# 2007 | Interim Report 1 January–30 September 2007

Q2

Q4

Q1

Q3

CITYCON

# Citycon's Interim Report 1 January–30 September 2007

## Summary of the Third Quarter Compared with the Second Quarter

- Net rental income increased in the third quarter to EUR 27.3 million (EUR 25.8 million in Q2)
- Citycon's earnings per share came to EUR 0.12 (EUR 0.70). Earnings per share exclusive of changes in fair value remained the same at EUR 0.04 (EUR 0.04).
- The fair value of the investment properties increased by EUR 21.1 million (EUR 160.1 million) to EUR 2,191.2 million (EUR 1,799.2 million), mainly due to improved net rental income and successful redevelopment projects.
- During the period, Citycon acquired Iso Omena shopping centre in Espoo. To finance the transaction, Citycon signed a bridge financing facility of EUR 300 million with a Nordic banking group and executed a rights issue for total proceeds of EUR 99 million between 19 September and 3 October. The proceeds of the rights issue were used to repay a part of the bridge financing facility.
- Financial expenses increased due to higher level of interest bearing debt and a negative non-cash valuation result for the quarter of EUR -1,4 million (0.1 million) relating to interest rate derivative contracts, which was due to reduction of long-term interest rates during the quarter. The year-to-date average interest rate rose only by 0.01 per cent during third quarter.
- The acquisition of shopping centre Magistral in Tallinn was completed on 16 July 2007.
- As of the beginning of July, Citycon belongs to large-cap companies on the OMX Nordic Exchange.

### Key Figures

| | Q3/2007 | Q3/2006 | Q2/2007 | Q1-3/2007 | Q1-3/2006 | Change,% (1 | 1-12/2006 |
|---|---|---|---|---|---|---|---|
| Turnover, EUR million | 38.0 | 31.3 | 35.9 | 108.1 | 86.4 | 25.2% | 119.4 |
| Net rental income, EUR million | 27.3 | 21.6 | 25.8 | 76.3 | 60.6 | 25.9% | 82.8 |
| Operating profit, EUR million | 44.3 | 45.4 | 181.6 | 276.2 | 154.0 | 79.4% | 196.5 |
| % of turnover | 116.7% | 144.8% | 505.3% | 255.5% | 178.4% | – | 164.6% |
| Profit before taxes, EUR million | 31.0 | 36.1 | 171.6 | 243.5 | 131.9 | 84.7% | 165.6 |
| Profit attributable to parent company shareholders, EUR million | 23.4 | 27.5 | 134.6 | 191.0 | 99.9 | 91.1% | 124.9 |
| Earnings per share (basic), EUR | 0.12 | 0.17 | 0.70 | 1.01 | 0.64 | 59.0% | 0.78 |
| Earnings per share (diluted), EUR (EPRA EPS) | 0.11 | 0.15 | 0.62 | 0.91 | 0.62 | 46.6% | 0.74 |
| Earnings per share (basic), excluding the effects of changes in fair value, gains on sale and other extraordinary items, EUR | 0.04 | 0.05 | 0.04 | 0.12 | 0.15 | -23.9% | 0.20 |
| Net cash from operating activities per share, EUR | 0.03 | 0.04 | 0.06 | 0.14 | 0.14 | 1.9% | 0.20 |
| Fair market value of investment properties, EUR million | | | 1,799.2 | 2,191.2 | 1,404.5 | 56.0% | 1,447.9 |
| Equity per share, EUR (2 | | | | 4.52 | 3.21 | 40.8% | 3.38 |
| Net asset value (EPRA NAV) per share, EUR (2,3 | | | | 4.94 | 3.42 | 44.3% | 3.61 |
| EPRA NNNAV (2 | | | | 4.40 | 3.15 | 39.8% | 3.22 |
| Equity ratio, % | | | | 41.2 | 36.2 | – | 39.1 |
| Gearing, % | | | | 122.3 | 156.9 | – | 136.6 |
| Net interest-bearing debt (fair value), EUR million | | | | 1,184.3 | 878.2 | 34.9% | 811.2 |
| Net rental yield, % (4 | | | | 6.1 | 7.5 | – | 7.1 |
| Occupancy rate, % | | | | 96.3 | 96.7 | – | 97.1 |
| Personnel (at the end of the period) | | | | 95 | 70 | 35.7% | 73 |

1) Change % is calculated from exact figures and refers to the change between Q1-Q3/2006 and Q1-Q3/2007.

2) The funds received from the rights issue by 30 September 2007 (EUR 51.2 million) and the corresponding number of shares have not been taken into account in per share ratio calculations.

3) The calculation on NAV has been modified to comply with EPRA definitions (previously deferred tax was deducted).

4) Includes the lots for development projects.

## Summary of the Reporting Period 1 January–30 September 2007

- Turnover increased by 25.2 per cent, to EUR 108.1 million (Q1-Q3/2006: EUR 86.4 million), due mainly to property acquisitions resulting in an increase in leasable premises.
- Profit before taxes amounted to EUR 243.5 million (EUR 131.9 million), including a EUR 212.7 million (EUR 97.0 million) increase in the fair value of investment properties.
- Citycon's net rental income increased by 25.9 per cent in the reporting period, to EUR 76.3 million (EUR 60.6 million). Net rental income for like-for-like properties rose by 9.1 per cent.
- Earnings per share were EUR 1.01 (EUR 0.64).
- Earnings per share (basic), excluding the effects of changes in fair value, gains on sale and other extraordinary items were EUR 0.12 (EUR 0.15) The reduction was mainly due to increase in net financial expenses, increased development activities and costs related to expanded business operations, divestment of non-core properties and higher number of shares.
- Net cash flow from operating activities per share amounted to EUR 0.14 (EUR 0.14).
- Net asset value per share (EPRA NAV) grew to EUR 4.94 (EUR 3.42).
- The equity ratio was 41.2 per cent (36.2 %).
- According to an external appraiser, the average net yield requirement for investment properties was 5.7 per cent at the end of the reporting period.
- In addition to Iso Omena and Magistral referred to above, acquisitions during the period included Tumba Centrum, Strömpilen and Länken in Sweden. More details on the acquisitions during the period are available in the table Property Acquisitions.
- In February, the company carried out a directed share issue worth EUR 133.8 million by issuing 25,000,000 new shares.
- During the period, the company decided to initiate development projects in Estonia and Sweden for an estimated total value of EUR 178 million. Lippulaiva shopping centre development project in Espoo will now be continued according to plan as the zoning appeal regarding the shopping centre's expansion was dismissed by the Supreme Administrative Court.

## CEO Petri Olkinuora:

"Citycon continued to implement its growth strategy through continuous redevelopment of its properties and proactive management of its retail properties, reporting strong growth in like-for-like net rental income in the reporting period, and improved occupancy rate compared to the previous quarter. For its long-term success, the company perceives cash flow as a key measure.

During the reporting period, Citycon acquired shopping centre Iso Omena in Espoo. Iso Omena is a first-class centre with further opportunities for expansion and refurbishment. Iso Omena is located in the affluent western part of the Helsinki Metropolitan Area, where the company from previously holds several retail properties. The acquisition offers Citycon a unique opportunity to develop the area's shopping centres as a whole, and to increase the company's market share in the growing metropolitan retail trade.

In addition to these major acquisitions, the focus of Citycon's strategy is on the company's existing shopping centre portfolio and its continuous development and redevelopment. During the reporting period, development and redevelopment projects progressed according to plan in Estonia, Sweden and Finland. The company aims to make its shopping centres more attractive and pleasant to visit.

I would also like to take an opportunity and thank our shareholders for the support of the rights issue that was fully subscribed for."

## Business Environment

The economic growth continued and the retail sector maintained its strong growth in all of Citycon's countries of operation. In the third quarter of 2007, demand for retail premises was good in Citycon's operating regions in Finland, Sweden and the Baltic countries, while occupancy rates remained high.

Demand for retail properties also remained strong. Since competition for offered investment properties is tough, yield requirements for properties have fallen and property prices have risen.

In the reporting period, uncertainty increased in the financial market, originally due to problems in mortgage -related financial markets in the US. Until now, however, this has not had a significant impact on availability of financing or the credit margins paid by the company.

## Business and Property Portfolio Summary

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

Citycon aims to continue its responsible growth strategy by expanding its retail property portfolio in selected markets and by developing and redeveloping its properties into entities that serve the needs of retail even better. The company's preferred acquisitions are shopping centres that offer redevelopment and/or refurbishment opportunities, whose net rental income can be increased with active retail property management. Thanks to its careful market research and good local knowledge, Citycon has been able to acquire some of the most interesting shopping centres in the major growth centres of its countries of operation. Citycon's new investments are focused on areas where the population and its purchasing power can be expected to grow.

At the end of the reporting period, Citycon owned 32 (26) shopping centres and 53 (52) other retail units. Of the shopping centres, 21 (19) were located in Finland, eight (5) in Sweden and three (2) in the Baltic countries.

The market value of the company's overall property portfolio totalled EUR 2,191.2 million, of which Finnish properties accounted for 71.0 per cent (70.3%), Swedish properties for 24.0 per cent (23.9%) and Baltic ones for 5.0 per cent (5.8%). The gross leasable area at the end of the period was 906,410 square metres.

## Changes in Fair Value of Investment Properties

Citycon measures its investment property at fair value, under the IAS 40 standard, according to which changes in investment properties' fair value are recognised through profit or loss. The valuation of investment properties is assessed in accordance with International Valuation Standards (IVS) at least once a year by on external valuation professional. In 2007, the valuations by external appraisers are conducted quarterly, due to active market conditions.

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

During the reporting period, the fair value of Citycon's property portfolio rose by EUR 212.7 million as a result of development and redevelopment projects, and changes in general market conditions and the leasing business. The period saw a total value increase of EUR 222.3 million and a total value decrease of EUR 9.6 million.

The average net yield requirement defined by Realia Management Oy for Citycon's property portfolio decreased to 5.7 per cent. The change in yield requirement was due mainly to the very active property market.

## Lease Portfolio and Occupancy Rate

At the end of the period, Citycon had a total of 3,730 (3,060) leases. The average length of the lease agreements was 2.8 (2.8) years. The period-end occupancy rate for Citycon's property portfolio was 96.3 per cent (96.7%), and net rental yield was 6.1 per cent (7.5%) The occupancy rate reduced slightly compared to December 2006, due to an increase in the number of premises temporarily vacated due to redevelopment projects.

The company's net rental income grew by 25.9 per cent to EUR 76.3 million. The leasable area rose by 23.5 per cent to 906,410 square metres. Net rental income for like-for-like properties grew by 9.1 per cent. Like-for-like properties are properties held by Citycon throughout the 24-month reference period, excluding properties under development and expansion as well as lots. In the reporting period, all of Citycon's like-for-like properties were 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).

#### Lease Portfolio Summary

| | Q3/2007 | Q3/2006 | Q2/2007 | Q1-3/2007 | Q1-3/2006 | Change, % | 1-12/2006 |
|---|---|---|---|---|---|---|---|
| Number of leases started during the period | 112 | 66 | 122 | 348 | 267 | 30.3 | 369 |
| Total area of leases started, sq.m. | 28,884 | 9,492 | 28,745 | 75,589 | 58,478 | 29.3 | 73,300 |
| Occupancy rate at end of the period ,% | | | 95.8 | 96.3 | 96.7 | -0.4 | 97.1 |
| Average length of lease portfolio at the end of the period, year | | | 2.9 | 2.8 | 2.8 | 0.0 | 2.9 |

## Property Acquisition Summary

The focus of Citycon's business is on the continuous development of its existing shopping centres and other retail properties. However, the company is always actively seeking new acquisition opportunities in Finland, Sweden and the Baltic region.

The total value of acquisitions made in the reporting period was EUR 373.2 million in Finland (EUR 127.2 million), EUR 129.0 million in Sweden (EUR 220.8 million) and EUR 16.3 million in the Baltic countries (EUR 16.2 million).

The following property acquisitions were completed during the period:

### Iso Omena Shopping Centre

Citycon acquired shopping centre Iso Omena on 14 September 2007. Built in 2001, Iso Omena is Finland's fifth-largest modern shopping centre (by area). Its leasable floor area totals 61,300 square metres, of which retail premises account for approx. 49,000 square metres. The shopping centre can be expanded further by some 7,000 square metres. Iso Omena offers a wide range of services, with approximately 120 shops, cafés and restaurants, and the hypermarkets Citymarket and Prisma as anchor tenants. Grocery sales account for more than 60 per cent of the shopping centre's sales including the hypermarket sales.

#### Iso Omena in Summary

| | |
|---|---|
| Leasable area, $m^2$ | 61,300 |
| Retail area, $m^2$ | 49,000 |
| Unused building right, $m^2$ (approx.) | 7,000 |
| No. of shops, cafés and restaurants | more than 120 |
| Visitors in 2006, millions | 8.4 |
| Sales in 2006, EUR million | 195 |
| No. of parking spaces (86% indoors) | 2,200 |
| Occupancy rate, % | 98.5 |

Iso Omena is located in the high purchasing power area of southern Espoo, some 13 km from the centre of Helsinki, at the junction of the Länsiväylä and Ring II motorways. The excellent transport connections of the area will improve further with the extension of the underground network to Espoo, with Matinkylä Metro station planned for construction right next to the shopping centre. There are nearly 150,000 people in the shopping centre's catchment area.

Iso Omena's acquisition cost was EUR 329 million, which corresponds to an initial net yield of 4.5 per cent at the time of purchase.

### MREC Espoon Asemakuja 2

In late August, Citycon acquired all the shares in mutual real estate company Kiinteistö Oy Espoon Asemakuja 2 for approximately EUR 11 million of which Citycon has paid EUR 9 million. The company owns the office property adjacent to shopping centre Espoontori. The acquisition paves the way for expansion and development of the shopping centre, assuming that the proposed change in city plan is approved. It was agreed that the purchase price would be lowered by a maximum of EUR 2 million if the proposed change in city plan was rejected.

### Myllypuro Retail Centre

Citycon Oyj acquired a majority holding in the Myllypuro retail centre in eastern Helsinki through share transactions concluded during the reporting period. The transactions were associated with a more extensive refurbishment and development project in and around the Myllypuro retail centre in cooperation with the City of Helsinki.

### Magistral Shopping Centre

Citycon acquired shopping centre Magistral on 16 July 2007 for EUR 16.5 million, which corresponds to initial net yield of 6.5 per cent. Magistral is in Tallinn, in the district of Mustamäe. With its 64,000 inhabitants, this is Tallinn's second-largest district, located approximately five kilometres from the centre. The shopping centre was built in 2000 and has a leasable floor area of 9,450 square metres with an occupancy rate of 100%. The centre has significant redevelopment and expansion potential. The deal also included the purchase of approximately 8,400 square metres of building right for EUR 2 million, on the condition that the pending change in city plan is approved. This is Citycon's second shopping centre in Estonia and its third in the Baltic region overall.

### Shopping Centre Strömpilen and Retail Centre Länken

Citycon acquired 75% of shopping centre Strömpilen and retail centre Länken in Umeå for EUR 52.5 million in May. The investment's initial net yield on the purchase price stood at 5.5 per cent.

**Property Acquisitions in the Reporting Period [1)]**

| Property | Location | Acquisition cost (EUR million) [2)] | Leasable floor area (m2) | Date |
|---|---|---|---|---|
| Tumba Centrum | Botkyrka, Sweden | 59.4 | 31,000 | 31 Jan. 2007 |
| Lahden Hansa | Lahti, Finland | 17.3 | 11,000 | 28 Feb. 2007 |
| Strömpilen & Länken [3)] | Umeå, Sweden | 52.5 | 25,000 & 7,200 | 25 May 2007 |
| Myllypuro Retail Centre | Helsinki, Finland | 2.7 | 4,000 | Summer 2007 [4)] |
| Magistral | Tallinn, Estonia | 16.5 [5)] | 9,500 | 16 Jul. 2007 |
| Espoon Asemakuja | Espoo, Finland | 11 [5)] | 6,300 | 31 Aug. 2007 |
| Iso Omena | Espoo, Finland | 329 [5)] | 61,300 | 14 Sep. 2007 |

1) Includes investments exceeding EUR 1 million in value.

2) Acquisition prices quoted as debt-free prices including transaction costs, according to the exchange rate of the acquisition date.

3) Citycon acquired 75% of the properties.

4) Includes several deals.

5) Debt-free acquisition price before adjustment.

## Development and Redevelopment Projects

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

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

The capital expenditure during the period relating to all development projects amounted to EUR 23.3 million in Finland, EUR 7.8 million in Sweden and EUR 9.7 million in the Baltic Countries.

### Development Projects in Progress

| Property | Location | Estimated total cost (EUR million) | Actual gross expenditure up to 30 Sep 2007 (EUR million) | Estimated year of completion |
|---|---|---|---|---|
| Lippulaiva | Espoo, Finland | 60-70 1) | 8.7 | 2008 |
| Trio | Lahti, Finland | 50.5 | 10.4 | 2009 |
| Lentola | Kangasala, Finland | 16.6 | 0.0 | 2007 |
| Torikeskus | Seinäjoki, Finland | 4.0 | 2.1 | 2008 |
| Åkersberga | Österåker, Sweden | 27 2) | 4.5 | 2009 |
| Liljeholmen | Stockholm, Sweden | 110 | 9.7 | 2009 |
| Rocca al Mare | Tallinn, Estonia | 68 3) | 9.5 | 2010 |

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

2) Citycon owns 75 per cent of Åkersberga Shopping Centre. The estimated total value of the redevelopment project is EUR 40 million.

3) All three planned stages are included in the figure.

### Completed and Partially Completed Development Projects

| Property | Location | Estimated total cost (EUR million) | Actual gross expenditure up to 30 Sept. 2007 (EUR million) | Estimated year of completion |
|---|---|---|---|---|
| Duo | Tampere, Finland | 27.3 | 24.3 | 2007 |
| Lillinkulma | Kaarina, Finland | 8.2 | 10.9 1) | Completed |

1) Includes stages 1 and 2. Stage 2 was completed earlier than anticipated.

An appeal regarding the Lippulaiva development project in Espoo was dismissed in the Supreme Administrative Court on 11 September 2007, and the shopping centre's expansion continues according to plan. Completion of the first development stage of shopping centre Trio in Lahti is scheduled for November 2007, and the project is progressing as planned. The new retail centre in Lentola, Kangasala is to be completed and transferred to Citycon's ownership by year-end.

An extension to shopping centre Duo in Hervanta, Tampere was completed in April. The number of customers in the first week after opening exceeded expectations at 80,000 visitors, and has remained high since then. The project was completed on schedule, and the refurbishment of the old part of the shopping centre will be complete by Christmas 2007.

A food court will open at Myyrmanni in Vantaa in 2007, doubling the number of the shopping centre's cafés and restaurants. The project is worth approximately EUR 2 million. Citycon is redeveloping a property it owns in the centre of the town of Salo into a shopping centre. The investment amounts to approximately EUR 1.8 million and the centre will be open by Christmas 2007.

Completion of the Åkersberga shopping centre development and redevelopment project has been delayed due to changes to the plans arising from a dispute with one of the centre's tenants. The new development and expansion plan will be completed in the autumn of 2007.

The company's most significant development project is the construction of a new shopping centre in Liljeholmen, Stockholm. The project has progressed according to plan. Currently the constructor is quarrying underground premises and renovating the existing building. The new shopping centre is expected to open in October/November 2009.

Expansion work began at shopping centre Rocca al Mare in Tallinn in summer 2007. The first stage of the redevelopment project is scheduled for completion next summer, and the next stage is currently being planned.

## Business Units

Since the end of 2006, Citycon's business is divided into three business units: Finland, Sweden and the Baltic Countries. These are further divided into business areas Retail Properties and Property Development.

### Finland

Citycon leads the Finnish market in the shopping centre business. The company's net rental income grew by 5.6 per cent to EUR 54.7 million. Net rental income for like-for-like properties rose by 9.1 per cent. The business unit accounted for 71.7 per cent of the company's total net rental income.

Rolling twelve-month occupancy cost ratio for like-for-like properties was 8.5 per cent (8.3%). 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.

**Lease Portfolio Summary, Finland**

| | Q3 2007 | Q3 2006 | Q2 2007 | Q1-3 2007 | Q1-3 2006 | Change -% | 2006 |
|---|---|---|---|---|---|---|---|
| Number of leases started during the period | 84 | 57 | 101 | 291 | 246 | 18.3 | 321 |
| Total area of leases started, sq.m. | 14,510 | 8,945 | 24,350 | 55,760 | 54,830 | 1.7 | 66,500 |
| Occupancy rate at end of the period ,% | | | 95.9 | 95.9 | 96.6 | -0.7 | 97.2 |
| Average length of lease portfolio at the end of the period, year | | | 3.4 | 3.1 | 3.1 | 0.0 | 3.1 |

**Financial Performance, Finland**

| | Q3 2007 | Q3 2006 | Q2 2007 | Q1-3 2007 | Q1-3 2006 | Change -% | 2006 |
|---|---|---|---|---|---|---|---|
| Gross rental income, EUR million | 24.6 | 24.1 | 23.7 | 71.6 | 69.8 | 2.7 | 93.1 |
| Turnover, EUR million | 25.5 | 24.7 | 24.7 | 74.1 | 71.8 | 3.2 | 95.8 |
| Net rental income, EUR million | 18.9 | 17.7 | 18.2 | 54.7 | 51.8 | 5.6 | 68.8 |
| Operating profit, EUR million | 33.9 | 42.6 | 137.1 | 201.2 | 145.8 | 38.0 | 176.1 |
| Net fair value gains on investment property, EUR million | 16.2 | 20.7 | 120.3 | 150.5 | 91.8 | 63.9 | 104.8 |
| Capital expenditure, EUR million | 353.2 | 87.2 | 20.5 | 396.5 | 147.1 | 169.6 | 152.8 |
| | | | | | | | |
| Fair market value of investment properties, EUR million | | | 1,046.6 | 1,555.5 | 988.0 | 57.4 | 1,009.7 |
| Net rental yield, % [1] | | | 7.0 | 6.6 | 7.9 | – | 7.6 |
| Net rental yield, like-for-like properties, % | | | 7.7 | 7.5 | 8.1 | – | 7.9 |

1) Includes the lots for development projects

Acquisitions made during the reporting period in Finland are listed above under Property Acquisitions. Finnish development projects are listed above under Development Projects.

### Sweden

Citycon has achieved a substantial position in the Swedish shopping centre market and has 8 (5) shopping centres and 7 (6) other retail properties in Sweden, located in Greater Stockholm, Greater Gothenburg and Umeå. The company's net rental income from Swedish operations improved by 207.5 per cent to EUR 17.0 million in the reporting period, and the business unit's net rental income accounted for 22.2 per cent of Citycon's total net rental income.

**Lease Portfolio Summary, Sweden**

| | Q3 2007 | Q3 2006 | Q2 2007 | Q1-3 2007 | Q1-3 2006 | Change -% | 2006 |
|---|---|---|---|---|---|---|---|
| Number of leases started during the period | 18 | 2 | 15 | 36 | 5 | - | 32 |
| Total area of leases started, sq.m. | 12,213 | 149 | 4,138 | 16,621 | 748 | - | 3,900 |
| Occupancy rate at end of the period ,% | | | 95.0 | 96.9 | 96.4 | 0.5 | 96.3 |
| Average length of lease portfolio at the end of the period, year | | | 1.8 | 2.0 | 2.0 | 0.0 | 2.2 |

**Financial Performance, Sweden**

| | Q3 2007 | Q3 2006 | Q2 2007 | Q1-3 2007 | Q1-3 2006 | Change -% | 2006 |
|---|---|---|---|---|---|---|---|
| Gross rental income, EUR million | 9.7 | 4.5 | 8.4 | 26.0 | 9.3 | 178.5 | 15.9 |
| Turnover, EUR million | 10.1 | 4.8 | 9.3 | 28.0 | 10.2 | 175.5 | 17.3 |
| Net rental income, EUR million | 6.5 | 2.7 | 6.0 | 17.0 | 5.5 | 207.5 | 9.3 |
| Operating profit, EUR million | 7.6 | 1.5 | 40.6 | 67.0 | 4.9 | - | 16.8 |
| Net fair value gains on investment property, EUR million | 2.3 | -0.7 | 35.5 | 52.9 | 0.4 | - | 8.7 |
| Capital expenditure, EUR million | 3.0 | 187.8 | 72.2 | 136.9 | 226.0 | -39.4 | 267.2 |
| | | | | | | | |
| Fair market value of investment properties, EUR million | | | 414.8 | 526.4 | 335.5 | 56.9 | 354.8 |
| Net rental yield, % [1] | | | 4.6 | 4.8 | 5.0 | – | 5.1 |

1) Includes the lots for development projects

Acquisitions made during the reporting period in Sweden are listed above under Property Acquisitions. Swedish development projects are listed above under Development Projects.

## Baltic Countries

At the end of the reporting period, Citycon owned three shopping centres in the Baltic countries: Rocca al Mare and Magistral in Tallinn, Estonia and Mandarinas in Vilnius, Lithuania. Due to the limited size of the Baltic market and the limited availability of suitable properties, Citycon has been cautious with investments in the area. However, the company is continuously looking for potential investment opportunities in the region. Net rental income increased by 34.1 per cent to EUR 4.6 million in the Baltic region. The business unit accounted for 6.0 per cent of the company's total net rental income.

**Lease Portfolio Summary, Baltic Countries**

| | Q3 2007 | Q3 2006 | Q2 2007 | Q1-3 2007 | Q1-3 2006 | Change -% | 2006 |
|---|---|---|---|---|---|---|---|
| Number of leases started during the period | 10 | 7 | 6 | 21 | 16 | 31.3 | 16 |
| Total area of leases started, sq.m. | 2,161 | 398 | 257 | 3,208 | 2,900 | 10.6 | 2,900 |
| Occupancy rate at end of the period ,% | | | 99.9 | 100.0 | 100.0 | 0.0 | 100.0 |
| Average length of lease portfolio at the end of the period, year | | | 3.0 | 3.2 | 3.4 | -5.9 | 3.3 |

**Financial Performance, Baltic Countries**

| | Q3 2007 | Q3 2006 | Q2 2007 | Q1-3 2007 | Q1-3 2006 | Change -% | 2006 |
|---|---|---|---|---|---|---|---|
| Gross rental income, EUR million | 2.1 | 2.1 | 1.9 | 5.6 | 4.3 | 28.0 | 6.1 |
| Turnover, EUR million | 2.3 | 1.7 | 1.9 | 6.0 | 4.4 | 37.0 | 6.2 |
| Net rental income, EUR million | 1.8 | 1.3 | 1.4 | 4.6 | 3.4 | 34.1 | 4.8 |
| Operating profit, EUR million | 4.2 | 3.7 | 5.6 | 13.3 | 8.6 | 53.9 | 10.9 |
| Net fair value gains on investment property, EUR million | 2.5 | 2.4 | 4.3 | 9.3 | 5.5 | 68.0 | 6.6 |
| Capital expenditure, EUR million | 22.2 | 0.1 | 3.6 | 26.1 | 16.2 | 60.6 | 16.2 |
| | | | | | | | |
| Fair market value of investment properties, EUR million | | | 85.6 | 109.3 | 81.0 | 35.0 | 83.3 |
| Net rental yield, % [1] | | | 6.6 | 6.4 | 6.7 | – | 6.7 |

1) Includes the lots for development projects

The acquisition of shopping centre Magistral and the development of shopping centre Rocca al Mare in the region are discussed above in further detail.

## Turnover and Profit

Turnover for the period came to EUR 108.1 million (EUR 86.4 million), mainly coming from the rental income generated by Citycon's retail premises. Gross rental income accounted for 95.4 per cent (96.6%) of turnover.

Operating profit rose to EUR 276.2 million (EUR 154.0 million). Profit before taxes came to EUR 243.5 million (EUR 131.9 million) and profit after taxes was EUR 194.0 million (EUR 100.0 million). The increase in operating profit was chiefly due to changes in the fair value of the property portfolio, and the operating profit generated by the acquired properties.

The effect of changes in fair value of the property portfolio, of gains on sales and of other one-off items on the profit attributable to the parent company's shareholders was EUR 169.3 million (EUR 76.2 million). Taking this effect into account, the profit after tax attributable to the parent company's shareholders was EUR 2.1 million below that of the same period last year. The decline was mainly due to higher interest expenses, a one-time exchange rate gain in the comparison period, the divestment of non-core properties, added development activities, and costs related to expanded business operations.

Earnings per share came to EUR 1.01 (EUR 0.64). Earnings per share excluding changes in fair value, gains on sales, other one-off items and their tax impacts were EUR 0.12 (EUR 0.15).

Net cash flow from the operating activities per share amounted to EUR 0.14 (EUR 0.14).

## Human Resources and Administrative Expenses

At the end of the period, the Citycon Group had a total of 95 (70) employees, of whom 68 were employed in Finland, 21 in Sweden and six in the Baltic countries. Administrative expenses rose to EUR 12.6 million (EUR 9.7 million), including EUR 0.7 million (EUR 0.6 million) in deferred expenses related to employee stock options and the share-based incentive scheme announced in April. The higher expenses were partly due to the expansion of the company's operations and to the cost of creating the new regional organisation.

## Capital Expenditure

Citycon's reported gross capital expenditure in the period totalled EUR 559.8 million (EUR 387.5 million). Of this, EUR 518.6 million (EUR 364.1 million) accounted for property acquisitions, EUR 40.9 million (EUR 23.2 million) for property development and EUR 0.3 million (EUR 0.2 million) for other investments.

The investments were mainly financed with the directed share issue worth approximately EUR 133.8 million and a bridge funding deal for EUR 300 million made with a Nordic banking group. In September the company initiated a rights issue that generated EUR 99 million in new equity.

## Balance Sheet and Financial Position

The period-end balance sheet total stood at EUR 2,318.5 million (EUR 1,513.9 million). Liabilities totalled EUR 1,364.5 million (EUR 966.5 million), with short-term liabilities accounting for EUR 449.3 million (EUR 141.9 million). The Group's financial position remained healthy during the period.

Year-on-year interest-bearing debt increased by EUR 362.2 million to EUR 1,246.1 million (EUR 883.9 million). The fair value of Group's interest-bearing debt stood at EUR 1,263.7 million (EUR 903.0 million). The debt includes bridge financing of EUR 300 million from a Nordic banking group for the acquisition of shopping centre Iso Omena.

The Group's cash and cash equivalents totalled EUR 79.4 million (EUR 24.9 million). The fair value of Group interest-bearing net debt stood at EUR 1,184.3 million (EUR 878.2 million). Cash and cash equivalents on 30 September 2007 included EUR 51.2 million from the subscriptions in the rights issue that was under way.

The bridge funding agreement consists of two tranches: a EUR 100 million tranche of six months, with an extension option for a further 90 days, and a EUR 200 million facility of up to twelve months Margins for the facility are 0.25 - 0.30% p.a. over Euribor. The six months' tranche was prepaid on 15 October 2007 from proceeds of the rights issue.

In August the company exercised its right to extend the maturity of EUR 165 million revolving credit facility related to the EUR 600 million syndicated loan raised in 2006. The credit facility's maturity was extended by one year from August 2010 to August 2011.

The year-to-date average interest rate was 4.61 per cent (4.31%) during the reporting period. The increase of the average interest rate was moderate in comparison to the rapid increase in short-term interest rates in the company's operating areas. The average loan maturity, weighted according to principals of the loans, decreased to 3.6 years (4.6 years), while the average time to fixing decreased to 3.0 years (3.4 years). The reduction of average loan maturity and average time to fixing is mainly attributable to short term EUR 300 million bridge financing facility. The interest rate, interest rate swaps included, averaged 4.75 per cent at the end of September.

The Group's equity ratio stood at 41.2 per cent (36.2 per cent). Period-end gearing stood at 122.3 per cent (156.9%). The decreased gearing and the improved equity ratio during the reporting period were due to the directed share issue and the good profit performance.

Out of Citycon's period-end interest-bearing debt, 82.9 per cent (79.8%) were floating-rate loans, of which 59.0 per cent (63.4%) had been converted into fixed-rate ones by means of interest rate swaps. Fixed-rate debt accounted for 66.0 per cent (70.8%) of the Group's period-end interest-bearing debt, the interest-rate swaps included. The decrease in hedging was due to the bridge loan of EUR 300 million to finance the Iso Omena acquisition, which had a lower hedging ratio compared with the rest of the loan portfolio.

Citycon applies hedge accounting, whereby changes in fair market value of interest-rate swaps subject to hedge accounting are recognised under equity. The period-end nominal amount of interest-rate swaps totalled EUR 668.4 million (EUR 457.3 million), with hedge accounting applied to interest rate swaps whose nominal amount totalled EUR 591.2 million (EUR 457.3 million). The nominal amount of the Group's all derivative contracts totalled EUR 745.3 million (EUR 457.3 million), and their fair market value was EUR 6.2 million (EUR -7.3 million).

Net financial expenses increased by EUR 10.6 million to EUR 32.7 million (EUR 22.2 million). This increase came mainly from higher interest expenses due to the higher level of interest-bearing debt, additional expenses resulting from an option on convertible bonds and from non-cash mark-to-market loss from derivatives recognized in the income statement. The net financial expenses in the income statement include EUR 1.3 million (EUR 0.3 million) in non-cash expenses related to the option component on convertible bonds.

## Rights Issue

On 10 September 2007, the Board of Directors decided on a share issue based on shareholders' pre-emptive subscription rights, worth approximately EUR 99 million, pursuant to an authorisation granted by the AGM on 13 March 2007. The share issue was completed successfully. A total of 27,594,782 new shares were offered for subscription at a price of EUR 3.60 per share. The subscription period began on 19 September and ended on 3 October 2007. By 30 September, Citycon had received EUR 51.2 million as rights issue proceeds and this amount is recognized in the balance sheet under Share issue account. Each shareholder had the right to subscribe for one new share per seven shares held. All offered shares were subscribed for in the share offering. A total of 27,235,387 shares were subscribed for in the primary subscription representing 98.7 per cent of the shares offered. The secondary subscription was over-subscribed. The offered shares represented around 14.3 per cent of the total shares and voting rights in the company prior to the offering, and around 12.5 per cent following the offering. The new shares entitle their holders to a dividend for the financial year 2007.

The funds received from the share issue will be used to repay a part of the short-term credit line raised to fund the acquisition of the shopping centre Iso Omena in September. Citycon intends to fund its growth strategy by flexibly utilising equity-linked financing and debt financing in order to ensure an optimal funding structure, taking into account the progress of planned investments. Investments may also be funded through the divestment of non-core properties.

The details of the rights issue are presented in the stock exchange releases issued by Citycon in September and October 2007, and available on the company's website at www.citycon.fi.

## Share Capital and Shares

At the beginning of 2007, Citycon Oyj's registered share capital totalled EUR 225.7 million and the number of shares 167.2 million. In January-September, the company's share capital has increased by EUR 33.9 million and the number of shares by 26.0 million as a result of a directed share issue and exercise of stock option rights. The table below shows the changes in share capital and number of shares in more detail. At the end of September, the company's registered share capital totalled EUR 259.6 million, and the number of shares came to 193.2 million. The company has a single series of shares, with each share confering entitlement to one vote at general meetings of shareholders. The shares have no nominal value.

### Changes in Share Capital and Shares, 1 January–30 September 2007

| Date 2007 | Reason | Change, EUR | Change, no. of shares | Share capital, EUR | No. of shares |
|---|---|---|---|---|---|
| 1 Jan. | | | | 225,697,293.00 | 167,183,180 |
| 9 Feb. | Increase (stock options) | 123,217.20 | 91,272 | 225,820,510.20 | 167,274,452 |
| 15 Feb. | Increase | | | | |
| | (directed share issue) | 33,750,000.00 | 25,000,000 | 259,570,510.20 | 192,274,452 |
| 27 April | Increase (stock options) | - | 206,441 | - | 192,480,893 |
| 14 June | Increase (stock options) | - | 21,854 | - | 192,502,747 |
| 24 July | Increase (stock options) | - | 307,524 | - | 192,810,271 |
| 11 Sept. | Increase (stock options) | - | 353,201 | - | 193,163,472 |
| 30 Sept. | | | | 259,570,510.20 | 193,163,472 |

Because the company's shares no longer have a nominal value, and as the terms of the stock options were changed by the decision of the AGM so that the subscription price of shares subscribed by exercising stock option rights is recognised under the invested unrestricted equity fund, the company's share capital will no longer increase as a result of share subscriptions based on stock options.

Between January and September, the number of Citycon shares traded on the OMX Nordic Exchange Helsinki totalled 114.8 million (40.2 million), at a total value of EUR 580.3 million (EUR 149.8 million). The highest quotation was EUR 6.09 (EUR 4.23) and the lowest EUR 4.11 (EUR 3.02). The reported volume-weighted average price was EUR 5.03 (EUR 3.73) and the share closed at EUR 4.47 (EUR 4.15). The company's market capitalisation on 30 September totalled EUR 863.4 million (EUR 690.9 million).

## Directed Share Issue

Citycon strengthened its balance sheet by conducting a directed share issue in February. The issue was based on authorisation given by an extraordinary general meeting on 26 January 2007. The share issue was directed at Finnish and international institutional investors, excluding the pre-emptive subscription rights of shareholders, and completed through an accelerated bidding process between 12 and 13 February 2007. The share issue resulted in 25 million new shares being subscribed for at a per-share subscription price of EUR 5.35. The new shares entitle their holders to a dividend for the 2007 financial year.

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

## Board Authorisations

The AGM held on 13 March 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 subscription 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 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. These authorisations are valid for five years from the date of the AGM.

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

The other decisions of the AGM are presented in the stock exchange release issued by the company on 13 March 2007 and available on the company's website at www.citycon.fi.

## Reported Changes in Share Ownership

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

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

## Stock Options

### Stock Options 1999

An extraordinary general meeting of Citycon held on 4 November 1999 authorised the issue of a maximum of 5,500,000 stock options. Of these, 5,327,000 options were granted to the personnel. The rest of the options were granted to Citycon's fully owned subsidiary Veniamo-Invest Oy, which has no right to subscribe for its parent company's shares. The share subscription period for the 1999 A/B/C options expired at the end of September. By the end of the subscription period, a total of 5,631,912 Citycon shares had been subscribed by exercising the 1999 stock options, including 825,982 shares subscribed at a EUR 1.35 per-share subscription price between January and September 2007. The 71,370 shares subscribed in September 2007 are expected to be registered in the Trade Register on 24 October 2007. Shares subscribed in 2007 entitle their holders to a dividend for the financial year 2007.

Of the 1999 option rights, only the 172,500 options held by Veniamo-Invest Oy remained unexercised. These options have expired worthless.

### Stock Options 2004

The annual general meeting held on 15 March 2004 authorised the issue of a maximum of 3,900,000 stock options. Of these, 3,290,000 A/B/C options were held by Group employees at the end of the reporting period. The stock options 2004A and 2004B are listed on the OMX Nordic Exchange Helsinki. Trading in 2004B options began on 3 September 2007.

The basic data of the 2004 stock option scheme as of 30 September 2007 is shown in the table below. Amendments made to the terms and conditions of the 2004 option scheme as a result of the rights issue came into effect on 10 October 2007. The amendments to the terms are described in Events after the Period, below.

| Stock options, 30 September 2007 | 2004 A | 2004 B | 2004 C |
|---|---|---|---|
| No. of options granted | 1,040,000 | 1,090,000 | 1,160,000 |
| No. held by Veniamo-Invest Oy (1 | 260,000 | 210,000 | 140,000 |
| No. of options exercised | 211,220 | - | - |
| No. of shares subscribed with options | 224,123 | - | - |
| Subscription ratio, option/shares | 1:1.0611 | 1:1.0611 | 1:1.0611 |
| Subscription price per share, EUR (2 | 2.1636 | 2.6066 | 4.55 |
| Subscription period begins | 1 Sep 2006 | 1 Sep 2007 | 1 Sep 2008 |
| Subscription period ends | 31 Mar 2009 | 31 Mar 2010 | 31 Mar 2011 |

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

2) Following dividend distribution for 2006. The share subscription prices are reduced by half of the per-share dividends paid. However, the share subscription price is always at least EUR 1.35.

From January to September, 126,670 new shares were subscribed at a per-share subscription price of EUR 2.1636 by exercising the A options attached to Citycon's 2004 stock option scheme. No 2004 B options have been exercised. Shares subscribed in 2007 entitle their holders to a dividend for the financial year 2007.

## Near-term Risks and Uncertainties

Citycon estimates that major near-term risks and uncertainties are associated with economic development in the company's operating regions, and changes in the fair value of investment properties and interest rates. As the focus of Citycon's growth strategy is shifting from property acquisitions to own property development and construction, also the risks associated with project management and with increasing construction costs will be more significant. A marked increase in interest rates, materialization of a major project risk, considerably higher construction costs, a decline in the fair value of investment properties or a sharp economic slowdown in Finland, Sweden or the Baltic countries could have an adverse effect on Citycon's business and profit performance.

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

## Events after the Reporting Period

### Share Issue and the Related Amendments to the Terms of Convertible Bonds and Stock Options

All offered 27,594,782 shares were subscribed for in the share issue carried out in September and October based on shareholders' pre-emptive subscription rights. The new shares were recorded on 10 October and have been traded on the OMX Nordic Exchange Helsinki since 11 October 2007. Following the share issue, the company has a total of 220,758,254 shares and a share capital of EUR 259,570,510.20. The share capital did not change because the share subscription price was recorded in the invested unrestricted equity fund.

In order to ensure equal treatment of the company's stock option and convertible capital bond holders as well as the shareholders, the Board of Directors of Citycon decided on 10 September 2007 upon amendments to the terms and conditions of the stock options and the convertible capital bonds as a result of the rights issue.

The Board decided to adjust the conversion price of the convertible capital bonds listed on 22 August 2006, in accordance with Section 6(b)(iv) of the terms and conditions of the convertible bonds, from EUR 4.3432 to EUR 4.20. The amendment of the conversion price came into effect on 4 October 2007. In accordance with the terms of the 2004 stock option scheme, the subscription prices and number of shares subscribed with the options were amended so that each 2004 option entitles its holder to subscribe for 1.2127 shares and that the per-share subscription price for 2004 A options is EUR 2.3432, for 2004 B options EUR 2.7308 and for 2004 C options EUR 4.4313. The subscription prices will be reduced by half of the per-share dividends payable, if any. The amendments to the terms and conditions of the stock options came into effect on 10 October 2007.

In accordance with the amended terms and conditions, the maximum number of new shares that can still be subscribed by exercising the stock options attached to the 2004 option scheme amounts to 4,473,383, including stock options held by Veniamo-Invest Oy.

### Market Court's Decision on Citycon's Appeal regarding Ratina Tender Procedure

The Finnish Market Court issued on 12 October 2007 a decision to disallow the petition filed by Citycon Oyj and Skanska Talonrakennus Oy on 27 April 2006 in the tender procedure regarding the construction of a shopping centre and related areas in Ratina region in the City of Tampere, Finland. The company has reported on the subject matter in stock exchange releases issued on 27 April 2006 and 15 October 2007 available on the company's website www.citycon.fi.

## Outlook

Citycon expects the development and redevelopment projects to play a central role in its business. The company will remain active in seeking acquisition and development opportunities while implementing its expansion strategy. Citycon estimates that its operating profit, excluding fair value changes and gains on sale of investment properties, will grow in 2007. This outlook is based on the company's focus on the growth in leasable area and therefore in rental income.

Helsinki, 18 October 2007

Citycon Oyj

Board of Directors

## UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS 30 September 2007

### Condensed Consolidated Income Statement, IFRS

| EUR million | Note | Q3 2007 | Q3 2006 | Change | Q1-3 2007 | Q1-3 2006 | Change | 2006 |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | |
| Gross rental income | | 36.3 | 30.6 | 18.6% | 103.2 | 83.4 | 23.6% | 115.1 |
| Service charge income | | 1.6 | 0.7 | 137.4% | 5.0 | 2.9 | 70.1% | 4.2 |
| **Turnover** | 3 | **38.0** | **31.3** | **21.2%** | **108.1** | **86.4** | **25.2%** | **119.4** |
| Property operating expenses | | 10.7 | 9.5 | 12.3% | 31.8 | 25.4 | 25.2% | 36.0 |
| Other expenses from leasing operations | | 0.0 | 0.2 | -94.3% | 0.1 | 0.4 | -72.4% | 0.6 |
| **Net rental income** | | **27.3** | **21.6** | **26.3%** | **76.3** | **60.6** | **25.9%** | **82.8** |
| Administrative expenses | | 4.0 | 3.7 | 8.3% | 12.6 | 9.7 | 30.8% | 12.9 |
| Other operating income and expenses | | 0.0 | 0.0 | 145.8% | 0.0 | 0.3 | -113.4% | 0.6 |
| Net fair value gains on investment property | | 21.1 | 21.6 | -2.5% | 212.7 | 97.0 | 119.4% | 120.1 |
| Net gains on sale of investment property | | -0.1 | 5.8 | -100.9% | -0.1 | 5.8 | -100.9% | 5.9 |
| | | | | | | | | |
| **Operating profit** | | **44.3** | **45.4** | **-2.3%** | **276.2** | **154.0** | **79.4%** | **196.5** |
| | | | | | | | | |
| Net financial income and expenses | | 13.3 | 9.3 | 43.7% | 32.7 | 22.2 | 47.7% | 30.9 |
| **Profit before taxes** | | **31.0** | **36.1** | **-14.1%** | **243.5** | **131.9** | **84.7%** | **165.6** |
| Current taxes | | -2.4 | -3.4 | -28.7% | -6.6 | -6.4 | 3.9% | -7.4 |
| Change in deferred taxes | | -5.0 | -5.4 | -7.8% | -42.9 | -25.5 | 68.0% | -31.8 |
| **Profit for the period** | | **23.6** | **27.3** | **-13.5%** | **194.0** | **100.0** | **94.1%** | **126.4** |
| | | | | | | | | |
| Attributable to | | | | | | | | |
| Parent company shareholders | | 23.4 | 27.5 | -14.8% | 191.0 | 99.9 | 91.1% | 124.9 |
| Minority interest | | 0.2 | -0.2 | -197.7% | 3.0 | 0.0 | – | 1.5 |
| | | | | | | | | |
| Earnings per share (basic), EUR | | 0.12 | 0.17 | -28.5% | 1.01 | 0.64 | 59.0% | 0.78 |
| Earnings per share (diluted), EUR | | 0.11 | 0.15 | -27.9% | 0.91 | 0.62 | 46.6% | 0.74 |

## Condensed Consolidated Balance Sheet, IFRS

| EUR million | Note | 30 Sep. 2007 | 30 Sep. 2006 | 31 Dec. 2006 |
|---|---|---|---|---|
| Non-current assets | | | | |
| Investment property | 4 | 2,191.2 | 1,404.5 | 1,447.9 |
| Development property | 5 | 21.1 | 0.0 | – |
| Other property, plant and equipment | | 0.7 | 0.8 | 0.6 |
| Derivative financial instruments and other non-current assets | 7 | 10.9 | 1.7 | 4.8 |
| Total non-current assets | | 2,224.0 | 1,407.0 | 1,453.3 |
| | | | | |
| Current assets | | | | |
| Derivative financial instruments | 7 | 0.1 | – | 0.4 |
| Trade and other receivables | | 15.0 | 82.0 | 11.3 |
| Cash and cash equivalents | 6 | 79.4 | 24.9 | 21.3 |
| Total current assets | | 94.5 | 106.9 | 33.1 |
| | | | | |
| **Total assets** | | **2,318.5** | **1,513.9** | **1,486.4** |
| | | | | |
| **Liabilities and Shareholders' Equity** | | | | |
| | | | | |
| Equity attributable to parent company shareholders | | | | |
| Share capital | | 259.6 | 224.8 | 225.7 |
| Share issue | | 51.2 | – | 0.1 |
| Share premium fund and other restricted reserves | | 131.1 | 131.1 | 131.1 |
| Fair value reserve | 7 | 4.9 | -5.4 | -1.3 |
| Invested unrestricted equity fund | | 100.2 | – | – |
| Retained earnings | | 377.7 | 184.4 | 209.7 |
| Total equity attributable to parent company shareholders | | 924.9 | 534.9 | 565.3 |
| Minority interest | | 29.0 | 12.4 | 15.0 |
| Total shareholders' equity | | 953.9 | 547.4 | 580.3 |
| | | | | |
| Liabilities | | | | |
| | | | | |
| Interest-bearing debt | | 827.5 | 784.6 | 726.3 |
| Derivative financial instruments and other non-interest bearing liabilities | 7 | 2.7 | 7.3 | 4.9 |
| Deferred tax liabilities | | 85.1 | 32.7 | 40.4 |
| Total long-term liabilities | | 915.2 | 824.6 | 771.7 |
| | | | | |
| Interest-bearing debt | | 418.6 | 99.4 | 87.6 |
| Trade and other payables | | 30.7 | 42.5 | 46.8 |
| Short-term liabilities | | 449.3 | 141.9 | 134.4 |
| | | | | |
| Total liabilities | | 1,364.5 | 966.5 | 906.1 |
| | | | | |
| **Total liabilities and shareholders' equity** | | **2,318.5** | **1,513.9** | **1,486.4** |

## Condensed Consolidated Statement of Changes in Shareholders' Equity, IFRS

| EUR million | Equity attributable to parent company shareholders | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share issue | Share premium fund and other reserves | Fair value reserve | Invested unrestricted equity funds | Retained earnings | Equity attributable to parent company shareholders | Minority interest | Shareholders' equity total |
| **Balance at 1 Jan. 2006** | **184.1** | **1.1** | **85.4** | **-10.5** | **-** | **96.5** | **356.6** | **3.6** | **360.2** |
| Cash flow hedges | | | | 5.1 | | | 5.1 | | 5.1 |
| Profit for the period | | | | | | 99.9 | 99.9 | 0.0 | 100.0 |
| **Total recognized income and expense for the period** | | | | **5.1** | | **99.9** | **105.1** | **0.0** | **105.1** |
| Share issue | 38.7 | -1.1 | 37.2 | | | | 74.8 | | 74.8 |
| Share subscriptions based on stock options | 2.0 | | | | | | 2.0 | | 2.0 |
| Dividends (Note 8) | | | -6.6 | | | -12.6 | -19.2 | | -19.2 |
| Share-based payment | | | | | | 0.6 | 0.6 | | 0.6 |
| Equity instrument of convertible capital loan | | | 15.1 | | | | 15.1 | | 15.1 |
| Other changes | | | | | | | 0.0 | 8.8 | 8.8 |
| **Balance at 30 Sep. 2006** | **224.8** | **-** | **131.1** | **-5.4** | **0.0** | **184.4** | **534.9** | **12.4** | **547.4** |
| | | | | | | | | | |
| **Balance at 1 Jan. 2007** | **225.7** | **0.1** | **131.1** | **-1.3** | **-** | **209.7** | **565.3** | **15.0** | **580.3** |
| Cash flow hedges | | | | 6.3 | | | 6.3 | | 6.3 |
| Profit for the period | | | | | | 191.0 | 191.0 | 3.0 | 194.0 |
| **Total recognized income and expense for the period** | | | | **6.3** | | **191.0** | **197.3** | **3.0** | **200.3** |
| Share issue | 33.8 | 51.2 | | | 98.8 | | 183.8 | | 183.8 |
| Share subscriptions based on stock options | 0.1 | -0.1 | 0.0 | | 1.4 | | 1.4 | | 1.4 |
| Dividends (Note 8) | | | | | | -23.4 | -23.4 | | -23.4 |
| Translation differences | | | | | | -0.3 | -0.3 | -0.1 | -0.5 |
| Share-based payment | | | | | | 0.7 | 0.7 | | 0.7 |
| Other changes | | | 0.0 | | | | 0.0 | 11.2 | 11.2 |
| **Balance at 30 Sep. 2007** | **259.6** | **51.2** | **131.1** | **4.9** | **100.2** | **377.7** | **924.9** | **29.0** | **953.9** |

## Condensed Consolidated Cash Flow Statement, IFRS

| EUR million | Note | Q1-3 2007 | Q1-3 2006 | 2006 |
|---|---|---|---|---|
| Cash flow from operating activities | | | | |
| Profit before taxes | | 243.5 | 131.9 | 165.6 |
| Adjustments | | -178.9 | -79.8 | -94.0 |
| Cash flow before change in working capital | | 64.6 | 52.1 | 71.6 |
| Change in working capital | | -4.2 | -1.1 | -0.5 |
| | | | | |
| Cash generated from operations | | 60.4 | 50.9 | 71.1 |
| | | | | |
| Paid interest and other financial charges | | -28.8 | -26.6 | -34.1 |
| Received interest and other financial income | | 2.0 | 0.7 | 0.9 |
| Taxes paid | | -7.4 | -3.6 | -5.9 |
| | | | | |
| **Net cash from operating activities** | | **26.2** | **21.4** | **32.0** |
| | | | | |
| **Cash flow from investing activities** | | | | |
| Acquisition of subsidiaries, less cash acquired | | -509.2 | -327.9 | -331.8 |
| Acquisition of investment property | 4 | -15.9 | -32.3 | -33.6 |
| Capital expenditure on investment properties | 4 | -26.1 | -23.5 | -35.6 |
| Capital expenditure on development properties, other PP&E and intangible assets | 5 | -14.8 | – | – |
| Sale of investment property | | 0.3 | 0.6 | 73.9 |
| **Net cash used in investing activities** | | **-565.7** | **-383.1** | **-327.1** |
| | | | | |
| **Cash flow from financing activities** | | | | |
| Proceeds from share issue | | 133.6 | 73.6 | 77.4 |
| Proceeds from pending share issue | | 51.2 | – | – |
| Proceeds from short-term loans | | 481.6 | 344.0 | 421.2 |
| Repayments of short-term loans | | -120.5 | -241.0 | -392.2 |
| Proceeds from long-term loans | | 266.9 | 675.3 | 675.3 |
| Repayments of long-term loans | | -191.5 | -461.8 | -461.8 |
| Dividends paid | 8 | -23.4 | -19.2 | -19.2 |
| **Net cash from/used in financing activities** | | **597.8** | **370.9** | **300.8** |
| | | | | |
| **Net change in cash and cash equivalents** | | **58.3** | **9.3** | **5.7** |
| Cash and cash equivalents at period-start | 6 | 21.3 | 15.6 | 15.6 |
| Effects of exchange rate changes | | -0.2 | – | – |
| **Cash and cash equivalents at period-end** | **6** | **79.4** | **24.9** | **21.3** |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. Basic company data

Citycon is a real estate company investing in retail premises. Citycon operates mainly in Finland, Sweden and the Baltic countries. Citycon is a Finnish public limited company established under Finnish law and domiciled in Helsinki. The Board of Directors approved the interim financial statements on 18 October 2007.

## 2. Basis of preparation and accounting policies

### Basis of preparation

The interim condensed consolidated financial statements for the nine months ended 30 September 2007 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements do not include all the disclosures required in the annual financial statements. Therefore, they should be read in conjunction with Citycon's annual financial statements for the year ended 2006.

### Accounting policies

Citycon changed its accounting policies related to IAS 23 Borrowing Costs -standard as of 1 January 2007 and started to apply an alternative treatment allowed by IAS 23. The standard allows that the borrowing costs such as interest expenses and arrangement fees are capitalised as part of the cost of development properties.

Otherwise, the accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of Citycon's annual financial statements for the year ended 31 December 2006.

### Acquisitions in the balance sheet

Magistral and Iso Omena shopping centres were acquired in July and September 2007, respectively. The identifiable assets and liabilities of the acquisitions, corresponding to the shares acquired, have been recognized at preliminary fair value in the company's balance sheet.

### Reporting to Gazit-Globe Ltd.

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

## 3. Segment Information

Citycon's business consists of the regional business units Finland, Sweden and the Baltic Countries.

| EUR million | Q3 2007 | Q3 2006 | Change | Q1-3 2007 | Q1-3 2006 | Change | 2006 |
|---|---|---|---|---|---|---|---|
| **Turnover** | | | | | | | |
| Finland | 25.5 | 24.7 | 3.1% | 74.1 | 71.8 | 3.2% | 95.8 |
| Sweden | 10.1 | 4.8 | 109.8% | 28.0 | 10.2 | 175.5% | 17.3 |
| Baltic Countries | 2.3 | 1.7 | 33.7% | 6.0 | 4.4 | 37.0% | 6.2 |
| Total | 38.0 | 31.3 | 21.2% | 108.1 | 86.4 | 25.2% | 119.4 |
| | | | | | | | |
| **Operating profit** | | | | | | | |
| Finland | 33.9 | 42.6 | -20.4% | 201.2 | 145.8 | 38.0% | 176.1 |
| Sweden | 7.6 | 1.5 | 416.7% | 67.0 | 4.9 | - | 16.8 |
| Baltic Countries | 4.2 | 3.7 | 15.9% | 13.3 | 8.6 | 53.9% | 10.9 |
| Other | -1.4 | -2.4 | -39.2% | -5.3 | -5.3 | -1.5% | -7.2 |
| **Total** | **44.3** | **45.4** | **-2.3%** | **276.2** | **154.0** | **79.4%** | **196.5** |

| EUR million | 30 Sep. 2007 | 31 Dec. 2006 | Change |
|---|---|---|---|
| **Assets** | | | |
| Finland | 1,562.3 | 1,016.6 | 53.7% |
| Sweden | 543.9 | 358.0 | 51.9% |
| Baltic Countries | 119.0 | 83.6 | 42.3% |
| Other | 93.2 | 28.2 | 231.2% |
| **Total** | **2,318.5** | **1,486.4** | **56.0%** |

The significant increase in segment assets is due to the acquisitions of the shopping centres and the increase in fair value of investment properties.

## 4. Investment property

| EUR million | 30 Sep. 2007 | 30 Sep. 2006 | 31 Dec. 2006 |
|---|---|---|---|
| **At period-start** | **1,447.9** | **956.6** | **956.6** |
| Additions | 543.7 | 417.1 | 436.2 |
| Disposals | -0.3 | -67.9 | -67.9 |
| Transfer into the development properties | -6.4 | – | – |
| Net fair value gains | 213.0 | 97.0 | 120.1 |
| Exchange differences | -6.7 | 1.8 | 2.9 |
| **At period-end** | **2,191.2** | **1,404.5** | **1,447.9** |

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 segments' yield requirements used by the external appraiser in the cash flow analysis were as follows at 30 September 2007 and 31 December 2006:

**Yield requirement (%)**

| | 30 Sep. 2007 | 31 Dec. 2006 |
|---|---|---|
| Finland | 5.8 | 6.6 |
| Sweden | 5.4 | 6.4 |
| Baltic Countries | 6.3 | 7.1 |
| **Average** | **5.7** | **6.6** |

## 5. 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 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 30 September 2007, the development properties consisted of the capital expenditure relating to extension projects in Rocca al Mare, Åkersberga and Liljeholmen shopping centres. Investments in development properties during the nine months ended 30 September 2007 amounted to EUR 14.8 (EUR 0.0 million) and the development property in the balance sheet totalled EUR 21.1 million at 30 September 2007. Interest expenses amounting EUR 0.4 million (EUR 0.0 million) have been capitalized as part of the cost of development properties.

## 6. Cash and cash equivalents

| EUR million | 30 Sep. 2007 | 30 Sep. 2006 | 31 Dec. 2006 |
|---|---|---|---|
| Cash in hand and at bank | 27.7 | 21.4 | 19.4 |
| Restricted cash in hand and at bank | - | 1.0 | - |
| Short-term deposits | 51.7 | 2.5 | 1.9 |
| **Total** | **79.4** | **24.9** | **21.3** |

## 7. Derivative Financial Instruments

| EUR million | 30 Sep. 2007 | | 30 Sep. 2006 | | 31 Dec. 2006 | |
|---|---|---|---|---|---|---|
| | Nominal amount | Fair value | Nominal amount | Fair value | Nominal amount | Fair value |
| **Interest rate derivatives** | | | | | | |
| Interest rate swaps | | | | | | |
| Maturity: | | | | | | |
| less than 1 year | 50.0 | 0.1 | 50.0 | 0.4 | 50.0 | 0.4 |
| 1-2 years | 87.1 | -0.8 | 40.0 | -0.3 | 40.0 | 0.0 |
| 2-3 years | 149.0 | -1.6 | 86.0 | -3.0 | 86.0 | -2.6 |
| 3-4 years | 70.0 | 0.7 | 83.0 | -3.7 | 83.0 | -2.6 |
| 4-5 years | 0.0 | 0.0 | 40.0 | -0.2 | 40.0 | -0.8 |
| over 5 years | 312.2 | 8.7 | 158.3 | -0.4 | 242.7 | 3.8 |
| **Total** | **668.4** | **7.1** | **457.3** | **-7.3** | **541.7** | **-1.8** |
| | | | | | | |
| **Foreign exchange derivatives** | | | | | | |
| Forward agreements | | | | | | |
| Maturity: | | | | | | |
| less than 1 year | 76.9 | -0.9 | 0.0 | 0.0 | 14.8 | 0.0 |
| **Total** | **76.9** | **-0.9** | **0.0** | **0.0** | **14.8** | **0.0** |

The fair value of derivative financial instruments 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 loss of EUR 1.8 million (EUR 0.0 million) which is recognized in the income statement.

Hedge accounting is applied for interest rates swaps which have nominal amount of EUR 591.2 million (EUR 457.3 million). The fair value gain recognized in the fair value reserve under shareholders' equity taking account the tax effect totals EUR 4.9 million (EUR -5.4 million).

## 8. Dividends

In accordance with the proposal by the Board of Directors and the decision by the Annual General Meeting held on 13 March 2007 dividend for the financial year 2006 amounted to EUR 0.14 per share (EUR 0.14 for the financial year 2005).

Dividends paid amounted to EUR 23.4 million (EUR 19.2 million) during the period.

## 9. Contingent Liabilities

| EUR million | 30 Sep. 2007 | 30 Sep. 2006 | 31 Dec. 2006 |
|---|---|---|---|
| Mortgages on land and buildings | 47.7 | 7.8 | 21.1 |
| Bank guarantees | 19.9 | 16.4 | 37.1 |
| Capital commitments | 58.1 | – | 40.7 |

At 30 September 2007, Citycon had capital commitments of EUR 58.1 million relating mainly to development projects.

## 10. Key Figures

| | Q3 2007 | Q3 2006 | Change | Q1-3 2007 | Q1-3 2006 | Change | 2006 |
|---|---|---|---|---|---|---|---|
| Earnings per share (basic), EUR | 0.12 | 0.17 | -28.5% | 1.01 | 0.64 | 59.0% | 0.78 |
| Earnings per share (diluted), EUR (EPRA EPS) | 0.11 | 0.15 | -27.9% | 0.91 | 0.62 | 46.6% | 0.74 |
| Equity per share, EUR | | | | 4.52 | 3.21 | 40.8% | 3.38 |
| Net asset value (EPRA NAV) per share, EUR | | | | 4.94 | 3.42 | 44.3% | 3.61 |
| Equity ratio, % | | | | 41.2 | 36.2 | – | 39.1 |

The formulas for key figures can be found from the 2006 annual financial statements.

The figures are unaudited.

## Full-year results 2007

Citycon will publish its full-year financial results for the financial year 2007 on Thursday, 14 February 2008, at around noon. For further information for investors, please visit Citycon's website, www.citycon.fi.

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## Report on the general review of Citycon Oyj's interim report for the period 1 January–30 September 2007

We have generally reviewed the interim report of Citycon Oyj for the period 1 January-30 September 2007. The Board of Directors and the Managing Director have prepared an interim report in accordance with the Securities Market Act, chapter 2, paragraph 5. Based on our interim review we express at the request of the Board of Directors a report in accordance with the Securities Market Act, chapter 2, paragraph 5 a.

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

Based on our general review, nothing has come to our attention that causes us to believe that the interim report does not give a true and fair view in accordance with the Securities Market Act regarding the financial position of Citycon Oyj.

Helsinki, October 18, 2007

Ernst & Young Oy
Tuija Korpelainen, Authorized Public Accountant