Annual Report '06

CITYCON

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Forward-Looking Statements

Some statements in this annual report are not historical facts and are “forward-looking”. Words such as “believes”, “expects”, “estimates”, “may”, “intends”, “will”, “should”, or “anticipates” and similar expressions or their negatives frequently identify forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance, achievements or industry results to be materially different from those expressed or implied by those forward-looking statements.

Citycon in Brief

AN EXPANDING RETAIL PROPERTY EXPERT

Citycon is a real estate company investing in retail premises and engaging in the retail property business throughout the ownership chain, i.e. the company owns, manages, leases and develops shopping centres and other large retail units. The company’s business consists of the regional business areas Finland, Sweden and the Baltic Countries. The business areas are further sub-divided into Retail Properties and Property Development.

Listed on the Helsinki Stock Exchange since 1988, Citycon is a Mid Cap company in the Financials sector on the OMX Nordic Exchange. Its year-end market capitalisation totalled EUR 844.3 million and its year-end share price closed at EUR 5.05. International investors accounted for 94.1 per cent of the company’s shareholders at the end of 2006.

For Citycon, 2006 marked a year of growth. The company strengthened its position in Sweden and Finland while entering Lithuania. Leading the Finnish shopping centre business, on 31 December 2006 Citycon owned a total of 26 shopping centres – 19 in Finland, five in Sweden, one in Estonia and one in Lithuania. In addition, the company owned 53 other retail properties in Finland and Sweden. At the end of 2006, the market value of the company’s property portfolio totalled EUR 1,447.9 million.

KEY FIGURES AND RATIOS

	2006	2005
Turnover, EUR million	119.4	92.2
Operating profit, EUR million	196.5	105.2
% of turnover	164.6	114.1
Profit before taxes, EUR million	165.6	74.2
Profit for the period, EUR million	126.4	59.8
Fair market value of investment properties, EUR million	1,447.9	956.6
Earnings per share (basic), EUR	0.78	0.47
Earnings per share (diluted), EUR (EPRA EPS)	0.74	0.46
Earnings per share (basic), excluding the effects of net fair value gains, gains on sale and other extraordinary items, EUR	0.20	0.20
Dividend per share, EUR	0.14 *	0.14
Net cash from operating activities per share, EUR	0.20	0.19
Equity per share, EUR (EPRA NAV)	3.38	2.45
EPRA NNNAV	3.22	2.45
P/E (price/earnings) ratio	6	7
P/E ratio, excluding the effects of changes in fair value, gains on sale and other extraordinary items	25	15
Return on equity (ROE), %	25.8	22.5
Return on investment (ROI), %	16.8	13.5
Equity ratio, %	39.1	36.7
Gearing, %	136.6	156.8
Interest-bearing net debt, EUR million	811.2	564.9
Net rental yield, %	7.6	8.5
Occupancy rate, %	97.1	97.2
Personnel (average for the period)	62	43
Personnel at the end of the period	73	57

* Proposal by the Board of Directors

Citycon as an Investment and Information for Shareholders

Investment in Citycon

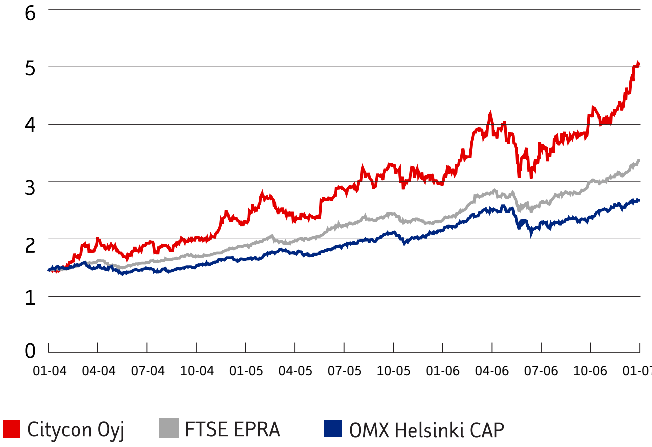
Investment in Citycon has been an investment in a growing Finnish real estate company. Citycon's focus on selected retail premises with development potential – especially shopping centres and other large retail units – in Finland, Sweden and the Baltic countries, and their development, has provided solid foundations for the company's success.

Equity related transactions, share price development and ownership

The company had two successful equity related transactions during the year, a rights issue of about EUR 75 million in the spring 2006, and EUR 110 million convertible bonds issued in August. The success was evidenced by the subscription of more than 99 per cent of the shares offered in the rights issue, and the full exercise of EUR 10 million overallocation option of the convertible bonds.

International investors accounted for 94.1 per cent of the company's shareholders at the end of 2006. During the financial year, Citycon also increased the number of new Finnish shareholders by over 300. Totalling EUR 844.3 million at the end of 2006, up by over EUR 400 million on a year earlier, the company's market capitalisation has more than quintupled over the last three years.

COMPARATIVE INDICES



Citycon is included in international indices of property investment companies. For example, the FTSE 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 tax deduction in dividends. Changes in the fair value of investment property (IAS 40) are not included in distributable earnings.
- The company's long-term equity ratio target is 40 per cent. On 31 December 2006, equity ratio stood at 39.1 per cent.

Annual General Meeting 2007

Citycon Oyj will hold its AGM at Finlandia Hall, Hall B, Mannerheimintie 13e, Helsinki, Finland, on Tuesday 13 March 2007, starting at 2.00 p.m.

Company shareholders listed in the shareholders' register by 2 March 2007 are entitled to attend the AGM if they have notified the company of their intention to do so by 4.00 p.m. on 8 March 2007.

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 visit our website, www.citycon.fi/agm2007 or 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 before the above deadline.

Company shareholders' register available for public review

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

Proposal for dividend distribution

The company's Board of Directors has proposed a per-share dividend of EUR 0.14 for 2006 to be paid on 23 March 2007 to shareholders listed in the company's shareholders' register on 16 March 2007 at the latest.

Notification of changes in shareholders' register

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

Financial reports in 2007

During 2007, Citycon Oyj will disclose financial information in Finnish and English as follows:

- Interim Report for January–March, noon, 26 April 2007
- Interim Report for January–June, noon, 20 July 2007
- Interim Report for January–September, noon, 18 October 2007

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

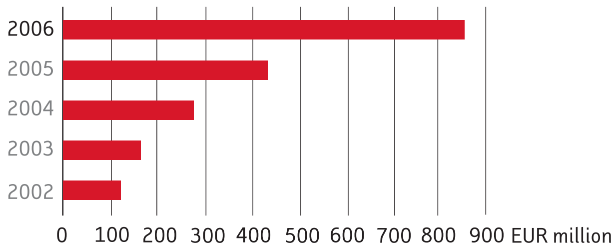
The company will publish its printed Annual Report in week 10. The printed version can be ordered via the website, by e-mail to info@citycon.fi, or by telephone on +358 9 680 36 70.

IR principles

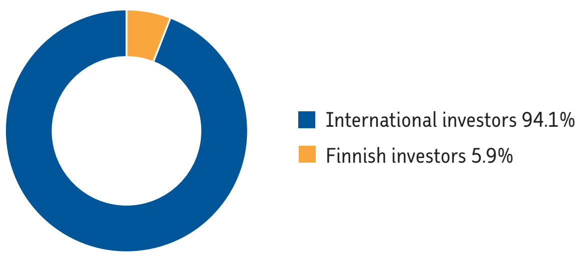
Citycon strives to continuously provide the market with accurate and up-to-date information on the company, with the aim of improving the recognition of the company's business, enhancing investor-information transparency and, consequently, shareholder value. The company's IR contacts are the CEO, the 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 can be ordered via its website by e-mail or directly by e-mail to info@citycon.fi.

TREND IN MARKET CAPITALISATION



BREAKDOWN OF SHAREHOLDERS



Contact information

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CFO
Mr Eero Sihvonen
Tel.: +358 50 557 9137
eero.sihvonen@citycon.fi

Investor Relations Officer
Ms Hanna Jaakkola
Tel.: +358 40 566 6070
hanna.jaakkola@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 does not necessarily include all banks, brokerage and other firms providing such analysis coverage and any firm listed below may stop providing the analysis coverage any time. Citycon is not responsible for analysts' comments and statements.

eQ Bank Ltd
Tel.: +358 9 6817 8800
Mannerheiminaukio 1 A
FI-00100 Helsinki
Finland

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

Exane BNP Paribas
Tel.: +44 20 7039 9496
20 St. James's Street
London SW1A 1ES
United Kingdom

FIM Pankkiiriliike Oy
Tel.: +358 9 613 4600
Pohjoisesplanadi 33 A
FI-00100 Helsinki
Finland

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

Handelsbanken Capital Markets
Tel.: +46 8 701 10 00
Blasieholmstorg 11 & 12
SE-106 70 Stockholm
Sweden

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

OKO Bank plc
Tel.: +358 10 252 011
Teollisuuskatu 1 b
P.O. Box 308
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

PARTNER IN SUCCESSFUL RETAIL BUSINESS

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Mission

Demonstrating expertise in retail property business, Citycon owns, manages, leases and develops shopping centres, supermarkets and other large retail units. Citycon is the market leader in the Finnish shopping centre business.

Citycon is a profitable, growing and dynamic specialist in the property business. For its shareholders Citycon means an investment with a solid dividend-payment performance.

Citycon's business operations concentrate on urban growth centres.

Vision and goals

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

In its operations, Citycon seeks to enhance its value and expertise, and forge tenant 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 ability to develop solutions for retail premises and services opens up growth opportunities. The company aims to provide sustained shareholder value.

Strategy

Citycon's strategic goal is to safeguard growth by expanding in Finland, Sweden and the Baltic countries and by developing its existing business and properties. Citycon focuses on retail properties, its core business consisting of shopping centres, supermarkets and other large retail units. The company divested and aims to continue to divest non-core properties in order to recycle capital to higher growth areas and higher quality properties. Its business operations concentrate on urban growth centres in Finland, Sweden and the Baltic countries.

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

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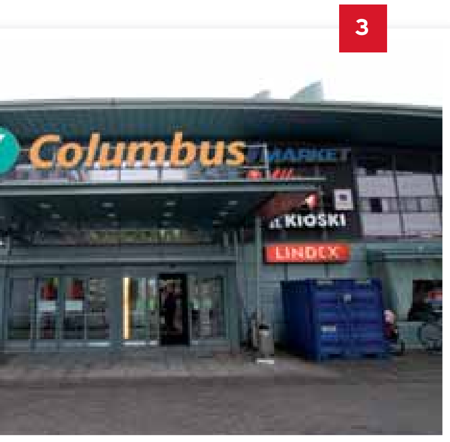

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1 Tullintori, Tampere. 2 Myyrmanni, Vantaa. 3 Columbus, Espoo. 4 Mandarinas, Vilnius.

History

Citycon's path to becoming the market leader in the Finnish shopping centre business and expansion abroad

2006

Citycon continues to expand its business in Sweden and the Baltic countries by acquiring several retail properties in Sweden and its first shopping centre property in Lithuania. The disposal of non-core properties further sharpens the Group's strategy of focusing on shopping centres and other large retail units, strengthening its position and profile as a real estate company specialising in retail properties.

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.

2004

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

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.

2002

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

2001

Citycon places an increasingly strong focus on owning and leasing retail premises while developing and expanding its property portfolio in the Helsinki Metropolitan Area and other major Finnish cities with a population of over 50,000. Its turnover rises and profit performance shows a marked upward trend.

CEO's Review

A YEAR OF GROWTH

For Citycon, 2006 marked a year of continued growth. The company strengthened the balance sheet and improved the cash-flow per share. Earnings per share (excluding extraordinary items) remained the same with reduced gearing.

Year-on-year, consolidated turnover increased by 29.5 per cent, to EUR 119.4 million. Profit before taxes increased to EUR 165.6 million (EUR 74.2 million) including a EUR 120.1 million (EUR 45.9 million) increase in the fair value of investment properties. The balance sheet total rose to EUR 1,486.4 million, compared to the EUR 983.1 million recorded a year earlier, due to investments in new properties and an increase in our investment properties' fair value. The market capitalisation grew by 99 per cent, to EUR 844.3 million.

We set growth as our strategic goal in 2004.

Citycon's turnover increased primarily due to the acquisitions of new retail properties. With investments in new properties totalling around EUR 400.9 million in 2006, Citycon entered a completely new company size. At the end of the year, its property portfolio's value, calculated in terms of fair values, came to over EUR 1,447.9 million, up by 51.4 per cent, despite the sale of non-core properties for EUR 73.9 million.

In 2006, Citycon entered the Lithuanian market by buying the Mandarinas shopping centre in the capital city Vilnius in May. We also strengthened our position in Finland and Sweden, with the most significant acquisitions including the Columbus shopping centre in Helsinki purchased in July and the Stenungs Torg and Jakobsbergs Centrum shopping centres bought in Sweden in August and September. A significant investment from the property development's point of view was the acquisition of an office and commercial building in Liljeholmen, Stockholm, and the related, significant shopping centre project.

In 2004, we set growth as our strategic goal, with the aim of increasing the company's size in such a way that it would become a competitive owner and developer of retail properties in Finland and elsewhere in the Baltic Rim. Today, we have an improved competitive position in Finland and Sweden and have established a foothold in Estonia and Lithuania. Existing and future tenants based in our shopping and retail centres should be able to benefit from our expansion and more international presence in the form of more versatile range of services and retail premises. We are able to provide, for instance, retail chains entering the market or expanding their operations with several retail premises in one go.

The divestment of our non-core properties in September, generating capital gains of EUR 5.9 million, was an important step in the implementation of our strategy. The post-divestment property portfolio is better in line with our strategic goal of focusing on shopping centres and other large retail units.

Citycon seeks to acquire especially such retail properties that offer potential for value creation through extension and development. In addition to property development, Citycon can increase the value of its property portfolio through professional retail property management – one of our key success factors. Citycon is an active property owner engaged in the management, marketing and development of its shopping centres, in co-operation with its tenants, municipalities and cities. The role of retail property management will also play an increasingly important role in the future due to the increased development activity. We must also in the future be able to develop and provide effective and appealing shopping and retail centres, meeting the needs of the catchment area's population. Our expanding international operations and intensified competition for new properties will also present challenges. Citycon reorganised its business operations in late 2006 so that the company could take better account of various markets' local characteristics. The resulting new regional organisation will enable us to develop our business as a strong local player in each of our operating areas.

In 2006, we also initiated our largest-ever development projects. Two major extension and refurbishment projects of the Åkersberga shopping centre near Stockholm and the Trio shopping centre in Lahti will significantly strengthen their position in their catchment areas. Duo, a new shopping centre under construction in Hervanta, Tampere, will be completed during 2007 as planned. The first stage of the Lippulaiva shopping centre's extension and refurbishment project in Espoo is now complete and the second stage of the project will continue as soon as the changed city plan becomes legally valid. The financial year also saw the launch of a number of smaller development projects across Finland. Totalling approximately EUR 142 million in 2006, development investments naturally tie up capital during their implementation but, upon completion, they will be positively reflected in the property's net rental income and fair value.

Petri Olkinuora is Citycon's CEO since 2002.

Citycon has been able to raise senior debt financing on improved terms and to raise equity and equity linked debt in order to finance property acquisitions. Last year we carried out a EUR 75 million rights issue to existing shareholders and issued subordinated convertible bonds worth EUR 110 million placed with institutional investors. The issuance of new equity helps us in maintaining and improving our equity ratio during growth. We also reorganised our debt financing and signed a syndicated credit facility of EUR 600 million for up to seven years' maturity with a reduced interest margin, resulting in lower interest expenses and extended average maturity of our loan portfolio. Property-investment operations necessitate strong financing expertise. Citycon's guiding principles in financing involve striving for a competitive advantage through professional use of diversified funding sources.

Citycon's share has performed well - and better than the relevant indices - during the last three years, as evidenced by our share price rising by over 230 per cent during this period and more than 65 per cent last year.

International investors' interest in retail properties in Finland has clearly increased. Consequently, competition has become tougher and good investment properties are currently highly sought after, resulting in higher property prices and lower yield requirements set by investors on the properties. Characterised by similar market developments, Sweden has already faced fierce international competition for a longer period. By adhering to our strategy, we have done well in the face of such stiff competition.

I should like to take this opportunity to thank our customers and partners for a successful year. I would like to express my special thanks to our highly skilled and motivated employees, without whom our recent years' continued growth would not have been feasible. Citycon is going to continue expanding in Finland, Sweden and the Baltic countries and seek growth by not only acquiring new properties and developing its existing property portfolio but also by developing and aligning its operational practices in various countries and seeking also other means to exploit economies of scale attainable through its business expansion. Our swift climb to ranking among top industry players has provided us with excellent business development opportunities.

Helsinki, 15 February 2007

Petri Olkinuora
CEO

Business Environment

INTENSIFYING COMPETITION

Citycon is a real estate company investing in shopping centres and other retail premises. The company is the largest operator in the shopping-centre business in Finland and has expanded its operations in the last two years by entering into Sweden and the Baltic countries. On a European scale, Citycon is a relatively small operator, but in its own markets in Finland, Sweden and the Baltic region it is one of the most active players. Citycon is known as a dynamic business partner.

Citycon is one of the six real estate companies listed on the Helsinki Stock Exchange and the second largest in Finland measured by market capitalisation. On 31 December 2006, the market capitalisation of the real estate companies listed on the Helsinki Stock Exchange totalled approximately EUR 2.2 billion, Citycon accounting for 37.7 per cent. In 2006, the market capitalisation of the listed companies on the Helsinki Stock Exchange rose by 40.9 per cent, while the OMX Helsinki CAP index increased by 25.2 per cent. On the OMX Nordic Exchange, Citycon is a Mid Cap company in the Financials sector.

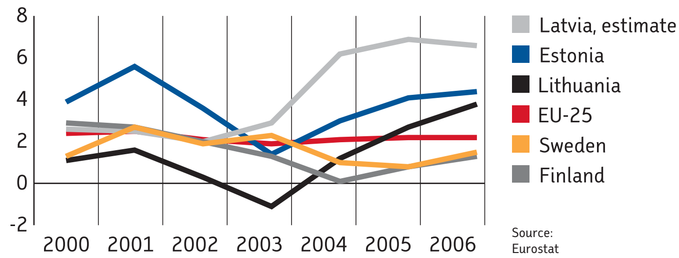
Citycon is included in international real estate indices. For example, the FTSE EPRA/NAREIT Global Real Estate Index serves as a benchmarking index for international investors, tracking share-price performance and total return.

Rapid growth in the retail business

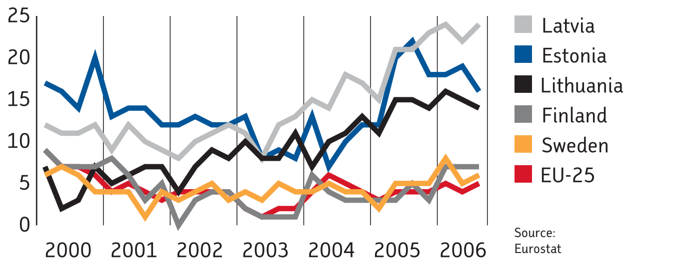
Citycon's core business consists of shopping centres and other large retail units. For this reason, the company is active in monitoring retail developments.

In 2006, according to available statistics, the retail business grew rapidly in all countries in which Citycon operates, with the emerging Estonian and Lithuanian markets showing the highest growth rates. Recently, Finnish and Swedish retail sales have also risen rapidly, the sector reaching new heights in 2006. In all four countries, consumer confidence was at historically very high levels.

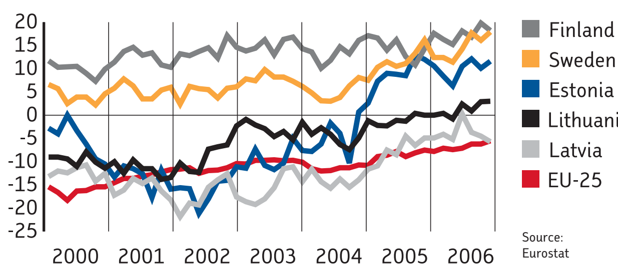
INFLATION



PERCENTAGE CHANGE IN GDP-CURRENT PRICES

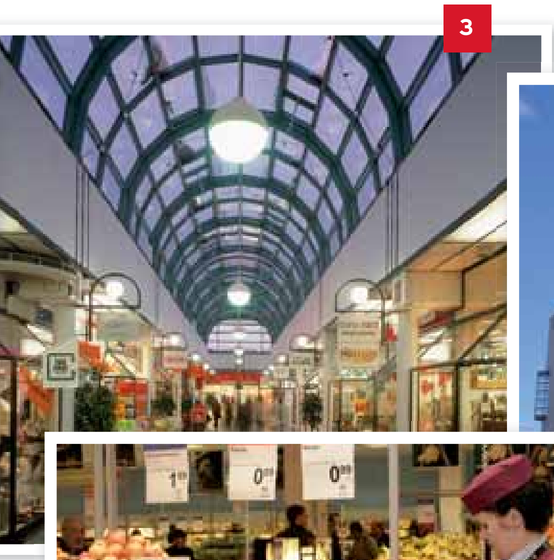


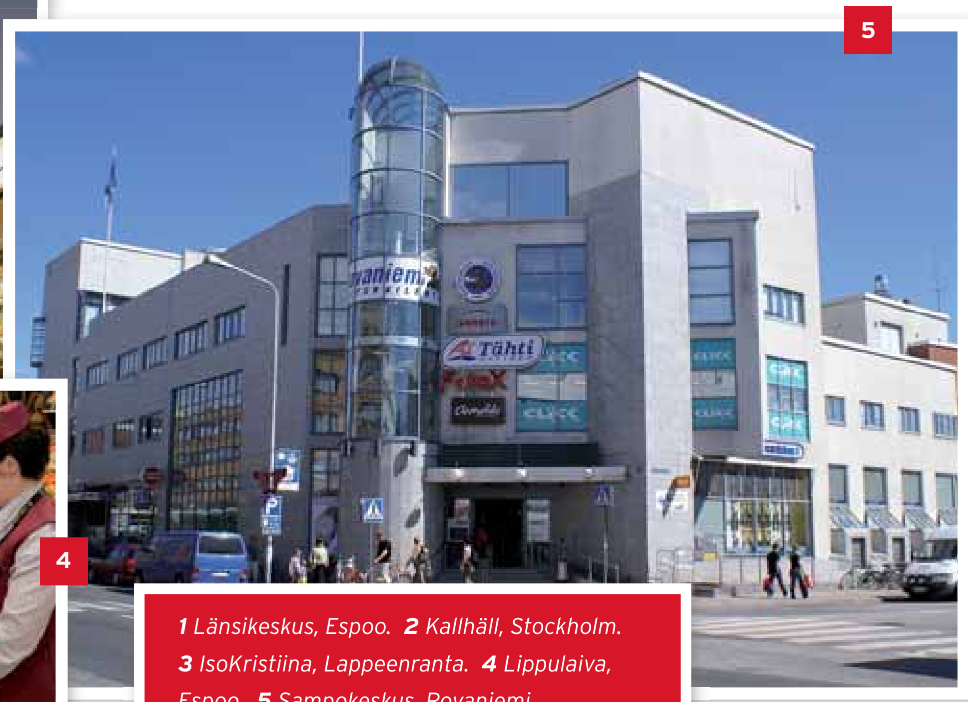
CONSUMER CONFIDENCE INDICATOR



The rapid growth in 2006 in countries in which Citycon operates was largely due to the favourable economic development and increases in households' purchasing power and consumer spending. This higher consumer spending is due, for example, to low inflation and still relatively low interest rates.

According to the preliminary trade data the total value of retail sales in Finland grew by 5.7 per cent (5.0%) in 2006 and in Sweden, the retail sales growth was 7.4 per cent (4.7%) (source: Statistics Finland and Statistics Sweden). According to the prelim-





1 Länsikeskus, Espoo. 2 Kallhäll, Stockholm. 3 IsoKristiina, Lappeenranta. 4 Lippulaiva, Espoo. 5 Sampokeskus, Rovaniemi.

inary data, the retail sales in constant prices increased by 19.0 per cent (12.0%) (source: Statistics Estonia) in Estonia and by 14.1 per cent (9.4%) in Lithuania (source: Statistics Lithuania).

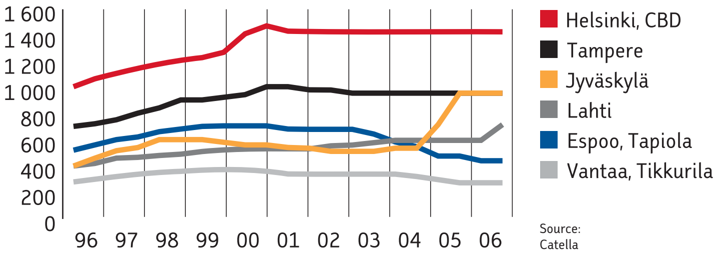
Growing foreign investments

The most important recent change experienced in Citycon's operating environment has been the sharp increase in international competition. The Finnish and Swedish property-investment markets appear very attractive for several reasons: both countries have for instance enjoyed favourable economic development in recent years and their property yields were earlier higher than in some other European markets. In addition, both countries have relatively transparent business practices and high-quality market information and have established property-market legislation.

Intensified international competition has considerably increased volumes of property transactions, which has, in turn, increased market liquidity and depressed yield requirements set for properties. These developments, coupled with transactions between real estate investors, have also in Finland increased the number of portfolio transactions, whereby several properties are traded at the same time. The Swedish property market has been more liquid for a long time and portfolio transactions are a common practice.

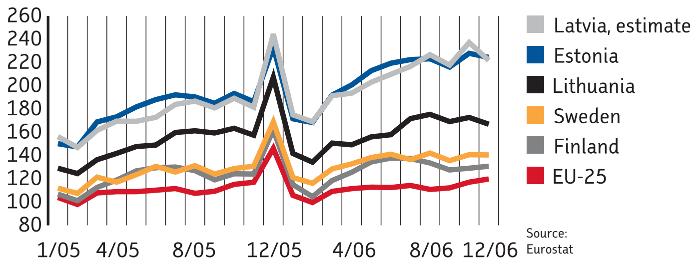
In the Baltic countries, the property investment sector is still more dominated by construction companies, which are typical initial-stage owners of shopping centres. Especially Estonia is showing initial signs of actual real estate market. Therefore, it is expected that the number of retail properties for sale will increase in the Baltic countries, which will provide new growth opportunities for real estate companies such as Citycon.

RENTAL LEVELS OF RETAIL PREMISES IN FINLAND, NEW AGREEMENTS



Source: Catella

RETAIL SALES INDEX



Source: Eurostat

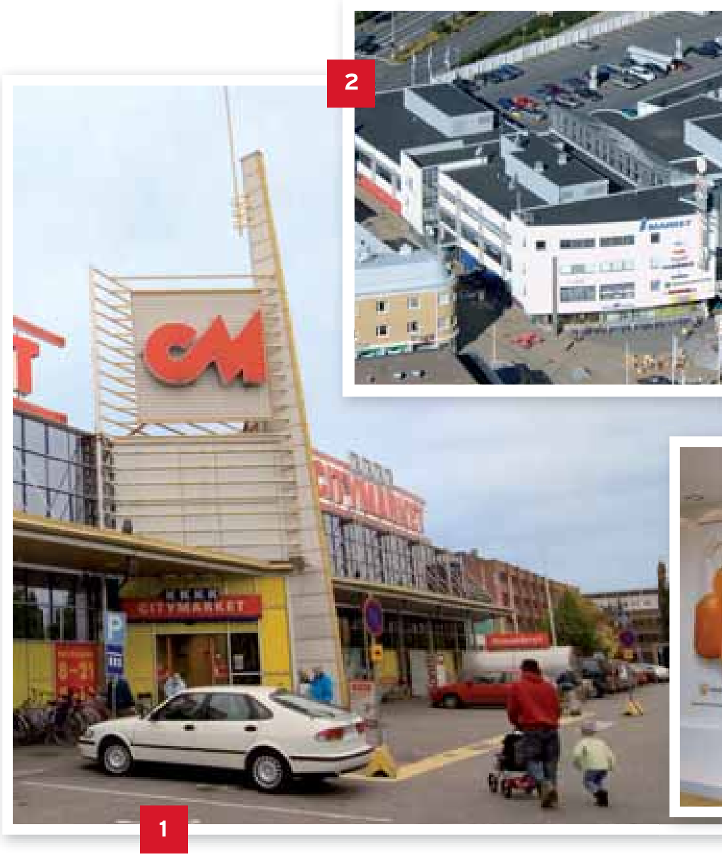
RETURN OF PROPERTY INVESTMENT COMPANIES

	2006 return, %	Rolling five year's return, %
Global real estate	27.3	119.5
Europe	49.4	229.0
North America	21.9	94.5
Asia	22.1	107.3

Source: EPRA/FTSE/JP Morgan

Business and Property Portfolio

ACTIVE RETAIL PROPERTY MANAGEMENT AND DEVELOPMENT

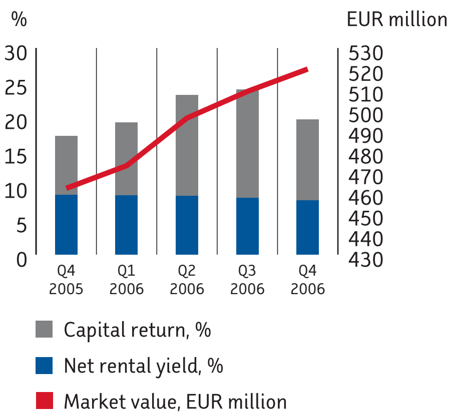


Operating in Finland, Sweden and the Baltic countries, Citycon owns and develops shopping centres and other retail properties. Citycon is the market leader of the Finnish shopping centre business, and it has also established a firm foothold in its other operating regions.

Citycon's business is based on expertise and an active involvement throughout the retail property's ownership chain. The company does not only own retail properties but also leases, markets, manages and develops them. Maintaining its properties as attractive and dynamic retail centres in the eyes of both customers and lessees forms the key element in Citycon's business. With respect to new properties being acquired or constructed, the company aims to identify those that will provide opportunities to increase their value also through their development.

Citycon's business consists of the following three geographical business areas: Finland, Sweden and the Baltic Countries.

TOTAL RETURN OF THE LIKE-FOR-LIKE PREMISES



In addition to net rental yield, the return on Citycon's like-for-like property portfolio can be analysed as a whole so that the total return is a sum of capital return and net rental yield. Capital return stands for the change in the market value in proportion to the period-end market value of the property portfolio.

Consequently, the total return measures the ratio of changes in properties' net rental yield and market values to the property portfolio's market value for a certain period, taking account of investments made.

Dynamic business

The goal of Citycon's business is growth based on the continuous upgrading of properties. This requires both excellence in retail property management and expertise in property development. Such development work is based on efforts to develop properties for improved retail appeal and business performance.

Successful property development requires knowledge of the market area's customers and retail business concepts and an insight into retailers' needs, on the basis of which Citycon chooses to build and develop appropriate retail properties. The company selects tenants suitable for each retail premise and steers the commercial content planning for the property, with the objective of creating attractive shopping centres in terms of their commercial success and urban environment. Enabled by its professional staff, Citycon aims to safeguard its retail properties' competitive edge by continuously developing new retail concepts.

In 2006, Citycon's Board of Directors decided to launch five new development projects and the company continued to implement two major projects underway.

Continuous development and profiling

Demand for retail premises continues to grow in dynamic regions characterised by population growth and strong spending power. At the same time, retailers are requiring greater efficiency and the location of properties is playing an even greater role. Additional commercial premises are also needed for new retail chains' requirements. As consumers require higher quality and standards and competition intensifies between retail properties, the need to modernise retail properties will also grow. Against this background, the commercial

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1 K-citymarket, Lahti. 2 Koskikara, Valkeakoski. 3 Mandarinas, Vilnius. 4 Hervanta, Tampere. 5 Jyväskeskus, Jyväskylä.

lifecycles of retail properties have become shorter, since a retail property may become obsolete within a few years, in case ongoing efforts are not made to modernise it. Long project-development times may also present a problem, and Citycon is seeking to respond to this challenge by efficient project steering and co-ordination.

Toughening competition between retail properties presents challenges to property-development operations, given that new competing shopping centres are built close to one another, and rapid changes in the centres' footfall are possible. For this reason, it is necessary to profile the shopping centres more effectively, so that they better meet customer needs and stand out from the competition. Creating an effective concept requires market insight and knowledge of customers. Citycon applies in-depth local and nationwide market surveys while actively monitoring consumer behaviour and trends, in order to profile its retail properties more effectively.

New investments

In line with the company's growth strategy, Citycon is continuously identifying and analysing potential acquisitions in selected market areas. Such analyses do not necessarily lead to affirmative investment decisions, since the majority of the properties examined do not fulfil the company's strict criteria. When venturing into new property projects, Citycon aims to ensure a steady return on the property after its acquisition and to analyse its development potential.

The most attractive retail properties are those providing the opportunity to increase income by active retail-property management and property development. Location plays a vital role in this. Without exception, Citycon's new investments are located in market areas where the population and spending power are predicted to grow.

Given that Citycon acquired all of its non-Finnish retail properties in 2005 and 2006, the company's recent investments have strongly focused on growth in neighbouring regions. Consequently, the company's business has experienced rapid expansion, especially in Sweden and the Baltic countries. In 2006, investments in new shopping centres came to around EUR 400.9 million, Sweden accounting for EUR 260.7 million, Finland EUR 124.3 million and Lithuania EUR 15.9 million.

Property portfolio in summary

On 31 December 2006, Citycon's property portfolio comprised 26 shopping centres and 53 other retail properties, their combined market value totalling EUR 1,447.9 million, and the market value of properties in Finland, Sweden and the Baltic countries amounting to EUR 1,009.7 million, EUR 354.8 million and EUR 83.3 million, respectively.

CITYCON'S FIVE MAJOR TENANTS 2006

	Proportion (%) of rental income
Kesko	33.7
S-Group	
ICA Sverige AB	
Lindex	
Stockmann	
5 largest, total	**42.1**

Property valuation

In accordance with the International Accounting Standards (IAS) and the International Valuation Standards (IVS), an external professional appraiser conducts a valuation of Citycon's property portfolio on a property-by-property basis at least once a year. However, 2006 Citycon chose to have its properties valued by an external appraiser on a quarterly basis, due to the market activity and rapidly changing market conditions. The most recent valuation statement by Aberdeen Property Investors Finland Oy can be found in the appended Financial Statements, page 58.

Market value determinants

Citycon recognises its investment property at fair value in accordance with IAS 40. Its properties' combined market value (fair value) on the balance sheet date is recorded in the balance sheet and any changes in their fair value are recognised in the income statement and are shown as a separate item under operating profit or loss. As a result, the change in fair value also has an impact on the periodic earnings and results.

KEY FIGURES OF PROPERTY PORTFOLIO, 31 DEC. 2006

	Finland	Sweden	Baltic Countries	Total
Citycon's GLA, sq.m.	484,720	217,700	36,600	739,020
Gross rental income, EUR million	93.1	15.9	6.1	115.1
Net rental income, EUR million	68.8	9.3	4.8	82.8
Net rental income yield, %	7.6	5.2	8.4	7.6
Net rental income yield, like-for-like properties, %	7.9			7.9

PROPERTY PORTFOLIO BY REGION, 31 DEC. 2006, EUR MILLION

	Total
Finland	
Helsinki Metropolitan Area	471.6
Other parts of Finland	538.2
Sweden	
Greater Stockholm Area	262.0
Greater Gothenburg Area	92.9
Baltic Countries	
Estonia	68.2
Lithuania	15.1
Total	**1,432.8**

Based on market value of property portfolio 31 Dec. 2006

TREND IN LEASE PORTFOLIO BY BUSINESS AREAS

	Finland	Sweden	Baltic Countries	Total
Number of leases started during the financial year	321	32	16	369
Total area of leases started, sq.m.	66,500	3,900	2,900	73,300
Occupancy rate at end of financial year, %	97.2	96.3	100	97.1
Average length of lease portfolio at the end of financial year, year	3.1	2.2	3.3	2.9

The retail property's fair-value measurement model applied to Citycon takes account of a number of variables, as defined in the IVS, relating to returns, market variables and the retail property's characteristics. The retail properties' diversity adds its own flavour to the measurement of fair values. The fair value of a single premise is affected, for example, by other premises within the same property, and their use and characteristics. As some leases are tied to lessees' turnover, the retail property is of higher value the better it works as a whole. The rental cash flow forms the basis of the entire property's valuation.

In practice, Citycon can contribute to its property's value in a variety of ways through its own operations based on a shopping-centre specific business idea. For example, effective marketing efforts aimed at increasing a retail property's sales and income may increase the property's fair value because of enhanced customer and cash flows. Similarly, investments aimed at upgrading the retail property or increasing the retail floor area may raise the property's fair value.

However, not all variables are under Citycon's control. For example, a reduction in the yield requirement, resulting from stronger demand for investment properties, has recently proven to be the factor with the most significant effect on the fair value of retail properties. If, at the same time, the cash flow remains unchanged, the fair value will increase without increased income. Naturally, this mechanism also works the other way around in different market conditions.

Cash-flow analysis as the basis for fair value measurement

Citycon uses a ten-year cash-flow analysis to measure the fair value of its investment property, the basic cash flow being determined by the company's lease agreements valid at the end of the valuation period. The total value of the property portfolio is calculated as the sum of the individual properties' fair value. The fair value of the company's investment properties in the balance sheet equals the property portfolio's total value determined by the external appraiser, such capital expenditure on development projects that have not been taken into account by the external appraiser as well as the value of new properties acquired during the reporting period.

Net rental income (also known as net operating income) and the yield requirement by each property must be defined for the cash-flow analysis. Net rental income equals gross rental income less operating expenses and investments. Subsequently, the future ten-year net rental income is discounted at yield requirement to which the discounted residual value and other assets, such as unused building rights and lots, are added. Discounting means that the future net rental income is converted to its present value. The 11th year cash flow capitalised with the yield requirement for the residual value (the so-called exit yield) is used as the residual value.

This yield requirement comprises risk-free interest as well as property-specific and market risk, and is used as the discount rate in the cash-flow analysis. Market rents, which affect rental income in the cash-flow analysis, are determined by market demand and supply. In the analysis, the occupancy rate stands for economic occupancy rate. Operating expenses comprise costs resulting from the property's management, maintenance, heating, electricity, water supply etc.

To sum up, yield requirement, market rents, occupancy rate and operating expenses form the key variables used in the investment property's fair-value measurement, other variables consisting of the maturity of leases, the current leases' extension probability, investments and the inflation rate.

On 31 December 2006, Aberdeen Property Investors Finland Oy evaluated the average yield requirement for Citycon's property portfolio at 6.6 per cent. The yield requirement for properties in Finland, Sweden and the Baltic countries stood at 6.6 per cent, 6.4 per cent and 7.1 per cent, respectively.

During the financial year, the fair value of Citycon's property portfolio rose by a total of EUR 491.3 million as a result of growth in the company's property portfolio and changes in general market conditions and the leasing business, despite the fact that the company divested 75 non-core properties. The year saw a total increase of EUR 131.3 million in the value of 130 properties and a total decrease of EUR 11.2 million in the value of 28 properties. The year's most significant change affecting market values included growing interest in Citycon's operating areas shown by international investors.

Measurement of development project's fair value

Citycon uses a special project model to measure the fair value of its development projects. This project model is a cash-flow analysis, which takes account of capital expenditure on the development project and the property's future cash flows according to the development project's schedule. Although the model applies principles similar to those used in the cash-flow analysis measuring the investment property's fair value, it is better suited to modelling changes, in many cases significant ones, in premises and contracts during the development project.

In the project model, the property can be divided into different parts and the current leases, future leases, project schedules and capital expenditure can be defined for each of these parts, which may comprise the various floors, areas or a larger space within the building. In addition, risks associated with the development project and the property's future use can be defined for the yield requirement for development projects. Following this, each part is subject to the cash-flow analysis and the parts' combined cash-flow constitutes the development project's fair value.

The goal of using the project model is to ensure the fair value's steady development as the project progresses so that no major, temporary fair value change arises at the time of the project's completion when starting to apply the fair-value measurement model for investment properties.

Citycon considers using the model on a case-by-case basis. As a rule of thumb, Citycon makes use of the model as soon as the Board of Directors has made a go-ahead investment decision on the project and the external appraiser considers that all information required for a reliable valuation is available.

Until the date of the Board's approval, the development project's fair value is based on the property's fair value determined by the external appraiser, exclusive of the development project, and capital expenditure on this development project is added to this value. In 2006, Citycon used the project model to determine the fair value of the Duo shopping centre and Torikeskus in Seinäjoki.

Measurement of the fair value of property under construction

A property under construction is accounted for as property, plant and equipment (PPE) until its completion. Upon its completion, the property is recognised as investment property in the balance sheet at a value comprising the amount of investments accrued until the completion. Subsequently, it is measured at fair value as any other investment property.

In 2006, Citycon did not have any such properties under construction.

Property portfolio changes during the year

On 1 January 2006, Citycon owned 16 shopping centres and 127 other retail properties in Finland, 3 shopping centres and one other retail property in Sweden and one shopping centre in the Baltic countries, their combined market value totalling EUR 956.6 million on 31 December 2005. In 2006, the company entered the Lithuanian market and continued its strong growth in Sweden. In Finland, Citycon sold 75 non-core properties in order to focus increasingly on large retail units. The most significant acquisitions in 2006 included the Mandarinas shopping centre in Lithuania, bought in May, Columbus in Finland purchased in July and the Stenungs Torg and Jakobsberg shopping centres in Sweden acquired at the turn of August-September, as well as the Liljeholmen shopping-centre project in Stockholm. The Tumba Centrum shopping centre, south of Stockholm, also represented a major acquisition announced in December and finalised in early 2007.

PORTFOLIO BY MARKET VALUE AND NUMBER OF PROPERTIES 31 DEC. 2006

Market value, EUR million	Share of total portfolio, %	Number of properties
over 100	18	2
80 - 100	6	1
60 - 80	20	4
40 - 60	12	3
20 - 40	17	8
10 - 20	16	17
5 - 10	7	13
0 - 5	5	32

Finland – acquisitions and development projects

In 2006, Citycon acquired 3 shopping centres in Finland for a total of EUR 86.1 million and sold 75 non-core properties at a debt-free price of EUR 73.9 million. In addition, the company increased its ownership in 5 retail properties for EUR 39.2 million.

The EUR 75.3 million purchase in July of the Columbus shopping centre in Vuosaari, Helsinki, represented the most significant new acquisition. In January, Citycon bought the remaining holding in the Myyrmanni shopping centre and acquired the Valtari shopping centre in Kouvola for a total price of around EUR 37.6 million. In February, it purchased the Tullintori shopping centre in the downtown of Tampere for EUR 8.8 million.

The refurbishment project launched in the Trio shopping centre in Lahti in the autumn represented Citycon's most significant modernisation project in 2006. Scheduled for completion in the spring of 2009, the project's capital expenditure is currently estimated to total approximately EUR 50.5 million, of which 2006 investments accounted for EUR 0.6 million.

In 2005, Citycon began to build a new shopping centre adjacent to the Hervanta shopping centre in Tampere, involving construction of an extension and refurbishing the existing retail centre. With the project investment totalling some EUR 27.3 million, the extension will be completed in March-April 2007 and the new shopping centre, Duo, as a whole will be ready to welcome Christmas shoppers later in the same year.

During 2006, Citycon announced the construction of two new retail centres: one in Kaarina and another one in Kangasala. These investments are worth a total of EUR 24.8 million. Title to the retail centres will transfer to Citycon upon the centres' completion in 2007. In the summer, the company launched a refurbishment project for the Torikeskus shopping centre in Seinäjoki, the project investment totalling around EUR 4 million.

The first stage of the extension and refurbishment of the Lippulaiva shopping centre in Espoo, launched in 2005, is now complete. The project will continue as soon as the changed city plan becomes legally valid.

Sweden – acquisitions and development projects

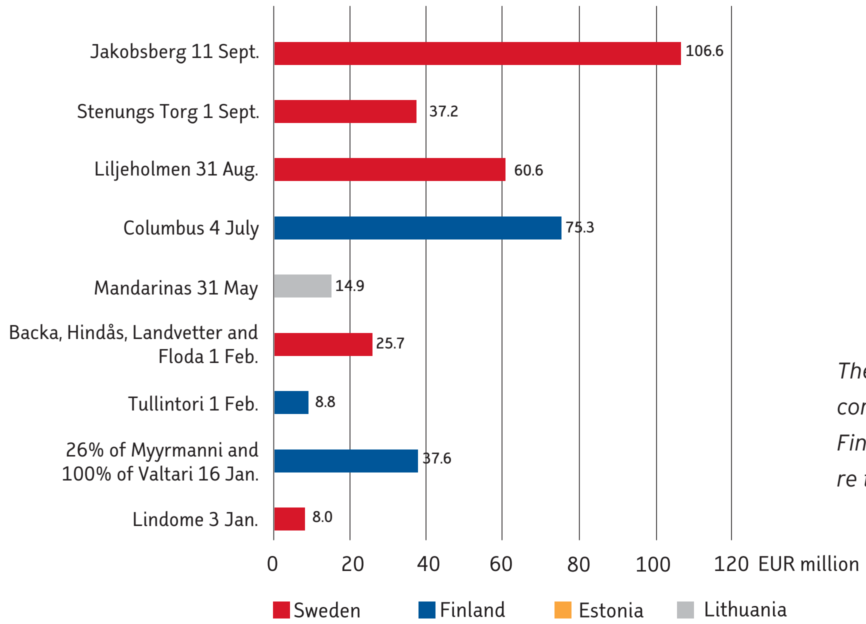
In 2006, Citycon acquired 8 shopping and retail centres in Sweden for a total of EUR 260.7 million and considerably strengthened its market position in the Greater Stockholm and Gothenburg Areas.

In September, the company acquired the Jakobsbergs Centrum shopping centre in the municipality of Järfälla, northwest of the Greater Stockholm Area, for approximately EUR 106.6 million and the majority holding in the Stenungs Torg shopping centre in the municipality of Stenungsund, north of Gothenburg, for around EUR 37.2 million. In early 2006, Citycon acquired retail and shopping centres in Lindome, Backa, Hindås, Landvetter and Floda in the Greater Gothenburg Area for a total of EUR 25.7 million.

In December, Citycon announced that it had agreed to buy the Tumba Centrum shopping centre in the municipality of Botkyrka, south of Stockholm, for around EUR 60.5 million. The closing of the acquisition took place in late January 2007.

In August, Citycon acquired a major shopping centre project in Liljeholmen, Stockholm, for about EUR 60.6 million, involving an office and commercial building and substantial amount of building right for the purposes of constructing a new shopping centre.

ACQUISITIONS 2006



The growth process continued in line with the company´s strategy, with investments in Sweden, Finland and Lithuania. Citycon´s capital expenditure totalled around EUR 400.9 million in 2006.

The company is also developing and refurbishing the Åkersberga shopping centre, acquired in 2005, in the Greater Stockholm Area, the refurbishment and extension project's investment totalling around EUR 27 million. The refurbished shopping centre should be completed in the spring of 2009.

The Baltic Countries – acquisitions and development projects

Citycon owns two shopping centres in the Baltic countries: Rocca al Mare in Tallinn, Estonia, acquired in July 2005, and Mandarinas in Vilnius, Lithuania, bought for EUR 14.9 million in May 2006.

The company is planning an extension project for Rocca al Mare.

Summary

As a result of the investments during the financial year, Citycon owned at the end of 2006 a total of 19 shopping centres and 46 other retail properties in Finland, five shopping centres and seven other retail properties in Sweden and two shopping centres in the Baltic countries. All of the investments determined and made during 2006 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.

Leasing activity

During 2006, Citycon extended lease agreements or negotiated new ones for retail premises, covering a total of 73,300 square metres, with the number of extended and new agreements totalling 139 and 230, respectively. A total of 1,165 lease agreements were transferred to Citycon as a result of property acquisitions. On 31 December 2006, the number of lessees operating on Citycon's premises totalled 2,107.

Speciality and grocery chains as well as banks and financial institutions are among the company's major lessees, of which the most significant in Finland include the various Kesko chains, such as the K-citymarket hypermarkets, the K-market supermarkets and the Anttila department stores, accounting for 33.7 per cent of the company's total rental income. However, these leases are based on agreements concluded on a premises-by-premises

LEASING ACTIVITY

	Number of lease agreements	Citycon's gross leasable area, sq.m.	Leased areas, sq.m.	Average rent, EUR/sq.m./month
Finland				
Status 1 January 2006	1,607	507,800	478,300	15.2
Leases started				
New or extended leases	321		66,500	15.6
Acquisitions	144	50,800	47,300	20.0
Leases ended				
Expired, fixed-term leases	100		29,700	14.1
Terminated , until-further-notice leases	253		40,300	17.9
Terminated , until-further-notice leases	10		6,200	34.0
Divestments	167	77,400	65,000	10.3
Status 31 Dec. 2006	**1,542**	**484,720**	**450,900**	**16.3**
Sweden				
Status 1 January 2006	392	59,500	58,660	11.0
Leases started				
New or extended leases	32		3,200	10.5
Acquisitions	965	157,690	145,740	12.7
Leases ended				
Expired, fixed-term leases	5		580	12.7
Terminated , until-further-notice leases	9		1,430	10.6
Divestments	-	-	-	-
Status 31 Dec. 2006	**1,375**	**217,700**	**205,590**	**12.3**
Baltic Countries				
Status 1 January 2006	110	28,600	28,600	12.3
Leases started				
New or extended leases	16		2,900	15.0
Acquisitions	56	8,000	8,000	12.4
Leases ended				
Expired, fixed-term leases	4		400	9.1
Terminated , until-further-notice leases	12		2,500	9.1
Divestments	-	-	-	-
Status 31 Dec. 2006	**166**	**36,600**	**36,600**	**9.9**

basis, which is why the number of lease agreements between Citycon and Kesko totals 75 covering 46 different properties. The S Group within the HOK-Elanto, Seppälä within Stockmann Group and Lindex, representing fashion and clothing chain stores, and Nordea include other major lessees.

In Sweden, the grocery chains ICA, COOP and Axfood represented the most significant commercial lessees. However, due to the diverse nature of Swedish shopping and retail centres, the Stockholm County Council (Stockholms läns landsting) was one of the largest single lessees.

Prisma, a Finland-based hypermarket chain, represented the largest single lessee in the Baltic countries.

Citycon aims to have a lease portfolio that is both versatile and can be managed efficiently. This implies that the company can, if needed, change the tenant mix and structure of rental agreements 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 tenant mix with stability. Typical of anchor tenants, long-term leases with a duration of some ten years stabilise Citycon's cash flow while providing tenants with the opportunity to develop their business in co-operation with Citycon on a long-term basis.

Most of Citycon's leases are based on agreements, whereby the rent is split between the so called capital rent, often tied to the cost-of-living index, and the maintenance fee. The maintenance fee, charged separately from the lessee, covers operating expenses incurred by the property owner due to property maintenance, and facilitates flexible changes in maintenance services.

Citycon aims to increase the portion of turnover-based lease agreements, which are tied to the lessee's turnover. Such rental agreements currently account for roughly 11 per cent of Citycon's lease portfolio, up by 6.1 percentage points on the year before. In new turnover-based rental agreements, the rental rate is split between the turn-over-based capital rent and the maintenance fee. Turnover-based rental agreements also include a minimum rent, tied to the cost-of-living index. If the minimum capital rent is lower than the rent based on actual turnover, the lessee will pay the resulting excess. The portion tied to the turnover is defined according to the lessee's field of industry and estimated sales. These turnover-linked lease agreements support both the lessee's and Citycon's shared goal of boosting the lessee's sales. Most of these lease agreements stipulate that lessees must report their sales to Citycon on a monthly basis. This helps the company actively monitor the performance of its shopping centres and develop their sales in co-operation with lessees by means of retail property management and marketing.

Future

Citycon strives to continue the growth strategy by expanding its property holdings in the retail business and selected market areas, and by upgrading its properties in order to better serve the retail sector.

Increasing competition for income producing property investments and continuous business development will present challenges. Retaining and strengthening its market position will require Citycon to identify new trends in retailing and contribute and respond to them, for example, by intensifying its property-development operations and actively seeking for new lessees, especially among new retailers entering the market.

DEVELOPMENT PROJECTS IN PROGRESS 31 DEC. 2006

Property	Location	Country	Market value, EUR million	Area, sq.m.[1]	Post-development area,	Total estimated investment, sq.m.	Realised capital expenditure by the end of 2006, EUR million [2]	Target year of completion	Additional information EUR million
Lippulaiva	Espoo	FIN	47	23,000	34,000	60-70 [3]	6.6	2008 [4]	Completion of the refurbishment in spring 2007. The construction of the extension upon confirmed city plan.
Trio	Lahti	FIN	72	32,000	35,000	50.5	0.6	2009 [4]	The project will be carried out in three stages; completing the first stage in autumn 2007.
Duo	Tampere	FIN	25	5,000	15,500	27.3	18.0	2007	Opening of the extension in spring 2007, completing the refurbishment of the existing premises before Christmas 2007.
Lentola	Kangasala	FIN		0	12,000	16.6	-	2007	New retail centre under construction.
Kaarina	Kaarina	FIN		0	5,500	8.2	-	2007	New retail centre under construction.
Torikeskus	Seinäjoki	FIN	12	11,300	12,000	4	0,6	2009	Refurbishment underway.
Åkersberga	Österåker	SWE	55	26,000	26,000	27	3.4	2009	Refurbishment and extension of the existing shopping centre.

[1] Leasable area owned by Citycon.
[2] New capital tied on the project
[3] Both stages included in the figure. The second stage still requires the Board of Directors' decision.
[4] The project schedule is subject to a risk associated with city planning.

DEVELOPMENT PROJECTS UNDER PLANNING 31 DEC. 2006

Citycon's Board of Directors has not yet made a decision on the development project, but the project is under planning, an alteration of the city plan is pending or Citycon (or its partner) has a site reservation.

Property	Location	Country	Market value, EUR million	Project area, sq.m. [1]	Estimated investment need, EUR million [2]	Additional information
Espoontori	Espoo	FIN	19	24,000	50	Change in city plan pending. Plans for extending the shopping centre. Completion target 2009-2010. [3]
Myyrmanni	Vantaa	FIN	156	10,000 [4]	25-35	Aim of the project is to develop Myyrmanni with respect to its functionalities and building an extended section. Completion target 2010. [3]
Galleria	Oulu	FIN	8	20,000-30,000 [5]		Developing the Galleria block into a shopping centre in co-operation with the block's other property owners. Target year of project launch 2008.
Koskikeskus	Tampere	FIN	86	2,000 [6]		The development of the shopping centre's services through refurbishment and extension. Change in city plan pending. Increase of retail building right by 6,200 sq.m. Completion target 2008.
Myllypuro [7]	Helsinki	FIN	2	5,000	11-13	Building a new retail centre replacing the existing property. Target year of project launch 2008.
Kuopion Anttila	Kuopio	FIN	17	15,000	28-30	Developing the existing building into a new shopping centre including an extension. Target year of project launch 2009. [3]
Heikintori [7]	Espoo	FIN	14	23,000	60	Refurbishing and expanding the existing shopping centre. Targeted project launch 2009-2010. [3]
Martinlaakso	Vantaa	FIN	4	6,000-8,000	25-30	Building a new retail centre that replaces the existing one. Completion target 2009-2010. [3]
Laajasalo	Helsinki	FIN	4	8,000	25-30	Building a new retail centre that replaces the existing one. Completion target 2009-2010. [3]
MAXX	Tampere	FIN		50,000-80,000		Retail Park project under planning.
MAXX	Vantaa	FIN		80,000-100,000		Retail Park project under planning.
Rocca al Mare	Tallinn	EST	68	53,000	60-65	The project is planned to be carried out in three stages and launch during 2007. Completion target 2009-2010.
Liljeholmen	Stockholm	SWE	65	44,000	110-115	Building of a new shopping and service centre. The area indicated in this table excludes an underground car park of some 32,000 sq.m. Projected completion target 2009-2010.
Stenungs Torg [7]	Stenungsund	SWE	58	24,000-36,000	30-50	Citycon has agreed with the shopping centre's minority shareholder on the development of the shopping centre. The project is scheduled to begin in 2007.
Åkermyntan	Hässelby	SWE	13	8,500	2-10	Redevelopment of the retail centre.

[1] The project area refers to the combination of the area of the existing premises under refurbishment owned by Citycon and the area of the planned extension.
[2] The amount of investment needed will change and become more precise as the planning process proceeds. The figure is the best current estimate.
[3] The schedule for the project completion and/or launch involves risks associated with city planning.
[4] The project area refers only to the area of the planned extension.
[5] The plans are just preliminary and therefore Citycon's final ownership of the project area is not known.
[6] The leasable area may be larger than indicated.
[7] Partly-owned property.

POTENTIAL DEVELOPMENT PROJECTS 31 DEC. 2006

Citycon is analysing opportunities for the development and/extension of for example the properties below. Neither an alteration of the city plan has been applied nor any other official decisions made.

Property	Location	Country	Market value, EUR million	Area, sq.m.	Additional information
Ultima	Vantaa	FIN	2	-	Vacant lot of around 42,000 sq.m., with 20,000 sq.m in current permitted building volume.
IsoKristiina	Lappeenranta	FIN	36	18,200	Opportunities to extend the shopping centre are analysed.
Hakunila	Vantaa	FIN	4	3,000	Opportunities to develop the property are analysed.
Jyväskylän Forum	Jyväskylä	FIN	49	17,400	Citycon is analysing opportunities to extend the shopping centre.
Tumba Centrum	Botkyrka	SWE	61	2,200-20,000	Citycon is planning to extend the centre. The acquisition was closed on 31 Jan. 2007
Jakobsberg	Järfälla	SWE	110	6,000-17,000	The detail plan includes approximately 6,000 sq.m. of retail premises and a maximum of 1,000 sq.m. in apartments.
Fruängen	Stockholm	SWE	15	15,000	Refurbishment and possible extension.
Backa	Gothenburg	SWE	9	7,800	Redevelopment possibilities.

PORTFOLIO ANALYSIS 31 DEC. 2006

Property	Location	Citycon's GLA, sq.m.	Number of lease agreements	Average lengths of lease agreements, years	Average rent, eur/sq.m. /year	Fair market value, EUR million		Rental income		Occupancy rate, %	
								Gross rental income	Net-rental income	EUR	sq.m.
						31 Dec. 2006	31 Dec. 2005	Year 06	Year 06	31 Dec. 2006	31 Dec. 2006
Finland											
Helsinki Metropolitan Area											
Columbus	Helsinki	20,400	67	5.7		78.2				99.8	99.6
Espoontori	Espoo	9,000	39	0.6		18.9	16.0			97.0	94.5
Heikintori	Espoo	5,500	29	1.3		14.1	11.6			93.4	90.1
Isomyyri	Vantaa	9,900	14	3.5		18.7	15.5			96.3	91.1
Lippulaiva	Espoo	23,000	84	5.9		54.0	48.4			99.9	99.7
Myyrmanni	Vantaa	40,200	141	2.1		155.8	96.8			99.5	99.2
Tikkuri	Vantaa	10,700	48	0.9		23.1	20.5			90.6	90.4
Helsinki Metropolitan Area, total		118,700	422	3.3	245	362.6	208.7	27.4	20.3	98.3	97.1
Other parts of Finland											
IsoKarhu	Pori	14,900	60	3.3		39.2	34.2			98.7	97.3
IsoKristiina	Lappeenranta	18,200	54	2.5		35.6	28.9			99.2	93.0
Jyväskeskus	Jyväskylä	5,800	76	6.2		12.2	10.4			99.8	98.6
Jyväskylän Forum	Jyväskylä	17,400	63	1.0		48.6	38.0			97.6	96.9
Koskikara	Valkeakoski	5,800	38	1.8		5.3	5.1			100.0	100.0
Koskikeskus	Tampere	25,700	159	3.2		85.9	76.3			99.8	99.3
Oulun Galleria	Oulu	3,500	33	1.8		7.7	6.0			98.7	97.3
Sampokeskus	Rovaniemi	13,600	116	1.6		23.6	18.2			93.5	85.6
Torikeskus	Seinäjoki	11,300	79	1.9		12.1	9.6			93.7	92.2
Trio	Lahti	32,200	121	0.8		72.4	64.6			96.7	95.8
Tullintori	Tampere	10,200	56	0.7		8.7				98.6	94.9
Valtari	Kouvola	7,600	19	0.8		5.9				90.6	87.2
Other parts of Finland, total		166,200	874	2.1	190	357.1	291.4	32.1	23.5	97.7	95.0
Other retail properties		199,820	246	3.9	140	290.1	320.0	33.6	24.9	95.4	92.4
Finland, total		**484,720**	**1,542**	**3.1**	**185**	**1,009.7**	**820.1**	**93.1**	**68.7**	**94.5**	**97.2**
Sweden											
Greater Stockholm Area											
Åkersberga	Österåker	33,100	240	1.3		55.3	50.7			100.0	97.2
Åkermyntan	Hässelby	8,400	49	2.9		12.5	12.0			97.7	97.5
Kallhäll	Järfälla	3,500	1	1.8		4.8	4.4			100.0	100.0
Jakobsberg	Järfälla	67,000	498	1.8		110.0				97.8	95.5
Fruängen	Stockholm	14,600	98	1.6		14.6	11.9			97.7	97.8
Liljeholmen	Stockholm	20,100	36	2.8		64.7				85.2	81.7
Greater Stockholm Area, total											
Greater Gothenburg Area											
Stenungs Torg	Stenungsund	37,600	306	2.6		58.4				89.6	86.1
Backa	Gothenburg	7,800	13	2.4		9.2				93.9	92.0
Floda	Lerum	11,300	82	1.7		8.8				95.2	93.8
Hindås	Härryda	1,700	4	2.4		1.4				97.3	96.9
Landvetter	Härryda	4,800	22	4.0		6.9				100.0	100.0
Lindome	Mölndal	7,800	26	5.7		8.2				98.3	97.0
Greater Gothenburg Area, total											
Sweden, total		**217,700**	**1,375**	**2.2**	**145**	**354.8**	**79.0**	**15.9**	**9.3**	**96.3**	**94.7**
Baltic Countries											
Estonia											
Rocca al Mare	Tallinn	28,600	110	2.5		68.2	60.5			100.0	100.0
Lithuania											
Mandarinas	Vilnius	8,000	56	6.4		15.1				100.0	100.0
Baltic Countries, total		**36,600**	**166**	**3.3**	**155**	**83.3**	**60.5**	**6.1**	**4.7**	**100.0**	**100.0**
Total Combined Portfolio		739,020	3,083	3.2		1,447.9	959.6	115.1	82.7	97.2	94.6

LIKE-FOR-LIKE PORTFOLIO

Location	Citycon's GLA, sq.m.	Number of lease agreements	Average lengths of lease agreements	Average rent, eur/ sq.m./year	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. 2006	31 Dec. 2005	Year 06	Year 06	31 Dec. 2006	31 Dec. 2006
Finland										
Helsinki Metropolitan Area	102,960	250	3.5	170	177.3	160.2	17.2	12.3	96.6	94.1
Other parts of Finland	189,260	451	3.1	167	342.5	301.7	32.1	24.9	97.1	94.2
Finland, total	**292,220**	**701**	**3.2**	**169**	**519.8**	**461.9**	**49.2**	**37.2**	**96.6**	**94.1**

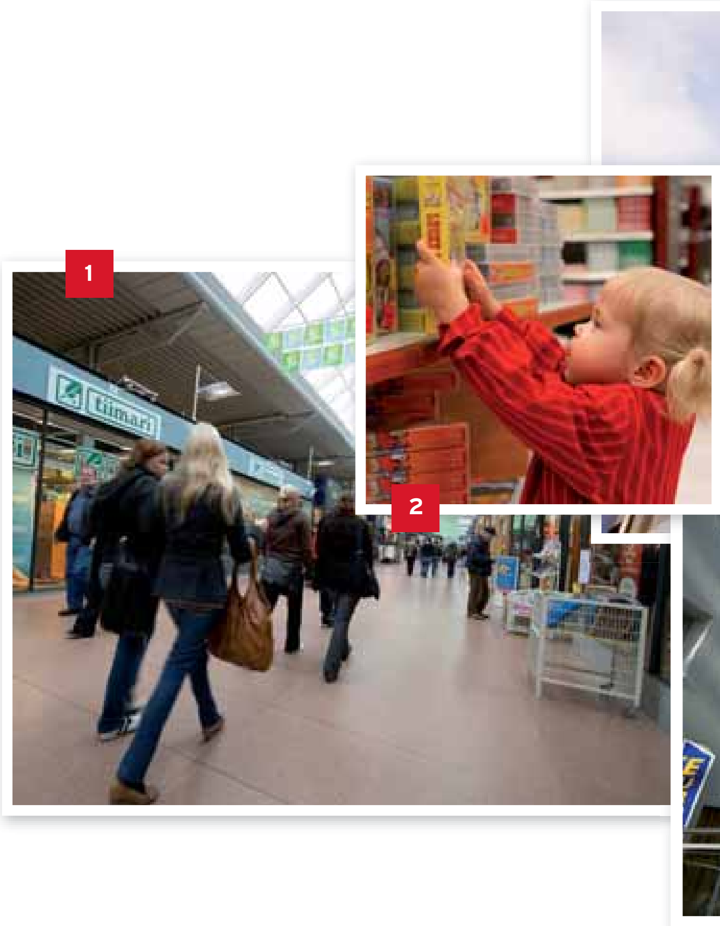
Like-for-like portfolio = Properties held by Citycon through the 24-month reference period. Properties under development and expansion as well as lots are eliminated from the figures.

MARKET VALUE OF PROPERTY PORTFOLIO 31 DEC. 2006

Total portfolio	Fair market value, EUR million		Change in market value, year 2006, EUR million: Positive	Negative	Total	Average yield requirement, %		Average market rent, EUR/sq.m./year	Average operating expenses, EUR /sq.m./year
	31 Dec. 2006	31 Dec. 2005				31 Dec. 2006	31 Dec. 2005	31 Dec. 2006	31 Dec. 2006
Finland									
Helsinki Metropolitan Area	471.6	310.9	41.9	4.1	37.8	6.4	7.4	19.1	4.6
Other parts of Finland	538.2	443.8	64.9	0.3	64.5	6.8	7.8	15.3	3.7
Finland, total	**1,009.7**	**754.7**	**106.8**	**4.5**	**102.3**	**6.6**	**7.6**	**16.8**	**4.0**
Sweden									
Greater Stockholm Area	262.0	79.0	7.9	0.0	7.9	6.4	7.4	13.0	4.0
Greater Gothenburg Area	92.9	-	6.5	5.8	0.7	6.5	-	11.6	3.4
Sweden, total	**354.8**	**79.0**	**14.5**	**5.8**	**8.7**	**6.4**	**7.4**	**13.0**	**3.8**
Baltic Countries									
Estonia	68.2	60.5	6.4	0.0	6.4	7.0	8.2	14.9	2.5
Lithuania	15.1	-	0.1	0.0	0.1	7.3	-	13.1	0.9
Baltic Countries, total	**83.3**	**60.5**	**6.6**	**0.0**	**6.6**	**7.1**	**8.2**	**14.5**	**2.1**
Total portfolio	**1,447.9**	**894.2**	**127.8**	**10.3**	**117.5***				
*The fair value increase of the properties divested during the period was EUR 2.5 million.									
Like-for-like properties									
Finland									
Helsinki Metropolitan Area	177.3	160.2	15.5	0.8	14.7				
Other parts of Finland	342.5	301.7	39.9	0.2	39.7				
Like-for-like properties, Finland, total	**519.8**	**461.9**	**55.3**	**0.9**	**54.4**				

Finland

RETAIL PROPERTIES CLOSE TO CUSTOMERS



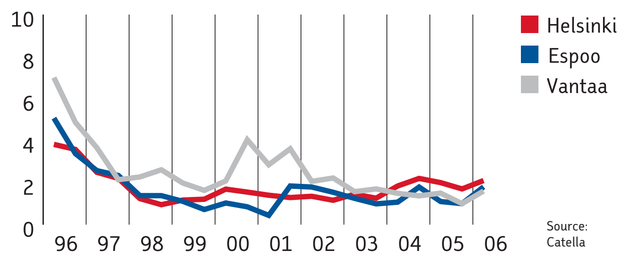
Retail properties assume different roles depending on their environment, some becoming local hubs while others become partners that make life easier. The largest and newest shopping centres are like small towns, in which people spend time whether or not they need to go shopping. Shopping centres can grow from retail properties into towns on their customers' terms.

Service structure in Citycon's shopping centres is based on the needs of the local clientele. Thus, each shopping centre plays a different role in its environment depending on the services that serve the local people best.

Citycon is Finland's largest company in the shopping-centre business. It owns 19 shopping centres in addition to 46 other retail properties, of which 32 are located in the Helsinki Metropolitan Area and 33 elsewhere in Finland. In 2006, Citycon reported a turnover of EUR 95.8 million in Finland and the market value of its Finnish property portfolio totalled EUR 1,009.7 million at the year end.

Approximately one quarter of Finnish shopping-centre sales come from Citycon's shopping centres. The stores that operate in Citycon's Finnish shopping centres reported sales of almost EUR 875 million in 2006, and they recorded more than 71 million customer visits. According to the preliminary data Citycon's market share of the grocery sales in the Finnish shopping centres was 26 per cent (source: Entrecon).

VACANCY RATES IN RETAIL PREMISES IN THE HELSINKI METROPOLITAN AREA



Source: Catella

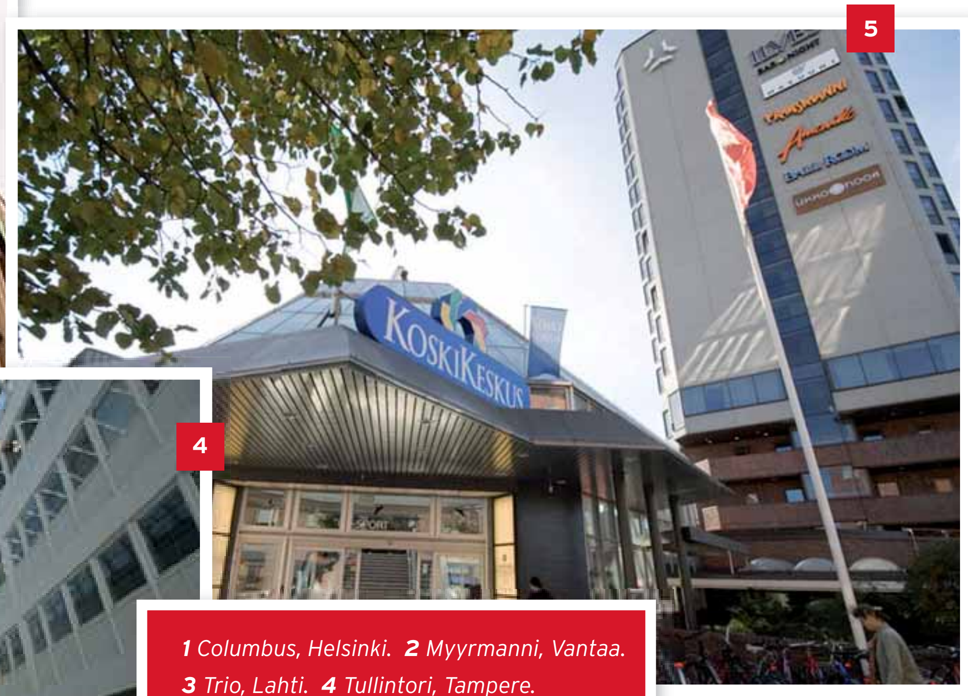
According to the market share study conducted in December 2006 by Entrecon, Citycon's wholly or partly owned shopping centres accounted for about 24 per cent of the Finnish shopping centre market. The market share has been calculated from the total sales of the shopping centres. Due to new shopping centre acquisitions and completed extension projects Citycon's market share has remained at about the same level despite intensified competition.

Market development

In Finland, shopping centres are a fairly new form of retail premises, the first ones having been built in the late 1960s. Substantial growth in the number of shopping centres did not take place until the late 1980s. Thereafter, the number of shopping centres and their size has multiplied.

The Finnish shopping-centre property market has changed rapidly in the twenty-first century from the property investments' point of view. The main change has been the entry of foreign investors into the market. There is tough competition for shopping-centre ownership, with sites located in major urban centres being particularly desirable as an investment. Market developments have caused a swift increase in the price of shopping centre properties and a corresponding decrease in the yield requirements.

Citycon has succeeded in the competition by implementing its strategy of identifying properties with a potential for development.



1 Columbus, Helsinki. 2 Myyrmanni, Vantaa. 3 Trio, Lahti. 4 Tullintori, Tampere. 5 Koskikeskus, Tampere.

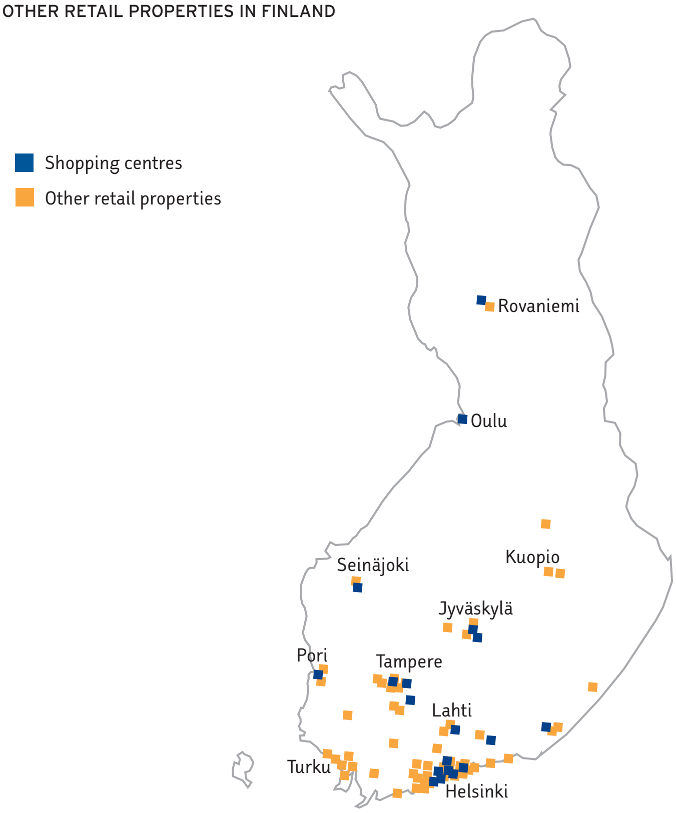
Shopping centres are rapidly increasing in popularity in Finland, which is reflected in sales, with a growth of 10 per cent (10%) in shopping-centre sales in 2006, compared to an average growth of 5.7 per cent (5%) in total retail sales according to Finnish Counsel of Shopping Centres. The main reason behind this growth is the increased number of shopping centres and their extensions. Finns are shopping at ever-larger retail units, but also easily accessible centres and shops are gaining more and more popularity.

Many Finnish shopping centres are characterised by having either one or, in case of the largest centres, often two hypermarkets or other large grocery stores as anchor tenants. An ever-increasing volume of grocery sales are made at shopping centres. The anchor tenants at Citycon's shopping centres also include other, non-grocery retailers.

Development projects

Citycon aims to make its shopping centres even more competitive by developing and modernising them. The main refurbishment project initiated in 2006 in Finland was related to the Trio shopping centre in Lahti. Citycon will modernise the premises and develop the shopping centre's service structure to meet customer needs more effectively, causing Trio's leasable area to increase by approximately 2,800 square metres. This development project will be carried out in three stages, each of which is estimated to take approximately a year. The wholly refurbished Trio is expected

SHOPPING CENTRES AND
OTHER RETAIL PROPERTIES IN FINLAND



1 *K-supermarket Mankkaa, Espoo.*
2 *K-citymarket Columbus, Helsinki*

These acquisitions further strenghtened Citycon's position as the market leader in the shopping-centre business in Finland.

to open its doors in the spring of 2009. The total value of the investment amounts to approximately EUR 50.5 million.

An important shopping centre project initiated in 2005 in Hervanta, Tampere, has progressed according to plan, encompassing the construction of an extension and the modernisation of the existing Hervanta retail centre. The extension of the new shopping centre, called Duo, will open in April 2007, with the centre as a whole being ready to welcome Christmas shoppers later that year. The project investment totals around EUR 27.3 million. The new shopping centre's gross leasable area will be approximately 15,500 square metres.

During 2006, Citycon also announced the construction of two new retail centres: one in Piispanristi, Kaarina, some 5km from the Turku city centre; and one in Lentola, Kangasala, approximately 13km from the Tampere city of Tampere. The Kaarina centre will consist of two separate retail buildings with a total leasable area of 7,500 square metres and the Kangasala centre will have a leasable area of 12,000 square metres. These investments are worth approximately EUR 24.8 million. In addition, Citycon initiated the refurbishment of the Torikeskus shopping centre in Seinäjoki, for a value of around EUR 4 million, in the summer of 2006.

Launched in 2005, the extension and refurbishment of the Lippulaiva shopping centre in Espoo made progress. The first stage of the project was completed in the autumn. The second stage of the project including the extension of the centre is expected to begin in the summer of 2007 as soon as the changed city plan becomes legally valid.

In 2006, Citycon invested a total of EUR 28.5 million in development projects in Finland. Additional information on the company's development projects, such as shopping centre Heikintori in Espoo and Anttila in Kuopio, can be found in the tables on pages 16-17.

TOP FIVE TENANTS BY RENTAL INCOME IN FINLAND

	Proportion (%) of rental income
Kesko	
S-Group	
Seppälä	
Lindex	
Nordea Bank Finland	
5 biggest, total	56.2

Acquisitions and disposals

Citycon's main acquisition in Finland for 2006 was the Columbus shopping centre in Vuosaari, Helsinki, for EUR 75.3 million. The centre's extension project was completed in early October, increasing the shopping centre's gross leasable area to around 20,000 square metres. Columbus, Citycon's first shopping centre in Helsinki, is the only retail complex in the Vuosaari area. Vuosaari will grow strongly with the development of the new Port of Helsinki and new residential areas such as Aurinkolahti.

In January 2006, Citycon acquired the remaining holding in the Myyrmanni shopping centre in Vantaa and purchased the Valtari shopping centre in Kouvola for approximately EUR 37.6 million. As a result of the acquisition, Citycon's holdings in both of these properties is now 100 per cent, facilitating a comprehensive development of these properties.

In early February, the company acquired the Tullintori shopping centre in the heart of Tampere for EUR 8.8 million. Tullintori is the only shopping centre east of the railway station downtown Tampere. Given that multiple offices and a hotel are also planned for the area, consumer demand is expected to increase.

These acquisitions further strengthened Citycon's position as the market leader in the shopping-centre business in Finland. The capital expenditure on new acquisitions totalled EUR 124.3 million.

During 2006, Citycon also sold 75 non-core properties in Finland, most of them being supermarkets and shops, at a debt-free sale price of EUR 73.9 million. The divestment of non-core properties further sharpened the company's strategy of focusing on shopping centres and other large retail units. As a result of the deal, the company can allocate more resources to improvement and commercial development of its shopping centres and to expansion of its shopping centre property portfolio.

Outlook

Recent years have seen a quick rise in the number of shopping centres and other retail properties, particularly in southern Finland, and competition between them has increased. The retail market balance has also been affected by the recent appearance of retail parks. On the other hand, the market as a whole is constantly growing in line with growing retail sales.

Citycon's aim is to create well-defined profiles for each of its shopping centres meeting customer expectations and building foundations of customer loyalty, with a view to improving competitiveness.

The efficiency of shopping-centre management will be increased by classifying similar shopping centres under one umbrella. This classification will help to position the shopping centres in the market and facilitate the formulation of a consistent business concept, a desired tenant mix lessee structure and marketing communications for each shopping centre. Citycon classified its Finnish shopping centres in 2006.

Citycon will continue to make shopping centre acquisitions in Finland. In the near future, development work will focus on making existing shopping centres even more attractive and competitive retail properties.

KEY FIGURES OF FINNISH OPERATIONS

	2006	2005
Turnover, EUR million	95.8	87.4
Operating profit, EUR million	176.1	106.6
Net fair value gains on investment property, EUR million	104.8	45.4
Market value of property portfolio, EUR million	1,009.7	820.1
Gross rental income, EUR million	93.1	84.8
Net rental income, EUR million	68.8	63.6
Net rental yield, %	7.6	8.7
Net rental yield, like-for-like properties, %	7.9	8.7
Capital expenditure (gross), EUR million	152.8	38.9

CITYCON'S SHOPPING CENTRES AND OTHER MAJOR RETAIL PROPERTIES IN FINLAND 31 DEC. 2006

		Entire property							
		Gross leasable area total, sq.m.	Retail premises total, sq.m.	Sales, EUR million		Number of visitors, million		Catchment area's population	Citycon's gross leasable area, sq.m.
	Location			2006	2005	2006	2005		
Helsinki Metropolitan Area									
Columbus	Helsinki	20,400	19,200	76.5*	66	7.1*	6.6	33,000	20,400
Espoontori	Espoo	15,000	8,100	30.5	30.7	3.2	3.3	52,400	9,000
Heikintori	Espoo	9,500	7,000	27.0*	29.0*	2.2	2.4	187,100	5,500
Lippulaiva (1	Espoo	23,000	18,400	53.0	52.7	3.0	3.3	103,300	23,000
Isomyyri	Vantaa	14,800	8,800	33.8	29.2	2.5	2.2	88,900	9,900
Myyrmanni (2	Vantaa	42,000	32,000	153.8	158.1	6.8	7.1	93,100	40,200
Tikkuri	Vantaa	15,300	8,100	26.9	30.6	2.5	2.8	166,900	10,700
Other parts of Finland									
Jyväskeskus	Jyväskylä	12,000	6,700	20.8*	19.9	4.1	4.2	134,200	5,800
Forum	Jyväskylä	23,000	18,800	62.6*	45.0*	7.1	7.2	134,200	17,400
Trio	Lahti	46,800	28,000	77.3	82.5	8.9	9.2	118,600	32,200
IsoKristiina	Lappeenranta	19,800	14,100	45.5*	45.5	2.1	2.2	85,000	18,200
Galleria	Oulu	4,200	2,600	8.5	8.5	1.1	1.1	197,700	3,500
IsoKarhu	Pori	14,800	12,500	39.9	38.3	3.8	4.1	91,500	14,900
Koskikeskus	Tampere	28,800	23,900	122.2	117.8	6.0	5.9	274,800	25,700
Tullintori	Tampere	23,800	9,000	22.1*	-	3.4	3.0*	166,000	10,200
Sampokeskus	Rovaniemi	13,600	7,800	23.4	22.9	3.3	3.3	87,500	13,600
Torikeskus	Seinäjoki	11,300	8,000	15.4	17.6	1.2	1.3	109,600	11,300
Koskikara	Valkeakoski	10,400	10,000	31.7	32.2	2.2	2.3	20,500	5,800
Valtari	Kouvola	7,600	6,000	3.5*	3.4*	0.4*	0.5*	32,000	7,600
Largest other retail properties by area									
Porin Asema-Aukio Koy	Pori	18,900	10,900						
Sinikalliontie 1	Espoo	15,700	10,600						
Kauppakatu 41	Kuopio	11,200	7,300						
Linjuri Koy	Salo	11,100	8,200						
Talvikkitie 7-9	Vantaa	9,800	9,700						
Kaarinan Liiketalo	Kaarina	9,400	5,200						
Total		**432,200**	**300,900**	**873.6**	**829.9**	**70.9**	**72.0**	**2,176,300**	**359,900**

1) Inc. gross leasable area of Ulappatori
2) Citycon's ownership 100% from 16 Jan. 2006
*) Estimate

Sweden

STRONG GROWTH

Several property acquisitions during 2006 have strengthened Citycon's position in the Swedish shopping centre market.

1

2

1 Stenungs Torg, Stenungsund. 2 Åkersberga, Österåker. 3 Jakobsberg, Järfälla. 4 Lindome, Mölndal. 5 Backa, Gothenburg.

Shopping and retail centres form part of urban life. Citycon seeks to assume an active role in property development together with its lessees and the decision-makers of the municipalities where its properties are located. Citycon believes that retail properties form an essential part of the infrastructure of modern communities, so their development demands responsibility and a comprehensive approach. This is why Citycon is perfectly suited to operating in the Swedish market for shopping-centre properties largely owned by cities and municipalities.

Citycon has expanded especially in Sweden during the last two years. It now owns 13 shopping and retail centres there, all acquired in 2005 and 2006. Ownership of the latest acquisition was transferred to Citycon in early 2007. Seven of the sites are located in the Greater Stockholm Area and six in the Greater Gothenburg Area. In 2006, Citycon recorded a turnover of EUR 17.3 million in Sweden, and the market value of its Swedish property portfolio totalled EUR 354.8 million at the year end.

In 2006, Citycon's capital expenditure in Sweden totalled EUR 267.2 million, of which EUR 260.7 million were invested in new acquisitions and EUR 6.5 million in development projects.

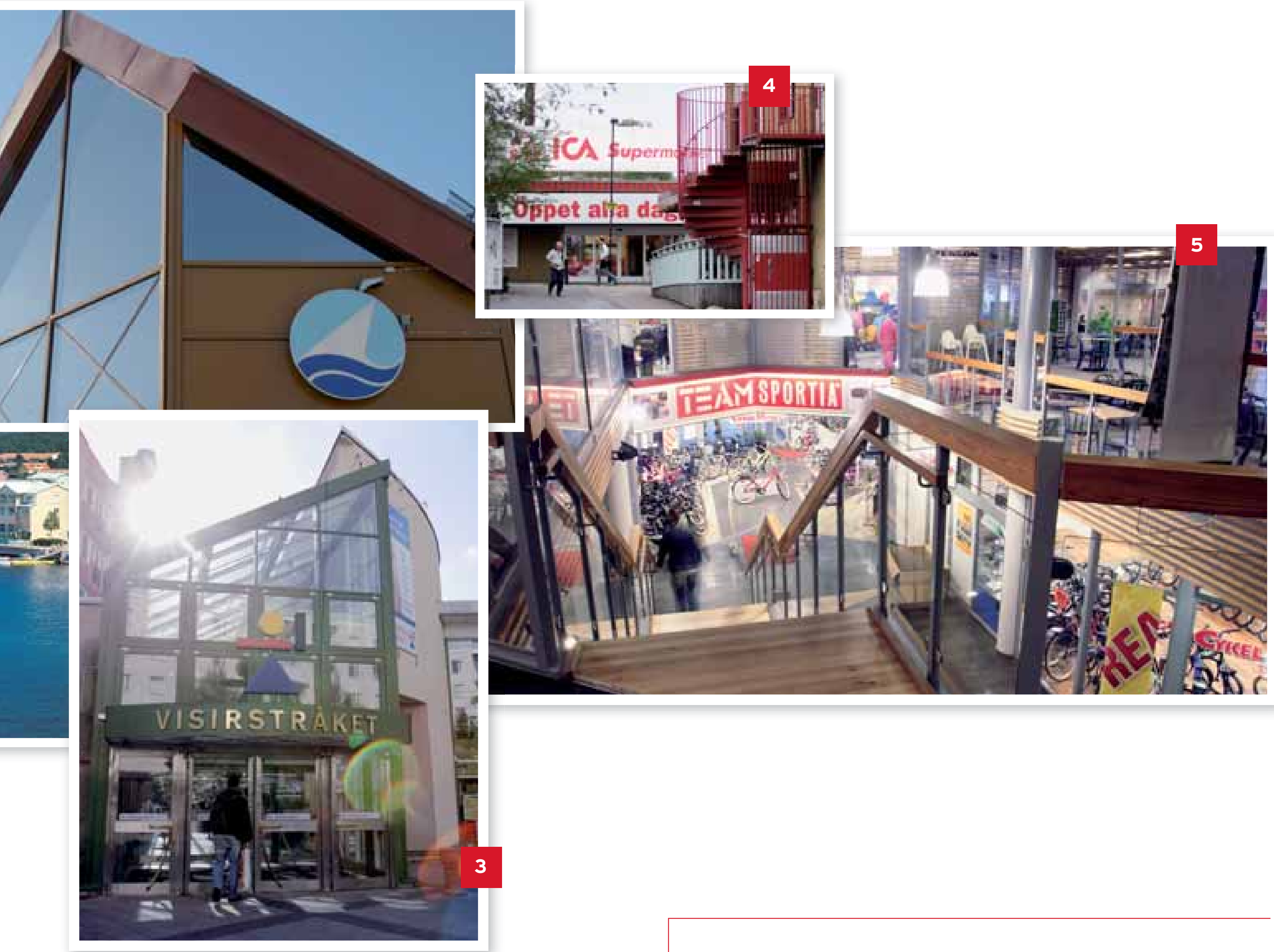
A changing market

Sweden's first shopping centres were built in the early 1960s, mostly commissioned by cities and municipalities with the aim of offering people a diversity of services in urban centres. Because these projects were initiated by public bodies, they focused on urban planning as a whole. This led to the creation of a large number of small shopping centres often linked to a significant number of residential apartments. There are few large and modern shopping centres in Sweden, and the Swedish properties are typically smaller even in comparison to the shopping centres in Finland and the Baltic countries.

The current trend for Swedish cities and municipalities is to sell their shopping centres to operators who are willing to invest in their development while taking account of commercial aspects. This makes Citycon a competitive bidder, since the company's development projects are always based on the needs of the surrounding area.

Over the years, Sweden's shopping and retail centres have been refurbished, often being covered with roofs and modernised in other ways. Plenty of development and modernisation potential remains, however. Furthermore, there are far more shopping centres in Sweden than, for instance, in Finland.

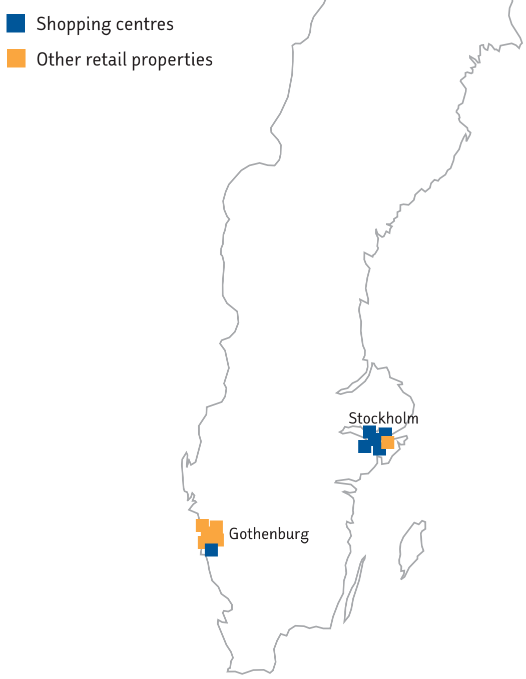
There have long been many international operators in the Swedish property investment market, which is very liquid – i.e.



there is active trading in retail properties. Most operators are property investors, but there are also property developers. Since there is brisk demand for sites requiring development, successful acquisitions require very close co-operation with municipal authorities.

Ownership of retail premises in Swedish shopping centres is usually organised through a single limited liability company that manages the whole centre's leases. This makes it possible to start development projects more quickly and easily than, for instance, in Finland, where the ownership of a single property is often organised under a mutual real estate company and split between the holders of individual premises. Therefore, it may take time to acquire a sufficient holding in the company to implement any changes.

SHOPPING CENTRES AND OTHER RETAIL PROPERTIES IN SWEDEN



1

2

1 Stenungs Torg, Stenungsund.
2 Hindås, Härryda.

The company aims to continue expanding.

New investments

2006 was a year of strong growth for Citycon in Sweden, with several new acquisitions in the Stockholm and Gothenburg areas strengthening the company's position in the Swedish shopping centre market.

Citycon signed two major property deals in September, when it acquired the Jakobsbergs Centrum shopping centre for EUR 106.6 million and a majority holding in the Stenungs Torg shopping centre for EUR 37.2 million.

Located in the municipality of Järfälla, northwest of the Greater Stockholm Area, Jakobsbergs Centrum includes not only retail premises but also apartments and offices, which is typical of shopping centres located in Swedish urban centres. The centre's gross leasable area is approximately 67,000 square metres, with 33,500 square metres in retail and office premises. The area is growing and it has very good transport connections.

The Stenungs Torg shopping centre is located in Stenungsund, which is a rapidly growing coastal municipality 45km north of Gothenburg. Stenungs Torg is the region's service and commercial hub, with a population of around 74,000 in its catchment area. Citycon has agreed on the development of the shopping centre with its minority shareholder. The acquisition of Stenungs Torg strengthened Citycon's position in the Greater Gothenburg Area, where the company had already purchased the Lindome, Backa, Hindås, Landvetter and Floda retail centres for a total of EUR 25.7 million early 2006.

In December, Citycon announced a deal for the acquisition of Tumba Centrum shopping centre for approximately EUR 60.5

KEY FIGURES OF SWEDISH OPERATIONS

	2006	2005
Turnover, EUR million	17.3	2.7
Operating profit, EUR million	16.8	3.5
Net fair value gains on investment property, EUR million	8.7	1.7
Market value of property portfolio, EUR million	354.8	76.1
Gross rental income, EUR million	15.9	2.5
Net rental income, EUR million	9.3	1.8
Net rental income yield, %	5.2	3.2
Capital expenditure (gross), EUR million	267.2	77.9

million. This shopping centre is located south of Stockholm, in the municipality of Botkyrka. Its gross leasable area is around 31,000 square metres, some 18,600 square meters of which are retail premises. The centre also includes apartments and offices and the plan is to refurbish and extend it in future. This deal was closed late January 2007.

Strong emphasis on development projects

In addition to new acquisitions, Citycon is seeking growth through property development. The company made its entry into the Swedish market in 2005 by acquiring the Åkersberga Centrum shopping centre in the Greater Stockholm Area. In 2006, Citycon decided to initiate around a EUR 40 million project for developing Åkersberga Centrum, with the aim of modernising the centre and increasing its leasable area by some 9,000 square metres to a total of 26,000 square metres. With a holding of three quarters in the Åkersberga shopping centre, Citycon accounts for EUR 27 million of its development investments. The development project was planned together with the municipality of Österåker and its real estate company.

Citycon continued to make significant investments in development projects with the acquisition in August of a shopping centre project in Liljeholmen, Stockholm, for approximately EUR 60.6 million. The project relates to a 20,000-square-metre office and commercial building and a substantial permitted building volume for constructing a new shopping centre. The plan is to build a local shopping centre with approximately 25,000 square metres in leasable area. This building will incorporate apartments with a total area of 6,000 square metres and subterranean parking for some 900 vehicles. The shopping centre has an excellent location next to an underground station in the lively and growing district of Liljeholmen, south of the Stockholm downtown.

Outlook

From Citycon's point of view, Sweden offers opportunities particularly for development-focused shopping centre operations. The company's strategy is to continue growing in Sweden, both by developing existing properties and by acquiring new ones offering development potential.

TOP 5 TENANTS BY RENTAL INCOME

	% of rental income
ICA Sverige AB	
Stockholms Läns Landsting	
Coop Sverige Fastigheter AB	
Västra Götalands Läns Landsting	
Axfood Sverige AB	
5 biggest, total	**22.4**

Capital expenditure in Sweden
267.2 *EUR million.*

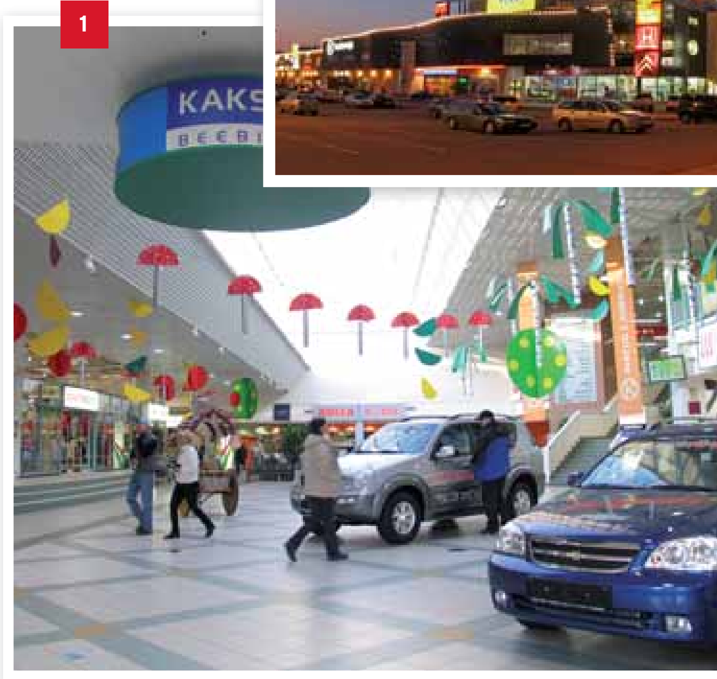
CITYCON'S SHOPPING CENTRES AND OTHER RETAIL PROPERTIES IN SWEDEN 31 DEC. 2006

		Entire property							Citycon's gross leasable area, sq.m.
		Gross leasable area total, sq.m.	Retail premises total, sq.m.	Sales, EUR million		Number of visitors, million		Catchment area's population*	
Property	Location			2006	2005	2006	2005		
Greater Stockholm Area									
Åkersberga	Österåker	33,100	19,700	59.1*	53.7*	3.8	4.0	37,000	24,825
Åkermyntan	Hässelby	8,400	6,300	0	-	0	-	32,000	8,400
Kallhäll	Järfälla	3,500	3,500	0	-	0	-	12,200	3,500
Jakobsberg	Järfälla	67,000	27,300	59.0*	55.4*	5.6	5.9		67,000
Fruängen	Stockholm	14,600	6,600	0	-	0	-	33,400	14,600
Liljeholmen	Stockholm	20,100	8,600						20,100
Greater Gothenburg Area									
Stenungs Torg	Stenungsund	37,600	17,100	41.4 (1 *		3.4	3.2		26,320
Backa	Gothenburg	7,800	4,600			0.5	0.4		7,800
Floda	Lerum	11,300	4,200						11,300
Hindås	Härryda	1,700	1,200						1,700
Landvetter	Härryda	4,800	1,800						4,800
Lindome	Mölndal	7,800	4,400						7,800
Total		**217,700**	**105,300**	-	-	-	-	-	**198,145**

*) Estimate
1) Excl. VAT

Baltic Countries

CONSTRUCTING NEW IN THE BALTIC COUNTRIES



Citycon's retail properties are centres of modern living, each offering services meeting the needs of the clientele in each environment. Each environment is different, which is why Citycon takes account of the special characteristics of each area when investing in new properties and developing them. The Baltic countries currently form the smallest of Citycon's operating regions, but the company believes that efficient retail property management will lead to increased income from shopping centres in the region.

Citycon owns two shopping centres in the Baltic region, with a total turnover of EUR 6.2 million in 2006 and a market value of EUR 83.3 million at the year end.

Citycon's first acquisition in the Baltic countries, made in July 2005, was the Rocca al Mare shopping centre, located in the Estonian capital, Tallinn. In 2006, Citycon entered the Lithuanian market with the acquisition of the Mandarinas shopping centre for EUR 14.9 million including the acquisition costs. Located in the lively and rapidly growing Fabijoniskes district of the Lithuanian capital, Vilnius, the shopping centre has nearly 50,000 inhabitants in its primary catchment area. Completed in September 2005, the Mandarinas shopping centre has a leasable area of approximately 7,900 square metres.

The Baltic region has plenty of competition in both property investment and property development, including local operators and foreign companies. Since a significant portion of all retail property projects are being initiated by construction firms, we can safely predict that several new shopping centres will come up for sale in the coming years. Tough competition and a shortage of construction professionals have increased building costs significantly, particularly in Estonia, and this has affected the profitability of new construction projects.

SHOPPING CENTRES IN THE BALTIC COUNTRIES

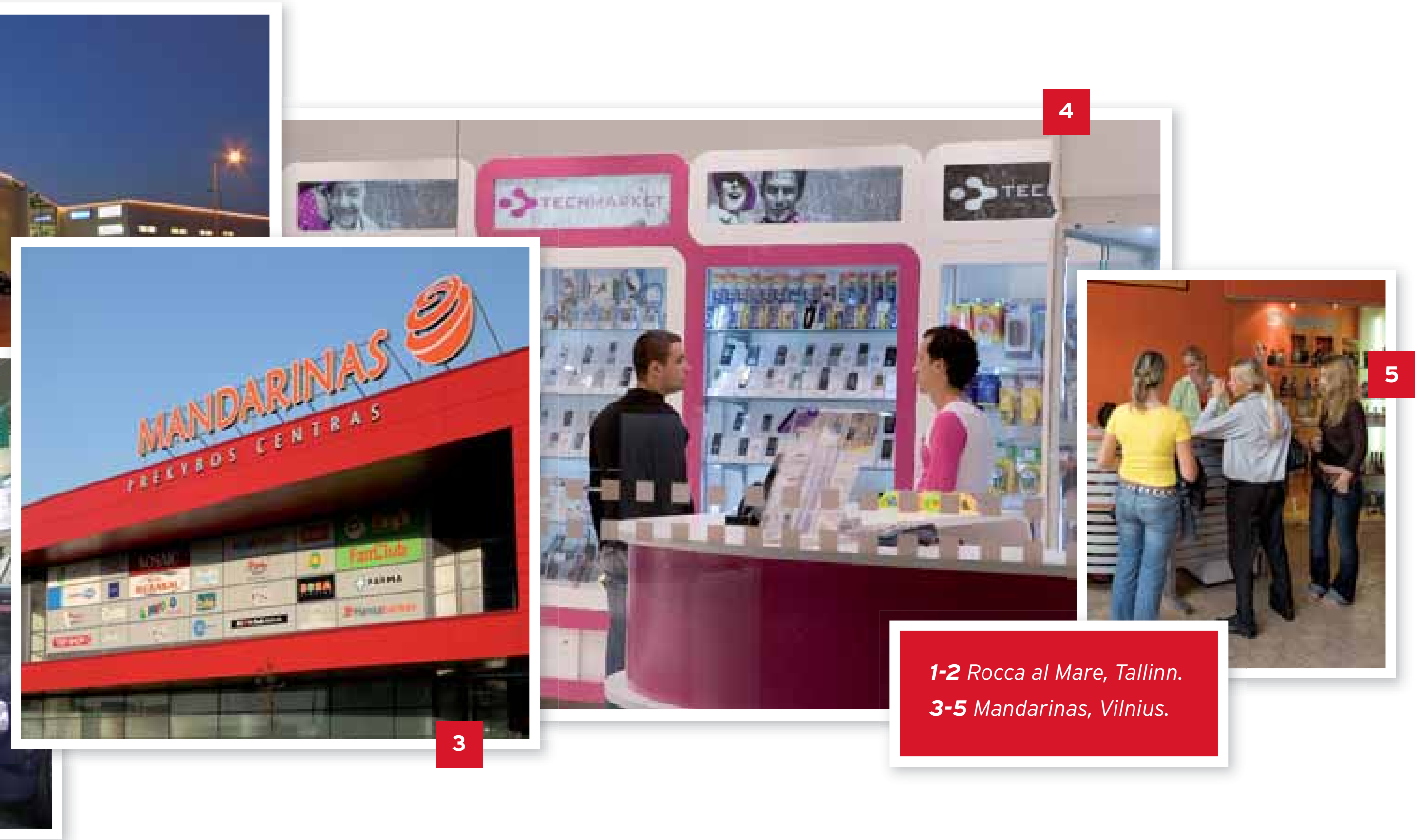
Three countries, three markets

Baltic shopping centres are characterised by being fairly new, the oldest having been built in the early 1990s. There are very few shopping and retail centres of over 5,000 square metres in the Baltic countries - a total of some 65 across all three countries - but, thanks to their modern designs, they compare very well to their Nordic counterparts.

The Baltic countries clearly differ from one another. The most developed market is Estonia, where Tallinn is already abundant in retail properties. Shopping centre ownership arrangements are becoming more common, opening new opportunities for Citycon.

Large shopping centres of up to 50,000-100,000 square metres have been built in Lithuania. The Lithuanian market is also characterised by a large number of local retail operators, which dominate the market. International chains have less influence there than in the two other Baltic countries.

In Latvia, Riga forms an interesting area for expansion, but Latvian market is currently limited in terms of retail property business and challenging in terms of development. However, Citycon is actively examining opportunities for retail property acquisitions in Latvia as well.



1-2 *Rocca al Mare, Tallinn.*
3-5 *Mandarinas, Vilnius.*

Outlook

In the long term, the Baltic region offers interesting prospects for Citycon's retail property business for various reasons. Consumer spending power is growing at a faster rate in each Baltic country than in western Europe. In the future, the total market potential of the three Baltic countries will be higher than that of Finland, due to their larger overall population. In practice, geographical and political risks have been reduced to a minimum by EU membership. A Baltic presence will allow Citycon to offer potential and current lessees premises in several countries.

Citycon aims to increase and strengthen its market position in the Baltic region via a carefully managed approach. There are interesting properties not only in the Baltic capitals but also in other major cities. Due to the limited size, competitive scenario and rising property prices in the Baltic market, Citycon has proceeded with caution in making investments. The company is constantly looking for interesting and profitable acquisition opportunities in the area, and is planning to extend the Rocca al Mare shopping centre. This extension project is due to start early 2007.

TOP FIVE TENANTS BY RENTAL INCOME, BALTIC COUNTRIES

	% of rental income
Prisma Peremarket AS	
UAB "Rimi Lietuva"	
Stockmann Oyj Abp	
Olympic Invest OÜ	
Antista AS	
5 biggest, total	**31.9**

KEY FIGURES OF BALTIC OPERATIONS

	2006	2005
Turnover, EUR million	6.2	2.1
Operating profit, EUR million	10.9	0.3
Net fair value gains on investment property, EUR million	6.6	-1.2
Market value of property portfolio, EUR million	83.3	60.5
Gross rental income, EUR million	6.1	1.8
Net rental income, EUR million	4.8	1.6
Net rental income yield, %	8.4	9.1
Capital expenditure (gross), EUR million	16.2	61.6

CITYCON'S SHOPPING CENTRES IN THE BALTIC COUNTRIES 31 DEC. 2006

			Entire shopping centre						
Property	Country	Location	Gross leasable area total, sq.m.	Retail premises total, sq.m.	Sales, EUR million		Number of visitors, million		Catchment area's population
					2006	2005	2006	2005	
Rocca al Mare	Estonia	Tallinn	28,600	28,600	60.9	50.0*	4.4	4.1	340,000
Mandarinas	Lithuania	Vilnius	7,900	7,900	19.4*		2.6	2.6	50,000
Total			**36,500**	**36,500**	**80.0**	**50.0**	**7.0**	**6.7**	**390,000**

*) Estimate

Human Resources

A MOTIVATED EXPERT ORGANISATION

Employees feel that Citycon is an interesting, dynamic company with a clear vision for the future.

Citycon is an expert organisation whose success derives from the competencies of its employees. A challenge for Citycon lies in the fact that to thrive, the company must rely on several different areas of expertise, and experts in these areas have not traditionally worked together. The success of the whole organisation and company depends on their team-playing skills.

Key strengths of Citycon's staff lie in its expertise in shopping-centre management, property development and administration, as well as financing. Citycon aims to create the most competitive working environment in its sector, continuing to attract top experts from various fields.

The organisation is supported by services provided by external experts for example in the field of property maintenance and administration. 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.

Reshaped organisation

As a consequence of strong growth, geographical business expansion and the sale of non-core properties, Citycon decided to implement a region-based structure in 2006, dividing its operations into Finnish, Swedish and Baltic business operations. Each regional organisation is responsible e.g. for property management, maintenance and development, as well as for new acquisitions.

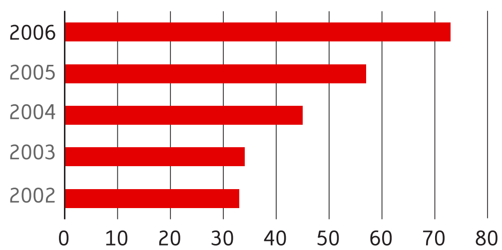
Enabled by regional presence and competencies and through knowledge of the local culture, the company can develop local operations and thus improve its organisational performance. The aim of this reorganisation is to improve our chances of responding to the needs of a continuously growing business in the future. The company seeks to make use of synergies within and between these regional organisations, in functions including marketing, shopping-centre management and property development.

The creation of regional organisations also provided foundations for closer co-operation between retail-property management and property development functions. This kind of co-operation aims to generate novel, increasingly competitive retail properties, whose planning and implementation requires experts both in retail and in property development.

Increasing number of employees

At the end of 2006, Citycon Group had 73 employees, 59 of whom worked in Finland, eight in Sweden and six in the Baltic countries – including five in Estonia and one in Lithuania, up by 16 year on year. The company recruited new employees, for instance, in property development, in order to prepare for more extensive op-

NUMBER OF EMPLOYEES



CORE AREAS OF COMPETENCE WITHIN CITYCON

Citycon´s personnel grew by 16 co-workers in 2006.

erations in that area in the near future. 39 of the employees are women and 34 are men.

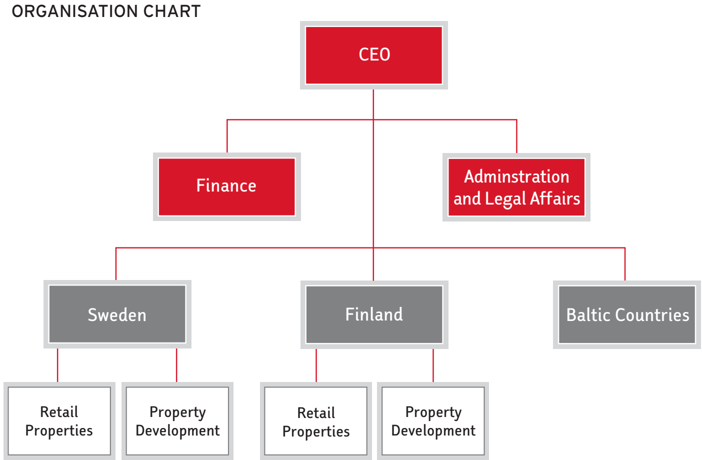
Citycon maintains its employees' skills by providing them with internal and external training, and by recruiting new professionals as a result of business expansion. In addition, the company holds a special biannual Citycon Day, providing reviews of topical issues within the company and the industry.

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.

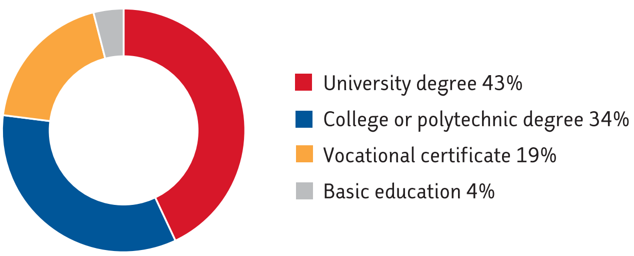
The 2006 survey suggests that job motivation and satisfaction has remained at high levels. According to its results, employees feel that Citycon is an interesting, dynamic company with a clear vision for the future, and that it offers motivational and challenging work. In support of job motivation, the company applies a short-term incentive scheme to all of its employees. The related incentive criteria are based on Group and unit-level financial performance, as well as personal targets agreed annually in employee performance reviews. The maximum incentive bonus accounts for 10–30 per cent of annual pay.

In addition to its short-term incentive scheme, the company has extensive stock-option schemes aimed at encouraging and motivating employees to work for increased company value for a longer period of time.

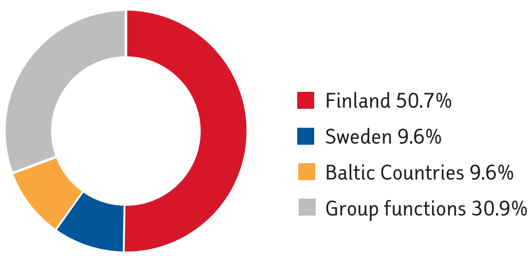
ORGANISATION CHART



EMPLOYEES BY EDUCATION



BREAKDOWN OF PERSONNEL



Profit Performance and Financial Position

INVESTMENTS' FAVOURABLE EFFECT ON PROFIT PERFORMANCE

1

Citycon Oyj has prepared its interim reports and financial statements for 2006 in accordance with IAS/IFRS (International Financial Reporting Standards). The company also complies with financial reporting recommendations for listed property investment companies published by the European Public Real Estate Association (EPRA), which complement, not replace, IAS/IFRS. These recommendations are available in their entirety on EPRA's website at www.epra.com.

Profit performance 2006

Citycon's turnover comes mainly from the rental income generated by its retail premises. Gross rental income accounted for 96.5 per cent of turnover. In 2006, the company actively continued to implement its growth strategy by acquiring a total of 17 investment properties, of which eight in Finland, eight in Sweden and one in the Baltic countries. The company's turnover grew by 29.5 per cent, to EUR 119.4 million (EUR 92.2 million in 2005).

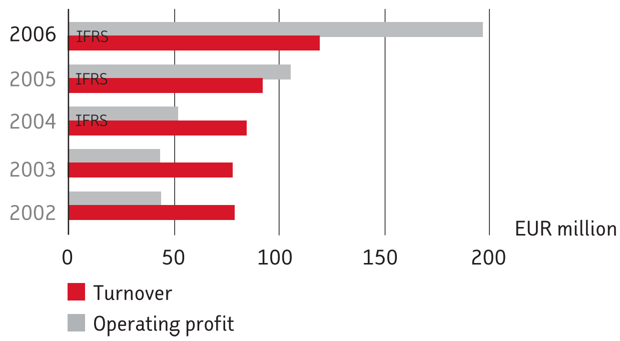
The Finnish business operations accounted for 83.1 per cent (94.9 per cent) of net rental income, while Sweden accounted for 11.2 per cent (2.6 per cent) and the Baltic countries for 5.7 per cent (2.4 per cent). Net rental income totalled EUR 82.8 million (EUR 67.0 million). The property portfolio's net rental yield stood at 7.6 per cent (8.5 per cent). Finland's net rental yield was 7.6 per cent (8.7 per cent), Sweden for 5.2 per cent (3.2 per cent) and the Baltic countries for 8.4 per cent (9.1 per cent).

Roughly 35.2 per cent of Citycon's net rental income came from properties in the Helsinki Metropolitan Area, 47.9 per cent from elsewhere in Finland, 8.4 per cent from the Greater Stockholm Area and 2.8 per cent from the Greater Gothenburg Area. A further 4.9 per cent of net rental income came from properties in Estonia and 0.8 per cent from Lithuania.

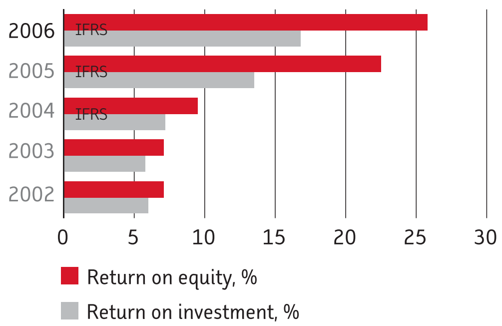
Operating profit rose by 86.7 per cent, to EUR 196.5 million (EUR 105.2 million), due mainly to the change in the fair value of the property portfolio, totalling EUR 120.1 million (EUR 45.9 million), the net rental income generated by new shopping centres and gains on the sale of non-core properties.

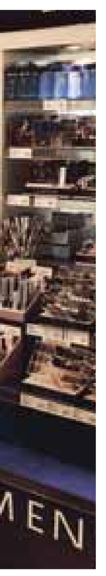
Net financial expenses decreased by EUR 0.2 million, to EUR 30.9 million, which include EUR 0.9 million (EUR 5.7 million) in one-off expenses. The growth in comparable net financial expenses was mainly due to an increase in interest-bearing liabilities. Net financial expenses for 2006 include EUR 0.7 million (EUR 0.0 million) in calculatory non-cash expenses related to convertible bonds.

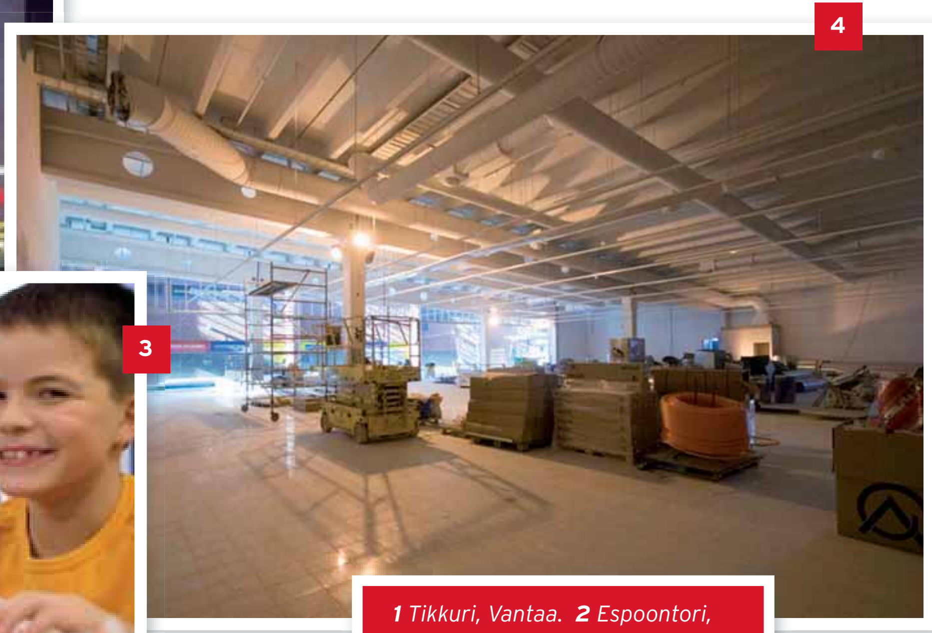
TURNOVER AND OPERATING PROFIT



RETURN ON INVESTMENT AND RETURN ON EQUITY







1 Tikkuri, Vantaa. 2 Espoontori, Espoo. 3 Myyrmanni, Vantaa. 4 Hervanta, Tampere.

Operating profit increased by **86.7%**

Net profit for the financial year grew by 111.5 per cent, to EUR 126.4 million (EUR 59.8 million), the figure including a total of EUR 5.9 million in capital gains on property, plant and equipment.

Return on investment (ROI) was 16.8 per cent (13.5 per cent) and return on equity (ROE) stood at 25.8 per cent (22.5 per cent). Earnings per share were EUR 0.78 (EUR 0.47). The company's per-share net asset value (NAV) was EUR 3.38 (EUR 2.45) and the per-share triple net asset value (NNNAV) was EUR 3.22 (EUR 2.45).

Balance sheet and capital expenditure

At the end of 2006, Citycon owned 80 properties: 26 shopping centres, 53 other retail properties and one lot. Based on a valuation conducted by an external appraiser, the property portfolio's year-end fair value totalled EUR 1,447.9 million (EUR 956.6 million), showing a total annual fair value increase of EUR 120.1 million.

The fair value of properties in Finland was EUR 1,009.7 million (EUR 820.1 million), that of properties in Sweden EUR 354.8 million and in the Baltic countries EUR 83.3 million. The valuation statement by Aberdeen Property Investors Finland Oy can be found on page 58 of the appended Financial Statements.

Citycon's gross capital expenditure in 2006 totalled EUR 436.4 million (EUR 178.5 million), of which new acquisitions accounted for EUR 400.9 million. The value of acquisitions in Sweden, Finland and Lithuania totalled EUR 260.7 million, EUR 124.3 million and EUR 15.9 million, respectively. The company invested a total of EUR 35.4 million in development projects, including EUR 6.5 million in Sweden, EUR 28.5 million in Finland and EUR 0.4 million in the Baltic countries.

The reporting period saw the disposal of 75 non-core properties, all located in Finland, at a debt-free price of EUR 73.9 million, bringing in total capital gains of EUR 5.9 million.

The period-end balance sheet total was EUR 1,486.4 million (EUR 983.1 million), of which cash and cash equivalents accounted for EUR 21.3 million (EUR 15.6 million).

Share subscriptions based on Citycon's 1999 and 2004 stock options increased the company's share capital by EUR 3.7 million. At the end of 2006, the share capital totalled EUR 225.7 million and equity attributable to parent company shareholders EUR 565.3 million (EUR 356.6 million).

Financial position

The Group's financial position remained healthy throughout the financial year.

Year-end liabilities totalled EUR 906.1 million (EUR 622.9 million), short-term liabilities and long-term liabilities accounting for EUR 134.4 million (EUR 74.4 million) and EUR 771.7 million (EUR 548.4 million), respectively.

The interest rate for interest-bearing liabilities averaged 4.35 per cent (4.8 per cent) in 2006. The average loan period, weighted according to the principals of the loans, was 4.8 years (2.7 years), and the average interest-rate fixing period was 4.1 years (2.5 years). The Group's equity ratio stood at 39.1 per cent (36.7 per cent).

On 31 December 2006 equity ratio stood at

39.1%

The interest coverage ratio (the previous 12 months' profit before interest expenses, taxes and depreciation relative to net financial expenses) was 2.3 (2.3). Year-end gearing was 136.6 per cent (156.8 per cent). The Group increased its interest hedging and, at the end of 2006, its interest-bearing liabilities included 77.5 per cent (87.3 per cent) in floating-rate loans, of which 76.2 per cent (69.8 per cent) had been converted to fixed-rate ones by means of interest-rate swaps. On 31 December 2006, the fair value of the interest-rate swaps was EUR 541.7 million (EUR 336.5 million) while the market value of derivative contracts was EUR -2.0 million (EUR -14.7 million).

Capital market transactions

During the financial year, Citycon carried out the following two capital market operations: subordinated convertible bonds placed with institutional investors and a rights issue. The subordinated convertible bonds worth EUR 110 million have been listed on the Helsinki Stock Exchange since 22 August 2006. With a maturity of seven years (the maturity date on 2 August 2013), they bear an annual fixed interest rate of 4.5 per cent. Their initial conversion price is EUR 4.3432, the conversion period being from 12 September 2006 to 27 July 2013. The conversion of the convertible bonds may increase the company's share capital by a maximum of EUR 34,191,378.45 and the number of shares by a maximum of 25,326,947 shares. Waiving the shareholders' pre-emptive rights, the issue of the convertible bonds was based on the authorisation given by Citycon's Annual General Meeting on 14 March 2006.

In the March-April rights issue, which generated funds totalling around EUR 75 million, shareholders were entitled to subscribe for one new share against five shares they hold. Consequently, a total of 27,274,949 new shares were subscribed at a subscription price of EUR 2.75 per share, equalling approximately 99.4 per cent of the shares offered.

Both operations have strengthened the balance sheet and supported the implementation of the company's growth strategy.

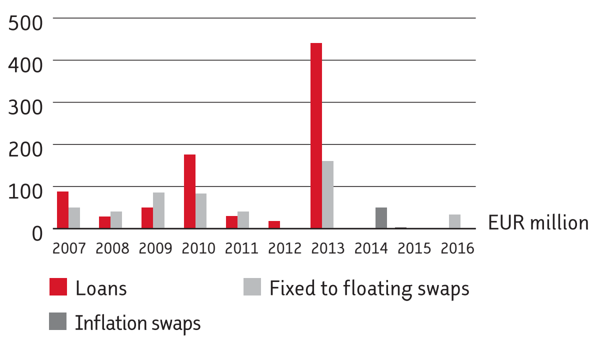
Debt-financing transactions

During the reporting period, the company renegotiated better terms and conditions for its debt financing by prolonging the loan portfolio's average maturity and increasing the amount of debt in its disposal. The new debt financing transactions allow flexible implementation of investments in line with the company's strategy.

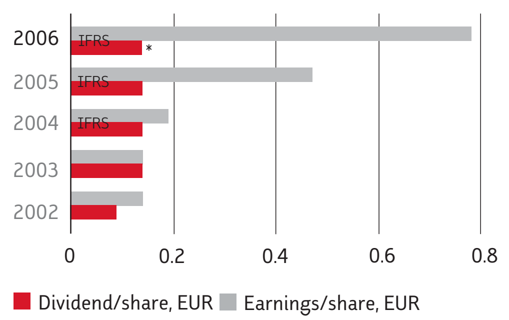
In February 2006, the company signed a new commercial paper programme worth EUR 100 million, replacing its previous commercial paper programmes valued at EUR 60 million.

In August, the company signed a EUR 600 million credit agreement with an international bank group. The loan was used to refinance a bank loan worth EUR 450 million raised in 2004 and maturing in 2009, and to finance property acquisitions. This credit facility will reduce the company's annual financing expenses, in comparison with the refinanced loan, by around EUR 0.7 million.

MATURITY PROFILE



EARNINGS/SHARE AND DIVIDEND/SHARE



* Board proposal

Competitive advantage from financing

Citycon's guiding principles in financing involve striving for a competitive advantage through professional use of diversified funding sources. Due to the tough competition and capital intensity of the property sector, financial expertise is one of Citycon's core competencies. The company aims to achieve flexible and diverse financing solutions using various financial instruments in order to safeguard its solvency and profitability. This is also essential due to the large scope of the company's operations. These kinds of solutions mean that employees must have expertise and experience in financing.

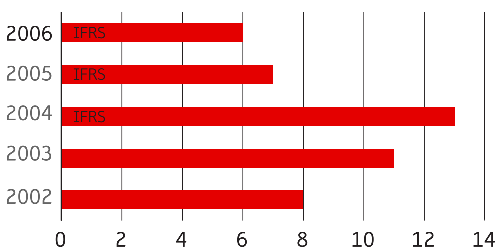
Citycon aims to guarantee the availability and flexibility of financing, competitive financial expenses, and the opportunity to use different financing options in different situations. Due to the sector's capital intensity, even minor changes in interest and exchange rates can have a major impact on financial expenses. This is why the company is very conservative in managing financing-related market risk. For example, Citycon primarily finances its foreign investments using the destination country's currency in order to eliminate currency risks. In 2006, Citycon increased the hedging rate of its loan portfolio and increased the proportion of fixed-rate loans in order to hedge against interest-rate rises more effectively.

Citycon's main financial transaction in 2006 was a EUR 600 million syndicated credit facility with an international bank group, which was partly used to refinance previous credit raised in 2004. Raising financing of this scale requires good international contacts and in-depth competencies in financing. This loan has decreased the company's financial expenses, thanks to its lower credit margin, while prolonging the average maturity of the loan portfolio due to its maximum loan period of seven years.

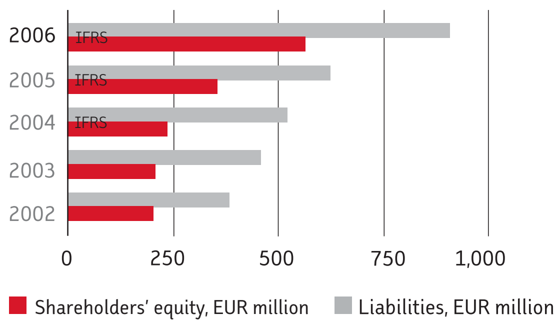
In 2006, the company also increased its equity financing by carrying out a rights issue worth EUR 75 million and issuing EUR 110 million worth of subordinated convertible bonds.

The confidence the international financial market holds in Citycon is reflected in the significant oversubscription for the convertible bonds and the fact that the company was offered a considerably larger amount in syndicated credit. In addition, the rights issue was almost fully subscribed.

P/E-RATIO



SHAREHOLDERS' EQUITY AND LIABILITIES



Risks and Risk Management

RISK MANAGEMENT AIMS TO HELP ENSURE THAT CITYCON MEETS ITS STRATEGIC AND OPERATIONAL GOALS. RISKS REFER TO POTENTIAL EVENTS OR CIRCUMSTANCES WHICH, IF THEY MATERIALISE, MAY AFFECT THE COMPANY'S ABILITY TO MEET ITS GOALS.

The company's risk-management process involves identifying business-related risks, analysing their significance, planning and implementing risk-management measures, reporting on risks on a regular basis and controlling risks. Citycon is continuously improving its risk-management process and aims to adopt the Enterprise Risk Management (ERM) programme during 2007. The company updates its guidelines for risk-management principles, approved by the Board of Directors, on a regular basis in response to possible changes in its business.

Citycon's major business-critical risks relate to those associated with its lessees' ability to pay rents and those associated with its property portfolio, risks associated with the value development of its retail properties, those associated with business expansion, as well as financial risks.

In the autumn of 2006, Citycon carried out an extensive risk analysis, involving the identification of risks and their management before entering them in a risk register.

Risks associated with retail sector's structure and the lessees' ability to pay rents

Real disposable income coupled with interest rates affect consumer behaviour and spending, reflected in the ability of the company's lessees to pay rents. On the other hand, ongoing buoyancy in Finnish shopping-centre construction is putting downward pressure on rents.

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 is based on understanding and knowing the lessee's business, actively monitoring trends and retail-market data, proactively developing shopping centres and adjusting the lease duration to be appropriate for each lessee and its field of business.

Citycon's lessees consist of renowned domestic and international speciality and grocery chains, supermarkets, department stores and small retailers. Around 42 per cent of Citycon's rental income stems from agreements concluded with its five largest lessees. Accounting for roughly 33.7 per cent of the company's leases, the various Kesko chains represent the most significant lessee group. The majority of its lease agreements in Finland are linked to the cost-of-living index by Statistics Finland.

The length of Citycon's lease portfolio averages 2.9 years. Some of the leases fall into the category of 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.

Property portfolio and its development

Citycon's property portfolio almost entirely comprises retail properties, 69.7 per cent of its properties being located in Finland. Properties located outside Finland accounted for 30.3 per cent of the property portfolio. Citycon is continuously developing its retail properties to meet customer needs more effectively.

At the end of 2006, the occupancy rate for the company's property portfolio stood at 97.1 per cent, that for shopping centres at 97.6 per cent and that for other retail premises at 95.4 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. In the near future, demand and occupancy rates for, and rental income from, Citycon's retail premises are expected to continue to remain at steady levels in the company's operating regions in Finland, Sweden and the Baltic countries.

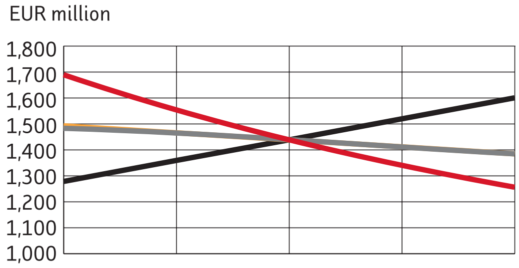
The company has covered its property portfolio against, for instance, fire and other damage to the full amount, and maintains its property portfolio's value by continuous maintenance and by developing and extending its current retail properties.

Risks associated with the retail properties' value development

A number of factors contribute to the value of retail properties, such as national and local economic development, investment demand created by property investors, and interest rates. International investors have shown keen interest in the property market, which has been reflected in the yield requirements and price levels of the most sought-after properties. Changes in property values have an effect on the company's operating profit but not on its ability to pay dividends.

The yield requirement, market rents, the occupancy rate and operating expenses form the key variables used in an investment property's fair-value measurement, based on a ten-year cash-flow analysis. Sensitivity to change in the properties' fair value, or the risk associated with fair value, can be tested by altering the above key parameters. The sensitivity analysis below uses the investment properties' fair value of EUR 1,438.5 million defined by the external appraiser on 31 December 2006 as the starting value. Accordingly, if the yield requirement for the property portfolio had been,

SENSITIVITY ANALYSIS



Yield requirement	-1%	-0.5%	No change	+0.5%	+1%
Market rent (eur/sq.m./month)	-10%	-5%	No change	+5%	+10%
Operating expenses (eur/sq.m./month)	-10%	-5%	No change	+5%	+10%
Residual vacancy	-5%	-2.5 %	No change	+2.5%	+5%

say, one per cent lower or higher, the fair value of properties would have been 17 per cent higher or 13 per cent lower.

Risks associated with business expansion and new market areas

International business operations not only involve risks associated with exchange-rate fluctuations but also present the following new challenges: local legislative amendments, administrative standards governing properties and knowledge of the destination country's market and business practices. Furthermore, taking over properties in new market areas presents its own special requirements. Exchange-rate changes between the Swedish krona and the euro may have an effect on Citycon's financial position and performance. 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 recognised as financial expenses or income. 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, Estonian and Lithuanian investments primarily using the local currency. The Estonian kroon and the Lithuanian litas are tied to the euro under the Constitution of these countries, which are expected to adopt the euro within the next 2–4 years.

Risks associated with financing and capital availability

Given that Citycon's strategy is to expand in Finland, Sweden and the Baltic countries, the company will need both equity capital and borrowings, and any difficulties in raising capital may hinder the implementation of this growth 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 70 per cent and at a maximum level of 90 per cent. On 31 December 2006, the overall hedging rate of the loan portfolio was 81.6 per cent. The company mainly uses interest-rate swaps to manage its interest-rate risks.

Citycon's financial position remained at a healthy level. The Group's equity ratio stood at 39.1 per cent, while the company's long-term equity ratio target is 40 per cent. Year-end gearing came to 136.6 per cent. At the year-end, the Group's interest-bearing liabilities included 77.5 per cent of floating-rate loans, 76.2 per cent of which were converted into fixed-rate ones, based on interest-rate swaps.

Financial risks have been covered in greater detail on pages 32-33 of the appended Financial Statements.

Risks associated with human resources

Given that Citycon is a relatively small business organisation and much of its key employees' expertise is not necessarily quickly replaceable, the company pays particular attention to diversifying its employees' expertise.

Compliance risks

Entry into a foreign market means that an increasing number of new laws and regulations must be taken into consideration. For Citycon, the division of its Swedish and Baltic operations under regional organisations will make it easier to monitor local legislation.

The overall hedging rate of the loan portfolio

81.6%

Corporate Governance

CORPORATE GOVERNANCE POLICIES

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 Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers in December 2003.

This recommendation for corporate governance is augmented 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.

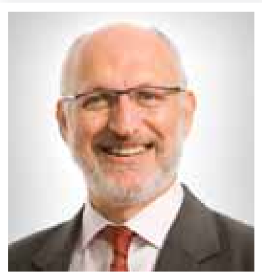
BOARD OF DIRECTORS

Chairman of the Board of Directors
Thomas W. Wernink

M.A. (General Economics)
Born 1945
Dutch citizen
Member and Deputy Chairman of Citycon's Board of Directors since 2005, Chairman since 2006

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

Directorships:
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
Slough Estates plc, Board member since 2005
AZL Vastgoed Winkels N.V., Board member since 2005
Dim Vastgoed N.V., Board member since 2006
ING Real Estate Dutch Funds, Board member since 2006
Annexum Invest B.V., Board member 2004-2006
Veer Palthe Voute N.V., Board member 2001-2006
European Public Real Estate Association (EPRA), Chairman of the Board 2002-2005



Member of the Board of Directors
Gideon Bolotowsky

M.Sc. (Eng.)
Born 1947
Finnish citizen
Citycon's Board member since 2006

Significant work experience:
OsakeTieto FSMI Oy, CEO and Chairman of the Board since 2003
EPO.Com AB Finland Branch, CEO 1998-2002
Metsäliitto International Oy, CEO 1995-1998
Rauma-Repola Oy, Manager, Corporate Cash Management Systems, 1987-1991
MM Maschinen und Metalle GmbH, CEO 1984-87

Directorships:
Jewish Community of Helsinki, President since 1988
Central Council of Jewish Communities in Finland, President since 1989
European Jewish Congress, Member of the Executive since 2003

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

Shareholders' meeting

The shareholders' meeting exercises the highest decision-making power in the company. The Annual General Meeting (AGM) convenes by the end of April once the financial statements have been prepared. Extraordinary General Meetings (EGM) will be summoned if required for decision-making purposes.

Citycon provides its shareholders with sufficient information on the items to be discussed at the shareholders' meeting for example via its website and, upon request, by mail. The shareholders' meetings shall be arranged in such a way that the shareholders can effectively exercise their rights. The Chairman of the Board of Directors and the CEO attend the shareholders' meeting and 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 the auditor. In addition, it decides on Board emoluments and the auditor's remuneration, and 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 14 March 2006 decided to re-elect the following Board members: Amir Gal, Raimo Korpinen, Tuomo Lähdesmäki, Carl G. Nordman, Claes Ottosson, Dor J. Segal and Thomas W. Wernink. It elected Gideon Bolotowsky a new Board member, succeeding Stig-Erik Bergström.

The Board of Directors elects the Chairman and Deputy Chairman from among its members, but the company's CEO can hold neither of these positions. In 2006, Stig-Erik Bergström acted as Chairman until 14 March 2006, succeeded by Thomas W. Wernink who previously acted as the Deputy Chairman. As of 14 March 2006, Tuomo Lähdesmäki acted as the Deputy Chairman.

In the Board of Directors' opinion, all Board members are independent of the company. Furthermore, the Board of Directors holds the view that Gideon Bolotowsky, Raimo Korpinen, Tuomo Lähdesmäki, Carl G. Nordman and Thomas W. Wernink are independent of major shareholders.

In 2006, Citycon's Board of Directors met 19 times. The attendance rate stood at 92.1 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 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 to the Board items to be discussed at Board meetings. The Board of Directors constitutes a quorum if more than half of its members are present.

In addition to duties provided under the 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 invest ments, 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 in centive schemes; and
- Determine the company's dividend policy.

Every year, 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 meetings. The Audit Committee is also responsible for preparing a resolution proposal related to 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

Member of the Board
of Directors
Amir Gal

Ph.D. candidate, LL.B., B.A. (Economics)
Born 1971
Israeli citizen
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.
Born 1950
Finnish citizen
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:
Kruunuasunnot Oy, Board member since 2004 and Chairman since 2005
Edita Publishing Oy, Chairman of the Board 2005-2006
Edita Plc, Board member 2002-2006
The Finnish Association of Professional Board Members, member since 2004

Deputy Chairman of
the Board of Directors
Tuomo Lähdesmäki

M.Sc. (Eng.), MBA
Born 1957
Finnish citizen
Citycon's Board member since 2004, Deputy Chairman since 2006

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, Board member since 2002 and Chairman of the Board 2002-2006
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
Meconet Oy, Board member since 2006

Member of the Board
of Directors
Carl G. Nordman

Counsellor of Industry (Hon.), B.Sc. (Eng.)
Born 1939
Finnish citizen
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

Member of the Board
of Directors
Claes Ottosson

Electrical Engineer
Born 1961
Swedish citizen
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

Born 1962
American citizen
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

BOARD EMOLUMENTS IN 2006, EUR

	Annual fee	Meeting fees	Total
Gideon Bolotowsky	25,000	9,000	34,000
Amir Gal	25,000	10,000	35,000
Raimo Korpinen	25,000	10,400	35,400
Tuomo Lähdesmäki	60,000	14,200	74,200
Carl G. Nordman	25,000	10,000	35,000
Claes Ottosson	25,000	6,800	31,800
Dor J. Segal	25,000	9,200	34,200
Thomas W. Wernink	150,000	15,500	165,500
Total	**360,000**	**85,100**	**445,100**

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 issues discussed by the committee to the Board of Directors. Comprising Gideon Bolotowsky, Raimo Korpinen (Chairman) and Thomas W. Wernink, the Audit Committee met 5 times in 2006.

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 comprises a minimum of three Board members, all of whom must be independent of the company. The committee convenes whenever necessary, but at least twice a year. The committee's Chairman reports on issues discussed by the committee to the Board of Directors. Comprising Amir Gal, Carl G. Nordman, Dor J. Segal and Thomas W. Wernink (Chairman), the Investment Committee met 7 times in 2006.

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 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 ability to set aside 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 and its Chairman.

The Nomination Committee comprises a minimum of three Board members independent of the company and convenes whenever necessary, but at least once a year. The committee's Chairman reports on issues discussed by the committee to the Board of Directors. Comprising Amir Gal, Tuomo Lähdesmäki (Chairman), Claes Ottosson and Thomas W. Wernink, the Nomination Committee met 3 times in 2006.

Compensation Committee

In accordance with the guidelines confirmed and instructions issued by the Board of Directors, the Compensation Committee prepares matters related particularly to Citycon's organisation, management appointments, and employee remuneration and incentive schemes in greater detail for the Board's approval. The committee is also in charge of assessing the CEO's performance, preparing a plan for his/her potential successor and seeking 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 issues discussed by the committee to the Board of Directors. Comprising Gideon Bolotowsky, Tuomo Lähdesmäki (Chairman) and Thomas W. Wernink, the Compensation Committee met 6 times in 2006.

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 executives' salaries and benefits. Finnish members of the Board have agreed to spend their annual Board emoluments, less statutory tax deductions, on Citycon shares. Board members may not assign or pledge said shares prior to the next Annual General Meeting.

The AGM 2006 decided that the Board Chairman be paid an annual fee of EUR 150,000, the Deputy Chairman an annual fee of EUR 60,000 and the ordinary Board members an annual fee of EUR 25,000. It also decided that the Chairman be paid a meeting fee of EUR 600 per meeting and the Deputy Chairman and other Board members a meeting fee of EUR 400 per meeting. Meeting fees also apply to Board committee meetings.

The table below shows Citycon's Board emoluments paid in 2006. 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 fees, with statutory withholding tax deducted, on Citycon shares. Other Board members also spent their annual fees or part of it on company shares as follows: Gideon Bolotowsky purchased 4,048 shares, Amir Gal 4,313 shares, Raimo Korpinen 3,841 shares, Tuomo Lähdesmäki 6,370 shares, Carl G. Nordman 3,284 shares, Claes Ottosson 4,313 shares, Dor J. Segal 4,306 shares, and Thomas W. Wernink 15,000 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, whenever 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 Management Committee member, in accordance with the principles applied by the company;
- Decides on employee perks 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.

CORPORATE MANAGEMENT COMMITTEE

Chief Executive Officer
Petri Olkinuora

M.Sc. (Eng.), 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. (Econ.)
Born 1957

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

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), Administrative Director 2000-2002
Aleksia Oyj, Administrative Director 1999-2000
Merita Kiinteistöt Oy, Assistant Vice President 1997-1998, Legal Counsel 1995-1997
Sabinvest Oy (SYP Group), Legal Counsel 1991-1995

Vice President,
Finnish Operations
Kaisa Vuorio

M.Sc. (Eng.), Authorised Property Appraiser
Born 1967

Other significant work experience:
Citycon Oyj, Head of Division, Shopping Centres 2004-2006
Citycon Oyj, Shopping Centre Manager 2003-2004
Citycon Oyj, Area Manager, Other parts of Finland 2002-2003
Citycon Oyj, Business Manager, Supermarkets and Shops, 2000-2001
Catella Property Consultant Ltd, various positions 1993-2000, latest Account Manager and Property Analyst

Vice President,
Baltic Operations
Harri Holmström

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

Other significant work experience:
Citycon Oyj, Chief Investment Officer 2004-2006
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

Vice President, Swedish
Operations (as of 1 Jan. 2007)
Ulf Attebrant

Born 1963

Other significant work experience:
Atrium Fastigheter AB, various positions 1999-2006, latest Vice President, Head of Real Estate Operations, Deputy Managing Director
Drott AB, Manager and Team Leader 1998-1999
Näckebro AB, Marketing Director 1997-1998
Fabege Cityfastigheter AB, Marketing and Real Estate Manager 1992-1998

A written executive contract approved by the Board of Directors stipulates the terms and conditions of the CEO's employment. In 2006, the CEO received EUR 269,207 in salary and other pay-related benefits. He is entitled to retire upon turning 62, provided that he will remain in the company's employ until he reaches that age. The company has taken up a pension insurance to cover his 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 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 2006, the number of Corporate Management Committee members varied between five and seven, due to replacements and the reorganisation that took effect in early November. At the end of 2006, the Corporate Management Board had five 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 co-ordinates and develops the company's various operations in accordance with set goals, promotes the intra-organisational information flow and prepares resolution proposals for the Board's discussion. The Corporate Management Committee convenes whenever deemed necessary by its Chairman.

The Corporate Management Committee assists the CEO in the following:

- Prepares changes and revisions to the company's strategy for the Board of Directors' approval, in accordance with the guidelines issued by the Board of Directors;
- Prepares a business plan and budget for the Board of Directors' approval, and monitors their implementation;
- Plans and prepares organisational changes assigned by the Board of Directors and CEO;
- Approves replies to internal and external auditors' reports for the Board of Directors' approval;
- Ensures 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 Markets Act, the Standard for Insiders issued by the Financial Supervision Authority, and the Insider Guidelines issued by the Helsinki Stock Exchange.

The company's statutory insiders include Board members, the CEO and the auditor. Statutory insiders also comprise Corporate Management Committee members, whom the Board of Directors has defined as other senior executives, as referred to in the Securities Markets Act. Holdings in the company by statutory insiders and those closely associated with them are regarded as public information. The enclosed table shows changes in holdings in 2006. Up-to-date information on changes in shareholdings can be found on the company's website at www.citycon.fi.

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 members, and those in charge of corporate finances and financial reporting, financing, legal affairs, investment and development, 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 by asking the insiders to check the accuracy of the information on the extracts from the insider register twice a year, and regularly supervises its insiders' trading on the basis of the transaction data registered by Finnish Central Securities Depository Ltd. 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 company's Compliance Officer for an opinion on the legality and permissibility of any securities trading in which they plan to engage. The Compliance Officer records each contact made.

CHANGES IN HOLDINGS BY STATUTORY INSIDERS AND THOSE CLOSELY ASSOCIATED WITH THEM, 1 JAN.–31 DEC. 2006

Insider	Date 2006	Shares	Stock options 1999 A/B/C	Stock options 2004A	Stock options 2004B	Stock options 2004C
Board of Directors						
Stig-Erik Bergström	1 Jan.	35,789	-	-	-	-
Board Chairman (until 14 March 2006)	14 March	35,789	-	-	-	-
Gideon Bolotowsky	14 March	-	-	-	-	-
Board member (since 14 March 2006)	31 Dec.	4,048	-	-	-	-
Amir Gal	1 Jan.	3,918	-	-	-	-
Board member	31 Dec.	8,231	-	-	-	-
Raimo Korpinen	1 Jan.	7,340	-	-	-	-
Board member	31 Dec.	12,649	-	-	-	-
Tuomo Lähdesmäki	1 Jan.	31,882	-	-	-	-
Board Deputy Chairman	31 Dec.	42,628	-	-	-	-
Carl G. Nordman	1 Jan.	23,783	-	-	-	-
Board member	31 Dec.	4,823	-	-	-	-
Claes Ottosson	1 Jan.	3,918	-	-	-	-
Board member	31 Dec.	9,015	-	-	-	-
Dor J. Segal	1 Jan.	1,971	-	-	-	-
Board member	31 Dec.	6,277	-	-	-	-
Thomas W. Wernink	1 Jan.	-	-	-	-	-
Board Chairman	31 Dec.	15,000	-	-	-	-
Corporate Management Committee						
Petri Olkinuora	1 Jan.	100,000	1,000,000	150,000	140,000	-
CEO	31 Dec.	120,000	73,214	150,000	140,000	140,000
Ulf Attebrant	1 Jan.	-	-	-	-	-
Vice President, Swedish operations (since 1 Jan. 2007)	31 Dec.	-	-	-	-	-
Harri Holmström	1 Jan.	-	-	-	70,000	-
Vice President, Baltic operations (since 1 Nov. 2006, Chief Investment Officer until 31 Oct. 2006)	31 Dec.	-	-	-	70,000	70,000
Jyrki Karjalainen	1 Jan.	-	20,670	75,000	70,000	-
Head of Division (until 31 Oct. 2006)	31 Oct.	-	-	75,000	70,000	70,000
Outi Raekivi	1 Jan.	-	80,000	75,000	70,000	-
Head of Legal Affairs, Board secretary	31 Dec.	-	-	75,000	70,000	70,000
Carl Slätis	1 Jan.	2,000	100,000	75,000	70,000	-
Head of Division (until 14 Sept. 2006)	14 Sept.	2,400	100,000	75,000	-	-
Eero Sihvonen	1 Jan.	-	-	-	35,000	-
CFO	31 Dec.	-	-	-	70,000	70,000
Kaisa Vuorio	1 Jan.	1,000	150,000	75,000	70,000	-
Vice President, Finnish operations (since 1 Nov. 2006), Head of Division (until 31 Oct. 2006))	31 Dec.	1,200	32,000	75,000	70,000	70,000
Chief auditor						
Tuija Korpelainen	1 Jan.	-	-	-	-	-
	31 Dec.	-	-	-	-	-

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

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 using 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. The company seeks to foster a corporate culture in which internal control and supervision is adopted as a normal and necessary part of day-to-day business.

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 internal supervision measures.

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 internal audit, the Audit Committee annually draws up an audit plan, which forms the basis for the performance of the audit. Auditors responsible for internal audit report to the Board's Chairman and the Audit Committee. The internal audit 2006 was outsourced to KPMG Oy Ab. The audit conducted by Citycon's auditor also involves auditing the company's corporate governance on which (s)he reports to the Board of Directors and the CEO.

Any shortcomings and areas requiring improvement detected in internal control with respect to business operations or in other respects are documented and reported to the CEO, who must initiate the required measures without delay.

Auditor

The AGM annually elects one auditor, who must be a firm of authorised public accountants certified by the Central Chamber of Commerce of Finland, responsible for auditing Citycon's corporate governance and accounts. The chief auditor appointed by the accounting firm provides Citycon's shareholders with a statutory auditor's report along with the company's annual financial statements. The main purpose of the statutory auditor's report is to verify that the financial statements give a true and fair view of the company's results and financial position for each financial year. In addition to the statutory auditor's report, the auditor reports to the CEO and the Audit Committee, whenever necessary.

Upon the Audit Committee's invitation, the auditor may attend the Committee meetings as an expert.

The AGM 2006 elected Ernst & Young Oy (a firm of authorised public accountants) the company's auditor, with Tuija Korpelainen (Authorised Public Accountant) acting as the chief auditor appointed by the firm.

In 2006, Citycon paid EUR 0.2 million in remuneration to its auditor, related to its general audit. In addition, Citycon paid a total of EUR 0.1 million 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 monitor the company's business risks on an ongoing basis. 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 presented to the Board of Directors at a separately agreed meeting in the autumn.

More detailed information on the company's risk management can be found on pages 36-37.

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.

Glossary

Key figures

Gross rental income: total rental income and other possible income.

Net rental income: gross rental income less property operating expenses (incl. repairs and tenant improvements).

Net (rental) yield: net rental income in proportion to the property's market value.

Capital return: the property's change in value, based on the difference between the period-start and period-end market values, taking account of capital income and expenses, in proportion to the property's market value at the end of the period.

Total return: Net rental yield percentage + capital return percentage

NAV: a company's net assets on a per-share basis. For Citycon, NAV equals IFRS-compliant per-share shareholders' equity.

NNNAV: based on the Best Practices Policy Recommendations by EPRA, a company's per-share NAV adjusted for value adjustments and deferred tax. It is calculated by adding the change in financial instruments' fair value recorded in the income statement and the mark-to-market adjustment on fair value of debt to the company's per-share net asset value.

Net yield requirement: the lowest, first-year net rental income expressed as a percentage of to-be-invested capital, at which a company is willing to invest. For market value calculation, the net yield requirement comprises risk-free interest as well as property-specific and market risk.

Definitions

Operating expenses, or the costs of operations: costs resulting from the management and maintenance of a property, such as heating, electricity, security guard services and cleaning services for common areas.

Anchor tenant: a major tenant with a strong financial standing, usually a chain store, occupying a large area in a shopping or retail centre. Anchor tenants typically have a long-term lease.

Financial occupancy rate: rental income based on existing leases divided by vacant premises' estimated market rents, to which rental income based on existing leases is added. In the Annual Report, occupancy rate refers to financial occupancy rate.

Occupancy rate: the ratio of leased space to leasable space.

Leasable area: an area which can reasonably be expected to be available for lease and for which the lessee is ready to pay a rent.

Turnover-based rent or turnover-linked rent: rent divided into turnover-linked capital rent and maintenance fee. A minimum rent tied to the cost-of-living index also pertains to the turnover-linked capital rent.

If the minimum rent is lower than the rent based on the actual turnover, the lessee will pay the resulting excess. The portion tied to turnover is determined by the lessee's field of industry and estimated sales.

Like-for-like property: a property owned by the company for the whole of the current and previous financial year (24 months), excluding properties under development and expansion as well as lots.

Catchment area: an estimate of a shopping centre's geographic market area in Finland, based on a visitor and travel time survey by Taloustutkimus Oy and Citycon's interviews. In Sweden and Lithuania, similar data are based on estimates. In Estonia, the population within a catchment area is defined as those living within 10 minutes' travel time to the shopping centre.

Investments / (Gross) Capital expenditure: refers to gross investments in the balance sheet. Capital expenditure includes the investments on investment properties and property, plant and equipment as well as on intangible assets. The acquisition cost of investment properties consists of a debt-free purchase price and transaction costs such as consultancy fees and transfer taxes. Gross investments on development projects, refurbishments and changes in leased premises are also considered as capital expenditure.

EPRA: The European Public Real Estate Association, a common interest group which publishes 'best practice' in accounting, financial reporting and corporate governance for European listed real estate companies.

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Report by the Board of Directors

YEAR 2006 IN BRIEF

Key Figures

- Turnover increased by 29.5 per cent to EUR 119.4 million (2005: EUR 92.2 million), mainly as a consequence of new acquisitions.
- Profit before tax increased to EUR 165.6 million (EUR 74.2 million), including a EUR 120.1 million (EUR 45.9 million) increase in the fair value of investment properties.
- Earnings per share were EUR 0.78 (EUR 0.47).
- Earnings per share excluding the effects of changes in fair value, gains on sale and other extraordinary items were EUR 0.20 (EUR 0.20).
- Net cash from operations per share amounted to EUR 0.20 (EUR 0.19).
- Per-share net asset value (EPRA NAV) increased to EUR 3.38 (EUR 2.45).
- Average net yield requirement for the investment properties on 31 December 2006 according to the external appraiser was 6.6 per cent.
- The Board of Directors proposes a per-share dividend of EUR 0.14 (EUR 0.14).
- Equity ratio improved to 39.1 per cent (36.7%)

Citycon continued to implement its growth strategy in 2006 by acquiring new shopping and retail centres for the total sum of EUR 400.9 million in Finland, Sweden and Lithuania, and investing a further EUR 35.4 million in currently-owned properties. The market value of Citycon's property portfolio was EUR 1,447.9 million at the year end, with foreign properties accounting for 30.3 per cent. As part of the implementation of its growth strategy, Citycon reorganised its operations by introducing new regional business organisations towards the end of the year. Consequently, Citycon Group's financial reporting for 2006 is aligned with the new regional structure.

Business

- On 31 December 2006, Citycon owned 26 shopping centres and 53 other retail properties. The market value of Citycon's property portfolio totalled EUR 1,447.9 million (EUR 956.6 million), of which the property portfolio in Finland accounted for EUR 1,009.7 million, that in Sweden EUR 354.8 million and that in the Baltic countries, EUR 83.3 million.
- Citycon's net rental income increased by 23.5 per cent to EUR 82.8 million (EUR 67.0 million). Net rental income for like-for-like properties rose by 3.0 per cent.
- On 31 December 2006, Citycon had a total of 3,083 (2,109) leases with 2,107(1,120) lessees. The year-end occupancy rate of the property portfolio stood at 97.1 per cent (97.2 per cent) and net yield at 7.6 per cent (8.5 per cent). The leasable area rose by 23.3 per cent to 735 029 square metres.

KEY FIGURES

	2006	2005
Turnover, EUR million	119.4	92.2
Operating profit, EUR million	196.5	105.2
% of turnover	164.6	114.1
Profit before taxes, EUR million	165.6	74.2
Profit for the period, EUR million	126.4	59.8
Fair market value of investment properties, EUR million	1,447.9	956.6
Earnings per share (basic), EUR	0.78	0.47
Earnings per share (diluted), EUR (EPRA EPS)	0.74	0.46
Earnings per share (basic), excluding the effects of changes in fair value, gains on sale and other extraordinary items, EUR	0.20	0.20
Dividend per share, EUR	0.14*	0.14
Net cash from operating activities per share, EUR	0.20	0.19
Equity per share, EUR (EPRA NAV)	3.38	2.45
EPRA NNNAV	3.22	2.45
P/E (price / earnings) ratio	6	7
P/E ratio, excluding the effects of changes in fair value, gains on sale and other extraordinary items	25	15
Return on equity (ROE), %	25.8	22.5
Return on investment (ROI), %	16.8	13.5
Equity ratio, %	39.1	36.7
Gearing, %	136.6	156.8
Net interest-bearing debt (fair value), EUR million	811.2	564.9
Net rental yield, %	7.6	8.5
Occupancy rate, %	97.1	97.2
Personnel (average for the period)	62	43
Personnel (at the end of the period)	73	57

*) Proposal by the Board of Directors

Key figures for the past three years can be found on page 40 in the Notes to the consolideted Financial Statements.

Capital expenditure and divestments

- In the spring, Citycon expanded into Lithuania by acquiring the Mandarinas shopping centre in Vilnius.
- The year saw several acquisitions in Finland and Sweden, the most significant shopping centre investments in Sweden being Jakobsberg, Stenungs Torg, Liljeholmen and Tumba,

announced in December (the transaction finalised on 31 January 2007). In Finland, Citycon made several acquisitions, including the shopping centre Columbus and the remaining minority share of Myyrmanni, making Citycon the sole owner.
- Citycon sold 75 non-core properties in Finland, recognising pre-tax gain on sale of EUR 5.9 million after purchase price adjustment.
- The most significant development projects underway were the refurbishment and extension projects of the shopping centres Trio, Åkersberga, Duo and Lippulaiva.
- Capital expenditure totalled EUR 436.4 million, of which EUR 400.9 million was allocated to new investments, EUR 35.4 million to development and refurbishment projects and EUR 0.2 million to other investments.

Financial position
- The Group's equity ratio stood at 39.1 per cent (36.7 per cent) at the year end.
- During the financial year, Citycon carried out two successful capital market transactions: subordinated convertible bonds issue of EUR 110 million placed with institutional investors and a rights issue of about EUR 75 million.
- Citycon signed a new commercial paper programme worth EUR 100 million, replacing its previous commercial paper programmes worth EUR 60 million.
- Citycon restructured its financing by signing a syndicated credit facility of EUR 600 million with an international banking group.
- Due to the new financing arrangements, the company's average loan maturity was extended to 4.8 years (2.7 years).
- Citycon increased the hedging ratio with 81.6 per cent (70.0 per cent) of the interest-bearing liabilities at fixed rates at period-end.

Share performance
- Share performance was highly positive during the period: the trade-weighted average share price rose to EUR 3.86 (EUR 2.95) and the company's market capitalisation increased by 99.1 per cent to EUR 844.3 million (EUR 424.1 million).

The EPRA Best Practices Policy Recommendations

In January 2006, the European Public Real Estate Association (EPRA), which represents listed European property investment companies, published financial reporting recommendations for these companies, and completed the recommendations in November 2006. Citycon adheres to these recommendations in its financial reporting, which supplement the IAS/IFRS standards, not replace them. The recommendations are available in their entirety on EPRA's website at www.epra.com.

In conjunction with the adoption of the EPRA recommendations, Citycon Group has changed its income statement presentation so that information is presented by function instead of expense type. Thus, the income statement includes gross and net rental income. Citycon is confident that the adoption of the EPRA recommendations will help investors evaluate its earning power and will increase the transparency of its investor information.

Since Citycon applies the fair-value model in the measurement of its investment properties under IAS 40, Citycon's IFRS profit equals EPRA profit. IFRS diluted earnings per share equal EPRA earnings per share. EPRA NAV corresponds to Citycon's reported IFRS-compliant shareholders' equity attributable to parent company owners.

Citycon's NNNAV rose by 50.8 per cent to EUR 538.5 million during the financial year. NNNAV per share was EUR 3.22.

BUSINESS ENVIRONMENT

In 2006, brisk demand continued for retail premises in Citycon's operating areas, i.e. Finland, Sweden and the Baltic countries, with high occupancy rates, sustained growth in the retail business contributing to these favourable market developments.
Market growth in countries in which Citycon operates is largely due to favourable economic development and increases in households' purchasing power and consumer spending.

The favourable market situation has increased the interest of international investors in properties in Citycon's operating areas, resulting in tougher competition and extremely brisk demand for attractive retail properties. Competition has improved market liquidity and raised prices, as consequence of which yield requirements for properties have decreased.

Key Figures in Accordance with EPRA Recommendations	EUR million		per share (diluted), EUR	
	1-12 2006	1-12 2005	1-12 2006	1-12 2005
EPRA NAV	565.3	356.6	3.38	2.45
(i) Fair value gains/losses of financial instruments in the income statement	–	–	–	–
(ii) Mark-to-market adjustment on fair value of debt	-26.9	0.5	-0.16	0.00
(iii) Deferred taxes	–	–	–	–
EPRA NNNAV	538.5	357.1	3.22	2.45

Major acquisitions 2006

Property	Company	Location	Debt free purchase price incl. transaction expenses (acquisition date exchange rates), EUR million	Post acquisition-holdings,%
Finland				
Shopping Centre Myyrmanni	KOy Myyrmanni (26% of shares)	Vantaa	35.6	100.0
Shopping Centre Valtari	Real estate transaction	Kouvola	2.0	100.0
Shopping Centre Tullintori	Tullintori KOy (57.4% shares)	Tampere	8.8	100.0
Shopping Centre Columbus	Vuosaari Investor Ab	Helsinki	75.3 [1]	100.0
Sweden				
Lindome retail centre	Real estate transaction	Mölndal, Greater Gothenburg	8.0	100.0
Backa, Hindås, Landvetter and Floda retail centres	Real estate transaction	Greater Gothenburg	25.7	100.0
Shopping Centre Stenungs Torg	Stenungs Torg Fastighets AB	Stenungsund, Greater Gothenburg	37.2	70.0
Shopping Centre Jakobsbergs	BHM Centrumfastigheter AB	Järfälla, Greater Stockholm	106.6	100.0
Shopping centre project Liljeholmen	Liljeholmsplan Fastighets AB Liljeholmsplan Bostadsfastig heter AB Liljeholmstorget Development Services AB	Stockholm	60.6	100.0
Shopping Centre Tumba Centrum [2]	Tumba Centrumfastighets AB	Botkyrka, Greater Stockholm	60.5	100.0
Lithuania				
Shopping Centre Mandarinas	UAB Prekybos Centras Mandarinas (formerly UAB Rimvesta)	Vilnius	14.9	100.0

1) The previously announced purchase price of EUR 80.1 million includes the investments in the extension project carried out after the acquisition.
2) Transaction finalised on 31 January 2007.

BUSINESS AND PROPERTY PORTFOLIO IN SUMMARY

Specialising in shopping centres and other large retail units, Citycon is a real estate company operating in Finland, Sweden and the Baltic countries. Citycon is the leading shopping centre operator in Finland and it has also established a firm foothold in its other operating regions. Citycon's business is based on expertise and active involvement throughout the property's ownership chain. It does not only own retail properties but it also leases, markets, manages and develops the properties it owns.

At the year end, the company owned 26 (20) shopping centres and 53 (128) other retail properties.

At the end of 2006, the market value of Citycon's property portfolio totalled EUR 1,447.9 million, of which its property portfolio in Finland accounted for 69.7 per cent (85.7 per cent), that in Sweden 24.5 per cent (8.0 per cent) and that in other countries, 5.8 per cent (6.3 per cent).

The reporting period saw the disposal of 75 non-core properties at a debt-free price of EUR 73.9 million after purchase price adjustment. The sold properties' fair value recognised in the balance sheet of 31 December 2005 totalled EUR 65.3 million. Their sale generated EUR 5.9 million in pre-tax gain on sale, improving Citycon's earnings per share for 2006 by around EUR 0.01 and its profit by approximately EUR 2.1 million, taking account of gain on sale, transaction costs, lost net rental income for the fourth quarter and taxes. All of the sold properties, with a combined area of around 77,000 square metres, are located in Finland. A list of the sold properties is available on the company's website.

In 2006, the company entered the Lithuanian market and pursued a strong growth policy in Sweden. The table above gives more details on the 2006 real estate and share transactions.

Maintaining its properties as attractive and dynamic retail centres in the eyes both of customers and lessees forms the key element in Citycon's business. Citycon's key refurbishment and development projects, launched in 2006 or earlier, are listed in the table below. Development projects are presented in greater detail in pages 16-17 of the Annual Report 2006.

Development projects

Property	Location	Estimated total costs EUR million	Realised capital expenditure by the end of 2006	Estimated date of final completion
Lippulaiva	Espoo, Finland	60-70 [1]	6.6	2008
Trio	Lahti, Finland	50.5	0.6	2009
Duo	Tampere, Finland	27.3	18.0	2007
Lentola	Kangasala, Finland	16.6	-	2007
Piispanristi	Kaarina, Finland	8.2	-	2007
Torikeskus	Seinäjoki, Finland	4.0	0.6	2008
Åkersberga	Österåker, Sweden	40.0 [2]	3.4	2009

1) Both stages included in the figure. The 2nd stage is subject to a positive decision by Citycon's Board of Directors.
2) With a holding of 75 per cent in the Åkersberga shopping centre, Citycon accounts for around EUR 27 million of the development investment.

Changes in Property Portfolio Fair Value

Citycon measures its investment property at fair value, under IAS 40, according to which changes in its fair value are recognised through profit or loss. Using International Valuation Standards (IVS), an external professional appraiser conducts the valuation of the company's property at least once a year. However, 2006 saw quarterly valuations by an external appraiser, due to the active market. A Property Valuation Statement prepared by Aberdeen Property Investors Finland Oy on the situation on 31 December 2006 is available at www.citycon.fi.

During the financial year, the fair value of Citycon's property portfolio rose by EUR 120.1 million, as a result of changes in general market conditions and the leasing business. The year saw a total increase in the fair value of EUR 131.3 million and a total decrease of EUR 11.2 million.

The average net yield requirement defined by Aberdeen Property Investors Finland Oy for Citycon's property portfolio decreased to 6.6 per cent. This decrease was mainly due to the very active property market.

The most significant change in the market was intensifying international interest in the Finnish property market, particularly towards retail properties. Increasing demand lowers yield requirements set by investors and creates upward pressure on property prices, particularly in the liveliest growth centres.

Lease Portfolio and Occupancy Rate

At the end of the financial year, Citycon had a total of 3,080 (2,109) leases with 2,107 (1,120) lessees. The average length of the leases was 2.9 (3.2) years. The year-end occupancy rate of the property portfolio stood at 97.1 per cent (97.2 per cent) and net rental yield at 7.6 per cent (8.5 per cent).

Reported net rental income increased by 23.5 per cent, to EUR 82.8 million, and the gross leasable area (GLA) grew by 23.3 per cent, to 735,029 square metres. Net rental income for like-for-like properties grew by 3.0 per cent. Like-for-like properties refer to properties held by Citycon throughout the 24-month reference period, excluding properties under development and extension as well as lots.

The calculation method for net yield and standing (like-for-like) investments is based on the guidelines issued by the KTI Institute for Real Estate Economics and the Investment Property Databank (IPD).

Lease portfolio summary

	1-12 2006	1-12 2005
Number of leases started during the period	369	314
Total area of leases started, sq.m.	73,300	34,240
Occupancy rate at end of the period, %	97.1	97.2
Average length of lease portfolio at the end of the period, year	2.9	3.2

BUSINESS AREAS

Citycon reorganised its operations towards the end of the year by introducing a regional organisation based on operating countries instead of the former divisions based on property types (Shopping Centres, Supermarkets and Shops and Property Development). This new regional organisation divides Citycon's operations into three business areas, Finland, Sweden and the Baltic Countries, and each is further divided into Retail Properties and Property Development.

Finland

Citycon is the Finnish market leader for shopping centre business. Reported net rental income increased by 8.2 per cent, to EUR 68.8 million while net rental income for like-for-like properties rose by 3.0 per cent. Finland accounted for 83.1 per cent of Citycon's total net rental income.

Lease portfolio summary	1-12 2006	1-12 2005
Number of leases started during the period	321	298
Total area of leases started, sq.m.	66,500	31,480
Occupancy rate at end of the period,%	97.2	96.8
Average length of lease portfolio at the end of the period, year	3.1	3.3

Financial performance	1-12 2006	1-12 2005
Turnover, EUR million	95.8	87.4
Net fair value gains on investment property, EUR million	104.8	45.4
Operating profit, EUR million	176.1	106.6
Gross rental income, EUR million	93.1	84.8
Net rental income, EUR million	68.8	63.6
Net rental yield, %	7.6	8.7
Net rental yield, like-for-like properties, %	7.9	8.7
Market value of property portfolio, EUR million	1,009.7	820.1
Capital expenditure, EUR million	152.8	38.9

In Finland, the company acquired the Columbus shopping centre in Vuosaari, Helsinki, for EUR 75.3 million. Columbus's extension project was completed in early October, increasing the shopping centre's gross leasable area to around 20,000 square metres. Other major investments in Finland included the Myyrmanni shopping centre in Vantaa, now wholly owned by Citycon, the acquisition of the Tullintori shopping centre in Tampere and that of the Valtari shopping centre in Kouvola, the related capital expenditure totalling approximately EUR 46.4 million.

In July, Citycon sold 75 non-core properties in Finland, recognising gain on sale of EUR 5.9 million before tax in Q3.

The largest-scale development projects in Finland include the extension and refurbishment of the Trio shopping centre in Lahti, the Duo shopping centre in Hervanta, Tampere, and the Lippulaiva shopping centre in Espoo. Of these, the Duo project is progressing on schedule, and the first stage of the Lippulaiva shopping centre development project has been completed. The second stage is due to start as soon as the related alteration to the city plan has become legally valid. The modernisation project for the Trio shopping centre is expected to commence in February 2007.

In addition, the company is building a new retail centre in Kaarina, some five kilometres from downtown Turku, and is modernising the Torikeskus shopping centre in Seinäjoki. In December 2006, Citycon decided to build a completely new retail centre in Lentola, Kangasala, close to Tampere, due for completion in the autumn of 2007.

The new acquisitions made in Finland in 2006 were worth a total of EUR 124.3 million, while development investments totalled EUR 28.5 million.

At year-end, the company owned 19 (16) shopping centres and 46 (127) other retail properties in Finland.

The acquisitions and development projects listed above will further strengthen Citycon's position as Finland's market leader in the shopping centre business.

Sweden

In 2006, Citycon's new acquisitions strengthened its market position especially in Sweden. Reported net rental income increased by 422.4 per cent, to EUR 9.3 million. Net rental income in Sweden accounted for 11.2 per cent of Citycon's total net rental income.

Lease portfolio summary	1-12 2006	1-12 2005
Number of leases started during the period	32	2
Total area of leases started, sq.m.	3,900	130
Occupancy rate at end of the period,%	96.3	99.6
Average length of lease portfolio at the end of the period, year	2.2	2.3

Financial performance	1-12 2006	1-12 2005
Turnover, EUR million	17.3	2.7
Net fair value gains on investment property, EUR million	8.7	1.7
Operating profit, EUR million	16.8	3.5
Gross rental income, EUR million	15.9	2.5
Net rental income, EUR million	9.3	1.8
Net rental yield, %	5.2	3.2
Market value of property portfolio, EUR million	354.8	76.1
Capital expenditure, EUR million	267.2	77.9

At the beginning of the reporting period, Citycon acquired retail centres in Lindome, Backa, Hindås, Landvetter and Floda in the Greater Gothenburg Area in Sweden, for an approximate total of EUR 25.7 million. In September, Citycon acquired the majority of shares in the Stenungs Torg shopping centre north of Gothenburg, for EUR 37.2 million. Investments include the transaction costs related to the acquisitions.

In the Greater Stockholm Area, Citycon acquired the Jakobsbergs Centrum shopping centre for EUR 106.6 million in September. In August, the company acquired a shopping centre project in Liljeholmen, Stockholm, for EUR 60.6 million, comprising a 20,000-square-metre office and commercial building and a substantial permitted building volume for constructing a new shopping centre. The company is planning to extend the building's leasable area to four to fivefold.

Also in the Greater Stockholm Area, Citycon is developing and refurbishing the Åkersberga shopping centre. Citycon's share of this investment project totals about SEK 247 million (around EUR 27 million) and includes modernisation and an extension of 9,000 square metres. The project will be completed during the spring of 2009. Citycon has undertaken to buy the remaining holding in the shopping centre once the development project has been completed.

The new acquisitions made in Sweden in 2006 were worth a total of EUR 260.7 million, while development investments totalled EUR 6.5 million.

Close to the end of the financial year, Citycon announced the acquisition of the Tumba Centrum shopping centre, located south of Stockholm, for approximately EUR 60.8 million. The transaction was finalised in January 2007.

After closing of the Tumba Centrum acquisition, Citycon owns 6 (3) shopping centres and 7 (1) other retail properties in Sweden, all of them located in the Greater Stockholm and Gothenburg areas.

Baltic Countries

Citycon owns two shopping centres in the Baltic countries, Rocca al Mare in Tallinn, Estonia, and Mandarinas in Vilnius, Lithuania.

Citycon expanded its operations in the Baltic countries, to Lithuania in 2006 by acquiring the shopping centre Mandarinas at a debt-free purchase price of approximately EUR 14.9 million with the acquisition costs. Completed in September 2005, the Mandarinas shopping centre has a leasable area of approximately 7,900 square metres.

Reported net rental income from operations in the Baltic countries increased by 191.1 per cent, to EUR 4.8 million and net rental income in the region accounted for 5.7 per cent of Citycon's total net rental income.

Lease portfolio summary

	1-12 2006	1-12 2005
Number of leases started during the period	16	14
Total area of leases started, sq.m.	2,900	2,630
Occupancy rate at end of the period, %	100.0	100.0
Average length of lease portfolio at the end of the period, year	3.3	3.4

Financial performance, Baltic Countries

	1-12 2006	1-12 2005
Turnover, EUR million	6.2	2.1
Net fair value gains on investment property, EUR million	6.6	-1.2
Operating profit, EUR million	10.9	0.3
Gross rental income, EUR million	6.1	1.8
Net rental income, EUR million	4.8	1.6
Net rental yield, %	8.4	9.1
Market value of property portfolio, EUR million	83.3	60.5
Capital expenditure, EUR million	16.2	61.6

The new acquisitions made in the Baltic countries in 2006 were worth a total of EUR 15.9 million, while development investments totalled EUR 0.4 million.

The company is planning to extend the shopping centre Rocca al Mare by some 25,000 sq.m. The extension project is due to start in 2007.

Due to the limited size, competition and limited availability of suitable properties in the Baltic market, Citycon has proceeded with caution in making investments. However, the company is constantly searching for potential acquisition opportunities in the region.

HUMAN RESOURCES AND ADMINISTRATIVE EXPENSES

At period-end, Citycon Group had a total of 73 (52) employees, 59 of whom worked in Finland, eight in Sweden, five in Estonia and one in Lithuania. Administrative expenses grew to EUR 12.9 million (EUR 8.3 million), including EUR 0.9 million (EUR 0.2 million) share-based non-cash calculatory expenses related to employee stock options, and EUR 0.6 million in transaction costs related to the disposal of non-core properties. Expenses also increased due to the expansion of company operations.

Wages and salaries paid by the Group totalled EUR 4.6 million (EUR 3.1 million), of which those paid to Chief Executive Officer accounted for EUR 0.3 million (EUR 0.2 million) and Board members EUR 0.5 million (EUR 0.3 million). Wages and salaries paid by the parent company totalled EUR 4.2 million (EUR 2.8 million), of which those paid to the CEO accounted for EUR 0.3 million (EUR 0.2 million) and Board members EUR 0.5 million (EUR 0.3 million).

Personnel key figures for the past three years

	2006	2005	2004
Average number of employees for the period	62	43	40
Wages and salaries for the period, EUR million	4.6	3.1	2.3

TURNOVER AND PROFIT

Turnover for the period came to EUR 119.4 million (EUR 92.2 million), mainly comprising the rental income generated by Citycon's retail properties, of which gross rental income accounted for 96.5 per cent (96.6 per cent).

Operating profit rose to EUR 196.5 million (EUR 105.2 million). Profit before tax came to EUR 165.6 million (EUR 74.2 million) and profit after tax was EUR 126.4 million (EUR 59.8 million). The increase in operating profit was mainly due to changes in the fair value of the property portfolio, and the operating profit generated by acquired properties.

The effect of fair value gains and gains on sale of investment properties and other non-recurring items with the related tax effect on the profit for the period attributable to parent company shareholders was EUR 92.5 million (EUR 33.5 million). Taking this into account, the profit for the period attributable to parent company shareholders after tax is EUR 6.7 million above the previous year's level. Greater earnings resulted mainly from increase in net rental income.

Earnings per share came to EUR 0.78 (EUR 0.47). Earnings per share excluding the fair value gains and gains on sale of investment property and other non-recurring items and the related tax effect were EUR 0.20 (EUR 0.20).

Net cash from operating activities per share amounted to EUR 0.20 (EUR 0.19).

Capital Expenditure
Citycon's gross capital expenditure totalled EUR 436.4 million (EUR 178.5 million), of which property acquisitions accounted for EUR 400.9 million (EUR 171.0 million), property development for EUR 35.4 million (EUR 7.4 million) and other investments for EUR 0.2 million (EUR 0.1 million).

Capital expenditure during the reporting period were financed mainly through the EUR 75 million rights issue, by issuing convertible bonds of EUR 110 million, using approximately EUR 74 million of proceeds from disposal of non-core properties and raising new interest-bearing debt of approximately EUR 143 million.

BALANCE SHEET AND FINANCIAL POSITION

The year-end balance sheet total stood at EUR 1,486.4 million (EUR 983.1 million), and liabilities totalled EUR 906.1 million (EUR 622.9 million), with short-term liabilities accounting for EUR 134.4 million (EUR 74.4 million). The Group's financial position remained at a healthy level.

Year on year, reported interest-bearing liabilities increased by EUR 233.4 million to EUR 814.0 million (EUR 580.5 million). The fair value of the Group's interest-bearing liabilities stood at EUR 832.5 million (EUR 580.5 million) while the cash and cash equivalents were EUR 21.3 million (EUR 15.6 million) leading to fair value of net interest-bearing liabilities of EUR 811.2 million (EUR 564.9 million) as of 31 December 2006.

The weighted average interest rate of the interest-bearing liabilities was 4.35 per cent (4.83 per cent) during 2006. The average loan maturity, weighted according to loan principals, extended to 4.8 years (2.7 years) while the average time to fixing was 4.1 years (2.5 years).

The Group's equity ratio was 39.1 per cent (36.7 per cent). Interest cover as per the financial covenants to the Banks, i.e. the previous 12 months' profit before interest expenses, tax, depreciation, changes in fair value and non-recurring items relative to net financial expenses, was 2.3.

Period-end gearing stood at 136.6 per cent (156.8 per cent). This fall was due to the company's strong financial performance and equity financing transactions carried out during the reporting period.

During 2006 Citycon increased the interest hedging ratio of its debt portfolio and, at the end of 2006, its interest-bearing liabilities included 77.5 per cent (87.3 per cent) in floating-rate loans, of which 76.2 per cent (69.8 per cent) had been converted to fixed-rate by means of interest rate swaps. Taking into account the interest rate swaps, 81.6 per cent (70.0 per cent) of the company's period-end interest-bearing liabilities were at fixed interest rates. On 31 December 2006, the nominal amount of interest rate swaps totalled EUR 541.7 million (EUR 336.5 million) while the fair value of derivatives came to EUR -2.0 million (EUR -14.7 million). Citycon applies hedge accounting and, thus, fair value changes of interest rate swaps are recognised under equity. Hedging policies are presented in a greater detail in the Notes to the Financial Statements under 19. Financial instruments. .

Net financial expenses decreased by EUR 0.2 million, to EUR 30.9 million (EUR 31.1 million), which include EUR 0.9 million (EUR 5.7 million) in non-recurring expenses relating to the refinancing of a bank loan. The growth in like-for-like net financial expenses was mainly due to an increase in interest-bearing liabilities. Net financial expenses in income statement for 2006 include EUR 0.7 million (EUR 0.0 million) in non-cash expenses related to the option component in the convertible bonds.

Capital Market Transactions
During the financial year, Citycon carried out the following two capital market transactions successfully: subordinated convertible bonds placed with institutional investors and a rights issue. These operations strengthened the company's balance sheet and will support the implementation of its growth strategy.

In July, Citycon's Board of Directors decided to offer EUR 110 million worth of subordinated convertible bonds to international institutional investors. The convertible bonds have been listed on the Helsinki Stock Exchange since 22 August 2006. With a maturity of seven years (the maturity date on 2 August 2013), they bear an annual fixed interest rate of 4.5 per cent and their initial conversion price is EUR 4.3432, the conversion period being from 12 September 2006 until 27 July 2013. The detailed terms and conditions of the convertible capital loan as well as the accrued interest are presented in the Notes to the Financial Statements under 18. Interest-bearing liabilities. The detailed terms and conditions and the accrued interest of Citycon's other capital loan are presented in the Note 18.

Waiving the shareholders' pre-emptive rights, the issue of the convertible bonds was based on the authorisation given by Citycon's Annual General Meeting on 14 March 2006. The conversion of the convertible bonds may increase the company's share capital by a maximum of EUR 34,191,378.45 and the number of shares by a maximum of 25,326,947.

In March/April, Citycon carried out a rights issue, through which the company raised a total of approximately EUR 75 million, offering shareholders the right to subscribe for one new share against every five shares they hold. A total of 27,274,949 new shares were subscribed at a subscription price of EUR 2.75 per share, equalling approximately 99.4 per cent of the shares offered.

More detailed information on the convertible bonds and the rights issue is given in Citycon's stock exchange releases published during the financial year and available on the company's website at www.citycon.fi.

Debt-financing Transactions
During the reporting period, the company renegotiated better terms and conditions for its debt financing as well as prolonged the loan portfolio's average maturity and increased the amount of debt in its disposal. The new debt financing transactions will help the company in fullfilling the growth strategy.

In February 2006, the company signed a new commercial paper programme worth EUR 100 million, replacing its previous commercial paper programmes worth EUR 60 million.

In August, the company signed a EUR 600 million credit agreement with an international bank group. The loan was used to re-finance a bank loan worth EUR 450 million raised in 2004 and maturing in 2009, and to finance property acquisitions. This credit facility will reduce the company's annual finance costs, in comparison with the equivalent refinanced loan, by around EUR 0.7 million.

RISK MANAGEMENT AND ENVIRONMENTAL RESPONSIBILITY

Risk management aims to help ensure that Citycon meets its strategic and operational goals.

The company's risk-management process involves identifying business-related risks, analysing their significance, planning and implementing risk-management measures, reporting on risks on a regular basis and controlling risks. In the autumn of 2006, Citycon carried out an extensive risk analysis, involving the identification of risks and their management before their entry in a risk register.

Citycon is continuously improving its risk-management process and aims to adopt an Enterprise Risk Management (ERM) programme during 2007. The company updates its guidelines for risk-management principles, approved by the Board of Directors, on a regular basis in response to possible changes in its business.

Citycon's major business-critical risks relate to those associated with its lessees' ability to pay rents and those associated with its property portfolio, retail properties' value development and business expansion, as well as financial risks. Citycon's identified, key financial risks include interest rate risk related to cash flow, liquidity risk, credit risk and foreign currency risk. Citycon's risk management is described in greater detail on pages 36–37 of the Annual Report and on pages 32-33 of the Financial Statements.

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 types of property repair. In its property development projects, Citycon strives, for instance, to recycle demolition and construction waste as efficiently as possible.

LEGAL PROCEEDINGS

In early 2006, based on competitive tendering, Citycon Oyj submitted a joint tender with Skanska Talonrakennus Oy for the construction of a new shopping centre and the related areas, in accordance with a general plan for the Ratina region in Tampere. On 3 April 2006, the City of Tampere made the decision to opt for a consortium comprising Kapiteeli and Sponda to implement the project. Citycon Oyj's and Skanska Talonrakennus Oy's quotation for this project totalled over EUR 31 million while the selected consortium quoted EUR 20 million.

On 27 April 2006, Citycon submitted a claim for correction to the City Board of Tampere, demanding a reversal of the decision and requesting that Citycon Oyj and Skanska Talonrakennus Oy be selected to develop the project. Citycon has also filed a petition with the Market Court, whereby it is demanding that, in the first instance, the decision be reversed and, secondarily, the City of Tampere carry out a new comparison of tenders. In addition, the petition requests a ban on signing the project contract and a discontinuance of the project procurement process.

In June, the Market Court imposed a temporary preservation order and a conditional fine on the City of Tampere. The City of Tampere filed a complaint with the Supreme Administrative Court, which upheld the Market Court's decision by a ruling issued in November.

The Market Court's ruling on the actual petition is pending.

ANNUAL GENERAL MEETING

Citycon's Annual General Meeting (AGM), held in Helsinki on 14 March 2006, adopted the financial statements of Citycon Oyj and the Citycon Group for 2005 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 2005. The dividends were paid out on 24 March 2006.

Board of Directors

According to the Articles of Association of the company, the Board of Directors comprises a minimum of five and a maximum of eight members, who are elected within these limits in a general meeting of shareholders for a term of one year at a time. A member of the Board of Directors may be discharged only upon a decision by the general meeting of shareholders. Only the general meeting of shareholders can decide to alter the Articles of Association of the company with a 2/3 majority of the votes cast.

With the number of Board members remaining at eight, the AGM 2006 re-elected the following Board members for a one-year term: Amir Gal, Raimo Korpinen, Tuomo Lähdesmäki, Carl G. Nordman, Claes Ottosson, Dor J. Segal and Thomas W. Wernink. Gideon Bolotowsky (58), M.Sc. (Eng.), Finnish citizen, was elected a new Board member. As a Board member from 2000 and Board Chairman from 2002, Stig-Erik Bergström was not available for re-election. At its first meeting, the Board elected Thomas W. Wernink Chairman and Tuomo Lähdesmäki Deputy Chairman.

Auditor

The AGM decided to alter Article 9 of the Articles of Association, regarding company auditors, in such a way that Citycon has one auditor, which must be a firm of authorised public accountants certified by the Central Chamber of Commerce of Finland. Accordingly, the AGM elected Ernst & Young Oy, Authorised Public Accountants, as the company's auditor for 2006, with Tuija Korpelainen acting as chief auditor, as notified by Ernst & Young Oy.

Board Authorisations

The AGM authorised the Board of Directors to decide to increase the share capital through one or several rights issues by offering a maximum of 50 million new shares at a nominal per-share value of EUR 1.35 for subscription by shareholders. The Board exercised this authorisation in March when it decided on a share issue based on the shareholders' pre-emptive subscription right. A total of 27.3 million shares were subscribed.

In addition, the AGM authorised the Board to decide to issue one or several convertible bonds, issue stock options and increase the company's share capital through one or several share issues, waiving the shareholders' pre-emptive subscription right, by issuing a maximum of 27.4 million new shares. The Board exercised this authorisation in July when it decided to issue subordinated convertible bonds placed with institutional investors. Based on the bonds, maturing in August 2013, the company's share capital may increase by EUR 34.2 million at the most, through the issue of a maximum of 25.3 million shares.

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

SHAREHOLDERS, SHARE CAPITAL AND SHARES

Citycon is a Mid Cap company under the Financial sector on the OMX Nordic Exchange its shares being listed on the Helsinki Stock Exchange since November 1988. Its trading code is CTY1S and shares are traded in euros. The ISIN code used in international securities clearing is FI0009002471.

Shareholders

On 31 December 2006, Citycon had a total of 1,721 (1,402) registered shareholders, of which nine were account managers of nominee-registered shares. Nominee-registered shareholders, mainly international investors, held 155.6 million (125.5 million) shares, or 93.1 per cent (92.0 per cent) of shares and voting rights. In 2006, the company did not receive any statutory notices regarding changes in shareholdings.

Trading and share performance

In 2006, the number of Citycon shares traded on the Helsinki Stock Exchange totalled 51.2 million (40.7 million) at a total value of EUR 197.6 million (EUR 119.2 million). The highest quotation was EUR 5.09 (EUR 3.50) and the lowest EUR 3.02 (EUR 2.36). The reported trade-weighted average price was EUR 3.86 (EUR 2.95), and the share closed at EUR 5.05 (EUR 3.11). The company's market capitalisation at the end of the financial year totalled EUR 844.3 million (EUR 424.1 million).

Changes in share capital from 1 January to 31 December 2006

Date 2006	Reason	Change, EUR	Change in no. of shares	Share capital in EUR	Number of shares
1 Jan.				184,115,724.30	136,382,018
16 Feb.	Increase (stock options)	1,012,945.50	750,330	185,128,669.80	137,132,348
28 March	Increase (stock options)	20,250.00	15,000	185,148,919.80	137,147,348
18 April	Increase (stock options)	737,572.50	546,350	185,886,492.30	137,693,698
28 April	Increase (rights issue)	36,821,181.15	27,274,949	222,707,673.45	164,968,647
4 May.	Increase (stock options)	51,629.40	38,244	222,759,302.85	165,006,891
20 June	Increase (stock options)	22,126.50	16,390	222,781,429.35	165,023,281
27 July	Increase (stock options)	363,734.55	269,433	223,145,163.90	165,292,714
21 Sept.	Increase (stock options)	1,619,391.15	1,199,549	224,764,555.05	166,492,263
25 Oct.	Increase (stock options)	100,934.10	74,766	224,865,489.15	166,567,029
14 Dec.	Increase (stock options)	831,803.85	616,151	225,697,293.00	167,183,180
31 Dec.				225,697,293.00	167,183,180

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 its holder to one vote at the shareholders' meeting.

At the beginning of 2006, Citycon had a share capital of EUR 184.1 million and the number of shares totalled 136.4 million. The reporting period saw Citycon increase its share capital through a rights issue and share subscriptions based on stock options by a total of EUR 41.6 million and 30.8 million shares. The table below shows the changes in share capital in more detail. The company's period-end registered share capital amounted to EUR 225.7 million and the number of shares totalled 167.2 million, each share bearing a nominal value of EUR 1.35.

Shares Not Transferred into the Book-entry Securities System

At the end of August, Citycon Oyj sold the company's shares not transferred into the book-entry securities system, for the benefit of their holders. The resulting income, less expenses incurred by the company due to notifications and sales, was lodged with the State Provincial Office of Southern Finland on 1 September 2006. A holder of the sold shares or another assignee is entitled to a share of this income in proportion to his/her shareholding, at EUR 3.52 per share. In order to receive his/her share of this income, the shareholder or another assignee must present a claim for it and hand over his/her share certificates and any proof of title to a Nordea Bank Finland Plc branch no later than 31 August 2016.

Treasury shares

During the financial year, Citycon Oyj held no treasury shares.

STOCK OPTIONS

Citycon has two stock-option schemes in force, the 1999 A/B/C scheme and the 2004 A/B/C scheme, which form part of the Group-wide employee incentive and motivation programme.

In 2006, the 2004 stock options were transferred to the book-entry securities system and 2004 A stock options were listed on the Helsinki Stock Exchange as their share subscription period began on 1 September 2006. The 1999 stock options are also listed on the Helsinki Stock Exchange.

Moreover, the Board of Directors decided to issue C stock options under the 2004 stock-option scheme to Group employees. A total of 1,250,000 options were granted to 60 persons.

Citycon has amended the terms and conditions of its stock-option schemes due to the rights issue carried out during the period. Amendments made to the share subscription ratios and prices also apply to the maximum numbers of shares and increases in the share capital with respect to shares subscribed under option rights. The company's stock option schemes, including the new subscription ratios and prices and numbers of option rights are described in greater detail on pages 35-37 of the Financial Statements.

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 employees (5,327,500 stock options) and to Veniamo-Invest Oy, a Citycon subsidiary (172,500 stock options).

In accordance with the amended terms and conditions, the 1999 stock options entitle their holders to subscribe for a maximum of 5,820,418 shares, with the result that the company's share capital may increase by a maximum of EUR 7,857,564.30. By the end of 2006, a total of 4,805,930 shares had been subscribed based on these options.

In 2006, the total number of 1999 stock options traded on the Helsinki Stock Exchange came to 2.4 million (2.8 million), their value totalling EUR 6.2 million (EUR 4.4 million). The highest quotation was EUR 4.00 (EUR 2.09) and the lowest EUR 1.81 (EUR 0.88). During the financial year, the number of new Citycon shares subscribed on the basis of the 1999 stock-option scheme totalled 2,777,440 at a per-share subscription price of EUR 1.35. This figure comprises the 63,525 new shares subscribed in December. The new shares entitle their holders to a dividend for the financial year 2006.

2004 Stock Options

The Extraordinary General Meeting (EGM) of 15 March 2004 decided to grant a maximum of 3,900,000 stock options. At the end of the financial year, personnel held 3,380,000 A/B/C stock options and Veniamo-Invest Oy 520,000.

In accordance with the amended terms and conditions, the 2004 stock options entitle their holders to subscribe for a maximum of 4,138,290 shares, with the result that the company's share capital may increase by a maximum of EUR 5,586,691.50. During the financial year, the number of new Citycon shares subscribed on the basis of the 2004A stock-option scheme totalled 89,715 at a per-share subscription price of EUR 2.2336. This figure comprises the 27,747 new shares subscribed in December. The new shares entitle their holders to a dividend for the financial year 2006.

In September-December, the total number of 2004A stock options, listed in early September and traded on the Helsinki Stock Exchange, came to 0.2 million, their value totalling EUR 0.4 million. The highest quotation was EUR 2.93 and the lowest EUR 1.66.

Shares and Stock Options held by the Board of Directors and Management

On 31 December 2006, members of the Board of Directors, the CEO and other members of the Corporate Management Committee, and their related parties held a total of 223,871 Citycon shares, accounting for 0.13 per cent of all shares and voting rights.

On 31 December 2006, Citycon's CEO held 73,214 1999A/B/

C stock options, 150,000 2004A stock options, 140,000 2004B stock options and 140,000 2004C stock options. Other members of the Corporate Management Committee held a total of 32,000 1999A/B/C stock options, 150,000 2004A stock options, 280,000 2004B stock options and 280,000 2004C stock options. Board members are not included in the company's stock option schemes.

Up-to-date information on the share and stock option holdings of the members of Citycon's Board of Directors and Corporate Management Committee is available on the company's website at www.citycon.fi.

The main terms of the CEO's executive contract are described on page 39 of the Financial Statements.

EVENTS AFTER THE FINANCIAL YEAR

Acquisition of a Shopping Centre

In December 2006, Citycon announced that it had signed an agreement for the acquisition of the Tumba Centrum shopping centre, located in the municipality of Botkyrka in the Greater Stockholm Area. The transaction was finalised on 31 January 2007 at a debt-free purchase price of SEK 547.7 million (approximately EUR 60.5 million).

Development projects

Early February, Citycon announced that it will start the extension of the Rocca al Mare shopping centre, originally acquired in the summer 2005. The project includes a construction of an extension and a refurbishment of the existing shopping centre. The cost of the first phase of the extension and refurbishment project totals approximately EUR 25 million and will expand the leasable area of the centre by approximately 16,000 square metres. The development project, which is planned to be carried out in phases, amounts to roughly EUR 68 million.

Also early February, Citycon announced that it will build a shopping centre in Liljeholmen, Stockholm. This investment, totalling approximately EUR 110 million, in addition to EUR 60.6 million paid for the site, is Citycon's largest individual development project at present. Citycon acquired the Liljeholmen property in August 2006. The property today is a mixed-use 20,000 square-metre office-commercial building with building rights for retail use. The existing building will undergo a considerable extension and renovation resulting in a new shopping centre totalling approximately 91,000 square metres, including an underground parking space. The new shopping centre is expected to open in October-November 2009.

Share capital increase based on stock options

A total of 91,272 new Citycon shares at a par value of EUR 1.35 per share were subscribed at the end of December 2006, based on stock options under the 1999 and 2004 stock option schemes. The resulting EUR 123,217.20 share-capital increase was registered in the Trade Register on 9 February 2007. The new shares entitle their holders to a dividend for the financial year 2006.

Extraordinary General Meeting (EGM) and a directed share issue

Citycon's EGM, held in Helsinki on 26 January 2007, authorised the Board of Directors to decide on an issuance of 25,000,000 new shares at a maximum through a directed share issue.

By virtue of this authorisation, Citycon's Board of Directors decided on 13 February 2007 to issue 25,000,000 new shares on a non-pre-emptive basis to Finnish and international institutional investors. The share subscription price was set to EUR 5.35 per share. The offering was conducted through an accelerated bookbuilding process between 12 February 2007 and 13 February 2007. The share capital increase of EUR 33,750,000.00 corresponding to the 25,000,000 new shares subscribed in the directed share issue was entered in the Finnish Trade Register on 15 February 2007. The new shares do not entitle their holders to a dividend for the financial year 2006. After the increase, the Company's registered and fully-paid share capital is EUR 259,570,510.20 and the total number of shares 192,274,452.

After having exercised the authorisation for the directed share issue the company's Board of Directors does not have any valid authorisation to issue new shares. However, the Board has proposed to the Annual General Meeting to be held on 13 March 2007 that it be authorised to issue a maximum of 100 million new shares. The authorisation is proposed to be valid for five years.

BOARD PROPOSAL FOR PROFIT DISTRIBUTION

The parent company's distributable funds amount to EUR 27.5 million, of which profit for the period accounts for EUR 26.9 million.

The Board of Directors proposes to the Annual General Meeting of 13 March 2007 that a per-share dividend of EUR 0.14 be paid out for the financial year ending on 31 December 2006 corresponding to a total of EUR 23,418,423.28. The Board of Directors proposes that the record date for dividend payment be 16 March 2007 and that the dividend be paid on 23 March 2007.

The Board of Directors further proposes that the remaining balance of EUR 4.1 million of the distributable funds be recorded in retained earnings.

It is the Board of Directors' opinion that the proposed profit distribution does not risk the company's solvency.

OUTLOOK

While competition for properties intensifies Citycon continues to seek acquisition and development opportunities and to pursue its expansion strategy. Due to the acquisitions and development projects planned and underway during 2006, Citycon expects the operating profit excluding fair value gains and gains on sale of investment properties to increase during 2007.

Helsinki, 22 February 2007

Citycon Oyj
Board of Directors

Consolidated income statement, IFRS

EUR MILLION	NOTE	1 JAN.-31 DEC. 2006	1 JAN.-31 DEC. 2005
Total revenues	1	325.1	156.5
Total expenses excluding financial expenses	2	-128.6	-51.2
Gross rental income		115.1	89.1
Service charge income		4.2	3.1
Turnover	3,4	**119.4**	**92.2**
Property operating expenses	6	36.0	24.7
Other expenses from leasing operations	5	0.6	0.5
Net rental income		**82.8**	**67.0**
Administrative expenses	6,7	12.9	8.3
Other operating income and expenses	8	0.6	0.3
Fair value gains on investment property		131.3	60.3
Fair value losses on investment property		-11.2	-14.3
Net fair value gains on investment property		120.1	45.9
Investment property disposal proceeds		73.9	3.7
Carrying value of investment porperty disposals		-67.9	-3.4
Profit on disposal of investment property		5.9	0.3
Operating profit		**196.5**	**105.2**
Financial income	9	12.2	0.8
Financial expenses	9	-43.0	-31.9
Net financial income and expenses		-30.9	-31.1
Profit before taxes		**165.6**	**74.2**
Current taxes	10	-7.4	-3.5
Change in deferred taxes	10	-31.8	-10.8
Income tax expense		-39.2	-14.3
Profit for the period		**126.4**	**59.8**
Attributable to			
Parent company shareholders		124.9	59.2
Minority interest		1.5	0.6
Earnings per share attributable to parent company shareholders:			
Earnings per share (basic), EUR	11	0.78	0.47
Earnings per share (diluted), EUR	11	0.74	0.46

Consolidated balance sheet, IFRS

EUR MILLION	NOTE	31 DEC. 2006	31 DEC. 2005
ASSETS			
Non-current assets			
Investment property	12	1,447.9	956.6
Property, plant and equipment	13	0.6	0.7
Intangible assets	14	0.3	0.2
Investments		0.0	0.1
Derivative financial instruments	19	4.5	-
Total non-current assets		**1,453.3**	**957.6**
Current assets			
Trade and other receivables	15	11.3	9.9
Derivative financial instruments	19	0.4	-
Cash and cash equivalents	16	21.3	15.6
Total current assets		**33.1**	**25.5**
Total assets		**1,486.4**	**983.1**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity attributable to parent company shareholders	17		
Share capital		225.7	184.1
Share issue		0.1	1.1
Share premium fund		131.1	78.8
Fair value reserve		-1.3	-10.5
Other reserves		0.0	6.6
Translation reserve		0.0	0.0
Retained earnings		209.7	96.5
Total equity attributable to parent company shareholders		**565.3**	**356.6**
Minority interest		15.0	3.6
Total shareholders' equity		**580.3**	**360.2**
LIABILITIES			
Long-term liabilities			
Interest-bearing liabilities	18	726.3	528.5
Derivative financial instruments	19	4.8	14.2
Other non-interest-bearing liabilities		0.1	-
Deferred tax liabilities	20	40.4	5.8
Total long-term liabilities		**771.7**	**548.4**
Short-term liabilities			
Interest-bearing liabilities	18	87.6	52.1
Trade and other payables	21	46.8	22.3
Total short-term liabilities		**134.4**	**74.4**
Total liabilities		**906.1**	**622.9**
Total liabilities and shareholders' equity		**1,486.4**	**983.1**

Consolidated cash flow statement, IFRS

EUR MILLION	1 JAN.-31 DEC.2006	1 JAN-31 DEC.2005
Cash flow from operating activities		
Profit before taxes	**165.6**	**74.2**
Adjustments:		
Depreciation and amortization	0.2	0.2
Net fair value gains on investment property	-120.1	-45.9
Profit on disposal of investment property	-5.9	-0.3
Financial income	-12.2	-0.8
Financial expenses	43.0	31.9
Other adjustments	0.9	0.9
Cash flow before change in working capital	71.6	60.1
Change in working capital	-0.5	1.9
Cash generated from operations	**71.1**	**62.0**
Interest and other financial expenses paid	-34.1	-32.3
Interest and other financial income received	0.9	0.4
Taxes paid	-5.9	-5.2
Net cash from operating activities	**32.0**	**24.8**
Cash flow from investing activities		
Acquisition of subsidiaries, less cash acquired	-331.8	-92.6
Acquisition of investment properties	-33.6	-
Capital expenditure on investment properties, PP&E and intangible assets	-35.6	-7.2
Sale of investment properties	73.9	2.8
Proceeds from sale of other investments	-	1.0
Net cash used in investing activities	**-327.1**	**-96.1**
Cash flow from financing activities		
Proceeds from share issue	77.4	74.4
Proceeds from short-term loans	421.2	134.6
Repayments of short-term loans	-392.2	-108.6
Proceeds from long-term loans	675.3	199.7
Repayments of long-term loans	-461.8	-205.6
Dividends paid	-19.2	-15.7
Net cash from financing activities	**300.8**	**78.9**
Net change in cash and cash equivalents	**5.7**	**7.7**
Cash and cash equivalents at period-start	15.6	7.9
Effects of exchange rate changes	0.0	0.0
Cash and cash equivalents at period-end	**21.3**	**15.6**

Consolidated statement of changes in shareholders' equity, IFRS

STATEMENT OF CHANGES IN EQUITY, EUR MILLION

	Equity attributable to parent company shareholders										
	Share capital	Share issue	Share premium fund	Fair value reserve	Other reserves	Treasury shares	Translation reserve	Retained earnings	Total	Minority interest	Total shareholders' equity
Balance at 31 Dec. 2004	**156.8**	**0.0**	**35.0**	**-13.3**	**6.6**	**-4.7**	**-**	**57.4**	**237.7**	**0.0**	**237.7**
Cash flow hedges				2.8					2.8		2.8
Net gains recognised in equity	**0.0**		**0.0**	**2.8**	**0.0**	**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**	**2.8**	**0.0**	**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
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
Dividends								-15.7	-15.7		-15.7
Translation differences									0.0		0
Other changes								0.2	0.2	3.0	3.2
Balance at 31 Dec. 2005	**184.1**	**1.1**	**78.8**	**-10.5**	**6.6**	**-**	**0.0**	**96.5**	**356.6**	**3.6**	**360.2**
Cash flow hedges				9.3					9.3		9.3
Net gains recognised in equity	**0.0**	**0.0**	**0.0**	**9.3**	**0.0**	**0.0**	**0.0**	**0.0**	**9.3**	**0.0**	**9.3**
Profit for the period								124.9	124.9	1.5	126.4
Total recognised income and expense for the period	**0.0**	**0.0**	**0.0**	**9.3**	**0.0**	**0.0**	**0.0**	**124.9**	**134.1**	**1.5**	**135.7**
Share issue	36.8		37.1						73.9		73.9
Share subscriptions based on stock options	4.8	-0.9	0.1						3.9		3.9
Dividends					-6.6			-12.6	-19.2		-19.2
Equity instrument of convertible capital loan			15.1						15.1		15.1
Translation differences							0.0		0.0		0.0
Other changes								0.9	0.9	9.9	10.7
Balance at 31 Dec. 2006	**225.7**	**0.1**	**131.1**	**-1.3**	**0.0**	**-**	**0.0**	**209.7**	**565.3**	**15.0**	**580.3**

Notes to the consolidated financial statements, IFRS

ACCOUNTING POLICIES

Basic company data

As a real estate company specialising in retail properties, Citycon operates largely in the Helsinki Metropolitan Area and Finland's major regional centres as well as in Sweden and the Baltic Countries. Citycon is a Finnish, public limited company established under Finnish law 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 22 February 2007.

Basis of preparation

Citycon has prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and applied the IFRS/IAS standards, effective at 31 December 2006, 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 Community legislation. In addition, the best practices policy recommendations of the European Public Real Estate Association (EPRA) have been applied in preparing the Citycon's financial statements.

Citycon has used IFRS as the primary basis of its financial statements preparation from the beginning of 2005. Available-for-sale assets, derivative contracts and investment properties are measured at fair value following their initial recognition. In other respects, the consolidated financial statements are prepared at historical cost. 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 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. Section '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 judgements and assumptions.

Group accounting

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 under which the historical cost of subsidiary shares in the parent company's non-current assets has been eliminated against the shareholders' equity of the subsidiary on the date of the subsidiary's acquisition. 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 stated 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, IFRS 3 Business Combinations will apply, whereby the acquisition cost is allocated to the acquired assets and liabilities at their fair value. Goodwill is the residual stemming from the fair value of the acquired net assets exceeding that of the consideration given.

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 are entered under financial expenses and income in the income statement.

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 a building, or part of a building, held to earn rental income 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 included in the income statement.

The investment properties are measured initially at their cost including transaction costs such as consultant fees and transfer taxes. After initial measurement the investment properties are subject to a fair value model valuation, which is conducted by an external appraiser for the fist time at the end of the quarter following the acquisition.

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 position 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 appraiser 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. 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 appraiser for the latest valuation.

A ten-year cash flow analysis based on the net rental income is used to determine the fair value of investment properties. The basic cash flow is determined by the company's lease agreements valid at the valuation date. Upon lease expiry, the market rent assessed by an external appraiser is used to replace the contract rent. Gross rental income less operating expenses and investments equals to net rental income, which is then discounted at the property specific yield requirements. Yield requirements 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.

Citycon redevelops its investment properties. When Citycon begins to redevelop its existing investment property, the property remains as an investment property, which is measured based on fair value model in accordance with IAS 40. The significant extension projects to existing investment properties are exceptions and they are treated in accordance with IAS 16 Property, Plant and Equipment standard until the project is completed.

The fair value of development projects is determined under IAS 40 and Citycon uses a special project model to measure the fair value of its development projects. The project model is a cash flow analysis, which takes into account of capital expenditure on the development project and the property's future cash flows according to the development project's schedule. Citycon considers using the model on a case-by-case basis. As a rule, Citycon makes use of the model as soon as the Board of Directors has made a positive investment decision on the project and the external appraiser considers that all information required for a reliable valuation is available.

All potential development projects have been left out from the valuation conducted by external appraiser. The valuation of properties having potential development projects is based on the situation and the estimated rental value at the valuation date. All undeveloped or under development lots are evaluated based on their zoning at the valuation date. The value in each case was set based on market observations.

The fair value of Citycon's investment properties in the balance sheet equals the property portfolio's total value determined by the external appraiser capital expenditure on development projects that haven't been taken into account by the external valuer as well as the value of new properties acquired during the reporting quarter.

Gains and losses resulting from fair-value changes 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.

IAS 16 Property, Plant and Equipment –standard is applied until completion for the investment properties under construction and built for future use as investment properties. After completion these properties are transferred to the investment property at their cost, which consists of the accumulated capital expenditure up to completion date. Subsequently, they are measured at fair value in accordance with IAS 40.

Property, plant and equipment

Property, plant and equipment (PPE) are measured at historical cost less straight-line 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 on a straight-line basis over the asset's expected useful economic life. The asset's useful 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 on a straight-line basis over ten years.
- Other PPEs are depreciated on a straight-line basis over three to ten years.
- This also applies to tangible assets leased under finance lease. Such an asset is depreciated over its useful economic life or within the shorter lease term.

Capital gains or losses on the sale of PPEs 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 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.

Financial instruments

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: originated loans and other receivables not held for trading, available-for-sale 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.

Originated loans and other receivables not held for trading include financial assets which the company has created by providing money, goods or services directly to the debtor. Initially recognised at cost, 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.

Investments intended to be held for an indefinite period are classified as available-for-sale assets, which can be sold at the time deemed appropriate. These financial assets are carried at fair value subsequent to their initial recognition. 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 when the asset is disposed of or it has lost its value to the extent that an impairment loss must be recognised for the asset.

Citycon concludes derivative contracts for hedging purposes only. Derivative contracts not fulfilling the criteria set for hedge accounting or for which Citycon has decided not to apply 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. Non-derivative debt contracts concluded for purposes other than trading are classified as other financial liabilities.

Financial assets and liabilities are recognised in the balance sheet on the basis of the settlement date. They are initially measured at cost, and are recognized at amortised cost using the effective yield method.

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 contracts and hedge accounting

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

Citycon uses interest rate swaps to hedge the interest rate cash flow risk. The interest rate swaps hedge against volatility in future interest payment cash flows (cash flow hedging) resulting from interest rate fluctuations, and the resulting profit fluctuations. Citycon applies hedge accounting to majority of its interest rate swaps, 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, 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 during the period 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 in full through profit or loss.

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

The company uses foreign exchange derivatives to hedge against exchange rate risk relating to financial assets and liabilities denominated in foreign currency. Fair value changes of foreign exchange derivatives is recognized in the income statement because also the fair value changes of the financial assets and liabilities denominated in foreign currencies is recognized in the income statement.

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, accounted for at fair value and changes in its fair value be recognised 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 cost on an accrual basis 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 a 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.

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 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. A tangible asset is depreciated over its useful economic life or during the lease term. Lease payments in the income statement are recognised as interest or 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.

Pensions

The Group's employee pension cover is based on statutory pension insurance. Pension schemes are classified into two categories: defined contribution plans and defined benefit plans. Where 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 based 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.

Application of new standards and changes in accounting policies

Citycon will apply IFRS 7 and IAS 1 from 1 January 2007. IFRS 7 has an effect on Notes to the Financial Statements regarding financial instruments while IAS 1 on the Notes to the Financial Statements regarding capital disclosures.

Citycon changes its accounting policies related to IAS 23 Borrowing Costs –standard from 1 January 2007. Citycon will apply the allowed alternative treatment, which allows the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset be capitalised as part of the cost of that asset. The change in accounting policy don't have any material effect on the financial statements in 2006 and 2005.

MANAGEMENT'S JUDGEMENT IN APPLYING THE MOST SIGNIFICANT ACCOUNTING POLICIES AND OTHER KEY ASSUMPTIONS ABOUT FUTURE RISKS AND UNCERTAINTIES

Fair value of investment properties

Measuring the fair value of investment property forms one of the most significant accounting policy aspects which involves management's judgement and assumptions about future uncertainties. Market rents, occupancy rate, operating expenses and yield requirement form the key variables used in the investment property's fair-value measurement, whose measurement involves management's judgement and assumptions.

Citycon uses a net rental income based cash flow analysis to measure the fair value of its investment properties. Net rental income and the yield requirement by each property must be defined for the cash flow analysis. Net rental income equals gross rental income less operating expenses and investments. The yield requirement is used for discounting the yearly net rental income, into which the discounted residual value and other assets, such as unused building rights and lots, are added to have the fair value of investment property. The key parameters of the cash flow analysis are the following items:

- Market rents, which affect rental income in the cash flow analysis, are determined by market demand and supply. External appraiser defines the market rents for each property.
- The occupancy rate stands for that part of the leasable space (Gross Leasable Area, GLA) that is leased. The occupancy rate is determined by the lease agreements valid at the valuation date. Upon lease expiry, measuring the occupancy rate involves management's assumptions. The occupancy rate affects the yearly rental income.
- Operating expenses comprise costs resulting from the property's management, maintenance, heating, electricity, water supply etc. Operating expenses are determined based on the previous years operating expenses and by the benchmark data collected by external appraiser.
- The yield requirement comprises risk-free interest as well as property-specific and market risk. The property-specific risk is defined by Citycon and the definition involves management's judgement and assumptions. Market risks are defined by an external appraiser. Yield requirement is used as the discount rate in the cash flow analysis. When yield requirement decreases the fair value of investment properties increases.

Other variables involving judgment and assumptions are the current leases' extension probability, the duration of vacant areas, investments, the inflation rate and the rental growth assumptions.

Citycon uses a special project model to measure the fair value of its development projects. This project model is a cash flow analysis, which takes account of capital expenditure on the development project and the property's future cash flows according to the development project's schedule. Although the model applies principles similar to those used in the cash flow analysis measuring the investment property's fair value, it is better suited to modelling changes, in many cases significant ones, in premises and contracts during the development project. In the project model, the property can be divided into different parts and the current leases, future leases, project schedules and capital expenditure can be defined for each of these parts, which may comprise the various floors, areas or a larger space within the building. In addition, risks associated with the development project and the property's future use can be defined for the yield requirement for development projects. Following this, each part is subject to the cash flow analysis and the parts' combined cash flow constitutes the development project's fair value.

The use of special project model in the valuation of development projects requires management's judgement or assumptions about future investments, rental agreements and project's timetable.

Deferred tax assets

Judgement and assumptions are also included in the recognition of deferred tax assets with respect to estimates of probable disposable income subject to tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. TOTAL REVENUES

EUR million	2006	2005
Gross rental income	115.1	89.1
Service charge income	4.2	3.1
Other operating income	0.6	0.3
Fair value gains on investment property	131.3	60.3
Investment property disposal proceeds	73.9	3.7
Total	**325.1**	**156.5**

Total revenues disclosure is in accordance with the EPRA Recommendations.

2. TOTAL EXPENSES EXCLUDING FINANCIAL EXPENSES

EUR million	2006	2005
Property operating expenses	36.0	24.7
Other expenses from leasing operations	0.6	0.5
Administrative expenses	12.9	8.3
Fair value losses on investment property	11.2	14.3
Carrying value of investment property disposals	67.9	3.4
Total	**128.6**	**51.2**

Total revenues disclosure is in accordance with the EPRA Recommendations. Total expenses deducted by total expenses equals to operating profit.

3. SEGMENT INFORMATION

The presentation of segment information is based on geographical segments and business segments. As part of the implementation of its growth strategy, Citycon reorganised its operations by introducing new regional business organisations towards the end of the year. This affected Citycon Group's financial reporting, entailing that the Financial Statements for 2006 are the first to be prepared on the basis of the new regional structure. Consequently, the Group's primary reporting format is based on geographical segments. 2005 information has been restated to be in compliance with new segment structure.

Geographical segments are based on the Group's organisational structure and internal financial reporting. 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.

GEOGRAPHICAL SEGMENTS

Geographical segments are Finland, Sweden and the Baltic Countries. Other segment includes mainly the expenses of the Group's finance and other administration.

Finland

Citycon is Finland's largest company in the shopping-centre business. It owns 19 shopping centres in addition to 46 other retail properties, of which 32 are located in the Helsinki Metropolitan Area and 33 elsewhere in Finland.

Sweden

Citycon has expanded especially in Sweden during the last two years. It now owns five shopping centres and seven other retail properties, all acquired in 2005 and 2006. Six of the sites are located in the Greater Stockholm Area and six in the Greater Gothenburg Area.

The Baltic Countries

Citycon owns two shopping centres in the Baltic region. The first acquisition in the Baltic countries, made in July 2005, was the Rocca al Mare shopping centre, located in the Estonian capital, Tallinn. In 2006, Citycon entered the Lithuanian market with the acquisition of the Mandarinas shopping centre.

BUSINESS SEGMENTS

Business segments comprise shopping centres and other retail properties.

Shopping Centres

The Shopping Centres segment consists of 26 shopping centres, 19 of which are located in Finland, one in Estonia, one in Lithuania and five in Sweden. Shopping centres form the core of Citycon's business. Citycon leads the Finnish market for shopping centre business.

Other Retail Properties

The Other Retail Properties segment consists of 53 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 properties, property, plant and equipment and intangible assets.

Geographical segments

EUR million	1 JAN.-31 DEC. 2006 Finland	Sweden	Baltic Countries	Other	Total
Gross rental income	93.1	15.9	6.1	-	115.1
Service charge income	2.7	1.4	0.1	-	4.2
Turnover	**95.8**	**17.3**	**6.2**	**0.0**	**119.4**
Property operating expenses	26.4	8.1	1.5	0.0	36.0
Other expenses from leasing operations	0.6	0.0	-	-	0.6
Net rental income	**68.8**	**9.3**	**4.8**	**0.0**	**82.8**
Administrative expenses	4.1	1.2	0.5	7.2	12.9
Other operating income and expenses	0.6	-	-	-	0.6
Net fair value gains on investment property	104.8	8.7	6.6	-	120.1
Profit on disposal of investment property	5.9	-	-	-	5.9
Operating profit	**176.1**	**16.8**	**10.9**	**-7.2**	**196.5**
Net financial income and expenses	-	-	-	-30.9	-30.9
Income tax expense	-	-	-	-39.2	-39.2
Profit for the period	**-**	**-**	**-**	**-**	**126.4**
Assets	**1,016.6**	**358.0**	**83.6**	**28.2**	**1,486.4**
Liabilities	**9.8**	**21.8**	**0.4**	**874.1**	**906.1**
Capital expenditure	**152.8**	**267.2**	**16.2**	**0.2**	**436.4**

EUR million	1 JAN.-31 DEC. 2005 Finland	Sweden	Baltic Countries	Other	Total
Gross rental income	84.8	2.5	1.8	-	89.1
Service charge income	2.6	0.2	0.3	-	3.1
Turnover	**87.4**	**2.7**	**2.1**	**0.0**	**92.2**
Property operating expenses	23.4	0.9	0.5	-	24.7
Other expenses from leasing operations	0.5	0.0	0.0	-	0.5
Net rental income	**63.6**	**1.8**	**1.6**	**0.0**	**67.0**
Administrative expenses	3.0	0.0	0.1	5.2	8.3
Other operating income and expenses	0.3	0.0	0.0	-	0.3
Net fair value gains on investment property	45.4	1.7	-1.2	-	45.9
Profit on disposal of investment property	0.3	-	-	-	0.3
Operating profit	**106.6**	**3.5**	**0.3**	**-5.2**	**105.2**
Net financial income and expenses	-	-	-	-31.1	-31.1
Income tax expense	-	-	-	-14.3	-14.3
Profit for the period	**-**	**-**	**-**	**-**	**59.8**
Assets	**821.9**	**78.8**	**60.6**	**21.8**	**983.1**
Liabilities	**7.9**	**1.0**	**0.1**	**614.0**	**622.9**
Capital expenditure	**38.9**	**77.9**	**61.6**	**0.1**	**178.5**

Business segments

EUR million	1 JAN.-31 DEC. 2006 Shopping centres	Other retail properties	Other	Total
Turnover	80.8	38.6	-	119.4
Assets	1,058.5	399.8	28.1	1,486.4
Investments	321.4	114.8	0.2	436.4

EUR million	1 JAN.-31 DEC. 2006 Shopping centres	Other retail properties	Other	Total
Turnover	57.0	35.2	-	92.2
Assets	636.4	324.9	21.8	983.1
Investments	170.7	7.8	0.0	178.5

4. BUSINESS COMBINATIONS

Citycon acquired investment properties are recognised as asset deals and business combinations. When the investment property is acquired as an asset it is treated in accordance with IAS 40 Investment Property -standard and when a business is acquired it is treated in accordance with IFRS 3 Business Combinations -standard. The business is acquired when the acquisition comprises more than an individual investment property or a part of an investment property such as an entry to the new market, new business segment, trademark etc.

In 2005, Citycon treated the acquisitions of Rocca al Mare and Åkersberga shopping centres as well as Åkermyntan, Kallhäll and Fruängen retail centres as a business combinations based on IFRS 3. Citycon acquired through these acquisitions an entry to the Swedish and Baltic markets. In 2006, Citycon didn't acquire any business combinations in accordance with IFRS 3.

5. OTHER EXPENSES FROM LEASING OPERATIONS

EUR million	2006	2005
Leased premises' changes and commissions	0.4	0.5
Credit losses	0.2	0.0
Total	**0.6**	**0.5**

Significant leased premises' changes are recognized as investments.

6. PERSONNEL EXPENSES

EUR million	2006	2005
Wages and salaries	4.6	3.1
Pensions: defined contribution plans	0.7	0.5
Social charges	0.3	0.4
Expense of share based payments	0.9	0.2
Total	**6.5**	**4.2**

The share based payments plans are described in the Note 22. Employee benefits.

Average Group staff during period		
Finland	53	40
Sweden	3	0
Baltic Countries	6	3
Total	**62**	**43**

Information on management benefits and loans are presented in the notes to the consolidated financial statements under 24. Related party transactions.

7. DEPRECIATION AND AMORTIZATION

Depreciation and amortization of EUR 0.2 million (EUR 0.2 million) on machinery and equipment as well as on intangible assets is included in the administrative expenses.

8. OTHER OPERATING INCOME AND EXPENSES

EUR million	2006	2005
Other operating income	0.6	0.3
Other operating expenses	-	-
Total	**0.6**	**0.3**

Other operating income mainly consists of value added tax and property tax refunds.

9. FINANCIAL INCOME AND EXPENSES

EUR million	2006	2005
Interest income	0.9	0.4
Foreign exchange gains	9.3	0.5
Other financial income	2.0	0.0
Total	**12.2**	**0.8**
Interest expenses	31.6	31.4
Foreign exchange losses	9.2	0.1
Other financial expenses	2.2	0.4
Total	**43.0**	**31.9**
Net financial income and expenses	**30.9**	**31.1**

In 2006, income of EUR 2.0 million was recognised in the income statement in "Other financial income" from interest rate swaps which are not under hedge accounting.

10. INCOME TAX EXPENSE

EUR million	2006	2005
Current tax	7.3	3.5
Tax for prior periods	0.1	0.0
Deferred tax	31.8	10.8
Income tax expense	**39.2**	**14.3**

Reconciliation between tax charge and Group tax at Finnish tax rate (26%):

EUR million	2005	2005
Profit before taxes	165.6	74.2
Taxes at Finnish tax rate	43.1	19.3
Foreign subsidiaries' fair value gains and losses	-4.0	0.0
Difference in foreign subsidiaries' tax rate	-0.9	-0.4
Undistributed profit of subsidiaries	0.7	0.0
Unrecognised tax receivables from losses	0.9	0.0
Depreciation deducted in taxation	-1.0	-1.0
Utilisation of previously unrecognised tax losses	0.1	0.1
Change in deferred tax due to real estate company merger	0.0	-3.5
Other	0.3	0.0
Income tax expense	**39.2**	**14.3**
Effective tax rate	**23.7 %**	**19.4 %**

In case Citycon's Estonian companies distributed dividends equalling the distributable profit, the payable tax would total EUR 9.8 million, in accordance with the local tax legislation. In 2006, EUR 0.7 million was booked as tax payable related to Estonian distributable profit in 2006.

11. EARNINGS PER SHARE

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

	2006	2005
Profit attributable to parent company shareholders (EUR million)	124.9	59.2
Share issue adjusted weighted average number of shares (1,000)	159,476.7	126,830.6
Earnings per share (basic) (EUR)	0.78	0.47

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 two categories of dilutive shares in place: convertible capital loan and 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 dilutive potential of stock options is calculated by taking into account the total number of shares that can be subscribed based on stock options, less the number of shares that the Group may acquire by using the assets received from the exercise of the stock options.

The holder of the convertible loan has the right during 12 September 2006 - 27 July 2013 to convert the loan nominal amount into shares of the company. Based on the conversion price applicable on the balance sheet date, the dilution from full conversion of the loan nominal is approximately 25.3 million shares. Convertible capital loan have dilutive potential from the date of issue i.e. 2 August 2006. When calculating the dilution effect, the interest expenses resulting from the convertible loan less the related tax impact is added to the profit for the period.

	2006	2005
Profit attributable to parent company shareholders (EUR million)	124.9	59.2
Profit used to determine diluted earnings per share (EUR million)	127.2	59.2
Share issue adjusted weighted average number of shares (1,000)	159,476.7	126,830.6
Adjustments for stock options (1,000)	1,243.8	2,465.4
Convertible capital loan impact (1,000)	10,477.7	-
Share issue adjusted weighted average number of shares for diluted earnings per share (1,000)	171,198.2	129,296.1
Diluted earnings per share (EUR)	0.74	0.46

12. INVESTMENT PROPERTY

EUR million	2006	2005
At period-start	**956.6**	**738.7**
Acquisitions during the period	400.9	167.4
Investments during the period	35.4	8.0
Disposals during the period	-67.9	-3.4
Fair value gains on investment property	131.3	60.3
Fair value losses on investment property	-11.2	-14.3
Exchange differences	2.9	-
At period-end	**1,447.9**	**956.6**

Under IAS 40 Investment Property -standard, Citycon measures its investment properties at fair value. An external professional appraiser has conducted the valuation of the company's properties with a net rental income based cash flow analysis. Market rents, occupancy rate, operating expenses and yield requirement form the key variables used in the cash flow analysis. The impact of key variables on the fair value of properties have been tested with the sensitivity analysis. The result indicates that the fair value is the most sensitive to yield requirement. The decrease/increase of one percentage point in yield requirement would result in approximately 17% / 13% increase/decrease in fair value of investment properties. The segments' yield requirements used by the external valuer in the cash flow analysis were as follows at 31 December 2006:

	Yield requirement (%)
Finland	6,6
Sweden	6,4
Baltic Countries	7,1
Total	**6,6**

The fair value of Citycon's investment properties in the balance sheet equals the property portfolio's total value determined by the external appraiser, capital expenditure on development projects that haven't been taken into account by the external appraiser as well as the value of new properties acquired during the reporting quarter.

13. PROPERTY. PLANT AND EQUIPMENT

EUR million	2006	2005
Acquisition cost Jan. 1	**1.2**	**1.2**
Additions during the period	0.2	0.0
Accumulated acquisition cost Dec. 1	**1.4**	**1.2**
Accumulated depreciation and impairment losses, Jan. 1	**0.5**	**0.5**
Depreciation during the period	0.2	0.0
Accumulated depreciation and impairment losses, Dec 31.	**0.7**	**0.5**
Net carrying amount Jan 1.	**0.7**	**0.7**
Net carrying amount Dec 31.	**0.6**	**0.7**

Property, plant and equipment consisted mainly of machinery and equipment. Machinery and equipment acquired through financial leases amounted to EUR 0.4 million (EUR 0.5 million).

14. INTANGIBLE ASSETS

EUR million	2006	2005
Acquisition cost Jan. 1	**0.4**	**0.4**
Additions during the period	0.2	0.0
Accumulated acquisition cost Dec. 1	**0.6**	**0.4**
Accumulated depreciation and impairment losses, Jan. 1	**0.3**	**0.2**
Depreciation during the period	0.0	0.1
Accumulated depreciation and impairment losses, Dec 31.	**0.3**	**0.3**
Net carrying amount Jan 1.	**0.2**	**0.2**
Net carrying amount Dec 31.	**0.3**	**0.2**

Intangible assets consist mainly of intangible rights.

15. TRADE AND OTHER RECEIVABLES

EUR million	2006	2005
Trade receivables	1.0	1.1
Accrued income and prepaid expenses	5.5	1.8
Other receivables	4.8	6.9
Total	**11.3**	**9.9**

16. CASH AND CASH EQUIVALENTS

EUR million	2006	2005
Cash in hand and at bank	19.4	7.4
Restricted cash in hand and at bank	-	1.0
Short-term deposits	1.9	7.2
Total	**21.3**	**15.6**

Cash and cash equivalents in the cash flow statement comprise the items presented above.

17. SHAREHOLDERS' EQUITY

	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. 2005	**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	-	2.3
31 Dec. 2005	**136,382,018**	**184.1**	**1.1**	**78.8**	**-**	**264.0**
Share issue	27,274,949	36.8	-	37.1	-	73.9
Equity instrument of convertible capital loan		-	-	15.1	-	15.1
Stock options exercised	3,526,213	4.8	-0.9	0.1	-	3.9
31 Dec. 2006	**167,183,180**	**225.7**	**0.1**	**131.1**	**-**	**356.9**

The issue-adjusted number of shares on 31 December 2006 totalled 167 183 180 and 145 504 588 at the year-end 2005. The maximum number of shares is 370.4 million (370.4 million in 2005). The per-share nominal value is EUR 1.35 and the maximum share capital is EUR 500 million (EUR 500 million in 2005). 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.

18. INTEREST-BEARING LIABILITIES

Long-term interest-bearing liabilities

EUR million	Effective interest rate (%)	2006	2005
Loans from financial institutions			
EUR 435 million term loan facility	4.08	418.7	-
EUR 165 million revolving credit facility	EURIBOR + 0.5	85.0	-
SEK 280 million bank loan	STIBOR + 0.575	31.0	29.8
EEK 470 million bank loan	TALIBOR + 0.5	-	30.0
LTL 52 million bank loan	VILIBOR + 0.525	15.0	-
Refinanced term loan facility	EURIBOR + 0.8	-	392.0
Other loans from financial institutions	-	13.3	6.1
Convertible capital loan 1/2006	7.58	92.9	-
Subordinated capital loan 1/2005	4.7	70.0	70.0
Finance lease liabilities	-	0.4	0.5
Total long-term interest-bearing liabilities		**726.3**	**528.5**

Short-term interest-bearing liabilities

EUR million	Effective interest rate (%)	2006	2005
Loans from financial institutions			
EEK 470 million bank loan	TALIBOR + 0.5	30.0	0.0
Commercial papers	EURIBOR + 0.15-0.25	39.4	25.9
Current portion of loans from financial institutions	-	18.0	24.8
Other loans from financial institutions	-	0.2	1.3
Finance lease liabilities	-	0.0	0.0
Total short-term interest-bearing liabilities		**87.6**	**52.1**

Carrying amount of term loan facility and convertible capital loan are stated at amortised cost using the effective yield method. The fair values of liabilities are shown in the note 19 Financial Instruments.

The market value of the option component at issue date of the Convertible capital loan of EUR 15.1 million is recognized in sharehol-ders' equity under share premium fund.

Maturity of long-term interest-bearing liabilities

EUR million	2006	2005
1-2 years	28.0	50.7
2-3 years	50.4	82.0
3-4 years	176.0	325.8
4-5 years	30.3	70.0
over 5 years	441.7	0.0
Total	**726.3**	**528.5**

Long-term interest-bearing liabilities by currency

EUR million	2006	2005
EUR	485.4	462.8
EEK	0.0	30.0
SEK	225.9	35.6
LTL	15.0	0.0
Total	**726.3**	**528.5**

Short-term interest-bearing liabilities by currency

EUR million	2006	2005
EUR	49.5	52.1
EEK	30.0	0.0
SEK	8.1	0.0
LTL	0.0	0.0
Total	**87.6**	**52.1**

Finance lease liabilities

EUR million	2006	2005
Maturity of finance lease liabilities:		
Finance lease liabilities - minimum lease payments		
Not later than 1 year	0.3	0.2
1-5 years	0.1	0.3
Over 5 years	0.0	0.0
Total	**0.4**	**0.5**
Finance lease liabilities - present value of minimum lease payments		
Not later than 1 year	0.3	0.2
1-5 years	0.1	0.3
Over 5 years	0.0	0.0
Total	**0.4**	**0.5**
Future finance charges on finance leases	0.0	0.0
Total finance lease liabilities	**0.4**	**0.5**

Citycon's finance leases mainly apply to computer hardware and machinery and equipment.

Subordinated capital loans

SUBORDINATED CAPITAL LOAN 1/2005

Citycon Oyj issued on 17 June 2005 five-year subordinated capital loan 1/2005 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 capital loan 1/2005:

1) In the event of company dissolution or bankruptcy, obligations of the issuer arising for the subordinated capital loan shall be subordinated in right of payment to the claims of all unsubordinated creditors of Citycon Oyj but shall rank pari passu with all other obligations which qualify as a capital loan.

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. The accrued interest for the loan was EUR 1.8 million as of 31 December 2006.

3) Fixed annual interest of 4.70 per cent 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.

CONVERTIBLE CAPITAL LOAN 1/2006

Citycon Oyj issued on 2 August 2006 seven-year convertible capital loan 1/2006 of EUR 110 million at a fixed annual nominal interest rate of 4.50 per cent. The loan's initial conversion price is EUR 4.3234 per share and a full conversion of the loan would result in the issue of 25,326,948 shares. The loan's issue price accounted for 100.00 per cent of the nominal loan amount, and its maturity date is 2 August 2013.

The main terms and conditions of the convertible capital loan 1/2006:

1) In the event of company dissolution or bankruptcy, obligations of the issuer arising for the convertible capital loan shall be subordinated in right of payment to the claims of all unsubordinated creditors of Citycon Oyj but shall rank pari passu with all other obligations which qualify as a capital loan.

2) The loan's principal, including interest accumulated until the repayment date, will be repaid in one instalment on 2 August 2013 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. The accrued interest for the loan was EUR 2.0 million as of 31 December 2006.

3) Fixed annual interest of 4.50 per cent will be paid annually in arrears on the loan's principal until 2 August 2013. In the event, that the loan is not repaid in full on its maturity date of 2 August 2013, interest on the unpaid loan principal after that date is 3-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. In the event, that the interest is not fully paid in any interest payment date, the interest on the unpaid interest amount after the interest payment date is 3-month Euribor plus 5 percentage points.

4) The holder of the loan has the right during 12 September 2006 - 27 July 2013 convert the loan nominal amount into shares of the company. The initial conversion price of the loan is EUR 4.3234 per share. The conversion price is subject to amendments in certain circumstances as specified in the terms of the loan. Based on the initial conversion price, the conversion of the whole loan nominal would result in the issue of a maximum of 25,326,948 shares.

5) The company has the right to repay the loan in full on or after 23 August 2010 at its principal amount if the closing price of the share on each of at least 20 dealing days in any period of 30 consecutive dealing days exceeds 140 per cent of the conversion price in effect on such dealing day.

19. FINANCIAL INSTRUMENTS

EUR million	Note	Carrying amount 2006	Fair value 2006	Carrying amount 2005	Fair value 2005
Financial assets					
Cash and cash equivalents	16.	21.3	21.3	15.6	15.6
Investments		0.0	0.0	0.1	0.1
Trade and other receivables	15.	11.3	11.3	9.9	9.9
Derivative financial instruments	19.	4.9	4.9	-	-
Financial liabilities					
Loans from financial institutions	18.	650.6	652.1	510.0	510.0
Convertible capital loan 1/2006	18.	92.9	110.0	-	-
Subordinated capital loan 1/2005	18.	70.0	70.0	70.0	70.0
Finance lease liabilities	18.	0.4	0.4	0.5	0.5
Trade and other payables and liabilities	21.	46.8	46.8	23.7	23.7
Derivative financial instruments	19.	4.8	4.8	14.2	14.2

Derivative financial instruments

Derivative financial instruments 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 a forward agreement is based on the difference between the exchange rate of the agreement and the prevailing exchange rate fixing on each balance-sheet date. The fair value of derivative financial instruments is the estimated amount that the Group would receive or pay to settle the related agreements.

Loans from financial institutions

Citycon's loans from financial institutions are floating rate loans which have fair value equal to the nominal amount of the loan. The difference between the fair value and carrying amount is the unamortized capitalized arrangement fees of the loans.

Convertible capital loan 1/2006

Convertible capital loan 1/2006 is a fixed rate loan which has fair value equal to the nominal amount of the loan. The difference between the fair value and carrying amount is the unamortized capitalized arrangement fees of the loan together with the market value of the option component at issue date. When calculating the NNNAV in accordance with EPRA's recommendations the Subordinated capital loan 1/2005 and Convertible capital loan 1/2006 have been market-to-market using valuation from the secondary market on the balance sheet date. The secondary market valuation for Subordinated capital loan 1/2005 was 96.17 per cent and for Convertible capital loan 1/2006 126.85 per cent as of 31 December 2006.

Subordinated capital loan 1/2005

Subordinated capital loan 1/2005 is a fixed rate loan which has fair value equal to the nominal amount of the loan. The carrying amount of the loan equals the fair value.

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.

Cash and cash equivalents, investments, trade and other receivables, trade payables and other payables

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

Group's derivative financial instruments

EUR million	Nominal amount 2006	Fair value 2006	Nominal amount 2005	Fair value 2005
Interest rate derivatives				
Interest rate swaps				
Maturity:				
less than 1 year	50.0	0.5	78.2	-0.1
1-2 years	40.0	0.0	50.0	-1.5
2-3 years	86.0	-2.6	125.3	-6.3
3-4 years	83.0	-2.7	83.0	-6.8
4-5 years	40.0	-0.8	-	-
over 5 years	242.7	3.8	-	-
Total	**541.7**	**-2.0**	**336.5**	**-14.7**
Foreign exchange derivatives				
Forward agreements				
Maturity:				
less than 1 year	14.8	-	-	-
Total	**14.8**	**0.0**	**0.0**	**0.0**

Interest on floating-rate loans is mainly fixed every six months and the interest-rate swaps have been concluded for the same days to ensure the effective cash flow hedging.

Citycon uses interest rate swaps to hedge the interest rate cash flow risk. The Group applies hedge accounting to majority of its interest rate swaps, 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.

The fair value of derivative financial instrument represent the market value of the instrument with prices prevailing on the balance sheet date. Derivative financial instruments are used in hedging the interest rate risk of the interest bearing liabilities and foreign currency risk.

The fair values include accrued interest expenses of EUR 0.2 million (EUR 0.5 million) which are recognized in the interest expenses in income statement and in accrued expenses in the balance sheet. The fair values include foreign exchange loss of EUR -1.9 million (EUR 0.0 million) which is recognized in income statement and in accrued expenses in the balance sheet.

Hedge accounting is applied for interest rates swaps which have nominal amount of EUR 491.7 million (EUR 336.5 million). The fair value loss recognized in the fair value reserve under shareholders' equity taking account the tax effect totals EUR -1.3 million (EUR -10.5 million). The average fixed interest rate of the interest rate swaps as at 31 December 2006 was 4.16%.

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. Financial risk of Citycon arises from financial instruments which are mainly used to raise financing for operations. The group also has interest rate and foreign exchange derivatives which are used to manage the interest rate and currency risks arising from the operations and financing sources. Citycon's identified, key financial risks include interest rate cash flow risk, liquidity risk, credit risk and foreign currency risk. These risks are summarised below.

Interest rate risk

Citycon's key financial risk is the interest rate risk of its interest bearing liabilities where the changes in money market interest rates lead to fluctuations in future interest cash flows on floating rate borrowings. Interest rate risk management aims to reduce or eliminate the adverse effect of interest rate fluctuations on the company's profit and cash flow. The company aims to a loan portfolio which has a right mix between fixed and variable rate debts. Under the company's interest rate risk management policy, the target debt portfolio is such where a minimum of 70 and a maximum of 90 per cent of the interest bearing liabilities are based on fixed interest rates. The company uses interest rate swaps to manage its interest rate risks and to convert floating rate loans into fixed rate loans. Portion of the hedges can also be done using inflation derivatives. The interest sensitivity of Citycon's loan portfolio at the end of 2006 is depicted by the fact that a one-percentage point rise in money market interest rates would increase its interest expenses for 2007 by EUR 1.3 million, while a fall of one-percentage point in money market interest rates would decrease them by EUR 1.3 million in 2007.

Liquidity 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. The goal is to arrange financing on a long term basis and avoid large concentration of due dates of the loan agreements. Citycon 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 2006, unused credit limits amounted to EUR 150 million and company had further EUR 60 million available under its commercial paper programme.

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.

Exchange rate risk

Citycon's entry into counties outside the euro-zone exposes the company to exchange rate risk. Exchange rate risk stems from transaction risks resulting from the conversion of foreign currency denominated transactions into local currency, on the one hand, and from translation risks in the balance sheet associated with investments in foreign subsidiaries. The company hedges against exchange rate risk in the balance sheet by aiming to finance its foreign investments mainly in the local currency. The company uses foreign exchange derivatives to manage the transaction risk on committed transactions. Foreign exchange derivatives are also used to hedge a possible mismatch between assets and liabilities denominated in the same currency in the balance sheet. Currently the company's exchange rate risk relates mainly to fluctuations in the euro/ Swedish krona exchange rate.

CAPITAL MANAGEMENT

The objective of the company's capital management is to support the growth strategy, maximise shareholder value, comply with loan agreement provisions and ensure the company's ability to pay dividends. Company's capital structure is managed in an active manner and the capital structure requirements are taken into consideration when considering various financing alternatives. The company can adjust the capital structure by deciding on issuance of new shares, raising debt financing or making adjustments to the dividend.

The long term equity ratio target of the company is 40 per cent and the current syndicate loan agreement requires a minimum equity ratio of 32.5 per cent. The equity ratio of the loan agreement is calculated by making certain adjustments to the IFRS equity ratio by, among other things, adding the capital loan and convertible capital loan issued by the company to the shareholders' equity. The company's equity ratio as of 31 December 2006 stood at 39.1 per cent and the equity ratio as defined in the loan agreement was 49.8 per cent.

20. DEFERRED TAX LIABILITIES

Changes in deferred tax assets and liabilities in 2006:

EUR million	1 Jan.	Income statement charge	Tax charged to equity	Exchange differences	Acquired/ disposed subsidiaries	31 Dec.
Deferred tax assets						
Tax losses	0.6	-0.3				0.3
Measurement of interest-rate swaps at fair value	3.7		-3.2			0.5
Total deferred tax assets	4.3	-0.3	-3.2	0.0	0.0	0.8
Offset against deferred tax liabilities	-4.3					-0.8
Deferred tax assets in balance sheet	**0.0**					**0.0**
Deferred tax liabilities						
Measurement of investment property at fair value	10.1	28.7				38.8
Undistributed profit of subsidiaries	-	0.7				0.7
Measurement of interest-rate swaps at fair value	-	0.5				0.5
Temporary difference in financial expenses	-	1.5	-0.4			1.1
Temporary difference in provisions	-	0.1				0.1
Total deferred tax liabilities	10.1	31.5	-0.4	0.0	0.0	41.2
Offset against deferred tax assets	-4.3					-0.8
Deferred tax liabilities in balance sheet	**5.8**					**40.4**

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 at fair value	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**

On 31 December 2006, Group companies had confirmed losses for which tax assets of EUR 3.2 million (EUR 4.1 million in 2005) were not recognised since these Group companies are unlikely to record taxable profit, before the expiration of carry forwards of these losses, against which loss carry forwards can be utilised. These loss carryforwards will expire between 2007 and 2009.

21. TRADE AND OTHER PAYABLES

Trade and other payables

EUR million	2006	2005
Trade payables	4.5	1.4
Advanced received	0.6	1.2
Accrued expenses	17.3	6.0
Other short-term payables	24.4	13.8
Total	**46.8**	**22.3**

Significant items included in accrued expenses:

EUR million	2006	2005
Interest liabilities	6.6	3.9
Other liabilities	10.7	2.1
Total	**17.3**	**6.0**

22. EMPLOYEE BENEFITS

SHARE-BASED PAYMENTS

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. Citycon Group employees have been granted a total of 5,327,500 stock option rights and the remaining 172,500 options rights were assigned to Veniamo-Invest Oy, a Citycon subsidiary. In 2004, the AGM decided to grant a maximum of 3,900,000 stock options. At year-end 2006, Citycon Group employees held a total of 3,380,000 A/B/C options rights, 1,250,000 of which were distributed during 2006. The remaining 520,000 stock options under the 2004 A/B/C scheme have been granted to 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. Subsequently, the number of granted stock options may change before the said date. The forfeited stock options are held by Veniamo-Invest Oy, which, however, is not entitled to subscribe parent company shares. 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. These terms were amended during the reporting period as a result of the rights issue carried out during the year. Amendments were made to the share subscription prices and ratios as specified in the table below. 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 2006, these expenses incurred totalled EUR 0.9 million (EUR 0.2 million in 2005). The expected volatility is determined by calculating the company share price's historical volatility.

Stock-option schemes on 31 December 2006:

1999 stock options

Stock options	Number	Subscription ratio, stock option/share	Subscription price per share, EUR	Share subscription period starts	Share subscription period ends
1999A	1,800,000	1:1.0927	1.35	1 Sept. 2000	30 Sept. 2007
1999B	1,800,000	1:1.0927	1.35	1 Sept. 2002	30 Sept. 2007
1999C	1,727,500	1:1.0927	1.35	1 Sept. 2004	30 Sept. 2007
Veniamo-Invest Oy	172,500	1:1.0927	1.35	1 Sept. 2004	30 Sept. 2007
Total	**5,500,000**				

According to the amended terms and conditions of the 1999 scheme, a total of 5,820,418 shares may be subscribed exercising the 1999 options rights resulting in a share capital increase totalling EUR 7,857,564.30. At year-end, the number of subscribed shares totalled 4,805,930.

2004 stock options

Stock options	Number	Subscription ratio, stock option/share	Subscription price per share, EUR	Share subscription period starts	Share subscription period ends
2004A	1,040,000	1:1.0611	2.2336	1 Sept. 2006	31 March 2009
2004B	1,090,000	1:1.0611	2.6766	1 Sept. 2007	31 March 2010
2004C	1,250,000	1:1.0611	4.62	1 Sept. 2006	31 March 2011
2004A, Veniamo-Invest Oy	260,000	1:1.0611	2.2336	1 Sept. 2006	31 March 2009
2004B, Veniamo-Invest Oy	210,000	1:1.0611	2.6766	1 Sept. 2007	31 March 2010
2004C, Veniamo-Invest Oy	50,000	1:1.0611	4.62	1 Sept. 2008	31 March 2011
Total	**3,900,000**				

According to the amended terms and conditions of the 2004 scheme, a total of 4,138,290 shares may be subscribed exercising the 1999 options rights resulting in a share capital increase totalling EUR 5,586,691.50. At year-end, the number of subscribed shares totalled 89,715.

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 scheme:

	2004A stock options Share-based options, granted to all staff	2004B stock options Share-based options, granted to all staff	2004C stock options Share-based options, granted to all staff
Type of scheme	**Granted stock options**	**Granted stock options**	**Granted stock options**
Grant date	26 May 2004	13 Sept. 2005	27 April 2006
No. of instruments granted	1,135,000	1,195,000	1,250,000
Exercise price, EUR	2.51	2.91	4.62
Share subscription price at grant date, EUR	2.09	2.48	3.86
Vesting period as per agreement (No. of days)	1,770	1,660	1,799
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.	Employment during vesting period. In case of prior employment termination, stock options forfeited.
Exercise	In terms of shares	In terms of shares	In terms of shares
Expected volatility, %	18.60	31.18	27.84
Expected vesting period at grant date (No. of days)	943	943	856
Risk-free interest rate, %	3.56	2.58	3.79
Expected dividend/share, EUR	0.05 *	0.05 *	0.07 *
Expected personnel reduction (at grant date), %	0	0	0
Instrument fair value determined at grant date, EUR	0.09	0.96	0.75
Option-pricing model	Black&Scholes	Black&Scholes	Black&Scholes

* Expected dividend is EUR 0.10 in stock options 2004A and 2004B. Expected dividend is EUR 0.14 in stock options 2004C. EUR 0.05 (in 2004A and 2004B stock options) and EUR 0.07 (in 2004C stock options) are used in the option-pricing model, based on the distributed dividends' effect of reducing the subscription price.

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

	2006 Exercise price, weighted average, EUR/share	2005 Exercise price, weighted average, EUR/share	2006 No. of stock options	2005 No. of stock options
At period-start	1.92	1.71	5,534,010	6,012,000
New stock options granted	4.57	2.91	1,390,000	1,195,000
Forfeited stock options	3.51	-	-245,000	-
Exercised stock options	1.38	1.40	-2,627,642	-1,672,990
Lapsed stock options	-	-	-	-
At period-end	2.92	1.92	4,051,368	5,534,010
Exercisable stock options at period-end			1,711,368	3,299,010

The per-share exercise price of the stock options exercised during the financial year averaged EUR 1.38 (EUR 1.40 in 2005) and these were exercised evenly over the financial year. The stock options exercised during 2006 brought in EUR 4.0 million (EUR 2.3 million in 2005), EUR 3.7 million of which were recognised in share capital, EUR 0.1 million in share premium fund and EUR 0.1 million in share issue.

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

Year of lapse	Exercise price, EUR	2006 (No. of shares, 1,000)	2005 (No. of shares, 1,000)
2007	1.35	826	3,299
2008	-	0	0
2009	1.35 - 2.23	1,104	1,040
2010	1.35 - 2.68	1,157	1,195
2011	1.35 - 4.62	1,326	0

23. COMMITMENTS AND CONTINGENT LIABILITIES

Other leases -Group as lessee

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

EUR million	2006	2005
Not later than 1 year	0.4	0.4
1-5 years	0.6	0.8
Over 5 years	-	0.0
Total	**1.0**	**1.2**

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

Other leases -Group as lessor

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

EUR million	2006	2005
Not later than 1 year	41.4	33.1
1-5 years	64.2	46.1
Over 5 years	19.8	21.7
Total	**125.4**	**100.9**

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 11 per cent (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	2006	2005
Loans, for which mortgages are given in security and shares pledged		
Loans from financial institutions	13.2	6.1
Contingent liabilities for loans		
Mortgages on land and buildings	21.1	7.8
Bank guarantees	37.1	-
VAT refund liabilities	9.9	4.4

There are value-added tax refund liabilities arising from capitalized renovations and new investments in Citycon's investment properties. The VAT refund liabilities will realize if the investment property is sold or transferred to non-VAT-liability use within 5 years.

Equity ratio commitment

Under a commitment given in the terms of the term loan facility, Citycon Group undertakes to maintain its equity ratio at above 32.5% and its interest coverage ratio at a minimum of 1.8. For the calculation of the equity ratio, the shareholders' equity includes the capital loans and excludes non-cash valuation gain/loss from derivative contracts recognized in equity and the minority interest. The interest coverage ratio is calculated by dividing the EBITDA - adjusted by extraordinary gains/losses, provisions and non-cash items - by net financial expenses.

Accordingly, equity ratio on 31 December 2006 stood at 49.8% and interest cover ratio at 2.3 (2005: equity ratio was 40.8 per cent and interest cover 2.3).

24. RELATED PARTY TRANSACTIONS

RELATED PARTIES

Citycon's related parties comprise the parent company, subsidiaries, joint ventures, Board members, CEO, Corporate Management Committee members and Gazit-Globe Ltd., whose shareholding in Citycon Oyj accounted for 38.8% on 31 December 2006. Joint ventures refer to less than 100-% owned mutual real estate companies in Finland. 100-% owned mutual real estate companies in Finland and over 50-% owned foreign companies are referred as subsidiaires.

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
BHM Centrumfastigheter AB	Sweden
Citycon AB	Sweden
Citycon Centrum Sverige AB	Sweden
Citycon Estonia OÜ	Sweden
Citycon Göteborg AB	Sweden
Citycon Sverige AB	Sweden
Forssan Hämeentie 3 Koy	Finland
Jakobsbergs Centrum Fastighets AB	Sweden
Jakobsbergs Centrum Galleria AB	Sweden
Jakobsbergs 565 Fastighets AB	Sweden
Jyväskylän Forum Koy	Finland
Jyväskylän Kauppakatu 31 Koy	Finland
Järfälla 7055 Fastighets AB	Sweden
Kaarinan Liiketalo Koy	Finland
Karjaan Ratakatu 59 Koy	Finland
Karjalan Kauppakeskus Koy	Finland
Kauppakeskus Columbus Oy	Finland
Kauppakeskus Columbus Tontti Oy	Finland
Kauppakeskus IsoKarhu Oy	Finland
Kauppakeskus Tampereen Hermanni Koy	Finland
Keijutie 15 Koy	Finland
Kotkan Keskuskatu 11 Koy	Finland
Kouvolan Valtakadun Kauppakeskus Koy	Finland
Kuopion Kauppakatu 41 Koy	Finland
Kuusankosken Kauppakatu 7 Koy	Finland
Kuvernöörintie 8 Koy	Finland
Lahden Kauppakatu 13 Koy	Finland
Liljeholmsplan Fastighets AB	Sweden
Liljeholmstorget Development Services AB	Sweden
Liljeholmsplan Hotellfastigheter AB	Sweden
Liljeholmsplan Bostadsfastigheter AB	Sweden
Lintulankulma Koy	Finland
Lippulaiva Koy	Finland
Martinlaakson Kivivuorentie 4 Koy	Finland
Minkkikuja 4 Koy	Finland
Montalbas B.V.	The Netherlands
Myyrmanni Koy	Finland
Naantalin Tullikatu 16 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
Sinikalliontie 1 Koy	Finland
Sverige 7059 Fastighets AB	Sweden
Säkylän Liiketalo Koy	Finland
Talvikkitie 7-9 Koy	Finland
Tampereen Hatanpää Koy	Finland
Tampereen Suvantokatu Koy	Finland
UAB Citycon	Lithuania
UAB Prekybos Centras Mandarinas	Lithuania
Ulappatori Koy	Finland
Ultima Oy	Finland
Valkeakosken Torikatu 2 Koy	Finland
Vantaan Laajavuorenkuja 2 Koy	Finland
Varkauden Relanderinkatu 30 Koy	Finland
Wavulinintie 1 Koy	Finland
Veniamo-Invest Oy	Finland
Vuosaari Investor Ab	Finland

Subsidiaries (Citycon Group's holding less than 100%)	Country
Åkersberga Centrum AB	Sweden
Stenungs Torg Fastighets AB	Sweden

RELATED PARTY TRANSACTIONS:

Joint ventures:
The parent company has paid maintenance charges to joint ventures, which these companies recognise as income in their income statements. This income and these expenses have been eliminated in the consolidated financial statements.

Other related party transactions:
Based on a consulting agreement concluded with Wernink Consultancy & Investments B.V., a controlled corporation of Thomas W Wernink, a Board member, the company has paid to the said controlled corporation EUR 23,800 in 2006. The agreement was terminated on 14 March 2006.

Personnel expenses for corporate management committee, EUR million	2006	2005
Wages and salaries	0.7	0.6
Pensions: defined contribution plans	0.1	0.1
Social charges	0.0	0.0
Total	**0.7**	**0.7**

Remuneration, EUR	2006	2005
CEO	269,207	205,220
Board members		
Bergström Stig-Erik, former Board member	4,500	60,020
Bolotowsky Gideon	34,000	
Gal Amir	35,000	30,800
Kankuri Timo, former Board member	-	2,800
Korpinen Raimo	35,400	31,890
Lähdesmäki Tuomo	74,200	30,400
Nordman Carl G.	35,000	28,450
Ottosson Claes	31,800	27,700
Segal Dor J.	34,200	31,800
Wernink Thomas W	165,500	42,500
Total	**449,600**	**286,360**

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.

Based on his executive contract, the CEO has been granted 1,500,000 stock options under the 1999 stock-option scheme in 2002, and, under the 2004 stock-option scheme, 150,000 2004A stock options in 2004, 140,000 2004B stock options in 2005, and 140,000 2004C stock options in 2006.

On 31 December 2006, the CEO held 73,214 1999 A/B/C stock options, 150,000 2004A stock options, 140,000 2004B stock options and 140,000 2004C stock options. Board members are not included in the company's stock option schemes.

25. POST BALANCE SHEET EVENTS

Acquisition of a Shopping Centre

In December 2006, Citycon announced that it had signed an agreement for the acquisition of the Tumba Centrum shopping centre, located in the municipality of Botkyrka in the Greater Stockholm Area. The transaction was finalised on 31 January 2007 at a debt-free purchase price of SEK 547.7 million (approximately EUR 60.5 million).

Development projects

Early February, Citycon announced that it will start the extension of the Rocca al Mare shopping centre, originally acquired in the summer 2005. The project includes a construction of an extension and a refurbishment of the existing shopping centre. The cost of the first phase of the extension and refurbishment project totals approximately EUR 25 million and will expand the leasable area of the centre by approximately 16,000 square metres. The development project, which is planned to be carried out in phases, amounts to roughly EUR 68 million.

Also early February, Citycon announced that it will build a shopping centre in Liljeholmen, Stockholm. This investment, totalling approximately EUR 110 million, in addition to EUR 60.6 million paid for the site, is Citycon's largest individual development project at present. Citycon acquired the Liljeholmen property in August 2006. The property today is a mixed-use 20,000 square-metre office-commercial building with building rights for retail use. The existing building will undergo a considerable extension and renovation resulting in a new shopping centre totalling approximately 91,000 square metres, including an underground parking space. The new shopping centre is expected to open in October-November 2009.

Share capital increase based on stock options

A total of 91,272 new Citycon shares at a par value of EUR 1.35 per share were subscribed at the end of December 2006, based on stock options under the 1999 and 2004 stock option schemes. The resulting EUR 123,217.20 share-capital increase was registered in the Trade Register on 9 February 2007. The new shares entitle their holders to a dividend for the financial year 2006.

Extraordinary General Meeting (EGM) and a directed share issue

Citycon's EGM, held in Helsinki on 26 January 2007, authorised the Board of Directors to decide on an issuance of 25,000,000 new shares at a maximum through a directed share issue.

By virtue of this authorisation, Citycon's Board of Directors decided on 13 February 2007 to issue 25,000,000 new shares on a non-pre-emptive basis to Finnish and international institutional investors. The share subscription price was set to EUR 5.35 per share. The offering was conducted through an accelerated bookbuilding process between 12 February 2007 and 13 February 2007. The share capital increase of EUR 33,750,000.00 corresponding to the 25,000,000 new shares subscribed in the directed share issue was entered in the Finnish Trade Register on 15 February 2007. The new shares do not entitle their holders to a dividend for the financial year 2006. After the increase, the Company's registered and fully-paid share capital is EUR 259,570,510.20 and the total number of shares 192,274,452.

After having exercised the authorisation for the directed share issue the company's Board of Directors does not have any valid authorisation to issue new shares. However, the Board has proposed to the Annual General Meeting to be held on 13 March 2007 that it be authorised to issue a maximum of 100 million new shares. The authorisation is proposed to be valid for five years.

Consolidated key figures and ratios for three years, IFRS

KEY FIGURES AND RATIOS

EUR million	Formula	Note	IFRS 2006	IFRS 2005	IFRS 2004
Income statement data					
Turnover			119.4	92.2	84.7
Other income			0.6	0.5	0.7
Planned depreciation			0.2	0.2	0.3
Operating profit			196.5	105.2	51.8
Profit before appropriations and taxes			165.6	74.2	25.7
Profit before taxes			165.6	74.2	25.7
Net profit for the period			126.4	59.8	19.9
Balance sheet data					
Non-current assets			1,453.3	957.6	745.6
Current assets			33.1	25.5	12.2
Equity attributable to parent company shareholders			565.3	356.6	237.7
Minority interest			15.0	3.6	0.0
Liabilities			906.1	622.9	520.0
Balance sheet total			1,486.4	983.1	757.7
Key performance ratios					
Return on equity, % (ROE)	1		25.8	22.5	9.5
Return on investment, % (ROI)	2		16.8	13.5	7.2
Equity ratio, %	3		39.1	36.7	31.4
Equity ratio for bank, %			49.8	40.8	41.2
Quick ratio	4		0.2	0.3	0.5
Gearing, %	5		136.6	156.8	201.3
Gross capital expenditure, EUR million			436.4	178.5	18.8
% of turnover			365.5	193.6	22.2
Per-share figures and ratios					
Earnings per share, EUR	6	1)	0.78	0.47	0.18
Earnings per share,diluted, EUR	7	1)	0.74	0.46	0.18
Equity per share, EUR	8	1)	3.38	2.45	2.00
P/E (price/earnings) ratio	9		6	7	14
Dividend per share, EUR		2)	0.14	0.14	0.14
Dividend payout ratio, %	10	2)	17.9	28.3	73.8
Effective dividend yield, %	11	2)	2.8	4.5	5.7

1) When calculating this ratio, the number of shares was share issue adjusted.
2) Board proposal
Formulas are available on page 53.

Parent company income statement, FAS

EUR MILLION	NOTE	1 JAN.-31 DEC. 2006	1 JAN.-31 DEC. 2005
Gross rental income		89.5	84.2
Service charge income		2.1	1.6
Turnover	1	**91.6**	**85.8**
Property operating expenses		31.4	31.3
Other expenses from leasing operations	3	0.6	0.5
Net rental income		**59.5**	**54.0**
Administrative expenses	4, 5	11.7	9.4
Other operating income and expenses	2	8.7	0.8
Operating profit		**56.6**	**45.4**
Financial income		25.9	5.0
Financial expenses		-49.0	-36.6
Net financial income and expenses	6	-23.1	-31.5
Profit before taxes		**33.5**	**13.8**
Income tax expense	7	6.6	3.1
Profit for the period		**26.9**	**10.7**

Parent company balance sheet, FAS

EUR MILLION		31 DEC. 2006	31 DEC. 2005
ASSETS			
Non-current assets			
Intangible assets	8	2.3	3.2
Tangible assets	9	30.4	30.5
Investments			
Shares in subsidiaries	10, 13	672.6	595.7
Shares in associated companies	11, 14	34.2	53.0
Other investments	12	468.1	204.8
Total investments		1,174.9	853.5
Total non-current assets		**1,207.5**	**887.2**
Current assets			
Short-term receivables	15	13.9	8.3
Cash and cash equivalents		2.5	8.9
Total current assets		**16.5**	**17.2**
Total assets		**1,224.0**	**904.5**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity	16		
Share capital		225.7	184.1
Share issue		0.1	1.1
Share premium fund		133.0	79.7
Other reserves		0.0	6.6
Retained earnings		0.6	2.5
Profit for the period		26.9	10.7
Total shareholders' equity		**386.4**	**284.7**
Liabilities	17		
Subordinated loan		70.0	70.0
Convertible capital loan		92.9	-
Long-term liabilities		559.8	477.4
Short-term liabilities		114.9	72.4
Total liabilities		**837.6**	**619.8**
Total liabilities and shareholders' equity		**1,224.0**	**904.5**

Parent company cash flow statement, FAS

EUR MILLION	1 JAN. -31 DEC. 2006	1 JAN. -31 DEC. 2005
Cash flow from operating activities		
Profit before taxes	**33.5**	**13.8**
Adjustments:		
Depreciation and impairment loss	1.5	1.2
Non-cash other income and expenses	-0.1	-0.3
Net financial income and expenses	23.1	28.0
Other adjustments	-2.0	-0.8
Cash flow before change in working capital	56.0	41.9
Change in working capital	2.5	21.5
Cash generated from operations	**58.5**	**63.4**
Interest and other financial expenses paid	-36.0	-34.7
Dividend and interest received from business operations	1.5	0.7
Income tax paid	-4.9	-5.1
Net cash from operating activities	**19.0**	**24.3**
Cash flow from investing activities		
Investment in tangible and intangible assets	-4.5	-1.7
Other investments	-0.6	-0.2
Proceeds from sale of shares in subsidiaries and other investments	6.9	3.7
Loans granted	-298.9	-103.2
Repayments of loans receivable	28.5	1.5
Purchase of subsidiary shares	-98.7	-60.1
Sale of subsidiary shares	56.1	0.0
Interest received from investment	-	0.0
Dividends received from investment	-	0.1
Net cash used in investing activities	**-311.2**	**-159.8**
Cash flow from financing activities		
Proceeds from share issue	77.4	73.0
Proceeds from short-term loans	406.2	111.1
Repayments of short-term loans	-392.2	-85.3
Proceeds from long-term loans	675.3	199.7
Repayments of long-term loans	-461.8	-142.7
Dividends paid and other profit distribution	-19.2	-15.7
Net cash from financing activities	**285.8**	**140.1**
Net change in cash and cash equivalents	**-6.4**	**4.7**
Cash and cash equivalents at period-start	**8.9**	**4.3**
Cash and cash equivalents at period-end	**2.5**	**8.9**

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. The presentation of the income statement has been changed from expense type format to function-based format and it includes both gross and net rental income.

Property portfolio
The buildings' acquisition 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 non-current assets include capitalised costs related to the acquisition of properties, which are amortised over three years, and leased premises' changes, which are amortised during the lease term. Machinery and equipment is depreciated at 25 per-cent annually, using the reducing balance method of depreciation. The machinery and equipment category includes also technical equipment in buildings and the depreciation is made accordingly.

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

Recognition of financial instruments
Financial instruments are measured at fair value on each balance sheet date. The fair value of forward rate agreements are based on the forward prices prevailing on the balance sheet date.

Subordinated loan
The subordinated loan is shown as a separate item in liabilities.

Taxes
Taxes are stated on an accrual basis.

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 FINANCIAL STATEMENTS

1. TURNOVER

EUR million	2006	2005
Turnover by business segments:		
Shopping centres		
Helsinki metropolitan area	23.7	22.4
Other parts of Finland	33.0	27.7
Other retail properties	34.9	35.7
Total	**91.6**	**85.8**

Geographically the parent company's turnover is generated in Finland. Parent company turnover includes building-management and administrative fees of EUR 0.9 million in 2006 (EUR 0.7 million) received from Group companies.

2. OTHER OPERATING INCOME AND EXPENSES

EUR million	2006	2005
Profit on disposal of shares in subsidiaries	8.5	0.8
Other income from business operations		
Other income	0.2	0.0
Total	**8.7**	**0.8**

3. OTHER EXPENSES FROM LEASING OPERATIONS

EUR million	2006	2005
Leased premises' changes and commissions	0.4	0.5
Credit losses	0.2	0.0
Total	**0.6**	**0.5**

4. PERSONNEL EXPENSES

EUR million	2006	2005
Average number of employees during the period	54	40
Personnel expenses		
Wages and salaries	4.2	2.7
Pension charges	0.7	0.4
Other social expenses	0.4	0.4
Total	**5.3**	**3.5**
Personnel expenses include the following salaries and emoluments:		
CEO's salary and emoluments	0.3	0.2
Board salaries and emoluments	0.5	0.3
Total	**0.8**	**0.5**

5. DEPRECIATION AND AMORTIZATION

EUR million	2006	2005
The following depreciation and amortization is included in the administrative expenses:		
Intangible assets	0.7	0.7
Buildings and constructions	0.5	0.5
Machinery and equipment	0.3	0.1
Total	**1.5**	**1.2**

6. FINANCIAL INCOME AND EXPENSES

EUR million	2006	2005
Dividend income		
From Group companies	2.5	0.1
From others	0.0	0.0
Total dividend income	2.5	0.1
Interest income from long-term investments		
From Group companies	13.4	4.2
From others	0.0	-
Total interest income from long-term investments	13.4	4.2
Other interest and financial income		
Foreign exchange gains	9.3	0.5
Other interest and financial income	0.7	0.3
Total other interest and financial income	10.0	0.8
Total interest income from long-term investments and other interest and financial income	**25.9**	**5.0**
Interest and other financial expenses		
To Group companies	4.3	0.8
Foreign exchange losses	9.2	0.1
Interest and other financial expenses to others	35.5	35.6
Total interest and other financial expenses	**49.0**	**36.5**
Total net financial expenses	**-23.1**	**-31.5**

7. DIRECT TAXES

EUR million	2006	2005
Taxes for the period	-6.6	-3.1

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

8. INTANGIBLE ASSETS

EUR million	2006	2005
Intangible rights		
Acquisition cost 1 Jan.	0.4	0.4
Additions during the period	0.2	0.0
Accumulated acquisition costs 31 Dec.	0.6	0.4
Accumulated depreciation 1 Jan.	0.3	0.2
Depreciation for the period	0.1	0.1
Accumulated depreciation 31 Dec.	0.3	0.3
Net carrying amount 31 Dec.	0.3	0.2
Connection fees		
Acquisition cost 1 Jan.	0.2	0.1
Additions during the period, merger	-	0.1
Net carrying amount 31 Dec.	0.2	0.2
Other non-current assets		
Acquisition cost 1 Jan.	5.9	5.4
Additions during the period	0.3	0.5
Disposals during the period	0.9	0.0
Accumulated acquisition costs 31 Dec.	5.3	5.9
Accumulated depreciation 1 Jan.	3.1	2.6
Depreciation for the period	0.3	0.6
Accumulated depreciation 31 Dec.	3.4	3.1
Net carrying amount 31 Dec.	1.8	2.8
Total intangible assets 31 Dec.	**2.3**	**3.2**

9. TANGIBLE ASSETS

EUR million	2006	2005
Land		
Acquisition cost 1 Jan.	3.3	1.9
Additions during the period, merger	-	5.1
Value adjustment, merger	-	3.7
Accumulated acquisition costs 31 Dec.	3.3	3.3
Buildings and constructions		
Acquisition cost 1 Jan.	66.5	46.7
Additions during the period/ merger	2.0	21.9
Reductions during the period, merger profit	-	2.2
Transfer between items	-2.0	
Accumulated acquisition costs 31 Dec.	66.5	66.5

EUR million	2006	2005
Accumulated depreciation 1 Jan.	42.1	24.9
Accumulated depreciation on additions, merger	-	0.4
Depreciation for the period	0.5	0.5
Value adjustment, merger	-	16.4
Accumulated depreciation 31 Dec.	42.6	42.1
Net carrying amount 31 Dec.	23.9	24.3
Machinery and equipment		
Acquisition cost 1 Jan.	4.0	2.8
Additions during the period / merger	0.0	1.3
Reductions during the period	-	0.0
Accumulated acquisition costs 31 Dec.	4.0	4.0
Accumulated depreciation 1 Jan.	2.8	2.4
Accumulated depreciation on additions.merger	-	0.3
Depreciation for the period	0.2	0.1
Accumulated depreciation 31 Dec.	3.0	2.8
Net carrying amount 31 Dec.	1.0	1.3

Machinery and equipment also include technical equipment in buildings.

EUR million	2006	2005
Other tangible assets		
Acquisition cost 1 Jan.	0.2	0.2
Additions during the period	0.0	0.0
Accumulated acquisition costs 31 Dec.	0.2	0.2
Accumulated depreciation 1 Jan.	0.2	0.0
Depreciation for the period	-	0.0
Accumulated depreciation 31 Dec.	0.0	0.2
Net carrying amount 31 Dec.	0.0	0.0
Construction in progress		
Acquisition cost 1 Jan.	1.6	0.8
Additions during the period	4.0	1.3
Reductions during the period	3.4	0.1
Transfer between items	-	0.3
Net carrying amount 31 Dec.	2.2	1.6
Total tangible assets 31 Dec.	**30.4**	**30.5**

10. SHARES IN SUBSIDIARIES

EUR million	2006	2005
Acquisition cost 1 Jan.	596.2	541.0
Additions during the period	134.5	71.2
Reductions during the period	61.5	19.3
Transfer between items	3.9	3.3
Accumulated acquisition costs 31 Dec.	673.1	596.2
Accumulated depreciation 1 Jan. and 31 Dec.	0.5	0.5
Net carrying amount 31 Dec..	672.6	595.7

11. SHARES IN ASSOCIATED COMPANIES

EUR million	2006	2005
Acquisition cost 1 Jan.	53.0	58.0
Additions during the period	0.6	0.5
Reductions during the period	15.8	2.0
Transfer between items	3.6	3.6
Accumulated acquisition costs 31 Dec.	34.2	53.0
Net carrying amount 31 Dec.	34.2	53.0

12. OTHER INVESTMENTS

EUR million	2006	2005
Minority holdings		
Acquisition cost 1 Jan.	17.9	18.8
Additions during the period	0.1	0.1
Reductions during the period	13.1	1.0
Accumulated acquisistion costs 31 Dec.	4.9	17.9
Net carrying amount 31 Dec.	4.9	17.9
Loans receivable		
From subsidiaries	463.2	186.9
From associated companies	-	0.0
Total other investments 31 Dec.	**468.1**	**204.8**
Total investments 31 Dec.	**1174.9**	**853.5**

13. SUBSIDIARIES

	Domicile	Parent company holding, %
Asolantien Liikekiinteistö Oy	Vantaa	100.0%
Citycon AB	Tukholma	100.0%
Forssan Hämeentie 3 Koy	Forssa	100.0%
Jyväskylän Forum Koy	Jyväskylä	100.0%
Jyväskylän Kauppakatu 31 Koy	Jyväskylä	100.0%
Kaarinan Liiketalo Koy	Kaarina	100.0%
Karjaan Ratakatu 59 Koy	Karjaa	100.0%
Karjalan Kauppakeskus Koy	Lappeenranta	100.0%
Kauppakeskus Columbus Oy	Helsinki	100.0%
Kauppakeskus Columbus Tontti Oy	Helsinki	100.0%
Kauppakeskus IsoKarhu Oy	Pori	100.0%
Kauppakeskus Tampereen Hermanni Koy	Tampere	100.0%
Keijutie 15 Koy	Lahti	100.0%
Kotkan Keskuskatu 11 Koy	Kotka	100.0%
Kouvolan Valtakadun Kauppakeskus Koy	Kouvola	100.0%
Kuopion Kauppakatu 41 Koy	Kuopio	100.0%
Kuusankosken Kauppakatu 7 Koy	Kuusankoski	100.0%
Kuvernöörintie 8 Koy	Helsinki	100.0%
Lahden Kauppakatu 13 Koy	Lahti	100.0%
Lintulankulma Koy	Rovaniemi	100.0%
Lippulaiva Koy	Espoo	100.0%
Martinlaakson Kivivuorentie 4 Koy	Vantaa	100.0%
Minkkikuja 4 Koy	Vantaa	100.0%
Montalbas B.V.	Amsterdam	100.0%
Myyrmanni Koy	Vantaa	100.0%
Naantalin Tullikatu 16 Koy	Naantali	100.0%
Oulun Galleria Koy	Oulu	100.0%
Porin Asema-Aukio Koy	Pori	100.0%
Porin Isolinnankatu 18 Koy	Pori	100.0%
Runeberginkatu 33 Koy	Porvoo	100.0%
Sinikalliontie 1 Koy	Espoo	100.0%
Säkylän Liiketalo Koy	Säkylä	100.0%
Talvikkitie 7-9 Koy	Vantaa	100.0%
Tampereen Hatanpää Koy	Tampere	100.0%
Tampereen Suvantokatu Koy	Tampere	100.0%
Ulappatori Koy	Espoo	100.0%
Ultima Oy	Vantaa	100.0%
Valkeakosken Torikatu 2 Koy	Valkeakoski	100.0%
Vantaan Laajavuorenkuja 2 Koy	Vantaa	100.0%
Varkauden Relanderinkatu 30 Koy	Varkaus	100.0%
Wavulinintie 1 Koy	Helsinki	100.0%
Vuosaari Investor Ab	Helsinki	100.0%
Veniamo-Invest Oy	Helsinki	100.0%
Vaakalintu Koy	Riihimäki	95.8%
Lahden Trio Koy	Lahti	93.8%
Linjurin Kauppakeskus Koy	Salo	88.5%
Mäntyvuoksi Koy	Imatra	86.8%
Lappeenrannan Brahenkatu 7 Koy	Lappeenranta	84.5%
Tikkurilan Kauppakeskus Koy	Vantaa	83.8%
Koskikeskuksen Huolto Koy	Tampere	81.7%
Orimattilan Markkinatalo Oy	Orimattila	77.3%
Lappeen Liikekeskus Koy	Lappeenranta	75.3%
Hervannan Liikekeskus Oy	Tampere	74.6%
Myyrmäen Kauppakeskus Koy	Vantaa	68.1%
Kirkkonummen Liikekeskus Oy	Kirkkonummi	66.7%
Espoontori Koy	Espoo	66.6%
Tampereen Koskenranta Koy	Tampere	63.7%
Heikintori Oy	Espoo	61.5%
Vantaan Säästötalo Koy	Vantaa	61.2%
Kivensilmänkuja 1 Koy	Helsinki	60.0%
Ulappapaikoitus Oy	Espoo	59.9%
Tullintori Koy	Tampere	57.4%
Laajasalon Liikekeskus Oy	Helsinki	50.4%
Subsidiaries total 63		

14. ASSOCIATED COMPANIES

	Domicile	Parent company holding, %
Espoon Louhenkulma Koy	Espoo	48.9%
Pukinmäen Liikekeskus Oy	Helsinki	43.9%
Pihlajamäen Liiketalo Oy	Helsinki	42.7%
Länsi-Keskus Koy	Espoo	41.4%
Otaniemen Liikekeskus Oy	Espoo	39.2%
Kontulan Asemakeskus Koy	Helsinki	34.0%
Puijonlaakson Palvelukeskus Koy	Kuopio	31.3%
Salpausseläntie 11 Koy	Helsinki	31.3%
Valtakatu 5-7 Koy	Valkeakoski	31.3%
Hakunilan Keskus Oy	Vantaa	29.5%
Soukan Itäinentorni As Oy	Espoo	27.3%
Valkeakosken Liikekeskus Koy	Valkeakoski	25.4%
Lauttasaaren Liikekeskus Oy	Helsinki	23.7%
Associated companies total 13		

15. SHORT-TERM RECEIVABLES

EUR million	2006	2005
Trade receivables	0.4	0.8
Receivables from Group companies		
Other receivables	12.2	4.0
Accrued income and prepaid expenses	0.0	0.1
Total	**12.2**	**4.1**
Other receivables	1.1	2.1
Accrued income and prepaid expenses	0.3	1.3
Total short-term receivables	**13.9**	**8.3**

16. SHAREHOLDERS' EQUITY

EUR million		2006	2005
Share capital	1 Jan.	184.1	156.8
Directed share issue			
	2.8.2005		16.2
	26.10.2005		15.1
	28.4.2006	36.8	
Based on stock options			
	29.4.2005		0.1
	21.7.2005		0.6
	20.9.2005		0.1
	19.10.2005		0.3
	20.12.2005		0.3
	16.2.2006	1.0	
	28.3.2006	0.0	
	18.4.2006	0.7	
	4.5.2006	0.1	
	20.6.2006	0.0	
	27.7.2006	0.4	
	21.9.2006	1.6	
	25.10.2006	0.1	
	14.12.2006	0.8	
	14.12.2006	0.1	
Cancellation of treasury shares			
	6.4.2005		-5.2
Share capital	31 Dec.	225.7	184.1
Share issue	Jan 1	1.1	1.1
Registered to share capital		-1.1	-
Based on stock options		0.1	-
Share issue	31 Dec.	0.1	1.1
Share premium fund	1 Jan.	79.7	35.1
Cancellation of treasury shares		-	5.2
Increase		53.4	39.3
Share premium fund	31 Dec.	133.0	79.7
Treasury shares	1 Jan.	-	4.7
Reduction		-	-4.7
Treasury shares	31 Dec.	-	0.0
Other reserves	1 Jan. .	6.6	6.6
Transfer to retained earnings		-6.6	
Other reserves	31 Dec	0.0	6.6
Retained earnings	1 Jan.	13.3	18.2
Transfer from other reserves		6.6	
Dividend distribution		-19.2	-15.7
Retained earnings	31 Dec.	0.6	2.5
Net profit for the period	31 Dec.	26.9	10.7
Total shareholders' equity	**31 Dec.**	**386.4**	**284.7**

17. LIABILITIES

EUR million	2006	2005
Long-term liabilities		
Subordinated loan 1)	70.0	70.0
Convertible capital loan 1)	92.9	-
Fixed-rate loans	1.8	-
Floating-rate loans, which are		
fixed rates through		
interest-rate swaps	491.6	336.5
tied to market interest rates	91.0	140.1
Total	584.4	476.6
Next year's repayments	-48.0	-24.8
Total	**536.4**	**451.8**
Long-term loans		
Loans from financial institutions	536.4	451.8
Loans from Group companies	23.4	25.6
Total long-term liabilities	**559.8**	**477.4**
Loans maturing later than 5 years		
	254.6	0.0
Short-term liabilities		
Loans from financial institutions	87.4	50.7
Advances received	0.3	0.5
Accounts payable	1.1	0.2
Total	**88.8**	**51.4**
Payables to Group companies		
Other payables	8.1	4.6
Accruals	1.0	0.8
Total	**9.1**	**5.4**
Other payables	13.6	10.0
Accruals	3.4	5.5
Total	**17.0**	**15.6**
Total short-term liabilities	**114.9**	**72.4**
Total liabilities	**837.6**	**619.8**
Significant accruals		
Interest liability	6.6	3.9
Tax liability	1.1	0.3
Total	**13.6**	**10.0**

1) The terms and conditions of subordinated loan and convertible capital loan are presented in the Notes to the Consolidated Financial Statements 18. Interest-bearing liabilities.

18 .CONTINGENT LIABILITIES

The parent company doesn't have any mortgages nor given securities. Given bank guarantees were EUR 37.1 million (EUR 0.0 million in 2005).

Lease liabilities

Me	Group 2005	Group 2006	Parent company 2005	Parent company 2006
Payables on lease commitments				
Maturing next financial year	0.7	0.4	0.6	0.3
Maturing later	0.7	0.3	0.7	0.2
Total	**1.4**	**0.7**	**1.3**	**0.6**

Citycon's finance leases mainly apply to computer hardware, machinery and equipment, cars and office premises.

VAT refund liabilities	9.9	4.4	0.0	0.3

Consolidated key figures and ratios for five years, IFRS and FAS

KEY FIGURES AND RATIOS

	Formula	Note	IFRS 2006	IFRS 2005	IFRS 2004	FAS 2003	FAS 2002
Income statement data							
Turnover			119.4	92.2	84.7	78.1	79.0
Other income			0.6	0.6	0.7	-0.5	0.7
Planned depreciation			0.2	0.2	0.3	6.5	6.8
Impairment loss			-	-	-	0.0	0.8
Operating profit			196.5	105.2	51.8	43.3	43.9
Profit before extraordinary items and taxes			165.6	74.2	25.7	19.1	19.2
Profit before taxes			165.6	74.2	25.7	19.1	19.2
Net profit for the period			126.4	59.8	19.9	14.3	13.8
Balance sheet data							
Non-current assets			1,453.3	957.6	745.6	816.9	731.5
- treasury shares			-	-	-	4.7	4.3
Current assets			33.1	25.5	12.2	18.5	14.8
Shareholders' equity and treasury shares			565.3	356.6	237.7	209.6	204.0
Subordinated loan		3)	-	-	-	68.5	68.5
Minority interest			15.0	3.6	0.0	99.8	90.5
Liabilities			906.1	622.9	520.0	457.5	383.3
Balance sheet total			1,486.4	983.1	757.7	835.3	746.3
Key performance ratios							
Return on equity, % (ROE)	1	1)	25.8	22.5	9.5	7.1	7.1
Return on investment, % (ROI)	2		16.8	13.5	7.2	5.8	6.0
Equity ratio, %	3		39.1	36.7	31.4	36.7	39.1
Equity ratio for bank, %			49.8	40.8	41.2	40.4	44.2
Quick ratio	4		0.2	0.3	0.5	0.6	1.3
Gearing, %	5		136.6	156.8	201.3	163.2	147.7
Gross capital expenditure, EUR million			436.4	178.5	18.8	84.2	5.9
% of turnover			365.5	193.6	22.2	107.9	7.4
Per-share figures and ratios							
Earnings per share, EUR	6	1), 4)	0.78	0.47	0.18	0.13	0.13
Earnings per share,diluted, EUR	7	1), 4)	0.74	0.46	0.18	0.13	0.13
Equity per share, EUR	8	1), 4)	3.38	2.45	2.00	1.89	1.85
P/E (price/earnings) ratio	9	1)	6	7	14	12	9
Dividend per share, EUR		2)	0.14	0.14	0.14	0.14	0.09
Dividend payout ratio, %	10	2)	17.9	28.3	73.8	100.0	66.5
Effective dividend yield, %	11	2)	2.8	4.5	5.7	9.2	8.2

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.
4) When calculating this ratio, the number of shares was share issue adjusted.
Formulas are available on page 53.

Shareholders and shares

MAJOR SHAREHOLDERS 31 DECEMBER 2006

Name	Number of shares	% of shares and votes
Odin Forvaltnings AS	1,441,200	0.86
Ilmarinen Mutual Pension Insurance Company	1,372,800	0.82
Etera Mutual Pension Insurance Company	600,000	0.36
Fieandt von Johan	420,000	0.25
OP Finland Value Investment Fund	413,200	0.25
Tudeer Lauri	350,000	0.21
Odin Eiendom	254,000	0.15
Investment Fund Celeres Reit Real Estate	220,426	0.13
Tallberg Carl	180,000	0.11
BNP Arbitrage	164,097	0.10
10 major, total	**5,415,723**	**3.24**
Nominee registered shares		
Nordea Bank Finland Plc	110,509,461	66.10
Skandinaviska Enskilda Banken AB	37,742,800	22.58
Svenska Handelsbanken AB (publ.) Filialverksamheten i Finland	6,985,189	4.18
Other nominee registered and foreign	2,057,897	1.23
Nominee registered and foreign, total	**157,295,347**	**94.09**
Others	4,472,110	2.67
Shares, total	**167,183,180**	**100.00**

The company has not received any statutory notices of changes in ownership during 2006.
Gazit-Globe Ltd. has informed the company that the number of shares held by it on 31 December 2006 totalled 64,860,920 accounting for 38.79 per cent of the shares and voting rights in the company on 31 December 2006. Gazit-Globe Ltd.'s shares are nominee-registered.

Shareholders by shareholder type on 31 December 2006

	Number of owners	Number of shares	Percentage of shares and voting rights
1. Financial and insurance corporations	11	940,481	0.56
2. Corporations	102	1,312,507	0.79
3. Households	1,563	5,274,744	3.15
4. General government	2	1,972,800	1.18
5. Foreign	17	1,685,320	1.01
6. Non-profit institutions	26	387,301	0.23
Total	1,721	11,573,153	6.92
of which nominee-registered	9	155,610,027	93.08
Issued stock, total		167,183,180	100.00

Breakdown of shareholders as at 31 December 2006 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	814	47.30	334,570	0.20
1,001 - 5,000	664	38.58	1,495,272	0.89
5,001 - 10,000	106	6.16	776,962	0.47
10,001 - 50,000	109	6.33	2,188,263	1.31
50,001 - 100,000	6	0.35	392,000	0.23
100,001 -	22	1.28	161,996,113	96.90
Total	1,721	100.00	167,183,180	100.00
of which nominee-registered	9		155,610,027	93.08
Issued stock, total			167,183,180	

Share price, transactions, EUR

	Formula	Note	IFRS 2006	IFRS 2005	IFRS 2004	FAS 2003	FAS 2002
Share price, transactions, EUR							
Low			3.02	2.36	1.52	1.00	0.98
High			5.09	3.50	2.65	1.59	1.12
Average	12		3.86	2.95	1.94	1.47	1.06
Market capitalisation, EUR million	13	1)	844.3	424.1	273.9	154.9	112.1
Share trading volume							
No. of shares traded as of year-start, 1,000			51,193	40,695	115,056	104,487	8,581
Percentage of total			30.6	29.8	102.5	102.5	8.4
Share issue adjusted average no. of shares, 1,000		1)	159,477	126,831	111,077	108,125	108,125
Share issue adjusted average no. of shares, diluted, 1,000		1)	171,198	129,296	112,164	108,125	108,125
Share issue adjusted average no. of shares on 31. Dec., 1,000		1)	167,183	145,505	119,113	108,125	108,125
Treasury shares, EUR million			0.0	0.0	4.7	4.7	4.3
Treasury shares, 1,000			0	0	3,874	3,874	3,874

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

Formulas are available on page 53.

Formulas for key figures and ratios

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

Signatures to the financial statements

Signatures to the Financial Statements dated 31 December 2006

Helsinki, 22 February 2007

Thomas W. Wernink	Tuomo Lähdesmäki
Gideon Bolotowsky	Amir Gal
Raimo Korpinen	Carl G. Nordman
Claes Ottosson	Dor J. Segal

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, 22 February 2007

Ernst & Young Oy
Authorized Public Accountants
Tuija Korpelainen
Authorized Public Accountant

Auditors´ report

To the shareholders of Citycon Oyj

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Citycon Oyj for the period 1.1. – 31.12.2006. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether 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 defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the Managing Directors of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Companies Act.

Helsinki, 22nd February 2007

ERNST & YOUNG OY
Authorized Public Accountants

Tuija Korpelainen
Authorized Public Accountant

List of properties

Property	Street address	Municipality	Year of completion/ renovation	Holding in company, %	Citycon's GLA, sq.m.	Occupancy rate, %, sq.m.[1)]	Economic occupancy rate, %, EUR[1)]
FINLAND							
HELSINKI METROPOLITAN AREA							
Asolantien Liikekiinteistö Oy	Asolanväylä 50	01360 Vantaa	1986	100	1,900	100.0	100.0
Espoon Louhenkulma Koy	Louhentie 2	02130 Espoo	1963	49	880	100.0	100.0
Espoontori					**9,000**	**94.5**	**97.0**
Espoontori Koy	Kamreerintie 3	02770 Espoo	1988	67			
Hakarinne 4	Hakarinne 4	02120 Espoo	1985	56	380	100.0	100.0
Hakunilan Keskus					**2,980**	**100.0**	**100.0**
Hakunilan Keskus Oy	Laukkarinne 4	01200 Vantaa	1982	30	2,200		
Hakucenter Koy	Laukkarinne 6	01200 Vantaa	1986	19	780		
Heikintori					**5,500**	**90.1**	**93.4**
Heikintori Oy	Kauppamiehentie 1	02100 Espoo	1968	62			
Helsingin Autotalo Oy	Salomonkatu 17	00100 Helsinki	1958	9	1,300	100.0	100.0
Isomyyri					**9,900**	**91.1**	**96.3**
Myyrmäen Kauppakeskus Koy	Liesitori 1	01600 Vantaa	1987	68			
Columbus					**20,400**	**99.6**	**99.8**
Kauppakeskus Columbus Oy	Vuotie 45	00980 Helsinki	97 / 2007	100			
Kirkkonummen Liikekeskus Oy	Asematie 3	02400 Kirkkonummi	1991	67	5,000	100.0	100.0
Kolsarintie 2 Koy	Kolsarintie 2	00390 Helsinki	1984	20	250	100.0	100.0
Kontulan Asemakeskus Koy	Keinulaudankuja 4	00940 Helsinki	1988	34	4,400	100.0	100.0
Laajasalon Liikekeskus					**3,760**	**100.0**	**100.0**
Laajasalon Liikekeskus Oy	Yliskyläntie 3	00840 Helsinki	72 / 1995	50	3,400		
Kuvernöörintie 8 Koy	Kuvernöörintie 8	00840 Helsinki	1982	100	360		
Lauttasaaren Liikekeskus Oy	Lauttasaarentie 28-30	00200 Helsinki	70 / 1995	24	1 500	100	100.0
Lippulaiva					**23,000**	**99.7**	**99.9**
Lippulaiva Koy	Espoonlahdenkatu 4	02320 Espoo	1993	100	18,200		
Ulappatori Koy	Ulappakatu 1	02320 Espoo	1991	100	4,800		
Länsi-Keskus Koy	Pihatörmä 1	02210 Espoo	1989	41	8,600	100.0	100.0
Martinlaakson Kivivuorentie 4 Koy	Kivivuorentie 4	01620 Vantaa	1976	100	3,800	67.0	73.3
Minkkikuja 4 Koy	Minkkikuja 4	01450 Vantaa	1989	100	2,300	100.0	100.0
Myllypuron Ostoskeskus					**1,790**	**100.0**	**100.0**
Myllypuron Ostoskeskus Oy	Kiviparintie 2	00920 Helsinki	1966	20	1,200		
Kivensilmänkuja 1 Koy	Kivensilmänkuja 1	00920 Helsinki	1988	60	590		
Myyrmanni					**40,200**	**99.2**	**99.5**
Myyrmanni Koy	Iskoskuja 3	01600 Vantaa	1994	100			
Otaniemen Liikekeskus Oy	Otakaari 11	02150 Espoo	1969	39	340	100.0	100.0
Pihlajamäen liiketalo Oy	Meripihkatie 1	00710 Helsinki	1970	43	1,200	100.0	100.0
Pukinmäen Liikekeskus Oy	Eskolantie 2	00720 Helsinki	1968	44	630	100.0	100.0
Salpausseläntie 11 Koy	Salpausseläntie 11	00710 Helsinki	1973	31	600	100.0	100.0
Sampotori	Kauppamiehentie 1	02100 Espoo	1985	tontti	50	100.0	100.0
Sinikalliontie 1 Koy	Sinikalliontie 1	02630 Espoo	64 / 1992	100	15,700	95.4	97.4
Soukan Itäinentorni As Oy	Soukantie 16	02360 Espoo	1972	27	1,600	100.0	100.0
Talvikkitie 7-9 Koy / Tikkurilan Anttila	Talvikkitie 7-9	01300 Vantaa	1989	100	9,800	100.0	100.0

Property	Street address	Municipality	Year of completion/ renovation	Holding in company, %	Citycon's GLA, sq.m.	Occupancy rate, %, sq.m.[1)]	Economic occupancy rate, %, EUR[1)]
Tikkuri					**10,700**	**90.4**	**90.6**
Tikkurilan Kauppakeskus Koy	Asematie 4-10	01300 Vantaa	84 / 1991	84			
Ultima Oy	Äyritie 1	01510 Vantaa	tontti	100			
Vantaan Laajavuorenkuja 2 Koy	Laajavuorenkuja 2	01620 Vantaa	1976	100	2,000	100.0	100.0
Vantaan Säästötalo Koy	Kielotie 20	01300 Vantaa	1983	61	3,800	94.1	94.7
Wavulinintie 1 Kiint Oy	Wavulinintie 1	00210 Helsinki	50 / 1992	100	1,700	35.6	36.9
OTHER PARTS OF FINLAND							
Forssan Hämeentie 3 Koy	Hämeentie 3	31100 Forssa	1978	100	4 500	0.0	0.0
Forum					**17,300**	**96.9**	**97.6**
Jyväskylän Forum Koy	Asemakatu 5	40100 Jyväskylä	53/72/80/1991	100			
Galleria					**3,500**	**97.3**	**98.7**
Oulun Galleria Koy	Isokatu 23	90100 Oulu	1987	100			
IsoKarhu					**14,900**	**97.3**	**98.7**
Kauppakeskus Isokarhu Oy	Yrjönkatu 16	28100 Pori	72 / 01 / 2004	100			
IsoKristiina					**18,200**	**93.0**	**99.2**
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		
Isolinnankatu 18 Koy / Porin Anttila	Isolinnankatu 18	28100 Pori	1986	100	5,400	100.0	100.0
Jyväskeskus					**5,800**	**98.6**	**99.8**
Jyväskylän Kauppakatu 31 Koy	Kauppakatu 31	40100 Jyväskylä	55 / 1993	100			
Kaarinan Liiketalo	Oskarinaukio 5	20780 Kaarina	79 / 1982	100	9,400	96.1	97.1
Karjaan Ratakatu 59 Koy	Ratakatu 59	10320 Karjaa	1993	100	3,100	100.0	100.0
***Duo**					**15,500**	**61.9**	**79.0**
Hervannan Liikekeskus Oy	Insinöörinkatu 23	33720 Tampere	1979	75	5,200	61.9	79.0
Kauppakeskus Tampereen Hermanni Koy	Peitilänkatu 2	33720 Tampere	April / 2007	100	10,300	0.0	0.0
Keijutie 15 KOy	Keijutie 15	15700 Lahti	1975	100	7,200	100.0	100.0
Koskikara					**5,800**	**100.0**	**100.0**
Valkeakosken Liikekeskus Koy	Valtakatu 9-11	37600 Valkeakoski	1993	25	1,500		
Valkeakosken Torikatu 2 Koy	Valtakatu 9-11	37600 Valkeakoski	1993	100	4,300		
Koskikeskus					**25,800**	**99.3**	**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	88 / 1995	64	9,700		
Tampereen Suvantokatu Koy	Hatanpäänvaltatie 1	33100 Tampere	1988	100	8,350		
Kotkan Kotkan Keskuskatu 11 Koy	Keskuskatu 11	48100 Kotka	1976	100	4,300	100.0	100.0
Kuopion Kauppakatu 41 Koy /							
Kuopion Anttila	Kauppakatu 41	70100 Kuopio	1977	100	11,200	97.5	98.9
Kuusankosken Kauppakatu 7 Koy	Kauppakatu 7	45700 Kuusankoski	1980	100	2,100	100.0	100.0
Lahden Kauppakatu 13 Koy	Kauppakatu 13	15140 Lahti	1971	100	8,600	100.0	100.0
Linjurin Kauppakeskus Koy / Salon Anttila	Vilhonkatu 14	24100 Salo	1993	89	10,000	100.0	100.0
Mäntyvuoksi Kiinteistö Oy	Vuoksenniskantie 50	55800 Imatra	1974	87	1,300	100.0	100.0
Naantalin Tullikatu 16 Koy	Tullikatu 16	21100 Naantali	1985	100	4,400	74.6	82.9
Orimattilan Markkinatalo	Erkontie 3	16300 Orimattila	1983	77	3,500	100.0	100.0
Porin Asema-Aukio Koy	Satakunnankatu 23	28130 Pori	57 / 1993	100	18,900	81.3	88.5
Puijonlaakson Palvelukeskus Koy	Sammakkolammentie 6	70200 Kuopio	1971	31	1,500	100.0	100.0

Property	Street address	Municipality	Year of completion/ renovation	Holding in company, %	Citycon's GLA, sq.m.	Occupancy rate, %, sq.m.[1)]	Economic occupancy rate, %, EUR[1)]
Runeberginkatu 33 Koy	Runeberginkatu 33	06100 Porvoo	1988	100	6 300	100.0	100.0
Sampokeskus					**13,700**	**85.6**	**93.5**
Rovaniemen Sampotalo	Maakuntakatu 29-31 A	96200 Rovaniemi	1990	100	11,700		
Lintulankulma	Maakuntakatu 29-31 A	96200 Rovaniemi	89 / 1990	100	2,000		
Säkylän Liiketalo Oy	Pyhäjärventie	27800 Säkylä	69 / 1999	100	1,200	100.0	100.0
Torikeskus	Kauppatori 1	60100 Seinäjoki	1992	100	11,300	92.2	93.7
Trio					**32,200**	**95.8**	**96.7**
Lahden Trio Koy	Aleksanterinkatu 20	15140 Lahti	77 / 1987	94			
Tullintori					**10,200**	**94.9**	**98.6**
Tullintori Koy	Hammareninkatu 2	33100 Tampere	30 / 1990	57			
Vaakalintu Koy / Riihimäen Foorumi	Keskuskatu 15	11100 Riihimäki	1980	96	6,700	100.0	100.0
Valtakatu 5-7 Koy	Valtakatu 5-7	37600 Valkeakoski	38 / 1992	31	460	100.0	100.0
Valtari					**7,600**	**87.2**	**90.6**
Kouvolan Valtakadun Kauppakeskus Koy	Valtakatu 15	45100 Kouvola	71-75 / 94-2002	100			
Varkauden Relanderinkatu 30 Koy	Relanderinkatu 28-34	78200 Varkaus	1990	100	8,200	100.0	100.0
FINLAND TOTAL					**484,720**	**94.5**	**97.2**
SWEDEN							
GREATER STOCKHOLM AREA							
Åkersberga	Storängsvägen	18430 Åkersberga	85 / 95 / 1996	75	33,100	97.2	100.0
Åkermyntan	Drivbänksvägen 1	16574 Hässelby	1977	100	8,400	97.5	97.7
Kallhäll	Skarprättarvägen 36-38	17677 Järfälla	1991	100	3,500	100.0	100.0
Jakobsberg	Tornérplatsen 30	17730 Järfalla	59 / 1993	100	67,000	95.5	97.8
Fruängen	Fruängsgången	12952 Hägersten	1965	100	14,600	97.8	97.7
Liljeholm	Liljeholmstorget 7	11763 Stockholm	73 / 1986	100	20,100	81.7	85.2
GREATER GOTHENBURG AREA							
Stenungs Torg	Östra Köpmansgatan 2-16. 18A-C	44430 Stenungsund	67 / 1993	70	37,600	97.0	98.3
Backa	Backavägen 3-5	41705 Göteborg	1990	100	7,800	86.1	89.6
Floda	Rurik Holms väg	44830 Floda	60 / 1990	100	11,300	92.0	93.9
Hindås	Hindås Stationväg 41-47	43063 Hindås	78 / 1999	100	1,700	93.8	95.2
Landvetter	Brattåsvägen	43832 Landvetter	75 / 88 / 1999	100	4,800	96.9	97.3
Lindome	Almåsgången	43730 Lindome	1974	100	7,800	100.0	100.0
SWEDEN TOTAL					**217,700**	**94.7**	**96.3**
THE BALTIC COUNTRIES							
ESTONIA							
Rocca al Mare					**28,600**	**100.0**	**100.0**
Rocca al Mare Kaubanduskeskuse AS	Paldiski mnt. 102	13522 Tallinna	98 / 2000	100			
LITHUANIA							
Mandarinas					**8 000**	**100.0**	**100.0**
UAB Prekybos Centras Mandarinas	Ateities g. 91	06324 Vilnius	2005	100			
THE BALTIC COUNTRIES TOTAL					**36,600**	**100.0**	**100.0**
TOTAL					**739,020**	**94.8**	**97.1**

*) Construction of shopping centre Duo will be completed in April 2007.

1) Formulas are available on page 53.

Property valuation statement

1. APPRAISAL METHOD

Aberdeen Property Investors Finland Oy (API) has made a valuation of Citycon's property portfolio as of 31 December 2006. 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 building 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 the past quarter, the activity on the market has remained strong. Competition, on certain locations and certain type of investments, is still intense and we can still see a pressure on yields in many cities around Finland. Within strong and widely spread demand, the market is currently giving less importance to the liquidity resulting in even extreme yield levels in some areas. The liquidity premium have come down recently. Increased trading volume, property funds starting to make first exits and current investors re-structuring their portfolios have increased liquidity in the market. Many investors are also ready to put a premium on the purchase price as they incorporate an upside potential on the rental value in their valuations. Foreign investors also typically enter into large portfolio deals pushing yields downwards. Interest rate levels have increased during the 4th quarter further but that hasn't affect on property prices yet.

As a result of the market trend API has revised it's input parameters to meet up the existing market characteristics. The API level describes 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

Some development projects were valued by using a separate project model. The different model is used only in a project that have:

1) Citycon's board decision, and

2) enough information for a reliable valuation. Required information includes e.g. extensive project plan, several new rental agreements, future investments, etc. The appraiser makes the final decision about the use of the model.

The project model is a normal 10 year cash flow model which also takes into consideration projects' future investments and changing cash flows. It includes present cash flows till the end of development phase and future cash flows after the development.

The project model were used in the valuation of two properties: shopping center Seinäjoen Torikeskus and shopping center Hervannan Liikekeskus Oy. All other 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 acquired four shopping centers during the last half a year. The only domestic acquisition was Columbus shopping center in Vuosaari. Citycon expanded in Sweden and acquired Stenungs Torg, Jakobsberg Centrum and Liljeholm shopping centres. The value of the total portfolio increased considerably due to those acquisitions since there was no further disposals made in the 4th quarter. The total market value with a valuation accuracy of +/- 10% as of December 31st 2006 was 1,438.5 euros (including Åkersberga and Stenungs Torg as of 100%).

CITYCON

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