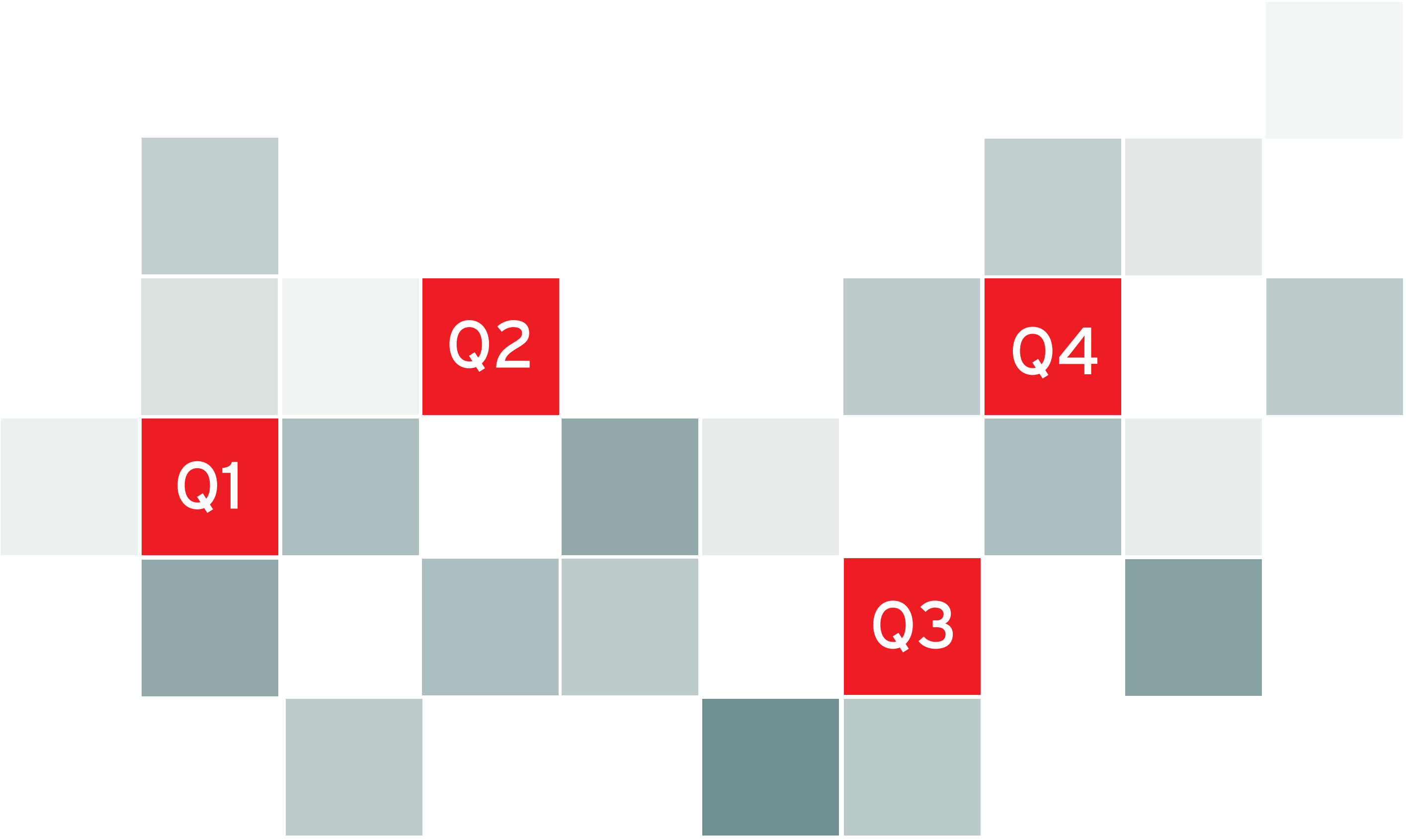
2007 | Financial Results 1 January - 31 December 2007



CITYCON

Citycon Oyj Financial Results 1 January - 31 December 2007

Summary of the Last Quarter of 2007

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

Key Figures

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

1) Change % is calculated from exact figures and refers to the change between 2006 and 2007.
2) Previously disclosed "Earnings per share excluding the effects of changes in fair value gains, gains on sale and other extraordinary items" have been replaced with the "Direct result per share (diluted)" -key figure. Please see the note "Reconciliation between direct and indirect result" for direct result calculations.
3) The calculation of NAV has been modified to comply with EPRA definitions (previously deferred taxes were deducted).
4) Includes the lots for development projects.
*) Proposal by the Board.

Summary of the Year 2007

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

CEO Petri Olkinuora Comments on the Year 2007 as follows:

"In 2007, Citycon's turnover continued to grow and profit improved further. Citycon continued successfully implementing its expansion strategy through selected acquisitions and development projects. The company's net rental income increased and the fair market value of properties rose. The shopping centre business was backed up by the retail trade's strong growth in all of Citycon's operating countries.

Citycon's strategic focus lies in the development, redevelopment and proactive management of its assets and the company made substantial investments in various projects as reported. The company's existing property portfolio offers good opportunities to increase rental income by development investments and construction of new premises. In the short term, redevelopment projects may lead to decrease in rental income, since some retail premises under major renovation have to be vacated, but going further, these activities will increase the company's rental income and market position remarkably.

In our property development, we emphasize sustainable construction and creating environmental-friendly practices. The company has currently in progress seven major redevelopment and extension projects. The three largest ones of these, the development project of the Liljeholmstorget shopping centre in Stockholm, the extension to the Rocca al Mare shopping centre in Tallinn and the refurbishment of the Trio shopping centre in Lahti, form the company's pilot projects in sustainable construction.

In spite of the increase in interest rates and the volatility in the international financial markets, Citycon's weighted-average interest rate grew modestly during the year thanks to our conservative financing policy. Also, the margins of our new credit facilities remained in line with the company's quality of operations. During the year, the company also successfully carried out two share issues. Citycon's cash flow remained strong despite higher net financial expenses.

Citycon will continue the sustainable development of its shopping centres in 2008. We also seek new opportunities to expand our shopping centre business, both through new acquisitions and redevelopment activities."

Business Environment

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

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

Business and Property Portfolio Summary

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

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

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

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

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

Changes in Fair Value of Investment Properties

Citycon measures its investment property at fair value, under the IAS 40 standard, according to which changes in investment properties' fair value are recognised through profit or loss. In accordance with the International Accounting Standards (IAS) and the International Valuation Standards (IVS), an external professional appraiser conducts a valuation of Citycon's property portfolio on a property-by-property basis at least once a year. However, in 2007, Citycon chose to have its properties valued by an external appraiser on a quarterly basis, due to market activity and rapidly changing market conditions.

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

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

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

Lease Portfolio and Occupancy Rate

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

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

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

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

Lease portfolio summary

	Q4 2007	Q4 2006	Q3 2007	2007	2006	Change, %
Number of leases started during the period	164	102	112	512	369	38.8
Total area of leases started, sq.m.	27,854	14,822	28,884	103,408	73,300	41.1
Occupancy rate at end of the period ,%			96.3	95.7	97.1	-1.4
Average length of lease portfolio at the end of the period, year			2.8	3.0	2.9	3.4

Acquisitions

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

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

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

Acquisitions 2007 [1]

Property	Company	Location	Acquisition cost [2] (EUR million)	Post-acquisition holdings, %
Finland				
Shopping centre Iso Omena	Big Apple Acquisition Oy	Espoo	329.0	100
Shopping centre Trio	Kiinteistö Oy Lahden Hansa	Lahti	17.3	
Retail centre Lillinkulma	Kiinteistö Oy Lillinkulma	Kaarina	10.9	100
Shopping centre Espoontori	Kiinteistö Oy Espoon Asemakuja 2	Espoo	9.2[3]	100
Retail centre Myllypuro	Myllypuron Ostoskeskus Oy Kiinteistö Oy Kivensilmänkuja 1	Helsinki	2.7[4]	73,5
Retail centre Lentola	Lentolan Perusyhtiö Oy	Kangasala	16.1	100
Sweden				
Shopping centre Tumba Centrum	Tumba Centrum fastigheter AB	Botkyrka, Greater Stockholm	59.4	100
Shopping centre Strömpilen and retail centre Länken	Strömpilen AB (formerly Balticgruppen Handel AB)	Umeå	52.9	75
Baltic Countries				
Shopping centre Magistral	Real estate transaction	Tallinn	16.2	100

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

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

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

4) Includes several transactions.

Development and Redevelopment Projects

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

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

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

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

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

Development Projects in Progress

Property	Location	Estimated total need (EUR million)	Actual gross expenditure by the end of the period (EUR million)	Estimated year of completion
Lippulaiva	Espoo, Finland	60-70 [1)]	8.9	2008
Trio	Lahti, Finland	60[2)]	21.5	2009
Torikeskus	Seinäjoki, Finland	4,0	2.1	2008
Åkersberga Centrum	Österåker, Sweden	27 [3)]	3.3	2009
Liljeholmstorget	Stockholm, Sweden	120	17.6	2009
Rocca al Mare	Tallinn, Estonia	68	13.2	2009

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

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

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

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

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

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

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

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

Completed Development Projects

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

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

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

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

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

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

Business Units

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

Finland

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

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

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

Lease portfolio summary, Finland

	Q4 2007	Q4 2006	Q3 2007	2007	2006	Change, %
Number of leases started during the period	151	75	84	442	321	37.7
Total area of leases started, sq.m.	18,640	11,670	14,510	74,400	66,500	11.9
Occupancy rate at end of the period ,%			95.9	95.6	97.2	-1.6
Average length of lease portfolio at the end of the period, year			3.1	3.1	3.1	0.0

Financial performance, Finland

	Q4 2007	Q4 2006	Q3 2007	2007	2006	Change, %
Gross rental income, EUR million	29.1	23.3	24.6	100.7	93.1	8.2
Turnover, EUR million	30.2	24.0	25.5	104.3	95.8	8.9
Net rental income, EUR million	21.0	17.0	18.9	75.7	68.8	10.1
Net fair value gains on investment property, EUR million	-2.1	13.0	16.2	148.5	104.8	41.7
Operating profit, EUR million	17.5	30.2	33.9	218.7	176.1	24.2
Capital expenditure, EUR million	32.5	5.7	353.2	429.1	152.8	180.8
Fair market value of investment properties, EUR million			1555.5	1,587.0	1009.7	57.2
Net rental yield, % (1			6.6	6.2	7.6	–
Net rental yield, like-for-like properties, %			7.4	7.1	7.9	–

1) Includes the lots for development projects.

Sweden

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

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

Lease portfolio summary, Sweden

	Q4 2007	Q4 2006	Q3 2007	2007	2006	Change, %
Number of leases started during the period	13	27	18	49	32	53.1
Total area of leases started, sq.m.	9,179	3,152	12,213	25,800	3,900	561.5
Occupancy rate at end of the period ,%			96.9	95.1	96.3	-1.2
Average length of lease portfolio at the end of the period, year			2.0	2.4	2.2	11.6

Financial performance, Sweden

	Q4 2007	Q4 2006	Q3 2007	2007	2006	Change, %
Gross rental income, EUR million	9.4	6.6	9.7	35.4	15.9	121.8
Turnover, EUR million	11.1	7.2	10.1	39.0	17.3	125.1
Net rental income, EUR million	4.7	3.7	6.5	21.6	9.3	133.6
Net fair value gains on investment property, EUR million	2.7	9.1	2.3	55.6	8.7	539.3
Operating profit, EUR million	7.3	11.9	7.6	74.3	16.8	343.4
Capital expenditure, EUR million	5.5	41.2	3.0	142.4	267.2	-46.7
Fair market value of investment properties, EUR million			526.4	517.5	354.8	45.9
Net rental yield, % (1			4.8	4.6	5.1	–
Net rental yield, like-for-like properties, %			6.0	5.3	6.8	–

1) Includes the lots for development projects.

Baltic Countries

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

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

Lease portfolio summary, Baltic Countries

	Q4 2007	Q4 2006	Q3 2007	2007	2006	Change, %
Number of leases started during the period	-	-	10	21	16	31.3
Total area of leases started, sq.m.	-	-	2,161	3,208	2,900	10.6
Occupancy rate at end of the period ,%			100.0	100.0	100.0	0.0
Average length of lease portfolio at the end of the period, year			3.2	2.8	3.3	-15.9

Financial performance, Baltic Countries

	Q4 2007	Q4 2006	Q3 2007	2007	2006	Change, %
Gross rental income, EUR million	2.1	1.8	2.1	7.7	6.1	25.7
Turnover, EUR million	2.0	1.8	2.3	8.0	6.2	29.4
Net rental income, EUR million	1.4	1.3	1.8	6.0	4.8	25.4
Net fair value gains on investment property, EUR million	0.1	1.1	2.5	9.3	6.6	42.0
Operating profit, EUR million	1.2	2.2	4.2	14.5	10.9	33.0
Capital expenditure, EUR million	5.6	0.0	22.2	31.7	16.2	95.1
Fair market value of investment properties, EUR million			109.3	111.2	83.3	33.4
Net rental yield, % (1			6.4	6.2	6.7	–

1) Includes the lots for development projects.

Turnover and Profit

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

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

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

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

Human Resources and Administrative Expenses

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

Capital Expenditure

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

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

Balance Sheet and Financial Position

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

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

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

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

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

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

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

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

Capital Market Transactions

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

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

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

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

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

Near-term Risks and Uncertainties

Risk management aims to ensure that Citycon meets its strategic and operational goals. The company's risk-management process involves identifying business-related risks, analysing their significance, planning and implementing risk-management measures, reporting on risks on a regular basis and controlling risks.

In the late 2006, Citycon initiated a large-scale project aiming at the adoption of a holistic Enterprise Risk Management (ERM) programme. The project implementation was completed during 2007. Accordingly, the company adopted ERM-compliant operating models and principles of risk management in preparing its 2008 annual plan. The company updates its guidelines for risk-management principles, approved by the Board of Directors, on a regular basis in response to possible changes in its business.

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

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

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

Environmental Responsibility

Energy-use control forms an integral part of property companies' operating-cost control and environmental responsibility. Citycon is involved in KRESS, the energy conservation agreement for the property and construction sector, aimed at reducing properties' energy consumption. Other major environmental effects in shopping-centre management relate to land use, property maintenance and waste management.

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

Legal Proceedings

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

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

Annual General Meeting

Citycon's Annual General Meeting (AGM), held in Helsinki on 13 March 2007, adopted the financial statements of Citycon Oyj and the Citycon Group for 2006 and discharged the Board of Directors and the CEO from liability. The AGM decided that a per-share dividend of EUR 0.14 be paid for 2006. The dividends were paid out on 23 March 2007.

Board of Directors

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

Auditor

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

Board Authorisations

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

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

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

Alteration of the Articles of Association

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

Shareholders, Share Capital and Shares

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

Trading and Share Performance

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

Shareholders

On 31 December 2007, Citycon had a total of 2,090 (1,721) registered shareholders, of which nine were account managers of nominee-registered shares. Nominee-registered and other international shareholders held 210.9 million (155.6) shares, or 95.5 per cent (93.1%) of shares and voting rights.

Notifications of Changes in Shareholdings

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

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

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

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

Share Capital

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

Changes in Share Capital, 1 January- 31 December 2007

Date 2007	Reason	Change, EUR	Change, no. of shares	Share capital, EUR	No. of shares
1 Jan.				225,697,293.00	167,183,180
9 Febr.	Increase (stock options)	123,217.20	91,272	225,820,510.20	167,274,452
15 Febr.	Increase (directed share issue)	33,750,000.00	25,000,000	259,570,510.20	192,274,452
27 April	Increase (stock options)	-	206,441	-	192,480,893
14 June	Increase (stock options)	-	21,854	-	192,502,747
24 July	Increase (stock options)	-	307,524	-	192,810,271
11 Sept.	Increase (stock options)	-	353,201	-	193,163,472
10 Sept.	Increase (rights issue, 7:1)	-	27,594,782	-	220,758,254
24 Oct.	Increase (stock options)	-	71,370	-	220,829,624
13 Dec.	Increase (stock options)	-	151,587	-	220,981,211
31 Dec.				259,570,510.20	220,981,211

Own Shares

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

Stock Option Schemes

Stock Options 1999

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

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

Stock Options 2004

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

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

Basic Information on Stock Options 2004 as at 31 December 2007

	2004 A	2004 B	2004 C
No. of options granted	1,040,000	1,090,000	1,090,000
No. held by Veniamo-Invest Oy 1)	260,000	210,000	210,000
Subscription ratio, option/shares	1:1.2127	1:1.2127	1:1.2127
Subscription price per share, EUR 2)	2.3432	2.7308	4.4313
Subscription period begins/began	1 Sept. 2006	1 Sept. 2007	1 Sept. 2008
Subscription period ends	31 March 2009	31 March 2010	31 March 2011
No. of options exercised	336,720	-	-
No. of shares subscribed with options	376,316	-	-

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

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

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

Events after the Financial Year

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

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

Board Proposal for Profit Distribution and Distribution of Assets from the Invested Unrestricted Equity Fund

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

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

Outlook

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

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

Helsinki, 14 February 2008

Citycon Oyj

Board of Directors

CONDENSED FINANCIAL STATEMENTS 31 December 2007

Condensed Consolidated Income Statement, IFRS

EUR million	Note	Q4 2007	Q4 2006	Change	2007	2006	Change
Gross rental income		40.6	31.7	28.0%	143.7	115.1	24.8%
Service charge income		2.7	1.3	109.2%	7.7	4.2	82.1%
Turnover	3	**43.3**	**33.0**	**31.1%**	**151.4**	**119.4**	**26.9%**
Property operating expenses		16.0	10.6	50.6%	47.8	36.0	32.7%
Other expenses from leasing operations		0.2	0.2	-20.9%	0.3	0.6	-54.7%
Net rental income		**27.1**	**22.1**	**22.3%**	**103.4**	**82.8**	**24.9%**
Administrative expenses		3.9	3.2	20.5%	16.5	12.9	28.3%
Other operating income and expenses		0.6	0.3	76.0%	0.5	0.6	-12.7%
Net fair value gains on investment property		0.7	23.1	-96.9%	213.4	120.1	77.8%
Net gains on sale of investment property		0.0	0.1	-133.8%	-0.1	5.9	-101.5%
Operating profit		**24.5**	**42.5**	**-42.4%**	**300.7**	**196.5**	**53.0%**
Net financial income and expenses		14.5	8.7	66.6%	47.3	30.9	53.0%
Profit before taxes		**10.0**	**33.8**	**-70.5%**	**253.5**	**165.6**	**53.0%**
Current taxes		3.2	-1.0	-414.5%	-3.4	-7.4	-54.0%
Change in deferred taxes		-3.3	-6.3	-47.8%	-46.2	-31.8	45.1%
Profit for the period		**9.9**	**26.4**	**-62.6%**	**203.9**	**126.4**	**61.3%**
Attributable to							
Parent company shareholders		9.3	24.9	-62.8%	200.3	124.9	60.4%
Minority interest		0.6	1.5	-60.4%	3.6	1.5	133.8%
Earnings per share (basic), EUR		0.04	0.15	-71.7%	1.00	0.76	31.4%
Earnings per share (diluted), EUR		0.04	0.13	-66.5%	0.91	0.73	25.0%
Direct result	4	14.0	8.6	61.9%	35.7	32.4	10.3%
Indirect result	4	-4.7	16.3	-129.0%	164.6	92.5	77.9%
Profit for the period attributable to parent company shareholders		**9.3**	**24.9**	**-62.8%**	**200.3**	**124.9**	**60.4%**

Condensed Consolidated Balance Sheet, IFRS

EUR million	Note	31 Dec. 2007	31 Dec. 2006
Assets			
Non-current assets			
Investment property	5	2,215.7	1,447.9
Development property	6	33.2	–
Other property, plant and equipment		0.9	0.6
Derivative financial instruments and other non-current assets	8	10.7	4.8
Total non-current assets		2,260.5	1,453.3
Current assets			
Derivative financial instruments	8	1.2	0.4
Trade and other receivables		22.7	11.3
Cash and cash equivalents	7	24.2	21.3
Total current assets		48.1	33.1
Total assets		**2,308.6**	**1,486.4**
Liabilities and Shareholders' Equity			
Equity attributable to parent company shareholders			
Share capital		259.6	225.7
Share issue		–	0.1
Share premium fund and other restricted reserves		131.1	131.1
Fair value reserve	8	4.9	-1.3
Invested unrestricted equity fund		199.3	–
Retained earnings		387.0	209.7
Total equity attributable to parent company shareholders		982.0	565.3
Minority interest		28.9	15.0
Total shareholders' equity		1,010.9	580.3
Liabilities			
Interest-bearing debt		1,049.3	726.3
Derivative financial instruments and other non-interest bearing liabilities	8	2.4	4.9
Deferred tax liabilities		88.1	40.4
Total long-term liabilities		1,139.9	771.7
Interest-bearing debt		104.7	87.6
Trade and other payables		53.1	46.8
Short-term liabilities		157.8	134.4
Total liabilities		1,297.7	906.1
Total liabilities and shareholders' equity		**2,308.6**	**1,486.4**

Condensed Consolidated Statement of Changes in Shareholders' Equity, IFRS

EUR million	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
	Equity attributable to parent company shareholders								
Balance at 1 Jan. 2006	**184.1**	**1.1**	**85.4**	**-10.5**	**-**	**96.5**	**356.6**	**3.6**	**360.2**
Cash flow hedges				9.3			9.3		9.3
Profit for the period						124.9	124.9	1.5	126.4
Total recognized income and expense for the period				**9.3**		**124.9**	**134.1**	**1.5**	**135.7**
Share issues	36.8		37.1				73.9		73.9
Share subscriptions based on stock options	4.8	-0.9	0.1				3.9		3.9
Dividends (Note 9)			-6.6			-12.6	-19.2		-19.2
Share-based payments						0.9	0.9		0.9
Equity instrument of convertible capital loan			15.1				15.1		15.1
Other changes							0.0	9.9	9.9
Balance at 31 Dec. 2006	**225.7**	**0.1**	**131.1**	**-1.3**	**-**	**209.7**	**565.3**	**15.0**	**580.3**
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						200.3	200.3	3.6	203.9
Total recognized income and expense for the period				**6.3**		**200.3**	**206.6**	**3.6**	**210.2**
Share issues	33.8				197.6		231.3		231.3
Share subscriptions based on stock options	0.1	-0.1	0.0		1.8		1.8		1.8
Dividends (Note 9)						-23.4	-23.4		-23.4
Translation differences						-0.3	-0.3	-0.7	-1.0
Share-based payments						0.6	0.6		0.6
Other changes							0.0	11.0	11.0
Balance at 31 Dec. 2007	**259.6**	**-**	**131.1**	**4.9**	**199.3**	**387.0**	**982.0**	**28.9**	**1,010.9**

Condensed Consolidated Cash Flow Statement, IFRS

EUR million	Note	2007	2006
Cash flow from operating activities			
Profit before taxes		253.5	165.6
Adjustments		-164.9	-94.0
Cash flow before change in working capital		88.5	71.6
Change in working capital		0.2	-0.5
Cash generated from operations		88.8	71.1
Paid interest and other financial charges		-42.7	-34.1
Received interest and other financial income		3.1	0.9
Taxes paid		-10.0	-5.9
Net cash from operating activities		**39.3**	**32.0**
Cash flow from investing activities			
Acquisition of subsidiaries, less cash acquired	5	-517.6	-331.8
Acquisition of investment property	5	-16.0	-33.6
Capital expenditure on investment properties	5	-39.3	-35.6
Capital expenditure on development properties, other PP&E and intangible assets	6	-24.5	–
Sale of investment property		0.3	73.9
Net cash used in investing activities		**-597.1**	**-327.1**
Cash flow from financing activities			
Proceeds from share issue		232.4	77.4
Proceeds from short-term loans		773.1	421.2
Repayments of short-term loans		-727.9	-392.2
Proceeds from long-term loans		535.8	675.3
Repayments of long-term loans		-228.9	-461.8
Dividends paid	9	-23.4	-19.2
Net cash from/used in financing activities		**561.1**	**300.8**
Net change in cash and cash equivalents		**3.3**	**5.7**
Cash and cash equivalents at period-start	7	21.3	15.6
Effects of exchange rate changes		-0.4	–
Cash and cash equivalents at period-end	7	**24.2**	**21.3**

NOTES TO THE 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 financial statements on 14 February 2008.

2. Basis of preparation and accounting policies

Basis of preparation

Citycon has prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and applied the IFRS/IAS standards, effective as of 31 December 2007, which refer to the approved applicable standards and their interpretations under European Union Regulation No. 1606/2002.

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.

More information about the accounting policies can be found from Citycon's annual financial statements for the year ended 31 December 2007.

Acquisitions in the balance sheet

Lentola retail centre was acquired in November 2007. 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	Q4 2007	Q4 2006	Change	2007	2006	Change
Turnover						
Finland	30.2	24.0	25.8%	104.3	95.8	8.9%
Sweden	11.1	7.2	53.9%	39.0	17.3	125.1%
Baltic Countries	2.0	1.8	10.9%	8.0	6.2	29.4%
Total	**43.3**	**33.0**	**31.1%**	**151.4**	**119.4**	**26.9%**
Operating profit						
Finland	17.5	30.2	-42.0%	218.7	176.1	24.2%
Sweden	7.3	11.9	-38.2%	74.3	16.8	343.4%
Baltic Countries	1.2	2.2	-47.9%	14.5	10.9	33.0%
Other	-1.5	-1.9	-16.8%	-6.8	-7.2	-5.5%
Total	**24.5**	**42.5**	**-42.4%**	**300.7**	**196.5**	**53.0%**

EUR million	31 Dec. 2007	31 Dec. 2006	Change
Assets			
Finland	1,594.2	1,016.6	56.8%
Sweden	542.2	358.0	51.4%
Baltic Countries	125.3	83.6	49.8%
Other	46.9	28.2	66.8%
Total	**2,308.6**	**1,486.4**	**55.3%**

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. Reconciliation between direct and indirect result

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

EUR million	Q4 2007	Q4 2006	Change	2007	2006	Change
Direct result						
Net rental income	27.1	22.1	22.3%	103.4	82.8	24.9%
Administrative expenses	-3.9	-3.2	21.8%	-16.5	-12.3	34.3%
Other operating income and expenses	0.6	0.3	76.0%	0.5	0.6	-12.7%
Net financial income and expenses	-14.5	-8.4	72.0%	-47.3	-30.0	57.6%
Current taxes	3.2	-0.9	-470.9%	-3.4	-5.5	-37.9%
Change in deferred taxes	1.7	-1.4	-217.2%	-0.2	-3.0	-94.7%
Minority interest	-0.2	0.1	-312.9%	-0.9	-0.3	227.2%
Total	**14.0**	**8.6**	**61.9%**	**35.7**	**32.4**	**10.3%**
Direct result per share diluted (Diluted EPRA EPS), EUR	0.06	0.05	24.0%	0.18	0.20	-9.6%

EUR million	Q4 2007	Q4 2006	Change	2007	2006	Change
Indirect result						
Net fair value gains on investment property	0.7	23.1	-96.9%	213.4	120.1	77.8%
Profit on disposal of investment property	0.0	0.1	-133.8%	-0.1	5.9	-101.5%
Administrative expenses related to disposals	-	0.0	-	-	-0.6	-
One-off financial income and expenses	-	-0.3	-	-	-0.9	-
Current taxes related to disposals	-	-0.2	-	-	-1.9	-
Change in deferred taxes	-5.0	-4.8	2.7%	-46.0	-28.8	59.6%
Minority interest	-0.4	-1.6	-75.0%	-2.7	-1.3	114.3%
Total	**-4.7**	**16.3**	**-129.0%**	**164.6**	**92.5**	**77.9%**
Indirect result per share, diluted	-0.02	0.08	-125.9%	0.72	0.53	36.7%
Profit for the period attributable to parent company shareholders	**9.3**	**24.9**	**-62.8%**	**200.3**	**124.9**	**60.4%**

5. Investment property

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

An external professional appraiser has conducted the valuation of the company's properties with a net rental income based cash flow analysis. Market rents, occupancy rate, operating expenses and yield requirement form the key variables used in the cash flow analysis. The impact of key variables on the fair value of properties have been tested with the sensitivity analysis. Analysis indicates that the market value is most sensitive to the yield requirement and gross income levels. A 10 percent decrease in the yield requirement results in an approximately 11 percent increase in total value. Correspondingly, a 10% increase in gross income increases the value by approximately 14 percent. The segments' yield requirements and market rents used by the external appraiser in the cash flow analysis were as follows at 31 December 2007 and at 31 December 2006:

	Yield requirement (%)		Market rents (EUR/m^2)	
	2007	2006	2007	2006
Finland	5.7	6.6	21.1	16.8
Sweden	5.4	6.4	13.2	13.0
Baltic Countries	6.4	7.1	16.4	14.5
Average	**5.6**	**6.6**	**19.0**	**15.6**

6. 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 December 2007, the development properties consisted of the capital expenditure relating to extension projects in Rocca al Mare, Åkersberga and Liljeholmen shopping centres.

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

7. Cash and cash equivalents

EUR million	31 Dec. 2007	31 Dec. 2006
Cash in hand and at bank	24.2	19.4
Short-term deposits	-	1.9
Total	**24.2**	**21.3**

8. Derivative Financial Instruments

EUR million	2007		2006	
-	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate derivatives				
Interest rate swaps				
Maturity:				
less than 1 year	40.0	0.2	50.0	0.4
1-2 years	112.5	-0.6	40.0	0.0
2-3 years	83.0	-1.1	86.0	-2.6
3-4 years	70.0	1.7	83.0	-2.6
4-5 years	20.0	0.2	40.0	-0.8
over 5 years	309.0	8.5	242.7	3.8
Total	**634.5**	**8.8**	**541.7**	**-1.8**
Foreign exchange derivatives				
Forward agreements				
Maturity:				
less than 1 year	40.4	0.3	14.8	0.0
Total	**40.4**	**0.3**	**14.8**	**0.0**

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 liabilities and foreign currency risk. The fair values include foreign exchange gain of EUR 1.0 million (EUR -1.9 million) which is recognized in the income statement. Hedge accounting is applied for interest rates swaps which have nominal amount of EUR 558.0 million (EUR 491.7 million). The fair value gain recognized in the fair value reserve under shareholders' equity taking account the tax effect totals EUR 4.9 million (EUR -1.3 million).

9. Dividends

The Board of Directors proposes to the Annual General Meeting of 13 March 2008 that a per-share dividend of EUR 0.04 be paid out for the financial year ending on 31 December 2007 and that EUR 0.10 per share be returned from the invested unrestricted equity fund.

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.

10. Contingent Liabilities

EUR million	2007	2006
Mortgages on land and buildings	46.4	21.1
Bank guarantees	49.8	37.1
Capital commitments	31.0	40.7
VAT refund liabilities	15.6	9.9

At 31 December 2007, Citycon had capital commitments of EUR 31.0 million relating mainly to development projects.

11. Key Figures

	Q4 2007	Q4 2006	Change	2007	2006	Change
Earnings per share (basic), EUR	0.04	0.15	-71.7%	1.00	0.76	31.4%
Earnings per share (diluted), EUR	0.04	0.13	-66.5%	0.91	0.73	25.0%
Equity per share, EUR				4.44	3.30	34.6%
Return on investment (ROI), %				4.83	3.53	36.8%
Equity ratio, %				43.9	39.1	-

The formulas for key figures can be found from the 2007 annual financial statements.

Financial reporting in 2008

Citycon will publish its Annual Report for 2007 on its website in week 9 and its printed version in week 10 at the latest.

Citycon will issue three interim reports during the financial year 2008 as follows:

January-March 2008 on Thursday 24 April 2008,
January-June 2008 on Friday 18 July 2008 and
January-September 2008 on Thursday 16 October 2008.

Annual General Meeting

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

Further information for investors is available at Citycon's website, www.citycon.fi.

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