CITYCON

Valuation Statement 30 September 2008

1. APPRAISAL METHOD

Realia Management Oy has made a valuation of Citycon's property portfolio as at 30th of September 2008. The valuation was carried out as a cash flow analysis of the net operating income for a period of 10-years. For unbuilt lots 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.

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'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 capitalizing 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 market observations, such as transactions, rental levels and other observations. All of this was done in close cooperation with Citycon's property management, where Realia Management used its objective veto on the data provided.

1.2 Realia Management Oy: Market Analysis

To date, year 2008 has seen slowing economic growth in the Nordic countries. While steps to sort out the financial crisis that originated in the USA are underway, the impact of the crisis is beginning to show in Europe and also in the real economy. As the crisis unfolds, Nordic countries' GDP estimates have been adjusted downwards whilst central banks have been forced to keep their key rates at relatively high levels due to inflation driven by rising food and energy prices. This situation, combined with a worldwide lack of both liquidity and confidence in the finance markets, has pushed market rates to the highest ever recorded in EMU-Europe.

Despite the growing uncertainty, the domestic economies of Finland and Sweden remain on reasonably solid foundations. The GDP increase for both countries has been above the EU average, which is projected to be 1.4% for the year 2008. In Finland, the GDP increase is predicted to be 2.3% and in Sweden to be 2.4% for the current year as a whole. Forecasts for year 2009 are on a lower level, although GDP is still expected to grow and continue to remain above the EU average. In both countries, the inflation rate has increased to over 4% this year but it is expected to return closer to the long term target level of 2% in the coming year.

According to Statistics Finland, consumer confidence has remained rather strong at 8.1, especially when compared to the European average. However, even in Finland, the confidence indicator is at a considerably lower level than last year, which was 18.5, and noticeably lower than the long-term historical average of 13.7. Consumers remain optimistic when it comes to their private financial situation, their savings ability and employment opportunities. However, according to the latest surveys, confidence in the Finnish economy is faltering.

In Sweden, the private sector's real disposable income rose by 4.3% in 2007 whereas private consumption hasn't increased correspondingly and remained at 3.1%. The reasons for this discrepancy have been sought from the poor performance of the stock markets, uncertainty in the finance markets and the increased savings rate. The trend is projected to remain firm over the coming years. Real disposable income is to be expected to rise by 3.1% this year and by 2.3% next year, while consumption is expected to remain at a level of 2.4% in the year 2008 and 1.9% in the year 2009.

1.2.1 European Property Market Analysis

The global credit crisis has had a noticeable effect on the European property markets during the summer of 2008. The slow-down in the investment market, that started a year ago in the UK, has made its way into nearly every European country. In quarterly terms, transaction volumes have dropped considerably below long-term averages. Measured in absolute terms, the most substantial change has been in West Europe's large countries (the UK, Germany, France) and, on the whole, the trend has been negative throughout Europe. The largest relative changes have been felt in the core states of Central and Eastern Europe (CEE), namely Slovakia, Hungary and the Czech Republic. Comparing the first half of 2008 to the first half of 2007, the only countries where property market activity has increased in practise, have been Russia and Bulgaria.

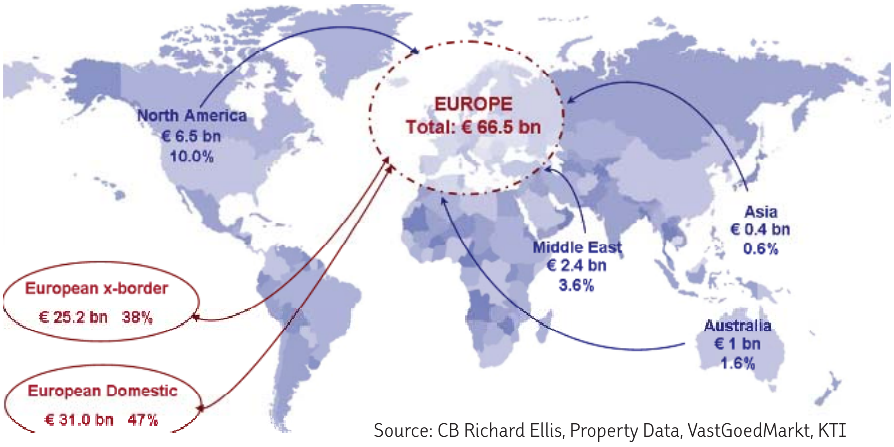
The reasons behind the reduction of transaction volume are pan-European. The views on property values can differ significantly between the buying and the selling parties. The buyer parties are worried about the uncertainty caused by the state of the financial markets and have taken it into account accordingly, whereas the seller parties will point out that the properties have a high occupancy rate and there is room to raise rental incomes further. However, the internationalization of the property market hasn't slowed down in conjunction with the reduction in transactions.

As investors have taken a cautious line in realizing their investments, owner-users' relative impact in supporting the vitality of the markets has increased. In almost a quarter of the European property transactions the seller party has been an owner-user. Of course, these transaction volumes have also been in decline in absolute euro terms.

In addition to the parties' differing views, the strained atmosphere in the finance sector has obviously hindered the finalizing of transactions. Liquidity in the financial markets has dried up drastically since the beginning of 2007, the amount of credit available has declined and the credit terms have worsened considerably. This is seen in the outright collapse in the number of large portfolio transactions in the current year. In the first half of 2008, over EUR 500 million transactions were made at an aggregate of EUR 9.8 billion, whereas last year's total was EUR 27.3 billion (-64% change). Correspondingly, the transactions as a share of the total transaction volume have dropped to 15% from last year's 27%. On the other hand, such dramatic changes have not been witnessed when it comes to transactions below EUR 50 million. Transaction volume for first half of 2008 in this segment was EUR 22 billion when last year's total was approximately EUR 30 billion (-27% change).

Source of funds into European real estate

In H1 2008 EUR 66.5 billion was invested in Europe; 15.5% of this came from outside the region

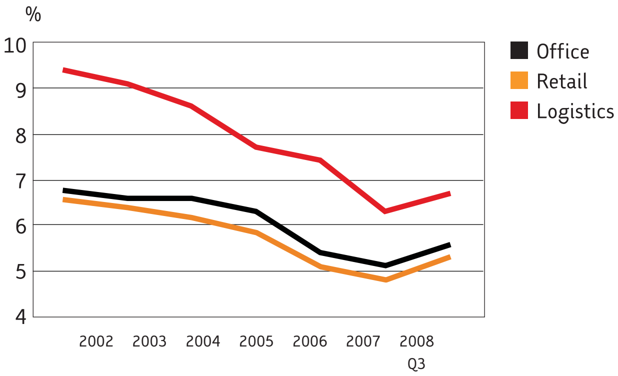


Source: CB Richard Ellis, Property Data, VastGoedMarkt, KTI

The change in the market in the Nordic countries has not been as extreme as in most other European countries. Even though the domestic economies of the Nordic countries are on a downward trend, they have nevertheless fared better than European countries on average. The Nordic property are also noticeably more diverse than elsewhere in Europe. The share of office properties in the property markets has been approximately 34% in 2008 and 38% in 2007 while similar figures for the whole of Europe have been around 44% and 55% respectively. In the Nordic countries, types of property that have been invested in consist of industrial sites, warehouses and residential housing, something that can't be considered a given in other parts of Europe.

Nonetheless, even Northern countries aren't immune to market changes. The yields have risen in all property classes, although less than elsewhere in Europe on average . The largest change has been felt in the office market, where vacancy rates have been noticeably higher than in other market segments. The average market value for prime and lower quality office properties have dropped by roughly 5-10% and 10-20% respectively from last year's peak levels.

Helsinki Prime yields 2002 - Q3 2008



1.3 Development Projects

Some development projects were valued by using a separate 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 two (2) properties in this quarter. The properties were the shopping centre Trio in Lahti and the shopping centre Rocca Al Mare.

In other potential development assets the valuation was based on current situation and 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 form of expected cash flow increase or in the value of unused building rights. At the same necessary costs for development have been added as investment costs in the calculation.

All undeveloped lots or those under development were evaluated based on their current zoning and the amount of unused building right. The value in each case was set based on market observations of similar lots.

2. RESULTS

The portfolio consists of a wide range of properties with different market values and varying in quality. The value of the total portfolio is calculated as the sum of the individual properties. A separate portfolio premium has not been applied. In the sections below we have presented the valuation result on a total and portfolio level. The different portfolios have been further grouped based on their geographical locations.

A large majority of portfolio value is in shopping centres. Especially in Finland, Citycon has a strong position in the shopping centre market by owning five of the 20 largest shopping centres. Also geographical allocation is even with over 46 percent of the Finnish portfolio value being located outside HMA (Helsinki Metropolitan Area).

Citycon has announced that its strategic focus is the development of existing property volume. Especially in HMA, Citycon owns several shopping centres and retail premises in the suburbs. Examples are, the Myllypuro, Martinlaakso and Laajasalo retail properties. In these properties, it is expected that there will be major development and reworking of town plans in the coming years. This often means the demolishing of old buildings and building new ones from the ground up. These properties are always evaluated on a case by case basis. In case a new town plan is enforced, and as a result the schedule for the development becomes clear, the valuation will take the building right into account, or if necessary, the valuation will be done through the so-called development model cash flow analysis.

Several retail properties, both in Finland and Sweden, have either major development plans or considerable potential for development. These properties include e.g. Tumba, Åkersberga, Koskikeskus, Iso Omena, Isokristiina and Torikeskus. The development of these properties is always considered on a case by case basis, often advancing in phases. This type of development is taken into account in valuation when credible plans and evidence of high likelihood for letting exists. In appraisal, the development potential signifies a potential increase in rental income levels that requires investment for realization.

2.1 Total Property Portfolio

The number of properties has remained the same. The change in market value has been caused primarily by the change in yield requirements in the face of increased uncertainty and the worsening economic situation. Rental levels have actually risen slightly since Q2, as have operating expenses, but these factors did not have a substantial effect when it comes to calculating the portfolio value as a whole.

The vast majority (nearly 73%) of the portfolio value is located in Finland. The rounded weighted average yield requirement of the total portfolio has increased by 0.2 percent to 6.2 percent compared to the last quarter (6.0% in Q2 2008). The weighted averages in the table are weighted by the value of the property. Therefore properties with higher values have a stronger influence on the average values than properties with lower values. The ten largest properties in the portfolio form close to 57 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, which forms ca. 15 percent share of the entire portfolio value.

The ten most valuable properties are:

- Iso Omena, Espoo, Finland
- Myyrmanni, Vantaa, Finland
- Trio, Lahti, Finland
- Jakobsberg, Stockholm (Järnfalla), Sweden
- Koskikeskus, Tampere, Finland
- Columbus, Helsinki, Finland
- Liljeholmen, Stockholm, Sweden
- Rocca Al Mare, Tallinn, Estonia
- Tumba Centrum, Stockholm, Sweden
- Forum, Jyväskylä, Finland

2.2 Finland

The allocation of the Finnish portfolio is efficient over Helsinki Metropolitan Area and the rest of the country. Approximately 80% of the Finnish portfolio value consists of shopping centre properties. Yield requirements have risen in all property types and classes but especially in lower, B and C grade assets. There have been no noticeable changes in market rents or management expenses when compared to last quarter: both have increased by approximately 2 percent. A large part of the increase in rental income is due to development projects, and not so much due to a trend in market rent level. In the retail premises, the increased expenses affect the rent level through the inclusion of expenses in the maintenance rent.

2.3 Sweden

The Swedish portfolio consists of many development projects that are either underway or under planning. Due to on-going development, rents been steadily rising. When it comes to yield requirements, the situation is much like in Finland. The yield requirements have risen less for the best properties and somewhat more for other properties. When considering the euro-term market values of the Swedish portfolio, it is important to notice that the currency rate of SEK has weakened some 3.8% from Q2 2008.

The overall weight of the Swedish portfolio is strongly focused on Stockholm and Umeå regions, and more specifically, on the shopping centres in these regions. A speciality of the Swedish portfolio is the large share of apartments in many of the properties. For example in Jakobsberg, a significant portion of the leasable floor area consists of apartments. The apartments also play a significant part in the relatively low yield requirements.

2.4 The Baltic Countries

In the Baltic countries, general uncertainty over the economy remains at a higher level than in the Nordic countries. The economic recession is having an affect on retail sales – in August retail turnover dropped by 6% year-on-year in real terms. So far this has not affected the rental levels, but it is quite apparent that the period of strong rental level increases is also over. This, however, is not to say that individual centres could not have potential for development in this respect. For example, Rocca Al Mare income from contracts has grown very positively as the development progresses.

Rocca Al Mare forms about two thirds of the Baltic portfolio value. Therefore, its effect on the weighted average of the Baltic portfolio is considerable. Rocca Al Mare is still under development and the extensions will be completed in autumn 2009. The openings of the extension's first phase was celebrated in the beginning of October. The leasing of refurbished spaces have so far progressed favourably and this is also evident in the porfolio's average rental increase (up over 5% compared to last quarter).

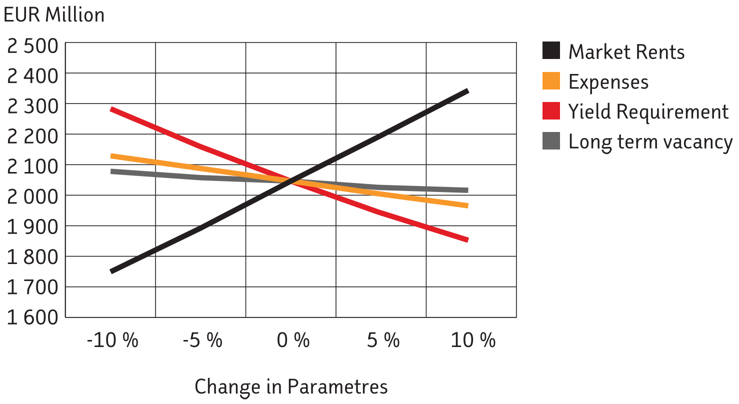
Total Property Portfolio 30 September 2008

30 September 2008	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	6.2 %	21.7	4.8	1513.6
Sweden	6.0 %	13.4	4.3	461.7
The Baltic Countries	7.1 %	20.7	4.7	111.0
Total	**6.2 %**	**19.8**	**4.7**	**2086.3**
Finland				
Helsinki Metropolitan Area				
Shopping Centres	5.7 %	25.9	6.0	680.6
Other retail properties	7.2 %	14.6	3.3	135.9
HMA Total	**6.0 %**	**24.1**	**5.5**	**816.5**
Other parts of Finland				
Shopping Centres	6.3 %	21.3	4.5	532.4
Other retail properties	7.4 %	11.8	2.3	166.1
Other total	**6.5 %**	**19.0**	**4.0**	**698.5**
Sweden				
Greater Stockholm Area and Umeå				
Shopping Centres	5.8 %	14.0	4.5	364.4
Other retail properties	6.1 %	12.6	2.4	20.2
Total	**5.8 %**	**13.9**	**4.4**	**384.6**
Greater Gothenburg Area				
Total	**6.5 %**	**10.5**	**3.7**	**77.1**
The Baltic Countries				
Total	**6.9 %**	**19.6**	**4.6**	**107.8**

3. SENSITIVITY ANALYSIS

The sensitivity of the fair value of the portfolio was tested by changing the key input parameters of the calculations. The parameters that were tested are required yield, market rent level, total expenses level (including operational costs and repair costs) and the estimated long term vacancy rate. For testing the starting point is the current market value of properties. The analysis is performed by changing one parameter at a time while all others remained unchanged and calculating the corresponding market value of the total portfolio. The figure below shows the results of the analysis.

The Sensitivity of Portfolio Value



The results indicate that the market value is most sensitive to yield requirement and market rent levels. A 10 percent decrease in yield requirement results in an approximately 11 percent increase in value. Correspondingly, a 10% increase in market rents increases the value by approximately 14 percent. A 10 percent increase in total expenses decreases the portfolio value by 4 percent.

The value is not as sensitive to changes in the levels of expenses or long term vacancy. A ten percent increase in the expenses decreases the market value of portfolio by ca. 4 percent. It should also be noted that in retail premises the rental levels and expenses levels have a connection as the rental level increases if expenses increase via the maintenance rent charged from tenant. This connection is not comprehensive, but still strong enough to decrease the expenses risk in the valuation.

The effects of changes in the vacancy levels are not studied on a similar scale as other parameters - vacancy level is altered 50 or 100 bp at a time. Therefore the relative change is higher than 5 and 10 percent at a time as is the case in other parameters. Still the effect of changes in the vacancy level is smaller than in the other parameters - a change of 100 bp in the vacancy level alters the value of portfolio by some 1.5 percent.