Jones Lang LaSalle

Real value in a changing world

Valuation *Advisory*

Citycon Oyj

Market Valuation of the Investment Properties

30 September 2013

Executive summary

At the end of September 2013, Citycon owned 73 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 are presented the key figures of the evaluated portfolio:

September 30, 2013	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	56	1,675	6.2 %	6.4 %	6.7 %	26.1	6.1
Sweden	11	724	5.9 %	6.0 %	6.5 %	25.8	7.2
The Baltic Countries and Denmark	5	335	7.6 %	7.9 %	8.0 %	20.4	3.2
Total	**72**	**2,734**	**6.3 %**	**6.5 %**	**6.8 %**	**25.3**	**6.0**

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 Q3 2013 was approximately €2,734 million. Compared to Q2 2013 the fair value increased by €29.7 million i.e. 1.1% when excluding the divested properties (Backa, Espoon Louhenkulma and Wavulinintie) and residential premises in Jakobsberg that were moved outside the valuation due to the forthcoming disposal. The increase in fair value is mainly driven by the committed investments, strengthening of the Swedish Crown, revision of yields in the Baltic countries and positive development of prime shopping centres.

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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 September 2013, to arrive at our opinion of Fair Value.

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 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 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.

Market overview

Finland

According to Statistics Finland the GDP growth in Q2 2013 was 0.2% compared to the previous quarter and −1.2% compared to Q2 2012. For year 2013 variance among the current forecasts is wide; most optimistic forecasts are promising a soft expansion of 0.8% and the most pessimistic seeing the same amount of contraction. For year 2014 the GDP growth forecasts are overall more positive varying from 0.7% up to 2.1%. The growth is estimated to be mainly export-driven, investments and consumer spending forecasted to still remain subdued.

Retail sales increased by 0.7% in August (year-on-year) mainly due to grocery store sales. The sales volume contracted respectively by -0.1%. Forecast for retail sales growth in 2013-2015 is also moderate being 2.1% p.a. This development is mainly driven by relatively low consumer confidence (the majority of consumers are expecting the economic situation in Finland to continue to weaken but, at the same time, the majority still have confidence in their own economic situation), sluggish employment outlook and limited growth of purchasing power due to the increasing tax burden and moderate increase of salaries.

Prime shopping centre rents remained stable compared to previous quarter but increased by 0.9% 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 2.2% but the rental growth potential is limited only to prime centres and locations.

The investment market witnessed continued inactivity and only one deal was published in Q3; a movie theatre sold in Pori. Demand for core assets remains strong, as equity rich investors keep looking for safe havens, but there are also the first 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 the 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 Q2 2013 was -0.1% compared to the previous quarter. For 2013 as a whole, NIER forecasts GDP growth of 1.1% and then 2.5% in 2014. Increased consumer and business confidence points to a turnaround in the economy towards the end of 2013. The labour market outlook is also somewhat brighter, with unemployment beginning to come down and the economy being stimulated by tax cuts and low interest rates. Fiscal tightening will, however, be required if the surplus target for general government net lending is to be achieved.

Retail sales increased by 1.5% in the first half of 2013 compared to 3% during the same period of 2012. This moderate growth was mainly caused by consumers prioritising other sectors, for example restaurant visits and travel over retail. According to HUI Research, retail turnover is forecast to increase by 2% in 2013 and by 3% in 2014 with daily goods beating the performance of non-daily goods over both years. Generally, prospects for retail are a little stronger at the end of Q3 compared to the end of Q2 according to HUI Research, with the gradual recovery of the Swedish economy being the primary reason.

Prime shopping centre rents are generally stable compared to previous quarter but are estimated to have increased by around 2% over the year. Subdued retail turnover growth limits the rental growth. In 2014, prime rents are forecast to increase by around 2.5%. Generally, prime retail rents will perform better than secondary retail rental growth.

Demand for core assets remains strong as equity rich investors look for safe havens. In spite of the high demand, the activity in the market has been almost non-existent. The investment volume for retail properties in Q3 was weaker than in Q1 and Q2. The largest retail transaction in Q3 was Atrium Ljungberg's sale of the PUB department store in central Stockholm to Axfast for SEK 980 million. Due to the strong investment demand, prime shopping centre yields have 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 real growth in Q2 was -0.2% compared to Q1 and 1.0% compared to Q2 2012. GDP growth forecasts for the full year 2013 range from 1.0% to 2.0%. The economy is expected to resume growth rate in 2014 as GDP is forecast to increase from 3.3% to 4.2%. The main driver of the economy is the strong domestic demand.

Retail sales increased by 6% in August (year-on-year) measured in constant prices. The main growth driver was the consumer goods segment growing by 12%. The Bank of Estonia forecasts private consumption to grow by 3.4%. Growth is supported by increasing real income, improving labour market and high consumer confidence (indicators slightly above the 10 year average). Increasing purchasing power supports the retail sales outlook for 2014 and 2015.

Prime shopping centre rents have remained stable in Q3 2013, but increased year-on-year in line with inflation - approximately by 3%. The vacancy rate in professionally managed prime centres is near 0% and demand for small to mid-size rental units is high. At the same time retail chains optimise their store networks and older shopping centres in remote locations face challenges to renew contracts. In 2014 prime rents are forecast to increase by 2-3%.

Although the market lacks large volume transactions, the investment market in Q3 2013 was active. The largest transaction was a divestment of an asset portfolio managed by BPT. One of the largest retail transactions was the divestment of K-Rauta DIY shop in Tallinn in July for €12.9 million reflecting a yield requirement below 8%. Lack of investment product has hindered growth of transaction volumes, but two mid-size property portfolios are entering the market in Q4 2013. Prime shopping centre yields have dropped to 7.5% level and best-in-class regional centres can command premium pricing. Strong economic fundamentals support further yield compression, but at the same time, the gradually increasing cost of financing negatively affects the yields.

Lithuania

According to Statistics Lithuania the GDP growth in Q2 was 0.6% compared to Q1 and 4.1% compared to Q2 2012. The Bank of Lithuania forecasts GDP real growth for the full year 2013 to be 2.8% and the economy is expected to continue growing in 2014 at a level of 3.5%. The main drivers of the economy are stronger than expected exports, recovering domestic demand and growing investments.

Retail sales increased by 5.5% in August (year-on-year) measured in constant prices according to Lithuania Statistics. During the first eight months of 2013 the main growth driver was the non-food product segment growing by 6% whilst the food segment showed growth of 4%. Consumer confidence declined slightly in September 2013. Growth in purchasing power supports retail sales outlook for 2014.

Prime shopping centre rents have increased by 3% in Q3 2013 but only in professionally managed prime centres; thus rents in secondary centres have remained stable. Demand for space in shopping centres is growing, supporting the decline in vacancy rates and in prime properties vacancy rate is near 0%. In 2014 prime rents are forecast to increase by 2-3%.

The Lithuanian investment market witnessed activity in office and industrial segments, but no remarkable retail property deals were published in Q3 2013. Demand for core office and retail assets remains strong, but mainly in the small to mid-size transaction segment. There is a lack of core retail product on the market and this has hindered growth of transaction volumes. Prime shopping centre yields have dropped to 7.5% level 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 Q2 2013 was 0.5% compared to the previous quarter and −0.01% compared to Q2 2012. For year 2013 the consensus forecast indicates slightly positive growth in the area of 0.1%. For the year 2014 the 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 drive the growth in 2013.

Retail sales decreased by 0.01% in August (year-on-year) mainly due to a decrease in consumer goods sales. Measured by volume, the drop was correspondingly 0.01%. It is expected 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 a 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 level. 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 2014 prime rents are forecast to remain stable and the rents will only start to grow after a few quarters with positive economic growth.

There continues to be low activity in the retail investment market and only one major transaction was recorded in Q3 2013. The property company M. Goldsmith Ejendomme sold a portfolio of five supermarkets around Zealand, which is the largest island in Denmark. Overall demand for core assets remains strong, as equity rich investors keep looking for safe havens. The supply of these type of assets is, however, limited. We are aware of a number of transactions that are expected to be completed in 2013 and the overall trend is that a number of foreign investors are still very keen on prime high-street properties, but also on shopping centres. 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.

JONES LANG LASALLE

Valuation Rationale

We have adopted a 10-year cash flow model as the 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 (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 development project increases automatically as investments are committed and the opening day of the renewed premises approaches.

Valuation

Property Portfolio

At the end of September 2013, Citycon owned 73 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 56 are located in Finland, 11 in Sweden, three in Estonia, one in Lithuania and one in Denmark. The core of the portfolio consists of 37 shopping centre properties, which comprise 81% 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, three properties have been divested; Backa located in Gothenburg, Sweden, Espoon Louhenkulma in Espoo, Finland and Wavulinintie in Helsinki, Finland. Wavulinintie was already moved outside the valuation in Q4 of 2012.

The total fair value of the portfolio in Q3 2013 was approximately €2,734 million. Compared to the Q2 2013 the fair value increased by €29.7 million i.e. 1.1% when excluding the divested properties (Backa, Espoon Louhenkulma and Wavulinintie) and residential premises in Jakobsberg that were moved outside the valuation due to the forthcoming disposal. The weighted average yield requirement of the portfolio remained at 6.3%. The increase in fair value is mainly driven by the committed investments, strengthening of the Swedish Crown and revision of yields in the Baltic countries.

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.

September 30, 2013	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	56	1,675	6.2 %	6.4 %	6.7 %	26.1	6.1
Sweden	11	724	5.9 %	6.0 %	6.5 %	25.8	7.2
The Baltic Countries and Denmark	5	335	7.6 %	7.9 %	8.0 %	20.4	3.2
Total	**72**	**2,734**	**6.3 %**	**6.5 %**	**6.8 %**	**25.3**	**6.0**
Finland							
Helsinki Metropolitan Area							
Shopping Centres	11	868	5.8 %	6.1 %	6.2 %	28.8	6.9
Other retail properties	16	83	7.4 %	8.1 %	8.8 %	16.7	4.9
HMA total	**27**	**951**	**5.9 %**	**6.2 %**	**6.4 %**	**27.7**	**6.7**
Other parts of Finland							
Shopping Centres	12	605	6.3 %	6.4 %	6.7 %	25.9	5.7
Other retail properties	17	119	7.6 %	8.0 %	9.2 %	14.2	3.5
Other total	**29**	**724**	**6.6 %**	**6.7 %**	**7.1 %**	**24.0**	**5.3**
Sweden							
Greater Stockholm Area and Umeå							
Shopping Centres	8	638	5.8 %	5.9 %	6.4 %	27.1	7.5
Other retail properties	2	20	7.4 %	7.7 %	8.1 %	15.8	4.0
Total	**10**	**659**	**5.9 %**	**5.9 %**	**6.4 %**	**26.7**	**7.4**
Greater Gothenburg area							
Shopping Centres	1	65	6.8 %	6.9 %	7.6 %	16.2	5.1
Total	**1**	**65**	**6.8 %**	**6.9 %**	**7.6 %**	**16.2**	**5.1**
The Baltic Countries and Denmark							
Total	**5**	**335**	**7.6 %**	**7.9 %**	**8.0 %**	**20.4**	**3.2**

Properties in Finland

The fair value of the Finnish portfolio is €1,675 million and it increased by €8.8 million from Q2 when excluding Espoon Louhenkulma and Wavulinintie (moved outside the valuation in Q4 2012), which were disposed of during Q3. Compared to Q2 the weighted average yield requirement (6.2%) has remained unchanged, as well as the weighted initial yield (6.4%). The reversionary yield (6.7%) has decreased by 10 bps due to a modest decrease in market rents despite an increase in market value. The change in the value of the Finnish portfolio is mainly driven by committed investments and slightly decreased property operating expenses. In two properties, the yield has been moved in due to the improved occupancy. In one property, the yield has been moved out due to the challenging local market conditions. In over half of the properties, market rents have been adjusted both down and upwards to reflect the changes in the local market. In seven properties, operating expenses have been revised downwards due to the decrease in actual costs. In one property, operating expenses have been revised upwards due to increased actual costs.

Properties in Sweden

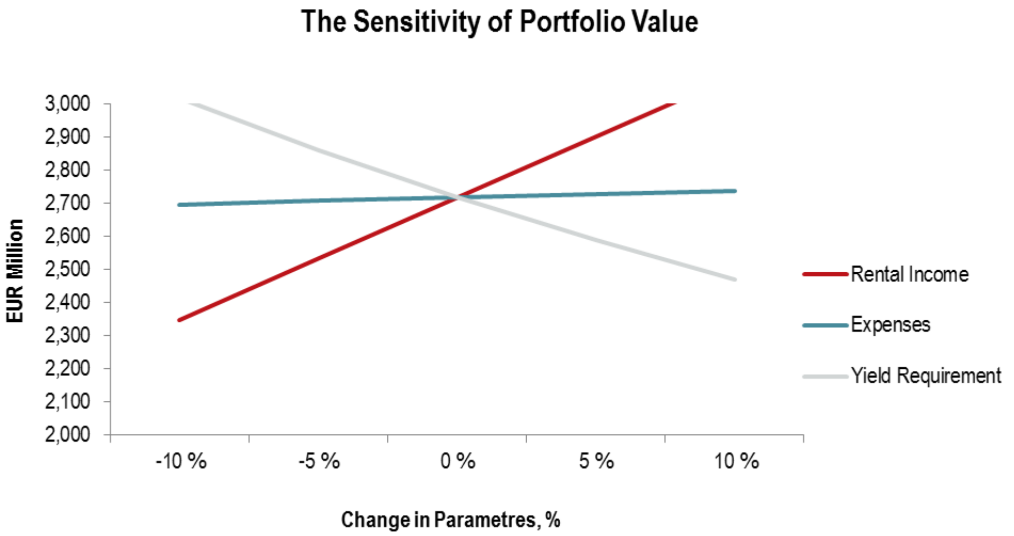
The fair value of the Swedish portfolio is €724 million, meaning that the portfolio's value has increased by 1.3% since Q2, when excluding Backa (divested during Q3) and residential premises in Jakobsberg (due to forthcoming disposal). The increase in value is mainly due to the strengthening of the Swedish Crown and decreased property operating expenses. The weighted average yield requirement for the Swedish portfolio has decreased by 10bps to 5.9%. The weighted average initial yield has increased by 20bps (5.8%) and the weighted average reversionary yield has decreased by 10bps (6.5%). In one property the yield has been moved out due to the changed features of the property as part of residential is excluded from the valuations. In almost every property the market rents have been adjusted to reflect the changes in the local market. In three properties operating expenses have been revised downwards due to the decrease in actual costs.

Properties in Baltic Countries and Denmark

The fair value of the Baltic countries and Denmark property portfolio is €335 million. Compared to the Q2 value, this represents a 3.6% increase in value. The increase in value is mainly driven by the committed investments, increase in both market and current rents and the revised yields of the properties in Baltic countries. The weighted average yield requirement of the portfolio has remained at 7.6%. The weighted average initial yield decreased by 10bps to 7.9% and the weighted average reversionary yield decreased also by 10bps to 8.0%. In three properties the yield has been moved in due to the changed features of the properties. In almost every property, market rents have been adjusted up and, in two centres, this is mainly due to the increased attractiveness of the refurbished centres. In the third centre the adjustment is due to the increase of contract rents in part of the premises.

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 September 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 30 September 2013, is ca.

€2,734,000,000

(Two Thousand Seven Hundred and Thirty Four Million Euros)

In Helsinki and Stockholm 3rd of October 2013

Yours faithfully

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

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