JLL

Valuation *Advisory*

Citycon Oyj

Market Valuation of the Investment Properties

31 March 2014

Executive summary

At the end of March 2014, Citycon owned 69 properties (including Kista Galleria). This valuation statement includes all properties except Kista Galleria which is valued separately. The portfolio is divided into three geographical areas; Finland, Sweden and The Baltic Countries and Denmark. Below we present the key figures of the evaluated portfolio:

31 March, 2014	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	52	1,680	6.2 %	6.2 %	6.6 %	26.9	6.6
Sweden	11	713	5.9 %	5.9 %	6.5 %	25.1	6.9
The Baltic Countries and Denmark	5	346	7.3 %	7.8 %	7.6 %	20.4	3.5
Total	**68**	**2,738**	**6.2 %**	**6.3 %**	**6.7 %**	**25.6**	**6.3**

Citycon's property portfolio includes a few relatively valuable properties compared to the rest of the portfolio. This means that the weighted averages are highly influenced by the changes in these properties. Iso Omena (located in Finland) is the most valuable property in the portfolio under valuation.

The total fair value of the portfolio in Q1 2014 was approximately €2,738 million. Compared to Q4 2013 the fair value increased by €19.5 million i.e. 0.7% when excluding the divested properties (Lauttasaaren liiikekeskus, Koskikara and Säkylän Liiketalo) and part of shopping centre Stenungs torg which was moved outside the valuation under properties held for sale. The increase in fair value is mainly driven by the committed investments, the positive development of prime shopping centre rents and revision of yields.

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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 2014, to arrive at our opinion of Fair Value.

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 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 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.

We carried out inspections of each of the properties during September-December 2011 when the property portfolio was evaluated by us for the first time. We have also re-inspected 55 properties after the initial valuation, as well as inspected all the properties acquired after the initial valuation.

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 JLL 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.

Market overview

Finland

According to Statistics Finland the GDP growth in Q4 2013 was -0.3% compared to the previous quarter and −0.6% compared to Q4 2012. GDP growth for the whole year 2013 was −1.4%. In 2014 the GDP growth forecasts are overall more positive varying from 0.3% up to 1.5% but might see a slight decrease particularly due to the current situation in Russia. Investments and consumer spending are forecast to remain subdued or decrease thus domestic demand will not speed up growth.

Retail sales increased by 2.1% in January (year-on-year) mainly due to the motorvehicle sales difference to radically low figures in January 2013. Sales volumes expanded respectively by 0.8%. Also the forecast for retail sales growth in 2014-2016 is moderate being 1.7% p.a. This development is mainly driven by relatively low but stable consumer confidence (the majority of consumers still believe the economic situation in Finland to weaken but have cautious confidence in their own economic situation and they see an increase in their own saving possibilities), a sluggish employment outlook and limited growth of purchasing power due to an increasing tax burden with stagnant salary growth.

Prime shopping centre rents remained stable compared to the previous quarter and year-on-year. The softening outlook for retail sales limits the rental growth potential and has already made occupiers more cautious which has lengthened leasing negotiations and slowed down decision making. In 2014 prime rents are forecast to increase by 0.3% but the rental growth potential is limited only to prime centres and locations.

The first quarter of 2014 continued the increasing activity in investment market set in Q4 2013. In the retail sector transaction volumes were still low and included mainly supermarkets. Demand for core assets remains strong, as equity rich investors keep looking for safe havens, but there are also signs of investors starting to diversify their portfolios, both in terms of risk and geography, by looking for more value added and secondary opportunities. However, stronger economic fundamentals are needed before more robust growth could be expected. Due to strong investment demand, shopping centre prime yields have remained stable both quarter-on-quarter and year-on-year and no significant change is expected in 2014.

Sweden

According to the National Institute of Economic Research (NIER), Sweden's GDP growth in Q4 2013 was the fastest in the whole of the EU at 1.7% compared to Q3. While the strength of GDP growth in Q4 was due to some temporary factors including high state consumption, improved economic conditions are forecast for 2014 and 2015. For 2013 as a whole, NIER notes GDP growth of 1.5% and forecasts 2.6% in 2014. Both of the aforementioned figures have been adjusted up slightly since the previous quarter. Tax reductions and expansive monetary policy are contributing to strengthening purchasing power for households, while exports are also increasing. The labour market is improving gradually. Unemployment was 8.0% in 2013 and is forecast to be 7.9% at the end of 2014. Inflation is forecast to continue to be at low levels in 2014.

Retail sales increased by 1.9% in 2013 and latest forecasts by HUI Research suggest an increase of 3.0% for 2014; which will be the highest rate of growth since 2010. Like 2013, daily goods sales are forecast to beat the performance of non-daily goods sales in 2014, although the rate of growth for non-daily goods will make some progress in catching up with the daily goods growth rate in 2014, with a gradually improving economy and some pent up demand contributing to this.

Prime shopping centre rents are increasing slowly and in general terms are estimated to have increased by around 1.5% over the last year. Relatively subdued retail turnover growth and competition limits rental growth. In 2014, prime rents are forecast to increase by 2.0 - 2.5% as retail turnover growth improves. Generally, prime retail rents will perform better than secondary retail rents in terms of growth.

Comparing 2013 and 2012 as a whole in terms of retail transaction volume, SEK 12.7 billion was transacted in 2013 which is approximately 95% of the 2012 volume. Demand for core assets remains strong as equity rich investors look for safe havens. The transaction volume for retail properties in Q1 2014 was some SEK 0.85 billion which is less than Q1 2013 when some SEK 2.4 billion was transacted. The largest retail transaction of Q1 2014 was TMW Pramerica's sale to NREP of Eriksberg Köpcenter, for SEK 228 million (SEK 21,308 / sqm.) Prime shopping centre yields remain stable quarter-on-quarter as well as year-on-year and no significant change is expected in 2014.

Estonia

According to Statistics Estonia, GDP growth in Q4 was 0.2% compared to Q3 and 0.1% compared to Q4 2012. Growth continued to be based on domestic demand in 2013, which in turn was primarily driven by higher household incomes and consumption. As the support for the Estonian economy from exports was less than expected due to weaker growth in Estonia's main trading partners, GDP growth for the full year was a modest 0.8%. For year 2014 variance among the current forecasts is wide and generally the economic growth forecasts have been lowered due to slow recovery of foreign demand. The most optimistic forecasts estimate growth around 2.8-3.0%, while the most pessimistic forecasts see that the Estonian economy will grow by just 0.5% in 2014. A modest acceleration of economic growth is expected to around 2.5-3.9% in 2015 assuming a gradual improvement in foreign demand.

Retail sales growth slowed to 3% in February (year-on-year) measured in constant prices as the growth rate of retail sales in stores selling manufactured goods slowed down significantly compared to the previous months. While during the last three months (November – January), the retail sales of those stores increased 10–14% during the year, then in February the growth was 5%. However, sales increased in most economic activities. The Bank of Estonia forecasts private consumption to grow by 3.4% in 2014. Growth will be supported by increasing real income, an improving labour market and high consumer confidence (indicators above the 10 year average).

Prime shopping centre rents increased approximately by 1.5-2.0% in Q1 2014 (year-on-year) and the growth is expected to be almost flat in 2014, increasing around 0.5-1% in the most successfully operating shopping centres. While the competition among retailers and shopping centres is relatively high and expected to increase, the vacancy rate in professionally managed prime centres is near 0%. The demand for retail space continues to be strong as retail trading tends to concentrate in large shopping centres and the retail trade volumes tend to increase.

The investment market has been active in Q1 2014, although there have been no large deals. However, several smaller transactions have taken place in the office, secondary retail and industrial segment. As the local investors and funds have continued to show increasing interest in the prime office and retail objects in popular locations of Tallinn providing stable cash-flow, some average or above average size transactions are expected to take place during next two quarters to come. Prime yields have dropped to 7.3% and the best-in-class regional centres can command premium pricing. Given the somewhat deteriorated economic outlook, prime yields are expected to remain stable in 2014.

Lithuania

According to Statistics Lithuania GDP growth in Q4 was 1.2% compared to the previous quarter and 3.3% compared to Q4 2012. The GDP growth for the full year 2013 was 3.4%. In 2013, economic growth was mainly determined by the activity of construction and industrial enterprises. The Bank of Lithuania forecasts GDP growth of 3.6% for 2014 driven by a marked recovery in domestic demand – both investment and consumption. However, some financial institutions have been lowering the 2014-2015 growth forecasts for Lithuania as well as for other Eastern Europe countries considering the economic growth outlook deteriorated. The more pessimistic forecasts are predicting that the GDP growth of Lithuania will remain around 3% in 2014.

Retail sales increased by 4.4% in February (year-on-year) measured in constant prices according to Lithuania Statistics. The full year growth in 2013 was 4.4%, while the non-food product segment was growing by 4.8% and the food segment by 3.9%. The Bank of Lithuania forecasts private consumption to grow by 3.5% in 2014, driven by a gradual recovery in the employment, the increase in wages and consumer-friendly price changes.

Prime shopping centre rents continued to increase in line with indexation 2% per annum in Q1 2014. A slight growth by 2% is expected during 2014 in successfully operating shopping centres. In the light of recovery in the domestic economy, demand for space in shopping centres is growing, and the vacancy rates in prime properties have declined to 0%.

There has been some investment activity in the retail segment, but no large retail property transactions were made in Q1 2014. Demand for core office and retail assets remains strong, but mainly in the small to mid-size lot sizes as the local funds and companies are continuously the key market players. There is a lack of core retail properties on the market and this has hindered growth of transaction volumes. Prime shopping centre yields have dropped to 7.5% and best-in-class regional centres can command premium pricing. Growing investment activity and strong economic fundamentals support further yield compression, but at the same time gradually increasing cost of financing affects the yields negatively.

Denmark

According to Statistics Denmark the GDP growth in Q4 2013 was -0.6% compared to the previous quarter and 0.5% compared to Q4 2012. For year 2013 the total growth ended at 0.4% which was also the consensus forecast last quarter. For year 2014 forecasts are overall more positive varying from 1% up to 2% growth. Exports and private consumption are expected to be the primary drivers to the growth in 2014 while public consumption and investments drove the growth in 2013.

Retail sales were almost unchanged in February compared to February last year. Total retail sales were down by 40 bps measured on value and up by 50 bps measured on volume and in January the story was almost identical. It is anticipated that retail sales will start to increase slightly in 2014. Private consumption levels are expected to increase and this will drive up retail sales. At the same time, consumer confidence is fairly strong and overall there is positive sentiment regarding the future economic situation in Denmark.

Prime shopping centre rents remained stable compared to the previous quarter and are also stable on a year-on-year basis. The slow growth rates in retail sales limit the rental growth potential and have already made occupiers more cautious which has lengthened leasing negotiations and slowed down decision making. In the high-street market in Copenhagen however there have been large rent increases in Q4 2013. In 2014 prime shopping centre rents are forecast to remain stable and the rents will only start to grow after a few quarters with positive economic growth.

Activity in the retail investment market has continued in Q1 2014 with total retail transaction volumes around DKK 500m. In Q1 2014 the primary drivers have been high street properties, one in Copenhagen and one in Lyngby. Patrizia is a fairly new investor in the Danish market and they have made their second high street investment with the acquisition in Lyngby. Due to the fairly strong investment demand for prime assets, shopping centre prime yields have remained stable both quarter-on-quarter and year-on-year and no significant change is expected either in 2014. The prime high street yield has dropped to an all-time low of 4.5% due to the high demand from especially foreign investors.

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.

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 the 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. 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/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.

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Valuation

Property Portfolio

At the end of March 2014, Citycon owned 69 properties (including Kista Galleria). This valuation statement includes all properties except Kista Galleria which is valued separately. The property portfolio under valuation consists mainly of retail properties, of which 52 are located in Finland, 11 in Sweden, three in Estonia, one in Lithuania and one in Denmark. The core of the portfolio consists of 35 shopping centre properties, which comprise 83% of the portfolio's leasable area and represent most of its value. The rest of the property portfolio consists of other retail properties such as supermarkets and shops.

Since the previous valuation in Q4 2013, three properties located in Finland have been divested; Koskikara located in Valkeakoski, Lauttasaaren Liikekeskus located in Helsinki and Säkylän Liiketalo located in Säkylä and the part of the shopping centre Stenungs torg, located in Sweden, which was moved outside the valuation under properties held for sale.

The total fair value of the portfolio in Q1 2014 was approximately €2,738 million. Compared to the Q4 2013 the fair value increased by €19.5 million i.e. 0.7% when excluding the properties moved outside the valuation. The weighted average yield requirement of the portfolio decreased by 10bps to 6.2%. The increase in fair value is mainly driven by the committed investments, positive development of prime shopping centre rents and revision of yields.

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

31 March, 2014	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	52	1,680	6.2 %	6.2 %	6.6 %	26.9	6.6
Sweden	11	713	5.9 %	5.9 %	6.5 %	25.1	6.9
The Baltic Countries and Denmark	5	346	7.3 %	7.8 %	7.6 %	20.4	3.5
Total	**68**	**2,738**	**6.2 %**	**6.3 %**	**6.7 %**	**25.6**	**6.3**
Finland							
Helsinki Metropolitan Area							
Shopping Centres	11	883	5.8 %	5.9 %	6.1 %	29.6	7.3
Other retail properties	15	86	7.2 %	7.6 %	8.3 %	16.6	4.7
HMA total	**26**	**969**	**5.9 %**	**6.1 %**	**6.3 %**	**28.5**	**7.1**
Other parts of Finland							
Shopping Centres	10	594	6.3 %	6.0 %	6.4 %	26.8	6.3
Other retail properties	16	117	7.5 %	8.3 %	9.4 %	14.3	3.7
Other total	**26**	**711**	**6.5 %**	**6.4 %**	**6.9 %**	**24.7**	**5.9**
Sweden							
Greater Stockholm Area and Umeå							
Shopping Centres	8	631	5.8 %	5.7 %	6.3 %	26.2	7.2
Other retail properties	2	20	7.4 %	7.7 %	8.0 %	15.3	3.9
Total	**10**	**651**	**5.9 %**	**5.8 %**	**6.4 %**	**25.9**	**7.1**
Greater Gothenburg area							
Shopping Centres	1	62	6.5 %	6.5 %	8.4 %	17.2	4.4
Total	**1**	**62**	**6.5 %**	**6.5 %**	**8.4 %**	**17.2**	**4.4**
The Baltic Countries and Denmark							
Total	**5**	**346**	**7.3 %**	**7.8 %**	**7.6 %**	**20.4**	**3.5**

Properties in Finland

The fair value of the Finnish portfolio is €1,680 million and it increased by €16.5 million from Q4 2014 when excluding disposed properties (Koskikara, Lauttasaaren liiikekeskus and Säkylän Liiketalo). Compared to previous quarter the weighted average yield requirement (6.2%) has remained unchanged. The weighted initial yield (6.2%), as well as the weighted reversionary yield (6.6%) have decreased by 10 bps due to a increase in rents. The change in the value of the Finnish portfolio is mainly driven by committed investments, increased market and contract rents and yield movement of certain properties due to new market evidence. In over half of the properties, market rents have been adjusted both down and upwards to reflect the changes in the local market.

Properties in Sweden

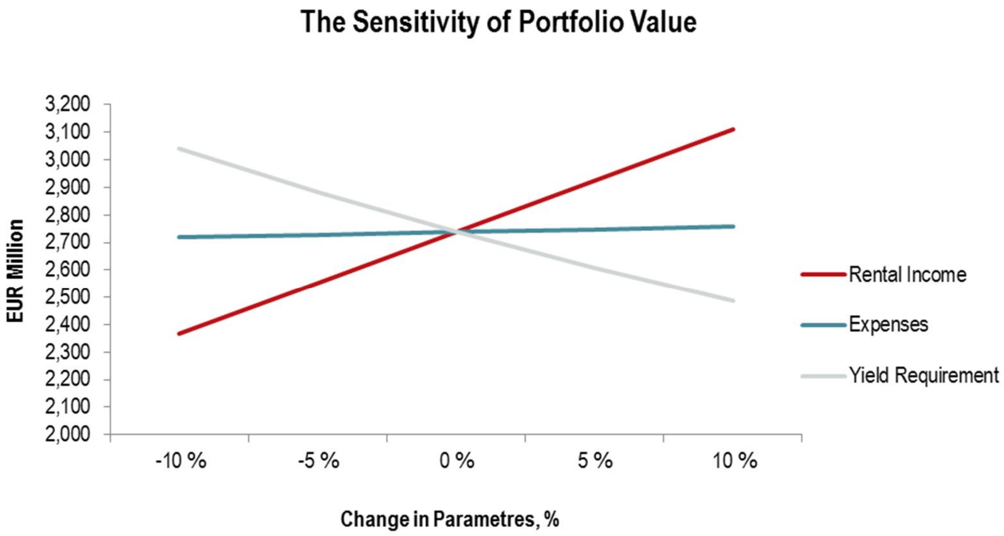
The fair value of the Swedish portfolio is €713 million, meaning that the portfolio's value has decreased by 0.1% since Q4 2013, when excluding the part of the shopping centre which was moved outside the valuation. The decrease in the value of the portfolio is entirely due to the weakening of the Swedish Crown and excluding this the value of the properties increased by €6.7 million due to committed investments and positive development of rents. The weighted average yield requirement and the weighted average initial yield for the Swedish portfolio remained unchanged both being 5.9%. The weighted average reversionary yield has decreased by 10bps (6.5%). In one property the yield has been moved in due to renewal of anchor tenants lease agreements. In almost every property the market rents have been adjusted to reflect the changes in the local market.

Properties in Baltic Countries and Denmark

The fair value of the Baltic countries and Denmark property portfolio is €346 million. Compared to the Q4 2013 value, this represents a 1.0% increase in value. The increase in value is mainly driven by increase of market rents and the revised yield in one property due to increased investment demand. The weighted average yield requirement of the portfolio has remained same at 7.3%. The weighted average initial yield increased by 10bps to 7.8% and the weighted average reversionary yield decreased by 10 bps to 7.6%. In one property the yield has been moved in due to increased investor demand. In four properties, market rents have been adjusted up, this is mainly due to the strong retail sales figures.

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 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 14% 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 other parameters.

Fair Value as at 31 March 2014

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 2014, is ca.

€2,738,000,000

(Two Thousand Seven Hundred and Thirty-Eight Million Euros)

In Helsinki and Stockholm 15th of April 2014

Yours faithfully

Tero Lehtonen
Director
For and on behalf of
Jones Lang LaSalle Finland Oy

Benjamin Rush
Associate Director
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