Valuation Statement

30 June 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 June, 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 significant 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, giving emphasising to the most important assets, such as newly acquired properties and development projects. Other properties are selected at random for inspection.

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 development trend of the world economy has been more positive than anticipated, even if growth in the Finnish economy and the wider Eurozone-area, has been weak. The transformation of the debt crisis in Greece into multiple government debt crises has nevertheless increased future risks to growth not only within the Eurozone, but also in the whole world economy. In many of the EU countries considerable public expenditure slashing will undoubtedly take place in the coming years as governments aim to cut their annual deficits and reduce their mounting debt-to-GDP ratios. How badly this government belt-tightening will affect economic growth remains to be seen.

Finland

The Finnish economy, open and highly dependent on exports, contracted sharply in 2009 when the gross national product fell by 7.8 percent, largely due to a collapse in industrial production. Despite several positive indicators, general uncertainty prevails in the economy and the projected recovery is likely to be sluggish. Exports, however, already indicate positive figures, and this trend is expected to continue, as long as there are no serious set-backs in the EU-area.

The unemployment rate was 10.5 percent in May 2010. The unemployment rate decreased by 0.3 percentage points from a year ago. However an actual upturn in the labour market is not expected to be seen until the end of the year at the earliest. Inflation rose to 1.0 percent in May 2010. Inflation increased again in February 2010 (0.1%) after 9 months of consecutive decreases in 2009 and into early 2010. Inflation was accelerated, above all, by a rise in the prices of liquid fuels and dwellings.

Consumer confidence was at its highest for three years in June 2010, and considerably better than the long-term average (13.0). In June, the confidence index was at 18.7 (in April the index was at 15.8 and in May at 16.9). The value of retail sales increased by 2.7 percent in May over the previous year. The volume of sales increased by 1.8 percent over the same period. Retail trade is thus recovering, and expanding faster than predicted.

Finnish economy

Key indicators	2005	2006	2007	2008	2009	2010 P	2011 P
GDP, real growth, %	2.8	4.9	4.2	1.5	-7.8	1.6	1.8
Annual rate of inflation, %	0.9	1.6	2.5	4.1	0.0	1.3	1.7
Unemployment rate, %	8.4	7.7	6.9	6.4	8.2	9.1	9.1
Employed persons, % change		1.8	2.0	1.6	-2.9	-2.2	0.2
Private consumption, % change	3.3	4.1	3.2	1.7	-2.1	1.6	1.1
Population ('000s)	5'256	5'277	5'300	5'326	5'350	5'378	
% growth	0.36	0.41	0.44	0.46	0.45	0.52	

Source: Statistics Finland and Bank of Finland (forecasts)

Sweden

The overall outlook for the Swedish economy has improved considerably during the first two quarters of 2010. The policy of a low interest rate augmented by economic stimulus packages has strengthened consumer consumption and purchasing power. In addition, the job market has seen positive developments, even if the unemployment rate remains high. The lower value of the Swedish Krona helped the export industry in the recession, but during the past few months the Krona has strengthened considerably against the Euro.

According to revised estimates, the Swedish economy is expected to expand by 3.8 percent and annual inflation to increase to a level of 2.0 percent during 2010. Due to the improved outlook for the economy, the Swedish central bank Riksbanken has increased its benchmark interest rate from the record low of 0.25 percent to 0.5 percent from the beginning of July.

Baltics

The Baltic economies are small and export-driven, which leaves them largely dependent on the recovery of Europe's larger economies, especially their most important trading partners Finland, Sweden, Germany and the UK. A return to economic growth in the Baltics is widely expected only once demand picks up in the larger economies. The first definite signs of a recovery have been seen during the beginning of 2010 in the form of increased exports from the area.

Of the three Baltic countries, the Estonian economy is in the best shape. Then again, also in Estonia the unemployment rate is very high, close to 20 percent. The country has been accepted into the Eurozone - joining the Eurozone in the start of 2011.

1.3 Property Market Analysis

Year 2009 has been a period of calm for the property markets when measured by transaction volumes. For the whole of 2009, a transaction level of EUR 1.7 billion was attained in Finland. The trend has continued during the first half of 2010. Transaction volume for the first quarter remained under 300 million euro, and the transaction volume for the second quarter is expected to remain at this same, low level.

The general atmosphere is however improving, and the first signals of increasing activity in the markets can be detected. There is demand in the property markets, but it is primarily directed towards prime properties in the Helsinki Metropolitan Area and in the largest growth centres. However, supply has not been sufficient to attain significant transaction levels. The availability of credit has eased, but only if strict conditions are met concerning investor experience and reputation. The leverage ratio is nevertheless lower now than during the period before the credit crisis struck.

The retail premises vacancy rates have settled to a level of approximately 3–4 percent in the HMA. In other parts of the country vacancy levels vary considerably. In general the amount of empty space outside city centres has increased further during the first half of 2010, especially in space intensive retail premises, such as furniture, home electronics and other infrequently bought commodities. The rate of increase has nevertheless slowed down. The retail stores for infrequently bought commodities are suffering the most from the downturn, but even for these store types the outlook has improved.

In the recent past retail premises have been almost fully let, and even if the amount of empty space has increased due to the economic downturn, there are retail construction projects again under construction or in the pipeline. These new projects include, inter alia, the shopping centre Karisma in Lahti and the development of Puuvilla property in Pori.

The strong, continuous increases in yield requirements spanning from the end of 2008 have levelled off, especially for prime properties. Nevertheless, so far there has not been any indication of a larger-scale change for the better. There is still foreign demand, and capital, for suitable property investments in the Finnish and Nordic property markets. However, these parties are, above all, looking for prime Helsinki Metropolitan Area properties that, by and large, have not become available. The major limiting factor for transactions in Finland is thus the lack of supply of suitable properties. However, in Sweden the market has picked off in the recent months. Transaction volume has clearly increased compared to 2009 and demand has been broad including all types of premises. Especially demand for residential properties has been steady, but also commercial property deals have become more and more common.

Eyes are fixed on the end-user markets, where effects of developments in the economic fundamentals are followed closely during 2010. So far, the end-user markets have worked rather well - despite the sharp downturn of the Finnish economy in 2009 - and the retail premises market has fared far better than the office premises market. Nevertheless, there is considerable divergence in retail space supply and demand between different areas of Finland. In some areas, the development boom has resulted in considerable oversupply, to which the markets will take some time to adjust. Then again, for example in the Helsinki Metropolitan Area, demand is robust and there are even foreign newcomers interested in the HMA area. The increasing demand may result in increasing rental levels at prime spots during the end of the year.

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 Oyj 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 Oyj 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 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 2.243 billion. The aggregated value of portfolio has increased quarter-on-quarter by approximately EUR 38 million (EUR 2.205 billion in Q1 2010). The change in relative terms is approximately +1.7 percent overall. The positive change in value is largely due to the progression of major development projects such as Espoontori, Åkersberga Centrum and Jyväskylä Forum. In addition, for the most part, rental levels have been developing positively in larger properties. Especially in Sweden the strong economic growth has been reflected in many of the properties in the form of improved rental income and also, in part, in lower yield requirements. In euro terms the exchange rate fluctuations between the Euro and the Swedish Krona has also increased portfolio value. The Swedish Krona has strengthened almost 2 percent against the Euro.

The weighted average yield requirement of the portfolio has remained at 6.6 percent (6.6% Q1 2010). In many of the properties yield requirements were lowered, especially in the Swedish portfolio, but the weighted effect of these changes is not sufficient to change the average when rounded to the nearest tenth. The average initial yield has come down to a level of 6.4 % (6.5 % in Q1 2020) and the reversionary yield has remained at 7.5 % (7.5 % Q1 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 1,460 million, which is 1.4 percent more than in the previous quarter (EUR 1,440 million in Q1 2010). The weighted yield requirement has lowered to 6.5 percent (6.6% for Q1 2010). The average initial yield has remained on a level of 6.4 percent and the reversionary yield has increased by a tenth of a percent when compared to the previous valuation round to a level of 7.4 percent (7.3 % for Q1 2010).

The value change in the Finnish portfolio is explained mainly by the improved rental levels in the properties and due to advancing development projects. In addition to the development projects, the yield requirements have slightly declined in three properties, and increased in a few occasional properties, but by-and-large there have been no changes in yield requirements. The reversionary yield has increased mainly due to development projects, where the yield becomes considerably high due to the relatively low value during the construction phase in comparison to the rental income potential after the project is completed.

2.3 Sweden

Market value of the Swedish property portfolio has been valued at EUR 620 million, which is approximately 2.9 percent higher than the previous quarter's value (EUR 602.5 million Q1 2010). The Swedish property markets have developed positively during the spring; 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 6.2 percent (6.4 % for Q1 2010). The change is especially marked in the best properties, in Stockholm area's shopping centres.

In Euro terms the fluctuations of exchange rates between the Euro and the Swedish Krona have also increased the value of portfolio. During the latest quarter, Krona has strengthened by 1,9 percent compared to Euro.

2.4 The Baltic Countries

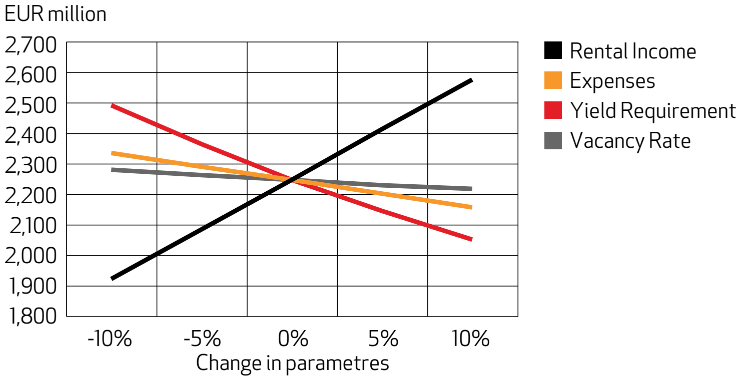
The market value of the Baltic portfolio has remained at EUR 163 million (EUR 163 million for Q1 2010). The average yield requirement has also remained at 8.2 percent.

The economic situation in the Baltics, and especially in Estonia, is gradually stabilising. Transaction volumes are still low, but the actual increase in yield requirements has begun to level off. Temporary rents reductions are still in place in many of the properties in the Baltic countries, which generally last a few months at a time. Occupancy rates, however, have so far remained at a high level. The tenants' 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.

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 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 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 just over a percent.

30 June 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	582,294	6.5%	6.4%	7.4%	23.4	5.2	1,460.2
Sweden	15	292,655	6.2%	6.2%	7.3%	22.7	6.3	620.0
The Baltic Countries	3	70,703	8.2%	7.7%	8.7%	21.2	4.2	162.8
Total	**83**	**945,652**	**6.6%**	**6.4%**	**7.5%**	**23.0**	**5.4**	**2,243.0**
Finland								
Helsinki Metropolitan Area								
Shopping Centres	8	177,996	6.0%	5.8%	6.4%	27.2	6.3	672.1
Other retail properties	22	81,992	7.7%	7.6%	10.8%	15.3	3.5	120.5
HMA Total	**30**	**259,988**	**6.2%**	**6.0%**	**7.1%**	**25.5**	**5.9**	**792.6**
Other parts of Finland								
Shopping Centres	14	202,061	6.6%	6.7%	7.4%	23.2	4.9	523.5
Other retail properties	21	120,244	7.2%	9.0%	9.0%	12.4	2.6	144.1
Other total	**35**	**322,305**	**6.9%**	**6.8%**	**7.8%**	**20.9**	**4.4**	**667.6**
Sweden								
Greater Stockholm Area and Umeå								
Shopping Centres	7	210,711	6.0%	6.0%	7.1%	24.6	6.8	522.6
Other retail properties	2	10,927	7.0%	7.8%	7.5%	14.1	3.1	19.2
Total	**9**	**221,638**	**6.1%**	**6.0%**	**7.1%**	**24.2**	**6.7**	**541.8**
Greater Gothenburg Area								
Total	**6**	**71,017**	**7.2%**	**7.8%**	**8.7%**	**12.5**	**4.2**	**78.2**
The Baltic Countries								
Total	**3**	**70,703**	**8,2%**	**7,7%**	**8,7%**	**21,2**	**4,2**	**162,8**

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, 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 2,243,000,000 (two billion two hundred forty three million euro).

Helsinki 2.7.2010

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