Real value in a changing world

Valuation Advisory

Citycon Oyj

Market Valuation of the Investment Properties

31 March 2013

Contents

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 March 2013, 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 have also re-inspected 37 properties after the initial valuation as well as 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

Slightly more optimistic sentiment in European economy was affected negatively by the Cyprus crisis and Italian election results in Q1 2013. Overall economic picture across Europe remains mixed and economic growth projections for 2013 indicate recession in southern Europe, whilst e.g. the UK and the Nordics are expected to see some growth and some of the CEE and CIS countries relatively strong growth.

Finland

In 2012, GDP decreased by -0.2% according to Statistics Finland, which is slightly better than the Eurozone average. In Q4 2012 GDP growth was -0.5% compared the previous quarter and -1.5% compared to Q4 2011. For year 2013 most of the current forecasts promise some expansion but the variance is wide starting from -0.2% up to 1.7%. Exports decreased by -4.4% in Q4 2012 compared to previous quarter and by -2.9% from Q4 2011.

Consumer confidence in the economy was 10.2 in March, which is still low compared to long-term average (12.6). However, it was higher compared to previous months (January 4.5 and February 9.6). Confidence in retail decreased in March after growing at the beginning of 2013. Confidence indicator was -7 in March while long-term average is 0. Retail sales decreased by -0.8% and volume by -1.9% in February (year-on-year).

Sweden

GDP growth was 0.9% in 2012, surpassing the Western Europe mean average (0.2%). GDP growth has been driven by domestic and private consumption. Looking ahead, GDP growth for Sweden in 2013 is forecast to be higher than 2012 at around 1.3% and then 2.3% in 2014, continuing the trend of higher growth than the EU average (0.1% in 2013 and 1.6% in 2014).

Over the last decade, private consumption growth for Sweden has been well above the average for the Eurozone. In the period 2002 to 2012, real private consumption growth averaged 0.8% per year in the Eurozone and 2.4% per year in Sweden. In the next 5 years, real private consumption growth in Sweden is forecast to outperform the Eurozone at the same rate per year as the previous 10 years according to Oxford Economics.

Retail sales in Sweden have performed well in recent years and are forecasted to outperform most other Western European countries in the period 2013-2016. In 2012, nominal retail sales increased by 2.1% of which non-daily goods increased by 1.1% and daily goods increased by 3.3%. An increase of 2.0% in total nominal retail sales for Sweden is currently forecast for 2013 by HUI, before increasing to 3% in 2014 as economic conditions gradually improve.

Estonia

Estonian economy grew by 3.2% in 2012 compared to the previous year accelerating to 3.7% in Q4 2012. In the first three quarters of 2012, the growth was mainly driven by construction while in the last quarter transportation and storage contributed the most successively to the economic growth. Bank of Estonia forecasts GDP real growth of 3.0% in 2013 and 4.0% in 2014. The growth in external demand is expected to remain around 2.5% in 2012 and thereafter speed up steadily. Demand in Estonia's export markets is expected to grow by 3.2% in 2013 and by 5.6% in 2014.

Inflation in 2012 was 3.9%, mainly influenced by the price increase of electricity, heat energy and fuel. During the first two months of 2013, the average inflation rate remained at 3.6%. The inflation forecasts for 2013 and 2014 are 3.6% and 2.4%, respectively.

In February 2013 the revenues from sales of retail trade enterprises were 381 million euros, out of which the retail sales of goods accounted for 83%. Compared to February 2012, the revenues from sales decreased by 1.6% at current prices while the average increase in 2012 was 10.6%.

Lithuania

The growth of the Lithuanian economy is rather stable and it continues to be positively affected by foreign trade. For about half a year already, export has been accelerating. In the full year 2012, the economy expanded 3.6% and 4.1% in Q4 2012. The Bank of Lithuania forecasts that in 2013 the GDP will increase by 3.1% and in 2014 by 3.8% in real terms. Private consumption growth rate has been decelerating due to slower growth of household income, but along with the household sentiment, it is expected to stabilise. Inflation in 2012 was 3.2%, mainly driven by food and administered prices (such as electricity, gas and heating energy). During the first two months of 2013, the average inflation rate remained at 2.5%. The inflation forecasts for 2013 and 2014 are 2.4% and 3.0%, respectively.

The revenues of retail trade enterprises grew by 5.7% in 2012 compared to 2011 at constant prices. During the first two months of 2013, the average growth was 1.7% (yoy). Revenues of enterprises trading in food products increased by 0.2% and of those trading in non-food products increased by 3.6%.

Denmark

While the crisis in Europe drags on, its effects are putting the Danish economy under increasing pressure. According to forecasts, Danish year-on-year GDP growth slipped into negative territory in 2012 but 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.

The attitude towards the economic development in Denmark is becoming more positive; however, the key indicators show no sign of significant improvement. Total GDP growth in 2012 is expected to land at -0.6% and is forecasted at 0.4% and 1.5% in 2013 and 2014 respectively. The demand side of the economy has been in positive territory in 2012 with slightly positive growth in private consumption and investments, and the negative GDP growth is due to a negative net export. The stock market, which is often referred to as a leading indicator, has performed extremely well in the first months of 2013 and that gives hope to a stronger recovery of the Danish economy.

The European debt crisis is still an issue for the Danish economy and even though the situation seems to have been under control in 2013 people still fear that the situation becomes worse.

There are still several countries in Southern Europe that struggle with high debt levels and weak economic growth, and a small open economy like the Danish is dependent on exports. Therefore the European debt crisis must be solved before the Danish economy can see significant growth again.

Retail sales stayed at a low level in 2012. The beginning of 2013 has showed no major changes and retail sales are still moving sideways. The figures from February 2013 shows a small increase compared to February 2012 measured on value and a small decrease measured on quantity. 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

Only few retail property transactions were closed in Q1 2013 keeping the retail property transaction volume clearly below €100 million. Overall, the Finnish property investment market has witnessed low levels of transactions since the slowdown in H1 2008 and the forecast for 2013 does not indicate any big changes in the market. Although investment demand has been increasing, the scarce supply of prime assets persists to limit transactional activity.

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

Retail rents have also been increasing even though the softening outlook for retail sales is weakening the future prospects. However, rental growth has been focused on the prime locations except in retail warehouse sector where the rental growth overall seems currently 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 Q1 2013 was some SEK 1.6 billion, which is higher than the SEK 0.6 billion of retail property transacted in Q1 2012 but significantly lower than Q4 2012 when some SEK 7.6 billion of retail property was transacted. However it is typical that the first quarter shows a much lower transaction volume than the fourth quarter. In Q1 2013, the dominance of international investors in transactions continued with the majority of the transaction volume involving a cross border investor.

Investors interest continues to be strong for retail property which has a good location and specification with relatively strong tenants and low vacancy rates. However retail property investments 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 remained generally stable since mid-2011, although the prime yield for retail warehouse parks moved out by +25 bps at the end of 2012.

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 used to in Sweden over the last decade.

Estonia

Estonian consumer confidence indicator in March 2013 was higher compared to the year-end level of 2012 and is above the long-term indicator average. The sentiment of retail trade enterprises fell during the first three months of 2013, but stayed above 10-year indicator average. Strong retail sales has encouraged demand for retail space, especially in Tallinn downtown areas and professionally managed modern shopping centres. The average vacancy at Tallinn shopping centres is close to zero and rents have risen near 2%.

Retail developers are adding approximately 100,000 square meters of new retail space to Tallinn market during the next 24 months. This volume includes the launch of 2 new centres – one in East Tallinn and the other in the City centre plus expansion of existing shopping centre stock. All in all there is over 500,000 square meters of retail space in early planning phase, but 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 hyper- and supermarket segments. Also neighbourhood shopping has growth potential in residential areas.

The investment market has been active since the second half of 2012. Besides transactions in super- and hypermarket segment there were two larger shopping centre transactions in Tallinn – one €21.5 million transaction in Q3 (GLA 21,500 sq m) and another €21.8 million transaction in Q4 (GLA 15,100 sq m). The Q1 2013 started with some smaller retail transactions together with one larger, €14.9 million hypermarket transaction. As the market has strengthened, retail yields have dropped below 8%.

Lithuania

Vilnius retail property market has shown some increase in activity from the Q4 2012. The last quarter of 2012 brought along a €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. Lords LB Baltic Fund III is in the closing phase to acquire five shopping centres in Lithuania as part of a Baltic portfolio transaction. The prime shopping centre yields are near 8.0% and the increase in investment activity would probably have further downward pressure on the yields.

The average vacancy has been close to zero quite some time in professionally managed modern shopping centres. The rent rates are slowly increasing for small tenants and remaining rather stable for large ones, while some changes are expected in the second half of the year after H&M and IKEA openings.

There is about 60,000 square meters new development planned in Vilnius in the near future. Besides a large IKEA store with GLA 30,000 sq m one retail park (ca. 11,000 sq m) and shopping centre (ca. 18,000 sq m) in the northern part of Vilnius are planned to be delivered in 2013-2014. The other realistic projects in the next two to three years would be several neighbourhood shopping centres in the outskirts of Vilnius.

Denmark

Investment activity in commercial real estate is still performing way below the long term average. The total transaction volume in 2012 was slightly higher than in 2011, and it is expected that the total volume will increase again in 2013. The primary focus is still on residential properties in Copenhagen whereas the pure commercial market is suffering more. In Q1 2013 one of the

Danish pension funds succeeded in a sale of a large residential portfolio being sold for more than DKK 1bn.

The primary focus in 2012 in the retail investment market has been high street properties in Copenhagen. There has been a growing interest from especially foreign investors for this type of asset and yield is down to 4.75% for prime assets in Copenhagen. In Q1 2013 one of the largest shopping centres in Denmark was sold for close to DKK 3bn. This is one of largest single asset deals in Danish history. The shopping centre market has been very illiquid for many years but hopefully this deal can give more activity in this market. The shopping centre in question was Rosengårdcentret located in Odense - the third largest city in Denmark. The centre was sold to ECE European Prime Shopping Centre Fund at a yield around 5.25%. The yield for prime shopping centres is around 5.0-5.5% 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 (incl. 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 right).

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/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 development project increases automatically as investments are committed and the opening day of the renewed premises approaches.

Valuation

Property Portfolio

At the end of March 2013, Citycon owned 77 properties (including Kista Galleria) and of these 75 are included in this valuation. The property portfolio under valuation consists mainly of retail properties of which 57 are located in Finland, 13 in Sweden, 3 in Estonia, 1 in Lithuania and 1 in Denmark. The core of the portfolio consists of 37 shopping centre properties, which comprise 80% of the portfolio's leasable area and represent most of its value. In addition to the shopping centres, there are other retail properties and development properties.

Since the previous valuation, one property has been disposed; Hindås located in Härrydä, Sweden. Citycon has also sold 50% share of the shopping centre IsoKristiina located in Lappeenranta Finland.

The total fair value of the portfolio in Q1 2013 was approximately MEUR 2,732. Comparing the Q4 2012 fair value of the portfolio, the fair value increased by MEUR 27. i.e. 1.0 % 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 Q1 and changes in contract rents.

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 MEUR 1,652 and it increased by MEUR 0,4, when compared to the Q4 value. When comparing the Q4 figure without the 50% sold share of IsoKristiina the increase is MEUR 17 (1.0%). Compared to Q4 figures the weighted yield requirement (6.2 %) has stayed same, as well as the reversionary yield (6.8 %) weighted. Initial yield (6.5 %) has increased by 30 bps. The change in the value of Finnish portfolio is mainly driven by development in contract rents, investments done since last valuation and change in operating costs.

Properties in Sweden

The fair value of the Swedish portfolio is MEUR 761, meaning that the portfolio's value has increased by 3.4 % since Q4. After the last valuation Hindås has been disposed thus when comparing the Q4 value without Hindås the increase in the value is 3.6%. The increase in value is mainly due to the strengthening of Swedish krona and changes in the operating costs. The weighted average yield requirement for the Swedish portfolio has stayed the same being 6.0 %. The weighted average initial yield has increased by 30 bps (5.9 %) and the weighted average reversionary yield (6.6 %) remained unchanged.

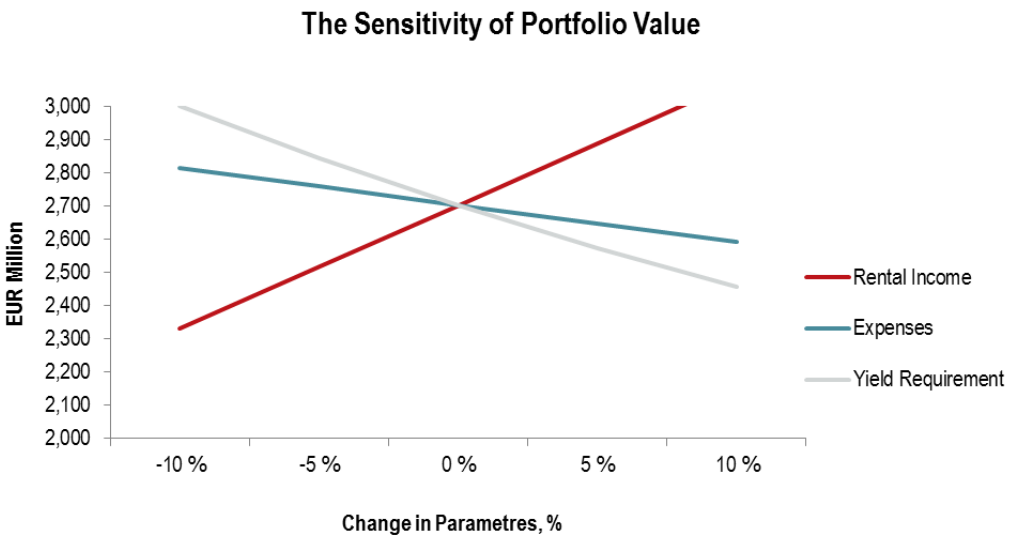
Properties in Baltic countries and Denmark

The value of the Baltic countries and new Business portfolio is MEUR 318. Compared to the Q4 value, this represents a 0.7 % increase in value. The increase in value is mainly driven by the changes in contract rents and operating costs. The weighted average yield requirement of the portfolio has decreased by 10 bps being now 7.6 %. The weighted average initial yield increased by 20 bps being now 8.1 % and the weighted average reversionary yield decreased to 8.1 % by 10 bps.

March 31, 2013	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							
Finland	57	1,652	6.2 %	6.5 %	6.8 %	26.1	6.2
Sweden	13	761	6.0 %	5.9 %	6.6 %	26.2	7.5
The Baltic Countries and New Busin	5	318	7.6 %	8.1 %	8.1 %	20.1	3.5
Total	**75**	**2,732**	**6.3 %**	**6.5 %**	**6.9 %**	**25.4**	**6.2**
Finland							
Helsinki Metropolitan Area							
Shopping Centres	11	860	5.8 %	6.0 %	6.2 %	28.7	7.0
Other retail properties	17	80	7.9 %	8.7 %	9.2 %	16.4	5.0
HMA total	**28**	**940**	**6.0 %**	**6.3 %**	**6.5 %**	**27.6**	**6.8**
Other parts of Finland							
Shopping Centres	12	596	6.3 %	6.5 %	6.8 %	26.1	5.8
Other retail properties	17	116	7.8 %	8.1 %	9.2 %	13.8	3.5
Other total	**29**	**712**	**6.6 %**	**6.7 %**	**7.2 %**	**24.1**	**5.4**
Sweden							
Greater Stockholm Area and Umeå							
Shopping Centres	8	659	5.8 %	5.7 %	6.4 %	27.8	8.5
Other retail properties	2	21	7.4 %	7.5 %	7.9 %	16.4	4.2
Total	**10**	**680**	**5.9 %**	**5.8 %**	**6.4 %**	**27.5**	**7.7**
Greater Gothenburg area							
Shopping Centres	1	67	6.8 %	6.8 %	7.5 %	16.6	5.3
Other retail properties	2	14	7.3 %	4.7 %	9.4 %	11.6	4.3
Total	**3**	**81**	**6.8 %**	**6.4 %**	**7.8 %**	**15.8**	**5.1**
The Baltic Countries and New Business							
Estonia							
Total	**3**	**290**	**7.6 %**	**8.0 %**	**7.9 %**	**20.6**	**3.4**
Lithuania							
Total	**1**	**11**	**9.1 %**	**9.9 %**	**10.2 %**	**13.9**	**2.7**
Denmark							
Total	**1**	**18**	**7.5 %**	**8.5 %**	**9.8 %**	**16.1**	**6.0**
Total	**5**	**318**	**7.6 %**	**8.1 %**	**8.1 %**	**20.1**	**3.5**

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 others remain unchanged, and then calculating the corresponding fair value of the total portfolio. The 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.



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 14% in value, while a 10% fall in the yield requirement causes a increase of around 11% in value. Changes in expenses have more modest effect on the value than other parameters.

Fair Value as at 31 March 2013

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 March 2013, is ca.

EUR 2,732,000,000

(Two Thousand Seven Hundred Thirty-two Million Euros)

In Helsinki and Stockholm 10th of April 2013

Yours faithfully

Tero Lehtonen
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For and on behalf of
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