JLL

Valuation *Advisory*

Citycon Oyj

Market Valuation of the Investment Properties

30 June 2014

Executive summary

At the end of June 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:

30 June, 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	1,687	6.2 %	6.2 %	6.5 %	26.8	6.6
Sweden	11	699	5.9 %	5.7 %	6.5 %	24.7	6.8
The Baltic Countries and Denmark	5	351	7.3 %	7.8 %	7.5 %	20.4	3.5
Total	**68**	**2,736**	**6.2 %**	**6.3 %**	**6.6 %**	**25.4**	**6.2**

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 Q2 2014 was approximately €2,736 million. Compared to Q1 2014 the fair value decreased by €1.2 million i.e. –0.04% when excluding the properties moved outside the valuation (part of the apartments in Tikkurilan Kassatalo). The decrease is entirely due to the weakening of the Swedish Crown and excluding this the value of the properties increased by €16.5 million. This increase 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 30 June 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 61 properties after the initial valuation, as well as inspected all the properties acquired after the initial valuation. During Q2 2014 we have re-inspected one property in Finland (Jyväskylän Forum) and six properties in Sweden (Fruängen Centrum, Högdalen Centrum, Åkersberga Centrum, Tumba Centrum, Kallhäll, Jakobsbergs Centrum).

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 Q1 2014 was −0.4% compared to the previous quarter and −0.6% compared to Q1 2013. GDP growth for the whole year 2013 was −1.4%. For the year 2014 the GDP growth forecasts are still over all more positive varying from −0.5% up to 1.0% but have been checked downwards during the first half of the year. Investments and consumer spending are forecast to remain subdued or decrease thus domestic demand will not speed up growth.

Retail sales decreased, according to Statistics Finland's flash, by 1.4% in May (year-on-year). Sales volumes contracted respectively by 0.9%. Also the forecast for retail sales growth in 2014–2016 is moderate being 1.3% p.a. (Oxford Economics, April 2014). This development is mainly driven by relatively low but stable consumer confidence, 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 even more 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 weaker properties or challenging locations inside the centre the situation might reflect as lower rental levels. Forecast for prime rents in 2014 has been decreased and rents are assumed to stay unchanged.

Investment activity has continued the positive trend seen during past quarters and investment volume in H1 2014 exceeds the figures in H1 2013. The same phenomenon has happened also in retail sector where particularly number and volume of transactions of supermarket properties have increased clearly. Demand for core assets remains strong, as equity rich investors keep looking for safe havens, but investors are also starting to diversify their portfolios, both in terms of risk and geography, by looking for more value added and secondary opportunities. However, the uncertainty related to economic outlook keeps potential buyers still relatively cautious. 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

The Swedish economy continued to grow during Q2 2014 but at a slower pace compared to 2013. Consumer spending drove the GDP growth together with increasing investments during the Q1 2014. The GDP forecast for 2014 is +2.4% and for 2015 +2.9%. Inflation is forecast to continue to be at low levels in 2014. Sweden, like many other European countries is struggling with a relatively high rate of unemployment. According to National institute of Economic Reserch (NIER) the unemployment rate in 2013 reached 8% and is expected to continue to grow during 2014 to a level of 8.1%. In 2015 higher inflation together with GDP growth, is expected to reduce the unemployment rate to 7.7%.

Retail sales in Sweden have to some extent been restrained by conservative consumers during previous quarters but confidence is improving. The forecast from March this year remains at 3% growth for retail sales during 2014. Non-daily goods has outperformed daily goods during the first quarter of 2014, which is a sign that Sweden is recovering from a period of low economic growth. Non-daily goods are expected to grow by 3% instead of 2.5% in nominal prices during 2014. At the same time, daily-goods has shown weaker growth, and the forecast has been reduced from 3% to 2.5% during 2014. DIY together with furniture and home interiors are the three retail sub-sectors that showed the greatest growth in retail sales between January and April. Toy sales showed negative growth, while electronics and book sales did show positive growth but at a low rate.

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.

The transaction volume for Q2 2014 increased by approximately 490% compared to the previous quarter. This was due to the largest transaction so far this year where Steen & Ström sold a retail portfolio containing 5 shopping centres to Olaf Thon for SEK 3.25 billion (SEK 26,423 / sqm). The shopping centres in this portfolio are located in different regions of Sweden. So far in 2014, the total retail transaction volume is SEK 5.047 billion. Prime shopping centre yields remained stable quarter-on-quarter as well as year-on-year and no significant change is expected in 2014.

Estonia

According to Statistics Estonia, the GDP of Estonia decreased 0.7% in Q1 2014 compared to the previous quarter and 1.4% compared to Q1 2013. The decline in GDP in Q1 was concentrated in particular sectors, most notably transportation and storage, energy, and construction. Despite weak external demand, Estonia's economy is substantially supported by growing domestic demand. Domestic demand increased at real prices by 2.1% in Q1, mainly due to the household final consumption expenditure. According to the forecast of the Bank of Estonia, demand in export markets will start to improve gradually. Economic growth will be 0.7% for the 2014 as a whole as it will start to pick up this year and 3.5–4.0% in the next two years.

Retail sales growth accelerated to 8% in April (year-on-year) measured in constant prices while the average growth in the first 4 months of 2014 was 6.3%. The growth was strongly supported by grocery stores, where the growth rate of retail sales accelerated significantly (to 8%) compared to the previous months. The growth was influenced by the discount sales campaigns that took place in April, also by the low reference base of the previous year and by the deceleration in the price increase of food products. The Bank of Estonia forecasts private consumption to grow by 2.3% in 2014 and by 4% in 2015. However, the decisions of households about consumption and investment will start to be affected by a slowing of growth in incomes, and the rise in real purchasing power will be restrained by accelerating inflation in the coming years.

Aside from contractual rent indexations in Q1, prime rental rates have stabilized. Replacing existing lease contracts and relocating tenants is mainly led by initiatives to further strengthen tenant mix and improve centre's image with new fashion brands to ensure attraction for consumers despite growing competition. Given the development pipeline, the rental growth is expected to remain flat in 2014, increasing around 0.5–1% in the most successfully operating shopping centres. The vacancy rates in prime shopping centres that have been near 0% for a few years already are expected to remain at the same level in the near future.

The investment market remained active in Q2 2014. While the Estonian market has seen a decrease in Finnish investors' investment activity, Russian capital influx has picked up momentum and local investors are continuously active. There were two larger retail transactions in Q2: the sale of 4-storey De La Gardie shopping centre (2,260 sq m) in Tallinn's Old Town and the sale of 25% holding in Viru Keskus shopping centre. The prime yields have dropped to 7.3% and the best-in-class regional centres can command premium pricing. Given the somewhat weaker economic outlook, the prime yields are expected to remain stable in 2014.

Lithuania

According to Statistics Lithuania GDP growth in Q1 was 0.6% compared to the previous quarter and 3.0% compared to Q1 2013. Economic growth is mostly driven by domestic demand. Although certain confidence indicators have worsened slightly, the effects of changes in the external environment on private consumption or investment can still hardly be seen. The Bank of Lithuania has lowered its GDP growth forecast for the country to 3.3% for 2014 and to 3.6% for 2015 due to worse-than-expected developments in Lithuania's exports and their weaker outlook. However, economic activity is expected to continue growing steadily and domestic demand is projected to continue its gradual expansion, driven by income developments. Retail trade and, simultaneously, private consumption are growing at a healthy pace supported by the increase in real labour income.

Retail sales increased by 10.9% in April (year-on-year) measured in constant prices according to Lithuania Statistics. The turnover of enterprises trading in food products increased by 7.7%, of those engaged in retail trade in non-food products –11.4%. The Bank of Lithuania forecasts private consumption to grow by 3.5% in 2014 and by 3.6% in 2015.

There were no changes in prime shopping centre rents compared to Q1. A slight growth by 2% is expected during 2014 in successfully operating shopping centres. The vacancy rates in prime properties have remained around 0% as demand for retail space in shopping centres stays strong and the market share of international brands continues to grow.

The investment market showed somewhat lower level of investment activity in Lithuania in Q2. A larger retail transaction was the sale of Domus Galerija (9,320 sq m) by Ogmios Group to a private local investor. Prime shopping centre yields have dropped to 7.5% and best-in-class regional centres can command premium pricing. Interest in retail properties is driven by strong retail sales growth. A slight further compression in prime yields is expected in the light of strong economic fundamentals and the expectations of Euro adoption in 2015 that will encourage investment activity.

Denmark

According to Statistics Denmark, the GDP growth in Q1 2014 was 0.9% compared to the previous quarter and 1.5% compared to Q1 2013. For year 2013 the total growth ended at 0.4%. 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 increasing in April and May on a year-on-year basis. Total retail sales were up by 0.2% measured on value and up by 1.6% measured on volume in April and up by 0.5% measured on value and up by 1.8% on volume in May. This is believed to be an effect of increasing real household income and the highest consumer confidence in seven years. Thus, private consumption is expected to increase in both 2014 and 2015 by more than 1.5%.

Prime shopping centre rents have experienced an upward pressure throughout 2014 as consumers—and thereby retailers—continue to prefer attractive and well-assorted prime shopping centres. Outdated and non-optimised centres are in less demand. However, such centres, if well situated and with a strong catchment area, often have a substantial potential if subject to proper active asset management. Generally, prime and secondary shopping centre rents are expected to remain stable as private consumption growth—although positive—is expected to remain at a moderate level.

Activity in the retail investment market has been significant in Q2 2014 as the high international demand for prime retail has materialised into several prime high street transactions. Cordea Savills entered the Danish high street retail market with several high profile transactions at a total estimated volume of DKK 976m on Købmagergade and Østergade, in total five properties. Remarkably, three of the properties were acquired from Meyer Bergman who purchased the properties in 2013. Likewise, NREP acquired a project from NPV at Herlev Hovedgade 17, with the latter acquiring the project in 2013. The project has an estimated turnkey value of DKK 800m. Due to the strong investment demand for prime assets, shopping centre prime yields have dropped 25bps to 4.75% with no significant change expected in 2014. Prime high street yield remains at 4.50%.

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 11^{th} 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.

Valuation

Property Portfolio

At the end of June 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.

The total fair value of the portfolio in Q2 2014 was approximately €2,736 million. Compared to Q1 2014 the fair value decreased by €1.2 million i.e. –0.04% when excluding the properties moved outside the valuation (part of the apartments in Tikkurilan Kassatalo). The decrease is entirely due to the weakening of the Swedish Crown and excluding this the value of the properties increased by €16.5 million. This increase is mainly driven by the committed investments, the positive development of prime shopping centre rents and revision of yields. The weighted average yield requirement of the portfolio stayed unchanged being 6.2%.

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.

30 June, 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	1,687	6.2 %	6.2 %	6.5 %	26.8	6.6
Sweden	11	699	5.9 %	5.7 %	6.5 %	24.7	6.8
The Baltic Countries and Denmark	5	351	7.3 %	7.8 %	7.5 %	20.4	3.5
Total	**68**	**2,736**	**6.2 %**	**6.3 %**	**6.6 %**	**25.4**	**6.2**
Finland							
Helsinki Metropolitan Area							
Shopping Centres	11	882	5.8 %	6.0 %	6.1 %	29.6	7.3
Other retail properties	15	86	7.2 %	7.6 %	8.3 %	16.7	4.7
HMA total	**26**	**969**	**5.9 %**	**6.1 %**	**6.3 %**	**28.5**	**7.1**
Other parts of Finland							
Shopping Centres	10	601	6.3 %	6.0 %	6.2 %	26.4	6.3
Other retail properties	16	117	7.5 %	8.1 %	9.5 %	14.4	3.7
Other total	**26**	**718**	**6.5 %**	**6.3 %**	**6.8 %**	**24.4**	**5.9**
Sweden							
Greater Stockholm Area and Umeå							
Shopping Centres	8	618	5.8 %	5.6 %	6.3 %	25.8	7.1
Other retail properties	2	19	7.4 %	7.5 %	8.0 %	15.0	3.9
Total	**10**	**637**	**5.8 %**	**5.7 %**	**6.3 %**	**25.5**	**7.0**
Greater Gothenburg area							
Shopping Centres	1	61	6.5 %	6.5 %	8.3 %	16.7	4.5
Total	**1**	**61**	**6.5 %**	**6.5 %**	**8.3 %**	**16.7**	**4.5**
The Baltic Countries and Denmark							
Total	**5**	**351**	**7.3 %**	**7.8 %**	**7.5 %**	**20.4**	**3.5**

Properties in Finland

The fair value of the Finnish portfolio is €1,687 million and it increased by €7.6 million from Q1 2014 when excluding disposed properties (apartments in Tikkurilan Kassatalo). Compared to previous quarter the weighted average yield requirement (6.2%) and weighted initial yield (6.2%) have remained unchanged. The weighted reversionary yield (6.5%) has decreased by 10bps due to a decrease in market 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 most of the properties, market rents have been adjusted to reflect the changes in the local market.

Properties in Sweden

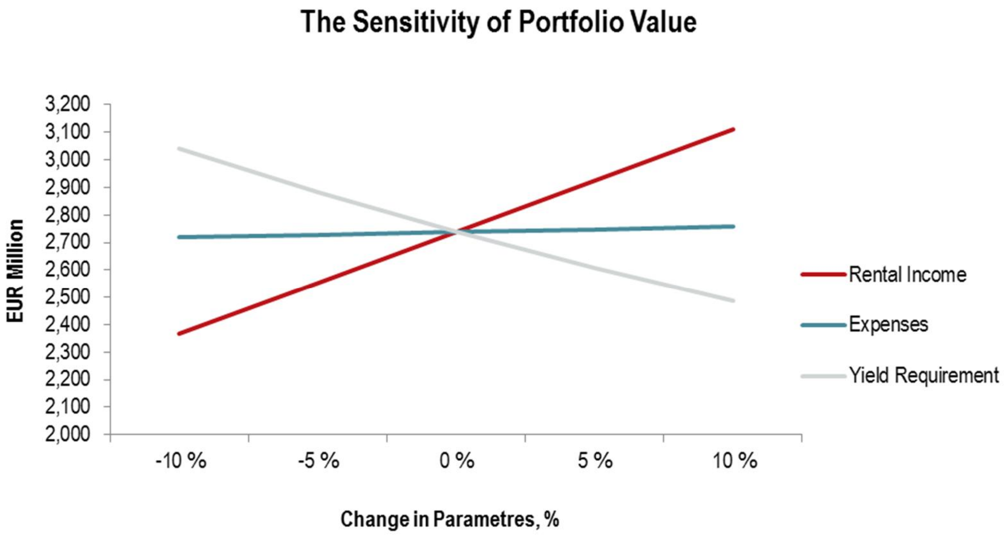
The fair value of the Swedish portfolio is €699 million, meaning that the portfolio's value has decreased by 2.0% since Q1 2014. The decrease in the value of the portfolio is entirely due to the weakening of the Swedish Crown and excluding this the value of the properties increased by €3.6 million due to committed investments and positive development of rents. The weighted average yield requirement (5.9%) and the weighted average reversionary yield (6.5%) have stayed the same and the weighted average initial yield has decreased by 10bps (being now 5.7%). In one property the yield has been moved in due to enhancement in the property and the market situation. In 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 €351 million. Compared to the Q1 2014 value, this represents a 1.5% 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% as has the weighted average initial yield standing at 7.8%. The weighted average reversionary yield decreased by 10bps to 7.5%. In one property the yield has been moved in due to increased investor demand. In three properties, market rents have been adjusted up, 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 30 June 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 30 June 2014, is ca.

€2,736,000,000

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

In Helsinki and Stockholm 1st of July 2014

Yours faithfully

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

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