



Citycon's Interim Report for 1 January-31 March 2007

Summary

- Turnover rose by 25.6 per cent, to EUR 34.2 million (Q1/2006: EUR 27.3 million), due mainly to property acquisitions.
- Profit before taxes was EUR 40.9 million (EUR 24.9 million), including a EUR 31.5 million (EUR 15.5 million) increase in the fair value of investment properties.
- The market value of the company's property portfolio rose by 46.3 per cent, to EUR 1,546.9 million (EUR 1,057.6 million).
- Reported net rental income increased by 19.6 per cent, to EUR 23.2 million (EUR 19.4 million).
- Earnings per share amounted to EUR 0.18 (EUR 0.12).
- Earnings per share excluding the effects of fair value changes, gains on sale and other non-recurring items were EUR 0.04 (EUR 0.05), difference mainly due to higher number of shares, divestiture of non-core properties, increased development activity and costs related to increased business activities.
- Per-share net asset value (EPRA NAV) grew to EUR 3.69 (EUR 2.48).
- According to an external appraiser, the average net yield requirement for investment properties stood at 6.5 per cent on 31 March 2007.
- Equity ratio rose to 45.5 per cent (33.8 per cent).
- The company carried out a successful directed share issue worth EUR 133.8 million by issuing 25,000,000 new shares.
- The period-end market capitalisation totalled EUR 1,126.7 million (EUR 563.7 million).
- The company also continued implementing its growth strategy by acquiring the Tumba Centrum shopping centre in the municipality of Botkyrka, south of Stockholm, and the Hansa property within the Trio shopping centre in Lahti. The company invested a total of EUR 78.6 million in new properties.

Key Figures

	1-3 2007	1-3 2006	Change ^e	1-12 2006
Turnover, EUR million	34.2	27.3	25.6%	119.4
Operating profit, EUR million	50.4	31.9	58.0%	196.5
% of turnover	147.1	117.0	-	164.6
Profit before taxes, EUR million	40.9	24.9	64.5%	165.6
Profit attributable to parent company shareholders, EUR million	33.0	18.1	82.2%	124.9
Fair market value of investment properties, EUR million	1,546.9	1,057.6	46.3%	1,447.9
Earnings per share (basic), EUR	0.18	0.12	47.3%	0.78
Earnings per share (diluted), EUR (EPRA EPS)	0.17	0.12	36.2%	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	-18.1%	0.20
Net cash from operating activities per share, EUR	0.05	0.10	-46.6%	0.20
Equity per share, EUR (EPRA NAV)	3.69	2.48	49.0%	3.38
EPRA NNNNAV	3.43	2.50	37.4%	3.22
Equity ratio, %	45.5	33.8	-	39.1
Gearing, %	105.5	178.9	-	136.6
Net interest-bearing debt (fair value), EUR million	783.3	652.3	20.1%	811.2
Net rental yield, %	6.9	8.3	-	7.6
Occupancy rate, %	96.7	96.7	-	97.1
Personnel (at the end of the period)	89	59	50.8%	73

*) Change-% is based on exact figures.

CEO Petri Olkinuora:

"Citycon continued implementing its growth strategy and reported a good operating performance. The share issue carried out during the reporting period maintained the company's strong balance sheet and provided foundations for the implementation of development projects and for new shopping centre acquisitions.

During the period, Citycon acquired new properties and launched major development projects. In Sweden, the Liljeholmen shopping-centre project represents the company's largest single development project so far. In Estonia, the extension of Rocca al Mare will fortify Citycon's position in one of the company's significant growth regions. In Finland, the purchase of shares in MREC Kiinteistö Oy Lahden Hansa will enable the redevelopment of the Trio shopping centre in Lahti on a more extensive basis while supporting Citycon's leading market position in Finland.

Competition for retail properties in the company's operating regions has remained tough, also resulting in clear increase in property prices. Consequently, the company will in the future increasingly implement its growth strategy by investing in the development and extension of its existing properties and therefore property development and redevelopment will play an even more important role in Citycon's business. In addition to projects currently underway, the company is planning or examining development projects in all of its business areas.

Thanks to its new organisation restructured in late 2006, the company can allocate more resources to the commercial management, development and refurbishment of its retail properties. The Swedish organisation's new management took up its duties at the beginning of 2007 and Citycon also reinforced its Finnish organisation. These investments in the organisation will enable the company to continue its growth during 2007."

Business Environment

In the first quarter, demand for retail premises remained good in Citycon's operating regions in Finland, Sweden and the Baltic countries and occupancy rates remained high.

Recent years have seen continued GDP growth in Finland and Sweden, with consumer spending and the retail sector in particular showing vigorous development. The steady labour market and higher disposable income have supported consumer confidence while interest and inflation rates have remained modest, supporting growth.

Investor interest in retail properties has remained strong in all of the company's operating regions. Since competition for offered investment properties has remained tough, yield requirements for properties have fallen and property prices have risen. Property market liquidity has remained at a good level and the company's operating regions have plenty of investment properties that are, or will soon be, on sale.

Business and Property Portfolio in Summary

Specialising in shopping centres and other large retail units, Citycon is a property investment company operating in Finland, Sweden and the Baltic countries. As the market leader in the Finnish shopping centre business, Citycon has considerably extended its operations role in Sweden and established a foothold in the Baltic countries. Citycon's core competence lies in acquisition management and the development and redevelopment of shopping centres

On 31 March 2007, Citycon owned 28 (22) shopping centres and 52 (133) other retail properties and the market value of its property portfolio totalled EUR 1,546.9 million, Finnish properties accounting for 67.7 per cent (83.8 per cent), Swedish properties for 26.8 per cent (10.4 per cent) and properties in the Baltic countries for 5.5 per cent (5.8 per cent). At the end of the period, the gross leasable area (GLA) totalled 776,345 square metres.

Changes in Property Portfolio Fair Value

Citycon measures its investment property at fair value, under IAS 40, according to which changes in its fair value are recognised through profit or loss. Using International Valuation Standards (IVS), an external professional appraiser conducts the valuation of the company's property at least once a year. 2007 will see quarterly valuations by an external appraiser, due to the active market. A Property Valuation Statement on the March-end status, prepared by Aberdeen Property Investors Finland Oy, can be found at www.citycon.fi.

During the reporting period, the fair value of Citycon's property portfolio rose by EUR 31.5 million, as a result of changes in general market conditions and the leasing business. The period saw a total fair value increase of EUR 35.2 million and a total decrease of EUR 3.7 million.

The average net yield requirement defined by Aberdeen Property Investors Finland Oy for Citycon's property portfolio fell to 6.5 per cent, due mainly to the very active property market.

Lease Portfolio and Occupancy Rate

On 31 March 2007, Citycon had a total of 3,387 (2,327) leases. The length of the leases averaged 2.9 (3.0) years. On the same date, the occupancy rate for the company's property portfolio stood at 96.7 per cent (96.7 per cent) and net rental yield at 6.9 per cent (8.3 per cent).

Reported net rental income increased by 19.6 per cent, to EUR 23.2 million, and the gross leasable area (GLA) grew by 18.3 per cent, to 777,000 square metres. Net rental income for like-for-like properties rose by 12.2 per cent. Like-for-like properties refer to properties held by Citycon throughout the 24-month reference period, excluding properties under development and expansion as well as lots.

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

Lease Portfolio Summary

	1-3 2007	1-3 2006	1-12 2006
Number of leases started during the period	114	122	369
Total area of leases started, sq.m.	17,960	39,465	73,300
Occupancy rate at end of the period, %	96.7	96.7	97.1
Average length of lease portfolio at the end of the period, year	2.9	3.0	2.9

Development Projects

Maintaining its properties as attractive and dynamic centres for shopping in the eyes of both customers and lessees forms the key element in Citycon's business. The table below shows a list of the most significant development projects in progress, approved by the Board of Directors. In addition, Citycon is planning and preparing a number of other development projects. More information on projects under planning can be found in the Annual Report 2006 published in March 2007 and available at www.citycon.fi.

Development Projects

Property	Location	Total estimated capital expenditure (EUR million)	Actual capital expenditure by the end of period (EUR million)	Estimated year of completion
Lippulaiva	Espoo, Finland	60-70 ¹⁾	7.6	2008
Trio	Lahti, Finland	50.5	2.0	2009
Duo	Tampere, Finland	27.3	19.1	2007
Lentola	Kangasala, Finland	16.6	-	2007
Piispanristi	Kaarina, Finland	8.2	-	2007
Torikeskus	Seinäjoki, Finland	4	1.1	2008
Åkersberga	Österåker, Sweden	40 ²⁾	3.8	2009
Liljeholmen	Stockholm, Sweden	110	4.8	2009
Rocca al Mare	Tallinn, Estonia	68 ³⁾	0.6	2010

1) Both planned stages included in the figure.

2) Citycon owns 75 per cent of the Åkersberga shopping centre and accounts for around EUR 27 million of capital expenditure on its development.

3) All three planned stages included in the figure.

Some of these projects will still require Board approvals.

Business Areas

Citycon reorganised its operations towards the end of 2006 by introducing a geographically based regional organisation instead of the former divisions based on property types (Shopping Centres, Supermarkets and Shops, and Property Development). This new regional organisation divides the company's operations into three business areas, Finland, Sweden and the Baltic countries, which are further divided into Retail Properties and Property Development.

Finland

Citycon is the market leader in the shopping-centre business in Finland. Reported net rental income rose by 3.3 per cent, to EUR 17.5 million while net rental income for like-for-like properties increased by 12.2 per cent. Finland accounted for 75.5 per cent of Citycon's total net rental income.

Lease portfolio summary

	1-3 2007	1-3 2006		1-12 2006
Number of leases started during the period	106	113		321
Total area of leases started, sq.m.	16,900	37,466		66,500
Occupancy rate at end of the period, %	96.4	96.3		97.2
Average length of lease portfolio at the end of the period, year	3.2	3.1		3.1

Financial performance, Finland

	1-3 2007	1-3 2006	Change	1-12 2006
Turnover, EUR million	23.9	23.3	2.4%	95.8
Net fair value gains on investment property, EUR million	14.0	14.9	-6.3%	104.8
Operating profit, EUR million	30.2	30.7	-1.8%	176.1
Gross rental income, EUR million	23.3	22.7	2.4%	93.1
Net rental income, EUR million	17.5	16.9	3.3%	68.8
Net rental yield, %	7.3	8.5	-	7.6
Net rental yield, like-for-like properties, %	7.9	8.6	-	7.9
Market value of property portfolio, EUR million	1,046.6	886.5	18.1%	1,009.7
Capital expenditure, EUR million	22.9	51.3	-55.4%	152.8

During the reporting period, Citycon acquired all shares in MREC Kiinteistö Oy Lahden Hansa, adjacent to the Trio shopping centre in Lahti, at a debt-free price of EUR 17.0 million. The acquired property is an integral part of Trio, currently being refurbished by Citycon, and its acquisition will enable the company to develop the shopping centre on a more comprehensive basis. Hansa's gross leasable area totals roughly 11,000 square metres. As a result of this acquisition, Citycon is almost the sole owner of the Trio shopping centre, the gross leasable area in its possession increasing to 46,000 square metres. In addition, the company made several smaller investments during the period when it purchased shares in shopping centres from minority shareholders, such as in Isomyry in Vantaa and in Heikintori in Tapiola, Espoo.

Citycon's newest shopping centre, called Duo, will be completed in the planned schedule and the grand opening of the extension will take place on 26 April 2007. The gross leasable area of the centre totals 15,500 square metres consisting of the Hervanta retail centre (5,200 sq.m.) and the now opening new construction (10,300 sq.m.). Refurbishment of the older part will be completed in autumn 2007.

The largest-scale shopping-centre development projects in Finland include the extension and refurbishment of Trio in Lahti and Lippulaiva in Espoo. The autumn of 2006 saw the completion of Lippulaiva's refurbishment and the extension work included in the second stage will begin as soon as the related alteration to the city plan becomes legally valid, approximately in the summer of 2007.

In addition, the company has commissioned the building of a new retail centre in Kaarina, some five kilometres from downtown Turku and in Lentola, Kangasala, near Tampere, both due for completion in the autumn of 2007, and is refurbishing Torikeskus shopping centre in Seinäjoki.

New acquisitions carried out in Finland during the reporting period were worth a total of EUR 18.8 million (EUR 48.6 million), while development investments totalled EUR 4.0 million (EUR 2.7 million). On 31 March 2007, Citycon owned 19 (18) shopping centres and 46 (127) other retail properties in Finland.

Sweden

In 2006, Citycon made heavy investments in expanding its business in Sweden by acquiring several properties. This also necessitated reinforcing the Swedish organisation, and the new management took up their duties in early 2007. Citycon's net rental income grew by 206.8 per cent, to EUR 4.4 million. Sweden accounted for 19.0 per cent of the company's total net rental income.

Lease portfolio summary

	1-3 2007	1-3 2006		1-12 2006
Number of leases started during the period	3	1		32
Total area of leases started, sq.m.	270	107		3,900
Occupancy rate at end of the period, %	97.2	98.2		96.3
Average length of lease portfolio at the end of the period, year	1.9	2.5		2.2

Financial performance

	1-3 2007	1-3 2006	Change	1-12 2006
Turnover, EUR million	8.6	2.6	224.0%	17.3
Net fair value gains on investment property, EUR million	15.1	-0.1	NA	8.7
Operating profit, EUR million	18.8	1.0	1,691.9%	16.8
Gross rental income, EUR million	7.9	2.4	235.0%	15.9
Net rental income, EUR million	4.4	1.4	206.8%	9.3
Net rental yield, %	5.9	4.9	-	5.2
Market value of property portfolio, EUR million	414.8	109.9	277.4%	354.8
Capital expenditure, EUR million	61.7	33.3	85.2%	267.2

Pursuant to an agreement signed in December 2006, Citycon acquired all shares in Tumba Centrumfastigheter AB in late January. The acquired company owns Tumba Centrum, a shopping centre in the municipality of Botkyrka, south of Stockholm. The property's debt-free purchase price amounted to SEK 547.7 million (approx. EUR 60.5 million). Including not only retail premises but also apartments and office premises, which is typical of shopping centres in Sweden, the property has a gross leasable area of around 31,000 square metres, some 18,600 square meters of which are retail premises. As Citycon's thirteenth property purchase in Sweden, the acquisition of Tumba Centrum will strengthen the company's market position in the shopping-centre sector in Sweden and the Greater Stockholm Area.

In early February, Citycon announced that it would begin to build a shopping centre in Liljeholmen in Stockholm. The project investment totals around EUR 110 million, in addition to the EUR 60.6 million paid for the property, representing Citycon's largest-ever development project. Acquired by Citycon in August 2006, the Liljeholmen property currently comprises an office and commercial building of around 20,000 square metres with building rights for additional retail premises. Citycon will considerably extend and modernise the existing building. Citycon will build a new shopping centre with area totalling roughly 91,000 square metres, including the future underground car park, and the new shopping centre will open its doors in or around October-November 2009.

In the Greater Stockholm Area, Citycon is also modernising and extending the Åkersberga shopping centre. This project involves extending the shopping centre by approximately 9,000 square metres in leasable area, modernising the existing premises, and developing the shopping centre's service structure.

In Sweden, reported capital expenditure totalled roughly EUR 61.7 million, of which new acquisitions and development investments accounted for EUR 59.7 million (EUR 32.9 million) and EUR 1.9 million (EUR 0.3million), respectively. On 31 March 2007, Citycon owned 7 (3) shopping centres and 6 (6) other retail properties in Sweden.

Baltic Countries

Citycon owns two shopping centres in the Baltic region: Rocca al Mare in Tallinn, Estonia, and Mandarinas in Vilnius, Lithuania. Due to the limited size of the Baltic market, competition and the limited availability of suitable properties, Citycon has been cautious with investments in the region. However, the company is continuously looking for potential investment opportunities. Citycon's net rental income grew by 32.1 per cent, to EUR 1.3 million. The Baltic Countries accounted for 5.7 per cent of the company's total net rental income.

Lease portfolio summary

	1-3 2007	1-3 2006		1-12 2006
Number of leases started during the period	5	8		16
Total area of leases started, sq.m.	790	1,892		2,900
Occupancy rate at end of the period, %	100.0	100.0		100.0
Average length of lease portfolio at the end of the period, year	3.2	3.2		3.3

Financial performance

	1-3 2007	1-3 2006	Change	1-12 2006
Turnover, EUR million	1.8	1.3	40.3%	6.2
Net fair value gains on investment property, EUR million	2.4	0.7	230.5%	6.6
Operating profit, EUR million	3.5	1.6	117.2%	10.9
Gross rental income, EUR million	1.6	1.0	51.5%	6.1
Net rental income, EUR million	1.3	1.0	32.1%	4.8
Net rental yield, %	7.7	8.7	-	8.4
Market value of property portfolio, EUR million	85.6	61.2	39.9%	83.3
Capital expenditure, EUR million	0.3	-	-	16.2

In early February, Citycon announced that it would begin to extend the Rocca al Mare shopping centre, acquired in the summer of 2005. When Citycon acquired Rocca al Mare, it identified the potential for remarkable extension of the shopping centre. The project involves both extension of the centre and refurbishing the existing property. Its first stage investment is worth a total of some EUR 25 million, increasing the gross leasable area by around 16,000 square metres, while the project investment, covering several stages, totals an estimated EUR 68 million.

The first stage of the construction project has begun and is projected to be completed in the spring of 2008. According to plan, a fully refurbished Rocca al Mare should open in the spring of 2010. During the three months ended 31 March 2007, the development investments amounted to EUR 0.3 million (EUR 0.0 million) in Rocca al Mare.

Turnover and Profit

Turnover for the period came to EUR 34.2 million (EUR 27.3 million), mainly comprising of the rental income generated by Citycon's retail properties, of which gross rental income accounted for 95.7 per cent (95.9 per cent).

Operating profit rose to EUR 50.4 million (EUR 31.9 million). Profit before tax came to EUR 40.9 million (EUR 24.9 million) and profit after tax was EUR 34.6 million (EUR 18.9 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 investment property fair value gains, gains on the sale of investment property and other non-recurring items, including the related tax effect, on the profit for the period attributable to parent company shareholders came to EUR 25.8 million (EUR 11.0 million). Taking this into account, the reported profit attributable to parent company shareholders after tax is EUR 0.1 million above the Q1/2006 level.

Earnings per share were EUR 0.18 (EUR 0.12). Earnings per share excluding fair value gains, capital gains on investment property, other non-recurring items and the resulting tax effects were EUR 0.04 (EUR 0.05).

Net cash flow from operating activities per share amounted to EUR 0.05 (EUR 0.10). The reduction in the net cash from operating activities was due to exceptional tax return in the previous year and timing issues like changes in working capital 2007.

Human Resources and Administrative Expenses

On 31 March 2007, Citycon Group had a total of 89 (59) employees, 66 of whom worked in Finland, 17 in Sweden, five in Estonia and one in Lithuania. Administrative expenses grew to EUR 4.3 million (EUR 3.2 million), including EUR 0.2 million (EUR 0.2 million) in share-based, non-cash expenses related to employee stock options. Higher expenses were attributable to expanded company operations and expenses resulting from the creation of the new regional organisation, as well as the increase in expert fees and other expenses related to property acquisitions.

Capital Expenditure

Reported gross capital expenditure totalled EUR 84.9 million (EUR 84.5 million), of which property acquisitions accounted for EUR 78.6 million (EUR 81.5 million), property development for EUR 6.2 million (EUR 3.0 million) and other investments for EUR 0.1 million (EUR 0.0 million).

These investments were mainly financed with the proceeds from the EUR 133.8 million share issue carried out in February.

Balance Sheet and Financial Position

The period-end balance sheet total stood at EUR 1,594.4 million (EUR 1,077.8 million), and liabilities totalled EUR 869.0 million (EUR 713.2 million), with short-term liabilities accounting for EUR 137.4 million (EUR 134.8 million). The Group's financial position remained at a healthy level throughout the reporting period.

Year-on-year, reported interest-bearing debt increased by EUR 121.5 million, to EUR 786.2 million (EUR 664.6 million). The fair value of Group interest-bearing debt stood at EUR 804.1 million (EUR 664.6 million) while cash and cash equivalents came to EUR 20.8 million (EUR 12.3 million), resulting in EUR 783.3 million (EUR 652.3 million) in the fair value of net interest-bearing debt.

The interest rate of interest-bearing debt averaged 4.56 per cent (4.42 per cent). The average loan maturity, weighted according to loan principals, extended to 4.6 years (2.6 years) while the average time to fixing lengthened to 3.9 years (2.1 years). On 31 March 2007, the interest rate of interest-bearing debt, interest-rate swaps included, averaged 4.65 per cent.

The Group's equity ratio increased clearly, and rose to 45.5 per cent (33.8 per cent). The interest coverage ratio (the previous 12 months' profit before interest expenses, taxes and depreciation relative to net financial expenses) was 2.2.

Period-end gearing was 105.5 per cent (178.9 per cent). The directed share issue carried out during the period and good financial performance pulled down gearing.

Citycon's period-end interest-bearing debt included 76.7 per cent (89.2 per cent) of floating-rate loans, of which 79.1 per cent (56.7 per cent) had been converted to fixed-rate ones by means of interest-rate swaps. Fixed-rate debt accounted for 84.0 per cent of the Group's period-end interest-bearing debt, the interest-rate swaps included. On 31 March 2007, the nominal amount of derivative contracts was EUR 586.1 million (EUR 376.5 million) while the fair value stood at EUR 3.6 million (-EUR 8.1 million).

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 value of interest-rate swaps totalled EUR 537.9 million (EUR 376.5 million), with hedge accounting applied to interest-rate swaps whose nominal value amounted to EUR 487.9 million (EUR 376.5 million).

Net financial expenses increased by EUR 2.4 million, to EUR 9.5 million (EUR 7.0 million), due mainly to higher interest-bearing debt and reported expenses resulting from an option on convertible bonds. Net financial expenses shown in the income statement include EUR 0.4 million (EUR 0.0 million) in non-cash expenses related to the option component on convertible bonds.

Directed Share Issue

Citycon strengthened its balance sheet by a directed share issue in February. The issue of new shares was based on the authorisation by the Extraordinary General Meeting of 26 January 2007. The new shares were offered to subscription to Finnish and international institutional investors in a directed issue, waiving the shareholders' pre-emptive rights, and was carried out in an accelerated book-building process between 12 February and 13 February 2007. A total of 25 million new shares were offered for subscription at a per-share price of EUR 5.35.

On the basis of bids received during the book-building process, on 13 February 2007 the Board of Directors decided to issue 25 million new shares. On 15 February 2007, the share capital increase of EUR 33,750,000.00, corresponding to the number of shares subscribed in the issue, was registered in the Trade Register. These new shares entitle their holders to a dividend as of the

financial year starting on 1 January 2007. As a result of the share issue, the company's registered and fully paid-up share capital increased to EUR 259,570,510.20 and the number of shares to 192,274,452. The new shares offered for subscription represented around 14.9 per cent of Citycon's share capital before the share issue and 13.0 per cent after it.

After arrangement fees, the amount of net proceeds raised in the share issue totalled approximately EUR 132.2 million, which the company intends to use on financing investments in line with its investment strategy.

More detailed information on the directed share issue can be found in Citycon's stock exchange releases published in February and available on the company's website at www.citycon.fi.

Annual General Meeting 2007

Citycon Oyj's Annual General Meeting (AGM), held in Helsinki on 14 March 2007, adopted the parent company's and consolidated financial statements for 2006 and discharged the Board of Directors and the CEO from liability. It decided that a per-share dividend of EUR 0.14 be paid for the financial year 2006. The dividend record date was 16 March 2007 and the dividend payment date 23 March 2007. In addition, the AGM authorised the Board to issue a maximum of 100 million new shares or special rights entitling to shares and approved the Board of Directors' proposals for partial amendments to the Articles of Association and the terms and conditions of the company's stock option schemes.

Board of Directors and Board remuneration

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

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

Independence of Board members

In the Board of Directors' view, all Board members are independent of the company as non-executive directors and Gideon Bolotowsky, Raimo Korpinen, Tuomo Lähdesmäki, Carl G. Nordman and Thom Wernink are independent of major shareholders.

Auditor

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

Amendments to the Articles of Association and the terms and conditions of stock options

The AGM approved the proposed amendments to the Articles of Association, resulting mainly from the new Finnish Companies Act, registered in the Trade Register on 30 March 2007. The most significant amendments to the Articles of Association included deleting provisions governing the company's minimum and maximum share capital and the share's nominal value. As a result of the abolition of the share's nominal value, the AGM also decided to remove references to the share's nominal value from the terms and conditions of the 1999 and 2004 stock option schemes. In addition, the AGM decided to add a reference to the stock option schemes, stating that the share subscription price must always be at least EUR 1.35 and that the share subscription price must be recognised under the invested unrestricted equity fund.

The amended Articles of Association and stock option terms and conditions can be found at www.citycon.fi.

Board authorisations

The AGM authorised the Board of Directors to decide on issuing new shares and disposing of treasury shares held by the company, through a rights or a free share issue. The company may issue new shares and transfer its treasury shares to its shareholders in proportion to their current shareholdings in the company or, waiving the shareholders' pre-emptive right, through a directed share issue, if the company has a weighty financial reason for doing so. The Board may also decide on a bonus issue to the company itself. In addition, the AGM authorised the Board of Directors to grant special rights, as referred to in Chapter 10, Section 1 of the Companies Act, entitling their holders to receive, against payment, new company shares or treasury shares held by the company.

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.

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. During the reporting period, the company increased its share capital by EUR 33.9 million and 25.1 million shares, as a result of share subscriptions based on a directed share issue and stock options. The table below shows the changes in share capital in more detail. The company's period-end registered share capital amounted to EUR 259.6 and the number of shares totalled 192.3 million. The company has a single series of shares, with each share entitling its holder to one vote at the shareholders' meeting. The shares have no nominal value.

Changes in share capital between 1 January and 31 March 2007

Date 2007	Reason	Change in			
		Change, EUR	no. of shares	Share capital, EUR	Number 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
31 March				259,570,510.20	192,274,452

Notification of changes in ownership

After the directed share issue, Citycon received a notification from Fidelity International Limited, whereby Fidelity International Limited informed that its and its direct and indirect subsidiaries' shareholding in Citycon Oyj fell below ten (10) per cent, as a result of the increase of the company's share capital. Accordingly, on 14 February 2007 Fidelity International Limited and its direct and indirect subsidiaries held a total of 17,297,574 Citycon shares, accounting for nine per cent of the company's fully paid share capital and votes.

Stock Options

Citycon has two option schemes, the 1999 A/B/C scheme and the 2004 A/B/C scheme. These stock option schemes form part of Citycon Group's employee incentive and motivation programme. The stock options 1999 and 2004 A are listed on the Helsinki Stock Exchange.

The table below shows basic information on the stock option schemes.

Stock options	1999 A	1999 B	1999 C	2004 A	2004 B	2004 C
Distributed stock options, No	1,800,000	1,800,000	1,727,500	1,040,000	1,090,000	1,250,000
Held by Veniamo-Invest Oy, No ⁽¹⁾			172,500	260,000	210,000	50,000
Subscription ratio, stock option/share	1:1.0927	1:1.0927	1:1.0927	1:1.0611	1:1.0611	1:1.0611
Subscription price/share, EUR	1.35	1.35	1.35	2.1636 ⁽²⁾	2.6066 ⁽²⁾	4.55 ⁽²⁾
Share subscription period starts	1 Sept. 2000	1 Sept. 2002	1 Sept. 2004	1 Sept. 2006	1 Sept. 2007	1 Sept. 2008
Share subscription period ends	30 Sept. 2007	30 Sept. 2007	30 Sept. 2007	31 March 2009	31 March 2010	31 March 2011

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

2) After dividend distribution for 2006. The subscription price will be reduced by half of the amount of annual dividends paid. However, the share subscription price will always amount to at least EUR 1.35.

At the end of December 2006, a total of 91,272 new shares were subscribed on the basis of Citycon's 1999 and 2004 stock options. On 9 February 2007, the share capital increase, EUR 123,217.20, corresponding to these share subscriptions, was registered in the Trade Register. The number of shares subscribed on the basis of the 1999 A/B/C stock options totalled 63,525 at a per-share subscription price of EUR 1.35 and that on the basis of the 2004 A stock options 27,747 at a per-share subscription price of EUR 2.2336. In January-March, the company did not receive any new share subscriptions based on the option rights.

Since company shares no longer bear any nominal value and the AGM amended the stock options' terms and conditions in such a way that the share subscription price of shares subscribed on the basis of stock options would be 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.

Pages 34-36 of the Financial Statements Appendix to the Annual Report 2006 provide more detailed information on the company's stock option schemes.

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, future fair value changes of investment properties and changes in interest rates. A marked increase in interest rates, reduction in fair value of investment properties or a substantial economic slowdown in Finland, Sweden or the Baltic countries could have an adverse effect on Citycon's business and financial performance.

Outlook

Citycon will remain active in seeking acquisition and development opportunities while implementing its expansion strategy, despite toughening competition in the property market. The company expects that development and redevelopment projects will play a growing role in its business during 2007. Citycon estimates that its operating profit, excluding fair value changes and gain on sale on investment properties, will grow in 2007. This outlook is based on expected growth in the company's leasable area, resulting from major acquisitions carried out and development projects planned and underway, as well as estimated net rental income generated by these premises.

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS 31 March 2007

Condensed Consolidated Income Statement, IFRS

EUR million	Note	1-3 2007	1-3 2006	Change	1-12 2006
Gross rental income		32.8	26.1	25.4%	115.1
Service charge income		1.5	1.1	32.3%	4.2
Turnover	3	34.2	27.3	25.6%	119.4
Property operating expenses		11.1	7.8	41.4%	36.0
Other expenses from leasing operations		0.0	0.0	-127.0%	0.6
Net rental income		23.2	19.4	19.6%	82.8
Administrative expenses		4.3	3.2	33.6%	12.9
Other operating income and expenses		0.0	0.2	-81.0%	0.6
Net fair value gains on investment property		31.5	15.5	102.9%	120.1
Net gains on sale of investment property		-	-	-	5.9
Operating profit		50.4	31.9	58.0%	196.5
Net financial income and expenses		9.5	7.0	34.7%	30.9
Profit before taxes		40.9	24.9	64.5%	165.6
Current taxes		-1.4	-1.4	0.2%	-7.4
Change in deferred taxes		-4.8	-4.6	6.4%	-31.8
Profit for the period		34.6	18.9	83.5%	126.4
Attributable to					
Parent company shareholders		33.0	18.1	82.2%	124.9
Minority interest		1.6	0.8	114.9%	1.5
Earnings per share (basic), EUR		0.18	0.12	47.3%	0.78
Earnings per share (diluted), EUR		0.17	0.12	36.2%	0.74

Condensed Consolidated Balance Sheet, IFRS

EUR million	Note	31 March 2007	31 March 2006	31 Dec. 2006
Assets				
Non-current assets				
Investment property	4	1,546.9	1,057.6	1,447.9
Development property	5	5.7	-	-
Other property, plant and equipment		0.8	0.5	0.6
Derivative financial instruments and other non-current assets	7	7.0	0.3	4.8
Total non-current assets		1,560.4	1,058.5	1,453.3
Current assets				
Derivative financial instruments	7	0.4	-	0.4
Trade and other receivables		12.9	7.0	11.3
Cash and cash equivalents	6	20.8	12.3	21.3
Total current assets		34.0	19.4	33.1
Total assets		1,594.4	1,077.8	1,486.4
Liabilities and Shareholders' Equity				
Equity attributable to parent company shareholders				
Share capital		259.6	185.1	225.7
Share issue		-	-	0.1
Share premium fund and other restricted reserves		131.1	78.9	131.1
Fair value reserve	7	0.5	-6.0	-1.3
Invested unrestricted equity funds		98.9	-	-
Retained earnings		219.1	102.3	209.7
Total equity attributable to parent company shareholders		709.2	360.3	565.3
Minority interest		16.2	4.3	15.0
Total shareholders' equity		725.4	364.6	580.3
Liabilities				
Interest-bearing liabilities		682.3	558.5	726.3
Derivative financial instruments and other non-interest bearing liabilities	7	3.8	8.1	4.9
Deferred tax liabilities		45.5	11.9	40.4
Total long-term liabilities		731.6	578.5	771.7
Interest-bearing liabilities		103.9	106.2	87.6
Trade and other payables		33.5	28.6	46.8
Short-term liabilities		137.4	134.8	134.4
Total liabilities		869.0	713.2	906.1
Total liabilities and shareholders' equity		1,594.4	1,077.8	1,486.4

Condensed Consolidated Statement of Changes in Shareholders' Equity, IFRS

EUR million	Equity attributable to parent company shareholders						Equity attributable to parent company shareholders	Minority interest	Shareholders' equity total
	Share capital	Share issue	Share premium fund and other reserves	Fair value reserve	Invested unrestrict-ed equity funds	Retained earnings			
Balance at 1 Jan. 2006	184.1	1.1	85.4	-10.5	-	96.5	356.6	3.6	360.2
Cash flow hedges				4.5			4.5		4.5
Profit for the period						18.1	18.1	0.8	18.9
Total recognized income and expense for the period				4.5		18.1	22.7	0.8	23.4
Share subscriptions based on stock options	1.0	-1.1	0.0				0.0		0.0
Dividends (Note 8)			-6.6			-12.6	-19.2		-19.2
Share-based payment						0.2	0.2		0.2
Balance at 31 March 2006	185.1	-	78.9	-6.0	-	102.3	360.3	4.3	364.6
Balance at 1 Jan. 2007	225.7	0.1	131.1	-1.3	-	209.7	565.3	15.0	580.3
Cash flow hedges				1.8			1.8		1.8
Profit for the period						33.0	33.0	1.6	34.6
Total recognized income and expense for the period				1.8		33.0	34.8	1.6	36.4
Change in share capital	33.8				98.9		132.6		132.6
Share subscriptions based on stock options	0.1	-0.1	0.0				0.0		0.0
Dividends (Note 8)						-23.4	-23.4		-23.4
Translation differences						-0.4	-0.4	-0.4	-0.8
Share-based payment						0.2	0.2		0.2
Balance at 31 March 2007	259.6	0.0	131.1	0.5	98.9	219.1	709.2	16.2	725.4

Condensed Consolidated Cash Flow Statement, IFRS

EUR million	Note	1-3 2007	1-3 2006	1-12 2006
Cash flow from operating activities				
Profit before taxes		40.9	24.9	165.6
Adjustments		-21.7	-8.7	-94.0
Cash flow before change in working capital		19.2	16.2	71.6
Change in working capital		-5.1	-1.3	-0.5
Cash generated from operations		14.1	14.9	71.1
Paid interest and other financial charges		-4.4	-1.9	-34.1
Received interest and other financial income		1.4	0.0	0.9
Taxes paid		-1.6	1.5	-5.9
Net cash from operating activities		9.6	14.5	32.0
Cash flow from investing activities				
Acquisition of subsidiaries, less cash acquired		-96.9	-46.5	-331.8
Acquisition of investment property	4	-	-32.1	-33.6
Capital expenditure on investment properties	4	-5.7	-5.9	-35.6
Capital expenditure on development properties, other PP&E and intangible assets	5	-1.2	-	-
Sale of investment property		-	-	73.9
Net cash used in investing activities		-103.9	-84.4	-327.1
Cash flow from financing activities				
Proceeds from share issue		132.2	-	77.4
Proceeds from short-term loans		36.2	101.0	421.2
Repayments of short-term loans		-19.9	-36.0	-392.2
Proceeds from long-term loans		60.9	30.0	675.3
Repayments of long-term loans		-96.0	-10.8	-461.8
Dividends paid	8	-19.3	-17.5	-19.2
Net cash from/used in financing activities		94.1	66.7	300.8
Net change in cash and cash equivalents		-0.2	-3.2	5.7
Cash and cash equivalents at period-start	6	21.3	15.6	15.6
Effects of exchange rate changes		-0.3	-	-
Cash and cash equivalents at period-end	6	20.8	12.3	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 26 April 2007.

2. Basis of preparation and accounting policies

Basis of preparation

The interim condensed consolidated financial statements for the three months ended 31 March 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

Tumba Centrumfastigheter AB was acquired in January 2007. The identifiable assets and liabilities of Tumba Centrumfastigheter AB, corresponding to the shares acquired, have been recognized at preliminary value in the company's balance sheet.

Reporting to Gazit-Globe Ltd.

The company's main shareholder, Gazit-Globe Ltd, holding approximately 38.9 per cent of the shares in the company, has announced that it will start applying 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 in 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 areas Finland, Sweden and the Baltic Countries.

EUR million	1-3 2007	1-3 2006	Change	1-12 2006
Turnover				
Finland	23.9	23.3	2.4%	95.8
Sweden	8.6	2.6	224.0%	17.3
Baltic Countries	1.8	1.3	40.3%	6.2
Total	34.2	27.3	25.6%	119.4

EUR million	1-3 2007	1-3 2006	Change	1-12 2006
Operating profit				
Finland	30.2	30.7	-1.8%	176.1
Sweden	18.8	1.0	1691.9%	16.8
Baltic Countries	3.5	1.6	117.2%	10.9
Other	-2.1	-1.5	38.6%	-7.2
Total	50.4	31.9	58.0%	196.5

EUR million	31 March 2007	31 Dec. 2006
Assets		
Finland	1,053.5	1016.6
Sweden	418.3	358.0
Baltic Countries	85.9	83.6
Other	36.7	28.2
Total	1,594.4	1,486.4

The significant increase in segment assets for Sweden is due to the acquisition of a shopping centre Tumba Centrum.

4. Investment property

EUR million	31 March 2007	31 March 2006	31 Dec. 2006
At period-start	1,447.9	956.6	956.6
Additions	84.8	85.5	436.2
Disposals	-	-	-67.9
Transfer into the development properties	-5.7	-	-
Net fair value gains	31.5	15.5	120.1
Exchange differences	-11.6	-	2.9
At period-end	1,546.9	1,057.6	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 31 March 2007 and 31 December 2006:

Yield requirement (%)

	31 March 2007	31 Dec. 2006
Finland	6.5	6.6
Sweden	6.2	6.4
Baltic Countries	6.8	7.1
Average	6.5	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 31 March 2007, the development properties consisted of the capital expenditure relating to extension projects in Rocca al Mare, Åkerbserga and Liljeholmen shopping centres. Investments in development properties during the three months ended 31 March 2007 amounted to EUR 1.2 million (EUR 0.0 million) and the development property in the balance sheet totalled EUR 5.7 million at 31 March 2007.

6. Cash and cash equivalents

EUR million	31 March 2007	31 March 2006	31 Dec. 2006
Cash in hand and at bank	20.6	9.8	19.4
Restricted cash in hand and at bank	-	1.0	-
Short-term deposits	0.2	1.5	1.9
Total	20.8	12.3	21.3

7. Derivative Financial Instruments

EUR million	31 March 2007		31 March 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	0.4	78.2	0.5	50.0	0.4
1-2 years	40.0	0.1	50.0	-0.7	40.0	0.0
2-3 years	86.0	-1.5	145.3	-3.5	86.0	-2.6
3-4 years	83.0	-2.1	83.0	-4.4	83.0	-2.6
4-5 years	40.0	0.7	20.0	0.2	40.0	-0.8
over 5 years	238.9	5.8	0.0	0.0	242.7	3.8
Total	537.9	3.3	376.5	-8.1	541.7	-1.8
Foreign exchange derivatives						
Forward agreements						
Maturity:						
less than 1 year	48.1	0.3	0.0	0.0	14.8	0.0
Total	48.1	0.3	0.0	0.0	14.8	0.0

The fair value of derivative financial instruments represents 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 debt and foreign currency risk.

The fair values include foreign exchange gain of EUR 0.4 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 487.9 million (EUR 376.5 million). The fair value gain recognized in the fair value reserve under shareholders' equity taking account the tax effect totals EUR 0.5 million (EUR -6.0 million).

8. Dividends

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

Dividends were paid on 23 March 2007. Tax at source relating to the declared dividend was paid in April in 2006 and 2007.

EUR million	31 March 2007	31 March 2006
Dividends	23.4	19.2
Dividends paid	19.3	17.5

9. Contingent Liabilities

EUR million	31 March 2007	31 March 2006	31 Dec. 2006
Mortgages on land and buildings	20.5	7.8	21.1
Bank guarantees	20.5	-	37.1
Capital commitments	57.6	-	40.7

At 31 March 2007 Citycon had capital commitments of EUR 50.6 million relating to development projects.

10. Key Figures

	1-3 2007	1-3 2006	Change	1-12 2006
Earnings per share (basic), EUR	0.18	0.12	47.3%	0.78
Earnings per share (diluted), EUR (EPRA EPS)	0.17	0.12	36.2%	0.74
Equity per share, EUR (EPRA NAV)	3.69	2.48	49.0%	3.38
Equity ratio, %	45.5	33.8	-	39.1

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

The figures are unaudited.

Financial reports in 2007

In 2007, Citycon will publish another two interim reports as follows:

January-June 2007 on Friday, 20 July, at noon and
January-September 2007 on Thursday, 18 October, at noon.

For further information for investors, please visit Citycon's website, www.citycon.fi.

Helsinki, 26 April 2007

Citycon Oyj

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Report on the general review of Citycon Oyj's interim report for the period 1.1.-31.3.2007

We have generally reviewed the interim report of Citycon Oyj for the period 1.1.-31.3.2007. 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, April 26, 2007

Ernst & Young Oy

Tuija Korpelainen, Authorized Public Accountant