Annual Report 2008

CITYCON

Contents

Citycon's shopping centres in Finland

Citycon's shopping centres in Sweden and in the Baltic Countries are presented in the inner page of the back cover.

- Meeting Points in City Centres
- Local Shopping Centres
- Partners in Everyday Life Centres

More information on Citycon's shopping centre classifications can be found on page 25.

IsoKarhu

Pori

Citycon's gross leasable area 14,800 sq.m.
Built in 1972/2001.
Extended and/or renovated in 2004.

Sampokeskus

Rovaniemi

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

Forum

Jyväskylä

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

IsoKristiina

Lappeenranta

Citycon's gross leasable area 18,700 sq.m.
Built in 1987/1993.

Torikeskus

Seinäjoki

Citycon's gross leasable area 11,500 sq.m.
Built in 1992.
Extended and/or renovated in 2007.

Galleria

Oulu

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

Jyväskeskus

Jyväskylä

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

Trio

Lahti

Citycon's gross leasable area 45,700 sq.m.
Incl. Hansa
Built in 1987.
Extended and/or renovated in 1992/2008.

Heikintori

Espoo, Tapiola

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

Koskikeskus

Tampere

Citycon's gross leasable area 26,100 sq.m.
Built in 1988.
Extended and/or renovated in 1995/2007.

Iso Omena

Espoo, Matinkylä

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

Shopping centre Iso Omena is not classified.

Columbus

Helsinki, Vuosaari

Citycon's gross leasable area 21,100 sq.m.
Built in 1997.
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.

Espoontori

Espoo, Espoon keskus

Citycon's gross leasable area 17,300 sq.m.
Built in 1987.

Duo

Tampere, Hervanta

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

Tikkuri

Vantaa, Tikkurila

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

Isomyyri

Vantaa, Myyrmäki

Citycon's gross leasable area 10,900 sq.m.
Built in 1987.

Koskikara

Valkeakoski

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

Valtari

Kouvola

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

Linjuri

Salo

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

Lippulaiva

Espoo, Espoonlahti

Citycon's gross leasable area 23,000 sq.m.
Incl. Ulappatori
Built in 1993.
Extended and/or renovated in 2007.

Tullintori

Tampere

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

Creating success for retailing

Citycon and Year 2008 in Brief

Active owner and long-term developer

Citycon is an active owner and long-term developer of shopping centres, laying the foundation for a successful retail business. Citycon's retail properties serve both consumers and retailers. The company takes account of environmental aspects and well-being in the areas surrounding its retail properties. The market leader in the Finnish shopping centre business, Citycon also has a strong position in Sweden and a firm foothold in the Baltic countries.

At the end of 2008, Citycon owned a total of 33 shopping centres and 50 other retail properties. The fair value of the company's property portfolio totalled EUR 2,023.6 million.

Citycon Oyj's shares are listed on the Helsinki exchange. Citycon's trading code is CTY1S and the company is classified under Financials, Real Estate Operating Companies.

Key events in 2008

- → November saw the completion of the refurbishment of the Trio shopping centre in Lahti, Finland – Citycon's largest project ever conducted in Finland.
- → The redevelopment of the Rocca al Mare shopping centre progressed ahead of its original schedule, with the first new premises opened for customers in October. The redevelopment project will be fully completed in time for the Christmas sales season 2009.
- → Construction of a new shopping centre at Liljeholmen, Stockholm progressed as planned. Shopping centre Liljeholmstorget will open its doors late 2009.
- → Citycon sold a 40 per cent holding in the Iso Omena shopping centre to an affiliate of GIC Real Estate. Citycon will continue to be responsible for the operations and management of the shopping centre.

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.

Key figures and ratios

	2008	2007
Turnover, EUR million	178.3	151.4
Operating loss/profit, EUR million	-105.0	298.7
% of turnover	–	197.3
Loss/profit before taxes, EUR million	-162.3	253.5
Loss/profit for the period, EUR million	-138.9	203.9
Fair market value of investment properties, EUR million	2,023.6	2,215.7
Earnings per share (basic), EUR	-0.56	1.00
Earnings per share (diluted), EUR	-0.56	0.91
Direct result per share (diluted), (Diluted EPRA EPS), EUR	0.20	0.19
Dividend and return from invested unrestricted equity fund per share, total, EUR	0.14 *)	0.14 *)
Net cash from operating activities per share, EUR	0.21	0.20
Equity per share, EUR	3.62	4.44
Net asset value (EPRA NAV) per share, EUR	3.88	4.82
EPRA NNNAV, EUR	3.80	4.42
P/E (price / earnings) ratio	-3	3
Return on equity (ROE), %	-15.0	23.3
Return on investment (ROI), %	-1.5	16.3
Equity ratio, %	38.5	43.9
Gearing, %	141.3	111.8
Interest-bearing net debt, EUR million	1,194.6	1,147.3
Net rental yield, %	5.8	5.8
Average net yield requirement, defined by external appraiser	6.4	5.6
Occupancy rate, %	96.0	95.7
Personnel (average for the period)	109	93
Personnel at the end of the period	113	102

*) The figure includes a per-share dividend of EUR 0.04 and a return of equity from invested unresticted equity fund of EUR 0.10 per share. Year 2008 figure is a proposal by the Board of Directors.

Direct result per share (diluted), (Diluted EPRA EPS)

0.20 EUR

Fair market value of investment properties

2,023.6 EUR million

Net asset value (EPRA NAV) per share

3.88 EUR

Yield requirement for property portfolio

6.4%

Equity ratio

38.5%

CEO's Review 2008

In 2008, Citycon achieved the best direct result in its history.

Good sales, improved profit

In 2008, Citycon achieved the best direct result in its history. The turnover grew, and so did the company's cash flow per share and net rental income. The sales of our shopping centres increased and the occupancy rate remained at a good level.

Turbulence on the financial markets dominated our business environment. Securing financing was difficult and credit margins multiplied within a short period of time. In spite of the exceptionally challenging market conditions, we were still able to maintain our stable financing status. The rapid fall of the interest rates and the successful repurchase of our convertible capital bonds reduced our interest expenditure during the last quarter. The financing of the ongoing development and redevelopment projects has been secured with long-term credit facilities. Therefore, in the near future, Citycon has no significant refinancing needs. The fair value of our property portfolio decreased, but our equity ratio still remained at a good level. The changes in the business environment and the general uncertainty hindered the demand for retail premises and the market rents stopped rising.

The company continued growing and will continue to do so also in the near future through development and redevelopment of shopping centres. Our main projects were Trio in Lahti, Rocca al Mare in Tallinn and Liljeholmstorget in Stockholm. Trio was completed in schedule in November, and the shopping centre's success on the Christmas market was excellent. Trio has regained its position as the leading shopping centre in Lahti, and it was reborn to be a real meeting point in city centre. The construction of the new Liljeholmstorget shopping centre continued in Stockholm and it will be completed towards the end of this year. The Rocca project is advancing faster than expected. The first new section was completed in October, and the next opening of new retail premises will take place in May. All in all, the whole shopping centre will be completed for the Christmas sales this year.

The development and redevelopment projects reflect our company's strong design and construction competence, which is combined with our solid shopping centre management. We offer our tenants well-planned and -managed shopping centres with good sales figures. Citycon's shopping centres are managed by our own on-site personnel adhering to consistent principles. This generates efficiency and guarantees knowledge of the local markets. This way we will be able to meet the needs and expectations of our customers.

The rapid change in the market conditions was reflected in the amount of real property transactions. Unlike in previous years, in 2008, Citycon did not make any individual major property acquisitions. Instead, the company acquired more minority shares in several partly-owned properties and made one significant property divestment at the beginning of the year. The sale of 40% share of Iso Omena was important both from the financing and risk management perspective.

The demand of various expensive consumer durables faded during the second half of the year. The grocery sales, on the other hand, grew significantly in all our markets. Grocery stores and related service operators are anchor tenants in many of Citycon's shopping centres, which is a real strength in the current market conditions.

At the end of the year, Citycon owned 33 shopping centres and 50 other retail properties. In Finland, our market share was 24 per cent and the total sales of our shopping centres amounted to approximately 1.2 billion euros. Our market position will be further strengthened in both Stockholm and Tallinn, once our construction projects are completed.

Sustainable development in the management, maintenance and construction of shopping centres is an important part of Citycon's strategy. Green construction continued in our three major projects, and we will apply for a LEED environmental certification for them immediately after their completion.

I should like to take this opportunity to thank our shareholders, customers and partners for the confidence you have shown in our operations. I would also like to express my special thanks to every Citycon employee for their contribution in our company and its continued success.

In Helsinki, 12 February 2009

Petri Olkinuora
CEO


TAKE

Completely refurbished Trio

The completely refurbished shopping centre Trio was opened as scheduled in November 2008. Trio's Shopping Centre Manager Terhi Heinilä is very pleased with the outcome: along with the refurbishment, Trio regained its position as the leading shopping centre in Lahti.

8:52 a.m.

Business Environment

The financial environment saw significant changes in 2008. Just one year ago, the financial crisis seemed a disruption in the US housing market only, but during the year gone by its impacts spread across Europe.

A year of rapid decline

Towards the end of 2008, the availability of financing deteriorated and the financial crisis began to affect the real economy. Decelerating demand and decreasing investment activity led to difficulties in manufacturing industry and, thereby, downsizing. The declining employment situation, in turn, will affect consumer demand and retail trade.

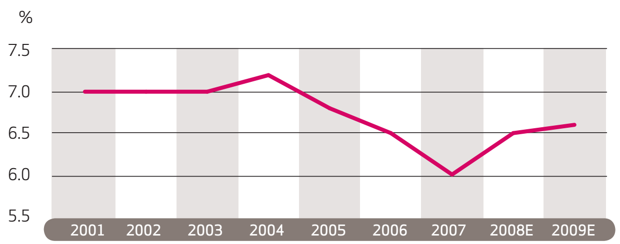
Towards the year end, banks issued gloomier estimates of the GDP growth, and unemployment is expected to increase in 2009. On the other hand, the general interest rate level took a downward turn in the autumn and this decline is anticipated to continue during 2009. Furthermore, the arrival of the financial crisis levelled off growth in the inflation rate in the Nordic countries and pushed it downwards. Construction costs and raw material prices are also decreasing.

Nonetheless, Citycon's financial position remained good throughout the year. Citycon's total liquidity will cover its approved investments and scheduled debt interests and repayments at least until 2010. More detailed information on Citycon's profit performance and financial position can be found on pages 37–38 of this Annual Report.

In all of Citycon's operating countries, the economic outlook deteriorated during 2008. The greatest changes occurred in Estonia and Lithuania, which account for some 5 per cent of Citycon's net rental income. The estimate for Estonian GDP for 2009 is -4.5 per cent and for Lithuanian -3.0 per cent, respectively [1]. Inflation rates in the Baltic countries, being net importers, have remained much higher than inflation rates in the Nordic countries. Nordea predicts that consumer demand will fall in Estonia by 5.5 per cent and 3.5 per cent in Lithuania.

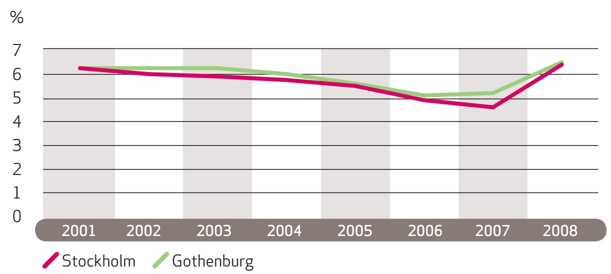
During the first half of the year, the retail trade was still growing strongly but, during the second half, the dour economic mood began to affect this sector too.

Retail yields in Helsinki Metropolitan Area



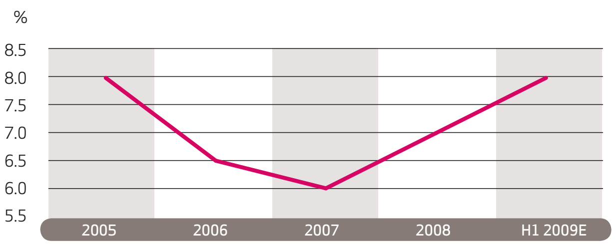
Source: Newsec

Shopping centre yields in Stockholm and Gothenburg area



Source: Jones Lang LaSalle

Shopping centre yields in Estonia



Source: Re&Solution

Citycon's share of the Finnish shopping centre market

24%

In Sweden, economic difficulties have translated into rising redundancies, waning consumer demand and a slowing real economy. GDP estimates predict a decline for Sweden in 2009. The inflation rate has levelled off, and was 0.9 per cent in December[2]. Meanwhile, the Swedish crown has weakened in relation to the euro.

Finland, Citycon's home country, probably enjoys the most positive situation among the company's operating countries. Growth in Finnish GDP has, however, also clearly slowed and unemployment has increased. The inflation rate has begun to fall, similarly to raw material prices and construction costs.

Prospects for the retail trade

Changes in trends in the real economy are likely to reflect on retail trade. During the first half of the year, the retail trade was growing strongly but, during the second half, the dour economic mood began to affect this sector too. In 2008, retail sales in Finland grew by 5.6 per cent and grocery sales by 5.8 per cent [3]. In Sweden, the corresponding figures were 3.3 per cent and 3.0 per cent [2]. The greatest slowdown in sales was seen in the Baltic countries. Following its high-growth years, Estonia's retail sales declined by 4.0 per cent [4] and Lithuanian by 4.1 per cent [5].

Among retailers in Finland, the S Group in particular increased its market share in grocery retail, to more than 40 per cent of all grocery retail in Finland. Kesko ranked second largest in Finland, with its market share of approximately 35 per cent and, among the rest of the retailers, Suomen Lähikauppa Oy's (previously Tradeka) market share was approximately 10 per cent. The rest of the market is split between several retailers [6].

In Sweden, ICA is the grocery market leader with its nearly 40 per cent share, while COOP has an approximately 20 per cent share of the market. In the Baltic countries, the largest grocery retailers include the Swedish Rimi and local co-operative ETK. Both retailers have more than 20 per cent market share of the Estonian grocery business. Other significant players include among others Selver and Maxima. Prisma, Rocca al Mare's largest tenant, has some 7–8 per cent market share. The Lithuanian grocery market leader with approximately 50 per cent market share is local VP Market with its Maxima concept [7].

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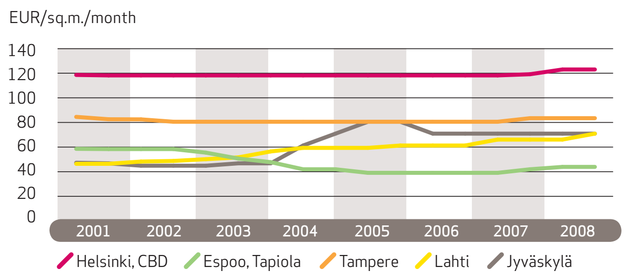
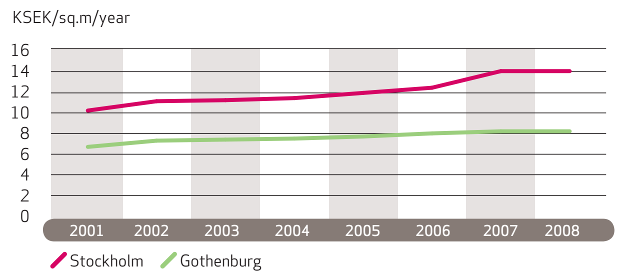
Rental levels of retail premises in Finland



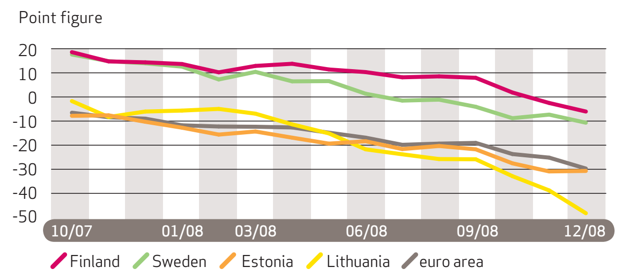
Source: Catella

Rental levels of shopping centres in Stockholm and Gothenburg area



Source: Jones Lang LaSalle

Consumer confidence indicator



Source: Eurostat

While grocery sales have suffered least from the economic turmoil, specialty retail and the hardware trade in particular have suffered in all of Citycon's operating countries. In accordance with its strategy, grocery stores are usually anchor tenants in Citycon's shopping centres. By rental income more than 20 per cent of the company's shopping centre tenants are food retailers.

Property market seizes up

Early in the year, Finland and Sweden were still seeing a high frequency in property deals, but the property market slowed down towards the second half of the year as financing opportunities all but vanished. The reasons behind the reduction of transaction volume are pan-European. The views on property values still differ significantly between the buying and selling parties. In addition to the more difficult financing opportunities, financing costs have increased and interest margins widen considerably. The few property deals conducted in Finland towards the end of the year were mainly concluded between domestic institutional investors. Deals in Sweden, too, were mainly carried out by local parties. In the Baltic countries, the property market has come to an almost complete standstill. [8)]

The difference in yield requirements between prime and riskier properties widened furthermore in 2008. Yield requirements for prime properties showed only a slight increase, whereas yield requirements of risker properties increased clearly. According to Catella, this trend will continue. In general, yield requirements are increasing in all of Citycon's operating countries [9)].

The rents of prime-assets in retail sector continued to rise in Finland during 2008. The occupancy rate is also high. In general, the demand of retail space is highly dependent on consumer confidence and on the outlook of consumers' capability and desire to spend. [10)]

Citycon is the market leader in the Finnish shopping centre business. Citycon's market share is 24 per cent of the Finnish shopping centre market [11)]. 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. Many properties in the Baltic countries are owned by local and Nordic construction and property development companies.

Real estate fund legislation in Finland

In its Government Programme issued in 2007, the Finnish Government expressed its intent to review 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 conducted similar reforms whereby, under certain conditions, a REIT – Real Estate Investment Trust – is not liable to pay any income taxes as a corporation. Instead, a REIT is required to distribute most of its profits as dividends to its shareholders. Dividends paid by REITs and capital gains from holdings are then taxed based on the shareholders' income.

In October, the Finnish Government issued a proposal to Parliament on amending the Finnish Real Estate Funds Act and certain related Acts (HE 175/2008). According to this proposal, only companies investing in residential premises fulfilling certain criteria would be considered as REITs in Finland. It is proposed that these amendments enter into force in September 2009.

It is believed that REIT type legislation concerning real estate funds will increase investors' interest in the Finnish property market. However, since the REIT model includes several limitations and would, according to the proposal, focus only on residential properties, adopting the proposed REIT model would be neither possible nor suitable for Citycon.

Citycon and sustainable development

Citycon wants to lead the way and promote sustainable development in the shopping centre business. The location of Citycon's shopping centres in city centres, local centres or generally adjacent to major traffic flows as well as diverse public transport connections to the centres makes them well positioned to face the demands of sustainable development.

Environmental issues are increasingly affecting the selection of a retail property, and as general awareness of such issues grows, customers are becoming more demanding. Furthermore stricter legislation regarding emissions, waste and energy efficiency will affect operations in the future.

Sources:

1) Nordea, February 2009
2) Statistics Sweden
3) Statistics Finland, The Finnish Grocery Trade Association
4) Statistics Estonia
5) Statistics Lithuania
6) A. C. Nielsen
7) TP Group
8) Realia Management
9) Newsec, Nordic Report Autumn 2008
10) KTI
11) Entrecon

10:17 a.m.

Recycling at Myyrmanni

Property Manager Mika Lehtonen gives tenants instructions on more ecological procedures. Shopping centre Myyrmanni in Vantaa is a forerunner in recycling in shopping centres. Eeva Pääkkönen from Lindex at left and Kirsi Borg, Manager, Sustainability, from Citycon in the middle.

Strategy

Mission

Our mission is to ensure that people shop in Citycon's shopping centres. By combining property investment and shopping centre business, Citycon creates sustainable shareholder value.

Vision

Citycon is a shopping centre business leader, an active owner and a long-term developer aiming to increase the value of its properties. Citycon's properties represent the most desired retail venues and they attract consumers. The company is the preferred employer in its field.

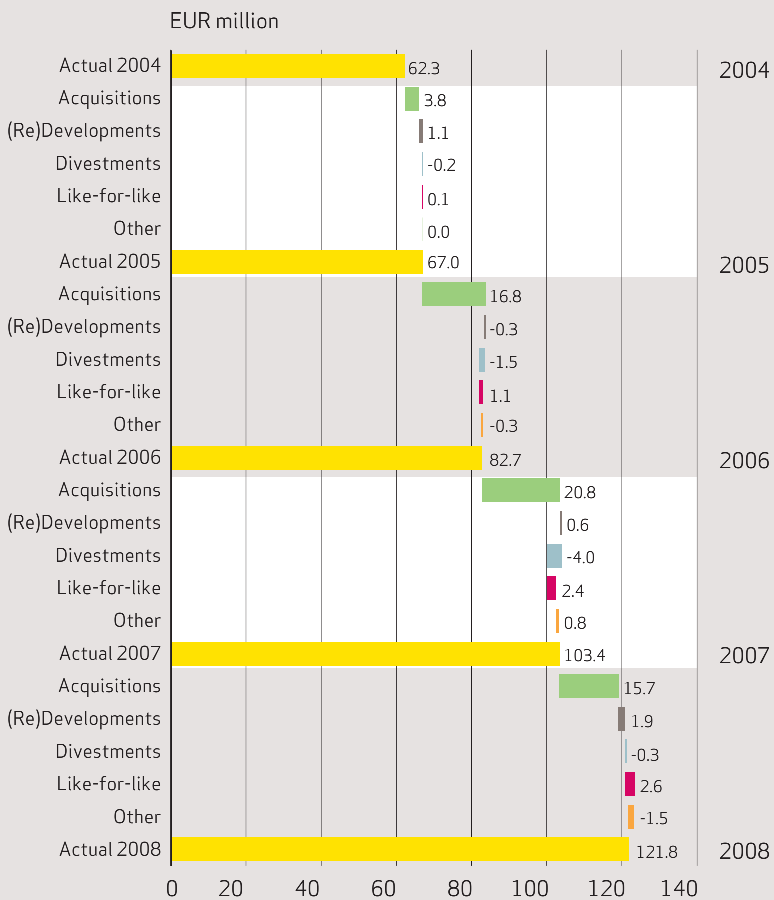
Strategy

→ To concentrate on shopping centre business in Finland, Sweden and the Baltic countries.
→ To manage and develop its shopping centres in a centralised manner, using Citycon's own, active and professional personnel working locally. This creates efficiency and synergies, and guarantees knowledge of the local markets.
→ To create added value for customers and to enhance the properties' commercial appeal, considering each retail venue's and its catchment area's commercial preconditions: purchasing power, consumers' desires and needs and the market situation in the retail business.
→ To promote sustainable development in shopping-centre management and development. Citycon seeks internal certification for its redevelopment and extension projects.
→ To reduce business risks with a strong balance sheet and cash flow combined with conservative financing policy.

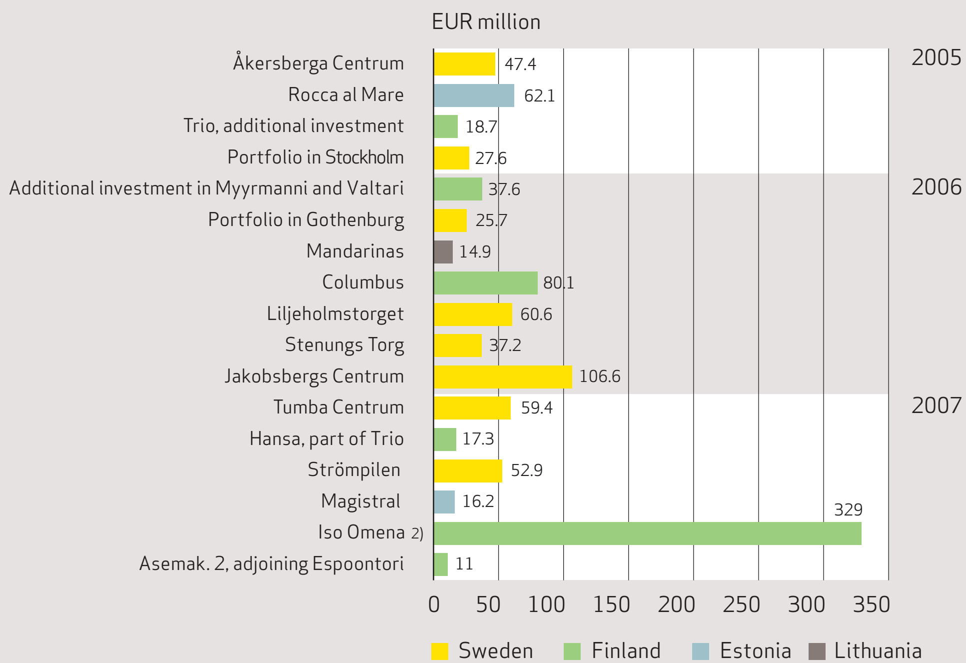
Financial targets

Growth track	Continued expansion through property development and selective acquisitions.	Cumulative CAPEX since 2005 in excess of EUR 1 billion. The main emphasis is on organic growth.
Dividends	Solid distribution policy. Payout target 50 per cent of the result for the period after taxes excl. fair value changes on property.	For 2008 Citycon's per-share dividend is proposed to be EUR 0.04 and return from invested unrestricted equity fund EUR 0.10.
Equity ratio	Strong balance sheet. Long-term equity ratio target is 40 per cent.	On 31 December 2008, the equity ratio was 38.5 per cent.

Development of net rental income



Acquisitions, 2005–2007[1)]



1) Includes acquisitions exceeding EUR 10 million.
2) Citycon has sold 40% of Iso Omena to GIC.

Property Portfolio

Citycon owns a total of 33 shopping centres: 22 in Finland, eight in Sweden, two in Estonia and one in Lithuania. In addition to shopping centres, Citycon owns 50 other retail properties. The value of the company's property portfolio totalled approximately two billion euros at the end of 2008.

Acquisitions and divestments

In 2008, Citycon purchased more minority shares in many of the properties partially owned by it. These share acquisitions are linked to the planned redevelopment projects of the Lippulaiva and Espoontori shopping centres. In addition, the company sold some of its properties.

Citycon sold a 40 per cent minority interest in the Iso Omena shopping centre to an affiliate of GIC Real Estate. The debt-free disposal price, EUR 131.6 million, is equivalent to 40 per cent of the original acquisition price of EUR 329 million paid by Citycon.

More details on acquisitions and divestments is available on page 6 of the enclosed Financial Statements.

Structure of lease agreements

At the turn of the year, the average remaining duration of Citycon's lease agreements was 3.2 years. A relatively brief average duration enables the improvement of shopping centres' service offerings and the realisation of development measures on a rapid 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 restaurants, 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. Currently, leases valid until further notice are concluded less frequently, although this has been a common practice, particularly in Finland.

Most of Citycon's leases are based on agreements, whereby the rent is split between the base rent and the maintenance fee. The base rent is normally tied to the cost-of-living index. The maintenance fee, charged separately from the lessee, covers operating

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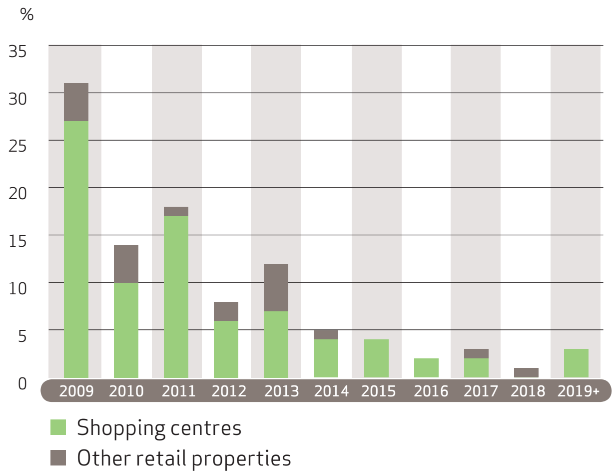
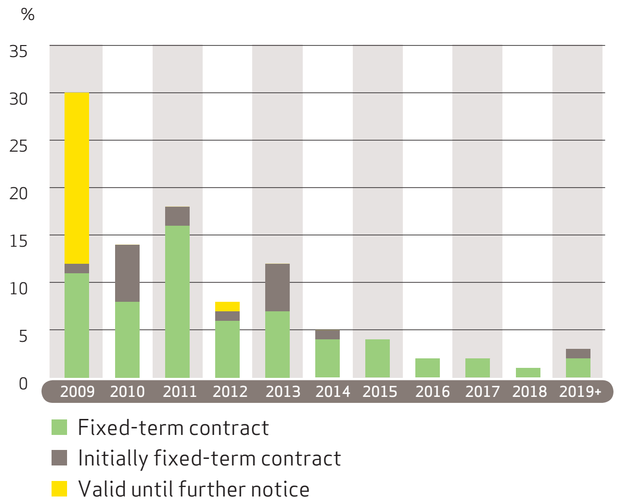
First possible termination year of the leases



First possible termination year of the leases by contract type



Enclosed chart illustrates Citycon's lease agreements divided into fixed-term contracts, contracts valid until further notice and initially fixed-term contracts.

- **Fixed-term contracts expire at the end of the contract period, after which will be negotiated on a potential new lease agreement.**
- **Contracts valid until further notice are valid for the time being and their typical notice period extends from 3 to 12 months.**
- **Initially fixed-term contracts include the first possible termination date, after which the contract period may continue either until further notice or for a rolling fixed-term period of time. A rolling fixed-term contract means that if the agreement is not terminated to expire at the end of the first contract period, it continues for another agreed period, typically from 12 to 36 months, at a time. The contract can only be terminated to expire at the end of the agreed period. The notice period is generally from 3 to 12 months.**

Partner in Everyday Life Shopping Centre

In Myllypuro, Helsinki, Citycon aims to develop an attractive modern service complex, a Partner in Everyday Life Shopping Centre, to replace the existing centre. Shopkeeper Milla Lamminluoto from the K-Market in Myllypuro retail centre offers a versatile selection of groceries for the everyday needs of familiar customers.

11:28 a.m.

expenses incurred by the property owner due to property maintenance while enabling the provision of any additional services requested by the lessee.

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 consist of a base rent and a maintenance fee. In addition, the lessor has the possibility of obtaining a percentage of a lessee's turnover, if the rent calculated based on turnover exceeds the minimum base rent. The portion tied to turnover is defined according to the lessee's field of business and estimated sales. It does not reduce the base rent, thus representing only an optional plus for Citycon. 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 24.2 per cent of Citycon's lease portfolio. Last year, the corresponding share was 16.1 per cent. The calculation of percentages is based on the lease portfolio's value in euros. The company aims to tie all new agreements on shopping centre premises to the lessee's turnover.

Most of these lease agreements require 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 co-operation 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 shopping centre properties indicating the percentage of a tenant's turnover paid as rent. At the end of the year, this figure was 8.5 per cent.

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. In recent years, this valuation has been conducted on a quarterly basis, due to market activity and rapidly changing market conditions. The valuation has principally been conducted using a cash-flow method for a period of 10 years. For vacant lots and properties clearly involving amendments to land use plans, the market values have been determined according to the building rights available under the currently valid local detailed plan. Development projects have been appraised using a specially designed project calculation model.

The most recent valuation statement on the situation at the end of 2008 by Realia Management Oy can be found in the Financial Statements, on page 61. Realia Management Oy works in association with the leading provider of real estate services, the international company CB Richard Ellis. The valuation statements include a description of the valuation process, factors influencing the valuation as well as the valuation results and sensitivity analysis.

Citycon can contribute to its investment properties' value by, for example, increasing rental cash flow through the means of property development, commercial planning and marketing. The factor with the most significant effect on the fair value of retail properties, however, has proven to be the increased yield requirements, resulting from the general economic downturn in the property and financial markets and a rise in interest rate levels. This has lowered the properties' value.

On 31 December 2008, Realia Management Oy evaluated the average yield requirement for Citycon's property portfolio at 6.4 per cent. The yield requirement for properties in Finland, Sweden and the Baltic countries stood at 6.4 per cent, 6.4 per cent and 7.4 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.

Fair value development in 2008

In 2008, the fair value of Citycon's property portfolio decreased by a total of EUR 216.1 million while, in 2007, the portfolio saw a fair value increase of EUR 211.4 million. This year's decrease was caused by the general economic downturn in the property and financial markets as well as an increased yield requirements. The year saw a total increase of EUR 15.3 million in the value of five properties and a total decrease of EUR 231.4 in the value of 80 properties. The net impact of the changes in the income statement was EUR -216.1 million.

Portfolio by market value and number of properties on 31 Dec. 2008

Market value, EUR million	Share of total portfolio, %	Number of properties
over 100	42	5
80–100	5	1
60–80	7	2
40–60	14	6
20–40	14	10
10–20	11	16
5–10	5	13
0–5	4	32

Portfolio analysis 31 Dec. 2008

Total portfolio	Location	Citycon's GLA	Number of lease agreements	Average length of lease agreements	Average rent, EUR/sq.m/ year	Market value, EUR million 31 Dec. 08	Market value, EUR million 31 Dec. 07	Rental income: Gross rental income Year 08	Rental income: Net rental income Year 08	Occupancy rate, %: EUR 31 Dec. 08	Occupancy rate, %: sq.m. 31 Dec. 08
Finland											
Shopping centres, Helsinki Metropolitan Area											
Columbus	Helsinki	21,000	69			74.7	83.9			98.3	96.8
Espoontori	Espoo	17,300	53			31.6	29.6			96.7	94.7
Heikintori	Espoo	5,800	41			11.8	14.2			94.7	90.7
Isomyyri	Vantaa	10,900	20			20.6	22.4			96.6	92.7
Iso Omena	Espoo	60,600	205			305.6	329.3			99.6	98.7
Lippulaiva	Espoo	23,000	82			48.3	58.9			98.0	97.7
Myyrmanni	Vantaa	40,300	118			158.4	176.7			97.6	97.1
Tikkuri	Vantaa	10,700	51			27.5	30.2			96.4	93.6
Shopping centres, Helsinki Metropolitan Area, total		**189,700**	**639**	**2.6**	**299**	**678.6**	**745.3**	**54.3**	**40.9**	**98.3**	**96.8**
Shopping centres, other areas in Finland											
Duo	Tampere	13,000	41			32.3	35.2			97.3	94.4
IsoKarhu	Pori	14,800	50			42.4	44.2			94.0	89.8
IsoKristiina	Lappeenranta	18,700	57			34.2	39.2			93.2	91.5
Jyväskeskus	Jyväskylä	5,800	75			15.1	16.1			98.6	97.3
Jyväskylän Forum	Jyväskylä	17,500	63			57.6	60.7			98.8	98.5
Koskikara	Valkeakoski	5,800	37			5.7	7.4			98.4	97.6
Koskikeskus	Tampere	26,100	154			114.8	114.7			98.4	96.7
Linjuri	Salo	9,300	10			15.8	17.7			90.7	91.1
Oulun Galleria	Oulu	3,500	30			8.9	10.2			92.4	89.4
Sampokeskus	Rovaniemi	14,000	90			25.0	26.7			88.2	81.9
Torikeskus	Seinäjoki	11,500	64			12.5	12.9			92.9	90.3
Trio	Lahti	45,700	179			150.7	124.5			95.8	90.4
Tullintori	Tampere	10,300	45			8.9	9.9			82.3	79.4
Valtari	Kouvola	7,600	19			5.0	6.0			75.6	69.6
Shopping centres, other areas in Finland, total		**203,600**	**914**	**3.3**	**238**	**529.0**	**525.5**	**40.1**	**28.7**	**94.8**	**90.7**
Other retail properties, total		**207,450**	**242**	**3.3**	**143**	**272.5**	**316.2**	**28.1**	**21.3**	**92.2**	**88.6**
Finland, total		**600,750**	**1,795**	**3.1**	**224**	**1,480.2**	**1,587.0**	**122.5**	**90.9**	**95.7**	**91.9**
Sweden											
Shopping centres, Stockholm area and Umeå											
Fruängen Centrum	Stockholm	14,600	95			12.2	15.4			93.8	90.6
Jakobsbergs Centrum	Järfälla	67,400	501			93.3	121.8			96.1	92.9
Liljeholmstorget	Stockholm	20,200	36			66.6	77.9			100.0	100.0
Strömpilen	Umeå	25,700	27			42.0	54.6			97.8	95.3
Tumba Centrum	Stockholm	31,400	295			47.4	63.8			94.8	98.1
Åkermyntan Centrum	Hässelby	8,400	42			10.0	12.8			84.3	89.6
Åkersberga Centrum	Österåker	33,100	238			42.6	57.6			97.3	97.3
Shopping centres, Stockholm area and Umeå, total		**200,800**	**1,234**	**2.5**		**314.1**	**403.8**			**96.0**	**95.1**
Shopping centres, Gothenburg area											
Stenungs Torg	Stenungsund	37,600	330			38.4	56.3			96.6	96.2
Shopping centres, Sweden, total		**238,400**	**1,564**	**2.4**	**158**	**352.5**	**460.1**	**37.2**	**21.9**	**96.1**	**95.3**
Other retail properties, total		**44,300**	**149**	**2.6**	**114**	**43.6**	**57.4**	**3.9**	**2.2**	**94.7**	**92.9**
Sweden, total		**282,700**	**1,713**	**2.4**	**153**	**396.1**	**517.5**	**41.1**	**24.1**	**96.0**	**95.0**
Baltic Countries											
Estonia											
Rocca al Mare	Tallinn	36,700	117			117.1	74.7			100.0	100.0
Magistral	Tallinn	9,500	59			15.2	18.5			98.7	98.9
Lithuania											
Mandarinas	Vilnius	8,000	58			15.0	18.0			100.0	100.0
Baltic Countries, total		**54,200**	**234**	**6.8**	**228**	**147.3**	**111.2**	**9.3**	**6.8**	**99.8**	**99.8**
Total portfolio		**937,650**	**3,742**	**3.2**	**202**	**2,023.6**	**2,215.7**	**173.0**	**121.8**	**96.0**	**93.4**

Like-for-like portfolio

	Citycon's GLA	Number of lease agreements	Average length of lease agreements	Average rent, EUR/sq.m./year	Market value, EUR million		Rental income, EUR million		Occupancy rate, %	
							Gross rental income	Net rental income	EUR	sq.m.
					31 Dec. 08	31 Dec. 07	Year 08	Year 08	31 Dec. 08	31 Dec. 08
Finland										
Helsinki Metropolitan Area	182,990	470	2.3	238	422.5	475.4	37.3	28.1	97.1	95.0
Other areas in Finland	21,560	709	2.6	189	435.0	464.7	40.0	29.8	94.3	90.6
Finland, total	**204,550**	**1,179**	**2.5**	**211**	**857.5**	**940.2**	**77.3**	**57.9**	**95.7**	**92.6**
Sweden										
Stockholm area	12,700	877	2.1	150	162.6	213.5	18.7	10.7	95.3	93.8
Gothenburg area	71,100	473	2.9	122	65.1	91.9	8.3	4.4	95.5	94.3
Sweden, total	**198,100**	**1,350**	**2.2**	**140**	**227.7**	**305.4**	**27.0**	**15.1**	**95.4**	**94.0**
Baltic Countries										
Vilnius	8,000	58	5.1	239	15.0	18.0	1.8	1.2	100.0	100.0
Like-for-like portfolio, total	**320,680**	**2,587**	**2.4**	**188**	**1,100.2**	**1,263.6**	**106.1**	**74.2**	**95.7**	**93.3**

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. 2008

Total portfolio	Market value, EUR million		Change in market value, year 2008, EUR million: Positive	Negative	Total	Average yield requirement, %		Average market rent, EUR/sq.m./month	Average operating expenses, EUR/sq.m./month
	31 Dec. 08	31 Dec. 07				31 Dec. 08	31 Dec. 07	31 Dec. 08	31 Dec. 08
Finland									
Helsinki Metropolitan Area	793.1	878.3	0.4	-90.2	-89.8	6.1	5.4	24.30	5.50
Other areas in Finland	687.1	708.6	0.4	-64.8	-64.5	6.7	6.0	19.10	3.90
Finland, total	**1,480.2**	**1,587.0**	**0.7**	**-155.0**	**-154.3**	**6.4**	**5.7**	**21.90**	**4.80**
Sweden									
Stockholm area and Umeå	331.0	425.6	0.0	-54.3	-54.3	6.3	5.3	12.80	4.00
Gothenburg area	65.1	91.9	0.0	-15.8	-15.8	7.1	5.9	9.80	3.40
Sweden, total	**396.1**	**517.5**	**0.0**	**-70.1**	**-70.1**	**6.4**	**5.4**	**12.30**	**3.90**
Baltic Countries									
Estonia	132.3	93.2	14.6	-3.3	11.3	7.3	6.3	20.30	4.40
Lithuania	15.0	18.0	0.0	-3.0	-3.0	8.1	6.7	19.90	6.80
Baltic Countries, total	**147.3**	**111.2**	**14.6**	**-6.3**	**8.3**	**7.4**	**6.4**	**20.20**	**4.60**
Total portfolio	**2,023.6**	**2,215.7**	**15.3**	**-231.4**	**-216.1**	**6.4**	**5.6**	**19.90**	**4.60**
Like-for-like properties									
Finland									
Helsinki Metropolitan Area	422.5	475.4	0.0	-58.7	-58.7				
Other areas in Finland	435.0	464.7	0.4	-32.7	-32.4				
Finland, total	**857.5**	**940.2**	**0.4**	**-91.4**	**-91.0**				
Sweden									
Stockholm area	162.6	213.5	0.0	-24.3	-24.3				
Gothenburg area	65.1	91.9	0.0	-15.8	-15.8				
Sweden, total	**227.7**	**305.4**	**0.0**	**-40.1**	**-40.1**				
Baltic Countries									
Lithuania	15.0	18.0	0.0	-3.0	-3.0				
Like-for-like properties, total	**1,100.2**	**1,263.6**	**0.4**	**-134.5**	**-134.1**				

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. 2008	**1,758**	**594,180**	**532,390**	**17.6**
Leases started				
New or extended leases	452	2,700	79,130	21.1
Acquisitions	11	4,500	3,450	12.9
Leases ended				
Expired, fixed-term leases	137		22,280	19.2
Terminated, until-further-notice leases	240		50,160	16.6
Leases terminated due to development projects	49		8,500	13.6
Divestments		630		
Status 31 Dec. 2008	**1,795**	**600,750**	**534,030**	**18.6**
Sweden				
Status 1 Jan. 2008	**1,713**	**283,700**	**270,090**	**12.5**
Leases started				
New or extended leases	58		15,340	17.0
Acquisitions				
Leases ended				
Expired, fixed-term leases	31		8,310	16.5
Terminated, until-further-notice leases	26		7,040	9.8
Leases terminated due to development projects	1		200	12.1
Status 31 Dec. 2008	**1,713**	**282,700**	**269,880**	**12.8**
Baltic Countries				
Status 1 Jan. 2008	**229**	**46,100**	**44,450**	**15.8**
Leases started				
New or extended leases	62	8,100	30,490	15.7
Acquisitions				
Leases ended				
Expired, fixed-term leases				
Terminated, until-further-notice leases	8		430	27.1
Leases terminated due to development projects	49		20,590	11.1
Status 31 Dec. 2008	**234**	**54,200**	**53,920**	**19.0**

Completed development projects in 2007–2008

Property	Location	Country	Area, sq.m.[1]	Post development area, sq.m.	Total estimated investment, EUR million [2]	Actual cumulative CAPEX by the end of the period, EUR million	Additional information
Trio	Lahti	Finland	32,300	35,000	60	58.3	Total refurbishment and extension of the retail premises of the existing shopping centre. The project was carried out in two stages and the entire project was completed in autumn 2008 as planned. Citycon's LEED pilot project.
Duo	Tampere	Finland	5,000	13,000 [3]	27.3	25.9	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 Oct. 2007.
Lillinkulma	Kaarina	Finland	-	7,500	8.2	10.9	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	Finland	-	12,000	16.6	16.6	New retail building. The title to the property was transferred to Citycon after the completion of the project in Nov. 2007.
Linjuri	Salo	Finland	9,000	9,300	1.8	1.8	Redevelopment of a retail property (redevelopment area approx. 4,000 sq.m.) into a shopping centre was completed in Dec. 2007.

1) Leasable area owned by Citycon before the project start. 2) New capital tied on the project. 3) Owned by Citycon.

Development projects in progress on 31 Dec. 2008

Property	Location	Country	Market value, EUR million 31 Dec. 2008	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
Liljeholmstorget	Stockholm	Sweden	67	20,100	29,000 retail + 11,800 offices	130	70.7	2009	Construction of a new shopping centre south of Stockholm city centre. A major traffic hub and the whole area is being redeveloped into an attractive residential neighbourhood. The existing building is totally refurbished and a new shopping centre is currently being build adjacent to a subway station. Underground parking. Post-development area incl. parking 91,000 sq.m. Citycon's LEED pilot project.
Rocca al Mare	Tallinn	Estonia	117	28,600	53,500	64.3	36.6	2009	Refurbishment and major extension of the existing shopping centre. The first phase, which included the extended Prisma-hypermarket, was opened fully let on 1 October 2008. Citycon's LEED pilot project. The second phase of the project will open in May 2009 and the entire new Rocca al Mare is expected to open for Chirstmas 2009.
Torikeskus	Seinäjoki	Finland	13	11,300	11,500	4	2.6	2009	Refurbishment of the interiors of the shopping centre underway.

1) Leasable area owned by Citycon. 2) New capital tied on the project.

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. 2008	Area, sq.m.	Additional information
Ultima	Vantaa	Finland	4	0	Vacant plot of approximately 42,000 sq.m. with 20,000 sq.m. in current permitted residential building right.
Valtari	Kouvola	Finland	5	7,600	Possibility to use the property as a consideration in potential transactions. Opportunities to redevelop the property are analysed.
Columbus	Helsinki	Finland	75	20,400	Opportunities to expand the shopping centre are reviewed.
Sampokeskus	Rovaniemi	Finland	25	13,600	Opportunities to redevelop the property are analysed.
Kaarinan liiketalo	Kaarina	Finland	7	9,400	The redevelopment of the existing retail property in line with the development plan of the town centre is analysed.
Tullintori	Tampere	Finland	9	10,300	Refurbishment on the property is under consideration.
Hakunila	Vantaa	Finland	5	3,000	Opportunities to redevelop the property are analysed.
Backa	Gothenburg	Sweden	6	7,800	Opportunities to develop the property are analysed.
Fruängen Centrum	Stockholm	Sweden	12	15,000	Opportunities to refurbish and possibly extend the property are analysed.
Lindome	Gothenburg	Sweden	6	7,800	Possibilities to build residential units adjoining the retail centre under review.
Liljeholmstorget, phase II	Stockholm	Sweden	67	20,000	Possibilities to extend existing centre and build residential units adjoining the shopping centre under review.

Development project 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. 2008	Project area,, sq.m. [1]	Estimated investment need, EUR mill.[2]	Target year of project launch	Target year of completion	Additional information
Lippulaiva	Espoo	Finland	48.3	35,000	60-70	2010	2012	Refurbishment and extension of the existing shopping centre. The refurbishment of interior premises completed. Planning of the extension project continues.
Åkersberga Centrum[6]	Österåker	Sweden	42.6	31,000	45	2009	2011	Refurbishment and extension of the shopping centre.
Tumba Centrum	Stockholm	Sweden	47.4	38,500	35–37	2009	2012	Redevelopment and extension of the shopping centre. In the first phase the centre will be refurbished and extented slightly, the project (approx. EUR 6 million) is on-going and included in the figure. The second phase includes remarkable redevelopment and extension and is planned to start 2011.
Iso Omena	Espoo	Finland	305.6	5,000 [4]	15	2009	2010	Extension of the shopping centre in two stages, the first stage is planned to begin and to be completed in 2009, and the second phase in 2010. The shopping centre may offer further possibilities for extension in the future.
Espoontori	Espoo	Finland	31.6	24,000	60–70	2012	2014	Refurbishment of interior premises planned to be carried out in 2009 (EUR 6 -7 million). Alteration of city plan pending, facilitating the extension and refurbishment of the existing shopping centre. [3]
Myyrmanni	Vantaa	Finland	158.4	11,000	11–13	2010	2010	The second floor of the shopping centre will be refurbished into a fashion world.
Myyrmanni				25,000–30,000	30–35	2011	2013	Extension of the shopping centre. The City of Vantaa granted a site reservation to Citycon in January 2009 for the former health care centre's plot. The extension will also include residential units but Citycon will not invest in them.
Myyrmanni				30,000–35,000	30–35	2011	2014	The second phase of the shopping centre Myyrmanni's extension, including the construction of Prisma hypermarket to the shopping centre's immediate vicinity. In January 2009, the City of Vantaa granted a site reservation to Citycon also for a so called Paalutori plot, located on the other side of the centre. Parking is planned to be transferred underground. The extension will also include residential units, but Citycon will not invest in them. Planned to launch the project following the extension to be carried out on the health care centre's plot. [3]
Galleria	Oulu	Finland	8.9	17,000	50–55	2011	2013	Redevelopment of the Galleria block into a shopping centre in co-operation with the block's and the adjacent block's other property owners. The other main owner is retail cooperative Arina. The estimated investment need for the whole, project totals 130-140 EUR million, final allocation of the costs not agreed upon. The project includes the acquisition and refurbishment of the adjoining property (approx. 11,000 sq.m.) and its connection to the existing centre as well as an underground parking facility. A new commercial concept ready. [3]
Koskikeskus	Tampere	Finland	114.8	2,000 [5]	8–12	2009	2010	Refurbishment of interior premises of the shopping centre underway, the project started in 2007.
Myllypuro	Helsinki	Finland	0.5	7,400	20	2010	2012	Building a new retail centre replacing the existing one.
Kuopion Anttila	Kuopio	Finland	22.0	15,000	35–40	2011	2013	Redevelopment and extension of the existing building into a new shopping centre. Commercial concept of the project ready. The project has been postponed due to more difficult market conditions. [3]
Heikintori [6]	Espoo	Finland	11.8	23,000	2–4	2010	2010	Refurbishment of interior premises of the existing shopping centre. The contemplated redevelopment and extension project as well as the related zoning has not proceeded according to the earlier plans since the shareholders of the shopping centre company do not have a common understanding on the project.
Martinlaakso	Vantaa	Finland	3.9	7,000–8,000	25–30	2009	2011	Building a new shopping centre replacing the existing retail centre. Negotiations with the possible final owners of the residential units on-going.
Laajasalo	Helsinki	Finland	3.8	8,000	25–30	2012	2013	Building a new retail centre replacing the existing one. [3]
IsoKristiina	Lappeenranta	Finland	34.2	25,000	60–70	2010	2013	Refurbishment and extension of the existing shopping centre under planning. Citycon purchased the adjacent plot for the extension in February 2009. Commercial concept as well as the city plan ready.
Hansa-keskus	Lahti	Finland	21.3	8,000	8	2009	2009	The refurbishment of Hansa property located next to Trio. The goal is to connect the property better and more commercially to Trio. Alteration of the city plan pending to allow building of retail premises on the bridge connecting Trio and Hansa, over the street of Vapaudenkatu.
Jyväskylän Forum	Jyväskylä	Finland	57.6	10,000	15	2010	2011	Refurbishment of interior premises of the shopping centre.
Porin Anttila	Pori	Finland	4.6	7,600	3	2009	2010	Refurbisment of the retail premises in two phases. The first EUR 1.5 million and 2,500 sq.m. phase is on-going and ready in March 2009. The entire project ready in 2010.
Stenungs Torg [6]	Stenungsund	Sweden	38.4	30,000	25–30	2009	2011	Citycon has agreed with the shopping centre's minority shareholder on the redevelopment and extension of the shopping centre. The estimated investment refers to Citycon's share. First phase started in January 2009.
Strömpilen [6]	Umeå	Sweden	42.0	40,000	54	2009	2011	Refurbishment and extension of the shopping centre.
Länken [6]	Umeå	Sweden	12.4	5,000	4	2009	2009	Refurbishment and extension of the retail property.
Jakobsbergs Centrum	Järfälla	Sweden	93.3	8,000	3	2009	2009	Redevelopment and extension of the shopping centre. Started in January 2009.
Åkermyntan Centrum	Hässelby	Sweden	10.0	8,500	2–10	2010	2011	Redevelopment of the shopping centre, building of new residential units adjoining the centre under review.
Magistral	Tallinn	Estonia	15.2	10,000	10	2010	2011	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.

Business Units

Citycon is the market leader in the Finnish shopping centre business and holds a strong position in Sweden and a firm foothold in the Baltic Countries. The company's geographic business units are divided into two business areas, Retail Properties and Property Development. The Finnish unit also has a Commercial Development function.

Active owner and long-term developer

Citycon combines property investment with shopping centre business. This differentiates Citycon from many other real estate investment companies which principally focus on buying, selling and owning properties.

Citycon's core operations in property investment include acquisitions and divestments carried out based on its knowledge of the local markets, sustainable property development and financing. These operations form the foundation of Citycon's shopping centre business.

Shopping centre rental income by branches

Shopping centre business refers to the management and development of Citycon's products: shopping centres. In practice, this means ensuring that these shopping centres attract consumers, thus creating foundation for the tenant's success. Key operations include leasing retail premises, and marketing and maintenance using Citycon's own, local personnel. Citycon steers the management and development of shopping centres in a centralised manner, using common operating models and thus creating synergies. Knowledge of the local retail business, purchasing power and consumer behaviour enable success in competition between retail properties.

Citycon's primary products are shopping centres. However, the company's offering also includes other retail properties such as retail centres, supermarkets and other large retail units.

Diverse lessee base

Citycon's income mainly comes from the rental income generated by its retail properties. The company's major lessees include speciality and grocery chains as well as cafés, restaurants, banks and financial institutions.

In Finland, key tenants include the various Kesko chains, such as the K-citymarket hypermarkets, the K-market supermarkets and the Anttila department stores, accounting for 26.6 per cent (2007: 28.2%) 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 45 premises. Other major tenants include grocery retailers HOK-Elanto and S-Group, fashion and clothing chain stores such as Seppälä (Stockmann), H&M, KappAhl and Lindex and the bank Nordea.

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

In the Baltic countries, the largest single tenant was Prisma, a Finnish hypermarket chain, while both the Magistral and Mandarinas shopping centres' anchor tenant was the Swedish RIMI.

Citycon and sustainable development

Citycon wants to lead the way and promote sustainable development in the shopping centre business. The location of Citycon's shopping centres in city centres, local centres or generally adjacent to major traffic flows as well as diverse public transport connections to the centres makes them well positioned to face the demands of sustainable development.

Environmental issues are increasingly affecting the selection of retail property, and as general awareness of such issues grows, customers are becoming more demanding. Furthermore stricter legislation regarding emissions, waste and energy efficiency will affect operations in the future.

To further develop its operations, Citycon has surveyed its tenants' views on measures that promote sustainable development and has assembled a list of tangible proposals for improvement. The survey covered 350 tenants and store managers in Finland and Sweden, and interviews of another 13 persons responsible for environmental affairs in major retail companies.

Lease portfolio summary by business units

	Finland	Sweden	Baltic Countries	Total
Number of leases started during the year	452	58	62	572
Total area of leases started, sq.m.	79,130	15,340	30,490	124,960
Occupancy rate at the end of the year, %	95.7	96.0	99.8	96.0
Average length of lease portfolio at the end of the year, year	3.1	2.4	6.8	3.2

The survey indicated that retailers have a positive attitude towards developing environmental affairs in shopping centres and consider it as an increasing requirement in their operations. Forerunners in the retail sector are already placing demands on their partners, such as shopping centres.

Property portfolio by region, 31 Dec. 2008

	Total, EUR million
Finland	
Helsinki Metropolitan Area	793.1
Other areas in Finland	687.1
Sweden	
Stockholm area and Umeå	331.0
Gothenburg area	65.1
Baltic Countries	
Estonia and Lithuania	147.3
Total	**2,023.6**

Based on market value of property portfolio on 31 Dec. 2008.

Key indicators of property portfolio 2008

	Finland	Sweden	Baltic Countries	Total
Citycon's GLA, sq.m.	600,750	282,700	54,200	937,650
Gross rental income, EUR million	122.5	41.1	9.3	173.0
Net rental income, EUR million	90.9	24.1	6.8	121.8
Net rental income yield, %	6.0	5.0	6.2	5.8
Net rental income yield, like-for-like properties, %	6.5	5.4	7.2	6.3

Citycon's top five tenants 2008

	Proportion of rental income, %
Kesko	26.6
S-Group	
Stockmann	
ICA Sverige AB	
Tokmanni	
Top 5, total	**38.4**

Consistent operating models

Citycon has initiated a Green Shopping Centre Management programme to foster sustainable development in all shopping centres owned by the company. The programme, to be implemented in 2009, aims to promote energy efficiency, waste processing, recycling and other operations that support sustainable development. Green Shopping Centre Management programme aims for concrete action, financial incentives and clear communications about environmental issues.

Citycon is engaged in sustainable construction through three pilot projects, for which the company is applying the international LEED (Leadership in Energy and Environmental Design) certification. These projects form an essential element of Citycon's efforts towards sustainable development and include the redevelopment of the Trio shopping centre in Lahti, the extension of the Rocca al Mare shopping centre in Tallinn, and the construction of the Liljeholmstorget shopping centre in Stockholm.

In 2009, Citycon participates in the largest climate change campaign in Finland called Ilmastotalkoot.

U.S. GREEN BUILDING COUNCIL LEED CERTIFIED

ilmastotalkoot.fi

Finland

Finland of the total net rental income

74.7%

Strengths and position

Citycon is the market leader in the Finnish shopping centre business. Shopping centre ownership and development is an independent line of business, and Citycon is the only player in the field exclusively focused on long-term investment in shopping centres. Citycon can offer international and Finnish retail and service operators an extensive retail property network in Finland. In addition to shopping centres, Citycon owns 43 other retail properties in Finland, which constitute an important element in its property portfolio. Citycon sees high potential in the redevelopment of these properties, particularly old retail centres in the Helsinki Metropolitan Area.

Citycon's market share of the Finnish shopping centre-market was around 24 per cent in 2008 (source: Entrecon). The company's 22 shopping centres attracted a total of some 82.6 million customers.

Year 2008

Citycon's largest project in Finland, the redevelopment of the Trio shopping centre, proceeded as planned. Citycon's total investment in Trio is around EUR 60 million. The second stage of the project was completed on schedule and new premises were opened to the public in November. At the year-end, 95.3 per cent of Trio's premises were leased. As a meeting point in city centre, Trio's offerings focus on fashion and beauty, and on cafeteria and restaurant services. Plans are in the pipeline regarding the commercial development of the adjacent so-called Hansa property and linking it more closely with Trio. The shopping centre has been open for business during the entire redevelopment project. Trio is an excellent example of how a shopping centre that meets the customers' needs and expectations can bring life to a city centre.

Citycon sold a 40 per cent minority interest in the Iso Omena shopping centre to a subsidiary of GIC Real Estate. The debt-free sale price of EUR 131.6 million represents 40 per cent of the EUR 329 million purchase price Citycon originally paid. This divestment released capital for the development of other retail properties. Co-ownership with a major international investor was originally Citycon's objective when it acquired Iso Omena in September 2007. Citycon is responsible for the operations and management of Iso Omena. The first stage of Iso Omena's extension is being prepared with the objective of starting the extension project in the first half of 2009. In addition to building an extension, other development objectives include improving the functionality of the shopping centre and expanding the specialty store service offerings on the second floor. The construction of the subway line from Helsinki to Espoo will provide excellent infrastructure support to the Iso Omena extension. The Matinkylä subway station will be located right next to the shopping centre.

During the year, a large number of research and development projects such as market studies associated with the commercial concept and projects to promote sustainable development were carried out in Finland. In addition, measures were taken to improve shopping centre operations, including tenant mix arrangements, supplementary services such as parking and recycling facilities, and shopping centre marketing by cluster. All shopping centres took part in the Safe and Clean Shopping Centre project. Within this framework, measures will be taken to increase the attractiveness and functionality of shopping centres and enhance co-operation with tenants, which in turn will help secure customer flows and cash flows in the future.

→

Shopping centre rental income by branches

- Cafes and Restaurants 9%
- Health and Beauty 8%
- Other Specialty Stores 2%
- Services and Offices 5%
- Clothes and Fashion 23%
- Groceries 21%
- Department Stores 16%
- Leisure, Home Supplies 16%

Key figures, Finnish operations

	2008	2007
Gross rental income, EUR million	122.5	100.7
Turnover, EUR million	126.8	104.3
Net rental income, EUR million	90.9	75.7
Net fair value losses/gains on investment property, EUR million	-154.3	148.1
Operating loss/profit, EUR million	-62.9	218.4
Capital expenditure (gross), EUR million	69.2	429.1
Market value of investment properties, EUR million	1,480.2	1,587.0
Net rental yield, %	6.0	6.2
Net rental yield, like-for-like properties, %	6.5	6.6

The role of shopping centres in a consumer's life

Shopping centres have different roles in a consumer's life. On this basis Citycon has classified its shopping centres and applies common marketing and management methods within these categories. This creates efficiency and synergies. Now introduced in Finland, the operating model will be extended to the company's other business units in the near future. The shopping centre Iso Omena features many characteristics of Local Shopping Centres. However, its catchment area is wider and offering more extensive than Citycon's other Local Shopping Centres.

	Meeting Points in City Centres	Local Shopping Centres	Partners in Everyday Life Centres
	Forum • Galleria • Heikintori IsoKarhu • IsoKristiina • Jyväskeskus Koskikeskus • Sampokeskus Torikeskus • Trio	Columbus • Duo • Koskikara Lippulaiva • Myyrmanni Tikkuri • Valtari	Espoontori • Isomyyri Linjuri • Tullintori
Brand's role in life	Beating heart of the city, offering irresistible satisfaction of shopping.	Close to its community, fulfilling all basic family needs.	Everyday service centre for busy people.
Properties	Entertaining. Offering is deep, not necessarily that wide. Perfect for "hanging around".	Offering is wide, not necessarily that deep. Public services.	Convenient and "easy going". Fast. Limited assortment. "Compact" size.
Territory	Leasure time. Social interaction.	Family everyday and festivities.	Everyday routines.

Objectives and the future

In the near future, the Finnish business operations will focus on overall development of the properties. While major extension projects are in development pipeline, the number of small scale development efforts aimed at improving the functionality and attractiveness of the retail properties is also remarkable. Cost-efficient maintenance and continuous commercial development of the retail properties will strengthen their position.

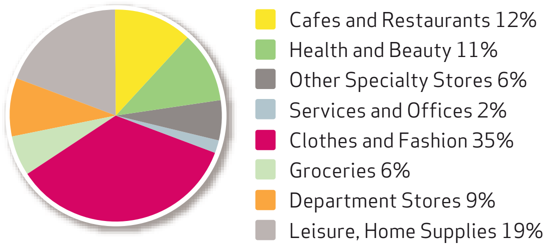
Finnish operations will also focus on integrating speciality leasing, in other words leasing of RMUs (Retail Merchandising Units) and media space in shopping centres, more closely into the overall service palette of the centres. The service is entitled Citycon Media and its objective is to centrally offer customers RMUs and media space in all Citycon-owned and operated shopping centres. The key idea underlying Citycon Media's operations is that shopping centres themselves are media that attract the attention of millions of consumers annually, in other words provide vital contacts for advertisers.

Location is one of the major strengths of Citycon's shopping centres. When markets slow down, commercial centres tend to shrink, which makes the location of a retail property all the more important. The location of Citycon's shopping centres in city centres, in local centres or in general adjacent to major traffic flows makes them well positioned to face the toughening competitive situation and to enhance sustainable development.

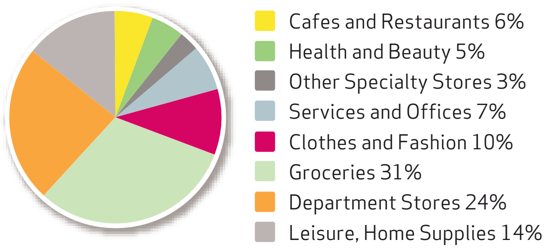
Top five tenants in Finland

	Proportion of rental income, %
Kesko	
S-Group	
Stockmann/Seppälä/Lindex	
Tokmanni	
Rautakirja	
Top 5, total	48.1

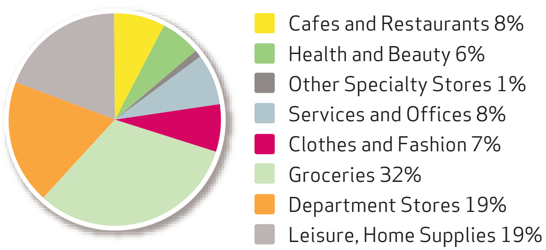
Meeting Points in City Centres, sales area by branch



Local Shopping Centres, sales area by branch



Partners in Everyday Life Shopping Centres, sales area by branch



In several shopping centres, grocery retailing is the anchor that maintains a steady footfall.

Visitors in Citycon's shopping centres in Finland

82.6 million

Citycon's shopping centres and other major retail properties in Finland 31 Dec. 2008

Property	Location	Gross leasable area, total, sq.m.	Retail premises, total, sq.m.	Entire retail property: Sales, EUR million 2008	Sales, EUR million 2007	Number of visitors, million 2008	Number of visitors, million 2007	Catchment area population	Citycon's gross leasable area, sq.m.
Helsinki Metropolitan Area									
Columbus	Helsinki	21,100	19,200	99.7	92.8	7.5	7.5	33,000	21,100
Iso Omena	Espoo	60,600	47,900	222.9	212.2	8.4	8.4	193,400	60,600
Espoontori [1)]	Espoo	23,800	12,000	30.9	31.1	3.3	3.2	52,400	17,300
Heikintori	Espoo	9,500	7,000	20.5	27.0 *	2.2	2.2	187,100	5,800
Lippulaiva [2)]	Espoo	23,000	19,400	70.8	65.6	3.7	3.6	44,500	23,000
Isomyyri	Vantaa	14,800	8,800	34.2	32.9	2.6	2.5	47,500	10,900
Myyrmanni	Vantaa	42,000	32,000	159.3	157.2	7.0	6.9	67,400	40,300
Tikkuri	Vantaa	15,300	8,100	31.9	29.9	2.9	2.7	166,900	10,700
Other areas in Finland									
Jyväskeskus	Jyväskylä	12,000	7,600	22.5	21.8	4.0	4.0	134,200	5,800
Forum	Jyväskylä	23,000	18,800	66.1	64.5	6.9	6.5	134,200	17,500
Trio	Lahti	48,900	34,600	62.2	61.4	5.8	6.2	118,600	45,700
IsoKristiina	Lappeenranta	19,800	14,100	47.0	46.7	2.2	2.2	85,000	18,700
Galleria	Oulu	4,200	2,600	8.0	8.2	1	1.0	197,700	3,500
IsoKarhu	Pori	14,800	12,300	37.4	42.1	3.4	3.8	91,500	14,800
Koskikeskus	Tampere	28,800	23,900	117.8	119.5	5.7	5.7	274,800	26,100
Tullintori	Tampere	23,800	9,100	15.8	14.9	2.7	3.0	166,000	10,300
Duo	Tampere	13,500	11,900	48.2	29.6	3.7	2.5	21,200 *	13,000
Sampokeskus	Rovaniemi	14,000	7,800	20.0	21.7	2.8	3.3	87,500	14,000
Torikeskus	Seinäjoki	11,400	7,100	16.3	15.4	1.3	1.3	109,600	11,500
Koskikara	Valkeakoski	10,400	10,000	32.7	32.3	2.2	2.2	20,500	5,800
Valtari	Kouvola	7,600	6,400	4.0 *	3.8 *	0.5	0.5	32,000 *	7,600
Linjuri	Salo	10,600	8,100	34.5	-	2.8	-	25,900 *	9,300
Largest other retail properties									
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						
Kaarinan Liiketalo Koy	Kaarina	9,200	5,200						
Total		**529,600**	**383,200**	**1,202.7**	**1,130.6**	**82.6**	**79.2**		**393,300**

1) Incl. gross leasable area of Espoon Asemakuja and Asematori. 2) Incl. gross leasable area of Ulappatori. *) Estimate

Sweden

Net rental income in Sweden increased by

11.3%

Strengths and position

Citycon's operations in Sweden concentrate on the country's major growth centres Stockholm and Gothenburg, and in addition to this, Umeå. During its three years of operation in Sweden, Citycon has achieved a substantial position in the Swedish shopping centre market, particularly owing to the company's shopping centre acquisitions conducted in 2006 and 2007, its development-oriented business and its operating methods fostering sustainable development. Currently, Citycon is Sweden's ninth largest retail property owner (source: Fastighets Värden).

The Swedish operations have specialised in the modernisation and redevelopment of shopping centres originally constructed by municipal authorities. Within this specialisation, there are only a few development-oriented players. These centres provide extensive development potential, particularly with regard to their location, since they are often situated in the middle of dense settlements and benefit from good transport connections.

Citycon's strength lies in its ability to develop an extensive range of services and offerings for the whole community in co-operation with its lessees and other players. Consequently, Citycon's activities have attracted positive comments from Swedish municipal and elected officials, among others. Citycon also stands out positively thanks to its sustainable development projects such as the Green Shopping Centre Management programme, Liljeholmstorget's LEED project and the company's active efforts in the new Green Group of the Nordic Council of Shopping Centers (NCSC).

Year 2008

Citycon's Swedish operations focused on the construction of the shopping centre Liljeholmstorget. Liljeholmstorget is Citycon's largest ever development project, with a total investment of approximately EUR 180 million, including the shopping centre project's acquisition price. Liljeholmstorget is located in northwest Stockholm, in the heart of a popular, modernised and growing residential area. Liljeholmen is a public transport hub and one of Stockholm's liveliest metro and local train stops.

During the year, the project advanced within the planned budget and schedule, and approximately 60 per cent of Liljeholmstorget's leases had been agreed on by the end of the year. After having secured the anchor tenants, Citycon now concentrates on negotiations with secondary anchors and specialty shops, which form an equally important part of a successful commercial concept. It is estimated that the new shopping centre will open its doors in late 2009, by which time it will host some 90 shops and service providers on area of approximately 28,000 square metres. Liljeholmstorget is Citycon's flagship in Sweden and a key asset in strengthening the company's position in the Swedish market.

In addition, Liljeholmstorget is Citycon's main sustainable construction project and the company is applying the international LEED (Leadership in Energy and Environmental Design) certification for it. Its possibilities of obtaining this certification are good since the shopping centre is being built sustainably, using the latest technologies for conserving energy and improving water efficiency.

Citycon continued to build up its Swedish organisation in 2008. Recruitments and operational development focused on shopping-centre management and preparation, planning and implementation of (re)development projects.

Targets and the future

The Swedish operations' main target for year 2009 is to lease all of Liljeholmstorget's retail premises, open the shopping centre according to the planned schedule and budget and to ensure the centre's effective marketing.

Another target is to increase cost efficiency in retail properties' maintenance and administration, with the priority on rene-

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Shopping centre rental income by branches

Key figures, Swedish operations

	2008	2007
Gross rental income, EUR million	41.1	35.4
Turnover, EUR million	41.9	39.0
Net rental income, EUR million	24.1	21.6
Net fair value losses/gains on investment property, EUR million	-70.1	54.7
Operating loss/profit, EUR million	-49.1	73.4
Capital expenditure (gross), EUR million	65.6	142.4
Fair market value of investment properties, EUR million	396.1	517.5
Net rental yield, %	5.0	4.6
Net rental yield, like-for-like properties, %	5.4	4.9

1:42 p.m.

Liljeholmstorget

Citycon organised its first ever Capital Markets Day in Stockholm on 3 September 2008.
To close the day, the attending investors, analysts and journalists visited the construction site of the shopping centre Liljeholmstorget.

gotiating expiring lease agreements and reviewing maintenance fees included in agreements.

Nearly all of the Swedish properties provide modernisation and extension potential in the long term. Planned redevelopment projects include the modernisation and extension of the shopping centres Åkersberga Centrum and Stenungs Torg. Citycon intends to launch Åkersberga Centrum's project in 2009 and that of Stenungs Torg in 2011. Information concerning other development and redevelopment projects is provided on pages 20–21 of this Annual Report. The initiation of these projects requires an investment decision by the Citycon's Board of Directors.

Citycon also owns residential premises in connection with Åkersberga Centrum. Since residential business is not included in Citycon's strategy, the company aims to sell these premises prior to launching the redevelopment project.

Top five tenants in Sweden

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

Strömpilen shopping centre is a former industrial building dating back to 1920's.

Citycon's shopping centres in Sweden 31 Dec. 2008

		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	Citycon's gross leasable area sq.m.
				2008	2007	2008	2007		
Stockholm area									
Åkersberga Centrum	Österåker	33,100	19,700	55.8	58.4*	4.3	3.8	37,000*	33,100
Åkermyntan Centrum	Hässelby	8,400	6,300	19.5*	19.5*	0.9*	0.9*	32,000*	8,400
Jakobsbergs Centrum	Järfälla	67,400	27,300	61.7	67.3	5.5	5.5	82,000	67,400
Fruängen Centrum	Stockholm	14,600	6,600	9.0*	9.0*	-	-	33,400*	14,600
Liljeholmstorget	Stockholm	20,200	8,600	-	-	-	-	104,000	20,200
Tumba Centrum	Botkyrkan	31,400	14,800	35.1	35.4	3.4	3.3	55,000	31,400
Umeå									
Strömpilen	Umeå	25,700	22,300	103.1	104.5	-	-	109,800	25,700
Gothenburg area									
Stenungs Torg	Stenungsund	37,600	17,100	52.9	54.6	3.2	3.3	74,000	37,600
Total		**238,400**	**122,700**	**337.1**	**348.7**	**17.3**	**16.8**	**-**	**238,400**

*) Estimate

2:01 p.m.

Opening of Rocca al Mare

The opening of the first stage of Rocca al Mare's redevelopment and extension project on 1 October 2008 resulted in a rush. Once all three stages of the project have been completed, Rocca al Mare will be the largest shopping centre in Estonia. The entire centre, completely redeveloped, is expected to open its doors for 2009 Christmas sales, around three months earlier than originally planned.

Baltic Countries

Occupancy rate in the Baltic countries

99.8%

Strengths and position

Citycon's Baltic operations comprise shopping centres in Estonia and Lithuania, with a stronger focus being placed on the shopping centre markets in Tallinn, Estonia. After the completion of the Rocca al Mare shopping centre redevelopment project, Citycon's share of Tallinn's shopping centre markets will grow to approximately one fourth. In Tallinn, Citycon is the only active owner and long-term investor specialising in shopping centres.

Citycon monitors the Baltic market development very closely and explores opportunities to expand its business. However, the company has proceeded at a moderate pace due to the relatively small size of the markets, the turbulence experienced in the real estate and financial markets, and the limited availability of suitable properties.

The main strength of the Citycon-owned shopping centres, especially in times of slower economic growth, is their emphasis on the grocery sales.

Year 2008

Baltic business focused on the redevelopment of the Rocca al Mare shopping centre. This project is ahead of its original schedule and the first new section was opened to customers in October. All new premises have been leased. Offerings were complemented with retailers offering home decoration and leisure items, services for children, and Estonia's largest Prisma hypermarket.

Rocca al Mare is one of Tallinn's largest shopping centres in terms of its size and product and service offering. It is a conveniently located shopping centre for the whole family. Rocca al Mare is located in a fast-developing area close to Tallinn city centre, in a residential area with the highest purchasing power in Estonia. Furthermore, the nearby recreational areas and services increase Rocca al Mare's overall attraction in Tallinn.

Rocca al Mare will remain open throughout the redevelopment project, which is requiring close co-operation between Citycon, the tenants and the constructors. To minimise any inconvenience to customers and tenants and thereby to prevent any negative cash flow impacts, the order in which various redevelopment stages are completed and the relocations of tenants to new premises take place will be carefully planned and optimised. The redevelopment project is scheduled for completion in time for the Christmas season in 2009, about three months earlier than originally planned. The new Rocca al Mare will be Estonia's largest and Citycon's largest shopping centre in terms of its sales area.

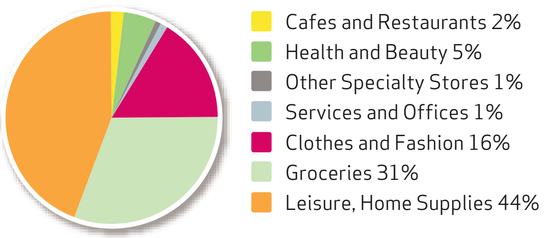
General environmental awareness is only just emerging in the Baltic countries. Citycon is a forerunner in this field, applying the principles of responsible and sustainable construction to the Rocca al Mare redevelopment project. Special attention will be paid to environmental factors such as recycling and energy consumption. Citycon is applying for international LEED certification for Rocca al Mare.

Objectives and the future

After the Rocca al Mare project has been completed, Citycon plans to launch the redevelopment of the Magistral shopping centre. Magistral can be extended by one half of its present size and turned into a versatile regional shopping centre. Magistral is also ideally located: it is right in the heart of a large residential area and accessible to more than 60,000 people. The planned project launch is 2010, but this will require an investment decision by Citycon's Board of Directors.

A major operational development area is so-called speciality leasing, in other words increasing the number of RMUs (Retail Merchandising Units) and use of media space in the shopping centres. The company has positive experiences of RMUs in Magistral and especially in Mandarinas. Tried and tested best practices will be adopted and further developed in Rocca al Mare.

Shopping centre rental income by branches



Key figures, Baltic Countries

	2008	2007
Gross rental income, EUR million	9.3	7.7
Turnover, EUR million	9.6	8.0
Net rental income, EUR million	6.8	6.0
Net fair value losses/gains on investment property, EUR million	8.3	8.7
Operating loss/profit, EUR million	14.4	13.8
Capital expenditure (gross), EUR million	22.7	31.7
Fair market value of investment properties, EUR million	147.3	111.2
Net rental yield, %	6.2	6.2
Net rental yield, like-for-like properties, %	7.2	7.3

At the end of 2008, nearly all of Citycon's business facilities in the Baltic countries were leased. This is a good starting point for operational development. Despite the uncertain future outlook, Citycon has full confidence in its operative viability and believes the economic trend will turn around in the long term.

Citycon aims to increase its market share in the Baltic countries. However, it will proceed with caution in a challenging market environment where it is difficult to secure financing for investments, consumer confidence in household economies is weak, and property prices are still high.

The anchor of Rocca al Mare is Prisma hypermarket, which is the largest in Estonia.

Top five tenants in the Baltic Countries

	Proportion of rental income, %
Prisma Peremarket AS	
RIMI	
Stockmann Oyj Abp	
Olympic Invest OÜ	
Olympic Casino Group AS	
Top 5, total	**37.4**

Citycon's shopping centres in the Baltic Countries 31 Dec. 2008

		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	Citycon's gross leasable area, sq.m.
				2008	2007	2008	2007		
Estonia									
Rocca al Mare	Tallinn	36,700	36,000	62.3	67.6	4.5	4.4	340,000	36,700
Magistral	Tallinn	9,500	9,400	18.3	17.7	3.5	3.5	64,000	9,500
Lithuania									
Mandarinas	Vilnius	8,000	7,900	22.5	21.9*	2.7	2.7	50,000	8,000
Total		**54,200**	**53,300**	**103.1**	**107.2**	**10.7**	**10.6**	**454,000**	**54,200**

*) Estimate

Human Resources

Bringing multi-skilled people together

In contrast to previous years, the number of personnel at Citycon grew more moderately in 2008 and totalled 113 at the end of the year. To strengthen the organisation, new employees were recruited to support business operations as well as Group functions. Citycon continued to attract several interested job applicants, which ensured successful recruitment and an increase in Citycon's competence capital.

Over the years Citycon has grown considerably and is now in a position to provide good in-house job rotation opportunities. Several in-house transfers took place during the year, and in-house candidates were prioritised when recruiting for entirely new positions. An example of an entirely new position is that of Manager, Sustainability, which became available in Group functions at the year-end. This position was established to reinforce the selected environment-focused practices based on sustainable development, as stated in the strategy.

Citycon employs a multi-skilled group of professionals. Key competence areas include retail property management, and knowledge of the construction industry, real estate transactions and international financing. Personnel skills and competences are maintained and developed by providing training customised to address each employee's needs. In fact, it is a fairly common practice that employees attend long-term training or coaching programmes to acquire broader or deeper professional skills. Training intended for the entire personnel was offered in 2008 on a number of issues, including the renewed IT systems. In addition, the English language courses offered in small groups to everyone wishing to participate have been extremely popular.

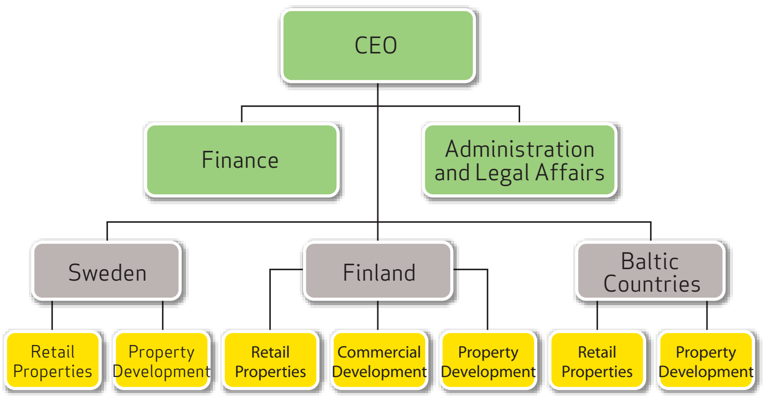
Building common practices

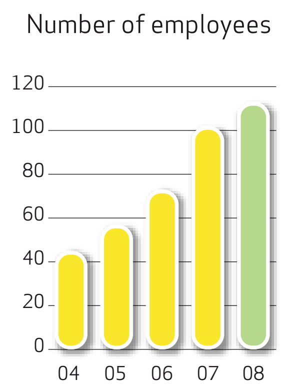
A personnel survey conducted annually showed that personnel appreciated interesting job opportunities, the ability to work independently, and the great team spirit in their unit. The company's powerful growth accentuates the need to develop common policies and practices, and to support co-operation between units within business areas as well as between country organisations. Exchange of knowledge and experiences, especially between countries, is considered very important when operating models based on best practices are being created.

At the beginning of 2008, Citycon's first intranet was introduced to improve the Group's in-house communications and co-operation between business units. The intranet development work continues, but already in its first year the intranet was actively used by employees in their daily work. Other joint development projects worth mentioning include the revised and warmly welcomed new development discussion practice, and the equal opportunities scheme covering the entire Group. A coaching programme to support supervisor roles was organised for the Group's Finnish supervisors. In response to the positive feedback, this programme will be continued.

In 2008, Citycon established a co-operation group to address issues affecting the entire personnel. This team quickly proved to be an excellent forum for enhancing the flow of information and dialogue between employees and the employer. In addition to statutory topics, the team has been able to constructively discuss other new operating methods to be introduced, as well as current issues.

→





Core areas of competence within Citycon

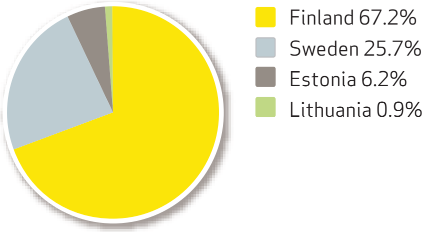
In 2008, Citycon organised its traditional Citycon Day events once again. This spring's Citycon Day was a joint event open to all personnel working for the company in different countries. This international Citycon Day covered topics that were relevant for the entire organisation. The autumn Citycon Day was arranged locally for each country organisation. In spring 2008, the Citycon Day coincided with the company's 20th anniversary.

Many ways to motivate personnel

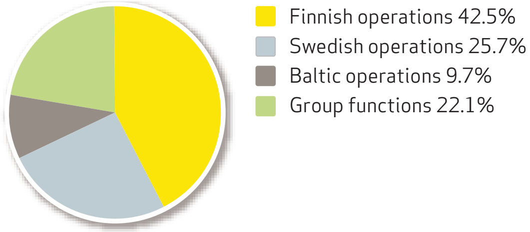
To motivate and encourage its personnel to pursue best performances, Citycon works to improve its operations based on the development needs identified in the personnel survey. Other methods include support to supervisor work and revision of induction and development discussion practices. Citycon also values its personnel's well-being, and therefore offers employees extensive occupational health care services and financial support to fitness activities.

The company's incentive schemes provide further motivational support. Citycon's annual performance bonus scheme covers the Group's entire personnel. Bonuses are based on the Group's and the business areas' financial performance, the successful implementation of construction projects, and the employee's personal performance. The bonus payable under this bonus scheme can represent up to 10-30 per cent of the employee's annual salary. The company's long-term share-based incentive plan is intended for Group management and key personnel, and its objective is to motivate key personnel to pursue an increase in shareholder value on a long-term basis and to strengthen their commitment to the Group's business development. The reward payable under the share-based incentive plan is determined on the basis of Citycon's adjusted net cash flow from operating activities per share for 2007–2009 and the increase in net rental income, and will be paid to key personnel in 2008–2012. For more information regarding the remuneration schemes, please visit the company website at www.citycon.com/remuneration.

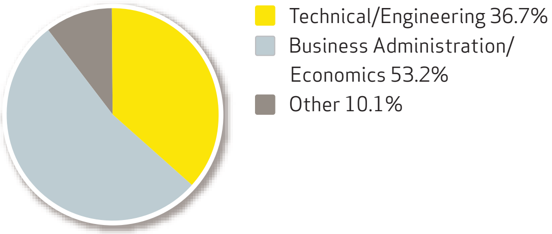
Breakdown of personnel by country



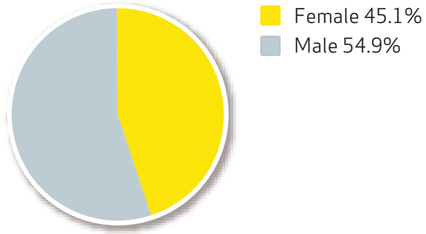
Breakdown of personnel by business units



Breakdown of personnel by field of education



Breakdown of personnel by gender



Human resources strategy provides future guidelines

In late 2008, Citycon began to prepare its human resources strategy. The objective is to prepare a human resources strategy that optimally supports the company's business strategy, translates into everyday actions, and offers a foundation and guidelines for a quality human resources policy. The strategy work has crystallised the vision of Citycon's uniqueness as a hub of skilled professionals, and the significance of common practices, collaboration and leadership skills of experts as elements that will safeguard Citycon's future success.

Profit Performance and Financial Position

Profit performance 2008

Citycon's income comes mainly from the rental income generated by its retail properties. In 2008, Citycon's gross rental income accounted for 97.0 per cent of its turnover. The company's turnover grew by 17.7 per cent, to EUR 178.3 million (EUR 151.4 million in 2007).

The Finnish business operations accounted for 74.7 per cent (73.2%) of net rental income, while Sweden accounted for 19.8 per cent (20.9%) and the Baltic countries for 5.6 per cent (5.8%). Net rental income totalled EUR 121.8 million (EUR 103.4 million). The property portfolio's net rental yield stood at 5.8 per cent (5.8%). The net rental yield was 6.0 per cent (6.2%) in Finland, 5.0 per cent (4.6%) in Sweden and 6.2 per cent (6.2%) in the Baltic countries.

Operating loss/profit decreased to EUR -105.0 million (EUR 298.7 million), due mainly to a change in the fair value of the property portfolio, totalling EUR -216.1 million (EUR 211.4 million). On the other hand, as a result of the completed redevelopment projects, the operating profit rose due to net rental income generated by increased and refurbished premises.

The direct result grew by 14.4 per cent, to EUR 43.8 million. This growth in the direct result derives mostly from increased net rental income. The indirect result includes EUR 5.9 million in compensation from the City of Helsinki for a premature termination of the land lease agreement in order to advance the Myllypuro development project. Furthermore, a gain of EUR 1.6 million, including tax effect, was recognised in the direct result for repurchases of convertible bonds.

Current taxes on the direct result were higher during the financial year than during the reference period, due to direct result growth and buyback of convertible bonds.

Earnings per share amounted to EUR -0.56 (EUR 1.00). The direct result per share, diluted, (undiluted EPRA EPS) came to EUR 0.20 (EUR 0.19). Net cash from operating activities per share amounted to EUR 0.21 (EUR 0.20).

Return on investment (ROI) was -1.5 per cent (16.3%) and return on equity (ROE) stood at -15.0 per cent (23.3%). The company's per-share net asset value (NAV) was EUR 3.88 (EUR 4.82) and the per-share triple net asset value (NNNAV) was EUR 3.80 (EUR 4.42).

Capital expenditure and divestments

Citycon's reported gross capital expenditure during the year totalled EUR 157.9 million (EUR 603.9 million). Of this, property acquisitions accounted for EUR 17.4 million (EUR 531.3 million), property development for EUR 139.7 million (EUR 71.8 million) and other investments for EUR 0.8 million (EUR 0.8 million). These investments were financed with the cash flow from operating activities and existing financing arrangements.

Citycon sold a 40 per cent minority interest in the Iso Omena shopping centre to an affiliate of GIC Real Estate. The debt-free selling price, EUR 131.6 million, is equivalent to 40 per cent of the original acquisition price of EUR 329 million paid by Citycon in September 2007.

Balance sheet and financial position

At the end of 2008, Citycon owned 33 shopping centres and 50 other retail properties. The property portfolio's year-end fair value totalled EUR 2,023.6 million, showing a total annual fair value decrease of EUR 216.1 million.

The year-end balance sheet total stood at EUR 2,178.5 million (EUR 2,308.6 million), and Group liabilities totalled EUR 1,341.2 million (EUR 1,297.7 million), with short-term liabilities accounting for EUR 109.5 million (EUR 157.8 million). The Group's financial position remained at a good level throughout the financial year in spite of the significant weakening of the financial market.

Citycon's total liquidity at the end of the year was EUR 203.7 million, of which EUR 187.0 million consisted of undrawn, committed credit facilities and EUR 16.7 million of cash and cash equivalents. At the end of the reporting period, Citycon's liquidity, commercial papers and short-term credit limits excluded,

> Citycon's financial position remained at a good level in spite of the significant weakening of the financial market.

stood at EUR 158.7 million. Due to more difficult market conditions, Citycon repaid all of its commercial papers at the end of the year by drawing funds from its committed long-term credit limits. Consequently, Citycon's financing at the end of the financial year was mainly arranged on a long-term basis, with short-term interest-bearing debt constituting approximately 4.2 per cent of the Group's total interest-bearing debt. The available liquidity will cover the authorised investments and scheduled debt interest and repayments at least until 2010, without the need for additional financing sources.

From the reference period, interest-bearing debt increased by EUR 45.5 million to EUR 1,199.5 million (EUR 1,154.0 million). The fair value of Group's interest-bearing debt stood at EUR 1,211.3 million (EUR 1,171.4 million).

The year-to-date weighted average interest rate increased, to 4.85 per cent (4.68% during reference period). The average loan maturity, weighted according to principals of the loans, stood at 4.6 years (4.7 years). The average interest-rate fixing period was 3.3 years (3.1 years).

The weighted interest rate, interest-rate swaps included, averaged 4.75 per cent on 31 December 2008. The Group's equity ratio was 38.5 per cent (43.9%). Year-end gearing stood at 141.3 per cent (111.8%).

Of Citycon's year-end interest-bearing debt, 75.8 per cent (81.6%) was in floating-rate loans, of which 66.4 per cent (61.1%) had been converted into fixed-rate loans by means of interest-rate swaps. Fixed-rate debt accounted for 74.5 per cent (68.3%) of the Group's year-end interest-bearing debt, interest-rate swaps included. The loan portfolio's hedging ratio is in line with the Group's financing policy, and the company increased the hedging ratio during the year.

On 31 December 2008, the nominal amount of all of the Group's derivative contracts totalled EUR 614.8 million (EUR 674.8 million), and their fair market value was EUR -9.8 million (EUR 9.1 million). The decline of market rates towards the end of the year decreased the fair value of Citycon's interest rate derivatives. Hedge accounting is applied to the majority of interest rate derivatives, meaning that any changes in their fair value will be recognised directly in shareholders' equity. Thereby, the fair value loss for these derivatives does not affect the profit for the financial year but the change is recognised in the consolidated shareholders' equity, thus weakening the consolidated equity ratio. The fair value loss recognised in the fair value reserve under shareholders' equity, taking account of the tax effect totals EUR -17.7 million (30 September 2008 : EUR 5.1 million).

Net financial expenses totalled EUR 57.3 million (EUR 45.3 million) The increase was primarily attributed to the rise in interest rates in the first nine months of the year and increased amount of interest-bearing debt.

In 2008, the net financial expenses in the income statement include EUR 3.1 million in non-cash expenses related to derivative valuation but also EUR 2.4 million in one-off gains for the repurchases of convertible bonds. In addition, EUR 1.8 million (EUR 1.8 million) in non-cash expenses related to the option component on convertible bonds is also included in the net financial expenses.

Loan market transactions

Citycon signed three long-term loan agreements during the reporting period. Local financing for the Magistral shopping centre, acquired in the summer of 2007, was finalised through the signing of a loan agreement for EEK 280 million, for a term of approximately five years. Additionally, the company increased its committed long-term credit limits by signing a EUR 50 million five-year revolving credit facility agreement.

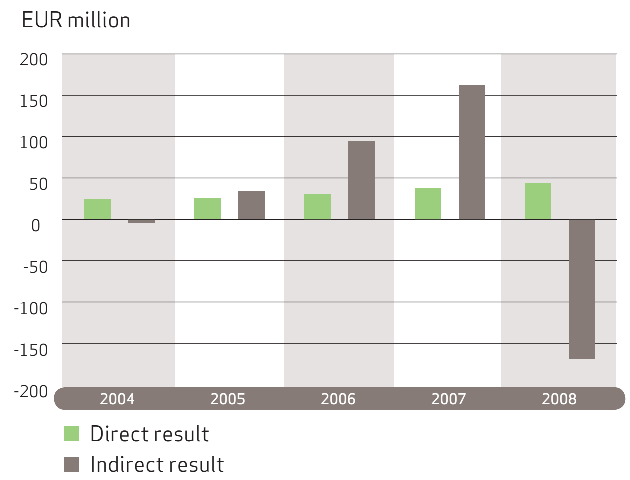
In June, Citycon and the Nordic Investment Bank (NIB) agreed on a loan amounting to EUR 30 million to be used to finance the development of the Liljeholmstorget shopping centre, located in Stockholm. Liljeholmstorget is Citycon's main sustainable development project, which was an essential factor in the loan arrangement. The maturity of the loan is 10 years. The company managed to conclude all three loan agreements on competitive loan margins.

In addition, on 15 April 2008, Citycon signed a commercial paper programme in Sweden worth SEK one billion (approximately EUR 102.1 million) with a Nordic bank group. Citycon intends to use the proceeds from the commercial paper programme for the short-term liquidity management of the Group's Swedish operations. Under the programme, commercial papers may be issued either in Swedish crowns or in euros.

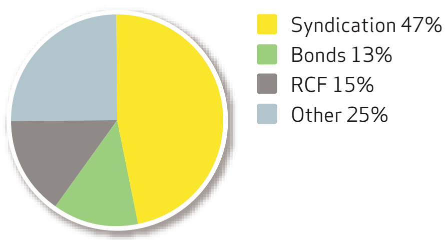
During the period between 28 October 2008 and 10 December 2008, Citycon Oyj repurchased its subordinated convertible capital bonds issued on 2 August 2006 for an aggregate consideration of EUR 14.8 million (including accrued interest). The repurchases of the bonds were executed in the open market in accordance with the terms and conditions of the convertible bonds. In accordance with said terms and conditions, the company cancelled the repurchased bonds. The repurchases were carried out because the market situation enabled the company to repurchase the bonds at a price clearly below their face value and because the repurchases will enable the company to strengthen its balance sheet and decrease its net financial expenses.

Citycon Oyj has prepared its interim reports and financial statements for 2008 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, but do not replace, IAS/IFRS. These recommendations are available in their entirety on EPRA's website at www.epra.com.

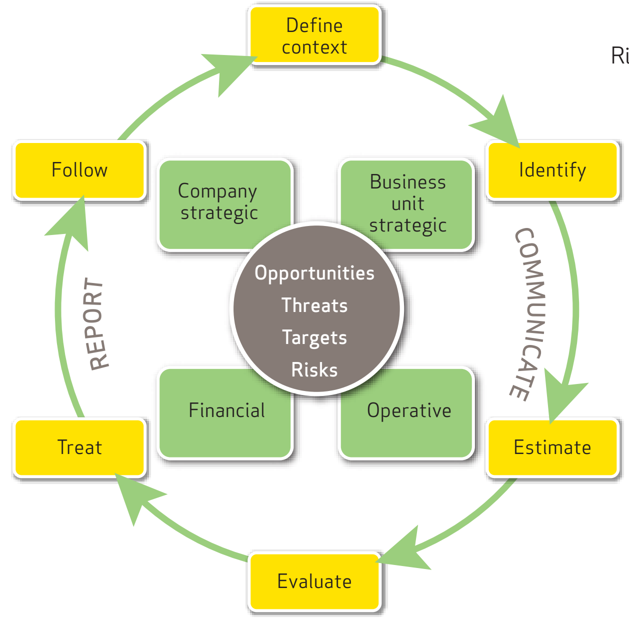
Direct and indirect result



Breakdown by debt type



Risks and Risk Management



Enterprise Risk Management Basic Process

Citycon's risk management

Citycon applies a holistic Enterprise Risk Management (ERM) programme. Risk management aims to ensure that Citycon meets its strategic and operational targets. 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 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 senior executives and Board of Directors on any risks threatening strategic and annual plan targets.

The following contains a description of the most important risks which, if realised, could jeopardise the attainment of Citycon's targets for financial year 2009. Risk management within Citycon is also discussed on pages 32–34 of the attached Financial Statements.

Development of investment properties' fair value

A number of factors contribute to the value of retail properties, such as national and local economic development, investment demand and interest rates. At the moment, investment property value trends are subject to untypical instability due to the global financial crisis and dramatically weakened economic outlook in the company's operating areas.

The credit crunch has lead to a fall in property prices and Citycon, too, has recognised fair value losses on its investment properties during the financial year 2008. Trading activity in the property market clearly diminished during the year and, furthermore, the weakening economic situation is creating uncertainty with regard to properties' fair value changes in the future. While changes in 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, 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 2,021.0 million defined by the external appraiser on 31 December 2008 as the starting value. Accordingly, various changes would alter the investment properties' fair value as follows:

Yield requirement +5%	**→**	**Fair value EUR -95 million**
Gross income +5%	**→**	**Fair value EUR 143 million**
Vacancy rate +5%	**→**	**Fair value EUR -16 million**
Operating expenses +5%	**→**	**Fair value EUR -36 million**

While the company cannot influence yield requirement, it seeks to have an impact on the other fair value variables 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 shopping-centre management process in-house with the help of its own employees.

Decelerated economic growth in Citycon's operating areas

Economic fluctuations and trends have a significant influence on demand for leasable premises as well as rental rates. These constitute one of the key near-term risks for the company. Economic growth underwent a distinct slowdown in all of the company's operating areas in 2008. Many economists predict that the growth of economy in 2009 will remain negative in Sweden and the Baltic countries and that Finland would see either near-zero or negative economic growth. If such an economic environment were realised, this might reduce demand for retail premises, weaken the lessees' ability to pay rent and increase the vacancy rate of the company's properties, which could have an adverse effect on Citycon's business and profit performance.

Total liquidity

203.7 EUR million

Citycon's good financial position ensures the completion of the ongoing investments.

Risks associated with the availability and cost of financing

The refurbishment and redevelopment of retail properties lies at the core of Citycon's growth, supported by selected acquisitions in major cities and growth centres. Implementation of this strategy requires access to both equity and debt financing.

The financial market weakened markedly in 2008. The banks' own funding costs have clearly risen in the Nordic countries and elsewhere in Europe, and the banking crisis and tighter capital requirements have caused further difficulties in the banks' own funding. This, together with the write-downs already conducted in the banking sector and the increasing credit losses expected, has reduced the banks' willingness to lend money to companies.

Declining prices on the stock exchange have impacted on the share value of many real estate companies, which are currently trading at a share price markedly below per-share net asset value. Equity investors have faced losses in their investment activities, and many investors have reduced the equity allocation in their investment portfolios. All of these factors combined have eroded publicly listed companies' opportunities to obtain equity through new share issues.

Citycon has a good financial position. At the end of 2008, the company's available liquid capital totalled EUR 203.7 million, consisting mainly of committed long-term credit limits and cash and cash equivalents. Citycon is capable of financing its current projects in their entirety as planned. In order to finance new investments and growth in the future, the company will need new funding, whose terms will naturally be affected by the financial market crisis. In spite of the highly challenging situation in the financial market, based on its discussions with banks, the company is of the understanding that financing for investments can still be arranged under terms enabling the profitable implementation of investments. In general, however, the volume of available debt financing has reduced in recent months and credit margins for companies have increased throughout the year.

In addition to the availability of financing, Citycon's main financial risk refers to the interest-rate risk of its debt portfolio. A total of 25.5 per cent of Citycon's interest-bearing debt comprises floating-rate loans, and a rise in market-rates will increase their interest expenses. In the course of 2008, the 6-month rate within the euro area increased by 1.74 percentage points while, in Sweden, the equivalent interest rate decreased by 2.25 percentage points. During the same period, Citycon's average interest rate increased by 0.17 percentage points, because the sharp decrease in interest rates took place during the last quarter of the year and thereby the lower interest rates could only have a limited impact on the full-year average interest rate. The average interest rate in likely to decrease during 2009 as a consequence of lower interest rates.

Citycon attempts to safeguard its financing costs and liquidity by applying a conservative but active funding policy. This policy focuses on long-term financing and 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 financial risks is provided on pages 33–34 of the attachede Financial Statements.

Risks associated with the property development projects

A key element in Citycon's strategy lies in the development of existing properties to meet the lessees' needs more effectively. Short-term risks related to development projects include leasing new premises and implementing construction projects.

On 31 December 2008, development investments approved by the Board of Directors totalled approximately EUR 252 million, accounting for around 12.5 per cent of the entire investment property portfolio's fair value on the same date. With major construction projects underway in Sweden and Estonia, the leasable area in Citycon's shopping centres will increase significantly in the forthcoming years. Planned rental of the respective new retail premises is of primary importance with regard to Citycon's financial development. For the time being, leasing has progressed as planned both in terms of rental rates and the occupancy rate. A key risk includes reduced demand for retail premises due to the deteriorating economic outlook or other reasons, which might prevent the leasing of new premises at planned rental rates, or which would result in a lower than anticipated occupancy rate.

The company's construction projects in Sweden and Estonia are scheduled for completion towards the end of 2009. Both projects have progressed on schedule. Since their completion is still some way off, they remain subject to a certain degree of uncertainty. If Citycon were unable to implement the development projects underway within the planned schedule and budget, the profitability of these centres might remain below the expected levels.

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 at its initial stage. The risk associated with project implementation is being managed through sufficient resourcing. Responsibility for projects lies with experienced in-house Project Development Managers.

First Finnish Lush in Iso Omena

Store Manager Milja Tammi was opening the first Finnish store for the international cosmetics chain Lush. The store was opened in Iso Omena, Espoo, in March 2008. In November 2008, Lush opened their second Finnish store in Trio, Lahti.

5:22 p.m.

Corporate Governance

Citycon's Corporate Governance

In its corporate governance, Citycon complies with the Finnish Limited Liability Companies Act and the Finnish Corporate Governance Code issued on 20 October 2008 by the Securities Market Association. The Code is available on the Securities Market Association's website at www.cgfinland.fi.

This Corporate Governance Code is accompanied by Citycon's own guidelines for the division of tasks between the company's decision-making bodies and for the arrangement of internal control and risk management. Citycon's decision-making bodies assuming ultimate responsibility for the Group's management and business include the General Meeting of shareholders, the Board of Directors and the CEO. The Corporate Management Committee assists the CEO in managing the company's operative business. The Board of Directors' work is supported by four Board committees.

General Meetings of Shareholders

In their General Meeting, the shareholders exercise 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 held whenever necessary for decision-making purposes.

Citycon provides its shareholders with sufficient information on the items to be discussed at the General Meeting of shareholders. On its website, the company publishes the notice of a General Meeting, the documents to be presented to the General Meeting and the resolution proposals by the Board of Directors, at least 21 days prior to the meeting. Upon request, the meeting material can be sent to a shareholder by post. By any reasonable means available to it, the company will attempt to facilitate the participation of its international shareholders in General Meetings and to arrange such meetings in a manner enabling shareholders' participation and exercising of their rights to vote and speak in the meeting as extensively as possible.

Following a General Meeting, the company will publish the decisions taken by the General Meeting, without delay, as a stock exchange release and on the company's website. The minutes of the General Meeting will be made available on the company's website within two weeks of the meeting. More information on General Meetings and shareholders' rights is available on the company's website at www.citycon.com/GM.

The Chairman of the Board of Directors and the CEO attend the General Meeting of shareholders, 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 General Meeting that decides on his/her election unless there are cogent reasons for his/her absence. The chief auditor of the company shall also be present at the General Meeting of shareholders.

Board of Directors

The General Meeting of shareholders decides the number of members of the Board of Directors and elects them for a term of one year. Under the Articles of Association, the Board of Directors consists of a minimum of five and a maximum of eight non-executive members. The Articles of Association do not contain other limitations concerning the election of the members of the Board of Directors. An eligible Board nominee must have the qualifications required for membership and sufficient time to manage his/her Board duties. A majority of the members of the Board of Directors must be independent of the company. In addition, a minimum of two members belonging to this majority must be independent of the company's major shareholders. The Board of Directors shall annually assess its members' independence.

Citycon's AGM of 13 March 2008 decided to re-elect the following Board members: Gideon Bolotowsky, Raimo Korpinen, Tuomo Lähdesmäki, Claes Ottosson, Dor J. Segal and Thomas W. Wernink. Amir Bernstein and Per-Håkan Westin were elected as new members to the Board of Directors. Personal details of the Board members and their shareholdings in the company are provided in these pages, while further details concerning their careers and key positions of trust are presented on the company's website at www.citycon.com/Board.

The Board of Directors elects the Chairman and Deputy Chairman from among its members. In 2008, Thomas W. Wernink acted as Chairman and Tuomo Lähdesmäki as the Deputy Chairman of the Board of Directors.

Board of Directors

Chairman of the Board of Directors
Thomas W. Wernink

M.A. (General Economics)
Dutch citizen, born 1945
Chairman of the Board since 2006 and Deputy Chairman 2005–2006
Board member since 2005
Independent of the company and significant shareholders
Main occupation: Wernink Consultancy & Investment B.V., Managing Director since 2003

Deputy Chairman of the Board of Directors
Tuomo Lähdesmäki

M.Sc. (Eng.), MBA
Finnish citizen, born 1957
Deputy Chairman since 2006
Board member since 2004
Independent of the company and significant shareholders
Main occupation: Boardman Oy, Founding and Senior Partner since 2002

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, Thomas W. Wernink and Per-Håkan Westin are independent of major shareholders.

In 2008, Citycon's Board of Directors met 10 times. The average attendance rate stood at 93.8 per cent.

Board of Directors' work

The Finnish Limited Liability Companies Act, the Articles of Association and the Board of Directors' written Rules of Procedure determine the Board of Directors' duties and responsibilities. The essential content of the Rules of Procedure is explained on the company's website at www.citycon.com/CG. The Board of Directors is responsible, for example, for the Citycon Group's strategic policies and the due organisation of its business operations and Group administration. 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 company's principles of internal control and risk management, review the main risks associated with the company's business and their management and monitor the adequacy, appropriateness and efficiency of the company's administrative processes
- → decide on major, individual and strategically important property acquisitions and divestments and other major investments
- → confirm the company executives' duties and areas of responsibility, and the reporting system
- → confirm the principles governing employee bonus and incentive schemes and decide on said schemes
- → determine the company's dividend policy.

The Board of Directors evaluates its performance and working methods once a year.

Board Committees

The Board of Directors' work is assisted by the following four Board committees: the Audit Committee, Nomination Committee, Remuneration Committee and Investment Committee. The Board committees prepare matters discussed by the Board of Directors, and Board members sitting on the committees are able to examine the matters discussed by the committee in greater detail than the entire Board. The Rules of Procedure for the company's decision-making bodies, approved by the Board of Directors, lay down the Board committees' main duties and working principles. These are also presented on the company's website at www.citycon.com/CG. The Board of Directors elects the Board committees' chairmen and members from among Board members. A Board committee always has at least three members. The committee's Chairman reports on issues discussed by the committee to the Board of Directors.

The enclosed table contains information on the Board committees' composition, number of meetings and attendance in 2008.

Remuneration of Board Members

The AGM confirms the remuneration of the Board members every year, in advance.

The AGM 2008 decided that the Board Chairman, Deputy Chairman and ordinary Board members be paid an annual remuneration of EUR 160,000, EUR 60,000 and EUR 40,000, respec-

Board's Committees 2008

	Audit Committee	Nomination Committee	Remuneration Committee	Investment Committee
Members	Bolotowsky Gideon	Bernstein Amir	Bolotowsky Gideon	Bernstein Amir
	Korpinen Raimo (Ch.)	Lähdesmäki Tuomo (Ch.)	Lähdesmäki Tuomo (Ch.)	Korpinen Raimo
	Wernink Thomas W.	Ottosson Claes	Wernink Thomas W.	Segal Dor J.
	Westin Per-Håkan	Wernink Thomas W.		Wernink Thomas W. (Ch.)
				Westin Per-Håkan
Number of meetings	Five	Three	Two	Five
Attendance-%	100	92	100	96

Member of the Board of Directors
Amir Bernstein

Master of Laws, ESQ
Israeli citizen, born 1969
Board member since 2008
Independent of the company
Main occupation: Gazit Europe (Netherlands) B.V., Managing Director since 2008

Member of the Board of Directors
Gideon Bolotowsky

M.Sc. (Eng.)
Finnish citizen, born 1947
Board member since 2006
Independent of the company and significant shareholders
Main occupation: OsakeTieto FSMI Oy, CEO and Chairman of the Board since 2003

Board remuneration 2008

EUR	Annual fee	Meeting fees	Total
Bernstein Amir	40,000	7,000	47,000
Bolotowsky Gideon	40,000	8,100	48,100
Korpinen Raimo	40,000	10,200	50,200
Lähdesmäki Tuomo	60,000	8,300	68,300
Ottosson Claes	40,000	5,800	45,800
Segal Dor J.	40,000	7,200	47,200
Wernink Thomas W.	160,000	14,200	174,200
Westin Per-Håkan	40,000	7,500	47,500
Total	**460,000**	**68,300**	**528,300**

tively. It also decided that the Board Chairman and the Chairman of each Board committee receive a meeting fee of EUR 700 and other Board and Board committee members EUR 500 for each meeting.

The enclosed table shows the remunerations paid to Citycon's Board members in 2008. The remunerations were paid in cash. 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. The Board of Directors has issued a recommendation according to which each Board member should, during his/her term of office, own the company's shares to a value corresponding at least to his/her remuneration for one year.

Chief Executive Officer (CEO)

The CEO is responsible for the day-to-day management and supervision of the company in accordance with the provisions of the Finnish Limited Liability Companies Act, the Rules of Procedure for the company's decision-making bodies as well as in accordance with authorisations and guidelines received from the Board of Directors.

The CEO oversees compliance with the guidelines, procedures and strategic plans on which the Board of Directors has decided, and he or she must see to it that these guidelines, procedures and plans are submitted when necessary to the Board of Directors for update or review. The CEO attends the Board of Directors' meetings and is responsible for ensuring that the documentation related to information and resolution proposals to be discussed at the Board meetings have been duly prepared. The CEO also ensures that, on a continuous basis, Board members receive information necessary to monitoring the company's financial position, liquidity, financing and development, and he or she informs the Board of Directors of any major events, decisions and future projects related to the company's business.

Citycon's Board of Directors appoints the CEO and decides on the terms and conditions of his/her executive contract, in writing. Since 2002, Petri Olkinuora has functioned as Citycon Oyj's CEO. 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-sum compensation equalling his 18-month salary in cash, in addition to the salary payable for the notice period.

Corporate Management Committee

Citycon has a Corporate Management Committee comprising at least three members. Upon the CEO's proposal, the Board of Directors is responsible for appointing members of the Corporate Management Committee. The CEO convenes the Corporate Management Committee whenever he or she deems necessary and chairs its meetings. In 2008, the Corporate Management Committee convened on 11 occasions. Minutes are kept on the Corporate Management Committee's meetings.

The Rules of Procedure for the company's decision-making bodies, approved by the Board of Directors, lay down the Corporate Management Committee's main duties and working principles. As an expert body, the Corporate Management Committee's main duty is to assist the CEO in the management of the company's operative business. It co-ordinates and develops the company's various operations in accordance with set goals, promotes intra-organisational communication and co-operation, monitors the profitability of the company's business and promotes and maintains the best practices of the company. In addition, the Corporate Management Committee prepares resolution proposals pertaining

Member of the Board of Directors
Raimo Korpinen

LL.M.
Finnish citizen, born 1950
Board member since 2004
Independent of the company and significant shareholders
Main occupation: Solidium Oy, Managing Director since 1998

Member of the Board of Directors
Claes Ottosson

Electrical Engineer
Swedish citizen, born 1961
Board member since 2004
Independent of the company
Main occupation: ICA Kvantum Hovås, Managing Director since 1989

to the company's strategy, business plan, budget and organisation for the Board's discussion, in accordance with the guidelines issued by the Board of Directors.

In 2008, the Corporate Management Committee had six members. Their personal details as well as information on their share and stock option holdings are presented on these pages. The members' careers and any positions of trust are described on the company's website at www.citycon.com/management.

Remuneration of the CEO and the Corporate Management Committee

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.

Remuneration of the CEO and other members of the Corporate Management Committee consists of a fixed monthly salary and fringe benefits as well as an annual performance bonus. In addition, the CEO and the other members of the Corporate Management Committee are included both in the long-term share-based incentive plan directed to the Group's key individuals and in the stock-option scheme 2004 designed for the personnel. Further details on the management's remuneration are available on the company's website at www.citycon.com/CG.

In 2008, the CEO received EUR 342,549 in salary, fringe benefits and performance bonus. Additionally, the CEO was granted a total of 1,012 shares in the context of the company's long-term share-based incentive plan. In 2008, the CEO received no income from stock options.

Insider Administration

The company complies with the Guidelines for Insiders issued by

Changes in holdings by statutory insiders and those closely associated with them, 1 Jan.–31 Dec. 2008

	2008	Shares	Stock options 2004A	Stock options 2004B	Stock options 2004C
Board of Directors					
Bernstein Amir, Board member	1 Jan.	-	-	-	-
	31 Dec.	-	-	-	-
Bolotowsky Gideon, Board member	1 Jan.	4,626	-	-	-
	31 Dec.	4,626	-	-	-
Korpinen Raimo, Board member	1 Jan.	14,456	-	-	-
	31 Dec.	14,456	-	-	-
Lähdesmäki Tuomo, Board Deputy Chairman	1 Jan.	37,289	-	-	-
	31 Dec.	37,289	-	-	-
Ottosson Claes, Board member	1 Jan.	10,336	-	-	-
	31 Dec.	10,336	-	-	-
Segal Dor J., Board member	1 Jan.	7,174	-	-	-
	31 Dec.	7,174	-	-	-
Wernink Thomas W., Board Chairman	1 Jan.	28,571	-	-	-
	31 Dec.	45,000	-	-	-
Westin Per-Håkan, Board member	1 Jan.	-	-	-	-
	31 Dec.	10,000	-	-	-
Corporate Management Committee					
Olkinuora Petri, CEO	1 Jan.	137,143	75,000	140,000	140,000
	31 Dec.	138,155	75,000	140,000	140,000
Attebrant Ulf, Vice President, Swedish Operations	1 Jan.	-	-	-	-
	31 Dec.	330	-	-	-
Holmström Harri, Vice President, Baltic Operations	1 Jan.	-	-	70,000	70,000
	31 Dec.	826	-	70,000	70,000
Raekivi Outi, Head of Legal Affairs, Board secretary	1 Jan.	-	75,000	70,000	70,000
	31 Dec.	826	75,000	70,000	70,000
Sihvonen Eero, CFO	1 Jan.	-	-	70,000	70,000
	31 Dec.	2,026	-	70,000	70,000
Vuorio Kaisa, Vice President, Finnish Operations	1 Jan.	1,372	75,000	70,000	70,000
	31 Dec.	3,698	75,000	70,000	70,000
Chief Auditor					
Korpelainen Tuija	1 Jan.	-	-	-	-
	31 Dec.	-	-	-	-

The company's public insider register is available on the company's website and at Euroclear Finland Ltd's customer service outlet, Urho Kekkosen katu 5 C, Helsinki, Finland.

Member of the Board of Directors
Dor J. Segal

High school
American citizen, born 1962
Board member since 2004
Independent of the company
Main occupation: First Capital Realty Inc., President and CEO and Board member since 2000

Member of the Board of Directors
Per-Håkan Westin

M.Sc. (Civil engineering)
Swedish citizen, born 1946
Board member since 2008
Independent of the company and significant shareholders
Main occupation: PH WESTIN Real Management AB, Board member since 2007

Corporate Management Committee

CEO
Petri Olkinuora

M.Sc. (Eng.), MBA
Finnish citizen, born 1957
CMC member since 2002

CFO
Eero Sihvonen

M.Sc. (Econ.)
Finnish citizen, born 1957
CMC member since 2005

Head of Legal Affairs
Outi Raekivi

LL.M., Certified Property Manager
Finnish citizen, born 1968
CMC member since 2002

Vice President, Finnish Operations
Kaisa Vuorio

M.Sc. (Eng.), APA
Finnish citizen, born 1967
CMC member since 2003

Vice President, Baltic Operations
Harri Holmström

M.Sc. (Surveying), APA
Finnish citizen, born 1956
CMC member since 2005

Vice President, Swedish Operations
Ulf Attebrant

Swedish citizen, born 1963
CMC member since 2007

the Helsinki exchange and applies Citycon's own Insider Guidelines covering insiders' obligations, disclosure requirements and insider registers as well as specifying the company's insider administration procedures.

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 2008. Up-to-date information on changes in shareholdings can be found on the company's website at www.citycon.com/insiders.

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 audit. The company-specific insider register is not available for public review.

Citycon maintains its insider register of statutory and company-specific insiders within Euroclear Finland Ltd'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 Euroclear Finland 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 or interim reports. Insiders must also present the company's Compliance Officer with a request for an opinion on the legality and permissibility of any securities transaction in which they plan to engage. The Compliance Officer records each contact made.

Internal control, risk management and internal audit

The supervision and control of Citycon's business operations are primarily based on the governance and management system described above. The principles of the company's internal control and risk management are laid down in the guidelines for the arrangement of internal control and risk management, approved by the Board of Directors. The efficiency of internal control and risk management is evaluated by internal audit.

Internal control

Citycon's internal control includes financial and other control. Internal control is carried out in-house by the senior and executive management as well as by other personnel. Citycon seeks to foster such corporate culture which accepts internal control as a normal and necessary part of day-to-day business.

Internal control is intended to ensure the following:

- → the achievement of any goals and objectives set
- → the economical and efficient use of resources
- → the sufficient 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 with appropriate procedures in customer relationships
- → safeguarding operations, information and the company's assets
- → sufficient and appropriate data systems and work processes supporting operations.

The company's Board of Directors is responsible for arranging and maintaining adequate and functional internal control. It is the CEO's duty to attend to the implementation of practical actions vis-à-vis internal control. The CEO must maintain an organisational structure in which responsibilities, authorisations and reporting relationships are clearly and comprehensively defined in writing.

The CEO and the members of the company's Corporate Management Committee are responsible for ensuring that laws and regulations in force as well as the company's business principles and the decisions of the Board of Directors are complied with in the Group's day-to-day business.

The company has appropriate and reliable accounting and other data systems in place to monitor business activities and supervise treasury operations. The attainment of the set targets is monitored through a planning and reporting system in use throughout the Group, this system monitoring the actual performance and forecasts in a rolling manner. The system also permits long-term planning and serves as a tool for budgeting.

Risk management

Risk management forms part of the company's internal control and its purpose is to ensure that the company meets its business targets. The Board of Directors has approved the company's guidelines for risk management specifying the principles of the company's risk management and the risk management process. The company's risk management process includes the recognition, assessment, measurement, limitation and monitoring of risks arising from business operations and those closely related thereto. The guidelines also define the monitoring of such a process and of the risk management organisation.

The company's risk management process is constantly evaluated and developed. The risk management process is examined annually at the company by updating the company's risk map and its annual action plan to correspond with the targets of the annual plan and by presenting the same to the Board of Directors at a separately agreed meeting in the autumn. The risk map is also updated as part of the business strategy process during the first half of the year.

The arrangement of the company's financial risk management is documented in the company's treasury policy and key financial risks are reported quarterly to the Board of Directors. Furthermore, the company's Board of Directors regularly monitors the company's business risks and uncertainties and reports them as required under the legislation in force and regulations or guidelines issued by the Financial Supervisory Authority.

More detailed information on the company's risk management process and risks associated with the company's business operations can be found on pages 39–40 of the present Annual Report, as well as on the company's website at www.citycon.com/riskmanagement.

Internal audit

Internal audit aims to independently and systematically evaluate and improve the company's internal control and risk management. For internal audit purposes, the Audit Committee draws up an annual audit plan, which forms the basis for the performance of the audit. An internal audit charter has been prepared for internal audit operations. Auditors responsible for internal audit shall report the internal audit results to the Audit Committee, which must without delay initiate any actions necessitated by audit findings made. The internal audit 2008 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.

Auditor

For the auditing of the administration and accounts of the company, the General Meeting annually elects one auditor, which must be an audit firm approved by the Central Chamber of Commerce of Finland. In connection with the company's annual financial statements, the auditor provides the company's shareholders with a statutory auditor's report. The main function of the statutory auditor's report is to verify that the consolidated financial statements, the parent company's financial statements and the report by the Board of Directors give a true and fair view of the Group's and the company's net profit and financial position for each financial year. In addition to providing the auditor's report in connection with the annual financial statements, the auditor also reports to the company's CEO and the Audit Committee as necessary.

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

The AGM 2008 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 2008, Citycon paid EUR 0.2 million in remuneration to its auditor, related to its general audit. In addition, Citycon paid a total of EUR 0.2 million for internal expert services related to IFRS, property transactions and taxation.

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 of the relevant parties with correct, sufficient and topical information regularly, equitably and simultaneously. The company's key communication channel is its website, which includes all financial reports, releases and other investor information required by the Finnish Corporate Governance Code.

Citycon as an Investment and Information for Shareholders

Investment in Citycon

Investing in Citycon means an investment in a Finnish real estate company combining property investment with shopping centre business. Citycon is specialised in retail properties i.e. shopping centres, hypermarkets and retail centres in Finland, Sweden and in the Baltic countries.

Citycon is a proactive owner and a long-term developer of its retail properties laying the foundation for a successful retail business. Citycon takes account of environmental aspects and well-being of the areas surrounding its retail properties, which provides solid foundations for the company's success and growth in the future.

Share price development and ownership

In the international markets, the year 2008 proved to be a highly exceptional one in all respects, reflected in Citycon's share price development too. Citycon's market capitalisation at the end of 2008 totalled EUR 371.3 million, whereas it reached EUR 806.6 million at the end of 2007. However, the proportion of international investors remains high, accounting for 95.3 per cent of the company's shareholders. At the end of the year, Citycon had a total of 2,190 registered shareholders.

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. Citycon is also represented in the GPR 250 Property Securities Index consisting of the 250 most liquid real estate companies worldwide. In 2008, the number of Citycon shares traded on the NASDAQ OMX Helsinki totalled 150.9 million (153.7 million) at a total value of EUR 443.1 million (EUR 738.1 million).

Financial targets

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

- The company will pay out in dividends a minimum of 50 per cent of the result for the period after taxes excluding fair value changes on property.
- The company's long-term equity ratio target is 40 per cent.

The profit distribution for 2007 totalled EUR 0.14 per share, consisting of a per-share dividend of EUR 0.04 and an equity return of EUR 0.10 per share from the invested unrestricted equity fund. Equity ratio stood at 38.5 per cent at year-end 2008.

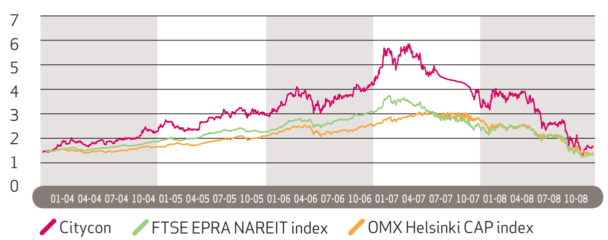
Board of Directors' proposal on dividend distribution and on distribution of assets from the invested unrestricted equity fund

The Board of Directors proposes that a per-share dividend EUR 0.04 be paid out for the year 2008, and that EUR 0.10 be returned from the invested unrestricted equity fund. The dividend and equity return will be paid on 3 April 2009 to a shareholder registered in the company's shareholders' register on 23 March 2009.

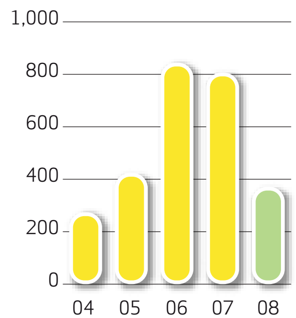
Investor relations

The primary objective of Citycon's investor relations is to increase interest in the company's share as an investment target. The company aims to increase shareholder value by providing more transparent investor information and improving the company's business profile. Investor communications focus on long-term value creation rather than seeking short-term benefits.

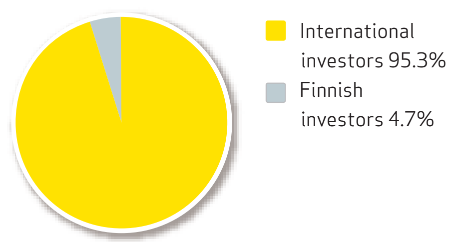
Citycon share price compared to indices



Market capitalisation, EUR million



Breakdown of shareholders



The investor communications' principle is to continuously provide the market with accurate, consistent, transparent and up-to-date information on the company. Adhering to the principle of objectivity and simultaneousness in its investor communications, Citycon publishes all releases and other material on its website in English and in Finnish.

Financial reports in 2009

During 2009, Citycon will release financial reports as follows:

- → Interim Report for January–March, 23 April 2009
- → Interim Report for January–June, 17 July 2009
- → Interim Report for January–September, 15 October 2009

The company will publish its printed Annual Report at the latest in week 10.

The key channel for Citycon's investor communications is the company's website. All stock exchange releases and press releases, financial statements, interim reports, annual reports and notices to general meetings will be published on the website. Also available on the website are the executive presentations on the financial results, webcast recordings of these events as well as the presentation material for regular investor meetings. Web access to the company's financial results presentation events and Capital Markets Day is also enabled. Investor-information material published by Citycon can be ordered from the company's website at www.citycon.com/materialrequest, by e-mail from info@citycon.fi or by phone at +358 207 664 400.

Frequent investor meetings

Citycon's representatives meet with investors both in and outside Finland. In 2008, the company executives carried out presentations of Citycon as an investment target in approximately 40 events, and met with some 260 institutional investors either in one-on-one or small-group meetings. In addition, the company's representatives meet investors in seminars arranged by different associations or banks, in broader public events and during asset tours to the company's shopping centres.

In September, Citycon organised a Capital Markets Day in Stockholm, the first in the company's 20-year history. The theme of this event, opened by Thomas W. Wernink, Chairman of Citycon's Board of Directors, was the company's strategy and market situation in Citycon's operating countries. Following the presentations, the attending investors, analysts and journalists visited the construction project for the Liljeholmstorget shopping centre. Encouraged by the abundant and positive feedback on the Capital Markets Day, Citycon aims to organise an equivalent event every year.

The company's IR contacts are the CEO, the CFO and the Investor Relations Officer.

Annual General Meeting 2009

Citycon Oyj will hold its AGM at Finlandia Hall, Helsinki Auditorium, Mannerheimintie 13e, Helsinki, Finland, on Wednesday 18 March 2009, starting at 2.00 p.m.

A notice to the AGM will be issued as a stock exchange announcement at the earliest two months and at the latest 21 days prior to the meeting, and will also be announced on the company's website and in at least one national newspaper appearing in Helsinki.

A shareholder is entitled to propose a certain matter for discussion at a general meeting of shareholders, if such a matter belongs to the competence of a general meeting of shareholders according to the Finnish Limited Liability Companies Act and if (s)he 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. Such notices can be mailed to legal@citycon.fi.

Company shareholders listed in the shareholders' register by the AGM record date of 6 March 2009 are entitled to attend the AGM if they have notified the company of their intention to do so by 4.00 p.m. on 13 March 2009. If you wish to attend the AGM, please visit our website www.citycon.com/AGM2009 or contact us by telephone +358 207 664 400.

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 Euroclear Finland Ltd's customer-service outlet, Urho Kekkosen katu 5 C, Helsinki, Finland.

Notification of changes in shareholders' register

Shareholders should notify their book-entry account manager of any changes in their name or address. This will also automatically update information in the shareholders' register maintained by Euroclear Finland Ltd.

Contact information

CEO
Mr Petri Olkinuora
Tel. +358 207 664 401 or
+358 400 333 256
petri.olkinuora@citycon.fi

CFO
Mr Eero Sihvonen
Tel. +358 207 664 459 or
+358 50 557 9137
eero.sihvonen@citycon.fi

Investor Relations Officer
Ms Hanna Jaakkola
Tel. +358 207 664 421 or
+358 40 566 6070
hanna.jaakkola@citycon.fi

Company research

Analysts from the following banks, brokerage and other firms monitor Citycon Oyj and its performance, based on the information received by the company. However, the list below does not necessarily include all providers of such investment analysis. Analysts monitor Citycon on their own initiative and can also choose to cease doing so whenever they wish. Recommendations issued by analysts are available on Citycon's website at the "Consensus estimates" service. Citycon is not responsible for analysts' comments and statements.

Aurel
Tel. +33 1 53 89 53 75
15-17 rue Vivienne
F-75002 Paris
France

Citi Investment Research
Tel. +44 207 986 4000
Canada Square
London E14 5LB
United Kingdom

DnB NOR
Tel +47 22 94 8845
Stranden 21, Aker Brygge
NO-0021 Oslo
Norway

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

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

FIM Bank Ltd.
Tel. +358 9 613 4600
Pohjoisesplanadi 33 A
FI-00100 Helsinki
Finland

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

Nordea Bank Finland Plc
Tel. +358 9 1651
Nordea Markets
Aleksis Kiven katu 9,
Helsinki
FI-00020 Nordea
Finland

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

Pareto Securities ASA
Tel. +47 22 87 87 00
P.O. Box 1411 Vika
NO-0115 Oslo
Norway

Pohjola Bank Plc
Tel. +358 10 252 7390
Teollisuuskatu 1b,
P.O. Box 362
FI-00101 Helsinki
Finland

Rabo Securities
Tel. +31 20 460 4747
Amstelplein 1
NL-1096 HA Amsterdam
The Netherlands

Royal Bank of Scotland
Tel. +31 20 383 6786
Gustav Mahlerlaan 10
P.O. Box 283
NL-1000 EA Amsterdam
The Netherlands

UBS Investment Bank
Tel. +46 8 453 73 30
Regeringsgatan 38,
7th floor
P.O. Box 1722
S-111 87 Stockholm
Sweden

E. Öhman J:or Securities Finland Ltd
Tel. +358 9 8866 6000
Aleksanterinkatu 44
FI-00100 Helsinki
Finland

Citycon's shopping centres in Sweden and in the Baltic Countries

Stockholm area

Fruängen Centrum

Stockholm

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

Åkersberga Centrum

Österåker

Citycon's gross leasable area 25,000 sq.m.
Built in 1985.
Extended and/or renovated in 1995/1996.

Estonia

Magistral

Tallinn

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

Liljeholmstorget

Stockholm

Citycon's gross leasable area 39,800 sq.m. after completion of the development project in 2009.
Built in 1973.

Tumba Centrum

Botkyrkan

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

Rocca al Mare

Tallinn

Citycon's gross leasable area 53,500 sq.m. after completion of the development project in 2009.
Built in 1998.

Åkermyntan Centrum

Hässelby

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

Gothenburg area

Stenungs Torg

Stenungsund

Citycon's gross leasable area 26,300 sq.m.
Built in 1967.
Extended and/or renovated in 1993.

Lithuania

Mandarinas

Vilnius

Citycon's gross leasable area 8, 000 sq.m.
Built in 2005.

Jakobsbergs Centrum

Järfälla

Citycon's gross leasable area 67,400 sq.m.
Built in 1959.
Extended and/or renovated in 1993.

Umeå

Strömpilen

Umeå

Citycon's gross leasable area 20,300 sq.m.
Built in 1927.
Extended and/or renovated in 1997.

CITYCON OYJ POHJOISESPLANADI 35 AB, FI-00100 HELSINKI, FINLAND, TEL. +358 (0)207 664 400, INFO@CITYCON.FI, WWW.CITYCON.COM

Citycon Oyj
Financial Statements 2008

Contents

Report by the Board of Directors

Summary of the last quarter of 2008

- Turnover grew by 1.4 per cent to EUR 45.2 million (Q3/2008: EUR 44.6 million).
- Net rental income declined by 4.1 per cent to EUR 30.2 million (EUR 31.5 million) due to higher operating and maintenance expenses than in the previous quarter as a result of customary seasonal fluctuations.
- Net cash from operating activities per share rose to EUR 0.07 (EUR 0.02).
- Earnings per share were EUR -0.14 (EUR -0.21).
- Direct result per share (diluted) was EUR 0.05 (EUR 0.05). The result includes a gain of EUR 1.6 million, tax effect included, resulting from the buyback of the 2006 convertible bonds.
- The fair value change of investment properties was EUR -59.3 million (EUR -71.7 million). The fair market value of the investment properties decreased to EUR 2,023.6 million (EUR 2,094.4 million).
- The average net yield requirement for investment properties rose and was 6.4 per cent (6.2%) at the end of the period, according to an external appraiser. The increase in the net yield requirement was due to market conditions.
- Net financial expenses decreased to EUR 13.0 million (EUR 15.2 million) as a result of lower interest rates and the buyback of the convertible bonds. The period's net financial expenses include a non-cash expense of EUR 1.4 million (EUR 0.6 million) related to the valuation of interest rate derivatives.
- During the period, the refurbished Trio shopping centre was opened in Lahti while in Tallinn, Estonia, the first stage of the Rocca al Mare shopping centre redevelopment project was completed.

Key figures

	Q4/2008	Q4/2007 [5]	Q3/2008 [5]	2008	2007 [5]	Change-% [1]
Turnover, EUR million	45.2	43.3	44.6	178.3	151.4	17.7%
Net rental income, EUR million	30.2	27.1	31.5	121.8	103.4	17.8%
Operating loss/profit, EUR million	-27.9	23.7	-44.1	-105.0	298.7	–
% of turnover	–	54.7%	–	–	197.3%	–
Loss/profit before taxes, EUR million	-40.9	10.0	-59.3	-162.3	253.5	–
Loss/profit attributable to parent company shareholders, EUR million	-30.7	9.3	-46.0	-124.1	200.3	–
Direct result, EUR million [2]	11.8	14.6	11.3	43.8	38.3	14.4%
Indirect result, EUR million	-42.5	-5.4	-57.3	-167.9	162.1	–
Earnings per share (basic), EUR	-0.14	0.04	-0.21	-0.56	1.00	–
Earnings per share (diluted), EUR	-0.14	0.04	-0.21	-0.56	0.91	–
Direct result per share (diluted), (diluted EPRA EPS), EUR [2]	0.05	0.07	0.05	0.20	0.19	3.3%
Net cash from operating activities per share, EUR	0.07	0.06	0.02	0.21	0.20	8.3%
Fair market value of investment properties, EUR million			2,094.4	2,023.6	2,215.7	-8.7%
Equity per share, EUR			3.87	3.62	4.44	-18.6%
Net asset value (EPRA NAV) per share, EUR [2]			4.16	3.88	4.82	-19.6%
EPRA NNNAV per share, EUR			4.05	3.80	4.42	-14.0%
Equity ratio, %			40.3	38.5	43.9	–
Gearing, %			133.8	141.3	111.8	–
Net interest-bearing debt (fair value), EUR million			1,221.1	1,194.6	1,147.3	4.1%
Net rental yield, % [3]			5.6	5.8	5.8	–
Net rental yield, like-for-like properties, %			6.0	6.3	6.2	–
Occupancy rate, %			95.6	96.0	95.7	–
Personnel (at the end of the period)			112	113	102	10.8%
Dividend per share, EUR				0.04 [4]	0.04	0.0%
Return from invested unrestricted equity fund per share, EUR				0.10 [4]	0.10	0.0%
Dividend and return from invested unrestricted equity fund per share total, EUR				0.14 [4]	0.14	0.0%

1) Change-% is calculated from exact figures and refers to the change between 2008 and 2007.
2) In comparison to previous practice direct result excludes the changes in fair value of financial instruments that are recognized in the income statement. Please see the Note 3 "Reconciliation between direct and indirect result" for direct result calculations and Note 14 "Earnings per share and net asset value per share" for calculation of direct result and net asset value per share.
3) Includes the lots for development projects.
4) Proposal by the Board.
5) Restated according to the New IAS 23 Borrowing Costs Standard. Please see the Note 12 "Restatement of the financial information in 2007 and 2008 due to the new IAS 23 Borrowing Cost standard".

Key figures for the past five years can be found on page 42 in the Notes to the Financial Statements.

Summary of the year 2008

- The company's financial position remained good during the period. Total liquidity at the end of the reporting period was EUR 203.7 million, including unutilised committed debt facilities amounting to EUR 187.0 million and cash of EUR 16.7 million. The available liquidity will cover the authorised investments and scheduled debt interest and repayments until at least 2010, without the need for additional financing sources.
- Turnover grew by 17.7 per cent to EUR 178.3 million (2007: EUR 151.4 million), due mainly to the growth in gross leasable area and to active development of the retail properties.
- Profit before taxes was EUR -162.3 million (EUR 253.5 million), including a EUR -216.1 million (EUR 211.4 million) change in the fair value of investment properties.
- Net rental income from like-for-like properties rose by 3.6 per cent.
- The company's direct result rose to EUR 43.8 million (EUR 38.3 million), up due mainly to the full-year effect of properties acquired in 2007. Changes in the fair value of the company's property portfolio have no effect on the company's net rental income or direct result, but will affect the company's profit for the period.
- Direct result per share (diluted) was EUR 0.20 (EUR 0.19).
- Earnings per share were EUR -0.56 (EUR 1.00). The decrease resulted mainly from the fair value changes of the investment properties.
- Net rental income increased by 17.8 per cent, to EUR 121.8 million (EUR 103.4 million).
- Occupancy rate improved to 96.0 per cent (95.7%) as a result of advancing (re)development projects.
- Net cash from operating activities per share rose to EUR 0.21(EUR 0.20).
- The equity ratio was 38.5 per cent (43.9%). The decrease resulted mainly from the fair value changes of the investment properties and higher level of debt due to capital expenditure.
- Citycon signed three long-term loan agreements on competitive terms.

CEO Petri Olkinuora's comments on the year 2008:

"Citycon reached its all-time high direct result in 2008. The company's cash flow per share grew, and so did the turnover and net rental income. The shopping centres' sales rose and the occupancy rate was 96.0 per cent up from 95.7 per cent at the end of the year 2007. Grocery sales continued to grow in all our markets. In most of our shopping centres, grocery retailing is the anchor that maintains a steady footfall.

The construction of the Liljeholmstorget and Rocca al Mare shopping centres proceeded as scheduled. Both projects will be completed late 2009. The leasing of premises is progressing well, and all anchor tenant agreements have been signed. Financing for the projects is secured.

In November, the Trio shopping centre in Lahti was opened after having been redeveloped for almost two years. The opening was a big success and the centre has regained its position as the leading shopping centre in Lahti.

During the year, we invested in sustainable construction and we are applying international certification for our most important construction projects. We seek to comply with the principles of sustainable development in our operations.

In the last quarter, the decrease in interest rates and the successful buyback of the convertible bonds reduced our financial expenses.

The fair value of properties continued to fall following a rise in the current yield requirements in the markets. In 2008, the decline of property values did offset the fair value gains in 2007. Citycon's financial position is good and the company focuses on strong operative cash flow."

Business environment

Significant changes took place in financial environment in 2008. The escalation of the financial crisis from the US housing markets into a global economic crisis quickly led to tighter financial markets in Finland as well. Towards the year-end, the financial crisis began to affect the real economy, and it will not be long before the business fluctuations are likely to reflect on retail sales too.

At the beginning of the year, retail trade was showing strong growth but slowed down towards the year-end. In total, in cumulative terms retail trade grew by 5.6 per cent in Finland and by 3.3 per cent in Sweden in 2008. Trade slow down was the most significant in the Baltic countries. After years of considerable growth, the December retail sales decreased by 9.0 per cent in Estonia and by 8.8 per cent in Lithuania (Sources: Statistics Finland, Statistics Sweden, Statistics Estonia, Statistics Lithuania).

Consumer confidence in personal financial development has clearly weakened in Citycon's operating countries. Inflation took a downward turn and market interest rates fell quickly from the high levels seen early in the year. At the end of the year, construction costs and raw material prices also fell. Economic growth is expected to decelerate in all of Citycon's operating countries (source: Nordea).

Volatility in the global financial markets has reduced the availability of debt and clearly raised the margins on new loans. At the same time, long-term relationship with banks has become a key factor in financing decisions.

The property markets were active in Finland and Sweden at the beginning of the year. However, as financing opportunities almost disappeared towards the year-end, the property market slowed down. The few property deals closed in Finland at the year-end were primarily conducted between domestic institutional investors. Also, in Sweden deals were closed largely between domestic players. In the Baltic countries, the property markets are almost at a complete standstill. (Source: Catella)

Business and property portfolio summary

Citycon is an active owner and long-term developer of shopping centres, laying the foundation for a successful retail business. The company aims to increase its net yield from shopping centres over the long term through active retail property management and redevelopment efforts. Citycon's retail properties serve both consumers and retailers.

Citycon is the market leader in the Finnish shopping centre business and holds a strong position in Sweden and a firm foothold in the Baltic Countries. It assumes responsibility for the business operations and administration of its investment properties. This differentiates Citycon from many other real estate companies, with principal focus on ownership.

Citycon is involved in the day-to-day operations of its shopping centres and, in co-operation with its tenants, aims continuously to increase the attractiveness, footfall, sales and profits of its shopping centres. Citycon is a pioneer in the Nordic shopping centre market, as it aims to factor environmental considerations into its shopping centre management as well as its redevelopment and development projects. The company has three sustainable development pilot projects, and the redevelopment of shopping centre Trio was the first one to be completed at the end of the year.

Citycon operates in Finland, Sweden and the Baltic countries. Thanks to careful market research and good local knowledge, Citycon has been able to acquire shopping centres in major growth centres in the countries in which it operates. Citycon's investments are focused on areas with expected population and purchasing power growth.

At the end of 2008, Citycon owned 33 (33) shopping centres and 52 (53) other properties. Of the shopping centres, 22 (22) were located in Finland, eight (8) in Sweden and three (3) in the Baltic countries.

At the end of the year, the market value of the company's property portfolio totalled EUR 2,023.6 million (EUR 2,215.7 million) with Finnish properties accounting for 73.1 per cent (71.6%), Swedish properties for 19.6 per cent (23.4%) and Baltic properties for 7.3 per cent (5.0%). The gross leasable area at the end of the year totalled 937,650 square metres.

Changes in the fair value of investment properties

Citycon measures its investment properties at fair value, under the IAS 40 standard, according to which changes in the fair value of investment properties 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 2008, Citycon had its properties valued by an external appraiser on a quarterly basis, due to increased market volatility.

Citycon's property portfolio is valued by Realia Management Oy, part of the Realia Group. Realia Management Oy works in association with the leading provider of real estate services, the international company CB Richard Ellis. A summary of Realia Management Oy's Property Valuation Statement at the end of 2008 can be found at www.citycon.com/valuation. The valuation statement includes a description of the valuation process and the factors contributing to the valuation, as well as the results of the valuation, and a sensitivity analysis.

During the financial year, the fair value of Citycon's property portfolio decreased. This decrease was due to changes in general market conditions on the property and financial market and to higher yield requirements resulting from the general economic recession. The period saw a total value increase of EUR 15.3 million and a total value decrease of EUR 231.4 million. The net effect of these changes on the company's profit was EUR -216.1 million (EUR 211.4 million).

On 31 December 2008, the average net yield requirement defined by Realia Management Oy for Citycon's property portfolio came to 6.4 per cent (Q3/2008: 6.2% and 31 December 2007: 5.6%).

Lease portfolio and occupancy rate

At the end of the year, Citycon had a total of 3,742 (3,700) leases. The average remaining length of the lease agreements was 3.2 (3.0) years. Citycon's property portfolio's net rental yield was 5.8 per cent (5.8%) and the occupancy rate was 96.0 per cent (95.7%).

Citycon's net rental income grew by 17.8 per cent to EUR 121.8 million during the year. The leasable area rose by 1.5 per cent to 937,650 square metres. Net rental income from like-for-like properties grew by 3.6 per cent.

Net rental income from like-for-like shopping centres grew by 4.5 per cent. Like-for-like properties are properties held by Citycon throughout the 24-month reference period, excluding properties under refurbishment and redevelopment as well as undeveloped lots. 77.9 per cent of like-for-like properties are located in Finland. 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).

During the last 12 months, the rolling twelve-month occupancy cost ratio for like-for-like properties was 8.5 per cent. The occupancy cost ratio is calculated as the 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.

Acquisitions and divestments

Citycon continues to focus on the development and redevelopment of the company's shopping centres, and follows developments in the shopping centre market across its operating regions. During the year, no new shopping centres were acquired, but the company acquired more minority shares in several partially-owned properties. Acquisitions totalled EUR 17.4 million during the year.

In February, Citycon sold 40 per cent of the Iso Omena shopping centre to an affiliate of GIC Real Estate, the property investment arm of the Government of Singapore Investment Corporation. The purchase price totalled EUR 131.6 million, equivalent to 40 per cent of the purchase price at which Citycon bought Iso Omena in September 2007. The parties have agreed that Citycon will continue to be responsible for the management of Iso Omena and continue its development according to Citycon's operating concept against agreed consideration.

Related to the Lippulaiva shopping centre's redevelopment project, Citycon acquired all the 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 adjacent to Lippulaiva, in the area planned for the extension of the shopping centre, located in Espoo, Finland. Citycon continues to have right of possession over the leasable areas of Kiinteistö Oy Ulappatori. This right of possession will terminate when the redevelopment project is completed or during 2011 at the latest. Kiinteistö Oy Majakka merged with MREC Kiinteistö Oy Lippulaiva in the beginning of July 2008.

In addition, in early July Citycon acquired an approximately 54 per cent holding in MREC Kiinteistö Oy Espoon Asematori. This acquisition is related to the shopping centre Espoontori's refurbishment and redevelopment project currently in the pipeline. In January, Citycon sold its 44 per cent holding in Pukinmäki retail centre in Helsinki, Finland.

Changes in the Group structure during 2008 are presented in more detail in Note 30 of the Notes to the Financial Statements.

Development projects

Keeping its shopping centres competitive for both customers and tenants constitutes the core of Citycon's strategy. The company is pursuing a long-term increase in the footfall and cash flow, as well as in the efficiency and return of its retail properties. In the short term, redevelopment projects may weaken returns from some properties, as some retail premises may have to be tem-

Lease portfolio summary

	Q4/2008	Q4/2007	Q3/2008	2008	2007	Change-%
Number of leases started during the period	255	164	81	572	512	11.7
Total area of leases started, sq.m.	69,730	27,854	12,810	124,960	103,408	20.8
Occupancy rate at end of the period, %			95.6	96.0	95.7	0.3
Average remaining length of lease portfolio at the end of the period, year			3.0	3.2	3.0	6.7

porarily vacated for refurbishment, which affects rental income. Citycon aims to carry out any redevelopment projects phase by phase so that the whole shopping centre does not have to be closed during the works in question, thus ensuring continuous cash flow.

Sustainable construction and management

In its development projects, Citycon is paying increasing attention to environmental management methods and solutions. The company has three pilot projects, aimed at identifying the best practices to be implemented in the sustainable construction and management of shopping centres. These pilot projects include building a new shopping centre at Liljeholmen in Stockholm, Sweden, and the redevelopment and extension of the Rocca al Mare shopping centre in Tallinn, Estonia, and of the Trio shopping centre in Lahti, Finland.

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 this assessment, practical development measures will be introduced in order to establish systematic, sustainable construction practices.

Citycon seeks to obtain the international LEED (Leadership in Energy and Environmental Design) environmental certification for its projects. Furthermore, Citycon remains confident that in the long term a responsible approach to its business operations will enhance its reputation as a responsible player in the shopping centre markets and its attraction as an international investment.

The table below lists the most significant development and redevelopment projects in progress, as approved by the Board of Directors. More information on planned projects can be found on Citycon's website at www.citycon.com, in management presentations and the Annual Report 2008 to be published in February.

Capital expenditure during the year on all development projects amounted to EUR 56.5 million in Finland, EUR 60.5 million in Sweden and EUR 22.7 million in the Baltic countries.

The company's largest development project and its main sustainable construction project involves the construction of a new shopping centre in Liljeholmen, Stockholm. During the year, the project advanced within the planned budget and schedule. The new shopping centre is expected to open in October 2009, and the leasing of retail premises is also proceeding as planned, although the contract process is taking longer in the current market conditions.

(Re)development projects in progress

	Location	Estimated total cost (EUR million)	Actual gross expenditure 31 Dec. 2008 up to (EUR million)	Estimated final year of completion
Liljeholmstorget	Stockholm, Sweden	130	70.7	2009
Rocca al Mare	Tallinn, Estonia	64.3	36.6	2009
Trio	Lahti, Finland	60	58.3 [1]	Completed
Torikeskus	Seinäjoki, Finland	4	2.6	2009

[1] Current expenditure before the final project report.

The first stage of the redevelopment of the Rocca al Mare shopping centre in Tallinn was completed ahead of schedule, with new premises opening on 1 October 2008. The refurbished premises are fully leased, and the shopping centre has stayed open during the project. The next stage of the redevelopment project has already been launched, and the majority of the premises leased. In completely renovated form, Rocca al Mare is expected to open in the autumn of 2009.

The second stage of the redevelopment of the Trio shopping centre in downtown Lahti proceeded as planned and the totally refurbished Trio was completed in November 2008 in time for the Christmas sales. Trio, too, remained open during the whole redevelopment project, which was launched in 2007.

Citycon's Board of Directors has also approved a redevelopment project involving the Torikeskus in Seinäjoki.

During the year, Citycon and the City of Helsinki signed a preliminary agreement on the purchase of land for a planned new retail centre in Myllypuro, Helsinki. The agreement covers four lots zoned for commercial and residential development. The aim is to develop an attractive retail property in Myllypuro.

Other projects being planned but not yet approved by the Board of Directors include the extension of the Lippulaiva shopping centre as well as Åkersberga Centrum's and Tumba Centrum's redevelopment projects. However, these or other possible development projects will be started only once financing and leasing are adequately secured.

Business units

Citycon's business operations are divided into three business units: Finland, Sweden and the Baltic Countries. These are sub-divided into two business areas: Retail Properties and Property Development. The Finnish business unit also includes a Commercial Development function, responsible for the commercial development of Citycon's Finnish shopping centres and the development of new commercial concepts.

Finland

Citycon is the market leader in the Finnish shopping centre business. Citycon's market share is 24 per cent of the Finnish shopping centre market (source: Entrecon). In 2008, the company's net rental income from Finnish operations grew by 20.1 per cent to EUR 90.9 million in spite of the ongoing redevelopment projects. The business unit accounted for 74.7 per cent of the company's total net rental income.

The key figures of the Finnish property portfolio are presented on the following page. Ongoing development projects have been covered previously in this document.

Sweden

Citycon has achieved a substantial position in the Swedish shopping centre market and has eight shopping centres and seven other retail properties in Sweden, located in the Greater Stockholm and Greater Gothenburg areas and in Umeå. The net rental income from Swedish operations increased by 11.3 per cent to EUR 24.1 million. The business unit's net rental income accounted for 19.8 per cent of Citycon's total net rental income.

The key figures for the Swedish property portfolio are presented on the following page. Ongoing redevelopment projects have been covered previously in this document.

Baltic Countries

At the end of 2008, 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, the turbulence in property and financial markets, and the limited availability of suitable

Lease portfolio summary, Finland

	Q4/2008	Q4/2007	Q3/2008	2008	2007	Change-%
Number of leases started during the period	193	151	66	452	442	2.3
Total area of leases started, sq.m.	31,930	18,640	11,090	79,130	74,400	6.4
Occupancy rate at end of the period, %			95.7	95.7	95.6	0.1
Average remaining length of lease portfolio at the end of the period, year			3.1	3.1	3.1	0.0

Financial performance, Finland

	Q4/2008	Q4/2007	Q3/2008	2008	2007	Change-%
Gross rental income, EUR million	30.8	29.1	30.8	122.5	100.7	21.7
Turnover, EUR million	32.0	30.2	31.9	126.8	104.3	21.6
Net rental income, EUR million	22.6	21.0	23.4	90.9	75.7	20.1
Net fair value losses/gains on investment property, EUR million	-48.6	-2.3	-45.0	-154.3	148.1	–
Operating loss/profit, EUR million	-21.7	17.3	-22.9	-62.9	218.4	–
Capital expenditure, EUR million	10.6	32.5	18.0	69.2	429.1	-83.9
Fair market value of investment properties, EUR million			1,519.3	1,480.2	1,587.0	-6.7
Net rental yield, % [1			5.8	6.0	6.2	–
Net rental yield, like-for-like properties, %			6.3	6.5	6.6	–

[1 Includes the lots for development projects.

Lease portfolio summary, Sweden

	Q4/2008	Q4/2007	Q3/2008	2008	2007	Change-%
Number of leases started during the period	19	13	13	58	49	18.4
Total area of leases started, sq.m.	9,060	9,179	1,670	15,340	25,800	-40.5
Occupancy rate at end of the period, %			94.8	96.0	95.1	0.9
Average remaining length of lease portfolio at the end of the period, year			2.4	2.4	2.4	0.0

Financial performance, Sweden

	Q4/2008	Q4/2007	Q3/2008	2008	2007	Change-%
Gross rental income, EUR million	9.9	9.4	11.3	41.1	35.4	16.4
Turnover, EUR million	10.1	11.1	10.5	41.9	39.0	7.2
Net rental income, EUR million	5.3	4.7	6.5	24.1	21.6	11.3
Net fair value losses/gains on investment property, EUR million	-21.4	2.3	-29.3	-70.1	54.7	–
Operating loss/profit, EUR million	-16.9	6.9	-23.3	-49.1	73.4	–
Capital expenditure, EUR million	23.0	5.5	18.5	65.6	142.4	-53.9
Fair market value of investment properties, EUR million			464.1	396.1	517.5	-23.5
Net rental yield, % [1			4.7	5.0	4.6	–
Net rental yield, like-for-like properties, %			5.2	5.4	4.9	–

[1 Includes the lots for development projects.

Lease portfolio summary, Baltic Countries

	Q4/2008	Q4/2007	Q3/2008	2008	2007	Change-%
Number of leases started during the period	43	-	2	62	21	195.2
Total area of leases started, sq.m.	28,740	-	50	30,490	3,208	850.4
Occupancy rate at end of the period, %			99.8	99.8	100.0	-0.2
Average remaining length of lease portfolio at the end of the period, year			2.2	6.8	2.8	142.9

Financial performance, Baltic Countries

	Q4/2008	Q4/2007	Q3/2008	2008	2007	Change-%
Gross rental income, EUR million	3.0	2.1	2.1	9.3	7.7	20.7
Turnover, EUR million	3.1	2.0	2.1	9.6	8.0	19.4
Net rental income, EUR million	2.2	1.4	1.5	6.8	6.0	13.8
Net fair value gains/losses on investment property, EUR million	10.6	-0.1	2.6	8.3	8.7	-5.2
Operating profit/loss, EUR million	12.6	1.0	4.0	14.4	13.8	4.3
Capital expenditure, EUR million	6.7	5.6	3.8	22.7	31.7	-28.3
Fair market value of investment properties, EUR million			111.0	147.3	111.2	32.5
Net rental yield, % [1			5.8	6.2	6.2	–
Net rental yield, like-for-like properties, %			7.1	7.2	7.3	–

[1 Includes the lots for development projects.

properties, Citycon has been selective in making investments in the region. Net rental income from Baltic operations increased by 13.8 per cent, to EUR 6.8 million. The business unit accounted for 5.6 per cent of Citycon's total net rental income.

The key figures for the Baltic property portfolio are presented on the previous page. Ongoing redevelopment projects have been covered previously in this document.

Turnover and profit

Turnover for the financial year came to EUR 178.3 million (EUR 151.4 million), principally derived from the rental income generated by Citycon's retail premises. Gross rental income accounted for 97.0 per cent (94.9%) of turnover.

Operating profit came to EUR -105.0 million (EUR 298.7 million). Profit before taxes was EUR -162.3 million (EUR 253.5 million) and profit after taxes attributable to the parent company's shareholders EUR -124.1 million (EUR 200.3 million). The decrease in operating profit was mainly due to the fair value loss of the property portfolio. On the other hand, as a result of the completed redevelopment projects, the operating profit rose due to net rental income generated by increased and refurbished premises.

The effect of changes in the fair value of the property portfolio, of gains on sales and of other indirect items on the profit attributable to the parent company's shareholders, was EUR 167.9 million (EUR 162.1 million), tax effects included. Taking this into account, the direct result after taxes was EUR 5.5 million above the reference period level (cf. Note Reconciliation between direct and indirect result). The growth in direct result resulted mainly from increased net rental income. Indirect result includes a EUR 5.9 million compensation from the City of Helsinki for the premature termination of the land lease agreement, in order to advance the Myllypuro development project. In addition, a gain of EUR 1.6 million, including tax effect, for the buyback of convertible bonds was recognised under direct result.

Current taxes on direct result were higher during the financial year than during the reference period, due to direct result growth and buyback of convertible bonds.

Earnings per share amounted to EUR -0.56 (EUR 1.00). Direct result per share, diluted, (diluted EPRA EPS) was EUR 0.20 (EUR 0.19). Net cash flow from operating activities per share amounted to EUR 0.21 (EUR 0.20).

Due to the new IAS 23 standard Borrowing costs, Citycon has revised its accounting principles with respect to the capitalisation of interest expenses. As a result of the introduction of the new accounting principles, Citycon has adjusted its financial statements for 2007 and 2008. The new standard was published by the International Accounting Standards Board IASB. More information on the effects of the adjustment is available in Note 12 of the Notes to the Financial Statements.

Human resources and administrative expenses

At the end of the year, Citycon Group employed a total of 113 (102) persons, of whom 76 were employed in Finland, 29 in Sweden and eight in the Baltic countries. Administrative expenses increased to EUR 16.9 million (EUR 16.5 million), including EUR 0.3 million (EUR 0.7 million) calculated non-cash expenses related to employee stock options and the company's share-based incentive scheme. The higher expenses when compared to the reference period were due to organisation growth.

Wages and salaries paid by the Citycon Group totalled MEUR 7.6 (EUR 6.6 million), of which those paid to the CEO accounted for EUR 0.3 million (EUR 0.3 million) and those paid to the Board of Directors EUR 0.6 million (MEUR 0.5 million). Wages and salaries paid by the parent company totalled EUR 5.8 million (EUR 5.2 million), of which those paid to the CEO accounted for EUR 0.3 million (EUR 0.3 million) and those paid to the Board of Directors EUR 0.6 million (EUR 0.5 million).

Key personnel figures for a three-year period

	2008	2007	2006
Average number during the year	109	93	62
Wages and salaries during the year, EUR million	7.6	6.6	4.6

Capital expenditure and divestments

Citycon's reported gross capital expenditure during the year totalled EUR 157.9 million (EUR 603.9 million). Of this, property acquisitions accounted for EUR 17.4 million (EUR 531.3 million), property development EUR 139.7 million (EUR 71.8 million) and other investments EUR 0.8 million (EUR 0.8 million). These investments were financed through cash flow from operations and existing financing arrangements.

The financial year saw the partial divestment of the shopping centre Iso Omena, involving the sale of a 40 per cent holding to a company in the GIC Real Estate Group. The selling price amounted to EUR 131.6 million.

Balance sheet and financial position

The balance sheet total at the end of the reporting period stood at EUR 2,178.6 million (EUR 2,308.6 million). Liabilities totalled EUR 1,341.5 million (EUR 1,297.7 million) with short-term liabilities accounting for EUR 109.5 million (EUR 157.8 million). The Group's financial position remained good during the year. At the end of the year, Citycon's liquidity was EUR 203.7 million, of which EUR 187.0 million consisted of undrawn, committed credit facilities and EUR 16.7 million of cash and cash equivalents. At the end of the year, Citycon's liquidity, short-term credit limits excluded, stood at EUR 158.7 million (Q3/2008: EUR 202.6 million).

For the purpose of short-term liquidity management, the company uses a EUR 100 million non-committed Finnish commercial paper programme and a non-committed Swedish commercial paper programme worth SEK one billion. Due to more difficult market conditions, Citycon repaid all of its commercial papers at the end of the year by drawing funds from its committed long-term credit facilities. Consequently, Citycon's financing is mainly arranged on a long-term basis, with short-term interest-bearing debt constituting approximately 4.2 per cent of the Group's total interest-bearing debt at the end of the financial year .

From the reference period, interest-bearing debt increased by EUR 45.5 million to EUR 1,199.5 million (EUR 1,154.0 million). The fair value of Group's interest-bearing debt stood at EUR 1,211.3 million (EUR 1,171.4 million).

The Group's cash and cash equivalents totalled EUR 16.7 million (EUR 24.2 million). The fair value of the Group's interest-bearing net debt stood at EUR 1,194.6 million (EUR 1,147.3 million).

The year-to-date weighted average interest rate increased compared to the previous year and was 4.85 per cent (4.68% during reference period). The average loan maturity, weighted according to the principal amount of the loans stood at 4.6 years (4.7 years). The average interest-rate fixing period was 3.3 years (3.1 years).

The weighted interest rate, interest-rate swaps included, averaged 4.75 per cent on 31 December 2008.

The Group's equity ratio was 38.5 per cent (43.9%). Year-end gearing stood at 141.3 per cent (111.8%).

Of Citycon's year-end interest-bearing debt, 75.8 per cent (81.6%) was in floating-rate loans, of which 66.4 per cent (61.1%) had been converted into fixed-rate loans by means of interest-rate swaps. Fixed-rate debt accounted for 74.5 per cent (68.3%) of the Group's year-end interest-bearing debt, interest-rate swaps included. The loan portfolio's hedging ratio is in line with the Group's financing policy, and the company increased the hedging ratio during the year.

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 591.7 million (EUR 634.5 million), with hedge accounting applied to interest-rate swaps whose nominal amount totalled EUR 568.7 million (EUR 558.0 million).

On 31 December 2008, the nominal amount of all of the Group's derivative contracts totalled EUR 614.8 million (EUR 674.8 million), and their fair value was EUR -9.8 million (EUR 9.1 million). The decline of market rates towards the end of the year decreased the fair value of Citycon's interest rate derivatives. Hedge accounting is applied for the majority of interest rate derivatives, meaning that any changes in their fair value will be recognised directly in shareholders' equity. Thereby, the fair value loss for these derivatives does not affect the profit for the financial year but the change is recognised in the consolidated shareholders' equity, thus weakening the consolidated equity ratio. The fair value loss recognised in the fair value reserve under shareholders' equity, taking account of the tax effect, totals EUR -17.7 million (30 September 2008: EUR 5.1 million).

Net financial expenses totalled EUR 57.3 million (EUR 45.3 million). The increase was primarily attributed to the rise in interest rates in the first nine months of the year and increased amount of interest-bearing debt.

Net financial expenses in the income statement for 2008 include EUR 3.1 million in non-cash expenses related to derivative valuation, but also non-recurring income worth EUR 2.4 million for the buyback of the convertible bonds was recorded in net financial expenses. In addition, net financial expenses in the income statement include EUR 1.8 million (EUR 1.8 million) in non-cash expenses related to the option component on convertible bonds.

The IFRS standard IAS 23 was adjusted during the year with respect to the recognition of interest expenses relating to redevelopment projects. The adjustment of the IAS 23 standard most importantly affects the company's financial expenses in the income statement, as the new IAS 23 standard enables the capitalization of interest expenses arising from the redevelopment of existing properties and from the acquisition of lots for development projects in the balance sheet. This effect is discussed in greater detail in Note 12 of the Notes to the Financial Statements.

Loan market transactions

Regardless of the prevailing uncertainty in the financial market, Citycon signed three long-term loan agreements during the year. Local financing for the Magistral shopping centre, acquired in the summer of 2007, was finalised through the signing of a loan agreement for EEK 280 million, for a term of approximately five years. Additionally, the company increased its committed long-term credit limits by signing a EUR 50 million five-year credit facility agreement.

In June, Citycon and the Nordic Investment Bank (NIB) agreed on a loan amounting to EUR 30 million to be used to finance the development of the Liljeholmstorget shopping centre, located in Stockholm. Liljeholmstorget is Citycon's main sustainable development project, which was an essential factor in the loan arrangement. The maturity of the loan is 10 years. The company managed to conclude all three loan agreements with competitive loan margins.

In addition, on 15 April 2008, Citycon signed a commercial paper programme in Sweden worth SEK one billion (approximately EUR 102.1 million) with a Nordic bank group. Citycon intends to use the proceeds from the commercial paper programme for short-term liquidity management of the Group's Swedish operations. Under the programme, commercial papers may be issued either in Swedish crowns or in euros.

Subordinated convertible bonds 2006

In July of 2006, Citycon's Board of Directors decided to issue directed subordinated convertible bonds to the amount of EUR 110 million to international institutional investors. The issue of the convertible bonds waiving the shareholders' pre-emptive subscription rights was based on the authorisation given at Citycon's Annual General Meeting on 14 March 2006. These convertible bonds have been listed on the NASDAQ OMX Helsinki since 22 August 2006. The maturity of the bonds is 7 years and they will pay a coupon of 4.5 per cent annually in arrears. Furthermore, the conversion period is from 12 September 2006 to 27 July 2013 and the maturity date is 2 August 2013. The current conversion price is EUR 4.20.

In November-December 2008, Citycon repurchased a total of 442 bonds of the convertible bonds in several lots. The repurchased bonds were cancelled on 9 December 2008. After this cancellation, the number of bonds issued under the convertible bonds is 1,758 and the maximum number of shares to be subscribed for with bonds is 20,928,571. As a result of the cancellation, the maximum increase of Citycon's share capital on the basis of the convertible bonds decreased from EUR 35,357,142.60 to EUR 28,253,570.85. The amendments to Citycon's convertible bonds were registered in the Trade Register on 19 December 2008.

On 10 December, Citycon repurchased another 100 bonds of the same convertible bonds. By the end of the financial year, these had not yet been cancelled.

In November-December, Citycon repurchased a total principal amount of EUR 27.1 million of the convertible bonds, corresponding to approximately 25 per cent of the aggregate amount of the convertible bonds. The weighted average repurchase price was 53.5 per cent of the face value of the bonds. These repurchases were carried out because the market situation enabled the company to repurchase the bonds at a price clearly below their face value and because the repurchases enabled the company to strengthen its balance sheet and decrease its net financial expenses.

The terms and conditions of the convertible bonds in more detail as well as the accrued interest are presented in the Notes to the Financial Statements under Note 22, Interest-bearing debt. The terms and conditions and the accrued interest of Citycon's capital loan are presented in the Note 22 as well.

Short-term risks and uncertainties

For its risk management purposes, Citycon has a holistic Enterprise Risk Management (ERM) programme in place. Citycon's risk management aims to ensure that the company can meet its strategic and operational goals while the ERM's purpose is to generate up-to-date and consistent information for the company's senior executives and Board of Directors on any risks threatening the targets set in strategic and annual plans.

Citycon's Board of Directors estimates that major short-term risks and uncertainties are associated with economic developments in the company's operating regions, availability of financing as well as changes in the fair value of investment properties and interest rates. Redevelopment and construction of the company's own properties means that also the risks associated with project management and with the leasing of new premises will increase.

A number of factors contribute to the value of retail properties, such as general and local economic development, investment demand, and interest rates. At present, investment property values are subject to abnormally high uncertainty due to the global financial crisis and the dramatically weaker economic outlook in the company's operating regions.

As a result of the credit crisis, property prices have gone down, and Citycon has also recorded fair value losses for 2008 from the lower values of investment properties. During the year, trading activity in the property markets decreased significantly. Furthermore, the weakening economic conditions make the future development of properties' fair value even more uncertain. While changes in the 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.

Economic fluctuations and developments materially affect the demand for rental premises and rental rates. These represent one of the company's key short-term risks. All of the company's operating regions experienced a marked slowdown of economic growth in 2008. Several economists forecast negative economic growth for almost all of the company's operating regions for 2009. These economic conditions could reduce the demand for business premises, weaken tenants' ability to pay rent and raise the vacancy rate in the company's properties, which might have a negative impact on the company's business and financial performance.

Citycon's growth relies on the refurbishment and redevelopment of retail properties. Implementation of this strategy requires both equity and debt financing. Difficulties in the banking sector have made banks more reluctant to lend money to enterprises. Furthermore, due to falling share prices and investors' reluctance to invest in shares, it is more difficult for listed companies to acquire equity through share issues. Fortunately Citycon's financial position is strong, enabling it to finance its ongoing projects in full as planned. The company will need new financing for future new investments and growth efforts, and the terms of such arrangements will naturally be affected by the financial crisis.

In addition to the availability of financing, Citycon's main financial risk is the interest-rate risk of the company's loan portfolio. In the course of 2008, the six-month interest rate in the euro area fell by 1.74 percentage points while in Sweden the equivalent interest rate dropped 2.25 percentage points. During this period, Citycon's average interest rate rose by 0.17 percentage points because the sharp decrease in interest rates took place in the final quarter and thereby the lower interest rates could only have a limited impact on the full-year average interest rate. The average interest rate is likely to decrease during 2009 as a consequence of lower interest rates.

The short-term risks involved in (re)development projects are associated with the leasing of new premises and the implementation of construction projects. Leasing risks in projects are minimised by securing the allocation of sufficient resources to the leasing operations of new properties, investing in the marketing of new shopping centres and concluding agreements with anchor tenants prior to a project's commencement or in its initial stage. Project implementation risks are managed by sufficient resources. Responsibility for projects is carried by experienced in-house project managers.

More details of the company's risk management are available on the company's website at www.citycon.com/riskmanagement and on pages 32–34 of the Financial Statements.

Environmental responsibility

Citycon wants to lead the way in responsible shopping centre business and to promote sustainable development in the business. The location of Citycon's shopping centres in city centres, local centres or generally adjacent to major traffic flows, combined with excellent public transport connections, makes them well positioned to face the demands of sustainable development.

To further develop its operations, Citycon surveyed its tenants' views in 2008 on measures that promote sustainable development and has assembled a list of tangible proposals for improvement. The survey covered 350 tenants and store managers in Finland and Sweden, and another 13 persons responsible for environmental affairs in major retail companies were also interviewed.

The survey indicated that, up to the present day, environmental affairs have not been a key priority in sales activities conducted in shopping centres, but in this respect the retail sector may well put pressure on shopping centre operators in the future. Forerunners in the retail sector are already placing demands on partners such as shopping centres.

Citycon has initiated a Green Shopping Centre Management programme to foster sustainable development in all shopping centres owned by the company. The programme, to be implemented in 2009, aims to promote energy efficiency, recycling and other operations that support sustainable development.

Citycon is currently engaged in sustainable construction through three pilot projects, for which the company is seeking the international LEED (Leadership in Energy and Design) certification. These projects form an essential element of Citycon's efforts towards sustainable development and include the redevelopment of the Trio shopping centre in Lahti, the redevelopment and extension of the Rocca al Mare shopping centre in Tallinn, and the construction of the Liljeholmstorget shopping centre in Stockholm.

Legal proceedings

Related to Citycon's business operations, there are claims that have been submitted to the company and which may potentially lead to legal proceedings. In the opinion of the company, it is not likely that aggregate potential liabilities related to these actions have significance on the financial position or results of the Group.

Annual General Meeting

Citycon Oyj's Annual General Meeting (AGM) 2008 took place in Helsinki, Finland, in March. The AGM adopted the consolidated financial statements and the parent company's financial statements for the financial year 2007 and discharged the members of the Board of Directors and the Chief Executive Officer from liability. The AGM decided on a dividend of EUR 0.04 per share for the financial year 2007 and, in addition, on an equity return of EUR 0.10 per share from the invested unrestricted equity fund. The dividend and equity return were paid on 2 April 2008.

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. A decision to amend the Articles of Association requires a 2/3 majority vote at a general meeting.

The number of Board members remained at eight with Gideon Bolotowsky, Raimo Korpinen, Tuomo Lähdesmäki, Claes Ottosson, Dor J. Segal and Thomas W. Wernink being re-elected to the Board for a one-year-term. Per-Håkan Westin, M.Sc. (Eng.), and Amir Bernstein, LL.M., were elected as new members to the Board. Thomas W. Wernink continued as the Board Chairman and Tuomo Lähdesmäki as the Deputy Chairman.

Auditor

Ernst & Young Oy, a firm of authorised public accountants, continues as the company auditor with Authorised Public Accountant Tuija Korpelainen as the chief auditor.

Shareholders, share capital and shares

Citycon shares have been listed on the Helsinki exchange since 1988. Citycon is a Mid Cap company in the Financials sector, sub-industry Real Estate Operating Companies. 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 2008, the number of Citycon shares traded on the NASDAQ OMX Helsinki totalled 150.9 million (153.7 million) at a total value of EUR 443.1 million (EUR 738.1 million). The highest quotation during the year was EUR 4.28 (EUR 6.09) and the lowest EUR 1.26 (EUR 3.24). The reported trade-weighted average price was EUR 2.94 (EUR 4.76), and the share closed at EUR 1.68 (EUR 3.65). The company's market capitalisation at the end of the financial year totalled EUR 371.3 million (EUR 806.6 million).

Shareholders

On 31 December 2008, Citycon had a total of 2,190 (2,090) registered shareholders, of which ten were account managers of nominee-registered shares. Nominee-registered and other international shareholders held 210.7 million (210.9 million) shares, or 95.3 per cent (95.5%) of shares and voting rights in the company. Information on the company's major shareholders and shareholding is presented on page 52 of the Financial Statements.

Notifications of changes in shareholding

During the year, Citycon received three notifications regarding changes in shareholdings:

FIL Limited (formerly Fidelity International Limited) notified the company in March that the holdings of its direct and indirect subsidiaries in Citycon Oyj had fallen below the five per cent threshold. According to the notification, FIL Limited and its direct and indirect subsidiaries held a total of 10,904,704 Citycon shares on 5 March 2008, equivalent to 4.93 per cent of the company's share capital and voting rights.

AXA Investment Managers notified the company in March that the holdings of AXA S.A. and its subsidiaries in Citycon Oyj's voting rights and share capital had risen above the threshold of five per cent. According to the notification, the AXA Group held 11,892,688 shares on 21 March 2008, equivalent to 5.38 per cent of the company's voting rights and share capital. In May, AXA Investments Managers notified the company that the holdings of AXA S.A. and its subsidiaries in Citycon Oyj's voting rights and share capital had fallen below the five per cent threshold, to 4.99 per cent, due to stock transactions that took place on 13 May 2008. According to the notification, the AXA Group held 11,017,656 Citycon shares at the time.

Share capital

At the beginning of 2008, the company's registered share capital totalled EUR 259,570,510.20 and the number of shares 220,981,211. During the reporting period, the number of shares increased by 10,738 shares as a result of exercise of stock option rights and by 7,040 shares that were granted to the company's key personnel under a directed share issue without payment relating to the company's share-based incentive plan. At the end of the year, the company's registered share capital totalled EUR 259,570,510.20, and the number of shares amounted to 220,998,989. The company has a single series of shares, with each share entitling to one vote at general meetings of shareholders. The shares have no nominal value.

Board authorisations

The AGM for 2007 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.

The Board exercised this authorisation in September 2007, when it decided on a share issue based on the shareholders' pre-emptive subscription right, and in May 2008, when it decided on a directed share issue without payment relating to the company's share-based incentive plan. As a result of these decisions, the number of shares that can be issued or disposed of on the basis of the authorisation now totals 72,398,178. This authorisation is valid until 13 March 2012.

At the end of the year, the Board had no other authorisations.

Treasury shares

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

Stock options 2004

The Annual General Meeting held on 15 March 2004 authorised the issue of a maximum of 3,900,000 stock options to the personnel of the Citycon Group. Stock options 2004 A/B/C are listed on the NASDAQ OMX Helsinki. Trading in stock options 2004 C began on 1 September 2008.

The terms and conditions of the company's stock option plan 2004 were amended during the

Basic information on stock options 2004 as at 31 December 2008

	2004 A	2004 B	2004 C
No. of options granted	1,040,000	1,090,000	1,050,000
No. held by Veniamo-Invest Oy [1])	260,000	210,000	250,000
Subscription ratio, option/shares	1:1.2127	1:1.2127	1:1.2127
Subscription price per share, EUR [2])	2.2732	2.6608	4.3613
Subscription period began	1.9.2006	1.9.2007	1.9.2008
Subscription period ends	31.3.2009	31.3.2010	31.3.2011
No. of options exercised	345,075	-	-
No. of shares subscribed with options	386,448	-	-

[1]) Veniamo-Invest Oy, a wholly-owned subsidiary of Citycon Oyj, cannot subscribe for its parent company's shares.
[2]) Following the dividend payment and equity return in 2008. The share subscription prices are reduced by half of the per-share dividends paid and per-share equity returned. However, the share subscription price is always at least EUR 1.35.

year under a decision taken by the AGM. The terms and conditions were supplemented with a clause stating that the subscription prices of options 2004 A/B/C are to be reduced by half of potential per-share equity returns. The table below includes information on the number of stock options 2004 and their subscription ratios and prices at the year-end. The full terms and conditions of the stock option plan are available on the company's website at www.citycon.com/options.

During the reporting period, 10,132 shares were subscribed based on the A stock options relating to Citycon's stock option plan 2004, at a per-share subscription price of EUR 2.2732. Shares subscribed entitle their holders to a dividend for the financial year 2008.

The maximum number of shares that can be further subscribed for exercising the outstanding stock options 2004 amounts to 3,437,913 new shares.

Shares and stock options held by the Board of Directors and corporate management

On 31 December 2008, members of the Board of Directors, the CEO and other members of the Corporate Management Committee and their related parties held a total of 274,742 Citycon shares, accounting for 0.12 per cent of all shares and voting rights.

At year-end 2008, the number of stock options 2004 A/B/C held by Citycon's CEO totalled 75,000, 140,000 and 140,000, respectively. The number of 2004 option rights held by other members of the Corporate Management Committee totalled 150,000, 280,000 and 280,000, respectively. 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 included in the company's share-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.com/insiders.

The main terms of the CEO's executive contract are described on page 41 of these Financial Statements.

Events after the financial year

At the end of January, Citycon divested all shares in its subsidiary MREC Kiinteistö Oy Keijutie 15. The debt-free sales price of this non-core property in Lahti amounted to approximately EUR 3 million.

Board proposal for dividend distribution and distribution of assets from the invested unrestricted equity fund

The parent company's retained earnings amount to EUR 17.8 million, of which profit for the period accounts for EUR 14.1 million. On the date of publication of the Financial Statements, funds in the parent company's invested unrestricted equity fund total EUR 179.0 million.

The Board of Directors proposes to the Annual General Meeting of 18 March 2009 that a per-share dividend of EUR 0.04 be paid out for the financial year ending on 31 December 2008, 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 23 March 2009 and that the dividend and equity return be paid on 3 April 2009.

The Board of Directors further proposes that the remaining balance of EUR 8.9 million of the retained earnings be recorded under retained earnings.

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

Outlook

Citycon continues to focus on increasing its cash flow and operating profit (excluding fair value changes). In order to implement its strategy, the company will focus on value-added activities while cautiously monitoring the market for potential acquisitions.

Due to market changes and tight financing conditions, any project will be re-evaluated before its launch. Citycon intends to continue the divestment of its non-core properties to improve the property portfolio and to strengthen the balance sheet. The company is also considering alternative property financing sources.

The company expects its net rental income to increase in 2009 from the previous year's level based on at the end of 2008 completed and ongoing extension and redevelopment projects that will increase the leasable area, as well as on further improvements in shopping centre management.

Helsinki, 11 February 2009

Citycon Oyj
Board of Directors

Consolidated Income Statement, IFRS

EUR million	Note	1 Jan.–31 Dec. 2008	1 Jan.–31 Dec. 2007
Total revenues	1	207.4	371.1
Total expenses excluding financial expenses	2	-312.5	-72.4
Gross rental income		173.0	143.7
Service charge income		5.3	7.7
Turnover	4	**178.3**	**151.4**
Property operating expenses	5, 8	56.3	47.8
Other expenses from leasing operations	6	0.2	0.3
Net rental income		**121.8**	**103.4**
Administrative expenses	7, 8, 9	16.9	16.5
Other operating income and expenses	10	6.1	0.5
Fair value gains on investment property		15.3	219.0
Fair value losses on investment property		-231.4	-7.5
Net fair value losses/gains on investment property		-216.1	211.4
Investment property disposal proceeds		7.7	0.2
Carrying value of investment property disposals		-7.6	-0.3
Profit/losses on disposal of investment property		0.1	-0.1
Operating loss/profit		**-105.0**	**298.7**
Financial income		72.3	10.6
Financial expenses		-129.6	-55.9
Net financial income and expenses	11, 12	-57.3	-45.3
Loss/profit before taxes		**-162.3**	**253.5**
Current taxes	13	-6.6	-3.4
Change in deferred taxes	13, 24	30.0	-46.2
Income tax expense		23.4	-49.6
Loss/profit for the period		**-138.9**	**203.9**
Attributable to			
Parent company shareholders		-124.1	200.3
Minority interest		-14.8	3.6
Earnings per share attributable to parent company shareholders:			
Earnings per share (basic), EUR	14	-0.56	1.00
Earnings per share (diluted), EUR	14	-0.56	0.91
Direct result	3	43.8	38.3
Indirect result	3	-167.9	162.1
Loss/profit for the period attributable to parent company shareholders		**-124.1**	**200.3**

Consolidated Balance Sheet, IFRS

EUR million	Note	31 Dec. 2008	31 Dec. 2007
ASSETS			
Non-current assets			
Investment property	15	2,023.6	2,215.7
Development property	16	88.1	33.2
Property, plant and equipment	17	0.7	0.9
Intangible assets	18	0.9	0.5
Deferred tax assets	24	6.8	-
Derivative financial instruments and other non-current assets	23	6.0	10.1
Total non-current assets		**2,126.1**	**2,260.5**
Current assets			
Trade and other receivables	19	21.7	22.7
Derivative financial instruments	23	13.9	1.2
Cash and cash equivalents	20	16.7	24.2
Total current assets		**52.4**	**48.1**
Total assets		**2,178.5**	**2,308.6**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity attributable to parent company shareholders	21		
Share capital		259.6	259.6
Share premium fund		131.1	131.1
Fair value reserve		-17.7	4.9
Invested unrestricted equity fund		177.3	199.3
Other reserves		0.0	0.0
Translation reserve		-10.3	-0.3
Retained earnings		259.1	387.2
Total equity attributable to parent company shareholders		**799.1**	**982.0**
Minority interest		38.2	28.9
Total shareholders' equity		**837.3**	**1,010.9**
Long-term liabilities			
Interest-bearing liabilities	22	1,149.2	1,049.3
Derivative financial instruments	23	24.7	2.3
Other non-interest-bearing liabilities		0.8	0.2
Deferred tax liabilities	24	57.1	88.1
Total long-term liabilities		**1,231.7**	**1,139.9**
Short-term liabilities			
Interest-bearing liabilities	22	50.3	104.7
Derivative financial instruments	23	4.9	-
Trade and other payables	25	54.3	53.1
Total short-term liabilities		**109.5**	**157.8**
Total liabilities		**1,341.2**	**1,297.7**
Total liabilities and shareholders' equity		**2,178.5**	**2,308.6**

Consolidated Cash Flow Statement, IFRS

EUR million	Note	1 Jan.–31 Dec. 2008	1 Jan.–31 Dec. 2007
Cash flow from operating activities			
Loss/profit before taxes		**-162.3**	**253.5**
Adjustments:			
Depreciation and amortization	9	0.5	0.5
Net fair value losses and gains on investment property	15	216.1	-211.4
Profit/losses on disposal of investment property	15	-0.1	0.1
Financial income	11	-72.3	-10.6
Financial expenses	11	129.6	55.9
Other adjustments		-5.6	0.6
Cash flow before change in working capital		105.8	88.5
Change in working capital		-2.1	0.2
Cash generated from operations		**103.7**	**88.8**
Interest and other financial expenses paid		-63.1	-42.7
Interest income, exchange rate gains and other financial income received		6.3	3.1
Taxes received/paid		0.2	-10.0
Net cash from operating activities		**47.2**	**39.3**
Cash flow from investing activities			
Acquisition of subsidiaries, less cash acquired	15	-24.0	-517.6
Acquisition of investment properties	15	-	-16.0
Capital expenditure on investment properties	15	-58.2	-39.3
Capital expenditure on development properties, PP&E and intangible assets	16, 17, 18	-68.8	-24.5
Sale of investment properties	15	7.0	0.3
Net cash used in investing activities		**-144.1**	**-597.1**
Cash flow from financing activities			
Proceeds from share issue		-	232.4
Equity contribution from minority shareholder		25.9	-
Proceeds from short-term loans		72.1	773.1
Repayments of short-term loans		-125.8	-727.9
Proceeds from long-term loans		623.3	535.8
Repayments of long-term loans		-473.6	-228.9
Dividends paid and return from the invested unrestricted equity fund		-30.9	-23.4
Net cash from financing activities		**90.9**	**561.1**
Net change in cash and cash equivalents		**-6.1**	**3.3**
Cash and cash equivalents at period-start	20	24.2	21.3
Effects of exchange rate changes		-1.4	-0.4
Cash and cash equivalents at period-end	20	**16.7**	**24.2**

Consolidated Statement of Changes in Shareholders' Equity, IFRS

EUR million	Share capital	Share issue	Share premium fund	Fair value reserve	Invested unrestricted equity fund	Other reserves	Translation reserve	Retained earnings	Total	Minority interest	Total shareholders' equity
	Equity attributable to parent company shareholders										
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 26)								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**
Cash flow hedges				-22.6					-22.6		-22.6
Net gains recognised in equity				-22.6					-22.6		-22.6
Profit for the period								-124.1	-124.1	-14.8	-138.9
Total recognised income and expense for the period				-22.6				-124.1	-146.7	-14.8	-161.5
Share subscriptions based on stock options					0.0				0.0		0.0
Recognized gain in the equity arising from convertible bond buybacks								4.6	4.6		4.6
Dividends and return from the invested unrestricted equity fund					-22.1			-8.8	-30.9		-30.9
Translation differences							-10.0		-10.0	-3.0	-13.0
Share-based payments (Note 26)								0.3	0.3		0.3
Other changes									0.0	27.0	27.0
Balance at 31 Dec. 2008	**259.6**	**-**	**131.1**	**-17.7**	**177.3**	**0.0**	**-10.3**	**259.1**	**799.1**	**38.2**	**837.3**

Notes to the Consolidated Financial Statements, IFRS

Accounting policies

1. 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 11 February 2009.

2. 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 2008, 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.

3. Changes in IFRS and accounting policies

1. New Interpretations Applied in 2008

Citycon has not applied any new interpretations during 2008. However, Citycon has early adopted IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. However, the standard allows, but not requires, that the borrowing costs directly attributable to the construction or production of the assets measured at fair value are capitalized. Citycon will apply IAS 23 (Amendment) retrospectively from 1 January 2007. Before the adoption of the new standard, Citycon capitalised the interest expenses arising only from the development projects, in which significant extensions or new self-constructed properties were built and measured at cost in accordance with IAS 16. After applying the new standard in its 2008 Financial Statements, Citycon has expanded its policy of capitalizing the interest expenses into the redevelopment projects, in which the existing investment properties are refurbished and measured at fair value. The new IAS 23 had no impact on the profit for the period nor the balance sheet in 2008 and 2007 financial statements, since the change in financial expenses was offset by the change in net fair value gains/losses on investment property.

2. Interpretations Effective in 2008 but not Relevant to the Group

The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but is not relevant to the group's operations: IFRIC 14, IAS 19 – 'The limit on a defined benefit asset, minimum funding requirements and their interaction' , IFRIC 11, IFRS 2 – 'Group and treasury share transactions', IFRIC 12, 'Service concession arrangements' and IFRIC 13, 'Customer loyalty programmes'.

3. Standards, Amendments and Interpretations to Existing Standards That Are Not Yet Effective and Have Not Been Early Adopted by the Group

IFRS 8, 'Operating segments' replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has not changed the number of reportable segments presented.

IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring these 'non-owner changes in equity' to be presented separately from owner changes in equity. The group will apply IAS 1 (Revised) from 1 January 2009.

IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only and that all cancellations should receive the same accounting treatment. The group will apply IFRS 2 (Amendment) from 1 January 2009. It is not expected to have a material impact on the group's financial statements.

IAS 27 (Revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with noncontrolling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (effective from 1 July 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met.

IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made.

IAS 40 (Amendment), 'Investment property' and consequential amendments to IAS 16 (effective from 1 January 2009). Property that is under construction or development is within the scope of IAS 40. These are measured at fair value when applying the fair value model. If the fair value is not reliably measurable, the property is measured at cost until the construction is completed or when the fair value can be measured reliably.

4. Summary of significant accounting policies

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

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

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.

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

1. 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.

2. Derivative contracts and hedge accounting

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

Citycon uses interest rate swaps to hedge the interest rate cash flow risk. 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.

3. 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.

4. 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, directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready its intended use or sale. Capitalisation commences when refurbishment of a property, 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 income of Group companies for the financial period, adjustments for previous periods' taxes and changes in deferred taxes. Tax based on taxable income for the period is calculated in accordance with the tax legislation enacted 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 properties owned abroad, 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 payments

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.

5. Management's judgment in applying the most significant accounting policies and other key assumptions about future risks and uncertainties

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions. When accounting policies are applied, also judgement is required from management. These may affect the reported assets and liabilities, recognition of income and expense for the period and other information such as presentation of contingent liabilities. Eventhough these estimates base on management's best knowledge and current information available, the actual results may differ from the estimates.

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 taxes

Deferred tax assets and liabilities are calculated on temporary differences arising from the difference between carrying amounts used for financial reporting purposes and amounts used for taxation purposes. The tax rate used is the rate enacted on the balance sheet date in each jurisdiction.

The most significant temporary difference relates to the difference between the fair value and taxable value of investment properties. Other main temporary differences relate to unused tax losses and financial instruments.

When recognizing deferred tax assets, management exercises judgement, as the deferred tax asset is recognized only to the extent it is considered probable that future taxable income will be available against which the deductible temporary difference can be utilized.

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

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	2008	2007
Gross rental income	173.0	143.7
Service charge income	5.3	7.7
Other operating income	6.1	0.5
Fair value gains on investment property	15.3	219.0
Investment property disposal proceeds	7.7	0.2
Total	**207.4**	**371.1**

Total revenues disclosure is in accordance with the EPRA Recommendations.

2. Total expenses excluding financial expenses

EUR million	2008	2007
Property operating expenses	56.3	47.8
Other expenses from leasing operations	0.2	0.3
Administrative expenses	16.9	16.5
Fair value losses on investment property	231.4	7.5
Carrying value of investment property disposals	7.6	0.3
Total	**312.5**	**72.4**

Total expenses disclosure is in accordance with the EPRA Recommendations.

Total revenues deducted by total expenses equals to operating loss/profit in the consolidated income statement.

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. In the notes of Consolidated Key Figures and Ratios the direct and indirect keyfigures have been presented for five financial years and quarterly for years 2008 and 2007.

Direct result

EUR million	2008	2007
Net rental income	121.8	103.4
Direct administrative expenses	-16.5	-16.5
Direct other operating income and expenses	0.1	0.5
Direct net financial income and expenses	-54.2	-44.7
Direct current taxes	-4.8	-3.4
Direct change in deferred taxes	0.2	-0.2
Direct minority interest	-2.8	-0.9
Total	**43.8**	**38.3**
Direct result per share, diluted (Diluted EPRA EPS) [1])	0.20	0.19

Indirect result

EUR million	2008	2007
Net fair value losses/gains on investment property	-216.1	211.4
Profit/loss on disposal of investment property	0.1	-0.1
Indirect administrative expenses	-0.4	-
Indirect other operating income and expenses	6.0	-
Movement in fair value of financial instruments	-3.1	-0.6
Indirect current taxes	-1.8	-
Change in indirect deferred taxes	29.7	-46.0
Indirect minority interest	17.6	-2.7
Total	**-167.9**	**162.1**
Indirect result per share, diluted [1])	-0.76	0.71
Loss/Profit for the period attributable to parent company shareholders	**-124.1**	**200.3**

[1]) Calculation of the number of the shares is presented in the note 14 Earnings per share an 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. Capital expenditure includes additions to the investment properties, development properties as well as property, plant and equipment and intangible assets in the balance sheet.

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 45 other retail properties, of which 32 are located in the Helsinki Metropolitan Area and 35 elsewhere in Finland.

Sweden

Citycon has expanded especially in Sweden during the last three years. It now owns eight shopping centres and seven other retail properties.

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, two in Estonia and one in Lithuania.

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 and 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 52 properties. It serves the grocery and speciality shop sector by leasing and developing supermarket and shop properties.

A) Geographical segments

1 Jan.–31 Dec. 2008 EUR million	Finland	Sweden	Baltic Countries	Other	Total
Gross rental income	122.5	41.1	9.3	-	173.0
Service charge income	4.3	0.7	0.3	0.0	5.3
Turnover	**126.8**	**41.9**	**9.6**	**0.0**	**178.3**
Property operating expenses	35.8	17.7	2.8	0.0	56.3
Other expenses from leasing operations	0.1	0.1	0.0	0.0	0.2
Net rental income	**90.9**	**24.1**	**6.8**	**0.0**	**121.8**
Administrative expenses	5.5	3.2	0.6	7.2	16.5
Other operating income and expenses	0.0	0.1	0.0	0.0	0.1
Direct operating profit	**85.4**	**21.0**	**6.2**	**-7.2**	**105.3**
Indirect administrative expenses	0.0	-	-	0.4	0.4
Indirect other operating income and expenses	5.9	-	-	0.1	6.0
Net fair value losses/gains on investment property	-154.3	-70.1	8.3	0.0	-216.1
Profit on disposal of investment property	0.1	0.0	0.0	0.0	0.1
Operating loss/profit	**-62.9**	**-49.1**	**14.4**	**-7.4**	**-105.0**
Net financial income and expenses				-57.3	-57.3
Income tax expense				23.4	23.4
Loss for the period					**-138.9**
Assets	**1,504.2**	**466.9**	**156.3**	**51.1**	**2,178.5**
Liabilities	**10.4**	**7.9**	**1.1**	**1,321.8**	**1,341.2**
Capital expenditure	**69.2**	**65.6**	**22.7**	**0.3**	**157.9**

1 Jan.–31 Dec. 2007 EUR million	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
Direct operating profit	**70.4**	**18.7**	**5.1**	**-6.8**	**87.4**
Net fair value gains on investment property	148.1	54.7	8.7	0.0	211.4
Losses on disposal of investment property	-0.1	0.0	0.0	0.0	-0.1
Operating profit	**218.4**	**73.4**	**13.8**	**-6.8**	**298.7**
Net financial income and expenses				-45.3	-45.3
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**

B) Business segments

1 Jan.–31 Dec. 2008 EUR million	Shopping centres	Other retail properties	Other	Total
Turnover	146.3	31.9	-	**178.3**
Assets	1,826.6	300.8	51.1	**2,178.5**
Investments	152.3	4.8	0.8	**157.9**

1 Jan.–31 Dec. 2007 EUR million	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**

5. Property operating expenses

EUR million	2008	2007
Heating and electricity	19.4	15.1
Maintenance expenses	18.4	15.2
Property personnel expenses	0.6	0.7
Administrative and management fees	2.9	2.8
Marketing expenses	2.5	1.4
Property insurances	0.7	0.5
Property taxes	4.9	4.3
Repair expenses	6.7	7.2
Other property operating expenses	0.2	0.5
Total	**56.3**	**47.8**

6. Other expenses from leasing operations

EUR million	2008	2007
Tenant improvement expenses and commissions	0.1	0.1
Credit losses	0.1	0.2
Total	**0.2**	**0.3**

Significant tenant improvements are recognized as investments.

7. Administrative expenses

EUR million	2008	2007
Personnel expenses	9.3	8.3
Consulting fees, advisory fees and outside services	2.9	3.2
Office and other administrative expenses	4.3	4.5
Depreciation and amortization	0.5	0.5
Total	**16.9**	**16.5**

Consulting and advisory fees in the administration expenses include the following audit fees and services:

EUR million	2008	2007
Audit fees	0.2	0.2
Other advisory services	0.2	0.4
Total	**0.4**	**0.6**

8. Personnel expenses

EUR million	2008	2007
Salaries and emoluments of management		
CEO	0.3	0.3
Management committee	1.2	1.1
Board	0.6	0.5
Other wages and salaries	5.4	4.6
Pension charges: defined contribution plans	1.1	0.8
Social charges	1.0	1.0
Expense of share based payments	0.3	0.6
Total	**9.9**	**9.0**

Personnel expenses of EUR 0.6 million (EUR 0.7 million) is included in property operating expenses and EUR 9.3 million (EUR 8.3 million) in administrative expenses.

The share based payments plans are described in the Note 26, Employee benefits.

Average Group staff during period

	2008	2007
Finland	75	68
Sweden	27	19
The Baltic Countries	7	6
Total	**109**	**93**

Information on management benefits are presented in the notes to the consolidated financial statements under 29. Related party transactions.

9. Depreciation and amortization

Depreciation and amortization of EUR 0.5 million (EUR 0.5 million) on machinery and equipment as well as on intangible assets is included in the administrative expenses.

10. Other operating income and expenses

EUR million	2008	2007
Other operating income	6.5	0.6
Other operating expenses	-0.3	0.0
Total	**6.1**	**0.5**

Other operating income includes EUR 5.9 million compensation from city of Helsinki relating to early termination of land lease agreement in Myllypuro retail premises.

11. Net financial income and expenses

EUR million	2008	2007
Interest income	0.8	1.4
Foreign exchange gains	68.7	9.2
Fair value gain from derivatives	0.4	-
Other financial income	2.4	0.1
Financial income, total	72.3	10.6
Interest expenses	60.6	45.3
Foreign exchange losses	68.9	9.3
Fair value loss from derivatives	3.5	0.6
Development interest capitalized	-7.1	-2.6
Other financial expenses	3.8	3.3
Financial expenses, total	129.6	55.9
Net financial income and expenses	**57.3**	**45.3**
Of which attributable to financial instrument categories:		
Interest-bearing loans and receivables	77.9	49.1
Finance lease liabilities	0.0	0.0
Derivative financial instruments	-20.8	-3.8
Other liabilities and receivables	0.1	-0.1
Net financial income and expenses	**57.3**	**45.3**

In 2008, foreign exchange gains of EUR 21.0 million (gains of EUR 4.4 million) were recognised in the income statement from foreign exchange derivative agreements.

Interest on development expenditure is capitalized at a rate of 5.12% as at 31 December 2008 (4.91% as at 31 December 2007).

12. Restatement of the financial information in 2007 and 2008 due to the new IAS 23 borrowing cost standard

Due to the new IAS 23 Borrowing Costs standard, Citycon has re-evaluated its accounting policy regarding the capitalisation of the interest expenses and has concluded to revise the policy. As a result of adopting the revised accounting policy relating to the capitalisation of interest expenses, Citycon has restated its 2007 and 2008 financial statements. The new standard has been issued by the IASB and been endorsed by the EU on 10 December 2008. Before the adoption of the new standard, Citycon capitalised the interest expenses arising only from the development projects, in which significant extensions or new self-constructed properties were built and measured at cost in accordance with IAS 16.

After applying the new standard in its 2008 Financial Statements, Citycon expanded its policy of capitalizing the interest expenses into the redevelopment projects, in which the existing investment properties are refurbished and measured at fair value. The following table presents the impact of the new IAS 23 on the financial information for 2007 and 2008. The new IAS 23 had no impact on the profit for the period nor the balance sheet, since the change in financial expenses is offset by the change in net fair value gains/losses on investment property.

Due to the new IAS 23 -standard, Citycon capitalized an additional financial expenses of EUR 3.5 million in 2008 (EUR 2.0 million in 2007) than before the application of a new standard.

EUR million	2008	2008 Before Restatement	2007	2007 Before Restatement
Net fair value losses/gains on investment property	-216.1	-212.6	211.4	213.4
Operating loss/profit	-105.0	-101.5	298.7	300.7
Net financial income and expenses	57.3	60.8	45.3	47.3
Loss/profit before taxes	-162.3	-162.3	253.5	253.5
Loss/profit for the period	-138.9	-138.9	203.9	203.9
Direct result	43.8	40.3	38.3	36.3
Indirect result	-167.9	-164.4	162.1	164.0

13. Income tax expense

EUR million	2008	2007
Current tax	6.6	3.4
Tax for prior periods	-0.1	0.0
Deferred tax	-30.0	46.2
Income tax expense	**-23.4**	**49.6**

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

EUR million	2008	2007
Loss/profit before taxes	-162.3	253.5
Taxes at Finnish tax rate	-42.2	65.9
Fair value gains and losses from subsidiaries owned abroad	22.2	-16.7
Difference in foreign subsidiaries' tax rate	-1.0	-0.8
Undistributed profit of subsidiaries	0.0	-0.7
Unrecognised tax receivables from losses	3.8	3.0
Difference between fair value and tax base	-6.5	-1.9
Utilisation of previously unrecognised tax losses	0.1	0.1
Other	0.3	0.7
Income tax expense	**-23.4**	**49.6**
Effective tax rate	14.4 %	19.6 %

14. 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.

A) Earnings per share calculated from the profit for the period

	2008	2007
Earnings per share, basic		
Loss/profit attributable to parent company shareholders (EUR million)	-124.1	200.3
Issue-adjusted average number of shares (1,000)	220,991.5	199,403.7
Earnings per share (basic) (EUR)	**-0.56**	**1.00**
Earnings per share, diluted		
Loss/profit attributable to parent company shareholders (EUR million)	-124.1	200.3
Expenses from convertible loan, the tax effect deducted (EUR million)	-	5.7
Loss/profit used in the calculation of diluted earnings per share (EUR million)	-124.1	206.0
Issue-adjusted average number of shares (1,000)	220,991.5	199,403.7
Convertible capital loan impact (1,000)	-	26,190.5
Adjustments for stock options (1,000)	-	1,527.8
Issue-adjusted average number of shares used in the calculation of diluted earnings per share (1,000)	220,991.5	227,122.0
Diluted earnings per share (EUR)	**-0.56**	**0.91**

The incremental shares from assumed conversions or any income or cost related to dilutive potential shares are not included in calculating year 2008 diluted per-share amounts because the profit attributable to parent company shareholders was negative.

B) Earnings per share calculated from the direct result for the period

	2008	2007
Direct result per share, diluted (Diluted EPRA EPS)		
Direct result (EUR million) (Note 3)	43.8	38.3
Expenses from convertible loan, the tax effect deducted (EUR million)	5.6	5.7
Profit used in the calculation of diluted earnings per share (EUR million)	49.4	43.9
Issue-adjusted average number of shares used in the calculation of diluted earnings per share (1,000)	247,222.5	227,122.0
Direct result per share, diluted (Diluted EPRA EPS)	**0.20**	**0.19**

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: stock options and convertible capital loan.

- 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 19.7 million shares. When calculating the dilution effect, the loss/profit for the period is adjusted with the expenses arising from the convertible loan (including the tax effect).

Average number of shares used in the calculation of earnings per share

	Days	Number of shares
1/1/08	48	220,981,211
2/19/08	70	220,981,817
4/29/08	21	220,985,546
5/20/08	64	220,992,586
7/23/08	163	220,998,989
	366	
Weighted average (daily) number of shares		220,991,482

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).

	2008			2007		
	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	799.1	220,991.5	3.62	982.0	220,981.2	4.44
Deferred taxes from the difference of fair value and fiscal value of investment properties	56.0	220,991.5	0.25	84.8	220,981.2	0.38
Fair value of financial instruments [1)]	2.1	220,991.5	0.01	-1.4	220,981.2	-0.01
Net asset value (EPRA NAV)	**857.1**	**220,991.5**	**3.88**	**1,065.4**	**220,981.2**	**4.82**
Deferred taxes from the difference of fair value and fiscal value of investment properties	-56.0	220,991.5	-0.25	-84.8	220,981.2	-0.38
The difference between the mark-to-market and book value of debt	40.8	220,991.5	0.18	-5.8	220,981.2	-0.03
Fair value of financial instruments	-2.1	220,991.5	-0.01	1.4	220,981.2	0.01
EPRA NNNAV	**839.9**	**220,991.5**	**3.80**	**976.2**	**220,981.2**	**4.42**

[1)] In comparison to previous practice net asset value excludes the fair value of financial instruments which are not under hedge accounting.

15. Investment property

Citycon divides its investment properties into two categories: properties under redevelopment and operative investment properties.

Properties under redevelopment included during 2008 the projects in the following shopping centers Lahden Trio, Liljeholmstorget, Linjurin kauppakeskus, Lippulaiva, Rocca al Mare, Åkersberga, Torikeskus and Tumba.

2008 EUR million	Properties under redevelopment	Operative investment properties	Investment properties total
At period-start	**511.2**	**1,704.4**	**2,215.7**
Acquisitions during the period	-	10.6	10.6
Investments during the period	50.6	12.0	62.7
Disposals during the period	-	-7.6	-7.6
Capitalized interest	3.3	-	3.3
Fair value gains on investment property	4.8	10.5	15.3
Fair value losses on investment property	-44.5	-186.9	-231.4
Exchange differences	-26.2	-41.6	-67.8
Transfer into development/operative investment properties	-315.6	338.5	22.9
At period-end	**183.7**	**1,839.9**	**2,023.6**

2007 EUR million	Properties under redevelopment	Operative investment properties	Investment properties total
At period-start	**152.4**	**1,295.5**	**1,447.9**
Acquisitions during the period	59.4	471.9	531.3
Investments during the period	35.6	9.2	44.8
Disposals during the period	-	-0.3	-0.3
Capitalized interest	2.0	-	2.0
Fair value gains on investment property	54.8	164.2	219.0
Fair value losses on investment property	-2.1	-5.4	-7.5
Exchange differences	-5.1	-10.0	-15.1
Transfer into development/operative investment properties	214.3	-220.7	-6.4
At period-end	**511.2**	**1,704.4**	**2,215.7**

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 presented in note 23 Financial instruments.

Analysis indicates that the market value is most sensitive to the yield requirement and gross income levels. A ten percent decrease in the yield requirement results in an approximately 11 percent increase in total value. Correspondingly, a ten percent 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 2008 and at 31 December 2007:

	Yield requirement (%) 2008	Yield requirement (%) 2007	Market rents (EUR/m²/month) 2008	Market rents (EUR/m²/month) 2007
Finland	6.4	5.7	21.9	21.1
Sweden	6.4	5.4	12.3	13.2
the Baltic Countries	7.4	6.4	20.2	16.4
Total	**6.4**	**5.6**	**19.9**	**19.0**

Realia Management Oy within Realia Group conducted the valuation of Citycon's properties for the Annual Report 2008 and 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 2008 valuations total EUR 0.1 million (EUR 0.1 million in 2007).

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	2008	2007
Value determined by the external appraiser as at Dec. 31	**2,021.0**	**2,194.8**
Capital expenditure on development projects	2.6	4.7
Acquisition of new properties	-	16.2
Fair value of investment properties as at Dec. 31	**2,023.6**	**2,215.7**

16. 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 2008, the development properties consisted of the capital expenditure relating to extension projects in Rocca al Mare, Åkersberga, Liljeholmen and Lippulaiva shopping centres.

EUR million	2008	2007
At period-start	**33.2**	**-**
Acquisitions during the period	6.8	-
Investments during the period	70.3	26.4
Capitalized interest	3.5	0.6
Exchange differences	-2.6	-
Transfer from/to investment property	-23.1	6.2
At period-end	**88.1**	**33.2**

17. Property, plant and equipment

EUR million	2008	2007
Acquisition cost Jan. 1	**1.8**	**1.4**
Additions during the period	0.2	0.4
Accumulated acquisition cost Dec. 1	**2.0**	**1.8**
Accumulated depreciation and impairment losses, Jan. 1	**1.0**	**0.7**
Depreciation during the period	0.2	0.3
Accumulated depreciation and impairment losses, Dec 31.	**1.3**	**1.0**
Net carrying amount Jan 1.	**0.9**	**0.6**
Net carrying amount Dec 31.	**0.7**	**0.9**

Property, plant and equipment consisted mainly of machinery and equipment.

Machinery and equipment acquired through financial leases amounted to EUR 0.3 million (EUR 0.5 million).

18. Intangible assets

EUR million	2008	2007
Acquisition cost Jan. 1	**1.0**	**0.6**
Additions during the period	0.6	0.4
Accumulated acquisition cost Dec. 1	**1.6**	**1.0**
Accumulated depreciation and impairment losses, Jan. 1	**0.4**	**0.3**
Depreciation during the period	0.2	0.1
Accumulated depreciation and impairment losses, Dec 31.	**0.6**	**0.4**
Net carrying amount Jan 1.	**0.5**	**0.3**
Net carrying amount Dec 31.	**0.9**	**0.5**

Intangible assets consisted mainly of computer softwares.

19. Trade and other receivables

EUR million	2008	2007
Trade receivables	2.4	2.5
Accrued income and prepaid expenses	1.7	3.2
Tax receivables (incl. VAT-receivables)	10.5	16.3
Other receivables	7.2	0.7
Total	**21.7**	**22.7**

Ageing structure of trade receivables

EUR million	2008	2007
NOT past due nor impaired	0.4	0.6
Past due, less than 1 month	1.4	1.4
Past due, 1–3 months	0.3	0.2
Past due, 3–6 months	0.1	0.1
Past due, 6–12 months	0.1	0.1
Past due, 1–5 years	0.1	0.0
Total	**2.4**	**2.5**

20. Cash and cash equivalents

EUR million	2008	2007
Cash in hand and at bank	16.7	24.2
Short-term deposits	-	-
Total	**16.7**	**24.2**

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

21. Shareholders' equity

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

	Number of shares	Share capital (EUR million)	Share issue (EUR million)	Share premium fund (EUR million)	Invested unrestricted equity fund (EUR million)	Total (EUR million)
1 Jan. 2007	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
Share subscriptions based on stock options	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
Directed share issue without payment	7,040	-	-	-	-	-
Share subscriptions based on stock options	10,738	-	-	-	0.0	0.0
Return from the invested unrestricted equity fund	-	-	-	-	-22.1	-22.1
31 Dec. 2008	220,998,989	259.6	-	131.1	177.3	567.9

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 before 2007 due to option schemes and share issues.

Invested unrestricted equity fund

Pursuant to the new Finnish Companies Act, which came into force in 2007, Citycon presents the invested unrestricted equity fund as a separate 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 2008 and 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.

22. Interest-bearing liabilities

A) Breakdown of interest-bearing liabilities

EUR million	Effective interest rate (%)	Carrying amount 2008	Carrying amount 2007
Long-term interest-bearing liabilities			
Loans from financial institutions			
EUR 435 million term loan facility	EURIBOR + 0,850	353.5	392.4
EUR 165 million revolving credit facility	EURIBOR + 0,650	142.7	162.4
EUR 200 million term loan facility	EURIBOR + 0,825	194.2	199.2
SEK 500 million bank loan	STIBOR + 0,750	46.0	53.0
EEK 470 million bank loan	5.599	28.8	28.8
LTL 52 million bank loan	VILIBOR + 0,525	11.3	13.5
EUR 30 million term loan facility	EURIBOR + 0,750	30.0	-
EUR 50 million revolving credit facility	EURIBOR + 0,600	45.0	-
Other loans from financial institutions	-	154.2	34.4
Convertible capital loan 1/2006	7.58	73.3	95.0
Subordinated capital loan 1/2005	4.7	70.0	70.0
Finance lease liabilities	-	0.1	0.5
Total long-term interest-bearing liabilities		**1,149.2**	**1,049.3**
Short-term interest-bearing liabilities			
Loans from financial institutions			
Commercial papers	EURIBOR + 0,1	-	54.5
Current portion of loans from financial institutions	-	20.1	20.0
Other loans from financial institutions	-	30.0	30.2
Finance lease liabilities	-	0.2	0.0
Total short-term interest-bearing liabilities		**50.3**	**104.7**

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 23. 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	2008	2007
1–2 years	90.7	20.4
2–3 years	170.6	91.8
3–4 years	44.6	193.6
4–5 years	485.0	72.4
over 5 years	358.2	671.2
Total	**1,149.2**	**1,049.3**

Long-term interest-bearing liabilities by currency

EUR million	2008	2007
EUR	751.5	670.8
EEK	45.5	28.8
SEK	341.6	336.2
LTL	10.6	13.5
Total	**1,149.2**	**1,049.3**

Short-term interest-bearing liabilities by currency

EUR million	2008	2007
EUR	48.3	94.9
EEK	1.2	1.2
SEK	0.1	7.8
LTL	0.8	0.8
Total	**50.3**	**104.7**

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 2008.
3) Fixed annual interest of 4.70 percent 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. After the buyback transactions performed during 2008, the outstanding amount was EUR 82.9 million. The loan's conversion price is EUR 4.2000 per share and a full conversion of the loan would result in the issue of 19,738,095 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 1.5 million as of 31 December 2008.
3) Fixed annual interest of 4.50 percent 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 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 19,738,095 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 is 140 per cent of the conversion price in effect on such dealing day.

During 2008 Citycon has repurchased from the open markets the convertible capital bond for a nominal amount of EUR 27.1 million with a weighted average purchase price of 53.5%. The amount repurchased by Citycon equals approximately 25% of the initial nominal amount of the bonds issued. The income statement includes the gain after taxes of EUR 1.6 million and the group equity a gain after taxes of EUR 4.6 million from the repurchases.

C) Breakdown of finance lease liabilities

EUR million	2008	2007
Finance lease liabilities - minimum lease payments		
Not later than 1 year	0.2	0.3
1–5 years	0.1	0.4
Over 5 years	0.0	0.0
Total	**0.4**	**0.7**
Finance lease liabilities - present value of minimum lease payments		
Not later than 1 year	0.2	0.2
1–5 years	0.1	0.3
Over 5 years	0.0	0.0
Total	**0.4**	**0.5**
Future finance charges on finance leases	0.0	0.0
Total finance lease liabilities	**0.4**	**0.5**

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

23. Financial instruments

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

EUR million	Note	Carrying amount 2008	Fair value 2008	Carrying amount 2007	Fair value 2007
Financial assets					
Cash and cash equivalents	20	16.7	16.7	24.2	24.2
Investments		0.0	0.0	0.0	0.0
Trade and other receivables	19	21.7	21.7	22.7	22.7
Derivative financial instruments		19.8	19.8	11.4	11.4
Financial liabilities					
Loans from financial institutions	22	1,055.9	1,058.1	988.5	990.9
Convertible capital loan 1/2006	22	73.3	82.9	95.0	110.0
Subordinated capital loan 1/2005	22	70.0	70.0	70.0	70.0
Finance lease liabilities	22	0.4	0.4	0.5	0.5
Trade and other payables and liabilities	25	54.3	54.3	53.1	53.1
Derivative financial instruments		29.6	29.6	2.3	2.3

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 91.45 per cent and for Convertible capital loan 1/2006 58.0 per cent as of 31 December 2008.

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 2008	Fair value 2008	Nominal amount 2007	Fair value 2007
Interest rate derivatives				
Interest rate swaps				
Maturity:				
less than 1 year	86.0	1.4	40.0	0.2
1–2 years	46.0	-1.5	112.5	-0.6
2–3 years	70.0	3.5	83.0	-1.1
3–4 years	41.8	-1.9	70.0	1.7
4–5 years	228.8	-10.1	20.0	0.2
over 5 years	119.0	-8.9	309.0	8.5
Subtotal	**591.7**	**-17.5**	**634.5**	**8.8**
Foreign exchange derivatives				
Forward agreements				
Maturity:				
less than 1 year	23.1	7.6	40.4	0.3
Total	**614.8**	**-9.8**	**674.8**	**9.1**

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 16.2 million (EUR 1.0 million) which is recognized in income statement.

Hedge accounting is applied for interest rates swaps which have nominal amount of EUR 568.7 million (EUR 558.0 million). The fair value gain recognized in the fair value reserve under shareholders' equity taking account the tax effect totals EUR -17.7 million (EUR 4.9 million).

The average fixed interest rate of the interest rate swaps as at December 31, 2008 was 4.20% (4.38%).

Cash flow hedging

EUR million Interest rate derivatives	2008 Assets	2008 Liabilities	2007 Assets	2007 Liabilities
Fair value	0.0	-23.9	8.9	-2.3

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 2008, 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 -17.7 million. 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.

C) Risk management

Objectives

Citycon uses a holistic Enterprise Risk Management (ERM) programme. The objective 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.

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.

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. Successful risk management decreases 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 forms 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 and legal and finance units independently define 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 and legal and finance units have 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, Head of Legal Affairs, 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 a Treasury Policy which defines the objectives, responsibilities and risk management indicators applicable for interest rate, foreign exchange, counterparty, liquidity and electricity 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 2008 is depicted by the fact that a one-percentage point rise in money market interest rates would increase its interest expenses for 2009 by EUR 2.8 million, while a fall of one-percentage point in money market interest rates would decrease them by EUR 2.8 million in 2009.

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	2008	2007
Euro	1.2	1.3
Swedish krona	1.3	1.5
Other currencies	0.3	0.1
Total	**2.8**	**2.9**

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.

Citycon's financing policy states that company's commited credit limits or liquid assets should cover all approved and on-going investments. In addition, available liquidity should provide a sufficient buffer for unexpected payments based on the assesment of the management and the company arranges committed back-up limits for all funds drawn under commercial paper programmes. On 31 December 2008, unused credit limits amounted to EUR 187 million.

Table below summarizes the maturity profile of the Group's financial liabilities based on contractual payments. The table includes both interest and principal flows of loans and payments arising from derivative financial instruments. Future interest payments of floating rate loans have been determined based on the interest rate applicable on balance sheet date and are not discounted. The future interest payments of derivative financial instruments are based on discounted net present values and the future interest rates are obtained through interpolation from the yield curve prevailing on the balance sheet date.

EUR million	Less than 1 month	1 to12 month	1–5 years	Over 5 years	Total
2008					
Loans from financial institutions	3.5	92.3	793.1	413.3	1,302.3
Convertible capital loan 1/2006	-	3.7	97.8	-	101.6
Subordinated capital loan 1/2005	-	3.3	73.3	-	76.6
Finance lease liabilities	-	0.2	0.1	0.0	0.4
Derivative financial instruments	-4.9	-1.1	15.7	3.2	12.8
Trade and other payables (excl. interest liabilities)	38.8	5.8	-	-	44.6

EUR million	Less than 1 month	1 to12 month	1–5 years	Over 5 years	Total
2007					
Loans from financial institutions	46.9	100.4	418.7	606.8	1,172.7
Convertible capital loan 1/2006	-	5.0	19.8	115.0	139.7
Subordinated capital loan 1/2005	-	3.3	76.6	-	79.9
Finance lease liabilities	-	0.3	0.1	-	0.4
Derivative financial instruments		1.5	6.6	6.9	15.1
Trade and other payables (excl. interest liabilities)	32.3	9.2	-	-	41.5

Citycon's rent revision procedures, long leases and high occupancy ratio generate a stable long term cash flow profile. Citycon expects to meet its liabilities shown in the table above from this stable cash flow and undrawn committed credit facilities. In a long term debt refinancings and disposals of investment properties can be considered. The table below shows the maturity profile of the undrawn committed credit facilities.

EUR million	Less than 1 month	1 to12 month	1–5 years	Over 5 years	Total
2008					
Undrawn committed credit facilities	-	15.0	172.0	-	187.0

EUR million	Less than 1 month	1 to12 month	1–5 years	Over 5 years	Total
2007					
Undrawn committed credit facilities	-	-	151.0	-	151.0

The above mentioned credit facilities are freely available to Citycon based on group's financing needs.

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 19. Trade and other receivables.

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. Citycon invests its liquidity in a manner which does not put the nominal amount at risk. Citycon does not for example invest in equity markets. Citycon's cash and cash equivalents are primarily placed in short term money market deposit in which the counterparties are commercial banks which participate in Citycon's credit agreements. Citycon's financing policy also sets forth the approved financial instruments in which the company can invest in and includes counterparty limits for those investments.

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	2008	2007
Swedish krona	0.5	0.2
Other currencies	-	-
Total	**0.5**	**0.2**

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, 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 2,021.0 million defined by the external appraiser at 31 December 2008 as the starting value. The reconciliation between the fair value used by the external appraiser and Citycon Oyj is disclosed in note 15 Investment property. Sensitivity analysis indicates that the market value is most sensitive to the yield requirement and gross income levels. A ten percent decrease in the yield requirement results in an approximately 11 percent increase in market value. Correspondingly, a ten percent increase in gross income increases the value by approximately 14 percent. The value is not as sensitive to changes in long-term vacancy or expenses.

Sensitivity analysis

EUR million	Value of properties				
Change %	-10%	-5%	±0%	+5%	+10%
Yield requirement	2,244.0	2,127.0	2,021.0	1,926.0	1,839.0
Gross income	1,736.0	1,878.0	2,021.0	2,164.0	2,306.0
Operating expenses	2,094.0	2,058.0	2,021.0	1,985.0	1,949.0
Vacancy	2,053.0	2,037.0	2,021.0	2,005.0	1,989.0

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 syndicated loan agreements require a minimum equity ratio of 32.5 per cent. The equity ratio of the loan agreements 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 2008 stood at 38.5 per cent and the equity ratio as defined in the loan agreement was 45.1 per cent.

24. Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities in 2008

EUR million	2008 1 Jan.	Income statement charge	Tax charged to equity	Exchange differences	Acquired/ disposed subsidiaries	2008 31 Dec.
Deferred tax assets						
Tax losses	0.2	-0.1	-	-	-	0.1
Measurement of interest-rate swaps at fair value	-1.7	0.5	8.0	-	-	6.8
Deferred tax assets, total	-1.5	0.4	8.0	-	-	6.8
Offset against deferred tax liabilities	1.5	-	-	-	-	-
Deferred tax assets, total	**0.0**	**0.4**	**8.0**	**-**	**-**	**6.8**
Deferred tax liabilities						
Measurement of investment property at fair value	84.8	-28.8	-	-	-	56.0
Undistributed profit of subsidiaries	-	-	-	-	-	-
Measurement of interest-rate swaps at fair value	0.4	-0.4	-	-	-	-
Temporary difference in financial expenses	1.3	-0.2	-	-	-	1.1
Temporary difference in provisions	0.2	-0.1	-	0.0	-	-
Deferred tax liabilities, total	86.6	-29.5	-	0.0	-	57.1
Offset against deferred tax assets	1.5	-	-	-	-	-
Deferred tax liabilities, total	**88.1**	**-29.5**	**-**	**0.0**	**-**	**57.1**

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	2007 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
Deferred tax assets, total	0.8	-0.1	-2.2	-	-	-1.5
Offset against deferred tax liabilities	-0.8	0.1	2.2	-	-	1.5
Deferred tax assets, total	**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
Deferred tax liabilities, total	41.2	46.0	-0.6	0.0	0.0	86.6
Offset against deferred tax assets	-0.8	0.1	2.2	-	-	1.5
Deferred tax liabilities, total	**40.4**	**46.2**	**1.6**	**0.0**	**0.0**	**88.1**

Citycon's deferred taxes mainly arise from changes in the fair value of investment properties. In 2008, deferred taxes resulting from the changes in the investment properties' fair value recognised in the income statement totalled EUR 28.8 million (EUR -46.0 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. The sale of shares representing ownership in properties owned by subsidiaires abroad does not have tax implications. Consequently, Citycon does not recognise deferred taxes related to the fair value of investment properties owned abroad. If Citycon would recognize the deferred taxes from the changes in fair values in subsidiaires owned abroad, the tax impact would have been EUR 22.2 million in 2008 (EUR -16.7 million) (See the Note 13. 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. 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.

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 2008, Group companies had confirmed losses for which tax assets of EUR 6 million (EUR 2 million in 2007) 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.

25. Trade and other payables

Trade and other payables

EUR million	2008	2007
Trade payables	23.5	13.1
Advanced received	5.1	4.4
Accrued expenses	20.9	19.5
Other short-term payables	4.7	16.1
Total	**54.3**	**53.1**

Payment maturity of trade and other payables

	2008	2007
NOT past due nor impaired	15.2	30.0
Past due, less than 1 month	26.2	14.0
Past due, 1–3 months	5.4	8.7
Past due, 3–6 months	0.8	0.0
Past due, 6–12 months	5.9	0.0
Past due, 1–2 years	0.2	0.0
Past due, 2–5 years	0.0	0.4
Past due, over 5 years	0.5	0.1
Total	**54.3**	**53.1**

Significant items included in accrued expenses:

EUR million	2008	2007
Interest liabilities	9.7	11.6
Other liabilities	11.2	7.9
Total	**20.9**	**19.5**

26. 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.

In 1999, the EGM decided to grant a maximum of 5,500,000 stock options. This stock-option scheme ended on 30 September 2007.

In 2004, the AGM decided to grant a maximum of 3,900,000 stock options. At year-end 2008, Citycon Group employees held a total of 2,834,925 options rights. By the end of the reporting year, 345,075 option rights had been exercised for share subscription. The remaining 720,000 stock options 2004 A/B/C are held by Veniamo-Invest Oy, a wholly-owned subsidiary of Citycon Oyj. If an employee left the Group prior to 1 September 2008, (s)he forfeited his/her right to exercise stock options for which the share subscription period had not have begun on the date of the termination of his/her employment/executive contract. However, the Board of Directors could specifically decide that the stock-option holder retained his/her stock options or some of them. Subsequently, changes in the number of granted stock options took place before the said date. The forfeited stock options are held by Veniamo-Invest Oy, which, however, is not entitled to subscribe parent company shares. The number of granted stock options can no longer change, since the share subscription period of all stock options has commenced.

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 by the resolution of the General Meeting. The General Meeting decided to amend the terms and conditions of the 2004 option scheme so that the share subscription prices of the 2004 A/B/C options shall also be reduced by half of any per-share equity returns in addition to per-share dividends. The number of 2004 stock options as well as the subscription ratios and subscription prices are specified in the enclosed table. The terms and conditions of the 2004 stock-option scheme in their entirety are available on the company's website at www.citycon.fi/options.

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 2008, the expense recognised in the income statement totalled EUR 0.2 million (EUR 0.6 million in 2007). The expected volatility is determined by calculating the company share price's historical volatility.

2004 stock options

	2004 A	2004 B	2004 C
Number of options granted	1,040,000	1,090,000	1,050,000
Held by Veniamo-Invest Oy, number	260,000	210,000	250,000
Subscription ratio, stock option/share	1:1.2127	1:1.2127	1:1.2127
Subscription price/share, EUR	2.2732	2.6608	4.3613
Share subscription period 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	345,075	-	-
Number of subscribed shares	386,448	-	-

The maximum number of shares that can be subscribed for by exercising the outstanding 2004 option rights totals 3,437,913. 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 Helsinki exchange 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 dividends and per-share equity returns 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.

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' and equity returns' 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)

	2008 Exercise price, weighted average EUR/share	2007 Exercise price, weighted average EUR/share	2008 No. of stock options	2007 No. of stock options
At period-start	3.28	2.92	2,883,280	4,051,368
New stock options granted	-	-	-	-
Forfeited stock options	4.38	4.43	-40,000	-160,000
Exercised stock options	2.27	1.58	-8,355	-1,008,088
Lapsed stock options	-	-	-	-
At period-end	3.20	3.28	2,834,925	2,883,280
Exercisable stock options at period-end			2,834,925	1,793,280

The per-share exercise price of the stock options exercised during the financial year averaged EUR 2.2732 (EUR 1.58 in 2007) and these were exercised in April and July of 2008. The stock options exercised during 2008 brought in EUR 0.0 million (EUR 1.8 million in 2007), which were recognised in invested unrestricted equity fund.

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

Year of lapse	Exercise price, EUR	2008 (No. of shares, 1,000)	2007 (No. of shares, 1,000)
2009	2.27	843	852
2010	2.66	1,322	1,322
2011	4.36	1,273	1,322

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 net cash flow from operating activities 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 2008, the expense recognised in the income statement amounted to EUR 0.1 million (EUR 0.0 million in 2007).

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

	Incentive period 2008	Incentive period 2007
Grant date	12.6.2008	26.4.2007
No. of key personnel	25	16
Maximum no. of shares*)	205,500	103,958
Shares given in 2008	-	7,012

*) If incentive paid completely in shares

27. Cash generated from operations

	2008	2007
Profit before income tax including discontinued operations	-162.3	253.5
Adjustments for:		
– Depreciation and amortisation	0.5	0.5
– Net fair value losses (+) /gains (-) on investment property	216.1	-211.4
– Investment property disposal proceeds	-7.7	-0.2
– Carrying value of investment property disposals	7.6	0.3
– Share-based payment	0.3	0.6
– Other non-cash income	-5.9	-
– Foreign exchange losses (+)/gains (-) on operating activities	0.1	0.1
– Fair value changes of derivatives	3.1	0.6
– Interest and other financing expenses	54.1	44.6
Changes in working capital		
– Trade and other receivables	3.2	1.9
– Trade and other payables	-5.3	-1.6
Cash generated from operations	**103.7**	**88.8**

Other non-cash income includes a compensation of EUR 5.9 million from the City of Helsinki relating to a premature termination of the land lease agreement in Myllypuro retail premises.
This compensation will be received during 2009.

28. 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	2008	2007
Not later than 1 year	1.2	0.7
1–5 years	1.9	1.0
Over 5 years	0.0	-
Total	**3.1**	**1.7**

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	2008	2007
YNot later than 1 year	53.1	51.4
1–5 years	90.2	78.2
Over 5 years	28.2	27.4
Total	**171.5**	**157.0**

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 24 per cent (16 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	2008	2007
Loans, for which mortgages are given in security and shares pledged		
Loans from financial institutions	31.3	36.0
Contingent liabilities for loans		
Mortgages on land and buildings	40.6	46.4
Bank guarantees	45.6	49.8
Capital commitments	13.0	31.0
VAT refund liabilities	21.3	15.6

Capital commitments relate mainly to 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.

Changes in the VAT Act has become in force as of 1st of January 2008 in Finland. This change in the Act applies to VAT deduction of new investments that have been completed on the 1st of January 2008 or later. A 10 year review period applies to these investments from the day of completion. Transfer period rules apply to investments that have been completed prior to year 2008 and the review period is 5 years.

Related to Citycon's business operations, there are claims that have been submitted to the company and which may potentially lead to legal proceedings. In the opinion of the company, it is not likely that aggregate potential liabilities related to these actions have significance on the financial position or results of the Group.

D) Equity ratio commitment and interest coverage ratio

Under a commitment given in the terms of the syndicated loan facilities, 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 2008 stood at approximately 45.1% and interest coverage ratio at approximately 2.0 (2007: equity ratio was around 50.1 per cent and interest coverage ratio around 2.0).

29. Related party transactions

A) Related parties

Citycon Group's related parties comprise the parent company, subsidiaries, associated companies, minority companies, Board members, CEO, Corporate Management Committee members and Gazit-Globe Ltd., whose shareholding in Citycon Oyj accounted for 43.42% on 31 December 2008 (31 December 2007: 39.35%).

Group companies	Country	Group holding,%	Parent company holding,%
Parent company: Citycon Oyj	**Finland**		
Asolantien Liikekiinteistö Oy	Finland	100.0	100.0
BHM Centrumfastigheter AB	Sweden	100.0	-
Citycon AB	Sweden	100.0	100.0
Citycon Centrum Sverige AB	Sweden	100.0	-
Citycon Estonia OÜ	Estonia	100.0	-
Citycon Göteborg AB	Sweden	100.0	-
Citycon Sverige AB	Sweden	100.0	-
Espoon Asemakuja 2 Koy	Finland	100.0	100.0
Forssan Hämeentie 3 Koy	Finland	100.0	100.0
Jakobsbergs 565 Fastighets AB	Sweden	100.0	-
Jakobsbergs Centrum Fastighets AB	Sweden	100.0	-
Jakobsbergs Centrum Galleria AB	Sweden	100.0	-
Jyväskylän Forum Koy	Finland	100.0	100.0
Jyväskylän Kauppakatu 31 Koy	Finland	100.0	100.0
Järfalla 7055 Fastighets AB	Sweden	100.0	-
Kaarinan Liiketalo Koy	Finland	100.0	100.0
Karjaan Ratakatu 59 Koy	Finland	100.0	100.0
Karjalan Kauppakeskus Koy	Finland	100.0	100.0
Kauppakeskus Columbus Koy	Finland	100.0	100.0
Kauppakeskus Isokarhu Oy	Finland	100.0	100.0
Keijutie 15 Koy	Finland	100.0	100.0
Kivensilmänkuja 1 Koy	Finland	100.0	100.0
Kotkan Keskuskatu 11 Koy	Finland	100.0	100.0
Kouvolan Valtakadun Kauppakeskus Koy	Finland	100.0	100.0
Kuopion Kauppakatu 41 Koy	Finland	100.0	100.0
Kuusankosken Kauppakatu 7 Koy	Finland	100.0	100.0
Kuvernöörintie 8 Koy	Finland	100.0	100.0
Lahden Hansa Koy	Finland	100.0	100.0
Lahden Kauppakatu 13 Koy	Finland	100.0	100.0
Lappeenrannan Villimiehen Vitonen Oy	Finland	100.0	100.0
Lentolan Perusyhtiö Oy	Finland	100.0	100.0
Liljeholmsplan Bostadsfastigheter AB	Sweden	100.0	-
Liljeholmsplan Fastighets AB	Sweden	100.0	-
Liljeholmsplan Hotellfastigheter AB	Sweden	100.0	-
Liljeholmstorget Development Services AB	Sweden	100.0	-
Lillinkulma Koy	Finland	100.0	100.0
Lintulankulma Koy	Finland	100.0	100.0
Lippulaiva Koy	Finland	100.0	100.0
Magistral Kaubanduskeskuse OÜ	Estonia	100.0	-
Martinlaakson Kivivuorentie 4 Koy	Finland	100.0	100.0
Minkkikuja 4 Koy	Finland	100.0	100.0
Montalbas B.V.	The Netherlands	100.0	100.0
Myllypuron Ostoskeskus Oy	Finland	100.0	100.0
Myyrmanni Koy	Finland	100.0	100.0
Naantalin Tullikatu 16 Koy	Finland	100.0	100.0
Oulun Galleria Koy	Finland	100.0	100.0
Porin Asema-Aukio Koy	Finland	100.0	100.0
Porin Isolinnankatu 18 Koy	Finland	100.0	100.0
Riddarplatsen Fastigheter HB	Sweden	100.0	-
Rocca al Mare Kaubanduskeskuse AS	Estonia	100.0	-
Runeberginkatu 33 Koy	Finland	100.0	100.0

Group companies	Country	Group holding,%	Parent company holding,%
Sinikalliontie 1 Koy	Finland	100.0	100.0
Sverige 7059 Fastighets AB	Sweden	100.0	-
Säkylän Liiketalo Oy	Finland	100.0	100.0
Talvikkitie Koy 7-9	Finland	100.0	100.0
Tampereen Hatanpää Koy	Finland	100.0	100.0
Tampereen Hermanni Koy	Finland	100.0	100.0
Tampereen Suvantokatu Koy	Finland	100.0	100.0
Tenrot Fastighets AB	Sweden	100.0	-
Tumba Centrumfastigheter AB	Sweden	100.0	-
UAB Citycon	Lithuania	100.0	-
UAB Prekybos Centras Mandarinas	Lithuania	100.0	-
Ultima Oy	Finland	100.0	100.0
Valkeakosken Torikatu 2 Koy	Finland	100.0	100.0
Vantaan Kivivuorenlaki As Oy	Finland	100.0	100.0
Vantaan Laajavuorenkuja 2 Koy	Finland	100.0	100.0
Varkauden Relanderinkatu 30 Koy	Finland	100.0	100.0
Wavulinintie 1 Koy	Finland	100.0	100.0
Veniamo-Invest Oy	Finland	100.0	100.0
Vaakalintu Koy	Finland	95.8	95.8
Lahden Trio Koy	Finland	89.7	89.7
Linjurin Kauppakeskus Koy	Finland	88.5	88.5
Mäntyvuoksi Koy	Finland	86.8	86.8
Lappeenrannan Brahenkatu 7 Koy	Finland	84.5	84.5
Tikkurilan Kauppakeskus Koy	Finland	83.8	83.8
Koskikeskuksen Huolto Oy	Finland	81.7	81.7
Orimattilan Markkinatalo Oy	Finland	77.3	77.3
Lappeen Liikekeskus Koy	Finland	80.2	80.2
Strömpilen AB	Sweden	75.0	-
Åkersberga Centrum AB	Sweden	75.0	-
Fastighets AB Fartyget i Åkersberga	Sweden	75.0	-
Hervannan Liikekeskus Oy	Finland	74.6	74.6

Group companies	Country	Group holding,%	Parent company holding,%
Myyrmäen Kauppakeskus Koy	Finland	74.0	74.0
Stenungs Torg Fastighets AB	Sweden	70.0	-
Kirkkonummen Liikekeskus Oy	Finland	66.7	66.7
Espoontori Koy	Finland	66.6	66.6
Heikintori Oy	Finland	65.3	65.3
Tampereen Koskenranta Koy	Finland	63.7	63.7
Vantaan Säästötalo Koy	Finland	61.2	61.2
Espoontorin Pysäköintitalo Oy	Finland	60.1	-
Big Apple Top Oy	Finland	60.0	-
Manhattan Acquisition Oy	Finland	60.0	-
Tullintori Koy	Finland	57.4	57.4
Espoon Asematori Koy	Finland	54.1	54.1
Laajasalon Liikekeskus Oy	Finland	50.4	50.4
Retail Park Oy	Finland	50.0	50.0
Espoon Louhenkulma Koy	Finland	48.9	48.9
Pihlajamäen Liiketalo Oy	Finland	42.7	42.7
Länsi-Keskus Koy	Finland	41.4	41.4
Hakunilan Keskus Oy	Finland	41.1	41.1
Otaniemen Liikekeskus Oy	Finland	39.2	39.2
Kontulan Asemakeskus Koy	Finland	34.8	34.8
Puijonlaakson Palvelukeskus Koy	Finland	31.3	31.3
Salpausseläntie 11 Koy	Finland	31.3	31.3
Valtakatu 5-7 Koy	Finland	31.3	31.3
Soukan Itäinentorni As Oy	Finland	27.3	27.3
Valkeakosken Liikekeskus Koy	Finland	25.4	25.4
Lauttasaaren Liikekeskus Oy	Finland	23.7	23.7
Hakucenter Koy	Finland	18.7	18.7
Helsingin Autotalo Oy	Finland	8.9	8.9
Partnership for taxation purposes:			
Hakarinne 4	Finland	55.6	55.6

B) Related party transactions

Group companies:
Group companies have paid to each other a.o. maintenance and financial charges, interest expenses, loan repayments and other administrative service charges.

This income and these expenses have been eliminated in the consolidated financial statements. There has been no other related party transactions between the group companies.

Management benefits

Personnel expenses for corporate management committee, EUR million	2008	2007
Wages and salaries	1.2	1.1
Pensions: defined contribution plans	0.3	0.3
Social charges	0.1	0.1
Total	**1.5**	**1.5**

Remuneration, EUR	2008	2007
CEO	342,549	338,707
Board members		
Bernstein Amir	47,000	-
Bolotowsky Gideon	48,100	45,400
Gal Amir (Board member until 13 March 2008)	-	44,200
Korpinen Raimo	50,200	45,200
Lähdesmäki Tuomo	68,300	73,200
Nordman Carl G. (Board member until 13 March 2008)	1,200	43,800
Ottosson Claes	45,800	43,000
Segal Dor J.	47,200	44,200
Wernink Thomas W.	174,200	166,600
Westin Per-Håkan	47,500	-
Total	**529,500**	**505,600**

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 2008, the CEO held 75,000 2004A stock options, 140,000 2004B 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 43 per cent of the shares in the company, has announced that it applies International Financial Reporting Standards (IFRS) in its financial reporting starting from the year 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.

30. Changes in Group structure in 2008

Companies acquired
Majakka Koy, increase of ownership 100.00%
Espoontorin Pysäköintitalo Oy, increase of ownership 28.99%
Espoon Asematori Koy, increase of ownership 54.12%
Myllypuron Ostoskeskus Oy, increase of ownership 26,54%
Lappeen Liikekeskus Koy, increase of ownership 4.95%
Myyrmäen Kauppakeskus Koy, increase of ownership 3.62%

Companies established
Fastighets AB Fartyget i Åkersberga
Lappeenrannan Villimiehen Vitonen Oy
Vantaan Kivivuorenlaki As Oy
Tenrot Fastighets AB

Companies sold
Manhattan Acquisition Oy, sold ownership 40.00%
Ulappapaikoitus Oy, sold ownership 59.85%
Ulappatori Koy, sold ownership 100.00%
Pukinmäen Liikekeskus Oy, sold ownership 43.92%

Companies merged
Big Apple Mid Oy
Big Apple Acquisition Oy
Majakka Koy
Real Estate Iso Omena S.à.r.l.

31. Post balance sheet events

At the end of January, Citycon divested all shares in its subsidiary MREC Kiinteistö Oy Keijutie 15. The debt-free sales price of this non-core property in Lahti amounted to approximately EUR 3 million.

Consolidated Key Ratios

1. Consolidated Key Figures and Ratios for Five Years, IFRS

EUR million	Formula	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004
Income statement data						
Turnover		178.3	151.4	119.4	92.2	84.7
Other operating income and expense		6.1	0.5	0.6	0.6	0.7
Depreciation according to plan		0.5	0.5	0.2	0.2	0.3
Operating loss/profit		-105.0	298.7	196.5	105.2	51.8
Loss/profit before taxes		-162.3	253.5	165.6	74.2	25.7
Loss/profit attributable to parent company shareholders		-124.1	200.3	124.9	59.2	19.9
Balance sheet data						
Non-current assets		2,126,1	2,260.5	1,453.3	957.6	745.6
Current assets		52,4	48.1	33.1	25.5	12.2
Equity attributable to parent company shareholders		799,1	982.0	565.3	356.6	237.7
Minority interest		38.2	28.9	15.0	3.6	0.0
Liabilities		1,341.2	1,297.7	906.1	622.9	520.0
Total liabilities and shareholders' equity		2,178.5	2,308.6	1,486.4	983.1	757.7
Key performance ratios						
Equity ratio, %	1	38.5	43.9	39.1	36.7	31.4
Equity ratio for bank, %		45.1	50.1	49.8	40.8	41.2
Gearing, %	2	141.3	111.8	136.6	156.8	201.3
Return on equity, % (ROE)	3	-15.0	23.3	25.8	22.5	9.5
Return on investment, % (ROI)	4	-1.5	16.3	16.8	13.5	7.2
Quick ratio	5	0.5	0.3	0.2	0.3	0.5
Gross capital expenditure, EUR million		157.9	603.9	436.4	178.5	18.8
% of turnover		88.6	398.9	365.5	193.6	22.2
Per-share figures and ratios						
Earnings per share, EUR	6	-0.56	1.00	0.76	0.46	0.17
Earnings per share,diluted, EUR	7	-0.56	0.91	0.73	0.45	0.17
Equity per share, EUR	8	3.62	4.44	3.30	2.39	1.95
Net asset value (EPRA NAV) per share, EUR	9	3.88	4.82	3.52	2.46	2.14
EPRA NNNAV per share, EUR	10	3.80	4.42	3.14	2.40	2.03
P/E (price/earnings) ratio	11	-3	3	7	7	14
Return from invested unrestricted equity fund per share, EUR		0.10[1]	0.10	-	-	-
Dividend per share, EUR		0.04[1]	0.04	0.14	0.14	0.14
Dividend and return from invested unrestricted equity fund per share total, EUR		0.14[1]	0.14	0.14	0.14	0.14
Dividend and return of equity per earnings, %	12	-24.9[1]	13.9	18.4	30.7	80.2
Effective dividend and return of equity yield, %	13	0.1[1]	4.3	2.8	4.5	5.7

[1] Board proposal

Formulas are available on pages 54–55.

2. Consolidated Direct and Indirect Result for Five Years

EUR million	Formula	2008	2007	2006	2005	2004
Direct result	16					
Net rental income		121.8	103.4	82.8	67.0	62.3
Direct administrative expenses		-16.5	-16.5	-12.3	-8.3	-5.5
Direct other operating income and expenses		0.1	0.5	0.6	0.3	0.7
Direct net financial income and expenses		-54.2	-44.7	-32.0	-25.6	-26.1
Direct current taxes		-4.8	-3.4	-5.5	-4.6	-6.8
Direct change in deferred taxes		0.2	-0.2	-3.0	-2.8	-0.6
Direct minority interest		-2.8	-0.9	-0.3	-0.3	0.0
Total		**43.8**	**38.3**	**30.4**	**25.7**	**24.0**
Direct result per share (diluted), (diluted EPRA EPS), EUR	18	0.20	0.19	0.19	0.19	0.22
Indirect result	17					
Net fair value losses/gains on investment property		-216.1	211.4	120.1	45.9	-5.7
Loss/profit on disposal of investment property		0.1	-0.1	5.9	0.3	0.1
Indirect administrative expenses		-0.4	0.0	-0.6	0.0	0.0
Indirect other operating income and expenses		6.0	0.0	-	-	0.0
Indirect one-off financial income and expenses (net)		-	-	-0.9	-5.5	-
Movement in fair value of financial instruments		-3.1	-0.6	2.0	-	-
Indirect current taxes		-1.8	0.0	-1.9	1.3	0.0
Change in indirect deferred taxes		29.7	-46.0	-28.8	-8.3	1.5
Indirect minority interest		17.6	-2.7	-1.3	-0.4	0.0
Total		**-167.9**	**162.1**	**94.5**	**33.5**	**-4.1**
Indirect result per share, diluted, EUR		-0.76	0.71	0.54	0.25	-0.05
Loss/profit for the period attributable to parent company shareholders		-124.1	200.3	124.9	59.2	19.9

Formulas are available on pages 54–55.

3. Consolidated Direct and Indirect Result Quarterly

EUR million	Formula	Q4/2008	Q3/2008	Q2/2008	Q1/2008	Q4/2007	Q3/2007	Q2/2007	Q1/2007
Direct result	16								
Net rental income		30.2	31.5	30.5	29.7	27.1	27.3	25.8	23.2
Direct administrative expenses		-4.6	-3.9	-4.2	-3.8	-3.9	-4.0	-4.3	-4.3
Direct other operating income and expenses		0.1	0.0	0.0	0.0	0.6	0.0	-0.1	0.1
Direct net financial income and expenses		-11.7	-14.6	-14.1	-13.8	-13.9	-11.2	-9.7	-9.9
Direct current taxes		-1.4	-1.0	-1.2	-1.2	3.2	-2.4	-2.8	-1.4
Direct change in deferred taxes		0.0	0.2	0.0	-0.1	1.7	-0.5	-0.7	-0.6
Direct minority interest		-0.7	-0.9	-0.7	-0.4	-0.2	-0.3	-0.2	-0.1
Total		**11.8**	**11.3**	**10.2**	**10.4**	**14.6**	**8.9**	**8.0**	**6.7**
Direct result per share (diluted), (diluted EPRA EPS), EUR	18	0.05	0.05	0.05	0.05	0.07	0.05	0.04	0.04
Indirect result	17								
Net fair value losses/gains on investment property		-59.3	-71.7	-85.5	0.5	-0.1	20.4	159.8	31.4
Loss/profit on disposal of investment property		0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Indirect administrative expenses		-0.1	0.0	-0.2	-0.2	0.0	0.0	0.0	0.0
Indirect other operating income and expenses		5.9	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Movement in fair value of financial instruments		-1.4	-0.6	0.2	-1.4	0.2	-1.4	0.1	0.6
Indirect current taxes		-0.8	0.0	0.0	-1.1	0.0	0.0	0.0	0.0
Change in indirect deferred taxes		7.5	8.2	11.6	2.4	-5.0	-4.5	-32.3	-4.2
Indirect minority interest		5.6	6.8	7.0	-1.8	-0.4	0.1	-0.9	-1.5
Total		**-42.5**	**-57.3**	**-66.8**	**-1.3**	**-5.4**	**14.5**	**126.6**	**26.3**
Indirect result per share, diluted, EUR		-0.19	-0.26	-0.30	-0.01	-0.02	0.08	0.66	0.15
Loss/profit for the period attributable to parent company shareholders		-30.7	-46.0	-56.6	9.1	9.3	23.4	134.6	33.0

Formulas are available on pages 54–55.

4. Quarterly Segment Information

EUR million	Q4/2008	Q3/2008	Q2/2008	Q1/2008	Q4/2007	Q3/2007	Q2/2007	Q1/2007
Turnover								
Finland	32.0	31.9	31.6	31.4	30.2	25.5	24.7	23.9
Sweden	10.1	10.5	10.6	10.7	11.1	10.1	9.3	8.6
Baltic Countries	3.1	2.1	2.1	2.2	2.0	2.3	1.9	1.8
Total	**45.2**	**44.6**	**44.2**	**44.3**	**43.3**	**38.0**	**35.9**	**34.2**
Net rental income								
Finland	22.6	23.4	22.5	22.3	21.0	18.9	18.2	17.5
Sweden	5.3	6.5	6.4	5.8	4.7	6.5	6.0	4.4
Baltic Countries	2.2	1.5	1.5	1.6	1.4	1.8	1.4	1.3
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Total	**30.2**	**31.5**	**30.5**	**29.7**	**27.1**	**27.3**	**25.8**	**23.2**
Direct operating profit								
Finland	21.0	22.1	21.2	21.1	19.6	17.8	16.9	16.2
Sweden	4.5	6.0	5.4	5.0	4.6	5.3	5.1	3.7
Baltic Countries	2.0	1.4	1.4	1.5	1.1	1.7	1.2	1.1
Other	-1.9	-1.9	-1.7	-1.6	-1.5	-1.5	-1.7	-2.1
Total	**25.6**	**27.6**	**26.2**	**25.9**	**23.8**	**23.2**	**21.5**	**18.9**
Operating loss/profit								
Finland	-21.7	-22.9	-37.4	19.0	17.3	33.8	137.1	30.2
Sweden	-16.9	-23.3	-15.7	6.7	6.9	7.2	40.5	18.8
Baltic Countries	12.6	4.0	-4.5	2.3	1.0	4.0	5.4	3.4
Other	-2.0	-1.9	-1.9	-1.6	-1.5	-1.5	-1.7	-2.1
Total	**-27.9**	**-44.1**	**-59.5**	**26.4**	**23.7**	**43.6**	**181.2**	**50.3**

Parent Company Income Statement, FAS

EUR million	Note	1 Jan.–31 Dec. 2008	1 Jan.–31 Dec. 2007
Gross rental income		100.8	89.5
Service charge income		3.4	2.9
Turnover	1	**104.2**	**92.4**
Property operating expenses		50.6	48.5
Other expenses from leasing operations	2	0.1	0.1
Net rental income		**53.5**	**43.8**
Administrative expenses	3, 4	21.7	14.0
Other operating income and expenses	5	5.6	0.3
Operating profit		**37.3**	**30.0**
Financial income		118.2	44.4
Financial expenses		-134.5	-63.9
Net financial income and expenses	6	-16.4	-19.5
Profit before taxes		**21.0**	**10.6**
Income tax expense	7	6.9	2.1
Profit for the period		**14.1**	**8.4**

Parent Company Balance Sheet, FAS

EUR million	Note	31 Dec. 2008	31 Dec. 2007
ASSETS			
Non-current assets			
Intangible assets	8	11.4	6.0
Tangible assets	9	32.1	31.6
Investments			
Shares in subsidiaries	10	826.4	733.8
Shares in associated companies	11	34.8	34.7
Other investments	12	746.6	915.4
Total investments		1,607.8	1,683.9
Total non-current assets		**1,651.3**	**1,721.5**
Current assets			
Short-term receivables	14	43.1	29.6
Cash and cash equivalents		0.7	3.7
Total current assets		**43.9**	**33.3**
Total assets		**1,695.1**	**1,754.8**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity	15		
Share capital		259.6	259.6
Share premium fund		133.1	133.1
Invested unrestricted equity fund and other reserves		179.0	201.1
Retained earnings		3.7	4.1
Profit for the period		14.1	8.4
Total shareholders' equity		**589.4**	**606.3**
Liabilities	16		
Subordinated loan		70.0	70.0
Convertible capital loan		73.3	95.0
Long-term liabilities		860.6	832.4
Short-term liabilities		101.8	151.1
Total liabilities		**1,105.7**	**1,148.5**
Total liabilities and shareholders' equity		**1,695.1**	**1,754.8**

Parent Company Cash Flow Statement, FAS

EUR million	1 Jan.–31 Dec. 2008	1 Jan.–31 Dec. 2007
Cash flow from operating activities		
Profit before taxes	**21.0**	**10.6**
Adjustments:		
Depreciation and impairment loss	3.0	1.8
Non-cash property operating expenses	21.7	23.5
Net financial income and expenses	16.4	19.5
Other adjustments	-4.1	-0.1
Cash flow before change in working capital	57.9	55.3
Change in working capital	1.0	1.7
Cash generated from operations	**58.8**	**57.0**
Interest and other financial expenses paid	-64.8	-40.6
Interest income, exchange rate gains and other financial income received	24.9	11.6
Income tax received/paid	0.6	-7.2
Net cash from operating activities	**19.6**	**20.7**
Cash flow from investing activities		
Investment in tangible and intangible assets	-2.1	-7.0
Other investments	-	-0.1
Proceeds from sale of tangible assets	0.7	0.2
Loans granted	-399.5	-555.5
Repayments of loans receivable	510.7	83.2
Increase in subsidiary shares	-101.9	-59.9
Sale of subsidiary shares	4.3	-
Purchase of minority and associate company shares	-0.7	-0.6
Sale of associate company shares	0.6	-
Net cash from investing activities	**12.1**	**-539.7**
Cash flow from financing activities		
Proceeds from share issue	-	232.4
Proceeds from short-term loans	72.0	773.1
Repayments of short-term loans	-125.8	-727.9
Proceeds from long-term loans	516.8	479.2
Repayments of long-term loans	-469.3	-223.7
Dividends paid and return from the invested unrestricted equity fund	-30.9	-23.4
Net cash used in financing activities	**-37.2**	**509.7**
Net change in cash and cash equivalents	**-5.5**	**-9.3**
Cash and cash equivalents at period-start	-6.8	2.5
Effects of exchange rate changes	1.4	-
Cash and cash equivalents at period-end [1]	**-10.9**	**-6.8**

[1] Cash and cash equivalents of Citycon Oyj were negative as at 31 December 2008 and as at 31 December 2007 due to group cash pool in which the parent company's bank account can have a negative balance. Cash pool balance of EUR -11.6 million as at 31 December 2008 and EUR -10.5 million as at 31 December 2007 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 tenant improvements, which are amortised during the lease term.

Machinery and equipment is depreciated at 25 per cent annually using the reducing balance method of depreciation. The machinery and equipment category includes also technical equipment in buildings and the depreciation is made accordingly.

Pension scheme

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

Foreign currency receivables and payables

Receivables and payables denominated in foreign currencies as well as forward rate agreements are measured at the exchange rate quoted on the balance sheet date. Any exchange rate differences resulting from currency translations are recognized as exchange rate differences in the income statement.

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	2008	2007
Turnover by business segments:		
Shopping centres		
Helsinki metropolitan area	34.0	28.0
other cities in Finland	40.4	36.1
Other retail properties	29.8	28.3
Total	**104.2**	**92.4**
Geographically the parent company's turnover is generated in Finland. Parent company turnover includes the following building-management and administrative fees received from Group companies:	1,1	1,0

2. Other expenses from leasing operations

EUR million	2008	2007
Tenant improvements and commissions	0.1	0.1
Credit losses	0.1	0.1
Total	**0.1**	**0.1**

3. Personnel expenses

EUR million	2008	2007
Average number of employees during period	75	67
Personnel expenses		
Wages and salaries	5.8	5.2
Pension charges	0.9	0.7
Other social expenses	0.5	0.5
Total	**7.2**	**6.5**
Personnel expenses include management salaries and emoluments		
CEO's salary and emoluments	0.3	0.3
Board salaries and emoluments	0.6	0.5
Total	**1.0**	**0.8**

4. Depreciation and amortization and impairments

EUR million	2008	2007
The following depreciation and amortization as well as impairments are included in the administrative expenses:		
Amortization on intangible assets	2.1	0.9
Depreciation on buildings and constructions	0.5	0.5
Depreciation on machinery and equipment	0.4	0.4
Impairment of shares in subsidiaries	5.0	-
Total	**8.0**	**1.8**

5. Other operating income and expenses

EUR million	2008	2007
Profit on disposal of shares in subsidiaries and other investments	4.1	0.1
Property management fees from Group companies	1.3	-
Other operating income	0.2	0.3
Total	**5.6**	**0.3**

6. Net financial income and expenses

EUR million	2008	2007
Dividend income		
From Group companies	0.1	1.4
From others	0.0	0.0
Total	**0.1**	**1.4**
Interest and other financial income		
From Group companies	39.3	33.0
Gain from convertible bond buybacks	9.4	-
Foreign exchange gains	68.7	9.2
Other interest and financial income	0.8	0.9
Total	**118.2**	**43.1**
Total financial income	**118.2**	**44.4**
Interest and other financial expenses		
To Group companies	13.1	7.1
Foreign exchange losses	68.9	9.3
Interest and other financial expenses	52.5	47.5
Total financial expenses	**134.5**	**63.9**
Total net financial income and expenses	**-16.4**	**-19.5**

7. Income tax expense

EUR million	2008	2007
Taxes for the period	-6.9	-2.1

8. Intangible assets

EUR million	2008	2007
Intangible rights		
Acquisition cost 1 Jan.	0.9	0.6
Additions during the period	0.5	0.3
Accumulated acquisition costs 31 Dec.	1.4	0.9
Accumulated depreciation 1 Jan.	0.5	0.3
Depreciation for the period	0.2	0.1
Accumulated depreciation 31 Dec.	0.6	0.5
Net carrying amount 31 Dec.	**0.8**	**0.4**
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.	9.6	5.3
Additions during the period	7.0	4.3
Disposals during the period	-	0.0
Transfer between items	0.0	0.0
Accumulated acquisition costs 31 Dec.	16.6	9.6
Accumulated depreciation 1 Jan.	4.3	3.4
Depreciation for the period	1.9	0.8
Accumulated depreciation 31 Dec.	6.2	4.3
Net carrying amount 31 Dec.	**10.4**	**5.3**
Total intangible assets 31 Dec.	**11.4**	**6.0**

9. Tangible assets

EUR million	2008	2007
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.	68.3	66.5
Additions during the period	0.4	1.4
Transfer between items	-	0.4
Accumulated acquisition costs 31 Dec.	68.6	68.3
Accumulated depreciation 1 Jan.	43.1	42.6
Depreciation for the period	0.5	0.5
Accumulated depreciation 31 Dec.	43.6	43.1
Net carrying amount 31 Dec.	**25.0**	**25.1**
Machinery and equipment		
Acquisition cost 1 Jan.	4.9	4.0
Additions during the period	0.4	0.6
Transfer between items	-	0.2
Accumulated acquisition costs 31 Dec.	5.3	4.9
Accumulated depreciation 1 Jan.	3.5	3.0
Depreciation for the period	0.4	0.4
Accumulated depreciation 31 Dec.	3.9	3.5
Net carrying amount 31 Dec.	**1.4**	**1.4**
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
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**	**0.1**
Construction in progress		
Acquisition cost 1 Jan.	1.7	2.2
Additions during the period	1.4	0.3
Reductions during the period	0.7	0.2
Transfer between items	0.0	-0.7
Net carrying amount 31 Dec.	**2.4**	**1.7**
Total tangible assets 31 Dec.	**32.1**	**31.6**

10. Shares in subsidiaries

EUR million	2008	2007
Acquisition cost 1 Jan.	733.8	673.1
Additions during the period	101.9	59.9
Impairment	5.0	-
Reductions during the period	4.3	-
Transfer between items	-	0.8
Accumulated acquisition costs 31 Dec.	826.4	733.8
Accumulated depreciation 1 Jan.	-	0.5
Transfer between items	-	-0.5
Accumulated depreciation 31 Dec.	-	0.5
Net carrying amount 31 Dec.	**826.4**	**733.8**

11. Shares in associated companies

EUR million	2008	2007
Acquisition cost 1 Jan.	34.7	34.2
Additions during the period	0.7	0.6
Reductions during the period	0.6	-
Accumulated acquisition costs 31 Dec.	34.8	34.7
Net carrying amount 31 Dec.	**34.8**	**34.7**

12. Other investments

EUR million	2008	2007
Minority holdings		
Acquisition cost 1 Jan.	3.7	4.9
Additions during the period	-	0.1
Transfer between items	-	-1.3
Accumulated acquisition costs 31 Dec.	3.7	3.7
Net carrying amount 31 Dec.	**3.7**	**3.7**
Loans receivable		
From Group companies	742.9	911.7
Total other investments 31 Dec.	**746.6**	**915.4**
Total investments 31 Dec.	**1,607.8**	**1,683.9**

13. Subsidiaries and associated companies

Parent company's subsidiaries and associated companies are presented in the notes to the consolidated financial statements 29. Related party transactions.

14. Short-term receivables

EUR million	2008	2007
Receivables from outside the Group		
Trade receivables	0.7	0.8
Other receivables	19.9	8.2
Accrued income and prepaid expenses	0.2	1.4
Total	**20.7**	**10.4**
Receivables from Group companies		
Trade receivables	0.9	1.5
Other receivables	11.0	2.8
Accrued income and prepaid expenses	10.5	14.9
Total	**22.4**	**19.2**
Total short-term receivables	**43.1**	**29.6**
Significant other receivables from outside the Group		
Derivative financial instruments	19.8	1.0
Other	0.1	7.2
Total	**19.9**	**8.2**
Significant other receivables from Group companies		
Loan receivables	5.9	0.1
Maintenance charge receivables	4.2	2.7
Other	0.9	0.0
Total	**11.0**	**2.8**
Significant accrued income and prepaid expenses from Group companies		
Interest receivables	10.4	14.8

15. Shareholders' equity

EUR million	2008	2007
Share capital 1 Jan.	**259.6**	**225.7**
Directed share issue 2/15/07	-	33.8
Stock options 2/9/07	-	0.1
Share capital 31 Dec.	**259.6**	**259.6**
Share issue 1 Jan.	**-**	**0.1**
Registered to share capital	-	-0.1
Share issue 31 Dec.	**-**	**0.0**
Share premium fund 1 Jan.	**133.1**	**133.0**
Stock options	-	0.0
Share premium fund 31 Dec.	**133.1**	**133.1**
Invested unrestricted equity fund 1. Jan	**201.1**	**-**
Directed share issue	-	100.0
Rights issue	-	99.3
Stock options	0.0	1.8
Return from the invested unrestricted equity fund	-22.1	-
Invested unrestricted equity fund 31.12.	**179.0**	**201.1**
Retained earnings 1 Jan.	**12.6**	**27.5**
Dividends	-8.8	-23.4
Net profit for the period 31 Dec.	**14.1**	**8.4**
Retained earnings 31 Dec.	**17.8**	**12.6**
Total shareholders' equity 31 Dec.	**589.4**	**606.3**

16. Liabilities

A) Long-term liabilities

EUR million	2008	2007
Fixed-rate loans		
Subordinated loan [1]	70.0	70.0
Convertible capital loan [1]	73.3	95.0
Floating-rate loans, which are		
converted into fixed rates through interest-rate swaps	591.7	584.5
tied to market interest rates	257.7	240.6
Total	849.4	825.1
Current portion of long-term loans	-18.0	-18.0
Total	**831.4**	**807.1**
Long-term loans		
Loans from financial institutions	831.4	807.1
Loans from Group companies	29.2	25.4
Total long-term liabilities	**860.6**	**832.4**
Loans maturing later than 5 years	**270.7**	**653.8**

B) Short-term liabilities

EUR million	2008	2007
Short-term interest-bearing liabilities		
Loans from financial institutions	48.0	102.5
Loans from Group companies	18.9	10.5
Total	**66.9**	**113.0**
Short-term non interest-bearing liabilities		
Payables to outside the Group		
Advances received	0.2	-0.2
Accounts payable	0.9	1.1
Other payables	8.1	2.1
Accruals	10.2	12.5
Total	19.4	15.4
Payables to Group companies		
Other payables	14.3	20.1
Accruals	1.1	2.5
Total	15.4	22.6
Total short-term liabilities	**101.8**	**151.1**
Significant other payables to outside the Group		
Tax liability	3.1	-
VAT liability	1.2	0.9
Derivative financial instruments	3.6	-
Other accruals	0.3	1.2
Total	8.1	2.1
Significant accruals to outside the Group		
Interest liability	8.2	10.6
Significant other payables to Group companies		
Charge-for-financial cost payables	12.3	18.6
Total liabilities	**1,105.7**	**1,148.5**

[1] The terms and conditions of subordinated loan and convertible capital loan are presented in the notes to the consolidated financial statements 22. Interest-bearing liabilities.

All derivative financial instruments in Citycon are executed by the parent company Citycon Oyj. The fair values of derivative financial instruments are presented in the notes to the consolidated financial statements 23. Financial instruments.

17. Contingent liabilities

The parent company doesn't have any mortgages nor given securities. Given bank guarantees were EUR 45.6 million (EUR 49.8 million in 2007).

Lease liabilities

EUR million	2008	2007
Payables on lease commitments		
Maturing next financial year	1.1	0.8
Maturing later	1.1	0.8
Total	**2.2**	**1.6**

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

VAT refund liabilities

	5 year checking period		10 year checking period	
	2008	2007	2008	2007
Capital expenditure (net)	0,9	1,1	0,5	-
VAT on capital expenditure 100%)	0,3	0,3	0,1	-
Annual adjustment amount	0,3	0,3	0,1	-
VAT deducted at completion date	0,1	0,1	0,0	-
VAT adjustment liability 31.12.2008	**0,1**	**0,2**	**0,1**	**-**

Shareholders and Shares

Major shareholders 31 December 2008

Name	Number of shares	% of shares and votes
Gazit-Globe Ltd *)	48,088,742	21.76
Ilmarinen Mutual Pension Insurance Company	1,568,914	0.71
Odin Finland	1,402,085	0.63
von Fieandt Johan	480,000	0.22
Tudeer Lauri	406,810	0.18
Odin Eiendom	240,285	0.11
Investment Fund Nordea Finland Index Fund	212,597	0.10
Aventum European REIT Fund	200,000	0.09
Tallberg Carl-Johan	180,000	0.08
Nordea Bank Finland Plc	173,858	0.08
10 major, total	**52,953,291**	**23.96**
Nominee-registered shares		
Nordea Bank Finland Plc	95,077,935	43.02
Skandinaviska Enskilda Banken AB	51,373,169	23.25
Svenska Handelsbanken AB (publ.) Filialverksamheten i Finland	13,213,353	5.98
Other nominee-registered shares	1,314,758	0.59
Nominee-registered shares, total	**160,979,215**	**72.84**
Others	7,066,483	2.67
Shares, total	**220,998,989**	**100.00**

*) Gazit-Globe Ltd. has notified the company that the number of shares held by it on 31 December 2008 totalled 95,977,709 shares accounting for 43.42 per cent of the shares and voting rights in the company at the year-end of 2008. Gazit-Globe Ltd.'s shares are partly nominee-registered.

Notifications of changes in shareholding during 2008

Shareholder	Date of change in holding	New holding, No of shares	% of shares and votes on the date of change
AXA S.A. and its subsidiaries	13 May 2008	11,017,656	4.99
AXA S.A. and its subsidiaries	21 March 2008	11,892,688	5.38
FIL Limited and its direct and indirect subsdiaries	5 March 2008	10,904,704	4.93

Shareholders by ownergroup on 31 December 2008

	Number of owners	Percentage of owners	Number of shares	Percentage of shares and voting rights
Financial and insurance corporations	13	0.59	161,319,266	73.00
Corporations	139	6.35	1,566,840	0.71
Households	1,995	91.09	6,024,967	2.73
General government	2	0.09	1,651,914	0.75
Foreign	24	1.10	50,143,097	22.69
Non-profit institutions	17	0.78	292,905	0.13
Total	**2,190**	**100.00**	**220,998,989**	**100.00**
of which nominee-registered	10		160,979,215	72.84
Issued stock, total			220,998,989	

Breakdown of shareholders as at 31 December 2008 by number of shares

Number of shares	Number of shareholders	Percentage of owners	Number of shares	Percentage of shares and voting rights
11–1,000	1,204	54.98	446,214	0.20
1,001–5,000	708	32.33	1,622,013	0.73
5,001–10,000	131	5.98	912,045	0.41
10,001–50,000	115	5.25	2,549,847	1.15
50,001–100,000	9	0.41	638,398	0.29
100,001–500,000	16	0.73	3,355,899	1.52
500,001–1,000,000	1	0.05	750,375	0.34
1,000,001–	6	0.27	210,724,198	95.35
Total	**2,190**	**100.00**	**220,998,989**	**99.99**
of which nominee-registered	10		160,979,215	72.84
Issued stock, total			220,998,989	

Share price and trading volume

	Formula	Note	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004
Share price, transactions, EUR							
Low			1.26	3.24	3.02	2.36	1.52
High			4.28	6.09	5.09	3.50	2.65
Average	12		2.94	4.76	3.86	2.95	1.94
Market capitalisation, EUR million	13	1)	371.3	806.6	844.3	424.1	273.9
Share trading volume							
No. of shares traded as of year-start, 1,000			150,852	153,696	51,193	40,695	115,056
Percentage of total			68.3	69.6	30.6	29.8	102.5
Issue-adjusted average number of shares, 1,000		1)	220,991	199,404	163,339	129,903	113,767
Issue-adjusted average number of shares, diluted, 1,000		1)	247,223	227,122	175,345	132,427	114,881
Issue-adjusted average number of shares on 31. Dec., 1,000		1)	220,999	220,981	171,233	149,029	121,998
Treasury shares, EUR million			0.0	0.0	0.0	0.0	4.7
Treasury shares, 1,000			0	0	0	0	3,874

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

Formulas are available on pages 54–55.

Formulas for Key Figures and Ratios

		Formula	
1)	Equity ratio,%	$\frac{\text{Shareholders' equity}}{\text{Balance sheet total - advances received}}$	X 100
2)	Gearing,%	$\frac{\text{Interest-bearing liabilities - cash and cash equivalents}}{\text{Shareholders' equity}}$	X 100
3)	Return on equity (ROE), %	$\frac{\text{Profit/loss for the period}}{\text{Shareholders' equity (weighted average)}}$	X 100
4)	Return on investment (ROI), %	$\frac{\text{Profit/loss before taxes + interest and other financial expenses}}{\text{Balance sheet total (weighted average) - (non-interest-bearing liabilities on the balance sheet date + opening balance of non-interest-bearing liabilities)/2}}$	X 100
5)	Quick ratio	$\frac{\text{Current assets}}{\text{Short-term liabilities}}$	
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)	Net asset value (EPRA NAV) per share, EUR	Equity attributable to parent company shareholders +/- Deferred taxes from the difference of fair value and fiscal value of investment properties +/- Fair value of financial instruments divided by Issue-adjusted number of shares on the balance sheet date	
10)	EPRA NNNAV per share, EUR	Net asset value (EPRA NAV) -/+ Deferred taxes from the difference of fair value and fiscal value of investment properties +/- The difference between the mark-to-market and book value of debt -/+ Fair value of financial instruments divided by Issue-adjusted number of shares on the balance sheet date	
11)	P/E ratio (price/earnings)	$\frac{\text{Issue-adjusted closing price at year-end}}{\text{EPS}}$	
12)	Dividend and return of equity per earnings,%	$\frac{\text{Dividend per share}}{\text{EPS}}$	X 100

13)	Effective dividend and return of equity yield,%	$\dfrac{\text{Dividend per share}}{\text{Issue-adjusted closing price at year-end}}$	
14)	Average share price, EUR	$\dfrac{\text{Value of shares traded (EUR)}}{\text{Average number of shares traded}}$	X 100
15)	Market capitalisation	Number of shares x closing price for the period excl. treasury shares	
16)	Direct result, EUR million	Net rental income - Direct administrative expenses +/- Direct other operating income and expenses - Direct net financial income and expenses - Direct current taxes -/+ Change in direct deferred taxes - Direct minority interest	
17)	Indirect result, EUR million	Net fair value gains/losses on investment property +/- Profit/loss on disposal of investment property - Indirect administrative expenses +/- Indirect other operating income and expenses - Indirect one-off financial income and expenses - Movement in fair value of financial instruments - Indirect current taxes -/+ Change in indirect deferred taxes - Indirect minority interest	
18)	Direct result per share, diluted, EUR	$\dfrac{\text{Direct result + expenses from convertible loan, the tax effect deducted}}{\text{Diluted, issue-adjusted average number of shares for the period}}$	
19)	Net cash from operations per share, EUR	$\dfrac{\text{Net cash from operating activities}}{\text{Issue-adjusted average number of shares for the period}}$	
20)	Net interest-bearing debt (fair value), EUR million	Fair value of debts - cash and cash equivalents	
21)	Occupancy rate,%, sq.m.	$\dfrac{\text{Leased space}}{\text{Leasable space}}$	X 100
22)	Occupancy rate,%, EUR	$\dfrac{\text{Rental income as per leases}}{\text{Estimated market rent of vacant premises + rental income as per leases}}$	X 100
23)	Net income,%	$\dfrac{\text{Net rental income (last 12 months)}}{\text{Average fair value of investment property}}$	X 100

Signatures to the Financial Statement

Signatures to the Financial Statements 1 January–31 December 2008

Helsinki, 11 February 2009

Thomas W. Wernink
Amir Bernstein
Raimo Korpinen
Dor J. Segal

Tuomo Lähdesmäki
Gideon Bolotowsky
Claes Ottosson
Per-Håkan Westin

Petri Olkinuora
CEO

The Auditors Note

Our auditors' report has been issued today.

Helsinki, 11 February 2009

Ernst & Young Oy
Authorized Public Accountants

Tuija Korpelainen
Authorized Public Accountant

Auditors' Report

To the Annual General Meeting of Citycon Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Citycon Oyj for the year ended on 31 December, 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

The responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the parent company's financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements, together with the consolidated financial statements included therein, and the report of the Board of Directors give a true and fair view of the financial performance and financial position of the company in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 11 February 2009

Ernst & Young Oy
Authorized Public Accountants

Tuija Korpelainen
Authorized Public Accountant

List of Properties 2008

	Property	Address		Built in/ renovated in	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	55.1	58.8
2	**Columbus**					**21,100**	**96.8**	**98.3**
	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**					**17,300**	**94.7**	**96.7**
	Espoon Asemakuja 2 Koy	Asemakuja 2	02770 ESPOO	1991	100	6,300		
	Espoon Asematori Koy	Kamreerintie 5	02770 ESPOO	1989	54	1,900		
	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					3,780	84.1	82.2
	Hakucenter Koy	Laukkarinne 6	01200 VANTAA	1986	19	780		
	Hakunilan Keskus Oy	Laukkarinne 4	01200 VANTAA	1982	41	3,000		
7	**Heikintori**					**5,800**	**90.7**	**94.7**
	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**	**98.7**	**99.6**
	Big Apple Top Oy	Piispansilta 9	02230 ESPOO	2001	60			
10	**Isomyyri**					**10,900**	**92.7**	**96.6**
	Myyrmäen Kauppakeskus Koy	Liesitori 1	01600 VANTAA	1987	74			
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	4,500	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	24	1,500	100.0	100.0
15	**Lippulaiva**					**23,000**	**97.7**	**98.0**
	Lippulaiva Koy	Espoonlahdenkatu 4	02320 ESPOO	1993/2007	100			
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	63.9	72.6
18	Minkkikuja 4 Koy	Minkkikuja 4	01450 VANTAA	1989	100	2,300	100.0	100.0
19	Myllypuron Ostoskeskus					7,700	57.3	63.5
	Kivensilmänkuja 1 Koy	Kivensilmänkuja 1	00920 HELSINKI	1988	100	1,400		
	Myllypuron Ostoskeskus Oy	Kiviparintie 2	00920 HELSINKI	1966	100	6,300		
20	**Myyrmanni**					**40,300**	**97.1**	**97.6**
	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	82.3
23	Salpausseläntie 11 Koy	Salpausseläntie 11	00710 HELSINKI	1973	31	600	100.0	100
24	Sampotori	Heikintori, Kauppamiehentie 1	02100 ESPOO	lot	100	50	100.0	100.0
25	Sinikalliontie 1 Koy	Sinikalliontie 1	02630 ESPOO	1964/1992	100	15,700	92.2	96.3
26	Soukan Itäinentorni As Oy	Soukantie 16	02360 ESPOO	1972	27	1,600	100.0	100.0
27	Talvikkitie 7-9 Koy	Talvikkitie 7-9	01300 VANTAA	1989	100	9,800	100.0	100.0
28	**Tikkuri**					**10,700**	**93.6**	**96.4**
	Tikkurilan Kauppakeskus Koy	Asematie 4-10	01300 VANTAA	1984/1991	84			
29	Ultima Oy	Äyritie 1	01510 VANTAA	lot	100			
30	Vantaan Laajavuorenkuja 2 Koy	Laajavuorenkuja 2	01620 VANTAA	1976	100	2,000	100.0	100.0

	Property	Address		Built in/ renovated in	Holding, %	Citycon's GLA, sq.m.	Occupancy rate, %, sq.m [1]	Occupancy rate, %, EUR [1]
31	Vantaan Säästötalo Koy	Kielotie 20	01300 VANTAA	1983	61	3,800	98.1	98.4
32	Wavulinintie 1 Koy	Wavulinintie 1	00210 HELSINKI	1950/1992	100	1,700	14.0	10.8
	Other areas in Finland							
33	Forssan Hämeentie 3 Koy	Hämeentie 3	31100 FORSSA	1978	100	4,500	1.9	2.2
34	**Forum**					**17,500**	**98.5**	**98.8**
	Jyväskylän Forum Koy	Asemakatu 5	40100 JYVÄSKYLÄ	1953/1972/1980/1991	100			
35	**Galleria**					**3,500**	**89.4**	**92.4**
	Oulun Galleria Koy	Isokatu 23	90100 OULU	1987	100			
36	**Isokarhu**					**14,800**	**89.8**	**94.0**
	Kauppakeskus IsoKarhu Oy	Yrjönkatu 14	28100 PORI	1972/2001/2004	100			
37	**IsoKristiina**					**18,700**	**91.5**	**93.2**
	Karjalan Kauppakeskus Koy	Brahenkatu 3	53100 LAPPEENRANTA	1987	100	8,400		
	Lappeen Liikekeskus Koy	Brahenkatu 5	53100 LAPPEENRANTA	1987	80	6,600		
	Lappeenrannan Brahenkatu 7 Koy	Brahenkatu 7	53100 LAPPEENRANTA	1993	84	3,700		
38	Isolinnankatu 18 Koy	Isolinnankatu 18	28100 PORI	1986	100	5,200	35.3	46.6
39	**Jyväskeskus**					**5,800**	**97.3**	**98.6**
	Jyväskylän Kauppakatu 31 Koy	Kauppakatu 31	40100 JYVÄSKYLÄ	1955/1993	100			
40	Kaarinan Liiketalo Koy	Oskarinaukio 5	20780 KAARINA	1979/1982	100	9,200	98.4	99.0
41	Karjaan Ratakatu 59 Koy	Ratakatu 59	10320 KARJAA	1993	100	3,100	100.0	100.0
42	**Duo**					**13,000**	**94.4**	**97.3**
	Hervannan Liikekeskus Oy	Insinöörinkatu 23	33720 TAMPERE	1979	75	4,700		
	Tampereen Hermanni Koy	Pietilänkatu 2	33720 TAMPERE	2007	100	8,300		
43	Kiinteistö Oy Keijutie 15	Keijutie 15	15700 LAHTI	1975	100	7,200	100.0	100.0
44	**Koskikara**					**5,800**	**97.6**	**98.4**
	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		
45	**Koskikeskus**					**26,100**	**96.7**	**98.4**
	Tampereen Koskenranta Koy	Hatanpäänvaltatie 1	33100 TAMPERE	1988/1995	64	10,700		
	Tampereen Hatanpää Koy	Hatanpään Valtatie 1	33100 TAMPERE	1988	100	7,000		
	Tampereen Suvantokatu Koy	Hatanpään Valtatie 1	33100 TAMPERE	1988	100	8,400		
46	Kotkan Keskuskatu 11 Koy	Keskuskatu 11	48100 KOTKA	1976	100	4,300	100.0	100.0
47	Kuopion Kauppakatu 41 Koy	Kauppakatu 41	70100 KUOPIO	1977	100	11,200	96.7	98.5
48	Kuusankosken Kauppakatu 7 Koy	Kauppakatu 7	45700 KUUSANKOSKI	1980	100	2,100	100.0	100.0
49	Lahden Kauppakatu 13 Koy	Kauppakatu 13	15140 LAHTI	1971	100	8,600	100.0	100.0
50	Lentolan Perusyhtiö Oy	Mäkirinteentie 4	36220 KANGASALA	2007	100	11,900	100.0	100.0
51	Lillinkulma Koy	Jännekatu 2-4	20760 PIISPANRISTI	2007	100	7,400	100.0	100.0
52	**Linjuri**					**9,300**	**91.1**	**90.7**
	Linjurin Kauppakeskus Koy	Vilhonkatu 14	24100 SALO	1993/2007	89			
53	Mäntyvuoksi Koy	Vuoksenniskantie 50	55800 IMATRA	1974	87	1,300	100.0	100.0
54	Naantalin Tullikatu 16 Koy	Tullikatu 16	21100 NAANTALI	1985	100	3,100	12.9	15.3
55	Orimattilan Markkinatalo Oy	Erkontie 3	16300 ORIMATTILA	1983	77	3,500	100.0	100.0
56	Porin Asema-aukio Koy	Satakunnankatu 23	28130 PORI	1957/1993	100	18,900	81.8	89.2
57	Puijonlaakson Palvelukeskus Koy	Sammakkolammentie 6	70200 KUOPIO	1971	31	1,500	100.0	100.0
58	Runeberginkatu 33 Koy	Runeberginkatu 33	06100 PORVOO	1988	100	6,300	100.0	100.0
59	**Sampokeskus**					**14,000**	**81.9**	**88.2**
	Rovaniemen Sampotalo	Maakuntakatu 29-31	96200 ROVANIEMI	1990	100	12,000		
	Lintulankulma Koy	Rovakatu 28	96200 ROVANIEMI	1989/1990	100	2,000		
60	Kiinteistö Oy Säkylän Liiketalo	Pyhäjärventie	27800 SÄKYLÄ	1969	100	1,200	100.0	100.0

No.	Property	Address	Postal code	City	Built in/ renovated in	Holding, %	Citycon's GLA, sq.m.	Occupancy rate, %, sq.m [1]	Occupancy rate, %, EUR [1]
61	**Torikeskus**	**Kauppatori 1**	**60100**	**SEINÄJOKI**	**1992/2007**	**100**	**11,500**	**90.3**	**92.9**
62	**Trio**						**45,700**	**90.4**	**95.8**
	Lahden Hansa Koy	Kauppakatu 10	15140	LAHTI	1992	100	10,700		
	Lahden Trio Koy	Aleksanterinkatu 20	15140	LAHTI	1977/1985-1987 /1992/2007	90	35,000		
63	**Tullintori**						**10,300**	**79.4**	**82.3**
	Tullintori Koy	Hammareninkatu 2	33100	TAMPERE	1930/1990	57			
64	Vaakalintu Koy	Keskuskatu 15	11100	RIIHIMÄKI	1980	96	6,700	100.0	100.0
65	Valtakatu 5-7 Koy	Valtakatu 5-7	37600	VALKEAKOSKI	1938/1992	31	460	100.0	100.0
66	**Valtari**						**7,600**	**69.6**	**75.6**
	Kouvolan Valtakadun Kauppakeskus Koy	Valtakatu 15	45100	KOUVOLA	1971-1975/1994-2002	100			
67	Varkauden Relanderinkatu 30 Koy	Relanderinkatu 28-34	78200	VARKAUS	1990	100	8,200	100.0	100.0
67	**Finland total**						**600,750**	**91.9**	**95.7**

The Baltic Countries

Estonia

No.	Property	Address	Postal code	City	Built in/ renovated in	Holding, %	Citycon's GLA, sq.m.	Occupancy rate, %, sq.m [1]	Occupancy rate, %, EUR [1]
1	**Rocca al Mare**						**36,700**	**100.0**	**100.0**
	Rocca al Mare Kaubanduskeskuse AS	Paldiski mnt. 102	13522	TALLINN	1998/2000/2007	100			
2	**Magistral**						**9,500**	**98.9**	**98.7**
	Magistral Kaubanduskeskuse Oü	Sõpruse pst 201/203	13419	TALLINN	2000	100			

Lithuania

No.	Property	Address	Postal code	City	Built in/ renovated in	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**						**54,200**	**99.8**	**99.8**

Sweden

Stockholm Area and Umeå

No.	Property	Address	Postal code	City	Built in/ renovated in	Holding, %	Citycon's GLA, sq.m.	Occupancy rate, %, sq.m [1]	Occupancy rate, %, EUR [1]
1	**Åkersberga Centrum**						**33,100**	**97.3**	**97.3**
	Åkersberga Centrum AB	Storängsvägen	18430	ÅKERSBERGA	1985/1995/1996	75			
	Fastighets AB Fartyget i Åkersberga	Storängsvägen	18430	ÅKERSBERGA	1985/1995/1996	75			
2	**Åkermyntan Centrum**	**Drivbänksvägen 1**	**16574**	**HÄSSELBY**	**1977**	**100**	**8,400**	**89.6**	**84.3**
3	Kallhäll	Skarprättarvägen 36-38	17677	JÄRFALLA	1991	100	3,500	100.0	100.0
4	**Jakobsbergs Centrum**						**67,400**	**92.9**	**96.1**
	Jakobsbergs Centrum Fastighets AB	Tornérplatsen 30	17730	JÄRFALLA	1959/1993	100			
	Jakobsbergs Centrum Galleria AB	Tornérplatsen 30	17730	JÄRFALLA	1959/1993				
	Jakobsberg 565 Fastighets AB	Tornérplatsen 30	17730	JÄRFALLA	1959/1993				
5	**Fruängen Centrum**	**Fruängsgången**	**12952**	**HÄGERSTEN**	**1965**	**100**	**14,600**	**90.6**	**93.8**
6	**Liljeholmstorget**						**20,200**	**100.0**	**100.0**
	Liljeholmsplan Fastighets AB	Liljeholmstorget 7	11763	STOCKHOLM	1973/1986	100			
7	**Strömpilen**	**Strömpilsplatsen**	**90743**	**UMEÅ**	**1927/1997**	**75**	**25,700**	**95.3**	**97.8**
8	Länken	Gräddvägen 1	90620	UMEÅ	1978/2004/2006	75	7,300	100.0	100.0
9	**Tumba Centrum**						**31,400**	**98.1**	**94.8**
	Tumba Centrumfastigheter Aktiebolag	Tumba Torg 115	14730	BOTKYRKA	1954/ 2000	100			

Property		Address			Built in/ renovated in	Holding, %	Citycon's GLA, sq.m.	Occupancy rate, %, sq.m [1]	Occupancy rate, %, EUR [1]
	Gothenburg area								
10	**Stenungs Torg**						**37,600**	**96.2**	**96.6**
	Stenungs Torg Fastighets AB	Östra Köpmansgatan 2-16, 18A-C	44430	STENUNGSUND	1967/1993	70			
11	Backa	Backavägen 3-5	41705	GÖTEBORG	1990	100	7,800	77.9	86.8
12	Floda	Rurik Holms väg	44830	FLODA	1960/1990	100	11,400	91.0	92.3
13	Hindås	Hindås Stationväg 41-47	43063	HINDÅS	1978/1999	100	1,700	93.4	94.8
14	Landvetter	Brattåsvägen	43832	LANDVETTER	1975/1988/1999	100	4,800	100.0	100.0
15	Lindome	Almåsgången	43730	LINDOME	1974	100	7,800	100.0	100.0
15	**Sweden total**						**282,700**	**94.3**	**95.5**
85	**Total all**						**937.650**	**93.3**	**96.0**

[1] Formulas are available on pages 54–55.

Valuation Statement

1. Appraisal method

Realia Management Oy has made a valuation of Citycon's property portfolio as at 31st of December 2008. The valuation was carried out as a cash flow analysis of the net operating income for a period of 10-years. For unbuilt lots and for properties affected by significant town plan alterations the market value is defined by the amount of building right in the existing town plan.

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 Oy'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 that has been discounted (IRR) to reach the present value of the income stream.

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

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.

1.2 Market Analysis

Growth in the world economy slowed more abruptly than expected during the autumn of 2008. The gross domestic product has contracted in the US, the Euro zone, Sweden and in Japan, and the outlook for the world economy in 2009 is largely thought of as being rather bleak. In Finland, where domestic demand, consisting of both investment and consumption, has so far kept the economy afloat, forecasts for the short term are also bleak. Finnish economic growth is expected to gradually grind to a halt and turn negative during 2009. The employment rate will also see a fall, but, on the positive side, purchasing power is forecast to increase due to tax reductions and abating inflation.

As the economy deteriorates, central banks have cut their rates with exceptional aggressiveness and swiftness. The ECB cut its base rate by half a percentage point in November, and, in December, by a record breaking 0.75 percentage points. At the turn of the year, ECB's base rate was at 2.5 percent, but a further cut is expected in January 2009. In a similar manner, the Bank of England and the central bank of Sweden have resorted to exceptionally aggressive rate cuts. Following base rates, market rates have also fallen rapidly towards the end of the fall, 2008.

Consumer confidence had remained above its long term average, and also above European average, between 2002 and 2007. However, during 2008, confidence began to decline rapidly.

1.3 Property Market Analysis

Real property investment transaction volume first began to decline during summer 2007, due to the credit crisis unfolding in the USA. However, the real crash in volume was felt during the first two quarters of 2008 when transactions ground to a halt.

The reasons behind the reduction of transaction volume are pan-European. The views on property values still differ significantly between the buying and selling parties. In addition, credit availability has suffered tremendously during year 2008, with financing costs rising and interest margins widening considerably. The market positioning of capital intensive investors has improved in conjunction with the changes in the financing market. In the boom years of cheap credit, institutions were largely taking part in the property market indirectly, mostly through funds. However, during 2009, it is expected that e.g. pension and insurance companies will considerably increase their direct investments in property when compared to the last few years. There have been signs of this development at the turn of the year, when the buyer had been a domestic institution in practically all the Finnish transactions.

When talking about market change, one must keep in mind that so far the market disturbances have almost entirely stemmed from the investment market. The user market has held up remarkably well, and, so far, no discernable changes have been detected in vacancy rates or rent levels, for example. The drop in market value of properties has been caused specifically by changes in yield requirement, not rental levels. Then again, the risks of disturbances also in the occupant market have increased substantially. Rental levels in retail premises have risen to a rather high level as the economy expanded. In case of a change in consumer behaviour, as predicted by the consumer confidence index, downward pressure on rent levels may become relevant. In addition, retail vacancy rates have remained very low for a long time and new premises have been built at an ever increasing pace recently. The risk is that in a downturn, retail occupancy rate will also take a turn for the worse. Some relief to this situation comes from the fact that many of the unveiled plans for large scale shopping centre projects have been postponed for now, or even cancelled altogether. Of different asset classes grocery stores and shopping centres in good and traditional retail locations and with a good mix of different tenants will most likely prove to be most defensive in declining economical environment.

1.4 Development Projects

Some development projects were valued by using a separate project model. This model is only used in a project accompanied by: 1) a Citycon's board decision, and 2) enough 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 the model.

The project model is a 10-year cash flow model which also 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 property in this quarter. The property was the shopping centre Rocca Al Mare in Tallinn. In other potential development assets the valuation was based on current situation and properties were evaluated based on the current rental situation and current allocation of premises. If necessary future development potential has been taken into account, in the form of expected cash flow increase or in the value of unused building rights. At the same necessary costs for development have been added as investment costs in the calculation.

All undeveloped lots or those under development were evaluated based on their current zoning and the amount of unused building right. The value in each case was set based on market observations of similar lots.

2. Results

The portfolio consists of a wide range of properties with different market values and varying in quality. The value of the total portfolio is calculated as the sum of the individual properties. A separate portfolio premium has not been applied. In the sections below we have presented the valuation result on a total and portfolio level. The different portfolios have been further grouped based on their geographical locations.

Citycon primarily owns retail properties. Only in a few selected properties the main use is other than retail. A large majority of portfolio value is in shopping centres. Especially in Finland Citycon has a strong position in the shopping centre market by owning five of the 20 largest shopping centres and having 22 properties which have been classified as shopping centres.

Citycon has announced that its strategic focus is the development of existing property volume. Especially in HMA, Citycon owns several shopping centres and retail premises in the suburbs. Examples are, the Myllypuro, Martinlaakso and Laajasalo retail properties. In these properties, it is expected that there will be major development and reworking of town plans in the coming years. This often means the demolishing of old buildings and building new ones from the ground up. These properties are always evaluated on a case by case basis. In case a new, updated town plan is enforced, and as a result the schedule for the development becomes clear, the valuation will take the building right into account, or if necessary, the valuation will be done through the so-called development model cash flow analysis.

Several retail properties, both in Finland and Sweden, have either major development plans or considerable potential for development. These properties include e.g. Tumba, Åkersberga, Koskikeskus, Iso Omena and Isokristiina. The development of these properties is always considered on a case by case basis, often advancing in phases. This type of development is taken into account in valuation when credible plans exists and there is evidence of high likelihood for letting. In appraisal, the development potential signifies a potential increase in rental income levels through an increase in average rent or by an increase in the lettable floor area, which require investment for realization and a feasible construction or development time frame. The market value of the portfolio in total has been calculated at EUR 2.021 billion.

3. Sensitivity analysis

The sensitivity analysis of the fair value of the portfolio was tested by creating a so-called portfolio cash flow statement based on individual cash flow calculations. Changes in fair value have then been examined by modifying key input parameters of the calculations one at a time. The parameters tested were required yield, market rent level, operational costs and vacancy rate. The current market value of the properties is used as a reference for the analysis. The analysis is performed by changing one parameter at a time while all others remain unchanged and calculating the corresponding market value of the total portfolio. The sensitivity analysis is a simplified model intended to facilitate understanding of the effect of different parameters on portfolio valuation.

The results indicate that the market value is most sensitive to yield requirement and market rent levels. A ten percent decrease in yield requirement results in an approximately 11 percent increase in value. Correspondingly, a ten percent increase in rental income increases the value by approximately 14 percent.

The value is not as sensitive to changes in the levels of expenses or long term vacancy. A ten percent increase in the expenses decreases the market value of portfolio by ca. four percents. It should also be noted that in retail premises the rental levels and expenses levels have a connection as the rental level increases if expenses increase via the maintenance rent charged from tenant. This connection is not comprehensive, but still strong enough to decrease the expenses risk in the valuation.

The effects of changes in the vacancy rate are not studied on a similar scale as other parameters – vacancy level is altered by 50 or 100 basis points at a time. Therefore the relative change is higher than 5 and 10 percent at a time as is the case in other parameters. Still the effect of changes in the vacancy level is smaller than in the other parameters – a change of 100 basis points (one percentage point) in the vacancy level alters the value of portfolio by less than two percent.