

CITYCON

Annual Report **2007**



Citycon's shopping centres in Finland

Helsinki Metropolitan Area



Columbus
Helsinki, Vuosaari
Citycon's gross
leasable area 20,900 sq.m.
Built in 1997.
Extended and/or renovated in 2007.



Espoontori
Espoo, Espoon keskus
Citycon's gross
leasable area 15,400 sq.m.
Built in 1987.



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



Isomyyri
Vantaa, Myyrmäki
Citycon's gross
leasable area 10,400 sq.m.
Built in 1987.



Iso Omena
Espoo, Matinkylä
Citycon's gross
leasable area 60,600 sq.m.
Built in 2001.



Lippulaiva
Espoo, Espoonlahti
Citycon's gross
leasable area 22,400 sq.m.
Built in 1993.
Extended and/or renovated in 2007.



Myyrmanni
Vantaa, Myyrmäki
Citycon's gross
leasable area 40,300 sq.m.
Built in 1994.
Extended and/or renovated in 2007.



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

Other Areas in Finland



Duo

Tampere

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



Forum

Jyväskylä

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



Galleria

Oulu

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



IsoKarhu

Pori

Citycon's gross
leasable area 14,900 sq.m.
Built in 1972/2001.
Extended and/or renovated in 2004.



IsoKristiina

Lappeenranta

Citycon's gross
leasable area 18,300 sq.m.
Built in 1987/1993.



Jyväskeskus

Jyväskylä

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



Koskikara

Valkeakoski

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



Koskikeskus

Tampere

Citycon's gross
leasable area 26,000 sq.m.
Built in 1988.
Extended and/or renovated in 1995/2007.



Linjuri

Salo

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



Sampokeskus

Rovaniemi

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



Torikeskus

Seinäjoki

Citycon's gross
leasable area 11,400 sq.m.
Built in 1992.
Extended and/or renovated in 2007.



Trio

Lahti

Citycon's gross
leasable area 43,900 sq.m.
Built in 1987.
Extended and/or renovated in 1992/2007/2008.



Tullintori

Tampere

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



Valtari

Kouvola

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

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Forward-Looking Statements

Some statements in this annual report are not historical facts and are "forward-looking". Words such as "believes", "expects", "estimates", "may", "intends", "will", "should", or "anticipates" and similar expressions or their negatives frequently identify forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance, achievements or industry results to be materially different from those expressed or implied by those forward-looking statements.

Citycon in Brief

Active property management and property development

Citycon is a Finnish real estate company specialised in shopping centres and other retail premises. The company manages, leases and develops its retail properties in order to transform them into even more customer-oriented centres, and to thus increase their value. In addition, the company redevelops new retail premises. Citycon is the market leader in the Finnish shopping centre business, with a strong position in Sweden and a firm foothold in the Baltic countries. The company's geographical business units are further divided into the business areas Retail Properties and Property Development.

Listed on the stock exchange in Helsinki since 1988, Citycon is a Mid Cap company under the Financials sector, sub-industry Real Estate Management & Development, on

the OMX Nordic Exchange. Its year-end market capitalisation totalled EUR 806.6 million and its share closed at EUR 3.65. International investors accounted for 95.5 per cent of the company's shareholders at the end of 2007.

In 2007, Citycon continued its growth by acquiring new centres in Finland, Sweden and in the Baltic countries. The company also made substantial investments in the development projects. 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. On 31 December 2007, Citycon owned a total of 33 shopping centres - 22 in Finland, eight in Sweden, two in Estonia and one in Lithuania. In addition, Citycon owns 52 other retail properties in Finland and Sweden. At the end of 2007, the fair value of the company's property portfolio totalled EUR 2,215.7 million.

Key Figures and ratios

	2007	2006
Turnover, EUR million	151.4	119.4
Operating profit, EUR million	300.7	196.5
% of turnover	198.6	164.6
Profit before taxes, EUR million	253.5	165.6
Profit for the period, EUR million	203.9	126.4
Fair market value of investment properties, EUR million	2,215.7	1,447.9
Earnings per share (basic), EUR	1.00	0.76
Earnings per share (diluted), EUR	0.91	0.73
Direct result per share (diluted), (Diluted EPRA EPS), EUR	0.18	0.20
Dividend and return from invested unrestricted equity fund per share, total, EUR	0.14 ^(*)	0.14
Net cash from operating activities per share, EUR	0.20	0.20
Equity per share, EUR	4.44	3.30
Net asset value (EPRA NAV) per share, EUR	4.83	3.53
EPRA NNNAV, EUR	4.42	3.14
P/E (price / earnings) ratio	3	7
Return on equity (ROE), %	23.3	25.8
Return on investment (ROI), %	16.3	16.8
Equity ratio, %	43.9	39.1
Gearing, %	111.8	136.6
Interest-bearing net debt, EUR million	1,147.3	811.2
Net rental yield, %	5.8	7.1
Occupancy rate, %	95.7	97.1
Personnel (average for the period)	93	62
Personnel at the end of the period	102	73

^(*) The figure includes the proposals by the Board of Directors: a per-share dividend of EUR 0.04 and a return of equity from invested unrestricted equity fund of EUR 0.10 per share.

Citycon as an Investment and **Information** for Shareholders

Investment in Citycon

Investing in Citycon means an investment in a Finnish real estate company focusing in retail premises – especially shopping centres and other large retail units – in Finland, Sweden and the Baltic countries. Citycon is a proactive manager and developer of its properties which together with selective acquisitions provides solid foundations for the company's continuous success and growth.

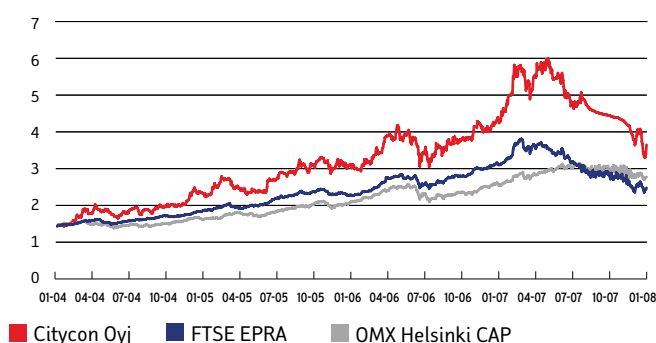
Equity related transactions, share price development and ownership

The company executed two successful equity transactions during the year, a directed share issue totalling EUR 133 million in February and a rights issue for total proceeds of approximately EUR 99 million in September–October. Both issues were successfully executed and fully subscribed for.

International investors accounted for 95.5 per cent of the company's shareholders at the end of 2007. During the financial year, the company's ownership base also extended further by over 300 new Finnish shareholders. The company's market capitalisation at the year end totalled EUR 806.6 million (EUR 844.3 million).

Citycon is included in international real estate indices. For example, the FTSE EPRA/NAREIT Global Real Estate Index serves as a benchmarking index for international investors, tracking share-price performance and total return. Since April 2007, Citycon has also been included in the GPR 250 Property Securities Index consisting of the 250 most liquid real estate companies worldwide. 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).

Citycon share price compared with indices



Financial targets

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

- The company will pay out a minimum of 50 per cent of its distributable annual earnings per share (after tax deduction) in dividends. Changes in the fair value of investment property (IAS 40) are not included in distributable earnings.
- The company's long-term equity ratio target is 40 per cent. On 31 December 2007, equity ratio stood at 43.9 per cent.

Annual General Meeting 2008

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.

Company shareholders listed in the shareholders' register by the AGM record date of 3 March 2008 are entitled to attend the AGM if they have notified the company of their intention to do so by 4.00 p.m. on 10 March 2008. If you wish to attend the AGM, please visit our website, www.citycon.fi/agm2008, or contact us by telephone +358 9 680 36 70.

A shareholder whose shares have been entered in his/her personal book-entry securities account is listed on the shareholders' register. A shareholder holding nominee-registered shares should contact his/her account manager if (s)he wishes to attend the AGM.

Company shareholders' register available for public review

The shareholders' register is available for public review at Finnish Central Securities Depository Ltd's customer-service outlet, Urho Kekkosen katu 5 C, Helsinki.

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

The Board of Directors proposes that a per-share dividend of EUR 0.04 be paid out for the year 2007, and that EUR 0.10 per share be returned from the invested unrestricted equity fund. The dividend and equity return will be paid on 2 April 2008 to a shareholder registered in the company's shareholders' register on 18 March 2008.

Notification of changes in shareholders' register

Shareholders should notify their book-entry account manager of any changes in addresses and names, which also automatically updates information in the shareholders' register maintained by Finnish Central Securities Depository Ltd.

Financial reports in 2008

During 2008, Citycon Oyj will release financial reports in Finnish and English as follows:

- Interim Report for January–March, 24 April 2008
 - Interim Report for January–June, 18 July 2008
 - Interim Report for January–September, 16 October 2008
- Citycon's annual reports, interim reports and other releases

are available on the company's website at www.citycon.fi. The site also displays up-to-date information on share trading and share-price performance.

The company will publish its printed Annual Report in week 11. The printed version can be ordered via the website, by e-mail to info@citycon.fi, or by telephone on +358 9 680 36 70.

Investor relations

Citycon strives to continuously provide the market with accurate and up-to-date information on the company, with the aim of improving the recognition of the company's business, enhancing investor-information transparency and, consequently, shareholder value. The company's IR contacts are the CEO, the CFO and the Investor Relations Officer.

Adhering to the principle of objectivity in its investor communications, Citycon publishes all of its investor information in Finnish and English, primarily on its website. The company publishes its printed annual report in Finnish and English. Citycon's stock exchange and press releases can be ordered via its website by e-mail or directly by e-mail at info@citycon.fi.

Citycon proactively meets with investors both in and outside Finland. The year 2007 saw some 50 events where the company's management met with around 240 institutional investors either in one-on-one or small-group meetings. In addition, the company's representatives meet investors in seminars arranged by associations or banks, in broader public events and during asset tours to the company's shopping centres.

Citycon applies a three week silent period preceding the publication of its financial results. During this period the company's representatives do not meet investors or analysts, or comment on the company's financial position.

Contact information

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CFO

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Investor Relations Officer

Ms Hanna Jaakkola
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Brokerage and other firms analysing Citycon

Based on the information received by the company, analysts from the following banks, brokerage and other firms monitor Citycon Oyj and its performance on their own initiative. The list below does not necessarily include all banks, brokerage and other firms providing such analysis coverage and any firm listed below may stop providing the analysis coverage any time. Citycon is not responsible for analysts' comments and statements.

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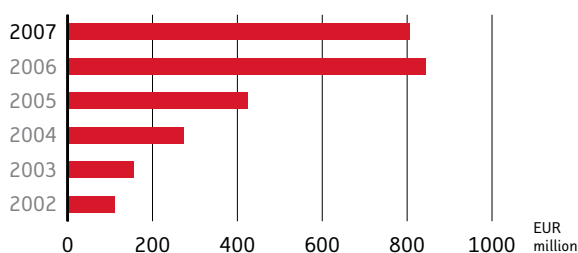
Pohjola Bank plc

Tel.: +358 10 252 011
Teollisuuskatu 1 B
P.O. Box 308
FI-00101 Helsinki
Finland

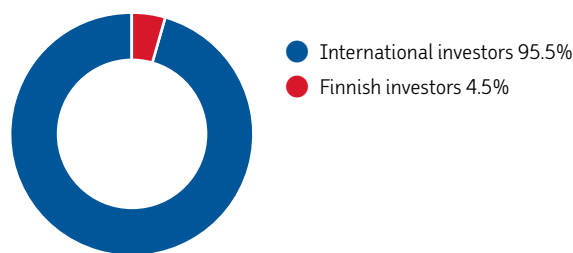
Standard & Poor's

Tel.: +46 8 440 5900
Mäster Samuelsgatan 6
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SE-111 87 Stockholm
Sweden

Trend in market capitalisation



Breakdown of shareholders



CEO's Review



Tomorrow's Shopping Centres are Green

Strong and profitable growth describes Citycon's recent history, as well as the year 2007. Our property portfolio grew bold 53 per cent.

The ownership or market valuation is not the most essential factor, rather our own ability to affect the success of our properties. Our strategic focus is now stronger than before on the retail properties which we already own, and their redevelopment. At the end of the year, Citycon had development and redevelopment projects underway in Finland, Sweden and Estonia for a total value of approximately EUR 330 million, which corresponds to almost 15 per cent of our total portfolio.

We can truly say that our property development is creative. We acquire only shopping centres that have development potential, and in which, through active property development and shopping-centre management, we can increase their returns and profitability. We always begin our development projects by analysing the needs of the people living in the shopping centre's catchment area. Based on this, we then plan activities aimed at improving the centre's commercial value for both the customers and the tenants. This approach has generated us good results, for instance, in the development and redevelopments of the Duo and Trio shopping centres.

Green thinking has gained more importance in our operations. We already pay attention to environmental factors related to our properties and have started to develop

the green shopping centre concept. Our starting point in terms of the quality of construction is already good, but we want to improve even further. This work will continue in 2008, the pilot projects being the development and redevelopment projects at the Trio, Rocca al Mare and Liljeholms-torget shopping centres. Sustainability will be a major competitive factor down the road and very relevant issue when evaluating Citycon as a potential partner. At best, with this sustainable approach, we can achieve a win-win-win situation between consumers, retailers and property owners that benefits us all.

Citycon's market leadership in Finland strengthened remarkably. We established firmly our market position with Iso Omena acquisition especially in the Helsinki Metropolitan Area. Also other financially smaller, but strategically important, acquisitions increased our market share. In 2007, the total sales of the Finnish shopping centres were about EUR 4.3 billion, of which over a third went through Citycon's shopping centres.

We operate in countries with growing retail sales. The outlook may turn less favourable, but a major decline in the rental market is unlikely. This positive situation is reflected in the dynamics of shopping-centre business - during the past years the growth has been strong and international competition of the best properties has been intense. We believe that the competition of the prime properties will continue in Finland and Sweden, despite the international credit crunch.

**Citycon operates mainly
in growth centres.**



Our growth has brought us to the position where we can provide our tenants with a constantly broadening range of retail premises and expansion opportunities. This is supported by Citycon's regional organisation that was implemented at the end of 2006 and which has proven extremely functional. Our strong position and growth have also had a positive impact on our financing arrangements, as evidenced by the concluded credit facility agreements and our extremely successfully completed share issues during the year.

I should like to take this opportunity to thank our shareholders, customers and partners for a most successful year. I would like to express my special thanks to our employees who have proven their strength in the simultaneous implementation of a new organisation and several major development projects. Citycon's team is now stronger than ever.

In Helsinki on 14 February 2008

Petri Olkinuora
CEO

Mission

Citycon is a growing and continuously improving expert in the retail property business. The company owns, manages, leases and redevelops and develops shopping centres, supermarkets and other large retail units. Citycon is the market leader in the Finnish shopping centre business.

For its shareholders Citycon is an investment with a solid cash-flow performance.

Vision and Goals

Citycon aims to expand its property portfolio and increase its value. The redevelopment of its retail premises, the construction of new properties, and strategy-based property acquisitions provide a solid ground for achieving this aim.

Citycon seeks to enhance its value and expertise, and forge tenant relationships based on strong partnerships. The company's objective is to serve an array of retailers by providing them with the best industry expertise and premises meeting their needs. Furthermore, the company's ability to develop solutions for retailers regarding retail premises and services opens up growth opportunities.

For its shareholders Citycon is an investment with a solid cash-flow performance.

Strategy

Citycon's strategy is to safeguard growth through the active redevelopment of properties and selected property acquisitions in large cities and growth centres located in Finland, Sweden and the Baltic countries. Citycon focuses on retail properties, its core business consisting of shopping centres, supermarkets and other large retail units. The company has divested and is ready to divest non-core properties in order to recycle capital to faster growing areas and more profitable and higher quality properties.

Citycon redevelops its properties continuously for improved commercial appeal and profitability, while seeking to identify new shopping-centre concepts that can enhance shopping centres' retail appeal. The company aims to create increasingly customer- and service-focused operations.

Business Environment

Citycon is one of the six real estate companies listed on the OMX Nordic Exchange Helsinki and the second largest in Finland measured by market capitalisation. On 31 December 2007, Citycon's market capitalisation totalled EUR 806.6 million and it is one of the Mid Cap companies on the OMX Nordic Exchange. On the same date, the market capitalisation of the real estate companies listed in Helsinki totalled approximately EUR 2.1 billion, Citycon accounting for 38.2 per cent.



A year of growth in the property market

Finland has a total of 56 shopping centres as defined by the Finnish Counsel of Shopping Centres, while the number of shopping centres in Sweden is four times higher, depending on the definition used. In Estonia and Lithuania there are some 50 shopping centres. Properties in the Baltic countries have traditionally been owned by local and Nordic construction companies, but international interest in the region has intensified over the past year and the number of retail properties for sale has increased. The Nordic property market has retained the interest of international investors due to the region's relatively large size, sound liquidity and transparency, its established and similar legislation and operating methods, high-quality market

information, the political and economical stability of its national economies and good financing opportunities for real estate transactions.

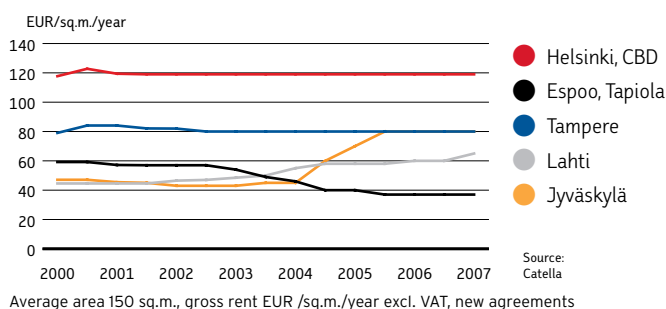
The state of the Finnish and Swedish real estate market remained positive for most of the year, in spite of the increasing uncertainty that started in the international financial markets. Retail property prices continued to grow, particularly up to mid-year. In the Baltic countries, the property price development was restrained by the international turbulence in the financial markets, concerns about the overheating of national economies and rapidly rising local interest rates. In parallel, the price difference between the best properties and the more risky ones began to expand. The spread in yield requirements between prime and non-prime properties increased clearly not only in the Baltic countries but also in Finland and Sweden.¹⁾

In Finland, demand for properties continued to grow during the year.²⁾ According to KTI Property Information Ltd, the occupancy rate of retail properties is still nearly maximal and rental levels continue their steady growth. The increase in rental levels is expected to continue.³⁾

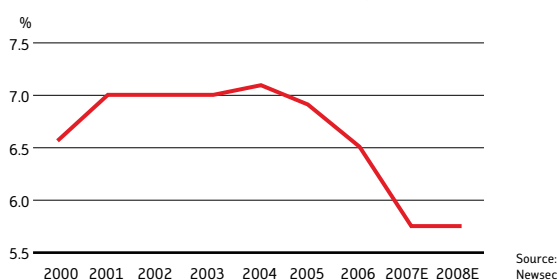
In Sweden, the real estate business was very active as well as international. During the first half of 2007, international investors accounted for approximately 90 per cent of retail property transactions.²⁾ Vacancy rates in shopping centres have been low in spite of the construction of new retail premises, and rental levels have increased. Yield requirements have seen a moderate decrease compared to the previous year.³⁾

In the Baltic countries, demand for retail premises was brisk during the year and, despite the higher interest rates compared to the Nordic countries, property prices have risen and yield requirements have fallen.²⁾ The majority of international property investors investing in Estonia are from the Nordic countries. Investors have also shown increasing

Rental levels of retail premises in Finland



Retail yields in Helsinki Metropolitan Area





In Finland, demand for properties continued to grow during the year.

Shopping centre Galleria is located in downtown of Oulu, a growing city in the northern Finland, by the busy Isokatu, which is to become a pedestrian street if the redevelopment of the centre that is planned with the city of Oulu and other players in the same block gets started.

interest in development projects. In Estonia, too, rental levels are expected to rise and vacancy rates to remain low.²⁾ The Lithuanian market has seen a considerable expansion in new retail premises, although shopping centre space per capita remains small by Nordic standards. Fierce international competition in the property market has depressed the yield requirements in Lithuania and the supply of sufficiently large investment targets remains relatively scarce.²⁾

In 2007, construction costs climbed by 5.6 per cent⁴⁾ in Finland, 5.4 per cent⁵⁾ in Sweden and 12.7 per cent⁶⁾ in Estonia. Citycon monitors construction cost trends, with a particular focus on project management in its development operations. While the rise in construction costs has effected the estimated project costs, the rise has remained moderate.

Strong economies underpinning business

Finland and Sweden are among the strongest economies in Europe, with a 2 per cent surplus in Sweden and 4 per cent surplus in Finland in 2006. Economic stability has enabled tax cuts and salary increases in both countries, visible in their populations' disposable income and a rise in consumption. Inflation stood at roughly three per cent at the end of 2007, up from the record low rates experienced a few years ago.^{4,5)}

Since the Baltic countries are dependent on export energy, higher oil prices have clearly affected inflation and consumer demand. In Estonia, interest rates and inflation have increased consumer prices, leading to declining purchasing power. Consequently, economic growth is expected to slow down from the two-digit percentages seen over the previous years. Meanwhile, Lithuania is expected to show

stronger growth than other Baltic countries.⁷⁾ Regardless of their economic slowdown, both Estonia and Lithuania will maintain distinctively higher economic growth rates than other European countries. In December 2007, inflation in Estonia was 9.6 per cent⁷⁾ and 6.8 per cent in Lithuania.⁸⁾ According to forecasts by Hansabank Swedbank, inflation will slow down in both countries during 2008.

In Citycon's operating regions, short-term interest rates kept growing during the course of the year, accentuating towards the year end in particular due to the credit problems. During 2007, the short-term 3-month rate within the euro area went up by 0.96 percentage points, reaching 4.68 per cent at the year end, while the corresponding increase in Sweden was 1.39 percentage points, reaching 4.69 per cent. In the Baltic countries, interest rates rose even more vigorously due to strong economic growth and accelerating inflation. In Estonia, the 3-month interest rate was 7.30 per cent (up by 3.45 percentage points) and, in Lithuania, 6.98 per cent (up by 3.19 percentage points). However, the rise in long-term interest rates was markedly more moderate,

Return of property investment companies

	2007 return, %	Rolling five year's return, %
Global	-4.8	112.9
Europe	-5.5	118.8
North America	-4.6	73.2
Asia	-5.2	174.9
Global equities	-5.5	73.7
Global bonds	0.0	18.0

Source: EPRA/FTSE/JP Morgan

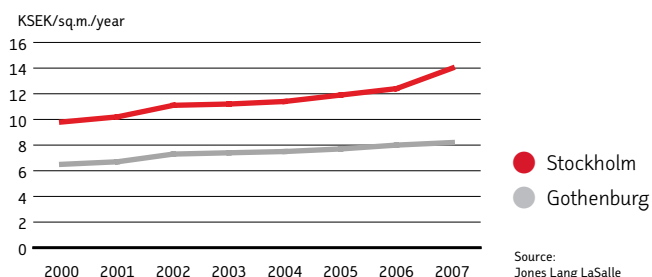
with the fixed rate for a 5-year interest-rate swap going up by 0.43 percentage points in the euro area and by 0.59 percentage points in Sweden.¹⁰⁾

As a company focusing on retail premises, and especially in shopping centres, strong growth in the retail trade is of particular importance to Citycon. Strong growth figures in the company's operating countries have supported the rise in Citycon shopping centres' sales and number of visitors. Christmas sales, for instance, showed record peaks in Finland and Sweden. According to preliminary trade data, the total value of retail sales in 2007 grew by 5.3 per cent (5.7%) in Finland⁴⁾, while in Sweden, estimated retail sales growth was 4 per cent (7.4%).⁵⁾ In Estonia, retail sales increased by 14.1 per cent (19%) in real terms⁷⁾ and by 9.3 per cent (14.1%) in Lithuania.⁸⁾

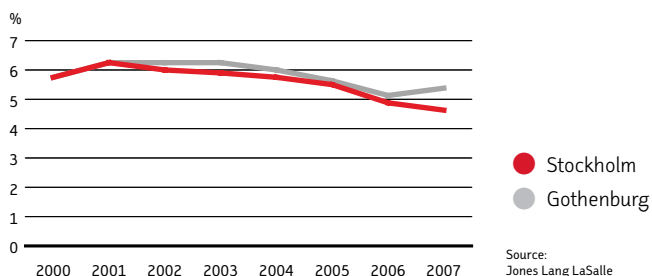
According to preliminary trade data, the total value of retail sales in 2007 grew by 5.3 per cent (5.7%) in Finland.

In all of the above-mentioned four countries, consumer confidence was at historically high levels, although as of summer it has declined, due to the turbulence in the financial markets spread from the United States.¹⁰⁾ The consequences of the subprime crisis originating in the US mortgage markets for the availability of financing in the Nordic countries were moderate in 2007. Moreover, Citycon's financial position has remained at a healthy level, and will be described in more detail on pages 37-38 of the present Annual Report.

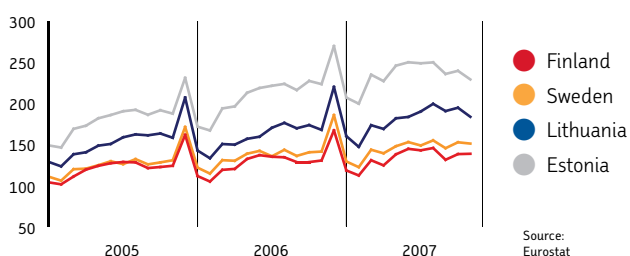
Rental levels of shopping centres in Stockholm and Gothenburg area



Shopping centre yields in Stockholm and Gothenburg area



Deflated retail sales index



REIT legislation and the Finnish real estate markets

In its Government Programme issued in the spring of 2007, the Finnish Government expressed its intention to review the legislation on real estate investment funds and to remove tax barriers in order to maintain the competitiveness of Finnish property funds that are organised as limited companies. Several European countries have already adopted similar amendments whereby, under certain conditions, a REIT - Real Estate Investment Trust - is not liable to pay income taxes as a corporation but is, in turn, required to distribute most of its profits as dividends to its shareholders. Dividends paid by REITs and capital gains from holdings are then taxed as shareholders' income. Potential REIT-based property fund legislation would further increase investors' interest in the Finnish property markets. At this point, Citycon has made no plans in response to the potential REIT legislation.

Sources:

- 1) Jones Lang LaSalle, Suomen kiinteistömarkkina, 1/2008
- 2) Newsec Nordic Report, Real Estate Autumn 2007
- 3) Jones Lang LaSalle, Nordic City Report, Autumn 2007
- 4) Statistics Finland
- 5) Statistics Sweden
- 6) Statistics Estonia
- 7) Hansabank Swedbank, The Baltic Outlook
- 8) Statistics Lithuania
- 9) Bloomberg
- 10) Nordea

Business and **Property Portfolio**

Citycon, a real estate company specialised in retail premises, is the market leader in the Finnish shopping centre business, with a strong position in Sweden and a firm foothold in the Baltic countries. The company is an active owner of its retail properties. Active ownership includes creation of a retail property's commercial concept as well as leasing, marketing and continuous development of the premises.

Citycon entered the Swedish and Baltic markets in 2005 when it acquired its first shopping centres in Sweden and Estonia. The company continued to expand its business in 2006 when it acquired several retail properties in Sweden and its first shopping centre in Lithuania. At the end of 2007, Citycon owned a total of 33 shopping centres - 22 in Finland, eight in Sweden, and three in the Baltic countries. In addition, the company owned 52 other retail properties in Finland and Sweden.



New kind of ownership - Active development a key element

Instead of mere ownership, the core of Citycon's strategy is active management and continuous development of its retail properties, and thus Citycon differs from traditional property investors. The company's objective of creating attractive shopping facilities in terms of their commercial concept and urban environment requires knowledge of the market area, customers and retail business concepts and an insight into retailer's needs.

Maintaining its properties as attractive and dynamic retail centres in the eyes both of customers and lessees is Citycon's main task. The refurbishment of retail properties is essential to maintain their commercial attractiveness year after year, since the consumers' purchase behaviour changes and the retailers set higher and higher demands. Furthermore, the competition between shopping facilities is intensifying. Older shopping centres are competing with new centres built close by, and customer flows may turn rapidly. On the other hand, demand for retail premises continues to grow in dynamic regions and additional premises are needed to satisfy the needs of international retail chains entering the market. As a result of this development, commercial lifecycles of retail premises have become shorter, and a shopping centre may become obsolete within a few years, unless ongoing efforts are made to develop it.

Solid basis for development

Citycon's shopping centres have good commercial locations in growth centres with good connections. Many of these retail properties offer also expansion potential, providing major development opportunities for Citycon.

All development activities are based on the nature of the shopping centre's catchment area and the centre's current or optimal role within it. When the catchment area's requirements and opportunities are known to the company,

redevelopment projects present a distinctly lower risk compared to building a brand new retail property in a brand new market area.

In practice, initiating a development project requires a comprehensive, forward-looking analysis of the catchment area as well as a technical implementation plan. Already at an early stage of a development project, attempts are made to involve the lessees, the inhabitants of the neighbouring area and any other stakeholders. Moreover, very close cooperation with city and traffic planners, environmental authorities as well as many other authorities and municipal decision-makers is necessary to enable the implementation of development projects. Without close cooperation it wouldn't even be possible to initiate any projects.

Many shopping and retail centres are local centres and their development contributes to the area's general attractiveness and often enables additional building. As a dynamic long-term investor, Citycon represents a strong choice as a partner for the modernisation of municipal services.

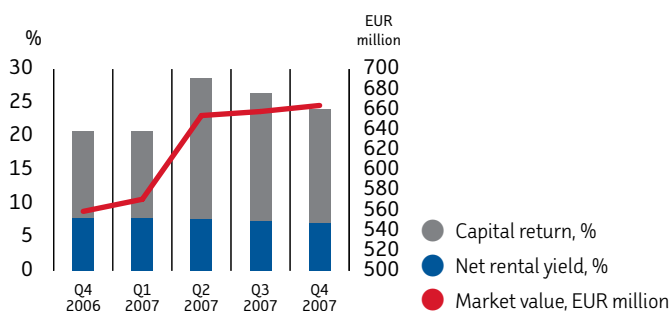
Own local personnel

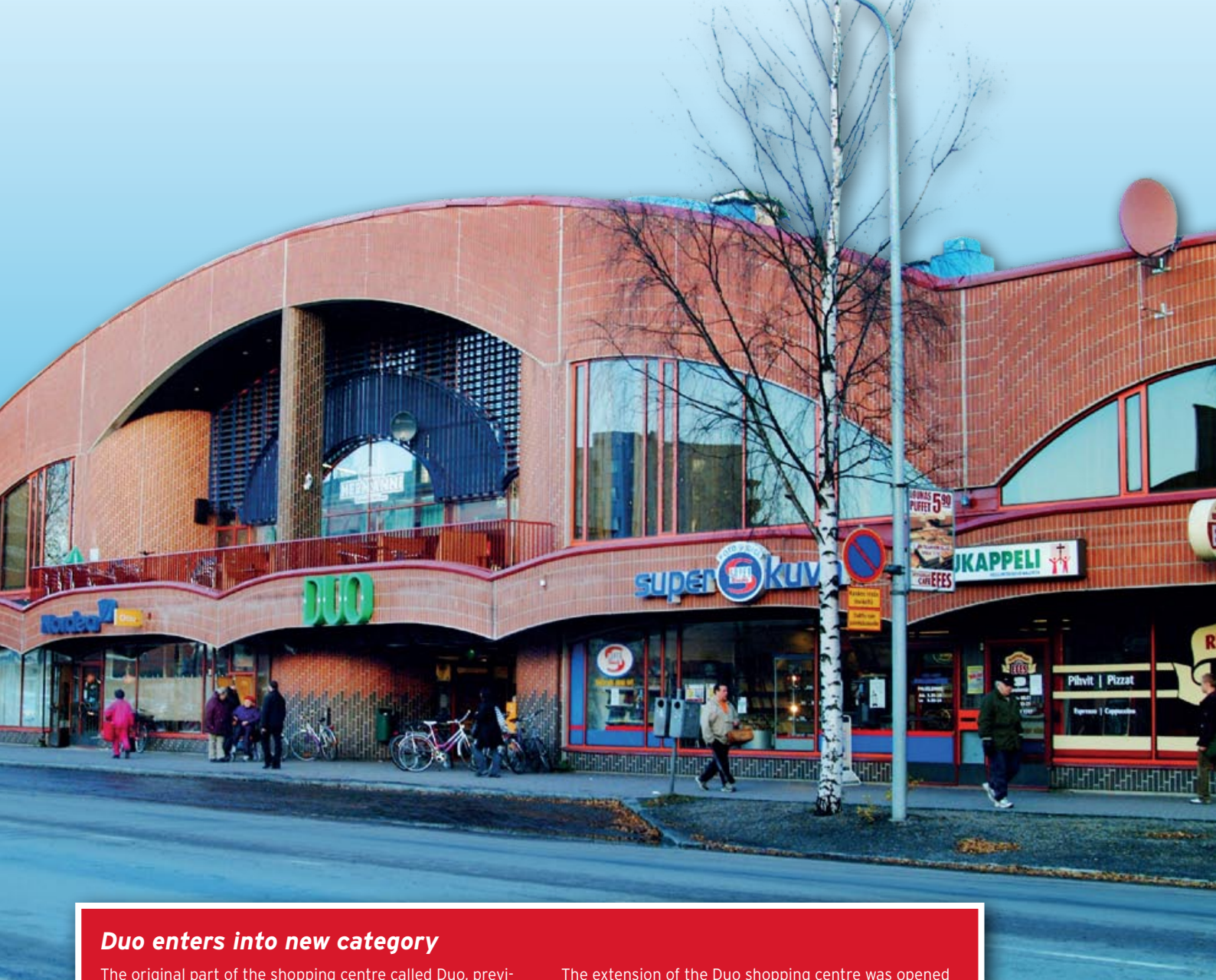
One of Citycon's competitive advantages is its in-house, local shopping centre management. Indeed, most of the company's employees work in shopping centres and are involved in the centres' operative management, marketing together with the shopping centre's retailers and long-term commercial content design or conceptualisation. With the help of its skilled personnel, Citycon aims to secure its properties' competitiveness through continuous development of new services.

Key elements in the management of individual shopping centres include appropriately directed commercial development measures, efficient maintenance and optimisation of the premises' use to increase their commercial attraction on an ongoing basis.



Total return of the like-for-like properties





Duo enters into new category

The original part of the shopping centre called Duo, previously known as the Hervanta retail centre and completed in 1979, was designed by the famous Finnish architect couple, Raili and Reima Pietilä. The name 'Duo' comes from the fact that the shopping centre consists of two parts: the original Hervanta retail centre and the new building developed by Citycon and completed in 2007.

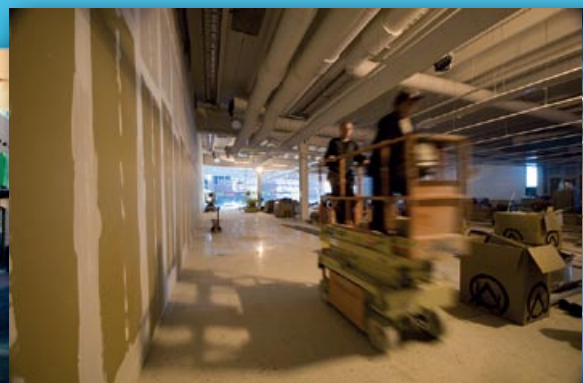
Hervanta is an urban district in the southern part of Tampere, with some 25,000 inhabitants. The area is under active residential construction and it also provides approximately 10,000 workplaces, including the Tampere University of Technology and a large number of business enterprises. Moreover, the Duo shopping centre is located next to busy traffic lines.

The Hervanta area has an annual spending power of approximately over EUR 230 million (source: Statistics Finland). Furthermore, the entirely new urban district of Vuores is currently being planned in the neighbourhood, with the purpose of building housing for over 13,000 inhabitants and business premises for 3,000-5,000 workplaces by 2015. The closest shopping centre to Vuores is Duo in Hervanta.

The extension of the Duo shopping centre was opened to the public in April 2007 and the whole complex at the end of October 2007. During the first eight months, approximately 2.5 million customers visited the new Duo, with sales totalling almost EUR 30 million. In 2008, Duo intends to attract 3.5 million customers and achieve total sales of EUR 55 million.

The Duo shopping centre's increased attractiveness stems not only from its extension but also from its revised retailing concept. In this respect, the development project answered the needs of the entire Hervanta area. For example, Hervanta's prior lack of certain specialist retail services led people to take their purchasing power elsewhere.

Exceptionally, Duo has three large grocery store chains as anchor tenants under one and the same roof: K-market, S-market and Lidl. The grocery business is accompanied by a post office and banking services and several specialist shops, plus restaurant and cafeteria services complementing the service offering. Today, the refurbished Duo is a local centre with comprehensive services, which is also actively managed in line with this local centre concept. ➤



As a current challenge, the shopping centres need to identify marketing methods which involve the lessees in the upgrading of the centre's image and visibility. Another development target involves rendering specialty leasing - i.e. available advertising displays and common-area merchandising units - an integral part of the centres' service offering and, thus, contributing to the centre's cash flow.

The company aims to enhance the appeal of the Group's whole property portfolio among current and potential lessees. The development of the chain leasing and international leasing cooperation create new kind of attractiveness to Citycon's shopping centres and the services offered by the company.

Cluster approach - the various roles of shopping centres

In order to facilitate retail property management and, on a broader perspective, commercial conceptualisation and marketing communications, the company has defined five roles for shopping centres based on customers' needs and

spending behaviour, the location of the retail property and the nature of its catchment area.

Now introduced in Finland, the cluster approach will be extended to the company's other market areas in the near future. Clustering enables the transformation of retail properties into service products which better correspond to customers' expectations and needs.

The offering and marketing at a centre, as well as any property development and refurbishment, will be determined according to the related cluster. Conducting operations in cooperation between a cluster's shopping centres generates added value. Clustering is also a key element of development projects: Clustering helps to enhance the entire process and that will have an effect on the company's net rental income.

More information on Citycon's cluster approach to its shopping centres is provided under the description of Finnish business operations, on pages 27-28.

Citycon and sustainable construction

Citycon is currently engaged in sustainable construction with three pilot projects: the extension of shopping centre Rocca al Mare in Tallinn, Estonia; the refurbishment of shopping centre Trio in Lahti, Finland; and the construction of a shopping centre in Liljeholmen in Stockholm, Sweden. Aiming at the comprehensive analysis of the planning and implementation of property development projects, from the point of view of responsible operations, and in order to systematise environmentally friendly practices, Citycon is also striving to obtain an international environmental rating for its projects.

Citycon's top five tenants 2007

	Proportion of rental income
Kesko	28.2%
S-Group	
ICA Sverige AB	
Stockmann	
Lindex	
Top 5, total	38.4%

Exceptionally, Duo has three large grocery store chains as anchor tenants: K-market, S-market and Lidl.



In its development projects, the company already pays attention to environmental factors, such as the recycling and construction materials used. The purpose of pilot projects is to establish sustainable construction practices for Citycon's properties. The pilot projects include an evaluation of more than 60 items ranging from the property's energy-efficiency and indoor air quality to material choices, the utilisation of public transport and the minimisation of the construction's environmental impact. Practical development measures are planned on the basis of these evaluations.

Development and redevelopment projects

The company's goal is to acquire and construct properties whose value can be increased through development and redevelopment. While development projects enable increasing cash flow and return from retail properties, in the short term, however, development projects may weaken cash flow as part of the retail premises have to be temporarily vacated for refurbishment. Citycon always strives to minimise any commercial harm from construction, to allow the centres to remain open and to schedule the projects optimally according to the season.

Finland

The year 2007 saw the completion of three development projects. That of the Duo shopping centre in Hervanta, Tampere, is covered in more detail on this and the previous page. Like the construction projects in Kangasala and Kaarina, Duo was completed to the agreed schedule and

At the Duo project launch stage, the total investment was estimated to amount to EUR 27.3 million and net yield, after the completion of the shopping centre, to over 8 per cent. The estimated deadline for the completion of the extension project was the spring of 2007.

The total investment amounts to EUR 25.5 million. According to an external appraiser, Duo's market value at the end of 2007 stood at EUR 35.2 million and the yield requirement at 6 per cent. Today, Duo's gross area is around 31,400 square metres. Of this area, Citycon owns some 23,800 square metres, providing a sales area of roughly 13,200 square metres. Before the modernisation, the gross leasable area of the Hervanta retail centre was approximately 7,200 square metres, of which Citycon owned approximately 5,000 square metres. The project was completed on schedule.

budget. The Lillinkulma retail centre in Kaarina was opened in May, while the retail centre in Lentola opened just before Christmas. Title to both properties transferred to Citycon upon the centres' completion.

Citycon's largest development project in Finland is the refurbishment and extension project of the Trio shopping centre, located in the heart of Lahti. The premises involved in the first stage were opened in November 2007 and the entire project will be completed in November 2009. Citycon will invest around EUR 60 million in this project. 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 its complete refurbishment, Trio's service offering will meet the customers'

needs better than before, and numerous new retailers have already opened their stores there. Following the completion of the development project, the shopping centre's sales are expected to rise from the pre-development project levels of EUR 80 million to EUR 110 million.

During the year, several smaller redevelopment and development projects were carried out. In the centre of the town of Salo, a Citycon retail property was redeveloped into a shopping centre called Linjuri. The total investment by Citycon was approximately EUR 1.8 million. At Myyrmanni in Vantaa, a food court was opened, doubling the number of the shopping centre's existing restaurants. The project's value was approximately EUR 2 million. The refurbishment project for the Torikeskus shopping centre in Seinäjoki, with an investment value of around EUR 4 million, was continued and its completion is expected in 2009.

Launched in 2005, the extension and refurbishment project for the Lippulaiva shopping centre in Espoo is progressing, since in September 2007, a zoning appeal regarding the development project was dismissed in the Supreme Administrative Court. Thus, Citycon will continue the centre's extension according to plan, in the spring of 2008. After the acquisition of the Iso Omena shopping centre, Citycon readjusted Lippulaiva's commercial concept to support the company's property portfolio in Espoo more effectively.



Key indicators of property portfolio 2007

	Finland	Sweden	Baltic Countries	Total
Citycon's GLA, sq.m.	594,180	283,700	46,100	923,980
Gross rental income, EUR million	100.7	35.4	7.7	143.7
Net rental income, EUR million	75.7	21.6	6.0	103.4
Net rental income yield, %	6.2	4.6	6.2	5.8
Net rental income yield, like-for-like properties, %	7.1	5.3	-	7.0

Property portfolio by region, 31 Dec. 2007, EUR million

	Total
Finland	
Helsinki Metropolitan Area	878.3
Other areas in Finland	708.6
Sweden	
Stockholm area and Umeå	425.6
Gothenburg area	91.9
Baltic Countries	
Estonia and Lithuania	111.2
Total	2,215.7

Based on market value of property portfolio on 31 Dec. 2007

Trend in lease portfolio by business units

	Finland	Sweden	Baltic Countries	Total
Number of leases started during the financial year	442	49	21	512
Total area of leases started, sq.m.	74,400	25,800	3,208	103,408
Occupancy rate at end of financial year, %	95.6	95.1	100	95.7
Average length of lease portfolio at the end of financial year, year	3.1	2.4	2.8	3.0

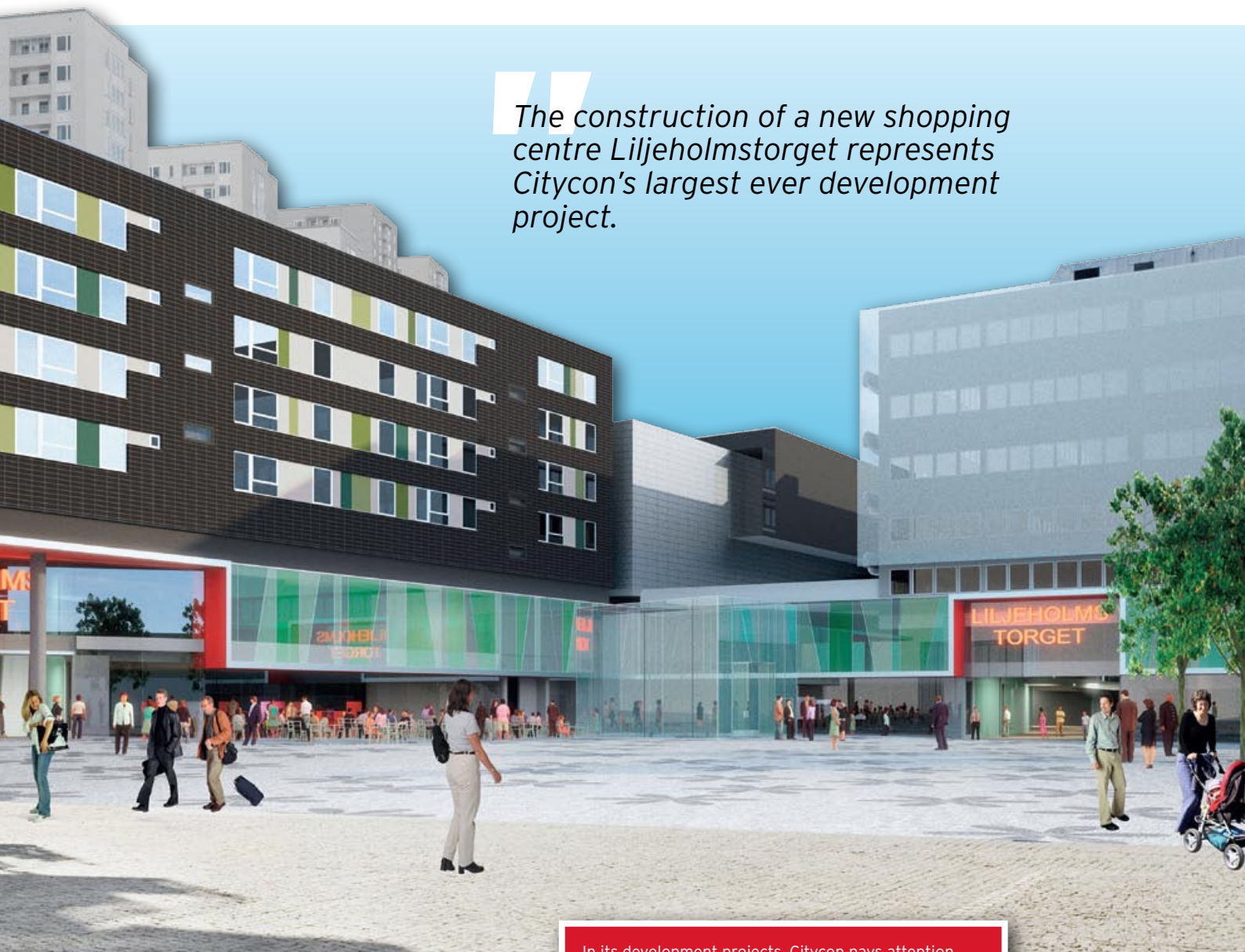
Sweden

Citycon has a major new construction project underway in Liljeholmen, Stockholm. Other current development projects in Sweden involve the redevelopment and extension of existing properties. The construction of a new shopping centre Liljeholmstorget represents Citycon's largest ever development project, with a total investment of approximately EUR 170 million, including the original acquisition cost of EUR 60.6 million and around EUR 110 million in building costs. Citycon acquired the project in August 2006, which initially included a 20,000-square-metre office and commercial building with substantial volume of building rights. In May 2007, Citycon began construction works and the development project has advanced according to plan, with quarrying work and the refurbishment of the existing building underway. The new shopping centre will open its doors in or around October-November 2009. Throughout the project's planning and construction process, special attention will be paid to sustainable development.

Baltic Countries

Expansion work began at shopping centre Rocca al Mare in Tallinn in summer 2007. The centre will undergo a thorough modernisation, doubling its leasable floor area. The first

The construction of a new shopping centre Liljeholmstorget represents Citycon's largest ever development project.



In its development projects, Citycon pays attention to environmental factors, such as the recycling and construction materials used. The pilot projects of sustainable construction are the extension of shopping centre Rocca al Mare in Tallinn, Estonia; the refurbishment of shopping centre Trio in Lahti, Finland; and the construction of a shopping centre in Liljeholmen in Stockholm, Sweden. Citycon is striving to obtain an international rating for these projects.

stage of the redevelopment project is scheduled for completion during the spring of 2008, and the next stage is currently being planned. The project will be completed ahead of schedule, in the autumn of 2009. Thereafter, Rocca al Mare, located in an affluent western district of Tallinn, will be the city's largest shopping centre. Citycon can also expand its other Tallinn-based shopping centre, Magistral, but the related redevelopment project has yet to be launched.

Redevelopment and development projects in summary

All of Citycon's redevelopment and development projects are listed by the project stage in the following four tables.

- The first table contains development projects that have been completed during the period.
- The second table contains development projects in progress, as decided by the Board of Directors.
- The third table shows development projects under planning. For these projects, an alteration of the city plan is pending or Citycon and/or its partner have a site reservation but the related investment proposal has yet to be submitted to Citycon's Board of Directors for approval.

Portfolio by market value and number of properties on 31 Dec. 2007

Market value, EUR million	Share of total portfolio, %	Number of properties
over 100	39	5
80-100	4	1
60-80	13	4
40-60	12	5
20-40	13	10
10-20	12	18
5-10	5	15
0-5	3	28



- The fourth table lists the projects whose realisation is currently being analysed, but neither an alteration of the city plan has been applied for nor any other official decisions made.

In addition to the projects presented in the tables, Citycon constantly monitors the development and redevelopment needs of its properties.

During the period, Citycon invested a total of EUR 39.5 million in development projects in Finland, EUR 16.8 million in Sweden and EUR 15.5 million in the Baltic Countries.

Acquisitions

In addition to property development, the company actively seeks growth through the acquisition of new properties. In the identification and selection of suitable properties in Finland, Sweden and the Baltic countries, Citycon considers location and development potential as decisive criteria. All centres acquired in 2007 offer development potential, whose utilisation is either underway or beginning in the near future.

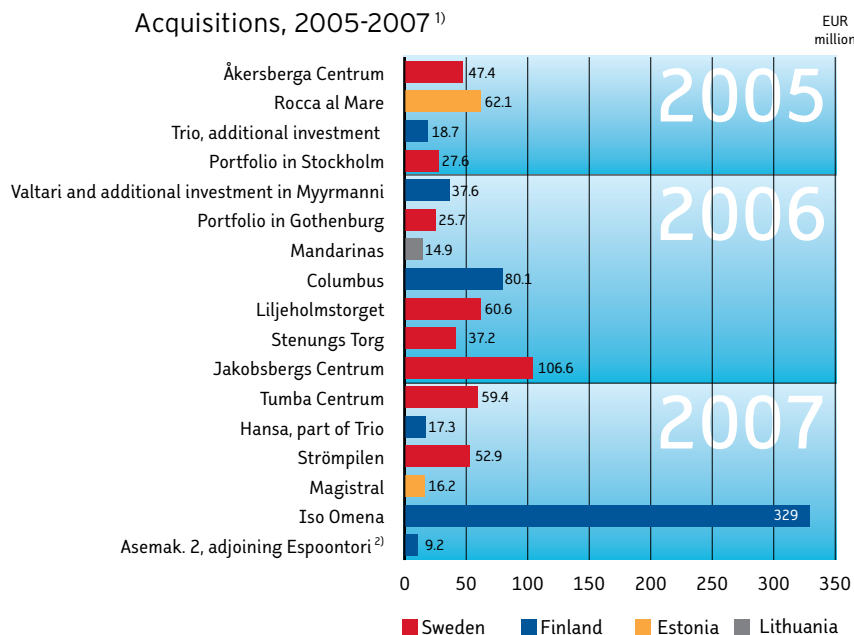
New acquisitions carried out during the financial year were worth a total of EUR 389.6 million (EUR 124.3 million) in Finland, EUR 125.6 million (EUR 260.7 million) in Sweden and EUR 16.2 million (EUR 15.9 million) in the Baltic countries.

Finland

The shopping centre Iso Omena was Citycon's most significant acquisition during the year. The transaction for this shopping centre, Finland's fifth-largest in area, was closed in September 2007 with an acquisition cost of EUR 329 million and an initial net yield of 4.5 per cent.

Citycon signed an agreement on 12 February 2008 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 owns 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

Acquisitions, 2005-2007 ¹⁾



¹⁾ Includes acquisitions exceeding EUR 10 million.

²⁾ The purchase price totals EUR 11 million and the rest of it is payable upon approval of the change in city plan.

In the identification and selection of suitable properties in Finland, Sweden and the Baltic countries, Citycon considers location and development potential as decisive criteria.



The investment plan for Liljeholmstorget was further 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 subway and bus stations. The new shopping centre is expected to open its doors in October-November 2009.

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.

The centre's leasable floor area totals 61,300 square metres, of which retail premises account for approximately 49,000 square metres. Iso Omena offers a wide range of services, with approximately 120 shops, cafés and restaurants and its anchor tenants include the hypermarkets Citymarket and Prisma, the fashion chains Hennes & Mauritz, Kappahl, Lindex and Dressman and a Finnkinno movie theatre. Typically for Citycon's shopping centres, grocery sales account for more than 60 per cent of the centre's sales including the hypermarket sales. Details on sales and the number of visitors are presented in a table in page 29.

Iso Omena enjoys an outstanding location now and in the future. It is situated in Matinkylä in southern Espoo, the high purchasing power area, some 13 km from the downtown Helsinki, close to the Länsiväylä highway and the Kehä II ringroad junction. The excellent traffic connections of the area will improve further with the extension of the underground network to Espoo, with Matinkylä underground station planned for construction right next to the shopping centre. There are nearly 150,000 inhabitants in the shopping centre's catchment area.

This acquisition has markedly strengthened Citycon's leading position in the Finnish shopping centre sector, particularly in the Helsinki Metropolitan Area where the company now has eight shopping centres. Iso Omena offers Citycon a unique opportunity to develop the area's

shopping centres as a whole, and to increase the company's market share in the growing metropolitan retail trade.

Iso Omena's development potential is considerable - it can be expanded by some 7,000 square metres and its commercial concept can be further improved. Citycon initiated the shopping centre's refurbishment immediately after the acquisition and considers the centre one of its priorities among its properties under development.

Citycon intends to develop the Espoontori shopping centre in northern Espoo and the Myllypuro retail centre in eastern Helsinki. For this purpose, during the summer the company acquired an almost 100-per cent holding in the Myllypuro retail centre, previously owned by several minority shareholders. These transactions were associated with a more extensive refurbishment and development project in and around the Myllypuro retail centre in cooperation with the City of Helsinki. The value of the share transactions totalled approximately EUR 2.7 million. In late August, the company acquired the office property adjacent to shopping centre Espoontori for around EUR 11 million. The acquisition paves the way for expansion and development of the

shopping centre, assuming that the proposed change in city plan is approved. It was agreed that the purchase price would be lowered by a maximum of EUR 2 million if the proposed change in the city plan was rejected.

Sweden

In December 2006, Citycon announced that it had signed an agreement for the acquisition of the Tumba Centrum shopping centre, and the transaction was closed in January 2007. The shopping centre is located in the municipality of Botkyrka, south of Stockholm, and its debt-free purchase price amounted to SEK 548 million (EUR 59.4 million), which corresponds to an initial net yield of 5.4 per cent. The centre's gross leasable area is around 31,000 square metres, some 18,600 square meters of which are retail premises. Its anchor tenants include grocery and fashion retailers and Systembolaget. The property includes not only retail premises but also flats and offices, which is typical of shopping centres in Sweden. Built adjacent to commuter railway and bus stations, Tumba Centrum is a commuter hub for those working in the region. In the future, Tumba Centrum can be expanded and its refurbishment has already begun.

Citycon extended its operations outside the Stockholm and Gothenburg economic areas, to Umeå, by acquiring 75 per cent of shopping centre Strömpilen and retail property Länken. The purchase price totalled approximately SEK 490 million (around EUR 52.9 million), which corresponds to an initial net yield of 5.5 per cent.

Strömpilen is the leading shopping centre in Umeå, with an excellent commercial location near the city centre and university campus. The centre's gross leasable area is around 25,000 square metres, with retail premises accounting for approximately 22,300 square meters. A two-stage expansion project is planned for the shopping centre. The first stage involves the redevelopment of the property and the extension of the leasable area by some 5,000 square metres, the project's value totalling approximately EUR 14.5 million. The planned second phase will expand the shopping centre area further by around 20,000 square metres. Strömpilen's anchor tenant is the hypermarket ICA Maxi, other tenants including strong, well-known chains operating in various retail sectors.

Länken is a modern retail property located in the Ersboda Retail Park area close to central Umeå. Consisting of two buildings, the property has a gross leasable area of approximately 7,200 square metres. Länken, too, offers the option of future expansion, through the construction of a new 5,000-square-metre building.

Baltic Countries

In July, the company reinforced its Baltic property portfolio by acquiring shopping centre Magistral in Tallinn, Estonia, for EUR 16.2 million. The initial net yield stood at 6.5 per cent. The shopping centre was built in 2000 and has a leasable area of 9,450 square metres with an occupancy rate of 100%. Magistral has significant redevelopment and expansion potential. The deal also included the purchase of approximately 8,500 square metres of building rights for EUR 2 million, pending the approval of the proposed change in the city plan. This change being approved in the autumn of 2007, the company paid the agreed price for the building rights facilitating the expansion in December.

The Magistral shopping centre is located in Tallinn's second-largest district of Mustamäe with 64,000 inhabitants, at a distance of five kilometres from the heart of Tallinn.

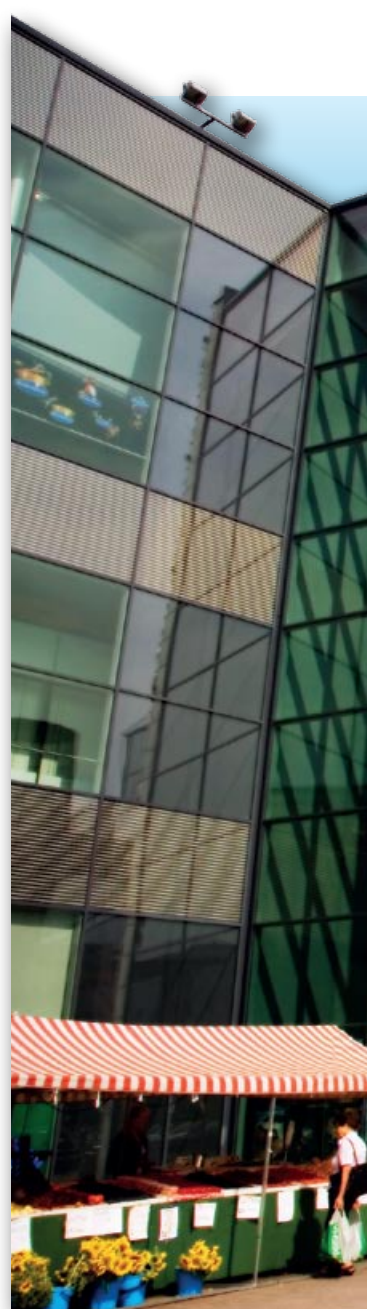
Acquisition summary

As a result of the investments during the financial year, at the end of 2007 Citycon owned a total of 22 shopping centres and 46 other retail properties in Finland, eight shopping centres and seven other retail properties in Sweden and three shopping centres in the Baltic countries.

Leasing activity

Citycon's income derives mainly from the leasing of the company's properties. During 2007, Citycon extended lease agreements or negotiated new ones for retail premises, covering a total of 103,408 square metres, with the number of extended and new agreements totalling 170 and 342, respectively. A total of 641 lease agreements were transferred to Citycon as a result of property acquisitions.

Speciality and grocery chains as well as cafés, banks and financial institutions are among the company's major





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 in-house organisation responsible for the management and marketing of the shopping centre 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 portfolio in the Espoo region, where the company already has several shopping centres. Immediately following the acquisition, Citycon began planning the shopping centre's expansion 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 redevelopment of the shopping centre.

lessees, of which the most significant in Finland include the various Kesko chains, such as the K-citymarket hypermarkets, the K-market supermarkets and the Anttila department stores, accounting for 28.2 per cent (2006: 33.7%) of the company's total rental income. These leases are based on agreements concluded on a premises-by-premises basis, which is why the number of lease agreements between Citycon and Kesko totals 83 covering 48 different properties. Other major lessees include the S-Group within the HOK-Elanto, representing grocery retail, fashion and clothing chain stores such as Seppälä (Stockmann), H&M, Dressman, KappAhl and Lindex, and the bank Nordea.

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

Prisma, a Finnish hypermarket chain, represents the largest single lessee in the Baltic countries, while both Magistral's and Mandarin's anchor tenant was the Norwegian RIMI.

At the turn of the year, the average duration of Citycon's leases was three years. This relatively brief average duration enables the enhancement of shopping centres' service offering and realisation of development projects on a faster schedule. Citycon aims to have a versatile and efficiently manageable lease portfolio, in order to be able to change, if needed, the tenant mix and structure of rental agreements of its properties without risking their cash flow.

Shopping centres' anchor tenants typically have long-term leases with a duration of 5-10 years, which stabilise



Citycon's cash flow while providing tenants with the opportunity to develop their business in co-operation with Citycon on a long-term basis. Medium-term leases of 3-5 years are typical of secondary anchor tenants, such as fashion chains, and generate a steady cash flow and provide the tenant mix with stability. Short-term (1-24 months) leases or leases valid until further notice provide the required flexibility and the opportunity to alter the lease portfolio.

Most of Citycon's leases are based on agreements, whereby the rent is split between the base rent, often tied to the cost-of-living index, and the maintenance fee. The maintenance fee, charged separately from the lessee, covers operating expenses incurred by the property owner due to property maintenance, and facilitates flexible changes in maintenance services.

Since the retail properties success results from Citycon's and its tenants' joint efforts, Citycon aims to increase the portion of turnover-based lease agreements, in which the rental rates are, in practice, tied to the cost-of-living index and to the lessee's turnover. In addition, the lessee pays a maintenance fee. The agreement also includes a minimum rent, likewise tied to the index. If the minimum base rent is lower than the rent based on actual turnover, the rent payable by the lessee is based on actual turnover. The portion tied to turnover is defined according to the lessee's field of business and estimated sales. These turnover-linked lease agreements support both the lessee's and Citycon's shared goal of boosting the lessee's sales. Currently, turnover-based lease agreements account for roughly 16.1 per cent

of Citycon's lease portfolio, up by 5.1 percentage points on the year before. The calculation of percentages is based on the lease portfolio's value in euros. The company aims to tie all new agreements to the lessee's turnover.

Most of these lease agreements stipulate that lessees must report their sales to Citycon on a monthly basis. This enables the company to actively monitor the performance of its shopping centres and develop their sales in cooperation with lessees by means of retail property management and marketing. Citycon monitors the lessee's ability to pay rents and reports a figure for like-for-like properties indicating the percentage of a tenant's turnover paid as rent. At the end of the year, this figure was 8.6 per cent.

Property portfolio's valuation

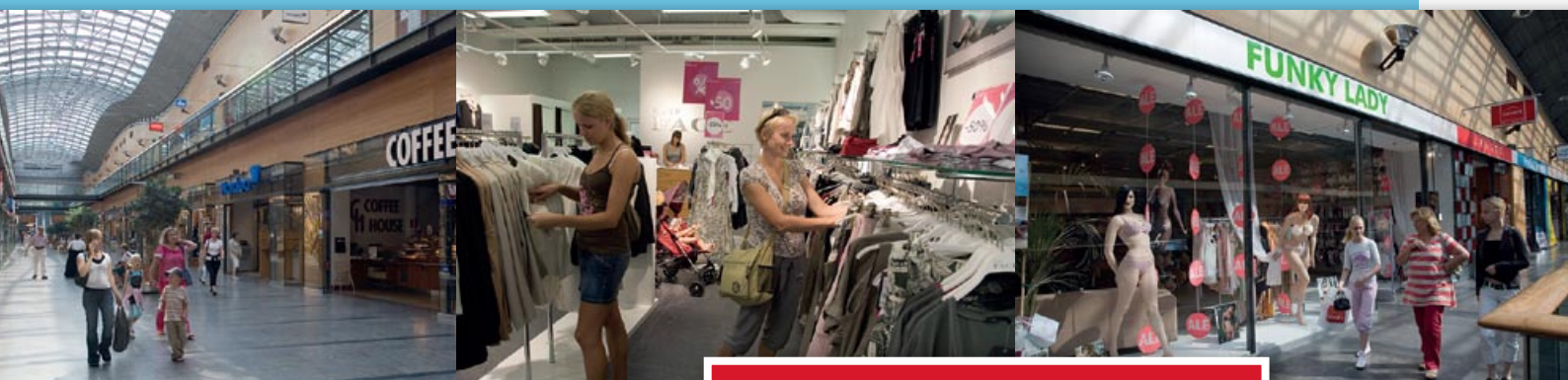
Property portfolio summary

On 31 December 2007, the market value of Citycon's property portfolio totalled EUR 2,215.7 million, of which the property portfolio in Finland accounted for EUR 1,587.0 million, that in Sweden EUR 517.5 million and that in the Baltic countries, EUR 111.2 million.

Property valuation

In accordance with the International Accounting Standards (IAS) and the International Valuation Standards (IVS), an external professional appraiser conducts a valuation of Citycon's property portfolio on a property-by-property basis at least once a year. However, in 2007, Citycon chose to have its properties valued by an external appraiser on a

An external professional appraiser conducts a valuation of Citycon's property portfolio on a property-by-property basis.



To ensure a shopping centre's functionality it is essential that the stores in the centre have appropriate locations and premises and that they together form a complex that meets the needs of the customers. For long-term planning it is also essential what kind of lease agreements are concluded with the stores doing business in the centre.

quarterly basis, due to market activity and rapidly changing market conditions. The most recent valuation statement by Realia Management Oy can be found in the appended Financial Statements, pages 62 and 63.

The appraisal of Citycon's investment properties consists of income valuation based on cash-flow method and, for some properties, an additional valuation of building rights. More details on investment properties' appraisal methods are provided in the property valuation statement mentioned above.

Citycon can contribute to its investment properties' value by, for example, increasing rental cash flow through the means of property development, retail property product development and marketing. The factor with the most significant effect on the fair value of retail properties, however, has proven to be a reduction in the yield requirements, resulting from stronger demand for investment properties and increasing the properties' value.

On 31 December 2007, Realia Management Oy evaluated the average yield requirement for Citycon's property portfolio at 5.6 per cent. The yield requirement for properties in Finland, Sweden and the Baltic countries stood at 5.7 per cent, 5.4 per cent and 6.4 per cent, respectively.

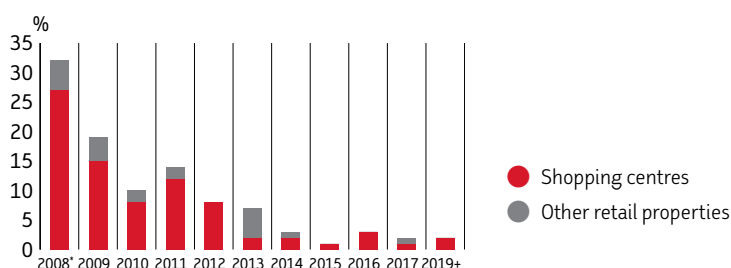
Recognition of market value

Citycon recognises its investment property at fair value in accordance with IAS 40. Its properties' combined market value (fair value) on the balance sheet date is recorded in the balance sheet and any changes in their fair value

are recognised in the income statement and shown as a separate item under operating profit or loss. As a result, the change in fair value also has an impact on the periodic earnings and results.

In addition to the property portfolio's total value, determined by the external appraiser, the fair value of the company's investment properties in the balance sheet includes capital expenditure on development projects that the external appraiser does not take into account in the valuation as well as the acquisition cost of new properties acquired during the last three months.

1st possible maturity of the leases, 31 Dec. 2007



*) Includes agreements running until further notice.



The Rocca al Mare development project involves the construction of a high-quality shopping centre located in an affluent and growing area. The latest environmental requirements are taken into account in the development project, making Rocca al Mare the greenest shopping centre in the Baltic countries so far.

Measurement of the fair value of property under construction

A property under construction is not recognized as investment property before to its completion. Such property is accounted for as property, plant and equipment (PPE) until its completion, in accordance with IAS 16. Upon its completion, the property is recognised as investment property in the balance sheet at a value comprising the amount of investments accrued until the completion. Subsequently, it is measured at fair value as any other investment property. On 31 December 2007, Citycon had three extension projects for properties under construction: the redevelopment and extension projects of Rocca al Mare, Liljeholmstorget and Åkersberga.

Fair value increase during the financial year

During the financial year, the fair value of Citycon's property portfolio rose by a total of EUR 213.4 million as a result of growth in the company's property portfolio and changes in general market conditions and the leasing business. The year saw a total increase of EUR 220.9 million in the value of 69 properties and a total decrease of EUR 7.5 million in the value of 16 properties. The year's most significant change affecting market values included growing interest

in Citycon's operating areas shown by international investors, which reduced the properties' yield requirement and contributed to value generation.

Future challenges

Citycon strives to continue the growth strategy by expanding its property holdings in the retail business and selected market areas, and by upgrading its properties in order to better serve the retail sector. The company considers re-leasing capital for property development by divesting non-core properties.

Increasing construction costs, fierce competition for profitable investment opportunities and the growth of retail business in Citycon's operating countries will present challenges. Retaining and strengthening its market position will require Citycon to predict and identify new trends in retailing and contribute and respond to them, for example, by professional and forward-looking product development of retail properties, intensified property-development operations and by actively seeking new lessees, especially among new retailers entering the market.

Property development, in particular, faces the challenges of consumers' changing purchase behaviour, retailers' increasing demands as well as continuously intensifying competition between shopping facilities and shortening of their commercial lifecycles.

Portfolio analysis 31 Dec. 2007

Total portfolio	City	Citycon's GLA	Number of lease agreements	Average length of lease agreements	Average rent EUR/sq.m./year	Fair market value, EUR million		Rental income		Occupancy rate,%	
								Gross rental income	Net rental income	EUR	sq.m.
						31 Dec. 07	31 Dec. 06	Year 2007	Year 2007	31 Dec. 07	31 Dec. 07
Finland											
Shopping centres, Helsinki Metropolitan Area											
Columbus	Helsinki	20,900	73			83.9	78.2			99.7%	99.0%
Espoonatori	Espoo	15,400	51			29.6	18.9			83.3%	77.7%
Heikintori	Espoo	5,800	38			14.2	14.1			96.0%	91.9%
Isomyyri	Vantaa	10,400	190			22.4	18.7			99.5%	98.5%
Iso Omena	Espoo	60,600	18			329.3				96.3%	92.3%
Lippulaiva	Espoo	22,400	86			58.9	54.0			96.9%	95.1%
Myyrmanini	Vantaa	40,300	122			176.7	155.8			97.7%	97.7%
Tikkuri	Vantaa	10,700	53			30.2	23.1			99.4%	98.7%
Shopping centres, Helsinki Metropolitan Area, total											
		186,500	631	2.9	297	745.3	362.6	38.0	28.1	97.7%	95.7%
Shopping centres, other areas in Finland											
Duo	Tampere	13,000	36			35.2	25.3			97.7%	93.1%
IsoKarhu	Pori	14,900	59			44.2	39.2			97.5%	93.9%
IsoKristiina	Lappeenranta	18,300	54			39.2	35.6			91.3%	89.9%
Jyväskylä	Jyväskylä	5,800	76			16.1	12.2			98.8%	97.5%
Jyväskylä Forum	Jyväskylä	17,500	65			60.7	48.6			98.7%	98.2%
Koskikara	Valkeakoski	5,800	35			7.4	5.3			92.6%	92.3%
Koskikeskus	Tampere	26,000	155			114.7	85.9			98.9%	97.1%
Linjuri	Salo	9,300	8			17.7	15.2			96.1%	96.7%
Oulun Galleria	Oulu	3,500	35			10.2	7.7			98.7%	97.1%
Sampokeskus	Rovaniemi	14,000	86			26.7	23.6			87.2%	78.6%
Torikeskus	Seinäjoki	11,400	70			12.9	12.1			92.5%	90.6%
Trio	Lahti	43,900	152			124.5	72.4			93.3%	91.4%
Tullintori	Tampere	10,300	43			9.9	8.7			79.0%	79.1%
Valtari	Kouvola	7,600	20			6.0	5.9			90.7%	87.6%
Shopping centres, other areas in Finland, total											
		201,300	894	3.3	199	525.5	397.5	36.0	26.4	94.9%	91.7%
Other retail properties											
		206,380	232	3.6	144	316.2	249.6	26.7	20.9	92.9%	89.8%
Finland, total											
		594,180	1,757	3.1	212	1,587.0	1,009.7	100.7	75.7	95.6%	92.3%
Sweden											
Shopping centres, Stockholm area and Umeå											
Fruängen Centrum	Stockholm	14,600	95			15.4	14.6			93.5%	90.5%
Jakobsbergs Centrum	Järfälla	67,500	501			121.8	110.0			97.6%	96.6%
Liljeholmstorget	Stockholm	20,200	37			77.9	64.7			90.1%	76.2%
Strömpilen	Umeå	27,000	25			54.6				84.9%	84.3%
Tumba Centrum	Stockholm	30,900	295			63.8				99.8%	99.8%
Åkermymntan Centrum	Hässelby	8,400	45			12.8	12.5			100.0%	97.1%
Åkersberga Centrum	Österåker	33,100	238			57.6	55.3			84.4%	79.4%
Shopping centres, Gothenburg area											
Stenungs Torg	Stenungsund	37,600	330			56.3	58.4			97.3%	97.4%
Shopping centres, Sweden, total											
		239,300	1,566	2.2	150	460.1	315.6	31.0	18.8	94.6%	92.3%
Other retail properties											
		44,400	147	3.7	111	57.4	39.3	4.3	2.7	96.1%	94.5%
Sweden, total											
		283,700	1,713	2.4	143	517.5	354.8	35.4	21.6	95.1%	93.3%
Baltic Countries											
Estonia											
Rocca al Mare	Tallinn	28,600	111			74.7	68.2			100%	100.0%
Magistral	Tallinn	9,500	61			18.5				100%	100.0%
Lithuania											
Mandarin	Vilnius	8,000	57			18.0	15.1			100%	100.0%
Baltic Countries, total											
		46,100	229	2.8	183	111.2	83.3	7.7	6.0	100%	100%
Total portfolio											
		923,980	3,699	3.0	189	2,215.7	1,447.9	143.7	103.4	95.7%	93.0%

Like-for-like portfolio

	Citycon's GLA	Number of lease agreements	Average length of lease agreements	Average rent EUR/sq.m./year	Fair market value, EUR million		Rental income		Occupancy rate,%	
							Gross rental income	Net rental income	EUR	sq.m.
					31 Dec. 07	31 Dec. 06	Year 07	Year 07	31 Dec. 07	31 Dec. 07
Finland										
Helsinki Metropolitan Area	96,020	580	2.6	178	183.4	153.2	16.1	11.9	96.6%	94.1%
Other areas	206,560	215	2.6	197	458.8	386.5	37.2	29.1	94.9%	91.2%
Finland, total	302,580	795	2.6	192	642.3	539.7	53.3	40.9	95.2%	91.7%
Sweden										
Stockholm area and Umeå	18100	96	1.9	116	21.3	19.4	1.9	1.1	94.7%	92.3%
Like-for-like portfolio, total	320,680	891	2.6	188	663.6	559.1	55.2	42.0	95.1%	91.7%

Like-for-Like portfolio= Properties held by Citycon throughout the 24-month reference period. Properties under development and expansion as well as lots are eliminated from the figures.

Market value analysis, 31 Dec. 2007

Total portfolio	Fair market value, EUR million		Change in market value, year 2007, EUR million			Average yield requirement,%		Average market rent, EUR, sq.m./month	Average operating expenses, EUR/sq.m./month
			Positive	Negative	Total				
	31 Dec. 07	31 Dec. 06				31 Dec. 07	31 Dec. 06	31 Dec. 07	31 Dec. 07
Finland									
Helsinki Metropolitan Area	878.3	471.6	64.4	-3.7	60.8	5.4%	6.4%	23.60	5.40
Other areas in Finland	708.6	538.2	91.3	-3.6	87.7	6.0%	6.8%	17.90	3.90
Finland, total	1,587.0	1,009.7	155.7	-7.3	148.5	5.7%	6.6%	21.10	4.70
Sweden									
Stockholm area and Umeå	425.6	262.0	50.9		50.9	5.3%	6.4%	13.70	4.10
Gothenburg area	91.9	92.9	4.5		4.5	5.9%	6.5%	10.90	3.60
Sweden, total	517.5	354.8	55.6		55.6	5.4%	6.4%	13.20	4.00
Baltic Countries									
Estonia	93.2	68.2	6.7	-0.2	6.5	6.3%	7.0%	15.40	3.70
Lithuania	18.0	15.1	2.9		2.9	6.7%	7.3%	19.30	6.40
Baltic Countries, total	111.2	83.3	9.6	-0.2	9.3	6.4%	7.1%	16.40	4.10
TOTAL PORTFOLIO	2,215.7	1,447.9	220.9	-7.5	213.4	5.6 %	6.6 %	19.00	4.50

The fair value change of properties sold during the period was -0.1 million euros.

Like-for-like properties

Finland									
Helsinki Metropolitan Area	183.4	153.2	30.4	-1.7	28.7				
Other areas in Finland	458.8	386.5	69.3	-3.0	66.3				
Finland, total	642.3	539.7	99.7	-4.8	94.9				
Sweden									
Stockholm area	21.3	19.4	2.7		2.7				
Like-for -like properties, total	663.6	559.1	102.4	-4.8	97.6				

Completed development projects in 2007

Property	Location	Country	Area, sq.m. ¹⁾	Post-development area, sq.m	Estimated total investment EUR million ²⁾	Actual cumulative CAPEX by the end of the period, EUR million	Additional information
Duo	Tampere	FIN	5,000	13 200 ³⁾	27.3	25.5	New shopping centre consisting of two parts: new development and redevelopment of the old retail centre. The new section was opened in April 2007 as planned and redevelopment of the existing premises was completed in October 2007.
Lillinkulma	Kaarina	FIN	0	7,500	8.2	10.9 ⁴⁾	New retail centre consisting of two buildings including four retail premises. All premises are leased. The title to the centre was transferred to Citycon as the project was completed in May 2007 as scheduled.
Lentola	Kangasala	FIN	0	12,000	16.6	16.2	New retail building. The title to the property was transferred to Citycon after the completion of the project in November 2007.
Linjuri	Salo	FIN	9,000	9,000	1.8	1.2	Redevelopment of a retail property (redevelopment area approx. 4,000 sq.m.) into a shopping centre was completed in December 2007.

1) Leasable area owned by Citycon before the project start. 2) New capital tied on the project.
3) Owned by Citycon. 4) Includes stages 1 and 2. Second stage was completed earlier than anticipated.

Leasing activity

	Number of lease agreements	Citycon's GLA, sq.m.	Leased area, sq.m.	Average rent, EUR/sq.m./month
Finland				
Status 1 Jan. 2007	1,542	482,320	450,900	16.3
Leases started				
New or extended leases	442		74,400	19.9
Acquisitions	253	112,100	85,900	19.3
Leases ended				
Expired, fixed-term leases	101		27,700	16.3
Terminated, until-further-notice leases	331		45,000	16.7
Leases terminated due to development projects	48		12,100	18.3
Divestments		240		
Status 31 Dec. 2007	1,757	594,180	526,400	17.6
Sweden				
Status 1 Jan. 2007	1,393	217,700	205,590	12.3
Leases started				
New or extended leases	49		25,800	11.7
Acquisitions	326	65,000	62,000	13.8
Leases ended				
Expired, fixed-term leases	12		14,300	7.7
Terminated, until-further-notice leases	30		9,000	9.3
Leases terminated due to development projects	13		4,800	14.1
Status 31 Dec. 2007	1,713	283,700	270,090	12.5
Baltic Countries				
Status 1 Jan. 2007	174	36,600	36,300	9.9
Leases started				
New or extended leases	21		3,208	23.9
Acquisitions	62	9,500	9,500	10.5
Leases ended				
Expired, fixed-term leases	5		800	20.2
Terminated, until-further-notice leases	9		300	11.2
Leases terminated due to development projects	14		3,600	
Status 31 Dec. 2007	229	46,100	46,100	12.6

Development projects in progress on 31 December 2007

Property	Location	Country	Market value EUR million (31 Dec. 2007)	Area, sq.m. ¹⁾	Post- develop- ment area, sq.m.	Total estimated investment EUR million ²⁾	Actual cumulative CAPEX by the end of the year EUR million	Target year of completion	Additional information
Liljeholms- torget	Stockholm	SWE	77.9	20,100	91,000	120	17.6	2009	Construction of a new shopping centre. The existing building will undergo a thorough refurbishment and considerable extension. One of Citycon's pilot projects in the sustainable development of its' properties.
Rocca al Mare	Tallinn	EST	74.7	28,600	53,500	68	13.2	2009	Refurbishment and major extension of the existing shopping centre. One of Citycon's pilot projects in the sustainable development of its' properties. The project is ahead of the schedule and is expected to be completed one year earlier than initially estimated. Refurbishment and extension of the existing shopping centre. The project will be carried out in two stages; the first stage was completed in November 2007 as planned. One of Citycon's pilot projects in the sustainable development of its' properties.
Trio	Lahti	FIN	124.5	32,000	35,000	60	21.5	2008	Refurbishment and extension of the existing shopping centre. The refurbishment of indoor areas will be completed in spring 2008. The extension project will continue as planned, since the appeal regarding the change of zoning required for the extension, which delayed the project, was dismissed in the Supreme Administrative Court in September 2007.
Lippulaiva	Espoo	FIN	52.1	18,000	35,000	60-70 ³⁾	8.9	2010/2011	Redevelopment and extension of the existing shopping centre. The project has been delayed due to a tenant complaint. The project plan will be renewed during spring 2008 and the project will continue as planned.
Åkersberga Centrum	Österåker	SWE	57.6	26,000	35,200	27 ⁴⁾	3.3	2010	Redevelopment and extension of the shopping centre. In the first phase the centre will be refurbished and extended by 500 sq.m. The second phase includes remarkable redevelopment and extension. The target year of the launch of the second phase is 2009.
Tumba Centrum	Stockholm	SWE	63.8	30,000	38,000	35-37 ⁵⁾	1.4	2011	Refurbishment of the shopping centre underway, the first stage was completed in 2007.
Torikeskus	Seinäjoki	FIN	12.9	11,300	12,000	40	2.1	2009	

1) Leasable area owned by Citycon. 2) New capital tied on the project. 3) Both planned stages included in the estimate. The second stage is subject to the Board of Directors' decision. 4) Citycon owns 75% of the shopping centre. The estimated total value of the redevelopment is approx. EUR 40 million. 5) Both stages included in the figure. The second stage is subject to the Board of Directors' decision. The estimated investment need of the initiated first phase is approx. EUR 8 million.

Development projects under planning

Citycon's Board of Directors has not yet made a decision on the development project, but it is under planning, an alteration of the city plan is pending or Citycon (or its partner) has a site reservation.

Property	Location	Country	Market value EUR million (31 Dec. 2007)	Project area, sq.m.	Estimated investment need EUR million ²⁾	Target year of project launch	Target year of completion	Additional information
Espoonitori	Espoo	FIN	29.6	24,000	50	2009	2011	Alteration of city plan pending, facilitating the extension and refurbishment of the existing shopping centre. The investment amount does not include the property acquisition cost incurred in 2007 (Asemakuja). ³⁾
Iso Omena	Espoo	FIN	329.3	5,000 ⁴⁾	15	2008	2010	Extension of the shopping centre in two stages, the first stage will be carried out in 2008.
Myyrmanmi	Vantaa	FIN	176.7	11,000	15-17	2008	2011	The food court was refurbished in 2007. The second floor will be refurbished into a fashion world in an indoor renovation that will be carried out in several stages. Estimated investment need includes the completed food court project of EUR 2.1 million.
Galleria	Oulu	FIN	10.2	17,000	50-55	2010	2012	Redevelopment of the Galleria block into a shopping centre in co-operation with the block's other property owners. Includes the acquisition and refurbishment of the adjoining property (appr. 11,000 sq.m.) and its connection to the existing centre as well as an underground parking facility.
Koskikeskus	Tampere	FIN	114.7	2,000 ⁵⁾	8-12	2009	2008-2009	The improvement of the shopping centre's service palet through inner refurbishment and extension works. Alteration of the city plan gained legal force in 2007 increasing building right for retail use by 6,200 sq.m.
Myllypuro ⁶⁾	Helsinki	FIN	4.2	7,400	20	2009	2012	Building a new retail centre replacing the existing one. During 2007 Citycon acquired almost the entire centre to facilitate the development project.
Kuopion Anttila	Kuopio	FIN	21.7	15,000	35-40	2009	2011	Redevelopment and extension of the existing building into a new shopping centre. Commercial concept of the project under review and building of parking facilities under the market square pending. ³⁾
Heikintori ⁶⁾	Espoo	FIN	14.2	23,000	60	2009-2010		Refurbishment and extension of the existing shopping centre. ³⁾
Martinlaakso	Vantaa	FIN	8.2	7,000-8,000	25-30	2009	2011	Building a new shopping centre replacing the existing retail centre. ³⁾
Laajasalo	Helsinki	FIN	4.4	8,000	25-30	2009	2010	Building a new retail centre replacing the existing one. ³⁾
Tampere (earlier known as MAXX)	Tampere	FIN		50,000				In stead of the unmaterialized MAXX-project, Citycon is examining an alternate shopping centre project in Tampere.
IsoKristina	Lappeenranta	FIN	39.2	25,000	50	2009	2012	Refurbishment and extension of the existing shopping centre under planning.
Stenungs	Stenungsund	SWE	56.3	30,000	40-50	2008	2010	Alteration of city plan pending and commercial concept under review. ³⁾
Torg ⁶⁾	Umeå	SWE	54.6	40,000	54	2008	2011	Citycon has agreed with the shopping centre's minority shareholder on the redevelopment and extension of the shopping centre.
Strömpilen ⁶⁾	Järfälla	SWE	15.9	5,000	8-9	2009	2011	Refurbishment and extension of the shopping centre.
Länken ⁶⁾	Järfälla	SWE	121.8	8,000	5-6	2008	2009	Refurbishment and extension of the retail property.
Jakobsbergs	Järfälla	SWE						
Centrum	Järfälla	SWE						Redevelopment and extension of the shopping centre.
Åkermymntan	Hässelby	SWE	12.8	8,500	2-10	2008	2009	Redevelopment of the shopping centre, building of new residential units adjoining the centre under review.
Magistral	Tallinn	EST	18.5	10-15,000	10-15	2009	2009	Refurbishment and extension of the shopping centre.

1) The project area refers to the combination of the area of the existing premises under refurbishment owned by Citycon and the area of the extension.

2) The amount of investment needed will change and become more precise as the planning process proceeds. The figure is the best current estimate.

3) The schedule for the project completion and/or launch involves risks associated with city planning.

4) The project area refers only to the area of the planned extension.

5) The leasable area may be larger than indicated.

6) Partly-owned property.

Potential development projects

Citycon is analysing opportunities for the development and/extension of for example the properties below. Neither an alteration of city plan has been applied for nor any other official decisions made.

Property	Location	Country	Market value, EUR million (31 Dec. 2007)	Area, sq.m.	Additional information
Ultima	Vantaa	FIN	4	0	Vacant lot of approximately 42,000 sq.m. with 20,000 sq.m. in current permitted residential building right. Possibility to use the property as a consideration in potential transactions.
Myyrmanmi	Vantaa	FIN	177	10,000	Potential extension of the shopping centre by 10,000 sq.m.
Valtari	Kouvola	FIN	6	7,600	Opportunities to redevelop the property are analysed.
Columbus	Helsinki	FIN	84	20,400	Opportunities to expand the shopping centre are reviewed.
Sampokeskus	Rovaniemi	FIN	27	13,600	Opportunities to redevelop the property are analysed.
Koskikeskus	Tampere	FIN	115	28,800	The commercial potential of Vuoltsu, a block next to Koskikeskus, and its merger in Koskikeskus are examined.
Kaarinan liiketalo	Kaarina	FIN	8	9,400	The redevelopment of the existing retail property in line with the development plan of the town centre is analyzed.
Hakunila	Vantaa	FIN	4	3,000	Opportunities to redevelop the property are analysed.
Jyväskylän Forum	Jyväskylä	FIN	61	17,400	Opportunities to redevelop the shopping centre are analysed.
Backa	Göteborg	SWE	9	7,800	Opportunities to develop the property are analysed.
Fruängen Centrum	Stockholm	SWE	15	15,000	Opportunities to refurbish and possibly extend the property are analysed.
Lindome	Göteborg	SWE	8	7,800	Possibilities to build residential units adjoining the retail centre under review.

Finland

As the shopping centre market leader in Finland, Citycon further strengthened its position during 2007. The company made the largest shopping-centre acquisition in its history by purchasing Iso Omena in Espoo, one of the largest shopping centres in Finland and the largest in Citycon's portfolio.

Citycon owns 67 retail properties in 28 locations around Finland, 22 of these being shopping centres. Stores operating in Citycon's shopping centres reported a turnover of over EUR 1.1 billion in 2007, up over 5 per cent from the previous year. During the year, Citycon acquired the Iso Omena shopping centre and completed several major development and redevelopment projects in its shopping centres. Its total investments in Finland amounted to EUR 429.1 million, of which EUR 389.6 million were used for new acquisitions and EUR 39.5 million for development projects. According to the preliminary market data Citycon's market share of the grocery sales in the Finnish shopping centres was 37.8 per cent (source: Entrecor). The estimate includes Iso Omena's sales for the whole year 2007.

Following the acquisition of Iso Omena, Citycon is able to provide both international and new, growing domestic retail chains with the most attractive location in the Finnish market. Thanks to its broad shopping centre portfolio, Citycon provides its partners with excellent expansion opportunities both in the Helsinki Metropolitan Area and elsewhere in Finland.

In 2007, Citycon carried out several major development projects in Finland, the largest of these being the extension and refurbishment of the Duo shopping centre completed in the urban district of Hervanta in Tampere. In 2008, several development and redevelopment projects are underway in a number of Citycon's shopping centres, in addition to which the company is continuously preparing new projects enabling it to enhance the commercial attractiveness of its property portfolio on a continuous basis. More detailed information on these projects can be found on pages 13-15 and 24-26 of this annual report.

In addition to shopping centres, Citycon owns 45 other retail properties in Finland. These are regionally important retail facilities that do not meet the criteria for a shopping centre but still provide an important addition to Citycon's retail property offering.



Shopping centres have different roles - from destination centres to partners in everyday life

Citycon continued to develop the cluster approach initiated in Finland in the previous year. The purpose of these clusters is to define focus areas for shopping centre management and development activities. For instance, shopping centres belonging to the same cluster apply common marketing and management methods. Furthermore, the clusters provide a basis for shopping-centre development activities. Cluster-based shopping-centre management is an entirely new approach in the Finnish market, so Citycon is also a pacesetter in this field.

Citycon has defined five shopping centre categories: destination centres, meeting points in city centres, local centres, partners in everyday life, and niche centres. Citycon's shopping centres are typically meeting points in city centres, local centres or partners in everyday life. Niche centres focus on a single field or theme, such as interior decoration, whereas destination centres are characterised by an extensive size and offering that people want to see and experience. Citycon has neither destination centres nor niche centres in its shopping centre portfolio.



Sampokeskus in Rovaniemi, Finland, is Citycon's most northern shopping centre and it belongs to the shopping centre cluster "Meeting points in city centres".

Meeting points in city centres, such as Trio in Lahti and Koskikeskus in Tampere, attract people both for shopping and spending time. These venues are typically located in the centres of larger cities and must provide a versatile, high-quality service offering.

Local centres, such as Koskikara in Valkeakoski and Lipulaiva in Espoo, are designed for quick and convenient shopping. Local centres must meet clearly defined needs since customers visit these centres often and spend less time there compared to meeting points in the city centres. Citycon's partners in everyday life centres are, for example, Tullintori in Tampere and Isomyrri in Vantaa. These partner shopping centres are conveniently located on one's way home and are often relatively small in size. Customers are usually attracted to them by a good grocery store, an ATM and, for instance, the adjacent recycling facilities.

Key figures, Finnish operations

	2007	2006
Gross rental income, EUR million	100.7	93.1
Turnover, EUR million	104.3	95.8
Net rental income, EUR million	75.7	68.8
Net fair value gains on investment property, EUR million	148.5	104.8
Operating profit, EUR million	218.7	176.1
Capital expenditure (gross), EUR million	429.1	152.8
Fair market value of investment properties, EUR million	1,587.0	1,009.7
Net rental yield, %	6.2	7.6
Net rental yield, like-for-like properties, %	7.1	7.9

Outlook

The most important development areas in Citycon's Finnish operations include the sustainable development of shopping centres, the strengthening of chain leasing, and product development, particularly utilising the clustering approach. The company will also focus on property maintenance management. The aim of all development efforts is to secure strong customer flow and, thereby, cash flow in the years to come.

In the last few years, Citycon has further consolidated its leading position in the Finnish shopping-centre market, providing its tenants with location opportunities beyond compare in its shopping centres and other retail properties. In the short term, there are no such factors in sight that would fundamentally weaken the company's operational conditions or competitiveness on the Finnish market.

Top five tenants in Finland

	Proportion of rental income
KESKO	
S-Group	
Stockmann/Seppälä	
H & M Hennes & Mauritz Oy	
Lindex	
Top 5, total	49.6%

According to the preliminary market data, Citycon's market share of the grocery sales in the Finnish shopping centres was 37.8 per cent.



Citycon's shopping centres and other major retail properties in Finland 31 Dec. 2007

Property	Location	Gross leasable are total, sq.m.	Retail premises total, sq.m.	Entire retail property				Catchment area population *	Citycon's gross leasable area, sq.m.
				Sales, EUR million		Number of visitors, million			
				2007	2006	2007	2006		
Helsinki Metropolitan Area									
Columbus	Helsinki	20,900	19,200	92.8	76.5	7.5	7.1	33,000	20,900
Iso Omena	Espoo	60,600	47,900	212.2	200.1	8.4	8.4	193,400	60,600
Espoonatori ¹⁾	Espoo	21,300	10,300	31.1	30.5	3.2	3.2	52,400	15,400
Heikintori	Espoo	9,500	7,000	27.0*	27.0*	2.2	2.2	187,100	5,800
Lippulaiva ²⁾	Espoo	22,400	18,800	65.7	53.0	3.6	3.0	44,500	22,400
Isomyyri	Vantaa	14,800	8,800	32.9	33.8	2.5	2.5	88,900	10,400
Myrmanni	Vantaa	42,000	32,000	157.2	153.8	6.9	6.8	67,400	40,300
Tikkuri	Vantaa	15,300	8,100	29.2	26.9	2.7	2.5	166,900	10,700
Other areas in Finland									
Jyväskeskus	Jyväskylä	12,000	6,700	21.8	20.8	4.0	4.1	134,200	5,800
Forum	Jyväskylä	23,000	18,800	64.5	62.6*	6.5	7.1	134,200	17,500
Trio	Lahti	46,800	28,000	61.8	77.3	6.2	8.9	118,600	43,900
IsoKristiina	Lappeenranta	19,800	14,100	46.7	45.5*	2.2	2.1	85,000	18,300
Galleria	Oulu	4,200	2,600	8.3	8.5	1.0	1.1	197,700	3,500
IsoKarhu	Pori	14,900	12,500	42.1	39.9	3.8	3.8	91,500	14,900
Koskikeskus	Tampere	28,800	23,900	119.5	122.2	5.7	6.0	274,800	26,000
Tullintori	Tampere	23,800	9,100	14.9*	22.1*	3.0	3.4	166,000	10,300
Duo	Tampere	13,500	11,900	29.4	-	2.5	-	21,200*	13,000
Sampokeskus	Rovaniemi	14,000	7,800	21.7	23.4	3.3	3.3	87,500	14,000
Torikeskus	Seinäjoki	11,300	7,100	15.4	15.4	1.3	1.2	109,600	11,400
Koskikara	Valkeakoski	10,400	10,000	32.3*	31.7	2.2	2.2	20,500	5,800
Valtari	Kouvola	7,600	6,400	3.8*	3.5*	0.5	0.4*	32,000*	7,600
Linjuri	Salo	10,600	8,100	-	-	-	-	25,900*	9,300
Largest other retail properties by area									
Porin Asema-Aukio Koy	Pori	18,900	10,900						
Sinikalliontie 1	Espoo	15,700	10,600						
Lentola	Kangasala	11,900	11,700						
Kauppakatu 41	Kuopio	11,200	7,300						
Talvikkitie 7-9	Vantaa	9,800	9,700						
Lillinkulma	Kaarina	9,200	5,200						
Total		524,200	374,500	1,130.3	1,074.5	79.2	79.3		387,800

1) Inc. gross leasable area of Espoon Asemakuja 2) Inc. gross leasable area of Ulappatori *) Estimate

Sweden

Citycon has rapidly emerged as one of the most active and rapidly growing real estate investment companies in Sweden, particularly renowned for its activity in property development and expertise in retail business. In 2007, Citycon's operations expanded from Stockholm and Gothenburg to Umeå.

In 2007, Citycon's turnover totalled EUR 39.0 million in Sweden, up 125.1 per cent from the previous year. During the year, the company acquired the Tumba Centrum in Stockholm as well as the Strömpilen shopping centre and the Länken retail property in Umeå. At the Liljeholmen shopping centre in Stockholm, Citycon launched a EUR 120 million development and redevelopment project. Citycon's capital expenditure in Sweden totalled EUR 142.4 million, of which EUR 125.6 million was invested in new acquisitions and EUR 16.8 million in development projects.

Citycon has specialised in the modernisation and redevelopment of regional centres originally constructed by municipal powers. This market has only a handful of players with a dynamic profile like Citycon. However, Swedish regional centres provide extensive development potential, and one of Citycon's strengths lies in its ability to develop an extensive range of services for the whole community. Consequently, Citycon's activities have attracted positive comments from Swedish municipal and elected officials, among others.

Solid local expertise

Citycon owns eight shopping centres and seven other retail properties in Sweden. Development projects were underway in nearly all of these during 2007, the largest being those in Liljeholmen, Åkersberga, Stenungs Torg and the Tumba Centrum. Citycon has acquired its entire Swedish portfolio during the last three years, and almost all of these properties still have significant development potential. At the

end of 2007, the Swedish development projects were valued at a total of EUR 200 million. For further information on these projects, see pages 14-15 and 25-26 of this annual report.

One of the cornerstones of Citycon's growth strategy is its in-depth knowledge of the local market. In 2007, the company recruited 13 persons for its Swedish organisation, the number of employees totalling 24 at the year-end. The creation of the new organisation succeeded extremely well - thanks to its new kind of operating model, Citycon has become a sought-after employer in the Swedish market. Citycon's expertise in the retail business has also been recognised by its tenants, who are particularly attracted by the growth opportunities which the development projects provide.

Outlook

Citycon has excellent opportunities for continued growth, both through new acquisitions and organic growth. The Swedish shopping centre market has been extremely liquid, with the number of properties purchased and sold being considerably larger than in the other countries in which Citycon operates. This is opening up new business opportunities for Citycon on a continuous basis.

Additional proof of the functionality of the Swedish property market provides Citycon's expansion from Stock-



Key figures, Swedish operations

	2007	2006
Gross rental income, EUR million	35.4	15.9
Turnover, EUR million	39.0	17.3
Net rental income, EUR million	21.6	9.3
Net fair value gains on investment property, EUR million	55.6	8.7
Operating profit, EUR million	74.3	16.8
Capital expenditure (gross), EUR million	142.4	267.2
Fair market value of investment properties, EUR million	517.5	354.8
Net rental yield, %	4.6	5.1
Net rental yield, like-for-like properties, %	5.3	6.8

Top five tenants in Sweden

Proportion of rental income	
ICA Sverige AB	
Stockholms Läns Landsting	
Systembolaget	
Coop Sverige AB	
Axfood Sverige AB	
Top 5 total	21.3%



Citycon's operations expanded to Umeå with the acquisition of shopping centre Strömpilen.

holm and Gothenburg to Umeå, where the Strömpilen shopping centre is providing Citycon with an excellent opportunity to demonstrate its expertise and the strength of its co-operation with tenants. In Stockholm, the acquisition of the Tumba Centrum increased Citycon's visibility and attractiveness among major tenants.

Citycon's largest project in Sweden is the construction of Liljeholmstorget, for the most part entirely new shopping centre. Since the purchasing power of the centre's catchment area is very high, the project has already attracted the interest of several major retailers wishing to become the centre's anchor tenants, despite the fact that the project is still at the initial contract stage. The next leasing stage will

begin during 2008 and the shopping centre is planned for completion in the autumn of 2009.

Sweden is actively participating in the development of various types of environmentally-friendly solutions and operating models for shopping centres. Most of the related best practices are largely identical with those of Finland, due to the similarities in the legislation and building regulations of the two countries. This similarity also provides clear benefits in the development of leasing operations and shopping-centre management. One of the key duties of Citycon's young Swedish organisation is to create local practices in, for instance, human resources and in relations to partners and authorities.

Citycon's shopping centres in Sweden 31 Dec. 2007

Property	Location	Gross leasable are total, sq.m.	Retail premises total, sq.m.	Entire retail property				Citycon's gross leasable area, sq.m.	
				Sales, EUR million ¹⁾		Number of visitors, million			Catchment area population *
				2007	2006	2007	2006		
Stockholm area									
Åkersberga Centrum	Österåker	33,100	19,700	58.2	57.7*	3.8	3.8	37 000*	33,100
Åkermystan Centrum	Hässelby	8,400	6,300	19.5*	-	0.9*	-	32 000*	8,400
Jakobsbergs Centrum	Järfälla	67,500	27,300	67.3	66.4	5.5	5.8	82,000	67,500
Fruängen Centrum	Stockholm	14,600	6,600	9.0*	8.6*	-	0	33 400*	14,600
Liljeholmstorget	Tukholma	20,200	8,600	-	-	-	-	104,000	20,200
Tumba Centrum	Tumba	30,900	14,800	35.4	34.7	3.3	3.0	55,000	30,900
Umeå									
Strömpilen	Uumaja	27,000	22,300	88.6*	84.0*	-	-	109,800	27,000
Gothenburg area									
Stenungs Torg	Stenungsund	37,600	17,100	55.3	51.7	3.3	3.4	74,000	37,600
Total		239,300	122,700						239,300

*) Estimate 1) Excl. VAT

Baltic Countries

The Baltic countries are characterised by rapid economic development, a general improvement in living standards and increasing spending power, which are quickly increasing demand for retail services. Citycon is actively monitoring the Baltic markets and constantly seeking new investments with development potential.



Citycon's Baltic operations comprise two shopping centres in Estonia and one in Lithuania, with a total turnover of EUR 8.0 million in 2007, up 29.4 per cent from the previous year. In 2007, Citycon acquired the Magistral shopping centre in Tallinn. Citycon's total investments in the Baltic countries amounted to EUR 31.7 million, of which EUR 16.2 million was used for acquisitions and EUR 15.5 million for development investments.

With its Baltic acquisitions, Citycon continues to pursue a selective strategy aiming at controlled growth. A good example of this strategy is shopping centre Magistral which was acquired due especially to its location and redevelopment and extension possibilities. It is possible to extend Magistral by half of its present size and develop it into a local centre that provides increasingly versatile services to people living in the neighbourhood. Magistral is located in the middle of a large residential area, with over 60,000 inhabitants in its catchment area.

A major redevelopment and extension project is currently underway at the Rocca al Mare shopping centre which, once

completed, will become the leading shopping centre in Tallinn. The Mandarinas shopping centre in Lithuania is already a competitive, local shopping centre with regional appeal.

Rocca al Mare - the green shopping centre

The Rocca al Mare redevelopment project involves the construction of a high-quality shopping centre located in an affluent and growing area. Although the centre's attractiveness is based mostly on grocery trade, it is located in an area that has spending power and provides even other services appealing to customers, such as a car retail complex, the Saku Arena and a zoo. Rocca al Mare's offerings will be broadened with the purpose of making it into the leading provider of fashion offerings, for instance. Rocca al Mare will be profiled as a venue for the whole family, not only for shopping but also for leisure.

The latest environmental requirements are taken into account in the Rocca al Mare redevelopment project, making it arguably the greenest shopping centre in the Baltic countries so far. Special attention is being paid, for exam-

Key figures, Baltic Countries

	2007	2006
Gross rental income, EUR million	7.7	6.1
Turnover, EUR million	8.0	6.2
Net rental income, EUR million	6.0	4.8
Net fair value gains on investment property, EUR million	9.3	6.6
Operating profit, EUR million	14.5	10.9
Capital expenditure (gross), EUR million	31.7	16.2
Fair market value of investment properties, EUR million	111.2	83.3
Net rental yield, %	6.2	6.7

Top five tenants in the Baltic Countries

	Proportion of rental income
Prisma Peremarket AS	
RIMI	
Olympic Invest OÜ	
Stockmann Oyj Abp	
Olympic Casino Group AS	
Top 5 total	35.3%



It is possible to extend the shopping centre Magistral by one half of its present size.

ple, to energy efficiency, which is being improved through heat recovery systems, among other things. With respect to waste management, Rocca al Mare will implement modern recycling methods, which are still rare in Estonia.

Rocca al Mare will be Tallinn's number one centre, attracting shoppers from a large area. For Citycon's tenants, Rocca al Mare is the most attractive first entry location in Estonia and Citycon aims to attract there retailers that will benefit the whole Estonian retail industry.

Outlook

The key change driver in the Baltic shopping centre property market has been extremely rapid growth in the retail business fuelled by continuously increasing spending power, changing consumer habits and a general improvement in living standards. However, this growth is also reflected in high inflation rates and the high sensitivity of interest rates to increased economic uncertainty.

The year 2007 was characterised by slackening growth in the retail business and weakening consumer confidence

in economic growth. Nevertheless, slower economic growth is not expected to significantly weaken Citycon's scope for action in the Baltic countries since the three shopping centres it owns in this region are centrally located and their attractiveness is largely based on grocery trade.

Virtually the only shopping centre acquisitions completed in Estonia in the last few years have been performed by Citycon - in addition to Rocca al Mare and Magistral, no other major shopping centre transactions have taken place in Tallinn. Citycon expects the rapid growth of the relatively thin Baltic markets to slacken over the next few years, due to which more shopping centres are expected to be offered for sale in the future.

Citycon's shopping centres in the Baltic Countries 31 Dec. 2007

Property	Location	Entire retail property						Catchment area population *
		Gross leasable area total, sq.m.	Retail premises total, sq.m.	Sales, EUR million		Number of visitors, million		
				2007	2006	2007	2006	
Estonia								
Rocca al Mare	Tallinn	28,600	28,600	67.6	60.9	4.3	4.4	340,000
Magistral	Tallinn	9,500	9,500	17.7	16.9	3.5	3.7*	64,000
Lithuania								
Mandarinas	Vilnius	7,900	7,900	21.9*	19.4*	2.4	2.6	50,000
Total		46,000	46,000	107.2	97.2	10.2	10.7	454,000

*) Estimate

Human Resources

Citycon's success is based on its professional staff and the principle of acting together. The company's expansion has rapidly increased the number of employees, exceeding 100 in 2007. Due to this growth, Citycon is an increasingly international, expert and multi-skilled organisation.



Citycon's operating model clearly differs from that of traditional property investors. Thanks to its active shopping-centre management and retail property development, Citycon's organisation consists of top skills representing various fields. Their key competence areas include shopping-centre management, property development, and administration and financing expertise.

Alongside its new, market-based organisation introduced at the end of 2006, Citycon has built business units based on solid local market knowledge in Finland, Sweden and the Baltic countries. The new organisation established itself in 2007 and has proven to be extremely functional. In particular, the Swedish organisation has been significantly extended, its operations moving into full swing in 2007.

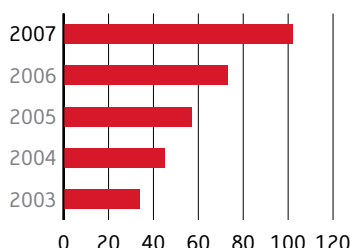
At the end of 2007, Citycon had 102 employees, compared to 73 a year earlier. 45 of the employees are women and 57 are men. This increase stemmed directly from the implementation of the company's growth strategy. In or-

der to strengthen the key competence areas, emphasis in new recruitments was placed on knowledge of the retail business and experience in project development tasks. Furthermore, Citycon recruited new staff for the Group support functions, including HR management, corporate communications, group accounting and financing, with the purpose of supporting the efficient functioning of its business units.

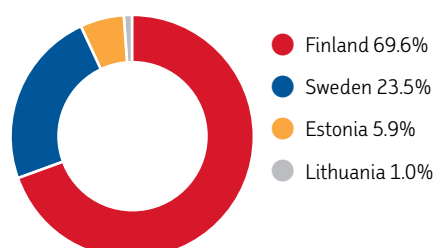
Good market knowledge is a key prerequisite

The development of regional organisation is vital to Citycon's growth. Successful operations in the shopping-centre markets require sound basic knowledge of the markets as well as excellent knowledge of the various market players. Market expertise supports successful retail property management, the acquisition of new shopping centres and the development of the existing property portfolio, thereby enhancing the company's overall competitiveness.

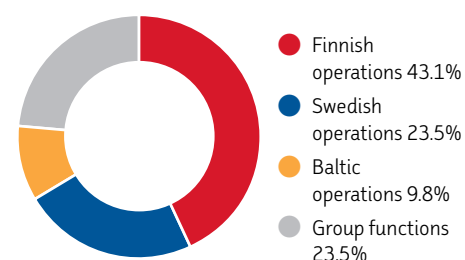
Number of employees



Breakdown of personnel
By country



By business units





Citycon employees from left: Kirsi Borg, Ahti Ylimäinen, Marko Juhokas, Eija Tahvanainen, Rebecca Haaranen, Erkki Salopuro, Sonja Agasieva, Maaret Weide, Katri Pohjanpalo and Antti Eestilä.

On the next page from left: Marjo Rosendahl, Merja Tuomi, Iris Kuhlmann and Paju Asikainen.

A growing organisation also provides challenges. In 2007, Citycon analysed the development needs in its new regional organisation with the purpose of ensuring the development of staff competencies in the long run. Citycon promotes studying alongside work, and encourages to personal learning supporting professional development.

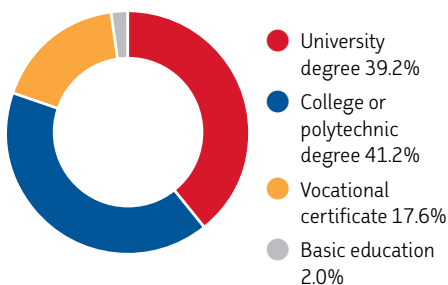
One of the key challenges for a growing organisation is successful recruitment. Citycon is one of the most attractive employers in its field, as evidenced in particular by the number and quality of applications received for job vacancies. Top talents are particularly interested in a company that is creating a new kind of business in the property investment market, attracting experts not only from its own field but also from the construction and retail sectors. The average age of employees is approximately 43, clearly reflecting the organisation's experience-based competencies.

Bringing best practices to life

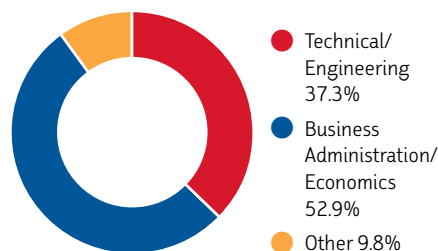
As a rapidly growing company Citycon offers its employees a lively and constantly changing working environment. Since obtaining an overall picture of a growing, international organisation is always a challenge, Citycon is currently planning joint procedures for, among others, new employee induction and improved co-operation between business units.

The aim is to create operating models based on best practices that enable the full utilisation of local competencies simultaneously in all the countries where the company

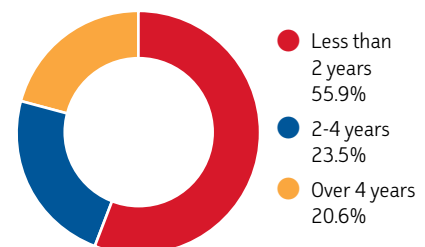
By level of education



By field of education



By the length of the employment





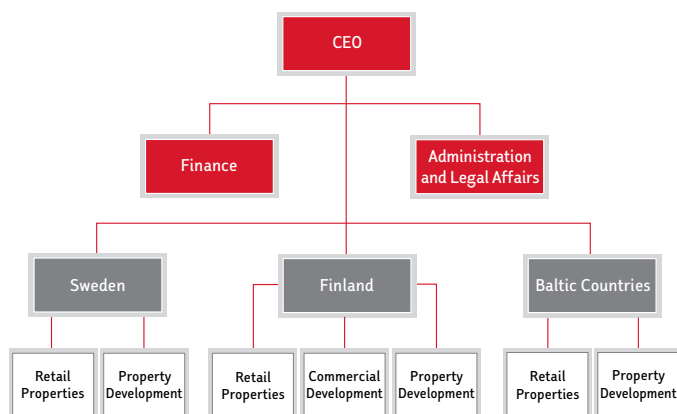
operates. International retail chains are increasingly interested in the company as a partner for the whole operating area, not just as the lessor of individual retail premises. That is why the harmonisation of leasing activities to cover the company's entire operating area is extremely important.

According to the 2007 working-climate survey, employee well-being continues to remain at a high level at Citycon. As a growing organisation, the company is focusing on internal communications and continues to emphasise the importance of, for instance, joint staff events. As part of its corporate culture, once a year the company arranges both a national and an international Citycon day, these days gathering together either the organisation of an individual country or the entire organisation, respectively.

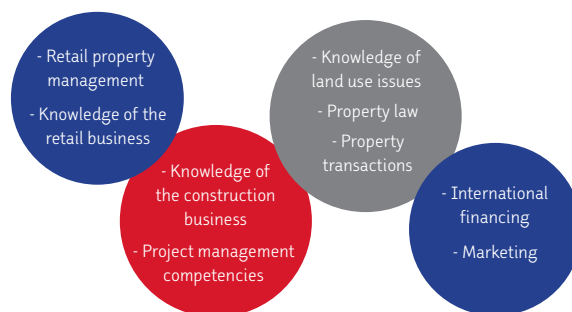
To enhance staff motivation, the Group applies a short-term incentive scheme. The related incentive criteria are based on Group and unit-level financial performance, as well as personal targets agreed annually in employee performance reviews. The incentive bonus accounts for 10-30 per cent of annual pay.

In addition to its short-term incentive scheme, Citycon applies stock-option schemes aimed at motivating and rewarding its employees. The first of these expired in 2007 and the second one will expire in 2011. Furthermore, the company has a long-term share-based incentive scheme for its management and other key employees.

Organisation chart



Core areas of competence within Citycon



Profit Performance and **Financial Position**

Citycon Oyj has prepared its interim reports and financial statements for 2007 in accordance with IAS/IFRS (International Financial Reporting Standards). The company also complies with financial reporting recommendations for listed real estate companies published by the European Public Real Estate Association (EPRA), which complement, not replace, IAS/IFRS. These recommendations are available in their entirety on EPRA's website at www.epra.com.

Profit performance 2007

Citycon's turnover comes mainly from the rental income generated by its retail premises. Gross rental income accounted for 94.9 per cent of turnover. The company actively continued to implement its growth strategy by investing in development and redevelopment projects and by acquiring shopping centres and other investment properties. The company's turnover grew by 26.9 per cent, to EUR 151.4 million (EUR 119.4 million in 2006).

The Finnish business operations accounted for 73.2 per cent (83.1%) of net rental income, while Sweden accounted for 20.9 per cent (11.2%) and the Baltic countries for 5.8 per cent (5.7%). Net rental income totalled EUR 103.4 million (EUR 82.8 million). The property portfolio's net rental yield stood at 5.8 per cent (7.1%). The net rental yield was 6.2 per cent (7.6%) in Finland, 4.6 per cent (5.1%) in Sweden and 6.2 per cent (6.7%) in the Baltic countries.

Roughly 36.0 per cent of Citycon's net rental income came from properties in the Helsinki Metropolitan Area, 37.5 per cent from elsewhere in Finland, 16.5 per cent from the Stockholm area and Umeå, and 4.4 per cent from the Gothenburg area. A further 5.8 per cent of net rental income came from properties in the Baltic countries.

Operating profit rose by 53.0 per cent, to EUR 300.7 million (EUR 196.5 million), due mainly to change in the fair value of the property portfolio, totalling EUR 213.4 million (EUR 120.1 million), the net rental income generated by new shopping centres and progress in development projects.

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, higher weighted-average interest rate and non-cash mark-to-market loss from derivatives recognised in the income statement. In addition, the net financial expenses for 2007 included EUR 1.8 million (EUR 0.3 million) in calculatory non-cash expenses related to the option part of the convertible bonds.

Net profit for the financial year grew by 61.3 per cent, to EUR 203.9 million (EUR 126.4 million).

Return on investment (ROI) was 16.3 per cent (16.8%) and return on equity (ROE) stood at 23.3 per cent (25.8%). Earnings per share were EUR 1.00 (EUR 0.76). The company's per-share net asset value (NAV) was EUR 4.83 (EUR 3.53) and the per-share triple net asset value (NNNAV) was EUR 4.42 (EUR 3.14).

Balance sheet and capital expenditure

At the end of 2007, Citycon owned 86 properties: 33 shopping centres, 52 other retail properties and one lot. The property portfolio's year-end fair value totalled EUR 2,215.7 million (EUR 1,447.9 million), showing a total annual fair value increase of EUR 213.4 million. The investment properties' fair value has been described in the Business and Property Portfolio section on pages 20-22. The valuation statement by Realia Management Oy can be found on pages 62-63 of the appended Financial Statements.

Citycon's gross capital expenditure in 2007 totalled EUR 603.9 million (EUR 436.4 million), of which new acquisitions accounted for EUR 531.3 million. The company invested a total of EUR 71.8 million (EUR 35.4 million) in development and redevelopment projects. More detailed information on the company's investments can be found on pages 13-18 and 24-26 of this report.

The period-end balance sheet total was EUR 2,308.6 million (EUR 1,486.4 million), of which cash and cash equivalents accounted for EUR 24.2 million (EUR 21.3 million).

Financial position

The Group's financial position remained healthy throughout the financial year.

Year-end liabilities totalled EUR 1,297.7 million (EUR 906.1 million), short-term liabilities and long-term liabilities accounting for EUR 157.8 million (EUR 134.4 million) and EUR 1,139.9 million (EUR 771.7 million), respectively.

The interest rate for interest-bearing debt averaged 4.68 per cent (4.35%) in 2007. The average loan period, weighted according to the principals of the loans, was 4.7 years (4.6 years), and the average interest-rate fixing period was 3.1 years (3.4 years). The Group's equity ratio improved to 43.9 per cent (39.1%).

 *Sound financial position.*

The interest coverage ratio (the previous 12 months' profit before interest expenses, taxes and depreciation relative to net financial expenses) was 2.0 (2.3). Year-end gearing was 111.8 per cent (136.6%). At the end of 2007, Citycon's interest-bearing debt included 81.6 per cent (77.5%) in floating-rate loans, of which 61.1 per cent (76.2%) had been converted to fixed-rate ones by means of interest-rate swaps. On 31 December 2007, the fair value of the interest-rate swaps was EUR 634.5 million (EUR 541.7 million), while the market value of derivative contracts was EUR 8.8 million (EUR -1.8 million).

An active capital market strategy

During the financial year, Citycon actively utilised the capital and debt market to finance its growth. In 2007, Citycon obtained financing for a total of EUR 584 million on the equity and capital markets, and used the proceeds to acquire properties and to develop and redevelop 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 carried out in an accelerated book-building process between 12 February and 13 February 2007. A total of 25 million new shares were subscribed at a per-share price of EUR 5.35, resulting in net proceeds of approximately EUR 132.2 million.

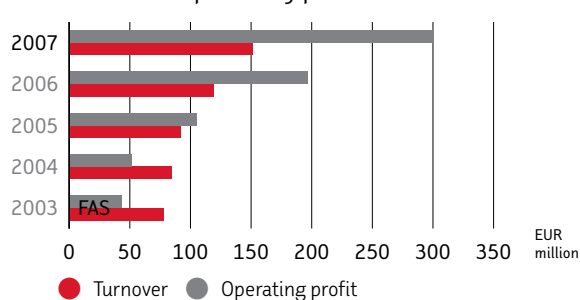
In September, as part of financing the acquisition of the Iso Omena shopping centre, the Board of Directors decided on a share issue based on shareholders' pre-emptive subscription rights, worth approximately EUR 99 million. A total of 27,594,782 new shares were offered for subscription at a price of 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 financing package of the Iso Omena was finalised in November, as Citycon signed a EUR 350 million unsecured credit facility agreement with an international bank 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

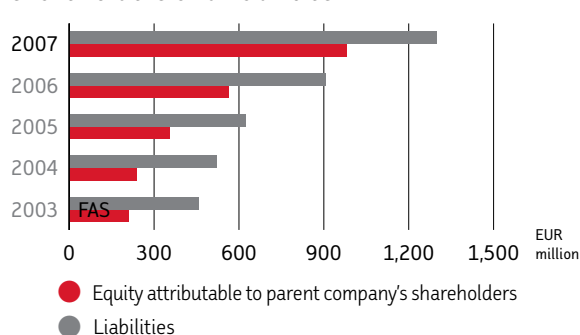
a short-term credit facility drawn for the financing of the acquisition of the shopping centre Iso Omena. The EUR 150 million revolving credit facility will be utilised to finance the committed development pipeline and potential property acquisitions in accordance with Citycon's strategy.

As a whole, the year 2007 in the capital market proved eventful. During the first half of the year, the availability and terms of real estate financing were good and a plentiful variety of stock and debt financing arrangements took place. After the summer, however, the capital market conditions were considerably weakened due to the subprime crisis, reducing the availability of both equity and debt financing, increasing credit margins and depressing stock prices. Owing to its conservative funding policy, Citycon managed to conduct successful capital market transactions during the second half of the year as well, encountering no signs of the volatile market situation affecting the price or availability of debt financing in practice. The transactions conducted during the year will secure near-term financing for investments in line with the company's strategy. On 31 December 2007, the company had a total of EUR 150 million of credit limits available and the opportunity to issue EUR 45 million in commercial papers under its domestic commercial paper programme.

Turnover and operating profit



Equity attributable to parent company's shareholders and liabilities



Risks and Risk Management

In the late 2006, Citycon initiated an extensive project aiming at the adoption of a holistic Enterprise Risk Management (ERM) programme and completed the project's implementation during 2007. Accordingly, the company adopted ERM-compliant operating models and principles of risk management in preparing its 2008 annual plan.

Risk management aims to ensure that Citycon meets its strategic and operational goals. Successful risk management identifies key risks, reliably analyses their impacts prior to their realisation and initiates preventive measures in order to lower the probability of an identified risk being realised and in order to mitigate its impact.

Citycon's ERM process takes account of the above-mentioned risk management objectives as well as Citycon's willingness to take risks. The ERM's purpose is to generate up-to-date and consistent information for the company's top management and Board of Directors on any risks threatening strategic and annual plan objectives. In Citycon, ERM includes the following three defined ERM processes:

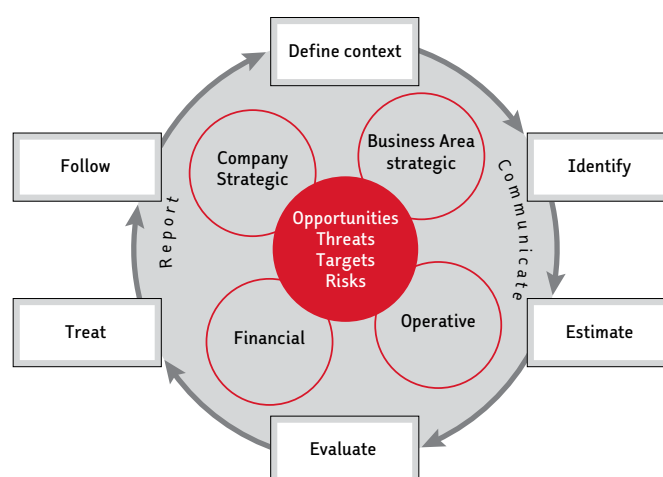
1. Risk management in the main business processes

Within the framework of its ERM project, Citycon defined its five key business processes as shopping-centre management, property acquisitions, takeovers, property development as well as financial control and reporting. These processes were initially analysed from the risk management perspective and a target status, at which the Group's units aim, was defined for each process in accordance with risk management requirements.

2. Risk reporting

At the core of Citycon's ERM and risk reporting lies a Group wide risk register containing each unit's objectives, risks and risk management measures. As part of annual and strategic planning, units define their objectives for the planning period, identify the related risks, analyse their importance and the probability of their realisation and record the related risk management measures and responsibilities in the common register. Based on the recorded information, a risk report covering the business units and the Group is generated for the top management and the Board of Directors. The risk register is also used for monitoring the progress made with regard to risk management measures. While each business unit identifies its own risks, other Group functions conduct additional risk identification.

Enterprise Risk Management Basic Process



3. Continuous development and monitoring of risk management

Citycon aims at the continuous evaluation and development of its ERM process and general risk management. A risk management monitoring group convening four times a year is in charge of approving risk reports, assessing the sufficiency of risk management measures in relation to identified risks, monitoring the development of risk management measures and evaluating the sufficiency of Citycon's risk management.

The principles and implementation of risk management within Citycon are also discussed on pages 34-37 of the appended Financial Statements.

The following contains a presentation of Citycon's major risks identified during the preparation of the annual plan for the year 2008. In the event of their realisation, these risks could jeopardise the attainment of the objectives set in the annual plan.

Risks associated with changes in the investment properties' fair value

A number of factors contribute to the value of retail properties, such as national and local economic development, investment demand created by property investors, and interest rates. International investors have shown keen interest in the Finnish, Swedish and Baltic property mar-



kets, which has been reflected in the yield requirements and price levels of the most sought-after properties. At the moment, investment property value trends are subject to untypical instability due to the credit crisis spread from the United States. In recent months, this crisis has pushed property prices down, not only in many parts of the USA but also in some European countries. While changes in investment properties' fair value have an effect on the company's profit for the financial year, they do not have an immediate impact on cash flow.

The yield requirement, gross income, the vacancy rate and operating expenses form the key variables used in an investment property's fair-value measurement, based on a ten-year cash-flow analysis. Sensitivity to change in the properties' fair value, or the risk associated with fair value, can be tested by altering the above key parameters. The sensitivity analysis below uses the investment properties' fair value of EUR 2,194.8 million defined by the external appraiser on 31 December 2007 as the starting value. Accordingly, various changes would alter the investment properties' fair value as follows:

- Yield requirement +5% ➤ Fair value EUR 2,090.3 million
- Gross income +5% ➤ Fair value EUR 2,348.2 million
- Vacancy rate +5% ➤ Fair value EUR 2,187.7 million
- Operating expenses +5% ➤ Fair value EUR 2,151.1 million

While the company cannot influence yield requirement, it seeks to have an impact on the other fair value components through active shopping-centre management, a cornerstone of Citycon's business. Citycon aims to optimise the profitability of its shopping centres by conducting the entire business process with the help of its own employees.

Risks associated with the property development projects

A key element in Citycon's growth strategy lies in the development of existing properties to meet customer needs more effectively. Currently, short-term risks relating to projects include success in leasing the premises in the

properties under completion as well as the rise in construction costs.

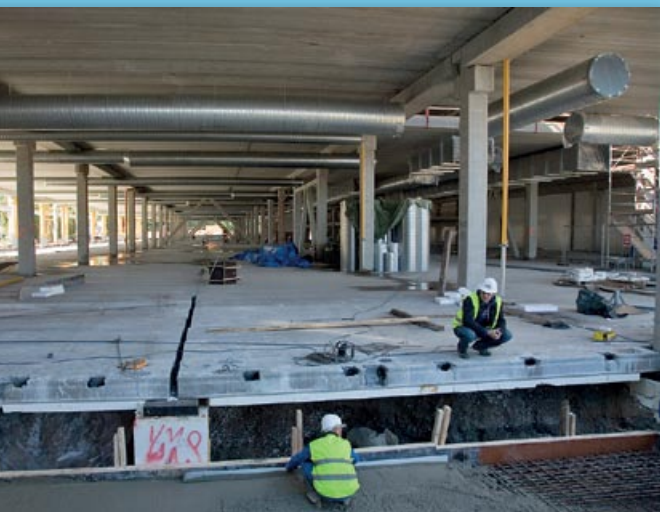
On 31 December 2007, development investments approved by the Board of Directors totalled approximately EUR 282 million, accounting for around 13 per cent of the entire investment property portfolio's carrying amount on the same date. With major construction projects underway in Finland, Sweden and Estonia, the leasable area in Citycon's shopping centres will increase. Planned rental of the respective new retail premises is of primary importance with regard to Citycon's financial development. A key risk includes reduced demand for retail premises – whether due to a deteriorating economic outlook or other reasons – which would prevent the rental of new premises at planned rental rates, or which would result in a lower occupancy rate than anticipated.

The construction industry in the company's operating region has seen a positive economic cycle, which has caused the costs of construction and construction materials to increase at a faster rate than general price levels. A sharp rise in construction costs could prevent Citycon from implementing all of its planned development projects or cause the profitability of initiated development projects to remain lower than expected.

Leasing risks in projects are minimised by securing the allocation of sufficient resources to the leasing operations of new properties, investing in new shopping centres' marketing and concluding agreements with anchor tenants prior to a project's commencement or in its initial stage. Construction costs are optimised through careful monitoring of expenses, competitive tendering and, where possible, by concluding fixed-price construction contracts.

Risks associated with a rise in the properties' operating expenses

To cover its properties' operating expenses, Citycon's lease agreements mainly stipulate either a total rent or specified rent components. The total rent model is applied to a cer-



Risks refer to potential events or circumstances which, if they materialise, may affect the company's ability to meet its goals.

tain part of the existing lease agreements whereby the rent amounts paid by the lessee are not affected by any increases or decreases in operating expenses. Consequently, a rise in operating expenses higher than inflation would diminish Citycon's profitability. The main operating expenses for properties include repair and maintenance fees, electricity, heating, security systems and security services.

As regards agreements stipulating specified rent components, the immediate impact of a rise in operating expenses might mainly lead to timing differences in cash flow since, according to these agreements, operating expenses are invoiced from the lessee as maintenance fee. However, any rise in operating expenses always indirectly hampers Citycon's profitability since an increased maintenance fee charged due to higher operating expenses would reduce the lessees' ability to pay rent and, in consequence, might prevent the company from raising the rent component for the actual retail floor area as desired.

Citycon tries to protect itself from the risks related to a rise in operating expenses by concluding agreements with specified rent components, hedging against electricity price risks, enhancing purchasing, improving cost monitoring and by enhancing the cost comparison between the shopping centres.

Risks associated with the availability and cost of financing and general interest rates

Essential part of Citycon's business model is seeking growth, either through new property acquisitions or the expansion of its current shopping centres. Implementation of this expansive strategy requires obtaining both equity and debt financing.

Towards the end of 2007, turbulence in the financial markets increased, narrowing the available financing alternatives. If this instability continues and the banks' own funding costs remain high, it is possible that the credit margins charged by banks will also begin to rise, and the banks are less willing to lend money to companies. Changes in

market has also impacted the share value of the companies and most real estate companies in Europe are trading at a share price below per-share net asset value, thus reducing possibilities for raising equity financing.

Nevertheless, the availability of financing has remained positive for Citycon, and the long-term credit facility agreement concluded with a bank group towards the end of the year did not involve significantly higher margins compared to the previous year. Citycon also increased the amount of its loan at syndication, since the original loan was oversubscribed. Furthermore, a rights issue conducted in September-October resulted in the subscription of all shares offered.

In addition to the availability of financing, Citycon's main financial risk refers to the interest-rate risk associated with the company's loan portfolio. A total of 81.6 per cent of Citycon's interest-bearing debt are floating-rate loans, and a rise in market-rates will increase their interest expenses. In the course of 2007, the 6-month rate within the euro area increased by 0.85 percentage points while, in Sweden, the equivalent interest rate increase was 1.30 percentage points due to sharp economic growth and accelerated inflation. During the same period, Citycon's average interest rate increased by 0.32 percentage points.

Citycon attempts to safeguard its financing costs and availability by adhering to a conservative but active financing policy, with a focus on long-term financing, and by maintaining a solid balance sheet structure showing an equity ratio of at least 40 per cent. Interest-rate risk management aims to reduce or eliminate the adverse effect of increased market rates on the company's profit, balance sheet and cash flow. Under the company's financing policy, the interest position must be tied to fixed interest rates at a minimum level of 70 per cent and at a maximum level of 90 per cent.

More information on financing risks is provided on pages 35-36 of the appended Financial Statements.

Corporate Governance

Corporate governance policies

Citycon's corporate governance complies with the Finnish Limited Liability Companies Act and the Corporate Governance Recommendation for Listed Companies issued in December 2003 by the Corporate Governance working group appointed by HEX Plc, the Central Chamber of Commerce of Finland and the Confederation of Industry and Employers.

This recommendation for corporate governance is accompanied by Citycon's own guidelines for the division of duties between the company's decision-making bodies, as well as the principles governing internal control and risk management. Citycon's decision-making bodies assuming ultimate

responsibility for the Group's management and business include the shareholders' meeting, the Board of Directors and the CEO. The Corporate Management Committee assists the CEO in managing the company's business.

Shareholders' meeting

The shareholders' meeting exercises the highest decision-making power in the company. The Annual General Meeting (AGM) convenes every year by the end of April once the financial statements have been prepared. Extraordinary General Meetings (EGM) will be summoned if required for decision-making purposes. A notice to a General Meeting will be issued, at the earliest, two months and, at the latest, 17 days prior to the meeting, on the company's website in Finnish and English and at least in one nationwide newspaper published in Helsinki.

Citycon provides its shareholders with sufficient information on the items to be discussed at the shareholders' meeting, for example, by publishing meeting material on its website and, upon request, by sending the material to a shareholder by postal mail. The shareholders' meetings shall be arranged in such a way that the shareholders can effectively exercise their rights. Under the Limited Liability Companies Act, a shareholder has the right to propose a certain matter for discussion at a General Meeting, if such matter belongs to the competence of a General Meeting and if the shareholder gives notice of this in writing to the Board of Directors in sufficient time for it to be included in the notice of the meeting.

The Chairman of the Board of Directors and the CEO attend the shareholders' meeting and members of the Board of Directors attend the meeting to the extent deemed necessary. A first-time nominee for the Board shall attend the shareholders' meeting that decides on his/her election unless there is a cogent reason for his/her absence.

The AGM adopts the financial statements, decides on the allocation of profit shown on the balance sheet and discharges the Board of Directors and the CEO from liability. In addition, it elects the Board of Directors and the auditor and decides on their respective emoluments and remuneration.

Board of Directors

The shareholders' meeting decides the number of Board members and elects them for a term of one year. Under the Articles of Association, the Board consists of a minimum of five and a maximum of eight members. An eligible Board nominee must have the qualifications required for membership and sufficient time to manage his/her Board duties. A majority of members of Citycon's Board of Directors must be independent of the company. In addition, a minimum of

BOARD OF DIRECTORS



Chairman of the Board of Directors

Thomas W. Wernink

M.A. (General Economics)

Dutch citizen, born 1945

Member and Deputy Chairman of the Board of Directors since 2005, Chairman since 2006

Career history:

Wernink Consultancy & Investment B.V.,

Managing Director since 2004

Corio N.V., Managing Director 2001-2003

VIB N.V., Managing Director 1993-2001

Vaste Waarden Nederland (VWN) N.V.,

General Manager 1986-1993

Directorships:

Delta Deelnemingen Fonds N.V., Board member since 2003

Q-park N.V., Board member since 2003

Hillgate Properties N.V., Board member since 2004

Slough Estates plc, Board member since 2005

Dim Vastgoed N.V., Board member since 2006

ING Real Estate Dutch Funds, Board member since 2006

Compagnie Immobilière de Belgique s.a., Deputy Chairman of the Board since 2007

AZL Vastgoed Winkels N.V., Board member 2005-2007

Annexum Invest B.V., Board member 2004-2006

Veer Palthe Voute N.V., Board member 2001-2006,

European Public Real Estate Association (EPRA),

Chairman of the Board 2002-2005



Deputy Chairman of the Board of Directors

Tuomo Lähdesmäki

M.Sc. (Eng.), MBA

Finnish citizen, born 1957

Board member since 2004 and Deputy Chairman since 2006

Career history:

Boardman Oy, Founding and Senior Partner since 2002

Elcoteq Network Corporation,

President and CEO 1997-2001

Leiras Oy, Managing Director 1991-1997

Directorships:

Turku University Foundation, Chairman of the Board since 1995

Aspocomp Group Plc, Chairman of the Board since 2002

Satel Oy, Chairman of the Board since 2002

Amer Sports Corporation, Board member since 2000

Metsä Tissue Oyj, Board member since 2004

Scanfil Oyj, Board member since 2005

Helkama Forste Oy, Board member since 2005

Meconet Oy, Board member since 2006

Viafin Oy, Board member since 2007

VTI Technologies Oy, Board member 2002-2007, Chairman 2002-2006

two members belonging to this majority must be independent of the company's major shareholders. The company has not limited the number of a Board member's terms, nor has it set a specific retirement age for Board members.

Citycon's AGM of 13 March 2007 decided to re-elect the following Board members: Amir Gal, Gideon Bolotowsky, Raimo Korpinen, Tuomo Lähdesmäki, Carl G. Nordman, Claes Ottosson, Dor J. Segal and Thomas W. Wernink.

The Board of Directors elects the Chairman and Deputy Chairman from among its members. In 2007, Thomas W. Wernink acted as Chairman and Tuomo Lähdesmäki as the Deputy Chairman of the Board of Directors.

In the view of the Board of Directors, all Board members are independent of the company. Furthermore, the Board of Directors holds the view that Gideon Bolotowsky, Raimo Korpinen, Tuomo Lähdesmäki, Carl G. Nordman and Thomas W. Wernink are independent of major shareholders.

In 2007, Citycon's Board of Directors met 18 times. The attendance rate stood at 93.1 per cent. The following four committees assist the Board: Audit Committee, Investment Committee, Nomination Committee and Compensation Committee.

Board work

The Finnish Limited Liability Companies Act, the Articles of Association and the Board of Directors' working order determine the Board of Directors' duties and responsibilities. The Board of Directors is responsible, for example, for the Citycon Group's strategic policies and the due organisation of business operations and Group administration. The company's CEO attends Board meetings and prepares and presents to the Board items to be discussed at Board meetings. The Board of Directors constitutes a quorum if more than half of its members are present.

In addition to duties provided under the applicable legislation and the company's Articles of Association, Citycon's Board of Directors shall:

- Confirm the company's long-term goals and strategy;
- Approve the company's business plan, budget and financing plan, and oversee their implementation;
- Confirm the principles of the company's internal control and risk management;
- Decide on major, individual and strategically important property acquisitions and divestments and other major investments;
- Confirm the company executives' obligations and remits, and the reporting system;
- Confirm the principles governing employee bonus and incentive schemes and decide on said schemes;



Member of the Board of Directors

Gideon Bolotowsky

M.Sc. (Eng.)

Finnish citizen, born 1947

Board member since 2006

Career history:

OsakeTieto FSMI Oy, CEO and Chairman of the Board since 2003

EPO.Com AB Finland Branch, CEO 1998-2002

Metsäliitto International Oy, CEO 1995-1998

Rauma-Repola Oy, Manager, Corporate Cash

Management Systems, 1987-1991

MM Maschinen und Metalle GmbH, CEO 1984-87

Directorships:

Jewish Community of Helsinki, President 1989-2007

Central Council of Jewish Communities in Finland,

President 1992-2007

European Jewish Congress, Member of the Executive 2003-2007



Member of the Board of Directors

Amir Gal

Ph.D. candidate, LL.B., B.A. (Economics)

Israeli citizen, born 1971

Board member since 2004

Career history:

Gazit Europe, Inc., Managing Director since 2006

Gazit Europe, Inc., Executive Vice President 2004-2005

Dewey Ballantine, Associate 2002-2004

Leshem, Brandwein & Co., lawyer 1997-2001



Member of the Board of Directors

Raimo Korpinen

LL.M.

Finnish citizen, born 1950

Board member since 2004

Career history:

Solidium Oy, Managing Director since 1998

Yrityspankki SKOP Oyj, Senior Vice President 1994-1998

USF Holdings, Inc. Vice President 1991-1993

Directorships:

Kruunuasunnott Oy, Board member since 2004 and Chairman since 2005

Labtium Oy, Chairman of the Board since 2007

Edita Publishing Oy, Chairman of the Board 2005-2006

Edita Plc, Board member 2002-2006

The Finnish Association of Professional Board Members, member since 2004

- Determine the company's dividend policy.

Every year, Citycon's Board of Directors assesses its performance and working methods through self-evaluation.

Board committees

Four committees, responsible for preparing matters discussed on the Board, support Citycon's Board work. Board members sitting on the committees are able to examine the matters dis-



Member of the Board of Directors

Carl G. Nordman

Counsellor of Industry (Hon.), B.Sc. (Eng.)
Finnish citizen, born 1939
Board member since 1999

Career history:

Oy Aga Ab, President and CEO and Board member 1978-1999
AGA Group, Vice President, Region North 1991-1999

Directorships:

Machinery Oy, Board member since 1998
ADR-Haapää Oy, Board member 2000-2005
PIC-Engineering Oy, Board member 1999-2005
Patria Industries Oyj, Board member 1996-2004
SKF Oy, Board member 1987-2004
The Finnish Association of Professional Board Members, member since 2001



Member of the Board of Directors

Claes Ottosson

Electrical Engineer
Swedish citizen, born 1961
Board member since 2004

Career history:

ICA Supermarket Hovås, Managing Director since 1989
ICA Gourmet, Department Store Manager 1985-1989
Saga Sofiagatan, Department Store Manager 1980-1982

Directorships:

ICA Förbundet AB, Board member since 2005



Member of the Board of Directors

Dor J. Segal

American citizen, born 1962
Board member since 2004

Career history:

Gazit-Globe Ltd., President since 1998 and Board member since 1993
First Capital Realty Inc., President and CEO and Board member since 2000

Directorships:

Equity One, Inc., Board member since 2000

cussed by the committee in greater detail than the remaining Board of Directors. The rules of procedure for the company's decision-making bodies, approved by the Board of Directors, lay down the committees' main duties and working principles.

Audit Committee

It is the Audit Committee's duty to support the Board of Directors in supervising and maintaining the integrity and reliability of the company's financial reporting. The Audit Committee regularly reviews the company's internal control system, financial risk management and reporting, as well as the audit process. If necessary, its members can consult the company's auditor at the committee meetings. The Audit Committee is also responsible for preparing a resolution proposal related to the election of the company's auditor.

The Audit Committee comprises a minimum of three Board members, who must be independent of the company and its major shareholders. At least one committee member must have extensive knowledge of, and experience in, accounting and accounting principles applicable to the preparation of the company's financial statements. The committee convenes at least twice a year and its Chairman reports on issues discussed by the committee to the Board of Directors. Comprising Gideon Bolotowsky, Raimo Korpinen (Chairman) and Thomas W. Wernink, the Audit Committee met five times in 2007.

Investment Committee

The Investment Committee is responsible for supervising investment planning and approval processes, and reviews all investment proposals submitted to the Board of Directors. In addition, the committee monitors the progress of investment projects and the integration of acquired properties. The Investment Committee comprises a minimum of three Board members, all of whom must be independent of the company. The committee convenes whenever necessary, but at least twice a year. The committee's Chairman reports on issues discussed by the committee to the Board of Directors. Comprising Amir Gal, Carl G. Nordman, Dor J. Segal and Thomas W. Wernink (Chairman), the Investment Committee met six times in 2007.

Nomination Committee

The Nomination Committee is in charge of preparing proposals for the election of Board members and their emoluments to be submitted to the shareholders' meeting, as well as seeking potential successors to Board members. When seeking potential successors, the Nomination Com-

Board emoluments in 2007

EUR	Annual fee	Meeting fees	Total
Gideon Bolotowsky	35,000	10,400	45,400
Amir Gal	35,000	9,200	44,200
Raimo Korpinen	35,000	10,200	45,200
Tuomo Lähdesmäki	60,000	13,200	73,200
Carl G. Nordman	35,000	8,800	43,800
Claes Ottosson	35,000	8,000	43,000
Dor J. Segal	35,000	9,200	44,200
Thomas W. Wernink	150,000	16,600	166,600
Total	420,000	85,600	505,600

mittee must take account of the requirements set for the number of Board members, their independence, age, skills and experience, and their ability to set aside sufficient time for performing this task. In this case, it must also consult major shareholders. The committee also drafts a proposal for the composition and chairmen of the Board committees to be submitted to the Board of Directors, and arranges the self-assessment of the Board of Directors and its Chairman.

The Nomination Committee comprises a minimum of three Board members independent of the company and convenes whenever necessary, but at least once a year. The committee's Chairman reports on issues discussed by the committee to the Board of Directors. Comprising Amir Gal, Tuomo Lähdesmäki (Chairman), Claes Ottosson and Thomas W. Wernink, the Nomination Committee met four times in 2007.

Compensation Committee

In accordance with the guidelines confirmed and instructions issued by the Board of Directors, the Compensation Committee prepares matters related particularly to Citycon's organisation, management appointments, and employee remuneration and incentive schemes in greater detail for the Board's approval. The committee is also in charge of assessing the CEO's performance, preparing a plan for his/her potential successor and seeking potential successors to other company executives.

The Compensation Committee comprises a minimum of three Board members, who must be independent of the company. It convenes whenever necessary, but at least once a year. The committee's Chairman reports on issues discussed by the committee to the Board of Directors. Comprising Gideon Bolotowsky, Tuomo Lähdesmäki (Chairman) and Thomas W. Wernink, the Compensation Committee met three times in 2007.

Pay and emoluments

The AGM confirms Board emoluments every year in advance. The Board of Directors confirms the CEO's salary and other benefits and, upon the CEO's proposal, determines other senior executives' salaries and benefits.

The AGM 2007 decided that the Board Chairman, Deputy Chairman and ordinary Board members be paid an annual remuneration of EUR 150,000, EUR 60,000 and EUR 35,000, respectively. It also decided that the Board Chairman and the Chairman of each Board committee receive a meeting fee of EUR 600 and other Board and Board committee members EUR 400 for each meeting.

The enclosed table shows Citycon's Board emoluments paid in 2007. Meeting fees include those paid for both the Board's and its committees' meetings. Citycon's Board members are not involved in the company's share-based incentive schemes.

Chief Executive Officer

The CEO is responsible for the management and supervision of the company's operations, in accordance with the provisions of the Finnish Limited Liability Companies Act and the authorisations and guidelines issued by the Board of Directors. The Board of Directors appoints the CEO and decides on the terms and conditions of his/her executive contract. The CEO is responsible for ensuring that the material and documents discussed at Board meetings have been duly prepared and that the set goals, procedures and plans are presented to the Board of Directors for update or review purposes, whenever necessary. The CEO must also ensure that Board members continuously receive information required for monitoring the company's financial position and performance.

In addition to managing the company's day-to-day business, the CEO:

- Chairs the company's Corporate Management Committee;
- Appoints, upon a proposal by a Corporate Management Committee member, other managerial employees and decides on the remuneration of employees subordinate to a

CORPORATE MANAGEMENT COMMITTEE



Chief Executive Officer
Petri Olkinuora
M.Sc. (Eng.), MBA
Born 1957
In the Citycon Group since 2002

Career history:
Uponor Corporation, Real Estate Division,
President 1996-2002
Tampereen Kiinteistö Invest Oy,
Managing Director 1990-2002



Chief Financial Officer
Eero Sihvonen
M.Sc. (Econ.)
Born 1957
In the Citycon Group since 2005

Career history:
Dynea Group, Vice President,
Group Treasury 1999-2005
Neste Group, various positions 1981-1999,
latest Chief Financial Officer, Chemicals Division



Head of Legal Affairs
Outi Raekivi
 LL.M., Certified Property Manager
 Born 1968
 In the Citycon Group since 2002

Career history:
 Rasi-Kiinteistöt Oy (Nordea Group),
 Administrative Director 2000-2002
 Aleksia Oyj, Administrative Director 1999-2000
 Merita Kiinteistöt Oy, Assistant Vice
 President 1997-1998, Legal Counsel 1995-1997
 Sabinvest Oy (SYP Group), Legal Counsel 1991-1995



Vice President, Finnish Operations
Kaisa Vuorio
 M.Sc. (Eng.), Authorised Property Appraiser
 Born 1967
 In the Citycon Group since 2000

Career history:
 Catella Property Consultant Ltd,
 various positions 1993-2000, latest Account Manager
 and Property Analyst



Vice President, Baltic Operations
Harri Holmström
 M.Sc. (Surveying), Authorised Property Appraiser
 Born 1956
 In the Citycon Group since 2004

Career history:
 SRV Viitoset Ltd, Director, International
 Marketing 2002-2004
 Catella Property Consultants, Finland, Director,
 International Services 1999-2002
 Catella Property Consultants, UK, Director,
 International Services 1998-1999
 Chesterton International Plc (London), Consultant,
 Overseas Department/City Office 1997-1998



Vice President, Swedish Operations
Ulf Attebrant
 Born 1963
 In the Citycon Group since 2007

Career history:
 Atrium Fastigheter AB, various positions 1999-2006,
 latest Vice President, Head of Real Estate Operations,
 Deputy Managing Director
 Drott AB, Manager and Team Leader 1998-1999
 Näckebro AB, Marketing Director 1997-1998
 Faberge Cityfastigheter AB, Marketing
 and Real Estate Manager 1992-1998

Corporate Management Committee member, in accordance with the principles applied by the company;

- Decides on employee perks and expense approvals, in accordance with the principles and guidelines applied by the company;
- Informs the Board of Directors of any major events, decisions and future projects related to the company's business.

A written executive contract approved by the Board of Directors stipulates the terms and conditions of the CEO's employment. In 2007, the CEO received EUR 338,707 in

salary and other pay-related benefits and, additionally, EUR 595,974 as income from stock options. He is entitled to retire upon turning 62, provided that he will remain in the company's employ until he reaches that age. The company has taken out pension insurance to cover his pension plan. Both the CEO and the company may terminate the CEO's executive contract at six months' notice. If the company terminates the contract for a reason not attributable to the CEO, it will pay the CEO lump-sum compensation equalling his 18-month salary in cash, in addition to the salary payable for the notice period.

Corporate Management Committee

Comprising at least three members, Citycon has a Corporate Management Committee chaired by the CEO. Upon the CEO's proposal, the Board of Directors is responsible for appointing members of the Committee. In 2007, the Corporate Management Committee had six members. The Corporate Management Committee's main duty as an expert body is to assist the CEO in the management of the company's business. It co-ordinates and develops the company's various operations in accordance with set goals, promotes the intra-organisational communication and prepares resolution proposals for the Board's discussion. The Corporate Management Committee convenes whenever deemed necessary by its Chairman.

The Corporate Management Committee assists the CEO in the following:

- Prepares changes and revisions to the company's strategy for the Board of Directors' approval, in accordance with the guidelines issued by the Board of Directors;
- Prepares a business plan and budget for the Board of Directors, and monitors their implementation;
- Plans and prepares organisational changes assigned by the Board of Directors and CEO;
- Approves replies to internal and external auditors' reports for the Board of Directors' approval;
- Ensures the implementation of measures related to annual planning, in accordance with instructions.

Insiders

Citycon applies Insider Guidelines covering insiders' obligations and disclosure obligation, specifying and supplementing provisions of the Securities Market Act, the Standard for Insiders issued by the Financial Supervision Authority, and the Insider Guidelines issued by the Helsinki stock exchange.

The company's statutory insiders include Board members, the CEO and the auditor. Statutory insiders also comprise Corporate Management Committee members, whom the Board of Directors has defined as other senior executives, as referred to in the Securities Market Act. Holdings in the company by statutory insiders and those closely as-

sociated with them are regarded as public information. The enclosed table shows changes in holdings in 2007. Up-to-date information on changes in shareholdings can be found on the company's website at www.citycon.fi.

In addition to statutory insiders, Citycon also has so-called permanent insiders entered in the company's company-specific insider register, based on their position or duties, or another contract they have concluded with the company. These company-specific insiders include the secretaries and assistants of the Board members, CEO and Corporate Management Committee members, and those in charge of corporate finances and financial reporting, financing, legal affairs, investment and development activities, corporate communications, investor relations, IT functions, as well as internal and external control and audit. The company-specific insider register is not available for public review.

Citycon maintains its insider register of statutory and company-specific insiders within the Finnish Central Securities Depository's SIRE extranet system. The company verifies the data on its statutory insiders by asking the insiders to check the accuracy of the information on the extracts from the insider register twice a year, and regularly supervises its insiders' trading on the basis of the transaction data registered by Finnish Securities Depository Ltd. It also supervises its insiders' trading on a case-by-case basis, if necessary.

As stipulated by Citycon's Insider Guidelines, the company's statutory and permanent insiders may not trade in Citycon shares or instruments entitling to Citycon shares, for 21 days prior to the release of the company's annual accounts, interim accounts or interim report. Insiders must also request the company's Compliance Officer for an opinion on the legality and permissibility of any securities trans-

Changes in holdings by statutory insiders and those closely associated with them, 1 Jan.-31 Dec. 2007

Insider	Date 2007	Shares	Stock options 1999 A/B/C	Stock options 2004A	Stock options 2004B	Stock options 2004C
Board of Directors						
Gideon Bolotowsky	1 Jan.	4,048	-	-	-	-
Board member	31 Dec.	4,626	-	-	-	-
Amir Gal	1 Jan.	8,231	-	-	-	-
Board member	31 Dec.	8,231	-	-	-	-
Raimo Korpinen	1 Jan	12,649	-	-	-	-
Board member	31 Dec.	14,456	-	-	-	-
Tuomo Lähdesmäki	1 Jan.	42,628	-	-	-	-
Board Deputy Chairman	31 Dec.	37,289	-	-	-	-
Carl G. Nordman	1 Jan.	4,823	-	-	-	-
Board member	31 Dec.	5,512	-	-	-	-
Claes Ottosson	1 Jan.	9,015	-	-	-	-
Board member	31 Dec.	10,336	-	-	-	-
Dor J. Segal	1 Jan.	6,277	-	-	-	-
Board member	31 Dec.	7,174	-	-	-	-
Thomas W. Wernink	1 Jan.	15,000	-	-	-	-
Board Chairman	31 Dec.	28,571	-	-	-	-
Corporate Management Committee						
Petri Olkinuora	1 Jan.	120,000	73,214	150,000	140,000	140,000
CEO	31 Dec.	137,143	-	75,000	140,000	140,000
Ulf Attebrant	1 Jan.	-	-	-	-	-
Vice President, Swedish Operations	31 Dec.	-	-	-	-	-
Harri Holmström	1 Jan.	-	-	-	70,000	70,000
Vice President, Baltic Operations	31 Dec.	-	-	-	70,000	70,000
Outi Raekivi	1 Jan.	-	-	75,000	70,000	70,000
Head of Legal Affairs, Board secretary	31 Dec.	-	-	75,000	70,000	70,000
Eero Sihvonen	1 Jan.	-	-	-	70,000	70,000
CFO	31 Dec.	-	-	-	70,000	70,000
Kaisa Vuorio	1 Jan.	1,200	32,000	75,000	70,000	70,000
Vice President, Finnish Operations	31 Dec.	1,372	-	75,000	70,000	70,000
Chief auditor						
Tuija Korpelainen	1 Jan.	-	-	-	-	-
	31 Dec.	-	-	-	-	-

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

action in which they plan to engage. The Compliance Officer records each contact made.

Control and supervision systems

The control and supervision of Citycon's business operations are based on the use of the governance and management system described above. The company applies appropriate and reliable accounting and other information systems for monitoring business operations and supervising treasury operations. The accounting system enables the monitoring of performance and forecasts using a rolling scale in three and twelve month periods. It also enables long-term planning and serves as a budgeting tool.

Internal control and supervision

Citycon's internal control and supervision involves financial and other supervision carried out by the senior and executive management as well as all other personnel. The company seeks to foster a corporate culture in which internal control and supervision is adopted as a normal and necessary part of day-to-day business.

Internal control and supervision aims to ensure:

- The achievement of set goals and objectives;
- The cost-effective and efficient use of resources;
- The management of risks associated with business;
- The reliability and accuracy of financial and other management information;
- Compliance with external regulations and internal procedures as well as adherence to appropriate procedures in customer relationships;
- The security of the company's operations, information and assets;
- Appropriate information systems and working processes in support of operations.

The Board of Directors is responsible for organising and maintaining adequate and effective internal supervision, while the CEO is in charge of ensuring the implementation of practical internal supervision.

The CEO is responsible for ensuring adherence to the goals, procedures and strategic plans set by the Board of Directors. It is the CEO's duty to maintain an organisational structure characterised by explicitly and exhaustively defined written responsibilities, authorisations and reporting relationships.

The CEO and Corporate Management Committee members are responsible for ensuring that the Group complies with applicable laws and regulations, as well as the company's business principles and Board decisions in its daily operations.

Citycon assesses the effectiveness of its internal supervision through internal audit. For internal audit, the Audit Committee annually draws up an audit plan, which forms the basis for the performance of the audit. Auditors responsible for internal audit report to the Board's Chairman and the Audit Committee. The internal audit 2007 was outsourced to KPMG

Oy Ab. The audit conducted by Citycon's auditor also involves auditing the company's corporate governance on which the auditor reports to the Board of Directors and the CEO.

Any shortcomings and areas requiring improvement detected in internal control with respect to business operations or in other respects are documented and reported to the CEO, who must initiate the required measures without delay.

Auditor

The AGM annually elects one auditor, who must be a firm of authorised public accountants certified by the Central Chamber of Commerce of Finland, responsible for auditing Citycon's corporate governance and accounts. The chief auditor appointed by the accounting firm provides Citycon's shareholders with a statutory auditor's report along with the company's annual financial statements. The main purpose of the statutory auditor's report is to verify that the financial statements give a true and fair view of the company's results and financial position for each financial year. In addition to the statutory auditor's report, the auditor reports to the CEO and the Audit Committee, whenever necessary.

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

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

In 2007, Citycon paid EUR 0.3 million in remuneration to its auditor, related to its general audit. In addition, Citycon paid a total of EUR 0.3 million for internal expert services related to IFRS (International Financial Reporting Standards), property deals and taxation.

Risk management

Citycon's Board of Directors and corporate management monitor the company's business risks on an ongoing basis. The Board of Directors has approved the company's risk management guidelines specifying risk-management principles and the risk management process. This process involves identifying, analysing, measuring, mitigating and controlling business-related risks.

Citycon's annual review of its risk management process includes updating its risk chart and annual action plan presented to the Board of Directors at a separately agreed meeting in the autumn.

More detailed information on the company's risk management can be found on pages 39-41.

Communications

The purpose of Citycon's corporate communications is to inform the company's stakeholders of company-related matters, with the aim of providing all relevant parties with correct, sufficient and relevant information regularly, equitably and simultaneously.

Citycon's shopping centres in Sweden

Stockholm Area



Fruängen Centrum

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



Jakobsbergs Centrum

Järfälla
Citycon's gross
leasable area 67,500 sq.m.
Built in 1959.
Extended and/or renovated in 1993.



Liljeholmstorget

Stockholm
Citycon's gross
leasable area 20,200 sq.m.
Built in 1973.
Extended and/or renovated in 1986.



Åkersberga Centrum

Österråker
Citycon's gross
leasable area 33,100 sq.m.
Built in 1985.
Extended and/or renovated in 1995/1996.



Åkermytan Centrum

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



Tumba Centrum

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

Göteborg Area



Stenungs Torg

Stenungsund
Citycon's gross
leasable area 37,600 sq.m.
Built in 1967.
Extended and/or renovated in 1993.

Umeå



Strömpilen

Umeå
Citycon's gross
leasable area 27,000 sq.m.
Built in 1927.
Extended and/or renovated in 1997.

Citycon's shopping centres in the Baltic Countries

Estonia



Magistral

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



Rocca al Mare

Tallinn
Citycon's gross
leasable area 28,600 sq.m.
Built in 1998.

Lithuania



Mandarinas

Vilnius
Citycon's gross
leasable area 7,900 sq.m.
Built in 2005.

CITYCON

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