YLVA

SDG Budget

GOALS FOR 2021

The year 2020 has been highly exceptional and we enter 2021 in conditions of continued uncertainty

COVID-19, which momentarily brought the whole world to its knees, has also characterised Ylva's year. The direct impacts of COVID-19 have been manifested particularly in a dramatic reduction in the profitability of the hotel and restaurant business, and the year 2021 is also expected to be very challenging for that business. In the real estate business, the operational impacts are less dramatic, but the uncertain future outlook has been reflected particularly in the progress of real estate **investment** projects. Consequently, this year's budget preparations are taking place in completely unusual circumstances and in conditions of regrettably high uncertainty.

Ylva has continued to move ahead with its investment programme in 2020 in spite of COVID-19. Progress has been made during the year on the Kaivopiha revamp project, with the above-ground work stages set to be completed by the end of 2020. The Lyyra project has also moved ahead with demolition and earth-moving work, which will be completed in the spring 2021. In any case, investments will continue in 2021–2023, but due to the uncertainties caused by COVID-19, the exact schedules of the Grand Hansa and Lyyra projects remain open at the time of preparing the budget and the completion of the projects will be delayed from the original schedule, which would have seen them completed in late 2022.

Ylva's budgeted Funds from Operations (FFO) in 2021 is expected to be less than the estimate for year 2020 although EBITDA is expected to exceed the 2020 level by more than 10 per cent. While EBITDA is expected to improve, FFO will be reduced in 2021 by the anticipated increase of financing costs as investments move forward. Operating profit in 2021 is expected to be negative due to a concurrent increase in depreciation.

Funds from Operations (FFO) = EBITDA – operational financing costs. **EBITDA** = Earnings before depreciation, amortizations, financial items and taxes
Operational financing costs = Includes anticipated ordinary financing items recognised through profit or loss. Does not include e.g. non-recurring costs related to derivatives.

While FFO will decline, Ylva expects to see continued growth of value for owners in spite of the uncertainties in 2021 as progress is made in investments. Ylva expects net assets to have grown moderately at the end of 2020 and net assets are anticipated to remain stable in 2021.

Ylva will continue to focus on sustainability and responsibility this year by incorporating SDG targets into the budget. Ylva maintains its goal of carbon neutrality by 2025. The goal of reducing the carbon footprint goes hand in hand with Ylva's profitability targets, and the UN Sustainable Development Goals (SDGs) have been taken into account in budgeting in each business area. Ylva will also engage in comprehensive sustainability and responsibility reporting for the first time in connection with financial reporting in spring 2021.

In addition to the Group-level budget, budgets have been prepared for three reporting units: Real estate, Restaurant business and Investment operations (appendix 1). The hostel business was discontinued until further notice during the year due to the outlook being weakened by COVID-19, which is why the hotel and restaurant business will be limited to the restaurant business next year. In investment operations, the focus has been significantly shifted to have investments serve as a risk and liquidity buffer. Consequently, investment operations are not expected to be a significant source of asset growth in the coming years. Internal services support business operations and produce services for Ylva's business units, Ylioppilaslehti magazine and HYY, but it is not a reportable profit centre in itself.

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Ylva takes sustainable development into account in its business operations through five key SDGs.

OECD BUSINESS FOR INCLUSIVE GROWTH

SUSTAINABLE DEVELOPMENT GOALS

We grow our business and value for owners without endangering the Earth's carrying capacity

16 DECEMBER 2020

Goal	Significance to Ylva's business	Actions
7 AFFORDABLE AND CLEAN ENERGY	Through the choices we make, we accelerate the transition to low-carbon, affordable and reliable energy in society	Continuous improvement of energy efficiency at Ylva's properties, smart and proactive control of properties, purchasing zero-emission energy, adoption of new innovations, additive energy purchasing models.
8 DECENT WORK AND ECONOMIC GROWTH	We blaze a trail towards inclusive business in which economic growth and the contamination of the environment have been decoupled	We promote workplace inclusivity through our Great Place to Work efforts, we improve the inclusivity of construction sites with a pilot project connected to the Lyyra project and we accelerate inclusivity in business globally through the OECD B4IG partnership. We continuously reduce the negative environmental impact of our business operations.
11 SUSTAINABLE CITIES AND COMMUNITIES	We lead the way in renewal-driven and inclusive urban development	We provide premises and necessary services on a sustainable and inclusive basis in locations with good transport connections.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Through our actions, we promote the transition to production and consumption that is adapted to the Earth's carrying capacity	We promote the realisation of the circular economy approach in our business and take sustainability perspectives into account in our choices of tenants. We promote plant-based eating in our restaurant operations. We reduce water and energy consumption at our properties and increase the recycling rate.
13 CLIMATE ACTION	We accelerate the transition to a low-carbon society in everything we do	We calculate our carbon footprint and will draft a road map for reducing it to zero by 2025. We take the carbon footprint into account in our choices of materials in our construction projects and restaurant operations. We calculate and report the shadow cost of carbon emissions generated by our operations.

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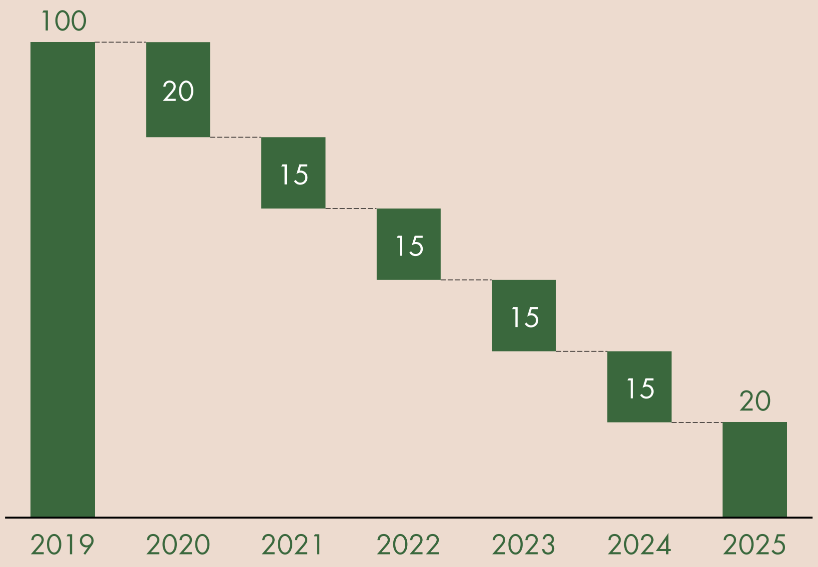
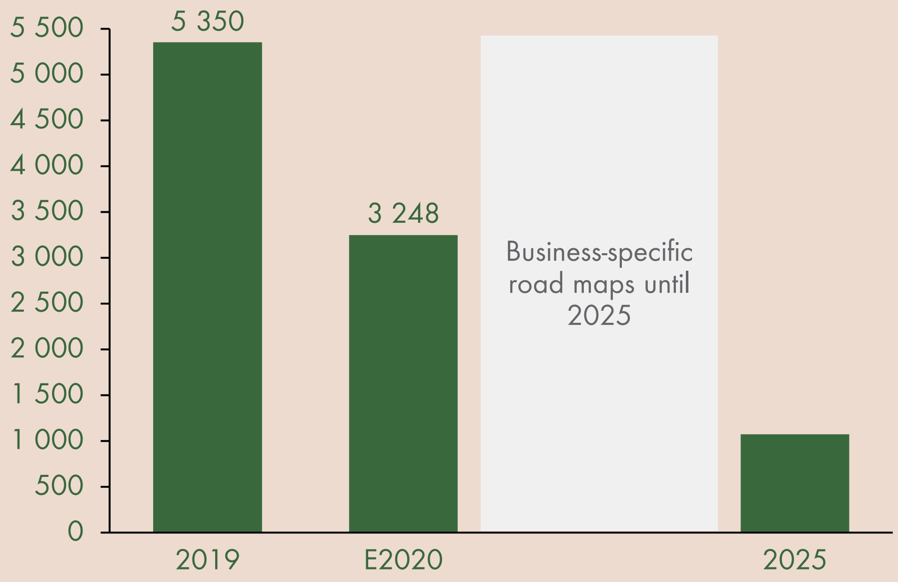
Ylva's total carbon footprint will be reduced with the help of business-specific road maps – the end goal remains the same

The straight-line depreciation model used for emissions until 2025 in Ylva's carbon budget 2020



In Ylva's carbon budget 2020, the straight-line depreciation model is replaced by business-specific road maps, but the end goal remains the same (tCO_2/year)



Ylva's goal is to achieve operational carbon neutrality by the end of 2025.

The business-specific road maps will be specified further as time goes on and they will be updated in 2021.

In carbon footprint calculations, Ylva will shift from the straight-line depreciation scenario used in budgeting for 2020 towards more realistic business-specific road maps. The end goal remains the same. The calculation and reporting models, data sources and validation will be developed further in 2021.

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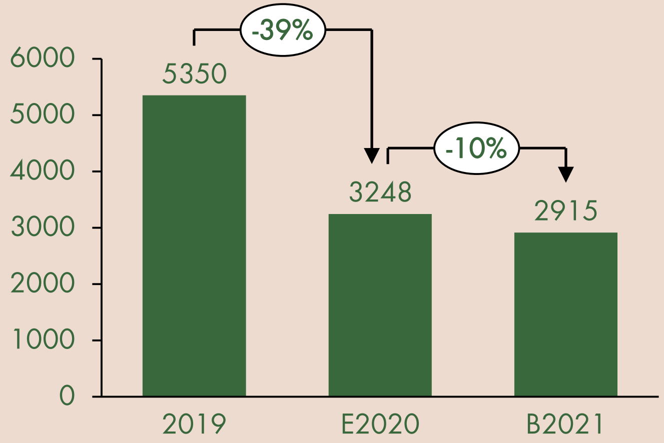
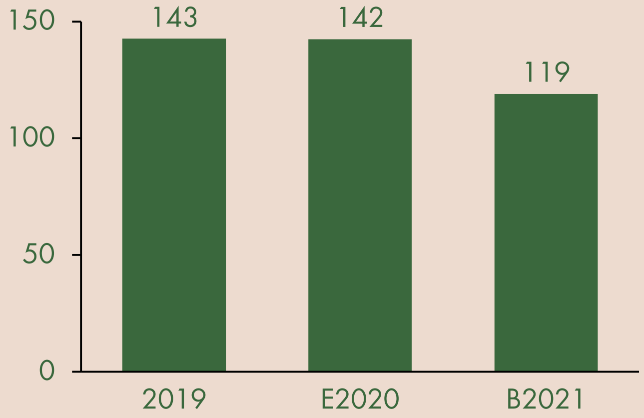
The total carbon footprint will be significantly reduced while growing the business

The carbon footprint of Ylva's operations
(tCO_2/year)



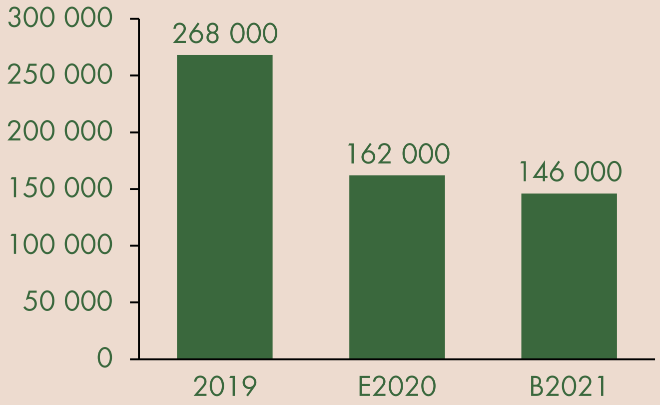
Ylva's carbon footprint 2019, forecast for 2020 and budget for 2021

Ylva's carbon emissions relative to net sales
(tCO_2/M€)



Ylva's carbon footprint relative to net sales in 2019, forecast for 2020 and budget for 2021

The shadow cost of Ylva's carbon emissions
(€/year)



The annual shadow cost of Ylva's carbon footprint in 2019, forecast for 2020 and budget for 2021. Priced according to CPLC. [1)]

[1)] The shadow cost of carbon (SCC) defined by the World Bank's Carbon Pricing Leadership Coalition (CPLC) illustrates the price level of emission rights required to achieve the climate targets outlined in the Paris Agreement. This price level is used to estimate the shadow cost of Ylva's carbon emissions. It also illustrates Ylva's future business risk related to the pricing of carbon emissions. The pricing of the shadow cost of the carbon footprint is based on the averages of the CPLC price ranges for emission rights for 2020 (€50/t) and 2030 (€62.5/t). Based on these factors, the price for 2025 is estimated at €56/t.

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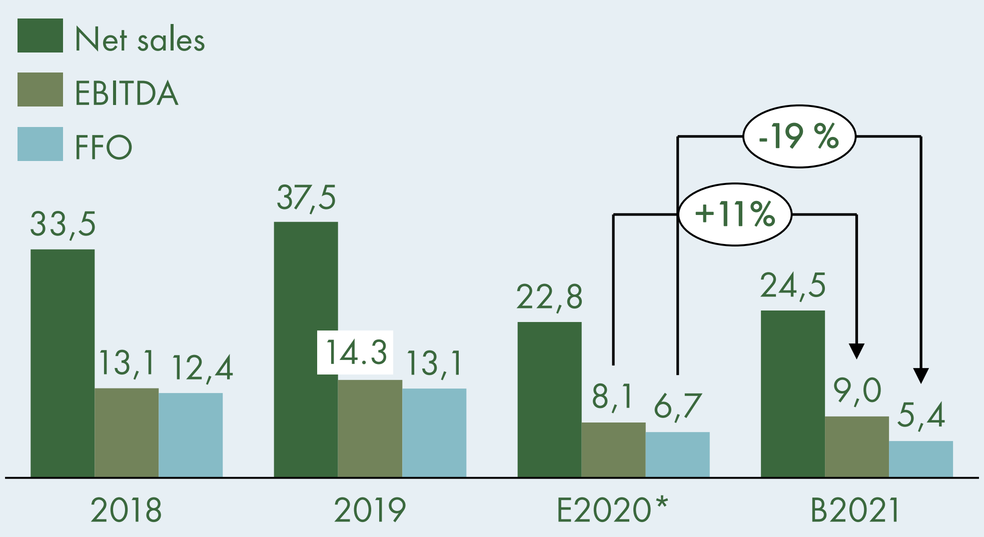
The Group's consolidated FFO will decline next year due to higher financing costs

Funds from Operations (FFO), EUR million



- Although EBITDA will turn to a substantial increase, FFO will be weaker due to higher financing costs. Financing costs will increase if investments move ahead as planned. The budgeted level of financing costs for 2021 is substantially higher than this year's forecast.
- In spite of the completion of the Kaivopiha project, FFO will continue to be weighed down by the premises in the city centre that are vacant due to the Grand Hansa project.
- In the restaurant business, profitability is expected to return to the break-even level after heavy losses in 2020.

Carbon footprint, million tonnes, and the shadow cost of carbon (SCC), EUR million

- The carbon footprint will decline, as budgeted, by about 20% thanks to the actions taken by the Group.
- The past year has been completely exceptional with regard to the customer volumes of restaurants as well as the weather conditions and the use of premises, which influence energy consumption. Due to these variable factors, the reduction in emissions will exceed 20 percentage points.
- Taking the shadow cost of carbon emissions into account provides a more accurate picture of the sustainability of business operations with regard to climate change. The effect of the shadow cost on FFO is approximately EUR 0.1 million.

*) Year 2020 forecast updated as of 11/2020

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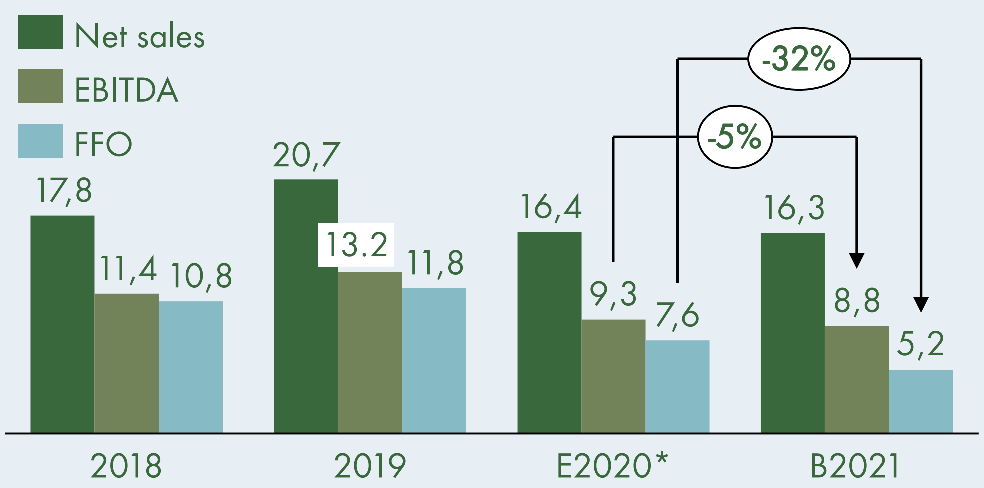
Continued investments are still reflected in the FFO of the real estate business

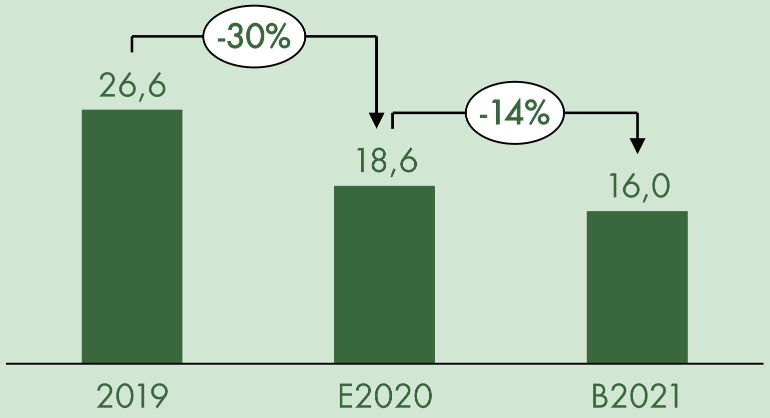
Funds from Operations (FFO), EUR million



- Next year's net sales will be largely unchanged from 2020. The completion of the Kaivopiha project will increase net sales but, at the same time, the expiration of a few large leases will have a negative effect on the net sales generated by properties in the city centre.
- The divestment of the plot portfolio, which is likely to be completed before the end of 2020, will also lead to a decrease in net sales and EBITDA.
- For the Lyyra project, profits will also follow only after investments are done. Next year, the profit effect will be reflected in slightly higher general expenses and particularly in the general increase in financing costs.

*) Year 2020 forecast updated as of 11/2020

Carbon footprint kg CO_2/gross m^2



7 AFFORDABLE AND CLEAN ENERGY

11 SUSTAINABLE CITIES AND COMMUNITIES

13 CLIMATE ACTION

- The carbon footprint of the properties is set to be below the target specified in the budget. Of the total reduction in emissions achieved during the year, approximately 20% is attributable to actions taken by the company, mainly in the form of a comprehensive energy renovation project.
- Due to the exceptional circumstances during the year (mild weather, ongoing renovations and COVID-19), the emission level will be substantially lower than budgeted.
- For 2021, the budgeted reduction in emissions is 20% compared to the benchmark year. The most significant individual emissions reduction measure is the use of waste heat in the heating of properties.

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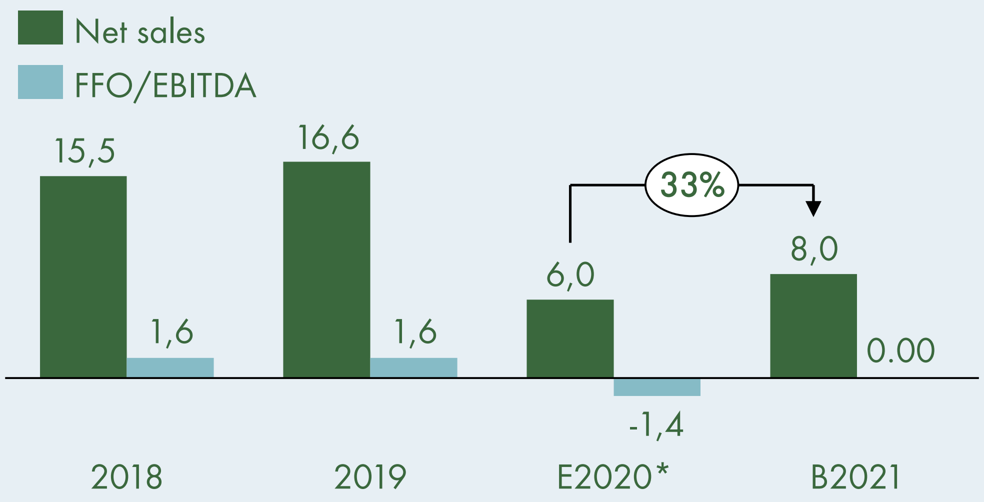
COVID-19 will continue to have a significant impact on the net sales and profit of the restaurant business – focus on plant-based and vegan food will continue

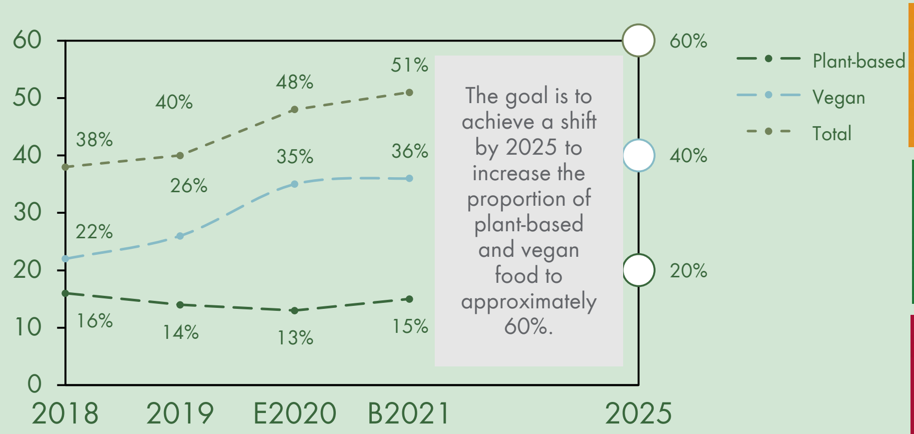
Funds from Operations (FFO)/EBITDA, EUR million



- Hostel operations were discontinued on 31 August 2020, which means that net sales from that segment will be eliminated from Ylva's hotel and restaurant business entirely.
- COVID-19 causes significant uncertainty for 2021. The assumption used in budgeting has been that H1 for restaurants will be much like the autumn 2020 and the summer season is relatively weak even under normal circumstances. Business is expected to return closer to normal in the autumn 2021 while still remaining below the level seen in 2019. The goal is to achieve an FFO result of at least zero.
- For restaurants, FFO is equal to EBITDA because no financing costs are budgeted to restaurants.

*) Year 2020 forecast updated as of 11/2020

Proportion of plant-based/vegan food of the total number of meals (target 51%/36% cumulative result in 2021)



- The targeted increase in the proportion of plant-based and vegan food was achieved in 2020. The proportion of plant-based and vegan food has been at the targeted level of over 50% since April. The cumulative result for the year will be approximately 48%/35%. However, due to the prevailing exceptional circumstances, the permanence of this change is still difficult to assess.
- The goal for 2021 is to establish the achieved level and increase it slightly further. The goal is to increase the cumulative share of plant-based and vegan food to 51% and the cumulative share of vegan food to 36% in 2021.

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The turnaround in EBITDA and FFO will determine by how quickly real estate development projects can move ahead

The Group's EBITDA, FFO and operating profit in the coming years

EUR million

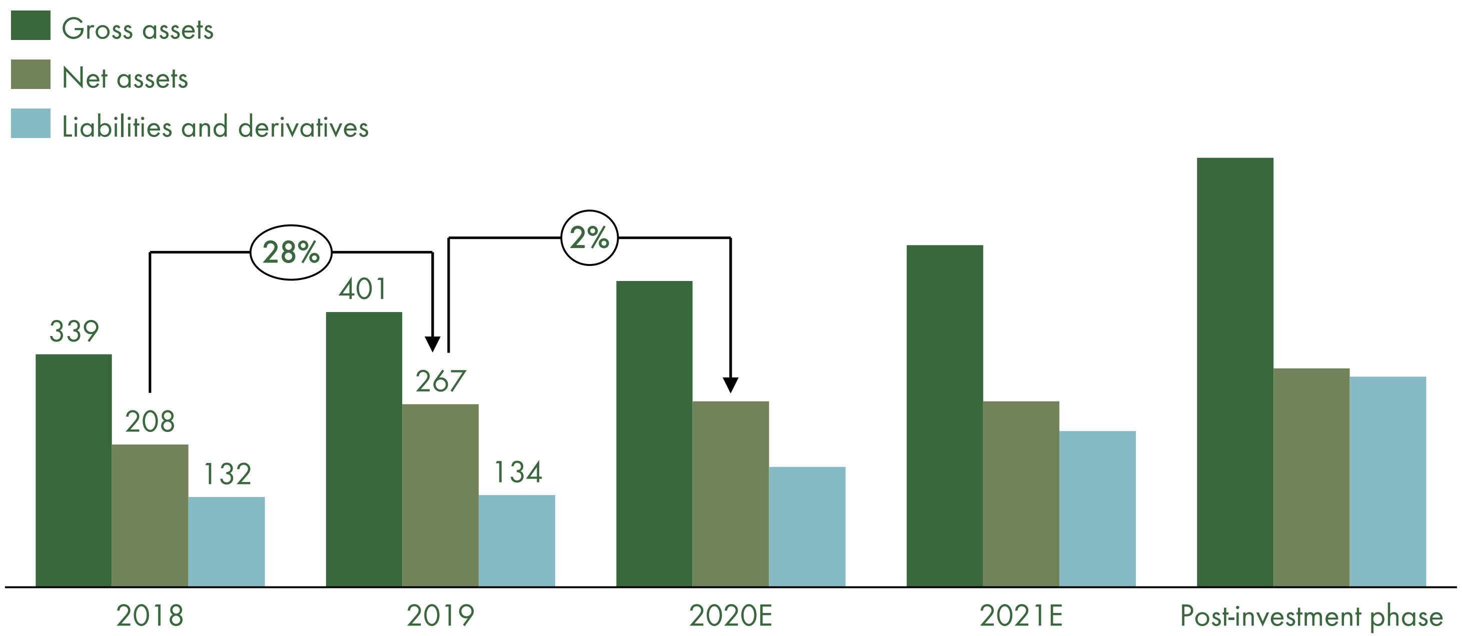
- EBITDA and profit in 2020 was expected to be substantially lower than in 2019 due to the start of investments, but the profitability figures also reflect the negative impact of COVID-19 to a significant degree.
- The completion of the Kaivopiha project in late 2020 will be favourably reflected in FFO in 2021. The restaurant business is expected to partly normalise from 2022 onwards after continued challenges next year. The effects of the Grand Hansa project and Lyyra will start to be reflected in profitability beginning from 2022–2023, but most of the positive effects of these projects will only come thereafter.
- The previous high seen in 2019 will therefore be achieved after the investments, in 2023/2024, if the projects can move ahead on the planned schedule. Originally, it was anticipated that the level achieved in 2019 would be reached in 2022.
- The development of operating profit will be weaker due to higher depreciation and financing costs.

Ylva's EBITDA = Earnings before investment operations, depreciation, financial items, taxes and financial statement items
Ylva's FFO = EBITDA – operational financing costs excluding non-recurring items
Operating profit = operating net profit is profit after taxes before Ylva's investment operations (the profit of the investment portfolio) and one-off items.
NOTE: Ylva follows FAS accounting standard which means that real estates are not mark-to-market in the official accounting and also the depreciations amount the significant item.

*) Year 2020 forecast updated as of 11/2020

Net assets are expected to remain stable

Net assets at market value and liabilities in the balance sheet
EUR million

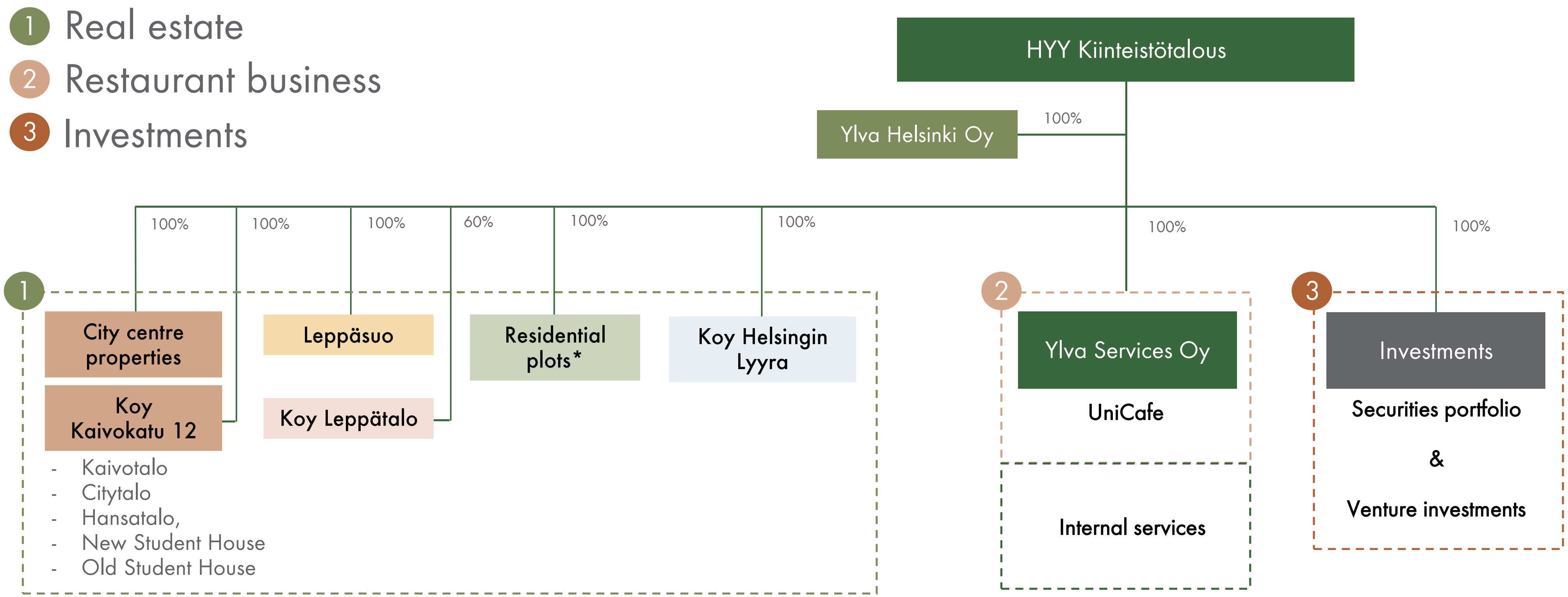


Net assets at market value =

Balance sheet total + difference between the estimated market value and carrying value of real estate – balance sheet liabilities +/– market value of derivatives

- Net assets are expected to grow moderately this year. The general increase in the value of properties is predicted to be lower than in the past few years due to the uncertainty caused by the COVID-19 pandemic. At the same time, the gains from the sale of residential plots will increase net assets slightly.
- As total assets have grown, the amount of liabilities has also increased as progress in projects is mainly funded by debt.
- Net assets at the end of 2021 are expected to be at this year's level. New debt will be taken next year if projects can be moved ahead on the planned schedule. The gross increase in the value of properties is nearly one-to-one with planned investments, which will keep the amount of net assets stable.
- The outlook for the post-investment phase net assets has not changed and is still estimated to exceed EUR 300 million.

Appendix 1. Ylva's result consists of three reporting units



*The divestment of residential plots is expected to be completed in 2020 and, next year, these would no longer be included in Ylva's assets, which is also reflected in the figures shown in the budget.

Ehdotus: *The divestment of residential plots has been completed in December 2020 and, the next year, these would no longer be included in Ylva's assets, which is also reflected in the figures shown in the budget.

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