Valuation *Advisory*

Citycon Oyj

Market Valuation of the Investment Properties

30 June 2016

Executive summary

At the end of June 2016, Citycon owned 56 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 56 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:

30 June, 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	24	1,612	5.8 %	5.4 %	6.2 %	29.4	6.6
Norway	20	1,415	5.2 %	5.2 %	5.7 %	22.2	5.5
Sweden	9	750	5.3 %	5.3 %	5.7 %	25.6	7.1
Estonia and Denmark	3	339	6.7 %	7.1 %	7.0 %	20.2	3.3
Total	56	4,116	5.6 %	5.4 %	5.9 %	25.5	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 Q2 2016 was approximately €4,116 million. Compared to Q1 2016 the fair value increased by ca. €34 million i.e. 0.8% when the sold properties in Finland (Lentolan Perusyhtiö Oy, Lillinkulma Koy, Länsi-Keskus Koy, Sinikalliontie 1 Koy and Kontulan Asemakeskus Koy) are excluded from the comparison. This increase is mainly driven by committed investments and decreased yields and increased contract and market rental levels in Sweden.

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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 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. In addition, we have re-inspected the other properties after the initial valuation. During Q2 2016 we have re-inspected Iso Kristiina located in Finland and Kristiine and Rocca al Mare in Estonia.

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 0.6% in Q1 2016 compared to the previous quarter and 1.6% compared to Q1 2015. Forecasts for GDP growth in 2016 range from +0.5% to +1.4%, while in 2017 economists predict growth varying between +0.7% and +1.4%. GDP growth during 2016 will be mainly supported by domestic demand. In addition the unemployment growth has stopped at least for now and investments on the construction sector in particular are growing strogly.

According to Statistics Finland's flash, in May 2016 retail sales increased by 2.0% year–on–year. Over the same period, the volume of retail sales, from which the impact of prices has been eliminated, increased by 3.2%. 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 relatively 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. However, at the same time some new retailers have entered the market or are looking to do that but this is limited almost exclusively to Helsinki. 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.

In Q2 2016 the retail transaction volume decreased significantly compared to previous quarter and year-on-year but the total volume of H1 2016 is ca. 50% higher than the volume in H1 2015. The most notable deal of the quarter in retail segment was Sagax's acquisition of 184 groceries and two larger retail properties, purchasing price being approximately €90 million. The deal was published earlier this year but was conditional on the aquisition of Suomen Lähikauppa by Kesko which has now been approved by the Finnish Competition and Consumer Authority. 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. After moving in during the first quarter the prime shopping centre yield has been stable standing now at 4.75%.

Norway

According to seasonally-adjusted figures published by Statistics Norway, GDP for Mainland Norway rose 0.3% in Q1 2016. In comparison, the growth from Q1 2015 to Q1 2016 has been -0.4%. High electricity production was the main contributor to the growth during Q1 2016. The GDP is expected to see a growth of 0.9% for 2016 and 2.1% for 2017. Main drivers are lower interest rate, a more expansionary fiscal policy and increased international growth.

According to Statistics Norway, in April 2016 retail sales decreased by 4.7% year–on–year. The increase in prices due to the currency effect are argued to be among the drivers behind this. Virke, the Enterprise Federation of Norway, considers this as a short-term effect and predicts a growth of 3-4% in retail consumption for 2016.

The prime rent for shopping centres is still at NOK 13,500 / sq.m, and is expected to remain so going forward. Despite the decrease in the index of retail sales, the top 50 shopping centres have increased their turnover by approximately 5%. The attractiveness and demand for prime areas in prime shopping centres are still good.

Year to date 2016 a total transaction volume is NOK 22bn. This is about 50% of the total volume compared to the H1 2015 (due to several large portfolio deals), but almost the same as for H1 2014. Despite the Norwegian banks' slightly stricter requirement for equity, there has been seen a good level of activity in the investment market, whereas foreign investors still count for about 40% of all transactions. Continuously low interest rates and favorable exchange rates are among the drivers for this. Currently, the demand for property are exceeding the supply side in the Norwegian investment market, so the investment market is expected to stay strong throughout 2016. The prime yield is still at 4%, but there are signs of further yield compression for offices. This is not the case for shopping centres and this yield is expected to remain stable at 4% in the short-term.

Sweden

Sweden's GDP increased by 0.5% in Q1 2016 compared to Q4 2015 and 3.7% compared to the same period last year. Forecast for GDP growth in 2016 is 3.2% and in 2017 3.0%. Swedish export's contribution to GDP last year was very positive, but is now a little weaker, particularly in service export. The Swedish growth drivers are mainly household consumption and fixed gross investments. Sweden's GDP growth is predicted to stay relatively high the next couple of years, however Sweden faces challenges linked to net immigration and political instability in the Eurozone.

According to HUI Research, retail sales growth in 2015 was 5.8%. In the period January- April 2016 retail sales grew by 4.5% in current prices. The volume of retail sales during the first four months of 2016 was SEK 227.6 billion, with furniture and DIY sales performing particularly well. For the full year 2016, 4% growth is forecast and then 3.5% in 2017.

In general terms, retail rents for strong shopping centres have increased in the region of 2% to 4% over the past year, assisted by the strong retail turnover growth in Sweden. A similar or slightly lower rate of rental growth is expected over the rest of the year as retail turnover growth rate eases somewhat and so the retailers ability to pay higher rents decreases a little. Generally, restaurant turnover growth is increasing at a higher rate than retail turnover, hence there is generally higher rental growth potential for the restaurant sub-sector.

In Q2 2016 the retail transaction volume was approximately SEK 2.5 billion. The total volume during H1 was around SEK 6 billion, which is a decrease compared to the same period in 2015 (a record year). A notable transaction in Q2 was Baronen Shopping Center in Kalmar that was sold to Regio, by CBRE GI. The lettable area is 21,000 sq. m and the price was approximately SEK 500 million (SEK 23,800 /sq. m) reflecting a yield of between 6.5% - 6.75%. The center is 97% let. The yield for prime external shopping centres in Sweden (Stockholm area) is currently in the region of 4.25%. Prime shopping centre yields have moved in during the last year, given strong demand and low supply assisted by continued low interest rates. The market remains attractive this year and supply is still limited which changes investors' risk-taking to more opportunistic investment strategies.

Estonia

According to Statistics Estonia’s data, Estonia’s GDP increased 0.0% in Q1 2016 compared to the previous quarter and 1.8% compared to Q1 2015. Forecasts for GDP growth in 2016 range from +1.8% to +2.2%, while in 2017 economists predict growth varying between +2.4% and +3.0%. The growth is predicted to be supported by stronger external demand. Domestic demand will remain as important component in growth, but growth in private consumption is expected to slow a little together with a slowing rise in real wages and social benefits.

According to Statistics Estonia's data, in April 2016 the turnover of retail trade enterprises increased 6% year–on–year at constant prices while in March the turnover increased 3% year–on–year. The forecasts expect that growth in retail sales will slow in 2016–2017 with the effect of slower growth in disposable income and return of inflation.

Prime shopping centre rents decreased ca. 0.5% quarter–on–quarter and 2% year–on–year. Despite strong retail sales growth, downward pressure on rents prevails due to increased new supply and rising level of market competition. Prime shopping centre rents are forecasted to continue a slight decline in 2016.

In Q2 2016 the retail transaction volume decreased significantly compared to previous quarter as several large transactions piled up in the previous quarter. The largest transaction was the €9.5 million deal of Aia 7 property in Tallinn city centre comprising of a supermarket, a restaurant and some smaller business premises. At the same time, demand for prime assets remains strong, as the real estate market remains attractive in the low interest rate environment. The investment market is expected to remain active for the next quarters with prime yields facing a further decline. The current prime shopping centre yield is estimated to be around 6.0-7.0%.

Denmark

Although the Danish economic upturn continues, GDP growth momentum has slowed considerably over the past 12 months. According to the Statistics Denmark's data, Denmark's GDP increased by 0.5% in Q1 2016 compared to the previous quarter and 0.6% compared to Q1 2015. According to Denmark's largest bank, Danske Bank, GDP growth is forecast at a meagre 0.9% and 1.6% in 2016 and 2017, respectively. The slowdown is mainly attributable to declining Danish export figures due to the global trade situation in 2015, with both Brazil and Russia in recession and China facing economic stagnation. Offsetting this effect, expected consumer spending is strong.

According to Statistics Denmark's data, in April 2016 retail sales decreased by 0.6% year-on-year when seasonality and holidays were accounted for. After a general improvement of retail sales in H2 2015, numbers saw a drop of 0.9% in December 2015. In 2016 retail sales decreased by 0.9% and 0.8% in February and March, respectively. In April retail bounced back a mere 1%.

Both prime and secondary shopping centre rents have stayed unchanged since last quarter. Throughout 2014, 2015 and 2016 prime shopping centre rents have increased, whereas secondary shopping centre rents have slightly decreased or stayed unchanged. This is a result of consumers, and thereby retailers, preferring attractive and well-assorted prime shopping centres. In Denmark, the increase in employment rates and consumer spending points towards mounting investment needs. Danske Bank forecasts continued growth in consumer spending the coming years which indicate that prime and secondary shopping centre rents are expected to remain stable or positive.

The most notable deal in Q2 2016 was CBRE Global Investors and Portus Retail acquiring Big Shopping Center located in Herlev in a joint venture for DKK 1.12 billions corresponding to a yield of 5.31%. In the heart of the Copenhagen High Streets Aberdeen Asset Management purchased Frederiksborggade 12 for DKK 102 millions corresponding to a yield of 4.2%. The current low interest rate is contributing in several ways to making property investments attractive relative to other investment opportunities. Due to current demand, the prime shopping centre yield is now 4.25%.

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 June 2016, Citycon owned 56 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 56 investment properties.

The property portfolio under valuation consists mainly of retail properties, of which 24 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 95.8% 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 Q2 2016 was approximately €4,116 million. Compared to Q1 2016 the fair value increased by ca. €34 million i.e. 0.8% when the sold properties in Finland (Lentolan Perusyhtiö Oy, Lillinkulma Koy, Länsi-Keskus Koy, Sinikalliontie 1 Koy and Kontulan Asemakeskus Koy) are excluded from the comparison. This increase is mainly driven by committed investments and decreased yields and increased contract and market rental levels in Sweden.

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, 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		24	1 612	5,8 %	5,4 %	6,2 %	29,4	6,6
Norway		20	1 415	5,2 %	5,2 %	5,7 %	22,2	5,5
Sweden		9	750	5,3 %	5,3 %	5,7 %	25,6	7,1
Estonia and Denmark		3	339	6,7 %	7,1 %	7,0 %	20,2	3,3
Total		56	4 116	5,6 %	5,4 %	5,9 %	25,5	6,0
Finland								
Helsinki Metropolitan Area								
	Shopping Centres	11	961	5,5 %	5,3 %	5,9 %	30,7	6,9
	Other retail properties	1	0	10,0 %	31,5 %	10,3 %	18,0	0,0
	HMA total	12	961	5,5 %	5,3 %	5,9 %	30,7	6,9
Other parts of Finland								
	Shopping Centres	9	585	6,3 %	5,8 %	6,5 %	27,8	6,5
	Other retail properties	3	66	6,5 %	3,1 %	3,0 %	18,6	2,6
	Other total	12	651	6,3 %	5,5 %	6,2 %	27,4	6,1
Norway								
Greater Oslo Area								
	Shopping Centres	7	574	4,9 %	4,9 %	5,4 %	24,6	6,1
	Total	7	574	4,9 %	4,9 %	5,4 %	24,6	6,1
Other Areas in Norway								
	Shopping Centres	13	841	5,4 %	5,4 %	6,0 %	20,6	5,1
	Total	13	841	5,4 %	5,4 %	6,0 %	20,6	5,1
Sweden								
Greater Stockholm Area and Umeå								
	Shopping Centres	7	647	5,1 %	5,1 %	5,5 %	27,0	7,5
	Other retail properties	1	21	6,7 %	7,3 %	8,3 %	15,1	2,6
	Total	8	668	5,2 %	5,2 %	5,5 %	26,6	7,4
Greater Gothenburg area								
	Shopping Centres	1	82	6,0 %	5,9 %	6,6 %	17,5	4,8
	Total	1	82	6,0 %	5,9 %	6,6 %	17,5	4,8
Estonia and Denmark								
	Total	3	339	6,7 %	7,1 %	7,0 %	20,2	3,3

Properties in Finland

The fair value of the Finnish portfolio is €1,612 million and it increased by 0.5% from Q1 2016. Compared to the previous quarter, the weighted average yield requirement has decreased by 10bps being 5.8%, the weighted initial yield has decreased by 20bps being now 5.4%, while the weighted average reversionary yield has decreased by 10bps (6.2%). The change in the value of the Finnish portfolio is driven by committed investments, decreasing of the yield in one property as well as the Pori (re)development project. In all of the properties market rents have been adjusted to reflect the changes in the local market and in one property yield has been revised down due to improved market situation.

Properties in Norway

The fair value of the Norwegian portfolio is €1,415 million, meaning that the portfolio's value has increased by 1.9% since Q1 2016. The strengthening of the Norwegian Crown also affects the value, and excluding this the value of the properties has increased by 0.6%. 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 decreased by 10 bps (5.7%). The change in the value of the Norwegian portfolio is mostly driven by committed investments. In two properties the yields have been adjusted and in almost all of the properties market rents have been adjusted to reflect the current local market situation or changes in property.

Properties in Sweden

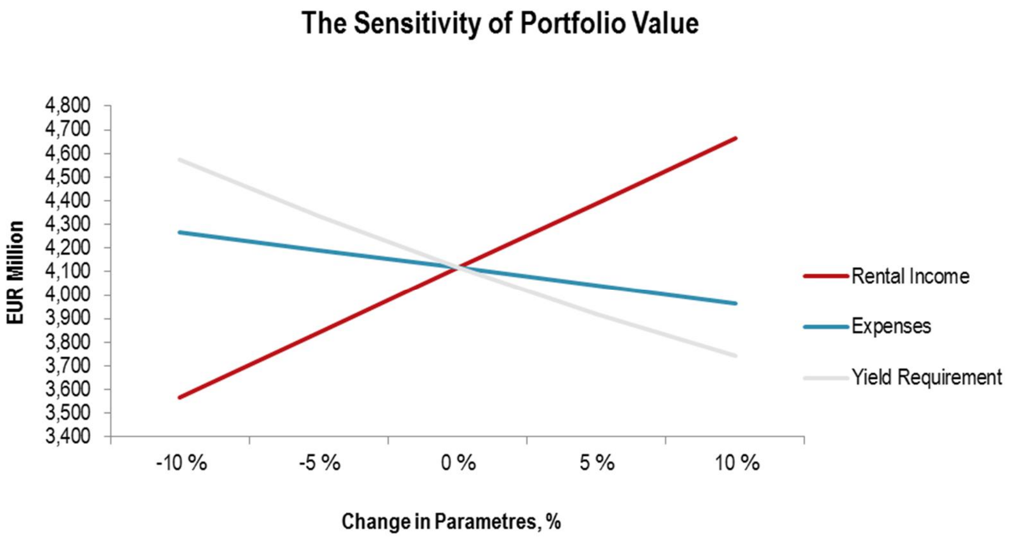
The fair value of the Swedish portfolio is €750 million, meaning that the portfolio's value has increased by 0.2% since Q1 2015. The weakening of the Swedish Crown also affects the value, and excluding this the value of the properties has increased by 2.4%. The weighted average yield requirement (5.3%) has decreased by 10bps and the weighted average initial yield (5.3%) and the weighted average reversionary yield (5.7%) have stayed unchanged from the previous quarter. In all but one properties the yields have been moved in due to enhancement in the market situation or changes in the property. 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 €339 million, meaning that the portfolio's value has increased by 0.3% from Q1 2016 value. The weighted average yield requirement of the portfolio (6.7%) has decreased by 10bps, the weighted average initial yield (7.1%) has stayed unchanged and the weighted average reversionary yield standing at 7.0% has decreased by 10 bps when comparing to previous quarter. Yields in the Estonian properties have been decreased to reflect the market situation. Market rents have been revised to reflect current market situation.

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.



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 30 June 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 30 June 2016, is ca.

€4,116,000,000

(Four Thousand One Hundred and Sixteen Million Euros)

Following the Referendum held on 23 June 2016 concerning the UK's membership of the EU, a decision was taken to exit. It is not clear to what extent other EU markets will be affected by this decision. We will be monitoring the markets closely and recommend that the valuation(s) reported is/are kept under regular review.

In Helsinki and Stockholm 5th July 2016

Yours faithfully

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