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Valuation Statement

CITYCON OYJ

31 DECEMBER 2019

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EXECUTIVE SUMMARY

The investment portfolio being valued includes 27 properties, all 100% owned by Citycon. All assets are shopping centres, but some of the properties include additional value for unbuilt but approved residential/retail area or value related to a built residential or office component.

The portfolio is geographically divided into 4 countries; Norway, Sweden, Denmark and Estonia. The key figures of the portfolio are presented in the table below.

31 December 2019	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							
Estonia	2	316	6,5 %	7,4 %	7,1 %	21,3	3,0
Norway	15	1 325	5,5 %	5,3 %	5,9 %	22,6	5,1
Sweden and Denmark	10	923	5,4 %	5,6 %	5,8 %	25,5	6,2
Total	27	2 564	5,6 %	5,7 %	6,0 %	23,5	5,2

The total fair value of the portfolio as at 31 December 2019 was approximately 2,564 million Euros.

INSTRUCTIONS

Our instruction from Citycon Oyj was to carry out a fair valuation of the properties held in Citycon's investment portfolio as at 31 December 2019. The purpose of the valuation is financial reporting and performance measurement by Citycon.

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 Standard Board (IVSB) considers that the IFRS 13 definition of Fair Value is generally consistent with the concept of Market Value and therefore the reported Fair Value is effectively the same as our opinion of Market Value. We confirm that the valuations are fully compliant with IFRS standards and IVSC's valuation standards. Our opinion of Fair Value (IFRS 13) is based upon the Scope of Work and Valuation Assumptions listed below and has been primarily derived using comparable recent market transactions on arm's length terms.

The stated values do not include transaction costs, in accordance with normal valuation practice in the subject markets.

SCOPE OF WORK AND ASSUMPTIONS

We have valued the properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

The values reported represent 100% of the market values of the company shares owned by Citycon.

This report is for the use only of the party to whom it is addressed for the specific purpose set out herein and no responsibility is accepted to any third party for the whole or any part of its contents. Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear.

The values stated in this report represent our objective opinion of Fair Value in accordance with the definition set out above as of the date of valuation. Amongst other things, this assumes that the properties had been properly marketed and that exchange of contracts took place on this date.

The Properties have been valued by valuers who are qualified for the purpose of the valuation in accordance with the RICS Valuation – Global Standards 2017.

This Valuation is a professional opinion and is expressly not intended to serve as a warranty, assurance or guarantee of any particular value of the subject properties. Other valuers may reach different conclusions as to the value of the subject properties. This Valuation is for the sole purpose of providing the intended user with the Valuer's independent professional opinion of the value of the subject properties as at the valuation date.

We confirm that we have been valuing the subject portfolio since June 2017 and provided yield and market rent advice for Citycon's internal valuations in Q1 and Q3 since September 2017. There are no conflicts of interest to the valuation.

We have carried out our work based upon information supplied to us by Citycon, which we have assumed to be correct and comprehensive.

We inspected the properties internally between May 2017 – November 2019.

We have not measured the properties but have relied upon the floor areas provided to us by Citycon, which we have assumed to be correct and comprehensive.

We have not undertaken, nor are we aware of the content of, any environmental audit or other environmental investigation or soil survey which may have been carried out on the properties and which may draw attention to any contamination or the possibility of any such contamination. In the absence of information to the contrary, we have assumed that the properties are not contaminated or adversely affected by any existing or proposed environmental law.

We have not carried out any building surveys or been provided with a building survey from an external party. In the absence of information to the contrary, we have assumed that the properties are free from rot, infestation, structural or latent defect and that the services are in working order and free of defect. We have otherwise had regard to the age and apparent general condition of the Properties.

We have investigated town planning on the Council's websites. We have assumed that all buildings have been erected in accordance with or prior to planning control and have the benefit of permanent planning consents or existing use rights for their current use.

Details of title/tenure under which the Property is held and of lettings to which it is subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto.

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MARKET OVERVIEW

ESTONIA

Economic Overview

The Estonian economy increased by 4.2% in the Q3 2019 and was boosted by a few one-off factors. According to the Eesti Pank, country's economy is expected to grow 3.4% y/y in 2019 and 2.3% in 2020. Growth in the economy will slow in the next three years as the outlook for foreign markets is reduced, and the previously strong growth in employment will start to fade. Demand for additional labour will decline, but wage pressures should remain as wages should rise at 5.5-6.3% pace. Inflation should remain modest at ca 2% level.

Private consumption growth will also slow down. According to Oxford Economics, private consumption expenditures are forecasted to grow by 2.5% in 2020, while in 2019 it was expected to grow by 4.4%. Somewhat slower consumption growth is expected due to slower growth of household incomes, social transfers and more moderate developments in the labour market. Overall, the growth momentum of the economy is fading out, yet external and domestic demand contributes to a balanced outlook.

Retail Market Overview

The retail sales in Estonia are growing consistently despite worse economic outlook and confidence. In 11 months of 2019, the turnover of retail trade enterprises (except motor vehicles) increased by 6.0% year on year compared to the same period a year ago. Retail turnover increased in most economic activities, led by textiles and clothing (8.2%), household appliances (7.8%), household equipment and recreational goods (7.7%), computers, software, and telecommunications equipment (7.6%), food, beverages, and tobacco sales (6.6%).

In Tallinn, shopping centre rents in Q4 2019 have remained stable. The downward pressure on rents in the largest shopping centres in Tallinn is unlikely to be observed in Q1 2020. However, T1 Mall is still struggling to attract stable sizeable footfall and exploit its potential fully. One small shopping center was opened in Tallinn in Q4 2019. 1400 sqm shopping center was developed by Colonna. The anchor tenant is Maxima, other tenants include Benu pharmacy and Olympic Casino.

Currently in Estonia remains with the lowest retail prime yields among all three Baltic states, Estonia - 6.25%, compared to 6.75% in Latvia and 6.5% Lithuania. In Q3 2019, the Estonian market was absent of shopping mall investment transactions. There were two supermarkets were sold in Tallinn, one 1,500 sqm Rimi and another 2,900 sqm Konsum respectively for EUR 5.3 mln and EUR 6.6 mln. There one more registered supermarket transaction that belongs to Maxima retail chain, yet it was among related parties and for unusually low price.

Major shopping centre Porto Franco - a multi-functional development will be delivered in Tallinn next year and will add 32,000 sqm of retail space. Additionally, Tallinn will observe a further increase in retail space at existing locations. Shopping centre Lasnamae is expanding the retail premises by ca 5,000 sqm. Shopping centre Kristiine was opened after reconstruction in Q4, with an additional few hundred sqm. A small shopping center of 1,400 in Tallinn's Kopli district was opened at the end of the year. In 2020, total new retail space in Tallinn should increase by 37,000 sqm.

NORWAY

Economic Overview

The Norwegian economy has shown solid performance over the past years, allowing Norges Bank to be among the few hawkish central banks in a global environment dominated by the US/EU/China trade war and Brexit fears. The Norwegian key policy rate (KPR) has been hiked four times since spring 2018, and is currently 1.50%. Going forward, Norges Bank guides that the KPR most likely has plateaued for now, due to lower international growth and more adverse trading conditions.

Yet, the Norwegian economy is still experiencing a moderate upswing with low unemployment and solid economic growth. According to preliminary figures from the quarterly national accounts (QNA), growth in mainland GDP has been higher than Statistics Norway's trend estimates. Marked growth in oil & gas and industrial capital investment saw the upturn continue in 2019, but reduced international demand is likely to slightly dampen growth in the Norwegian economy from 2020. Nevertheless, the Norwegian economy is still expected to be almost cyclically neutral up to 2022.

Unemployment has fallen almost continuously from just over 5% in early 2016 to 3.8% in October 2019, unchanged since July, adjusted for seasonal change according to Statistics Norway's Labour Force Survey (LFS). Over the past nine months, the growth in employment has been particularly strong in the construction industry and other parts of the private sector. It is expected that unemployment will stabilise and reach its bottom in the current business cycle before lower international demand will dampen the labour demand in the years ahead and the unemployment rate will increase in 2022.

Opinion's Consumer Confidence Index (CCI) has come down markedly, primarily driven by households belief that their private economy is weaker than 12 months ago. CCI is per December at minus 4.9 percent, down from minus 3.7 percent in November. This is 1.9 percentage points below the average this year according to Opinion. Consumers belief in the Norwegian economy is weaker in the second half of 2019 than the first.

That said, the declining consumer sentiment is generally not shared by analysts and economists. Both Norges Bank and Statistics Norway are expecting accelerating wage growth in 2020 and the coming years, at the same time as the Mainland Norway GDP is forecasted continue expanding at a healthy pace. Unemployment is also expected to remain near record-low levels over the coming years, allowing wage growth to accelerate slightly in 2020 and remaining at strong levels for the next years.

Shopping centre rents at some locations have come under pressure over the last year, primarily driven by weak store sales. While retail sales growth continues to be on a clearly positive trend, the annual growth rate has come down to 0.8 percent in November 2019, versus the same period last year, according to Statistics Norway. CPI inflation stands at 1.6 percent per November 2019, while core inflation (adjusted for tax changes and excluding energy products) stands at 2.0 percent (Statistics Norway, 2019). Growth in the shopping centre turnover index continues to be slow. Turnover when adjusted for GLA changes and trading day changes is only up 0.7 percent in the period Jan-Nov 2019, according to Kvarud Analyse.

After starting to show a negative development in shopping centre footfall by the end of 2018, in November 2019 the footfall has increased by 1.3 percent compared to the same period last year. Footfall has increased in all types of shopping centres, while regional centres experiences the highest footfall growth. As per November 2019, the average basket this year was NOK 333, up 0.3 percent from the same period last year. The average basket size in November was NOK 362 per visit, up NOK 7 (1.9%) from the same period last year (Kvarud Analyse, 2019).

Retail Market Overview

Retail transactions amount to around 4.3 percent of the preliminary transactions volume for Q4 2019. For comparison, the retail share was 16.5 percent for the full year 2019, which is in line with the normal. The preliminary retail investment volume is estimated to a touch over NOK 1.3 billion in Q4 2019. The prime shopping centre yield in Q4 2019 is estimated to have remained at 4.50 percent, after increasing 25 bps in Q2 2019, primarily as a result of the weak investor sentiment in the shopping centre segment. There also continues to be moderate upwards pressure on secondary yields.

Only a few shopping centre transactions were registered in Q4 2019, namely Vik Torg (c. 12,000 sqm) close to Sundvollen, and Trysilsenteret (c. 10,500 sqm) in Trysil.

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SWEDEN

Economic Overview

The strong Swedish economy is by many predicted to fade out. GDP growth ended up at 2.4 percent during 2018 but started out slow in 2019. The economy expanded at a slightly faster pace in the third quarter, boosted by both fixed investment and government consumption. In 2020, economic growth is expected to remain moderate, due to the slow export growth and an expected increase in the unemployment rate. However, still-accommodative monetary policy and slightly expansionary fiscal policy should both support growth. The difference between GDP growth and GDP per capita has increased over time as a result of high population growth. This means that it is no longer enough to analyse aggregated GDP growth as a measure of a country's prosperity development. 2020-2021, GDP growth per capita is expected to be weaker than its historical average in the 21st century and end up around 1 percent.

Sweden is a member of the European Union, but not the Eurozone. The primary objective of the Swedish Central Bank "Riksbanken" is to maintain price stability. The operative target is to maintain CPI inflation around 2 percent. In December the Swedish Central Bank announced an increase in the repo rate, from -0.25% to 0%.

The Swedish krona has fallen against other currencies (TCW-index) since 2013. A weak krona has helped to achieve a higher inflation and the currency is expected to remain weak during 2020. Swedish exporting companies are benefiting from a weak currency, even though the link between the exchange rate and export volumes has become less clear with increasingly integrated value chains.

The long-term trend is that unemployment rates have decreased since 2010. The unemployment rate did however see a small increase at the end of 2019 and is expected to grow. The unemployment rate is higher in certain groups. Amongst youth between 15 and 24 years, the rate is approx. 18%. Of the 115,000 unemployed youths approx. 18,000 are full time students. In terms of new jobs, the sectors that are expected to increase the most until 2028 are administration, science and tech. The sectors require highly skilled workforce and is why integration and education will play a key role in meeting the future demand for skilled labour.

Retail Market Overview

The Swedish physical retail sector is struggling. Even though the growth was 2.5 percent during 2018, the growth was mainly captured by the e-commerce channels and many physical stores are struggling.

The rental levels for big boxes are decreasing and the market is mainly dominated by actors in the budget sector putting pressure on rental levels. For shopping centres, many retailers have seen a decrease in turnover, leading to problems paying a higher rent. Property owners are instead prolonging leases on the same level as before.

Transaction volumes 2019 reached new record levels but retail only stood for 6 percent of the total transaction volume, compared to 10 percent in 2018.

During the past year, the number of comparable transactions has been limited. In the end of 2018, Catalyst Capitals acquired Center Syd in Kävlinge. A well-established retail area along highway E6/E20. The shopping centre is fully let with ICA and Systembolaget as anchor tenants. The price ended up at MSEK 615, corresponding to SEK 15,908 per sq. m. and a yield level at 7.75 percent.

In Q2 2019, Savills acquired Magnus Stenbock Galleria in Helsingborg at a yield level around 6-6.25 percent.

In Gothenburg we have seen four transactions. The largest one is a mixed property in CBD comprising a large hotel, offices and retail. The second transaction is also in a prime location, with a single tenant on a long lease. The shopping centre is including a hotel and offices.

The prime yield for shopping centres in Sweden in Q4 2019 is 4.25%. We continue to see a polarization in the market, where prime assets continue to do well but other assets face more headwinds, as shown by recent transactions.

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DENMARK

Economic Overview

According to Statistics Denmark, retail sales in September 2019 were the same as in in September 2018 when corrected for price trends, normal seasonal fluctuations and the effect of trading days. From July to October, the product group Food and Everyday Commodities as well as Other consumer goods increased in sales, while Clothing decreased by 3.5%.

When comparing Q3 2019 versus Q3 2018 after seasonal adjustments, the retail sales of clothes has decreased by almost 8%, while the retail sales of furniture remained at the same level. The best performing retail sector was retail sale of hobby articles, music instruments, sport equipment, toys, bicycles via internet with sales growth at 21%.

Food & Beverage has an increasing role in the retail landscape, especially in high-street areas and in shopping centres. According to estimates from Statistics Denmark concerning the Danish consumption, the average Danish household spent approximately DKK 14,000 on restaurants, cafés, fast food and takeaway in 2018. This is an increase of DKK 2-3,000 over a period of 2 years. Comparatively households in the Capital Region of Denmark spent slightly below DKK 20,000 on average in 2018 on restaurants, cafés, fast food and takeaway. The consumption is increasing and clearly most prominent in this region compared to the country average.

Prime net shopping centre rents have been quite stable since Q3 2015 and currently stand at DKK 5,500 per sq m pa. Thus, no changes to the rental level is seen in Q4 2019. Looking forward, we expect vacancy rates to remain unchanged in the best performing centres. Demand and rental levels are also expected to hold at levels previously achieved in the best performing centres, however there will be increases in economic incentives for re-letting. For secondary centres, challenges are expected.

Retail Market Overview

The end of the fourth quarter 2018 showed a change in investor sentiment. The shopping centres are experiencing challenges regarding e-commerce and in addition, as a result of weaker investment demand and confidence, market players have been withdrawing their sales from the market due to difficulties in achieving expected pricing. This change in sentiment is also evident in large investors such as Danske Shopping Centre currently increasing investment in renovation and strengthening of the assets to meet the challenges with increased competition from e-commerce and changes in customer behaviours. In September 2019, Danske Shopping Centre further announced they will adjust the rental levels due to the expected increase in vacancy in Danish shopping centres.

This change in sentiment is also evidenced by no shopping centre transactions in the fourth quarter.

The retail property transaction volume in Q1-Q3 2019 was DKK 2bn, which is a decrease of 60% compared to the same period in 2018. In 2019 Q3, DKK 860m was transacted, a decrease of 62% q-o-q. As of Q4 2019, the general shopping centre yields is at 4.75% for prime shopping centres and at 6.50% for good secondary shopping centres after an adjustment in Q2 2019. The forecast trend for both yields is softening.

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VALUATION METHODOLOGY

We have assessed the fair values primarily by using the income approach by undertaking 10-year discounted cashflow analyses. The cashflow model used was provided to us by Citycon and has been developed by an external service provider. This model was used for Citycon's valuations for the first time in Q2 2017.

The calculation uses the current contract rents until lease expiry and the market rents assessed by CBRE after lease expiry. The lease expiry dates adopted are the earliest possible lease break dates for fixed term leases, and for leases that are valid until further notice, a certain number of lease renewals have been assumed and adopted. The rents under the current leases and assessed market rents for the vacant tenancies and after lease expiries form the potential gross income.

The model utilises a long-term vacancy rate for each tenancy after the adopted lease expiry date, and rent voids have also been applied after the initial lease expiries. Any rent discounts under the current leases and leases starting after the valuation date are also adjusted for in the calculation.

Other income, such as car parking, casual mall leasing, advertising etc. is then added to the rent cashflow to arrive at the forecast gross income. Operating expenses have then been deducted from the forecast gross income to arrive at a net income. This is the income used to calculate the initial yields at the valuation date.

Furthermore, deductions have been made for anticipated capital expenditure, tenant improvement costs to occur after lease expiry and other project investments. We have not been provided with long term capital expenditure forecasts by Citycon, only the immediate investments, and the capital expenditure allowances made are based on our general knowledge of costs for these types of properties and are estimates only.

The values of the properties are based on the sum of the discounted 10-year cashflow and present value of the terminal value. Any possible additional value, such as the value of unutilised approved building area which is considered to be usable, has been added as well.

The discount rates used are based on acceptable yields escalated by the average projected inflation during the 10-year cashflow period. The yields are derived from sales evidence and utilising our general market knowledge.

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VALUATION

The investment portfolio being valued includes 27 properties, all 100% owned by Citycon. All assets are shopping centres, but some of the properties include additional value for unbuilt but approved residential/retail area or value related to a built residential or office component.

The portfolio is geographically divided into four countries; Norway (15 properties), Sweden (8 properties), Denmark (2 properties) and Estonia (2 properties). The key figures of the portfolio are presented in the table below. There are some very large shopping centres in the portfolio and the 5 largest assets account for 39% of the total value. The largest assets by value are Liljeholmstorget in Sweden, Oasen Kjøpesenter, Herkules and Trekanten in Norway and Rocca al Mare in Estonia.

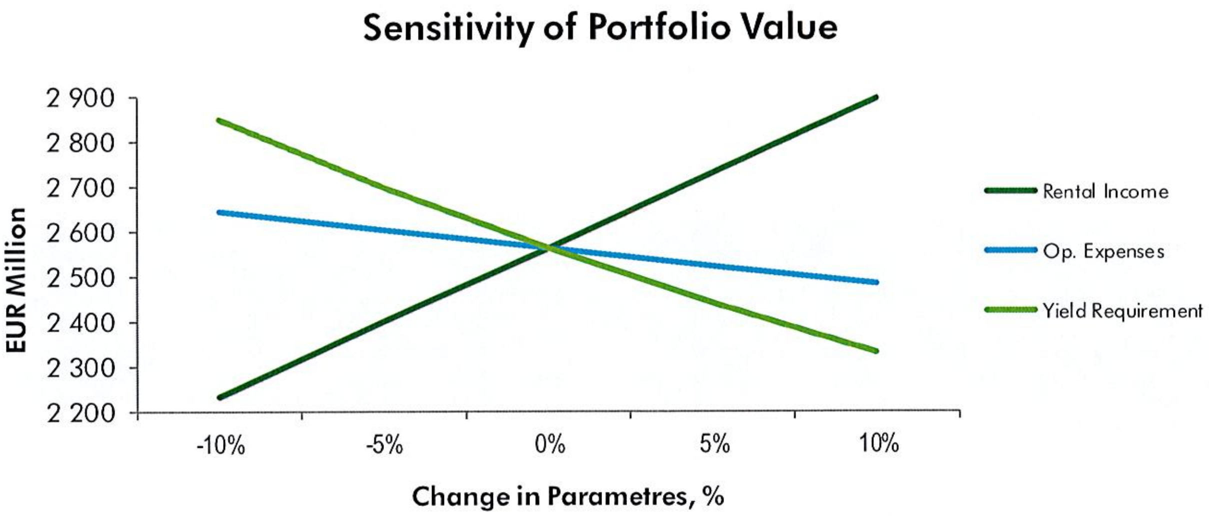
Six of the property values include additional value for approved building area which has not yet been utilized.

The total fair value of the portfolio as at 31 December 2019 was approximately 2,564 million Euros.

31 December 2019		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								
Estonia		2	316	6,5 %	7,4 %	7,1 %	21,3	3,0
Norway		15	1 325	5,5 %	5,3 %	5,9 %	22,6	5,1
Sweden and Denmark		10	923	5,4 %	5,6 %	5,8 %	25,5	6,2
Total		**27**	**2 564**	**5,6 %**	**5,7 %**	**6,0 %**	**23,5**	**5,2**
Estonia								
Tallinn								
	Shopping Centres	2	316	6,5 %	7,4 %	7,1 %	21,3	3,0
Norway								
Greater Oslo Area								
	Shopping Centres	6	547	5,2 %	5,2 %	5,6 %	24,3	5,4
Other Areas in Norway								
	Shopping Centres	9	779	5,7 %	5,4 %	6,1 %	21,3	5,0
Sweden and Denmark								
Greater Stockholm Area and Umeå								
	Shopping Centres	6	626	5,1 %	5,5 %	5,5 %	27,3	7,1
Greater Gothenburg area								
	Shopping Centres	2	178	6,0 %	5,8 %	6,6 %	19,9	5,0
Denmark								
	Shopping Centres	2	119	5,8 %	6,0 %	6,2 %	20,5	3,0

SENSITIVITY ANALYSIS

A sensitivity analysis has been undertaken for the portfolio based on a portfolio summary, by changing the main parameters of the valuation calculation and examining its impact on the portfolio value. The valuation calculation parameters in the analysis are the yield, rental income and operating expenses, which have been adjusted one at a time, and the impact on value compared to the current situation. The analysis is a simplified model of the actual valuation calculations and the results are indicative only. The results of the sensitivity analysis are illustrated in the following figure.



The value is the most sensitive to changes in rents, with the value changing by approx. 13% with the income level reducing or increasing by 10%. The next largest impact is made by changes in the yield, where a 10% reduction in the capitalisation rate results in an 11% increase in value and a 10% increase in the capitalisation rate results in a 9% reduction in value. A 10% change in operating expenses only has a 3.1% impact on value, both up and down.

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VALUATION ASSESSMENT

We are of the opinion that the aggregate of the Fair Values of Citycon Oyj's investment property portfolio, free of liabilities and debt, as at 31 December 2019 is approximately:

2 564 000 000 Euros

(Two Billion Five Hundred Sixty Four Million Euros)

In Oslo, Stockholm and Copenhagen 28th January 2020

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