Valuation Statement

30 September 2009

CITYCON

creating success for retailing

1. APPRAISAL METHOD

Realia Management Oy has made a valuation of Citycon's property portfolio as at 30th of September 2009. The valuation was carried out as a cash flow analysis of the net operating income for a period of 10-years. For undeveloped plots and for properties affected by significant town plan alterations, the market value is defined by the amount of building right in the existing town plan.

The properties have been inspected by Realia Management Oy primarily during the year 2007. Re-inspections of properties is carried out as needed, giving emphasising to most important properties such as newly acquired properties, development projects as well as other properties selected at random by the appraisers. During the third quarter of 2009 the following assets were re-inspected: Iso Omena, Sampokeskus, Jakobsbergs Centrum, Åkersberga Centrum, Liljeholmstorget, Åkermyntan Centrum and Kal-häll.

1.1 Cash Flow Calculation Method

The year-on-year cash flow was calculated on Citycon's existing leases, upon the expiry of which, the contract rent has been replaced with Realia Management Oy's view of the market rent. Potential Gross Rental Income (PGI) equals leased space with respect to contract rents and vacant space with respect to market rents. Deducting both the market rent for the idle time between the expired contract and assumed new contract, and the assumed general vacancy level, results in the Effective Gross Rental Income. Effective Gross Rental Income less operating expenses (incl. repairs and tenant improvements) equals the Net Operating Income (NOI). NOI less any investment type of repairs (CAPEX) equals the bottom level cash flow that has been discounted (IRR) to reach the present value of the income stream.

The exit value at the end of the valuation period was calculated by capitalising the 11th year cash flow (base year) with an exit yield. The total value of the property was calculated as the sum of the yearly discounted net income stream, the discounted residual value at the end of the calculation period and any other value added assets such as unused building rights or unbuilt lots.

All variables were estimated based on Realia Management's knowledge of the markets and specified market observations, such as transactions, rental levels and other observations. The collection of relevant information was done in close cooperation with Citycon's property management in order to obtain an extensive set of data, where Realia Management used its objective veto on the data provided.

1.2 Realia Management Oy: Market Analysis

The overall market prospects have remained unchanged over the summer. The European economy is facing either a prolonged period of near zero growth or, at best, a period of modest growth lacking the bullish sentiments observed before the most serious financial crisis since the Great Depression took place. The return to growth in the world economy is now largely dependent on the increasing economic activity in Asia and increased demand in the US, but for Europe, and especially for the Nordic countries with sizeable investments in the Baltic region, the instability of the Baltic markets is a serious risk to the road to recovery. Also, the Russian economy has been badly hit by the drop in oil prices and the eventual recovery is likely to be prolonged and gradual. Future oil price hikes may however bring about a stronger recovery of Russian markets, which is likely to have an invigorating effect on the crisis hit Finnish export industry.

The ECB has dropped the benchmark rate to 1.0%, which came into effect on May 13th. This, in conjunction with an injection of several hundred billion euros has flooded the market with much needed liquidity, bringing risk premium to more acceptable levels. While there is an obvious risk of a deflationary stretch, the ECB is expecting the period of low or negative inflation to remain short, thus refraining from, but nevertheless keeping the door open to further cuts in interest rates. In Finland, the year-on-year European harmonised inflation rate was 0.7 percent negative in August. From July to August, month-on-month, inflation increased by 0.3 percent.

Finland

According to Statistic Finland, the Finnish economy contracted by 9.4 percent year-on-year during the second quarter (-2.6% quarter-on-quarter), while the Euro area contracted 4.7 percent. The Finnish export industry has been particularly badly hit by the world recession as the demand for traditional Finnish export goods, such as heavy machinery and shipbuilding, has faltered. Year-on-year change in exports of goods was negative 31.7 percent in the second quarter while service exports were down 24.7 percent. Investments were also hit, down 11.7 percent, while private consumption decreased by a more moderate 3.4 percent year-on-year. Finland's economy is widely expected to start recovering by the end of 2010, and previous estimates have been revised, shifting the brunt of the remaining recessionary period from the beginning of 2010 to 2009.

Forecasts for 2009

by	Change in GDP (%) 2009	Change in GDP (%) 2010	Change in export (%) 2009	Unemployment rate (%)
ETLA	-7.0	1.5	-25.0	8.9
Bank of Finland	-7.2	0.0	-26.6	8.6
Tapiola Bank	-7.2	-0.3	-22.5	8.9
OP-Pohjola	-7.0	-1.0	-23.0	9.0

Source: Talouselämä

Unemployment has risen rapidly in Finland during the three quarters to September 2009. Adjusted for seasonal variations, unemployment rate was at 8.7 percent in August, considerably higher than last year's 6.4 percent. Unemployment nevertheless remains at a lower level than the euro area average, which was 9.6 percent on August according to Eurostat.

According to Statistics Finland, consumer confidence index has recovered rapidly in the past few months, at +11.7 in September. During the previous month, the index was still at +8.2, and a year earlier at +8.1. Expectations regarding the Finnish economy, one of the four components forming the index, have become considerably more optimistic in September compared to the previous month. The other components remained largely unchanged; consumers consider their savings possibilities good and their financial situation as moderately optimistic.

Even though consumer confidence is rebounding, a similar turn has not yet been observed in the retail sector. Retail sales are down by 3–4 percent in August when compared to a year earlier, with the change in value and volume going hand in hand.

Sweden

The Swedish economy is expected to contract by 4.9 percent in 2009 and expand by 1.9 percent in 2010 according to figures revised in September by the central bank of Sweden. As in Finland, there is considerable uncertainty as to when recovery will take place in a country that is reliant on exports for strong GDP growth. The Swedish economic recovery is, however, expected to solidify either towards the end of 2010 or in the beginning of 2011. In Sweden, the export industry has been crisis struck, but sentiments are more upbeat than in Finland due to positive economic news such as the securing of the fragile car industry and the averting of a major housing bust. The unemployment, according to Eurostat, has rocketed to 9.4 percent in August, a rise of 0.3 percentage points compared to the previous month and a rise of 3.4 percentage points from a year ago.

Household and business indicators, compiled by the Swedish National Institute of Economic Research, indicate increasing optimism in regards to the economy's recovery with the retail sector being especially upbeat. The general business indicator was at -5 in September, which is a considerable improvement from last quarter's end (-18), and a major improvement over the lowest figure (-29) recorded in January. For retail trade, confidence was at +21 in September compared with +5 for last quarter's end and -23 for January, amounting to a significant improvement from the lows at the beginning of the year. For consumers, the indicator has increased in September to +5.6 from -3.1 for August and 9.0 for last quarter's end. Figures are season adjusted.

Swedish Retail Institute, HUI, has revised its estimates for the total retail sales figure in Sweden, which is now expected to increase by 2,5 percent in value, up from a previous estimate of one percent increase. Measured in volume, an increase of two percent is likely when compared to the previous year as a whole. Grocery goods are forecast to increase by up to 4.5 percent and infrequently bought commodities to increase by 1.5 percent in value. The worst prognosis is for home improvement and electronics sales, which are likely to decline compared to last year.

There is also some additional currency risk concerning the Swedish Krona. Further problems in the Baltic economies may very well have ripple effects on the value of the Krona due to heavy exposure of Swedish companies and banks to the Baltic markets. Some of this risk is, however, mitigated by active ECB and IMF involvement.

Baltics

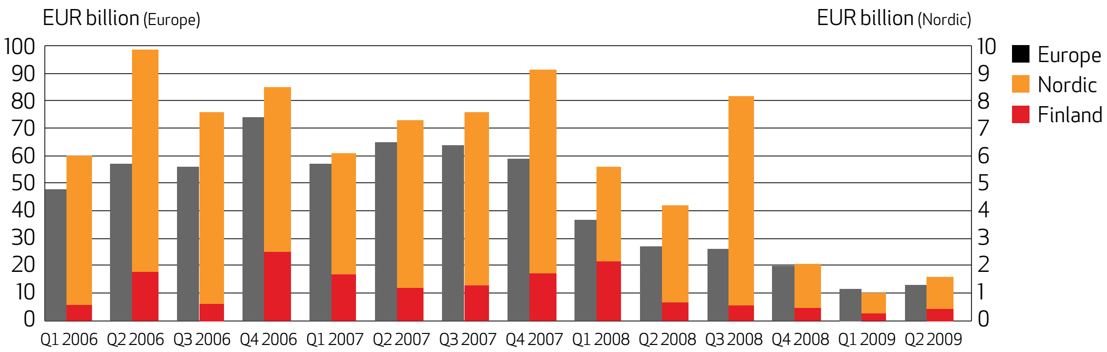
While the economic outlook in the Baltic countries remain bleak, a full economic meltdown has been so far avoided. Latvia however, the country in the worst economic shape of the 27 EU countries, remains in grave danger. The Baltic countries, Estonia, Latvia and Lithuania, have large budget deficits, double digit GDP contractions and are unwilling to devalue due to heavy exposure to euro loans and their aspirations to meet the Maastricht criteria for joining the euro zone. Were one of the currencies suddenly forced to devalue, it would have a detrimental effect on the value of foreign direct investments in the country and spread economic holocaust and uncertainty around the Baltic area. Currency risk thus remains a considerable factor.

The Estonian economy is in better shape of the three Baltic countries. According to IMF, the Estonian economy is expected to contract by 14 percent in 2009 and 2.6 percent in 2010, while, in Lithuania, the economy is expected to contract by at least 18.5 percent and 4 percent and Latvia's by 18 percent and 4 percent respectively. A major key to strong recovery is the restoring of international capital flows, which leaves the economies highly reliant on the recovery of other European countries.

1.3 Property Market Analysis

The global financial and economic crisis has had an adverse effect on property markets. The change can clearly be seen in the values of properties and incomes but especially in the number of completed transactions, now a fraction of the levels seen in 2007. The first indications of declining investment activity were already observed in Europe and in America during the year 2007 and, after a delay, in Finland in 2008. Nevertheless, between January and March 2008 property transaction volumes in Finland reached over EUR 2 billion, thanks to considerably large but occasional transactions. After the first quarter, the quarter-to-quarter transaction volumes fell to a level of approximately EUR 600 million. During the first half of 2009, the property market has slowed down even further; transaction for the first quarter attained a level of approximately EUR 700 million. While there have been some signs of the property markets revitalising after summer, the reaching of higher transaction levels is impeded by the lack of interesting properties for sale. Forecasts concerning the number of completed transactions for the remaining period to year-end thus remain reserved.

Quarterly transaction volume Q1 2006 – Q2 2009
Europe and Nordic



As a result of the international financial crisis foreign property investor activity in Finland has declined considerably. Since fall 2008, the most active buyers by far have been domestic pension and insurance institutions. This trend is the result of tighter credit terms from banks, which, in turn, has resulted in deteriorated operating environment for operators relying on borrowed capital giving the capital-intensive institutional operators a competitive edge and a chance to improve their market positioning. Nevertheless, there is still foreign demand and capital looking for suitable property investments in the Finnish and Nordic property markets. In the past few months, German property funds in particular have become active on the demand side after a half a year period of calm. In Finland, by far the largest single property transaction in the first half of 2009, the purchase of Swing Life Science Center business park in Espoo Keilaniemi by property fund Commerz Real AG, owned by the German Commerzbank, for approximately EUR 120 million, is a good example of this increased activity.

Yield requirements for investment properties have been rising since the fall of 2007. The trend is still valid, although most of the pressure on yields has subsided due to, among other things, low interest rates. At this moment however, a more pertinent issue than the yield requirements is the future of the rental and end-user markets. So far, the most substantial changes in the submarket sectors have been observed in the office markets, while in the retail premises rental and occupancy levels have remained steady. It is expected, however, that as consumption and retail sales dwindle there will be some additional downward pressure on rental levels.

At the moment caution can be discerned in the end-user market over new renting as space needs are considered carefully. There are some considerable differences within the end-user sector between different branches of the retail industry. For example, grocery stores and discount stores are faring well in the recession while electronics and furniture stores feel the pinch. The upward trend in rental levels in the past few years has levelled off, but a move towards a downward trend has yet to be seen. Also, occupancy levels have remained at quite a high level. Recessions create possibilities for strong players and in case high quality premises become available, it is likely that there will be demand for them. For best locations, rental and occupancy levels are expected to keep their ground, although the divergence between high and low quality premises and locations is likely to grow.

Some relief to the retail premises market has been brought by the deferring, or even cancellation, of last summer's and autumn's prominent plans for large scale projects and therefore the supply of premises has not got out of hand. One must also keep in mind, and especially when examining Citycon Oyj's property portfolio, that in a worsening economic and market situation shopping centres that are located in good and traditional places of sale with many diversified tenants in varying lines of business are usually good and safe assets to invest in. Among the tenants, grocery stores in particular are defensive in a recession.

1.4 Development Projects

Some development projects were valued using a special project model. This model is only used in a project accompanied by: 1) a Citycon's board decision, and 2) enough information for a reliable valuation. Such information includes e.g. an extensive project plan, several new rental agreements, future investments, etc. The appraiser makes the final decision on the use of the model.

The project model is a 10-year cash flow model, which also takes the projects' future investments and changing cash flows into consideration. It includes present cash flows up to the end of the development phase and future cash flows after the development.

The project model was used in the valuation of three properties in this valuation. The properties in question were the shopping centre Rocca Al Mare in Tallinn and the shopping centres Liljeholmstorget and Åkersberga Centrum in Sweden.

In other assets, valuation was based on the regular cash flow analysis adjusted for small-scale development projects on the property. Properties were evaluated based on the current rental situation and current allocation of premises. If necessary, future development potential has been taken into account in the value of unused building rights or in the form of expected cash flow increase while including necessary development costs as investment costs in the calculations.

All undeveloped plots or those under development are evaluated based on their current plan and the amount of unused building right. If there is an ongoing official plan alteration process, and the property's purpose of use and attributes are substantially changed, the altered plan can be taken into account in valuation through the value of unused building right. Prerequisite for the valuation is that the sanctioning of the plan is highly likely and that the new plan regulations are fully known. In that case, the remaining (current) rental income flow and demolition costs are also considered in the valuation.

2. RESULTS

Citycon Oyj owns 72 properties in Finland, 15 properties in Sweden, and, in the Baltic countries, two in Estonia and one in Lithuania. All in all, Citycon either fully owns, or owns a share of 90 different properties. The property portfolio is very heterogeneous both in quality and in value. The body of the holding is formed by 30 shopping centre properties, although the portfolio also includes occasional small commercial buildings, development properties in the demolishing stage and, for example, one unbuilt lot.

The value of the total portfolio is calculated as the sum of the individual properties. A separate adjustment for the aggregate value has not been applied. In the sections below, we have presented the valuation result on an aggregate and a sub-market level. The portfolio has been further regrouped geographically based on the locations of the properties.

Citycon primarily owns retail properties. Only in a few selected properties, the main use is other than retail. A large majority of the portfolio value is in shopping centres (approximately 86 percent). Especially in Finland, Citycon has a strong position in the shopping centre market by owning five of the 20 largest shopping centres and in total, by owning 22 properties that are classified as shopping centres.

Citycon has announced that its strategic focus is the development of existing properties. For example in the Helsinki region Citycon owns several of the old suburb shopping centres and retail premises. In these properties, major development is expected in conjunction with reworking of town plans. These properties are always evaluated on a case-by-case basis. In case a new, updated town plan is enforced and as a result, a schedule for the development project is determined, the building right can be taken into consideration in valuation, or, if necessary, the valuation will be done through the so-called development model analysis (where also the outcome of development project is included in valuation).

Several retail properties, both in Finland and Sweden, either have development plans underway or potential for development. These properties include e.g. Tumba Centrum, Åkersberga Centrum and Jakobsbergs Centrum in Sweden, as well as Koskikeskus, Iso Omena and Isokristiina in Finland. The development of these properties is always considered case-by-case, often advancing in phases. Development is taken into account in valuation when credible plans exist and there is evidence of high likelihood for letting. In appraisal, the development potential signifies a potential increase in rental income either through an increase in average rent or through an increase in the lettable area or average rent, requiring investment for realisation in addition to a feasible construction or development time.

2.1 Total Property Portfolio

The aggregated market value of the whole portfolio has been valued at approximately EUR 2,154.0 billion. The aggregated value of portfolio has increased quarter-to-quarter by close to EUR 57 million (EUR 2,097.0 billion in Q2 2009). The change in relative terms is approximately +2.7% overall. The positive change in value is largely caused by the progression of major development projects Rocca Al Mare, Liljeholmstorget and Åkerberga Centrum. The market value of the properties has increased as construction has advanced and the letting progressed. In the third quarter, the change in market value for these three properties amounts to over EUR 40 million.

Another considerable value adjustment factor is the strengthening of the Swedish krona against the euro. The adjustment effect is close to 30 million euro positive when compared to last quarter's end.

The *weighted average* yield requirement of the portfolio has remained at 6.6 percent (6.6% Q2 2009). The weighted averages in the table are weighted by the value of the property. Properties with relatively higher values will therefore have a stronger influence on the averaged figures than other properties. In the Citycon property portfolio in particular, the influence of largest properties is significant. The ten largest properties, 11 percent of the properties in the property portfolio, form close to 62 percent of the entire portfolio value. Changes in these properties dominate the changes in the weighted averages. The largest property in the portfolio is Iso Omena in Espoo, Finland, which forms approximately a 14 percent share of the entire portfolio value.

The ten most valuable properties are:

- Iso Omena, Espoo, Finland
- Liljeholmstorget, Stockholm, Sweden
- Myyrmanni, Vantaa, Finland
- Trio, Lahti, Finland
- Rocca Al Mare, Tallinn, Estonia
- Koskikeskus, Tampere, Finland
- Jakobsbergs Centrum, Stockholm (Järfalla), Sweden
- Columbus, Helsinki, Finland
- Lippulaiva, Espoo, Finland
- Forum, Jyväskylä, Finland

2.2 Finland

Changes in the value of the Finnish properties have been moderate. The total value of the Finnish portfolio declined only slightly, by 0.2% when compared to the previous quarter (EUR 1,444.3 million in Q2 2009). The weighted yield requirement has remained at 6.5%. In addition, rental and operational costs have both roughly remained at their previous levels. Geographically, the properties in Finland are allocated evenly and approximately 46 percent of the portfolio value consists of properties outside Helsinki Metropolitan Area. The vast majority (over 80%) of the Finnish property portfolio value consists of shopping centre properties.

2.3 Sweden

Market value of the Swedish property portfolio has increased considerably since last quarter. The value change is in total over EUR 54 million, which equals to an 11 percent increase (EUR 496,9 million Q2 2009). The change in value can be explained by advancement in the development of Liljeholmstorget and Åkersberga Centrum, and the strengthening of the Swedish krona against the euro. The development projects are reflected through the weighted averages in several ways. The properties under development are one of the most valuable assets in the Swedish portfolio and they have relatively low yield requirements with high rental levels and operational costs. Therefore, the increase in asset value will heavily affect the weighted averages of the total portfolio. Increase in rental levels and operating expenses are due to advancements in development as well the increase in krona's value during the third quarter.

The largest property in the Swedish property portfolio is Liljeholmstorget where a development project is nearing completion, due to be completed in October 2009. The overall weight of the Swedish portfolio is strongly focused on Stockholm and Gothenburg regions, and more specifically, on the shopping centres in these regions. In Stockholm, the largest shopping centres are Liljeholmstorget, Jakobsberg Centrum and Tumba Centrum. The Gothenburg region's properties consist mostly of properties functioning as municipal centres of the surrounding municipalities, where the local municipality and a local grocery store are typically a major tenants. The average size and the effect of these properties on the property portfolio's weighted average is somewhat small. The only property in Gothenburg classified as a shopping centre is the Stenungs Torg shopping centre in Stenungsund, some 30 kilometres north of Gothenburg.

2.4 The Baltic Countries

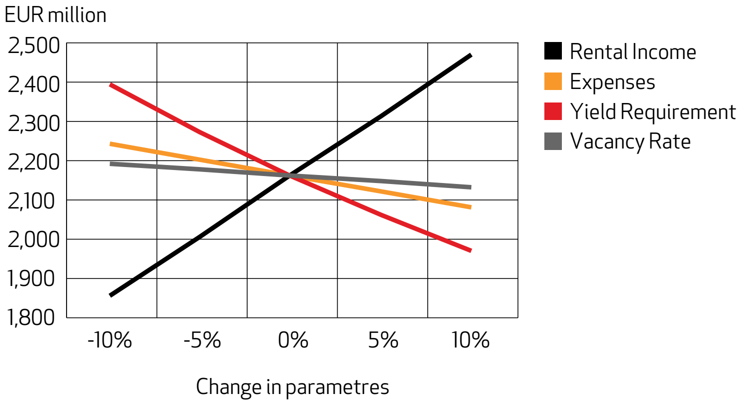
In the Baltic countries, the recession and the general uncertainty over the economy remain at a higher level than in the Nordic countries. Retail sales volume has dropped considerably and this is putting pressure on the tenants' ability to pay rent. Temporary rents reductions have frequently been negotiated in the Baltic countries during the current year. Occupancy rates, however, have so far remained at high level. The tenants' ability to pay rent has been taken into account through adjustments of cash flows for the time period between 2009 and 2011.

Citycon's prime property in the Baltic region is Tallinn's Rocca Al Mare Shopping centre where the third and final stage of an extensive development and extension project is taking place. The property's degree of completion and the renting process of new premises have both progressed smoothly, and despite the otherwise gloomy economic climate, the market value of the property has risen when compared to the last quarter. Rocca Al Mare now forms close to 85 percent of the value in Citycon's Baltic portfolio. Therefore, its effect on the weighted average of the Baltic portfolio is considerable. Rocca Al Mare is still under development and the project will be completed in October 2009.

The advancement of the Rocca Al Mare development project also explains the increase in the portfolio value (EUR 156.1 million in Q2 2009) during the current quarter despite increases in yield requirements (the Baltic portfolio weighted yield requirement was 7.7% in Q2 2009).

3. SENSITIVITY ANALYSIS

The sensitivity analysis of the fair value of the portfolio was tested by creating a so-called portfolio cash flow statement based on individual cash flow calculations. Changes in fair value have then been examined by modifying key input parameters of the calculations one at a time. The parameters tested were required yield, market rent level, operational costs and vacancy rate. The current market value of the properties is used as a reference for the analysis. The analysis is performed by changing one parameter at a time while all others remain unchanged, and then calculating the corresponding market value of the total portfolio. The sensitivity analysis is a simplified model intended to facilitate understanding of the effect of different parameters on the valuation. The figure below shows the results of the analysis.



The results indicate that the market value is most sensitive to yield requirement and market rent levels. A ten percent decrease in yield requirement results in an approximately 11 percent increase in value. Correspondingly, a ten percent increase in rental income increases the value by approximately 14 percent.

The value is not particularly sensitive to changes in the levels of expenses or long-term vacancy. A ten percent increase in the expenses decreases the market value of the property portfolio by approximately four percents. It should also be noted that in retail premises, the rental income and property expenses are often linked through the changes in the rental level in the form of maintenance rent charged from tenants. The ratio is not quite one-to-one, but the correlation is still strong enough to decrease the expense risk in the valuation.

The effects of changes in the vacancy rate are not studied on a similar scale as other parameters – vacancy level is altered by 50 or 100 basis points at a time. Therefore, the relative change is larger than if adjusting by five or ten percents at a time, as is the case in other parameters. Still, the effect of changes in the vacancy level is smaller than in other parameters – a change of 100 basis points (one percentage point) in the vacancy level alters the value of the portfolio by less than two percent.

30 September 2009	Wght. Average Net Yield Requirement (%)	Wght. Average Market Rent (EUR/sq.m./month)	Wght. Average Operating Costs (EUR/sq.m./month)	Fair Market Value, EUR million
TOTAL PROPERTY PORTFOLIO				
Finland	6.5%	22.4	5.0	1,441.0
Sweden	6.4%	20.9	5.8	551.0
The Baltic Countries	7.9%	21.3	4.3	162.0
Total	**6.6%**	**22.0**	**5.1**	**2,154.0**
Finland				
Helsinki Metropolitan Area				
Shopping Centres	6.1%	26.4	5.9	658.2
Other retail properties	7.7%	14.8	3.3	121.0
HMA Total	**6.3%**	**24.7**	**5.6**	**779.2**
Other parts of Finland				
Shopping Centres	6.5%	21.8	4.8	514.8
Other retail properties	7.9%	12.0	2.5	147.0
Other total	**6.8%**	**19.7**	**4.3**	**661.8**
Sweden				
Greater Stockholm Area and Umeå				
Shopping Centres	6.3%	22.7	6.2	463.3
Other retail properties	6.9%	12.5	2.6	17.1
Total	**6.3%**	**22.4**	**6.1**	**480.4**
Greater Gothenburg Area				
Total	**7.2%**	**11.2**	**3.8**	**70.6**
The Baltic Countries				
Total	**7.9%**	**21.3**	**4.3**	**162.0**