Valuation *Advisory*

Citycon Oyj

Market Valuation of the Investment Properties

31 March 2016

Executive summary

At the end of March 2016, Citycon owned 61 investment properties, 5 properties owned through joint ventures and associated companies (including Kista Galleria and 4 properties located in Norway) and two rented properties (located in Norway). This valuation statement includes 61 investment properties.

The valued portfolio is divided into four geographical areas; Finland, Norway, Sweden, and Estonia and Denmark. Below we present the key figures of the evaluated portfolio:

31 March, 2016	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	29	1,662	5.9 %	5.6 %	6.3 %	28.8	6.5
Norway	20	1,389	5.2 %	5.2 %	5.8 %	22.0	5.4
Sweden	9	748	5.4 %	5.3 %	5.7 %	26.0	7.2
Estonia and Denmark	3	340	6.8 %	7.1 %	7.1 %	20.5	3.3
Total	61	4,139	5.7 %	5.5 %	6.0 %	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. Shopping Centre Iso Omena (located in Finland) is the most valuable property in the portfolio under valuation.

The total fair value of the portfolio in Q1 2016 was approximately €4,139 million. Compared to Q4 2015 the fair value increased by €81 million i.e. 2.0% when the sold property in Estonia (shopping centre Magistral) is excluded from the comparison. This increase is mainly driven by committed investments and increased contract and market rental levels in Norway and Sweden.

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 2016, 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. The Fair Value does not include possible transaction costs.

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. Properties added to the portfolio after the initial valuation have been inspected when added to the portfolio. Properties in Norway were included in the valuation in Q4 2015. In addition, we have re-inspected the other properties after the initial valuation. During Q1 2016 we have re-inspected Trio and Länsi-Keskus located in Finland, Kristiine and Rocca al Mare in Estonia and Glasshuspassasjen, Kongssenteret, Kremmertorget, Oasen and Heiane Storsenter in Norway.

We have not measured the properties leasable areas but have relied on the information supplied to us by the Company. We have not read copies of the leases or of other related documents, but have relied on the tenancy information provided by the Company, which reflects the latest available tenancy position.

The valuations were carried out by local JLL offices in Finland and Sweden. In Norway, Estonia 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's data, Finland's GDP increased by 0.1% in Q4 2015 compared to the previous quarter and 0.6% compared to Q4 2014. Forecasts for GDP growth in 2016 range from +0.5% to +1.2%, while in 2017 economists predict growth varying between +0.7% and +1.6%. Domestic demand continues to be weak as consumers' purchasing power is constrained by increasing unemployment rate, and companies delay investments due to ongoing uncertainty. Moreover, the external sector continues to struggle due to e.g. the recession of Russia, one of Finland's key trading partners.

According to Statistics Finland's flash, in February 2016 retail sales increased by 2.3% year–on–year. Over the same period, the volume of retail sales, from which the impact of prices has been eliminated, increased by 3.9%. For the full year 2016 forecasts expect a 1.6% increase, and the growth is forecasted to remain moderate also in 2016–2018 being 2.0% p.a. (Oxford Economics, April 2016).

Prime shopping centre rents stayed unchanged compared to the previous quarter and decreased ca. 2% year–on–year. The weak outlook for retail sales limits rental growth potential and has kept occupiers cautious, resulting in long lease negotiations and slow decision making. Some retailers have also downsized the coverage of their store network, further narrowing the pool of possible occupiers in the leasing market. Particularly in secondary properties, in challenging locations inside a centre and in challenging local markets, the negative development has been realised as lower rental levels and increasing vacancy rates. Prime rents are forecasted to remain stable in 2016.

After 2015, which was a strong year in investments and retail transactions covered approximately a third of the year's entire property transactions volume, 2016 has also had a steady start in its first quarter. Retail property transaction volume in Q1 2016 was more than seven times the volume recorded year before and double the volume in Q4 2015. The most notable deal in Q1 2016 and the biggest contributor to the high volume in retail sector is the transaction of the Forum Block which Sponda acquired from Forum Fastighets with 579 million euros and an initial yield of 4.9%. Overall the demand for core assets remains strong, as equity rich investors keep looking for safe havens. However, an increase in investment demand outside prime properties has also been evident, brought on mainly by new funds and returning international investors. Due to strong investment demand, the prime shopping centre yield has been revised further down by 25bps standing now at 4.75%.

Norway

A fall in demand from the petroleum industry and low international growth have led to a downturn in the Norwegian economy since the summer of 2014. According to seasonally-adjusted figures published by Statistics Norway (SSB), Mainland Norway's GDP increased by 0.1% in Q4 2015, setting the annual growth for 2015 at 1.0%. This is the weakest annual GDP growth in Norway since 2009. For the years 2017 and 2018 the SSB however expects to see growth surpassing 2.5%. A sharp increase in public demand and a turnaround in investment growth in mainland industries are key factors behind the expected moderate increase in activity growth going forward.

According to SSB, the seasonally-adjusted volume index of retail sales increased by 0.9% from December 2015 to January 2016. From January to February 2016, most industries faced decreases in sales volume causing an overall decrease of 0.5% in retail sales volume. Particularly grocery stores and sales of food and beverages in specialised stores contributed to the decrease, seeing as grocery sales account for ca. 39% of total retail sales turnover. Sales at petrol stations, sales of electrical household appliances, audio and video equipment as well as books however experienced a minor increase from January to February 2016.

Shopping centre rents in Norway have been quite stable for the last years especially compared to high-street retail, which has seen a substantial growth in rental levels. The prime rent for shopping centres currently stands at NOK 13,500 per sq m, and is expected to remain stable. This is due to the increase of unemployment rate and the growing uncertainty regarding employment constraining the effects of strong growth of retail sales and private consumption.

The investment market kept its pace throughout 2015, breaking the previous year's all time high transaction volume by finishing at NOK 120 billion. Transaction volume in 2016 might see a slight decrease due to stricter requirement for equity by Norwegian banks resulting in financing to be harder to obtain especially outside the prime properties. International investors' increasing presence on Norwegian investment market in addition to favourable exchange rate of NOK and low interest rates were the drivers behind high investment volume in 2015. Last year's biggest transaction was Citycon's acquisition of Sektor with its over 20 shopping centres. The prime yield estimate has been taken down to 4.0% as interest rates decreased slightly during the first quarter of the year.

Sweden

The Swedish economy continues to grow and the rate of growth has increased. GDP growth was 3.8% in 2015 and is forecast to be close to 4% in 2016. Key reasons for this growth include an increase in household consumption and investments, assisted by the low interest rate.

Retail sales for Sweden grew by 5.9% in 2015, which was the highest growth since 2007. For 2015 as whole, retail sales in the DIY, furniture and clothing sub sectors performed the best with growth rates of 12.9%, 11.5% and 7.6% respectively, according to HUI statistics. HUI's current forecast for retail sales growth is +4% in 2016, with non-daily goods growth in excess of daily goods retail growth. In 2017, the retail sales growth rate forecast is a little lower at +3.5%.

Prime shopping centre rents are increasing and in general terms are estimated to have increased nominally by around 2% to 3% over the last year with a similar growth rate forecast for the forthcoming year. Prime retail and well performing retail centres have and will continue to see the best rental growth performance. The good retail turnover growth has encouraged strong interest from international retailers to establish a presence in Sweden, with new retailers including Camper, Superdry, Hackett, Boggi Milano, Starbucks, Disney, Lego Store and Chanel.

In Q1 2016 the retail property transaction volume has been relatively low at around SEK 2 billion which compares with around SEK 6 billion in Q1 2015 (of which SEK 3.5 billion was the sale of Skärholmen Centrum in Q1 2015). For 2015 the property transaction volume was relatively high on the Swedish market and more specifically, the retail property transaction volume for Sweden was around SEK 23.5 billion. The market remains attractive and supply is still limited which changes investors' risk-taking to more opportunistic investment strategies.

The yield for prime external shopping centres in Sweden is currently in the region of 4.25–4.50% and is around 6.0% for retail warehouse parks. Both prime shopping centre and prime retail warehouse yields have moved in during the last year, given strong demand and low supply assisted by continued low interest rates. The good retail turnover growth has also assisted investor market sentiment in the retail asset class in Sweden. Yields for secondary shopping centres have also decreased during the last few years, due to easier finance availability, lack of prime property investments and investors' willingness to take on more risk. The amount of yield compression for secondary retail assets is very much dependent upon an asset's particular characteristics, with well performing assets showing the most yield compression. Investors are also willing to pay a premium for portfolios of assets, compared to if individual assets in the portfolio were sold separately and Niam's sale of 7 shopping centre assets in regional town centres to Agora in 2015 is an example of this. In general terms, market liquidity continues to be relatively strong.

Estonia

According to Statistics Estonia, in Q4 2015 GDP increased 0.9% compared to previous quarter and 0.8% year–on–year. The growth for the full year 2015 was 1.2%. The GDP growth in Q4 was driven the most by a rise in agriculture, forestry and fishing. Similarly to the previous quarters, the growth was inhibited the most by a decrease in construction, and also by a fall in manufacturing, transportation and storage. The Bank of Estonia expects that economic growth will accelerate to 2.2% in 2016 and to 3.1% in 2017. The rate of growth will rise because of a recovery in growth in exports and investment whereas the most part of economic growth in recent years has come from private consumption.

Retail sales growth decelerated to 5% year–on–year at constant prices in February whereas in January the growth was 8%. Turnover increased in all economic activities and the most in stores selling pharmaceutical goods and cosmetics (20% growth). Respectively the turnover in grocery stores increased 7%. The Bank of Estonia forecasts that growth in private consumption will slow in 2016–2017 as the rise in real disposable income also slows under the influence of both higher inflation and falling employment.

The vacancy rates at prime shopping centres that have remained stable over the past quarters witnessed some upward pressure in Q1 2016 as increasing retail space supply has widened the choice of lease alternatives, thus also placing pressure on rent rates. The forecast is that in the near future, vacancy rates of the retail market will generally rise and some landlords are likely to decrease rents to attract tenants. Rental growth at prime shopping centres is expected to remain below consumer price inflation in 2016–2017.

The investment market has been at its most active since 2007 over the past year while the sharp rise in investment volumes continued in Q1 2016. The investment market is expected to remain active for the next quarters on the back of persisting investor demand. Though prime yields around 6.5–7.0% are perceived edging close to low in the cycle, compression is expected to continue as the real estate market remains attractive in the low interest rate environment.

Denmark

Declining export figures in Q3 2015 marked the end of eight quarters with continuous growth in Danish economy. Even though an economic upturn is still seen, it is not as strong as expected, and in Q4 of 2015, the economy grew by a mere 0.1% compared to the previous quarter. The total growth in 2015 failed to meet the strong expectations forecast at the beginning of the year, and the

Danish GDP only increased by 1.2% over the year, which also put a damper on the outlook for the coming years. Denmark's largest bank, Danske Bank, expects an increase in GDP of 1.5% and 1.8% in 2016 and 2017, respectively.

After a general improvement of retail sales up until November 2015, numbers have shown significant drops. In December retail sales suffered a drop of 1% compared to November when seasonality and holidays were accounted for. Retail bounced back a mere 0.3% in January and saw another drop of 0.7% in February. Receding overall retail sales are mainly due to substantial drops in clothing.

Prime shopping centre rents have increased slightly throughout 2014–2015 and in 2016 as consumers — and thereby retailers — continue to prefer attractive and well-assorted prime shopping centres. Outdated and non-optimised secondary centres have seen slightly falling rents as they 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 somewhat stable as private consumption growth — although positive due to real wage growth — is expected to remain at a moderate level.

Activity in the retail investment market has been slow in Q1 2016 both in terms of numbers of transactions and the overall volume. Only three relevant retail transactions took place totalling a volume of DKK 780 million.

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) equals the Net Operating Income (NOI). NOI less any capital expenditure and tenant improvements 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) less the investments.

Development projects are included in the valuation of the portfolio in line with information received from the Company. Adopting the applied valuation model, future rental income is based on finalised rental agreements and rental projections for the valued development project. Correspondingly, the development period is considered as a period when premises generate no income or limited income and when uncommitted investments are included in the cost side as a value reducing factor. Thus, the value of a development project increases automatically when investments are committed and the opening day of the centre approaches.

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

Weighted average yield requirement

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

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

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

Initial yield

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

The formula used is presented below.

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

Reversionary yield

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

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

The formula used is presented below.

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

Valuation

Property Portfolio

At the end of March 2016, Citycon owned 61 investment properties, 5 properties owned through joint ventures and associated companies (including Kista Galleria and 4 properties located in Norway) and two rented properties (located in Norway). This valuation statement includes 61 investment properties.

The property portfolio under valuation consists mainly of retail properties, of which 29 are located in Finland, 20 in Norway, nine in Sweden, two in Estonia and one in Denmark. The core of the portfolio consists of 51 shopping centre properties, which comprise 92% 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.

The total fair value of the portfolio in Q1 2016 was approximately €4,139 million. Compared to Q4 2015 the fair value increased by €81 million i.e. 2,0% when the sold property in Estonia (shopping centre Magistral) is excluded from the comparison. This increase is mainly driven by positive development of current rents and committed investments.

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, 2016	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	29	1,662	5.9 %	5.6 %	6.3 %	28.8	6.5
Norway	20	1,389	5.2 %	5.2 %	5.8 %	22.0	5.4
Sweden	9	748	5.4 %	5.3 %	5.7 %	26.0	7.2
Estonia and Denmark	3	340	6.8 %	7.1 %	7.1 %	20.5	3.3
Total	61	4,139	5.7 %	5.5 %	6.0 %	25.3	6.0
Finland							
Helsinki Metropolitan Area							
Shopping Centres	11	945	5.5 %	5.3 %	6.0 %	30.8	6.9
Other retail properties	4	53	6.8 %	7.2 %	7.2 %	17.4	4.4
HMA total	15	997	5.6 %	5.4 %	6.1 %	30.1	6.8
Other parts of Finland							
Shopping Centres	9	589	6.3 %	5.9 %	6.6 %	27.8	6.5
Other retail properties	5	76	6.8 %	5.0 %	4.7 %	14.9	2.7
Other total	14	665	6.4 %	5.8 %	6.3 %	26.9	6.0
Norway							
Greater Oslo Area							
Shopping Centres	7	564	4.9 %	4.9 %	5.4 %	24.3	6.0
Total	7	564	4.9 %	4.9 %	5.4 %	24.3	6.0
Other Areas in Norway							
Shopping Centres	13	825	5.4 %	5.4 %	6.0 %	20.4	5.0
Total	13	825	5.4 %	5.4 %	6.0 %	20.4	5.0
Sweden							
Greater Stockholm Area and Umeå							
Shopping Centres	7	647	5.2 %	5.1 %	5.5 %	27.4	7.7
Other retail properties	1	20	6.9 %	8.2 %	9.1 %	15.4	2.6
Total	8	667	5.3 %	5.2 %	5.6 %	27.0	7.6
Greater Gothenburg area							
Shopping Centres	1	81	6.1 %	6.1 %	6.9 %	17.5	4.8
Total	1	81	6.1 %	6.1 %	6.9 %	17.5	4.8
Estonia and Denmark							
Total	3	340	6.8 %	7.1 %	7.1 %	20.5	3.3

Properties in Finland

The fair value of the Finnish portfolio is €1,662 million and it increased by 0.6% from Q4 2015. Compared to the previous quarter, the weighted average yield requirement has stayed unchanged being 5.9%, the weighted initial yield has increased by 10bps being now 5.6%, while the weighted average reversionary yield has decreased by 10bps (6.3%). The change in the value of the Finnish portfolio is driven by committed investments as well as Iso Omena and Pori (re)development projects. In all of the properties market rents have been adjusted to reflect the changes in the local market.

Properties in Norway

The fair value of the Norwegian portfolio is €1,389 million, meaning that the portfolio's value has increased by 4.4% since Q4 2015. The strengthening of the Norwegian Crown also affects the value, and excluding this the value of the properties has increased by 2.4%. The weighted average yield requirement has stayed unchanged being 5.2% as has the weighted average initial yield being 5.2% and weighted average reversionary yield has increased by 10 bps (5.8%). The change in the value of the Norwegian portfolio is driven by positive development of the rents and market rents. In several properties the yields and market rents have been adjusted to reflect the current local market situation or changes in property.

Properties in Sweden

The fair value of the Swedish portfolio is €748 million, meaning that the portfolio's value has increased by 1.5% since Q4 2015. The weakening of the Swedish Crown also affects the value, and excluding this the value of the properties has increased by 1.9%. The weighted average yield requirement (5.4%) and the weighted average initial yield (5.3%) have stayed unchanged whilst the weighted average reversionary yield (5.7%) has decreased by 10bps from the previous quarter. In three properties the yields have been moved in due to enhancement in the market situation. In addition, in all of the properties the market rents have been adjusted up to reflect the changes in the local market or property.

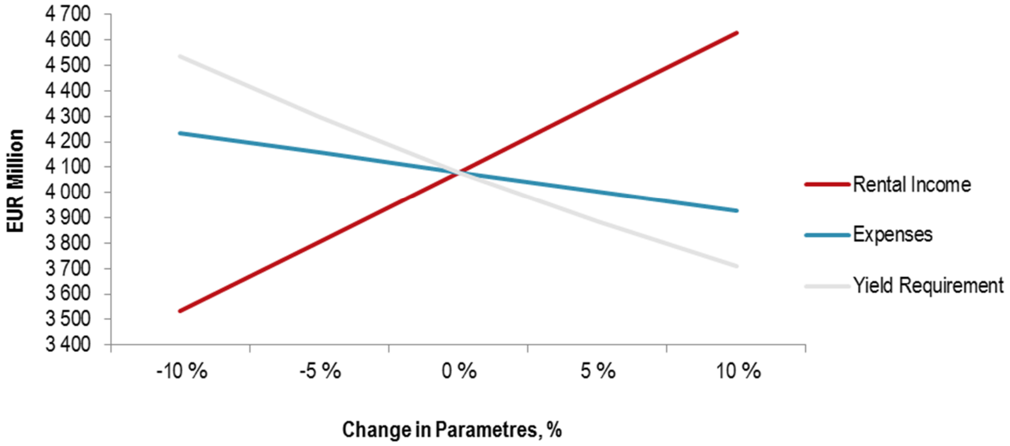
Properties in Estonia and Denmark

The fair value of the Estonia and Denmark property portfolio is €340 million, meaning that the portfolio's value has increased by 0.5% from Q4 2015 value. The weighted average yield requirement of the portfolio (6.8%), the weighted average initial yield (7.1%) and the weighted average reversionary yield standing at 7.1% have all decreased by 10 bps when comparing to previous quarter. Market rents have been revised down to reflect current market situtation. Shift in the weighted average yield requirement and weighted average initial yield is due to sold property, Magistral.

Sensitivity Analysis

A sensitivity analysis of the portfolio's fair value was carried out by creating a summary cash flow based on individual cash flow calculations. Changes in fair value were tested by modifying the key input parameters of the calculations. The parameters tested were yield requirement, estimated rental value and operating expenses. The current fair value of the properties was used as a starting point for the analysis, which was performed by changing one parameter at a time and then calculating the corresponding fair value of the total portfolio. The sensitivity analysis is a simplified model intended to support the understanding of the value effect of different parameters on the valuation. The figure below represents the results of the analysis.

The Sensitivity of Portfolio Value



As seen in the figure above, the value of the portfolio is most sensitive to the changes in estimated rental value and yield requirement. A 10% increase in estimated rental value leads to change of around 13% in value, while a 10% fall in the yield requirement causes an increase of around 11% in value. Changes in expenses have a more modest effect on the value than the other parameters.

Fair Value as at 31 March 2016

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 2016, is ca.

€4,139,000,000

(Four Thousand One hundred and Thirtynine Million Euros)

In Helsinki and Stockholm 21st of April 2016

Yours faithfully

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

Benjamin Rush
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