CITYCON creating success for retailing 25

VALUATION STATEMENT
31 DECEMBER 2012

SCOPE OF INSTRUCTIONS

In accordance with our instructions as the External Valuer of Citycon Oyj ("Company"), we have carried out a fair valuation of the Properties held within the Company's investment property portfolio as at 31 December 2012, to arrive at our opinion of fair value (no allowance was made for the typical purchaser's costs).

Fair value is defined by the International Accounting Standards Board (IASB) as:

"The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants on the measurement date."

The International Valuation Standards Board (IVSB) considers that definitions of fair value are generally consistent with market value, and we confirm that the fair value reported is effectively the same as our opinion of the market value.

We understand that this valuation is required for financial reporting and performance measurement purposes.

We confirm that our valuations are fully compliant with IFRS accounting standards and IVSC valuation standards and guidance. We also confirm that we have no involvement with the subscriber or the properties valued, which is likely to cause a conflict of interest in our provision of this advice.

We carried out inspections of each of the properties during September-December 2011. We also re-inspected 35 properties during 2012 and we also inspected all the properties acquired in 2012. We have not measured the properties but have relied on the leasable areas supplied to us by the Company. We have not read copies of the leases or of other related documents, but have relied on the tenancy information provided by the Company, which reflects the latest available tenancy position.

The valuations were carried out by local Jones Lang LaSalle offices in Finland and Sweden. In Estonia, Lithuania and Denmark, we were supported in the delivery of our advice by local affiliates.

This report is addressed to and may be relied upon by the Company. It has no other purpose and should not be relied on by any other person or entity. No responsibility whatsoever is accepted on the part of any third party, other than those specified above and neither the whole of the Report, nor any part, nor references thereto, may be published in any document, statement or circular, nor in any communication with such third parties, without our prior written approval of the form and context in which it will appear.

ECONOMIC BACKGROUND

The economic picture across Europe remains mixed and economic growth projections for 2012 indicate recession in Southern Europe, mild contraction in the Benelux countries and the UK, whilst Germany and the Nordics are expected to see some growth and some of the CEE countries relatively strong growth. Projections for 2013 point to improved growth rates in a number of countries, although it is still expected to remain weak. The strongest growth in 2013 is expected in Central and Eastern Europe, the Nordic countries and Turkey.

Finland

In 2011, GDP increased by 2.7% according to Statistics Finland, which means that Finland clearly outperformed the eurozone average. In the third quarter of 2012, GDP growth was -0.1% compared the previous quarter and -1.2% compared to Q3 2011. For 2013, all the current forecasts promise expansion but the variance is wide, from 0.5% up to 2.5%. Exports in Finland continued to increase by 2.4% in Q3 2012 compared to the previous quarter, but dropped 1.8% from Q3 2011.

Consumer confidence in the economy was 3.5 in December, which is low compared to the long-term average (12.6). However, it was higher than previous months (November 1.0 and October -1.6). Confidence in retail decreased during autumn 2012. The confidence indicator was -9 in December while the long-term average is 0. Despite this weak confidence level, retail sales rose by 4.9% and volume by 1.7% in November (year-on-year).

Sweden

GDP growth was 3.9% in 2011, easily surpassing the EU average (1.5%). GDP growth has been driven by increasing exports, household consumption and business investment, all of which have been assisted by relatively low interest rates and the government's expansive economic policies. Looking ahead, GDP growth for Sweden in 2012 was forecast to be around 0.8% and then 1.5% in 2013, compared with eurozone forecasts of -0.4% in 2012 and -0.2% in 2013.

Over the last decade, from a European perspective, private consumption growth for Sweden has been well above the average for the European Union. In the period 2001 to 2011, real private consumption growth was 14.1% in the EU and 23.1% in Sweden, and over the next five years real private consumption growth is forecast to be slightly in excess of the EU average, according to Global Insight.

Retail sales in Sweden have performed well in recent years and are forecast to outperform most other Western European countries in the period 2011-2015. In 2011, nominal retail sales increased by 0.8%, of which non-daily goods decreased by 0.5% and daily goods increased by 2.5%. An increase of 2.0% in total nominal retail sales for Sweden is currently forecast for 2012 by HUI, up from the 1.3% forecast in Q1 2012. Reasons for this upward adjustment include the fact that the rate of redundancies and unemployment are not as severe as expected at the beginning of the year.

Estonia

Economic growth in Estonia slowed as expected in 2012, but it has remained above the eurozone average. Estonia's economic growth in Q3 2012, according to revised results, was 3.5%, mainly supported by domestic demand. The Bank of Estonia forecasts the annual GDP real growth rate to reach 2.9% and to grow by 3.0% in 2013 and by 4.0% in 2014. Demand in Estonia's exports markets is expected to grow by 3.2% in 2013 and by 5.6% in 2014.

Inflation in 2012 was 4.3%, predominantly due to an increase in energy and food prices. The inflation forecasts for 2013 and 2014 are 3.6% and 2.4% respectively.

In November 2012, revenues from the sales of retail trade enterprises amounted to EUR 446 million, of which the retail sales of goods accounted for 80%. Compared to November 2011, the revenues from sales increased by 9% at current prices, while the average growth during the first eleven months of 2012 was 15%.

Lithuania

Lithuanian economic growth has significantly exceeded that of the eurozone countries. Economic activity increased due to significantly higher value added in agriculture and industry. However, with expectations of economic growth weakening worldwide, weaker economic prospects are expected in Lithuania as well. The Bank of Lithuania forecasts an annual GDP real growth rate of 3.0% in 2012 and 3.1% in 2013. With consumer confidence below its average level for more than a decade, it is anticipated that private consumption will grow relatively slowly in 2013. Annual inflation should stand at 3.2% in 2012 and 2.8% in 2013.

In November 2012, the revenues of retail trade enterprises grew by 5.1% year-on-year at constant prices. During the eleven months of 2012 (January–November), the revenues of enterprises trading in food products increased by 1.4% over the year at constant prices, and of those trading in non-food products revenues increased by 11.3%.

Denmark

While the crisis in Europe drags on, its effects are placing the Danish economy under increasing pressure. According to forecasts, Danish year-on-year GDP growth slipped into negative territory in 2012 but it is predicted to recover in 2013, driven mainly by an increase in consumer spending and exports as well as continued growth in commercial investment volumes.

Hopes that 2012 would mark the beginning of the end of the Danish economic downturn and the start of stable growth were quashed in the early months of the year when it became evident that the European sovereign debt crisis continued to take its toll on Danish economy. In recent years, Danish exports have come under severe pressure because multiple key trading partners were hit very hard by the sovereign debt crisis. Irrespective of these difficult circumstances, Danish businesses have been able to post stable growth figures throughout the crisis, serving as an important driver of Danish GDP growth. In addition, the Danish government initiative to introduce the tax-free withdrawal of early retirement savings in 2012 helped to spur consumer spending, even at a time when the economy had come to a near-standstill. However, this positive trend was countered by a negative trend in net exports, suggesting that the increase in consumer spending has been absorbed largely by imported goods, such as cars. Overall, GDP growth was projected to stand at -0.5% in 2012, followed by an increase of 0.7% in 2013 and 1.6% in 2014.

Retail sales stayed at a low level in 2012. At the end of November retail sales were down 2% measured on quantity and around 0.5% measured on value year-on-year. Retail sales are still affected by the negative trend in the overall economic growth figures, which makes people reluctant to spend money because they worry about the future.

Source: Statistics authorities, research institutes and banks

PROPERTY MARKET

Finland

Overall, the Finnish property investment market has witnessed low levels of transactions since the slowdown in in the first half of 2008. Although investment demand has been increasing, the scarce supply of prime assets continues to limit transactional activity. During 2012, retail investment volumes briefly exceeded the low levels of 2011, ending up at EUR 400 million. The forecast for 2013 does not indicate any big changes in the market.

The polarisation of the market seems to be continuing. Demand for core assets remains strong, as equity-rich investors keep looking for safe havens, while tightening financing conditions are affecting the business logic of value added and opportunistic investors. Consequently, shopping centre prime yields have remained stable or have even slightly decreased, but the secondary yields are facing upward pressure.

As a consequence of relatively strong retail sales development, retail rents have also been increasing. However, rental growth has been focused on the prime locations, except in the retail warehouse sector where the overall rental growth seems to be over. At the same time, occupier demand is strongest in prime high street and shopping centre units.

Sweden

The retail property transaction volume in Q4 2012 was some SEK 7.6 billion, which is higher than the SEK 6.8 billion of retail property transacted in Q4 2011. However, in 2012 the retail property transaction volume was lower than in 2011. In 2011, some SEK 16.1 billion of retail property was transacted, which compares with the SEK 13.4 billion in 2012. Around 80% of the retail property transaction volume in Q4 2012 were transactions where either the purchaser or the vendor was an international investor.

Investors' interest is strong for retail property in a good location and with good specification, with relatively strong tenants and low vacancy rates. However, retail properties which do not meet some or all of these criteria will be more difficult to sell.

Yields for prime shopping centres are currently in the region of 5.50% and 6.25% for prime retail warehouse parks. These yields have generally remained stable since mid-2011, although the prime yield for retail warehouse parks has increased by 25 bps in this quarter.

Recently, prime retail rental growth has been in line with or slightly in excess of inflation, while secondary retail rental growth has generally been flat or slightly negative. In recent months, shopping centre rental growth has tended to surpass rental growth in external retail warehouse parks. The combination of lower economic and retail sales growth as well as the development of more retail accommodation has meant that recent retail rental growth has been lower than what has often been seen in Sweden over the last decade.

Estonia

The Estonian consumer confidence indicator in December 2012 was higher compared to the year-end level of 2011 and reached the long-term average level. The sentiment of retail trade enterprises was clearly above 10-year indicator average, supported by rising demand. Strong sales encourages demand for retail space, especially in central Tallinn areas and professionally managed modern shopping centres. The average vacancy rates in Tallinn shopping centres is close to zero, while retail rents have risen in line with inflation.

Retail developers are adding approximately 100,000 square metres of new retail space to the Tallinn market over the next 24 months. This volume includes the launch of two new centres – one in East Tallinn and the other in the city centre, plus the expansion of existing shopping centre stock. All in all there is over 500,000 square metres of retail space in the early planning phase, but the market will not absorb such a volume and only professional developers can realise their projects over multiple years. Major grocery chains expand their business in the hyper- and supermarket segments. Neighbourhood shopping also has growth potential in residential areas.

The investment market has been active in the retail segment; besides transactions in the super- and hypermarket segment, there was one larger EUR 21.5 million shopping centre transaction in Tallinn in Q3 (GLA 21,500 sq m). The other similar-sized shopping centre transaction is in the closing phase and will be finalised in January 2013. As the transaction market has strengthened, retail yields have dropped below 8%.

Lithuania

Vilnius' retail property market is growing, as three retail projects with a total GLA of 60,000 sq m are planned in the near future due to international fashion retailers entering the market and domestic retailers keeping pace with rising competition. A large IKEA store with a GLA of 30,000 sq m will open its doors in 2013. Retailer expansion and new brands entering the market have cut vacancy rates in prime shopping centres to a minimum. Rent reductions are running out and rents are increasing in line with inflation. A large gap persists between rent rates in prime and secondary centres.

Until mid-2012, the interest from international investors was focused mainly on Estonia, but gradually demand is spreading across the Baltics, including Vilnius. The last quarter of 2012 brought about a EUR 25 million retail transaction, as Swedish investment fund East Capital acquired Gedimino Street 9, a 17,000 sq m high street shopping mall in the centre of Vilnius. The prime shopping centre yields stand close to 8.0% and the increase in investment activity will probably lead to further yield reductions.

Denmark

Investment activity in commercial real estate was fairly low again in 2012. The total transaction volume was at the same level as in 2011, but the retail share of the total volume dropped significantly. In 2011 the retail transaction volume was around 30% of the total investment volume, but in 2012 this number was close to 15%. The primary reason was that one of the landmark properties in Copenhagen – Illum shopping centre – was traded in 2011 and this deal alone was DKK 1.6bn. There were no massive deals of this kind in 2012 in the retail segment and therefore the share of retail investment has dropped.

The primary focus in 2012 in the retail investment market was on high street properties in Copenhagen. There has been a growing interest, particularly from foreign investors, in this type of asset and yield is down to 4.75% for prime assets in Copenhagen. In the shopping centre market, liquidity is still low because a large number of the shopping centres are owned by only two dominant investors who are very eager to sell properties. The yield for prime shopping centres was around 5-5.5% by the end of 2012 and it has been flat for last 12 months.

VALUATION RATIONALE

We have adopted a 10-year cash flow model as a main valuation method. This model was provided by the Company. Cash flows are calculated based on information from existing lease agreements. For the period after the expiry of these agreements, our market evaluation of the estimated rental value (ERV) replaces the contract rent.

Potential Gross Rental Income equals leased space with respect to contract rents and vacant space with respect to ERV. Deducting both the ERV for the void period between the expired contract and assumed new contract, and the assumed general vacancy level after the start of the assumed new lease, results in the Effective Gross Rental Income. Effective Gross Rental Income less operating expenses (including repairs and tenant improvements) equals the Net Operating Income (NOI). NOI less any capital expenditure equals the bottom-level cash flow that has been discounted to reach the income stream's present value.

The residual value at the end of the 10-year cash flow period is calculated by using an exit yield to capitalise the 11th year bottom-level cash flow. The value of the property is calculated as the sum of the annually discounted net income stream, the discounted residual value at the end of the calculation period, and any other assets increasing the value (e.g. unused usable building rights).

Development projects are included in the valuation of the portfolio, in line with information received from representatives of the Company. Based on the applied valuation model, future rental income is based on finalised rental agreements and rental projections for the valued development project. Correspondingly, the development period is considered a period when premises generate no or limited income and when uncommitted investments are included in the cost side of the valuation model as a value reducing factor. Thus, the value of a development project increases automatically as investments are committed and the opening day of the renewed premises approaches.

VALUATION

Property Portfolio

The property portfolio consists mainly of retail properties located in Finland, Sweden, Estonia, Lithuania and Denmark. Citycon Oyj fully or partly owns a total of 76 properties, of which 57 are located in Finland, 14 in Sweden, three in Estonia, one in Lithuania and one in Denmark. The core of the portfolio consists of 37 shopping centre properties, which comprise 91.4% of the portfolio's leasable area and represent most of its value. In addition to the shopping centres, there are other retail and development properties.

Since the previous valuation, two properties have been included in the external valuation; Citytalo Shopping Centre, located in Oulu, Finland, which is part of Galleria, a property Citycon previously owned, and Albertslund Shopping Centre, located in Copenhagen, Denmark.

The total fair value of the portfolio in Q4 2012 was approximately EUR 2,704 million. Comparing the Q3 2012 fair value of the portfolio, the fair value increased by EUR 48 million, i.e. 1.8% and the weighted average yield requirement of the portfolio has remained at 6.3%. The increase in fair value is mainly driven by investments made in Q4 and new properties (Albertslund and Citytalo).

In the table on the next page, weighted average yields (weighted by the value of the property) are presented. Citycon's portfolio includes only a few relatively valuable properties compared to the rest of the portfolio. This means that weighted averages are highly influenced by changes in these few properties. Iso Omena is the portfolio's most valuable property.

Properties in Finland

The fair value of the Finnish portfolio is EUR 1,652 million and it increased by 1.8% (EUR 29.8 million), compared to the Q3 value. Compared to Q3 figures the weighted yield requirement (6.2%) has decreased by 10 bps, and the weighted initial yield (6.2%) and the reversionary yield (6.8%) have stayed the same. The change in the value of the Finnish portfolio is mainly due to the value increase in shopping centre properties.

Properties in Sweden

The fair value of the Swedish portfolio is EUR 736 million, meaning that the portfolio's value has decreased by 0.6% since Q3. The decrease in value is mainly due to the weakening of the Swedish krona. The weighted average yield requirement for the Swedish portfolio increased by 10 bsp, now being at 6.0%. The weighted average initial yield has decreased by 10 bps (5.6%) and the weighted average reversionary yield (6.6%) remained unchanged.

Properties in Baltic countries and Denmark

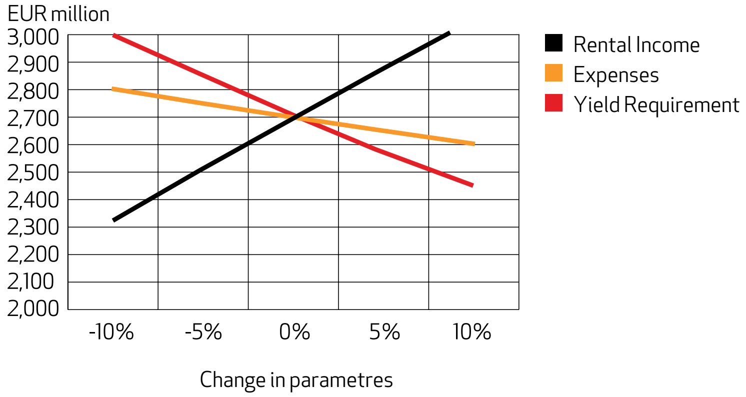
The value of the Baltic countries and the new business portfolio in Denmark is EUR 316 million. Compared to the Q3 value, this represents a 7.5% increase in value. The increase in value is mainly due to the addition of Albertslund in this portfolio. The weighted average yield requirement of the portfolio has decreased by 20 bps, now being 7.7%. The weighted average initial yield decreased by 30 bps, now being 7.9% and the weighted average reversionary yield increased to 8.2% by 20 bps.

31 December 2012	Number of Properties	Fair Market Value. EUR million	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
TOTAL PROPERTY PORTFOLIO							
Finland	57	1,652	6.2%	6.2%	6.8%	25.9	6.3
Sweden	14	736	6.0%	5.6%	6.6%	25.6	7.4
The Baltic Countries and Denmark	5	316	7.7%	7.9%	8.2%	20.0	3.4
Total	**76**	**2,704**	**6.3%**	**6.2%**	**6.9%**	**25.1**	**6.3**
Finland							
Helsinki Metropolitan Area							
Shopping Centres	11	848	5.8%	5.8%	6.1%	28.5	7.2
Other retail properties	17	80	7.9%	8.4%	9.0%	16.3	5.1
HMA Total	**28**	**929**	**6.0%**	**6.1%**	**6.4%**	**27.4**	**7.0**
Other parts of Finland							
Shopping Centres	12	607	6.4%	6.2%	6.8%	25.8	5.8
Other retail properties	17	117	7.8%	7.6%	9.1%	13.8	3.7
Other total	**29**	**723**	**6.6%**	**6.4%**	**7.2%**	**23.9**	**5.5**
Sweden							
Greater Stockholm Area and Umeå							
Shopping Centres	8	636	5.8%	5.4%	6.4%	27.1	8.5
Other retail properties	2	21	7.3%	7.0%	7.8%	16.5	4.7
Total	**10**	**657**	**5.8%**	**5.5%**	**6.4%**	**26.8**	**7.7**
Greater Gothenburg Area							
Total	**4**	**80**	**6.9%**	**6.5%**	**7.7%**	**15.3**	**5.2**
The Baltic Countries and Denmark							
Total	**5**	**316**	**7.7%**	**7.9%**	**8.2%**	**20.0**	**3.4**

SENSITIVITY ANALYSIS

A sensitivity analysis of the portfolio's fair value was carried out by creating a summary cash flow based on individual cash flow calculations. Changes in fair value were tested by modifying the key input parameters of the calculations. The parameters tested were yield requirement, estimated rental value and operating expenses. The current fair value of the properties was used as a starting point for the analysis, which was performed by changing one parameter at a time while all the others remain unchanged, and then calculating the corresponding fair value of the total portfolio. Sensitivity analysis is a simplified model, intended to support one's understanding of the value effect of different parameters on the valuation. The figure below gives the results of the analysis.

The Sensitivity of Portfolio Value



As seen in the figure above, the value of the portfolio is most sensitive to the changes in estimated rental value and yield requirement. A 10% increase in estimated rental value leads to a change of around 14% in value, while a 10% fall in the yield requirement causes an increase of around 11% in value. Changes in expenses have more modest effect on the value than other parameters.

Fair Value as at 31 December 2012

We are of the opinion that the aggregate of the fair value, free of liabilities and debt, of the properties in the subject portfolio as at 31 December 2012, is approximately

EUR 2 704 000 000
(Two Thousand Seven Hundred and Four Million Euros)

In Helsinki and Stockholm, 16 January 2013

Yours faithfully

Tero Lehtonen
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For and on behalf of
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