Valuation Statement

30 September 2010

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, 2010. 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 subject to town plan alterations, market values for the relevant assets are determined by the value of building right in the existing town plan.

The properties have been inspected by Realia Management Oy originally during 2007. Re inspection of properties is carried out as needed, emphasising the most important assets, newly acquired properties and development projects. During the previous quarter, the following properties have been re-inspected: IsoKristiina, Sampokeskus, Jyväskylän Forum, Jyväskeskus, Espoontori, Lippulaiva, Länsi-keskus, Iso Omena, Otaniemen Liikekeskus, Heikintori and Martinlaakson ostoskeskus.

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 strong growth of the world economy has been supported by exceptionally large monetary and fiscal stimulus packages and by an increase in demand as companies restock their inventories. The rapid growth in the world trade is expected to slow down considerably as soon as 2011 when fiscal stimulus packages have ran their course and governments around the world take measures to limit public debt by applying stringent economic policies. Even a temporary slow-down in the economic growth of the developed countries may result in a downward spiral in much of the world. Several factors are behind the uncertainty in the outlook for the world economy. These are for example the frailness of the economic growth, the indebtedness of the public sectors, imbalance in financing and the sluggish improvement in unemployment. Conversely, the world economy may grow faster than expected if the rapid growth of the emerging markets is maintained and the effect of these markets on supporting the world economy proves to be greater than expected. Especially in Europe, the danger lies in the high indebtedness and the shakiness of Banks' balance sheets. According to Etla, the world economic output will grow by 4.5% this year and by 4% during 2011 and 2012. The strongest growth can be observed in Asia, more specifically in China, with an expected growth rate of 10% for both the current year as well as for the next. (Sources: Bank of Finland, Etla)

Finland

The Finnish economy began to recover faster than expected during spring 2010. The year-on-year growth in gross domestic product was 5.1% in June. The annual increase for industrial output was 9.2% in July, and the solid growth trend is expected to continue throughout the rest of 2010. The growth is driven by traditional industry and production aimed at domestic markets, differing from the drivers of growth seen in the beginning of 21st century. The exceptionally low interest rates and the government's stimulus, especially the housing development stimulus, have supported the domestic markets throughout the recession.

The unemployment rate decreased by 0.3 percentage points from a year ago and came down to a level of 7.3% in August 2010 (7.5 % in July 2010). A clear improvement can already be observed in employment. In July 2010, inflation climbed to 1.2% where price increases in apartment shares, real property, fuel and electricity, in addition to rent level increases from last year's August, pushed up inflation. Consumer prices in Finland are expected to remain at a higher level than the Euro-zone average, although inflation is estimated to remain at around 2% during the next few years.

Consumer confidence has risen to a surprisingly high level in the aftermath of the recession. According to the consumer confidence indicator by Statistics Finland, the consumer confidence was at its strongest in September when the indicator's index reached 23. The index was at 21.9 in August, 19.1 in July and at 11.7 a year ago.

Retail sales increased by 5.5 % in August while the volume of sales increased by 5.4 % year-on-year. The value of retail sales increased in almost all major sectors, all in all by EUR 3.5 billion between January and July. The largest sector, wholesales, grew by close to 7% (EUR 2.4 billion), while car dealership grew the most, 12 % from a year earlier. Both retail sectors, wholesales and car dealership, collapsed during 2009 and were thus left with more room for a strong rebound. The total retail sales value is expected to increase by approximately 3% during 2010. While the retail sector employment grew strong during the second quarter of this year, the considerable drop in retail employment levels in the beginning of the year will shrink the total employment by half a per cent for the whole of 2010.

Due to the large share of investment goods in the total exports, the demand for Finnish exports picked up noticeably later than the increase in international trade. The Finnish export growth will pick up speed towards 2011–2012, but the growth in gross product will remain slower than before the financial crisis.

Sweden

The Swedish economy has recovered rapidly and the GDP is expected to increase by approximately 4% this year. The expansion of the economy is believed to slow down next year, but nevertheless remain strong. The recovery in world trade has supported Swedish exports and expanded the backlog of orders considerably, although the expected slowdown in economic growth during 2011–2012 is poised to reduce also the demand for Swedish exports. The economy is getting back on its feet again on a wider scale as even investments, especially investments in housing, have increased rapidly.

Consumer consumption has increased with vigour and the domestic demand is believed to be the main driver of economic growth. The employment has improved and unemployment is expected to reduce further during the next two years but still to remain at a level of 8%. The labour market will become the greatest political challenge during the beginning governing term, as considerable overhauls in policy can become cumbersome with a minority government.

The Swedish central bank, Riksbanken, is expected to increase its repo rate steadily, and in 2012, the repo rate is expected to reach 3%. The most debt-laden households will thus become more cautious in their consumption.

The Baltic Counties

The growth in exports has strengthened the recovery of the Baltic countries. All the Baltic countries have benefitted from the recovery in the EU-area, especially from the recovery in the Nordic countries and Russia. The high unemployment rate in the Baltic countries is one of the greatest challenges on the road to a sustainable recovery, and also in getting the private consumption to support the growth of the economy. Price inflation is also worrying the Baltic government officials who aim to limit the inflationary pressures created by e.g. limits in output capacity, the pressures that threaten the competitiveness of the countries. Estonia will become a member of the EMU in the beginning of 2011 having fulfilled the criteria of Maastricht, but Latvia and Lithuania must fulfil the criteria in 2012 in order to become members in 2014.

The strict economic policies are still in place in all of the Baltic countries. The situation in Estonia is good and the Estonian government is expected to reach budget balance in 2014, while Latvia and Lithuania are still working hard to push deficit levels down to the level specified by the EMU entrance criteria so that the Euro can be taken into use in 2014.

1.3 Property Market Analysis

The overall market outlook has improved since summer as news of stronger than expected economic expansion and the spreading positive sentiments in all industry branches in Finland has boosted investor confidence. There has been a solid demand for high quality properties and financial arrangements have not posed a problem either. The primary reason for the small transaction volume is the focusing of demand on the best properties where supply has been limited. The values of these prime properties have already started to climb slowly. Then again, the property market is still very fragmented and the divergence between different submarkets is great. So far, the positive development has not included average or below-average grade, so called B and C category, properties.

Total transactions volume of 2010 until September is expected to remain at approximately one billion euros, which is even less than last year when an aggregate transaction level of EUR 1.3 billion was attained. In terms of the number of transactions, there has been a slight increase when compared to last year, but their average size has typically been around only a few million euros while during the boom years the average size of a transaction was considerably larger and even in 2009 somewhat larger.

In 2009, the share of retail property investment, when compared to the whole investment stock, was 32 %, making its share the largest among different property types. Retail properties are expected to remain the most popular property investment type also in 2010, especially due to the high vacancy levels in the office markets in Helsinki Metropolitan Area, making office properties more demanding and riskier as investment assets. Demand for retail properties is expected to expand beyond just prime properties, given that steady cash flow is available.

The vacancies in retail premises in HMA have remained low, at approximately 3–4%, and the amount of empty premises has already started to decline. In other parts of Finland, the divergence between different geographical areas is considerable. As sales have surged, the increase in vacancies has also been reversed in the sub-market for so-called space intensive retail premises. Sales of infrequently bought commodities have also increased. In growth centres, the demand for space intensive and infrequently bought commodity premises is already believed to have begun increasing slightly.

The retail premises market remained relatively stable throughout the recession because consumer demand held up relatively well despite the recession, and thus the dip in retail sales was smaller than expected. The low inflation and low interest rate coupled with long-term high consumer confidence have helped retail sales to a growth vector. The rent levels for best premises have continued to rise slowly and signs of rent level increases are observed at other retail premises too. In shopping centres, the continuing raise of maintenance costs is also placing an upward pressure on gross rent levels. There are again retail and shopping centre development projects that are under construction or about to be initiated. Retail development is believed to gain momentum in 2011, especially in the proximity of new residential areas where new shops and shopping centres will be built.

1.4 Development Projects

Development projects can be 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 one property in this valuation. The property in question was the shopping centre Åkersberga Centrum in Sweden. In other assets valuation was based on the regular cash flow analysis adjusted for development projects on the property. Properties were evaluated based on the current rental situation and current allocation of premises. If considered appropriate, future development potential has been taken into account in the value of unused building right 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 owns 65 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 83 different properties. The property portfolio is very heterogeneous both in quality and in value. The body of the holding is formed by 33 shopping centre properties, although the portfolio also includes other commercial properties, occasional commercial premises, development properties and, for example, one unbuilt lot. 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).

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 2,294 billion. The aggregated value of portfolio has increased by approximately EUR 51 million quarter-on-quarter (EUR 2,243 billion in Q2 2010). About half of the value change in euro terms can be explained by the changes in exchange rate between the euro and the Swedish krona; the krona has strengthened approximately 4% against the euro in the past quarter. In addition to fluctuations in the exchange rate, the positive change in aggregate value can be explained by a reduction in yield requirements and the advancement of large development projects, such as Espoontori, Åkersberga Centrum and Forum in Jyväskylä. There has also been a slight positive development in the net rental income.

The weighted average yield requirement of the portfolio has come down by a tenth of a percentage point, now at 6.5 percent (6.6% Q2 2010). In several of the properties in Finland and Sweden, the yield requirement has come down slightly. The average initial yield has remained at a level of 6.4% (6.4% Q2 2010) and the market rent yield has come down, to a level of 7.3% (7.5% Q2 2010).

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 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 1,491 million, which is 2.2% higher than in the previous quarter (EUR 1,460 million in Q2 2010). The weighted yield requirement has remained at 6.5% (6.5% for Q2 2010), although in some properties the yield requirement has come down slightly. The average initial yield, however, has come down to a level of 6.3% (6.4% in Q2 2010) and reversionary yield down to 7.2% (7.4% Q2 2010).

The positive change in value of the Finnish portfolio is largely explained by a lower yield requirement in larger properties and development projects (e.g. Forum in Jyväskylä and Espoontori). Overall, the yield requirement is lower in 14 properties and higher in three properties in the Finnish portfolio compared to Q2 2010. The changes have been mainly moderate. The reversionary yield has come down due to advancement of development projects and increase in value.

2.3 Sweden

Market value of the Swedish property portfolio has been valued at EUR 640 million, which is approximately 3.2% higher than the previous quarter's value (EUR 620 million in Q2 2010). The positive change in value is mainly due to the changes in the exchange rate. Measured in Swedish krona the value of the Swedish portfolio has come down by close to one per cent due to a property transaction of housing property, part of Åkersberga Centrum. The value of this transaction was SEK 180 million, which translates to approximately EUR 20 million.

The Swedish property markets have developed positively during the spring and summer; many transactions have taken place with rather positive yields. This has been taken into account in valuation through lower yield requirements in the Swedish portfolio's best and most valuable properties. For the entire Swedish portfolio, the weighted average of yield requirements has come down to a level of 6.1% (6.2% for Q2 2010). The yield requirement has come down in nine properties and has increased in one.

2.4 The Baltic Countries

The market value of the Baltic portfolio has remained at EUR 163 million (EUR 163 million for Q2 2010). The average yield requirement has also remained at 8.2 %.

The downward spiral in the Baltic economy is levelling off, especially in Estonia. Transaction volumes are still low, but the upward pressure on yield requirements has abated. Temporary rents reductions are still in place in many of the properties in the Baltic countries, which generally are valid for a few months at a time. However, occupancy rates for quality premises have so far remained at a high level. The tenants' declined ability to pay rent has been taken into account through adjustments of cash flows for the time period between 2010 and 2012 despite the fact that thus far rent concessions have been only few months in duration at a time.

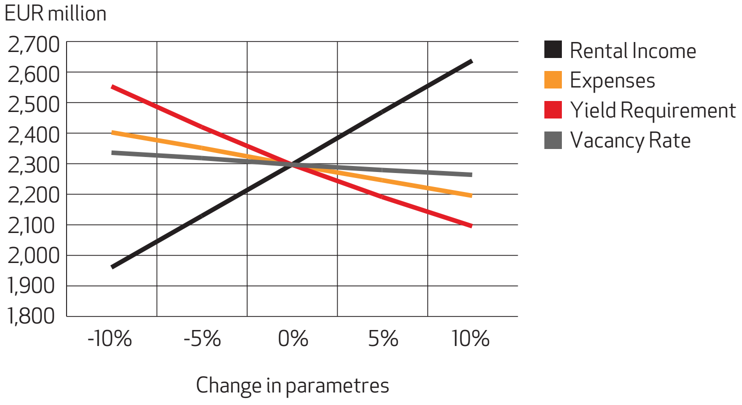
Citycon's prime property in the Baltic region is Tallinn's Rocca Al Mare Shopping centre where the third and final stage of an extensive development and extension project was completed in November 2009. Rocca Al Mare now forms over 85 percent of the value in Citycon's Baltic portfolio. Therefore, its effect on the weighted average of the Baltic portfolio is considerable.

30 September 2010	Number of Properties	GLA (sq.m.)	Wght. Average Net Yield Requirement %	Wght. Average Initial Yield, %	Wght. Average 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	65	582,864	6.5%	6.3%	7.2%	23.5	5.2	1491.2
Sweden	15	291,794	6.1%	6.2%	7.0%	23.7	6.8	639.9
The Baltic Countries	3	70,696	8.2%	7.7%	8.6%	21.6	4.3	163.3
Total	**83**	**945,355**	**6.5%**	**6.4%**	**7.3%**	**23.4**	**5.6**	**2294.4**
Finland								
Helsinki Metropolitan Area								
Shopping, Centres	8	178,036	5.9%	5.7%	6.3%	27.3	6.4	684.8
Other retail properties	22	81,998	7.6%	7.2%	10.4%	15.7	3.5	125.1
HMA Total	**30**	**260,034**	**3.2%**	**5.9%**	**6.9%**	**25.6**	**5.9**	**809.9**
Other parts of Finland								
Shopping, Centres	14	202,587	6.5%	6.5%	7.3%	23.3	4.9	523.5
Other retail properties	21	120,244	7.8%	7.1%	8.9%	12.5	2.7	144.1
Other total	**35**	**322,831**	**6.8%**	**6.6%**	**7.6%**	**21.0**	**4.4**	**667.6**
Sweden								
Greater Stockholm Area and Umeå								
Shopping, Centres	7	210,506	5.9%	6.0%	6.8%	25.7	7.2	538
Other retail properties	2	10,927	7.0%	7.7%	7.5%	14.8	3.2	20
Total	**9**	**221,433**	**6.0%**	**6.0%**	**6.8%**	**25.3**	**7.1**	**558**
Greater Gothenburg Area								
Total	**6**	**70,361**	**7.1%**	**7.5%**	**8.6%**	**13.1**	**4.5**	**81.9**
The Baltic Countries								
Total	**3**	**70,696**	**8.2%**	**7.7%**	**8.6%**	**21.6**	**4.3**	**163.3**

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



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 15 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 and a half 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 ca. 1.5 per cent.

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 September 30th, 2010. 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 2,294,000,000 (two billion two hundred ninety four million euro).

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Antti Hänninen
Valuer

Seppo Koponen
Director
Authorised Real Estate Valuer
(AKA)