

CITYCON

Interim Report 1 January - 30 June 2008

Q2

Q1

Q3

Q4



Citycon Oyj's Interim Report for 1 January - 30 June 2008

Summary of the Second Quarter of 2008 Compared with the Previous Quarter

- Turnover remained at the level of the previous quarter and was EUR 44.2 million (Q1/2008: EUR 44.3 million).
- Net rental income grew by 2.7 per cent, to EUR 30.5 million (EUR 29.7 million), resulting mainly from lower maintenance expenses such as electricity and heating costs, the lower amount of which was due partly to seasonal fluctuations.
- Net cash from operating activities per share remained steady at EUR 0.06 (EUR 0.06).
- The fair value change of investment properties was EUR -84.7 million (EUR 1.4 million). The fair market value of investment properties decreased to EUR 2,156.9 million (EUR 2,226.6 million).
- The average net yield requirement for investment properties was at 6.0 per cent (5.7%) at the end of the period, according to an external appraiser. The increase in the average net yield requirement was due to changes in property market.
- Earnings per share were EUR -0.26 (EUR 0.04). The decline was due to the fair value losses.
- Direct result per share (diluted) remained at the level of the previous quarter and was EUR 0.04 (EUR 0.04).
- The company's financing expenses decreased to EUR 14.7 million (EUR 16.1 million). The reference period included a valuation item of EUR -1.4 million, relating to valuation of the company's interest rate hedging contracts.

Summary of January - June 2008 Compared with the Corresponding Period of 2007

- Turnover increased by 26.1 per cent, to EUR 88.5 million (Q1-2/2007: EUR 70.2 million), due mainly to property acquisitions made during 2007.
- Profit/loss before taxes was EUR -62.1 million (EUR 212.5 million), including a EUR -83.3 million (EUR 191.6 million) change in the fair value of investment properties.
- The company's direct result rose to EUR 18.9 million (EUR 14.3 million), up mainly because of increased net rental income, decreased administrative expenses and lower taxes compared to the reference period. Changes in the fair value of the company's property portfolio have no effect on the company's net rental income or direct result but they will affect the company's total profit.
- Direct result per share (diluted) improved and was EUR 0.09 (EUR 0.08).
- Earnings per share amounted to EUR -0.21 (EUR 0.88). The decrease resulted mainly from the fair value changes.
- Net rental income increased by 22.7 per cent, to EUR 60.1 million (EUR 49.0 million).
- Net rental income from like-for-like properties rose by 0.3 per cent.
- Net cash flow from operating activities per share rose to EUR 0.12 (EUR 0.11).
- The equity ratio was 42.1 per cent (46.9%).
- Citycon signed a ten-year loan agreement with Nordic Investment Bank for EUR 30 million to finance its key sustainable development pilot project, Liljeholmstorget shopping centre in Stockholm. In addition, Citycon signed two long-term loan agreements on competitive terms during the reporting period.
- The company's total liquidity at the end of the reporting period was EUR 349.4 million including unutilised committed long-term debt facilities amounting to EUR 325.6 million and cash of EUR 23.8 million.

Key Figures

	Q2/2008	Q2/2007	Q1/2008	Q1-Q2/2008	Q1-Q2/2007	Change-% ¹⁾	2007
Turnover, EUR million	44.2	35.9	44.3	88.5	70.2	26.1%	151.4
Net rental income, EUR million	30.5	25.8	29.7	60.1	49.0	22.7%	103.4
Operating profit/loss, EUR million	-58.7	181.6	27.4	-31.3	231.9	-	300.7
% of turnover	-	505.3%	61.8%	-	330.5%	-	198.6%
Profit/loss before taxes, EUR million	-73.4	171.6	11.3	-62.1	212.5	-	253.5
Profit/loss attributable to parent company shareholders, EUR million	-56.6	134.6	9.1	-47.5	167.6	-	200.3
Direct result, EUR million ²⁾	9.5	7.6	9.5	18.9	14.3	32.7%	36.3
Indirect result, EUR million	-66.0	127.0	-0.4	-66.4	153.3	-	164.0
Earnings per share (basic), EUR	-0.26	0.68	0.04	-0.21	0.88	-	1.00
Earnings per share (diluted), EUR	-0.26	0.60	0.04	-0.21	0.78	-	0.91
Direct result per share (diluted), (diluted EPRA EPS), EUR ²⁾	0.04	0.04	0.04	0.09	0.08	12.5%	0.18
Net cash from operating activities per share, EUR	0.06	0.06	0.06	0.12	0.11	7.3%	0.20
Fair market value of investment properties, EUR million			2,226.6	2,156.9	1,799.2	19.9%	2,215.7
Equity per share, EUR			4.33	4.13	4.32	-4.2%	4.44
Net asset value (EPRA NAV) per share, EUR			4.70	4.46	4.70	-5.1%	4.83
EPRA NNNNAV per share, EUR			4.31	4.20	4.17	0.7%	4.42
Equity ratio, %			43.0	42.1	46.9	-	43.9
Gearing, %			111.8	123.3	96.2	-	111.8
Net interest-bearing debt (fair value), EUR million			1,149.4	1,205.3	863.3	39.6%	1,147.3
Net rental yield, % ³⁾			5.5	5.4	6.4	-	5.8
Occupancy rate, %			96.0	95.7	95.8	-	95.7
Personnel (at the end of the period)			104	110	94	17.0%	102

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

²⁾ In comparison to previous practice direct result excludes the changes in fair value of financial instruments that are recognized in the income statement. Please see the Note 4 "Reconciliation between direct and indirect result" for direct result calculations and Note 5 "Earnings per share" for calculation of direct result per share.

³⁾ Includes the lots for development projects.

CEO Petri Olkinuora comments on the reporting period:

"Citycon's turnover and net rental income continued to grow during the reporting period, and the company's direct result as well as cash flow from operating activities remained steady. Also the financing costs were at the same level as during the previous quarter, despite increased general interest rates and higher level of interest bearing debt. However, the increase in the fair value of properties that had continued for several years came to a halt and the fair value decreased due to changes in general market conditions.

Citycon will concentrate on improving its shopping centres by both refurbishing and redeveloping them. The aim of the company's business activities is to increase rental cash flow and maintain the competitiveness of its shopping centres. The company's financing position is satisfactory and the company has sufficient committed credit lines to complete the ongoing development and redevelopment projects as well as other ongoing business activities until at least the end of 2010 without any new credit facilities. This is thanks to the company's prudent financing policy and its active implementation.

Sustainable construction and management is a key element of Citycon's strategy. We continue taking the principles of sustainable property development into account as planned. The company's responsible approach to environmental issues was a key reason behind the decision of the Nordic Investment Bank to grant Citycon a ten-year loan in June 2008. Also, our customers and tenants are increasingly aware of the importance of ecological choices."

Business Environment

In the beginning of the year retail trade continued performing positively. According to Statistics Finland's preliminary data, retail sales grew by 7.9 per cent in May 2008 compared to May the year before. Also cumulative retail sales growth for the beginning of the year was strong in Finland (8.2%). The Swedish retail sales growth in May was 6.2 per cent compared to the same month year before according to Statistics Sweden's preliminary data. Furthermore, also the Lithuanian retail sales for the beginning of the year grew approximately 5 per cent compared to the previous year, although the growth was clearly slower than during the previous years (source: SEB Economic Research, The Baltics). Respectively, according to Statistics Estonia, the retail sales decreased by 3 per cent in the same period.

Consumer confidence in the outlook for the national economy and personal finances fell during the first six months of the year. This trend was parallel in all Citycon's operating regions during the reporting period. The decrease in consumer confidence is due mainly to higher-than-expected inflation and higher interest rates during the first six months of the year.

Significantly fewer transactions have taken place in the property investment market in all of Citycon's operating countries. The spread in yield requirements between prime and other properties has increased significantly not only in the Baltic countries but also in Finland and Sweden (source: Jones Lang LaSalle, Suomen kiinteistömarkkina, 1/2008). In general, the international credit crunch has had less severe effects in Citycon's operating regions than at a global level, although it has resulted in weakening consumer confidence and rising credit margins. The construction costs have increased in all of Citycon's countries of operation, but the increase has decelerated during the beginning of the year (sources: Statistics Finland, Statistics Sweden, Statistics Estonia).

Business and Property Portfolio Summary

Citycon's core business includes the redevelopment and management of shopping centres and other large retail units. The company has acquired shopping centres, which provide potential for increased net yield over the long-term through active redevelopment efforts and retail property management.

Citycon is an active investment company, assuming responsibility for the business operations and administration of its investment properties. This differentiates Citycon from traditional real estate companies, whose principal focus is on ownership.

Citycon is involved in the day-to-day operations of its shopping centres and, in co-operation with its tenants, aims continuously to increase the attractiveness, number of visitors, sales and profits of the shopping centres. Citycon is a pioneer in the Nordic shopping centre market, aiming to factor environmental considerations into its shopping centre management as well as its redevelopment and development projects.

Citycon operates in Finland, Sweden and the Baltic countries. In Finland, Citycon is the market leader in the shopping centre business, while in Sweden it is one of the leading operators in the shopping centre sector. The company has established a firm foothold in the Baltic countries. Thanks to careful market research and good local knowledge, Citycon has been able to acquire shopping centres in the major growth centres in the countries where it operates. Citycon's investments are focused on areas where the population and purchasing power are expected to grow.

At the end of the reporting period, Citycon owned 33 (30) shopping centres and 52 (53) other properties. Of the shopping centres, 22 (20) were located in Finland, eight (8) in Sweden and three (2) in the Baltic countries.

At the end of the reporting period, the market value of the company's property portfolio totalled EUR 2,156.9 million

(EUR 1,799, 2 million), of which Finnish properties accounted for 71.7 per cent (66.0%), Swedish properties 23.3 per cent (29.0%) and Baltic properties 5.0 per cent (5.0%). The gross leasable area at the end of the reporting period totalled 926,550 square metres.

Changes in Fair Value of Investment Properties

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

Citycon's property portfolio is valued by Realia Management Oy, a part of the Realia Group. Realia Management Oy works in association with the world's leading provider of real estate services, the international company CB Richard Ellis. A summary of Realia Management Oy's Property Valuation Statement at the end of June status can be found at www.citycon.com.

During the reporting period, the fair value of Citycon's property portfolio decreased. The decrease was due to changes in general market conditions in the property market and to higher interest rates. The period saw a total value increase of EUR 3.8 million and a total value decrease of EUR 87.1. The net effect of these changes on the company's profit was EUR -83.3 million (EUR 191.6 million).

The average net yield requirement defined by Realia Management Oy for Citycon's property portfolio came to 6.0 per cent (Q2/2007: 5.8%). The average net yield requirement increased compared to the previous quarter (Q1/2008: 5.7%) due to changes in property market conditions.

Lease Portfolio and Occupancy Rate

At the end of the reporting period, Citycon had a total of 3,662 (3,415) leases. The average remaining length of the lease agreements was 2.8 (2.9) years. At the end of the reporting period, Citycon's property portfolio's net rental yield was 5.4 per cent (6.4%) and the occupancy rate was 95.7 per cent (95.8%). The occupancy rate reduced as a result of an increase in the number of premises temporarily vacated due to redevelopment projects.

The company's net rental income grew during the reporting period by 22.7 per cent, to EUR 60.1 million. Leasable area rose by 12.4 per cent to 926,550 square metres. Net rental income from like-for-like properties grew by 0.3 per cent. Like-for-like properties are properties held by Citycon throughout the 24-month reference period, excluding properties under refurbishment and redevelopment as well as undeveloped lots. The majority of like-for-like properties are located in Finland. The calculation method for net yield and standing (like-for-like) investments is based on guidelines issued by the KTI Institute for Real Estate Economics and the Investment Property Databank (IPD).

Lease Portfolio Summary

	Q2/2008	Q2/2007	Q1/2008	Q1-Q2/2008	Q1-Q2/2007	Change-%	2007
Number of leases started during the period	112	122	124	236	236	0.0	512
Total area of leases started, sq.m.	18,170	28,745	24,240	42,410	46,705	-9.2	103,408
Occupancy rate at end of the period, %			96.0	95.7	95.8	-0.1	95.7
Average remaining length of lease portfolio at the end of the period, year			3.0	2.8	2.9	-3.4	3.0

Acquisitions and Divestments

Citycon continues to focus on the development and redevelopment of the company's shopping centres. Furthermore, the company actively monitors developments in the shopping centre market across its operating regions. Possible new acquisitions relate e.g. to on-going or planned redevelopment projects. In the period under review, no new shopping centres were acquired, but the company acquired more minority shares in several partially-owned properties.

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

Related to the Lippulaiva shopping centre's redevelopment project, Citycon acquired all the shares in MREC Kiinteistö Oy Majakka at the beginning of 2008 and, at the same time, divested its entire holding in MREC Kiinteistö Oy Ulappatori. Kiinteistö Oy Majakka owns undeveloped land in the surroundings of Lippulaiva, in the area planned for the extension of the shopping centre in Espoo, Finland. Citycon continues to have a right of possession for the leasable areas of MREC Kiinteistö Oy Ulappatori. The right of possession will terminate when the redevelopment project is completed or during 2011 at the latest. In addition, Citycon sold its 44 per cent holding in Pukinmäki retail centre in Helsinki, Finland.

Development Projects

Keeping its shopping centres competitive both for customers and for lessees constitutes the core of Citycon's strategy. The company aims to increase the long-term cash flow and return from its retail properties as well as footfall and efficiency through development projects. In the short term, however, such projects may weaken returns from some properties, as some retail premises may have to be temporarily vacated for refurbishment, so affecting rental income. Citycon aims to carry out such projects phase by phase so that the whole shopping centre does not have to be closed during the works. Thus, continuous cash flow is ensured.

Sustainable Construction and Management

Citycon's redevelopment projects progressed according to plan during the reporting period. In its redevelopment projects, Citycon is paying increasing attention to environmental management methods and solutions. Currently, the company is undertaking three pilot projects, aimed at identifying best practice in the sustainable construction and management of shopping centres. The pilot projects include building a new shopping centre at Liljeholmen, Stockholm, Sweden, and the redevelopment and extension of the Rocca al Mare shopping centre in Tallinn, Estonia, and the Trio shopping centre in Lahti, Finland.

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

Citycon seeks to obtain the international LEED (Leadership in Energy and Environmental Design) environmental certification for its projects. Citycon remains confident that in the long term responsible business operations will enhance interest in Citycon both as a responsible actor in the shopping centre sector and an international attractive investment object.

The table below lists the most significant development and redevelopment projects in progress, as approved by the Board of Directors. In addition, Citycon is planning and preparing a number of other refurbishment and redevelopment projects. More information on planned projects can be found on Citycon's website at www.citycon.com, in management presentations and the Annual Report 2007.

Capital expenditure during the reporting period relating to all development projects amounted to EUR 38.6 million in Finland, EUR 23.4 million in Sweden and EUR 12.2 million in the Baltic countries.

Development Projects in Progress

Property	Location	Estimated total cost (EUR million)	Actual gross expenditure up to 30 June 2008 (EUR million)	Estimated year of completion
Projects approved by the Board of Directors:				
Liljeholmstorget	Stockholm, Sweden	120	38.2	2009
Rocca al Mare	Tallinn, Estonia	68	25.5	2009
Trio	Lahti, Finland	60	42.0	2008
Torikeskus	Seinäjoki, Finland	4	2.1	2009
Projects not yet approved, or partly approved, by the Board of Directors:				
Lippulaiva	Espoo, Finland	60-70 ¹⁾	21.7	2011
Åkersberga Centrum	Österåker, Sweden	27 ²⁾	4.4	2010
Tumba Centrum	Botkyrka, Sweden	35-37 ¹⁾	1.8	2011

¹⁾ Both planned redevelopment stages are included in the estimate.

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

The company's largest development project and the main sustainable construction project is the construction of a new shopping centre in Liljeholmen, Stockholm. During the reporting period, excavation of the car park was completed, and work to date is within budget and on schedule. The new shopping centre is expected to open its doors in October–November 2009, and approximately 40% of the agreements with new tenants have already been signed.

Redevelopment of the Rocca al Mare shopping centre in Tallinn started in February 2007. The first stage of the shopping centre's modernisation is fully let and will be completed in the autumn of 2008, when the second and third stages of the redevelopment project will also be started. The shopping centre will remain open during the whole redevelopment project. The completely renovated Rocca al Mare is expected to open its doors in the autumn of 2009.

The first stage of redevelopment of the Trio shopping centre in downtown Lahti was completed in November 2007 and is fully let. The second stage of the project has begun and work to date is on schedule. The completely renovated shopping centre will be open for the Christmas season 2008. Trio, too, has remained open during the whole redevelopment project. The company is investing a total of approximately EUR 60 million in Trio's redevelopment, which also represents a major investment in the development of the city centre and business life in Lahti.

The Åkersberga shopping centre redevelopment project has been delayed due to a tenant's complaint. A new project plan is currently being prepared but Citycon's Board of Directors have not approved it yet. The refurbishment project for the interior of the Tumba Centrum shopping centre, located in the municipality of Botkyrka, south of Stockholm, was initiated late in 2007 and the project progressed as planned during the reporting period. A more extensive extension project is being planned.

Preparations for the extension project for the Lippulaiva shopping centre in Espoo have been made during the reporting period. The extension project has not yet been approved by the Board of Directors.

During the reporting period, Citycon and the City of Helsinki signed a preliminary agreement on the purchase of the lot for a new retail centre planned to be built in Myllypuro, Helsinki. The preliminary agreement relates to four separate lots, which have been zoned for commercial and residential development. The aim is to develop an attractive modern retail centre at Myllypuro.

Business Units

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

Finland

Citycon is the market leader in the Finnish shopping centre business. During the reporting period, the company's net rental income from Finnish operations grew by 25.6 per cent, to EUR 44.9 million, in spite of the on-going redevelopment projects. The business unit accounted for 74.6 per cent of the company's total net rental income. During the last 12 months, the rolling twelve-month occupancy cost ratio for like-for-like properties was 8.8 per cent (Q1/2008: 8.7%). The occupancy cost ratio is calculated as the share of net rent and potential service charges paid by a tenant to Citycon out of the tenant's sales excluding VAT (estimate).

The key figures of the property portfolio as well as on-going redevelopment projects in Finland are presented earlier.

Lease portfolio summary, Finland

	Q2/2008	Q2/2007	Q1/2008	Q1-Q2/2008	Q1-Q2/2007	Change-%	2007
Number of leases started during the period	93	101	100	193	207	-6.8	442
Total area of leases started, sq.m.	14,310	24,350	21,800	36,110	41,250	-12.5	74,400
Occupancy rate at end of the period, %			95.7	95.6	95.9	-0.3	95.6
Average remaining length of lease portfolio at the end of the period, year			3.2	3.1	3.4	-8.8	3.1

Financial performance, Finland

	Q2/2008	Q2/2007	Q1/2008	Q1-Q2/2008	Q1-Q2/2007	Change-%	2007
Gross rental income, EUR million	30.5	23.7	30.4	60.9	47.0	29.6	100.7
Turnover, EUR million	31.6	24.7	31.4	62.9	48.6	29.5	104.3
Net rental income, EUR million	22.5	18.2	22.3	44.9	35.7	25.6	75.7
Net fair value gains/losses on investment property, EUR million	-58.4	120.3	-1.8	-60.2	134.3	-	148.5
Operating profit/loss, EUR million	-37.2	137.1	19.3	-17.9	167.3	-	218.7
Capital expenditure, EUR million	17.8	20.5	22.8	40.6	43.3	-6.4	429.1
Fair market value of investment properties, EUR million			1,587.4	1,546.2	1,187.4	30.2	1,587.0
Net rental yield, % ¹⁾			5.8	5.6	7.0	-	6.2
Net rental yield, like-for-like properties, %			6.4	6.3	7.2	-	6.8

¹⁾ Includes the lots for development projects

Sweden

Citycon has achieved a substantial position in the Swedish shopping centre market and has eight (8) shopping centres and seven (7) other retail properties in Sweden, located in the Greater Stockholm and Greater Gothenburg areas and in Umeå. During the reporting period, the company's net rental income from Swedish operations increased by 16.9 per cent, to EUR 12.2 million, and the business unit's net rental income accounted for 20.3 per cent of Citycon's total net rental income.

The key figures of the property portfolio as well as on-going redevelopment projects in Sweden are presented earlier.

Lease Portfolio Summary, Sweden

	Q2/2008	Q2/2007	Q1/2008	Q1-Q2/2008	Q1-Q2/2007	Change-%	2007
Number of leases started during the period	18	15	8	26	18	44.4	49
Total area of leases started, sq.m.	3,760	4,138	840	4,600	4,408	4.4	25,800
Occupancy rate at end of the period, %			96.1	95.2	95.0	0.2	95.1
Average remaining length of lease portfolio at the end of the period, year			2.3	2.1	1.8	16.7	2.4

Financial Performance, Sweden

	Q2/2008	Q2/2007	Q1/2008	Q1-Q2/2008	Q1-Q2/2007	Change-%	2007
Gross rental income, EUR million	10.8	8.4	9.2	20.0	16.3	22.4	35.4
Turnover, EUR million	10.6	9.3	10.7	21.2	17.8	19.0	39.0
Net rental income, EUR million	6.4	6.0	5.8	12.2	10.4	16.9	21.6
Net fair value gains/losses on investment property, EUR million	-20.6	35.5	2.1	-18.5	50.6	-	55.6
Operating profit/loss, EUR million	-15.2	40.6	7.2	-8.1	59.4	-	74.3
Capital expenditure, EUR million	15.9	72.2	8.2	24.1	133.9	-82.0	142.4
Fair market value of investment properties, EUR million			527.0	503.0	521.9	-3.6	517.5
Net rental yield, % (1			4.6	4.6	4.6	-	4.6
Net rental yield, like-for-like properties, %			5.6	5.5	5.9	-	5.3

¹⁾ Includes the lots for development projects

Baltic Countries

At the end of the reporting period, Citycon owned three shopping centres in the Baltic countries: Rocca al Mare and Magistral in Tallinn, Estonia, and Mandarinas in Vilnius, Lithuania. Due to the limited size of the Baltic market, the turbulence in property and financial markets and the limited availability of suitable properties, Citycon has been selective in making investments in the region. During the reporting period, net rental income from Baltic operations increased by 11.6 per cent to EUR 3.1 million. The business unit accounted for 5.1 per cent of Citycon's total net rental income.

The key figures of the property portfolio as well as on-going redevelopment projects in the Baltic countries are presented earlier.

Lease Portfolio Summary, Baltic Countries

	Q2/2008	Q2/2007	Q1/2008	Q1-Q2/2008	Q1-Q2/2007	Change-%	2007
Number of leases started during the period	1	6	16	17	11	54,5	21
Total area of leases started, sq.m.	100	257	1,600	1,700	1,047	62.4	3,208
Occupancy rate at end of the period, %			100.0	100.0	99.9	0.1	100.0
Average remaining length of lease portfolio at the end of the period, year			2.6	2.3	3.0	-23.3	2.8

Financial Performance, Baltic Countries

	Q2/2008	Q2/2007	Q1/2008	Q1-Q2/2008	Q1-Q2/2007	Change-%	2007
Gross rental income, EUR million	2.1	1.9	2.2	4.2	3.5	21.2	7.7
Turnover, EUR million	2.1	1.9	2.2	4.3	3.7	17.4	8.0
Net rental income, EUR million	1.5	1.4	1.6	3.1	2.8	11.6	6.0
Net fair value gains/losses on investment property, EUR million	-5.7	4.3	1.1	-4.6	6.7	-	9.3
Operating profit/loss, EUR million	-4.3	5.6	2.5	-1.8	9.1	-	14.5
Capital expenditure, EUR million	6.5	3.6	5.7	12.2	3.9	215.8	31.7
Fair market value of investment properties, EUR million			112.2	107.8	89.9	19.9	111.2
Net rental yield, % ¹⁾			6.0	5.9	6.6	-	6.2
Net rental yield, like-for-like properties, %			6.9	7.0	8.0	-	7.3

1) Includes the lot for the development project

Turnover and Profit

Turnover for the reporting period totalled EUR 88.5 million (EUR 70.2 million), principally derived from the rental income generated by Citycon's retail premises. Gross rental income accounted for 96.2 per cent (95.3%) of turnover.

Operating profit/loss decreased to EUR -31.3 million (EUR 231.9 million). Profit/loss before taxes amounted to EUR -62.1 million (EUR 212.5 million) and profit/loss after taxes was EUR -51.6 million (EUR 170.4 million). The decrease in operating profit was due mainly to the fair value losses of the property portfolio. On the other hand, operating profit rose due to net rental income from properties acquired.

The effect of changes in the fair value of the property portfolio, of gains on sales and of other indirect items on the profit attributable to the parent company's shareholders was EUR -66.4 million (EUR 153.3 million), tax effects included. Taking this effect into account, the direct result (after taxes) was EUR 4.7 million above the reference period level (cf. Annex Reconciliation between direct and indirect result). The growth in direct profit resulted from increased net rental income and lower administrative expenses. Current taxes on direct results were lower during the reporting period than during the comparison period, notwithstanding profit growth. The lower current taxes during the reporting period resulted principally from amended depreciation policy applied since the end of 2007, which resulted in higher depreciation of buildings in Finland, reducing the parent company's result under local Finnish Accounting Standards (FAS) and thereby also current taxes on direct profit during the reporting period.

Earnings per share amounted to EUR -0.21 (EUR 0.88). Direct result per share (diluted) (diluted EPRA EPS) amounted to EUR 0.09 (EUR 0.08). Net cash flow from the operating activities per share amounted to EUR 0.12 (EUR 0.11).

Human Resources and Administrative Expenses

At the end of the reporting period, Citycon Group employed a total of 110 (94) persons, of whom 77 were employed in Finland, 26 in Sweden and seven in the Baltic countries. Administrative expenses decreased to EUR 8.4 million (EUR 8.6 million), including EUR 0.2 million (EUR 0.5 million) calculated non-cash expenses related to employee stock options and the company's share-based incentive scheme. The lower expenses when compared to the reference period's figure were due to lower annual employee bonuses and capitalisation of wages and salaries relating to development and redevelopment projects.

Capital Expenditure and Divestments

Citycon's reported gross capital expenditure in the reporting period totalled EUR 77.3 million (EUR 181.3 million). Of this, property acquisitions accounted for EUR 2.5 million (EUR 158.7 million), property development EUR 74.2 million (EUR 22.5 million) and other investments EUR 0.6 million (EUR 0.2 million). The investments were financed with the cash flow from operations and existing financing arrangements.

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

Balance Sheet and Financial Position

The balance sheet total at the end of the reporting period stood at EUR 2,293.0 million (EUR 1,878.1 million). Liabilities totalled EUR 1,328.6 million at the end of the reporting period (EUR 998.5 million), with short-term liabilities accounting for EUR 179.2 million (EUR 131.8 million). The Group's liquidity remained good during the reporting period. At the end of the reporting period, Citycon's liquidity was EUR 349.4 million, of which EUR 325.6 million consisted of undrawn, committed long-term credit facilities and EUR 23.8 million of cash and cash equivalents. At the end of the reporting period, Citycon's liquidity, commercial papers and short-term credit limits excluded, stood at EUR 227.6 million.

For the purpose of short-term liquidity management the company uses a EUR 100 million non-binding Finnish commercial paper programme and a non-binding Swedish commercial paper programme worth SEK one billion. At the end of the reporting period, the company had issued Finnish commercial papers worth of EUR 72 million and Swedish commercial papers worth SEK 200 million.

From the reference period, interest-bearing debt increased by EUR 326.9 million to EUR 1,212.9 million (EUR 886.0 million). The fair value of the Group's interest-bearing debt stood at EUR 1,229.2 million (EUR 903.5 million). Short-term interest-bearing debt constitutes approximately 11.7 per cent of the total interest-bearing debt of the Group.

The Group's cash and cash equivalents totalled EUR 23.8 million (EUR 40.1 million). The fair value of Group interest-bearing net debt stood at EUR 1,205.3 million (EUR 863.3 million).

The year-to-date weighted average interest rate decreased compared to the first quarter and was 4.90 per cent (4.60% during reference period). The average loan maturity, weighted according to the principal amount of the loans, increased to 4.8 years (4.5 years). The average time to fixing was 3.0 years (3.4 years).

The weighted interest rate, interest-rate swaps included, averaged 4.88 per cent on 30 June 2008.

The Group's equity ratio stood at 42.1 per cent (46.9%). Period-end gearing stood at 123.3 per cent (96.2%).

Of Citycon's period-end interest-bearing debt, 73.8 per cent (79.4%) was in floating-rate loans, of which 68.8 per cent (68.1%) had been converted to fixed-rate loans by means of interest-rate swaps. Fixed-rate debt accounted for 76.9 per cent (74.7%) of the Group's period-end interest-bearing debt, interest-rate swaps included. The loan portfolio's hedging ratio is in line with the Group's financing policy, and the company increased the hedging ratio during the reporting period.

Citycon applies hedge accounting, whereby changes in the fair value of interest-rate swaps subject to hedge accounting are recognised under equity. The period-end nominal amount of interest-rate swaps totalled EUR 674.0 million (EUR 539.1 million), with hedge accounting applied to interest-rate swaps whose nominal amount totalled EUR 597.6 million (EUR 489.1 million).

On 30 June 2008, the nominal amount of all the Group's derivative contracts totalled EUR 798.0 million (EUR 627.6 million), and their fair market value was EUR 23.2 million (EUR 11.1 million).

Net financial expenses increased by EUR 11.4 million, to EUR 30.8 million (EUR 19.4 million). This increase came mainly from higher interest expenses due to the higher level of interest-bearing debt, mark-to-market loss from derivatives and a higher weighted-average interest rate.

Net financial expenses excluding the non-cash profit effect of derivatives during the first quarter remained at the level of the previous quarter. Net financial expenses in the income statement include EUR 0.9 million (EUR 0.9 million) in non-cash expenses related to the option component on convertible bonds.

The IFRS standard IAS 23 has been adjusted during the reporting period concerning the recognition of interest expenses relating to redevelopment projects. In order to enter into force the adjustment still needs to be endorsed by the EU and thus has no effect on the figures presented in this interim report. After entering into force, this adjustment will have retrospective effect as of 1 January 2007. The adjustment of the IAS 23 standard will, most importantly, affect the company's financial expenses in the income statement as the new IAS 23 standard enables the capitalization of interest expenses arising from the development of existing properties and the acquisition of lots for development projects in the balance sheet. The effect is discussed in greater detail in the Notes to this interim report.

Loan Market Transactions

Despite the prevailing uncertainty in the financial market, Citycon signed three long-term loan agreements during the reporting period. Local financing for the Magistral shopping centre, acquired in the summer of 2007, was finalised through the signing of a loan agreement for EUR 280 million, for a term of approximately five years. Additionally, the company increased its committed long-term credit limits by signing a EUR 50 million five-year revolving credit facility agreement. In June, Citycon and the Nordic Investment Bank (NIB) agreed on a loan amounting to EUR 30 million to be used to finance the development of the Liljeholmstorget shopping centre, located in Stockholm. Liljeholmstorget is Citycon's main sustainable development project, which was an essential factor in NIB's decision to participate in the financing of the project. The maturity of the loan is 10 years. The company managed to conclude all three loan agreements on competitive loan margins.

On 15 April 2008, Citycon agreed with a Nordic bank group on a commercial paper programme in Sweden worth SEK one billion (approximately EUR 105.6 million). Citycon intends to use the proceeds from the commercial paper programme in the short-term liquidity management of the Group's Swedish operations. Under the programme, commercial papers may be issued either in Swedish crowns or in euros.

Short-term Risks and Uncertainties

Citycon's risk management aims to ensure that the company meets its strategic and operational goals. The company's risk-management process involves identifying business-related risks, analysing their significance, planning and implementing risk-management actions, reporting on risks on a regular basis and controlling risks. During 2007, Citycon rolled out its holistic Enterprise Risk Management (ERM) programme. The company updates its guidelines on risk-management principles, approved by the Board of Directors, on a regular basis in response to possible changes in its business.

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

The turbulence in financial markets that began in the summer of 2007 has resulted in a clear increase in short-term interest rates and difficulties in banks' own funding activities, which may significantly affect the availability of funding for Citycon and increase future credit margins and financing costs. If realised, this could have a negative effect on the implementation of Citycon's strategy and on the company's business and profits. The company aims to hedge the risk of changes in the financial market by applying a conservative financing policy, which has thus far kept the company's financial expenses from rising significantly and the availability of financing from decreasing.

More details of the company's risk management are available in the Annual Report 2007 and, concerning financing risks, in the Financial Statements 2007, on pages 35-36.

Annual General Meeting 2008

Citycon Oyj's Annual General Meeting (AGM) took place in Helsinki, Finland, on 13 March 2008. The AGM adopted the consolidated financial statements and the parent company's financial statements for the financial year 2007 and discharged the members of the Board of Directors and the Chief Executive Officer from liability. The AGM decided on a dividend of EUR 0.04 per share for the financial year 2007 and, in addition, on equity return of EUR 0.10 per share from the invested unrestricted equity fund. The record date for the dividend payment and equity return was 18 March 2008, and the dividend and the equity return were paid on 2 April 2008.

Other decisions taken by the AGM have been reported in the interim report issued on 24 April 2008.

Shareholders, Share Capital and Shares

Trading and Share Performance

During the January- June period, the value of Citycon shares traded on the OMX Nordic Exchange Helsinki totalled EUR 275.0 million (EUR 357.6 million), equivalent to 74.0 million (66.4 million) shares. The highest quotation during the reporting period was EUR 4.28 (EUR 6.09) and the lowest EUR 3.03 (EUR 4.61). The reported trade-weighted average price was EUR 3.71 (EUR 5.39) per share and the shares closed at EUR 3.21 (EUR 4.77). The company's market capitalisation at the end of June totalled EUR 709.4 million (EUR 918.2 million).

Notifications of Changes in Shareholdings

During the reporting period, Citycon Oyj received three notifications of changes in shareholdings from two different shareholders:

FIL Limited (formerly Fidelity International Limited) notified the company in March that the holdings of its direct and indirect

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

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

Share Capital

At the beginning of 2008, the company's registered share capital totalled EUR 259.6 million and the number of shares 221.0 million. During the reporting period, the number of shares increased by 4,335 shares as a result of exercise of stock option rights and by 7,040 shares that were granted to the company's key personnel by a directed share issue without payment relating to the company's share-based incentive plan. At the end of the reporting period, the company's registered share capital totalled EUR 259,570,510.20, and the number of shares amounted to 220,992,586. The company has a single series of shares, with each share conferring entitlement to one vote at general meetings of shareholders. The shares have no nominal value.

Board Authorisations

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

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

The Board of Directors has no other authorisations.

Stock Options 2004

The Annual General Meeting held on 15 March 2004 authorised the issue of a maximum of 3,900,000 stock options. The stock options 2004 A and 2004 B are listed on the OMX Nordic Exchange Helsinki.

The terms and conditions of the company's stock option plan 2004 were amended during the reporting period under a decision taken by the AGM. Valid basic information on the option plan 2004 is presented in the enclosed table.

Basic Information on Stock Options 2004 as at 30 June 2008

	2004 A	2004 B	2004 C
No. of options granted	1,040,000	1,090,000	1,050,000
No. held by Veniamo-Invest Oy ¹⁾	260,000	210,000	250,000
Subscription ratio, option/shares	1:1.2127	1:1.2127	1:1.2127
Subscription price per share, EUR ²⁾	2.2732	2.6608	4.3613
Subscription period begins/began	1 Sept. 2006	1 Sept. 2007	1 Sept. 2008
Subscription period ends	31 March 2009	31 March 2010	31 March 2011
No. of options exercised	339,795	-	-
No. of shares subscribed with options	380,045	-	-

¹⁾ Veniamo-Invest Oy cannot subscribe for its parent company's shares.

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

During the reporting period, 3,729 shares were subscribed based on the A stock options relating to Citycon's stock option plan 2004, at a per-share subscription price of EUR 2.2732. After the reporting period, 6,403 shares were subscribed at a per-share subscription price of EUR 2.2732. These shares are expected to be registered with the Finnish Trade Register on 22 June 2008. The outstanding stock options under the 2004 option scheme entitle their holders to subscribe for a further maximum of 3,486,421 new shares. Shares subscribed entitle their holders to a dividend for the financial year 2008.

Outlook

Citycon continues to focus on increasing net operating income and cash flow. The company expects development and redevelopment projects to continue to play an important role in its business for the current financial year. Seeking to implement its strategy, the company will focus on developing and redeveloping its shopping centres as well as monitoring the market for potential acquisitions. Citycon is also considering the divestment of its non-core properties - such as its residential properties in Sweden.

In 2008, the company expects its year-on-year net rental income and direct profit excluding fair value changes to increase. The estimate is based on expansion and redevelopment projects coming on stream, on the property portfolio's growth due to completed acquisitions and further improvements in shopping-centre management.

Helsinki, 17 July 2008

Citycon Oyj

Board of Directors

Unaudited Interim Condensed Financial Statements

1 January - 30 June 2008

Condensed Consolidated Income Statement, IFRS

EUR million	Note	Q2/2008	Q2/2007	Change-%	Q1-Q2/2008	Q1-Q2/2007	Change-%	2007
Gross rental income		43.4	34.1	27.4%	85.1	66.9	27.3%	143.7
Service charge income		0.8	1.8	-55.8%	3.4	3.3	1.8%	7.7
Turnover	3	44.2	35.9	23.1%	88.5	70.2	26.1%	151.4
Property operating expenses		13.8	10.0	38.1%	28.4	21.1	34.5%	47.8
Other expenses from leasing operations		0.0	0.1	-121.7%	0.0	0.1	-66.9%	0.3
Net rental income		30.5	25.8	17.9%	60.1	49.0	22.7%	103.4
Administrative expenses		4.4	4.3	3.0%	8.4	8.6	-3.0%	16.5
Other operating income and expenses		0.0	-0.1	-	0.1	-0.1	-	0.5
Net fair value gains/losses on investment property		-84.7	160.1	-	-83.3	191.6	-	213.4
Net gains on sale of investment property		0.0	-		0.1	-		-0.1
Operating profit/loss		-58.7	181.6	-	-31.3	231.9	-	300.7
Net financial income and expenses		14.7	10.0	47.6%	30.8	19.4	58.5%	47.3
Profit/loss before taxes		-73.4	171.6	-	-62.1	212.5	-	253.5
Current taxes		-1.2	-2.8	-58.0%	-3.4	-4.2	-19.0%	-3.4
Change in deferred taxes		11.7	-33.1	-	14.0	-37.9	-	-46.2
Profit/loss for the period		-62.8	135.8	-	-51.6	170.4	-	203.9
Attributable to								
Parent company shareholders		-56.6	134.6	-	-47.5	167.6	-	200.3
Minority interest		-6.3	1.2	-	-4.1	2.8	-	3.6
Earnings per share (basic), EUR	5	-0.26	0.68	-	-0.21	0.88	-	1.00
Earnings per share (diluted), EUR	5	-0.26	0.60	-	-0.21	0.78	-	0.91
Direct result	4	9.5	7.6	24.3%	18.9	14.3	32.7%	36.3
Indirect result	4	-66.0	127.0	-	-66.4	153.3	-	164.0
Profit/loss for the period attributable to parent company shareholders		-56.6	134.6	-	-47.5	167.6	-	200.3

Condensed Consolidated Balance Sheet, IFRS

EUR million	Note	30 June 2008	30 June 2007	31 Dec. 2007
Assets				
Non-current assets				
Investment property	6	2,156.9	1,799.2	2,215.7
Development property	7	76.2	13.6	33.2
Other property, plant and equipment		0.9	0.7	0.9
Derivative financial instruments and other non-current assets	9	20.9	14.2	10.7
Total non-current assets		2,254.9	1,827.7	2,260.5
Current assets				
Derivative financial instruments	9	3.2	0.3	1.2
Trade and other receivables		11.1	10.0	22.7
Cash and cash equivalents	8	23.8	40.1	24.2
Total current assets		38.1	50.3	48.1
Total assets		2,293.0	1,878.1	2,308.6
Liabilities and Shareholders' Equity				
Equity attributable to parent company shareholders				
Share capital		259.6	259.6	259.6
Share premium fund and other restricted reserves		131.1	131.1	131.1
Fair value reserve	9	15.1	6.9	4.9
Invested unrestricted equity fund	10	177.2	99.2	199.3
Retained earnings	10	330.7	354.1	387.0
Total equity attributable to parent company shareholders		913.7	850.9	982.0
Minority interest		50.7	28.6	28.9
Total shareholders' equity		964.4	879.5	1,010.9
Liabilities				
Interest-bearing debt	11	1,071.1	783.9	1,049.3
Derivative financial instruments and other non-interest bearing liabilities	9	0.7	2.0	2.4
Deferred tax liabilities		77.7	80.7	88.1
Total long-term liabilities		1,149.5	866.7	1,139.9
Interest-bearing debt	11	141.9	102.1	104.7
Trade and other payables		37.3	29.7	53.1
Short-term liabilities		179.2	131.8	157.8
Total liabilities		1,328.6	998.5	1,297.7
Total liabilities and shareholders' equity		2,293.0	1,878.1	2,308.6

Condensed Consolidated Statement of Changes in Shareholders' Equity, IFRS

EUR million	Equity attributable to parent company shareholders						Equity attributable to parent company shareholders	Minority interest	Shareholders' equity, total
	Share capital	Share issue	Share premium fund and other reserves	Fair value reserve	Invested unrestricted equity fund	Retained earnings			
Balance at 1 Jan. 2007	225.7	0.1	131.1	-1.3	-	209.7	565.3	15.0	580.3
Cash flow hedges				8.2			8.2		8.2
Profit (loss) for the period						167.6	167.6	2.8	170.4
Total recognized income and expense for the period				8.2		167.6	175.8	2.8	178.6
Share issues	33.8				98.8		132.5		132.5
Share subscriptions based on stock options	0.1	-0.1	0.0		0.4		0.4		0.4
Dividends (Note 10)						-23.4	-23.4		-23.4
Translation differences						-0.3	-0.3	-0.3	-0.6
Share-based payments						0.5	0.5		0.5
Other changes			0.0				0.0	11.2	11.2
Balance at 30 June 2007	259.6	-	131.1	6.9	99.2	354.1	850.9	28.6	879.5
Balance at 1 Jan. 2008	259.6	-	131.1	4.9	199.3	387.0	982.0	28.9	1,010.9
Cash flow hedges				10.2			10.2		10.2
Profit/loss for the period						-47.5	-47.5	-4.1	-51.6
Total recognized income and expense for the period				10.2		-47.5	-37.3	-4.1	-41.4
Share subscriptions based on stock options					0.0		0.0		0.0
Dividends and return from the invested unrestricted equity fund (Note 10)					-22.1	-8.8	-30.9		-30.9
Translation differences						-0.2	-0.2	-0.1	-0.3
Share-based payments						0.2	0.2		0.2
Other changes							0.0	25.9	25.9
Balance at 30 June 2008	259.6	-	131.1	15.1	177.2	330.7	913.7	50.7	964.4

Condensed Consolidated Cash Flow Statement, IFRS

EUR million	Note	Q1-Q2/2008	Q1-Q2/2007	2007
Operating activities				
Profit/loss before taxes		-62.1	212.5	253.5
Adjustments		114.5	-171.5	-164.9
Cash flow before change in working capital		52.4	41.0	88.5
Change in working capital		-0.7	-2.7	0.2
Cash generated from operations		51.7	38.3	88.8
Paid interest and other financial charges		-30.5	-15.2	-42.7
Received interest and other financial income		1.5	1.0	3.1
Taxes paid		3.4	-3.7	-10.0
Cash flows from operating activities		26.1	20.5	39.3
Investing activities				
Acquisition of subsidiaries, less cash acquired	6	-16.7	-165.3	-517.6
Acquisition of investment properties	6	-	-	-16.0
Capital expenditure on investment properties	6	-31.7	-15.4	-39.3
Capital expenditure on development properties, other PP&E and intangible assets	7	-38.6	-7.3	-24.5
Sale of investment property		7.7	-	0.3
Cash flows from investing activities		-79.3	-188.0	-597.1
Financing activities				
Proceeds from share issue		-	132.5	232.4
Equity contribution from minority shareholder		25.9	-	-
Proceeds from short-term loans	11	67.5	130.0	773.1
Repayments of short-term loans	11	-30.0	-115.5	-727.9
Proceeds from long-term loans	11	287.5	209.3	535.8
Repayments of long-term loans	11	-266.9	-146.4	-228.9
Dividends paid	10	-30.9	-23.4	-23.4
Cash flows from financing activities		52.9	186.6	561.1
Net change in cash and cash equivalents		-0.3	19.0	3.3
Cash and cash equivalents at period-start	8	24.2	21.3	21.3
Effects of exchange rate changes		0.0	-0.2	-0.4
Cash and cash equivalents at period-end	8	23.8	40.1	24.2

Notes to the Interim Condensed Consolidated Financial Statements

1. Basic Company Data

Citycon is a real estate company investing in retail premises. Citycon operates mainly in Finland, Sweden and the Baltic countries. Citycon is a Finnish public limited company established under Finnish law and domiciled in Helsinki. The Board of Directors approved the interim financial statements on 17 July 2008.

2. Basis of preparation and accounting policies

Citycon prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). The interim condensed consolidated financial statements for the six months ended 30 June 2008 have been prepared in accordance with IAS 34 Interim Financial Reporting. Same accounting principles and policies are followed in the interim financial statements as in the annual financial statements for the year 2007. The interim financial statements do not include all the disclosures required in the annual financial statements. Therefore, they should be read in conjunction with Citycon's annual financial statements for the year 2007.

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

Due to the new IAS 23 Borrowing Costs standard, Citycon re-evaluated its accounting policy regarding the capitalisation of the interest expenses and concluded to revise the policy. As a result of adopting the revised accounting policy relating to the capitalisation of interest expenses, Citycon is going to restate its 2007 and 2008 financial statements. The new standard has been issued by the IASB but has not been endorsed by the EU. The EU is expected to endorse the new standard by the end of 2008. Consequently, Citycon is not able to apply the new standard in the current interim report, but will do it in the 2008 Financial Statements.

Currently, Citycon capitalises the interest expenses arising from the development projects, in which significant extensions or new self-constructed properties are built and measured at cost in accordance with IAS 16. After applying the new standard in its 2008 Financial Statements, Citycon will expand its policy of capitalizing the interest expenses into the redevelopment projects, in which the existing investment properties are refurbished and measured at fair value. The following table presents the potential impact of the new IAS 23 on the financial information for 2007 and 2008. The new IAS 23 will have no impact on the profit for the period nor the balance sheet, since the change in financial expenses is offset by the change in net fair value gains/losses on investment property.

EUR million	Q1-Q2/ 2008	Restated Q1-Q2/ 2008	Q1/2008	Restated Q1/2008
Net fair value gains/losses on investment property	-83.3	-85.1	1.4	0.5
Operating profit/loss	-31.3	-33.0	27.4	26.4
Net financial income and expenses	30.8	29.0	16.1	15.1
Profit/loss before taxes	-62.1	-62.1	11.3	11.3
Profit/loss for the period	-51.6	-51.6	11.3	11.3
Direct result	18.9	20.6	9.5	10.4
Indirect result	-66.4	-68.1	-0.4	-1.3

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

3. Segment Information

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

EUR million	Q2/2008	Q2/2007	Change-%	Q1-Q2/2008	Q1-Q2/2007	Change-%	2007
Turnover							
Finland	31.6	24.7	27.8%	62.9	48.6	29.5%	104.3
Sweden	10.6	9.3	13.9%	21.2	17.8	19.0%	39.0
Baltic Countries	2.1	1.9	9.7%	4.3	3.7	17.5%	8.0
Total	44.2	35.9	23.1%	88.5	70.2	26.1%	151.4
Operating profit/loss							
Finland	-37.2	137.1	-	-17.9	167.3	-	218.7
Sweden	-15.2	40.6	-	-8.1	59.4	-	74.3
Baltic Countries	-4.3	5.6	-	-1.8	9.1	-	14.5
Other	-1.9	-1.8	4.6%	-3.5	-3.8	-8.6%	-6.8
Total	-58.7	181.6	-	-31.3	231.9	-	300.7
Assets				30 June 2008	30 June 2007	Change-%	31 Dec. 2007
Finland				1,563.2	1,190.5	31.3%	1,594.2
Sweden				546.6	535.8	2.0%	542.2
Baltic Countries				132.9	94.7	40.4%	125.3
Other				50.3	57.2	-12.1%	46.9
Total				2,293.0	1,878.1	22.1%	2,308.6

The increase in segment assets is mainly due to the acquisitions of the shopping centres.

4. Reconciliation between direct and indirect result

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

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

EUR million	Q2/2008	Q1/2008	Q4/2007	Q3/2007	Q2/2007
Direct result					
Net rental income	30.5	29.7	27.1	27.3	25.8
Administrative expenses	-4.2	-3.8	-3.9	-4.0	-4.3
Other operating income and expenses	0.0	0.0	0.6	0.0	-0.1
Net financial income and expenses	-14.9	-14.7	-14.7	-11.9	-10.1
Current taxes	-1.2	-1.2	3.2	-2.4	-2.8
Change in deferred taxes	0.0	-0.1	1.7	-0.5	-0.7
Minority interest	-0.7	-0.4	-0.2	-0.3	-0.2
Total	9.5	9.5	13.8	8.2	7.6
Direct result per share (diluted) (diluted EPRA EPS), EUR ¹⁾	0.04	0.04	0.06	0.04	0.04
Indirect result					
Net fair value gains/losses on investment property	-84.7	1.4	0.7	21.1	160.1
Profit on disposal of investment property	0.0	0.1	0.0	-0.1	-
Administrative expenses related to disposals	-0.2	-0.2	-	-	-
Other operating income and expenses	0.0	0.1	-	-	-
Movement in fair value of financial instruments	0.2	-1.4	0.2	-1.4	0.1
Current taxes related to disposals	0.0	-1.1	-	-	-
Change in deferred taxes	11.6	2.4	-5.0	-4.5	-32.3
Minority interest	7.0	-1.8	-0.4	0.1	-0.9
Total	-66.0	-0.4	-4.6	15.2	127.0
Indirect result per share, diluted	-0.27	0.00	-0.02	0.07	0.56
Profit/loss for the period attributable to parent company shareholders	-56.6	9.1	9.3	23.4	134.6

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

5. Earnings per share

	Q1-Q2/2008	Q1-Q2/2007	2007
A) Earnings per share calculated from the profit/loss for the period			
Earnings per share, basic			
Profit/loss attributable to parent company shareholders, EUR million	-47.5	167.6	200.3
Issue-adjusted average number of shares, Million	221.0	190.5	199.4
Earnings per share (basic), EUR	-0.21	0.88	1.00
Earnings per share, diluted			
Profit/loss attributable to parent company shareholders, EUR million	-47.5	167.6	200.3
Expenses arising from convertible loan, adjusted with the tax effect deduction, EUR million	-	2.8	5.7
Profit/loss used in the calculation of diluted earnings per share, EUR million	-47.5	170.4	206.0
Issue-adjusted average number of shares, Million	221.0	190.5	199.4
Convertible capital loan impact, Million	-	25.3	26.2
Adjustments for stock options, Million	-	2.0	1.5
Issue-adjusted average number of shares used in the calculation of diluted earnings per share, Million	221.0	217.8	227.1
Earnings per share (diluted), EUR	-0.21	0.78	0.91

The incremental shares from assumed conversions or any income or cost related to dilutive potential shares are not included in calculating the Q1-Q2/2008 diluted per-share amounts because the profit attributable to parent company shareholders was negative.

	Q1-Q2/2008	Q1-Q2/2007	2007
B) Earnings per share calculated from the direct result for the period			
Direct result per share (diluted) (diluted EPRA EPS)			
Direct result, EUR million (Note 4)	18.9	14.3	36.3
Expenses arising from convertible loan, adjusted with the tax effect deduction, EUR million	2.9	2.8	5.7
Profit used in the calculation of direct result per share, EUR million	21.8	17.1	42.0
Issue-adjusted average number of shares used in the calculation of diluted earnings per share, Million	248.2	217.8	227.1
Direct result per share (diluted), (diluted EPRA EPS), EUR	0.09	0.08	0.18

6. Investment property

EUR million	30 June 2008	30 June 2007	31 Dec. 2007
At period-start	2,215.7	1,447.9	1,447.9
Acquisitions	2.5	158.7	531.3
Investments	33.1	22.5	44.8
Disposals	-7.6	-	-0.3
Transfer into the development properties	-1.9	-13.6	-6.2
Fair value gains on investment property	3.8	198.8	220.8
Fair value losses on investment property	-87.1	-7.0	-7.5
Exchange differences	-1.6	-8.1	-15.1
At period-end	2,156.9	1,799.2	2,215.7

An external professional appraiser has conducted the valuation of the company's properties with a net rental income based cash flow analysis. Market rents, occupancy rate, operating expenses and yield requirement form the key variables used in the cash flow analysis. The segments' yield requirements and market rents used by the external appraiser in the cash flow analysis were as follows:

	Yield requirement (%)			Market rents (EUR/sq.m.)		
	30 June 2008	30 June 2007	31 Dec. 2007	30 June 2008	30 June 2007	31 Dec. 2007
Finland	6.0	5.9	5.7	21.3	18.5	21.1
Sweden	5.7	5.5	5.4	13.7	12.8	13.2
Baltic Countries	6.9	6.3	6.4	19.6	16.1	16.4
Average	6.0	5.8	5.6	19.4	16.9	19.0

7. Development property

As at 30 June 2008, the development properties consisted of the capital expenditure relating to extension projects in Rocca al Mare, Åkersberga, Liljeholmen and Lippulaiva shopping centres.

EUR million	30 June 2008	30 June 2007	31 Dec. 2007
At period-start	33.2	-	-
Acquisitions	7.1	-	-
Investments	32.6	-	26.4
Capitalized interest	1.3	-	0.6
Transfer from investment property	1.9	13.6	6.2
At period-end	76.2	13.6	33.2

8. Cash and cash equivalents

EUR million	30 June 2008	30 June 2007	31 Dec. 2007
Cash in hand and at bank	17.4	24.9	24.2
Short-term deposits	6.5	15.2	-
Total	23.8	40.1	24.2

9. Derivative Financial Instruments

EUR million	30 June 2008		30 June 2007		31 Dec. 2007		
	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount	Fair	value
Interest rate derivatives							
Interest rate swaps							
Maturity:							
less than 1 year	60.0	0.7	50.0	0.3	40.0		0.2
1-2 years	92.4	0.2	60.0	0.4	112.5		-0.6
2-3 years	40.0	2.5	149.0	-2.0	83.0		-1.1
3-4 years	70.0	2.3	40.0	1.1	70.0		1.7
4-5 years	103.0	2.3	0.0	0.0	20.0		0.2
over 5 years	308.6	13.5	240.1	11.8	309.0		8.5
Total	674.0	21.5	539.1	11.5	634.5		8.8
Foreign exchange derivatives							
Forward agreements							
Maturity:							
less than 1 year	124.0	1.6	88.5	-0.4	40.4		0.3
Total	124.0	1.6	88.5	-0.4	40.4		0.3

The fair value of derivative financial instruments represents the market value of the instrument with prices prevailing on the balance sheet date. Derivative financial instruments are used in hedging the interest rate risk of the interest bearing liabilities and foreign currency risk.

The fair values include foreign exchange gain of EUR 2.6 million (EUR -0.9 million) which is recognized in the income statement.

Hedge accounting is applied for interest rates swaps which have nominal amount of EUR 597.6 million (EUR 489.1 million). The fair value gain recognized in the fair value reserve under shareholders' equity taking account the tax effect totals EUR 15.1 million (EUR 6.9 million).

10. Dividends and return from the invested unrestricted equity fund

In accordance with the proposal by the Board of Directors and the decision by the Annual General Meeting held on 13 March 2008 dividend for the financial year 2007 amounted to EUR 0.04 per share and EUR 0.10 per share was decided to be returned from the invested unrestricted equity fund (dividend of EUR 0.14 for the financial year 2006).

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

11. Interest-bearing liabilities

During the period, Citycon has agreed on a new long-term bank loan in the amount of EUR 30 million as part of the Liljeholmstorget shopping center development project in Stockholm. The loan bears a floating interest rate and is repayable within 10 years. Also, the EUR 17.9 million loan for financing Magistral shopping centre in Tallinn was drawn, and is repayable approximately in five years. The long-term credit limit (a EUR 50 million five-year revolving credit facility) remained undrawn. During the period, repayments of other bank loans amounting to EUR 10.1 million were made in line with previously disclosed repayment terms.

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

12. Contingent Liabilities

EUR million	30 June 2008	30 June 2007	31 Dec. 2007
Mortgages on land and buildings	46.3	47.6	46.4
Bank guarantees	48.8	20.1	49.8
Capital commitments	26.8	84.7	31.0

At 30 June 2008, Citycon had capital commitments of EUR 26.8 million relating mainly to several development and redevelopment projects.

13. Related Party Transactions

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

14. Key Figures

	Q2/2008	Q2/2007	Change-%	Q1-Q2/2008	Q1-Q2/2007	Change-%	2007
Earnings per share (basic), EUR	-0.26	0.68	-	-0.21	0.88	-	1.00
Earnings per share (diluted), EUR	-0.26	0.60	-	-0.21	0.78	-	0.91
Equity per share, EUR				4.13	4.32	-4.2%	4.44
Net asset value (EPRA NAV) per share, EUR				4.46	4.70	-5.1%	4.83
Equity ratio, %				42.1	46.9	-	43.9

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

The figures are unaudited.

Financial reports in 2008

In 2008, Citycon will publish one more interim report (January - September 2008). The interim report will be published on Thursday, 16 October 2008 at approximately 9:00 hrs.

More information for investors is available at Citycon's Internet pages, www.citycon.com.

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Report on Review of Citycon Oyj's Interim Financial Information for the period January 1 - June 30 2008

Introduction

We have reviewed the accompanying consolidated balance sheet of Citycon Oyj as of June 30, 2008 and the related statements of income, changes in equity and cash flows for the six-month period then ended, and explanatory notes prepared in accordance with International Financial Reporting Standards as adopted by the EU. The board of Directors and the Managing Director are responsible for the preparation and fair presentation of this interim financial information in accordance with the Securities Market Act, chapter 2, paragraph 5 a. Based on our interim review we express at the request of the Board of Directors a report in accordance with the Securities Market Act, chapter 2, paragraph 5 a.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information, prepared in accordance with International Financial Reporting Standards as adopted by the EU, does not give a true and fair view of the financial position of the entity as at June 30, 2008, and of its financial performance and its cash flows for the six-month period then ended in accordance with the Securities Market Act.

July 17, 2008

ERNST & YOUNG OY
Authorized Public Accountants

Tuija Korpelainen
Authorized Public Accountant