Financial Results

for 1 January-31 December 2008

CITYCON
creating success for retailing

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Summary of the Last Quarter of 2008

- Turnover grew by 1.4 per cent to EUR 45.2 million (Q3/2008: EUR 44.6 million).
- Net rental income declined by 4.1 per cent to EUR 30.2 million (EUR 31.5 million) due to higher operating and maintenance expenses than in the previous quarter as a result of customary seasonal fluctuations.
- Net cash from operating activities per share rose to EUR 0.07 (EUR 0.02).
- Earnings per share were EUR -0.14 (EUR -0.21).
- Direct result per share (diluted) was EUR 0.05 (EUR 0.05). The result includes a gain of EUR 1.6 million, tax effect included, resulting from the buyback of the 2006 convertible bonds.
- The fair value change of investment properties was EUR -59.3 million (EUR -71.7 million). The fair market value of the investment properties decreased to EUR 2,023.6 million (EUR 2,094.4 million).
- The average net yield requirement for investment properties rose and was 6.4 per cent (6.2%) at the end of the period, according to an external appraiser. The increase in the net yield requirement was due to market conditions.
- Net financial expenses decreased to EUR 13.0 million (EUR 15.2 million) as a result of lower interest rates and the buyback of the convertible bonds. The period's net financial expenses include a non-cash expense of EUR 1.4 million (EUR 0.6 million) related to the valuation of interest rate derivatives.
- During the period, the refurbished Trio shopping centre was opened in Lahti while in Tallinn, Estonia, the first stage of the Rocca al Mare shopping centre redevelopment project was completed.
- The Board of Directors proposes a per-share dividend of EUR 0.04 (EUR 0.04) and, additionally, a return of equity from invested unrestricted equity fund of EUR 0.10 (EUR 0.10) per share.

Summary of the Year 2008

- The company's financial position remained good during the period. Total liquidity at the end of the reporting period was EUR 203.7 million, including unutilised committed debt facilities amounting to EUR 187.0 million and cash of EUR 16.7 million. The available liquidity will cover the authorised investments and scheduled debt interest and repayments at least until 2010, without the need for additional financing sources.
- Turnover grew by 17.7 per cent to EUR 178.3 million (2007: EUR 151.4 million), due mainly to the growth in gross leasable area and to active development of the retail properties.
- Profit/loss before taxes was EUR -162.3 million (EUR 253.5 million), including a EUR -216.1 million (EUR 211.4 million) change in the fair value of investment properties.
- Net rental income from like-for-like properties rose by 3.6 per cent.
- The company's direct result rose to EUR 43.8 million (EUR 38.3 million), up due mainly to the full-year effect of properties acquired in 2007. Changes in the fair value of the company's property portfolio have no effect on the company's net rental income or direct result, but will affect the company's profit for the period.
- Direct result per share (diluted) was EUR 0.20 (EUR 0.19).
- Earnings per share were EUR -0.56 (EUR 1.00). The decrease resulted mainly from the fair value changes of the investment properties.
- Net rental income increased by 17.8 per cent, to EUR 121.8 million (EUR 103.4 million).
- Occupancy rate improved to 96.0 per cent (95.7%) as a result of advancing (re)development projects.
- Net cash from operating activities per share rose to EUR 0.21(EUR 0.20).
- The equity ratio was 38.5 per cent (43.9%). The decrease resulted mainly from the fair value changes of the investment properties and higher level of debt due to capital expenditure in 2008.
- Citycon signed three long-term loan agreements on competitive terms.

Key Figures

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

1) Change-% is calculated from exact figures and refers to the change between 2008 and 2007.

2) In comparison to previous practice direct result excludes the changes in fair value of financial instruments that are recognized in the income statement and net asset value excludes the fair value of derivative financial instruments which are not under hedge accounting. Please see the Note 4 "Reconciliation between direct and indirect result" for direct result calculations and Note 5 "Earnings per share" for calculation of direct result per share.

3) Includes the lots for development projects.

4) Proposal by the Board.

5) Restated according to the New IAS 23 Borrowing Costs Standard. Please see the Note 2 "Basis of Preparation and Accounting Policies".

CEO Petri Olkinuora's Comments on the Year 2008:

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

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

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

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

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

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

Business Environment

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

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

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

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

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

Business and Property Portfolio Summary

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

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

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

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

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

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

Changes in the Fair Value of Investment Properties

Citycon measures its investment properties at fair value, under the IAS 40 standard, according to which changes in the fair value of investment properties are recognised through profit or loss. In accordance with the International Accounting Standards (IAS) and the International Valuation Standards (IVS), an external professional appraiser conducts a valuation of Citycon's property portfolio on a property-by-property basis at least once a year. However, in 2008, Citycon had its properties valued by an external appraiser on a quarterly basis, due to increased market volatility.

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

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

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

Lease Portfolio and Occupancy Rate

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

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

Net rental income from like-for-like shopping centres grew by 4.5 per cent. Like-for-like properties are properties held by Citycon throughout the 24-month reference period, excluding properties under refurbishment and redevelopment as well as undeveloped lots. 77.9 per cent of like-for-like properties are located in Finland. The calculation method for net yield and standing (like-for-like) investments is based on guidelines issued by the KTI Institute for Real Estate Economics and the Investment Property Databank (IPD).

During the last 12 months, the rolling twelve-month occupancy cost ratio for like-for-like properties was 8.5 per cent. The occupancy cost ratio is calculated as the share of net rent and potential service charges paid by a tenant to Citycon out of the tenant's sales, excluding VAT. The VAT percentage is an estimate.

Lease Portfolio Summary

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

Acquisitions and Divestments

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

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

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

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

Development Projects

Keeping its shopping centres competitive for both customers and tenants constitutes the core of Citycon's strategy. The company is pursuing a long-term increase in the footfall and cash flow, as well as in the efficiency and return of its retail properties. In the short term, redevelopment projects may weaken returns from some properties, as some retail premises may have to be temporarily vacated for refurbishment, which affects rental income. Citycon aims to carry out any redevelopment projects phase by phase so that the whole shopping centre does not have to be closed during the works in question, thus ensuring continuous cash flow.

Sustainable Construction and Management

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

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

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

(Re)development Projects in Progress

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

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

(Re)development Projects in Progress

	Location	Estimated total cost (EUR million)	Actual gross expenditure 31.12.2008 up to (EUR million)	Estimated final year of completion
Liljeholmstorget	Stockholm, Sweden	130	70.7	2009
Rocca al Mare	Tallinn, Estonia	64.3	36.6	2009
Trio	Lahti, Finland	60	58.3 [1)]	Completed
Torikeskus	Seinäjoki, Finland	4	2.6	2009

1) Current expenditure before the final project report.

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

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

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

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

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

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

Business Units

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

Finland

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

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

Lease Portfolio Summary, Finland

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

Financial Performance, Finland

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

1) Includes the lots for development projects.

Sweden

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

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

Lease Portfolio Summary, Sweden

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

Financial Performance, Sweden

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

1) Includes the lots for development projects.

Baltic Countries

At the end of 2008, Citycon owned three shopping centres in the Baltic countries: Rocca al Mare and Magistral in Tallinn, Estonia and Mandarinas in Vilnius, Lithuania. Due to the limited size of the Baltic market, the turbulence in property and financial markets, and the limited availability of suitable properties, Citycon has been selective in making investments in the region. Net rental income from Baltic operations increased by 13.8 per cent, to EUR 6.8 million. The business unit accounted for 5.6 per cent of Citycon's total net rental income.

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

Lease Portfolio Summary, Baltic Countries

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

Financial Performance, Baltic Countries

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

1) Includes the lots for development projects.

Turnover and Profit

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

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

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

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

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

Due to the new IAS 23 standard Borrowing costs, Citycon has revised its accounting principles with respect to the capitalisation of interest expenses. As a result of the introduction of the new accounting principles, Citycon has adjusted its financial statements for 2007 and 2008. The new standard was published by the International Accounting Standards Board IASB. More information on the effects of the adjustment is available in Note 2.

Human Resources and Administrative Expenses

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

Capital Expenditure and Divestments

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

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

Balance Sheet and Financial Position

The balance sheet total at the end of the reporting period stood at EUR 2,178.5 million (EUR 2,308.6 million). Liabilities totalled EUR 1,341.2 million (EUR 1,297.7 million) with short-term liabilities accounting for EUR 109.5 million (EUR 157.8 million). The Group's financial position remained good during the year. At the end of the year, Citycon's liquidity was EUR 203.7 million, of which EUR 187.0 million consisted of undrawn, committed credit facilities and EUR 16.7 million of cash and cash equivalents. At the end of the year, Citycon's liquidity, short-term credit limits excluded, stood at EUR 158.7 million (Q3/2008: EUR 202.6 million).

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

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

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

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

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

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

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

Citycon applies hedge accounting, whereby changes in the fair value of interest-rate swaps subject to hedge accounting are recognised under equity. The period-end nominal amount of interest-rate swaps totalled EUR 591.7 million (EUR 634.5 million), with hedge accounting applied to interest-rate swaps whose nominal amount totalled EUR 568.7 million (EUR 558.0 million).

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

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

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

The IFRS standard IAS 23 was adjusted during the year with respect to the recognition of interest expenses relating to redevelopment projects. The adjustment of the IAS 23 standard most importantly affects the company's financial expenses in the income statement, as the new IAS 23 standard enables the capitalization of interest expenses arising from the redevelopment of existing properties and from the acquisition of lots for development projects in the balance sheet. This effect is discussed in greater detail in Note 2 of this report.

Loan Market Transactions

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

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

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

Subordinated Convertible Bonds 2006

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

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

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

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

Short-term Risks and Uncertainties

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

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

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

As a result of the credit crisis, property prices have gone down, and Citycon has also recorded fair value losses for 2008 from the lower values of investment properties. During the year, trading activity in the property markets decreased significantly. Furthermore, the weakening economic conditions make the future development of properties' fair value even more uncertain. While changes in the investment properties' fair value have an effect on the company's profit for the financial year, they do not have an immediate impact on cash flow.

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

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

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

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

More details of the company's risk management are available on the company's website at www.citycon.com/riskmanagement and on pages 32-34 of the Financial Statements 2008.

Environmental Responsibility

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

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

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

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

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

Annual General Meeting

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

Board of Directors

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

Auditor

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

Shareholders, Share Capital and Shares

Citycon shares have been listed on the Helsinki exchange since 1988. Citycon is a Mid Cap company in the Financials sector, subindustry Real Estate Operating Companies. Its trading code is CTY1S and shares are traded in euros. The ISIN code used in international securities clearing is FI0009002471.

Trading and Share Performance

In 2008, the number of Citycon shares traded on the NASDAQ OMX Helsinki totalled 150.9 million (153.7 million) at a total value of EUR 443.1 million (EUR 738.1 million). The highest quotation during the year was EUR 4.28 (EUR 6.09) and the lowest EUR 1.26 (EUR 3.24). The reported trade-weighted average price was EUR 2.94 (EUR 4.76), and the share closed at EUR 1.68 (EUR 3.65). The company's market capitalisation at the end of the financial year totalled EUR 371.3 million (EUR 806.6 million).

Shareholders

On 31 December 2008, Citycon had a total of 2,190 (2,090) registered shareholders, of which ten were account managers of nominee-registered shares. Nominee-registered and other international shareholders held 210.7 million (210.9 million) shares, or 95.3 per cent (95.5%) of shares and voting rights in the company.

Notifications of Changes in Shareholdings

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

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

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

Share Capital

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

Board Authorisations

The AGM for 2007 authorised the Board of Directors to decide on issuing new shares and disposing of treasury shares through paid or free share issues. New shares can be issued and treasury shares can be transferred to shareholders in proportion to their existing shareholding or through a directed share issue waiving the pre-emptive rights of shareholders, if a weighty financial reason exists for doing so. The Board can also decide on a free share issue to the company itself. In addition, the Board was authorised to grant special rights referred to in Section 1 of Chapter 10 of the Finnish Limited Liability Companies Act, entitling their holders to receive, against payment, new shares in the company or treasury shares. The combined number of new shares to be issued and treasury shares to be transferred, including the shares granted on the basis of the special rights, may not exceed 100 million.

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

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

Treasury Shares

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

Stock Options 2004

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

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

Basic Information on Stock Options 2004 as at 31 December 2008

	2004 A	2004 B	2004 C
No. of options granted	1,040,000	1,090,000	1,050,000
No. held by Veniamo-Invest Oy [1]	260,000	210,000	250,000
Subscription ratio, option/shares	1:1,2127	1:1,2127	1:1,2127
Subscription price per share, EUR [2]	2,2732	2,6608	4,3613
Subscription period began	1.9.2006	1.9.2007	1.9.2008
Subscription period ends	31.3.2009	31.3.2010	31.3.2011
No. of options exercised	345,075	-	-
No. of shares subscribed with options	386,448	-	-

1) Veniamo-Invest Oy, a wholly-owned subsidiary of Citycon Oyj, cannot subscribe for its parent company's shares.

2) Following the dividend payment and equity return in 2008. The share subscription prices are reduced by half of the per-share dividends paid and per-share equity returned. However, the share subscription price is always at least EUR 1.35.

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

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

Events after the Financial Year

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

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

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

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

Outlook

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

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

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

Helsinki, 11 February 2009

Citycon Oyj
Board of Directors

Condensed Consolidated Financial Statements 1 January - 31 December 2008

Condensed Consolidated Income Statement, IFRS

EUR million	Note	Q4/2008	Q4/2007	Change-%	2008	2007	Change-%
Gross rental income		43.7	40.6	7.8%	173.0	143.7	20.3%
Service charge income		1.5	2.7	-45.7%	5.3	7.7	-30.5%
Turnover	3	**45.2**	**43.3**	**4.4%**	**178.3**	**151.4**	**17.7%**
Property operating expenses		14.9	16.0	-6.9%	56.3	47.8	17.9%
Other expenses from leasing operations		0.1	0.2	-33.8%	0.2	0.3	-24.2%
Net rental income		**30.2**	**27.1**	**11.4%**	**121.8**	**103.4**	**17.8%**
Administrative expenses		4.7	3.9	21.1%	16.9	16.5	2.7%
Other operating income and expenses		6.0	0.6	-	6.1	0.5	-
Net fair value losses /gains on investment property		-59.3	-0.1	-	-216.1	211.4	-
Net gains/losses on sale of investment property		0.0	0.0	-	0.1	-0.1	-
Operating loss/profit		**-27.9**	**23.7**	**-217.9%**	**-105.0**	**298.7**	**-**
Net financial income and expenses		13.0	13.7	-5.0%	57.3	45.3	26.5%
Loss/profit before taxes		**-40.9**	**10.0**	**-**	**-162.3**	**253.5**	**-164.0%**
Current taxes		2.2	-3.2	-	-6.6	-3.4	96.0%
Change in deferred taxes		-7.6	3.3	-	30.0	-46.2	-
Loss/profit for the period		**-35.5**	**9.9**	**-**	**-138.9**	**203.9**	**-**
Attributable to							
Parent company shareholders		-30.7	9.3	-	-124.1	200.3	-
Minority interest		-4.8	0.6	-	-14.8	3.6	-
Earnings per share (basic), EUR	5	-0.14	0.04	-	-0.56	1.00	-
Earnings per share (diluted), EUR	5	-0.14	0.04	-	-0.56	0.91	-
Direct result	4	11.8	14.6	-19.2%	43.8	38.3	14.4%
Indirect result	4	-42.5	-5.4	692.6%	-167.9	162.1	-
Loss/profit for the period attributable to parent company shareholders		**-30.7**	**9.3**	**-**	**-124.1**	**200.3**	**-**

Condensed Consolidated Balance Sheet, IFRS

EUR million	Note	31 Dec. 2008	31 Dec. 2007
Assets			
Non-current assets			
Investment property	6	2,023.6	2,215.7
Development property	7	88.1	33.2
Intangible assets and property, plant and equipment		1.7	1.4
Deferred tax assets		6.8	-
Derivative financial instruments and other non-current assets	9	6.0	10.1
Total non-current assets		2,126.1	2,260.5
Current assets			
Derivative financial instruments	9	13.9	1.2
Trade and other receivables		21.7	22.7
Cash and cash equivalents	8	16.7	24.2
Total current assets		52.4	48.1
Total assets		**2,178.5**	**2,308.6**
Liabilities and Shareholders' Equity			
Equity attributable to parent company shareholders			
Share capital		259.6	259.6
Share premium fund and other restricted reserves		131.1	131.1
Fair value reserve	9	-17.7	4.9
Invested unrestricted equity fund	10	177.3	199.3
Retained earnings	10	248.8	387.0
Total equity attributable to parent company shareholders		799.1	982.0
Minority interest		38.2	28.9
Total shareholders' equity		837.3	1,010.9
Liabilities			
Long-term interest-bearing debt	11	1,149.2	1,049.3
Derivative financial instruments and other non-interest bearing liabilities	9	25.5	2.4
Deferred tax liabilities		57.1	88.1
Total long-term liabilities		1,231.7	1,139.9
Short-term interest-bearing debt	11	50.3	104.7
Trade and other payables		59.2	53.1
Total short-term liabilities		109.5	157.8
Total liabilities		**1,341.2**	**1,297.7**
Total liabilities and shareholders' equity		**2,178.5**	**2,308.6**

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 fund	Retained earnings	Equity-attributable to parent company share-holders	Minority interest	Share holders' equity, total
	Equity attributable to parent company shareholders								
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/loss 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 10)						-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**
Balance at 1 Jan. 2008	**259.6**	**–**	**131.1**	**4.9**	**199.3**	**387.0**	**982.0**	**28.9**	**1,010.9**
Cash flow hedges				-22.6			-22.6		-22.6
Loss/profit for the period						-124.1	-124.1	-14.8	-138.9
Total recognized income and expense for the period				**-22.6**		**-124.1**	**-146.7**	**-14.8**	**-161.5**
Share subscriptions based on stock options					0.0		0.0		0.0
Recognized gain in the equity arising from convertible bond buybacks						4.6	4.6		4.6
Dividends and return from the invested unrestricted equity fund (Note 10)					-22.1	-8.8	-30.9		-30.9
Translation differences						-10.0	-10.0	-3.0	-13.0
Share-based payments						0.3	0.3		0.3
Other changes							0.0	27.0	27.0
Balance at 31 Dec. 2008	**259.6**	**–**	**131.1**	**-17.7**	**177.3**	**248.8**	**799.1**	**38.2**	**837.3**

Condensed Consolidated Cash Flow Statement, IFRS

EUR million	Note	2008	2007
Cash flow from operating activities			
Loss/profit before taxes		-162.3	253.5
Adjustments		268.1	-164.9
Cash flow before change in working capital		105.8	88.5
Change in working capital		-2.1	0.2
Cash generated from operations		103.7	88.8
Paid interest and other financial charges		-63.1	-42.7
Interest income, exchange rate gains and other financial income received		6.3	3.1
Taxes paid		0.2	-10.0
Net cash from operating activities		**47.2**	**39.3**
Cash flow from investing activities			
Acquisition of subsidiaries, less cash acquired	6, 7	-24.0	-517.6
Acquisition of investment properties	6	-	-16.0
Capital expenditure on investment properties	6	-58.2	-39.3
Capital expenditure on development properties, other PP&E and intangible assets	7	-68.8	-24.5
Sale of investment property		7.0	0.3
Net cash used in investing activities		**-144.1**	**-597.1**
Cash flow from financing activities			
Proceeds from share issue		-	232.4
Equity contribution from minority shareholder		25.9	-
Proceeds from short-term loans	11	72.1	773.1
Repayments of short-term loans	11	-125.8	-727.9
Proceeds from long-term loans	11	623.3	535.8
Repayments of long-term loans	11	-473.6	-228.9
Dividends paid	10	-30.9	-23.4
Net cash from financing activities		**90.9**	**561.1**
Net change in cash and cash equivalents		**-6.1**	**3.3**
Cash and cash equivalents at period-start	8	24.2	21.3
Effects of exchange rate changes		-1.4	-0.4
Cash and cash equivalents at period-end	8	**16.7**	**24.2**

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 has approved the financial statements on 11 February 2009.

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 2008, which refer to the approved applicable standards and their interpretations under European Union Regulation No. 1606/2002. More information about the accounting policies can be found from Citycon's annual financial statements for the year ended 31 December 2008.

Restatement of the Financial Information in 2007 and 2008 due to the New IAS 23 Borrowing Costs Standard

Due to the new IAS 23 Borrowing Costs standard, Citycon has re-evaluated its accounting policy regarding the capitalisation of the interest expenses and has concluded to revise the policy. As a result of adopting the revised accounting policy relating to the capitalisation of interest expenses, Citycon has restated its 2007 and 2008 financial statements. The new standard has been issued by the IASB and been endorsed by the EU on 12 December 2008. Before the adoption of the new standard, Citycon capitalised the interest expenses arising only from the development projects, in which significant extensions or new self-constructed properties were built and measured at cost in accordance with IAS 16. After applying the new standard in its 2008 Financial Statements, Citycon expanded its policy of capitalizing the interest expenses into the redevelopment projects, in which the existing investment properties are refurbished and measured at fair value. The following table presents the impact of the new IAS 23 on the financial information for 2007 and 2008. The new IAS 23 had no impact on the profit for the period nor the balance sheet, since the change in financial expenses is offset by the change in net fair value gains/losses on investment property.

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

EUR million	2008	2008 Before Re-statement	Q1-Q3 /2008	Q1-Q3 /2008 Before Re-statement	Q1-Q2 /2008	Q1-Q2 /2008 Before Re-Statement	Q1 /2008	Q1/2008 Before Re-statement
Net fair value losses/gains on investment property	-216.1	-212.6	-156.7	-154.1	-85.1	-83.3	0.5	1.4
Operating loss/profit	-105.0	-101.5	-77.1	-74.5	-33.0	-31.3	26.4	27.4
Net financial income and expenses	57.3	60.8	44.2	46.9	29.0	30.8	15.1	16.1
Loss/profit before taxes	-162.3	-162.3	-121.4	-121.4	-62.1	-62.1	11.3	11.3
Loss/profit for the period	-138.9	-138.9	-103.4	-103.4	-51.6	-51.6	11.3	11.3
Direct result	43.8	40.3	31.9	29.3	20.6	18.9	10.4	9.5
Indirect result	-167.9	-164.4	-125.4	-122.8	-68.1	-66.4	-1.3	-0.4

EUR million	2007	2007 Before Re-statement	Q1-Q3 /2007	Q1-Q3 /2007 Before Re-statement	Q1-Q2 /2007	Q1-Q2 /2007 Before Re-statement	Q1/2007	Q1/2007 Before Re-statement
Net fair value gains/losses on investment property	211.4	213.4	211.5	212.7	191.2	191.6	31.4	31.5
Operating profit/loss	298.7	300.7	275.1	276.2	231.5	231.9	50.3	50.4
Net financial income and expenses	45.3	47.3	31.6	32.7	19.0	19.4	9.4	9.5
Profit/loss before taxes	253.5	253.5	243.5	243.5	212.5	212.5	40.9	40.9
Profit/loss for the period	203.9	203.9	194.0	194.0	170.4	170.4	34.6	34.6
Direct result	38.3	36.3	23.6	22.5	14.7	14.3	6.7	6.7
Indirect result	162.1	164.0	167.4	168.6	152.9	153.3	26.3	26.3

3. Segment Information

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

EUR million	Q4/2008	Q4/2007	Change, %	2008	2007	Change, %
Turnover						
Finland	32.0	30.2	5.9%	126.8	104.3	21.6%
Sweden	10.1	11.1	-8.8%	41.9	39.0	7.2%
Baltic Countries	3.1	2.0	55.7%	9.6	8.0	19.4%
Total	**45.2**	**43.3**	**4.4%**	**178.3**	**151.4**	**17.8%**
Operating loss/profit						
Finland	-21.7	17.3	-225.3%	-62.9	218.4	-128.8%
Sweden	-16.9	6.9	-343.7%	-49.1	73.4	-166.9%
Baltic Countries	12.6	1.0	1,201.6%	14.4	13.8	4.4%
Other	-2.0	-1.5	27.7%	-7.4	-6.8	9.0%
Total	**-27.9**	**23.7**	**-217.9%**	**-105.0**	**298.7**	**-135.2%**

EUR million	31 Dec. 2008	31 Dec. 2007	Change-%
Assets			
Finland	1,504.2	1,594.2	-5.6%
Sweden	466.9	542.2	-13.9%
Baltic Countries	156.3	125.3	24.7%
Other	51.1	46.9	8.9%
Total	**2,178.5**	**2,308.6**	**-5.6%**

The change in segment assets is mainly due to the fair value losses in investment properties offset by the capital expenditure.

4. Reconciliation Between Direct and Indirect Result

Due to the nature of Citycon's business and the obligation to apply IFRS, the consolidated income statement includes several 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 periods. Direct result describes the profitability of the Group's operations during the financial period disregarding the effects of fair value changes, gains or losses on sales and other extraordinary items. Earnings per share calculated based on direct result corresponds to the earnings per share definition recommended by EPRA.

In comparison to previous practice direct result excludes the changes in fair value of financial instruments that are recognized in the income statement. In order to hedge against interest rate risk, Citycon has entered into, in accordance with its interest rate risk management policy, interest rate and inflation derivatives which do not qualify under hedge accounting treatment under IFRS. Changes in fair value of such derivatives are recognized in the income statement. These derivatives hedge the group against interest rate risk and in accordance with the terms of the derivatives Citycon receives floating money market interest rate which has a matching interest rate determination procedure with group's floating rate debt. The interest rate which Citycon pays under these derivatives does not depend on the money market interest rate which means that these derivatives hedge Citycon against rising floating interest rates. The aim is to ensure effectiveness of the hedges by matching the interest rate fixing procedure between the derivatives recognized in the income statement and floating rate debt of Citycon.

EUR million	Q4/2008	Q4/2007	Change- %	2008	2007	Change-%
Direct result						
Net rental income	30.2	27.1	11.4%	121.8	103.4	17.8%
Direct administrative expenses	-4.6	-3.9	19.7%	-16.5	-16.5	0.2%
Direct other operating income and expenses	0.1	0.6	-87.9%	0.1	0.5	-77.9%
Direct net financial income and expenses	-11.7	-13.9	-15.8%	-54.2	-44.7	21.2%
Direct current taxes	-1.4	3.2	-	-4.8	-3.4	40.0%
Direct change in deferred taxes	0.0	1.7	-97.3%	0.2	-0.2	-
Direct minority interest	-0.7	-0.2	270.9%	-2.8	-0.9	223.7%
Total	**11.8**	**14.6**	**-19.2%**	**43.8**	**38.3**	**14.4%**
Direct result per share (diluted), (diluted EPRA EPS), EUR [1)]	0.05	0.07	-20.0%	0.20	0.19	3.3%
Indirect result						
Net fair value losses/gains on investment property	-59.3	-0.1	-	-216.1	211.4	-
Profit/loss on disposal of investment property	0.0	0.0	-	0.1	-0.1	-
Indirect administrative expenses	-0.1	-	-	-0.4	-	-
Indirect other operating income and expenses	5.9	-	-	6.0	-	-
Movement in fair value of financial instruments	-1.4	0.2	-	-3.1	-0.6	439.3%
Indirect current taxes	-0.8	-	-	-1.8	-	-
Change in indirect deferred taxes	7.5	-5.0	-	29.7	-46.0	-
Indirect minority interest	5.6	-0.4	-	17.6	-2.7	-
Total	**-42.5**	**-5.4**	**692.6%**	**-167.9**	**162.1**	**-**
Indirect result per share, diluted	-0.19	-0.02	846.9%	-0.76	0.71	-
Loss/profit for the period attributable to parent company shareholders	**-30.7**	**9.3**	**-**	**-124.1**	**200.3**	**-**

1) The calculation of the direct result per share is presented in the Note 5 "Earnings per share".

5. Earnings per Share

	2008	2007
A) Earnings per share calculated from the profit/loss for the period		
Earnings per share, basic		
Loss/profit attributable to parent company shareholders, EUR million	-124.1	200.3
Issue-adjusted average number of shares, Million	221.0	199.4
Earnings per share (basic), EUR	**-0.56**	**1.00**
Earnings per share, diluted		
Loss/profit attributable to parent company shareholders, EUR million	-124.1	200.3
Expenses from convertible loan, the tax effect deducted (EUR million)	-	5.7
Loss/profit used in the calculation of diluted earnings per share, EUR million	-124.1	206.0
Issue-adjusted average number of shares, Million	221.0	199.4
Convertible capital loan impact, Million	-	26.2
Issue-adjusted adjustment for stock options, Million	-	1.5
Issue-adjusted average number of shares used in the calculation of diluted earnings per share, Million	221.0	227.1
Earnings per share (diluted), EUR	**-0.56**	**0.91**
The incremental shares from assumed conversions or any income or cost related to dilutive potential shares are not included in calculating 2008 diluted per-share amounts because the profit attributable to parent company shareholders was negative.		
B) Earnings per share calculated from the direct result for the period		
Direct result per share (diluted), (diluted EPRA EPS)		
Direct result, EUR million (Note 4)	43.8	38.3
Expenses arising from convertible loan, adjusted with the tax effect deduction, EUR million	5.6	5.7
Profit used in the calculation of direct result per share, EUR million	49.4	43.9
Issue-adjusted average number of shares used in the calculation of diluted earnings per share, Million	247.2	227.1
Direct result per share (diluted), (diluted EPRA EPS), EUR	**0.20**	**0.19**

6. Investment Property

EUR million	31 Dec. 2008	31 Dec. 2007
At period-start	**2,215.7**	**1,447.9**
Acquisitions	10.6	531.3
Investments	62.7	44.8
Disposals	-7.6	-0.3
Capitalized interest	3.3	2.0
Fair value gains on investment property	15.3	219.0
Fair value losses on investment property	-231.4	-7.5
Exchange differences	-67.8	-15.1
Transfer into the development properties	22.9	-6.4
At period-end	**2,023.6**	**2,215.7**

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 and market rents used by the external appraiser in the cash flow analysis were as follows:

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

7. Development Property

As at 31 December 2008, the development properties consisted of the capital expenditure relating to extension projects in Rocca al Mare, Åkersberga, Liljeholmstorget and Lippulaiva shopping centres.

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

8. Cash and Cash Equivalents

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

9. Derivative Financial Instruments

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

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

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

10. Dividends and Return From the Invested Unrestricted Equity Fund

The Board of Directors proposes to the Annual General Meeting of 18 March 2009 that a per-share dividend of EUR 0.04 be paid out for the financial year ending on 31 December 2008 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 2008 dividend for the financial year 2007 amounted to EUR 0.04 per share and EUR 0.10 per share was decided to be returned from the invested unrestricted equity fund (dividend of EUR 0.14 for the financial year 2006).

Dividends and equity returns paid amounted to EUR 30.9 million (EUR 23.4 million) during the period.

11. Interest-bearing Liabilities

During the period, Citycon has agreed on a new long-term bank loan in the amount of EUR 30 million as part of the Liljeholmstorget shopping center development project in Stockholm. The loan bears a floating interest rate and is repayable within 10 years. Also, the EUR 17.9 million loan for financing Magistral shopping centre in Tallinn was drawn, and is repayable approximately in five years. From the long-term credit limit (a EUR 50 million five-year revolving credit facility) EUR 5 million remained undrawn. During the period, repayments of other bank loans amounting to EUR 19.6 million were made in line with previously disclosed repayment terms.

Other proceeds and repayments from/of long-term loans in the cash-flow statement arose from the use of revolving credit facilities.

12. Contingent Liabilities

EUR million	2008	2007
Mortgages on land and buildings	40.6	46.4
Bank guarantees	45.6	49.8
Capital commitments	13.0	31.0
VAT refund liabilities	21.3	15.6

At 31 December 2008, Citycon had capital commitments of EUR 13.0 million relating mainly to development and redevelopment projects.

13. Related Party Transactions

There were no significant transactions with the related parties during the period.

14. Key Figures

	Q4/2008	Q4/2007	Change-%	2008	2007	Change-%
Earnings per share (basic), EUR	-0.14	0.04	-	-0.56	1.00	-
Earnings per share (diluted), EUR	-0.14	0.04	-	-0.56	0.91	-
Equity per share, EUR				3.62	4.44	-18.6%
Net asset value (EPRA NAV) per share, EUR				3.88	4.82	-19.6%
Equity ratio, %				38.5	43.9	-

The formulas for key figures can be found from the 2008 annual financial statements.

Financial reports in 2009

Citycon will publish its Annual Report for 2008 on its website in week 9 at the latest and its printed version in week 10 at the latest.

Citycon will issue three interim reports during the financial year 2009 as follows:

Q1/2009 on Thursday, 23 April 2009, at approximately 9:00 am
Q2/2009 on Friday, 17 July 2009, at approximately 9:00 am
Q3/2009 on Thursday, 15 October 2009, at approximately 9:00 am

Annual General Meeting

Citycon Oyj will hold its AGM at Finlandia Hall, Helsinki Auditorium, Mannerheimintie 13e, Helsinki, Finland, on Wednesday 18 March 2009, starting at 2:00 pm.

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

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NASDAQ OMX Helsinki
Major media
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