Valuation *Advisory*

Citycon Oyj

Market Valuation of the Investment Properties

31 December 2014

Executive summary

At the end of December 2014, 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 December, 2014	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	1 706	6,1 %	6,1 %	6,5 %	26,5	6,5
Sweden	11	707	5,7 %	5,8 %	6,3 %	24,3	6,7
Estonia and Denmark	4	349	7,2 %	7,6 %	7,3 %	20,6	3,3
Total	**59**	**2 763**	**6,1 %**	**6,2 %**	**6,5 %**	**25,2**	**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 Q4 2014 was approximately €2,763 million. Compared to Q3 2014 the fair value increased by €29.2 million i.e. 1.1% when excluding the properties moved outside the valuation (Mandarinas, Vantaan Laajavuorenkuja, Pihlajanmäen Liiketalo, Salpausseläntie 11, Asolantien Liikekiinteistö, Forssan Hämeentie 3 and Kuusankosken Kauppakatu). This increase is mainly driven by committed investments, revision of yields and the positive development of prime shopping centre rents.

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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 December 2014, 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. During Q4 2014 we have re-inspected seven properties in Finland (Iso Omena, Myyrmanni, Tikkuri, Minkkikuja 4, Sinikalliontie, IsoKristiina, Koskikeskus), one property in Sweden (Stenungs Torg) and all three properties in Estonia.

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 the GDP growth in Q3 2014 was 0.2% compared to the previous quarter and 0.0% compared to Q3 2013. The forecasts for GDP growth for 2014 range from -0.1% to -0.5% and also the forecasts for 2015 are conservative varying between +0.9% and -0.3%. Forecasts remain conservative due to weakening economic situation in Russia affecting the overall atmosphere in Finland. Investments and consumer spending are forecast to remain subdued or decrease thus domestic demand will not speed up growth.

Retail sales decreased, according to Statistics Finland's flash, by 4.9% in November (year-on-year). Sales volumes contracted respectively by 5.0%. Also the forecast for retail sales growth in 2014–2016 has been revised slightly down and stands now at 1.1% p.a. (Oxford Economics, October 2014). This development is mainly driven by decreasing consumer confidence, a persisting sluggish employment outlook and limited growth of purchasing power due to an increasing tax burden with stagnant salary growth.

Prime shopping centre rents decreased slightly compared to the previous quarter and 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 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.

Increased investment activity during the year 2014 can be seen clearly in retail transaction volumes. In 2014 the total retail transaction volume was ca. 700 million euros when the volume in 2013 was ca. 490 million euros. Activity was picking up towards the end of year and peaked in Q4 as two of the year's top three transactions were made during the quarter. Citycon acquired GIC's 40% stake of Iso Omena and AXA Real Estate Managers sold a retail portfolio of 123 assets to joint venture between Trevian Asset Management and H.I.G. Capital. 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. However, the uncertainty related to economic outlook keeps potential buyers still relatively cautious. Due to strong investment demand, shopping centre prime yields have moved in slightly during the year 2014 and are forecasted to stay stable during 2015.

Sweden

The Swedish economy continues to grow, although over the quarter GDP growth forecast for 2014 has been revised down marginally to 1.9% from 2.0% according to HUI. Consumer spending and business investment is driving GDP growth. Inflation is forecast to continue to be at very low levels in 2014. Weak economic growth in Sweden and other countries, as well as cost pressures from technology and production in low cost countries, has meant that inflation has been low over recent years. Low inflation expectations were the main reason that the Swedish Central Bank lowered the repo rate in the autumn from 0.25% to 0%. The current forecast is that the repo rate will continue to be 0% until at least the end of 2015. Sweden, like many other European countries is struggling with a relatively high rate of unemployment. According to NIER (National Institution of Economic Research) the unemployment rate in 2013 reached 8% and is expected to have reduced nominally to 7.9% at the end of 2014 and will have reduced to 7.7% at the end of 2015, despite an increase in the number of working age.

Positive retail sales growth in Sweden has been assisted by factors such as low interest rates, low inflation and above average consumer confidence. The forecast from previous quarters of 3% growth for retail sales during 2014 has been revised up by HUI in the Q4 to 3.5%. Non-daily goods retail sales are forecast to outperform daily goods retail sales in 2014, HUI Research forecasts that non-daily goods are expected to grow by 4% in 2014 while daily goods growth is expected to be 2.5%. In 2014, furniture and electronic goods are the two retail sub-sectors that are likely to show the greatest growth in retail sales with +6% and +4.5% respectively. Building supplies and sport & leisure retail sales are expected to show the lowest retail growth with each at +2% for the year.

Prime shopping centre rents are increasing, the growth forecast for 2014 being approximately 2%. Competition limits real rental growth. Generally, prime retail rents will perform better than secondary retail rents in terms of growth.

The transaction volume of Swedish retail property for 2014 was approximately SEK 12 billion (excluding the transaction of properties in the Globen area of Stockholm which has a mix of uses including retail) which compares with a transaction volume of SEK 12.7 billion in 2013. The largest transaction of 2014 was the retail portfolio containing 5 shopping centres which Steen & Ström sold to Olaf Thon for SEK 3.25 billion (SEK 26,423 / sqm). Prime shopping centre yields have lowered by 25 basis points quarter-on-quarter as well as year-on-year. The rumoured price and significant interest from investors for the regional shopping centre, Skärholmen Centrum in south Stockholm has contributed to this change.

Prime shopping centre yields increased significantly shortly after the financial crisis but in 2009 started to move in. Since 2012 the prime shopping centre yield has been stable but has hardened further during recent months. Yields for secondary shopping centres have not decreased to the same extent as prime yields; however, over the last year due to easier finance availability, limited supply of prime properties and decreased investors' risk aversion, there is increasing interest for this property class, although few such deals have occurred.

Estonia

According to Statistics Estonia, in Q3 GDP increased 0.4% quarter-on-quarter and 2.3% year-on year. Annual growth in manufacturing and in the retail sales volume index accelerated, indicating an increase in economic activity. The GDP growth was also positively influenced by increased receipts of value added tax. At the same time, the GDP growth was decelerated by a decrease in construction volumes and transportation activities. The Bank of Estonia expects that the GDP will increase 1.9% in 2014 and 2.1% in 2015 while sustainable growth over the long term is 3–4%. Estonian economic activity is restricted by the sluggish recovery in external demand and could be vulnerable to geopolitical tensions. However, the resilience of the Estonian economy to risks has improved because debt levels have lowered, there are fewer problem loans, and savings have increased.

Retail sales increased 5% year-on-year in November at constant prices. Sales increased in most economic activities while the sales via mail order or the Internet and in stores selling textiles, clothing and footwear increased the most. Since August, the retail sales growth has remained within a stable 5–6%. This has been driven by rising real incomes, which is partly due to higher average wages and partly due to negative inflation. The Bank of Estonia forecasts that private consumption growth will be 3.9% in 2015 and 3.6% in 2016 as the effect of the factors encouraging consumption growth will remain in the coming years. Consumer confidence is relatively high and in addition to low inflation helping to retain the real purchasing power of households, disposable income will increase as the income tax rate and the unemployment insurance rate are lowered and the basic exemption limit is raised.

Prime shopping centre rents remained more or less stable in Q4. Demand for large retail units is thin and rental rates for smaller units are already close to their potential level. Since most rents are completely or partially linked to consumer price inflation, rental growth is expected to remain flat in 2015.

The investment market has remained active as transaction volumes increased in Q4 with prime yields coming under downward pressure. Prime yields have somewhat decreased driven by low interest rate expectations and positive performance of the retail sector. While the usual range for attractive assets is 7.5-8.3%, there were few transactions recorded at a yield below 7.0%. The largest transaction in Q4 was the sale of Metro Plaza in Tallinn, a prime office building acquired by East Capital for EUR 21.8 million at a yield below 7% in October. The largest transaction in retail segment was carried out in December when Capital Mill acquired three Selver food stores (two in Tartu and one in Jõgeva) as a portfolio for EUR 11.54 million at a yield of 7.5%. The specific yield was affected positively by the pre-signed extension by anchor tenant. A slight yield compression can be expected to continue in 2015 due to shortage of investment grade properties and more active investment market.

Denmark

According to Statistics Denmark, the GDP growth in Q3 2014 was 0.5% compared to the previous quarter and 0.9% compared to Q3 2013. For year 2013 the total growth ended at 0.4%. For year 2014 forecasts are overall more positive, varying from 0.5% up to 1.5% growth. Exports and private consumption are expected to be the primary drivers to the growth in 2014 while public consumption and investments drove the growth in 2013.

While stable during second and third quarter, retail sales increased in the fourth quarter of 2014, and the total growth for the year is estimated at 2.2%. In both October and November, retail sales increased by 0.8%. This corresponds to increases of 3.0% and 0.8% compared to the same months in 2013, respectively. Total retail sales were up by 0.8% measured on both value and volume in October and up by 1.5% measured on value and up by 0.7% on volume in November. This is believed to be an effect of increasing real household income and the highest consumer confidence in years. Thus, private consumption is expected to increase in both 2015 and 2016 by 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 again in Q4 2014. As in the previous quarter, international investors continue to demand prime retail properties, especially high street locations. Most significant transaction is German based Patrizia's acquisition of 10 properties in the Copenhagen city centre, containing a mix of retail and office units as well as a few residential units. The portfolio traded at 4.25% or DKK 1.21 billion. Having already acquired a number of Copenhagen properties earlier this year, Cordea Savills invested DKK 500 million at 4.5% in Frederiksberggade 40, containing some 7,400 sqm of retail and office, located on the major shopping street close to the City Hall Square. Sinai Group invested in a secondary strip mall project close to the city of Helsingør north of Copenhagen. This is the second shopping centre for Sinai Group to invest in within the past 12 months. In addition to these two, in 2011 Sinai Group invested in a shopping centre west of Copenhagen.

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 December 2014, 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 Q4 2014 was approximately €2,763 million. Compared to Q3 2014 the fair value increased by €29.2 million i.e. 1.1% when excluding the divested properties (Mandarinas, Vantaan Laajavuorenkuja, Pihlajanmäen Liiketalo, Salpausseläntie 11, Asolantien Liikekiinteistö, Forssan Hämeentie 3 and Kuusankosken Kauppakatu). This increase is mainly driven by committed investments, revision of yields and the positive development of prime shopping centre rents. The weighted average yield requirement of the portfolio decreased by 20bps compared to Q4 2013, 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 December, 2014	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	1 706	6,1 %	6,1 %	6,5 %	26,5	6,5
Sweden	11	707	5,7 %	5,8 %	6,3 %	24,3	6,7
Estonia and Denmark	4	349	7,2 %	7,6 %	7,3 %	20,6	3,3
Total	**59**	**2 763**	**6,1 %**	**6,2 %**	**6,5 %**	**25,2**	**6,2**
Finland							
Helsinki Metropolitan Area							
Shopping Centres	11	900	5,7 %	5,8 %	6,0 %	29,6	7,3
Other retail properties	9	78	7,1 %	7,3 %	7,9 %	16,9	4,4
HMA total	**20**	**978**	**5,8 %**	**6,0 %**	**6,2 %**	**28,5**	**7,1**
Other parts of Finland							
Shopping Centres	10	611	6,3 %	6,1 %	6,0 %	25,5	6,2
Other retail properties	14	118	7,3 %	7,8 %	11,5 %	15,0	3,5
Other total	**24**	**729**	**6,5 %**	**6,4 %**	**6,9 %**	**23,8**	**5,8**
Sweden							
Greater Stockholm Area and Umeå							
Shopping Centres	8	620	5,6 %	5,6 %	6,1 %	25,4	7,1
Other retail properties	2	19	7,3 %	7,2 %	8,0 %	14,9	4,2
Total	**10**	**639**	**5,7 %**	**5,7 %**	**6,2 %**	**25,1**	**7,0**
Greater Gothenburg area							
Shopping Centres	1	69	6,3 %	6,6 %	7,2 %	16,4	4,4
Total	**1**	**69**	**6,3 %**	**6,6 %**	**7,2 %**	**16,4**	**4,4**
Estonia and Denmark							
Total	**4**	**349**	**7,2 %**	**7,6 %**	**7,3 %**	**20,6**	**3,3**

Properties in Finland

The fair value of the Finnish portfolio is €1,706 million and it increased by €26 million from Q3 2014 when excluding disposed properties (Vantaan Laajavuorenkuja, Pihlajanmäen Liiketalo, Salpausseläntie 11, Asolantien Liikekiinteistö, Forssan Hämeentie 3 and Kuusankosken Kauppakatu). Compared to the previous quarter, the weighted average yield requirement (6.1%), the weighted reversionary yield (6.5%) and the weighted initial yield (6.1%) have remained unchanged. The change in the value of the Finnish portfolio is driven by committed investments and revised yields. In two properties yield has been revised due to changes in the property and in one property due the market situation. In most of the properties, market rents have been adjusted to reflect the changes in the local market.

Properties in Sweden

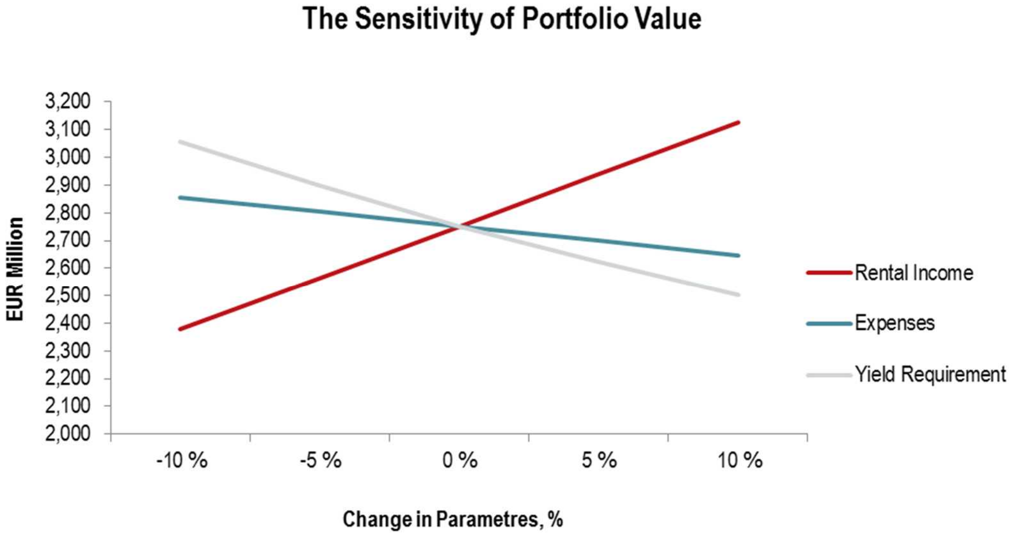
The fair value of the Swedish portfolio is €707 million, meaning that the portfolio's value has decreased by 0.4% since Q3 2014. The decrease in the value of the portfolio is entirely due to the weakening of the Swedish Crown and excluding this the value of the properties increased by €15.9 million (2.3%) due to revised yields, committed investments and positive development of rents. The weighted average yield requirement (5.7%), the weighted average reversionary yield (6.3%) have decreased by 10bps from the previous quarter. The weighted average initial yield (5.8%) has remained unchanged. In seven properties 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 €349 million when excluding disposed property (Mandarinas). Compared to the Q3 2014 value, this represents a 1.7% increase in value. The increase in value is mainly driven by the revised yield in two properties (in Estonia due to improved market conditions). The weighted average yield requirement of the portfolio has decreased by 10bps compared to previous quarter, being 7.2%. The weighted average initial yield standing at 7.6% and the weighted average reversionary yield standing at 7.3% have decreased by 20bps. In every property there has been very slight upwards movement in market rents and in two properties expenses have been checked according to actuals.

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 December 2014

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 2014, is ca.

€2,763,000,000

(Two Thousand Seven Hundred and Sixty-Three Million Euros)

In Helsinki and Stockholm 23rd of January 2015

Yours faithfully

Tero Lehtonen
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For and on behalf of
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