Valuation *Advisory*

Citycon Oyj

Market Valuation of the Investment Properties

31 December 2015

Executive summary

At the end of December 2015, Citycon owned 62 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 62 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 December, 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	1,652	5.9 %	5.5 %	6.4 %	29.0	6.7
Norway	20	1,330	5.2 %	5.2 %	5.7 %	21.2	5.4
Sweden	9	737	5.4 %	5.3 %	5.8 %	26.1	7.3
Estonia and Denmark	4	362	6.9 %	7.2 %	7.2 %	20.4	3.4
Total	62	4,082	5.7 %	5.5 %	6.1 %	25.1	6.1

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 Q4 2015 was approximately €4,082 million. Compared to Q3 2015 the fair value increased by €1,388 million i.e. 51,5%. This increase is mainly driven by including the properties in Norway to the valuation. When excluding the properties located in Norway the fair value increased by €58 million i.e. 2.1%. This increase is mainly driven by yield compression in Sweden and committed investments.

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 December 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. 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 Q4 2015 we have re-inspected Forum, Jyväskeskus, Kaarinan Liiketalo, Lillinkulma and Tikkuri located in Finland, Albertslund shopping centre located in Denmark and all three properties located 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 in third quarter of 2015 GDP decreased 0.5% compared to the previous quarter and 0.2% compared to Q3 2014. Forecasts for GDP growth in 2015 range from -0.3% to +0.4%, while in 2016 economists predict growth varying between +0.5% and +1.2%. 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 e.g. due to the recession of Finland's key trading partner Russia.

According to Statistics Finland's flash, in November 2015 retail sales increased by 1.2% year-on-year. Over the same period, the volume of retail sales, from which the impact of prices has been eliminated, increased by 2.6%. For the full year 2015 forecasts expect a 0.7% increase, and the growth is forecasted to remain moderate also in 2015-2017 being 1.5% p.a. (Oxford Economics, October 2015). Both figures are clearly below the Eurozone averages.

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. 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. Also prime rental forecast in 2016 assumes a slight decrease in rents.

Despite the sluggish development of real economy, the increasing activity in investment market set in 2014 continued through the whole year of 2015. The investment volume for 2015 almost doubled compared to 2014 resulting a bold figure of EUR 4.2 billion of which almost third were retail transactions. In retail sector the most notable deal, in addition to the transaction of shopping centre Kaari announced already in previous quarter, during Q4 2015 was the transaction of 22 retail properties which Varma sold to new Serena Properties AB of which Varma's share is 43%. The properties are located across Finland and cover as a total ca 152,000 sq m of lettable area. 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, the prime shopping centre yield has been revised down by 25bps standing now at 5.0%.

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. However, Statistics Norway (SSB) expect the growth to slowly increase going forward. Norway's mainland GDP growth for 2015 is expected to end at 1.5% while the forecast for 2016 is 2%. For 2017 and 2018, SSB expects the growth to surpass 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 continued to grow in November 2015. The increase in November was 0.6% compared to the previous month. Retail sales of electrical household appliances, sport equipment, furniture and decoration articles in particular contributed to the increase. Sales via the Internet also contributed to the growth. Sales volumes in grocery stores and stores selling ICT equipment and telecommunications equipment, however, saw a decline comparing to previous month. All-in-all the retail sales volume index has again a positive trend after a smaller decrease during the first six to seven months in 2015.

Despite the growth of turnover in shopping centres in Norway has been significant (figure for first three quarters of 2015 being 5.7%) the shopping centre rents 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 strengthening uncertainty of employment constraining the effects of strong growth of retail sales and private consumption.

The investment market has kept its pace throughout 2015, breaking last years all time high transaction volume with NOK 115 billion. Transaction volume in 2016 might see a slight decrease due to stricter requirement for equity by Norwegian banks resulting 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 are the drivers behind high investment volume in 2015. The biggest transaction of the year is Citycon's acquisition of Sektor with its over 20 shopping centres. The prime yield is estimated to remain at 4.25% as interest rates increased slightly during the first half of the year and the 10 year SWAP fell to record low of ca. 1.7% in December.

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 in excess of 3% p.a. in both 2015 and 2016. Key reasons for this growth include an increase in household consumption and investments.

Retail sales for Sweden grew by 3.4% in 2014. HUI's current forecast is for retail sales growth of 5.5% in 2015, of which non-daily goods are forecast to increase by 7% and daily goods by 4%. The last time there was such high growth was in 2007. For 2015 as a whole, it is forecast that retail sales in the DIY, furniture and clothes sub sectors will perform the best with growth rates of 11%, 10% and 7% respectively, according to HUI statistics. In 2016, the retail sales growth rate forecast is slightly lower than in 2015 at +4%.

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 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.

In 2015, there has been a relatively high volume of property transactions on the Swedish market. More specifically, the retail property transaction volume for Sweden was around SEK 23.5 billion. This is significantly higher than the approximately SEK 12 billion recorded for the whole of 2014 and SEK 12.7 billion in 2013. The market remains attractive and supply is still limited which changes investors' risk-taking to more opportunistic investment strategies. The yield for prime 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 not decreased to the same extent as prime since the financial crisis, however, over the last year or so, 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. We are noticing that 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.

Estonia

According to Statistics Estonia, the Q3 2015 GDP decreased 0.4% compared to previous quarter but increased 0.7% compared to previous year. The Bank of Estonia expects that the GDP growth will pick up steadily from 1.2% in 2015, to 2.2% in 2016 and 3.1% in 2017.

Retail sales increased 6% in November at constant prices compared to previous year sales increasing in most segments. Only the sales in stores in DIY segment were 2% smaller than in the previous year and the retail sales in stores selling textiles, clothing and footwear stayed at the same level. The average retail sales growth during the 11 months of 2015 was 8.0% compared to previous year. The Bank of Estonia forecasts that growth in private consumption will slow down during 2016–2017.

The vacancy rate at prime shopping centres has remained stable over the past quarters while downward pressure on rents has intensified due to increasing new supply and rising level of market competition. The forecast in the near future is that the vacancy rate in 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 during 2016–2017.

The investment market continued to be active in Q4 whilst investment volumes were modest in the retail segment. The investment market is expected to remain active also for the next quarters. Though prime yields around 6.5–7.0% are perceived edging close to their lows in the cycle, compression is expected to continue as the real estate investment market remains attractive in the low interest rate environment.

Denmark

According to Statistics Denmark, the GDP growth in Q3 dropped by –0.4% compared to the previous quarter. The negative growth in Q3 puts a hold to a period of eight consecutive quarters with positive real growth in GDP. A revision of the GDP growth for 2014 showed a somewhat larger growth than first calculated. GDP growth was revised from 1.1% to 1.3% in 2014. Due to the unexpected drop in Q3 2015 expectations have now been lowered for both 2015 and 2016. The biggest commercial bank in Denmark, Danske Bank, now expects GDP growth to be 1.4% and 1.5%, respectively.

Retail sales gradually improved during 2014 showing a growth of 1.1% compared to 2013. The first eight months of 2015 showed quite large fluctuations but outlook remained generally good. In November overall retail sales grew by 0.2% compared to October. November was the sixth consecutive month with non-negative growth in overall retail sales.

Prime shopping centre rents have increased slightly throughout 2014 and 2015 as consumers—and thereby retailers—continue to prefer attractive and well-assorted prime shopping centres. Outdated and non-optimised centres are in less demand. However, such centres, if well situated and with a strong catchment area, often have a substantial potential if subject to professional and 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.

Activity in the retail investment market fell in Q4 2015 both in terms of numbers of transactions and the overall volume. Only two relevant retail transactions took place totalling a volume of a mere DKK 308 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 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) 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.

Valuation

Property Portfolio

At the end of December 2015, Citycon owned 62 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 62 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, three in Estonia and one in Denmark. The core of the portfolio consists of 52 shopping centre properties, which comprise 94% 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 Q4 2015 was approximately €4,082 million. Compared to Q3 2015 the fair value increased by €1,387 million i.e. 51,5%. This increase is mainly driven by including the properties in Norway to the valuation. When excluding the properties located in Norway the fair value increased by €57 million i.e. 2.1%. This increase is mainly driven by yield compression in Sweden 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.

Properties in Finland

The fair value of the Finnish portfolio is €1,652 million and it increased by 1.2% from Q3 2015. Compared to the previous quarter, the weighted average yield requirement has stayed unchanged being 5.9%, the weighted initial yield has decreased by 10bps being now 5.5%, while the weighted average reversionary yield has decreased by 20bps (6.4%). The change in the value of the Finnish portfolio is solely driven by committed investments. In one property yield has been moved in due to new significant lease agreement. In several properties market rents have been adjusted down to reflect the changes in the local market.

Properties in Norway

The fair value of the Norwegian portfolio is €1,330 million. The properties located in Norway have been included to the valuation during this quarter. The weighted average yield requirement is 5.2%, the weighted average initial yield is 5.2% and weighted average reversionary yield is 5.7%.

Properties in Sweden

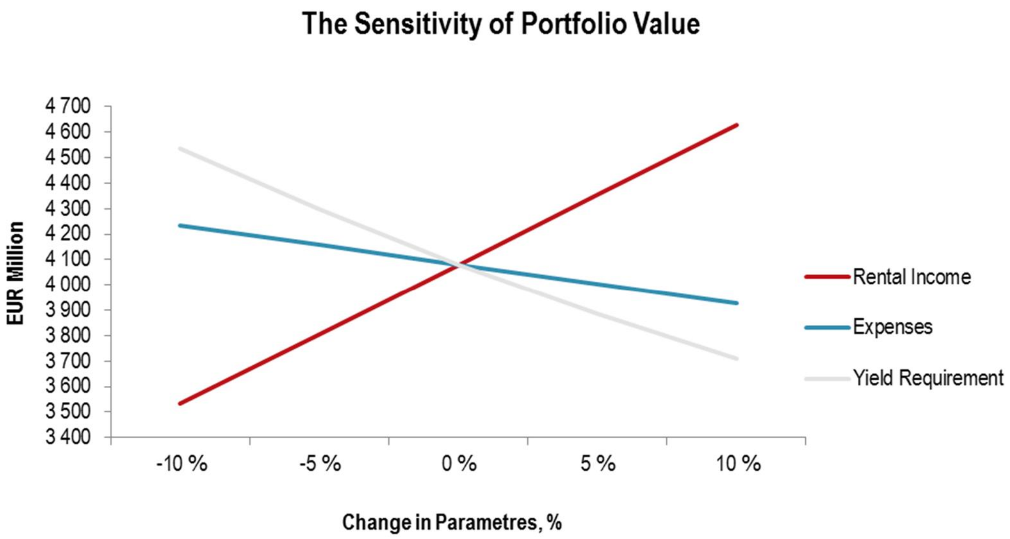
The fair value of the Swedish portfolio is €737 million, meaning that the portfolio's value has increased by 5.5% since Q3 2015. The strengthening of the Swedish Crown also affects the value, and excluding this the value of the properties has increased by 3.0%. The weighted average yield requirement (5.4%), the weighted average initial yield (5.3%) and the weighted average reversionary yield (5.8%) have decreased by 10bps from the previous quarter. In all of the properties the yields have been moved in due to enhancement in the market situation. In addition, in most of the properties the market rents have been adjusted up to reflect the changes in the local market.

Properties in Estonia and Denmark

The fair value of the Estonia and Denmark property portfolio is €362 million, meaning that the portfolio's value has decreased by 0.1% from Q3 2015 value. The weighted average yield requirement of the portfolio (6.9%) and the weighted average initial yield (7.2%) have both decreased by 10bps and the weighted average reversionary yield standing at 7.2% has remained unchanged when comparing to previous quarter. In Estonia yields have been moved in due to improvement in the investment market. Market rents have been revised down due to increased competition. In Denmark both yield and market rents have remained unchanged.

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 31 December 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 31 December 2015, is ca.

€4,082,000,000

(Four Thousand and Eightytwo Million Euros)

In Helsinki and Stockholm 26th of January 2016

Yours faithfully

Tero Lehtonen Director For and on behalf of Jones Lang LaSalle Finland Oy	Benjamin Rush Associate Director For and on behalf of Jones Lang LaSalle AB

Maria Sirén
Analyst
For and on behalf of
Jones Lang LaSalle Finland Oy