Valuation Statement

31 March 2009

CITYCON

creating success for retailing

1. APPRAISAL METHOD

Realia Management Oy has made a valuation of Citycon's property portfolio as at 31st of March 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.

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 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 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

Growth in the world economy slowed at an unparalleled rate during the last quarter of 2008. This trend persisted during the first months of 2009 and the world economy is currently heading towards a recession - while having already reached depression-like levels in some parts of the world. The international banking system has been stabilised through extensive intervention, but the financial markets remain crippled. According to the latest statistics by the European Central Bank, credit issuance by banks in Europe has shrunk on an aggregated level for the first time in decades. The largest change can be observed in the household sector, where the demand for credit has rapidly declined while the savings rate is increasing. In the business sector, the amount of net credit (lending – repayments) has been growing slightly, so far. If this so-called credit recession were to prolong and deepen, there is an increased deflationary risk and a risk of slow recovery of the credit-driven European economy.

Furthermore, from Finland's point of view, economic prospects have also worsened dramatically in a short period of time. Towards the end of last year, the forecast of zero-growth was widely believed to be on the mark, but during the first quarter of 2009, analysts lowered their outlook for 2009 at a rapid pace. At the moment, a negative growth of five percent is expected for the current year. The greatest change is in the outlook for exports, which has turned considerably bleaker. Considering the components of domestic demand, investment growth in particular has slowed. In addition, private consumption is developing at a far slower pace than last year and the household savings rate has increased.

Despite the overall negative sentiment, consumer confidence has recovered somewhat since last December's dive. The confidence index, compiled by Statistics Finland, was at -1.5 in March, and for February and January it was at -3.9. In December it had been at its lowest, -6.5. Despite the recovery in the consumer confidence index, confidence in the economy remains at a low level. Confidence has remained negative since October 2008, prior to that it was last negative during the depression years of the 1990s.

Forecasts of the economical trend in Finland, March 2008

by	Change in GDP (%) 2009	Change in GDP (%) 2010	Change in export (%) 2009	Unemployment rate (%)
ETLA, The Research Institute of the Finnish Economy	-6.5	0.0	-22.0	8.9
Bank of Finland	-5.0	-1.1	-19.6	7.8
Ministry of Finance	-5.0	-1.4	-17.4	9.0
Pellervo Economic Research	-3.5	-0.5	-12.0	8.1
Tapiola Bank	-4.0	-1.1	-9.0	8.5
OP-Pohjola	-5.0	-0.5	-15.0	7.9
Sampo Bank	-3.5	1.0	-12.0	7.6

Source: Talouselämä

Unemployment in Finland has been growing at a fast rate during the first part of 2009. In December 2008, Finland's unemployment rate was still at 6.4%, but in February 2009, it had already risen to 7.6%. With the economy turning sour, there is additional upward pressure on the unemployment levels in the coming years. Inflation, on the other hand, is abating. Towards the end of year 2008, inflation was still close to an annualized rate of 4%, but by February 2009, it had already declined to 1.7%. For the rest of 2009, an inflation rate of approx. 1% is currently expected.

In Sweden the economic situation is, by and large, comparable to Finland's situation. As the economic crisis worsens, Sweden's economic growth has stalled in line with other European countries, if not more so. Companies' health is dependent to a significant degree on the business sector in which they operate. Food industry and retailing have feared reasonably well while the prospects for the engineering industry are very gloomy in comparison. Every sixth manufacturing job is expected to disappear. The car and the construction industry branches that are of special importance to Sweden's economic vitality, are particularly feeling the pinch.

Sweden's GDP is expected to shrink by 4% in 2009. At the same time, the employment level is expected to collapse and unemployment rate to reach up to 10% during 2011. However, the weak Swedish krona will ease the export industry's pain and mitigate some of the negative effects the recession is having on the Swedish economy, especially when compared to neighbouring Finland.

1.3 Property Market Analysis

Due to international market and economic changes, investment property transaction volume began to decline already in summer 2007 due to the financial crisis that originated in the United States. The actual freeze in market liquidity, however, was experienced during the three quarters towards the end of 2008. Nevertheless, between January and March 2008, property transaction volume reached over EUR 2 billion in Finland, thanks to considerably large, but occasional transactions. After the first quarter, the quarter-to-quarter average transaction volumes fell to a level of approximately EUR 600 million. During the first months of 2009, the property markets have slowed even further. According to preliminary data, transaction volume for the first quarter will remain at a level of EUR 250 million.

With the international financial crisis, property investor activity in Finland has diminished considerably. Since fall 2008, the most active buyers by far have been domestic pension and insurance institutions, of which Varma has been particularly active - being a party in the majority of the major transactions that have been closed in the past few months. 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. Market demand can still be discerned and there is still capital looking for investment grade assets, but so far, views on property values have been so wide apart between the buyer and seller parties that transaction levels have not normalised. To date, the widely expected "forced sells" have scarcely been observed in the Finnish property markets.

Yield requirements on investment properties have been rising since the fall of 2007. The trend is still valid, although due to the small number of transactions, subtle market changes are challenging to recognise. At this moment however, a more pertinent issue than the yield requirements is the future of the rental markets. So far, the most obvious changes in the rental levels have been observed in the office markets, where an already high vacancy rate in conjunction with profuse new development and the economic recession have created a situation of oversupply, particularly in the Helsinki Metropolitan Area, where rental levels have begun to fall.

Rental levels and occupancy rates in retail premises have so far kept their ground, but as consumption and retailing dwindle, an ever increasing downward pressure is applied to retail premises' rent levels. According to Statistics Finland, retail sales were down by 5.6% year-on-year in February. Sales were reduced by 7.6% in the same time period. Most of the drop can, however, be explained by the leap day as February 2008 had one additional sales day. The cumulative yearly change in retailing value in the beginning of the year (January–February) was 1.8% in value and 3.7% in quantity.

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. Therefore, 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 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 properties in this valuation. The properties in question were the shopping centre Rocca Al Mare in Tallinn and the shopping centre Liljeholmstorget in Stockholm.

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 adding necessary development costs as investment costs in the calculation.

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's property portfolio consists of 90 heterogenic properties varying in quality and with different market values. 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 (over 80 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, 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, have either development plans underway or potential for development. These properties include e.g. Tumba Centrum, Åkersberga 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. This type of 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 leasable floor area, requiring investment for realization in addition to a feasible construction or development time frame.

2.1 Total Property Portfolio

The aggregated market value of the whole portfolio has been valued at EUR 2.085 billion. The aggregated value of portfolio has increased by EUR 60 million (EUR 2.021 billion in Q4 2008). The change in relative terms is approximately +3.5% overall. The reason for the positive change in value is the completion and the resulting valuation of Rocca Al Mare and Liljeholmstorget in full extent. In the previous quarter, these development projects were not fully taken into account in valuation.

If the before mentioned development projects effects were to be disregarded, the value change of the property portfolio would be negative. From a mathematical point of view, the most significant reasons for the change are the increased yield requirements and the growth in the assumptions on vacancy rates. No significant changes have been observed in rental levels so far. Furthermore, in the preceding quarter, most of the properties' rental levels have been adjusted according to the employed index, which means that contractual rents have, in effect, increased.

The majority (approximately 70%) of the portfolio value is located in Finland. The weighted average yield requirement of the portfolio has increased by 0.1 percentage points to 6.5 percent (6.4% Q4 2008). 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. The ten largest properties in the property portfolio form over 60 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
- Myyrmanni, Vantaa, Finland
- Trio, Lahti, Finland
- Liljeholmenstorget, Stockholm, Sweden
- Rocca Al Mare, Tallinn, Estonia
- Koskikeskus, Tampere, Finland
- Jakobsbergs Centrum, Stockholm (Järfälla), 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 value of the Finnish portfolio declined, in total, by approximately one percent since last quarter. The weighted yield requirement has increased by 0.1 percentage points and has reached 6.5% (6.4% Q4 2008). Rental and operational costs have increased slightly. 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. Yield requirements have risen for all property types and classes, especially for lower, B and C grade assets.

The most significant additions to the Finnish portfolio are the inclusion of purchased undeveloped plots in Lippulaiva, Espoo and Iso Kristiina, Lappeenranta. The undeveloped plots have been included in the valuation in the form of unused building right. The index adjustments in the rental levels resulting from high inflation were concentrated on the first quarter.

2.3 Sweden

In valuing the Swedish portfolio, a noticeable adjustment was the inclusion of Liljeholmenstorget shopping centre development project (Stockholm) in the valuation in its full extent. In the previous valuations, only the unaltered part of the project was included in the valuation, while the actual development project was included in the accounting according to actual costs. As the entire development project has been included in the valuation, Liljeholmenstorget's market value has risen by almost EUR 80 million when compared to the last quarter. As a result, the revaluation of the project has lifted the Swedish portfolio out of the red. The construction in Liljeholmen is still underway. According to the schedule, the project will be completed in fall 2009.

The development of Liljeholmenstorget and the resulting weight increase in the above table has an increasing effect on the Stockholm Area rental and operational costs. Both parameter values have increased substantially when compared to the previous quarter. Liljeholmenstorget weight is now over a third of the Stockholm and Umeå property portfolio, and as the development proceeds, the property value and the effect on the attributes will keep growing.

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. The Gothenburg region's properties consist mostly of properties functioning as municipal centres of the surrounding municipalities, where the municipality is typically a major tenant. 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.

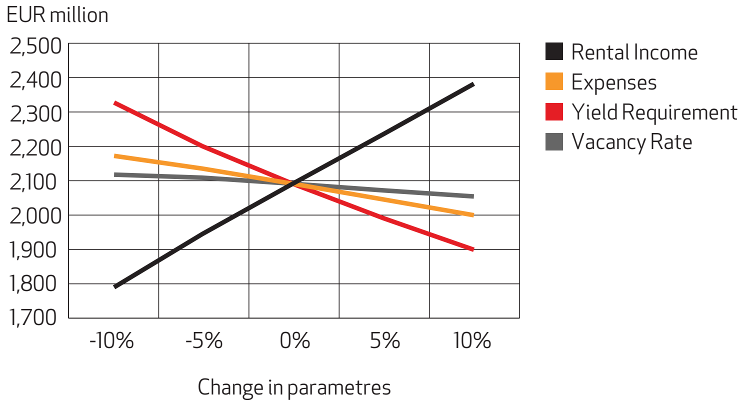
2.4 The Baltic Countries

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 by over ten percent from last year's figures, and this has begun to affect the tenants' ability to pay rent. Aggressive rent increase opportunities, rendered possible by high inflation (over 10%), have generally been moderated, and during the beginning of the year petitions for reduction in rent have increased in quantity, although the vacancy rates as such have remained at high level. The tenants' ability to pay rent has been taken into account in lowering rental income potential between 2009 and 2011. In addition, the assumed long-term vacancy rates have been adjusted upwards.

Citycon's prime property in the Baltic region is Tallinn's Rocca Al Mare Shopping centre where an extensive expansion and development project is taking place. The property's degree of completion and the rental of new premises have both progressed smoothly, and despite the otherwise worsened economic climate, the market value has risen when compared to the last quarter. Rocca Al Mare now forms close to 80 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 fall 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.

31 March 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%	22.1	4.9	1,463.1
Sweden	6.5%	18.0	5.2	471.2
The Baltic Countries	7.6%	20.1	4.3	151.1
Total	**6.5%**	**21.0**	**4.9**	**2,085.4**
Finland				
Helsinki Metropolitan Area				
Shopping Centres	6.0%	26.0	5.9	665.0
Other retail properties	7.6%	14.8	3.3	124.8
HMA Total	**6.2%**	**24.3**	**5.5**	**789.8**
Other parts of Finland				
Shopping Centres	6.5%	21.7	4.6	521.9
Other retail properties	7.7%	11.9	2.4	151.4
Other total	**6.8%**	**19.5**	**4.1**	**673.3**
Sweden				
Greater Stockholm Area and Umeå				
Shopping Centres	6.3%	19.6	5.6	390.6
Other retail properties	6.8%	11.9	2.4	16.7
Total	**6.4%**	**19.3**	**5.5**	**407.3**
Greater Gothenburg Area				
Total	**7.3%**	**10.2**	**3.5**	**63.9**
The Baltic Countries				
Total	**7.6%**	**20.1**	**4.3**	**151.1**