CBRE

Valuation Statement

CITYCON OYJ

30 JUNE 2020

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EXECUTIVE SUMMARY

The investment portfolio being valued includes 21 properties, all 100% owned by Citycon. All assets are shopping centres, but some of the properties include additional value for unbuilt but approved residential/retail area or value related to a built residential or office component.

The portfolio is geographically divided into three countries; Denmark, Estonia and Norway. The key figures of the portfolio are presented in the table below.

30 June 2020	Number of properties	Fair Market Value, EUR million	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
Total Property Portfolio							
Denmark	2	116	5,9 %	5,8 %	6,3 %	20,5	3,0
Estonia	2	307	6,7 %	7,5 %	7,0 %	20,6	3,3
Norway	17	1 342	5,6 %	5,3 %	6,1 %	20,5	4,7
Total	**21**	**1 765**	**5,8 %**	**5,7 %**	**6,2 %**	**20,5**	**4,3**

The total fair value of the portfolio as at 30 June 2020 was approximately 1,765 million Euros.

INSTRUCTIONS

Our instruction from Citycon Oyj was to carry out a fair valuation of the properties held in Citycon's investment portfolio as at 30 June 2020. The purpose of the valuation is financial reporting and performance measurement by Citycon.

Fair Value is defined by the International Accounting Standards Board (IASB) and IFRS 13 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 Standard Board (IVSB) considers that the IFRS 13 definition of Fair Value is generally consistent with the concept of Market Value and therefore the reported Fair Value is effectively the same as our opinion of Market Value. We confirm that the valuations are fully compliant with IFRS standards and IVSC's valuation standards. Our opinion of Fair Value (IFRS 13) is based upon the Scope of Work and Valuation Assumptions listed below and has been primarily derived using comparable market transactions on arm's length terms.

The stated values do not include transaction costs, in accordance with normal valuation practice in the subject markets.

SCOPE OF WORK AND ASSUMPTIONS

We have valued the properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

The values reported represent 100% of the market values of the company shares owned by Citycon.

This report is for the use only of the party to whom it is addressed for the specific purpose set out herein and no responsibility is accepted to any third party for the whole or any part of its contents. Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear.

The values stated in this report represent our objective opinion of Fair Value in accordance with the definition set out above as of the date of valuation. Amongst other things, this assumes that the properties had been properly marketed and that exchange of contracts took place on this date.

The Properties have been valued by valuers who are qualified for the purpose of the valuation in accordance with the RICS Valuation – Global Standards 2017.

This Valuation is a professional opinion and is expressly not intended to serve as a warranty, assurance or guarantee of any particular value of the subject properties. Other valuers may reach different conclusions as to the value of the subject properties. This Valuation is for the sole purpose of providing the intended user with the Valuer's independent professional opinion of the value of the subject properties as at the valuation date.

We confirm that we have been valuing the subject portfolio since June 2017 and provided yield and market rent advice for Citycon's internal valuations in Q1 and Q3 since September 2017. There are no conflicts of interest to the valuation.

We have carried out our work based upon information supplied to us by Citycon, which we have assumed to be correct and comprehensive.

We inspected the properties internally between May 2017 – July 2020.

We have not measured the properties but have relied upon the floor areas provided to us by Citycon, which we have assumed to be correct and comprehensive.

We have not undertaken, nor are we aware of the content of, any environmental audit or other environmental investigation or soil survey which may have been carried out on the properties and which may draw attention to any contamination or the possibility of any such contamination. In the absence of information to the contrary, we have assumed that the properties are not contaminated or adversely affected by any existing or proposed environmental law.

We have not carried out any building surveys or been provided with a building survey from an external party. In the absence of information to the contrary, we have assumed that the properties are free from rot, infestation, structural or latent defect and that the services are in working order and free of defect. We have otherwise had regard to the age and apparent general condition of the Properties.

We have investigated town planning on the Council's websites. We have assumed that all buildings have been erected in accordance with or prior to planning control and have the benefit of permanent planning consents or existing use rights for their current use.

Details of title/tenure under which the Property is held and of lettings to which it is subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto.

Important Warning - The effect of Novel Coronavirus on the real estate market

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation is therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this property under frequent review. For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation.

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MARKET OVERVIEW

DENMARK

Economic Overview

The Danish government reacted swiftly to encounter the economic impact caused by the outbreak of Covid-19 and there is no doubt that the retail sector is facing an unprecedent disruption of commerce. Most importantly, the duration of the current shutdown of economic activity is unknown. Although Denmark has become one of the first countries in Europe to begin lifting some lockdown measures, the reopening of the economy will be very gradual. In addition, a low consumer confidence could indicate nervous consumers may continue to limit their spending. We note that figures related to the economic and retail overview are mainly based on Q1 numbers, as the Q2 update is yet to be completed.

According to Statistics Denmark, retail sales decreased by -4.1% from Q4 2019 to Q1 2020 when corrected for price trends, seasonal fluctuations and the effect of trading days. The product group Food and Everyday Commodities increased with 3.4%, while the product group Clothing decreased in sales with -49.3%.

When comparing Q1 2020 versus Q1 2019 after seasonal adjustments, the retail sale of groceries and non-electrical household goods via internet has increased by 35% and 16% respectively. The best performing retail sectors in Q1 2020 was the retail sale of paints and DIY centres, which increased by 65% and 35% respectively. In comparison, the sale of clothes has decreased by -68%.

Prime net shopping centre rents have been quite stable since Q3 2015 and currently stand at DKK 5,500 per sq m pa. Thus, no changes to the rental level is seen in Q1 2020. Looking forward, challenges are expected. The longer this disruption of the lockdown, the more impact on consumer confidence and purchasing power, the longer the impact on retail sales. Furthermore, Covid-19 is expected to be the ultimate trigger for already dwindling retailers and F&B to close their business, why higher vacancy on the medium / longer term is expected.

Retail Market Overview

The end of the fourth quarter 2018 showed a change in investor sentiment. The shopping centres are experiencing challenges regarding e-commerce and in addition, as a result of weaker investment demand and confidence, market players have been withdrawing their sales from the market due to difficulties in achieving expected pricing. Additionally, the continued disruption caused by the lockdown and prolonged social distancing measures due to the outbreak of Covid-19, is expected to further accentuate the already existing pressure on brick-and-mortar retail caused by the rapid growth of e-commerce.

The change in sentiment is also evidenced by the sale of one shopping centre in the beginning of the first quarter of 2020, where Aviva Investors acquired Galleri K shopping arcade; a mixed-use retail, leisure and office asset located in Copenhagen. The asset is situated on Copenhagen’s high street at the centre of the city’s retail district and has a total GLA of 24,795 sq m. The asset was sold by Patrizia AG. Purchase price was not disclosed.

The retail property transaction volume in 2019 was DKK 2.9bn, which is a decrease of 56% compared to 2018. In Q1 2020, DKK 1.8bn was transacted, an increase of 193% compared to Q1 2019. As of Q1 2020, the general shopping centre yields is at 5% for prime shopping centres and at 7% for good secondary shopping centres following 25 and 50 bps adjustment over the last two quarters. The increasing yields are a consequence of the continuing growth in e-commerce, further pressuring retailers particularly in secondary locations. The forecast trend for both yields is softening, as vacancy is increasing, and retail property values are impacted as well.

ESTONIA

Economic Overview

According to Eesti Pank, in Q1 2020 the Estonian economy declined by 0.8% compared to Q1 2019 earlier and 3.7% to Q4 2019. The coronavirus certainly affected the decline, but the weak development of the economy was still mainly down to factors that were already slowing growth in 2019. Eesti Pank expects the economy to decline by 10% in 2020 y/y but growth of 8.5% in 2021. This forecast assumes that there will be no further repeat outbreak of the virus in Estonia or elsewhere in the world with wide-ranging impacts. The wages grew by 4.7% y/y but dropped by 4.6% comparing to Q4 2019

Private consumption spending barely grew in Q1 2020. The introduction of the emergency situation in the middle of March affected accommodation and foodservice providers most immediately. Spending on clothing and footwear was down 10% in the first quarter, and that was probably affected not only by the closure of shopping centres but also by the warm winter, which reduced sales of seasonal goods.

Retail Market Overview

According to preliminary figures, in April 2020 retail turnover compared to March dropped by 18% and 15% compared to April 2019. According to Statistics Estonia, turnover decreased the most, by 72%, in stores selling textiles, clothing and footwear. Other specialised stores selling predominantly manufactured goods (department stores) but also pharmacies and cosmetics stores lost half of their turnover compared to the same period a year ago. In stores selling second-hand goods and in the non-store retail sale (stalls, markets, direct sale), the decrease was 32%. In other specialised stores, such as stores selling predominantly computers and their accessories, books, sports equipment, games, toys, flowers, plants, etc., turnover declined by 18%, and in stores selling household goods and appliances, hardware and building materials, by 11%.

In Tallinn, shopping centre rents in Q1 2020 have remained stable. The downward pressure on rents in the largest shopping centres in Tallinn is unlikely to be observed in Q3 2020. However, T1 Mall is still struggling to attract stable sizeable footfall and is under reorganisation.

Currently the Estonian prime retail yield is 7.25%, compared to 7.5% in Latvia and 7.0% in Lithuania. In the first half of 2020, the Estonian market was absent from shopping mall investment transactions. There was one supermarket sold in Tallinn, one 2,400 sqm A1000 Market for EUR 2.6 mln.

Major shopping centre Porto Franco - a multi-functional development will be delivered in Tallinn next year and will add 32,000 sqm of retail space, but in 2020, no new retail spaces should be added to the market.

NORWAY

Economic Overview

The Norwegian economy has shown solid performance over the past years, allowing Norges Bank to be among few the hawkish central banks in a global environment dominated by the US/EU/China trade war and Brexit fears. Over the past three months this has been completely turned on its head by the COVID-19 pandemic.

This extraordinary situation led to the government implementing the strictest peace time restrictions on the Norwegian society ever, closing schools and kindergartens and practically all non-essential shops and F&B outlets. Despite several fiscal crisis packages and a pledge from the government to do "do whatever it takes", registered unemployment skyrocketed to levels not seen since World War II due to massive temporary layoffs across the entire country.

Since the end of March and early April, the situation has stabilised and society has gradually reopened, currently in a state where most parts of normal life has resumed, with some restrictions.

Due to the volatile nature of the situation, forecasts are changing often. That said, our latest forecast is that Norway has dived into a recession that will yield a GDP contraction of 5.8 percent in 2020. The NOK is also expected to remain weak against the major currencies, resulting in tougher trading conditions for importers, i.e. a majority of retailers.

Despite sales stilling being down (-4.6 percent YTD through May), it is worth noting that data collected by Kvarud Analyse in the end of May show that the sales income and footfall at Norwegian shopping centres clearly have started to recover. In fact, total sales in May were up 1.5 percent compared to May 2019, and 28 percent higher than in April 2020.

Average basket size was NOK 404 in May 2020, while the YTD average basket size is NOK 347, up 14.5 percent compared to the same period last year.

Retail Market Overview

Retail transactions amounted to less than NOK 300 million in Q2 2020, down 91 percent YoY, which is only 3 percent of the preliminary total transaction volume for the quarter. The market share is significantly down compared to the normal. The prime shopping centre yield is by many analysts expected to increase, due to the combination of COVID-19 and an investor sentiment that already was cooling off before the pandemic. There also continues to be moderate upwards pressure on secondary yields.

There has been registered only one shopping centre transaction in Q2 2020, the 3,500 sqm Sætre Nærsenter in Hurum, which was sold by Coop and Norgesgruppen to Kirkeng Eiendom for an undisclosed sum. The relatively small centre consists mainly of (for the time being) overperforming tenant groups such as grocery stores, Vinmonopolet and a pharmacy.

VALUATION METHODOLOGY

We have assessed the fair values primarily by using the income approach by undertaking 10-year discounted cashflow analyses. The cashflow model used was provided to us by Citycon and has been developed by an external service provider. This model was used for Citycon's valuations for the first time in Q2 2017.

The calculation uses the current contract rents until lease expiry and the market rents assessed by CBRE after lease expiry. The lease expiry dates adopted are the earliest possible lease break dates for fixed term leases, and for leases that are valid until further notice, a certain number of lease renewals have been assumed and adopted. The rents under the current leases and assessed market rents for the vacant tenancies and after lease expiries form the potential gross income.

The model utilises a long-term vacancy rate for each tenancy after the adopted lease expiry date, and rent voids have also been applied after the initial lease expiries. Any rent discounts under the current leases and leases starting after the valuation date are also adjusted for in the calculation.

Other income, such as car parking, casual mall leasing, advertising etc. is then added to the rent cashflow to arrive at the forecast gross income. Operating expenses have then been deducted from the forecast gross income to arrive at a net income. This is the income used to calculate the initial yields at the valuation date.

Furthermore, deductions have been made for anticipated capital expenditure, tenant improvement costs to occur after lease expiry and other project investments. We have not been provided with long term capital expenditure forecasts by Citycon, only the immediate investments, and the capital expenditure allowances made are based on our general knowledge of costs for these types of properties and are estimates only.

The values of the properties are based on the sum of the discounted 10-year cashflow and present value of the terminal value. Any possible additional value, such as the value of unutilised approved building area which is considered to be usable, has been added as well.

The discount rates used are based on acceptable yields escalated by the average projected inflation during the 10-year cashflow period. The yields are derived from sales evidence and utilising our general market knowledge.

VALUATION

The investment portfolio being valued includes 21 properties, all 100% owned by Citycon. All assets are shopping centres, but some of the properties include additional value for unbuilt but approved residential/retail area or value related to a built residential or office component.

The portfolio is geographically divided into four countries; Denmark (2 properties), Estonia (2 properties) and Norway (17 properties). The key figures of the portfolio are presented in the table below. There are some very large shopping centres in the portfolio and the 5 largest assets account for 43.5% of the total value. The largest assets by value are Rocca al Mare and Kristiine in Estonia and Oasen, Herkules and Stovner Senter in Norway.

Five of the property values include additional value for approved building area which has not yet been utilized.

The total fair value of the portfolio as at 30 June 2020 was approximately 1,765 million Euros.

30 June 2020		Number of properties	Fair Market Value, EUR million	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
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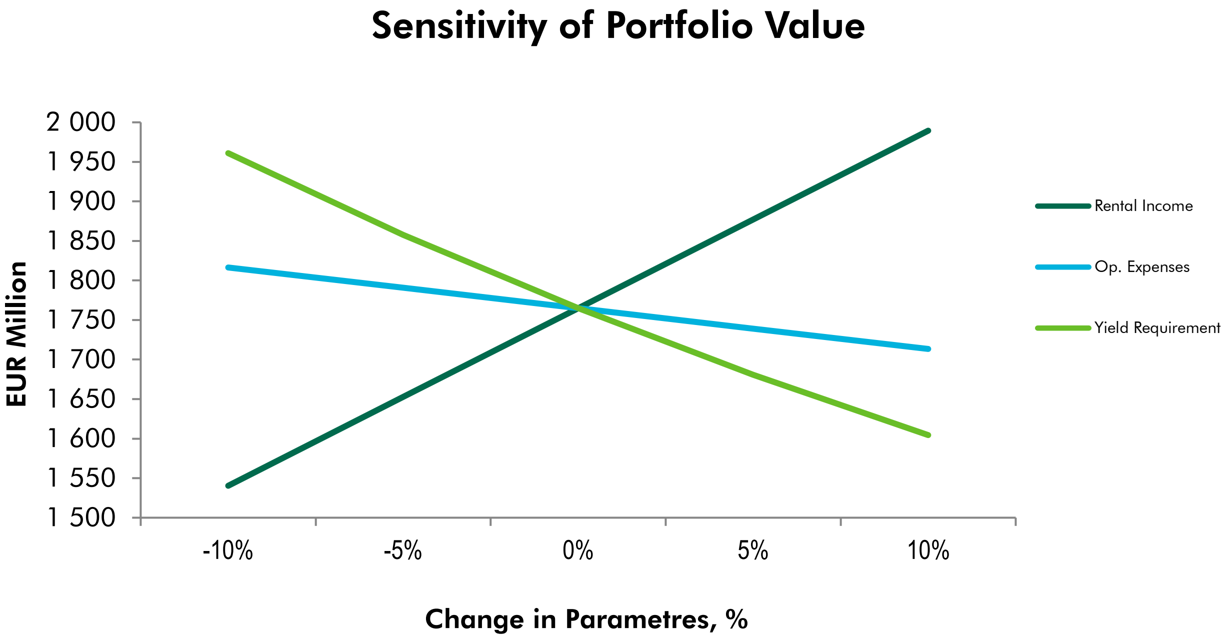
Total		**21**	**1 765**	**5,8 %**	**5,7 %**	**6,2 %**	**20,5**	**4,3**
Denmark								
Greater Copenhagen Area								
	Shopping Centres	2	116	5,9 %	5,8 %	6,3 %	20,5	3,0
Estonia								
Tallinn								
	Shopping Centres	2	307	6,7 %	7,5 %	7,0 %	20,6	3,3
Norway								
Greater Oslo Area								
	Shopping Centres	7	614	5,3 %	5,1 %	5,7 %	21,8	5,1
Other Areas in Norway								
	Shopping Centres	10	728	5,8 %	5,4 %	6,4 %	19,4	4,3

SENSITIVITY ANALYSIS

A sensitivity analysis has been undertaken for the portfolio based on a portfolio summary, by changing the main parameters of the valuation calculation and examining its impact on the portfolio value. The valuation calculation parameters in the analysis are the yield, rental income and operating expenses, which have been adjusted one at a time, and the impact on value compared to the current situation. The analysis is a simplified model of the actual valuation calculations and the results are indicative only. The results of the sensitivity analysis are illustrated in the following figure.



The value is the most sensitive to changes in rents, with the value changing by approx. 13% with the income level reducing or increasing by 10%. The next largest impact is made by changes in the yield, where a 10% reduction in the capitalisation rate results in an 11% increase in value and a 10% increase in the capitalisation rate results in a 9% reduction in value. A 10% change in operating expenses only has a 3% impact on value, both up and down.

VALUATION ASSESSMENT

We are of the opinion that the aggregate of the Fair Values of Citycon Oyj's investment property portfolio, free of liabilities and debt, as at 30 June 2020 is approximately:

1 765 000 000 Euros

(One Billion Seven Hundred Sixty-Five Million Euros)

In Copenhagen, Riga and Oslo 27th July 2020

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