Valuation Statement

CITYCON OYJ

31 DECEMBER 2024

CBRE

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EXECUTIVE SUMMARY

The investment portfolio being valued includes 14 properties, all 100% owned by Citycon. Most assets concern shopping centres, but one property includes additional value for unbuilt but approved residential area. A property, Torvbyen in Norway, also currently concerns a shopping centre, but as we have been informed that this property has been closed and will be demolished, we have approached this as being a development plot. Another property concerns a parcel of land at the location of the shopping centre Kristiine in Estonia (the shopping centre itself was sold in Q4 2024). This has been approached as being a (residential) development plot.

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

31 Dec 2024	#	GLA	Market Value, EUR million	Net Initial Yield	Net Cash Flow Yield Req	Net Exit Yield Req	Gross rents EUR/sq.m./month	Market rents EUR/sq.m./month	Operating Costs EUR/sq.m./ month
Denmark & Estonia	3	96.300	291.243	7,6 %	7,1 %	7,1 %	23,5	21,9	3,8
Shopping centers	3	96.300	291.243	7,6 %	7,1 %	7,1 %	23,5	21,9	3,8
Greater Copenhagen Area	2	38.400	114.243	6,4 %	6,4 %	6,4 %	19,7	19,1	3,3
Tallinn	1	57.900	177.000	8,4 %	7,5 %	7,5 %	26,0	23,7	4,1
Norway	9	277.200	808.733	6,4 %	6,7 %	6,7 %	21,6	21,1	5,4
Shopping centers	9	277.200	808.733	6,4 %	6,7 %	6,7 %	21,6	21,1	5,4
Greater Oslo Area	4	109.200	327.596	6,5 %	6,6 %	6,6 %	22,2	22,0	5,9
Other Cities in Norway	5	168.000	481.136	6,3 %	6,7 %	6,7 %	21,1	20,4	5,0
Plots	2	0	16.689						
Other Cities in Norway	1	0	13.565						
Tallinn	1	0	3.124						
Grand Total	**14**	**423.700**	**1.116.664**	**6,7 %**	**6,8 %**	**6,8 %**	**22,1**	**21,3**	**5,0**

The total fair value of the portfolio as at 31 December 2024 was approximately 1,116.7 million Euros.

INSTRUCTIONS

Our instruction from Citycon Oyj was to carry out a fair valuation of the properties held in Citycon's investment portfolio as at 31 December 2024. The purpose of the valuation is financial reporting and performance measurement by Citycon.

Fair Value is defined by the International Accounting Standards Board (IASB) and IFRS 13 as:

"The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants on the measurement date".

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

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

SCOPE OF WORK AND ASSUMPTIONS

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

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

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

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

The Properties have been valued by valuers who are qualified for the purpose of the valuation in accordance with the RICS Valuation – Global Standards 2024.

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

We confirm that we have been valuing the subject portfolio since June 2017 and provided advice for Citycon's internal valuations since September 2017. We are of the opinion that there are no conflicts of interest present.

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

We inspected the properties internally between May 2017 – February 2025.

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

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

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

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

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

MARKET OVERVIEW

DENMARK

Economic Overview

During 2023, the macroeconomic outlook was characterized by rampant inflation, which contributed to uncertainty across markets. The result was record-fast monetary policy tightening led by the Federal Reserve and European Central Bank. This led to highly volatile financial markets and prices declining across several asset classes. The subsequent development in economic growth, however, reflects that the rapid interest rate increases have had the intended effect, as most major markets experienced a decline in the growth rate during 2023.

The Danish economy has experienced a softer contraction in 2024 than initially predicted, with GDP expanding 1.1% in Q2. The 2024 forecasted growth increased by 0.4 ppts to 1.6%, while GDP growth for 2025 is predicted at 1.9%. Growth in the Danish economy was significantly better than expected given the high level of inflation and interest rates experienced during 2023. It is estimated that the Danish economy would have stagnated, if it were not for the success experienced in the pharmaceutical industry over the past few years. However, this rapid pharmaceutical boom is expected to cool, as the industry struggles to match their near-term production with the surge in demand. Additionally, Novo Nordisk's period of exceptionally rapid growth will eventually slow, as their first mover advantage fades. It is therefore noteworthy, that fluctuations in pharmaceutical outputs make data revisions of national accounts volatile. The resilience and expansion of the Danish economy in Q2 can be mainly attributed to external demand and the high proportion of non-cyclical goods in the export basket. Combined with significant growth in the pharmaceutical sector, this has helped to shield Denmark from fluctuations in the global economy, as demand is more stable. Even though growth outside the pharmaceutical industry is still limited, it is expected to rebound later this year following the end of inventory destocking, recovering external demand and loosening financial conditions.

Despite an outlook to a potentially lower growth in 2024, the overall economic sentiment has improved and broke above the historical average in May for the first time in two years. Sentiment among manufacturers contributed particularly to this development as foreign demand improved. Consumer confidence is on a gradual upward trend, driven by higher real wages and a strong labor market. The robustness of the labor market is further emphasized by employment reaching a record high level in the spring. Employment growth has stayed relatively healthy, with employment expectations remaining above the long-term average despite labor supply growth driving up the unemployment rate since 2022. This means that job security remains strong. The slowdown in the economy is expected to only marginally impact unemployment.

Retail Market Overview

The Danish real estate investment market exhibited a notable upswing in 2024, with a transaction volume of DKK 52.3 billion, representing a 14% year-over-year growth. However, Q4 2024 recorded a slight decline of 19% compared to the same period in 2023, settling at DKK 17.5 billion. The current monetary policy environment has instilled confidence among investors, as interest rates have become more attractive, and investors have adapted to a "higher-for-longer" scenario. As a result, conservative investment strategies are aligning with favorable market conditions, positioning the real estate investment market for potential growth.

Total retail investments were reported at DKK 4.16bn in 2024. The general shopping centre yield has been revised upwards and stands at 5.90% for prime shopping centres and 8% for good secondary shopping centres. This has been stable since January 2024.

Lower financing costs should further support a gradual recovery of the real estate investment market in Denmark, with investment volumes increasing throughout 2025. However, investors and lenders will face several headwinds. Since a return to ultra-low interest rates is unlikely, the affordability of debt will remain in focus as

investors determine how to finance potential acquisitions in the year ahead. Nevertheless, strong economic growth driving positive fundamentals will support the recovery in investment activity.

ESTONIA

Economic Overview

Based on data from the Bank of Estonia, Statistics Estonia, Eurostat, the Ministry of Finance, the Estonian Institute of Economic Research, and the Tax and Customs Board, Oxford Economics.

In Q3 2024 Estonian GDP dropped 0.7% y-o-y in real terms, while it increased 0.1% compared to the previous quarter. Among the positive signs are the increase in cross-border orders expected by Estonian exporting companies and the reversal of the dynamics of the production volume of several branches that used to be in difficulty in the meantime. The purchasing power of Estonian population has also recovered in the last two years. In addition, the economy is supported by the reduction of interest rates by the central bank. Since June, the European Central Bank has cut rates multiple times.

Households are rebuilding their savings after using them to meet higher energy and food bills in 2022 - 2024. Governments are under pressure to recover some of the previously subsidised energy costs and to deal with the higher debt servicing costs and elevated public debt. Finally, weak world trade volumes are affecting some economies, including the Baltics.

More positively, falling inflation means that real wages are starting to grow, and interest rates have started to go down. These factors will help drive a pick-up in growth, although it will likely be H1 2025 before this trend gains clear momentum.

The Baltics have gone through 2024 with moderate inflation and rising in the first half of the year interest rates putting pressure on economic growth. The slower pace of economic development creates both challenges and opportunities for Baltic commercial real estate.

Weak economic growth directly affects the occupier side of the property market. Office-based employment is expected to grow more slowly in the Baltic capitals' office markets, which, on its own, will temper demand for office space. Meanwhile, improving retail sales and consumer spending growth will frame demand for retail, logistics, and leisure-related property. Reduced spending power and the steep increase in rents in 2022-2024 could create affordability issues in multi-family housing.

There are two principal risks to the outlook. The first is geopolitical – an escalation of the crisis in the Near East or an exacerbation of geopolitical tension elsewhere could worsen business and consumer confidence and threaten higher commodity prices.

Secondly, lack of foreign investor confidence in the region has already impacted the demand for commercial real estate markets, as well as deterred the establishment of foreign businesses locally. Recently, mostly the local players were the key driving force in the region's growth and investment landscape, although how sustainable it is, remains a question.

In the Baltics, the slowdown in output growth in 2022 – 2024 was mainly driven by the decrease in the main components of the GDP – consumer expenditure and investment – fueled by rising (until Q2 2024) interest rates and market uncertainty. Geopolitical unrest, increasing energy costs, and interest rates accelerated the drop in confidence levels in both private and public sectors. Consequently, risk-averse behavior was not uncommon – an increase in saving rates and decreased consumer spending – further slowing down the economy.

According to the Eurostat, in 2023, the real GDP in Estonia contracted by 3%, while in Latvia and Lithuania, contracted by 0.3%.

Real GDP growth is projected for all three Baltic countries. Lithuania expects 2.0% growth in 2024 and 2.9% in 2025, driven by wage growth, consumer confidence, retail trade, and corporate investments. Estonia's GDP will remain stable in 2024 (-0.5%) before rising 3.1% in 2025, as manufacturing and exports recover. Latvia anticipates 1.7% growth in 2024 and 2.6% in 2025, supported by wage growth, low unemployment, inflation, and improved customer sentiment.

Retail Market Overview

Based in data from Estonian Land Board, Estonian Statistics, Eurostat, Estonian State Building Register, CBRE Research data

Retail trade, which is grappling with a downward trend, is reshaping and searching for new concepts, as more than the mere sale of goods to customers and even a food court is needed to attract people to the shopping centre.

The retail sector underwent a rather turbulent period during the Covid-19 pandemic. Although post-pandemic, the industry has gained momentum due to lifted quarantine requirements and increasing spending patterns; the retail turnover has been experiencing a downward growth trend since the beginning of 2022, when geopolitical tensions in the East started. In more detail, in the second half of 2023, the retail sales turnover quarterly growth has slowed down across the Baltics to 0.1%-4.0% y-o-y, followed by a decline in Estonia during the five subsequent quarters by 1.3%-3.4%.

In the short-term, the Estonian retail market is expected to slightly contract. Economists predict that in 2025 the country’s economy should bounce back, therefore, retail sales should start growing again accordingly.

One of the main reasons for the recent decreases in retail turnovers are the raises in prices for both food and non-food items. These sharp increases have led to lowering consumption and belt-tightening for multiple households across the Baltics, especially forcing them to reduce spending on unnecessary goods. Additionally, the recent hikes in VAT (as well as upcoming in 2025) are unlikely to result in positive retail growth in the near future.

In Estonia, retail stock development activity has been slow for the past couple of years. In the country’s capital, throughout 2022 and 2023, 5 projects were finalized together supplying ca. 60,000 sqm GLA of retail space. As of 2024 retail stock supply to the market was ~9,800 sqm GLA.

Retail Investment Market

In 2024, the Tallinn retail market experienced significant activity, making it an attractive area for real estate investment. One of the standout transactions was the sale of Kristiine Shopping Centre for nearly €130 million, marking the largest commercial real estate deal in Estonia. Additionally, Viru Keskus saw a major change in ownership, with Pontos Group selling its stake to AS Kapitel and Tristafan OÜ, making Kapitel the majority shareholder. These transactions highlight the strong investor confidence in Tallinn's retail sector.

The capital value per square meter for shopping centres in Tallinn varied. Leading shopping centres have maintained a capital value indication of EUR 2700 - EUR 3000 per sqm over a longer timeframe. Smaller retail schemes and neighbourhood shopping centres with a GLA below 10,000 sqm are priced from EUR 1500 - 2000 per sqm. This stability reflects a balanced investment environment, where the risk and return expectations of investors are well-aligned. The market's resilience is further demonstrated by the steady interest in prime retail properties, despite broader economic uncertainties and in a hope for a local economy growth perspective.

The yields having been stable for the most part, currently for retail sector stand around 6.75-7.75%. Yields are not expected to change substantially in 2025, even though the ECB rates are projected for a slight decline. As the Baltic yields have not moved out on the same levels as evident from the more mature EU markets, the yield contraction is also not expected to be as vibrant. For smaller retail schemes, the market showed cautious optimism. While retail sales volumes had declined in previous years, there were signs of recovery towards the end of 2024 ang going into 2025. Asking prices for smaller retail properties were influenced by this trend, with investors remaining hopeful for modest growth in consumer spending. Most of the deals in this segment were below EUR 30 million, which imposes certain liquidity risks under shorter than 12-month marketing timeframes. Overall, the Tallinn retail market in 2024 was dynamic, with significant transactions and a cautiously optimistic outlook for smaller retail schemes.

NORWAY

Economic Overview

Despite a continuing weak Norwegian Krona, inflation has been coming down throughout 2024 and after a surge in energy prices leading to increasing costs in almost all sectors, the falling energy prices have also led to a fall in goods prices and a strong fall in core inflation.

Norges Bank has raised the policy rate significantly to tackle high inflation since 2021 and has kept the policy rate at 4.5% from the end of 2023. Higher interest rates have cooled down the economy and led to declining inflation. Unemployment has edged slightly up from the 2022 lows and amounted to circa 4% towards to end of 2024. Inflation is now closer to the Norges Bank target at 2.2% (December 2024), but the rapid rise in business costs is likely to stoke inflation ahead.

Real GDP growth for Mainland Norway is expected to be subdued at 0.8% in 2025 and increase to 0.9% in 2026 and 2027.

Household consumption, which constitutes approximately half of Mainland Norway's GDP, has shown weakness but is projected to rise substantially due to an anticipated increase in disposable real income and real wealth. Specifically, disposable real income is expected to grow by about 4.5% in 2024 and continue to rise by approximately 3.5% annually from 2025 to 2027.

The Norwegian Consumer Confidence Index (CCI) has been gradually improving since its record low of -36.8.0 in Q4 2022. However, with -14.4 as of Q4 2024 it is still in negative territory.

Retail Market Overview

The total retail investment volume amounted to circa NOK 10 billion in 2024 (circa 12.5% of the total investment volume of circa NOK 80 billion).

It appears that there is good interest and turnover growth from tenants. The luxury segment has seen incredible growth in rents but now seems to be levelling off. Nedre Slottsgate in Oslo has managed to achieve the highest concentration of luxury retail in Europe on a single street.

In the shopping centre space, margins are squeezed for some tenants, especially in fashion. Further, the bankruptcy rate for F&B has increased. Home & Cottage recently announced bankruptcy, while discount stores like Normal are doing well. Like in the office sector, there is a large and growing difference between prime and secondary pricing.

Generally, the property class has proven to be robust. Despite threats from e-commerce, the pandemic, economic hardship, and rising interest rates, it is still performing well. To some degree the line between physical and online retail is blurring; it's all about being where the customer is and offering as seamless a shopping experience as possible. This is evident in the statistics, where the proportion of stores with both physical and online presence has increased.

In terms of turnover, turnover in shopping centers increased by 3.5 percent in 2024, according to Kvarud analysis. Corrected for projects and available shopping days, the growth amounted to 2.9%. The best performing sectors were the specialty stores (growth of circa 5.7%), the service industry (circa 5.5% growth) and F&B (circa 5% growth).

In terms of notable shopping centre deals the largest transaction concerned to sale of Trekanten Senter by Citycon to Scala Eiendom for a gross purchase price of NOK 1.325 billion in September 2024.

The general shopping centre yield has been revised upwards and stands December 2024 at 5.75% for prime shopping centres and at 7.00% for good secondary shopping centres.

VALUATION METHODOLOGY

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

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

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

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

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

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

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

As we have been informed that the property Torvbyen has been closed and needs to be demolished we have approached this valuation as a development case. We have been informed a rezoning process has been started up and we have been provided with expected volumes. We have undertaken a residual approach of the potential building or development rights for the potential scheme, applying a risk adjustment for zoning risk thereafter in line with the status of the current zoning situation. Where possible we have benchmarked the results against comparable building right sales. The residual method is very sensitive to changes in key inputs. Small changes in variables such as sales volumes or build costs will have a disproportionate effect on the initial building rights or value and remaining project value during execution. Site values and project values can therefore be susceptible to considerable variances as a result of changes in market conditions. The sensitive nature of the results should be taken into consideration by you.

VALUATION

The investment portfolio being valued includes 14 properties, all 100% owned by Citycon. Most assets concern shopping centres, but one property includes additional value for unbuilt but approved residential area. A property, Torvbyen in Norway, also currently concerns a shopping centre, but as we have been informed that this property has been closed and will be demolished, we have approached this as being a development plot. Another property concerns a parcel of land at the location of the shopping centre Kristiine in Estonia (the shopping centre itself was sold in Q4 2024). This has been approached as being a (residential) development plot.

The portfolio is geographically divided into three countries: Denmark (2 properties), Estonia (2 properties) and Norway (10 properties). The key figures of the portfolio are presented in the table below. There are some very large shopping centres in the portfolio and the 3 largest assets account for circa 46% of the total value. The largest assets by value are Rocca al Mare in Estonia, and Oasen and Herkules in Norway.

One of the property values include additional value for approved building area which has not yet been utilized (for the property Herkules).

The total fair value of the portfolio as at 31 December 2024 was approximately 1,116.7 million Euros.

31 Dec 2024	#	GLA	Market Value, EUR million	Net Initial Yield	Net Cash Flow Yield Req	Net Exit Yield Req	Gross rents EUR/sq.m./month	Market rents EUR/sq.m./month	Operating Costs EUR/sq.m./ month
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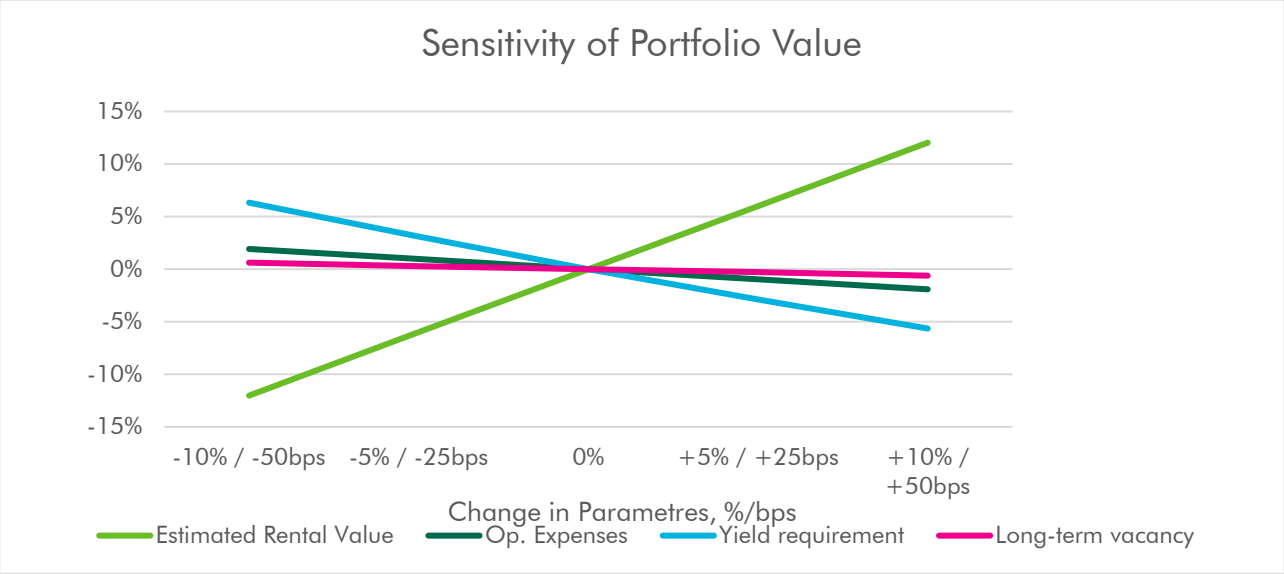
SENSITIVITY ANALYSIS

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



The value is the most sensitive to changes in rents, with the value changing by approx. 12% with the income level reducing or increasing by 12%. The next largest impact is made by changes in the yield, where a 10% reduction in the capitalisation rate results in an 6% increase in value and a 10% increase in the capitalisation rate results in a 6% reduction in value. A 10% change in operating expenses only has a 2% impact on value, both up and down.

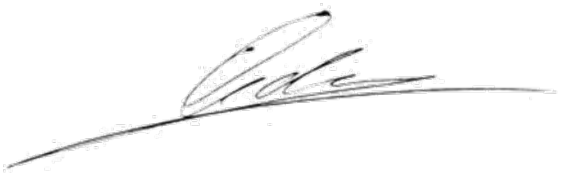
VALUATION ASSESSMENT

We are of the opinion that the aggregate of the Fair Values of Citycon Oyj's investment property portfolio, free of liabilities and debt, as at 31 December 2024 is approximately:

1,116,665,000 Euros

(ONE BILLION ONE HUNDRED SIXTEEN MILLION SIX HUNDRED SIXTY-FIVE THOUSAND Euros)

In Oslo, Copenhagen and Riga 18th February 2025,



Roberts Ardavs, MRICS

For and on behalf of
CBRE Baltics

Christopher Bailey, MRICS, Hypzert (MLV)
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Executive Director

For and on behalf of
CBRE A/S (Denmark)

Martijn Kooman, MRICS
Director

For and on behalf of
CBRE AS (Norway)