %	8.2	8.1
Net rental yield, like-to-like properties, %	8.5	8.1
Market value of property portfolio, EUR million	636.7	446.6
Capital expenditure, EUR million	174.9	17.4

The calculation method for net rental yield is based on the guidelines of the KTI Institute for Real Estate Economics and the IPD Investment Property Databank.
Like-to-like properties refer to properties held by Citycon through the 12-month reference period. Properties under development and expansion as well as lots are eliminated from the figures.

CAPITAL EXPENDITURE AND DEVELOPMENT PROJECTS

In 2005, Citycon's shopping centre business expanded abroad. In July, Citycon was transferred the title to 75 per cent of the Åkersberga shopping centre in Sweden and it bought the shopping centre Rocca al Mare in Tallinn, Estonia, including the latter's adjacent site with potential for a major extension. These acquisitions formed Citycon's first-ever property investments abroad.

The Åkersberga investment, including the launched extension projects, will total approximately SEK 900–950 million (EUR 95–100 million). Citycon has undertaken to buy the remaining holding in the shopping centre once the extension has been completed. The Åkersberga shopping centre has been included in the company's accounts since 1 July 2005 and Rocca al Mare since 21 July 2005.

Based on an agreement concluded in September, Citycon acquired retail centres in Åkermyntan, Kallhäll and Fruängen located in the Stockholm Metropolitan Area, Sweden; these retail centres have been included in the company's accounts since 1 December 2005.

The most significant shopping centre holdings acquired in Finland included those in IsoKristiina in Lappeenranta, Trio in Lahti and Sampokeskus in Rovaniemi, Citycon's respective holdings in these shopping centres increasing to 87.4 per cent, 88.7 per cent and 100 per cent.

In addition, the company decided to build a new shopping centre in Hervanta, a district of Tampere. The project's estimated investment totals EUR 25.3 million and the extension project is scheduled for completion in spring 2007.

The table below shows more detailed information on the 2005 acquisitions.

Acquisitions 2005, Shopping Centres

Property	Location	Purchase price, EUR million	Post-acquisition holdings, %
Finland			
Koy Karjalan kauppakeskus	Lappeenranta	7.9	100.0
Koy Lahden Trio	Lahti	18.7	88.7
Koy Lintulankulma	Rovaniemi	2.1	100.0
Ruotsi			
Åkersberga Centrum AB	Österåker	47.4	75.0
Åkermyntan, Kallhäll and Fruängen retail centres	Stockholm Metropolitan Area	27.6	100.0
Estonia			
Rocca al Mare Kaubanduskeskuse AS	Tallinn	62.1	100.0

In November Citycon announced that it would purchase the Lindome retail centre in the Greater Gothenburg area, Sweden. The deal was closed at the debt-free price of SEK 74.5 million (EUR 7.8 million) at the beginning of January 2006.

According to an agreement signed in December, Citycon is to acquire retail centres in Backa, Hindås, Landvetter and Floda in the Greater Gothenburg area. The closing is expected to take place in February 2006.

Due to business expansion, Citycon has established organisations responsible for the shopping-centre business by country within its Shopping Centres division, effective since 1 January 2006.

Supermarkets and Shops Division

Specialising in the development, lease and management of supermarket and other retail-outlet properties, the Supermarkets and Shops division's net rental income accounted for 38.5 per cent of Citycon's total rental income.

Key Figures of Supermarkets and Shops Division

Lease portfolio summary	2005	2004
Number of leases started during the financial year	65	83
Total area of leases started, sq.m.	22,316	24,155
Occupancy rate at end of financial year, %	95.8	93.4
Average length of lease portfolio at the end of financial year, year	4.2	4.5

Financial performance	2005	2004
Turnover, EUR million	34.8	36.3
Change in value of investment property, EUR million	23.8	10.4
Operating profit, EUR million	49.6	37.5
Gross rental income, EUR million	34.7	36.2
Net rental income, EUR million	25.3	27.0
Net rental yield, %	8.9	9.9
Net rental yield, like-to-like properties, %	9.0	10.0
Market value of property portfolio, EUR million	320.0	292.1
Capital expenditure, EUR million	3.6	1.3

The calculation method for net rental yield is based on the guidelines of the KTI Institute for Real Estate Economics and the IPD Investment Property Databank.
Like-to-like properties refer to properties held by Citycon through the 12-month reference period. Properties under development and expansion as well as lots are eliminated from the figures.

The most significant new lease agreement for the Supermarkets and Shops division was a lease on the Länsikeskus retail site in Espoo that was agreed on with a new hypermarket chain in the Helsinki Metropolitan Area.

In 2005, the company divested three investment properties within the Supermarkets and Shops division for EUR 3.8 million, bringing in total capital gains of EUR 0.3 million.

Property Development Division

The Property Development division's mission is to develop and extend Citycon's existing and new retail sites together with the company's other divisions. The division is also responsible for commissioning the construction of new retail sites - i.e., for acquiring land, for planning negotiations, for liaison with the authorities and for administering projects, including controlling and developing the related commercial and functional planning. The division also handles the marketing and leasing of premises on new retail sites. The division's key figures are not reported separately because it has no property portfolio or rental income.

In 2005, the Property Development division engaged in development projects for more than ten properties, two of them being under construction at the turn of the year – the Hervanta shopping centre in Tampere and Lippulaiva in Espoo.

Human Resources

At the end of the financial year, Citycon Group had a total of 57 (45) employees, 48 (34) of whom were employed by the parent company.

Wages and salaries paid by the Group totalled EUR 3.1 million (EUR 2.3 million), of which those paid to managing directors accounted for EUR 0.3 million (EUR 0.3 million) and Board emoluments EUR 0.3 million (EUR 0.2 million). Wages and salaries paid by the parent company totalled EUR 2.8 million (EUR 1.9 million), of which those paid to the CEO accounted for EUR 0.2 million (EUR 0.2 million) and Board emoluments EUR 0.3 million (EUR 0.2 million).

REPORT BY THE BOARD OF DIRECTORS

Turnover and Profit

Turnover came to EUR 92.2 million (EUR 84.7 million), of which gross rental income accounted for 98.5 per cent (98.2 per cent). Operating profit rose to EUR 105.2 million (EUR 51.8 million).

Profit before taxes amounted to EUR 74.2 million (EUR 25.7 million) and after taxes EUR 59.8 million (EUR 19.9 million). The effect of changes in fair value of the property portfolio on the year's profit before taxes was EUR 45.9 million. The period's profit includes one-off expenses of EUR 5.7 million resulting from premature repayment of the I/1999 subordinated loan. The reported profit is above the previous year's level, taking account of the above-mentioned items with their tax effects.

Balance Sheet and Financial Position

The year-end balance-sheet total stood at EUR 983.1 million (EUR 757.7 million), of which cash and cash equivalents accounted for EUR 15.6 million (EUR 7.9 million). The Group's financial position remained at a healthy level.

Capital expenditure for 2005 totalled EUR 178.5 million (EUR 18.8 million).

The Group's year-end liabilities totalled EUR 622.9 million (EUR 520.0 million), interest-bearing liabilities growing by EUR 94.0 million to EUR 580.5 million (EUR 486.5 million) and short-term liabilities accounting for EUR 74.4 million (EUR 26.1 million).

The interest rate of the interest-bearing liabilities averaged 4.8 per cent (5.1 per cent), if one-off expenses stemming from the premature repayment of the subordinated loan are excluded. The average loan maturity, weighted according to loan principals, was 2.7 years (4.0 years), while the average interest-bearing period was 2.5 years (3.6 years).

The Group's equity ratio was 36.7 per cent (31.4 per cent). Interest cover, or the previous 12 months' profit before interest expenses, taxes and depreciation relative to net financial expenses, was 2.3. At year-end, gearing stood at 156.8 per cent (201.3 per cent).

Citycon's year-end interest-bearing liabilities included 87.3 per cent (86.0 per cent) of floating-rate loans, of which 69.8 per cent (69.1 per cent) had been converted into fixed-rate ones, based on interest-rate swaps. The overall hedging rate of the loan portfolio was 58.2 per cent.

On 31 December 2005, the par value of interest rate swaps totalled EUR 336.5 million (EUR 339.4 million) while the market value of derivatives came to EUR -14.7 million (EUR -18.5 million).

Net financial expenses of EUR 31.1 million (EUR 26.1 million) included EUR 5.7 million in one-off expenses.

Citycon Oyj repaid its I/1999 subordinated loan on 30 June 2005 prior to the loan's maturity and on 17 June 2005 issued the 1/2005 five-year subordinated loan of EUR 70 million at a fixed annual nominal interest rate of 4.70 per cent. The loan's issue price accounted for 99.956 per cent of the nominal loan amount, and its maturity date is 17 June 2010.

As a consequence of the I/1999 loan's premature repayment and issue of the new 1/2005 subordinated loan, the net savings in Citycon Oyj's financial expenses will, after taking account of the one-off expense of EUR 5.7 million, come to approximately EUR 1.5 million over the next four years.

In 2005, Citycon arranged two private placements by issuing shares for selected international and Finnish institutional investors with the result that the company's share capital increased by a total of EUR 31.3 million and the number of shares by a total of 23.2 million new shares. In addition, share subscriptions based on Citycon's 1999 stock options increased the company's share capital by EUR 1.4 million. At the end of 2005, the share capital totalled EUR 184.1 million and shareholders' equity EUR 356.6 million (EUR 237.7 million).

Risk Management and Environmental Responsibility

Citycon continuously monitors risks associated with its business operations. The company's risk-management process involves identifying, analysing, measuring, mitigating and controlling business-related risks. The Board of Directors has approved the company's risk-management guidelines specifying risk-management principles. Citycon's business-critical risks relate to those associated with its lessees and customers, property portfolio, price developments and business expansion, as well as financial risks.

Pages 35 and 36 of the Annual Report provide more detailed information on risk management.

Energy-use management forms an integral part of property companies' operating-cost control and environmental responsibility. Citycon is involved in KRESS, the energy conservation agreement for the property and construction sector, aimed at reducing properties' energy consumption. Other major environmental effects relate to land use, property maintenance and waste management. Citycon's operations are guided by a lifecycle approach that pays particular attention to the timing of renovation and other repair of properties.

Annual General Meeting 2005

The company's Annual General Meeting (AGM) 2005 held in Helsinki on 5 April adopted the financial statements of Citycon Oyj and Citycon Group for 2004 and discharged the Board of Directors and the CEO from liability. The AGM decided that a per-share dividend of EUR 0.14 be paid for 2004. The dividends were paid out on 15 April 2005.

BOARD OF DIRECTORS

With the number of Board members remaining at eight, the AGM re-elected the following Board members for a one-year term: Stig-Erik Bergström, Amir Gal, Raimo Korpinen, Tuomo Lähdesmäki, Carl G. Nordman, Claes Ottosson and Dor J. Segal, and elected Thomas Wernink, 60, a Dutch citizen, a new member. Timo Kankuri was not available for re-election. Stig-Erik Bergström acted as Chairman. Tuomo Lähdesmäki acted as Vice-Chairman until 5 April 2005, succeeded by Thomas Wernink.

AUDITORS

The AGM elected Tuija Korpelainen and Mikael Holmström, Authorised Public Accountants, the company's auditors for financial year 2005, with Ernst & Young Oy, a firm of authorised public accountants, acting as the deputy auditor.

In addition, the AGM approved Board proposals for amending the Articles of Association, reducing share capital, selling shares not transferred into the book-entry securities system, and authorising the Board to decide to increase share capital.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

The AGM decided to alter Article 3 of the Articles of Association in such a way that the maximum share capital be EUR 500 million, and Article 12 in such a way that notice of a shareholders' meeting be published in at least one national newspaper appearing in Helsinki.

SHARE-CAPITAL REDUCTION

The AGM decided to reduce the company's share capital by EUR 5,229,900 by cancelling, without consideration, a total of 3,874,000 treasury shares held by the company. Since this share capital reduction was based on transferring the amount equalling the cancelled shares' combined nominal value to the share premium fund, it had no effect on the restricted shareholders' equity. The change in share capital was registered in the Trade Register on 6 April 2005.

SALE OF SHARES NOT TRANSFERRED INTO THE BOOK-ENTRY SECURITIES SYSTEM

The AGM decided to sell all the company's shares in the joint book-entry account not transferred into the book-entry securities system by 29 April 2006. Shares not transferred into this system by the above deadline will be sold in public trading for the benefit of their holders, and the resulting income will be lodged with the State Provincial Office of Southern Finland on behalf of the holders for ten years. Following the sale of the shares, shareholders will have the right to receive an amount of the lodged income in proportion to their holdings against the share certificate and any proof of title. On 31 December 2005, the joint book-entry account still had 6,600 Citycon shares, accounting for 0.01 per cent of company shares.

AUTHORISATION TO INCREASE SHARE CAPITAL

The AGM authorised the Board to decide by 5 April 2006 to issue one or several convertible bonds, issue stock options and increase the company's share capital through one or several rights issues in such a way that the company's share capital may increase by a maximum of EUR 31,356,004.50 and that a maximum of 23,226,670 new shares at a nominal value of EUR 1.35 may be offered. This authorisation included a right to waive the shareholders' pre-emptive right.

Citycon's Board of Directors exercised its authorisation given by the AGM to increase share capital by deciding in 2005 on two private placements totalling EUR 31.3 million. As a result, the Board has no valid authorisations left.

Share Capital

Under the Articles of Association, Citycon's minimum share capital totals EUR 100 million and maximum share capital EUR 500 million, within which limits the company may reduce or increase its share capital without altering its Articles of Association. The company has a single series of shares, with each share entitling their holder to one vote at the shareholders' meeting.

At the beginning of 2005, Citycon had a share capital of EUR 156,655,833.30 and the number of shares totalled 116,041,358. The financial year saw Citycon increase its share capital through stock options and two private placements by a total of EUR 32,689,791 and reduce it by EUR 5,229,900 by cancelling its own shares (treasury shares). The table below shows the changes in share capital in more detail.

The company's registered year-end share capital came to EUR 184,115,724.30 and the number of shares totalled 136,382,018, each share bearing a nominal value of EUR 1.35.

In the end of December 2005, a total of 750,330 shares were subscribed with the 1999 stock options. The share-capital increase equalling these subscriptions was entered in the Trade Register in February 2006. After the increase, the company's registered share capital amounts to EUR 185,128,669.80 and the total number of shares to 137,132,348.

Private Placements in 2005

In 2005, Citycon arranged two private placements by issuing shares for selected international and Finnish institutional investors, based on decisions by the Board of Directors authorised by the AGM of 5 April 2005.

The July private placement for the purpose of partly financing the acquisition of the Rocca al Mare shopping centre in Tallinn,

Date	Event	Change, EUR	Change in no. of shares	Share capital, EUR	No. of shares
1.1.2005				156,655,833.30	116,041,358
3.2.2005	Increase (stock options)	124,200.00	92,000	156,780,033.30	116,133,358
6.4.2005	Reduction (cancellation of treasury shares)	5,229,900.00	3,874,000	151,550,133.30	112,259,358
29.4.2005	Increase (stock options)	49,950.00	37,000	151,600,083.30	112,296,358
21.7.2005	Increase (stock options)	626,845.50	464,330	152,226,928.80	112,760,688
2.8.2005	Increase (private placement)	16,200,000.00	12,000,000	168,426,928.80	124,760,688
20.9.2005	Increase (stock options)	58,050.00	43,000	168,484,978.80	124,803,688
19.10.2005	Increase (stock options)	255,150.00	189,000	168,740,128.80	124,992,688
26.10.2005	Increase (private placement)	15,120,000.00	11,200,000	183,860,128.80	136,192,688
20.12.2005	Increase (stock options)	255,595.50	189,330	184,115,724.30	136,382,018
31.12.2005				184,115,724.30	136,382,018

Estonia, included offering a total of 12,000,000 new shares for subscription at a per-share price of EUR 3.01. Prior to the issue, these new shares accounted for around 10.6 per cent of Citycon's share capital and voting rights conferred by shares, while subsequent to it they corresponded to about 9.6 per cent. The share issue was carried out through a book-building process on 25 and 26 July 2005, and was oversubscribed by a factor of 1.7. A total of 99 per cent of the new shares were allocated to foreign investors and one per cent to Finnish ones. The resulting increase in share capital, EUR 16,200,000, was entered in the Trade Register on 2 August 2005, the new shares having been quoted on the Helsinki Stock Exchange's Main List since 3 August 2005.

The October private placement for the purpose of financing the acquisitions of the Åkermyntan, Kallhäll and Fruängen retail centres in the Stockholm Metropolitan Area, as well as future property acquisitions included offering a total of 11,200,000 new shares for subscription at a per-share price of EUR 3.08. Prior to the issue, these new shares accounted for around 8.96 per cent of Citycon's share capital and voting rights conferred by shares, while subsequent to it they corresponded to about 8.22 per cent. The share issue was carried out through a book-building process on 19 October 2005, and was oversubscribed by a factor of 1.7. A total of 99 per cent of the new shares were allocated to foreign investors and one per cent to Finnish ones. The resulting increase in share capital, EUR 15,120,000, was entered in the Trade Register on 26 October 2005, the new shares having been quoted on the Helsinki Stock Exchange's Main List since 27 October 2005.

More detailed information on these private placements can be found in Citycon's stock-exchange releases published in July, August and October 2005, available, for example, at www.citycon.fi.

Shareholders and Shares

Listed on the Helsinki Stock Exchange since 1988, Citycon shares are quoted on the Main List within the Real Estate industry group under the Financials sector. The trading code is CTY1S and the trading lot consists of 1,000 shares traded in euros. The ISIN code used in international securities clearing is FI0009002471.

SHAREHOLDERS

On 31 December 2005, Citycon had a total of 1,402 (1,175) registered shareholders. Nominee-registered shareholders, mainly international investors, held 125.5 million (99.6 million) shares, or 92.0 per cent (85.8 per cent) of company shares and voting rights. In 2005, the company did not receive any flagging notifications regarding changes in shareholdings.

SHARE PERFORMANCE

In 2005, the number of Citycon shares traded on the Helsinki Stock Exchange totalled 40.7 million (115.1 million) at a total value of EUR 119.2 million (EUR 223.0 million). The highest quotation was EUR 3.50 (EUR 2.65) and the lowest EUR 2.36 (EUR 1.52). The reported trade-weighted average price was EUR 2.95 (EUR 1.94), and the share closed at EUR 3.11 (EUR 2.44). The company's market capitalisation at the end of the financial year totalled EUR 424.1 million (EUR 273.9 million).

TAXABLE VALUE OF A SHARE

The taxable value of a Citycon share in 2005 is EUR 2.21.

TREASURY SHARES

At the end of the financial year, Citycon Oyj held no treasury shares due to the decision made by the 2005 AGM to reduce the company's share capital by cancelling all 3,874,000 treasury shares. The Board of Directors is not authorised to buy back company shares.

BOARD AND MANAGEMENT SHAREHOLDINGS

On 31 December 2005, members of the Board of Directors and the Corporate Management Committee, the CEO and their related parties held a total of 211,601 Citycon shares, accounting for 0.15 per cent of all shares and the combined voting rights entitled by the shares.

Stock Options

Citycon has two stock-option schemes in force, the 1999 A/B/C scheme and the 2004 A/B/C scheme. Stock options attached to the 1999 stock-option scheme are listed on the Helsinki Stock Exchange. These stock-option schemes form part of Citycon's Group-wide employee incentive and commitment programme.

1999 STOCK OPTIONS

The Extraordinary General Meeting (EGM) of 4 November 1999 decided to grant a maximum of 5,500,000 stock options to Citycon Group employees and Veniamo-Invest Oy, a Citycon subsidiary, with each stock option entitling its holder to subscribe for one Citycon share at the par value of EUR 1.35. As a result of subscriptions, Citycon Oyj's share capital may increase by a maximum of EUR 7,425,000 and the number of shares by a maximum of 5,500,000.

A total of 1,800,000 of the 1999 stock options are labelled under letter A, 1,800,000 under letter B and 1,900,000 under letter C. The subscription period for A stock options began on 1 September 2000, B stock options on 1 September 2002 and C stock options on 1 September 2004. The subscription price of the shares based on the stock options is EUR 2 per share less any per-share dividend paid after 4 November 1999. The subscription price is EUR 1.40 per share after payment of the dividend for 2005. However, the share-subscription price will always amount to at least the share's par value of EUR 1.35. The share-subscription period for all stock options will expire on 30 September 2007.

During 2005, the total number of stock options, based on the 1999 stock-option scheme, traded on the Helsinki Stock Exchange came to 2.8 million, their value totalling EUR 4.4 million. The highest quotation was EUR 2.09 and the lowest EUR 0.88. During the financial year, the number of new Citycon shares subscribed on the basis of the 1999 stock-option scheme totalled 1,672,990 at the per-share subscription price of EUR 1.40. These shares will entitle their holders to a dividend for the financial year 2005. Other shareholder entitlements will take effect as of the date of registration of the share-capital increase. Each share entitles its holder to one vote.

In 2005, the company's share capital increased by a total of EUR 1,369,791, based on the 1999 stock options. Under the 1999 stock-option scheme, the remaining stock options entitle their holders to subscribe for a total of 3,471,510 new company shares. In view of the 750,330 shares subscribed in December 2005, the company's share capital may increase by a further EUR 5,699,484 on the basis of the stock options.

2004 STOCK OPTIONS

The AGM of 15 March 2004 decided to grant a maximum of 3,900,000 stock options to the employees of Citycon Oyj and its subsidiaries and Citycon Oyj's wholly owned subsidiary. As a result of subscriptions, Citycon Oyj's share capital may increase by a maximum of EUR 5,265,000 and the number of shares by a maximum of 3,900,000.

A total of 1,300,000 of the 2004 stock options are labelled under letter A, 1,300,000 under letter B and 1,300,000 under letter C. The subscription period for A stock options will begin on 1 September 2006, B stock options on 1 September 2007 and C stock options on 1 September 2008. The subscription price of the shares based on the stock options is determined by the trade-weighted average price quoted on the Helsinki Stock Exchange for the 2004A stock options between 1 and 30 April 2004, for the 2004B stock options between 1 and 30 April 2005 and for the 2004C stock options between 1 and 30 April 2006, plus 20 per cent. The share-subscription price will, as per the dividend record date, be reduced by 50 per cent of the amount of the per-share dividend paid after the beginning of the subscription-price determination period but before share subscription. However, the share-subscription price will always amount to at least the share's par value. The per-share subscription price is EUR 2.44 for the 2004A stock options and EUR 2.91 for the 2004B stock options after payment of the dividend for 2005.

Based on a Board decision on 26 May 2004, the number of 2004A stock options granted to Group staff totals 1,135,000 and to Veniamo-Invest Oy 165,000. Some of the employee stock options have returned to Veniamo-Invest Oy, as stipulated in the terms and conditions of the stock-option scheme. On 31 December 2005, Group staff held a total of 1,040,000 2004A stock options.

On 13 September 2005 and 18 October 2005, the Board of Directors decided to issue a total of 1,195,000 2004B stock options to Group employees. Veniamo-Invest Oy, the issuer of these stock options, retains 105,000 2004B stock options and 1,300,000 2004C stock options, which it may, upon a Board decision, issue to current and future Citycon employees.

The subscription period is between 1 September 2006 and 31 March 2009 for 2004 A stock options, between 1 September 2007 and 31 March 2010 for 2004B stock options and between 1 September 2008 and 31 March 2011 for 2004C stock options.

MANAGEMENT STOCK OPTIONS

On 31 December 2005, Citycon's CEO held 1,000,000 1999A/B/C stock options, 150,000 2004A stock options and 140,000 2004B stock options while other members of the Corporate Management Committee held 350,670 1999A/B/C stock options, 300,000 2004A stock options and 385,000 2004B stock options.

Events after the Financial Year

On 16 January 2006, the company acquired the remaining 26 per cent holding in the Myyrmanni shopping centre and in addition to that the Valtari shopping centre in Kouvola at a debt-free purchase price of approx. EUR 37 million. Consequently, Citycon's holdings in these properties are now 100 per cent.

In addition, on 1 February 2006, the company purchased Tullintori shopping centre in the Tampere city centre. The acquisition comprised 57.4 per cent of the shares in the real estate company Kiinteistö Oy Tullintori. The total debt-free purchase price of the shares was EUR 8.7 million.

On 9 February 2006, the company announced that it is considering a divestment of about 75 non-core properties. All of these properties with a total area of 96,000 square metres are located in Finland. The company aims to complete the divestment during the first half of 2006.

In December 2005, Citycon Oyj announced the signing of an agreement to acquire four retail centres located in Backa, Hindås, Landvetter and Floda in the Greater Gothenburg area, Sweden. The deal was closed on 15 February 2006. Total debt-free purchase price of the properties was SEK 239.0 million (approx. EUR 24.4 million).

A total of 750,330 new Citycon shares at a nominal value of EUR 1.35 per share were subscribed in December exercising the A/B/C stock options based on the company's stock option plan 1999. The corresponding share capital increase, EUR 1,012,945.50, was entered in the Trade Register on 16 February 2006. The new shares were listed on 17 February 2006.

As a result of the increase, Citycon Oyj's registered share capital amounts to EUR 185,128,669.80 and the number of shares totals 137,132,348.

The unexercised stock options based on Citycon's stock option plan 1999 entitle their holders to subscribe for 3,471,510 new shares, corresponding to a further share capital increase of EUR 4,686,538.50. The share subscription period will expire on 30 September 2007.

Board Proposal for Dividend Payment

The Board of Directors proposes to the Annual General Meeting of 14 March 2006 that a per-share dividend of EUR 0.14 be paid out for the financial year ending on 31 December 2005, that the record date for dividend payment be 17 March 2006 and that the dividend be paid on 24 March 2006.

Future Outlook

Citycon expects demand, occupancy rates and rents for its retail properties to remain stable in the Helsinki Metropolitan Area and Finland's major cities. In this increasingly intensified competitive environment, the company continues to seek opportunities to expand its business in Finland, Scandinavia and the Baltic countries.

Due to favourable market prospects and the acquisitions and extension projects carried out during 2005, the company expects to grow its business and operational results.

Helsinki, 23 February 2006

Citycon Oyj

Board of Directors

CONSOLIDATED INCOME STATEMENT, IFRS

EUR MILLION	NOTE	1 JAN.-31 DEC. 2005	1 JAN.-31 DEC. 2004
Turnover	1.	92.2	84.7
Other operating income	2.	0.3	0.7
Fair value gains on investment property		60.3	87.3
Fair value losses on investment property		-14.3	-92.9
Net fair value gains on investment property		45.9	-5.7
Gains on sale of investment property		3.7	0.9
Carrying amount of sold investment property		-3.4	-0.8
Net gains on sale of investment property		0.3	0.1
Expenses			
Materials and services	3.	25.8	22.6
Employee benefits	4.	4.0	2.9
Depreciation and impairment loss	5.	0.2	0.2
Other operating expenses	6.	3.5	2.2
Total expenses		33.5	28.0
Operating profit		105.2	51.8
Financial income	7.	0.8	0.9
Financial expenses	8.	-31.9	-27.0
Net financial income and expenses		-31.1	-26.1
Profit before taxes		74.2	25.7
Income tax expense	9.		
Current taxes		-3.5	-6.8
Change in deferred taxes		-10.8	0.9
Profit for the period		59.8	19.9
Attributable to			
Parent company shareholders		59.2	19.9
Minority interest		0.6	0.0
Earnings per share attributable to parent company shareholders:	10.		
Earnings per share (basic), EUR		0.49	0.19
Earnings per share (diluted), EUR		0.49	0.19

CONSOLIDATED BALANCE SHEET, IFRS

EUR MILLION	NOTE	31 DEC. 2005	31 DEC. 2004
ASSETS			
Non-current assets			
Investment property	11.	956.6	738.7
Property, plant and equipment	12.	0.7	0.6
Intangible assets	13.	0.2	0.2
Investments		0.1	0.0
Deferred tax assets		0.0	6.1
Total non-current assets		957.6	745.6
Current assets			
Trade and other receivables	14.	9.9	4.2
Cash and cash equivalents	15.	15.6	7.9
Total current assets		25.5	12.2
Total assets		983.1	757.7
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity attributable to parent company shareholders	16.		
Share capital		184.1	156.8
Share issue		1.1	0.0
Share premium fund		78.8	35.0
Translation reserve		0.0	0.0
Fair value reserve		-10.5	-13.3
Other reserves		6.6	6.6
Treasury shares		0.0	-4.7
Retained earnings		96.5	57.4
Total equity attributable to parent company shareholders		356.6	237.7
Minority interest		3.6	0.0
Total shareholders' equity		360.2	237.7
LIABILITIES			
Long-term liabilities			
Interest-bearing liabilities	17.	528.5	475.9
Non-interest-bearing liabilities	18.	14.2	18.0
Deferred tax liabilities	19.	5.8	0.0
Total long-term liabilities		548.4	493.9
Short-term liabilities			
Interest-bearing liabilities	17.	52.1	15.5
Trade and other payables	18.	22.3	10.7
Total short-term liabilities		74.4	26.1
Total liabilities		622.9	520.0
Total liabilities and shareholders' equity		983.1	757.7

CONSOLIDATED CASH FLOW STATEMENT, IFRS

EUR MILLION	1 JAN.-31 DEC. 2005	1 JAN.-31 DEC. 2004
Cash flow from operating activities		
Profit before taxes	74.2	25.7
Adjustments:		
Net fair value gains on investment property	-45.9	5.7
Depreciation and impairment loss	0.2	0.3
Net gains on sale of investment property	-0.3	-0.1
Financial expenses	31.9	27.0
Financial income	-0.8	-0.9
Other adjustments	0.9	0.0
Cash flow before change in working capital	60.1	57.7
Change in working capital	1.9	-0.2
Cash generated from operations	62.0	57.5
Interest paid	-32.3	-28.0
Interest received	0.4	0.8
Taxes paid	-5.2	-4.2
Net cash from operating activities	24.8	26.1
Cash flow from investing activities		
Acquisition of subsidiaries, less cash acquired	-92.6	-8.8
Purchase of property, plant and equipment	-7.2	-10.8
Sale of investment property	2.8	0.8
Proceeds from sale of other investments	1.0	0.1
Net cash used in investing activities	-96.1	-18.7
Cash flow from financing activities		
Proceeds from share issue	74.4	20.8
Proceeds from short-term loans	134.6	18.2
Repayments of short-term loans	-108.6	-18.1
Proceeds from long-term loans	199.7	414.9
Repayments of long-term loans	-205.6	-435.7
Minority payments	0.0	0.1
Finance lease principal payments	0.0	0.0
Dividends paid	-15.7	-14.3
Net cash from used in financing activities	78.9	-14.1
Net change in cash and cash equivalents	7.7	-6.7
Cash and cash equivalents at period-start	7.9	14.7
Effects of exchange rate changes	0.0	0.0
Effects of investment fair value changes	0.0	0.0
Cash and cash equivalents at period-end	15.6	7.9

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, IFRS

EUR MILLION

	Equity attributable to parent company shareholders									Minority interest	Total share-holders' equity
	Share capital	Share issue	Share premium fund	Translation reserve	Fair value reserve	Other reserves	Treasury shares	Retained earnings	Total		
Balance at 1 Jan. 2004	**142.8**	**0.0**	**28.3**	**0.0**	**-7.7**	**6.6**	**-4.7**	**51.7**	**217.0**	**0.0**	**217.0**
Cash flow hedges					-5.6				-5.6		**-5.6**
Purchase of treasury shares									0.0		**0.0**
Other changes									0.0		**0.0**
Net gains recognised in equity	**0.0**		**0.0**	**0.0**	**-5.6**	**0.0**	**0.0**	**0.0**	**-5.6**	**0.0**	**-5.6**
Profit for the period								19.9	19.9		19.9
Total recognised income and expense for the period	**0.0**		**0.0**	**0.0**	**-5.6**	**0.0**	**0.0**	**19.9**	**14.2**	**0.0**	**14.2**
Dividends								-14.3	-14.3		**-14.3**
Share issue	13.5		6.7						20.2		**20.2**
Share subscriptions based on stock options	0.5		0.1					0.0	0.6		**0.6**
Balance at 31 Dec. 2004	**156.8**	**0.0**	**35.0**	**0.0**	**-13.3**	**6.6**	**-4.7**	**57.4**	**237.7**	**0.0**	**237.7**
Translation differences									0.0		**0.0**
Cash flow hedges					2.8				2.8		**2.8**
Purchase of treasury shares									0.0		**0.0**
Other changes									0.0		**0.0**
Net gains recognised in equity	**0.0**		**0.0**	**0.0**	**2.8**	**0.0**	**0.0**	**0.0**	**2.8**	**0.0**	**2.8**
Profit for the period								59.2	59.2	0.6	59.8
Total recognised income and expense for the period	**0.0**		**0.0**	**0.0**	**2.8**	**0.0**	**0.0**	**59.2**	**61.9**	**0.6**	**62.6**
Change in share capital	-5.2		5.2				4.7	-4.7	0.0		0.0
Dividends								-15.7	**-15.7**		**-15.7**
Share issue	31.3		38.6						**69.9**		**69.9**
Share subscriptions based on stock options	1.2	1.1						0.2	**2.5**		**2.5**
Other changes								0.2	**0.2**	3.0	**3.2**
Balance at 31 Dec. 2005	**184.1**	**1.1**	**78.8**	**0.0**	**-10.5**	**6.6**	**0.0**	**96.5**	**356.6**	**3.6**	**360.2**

CONSOLIDATED DISTRIBUTABLE FUNDS (IFRS), EUR MILLION	2005	2004
Fair value reserve	-10.5	-13.3
Other reserves	6.6	6.6
Translation reserve	0.0	0.0
Retained earnings	37.4	37.5
Profit for the period	59.2	19.9
Total	**92.6**	**50.6**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

ACCOUNTING POLICIES

Basic company data and basis of preparation

As a property investment company specialising in retail properties, Citycon operates largely in the Helsinki Metropolitan Area and Finland's major regional centres. Citycon is a Finnish, public limited company established under Finnish laws and domiciled in Helsinki, the address of its registered office being Pohjoisesplanadi 35 AB, FI-00100 Helsinki. The Board of Directors approved the financial statements on 23 February 2006.

Citycon has prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) while adhering to related IFRS/IAS standards, effective on 31 December 2005, which refer to the approved applicable standards and their interpretations under the European Union Regulation No. 1606/2002. Notes to the consolidated financial statements are also in compliance with Finnish accounting legislation and company law.

Preparing its financial statements in accordance with the Finnish Accounting Standards (FAS) until the end of 2004, Citycon has adopted IFRS as the primary basis of its financial statements preparation from the beginning of 2005. Available-for-sale financial assets, derivative financial instruments and investment properties are measured at fair value following their initial recognition. In other respects, the consolidated financial statements are prepared at historical cost. IFRS 1 First-time Adoption of International Financial Reporting Standards was applied on 1 January 2004, the date of transition to IFRS. The reconciliation of shareholders' equity and profit, as required by IFRS 1, between IFRS and FAS can be found in the notes to these consolidated financial statements, including major effects on the income statement and the balance sheet resulting from the adoption of IFRS. The financial statements are shown in millions of euros.

Preparing the financial statements under IFRS requires the company's management to make certain accounting estimates and assumptions, which have an effect on the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses, as well as notes to the accounts. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making management's judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised for the period in which the estimate is revised if the revision affects only that period, or in the period and future periods if the revision affects both current and future periods. Management's judgement in applying the most significant accounting policies and other key assumptions about future risks and uncertainties' below provides a more detailed description of the factors associated with management judgements and assumptions.

Individual figures and sum totals presented in the financial statements have been rounded to the nearest million of euros, which may cause minor discrepancies between the added amounts of individual figures and the sum totals.

Accounting Policies

The consolidated financial statements include Citycon Oyj and its subsidiaries, as well as holdings in its associated and joint-venture companies.

Subsidiaries refer to companies in which the Group holds a controlling interest. This controlling interest implies that the Group has power to govern the entity's financial and operating policies for the purpose of profiting from its operations. The consolidated financial statements have been prepared in accordance with the historical cost convention. The portion of the acquired company's net assets exceeding their carrying amounts on the acquisition date has primarily been allocated to land and buildings up to their fair value. Subsidiaries are consolidated from the date on which control is transferred to the Group until the date on which said control ceases.

Intra-Group transactions and profit allocation are eliminated in the consolidated financial statements.

Mutual real estate companies refer to jointly controlled assets included in the consolidated financial statements using proportionate consolidation, as required by IAS 31 Interests in Joint Ventures, whereby the Group's share of assets, liabilities, income and expenses are included in the consolidated financial statements. The proportionate consolidation method applies to all joint ventures of this kind, regardless of the Group's holding in the joint venture.

Citycon has no associated companies as referred to in IFRS since all mutual real estate companies are treated as jointly controlled assets as described above.

Property acquisition is treated as such when the Group actually acquires a holding in a property. This acquisition does not generate goodwill, but the entire acquisition cost is allocated to land, buildings and other assets and liabilities.

If the property is included in the acquired business, Business Combinations Standard will apply, whereby the acquisition cost is allocated to the acquired assets and liabilities at their fair value.

Foreign currency transactions

Transactions denominated in foreign currencies are measured at the exchange rate quoted on the transaction date. Any exchange-rate differences resulting from currency translation related to financing are entered under financial expenses and income, and those resulting from currency translation related to business transactions are treated as adjustment for expenses or income.

Monetary receivables and payables denominated in foreign currencies on the balance sheet date are measured at the exchange rate quoted on the balance sheet date. Non-monetary items denominated in foreign currencies and measured at fair value are translated into euros using the exchange rates quoted on the valuation date, while other non-monetary items are measured at the exchange rate quoted on the transaction date.

Foreign subsidiaries' income statements have been translated into euros using average exchange rates quoted for the financial period and balance sheets using the exchange rate quoted on the balance sheet date. Any resulting exchange rate difference is recognised as a translation difference under shareholders' equity. Translation differences resulting from the elimination of the historical cost of foreign subsidiaries and items included in shareholders' equity following their acquisitions are recognised under shareholders' equity.

Investment property

Investment property refers to land or building, or part of a building, held for rental yields or capital appreciation, or both. Under IAS 40, investment property is measured at fair value model, with gains and losses arising from changes in fair values being included in the income statement.

Fair value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms' length transaction. An investment property's fair value reflects the actual market state and circumstances on the balance sheet date, best manifested in prices paid for properties in the active market on the review date, the location and condition of these properties corresponding to those of the property under review while applying similar lease or other contracts.

Using International Valuation Standards (IVS), an external professional valuer conducts the valuation of the company's property at least once a year, or at more regular intervals due to any major changes in the market. For the purpose of determining a new property's fair value, Citycon always uses an external, independent valuer. In the event of no major market changes, the company updates these valuations using the basic quarterly data and the market variables used by the external valuer for the latest valuation.

A ten-year cash flow analysis based on the net operating income is used to determine the fair value of investment properties, according to which an annual cash flow from valid leases is calculated. Upon lease expiry, the market rent assessed by an external valuer is used to replace the contract rent. Requirements set for returns on property are determined for each property in view of property-specific and market risks. The total value of the property portfolio is calculated as the sum of the individual properties based on the cash-flow method.

All potential development projects have been left out from the valuation. The valuation of all properties is based on the current situation and the current estimated rental value. The valuation of all undeveloped sites is based on the current situation in zoning and the market.

Gains and losses resulting from fair value adjustments for investment properties are stated as separate items in the income statement.

Investment property is derecognised when it is disposed of or withdrawn from use permanently and its disposal has no future economic value.

Property, plant and equipment

Property, plant and equipment (PPE) are measured at historical cost less depreciation and any impairment losses. These assets consist of machinery and equipment and other tangible assets, including machines and equipment leased under finance lease.

PPEs are depreciated over the asset's expected economic life. The asset's economic life and estimated residual values are reviewed on an annual basis, and if any major differences occur between the values, the depreciation plan will be revised to correspond to these new values.

The following depreciation periods apply:

Machinery and equipment are depreciated at 25% using the reducing balance method. Other PPEs are depreciated on a straight-line basis over 3–10 years.

This also applies to tangible assets leased under finance lease. Such an asset is depreciated over its economic life or within the shorter lease term.

Capital gains or losses on the sale of PPE are recognised in the income statement.

Intangible assets

An intangible asset is recognised in the balance sheet, provided its historical cost can be measured reliably and it is probable that its expected economic benefits flow to the company.

Intangible assets are measured at cost less amortisation and any impairment losses.

These assets include computer software amortised on a straight-line basis over five years.

Impairment

On each balance sheet date, property, plant and equipment and intangible assets are assessed to determine whether there is any indication of impairment. If any indication of an impaired asset exists, the asset's recoverable amount is estimated. Should the asset's carrying amount exceed its recoverable amount, it is impaired, and the resulting impairment loss is recognised in the income statement.

Financial assets and liabilities

RECOGNITION AND MEASUREMENT

IAS 39 Financial Instruments: recognition and measurement standard has been applied since 1 January 2004. As required by this standard, financial assets are classified into the following categories for measurement purposes: loans and receivables not held for trading, available-for-sale financial assets and financial assets at fair value through profit or loss. Classifying a financial asset is determined by the purpose for which the asset is purchased at the time of its purchase.

Loans and receivables not held for trading include financial assets which the company has created by providing money, goods or services directly to the debtor. These assets under short-term and long-term financial assets are carried at amortised cost. Their balance sheet value is impaired by the amount of any credit loss.

Financial assets intended to be held for an indefinite period are classified as available-for-sale financial assets, which can be sold at the time deemed appropriate. These financial assets are carried at fair value. Changes in their fair value are recognised in the fair value reserve under shareholders' equity. Changes in the fair value are recognised in the income statement only when the asset is disposed of or it has lost its value except impairment loss which is recognised immediately.

Citycon enters into derivative financial instruments for hedging purposes only. Derivative financial instruments not fulfilling the criteria set for hedge accounting are classified as financial assets or liabilities at fair value through profit or loss.

Financial liabilities are classified as financial liabilities at fair value through profit or loss or as other liabilities. Debts arising from derivative financial instruments not fulfilling the criteria set for hedge accounting are classified as financial liabilities recognised at fair value in the income statement. Non-derivative debt contracts concluded for other than trading purposes are classified as other liabilities.

Financial assets and liabilities are recognised in the balance sheet on the basis of the settlement date. They are initially measured at cost, corresponding to their fair value on the date of concluding the contract.

Cash and cash equivalents consist of cash, bank deposits withdrawable on call, and other short-term, highly liquid investments. A maximum maturity of three months from the date of acquisition applies to cash and cash equivalents.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivatives are initially measured at cost (if available) and re-measured at fair value on each balance sheet date.

The Group uses interest derivatives, forward-rate agreements, interest-rate swaps and interest-rate options for hedging purposes i.e., hedging against volatility in future interest payment cash flows (cash flow hedging) resulting from interest-rate fluctuations, and the resulting profit fluctuations. Should the criteria for applying hedge accounting be fulfilled, the amount of derivatives' fair value change stemming from effective hedging will be recognised in the fair value reserve under shareholders' equity, whereas the amount stemming from ineffective hedging will be recognised in the income statement. The amount in the fair value reserve will be recognised in the income statement when the cash flow from the hedged item is realised and affects earnings. If the criteria for hedge accounting are not met, changes in fair value will be recognised through profit or loss in the manner specified in IAS 39.

Interest flows based on interest-rate swaps are included in interest expenses. Changes in fair value through profit or loss are recognised as other financial expenses or income. The fair value of interest-rate swaps is shown in non-current receivables or liabilities in the balance sheet. The fair value of interest-rate swaps is based on the present value of estimated future cash flows.

Any received interest payments based on interest-rate options are recognised to adjust interest expenses. The fair value of bought interest-rate options is shown in current receivables in the balance sheet. These fair values are calculated using common option-pricing models.

EMBEDDED DERIVATIVES

Under IAS 39, an embedded derivative - a derivative instrument included in another contract, or a host contract, and its economics are not closely related to those of its host contract - must be separated from its host contract in certain circumstances, and be accounted for at fair value with changes in its fair value presented in the income statement. The Group has no embedded derivatives.

IMPAIRMENT OF FINANCIAL ASSETS

A financial asset is impaired if its carrying amount exceeds its estimated recoverable amount. If there is objective evidence that a financial asset measured at amortised cost is impaired, this resulting impairment loss must be recognised in the income statement. If the amount of impairment loss decreases during a subsequent financial period and this fall can be regarded as relating to an event after the date of impairment recognition, the asset's impairment will be reversed.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of this obligation can be made.

Long-term provisions shown in the financial statements are based on net present values.

Borrowing costs

Borrowing costs are expensed as incurred.

Loan-related transaction expenses clearly associated with a specific loan are included in the loan's amortised cost and recognised as interest expenses using the effective interest method.

Taxes

Income taxes include taxes based on taxable profit for the financial period, adjustments for previous periods' taxes and changes in deferred taxes. Tax based on taxable income for the period is calculated applying tax legislation valid in each country.

Deferred tax assets and liabilities are calculated on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. A major temporary difference arises between the fair value and taxable value of investment properties. In such a case, taxes are calculated on the difference between property's fair value and the debt-free acquisition cost of shares in the mutual real estate company in question, or the non-depreciated residual value of the directly owned property.

It is the company's policy to realise its shareholding in property companies by selling the shares it holds. For foreign properties, such deferred taxes are not recognised because property disposal does not lead to tax implications, due to the ownership structure.

No deferred tax on subsidiaries' retained earnings is recognised to the extent that the difference is unlikely to be discharged in the foreseeable future.

Deferred tax assets are recognised to the extent that it appears probable that future taxable profit will be available against which the temporary differences can be utilised.

If the recognition of deferred taxes is attributable to an item recognised in shareholders' equity, such as change in the fair value of a derivative instrument used for hedging purposes, deferred taxes will also be recognised in shareholders' equity.

The tax rate enacted by the balance sheet date is used to determine deferred tax.

Revenue recognition

Citycon's income consists mainly of rental income from investment properties. Rental income is recognised 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 inherent in holding have been passed to the company. Leases are classified at inception and recognised at the lower of the present value of the minimum lease payments and the fair value of the asset in tangible assets and financial liabilities. Such a tangible asset is depreciated within the lease term or over the asset's shorter useful economic life. Lease payments are divided to interest and repayment of financial liabilities.

Leases are classified as operating leases if substantially all the risks and rewards inherent in holding such leased assets have not been transferred to the lessee.

Leases, for which Citycon acts as a lessor, do not contain contracts treated as finance leases. Leases are classified as operating leases when substantially all the risks and rewards inherent in holding such leased assets have not been transferred to the lessee.

Pensions

The Group's employee pension schemes have been arranged through an insurance company. Pension schemes are classified into two categories: defined contribution plans and defined benefit plans. Contributions under defined contribution plans are recognised in the income statement for the period during which such contributions are made. Defined benefit pension plans are recognised on actuarial calculations. Currently, Citycon has no defined benefit pension plan in place.

Share-based payment

Citycon has applied IFRS 2 Share-based Payment to its stock options granted after 7 November 2002 and not vested before 1 January 2005. Such stock options are measured at fair value on the grant date and expensed over the instrument's vesting period. Stock options granted before the above date have not been expensed.

Citycon uses the Black & Scholes option-pricing model to measure the fair value of stock options.

Management judgement in applying the most significant accounting policies and other key assumptions about future risks and uncertainties

Measuring the fair value of investment property forms one of the most significant accounting policy aspects which involves management's judgement or assumptions about future uncertainties.

The requirement for return on property determined by an external valuer used in investment property valuation is the most significant individual variable which may be of high relevance for the change in fair value. Market risks defined by an external valuer and the property-specific risk defined by Citycon have an effect on the calculation of the yield requirement. Other variables requiring assumptions include a property's estimated operating expenses, the maturity of leases, the current leases' extension probability, property vacancy rates and the inflation rate.

Judgement and assumptions are also included in the recognition of deferred tax assets with respect to estimates of probable taxable profit available in future.

Application of new standards

Citycon will apply IFRS 7 from 1 January 2007 and IFRIC 4 interpretation from 1 January 2006, the former having an effect on the notes to the consolidated financial statements regarding financial instruments while the latter being not expected to having any major impact on Citycon.

1. TURNOVER

1.1 SEGMENT INFORMATION

The presentation of segment information is based on business segments and geographical segments, the Group's primary reporting format applying to business segments. These business segments, based on the Group's organisational structure and internal financial reporting, consist of Shopping Centres, and Supermarkets and Shops.

Segment assets and liabilities consist of operating items which the segment uses in its operations or which, on reasonable basis, can be allocated to the segment. Unallocated items include tax and financial items, as well as corporate items.

Business segments

SHOPPING CENTRES

The Shopping Centres division consists of 21 shopping and retail centre properties, 16 of which are located in Finland, one in Estonia and four in Sweden. Shopping Centres form the core of Citycon's business. Citycon leads the Finnish property market for shopping centres.

BUSINESS SEGMENTS 2005, EUR MILLION

	Shopping Centres	Supermarkets and Shops	Unallocated	Group total
Turnover	57.4	34.8	0.0	92.2
Net fair value gains of investment property	22.1	23.8	0.0	45.9
Net gains on sale of investment property	0.0	0.3	0.0	0.3
Segment operating profit/loss	61.2	49.6	-5.5	105.2
Financial items			-31.1	-31.1
Income tax expense				-14.3
Profit for the period				59.8
Segment assets	640.6	320.7	21.8	983.1
Segment liabilities	8.1	0.9	614.0	622.9
Capital expenditure	174.9	3.6	0.1	178.5

GEOGRAPHICAL SEGMENTS 2005, EUR MILLION

	Helsinki Metropolitan Area	Major Finnish Cities	Rest of Finland	Estonia	Sweden	Unallocated	Group total
Turnover	37.3	32.8	17.3	2.1	2.7	0.0	92.2
Segment assets	338.9	333.7	149.3	60.6	78.8	21.8	983.1
Capital expenditure	1.9	34.8	2.2	61.6	77.9	0.0	178.5

SUPERMARKETS AND SHOPS

The Supermarkets and Shops division consists of 127 properties. It serves the grocery and speciality shop sector by leasing and developing supermarket and shop properties.

CAPITAL EXPENDITURE

Capital expenditure includes additions to the investment property portfolio.

GEOGRAPHICAL SEGMENTS

The Group's geographical segments are as follows: Helsinki Metropolitan Area, Major Finnish Cities, Rest of Finland, Sweden and Estonia.

BUSINESS SEGMENTS 2004, EUR MILLION

	Shopping Centres	Supermarkets and Shops	Unallocated	Group total
Turnover	48.4	36.3	0.0	84.7
Net fair value gains of investment property	-15.3	10.4	-0.7	-5.7
Net gains on sale of investment property	0.0	0.1	0.0	0.1
Segment operating profit/loss	18.8	37.5	-4.5	51.8
Financial items			-26.1	-26.1
Income tax expense				-5.9
Profit for the period				19.9
Segment assets	448.3	292.9	16.5	757.7
Segment liabilities	1.5	1.2	517.3	520.0
Capital expenditure	17.4	1.3	0.2	18.8

GEOGRAPHICAL SEGMENTS 2004, EUR MILLION

	Helsinki Metropolitan Area	Major Finnish Cities	Rest of Finland	Estonia	Sweden	Unallocated	Group total
Turnover	37.9	30.3	16.5	0.0	0.0	0.0	84.7
Segment assets	333.3	272.2	133.1	0.0	0.0	19.1	757.7
Capital expenditure	1.6	8.4	8.8	0.0	0.0	0.0	18.8

1.2 BUSINESS COMBINATIONS

Acquisitions in financial year 2005

ESTONIA

Rocca al Mare shopping centre

On 21 July 2005, the Group acquired Rocca al Mare in Tallinn and the adjacent, zoned lot reserved for the shopping centre's future extension. The share purchase price paid in cash totalled EUR 45.5 million. The acquisition cost included EUR 0.5 million in related transaction costs. The Rocca al Mare shopping centre was consolidated into Citycon Group's accounts as of 21 July 2005. Its profit for over five months, EUR 1.1 million, is included in Citycon's income statement for 2005. Consolidated turnover would have come to EUR 95.1 million and profit to EUR 61.2 million if the shopping centre had been included in the consolidated financial statements from early 2005. The following assets and liabilities were recognised for the acquired property:

EUR million	Fair values recognised in consolidated balance sheet at combination
Property, plant and equipment	0.0
Intangible assets	0.0
Investment property	61.7
Deferred tax assets	0.0
Trade receivables	0.0
Short-term receivables	0.4
Cash and cash equivalents	0.0
Total assets	62.2
Deferred tax liabilities	0.0
Interest-bearing liabilities	-14.7
Other payables	-1.9
Total liabilities	-16.6
Net assets	45.5
Price paid in cash	45.5
Cash and cash equivalents at acquisition date	0.0
Cash flow effect	45.5

SWEDEN

Åkersberga shopping centre

In July 2005, the Group bought a 75% holding in Armada Exploaterings AB which owns the Åkersberga shopping centre northeast of Stockholm. The share purchase price paid in cash totalled EUR 8.4 million (SEK 79.1 million). Acquisition includes interest-bearing liabilities EUR 27.0 million. The acquisition cost included EUR 0.5 million in related transaction costs. The Åkersberga shopping centre was consolidated into Citycon Group's accounts as of 1 July 2005. Its six-month profit of EUR 0.8 million is included in Citycon's income statement for 2005. Consolidated turnover would have come to EUR 94.9 million and profit to EUR 59.4 million if the shopping centre had been included in the consolidated financial statements from early 2005. The following assets and liabilities were recognised for the acquired property:

EUR million	Fair values recognised in consolidated balance sheet at combination
Investment property	34.8
Non-completed projects	0.5
Short-term receivables	1.1
Total assets	36.3
Deferred tax liabilities	-0.5
Interest-bearing liabilities	-27.0
Other payables	-0.4
Total liabilities	-27.9
Net assets	8.4
Price paid in cash	8.4
Cash and cash equivalents at acquisition date	-0.5
Cash flow effect	7.9

Åkermyntan, Kallhäll and Fruängen retail centres

In September 2005, the Group agreed to acquire the Åkermyntan, Kallhäll and Fruängen retail centres in the Stockholm Metropolitan Area. The share purchase price paid in cash totalled EUR 9.1 million (SEK 87.1 million). Acquisition includes interest-bearing liabilities EUR 17.5 million. The acquisition cost included EUR 0.3 million in related transaction costs. The retail centres were consolidated into Citycon Group's accounts as of 1 December 2005. Their combined one-month profit of EUR 0.2 million is included in Citycon's income statement for 2005. No reliable estimate of consolidated net turnover and profit for 2005 can be provided, if these retail centres had been included in the consolidated financial statements from early 2005. The following assets and liabilities were recognised for the acquired properties:

EUR million	Fair values recognised in consolidated balance sheet at combination
Investment property	27.2
Total assets	27.2
Interest-bearing liabilities	-17.5
Other payables	-0.5
Total liabilities	-18.0
Net assets	9.1
Price paid in cash	9.1
Cash and cash equivalents at acquisition date	0.0
Cash flow effect	9.1

Carrying amounts of the subsidiaries before combination are not presented, since the carrying amounts were based on local statutory valuation principles.

Citycon did not carry out any major acquisitions in financial year 2004.

2. OTHER OPERATING INCOME

EUR million	2005	2004
Other operating income	0.3	0.7
Other operating income total	**0.3**	**0.7**

In the main, other operating income consists of refunds of tax on real property.

3. MATERIALS AND SERVICES

EUR million	2005	2004
Property maintenance expenses	25.2	22.3
External services	0.6	0.4
Materials and services total	**25.8**	**22.6**

4. EMPLOYEE BENEFITS

EUR million	2005	2004
Wages and salaries	3.1	2.3
Pensions: defined contribution plans	0.5	0.4
Pensions: defined benefit plans	0.0	0.0
Stock options granted	0.0	0.0
Other social expenses	0.4	0.3
Total	**4.0**	**2.9**
Average Group staff during period		
Finland	40	40
Abroad	3	0
Total	**43**	**40**

Information on management benefits and loans are presented in the notes to the consolidated financial statements under "Related party transactions".

5. DEPRECIATION

EUR million	2005	2004
Planned depreciation and amortisation		
Machinery and equipment	0.0	0.1
Intangible assets	0.1	0.1
Planned depreciation and amortisation total	**0.2**	**0.3**

6. OTHER OPERATING EXPENSES

EUR million	2005	2004
Consulting and other professional services	2.4	1.1
Other	1.1	1.1
Other operating expenses total	**3.5**	**2.2**

7. FINANCIAL INCOME

EUR million	2005	2004
Interest income	0.4	0.5
Dividend income	0.0	0.4
Foreign exchange gains	0.5	0.0
Other financial income	0.0	0.0
Total	**0.8**	**0.9**

8. FINANCIAL EXPENSES

EUR million	2005	2004
Interest expenses	31.4	26.3
Foreign exchange losses	0.1	0.0
Other financial expenses	0.4	0.7
Total	**31.9**	**27.0**

9. INCOME TAX EXPENSE

EUR million	2005	2004
Tax charge		
Current tax	3.5	6.8
Tax for previous periods	0.0	0.0
Deferred tax	10.8	-0.9
Other tax	0.0	0.0
Total tax charge	**14.3**	**5.9**

Reconciliation between tax charge and Group tax at Finnish tax rate (2005: 26%, 2004: 29%):

EUR million	2005	2004
Profit before tax	74.2	25.8
Taxes at Finnish tax rate	19.3	7.5
Change in deferred tax due to real estate company merger	-3.5	0.0
Depreciation deducted in taxation	-1.0	-0.9
Utilisation of previously unrecognised tax losses	0.1	-0.1
Deferred tax expense/income due to decreased Finnish tax rate	0.0	0.1
Difference due to foreign subsidiaries' taxation	-0.4	0.0
Other	0.0	-0.8
Tax charge	**14.3**	**5.9**
Effective tax rate	19.4%	22,9%

In case Citycon's Estonian companies distributed dividends equalling the distributable profit, the payable tax would total EUR 5.5 million, in accordance with the local tax legislation.

10. EARNINGS PER SHARE

Earnings per share (basic) is calculated by dividing the net profit attributable to parent company shareholders by the weighted average number of outstanding company shares.

	2005	2004
Profit attributable to parent company shareholders (EUR million)	59.2	19.9
Weighted average number of outstanding shares (1,000)	119,532.8	104,685.3
Earnings per share (basic) (EUR)	0.49	0.19

The diluted earnings per share is calculated adjusting the weighted average number of outstanding shares to assume conversion of all dilutive potential shares. The Group has currently one category of dilutive shares in place: stock options. Stock options have dilutive potential when the subscription price of shares based on the stock options is lower than the share's fair value. The dilution applies to the number of shares that must be issued for no consideration since the Group could not issue the same number of shares at fair value, using the assets received from the exercise of the stock options.

	2005	2004
Profit attributable to parent company shareholders (EUR million)	59.2	19.9
Profit used to determine diluted earnings per share (EUR million)	59.2	19.9
Weighted average number of outstanding shares (1,000)	119,532.8	104,685.3
Adjustments for stock options (1,000)	6,284.3	6,272.0
Weighted average number of shares for diluted earnings per share (1,000)	121,856.4	105,710.4
Diluted earnings per share (EUR)	0.49	0.19

11. INVESTMENT PROPERTY

EUR million	2005	2004
At period-start	738.7	726.3
Additions	175.4	18.8
Disposals	-3.4	-0.8
Fair value gains	60.3	76.7
Fair value losses	-14.3	-82.3
At period-end	**956.6**	**738.7**

12. PROPERTY, PLANT AND EQUIPMENT

2005 EUR million	Machinery and equipment	Other tangible assets	Total
Cost, 1 Jan. 2005	1.1	0.0	1.2
Additions	0.0	0.0	0.0
Cost, 31 Dec. 2005	**1.1**	**0.0**	**1.2**
Accumulated depreciation and impairment losses, 1 Jan. 2005	0.5	0.0	0.5
Depreciation	0.0	0.0	0.0
Accumulated depreciation and impairment losses, 31 Dec. 2005	**0.5**	**0.0**	**0.5**
Carrying amount, 1 Jan. 2005	0.7	0.0	0.7
Carrying amount, 31 Dec. 2005	0.7	0.0	0.7

2004 EUR million	Machinery and equipment	Other tangible assets	Total
Cost, 1 Jan. 2004	0.7	0.0	0.7
Additions	0.1	0.0	0.1
Cost, 31 Dec. 2004	**0.8**	**0.0**	**0.8**
Accumulated depreciation and impairment losses, 1 Jan. 2004	0.1	0.0	0.1
Depreciation	0.1	0.0	0.1
Accumulated depreciation and impairment losses, 31 Dec. 2004	**0.2**	**0.0**	**0.2**
Carrying amount, 1 Jan. 2004	0.6	0.0	0.6
Carrying amount, 31 Dec. 2004	0.6	0.0	0.6

Finance leases

Property, plant and equipment include the following assets acquired under finance leases:

31 Dec. 2005

EUR million	Machinery and equipment	Other tangible assets	Total
Cost	0.6	0.0	0.6
Accumulated depreciation	0.2	0,0	0.2
Carrying amount	**0.5**	**0.0**	**0.5**

31 Dec. 2004

EUR million	Machinery and equipment	Other tangible assets	Total
Cost	0.4	0.0	0.4
Accumulated depreciation	0.1	0.0	0.1
Carrying amount	**0.3**	**0.0**	**0.3**

13. INTANGIBLE ASSETS

2005

EUR million	Intangible rights	Other intangible assets	Total
Cost, 1 Jan. 2005	0.4	0.0	0.4
Additions	0.0	0.0	0.0
Cost, 31 Dec. 2005	**0.0**	**0.0**	**0.0**
Accumulated amortisation and impairment losses, 1 Jan. 2005	0.2	0.0	0.2
Amortisation charge	0.1	0.0	0.1
Accumulated amortisation and impairment losses, 31 Dec. 2005	**0.3**	**0.0**	**0.3**
Carrying amount, 1 Jan. 2005	0.2	0.0	0.2
Carrying amount, 31 Dec. 2005	0.2	0.0	0.2

2004

EUR million	Intangible rights	Other intangible assets	Total
Cost, 1 Jan. 2004	0.3	0.0	0.3
Additions	0.1	0.0	0.1
Cost, 31 Dec. 2004	**0.4**	**0.0**	**0.4**
Accumulated amortisation and impairment losses, 1 Jan. 2004	0.1	0.0	0.1
Amortisation charge	0.1	0.0	0.1
Accumulated amortisation and impairment losses, 31 Dec. 2004	**0.2**	**0.0**	**0.2**
Carrying amount, 1 Jan. 2004	0.2	0.0	0.2
Carrying amount, 31 Dec. 2004	0.2	0.0	0.2

14. TRADE AND OTHER RECEIVABLES

EUR million	2005	2004
Trade receivables	1.1	0.7
Accrued income and prepaid expenses	1.8	1.3
Other receivables	6.9	2.2
Total	**9.9**	**4.2**

15. CASH AND CASH EQUIVALENTS

EUR million	2005	2004
Cash in hand and at bank	7.2	4.8
Other cash and cash equivalents	8.4	3.1
Total	**15.6**	**7.9**
For the purpose of the cash flow statement, cash and cash equivalents comprise the following:		
Cash, bank deposits and other cash and cash equivalents	15.6	7.9
Total	**15.6**	**7.9**

16. SHAREHOLDERS' EQUITY – ADDITIONAL INFORMATION

	Number of shares	Share capital (EUR million)	Share issue (EUR million)	Share premium fund (EUR million)	Treasury shares (EUR million)	Total (EUR million)
1 Jan. 2004	105,777,858	142.8	0.0	28.3	-4.7	166.4
Share issue	10,000,000	13.5		6.7		20.2
Stock options exercised	355 500	0.5		0.1		0.5
31 Dec. 2004	116,133,358	156.8	0.0	35.0	-4.7	187.1
Share issue	23,200,000	31.3		38.6		69.9
Cancellation of treasury shares	-3,874,000	-5.2		5.2	4.7	4.7
Stock options exercised	922,660	1.2	1.1	0.0		2.2
31 Dec. 2005	136,382,018	184.1	1.1	78.8	0.0	264.0

The issue-adjusted number of shares on 31 December 2005 totalled 137,132,348, which includes stock options converted into shares in December 2005 and registered in 2006.

The maximum number of shares is 370.4 million (222.2 million in 2004). The per-share nominal value is EUR 1.35 and the maximum share capital is EUR 500 million. (EUR 300 million in 2004). All issued shares are fully paid up.

Reserves included in shareholders' equity

TRANSLATION RESERVE
Translation reserve contains translation differences arising from the currency translation of foreign subsidiaries' financial statements.

FAIR VALUE RESERVE
Fair value reserve contains hedging reserve for fair value changes of derivative instruments used to hedge cash flows.

OTHER RESERVES
The unrestricted shareholders' equity reserve, created as a result of a reduction of the share's nominal value in 1998, is shown as other reserve.

Other items affecting shareholders' equity

TREASURY SHARES
Treasury shares include the acquisition cost of shares held by the Group. This cost is presented as a deduction from equity.

DIVIDEND
Following the balance sheet date, the Board of Directors proposed that a per-share dividend of EUR 0.14 be distributed.

Share-based payment

Citycon Group has had stock-option schemes in place since 1999. The Group has applied IFRS 2 Share-based Payment to its stock options granted after 7 November 2002 and not vested before 1 January 2005. Stock options granted before 7 November 2002 have not been expensed.

In 1999, the EGM decided to grant a maximum of 5,500,000 stock options to Citycon Group employees (5,327,500) and Veniamo-Invest Oy (172,500), a Citycon subsidiary, with each stock option entitling its holder to subscribe for one Citycon Oyj share at the price of EUR 1.35.

In 2004, the AGM decided to grant a maximum of 3,900,000 stock options, 1,135,000 of which have been granted to employees under the 2004A stock-option scheme and 1,195,000 under the 2004B stock-option scheme. The remaining stock options under the 2004A/B/C schemes have been granted to Citycon's subsidiary, Veniamo-Invest Oy, which may, upon a Board decision, issue them to current or future Group employees at a later date. If an employee leaves the Group prior to 1 September 2008, (s)he will forfeit his/her right to exercise stock options for which the share subscription period will not have begun on the date of his/her employment/executive contract termination. However, the Board of Directors may specifically decide that the stock-option holder may retain his/her stock options or some of them. A total of 95,000 stock options under the 2004A stock-option scheme have returned to Veniamo Invest Oy, in accordance with the stock-option terms and conditions.

Stock options entitle their holders to subscribe for company shares at the price and within the period stipulated in the stock-option terms and conditions. Citycon uses the Black & Scholes option-pricing model to measure the fair value of stock options at the grant date and charges them to personnel expenses over the instrument's vesting period. In 2005, these expenses incurred totalled EUR 0.2 million (EUR 0.0 million in 2004). The expected volatility is determined by calculating the company share price's historical volatility. The share subscription price for the 2004A/B/C stock options is determined by the trade weighted average quoted on April 2004 (2004A), April 2005 (2004B) and April 2006 (2004C), respectively. The subscription period for the 2004A stock options will begin on 1 September 2006 and end on 31 March 2009 and that for the 2004B stock option will begin on 1 September 2007 and end on 31 March 2010.

Stock-option schemes as of 31 December 2005

1999 stock options

Stock options	Number	Par value, total, EUR	Share subscription start date	Share subscription expiration date
1999A	1,800,000	2,430,000.00	1 Sept. 2000	30 Sept. 2007
1999B	1,800,000	2,430,000.00	1 Sept. 2002	30 Sept. 2007
1999C	1,727,500	2,332,125.00	1 Sept. 2004	30 Sept. 2007
Not distributed	172,500	232,875.00	1 Sept. 2004	30 Sept. 2007
	5,500,000	7,425,000.00		

2004 stock options

Stock options	Number	Par value, total, EUR	Share subscription start date	Share subscription expiration date
2004A	1,040,000	1,404,000.00	1 Sept. 2006	31 March 2009
2004B	1,195,000	1,613,250.00	1 Sept. 2007	31 March 2010
2004A, not distributed	260,000	351,000.00	1 Sept. 2006	31 March 2009
2004B, not distributed	105,000	141,750.00	1 Sept. 2007	31 March 2010
2004C, not distributed	1,300,000	1,755,000.00	1 Sept. 2008	31 March 2011
	3,900,000	5,265,000.00		

The subscription price of the shares based on the stock options is determined by the trade-weighted average price quoted on the Helsinki Stock Exchange for:

2004A	1-30 April 2004
2004B	1-30 April 2005
2004C	1-30 April 2006

plus 20%. The share-subscription price will, as per the dividend record date, be reduced by 50 per cent of the amount of the per-share dividend paid after the beginning of the subscription-price determination period but before share subscription.

The table below describes the basic terms and conditions of the 2004 stock-option schemes:

	2004A stock options Share-based options, granted to all staff	2004B stock options Share-based options, granted to all staff
Type of scheme	Granted stock options	Granted stock options
Grant date	26 May 2004	13 Sept. 2005
No. of instruments granted	1,135,000	1,195,000
Exercise price	2.51 €	2.91 €
Share price at grant date	1.75 €	2.98 €
Vesting period as per agreement (No. of days)	1,770	1,660
Vesting conditions	Employment during vesting period. In case of prior employment termination, stock options forfeited.	Employment during vesting period. In case of prior employment termination, stock options forfeited.
Exercise	In terms of shares	In terms of shares
Expected volatility	18.60%	31.18%
Expected vesting period at grant date (No. of days)	943	943
Risk-free interest rate	3.56%	2.58%
Expected dividend/share	0.05 €*	0.05 €*
Expected personnel reduction (at grant date)	0%	0%
Instrument fair value determined at grant date	0.08609 €	0.96300 €
Option-pricing model	Black&Scholes	Black&Scholes

* Expected dividend is EUR 0.10. EUR 0.05 is used in the option-pricing model, based on the distributed dividends' effect of reducing the subsription price.

Changes in the stock options and their weighted average exercise prices during the period were as follows:

	2005 Exercise price, weighted average, €/share	2004 Exercise price, weighted average, €/share	2005 No. of stock options	2004 No. of stock options
At period-start	1.71	1.68	6,012,000	5,327,500
New stock options granted	2.91	2.51	1,195,000	1,135,000
Forfeited stock options		2.51	0	-95,000
Exercised stock options	1.40	1.54	-1,672,990	-355,500
Lapsed stock options			0	0
At period-end	1.92	1.71	5,534,010	6,012,000
Exercisable stock options at period-end			3,299,010	4,972,000

The per-share exercise price of the stock options exercised during the financial year averaged EUR 1.40 (EUR 1.57 in 2004) and these were exercised evenly over the financial year. The exercised stock options brought in EUR 2.3 million, EUR 2.2 million of which were recognised in share capital and EUR 0.1 million in share premium (EUR 0.3 million in share capital in 2004).

> SHARE-BASED PAYMENT

Exercise prices and lapse periods of outstanding stock options on the balance sheet date were as follows:

Year of lapse	Exercise price, €	2005 (No. of shares, 1,000)	2004 (No. of shares, 1,000)
2006		0	0
2007	1.35 - 1.40	3,299	4,972
2008		0	0
2009	1.35 - 2.44	1,040	1,040
2010	1.35 - 2.91	1,195	0

17. INTEREST-BEARING LIABILITIES

Long-term interest-bearing liabilities

EUR million	2005 Carrying amount	2004 Carrying amount
Loans from financial institutions	458.0	407.1
Subordinated loan I/1999	-	68.5
Subordinated loan 1/2005	70.0	-
Finance lease liabilities	0.5	0.4
Other loans	0.0	0.0
Total long-term interest-bearing liabilities	**528.5**	**475.9**

Short-term interest-bearing liabilities

EUR million	2005 Carrying amount	2004 Carrying amount
Loans from financial institutions	25.9	0.2
Current portion of loans from financial institutions	24.8	14.0
Finance lease liabilities	0.0	0.0
Other short-term interest-bearing liabilities	1.3	1.3
Total short-term interest-bearing liabilities	**52.1**	**15.5**

Interest-bearing loans are stated at amortised cost using the effective yield method. The fair values of liabilities are shown in the note "Fair values of financial assets and liabilities" page 31.

The Group's interest-bearing liabilities consist mainly of floating-rate loans. Interest flows from the floating-rate loans of EUR 336.5 million (EUR 339.4 million in 2004), maturing between 2006 and 2009, have been hedged using interest-rate swaps at an average fixed rate of 4.2%.

Maturity of long-term interest-bearing liabilities

EUR million	2005	2004
2007 (2006)	50.7	24.9
2008 (2007)	82.0	14.0
2009 (2008)	325.8	82.5
2010 (2009)	70.0	354.5
2011 (2010) or later	0.0	0.0
Total	**528.5**	**475.9**
Long-term loans by currency, EUR million		
EUR	462.8	475.9
EEK	30.0	0.0
SEK	35.6	0.0
Short-term loans by currency, EUR million		
EUR	52.1	15.5
EEK	0.0	0.0
SEK	0.0	0.0

Interest on floating-rate loans are mainly re-priced every six months and the interest-rate swaps have been concluded for the same days to ensure the optimum interest flow hedging.

Subordinated loans I/1999 and 1/2005

Citycon Oyj repaid its subordinated loan I/1999 on 30 June 2005 prior to the loan's maturity and on 17 June 2005 issued the 1/2005 five-year subordinated loan of EUR 70 million at a fixed annual nominal interest rate of 4.70 per cent. The loan's issue price accounted for 99.956 per cent of the nominal loan amount, and its maturity date is 17 June 2010.

The main terms and conditions of the subordinated loan 1/2005 are as follows:

1) In the event of company dissolution or bankruptcy, loan-based receivables have a lower priority over the company's other liabilities.
2) The loan's principal, including interest accumulated until the repayment date, will be repaid in one instalment on 17 June 2010 if full margin is available for the restricted shareholders' equity and other non-distributable earnings, based on the company's and its Group's latest adopted balance sheet, after the repayment.
3) Fixed annual interest of 4.70% will be paid annually in arrears on the loan's principal until 17 June 2010. Unless the loan is repaid in full on its maturity date of 17 June 2010, interest on the unpaid loan principal after that date is 12-month Euribor plus 5 percentage points. Interest can be paid only if this amount can be allocated to profit distribution based on the company's and its Group's latest adopted balance sheet.
4) The company has the right to repay the loan's principal in part or in full 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 1.5 percentage points.

Finance lease liabilities

EUR million	2005	2004
Maturity of finance lease liabilities:		
Finance lease liabilities - minimum lease payments		
Not later than 1 year	0.2	0.2
Later than 1 year and not later than 5 years	0.3	0.2
Later than 5 years	0.0	0.0
	0.5	0.4
Finance lease liabilities - present value of minimum lease payments		
Not later than 1 year	0.2	0.2
Later than 1 year and not later than 5 years	0.3	0.2
Later than 5 years	0.0	0.0
	0.5	0.4
Future finance charges on finance leases	0.0	0.0
Total finance lease liabilities	**0.5**	**0.4**

Citycon's finance leases mainly apply to computer hardware and telephone system.

18. NON-INTEREST-BEARING LIABILITIES

Long-term non-interest-bearing liabilities

EUR million	2005	2004
Interest-rate swaps	14,2	18,0
Total	**14,2**	**18,0**

Trade and other payables

EUR million	2005	2004
Trade payables	1.4	0.9
Amounts due to associated companies	0.0	0.0
Advanced received	1.2	0.9
Accrued expenses	6.0	6.9
Other short-term non-interest-bearing liabilities	13.8	2.0
Total	**22.3**	**10.7**
Significant items included in accrued expenses		
Interest and arrangement fees on loans	3.9	4.1
Other liabilities	2.1	2.8
Total	**6.0**	**6.9**

19. TAXES

Changes in deferred tax assets and liabilities in 2005:

EUR million	1 Jan.	Income statement charge	Tax charged to equity	Exchange differences	Acquired/ disposed subsidiaries	31 Dec.
Deferred tax assets						
Tax losses	1.1	-0.5				0.6
Measurement of interest-rate swaps	4.7		-1.0			3.7
Total deferred tax assets	**5.8**	**-0.5**	**-1.0**	**0.0**	**0.0**	**4.3**
Offset against deferred tax liabilities	0.3					-4.3
Deferred tax assets in balance sheet	**6.1**					**0.0**
Deferred tax liabilities						
Measurement of investment property at fair value	-0.3	10.4				10.1
Total deferred tax liabilities	**-0.3**	**10.4**	**0.0**	**0.0**	**0.0**	**10.1**
Offset against deferred tax assets	0.3					-4.3
Deferred tax liabilities in balance sheet	**0.0**					**5.8**

Changes in deferred tax assets and liabilities in 2004:

EUR million	1 Jan.	Income statement charge	Tax charged to equity	Exchange differences	Acquired/ disposed subsidiaries	31 Dec.
Deferred tax assets						
Tax losses	1.4	-0.3				1.1
Measurement of interest-rate swaps	3.1		1.5			4.7
Measurement of investment property at fair value	0.2	0.1				0.3
Total deferred tax assets	**4.7**	**-0.2**	**1.5**	**0.0**	**0.0**	**6.1**
Offset against deferred tax liabilities	0.0					0.0
Deferred tax assets in balance sheet	**4.7**					**6.1**

On 31 December 2005, Group companies had confirmed losses for which tax assets of EUR 1.9 million (EUR 2.4 million in 2004) were not recognised since these Group companies are unlikely to record taxable profit, before the expiration of carryforwards of these losses, against which loss carryforwards can be utilised. These loss carryforwards will expire between 2006 and 2009.

Other notes

FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below shows the fair value of financial instruments and their carrying amounts in the consolidated balance sheet.

EUR million	Note	Carrying amount 2005	Fair value 2005	Carrying amount 2004	Fair value 2004
Financial assets					
Other investments		0.1	0.1	0.0	0.0
Trade and other receivables	14.	9.9	9.9	4.2	4.2
Cash and cash equivalents	15.	15.6	15.6	7.9	7.9
Interest-rate swaps (defined as a hedging instrument)		0.0	0.0	0.0	0.0
Financial liabilities					
Loans from financial institutions	17.	508.7	508.7	421.2	421.2
Subordinated loan I/1999	17.	-	-	68.5	75.2
Subordinated loan 1/2005	17.	70.0	70.5	-	-
Bank overdrafts		0.0	0.0	0.0	0.0
Finance lease liabilities	17.	0.5	0.5	1.4	1.4
Trade and other payables and liabilities	18.	23.7	23.7	11.0	11.0
Interest-rate swaps (defined as a hedging instrument)	18.	14.2	14.2	18.0	18.0

Citycon uses interest derivatives, interest-rate swaps and interest-rate options for hedging purposes i.e., hedging against volatility in future interest-payment cash flows. The Group applies hedge accounting to derivatives, under IAS 39, according to which the amount of financial instruments' fair value change stemming from effective hedging is recognised in the fair value reserve under shareholders' equity.

In 2005, due to the hedging instrument used in cash-flow hedging, EUR 2.8 million was recognised under shareholders' equity. (EUR -5.6 million in 2004).

Group derivative financial instruments

	31 Dec. 2005		31 Dec. 2004	
EUR million	Par value	Fair value	Par value	Fair value
Interest-rate derivatives				
Interest-rate swaps				
Maturing in 2007	78.2	-0.1	78.2	-0.5
Maturing in 2008	50.0	-1.5	50.0	-2.2
Maturing in 2009	125.3	-6.3	128.2	-7.9
Maturing in 2010	83.0	-6.8	83.0	-7.9
Total	**336.5**	**-14.7**	**339.4**	**-18.5**

DERIVATIVES

Derivatives are initially measured at cost in the balance sheet and subsequently re-measured at their fair value on each balance-sheet date. The fair value of interest-rate swaps is calculated using the present value of estimated future cash flows. The fair value of these instruments is the estimated amount that the Group would receive or pay to settle the related agreements.

LOANS FROM FINANCIAL INSTITUTIONS AND SUBORDINATED LOANS

Citycon's loans are based on floating rates, in which case their fair value is regarded as equalling their carrying amount. The fair value of subordinated loans is based on discounted cash flows. The discount rate used is the rate of interest on a similar loan granted by an external financial institution to the Group on the balance-sheet date. This discount rate is a sum of two components: risk-free rate and a company-specified risk premium.

FINANCE LEASE LIABILITIES

The fair value of finance leases is based on discounted future cash flows. The discount rate used corresponds to that applied to similar leases.

TRADE AND OTHER PAYABLES OR RECEIVABLES

Due to their short maturity, the fair value of trade payables and other short-term receivables and payables is regarded as corresponding to their original carrying amount.

FINANCIAL RISK MANAGEMENT

Citycon's risk-management process involves identifying, analysing, measuring, mitigating and controlling business-related risks. The Board of Directors has approved the company's risk-management guidelines specifying risk-management principles, with financial risks defined as business-critical ones. Citycon's identified, key financial risks include not only interest-rate and funding risks but also increasingly exchange-rate risks due to the company's business becoming international.

INTEREST-RATE RISK

Citycon's key financial risk is associated with its loan portfolio exposed to interest-rate risks resulting from the effect of market-rate fluctuations on future interest cash flows. Interest-rate risk management aims to reduce or eliminate the adverse effect of market-rate fluctuations on the company's profit and cash flow. Under the company's financial policy, the interest position must be hedged at a minimum level of 50 and at a maximum level of 100 per cent. The company uses forward-rate agreements, interest-rate swaps and interest-rate options to manage its interest-rate risks. It uses derivatives only to hedge against interest-rate risks and to reduce or eliminate financial risks on the balance sheet. The interest sensitivity of Citycon's loan portfolio at the end of 2005 is depicted by the fact that a one-percentage point rise in money-market interest rates would increase its annual interest expenses by EUR 1.6 million, while a fall of one-percentage point in money-market interest rates would decrease them by EUR 1.6 million.

EXCHANGE-RATE RISK

Citycon's entry into Sweden and Estonia exposes the company to exchange-rate risks resulting from changes quoted between the Swedish krona, the Estonian kroon and the euro. Exchange-rate risks stem from transaction risks resulting from the translation of currency-denominated transactions into local currency, on the one hand, and from translation risks associated with investments in foreign units. The company hedges against exchange-rate risks, for example, by financing its foreign investments using the local currency.

FUNDING RISK

Given that Citycon's strategy is to expand in Finland, the Baltic countries and Scandinavia, the company will need both equity capital and borrowings. The minimum shareholders' equity is determined by the company's loan covenants. The Group uses cash-flow forecasts to continuously assess and monitor financing required for its business. It aims to guarantee the availability and flexibility of financing through unused credit limits and by using several banks and financing methods as sources of finance. On 31 December 2005, unused credit limits amounted to EUR 30 million.

CREDIT RISK

The Group's most significant credit-risk concentration relates to receivables from Kesko Group. Citycon controls its receivables within the framework of the given credit limits and does not currently identify any major credit risk associated with them. Credit-risk management caters for tenant-risk management, which is aimed at minimising the adverse effect of any unexpected changes in the customers' financial standing on Citycon's business and financial results. Customer-risk management focuses on the knowledge of the customers' business and active monitoring of customer data. Citycon's lease agreements include lease deposit provisions used to contribute to managing customers risks.

RELATED PARTY TRANSACTIONS

Citycon's related parties comprise joint ventures, Board members, CEO, Corporate Management Committee members and Gazit-Globe Ltd., whose shareholding in Citycon Oyj accounted for 36.8% on 31 December 2005.

The Group's parent-company and subsidiary holdings are as follows:

Parent company: Citycon Oyj

Subsidiaries (Citycon Group's holding of 100%)	Country
Asolantien Liikekiinteistö Oy	Finland
Citycon AB	Sweden
Citycon Estonia OÜ	Estonia
Citycon Göteborg AB	Sweden
Citycon Sverige AB	Sweden
Eskolanmäki Koy	Finland
Forssan Hämeentie 3 Koy	Finland
Grabeto III KB	Sweden
Hollolan Keskuspuoti Koy	Finland
Härmälän Markkinatalo Oy	Finland
Jyväskylän Forum Koy	Finland
Jyväskylän Kauppakatu 31 Koy	Finland
Kaarinan Liiketalo Koy	Finland
Kanervatien Hallitalo Oy	Finland
Karjaan Ratakatu 59 Koy	Finland
Karjalan Kauppakeskus Koy	Finland
Kauppakeskus Isokarhu Oy	Finland
Kauppakeskus Tampereen Hermanni Koy	Finland
Keijutie 15 Koy	Finland
Kotkan Keskuskatu 11 Koy	Finland
Kuopion Kauppakatu 41 Koy	Finland
Kuusankosken Kauppakatu 7 Koy	Finland
Kuvernöörintie 8 Koy	Finland
Lahden Kauppakatu 13 Koy	Finland
Latokasken Ostoskeskus Koy	Finland
Lintulankulma Koy	Finland
Lippulaiva Koy	Finland
Loviisan Ulrika Koy	Finland
Martinlaakson Kivivuorentie 4 Koy	Finland
Minkkikuja 4 Koy	Finland
Montalbas BV	The Netherlands
Naantalin Tullikatu 16 Koy	Finland
Nokian Välikatu 17 Koy	Finland
Oulun Galleria Koy	Finland
Porin Asema-Aukio Koy	Finland
Porin Isolinnankatu 18 Koy	Finland
Rocca al Mare Kaubanduskeskuse AS	Estonia
Runeberginkatu 33 Koy	Finland
Savonlinnan Tulliportinkatu 6-10 Koy	Finland
Seinäjoen Teollisuustie 10 Koy	Finland

Subsidiaries (Citycon Group's holding of 100%)	Country
Seinäjoen Varastotie 9 Koy	Finland
Sinikalliontie 1 Koy	Finland
Säkylän Liiketalo Oy	Finland
Talvikkitie 7-9 Koy	Finland
Tampereen Hatanpää Koy	Finland
Tampereen Suvantokatu Koy	Finland
Ulappatori Koy	Finland
Ultima Oy	Finland
Valkeakosken Apiankatu 6 Koy	Finland
Valkeakosken Torikatu Koy	Finland
Vantaan Laajavuorenkuja 2 Koy	Finland
Varkauden Relanderinkatu 30 Koy	Finland
Wavulinintie 1 Koy	Finland
Veniamo-Invest Oy	Finland

Related party transactions:

JOINT VENTURES:
Joint ventures refer to less than 100-% owned mutual real estate companies. The parent company has paid maintenance charges to joint ventures, which joint ventures recognise as income in their income statements. This income and these expenses have been eliminated in the consolidated financial statements.

OTHER RELATED PARTY TRANSACTIONS:
The company has concluded a consulting agreement with Wernink Consultancy & Investments B.V., a controlled corporation of Thomas Wernink, a Board member, whereby said controlled corporation received EUR 23,800 from the company in 2005.

In addition, the company paid EUR 138,192.48 to a Gazit-Globe Group company, Gazit Europe Inc., related to property acquisitions in Sweden.

Employee benefits for management

EUR million	2005	2004
Salaries and other short-term benefits	1.1	0.6
Termination benefits	0.0	0.0
Post-employment benefits	0.2	0.1
Other long-term benefits	0.0	0.0
Share-based payment	0.0	0.0
Total	**1.3**	**0.8**

Remuneration

EUR million	2005	2004
CEO	205,220	191,457
Board members		
Bergström Stig-Erik	60,020	35,170
Gal Amir	30,800	18,250
Hyppönen Heikki, former Board member	-	1,400
Järvi Juhani, former Board member	-	1,400
Kankuri Timo, former Board member	2,800	17,900
Korpinen Raimo	31,890	18,320
Lehtonen Jorma, former Board member	-	2,100
Lähdesmäki Tuomo	30,400	20,900
Nordman Carl G.	28,450	19,300
Olkinuora Juha, former Board member	-	1 400
Ottosson Claes	27,700	17,200
Segal Dor J.	31,800	11,229
Wernink Thomas	42,500	-
	286,360	164,569

The CEO is entitled to retire upon turning 62, provided that he will remain in the company's employ until that date. The Group has pension insurance to cover this pension plan. Both the CEO and the company may terminate the CEO's executive contract at six months' notice. If the company terminates the contract for a reason not attributable to the CEO, it will pay the CEO lump-sump compensation equalling his 18-month salary in cash, in addition to the salary payable for the notice period.

Based on his executive contract, the CEO has been granted a total of 1,500,000 stock options under the 1999 stock-option scheme in 2002, a total of 150,000 2004A stock options under the 2004 stock-option scheme in 2004 and a total of 140,000 2004B stock options under the 2004 stock-option scheme in 2005.

On 31 December 2005, the CEO held 1,000,000 1999 A/B/C stock options, 150,000 2004A stock options and 140,000 2004B stock options.

OTHER LEASES

Group as lessee

The future minimum lease payments under non-cancellable other leases are as follows:

EUR million	2005	2004
Not later than 1 year	0.4	0.1
Later than 1 year and not later than 5 years	0.8	0.1
Later than 5 years	0.0	0.0
	1.2	0.2

Other leases with an average length of three years include mainly leases on office premises, cars and office equipment.

Group as lessor

The future minimum lease payments receivable under non-cancellable leases are as follows:

EUR million	2005	2004
Not later than 1 year	33.1	22.8
Later than 1 year and not later than 5 years	46.1	44.1
Later than 5 years	21.7	14.6
	100.9	81.5

The majority of Citycon's leases falls into the category of valid-until-further-notice agreements, whereby the rental rate is determined by the absolute net lease tied to the cost-of-living index, and the maintenance rent. The maintenance rent, charged separately from the lessee, covers operating expenses incurred by the property owner due to property maintenance while enabling the provision any additional services requested by the lessee. The Shopping Centres division also has leases tied to turnover generated by retailers, these accounting for roughly 4.9 per cent of Citycon's lease portfolio. The share of the leases tied to the lessee's turnover will increase in the future.

PLEDGES AND OTHER CONTINGENT LIABILITIES

EUR million	2005	2004
Contingent liabilities for loans		
Mortgages on land and buildings	7.8	2.4
Loans, for which mortgages are given in security and shares pledged		
Loans from financial institutions	6.1	0.6
VAT refund liabilities	4.4	4.0

Loan rearrangement in 2004 removed all mortgages related to the parent company. Group's lease liabilities are presented in the notes to parent company balance sheet.

EQUITY RATIO COMMITMENT

Under a commitment given to its financiers, Citycon Group undertakes to maintain its equity ratio at above 32.5% and its interest coverage ratio at a minimum of 1.8. The interest coverage ratio is calculated by dividing the operating margin - less capital gains on property, plant and equipment, plus the share of associated companies' losses - by net financial expenses. For the calculation of the equity ratio, the shareholders' equity includes the subordinated loan deducted by non-cash items resulting from Group derivative contracts.

Accordingly, equity ratio on 31 December 2005 stood at 40.8% and interest coverage ratio at 2.3 (2004: equity ratio was 41.2% and interest coverage ratio 2.2).

POST BALANCE SHEET EVENTS

On 16 January 2006, Citycon agreed to acquire the remaining 26% holding in the Myyrmanni shopping centre in Vantaa and the Valtari shopping centre in Kouvola, their combined debt-free purchase price totalling EUR 37 million. As a result, Citycon's shareholding in both properties rose to 100%. On 1 February 2006, the company bought the Tullintori shopping centre in the heart of Tampere, i.e. 57.4% of holdings in Kiinteistö Oy Tullintori. The debt-free purchase price of the shares was EUR 8.7 million.

On 9 February 2006, the company informed of considering selling some 75 non-core properties, all of them being located in Finland and having a total area of around 96,000 square metres. The company plans to sell the properties during the first half of 2006.

In December 2005, the company announced that it had signed an agreement to acquire the Backa, Hindås, Landvetter and Floda retail centres in the Gothenburg Metropolitan Area. The deal was closed on 15 February 2006. The debt-free purchase price of these properties totalled SEK 239.0 million (around EUR 24.4 million).

In December, 750,330 new Citycon Oyj shares at a per-share nominal value of EUR 1.35 were subscribed using stock options based on the 1999 A/B/C stock-option scheme. The resulting share capital increase of EUR 1,012,945.50, corresponding to share subscriptions, was registered in the Trade Register on 16 February 2006. The new shares have been traded publicly since 17 February 2006. As a result of this share capital increase, Citycon Oyj's registered share capital totals EUR 185,128,669.80 and the number of shares 137,132,348.

Under the 1999 stock-option scheme, the remaining stock options entitle their holders to subscribe for a total of 3,471,510 new company shares, on the basis of which the company's share capital may increase by a further EUR 4,686,538.50. The share subscription period will expire on 30 September 2007.

Adoption of IFRS

The transition to IFRS has lead to changes in financial statements, their notes and accounting policies compared to previous financial statements under FAS. Citycon has applied IFRS accounting policies, presented under Accounting Policies in the Notes to the consolidated financial statements, to its financial statements for the financial year ending on 31 December 2005, comparatives for the financial year ending on 31 December 2004 and the opening IFRS balance sheet on 1 January 2004.

The reconciliation statements and reports below describe the differences between financial statements based on IFRS and FAS (Finnish Accounting Standards) for 2004 and on the IFRS transition date of 1 January 2004.

The most significant effects resulting from Citycon's adoption of IFRS relate to the valuation of its investment property, the consolidation of mutual real estate companies, deferred taxes and the measurement of financial instruments.

RECONCILIATION OF SHAREHOLDERS' EQUITY AT 1 JAN. 2004 AND 1 JAN. 2005

EUR million	Reference	FAS 31 Dec. 2003	IFRS effect	IFRS 1 Jan. 2004	FAS 31 Dec. 2004	IFRS effect	IFRS 1 Jan. 2005
ASSETS							
Non-current assets							
Intangible assets	a, b, o	4.5	-4.3	0.3	4.7	-4.5	0.2
Property, plant and equipment	a, c, l	729.1	-728.4	0.7	740.5	-739.9	0.6
Investment property	m	0.0	726.3	726.3	0.0	738.7	738.7
Investments							
Holdings in associated companies	d	55.5	-55.5	0.0	55.7	-55.7	0.0
Treasury shares	e	4.7	-4.7	0.0	4.7	-4.7	0.0
Other investments and receivables	a, f, i	23.1	-21.8	1.3	21.3	-21.3	0.0
Deferred tax assets		0.0	4.7	4.7	0.0	6.1	6.1
Current assets							
Trade and other receivables	a, g	3.4	-0.5	2.8	4.9	-0.7	4.2
Cash and cash equivalents	a	15.1	-0.4	14.7	8.6	-0.6	7.9
Total assets		835.3	-84.5	750.8	840.4	-82.7	757.7
LIABILITIES AND SHAREHOLDERS' EQUITY							
Equity attributable to parent company shareholders							
Share capital		142.8	0.0	142.8	156.8	0.0	156.8
Share premium fund	h	28.3	0.0	28.3	35.1	-0.1	35.0
Translation reserve		0.0	0.0	0.0	0.0	0.0	0.0
Fair value reserve	i	0.0	-7.7	-7.7	0.0	-13.3	-13.3
Other reserves		6.6	0.0	6.6	6.6	0.0	6.6
Treasury share reserve	e	4.7	-4.7	0.0	4.7	-4.7	0.0
Treasury shares	e	0.0	-4.7	-4.7	0.0	-4.7	-4.7
Retained earnings	p	27.3	24.5	51.7	30.4	26.9	57.4
Subordinated loan	j	68.5	-68.5	0.0	68.5	-68.5	0.0
Equity attributable to parent company shareholders		278.0	-61.0	217.0	302.0	-64.3	237.7
Minority interest	a	99.8	-99.8	0.0	100.0	-100.0	0.0
Total shareholders' equity		377.8	-160.8	217.0	402.0	-164.3	237.7
Long-term liabilities							
Long-term liabilities	a, g, i, j	428.3	79.4	507.8	407.4	86.5	493.6
Deferred tax liabilities	k	0.0	0.0	0.0	0.0	0.0	0.0
Short-term liabilities							
Short-term liabilities	a, i	29.2	-3.1	26.0	31.1	-4.9	26.1
Total liabilities		457.5	76.3	533.8	438.4	81.6	520.0
Total liabilities and shareholders' equity		835.3	-84.5	750.8	840.4	-82.7	757.7

> ADOPTION OF IFRS

RECONCILIATION OF PROFIT FOR 1 JAN.-31 DEC. 2004

EUR million	Reference	FAS 1 Jan.-31 Dec. 2004	IFRS effect	IFRS 1 Jan.-31 Dec. 2004
Turnover	a	88.6	-3.9	84.7
Other operating income	l	0.8	-0.1	0.7
Net fair value gains on investment property and net gains on sale of investment property	m	0.0	-5.6	-5.6
Expenses				
Materials and services	a, l	26.4	-3.7	22.6
Employee benefits	a	3.0	-0.1	2.9
Depreciation and impairment loss	a, n	7.6	-7.4	0.3
Share of associated companies' profit	d	-0.1	0.1	0.0
Other operating expenses	o	2.1	0.0	2.1
Total expenses		**39.1**	**-11.1**	**28.0**
Operating profit		50.3	1.5	51.8
Net financial expenses	g, h, q	-26.1	0.0	-26.1
Profit before taxes		24.2	1.5	25.7
Income tax	h, k	-6.8	0.9	-5.9
Minority interest		0.0	0.0	0.0
Profit for the period		17.4	2.4	19.9
Attributable to				
Parent company shareholders		17.4	2.4	19.9
Minority interest		0.0	0.0	0.0
Earnings per share for profit attributable to parent company shareholders:				
Earnings per share (basic), EUR		0.17		0.19
Earnings per share (diluted), EUR		0.16		0.19

KEY CHANGES IN ACCOUNTING POLICIES

CONSOLIDATION
The accounts of mutual real estate companies are consolidated using the proportionate consolidation method i.e., Citycon's share of such a company's assets, liabilities, income and expenses is consolidated line by line into Citycon's financial statements.

INVESTMENT PROPERTY
Investment property refers to property (land or a building, or part of a building, or both) held for rental yields or capital appreciation, or both. Under IAS 40, investment property is measured at fair value, with gains and losses arising from changes in fair values being recognised through profit or loss. Using International Valuation Standards (IVS), an external professional valuer conducts the valuation of the company's property at least once a year.

PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment (PPE) (excl. investment property) are measured at historical cost and depreciated over the asset's expected useful economic life.

INTANGIBLE ASSETS
Intangible assets include software licences and these are measured at historical cost amortised on a straight-line basis over five years.

IMPAIRMENT
On each balance-sheet date, property, plant and equipment and intangible assets are assessed to determine whether there is any indication of impairment. If any indication of an impaired asset exists, the asset's recoverable amount must be calculated. Should the asset's carrying amount exceed its recoverable amount, it is impaired, and the resulting impairment loss is recognised in the income statement.

INCOME RECOGNITION
Citycon's income consists mainly of rental income from investment properties. Rental income is recognised in the income statement 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 related to the property have been passed to the company. Leases are classified as other leases if substantially all the risks and rewards inherent in holding such leased assets have not been transferred to the lessee.

PENSIONS
The Group's employee pension cover is based on statutory pension insurance. Contributions under defined contribution plans are recognised in the income statement for the period during which such contributions are made. Any defined benefit pension plans are based on actuarial calculations.

STOCK OPTIONS
Citycon has applied IFRS 2 Share-based Payment to its stock options granted after 7 November 2002 and the subscription period of which has not started before 1 January 2005. Such stock options are measured at fair value on the grant date and expensed over the instrument's vesting period.

SHARE ISSUE EXPENSES
Transaction costs related to raising shareholder's equity are treated as a deduction from shareholders' equity adjusted for income tax.

SUBORDINATED LOAN
A subordinated loan is stated as a debt, as required by IFRS.

PURCHASE OF TREASURY SHARES
Treasury shares are deducted from shareholders' equity.

DERIVATIVES
The Group uses interest derivatives for hedging purposes i.e., hedging against volatility in future interest-payment cash flows resulting from interest-rate fluctuations. Hedging instruments are measured at fair value and the instrument's fair value change stemming from effective hedging is recognised under shareholders' equity. The amount stemming from ineffective hedging (if any) is recognised in the income statement. The change in fair value will be included in the shareholders' equity until the cash flow from the hedged item is realised.

PROVISIONS
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of this obligation can be made.

TAXES
Income taxes include taxes based on taxable profit for the financial period, adjustments for previous periods' taxes and changes in deferred taxes. Deferred tax assets and liabilities are calculated on temporary differences arising between the tax bases of assets and liabilities and their IFRS-compliant carrying amounts. The tax rate enacted by the balance-sheet date is used to determine deferred tax.

> ADOPTION OF IFRS

REFERENCES TO THE EFFECTS OF IFRS ADOPTION

a) According to IFRS-compliant reporting, mutual real estate companies are consolidated using the proportionate consolidation method i.e., Citycon's share of such a company's assets, liabilities, income and expenses is consolidated line by line into Citycon's financial statements.

Due to the change in the consolidation method, the following elimination entries applying to FAS-compliant balance sheet items have been made:

EUR million	Opening balance sheet 1 Jan. 2004	31 Dec. 2004
Intangible assets	-0.8	-0.6
Tangible assets (PPE)	-98.5	-98.6
Other investments	-0.7	-0.7
Short-term receivables	-0.2	-0.4
Cash and cash equivalents	-0.4	-0.6
Long-term liabilities	0.4	0.3
Short-term liabilities	0.5	0.6
	-99.8	-100.0

The minority interest's share of shareholders' equity is the counter item of the adjustments.

Due to the change in the consolidation method, the following elimination entries applying to FAS-compliant income statement items were made on 31 December 2004:

EUR million	
Turnover	3.9
Materials and services	-3.8
Personnel expenses	-0.1
Depreciation	-0.1
	0.0

The change in the consolidation method has no effect through profit or loss.

b) Connection fees and leased premises' alteration work were transferred from intangible assets to investment property to the amount of EUR 3.5 million in the opening balance sheet and EUR 3.6 million in the balance sheet of 31 December 2004.

c) Buildings and structures, land, technical equipment in buildings, as well as other machinery and equipment were transferred from tangible assets (PPE) to investment property to the amount of EUR 629.1 million in the opening balance sheet and EUR 640.1 million in the balance sheet of 31 December 2004.

d) Under FAS, holdings in associated companies include investments in mutual real estate companies in which Citycon's holdings range from 20-50 per cent. Holdings in associated companies were transferred to mutual real estate companies to the amount of EUR 55.5 million in the opening balance sheet and EUR 55.7 million on 31 December 2004, and the share of associated companies' results, recognised in the income statement under FAS, to the amount or EUR -0.1 million on 31 December 2004.

e) Treasury shares of EUR 4.7 million recognised in the balance sheet under FAS were removed from investments as part of IFRS adjustments and deducted from shareholders' equity.

f) Under FAS, other investments include investments in mutual real estate companies in which Citycon's holdings range from 1 to 19 per cent. As part of IFRS adjustments, other investments were transferred to investment property to the amount of EUR 22.3 million in the opening balance sheet and EUR 20.6 million on 31 December 2004.

g) Loan-related transaction cost accruals were adjusted in the opening balance sheet between the loan's drawdown date and the expected loan maturity date. The accrued amount of EUR 0.2 million was transferred from accrued income and prepaid expenses to adjust long-term liabilities. A new loan's transaction costs of EUR 0.3 million recognised as receivables under FAS on 31 December 2004 were expensed, as required by IAS 39. The cap premium of EUR 0.1 million included in the bought interest-rate cap agreement were removed from receivables resulting in a reduction in retained earnings.

h) Transaction costs related to raising shareholders' equity, expensed under FAS, were adjusted to reduce shareholders' equity in the IFRS-compliant financial statements. This adjustment lowers financial expenses by EUR 0.2 million.

i) Cash flow hedge derivatives are measured at fair value. Fair value was EUR -10.8 million in the opening balance sheet and EUR -18.0 million in the balance sheet of 31 December 2004, recognised in fair value reserve under shareholders' equity. The opening balance sheet includes an entry of EUR 11.3 million in long-term liabilities, EUR 0.5 million in short-term liabilities and EUR 1.2 million in long-term receivables. The 31 December 2004 balance sheet includes an entry of EUR 18.0 million long-term liabilities.

j) The subordinated loan of EUR 68.5 million was transferred from shareholders' equity to long-term liabilities.

k) Deferred tax adjustments are as follows:

EUR million	31 Dec. 2004	Opening balance sheet 1 Jan. 2004
Investment property measurement at fair value	-0.3	-0.2
Loss carryforwards	-1.1	-1.4
Other non-current assets charged to expenses	0.0	0.0
Cash flow hedge derivatives' (interest-rate swaps) measurement	-4.7	-3.1
	-6.1	-4.7

l) FAS-compliant capital gains on shares of EUR 0.1 million were recognised in other operating income.

m) Under IFRS, investment property is measured at fair value. The fair value of investment property was EUR 726.3 million in the opening balance sheet and EUR 738.7 million in the balance sheet of 31 December 2004. The fair value change in 2004 of EUR -5.6 million in the 31 Dec. 2004 balance sheet was recognised in the income statement.

n) The FAS-compliant depreciation of EUR 7.4 million, allocated to investment property, was removed from the income statement.

o) Other non-current assets not meeting the capitalisation criteria under IAS 38 were expensed in both the opening balance sheet and the 31 December 2004 balance sheet to the amount of EUR 0.1 million.

p) Retained earnings adjustments are as follows:

EUR million	31 Dec. 2004	Opening balance sheet 1 Jan. 2004
Investment property measurement at fair value under IAS 40	16.9	15.3
Treasury shares	4.7	4.7
Loan-related transaction costs charged to expenses	-0.3	0.0
Premium of interest-rate cap agreements bought	0.0	-0.1
Transaction costs related to raising shareholders' equity	0.1	0.0
Capital gain adjustment under FAS	-0.1	0.0
Effect of deferred tax	5.7	4.7
Other non-current assets charged to expenses	-0.1	-0.1
	26.9	24.5

q) The EUR 0.1 million premium of the bought interest-rate cap agreements on 31 December 2004 was recognised to lower financial expenses, as required by IAS 39.

PARENT COMPANY INCOME STATEMENT, FAS

EUR MILLION	NOTE	1 JAN.-31 DEC. 2005	1 JAN.-31 DEC. 2004
Turnover	1.	85.8	83.2
Other income	2.	0.8	0.2
Expenses			
Materials and services	3.	2.9	2.6
Personnel expenses	4.	3.5	2.5
Depreciation and impairment loss	5.	1.2	1.8
Rents and maintenance charges	6.	33.2	31.2
Other operating expenses		3.8	2.1
Total expenses		**44.7**	**40.3**
Operating profit		41.9	43.1
Net financial income and expenses	7.	-28.0	-23.7
Profit before taxes		13.8	19.4
Taxes	8.	-3.1	-5.6
Profit for the period		10.7	13.8

PARENT COMPANY BALANCE SHEET, FAS

EUR MILLION	NOTE	31 DEC. 2005	31 DEC. 2004
ASSETS			
Non-current assets	9.		
Intangible assets		3.2	3.2
Tangible assets		30.5	24.9
Investments			
Holdings in Group companies	10.	595.7	540.5
Holdings in associated companies	11.	53.0	58.0
Treasury shares	18.	0.0	4.7
Other investments		204.8	107.4
Total investments		853.5	710.7
Total non-current assets		887.2	738.7
Current assets			
Short-term receivables	12.	8.3	5.8
Cash and cash equivalents		8.9	4.3
Total current assets		17.2	10.0
Total assets		**904.5**	**748.8**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity	13.		
Share capital		184.1	156.8
Share issue		1.1	0.0
Share premium fund		79.7	35.1
Treasury share reserve		0.0	4.7
Other reserves		6.6	6.6
Retained earnings		2.5	4.5
Profit for the period		10.7	13.8
Subordinated loan		70.0	68.5
Total shareholders' equity		354.7	289.8
Liabilities	14.		
Long-term liabilities		477.4	427.9
Short-term liabilities		72.4	31.0
Total liabilities		549.8	458.9
Total liabilities and shareholders' equity		**904.5**	**748.8**

PARENT COMPANY CASH FLOW STATEMENT, FAS

EUR MILLION	1 JAN.-31 DEC. 2005	1 JAN.-31 DEC. 2004
Cash flow from operating activities		
Profit before taxes	13.8	19.4
Adjustments:		
Depreciation and impairment loss	1.2	1.8
Other income and expenses unrelated to payment	-0.3	
Net financial income and expenses	28.0	23.7
Other adjustments	-0.8	-0.2
Cash flow before change in working capital	41.9	44.8
Change in working capital	21.5	12.9
Cash flow from operating activities before financial items and taxes	63.4	57.7
Interest and other financial expenses	-34.7	-31.8
Dividend and interest received from business operations	0.7	0.6
Income tax paid	-5.1	-4.2
Net cash flow from operating activities (a)	**24.3**	**22.3**
Cash flow from investing activities		
Investment in tangible and intangible assets	-1.7	-1.1
Other investments	-0.2	0.0
Proceeds from sale of other investments	3.7	0.1
Loans granted	-103.2	-7.1
Repayments of loans receivable	1.5	0.0
Purchase of subsidiary shares	-60.1	-9.3
Sale of subsidiary shares	0.0	0.8
Interest received from investment	0.0	0.1
Dividends received from investment	0.1	0.1
Net cash used in investing activities (b)	**-159.8**	**-16.5**
Cash flow from financing activities		
Proceeds from share issue	73.0	20.8
Proceeds from short-term loans	111.1	18.1
Repayments of short-term loans	-85.3	-18.1
Proceeds from long-term loans	199.7	415.0
Repayments of long-term loans	-142.7	-435.0
Dividends paid and other profit distribution	-15.7	-14.3
Net cash used in financing activities (c)	**140.1**	**-13.4**
Net (a + b + c) increase(+)/decrease(-) in cash and cash equivalents	4.7	-7.7
Cash and cash equivalents at period-start	4.3	11.9
Cash and cash equivalents at period-end	8.9	4.3

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS, FAS

ACCOUNTING PRINCIPLES

The parent company's financial statements are prepared in accordance with the Finnish law.

PROPERTY PORTFOLIO

The buildings' historical cost is depreciated annually on a straight line basis at 2-4 per cent. Repair costs are expensed as incurred.

OTHER NON-CURRENT ASSETS

Other long-term expenditure includes capitalised costs related to the acquisition of properties, which are amortised over three years, and capitalised repair costs allocated to premises, which are amortised during the lease term. Machinery and equipment are depreciated at 25 per cent annually, using the reducing balance method of depreciation. The machinery and equipment category includes technical equipment in buildings. Modernisation and repairs of such equipment are included in annual expenses.

PENSION SCHEME

The company's employee pension cover is based on statutory pension insurance.

TREASURY SHARES

Treasury shares are shown in investments under non-current assets and in the treasury share reserve under shareholders' equity. The treasury share reserve is not equity attributable to shareholders. When calculating key figures and ratios, treasury shares are deducted from shareholders' equity and the number of shares. Treasury shares were cancelled during the financial year 2005.

SUBORDINATED LOAN

The subordinated loan is shown as a separate item under shareholders' equity. When calculating key figures and ratios, the subordinated loan is treated as debt, according to its nature.

TAXES

Taxes are stated on an accrual basis. The company has no deferred tax liabilities or assets arising from timing differences.

IMPORTANT NOTE

Individual figures and sum totals presented in the financial statements have been rounded to the nearest million euros; this may cause minor discrepancies between the sum totals and the sums of individual figures as given.

Notes to the parent company income statement

EUR million	2005	2004
1. TURNOVER	85.8	83.2
Turnover mainly comprises rental and maintenance charge income mostly generated by properties located in the Helsinki Metropolitan Area.		
Parent company turnover includes building-management and administrative fees received from Group companies.	0.7	0.5
2. OTHER INCOME		
Capital gains on fixed assets	0.8	0.1
Other income from business operations		
Other income	0.0	0.0
Total other income	0.8	0.2
3. MATERIALS AND SERVICES		
Materials and supplies		
Purchases	2.3	2.2
External services	0.6	0.4
Total materials and services	2.9	2.6
4. PERSONNEL		
Average number of employees during period	40	30
Personnel expenses		
Wages and salaries	2.7	1.9
Pensions	0.4	0.3
Other social expenses	0.4	0.2
Total personnel expenses	3.5	2.5
Personnel expenses include management salaries and emoluments		
CEO's salary and emoluments	0.2	0.2
Board salaries and emoluments	0.3	0.2
Total	0.5	0.4

EUR million	2005	2004
5. DEPRECIATION		
Planned depreciation		
Intangible assets	0.7	0.7
Buildings and structures	0.5	0.9
Machinery and equipment	0.1	0.2
Total planned depreciation	1.2	1.8
6. RENTS AND MAINTENANCE CHARGES		
The item includes rents and charges paid to Group companies by the parent company.	29.6	27.8
7. FINANCIAL INCOME AND EXPENSES		
Dividend income		
From Group companies	0.1	0.1
From others	0.0	0.3
Total dividend income	0.1	0.3
Interest income from long-term investments		
From Group companies	4.2	3.0
From associated companies	0.0	0.0
From others	0.0	0.0
Total interest income from long-term investments	4.2	3.0
Other interest and financial income		
From Group companies	0.0	0.0
From others	0.8	0.4
Total other interest and financial income	0.8	0.5
Total interest income from long-term investments and other interest and financial income	5.0	3.8
Interest and other financial expenses		
To Group companies	0.8	0.7
To others	32.2	26.7
Total interest and other financial expenses	33.1	27.4
Total net financial expenses	-28.0	-23.7
8. DIRECT TAXES		
Taxes for period	-3.1	-5.6

Notes to the parent company balance sheet

9. NON-CURRENT ASSETS

Non-current assets are entered in the balance sheet at historical cost less value adjustments and depreciation/amortisation.

Kiinteistö Oy Larvalankatu 13 and Kiinteistö Oy Seinäjoen Kino merged with the parent company on 31 December 2005. These mergers are reflected in additions to parent-company buildings, land and connection fees, machinery and equipment, as well as in reduction in subsidiary shares.

EUR million	2005	2004
Intangible assets		
Intangible rights		
Historical cost 1 Jan.	0.4	0.3
Additions	0.0	0.1
Historical cost 31 Dec.	0.4	0.4
Accumulated amortisation 1 Jan.	0.2	0.1
Amortisation for period	0.1	0.1
Accumulated amortisation 31 Dec.	0.3	0.2
Book value 31 Dec.	0.2	0.2
Connection fees		
Historical cost 1 Jan.	0.1	0.1
Additions	0.1	
Book value 31 Dec.	0.2	0.1
Other non-current assets		
Historical cost 1 Jan.	5.4	5.1
Additions	0.5	0.3
Reductions	0.0	-0.2
Transfer between items	0.0	0.2
Historical cost 31 Dec.	5.9	5.4
Accumulated amortisation 1 Jan.	2.6	2.0
Amortisation for period	0.6	0.6
Accumulated amortisation 31 Dec.	3.1	2.6
Book value 31 Dec.	2.8	2.8
Total intangible assets 31 Dec.	**3.2**	**3.2**

EUR million	2005	2004
Tangible assets		
Land		
Historical cost 1 Jan.	1.9	1.9
Additions, merger	5.1	
Value adjustment, merger	3.7	
Historical cost 31 Dec.	3.3	1.9
Buildings and structures		
Historical cost 1 Jan.	46.7	46.7
Additions, merger	21.9	
Reductions, merger profit	2.2	
Historical cost 31 Dec.	66.5	46.7
Accumulated depreciation 1 Jan.	24.9	24.0
Accumulated depreciation on additions, merger	0.4	
Depreciation for period	0.5	0.9
Value adjustment, merger	16.4	
Accumulated depreciation 31 Dec.	42.1	24.9
Book value 31 Dec.	24.3	21.9
Machinery and equipment		
Historical cost 1 Jan.	2.8	2.7
Additions, merger	1.3	0.0
Reductions	0.0	0.0
Historical cost 31 Dec.	4.0	2.8
Accumulated depreciation 1 Jan.	2.4	2.3
Accumulated depreciation on additions, merger	0.3	
Depreciation for period	0.1	0.1
Accumulated depreciation 31 Dec.	2.8	2.4
Book value 31 Dec.	1.3	0.4
Machinery and equipment also include technical equipment in buildings.		
Other tangible assets		
Historical cost 1 Jan.	0.2	0.2
Additions	0.0	0.0
Historical cost 31 Dec.	0.2	0.2
Accumulated depreciation 1 Jan.	0.0	0.1
Depreciation for period	0.0	0.1
Accumulated depreciation 31 Dec.	0.2	0.2
Book value 31 Dec.	0.0	0.0

EUR million	2005	2004
Construction in progress		
Historical cost 1 Jan.	0.8	0.2
Additions	1.3	0.8
Reductions	0.1	
Transfer between items	0.3	0.2
Book value 31 Dec.	1.6	0.8
Total tangible assets	**30.5**	**24.9**
Investments		
Shares in subsidiaries		
Historical cost 1 Jan.	541.0	531.6
Additions	71.2	10.2
Reductions	19.3	0.7
Transfer between items	3.3	
Historical cost 31 Dec.	596.2	541.0
Accumulated depreciation 1 Jan. and 31 Dec.	0.5	0.5
Book value 31 Dec.	595.7	540.5
Shares in associated companies		
Historical cost 1 Jan.	58.0	57.9
Additions	0.5	0.1
Reductions	2.0	0.0
Transfer between items	3.6	0.0
Historical cost 31 Dec.	53.0	58.0
Book value 31 Dec.	53.0	58.0
Treasury shares		
Historical cost 1 Jan.	4.7	4.7
Reduction, cancellation of treasury shares	4.7	
Book value 31 Dec.	0.0	4.7
Other investments		
Minority holdings		
Historical cost 1 Jan.	18.8	18.8
Additions	0.1	0.0
Reductions	1.0	0.1
Historical cost 31 Dec.	17.9	18.8
Book value 31 Dec.	17.9	18.8
Loans receivable		
From subsidiaries	186.9	88.7
From associated companies	0.0	0.0
Total other investments 31 Dec.	204.9	107.4
Total investments 31 Dec.	**853.5**	**710.7**

10. SUBSIDIARIES

	Domicile	Parent company holding, %
Asolantien Liikekiinteistö Oy	Vantaa	100.00
Citycon AB	Stockholm	100.00
Citycon Estonia OÜ	Tallinn	100.00
Eskolanmäki Koy	Kouvola	100.00
Forssan Hämeentie 3 Koy	Forssa	100.00
Hollolan Keskuspuoti Koy	Hollola	100.00
Härmälän Markkinatalo Oy	Tampere	100.00
Jyväskylän Forum Koy	Jyväskylä	100.00
Jyväskylän Kauppakatu 31 Koy	Jyväskylä	100.00
Kaarinan Liiketalo Koy	Kaarina	100.00
Kanervatien Hallitalo Oy	Laukaa	100.00
Karjaan Ratakatu 59 Koy	Karjaa	100.00
Karjalan Kauppakeskus Koy	Lappeenranta	100.00
Kauppakeskus IsoKarhu Oy	Pori	100.00
Kauppakeskus Tampereen Hermanni Koy	Tampere	100.00
Keijutie 15 Koy	Helsinki	100.00
Kotkan Keskuskatu 11 Koy	Kotka	100.00
Kuopion Kauppakatu 41 Koy	Kuopio	100.00
Kuusankosken Kauppakatu 7 Koy	Kuusankoski	100.00
Kuvernöörintie 8 Koy	Helsinki	100.00
Lahden Kauppakatu 13 Koy	Lahti	100.00
Latokasken Ostoskeskus Koy	Espoo	100.00
Larvalankatu 13 Koy (merger 31. Dec. 2005)	Seinäjoki	100.00
Lintulankulma Koy	Rovaniemi	100.00
Lippulaiva Koy	Espoo	100.00
Loviisan Ulrika Koy	Loviisa	100.00
Martinlaakson Kivivuorentie 4 Koy	Helsinki	100.00
Minkkikuja 4 Koy	Vantaa	100.00
Montalbas BV	Amsterdam	100.00
Naantalin Tullikatu 16 Koy	Naantali	100.00
Nokian Välikatu 17 Koy	Nokia	100.00
Oulun Galleria Koy	Oulu	100.00
Porin Asema-Aukio Koy	Pori	100.00
Porin Isolinnankatu 18 Koy	Pori	100.00
Runeberginkatu 33 Koy	Porvoo	100.00
Savonlinnan Tulliportinkatu 6-10 Koy	Savonlinna	100.00
Seinäjoen Kino Koy (merger 31. Dec. 2005)	Seinäjoki	100.00
Seinäjoen Teollisuustie Koy	Seinäjoki	100.00
Seinäjoen Varastotie Koy	Seinäjoki	100.00
Sinikalliontie Koy	Espoo	100.00
Säkylän Liiketalo Oy	Säkylä	100.00

	Domicile	Parent company holding, %
Talvikkitie 7-9 Koy	Vantaa	100.00
Tampereen Hatanpää Koy	Tampere	100.00
Tampereen Suvantokatu Koy	Tampere	100.00
Ulappatori Koy	Espoo	100.00
Ultima Oy	Helsinki	100.00
Valkeakosken Apiankatu 6 Koy	Valkeakoski	100.00
Valkeakosken Torikatu Koy	Valkeakoski	100.00
Vantaan Laajavuorenkuja 2 Koy	Vantaa	100.00
Varkauden Relanderinkatu 30 Koy	Varkaus	100.00
Wavulinintie Koy	Helsinki	100.00
Veniamo-Invest Oy	Helsinki	100.00
Vaakalintu Koy	Riihimäki	95.80
Metsäpellon Liikekeskus Oy	Lahti	91.30
Lahden Trio Koy	Lahti	88.70
Linjurin Kauppakeskus Koy	Salo	88.50
Mäntyvuoksi Koy	Imatra	86.80
Taivalalaisen Liiketalo Oy	Suomussalmi	84.50
Lappeenrannan Brahenkatu Koy	Lappeenranta	84.40
Tikkurilan Kauppakeskus Koy	Vantaa	83.84
Koskikeskuksen Huolto Koy	Tampere	81.67
Orimattilan Markkinatalo Oy	Orimattila	77.30
Lappeen Liikekeskus Koy	Lappeenranta	75.27
Myyrmanni Koy	Vantaa	74.01
Hervannan Liikekeskus Oy	Tampere	73.82
Kuusamon Linja-autoasema Oy	Kuusamo	69.70
Myyrmäen Kauppakeskus Koy	Vantaa	67.80
Haukiputaan Markkinatalo Oy	Haukipudas	67.70
Kirkkonummen Liikekeskus Oy	Kirkkonummi	66.70
Espoontori Koy	Espoo	66.64
Tampereen Koskenranta Koy	Tampere	63.73
Eerolan Liikekeskus Oy	Valkeakoski	62.90
Vantaan Säästötalo Koy	Vantaa	61.24
Kivensilmänkuja Koy	Helsinki	60.00
Ulappapaikoitus Koy	Espoo	59.85
Tornion Kauppakatu Koy	Tornio	58.56
Saariportti Koy	Kuopio	57.30
Orimattilan Säästöpankkitalo Koy	Orimattila	56.90
Väinöläntammi Koy	Pori	55.00
Kauppapiha Koy	Iisalmi	54.61
Heikintori Oy	Espoo	54.34
Hollolan Keskuskatu Koy	Hollola	50.30

Subsidiaries total 82

11. ASSOCIATED COMPANIES

	Domicile	Parent company holding, %
Espoon Louhenkulma Koy	Espoo	49.93
Hakunilan Keskus Oy	Vantaa	29.50
Hyrylän Ostoskeskus Koy	Tuusula	20.70
Kaarinan Kauppakeskus Koy	Kaarina	26.20
Kalajoen Linja-autoasema Koy	Kalajoki	47.30
Kauppalantie 2 As Oy	Helsinki	28.91
Keravan Liikekeskus Oy	Kerava	34.40
Kirkkonummen Liiketalo Koy	Kirkkonummi	24.30
Kommila Koy	Varkaus	43.40
Kontulan Asemakeskus Koy	Helsinki	33.50
Kärpäsen Ostoskeskus Oy	Lahti	33.90
Laajasalon Liikekeskus Oy	Helsinki	38.80
Lauttasaaren Liikekeskus Oy	Helsinki	23.60
Länsi-Keskus Koy	Espoo	41.36
Martinmiilu Koy	Vantaa	20.80
Mastonkulma Koy	Ylöjärvi	24.38
Multian Palvelukeskus Oy	Multia	46.40
Otaniemen Liikekeskus Oy	Espoo	39.22
Parikkalan Liiketalo Oy	Parikkala	50.00
Petäjäveden Palvelukeskus Oy	Petäjävesi	49.02
Pihlajamäen Liiketalo Oy	Helsinki	42.80
Puijonlaakson Palvelukeskus Oy	Kuopio	31.30
Pukinmäen Liikekeskus Oy	Helsinki	43.92
Ristinummen Palvelukeskus Oy	Vaasa	43.95
Salpausseläntie Koy	Helsinki	31.30
Sibeliuksenkatu 14 Koy	Järvenpää	25.95
Siltavoudintie 3 As Oy	Helsinki	20.80
Sollefteågatan Koy	Uusikaarlepyy	34.77
Soukan Itäinentorni As Oy	Espoo	27.30
Valkeakosken Liikekeskus Koy	Valkeakoski	25.39
Tapiolan Ostoskeskus Oy	Espoo	29.20
Tulliherra As Oy	Kuopio	23.20
Valtakatu 5-7 Koy	Valkeakoski	31.00
Vihdin Linjatalo Oy	Vihti	30.00

Associated companies total 34

EUR million	2005	2004

12. SHORT-TERM RECEIVABLES

	2005	2004
Trade receivables	0.8	0.6
Receivables from Group companies		
Other receivables	4.0	3.0
Accrued income and prepaid expenses	0.1	0.0
Total	4.1	3.0
Other receivables	2.1	0.8
Accrued income and prepaid expenses	1.3	1.4
Total short-term receivables	8.3	5.8

13. SHAREHOLDERS' EQUITY

		2005	2004
Share capital	1 Jan.	156.8	142.8
Private placement	24 Sept. 2004		13.5
	2 Aug. 2005	16.2	
	26 Oct. 2005	15.1	
Based on stock options			
	27 Oct. 2004		0.0
	1 Dec. 2004		0.3
	28 Dec. 2004		0.1
	29 April 2005	0.1	
	21 July 2005	0.6	
	20 Sept. 2005	0.1	
	19 Oct. 2005	0.3	
	20 Dec. 2005	0.3	
Cancellation of treasury shares			
	6 April 2005	-5.2	
Share capital	31 Dec.	184.1	156.8
Share issue			
Based on stock options		1.1	
Share issue		1.1	

> 13. SHAREHOLDERS' EQUITY

EUR million		2005	2004
Share premium fund	1 Jan. and 31 Dec.	35.1	28.3
Increase, cancellation of treasury shares		5.2	0.0
Increase		39.3	6.9
Share premium fund	31 Dec.	79.7	35.1
Treasury shares	1 Jan.	4.7	4.7
Reduction		-4.7	
Value change	31 Dec.	0.0	0.0
Treasury shares	31 Dec.	0.0	4.7
Other reserves	1 Jan. and 31 Dec.	6.6	6.6
Retained earnings/loss	1 Jan.	18.2	18.7
Transfer to share capital			
Dividend distribution		-15.7	-14.3
Retained earnings	31 Dec.	2.5	4.5
Net profit for the period	31 Dec.	10.7	13.8
Subordinated loan	1 Jan.	68.5	68.5
Increase		70.0	
Reduction		68.5	
Subordinated loan	31 Dec.	70.0	68.5
Total shareholders' equity	**31 Dec.**	**354.7**	**289.8**

EUR million	2005	2004
14. LIABILITIES		
Long-term liabilities		
Floating-rate loans		
fixed rate through interest-rate swaps	336.5	339.4
tied to market interest rates	140.2	81.4
Total	476.7	420.8
Next year's repayments	-24.8	-14.0
Total	451.9	406.8
Long-term loans	451.9	406.8
Loans from financial institutions	451.9	406.8
Loans from Group companies	25.6	21.2
Loans from Group companies	25.6	21.2
Total long-term liabilities	**477.4**	**427.9**
Loans maturing later than 5 years	0.0	0.0
Short-term liabilities		
Loans from financial institutions	50.7	14.0
Advances received	0.5	0.5
Accounts payable	0.2	0.2
Total	51.4	14.8
Payables to Group companies		
Other payables	4.6	6.1
Accruals	0.8	0.7
Total	5.4	6.9
Other payables	10.0	3.3
Accruals	5.5	6.0
Total	15.6	9.4
Total short-term liabilities	**72.4**	**31.0**
Total liabilities	549.8	458.9
Significant accruals		
Loan interest	3.9	4.1
Tax liability	0.3	1.1
Total	4.2	5.2

Contingent liabilities

The parent company has not taken out any mortgages nor issued any securities.

Lease liabilities

Me	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Payables on lease commitments				
Maturing next financial year	0.4	0.3	0.3	0.3
Maturing later	0.3	0.4	0.2	0.3
Total	0.7	0.8	0.6	0.6
VAT refund liabilities	4.4	4.0	0.3	0.2

TREASURY SHARES

	2005	2004
Number of shares, million	0	3.9
Combined par value, EUR million	0	5.2
% of share capital	0	3.3
% of voting rights	0	3.3
Consideration paid	0	4.7

Based on a decision by the AGM on 5 April 2005, treasury shares have been cancelled by transferring the amount equivalent to the combined par value of shares to share premium fund.

KEY FIGURES AND RATIOS

EUR million	Formula	Note	IFRS 2005	IFRS 2004	FAS 2003	FAS 2002	FAS 2001
Income statement data							
Turnover			92.2	84.7	78.1	79.0	75.8
Other income			0.6	0.7	-0.5	0.7	2.1
Planned depreciation			0.2	0.3	6.5	6.8	6.8
Impairment loss						0.8	
Operating profit			105.2	51.8	43.3	43.9	44.9
Profit before extraordinary items and taxes			74.2	25.7	19.1	19.2	17.6
Profit before taxes			74.2	25.7	19.1	19.2	17.6
Net profit for the period			59.8	19.9	14.3	13.8	12.6
Balance sheet data							
Non-current assets			957.6	745.5	816.9	731.5	739.0
- treasury shares			0.0	0.0	4.7	4.3	4.0
Current assets			25.5	12.2	18.5	14.8	9.9
Shareholders' equity and treasury shares			356.6	237.7	209.6	204.0	198.1
Subordinated loan		3)			68.5	68.5	68.5
Minority interest			3.6	0.0	99.8	90.5	89.9
Liabilities			622.8	520.0	457.5	383.3	392.5
Balance sheet total			983.0	757.7	835.3	746.3	748.9
Key performance ratios							
Return on equity, % (ROE)	1	1)	22.5	9.5	7.1	7.1	6.7
Return on investment, % (ROI)	2		13.5	7.2	5.8	6.0	6.1
Equity ratio, %	3		36.7	31.4	36.7	39.1	38.2
Equity ratio for bank, %			40.8	41.2	40.4	44.2	43.0
Quick ratio	4		0.3	0.5	0.6	1.3	0.3
Gearing, %	5		156.8	201.3	163.2	147.7	156.9
Gross capital expenditure, EUR million			178.5	18.5	84.2	5.9	20.4
% of turnover			193.6	21.8	107.9	7.4	26.2
Per-share figures and ratios							
Earnings per share, EUR	6	1)	0.49	0.19	0.14	0.14	0.12
Earnings per share,diluted, EUR	7	1)	0.49	0.19			
Equity per share, EUR	8	1)	2.60	2.12	2.01	1.96	1.91
P/E (price/earnings) ratio	9	1)	6.3	12.9	10.9	8.1	8.0
Dividend per share, EUR		2)	0.14	0.14	0.14	0.09	0.08
Dividend per earnings, %	10	2)	28.3	73.8	100.0	66.5	64.7
Effective dividend yield, %	11	2)	4.5	5.7	9.2	8.2	7.8

1) When calculating this ratio, treasury shares are deducted from shareholders' equity and the number of shares.
2) Board proposal
3) The subordinated loan is shown under liabilities in IFRS-compliant figures.
Formulas are available on page 53.

SHAREHOLDERS AND SHARES

MAJOR SHAREHOLDERS 31 DECEMBER 2005

Name	Number of shares	% of shares and votes
Odin Forvaltnings AS	1,186,000	0.87
Ilmarinen Mutual Pension Insurance Company	1,144,000	0.84
Etera Mutual Pension Insurance Company	500,000	0.37
Fieandt von Johan	400,000	0.29
Oy Fincorp Ab	400,000	0.29
Tudeer Lauri	378,000	0.28
Pohjola Finland Value Investment Fund	360,000	0.26
Odin Eiendom	260,000	0.19
Tallberg Carl	180,000	0.13
Investment Fund Celeres Reit Real Estate	175,000	0.13
10 major, total	**4,983,000**	**3.65**
Nominee-registered shares		
Nordea Bank Finland Plc	92,176,885	67.59
Skandinaviska Enskilda Banken AB	22,900,091	16.79
Svenska Handelsbanken AB (publ.) Filialverksamheten i Finland	10,024,072	7.35
Other nominee-registered and foreign	1,960,227	1.44
Nominee-registered and foreign, total	**127,061,275**	**93.17**
Others	4,331,143	3.17
Joint book entry account	6,600	0.01
Shares, total	**136,382,018**	**100.00**

The company has not received any statutory notices of changes in owership during the year 2005.
Gazit-Globe Ltd. has informed the company that the number of shares held by it on 31 December 2005
totalled 50,255,000 accounting for 36.8 per cent of the shares and voting rights in the company on 31 December 2005.
Gazit-Globe Ltd.'s shares are nominee-registered.

SHAREHOLDERS BY OWNERGROUP ON 31 DECEMBER 2005

	Number of shareholders	Number of shares	Percentage of shares and voting rights
1. Financial and insurance corporations	18	126,269,729	92.58
2. Corporations	100	1,878,156	1.38
3. Households	1,241	4,696,405	3.44
4. General government	3	1,664,000	1.22
5. Foreign	15	1,611,027	1.18
6. Non-profit institutions	25	256,101	0.19
Total	1,402	136,375,418	99.99
– of which nominee-registered	7	125,450,248	91.98
Joint book-entry account		6,600	0.01
Issued stock, total		136,382,018	100.00

BREAKDOWN OF SHAREHOLDERS AS AT 31 DECEMBER 2005 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	736	52.49	441,518	0.32
1,001 - 5,000	445	31.74	1,202,053	0.88
5,001 - 10,000	113	8.06	891,295	0.65
10,001 - 50,000	76	5.42	1,746,284	1.28
50,001 - 100,000	12	0.86	912,220	0.67
100,001 -	20	1.43	131,182,048	96.19
Total	1,402	100.00	136,375,418	99.99
– of which nominee-registered	7		125,450,248	
Joint book entry account			6,600	0.01
Issued stock			136,382,018	100.00

SHARE PRICE AND TRADING VOLUME

	Formula	/ Note	IFRS 2005	IFRS 2004	FAS 2003	FAS 2002	FAS 2001
Share price, transactions, EUR							
Low			2.36	1.52	1.00	0.98	0.93
High			3.50	2.65	1.59	1.12	1.07
Average	12		2.95	1.94	1.47	1.06	1.01
Market capitalisation, EUR million	13	1)	424.1	273.9	154.9	112.1	103.9
Share trading volume							
No. of shares traded as of year-start, 1,000			40,695	115,056	104,487	8,581	4,653
Percentage of total			29.8	102.5	102.5	8.4	4.6
Adjusted average no. of shares, 1,000		1)	119,527	104,685	101,904	101,904	101,904
Adjusted average no. of shares, diluted, 1,000		1)	121,856	105,710	101,904	101,904	101,904
Adjusted average no. of shares on 31. Dec., 1,000		1)	136,382	112,259	101,904	101,904	101,904
Treasury shares, EUR million			0.0	4.7	4.7	4.3	4.0
Treasury shares, 1,000			0	3,874	3,874	3,874	3,874

1) When calculating this figure, treasury shares are deducted from shareholders’ equity and the number of shares.

FORMULAS FOR KEY FIGURES AND RATIOS

1	Return on equity (ROI), %	$\frac{\text{Profit/loss before extraordinary items - taxes}}{\text{Shareholders' equity (WA)}} \times 100$
2	Return on investment (ROI), %	$\frac{\text{Profit/loss before extraordinary items and taxes + interest and other financial expenses}}{\text{Balance sheet total (WA) - non-interest-bearing liabilities (2-year average)}} \times 100$
3	Equity ratio, %	$\frac{\text{Shareholders' equity + minority interest - treasury shares}}{\text{Balance sheet total - advances received - treasury shares}} \times 100$
4	Quick ratio	$\frac{\text{Current assets}}{\text{Short-term liabilities}}$
5	Gearing, %	$\frac{\text{Interest-bearing liabilities - cash and cash equivalents}}{\text{Shareholders' equity + minority interest}} \times 100$
6	Earnings per share (EPS)	$\frac{\text{Profit/loss before extraordinary items - taxes +/- minority interest}}{\text{Issue-adjusted average number of shares for the period}} \times 100$
7	Earnings per share, diluted	$\frac{\text{Profit/loss before extraordinary items - taxes +/- minority interest}}{\text{Diluted, issue-adjusted average number of shares for the period}} \times 100$
8	Equity per share	$\frac{\text{Shareholders' equity - treasury shares (excl. subordinated loan)}}{\text{Issue-adjusted number of shares on the balance sheet date}}$
9	P/E ratio (price/earnings)	$\frac{\text{Issue-adjusted closing price at year-end}}{\text{EPS}}$
10	Dividend payout ratio, %	$\frac{\text{Dividend per share}}{\text{EPS}} \times 100$
11	Effective dividend yield, %	$\frac{\text{Dividend per share}}{\text{Issue-adjusted closing price at year-end}} \times 100$
12	Average share price	$\frac{\text{Value of shares traded (EUR)}}{\text{Average number of shares traded}}$
13	Market capitalisation	Number of shares x closing price for the period excl. treasury shares
14	Financial rental occupancy rate, %	$\frac{\text{Rental income as per leases}}{\text{Estimated market rent of vacant premises + rental income as per leases}} \times 100$
15	Net income, %	$\frac{\text{Rental income - maintenance expenses}}{\text{Average fair value of property portfolio}} \times 100$

Maintenance expenses include alterations to rented premises charged to expenses and depreciation on capitalised alterations to rented premises. Income and expenses are annualised. The annual average fair value for Citycon's holdings is used as the property portfolio's value. The net income % is calculated using the method provided by the Finnish Institute for Real Estate Economics and Investment Property Databank.

BOARD PROPOSAL FOR PROFIT DISTRIBUTION

Proposal for profit distribution

Group's distributable funds as shown in the balance sheet, total EUR 92.6 million and parent company's distributable funds total EUR 19.8 million.

The Board of Directors proposes that a per-share dividend of EUR 0.14 be paid for the financial year and that the balance be entered in retained earnings.

Signatories to the financial statements dated 31 December 2005

Helsinki, 23 February 2006

Stig-Erik Bergström
Raimo Korpinen
Carl G. Nordman
Dor J. Segal

Thomas Wernink
Tuomo Lähdesmäki
Claes Ottosson
Amir Gal

Petri Olkinuora
CEO

The financial statements presented above have been prepared in accordance with good accounting practice. We have today submitted the report on the conducted audit.

Helsinki, 28 February 2006

Tuija Korpelainen
Authorized Public Accountant

Mikael Holmström
Authorized Public Accountant

AUDITOR'S REPORT

To the shareholders of Citycon Oyj

We have audited the accounting records, the financial statements and the administration of Citycon Oyj for the period 1.1. – 31.12.2005. The Board of Directors and the Managing Director have prepared the Report of the Board of Directors and the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU and the parent company's financial statements prepared in accordance with prevailing regulations in Finland, that includes parent company's balance sheet, income statement, cash flow statement and the notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, the parent company's financial statements and on the administration of the parent company.

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

CONSOLIDATED FINANCIAL STATEMENTS

In our opinion the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU give a true and fair view, as referred to in the International Financial Reporting Standards as adopted by the EU and defined in the Finnish Accounting Act, of the consolidated result of operations as well as of the financial position. The consolidated financial statements can be adopted.

PARENT COMPANY'S FINANCIAL STATEMENTS AND ADMINISTRATION

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Finnish Accounting Act, of the parent company's 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 Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding distribution of retained earnings is in compliance with the Companies' Act.

Helsinki, 28 February 2006

Tuija Korpelainen
Authorized Public Accountant

Mikael Holmström
Authorized Public Accountant

LIST OF PROPERTIES

SHOPPING CENTRES DIVISION

Property	Street address	Municipality		Year of completion/ renovation	Holding in company, %	Citycon's GLA, sq.m.	Occupancy rate, %, sq.m.	Economic occupancy rate, %, EUR
HELSINKI METROPOLITAN AREA								
Espoontori						**9,000**	**95.5**	**97.1**
Espoontori Koy	Kamreerintie 3	02770	Espoo	1988	67			
Heikintori						**4,600**	**92.3**	**95.0**
Heikintori Oy	Heikintori	02100	Espoo	1968	54			
Isomyyri						**9,900**	**91.8**	**96.6**
Myyrmäen Kauppakeskus Koy	Liesitori 1	01600	Vantaa	1987	68			
Lippulaiva						**22,600**	**95.0**	**97.2**
Lippulaiva Koy	Espoonlahdenkatu 4	02320	Espoo	1993	100	17,800		
Ulappatori Koy	Ulappakatu 1	02320	Espoo	1991	100	4,800		
Myyrmanni						**30,100**	**99.4**	**99.6**
Myyrmanni Koy	Iskoskuja 3	01600	Vantaa	1994	74			
Tikkuri						**10,700**	**91.5**	**93.2**
Tikkurilan Kauppakeskus Koy	Asematie 4-10	01300	Vantaa	1984/91	84			
OTHER FINNISH MAJOR CITIES								
IsoKarhu						**14,800**	**94.0**	**95.7**
Kauppakeskus IsoKarhu Oy	Yrjönkatu 16	28100	Pori	1972/01/04	100			
IsoKristiina						**18,200**	**95.3**	**98.9**
Lappeen Liikekeskus Koy	Brahenkatu 5	53100	Lappeenranta	1987	75	6,100		
Lappeenrannan Brahenkatu 7 Koy	Brahenkatu 7	53100	Lappeenranta	1993	84	3,700		
Karjalan Kauppakeskus Koy	Brahenkatu 3	53100	Lappeenranta	1987	100	8,400		
Jyväskeskus						**5,300**	**95.0**	**97.4**
Jyväskylän Kauppakatu 31 Koy	Kauppakatu 31	40100	Jyväskylä	1955/93	100			
Forum						**17,300**	**96.8**	**98.3**
Jyväskylän Forum Koy	Asematie 5	40100	Jyväskylä	1953/72/80/91	100			
Koskikeskus						**25,800**	**99.4**	**99.8**
Tampereen Hatanpää Koy	Hatanpäänvaltatie 1	33100	Tampere	1988	100	6,950		
Otavalan Tunneli	Hatanpäänvaltatie 1	33100	Tampere	1988	100	800		
Tampereen Koskenranta Koy	Hatanpäänvaltatie 1	33100	Tampere	1988/95	64	9,700		
Tampereen Suvantokatu Koy	Hatanpäänvaltatie 1	33100	Tampere	1988	100	8,350		
Trio						**32,200**	**96.6**	**97.4**
Lahden Trio Koy	Aleksanterinkatu 20	15140	Lahti	1977/87	94			
Galleria						**3,500**	**99.0**	**99.6**
Oulun Galleria Koy	Isokatu 23	90100	Oulu	1987	100			
OTHER PARTS OF FINLAND								
Koskikara						**5,800**	**94.9**	**96.8**
Valkeakosken Torikatu 2 Koy	Valtakatu 9-11	37630	Valkeakoski	1993	100	4,300		
Valkeakosken Liikekeskus Koy	Valtakatu 9-11	37630	Valkeakoski	1993	25	1,500		
Sampokeskus						**13,600**	**87.4**	**95.0**
Rovaniemen Sampotalo Koy	Rovakatu 28	96100	Rovaniemi	1990	100	11,700		
Lintulankulma Koy	Rovakatu 29	96101	Rovaniemi	1989/1990	100	1,900		
Torikeskus	Kauppatori 1	60100	Seinäjoki	1992	100	**11,300**	**88.5**	**90.0**
ESTONIA								
Rocca al Mare						**28,700**	**100.0**	**100.0**
Rocca al Mare Kaubanduskeskuse AS	Paldiski mnt. 102	13522	Tallinn	1998/2000	100			
SWEDEN								
Åkersberga	Stationvägen	18450	Österåker	1985/1995/1996	75	**33,000**	**99.7**	**99.6**
Åkermyntan	Lövkojsvägen 10-16	16511	Hässelby	1977	100	**8,400**	**100.0**	**100.0**
Fruängen	Fruängsgången 5	12952	Fruängen	1965	100	**14,600**	**97.9**	**98.9**
Kallhäll	Skarprättarvägen 36-38	17677	Järfalla	1991	100	**3,500**	**100.0**	**100.0**
Shopping Centres Division Total						**322,900**	**96.5**	**98.0**

LIST OF PROPERTIES

SUPERMARKETS AND SHOPS DIVISION

Property	Street address	Municipality	Year of completion/ renovation	Holding in company, %	Citycon's GLA, sq.m.	Occupancy rate, %, sq.m.	Economic occupancy rate, %, EUR
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
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	Malminraitti 11	00700 Helsinki	1962	10	315	100	100
Hyrylän Ostoskeskus Koy	Koskenmäentie 4	04300 Tuusula	1983	21	597	100	100
Irjanpirtti As Oy	Aleksis Kiven tie 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	Vanhaistentie 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	15	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	1,700	100	100
Latokasken Ostoskeskus Koy	Kaskipiha 1	02340 Espoo	1983	100	809	86,5	87,9
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	100	100
Malmintorin Koy	Malmin Kauppatie 18	00700 Helsinki	1987	8	1,014	100	100
Martinlaakson Kivivuorentie 4 Koy	Kivivuorentie 4	01620 Vantaa	1976	100	3,780	98,2	98,8
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	10	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	100	100
Salpausseläntie 11 Koy	Salpausseläntie 11	00710 Helsinki	1973	31	592	100	100
Sampotori	Kauppamiehentie 1	02100 Espoo	1985	lot	48	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
Töölönhovi As Oy	Runeberginkatu 57	00260 Helsinki	1935/94	8	139	100	100

Property	Street address	Municipality	Year of completion/ renovation	Holding in company, %	Citycon's GLA, sq.m.	Occupancy rate, %, sq.m.	Economic occupancy rate, %, EUR
Töölönkulma As Oy	Töölönkatu 29	00260 Helsinki	1935/90	13	341	100	100
Ultima Oy	Äyritie 1	01510 Vantaa	lot	100			
Uudenmaankatu 2 Koy	Uudenmaankatu 2	05800 Hyvinkää	1960	10	400	100	100
Vantaan Laajavuorenkuja 2 Koy	Laajavuorenkuja 2	01620 Vantaa	1976	100	1,926	100	100
Vantaan Säästötalo Koy	Kielotie 20	01300 Vantaa	1983	61	3,709	98.1	99.1
Wavulinintie 1 Koy	Wavulinintie 1	00210 Helsinki	1950/92	100	1,678	36.8	36.5
Viiskulma As Oy	Laivurinkatu 43	00150 Helsinki	1927	3	196	100	100
Vuosaaren Liikekeskus Oy	Mustalahdentie 4	00960 Helsinki	1965	9	296	80.9	83.1
Ylä-Malmintori 3 Koy	Ylä-Malmintori 3	00700 Helsinki	1989	10	300	100	100
OTHER FINNISH MAJOR CITIES							
Hervannan Liikekeskus Oy	Insinöörinkatu 23	33720 Tampere	1979	74	5,014	100	100
Härmälän Markkinatalo Oy	Nuolialantie 40	33900 Tampere	1977	100	1,820	69.5	76.1
Jankan Liikekeskus Koy	Ristinarkuntie 20	33700 Tampere	1989	18	201	100	100
Kaivokolmio As Oy	Hämeenkatu 5	20500 Turku	1973	14	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	7,120	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	1977	100	11,122	97.5	98.8
Kuopion Neulasyppi As Oy	Juontotie 6	70150 Kuopio	1986	8	201	48,5	44,6
Kärpäsen Ostoskeskus Oy	Satulakatu 13	15830 Lahti	1975	34	636	100	100
Käsityömestari As Oy	Yliopistonkatu 30A	20100 Turku	1982	9	373	100	100
Lahden Kauppakatu 13 Koy	Kauppakatu 13	15140 Lahti	1971	100	8,580	100	100
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	Satakunnankatu 23	28130 Pori	1957/93	100	18,881	80.6	87.9
Puijonlaakson 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
Tulliherra As Oy	Tulliportinkatu 23-25	70100 Kuopio	1982	23	831	100	100
Väinöläntammi Koy	Joukahaisentie 8	28330 Pori	1979	55	600	100	100
OTHER PARTS OF FINLAND							
Eerolan Liikekeskus Oy	Eerolantie 9	37630 Valkeakoski	1980	63	820	0	0
Forssan Hämeentie 3 Koy	Hämeentie 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	100	100
Hollolan Keskuspuoti Koy	Kauppakuja 4	15870 Hollola	1987	100	1,838	98.5	98.7
Imatran Keskusasema Koy	Koskikatu 1	55120 Imatra	1977	9	315	14.0	15.0
Kaarinan Kauppakeskus Koy	Puntarinkatu 3	20780 Kaarina	1988	26	325	100	100
Kaarinan Liiketalo Koy	Oskarinaukio 5	20780 Kaarina	1979/82	100	9,172	94.0	95.6
Kalajoen Linja-autoasema Koy	Kalajoentie 1	85100 Kalajoki	1976	47	1,126	100	100
Kanervatien Hallitalo Oy	Laukaantie 25	41340 Laukaa	1986	100	2,802	100	100
Karakeskus Koy	Valtakatu 30	45100 Kouvola	1988	3	359	100	100
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	80.1	87.0
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	63.6
Kuusankosken Kauppakatu 7 Koy	Kauppakatu 7	45700 Kuusankoski	1980	100	2,028	100	100
Loviisan Ulrika Koy	Kuningattarenkatu 9	07900 Loviisa	1988	100	1,862	62.9	60.0

LIST OF PROPERTIES

> SUPERMARKETS AND SHOPS DIVISION

Property	Street address	Municipality		Year of completion/ renovation	Holding in company, %	Citycon's GLA, sq.m.	Occupancy rate, %, sq.m.	Economic occupancy rate, %, EUR
Mastonkulma Koy	Soppeentie 2	33470	Ylöjärvi	1978/89	29	688	100	100
Multian Palvelukeskus Oy	Keskustie 33	42600	Multia	1982	46	496	100	100
Mäntyvuoksi Koy	Vuoksenniskantie	55800	Imatra	1974	87	1,268	100	100
Naantalin Tullikatu 16 Koy	Tullikatu 16	21100	Naantali	1985	100	4,347	77.9	86.6
Nokian Välikatu 17 Koy	Välikatu 17	37100	Nokia	1965/90	100	868	90.0	96.6
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	72.3	64.6
Seinäjoen Varastotie Koy	Varastotie 9	60100	Seinäjoki	1965/1985	100	9,315	59.3	58.2
Sollefteågatan 9 Fastighets Ab	Sollefteåkatu 9	66900	Uusikaarlepyy	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	0	0
Tornion Kauppakatu Koy	Kauppakatu 11	95400	Tornio	1983	59	932	86.2	85.2
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 Relanderinkatu 30 Koy	Relanderinkatu 28-34	78200	Varkaus	1990	100	8,145	100	100
Vihdin Linjatalo Oy	Linjakuja 3	03400	Vihti	1978	30	817	100	100
Supermarkets and Shops Division Total						**273,073**	**92.4**	**95.8**

PROPERTY VALUATION STATEMENT

1. Appraisal method

Aberdeen Property Investors (API) has made a valuation of Citycon's property portfolio as of 31 December 2005. 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 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.

1.3 YIELD DETERMINATION

During recent times, past quarter or half year, activity on the market has remained very strong. Competition, on certain locations and certain type of investments, has become very intense and it has led to ever increasing pressure to the yield in many cities. Within strong and widely spread demand, market has given less importance to liquidity risk and therefore yield levels have continuously decreased. As a result of the market trend API has revised it's input parameters to meet up the existing market characteristics. The API level should now describe a reasonable market level, where unhealthy and inappropriate market behavior has been eliminated.

Definition for Net Yield Requirement: Required rate of return (risk free rate + market risk + property risk).

Yield requirements for each properties were defined by Aberdeen Property Investors.

1.4 POTENTIAL DEVELOPMENT PROJECTS

All potential development options where left out from the valuation. These properties were evaluated based on the current situation and current estimated rental value.

All undeveloped or under development lots were evaluated based on their current zoning. The value in each case was set based on market observations.

2. Result

The portfolio consists of a wide range of properties with different market values and different levels of quality. The value of the total portfolio is calculated as the sum of the individual properties. Citycon has during the last quarter done some transactions or increased their ownership in some partial investments. New international assets in this portfolio are Åkermyntan, Kallhäll and Fruängen which are situated in Sweden. Other transaction-like investments are Sampokeskus, Heikintori and Hervanta, where Citycon has either increased their ownership or developed the asset by enlarging it.

The total market value, free from debt as of 31 December 2005 was EUR 955.0 million.

CITYCON

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