JLL SEE A BRIGHTER WAY

Valuation Statement

Citycon Oyj

31 December 2024

12/2024

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Executive Summary

At the end of December 2024, Citycon's investment portfolio being valued included 18 investment properties in Finland and Sweden. One of the properties is owned via a joint venture and associated companies (IsoKristiina located in Finland).

13 of these 18 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 while 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 excluded from the table. Lippulaiva residential buildings have been included in all key figures.

31 Dec 2024	Number of properties	Market Value, EUR million	Wght. Average Initial Yield	Wght. Average Reversionary Yield	Wght. Average Net Yield Requirement	Average Market rents EUR/sq.m./month	Average Operating Costs EUR/sq.m./ month
Total Property Portfolio in Finland	8	1,622	4.9 %	5.8 %	5.9 %	30.3	7.8
Total Property Portfolio in Sweden	6	885	5.3 %	6.6 %	6.0 %	25.5	8.7
Total Property Portfolio	14	2,508	5.1 %	6.1 %	5.9 %	28.1	8.2

In addition, we have carried out a fair valuation of four land plots/development projects located in Finland. The fair values of land plots/development projects are not included in the presented figures and their total market value was approximately €18.5 million.

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 2024 was approximately €2,530 million, including the four land plots/development projects.

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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 2024, 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.

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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 2024, except Stenungs Torg that has been inspected in the end of 2022. All properties in Finland were inspected in 2024.

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 11.459 SEK/EUR which is the exchange rate according to ECB between Swedish Krona and Euro at 2024-12-31.

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3. Market overview

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

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3.2. European market overview

Economy

The global economy has been strong in 2024, and growth indicators also paint a positive picture for the beginning of 2025. The United States and developing Asian countries have been particularly driving this growth. The global economic growth is expected to converge towards its long-term average of 3% in the coming years, which is still significantly below the average growth rate of 3.8% realized in the first two decades of the 2000s. The slowdown in medium-term growth is due to structural factors in economies: aging populations, low investments, and slow productivity growth.

The otherwise positive outlook for the global economy, or especially world trade, is clearly overshadowed by the perceptible risk of a trade war. During Trump's presidency, the United States is very likely to impose trade tariffs, and although there is no information yet on their targets and magnitude, the most likely scenario is that world trade will suffer. The risks of a trade war are not limited to U.S. actions alone, as China's stimulus measures further support its industry. With weak domestic demand in China, this oversupply will spill over to other countries. In response to this, it is likely that various import tariffs will be imposed around the world on Chinese products. An example of this is the EU's import tariffs on electric cars manufactured in China. Generally, it can be said that the risks to growth prospects are mainly on the downside.

Economic growth in the Eurozone was almost non-existent in 2022-2023 after Russia invaded Ukraine in early 2022. In 2024, however, some degree of growth can be observed again, supported by the decent state of the global economy, interest rate cuts, and improved consumer purchasing power. Labor markets in the Eurozone remain very strong, as evidenced by good real wage development and the ever-increasing number of unfilled job vacancies. The downside is that these factors are enabling, for example, the rise in service prices, which has continued stronger and longer than expected. Despite this, the European Central Bank has cut interest rates three times, and it seems very likely that further cuts are expected in December due to, among other things, the weak outlook for European industry. Markets expect the ECB's key interest rate to fall to 2% by summer 2025. Interest rate cuts support economic development, and their impact is transmitted to the economy with a lag, so they are expected to support economic growth during 2025.

Operational Performance – Macro level

European consumer confidence waned towards the end of 2024, with growing concerns about the general economic situation and household finances for the coming year. The Eurozone and EU (27 countries) consumer confidence indicators stood at -15.6 and -14.6 respectively, slightly below their long-term averages. However, consumer spending is expected to improve gradually in 2025, driven by real wage growth. Across the Eurozone, consumers are forecast to increase spending by 1.5% in 2025 and 1.9% in 2026. In the EU (27 countries), growth is anticipated at 1.7% in 2025, followed by a 2.1% increase in 2026.

Retail trading conditions have become more challenging as cautious consumers increasingly focus on affordable quality. Zara owner Inditex posted positive results and pointed to an increase in aspirational shoppers who used to shop at upmarket brands. Healthy results were also delivered by Uniqlo, Next, Douglas and Adidas, as well as various value operators, including Primark, Action and Takko Fashion. Strong results were also posted by chocolate maker Leonidas as well as Pandora, which said that personalisation options drove notable growth. Ceconomy, the owner of MediaMarkt and Saturn, has increased profits partly due to the introduction of smaller store concepts.

Demand for luxury goods has fallen globally, resulting in a drop in revenue for LVMH, Kering and Mulberry whilst Hermes posted strong growth across Europe. While revenues at Richemont and Watches of Switzerland edged up, their profits fell sharply during their past financial quarter. Despite a modest rise in revenue, profits have also been affected at food and beverage specialists McDonald's and Starbucks due to less traffic and cautious consumers. A similar performance was also delivered by DIY specialist Hornbach as well as by retailers Hugo Boss, Dr Martens and JD Sports. Carrefour posted mixed results. It pointed to weak demand in various European markets, including France and Spain.

Operating conditions are expected to remain challenging in the coming quarters. Solid labour market conditions have so far supported retail spending, notably for non-food products. However, retailers continue to face staffing shortages, rising wages,

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increased energy costs and growing inventory levels. This will continue to add pressure on weaker retailers and retailers operating with lower margins.

Online retail sales (nominal) continue to see higher growth rates of 6.1% per year until 2029. Online retail sales growth is expected to come down from the strong growth rates observed before the pandemic and during the pandemic. Consumer demand has eased as a result of the increased cost of living. In addition, operational costs have gone up, as have financing costs. As investors demand a path to profitability and e-commerce operators need to focus on improving the balance sheet, there will be a stronger focus on profitable growth. Particularly if interest rates are high. This will benefit physical retail spending. Physical retail spending is forecast to grow across nearly all segments in the coming years across the key European retail markets. Some retail assets may benefit from repositioning the tenant mix to align with growth opportunities.

Occupational Market

International retailers are eyeing cross-border expansion opportunities. Expansion into markets with an affluent consumer base or growth in retail spending offers major retail brands opportunities to drive resilient growth while mitigating downside risks. Half of the leasing volumes across Europe's largest cities are currently driven by international retailers.

European retail leasing activity remained strong during the final months of 2024 as more retailers moved forward with opening new stores. Dominant retailers, notably fashion retailers and health and beauty specialists, continue to target strategic locations. With the supply of prime retail space becoming scarcer across the best locations, retailer demand for space is expected to broaden selectively outside the best retail destinations.

Leasing activity is gradually broadening, with approach roads towards prime pitches that benefit from high footfall and lower rents gaining more interest. Retailers are also securing more high-quality retail space in regional cities such as the UK and Italy, while leasing activity in secondary locations continues to lag. This is expected to change as growth in prime shopping centre rents and prime high street rents across Europe are forecast to see a notable pick-up in the coming years.

Investor Sentiment – Macro context

Considering the final quarter of 2024, shopping centre investment accounted for 32% of the traded volumes in the European retail investment market during the final quarter of 2024, supported by the sale of shopping centres Liverpool One in the UK and Blanchardstown Centre in Ireland as well as Silesia City Center and Magnolia Park in Poland. Investors have also been active acquiring retail warehouse assets and grocery real estate across Europe, with their share in traded retail investment volumes accounting for 25% and 14% respectively. €802 million was invested in Northern European retail real estate assets in Q4 2024, which was an increase of 39% year-on-year. Sweden and Norway were the most active markets in Q4 2024, with volumes reaching €387 million and €329 million respectively.

Prime commercial real estate yields remained stable in most European markets during the final quarter of 2024. The weighted average yield for prime shopping centres across Europe saw a slight compression of -1 bps to 6.44%. In contrast, prime retail warehouse parks saw the average European yield move out by 1 bps to 5.95%.

The European shopping centre investment market is seeing a diversification of investor types and capital sources. In Germany, for instance, all four recent shopping centre transactions involved new market entrants. Private equity investors are particularly focussed on shopping centres yielding 9% to 12% in Europe's most active markets. Wealthy individuals and family offices are also entering the market, sometimes pooling capital or forming club deals to acquire larger assets. Some institutional investors, particularly in the UK, are cautiously re-entering the market. International investors are increasingly active across Europe. Some are employing innovative financing strategies, such as issuing bonds to raise capital or selling loans ahead of or alongside property transactions to facilitate deals.

Grocery-anchored real estate and retail warehouse assets remain highly sought after across Europe. French SCPIs are expanding their search for stable income-producing assets beyond their home market. They are targeting retail warehouse assets yielding 7% or higher in markets like Ireland and the UK, with potential future activity in Italy and Belgium once legal hurdles are addressed. New investment strategies from major investors focussing on major retail warehouse parks across Europe are emerging, although a lack of suitable stock may constrain activity.

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3.3. Finland

3.3.1. Economy

Since 2022, Finland's economic growth has been clearly weaker than in comparable countries, and the direction has not changed during 2024 either. Growth remains negative for Finland in 2024 and it’s one of the few countries in Europe to report negative growth rates. However, the outlook for 2025 is positive, and the economy is expected to strengthen supported by lower interest rates and a strengthening export market, although we cannot speak of an actual growth spurt.

Source: Oxford Economics 10 / 2024

Finnish GDP forecast

The inflation peak is firmly behind us in Finland, and price increases have slowed down broadly. In October, the annual change in consumer prices was 1.0%. The increase in value-added taxation accelerated inflation by 0.6 percentage points, and inflation is expected to accelerate slightly in the last months of the year. Generally, however, it can be stated that price increases in Finland are slow and mainly concentrated in services.

The unemployment rate has been increasing since 2023, and the negative development has continued in 2024. By many measures, the development has been worrying: The unemployment rate trend has been this high previously in 2017, the number of long-term unemployed has increased, and the number of open jobs is at its lowest since 2017 (except for the corona spring). Additionally, the number of bankruptcies, measured by both the number of companies and employees, has steadily increased since 2021 and is now moving at the same peak levels as during the financial and euro crises. It is very understandable that consumer confidence in the country's economy remains low, although there is more belief in the current state of one's own economy. The predicted positive economic development relies heavily on the development of export markets, which carries risks due to both the trade war and the weak development of the European economy.

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3.3.2. Retail Occupancy Market

In recent years, few new significant openings have been made by retail companies in Finland. Health and beauty sector operators have been one of the most active, with Lyko stores in Helsinki and Turku being among the latest visible openings. Fashion industry operators have driven rental growth in Europe this year. For example, In Finland, Nike and LPP stores have made new openings, including outside the capital region.

In the restaurant sector, the average contract length has standardized to three years, although some operators are still willing to make longer contracts to secure a good location. Recent years have been challenging for restaurants due to rising costs and consequently deteriorating profitability, and there have been cases where restaurants have had to leave good commercial locations due to excessively increased costs. Despite the difficulties, there is still generally a reasonably good demand for restaurant spaces.

The retail market continues to polarize – reduced customer numbers in city centers are reflected in the tenant demand for commercial spaces. In contrast, shopping centers, even in city centers, with a wide range of services and which are destinations for consumers in themselves, can still attract customers and have maintained good tenant demand. According to publications by the Finnish Council of Shopping Centers, sales volumes of the 50 shopping centers included in the comparative data grew by 6.2 percent in 2023 compared to the previous year. Sales in the 20 largest shopping centers in the Helsinki metropolitan area grew by about 9.7 percent from 2022 to 2023, and visitor numbers by about 8.6 percent. At the same time, sales volumes in the ten largest shopping centers outside the Helsinki metropolitan area grew by 5.0 percent and visitor numbers by 5.8 percent.

3.3.3. Retail Investment Market

On the transaction side, the commercial property market has picked up, especially in Europe. The sector's attractive yield requirements and rental growth have increased transaction activity, and generally, transactions in Europe have been conducted abundantly in the yield requirement range of 8–12%. This refers to well-leased, successful properties just outside prime centers, but typically still shopping centers that historically traded at 5–7% yield requirements. While yield requirements have risen and liquidity is returning to the sector, financiers' interest in retail properties has also clearly improved, even in larger size categories. However, very few transactions have still been made for absolute prime properties: in Munich, Germany, the sale of the Pasing Arcade shopping center with 10 million visitors and 53,000 square meters in size in the autumn is one of the few transactions in the past year. The Pasing transaction was completed at a yield requirement level slightly below 6%.

Regarding shopping centers, there are clear signs of market recovery in Finland following Europe. Several ongoing potential transaction processes are known, which are expected to possibly materialize during 2025. One of these, Skanssi in Turku, is already in its final stages. In the case of Skanssi, the yield requirement has increased significantly compared to the peak years before the coronavirus. Although the modern property is almost fully leased and represents a good energy class, its location between Turku and Kaarina likely limits potential investors. Anohter test for the market is the 50% share of Kamppi, located in Helsinki city center. This potential transaction would show pricing levels for shopping centers in city centers for the first time in a long while. The publicly stated guidance for pricing in the case of Kamppi is a yield requirement of 6.5–7%, but it remains to be seen if Nuveen is willing to sell at the available offer levels.

In the first half of 2024, several local shopping centers were sold: Pontos sold the Mansikkapaikka shopping center from Imatra and the Kauppapaikka 18 shopping center from Kajaani. American Cerberus Capital Management sold the Forum shopping center in Jyväskylä to Ovaro for about 7 million euros, corresponding to only about 430 euros/m^2. Ovaro later sold the shopping center and its associated plot separately, partly through an internal transaction in the summer. The property's location in Jyväskylä's pedestrian center is good, and the property has been renovated, but it requires significant investment in terms of leasing. Transactions also took place in the Helsinki metropolitan area, when eQ sold to Kesko the grocery driven Sinikallio shopping center in Mankkaa, Espoo. With this transaction, Kesko particularly wants to ensure the permanence on the commercial location. Similarly, HOK-Elanto bought the Niitty shopping center in Niittykumpu, Espoo.

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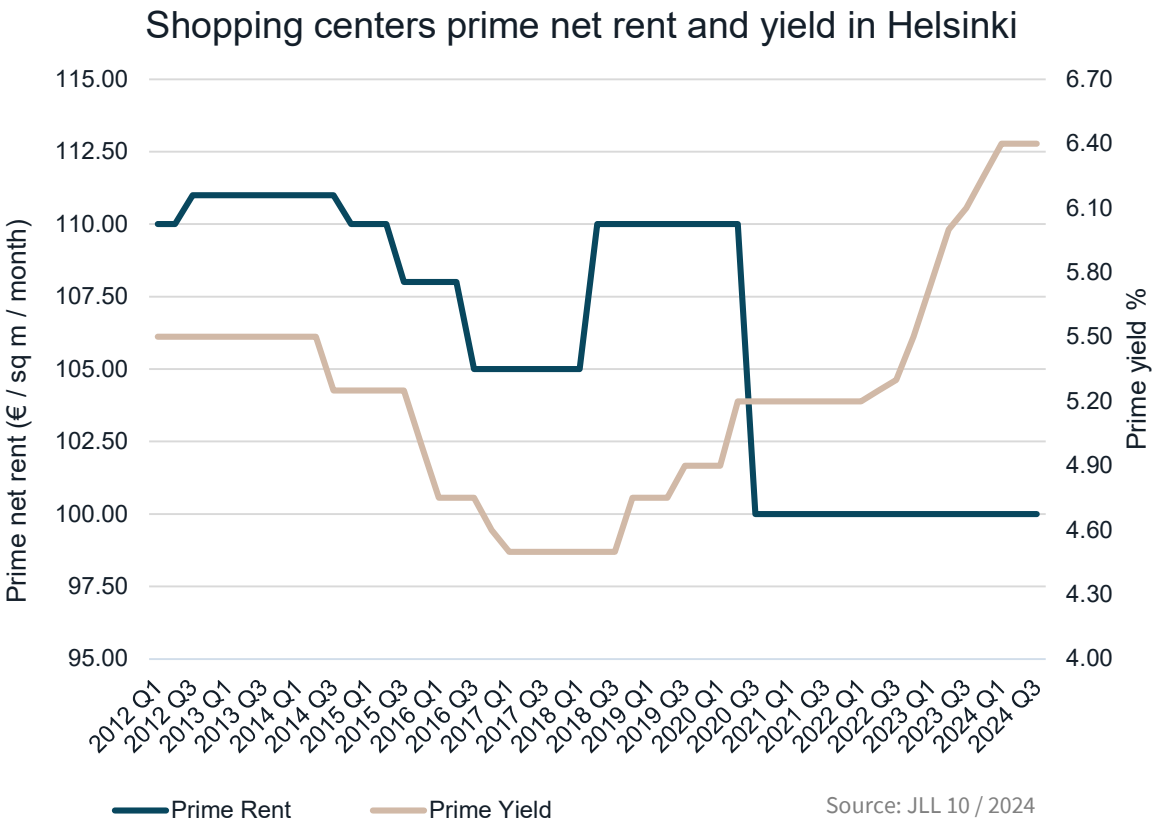

Prime net rents and yield requirements for shopping centers in Helsinki.

The prime yield requirement for shopping centers reached its lowest point in 2017–2018. After this, it rose sharply, especially as investors began to question rental levels and particularly their growth prospects. Just as the yield level of shopping centers began to attract investors again, the rise in interest rates brought caution back to the market. In the third quarter of 2024, the prime yield requirement was 6.40%, which is 120 basis points higher than at the beginning of 2022, and it is still seeing upward pressure. It is very possible that the yield requirement for shopping centers will exceed the prime yield requirement for big box retail over the next year, depending on the progress of a few significant transaction processes. This would be an exceptional situation historically.

Polarization in the retail market has continued in both the tenant and investor markets, and uncertainty has increased. High inflation has eroded consumers' purchasing power, and increased rental costs have also added to tenants' uncertainty. As polarization increases, it is uncertain which tenants can maintain current rental levels and where the OCR (occupancy cost ratio) becomes too high to keep operations profitable in the long term. When examining yield requirements for prime properties, there are no signs of turning downwards yet, and upward pressure is still seen in the yield requirements for weaker properties.

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

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is a very secure income asset with two 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 interest rates started to decrease 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.

3.3.4. Residential investment market

The residential market has been one of the most active sectors for investors also in a slowed market. Overall, financing remains available for individual residential assets and portfolios in growth centers, and their financing terms are better than in other sectors. Lenders have also lowered their highest loan-to-value ratios; Nordic banks offer between 50-55%, while international lenders can go up to 70%. International lenders are interested in the sector, particularly in larger portfolios and development projects, providing healthy additional liquidity. Volatility in financing costs has levelled, but costs have settled significantly higher than in recent years. The importance of ESG and sustainability themes continues to grow among investors, shareholders, and users. In particular, sustainability is central to new projects and a requirement for an ever-growing portion of investors.

Therefore, the residential sector still faces broad investment demand, but the economic fundamentals for investments have changed, with prime residential assets requiring a yield of 4.50% this quarter, compared to the lowest point of 3.05% in Q1 2022. Cuts in the base rate have not yet translated into the expected increase in transaction volumes, although there has been some uplift.

During 2023–2024, the number of transactions gradually increased as sellers adjusted to the new market conditions and higher yield requirements. In 2024, there was a noticeable revitalization in the market. Transactions highlighted good micro-locations, either in the Helsinki Metropolitan Area or the Tampere region, accessibility by rail, and strong ESG parameters.

In Q2 2024, the housing market showed improvement. In June, OP sold two residential buildings in Helsinki to Sirius. Both properties have excellent micro-locations in Pasila and Etelä-Haaga, with strong ESG parameters and energy classes A and B, built in 2016 and 2018 respectively. The properties represent prime-level residential assets in terms of location, ESG parameters, and pricing, with a yield of 4.5%.

In June 2024, the OP-Rahastoyhtiö-managed OP-Vuokratuotto special investment fund sold 10 residential buildings to a fund managed by Slättö Förvaltning AB. The combined rentable area of the portfolios was about 26,000 square meters, comprising 544 apartments. Approximately 60% of the portfolio's value is in the Helsinki metropolitan area, with the rest along the new tram line in Tampere. The properties, built between 2003 and 2019, have an excellent ESG profile, and the price settled around a 5% level, indicating higher pricing in Tampere.

At the end of May 2024, Catella European Residential III fund acquired a portfolio worth around 50 million euros, consisting of 243 new residential units, six commercial spaces, and 122 parking spaces in Helsinki, Tampere, Turku, and Vantaa. The seller was Oivat Kaupunkikodit Ky, managed by eQ Asset Management Ltd. The properties featured a strong ESG profile. In Q2 2024, four residential properties changed ownership, with eQ’s real estate fund selling to Sirius Capital Partners properties in Vantaa, Turku, Tampere, and Helsinki for a total of 45 million euros, comprising 251 apartments.

The residential sector offers more limited inflation protection compared to other real estate sectors. Additionally, the record-breaking volume of residential construction in recent years has increased supply in nearly all submarkets, leading to competition for good tenants. However, demand is polarized, with several large domestic investors focusing exclusively on the largest cities, such as the Helsinki metropolitan area, and the surroundings of Tampere and Turku. In contrast, demand in smaller regional cities, especially in properties facing rising maintenance costs and uncertain development prospects, is significantly weaker and primarily in the hands of opportunistic and local investors. On the other hand, the demand for more affordable rental housing supports the success of these properties, as tenant demand is expected to remain strong. Liquidity varies significantly in smaller regional cities due to market cycles, making them less attractive to investors.

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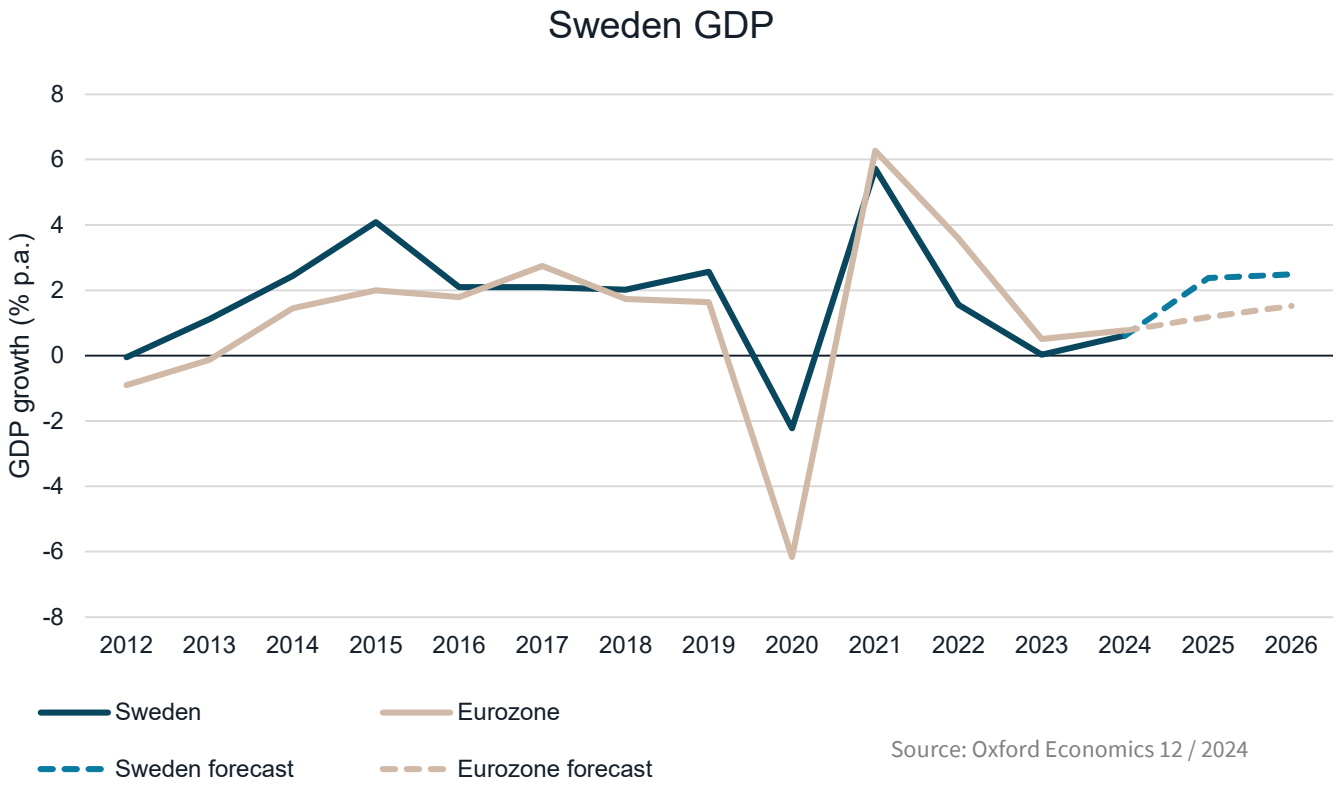
3.4. Sweden

3.4.1. Economy

The Swedish economy remained weak during the majority of 2024 and as at the start of Q4 2024 the full year GDP is estimated to grow marginally by c0.6% according to many economic forecasters. The recovery has continuously been pushed forward throughout the year and the main effect of lower interest rates is now expected to filter through during 2025. The performance of the Swedish economy is comparable to the European average in 2024 but follows a year of negative GDP growth in 2023 (-0.1%), that was clearly weaker than many comparable countries. However, the outlook for 2025 is positive and the Swedish economy is expected to grow faster than the EU average in 2025 and 2026 at c2.5%.



Source: Oxford Economics 12 / 2024

In 2024, inflation began to slow down towards the inflation target with more certainty, prompting the Swedish Riksbank and other central banks to lower interest rates. In October 2024, the CPI growth figure was 1.6% YoY. The Swedish Riksbank started to cut the policy rate in May 2024 and has done consecutive cuts throughout the year. In total the policy rate has been cut by 150 bps from 4.0% to 2.5%. The Riksbank is signalling another rate cut in the start of 2025 but the market is pricing in further cuts to stimulate economic growth. However, increasing concern regarding inflationary pressure following Trump's recent victory in the American elections and current geopolitical uncertainty challenge the current assumption of further interest rate cuts.

Unemployment has been weak and rising since 2023, continuing into 2024. As at the start of Q4 2024 the unemployment ticked up to 8.5%. However, recent signs indicate potential stabilization, with positive employment trends expected in coming years. Consumer confidence has improved significantly in 2024, primarily due to decreasing interest rates, though the December figure showed a decrease in consumer confidence reflective the current volatile and uncertain geopolitical and economic environment. Business confidence remains low, especially in construction, but subtle indications of positive momentum are emerging across various industries.

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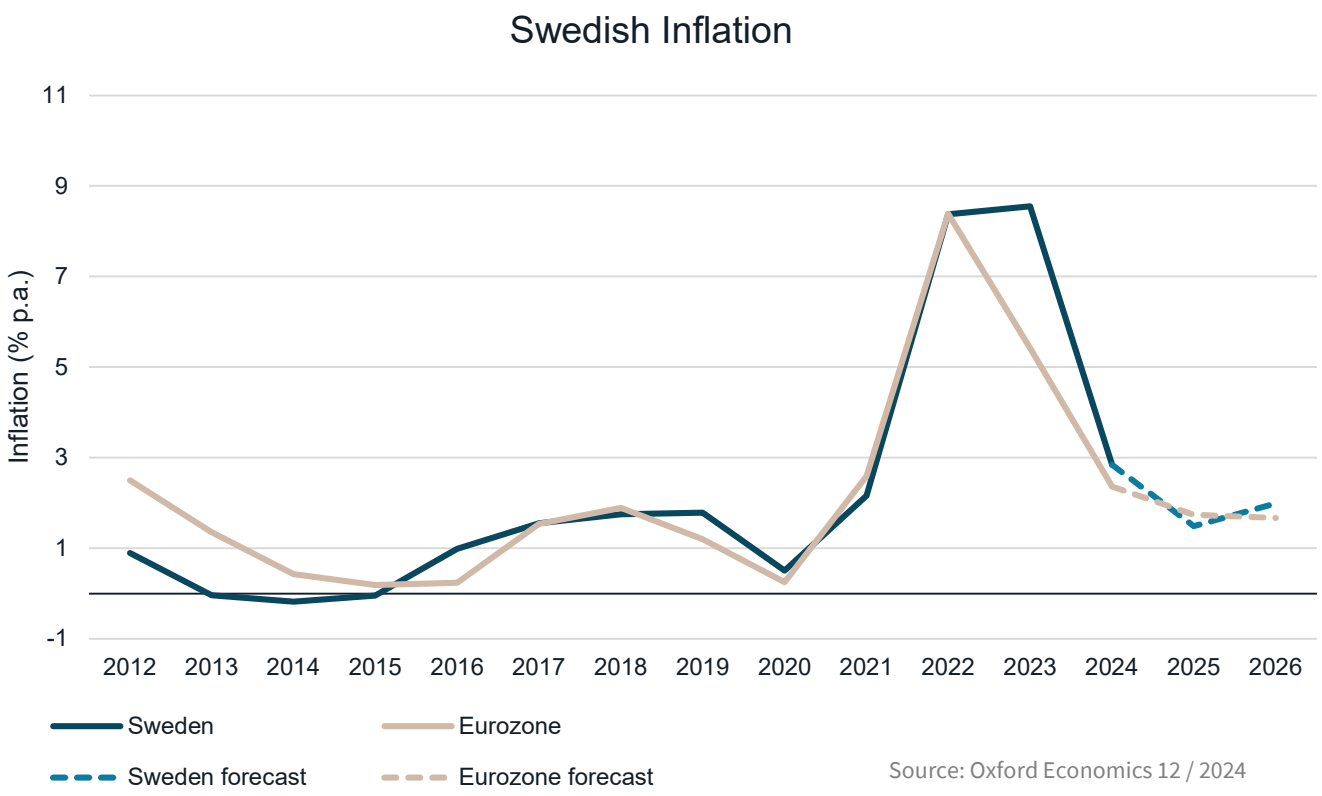

Source: Oxford Economics 12 / 2024

3.4.2. Retail Occupancy Market

The Swedish retail sector continues to experience polarisation in 2024, with retail warehouses, grocery retail and prime high street locations maintaining a strong performance. Meanwhile, the challenges continue to be more visible for the polarized shopping centre sector, still facing challenges in attracting footfall and tenants, varying by location, offering and market position. Total retail sales growth in Sweden reached 1.6% y/y in Q3 2024. Trade in consumables rose by 2.6% while durables increased by just 0.9% Pharmacies, beauty and cosmetics were segments that have performed especially well during the year, whilst gardening, furniture and electronics have decreased their sales (HUI Research).

Swedish consumers started to see improvement in household purchasing power in 2024 driven by the decline in inflation, nominal wage growth and reduced mortgage rates. The Swedish households generally have shorter term mortgages, resulting in changes in interest rate filtering through faster compared to many other countries. The household confidence indicator has been rising for over a year, but this trend was broken in December 2024 with a decline. It's evident that households continue to be cautious and prioritise savings amidst current geopolitical and economic uncertainties. Looking forward the consecutive policy rate cuts by the Swedish Riksbank during 2024, combined with tax cuts and real wage growth, are set to give consumers additional relief throughout 2025. Recovery is anticipated, albeit gradual, potentially benefiting retailers adapting to evolving consumer preferences.

Despite cautious consumer spending and a slower-than-expected recovery in overall retail sales, demand for retail spaces persists as retailers across various sectors aim to secure their market presence. This sustained interest, coupled with the potential for increased consumer spending in 2025, offers hope for the retail real estate market. Retailers and landlords are adapting their strategies, focusing on experiential and omnichannel approaches to attract and retain customers. For instance, IKEA is experimenting with a mini department store format in Mall of Scandinavia, set to open in early 2025. Additionally, significant openings during the year have concentrated on discount retail concepts such as Dollarstore, Normal, and Lager157, reflecting the market's evolving dynamics.

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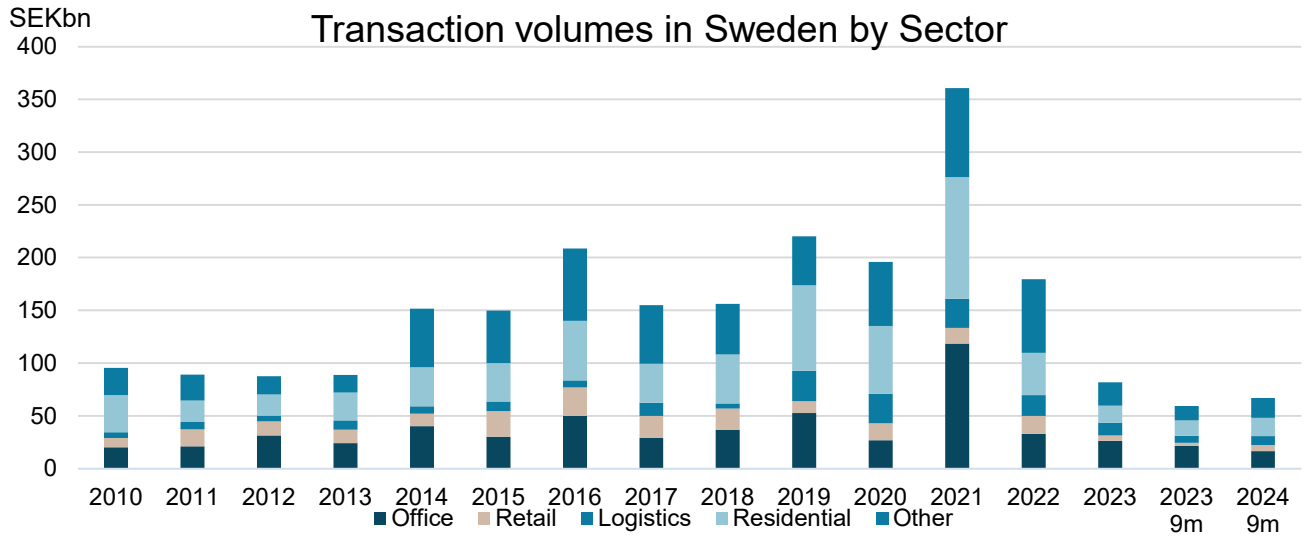
3.4.3. Retail Investment Market

The Swedish transaction market was hit hard by the high inflation and interest rate environment during the last two years. Transaction volumes dropped significantly compared to the record year 2021 as buyers and sellers' expectations grew far apart. The total volume during 2023 was especially low, well below the 10-year average. The trend continued for the first half of 2024, with transaction volumes on par with the volumes in 2023, as the recovery and inflation proved to be stickier than expected.

Following the slowdown in inflationary pressure during the summer 2024, together with the subsequent policy rate cuts since May 2024, the total transaction volume started to improve in Q3 2024 with the total volume increasing by r.d. 14% YoY. In Q3 2024 alone the transaction volumes were up by r.d. 25% compared to the corresponding period in 2023. The positive trend has intensified during the start of Q4 2024 with an elevated transaction volume to be expected for Q4 2024 and for the year in total.



Transaction volumes in Sweden, source JLL 10/2024

The Swedish real estate market is still affected by the challenges from the past two years volatile market including a rapid correction to a higher interest rate environment, decreased loan-to-value ratios, as well as the price and reduced availability of financing and new capital. However, inflation is now in line with the long-term goal, the Riksbank has cut the policy rate from 4.00% to 2.50% in December 2024 and the expectations is for further cuts during the start of 2025 to 2.0-2.25%. Long term interest rate expectations have followed downwards to 2.00 during Q3 2024 but is still very volatile. The bond market has returned in Sweden and has contribute with increasingly higher volumes and lower credit spreads to the sector, now providing many companies with a good alternative to bank financing. It is worth commenting that there are still many uncertainties in the market, but there has been a clear change in investment sentiment during the end of Q3 2024 and start of Q4 2024 in Sweden. There is considerably more activity in the investment market, with buyers and sellers price expectations starting to narrow in many sectors and with bid intensity improving and deals taking place at a higher and faster rate. There is still an element of limited buyer activity, mainly a lack of core capital. That said, we do expect transaction volumes to pick up for 2025.

Retail has, in line with virtually all segments, seen increased transaction activity, be it from low levels. Despite a doubling in transaction volumes, the sector accounted for roughly 10 percent of the overall transaction market in 2024 so far. Interestingly, more than half of the volume included an international buyer and/or seller, indicating the segment's international importance. Retail investments focused on grocery anchored and big box assets in strong locations during the year as the lack of transactions of prime assets displays the absence of core money. Key transactions during this period underscore these trends.

Prisma Properties and Svenska Handelsfastigheter emerged as two prominent domestic buyers during 2024 so far. Svenska Handelsfastigheter has been particularly active, totalling five transactions during the year. The largest deal occurred in Q2 when Brunswick sold a retail portfolio to Svenska Handelsfastigheter for SEK 1,300 million. The second largest was the acquisition of Bromma Blocks from CBRE IM for a net price of SEK 1,173 million, after deductions. Earlier in the year, Svenska

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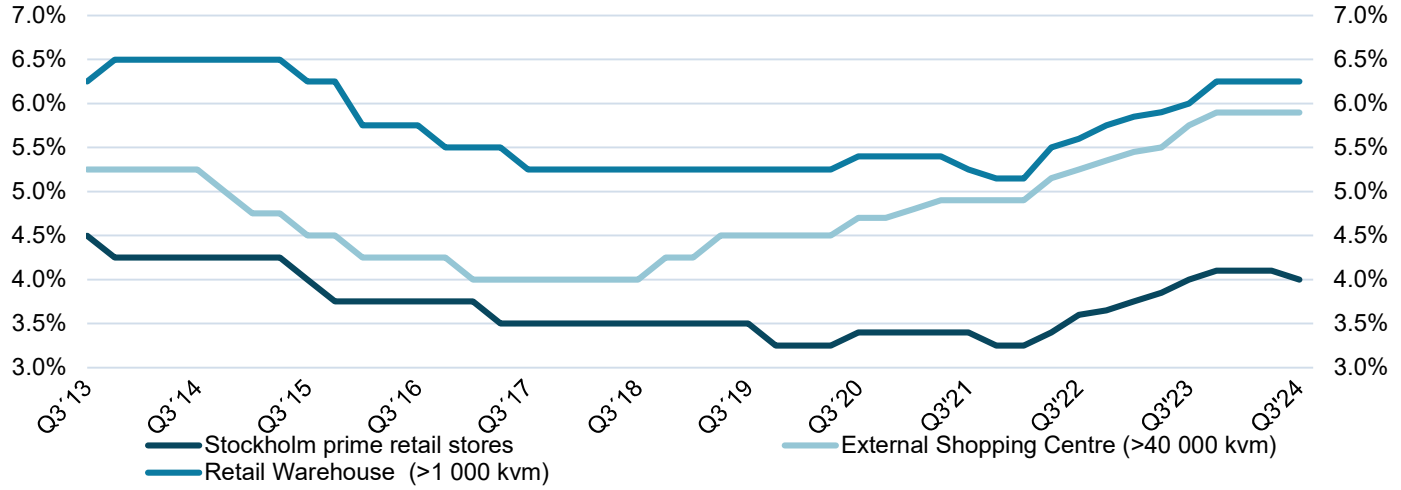
Handelsfastigheter also acquired properties from Abrdn at an undisclosed price. In Q3 2024 Prisma Properties acquired the external retail park made out of the properties Gamlestaden 61:12 & 61:13. The properties totalling approximately 13,490 square meters, was acquired from a private owner for SEK 365 million, equating to around SEK 27,000 per square meter. Key tenants include Willys, O & B, JYSK, Barn Palatset, and McDonald's. Another significant transaction in 2024 occurred in October when RED (Rico Estate Development) and Stadsbyggen acquired Ingelsta Handelscentrum from DEKA for an undisclosed price. The property sums c37,000 sqm and is anchored by tenants such as Åhléns Outlet, Arken Zoo, Bauhaus, Jula, Lager 157, Rusta, Systembolaget, and Willys.

Prime yield in retail warehouse parks was at its highest in 2015, after which the declining trend continued until 2022. In the second quarter of 2024, the prime yield stood at 6.25%, which is 110 bps higher than Q1 2022. The yield requirements for retail properties remained stable during the third quarter of 2024, with prime yields at 6.25%. Many large operators in the big-box sector operate on relatively small margins, and some tenants have found it challenging to adapt to high indexations and increasing operating costs. The development of market rents is likely to be slower than the development of rent indexes in the short term.

The prime yield for shopping centres has so far been at its lowest in 2017-2018, after which it has, unlike many other property sectors, risen with investors questioning rental levels. As investors began to see shopping centre returns as attractive after several quiet years, interest rates began to rise, and investor caution also grew regarding shopping centres. In the third quarter of 2024, with prime yields at 5.90% for top external shopping centres an increase of 100bps from the beginning of 2022.

JLL prime yields retail as per 2023 Q3



Comment on Citycon's properties

The shopping centres in Citycons Swedish portfolio have had continued recovery in sales figures during 2024 while footfall has been decreasing across the portfolio. The challenges for shopping centre's 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 at a reduced pace as tenants are being move to the core building, but the demolition of the "H" building has been pushed further in the future. Kista, Åkersberga and Jakobsberg are repositioning and taking actions to further strengthening their convenience offer. Åkersberga has come the furthest in this respect and the Systembolaget/ICA project has now successfully been completed while the upper floor of the older building has been converted for the new co-working tenant The Connection. Kista shows stable to increasing sales and income vs last year, albeit lower than pre pandemic levels. In addition, vacancy stays elevated. Jakobsbergs facelift has progressed, although the vacancy levels are continued at an elevated level. The pricing gap between buyers and sellers is expected to narrow following decreased interest rates in 2024 and the 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 that does not show very strong and stable performance.

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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.

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

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5. Valuation

At the end of December 2024, Citycon's investment portfolio being valued included 18 investment properties in Finland and Sweden. One of the properties is owned via a joint venture and associated companies (IsoKristiina located in Finland).

13 of these 18 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 excluded from the table. Lippulaiva residential buildings have been included in all key figures.

31 Dec 2024	Number of properties	Market Value, EUR million	Wght. Average Initial Yield	Wght. Average Reversionary Yield	Wght. Average Net Yield Requirement	Average Market rents EUR/sq.m./month	Average Operating Costs EUR/sq.m./ month
Total Property Portfolio in Finland	8	1,622	4.9 %	5.8 %	5.9 %	30.3	7.8
Other Cities in Finland - Retail	4	271	6.1 %	8.5 %	7.5 %	21.8	6.9
Helsinki Metropolitan Area – Retail	3	1,284	4.7 %	5.3 %	5.6 %	35.9	8.5
Helsinki Metropolitan Area - Residential	1	67	4.2 %	4.7 %	4.6 %	22.7	4.3
Total Property Portfolio in Sweden	6	885	5.3 %	6.6 %	6.0 %	25.5	8.7
Greater Gothenburg Area	2	146	5.9 %	7.7 %	6.5 %	20.8	7.0
Greater Stockholm Area	4	739	5.2 %	6.4 %	5.9 %	27.0	9.3
Total Property Portfolio	14	2,508	5.1 %	6.1 %	5.9 %	28.1	8.2

In addition, we have carried out a fair valuation of four land plots/development projects located in Finland. The fair values of land plots/development projects are 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 2024 was approximately €2,530 million, including the four land plots/development projects.

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Properties in Finland

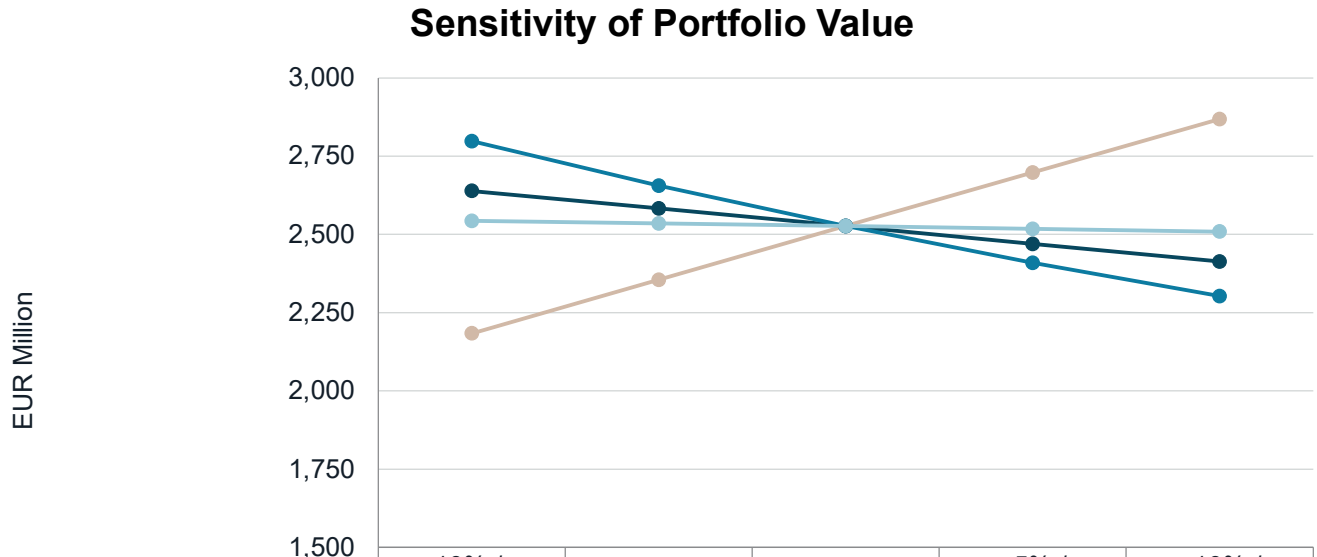
The fair value of the Finnish portfolio is €1,641 million and it decreased by 2.6% from Q4 2023. Compared to the previous year, the weighted average yield requirement has increased by 24 bps being 5.77%, and the weighted average exit yield increased by 37 bps being 5.91% (including Lippulaiva residential but excluding Kassatalo, Asematie 3, Heikintori and Isomyyri). 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 10,145 million. With the exchange rate of 11.459 SEK/EUR the portfolio has the value of c. €885 million. Compared to the value at Q4 2023, the portfolio's value has decreased by 2.7% (like for like basis including 100% Kista ownership). Compared to Q4 2023, the weighted average exit yield increased by 18 bps being 5.97%.

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.



	-10% / -50bps	-5% / -25bps	0%	+5% / +25bps	+10% / +50bps
Estimated Rental Value	2,184,200,000	2,355,400,000	2,526,600,000	2,697,700,000	2,868,900,000
Op. Expenses	2,639,400,000	2,583,000,000	2,526,600,000	2,470,200,000	2,413,700,000
Yield requirement	2,798,500,000	2,655,500,000	2,526,600,000	2,409,800,000	2,303,500,000
Long-term vacancy	2,543,700,000	2,535,100,000	2,526,600,000	2,518,000,000	2,509,400,000

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 14 % in value, while a 50 bps 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.

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Having regard to the foregoing, we are of the opinion that the Net Market Value of the portfolio 31.12.2024, free of liabilities and debt, is:

€2,530,000,000

(Two Billion Five Hundred Thirty Million EUROS)

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

In Helsinki, Stockholm, and London 18th February 2025

Yours faithfully

Mikko Kuusela, MRICS
Senior Director
Valuation & Strategic Consulting
For and on behalf of
Jones Lang LaSalle Finland Oy

Tomas Shaw
Director
Valuation & Strategic Advisory
For and on behalf of
JLL Valuation AB Sweden

Christian Luft, MRICS
Executive Director
EMEA Head of Retail, Valuation Advisory
For and on behalf of
Jones Lang LaSalle Limited

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JLL SEE A BRIGHTER WAY

JLL office

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

Mikko Kuusela
Senior Director
Valuation & Strategic Consulting
Helsinki

mikko.kuusela@jll.com

JLL office

Birger Jarlsgatan 25
111 81 Stockholm
+46 8 453 50 00

Tomas Shaw
Director
Value & Risk Advisory
Stockholm

tomas.shaw@jll.com

jll.fi

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