Valuation Statement

Citycon’s properties in Finland and Sweden Q2 2021

06/2021

Executive Summary

At the end of June 2021, Citycon's investment portfolio being valued included 18 investment properties in Finland and Sweden. One of the properties is owned via joint venture and associated companies (IsoKristiina located in Finland).

15 of these 18 properties are shopping centres, two are residential properties and one is a retail/office property. One of the shopping centres is a development project and one of the residential properties is a development project as well.

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 shopping centre and residential buildings are included the stated value but Asematie 3 and Heikintori has been left out from other key figures because both have been valued based on building right value. Also, Lippulaiva shopping centre and residential buildings has been left out of weighted average initial yield and weighted average operating costs.

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.

30 June 2021	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	13	1,668	5.1 %	5.0 %	5.5 %	31.1	7.5
Total Property Portfolio in Sweden	5	657	5.5 %	5.2 %	5.8 %	30.0	7.8
Total	18	2,324	5.2 %	5.0 %	5.6 %	30.8	7.6

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 Q2 2021 was approximately €2,324 million.

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1. Instructions

In accordance with our instructions as the External Valuer of Citycon Oyj (“Company”), we have carried out a fair valuation of the properties held within the Company’s investment property portfolio located in Finland and Sweden as at 30 June 2021, 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.

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 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 has 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 10.111 SEK/EUR which is the exchange rate according to ECB between Swedish Krona and Euro at 2021-06-30.

3. Market overview

3.1. COVID-19 and retail as asset class

Retail is one of the sectors where the impact of COVID-19 pandemic has been the strongest and most visible from the beginning. The drop in international travellers most acutely impacted global gateway cities, luxury markets and superprime retail destinations in Finland and Sweden. Domestic retail spending has been suffering a temporary decline from consumer reluctance or inability to visit destinations where infection risks are elevated. While all the shops have been opened for some time now, the changes in customer behaviour continues to have an effect on retail sales. Groceries have stood out from the rest of retail categories as the sales of the sector have been growing, but mainly on the expense of restaurants and cafes.

Sales volumes of online retail have been growing steadily in Finland and in Sweden for years, and it seems that the outbreak is accelerating the shift from traditional retail to online platforms and multi-channel. Retailers with the infrastructure to fulfil online orders through home delivery are currently being perceived as beneficiaries of consumers' reluctance to visit stores and we are seeing an increased number of people converting to online shopping. It remains to be seen how permanent the changes are. Greater emphasis will be placed on the shift towards a flexible omni-channel retail model and sustainable fulfilment; strengthened partnerships between landlords and retailers will need to emerge to achieve this.

In the longer term many retailers are likely to rethink their supply chains to ensure continuity of their operations and to mitigate risks of future shocks. Coupled with initiatives to improve the sustainability performance and limit the environmental impact of wider operations, retailers may opt to produce and house more stock locally. This may boost additional demand for logistics space and/or drive the repurposing of existing store networks.

3.2. Finland

3.2.1. Economy

The world economy is still at a state of elevated uncertainty due to the COVID-19 pandemic. The World Health Organisation (WHO) classified the Coronavirus as a pandemic on March 11th 2020. The disease has spread around the world, but the situation (and its economic effects) vary notably within countries as well as between countries. In Europe, after the first wave in the Spring of 2020, the situation improved notably during the Summer with relative normality returning, which also reduced economic uncertainty. However, during the course of the year infection rates have fluctuated notably in different areas. Additional worries have risen due to the appearance and spread of new variants of the virus. However, by late spring 2021 the vaccinations have progressed well in many countries. Globally risks still remain on an elevated level but the general the sentiment is more optimistic than anytime during the pandemic thus far. Now the most important race is between global vaccination coverage and spread of mutations of the virus.

When the pandemic struck in early 2020, the leading economic organisations predicted the COVID-19 pandemic to affect the world economy with a large, but short, drop in GDP. Initial statistics from 2020 would suggest this scenario was fairly close to reality. In March 2021, the OECD estimates the EU GDP to have decreased by 6.8% in 2020 and forecasts growth of 3.9 and 3.8 percent for years 2021-2022 respectively. The corresponding values from the IMFs January 2021 estimate for 2020 GDP growth is -7.2% and forecasts for the 2021-22 being 4.2% and 3.6% respectively.

Finland has thus far survived with relatively small damages from the pandemic. The Ministry of Finance and the Bank of Finland estimate the Finnish gross domestic product to decrease in 2020 by 2.8 percent (forecast 12.05.2021) and decrease 2.8 percent (forecast 30.03.2021) respectively. The increase in unemployment and the number of furloughed people has not been as bad as feared in the start of the pandemic. Both have decreased from the peak witnessed during spring of 2020. However, the unemployment level and the number of furloughed people are still higher than in normal market situation. The measures taken at the start of the pandemic to secure funding for companies seem to have worked, as by May of 2021 the amount of bankruptcies in Finland remains at pre pandemic levels.

The changes in the real economy can be felt in the letting market faster than in the capital market. The effects of the COVID-19 pandemic can be seen primarily in accommodation sector, restaurants and culture/event sector. The prolonged pandemic period has dealt serious damages to businesses in this sector and the outlook is still uncertain. At the same time, for many the pandemic period has meant working remotely for a year straight, which has developed both the practices and possibilities of remote working. It is widely believed to have caused a leap in remote working rates, which may have significant effect on real estate markets.

The effects on the capital market lag behind the letting market. In situations where the real economy experiences negative changes, the free capital searches more vigorously for safe havens and the importance of cash flow is further highlighted. In addition to this, the volatility of the stock market further increases the appeal of real estate in the eyes of investors. The possible significant slowdown of the economy affects the allocations within the real estate market. The capital gravitates towards secure core real estate, which in turn means a decrease in demand for the more opportunistic assets, assuming the possible influx of new capital does not replace the lost demand.

The largest risk for the real estate sector is a possible disturbance in the financial market, which could be caused by a wave of bankruptcies or the loss of trust between market players as in the financial crisis of 2008. The immediate danger of market disturbance has for the most part faded away, but a financial market disruption would likely severely hamper the financing of real estate investments. The effect is further enhanced by the fact that real estate investing is commonly largely funded by debt and investment unit size is large. This could have severe and long-term effects on the functioning and the liquidity of the real estate market.

3.2.2. Retail market

Retail Occupancy Market

In Finland the situation caused by COVID-19 pandemic seems to improve during the summer like last year, reducing economic uncertainty as well. Currently only limitations concern restaurants, whose need to have seating for every customer indoors. In addition, in Region of Uusimaa, the restaurants need to be closed until 01:00 and the maximum capacity is still limited. The shopping centres are open normally, but they have widely agreed to more flexible opening hours and especially specialty stores have used the opportunity and have reduced the opening hours.

The proportion of vaccinated people has increased steadily, and the current COVID situation has improved. High household saving rate will likely increase consumption during the current year and the consumers’ confidence has also been at very strong level for several months; according to Statistics Finland the confidence is currently at the highest level since February 2018. The positive climate has had its effect on shopping centres, as footfall and sales have generally increased. Sales have increased in nearly all categories and even in fashion, which has been the most influenced by the current situation, there is a clear positive trend.

There is still however a lot of uncertainty especially within fashion operators, and almost without exception the new leases made by fashion operators have been relatively short and made with lower minimum rent. While some bankruptcies and silent closings have been seen among fashion and also restaurant and café operators, several restaurant and café operators are more willing to make long contracts with the same or even higher rental level as before despite the recent difficulties. Overall, chain operators have survived the corona period better than smaller operators.

Retail Investment Market

While there have been several transactions which have included big box retail stores, hypermarkets and supermarkets, there has not been shopping centre transactions during 2021 and only few shopping centre transactions were made in H2 2020. Property of 5,900 sq. m, which is part of shopping centre Jyväskeskus, was purchased in Jyväskylä. The purchaser was a private investor and the seller West Capital Oy. Other shopping centre transaction made was done in Lauttasaari, Helsinki, in where local mall Lauttis was purchased by Veritas from Aberdeen Standard Investment. Lauttis has around 6,000 sq. m of lettable area and has strong emphasis on everyday services, such as groceries and pharmacy.

The shopping centre prime yield in Q2 2021 stood at the same level as in Q4 2020, at 5.20%. Prime yield has increased by 70bps from mid-2018. Even prior to COVID-19 the demand for retail properties has decreased as the sector is facing difficulties as the people's consumption habits continue to change and online shopping is increasing. In addition, while large number of shopping centres have already started to lean more towards entertainment and service sector, the rental levels within these sectors are not what they have been with fashion sector. While investors have money to invest, minimal investor demand for traditional shopping centres, accelerated rise of online shopping and uncertain financial stability of tenants are keeping investment market within shopping centres at very low level. As an exception, assets with grocery emphasized sustainable tenant mix are in higher demand and slowly also the lack of suitable investment product and increase in prices in other property sectors gets first investors to look back at abandoned retail sector possibilities. In shopping centres the demand is estimated to return first to properties with recently well traded anchors like groceries and Tokmanni or Gigantti for example and other retailers with generally healthy OCR's already in current recovered COVID situation.

Comment on Citycon's properties

During the COVID pandemic, there have been evidence of decrease in rents among fashion operators, as tenants have been renewing their leases. However, despite the negative rent changes, the positive sign is that most of the tenants are willing to continue in the properties and believe in the trading potential in future. 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 for the café and restaurant sector the recent difficult times has created some uncertainty for some operators, the viability in the future looks positive and the sector is seen as more defensive than fashion sector even in comparison to mega trends. Approximately half of the shopping centres in Finland are more grocery emphasized shopping centres, which in addition to retail assets have protected portfolio from more severe value decrease and effects of larger scale non-payment of rents. Other growing sector that has located to shopping centres in recent years more heavily are public services and those are seen very positively by the investment market currently providing stability and predictable footfall to centres to also support success of traditional retailers.

The demand for supermarkets and hypermarkets with long leases is currently high, as they are seen more defensive than traditional shopping centres. So while the shopping centre transaction market is currently very quiet, the assets with high emphasis on grocery and other shops suited for everyday needs can be seen to have better investment demand than centres with relatively high portion of cash flow coming from fashion sector. Centres with lots of fashion operators are having risks with lowering rents and low investment demand, and therefore there is pressure to increase yields for these assets. On the other hand, the demand for assets with long leases and secure cash flow has increased and yields for these assets are more likely to go downwards.

In large-ticket properties the wall of money originating from international funds and investors is constantly looking for investment opportunities and growingly also in retail sector and opportunities for joint venture transactions have been enhanced. In shopping centres the management capabilities and existing relationships to occupiers are highly valued and thus the joint venture deal would be most likely transaction form in the largest properties.

3.3. Sweden

3.3.1. Economy

During 2020, COVID-19 had a firm grip on the overall society restricting our social lives as well as economy activity. Following the initial economic shock, signs of positive sentiment followed in the late summer 2020 as infection rates were low. However, a second wave of infections in late 2020 caused the economic recovery in Sweden to stall in the fourth quarter as tighter restrictions were enforced. According to the National Institute of Economic Research (NIER) GDP decreased in Sweden by 2.8% in 2020 and unemployment landed at 8.3%.

The start of 2021 has been marked by the second wave, placing considerable strain on health care and the economy. The second wave of infections subsided in January but was quickly followed by a third wave which escalated in February and March. GDP nevertheless grew by 0.8 per cent in the first quarter. The third wave peaked in April, and cases declined in May but were still relatively high. Infections have continued to decrease in June and are expected to fall further over the summer, as is the pressure on health care. Together with a rising vaccination rate, this means that the restrictions and requirements for social distancing currently in place can largely be phased out in the course of the third quarter in line with the plan published by the government. Further relatively low infection rates mean that voluntary social distancing will also continue to be relaxed in the second half of the year. NIER has revised their GDP forecast from 3.6% to 4.4% in 2021 and their forecast for unemployment which is expected to increase in 2021 to 8.7%, revised down from 8.6% before decreasing to 7.6% in 2022.

Economic policy has been expansionary during the crisis. Several measures were introduced for businesses to weather the crisis and to support employment. The government has announced that some of the subsidies, such as short-term layoffs and reorientation support, will be extended to the summer to counteract the economic impact of the protracted pandemic. With recovery in sight, the agenda has shifted. Instead, rising inflation and interest rates have been the theme in the markets. Improved economic prospects in combination with short-term inflationary pressures will continue to shape that discussion in 2021. NIER updated their inflation forecast to 1.9%, 1.7% and 2.2% for the next three years before stabilizing at 2%.

3.3.2. Retail market

Retail Occupancy Market

Overall consumer spending was down approx. 4.7% during 2020 according to Statistics Sweden. During the course of the pandemic consumers have taken to shop online, car-borne and close to homes. The effect clearly seen in larger shopping centres and city locations with large decreases in footfall and sales figures. Meanwhile, convenience, grocery anchored retail and the DIY segment have faired significantly better, in some cases even seeing an increase in sales. The pattern is expected to continue well into 2021 and recovery is dependent on the vaccination roll out and future restrictions. 2020 was a record year for e-commerce in Sweden, which increased sales by 40% according to Postnord who also estimates e-commerce to stand for approximately 14% of the total retail sales in 2020 (11% in 2019). Restaurant sales were down on average 20% across the country in 2020 (Statistics Sweden), not considering sales of alcohol. HUI research estimated retail sales growth to 3.5% in 2020, but polarization within the retail segment is currently large.

The society is gradually opening up in Sweden during Q2 2021, which is a result of reduced infection numbers and a successful vaccination rollout in Q1 and Q2 2021. This has led to an increase in perceived sense of security from the pandemic. As a result consumer confidence and retailer confidence are on the highest levels for quite some time according to NIER in May 2021-Retail sales are expected to rebound in Sweden in 2021 driven by pent-up demand, need for social arenas and increased savings during the pandemic. However, signs of increased infection rates in June across Europe as of the delta strain causes concern for the development after the summer period.

With e-commerce growing and the pandemic accelerating previous trends with changing consumer behaviour, many tenants are facing difficulties and bankruptcy risks are higher than before the pandemic. There is also a heightened risk of bankruptcies for retailers following the pandemic as support measures are reduced. Many retailers are evaluating their business model and most traditional retail chains are continuing to decrease store space across the country. The overall situation is putting downward pressure on terms and rents. Currently, landlords tend to offer rent-free periods, investment contributions and purely turnover based rents for a limited time in order to get leases signed. Uncertainty remains high regarding the impact of the accelerated retail trends as of the pandemic with a higher degree of e-commerce which will most likely normalize at a higher level than previously.

Retail Investment Market

While the sector is not currently favoured by many investors, there could be a boost for transaction volumes as funds and listed companies in need of equity might be forced to sell the kind of high-quality assets that are still in demand. The ongoing challenges of increasing e-commerce, accelerating retail trends and the continued disruption caused by the pandemic as well as the gradual tightening of financing conditions, particularly for riskier assets, is expected to put further pressure on physical retail properties. However, the investment demand for retail is very polarised, with focus moved from shopping centres to local services and retail warehouses that have longer lease maturity, stable cash flow and lower pressure on rental decline. Stronger consumer confidence and the vaccine roll out should limit the short-term risks although investors/banks still favour income resilience and quality locations. We expect reposition and financing to remain strong drivers for transactions in the short term. During the second quarter 16 transactions have been identified within the retail segment in Sweden. The largest transaction being Svenska Handelsfastigheters acquisition of the shares in Tre Kronor, focused mainly on grocery anchored retail.

During Q2 2021, retail properties were sold for an estimated SEK 5 billion, corresponding to approximately 5% of the total transaction volume in Sweden during the quarter. We assess retail yield requirements to have stabilized at a higher level, linked to investment sentiment rather than actual transactions and assess that investors want to be compensated for continued great uncertainty, especially linked to normalised net operating income's after the COVID-19 pandemic.

Comment on Citycon's properties

The retail sector is still currently not favoured by many investors, and there is currently very limited transaction evidence for shopping centre similar to Citycon's properties in Sweden. Footfall and sales figures for Citycon's properties have increased in recent months, although compared to low levels from 2020. Values have increased compared to the valuation in Q1 2021, mainly as a result of a lower OPEX shortfall and new lettings.

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 June 2021, Citycon's investment portfolio being valued included 18 investment properties in Finland and Sweden. One of the properties is owned via joined venture and associated companies (IsoKristiina located in Finland).

15 of these 18 properties are shopping centres, two are residential properties and one is a retail/office property. One of the shopping centres is a development project and one of the residential properties is a development project as well.

The value of one of the properties includes unused building right and two of the properties is valued by the total building right, from which the cost of demolishing the existing building has been deducted.

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 shopping centre and residential buildings, all locating in Helsinki Metropolitan Area in Finland, are included the stated value but Asematie 3 and Heikintori has been left out from other key figures because both have been valued by building right. Also, Lippulaiva shopping centre and residential buildings has been left out of weighted average initial yield and weighted average operating costs.

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 2020	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	13	1,668	5.1 %	5.0 %	5.5 %	31.1	7.5
Helsinki Metropolitan Area	9	1,314	5.0 %	4.7 %	5.1 %	32.7	7.8
Other parts of Finland	4	296	6.4 %	5.8 %	7.2 %	24.4	6.3
Total Property Portfolio in Sweden	5	657	5.5%	5.2%	5.8%	30.0	7.8
Greater Stockholm Area	3	484	5.3%	5.1%	5.5%	32.6	8.4
Other parts of Sweden	2	172	6.1%	5.3%	6.7%	22.7	6.1
Total Property Portfolio	18	2,324	5.2 %	5.0 %	5.6 %	30.8	6.8

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 Q2 2021 was approximately €2,324 million.

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

When excluding Lippulaiva (shopping centre and residential buildings), market rents increased and resulted impact of €18.7 million to the value. Adjustments to the exit yields increased the value by ca. €10.9 million.

Properties in Finland

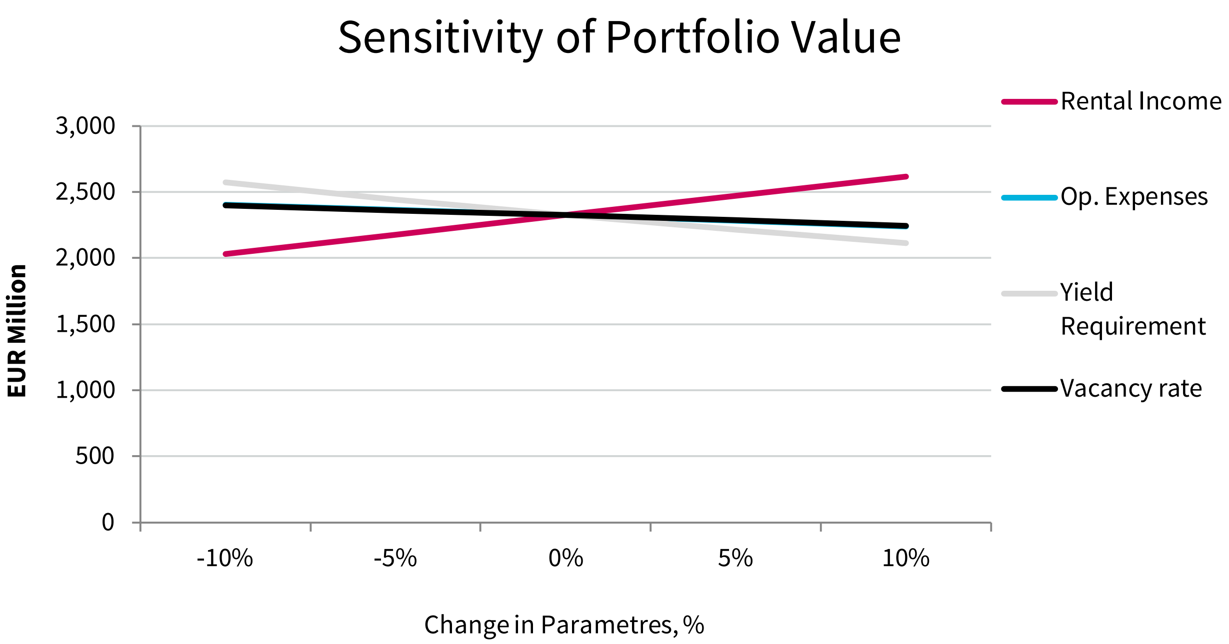
The fair value of the Finnish portfolio is €1,668 million and it increased by 3.3% from Q1 2021. When excluding Lippulaiva shopping centre the fair value has been increased by 0.7%. Compared to the last valuation round in Q4 2020, the weighted average yield requirement has decreased by 17bps being 5.12%, and the weighted average exit yield has decreased by 7bps being 5.06%. Value of the Finnish portfolio is driven upwards especially by committed investments and increased value of shopping centre Columbus.

Properties in Sweden

The fair value of the Swedish portfolio is estimated at SEK 6,638 million, excluding Kista Galleria. With the exchange rate of 10.1110 SEK/EUR the portfolio has the value €657 million. Compared to the previous valuation at Q1 2021, the portfolio's value has increased by 0.5 %. Compared to the previous quarter, the weighted average exit yield has been stable at 5.16%.

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.

In Helsinki 20th July 2021

Yours faithfully

Mikko Kuusela
Director
For and on behalf of
Jones Lang LaSalle Finland Oy

Simo Hännikäinen
Associate
For and on behalf of
Jones Lang LaSalle Finland Oy

In Stockholm 20th July 2021

Yours faithfully

Patrik Löfvenberg
Head of Valuation Sweden
For and on behalf of
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