Valuation Statement

31 December 2010

CITYCON

creating success for retailing

1. APPRAISAL METHOD

Realia Management Oy has made a valuation of Citycon's property portfolio as at 31st of December 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, 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 in the existing town plan.

Realia Management Oy has inspected the properties originally during 2007. Reinsertion of properties is carried out as needed, giving emphasising to the most important assets, newly acquired properties and development projects. During the previous quarter, the following properties have been re-inspected: Sampokeskus, Espoontori, Lippulaiva, Länsi-keskus, Iso Omena, , Isomyyri, Myyrmanni, Isokarhu, Asemakeskus in Pori, Valtari, Columbus, Keskuskatu in Kotka and K-Supermarket in Kuusankoski.

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 is back on track towards strong growth, but is largely split between the emerging markets, characterised by strong growth and low indebtedness, and the developed markets, which in turn are characterised by uncertainty and high indebtedness. Strong fiscal stimulus programs have temporarily supported national economies around the world and especially those across Europe. These countries must now brace for more stringent economic policies to limit public indebtedness, which may result in further market lethargy. Conversely, should the emerging economies continue growing despite the looming threat of inflation and oil price increases, world economy growth may exceed forecasts. According to IMF, the world economy output is likely to have grown by 4.8 % in 2010 and grow by 4.2 % in 2011, with Europe growing at roughly half the speed (2.0 % and 1.8 % respectively)

According to Eurostat, the euro area inflation is up, and has reached 2.2 % in December, up from 1.8 % in September, 0.9 % from a year earlier, and is now above the long-term inflation target. This is likely to limit the functioning of ECB should the economic recovery prove to be more sluggish than anticipated. High inflation is problematic from another aspect too; it is likely to further increase pressure on interest rate increases in the medium-term that so far have been kept historically low. Seasonally adjusted unemployment remained roughly at the same level in December from the previous quarter, and the steady upward trend in unemployment looks to be stabilising. Euro area unemployment rate is now at 10.1 %

Finland

The Finnish economy had a very strong recovery during spring 2010 and recovery has picked up again, reaching 5.5 % growth year-on-year in October, with the trend continuing throughout the fourth quarter towards the end of 2010. The Finnish gross domestic product growth is heavily influenced by traditional industry and production, which in turn is heavily reliant on demand for investment goods. This demand has been supported by fiscal stimulus both in Finland e.g. in the form of housing development and across the world. Order books have been swelling, capacity utilisation rate has improved notably and economic base conditions have improved to almost normal levels. Industrial output grew by a rapid 6.2 % year-on-year, although down by 1 % when compared to previous month, while exports grew by 22 % in November from a year ago. Finnish exports are expected to accelerate further in 2011-2012 due to increased weight of investment goods, but growth in total output is likely to be slow. In November, the business outlook balance indicator for manufacturing was +5, which was stronger than the long term average (+3).

The Finnish household level of indebtedness level has reached record levels in 2010, according to Bank of Finland. High level indebtedness coupled with the fact that the majority of mortgages are tied to short-term rates will result in lower level of disposable income should the ECB decide to fight looming inflation by increasing interest rates. Too low interest rates on the other hand may lead to asset overvaluation especially in housing. According to Statistics Finland, inflation accelerated to 2.9 percent in December 2010, approximately 0.6-0.7 percentage points higher than EU average, and in the short-term accelerated mainly by increases in fuel price. Current inflation is considerably higher than in September 2010 when inflation was at 1.4 %. On the longer term, the drivers of inflation have been price increases across the board, and average inflation rate for 2010 is 1.2 %. 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. Both Finland and Sweden have seen their unemployment rates drop faster than in other European countries. In Finland, unemployment was at 7.1 % in November according to Statistic Finland, having come steadily down by 0.2 percentage points from last August, or 1.4 percentage points from a year ago.

In December, consumer confidence fell to its long-term average level after very strong confidence levels in summer 2010. The confidence indicator stood at 13.5 whereas in November it was 20.8, and a year earlier at 14.4. Expectations concerning Finland's economy have weakened but, by contrast, consumers' views about their own economy remained almost unchanged. Even if moderate economic growth is forecast to continue for the next few years, purchasing power will be negatively affected by austerity measures from 2011 onwards.

Retail sales rose by 6.8 % in November year-on-year, while the figures for total trade were up by 17.5 % year-on-year including car dealership, wholesale, daily consumer goods and retail trade. Between January and November, retail sales increased by 3.7 % and total trade by 8.6 % when compared to the equivalent period the previous year.

Sweden

Sweden's economic recovery has accelerated even further and the economy is now growing at a pace of 6.8 %, according to the Swedish Riksbank, the strongest growth in Europe and the record rate in Sweden since the beginning of detailed GDP measurements in 1970. Even inflation has so far remained around the long-term target, at 2.3 % in December, while consumer consumption has increased. The Swedish government is expected to reach in surplus in 2011 and may reduce income tax depending on the political climate, further boosting consumer demand – a stark contrast to many countries where austerity measures are in place.

Sweden is nevertheless largely dependent on the recovery on the rest of the Europe, as problems abroad are likely to reflect strongly in exports. In addition, the Swedish Krona has appreciated strongly, hurting the very exports that the Swedish economy is dependent on. The value of the Swedish Krona is further strengthened by expectations of repo rate increases by the Swedish Riksbanken. Together with Finland, drop in unemployment levels were fastest in Europe, and unemployment now stands at 7.8 % according to Eurostat methods.

Baltics

One of the key drivers for growth in the Baltics area has been the determined recovery in the Nordic region and Germany. Baltics, previously seen as a rather uniform area, is becoming divided as Estonia, having just entered the Euro zone at the turn of the year, is growing and stabilising at a faster pace than either Latvia or Lithuania. While joining the Euro zone has bolstered market confidence, Estonia, however, has its own problems to grapple with as inflation soared to 5.7 % in December, up from -1.9 % from a year ago. The economic growth projections for Estonia are 1.8 % for 2010 and 3.5 % for 2011, whereas similar figures for Latvia and Lithuania are -1.0 % and +1.3 % for 2010 and +3.3 % and +3.1 % for 2011 respectively. Projections are by IMF. Unemployment, while still a considerable problem in the Baltics, has come steadily down in Estonia and Latvia, but purchasing power is nevertheless affected by strict austerity measures undertaken when aiming to meet Euro zone accession criteria.

1.3 Property Market Analysis

The property market outlook has improved since summer 2010 as news of stronger than expected expansion of the Finnish economy and growth in exports has boosted confidence in the future. The improved economic conditions, record low interest rates, slowly improving availability of finance and positive yield expectations enabled investment opportunities already in 2010, but investor activity has so far been subdued. Total property transaction volume for Finland in 2010 amounted to EUR 2.0 billion, only slightly higher than the figure for previous year (EUR 1.7 billion). What characterised transactions during the examined period was the large share of single transactions while portfolio transactions were few in number.

The property transaction volume will most likely grow between years 2011 and 2013 for a number of reasons. First, the recovery of the economy is likely to activate financers and investors to carry out delayed divestments. Second, many unlisted property funds will reach their planned exit stage and will liquidate at least part of their fund investments. Third, the recovery in the economy and property markets will activate property sellers due to more traditional reasons; investors collect capital for new investment opportunities by divesting existing assets and owner-users free up capital to focus in their core business. Essential to market development is the mutual development of demand and supply; this is to assure that demand growth will meet the growing supply.

In 2010, by far the largest property transaction in Finland was the transaction for Norgan's hotel portfolio of which 16 hotel properties, with a value close to EUR 415 million, was allocated to Finland. This transaction had a substantial effect on both the share of foreign investment and the share of hotel investment as a property type when the whole 2010 transaction volume is considered.

Market outlook

The divergence between different property sub-markets is maintained, if not worsened, despite the gradual recovery in the economy as no rapid surge in demand for commercial space is expected. The Euro Zone's serious imbalances, such as the troubles of Greece, Ireland, Portugal and Spain reflect the uncertainty in the current European economic situation and its future development. Afore mentioned are reflected in the property markets, both in the investor and end-user sectors. Even if the economy continues growing moderately during the next few years, government deficit and managing of the deficit is likely to reduce consumer purchasing power, which, in turn, is expected to subdue demand growth for retail premises. This will concentrate demand for retail premises on established and well functioning shopping locations and on the most promising development projects. On the other hand, the functional life cycle of premises is becoming shorter and shorter, premises become obsolete at an increasing pace and user demand is focused on new, energy efficient and ecological premises. As the financial situation of municipalities become challenging, a geographical divergence can also be discerned with coming saving measures aggravating existing regional disparities and possibly causing a slowdown in development projects outside growth centres.

The rental level increases in Finland have been helped by the faster–than-expected recovery since summer 2010. Rent increases were first observed in best premises, beginning with retail premises. Average rental levels have continued their rise in all premises types, but differences have become increasingly prominent both geographically and in response to quality requirements. Whereas higher rental levels have increased smoothly, lower level rents have further fallen in some of the sub-markets. In part, the reason is over supply – part of the premises stock does not match the needs of tenants e.g. in terms of location and quality, and thus even low rents are not sufficient to generate user interest. Thus, a divergence is present in rental markets too.

In Sweden investment market has seen a great improvement in 2010 compared to previous year. Low interest rates and recovering economy have resulted in a hefty increase in the overall transaction volume in the investment market. Prime properties have seen a downward yield shift while secondary properties have in general been stable. Prime yield in Stockholm CBD is currently at ca. 5 per cent, down some 50 to 75 bps from the peak of the crises.

1.4 Development Projects

Citycon has had several considerable development projects underway in 2010. During the last quarter of 2010, the renewed Jyväskylä Forum and Espoon kauppakeskus, among others, were taken into use. Similarly, in Sweden, Åkersberga Centrum's renewed part was opened during the final quarter. Other significant development projects currently under development include renewal of the old part of the afore mentioned Åkersberga, Myllypuro's new retail property in Helsinki and Martinlaakso's new retail property in Vantaa. In addition, a few other smaller development projects are underway.

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.

All properties are evaluated based on their current plan unless otherwise noted. Should an ongoing official 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 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 or property companies. 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 %).

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 2,361 million. The aggregated value of portfolio has increased by approximately EUR 67 million quarter-on-quarter (EUR 2,294 million in Q3 2010). The relative change is approximately 2.9 %. Over half of the change in value can be explained by the advancement of development projects and commitment of investments. Exchange rate fluctuations between the Euro and Swedish Krona have resulted in a positive change in value, amounting to EUR 13 million when compared to the previous quarter; the Swedish Krona has appreciated approximately 2 % against the Euro. In addition, the positive market development has had a positive value impact, in part evident through lowered yield requirements. However, there have been no significant changes in net rental income as the slight rent level increases were met with roughly equal increases in operating expenses.

The weighted average yield requirement of the portfolio has come down by a tenth of a percentage point, now at 6.4 % (6.5 %, Q3 2010). The yield requirement has come down slightly in several of the properties located in Finland, Sweden and the Baltics. The average initial yield has come down, and is now at a level of 6.2 % (6.4 % Q3 2010) and the market rent yield has come down, now at a level of 6.9 % (7.3 % Q3 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, 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 1,527 million, which is 2.2% higher than in the previous quarter (EUR 1,493 million in Q3 2010). The weighted yield requirement for Finnish properties came down to 6.4 % from 6.5 % for Q3 2010. Similarly, the average initial yield has come down to a level of 6.1 % (6.3% in Q3 2010) and yield for market rents to a level of 6.9 % (7.2 % in Q3 2010).

These changes in the Finnish property portfolio are largely explained by reductions in yield requirement in large properties and the advancement of development projects (e.g. Jyväskylän Forum and Espoontori). Overall, the yield requirement has decreased in 14 properties and increased in five properties in the Finnish portfolio when compared to Q3 2010. The changes in initial yields and market rent yields primarily mirror the advancement and completion of development projects.

2.3 Sweden

Market value of the Swedish property portfolio has been valued at EUR 668 million, which is approximately 4.4 % higher than the previous quarter's value (EUR 640 million in Q3 2010). The positive change in value is partly due to the changes in the exchange rate, in part due to the advancement of the Åkersberga Centrum's development project and in part due to the overall positive market development.

For the entire Swedish portfolio, the weighted average of yield requirements has remained at a level of 6.1 % (6.1 % for Q3 2010). The yield requirement has come down in five properties and has increased in one, but these changes have not caused a change in the rounded weighted average figure.

2.4 The Baltic Countries

The market value of the Baltic portfolio has increased approximately 1.8 % to a level of EUR 166 million (EUR 163 million for Q3 2010). The average yield requirement has come down by a tenth of a percentage point and is now at 8.1 % (8.2 % in Q3 2010).

The downward spiral in the Baltic economy is levelling out, especially in Estonia. Transaction volumes are still low, but activity has increased primarily thanks to domestic interest. At the same time, upward pressure on yield requirements has abated and cautious anticipation of lower yield requirements has taken its place for best properties. 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 2013 despite the fact that thus far rent concessions have been only few months in duration at a time.

30 December 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	584 852	6.4%	6.1%	6.9%	23.6	5.5	1526.5
Sweden	15	292 016	6.1%	6.0%	6.8%	24.1	7.0	668.5
The Baltic Countries	3	70 593	8.1%	7.9%	8.3%	21.4	4.4	166.1
Total	**83**	**947 461**	**6.4%**	**6.2%**	**6.9%**	**23.6**	**5.9**	**2361.1**
Finland								
Helsinki Metropolitan Area								
Shopping Centres	8	177 870	5.9%	5.6%	6.1%	27.4	6.7	699.7
Other retail properties	22	81 991	7.7%	7.5%	8.4%	14.9	3.7	132.1
HMA Total	**30**	**259 861**	**6.1%**	**5.8%**	**6.4%**	**25.8**	**6.3**	**831.8**
Other parts of Finland								
Shopping Centres	14	204 766	6.5%	6.4%	7.0%	23.4	5.1	550,7
Other retail properties	21	120 225	7.8%	7.0%	8.7%	12.6	3.0	144.1
Other total	**35**	**324 991**	**6.8%**	**6.5%**	**7.4%**	**21.1**	**4.7**	**694.8**
Sweden								
Greater Stockholm Area and Umeå								
Shopping Centres	7	210 830	5.9%	5.7%	6.5%	26.0	7.5	563.5
Other retail properties	2	10 927	7.0%	7.6%	7.5%	15.2	3.5	21.3
Total	**9**	**221 757**	**5.9%**	**5.8%**	**6.6%**	**25.6**	**7.3**	**584.8**
Greater Gothenburg Area								
Total	**6**	**70 259**	**7.1%**	**7.2%**	**8.3%**	**13.4**	**4.8**	**83.6**
The Baltic Countries								
Total	**3**	**70 593**	**8.1%**	**7.9%**	**8.3%**	**21.4**	**4.4**	**166.1**

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 close to 87 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

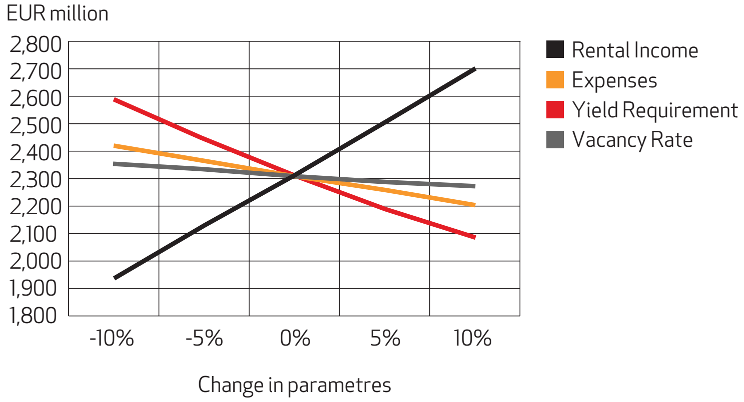
The sensitivity analysis of the fair value of the portfolio was tested by creating a so-called portfolio cash flow statement based on individual cash flow calculations. Changes in fair value have then been examined by modifying key input parameters of the calculations one at a time. The parameters tested 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 % increase in value. Correspondingly, a ten percent increase in rental income increases the value by approximately 14 %.

The market value reacts to 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 just over four 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 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 relative 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. 1.4 %.

The sensitivity of portfolio value

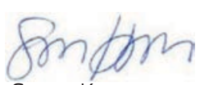


4. VALUATION STATEMENT

We have made an assessment of the market value of Citycon Oyj's property portfolio. We have defined the value as at December 31st, 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 2,361,000,000 (two billion three hundred sixty one million euro).

Helsinki 19.1.2011

Antti Hänninen
Valuer



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