Valuation *Advisory*

Citycon Oyj

Market Valuation of the Investment Properties

31 March 2015

Executive summary

At the end of March 2015, Citycon owned 60 properties (including Kista Galleria). This valuation statement includes all properties except Kista Galleria which is valued separately. The portfolio is divided into three geographical areas; Finland, Sweden, Estonia and Denmark. Below we present the key figures of the evaluated portfolio:

31 March, 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	44	1 715	6,1 %	6,1 %	6,7 %	27,2	6,4
Sweden	11	723	5,7 %	5,7 %	6,2 %	24,8	7,0
Estonia and Denmark	4	350	7,2 %	7,5 %	7,3 %	20,7	3,4
Total	**59**	**2 788**	**6,1 %**	**6,1 %**	**6,7 %**	**25,8**	**6,2**

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 Q1 2015 was approximately €2,788 million. Compared to Q4 2014 the fair value increased by €27.0 million i.e. 1.0% when excluding Tikkurilan Kassatalo that has been moved outside the valuation. This increase is mainly driven by committed investments, positive development of rents and positive development of yields in prime shopping centres.

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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 31 March 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 57 properties after the initial valuation. In Q1 2015 we have not carried out any property inspections.

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 the GDP growth in Q4 2014 was -0.2% compared to the previous quarter and -0.2% compared to Q4 2013. GDP growth for the whole year 2014 was -0.1%. The forecasts for GDP growth in 2015 range from -0.1% to +1.0%, while in 2016 economists predict growth varying between +1.0% and +1.7%. The predicted recovery is driven by exports to the western markets (EU countries and the US), where the strengthening demand is believed to offset the effects of the downturn in Russia. Domestic demand remains weak as consumers' purchasing power is constrained by high rates of unemployment and companies delay investments due to ongoing uncertainty.

Retail sales decreased, according to Statistics Finland's flash, by 0.9% in February 2015 (year-on-year). Over the same period sales volumes grew by 0.4%. In 2015, retail sales are forecast to increase 0.5%, a figure clearly below the Eurozone average. The growth forecast for 2015-2017 is ca. 1.6% p.a. (Oxford Economics, January 2015). The 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 remained stable compared to the previous quarter and decreased slightly year-on-year. The weak outlook for retail sales limits the rental growth potential and has made occupiers more cautious which has lengthened leasing negotiations and slowed down decision making. Also downsizing the coverage of store network has been seen among some retailers. This has narrowed down the pool of possible occupiers in letting market. Particularly in secondary properties, in challenging locations inside the centre and in challenging local markets, this negative development has already been realised as lower rental levels and increasing vacancy rates. Prime rental forecast in 2015 assumes that rents stay unchanged.

The first quarter of 2015 continued the increased activity in investment market set in 2014. In the retail sector transaction volumes were still relatively low and included mainly supermarkets. Nevertheless, two major shopping centre investments were announced, as the construction company SRV announced the formation of a joint venture partnership for the funding and development of shopping centre Redi in Kalasatama, Helsinki, along with a total investment of approximately €480 million, while the property investment company Sponda announced an investment of approximately €240 million to the development of shopping centre Ratina in the city centre of Tampere. In the commercial property market demand for core assets remains strong, as equity rich investors keep looking for safe havens, but investors have also started to diversify their portfolios, both in terms of risk and geography, by looking for more value added and secondary opportunities. Due to strong investment demand, shopping centre prime yields moved in slightly during the year 2014 and are forecasted to stay stable during 2015.

Sweden

The Swedish economy continues to grow; in 2014 GDP increased by 2.1% and is forecast to increase by 3.1% in 2015. The growth is driven by consumer spending and business investments. Consumer price index inflation is forecast to continue to be at very low levels in 2015. Low inflation expectations were the main reason that the Swedish Central Bank lowered the repo rate to an unprecedented -0.25% in Q1 2015. Current forecasts suggest that the repo rate will continue to be negative until at least the end of 2016.

Sweden, like many other European countries is struggling to decrease a relatively high unemployment rate. According to the National Institute of Economic Research the unemployment rate was 8% in 2013, 7.9% in 2014 and it is expected to have reduced nominally to 7.8% by the end of 2015.

Positive retail sales growth in Sweden has been assisted by factors such as low interest rates, low inflation and above average consumer confidence. Retail sales in Sweden grew by 3.4% in 2014. HUI's current forecast for retail sales growth in 2015 is 3%, with the sales of specialty goods increasing by 3.5% and daily goods by 2.5%.

In 2014, furniture, home interior and electronic goods performed best with growth rates over the year of 8.1%, 3.6% and 5.4% respectively, according to HUI statistics. Given the continued strong interest in improving the home environment and also good turnover in residential property sales, similar performance in these sectors is also expected during 2015. Toy and shoe sales showed the worst performance over the year, with turnover declining by 1.5% and 2% respectively.

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. Competition limits real rental growth. In 2015, prime rents are forecast to increase by approximately 2%. Generally, prime retail rents will perform better than secondary retail rents in terms of growth.

The transaction volume of Swedish retail properties for 2014 was approximately SEK 12 billion (excluding the transaction of properties in the Globen area of Stockholm which have a mix of uses including retail) which compares with a transaction volume of SEK 12.7 billion in 2013. In Q1 2015, the transaction volume of Swedish retail properties was around SEK 6.3 billion, with the transactions of Skärholmen Centrum in Stockholm and Nova Lund shopping centre in Lund accounting for some 80% of the total volume. Prime shopping centre yields have moved in during the last 6 months given strong demand and low supply as well as continued low interest rates. Yields for secondary shopping centres have not decreased to the same extent as prime since the finance crisis. However, 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 over the last year or so.

Estonia

According to Statistics Estonia, in Q4 2014 GDP increased 1.2% compared to the previous quarter and 2.9% year-on-year. The growth for the full year was 2.1%. Manufacturing, energy and retail contributed the most to GDP growth, while value added in construction and transportation and storage fell back. Exports grew despite the weakness in the external environment with the main support coming from manufacturing, mainly from the production of electronic equipment. Exports to Russia fell, although a large part of the fall was in goods of other countries' origin, so the total effect on Estonia was small. The Ministry of Finance expects that the economy will grow 2.0% in 2015 and 2.8% in 2016.

Retail sales growth accelerated to 8% at constant prices in February. In January, the growth was 5%. Growth accelerated significantly in manufactured goods retail, although the growth was partly influenced by the very low reference base of February 2014. Grocery sales have been rather stable in recent months. In February, grocery retail sales increased 4% year-on-year. The Bank of Estonia forecasts that private consumption will grow by 3.9% in 2015 and by 3.6% in 2016. The growth will be supported by several factors, including a robust growth of wages, reduction in labour income taxes, rise in social benefits and low inflation environment.

Prime shopping centre rents remained stable in Q1. All major shopping centres have experienced reorganisation over the last couple of years. In most centres, this has resulted in stronger tenant base and more effective disposition rather than in revenue maximization. While some rent increases have been witnessed smaller units and in the upper margin of rent rates, growth of average rent is suppressed by favourable rental conditions that are given to popular international brands occupying large units. Rental growth is expected to remain marginal in 2015 and occur mainly due to indexation.

Investment market continued to be active in Q1 and transaction volume increased compared to Q4 2014. Investment activity was dominated by the office segment. The largest transactions in office segment were the sale of Eesti Energia headquarters and the €27 million transaction of the office building of Police and Border Guard Board in Tallinn. In addition to office segment, a major deal was closed in hotel segment when EfTEN's new real estate fund acquired Radisson BLU Sky hotel's property in Tallinn and the operator company for €46 million. During 2014, the prime yields decreased by 0.5% and may already remain below 7.0%. However, the usual range for attractive assets is 7.2-7.8%. A slight yield compression can be expected to continue in 2015 due to shortage of investment grade properties and a more active investment market.

Denmark

According to Statistics Denmark, the GDP growth in Q4 2014 was 0.5% compared to the previous quarter and 1% compared to Q4 2013. For year 2014 the total growth ended at 1.1%. For year 2015 forecasts are overall more positive, predicting a growth around 1.7%. GDP growth in 2014 was primarily driven by investments, increasing international trade and consumers finally willing to spend more. Private consumption increased by 0.6% in 2014 ploughing the way for further increases in 2015.

Retail sales gradually improved during 2014, yet there was a 0.5% decrease in December. In total retail sales grew 1.1% compared to 2013. During the first two months of 2015, sales improved by 2.6% and 0.7% compared to January and February last year. With disposable income having increased approximately 3.5% in 2014 and consumer confidence being at its highest level in years, consumer consumption including retail sales is expected to increase in 2015. The forecasts for growth in private consumption in 2015 and 2016 are 1.9% and 2.0% respectively.

Prime shopping centre rents have 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.

Activity in the retail investment market has been significant in Q1 2015 continuing the vast improvements shown in Q4 2014. As in the previous quarter, international investors continue to seek for prime retail properties, especially high street locations but in this quarter also shopping centre projects. The quarter's most significant transaction was Citycon's acquisition of a shopping centre project called "Strædet" in Køge. The project traded at DKK 560 million equivalent to a yield of 6.25%. The vendor was Danish TK development who also sold another shopping centre project to CapMan in March. The Finland based company acquired 65% of the company behind Citycenter Broen in Esbjerg. The project traded at DKK 463 million equivalent to a yield of 6.25% for the 65% share. Moreover, international investors still have a strong mind-set on acquiring prime retail properties in the city centre of Copenhagen. In March the UK based M&G Real Estate followed through on an acquisition of a prime property on Vimmelskaftet 32-34 to DKK 250 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 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 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).

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 March 2015, Citycon owned 60 properties (including Kista Galleria). This valuation statement includes all properties except Kista Galleria which is valued separately. The property portfolio under valuation consists mainly of retail properties, of which 44 are located in Finland, 11 in Sweden, three in Estonia and one in Denmark. The core of the portfolio consists of 34 shopping centre properties, which comprise 84% 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 Q1 2015 was approximately €2,788 million. Compared to Q4 2014 the fair value increased by €27.0 million i.e. 1.0% when excluding Tikkurilan Kassatalo that has been moved outside the valuation. This increase is mainly driven by committed investments, positive development of rents and positive development of yields in prime shopping centres. The weighted average yield requirement of the portfolio remained at the same level as in the previous quarter, being 6.1%.

In the table on the next page, weighted average yields (weighted by the value of the properties) are presented. Citycon's portfolio includes a few relatively valuable properties compared to the rest of the portfolio. This means that weighted averages are highly influenced by the changes in these properties. Iso Omena (located in Finland) is the most valuable property in the portfolio under valuation.

31 March, 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	44	1 715	6,1 %	6,1 %	6,7 %	27,2	6,4
Sweden	11	723	5,7 %	5,7 %	6,2 %	24,8	7,0
Estonia and Denmark	4	350	7,2 %	7,5 %	7,3 %	20,7	3,4
Total	**59**	**2 788**	**6,1 %**	**6,1 %**	**6,7 %**	**25,8**	**6,2**
Finland							
Helsinki Metropolitan Area							
Shopping Centres	11	902	5,7 %	5,5 %	6,0 %	29,6	7,2
Other retail properties	9	77	7,1 %	7,7 %	8,1 %	16,9	4,6
HMA total	**20**	**979**	**5,8 %**	**5,7 %**	**6,2 %**	**28,6**	**7,0**
Other parts of Finland							
Shopping Centres	10	614	6,3 %	6,4 %	6,7 %	27,5	6,2
Other retail properties	14	122	7,3 %	7,5 %	11,2 %	14,9	3,3
Other total	**24**	**735**	**6,5 %**	**6,6 %**	**7,5 %**	**25,4**	**5,7**
Sweden							
Greater Stockholm Area and Umeå							
Shopping Centres	8	634	5,6 %	5,5 %	6,1 %	26,0	7,3
Other retail properties	2	19	7,3 %	7,5 %	8,0 %	15,1	4,2
Total	**10**	**653**	**5,7 %**	**5,6 %**	**6,1 %**	**25,7**	**7,2**
Greater Gothenburg area							
Shopping Centres	1	70	6,3 %	6,7 %	7,2 %	16,6	4,5
Total	**1**	**70**	**6,3 %**	**6,7 %**	**7,2 %**	**16,6**	**4,5**
Estonia and Denmark							
Total	**4**	**350**	**7,2 %**	**7,5 %**	**7,3 %**	**20,7**	**3,4**

Properties in Finland

The fair value of the Finnish portfolio is €1,715 million and it increased by €10 million from Q4 2014 when excluding Tikkurilan Kassatalo that has been moved outside the valuation. Compared to the previous quarter, the weighted average yield requirement (6.1%) and the weighted initial yield (6.1%) have remained unchanged, while the weighted average reversionary yields increased by 20bps to 6.7%. The change in the value of the Finnish portfolio is driven by committed investments. In two properties yield has been revised due to improvements in the property. In most of the properties, market rents have been adjusted to reflect the changes in the local market.

Properties in Sweden

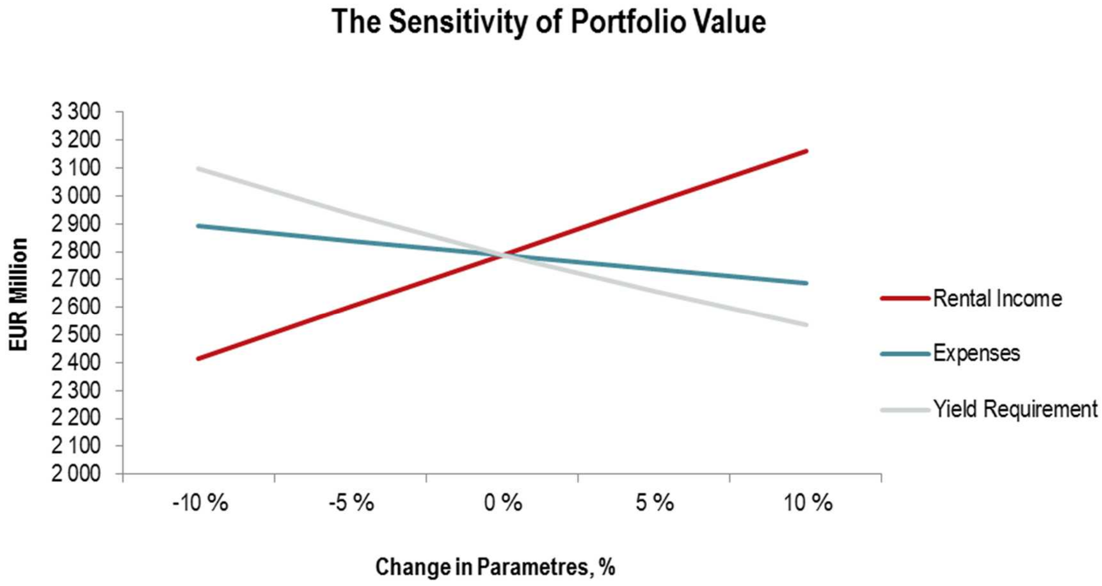
The fair value of the Swedish portfolio is €723 million, meaning that the portfolio's value has increased by 2.5% since Q4 2014. The increase in the value of the portfolio is due to revised yields and positive development of rents. The strengthening of the Swedish Crown also affects the value, and excluding this the value of the properties increased by 1.1%. The weighted average yield requirement (5.7%) remained unchanged, while the weighted average reversionary yield (6.2%) and the weighted average initial yield (5.7%) decreased by 10bps from the previous quarter. In one property the yield has been moved in due to enhancement in the property and the market situation. In every property 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 €350 million. Compared to the Q4 2014 value, this represents a 0.3% increase in value. The increase in value is mainly driven by the revised yield in one property (in Estonia due to improved market conditions), positive development of rents and decreased operating expenses. The weighted average yield requirement of the portfolio has remained at the same level as in previous quarter, being 7.2%. The weighted average initial yield standing at 7.5% has decreased by 10bps. The weighted average reversionary yield (7.3%) has remained unchanged. In most of the properties, market rents have been adjusted to reflect the changes in the local market.

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 31 March 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 March 2015, is ca.

€2,788,000,000

(Two Thousand Seven Hundred and Eighty Eight Million Euros)

In Helsinki and Stockholm 20th of April 2015

Yours faithfully

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