CITYCON

Annual Report **2007**

Citycon's shopping centres **in Finland**

Helsinki Metropolitan Area

Columbus

Helsinki, Vuosaari

Citycon's gross
leasable area 20,900 sq.m.
Built in 1997.
Extended and/or renovated in 2007.

Espoontori

Espoo, Espoon keskus

Citycon's gross
leasable area 15,400 sq.m.
Built in 1987.

Heikintori

Espoo, Tapiola

Citycon's gross
leasable area 5,800 sq.m.
Built in 1968.

Isomyyri

Vantaa, Myyrmäki

Citycon's gross
leasable area 10,400 sq.m.
Built in 1987.

Iso Omena

Espoo, Matinkylä

Citycon's gross
leasable area 60,600 sq.m.
Built in 2001.

Lippulaiva

Espoo, Espoonlahti

Citycon's gross
leasable area 22,400 sq.m.
Built in 1993.
Extended and/or renovated in 2007.

Myyrmanni

Vantaa, Myyrmäki

Citycon's gross
leasable area 40,300 sq.m.
Built in 1994.
Extended and/or renovated in 2007.

Tikkuri

Vantaa, Tikkurila

Citycon's gross
leasable area 10,700 sq.m.
Built in 1984/1991.

Other Areas in Finland

Duo
Tampere
Citycon's gross
leasable area 13,000 sq.m.
Built in 1979.
Extended and/or renovated in 2007.

Forum
Jyväskylä
Citycon's gross
leasable area 17,500 sq.m.
Built in 1953/1972/1980.
Extended and/or renovated in 1991.

Galleria
Oulu
Citycon's gross
leasable area 3,500 sq.m.
Built in 1987.

IsoKarhu
Pori
Citycon's gross
leasable area 14,900 sq.m.
Built in 1972/2001.
Extended and/or renovated in 2004.

IsoKristiina
Lappeenranta
Citycon's gross
leasable area 18,300 sq.m.
Built in 1987/1993.

Jyväskeskus
Jyväskylä
Citycon's gross
leasable area 5,800 sq.m.
Built in 1955.
Extended and/or renovated in 1993.

Koskikara
Valkeakoski
Citycon's gross
leasable area 5,800 sq.m.
Built in 1993.

Koskikeskus
Tampere
Citycon's gross
leasable area 26,000 sq.m.
Built in 1988.
Extended and/or renovated in 1995/2007.

Linjuri
Salo
Citycon's gross
leasable area 9,300 sq.m.
Built in 1971-1975.
Extended and/or renovated in 2007.

Sampokeskus
Rovaniemi
Citycon's gross
leasable area 14,000 sq.m.
Built in 1989/1990.

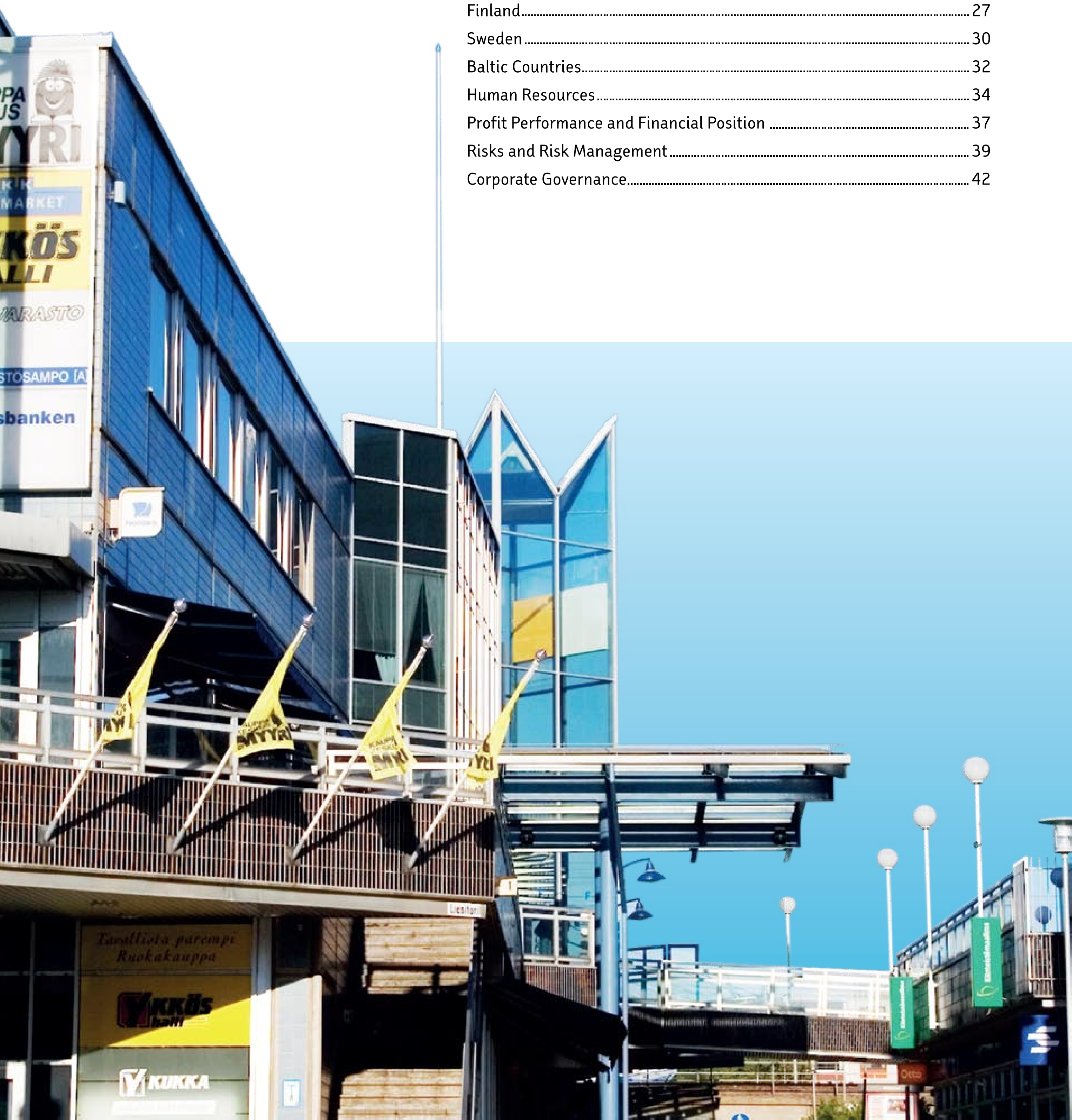
Torikeskus
Seinäjoki
Citycon's gross
leasable area 11,400 sq.m.
Built in 1992.
Extended and/or renovated in 2007.

Trio
Lahti
Citycon's gross
leasable area 43,900 sq.m.
Built in 1987.
Extended and/or renovated in 1992/2007/2008.

Tullintori
Tampere
Citycon's gross
leasable area 10,300 sq.m.
Built in 1930.
Extended and/or renovated in 1990.

Valtari
Kouvola
Citycon's gross
leasable area 7,600 sq.m.
Built in 1994.
Extended and/or renovated in 2002.

Contents



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**

Active property management and property development

Citycon is a Finnish real estate company specialised in shopping centres and other retail premises. The company manages, leases and develops its retail properties in order to transform them into even more customer-oriented centres, and to thus increase their value. In addition, the company redevelops new retail premises. Citycon is the market leader in the Finnish shopping centre business, with a strong position in Sweden and a firm foothold in the Baltic countries. The company's geographical business units are further divided into the business areas Retail Properties and Property Development.

Listed on the stock exchange in Helsinki since 1988, Citycon is a Mid Cap company under the Financials sector, sub-industry Real Estate Management & Development, on the OMX Nordic Exchange. Its year-end market capitalisation totalled EUR 806.6 million and its share closed at EUR 3.65. International investors accounted for 95.5 per cent of the company's shareholders at the end of 2007.

In 2007, Citycon continued its growth by acquiring new centres in Finland, Sweden and in the Baltic countries. The company also made substantial investments in the development projects. At the end of the year, Citycon had development and redevelopment projects underway in Finland, Sweden and Estonia to the total value of around EUR 330 million. On 31 December 2007, Citycon owned a total of 33 shopping centres - 22 in Finland, eight in Sweden, two in Estonia and one in Lithuania. In addition, Citycon owns 52 other retail properties in Finland and Sweden. At the end of 2007, the fair value of the company's property portfolio totalled EUR 2,215.7 million.

Key Figures and ratios

	2007	2006
Turnover, EUR million	151.4	119.4
Operating profit, EUR million	300.7	196.5
% of turnover	198.6	164.6
Profit before taxes, EUR million	253.5	165.6
Profit for the period, EUR million	203.9	126.4
Fair market value of investment properties, EUR million	2,215.7	1,447.9
Earnings per share (basic), EUR	1.00	0.76
Earnings per share (diluted), EUR	0.91	0.73
Direct result per share (diluted), (Diluted EPRA EPS), EUR	0.18	0.20
Dividend and return from invested unrestricted equity fund per share, total, EUR	0.14 (*	0.14
Net cash from operating activities per share, EUR	0.20	0.20
Equity per share, EUR	4.44	3.30
Net asset value (EPRA NAV) per share, EUR	4.83	3.53
EPRA NNNAV, EUR	4.42	3.14
P/E (price / earnings) ratio	3	7
Return on equity (ROE), %	23.3	25.8
Return on investment (ROI), %	16.3	16.8
Equity ratio, %	43.9	39.1
Gearing, %	111.8	136.6
Interest-bearing net debt, EUR million	1,147.3	811.2
Net rental yield, %	5.8	7.1
Occupancy rate, %	95.7	97.1
Personnel (average for the period)	93	62
Personnel at the end of the period	102	73

*) The figure includes the proposals by the Board of Directors: a per-share dividend of EUR 0.04 and a return of equity from invested unresticted equity fund of EUR 0.10 per share.

Citycon as an Investment and **Information for Shareholders**

Investment in Citycon

Investing in Citycon means an investment in a Finnish real estate company focusing in retail premises - especially shopping centres and other large retail units - in Finland, Sweden and the Baltic countries. Citycon is a proactive manager and developer of its properties which together with selective acquisitions provides solid foundations for the company's continuous success and growth.

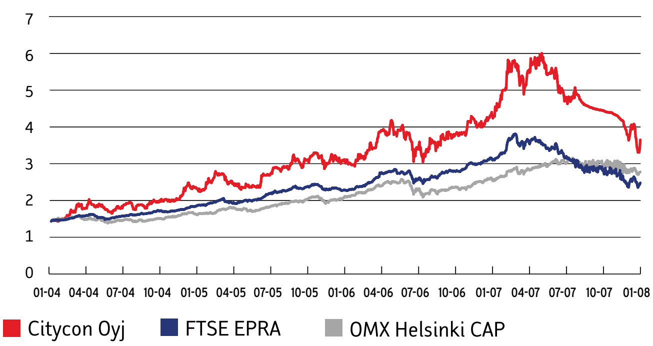
Equity related transactions, share price development and ownership

The company executed two successful equity transactions during the year, a directed share issue totalling EUR 133 million in February and a rights issue for total proceeds of approximately EUR 99 million in September-October. Both issues were successfully executed and fully subscribed for.

International investors accounted for 95.5 per cent of the company's shareholders at the end of 2007. During the financial year, the company's ownership base also extended further by over 300 new Finnish shareholders. The company's market capitalisation at the year end totalled EUR 806.6 million (EUR 844.3 million).

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. Since April 2007, Citycon has also been included in the GPR 250 Property Securities Index consisting of the 250 most liquid real estate companies worldwide. In 2007, the number of Citycon shares traded on the OMX Nordic Exchange Helsinki totalled 153.7 million (51.2 million) at a total value of EUR 738.1 million (EUR 197.6 million).

Citycon share price compared with indices



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 annual 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 2007, equity ratio stood at 43.9 per cent.

Annual General Meeting 2008

Citycon Oyj will hold its AGM at Finlandia Hall, Helsinki Auditorium, Mannerheimintie 13e, Helsinki, Finland, on Thursday 13 March 2008, starting at 2.00 p.m.

Company shareholders listed in the shareholders' register by the AGM record date of 3 March 2008 are entitled to attend the AGM if they have notified the company of their intention to do so by 4.00 p.m. on 10 March 2008. If you wish to attend the AGM, please visit our website, www.citycon.fi/agm2008, or contact us by telephone +358 9 680 36 70.

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.

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.

Board of Directors' proposal on dividend distribution and on distribution of assets from the invested unrestricted equity fund

The Board of Directors proposes that a per-share dividend of EUR 0.04 be paid out for the year 2007, and that EUR 0.10 per share be returned from the invested unrestricted equity fund. The dividend and equity return will be paid on 2 April 2008 to a shareholder registered in the company's shareholders' register on 18 March 2008.

Notification of changes in shareholders' register

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

Financial reports in 2008

During 2008, Citycon Oyj will release financial reports in Finnish and English as follows:

- Interim Report for January-March, 24 April 2008
- Interim Report for January-June, 18 July 2008
- Interim Report for January-September, 16 October 2008

Citycon's annual reports, 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 11. 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.

Investor relations

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 at info@citycon.fi.

Citycon proactively meets with investors both in and outside Finland. The year 2007 saw some 50 events where the company's management met with around 240 institutional investors either in one-on-one or small-group meetings. In addition, the company's representatives meet investors in seminars arranged by associations or banks, in broader public events and during asset tours to the company's shopping centres.

Citycon applies a three week silent period preceding the publication of its financial results. During this period the company's representatives do not meet investors or analysts, or comment on the company's financial position.

Contact information

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CFO
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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.

ABN AMRO Bank N.V.
Tel.: +31 20 628 9393
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Citi Investment Research
Tel.: +44 207 986 4000
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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
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Finland

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Finland

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

Kaupthing Bank Oyj
Tel.: +358 9 478 4000
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FI-00100 Helsinki
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Kempen & Co N.V.
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NL-1070 PP Amsterdam
The Netherlands

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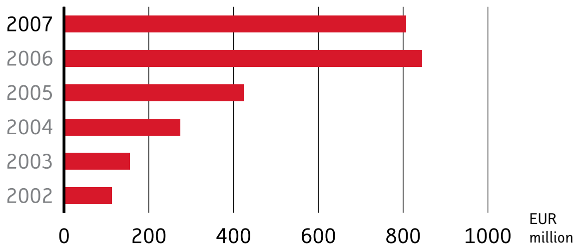
P.O. Box 1411 Vika
N-0115 Oslo
Norway

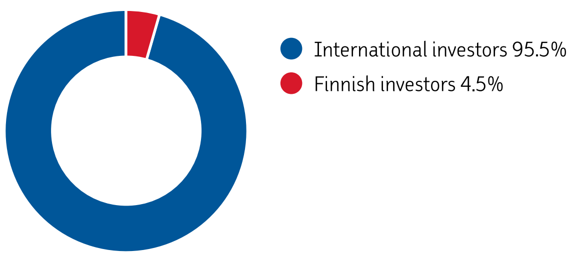
Pohjola Bank plc
Tel.: +358 10 252 011
Teollisuuskatu 1 B
P.O. Box 308
FI-00101 Helsinki
Finland

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

Trend in market capitalisation



Breakdown of shareholders



CEO's **Review**

Tomorrow's Shopping Centres are Green

Strong and profitable growth describes Citycon's recent history, as well as the year 2007. Our property portfolio grew bold 53 per cent.

The ownership or market valuation is not the most essential factor, rather our own ability to affect the success of our properties. Our strategic focus is now stronger than before on the retail properties which we already own, and their redevelopment. At the end of the year, Citycon had development and redevelopment projects underway in Finland, Sweden and Estonia for a total value of approximately EUR 330 million, which corresponds to almost 15 per cent of our total portfolio.

We can truly say that our property development is creative. We acquire only shopping centres that have development potential, and in which, through active property development and shopping-centre management, we can increase their returns and profitability. We always begin our development projects by analysing the needs of the people living in the shopping centre's catchment area. Based on this, we then plan activities aimed at improving the centre's commercial value for both the customers and the tenants. This approach has generated us good results, for instance, in the development and redevelopments of the Duo and Trio shopping centres.

Green thinking has gained more importance in our operations. We already pay attention to environmental factors related to our properties and have started to develop the green shopping centre concept. Our starting point in terms of the quality of construction is already good, but we want to improve even further. This work will continue in 2008, the pilot projects being the development and redevelopment projects at the Trio, Rocca al Mare and Liljeholmstorget shopping centres. Sustainability will be a major competitive factor down the road and very relevant issue when evaluating Citycon as a potential partner. At best, with this sustainable approach, we can achieve a win-win-win situation between consumers, retailers and property owners that benefits us all.

Citycon's market leadership in Finland strengthened remarkably. We established firmly our market position with Iso Omena acquisition especially in the Helsinki Metropolitan Area. Also other financially smaller, but strategically important, acquisitions increased our market share. In 2007, the total sales of the Finnish shopping centres were about EUR 4.3 billion, of which over a third went through Citycon's shopping centres.

We operate in countries with growing retail sales. The outlook may turn less favourable, but a major decline in the rental market is unlikely. This positive situation is reflected in the dynamics of shopping-centre business - during the past years the growth has been strong and international competition of the best properties has been intense. We believe that the competition of the prime properties will continue in Finland and Sweden, despite the international credit crunch.

"Citycon operates mainly in growth centres.

Our growth has brought us to the position where we can provide our tenants with a constantly broadening range of retail premises and expansion opportunities. This is supported by Citycon's regional organisation that was implemented at the end of 2006 and which has proven extremely functional. Our strong position and growth have also had a positive impact on our financing arrangements, as evidenced by the concluded credit facility agreements and our extremely successfully completed share issues during the year.

I should like to take this opportunity to thank our shareholders, customers and partners for a most successful year. I would like to express my special thanks to our employees who have proven their strength in the simultaneous implementation of a new organisation and several major development projects. Citycon's team is now stronger than ever.

In Helsinki on 14 February 2008

Petri Olkinuora
CEO

Mission

Citycon is a growing and continuously improving expert in the retail property business. The company owns, manages, leases and redevelops and develops shopping centres, supermarkets and other large retail units. Citycon is the market leader in the Finnish shopping centre business.

For its shareholders Citycon is an investment with a solid cash-flow performance.

Vision and Goals

Citycon aims to expand its property portfolio and increase its value. The redevelopment of its retail premises, the construction of new properties, and strategy-based property acquisitions provide a solid ground for achieving this aim.

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. Furthermore, the company's ability to develop solutions for retailers regarding retail premises and services opens up growth opportunities.

For its shareholders Citycon is an investment with a solid cash-flow performance.

Strategy

Citycon's strategy is to safeguard growth through the active redevelopment of properties and selected property acquisitions in large cities and growth centres located in Finland, Sweden and the Baltic countries. Citycon focuses on retail properties, its core business consisting of shopping centres, supermarkets and other large retail units. The company has divested and is ready to divest non-core properties in order to recycle capital to faster growing areas and more profitable and higher quality properties.

Citycon redevelops its properties continuously for improved commercial appeal and profitability, while seeking to identify new shopping-centre concepts that can enhance shopping centres' retail appeal. The company aims to create increasingly customer- and service-focused operations.

Business Environment

Citycon is one of the six real estate companies listed on the OMX Nordic Exchange Helsinki and the second largest in Finland measured by market capitalisation. On 31 December 2007, Citycon's market capitalisation totalled EUR 806.6 million and it is one of the Mid Cap companies on the OMX Nordic Exchange. On the same date, the market capitalisation of the real estate companies listed in Helsinki totalled approximately EUR 2.1 billion, Citycon accounting for 38.2 per cent.

A year of growth in the property market

Finland has a total of 56 shopping centres as defined by the Finnish Counsel of Shopping Centres, while the number of shopping centres in Sweden is four times higher, depending on the definition used. In Estonia and Lithuania there are some 50 shopping centres. Properties in the Baltic countries have traditionally been owned by local and Nordic construction companies, but international interest in the region has intensified over the past year and the number of retail properties for sale has increased. The Nordic property market has retained the interest of international investors due to the region's relatively large size, sound liquidity and transparency, its established and similar legislation and operating methods, high-quality market information, the political and economical stability of its national economies and good financing opportunities for real estate transactions.

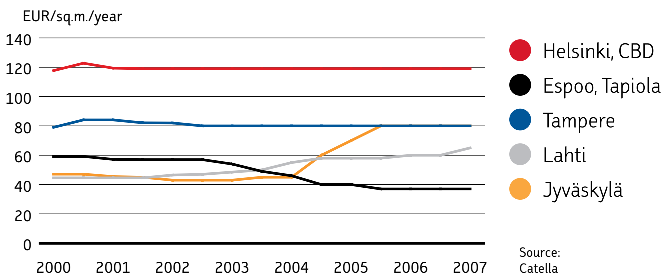
The state of the Finnish and Swedish real estate market remained positive for most of the year, in spite of the increasing uncertainty that started in the international financial markets. Retail property prices continued to grow, particularly up to mid-year. In the Baltic countries, the property price development was restrained by the international turbulence in the financial markets, concerns about the overheating of national economies and rapidly rising local interest rates. In parallel, the price difference between the best properties and the more risky ones began to expand. The spread in yield requirements between prime and non-prime properties increased clearly not only in the Baltic countries but also in Finland and Sweden. [1]

In Finland, demand for properties continued to grow during the year. [2] According to KTI Property Information Ltd, the occupancy rate of retail properties is still nearly maximal and rental levels continue their steady growth. The increase in rental levels is expected to continue. [3]

In Sweden, the real estate business was very active as well as international. During the first half of 2007, international investors accounted for approximately 90 per cent of retail property transactions. [2] Vacancy rates in shopping centres have been low in spite of the construction of new retail premises, and rental levels have increased. Yield requirements have seen a moderate decrease compared to the previous year. [3]

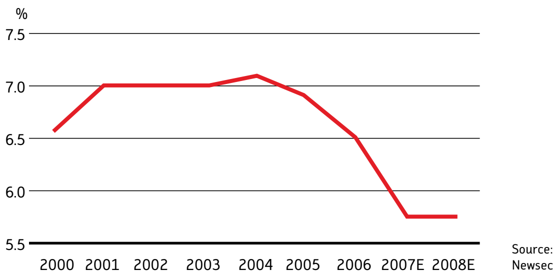
In the Baltic countries, demand for retail premises was brisk during the year and, despite the higher interest rates compared to the Nordic countries, property prices have risen and yield requirements have fallen. [2] The majority of international property investors investing in Estonia are from the Nordic countries. Investors have also shown increasing

Rental levels of retail premises in Finland



Average area 150 sq.m., gross rent EUR /sq.m./year excl. VAT, new agreements

Retail yields in Helsinki Metropolitan Area



In Finland, demand for properties continued to grow during the year.

Shopping centre Galleria is located in downtown of Oulu, a growing city in the northern Finland, by the busy Isokatu, which is to become a pedestrian street if the redevelopment of the centre that is planned with the city of Oulu and other players in the same block gets started.

interest in development projects. In Estonia, too, rental levels are expected to rise and vacancy rates to remain low. [2] The Lithuanian market has seen a considerable expansion in new retail premises, although shopping centre space per capita remains small by Nordic standards. Fierce international competition in the property market has depressed the yield requirements in Lithuania and the supply of sufficiently large investment targets remains relatively scarce. [2]

In 2007, construction costs climbed by 5.6 per cent [4] in Finland, 5.4 per cent [5] in Sweden and 12.7 per cent [6] in Estonia. Citycon monitors construction cost trends, with a particular focus on project management in its development operations. While the rise in construction costs has effected the estimated project costs, the rise has remained moderate.

Strong economies underpinning business

Finland and Sweden are among the strongest economies in Europe, with a 2 per cent surplus in Sweden and 4 per cent surplus in Finland in 2006. Economic stability has enabled tax cuts and salary increases in both countries, visible in their populations' disposable income and a rise in consumption. Inflation stood at roughly three per cent at the end of 2007, up from the record low rates experienced a few years ago. [4, 5]

Since the Baltic countries are dependent on export energy, higher oil prices have clearly affected inflation and consumer demand. In Estonia, interest rates and inflation have increased consumer prices, leading to declining purchasing power. Consequently, economic growth is expected to slow down from the two-digit percentages seen over the previous years. Meanwhile, Lithuania is expected to show stronger growth than other Baltic countries. [7] Regardless of their economic slowdown, both Estonia and Lithuania will maintain distinctively higher economic growth rates than other European countries. In December 2007, inflation in Estonia was 9.6 per cent [7] and 6.8 per cent in Lithuania.[8] According to forecasts by Hansabank Swedbank, inflation will slow down in both countries during 2008.

In Citycon's operating regions, short-term interest rates kept growing during the course of the year, accentuating towards the year end in particular due to the credit problems. During 2007, the short-term 3-month rate within the euro area went up by 0.96 percentage points, reaching 4.68 per cent at the year end, while the corresponding increase in Sweden was 1.39 percentage points, reaching 4.69 per cent. In the Baltic countries, interest rates rose even more vigorously due to strong economic growth and accelerating inflation. In Estonia, the 3-month interest rate was 7.30 per cent (up by 3.45 percentage points) and, in Lithuania, 6.98 per cent (up by 3.19 percentage points). However, the rise in long-term interest rates was markedly more moderate,

Return of property investment companies

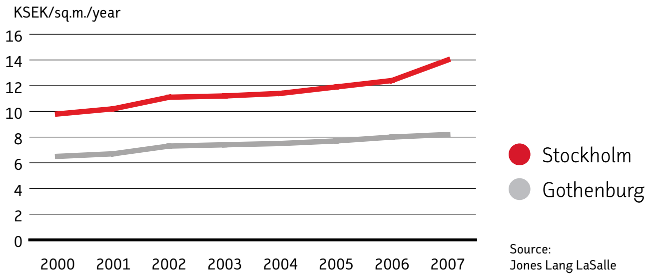
	2007 return, %	Rolling five year's return, %
Global	-4.8	112.9
Europe	-5.5	118.8
North America	-4.6	73.2
Asia	-5.2	174.9
Global equities	-5.5	73.7
Global bonds	0.0	18.0

Source: EPRA/FTSE/JP Morgan

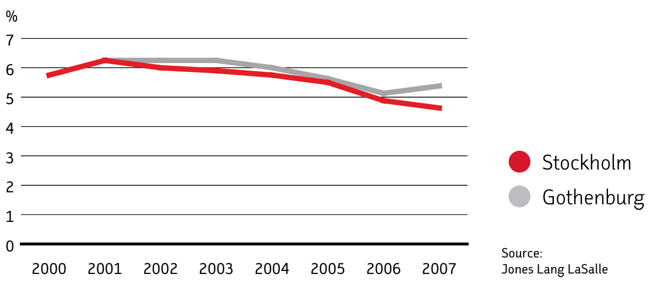
with the fixed rate for a 5-year interest-rate swap going up by 0.43 percentage points in the euro area and by 0.59 percentage points in Sweden. [10]

As a company focusing on retail premises, and especially in shopping centres, strong growth in the retail trade is of particular importance to Citycon. Strong growth figures in the company's operating countries have supported the rise in Citycon shopping centres' sales and number of visitors. Christmas sales, for instance, showed record peaks in Finland and Sweden. According to preliminary trade data, the total value of retail sales in 2007 grew by 5.3 per cent (5.7%) in Finland [4], while in Sweden, estimated retail sales growth was 4 per cent (7.4%). [5] In Estonia, retail sales increased by 14.1 per cent (19%) in real terms [7] and by 9.3 per cent (14.1%) in Lithuania. [8]

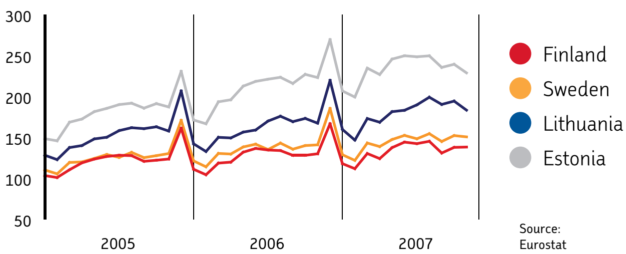
Rental levels of shopping centres in Stockholm and Gothenburg area



Shopping centre yields in Stockholm and Gothenburg area



Deflated retail sales index



"According to preliminary trade data, the total value of retail sales in 2007 grew by 5.3 per cent (5.7%) in Finland.

In all of the above-mentioned four countries, consumer confidence was at historically high levels, although as of summer it has declined, due to the turbulence in the financial markets spread from the United States. [10] The consequences of the subprime crisis originating in the US mortgage markets for the availability of financing in the Nordic countries were moderate in 2007. Moreover, Citycon's financial position has remained at a healthy level, and will be described in more detail on pages 37-38 of the present Annual Report.

REIT legislation and the Finnish real estate markets

In its Government Programme issued in the spring of 2007, the Finnish Government expressed its intention to review the legislation on real estate investment funds and to remove tax barriers in order to maintain the competitiveness of Finnish property funds that are organised as limited companies. Several European countries have already adopted similar amendments whereby, under certain conditions, a REIT - Real Estate Investment Trust - is not liable to pay income taxes as a corporation but is, in turn, required to distribute most of its profits as dividends to its shareholders. Dividends paid by REITs and capital gains from holdings are then taxed as shareholders' income. Potential REIT-based property fund legislation would further increase investors' interest in the Finnish property markets. At this point, Citycon has made no plans in response to the potential REIT legislation.

Sources:
1) Jones Lang LaSalle, Suomen kiinteistömarkkina, 1/2008
2) Newsec Nordic Report, Real Estate Autumn 2007
3) Jones Lang LaSalle, Nordic City Report, Autumn 2007
4) Statistics Finland
5) Statistics Sweden
6) Statistics Estonia
7) Hansabank Swedbank, The Baltic Outlook
8) Statistics Lithuania
9) Bloomberg
10) Nordea

Business and **Property Portfolio**

Citycon, a real estate company specialised in retail premises, is the market leader in the Finnish shopping centre business, with a strong position in Sweden and a firm foothold in the Baltic countries. The company is an active owner of its retail properties. Active ownership includes creation of a retail property's commercial concept as well as leasing, marketing and continuous development of the premises.

Citycon entered the Swedish and Baltic markets in 2005 when it acquired its first shopping centres in Sweden and Estonia. The company continued to expand its business in 2006 when it acquired several retail properties in Sweden and its first shopping centre in Lithuania. At the end of 2007, Citycon owned a total of 33 shopping centres – 22 in Finland, eight in Sweden, and three in the Baltic countries. In addition, the company owned 52 other retail properties in Finland and Sweden.

New kind of ownership – Active development a key element

Instead of mere ownership, the core of Citycon's strategy is active management and continuous development of its retail properties, and thus Citycon differs from traditional property investors. The company's objective of creating attractive shopping facilities in terms of their commercial concept and urban environment requires knowledge of the market area, customers and retail business concepts and an insight into retailer's needs.

Maintaining its properties as attractive and dynamic retail centres in the eyes both of customers and lessees is Citycon's main task. The refurbishment of retail properties is essential to maintain their commercial attractiveness year after year, since the consumers' purchase behaviour changes and the retailers set higher and higher demands. Furthermore, the competition between shopping facilities is intensifying. Older shopping centres are competing with new centres built close by, and customer flows may turn rapidly. On the other hand, demand for retail premises continues to grow in dynamic regions and additional premises are needed to satisfy the needs of international retail chains entering the market. As a result of this development, commercial lifecycles of retail premises have become shorter, and a shopping centre may become obsolete within a few years, unless ongoing efforts are made to develop it.

Solid basis for development

Citycon's shopping centres have good commercial locations in growth centres with good connections. Many of these retail properties offer also expansion potential, providing major development opportunities for Citycon.

All development activities are based on the nature of the shopping centre's catchment area and the centre's current or optimal role within it. When the catchment area's requirements and opportunities are known to the company, redevelopment projects present a distinctly lower risk compared to building a brand new retail property in a brand new market area.

In practice, initiating a development project requires a comprehensive, forward-looking analysis of the catchment area as well as a technical implementation plan. Already at an early stage of a development project, attempts are made to involve the lessees, the inhabitants of the neighbouring area and any other stakeholders. Moreover, very close cooperation with city and traffic planners, environmental authorities as well as many other authorities and municipal decision-makers is necessary to enable the implementation of development projects. Without close cooperation it wouldn't even be possible to initiate any projects.

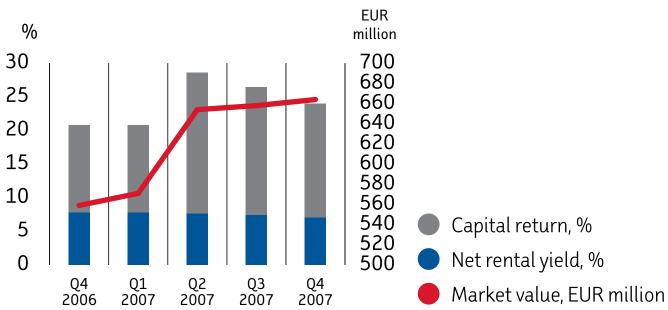
Many shopping and retail centres are local centres and their development contributes to the area's general attractiveness and often enables additional building. As a dynamic long-term investor, Citycon represents a strong choice as a partner for the modernisation of municipal services.

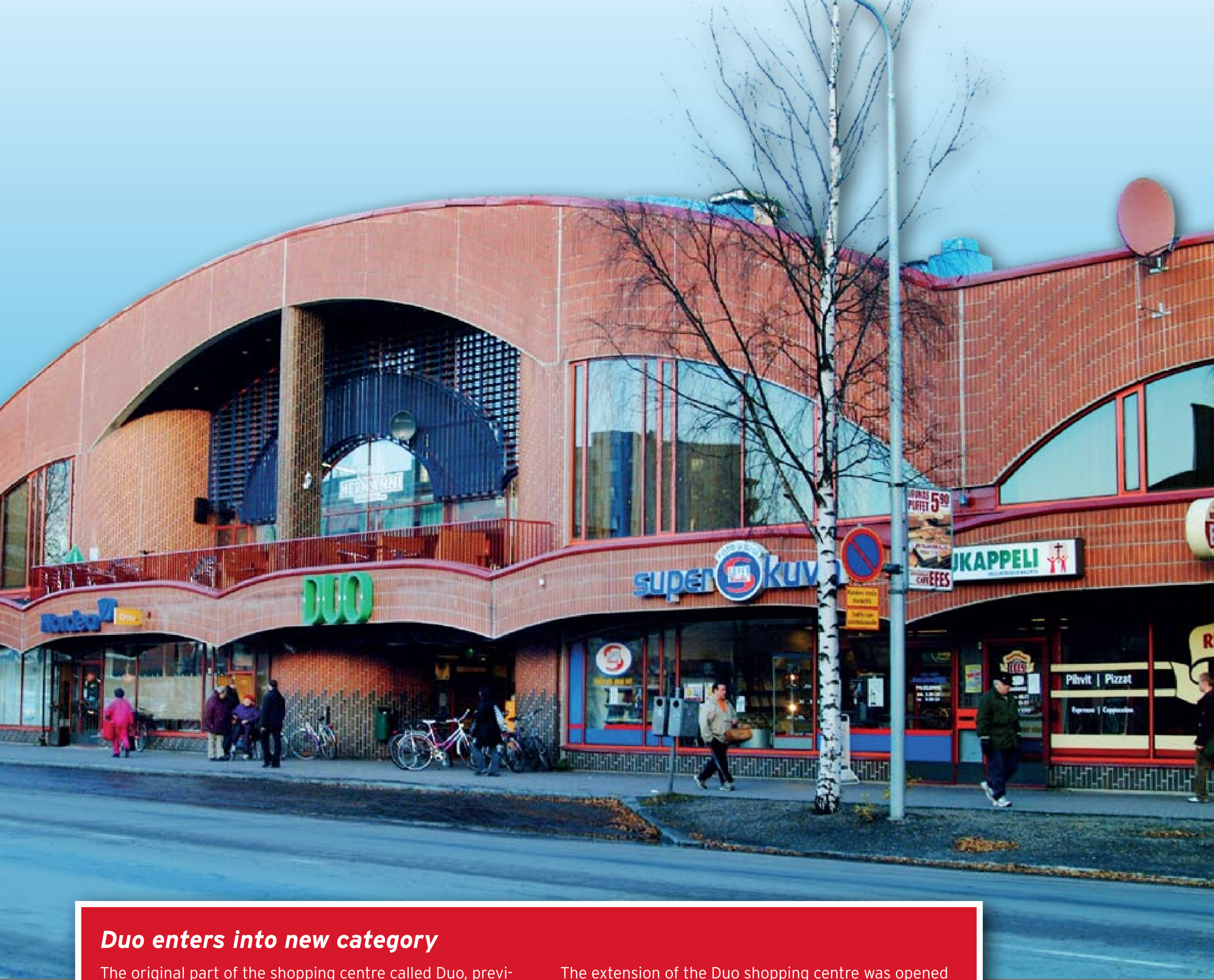
Own local personnel

One of Citycon's competitive advantages is its in-house, local shopping centre management. Indeed, most of the company's employees work in shopping centres and are involved in the centres' operative management, marketing together with the shopping centre's retailers and long-term commercial content design or conceptualisation. With the help of its skilled personnel, Citycon aims to secure its properties' competitiveness through continuous development of new services.

Key elements in the management of individual shopping centres include appropriately directed commercial development measures, efficient maintenance and optimisation of the premises' use to increase their commercial attraction on an ongoing basis.

Total return of the like-for-like properties





Duo enters into new category

The original part of the shopping centre called Duo, previously known as the Hervanta retail centre and completed in 1979, was designed by the famous Finnish architect couple, Raili and Reima Pietilä. The name 'Duo' comes from the fact that the shopping centre consists of two parts: the original Hervanta retail centre and the new building developed by Citycon and completed in 2007.

Hervanta is an urban district in the southern part of Tampere, with some 25,000 inhabitants. The area is under active residential construction and it also provides approximately 10,000 workplaces, including the Tampere University of Technology and a large number of business enterprises. Moreover, the Duo shopping centre is located next to busy traffic lines.

The Hervanta area has an annual spending power of approximately over EUR 230 million (source: Statistics Finland). Furthermore, the entirely new urban district of Vuores is currently being planned in the neighbourhood, with the purpose of building housing for over 13,000 inhabitants and business premises for 3,000–5,000 workplaces by 2015. The closest shopping centre to Vuores is Duo in Hervanta.

The extension of the Duo shopping centre was opened to the public in April 2007 and the whole complex at the end of October 2007. During the first eight months, approximately 2.5 million customers visited the new Duo, with sales totalling almost EUR 30 million. In 2008, Duo intends to attract 3.5 million customers and achieve total sales of EUR 55 million.

The Duo shopping centre's increased attractiveness stems not only from its extension but also from its revised retailing concept. In this respect, the development project answered the needs of the entire Hervanta area. For example, Hervanta's prior lack of certain specialist retail services led people to take their purchasing power elsewhere.

Exceptionally, Duo has three large grocery store chains as anchor tenants under one and the same roof: K-market, S-market and Lidl. The grocery business is accompanied by a post office and banking services and several specialist shops, plus restaurant and cafeteria services complementing the service offering. Today, the refurbished Duo is a local centre with comprehensive services, which is also actively managed in line with this local centre concept. ➤

As a current challenge, the shopping centres need to identify marketing methods which involve the lessees in the upgrading of the centre's image and visibility. Another development target involves rendering specialty leasing – i.e. available advertising displays and common-area merchandising units – an integral part of the centres' service offering and, thus, contributing to the centre's cash flow.

The company aims to enhance the appeal of the Group's whole property portfolio among current and potential lessees. The development of the chain leasing and international leasing cooperation create new kind of attractiveness to Citycon's shopping centres and the services offered by the company.

Cluster approach – the various roles of shopping centres

In order to facilitate retail property management and, on a broader perspective, commercial conceptualisation and marketing communications, the company has defined five roles for shopping centres based on customers' needs and spending behaviour, the location of the retail property and the nature of its catchment area.

Now introduced in Finland, the cluster approach will be extended to the company's other market areas in the near future. Clustering enables the transformation of retail properties into service products which better correspond to customers' expectations and needs.

The offering and marketing at a centre, as well as any property development and refurbishment, will be determined according to the related cluster. Conducting operations in cooperation between a cluster's shopping centres generates added value. Clustering is also a key element of development projects: Clustering helps to enhance the entire process and that will have an effect on the company's net rental income.

More information on Citycon's cluster approach to its shopping centres is provided under the description of Finnish business operations, on pages 27-28.

Citycon's top five tenants 2007

	Proportion of rental income
Kesko	28.2%
S-Group	
ICA Sverige AB	
Stockmann	
Lindex	
Top 5, total	**38.4%**

Citycon and sustainable construction

Citycon is currently engaged in sustainable construction with three pilot projects: the extension of shopping centre Rocca al Mare in Tallinn, Estonia; the refurbishment of shopping centre Trio in Lahti, Finland; and the construction of a shopping centre in Liljeholmen in Stockholm, Sweden. Aiming at the comprehensive analysis of the planning and implementation of property development projects, from the point of view of responsible operations, and in order to systematise environmentally friendly practices, Citycon is also striving to obtain an international environmental rating for its projects.

Exceptionally, Duo has three large grocery store chains as anchor tenants: K-market, S-market and Lidl.

At the Duo project launch stage, the total investment was estimated to amount to EUR 27.3 million and net yield, after the completion of the shopping centre, to over 8 per cent. The estimated deadline for the completion of the extension project was the spring of 2007.

The total investment amounts to EUR 25.5 million. According to an external appraiser, Duo's market value at the end of 2007 stood at EUR 35.2 million and the yield requirement at 6 per cent. Today, Duo's gross area is around 31,400 square metres. Of this area, Citycon owns some 23,800 square metres, providing a sales area of roughly 13,200 square metres. Before the modernisation, the gross leasable area of the Hervanta retail centre was approximately 7,200 square metres, of which Citycon owned approximately 5,000 square metres. The project was completed on schedule.

In its development projects, the company already pays attention to environmental factors, such as the recycling and construction materials used. The purpose of pilot projects is to establish sustainable construction practices for Citycon's properties. The pilot projects include an evaluation of more than 60 items ranging from the property's energy-efficiency and indoor air quality to material choices, the utilisation of public transport and the minimisation of the construction's environmental impact. Practical development measures are planned on the basis of these evaluations.

Development and redevelopment projects

The company's goal is to acquire and construct properties whose value can be increased through development and redevelopment. While development projects enable increasing cash flow and return from retail properties, in the short term, however, development projects may weaken cash flow as part of the retail premises have to be temporarily vacated for refurbishment. Citycon always strives to minimise any commercial harm from construction, to allow the centres to remain open and to schedule the projects optimally according to the season.

Finland

The year 2007 saw the completion of three development projects. That of the Duo shopping centre in Hervanta, Tampere, is covered in more detail on this and the previous page. Like the construction projects in Kangasala and Kaarina, Duo was completed to the agreed schedule and budget. The Lillinkulma retail centre in Kaarina was opened in May, while the retail centre in Lentola opened just before Christmas. Title to both properties transferred to Citycon upon the centres' completion.

Citycon's largest development project in Finland is the refurbishment and extension project of the Trio shopping centre, located in the heart of Lahti. The premises involved in the first stage were opened in November 2007 and the entire project will be completed in November 2009. Citycon will invest around EUR 60 million in this project. After the completion of the first stage, the construction plans have been revised and, as a result, the project's total investment is estimated to increase to EUR 60 million from the original estimate of EUR 50.5 million. Following its complete refurbishment, Trio's service offering will meet the customers' needs better than before, and numerous new retailers have already opened their stores there. Following the completion of the development project, the shopping centre's sales are expected to rise from the pre-development project levels of EUR 80 million to EUR 110 million.

During the year, several smaller redevelopment and development projects were carried out. In the centre of the town of Salo, a Citycon retail property was redeveloped into a shopping centre called Linjuri. The total investment by Citycon was approximately EUR 1.8 million. At Myyrmanni in Vantaa, a food court was opened, doubling the number of the shopping centre's existing restaurants. The project's value was approximately EUR 2 million. The refurbishment project for the Torikeskus shopping centre in Seinäjoki, with an investment value of around EUR 4 million, was continued and its completion is expected in 2009.

Key indicators of property portfolio 2007

	Finland	Sweden	Baltic Countries	Total
Citycon's GLA, sq.m.	594,180	283,700	46,100	923,980
Gross rental income, EUR million	100.7	35.4	7.7	143.7
Net rental income, EUR million	75.7	21.6	6.0	103.4
Net rental income yield, %	6.2	4.6	6.2	5.8
Net rental income yield, like-for-like properties, %	7.1	5.3	-	7.0

Property portfolio by region, 31 Dec. 2007, EUR million

	Total
Finland	
Helsinki Metropolitan Area	878.3
Other areas in Finland	708.6
Sweden	
Stockholm area and Umeå	425.6
Gothenburg area	91.9
Baltic Countries	
Estonia and Lithuania	111,2
Total	**2,215.7**

Based on market value of property portfolio on 31 Dec. 2007

Trend in lease portfolio by business units

	Finland	Sweden	Baltic Countries	Total
Number of leases started during the financial year	442	49	21	512
Total area of leases started, sq.m.	74,400	25,800	3,208	103,408
Occupancy rate at end of financial year, %	95.6	95.1	100	95.7
Average length of lease portfolio at the end of financial year, year	3.1	2.4	2.8	3.0

Launched in 2005, the extension and refurbishment project for the Lippulaiva shopping centre in Espoo is progressing, since in September 2007, a zoning appeal regarding the development project was dismissed in the Supreme Administrative Court. Thus, Citycon will continue the centre's extension according to plan, in the spring of 2008. After the acquisition of the Iso Omena shopping centre, Citycon readjusted Lippulaiva's commercial concept to support the company's property portfolio in Espoo more effectively.

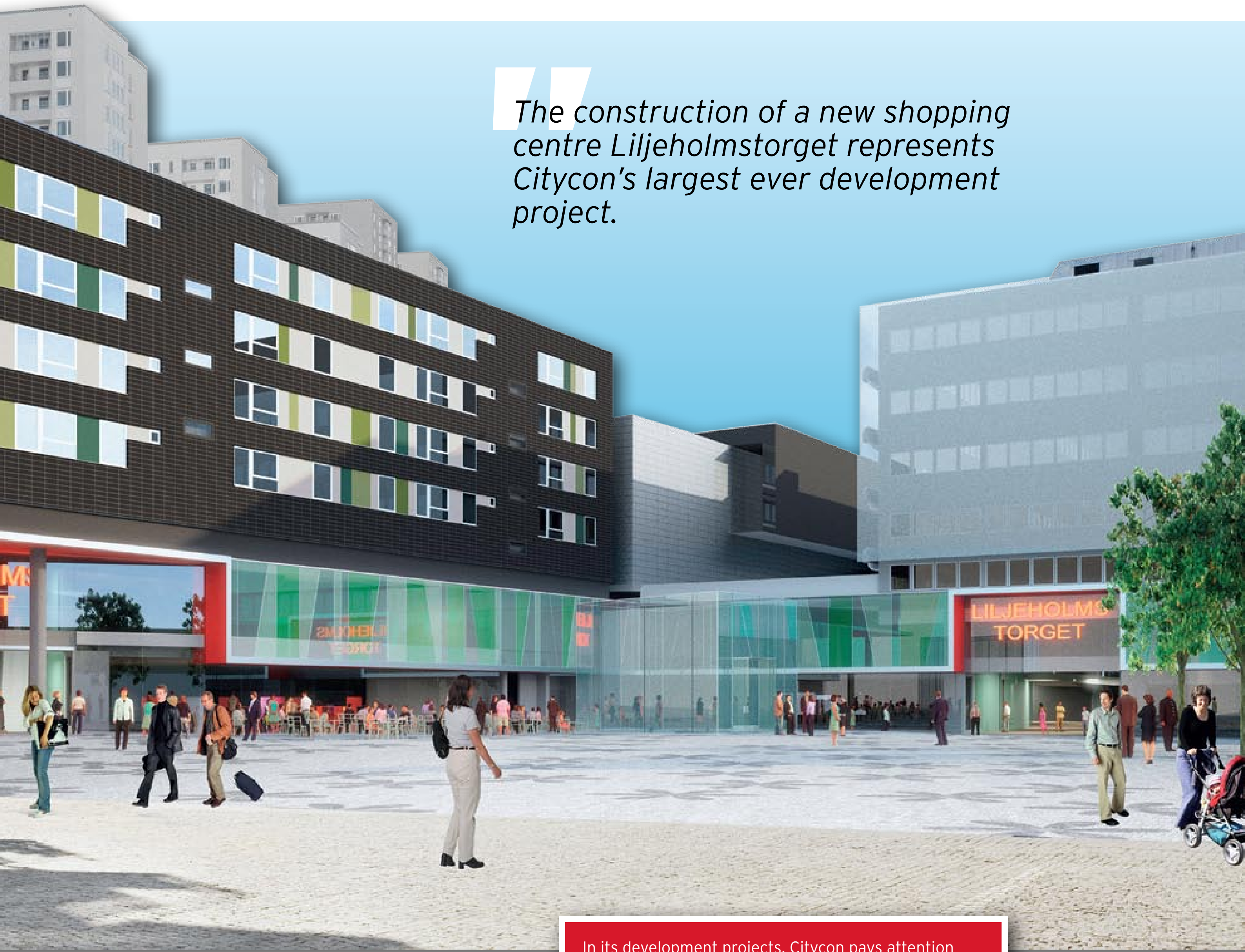
Sweden

Citycon has a major new construction project underway in Liljeholmen, Stockholm. Other current development projects in Sweden involve the redevelopment and extension of existing properties. The construction of a new shopping centre Liljeholmstorget represents Citycon's largest ever development project, with a total investment of approximately EUR 170 million, including the original acquisition cost of EUR 60.6 million and around EUR 110 million in building costs. Citycon acquired the project in August 2006, which initially included a 20,000-square-metre office and commercial building with substantial volume of building rights. In May 2007, Citycon began construction works and the development project has advanced according to plan, with quarrying work and the refurbishment of the existing building underway. The new shopping centre will open its doors in or around October-November 2009. Throughout the project's planning and construction process, special attention will be paid to sustainable development.

Baltic Countries

Expansion work began at shopping centre Rocca al Mare in Tallinn in summer 2007. The centre will undergo a thorough modernisation, doubling its leasable floor area. The first

"The construction of a new shopping centre Liljeholmstorget represents Citycon's largest ever development project.



In its development projects, Citycon pays attention to environmental factors, such as the recycling and construction materials used. The pilot projects of sustainable construction are the extension of shopping centre Rocca al Mare in Tallinn, Estonia; the refurbishment of shopping centre Trio in Lahti, Finland; and the construction of a shopping centre in Liljeholmen in Stockholm, Sweden. Citycon is striving to obtain an international rating for these projects.

stage of the redevelopment project is scheduled for completion during the spring of 2008, and the next stage is currently being planned. The project will be completed ahead of schedule, in the autumn of 2009. Thereafter, Rocca al Mare, located in an affluent western district of Tallinn, will be the city's largest shopping centre. Citycon can also expand its other Tallinn-based shopping centre, Magistral, but the related redevelopment project has yet to be launched.

Redevelopment and development projects in summary

All of Citycon's redevelopment and development projects are listed by the project stage in the following four tables.

- The first table contains development projects that have been completed during the period.
- The second table contains development projects in progress, as decided by the Board of Directors.
- The third table shows development projects under planning. For these projects, an alteration of the city plan is pending or Citycon and/or its partner have a site reservation but the related investment proposal has yet to be submitted to Citycon's Board of Directors for approval.

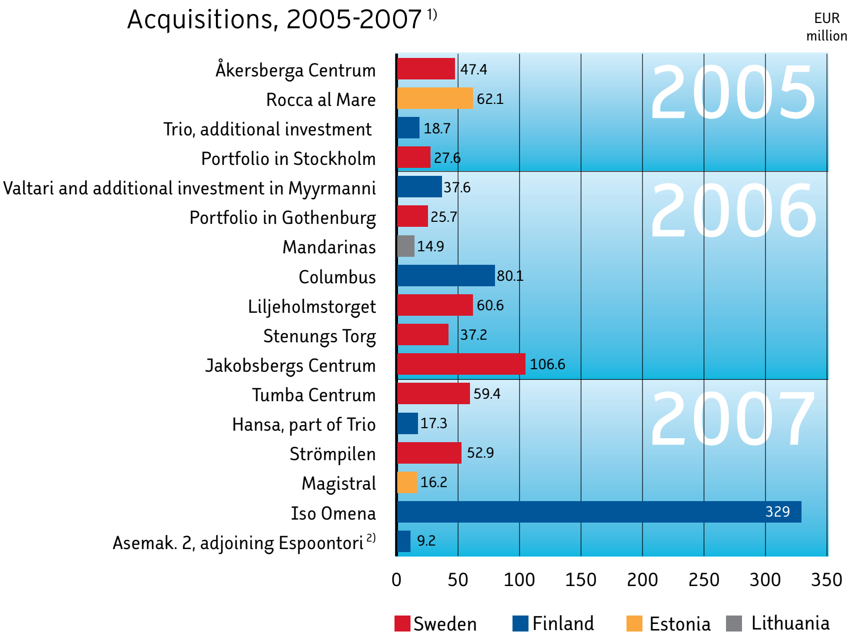
Portfolio by market value and number of properties on 31 Dec. 2007

Market value, EUR million	Share of total portfolio, %	Number of properties
over 100	39	5
80-100	4	1
60-80	13	4
40-60	12	5
20-40	13	10
10-20	12	18
5-10	5	15
0-5	3	28

- The fourth table lists the projects whose realisation is currently being analysed, but neither an alteration of the city plan has been applied for nor any other official decisions made.

In addition to the projects presented in the tables, Citycon constantly monitors the development and redevelopment needs of its properties.

Acquisitions, 2005-2007 1)



1) Includes acquisitions exceeding EUR 10 million.
2) The purchase price totals EUR 11 million and the rest of it is payable upon approval of the change in city plan.

During the period, Citycon invested a total of EUR 39.5 million in development projects in Finland, EUR 16.8 million in Sweden and EUR 15.5 million in the Baltic Countries.

Acquisitions

In addition to property development, the company actively seeks growth through the acquisition of new properties. In the identification and selection of suitable properties in Finland, Sweden and the Baltic countries, Citycon considers location and development potential as decisive criteria. All centres acquired in 2007 offer development potential, whose utilisation is either underway or beginning in the near future.

New acquisitions carried out during the financial year were worth a total of EUR 389.6 million (EUR 124.3 million) in Finland, EUR 125.6 million (EUR 260.7 million) in Sweden and EUR 16.2 million (EUR 15.9 million) in the Baltic countries.

Finland

The shopping centre Iso Omena was Citycon's most significant acquisition during the year. The transaction for this shopping centre, Finland's fifth-largest in area, was closed in September 2007 with an acquisition cost of EUR 329 million and an initial net yield of 4.5 per cent.

Citycon signed an agreement on 12 February 2008 for the sale of part of shopping centre Iso Omena to an affiliate of GIC Real Estate, the property investment arm of the Government of Singapore Investment Corporation. Upon closing of the agreement, Citycon owns 60 per cent of the shopping centre and GIC Real Estate, 40 per cent. The parties have agreed that Citycon will continue to be responsible

In the identification and selection of suitable properties in Finland, Sweden and the Baltic countries, Citycon considers location and development potential as decisive criteria.

The investment plan for Liljeholmstorget was further adjusted towards the end of the year, as agreement was reached with the City of Stockholm and its transport services on arrangements allowing both the expansion of the shopping centre's lowest floor on a larger area than originally planned and its direct connection with subway and bus stations. The new shopping centre is expected to open its doors in October-November 2009.

for the business and management of the shopping centre on customary terms. The agreed debt-free purchase price, EUR 131.6 million, is equivalent to 40 per cent of the original acquisition price of EUR 329 million paid by Citycon.

The centre's leasable floor area totals 61,300 square metres, of which retail premises account for approximately 49,000 square metres. Iso Omena offers a wide range of services, with approximately 120 shops, cafés and restaurants and its anchor tenants include the hypermarkets Citymarket and Prisma, the fashion chains Hennes & Mauritz, Kappahl, Lindex and Dressman and a Finnkino movie theatre. Typically for Citycon's shopping centres, grocery sales account for more than 60 per cent of the centre's sales including the hypermarket sales. Details on sales and the number of visitors are presented in a table in page 29.

Iso Omena enjoys an outstanding location now and in the future. It is situated in Matinkylä in southern Espoo, the high purchasing power area, some 13 km from the downtown Helsinki, close to the Länsiväylä highway and the Kehä II ringroad junction. The excellent traffic connections of the area will improve further with the extension of the underground network to Espoo, with Matinkylä underground station planned for construction right next to the shopping centre. There are nearly 150,000 inhabitants in the shopping centre's catchment area.

This acquisition has markedly strengthened Citycon's leading position in the Finnish shopping centre sector, particularly in the Helsinki Metropolitan Area where the company now has eight shopping centres. Iso Omena offers Citycon a unique opportunity to develop the area's shopping centres as a whole, and to increase the company's market share in the growing metropolitan retail trade.

Iso Omena's development potential is considerable – it can be expanded by some 7,000 square metres and its commercial concept can be further improved. Citycon initiated the shopping centre's refurbishment immediately after the acquisition and considers the centre one of its priorities among its properties under development.

Citycon intends to develop the Espoontori shopping centre in northern Espoo and the Myllypuro retail centre in eastern Helsinki. For this purpose, during the summer the company acquired an almost 100-per cent holding in the Myllypuro retail centre, previously owned by several minority shareholders. These transactions were associated with a more extensive refurbishment and development project in and around the Myllypuro retail centre in cooperation with the City of Helsinki. The value of the share transactions totalled approximately EUR 2.7 million. In late August, the company acquired the office property adjacent to shopping centre Espoontori for around EUR 11 million. The acquisition paves the way for expansion and development of the shopping centre, assuming that the proposed change in city plan is approved. It was agreed that the purchase price would be lowered by a maximum of EUR 2 million if the proposed change in the city plan was rejected.

Sweden

In December 2006, Citycon announced that it had signed an agreement for the acquisition of the Tumba Centrum shopping centre, and the transaction was closed in January 2007. The shopping centre is located in the municipality of Botkyrka, south of Stockholm, and its debt-free purchase price amounted to SEK 548 million (EUR 59.4 million), which corresponds to an initial net yield of 5.4 per cent. The centre's gross leasable area is around 31,000 square metres, some 18,600 square meters of which are retail premises. Its anchor tenants include grocery and fashion retailers and Systembolaget. The property includes not only retail premises but also flats and offices, which is typical of shopping centres in Sweden. Built adjacent to commuter railway and bus stations, Tumba Centrum is a commuter hub for those working in the region. In the future, Tumba Centrum can be expanded and its refurbishment has already begun.

Citycon extended its operations outside the Stockholm and Gothenburg economic areas, to Umeå, by acquiring 75 per cent of shopping centre Strömpilen and retail property Länken. The purchase price totalled approximately SEK 490 million (around EUR 52.9 million), which corresponds to an initial net yield of 5.5 per cent.

Strömpilen is the leading shopping centre in Umeå, with an excellent commercial location near the city centre and university campus. The centre's gross leasable area is around 25,000 square metres, with retail premises accounting for approximately 22,300 square meters. A two-stage expansion project is planned for the shopping centre. The first stage involves the redevelopment of the property and the extension of the leasable area by some 5,000 square metres, the project's value totalling approximately EUR 14.5 million. The planned second phase will expand the shopping centre area further by around 20,000 square metres. Strömpilen's anchor tenant is the hypermarket ICA Maxi, other tenants including strong, well-known chains operating in various retail sectors.

Länken is a modern retail property located in the Ersboda Retail Park area close to central Umeå. Consisting of two buildings, the property has a gross leasable area of approximately 7,200 square metres. Länken, too, offers the option of future expansion, through the construction of a new 5,000-square-metre building.

Baltic Countries

In July, the company reinforced its Baltic property portfolio by acquiring shopping centre Magistral in Tallinn, Estonia, for EUR 16.2 million. The initial net yield stood at 6.5 per cent. The shopping centre was built in 2000 and has a leasable area of 9,450 square metres with an occupancy rate of 100%. Magistral has significant redevelopment and expansion potential. The deal also included the purchase of approximately 8,500 square metres of building rights for EUR 2 million, pending the approval of the proposed change in the city plan. This change being approved in the autumn of 2007, the company paid the agreed price for the building rights facilitating the expansion in December.

The Magistral shopping centre is located in Tallinn's second-largest district of Mustamäe with 64,000 inhabitants, at a distance of five kilometres from the heart of Tallinn.

Acquisition summary

As a result of the investments during the financial year, at the end of 2007 Citycon owned a total of 22 shopping centres and 46 other retail properties in Finland, eight shopping centres and seven other retail properties in Sweden and three shopping centres in the Baltic countries.

Leasing activity

Citycon's income derives mainly from the leasing of the company's properties. During 2007, Citycon extended lease agreements or negotiated new ones for retail premises, covering a total of 103,408 square metres, with the number of extended and new agreements totalling 170 and 342, respectively. A total of 641 lease agreements were transferred to Citycon as a result of property acquisitions.

Speciality and grocery chains as well as cafés, banks and financial institutions are among the company's major

The largest acquisition during the year, and in the company's history, was the purchase of the Iso Omena shopping centre in September for EUR 329 million. The keystone in Iso Omena's takeover and management is Citycon's own in-house organisation responsible for the management and marketing of the shopping centre as well as for the property's technical functioning. With an objective to tune up the centre's service offering to serve its customer base even better, the organisation also aims to support Citycon's shopping centre portfolio in the Espoo region, where the company already has several shopping centres. Immediately following the acquisition, Citycon began planning the shopping centre's expansion and initiated the project's implementation. Iso Omena can be expanded by a total of some 7,000 square metres, and the future underground line will also create new opportunities for the redevelopment of the shopping centre.

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 28.2 per cent (2006: 33.7%) of the company's total rental income. These leases are based on agreements concluded on a premises-by-premises basis, which is why the number of lease agreements between Citycon and Kesko totals 83 covering 48 different properties. Other major lessees include the S-Group within the HOK-Elanto, representing grocery retail, fashion and clothing chain stores such as Seppälä (Stockmann), H&M, Dressman, KappAhl and Lindex, and the bank Nordea.

In Sweden, the grocery chains ICA, COOP and Axfood represent the most significant commercial lessees. However, due to the diverse nature of Swedish shopping and retail centres, the Stockholm County Council (Stockholm's Läns Landsting) was one of the largest lessees.

Prisma, a Finnish hypermarket chain, represents the largest single lessee in the Baltic countries, while both Magistral's and Mandarinas' anchor tenant was the Norwegian RIMI.

At the turn of the year, the average duration of Citycon's leases was three years. This relatively brief average duration enables the enhancement of shopping centres' service offering and realisation of development projects on a faster schedule. Citycon aims to have a versatile and efficiently manageable lease portfolio, in order to be able to change, if needed, the tenant mix and structure of rental agreements of its properties without risking their cash flow.

Shopping centres' anchor tenants typically have long-term leases with a duration of 5-10 years, which 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. Medium-term leases of 3-5 years are typical of secondary anchor tenants, such as fashion chains, and generate a steady cash flow and provide the tenant mix with stability. Short-term (1-24 months) leases or leases valid until further notice provide the required flexibility and the opportunity to alter the lease portfolio.

Most of Citycon's leases are based on agreements, whereby the rent is split between the base 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.

Since the retail properties success results from Citycon's and its tenants' joint efforts, Citycon aims to increase the portion of turnover-based lease agreements, in which the rental rates are, in practice, tied to the cost-of-living index and to the lessee's turnover. In addition, the lessee pays a maintenance fee. The agreement also includes a minimum rent, likewise tied to the index. If the minimum base rent is lower than the rent based on actual turnover, the rent payable by the lessee is based on actual turnover. The portion tied to turnover is defined according to the lessee's field of business and estimated sales. These turnover-linked lease agreements support both the lessee's and Citycon's shared goal of boosting the lessee's sales. Currently, turnover-based lease agreements account for roughly 16.1 per cent of Citycon's lease portfolio, up by 5.1 percentage points on the year before. The calculation of percentages is based on the lease portfolio's value in euros. The company aims to tie all new agreements to the lessee's turnover.

Most of these lease agreements stipulate that lessees must report their sales to Citycon on a monthly basis. This enables the company to actively monitor the performance of its shopping centres and develop their sales in cooperation with lessees by means of retail property management and marketing. Citycon monitors the lessee's ability to pay rents and reports a figure for like-for-like properties indicating the percentage of a tenant's turnover paid as rent. At the end of the year, this figure was 8.6 per cent.

Property portfolio's valuation

Property portfolio summary

On 31 December 2007, the market value of Citycon's property portfolio totalled EUR 2,215.7 million, of which the property portfolio in Finland accounted for EUR 1,587.0 million, that in Sweden EUR 517.5 million and that in the Baltic countries, EUR 111.2 million.

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, in 2007, Citycon chose to have its properties valued by an external appraiser on a

An external professional appraiser conducts a valuation of Citycon's property portfolio on a property-by-property basis.

To ensure a shopping centre's functionality it is essential that the stores in the centre have appropriate locations and premises and that they together form a complex that meets the needs of the customers. For long-term planning it is also essential what kind of lease agreements are concluded with the stores doing business in the centre.

quarterly basis, due to market activity and rapidly changing market conditions. The most recent valuation statement by Realia Management Oy can be found in the appended Financial Statements, pages 62 and 63.

The appraisal of Citycon's investment properties consists of income valuation based on cash-flow method and, for some properties, an additional valuation of building rights. More details on investment properties' appraisal methods are provided in the property valuation statement mentioned above.

Citycon can contribute to its investment properties' value by, for example, increasing rental cash flow through the means of property development, retail property product development and marketing. The factor with the most significant effect on the fair value of retail properties, however, has proven to be a reduction in the yield requirements, resulting from stronger demand for investment properties and increasing the properties' value.

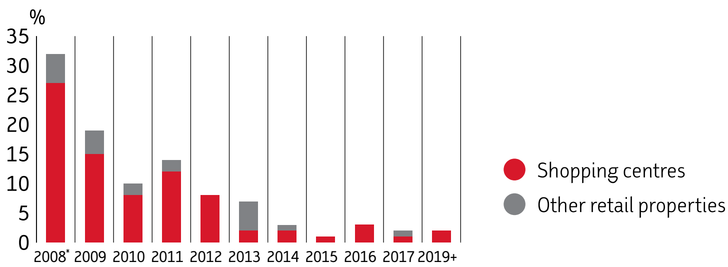
On 31 December 2007, Realia Management Oy evaluated the average yield requirement for Citycon's property portfolio at 5.6 per cent. The yield requirement for properties in Finland, Sweden and the Baltic countries stood at 5.7 per cent, 5.4 per cent and 6.4 per cent, respectively.

Recognition of market value

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 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.

In addition to the property portfolio's total value, determined by the external appraiser, the fair value of the company's investment properties in the balance sheet includes capital expenditure on development projects that the external appraiser does not take into account in the valuation as well as the acquisition cost of new properties acquired during the last three months.

1st possible maturity of the leases, 31 Dec. 2007



*) Includes agreements running until further notice.

The Rocca al Mare development project involves the construction of a high-quality shopping centre located in an affluent and growing area. The latest environmental requirements are taken into account in the development project, making Rocca al Mare the greenest shopping centre in the Baltic countries so far.

Measurement of the fair value of property under construction

A property under construction is not recognized as investment property before to its completion. Such property is accounted for as property, plant and equipment (PPE) until its completion, in accordance with IAS 16. 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. On 31 December 2007, Citycon had three extension projects for properties under construction: the redevelopment and extension projects of Rocca al Mare, Liljeholmstorget and Åkersberga.

Fair value increase during the financial year

During the financial year, the fair value of Citycon's property portfolio rose by a total of EUR 213.4 million as a result of growth in the company's property portfolio and changes in general market conditions and the leasing business. The year saw a total increase of EUR 220.9 million in the value of 69 properties and a total decrease of EUR 7.5 million in the value of 16 properties. The year's most significant change affecting market values included growing interest in Citycon's operating areas shown by international investors, which reduced the properties' yield requirement and contributed to value generation.

Future challenges

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. The company considers releasing capital for property development by divesting non-core properties.

Increasing construction costs, fierce competition for profitable investment opportunities and the growth of retail business in Citycon's operating countries will present challenges. Retaining and strengthening its market position will require Citycon to predict and identify new trends in retailing and contribute and respond to them, for example, by professional and forward-looking product development of retail properties, intensified property-development operations and by actively seeking new lessees, especially among new retailers entering the market.

Property development, in particular, faces the challenges of consumers' changing purchase behaviour, retailers' increasing demands as well as continuously intensifying competition between shopping facilities and shortening of their commercial lifecycles.

Portfolio analysis 31 Dec. 2007

Total portfolio	City	Citycon's GLA	Number of lease agreements	Average length of lease agreements	Average rent EUR/sq.m./ year	Fair market value, EUR million 31 Dec. 07	Fair market value, EUR million 31 Dec. 06	Rental income: Gross rental income Year 2007	Rental income: Net rental income Year 2007	Occupancy rate,%: EUR 31 Dec. 07	Occupancy rate,%: sq.m. 31 Dec. 07
Finland											
Shopping centres, Helsinki Metropolitan Area											
Columbus	Helsinki	20,900	73			83.9	78.2			99.7%	99.0%
Espoontori	Espoo	15,400	51			29.6	18.9			83.3%	77.7%
Heikintori	Espoo	5,800	38			14.2	14.1			96.0%	91.9%
Isomyyri	Vantaa	10,400	190			22.4	18.7			99.5%	98.5%
Iso Omena	Espoo	60,600	18			329.3				96.3%	92.3%
Lippulaiva	Espoo	22,400	86			58.9	54.0			96.9%	95.1%
Myyrmanni	Vantaa	40,300	122			176.7	155.8			97.7%	97.7%
Tikkuri	Vantaa	10,700	53			30.2	23.1			99.4%	98.7%
Shopping centres, Helsinki Metropolitan Area, total		**186,500**	**631**	**2.9**	**297**	**745.3**	**362.6**	**38.0**	**28.1**	**97.7%**	**95.7%**
Shopping centres, other areas in Finland											
Duo	Tampere	13000	36			35.2	25.3			97.7%	93.1%
IsoKarhu	Pori	14,900	59			44.2	39.2			97.5%	93.9%
IsoKristiina	Lappeenranta	18,300	54			39.2	35.6			91.3%	89.9%
Jyväskeskus	Jyväskylä	5,800	76			16.1	12.2			98.8%	97.5%
Jyväskylän Forum	Jyväskylä	17,500	65			60.7	48.6			98.7%	98.2%
Koskikara	Valkeakoski	5,800	35			7.4	5.3			92.6%	92.3%
Koskikeskus	Tampere	26,000	155			114.7	85.9			98.9%	97.1%
Linjuri	Salo	9,300	8			17.7	15.2			96.1%	96.7%
Oulun Galleria	Oulu	3,500	35			10.2	7.7			98.7%	97.1%
Sampokeskus	Rovaniemi	14,000	86			26.7	23.6			87.2%	78.6%
Torikeskus	Seinäjoki	11,400	70			12.9	12.1			92.5%	90.6%
Trio	Lahti	43,900	152			124.5	72.4			93.3%	91.4%
Tullintori	Tampere	10,300	43			9.9	8.7			79.0%	79.1%
Valtari	Kouvola	7,600	20			6.0	5.9			90.7%	87.6%
Shopping centres, other areas in Finland, total		**201,300**	**894**	**3.3**	**199**	**525.5**	**397.5**	**36.0**	**26.4**	**94.9%**	**91.7%**
Other retail properties		**206,380**	**232**	**3.6**	**144**	**316.2**	**249.6**	**26.7**	**20.9**	**92.9%**	**89.8%**
Finland, total		**594,180**	**1,757**	**3.1**	**212**	**1,587.0**	**1,009.7**	**100.7**	**75.7**	**95.6%**	**92.3%**
Sweden											
Shopping centres, Stockholm area and Umeå											
Fruängen Centrum	Stockholm	14,600	95			15.4	14.6			93.5%	90.5%
Jakobsbergs Centrum	Järfälla	67,500	501			121.8	110.0			97.6%	96.6%
Liljeholmstorget	Stockholm	20,200	37			77.9	64.7			90.1%	76.2%
Strömpilen	Umeå	27,000	25			54.6				84.9%	84.3%
Tumba Centrum	Stockholm	30,900	295			63.8				99.8%	99.8%
Åkermyntan Centrum	Hässelby	8,400	45			12.8	12.5			100.0%	97.1%
Åkersberga Centrum	Österåker	33,100	238			57.6	55.3			84.4%	79.4%
Shopping centres, Gothenburg area											
Stenungs Torg	Stenungsund	37,600	330			56.3	58.4			97.3%	97.4%
Shopping centres, Sweden, total		**239,300**	**1,566**	**2.2**	**150**	**460.1**	**315.6**	**31.0**	**18.8**	**94.6%**	**92.3%**
Other retail properties		**44,400**	**147**	**3.7**	**111**	**57.4**	**39.3**	**4.3**	**2.7**	**96.1%**	**94.5%**
Sweden, total		**283,700**	**1,713**	**2.4**	**143**	**517.5**	**354.8**	**35.4**	**21.6**	**95.1%**	**93.3%**
Baltic Countries											
Estonia											
Rocca al Mare	Tallinn	28,600	111			74.7	68.2			100%	100.0%
Magistral	Tallinn	9,500	61			18.5				100%	100.0%
Lithuania											
Mandarinas	Vilnius	8,000	57			18.0	15.1			100%	100.0%
Baltic Countries, total		**46,100**	**229**	**2.8**	**183**	**111.2**	**83.3**	**7.7**	**6.0**	**100%**	**100%**
Total portfolio		**923,980**	**3,699**	**3.0**	**189**	**2,215.7**	**1,447.9**	**143.7**	**103.4**	**95.7%**	**93.0%**

Like-for-like portfolio

	Citycon's GLA	Number of lease agreements	Average length of lease agreements	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. 07	31 Dec. 06	Year 07	Year 07	31 Dec. 07	31 Dec. 07
Finland										
Helsinki Metropolitan Area	96,020	580	2.6	178	183.4	153.2	16.1	11.9	96.6%	94.1%
Other areas	206,560	215	2.6	197	458.8	386.5	37.2	29.1	94.9%	91.2%
Finland, total	**302,580**	**795**	**2.6**	**192**	**642.3**	**539.7**	**53.3**	**40.9**	**95.2%**	**91.7%**
Sweden										
Stockholm area and Umeå	18100	96	1.9	116	21.3	19.4	1.9	1.1	94.7%	92.3%
Like-for-like portfolio, total	**320,680**	**891**	**2.6**	**188**	**663.6**	**559.1**	**55.2**	**42.0**	**95.1%**	**91.7%**

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

Market value analysis, 31 Dec. 2007

Total portfolio	Fair market value, EUR million		Change in market value, year 2007, EUR million			Average yield requirement,%		Average market rent, EUR, sq.m./month	Average operating ex-penses, EUR/ sq.m./month
			Positive	Negative	Total				
	31 Dec. 07	31 Dec. 06				31 Dec. 07	31 Dec. 06	31 Dec. 07	31 Dec. 07
Finland									
Helsinki Metropolitan Area	878.3	471.6	64.4	-3.7	60.8	5.4%	6.4%	23.60	5.40
Other areas in Finland	708.6	538.2	91.3	-3.6	87.7	6.0%	6.8%	17.90	3.90
Finland, total	**1,587.0**	**1,009.7**	**155.7**	**-7.3**	**148.5**	**5.7%**	**6.6%**	**21.10**	**4.70**
Sweden									
Stockholm area and Umeå	425.6	262.0	50.9		50.9	5.3%	6.4%	13.70	4.10
Gothenburg area	91.9	92.9	4.5		4.5	5.9%	6.5%	10.90	3.60
Sweden, total	**517.5**	**354.8**	**55.6**		**55.6**	**5.4%**	**6.4%**	**13.20**	**4.00**
Baltic Countries									
Estonia	93.2	68.2	6.7	-0.2	6.5	6.3%	7.0%	15.40	3.70
Lithuania	18.0	15.1	2.9		2.9	6.7%	7.3%	19.30	6.40
Baltic Countries, total	**111.2**	**83.3**	**9.6**	**-0.2**	**9.3**	**6.4%**	**7.1%**	**16.40**	**4.10**
TOTAL PORTFOLIO	**2,215.7**	**1,447.9**	**220.9**	**-7.5**	**213.4**	**5.6 %**	**6.6 %**	**19.00**	**4.50**

The fair value change of properties sold during the period was -0.1 million euros.

Like-for-like properties					
Finland					
Helsinki Metropolitan Area	183.4	153.2	30.4	-1.7	28.7
Other areas in Finland	458.8	386.5	69.3	-3.0	66.3
Finland, total	**642.3**	**539.7**	**99.7**	**-4.8**	**94.9**
Sweden					
Stockholm area	21.3	19.4	2.7		2.7
Like-for -like properties, total	**663.6**	**559.1**	**102.4**	**-4.8**	**97.6**

Completed development projects in 2007

Property	Location	Country	Area, sq.m. 1)	Post-development area, sq.m	Estimated total investment EUR million 2)	Actual cumulative CAPEX by the end of the period, EUR million	Additional information
Duo	Tampere	FIN	5,000	13 200 3)	27.3	25.5	New shopping centre consisting of two parts: new development and redevelopment of the old retail centre. The new section was opened in April 2007 as planned and redevelopment of the existing premises was completed in October 2007.
Lillinkulma	Kaarina	FIN	0	7,500	8.2	10.9 4)	New retail centre consisting of two buildings including four retail premises. All premises are leased. The title to the centre was transferred to Citycon as the project was completed in May 2007 as scheduled.
Lentola	Kangasala	FIN	0	12,000	16.6	16.2	New retail building. The title to the property was transferred to Citycon after the completion of the project in November 2007.
Linjuri	Salo	FIN	9,000	9,000	1.8	1.2	Redevelopment of a retail property (redevelopment area approx. 4,000 s.qm.) into a shopping centre was completed in December 2007.

1) Leasable area owned by Citycon before the project start. 2) New capital tied on the project.
3) Owned by Citycon. 4) Includes stages 1 and 2. Second stage was completed earlier than anticipated.

Leasing activity

	Number of lease agreements	Citycon's GLA, sq.m.	Leased area, sq.m.	Average rent, EUR/sq.m./month
Finland				
Status 1 Jan. 2007	**1,542**	**482,320**	**450,900**	**16.3**
Leases started				
New or extended leases	442		74,400	19.9
Acquisitions	253	112,100	85,900	19.3
Leases ended				
Expired, fixed-term leases	101		27,700	16.3
Terminated, until-further-notice leases	331		45,000	16.7
Leases terminated due to development projects	48		12,100	18.3
Divestments		240		
Status 31 Dec. 2007	**1,757**	**594,180**	**526,400**	**17.6**
Sweden				
Status 1 Jan. 2007	**1,393**	**217,700**	**205,590**	**12.3**
Leases started				
New or extended leases	49		25,800	11.7
Acquisitions	326	65,000	62,000	13.8
Leases ended				
Expired, fixed-term leases	12		14,300	7.7
Terminated, until-further-notice leases	30		9,000	9.3
Leases terminated due to development projects	13		4800	14.1
Status 31 Dec. 2007	**1,713**	**283,700**	**270,090**	**12.5**
Baltic Countries				
Status 1 Jan. 2007	**174**	**36,600**	**36,300**	**9.9**
Leases started				
New or extended leases	21		3,208	23.9
Acquisitions	62	9,500	9,500	10.5
Leases ended				
Expired, fixed-term leases	5		800	20.2
Terminated, until-further-notice leases	9		300	11.2
Leases terminated due to development projects	14		3,600	
Status 31 Dec. 2007	**229**	**46,100**	**46,100**	**12.6**

Development projects in progress on 31 December 2007

Property	Location	Country	Market value EUR million (31 Dec. 2007)	Area, sq.m. [1]	Post-development area, sq.m	Total estimated investment EUR million [2]	Actual cumulative CAPEX by the end of the year EUR million	Target year of completion	Additional information
Liljeholms-torget	Stockholm	SWE	77.9	20,100	91,000	120	17.6	2009	Construction of a new shopping centre. The existing building will undergo a thorough refurbishment and considerable extension. One of Citycon's pilot projects in the sustainable development of its' properties.
Rocca al Mare	Tallinn	EST	74.7	28,600	53,500	68	13.2	2009	Refurbishment and major extension of the existing shopping centre. One of Citycon's pilot projects in the sustainable development of its' properties. The project is ahead of the schedule and is expected to be completed one year earlier than initially estimated.
Trio	Lahti	FIN	124.5	32,000	35,000	60	21.5	2008	Refurbishment and extension of the existing shopping centre. The project will be carried out in two stages; the first stage was completed in November 2007 as planned. One of Citycon's pilot projects in the sustainable development of its' properties.
Lippulaiva	Espoo	FIN	52.1	18,000	35,000	60-70 [3]	8.9	2010/2011	Refurbishment and extension of the existing shopping centre. The refurbishment of indoor areas will be completed in spring 2008. The extension project will continue as planned, since the appeal regarding the change of zoning required for the extension, which delayed the project, was dismissed in the Supreme Administrative Court in September 2007.
Åkersberga Centrum	Österåker	SWE	57.6	26,000	35,200	27 [4]	3.3	2010	Redevelopment and extension of the existing shopping centre. The project has been delayed due to a tenant complaint. The project plan will be renewed during spring 2008 and the project will con tinue as planned.
Tumba Centrum	Stockholm	SWE	63.8	30,000	38,000	35-37 [5]	1.4	2011	Redevelopment and extension of the shopping centre. In the first phase the centre will be refurbished and extended by 500 sq.m. The second phase includes remarkable redevelopment and extension. The target year of the launch of the second phase is 2009.
Torikeskus	Seinäjoki	FIN	12.9	11,300	12,000	4.0	2.1	2009	Refurbishment of the shopping centre underway, the first stage was completed in 2007.

1) Leasable area owned by Citycon. 2) New capital tied on the project. 3) Both planned stages included in the estimate. The second stage is subject to the Board of Directors' decision. 4) Citycon owns 75% of the shopping centre. The estimated total value of the redevelopment is approx. EUR 40 million. 5) Both stages included in the figure. The second stage is subject to the Board of Directors' decision. The estimated investment need of the initiated first phase is approx. EUR 8 million.

Development projects under planning

Citycon's Board of Directors has not yet made a decision on the development project, but it 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 (31 Dec. 2007)	Project area, sq.m.	Estimated investment need EUR million [2]	Target year of project launch	Target year of completion	Additional information
Espoontori	Espoo	FIN	29.6	24,000	50	2009	2011	Alteration of city plan pending, facilitating the extension and refurbishment of the existing shopping centre. The investment amount does not include the property acquisition cost incurred in 2007 (Asemakuja). [3]
Iso Omena	Espoo	FIN	329.3	5,000 [4]	15	2008	2010	Extension of the shopping centre in two stages, the first stage will be carried out in 2008.
Myyrmanni	Vantaa	FIN	176.7	11,000	15-17	2008	2011	The food court was refurbished in 2007. The second floor will be refurbished into a fashion world in an indoor renovation that will be carried out in several stages. Estimated investment need includes the completed food court project of EUR 2.1 million.
Galleria	Oulu	FIN	10.2	17,000	50-55	2010	2012	Redevelopment of the Galleria block into a shopping centre in co-operation with the block's other property owners. Includes the acquisition and refurbishment of the adjoining property (appr. 11,000 sq.m.) and its connection to the existing centre as well as an underground parking facility.
Koskikeskus	Tampere	FIN	114.7	2,000 [5]	8-12	2009	2008-2009	The improvement of the shopping centre's service palet through inner refurbisment and extension works. Alteration of the city plan gained legal force in 2007 increasing building right for retail use by 6,200 sq.m.
Myllypuro [6]	Helsinki	FIN	4.2	7,400	20	2009	2012	Building a new retail centre replacing the existing one. During 2007 Citycon acquired almost the entire centre to facilitate the development project.
Kuopion Anttila	Kuopio	FIN	21.7	15,000	35-40	2009	2011	Redevelopment and extension of the existing building into a new shopping centre. Commercial concept of the project under review and building of parking facilities under the market square pending. [3]
Heikintori [6]	Espoo	FIN	14.2	23,000	60	2009-2010		Refurbishment and extension of the existing shopping centre. [3]
Martinlaakso	Vantaa	FIN	8.2	7,000-8,000	25-30	2009	2011	Building a new shopping centre replacing the existing retail centre. [3]
Laajasalo	Helsinki	FIN	4.4	8,000	25-30	2009	2010	Building a new retail centre replacing the existing one. [3]
Tampere (earlier known as MAXX)	Tampere	FIN		50,000				In stead of the unmaterialized MAXX-project, Citycon is examining an alternate shopping centre project in Tampere.
IsoKristiina	Lappeenranta	FIN	39.2	25,000	50	2009	2012	Refurbishment and extension of the existing shopping centre under planning. Alteration of city plan pending and commercial concept under review. [3]
Stenungs Torg [6]	Stenungsund	SWE	56.3	30,000	40-50	2008	2010	Citycon has agreed with the shopping centre's minority shareholder on the redevelopment and extension of the shopping centre.
Strömpilen [6]	Umeå	SWE	54.6	40,000	54	2008	2011	Refurbishment and extension of the shopping centre.
Länken [6]	Järfälla	SWE	15.9	5,000	8-9	2009	2011	Refurbishment and extension of the retail property.
Jakobsbergs Centrum	Järfälla	SWE	121.8	8,000	5-6	2008	2009	Redevelopment and extension of the shopping centre.
Åkermyntan Centrum	Hässelby	SWE	12.8	8,500	2-10	2008	2009	Redevelopment of the shopping centre, building of new residential units adjoining the centre under review.
Magistral	Tallinn	EST	18.5	10-15,000	10-15	2009	2009	Refurbishment and extension of the shopping 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 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 leasable area may be larger than indicated.
6) Partly-owned property.

Potential development projects

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

Property	Location	Country	Market value, EUR million (31 Dec. 2007)	Area, sq.m.	Additional information
Ultima	Vantaa	FIN	4	0	Vacant lot of approximately 42,000 sq.m. with 20,000 s.qm. in current permitted residential building right. Possibility to use the property as a consideration in potential transactions.
Myyrmanni	Vantaa	FIN	177	10,000	Potential extension of the shopping centre by 10,000 sq.m.
Valtari	Kouvola	FIN	6	7,600	Opportunities to redevelop the property are analysed.
Columbus	Helsinki	FIN	84	20,400	Opportunities to expand the shopping centre are reviewed.
Sampokeskus	Rovaniemi	FIN	27	13,600	Opportunities to redevelop the property are analysed.
Koskikeskus	Tampere	FIN	115	28,800	The commercial potential of Vuoltsu, a block next to Koskikeskus, and its merger in Koskikeskus are examined.
Kaarinan liiketalo	Kaarina	FIN	8	9,400	The redevelopment of the existing retail property in line with the development plan of the town centre is analyzed.
Hakunila	Vantaa	FIN	4	3,000	Opportunities to redevelop the property are analysed.
Jyväskylän Forum	Jyväskylä	FIN	61	17,400	Opportunities to redevelop the shopping centre are analysed.
Backa	Gothenburg	SWE	9	7,800	Opportunities to develop the property are analysed.
Fruängen Centrum	Stockholm	SWE	15	15,000	Opportunities to refurbish and possibly extend the property are analysed.
Lindome	Gothenburg	SWE	8	7,800	Possibilities to build residential units adjoining the retail centre under review.

Finland

As the shopping centre market leader in Finland, Citycon further strengthened its position during 2007. The company made the largest shopping-centre acquisition in its history by purchasing Iso Omena in Espoo, one of the largest shopping centres in Finland and the largest in Citycon's portfolio.

Citycon owns 67 retail properties in 28 locations around Finland, 22 of these being shopping centres. Stores operating in Citycon's shopping centres reported a turnover of over EUR 1.1 billion in 2007, up over 5per cent from the previous year. During the year, Citycon acquired the Iso Omena shopping centre and completed several major development and redevelopment projects in its shopping centres. Its total investments in Finland amounted to EUR 429.1 million, of which EUR 389.6 million were used for new acquisitions and EUR 39.5 million for development projects. According to the preliminary market data Citycon's market share of the grocery sales in the Finnish shopping centres was 37.8 per cent (source: Entrecon). The estimate includes Iso Omena's sales for the whole year 2007.

Following the acquisition of Iso Omena, Citycon is able to provide both international and new, growing domestic retail chains with the most attractive location in the Finnish market. Thanks to its broad shopping centre portfolio, Citycon provides its partners with excellent expansion opportunities both in the Helsinki Metropolitan Area and elsewhere in Finland.

In 2007, Citycon carried out several major development projects in Finland, the largest of these being the extension and refurbishment of the Duo shopping centre completed in the urban district of Hervanta in Tampere. In 2008, several development and redevelopment projects are underway in a number of Citycon's shopping centres, in addition to which the company is continuously preparing new projects enabling it to enhance the commercial attractiveness of its property portfolio on a continuous basis. More detailed information on these projects can be found on pages 13-15 and 24-26 of this annual report.

In addition to shopping centres, Citycon owns 45 other retail properties in Finland. These are regionally important retail facilities that do not meet the criteria for a shopping centre but still provide an important addition to Citycon's retail property offering.

Shopping centres have different roles – from destination centres to partners in everyday life

Citycon continued to develop the cluster approach initiated in Finland in the previous year. The purpose of these clusters is to define focus areas for shopping centre management and development activities. For instance, shopping centres belonging to the same cluster apply common marketing and management methods. Furthermore, the clusters provide a basis for shopping-centre development activities. Cluster-based shopping-centre management is an entirely new approach in the Finnish market, so Citycon is also a pacesetter in this field.

Citycon has defined five shopping centre categories: destination centres, meeting points in city centres, local centres, partners in everyday life, and niche centres. Citycon's shopping centres are typically meeting points in city centres, local centres or partners in everyday life. Niche centres focus on a single field or theme, such as interior decoration, whereas destination centres are characterised by an extensive size and offering that people want to see and experience. Citycon has neither destination centres nor niche centres in its shopping centre portfolio.

Sampokeskus in Rovaniemi, Finland, is Citycon's most northern shopping centre and it belongs to the shopping centre cluster "Meeting points in city centres".

Meeting points in city centres, such as Trio in Lahti and Koskikeskus in Tampere, attract people both for shopping and spending time. These venues are typically located in the centres of larger cities and must provide a versatile, high-quality service offering.

Local centres, such as Koskikara in Valkeakoski and Lippulaiva in Espoo, are designed for quick and convenient shopping. Local centres must meet clearly defined needs since customers visit these centres often and spend less time there compared to meeting points in the city centres. Citycon's partners in everyday life centres are, for example, Tullintori in Tampere and Isomyyri in Vantaa. These partner shopping centres are conveniently located on one's way home and are often relatively small in size. Customers are usually attracted to them by a good grocery store, an ATM and, for instance, the adjacent recycling facilities.

Outlook

The most important development areas in Citycon's Finnish operations include the sustainable development of shopping centres, the strengthening of chain leasing, and product development, particularly utilising the clustering approach. The company will also focus on property maintenance management. The aim of all development efforts is to secure strong customer flow and, thereby, cash flow in the years to come.

In the last few years, Citycon has further consolidated its leading position in the Finnish shopping-centre market, providing its tenants with location opportunities beyond compare in its shopping centres and other retail properties. In the short term, there are no such factors in sight that would fundamentally weaken the company's operational conditions or competitiveness on the Finnish market.

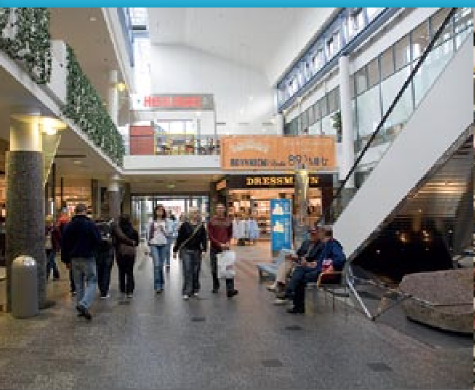
Key figures, Finnish operations

	2007	2006
Gross rental income, EUR million	100.7	93.1
Turnover, EUR million	104.3	95.8
Net rental income, EUR million	75.7	68.8
Net fair value gains on investment property, EUR million	148.5	104.8
Operating profit, EUR million	218.7	176.1
Capital expenditure (gross), EUR million	429.1	152.8
Fair market value of investment properties, EUR million	1,587.0	1,009.7
Net rental yield, %	6.2	7.6
Net rental yield, like-for-like properties, %	7.1	7.9

Top five tenants in Finland

	Proportion of rental income
KESKO	
S-Group	
Stockmann/Seppälä	
H & M Hennes & Mauritz Oy	
Lindex	
Top 5, total	**49.6%**

According to the preliminary market data, Citycon's market share of the grocery sales in the Finnish shopping centres was 37.8 per cent.




Citycon's shopping centres and other major retail properties in Finland 31 Dec. 2007

Property	Location	Entire retail property: Gross leasable area total, sq.m.	Retail premises total, sq.m.	Sales, EUR million 2007	Sales, EUR million 2006	Number of visitors, million 2007	Number of visitors, million 2006	Catchment area population *	Citycon's gross leasable area, sq.m.
Helsinki Metropolitan Area									
Columbus	Helsinki	20,900	19,200	92.8	76.5	7.5	7.1	33,000	20,900
Iso Omena	Espoo	60,600	47,900	212.2	200.1	8.4	8.4	193,400	60,600
Espoontori 1)	Espoo	21,300	10,300	31.1	30.5	3.2	3.2	52,400	15,400
Heikintori	Espoo	9,500	7,000	27.0*	27.0*	2.2	2.2	187,100	5,800
Lippulaiva 2)	Espoo	22,400	18,800	65.7	53.0	3.6	3.0	44,500	22,400
Isomyyri	Vantaa	14,800	8,800	32.9	33.8	2.5	2.5	88,900	10,400
Myyrmanni	Vantaa	42,000	32,000	157.2	153.8	6.9	6.8	67,400	40,300
Tikkuri	Vantaa	15,300	8,100	29.2	26.9	2.7	2.5	166,900	10,700
Other areas in Finland									
Jyväskeskus	Jyväskylä	12,000	6,700	21.8	20.8	4.0	4.1	134,200	5,800
Forum	Jyväskylä	23,000	18,800	64.5	62.6*	6.5	7.1	134,200	17,500
Trio	Lahti	46,800	28,000	61.8	77.3	6.2	8.9	118,600	43,900
IsoKristiina	Lappeenranta	19,800	14,100	46.7	45.5*	2.2	2.1	85,000	18,300
Galleria	Oulu	4,200	2,600	8.3	8.5	1.0	1.1	197,700	3,500
IsoKarhu	Pori	14,900	12,500	42.1	39.9	3.8	3.8	91,500	14,900
Koskikeskus	Tampere	28,800	23,900	119.5	122.2	5.7	6.0	274,800	26,000
Tullintori	Tampere	23,800	9,100	14.9*	22.1*	3.0	3.4	166,000	10,300
Duo	Tampere	13,500	11,900	29.4	-	2.5	-	21,200*	13,000
Sampokeskus	Rovaniemi	14,000	7,800	21.7	23.4	3.3	3.3	87,500	14,000
Torikeskus	Seinäjoki	11,300	7,100	15.4	15.4	1.3	1.2	109,600	11,400
Koskikara	Valkeakoski	10,400	10,000	32.3*	31.7	2.2	2.2	20,500	5,800
Valtari	Kouvola	7,600	6,400	3.8*	3.5*	0.5	0.4*	32,000*	7,600
Linjuri	Salo	10,600	8,100		-	-	-	25,900*	9,300
Largest other retail properties by area									
Porin Asema-Aukio Koy	Pori	18,900	10,900						
Sinikalliontie 1	Espoo	15,700	10,600						
Lentola	Kangasala	11,900	11,700						
Kauppakatu 41	Kuopio	11,200	7,300						
Talvikkitie 7-9	Vantaa	9,800	9,700						
Lillinkulma	Kaarina	9,200	5,200						
Total		**524,200**	**374,500**	**1,130.3**	**1,074.5**	**79.2**	**79.3**		**387,800**

1) Inc. gross leasable area of Espoon Asemakuja 2) Inc. gross leasable area of Ulappatori *) Estimate

Sweden

Citycon has rapidly emerged as one of the most active and rapidly growing real estate investment companies in Sweden, particularly renowned for its activity in property development and expertise in retail business. In 2007, Citycon's operations expanded from Stockholm and Gothenburg to Umeå.

In 2007, Citycon's turnover totalled EUR 39.0 million in Sweden, up 125.1 per cent from the previous year. During the year, the company acquired the Tumba Centrum in Stockholm as well as the Strömpilen shopping centre and the Länken retail property in Umeå. At the Liljeholmen shopping centre in Stockholm, Citycon launched a EUR 120 million development and redevelopment project. Citycon's capital expenditure in Sweden totalled EUR 142.4 million, of which EUR 125.6 million was invested in new acquisitions and EUR 16.8 million in development projects.

Citycon has specialised in the modernisation and redevelopment of regional centres originally constructed by municipal powers. This market has only a handful of players with a dynamic profile like Citycon. However, Swedish regional centres provide extensive development potential, and one of Citycon's strengths lies in its ability to develop an extensive range of services for the whole community. Consequently, Citycon's activities have attracted positive comments from Swedish municipal and elected officials, among others.

Solid local expertise

Citycon owns eight shopping centres and seven other retail properties in Sweden. Development projects were underway in nearly all of these during 2007, the largest being those in Liljeholmen, Åkersberga, Stenungs Torg and the Tumba Centrum. Citycon has acquired its entire Swedish portfolio during the last three years, and almost all of these properties still have significant development potential. At the end of 2007, the Swedish development projects were valued at a total of EUR 200 million. For further information on these projects, see pages 14-15 and 25-26 of this annual report.

One of the cornerstones of Citycon's growth strategy is its in-depth knowledge of the local market. In 2007, the company recruited 13 persons for its Swedish organisation, the number of employees totalling 24 at the year-end. The creation of the new organisation succeeded extremely well – thanks to its new kind of operating model, Citycon has become a sought-after employer in the Swedish market. Citycon's expertise in the retail business has also been recognised by its tenants, who are particularly attracted by the growth opportunities which the development projects provide.

Outlook

Citycon has excellent opportunities for continued growth, both through new acquisitions and organic growth. The Swedish shopping centre market has been extremely liquid, with the number of properties purchased and sold being considerably larger than in the other countries in which Citycon operates. This is opening up new business opportunities for Citycon on a continuous basis.

Additional proof of the functionality of the Swedish property market provides Citycon's expansion from Stock-

Key figures, Swedish operations

	2007	2006
Gross rental income, EUR million	35.4	15.9
Turnover, EUR million	39,0	17,3
Net rental income, EUR million	21,6	9,3
Net fair value gains on investment property, EUR million	55.6	8.7
Operating profit, EUR million	74.3	16.8
Capital expenditure (gross), EUR million	142.4	267.2
Fair market value of investment properties, EUR million	517.5	354.8
Net rental yield, %	4.6	5.1
Net rental yield, like-for-like properties, %	5.3	6.8

Top five tenants in Sweden

	Proportion of rental income
ICA Sverige AB	
Stockholms Läns Landsting	
Systembolaget	
Coop Sverige AB	
Axfood Sverige AB	
Top 5 total	**21.3%**

Citycon's operations expanded to Umeå with the acquisition of shopping centre Strömpilen.

holm and Gothenburg to Umeå, where the Strömpilen shopping centre is providing Citycon with an excellent opportunity to demonstrate its expertise and the strength of its co-operation with tenants. In Stockholm, the acquisition of the Tumba Centrum increased Citycon's visibility and attractiveness among major tenants.

Citycon's largest project in Sweden is the construction of Liljeholmstorget, for the most part entirely new shopping centre. Since the purchasing power of the centre's catchment area is very high, the project has already attracted the interest of several major retailers wishing to become the centre's anchor tenants, despite the fact that the project is still at the initial contract stage. The next leasing stage will begin during 2008 and the shopping centre is planned for completion in the autumn of 2009.

Sweden is actively participating in the development of various types of environmentally-friendly solutions and operating models for shopping centres. Most of the related best practices are largely identical with those of Finland, due to the similarities in the legislation and building regulations of the two countries. This similarity also provides clear benefits in the development of leasing operations and shopping-centre management. One of the key duties of Citycon's young Swedish organisation is to create local practices in, for instance, human resources and in relations to partners and authorities.

Citycon's shopping centres in Sweden 31 Dec. 2007

		Entire retail property							
Property	Location	Gross leasable are total, sq.m.	Retail premises total, sq.m.	Sales, EUR million[1]		Number of visitors, million		Catchment area population *	Citycon's gross leasable area, sq.m.
				2007	2006	2007	2006		
Stockholm area									
Åkersberga Centrum	Österåker	33,100	19,700	58.2	57.7*	3.8	3.8	37 000*	33,100
Åkermyntan Centrum	Hässelby	8,400	6,300	19.5*	-	0.9*	-	32 000*	8,400
Jakobsbergs Centrum	Järfälla	67,500	27,300	67.3	66.4	5.5	5.8	82,000	67,500
Fruängen Centrum	Stockholm	14,600	6,600	9,0*	8.6*	-	0	33 400*	14,600
Liljeholmstorget	Stockholm	20,200	8,600	-	-	-	-	104,000	20,200
Tumba Centrum	Tumba	30,900	14,800	35.4	34.7	3.3	3.0	55,000	30,900
Umeå									
Strömpilen	Umeå	27,000	22,300	88.6*	84.0*	-	-	109,800	27,000
Gothenburg area									
Stenungs Torg	Stenungsund	37,600	17,100	55.3	51.7	3.3	3.4	74,000	37,600
Total		**239,300**	**122,700**						**239,300**

*) Estimate 1) Excl. VAT

Baltic Countries

The Baltic countries are characterised by rapid economic development, a general improvement in living standards and increasing spending power, which are quickly increasing demand for retail services. Citycon is actively monitoring the Baltic markets and constantly seeking new investments with development potential.

Citycon's Baltic operations comprise two shopping centres in Estonia and one in Lithuania, with a total turnover of EUR 8.0 million in 2007, up 29.4 per cent from the previous year. In 2007, Citycon acquired the Magistral shopping centre in Tallinn. Citycon's total investments in the Baltic countries amounted to EUR 31.7 million, of which EUR 16.2 million was used for acquisitions and EUR 15.5 million for development investments.

With its Baltic acquisitions, Citycon continues to pursue a selective strategy aiming at controlled growth. A good example of this strategy is shopping centre Magistral which was acquired due especially to its location and redevelopment and extension possibilities. It is possible to extend Magistral by half of its present size and develop it into a local centre that provides increasingly versatile services to people living in the neighbourhood. Magistral is located in the middle of a large residential area, with over 60,000 inhabitants in its catchment area.

A major redevelopment and extension project is currently underway at the Rocca al Mare shopping centre which, once completed, will become the leading shopping centre in Tallinn. The Mandarinas shopping centre in Lithuania is already a competitive, local shopping centre with regional appeal.

Rocca al Mare – the green shopping centre

The Rocca al Mare redevelopment project involves the construction of a high-quality shopping centre located in an affluent and growing area. Although the centre's attractiveness is based mostly on grocery trade, it is located in an area that has spending power and provides even other services appealing to customers, such as a car retail complex, the Saku Arena and a zoo. Rocca al Mare's offerings will be broadened with the purpose of making it into the leading provider of fashion offerings, for instance. Rocca al Mare will be profiled as a venue for the whole family, not only for shopping but also for leisure.

The latest environmental requirements are taken into account in the Rocca al Mare redevelopment project, making it arguably the greenest shopping centre in the Baltic countries so far. Special attention is being paid, for exam-

Key figures, Baltic Countries

	2007	2006
Gross rental income, EUR million	7.7	6.1
Turnover, EUR million	8.0	6.2
Net rental income, EUR million	6.0	4.8
Net fair value gains on investment property, EUR million	9.3	6.6
Operating profit, EUR million	14.5	10.9
Capital expenditure (gross), EUR million	31.7	16.2
Fair market value of investment properties, EUR million	111.2	83.3
Net rental yield, %	6.2	6.7

Top five tenants in the Baltic Countries

	Proportion of rental income
Prisma Peremarket AS	
RIMI	
Olympic Invest OÜ	
Stockmann Oyj Abp	
Olympic Casino Group AS	
Top 5 total	**35.3%**

It is possible to extend the shopping centre Magistral by one half of its present size.

ple, to energy efficiency, which is being improved through heat recovery systems, among other things. With respect to waste management, Rocca al Mare will implement modern recycling methods, which are still rare in Estonia.

Rocca al Mare will be Tallinn's number one centre, attracting shoppers from a large area. For Citycon's tenants, Rocca al Mare is the most attractive first entry location in Estonia and Citycon aims to attract there retailers that will benefit the whole Estonian retail industry.

Outlook

The key change driver in the Baltic shopping centre property market has been extremely rapid growth in the retail business fuelled by continuously increasing spending power, changing consumer habits and a general improvement in living standards. However, this growth is also reflected in high inflation rates and the high sensitivity of interest rates to increased economic uncertainty.

The year 2007 was characterised by slackening growth in the retail business and weakening consumer confidence in economic growth. Nevertheless, slower economic growth is not expected to significantly weaken Citycon's scope for action in the Baltic countries since the three shopping centres it owns in this region are centrally located and their attractiveness is largely based on grocery trade.

Virtually the only shopping centre acquisitions completed in Estonia in the last few years have been performed by Citycon – in addition to Rocca al Mare and Magistral, no other major shopping centre transactions have taken place in Tallinn. Citycon expects the rapid growth of the relatively thin Baltic markets to slacken over the next few years, due to which more shopping centres are expected to be offered for sale in the future.

Citycon's shopping centres in the Baltic Countries 31 Dec. 2007

		Entire retail property						
Property	Location	Gross leasable area total, sq.m.	Retail premises total, sq.m.	Sales, EUR million		Number of visitors, million		Catchment area population *
				2007	2006	2007	2006	
Estonia								
Rocca al Mare	Tallinn	28,600	28,600	67.6	60.9	4.3	4.4	340,000
Magistral	Tallinn	9,500	9,500	17.7	16.9	3.5	3.7*	64,000
Lithuania								
Mandarinas	Vilnius	7,900	7,900	21.9*	19.4*	2.4	2.6	50,000
Total		**46,000**	**46,000**	**107.2**	**97.2**	**10.2**	**10.7**	**454,000**

*) Estimate

Human Resources

Citycon's success is based on its professional staff and the principle of acting together. The company's expansion has rapidly increased the number of employees, exceeding 100 in 2007. Due to this growth, Citycon is an increasingly international, expert and multi-skilled organisation.

Citycon's operating model clearly differs from that of traditional property investors. Thanks to its active shopping-centre management and retail property development, Citycon's organisation consists of top skills representing various fields. Their key competence areas include shopping-centre management, property development, and administration and financing expertise.

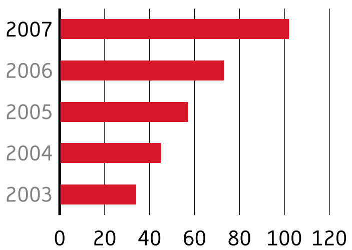
Alongside its new, market-based organisation introduced at the end of 2006, Citycon has built business units based on solid local market knowledge in Finland, Sweden and the Baltic countries. The new organisation established itself in 2007 and has proven to be extremely functional. In particular, the Swedish organisation has been significantly extended, its operations moving into full swing in 2007.

At the end of 2007, Citycon had 102 employees, compared to 73 a year earlier. 45 of the employees are women and 57 are men. This increase stemmed directly from the implementation of the company's growth strategy. In order to strengthen the key competence areas, emphasis in new recruitments was placed on knowledge of the retail business and experience in project development tasks. Furthermore, Citycon recruited new staff for the Group support functions, including HR management, corporate communications, group accounting and financing, with the purpose of supporting the efficient functioning of its business units.

Good market knowledge is a key prerequisite

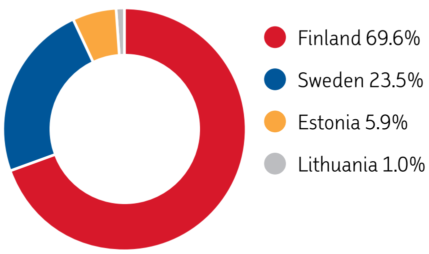
The development of regional organisation is vital to Citycon's growth. Successful operations in the shopping-centre markets require sound basic knowledge of the markets as well as excellent knowledge of the various market players. Market expertise supports successful retail property management, the acquisition of new shopping centres and the development of the existing property portfolio, thereby enhancing the company's overall competitiveness.

Number of employees

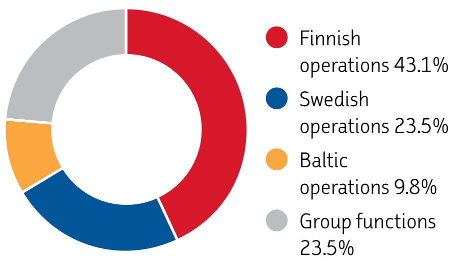


Breakdown of personnel

By country



By business units



Citycon employees from left: Kirsi Borg, Ahti Ylimäinen, Marko Juhokas, Eija Tahvanainen, Rebecca Haaranen, Erkki Salopuro, Sonja Agasieva, Maaret Weide, Katri Pohjanpalo and Antti Eestilä.

On the next page from left: Marjo Rosendahl, Merja Tuomi, Iris Kuhlmann and Paju Asikainen.

A growing organisation also provides challenges. In 2007, Citycon analysed the development needs in its new regional organisation with the purpose of ensuring the development of staff competencies in the long run. Citycon promotes studying alongside work, and encourages to personal learning supporting professional development.

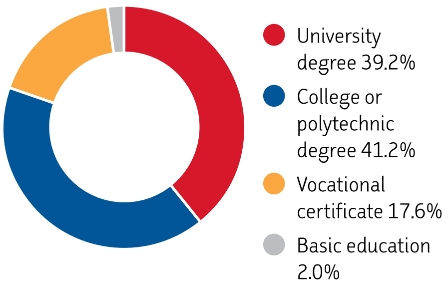
One of the key challenges for a growing organisation is successful recruitment. Citycon is one of the most attractive employers in its field, as evidenced in particular by the number and quality of applications received for job vacancies. Top talents are particularly interested in a company that is creating a new kind of business in the property investment market, attracting experts not only from its own field but also from the construction and retail sectors. The average age of employees is approximately 43, clearly reflecting the organisation's experience-based competencies.

Bringing best practices to life

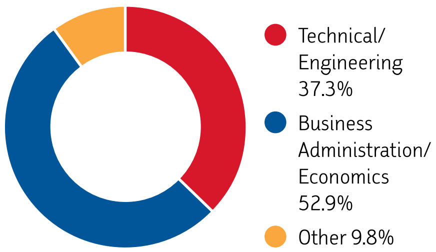
As a rapidly growing company Citycon offers its employees a lively and constantly changing working environment. Since obtaining an overall picture of a growing, international organisation is always a challenge, Citycon is currently planning joint procedures for, among others, new employee induction and improved co-operation between business units.

The aim is to create operating models based on best practices that enable the full utilisation of local competencies simultaneously in all the countries where the company

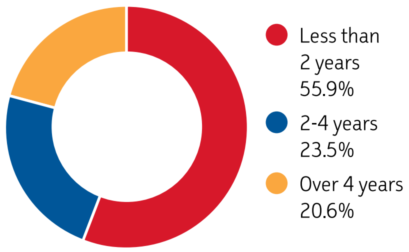
By level of education



By field of education



By the length of the employment



> *Citycon is one of the most attractive employers in its field, as evidenced in particular by the number and quality of applications received for job vacancies.*

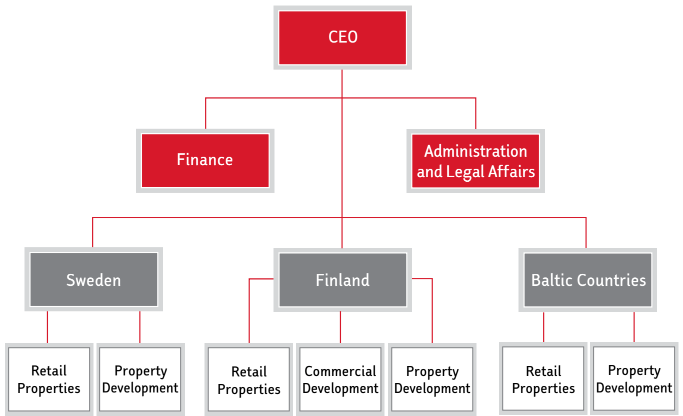
operates. International retail chains are increasingly interested in the company as a partner for the whole operating area, not just as the lessor of individual retail premises. That is why the harmonisation of leasing activities to cover the company's entire operating area is extremely important.

According to the 2007 working-climate survey, employee well-being continues to remain at a high level at Citycon. As a growing organisation, the company is focusing on internal communications and continues to emphasise the importance of, for instance, joint staff events. As part of its corporate culture, once a year the company arranges both a national and an international Citycon day, these days gathering together either the organisation of an individual country or the entire organisation, respectively.

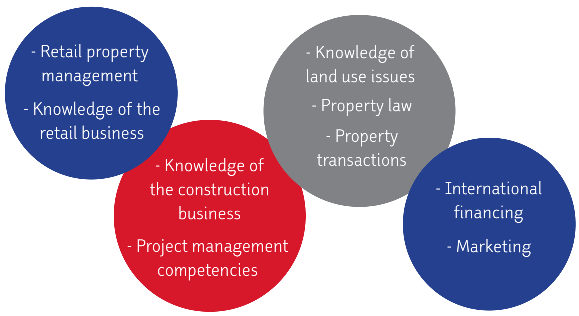
To enhance staff motivation, the Group applies a short-term incentive scheme. The related incentive criteria are based on Group and unit-level financial performance, as well as personal targets agreed annually in employee performance reviews. The incentive bonus accounts for 10–30 per cent of annual pay.

In addition to its short-term incentive scheme, Citycon applies stock-option schemes aimed at motivating and rewarding its employees. The first of these expired in 2007 and the second one will expire in 2011. Furthermore, the company has a long-term share-based incentive scheme for its management and other key employees.

Organisation chart



Core areas of competence within Citycon



Profit Performance and **Financial Position**

Citycon Oyj has prepared its interim reports and financial statements for 2007 in accordance with IAS/IFRS (International Financial Reporting Standards). The company also complies with financial reporting recommendations for listed real estate 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 2007

Citycon's turnover comes mainly from the rental income generated by its retail premises. Gross rental income accounted for 94.9 per cent of turnover. The company actively continued to implement its growth strategy by investing in development and redevelopment projects and by acquiring shopping centres and other investment properties. The company's turnover grew by 26.9 per cent, to EUR 151.4 million (EUR 119.4 million in 2006).

The Finnish business operations accounted for 73.2 per cent (83.1%) of net rental income, while Sweden accounted for 20.9 per cent (11.2%) and the Baltic countries for 5.8 per cent (5.7%). Net rental income totalled EUR 103.4 million (EUR 82.8 million). The property portfolio's net rental yield stood at 5.8 per cent (7.1%). The net rental yield was 6.2 per cent (7.6%) in Finland, 4.6 per cent (5.1%) in Sweden and 6.2 per cent (6.7%) in the Baltic countries.

Roughly 36.0 per cent of Citycon's net rental income came from properties in the Helsinki Metropolitan Area, 37.5 per cent from elsewhere in Finland, 16.5 per cent from the Stockholm area and Umeå, and 4.4 per cent from the Gothenburg area. A further 5.8 per cent of net rental income came from properties in the Baltic countries.

Operating profit rose by 53.0 per cent, to EUR 300.7 million (EUR 196.5 million), due mainly to change in the fair value of the property portfolio, totalling EUR 213.4 million (EUR 120.1 million), the net rental income generated by new shopping centres and progress in development projects.

Net financial expenses increased by EUR 16.4 million, to EUR 47.3 million (EUR 30.9 million). This increase came mainly from higher interest expenses due to the higher level of interest-bearing debt, higher weighted-average interest rate and non-cash mark-to-market loss from derivatives recognised in the income statement. In addition, the net financial expenses for 2007 included EUR 1.8 million (EUR 0.3 million) in calculatory non-cash expenses related to the option part of the convertible bonds.

Net profit for the financial year grew by 61.3 per cent, to EUR 203.9 million (EUR 126.4 million).

Return on investment (ROI) was 16.3 per cent (16.8%) and return on equity (ROE) stood at 23.3 per cent (25.8%). Earnings per share were EUR 1.00 (EUR 0.76). The company's per-share net asset value (NAV) was EUR 4.83 (EUR 3.53) and the per-share triple net asset value (NNNAV) was EUR 4.42 (EUR 3.14).

Balance sheet and capital expenditure

At the end of 2007, Citycon owned 86 properties: 33 shopping centres, 52 other retail properties and one lot. The property portfolio's year-end fair value totalled EUR 2,215.7 million (EUR 1,447.9 million), showing a total annual fair value increase of EUR 213.4 million. The investment properties' fair value has been described in the Business and Property Portfolio section on pages 20-22. The valuation statement by Realia Management Oy can be found on pages 62-63 of the appended Financial Statements.

Citycon's gross capital expenditure in 2007 totalled EUR 603.9 million (EUR 436.4 million), of which new acquisitions accounted for EUR 531.3 million. The company invested a total of EUR 71.8 million (EUR 35.4 million) in development and redevelopment projects. More detailed information on the company's investments can be found on pages 13-18 and 24-26 of this report.

The period-end balance sheet total was EUR 2,308.6 million (EUR 1,486.4 million), of which cash and cash equivalents accounted for EUR 24.2 million (EUR 21.3 million).

Financial position

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

Year-end liabilities totalled EUR 1,297.7 million (EUR 906.1 million), short-term liabilities and long-term liabilities accounting for EUR 157.8 million (EUR 134.4 million) and EUR 1,139.9 million (EUR 771.7 million), respectively.

The interest rate for interest-bearing debt averaged 4.68 per cent (4.35%) in 2007. The average loan period, weighted according to the principals of the loans, was 4.7 years (4.6 years), and the average interest-rate fixing period was 3.1 years (3.4 years). The Group's equity ratio improved to 43.9 per cent (39.1%).

"Sound financial position.

The interest coverage ratio (the previous 12 months' profit before interest expenses, taxes and depreciation relative to net financial expenses) was 2.0 (2.3). Year-end gearing was 111.8 per cent (136.6%). At the end of 2007, Citycon's interest-bearing debt included 81.6 per cent (77.5%) in floating-rate loans, of which 61.1 per cent (76.2%) had been converted to fixed-rate ones by means of interest-rate swaps. On 31 December 2007, the fair value of the interest-rate swaps was EUR 634.5 million (EUR 541.7 million), while the market value of derivative contracts was EUR 8.8 million (EUR -1.8 million).

An active capital market strategy

During the financial year, Citycon actively utilised the capital and debt market to finance its growth. In 2007, Citycon obtained financing for a total of EUR 584 million on the equity and capital markets, and used the proceeds to acquire properties and to develop and redevelope the existing ones. The conducted financing transactions and changes in the fair value of properties strengthened the company's balance sheet.

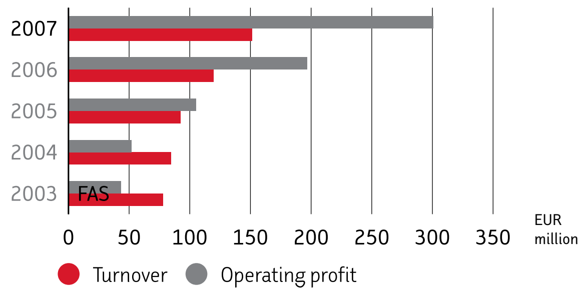
In February, Citycon arranged a directed share issue to Finnish and international institutional investors, waving the shareholders' pre-emptive rights. The issue of new shares was carried out in an accelerated book-building process between 12 February and 13 February 2007. A total of 25 million new shares were subscribed at a per-share price of EUR 5.35, resulting in net proceeds of approximately EUR 132.2 million.

In September, as part of financing the acquisition of the Iso Omena shopping centre, the Board of Directors decided on a share issue based on shareholders' pre-emptive subscription rights, worth approximately EUR 99 million. A total of 27,594,782 new shares were offered for subscription at a price of EUR 3.60 per share. The subscription period began on 19 September and ended on 3 October 2007. Citycon's shareholders had the right to subscribe for one new share per seven shares held. All offered shares were subscribed for in the share offering. A total of 27,235,387 shares were subscribed for in the primary subscription representing 98.7 per cent of the shares offered. Since the secondary subscription was oversubscribed, the share issue became fully subscribed.

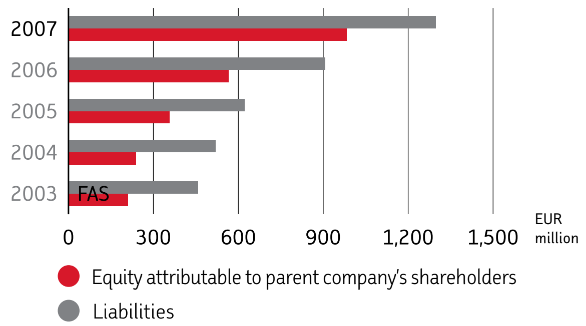
The financing package of the Iso Omena was finalised in November, as Citycon signed a EUR 350 million unsecured credit facility agreement with an international bank group. The agreement consists of a seven year bullet term loan of EUR 200 million and a EUR 150 million five year revolving credit facility. The facility was substantially oversubscribed at syndication. The term loan facility was used to refinance a short-term credit facility drawn for the financing of the acquisition of the shopping centre Iso Omena. The EUR 150 million revolving credit facility will be utilised to finance the committed development pipeline and potential property acquisitions in accordance with Citycon's strategy.

As a whole, the year 2007 in the capital market proved eventful. During the first half of the year, the availability and terms of real estate financing were good and a plentiful variety of stock and debt financing arrangements took place. After the summer, however, the capital market conditions were considerably weakened due to the subprime crisis, reducing the availability of both equity and debt financing, increasing credit margins and depressing stock prices. Owing to its conservative funding policy, Citycon managed to conduct successful capital market transactions during the second half of the year as well, encountering no signs of the volatile market situation affecting the price or availability of debt financing in practice. The transactions conducted during the year will secure near-term financing for investments in line with the company's strategy. On 31 December 2007, the company had a total of EUR 150 million of credit limits available and the opportunity to issue EUR 45 million in commercial papers under its domestic commercial paper programme.

Turnover and operating profit



Equity attributable to parent company's shareholders and liabilities



Risks and **Risk Management**

In the late 2006, Citycon initiated an extensive project aiming at the adoption of a holistic Enterprise Risk Management (ERM) programme and completed the project's implementation during 2007. Accordingly, the company adopted ERM-compliant operating models and principles of risk management in preparing its 2008 annual plan.

Risk management aims to ensure that Citycon meets its strategic and operational goals. Successful risk management identifies key risks, reliably analyses their impacts prior to their realisation and initiates preventive measures in order to lower the probability of an identified risk being realised and in order to mitigate its impact.

Citycon's ERM process takes account of the above-mentioned risk management objectives as well as Citycon's willingness to take risks. The ERM's purpose is to generate up-to-date and consistent information for the company's top management and Board of Directors on any risks threatening strategic and annual plan objectives. In Citycon, ERM includes the following three defined ERM processes:

Enterprise Risk Management Basic Process

1. **Risk management in the main business processes**
   Within the framework of its ERM project, Citycon defined its five key business processes as shopping-centre management, property acquisitions, takeovers, property development as well as financial control and reporting. These processes were initially analysed from the risk management perspective and a target status, at which the Group's units aim, was defined for each process in accordance with risk management requirements.

2. **Risk reporting**
   At the core of Citycon's ERM and risk reporting lies a Group wide risk register containing each unit's objectives, risks and risk management measures. As part of annual and strategic planning, units define their objectives for the planning period, identify the related risks, analyse their importance and the probability of their realisation and record the related risk management measures and responsibilities in the common register. Based on the recorded information, a risk report covering the business units and the Group is generated for the top management and the Board of Directors. The risk register is also used for monitoring the progress made with regard to risk management measures. While each business unit identifies its own risks, other Group functions conduct additional risk identification.

3. **Continuous development and monitoring of risk management**
   Citycon aims at the continuous evaluation and development of its ERM process and general risk management. A risk management monitoring group convening four times a year is in charge of approving risk reports, assessing the sufficiency of risk management measures in relation to identified risks, monitoring the development of risk management measures and evaluating the sufficiency of Citycon's risk management.

The principles and implementation of risk management within Citycon are also discussed on pages 34-37 of the appended Financial Statements.

The following contains a presentation of Citycon's major risks identified during the preparation of the annual plan for the year 2008. In the event of their realisation, these risks could jeopardise the attainment of the objectives set in the annual plan.

Risks associated with changes in the investment properties' fair value

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 Finnish, Swedish and Baltic property mar-

kets, which has been reflected in the yield requirements and price levels of the most sought-after properties. At the moment, investment property value trends are subject to untypical instability due to the credit crisis spread from the United States. In recent months, this crisis has pushed property prices down, not only in many parts of the USA but also in some European countries. While changes in investment properties' fair value have an effect on the company's profit for the financial year, they do not have an immediate impact on cash flow.

The yield requirement, gross income, the vacancy 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 2,194.8 million defined by the external appraiser on 31 December 2007 as the starting value. Accordingly, various changes would alter the investment properties' fair value as follows:

- Yield requirement +5% ➤ Fair value EUR 2,090.3 million
- Gross income +5% ➤ Fair value EUR 2,348.2 million
- Vacancy rate +5% ➤ Fair value EUR 2,187.7 million
- Operating expenses +5% ➤ Fair value EUR 2,151.1 million

While the company cannot influence yield requirement, it seeks to have an impact on the other fair value components through active shopping-centre management, a cornerstone of Citycon's business. Citycon aims to optimise the profitability of its shopping centres by conducting the entire business process with the help of its own employees.

Risks associated with the property development projects

A key element in Citycon's growth strategy lies in the development of existing properties to meet customer needs more effectively. Currently, short-term risks relating to projects include success in leasing the premises in the properties under completion as well as the rise in construction costs.

On 31 December 2007, development investments approved by the Board of Directors totalled approximately EUR 282 million, accounting for around 13 per cent of the entire investment property portfolio's carrying amount on the same date. With major construction projects underway in Finland, Sweden and Estonia, the leasable area in Citycon's shopping centres will increase. Planned rental of the respective new retail premises is of primary importance with regard to Citycon's financial development. A key risk includes reduced demand for retail premises – whether due to a deteriorating economic outlook or other reasons – which would prevent the rental of new premises at planned rental rates, or which would result in a lower occupancy rate than anticipated.

The construction industry in the company's operating region has seen a positive economic cycle, which has caused the costs of construction and construction materials to increase at a faster rate than general price levels. A sharp rise in construction costs could prevent Citycon from implementing all of its planned development projects or cause the profitability of initiated development projects to remain lower than expected.

Leasing risks in projects are minimised by securing the allocation of sufficient resources to the leasing operations of new properties, investing in new shopping centres' marketing and concluding agreements with anchor tenants prior to a project's commencement or in its initial stage. Construction costs are optimised through careful monitoring of expenses, competitive tendering and, where possible, by concluding fixed-price construction contracts.

Risks associated with a rise in the properties' operating expenses

To cover its properties' operating expenses, Citycon's lease agreements mainly stipulate either a total rent or specified rent components. The total rent model is applied to a cer-

Risks refer to potential events or circumstances which, if they materialise, may affect the company's ability to meet its goals.

tain part of the existing lease agreements whereby the rent amounts paid by the lessee are not affected by any increases or decreases in operating expenses. Consequently, a rise in operating expenses higher than inflation would diminish Citycon's profitability. The main operating expenses for properties include repair and maintenance fees, electricity, heating, security systems and security services.

As regards agreements stipulating specified rent components, the immediate impact of a rise in operating expenses might mainly lead to timing differences in cash flow since, according to these agreements, operating expenses are invoiced from the lessee as maintenance fee. However, any rise in operating expenses always indirectly hampers Citycon's profitability since an increased maintenance fee charged due to higher operating expenses would reduce the lessees' ability to pay rent and, in consequence, might prevent the company from raising the rent component for the actual retail floor area as desired.

Citycon tries to protect itself from the risks related to a rise in operating expenses by concluding agreements with specified rent components, hedging against electricity price risks, enhancing purchasing, improving cost monitoring and by enhancing the cost comparison between the shopping centres.

Risks associated with the availability and cost of financing and general interest rates

Essential part of Citycon's business model is seeking growth, either through new property acquisitions or the expansion of its current shopping centres. Implementation of this expansive strategy requires obtaining both equity and debt financing.

Towards the end of 2007, turbulence in the financial markets increased, narrowing the available financing alternatives. If this instability continues and the banks' own funding costs remain high, it is possible that the credit margins charged by banks will also begin to rise, and the banks are less willing to lend money to companies. Changes in market has also impacted the share value of the companies and most real estate companies in Europe are trading at a share price below per-share net asset value, thus reducing possibilities for raising equity financing.

Nevertheless, the availability of financing has remained positive for Citycon, and the long-term credit facility agreement concluded with a bank group towards the end of the year did not involve significantly higher margins compared to the previous year. Citycon also increased the amount of its loan at syndication, since the original loan was oversubscribed. Furthermore, a rights issue conducted in September–October resulted in the subscription of all shares offered.

In addition to the availability of financing, Citycon's main financial risk refers to the interest-rate risk associated with the company's loan portfolio. A total of 81.6 per cent of Citycon's interest-bearing debt are floating-rate loans, and a rise in market-rates will increase their interest expenses. In the course of 2007, the 6-month rate within the euro area increased by 0.85 percentage points while, in Sweden, the equivalent interest rate increase was 1.30 percentage points due to sharp economic growth and accelerated inflation. During the same period, Citycon's average interest rate increased by 0.32 percentage points.

Citycon attempts to safeguard its financing costs and availability by adhering to a conservative but active financing policy, with a focus on long-term financing, and by maintaining a solid balance sheet structure showing an equity ratio of at least 40 per cent. Interest-rate risk management aims to reduce or eliminate the adverse effect of increased market rates on the company's profit, balance sheet and cash flow. Under the company's financing policy, the interest position must be tied to fixed interest rates at a minimum level of 70 per cent and at a maximum level of 90 per cent.

More information on financing risks is provided on pages 35-36 of the appended Financial Statements.

Corporate **Governance**

Corporate governance policies

Citycon's corporate governance complies with the Finnish Limited Liability Companies Act and the Corporate Governance Recommendation for Listed Companies issued in December 2003 by the Corporate Governance working group appointed by HEX Plc, the Central Chamber of Commerce of Finland and the Confederation of Industry and Employers.

This recommendation for corporate governance is accompanied by Citycon's own guidelines for the division of duties between the company's decision-making bodies, as well as the principles governing internal control and risk management. Citycon's decision-making bodies assuming ultimate responsibility for the Group's management and business include the shareholders' meeting, the Board of Directors and the CEO. 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 every year 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. A notice to a General Meeting will be issued, at the earliest, two months and, at the latest, 17 days prior to the meeting, on the company's website in Finnish and English and at least in one nationwide newspaper published in Helsinki.

Citycon provides its shareholders with sufficient information on the items to be discussed at the shareholders' meeting, for example, by publishing meeting material on its website and, upon request, by sending the material to a shareholder by postal mail. The shareholders' meetings shall be arranged in such a way that the shareholders can effectively exercise their rights. Under the Limited Liability Companies Act, a shareholder has the right to propose a certain matter for discussion at a General Meeting, if such matter belongs to the competence of a General Meeting and if the shareholder gives notice of this in writing to the Board of Directors in sufficient time for it to be included in the notice of the meeting.

The Chairman of the Board of Directors and the CEO attend the shareholders' meeting and members of the Board of Directors attend the meeting 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 is a cogent reason for his/her absence.

The AGM adopts the financial statements, decides on the allocation of profit shown on the balance sheet and discharges the Board of Directors and the CEO from liability. In addition, it elects the Board of Directors and the auditor and decides on their respective emoluments and remuneration.

Board of Directors

The shareholders' meeting decides the number of Board members and elects them for a term of one year. 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

BOARD OF DIRECTORS

Chairman of the Board of Directors
Thomas W. Wernink
M.A. (General Economics)
Dutch citizen, born 1945
Member and Deputy Chairman of the Board of Directors since 2005, Chairman since 2006

Career history:
Wernink Consultancy & Investment B.V., Managing Director since 2004
Corio N.V., Managing Director 2001-2003
VIB N.V., Managing Director 1993-2001
Vaste Waarden Nederland (VWN) N.V., General Manager 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
Dim Vastgoed N.V., Board member since 2006
ING Real Estate Dutch Funds, Board member since 2006
Compagnie Immobiliere de Belgique s.a., Deputy Chairman of the Board since 2007
AZL Vastgoed Winkels N.V., Board member 2005-2007
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

Deputy Chairman of the Board of Directors
Tuomo Lähdesmäki
M.Sc. (Eng.), MBA
Finnish citizen, born 1957
Board member since 2004 and Deputy Chairman since 2006

Career history:
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
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
Viafin Oy, Board member since 2007
VTI Technologies Oy, Board member 2002-2007, Chairman 2002-2006

two members belonging to 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 13 March 2007 decided to re-elect the following Board members: Amir Gal, Gideon Bolotowsky, Raimo Korpinen, Tuomo Lähdesmäki, Carl G. Nordman, Claes Ottosson, Dor J. Segal and Thomas W. Wernink.

The Board of Directors elects the Chairman and Deputy Chairman from among its members. In 2007, Thomas W. Wernink acted as Chairman and Tuomo Lähdesmäki as the Deputy Chairman of the Board of Directors.

In the view of the Board of Directors, 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 2007, Citycon's Board of Directors met 18 times. The attendance rate stood at 93.1 per cent. The following four committees assist the Board: Audit Committee, Investment Committee, Nomination Committee and Compensation Committee.

Board work

The Finnish Limited Liability 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 the 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 property acquisitions and divestments and other major investments;
- Confirm the company executives' obligations and remits, and the reporting system;
- Confirm the principles governing employee bonus and incentive schemes and decide on said schemes;
- Determine the company's dividend policy.

Every year, Citycon's Board of Directors assesses its performance and working methods through self-evaluation.

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 dis-

Member of the Board of Directors
Gideon Bolotowsky
M.Sc. (Eng.)
Finnish citizen, born 1947
Board member since 2006

Career history:
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 1989-2007
Central Council of Jewish Communities in Finland, President 1992-2007
European Jewish Congress, Member of the Executive 2003-2007

Member of the Board of Directors
Amir Gal
Ph.D. candidate, LL.B., B.A. (Economics)
Israeli citizen, born 1971
Board member since 2004

Career history:
Gazit Europe, Inc., Managing Director since 2006
Gazit Europe, Inc., Executive Vice President 2004-2005
Dewey Ballantine, Associate 2002-2004
Leshem, Brandwein & Co., lawyer 1997-2001

Member of the Board of Directors
Raimo Korpinen
LL.M.
Finnish citizen, born 1950
Board member since 2004

Career history:
Solidium Oy, Managing Director since 1998
Yrityspankki SKOP Oyj, Senior Vice President 1994-1998
USF Holdings, Inc. Vice President 1991-1993

Directorships:
Kruunuasunnot Oy, Board member since 2004 and Chairman since 2005
Labtium Oy, Chairman of the Board since 2007
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

Member of the Board of Directors
Carl G. Nordman
Counsellor of Industry (Hon.), B.Sc. (Eng.)
Finnish citizen, born 1939
Board member since 1999

Career history:
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
Swedish citizen, born 1961
Board member since 2004

Career history:
ICA Supermarket Hovås, Managing Director since 1989
ICA Gourmet, Department Store Manager 1985-1989
Saga Sofiagatan, Department Store Manager 1980-1982

Directorships:
ICA Förbundet AB, Board member since 2005

Member of the Board of Directors
Dor J. Segal
American citizen, born 1962
Board member since 2004

Career history:
Gazit-Globe Ltd., President since 1998 and Board member since 1993
First Capital Realty Inc., President and CEO and Board member since 2000

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

Board emoluments in 2007

EUR	Annual fee	Meeting fees	Total
Gideon Bolotowsky	35,000	10,400	45,400
Amir Gal	35,000	9,200	44,200
Raimo Korpinen	35,000	10,200	45,200
Tuomo Lähdesmäki	60,000	13,200	73,200
Carl G. Nordman	35,000	8,800	43,800
Claes Ottosson	35,000	8,000	43,000
Dor J. Segal	35,000	9,200	44,200
Thomas W. Wernink	150,000	16,600	166,600
Total	**420,000**	**85,600**	**505,600**

cussed 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 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 five times in 2007.

Investment Committee

The Investment Committee is responsible for supervising investment planning and approval processes, and reviews 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 six times in 2007.

Nomination Committee

The Nomination Committee is in charge of preparing proposals for the election of Board members and their emoluments to be submitted to the shareholders' meeting, as well as seeking potential successors to Board members. When seeking 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, it must also consult major shareholders. The committee also drafts a proposal for the composition and chairmen of the Board committees to be submitted to the Board of Directors, and arranges the self-assessment of 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 four times in 2007.

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 three times in 2007.

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.

The AGM 2007 decided that the Board Chairman, Deputy Chairman and ordinary Board members be paid an annual remuneration of EUR 150,000, EUR 60,000 and EUR 35,000, respectively. It also decided that the Board Chairman and the Chairman of each Board committee receive a meeting fee of EUR 600 and other Board and Board committee members EUR 400 for each meeting.

The enclosed table shows Citycon's Board emoluments paid in 2007. 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.

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 Limited Liability 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

Chief Executive Officer
Petri Olkinuora
M.Sc. (Eng.), MBA
Born 1957
In the Citycon Group since 2002

Career history:
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
In the Citycon Group since 2005

Career history:
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
In the Citycon Group since 2002

Career history:
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
In the Citycon Group since 2000

Career history:
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
In the Citycon Group since 2004

Career history:
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
Ulf Attebrant
Born 1963
In the Citycon Group since 2007

Career history:
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

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.

A written executive contract approved by the Board of Directors stipulates the terms and conditions of the CEO's employment. In 2007, the CEO received EUR 338,707 in salary and other pay-related benefits and, additionally, EUR 595,974 as income from stock options. 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 out 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-sump 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 2007, the Corporate Management Committee had six 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 communication 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, 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 obligation, specifying and supplementing provisions of the Securities Market Act, the Standard for Insiders issued by the Financial Supervision Authority, and the Insider Guidelines issued by the Helsinki stock exchange.

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 Market 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 2007. 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 Board members, CEO and Corporate Management Committee members, and those in charge of corporate finances and financial reporting, financing, legal affairs, investment and development activities, 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 review.

Citycon maintains its insider register of statutory and company-specific insiders within the Finnish Central Security 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 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 release 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 trans-

Changes in holdings by statutory insiders and those closely associated with them, 1 Jan.–31 Dec. 2007

Insider	Date 2007	Shares	Stock options 1999 A/B/C	Stock options 2004A	Stock options 2004B	Stock options 2004C
Board of Directors						
Gideon Bolotowsky	1 Jan.	4,048	-	-	-	-
Board member	31 Dec.	4,626	-	-	-	-
Amir Gal	1 Jan.	8,231	-	-	-	-
Board member	31 Dec.	8,231	-	-	-	-
Raimo Korpinen	1 Jan	12,649	-	-	-	-
Board member	31 Dec.	14,456	-	-	-	-
Tuomo Lähdesmäki	1 Jan.	42,628	-	-	-	-
Board Deputy Chairman	31 Dec.	37,289	-	-	-	-
Carl G. Nordman	1 Jan.	4,823	-	-	-	-
Board member	31 Dec.	5,512	-	-	-	-
Claes Ottosson	1 Jan.	9,015	-	-	-	-
Board member	31 Dec.	10,336	-	-	-	-
Dor J. Segal	1 Jan.	6,277	-	-	-	-
Board member	31 Dec.	7,174	-	-	-	-
Thomas W. Wernink	1 Jan.	15,000	-	-	-	-
Board Chairman	31 Dec.	28,571	-	-	-	-
Corporate Management Committee						
Petri Olkinuora	1 Jan.	120,000	73,214	150,000	140,000	140,000
CEO	31 Dec.	137,143	-	75,000	140,000	140,000
Ulf Attebrant	1 Jan.	-	-	-	-	-
Vice President, Swedish Operations	31 Dec.	-	-	-	-	-
Harri Holmström	1 Jan.	-	-	-	70,000	70,000
Vice President, Baltic Operations	31 Dec.	-	-	-	70,000	70,000
Outi Raekivi	1 Jan.	-	-	75,000	70,000	70,000
Head of Legal Affairs, Board secretary	31 Dec.	-	-	75,000	70,000	70,000
Eero Sihvonen	1 Jan.	-	-	-	70,000	70,000
CFO	31 Dec.	-	-	-	70,000	70,000
Kaisa Vuorio	1 Jan.	1,200	32,000	75,000	70,000	70,000
Vice President, Finnish Operations	31 Dec.	1,372	-	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.

action in which they plan to engage. The Compliance Officer records each contact made.

Control and supervision systems

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

Internal control and supervision

Citycon's internal control and supervision involves financial and other supervision carried out by the 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.

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 2007 was outsourced to KPMG Oy Ab. The audit conducted by Citycon's auditor also involves auditing the company's corporate governance on which the auditor 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 2007 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 2007, Citycon paid EUR 0.3 million in remuneration to its auditor, related to its general audit. In addition, Citycon paid a total of EUR 0.3 million for internal 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 39-41.

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 relevant information regularly, equitably and simultaneously.

Citycon's shopping centres **in Sweden**

Stockholm Area

Fruängen Centrum
Stockholm
Citycon's gross
leasable area 14,600 sq.m.
Built in 1965.

Jakobsbergs Centrum
Järfälla
Citycon's gross
leasable area 67,500 sq.m.
Built in 1959.
Extended and/or renovated in 1993.

Liljeholmstorget
Stockholm
Citycon's gross
leasable area 20,200 sq.m.
Built in 1973.
Extended and/or renovated in 1986.

Åkersberga Centrum
Österråker
Citycon's gross
leasable area 33,100 sq.m.
Built in 1985.
Extended and/or renovated in 1995/1996.

Åkermyntan Centrum
Hässelby
Citycon's gross
leasable area 8,400 sq.m.
Built in 1977.

Tumba Centrum
Botkyrkan
Citycon's gross
leasable area 30,900 sq.m.
Built in 1952.
Extended and/or renovated in 2002.

Gothenburg Area

Stenungs Torg
Stenungsund
Citycon's gross
leasable area 37,600 sq.m.
Built in 1967.
Extended and/or renovated in 1993.

Umeå

Strömpilen
Umeå
Citycon's gross
leasable area 27,000 sq.m.
Built in 1927.
Extended and/or renovated in 1997.

Citycon's shopping centres **in the Baltic Countries**

Estonia

Magistral
Tallinn
Citycon's gross
leasable area 9,500 sq.m.
Built in 2000.

Rocca al Mare
Tallinn
Citycon's gross
leasable area 28,600 sq.m.
Built in 1998.

Lithuania

Mandarinas
Vilnius
Citycon's gross
leasable area 7,900 sq.m.
Built in 2005.

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CITYCON

Financial Statements 2007

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Report by the Board of Directors

SUMMARY OF THE LAST QUARTER OF 2007

- In order to improve the transparency of disclosure, financial results are now split between direct and indirect result in the Notes.
- Direct result per share (EPRA EPS) i.e. earnings per share excluding the effects of changes in fair value and other extraordinary items grew to EUR 0.06 (Q3: EUR 0.03). Earnings per share came to EUR 0.04 (EUR 0.12), the decrease resulting mainly from the fair value changes and taxes.
- The fair value change of the investment properties was EUR 0.7 million (EUR 21.1 million) and the fair value of the investment properties increased by EUR 24.4 million to EUR 2,215.7 million (EUR 2,191.2 million) mainly due to acquisitions and investments.
- Citycon raised a total of EUR 99.3 million in new capital through a successful rights issue.
- In the last quarter of the financial year, Citycon's net rental income came close to the third quarter and amounted to EUR 27,1 million (EUR 27.3 million). The decrease is resulting largely from increased redevelopment activities as well as seasonal and timing variation of maintenance and repair expenses.
- The company signed a EUR 350 million unsecured credit facility agreement to finance Iso Omena acquisition with an international bank group. The loan was oversubscribed, and the related credit margins remained close to previous agreements in spite of the general turbulence in the financial markets.
- The second and third stages of the extension and redevelopment of the Estonian Rocca al Mare shopping centre were begun with an additional investment of around EUR 38.9 million. In Lahti, Finland, the first redevelopment stage of the Trio shopping centre was completed.
- Citycon aims to obtain an international environmental rating for three of its initiated pilot projects in sustainable construction.
- The Board of Directors proposes a per-share dividend of EUR 0.04 (EUR 0.14) and, additionally, a return of equity from invested unrestricted equity fund of EUR 0.10 per share.

KEY FIGURES

	Q4 2007	Q4 2006	Q3 2007	2007	2006	Change 1)
Turnover, EUR million	43.3	33.0	38.0	151.4	119.4	26.9%
Net rental income, EUR million	27.1	22.1	27.3	103.4	82.8	24.9%
Operating profit, EUR million	24.5	42.5	44.3	300.7	196.5	53.0%
% of turnover	56.6%	128.7%	116.7%	198.6%	164.6%	–
Profit before taxes, EUR million	10.0	33.8	31.0	253.5	165.6	53.0%
Profit attributable to parent company shareholders, EUR million	9.3	24.9	23.4	200.3	124.9	60.4%
Earnings per share (basic), EUR	0.04	0.15	0.12	1.00	0.76	31.4%
Earnings per share (diluted), EUR	0.04	0.13	0.11	0.91	0.73	25.0%
Direct result per share (diluted), (Diluted EPRA EPS), EUR 2)	0.06	0.05	0.03	0.18	0.20	-9.6%
Net cash from operating activities per share, EUR	0.06	0.06	0.03	0.20	0.20	0.4%
Fair market value of investment properties, EUR million			2,191.2	2,215.7	1,447.9	53.0%
Equity per share, EUR				4.44	3.30	34.6%
Net asset value (EPRA NAV) per share, EUR 3)				4.83	3.53	36.8%
EPRA NNNAV, EUR				4.42	3.14	40.5%
Equity ratio, %				43.9	39.1	–
Gearing, %				111.8	136.6	–
Net interest-bearing debt (fair value), EUR million				1,147.3	811.2	41.4%
Net rental yield, % 4)				5.8	7.1	–
Occupancy rate, %				95.7	97.1	–
Personnel (at the end of the period)				102	73	39.7%
Dividend per share, EUR				0.04 *)	0.14	-71.4%
Return from invested unrestricted equity fund per share, EUR				0.10 *)	-	
Dividend and return from invested unrestricted equity fund per share total, EUR				0.14 *)	0.14	0.0%

1) Change % is calculated from exact figures and refers to the change between 2006 and 2007.

2) 2) Previously disclosed "Earnings per share excluding the effects of changes in fair value gains, gains on sale and other extraordinary items" have been replaced with the "Direct result per share (diluted)" -key figure. Please see the note "Reconciliation between direct and indirect result" for direct result calculations.

3) The calculation of NAV has been modified to comply with EPRA definitions (previously deferred taxes were deducted).

4) Includes the lots for development projects.

*) Proposal by the Board.

Key Figures for the past four years can be found on page 44 in the annual report 2007 in the Notes to the consolidated Financial Statements.

SUMMARY OF THE YEAR 2007

- Turnover increased by 26.9 per cent, to EUR 151.4 million (2006: EUR 119.4 million), due mainly to new acquisitions.
- Net rental income grew by 24.9 per cent to EUR 103.4 million (EUR 82.8 million) due mainly to acquisitions. Net rental income from like-for-like properties grew by 6.2 per cent.
- Profit before taxes amounted to EUR 253.5 million (EUR 165.6 million), including a EUR 213.4 million (EUR 120.1 million) in fair value gains of investment properties.
- Net financial expenses came to EUR 47.3 million (EUR 30.9 million), the interest rate of interest-bearing debt averaging 4.68 per cent (4.35%).
- Earnings per share were EUR 1.00 (EUR 0.76). The growth was due mainly to fair value gains.
- Direct result per share (EPRA EPS) came to EUR 0.18 (EUR 0.20). The decrease resulted mainly from increased financing expenses related to new property acquisitions, increase in administrative costs related to strengthening of the organisation, increased property development activities and from the increased number of shares. The decrease was partly mitigated by the lower current tax.
- Net cash flow from operating activities per share remained strong and amounted to EUR 0.20 (EUR 0.20).
- Net asset value per share (EPRA NAV) grew to EUR 4.83 (EUR 3.53).
- According to an external appraiser, the average net yield requirement for investment properties was at 5.6 per cent at the end of 2007.
- Equity ratio rose to 43.9 per cent (39.1%).
- During the financial year, Citycon made its largest ever shopping centre acquisition by acquiring the Iso Omena shopping centre, located in Espoo, Finland. In Sweden, Citycon acquired the Tumba Centrum and Strömpilen shopping centres and the Länken retail centre and, in Estonia, the Magistral shopping centre.
- At the end of the year, Citycon had development and redevelopment projects underway in Finland, Sweden and Estonia to the total value of around EUR 330 million.

BUSINESS ENVIRONMENT

In 2007, retail trade growth remained strong, with new sales records attained during the Christmas season. As a result of tax cuts and wage agreements made in Sweden and Finland during the year, consumer purchasing power increased. Consumer confidence in economic growth, however, weakened towards the end of the year. The prevailing uncertainty is caused by growing inflationary pressure, particularly in the Baltic countries, and by increased volatility and weakened condition of the financial markets. So far, this uncertainty has not had a significant effect for Citycon with regard to the availability of financing and the credit margins paid by the company.

In 2007, construction costs rose by 5.6 per cent in Finland (source: Statistics Finland), 5.4 per cent in Sweden (source: Byggindex) and 12.7 per cent in Estonia (source: Statistics Estonia). Citycon monitors construction cost trends and, in its property development, focuses particularly on project management which can contribute to curbing the effects of increasing costs.

BUSINESS AND PROPERTY PORTFOLIO SUMMARY

Citycon is specialised in shopping centres and other large retail units, its market areas comprising Finland, Sweden and the Baltic countries. In Finland, Citycon is the market leader in the shopping centre business, while in Sweden it is one of the fastest-growing and most dynamic operators in the real estate sector. The company has established a firm foothold in the Baltic countries.

Citycon continues its responsible growth strategy by expanding its retail property portfolio in selected markets and by developing and redeveloping its properties into entities that serve the needs of retail even better. Citycon's preferred acquisition targets are shopping centres that offer redevelopment and/or refurbishment opportunities, and whose net rental income can be increased with active retail property management.

Thanks to its careful market research and good local knowledge, Citycon has been able to acquire some of the most interesting shopping centres in the major growth centres in the countries where it operates. Similarly, Citycon's new investments are focused on areas where the population and its purchasing power can be expected to grow.

At the end of the reporting period, Citycon owned 33 (26) shopping centres and 53 (53) other properties. Of the shopping centres, 22 (19) were located in Finland, eight (5) in Sweden and three (2) in the Baltic countries.

The market value of the company's property portfolio totalled EUR 2,215.7 million, of which Finnish properties accounted for 71.6 per cent (69.7%), Swedish properties for 23.4 per cent (24.5%) and Baltic ones for 5.0 per cent (5.8%). The gross leasable area at the end of the period was 923,980 square metres.

CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES

Citycon measures its investment property at fair value, under the IAS 40 standard, according to which changes in investment properties' fair value are recognised through profit or loss. 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, in 2007, Citycon chose to have its properties valued by an external appraiser on a quarterly basis, due to market activity and rapidly changing market conditions.

At the end of the year 2007, Citycon's property portfolio was valued for the third time by Realia Management Oy, a part of the Realia Group. Realia Management Oy works in association with the world's leading provider of real estate services, the international company CB Richard Ellis. A summary of Realia Management Oy's Property Valuation Statement on the year-end status can be found at www.citycon.fi.

During the financial year, the fair value of Citycon's property portfolio rose by EUR 213.4 million as a result of development and redevelopment projects, and changes in general market conditions and the leasing business. The year saw a total value increase of EUR 220.9 million and a total value decrease of EUR 7.5 million.

The average net yield requirement defined by Realia Management Oy for Citycon's property portfolio decreased to 5.6 per cent (Q3/2007: 5.7%). The decrease in yield requirement was due mainly to new property acquisitions, which were included in the valuation for the first time during the last quarter, especially the inclusion of shopping centre Iso Omena in the property portfolio.

LEASE PORTFOLIO AND OCCUPANCY RATE

At the end of the financial year, Citycon had a total of 3,700 (3,080) leases. The average length of the lease agreements was 3.0 (2.9) years. The period-end occupancy rate for Citycon's property portfolio was 95.7 per cent (97.1%), and net rental yield was 5.8 per cent (7.1%). The decrease in net rental income yield was mainly due the changes in the property portfolio's fair value. The occupancy rate reduced slightly compared to December 2006, due to an increase in the number of premises temporarily vacated due to redevelopment projects.

The company's net rental income grew by 24.9 per cent to EUR 103.4 million. The leasable area rose by 25.0 per cent to 923,980 square metres. Net rental income for like-for-like properties grew by 6.2 per cent.

Like-for-like properties are properties held by Citycon throughout the 24-month reference period, excluding properties under development and expansion as well as lots. The majority of like-for-like properties are located in Finland. In the last quarter, properties located in Sweden were also included in like-for-like properties for the first time.

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

Lease portfolio summary	2007	2006	Change -%
Number of leases started during the period	512	369	38.8
Total area of leases started, sq.m.	103,408	73,300	41.1
Occupancy rate at end of the period ,%	95.7	97.1	-1.4
Average length of lease portfolio at the end of the period, year	3.0	2.9	3.4

ACQUISITIONS

Alongside its property portfolio's growth, Citycon has shifted its business focus towards the development of its current shopping centres. However, the company is continuously seeking new acquisition opportunities in all of its market areas.

The largest acquisition during the year, and in the company's history, was the purchase of the Iso Omena shopping centre in September for EUR 329 million. The keystone in Iso Omena's takeover and management is Citycon's own organisation operating in the shopping centre itself and responsible for its management and marketing as well as for the property's technical functioning. With an objective to tune up the centre's service offering to serve its customer base even better, the organisation also aims to support Citycon's shopping centre offering in the Espoo region, where the company already has several shopping centres. Immediately following the acquisition, Citycon began planning the shopping centre's extension and initiated the project's implementation. Iso Omena can be expanded by a total of some 7,000 square metres, and the future underground line will also create new opportunities for the development of the shopping centre.

The construction, commissioned by Citycon, of a new retail centre in Lentola, located in Kangasala in the Tampere region, Finland, was completed in the last quarter of 2007, and the centre was transferred to Citycon's ownership. The property acquisitions conducted during the year are presented in the table below. In addition, the company has carried out several share transactions in order to increase its holdings in properties partially owned by it.

Acquisitions 2007 [1)]

Property	Company	Location	Acquisition cost [2)] (EUR million)	Post-acquisition holdings, %
Finland				
Shopping centre Iso Omena	Big Apple Acquisition Oy	Espoo	329.0	100
Shopping centre Trio	Kiinteistö Oy Lahden Hansa	Lahti	17.3	
Retail centre Lillinkulma	Kiinteistö Oy Lillinkulma	Kaarina	10.9	100
Shopping centre Espoontori	Kiinteistö Oy Espoon Asemakuja 2	Espoo	9.2 [3)]	100
Retail centre Myllypuro	Myllypuron Ostoskeskus Oy, Kiinteistö Oy Kivensilmänkuja 1	Helsinki	2.7 [4)]	73.5
Retail centre Lentola	Lentolan Perusyhtiö Oy	Kangasala	16.1	100
Sweden				
Shopping centre Tumba Centrum	Tumba Centrum-fastigheter AB	Botkyrka, Greater Stockholm	59.4	100
Shopping centre Strömpilen and retail centre Länken	Strömpilen AB (formerly Balticgruppen Handel AB)	Umeå	52.9	75
Baltic Countries				
Shopping centre Magistral	Real estate transaction	Tallinn	16,2	100

1) Includes investments with purchase price exceeding EUR 1 million.

2) Acquisition prices stated are debt free purchase prices with transaction expenses, using acquisition date exchange rates.

3) The purchase price totals EUR 11 million and the rest of it is payable upon approval of the change in city plan.

4) Includes several transactions.

DEVELOPMENT AND REDEVELOPMENT PROJECTS

Maintaining its properties as attractive and dynamic centres for shopping for both customers and lessees is the key element in Citycon's business. The company aims to increase the long-term cash-flow and return from its retail properties through development projects. In the short term, however, such projects may weaken returns from some properties, as part of the retail premises have to be temporarily vacated for refurbishment, and this affects the rental income.

In its development projects, Citycon pays attention to environmental issues, such as recycling and construction materials. The company's pilot projects in sustainable construction include building a new shopping centre in Liljeholmen, Stockholm, and the refurbishment and extension projects of the Rocca al Mare shopping centre in Tallinn and the Trio shopping centre in Lahti. For these projects, Citycon is seeking an international environmental rating.

The assessment applied in the pilot projects comprises a total of over 60 points, reviewing various factors such as the energy efficiency of the property, indoor air quality, the choice of materials, the utilisation of public transport and minimising the environmental impacts of construction work. On the basis of the assessment, concrete development measures will be planned in order to establish systematic sustainable construction practices.

The table below shows a list of the most significant development and redevelopment projects in progress, as decided by the Board of Directors. In addition, Citycon is planning and preparing a number of other development and redevelopment projects. More information on planned projects can be found in the management presentations available on Citycon's website at www.citycon.fi and the Annual Report, which will be published towards the end of February.

During the year, capital expenditure in the development projects amounted to EUR 39.5 million in Finland, EUR 16.8 million in Sweden and EUR 15.5 million in the Baltic Countries.

Development Projects in Progress

Property	Location	Estimated total need (EUR million)	Actual gross expenditure by the end of the period (EUR million)	Estimated year of completion
Lippulaiva	Espoo, Finland	60-70 [1)]	8.9	2008
Trio	Lahti, Finland	60 [2)]	21.5	2009
Torikeskus	Seinäjoki, Finland	4.0	2.1	2008
Åkersberga Centrum	Österåker, Sweden	27 [3)]	3.3	2009
Liljeholmstorget	Stockholm, Sweden	120	17.6	2009
Rocca al Mare	Tallinn, Estonia	68	13.2	2009

1)Both planned development stages are included in the figure.

2) Estimated total need has been adjusted to EUR 60 million.

3) Citycon owns 75 per cent of Åkersberga shopping centre, and the overall project cost totals approximately EUR 40 million.

The company's most significant development project is the construction of a new shopping centre in Liljeholmen, Stockholm. The project advances within the planned budget and schedule. The related investment plan was adjusted towards the end of the year, as agreement was reached with the City of Stockholm and its transport services on arrangements allowing both the expansion of the shopping centre's lowest floor on a larger area than originally planned and its direct connection with underground and bus stations. The new shopping centre is expected to open its doors in October-November 2009, but the first agreements with new tenants have already been signed.

Åkersberga shopping centre development and redevelopment project has delayed due to changes to the plans arising from a dispute with one of the centre's tenants. Currently, an alteration of the city plan is pending and the preparation of the new development and expansion plan is underway.

The first redevelopment stage of the Trio shopping centre in downtown Lahti was completed in November as planned. After the completion of the first stage, the construction plans have been revised and, as a result, the project's total investment is estimated to increase to EUR 60 million from the original estimate of EUR 50.5 million. Following the completion of the development project, the shopping centre's sales are expected to rise from the current figure of EUR 80 million to EUR 110 million. The aim is to attract approximately 7 million customers to the shopping centre annually.

Refurbishing and extension of the Rocca al Mare shopping centre acquired in Tallinn commenced in February 2007. The first stage of the shopping centre's modernisation is planned to be completed in the spring of 2008, and the second and third stages of the development project are also underway. The completely refurbished Rocca al Mare is expected to open its doors ahead of the planned schedule, in the autumn of 2009.

The zoning appeal related to the expansion of the Lippulaiva shopping centre in Espoo was dismissed by the Supreme Administrative Court at the beginning of September, after which the project has continued according to the original plan.

Completed Development Projects

The period saw the completion of several development projects. The major ones are listed on the table below.

Property	Location	Estimated total cost (EUR million)	Actual gross expenditure by the end of the period (EUR million)
Duo	Tampere, Finland	27.3	25.5
Lillinkulma	Kaarina, Finland	8.2	10.9 1)
Lentola	Kangasala, Finland	16.6	16.2
Linjuri	Salo, Finland	1.8	1.2

1) Includes stages 1 and 2. The second stage was completed earlier than anticipated.

The most significant project completed during the year was the refurbishment and extension of the old Hervanta retail centre located in Hervanta, Tampere, into the shopping centre Duo. The Duo extension was completed in April and the entirely refurbished shopping centre was opened for the Christmas season. The leasable area of Duo is 15,500 square metres, consisting of the old Hervanta retail centre (5,200 sq.m.) and the new extension (10,300 sq.m.). Exceptionally, Duo has three large grocery stores as anchor tenants. For 2008, the targeted number of customers is 3.5 million, the sales target being EUR 55 million. The project was completed on budget and on schedule.

The new retail centre built in Lentola, Kangasala, was completed towards the end of the year and transferred, fully leased, to Citycon's ownership. Located in Kaarina, the new Lillinkulma retail centre was completed in May.

In the centre of the town of Salo, a Citycon retail property was redeveloped into a shopping centre and was opened for Christmas 2007. At Myyrmanni in Vantaa, modernisation of the food court doubled the shopping centre's existing restaurant services.

BUSINESS UNITS

Citycon's business operations are divided into three business units: Finland, Sweden and the Baltic Countries. These are further divided into business areas Retail Properties and Property Development.

Finland

Citycon is the market leader in the Finnish shopping centre business. The company's net rental income from Finnish operations grew by 10.1 per cent, to EUR 75.7 million. Net rental income from like-for-like properties rose by 6.6 per cent.

The business unit accounted for 73.2 per cent of the company's total net rental income. During the last 12 months, rolling twelve-month occupancy cost ratio for like-for-like properties was 8.6 per cent. The occupancy cost ratio is calculated as a share of net rent and potential service charges paid by a tenant to Citycon out of the tenant's sales excluding VAT. The VAT percentage is an estimate.

Property acquisitions as well as development projects in progress or completed in Finland have been covered previously in this document.

Lease portfolio summary, Finland

	2007	2006	Change -%
Number of leases started during the period	442	321	37.7
Total area of leases started, sq.m.	74,400	66,500	11.9
Occupancy rate at end of the period ,%	95.6	97.2	-1.6
Average length of lease portfolio at the end of the period, year	3.1	3.1	0.0

Financial performance, Finland

	2007	2006	Change -%
Gross rental income, EUR million	100.7	93.1	8.2
Turnover, EUR million	104.3	95.8	8.9
Net rental income, EUR million	75.7	68.8	10.1
Net fair value gains on investment property, EUR million	148.5	104.8	41.7
Operating profit, EUR million	218.7	176.1	24.2
Capital expenditure, EUR million	428.8	152.8	180.6
Fair market value of investment properties, EUR million	1,587.0	1,009.7	57.2
Net rental yield, % (1	6.2	7.6	–
Net rental yield, like-for-like properties, %	7.1	7.9	–

1) Includes the lots for development projects.

Sweden

Citycon has achieved a substantial position in the Swedish shopping centre market and has eight (5) shopping centres and seven (7) other retail properties in Sweden, located in Stockholm and Gothenburg areas and Umeå. The company's net rental income from Swedish operations improved by 133.6 per cent, to EUR 21.6 million, and the business unit's net rental income accounted for 20.9 per cent of Citycon's total net rental income.

Property acquisitions and development projects in progress in Sweden have been covered previously in this document.

Lease Portfolio Summary, Sweden

	2007	2006	Change -%
Number of leases started during the period	49	32	53.1
Total area of leases started, sq.m.	25,800	3,900	561.5
Occupancy rate at end of the period ,%	95.1	96.3	-1.2
Average length of lease portfolio at the end of the period, year	2.4	2.2	11.6

Financial performance, Sweden

	2007	2006	Change -%
Gross rental income, EUR million	35.4	15.9	121.8
Turnover, EUR million	39.0	17.3	125.1
Net rental income, EUR million	21.6	9.3	133.6
Net fair value gains on investment property, EUR million	55.6	8.7	539.3
Operating profit, EUR million	74.3	16.8	343.4
Capital expenditure, EUR million	142.4	267.2	-46.7
Fair market value of investment properties, EUR million	517.5	354.8	45.9
Net rental yield, % (1	4.6	5.1	–
Net rental yield, like-for-like properties, %	5.3	6.8	–

1) Includes the lots for development projects.

Baltic Countries

At the end of the reporting period, Citycon owned three shopping centres in the Baltic countries: Rocca al Mare and Magistral in Tallinn, Estonia and Mandarinas in Vilnius, Lithuania. Due to the limited size of the Baltic market and the limited availability of suitable properties, Citycon has been cautious with investments in the region. However, the company is continuously looking for potential investment opportunities in the region. Net rental income from Baltic operations increased by 25.4 per cent to EUR 6.0 million. The business unit accounted for 5.8 per cent of the company's total net rental income.

Property acquisitions and development projects in progress in the Baltic countries have been covered previously in this document.

Lease Portfolio Summary, Baltic Countries

	2007	2006	Change -%
Number of leases started during the period	21	16	31.3
Total area of leases started, sq.m.	3,208	2,900	10.6
Occupancy rate at end of the period ,%	100.0	100.0	0.0
Average length of lease portfolio at the end of the period, year	2.8	3.3	-15.9

Financial performance, Baltic Countries

	2007	2006	Change -%
Gross rental income, EUR million	7.7	6.1	25.7
Turnover, EUR million	8.0	6.2	29.4
Net rental income, EUR million	6.0	4.8	25.4
Net fair value gains on investment property, EUR million	9.3	6.6	42.0
Operating profit, EUR million	14.5	10.9	33.0
Capital expenditure, EUR million	31.7	16.2	95.1
Fair market value of investment properties, EUR million	111.2	83.3	33.4
Net rental yield, % (1	6.2	6.7	–

1) Includes the lots for development projects.

TURNOVER AND PROFIT

Turnover for the period came to EUR 151.4 million (EUR 119.4 million), mainly coming from the rental income generated by Citycon's retail premises. Gross rental income accounted for 94.9 per cent (96.5%) of turnover.

Operating profit rose to EUR 300.7 million (EUR 196.5 million). Profit before taxes came to EUR 253.5 million (EUR 165.6 million) and profit after taxes was EUR 203.9 million (EUR 126.4 million). The increase in operating profit was chiefly due to changes in the fair value of the property portfolio and the operating profit generated by the acquired properties.

The effect of changes in fair value of the property portfolio, of gains on sales and of other one-off items on the profit attributable to the parent company's shareholders was EUR 164.6 million (EUR 92.5 million). Taking this effect into account, the direct result was EUR 3.3 million above the reference period level (see the Note Reconciliation between the Direct and Indirect Result). The profit growth results from property acquisitions and increased net rental income from like-for-like properties. Current taxes on direct result were lower during the period than during the comparison period in spite of profit growth. The lower current taxes resulted mostly from higher depreciation of buildings in Finland, reducing the parent company's result under the local Finnish Accounting Standards (FAS) and thereby also current taxes.

Earnings per share came to EUR 1.00 (EUR 0.76). Direct result per share (EPRA EPS) came to EUR 0.18 (EUR 0.20). Net cash flow from the operating activities per share amounted to EUR 0.20 (EUR 0.20).

HUMAN RESOURCES AND ADMINISTRATIVE EXPENSES

At the end of the year, Citycon Group had a total of 102 (73) employees, of whom 71 were employed in Finland, 24 in Sweden and seven in the Baltic countries. Administrative expenses rose to EUR 16.5 million (EUR 12.9 million), including EUR 0.7 million (EUR 0.9 million) in share-based, non-cash implicit expenses related to employee stock options and the company's share-based incentive scheme. The higher expenses were partly due to the expansion of the company's operations and to the cost of creating the new regional organisation.

Wages and salaries paid by the Group totalled EUR 6.6 million (EUR 4.6 million), of which those paid to the Chief Executive Officer accounted for EUR 0.3 million (EUR 0.3 million) and Board members EUR 0.5 million (EUR 0.5 million). Wages and salaries paid by the parent company totalled EUR 5.2 million (EUR 4.2 million), of which those paid to the CEO accounted for EUR 0.3 million (EUR 0.3 million) and Board members EUR 0.5 million (EUR 0.5 million).

Key figures describing the company's personnel

	2007	2006	2005
Average number during the year	93	62	43
Wages and salaries during the year, EUR million	6.6	4.6	3.1

CAPITAL EXPENDITURE

Citycon's reported gross capital expenditure in the period totalled EUR 603.9 million (EUR 436.4 million). Of this, property acquisitions accounted for EUR 531.3 million (EUR 400.9 million), property development for EUR 71.8 million (EUR 35.4 million) and other investments for EUR 0.8 million (EUR 0.2 million).

The investments were mainly financed with the directed share issue worth approximately EUR 133.8 million, with the rights issue worth EUR 99.3 million and a bridge funding facility for EUR 350 million made with a Nordic bank group.

BALANCE SHEET AND FINANCIAL POSITION

The period-end balance sheet total stood at EUR 2,308.6 million (EUR 1,486.4 million). Liabilities totalled EUR 1,297.7 million (EUR 906.1 million), with short-term liabilities accounting for EUR 157.8 million (EUR 134.4 million). The Group's financial position remained healthy during the period. At the end of the financial year, Citycon had a total of EUR 150 million of undrawn credit limits available, and it also had the opportunity to issue EUR 45 million in short-term loans under the company's domestic commercial paper programme.

Year-on-year interest-bearing debt increased by EUR 340.0 million to EUR 1,154.0 million (EUR 814.0 million). The fair value of Group's interest-bearing debt stood at EUR 1,171.4 million (EUR 832.5 million). Short-term interest bearing debt constitutes approximately 9 per cent of the total interest-bearing debt of the group. The undrawn credit limits available at the end of financial year are sufficient to cover maturing interest-bearing debt for the next two years.

The Group's cash and cash equivalents totalled EUR 24.2 million (EUR 21.3 million). The fair value of Group interest-bearing net debt stood at EUR 1,147.3 million (EUR 811.2 million).

The year-to-date average interest rate was 4.68 per cent (4.35%) during the reporting period. The increase of the average interest rate was moderate in comparison to the rapid increase in short-term interest rates in the company's operating areas. The average loan maturity, weighted according to principals of the loans, increased to 4.7 years (4.6 years), since the short-term bridge funding was repaid using a seven year syndicated credit. The average time to fixing was 3.1 years (3.4 years). The interest rate, interest-rate swaps included, averaged 5.02 per cent on 31 December 2007.

The Group's equity ratio stood at 43.9 per cent (39.1%). Period-end gearing stood at 111.8 per cent (136.6%). The decreased gearing and the improved equity ratio during the reporting period were due to the share issues and good financial performance.

Of Citycon's period-end interest-bearing debt, 81.6 per cent (77.5%) were floating-rate loans, of which 61.1 per cent (76.2%) had been converted to fixed-rate loans by means of interest-rate swaps. Fixed-rate debt accounted for 68.3 per cent (81.6%) of the Group's period-end interest-bearing debt, interest-rate swaps included. The loan portfolio's hedging ratio has been in line with the Group's financing policy but slightly below the usual level, due to the market outlook based on a slowdown in world economic growth.

Citycon applies hedge accounting, whereby changes in the fair value of interest-rate swaps subject to hedge accounting are recognised under equity. The period-end nominal amount of interest-rate swaps totalled EUR 634.5 million (EUR 541.7 million), with hedge accounting applied to interest-rate swaps whose nominal amount totalled EUR 558.0 million (EUR 491.7 million). On 31 December 2007, the nominal amount of all the Group's derivative contracts totalled EUR 674.8 million (EUR 556.4 million), and their fair market value was EUR 9.1 million (EUR -1.8 million).

Net financial expenses increased by EUR 16.4 million, to EUR 47.3 million (EUR 30.9 million). This increase came mainly from higher interest expenses due to the higher level of interest-bearing debt, additional expenses resulting from an option on convertible bonds, higher weighted-average interest rate and from non-cash mark-to-market loss from derivatives recognised in the income statement. The net financial expenses in the income statement include EUR 1.8 million (EUR 0.3 million) in non-cash expenses related to the option component on convertible bonds.

CAPITAL MARKET TRANSACTIONS

In 2007, Citycon obtained financing for a total of EUR 584.5 million on the stock and debt markets, and used these funds for acquiring properties and for the development of the existing ones. The conducted financing transactions and changes in the fair value of properties strengthened the company's balance sheet.

In February, Citycon arranged a directed share issue to Finnish and international institutional investors, waiving the shareholders' pre-emptive rights. The issue of new shares was based on the authorisation by the Extraordinary General Meeting of 26 January 2007 and was carried out in an accelerated book-building process on 12–13 February 2007. A total of 25 million new shares were subscribed for at a per-share price of EUR 5.35, resulting in net proceeds of approximately EUR 132.2 million.

In September, as part of financing the acquisition of the Iso Omena shopping centre, the Board of Directors decided on a share issue based on shareholders' pre-emptive subscription rights, worth approximately EUR 99 million. The share issue was authorised by the Annual General Meeting of 13 March 2007, and a total of 27,594,782 new shares were offered for subscription at a price of EUR 3.60 per share. The subscription period began on 19 September and ended on 3 October 2007. Citycon's shareholders had the right to subscribe for one new share per seven shares held. All offered shares were subscribed for in the share offering. A total of 27,235,387 shares were subscribed for in the primary subscription, representing 98.7 per cent of the shares offered. Since the secondary subscription was oversubscribed, the share issue became fully subscribed.

The details of the directed share issue and the rights issue are presented in the stock exchange releases issued by Citycon during the financial year, and are available on the company's website at www.citycon.fi.

Related to the acquisition of the Iso Omena shopping centre, Citycon also signed a EUR 350 million unsecured credit facility agreement with an international banking group. The agreement consists of a seven year bullet term loan of EUR 200 million and a EUR 150 million five year revolving credit facility. The facility was substantially oversubscribed at syndication. The term loan facility was used to refinance a short-term credit facility drawn for the financing of the acquisition of Iso Omena. The EUR 150 million revolving credit facility will be utilised to finance the committed development pipeline and potential property acquisitions in accordance with Citycon's strategy.

Subordinated Convertible Bonds 1/2006

In July of 2006, Citycon's Board of Directors decided to offer EUR 110 million worth of subordinated convertible bonds to international institutional investors. The subordinated convertible bonds have been listed on the OMX Nordic Exchange Helsinki since 22 August 2006. With a maturity of seven years (the maturity date is 2 August 2013), they bear an annual fixed interest rate of 4.5 per cent and their conversion period is from 12 September 2006 to 27 July 2013.

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 accordance with the convertible bonds' terms and conditions, their conversion price was amended due to the rights issue conducted during the financial year 2007, to EUR 4.20. Following an amendment to the conversion price, the conversion of the convertible bonds may increase the number of shares by a maximum of 26,190,476 shares and the company's share capital by a maximum of EUR 35,357,142.60. 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 19, Interest-bearing debt. The terms and conditions and the accrued interest of Citycon's other capital loan are presented in the Note 19 as well.

NEAR-TERM RISKS AND UNCERTAINTIES

Risk management aims to 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 late 2006, Citycon initiated a large-scale project aiming at the adoption of a holistic Enterprise Risk Management (ERM) programme. The project implementation was completed during 2007. Accordingly, the company adopted ERM-compliant operating models and principles of risk management in preparing its 2008 annual plan. 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 estimates that major near-term risks and uncertainties are associated with economic development in the company's operating regions and changes in the fair value of investment properties and interest rates. As the focus of Citycon's growth strategy is shifting from property acquisitions to development and construction of its own properties, the risks associated with project management and with increasing construction costs will be more significant. A marked increase in interest rates, materialisation of a major project risk, considerably higher construction costs, a decline in the fair value of investment properties or a sharp economic slowdown in Finland, Sweden or the Baltic countries could have an adverse effect on Citycon's business and profit performance.

The turbulence in the financial markets that began in the late summer has resulted in a clear increase in short-term interest rates and difficulties in banks' own funding activities, which may significantly affect the availability of funding for Citycon and increase future credit margins and financing costs if the uncertainty continues for a prolonged period. This could have a negative effect on the implementation of Citycon's strategy and on the company's business and profits. The company aims to hedge the risk of changes in the financial market by applying a conservative financing policy, which has thus far kept the company's financial expenses from rising significantly and the availability of financing from decreasing.

The company's risk management is covered in more detail in the Annual Report 2007, which will be published towards the end of February. Financing risks are also presented on pages 35-36 of the Financial Statements.

ENVIRONMENTAL RESPONSIBILITY

Energy-use control 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 in shopping-centre management relate to land use, property maintenance and waste management.

Citycon pays attention to environmental issues in its development projects and is seeking an international environmental rating for them. Sustainable construction is covered above under Development and redevelopment projects.

LEGAL PROCEEDINGS

Market Court's Decision on Citycon's Appeal Regarding Ratina Tender Procedure

The Finnish Market Court issued a decision on 12 October 2007 to dismiss the petition filed by Citycon Oyj and Skanska Talonrakennus Oy on 27 April 2006 in the tender procedure regarding the construction of a shopping centre and related areas in the Ratina region of the City of Tampere, Finland. Citycon did not appeal the decision. More details on this issue are provided in the stock exchange releases published by the company on 27 April 2006 and 15 October 2007 which are available at www.citycon.fi.

ANNUAL GENERAL MEETING

Citycon's Annual General Meeting (AGM), held in Helsinki on 13 March 2007, adopted the financial statements of Citycon Oyj and the Citycon Group for 2006 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 2006. The dividends were paid out on 23 March 2007.

Board of Directors

Under the Articles of Association, the Board consists of a minimum of five and a maximum of eight members, elected by the AGM 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.

With the number of Board members remaining at eight in 2007, the AGM re-elected the following Board members for a one-year term: Gideon Bolotowsky, Amir Gal, Raimo Korpinen, Tuomo Lähdesmäki, Carl G. Nordman, Claes Ottosson, Dor J. Segal and Thomas W. Wernink. The Board elected Thomas W. Wernink as its Chairman and Tuomo Lähdesmäki as Deputy Chairman.

Auditor

The AGM elected Ernst & Young Oy (a firm of authorised public accountants) the company's auditor for the financial year 2007, with Tuija Korpelainen (Authorised Public Accountant) acting as the chief auditor appointed by the firm.

Board Authorisations

The AGM authorised the Board of Directors to decide on issuing new shares and disposing of treasury shares through paid or free share issues. New shares can be issued and treasury shares can be transferred to shareholders in proportion to their existing shareholding or through a directed share issue waiving the pre-emptive rights of shareholders, if a weighty financial reason exists for doing so. The Board can also decide on a free share issue to the company itself. In addition, the Board was authorised to grant special rights referred to in Section 1 of Chapter 10 of the Finnish Limited Liability Companies Act, entitling their holders to receive, against payment, new shares in the company or treasury shares. The combined number of new shares to be issued and treasury shares to be transferred, including the shares granted on the basis of the special rights, may not exceed 100 million. This authorisation is valid for five years from the date of the AGM.

The Board exercised this authorisation on 10 September 2007, when it decided on a share issue based on the shareholders' pre-emptive subscription rights. A maximum of 27,594,782 shares were offered for subscription by shareholders. As a result of this, the number of shares that can be issued or disposed of on the basis of the authorisation now totals 72,405,218.

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

Alteration of the Articles of Association

Under Citycon's Articles of Association, a decision on their alteration can only be made by a shareholders' meeting with a 2/3 majority vote.

The AGM approved the proposed amendments to the Articles of Association, resulting mainly from the new Finnish Limited Liability Companies Act. The amended Articles of Association were registered in the Trade Register on 30 March 2007. The most significant amendments included deleting provisions governing the company's minimum and maximum share capital and the share's nominal value.

SHAREHOLDERS, SHARE CAPITAL AND SHARES

Citycon is a Mid Cap company in the Financials sector, sub-industry Real Estate Management & Development, on the OMX Nordic Exchange, its shares being listed on the stock exchange in Helsinki since November 1988. Its trading code is CTY1S and shares are traded in euros. The ISIN code used in international securities clearing is FI0009002471.

Trading and Share Performance

In 2007, the number of Citycon shares traded on the OMX Nordic Exchange Helsinki totalled 153.7 million (51.2 million) at a total value of EUR 738.1 million (EUR 197.6 million). The highest quotation was EUR 6.09 (EUR 5.09) and the lowest EUR 3.24 (EUR 3.02). The reported trade-weighted average price was EUR 4.76 (EUR 3.86) and the share closed at EUR 3.65 (EUR 5.05). The company's market capitalisation at the end of the financial year totalled EUR 806.6 million (EUR 844.3 million).

Shareholders

On 31 December 2007, Citycon had a total of 2,090 (1,721) registered shareholders, of which nine were account managers of nominee-registered shares. Nominee-registered and other international shareholders held 210.9 million (155.6) shares, or 95.5 per cent (93.1%) of shares and voting rights. Information on the company's major shareholders and the breakdown of shareholding is presented on pages 55-56 of the Financial Statements.

Notifications of Changes in Shareholdings

In 2007, Citycon Oyj received three notifications of changes in shareholdings:

Fidelity International Limited notified the company in February that the holdings of its direct and indirect subsidiaries in Citycon Oyj had fallen below the ten per cent threshold. According to the notification, Fidelity International Limited and its direct and indirect subsidiaries held a total of 17,297,574 Citycon shares on 14 February 2007, equivalent to nine per cent of the company's share capital and voting rights at the time.

ING Clarion Real Estate Securities, L.P. notified the company in August that its holding in Citycon Oyj's voting rights and share capital had risen above the threshold of five per cent. According to the notification, ING Clarion Real Estate Securities, L.P. held 9,726,700 shares on 24 August 2007, equivalent to 5.04 per cent of the company's share capital and voting rights at the time.

Perennial Investment Partners Ltd notified the company in November that its holding in Citycon Oyj's voting rights and share capital had risen above the threshold of five per cent. According to the notification, Perennial Investment Partners Ltd held 11,256,637 shares on 5 November 2007, equivalent to 5.10 per cent of the company's share capital and voting rights at the time.

Share Capital

At the beginning of 2007, the company's registered share capital totalled EUR 225.7 million and the number of shares 167.2 million. During the period, the company's share capital has increased by EUR 33.9 million and the number of shares by 53.8 million as a result of share issues and exercise of stock option rights. The table below shows the changes in more detail. At the end of the period, the company's registered share capital totalled EUR 259.6 million, and the number of shares came to 221.0 million. The company has a single series of shares, with each share conferring entitlement to one vote at general meetings of shareholders. Since the amendment made to the Articles of Association in March, the shares no longer have a nominal value.

Changes in Share Capital, 1 January- 31 December 2007

Date 2007	Reason	Change, EUR	Change, no. of shares	Share capital, EUR	No. of shares
1 Jan.				225,697,293.00	167,183,180
9 Febr.	Increase (stock options)	123,217,20	91,272	225,820,510.20	167,274,452
15 Febr.	Increase (directed share issue)	33,750,000,00	25,000,000	259,570,510.20	192,274,452
27 April	Increase (stock options)	-	206,441	-	192,480,893
14 June	Increase (stock options)	-	21,854	-	192,502,747
24 July	Increase (stock options)	-	307,524	-	192,810,271
11 Sept.	Increase (stock options)	-	353,201	-	193,163,472
10 Sept.	Increase (rights issue, 7:1)	-	27,594,782	-	220,758,254
24 Oct.	Increase (stock options)	-	71,370	-	220,829,624
13 Dec.	Increase (stock options)	-	151,587	-	220,981,211
31 Dec.				259,570,510.20	220,981,211

Own Shares

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

Stock Option Schemes

Stock Options 1999

An Extraordinary General Meeting of Citycon held on 4 November 1999 authorised the issue of a maximum of 5,500,000 stock options. Of these, 5,327,500 options were granted to the personnel. The rest of the options were granted to Citycon's fully owned subsidiary Veniamo-Invest Oy.

The stock option scheme 1999 expired on 30 September 2007. By the end of the subscription period, a total of 5,631,912 Citycon shares had been subscribed by exercising the 1999 stock options, including 825,982 shares subscribed at a EUR 1.35 per-share subscription price during 2007. The shares subscribed entitle their holders to a dividend for the financial year 2007. Of the 1999 option rights, only the 172,500 held by Veniamo-Invest Oy remained unexercised. These options have expired worthless.

Stock Options 2004

The Annual General Meeting held on 15 March 2004 authorised the issue of a maximum of 3,900,000 stock options. Of these, 3,220,000 A/B/C options were held by Group employees at the end of the financial year. The stock options 2004 A and 2004 B are listed on the OMX Nordic Exchange Helsinki. Trading in 2004 B options began on 3 September 2007.

The terms and conditions of the stock option plan 2004 were amended due to the rights issue carried out during the period. Amendments made to the share subscription ratio and subscription prices also apply to the maximum number of shares that can be subscribed exercising these option rights. The table below shows basic information on the stock option scheme 2004 after the amendments valid as of 10 October 2007.

Basic Information on Stock Options 2004 as at 31 December 2007

	2004 A	2004 B	2004 C
No. of options granted	1,040,000	1,090,000	1,090,000
No. held by Veniamo-Invest Oy [1)]	260,000	210,000	210,000
Subscription ratio, option/shares	1:1,2127	1:1,2127	1:1,2127
Subscription price per share, EUR [2)]	2,3432	2,7308	4.4313
Subscription period begins/began	1 Sept. 2006	1 Sept.2007	1 Sept.2008
Subscription period ends	31 March 2009	31 March 2010	31 March 2011
No. of options exercised	336,720	-	-
No. of shares subscribed with options	376,316	-	-

[1)] Veniamo-Invest Oy has no right to subscribe for its parent company's shares.

[2)] The share subscription prices are reduced by half of the per-share dividends paid. However, the share subscription price is always at least EUR 1.35.

The number of new shares subscribed during the financial year by exercising the A options attached to Citycon's 2004 stock option scheme was 286,601, including the 606 shares subscribed for in December. No 2004 B options have been exercised. Shares subscribed in 2007 entitle their holders to a dividend for the financial year 2007. The increase in the number of shares corresponding to the shares subscribed in December has not yet been registered with the Finnish Trade Register. The outstanding stock options under the 2004 option scheme entitle their holders to subscribe for a further 3,496,553 new shares.

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

On 31 December 2007, members of the Board of Directors, the CEO and other members of the Corporate Management Committee and their related parties held a total of 254,710 Citycon shares, accounting for 0.11 per cent of all shares and voting rights.

On 31 December 2007, Citycon's CEO held 75,000 stock options 2004 A, 140,000 stock options 2004 B and 140,000 stock options 2004 C. Other members of the Corporate Management Committee held a total of 150,000 stock options 2004 A, 280,000 stock options 2004 B and 280,000 stock options 2004 C. These option rights entitle the company's CEO and other members of the Corporate Management Committee to subscribe for a maximum of 1,291,525 Citycon shares. Board members are not participants of the company's stock-based incentive 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 43 of the Financial Statements.

EVENTS AFTER THE FINANCIAL YEAR

In connection with the Lippulaiva shopping centre's extension, Citycon acquired all shares in MREC Kiinteistö Oy Majakka and, at the same time, divested its entire holding in MREC Kiinteistö Oy Ulappatori. Kiinteistö Oy Majakka owns undeveloped land in the surroundings of Lippulaiva, in the area planned for the shopping centre's extension in Espoo, Finland.

Since Citycon continues to have a right of possession into the leasable areas of MREC Kiinteistö Oy Ulappatori, the divestment of holding in MREC Kiinteistö Oy Ulappatori is not treated as a disposal of investment property in Citycon's consolidated financial statements prepared in accordance with IFRS. The right of possession terminates when the extension construction is completed or in 2011 at the latest.

Citycon signed an agreement on 12 February for the sale of part of shopping centre Iso Omena to an affiliate of GIC Real Estate, the property investment arm of the Government of Singapore Investment Corporation. Upon closing of the agreement, Citycon will own 60 per cent of the shopping centre and GIC Real Estate, 40 per cent. The parties have agreed that Citycon will continue to be responsible for the business and management of the shopping centre on customary terms. The agreed debt-free purchase price, EUR 131.6 million, is equivalent to 40 per cent of the original acquisition price of EUR 329 million paid by Citycon.

BOARD PROPOSAL FOR PROFIT DISTRIBUTION AND DISTRIBUTION OF ASSETS FROM THE INVESTED UNRESTRICTED EQUITY FUND

The parent company's distributable funds amount to EUR 12.6 million, of which profit for the period accounts for EUR 8.4 million. On the date of publication of the Financial Statements, funds in the parent company's invested unrestricted equity fund total EUR 201.1 million.

On the basis of the Financial Statements to be adopted for the financial year ending on 31 December 2007, the Board of Directors proposes to the Annual General Meeting of 13 March 2008 that a per-share dividend of EUR 0.04 be paid out from the retained earnings, corresponding to a total of EUR 8.8 million, and that EUR 0.10 per share be returned from the invested unrestricted equity fund, corresponding to a total of EUR 22.1 million. The Board of Directors proposes that the record date for dividend payment and equity return be 18 March 2008 and that the dividend and equity return be paid on 2 April 2008.

It is the Board of Directors' opinion that the proposed profit distribution and return of equity do not risk the company's solvency.

OUTLOOK

Citycon's focus will continue to be on increasing net operating income and cash flow. The company expects the development and redevelopment projects to continue to play a central role in its business in 2008. The company will remain active in developing its shopping centres while also seeking acquisition opportunities to implement its expansion strategy. Citycon is also considering to divest non-core properties.

The company expects its net rental income and direct operating profit excluding fair value changes to increase in 2008. The estimate is based on the property portfolio's growth, including the acquisition of Iso Omena shopping centre in September 2007, on investments in shopping-centre management as well as on expansion and redevelopment projects coming on line.

Helsinki, 14 February 2008

Citycon Oyj

Board of Directors

Consolidated Income Statement, IFRS

EUR million	Note	1 Jan.-31 Dec. 2007	1 Jan.-31 Dec. 2006
Total revenues	1	373.1	325.1
Total expenses excluding financial expenses	2	-72.4	-128.6
Gross rental income		143.7	115.1
Service charge income		7.7	4.2
Turnover	4	**151.4**	**119.4**
Property operating expenses	6	47.8	36.0
Other expenses from leasing operations	5	0.3	0.6
Net rental income		**103.4**	**82.8**
Administrative expenses	6, 7	16.5	12.9
Other operating income and expenses	8	0.5	0.6
Fair value gains on investment property		220.9	131.3
Fair value losses on investment property		-7.5	-11.2
Net fair value gains on investment property		213.4	120.1
Investment property disposal proceeds		0.2	73.9
Carrying value of investment property disposals		-0.3	-67.9
Losses/profit on disposal of investment property		-0.1	5.9
Operating profit		**300.7**	**196.5**
Financial income	9	10.6	12.2
Financial expenses	9	-57.9	-43.0
Net financial income and expenses		-47.3	-30.9
Profit before taxes		**253.5**	**165.6**
Current taxes	10	-3.4	-7.4
Change in deferred taxes	10, 21	-46.2	-31.8
Income tax expense		-49.6	-39.2
Profit for the period		**203.9**	**126.4**
Attributable to			
Parent company shareholders		200.3	124.9
Minority interest		3.6	1.5
Earnings per share attributable to parent company shareholders:			
Earnings per share (basic), EUR	11	1.00	0.76
Earnings per share (diluted), EUR	11	0.91	0.73
Direct result	3	35.7	32.4
Indirect result	3	164.6	92.5
Profit for the period attributable to parent company shareholders		**200.3**	**124.9**

Consolidated Balance Sheet, IFRS

EUR million	Note	31 Dec. 2007	31 Dec. 2006
ASSETS			
Non-current assets			
Investment property	12	2,215.7	1,447.9
Development property	13	33.2	-
Property, plant and equipment	14	0.9	0.6
Intangible assets	15	0.5	0.3
Derivative financial instruments	20	10.1	4.5
Total non-current assets		**2,260.5**	**1,453.3**
Current assets			
Trade and other receivables	16	22.7	11.3
Derivative financial instruments	20	1.2	0.4
Cash and cash equivalents	17	24.2	21.3
Total current assets		**48.1**	**33.1**
Total assets		**2,308.6**	**1,486.4**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity attributable to parent company shareholders	18		
Share capital		259.6	225.7
Share issue		-	0.1
Share premium fund		131.1	131.1
Fair value reserve		4.9	-1.3
Invested unrestricted equity fund		199.3	-
Other reserves		0.0	0.0
Translation reserve		-0.3	0.0
Retained earnings		387.3	209.7
Total equity attributable to parent company shareholders		**982.0**	**565.3**
Minority interest		28.9	15.0
Total shareholders' equity		**1,010.9**	**580.3**
LIABILITIES			
Long-term liabilities			
Interest-bearing liabilities	19	1,049.3	726.3
Derivative financial instruments	20	2.3	4.8
Other non-interest-bearing liabilities		0.2	0.1
Deferred tax liabilities	21	88.1	40.4
Total long-term liabilities		**1,139.9**	**771.7**
Short-term liabilities			
Interest-bearing liabilities	19	104.7	87.6
Trade and other payables	22	53.1	46.8
Total short-term liabilities		**157.8**	**134.4**
Total liabilities		**1,297.7**	**906.1**
Total liabilities and shareholders' equity		**2,308.6**	**1,486.4**

Consolidated Cash Flow Statement, IFRS

Me	Note	1 Jan.-31 Dec. 2007	1 Jan.-31 Dec. 2006
Cash flow from operating activities			
Profit before taxes		**253.5**	**165.6**
Adjustments:			
Depreciation and amortization	7	0.5	0.2
Net fair value gains on investment property	12	-213.4	-120.1
Losses/profit on disposal of investment property	12	0.1	-5.9
Financial income	9	-10.6	-12.2
Financial expenses	9	57.9	43.0
Other adjustments		0.6	0.9
Cash flow before change in working capital		88.5	71.6
Change in working capital		0.2	-0.5
Cash generated from operations		**88.8**	**71.1**
Interest and other financial expenses paid		-42.7	-34.1
Interest and other financial income received		3.1	0.9
Taxes paid		-10.0	-5.9
Net cash from operating activities		**39.3**	**32.0**
Cash flow from investing activities			
Acquisition of subsidiaries, less cash acquired	12	-517.6	-331.8
Acquisition of investment properties	12	-16.0	-33.6
Capital expenditure on investment properties	12	-39.3	-35.6
Capital expenditure on development properties, PP&E and intangible assets	13, 14, 15	-24.5	-
Sale of investment properties	12	0.3	73.9
Net cash used in investing activities		**-597.1**	**-327.1**
Cash flow from financing activities			
Proceeds from share issue		232.4	77.4
Proceeds from short-term loans		773.1	421.2
Repayments of short-term loans		-727.9	-392.2
Proceeds from long-term loans		535.8	675.3
Repayments of long-term loans		-228.9	-461.8
Dividends paid		-23.4	-19.2
Net cash from used in financing activities		**561.1**	**300.8**
Net change in cash and cash equivalents		**3.3**	**5.7**
Cash and cash equivalents at period-start	17	21.3	15.6
Effects of exchange rate changes		-0.4	0.0
Cash and cash equivalents at period-end	17	**24.2**	**21.3**

Consolidated Statement of Changes in Shareholders' Equity, IFRS

	Equity attributable to parent company shareholders										
	Share capital	Share issue	Share premium fund	Fair value reserve	Invested unrestricted equity fund	Other reserves	Translation reserve	Retained earnings	Total	Minority interest	Total share-holders equity
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 issues	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
Share-based payments (Note 23)								0.9	0.9		0.9
Other changes									0.0	9.9	9.9
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**
Cash flow hedges				6.3					6.3		6.3
Net gains recognised in equity				6.3					6.3	0.0	6.3
Profit for the period								200.3	200.3	3.6	203.9
Total recognised income and expense for the period				6.3				200.3	206.6	3.6	210.2
Share issues	33.8				197.6				231.3		231.3
Share subscriptions based on stock options	0.1	-0.1	0.0		1.8				1.8		1.8
Dividends								-23.4	-23.4		-23.4
Translation differences							-0.3		-0.3	-0.7	-1.0
Share-based payments (Note 23)								0.6	0.6		0.6
Other changes									0.0	11.0	11.0
Balance at 31 Dec. 2007	**259.6**	**-**	**131.1**	**4.9**	**199.3**	**0.0**	**-0.3**	**387.3**	**982.0**	**28.9**	**1,010.9**

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 14 February 2008.

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 as of 31 December 2007, which refer to the approved applicable standards and their interpretations under 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 Citycon's financial statements. EPRA is the representative body of the publicly traded real estate sector in Europe, publishing recommendations on the presentation of financial information for the sector.

Citycon has used IFRS as the primary basis of its financial statements preparation from the beginning of 2005. Available-for-sale financial 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 that the company's management 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 the 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. The 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 underlying judgements and assumptions.

Changes in IFRS and accounting policies
During the financial year 2007, Citycon adopted the following new and revised IFRS rules. Their adoption had no effect on Citycon's financial results and financial position but has required the presentation of new notes to the financial statements.

- IFRS 7 Financial Instruments: Disclosures
- Amendment to IAS 1 Presentation of Financial Statements.

IFRS 7 Financial Instruments: Disclosures requires information on the significance of financial instruments for an entity's financial position and performance, and on the nature and extent of exposure to risks arising from financial instruments and how the entity manages these risks. Based on Citycon's assessment of the IFRS 7 requirements, the company has supplemented Note 19 Interest-bearing liabilities and Note 20 Financial instruments with new information.

Amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures requires that the company disclose information related to its capital management in the notes to the financial statements. This new information can be found in Note 20 Financial instruments – Capital management.

Citycon did not apply the new IFRS 8 Operating Segments in its consolidated financial statements for 2007. This standard must be applied for financial years starting on 1 January 2009.

On 1 January 2007, Citycon changed its accounting policies related to the accounting treatment of IAS 23 Borrowing Costs by switching over to the allowed alternative treatment, i.e. borrowing costs, such as interest expenses and management fees, are capitalised at cost of properties under construction. The adoption of this accounting treatment had no material effect on the financial statements for 2006.

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 the 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 cost including transaction costs such as consultant fees and transfer taxes. After their initial measurement the investment properties are subject to a fair value model valuation, which is conducted by an external appraiser for the first 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 on 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 cash flow, 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 a fair value model in accordance with IAS 40. The significant extension projects for existing investment properties are exceptions and are treated in accordance with the 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. 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. 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 of the valuation conducted by the external appraiser. The valuation of properties with potential development projects is based on the situation and the estimated rental value on the valuation date. All undeveloped lots, or those under development, are evaluated based on their zoning on 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 have not been taken into account by the external appraiser, 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.

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

Summary of accounting principles for the treatment of investment properties in Citycon's financial statements:

	Standard	Recognition principle	In the balance sheet	In the income statement	Other
Property held to earn rental income or capital appreciation	IAS 40 Investment Property	Initially at cost and subsequently at fair value using the cash flow analysis model	Investment property	Fair value change recognised as valuation gain or loss	
Ordinary development project aimed at improving premises within the existing investment property	IAS 40 Investment Property	Initially at cost and subsequently at fair value using the project model based on the cash flow analysis	Investment property	Fair value change recognised as valuation gain or loss	
Property which is currently under construction and which will be used as an investment property upon completion	IAS 16 Property, plant and equipment	At cost, including financing costs arising from the project	Development property	Impairment losses	Upon completion, accounting treatment under IAS 40
Major development project, based on constructing either a new building or an extension to the existing investment property	IAS 16 Property, plant and equipment	Development project (new building or an extension) is recognized at cost, including financing costs arising from the project	Development property	Impairment losses	Upon completion accounting treatment under 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 mainly of office machinery and equipment and other tangible assets such as artworks. Machines and equipment leased under finance leases are also recognised within property, plant and equipment.

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 assets and liabilities

Recognition and measurement

As required by IAS 39, 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. The classification of 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 and 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 recognised 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 remeasured at fair value on each balance sheet date.

Citycon uses interest rate swaps to hedge the interest rate cash flow risk. These 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 the 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 is recognised in the income statement. The amount in the fair value reserve is 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 are 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 related to foreign exchange derivatives are recognised in the income statement, since fair value changes related to financial assets and liabilities denominated in foreign currencies are also recognised therein.

Embedded derivatives

Under IAS 39, an embedded derivative – a derivative instrument included in another contract, or a host contract, whose financial characteristics are not closely related to those of its host contract – must be separated from the host contract under certain circumstances, accounted for at fair value and changes in its fair value must 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. Borrowing costs, such as interest expenses and arrangement fees, arising from the construction of new buildings or extensions and treated under IAS 16 are capitalised at the cost of property under construction. Capitalisation commences when the construction of a new building or extension begins and ceases once the building is ready for lease. Capitalisable borrowing costs include costs of funds borrowed for a construction project or costs attributable to a construction project multiplied by the capitalisation rate. The capitalisation rate is the weighted average cost of Citycon's borrowings for the financial year.

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 the 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 may arise 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 based on Citycon as a lessor renting out investment properties are not classified as finance 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 on to the company. Leases are classified at their inception and recognised at the lower of the present value of the minimum lease payments and the fair value of the asset under PPE and financial liabilities. PPE is depreciated over its useful economic life or during the lease term. Lease payments in the income statement are recognised as interest or the repayment of financial liabilities.

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

Lease incentives
Citycon mainly uses alteration work on leased premises as lease incentives. On behalf of the lessee, Citycon performs alteration work on premises rented by the lessee and charges the lessee for the resulting costs in terms of a rent increase. The Group recognises the alteration-related rent increase as rental income over the lease term. Rent increase and the expense arising from the alteration work are taken into account when measuring the fair value of investment property.

Citycon has no significant leases that would involve rent-free periods or rent reductions.

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, and to the long-term share-based incentive plan

decided by the Board of Directors on 26 April 2007. Such stock options and share-based incentive plans are measured at fair value on the grant date and expensed over their vesting period. Stock options granted before the above date have not been expensed.

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

MANAGEMENT'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 the 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 the 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 of each property must be defined for the cash flow analysis. Net rental income equals gross rental income less operating expenses. The yield requirement is used for discounting the yearly net rental income less investments, to which the discounted residual value and other assets, such as unused building rights and lots, are added to obtain 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 supply and demand. The 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 on the valuation date. Upon a lease expiry, measuring the occupancy rate involves the 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 year's operating expenses and the benchmark data collected by the 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 this definition involves the 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 a special project model in the valuation of development projects requires the management's judgement or assumptions about future investments, rental agreements and the 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.

Business acquisitions and asset acquisitions

Citycon purchases investment properties through asset acquisitions and business acquisitions. It applies IAS 40 Investment Property to the accounting treatment of asset acquisitions and IFRS 3 Business Combinations to the accounting treatment of business acquisitions. Citycon's management exercises judgement in assessing whether the purchase of an investment property or an investment property portfolio is classified as an asset acquisition or business acquisition. Criteria for business acquisitions identified by Citycon include acquired access to new market areas, a new business line, brand or another intangible asset related to customer relationships etc. However, this is not an exhaustive list, since Citycon's management assesses each investment property purchase on a case-by-case basis.

1. TOTAL REVENUES

EUR million	2007	2006
Gross rental income	143.7	115.1
Service charge income	7.7	4.2
Other operating income	0.5	0.6
Fair value gains on investment property	220.9	131.3
Investment property disposal proceeds	0.2	73.9
Total	**373.1**	**325.1**

Total revenues disclosure is in accordance with the EPRA Recommendations.

2. TOTAL EXPENSES EXCLUDING FINANCIAL EXPENSES

EUR million	2007	2006
Property operating expenses	47.8	36.0
Other expenses from leasing operations	0.3	0.6
Administrative expenses	16.5	12.9
Fair value losses on investment property	7.5	11.2
Carrying value of investment property disposals	0.3	67.9
Total	**72.4**	**128.6**

Total expenses disclosure is in accordance with the EPRA Recommendations.

Total revenues deducted by total expenses equals to operating profit.

3. RECONCILIATION BETWEEN DIRECT AND INDIRECT RESULT

Due to the nature of Citycon's business and the requirement to apply IFRS, the consolidated income statement includes a large number of items related to non-operating activities. In addition to the consolidated income statement under IFRS, Citycon also presents its profit for the period with direct result and indirect result separately specified, in an attempt to enhance the transparency of its operations and to facilitate comparability of financial years. Direct result describes the profitability of the Group's operations during the financial year disregarding the effects of fair value changes, gains or losses on sales and other extraordinary items. Earnings per share calculated based on direct result corresponds to the earnings per share definition recommended by EPRA.

EUR million	2007	2006
DIRECT RESULT		
Net rental income	103.4	82.8
Administrative expenses	-16.5	-12.3
Other operating income and expenses	0.5	0.6
Net financial income and expenses	-47.3	-30.0
Current taxes	-3.4	-5.5
Change in deferred taxes	-0.2	-3.0
Minority interest	-0.9	-0.3
Total	**35.7**	**32.4**
Direct result per share, diluted (Diluted EPRA EPS) [1]	0.18	0.20

EUR million	2007	2006
INDIRECT RESULT		
Net fair value gains on investment property	213.4	120.1
Profit on disposal of investment property	-0.1	5.9
Administrative expenses related to disposals	-	-0.6
One-off financial income and expenses	-	-0.9
Current taxes related to disposals	-	-1.9
Change in deferred taxes	-46.0	-28.8
Minority interest	-2.7	-1.3
Total	**164.6**	**92.5**
Indirect result per share, diluted [1]	0,72	0,53
Profit for the period attributable to parent company shareholders	**200.3**	**124.9**

1) Calculation of the number of the shares is presented in the note 11 Earning per share and net asset value per share.

4. SEGMENT INFORMATION

The presentation of segment information is based on geographical segments and business segments. 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 22 shopping centres in addition to 46 other retail properties, of which 33 are located in the Helsinki Metropolitan Area and 35 elsewhere in Finland.

Sweden

Citycon has expanded especially in Sweden during the last two years. It now owns eight shopping centres and seven other retail properties. In 2007 Citycon extended its operations outside the Stockholm and Gothenburg economic areas, to Umeå, by acquiring 75 per cent of shopping centre Strömpilen and retail property Länken.

Seven of the sites in Sweden are located in the Greater Stockholm Area, six in the Greater Gothenburg Area and two in Umeå.

The Baltic Countries

Citycon owns three 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 in Vilnius. In 2007 Citycon acquired Magistral shopping centre in Tallinn.

BUSINESS SEGMENTS

Business segments comprise shopping centres and other retail properties.

Shopping centres

The Shopping centres segment consists of 33 shopping and retail centre properties, 22 of which are located in Finland, eight in Sweden, two in Estonia, one in Lithuania. Shopping Centres form the core of Citycon's business.

Citycon leads the Finnish property market for shopping centres.

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, development properties as well as property, plant and equipment and intangible assets in the balance sheet.

A) GEOGRAPHICAL SEGMENTS

EUR million	1 JAN.-31 DEC. 2007 Finland	Sweden	Baltic Countries	Other	Total
Gross rental income	100.7	35.4	7.7	-	143.7
Service charge income	3.6	3.7	0.4	-	7.7
Turnover	**104.3**	**39.0**	**8.0**	**0.0**	**151.4**
Property operating expenses	28.5	17.3	2.1	-0.1	47.8
Other expenses from leasing operations	0.1	0.1	0.0	0.0	0.3
Net rental income	**75.7**	**21.6**	**6.0**	**0.1**	**103.4**
Administrative expenses	5.5	3.2	0.9	6.9	16.5
Other operating income and expenses	0.2	0.2	0.1	0.0	0.5
Net fair value gains on investment property	148.5	55.6	9.3	0.0	213.4
Losses on disposal of investment property	-0.1	0.0	0.0	0.0	-0.1
Operating profit	**218.7**	**74.3**	**14.5**	**-6.8**	**300.7**
Net financial income and expenses				-47.3	-47.3
Income tax expense				-49.6	-49.6
Profit for the period					**203.9**
Assets	**1,594.2**	**542.2**	**125.3**	**46.9**	**2,308.6**
Liabilities	**14.7**	**11.8**	**3.2**	**1,268.1**	**1,297.7**
Capital expenditure	**429.1**	**142.4**	**31.7**	**0.8**	**603.9**

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**

B) BUSINESS SEGMENTS

EUR million	1 JAN.-31 DEC. 2007 Shopping centres	Other retail properties	Other	Total
Turnover	120.6	30.8	-	**151.4**
Assets	1,908.9	352.8	46.9	**2,308.6**
Investments	571.4	31.7	0.8	603.9

Shopping centre Linjuri was moved from Other retail properties to Shopping centre segment in 2007. 2006 figures has been restated to be in compliance with the new classification.

EUR million	1 JAN.-31 DEC. 2006 Shopping centres	Other retail properties	Other	Total
Turnover	82.4	36.9	-	**119.4**
Assets	1,073.6	384.6	28.1	**1,486.4**
Investments	384.5	51.7	0.2	**436.4**

5. OTHER EXPENSES FROM LEASING OPERATIONS

EUR million	2007	2006
Leased premises' changes and commissions	0.1	0.4
Credit losses	0.2	0.2
Total	**0.3**	**0.6**

Significant leased premises' changes are recognized as investments.

6. PERSONNEL EXPENSES

EUR million	2007	2006
Wages and salaries	6.6	4.6
Pensions: defined contribution plans	0.8	0.7
Social charges	1.0	0.3
Expense of share based payments	0.6	0.9
Total	**9.0**	**6.5**

Personnel expenses of EUR 0.7 million (EUR 0.3 million) is included in property operating expenses and EUR 8.3 million (EUR 6.2 million) in administrative expenses.

The share based payments plans are described in the Note 23. Employee benefits.

Average Group staff during period		
Finland	68	53
Sweden	19	3
The Baltic Countries	6	6
Total	**93**	**62**

Information on management benefits and loans are presented in the notes to the consolidated financial statements under 25. Related party transactions.

7. DEPRECIATION AND AMORTIZATION

Depreciation and amortization of EUR 0.5 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	2007	2006
Other operating income	0.6	0.6
Other operating expenses	0.0	-
Total	**0.5**	**0.6**

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

9. NET FINANCIAL INCOME AND EXPENSES

EUR million	2007	2006
Interest income	1.4	0.9
Foreign exchange gains	9.2	9.3
Other financial income	0.1	2.0
Financial income, total	**10.6**	**12.2**
Interest expenses	44.7	31.6
Foreign exchange losses	9.3	9.2
Other financial expenses	3.9	2.2
Financial expenses, total	**57.9**	**43.0**
Net financial income and expenses	**47.3**	**30.9**
Of which attributable to financial instrument categories:		
Interest-bearing loans and receivables	51.1	26.8
Finance lease liabilities	0.0	0.0
Derivative financial instruments	-3.8	4.1
Other liabilities and receivables	-0.1	0.0
Net financial income and expenses	**47.3**	**30.9**

In 2007, foreign exchange gains of EUR 4.4 million (losses of EUR 2.1 million) were recognised in the income statement from foreign exchange derivative agreements.

In 2007, expense of EUR 0.6 million (income of EUR 2.0 million) was recognised in the income statement in "Other financial expenses" from interest rate swaps which are not under hedge accounting.

10. INCOME TAX EXPENSE

EUR million	2007	2006
Current tax	3.4	7.3
Tax for prior periods	0.0	0.1
Deferred tax	46.2	31.8
Income tax expense	**49.6**	**39.2**

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

EUR million	2007	2006
Profit before taxes	253.5	165.6
Taxes at Finnish tax rate	65.9	43.1
Foreign subsidiaries' fair value gains and losses	-16.7	-4.0
Difference in foreign subsidiaries' tax rate	-0.8	-0.9
Undistributed profit of subsidiaries	-0.7	0.7
Unrecognised tax receivables from losses	3.0	0.9
Depreciation deducted in taxation	-1.9	-1.0
Utilisation of previously unrecognised tax losses	0.1	0.1
Other	0.7	0.3
Income tax expense	**49.6**	**39.2**
Effective tax rate	19.6%	23.7%

11. EARNINGS PER SHARE AND NET ASSET VALUE 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.

	2007	2006
A) EARNINGS PER SHARE CALCULATED FROM THE PROFIT FOR THE PERIOD		
Earnings per share, basic		
Profit attributable to parent company shareholders (EUR million)	200.3	124.9
Issue-adjusted average number of shares (1,000)	199,403.7	163,339.4
Earnings per share (basic) (EUR)	1.00	0.76
Earnings per share, diluted		
Profit attributable to parent company shareholders (EUR million)	200.3	124.9
Expenses arising from convertible loan, adjusted with the tax effect deduction (EUR million)	5.7	2.3
Profit used in the calculation of diluted earnings per share (EUR million)	206.0	127.2
Issue-adjusted average number of shares (1,000)	199,403.7	163,339.4
Convertible capital loan impact	26,190.5	10,731.5
Adjustments for stock options (1,000)	1,527.8	1,273.9
Issue-adjusted average number of shares used in the calculation of diluted earnings per share (1,000)	227,122.0	175,344.9
Diluted earnings per share (EUR)	0.91	0.73

B) EARNINGS PER SHARE CALCULATED FROM THE DIRECT RESULT FOR THE PERIOD

EUR million	2007	2006
Direct result per share, diluted (Diluted EPRA EPS)		
Direct result (EUR million) (Note 3)	35.7	32.4
Expenses arising from convertible loan, adjusted with the tax effect deduction (EUR million)	5.7	2.3
Profit used in the calculation of diluted earnings per share (EUR million)	41.4	34.7
Issue-adjusted average number of shares used in the calculation of diluted earnings per share (1,000)	227,122.0	175,344.9
Direct result per share, diluted (Diluted EPRA EPS)	0.18	0.20

The diluted earnings per share is calculated adjusting the weighted average number of 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 group could 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 26.2 million shares. Convertible capital loan have dilutive potential from the date of issue i.e. 2 August 2006. Expenses arising from the convertible loan are adjusted with the tax effect deduction when calculating the dilution effect.

Issue-adjusted average number of shares used in the calculation of earnings per share

	days	Share issue coefficient	number of shares
1.1.2007	39	1.02422	167,183,180
9.2.2007	6	1.02422	167,274,452
15.2.2007	71	1.02422	192,274,452
27.4.2007	48	1.02422	192,480,893
14.6.2007	40	1.02422	192,502,747
24.7.2007	49	1.02422	192,810,271
11.9.2007	29	1.02422	193,163,472
10.10.2007	14		220,758,254
24.10.2007	50		220,829,624
13.12.2007	19		220,981,211
	365		
Issue-adjusted average number of shares			199,403,727

C) NET ASSET VALUE PER SHARE

Citycon presents the net asset value (EPRA NAV) and adjusted net asset value per share (EPRA NNNAV) in accordance with the recommendations of the European Public Real Estate Association (EPRA).

	2007			2006		
	EUR million	Issue-adjusted number of shares (1,000)	Per share, EUR	EUR million	Issue-adjusted number of shares (1,000)	Per share, EUR
Equity attributable to parent company shareholders	982.0	220,981.2	4.44	565.3	171,232.6	3.30
Deferred taxes from the difference of fair value and fiscal value of investment properties	84.8	220,981.2	0.38	38.8	171,232.6	0.23
Fair value of financial instruments	-		-	-		-
Net asset value (EPRA NAV)	**1,066.8**	**220,981.2**	**4.83**	**604.1**	**171,232.6**	**3.53**
Deferred taxes from the difference of fair value and fiscal value of investment properties	-84.8	220,981.2	-0.38	-38.8	171,232.6	-0.23
The difference between the mark-to-market and book value of debt	-5.8	220,981.2	-0.03	-26.9	171,232.6	-0.16
Fair value of financial instruments	-		-	-		-
EPRA NNNAV	**976.2**	**220,981.2**	**4.42**	**538.5**	**171,232.6**	**3.14**

12. INVESTMENT PROPERTY

EUR million	2007	2006
At period-start	**1,447.9**	**956.6**
Acquisitions during the period	531.3	400.9
Investments during the period	44.8	35.4
Disposals during the period	-0.3	-67.9
Transfer into the development properties	-6.2	-
Fair value gains on investment property	220.8	131.3
Fair value losses on investment property	-7.5	-11.2
Exchange differences	-15.1	2.9
At period-end	**2,215.7**	**1,447.9**

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. Analysis indicates that the market value is most sensitive to the yield requirement and gross income levels. A 10 percent decrease in the yield requirement results in an approximately 11 percent increase in total value. Correspondingly, a 10% increase in gross income increases the value by approximately 14 percent. The segments' yield requirements and market rents used by the external appraiser in the cash flow analysis were as follows at 31 December 2007 and at 31 December 2006:

	Yield requirement (%)		Market rents (EUR/sq.m.)	
	2007	2006	2007	2006
Finland	5.7	6.6	21.1	16.8
Sweden	5.4	6.4	13.2	13.0
the Baltic Countries	6.4	7.1	16.4	14.5
Total	**5.6**	**6.6**	**19.0**	**15.6**

Realia Management Oy within Realia Group conducted the valuation of Citycon's properties for the Annual Report 2007 and the Q2 and Q3/2007 Interim Reports while Aberdeen Property Investors Finland Oy did the same for the Q1/2007 Interim Report. The resulting fixed fees based on the 2007 valuations total EUR 0.2 million.

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. The reconciliation between the fair value determined by the external appraiser and the fair value of investment properties in Citycon's balance sheet is as follows:

EUR million	2007	2006
Value determined by the external appraiser as at Dec. 31	2,194.8	1,430.0
Capital expenditure on development projects	4.7	9.4
Acquisition of new properties	16.2	8.5
Fair value of investment properties as at Dec. 31	2,215.7	1,447.9

13. DEVELOPMENT PROPERTY

When Citycon redevelops its existing investment properties, the properties remain as the investment properties in the balance sheet, and they are measured based on fair value model in accordance with IAS 40. The significant development projects, in which a new building or significant extension is constructed, are exceptions and they are treated in accordance with IAS 16 Property, Plant and Equipment standard. The significant extension projects are presented as development properties separately from the property, plant and equipment in the balance sheet based on the recommendations of the European Public Real Estate Association (EPRA). As at 31 December 2007, the development properties consisted of the capital expenditure relating to extension projects in Rocca al Mare, Åkersberga and Liljeholmen shopping centres.

EUR million	2007	2006
At period-start	-	-
Investments during the period	26.4	-
Capitalized interest	0.6	-
Transfer from investment property	6.2	-
At period-end	**33.2**	-

14. PROPERTY, PLANT AND EQUIPMENT

EUR million	2007	2006
Acquisition cost Jan. 1	**1.4**	**1.2**
Additions during the period	0.4	0.2
Accumulated acquisition cost Dec. 1	**1.8**	**1.4**
Accumulated depreciation and impairment losses, Jan. 1	**0.7**	**0.5**
Depreciation during the period	0.3	0.2
Accumulated depreciation and impairment losses, Dec 31.	**1.0**	**0.7**
Net carrying amount Jan 1.	**0.6**	**0.7**
Net carrying amount Dec 31.	**0.9**	**0.6**

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

15. INTANGIBLE ASSETS

EUR million	2007	2006
Acquisition cost Jan. 1	**0.6**	**0.4**
Additions during the period	0.4	0.2
Accumulated acquisition cost Dec. 1	**1.0**	**0.6**
Accumulated depreciation and impairment losses, Jan. 1	**0.3**	**0.3**
Depreciation during the period	0.1	0.0
Accumulated depreciation and impairment losses, Dec 31.	**0.4**	**0.3**
Net carrying amount Jan 1.	**0.3**	**0.2**
Net carrying amount Dec 31.	**0.5**	**0.3**

Intangible assets consisted mainly of intangible rights.

16. TRADE AND OTHER RECEIVABLES

EUR million	2007	2006
Trade receivables	2.5	1.0
Accrued income and prepaid expenses	3.2	5.5
Tax receivables (incl. VAT-receivables)	16.3	4.2
Other receivables	0.7	0.6
Total	**22.7**	**11.3**

Ageing structure of trade receivables:

EUR million	2007	2006
NOT past due nor impaired	0.6	0.1
Past due, less than 1 month	1.4	0.5
Past due, 1-3 months	0.2	0.1
Past due, 3-6 months	0.1	0.0
Past due, 6-12 months	0.1	0.0
Past due, 1-2 years	0.0	0.2
Past due, 2-5 years	0.0	0.0
Past due, over 5 years	0.0	0.0
Total	**2.5**	**1.0**

17. CASH AND CASH EQUIVALENTS

EUR million	2007	2006
Cash in hand and at bank	24.2	19.4
Short-term deposits	-	1.9
Total	**24.2**	**21.3**

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

18. SHAREHOLDERS' EQUITY

A) The effect of the changed number of shares on funds included in shareholders' equity

	Number of shares	Share capital (EUR million)	Share issue (EUR million)	Share premium (EUR million)	Invested unrestricted equity equity fund (EUR million)	Total (EUR million)
1 Jan. 2006	136,382,018	184.1	1.1	78.8	-	264.0
Directed share issue	27,274,949	36.8		37.1		73.9
Equity instrument of convertible 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
Directed share issue	25,000,000	33.8			98.8	132.6
Rights issue	27,594,782	-			98.7	98.7
Stock options exercised	1,203,249	0.1	-0.1		1.8	1.8
31 Dec. 2007	220,981,211	259.6	-	131.1	199.3	590.0

The issue-adjusted number of shares on 31 December 2007 totalled 220 981 211 and 171 232 600 at the year-end 2006.

B) Description of funds and reserves included in shareholders' equity

Share premium fund

Since the entry into force of the new Finnish Companies Act, no new items are recognised in the share premium fund. The share premium fund accumulated in 2006 due to option schemes and share issues.

Invested unrestricted equity fund

Pursuant to the new Finnish Companies Act, Citycon presents the invested unrestricted equity fund as a new equity item. The invested unrestricted equity fund is credited, for instance, with that part of the subscription price of the shares that according to the Memorandum of Association or the share issue decision is not to be credited to the share capital. The invested unrestricted equity fund accumulated in 2007 due to subscriptions under option schemes, a directed share issue and a rights issue.

Translation reserve

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

Fair value reserve

Fair value reserve contains fair value changes of derivative instruments used to hedge cash flows.

19. INTEREST-BEARING LIABILITIES

A) Breakdown of interest-bearing liabilities

EUR million	Effective interest rate (%)	Carrying amount 2007	Carrying amount 2006
Long-term interest-bearing liabilities			
Loans from financial institutions			
EUR 435 million term loan facility	EURIBOR + 0,675	392.4	418.7
EUR 165 million revolving credit facility	EURIBOR + 0,5	162.4	85.0
EUR 200 million term loan facility	EURIBOR + 0,675	199.2	-
SEK 500 million bank loan	STIBOR + 0,55	53.0	31.0
EEK 470 million bank loan	5.599	28.8	-
LTL 52 million bank loan	VILIBOR + 0,525	13.5	15.0
Other loans from financial institutions	-	34.4	13.3
Convertible capital loan 1/2006	7.58	95.0	92.9
Subordinated capital loan 1/2005	4.7	70.0	70.0
Finance lease liabilities	-	0.5	0.4
Total long-term interest-bearing liabilities		**1,049.3**	**726.3**
Short-term interest-bearing liabilities			
Loans from financial institutions			
EEK 470 million bank loan	TALIBOR + 0,5	-	30.0
Commercial papers	EURIBOR + 0,1	54.5	39.4
Current portion of loans from financial institutions	-	20.0	18.0
Other loans from financial institutions	-	30.2	0.2
Finance lease liabilities	-	0.0	0.0
Total short-term interest-bearing liabilities		**104.7**	**87.6**

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 shareholders' equity under share premium fund.

Maturity of long-term interest-bearing liabilities

EUR million	2007	2006
1-2 years	20.4	28.0
2-3 years	91.8	50.4
3-4 years	193.6	176.0
4-5 years	72.4	30.3
over 5 years	671.2	441.7
Total	**1,049.3**	**726.3**

Long-term interest-bearing liabilities by currency, EUR million

EUR	670.8	485.4
EEK	28.8	-
SEK	336.2	225.9
LTL	13.5	15.0
Total	**1,049.3**	**726.3**

Short-term interest-bearing liabilities by currency, EUR million

EUR	94.9	49.5
EEK	1.2	30.0
SEK	7.8	8.1
LTL	0.8	-
Total	**104.7**	**87.6**

B) Terms and conditions of 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 2007.
3) Fixed annual interest of 4.70% will be paid annually in arrears on the loan's principal until 17 June 2010. Unless the loan is repaid in full on its maturity date of 17 June 2010, interest on the unpaid loan principal after that date is 12-month Euribor plus 5 percentage points. Interest can be paid only if this amount can be allocated to profit distribution based on the company's and its Group's latest adopted balance sheet.
4) The company has the right to repay the loan's principal in part or in full on each interest-payment date at a rate determined by discounting the remaining cash flows up to the repayment date. The interest rate to be used for discounting is the Finnish government reference rate for the same period plus 1.5 percentage points.

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 conversion price is EUR 4.2000 per share and a full conversion of the loan would result in the issue of 26,190,476 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 2007.
3) Fixed annual interest of 4.50% 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 4.2000 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 26,190,476 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.

C) Breakdown of finance lease liabilities

EUR million	2007	2006
Maturity of finance lease liabilities:		
Finance lease liabilities - minimum lease payments		
Not later than 1 year	0.3	0.3
1-5 years	0.4	0.1
Over 5 years	0.0	0.0
Total	**0.7**	**0.4**
Finance lease liabilities - present value of minimum lease payments		
Not later than 1 year	0.2	0.3
1-5 years	0.3	0.1
Over 5 years	0.0	0.0
Total	**0.5**	**0.4**
Future finance charges on finance leases	0.0	0.0
Total finance lease liabilities	0.5	0.4

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

20. FINANCIAL INSTRUMENTS

A) Carrying amount and fair value of financial assets and liabilities

EUR million	Note	Carrying amount 2007	Fair value 2007	Carrying amount 2006	Fair value 2006
Financial assets					
Cash and cash equivalents	17	24.2	24.2	21.3	21.3
Investments		0.0	0.0	0.0	0.0
Trade and other receivables	16	22.7	22.7	11.3	11.3
Derivative financial instruments		11.4	11.4	4.9	4.9
Financial liabilities					
Loans from financial institutions	19	988.5	990.9	650.6	652.1
Convertible capital loan 1/2006	19	95.0	110.0	92.9	110.0
Subordinated capital loan 1/2005	19	70.0	70.0	70.0	70.0
Finance lease liabilities	19	0.5	0.5	0.4	0.4
Trade and other payables and liabilities	22	53.1	53.1	46.8	46.8
Derivative financial instruments		2.3	2.3	4.8	4.8

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.

Fair value of interest rate derivative financial instruments are determined by the counterparty banks using customary valuation techniques used by market participants in the OTC derivative market. The fair value of foreign exchange derivative contracts are based on quoted market prices.

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 95.39 per cent and for Convertible capital loan 1/2006 108.20 per cent as of 31 December 2007.

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.

B) Group's derivative financial instruments

EUR million	Nominal amount 2007	Fair value 2007	Nominal amount 2006	Fair value 2006
Interest rate derivatives				
Interest rate swaps				
Maturity:				
less than 1 year	40.0	0.2	50.0	0.4
1-2 years	112.5	-0.6	40.0	0.0
2-3 years	83.0	-1.1	86.0	-2.6
3-4 years	70.0	1.7	83.0	-2.6
4-5 years	20.0	0.2	40.0	-0.8
over 5 years	309.0	8.5	242.7	3.8
Total	**634.5**	**8.8**	**541.7**	**-1.8**
Foreign exchange derivatives				
Forward agreements				
Maturity:				
less than 1 year	40.4	0.3	14.8	0.0
Total	**40.4**	**0.3**	**14.8**	**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 optimum interest 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 foreign exchange gain of EUR 1.0 million (EUR -1.9 million) which is recognized in income statement.

Hedge accounting is applied for interest rates swaps which have nominal amount of EUR 558.0 million (EUR 491.7 million). The fair value gain recognized in the fair value reserve under shareholders' equity taking account the tax effect totals EUR 4.9 million (EUR -1.3 million).

The average fixed interest rate of the interest rate swaps as at December 31, 2007 was 4.38% (4.16%).

Cash flow hedging

EUR million	2007	2007	2006	2006
Interest rate derivatives	Assets	Liabilities	Assets	Liabilities
Fair value	8.9	-2.3	3.0	-4.8

Citycon's cash flow hedges consist of interest rate and cross-currency swaps which are used to protect against exposure of changes in Citycon's interest expense cash outflow for variable rate interest bearing debt. Hedged instruments consist of long term floating rate debt and short term floating rate debt which is expected to be refinanced at maturity on similar terms.

The critical terms of the interest rate derivatives have been negotiated to match the respective terms of the variable rate loans.

The cash flow from all hedged liabilities over time is the basis for determining the gain and loss on the effective portions of derivatives designed as cash flow hedges. Gains and losses are initially recognized in equity and are transferred to the income statement when the forecast cash flows affect the income statement.

At 31 December 2007, interest rate derivatives assigned as cash flow hedges were assessed to be highly effective and the fair values recognized in the fair value reserve under shareholders' equity taking account the tax effect totals EUR 4.9 million. At 31 December 2006, interest rate derivatives assigned as cash flow hedges were assessed to be highly effective and the fair values recognized in the fair value reserve under shareholders' equity taking account the tax effect totals EUR -1.3 million.

C) Risk management

Objectives

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, which is subject to updating in order to take into account changes in the business operations. During the ERM process for each business unit a risk management policy has been prepared which outlines objectives, responsibilities and development plans within the unit.

Citycon has during 2007 developed risk management functions and has implemented Enterprise Risk Management (ERM) framework within the Citycon group. The purpose of the risk management is to ensure that Citycon will reach its business targets and identify the key risks which may threaten the ability to meet the targets before they realize. Part of ERM process includes identification of existing and planning of new risk mitigation plans in the event that current action are not deemed sufficient for each risk identified. The objective of the mitigation plans is to decrease the likelihood of risk realizing and mitigate the negative effects from realized risks.

Process

Risk management under ERM in Citycon comprises of three main elements, namely 1) risk management implemented into the main business processes 2) risk reporting and 3) continuous improvement of risk management.

Citycon has analyzed and identified five main business processes during the implementation of ERM which are property acquisitions, takeover of acquired properties, shopping centre management, property development and planning and control. Each main process has been carefully analyzed from a risk management angle and a detailed process description has been prepared for each process determining the target state of the process after implementation of improvement measures and taken into account risk management requirements. The implementation of these common best practices into the daily operations at Citycon is currently under way and an essential part of the daily risk management throughout the whole organization is to adhere to these practices.

Risk reporting process gathers analytical data on risks and the respective mitigation plans which are used when risks are reported to the Board of Directors. During the risk reporting period each business unit independently defines their near term targets, risks threatening these targets and mitigation plans which relate to the risks. In order to evaluate the importance of each risk, an estimate on the loss associated with the risk is determined together with probability of risk realization and effectiveness of each mitigation plan on the loss and/or probability. Additional feature of the risk reporting is for each business unit to report the potentially realized risks during the previous year and mitigation plans which have been put into effect during the period. Risk data is inputted into one group wide risk register from which the business unit risk reports are prepared to the Board of Directors and Audit Committee. In addition, from the risk register also a consolidated Citycon Group risk report and analysis is prepared which aims to recognize the group level risk concentrations cross the business units. Risk reports to the Board of Directors and Audit Committee are prepared in conjunction with budgeting during Autumn and strategy review during Spring. Risk management and business unit risk reports are additionally discussed four times a year in Corporate Management Committee.

Citycon aims to a continuous evaluate and develop its ERM process and risk management in general. Four times a year a risk management supervisory group meets and its tasks include the acceptance of the risk reports, evaluate annually the sufficiency of the risk management measures taken in the light of the identified risks, monitor the progress in implementation of the mitigation plans and annually asses the adequacy of the risk management capabilities of Citycon.

Organization

Each business unit has a dedicated person responsible for the ERM process who is in charge of the reporting the risks and mitigation plans and follow-up on the implementation of the plans. Group Treasurer prepares the risk report to the Board of Directors and Audit Committee. Members of the risk management supervisory group are CEO, CFO, Group Treasurer and business unit directors or the dedicated risk management person from each business unit.

Financial risk management

Financial risks have been defined to be business critical risks for Citycon. 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 in used to manage the interest rate and currency risks arising from the operations and financing sources. The Board of Directors has approved an interest rate risk management policy which defines the objectives and risk management indicators applicable for interest rate risk management. The execution of interest rate risk management is done by the Group Treasurer under the supervision of the CFO. Group Treasurer reports the compliance with the objectives in conjunction with the interim and annual report to the Board of Directors and CFO.

Citycon's identified, key financial risks include interest rate risk related to cash flow, 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 2007 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 2.9 million, while a fall of one-percentage point in money market interest rates would decrease them by EUR 2.9 million in 2007.

Interest rate sensitivity

The following table shows the sensitivity to a 100 basis point change in short term interest rates assuming all other variables constant. The impact is shown as a change in interest expenses resulting from changes in interest rate which relate to floating rate debt.

Effect on interest expenses from an increase of 100 basis points

EUR million	2007	2006
Euro	1.3	-0.1
Swedish krona	1.5	0.9
Other currencies	0.1	0.4
Total	**2.9**	**1.2**

Liquidity risk

Given that Citycon's strategy is to expand in Finland, the Baltic countries and Sweden, 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 2007, unused credit limits amounted to EUR 150 million and company had further EUR 45 million available under its commercial paper programme.

Table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

EUR million	Less than 1 month	1 to 12 months	1-5 years	Over 5 years	Total
31 December 2007					
Loans from financial institutions	45.4	59.2	308.2	578.7	991.4
Convertible capital loan 1/2006	-	-	-	110.0	110.0
Subordinated capital loan 1/2005	-	-	70.0	-	70.0
Finance lease liabilities	-	0.2	0.3	0.0	0.5
Trade and other payables and liabilities	33.8	19.3	-	-	53.1

EUR million	Less than 1 month	1 to 12 months	1-5 years	Over 5 years	Total
31 December 2006					
Loans from financial institutions	9.9	77.7	214.6	350.3	652.5
Convertible capital loan 1/2006	-	-	-	110.0	110.0
Subordinated capital loan 1/2005	-	-	70.0	-	70.0
Finance lease liabilities	-	0.3	0.1	0.0	0.4
Trade and other payables and liabilities	36.5	10.2	-	-	46.8

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.

The maximum exposure from trade receivables is the carrying amount as disclosed in Note 16.

Credit risk arising from cash and cash equivalents and certain derivative agreements relate to a default of the counterparty with a maximum exposure equal to the carrying amount of these instruments.

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.

Foreign exchange sensitivity

The following table shows the sensitivity in income statement to a five percent change in foreign exchange rates assuming all other variables constant. The impact is attributable to a change in fair value of financial instruments given the assumed change in foreign exchange rates.

Effect from a five percent change in foreign exchange rates on net financial expenses

EUR million	2007	2006
Swedish krona	0.2	-0.1
Other currencies	-	-
Total	**0.2**	**-0.1**

Other currencies comprise of currencies in Estonia and Lithuania. The foreign exchange rate in these countries is tied to euro with a fixed peg.

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. While changes in investment properties' fair value have an effect on the company's profit for the financial year, they do not have an immediate impact on cash flow.

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 2,194.8 million defined by the external appraiser at 31 December 2007 as the starting value. The reconciliation between the fair value used by the external appraiser and Citycon Oyj is disclosed in note 12 Investment property. Sensitivity analysis indicates that the market value is most sensitive to the yield requirement and gross income levels. A 10 percent decrease in the yield requirement results in an approximately 11 percent increase in total value. Correspondingly, a 10% increase in gross income increases the value by approximately 14 percent. The value is not as sensitive to changes in longterm vacancy or expenses.

Sensitivity analysis:

	Value of properties, EUR million				
Change %	+10%	+5%	±0%	-5%	-10%
Yield requirement	1,995.3	2,090.3	2,194.8	2,310.3	2,438.7
Gross income	2,501.6	2,348.2	2,194.8	2,041.4	1,888.0
Operating expenses	2,107.5	2,151.1	2,194.8	2,238.5	2,282.1
Vacancy	2,180.5	2,187.7	2,194.8	2,201.9	2,209.0

D) 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 2007 stood at 43.9 per cent and the equity ratio as defined in the loan agreement was 50.1 per cent.

21. DEFERRED TAX LIABILITIES

Changes in deferred tax assets and liabilities in 2007:

EUR million	2007 1 Jan.	Income statement charge	Tax charged to equity	Exchange differences	Acquired/ disposed subsidiaries	31 Dec.
Deferred tax assets						
Tax losses	0.3	-0.1				0.2
Measurement of interest-rate swaps at fair value	0.5		-2.2			-1.7
Total deferred tax assets	0.8	-0.1	-2.2	0.0	0.0	-1.5
Offset against deferred tax liabilities	-0.8	0.1	2.2	0.0	0.0	1.5
Deferred tax assets, total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Deferred tax liabilities						
Measurement of investment property at fair value	38.8	46.0				84.8
Undistributed profit of subsidiaries	0.7	-0.7				0.0
Measurement of interest-rate swaps at fair value	0.5	-0.1				0.4
Temporary difference in financial expenses	1.1	0.8	-0.6			1.3
Temporary difference in provisions	0.1	0.1		0.0	0.0	0.2
Total deferred tax liabilities	41.2	46.0	-0.6			86.6
Offset against deferred tax assets	-0.8	0.1	2.2	0.0	0.0	1.5
Deferred tax liabilities, total	**40.4**	**46.2**	**1.6**	**0.0**	**0.0**	**88.1**

Changes in deferred tax assets and liabilities in 2006:

EUR million	2006 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	0.3	3.2	0.0	0.0	-0.8
Deferred tax assets in balance sheet	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Deferred tax liabilities						
Measurement of investment property at fair value	10.1	28.7				38.8
Undistributed profit of subsidiaries	0.0	0.7				0.7
Measurement of interest-rate swaps at fair value	0.0	0.5				0.5
Temporary difference in financial expenses	0.0	1.5	-0.4			1.1
Temporary difference in provisions	0.0	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	0.3	3.2	0.0	0.0	-0.8
Deferred tax liabilities in balance sheet	**5.8**	**31.8**	**2.8**	**0.0**	**0.0**	**40.4**

Citycon's deferred taxes mainly arise from changes in the fair value of investment properties. In 2007, deferred taxes resulting from the changes in the investment properties' fair value recognised in the income statement totalled EUR 46.0 million (EUR 28.7 million).

The fair value of an investment property reflects the market price that would be paid for the property on the date of measurement, while deferred taxes refer to taxes imposed on any gain on sale if the property were to be sold.

Citycon's policy is to realise its properties' sales by selling its shares representing ownership in the property. The ownership structure is mainly organised so that one real estate company owns one building. In Sweden and the Baltic countries, the sale of shares representing ownership in property does not have tax implications. Consequently, Citycon does not recognise deferred taxes related to the fair value of investment properties located in Sweden or in the Baltic countries. If Citycon would recognize the deferred taxes from the changes in fair values of Swedish and the Baltic properties, the tax impact would have been EUR 16.7 million in 2007 (EUR 4,0 million) (See the Note 10. Income tax expense).

On the contrary, divesting a property in Finland through an asset or share sale does have tax implications and, therefore, Citycon recognises deferred taxes arising from the fair value changes of its investment properties located in Finland. Deferred taxes are calculated on the difference between an investment property's fair value and its taxable value, using the formula presented below. The taxable value consists of the acquisition cost of shares in the mutual real estate company and loans receivable from the company or a directly owned property's undepreciated, residual value. Deferred taxes in the balance sheet: 26% * (investment property's fair value - (value of shares in the mutual real estate company in the parent company's balance sheet + parent company's loans receivable from the mutual real estate company).

The change in deferred taxes between the opening and closing balance sheets is recognised in the income statement as expense/income.

The fair value of the investment properties is measured in accordance with IFRS (International Financial Reporting Standards). The provisions of the Finnish accounting and tax legislation affect the value of shares in, and loans receivable from, the mutual real estate company. For instance, investments conducted by the mutual real estate company or depreciation recorded by subsidiaries with outstanding debt entail a change in the value of shares and loans receivable.

On 31 December 2007, Group companies had confirmed losses for which tax assets of EUR 2.0 million (EUR 3.2 million in 2006) 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 2008 and 2009.

22. TRADE AND OTHER PAYABLES

Trade and other payables

EUR million	2007	2006
Trade payables	13.1	4.5
Advanced received	4.4	0.6
Accrued expenses	19.5	17.3
Other short-term payables	16.1	24.4
Total	**53.1**	**46.8**

Ageing structure of trade and other payables:

EUR million	2007	2006
NOT past due nor impaired	30.0	38,3
Past due, less than 1 month	14.0	3,6
Past due, 1-3 months	8.7	4,3
Past due, 3-6 months	0.0	0.0
Past due, 6-12 months	0.0	0.2
Past due, 1-2 years	0.0	0.0
Past due, 2-5 years	0.4	0.3
Past due, over 5 years	0.1	0.1
Total	**53.1**	**46,8**

Significant items included in accrued expenses:

EUR million	2007	2006
Interest liabilities	11.6	6.6
Other liabilities	7.9	10.7
Total	**19.5**	**17.3**

23. EMPLOYEE BENEFITS

Share-based payments

A) Stock-option schemes

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 were granted a total of 5,327,500 stock option rights and the remaining 172,500 option 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 2007, Citycon Group employees held a total of 3,220,000 options rights. The remaining 680,000 stock options 2004 A/B/C are held by Veniamo-Invest Oy. The Board of Directors of Citycon Oyj has decided that these options will no longer be distributed to current or future Group employees. 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 the termination of his/her employment/executive contract. 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 specified in the terms and conditions of the stock-options. The terms and conditions of the 2004 scheme 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 ratio. The new subscription ratio as well as the new subscription prices are 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 reports them under personnel expenses in the income statement allocated over the instrument's vesting period. In 2007, the expense recognised in the income statement totalled EUR 0.6 million (EUR 0.9 million in 2006). The expected volatility is determined by calculating the company share price's historical volatility.

Summary of stock-option schemes:

1999 stock options	1999 A	1999 B	1999 C
Number of options granted	1,800,000	1,800,000	1,727,500
Held by Veniamo-Invest Oy, number	-	-	172,500
Subscription ratio, stock option/share	1:1,0927	1:1,0927	1:1,0927
Subscription price/share, EUR	1.35	1.35	1.35
Share subscription period started	1.9.2000	1.9.2002	1.9.2004
Share subscription period ended	30.9.2007	30.9.2007	30.9.2007
Number of exercised option rights	1,800,000	1,800,000	1,727,500

The stock option scheme 1999 ended on 30 September 2007. By the end of the subscription period, a total of 5,631,912 Citycon shares had been subscribed by exercising the 1999 stock options, including 825,982 shares subscribed at a EUR 1.35 per-share subscription price in 2007. Of the 1999 option rights, only the 172,500 options held by Veniamo-Invest Oy remained unexercised. These options have expired worthless.

2004 stock options	2004 A	2004 B	2004 C
Number of options granted	1,040,000	1,090,000	1,090,000
Held by Veniamo-Invest Oy, number	260,000	210,000	210,000
Subscription ratio, stock option/share	1:1,2127	1:1,2127	1:1,2127
Subscription price/share, EUR	2.3432	2.7308	4.4313
Share subscription period starts/started	1.9.2006	1.9.2007	1.9.2008
Share subscription period ends	31.3.2009	31.3.2010	31.3.2011
Number of exercised option rights	336,720	-	-
Number of subscribed shares	376,316	-	-

Following the amendments to the terms and conditions of the 2004 stock option scheme that took effect in October 2007, the number of shares that can be subscribed for by exercising the 2004 option rights totals 4,697,506. The subscription of shares will not result in an increase in the company's share capital, since the entire subscription price is recognised under invested unrestricted equity fund.

The initial subscription prices of the shares to be subscribed for by exercising the 2004 stock options were determined on the basis of the trade-weighted average price of Citycon share quoted on the stock exchange in Helsinki as follows:

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

added with 20%. The share subscription prices will be reduced by 50 per cent of the amount of the per-share dividend paid before share subscription. The share subscription prices have been changed also due to the rights issues carried out in 2006 and 2007.

The following table provides additional information on 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 for stock options 2004A and 2004B and EUR 0.14 for stock options 2004C.
EUR 0.05 (for 2004A and 2004B stock options) and EUR 0.07 (for 2004C stock options) are used in the option-pricing model, based on the distributed dividends' reducing effect on the subscription price.

Changes in the stock options and their weighted average exercise prices during the period were as follows (excluding Veniamo-Invest Oy's stock options that cannot be exercised for share subscription):

	2007 Exercise price, weighted average, EUR/share	**2006 Exercise price, weighted average, EUR/share**	**2007 No. of stock options**	**2006 No. of stock options**
At period-start	2.92	1.92	4,051,368	5,534,010
New stock options granted	-	4.57	-	1,390,000
Forfeited stock options	4.43	3.51	-160,000	-245,000
Exercised stock options	1.58	1.38	-1,008,088	-2,627,642
Lapsed stock options	-	-	-	-
At period-end	3.28	2.92	2,883,280	4,051,368
Exercisable stock options at period-end			1,793,280	1,711,368

The per-share exercise price of the stock options exercised during the financial year averaged EUR 1.58 (EUR 1.38 in 2006) and these were exercised evenly over the financial year. The stock options exercised during 2007 brought in EUR 1.8 million (EUR 4.0 million in 2006), which were recognised in invested unrestricted equity fund (in 2006 EUR 3.7 million 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	2007 (Number of shares, 1,000)	2006 (Number of shares, 1,000)
2008	-	-	-
2009	2.34	852	1,104
2010	2.73	1,321	1,157
2011	4.43	1,321	1,326

B) Long-term share-based incentive plan

The Board of Directors decided 26 April 2007 on a long-term share-based incentive plan for key personnel of the Citycon Group. The aim of the plan is to encourage the key personnel to sustained efforts to increase shareholder value and to strengthen their commitment to the development of the Group's operations. The potential incentive is determined on the basis of the growth of Citycon Group's adjusted earnings per share and net rental income in 2007-2009. The incentive plan is divided into three incentive periods of 2007, 2008 and 2009. The incentives will be granted to the key personnel during the years 2008-2012 so that the incentives earned during 2007 are paid in 2008, 2009 and 2010. The Board of Directors decides annually on the key personnel participating in the long-term incentive plan and on setting of the incentive goals. The incentive granted will comprise Citycon shares, cash or both. In the incentive period 2007, the maximum number of shares granted is determined by their volume weighted average price during the first quarter in the period. The incentives paid in shares are charged to administration expenses and recognized as an increase in shareholders' equity, and incentives paid in cash are charged to administration expenses and recognized as liabilities. In 2007, the expense recognised in the income statement amounted to EUR 0.0 million.

The following table presents additional information on the share-based incentive plan:

Incentive period 2007	
Type of scheme	Share-based incentive plan
Grant date	26.4.2007
No. of key personnel	16
Maximum no. of shares [1]	103,958

1) If incentive paid completely in shares.

24. COMMITMENTS AND CONTINGENT LIABILITIES

A) Other leases -Group as lessee

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

EUR million	2007	2006
Not later than 1 year	0.7	0.4
1-5 years	1.0	0.6
Over 5 years	-	-
Total	**1.7**	**1.0**

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

B) Other leases -Group as lessor

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

EUR million	2007	2006
Not later than 1 year	51.4	41.4
1-5 years	78.2	64.2
Over 5 years	27.4	19.8
Total	**157.0**	**125.4**

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 16 per cent (11 per cent) of Citycon's lease portfolio. The share of the leases tied to the lessee's turnover will increase in the future.

C) Pledges and other contingent liabilities

EUR million	2007	2006
Loans, for which mortgages are given in security and shares pledged		
Loans from financial institutions	36.0	13.2
Contingent liabilities for loans		
Mortgages on land and buildings	46.4	21.1
Bank guarantees	49.8	37.1
Capital commitments	31.0	40.7
VAT refund liabilities	15.6	9.9

Capital commitments relate mainly to several development projects. 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.

D) Equity ratio commitment and interest coverage ratio

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 2007 stood at 50.1% and interest coverage ratio at 2.0 (2006: equity ratio was 49.8 per cent and interest coverage ratio 2.3).

25. RELATED PARTY TRANSACTIONS

A) Related parties

Citycon Group's related parties comprise the parent company, subsidiaries, associated companies, Board members, CEO, Corporate Management Committee members and Gazit-Globe Ltd., whose shareholding in Citycon Oyj accounted for 39.35% on 31 December 2007.

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 to as subsidiaries.

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

Parent company: Citycon Oyj

Subsidiary (Citycon Group's holding of 100%)	Country
Asolantien Liikekiinteistö Oy	Finland
BHM Centrumfastigheter AB	Sweden
Big Apple Top Oy	Finland
Big Apple Mid Oy	Finland
Big Apple Acquisition Oy	Finland
Citycon AB	Sweden
Citycon Centrum Sverige AB	Sweden
Citycon Estonia OÜ	Sweden
Citycon Göteborg AB	Sweden
Citycon Sverige AB	Sweden
Espoon Asemakuja 2 Koy	Finland
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 Koy	Finland
Kauppakeskus IsoKarhu Oy	Finland
Keijutie 15 Koy	Finland
Kivensilmänkuja 1 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 Hansa Koy	Finland
Lahden Kauppakatu 13 Koy	Finland
Lentolan Perusyhtiö Oy	Finland
Liljeholmsplan Fastighets AB	Sweden
Liljeholmstorget Development Services AB	Sweden
Liljeholmsplan Hotellfastigheter AB	Sweden
Liljeholmsplan Bostadsfastigheter AB	Sweden
Lillinkulma Koy	Finland
Lintulankulma Koy	Finland
Lippulaiva Koy	Finland
Magistral Kaubanduskeskuse Oü	Estonia
Manhattan Acquisition Oy	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
Real Estate Iso Omena S.à.r.l.	Luxemburg
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 Hermanni Koy	Finland
Tampereen Suvantokatu Koy	Finland
Tumba Centrumfastigheter Aktiebolag	Sweden
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

Subsidiary (Citycon Group's holding less than 100 but over 50%)	
Åkersberga Centrum AB	Sweden
Stenungs Torg Fastighets AB	Sweden
Strömpilen AB	Sweden

B) 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. There has been no other related party transactions.

Management benefits:

Personnel expenses for corporate management committee, EUR million	2007	2006
Wages and salaries	0.9	0.7
Pensions: defined contribution plans	0.2	0.1
Social charges	0.1	0.0
Total	**1.2**	**0.7**

Remuneration, EUR	2007	2006
CEO	338,707	269,207
Board members		
Bergström Stig-Erik, former Board member	-	4,500
Bolotowsky Gideon	45,400	34,000
Gal Amir	44,200	35,000
Korpinen Raimo	45,200	35,400
Lähdesmäki Tuomo	73,200	74,200
Nordman Carl G.	43,800	35,000
Ottosson Claes	43,000	31,800
Segal Dor J.	44,200	34,200
Wernink Thomas W.	166,600	165,500
Total	**505,600**	**449,600**

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 was 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 2007, the CEO held 75,000 2004A stock options, 140,000 2004 B stock options and 140,000 2004C stock options. Board members do not participate in the company's share-based incentive schemes.

Reporting to Gazit-Globe Ltd:

The company's main shareholder, Gazit-Globe Ltd, holding approximately 39 per cent of the shares in the company, has announced that it applies International Financial Reporting Standards (IFRS) in its financial reporting in 2007. According to IFRS one company may exercise a controlling interest in another company even if its shareholding it that company does not exceed 50 per cent. Gazit-Globe Ltd. holds the view that it exercises controlling interest, as defined in IFRS, in Citycon Oyj based on the fact that it has been able to exercise controlling interest in Citycon Oyj's shareholders' meetings pursuant to its shareholding. In accordance with an agreement concluded between the companies, Citycon Oyj will provide Gazit-Globe Ltd. with a more detailed breakdown of the accounting information it discloses in its interim and full-year reports so that Gazit-Globe Ltd. can consolidate Citycon Group figures into its own IFRS financial statements.
The expenses resulting from the reporting responsibility have not been invoiced from Gazit-Globe Ltd in 2007.

26. POST BALANCE SHEET EVENTS

In connection with the Lippulaiva shopping centre's extension, Citycon acquired all shares in MREC Kiinteistö Oy Majakka and, at the same time, divested its entire holding in MREC Kiinteistö Oy Ulappatori. Kiinteistö Oy Majakka owns undeveloped land in the surroundings of Lippulaiva, in the area planned for the shopping centre's extension in Espoo, Finland.

Since Citycon continues to have a right of possession into the leasable areas of MREC Kiinteistö Oy Ulappatori, the divestment of holding in MREC Kiinteistö Oy Ulappatori is not treated as a disposal of investment property in Citycon's consolidated financial statements prepared in accordance with IFRS-rules. The right of possession terminates when the extension construction is completed or at the latest during 2011.

Citycon signed an agreement on 12 February for the sale of part of shopping centre Iso Omena to an affiliate of GIC Real Estate, the property investment arm of the Government of Singapore Investment Corporation. Upon closing of the agreement, Citycon will own 60 per cent of the shopping centre and GIC Real Estate, 40 per cent. The parties have agreed that Citycon will continue to be responsible for the business and management of the shopping centre on customary terms. The agreed debt-free purchase price, EUR 131.6 million, is equivalent to 40 per cent of the original acquisition price of EUR 329 million paid by Citycon.

Consolidated Key Figures and Ratios for Four Years, IFRS

	Formula	note	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004
Income statement data						
Turnover			151.4	119.4	92.2	84.7
Other operating income and expense			0.5	0.6	0.6	0.7
Planned depreciation			0.5	0.2	0.2	0.3
Operating profit			300.7	196.5	105.2	51.8
Profit before taxes			253.5	165.6	74.2	25.7
Profit attributable to parent company shareholders			200.3	124.9	59.2	19.9
Balance sheet data						
Non-current assets			2,260.5	1,453.3	957.6	745.6
Current assets			48.1	33.1	25.5	12.2
Equity attributable to parent company shareholders			982.0	565.3	356.6	237.7
Minority interest			28.9	15.0	3.6	0.0
Liabilities			1,297.7	906.1	622.9	520.0
Balance sheet total			2,308.6	1,486.4	983.1	757.7
Key performance ratios						
Return on equity, % (ROE)	1		23.3	25.8	22.5	9.5
Return on investment, % (ROI)	2		16.3	16.8	13.5	7.2
Equity ratio, %	3		43.9	39.1	36.7	31.4
Equity ratio for bank, %			50,1	49.8	40.8	41.2
Quick ratio	4		0.3	0.2	0.3	0.5
Gearing, %	5		111.8	136.6	156.8	201.3
Gross capital expenditure, EUR million			603.9	436.4	178.5	18.8
% of turnover			398.9	365.5	193.6	22.2
Per-share figures and ratios						
Earnings per share, EUR	6	1)	1.00	0.76	0.46	0.17
Earnings per share,diluted, EUR	7	1)	0.91	0.73	0.45	0.17
Equity per share, EUR	8	1)	4.44	3.30	2.39	1.95
P/E (price/earnings) ratio	9		3	7	7	14
Return from invested unrestricted equity fund per share, EUR		2)	0.10	-	-	-
Dividend per share, EUR		2)	0.04	0.14	0.14	0.14
Dividend and return from invested unrestricted equity fund per share total, EUR			0.14	0.14	0.14	0.14
Dividend and return of equity per earnings, %	10	2)	13.9	18.4	30.7	80.2
Effective dividend and return of equity yield, %	11	2)	4.3	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 57.

Parent Company Income Statement, FAS

EUR million	Note	1 Jan.-31 Dec. 2007	1 Jan.-31 Dec. 2006
Gross rental income		89.5	89.5
Service charge income		2.9	2.1
Turnover	1	**92.4**	**91.6**
Property operating expenses		48.5	31.4
Other expenses from leasing operations	2	0.1	0.6
Net rental income		**43.8**	**59.5**
Administrative expenses	3, 4	14.0	11.7
Other operating income and expenses	5	0.3	8.7
Operating profit		**30.0**	**56.6**
Financial income		44.4	25.9
Financial expenses		-63.9	-49.0
Net financial income and expenses	6	-19.5	-23.1
Profit before taxes		**10.6**	**33.5**
Income tax expense	7	2.1	6.6
Profit for the period		**8.4**	**26.9**

Parent Company Balance Sheet, FAS

EUR million	Note	31 Dec. 2007	31 Dec. 2006
ASSETS			
Non-current assets			
Intangible assets	8	6.0	2.3
Tangible assets	9	31.6	30.4
Investments			
Shares in subsidiaries	10, 13	733.8	672.6
Shares in associated companies	11, 14	34.7	34.2
Other investments	12	915.4	468.1
Total investments		1,683.9	1,174.9
Total non-current assets		**1,721.5**	**1,207.5**
Current assets			
Short-term receivables	15	29.6	13.9
Cash and cash equivalents		3.7	2.5
Total current assets		**33.3**	**16.5**
Total assets		**1,754.8**	**1,224.0**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity	16		
Share capital		259.6	225.7
Share issue		0.0	0.1
Share premium fund		133.1	133.0
Invested unrestricted equity fund and other reserves		201.1	0.0
Retained earnings		4.1	0.6
Profit for the period		8.4	26.9
Total shareholders' equity		**606.3**	**386.4**
Liabilities	17		
Subordinated loan		70.0	70.0
Convertible capital loan		95.0	92.9
Long-term liabilities		832.4	559.8
Short-term liabilities		151.1	114.9
Total liabilities		**1,148.5**	**837.6**
Total liabilities and shareholders' equity		**1,754.8**	**1,224.0**

Parent Company Cash Flow Statement, FAS

EUR million	1 Jan.-31 Dec. 2007	1 Jan.-31 Dec. 2006
Cash flow from operating activities		
Profit before taxes	**10.6**	**33.5**
Adjustments:		
Depreciation and impairment loss	1.8	1.5
Non-cash property operating expenses	23.5	6.2
Non-cash other income and expenses	23.1	-0.1
Net financial income and expenses	19,5	23,1
Other adjustments	-0.1	-8.2
Cash flow before change in working capital	55.3	56.0
Change in working capital	1.7	2.5
Cash flow from operating activities before financial items and taxes	**57.0**	**58.5**
Interest and other financial expenses	-40.6	-36.0
Dividend and interest received from business operations	11.6	1.5
Income tax paid	-7.2	-4.9
Net cash flow from operating activities	**20.7**	**19.0**
Cash flow from investing activities		
Investment in tangible and intangible assets	-7.0	-4.5
Other investments	-0.1	-0.6
Proceeds from sale of shares in subsidiaries and other investments	0.2	6.9
Loans granted	-555.5	-298.9
Repayments of loans receivable	83.2	28.5
Purchase of subsidiary shares	-59.9	-98.7
Sale of subsidiary shares	-	56.1
Purchase of minority and associate company shares	-0.6	-
Net cash used in investing activities	**-539.7**	**-311.2**
Cash flow from financing activities		
Proceeds from share issue	232.4	77.4
Proceeds from short-term loans	773.1	406.2
Repayments of short-term loans	-727.9	-392.2
Proceeds from long-term loans	479.2	675.3
Repayments of long-term loans	-223.7	-461.8
Dividends paid and other profit distribution	-23.4	-19.2
Net cash used in financing activities	**509.7**	**285.8**
Net change in cash and cash equivalents	**-9.3**	**-6.4**
Cash and cash equivalents at period-start	**2.5**	**8.9**
Cash and cash equivalents at period-end [1)]	**-6.8**	**2.5**

1) Cash and cash equivalents of Citycon Oyj were negative as at 31 December 2007 due to group cash pool in which the parent company's account can have a negative balance. Cash pool balance of EUR -10.5 million as at 31 December 3007 has been recognized in the parent company's balance sheet under short-term liabilities.

Notes to the Parent Company's Financial Statements, FAS

ACCOUNTING POLICIES

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

Income statement format

The income statement is presented in accordance with the function-based format and it includes both gross and net rental income.

Non-current assets

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

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 percent 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 and convertible capital loan

The subordinated loan and convertible capital loan are shown as separate items in liabilities.

Taxes

Taxes are recognized 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 PARENT COMPANY'S FINANCIAL STATEMENTS

1. TURNOVER

EUR million	2007	2006
Turnover by business segments:		
Shopping centres		
Helsinki metropolitan area	28.0	23.7
other cities in Finland	36.1	33.0
Other retail properties	28.3	34.9
Total	**92.4**	**91.6**
Geographically the parent company's turnover is generated in Finland. Parent company turnover includes building-management and administrative fees received from Group companies.	1.0	0.9

2. OTHER EXPENSES FROM LEASING OPERATIONS

EUR million	2007	2006
Leased premises' changes and commissions	0.1	0.4
Credit losses	0.1	0.2
Total	**0.1**	**0.6**

3. PERSONNEL EXPENSES

EUR million	2007	2006
Average number of employees during period	67	54
Personnel expenses		
Wages and salaries	5.2	4.2
Pension charges	0.7	0.7
Other social expenses	0.5	0.4
Total	**6.5**	**5.3**
Personnel expenses include management salaries and emoluments		
CEO's salary and emoluments	0.3	0.3
Board salaries and emoluments	0.5	0.5
Total	**0.8**	**0.8**

4. DEPRECIATION AND AMORTIZATION

EUR million	2007	2006
The following depreciation and amortization is included in the administrative expenses:		
Intangible assets	0.9	0.7
Buildings and constructions	0.5	0.5
Machinery and equipment	0.4	0.3
Total	**1.8**	**1.5**

5. OTHER OPERATING INCOME AND EXPENSES

EUR million	2007	2006
Profit on disposal of shares in subsidiaries and other investments	0.1	8.5
Other income from business operations		
Other operating income	0.3	0.2
Total	**0.3**	**8.7**

6. NET FINANCIAL INCOME AND EXPENSES

EUR million	2007	2006
Dividend income		
From Group companies	1.4	2.5
From others	0.0	0.0
Total dividend income	**1.4**	**2.5**
Interest and other financial income		
From Group companies	33.0	13.4
Foreign exchange gains	9.2	9.3
Other interest and financial income	0.9	0.7
Total interest and other financial income	**43.1**	**23.4**
Total financial income	**44.4**	**25.9**
Interest and other financial expenses		
To Group companies	7.1	4.3
Foreign exchange losses	9.3	9.2
Interest and other financial expenses	47.5	35.5
Total financial expenses	**63.9**	**49.0**
Total net financial income and expenses	**-19.5**	**-23.1**

7. INCOME TAX EXPENSE

EUR million	2007	2006
Taxes for the period	-2.1	-6.6

8. INTANGIBLE ASSETS

EUR million	2007	2006
Intangible rights		
Acquisition cost 1 Jan.	0.6	0.4
Additions during the period	0.3	0.2
Accumulated acquisition costs 31 Dec.	0.9	0.6
Accumulated depreciation 1 Jan.	0.3	0.3
Depreciation for the period	0.1	0.1
Accumulated depreciation 31 Dec.	0.5	0.3
Net carrying amount 31 Dec.	**0.4**	**0.3**
Connection fees		
Acquisition cost 1 Jan.	0.2	0.2
Net carrying amount 31 Dec.	**0.2**	**0.2**
Other non-current assets		
Acquisition cost 1 Jan.	5.3	5.9
Additions during the period	4.3	0.3
Disposals during the period	0.0	0.9
Transfer between items	0.0	-
Accumulated acquisition costs 31 Dec.	9.6	5.3
Accumulated depreciation 1 Jan.	3.4	3.1
Depreciation for the period	0.8	0.3
Accumulated depreciation 31 Dec.	4.3	3.4
Net carrying amount 31 Dec.	**5.3**	**1.8**
Total intangible assets 31 Dec.	**6.0**	**2.3**

9. TANGIBLE ASSETS

EUR million	2007	2006
Land		
Acquisition cost 1 Jan.	3.3	3.3
Accumulated acquisition costs 31 Dec.	3.3	3.3
Buildings and constructions		
Acquisition cost 1 Jan.	66.5	66.5
Additions during the period	1.4	2.0
Transfer between items	0.4	-2.0
Accumulated acquisition costs 31 Dec.	68.3	66.5
Accumulated depreciation 1 Jan.	42.6	42.1
Depreciation for the period	0.5	0.5
Accumulated depreciation 31 Dec.	43.1	42.6
Net carrying amount 31 Dec.	**25.1**	**23.9**

EUR million	2007	2006
Machinery and equipment		
Acquisition cost 1 Jan.	4.0	4.0
Additions during the period / merger	0.6	0.0
Transfer between items	0.2	-
Accumulated acquisition costs 31 Dec.	4.9	4.0
Accumulated depreciation 1 Jan.	3.0	2.8
Depreciation for the period	0.4	0.2
Accumulated depreciation 31 Dec.	3.5	3.0
Net carrying amount 31 Dec.	**1.4**	**1.0**

Machinery and equipment also include technical equipment in buildings.

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	0.2
Accumulated depreciation 31 Dec.	0.2	0.2
Net carrying amount 31 Dec.	**0.1**	**0.0**
Construction in progress		
Acquisition cost 1 Jan.	2.2	1.6
Additions during the period	0.3	4.0
Reductions during the period	0.2	3.4
Transfer between items	-0.7	-
Net carrying amount 31 Dec.	**1.7**	**2.2**
Total tangible assets 31 Dec.	**31.6**	**30.4**

10. SHARES IN SUBSIDIARIES

EUR million	2007	2006
Acquisition cost 1 Jan.	673.1	596.2
Additions during the period	59.9	134.5
Reductions during the period	-	61.5
Transfer between items	0.8	3.9
Accumulated acquisition costs 31 Dec.	733.8	673.1
Accumulated depreciation 1 Jan.	0.5	0.5
Transfer between items	-0.5	-
Accumulated depreciation 31 Dec.	0.0	0.5
Net carrying amount 31 Dec.	**733.8**	**672.6**

11. SHARES IN ASSOCIATED COMPANIES

EUR million	2007	2006
Acquisition cost 1 Jan.	34.2	53.0
Additions during the period	0.6	0.6
Reductions during the period	-	15.8
Transfer between items	-	3.6
Accumulated acquisition costs 31 Dec.	34.7	34.2
Net carrying amount 31 Dec.	**34.7**	**34.2**

12. OTHER INVESTMENTS

EUR million	2007	2006
Minority holdings		
Acquisition cost 1 Jan.	4.9	17.9
Additions during the period	0.1	0.1
Reductions during the period	-	13.1
Transfer between items	-1.3	-
Accumulated acquisition costs 31 Dec.	3.7	4.9
Net carrying amount 31 Dec.	**3.7**	**4.9**
Loans receivable		
From subsidiaries	911.7	463.2
From associated companies	-	-
Total other investments 31 Dec.	**915.4**	**468.1**
Total investments 31 Dec.	**1,683.9**	**1,174.9**

13. SUBSIDIARIES

	Domicile	Parent company holding, %
Asolantien Liikekiinteistö Oy	Vantaa	100.0%
Citycon AB	Stockholm	100.0%
Espoon Asemakuja 2 Koy	Espoo	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 Koy	Helsinki	100.0%
Kauppakeskus IsoKarhu Oy	Pori	100.0%
Keijutie 15 Koy	Lahti	100.0%
Kivensilmänkuja 1 Koy	Helsinki	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 Hansa Koy	Lahti	100.0%
Lahden Kauppakatu 13 Koy	Lahti	100.0%
Lentolan Perusyhtiö Oy	Kangasala	100.0%

	Domicile	Parent company holding, %
Lillinkulma Koy	Kaarina	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 Hermanni 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%
Veniamo-Invest Oy	Helsinki	100,0%
Vaakalintu Koy	Riihimäki	95,8%
Lahden Trio Koy	Lahti	89,7%
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%
Myllypuron Ostoskeskus Oy	Helsinki	73,5%
Myyrmäen Kauppakeskus Koy	Vantaa	70,4%
Kirkkonummen Liikekeskus Oy	Kirkkonummi	66,7%
Espoontori Koy	Espoo	66,6%
Heikintori Oy	Espoo	65,3%
Tampereen Koskenranta Koy	Tampere	63,7%
Vantaan Säästötalo Koy	Vantaa	61,2%
Ulappapaikoitus Oy	Espoo	59,9%
Tullintori Koy	Tampere	57,4%
Laajasalon Liikekeskus Oy	Helsinki	50,4%
Subsidiaries total 67		

14. ASSOCIATED COMPANIES

	Domicile	Parent company holding, %
Retail Park Oy	Helsinki	50,0%
Espoon Louhenkulma Koy	Espoo	48,9%
Pukinmäen Liikekeskus Oy	Helsinki	43,9%
Pihlajamäen Liiketalo Oy	Helsinki	42,7%
Länsi-Keskus Koy	Espoo	41,4%
Hakunilan Keskus Oy	Vantaa	41,1%
Otaniemen Liikekeskus Oy	Espoo	39,2%
Kontulan Asemakeskus Koy	Helsinki	34,8%
Puijonlaakson Palvelukeskus Koy	Kuopio	31,3%
Salpausseläntie 11 Koy	Helsinki	31,3%
Valtakatu 5-7 Koy	Valkeakoski	31,3%
Soukan Itäinentorni As Oy	Espoo	27,3%
Valkeakosken Liikekeskus Koy	Valkeakoski	25,4%
Lauttasaaren Liikekeskus Oy	Helsinki	23,7%
Associated companies total 14		

15. SHORT-TERM RECEIVABLES

EUR million	2007	2006
Trade receivables	0.8	0.4
Other receivables	8.2	1.1
Accrued income and prepaid expenses	1.4	0.3
Receivables from Group companies		
Trade receivables	1.5	-
Other receivables	2.8	12.2
Accrued income and prepaid expenses	14.9	0.0
Total	**19.2**	**12.2**
Total short-term receivables	**29.6**	**13.9**

16. SHAREHOLDERS' EQUITY

EUR million		2007	2006
Share capital	1 Jan.	225.7	184.1
	Directed share issue		
	28/4/06	-	36.8
	15/2/07	33.8	-
	Stock options		
	16/2/06	-	1.0
	28/3/06	-	0.0
	18/4/06	-	0.7
	4/5/06	-	0.1
	20/6/06	-	0.0
	27/7/06	-	0.4
	21/9/06	-	1.6
	25/10/06	-	0.1
	14/12/06	-	0.8
	14/12/06	-	0.1
	9/2/07	0.1	-
Share capital	**31 Dec.**	**259.6**	**225.7**
Share issue	1 Jan.	0.1	1.1
Registered to share capital		-0.1	-1.1
Stock options		-	0.1
Share issue	**31 Dec.**	**0.0**	**0.1**
Share premium fund	**1 Jan.**	**133.0**	**79.7**
Increase		0.0	53.4
Share premium fund	**31 Dec.**	**133.1**	**133.0**
Other reserves	1 Jan.	-	6.6
	Transfer to retained earnings	-	-6.6
Other reserves	**31 Dec.**	**0.0**	**0.0**
Invested unrestricted equity fund 1. Jan		-	-
	Directed share issue	100.0	-
	Rights issue	99.3	-
	Stock options	1.8	-
Invested unrestricted equity fund	**31.12.**	**201.1**	**-**
Retained earnings/loss	1 Jan.	27.5	13.3
	Transfer to share capital	-	6.6
	Dividend distribution	-23.4	-19.2
Retained earnings	**31 Dec.**	**4.1**	**0.6**
Net profit for the period	**31 Dec.**	**8.4**	**26.9**
Total shareholders' equity	**31 Dec.**	**606.3**	**386.4**

17. LIABILITIES

EUR million	2007	2006
Long-term liabilities		
Subordinated loan [1]	**70.0**	**70.0**
Convertible capital loan [1]	**95.0**	**92.9**
Fixed-rate loans	-	1.8
Floating-rate loans, which are		
converted into fixed rates through interest-rate swaps	584.5	491.6
tied to market interest rates	240.6	91.0
Total	825.1	584.4
Current portion of long-term loans	-18.0	-48.0
Total	807.1	536.4
Long-term loans		
Loans from financial institutions	807.1	536.4
Loans from Group companies	25.4	23.4
Total long-term liabilities	**832.4**	**559.8**
Loans maturing later than 5 years	653.8	254.6
Short-term interest-bearing liabilities		
Loans from financial institutions	102.5	87.4
Payables to Group companies	10.5	-
Total	113.0	87.4
Short-term non interest-bearing liabilities		
Advances received	-0.2	0.3
Accounts payable	1.1	1.1
Other payables	2.1	5.2
Accruals	12.5	11.8
Total	15.4	18.4
Payables to Group companies		
Other payables	20.1	8.1
Accruals	2.5	1.0
Total	22.6	9.1
Total short-term liabilities	**151.1**	**114.9**
Total liabilities	**1,148.5**	**837.6**
Significant other payables		
Tax liability	-	1.1
VAT liability	0.9	2.4
Other accruals	1.2	1.7
Total	2.1	5.2
Significant accruals		
Interest liability	10.6	6.6

1) The terms and conditions of subordinated loan and convertible capital loan are presented in the notes to the consolidated financial statements 19. Interest-bearing liabilities.

18. CONTINGENT LIABILITIES

The parent company doesn't have any mortgages nor given securities. Given bank guarantees were EUR 49,8 million (EUR 37,1 million in 2006).

Lease liabilities

EUR million	2007	2006
Payables on lease commitments		
Maturing next financial year	0.8	0.6
Maturing later	0.8	0.7
Total	1.6	1.3

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

VAT refund liabilities	1.1	0.2

Consolidated Key Figures and Ratios for Five Years, IFRS and FAS

EUR million	Formula	Note	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004	FAS 2003
Income statement data							
Turnover			151.4	119.4	92.2	84.7	78.1
Other operating income and expense			0.5	0.6	0.6	0.7	-0.5
Planned depreciation			0.5	0.2	0.2	0.3	6.5
Operating profit			300.7	196.5	105.2	51.8	43.3
Profit before taxes			253.5	165.6	74.2	25.7	19.1
Profit attributable to parent company shareholders			200.3	124.9	59.2	19.9	14.3
Balance sheet data							
Non-current assets			2,260.5	1,453.3	957.6	745.6	816.9
- treasury shares							4.7
Current assets			48.1	33.1	25.5	12.2	18.5
Shareholders' equity and treasury shares			982.0	565.3	356.6	237.7	209.6
Subordinated loan		3)					68.5
Minority interest			28.9	15.0	3.6	0.0	99.8
Liabilities			1,297.7	906.1	622.9	520.0	457.5
Balance sheet total			2,308.6	1,486.4	983.1	757.7	835.3
Key performance ratios							
Return on equity, % (ROE)	1	1)	23.3	25.8	22.5	9.5	7.1
Return on investment, % (ROI)	2		16.3	16.8	13.5	7.2	5.8
Equity ratio, %	3		43,9	39.1	36.7	31.4	36.7
Equity ratio for bank, %			50,1	49.8	40.8	41.2	40.4
Quick ratio	4		0.3	0.2	0.3	0.5	0.6
Gearing, %	5		111.8	136.6	156.8	201.3	163.1
Gross capital expenditure, EUR million			603.9	436.4	178.5	18.8	84.2
% of turnover			398.9	365.5	193.6	22.2	107.9
Per-share figures and ratios							
Earnings per share, EUR	6	1),4)	1.00	0,76	0.46	0.17	0.13
Earnings per share,diluted, EUR	7	1),4)	0.91	0.73	0.45	0.17	0.13
Equity per share, EUR	8	1),4)	4.44	3,30	2.39	1.95	1.85
P/E (price/earnings) ratio	9	1)	3	7	7	14	12
Return from invested unrestricted equity fund per share, EUR		2)	0.10				
Dividend per share, EUR		2)	0.04	0.14	0.14	0.14	0.14
Dividend and return from invested unrestricted equity fund per share total, EUR			0.14	0.14	0.14	0.14	0.14
Dividend and return of equity per earnings, %	10	2)	13.9	18.4	30.7	80.2	100.0
Effective dividend and return of equity yield, %	11	2)	4.3	2.8	4.5	5.7	9.2

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 57.

Shareholders and Shares

MAJOR SHAREHOLDERS 31 DECEMBER 2007

Name	Number of shares	% of shares and votes
Gazit-Globe Ltd *)	31,950,000	14.46
Ilmarinen Mutual Pension Insurance Company	1,568,914	0.71
Odin Finland	1,522,085	0.69
Etera Mutual Pension Insurance Company	500,000	0.23
von Fieandt Johan	480,000	0.22
Tudeer Lauri	408,000	0.18
Odin Eiendom	290,285	0.13
Tallberg Carl	180,000	0.08
Halonen Eero	160,000	0.07
Suuri Lehtipalvelu Ky Muurinen Juha K	138,954	0.06
10 major, total	**37,198,238**	**16.83**
Nominee-registered shares		
Nordea Bank Finland Plc	106,577,786	48.23
Skandinaviska Enskilda Banken AB	45,369,111	20.53
Svenska Handelsbanken AB (publ.) Filialverksamheten i Finland	24,214,410	10.96
Other nominee-registered shares	1,136,508	0.51
Nominee-registered shares, total	**177,297,815**	**80.23**
Others	6,485,158	2.67
Shares, total	**220,981,211**	**100.00**

*) Gazit-Globe Ltd. has notified the company that the number of shares held by it on 31 December 2007 totalled 86,960,096 shares accounting for 39.35 per cent of the shares and voting rights in the company at the year-end of 2007. Gazit-Globe Ltd.'s shares are partly nominee-registered.

NOTIFICATIONS OF CHANGES IN SHAREHOLDING DURING 2007

Shareholder	Date of change in holding	New holding, No of shares	% of shares and votes on the date of change
Perennial Investment Partners Ltd	5 Nov. 2007	11,256,637	5.10
ING Clarion Real Estate Securities, L.P.	24 Aug. 2007	9,726,700	5.04
Fidelity International Limited and its direct and indirect subsidiaries	15 Feb. 2007	17,297,574	9.00

SHAREHOLDERS BY OWNERGROUP ON 31 DECEMBER 2007

	Number of owners	Number of shares	Percentage of shares and voting rights
1. Financial and insurance corporations	10	176,680,048	79.95
2. Corporations	126	2,284,564	1.03
3. Households	1,911	5,907,003	2.67
4. General government	2	2,068,914	0.94
5. Foreign	21	33,654,034	15.23
6. Non-profit institutions	20	386,648	0.17
Total	2,090	220,981,211	100.00
of which nominee-registered	9	177,297,815	80.23
Issued stock, total		220,981,211	

BREAKDOWN OF SHAREHOLDERS AS AT 31 DECEMBER 2007 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	1,121	53.64	401,934	0.18
1,001 - 5,000	694	33.20	1,551,550	0.70
5,001 - 10,000	127	6.08	874,598	0.40
10,001 - 50,000	119	5.69	2,481,796	1.12
50,001 - 100,000	9	0.43	586,431	0.27
100,001 -	20	0.96	215,084,902	97.33
Total	2,090	100.00	220,981,211	100.00
of which nominee-registered	9		177,297,815	80.23
Issued stock, total			220,981,211	

SHARE PRICE AND TRADING VOLUME

	Formula	Note	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004	FAS 2003
Share price, transactions, EUR							
Low			3.24	3.02	2.36	1.52	1.00
High			6.09	5.09	3.50	2.65	1.59
Average	12		4.76	3.86	2.95	1.94	1.47
Market capitalisation, EUR million	13	1)	806.6	844.3	424.1	273.9	154.9
Share trading volume							
No. of shares traded as of year-start, 1,000			153,696	51,193	40,695	115,056	104,487
Percentage of total			69.6	30.6	29.8	102.5	102.5
Issue-adjusted average number of shares, 1,000		1)	199,404	163,339	129,903	113,767	110,744
Issue-adjusted average number of shares, diluted, 1,000		1)	227,122	175,345	132,427	114,881	110,744
Issue-adjusted average number of shares on 31. Dec., 1,000		1)	220,981	171,233	149,029	121,998	110,744
Treasury shares, EUR million			0.0	0.0	0.0	4.7	4.7
Treasury shares, 1,000			0	0	0	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 57.

Formulas for Key Figures and Ratios

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

Signatures to the Financial Statements

Signatures to the Financial Statements dated 31 December 2007

Helsinki, 14 February 2008

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, 14 February 2008

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. - 31.12.2007. 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, 14th February 2008

ERNST & YOUNG OY
Authorized Public Accountants

Tuija Korpelainen
Authorized Public Accountant

List of Properties 2007

Property	Address	Built in/ renovated	Holding, %	Citycon's GLA, sq.m.	Occupancy rate, %, sq.m. 1)	Occupancy rate, %, EUR 1)
FINLAND						
HELSINKI METROPOLITAN AREA						
1 Asolantien Liikekiinteistö Oy	Asolanväylä 50, 01360 VANTAA	1986	100%	1,900	100.0%	100.0%
2 **Columbus**				**20,900**	**99.0%**	**99.7%**
Kauppakeskus Columbus Koy	Vuotie 45, 00980 HELSINKI	1997 / 2007	100%			
3 Espoon Louhenkulma Koy	Louhentie 2, 02130 ESPOO	1963	49%	880	100.0%	100.0%
4 **Espoontori**				**15,400**	**77.7%**	**83.3%**
Espoon Asemakuja 2 Koy	Asemakuja 2, 02770 ESPOO	1991	100%	6,300		
Espoontori Koy	Kamreerintie 3, 02770 ESPOO	1987	67%	9,100		
5 Hakarinne 4	Hakarinne 4, 02120 ESPOO	1985	56%	380	100.0%	100.0%
6 **Hakunilan keskus**				**3,680**	**80.7%**	**76.4%**
Hakucenter Koy	Laukkarinne 6, 01200 VANTAA	1986	19%	780		
Hakunilan Keskus Oy	Laukkarinne 4, 01200 VANTAA	1982	41%	2,900		
7 **Heikintori**				**5,800**	**91.9%**	**96.0%**
Heikintori Oy	Kauppamiehentie 1, 02100 ESPOO	1968	65%			
8 Helsingin Autotalo Oy	Salomonkatu 17, 00100 HELSINKI	1958	9%	1,300	100.0%	100.0%
9 **Iso Omena**				**60,600**	**98.5%**	**99.5%**
Big Apple Acquisition Oy	Piispansilta 9, 02230 ESPOO	2001	100%			
10 **Isomyyri**				**10,400**	**92.3%**	**96.3%**
Myyrmäen Kauppakeskus Koy	Liesitori 1, 01600 VANTAA	1987	70%			
11 Kirkkonummen Liikekeskus Oy	Asematie 3, 02400 KIRKKONUMMI	1991	67%	5,000	100.0%	100.0%
12 Kontulan Asemakeskus Koy	Keinulaudankuja 4, 00940 HELSINKI	1988 / 2007	35%	4,400	100.0%	100.0%
13 **Laajasalon liikekeskus**				**2,660**	**100.0%**	**100.0%**
Laajasalon Liikekeskus Oy	Yliskyläntie 3, 00840 HELSINKI	1972 / 1995	50%	2,300		
Kuvernöörintie 8 Koy	Kuvernöörintie 8, 00840 HELSINKI	1982	100%	360		
14 Lauttasaaren Liikekeskus Oy	Lauttasaarentie 28-30, 00200 HELSINKI	1970 / 1995	24%	1,500	100.0%	100.0%
15 **Lippulaiva**				**22,400**	**95.1%**	**96.9%**
Lippulaiva Koy	Espoonlahdenkatu 4, 02320 ESPOO	1993 / 2007	100%	17,600		
Ulappatori Koy	Ulappakatu 1, 02320 ESPOO	1991	100%	4,800		
16 Länsi-Keskus Koy	Pihatörmä 1, 02210 ESPOO	1989	41%	8,600	100.0%	100.0%
17 Martinlaakson Kivivuorentie 4 Koy	Kivivuorentie 4, 01620 VANTAA	1976	100%	3,800	63.8%	74.4%
18 Minkkikuja 4 Koy	Minkkikuja 4, 01450 VANTAA	1989	100%	2,300	100.0%	100.0%
19 **Myllypuron ostoskeskus**				**6,000**	**66.0%**	**74.7%**
Kivensilmänkuja 1 Koy	Kivensilmänkuja 1, 00920 HELSINKI	1988	100%	1,400		
Myllypuron Ostoskeskus Oy	Kiviparintie 2, 00920 HELSINKI	1966	73%	4,600		
20 **Myyrmanni**				**40,300**	**97.7%**	**97.7%**
Myyrmanni Koy	Iskoskuja 3, 01600 VANTAA	1994 / 2007	100%			
21 Otaniemen Liikekeskus Oy	Otakaari 11, 02150 ESPOO	1969	39%	340	100.0%	100.0%
22 Pihlajamäen liiketalo Oy	Meripihkatie 1, 00710 HELSINKI	1970	43%	1,700	75.6%	81.8%
23 Pukinmäen Liikekeskus Oy	Eskolantie 2, 00720 HELSINKI	1968	44%	630	0.0%	0.0%
24 Salpausseläntie 11 Koy	Salpausseläntie 11, 00710 HELSINKI	1973	31%	600	100.0%	100.0%
25 Sampotori	Heikintori, Kauppamiehentie 1, 02100 ESPOO	lot	100%	50	100.0%	100.0%
26 Sinikalliontie 1 Koy	Sinikalliontie 1, 02630 ESPOO	1964 / 1992	100%	15,700	90.4%	95.4%
27 Soukan Itäinentorni As Oy	Soukantie 16, 02360 ESPOO	1972	27%	1,600	100.0%	100.0%
28 Talvikkitie 7-9 Koy	Talvikkitie 7-9, 01300 VANTAA	1989	100%	9,800	100.0%	100.0%
29 **Tikkuri**				**10,700**	**98.7%**	**99.4%**
Tikkurilan Kauppakeskus Koy	Asematie 4-10, 01300 VANTAA	1984 / 1991	84%			
30 Ultima Oy	Äyritie 1, 01510 VANTAA	lot	100%			
31 Vantaan Laajavuorenkuja 2 Koy	Laajavuorenkuja 2, 01620 VANTAA	1976	100%	2,000	100.0%	100.0%

Property	Address	Built in/ renovated	Holding, %	Citycon's GLA, sq.m.	Occupancy rate, %, sq.m. 1)	Occupancy rate, %, EUR 1)
32 Vantaan Säästötalo Koy	Kielotie 20, 01300 VANTAA	1983	61%	3,800	98.1%	98.4%
33 Wavulinintie 1 Koy	Wavulinintie 1, 00210 HELSINKI	1950 / 1992	100%	1,700	8.3%	8.1%
OTHER AREAS IN FINLAND						
34 Forssan Hämeentie 3 Koy	Hämeentie 3, 31100 FORSSA	1978	100%	4,500	1.1%	1.9%
35 **Forum**				**17,500**	**98.2%**	**98.7%**
Jyväskylän Forum Koy	Asemakatu 5, 40100 JYVÄSKYLÄ	1953 / 1972 / 1980 / 1991	100%			
36 **Galleria**				**3,500**	**97.1%**	**98.7%**
Oulun Galleria Koy	Isokatu 23, 90100 OULU	1987	100%			
37 **IsoKarhu**				**14,900**	**93.9%**	**97.5%**
Kauppakeskus IsoKarhu Oy	Yrjönkatu 14, 28100 PORI	1972 / 2001 / 2004	100%			
38 **IsoKristiina**				**18,300**	**89.9%**	**91.3%**
Karjalan Kauppakeskus Koy	Brahenkatu 3, 53100 LAPPEENRANTA	1987	100%	8,400		
Lappeen Liikekeskus Koy	Brahenkatu 5, 53100 LAPPEENRANTA	1987	75%	6,200		
Lappeenrannan Brahenkatu 7 Koy	Brahenkatu 7, 53100 LAPPEENRANTA	1993	84%	3,700		
39 Isolinnankatu 18 Koy	Isolinnankatu 18, 28100 PORI	1986	100%	5,400	100.0%	100.0%
40 **Jyväskeskus**				**5,800**	**97.5%**	**98.8%**
Jyväskylän Kauppakatu 31 Koy	Kauppakatu 31, 40100 JYVÄSKYLÄ	1955 / 1993	100%			
41 Kaarinan Liiketalo Koy	Oskarinaukio 5, 20780 KAARINA	1979 / 1982	100%	9,200	100.0%	100.0%
42 Karjaan Ratakatu 59 Koy	Ratakatu 59, 10320 KARJAA	1993	100%	3,100	100.0%	100.0%
43 **Duo**				**13,000**	**93.1%**	**97.7%**
Hervannan Liikekeskus Oy	Insinöörinkatu 23, 33720 TAMPERE	1979 / 2007	75%	4,700		
Tampereen Hermanni Koy	Pietilänkatu 2, 33720 TAMPERE	2007	100%	8,300		
44 Keijutie 15 Koy	Keijutie 15, 15700 LAHTI	1975	100%	7,200	100.0%	100.0%
45 **Koskikara**				**5,800**	**92.3%**	**92.6%**
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		
46 **Koskikeskus**				**26,000**	**97.1%**	**98.9%**
Tampereen Koskenranta Koy	Hatanpään Valtatie 1, 33100 TAMPERE	1988 / 1995	64%	10,600		
Tampereen Hatanpää Koy	Hatanpään Valtatie 1, 33100 TAMPERE	1988	100%	7,000		
Tampereen Suvantokatu Koy	Hatanpään Valtatie 1, 33100 TAMPERE	1988	100%	8,400		
47 Kotkan Keskuskatu 11 Koy	Keskuskatu 11, 48100 KOTKA	1976	100%	4,300	100.0%	100.0%
48 Kuopion Kauppakatu 41 Koy	Kauppakatu 41, 70100 KUOPIO	1977	100%	11,200	96.7%	98.5%
49 Kuusankosken Kauppakatu 7 Koy	Kauppakatu 7, 45700 KUUSANKOSKI	1980	100%	2,100	100.0%	100.0%
50 Lahden Kauppakatu 13 Koy	Kauppakatu 13, 15140 LAHTI	1971	100%	8,600	100.0%	100.0%
51 Lentolan Perusyhtiö Oy	Mäkirinteentie 4, 36220 KANGASALA	2007	100%	11,900	84.1%	74.8%
52 Lillinkulma Koy	Jännekatu 2-4, 20760 PIISPANRISTI	2007	100%	7,400	100.0%	100.0%
53 Linjuri						
Linjurin Kauppakeskus Koy	Vilhonkatu 14, 24100 SALO	1993 / 2007	89%	9,300	96.7%	96.1%
54 Mäntyvuoksi Koy	Vuoksenniskantie 50, 55800 IMATRA	1974	87%	1,300	100.0%	100.0%
55 Naantalin Tullikatu 16 Koy	Tullikatu 16, 21100 NAANTALI	1985	100%	3,100	12.9%	14.9%
56 Orimattilan Markkinatalo Oy	Erkontie 3, 16300 ORIMATTILA	1983	77%	3,500	100.0%	100.0%
57 Porin Asema-aukio Koy	Satakunnankatu 23, 28130 PORI	1957 / 1993	100%	18,900	81.8%	89.0%
58 Puijonlaakson Palvelukeskus Koy	Sammakkolammentie 6, 70200 KUOPIO	1971	31%	1,500	100.0%	100.0%
59 Runeberginkatu 33 Koy	Runeberginkatu 33, 06100 PORVOO	1988	100%	6,300	100.0%	100.0%
60 **Sampokeskus**				**14,000**	**78.6%**	**87.2%**
Rovaniemen Sampotalo	Maakuntakatu 29-31, 96200 ROVANIEMI	1990	100%	12,000		
Lintulankulma Koy	Rovakatu 28, 96200 ROVANIEMI	1989 / 1990	100%	2,000		
61 Säkylän Liiketalo Oy	Pyhäjärventie, 27800 SÄKYLÄ	1969 / 1999	100%	1,200	100.0%	100.0%
62 Torikeskus	Kauppatori 1, 60100 SEINÄJOKI	1992 / 2007	100%	11,400	90.6%	92.5%

Property	Address	Built in/ renovated	Holding, %	Citycon's GLA, sq.m.	Occupancy rate, %, sq.m. 1)	Occupancy rate, %, EUR 1)
63 **Trio**				**43,900**	**91.4%**	**93.3%**
Lahden Hansa Koy	Kauppakatu 10, 15140 LAHTI	1992	100%	11,400		
Lahden Trio Koy	Aleksanterinkatu 20, 15140 LAHTI	1977 / 1985-1987 / 1992 / 2007	90%	32,500		
64 **Tullintori**				**10,300**	**79.1%**	**79.0%**
Tullintori Koy	Hammareninkatu 2, 33100 TAMPERE	1930 / 1990	57%			
65 Vaakalintu Koy	Keskuskatu 15, 11100 RIIHIMÄKI	1980	96%	6,700	100.0%	100.0%
66 Valtakatu 5-7 Koy	Valtakatu 5-7, 37600 VALKEAKOSKI	1938 / 1992	31%	460	100.0%	100.0%
67 **Valtari**				**7,600**	**87.6%**	**90.7%**
Kouvolan Valtakadun Kauppakeskus Koy	Valtakatu 15, 45100 KOUVOLA	1971-1975 / 1994-2002	100%			
68 Varkauden Relanderinkatu 30 Koy	Relanderinkatu 28-34, 78200 VARKAUS	1990	100%	8,200	100.0%	100.0%
68 FINLAND TOTAL				594,180	92.3%	95.6%

THE BALTIC COUNTRIES

ESTONIA

Property	Address	Built in/ renovated	Holding, %	Citycon's GLA, sq.m.	Occupancy rate, %, sq.m. 1)	Occupancy rate, %, EUR 1)
1 **Rocca al Mare**				**28,600**	**100.0%**	**100.0%**
Rocca al Mare Kaubanduskeskuse AS	Paldiski mnt. 102, 13522 Tallinn	1998 / 2000	100%			
2 **Magistral**				**9,500**	**100.0%**	**100.0%**
Magistral Kaubanduskeskuse Oü	Sõpruse pst 201/203, 13419 Tallinn	2000	100%			

LITHUANIA

Property	Address	Built in/ renovated	Holding, %	Citycon's GLA, sq.m.	Occupancy rate, %, sq.m. 1)	Occupancy rate, %, EUR 1)
3 **Mandarinas**				**8,000**	**100.0%**	**100.0%**
UAB Prekybos Centras Mandarinas	Ateities g. 91, 06324 Vilnius	2005	100%			
3 THE BALTIC COUNTRIES TOTAL				46,100	100.0%	100.0%

SWEDEN

STOCKHOLM AREA AND UMEÅ

Property	Address	Built in/ renovated	Holding, %	Citycon's GLA, sq.m.	Occupancy rate, %, sq.m. 1)	Occupancy rate, %, EUR 1)
1 **Åkersberga Centrum**				**33,100**	**97.1%**	**100.0%**
Åkersberga Centrum AB	Storängsvägen, 18430 Åkersberga	1985 / 1995 / 1996	75%			
2 **Åkermyntan Centrum**	**Drivbänksvägen 1, 16574 Hässelby**	**1977**	**100%**	**8,400**	**79.4%**	**84.4%**
3 Kallhäll	Skarprättarvägen 36-38, 17677 Järfälla	1991	100%	3,500	100.0%	100.0%
4 **Jakobsbergs Centrum**				**67,500**	**96.6%**	**97.6%**
Jakobsberg Centrum Fastigheter AB	Tornérplatsen 30, 17730 Järfalla	1959 / 1993	100%			
Jakobsberg Centrum Galleria AB	Tornérplatsen 30, 17730 Järfalla		100%			
Jakobsberg 565 Fastighets AB	Tornérplatsen 30, 17730 Järfalla		100%			
5 **Fruängen Centrum**	**Fruängsgången, 12952 Hägersten**	**1965**	**100%**	**14,600**	**90.5%**	**93.5%**
6 **Liljeholmstorget**				**20,200**	**76.2%**	**90.1%**
Liljeholmsplan Fastighets AB	Liljeholmstorget 7, 11763 Stockholm	1973 / 1986	100%			
7 **Strömpilen**	**Strömpilsplatsen, 90743 Umeå**	**1927 / 1997**	**75%**	**27,000**	**84.3%**	**84.9%**
8 Länken	Gräddvägen 1, 90620 Umeå	1978 / 2004 / 2006	75%	7,300	100.0%	100.0%
9 **Tumba Centrum**				**30,900**	**99.8%**	**99.8%**
Tumba Centrumfastigheter Aktiebolag	Tumba Torg 115, 14730 Botkyrka	1954 / 2000	100%			

GOTHENBURG AREA

Property	Address	Built in/ renovated	Holding, %	Citycon's GLA, sq.m.	Occupancy rate, %, sq.m. 1)	Occupancy rate, %, EUR 1)
10 **StenungsTorg**				37,600	97.4%	97.3%
Stenungs Torg Fastighets AB	Köpmansgatan 2-16, 18A-C Östra, 44430 Stenungsund	1967 / 1993	70%			
11 Backa	Backavägen 3-5, 41705 Gothenburg	1990	100%	7,800	86.2%	88.9%
12 Floda	Rurik Holms väg, 44830 Floda	1960 / 1990	100%	11,300	91.3%	93.9%
13 Hindås	Hindås Stationsväg 41-47, 43063 Hindås	1978 / 1999	100%	1,700	93.8%	95.2%
14 Landvetter	Brattåsvägen, 43832 Landvetter	1975 / 1988 / 1999	100%	5,000	94.1%	95.2%
15 Lindome	Almåsgången , 43730 Lindome	1974	100%	7,800	100.0%	100.0%
15 SWEDEN TOTAL				283,700	93.3%	95.1%
86 TOTAL, ALL				923,980	93.0%	95.7%

1) Formulas are available on page 57.

Valuation Statement

APPRAISAL METHOD

Realia Management Oy has made a valuation of Citycon's property portfolio as of 31 December 2007. The valuation was carried out as a cash flow analysis of the net operating income for a period of 10 years. When valuing unbuilt lots and properties that are affected by city plan alterations the market value is determined by the value of unused building right.

1.1 Cash Flow Calculation Method

The year on year cash flow was calculated on Citycon's existing leases, upon the expiry of which the contract rent has been replaced with Realia Management's view of the market rent. Potential Gross Rental Income (PGI) equals leased space with respect to contract rents and vacant space with respect to 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 (NOI2) 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 capitalising the 11th year cash flow (base year) with an exit yield.

The total value of the property was calculated as the sum of the yearly discounted income stream, the discounted residual value at the end of the calculation period and any other value added assets, such as unused construction rights and lots.

1.2 Transaction and Market Data Methodology

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

1.3 Yield Determination

There have been no significant changes in the real estate market since Q3 of 2007. After a very active first half of the year 2007, the real estate market dampened slightly during the second half due to rising interest rate levels and uncertainty in the global financial markets. The market is still active, but there has been a change in the market participants in favour of higher equity investors. Moreover, the competitiveness of leverage investors has declined due to rising interest rate levels and overall uncertainty in the financial sector. This is likely to lead to rising yield levels in certain property sectors. All in all, recent developments have led to greater diversification between asset classes. The same message can be heard from the financing sector; good properties will still be financed on favourable loan terms, but B and C grade properties combined with inexperienced investors will have greater loan margins, meaning higher yields.

Despite a leveling investment environment the market continued to perform quite actively during the closing stages of 2007. The overall volume in Finland for 2007 is likely to reach some 5.2 billion euros, representing a slight decline on 2006's level of 5.5 billion. It will be very interesting to see how the market as a whole, and its submarkets, perform during the spring of 2008. The latest news has indicated mounting uncertainty in the US economy, especially on the financial market. On the other hand, the rest of the world is still going strong. The future interest rate trend in Europe remains uncertain, with opinions forecasting both increases and cuts in the coming year. The ECB would be forced to act against rising inflation rates, but recent figures have indicated smaller levels of inflation and therefore declining pressure for interest rate hikes.

Overall, the Finnish real estate market has matured a great deal in recent years and we believe the market will remain on a healthy level, even in less favourable market conditions. As a result of the market trend, Realia Management has revised its input parameters to cohere with existing market characteristics. The Realia Management level describes a reasonable market level, from which unhealthy and inappropriate market behaviour has been eliminated.

1.4 Potential Development Projects

Some development projects were valued using a separate project model. This model is only used in projects accompanied by: 1) a Citycon board decision, and 2) sufficient information for a reliable valuation. Such information includes e.g. an extensive project plan, several new rental agreements, future investments etc. The appraiser makes the final decision on the use of this model. The project model is a 10year cash flow model, which takes the projects' future investments and changing cash flows into consideration. It includes present cash flows up to the end of the development phase and future cash flows after the development. The project model was used in the valuation of one (1) property: Trio shopping centre in Lahti.

All other potential development options were omitted from the valuation. These properties were evaluated based on the current situation and current estimated rental value. All undeveloped lots or those under development 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 levels of quality, and its total value is calculated as the sum of the individual properties.

In this valuation, we have valued the following properties for the first time; the Magistral shopping centre in Tallinn, Estonia, the Iso Omena shopping centre in Espoo, Finland and the Asemakuja retail and office property in Espoo, Finland, which were all new acquisitions during the third quarter of 2007. During the last quarter Citycon did not divest any of its properties.

Changes in the total value of the portfolio are mainly due to new, significantly higher lease agreements in some properties (especially Koskikeskus and Jyväskylä Forum) and more precise information on operational cost levels in addition to the new acquisitions named above. Iso Omena represented a significant addition to the portfolio, comprising some 15 per cent of the total portfolio value in Q4. At the same it has had a significant effect on the weighted average yields (and other figures). Weighted averages are calculated in proportion to market value and Iso Omena having the highest market value has also the biggest impact on the weighted averages. The addition of Iso Omena alone has caused the weighted average yield of the portfolio to drop compared to 2007 Q3. The total market value of the property portfolio as of December 31 was 2,194.8 euros.

3. SENSITIVITY ANALYSIS

The sensitivity of the fair value of the portfolio was tested by changing the key input parameters of the calculations. The parameters tested were required yield, gross income, total expenses (including operational costs and repair costs) and the estimated long-term vacancy rate. For testing, the starting point was the current market value of properties. Moreover, the analysis was performed by changing one parameter at a time, while all others remained unchanged, and calculating the corresponding market value of the total portfolio. The results indicate that the market value is most sensitive to the yield requirement and gross income levels. A 10 percent decrease in the yield requirement results in an approximately 11 percent increase in total value. Correspondingly, a 10% increase in gross income increases the value by approximately 14 percent. Furthermore, a 10 percent increase in total expenses decreases the portfolio value by 4 percent. However, the value is not as sensitive to long-term vacancy levels. A ten percent change in this parameter alters the market value by less than one percent.

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