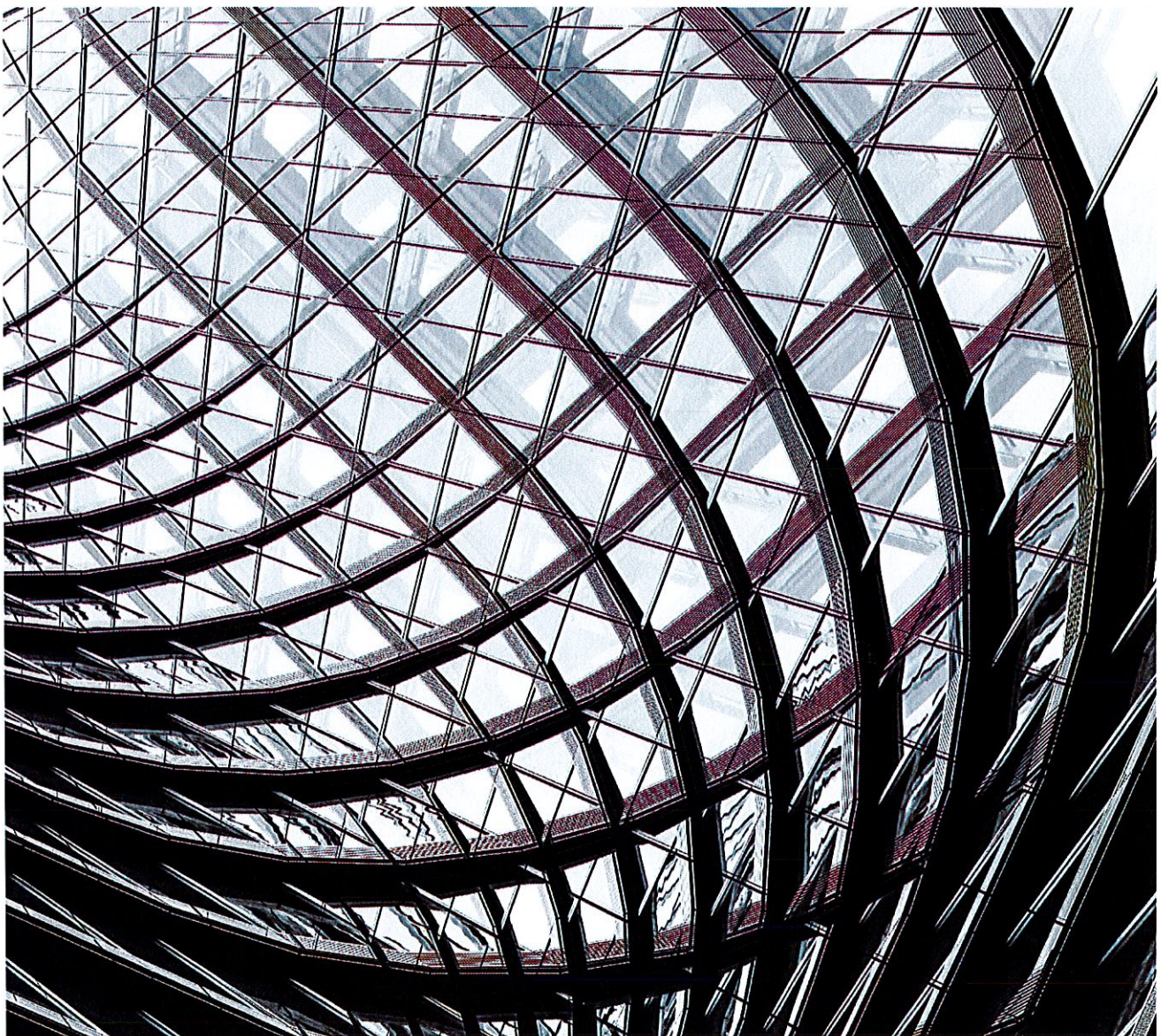


Valuation Advisory

12 properties in Finland

Citycon Oyj

December 2019



Executive summary

At the end of December 2019, Citycon's investment portfolio being valued included 12 investment properties in Finland. One property (IsoKristiina) is owned through joint venture. 10 of these 12 properties are shopping centres, one is residential property and one is retail/office property. One of the shopping centres is a development project.

Below we present the key figures of the evaluated portfolio. Asematie 3 and Lippulaiva are included the stated value but Asematie 3 has been left out from other key figures because it has been valued by building right value. Also, Lippulaiva has been left out of all key figures except weighted net yield.

31 Dec 2019	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 in Finland	12	1528	5.1%	5.1%	5.5%	32.3	7.6

Iso Omena is distinctly valuable property compared to the rest of the portfolio, which means that weighted averages are highly influenced by the changes in Iso Omena.

The total fair value of the portfolio in Q4 2019 was approximately €1,528 million.

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1. 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 located in Finland as at 31 December 2019, to arrive at our opinion of Fair Value.

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

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 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 Market Value.

We confirm that our valuations are fully compliant with IFRS accounting standards and IVSC valuation standards and guidance. We also confirm that we have prepared our valuation as external valuers and 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.

The Fair Value stated do not include transaction costs, in accordance with normal valuation practice in the market.

2. Scope of work

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.

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

For this valuation 2019 Q4 we have carried out inspections for Columbus, Koskikeskus and IsoKarhu.

We have not measured the properties leasable areas but have relied on the information 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.

We were not instructed to carry out a site survey or environmental assessment nor have we investigated any historical records to establish whether any land or premises are or have been contaminated. Unless we have been provided with information to the contrary, we assume that the Properties neither are, nor are likely to be, affected by land contamination and that there are no ground conditions which would affect its present or future use

We were not instructed to carry out a structural survey but we have reflected any apparent wants of repair in our opinion of the value as appropriate. The Property has been valued on the basis of the Property owner's advice save where we have been specifically advised to the contrary, that no deleterious materials have been used in its construction.

We have assumed that the Property has been erected and is being occupied and used in accordance with all applicable planning and zoning laws and regulations, consents and permits and that there are no outstanding statutory notices. We assume that the Property and the buildings comply with all statutory and authority requirements including, but not limited to building, fire and health and safety regulations

Finally, and in accordance with our normal practice we confirm that this report is confidential to the party to whom it is addressed for the specific purpose to which it refers. No responsibility whatsoever is accepted to any third party in relation to this report of the contents thereof. Neither the whole or part of the report, nor any references thereto, may be published or referred to in any document or statement or in any form of media or communicated to any third party without our prior written approval of the form and context in which it will appear.

3. Market overview

According to Statistics Finland, the volume of GDP of Finland grew by 1.7% in 2018 when in 2017 the growth was 3.0%. According to Finland's Ministry of Finance the most recent forecasts for GDP growth in 2019 is 1.6% and for the following years slightly less: 1.2% for the year 2020 and 1.1% for the year 2021. The Finnish labour market continues to show positive signs, however in a slower pace.

According to Finnish Commerce Federation's forecast, the retail market revenue in Finland is estimated to grow 1.4-1.5 percent in 2019 and 1 percent in 2020. The increased uncertainty in the economy has made the public more cautious, and both retail and consumer confidence indices have come down from last year. Online retail continues to strengthen, and forecasts by the Finnish Commerce Federation estimates 8 percent growth in 2019. With the increased coverage of online over more and more retail categories, traditional shopping destinations are shifting their focus away from traditional retail such as fashion, and towards F&B, entertainment and other services on which online sales have a smaller influence.

The rental growth of retail units continues to remain stagnant. In prime locations, rents stay high and stable, even with the cost of temporary vacancy. While take-up in primary locations stays active, uncertainty in the market is making retailers critical when it comes to rents and lease times, and especially fashion retailers are cautious about expanding. Additionally, suitable spaces for global high-end retailers are short in supply, which limits the potential supply of solvent and attractive tenants. Secondary locations are struggling with increased vacancies as unprofitable retailers exit and new tenants may be hard to find.

The prime rents in Helsinki leave the other Nordic capitals behind, demonstrating the demand for best retail premises. The yields for prime shopping centres and retail unit shops are currently at 4.75 percent and 3.50 percent respectively, reflecting the market polarisation within retail properties. The yields may currently be seeking equilibrium as the yields are unchanged from late 2018. The yield for shopping centres remained unchanged from 2018, whereas prime yield for unit shops contracted by 10 basis points.

4. Valuation rationale

We have adopted a 10-year cash flow as the main valuation method. The 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.

Contract Income/Market for Vacancies 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 Rental Income. Rental Income less operating expenses (including repairs) equals the Net Operating Income (NOI). NOI less any capital expenditure, investments and tenant improvements equals the Net Income that has been discounted to reach the income stream's present value.

The Terminal Value at the end of the 10-year cash flow period is calculated by using the exit yield to capitalise the 11th year Net Income. The value of the property is calculated as the sum of the annually discounted Net Income stream, the discounted Terminal Value at the end of the calculation period and any other assets increasing the value (e.g. unused usable building right).

There is currently one development project included in the valued portfolio; Lippulaiva located in Espoo, Finland. Development projects are included in the valuation of the portfolio in line with information received from the Company. Adopting 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 as a period when premises generate no income or limited income and when uncommitted investments are included in the cost side as a value reducing factor. Thus, the value of a development project increases automatically when investments are committed and the opening day of the centre approaches.

Below is definition (according to IVSC glossary) and formula used to calculate some of the key figures reported in this valuation:

Weighted average yield requirement

“Yield – the return on an investment. Usually expressed annually as a percentage based on an investment's cost, its current market value or its face (par) value. Often used with a qualifying word or phrase.”

In case of this valuation the weighted average yield requirement is weighted with the value of the property and the formula used is presented below.

$$= \frac{(\text{Value of property 1} \times \text{Yield requirement of property 1} + \text{Value of property 2} \times \text{Yield requirement of property 2} \dots)}{(\text{Value of property 1} + \text{Value of property 2} \dots)}$$

Initial yield

“The initial income from an investment divided by the price paid for the investment expressed as a percentage.”

The formula used is presented below.

$$= \frac{(\text{Annualised current rents} - \text{operating expenses})}{(\text{Market value} - \text{estimated value of building right})}$$

Reversionary yield

“The anticipated yield from an Investment Property once the Reversionary Value is attained.”

“Reversionary Value – The estimated value of an investment property at the end of a period during which the rental income is either above or below the market rent.”

The formula used is presented below.

$$= \frac{(\text{Annualised market rents} - \text{operating expenses})}{(\text{Market value} - \text{estimated value of building right})}$$

5. Valuation

At the end of December 2019, Citycon's investment portfolio being valued included 12 investment properties in Finland. One property (IsoKristiina) is owned through joint venture. 10 of these 12 properties are shopping centres, one is residential property and one is retail/office property. One of the shopping centres is a development project.

The value of one of the properties includes unused building right and one of the properties is valued by the total building right, from which the cost of demolishing the existing building has been deducted.

Below we present the key figures of the evaluated portfolio. Asematie 3 and Lippulaiva are included the stated value but Asematie 3 has been left out from other key figures because it has been valued by building right value. Also, Lippulaiva has been left out of all key figures except weighted net yield.

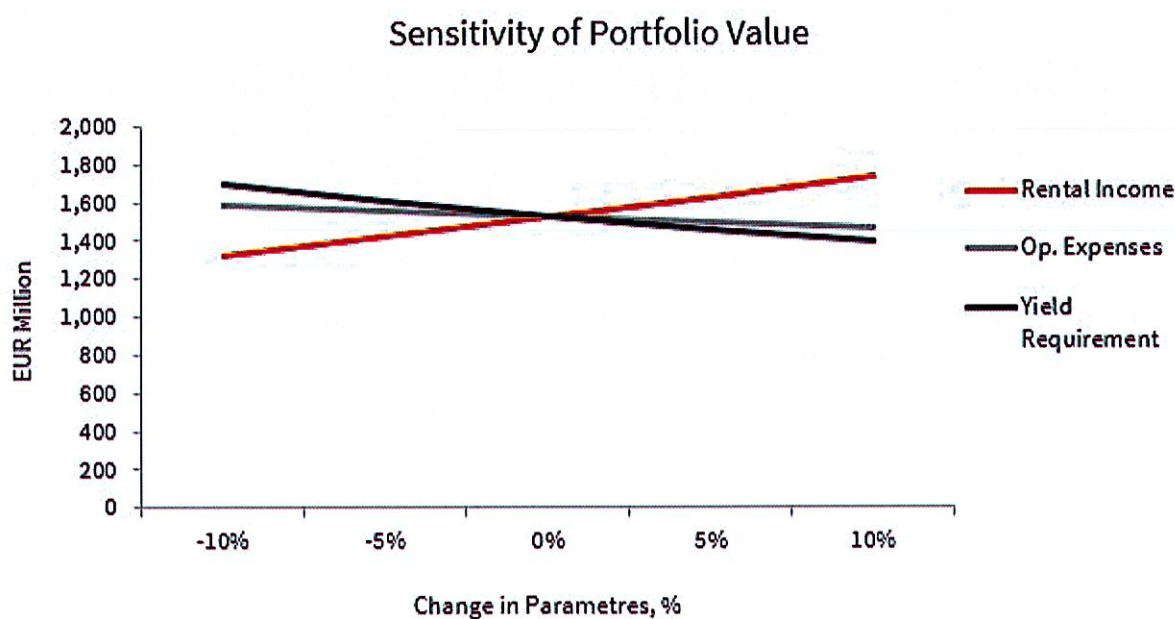
31 Dec 2019	Number of properties	Fair Market Value, EUR million	Wght. Average Net Yield Requirement	Wght. Average Initial Yield	Wght. Average Reversionary Yield	Wght. Average Market Rent, EUR/sq.m./month	Wght. Average Operating Costs EUR/sq.m./month
Total Property Portfolio in Finland	12	1,528	5.1 %	5.1 %	5.5 %	32.3	7.6
Helsinki Metropolitan Area	8	1,203	4.8 %	4.7 %	5.0 %	34.4	8.0
Other parts of Finland	4	325	6.2 %	6.4 %	7.0 %	25.6	6.4

Iso Omena is distinctly valuable property compared to the rest of the portfolio, which means that weighted averages are highly influenced by the changes in Iso Omena.

The total fair value of the portfolio in Q4 2019 was approximately €1,528 million.

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 and then calculating the corresponding fair value of the total portfolio. The sensitivity analysis is a simplified model intended to support the understanding of the value effect of different parameters on the valuation. The figure below represents the results of the analysis.



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 change of around 13% in value, while a 10% fall in the yield requirement causes an increase of around 11% in value. Changes in expenses have a more modest effect on the value than the other parameters.

Fair Value as at 31 December 2019

We are of the opinion that the aggregate of the Fair Values, free of liabilities and debt, of the properties in the subject portfolio as at 31 December 2019, is ca.

€1,528,000,000

(One Thousand Five Hundred and Twenty-Eight Million Euros)

In Helsinki 25th January 2020

Yours faithfully



Maria Sirén

Director

Authorised Property Valuer
(AKA general authorisation)

For and on behalf of

Jones Lang LaSalle Finland Oy



Simo Hännikäinen

Associate

For and on behalf of

Jones Lang LaSalle Finland Oy

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