Valuation Statement

Citycon's properties in Finland and Sweden Q4 2022

12/2022

Executive Summary

At the end of December 2022, 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).

14 of these 17 properties are shopping centres, two are residential properties and one is a retail/office property. One of the Lippulaiva residential buildings have been completed but other apartments are currently under construction and Heikintori, Kassatalo, Asematie 3 and Isomyyri properties are development properties.

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

In addition, we have carried out a fair valuation of Kista Galleria locating 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.

31 December 2022	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 in Finland	12	1,705	5.1 %	4.5 %	5.0 %	30.2	7.4
Total Property Portfolio in Sweden	5	617	5.5 %	5.5 %	6.2 %	27.5	7.5
Total	17	2,322	5.2 %	4.8 %	5.4 %	29.4	7.4

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 2022 was approximately €2,322 million.

Table of Contents

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 2022, 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 do 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 Finland and in Sweden between Q4 2019 and Q4 2020. We have also re-inspected part of the properties from Q3 2021 forward, including Lippulaiva shopping centre after the constructions have been completed.

We have not measured the properties' leasable areas but have relied on the information supplied to us by the Company. We have not read copies of the leases or of other related documents but have relied on the tenancy information provided by the Company, which reflects the latest available tenancy position.

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 has been converted with an exchange rate of 11.1218 SEK/EUR which is the exchange rate according to ECB between Swedish Krona and Euro at 2022-12-30.

3. Market overview

3.1. Market conditions explanatory note: War in Ukraine

As at the date of valuation and at the time this report was drafted, there are a number of negative factors recognised as influencing property markets, exerting downward pressure on property values and reducing liquidity. These include:

Global Economy

The wider global economy is facing several additional negative factors that are contributing to significant cost inflation and causing interest rates to increase.

Market activity

The property markets can mostly be described as functioning, but there is evidence that both transaction activity, and the sentiment of buyers and sellers, are changing in a number of markets and property sectors. There is a general perception of a changing real estate market and there is a risk that continued volatility, coupled with rising interest rates, will have a material and direct impact on pricing as yields continue to increase. Evidence is emerging of wider bid spreads and price renegotiations, with some transactions being terminated.

Ukraine

The full extent of the war in Ukraine and its wider long-term implications, whilst unknown, are contributing to the volatility in global stock markets, high cost inflation, and supply chain delays, particularly within Europe.

For the avoidance of doubt, due to the functioning nature of the market, our valuation is NOT reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

This explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly, we highlight the critical importance of the valuation date and advise you to keep the valuation under regular and early review..

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

High inflation and uncertainty on market but good quality product still attracts investment demand

The economic environment is challenging with the cost of the Covid-19 pandemic, energy prices, inflation and the cost of debt among the key factors affecting the growth outlook. High inflation is impacting the consumption strength across Europe after households unleased pent-up demand when pandemic-related restrictions were lifted. Eurozone inflation rose to a record high of 10.0% year-on-year in September, largely driven by energy price rises and spill-over effects into non-energy components. Oxford Economics expects inflation for both the Eurozone and UK to peak in Q4 2022. Inflation is expected to fall again below the target rate of 2.0% in 2024.

The Eurozone economy is expected to fall by 1% from peak to trough this winter. Most European economies are expected to see a mild contraction in economic output that will last until the first half of 2023. While the current recession is cyclical, there are clear downside risks globally to the length and severity of the contraction. While the economic growth outlook for Europe sets out a mild recession, significant risks are present due to several external events that could potentially affect economic activity. There is a relatively low risk the recession will prompt other crises. Key contributing factors include labour market strength, household balance sheet stability, corporate balance sheet strength and limited number of asset bubbles. Unemployment is expected to remain relatively low as various firms continue to recruit staff and offer higher wages. Pandemic savings have largely, but not entirely, been spent. Eurozone household savings are still up by 20% on pre-pandemic levels. Corporate profits as a percentage of GDP is reasonably high in Europe's key retail markets. Corporate debt is manageable, albeit with expectations. Housing presents a notable asset risk in various European countries. This is considered small due to the strength of local labour markets.

Reaching gas storage targets have diminished the risks of hard rationing over the winter and a sharp slowdown in economic activity, notably for the industrial sector. The Eurozone industrial producer price index, is up by more than 40% year-on-year.

Additional upward pressure on consumer prices is expected to last for at least six months once wholesale energy prices become less volatile.

European retail markets are seeing a range of drivers and barriers that are influencing consumer demand in the short-term and medium-term. The combined impact varies by market. Retail spending will benefit from the continued recovery in tourism, lifting of Covid-19 measures and further unwinding of excess savings. Weak consumer confidence and high inflation and gas price rises are constraining consumption, notably among lower income households. Retail spending is moderating in the UK, France and Germany. Markets that are expected to see resilience and some growth include Ireland, Spain, Italy and Poland. Retail sales are forecast to return to solid growth in 2024 in all major European countries. A sharp rise in unemployment would change the outlook to the downside.

Consumers have moved their retail spending towards online channels during the Covid-19 pandemic, which has seen online retail spending rise to record-high levels across Europe. The re-opening of economies has allowed consumers to return to physical stores, prompting a gradual but steady decline in online retail spending in most European countries. Increased cost for fulfilment of online ordered goods is triggering retailers to introduce return-fees and encourage free returns in physical stores. Some online retailers have paused expansion to improve margins. While online sales remain elevated from pre-pandemic levels, the current fall in online retail spending is easing pressures on physical retail spending. Considering the UK, Europe's largest online retail market, online sales growth is slowing, which points to a market equilibrium.

Navigating the current retail landscape is challenging and relying on a small number of markets for generating sales significantly increases the risk of loosing income due to potential negative events. Well-capitalised retailers continue to open new stores across Europe's largest cities to mitigate operational risks of a potential sharp downturn. Entering new markets also creates new opportunities for growth for retailers with an attractive proposition. Given the importance of Europe's largest cities, in terms of economic output, retail spending and spread across geographies, international expansion is an efficient route to increasing the risk-adjusted returns.

Retail leasing activity across Europe's key retail destinations was robust during the first half of 2022. High inflation and rising energy prices has slowed leasing activity considerably in markets such as Germany and the UK. Some retailers consider the increased energy costs as a second-rent on top of their lease. Demand for quality retail space remained strong in southern European countries, including Spain, Portugal and Italy. Some international brands agreed to longer lease terms. The pandemic has accelerated retailer initiatives to 'right-size' store portfolios and introduce new formats to unlock growth opportunities. Well-capitalized retailers are best placed to continue opening new stores and introduce new formats during the current slowdown in retail spending.

Prime retail rents across many of Europe's best retail locations have been lowered as a result of Covid-19. The sharp increase in energy costs during Q3 this year, coupled with broader inflation, has placed more emphasis on affordability of rents. Most retailers have paid this year's increases in occupational costs. However, retailers remain cautious committing to higher rents for prime retail space. Retail sales during the 'Christmas trading period' will be crucial. While rents may continue to move upwards, due to indexation, if affordability becomes an issue due to lagging sales, retailers may look to negotiate rents or trigger break clauses. For well-capitalised retailers looking beyond the current slowdown, the current market offers opportunities to access quality stock at more favourable lease terms.

After a solid start to 2022, European retail investment activity has started to slow as a result of rising financing cost and economic uncertainty. European retail investment volumes for the first three quarters of 2022 combined have increased by 45% year-on-year to €29.2 billion. Considering Q3 2022, European retail investment volumes have risen by 6% year-on-year to €8.6 billion. With several major retail transactions expected to close during the final quarter of this year, European retail investment volumes for 2022 are on track to end above 2021 volumes. The outlook for 2023 is uncertain as investment activity will partly depend on the strength of retail sales during the Christmas trading period. Affordability of retail rents will be crucial as it has the potential to affect yields and pricing of retail stock. Shopping centres accounted for the largest share of European retail investment volumes in Q1-Q3 2022. Pockets of liquidity have emerged, including assets offering defensive qualities, divestments from investors looking to raise capital and secondary stock with the intention for redevelopment, notably in the

UK. The share of high street investment rose due to BBVA's €2.0 million bank branch portfolio acquisition. Investors remain focussed on a select number of high street assets and locations.

Investors continue to target high-quality retail parks, often anchored by one or two grocery operators. Some investors are moving ahead without additional financing. Rising interest rates and a lower number of large supermarket portfolios offered to the market impacted the share of grocery real estate investment so far in 2022. Rising financing cost and perceived risk to income has started to affect pricing for quality commercial real estate assets across Europe. As many of the best retail assets continue to report stable income, the reported yield shifts for prime retail stock have been moderate so far. However, many institutional investors have paused real estate acquisition processes to gain clarity on how the next 12 months will evolve.

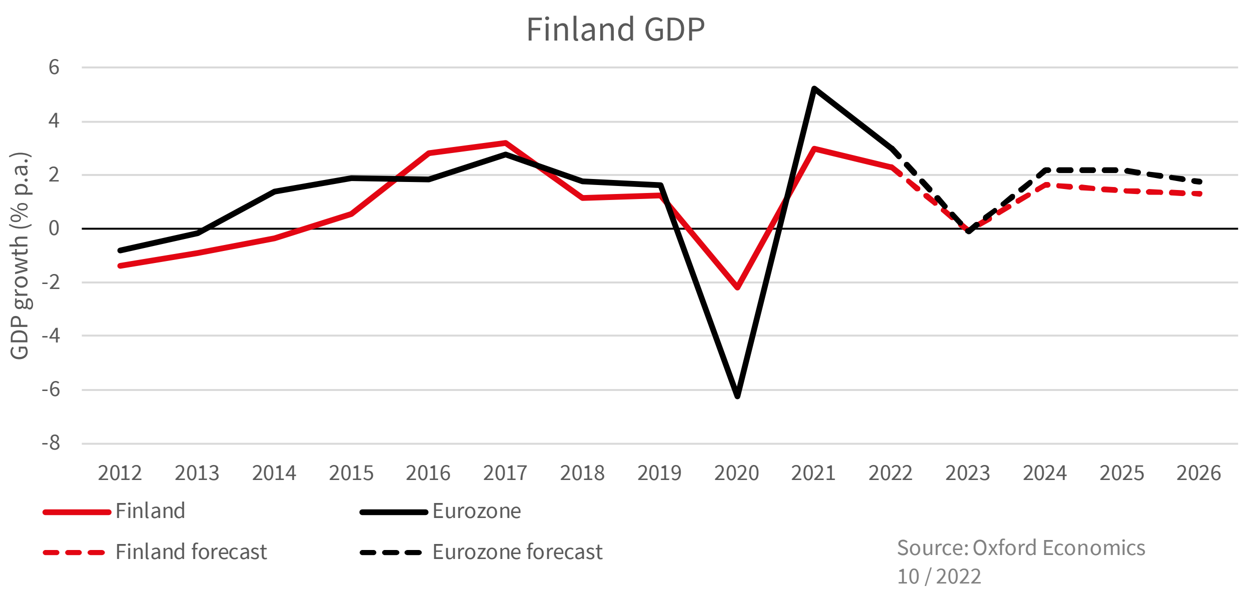
While activity in the European retail investment market is slowing, good-quality assets will remain in demand. Some investors believe that quality retail assets are attractively priced and could offer solid returns. The European shopping centre investment market is going through a period of price discovery. Two large transactions are anticipated to the provide the market with benchmark yields for quality shopping centres.

3.4. Finland

3.4.1. Economy

The Finnish economy started the year 2022 strong. The economy was supported by the built-up demand from the pandemic and recovery of the service sector. However, inflation is weakening the purchasing power and rising interest rates are limiting investments. The booming economy experienced at the start of the year has faded away as the global economy slows down.

Consumption growth is restrained by high prices. Real disposable income is falling at a fast rate, as inflation is running unusually high. Though consumption in euro terms has been growing throughout the year, consumption in terms of quantity has been decreasing since the start of the year highlighting the effect of price increases.



GDP Growth in Finland

Consumer confidence has fallen lower than at any time during COVID-19 crisis. Despite consumers' pessimism, the labour market in Finland (as in many other countries) has developed surprisingly positively in comparison to slower economic growth. High inflation and a tight labour market situation create positive wage pressure.

According to Statistics Finland, the unemployment rate was 6.7% in September 2022, compared with 7.0% one year earlier. At the same time, the employment rate, that is, the share of the employed population aged 15-74, increased from 71.7% a year ago, to 73.4%. According to the Ministry of Finance's economic review of Autumn 2022, the forecast for the unemployment rate for 2022 is 6.6%, 6.7% for 2023, and 6.5% for the year 2024.

The year-on-year change in consumer prices calculated by Statistics Finland was 8.3% in October. Consumer prices were raised most in October by increases in the price of electricity and average interest rate on housing loans as well as increases in the prices of diesel and petrol from one year ago. The rising of consumer prices from one year back was curbed most by reductions in the prices of non-refundable prescription medicines. According to the Ministry of Finance, the national consumer price index is expected to increase by 6.5% in 2022, 3.2% in 2023, and 1.8% in 2024 which based on latest development seems too low and it is also questionable whether 2023 figures fall this fast.

3.4.2. Retail Occupancy Market

Demand in best locations but uncertainty on the market and increasing costs

Atmosphere in the retail market strengthened after Covid-19 was settling and backed up by the accumulated savings of households during the pandemic. Market is currently shadowed by high inflation causing decrease of purchasing power and fear of recession. This has resulted as decreasing activity on retail market. The retail occupiers have also faced challenges due to continuing challenges of supply chain, strong growth of operating expenses and decreasing consumer confidence. Christmas sales started at slower pace than anticipated and some retailers see that the unpredictable behaviour of consumers burden the operations and long-term planning is challenging due to the constantly changing market.

Indexations and rental reviews have been the conversation point among retailers during the latter part of the year and this topic has been touched in every leasing negotiation and rental increases are high in January, it is likely that in groceries the rental reviews can be adopted in full but for other retailers the situation is not that certain, and some adjustments are likely to be made.

The competitive market remains polarized – some downtown retail destinations are yet to recover to pre-pandemic levels of footfall, and this is reflected on their attractiveness to tenants as well. It seems that the centres which are clearly destinations with wide catering of services and shops do attract visitors and thereby occupier demand whereas other do suffer from the situation more.

Fashion has been and still is a significant sector for shopping centres, and the challenges in the fashion market are reflected in tenant demand. There has yet some activity; LPP Brands is opening 3 fashion chain stores to shopping centre Itis in eastern Helsinki and total of 4 chain stores in Iso Omena and Lippulaiva located in Espoo and Trio located in Lahti in 2023. Health & beauty products has been one of the most active sectors when it comes to tenant demand – for example, Rituals has opened multiple stores in Helsinki metropolitan area during autumn 2022. Consumers are increasingly aware of the environmental and social impact of their consumption, and second-hand retail is becoming more common in shopping centres.

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. For longer leases, tenants remain very careful and usually require break options for their leases.

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.

ESG awareness is constantly growing, but for retailers, the impact of their retailing units on their carbon footprint is not very significant when compared to other parts of the supply chain of their products. Active ESG strategies are still preferred by many tenants. This can result in a perceived level of apathy from occupiers towards landlords when it comes to paying a premium for sustainable space. However, green buildings are already requested by many tenants, and only being energy efficient does not form a competitive advantage for long. Instead, sustainable consumption and second-hand retail might open up new possibilities, especially in busy locations.

3.4.3. Retail Investment Market

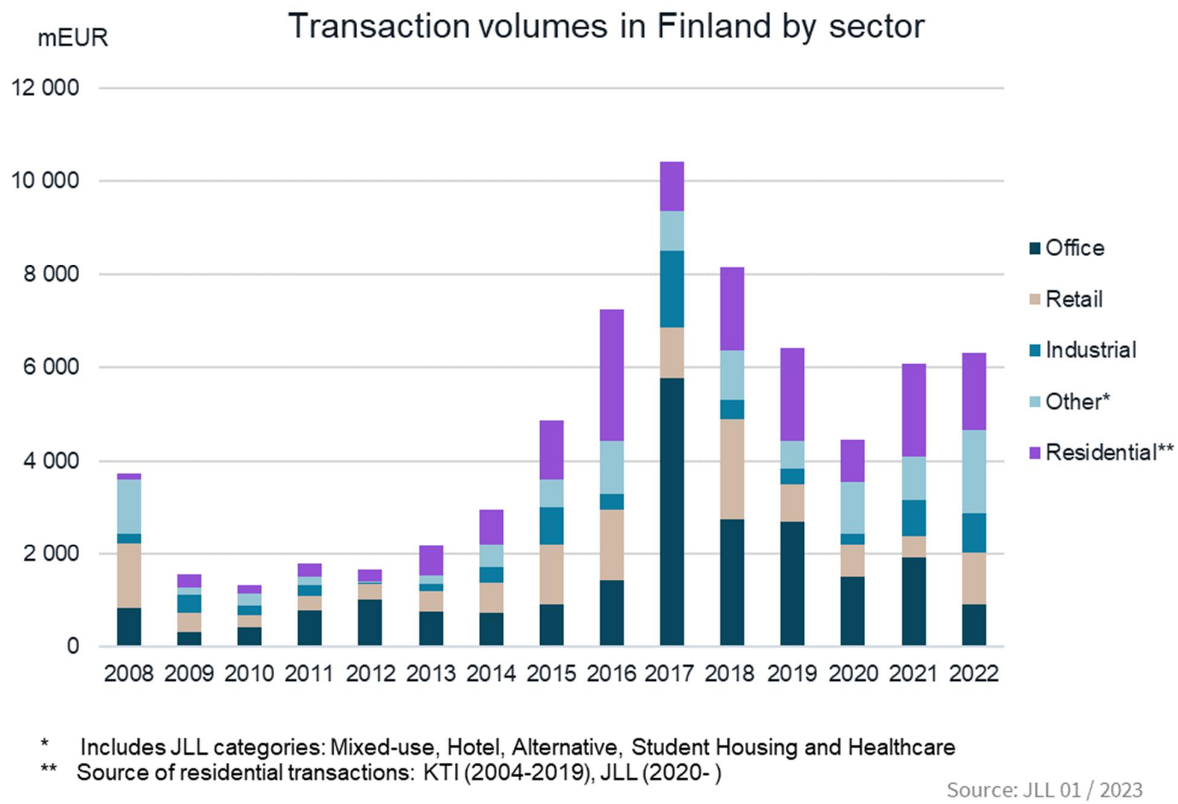
Market has slowed down and yields increasing – pressure in retail more limited than in other sectors

The market in H2 2022 is significantly different when compared to H1. The whole real estate market has been under unusual volatility in the past few months. Market shifts have been unusually quick, and their amplitude has been notably larger than under standard market conditions. This was interpreted during the summer as a normal pricing adjustment period, although with slightly larger yield shifts than usual. By mid-November, it seems that the yield changes are larger than the standard price discovery period, and we expect a very inactive investment market during the rest of 2022 and early 2023. Return to a normal market will happen once the market finds that the central banks seem to have price stability credibly under control, which allows investors to make decisions long into the future.

Due to transaction volumes decreasing clearly during H2 and towards year end the total investment volume was only slightly above the volume of 2021 despite the active H1. Residential and healthcare accounted for the largest shares of investment volumes with 26% and 20%, respectively. The total real estate investment volume in Finland during H2 was approximately 50% lower than in H1.

Supply-side shocks, including supply chain challenges and the war in Ukraine, have put significant inflationary pressure on the economy. Consequently, central banks are curbing inflation by increasing interest rates, which in turn is increasing uncertainty also in the real estate investment market. Higher underlying rates combined with moderately higher margins offered are bringing all-in financing costs significantly higher than earlier in the year or in last years. Simultaneously banks are also offering notably lower LTVs for clients to maintain enough cash-flow buffer over financing costs.

The current uncertainty in the market is causing upward pressure on yields, and prime yields have increased across all sectors. Interest rates increased and were volatile during H2, and the market is on a price discovery phase, which caused deals to be put on hold.



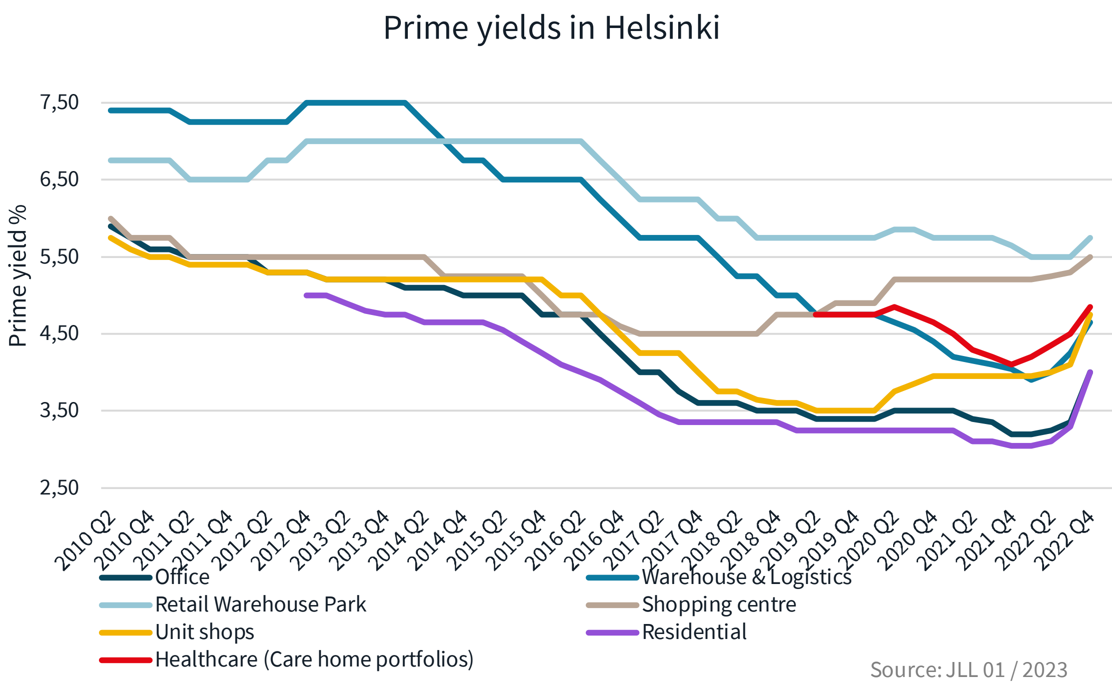
Source: JLL 01 / 2023

Direct commercial property investment volume in Finland.

During the first half of 2022, Finnish investors dominated on the buy-side, and several larger transactions were made. Most of the transacted assets were necessity-based and had limited downside risk in rent levels and proved performance. During H2 the market changed quickly, and the activity slowed down as most of the investors were hitting pause and taking a wait-and-see approach which practically meant that the demand towards shopping centres was limited although activity in European market has been seen. As the prime shopping centre yield in Finland did not follow the latest pricing peak seen in other sectors the yield has remained higher and the outward pressure of the yields have been smaller during the H2 2022. Retail properties with heavy grocery weight are still seen attractive in Finland but it is anticipated that the repricing will be seen also in this sector.

In H2 2022, retail investment volume totaled to ca. 325 million euros which is almost 60% less than in H1. In Q3 Aktia bought new supermarket property under construction with 10-year lease from Kesko. The initial yield was around 40-50bps higher when compared to the peak pricing witnessed Q4 2021-Q1 2022. The last local shopping centre transaction was done in Kauniainen in November when NREP acquired Grani. In this transaction the yield movement was around 30-40bps when looking at the grocery and necessity-based shopping centre yields. It must be noted that the transaction process was started already in the beginning of 2022.

Helsinki prime yield shopping centres is now 5.50%, which is a 20bps increase from Q3, and an 30bps increase from 2021 Q4. The prime yield for retail warehouse parks is at 5.75% and unit shops at 4.75%.



Prime yields in Helsinki.

The importance of sustainability as a differentiating factor has continued, becoming a critical criterion for investors and owners. Retail is one of the real estate sectors that is facing the biggest challenges on carbon emissions as activity density linked to asset performance is high; although efforts to reduce carbon emissions have been high in this sector and results are beginning to become visible. Therefore, retail real estate has some of the greatest risks and opportunities, with some estimates showing emissions need to reduce by 95% from current levels. In case a property doesn't meet the ESG requirement of investors it might face limited demand and difficulties in financing.

<u>Comment on Citycon's properties</u>

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 better 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 asset with two new 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 inflation and increasing interest rates affected the investment market and the yields softened towards year end, more in weaker performing centres outside HMA and less in prime product, further softening of the yields is estimated due to weakening economic outlook, uncertainty and re-pricing waiting to happen on the market once transaction market activates.

3.4.4. Residential investment market

In H2 of 2022 the activity in the residential market has slowed down following the macroeconomic uncertainties. International capital and domestic investors are inactive and received bids represent opportunistic pricing more than serious offers. Total financing costs have risen to start at 4%, which challenges all investment calculations. Currently, mostly deals with small single assets are progressing and all wider portfolio transaction are on hold as well as larger forward-funding projects.

Overall, the financing for residential assets and portfolios in growth centres is well available, however, lenders have decreased their maximum loan-to-value levels and some lenders are more selective. The highest volatility in financing costs seems to be stabilizing, hence lowering the risks for all parties. The significance of sustainable solutions is increasing continuously and is driven by investors, shareholders, and occupiers. Especially, new developments are driven by sustainable aspects, which is a prerequisite for certain investors. The transaction projects launched after summer have been less successful and at least some of them were put on hold due to no investor interest or the demand too far from expectations from pricing point of view.

Foreign investors who have been driving the market last years seem currently inactive in Finland but in the mid-term Finnish apartments still have the features such as liberal rental market that attracted international capital to invest in Finland. There is still underlying demand for residential sector, but the financial rationale behind the investments have changed and we expect prime yield to increase to 4.0% in Q4 2022 while it was at lowest at 3.05% in Q1 2022. Simultaneously as the yield circumstances have changed, residential sector also offers more limited inflation hedging compared to many other property sectors and it further challenges the market situation. The demand continues polarized and e.g. many of the biggest domestic investors have already several years focused their operations solely in the biggest city areas in the HMA and Tampere and Turku regions. The demand for residential properties in smaller regional cities with high expected capex needs and uncertain rental level development is much more limited and primarily in the hands of opportunistic and local investors. There also the liquidity through cycles is more volatile.

3.5. Sweden

3.5.1. Economy

Swedish economy expected to enter recession in 2023

For most of 2022 the Swedish economy performed relatively well despite growing headwinds driven by high inflation, rising interest rates, volatile energy costs and general economic uncertainty. GDP growth was strong in both Q2 and Q3 as the Swedish economy and the labour market reported record low unemployment. However, a detailed breakdown of the Q3 figure shows weak private consumption was offset by strong inventory build up and fixed investments.

Signs of a weakening economy started to emerge in the end of the year as inflation continued to grow throughout the year and many economic forecasters now expect the Swedish economy to enter a recession in 2023. Oxford economics forecast GDP to come in at 2.8% in 2022 before shrinking by -0.5% in 2023 in their December forecast. The bleak outlook is compounded by strong monetary policy tightening, as inflation remains high and underlying price pressures elevated.

Inflation measured as CPI has grown continuously during the year and was reported at 10.85% for October y/y. During the year the Riksbank has hiked the Swedish policy rate by 250 bps to 2.50% and many economic forecasters now expect another 50 bps hike in February 2023 and likely another hike before reverting back in 2024. Inflation is expected to stay elevated during the first half of 2023 and to fall back in the second half of 2023.

High inflation, energy costs and rising mortgage rates are eroding households' purchasing power, and consumers are generally very pessimistic. Household consumption confidence levels have plummeted in 2022 to record low levels. Households are expected to receive compensation from central government for high energy prices, but consumer spending is still set to fall. Business sentiment is starting to be affected, although from high levels. The labour market remains the bright spot, although it showed signs of moderating at the end of the year. Unemployment was reported flat at 6.7% in November, following a small rise in October.

3.5.2. Retail Occupancy Market

Return to physical retail challenged by weakening economy

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 Q1 2022 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 whilst e-commerce has seen a general decrease in sales. Postnord reported a -5% y/y decrease in e-commerce for Q3 2022.

Total retail sales growth in Sweden amounted to 4.7% y/y in Q3 2022 (HUI Research), but polarization within the retail segment is currently large. Trade in consumables were reported up by 11.1% while trade in durables reported up by just 0.3%. That said, adjusted for inflation Statistics Sweden reports that retail sales have actually fallen during the year, as retail sales with constant prices were reported at -6.3% y/y in November 2022.

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. The latter part of 2022 shows an increase in 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 overall situation on the letting market has been putting downwards pressure on terms and rents in shopping centres during 2021 and 2022. 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. There are little signs yet that the post-pandemic tailwinds have had significant effect on the leasing market, but uncertainty 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

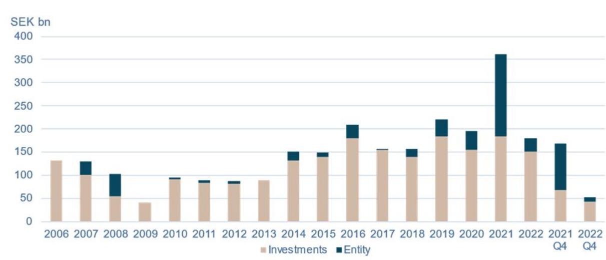
Decreased market activity and investment sentiment as market uncertainty increases

The Swedish investment market for real estate was exceptionally strong in 2021, fuelled by economic recovery from the early effects of the pandemic and continued attractive interest rates together with good opportunities to borrow at low costs through the banking system. JLL's estimation of full year investment volumes for 2021 totalled SEK 361 billion, a record level, by far. During 2021 there was a clear flight to safety trend with strong demand for properties with stable cash flows, mainly focused on residential, logistics and community service segments.

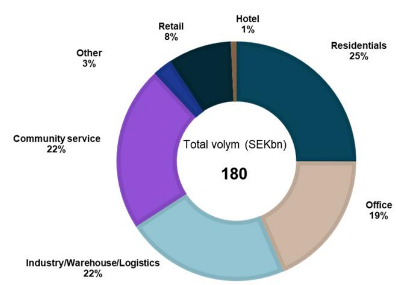
Going into 2022 there was great optimism towards the market and a lot of capital to be invested in the property markets. However, the end of the first half of 2022 has been characterized by Russia's war on Ukraine, rising inflation, interest rates, energy costs and a general economic uncertainty. Policy rates have been adjusted upwards by central banks globally and are expected to continue to rise into the near future. The situation is starting to affect households with cost-of-living record high and consumer confidence levels at record low.

The investment market slowed down considerably from late Q2 2022 with a majority of transaction processes paused or aborted. For the few deals that did go through and that we have knowledge of we note price adjustment in many subsectors. 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.

Total transaction volumes, Local and cross-border



Volume as percentage of total volume by sector- 2022



The transaction market in Sweden continued to weaken during Q4 2022 compared to the previous year. The investment volume in Q4 2022 was approx. SEK 51 billion, which we estimate 69% lower y/y. In the full year 2022, we estimate the transaction volume to SEK 180 billion, 50% lower y/y but still a decent figure from a historical perspective.

Although severely hit in the initial phases of the pandemic investor appetite for retail investments had been growing during 2021 and early 2022 with many shopping centres around the Stockholm region changing hands but the segment is still coupled with cautious requirements. 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 retail starts to look like 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. 15.7 billion for 2022, corresponding to 9% of the transaction volume. The transaction volume was driven in part by 3 larger transactions of grocery retail, of which two are ICA JV's Trecore and Delcore with Bonnier and AMF respectively. Other key retail transactions during the year are Niams acquisition of part of

Solåsen external retail, Skandia Fastigheter's acquisition of Nova Lund, Serena Properties acquisition of Heron City, NREP's acquisition of Vällingby Centrum for SEK 1,680 million, Hemmaplan's acquisition of Gottsunda Centrum in Uppsala for SEK 515 million and Trappan's acquisition of Sisjö Centrum for SEK 800 million. In addition, Svenska Handelsfastigheter is reported to acquire a portfolio of 7 ICA assets for SEK 160 million, Doxa acquired external retail in Malmö for SEK 144 million whilst Arwidsro is reported to acquire a supermarket property in Norrtälje for SEK 104 million.

Based mainly on investment sentiment we assess retail yields have softened in the latter part of 2022, 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.

Comment on Citycon's properties

Most of the shopping centres have had good recovery in footfall and sales figures in 2022 as majority of restrictions were removed. 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 is currently repositioning and taking actions to further strengthening their convenience offer. Yields requirements are estimated to soften compared to last quarter, 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).

There is currently one development project included in the valued portfolio; Lippulaiva located in Espoo, Finland. Development projects are included in the valuation of the portfolio in line with information received from the Company. Adopting the applied valuation model, future rental income is based on finalised rental agreements and rental projections for the valued development project. Correspondingly, the development period is considered as a period when premises generate no income or limited income and when uncommitted investments are included in the cost side as a value reducing factor. Thus, the value of a development project increases automatically when investments are committed and the opening day of the centre approaches.

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 2022, 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).

14 of these 17 properties are shopping centres, two are residential properties and one is a retail/office property. One of the Lippulaiva residential buildings have been completed but other apartments are currently under construction and Heikintori, Kassatalo, Asematie 3 and Isomyyri properties are development properties.

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

In addition, we have carried out a fair valuation of Kista Galleria locating 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.

31 December 2022	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 in Finland	12	1,705	5.1 %	4.5 %	5.0 %	30.2	7.4
Helsinki Metropolitan Area	8	1,415	4.7 %	4.1 %	4.5 %	32.1	7.6
Other parts of Finland	4	290	6.7 %	5.9 %	7.3 %	21.4	6.2
Total Property Portfolio in Sweden	5	617	5.5 %	5.5 %	6.2 %	27.5	7.5
Greater Stockholm Area	3	455	5.3 %	5.3 %	5.8 %	29.7	8.1
Other parts of Sweden	2	161	6.2 %	6.3 %	7.6 %	21.4	6.0
Total Property Portfolio	17	2,322	5.2 %	4.8 %	5.4 %	29.4	7.4

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 (located in Finland).

The total fair value of the portfolio in Q4 2022 was approximately €2,322 million.

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

When excluding Lippulaiva residential buildings and other four development properties (Kassatalo, Asematie 3, Heikintori and Isomyyri), market rents increased and resulted impact of €39.0 million to the value. Adjustments to the yields decreased the value by ca. €58.9 million.

Properties in Finland

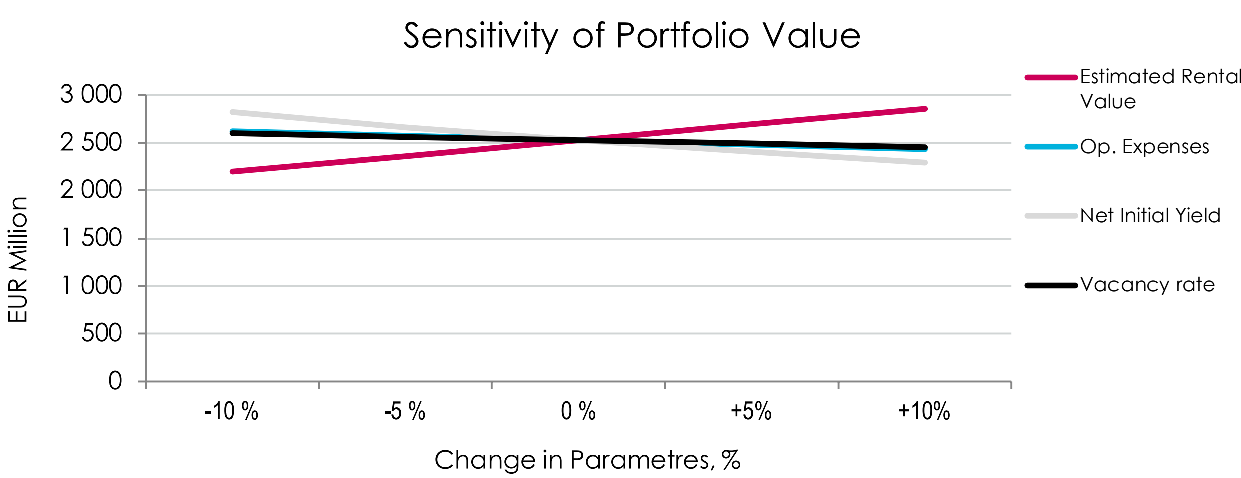
The fair value of the Finnish portfolio is €1,705 million and it increased by 0.5% from Q2 2022. When excluding Lippulaiva residential buildings, the fair value has increased by 0.1%. Compared to the previous quarter, the weighted average yield requirement has increased by 12bps being 5.06%, and the weighted average exit yield increased by 14bps being 5.05%. Value of the Finnish portfolio increased, especially due to committed investments and increased turnover, parking and specialty leasing income.

Properties in Sweden

The fair value of the Swedish portfolio is estimated at SEK 6,860 million, excluding Kista Galleria. With the exchange rate of 11.1218 SEK/EUR the portfolio has the value of €617 million. Compared to the value at Q2 2022, the portfolio's value has decreased by 1.0% (excluding Kista). Compared to Q2, the weighted average exit yield increased by 10bps being 5.42% (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 have a more modest effect 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 31.12.2022, free of liabilities and debt, is:

€2,322,000,000

(Two Billion Three Hundred Twenty-Two Million EUROS)

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

In Helsinki 9th February 2023

Yours faithfully

Maria Sirén
Director
Authorised Property Valuer
(AKA general authorization)
For and on behalf of
Jones Lang LaSalle Finland Oy

In Stockholm 9th February 2023

Yours faithfully

Tomas Shaw
Director
By Samhällsbyggarna
authorized property valuer
For and on behalf of
Jones Lang LaSalle Sweden

In London 9th February 2023

Yours faithfully

Christian Luft
Executive Director
Valuation Advisory EMEA Head of Retail

JLL office Finland

Keskuskatu 7
00100 Helsinki
+358 (0)207 619 960

Maria Sirén
Director
Valuation & Strategic Consulting
Helsinki

maria.siren@jll.com

JLL office Sweden

Birger Jarlsgatan 25, 4th floor
Box 1147
Stockholm, Stockholm 111 81
Tel : +46 8 453 50 00

Tomas Shaw
Director
Valuation
Stockholm

tomas.shaw@jll.com

jll.fi