JLL

Valuation *Advisory*

Citycon Oyj

Market Valuation of the Investment Properties

30 September 2015

Executive summary

At the end of September 2015, Citycon owned 68 properties (including two rented properties, which fair value is recognized within intangible rights based on IFRS rules and Kista Galleria) and had partial ownership of four properties located in Norway through joint ventures. This valuation statement includes all properties except Kista Galleria, properties located in Norway and 3 properties held for sale.

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

30 September, 2015	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	1,632	5.9 %	5.6 %	6.6 %	29.2	6.6
Sweden	9	699	5.5 %	5.4 %	5.9 %	25.4	7.1
Estonia and Denmark	4	363	7.0 %	7.3 %	7.2 %	20.5	3.4
Total	42	2,694	6.0 %	5.7 %	6.5 %	27.0	6.3

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

The total fair value of the portfolio in Q3 2015 was approximately €2,694 million. Compared to Q2 2015 the fair value increased by €31.9 million i.e. 1.2% when excluding the properties that Citycon has sold after the previous valuation. This increase is mainly driven by committed investments and positive development of yields.

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 30 September 2015, 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. Properties added to the portfolio after the initial valuation have been inspected when added to the portfolio. In addition, we have re-inspected 40 properties after the initial valuation. During Q3 2015 we have re-inspected the properties IsoKristiina, Espoontori and Kuopion Kauppakatu.

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 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 preliminary data in second quarter of 2015 GDP increased 0.2% compared to the previous quarter and 0.1% compared to Q2 2014. Forecasts for GDP growth in 2015 range from -0.5% to +0.5%, while in 2016 economists predict growth varying between +0.5% and +1.4%. Although Finland exited recession in Q2, it remains one of the weakest economies in the Eurozone in terms of growth prospects. Domestic demand continues to be weak as consumers' purchasing power is constrained by increasing rates of unemployment and companies delay investments due to ongoing uncertainty. Moreover, although exports have recovered somewhat, the external sector continues to struggle e.g. due to the recession of Finland's main trading partner Russia.

According to Statistics Finland's flash, in August 2015 retail sales decreased by 3.0% year-on-year. Over the same period, the volume of retail sales, from which the impact of prices has been eliminated, fell by 1.9%. For the full year 2015 forecasts expect a 0.1% increase, and the growth is forecasted to remain moderate also in 2015-2017 being 1.5% p.a. (Oxford Economics, July 2015). Both figures are clearly below the Eurozone averages. Growth is limited by a persisting sluggish employment outlook, low consumer confidence and limited growth of purchasing power due to an increasing tax burden with stagnant salary growth.

Prime shopping centre rents decreased ca. 2 % compared to the previous quarter and ca. 3 % 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. Also downsizing the coverage of store network has been seen among some retailers, which has narrowed down the pool of possible occupiers in the leasing market. Particularly in secondary properties, in challenging locations inside the centre and in challenging local markets, the negative development has been realised as lower rental levels and increasing vacancy rates. Prime rental forecast in 2015 assumes a slight decrease in rents.

Despite the sluggish development of real economy, the activity in investment market set in 2014 has continued throughout the first three quarters of 2015. The investment volume until Q3 2015 has even slightly surpassed the total for year 2014 being EUR 2.3 billion. In retail sector the most notable deal was the agreement between the Swedish based Niam and the retail co-operative HOK-Elanto of Niam purchasing the shopping centre Kaari located in Kannelmäki in western Helsinki, with the actual transaction planned to take place in October. 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 and this has been driven mainly by new funds and the return of international investors. Due to strong investment demand, further compression in prime shopping centre yields is expected this year.

Sweden

The Swedish economy continues to grow and the rate of growth has increased. GDP growth was 2.1% in 2014 and is forecast to be around 3% p.a. in 2015 and 2016. More specifically, GDP growth in Q2 2015 was the strongest recorded in the past 16 quarters. Key reasons for this growth include an increase in exports and also increased public sector consumption. Consumer price index inflation is forecast to continue to be at a low level in 2015 due to cost pressures from technology and production in low cost countries, but will gradually increase through 2016 and 2017. As well as continued low inflation, other main reasons that the Swedish Central Bank lowered the repo rate to an unprecedented -0.35% at the beginning of July 2015 was the economic crisis in Greece and the strengthening Swedish currency. Current forecasts suggest that the repo rate will continue to be negative until at least the end of 2016.

Retail sales growth in Sweden is strong and has been revised up over recent months. Factors such as low interest rates, low inflation and the prospect of a lower ROT tax deduction for people in 2016 (encourages people to use this benefit in 2015) have contributed to this increase. Retail sales for Sweden grew by 3.4% in 2014. HUI's current forecast for retail sales growth is 4.5% in 2015, of which non-daily goods are forecast to increase by 6% and daily goods by 3%. Forecast has been revised further up from last quarter (4.0%). In 2016, the retail sales growth rate forecast is lower at +3.5%. For 2015, it is forecast that retail sales in the furniture, DIY and electronic goods sub sectors will perform the best with growth rates of 9%, 7% and 6% respectively, according to HUI statistics.

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 rate of growth forecast for the forthcoming year. Prime retail / well performing retail centres have and will continue to see the best rental growth performance. The good total 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 and Chanel. Although, despite the strong retail turnover growth, due to strong competition, it is difficult for retailers to increase prices while costs rise and so profitability for retailers has been gradually decreasing since 2007.

In 2014, Sweden had the 6th highest retail transaction volume in Europe with approximately SEK 12 billion and the activity has continued to be strong. In the first half of 2015, the transaction volume of Swedish retail property was around SEK 11 billion and continued to be high also in Q3 2015 with a volume of close to SEK 6.5 billion recorded. Key transactions in Q3 2015 include the sale of the 31,000 sqm Tyresö Centrum in south Stockholm for SEK 1.2 billion at a yield of 5.0-5.25%, a large portfolio of supermarkets sold for around SEK 2.7 billion and a portfolio of 4 shopping centres located in Västerås, Östersund, Nacka and Sollentuna totalling 63,300 sqm formerly owned by Atrium Ljungberg sold at SEK 1.3 billion and representing a yield of 6.0-6.5%. Swedish prime shopping centre yields have moved in during the last 9 months given strong investor 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 not decreased to the same extent as prime since the finance crisis, however, over the last few months, due to easier finance availability, lack of prime property investments and investors' willingness to take on more risk, there has been increasing interest for this property class too. 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. In addition, investors are willing to pay a premium for portfolios of assets, compared to if individual assets in the portfolio were sold separately and Niam's recent sale of 7 shopping centre assets in regional town centres to Agora is an example of this. In general terms, market liquidity is relatively strong and this is expected to continue through 2015.

Estonia

According to Statistics Estonia, in Q2 2015 GDP increased 0.7% quarter-on-quarter and 1.9% year-on-year. The GDP growth was driven the most by a rise in the value added of trade, real estate activities and agriculture, forestry and fishing. Similarly to the previous quarter, the Estonian economy was inhibited the most by a decrease in value added in transport, but also by the decrease in manufacture and construction. The Bank of Estonia expects that the GDP will increase 2.2% in 2015 and 3.1% in 2016. Faster growth is limited by the decline in population, and also by the current structure of production, equipment and production technology, which are more difficult and costly to improve than before. Inflation is assumed to pick up in the second half of 2015, as prices will increase for food and energy. The CPI growth is forecasted to remain at 0% for the full year of 2015 but accelerate to 2.6% in 2016.

Retail sales increased 8% year-on-year in August at constant prices. Sales increased in all sectors. The retail sales via mail order or the Internet increased the most, with sales increasing 40% year-on-year. The average retail sales growth during the first eight months of 2015 was 8.0% year-on-year as the rise in household disposable income has been boosted by strong growth in wage income, increased social transfers, a cut in income tax and deflation. The Bank of Estonia forecasts that retail sales will grow more slowly in 2016 as the rise in real disposable incomes also slows under the influence of both higher inflation and falling employment.

Prime shopping centre rents and vacancy have remained more or less stable over the past quarters. However, downward pressure on rents has increased due to intensifying competition within the retail sector and even the long-term agreements are difficult to extend at the existing rental price level. While most rents are completely or partially linked to consumer price inflation, rental growth is expected to remain flat in 2015.

The investment market was active in Q3 with one larger transaction that included the change of ownership of the Solaris shopping centre in Tallinn and 4 Bauhof stores in Haapsalu, Kuressaare, Valga and Võru. The EUR 14.3 million transaction of Auriga shopping centre in Kuressaare also indicates some investor appetite for retail assets in tertiary locations. The investment market is expected to remain active for the next quarters backed by the persisting investor demand. Though prime yields around 6.5-7.0% are perceived to be close to their lows in the cycle, compression is expected to continue as the real estate as an asset class remains attractive in the low interest rate environment.

Denmark

According to Statistics Denmark, the GDP growth has slowed down a bit in Q2 compared to Q1. Growth showed progress of a mere 0.2% compared to a steadier 0.5% in the previous quarter. Nonetheless, Q2 2015 concludes a period of two years of positive growth in the Danish economy. The economy grew by 1.1% in 2014 and forecasts for 2015 and 2016 are looking brighter. The biggest commercial bank in Denmark, Danske Bank, expects GDP growth to be 1.6% and 1.9%, respectively, which is marginally lower than previously expected. GDP growth will be driven by a sound improvement in consumer spending. Weak exports and investments are expected to dampen GDP growth in 2015, but both will pick up in 2016. Private consumption increased by a mere 0.6% in 2014, but is expected to increase by 2.0% and 2.1% in 2015 and 2016, respectively.

Retail sales improved gradually during 2014 showing a growth of 1.1% compared to 2013. The first eight months of 2015 have shown quite large fluctuations but outlook is generally good. Trend seems to have changed to a bit slowing down sales of clothing but improving expenditure of both groceries and other consumer goods.

Prime shopping centre rents increased slightly throughout 2014 as consumers — and thereby retailers — continue to prefer attractive and well-assorted prime shopping. 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 due to real wage growth — is expected to remain at a moderate level.

In Q3 2015, the activity in the retail investment market in terms of number of transactions was still below the vast numbers of Q1 2015. On the other hand, the overall traded volume is quite impressive totalling almost 2 billion DKK. Overall, demand for prime retail properties has remained at the similar high level seen in 2014 and in the first half of 2015. Similarly prime yields have moved in being at the moment as low as just above 3%. The current forecast is that investors will continue to demand prime retail real estate in Denmark and especially in the Copenhagen High Street area. The traded volume in Q3 2015 was dominated by a single investment made by the German investment fund Patrizia. In August, they acquired ”Galleri K” located on the corner of Oestergade and Pilestraede (best of prime high street) in Copenhagen from Bank of Ireland for 1.5 billion DKK.

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 September 2015, Citycon owned 68 properties (including Kista Galleria and two rented properties , which fair value is recognized within intangible rights based on IFRS rules) and had partial ownership of four properties located in Norway through a joint venture. This valuation statement includes all properties except Kista Galleria, properties located in Norway and 3 properties held for sale.

The property portfolio under valuation consists mainly of retail properties, of which 29 are located in Finland, 9 in Sweden, three in Estonia and one in Denmark. The core of the portfolio consists of 32 shopping centre properties, which comprise 89% 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 Q3 2015 was approximately €2,694 million. Compared to Q2 2015 the fair value increased by €31.9 million i.e. 1.2% when excluding properties that Citycon has sold or moved under properties held for sale after the previous valuation (Citytalo, Galleria, Hakucenter, Hakunilan Keskus, Karjaan Ratakatu, Kirkkonummen Liikekeskus, Kotkan Keskuskatu 11, Lahden Kauppakatu (Paavolan CM), Minkkikuja 4 (Korson SM), Orimattilan Markkinatalo, Porin Isolinnankatu 18, Porvoon CM (Runeberginkatu 33 Koy), Puijonlaakson Palvelukeskus, Strömpilen, Vaakalintu (Riihimäen Forum), Vantaan Säästötalo and Varkauden Relanderinkatu 30). This increase is mainly driven by committed investments and positive development of yields. The weighted average yield requirement of the portfolio decreased by 10 bps comparing to previous quarter, being now 6.0%.

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 September, 2015	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	1,632	5.9 %	5.6 %	6.6 %	29.2	6.6
Sweden	9	699	5.5 %	5.4 %	5.9 %	25.4	7.1
Estonia and Denmark	4	363	7.0 %	7.3 %	7.2 %	20.5	3.4
Total	42	2,694	6.0 %	5.7 %	6.5 %	27.0	6.3
Finland							
Helsinki Metropolitan Area							
Shopping Centres	11	916	5.6 %	5.5 %	5.9 %	31.5	7.2
Other retail properties	4	53	6.8 %	7.0 %	7.3 %	17.7	4.5
HMA total	15	968	5.6 %	5.6 %	6.0 %	30.8	7.1
Other parts of Finland							
Shopping Centres	9	598	6.3 %	6.2 %	6.6 %	28.1	6.3
Other retail properties	5	66	7.0 %	5.6 %	12.3 %	15.3	2.9
Other total	14	664	6.4 %	6.1 %	7.2 %	26.8	5.9
Sweden							
Greater Stockholm Area and Umeå							
Shopping Centres	7	612	5.3 %	5.3 %	5.7 %	26.7	7.4
Other retail properties	1	14	7.1 %	8.8 %	11.3 %	14.0	2.6
Total	8	626	5.4 %	5.3 %	5.8 %	26.4	7.3
Greater Gothenburg area							
Shopping Centres	1	73	6.2 %	6.3 %	6.7 %	16.5	4.8
Total	1	73	6.2 %	6.3 %	6.7 %	16.5	4.8
Estonia and Denmark							
Total	4	363	7.0 %	7.3 %	7.2 %	20.5	3.4

Properties in Finland

The fair value of the Finnish portfolio is €1,632 million and it increased by 1,3% from Q2 2015 when excluding the sold properties (Citytalo, Galleria, Hakucenter, Hakunilan Keskus, Karjaan Ratakatu, Kirkkonummen Liikekeskus, Kotkan Keskuskatu 11, Lahden Kauppakatu (Paavolan CM), Minkkikuja 4 (Korson SM), Orimattilan Markkinatalo, Porin Isolinnankatu 18, Porvoon CM (Runeberginkatu 33 Koy), Puijonlaakson Palvelukeskus, Vaakalintu (Riihimäen Forum), Vantaan Säästötalo and Varkauden Relanderinkatu 30). Compared to the previous quarter, the weighted average yield requirement has decreased by 20 bps being now 5.9% and the weighted initial yield has decreased by 50 bps being now 5.6%, while the weighted average reversionary yield has increased by 50 bps (6.6%). The change in the value of the Finnish portfolio is driven by committed investments. In three properties yields have been moved in due to improvements in the properties and enhanced market conditions. In several properties market rents have been adjusted to reflect the changes in the local market.

Properties in Sweden

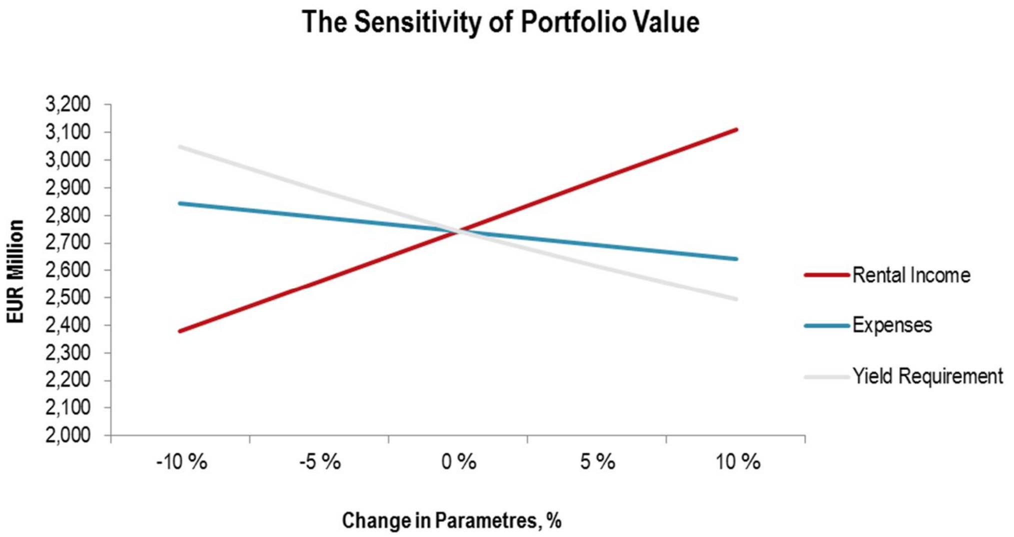
The fair value of the Swedish portfolio is €699 million, meaning that the portfolio's value has increased by 0,1% since Q2 2015 when excluding Strömpilen that has been moved outside the valuation. The weakening of the Swedish Crown also affects the value, and excluding this the value of the properties has increased by 2.2%. The weighted average yield requirement (5.5%) has decreased by 10 bps and the weighted average initial yield (5.4%) and weighted average reversionary yield (5.9%) both have decreased by 20bps from the previous quarter. In all of the properties the yields have been moved in due to enhancement in the market situation. In most of the properties 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 €363 million. Compared to the Q2 2015 value, this represents a 3.1% increase in value. The increase in value is mainly driven by the addition of the acquired extension of Albertslund shopping centre in Denmark. The weighted average yield requirement of the portfolio standing at 7.0% and the weighted average initial yield standing at 7.3% have stayed unchanged compared to the previous quarter. The weighted average reversionary yield standing at 7.2% has decreased by 10 bps. In the property in Denmark the yield has been moved in due to improved market conditions and due to the new extension the market rents have increased. In Estonia market rents have increased due to changes in the lettable area.

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 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 other parameters.

Fair Value as at 30 September 2015

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 2015, is ca.

€2,694,000,000

(Two Thousand Six Hundred and Ninety Four Million Euros)

In Helsinki and Stockholm 14th of October 2015

Yours faithfully

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For and on behalf of
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