SEE A BRIGHTER WAY

Valuation Statement

Citycon Oyj

31 December 2023

12/2023

Executive Summary

At the end of December 2023, Citycon's investment portfolio being valued included 17 investment properties in Finland and Sweden. One of the properties is owned via a joint venture and associated companies (IsoKristiina located in Finland).

12 of these 17 properties are shopping centres, one is residential and four are land plots/development projects. Three of the Lippulaiva residential buildings have been completed. In addition, there are unused building rights of 6,300 sqm (Lippulaiva resi 7-8) and 8,000 sqm (Lippulaiva S-house). Heikintori, Kassatalo, Asematie 3 and Isomyyri properties are development properties.

The majority of the properties are freehold, Liljeholmstorget Galleria in Sweden is a leasehold.

The valued portfolio is divided into two geographical areas; Finland and Sweden. Below we present the key figures of the evaluated portfolio. Asematie 3, Kassatalo, Heikintori and Isomyyri are included in the stated value but Asematie 3, Kassatalo, Heikintori and Isomyyri have been left out from other key figures because all have been valued based on development potential. Lippulaiva residential buildings have been included in all key figures.

31 December 2023	Number of properties	Fair Market Value, EUR million	Wght. Average Net Yield Requirement	Wght. Average Initial Yield	Wght. Average Reversionary Yield	Average Market Rent, EUR/sq.m./ month	Average Operating Costs EUR/sq.m./ month
Total Property Portfolio in Finland	12	1,684	5.5 %	4.9 %	5.2 %	28.1	7.4
Total Property Portfolio in Sweden	5	596	5.9 %	5.3 %	6.4 %	25.1	8.1
Total	17	2,280	5.6 %	4.9 %	5.5 %	27.0	7.6

In addition, we have carried out a fair valuation of Kista Galleria located in Sweden. In Citycon's reporting, Kista Galleria is treated as a joint venture and the shopping centre's fair value is not included in the presented figures.

Iso Omena is distinctly valuable property compared to the rest of the portfolio, which means that weighted averages are highly influenced by the changes in Iso Omena.

The total fair value of the portfolio in Q4 2023 was approximately €2,280 million.

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1. 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 located in Finland and Sweden as at 31 December 2023, to arrive at our opinion of Fair Value.

We understand that this valuation is required for financial reporting and performance measurement purposes.

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 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.

The Fair Value stated does not include transaction costs, in accordance with normal valuation practice in the market.

Finnish properties:

Our valuation has been prepared in accordance with the rules set out by Finnish Chamber of Commerce’s real estate valuation assessment board, other instructions and regulations issued by the board, good real estate valuation practice and International Valuation Standards (IVS). Valuer is authorised real estate valuer (AKA), whose practice is supervised by Finnish Chamber of Commerce’s valuation assessment board. Additional information of the authorisation and supervision can be found from Finnish Chamber of Commerce’s website, https://kauppakamari.fi/palvelut/kiinteistonarviointi/. Information and basis to which the stated value is based on has been stated in this valuation statement and its appendix.

2. Scope of Work

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.

We have carried out our work based upon information supplied to us by Citycon, which we have assumed to be correct and comprehensive. We have inspected all the properties in Sweden during 2022 and 2023 and all properties in Finland from Q3 2021 and forward.

We have not measured the properties' lettable 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.

We were not instructed to carry out a site survey or environmental assessment nor have we investigated any historical records to establish whether any land or premises are or have been contaminated. Unless we have been provided with information to the contrary, we assume that the Properties neither are, nor are likely to be, affected by land contamination and that there are no ground conditions which would affect its present or future use.

We were not instructed to carry out a structural survey but we have reflected any apparent wants of repair in our opinion of the value as appropriate. The Properties have been valued on the basis of the Properties owner's advice save where we have been specifically advised to the contrary, that no deleterious materials have been used in its construction.

We have assumed that the Properties have been erected and are being occupied and used in accordance with all applicable planning and zoning laws and regulations, consents and permits and that there are no outstanding statutory notices. We assume that the Properties and the buildings comply with all statutory and authority requirements including, but not limited to building, fire and health and safety regulations.

Finally, and in accordance with our normal practice we confirm that this report is confidential to the party to whom it is addressed for the specific purpose to which it refers. No responsibility whatsoever is accepted to any third party in relation to this report or the contents thereof. Neither the whole or part of the report, nor any references thereto, may be published or referred to in any document or statement or in any form of media or communicated to any third party without our prior written approval of the form and context in which it will appear.

Please note that the Swedish assets have been valued in SEK. Figures for the Swedish asset presented in Euro in this report have been converted with an exchange rate of 11.096 SEK/EUR which is the exchange rate according to ECB between Swedish Krona and Euro at 2023-12-29.

3. Market overview

3.1. Market conditions explanatory note

Transactions across markets and sectors remain low, for a variety of reasons. The full implications of wars in the Middle East and Ukraine are unknown. Instability in these regions and beyond may compound already difficult real estate market conditions. This is likely to be exacerbated when coupled with inflationary pressures and other factors impacting the global economy, including the cost and availability of debt. The combination heightens the potential for volatility and quick changes in consumer and investor behaviours.

In recognition of the potential for market conditions to change rapidly, we highlight the critical importance of the valuation date and confirm the conclusions in our report are valid at that date only, and advise you to keep the valuation under regular review.

The development market especially faces challenges that are influencing the costs of construction and construction programmes. These issues, together with the risk of developer and/or contractor insolvency and a limited skilled labour force, risk causing increased volatility in land value and development project viability.

3.2. ESG impact on valuations

On the back of recent regulations such as the Sustainable Finance Disclosure Regulation (SFDR), EU Taxonomy, EPC requirements and Task Force for Climate Related Disclosures, investors are increasingly integrating ESG into their acquisition criteria. The ESG regulatory environment in Europe has undergone a complete regulatory overhaul with ESG becoming a compulsory part of how all businesses must operate in the EU from 2022. In addition to fundamental societal and regularity shifts, catalysts for driving growth of ESG focused investments include outperformance of ESG assets, corporate commitments, sustainability-linked loans and increasing investor demand.

ESG encompasses many areas including for example:

Environmental	Social	Governance
Energy Carbon (GHG emissions) Waste and resources management Water Management Biodiversity Transport (access to property) Resilience to climate change Etc	Health and security of occupiers Comfort and well-being of occupiers Positive impact on local economy Accessibility (handicap persons) Services available for occupiers Positive social impact Etc	Business ethics ESG strategy in place Relation to stakeholders Internal governance ES compliance of suppliers Etc

As of today, we are currently collecting some ESG information and KPIs on properties being valued in EMEA and we are analysing the transactional market evidence to understand what importance is given to each ESG factor and how they are or were priced by buyers in ongoing or recent transactions. At this stage, there is limited information available to rationalize the exact impact of ESG and its components on market values, as many investors recently finalised their strategy and only started to collect KPIs. Some local and EU regulations are also recent, what does not provide sufficient experience to fully embrace the potential implications and possible solutions to comply with these regulations.

That said, in the current market, reducing GHG emissions, while not sufficient, can be seen as an essential factor in assessing the ESG performance of a property. The EU and UK has committed to net zero carbon by 2050, with legislation already in place or being introduced to reduce GHG emissions from buildings.

The existence of a green premium for the more sustainable buildings is a matter of ongoing market monitoring, investigation and debate. Appropriate levels of market evidence have yet to be established to demonstrate fully whether additional value can be ascribed to such buildings. This investment market monitoring is also to assess where a brown discount is appropriate. As yet in the market we observe the yield gap between prime and more secondary assets to be widening with secondary assets often by definition to have lower EPC ratings.

Finally, we consider that it is likely that further legislation and regulation will be introduced in coming years. Alongside this, occupiers and investors in some sectors are becoming more attentive to the sustainability aspects of the buildings they choose to occupy or purchase. However, it should be noted that the market is evolving rapidly due to the focus from both occupiers and investors on a property's sustainability credentials. We expect that awareness of sustainability matters will increase throughout all sectors of the property market.

3.3. European market overview

Operational Performance – Macro level

Sales continue to increase and the reference to pre-pandemic conditions is fading as higher inflation and an improvement in overall occupational conditions for some retailers is demonstrated. Volumes can be described as holding up and are relatively stable albeit falling back modestly over the summer months and into Q4. Volumes are forecast to return to growth in the second half of 2024 with 0.7% growth forecast for 2024. Labour market has supported continued sales performance up to this point.

Consumer confidence after 9 months of consecutive improvement fell back in September and October. To note October often sees a dip in consumer confidence with Christmas ahead, incoming winter weather and thoughts ahead to the next year. As cost of living for consumers increases due to inflation and higher heating costs purchase decisions are choices and being considered. Year-end sales will be crucial to many retailers who have thus far demonstrated resilience in spite of higher operational costs and charges.

Footfall is largely now back to 2019 levels. Physical store continuing to take share back from online has helped bolster sales. Online is less convenient with supply delays and the need to pay for returns or drop instore for free. Also more likely to return items if purchased online so also better for retailers to push sales through stores. Gen Z will account for large share of sales in the future and they want experience and physical shopping.

Pandemic related savings are spent but savings ratios generally in line with longer term averages. Personal levels of debt generally in line with longer term averages. Appears to be a link to markets where mortgages are largely on variable terms. Where long term fixed rates are prevalent the level of personal debt is more subdued.

Occupational Market

Well capitalised retailers continue to take advantage of repriced rental levels to evolve their physical store portfolios to their strategies. The best destinations will continue to see demand and the gap between the best and the rest will grow.

The development pipeline of new supply is lower which is likely to benefit the best schemes in coming years.

Despite an increase in bankruptcies vacancy rates have seen limited impact and this is leading to some tension in the rental market. Indexation was passed through 100% in many instances and rent collection rates remain strong. This paves the way for rental growth to start to come through albeit modestly at first.

However, many retailers and in particular lower margin mass market fashion brands, independents and highly leveraged groups are struggling with higher operational costs and the impact of higher indexation. Department stores do remain an issue for many owners.

More leases are being signed however this is taking a lot longer to get approvals. Unclear as to drivers here but green clauses require significant negotiation to not reflect onerous terms on the retailers which would lead to potential rent reductions rather than the payment of any premium. Approvals for international retailer go back to HQ not just agreed at a country level.

Debt Market

Interest rates have plateaued since the recent hikes seen in Q3. The expectation is that the next policy move will be downward. However the ECB rates are not expected to be cut until second half of 2024. Inflation has come under control and forecast to fall to 2% by the end of 2024 but it will remain stubborn in some markets for longer and is likely to remain elevated over the coming winter months.

Swap rates and bond rates have seen a decrease in recent weeks. This illustrates the normalization of the debt situation with better clarity on future prospects as the ECB seems to have finalized the rates hikes. We observe however that the “all in costs of debt” remains (at the valuation date) relatively stable, as banking margin tends to continue to factor risk premium. Some marginal decrease on all in cost of debt are however possible but on an extremely narrow submarket (super-prime small lot size real estate in city centre).

The market has now entered a phase 2 where debt conditions are more predictable and the risk premium will be rebuild up to a new stabilisation of the capitalisation rate.

The number of lenders to the retail sector remains limited. The number of willing lenders has improved but it is still a sector considered out of favour by many and the larger lenders to CRE. Relationship banking will be key. Proven specialist managers of the more prime assets will fair best but LTVs remain low and the large lot sizes in the shopping centre sector continues to act as a break on liquidity.

Euro Swap rates have tracked the movement of 10-year bond rates shifting from 3.55% end September to 2.95% as at 5 th December. Again looking at the longer term trend to extract volatility we note that financing costs have increased through the year with lending institutions reflecting this in higher financing costs, which are remaining stable at year-end.

Investor Sentiment – Macro context

Investor sentiment remains cautious towards retail and in particular enclosed mall retail. There is interest towards the sector and in particular grocery anchored retail parks and the grocery sector. However, we have not seen much of this capital waiting being deployed. Patience appears to be key here with investors awaiting further yield increases and an increase in the number of opportunities to come to market.

Potential investors are still anticipating further price corrections before considering deployment. Investment credit committees will not be approached without a clear strategy and exit plan.

Nervousness towards shopping centres remains. While core schemes represent a significant and diversified income stream investors recognise it is a specialist asset class and capital intensive. There are limited managers and players in this market.

The market remains in competition with other asset classes such as offices and logistics which through portfolio transactions on long term closed incomes the acquisition of trophy assets in sought after locations represent a key choice in allocating capital for investors. The significant movement in these sectors has seen a reduction in the yield spreads and investors continue to price shopping centres at higher yield levels-This competition for capital allocation is also observable on a geographic basis with an analysis of yield profiles vs country risk.

It is unlikely institutional investors will return anytime soon. As a result there is only opportunistic capital available for core plus and less quality assets. Core capital is extremely limited and all boxes must be ticked including ESG and capex plan. Even then the ‘super-prime’ category is thinner than ever.

Nervousness is increasing as consumer confidence falls back and volumes continue to struggle to hold up. Concerns that the real consumer pain will be felt in 2024 after holding up to now. Sluggish economies and geo-political concerns do not help this viewpoint.

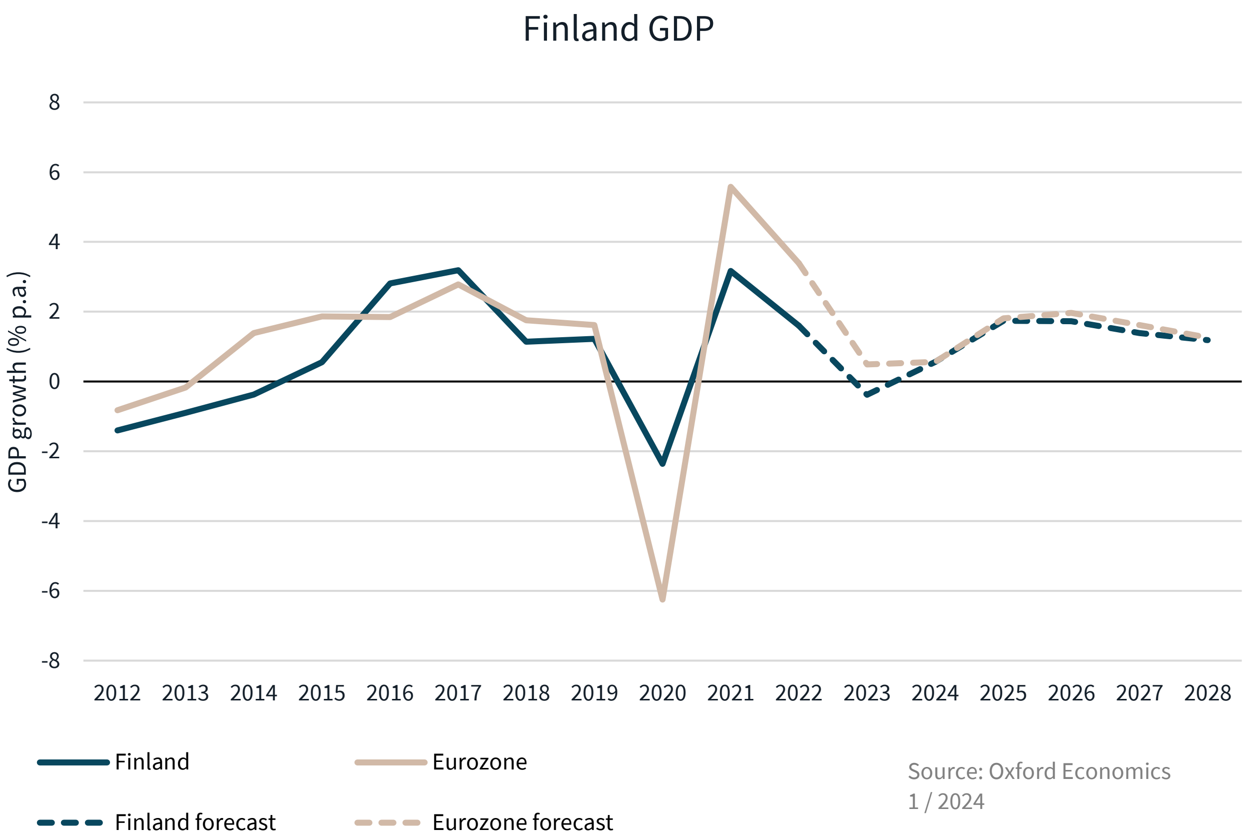
The conflict in Gaza throws up another political uncertainty on top of the Russian invasion of Ukraine which is increasingly viewed as a long-term war. This view adds to the deterioration in sentiment during Q4.

The number of elections in 2024 in light of the above in particular provides even more concern towards investor sentiment.

3.4. Finland

3.4.1. Economy

During 2023, Finland's economy has evolved at a similar pace with the rest of Europe. According to the Bank of Finland, the country is now in a recession. The forecast for economic growth in 2024 is also expected to be around zero, with no rapid recovery in sight even after that.



Finnish GDP forecast

Also peak inflation is likely behind in Finland as price increases have slowed down broadly. In December 2023, inflation measured by the National Consumer Price Index was 3.6%. The increase in consumer prices was primarily driven by rising average mortgage interest rates and consumer loan interest rates compared to a year ago. On the other hand, the decrease in electricity prices, apartment prices, and detached house property prices restrained the increase in consumer prices compared to a year ago. The Bank of Finland predicts a baseline inflation rate of around 2.7% for 2024 and around 2.3% for 2025.

The unemployment rate in Finland has slightly increased towards the end of 2023 compared to a year earlier. However, employment remains relatively high in comparison with previous years. However, the weakening of purchasing power has affected consumers, leading to the postponement of major purchases and generally limited savings opportunities. Partly due to these reasons, consumer confidence in both the personal and national economy is weak, although there has been some improvement from the low levels seen earlier in the year. As in Europe as a whole, the confidence in the future of the construction sector is particularly poor. In Finland, the number of bankruptcies in the construction sector has also increased considerably during 2023, which adds uncertainty to the outlook for both employment and economic growth.

3.4.2. Retail Occupancy Market

Low consumer confidence challenges the retail market

Consumer confidence fell to a lower level in 2022 than at any point during the Covid-19 pandemic. The big drop happened after Russia invaded Ukraine and after that, worries about high inflation and rising interest rates have weighed on consumers' minds. However, confidence has improved during early 2023 from previous lows as the interest rate volatility has eased and the probability of the dreaded energy crisis hitting in the winter has decreased significantly. Towards the end of the year, consumer confidence indicator was again on a downward trend: the assessment of consumers’ own economy continued to weaken and estimates of one’s own financial situation fell to the lowest levels since 2000. The overall consumer confidence indicator is however still well below the long-term average.

The competitive market remains polarized – some downtown retail destinations are yet to recover to pre-pandemic levels of footfall, reflecting in their attractiveness while shopping centres with central locations and wide catering of services and shops attract an increasing number of visitors, and as a result, show strong occupier demand. Weaker performing centres suffer considerably more from the current market conditions whereas attractive shopping centers have managed to maintain good occupancy rates despite the inflation spike and rent increases have been successfully passed onto rents. Market rents for new leases have also held up well. At the same time, competition for vacant units is limited and the variance in potential occupiers’ rent-paying ability is considerable.

Retailers are still optimizing their store networks and looking for the best locations. Retail space size requirements have either remained stable or decreased – especially fashion retailers are facing pressure to decrease their unit sizes. Fashion has been, and still is, a significant sector for shopping centres, and the challenges in the fashion market are reflected in tenant demand. Some activity in the fashion sector has been seen, such as LPP brand, which has now opened stores outside the Helsinki Metropolitan Area as well. Health & beauty products have been one of the most active sectors when it comes to tenant demand – the most prominent being Lyko flagship store in Helsinki CBD. Also, Rituals has opened stores outside HMA.

While some restaurants and café operators are still willing to make longish leases to secure a good location, in general, it is still challenging to achieve longer lease lengths, and it seems that 3-year leases are becoming the new normal. Recently we have seen closures of some restaurants reported in the media which shows that even as the sales in restaurants have grown, the increased cost of energy and raw materials are weakening the profitability in the sector. Uncertainty is further amplified by the relatively weak purchasing power of consumers.

Consumer awareness of sustainability continues to grow, and forerunner centres utilise this trend by heavily increased second-hand-retail -tenants. Landlords are grappling with complex energy management, and retail chains’ sustainability checklists are getting more detailed in terms of materials, energy use and softer aspects. Still, their sustainability efforts towards retail units are often dwarfed by sustainability issues in their global supply chains.

3.4.3. Retail Investment Market

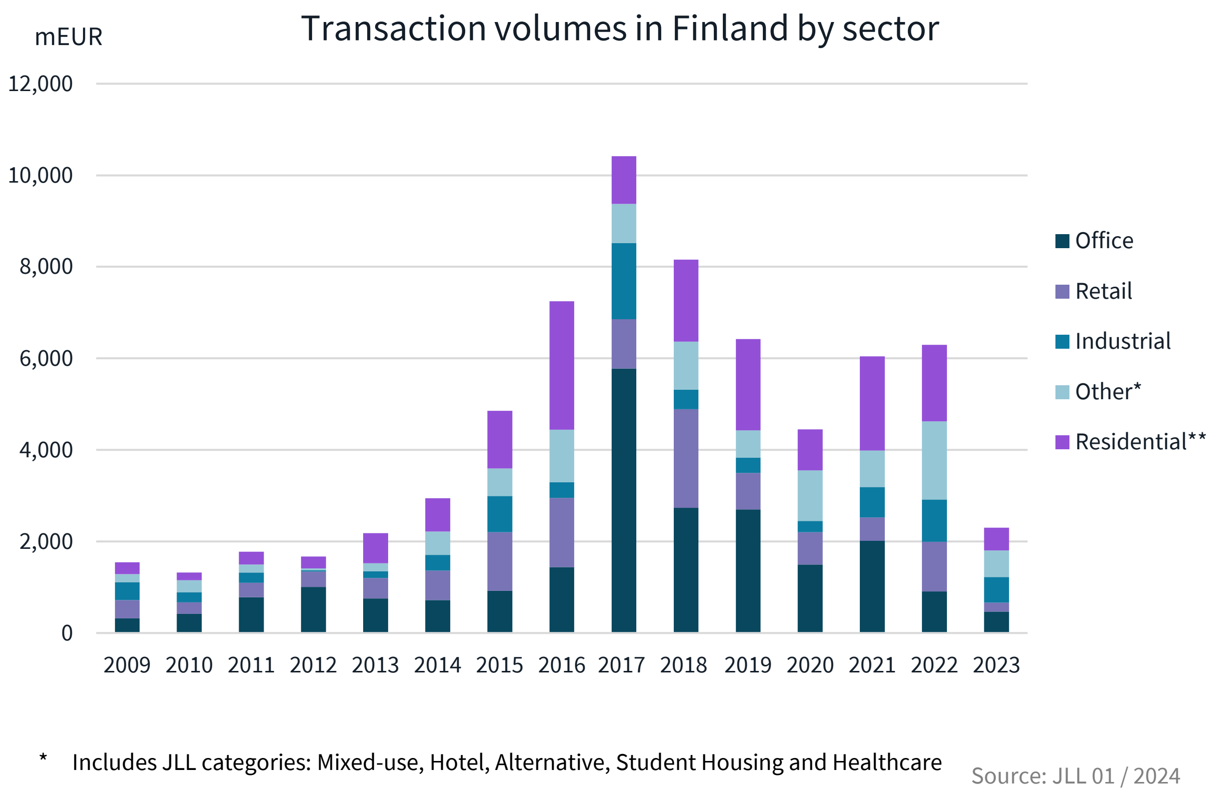
The retail investment market remained quiet during 2023

Shopping centre prime yield was keenest so far in 2017–2018 and has since then seen an increase, unlike many other property sectors due to investors questioning the rent levels. After several quieter years, the market started to see shopping centres' yield levels attractive after the ease of Covid-19 pandemic, but then the rising interests and general uncertainty in the market hit the shopping centre market as well. During the summer of 2022 interest rates started to move quickly upwards but have now calmed down a bit. Retail has been less affected by the increase in interest rates due to higher yield levels compared to more compressed sectors.

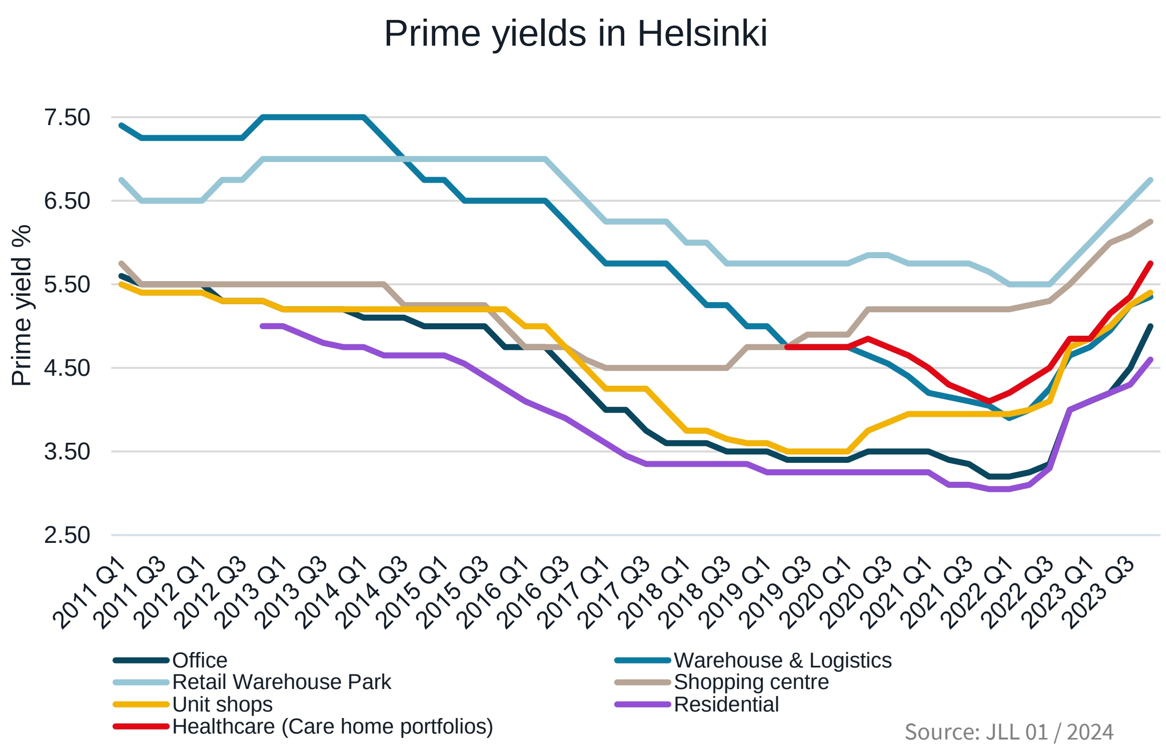
Retail transactions increased by 15% year-on-year in 2022 close to pre-covid transaction volumes, but the slowdown observed during the third quarter accelerated toward the year's end. The trend has continued during 2023, and the transaction volume in H1 2023 was the lowest first half of the year since 2013. The large investment size and risks are too high for a significant portion of the buyer market, and foreign investors and lenders are particularly cautious about the sector. On the other hand, grocery-anchored properties are believed to have attracted interest due to their defensive qualities, but there has been very little activity in this sector, indicating that there are no willing buyers at previous price levels at least.

The JLL prime yield for shopping centers stands around 6.25% in Q4/2023, which means an increase of 105bps since the beginning of 2022. In the space-consuming (big box) retail sector, prime yields have also continued to rise, and the JLL prime yield requirement for the sector is around 6.75%. Although commercial properties have inherently higher yield requirements than other main sectors, they have not been immune to the increase in yield requirements. There has been no market evidence for a superprime stock, but there is a clear pressure to move the yields upwards for superprime as well.

In 2022, significant transactions were mainly made in the Helsinki metropolitan area. eQ Liikekiinteistöt acquired the Entresse shopping center in Espoo, and Keva purchased Stockmann's Helsinki city center property in March. The grocery-focused retail center Suuris changed ownership in June 2022 when S-Pankki Toimitila Erikoissijoitusrahasto acquired the property from Niam's property fund. Also in June 2022, Keva bought the Kaari shopping center in Kannelmäki with a strong grocery anchor for €207 million. Towards the end of the year, NREP acquired the local retail center Grani in Kauniainen, and later in 2023, a small extension. In early 2023, notable transactions include the sale of Ristikko shopping center in Konala to Evli and Kesko's purchase of the Espoontori shopping center. At the end of the year 2023, eQ Liikekiinteistöt sold three grocery-anchored properties located in Espoo, Tampere and Ylöjärvi. The market expects an increase in transaction activity in the sector in the near future, and pricing levels are expected to be demonstrated in the first half of 2024 when several significant commercial properties are expected to enter the market.



Transaction volumes in Finland



Prime yields in Helsinki

Comment on Citycon's properties

The most defensive assets in the current situation have been the ones with the most tenants providing services and products for everyday needs, such as grocery stores and pharmacies, while the future of the fashion sector is still uncertain. In Citycon's portfolio in Finland, especially Myyrmanni and Lippulaiva are more grocery emphasized shopping centres. Other growing sectors that have located to shopping centres in recent years more heavily are public services and those are seen very positively by the investment market providing stability and predictable footfall to centres to also support the success of traditional retailers.

The assets with a high emphasis on grocery and other shops suited for everyday needs have wider investment demand than centres with a relatively high portion of cash flow coming from other, more traditional sectors. In addition to Myyrmanni, which is becoming a very secure income asset with two newly opened grocery tenants, Lippulaiva is the other more local and grocery emphasized centre within Citycon portfolio. In addition, Lippulaiva has a high ESG performance, which increases its attractiveness among investors.

As the expectation is that the rise in interest rates will be over and interest rates are predicted to decrease later in 2024, the pricing gap between buyers and sellers is expected to narrow, and transaction market is expected to become more active once the market gains more clarity on pricing. However, weak economic outlook and uncertainty dampen the short-term view and investor sentiment remains cautious towards retail.

3.4.4. Residential investment market

The residential market has been one of the most active sectors for investors also in a slowed market. The lowest prime yield requirement for the sector was seen in the spring of 2022 when it reached 3.05%. However, like other sectors with low yield requirements, this level has significantly increased. In the end of year 2023, the prime yield requirement for the residential sector reached 4.6%, which is +155bps compared to record low in 2022. In 2023, the most significant transaction in the sector and in Finland overall was KKR's acquisition of a portfolio of approximately 1,200 residential units from Kruunuasunnot. NREP has also made a few smaller acquisitions during the year. While there have been several significant transaction processes, deals have been delayed or fallen through due to factors dependent on both buyers and sellers.

In terms of pricing, residential properties have been one of the sectors most affected by price adjustments. The record-high amount of new construction, particularly in major cities in recent years, has impacted the supply-demand balance and kept competition among landlords moderate, resulting in restrained rent increases. Consequently, the development of NOI in residential properties has been lacklustre, and changes in yield requirements have been reflected almost fully in pricing. In several cities, the situation over the past year has meant that current yield requirements do not meet the increased construction costs, which has significantly hindered new production. However, recently, attractive offers for construction contracts have begun to emerge, partly due to challenging circumstances for construction companies. This has the potential to make new projects viable again. Nevertheless, after the first half of 2024, the incoming supply of new developments will dramatically decrease, leading to a decrease in vacancy in many submarkets, approaching long-term levels. This scarcity is expected to lead to faster rent growth in the medium term. The recent discussions around reforming the housing support system and reducing subsidy amounts in politics may affect tenants' ability to pay rent, which could hurt rent growth prospects, especially in the mid-range rental housing segment.

3.5. Sweden

3.5.1. Economy

The Swedish economy weakened throughout 2022 and 2023, in light of the global uncertainties that followed the pandemic and the ongoing war in Ukraine. The Swedish Riksbank has continuously been rising the policy rate throughout the year to battle rising inflation. The policy rate has been lifted fast similar to many other regions of the world from 0.0% in April 2022 to 4.0% in the end of November 2023. The policy rate is expected to come down earliest in the second half of 2024.

According to Oxford Economics' October 2023 forecast, Sweden's GDP is projected to contract by 0.6% in 2023 and increase by 0.2% in 2024. Factors such as high inflation, real income losses, rising interest rates, and weak external demand pose risks of an economic downturn. Indicators suggest an expanded Swedish Economy in Q3, although it still faces significant headwinds.

Monthly data showed growth in GDP, private consumption, and manufacturing/services at the start of Q3. However, this data is volatile and subject to frequent revision, with prevailing near-term challenges.

The labor market weakened as the unemployment rate rose by 0.1 ppt to 6.4% in September. Further increases are expected due to poor employment expectations and the overall macro environment. However, the projected total unemployment is expected to be around 1 ppt point, which is lower compared to previous economic downturns. Below-inflation pay raises impacting consumption but providing some relief for the Riksbank.

Inflation measured as CPI has started to come down in the second part of the year and was reported at 6.52% October y/y. Although significant policy hikes during the year sentiment on inflation and interest rates are starting to become more positive with inflation figures coming down of late. The Riksbank decided to keep the policy rate flat in November, breaking the hiking trend. The markets have reacted positively to this. Inflation is expected to keep coming down throughout 2024. We have applied expected CPI at 3.0% for 2024 based on multiple sources at the start of December 2023. The policy rate is expected to come down slightly during the second half of 2024.

In terms of government finances, a small deficit was recorded in early 2023, with debt remaining at a low 33% of GDP. The upcoming budget includes a 30% increase in defense spending, reaching the NATO target of 2% of GDP, while other areas will see neutral spending. Defense, old age support, and the energy transition is expected to drive future government expenditure.

3.5.2. Retail Occupancy Market

During the pandemic consumers have shopped online, car-borne and close to homes. The effect was clearly seen in larger shopping centres and city locations with large decreases in footfall and sales figures. Following lifted restrictions in Sweden during there has been a clear shift towards physical retail destinations and close-contact services which has been visible through increasing footfall and sale figures for physical retail for 2022 and 2023.

Total retail sales growth in Sweden amounted to 5.5% y/y in Q3 2023 (HUI Research), but polarization within the retail segment is currently large. Trade in consumables were reported up by 9.9% while trade in durables reported up by just 2.0%. That said, adjusted for inflation Statistics Sweden reports that retail sales have decreased marginally during the year, as retail sales with constant prices were reported at -0.4% y/y in October 2023.

The return to physical retail destinations offers opportunities for well-connected and repositioned retail assets. However, tenants in certain segments and with dated concepts are facing difficulties and many have maintained operations based on government support measures during 2020/2021. 2023 has showed an increased tenant risk in some segments as bankruptcies have started to increase driven by removed support, high inflation, energy prices and interest rates.

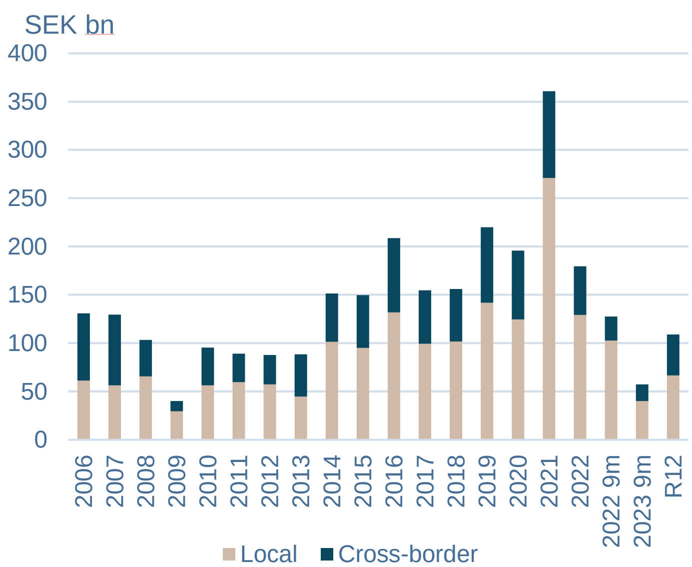
Contractual commercial rents in Sweden are set to follow inflation in the short term as the vast majority are indexed linked to CPI. However, higher inflation will most likely have impact on consumer spending and savings which in turn will put pressure on retail sales and retailers who also have been hit with higher short term rent increases and additional higher costs.

The pandemic was characterised by prolonged/paused lease negotiations whilst lease deals have required shorter lease terms, higher proportion turnover-based rents, incentives, and an element of tenant fit outs. However, polarisation is high, with some shopping centres performing well with low vacancies and stable rents. These are often characterised with a strong convenience offer, adapted F&B offering and a strong grocery offering. Uncertainty still remains high regarding the long-term impacts of the war in Ukraine, inflation, interest rates and increasing energy prices as well as the continuous impact of the accelerated retail trends. As such we see limited rent growth in the short term, however, the polarisation and ability to follow contractual rental indexation is estimated to differ between performing and non-performing assets.

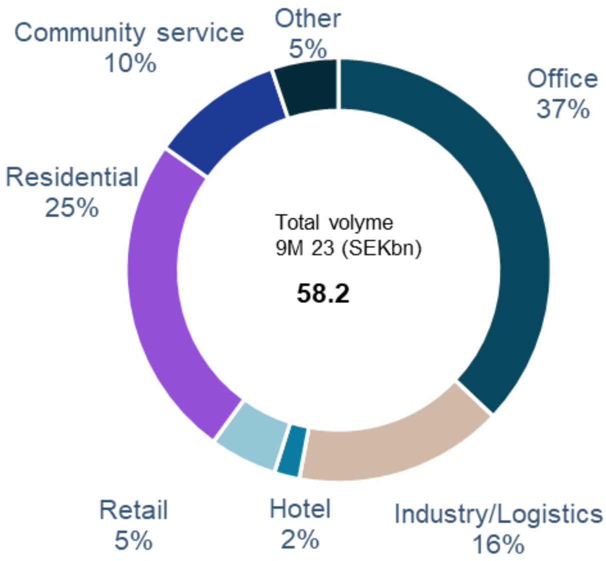
3.5.3. Retail Investment Market

The Swedish investment market has continued to be very weak 2023, driven by increasing interest rates and the continued high inflation environment. The transaction volume for the first nine months of this year amounted to approximately SEK 58 billion, which was 54% lower compared to the same period in 2022. For Q4 2023 so far liquidity in the market is very low and investment activity has been little to none in many sectors. The transaction volume in the third quarter is in line with the previous year but down 60% compared to the average of the past five years.

Total transaction volumes, Local and cross-border



Volume as percentage of total volume by sector- 2023 YTD Q3



Pricing has continued to be poor since the second half of 2022, with gradually lower prices recorded for transactions and lower transparency in both ongoing and finalised transactions. Sentiment continues to be under pressure, owing to the sharp increase in interest rates, increased difficulties around financing new acquisitions and the need for more equity on most transactions.

Many transactions continue to be on hold and await clarity around current trends in the capital markets and rate increases from central banks. All sectors are impacted, although segments with high visibility to rental growth linked to consumer price index (CPI) adjustments can partly compensate for increasing funding costs and mitigating the negative value impact.

Although there is little depth in the transaction evidence currently, there is a clear market consensus that investment sentiment has weakened and that the significant increases in interest rates and tougher financing conditions together with a weakened market outlook going forward has started to affected pricing and yields negatively. This is supported by knowledge of ongoing transaction processes and completed transactions, albeit lacking depth as mentioned. The low yielding sectors have been affected most in terms of yield correction as the yield gap has decreased significantly along with the rapidly rising interest rates.

The ongoing challenges of increasing e-commerce, accelerating retail trends and the disruption caused by the ongoing war and the pandemic as well as continued tightened financing conditions and inflation, particularly for riskier assets, is putting pressure on physical retail properties, retailers and consumers. That said, the higher yield profile compared to other property sectors has been catching investors focus as higher yielding segments have looked as a more attractive investment compared to lower yielding sectors in which the yield gap is very small currently.

Overall, retail investment volumes in Sweden summed r.d. 3 billion for 2023 Q3 YTD, corresponding to 5% of the transaction volume. The transaction volume was driven in part by one larger transaction of two shopping centre’s, Gallerian Nian and Port 73, that was acquired from CBRE IM for an estimated price at 1.5 billion.

Based mainly on investment sentiment retail yields are assessed to have softened further during 2023, again mainly driven by rising interest rates, availability of financing, inflation and weakening economy. Weakening economic outlook has had negative effect on sentiment in spite of increasing operating income short term as uncertainty grows. However, retail yields aren't expected to increase as much as other segments due to a wider yield gap than in other sectors. Asset performance is considered of key importance in the current market as the polarization between well performing and non-performing assets is widening Main interest among investors continues to be grocery anchored retail, DIY and well performing shopping centres with development potential. JLL's house view on prime external shopping centre yield in Sweden is per Q4 2023 estimated at 5.90 percent (+55 bps YoY).

JLL prime yields retail as per 2023 Q3

Comment on Citycon's properties

The majority of the shopping centres in Citycons Swedish portfolio have had continued recovery in sales figures during 2023 while footfall has been relatively stable over the portfolio. The challenges for physical retail remain and currently there is a differentiation in performance and occupancy levels amongst the assets in the Swedish portfolio with Liljeholmen and Mölndal leading the way forward with good leasing performance and an ability to absorb higher rental growth long term. Stenungs Torg development plans are progressing as conversion to residential use is starting to concretise. Kista, Åkersberga and Jakobsberg are currently repositioning and taking actions to further strengthening their convenience offer. In Åkersberga Systembolaget is being clustered with ICA and in Jakobsberg the new and upgraded Hemköp has opened their doors. Yields requirements have softened during the year, due to weakening investment sentiment driven by rising interest rates, inflation and weakening economic outlook.

4. 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.

Contract Income/Market for Vacancies 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 Rental Income. Rental Income less operating expenses (including repairs) equals the Net Operating Income (NOI). NOI less any capital expenditure, investments and tenant improvements equals the Net Income that has been discounted to reach the income stream's present value.

The Terminal Value at the end of the 10-year cash flow period is calculated by using the exit yield to capitalise the 11th year Net Income. The value of the property is calculated as the sum of the annually discounted Net Income stream, the discounted Terminal Value at the end of the calculation period and any other assets increasing the value (e.g. unused usable building right).

Below is definition (according to IVSC glossary) and formula used to calculate some of the key figures reported in this valuation:

Weighted average yield requirement

"Yield – the return on an investment. Usually expressed annually as a percentage based on an investment's cost, its current market value or its face (par) value. Often used with a qualifying word or phrase."

In case of this valuation the weighted average yield requirement is weighted with the value of the property and the formula used is presented below.

$$= \frac{\text{(Value of property 1 x Yield requirement of property 1 + Value of property 2 x Yield requirement of property 2 …)}}{\text{(Value of property 1 + Value of property 2 …)}}$$

Initial yield

"The initial income from an investment divided by the price paid for the investment expressed as a percentage."

The formula used is presented below.

$$= \frac{\text{(Annualised current rents – operating expenses)}}{\text{(Market value – estimated value of building right)}}$$

Reversionary yield

"The anticipated yield from an Investment Property once the Reversionary Value is attained."

"Reversionary Value – The estimated value of an investment property at the end of a period during which the rental income is either above or below the market rent."

The formula used is presented below.

$$= \frac{\text{(Annualised market rents – operating expenses)}}{\text{(Market value – estimated value of building right)}}$$

5. Valuation

At the end of December 2023, Citycon's investment portfolio being valued included 17 investment properties in Finland and Sweden. One of the properties is owned via a joint venture and associated companies (IsoKristiina located in Finland).

12 of these 17 properties are shopping centres, one is residential and four are land plots/development projects. Three of the Lippulaiva residential buildings have been completed. In addition, there are unused building rights of 6,300 sqm (Lippulaiva resi 7-8) and 8,000 sqm (Lippulaiva S-house). Building permits for building 7 and 8 are valid and the permit for S-house hasn't been applied. Heikintori, Kassatalo, Asematie 3 and Isomyyri properties are development properties.

The majority of the properties are freehold, Liljeholmstorget Galleria in Sweden is a leasehold.

The valued portfolio is divided into two geographical areas; Finland and Sweden. Below we present the key figures of the evaluated portfolio. Asematie 3, Kassatalo, Heikintori and Isomyyri are included the stated value but those have been left out from other key figures because those have been valued based on development potential. Lippulaiva residential buildings have been included in all key figures.

31 December 2023	Number of properties	Fair Market Value, EUR million	Wght. Average Net Yield Requirement	Wght. Average Initial Yield	Wght. Average Reversionary Yield	Average Market Rent, EUR/sq.m./ month	Average Operating Costs EUR/sq.m./ month
Total Property Portfolio in Finland	12	1,684	5.5 %	4.8 %	5.2 %	28.1	7.4
Helsinki Metropolitan Area	8	1,405	5.1 %	4.4 %	4.6 %	32.1	8.0
Other parts of Finland	4	280	7.4 %	6.7 %	8.0 %	20.9	6.3
Total Property Portfolio in Sweden	5	596	5.9 %	5.3 %	6.4 %	25.1	8.1
Greater Stockholm Area	3	439	5.7 %	5.0 %	6.0 %	27.5	9.1
Other parts of Sweden	2	156	6.5 %	6.1 %	7.5 %	20.8	6.3
Total Property Portfolio	17	2,280	5.6 %	4.9 %	5.5 %	27.0	7.6

In addition, we have carried out a fair valuation of Kista Galleria located in Sweden. In Citycon's reporting, Kista Galleria is treated as a joint venture and the shopping centre's fair value is not included in the presented figures.

Iso Omena is distinctly valuable property compared to the rest of the portfolio, which means that weighted averages are highly influenced by the changes in Iso Omena.

The total fair value of the portfolio in Q4 2023 was approximately €2,280 million.

Market rent changes' and yield movement's impact to the market value

When excluding four development properties (Kassatalo, Asematie 3, Heikintori and Isomyyri), adjustments to yields decreased the value by ca. €245.6 million. Investments increased value by ca. €49.6 million and other factors, including market rent changes and assumptions, increased the value by ca. €156 million.

Properties in Finland

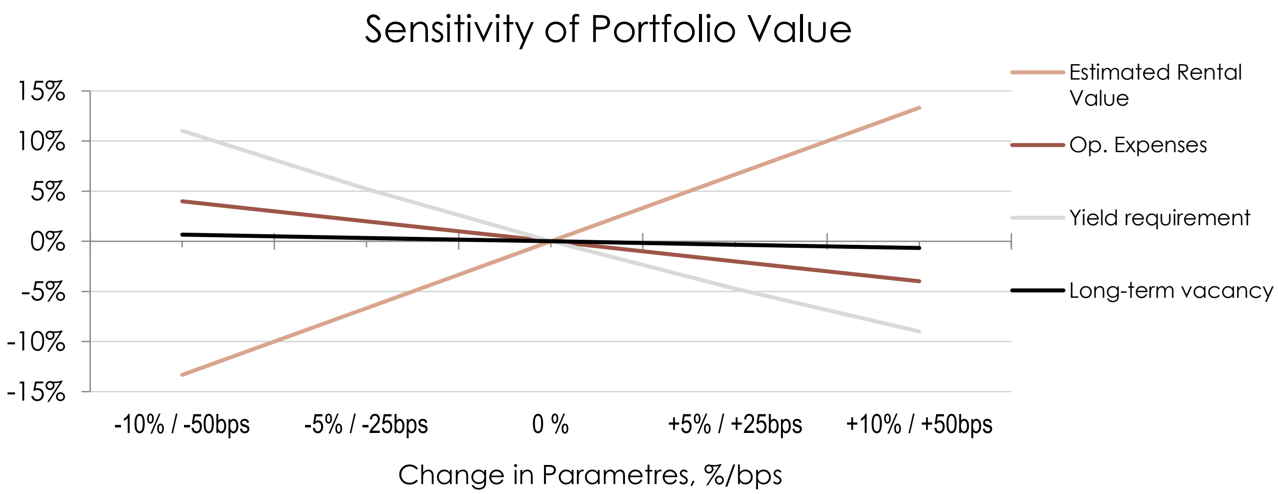
The fair value of the Finnish portfolio is €1,684 million and it decreased by 1.2% from Q4 2022. When excluding Lippulaiva residential buildings, the fair value has decreased by 0.3%. Compared to the previous year, the weighted average yield requirement has increased by 46bps being 5.53%, and the weighted average exit yield increased by 57bps being 5.54% (including Lippulaiva residential but excluding Kassatalo, Asematie 3, Heikintori and Isomyyri). Without Lippulaiva residential buildings, the weighted average yield requirement is 5.58% (+44bps compared to Q4 2022) and the weighted average exit yield is 5.59% (+54bps compared to Q4 2022). The value of the Finnish portfolio decreased, especially due to yield softening.

Properties in Sweden

The fair value of the Swedish portfolio is estimated at SEK 6,61 million, excluding Kista Galleria. With the exchange rate of 11.096 SEK/EUR the portfolio has the value of c. €596 million. Compared to the value at Q4 2022, the portfolio's value has decreased by 3.6% (excluding Kista). Compared to Q4 2022, the weighted average exit yield increased by 49 bps being 5.89% (excluding Kista)

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 and long-term vacancy have more modest effects on the value than the other parameters.

Having regard to the foregoing, we are of the opinion that the Net Market Value of the portfolio 31.12.2023, free of liabilities and debt, is:

€2,280,000,000

(Two Billion Two Hundred Eighty Million EUROS)

The accuracy of the valuation is +/-10%.

In Helsinki, Stockholm, and London 5th February 2024

Yours faithfully

Mikko Kuusela
Director
Valuation & Strategic Consulting

For and on behalf of
Jones Lang LaSalle Finland Oy

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