

# CITYCON

**Interim Report** 1 January - 31 March 2008

Q1

Q2

Q3

Q4



# Citycon Oyj's Interim Report for 1 January - 31 March 2008

## Summary of the First Quarter of 2008 Compared with the Previous Quarter

- Turnover increased by 2.3 per cent, to EUR 44.3 million (Q4/2007: EUR 43.3 million).
- Net rental income grew by 9.5 per cent, to EUR 29.7 million (EUR 27.1 million).
- Net cash from operating activities per share was EUR 0.06 (EUR 0.06).
- Earnings per share remained at EUR 0.04 (EUR 0.04).
- Direct earnings per share were EUR 0.04 (EUR 0.06). The decline was due mainly to positive tax effect during the comparison period.
- Operating profit including the fair value changes rose to EUR 27.4 million (EUR 24.5 million).
- The fair value change of investment properties was positive by EUR 1.4 million (EUR 0.7 million) due to higher net rental income and despite the increased average net yield requirement. The fair market value of investment properties grew to EUR 2,226.6 million (EUR 2,215.7 million). The average net yield requirement for investment properties was at 5.7 per cent (5.6 per cent) at the end of the reporting period, according to an external appraiser.
- Net financial expenses came to EUR 16.1 million (EUR 14.5 million). The period's net financial expenses include EUR 1.4 million (EUR 0.2 million gain) one-off, non-cash expense resulting from the quarterly valuation of the company's interest rate hedging contracts, mainly due to the decline of long-term interest rates.
- In February, Citycon sold 40 per cent of its holding in the Iso Omena shopping centre to the Singaporean GIC Real Estate, for EUR 131.6 million. The purchase price corresponded to the price Citycon paid for Iso Omena in September 2007.

## Summary of the First Quarter of 2008 Compared with the Corresponding Quarter of 2007

- Turnover increased by 29.3 per cent, to EUR 44.3 million (Q1/2007: EUR 34.2 million), mainly as a consequence of new property acquisitions carried out during 2007.
- Profit before taxes decreased to EUR 11.3 million (EUR 40.9 million), including a EUR 1.4 million (EUR 31.5 million) increase in the fair value of investment properties.
- The company's direct result rose to EUR 9.5 million (EUR 6.7 million), up mainly because of business expansion, decreased administrative expenses and lower taxes than during the reference period.
- Direct result per share was EUR 0.04 (EUR 0.04).
- Earnings per share came to EUR 0.04 (EUR 0.18). The decrease resulted from greater changes in the fair value of properties during the reference period and the higher number of shares.
- Net rental income increased by 28.0 per cent, to EUR 29.7 million (EUR 23.2 million).
- Net rental income for like-for-like properties rose by 3.1 per cent.
- Net cash flow from operating activities per share rose to EUR 0.06 (EUR 0.05).
- The equity ratio was 43.0 per cent (45.5%).
- At the beginning of the year, Citycon announced its commitment to sustainable construction, with its key pilot project being the Liljeholmstorget shopping centre underway in Stockholm.
- Citycon signed two long-term loan agreements on competitive terms: a loan agreement for 280 million Estonian crowns (approx. EUR 17.9 million) and a credit facility of EUR 50 million, resulting in total liquidity of EUR 332.8 million including unutilized committed debt facilities amounting to EUR 282.1 million and cash EUR 50.7 million.

## Key Figures

	Q1/2008	Q1/2007	Change-% <sup>1)</sup>	Q4/2007	1-12/2007
Turnover, EUR million	44.3	34.2	29.3%	43.3	151.4
Net rental income, EUR million	29.7	23.2	28.0%	27.1	103.4
Operating profit, EUR million	27.4	50.4	-45.7%	24.5	300.7
% of turnover	61.8%	147.1%	-	56.6%	198.6%
Profit before taxes, EUR million	11.3	40.9	-72.4%	10.0	253.5
Profit attributable to parent company shareholders, EUR million	9.1	33.0	-72.5%	9.3	200.3
Direct result, EUR million <sup>2)</sup>	9.5	6.7	42.3%	13.8	36.3
Indirect result, EUR million	-0.4	26.3	-101.5%	-4.6	164.0
Earnings per share (basic), EUR	0.04	0.18	-77.1%	0.04	1.00
Earnings per share (diluted), EUR	0.04	0.16	-73.8%	0.04	0.91
Direct result per share (diluted), (Diluted EPRA EPS), EUR <sup>2)</sup>	0.04	0.04	15.8%	0.06	0.18
Net cash from operating activities per share, EUR	0.06	0.05	12.6%	0.06	0.20
Fair market value of investment properties, EUR million	2,226.6	1,546.9	43.9%		2,215.7
Equity per share, EUR	4.33	3.60	20.2%		4.44
Net asset value (EPRA NAV) per share, EUR	4.70	3.82	23.1%		4.83
EPRA NNNNAV per share, EUR	4.31	3.35	28.6%		4.42
Equity ratio, %	43.0	45.5	-		43.9
Gearing, %	111.8	105.5	-		111.8
Net interest-bearing debt (fair value), EUR million	1,149.4	783.3	46.7%		1,147.3
Net rental yield, % <sup>3)</sup>	5.5	6.7	-		5.8
Occupancy rate, %	96.0	96.7	-		95.7
Personnel (at the end of the period)	104	89	16.9%		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 beginning of 2008:

"Turnover and net rental income continued to grow, and direct result as well as cash flow from operating activities performed well. The growth in net rental income was also reflected in the increased fair market value of our properties.

Citycon is an expert in asset management and property development. Our development and redevelopment projects progressed as planned, the main projects including Liljeholmstorget shopping centre in Stockholm, Rocca al Mare in Tallinn and Trio in Lahti. Sustainable construction plays a more and more emphasized role in our development and redevelopment activity and we are seeking for an international LEED certification for our main projects. It is my belief that in the future customers are increasingly interested in modern shopping centres focused in green values. It is also a question of a new way of competing providing us with another competitive edge in a current market."

## Business Environment

During the period, economic trends remained positive for retail trade. According to Statistics Finland's preliminary data, Finland enjoyed continuously favourable trends during the first quarter of 2008. Statistics Sweden reported growing retail sales in Sweden for January–February, and also Statistics Estonia announced a slight growth in Estonian retail. In spite of the positive retail trade growth figures, consumer confidence has declined in Citycon's operating regions. Early in the year consumer confidence was, nevertheless, positive in Finland and Sweden, but it remained negative in Estonia and Lithuania (source: Reuters Knowledge). The most important factor of uncertainty influencing general economic development is a high inflation rate, particularly in the Baltic countries.

The competition in the property investment market is still active, and prices paid for prime properties are at the previous year's levels. On the other hand, the spread in yield requirements between prime and other properties increased clearly 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 milder effects in Citycon's operating regions than at the global level, although it is resulting in weakening consumer confidence and rising credit margins. While the increase in construction costs has been rapid in all of Citycon's countries of operation, it decelerated in the first quarter (sources: Statistics Finland, Statistics Sweden, Statistics Estonia).

## Business and Property Portfolio Summary

Citycon's core business includes the development of shopping centres and shopping-centre management. The company has acquired such shopping centres, which provide potential for increased net yield in long-term through active development efforts and retail property management. Citycon is involved in the day-to-day operations of its shopping centres and, in collaboration with its tenants, aims to continuously increase the attractiveness, number of visitors, sales and profits of the shopping centres. In all of its shopping centres, Citycon is an active investor responsible for the properties' business operations. This differentiates Citycon from traditional, ownership-centred real estate companies – both in terms of its operations and as an investment target.

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 most dynamic operators in the shopping centre sector. The company has established a firm foothold in the Baltic countries. Thanks to its 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 can be expected to grow.

At the end of the reporting period, Citycon owned 33 (28) shopping centres and 52 (52) other properties. Of the shopping centres, 22 (19) were located in Finland, eight (7) in Sweden and three (2) in the Baltic countries.

The market value of the company's property portfolio totalled EUR 2,226.6 million, of which Finnish properties accounted for 71.3 per cent (67.7%), Swedish properties for 23.7 per cent (26.8%) and Baltic ones for 5.0 per cent (5.5%). The gross leasable area at the end of the period was 923,750 square metres.

## Changes in Fair Value of Investment Properties

Citycon measures its investment property at fair value, under the IAS 40 standard, according to which changes in investment properties' fair value are recognised through profit or loss. In accordance with the International Accounting Standards (IAS) and the International Valuation Standards (IVS), an external professional appraiser conducts a valuation of Citycon's property portfolio on a property-by-property basis at least once a year. However, in 2007, Citycon chose to have its properties valued by an external appraiser on a quarterly basis, due to market activity and rapidly changing market conditions, and will pursue this practice also in 2008.

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 on the end of March status can be found at [www.citycon.fi](http://www.citycon.fi).

During the reporting period, the fair value of Citycon's property portfolio rose by EUR 1.4 million as a result of development and redevelopment projects, and changes in general market conditions and the leasing business. The period saw a total value increase of EUR 18.6 million and a total value decrease of EUR 17.2 million. Increase in fair value decelerated over the reference period.

The average net yield requirement defined by Realia Management Oy for Citycon's property portfolio came to 5.7 per cent (Q1/2007: 6.5%). The average net yield requirement increased compared to the previous quarter (Q4/2007: 5.6%) due to changes in the property market conditions.

## Lease Portfolio and Occupancy Rate

At the end of the quarter, Citycon had a total of 3,665 (3,387) leases. The average length of the lease agreements was 3.0 (2.9) years. The period-end occupancy rate for Citycon's property portfolio was 96.0 per cent (96.7%), and net rental yield was 5.5 per cent (6.7%). The decrease in net rental yield was mainly due to the changes in the property portfolio's fair value. The occupancy rate was reduced slightly as a result of an increase in the number of premises temporarily vacated due to redevelopment projects, but increased compared to the previous quarter (Q4/2007: 95.7%).

The company's net rental income grew during the reporting period by 28.0 per cent, to EUR 29.7 million. The leasable area rose by 19.0 per cent to 923,750 square metres. Net rental income for like-for-like properties grew by 3.1 per cent. Like-for-like properties are properties held by Citycon throughout the 24-month reference period, excluding properties under development and expansion as well as lots. The majority of like-for-like properties are located in Finland. 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

	Q1/2008	Q1/2007	Change-%	Q4/2007	1-12/2007
Number of leases started during the period	124	114	8.8	164	512
Total area of leases started, sq.m.	24,240	17,960	35.0	27,819	103,408
Occupancy rate at end of the period, %	96.0	96.7	-1.2	95.7	95.7
Average length of lease portfolio at the end of the period, year	3.0	2.9	3.4	3.0	3.0

## Acquisitions and Divestments

Citycon's strategy focuses 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, acquiring new shopping centres when it detects interesting properties on sale. In the period under review, no new shopping centres were acquired.

In the first quarter, 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. Following the sale, Citycon owns 60 per cent of the Iso Omena shopping centre. The parties have agreed that Citycon will continue to be responsible for the management of Iso Omena and proceed with its development according to Citycon's operating concept.

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

## Development Projects

Keeping its shopping centres competitive both for the customers and for the 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 their footfall and effectiveness through development projects. In the short term, however, such projects may weaken returns from some properties, as some of the retail premises have to be temporarily vacated for refurbishment, and this affects the rental income.

### Sustainable Construction

Citycon's development projects progressed according to plan during the period. In its development projects, Citycon is paying increasing attention to environmental management methods and solutions. Currently, the company has three pilot projects under sustainable construction, aiming at the identification of best practices in shopping centre projects from the sustainable construc-

tion standpoint. The pilot projects include building a new shopping centre in Liljeholmen, Stockholm, and the redevelopment and extension projects of the Rocca al Mare shopping centre in Tallinn and the Trio shopping centre in Lahti.

Citycon seeks to obtain the international LEED (Leadership in Energy and Environmental Design) environmental certification for its projects. The assessment applied in the pilot projects comprises a total of over 60 points, reviewing various factors, such as the energy efficiency of the property, indoor air quality, the choice of materials, the utilisation of public transport and minimising the environmental impacts of construction work. On the basis of the assessment, concrete development measures will be planned in order to establish systematic sustainable construction practices.

### Current Development Projects

The table below shows a list of the most significant development and redevelopment projects in progress, as decided by the Board of Directors. In addition, Citycon is planning and preparing a number of other development and redevelopment projects. More information on planned projects can be found on Citycon's website at [www.citycon.fi](http://www.citycon.fi), in the management presentations and the Annual Report 2007.

The capital expenditure during the period relating to all development projects amounted to EUR 23.0 million in Finland, EUR 7.7 million in Sweden and EUR 5.7 million in the Baltic countries.

### Development Projects in Progress

Property	Location	Estimated total cost (EUR million)	Actual gross expenditure up to 31 March 2008 (EUR million)	Estimated year of completion
Lippulaiva	Espoo, Finland	60-70 <sup>1)</sup>	20.8	2011
Trio	Lahti, Finland	60	30.2	2008
Torikeskus	Seinäjoki, Finland	4.0	2.1	2009
Åkersberga Centrum	Österåker, Sweden	27 <sup>2)</sup>	3.8	2010
Liljeholmstorget	Stockholm, Sweden	120	23.9	2009
Rocca al Mare	Tallinn, Estonia	68	19.0	2009
Tumba Centrum	Botkyrka, Sweden	35-37 <sup>3)</sup>	1.6	2011

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

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

3) Both planned development stages are included in the figure, the second stage requiring approval from the Citycon Board. The investment in the first stage, already launched, is estimated at EUR 8 million.

The company's largest development project is the construction of a new shopping centre in Liljeholmen, Stockholm. The project advances within the planned budget and schedule. The new shopping centre is expected to open its doors in October-November 2009, but some agreements with new tenants have already been signed.

The refurbishment and expansion project for the Tumba Centrum shopping centre, located in the municipality of Botkyrka, south of Stockholm, was initiated late in 2007 with interior work. In the first quarter, the project progressed as planned. With its first stage now underway, the project is scheduled for completion in 2011. The Åkersberga shopping centre development and redevelopment project has been delayed due to a tenant's complaint, and the project plan is currently under revision. The project is intended to start in 2008.

The second stage of development of the Trio shopping centre in downtown Lahti began in the period under review. The company is investing a total of approximately EUR 60 million in Trio's redevelopment, which also represents a major input for the development of the city centre and business life in Lahti. Following the completion of the development project, the shopping centre's sales are expected to rise from the current figure of EUR 80 million to EUR 110 million. The aim is to attract approximately 7 million customers to the shopping centre annually.

Redevelopment and extension of the Rocca al Mare shopping centre started in February 2007. The first stage of the shopping centre's modernisation is planned to be completed in the autumn of 2008, and the second and third stages of the redevelopment project are also underway. The completely renovated Rocca al Mare is expected to open its doors ahead of the originally planned schedule, in the autumn of 2009.

As regards the extension project for the Lippulaiva shopping centre in Espoo, construction permit is currently pending and the project launch is intended for this year. If the project advances to the planned schedule, the refurbished and extended Lippulaiva will open its doors in 2011.

In addition to the development and redevelopment projects decided upon, Citycon is preparing several other projects, whose implementation has not yet been approved by the Board of Directors. In the reporting period, the planning of these projects advanced as planned.

## Business Units

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

### Finland

Citycon is the market leader in the Finnish shopping centre business, and it has 22 shopping centres and 45 other retail properties in Finland. The company's net rental income from Finnish operations grew by 27.7 per cent, to EUR 22.3 million. The business unit accounted for 75.3 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 8.7 per cent (Q4/2007: 8.6%). The occupancy cost ratio is calculated as the share of net rent and potential service charges paid by a tenant to Citycon out of the tenant's sales excluding VAT. The VAT percentage is an estimate.

#### Lease portfolio summary, Finland

	Q1/2008	Q1/2007	Change-%	Q4/2007	1-12/2007
Number of leases started during the period	100	106	-5.7	151	442
Total area of leases started, sq.m.	21,800	16,900	29.0	18,640	74,400
Occupancy rate at end of the period, %	95.7	96.4	-0.7	95.6	95.6
Average length of lease portfolio at the end of the period, year	3.2	3.2	0.0	3.1	3.1

#### Financial performance, Finland

	Q1/2008	Q1/2007	Change-%	Q4/2007	1-12/2007
Gross rental income, EUR million	30.4	23.3	30.5	29.1	100.7
Turnover, EUR million	31.4	23.9	31.2	30.2	104.3
Net rental income, EUR million	22.3	17.5	27.7	21.0	75.7
Net fair value gains on investment property, EUR million	-1.8	14.0	-112.8	-2.1	148.5
Operating profit, EUR million	19.3	30.2	-35.9	17.5	218.7
Capital expenditure, EUR million	22.8	22.9	-0.5	32.5	429.1
Fair market value of investment properties, EUR million	1,587.4	1,046.6	51.7		1,587.0
Net rental yield, % <sup>1)</sup>	5.8	7.3	-		6.2
Net rental yield, like-for-like properties, %	6.4	7.5	-		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 (7) shopping centres and seven (6) other retail properties in Sweden, located in the Stockholm and Gothenburg areas and Umeå. The company's net rental income from Swedish operations improved by 30.7 per cent, to EUR 5.8 million, and the business unit's net rental income accounted for 19.4 per cent of Citycon's total net rental income.

#### Lease Portfolio Summary, Sweden

	Q1/2008	Q1/2007	Change-%	Q4/2007	1-12/2007
Number of leases started during the period	8	3	166.7	13	49
Total area of leases started, sq.m.	840	270	211.1	9,179	25,800
Occupancy rate at end of the period, %	96.1	97.2	-3.1	95.1	95.1
Average length of lease portfolio at the end of the period, year	2.3	1.9	21.1	2.4	2.4

## Financial Performance, Sweden

	Q1/2008	Q1/2007	Change-%	Q4/2007	1-12/2007
Gross rental income, EUR million	9.2	7.9	15.8	9.4	35.4
Turnover, EUR million	10.7	8.6	24.5	11.1	39.0
Net rental income, EUR million	5.8	4.4	30.7	4.7	21.6
Net fair value gains on investment property, EUR million	2.1	15.1	-86.0	2.7	55.6
Operating profit, EUR million	7.2	18.8	-61.9	7.3	74.3
Capital expenditure, EUR million	8.2	61.7	-86.7	5.5	142.4
Fair market value of investment properties, EUR million	527.0	414.8	27.1		517.5
Net rental yield, % <sup>1)</sup>	4.6	4.6	-		4.6
Net rental yield, like-for-like properties, %	5.6	5.8	-		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 and the limited availability of suitable properties, Citycon has been cautious with investments in the region. However, the company is continuously looking for potential investment opportunities in the region. Net rental income from Baltic operations increased by 18.7 per cent to EUR 1.6 million. The business unit accounted for 5.3 per cent of the company's total net rental income.

## Lease Portfolio Summary, Baltic Countries

	Q1/2008	Q1/2007	Change-%	Q4/2007	1-12/2007
Number of leases started during the period	16	5	220.0	0	21
Total area of leases started, sq.m.	1,600	790	102.5	0	3,208
Occupancy rate at end of the period, %	100.0	100.0	0.0	100.0	100.0
Average length of lease portfolio at the end of the period, year	2.6	3.2	-18.8	2.8	2.8

## Financial Performance, Baltic Countries

	Q1/2008	Q1/2007	Change-%	Q4/2007	1-12/2007
Gross rental income, EUR million	2.2	1.6	36.9	2.1	7.7
Turnover, EUR million	2.2	1.8	25.9	2.0	8.0
Net rental income, EUR million	1.6	1.3	18.7	1.4	6.0
Net fair value gains on investment property, EUR million	1.1	2.4	-56.1	0.1	9.3
Operating profit, EUR million	2.5	3.5	-28.2	1.2	14.5
Capital expenditure, EUR million	5.7	0.3	2,025.6	5.6	31.7
Fair market value of investment properties, EUR million	112.2	85.6	31.1		111.2
Net rental yield, % <sup>1)</sup>	6.0	6.6	-		6.2

1) Includes the lots for development projects

## Turnover and Profit

Turnover for the period totalled EUR 44.3 million (EUR 34.2 million), mainly coming from the rental income generated by Citycon's retail premises. Gross rental income accounted for 94.2 per cent (95.7%) of turnover.

Operating profit decreased to EUR 27.4 million (EUR 50.4 million). Profit before taxes came to EUR 11.3 million (EUR 40.9 million) and profit after taxes was EUR 11.3 million (EUR 34.6 million). The decrease in operating profit was due mainly to higher changes in the fair value of the property portfolio during the reference period.



The effect of changes in fair value of the property portfolio, of gains on sales and of other one-off items on the profit attributable to the parent company's shareholders was EUR -0.4 million (EUR 26.3 million). Taking this effect into account, the direct result was EUR 2.8 million above the reference period level. The profit growth results from increased net rental income and lower administrative expenses. Current taxes on direct results were lower during the period than during the comparison period in spite of profit growth. The lower current taxes resulted mostly from higher depreciation of buildings in Finland, reducing the parent company's result under the local Finnish Accounting Standards (FAS) and thereby also current taxes.

Earnings per share came to EUR 0.04 (EUR 0.18). Direct result per share (EPRA EPS) came to EUR 0.04 (EUR 0.04). Net cash flow from the operating activities per share amounted to EUR 0.06 (EUR 0.05).

## Human Resources and Administrative Expenses

At the end of the period, Citycon Group had a total of 104 (89) employees, of whom 72 were employed in Finland, 25 in Sweden and seven in the Baltic countries. Administrative expenses decreased to EUR 3.9 million (EUR 4.3 million), including EUR 0.1 million (EUR 0.2 million) in share-based, non-cash implicit 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 change in treatment of wages and salaries relating to development and redevelopment projects.

## Capital Expenditure and Divestments

Citycon's reported gross capital expenditure in the period totalled EUR 37.0 million (EUR 84.9 million). Of this, property acquisitions accounted for EUR 0.2 million (EUR 78.6 million), property development for EUR 36.5 million (EUR 6.2 million) and other investments for EUR 0.3 million (EUR 0.1 million). The investments were mainly financed with existing financing arrangements.

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

## Balance Sheet and Financial Position

The period-end balance sheet total stood at EUR 2,357.0 million (EUR 1,594.4 million). Liabilities totalled EUR 1,343.9 million (EUR 869.0 million), with short-term liabilities accounting for EUR 159.2 million (EUR 137.4 million). The Group's liquidity remained on a strong level. At the end of the period under review, liquidity was EUR 332.8 million, of which EUR 282.1 million consisted of undrawn, committed credit facilities or term loan agreements and EUR 50.7 million of cash and cash equivalents. The above-normal cash and cash equivalent levels were due to dividend payment and equity return made on 2 April. For the purpose of short term liquidity management the company uses a EUR 100 million non-binding domestic commercial paper programme under which EUR 31.0 million was unutilized at the end of the reporting period.

Year-on-year interest-bearing debt increased by EUR 397.1 million to EUR 1,183.2 million (EUR 786.2 million). The fair value of the Group's interest-bearing debt stood at EUR 1,200.1 million (EUR 804.1 million). Short-term interest-bearing debt constitutes approximately 7.5 per cent of the total interest-bearing debt of the Group. The available liquidity at the end of the period was sufficient to cover maturing interest-bearing debt for the next four years.

The Group's cash and cash equivalents totalled EUR 50.7 million (EUR 20.8 million). The fair value of Group interest-bearing net debt stood at EUR 1,149.4 million (EUR 783.3 million).

The year-to-date average interest rate was 4.93 per cent (4.56%) during the reporting period. The average loan maturity, weighted according to principals of the loans, increased to 5.1 years (4.6 years). The average time to fixing was 3.1 years (3.9 years). The interest rate, interest-rate swaps included, averaged 4.81 per cent on 31 March 2008. The interest coverage ratio (the previous 12 months' profit before interest expenses, taxes, depreciation, changes in fair value and one-off items relative to net financial expenses) was 2.0 (2.2).

The Group's equity ratio stood at 43.0 per cent (45.5%). Period-end gearing stood at 111.8 per cent (105.5%).

Of Citycon's period-end interest-bearing debt, 73.2 per cent (76.7%) was in floating-rate loans, of which 71.2 per cent (79.1%) had been converted to fixed-rate loans by means of interest-rate swaps. Fixed-rate debt accounted for 78.8 per cent (84.0%) of the Group's period-end interest-bearing debt, interest-rate swaps included. The loan portfolio's hedging ratio has been in line with the Group's financing policy, and the company increased the hedging ratio during the 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 675.2 million (EUR 537.9 million), with hedge accounting applied to interest-rate swaps whose nominal amount totalled EUR 598.6 million (EUR 487.9 million). On 31 March 2008, the nominal amount of all the Group's derivative contracts totalled EUR 783.0 million (EUR 586.1 million), and their fair market value was EUR 2.0 million (EUR 3.6 million).

Net financial expenses increased by EUR 6.6 million, to EUR 16.1 million (EUR 9.5 million). This increase came mainly from higher interest expenses due to the higher level of interest-bearing debt, a higher weighted-average interest rate and non-cash mark-to-market loss

of EUR 1.4 million (gain of EUR 0.6 million) from derivatives recognised in the income statement. The net financial expenses increased by EUR 4.7 million during the reference period excluding the non-cash profit effect of derivatives. The net financial expenses in the income statement include EUR 0.5 million (EUR 0.4 million) in non-cash expenses related to the option component on convertible bonds.

## **Loan Market Transactions**

Regardless of the prevailing uncertainty in the financial market, Citycon signed two long-term loan agreements during the reporting period. Local financing for the Magistral shopping centre, acquired in the summer of 2007, was finalised through signing a loan agreement for 280 million Estonian crowns, 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. For both of the loan agreements, the loan margins obtained were competitive. At the end of the period, both loans remained undrawn.

## **Near-term Risks and Uncertainties**

Risk management aims to ensure that Citycon meets its strategic and operational goals. The company's risk-management process involves identifying business-related risks, analysing their significance, planning and implementing risk-management 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 for risk-management principles, approved by the Board of Directors, on a regular basis in response to possible changes in its business.

Citycon estimates that major near-term risks and uncertainties are associated with economic development in the company's operating regions and changes in the fair value of investment properties and interest rates. As the focus of Citycon's growth strategy is shifting from property acquisitions to development and construction of its own properties, the risks associated with project management and with increasing construction costs will be more significant. A marked increase in interest rates, materialisation of a major project risk, considerably higher construction costs, a decline in the fair value of investment properties or a sharp economic slowdown in Finland, Sweden or the Baltic countries could have an adverse effect on Citycon's business and profit performance. The turbulence in the financial markets that began in the 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 the uncertainty continues for a prolonged period. This could have a negative effect on the implementation of Citycon's strategy and on the company's business and profits. The company aims to hedge the risk of changes in the financial market by applying a conservative financing policy, which has thus far kept the company's financial expenses from rising significantly and the availability of financing from decreasing.

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.

## **Board Members and Their Remuneration**

The number of Board members remained at eight with Gideon Bolotowsky, Raimo Korpinen, Tuomo Lähdesmäki, Claes Ottosson, Dori Segal and Thom Wernink being re-elected to the Board for a one-year-term. Per-Håkan Westin, M.Sc. (Eng.), born in 1946, and Amir Bernstein, LL.M., born in 1969, were elected as new members to the Board. Thom Wernink was re-elected Board Chairman and Tuomo Lähdesmäki Deputy Chairman. In the view of the Board of Directors, all Board members are independent of the company as non-executive directors and Gideon Bolotowsky, Raimo Korpinen, Tuomo Lähdesmäki, Thom Wernink and Per-Håkan Westin are independent of major shareholders.

The AGM decided that the Chairman of the Board of Directors be paid an annual fee of EUR 160,000, the Deputy Chairman EUR 60,000 and ordinary members of the Board EUR 40,000. In addition, the AGM decided that the Chairman of the Board and the Chairmen of the Board's committees be paid a meeting fee of EUR 700 and the other Board and committee members EUR 500 per meeting. Following the AGM, the Citycon Board of Directors decided in its meeting to issue a recommendation according to which each Board member should, during his/her term of office, possess a number of the company's shares at least equivalent to his/her remuneration for one year.

## **Board Committees**

In its meeting following the AGM, the Board also elected the members for the Board Committees. With regard to the Audit Committee, Raimo Korpinen was re-elected as the Chairman, and Gideon Bolotowsky, Per-Håkan Westin and Thom Wernink as members. The composition of the Compensation Committee remained intact, comprising Tuomo Lähdesmäki as the Chairman and Gideon Bolotowsky and Thom Wernink as ordinary members.

For the Investment Committee, Thom Wernink was re-elected as the Chairman, and Amir Bernstein, Raimo Korpinen, Dori Segal and Per-Håkan Westin as members. Elected to the Nomination Committee were Tuomo Lähdesmäki as the Chairman and, as members, Amir Bernstein, Claes Ottosson and Thom Wernink.

## **Auditor**

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

## **Amendment of the Terms and Conditions of the Option Plan 2004**

As proposed by the Board of Directors, the AGM decided to amend the terms and conditions of stock option plan 2004 as follows: from the share subscription prices of stock options 2004 A/B/C shall, before share subscription, for each record date for dividend payment and/or equity return, be deducted half of the amount of dividends and half of the amounts returned from the invested unrestricted equity fund.

Following this decision, the subscription prices of the 2004 option rights are, as of 18 March 2008, as follows: subscription price with the 2004 A options EUR 2.2732 per share, with B options EUR 2.6608 per share and with C options EUR 4.3613 per share.

## **Shareholders, Share Capital and Shares**

### **Trading and Share Performance**

During the January–March period, the number of Citycon shares traded on the OMX Nordic Exchange Helsinki totalled 41.6 million (36.6 million), at a total value of EUR 153.7 million (EUR 196.2 million). The highest quotation was EUR 4.28 (EUR 6.00) and the lowest EUR 3.13 (EUR 4.64). The reported trade-weighted average price was EUR 3.69 (EUR 5.37) and the share closed at EUR 3.88 (EUR 5.86). The company's market capitalisation at the end of March totalled EUR 857.4 million (EUR 1,126.7 million).

### **Notifications of Changes in Shareholdings**

In March, Citycon Oyj received two notifications of changes in shareholdings:

FIL Limited (formerly Fidelity International Limited) notified the company 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 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.

### **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 period, the number of shares increased by 606 shares, as a result of exercise of stock option rights in December 2007. At the end of the period, the company's registered share capital totalled EUR 259,570,510.20, and the number of shares came to 220,981,817. 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. A maximum of 27,594,782 shares were offered for subscription by shareholders. As a result of this, the number of shares that can be issued or disposed of on the basis of the authorisation now totals 72,405,218. This authorisation is valid for five years from the date of the AGM.

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 2004 stock option scheme were amended during the period, by decision of the AGM as described above. The following table shows basic information on the 2004 stock option scheme.

#### Basic Information on Stock Options 2004 as at 31 March 2008

	2004 A	2004 B	2004 C
No. of options granted	1,040,000	1,090,000	1,080,000
No. held by Veniamo-Invest Oy <sup>1)</sup>	260,000	210,000	220,000
Subscription ratio, option/shares	1:1,2127	1:1,2127	1:1,2127
Subscription price per share, EUR <sup>2)</sup>	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	336,720	-	-
No. of shares subscribed with options	376,316	-	-

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, no options attached to Citycon's 2004 stock option scheme were exercised for the subscription of shares. After the end of the period, 3,729 shares were subscribed based on the 2004 A stock options at a per-share subscription price of EUR 2.2732. The new shares are expected to be registered with the Finnish Trade Register on 28 April 2008. The outstanding stock options under the 2004 option scheme entitle their holders to subscribe for a further 3,492,824 new shares. Shares subscribed entitle their holders to a dividend for the financial year 2008.

### Events after the Reporting Period

On 15 April 2008, Citycon agreed with a Nordic bank group on a commercial paper programme in Sweden worth SEK 1,000,000,000 (approximately EUR 106 million). Citycon intends to include 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. The arranger of the commercial paper programme is Skandinaviska Enskilda Banken AB (publ.), with Danske Bank A/S, Sverige Filial, Nordea Bank AB (publ.) and Swedbank AB (publ.) as other members of the bank group.

### Outlook

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

The company expects its net rental income and direct operating profit excluding fair value changes to increase in the course of the financial year. The estimate is based on the property portfolio's growth, on investments in shopping-centre management and on expansion and redevelopment projects coming on stream.

Helsinki, 23 April 2008

Citycon Oyj

Board of Directors

# Unaudited Interim Condensed Financial Statements 31 March 2008

## Condensed Consolidated Income Statement, IFRS

EUR million	Note	1-3/2008	1-3/2007	Change-%	1-12/2007
Gross rental income		41.7	32.8	27.3%	143.7
Service charge income		2.6	1.5	74.2%	7.7
<b>Turnover</b>	3	<b>44.3</b>	<b>34.2</b>	<b>29.3%</b>	<b>151.4</b>
Property operating expenses		14.6	11.1	31.2%	47.8
Other expenses from leasing operations		0.1	0.0	-570.6%	0.3
<b>Net rental income</b>		<b>29.7</b>	<b>23.2</b>	<b>28.0%</b>	<b>103.4</b>
Administrative expenses		3.9	4.3	-8.9%	16.5
Other operating income and expenses		0.2	0.0	235.7%	0.5
Net fair value gains on investment property		1.4	31.5	-95.6%	213.4
Net gains on sale of investment property		0.1	-	0.0%	-0.1
<b>Operating profit</b>		<b>27.4</b>	<b>50.4</b>	<b>-45.7%</b>	<b>300.7</b>
Net financial income and expenses		16.1	9.5	70.0%	47.3
<b>Profit before taxes</b>		<b>11.3</b>	<b>40.9</b>	<b>-72.4%</b>	<b>253.5</b>
Current taxes		-2.3	-1.4	56.2%	-3.4
Change in deferred taxes		2.3	-4.8	-146.8%	-46.2
<b>Profit for the period</b>		<b>11.3</b>	<b>34.6</b>	<b>-67.4%</b>	<b>203.9</b>
Attributable to					
Parent company shareholders		9.1	33.0	-72.5%	200.3
Minority interest		2.2	1.6	35.8%	3.6
Earnings per share (basic), EUR	5	0.04	0.18	-77.1%	1.00
Earnings per share (diluted), EUR	5	0.04	0.16	-73.8%	0.91
Direct result	4	9.5	6.7	42.3%	36.2
Indirect result	4	-0.4	26.3	-101.5%	164.1
<b>Profit for the period attributable to parent company shareholders</b>		<b>9.1</b>	<b>33.0</b>	<b>-72.5%</b>	<b>200.3</b>



**Condensed Consolidated Balance Sheet, IFRS**

EUR million	Note	31 Mar. 2008	31 Mar. 2007	31 Dec. 2007
<b>Assets</b>				
Non-current assets				
Investment property	6	2,226.6	1,546.9	2,215.7
Development property	7	55.4	5.7	33.2
Other property, plant and equipment		1.0	0.8	0.9
Derivative financial instruments and other non-current assets	9	6.1	7.0	10.7
Total non-current assets		2,289.1	1,560.4	2,260.5
Current assets				
Derivative financial instruments	9	1.4	0.4	1.2
Trade and other receivables		15.8	12.9	22.7
Cash and cash equivalents	8	50.7	20.8	24.2
Total current assets		67.9	34.0	48.1
<b>Total assets</b>		<b>2,357.0</b>	<b>1,594.4</b>	<b>2,308.6</b>
<b>Liabilities and Shareholders' Equity</b>				
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	0.6	0.5	4.9
Invested unrestricted equity fund	10	177.2	98.9	199.3
Retained earnings	10	387.6	219.1	387.0
Total equity attributable to parent company shareholders		956.1	709.2	982.0
Minority interest		57.0	16.2	28.9
Total shareholders' equity		1,013.1	725.4	1,010.9
Liabilities				
Interest-bearing debt		1,094.9	682.3	1,049.3
Derivative financial instruments and other non-interest bearing liabilities	9	5.5	3.8	2.4
Deferred tax liabilities		84.3	45.5	88.1
Total long-term liabilities		1,184.7	731.6	1,139.9
Interest-bearing debt		88.4	103.9	104.7
Trade and other payables		70.8	33.5	53.1
Short-term liabilities		159.2	137.4	157.8
Total liabilities		1,343.9	869.0	1,297.7
<b>Total liabilities and shareholders' equity</b>		<b>2,357.0</b>	<b>1,594.4</b>	<b>2,308.6</b>

**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	Share holders' equity, total
	Share capital	Share issue	Share premium fund and other reserves	Fair value reserve	Invested un-restricted equity fund	Retained earnings			
<b>Balance at 1 Jan. 2007</b>	<b>225.7</b>	<b>0.1</b>	<b>131.1</b>	<b>-1.3</b>	<b>-</b>	<b>209.7</b>	<b>565.3</b>	<b>15.0</b>	<b>580.3</b>
Cash flow hedges				1.8			1.8		1.8
Profit for the period						33.0	33.0	1.6	34.6
<b>Total recognized income and expense for the period</b>				<b>1.8</b>		<b>33.0</b>	<b>34.8</b>	<b>1.6</b>	<b>36.4</b>
Share issues	33.8				98.9		132.6		132.6
Share subscriptions based on stock options	0.1	-0.1	0.0				0.0		0.0
Dividends (Note 10)						-23.4	-23.4		-23.4
Translation differences						-0.4	-0.4	-0.4	-0.8
Share-based payments						0.2	0.2		0.2
<b>Balance at 31 Mar. 2007</b>	<b>259.6</b>	<b>-</b>	<b>131.1</b>	<b>0.5</b>	<b>98.9</b>	<b>219.1</b>	<b>709.2</b>	<b>16.2</b>	<b>725.4</b>
<b>Balance at 1 Jan. 2008</b>	<b>259.6</b>	<b>-</b>	<b>131.1</b>	<b>4.9</b>	<b>199.3</b>	<b>387.0</b>	<b>982.0</b>	<b>28.9</b>	<b>1,010.9</b>
Cash flow hedges				-4.4			-4.4		-4.4
Profit for the period						9.1	9.1	2.2	11.3
<b>Total recognized income and expense for the period</b>				<b>-4.4</b>		<b>9.1</b>	<b>4.7</b>	<b>2.2</b>	<b>6.9</b>
Dividends and return from the invested unrestricted equity fund (Note 10)					-22.1	-8.8	-30.9		-30.9
Translation differences						0.3	0.3	0.1	0.4
Share-based payments						0.1	0.1		0.1
Other changes							0.0	25.7	25.7
<b>Balance at 31 Mar. 2008</b>	<b>259.6</b>	<b>-</b>	<b>131.1</b>	<b>0.6</b>	<b>177.2</b>	<b>387.6</b>	<b>956.1</b>	<b>57.0</b>	<b>1,013.1</b>

**Condensed Consolidated Cash Flow Statement, IFRS**

EUR million	Note	1-3/2008	1-3/2007	1-12/2007
<b>Operating activities</b>				
Profit before taxes		11.3	40.9	253.5
Adjustments		14.8	-21.7	-164.9
Cash flow before change in working capital		26.1	19.2	88.5
Change in working capital		-3.7	-5.1	0.2
Cash generated from operations		22.4	14.1	88.8
Paid interest and other financial charges		-14.0	-4.4	-42.7
Received interest and other financial income		0.8	1.4	3.1
Taxes paid		3.8	-1.6	-10.0
<b>Cash flows from operating activities</b>		<b>13.0</b>	<b>9.6</b>	<b>39.3</b>
<b>Investing activities</b>				
Acquisition of subsidiaries, less cash acquired	6	-14.4	-96.9	-517.6
Acquisition of investment properties	6	-	-	-16.0
Capital expenditure on investment properties	6	-19.9	-5.7	-39.3
Capital expenditure on development properties, other PP&E and intangible assets	7	-12.2	-1.2	-24.5
Sale of investment property		7.7	-	0.3
<b>Cash flows from investing activities</b>		<b>-38.7</b>	<b>-103.9</b>	<b>-597.1</b>
<b>Financing activities</b>				
Proceeds from share issue		-	132.2	232.4
Equity contribution from minority shareholder		25.7	-	-
Proceeds from short-term loans		165.1	36.2	773.1
Repayments of short-term loans		-181.5	-19.9	-727.9
Proceeds from long-term loans		229.0	60.9	535.8
Repayments of long-term loans		-186.0	-96.0	-228.9
Dividends paid	10	-	-19.3	-23.4
<b>Cash flows from financing activities</b>		<b>52.2</b>	<b>94.1</b>	<b>561.1</b>
<b>Net change in cash and cash equivalents</b>		<b>26.5</b>	<b>-0.2</b>	<b>3.3</b>
Cash and cash equivalents at period-start	8	24.2	21.3	21.3
Effects of exchange rate changes		0.1	-0.3	-0.4
<b>Cash and cash equivalents at period-end</b>	<b>8</b>	<b>50.7</b>	<b>20.8</b>	<b>24.2</b>

# 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 23 April 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 three months ended 31 March 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.

## 3. Segment Information

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

EUR million	1-3/2008	1-3/2007	Change-%	1-12/2007
<b>Turnover</b>				
Finland	31.4	23.9	31.2%	104.3
Sweden	10.7	8.6	24.5%	39.0
Baltic Countries	2.2	1.8	25.9%	8.0
<b>Total</b>	<b>44.3</b>	<b>34.2</b>	<b>29.3%</b>	<b>151.4</b>
<b>Operating profit</b>				
Finland	19.3	30.2	-35.9%	218.7
Sweden	7.2	18.8	-61.9%	74.3
Baltic Countries	2.5	3.5	-28.2%	14.5
Other	-1.6	-2.1	-20.0%	-6.8
<b>Total</b>	<b>27.4</b>	<b>50.4</b>	<b>-45.7%</b>	<b>300.7</b>
<b>EUR million</b>				
<b>Assets</b>				
Finland	1,605.2	1,053.5	52.4%	1,594.2
Sweden	556.4	418.3	33.0%	542.2
Baltic Countries	132.4	85.9	54.2%	125.3
Other	63.0	36.7	71.7%	46.9
<b>Total</b>	<b>2,357.0</b>	<b>1,594.4</b>	<b>47.8%</b>	<b>2,308.6</b>

The significant increase in segment assets is due to the acquisitions of the shopping centres and the increase in fair value of investment properties.

## 4. Reconciliation between direct and indirect result

Due to the nature of Citycon's business and the requirement to apply IFRS, the consolidated income statement includes a plenty of items related to non-operating activities. In addition to the consolidated income statement under IFRS, Citycon also presents its profit for the period with direct result and indirect result separately specified, in an attempt to enhance the transparency of its operations and to facilitate comparability of financial 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	Q1/2008	Q4/2007	Q3/2007	Q2/2007	Q1/2007
<b>Direct result</b>					
Net rental income	29.7	27.1	27.3	25.8	23.2
Administrative expenses	-3.8	-3.9	-4.0	-4.3	-4.3
Other operating income and expenses	0.0	0.6	0.0	-0.1	0.0
Net financial income and expenses	-14.7	-14.7	-11.9	-10.1	-10.0
Current taxes	-1.2	3.2	-2.4	-2.8	-1.4
Change in deferred taxes	-0.1	1.7	-0.5	-0.7	-0.6
Minority interest	-0.4	-0.2	-0.3	-0.2	-0.1
<b>Total</b>	<b>9.5</b>	<b>13.8</b>	<b>8.2</b>	<b>7.6</b>	<b>6.7</b>
Direct result per share diluted (Diluted EPRA EPS), EUR	0.04	0.06	0.04	0.04	0.04
<b>Indirect result</b>					
Net fair value gains on investment property	1.4	0.7	21.1	160.1	31.5
Profit on disposal of investment property	0.1	0.0	-0.1	-	-
Administrative expenses related to disposals	-0.2	-	-	-	-
Other operating income and expenses	0.1	-	-	-	-
Movement in fair value of financial instruments	-1.4	0.2	-1.4	0.1	0.6
Current taxes related to disposals	-1.1	-	-	-	-
Change in deferred taxes	2.4	-5.0	-4.5	-32.3	-4.2
Minority interest	-1.8	-0.4	0.1	-0.9	-1.5
<b>Total</b>	<b>-0.4</b>	<b>-4.6</b>	<b>15.2</b>	<b>127.0</b>	<b>26.3</b>
Indirect result per share, diluted	0.00	-0.02	0.07	0.56	0.12
<b>Profit for the period attributable to parent company shareholders</b>	<b>9.1</b>	<b>9.3</b>	<b>23.4</b>	<b>134.6</b>	<b>33.0</b>



## 5. Earnings per share

	1-3/2008	1-3/2007	1-12/2007
<b>A) Earnings per share calculated from the profit for the period</b>			
<b>Earnings per share, basic</b>			
Profit attributable to parent company shareholders (EUR million)	9.1	33.0	200.3
Issue-adjusted average number of shares (Million)	221.0	183.8	199.4
<b>Earnings per share (basic) (EUR)</b>	<b>0.04</b>	<b>0.18</b>	<b>1.00</b>
<b>Earnings per share, diluted</b>			
Profit attributable to parent company shareholders (EUR million)	9.1	33.0	200.3
Expenses arising from convertible loan, adjusted with the tax effect deduction (EUR million)	1.4	1.4	5.7
Profit used in the calculation of diluted earnings per share (EUR million)	10.5	34.4	206.0
Issue-adjusted average number of shares (Million)	221.0	183.8	199.4
Convertible capital loan impact (Million)	26.2	25.9	26.2
Adjustments for stock options (Million)	1.0	2.4	1.5
Issue-adjusted average number of shares used in the calculation of diluted earnings per share (Million)	248.1	212.1	227.1
<b>Diluted earnings per share (EUR)</b>	<b>0.04</b>	<b>0.16</b>	<b>0.91</b>
<b>B) Earnings per share calculated from the direct result for the period</b>			
<b>Direct result per share, diluted (Diluted EPRA EPS)</b>			
Direct result (EUR million) (Note 4)	9.5	6.7	36.2
Expenses arising from convertible loan, adjusted with the tax effect deduction (EUR million)	1.4	1.4	5.7
Profit used in the calculation of diluted earnings per share (EUR million)	10.9	8.1	41.9
Issue-adjusted average number of shares used in the calculation of diluted earnings per share (Million)	248.1	212.1	227.1
<b>Direct result per share, diluted (Diluted EPRA EPS)</b>	<b>0.04</b>	<b>0.04</b>	<b>0.18</b>

## 6. Investment property

EUR million	31 Mar. 2008	31 Mar. 2007	31 Dec. 2007
<b>At period-start</b>	<b>2,215.7</b>	<b>1,447.9</b>	<b>1,447.9</b>
Acquisitions during the period	0.2	78.6	531.3
Investments during the period	15.2	6.2	44.8
Disposals during the period	-7.6	-	-0.3
Transfer into the development properties	-0.7	-5.7	-6.2
Fair value gains on investment property	18.6	35.2	220.8
Fair value losses on investment property	-17.2	-3.7	-7.5
Exchange differences	2.5	-11.6	-15.1
<b>At period-end</b>	<b>2,226.6</b>	<b>1,546.9</b>	<b>2,215.7</b>

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:

	31 Mar. 2008	Yield requirement (%)		31 Mar. 2008	Market rents (EUR/sq.m.)	
		31 Mar. 2007	31 Dec. 2007		31 Mar. 2007	31 Dec. 2007
Finland	5.7	6.5	5.7	21.1	17.2	21.1
Sweden	5.4	6.2	5.4	13.5	13.1	13.2
Baltic Countries	6.6	6.8	6.4	19.5	14.6	16.4
<b>Average</b>	<b>5.7</b>	<b>6.5</b>	<b>5.6</b>	<b>19.2</b>	<b>15.9</b>	<b>19.0</b>

## 7. Development property

As at 31 March 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	31 Mar. 2008	31 Mar. 2007	31 Dec. 2007
<b>At period-start</b>	<b>33.2</b>	-	-
Investments during the period	20.5	-	26.4
Capitalized interest	1.0	-	0.6
Transfer from investment property	0.7	5.7	6.2
<b>At period-end</b>	<b>55.4</b>	<b>5.7</b>	<b>33.2</b>

## 8. Cash and cash equivalents

EUR million	31 Mar. 2008	31 Mar. 2007	31 Dec. 2007
Cash in hand and at bank	13.9	20.6	24.2
Short-term deposits	36.8	0.2	-
<b>Total</b>	<b>50.7</b>	<b>20.8</b>	<b>24.2</b>

## 9. Derivative Financial Instruments

EUR million	31 Mar. 2008		31 Mar. 2007		31 Dec. 2007	
	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount	Fair value
<b>Interest rate derivatives</b>						
Interest rate swaps						
Maturity:						
less than 1 year	40.0	0.1	50.0	0.4	40.0	0.2
1-2 years	112.6	-1.2	40.0	0.1	112.5	-0.6
2-3 years	83.0	-1.7	86.0	-1.5	83.0	-1.1
3-4 years	110.0	1.2	83.0	-2.1	70.0	1.7
4-5 years	20.0	-0.2	40.0	0.7	20.0	0.2
over 5 years	309.6	3.0	238.9	5.8	309.0	8.5
<b>Total</b>	<b>675.2</b>	<b>1.2</b>	<b>537.9</b>	<b>3.3</b>	<b>634.5</b>	<b>8.8</b>
<b>Foreign exchange derivatives</b>						
Forward agreements						
Maturity:						
less than 1 year	107.7	0.8	48.1	0.3	40.4	0.3
<b>Total</b>	<b>107.7</b>	<b>0.8</b>	<b>48.1</b>	<b>0.3</b>	<b>40.4</b>	<b>0.3</b>

The fair value of derivative financial instruments represents the market value of the instrument with prices prevailing on the balance sheet date. Derivative financial instruments are used in hedging the interest rate risk of the interest bearing liabilities and foreign currency risk. The fair values include foreign exchange gain of EUR 1.3 million (EUR 0.4 million) which is recognized in the income statement.

Hedge accounting is applied for interest rates swaps which have nominal amount of EUR 598.6 million (EUR 487.9 million). The fair value gain recognized in the fair value reserve under shareholders' equity taking account the tax effect totals EUR 0.6 million (EUR 0.5 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).

Dividend and equity return for the financial year 2007 were paid on 2 April, 2008.

EUR million	31 Mar. 2008	31 Mar. 2007
Distributed dividends and equity return	30.9	23.4
Paid dividends and equity returns	-	19.3

## 11. Contingent Liabilities

EUR million	31 Mar. 2008	31 Mar. 2007	31 Dec. 2007
Mortgages on land and buildings	46.7	20.5	46.4
Bank guarantees	49.0	20.5	49.8
Capital commitments	34.8	57.6	31.0

At 31 March 2008, Citycon had capital commitments of EUR 34.8 million relating mainly to development projects.

## 12. Key Figures

	1-3/2008	1-3/2007	Change-%	1-12/ 2007
Earnings per share (basic), EUR	0.04	0.18	-77.1%	1.00
Earnings per share (diluted), EUR	0.04	0.16	-73.8%	0.91
Equity per share, EUR	4.33	3.60	20.2%	4.44
Net asset value (EPRA NAV) per share, EUR	4.70	3.82	23.1%	4.83
Equity ratio, %	43.0	45.5	-	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 another two interim reports as follows:

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

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# Report on Review of Citycon Oyj's Interim Financial Information for the period January 1–March 31, 2008

## To the Board of Directors of Citycon Oyj

### *Introduction*

We have reviewed the accompanying consolidated balance sheet of Citycon Oyj as of March 31, 2008 and the related statements of income, changes in equity and cash flows for the three-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 March 31, 2008, and of its financial performance and its cash flows for the three-month period then ended in accordance with the Securities Market Act.

April 24, 2008

ERNST & YOUNG OY  
Authorized Public Accountants

Tuija Korpelainen  
Authorized Public Accountant