Valuation Statement

30 June 2011

CITYCON

creating success for retailing

1. APPRAISAL METHOD

Realia Management Oy has made a valuation of Citycon's property portfolio as at 30th of June, 2011. The valuation was carried out as a cash flow analysis of the net operating income for a period of 10 years. For undeveloped plots, properties subject to town plan alterations and for buildings of low value due to their current state, market values for the relevant assets are determined by the value of building right.

The properties have been inspected by Realia Management Oy originally during 2007. Re inspection of properties is carried out as needed, giving emphasising to the most important assets, newly acquired properties and development projects. During the second quarter, the following properties have been inspected: Sampokeskus, Myllypuron Ostoskeskus, Kotkan Keskuskatu, Myyrmanni, Isomyyri, Koskikeskus, Tullintori and Columbus.

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 Market Analysis

The world economy has been shaken by events in oil producing countries in the Middle East and North Africa, Japan and especially as of late in Greece. While the outlook for the world economy has remained somewhat positive, it remains largely split between the strong emerging markets and indebted western markets. With the ever-continuing uncertainty in financial markets, sluggish recovery in the US and Europe, faster than expected global inflation and the continuing presence of shocks that abound throughout the globe will no doubt reflect in global growth that has been expected to grow by 4.4 % in 2011, a figure that is likely in need of revision.

In Europe the markets have been dominated by worries surrounding the periphery Euro-area countries, unrest in Middle East and North Africa, sluggish growth and hikes in the European Central Bank key interest rates. The ECB interest rate increases are welcomed by fast growing countries such as Finland, but detrimental to the economies in high debt and non-existent growth, making a case in point of the woes of steadily fracturing Europe. Furthermore, a strong indication of an additional ECB key interest hike in July has been put into question after renewed worries of Greece whilst inflation in the whole Euro-zone is running at a rampant 2.7 %, and now nearing 100 basis points over the 2 % target inflation set by the ECB.

Finland

Finland has been a shining star among its Euro-zone brethren with a rapid year-on-year GDP growth of 4.7 % in March, according to the last figures by Statistics Finland. According to Bank of Finland, growth has slowed since the turn of the year but remains on strong footing with an expected growth of just under 4 % for the whole of 2011 and approximately 2.5 % for the following years. The growth is hinged upon strengthening employment figures and steady improvement of economic situation of businesses and consumers across the board. Future prospects are nevertheless marred by worries of increasing public sector indebtedness, aging population and spiralling wage increases at these uncertain times.

According to Statistics Finland, annualised inflation rate was at 3.3 % in May 2011, a level where it has roughly been since the beginning of the year and is now approximately three quarters of a percentage point higher than the Euro-zone average. According to Bank of Finland, inflation is likely to remain at a level of 3.5 % for 2011, but expected to fall back to an average level of 2 % for 2012 and 2013. Similarly, unemployment levels are expected to improve and now stand at 7.7 % (smoothed May figures), 0.7 percentage points from a year earlier, and forecasted to come down to 7.4 % for 2012.

Consumer confidence has taken another hit and the index now stands at 11.4 in June, while in May and April the figures were 15.4 and 17.8 respectively. Consumer confidence is lower than a year ago and is now below its 10-year average. All four components of the index fell, especially consumer's view of their own and Finland's economy and their views on unemployment development. The fourth component, savings possibilities, remained nevertheless relatively strong.

Despite the glum confidence trend, retail sales grew at a steady 7.9 % year-on-year in May, or 5 % when adjusted for price. Purchasing power is, however, likely to be affected by austerity measures as well as ECB interest rate increases. This is a particular worry as, according to Bank of Finland, indebtedness of Finnish households has reached record levels with the majority of mortgages having been tied to fluctuating short-term rates.

Sweden

Sweden's economy had an outstanding growth in 2010, unmatched by any other EU country, and grew by 5.5 %. Aided by solid exports figures and increases in inventory and fixed capital, the economic growth continued strong during the first quarter of 2011 reaching a very pleasing rate of 6.4 %. However, according to Sweden's National Institute of Economic Research (NIER), the growth is likely to slow to a more modest 4.9 % in the second quarter largely due to weak retail sales, but also reflecting a break in the strong upward trend in construction, manufacturing and the service sector. With the sagging growth of the world economy and its effect on Sweden's exports, the Swedish economy is expected to grow by 4.4 % in the whole of 2011, and by 2.9 % in 2012. According to Eurostat, unemployment level has remained roughly at 7.7 % with virtually no improvement over the past six months, and now having been almost caught up by Finland.

Swedish Riksbank has raised its repo rate in 2011 first to 1.5 % in February and by a further 25 basis points in April to 1.75 %, with likely further increases spread out over the year to keep price and asset inflation in check. Inflation, according to Eurostat methods, has remained just below a still healthy 2 %. Swedish consumer confidence index however, an index compiled by NIER, was at its lowest since March 2010, and was at 16.7 in June having averaged 21.4 for the first quarter in 2011 and 22.3 for the fourth quarter in 2010.

Baltic Countries

One of the key drivers for growth in the Baltics area has been the determined recovery in the Nordic region and Germany. While joining the Euro zone has bolstered market confidence in Estonia, inflation has remained persistently above 5 % since November, now at 5.5 % in May as according to Eurostat, but is expected nevertheless to halve for 2012. The IMF economic growth projections for Estonia are 3.3 % for 2011 and 3.7 % for 2012, whereas figures for Latvia and Lithuania are 3.3 % and 4.6 % for 2011 and 4.0 % and 3.8 % for 2012 respectively. Unemployment, highest among European countries, remains a considerable problem in the Baltics. Although unemployment has come down from the crisis-time highs, it has barely improved in the half-year. Furthermore, purchasing power in Latvia and Lithuania is affected by strict austerity measures undertaken in order to meet Euro zone accession criteria.

1.3 Property Market Analysis

Sentiments surrounding Finnish real property markets have been anticipatory and upbeat since the summer of 2010. Despite the positive expectations, market activity has nevertheless remained subdued. Some major property transactions have, however, finally taken place in the previous quarter most prominent being the Fennia block and a property known as Sitra-talo in Ruoholahti. Aided by these transactions, the past quarter's transaction volume is likely to reach to a level of EUR 500–700 million. This would result in twice the figure of first quarter's EUR 230 million, yet still quite moderate when compared to the average transaction levels of the 00's.

Property market transactional activity is expected to increase in the next few years from the levels of 2009-2010. It is expected that market supply will increase e.g. due to a large volume of maturing financing. At the moment, financing availability is limited and a significant factor in future development of the property markets is the financiers' position on real property financing. Financing institutions require high quality and a good rental situation or else loan-to-value ratios will remain low. This plays a part in the worsening divide of the property markets – the best properties have increased in value while lower quality and even some average properties are still feeling the squeeze on prices. Southern periphery countries have also added to the general uncertainty lately and these countries may have a detrimental effect on the financial sector, including real property financing.

Swedish property market has recovered at a noticeably faster pace from the abrupt market freeze some years ago than its Finnish counterpart. Swedish aggregate transaction volume was approximately EUR 11 billion in 2010 while in 2006, at its highest, property transaction volume peaked at 17 billion. A noteworthy difference between property markets in Sweden and Finland is Sweden's considerably better liquidity and transparency. Transaction activity is domestic-led with plenty of small but active market participants also. Unlike in Finland, demand and deal-making has spread out outside of the capital region to a large extent, even if Stockholm remains the main attraction for cross-border investors.

The Baltic countries are also gradually pulling out of the depths of recession. The fastest recovery has been in Estonia where the public austerity measures have left the macro economy in a very good shape when considering the coming years. Also, the common currency, Euro, was taken into use in Estonia at the turn of the year. Consumer demand remains weak in the Baltics and rental markets are also still facing considerable challenges. Nevertheless, in Estonia particularly the first major transactions since the recession have been observed to have taken place.

Year 2010 was a year of strong growth in European big property markets. In addition, price levels have recovered to a state very close to the before financial crisis period. For example, in the UK, the property cycle is considered to have turned and for the most parts the time is over for lowering yields. It is thus expected that investor interest will be directed towards late-cycle markets (such as Finland), increasing again the share of foreign direct investors in Finnish property markets. Nordic investors have already been observed to take initiative and becoming more active in Finnish properties markets. Demand is still focused on Helsinki Metropolitan Area. It remains to be seen to what degree and at what speed demand will expand to regional cities.

1.4 Development Projects

The development projects have been included in valuation of the total portfolio. In the applied valuation model, future rental income is based on finalised rental agreements and rental projections of the valued development project. Conversely, the development period is considered a period where premises generate no income and where uncommitted investments are included in the costs side of the valuation model as a value reducing factor. Thus, the value of development projects increase automatically as investments are committed and the opening day of the renewed premises is approaching. There are few considerable projects underway: the new shopping centre in Myllypuro Helsinki, the new shopping centre in Martinlaakso Vantaa and Koskikeskus in Tampere. In addition, several smaller development projects are underway or about to be commenced.

All properties are evaluated based on their current plan unless otherwise noted. Should an ongoing plan alteration be in process, unambiguous decision made and relevant document exist, and thus property's purpose of use and attributes be 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 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 if needed in the valuation.

2. RESULTS

Citycon Oyj owns 62 properties in Finland, 15 properties in Sweden, and 3 in the Baltic countries, two in Estonia and one in Lithuania. All in all Citycon Oyj either fully owns, or owns a share of 80 different properties or property companies. The property portfolio is very heterogeneous both in quality and in value. The body of the holding is formed by 34 shopping centre properties, although the portfolio also includes other commercial properties, occasional commercial premises, redevelopment properties and, for example, one unbuilt lot. Citycon Oyj 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).

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.

2.1 Total Property Portfolio

The aggregated market value of the whole portfolio has been valued at approximately EUR 2 370,5 million. The aggregated value has decreased by approximately eight million Euros quarter-on-quarter (EUR 2.379 billion in Q1 2011) and in relative terms approximately 0.4 %. The negative adjustment in value is mostly explained by exchange rate fluctuations. Exchange rate fluctuation between the Euro and Swedish Krona has negatively affected the value by approximately EUR 17 million when compared to the previous quarter.

The weighted average yield requirement of the portfolio has remained at 6.4 % (6.4 %, Q1 2011). The yield requirement has come down slightly in few of the properties located in Finland, Sweden and the Baltics. This is due to positive development in the markets and, in part, due to the improvement in properties, mainly in the form of advancing development projects. The average initial yield is now at a level of 6.1 % (6.2 % Q1 2011) and the reversionary yield at 7.0 % (6.9 % Q1 2011).

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, 12 percent of the 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 most valuable property in the portfolio is shopping centre Iso Omena in Espoo, Finland.

2.2 Finland

The Finnish property portfolio has been valued at approximately EUR 1.546 million, which is 0.6 % higher than in the previous quarter (EUR 1.537 million in Q1 2011). The weighted yield requirement for Finnish properties is at 6.43 %, 6.4 % in Q1 2011. Similarly, the average initial yield is at a level of 6.1 % (6.2% in Q1 2011) and yield for market rents at 7.1 % (6.9 % in Q1 2011).

Changes in the Finnish property portfolio are largely explained by slight reductions in yield requirement in the best properties and by development projects. The chief change in development project was the commencing of the Tampere Koskikeskus project whereby the property's initial yield has temporarily come down (premises under construction) and correspondingly rental potential and reversionary yield for the property when completed has increased. Overall, the yield requirement has decreased in ten properties in the Finnish portfolio. In contrast, maintenance and repair costs have adjusted upwards in many properties.

2.3 Sweden

Market value of the Swedish property portfolio has been valued at EUR 656 million, which is approximately 2.8 % lower than the previous quarter's value (EUR 675 million in Q1 2011). The negative change in value is mainly due to the changes in the exchange rate. In addition, apartments were sold in the past quarter in Tumba Centrum, and have thus been excluded from valuation. For the entire Swedish portfolio, the weighted average of yield requirements is at 6.0 % (6.0 % for Q1 2011). The yield requirement has come down in two properties and has remained the same in rest of the properties.

2.4 The Baltic Countries

The market value of the Baltic portfolio has been valued at EUR 168 million (EUR 168 million for Q1 2011). The average yield requirement has remained at 8.0 % (8.0 % in Q1 2011).

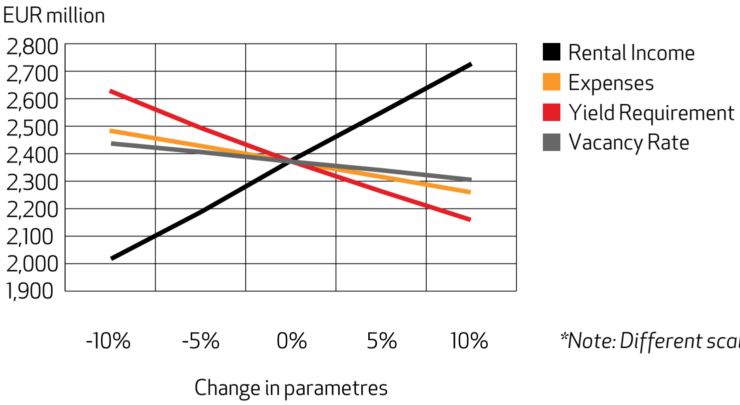
The downward spiral in the Baltic economy has levelled out, especially in Estonia. The property markets are also gradually recovering and few, large property transactions are in the works. In the first quarter of 2011, Citycon announced the purchase of Kristiine shopping centre in Tallinn for approximately EUR 105 million. Due to the positive market development, upward pressure on yield requirements has abated and cautious anticipation of lower yield requirements has taken place in best properties. Temporary rents reductions are still in place in many of the properties in the Baltic countries, which are generally valid for a few months at a time. However, occupancy rates for quality premises have remained at a high level so far. The tenants' declined ability to pay rent has been taken into account through cash flows adjustments for periods between 2011 and 2013 despite the fact that thus far rent concessions have been only few months in duration at a time.

30 June 2011	Number of Properties	GLA, (sq.m.)	Wght. Average Net Yield Requirement, %	Wght. Average Initial Yield, %	Wght. Averag Reversionary Yield, %	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	62	578,610	6.3%	6.1%	7.1%	24.7	5.9	1,546
Sweden	15	289,625	6.0%	5.8%	6.7%	23.7	7.1	656.3
The Baltic Countries	3	70,505	8.0%	7.7%	8.1%	19.5	2.7	168.1
Total	**80**	**938,741**	**6.4%**	**6.1%**	**7.0%**	**24.0**	**6.0**	**2,370.5**
Finland								
Helsinki Metropolitan Area								
Shopping Centres	9	185,935	5.8%	5.6%	6.1%	28.0	7.0	733.0
Other retail properties	21	79,536	7.6%	6.2%	9.2%	16.5	4.3	130.6
HMA Total	**30**	**265,471**	**6.0%**	**5.7%**	**6.6%**	**26.3**	**6.6**	**863.6**
Other parts of Finland								
Shopping Centres	14	199,797	6.4%	6.3%	7.3%	25.0	5.5	551.5
Other retail properties	18	113,342	7.8%	7.8%	9.0%	12.7	3.2	130.9
Other total	**32**	**313,139**	**6.7%**	**6.6%**	**7.7%**	**22.6**	**5.0**	**682.4**
Sweden								
Greater Stockholm Area and Umeå								
Shopping Centres	7	208,447	5.8%	5.5%	6.5%	25.6	7.6	553.6
Other retail properties	2	10,927	7.0%	7.3%	7.5%	15.3	3.9	20.6
Total	**9**	**219,374**	**5.9%**	**5.6%**	**6.5%**	**25.2**	**7.4**	**574.2**
Greater Gothenburg Area								
Total	**6**	**70,251**	**7.0%**	**7.5%**	**8.3%**	**13.3**	**4.9**	**82.2**
The Baltic Countries								
Total	**3**	**70,593**	**8.0%**	**7.8%**	**8.2%**	**19.7**	**2.7**	**167.6**

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 sensitivity of portfolio value



**Note: Different scale used for vacancy variable*

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 almost 15 percent.

The market value reacts also to a change in vacancy and operating expenses, but their relative effect is not as great as changes to rental income and yield requirement. A ten percent increase in the expenses decreases the market value of the property portfolio by nearly five percent. It should be noted however 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 examination scale of vacancy rate is different from what is used with other parameters, and is altered by 1.0 or 2.0 percentage units at a time. Thus, the relative change is bigger than in other parameters. Two percentage units increase in vacancy reduces the market value by approximately 3.0 percent. However it should be highlighted, that vacancy is an important variable in real estate investment. If realised, it has a considerable effect on other valuation parameters and market value in a way that is not fully demonstrated in a simplified examination of value such as the one used here.

4. VALUATION STATEMENT

We have made an assessment of the market value of Citycon Oyj's property portfolio. We have defined the value as at June 30th, 2011. The valuation was primarily carried out as a cash flow analysis. Based on the provided information, we have evaluated the overall debt-free market value of the portfolio at approximately EUR 2,370,500,000 (two billion three hundred seventy million five hundred thousand euro).

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