

# Interim Report

1 January–30 September 2017



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Unless otherwise stated, the comparison figures in brackets refer to the corresponding period of the previous year.

The figures in this Interim Report have not been audited.

# Summary of January–September 2017 (comparison period 1 January–30 September 2016)

- Turnover totalled EUR 251.3 (266.8) million. Turnover is generated entirely by rental income. Turnover decreased due to the divestments of rental apartments in 2016 and early 2017.
- Profit before taxes amounted to EUR 207.8 (154.4) million. The profit includes EUR 100.8 (68.6) million in net valuation gain on the fair value assessment of investment properties and EUR 1.5 (-20.3) million in capital gains and losses on investment properties. The profit increase resulted primarily from larger changes in the fair value, higher income from the divestment of investment properties and lower financial costs than in the comparison period.
- Net rental income was EUR 162.1 (172.4) million, representing 64.5 (64.6) per cent of turnover. Net rental income decreased due to the divestments of rental apartments in 2016 and early 2017.
- The financial occupancy rate remained high, standing at 96.7 (97.2) per cent during the period under review.
- Gross investments during the period totalled EUR 193.7 (609.4) million. Gross investments were 77.1 (228.4) per cent of turnover. The decrease in gross investments resulted from a significant purchase of rental apartments in the comparison period.
- The fair value of investment properties was EUR 4.5 (4.1) billion. Return on investment was 7.7 (7.0) per cent.
- There were 1,760 (1,415) Lumo apartments under construction at the end of the review period.
- Kojamo owned 34,046 (34,926) rental apartments on 30 September 2017.
- Kojamo specifies its outlook for the financial year 2017 with regard to net rental income and operative result.

# Summary of July–September 2017 (comparison period 1 July–30 September 2016)

- Turnover totalled EUR 84.0 (84.6) million. Turnover decreased due to the divestment of rental apartments.
- Profit before taxes amounted to EUR 71.0 (49.0) million. The profit includes EUR 33.2 (12.4) million in net valuation gain on fair value assessment.
- Net rental income was EUR 56.2 (55.9) million, representing 66.8 (66.1) per cent of turnover.
- The financial occupancy rate remained high, standing at 96.9 (97.8) per cent during the period.
- The Group's gross investments during the period totalled EUR 64.3 (519.5) million

## Key indicators

	7-9/2017	7-9/2016	1-9/2017	1-9/2016	2016
Revenue, M€	84.0	84.6	251.3	266.8	351.5
Net rental income, M€	56.2	55.9	162.1	172.4	222.0
% revenue	66.8	66.1	64.5	64.6	63.2
Profit before taxes, M€	71.0	49.0	207.8	154.4	289.7
Operative result, M€ <sup>1)</sup>	27.4	29.8	79.9	95.2	116.9
Investment properties, M€ <sup>1)</sup>			4,516.3	4,127.5	4,298.9
Financial occupancy rate, %	96.9	97.8	96.7	97.2	97.4
Interest-bearing liabilities, M€ <sup>2)</sup>			2,352.7	1,984.8	2,122.8
Return on equity, % (ROE) <sup>1)</sup>			11.4	9.6	12.9
Return on investments, % (ROI) <sup>1)</sup>			7.7	7.0	8.8
Equity ratio, % <sup>1)</sup>			40.2	39.5	40.7
Loan to Value, % <sup>2) 3) 1)</sup>			45.9	45.5	47.1
Earnings per share, €	7.42	5.27	22.15	16.80	31.38
Equity per share, €			268.44	233.93	251.20
Gross investments, M€	64.3	519.5	193.7	609.4	696.0
Number of personnel, end of period			302	290	286

<sup>1)</sup> Including items held for sale

<sup>2)</sup> Does not include items held for sale

<sup>3)</sup> The calculation formula is changed 2017 and the comparative figures adjusted to correspond to the current calculation method

<sup>1)</sup> Disclosure on Alternative Performance Measurements based on ESMA guidelines is located on key figures section of this Interim Report

# Kojamo is achieving growth in line with its strategy and boldly renewing housing

**“Some 3,000 tenancy agreements have already been signed on the Lumo web store, that has shifted power to the customers.”**



A substantial number of new rental apartments has been completed, particularly in the Helsinki Metropolitan Area. We have been able to maintain our occupancy rate at a good level and we are confident that the continued trend of urbanisation will create long-term demand for rental housing.

After the end of the review period, we implemented our strategy by, for example, finalising the purchase of properties located in Helsinki at Onnentie 18, Sofianlehdonkatu 5, Tukholmankatu 10, Agri-colankatu 1–3, Albertinkatu 40–42, Abrahaminkatu 1–3 and Bulevardi 29–31 from the City of Helsinki. The purchase will deliver new growth in the Helsinki region in line with Kojamo's strategy: the new properties will make it easier for people to relocate in pursuit of employment in urbanising Finland.

The trend of urbanisation is also reflected by strong demand in our web store. The Lumo web store has shifted power to the customers and seen strong growth, with some 3,000 tenancy agreements already signed. All Lumo rental apartments that became vacant during the review period were available for rent on the Lumo web store, which offers customers the oppor-

tunity to choose their preferred apartment and sign a tenancy agreement immediately.

As part of our ongoing effort to deliver the best customer experience, which is a strategic focus area for us, we revamped the role of the property manager. The property managers we recruit are creators of the customer experience. In addition to managing the provision of housing-related services and looking after the properties, they are tasked with building a unique customer experience.

We provide our tenants with innovative services that make their daily lives easier while also making significant investments and boldly renewing housing as a whole.

Here's to an autumn of boldness and renewal!

Jani Nieminen  
CEO

## Operating environment

### General operating environment

According to a forecast by the Finnish Ministry of Finance, global economic growth is set to continue. Growth is being maintained by the developing economies in particular, but stronger growth is also seen in the industrialised world. Economic growth in the eurozone has accelerated. Nevertheless, there is uncertainty regarding economic development due to political risks. According to the Ministry of Finance forecast, economic growth in the eurozone must firm up more permanently before conventional monetary policy can resume.

Interest rates have continued to rise in the United States. In the eurozone, interest rates are predicted to remain low even though it is estimated that the bottom of the interest rate cycle has now been passed. Measures taken by the ECB will have a significant impact on the development of interest rates in the eurozone.

Economic growth in Finland has improved for a couple of years now. The Ministry of Finance forecasts that the Finnish GDP will grow by 2.9% in 2017. According to the Bank of Finland, the structure of growth is gradually improving, driven by investments and growth. Growth has also been based on private consumption, but the increase in purchasing power is beginning to slow down.

The Ministry of Finance estimates that inflation will remain moderate this year and next.

### Industry operating environment

Driven by migration, the demand for rental housing is expected to remain strong in major growth centres, even though supply has increased significantly. Growing supply is particularly reflected in increasing tenant turnover. Continuing intensive urbanisation increases regional differences. Even in the Helsinki Metropolitan Area, differences between regions are increasing. New development is expected to continue focusing on privately financed rental apartments. The strongest demand is still focused on the smallest apartments.

According to a forecast by Pellervo Economic Research, the increase in rents will continue in growth centres, but the rate of increase will become more moderate than it has been in recent times.

According to the Bank of Finland, the increase in the prices of apartments accelerated in the early part of the year, particularly in the Helsinki Metropolitan Area. Elsewhere in Finland, particularly in rural areas outside of growth centres, the prices have even decreased in the past few years. The increase in prices in the Helsinki Metropolitan Area is attributable to the high demand for apartments and the low supply of plots.

## Kojamo specifies its outlook for 2017

Kojamo specifies its outlook for the financial year 2017 with regard to net rental income and operative result.

Kojamo estimates that, in 2017, net rental income will be EUR 209–218 million (previous outlook: EUR 208–220 million). Investments in new development and housing stock acquisitions are forecast to exceed EUR 300 million. Kojamo estimates that, in 2017, its result will be EUR 100–109 million (previous outlook: EUR 96–107 million). The outlook takes into account the effects of both the significant housing divestments carried out in 2016 and the housing divestments and acquisitions planned for 2017, the estimated occupancy rate and the number of apartments under construction.

## Business operations

Kojamo's aim is to be a leading company in rental housing and real estate investment and offer rental apartments and housing services in Finnish growth centres. The new name of the Group's parent company, Kojamo plc, came into effect on 27 March 2017. The need for the name change stemmed from the considerable renewal that has taken place in the Group.

We are increasingly investing in digital services, the customer experience and

our corporate culture. The objective of our company is to be a housing investment company known for its excellent customer experience and producing excellent financial results. The vision of the housing investment company is to be the property market frontrunner and the number one choice for its customers. As stated in our mission, we create better urban housing.

The fair value of Kojamo's investment properties at the end of the review period was EUR 4.5 (4.1) billion. At the end of the review period, Kojamo Group owned 34,046 (34,926) rental apartments.

Kojamo makes it easier for people to migrate in pursuit of employment in urbanising Finland. The Group operates in the seven main urban regions of Finland, focusing on the demand for rental apartments especially in the Helsinki region. Kojamo's share of the entire rental housing market is approximately four per cent.

## Segment reporting

Kojamo Group's business operations are divided into two segments: Lumo and VVO.

The Lumo segment comprises the Group's parent company Kojamo plc and Lumo Kodit Oy, Lumo Vuokratalot Oy and Kojamo Palvelut Oy, as well as other group companies in whose apartments the restrictions on the determination of rent, related to the ARAVA and interest subsidy legisla-

tion, will end by the close of 2018. Some of the housing included in the Lumo segment is subject to property-specific restrictions in accordance with the ARAVA Act.

The group companies in whose apartments the restrictions on the determination of rent, related to the ARAVA and interest subsidy legislation, will end after 2018 belong to the VVO segment. The companies of the VVO segment are subject to the profit distribution restriction and they can pay their owner a four per cent return on own funds invested in them that have been confirmed by the Housing Finance and Development Centre of Finland (ARA). The return payable from the annual profits of companies subject to revenue recognition restrictions totals approximately EUR 1.3 million.

## Turnover

Kojamo Group's turnover during the period 1 January–30 September 2017 amounted to EUR 251.3 (266.8) million.

The Lumo segment recorded a turnover of EUR 228.9 (214.8) million, and the VVO segment EUR 22.8 (53.0) million. Turnover is generated entirely by rental income.

## Result and profitability

The Group's net rental income totalled EUR 162.1 (172.4) million, representing 64.5 (64.6) per cent of turnover. The Lumo segment recorded a net rental income of EUR 150.2

(144.3) million, and the VVO segment EUR 12.4 (29.0) million.

The Group's profit before taxes was EUR 207.8 (154.4) million. The profit includes EUR 100.8 (68.6) million in net valuation gain on the fair value assessment of investment properties and EUR 1.5 (-20.3) million in capital gains and losses on investment properties. The profit increase resulted primarily from larger changes in the fair value, higher income from the divestment of investment properties and lower financial costs than in the comparison period.

Financial income and expenses totalled EUR -29.3 (-38.6) million. Financial income and expenses include EUR 2.6 (-10.3) million in unrealised changes in the fair value of derivatives.

## Balance sheet, cash flow and financing

At the end of the review period, the Group's balance sheet total was EUR 4,948.1 (4,385.2) million. Equity totalled EUR 1,987.1 (1,731.7) million. The equity ratio was 40.2 (39.5) per cent. Equity per share was EUR 268.44 (233.93). The equity ratio of the Lumo segment was 40.1 (38.8) per cent. The Group's return on equity was 11.4 (9.6) per cent and return on investment 7.7 (7.0) per cent.

At the end of the review period, the Group's liquid assets totalled EUR 281.2 (106.6) million. The Group maintained good liquidity throughout the period. EUR 50.0 (193.2) million of the EUR 200 million com-

mmercial paper programme was outstanding at the end of the review period. In addition, the Group has committed credit facilities of EUR 300 million and an uncommitted credit facility of EUR 5 million that remained unused at the end of the review period.

At the end of the review period, interest-bearing liabilities stood at EUR 2,352.7 (1,984.8) million, of which EUR 2,059.1 (1,560.2) million were market-based loans. At the end of the review period, the Group's Loan to Value was 45.9 (45.5) per cent.

The average interest rate of the loan portfolio stood at 2.0 (2.1) per cent, including interest rate derivatives. The average maturity of loans at the end of the review period was 5.7 (5.5) years.

On 30 May 2017, Moody's Investor Service issued a long-term credit rating of Baa2 with a stable outlook for Kojamo plc.

The company's objective is to increase the share of bond financing and to shift to unsecured financing to a significant degree.

On 28 September 2017, Kojamo plc signed a new committed EUR 55 million Revolving Credit Facility with Danske Bank. The Revolving Credit Facility is unsecured and has a maturity of four years. The credit facility will be used as a back-up facility for the commercial paper programme and for general corporate purposes. The new credit facility replaces the secured EUR 25 million revolving credit facility from Danske Bank.

Kojamo plc issued an unsecured EUR 500 million bond on 19 June 2017. The bond

has been approved for listing on the official list of the Irish Stock Exchange. The unsecured euro-denominated bond has a maturity of seven years and it will mature on 19 June 2024. The bond carries a fixed annual coupon of 1.5 per cent.

On 2 May 2017, Kojamo plc signed a new committed EUR 100 million revolving credit facility with the Finnish branch of Svenska Handelsbanken AB (publ). The revolving credit facility is unsecured and has a maturity of five years. The new credit facility replaced the previous EUR 30 million revolving credit facility from Handelsbanken.

On 20 April 2017, Lumo Kodit Oy signed a new EUR 50 million term loan facility with Nordea Bank AB (publ), Finnish Branch. The loan facility is secured and its maturity with extension options is 5.5 years.

On 30 March, Kojamo plc signed a new committed EUR 100 million revolving credit facility with Swedbank AB (publ). The revolving credit facility is unsecured and has a maturity of five years. The credit facility will be used as a back-up facility for the commercial paper programme and for general corporate purposes.

## Real estate property and fair value

Kojamo Group owned a total of 34,046 (34,926) rental apartments at the end of the review period. The Lumo segment accounted for 30,681 (31,060) and the VVO

segment for 3,365 (3,866) of these apartments. At the end of the review period, the Group owned apartments in 35 (40) municipalities. The goal of the company is to divest its apartments outside the seven major urban centres in Finland.

At the end of the review period, the fair value of Kojamo Group's investment properties stood at EUR 4.5 (4.1) billion. During the review period, the fair value increased by EUR 217.5 (128.3) million. The change includes EUR 100.8 (68.6) million in net valuation gain on the fair value assessment of investment properties. The fair value of the Group's investment properties is deter-

mined quarterly on the basis of the company's own evaluation. An external expert gives a statement on the valuation of the Group's investment properties. The last valuation statement was issued on the situation as on 30 September 2017. The key criteria for determining fair value are presented in the Notes to the Interim Report.

At the end of the review period, the plot reserve held by the Group totalled about 105,000 floor sq m (124,000 floor sq m). The fair value of the plot reserve was approximately EUR 44.4 (62.1) million at the end of the review period.

M €	30 Sept 2017	30 Sept 2016	31 Dec 2016
Fair value of investment properties, at 1 Jan	4,298.9	3,999.2	3,999.2
Acquisition of investment properties	175.9	584.6	664.9
Modernisation investments	15.2	23.6	29.3
Disposals of investment properties	-77.0	-548.9	-559.0
Capitalised borrowing costs	2.6	1.2	1.7
Transfer to own use	0.0	-0.7	-0.7
Valuation gains/losses on fair value assessment	100.8	68.6	163.3
<b>Fair value of investment properties, at 30 Sept</b>	<b>4,516.3</b>	<b>4,127.5</b>	<b>4,298.9</b>

The above fair values include the investment properties classified as Non-current assets held for sale on 30 September 2017, totalling EUR 3.9 (0.0) million.

## Rental housing

Demand for rental housing remained strong in growth centres. Differences between regions are increasing and, in some regions, supply and demand are now in balance. As in previous years, the strongest demand focused on studios and one-bedroom apartments.

The financial occupancy rate remained at a good level, standing at 96.7 (97.2) per cent for the review period. At the end of the review period, 232 (193) apartments were vacant due to renovations. The tenant turnover rate, which includes internal transfers, increased slightly compared to the corresponding period in the financial year 2016 and was 25.7 (23.0) per cent.

The average rent for the Group's 31,815 (30,734) commercial Lumo apartments was EUR 15.08 (14.48) per square metre per month at the end of the review period, and EUR 14.98 (14.38) during the period on average. The average rent for Lumo apartments is increased by the renewal of the property portfolio due to strong investment activities. The corresponding figures for the 2,231 (4,192) non-commercial VVO apartments was EUR 13.35 (12.94) at the end of the review period, and EUR 13.29 (12.85) during the period on average.

The Lumo web store has seen strong growth, with some 3,000 tenancy agreements already signed on the web store to date. The number of apartments rented

via the web store is approximately 300 per month. All Lumo rental apartments that became vacant during the review period were available for rent on the Lumo web store, which offers customers the opportunity to choose their preferred apartment.

Thanks to successful rental control and our housing advisory service, the proportion of annual turnover from rental operations accounted for by rent receivables remained low and was 1.3 (1.1) per cent at the end of the review period.

As part of developing the customer experience, we revamped the role of the property manager: the property managers we recruit are creators of the customer experience. In addition to managing the provision of housing-related services and looking after the properties, they are tasked with delivering a unique customer experience.

We are conducting an experiment by recruiting four young adults who will move to a shared Lumo apartment in Helsinki and work for the general good of the neighbourhood. The experiment is being conducted in cooperation with the Homma himaan project.

The shared car service at Lumo rental apartments was expanded during the review period to also include vans. Certain Lumo buildings in different parts of Finland have had shared passenger cars for two years now.

During the review period, we also introduced free-of-charge sports services to



our housing offering. Professional sports instructors known as Yard Coaches provide sports services to tenants at 13 Lumo buildings in Helsinki.

## Investments, divestments and real estate development

Construction began on 783 (678) apartments during the review period. A total of 1,760 (1,415) Lumo apartments were under construction at the end of the period. Of the apartments under construction, 1,394 (1,233) are located in the Helsinki region and 366 (182) in other Finnish growth centres.

During the review period, Kojamo Group acquired 75 (2,274) apartments and sold 1,516 (8,862) apartments. This included the sale of 1,344 non-restricted rental apartments to a company managed by Avant Capital Partners on 31 January 2017.

Kojamo's goal is to divest the approximately 2,000 non-strategic apartments in the next two years.

Some 559 (452) new apartments were completed during the period. A total of 983 (567) apartments are estimated to be completed in 2017.

The Group's gross investments totalled EUR 193.7 (609.4) million. Total repair costs and modernisation investments during the review period were EUR 42.6 (51.0) million, of which modernisation investments

accounted for EUR 15.2 (23.6) million. The Lumo segment accounted for EUR 193.5 (609.2) million of gross investments, and the VVO segment for EUR 0.2 (0.2) million.

At the end of the review period, binding acquisition agreements for new development totalled EUR 229.1 (338.2) million, of which EUR 118.0 (143.5) million is related to properties under construction. A total of 2,332 (2,473) new apartments will be built under the acquisition agreements, of which 1,760 (1,415) were under construction at the end of the review period.

## Personnel

At the end of the review period, Kojamo Group had a total of 302 (290) employees. The average number of personnel during the period was 310 (302).

Kojamo won first place in the major employer category of the Responsible Summer Job 2017 competition.

## Management

Teemu Suila, M. Sc. (Tech.) was appointed the Chief Development Officer (CDO) of Kojamo plc and a member of the Management Group effective from 1 September 2017. He will report to CEO Jani Nieminen. Suila's responsibilities include directing strategic development activities, new business operations and building digital per-

spectives into the development of services. Mikko Pöyry, who was previously a member of the Management Group, will continue as Kojamo plc's Information Management Director.

## Shareholders

No significant changes occurred in the company's ownership during the review period.

Kojamo plc's 10 major shareholders on 30 September 2017:

Shareholders	Holding, %
Ilmarinen Mutual Pension Insurance Company	18,08
Varma Mutual Pension Insurance Company	16,98
The Finnish Industrial Union	9,70
Trade Union for the Public and Welfare Sectors	8,73
Finnish Construction Trade Union	8,31
Service Union United PAM	7,49
Trade Union Pro	7,49
Trade Union of Education in Finland	7,46
Industrial Union TEAM	5,99
Union of Health and Social Care Professionals TEHY	1,39
Others	8,38
<b>Total</b>	<b>100,00</b>

## Sustainability

Kojamo plc's task is to create better urban housing. Kojamo plc will focus on real estate investment in Finland, renewing rental housing to make it increasingly attractive by developing new types of homes and services. The solutions promote work-related mobility in urbanising Finland, increase well-being and are environmentally friendly.

The anti-grey economy models used by the company exceed legislative requirements in many respects. We continuously monitor the fulfilment of contractor obligations for all of the companies in our supplier network through the Reliable Partner service at the tilaajavastuu.fi website.

Kojamo Group's estimated taxes and similar charges in 2017 amount to approximately EUR 100 million. Kojamo Group's tax footprint was published in the 2016 [Annual Report](#).

Kojamo Group will continue its climate partnership agreement with the City of Helsinki. After reaching the targets of the plan that ended in 2016, Kojamo joined the Rental Property Action Plan (VAETS II): during the agreement period that started in 2017, the housing investment company pursues energy savings of 7.5 per cent by 2025.

Kojamo Group is the only Finnish real estate company in the Climate Leadership Council.

The Leanheat system was deployed in ten Lumo buildings in Espoo, Vantaa and Tampere. The aim is to optimise building heating systems to reduce energy consumption and achieve comfortable and stable living conditions. Leanheat balances the buildings' need for energy, thereby decreasing the carbon footprint. Leanheat also includes predictive adjustments to heating.

The Virkeä programme is a cooperation programme between Kojamo and promising young athletes that supports young talents financially. This year, the programme covers not only individual sports but also team sports. The recipients of Virkeä team sponsorship for the 2016–2017 season are the FC Honka women's championship team and four girls' teams.

In 2017, the Virkeä athletes are Anna Haataja (orienteering), Riikka Honkanen (alpine skiing), Joonas Kangas (ski slopestyle), Henry Manni (wheelchair racing), Oskari Mörö (athletics), Nooralotta Nezirli (athletics) and Emmi Parkkisenniemi (snowboarding). In spring 2017, Lumo homes' Virkeä grants were awarded to 25 young athletes. The grants were awarded to young people aged 12–20 who are engaged in active sports as members of a sports club. Those living in Lumo and VVO homes were given priority. A total of 250 grants have been awarded since 2012.

## Near-term risks and uncertainties

Kojamo estimates that the risks and uncertainties in the current financial year are first and foremost related to the development of the Finnish economy. The economic development is reflected in both the housing and financial markets. This may have an impact on Kojamo's profit and cash flow.

The development in the Finnish economy may bring on fluctuations in housing prices, which could have an impact on the fair value of the Group's real estate property.

Disturbances in the financial market may impair the availability and costs of financing. This may influence the financing of Kojamo's growth.

A more detailed description of risks and uncertainties can be found in the 2016 financial statements.

## Events after the review period

Lumo Kodit Oy, a subsidiary of Kojamo Group, finalised the purchase of properties located in Helsinki at Onnentie 18, Sofianlehdonkatu 5, Tukholmankatu 10, Agri-colankatu 1–3, Albertinkatu 40–42, Abrahaminkatu 1–3 and Bulevardi 29–31 from the City of Helsinki on 16 October 2017.

# Condensed consolidated income statement, IFRS

M €	Note	7-9/2017	7-9/2016	1-9/2017	1-9/2016	1-12/2016
<b>Total revenue</b>		<b>84.0</b>	<b>84.6</b>	<b>251.3</b>	<b>266.8</b>	<b>351.5</b>
Maintenance expenses		-18.1	-18.4	-61.7	-67.0	-90.3
Repair expenses		-9.8	-10.2	-27.4	-27.4	-39.1
<b>Net rental income</b>		<b>56.2</b>	<b>55.9</b>	<b>162.1</b>	<b>172.4</b>	<b>222.0</b>
Administrative expenses		-8.7	-8.6	-26.7	-26.0	-37.4
Other operating income		0.4	0.4	1.3	1.7	2.3
Other operating expenses		0.0	0.2	-1.0	-2.5	-3.1
Profit/loss on sales of investment properties		0.2	6.6	1.5	-20.3	-10.4
Profit/loss on sales of trading properties		0.0	0.0	0.0	0.1	0.1
Fair value change of investment properties	3	33.2	12.4	100.8	68.6	163.3
Depreciation, amortisation and impairment losses		-0.3	-0.3	-0.9	-0.9	-1.2
<b>Operating profit / loss</b>		<b>81.0</b>	<b>66.5</b>	<b>237.1</b>	<b>193.0</b>	<b>335.6</b>
Financial income		1.4	0.5	3.9	1.3	2.4
Financial expenses		-11.3	-18.0	-33.2	-40.0	-48.4
<b>Total amount of financial income and expenses</b>		<b>-10.0</b>	<b>-17.4</b>	<b>-29.3</b>	<b>-38.6</b>	<b>-46.0</b>
Share of result from associated companies						0.1
<b>Profit before taxes</b>		<b>71.0</b>	<b>49.0</b>	<b>207.8</b>	<b>154.4</b>	<b>289.7</b>
Current tax expense		-5.4	-6.3	-22.7	-26.1	-35.4
Change in deferred taxes		-10.7	-3.7	-21.2	-4.0	-22.1
<b>Profit/loss for the period</b>		<b>55.0</b>	<b>39.0</b>	<b>164.0</b>	<b>124.4</b>	<b>232.3</b>
<b>Profit of the financial period attributable to</b>						
Shareholders of the parent company		55.0	39.0	164.0	124.3	232.3
Non-controlling interests					0.0	0.0
<b>Earnings per share based on profit attributable to equity holders of the parent company</b>						
Basic, euro		7.42	5.27	22.15	16.80	31.38
Diluted, euro		7.42	5.27	22.15	16.80	31.38
Average number of the shares		7,402,560	7,402,560	7,402,560	7,402,560	7,402,560

## Consolidated statement of the comprehensive income

M €	Note	7-9/2017	7-9/2016	1-9/2017	1-9/2016	1-12/2016
<b>Profit/loss for the period</b>		<b>55.0</b>	<b>39.0</b>	<b>164.0</b>	<b>124.4</b>	<b>232.3</b>
<b>Other comprehensive income</b>						
Items that may be reclassified subsequently to profit or loss						
Cash flow hedges		1.8	-4.4	17.3	-34.9	-9.9
Available-for-sale financial assets		0.1	0.2	0.2	0.5	0.4
Deferred taxes		-0.4	0.8	-3.5	6.9	1.9
<b>Items that may be reclassified subsequently to profit or loss</b>		<b>1.5</b>	<b>-3.3</b>	<b>14.0</b>	<b>-27.5</b>	<b>-7.6</b>
<b>Total comprehensive income for the period</b>		<b>56.4</b>	<b>35.7</b>	<b>178.0</b>	<b>96.8</b>	<b>224.7</b>
<b>Total comprehensive income attributable to</b>						
Shareholders of the parent company		56.4	35.7	178.0	96.8	224.7
Non-controlling interests					0.0	0.0

# Condensed consolidated balance sheet, IFRS

M €	Note	30 Sept 2017	30 Sept 2016	31 Dec 2016	M €	Note	30 Sept 2017	30 Sept 2016	31 Dec 2016
<b>ASSETS</b>					<b>SHAREHOLDER' EQUITY AND LIABILITIES</b>				
<b>Non-current assets</b>					<b>Equity attributable to equity holders of the parent company</b>				
Intangible assets		0.5	0.9	0.8	Share capital		58.0	58.0	58.0
Investment properties	3	4,512.4	4,127.5	4,228.3	Share issue premium		35.8	35.8	35.8
Property, plant and equipment	4	31.1	31.1	31.0	Fair value reserve		-26.2	-60.1	-40.2
Investments in associated companies		1.3	1.0	1.2	Invested non-restricted equity reserve		17.9	17.9	17.9
Financial assets	7	0.5	0.6	0.6	Retained earnings		1,901.7	1,680.1	1,788.0
Non-current receivables		6.5	3.2	5.6					
Derivatives	6, 7	4.9		2.0					
Deferred tax assets		11.9	21.0	15.4	<b>Equity attributable to shareholders of the parent company</b>		<b>1,987.1</b>	<b>1,731.7</b>	<b>1,859.5</b>
<b>Non-current assets total</b>		<b>4,569.1</b>	<b>4,185.3</b>	<b>4,284.8</b>	<b>Total equity</b>		<b>1,987.1</b>	<b>1,731.7</b>	<b>1,859.5</b>
Investment properties held for sale	9	3.9		70.7					
<b>Current assets</b>					<b>LIABILITIES</b>				
Trading properties		0.6	0.9	0.9	<b>Non-current liabilities</b>				
Derivatives	6, 7	0.0		0.3	Liabilities	5, 7	2,228.4	1,684.0	1,796.1
Current tax assets		11.5	5.0	7.7	Deferred tax liabilities		474.7	435.9	453.4
Trade and other receivables		71.7	62.8	69.0	Derivatives	6, 7	51.2	93.7	68.3
Financial assets		281.2	106.6	132.0	Provisions		0.8	0.8	1.0
<b>Current assets total</b>		<b>375.1</b>	<b>199.9</b>	<b>216.7</b>	Other non-current liabilities		7.1	6.3	7.1
<b>ASSETS TOTAL</b>		<b>4,948.1</b>	<b>4,385.2</b>	<b>4,572.2</b>	<b>Non-current liabilities total</b>		<b>2,762.3</b>	<b>2,220.7</b>	<b>2,325.9</b>
					Liabilities held for sale	9			1.0
					<b>Current liabilities</b>				
					Current liabilities	5, 7	124.3	300.8	326.8
					Derivatives	6, 7	0.3	1.1	0.9
					Current tax liabilities		21.1	10.6	9.9
					liabilities		52.9	120.3	48.3
					<b>Current liabilities total</b>		<b>198.6</b>	<b>432.8</b>	<b>385.8</b>
					<b>Total liabilities</b>		<b>2,960.9</b>	<b>2,653.5</b>	<b>2,712.6</b>
					<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,948.1</b>	<b>4,385.2</b>	<b>4,572.2</b>

# Condensed consolidated statement of cash flows, IFRS

M €	1-9/2017	1-9/2016	1-12/2016
<b>Cash flow from operating activities</b>			
Profit for the period	164.0	124.4	232.3
Adjustments	-28.3	22.9	-46.6
Change in net working capital	-3.6	-19.5	-1.8
Interest paid	-28.1	-29.3	-38.0
Interest received	0.4	0.4	0.7
Other financial items	-5.8	-0.8	-2.7
Taxes paid	-15.3	-28.6	-41.4
<b>Net cash flow from operating activities</b>	<b>83.4</b>	<b>69.4</b>	<b>102.4</b>
<b>Cash flow from investing activities</b>			
Acquisition of investment properties	-193.5	-345.6	-421.8
Acquisition of associated companies	-0.1		0.0
Acquisition of property, plant and equipment and intangible assets	-0.7	-0.1	-0.1
Proceeds from sale of investment properties	78.3	84.4	89.9
Proceeds from sale of associated companies		0.6	0.6
Proceed from sale of property, plant and equipment and intangible assets		0.0	0.0
Purchases of financial assets	-190.0	-13.0	-28.0
Proceeds from sale of financial assets	167.6	5.2	14.0
Non-current loans, granted	-1.1	-0.4	-0.4
Repayments of non-current receivables	1.2	0.1	0.2
Interest and dividends received on investments	0.2	0.3	0.4
<b>Net cash flow from investing activities</b>	<b>-138.1</b>	<b>-268.4</b>	<b>-345.1</b>
<b>Cash flow from financing activities</b>			
Non-current loans, raised	686.4	232.6	482.6
Non-current loans, repayments	-361.0	-92.5	-154.9
Current loans, raised	194.8	316.2	390.1
Current loans, repayments	-286.0	-232.3	-358.0
Dividends paid	-50.3	-37.0	-103.6
<b>Net cash flow from financing activities</b>	<b>183.9</b>	<b>187.0</b>	<b>256.1</b>
<b>Change in cash and cash equivalents</b>	<b>129.1</b>	<b>-12.0</b>	<b>13.4</b>
<b>Cash and cash equivalents in the beginning of period *</b>	<b>152.0</b>	<b>118.6</b>	<b>118.6</b>
<b>Cash and cash equivalents at the end of period</b>	<b>281.2</b>	<b>106.6</b>	<b>132.0</b>

\* 20,0 M € of investment funds have been reclassified from financial assets to cash equivalents.  
Comparative information has not been restated.

# Condensed consolidated statement of changes in shareholders' equity, IFRS

M €	Share capital	Share issue premium	Fair value reserve	Invested non-restricted equity reserve	Retained earnings	Equity attributable to share-holders of the parent company	Non-controlling interests	Total equity
Equity at 1 Jan 2017	58.0	35.8	-40.2	17.9	1,788.0	1,859.5		1,859.5
Comprehensive income								
Cash flow hedging			13.8			13.8		13.8
Available-for-sale financial assets			0.1			0.1		0.1
Result for the financial period					164.0	164.0		164.0
<b>Total comprehensive income</b>			<b>14.0</b>		<b>164.0</b>	<b>178.0</b>		<b>178.0</b>
Transactions with shareholders								
Dividend payment					-50.3	-50.3		-50.3
<b>Total transactions with shareholders</b>					<b>-50.3</b>	<b>-50.3</b>		<b>-50.3</b>
Total change in equity			14.0		113.7	127.6		127.6
<b>Equity at 30 Sept 2017</b>	<b>58.0</b>	<b>35.8</b>	<b>-26.2</b>	<b>17.9</b>	<b>1,901.7</b>	<b>1,987.1</b>		<b>1,987.1</b>

M €	Share capital	Share issue premium	Fair value reserve	Invested non-restricted equity reserve	Retained earnings	Equity attributable to share-holders of the parent company	Non-controlling interests	Total equity
Equity at 1 Jan 2016	58.0	35.8	-32.6	17.9	1,659.4	1,738.5	0.6	1,739.1
Comprehensive income								
Cash flow hedging			-27.9			-27.9		-27.9
Available-for-sale financial assets			0.4			0.4		0.4
Result for the financial period					124.3	124.3		124.4
<b>Total comprehensive income</b>			<b>-27.5</b>		<b>124.3</b>	<b>96.8</b>		<b>96.8</b>
Transactions with shareholders								
Dividend payment					-103.6	-103.6		-103.6
<b>Total transactions with shareholders</b>					<b>-103.6</b>	<b>-103.6</b>		<b>-103.6</b>
Changes in shareholdings							-0.6	-0.6
Total change in equity			-27.5		20.7	-6.8	-0.6	-7.4
<b>Equity at 30 Sept 2016</b>	<b>58.0</b>	<b>35.8</b>	<b>-60.1</b>	<b>17.9</b>	<b>1,680.1</b>	<b>1,731.7</b>	<b>0.0</b>	<b>1,731.7</b>

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M €	Share capital	Share issue premium	Fair value reserve	Invested non-restricted equity reserve	Retained earnings	Equity attributable to share-holders of the parent company	Non-controlling interests	Total equity
Equity at 1 Jan 2016	58.0	35.8	-32.6	17.9	1,659.4	1,738.5	0.6	1,739.1
Comprehensive income								
Cash flow hedging			-7.9			-7.9		-7.9
Available-for-sale financial assets			0.3			0.3		0.3
Result for the financial period					232.3	232.3	0.0	232.3
<b>Total comprehensive income</b>			<b>-7.6</b>		<b>232.3</b>	<b>224.7</b>	<b>0.0</b>	<b>224.7</b>
Transactions with shareholders								
Dividend payment					-103.6	-103.6		-103.6
<b>Total transactions with shareholders</b>					<b>-103.6</b>	<b>-103.6</b>	<b>0.0</b>	<b>-103.6</b>
Changes in shareholdings							-0.6	-0.6
Total change in equity			-7.6		128.6	121.0	-0.6	120.5
<b>Equity at 31 Dec 2016</b>	<b>58.0</b>	<b>35.8</b>	<b>-40.2</b>	<b>17.9</b>	<b>1,788.0</b>	<b>1,859.5</b>	<b>0.0</b>	<b>1,859.5</b>

# Notes to the condensed consolidated interim financial statements

Since 1 January 2015, Kojamo has prepared its consolidated financial statements, including the Interim Reports, in accordance with International Financial Reporting Standards (IFRS).

## 1. Accounting policies

### Basis for preparation

These interim financial statements are prepared in accordance with IAS 34 Interim Financial Reporting and IFRS standards.

The preparation of interim financial statements in accordance with IFRS requires application of judgement by Kojamo's management to make estimates and assumptions that affect the reported amounts of assets and liabilities on the balance sheet date and the reported amounts of income and expenses for the period. Management has to make judgements also when applying the accounting policies of the Group. Actual results may differ from the estimates and assumptions used. The most significant items of the interim financial statements where judgement has been applied by management, as well as the assumptions about the future and other key uncertainty

factors in estimates at the end of the reporting period which create a significant risk of change in the carrying amounts of Kojamo Group's assets and liabilities within the next financial year, are the same as those presented in the consolidated financial statements for the financial year 2016.

A bond issued by Kojamo has been listed on Nasdaq Helsinki Ltd. In addition, another bond issued by the company has been approved for listing on the official list of the Irish Stock Exchange, and admitted for trading on the regulated market in question. The Group has chosen Finland as its home state for the disclosure of periodic information pursuant to Chapter 7, Section 3 of the Finnish Securities Market Act.

Kojamo has assessed the impact of the adoption of IFRS 15 Revenue from Contracts with Customers on the company's cash flows. Due to the nature of the company's business, the change of the standard will not have a material impact on Kojamo's consolidated financial statements.

Kojamo has assessed the impact of the adoption of IFRS 16 Leases. Leases for plots of land, which are currently treated as other leases in accordance with IAS 17, will be

included in the consolidated balance sheet under the new standard. Kojamo will adopt the standard on 1 January 2019 and it will result in a slight increase in the consolidated balance sheet total.



## 2. Segment information

M €	Lumo 1–9/2017	VVO 1–9/2017	Group consolidation methods	Group Total 1-9/2017	M €	Lumo 1-9/2016	VVO 1-9/2016	Group consolidation methods	Group Total 1-9/2016
Rental income	227.1	22.6	0.2	249.9	Rental income	212.7	52.6	0.3	265.6
Sales income, other	1.4	0.2	-0.2	1.4	Sales income, other	1.3	0.3	-0.3	1.2
Internal income	0.4	0.1	-0.5	0.0	Internal income	0.9	0.1	-1.0	0.0
<b>Total revenue</b>	<b>228.9</b>	<b>22.8</b>	<b>-0.5</b>	<b>251.3</b>	<b>Total revenue</b>	<b>214.8</b>	<b>53.0</b>	<b>-1.0</b>	<b>266.8</b>
Maintenance expenses	-55.8	-5.9	0.0	-61.7	Maintenance expenses	-51.5	-15.6	0.1	-67.0
Repair expenses	-22.9	-4.5		-27.4	Repair expenses	-19.0	-8.4		-27.4
<b>Net rental income</b>	<b>150.2</b>	<b>12.4</b>	<b>-0.4</b>	<b>162.1</b>	<b>Net rental income</b>	<b>144.3</b>	<b>29.0</b>	<b>-0.9</b>	<b>172.4</b>
Administrative expenses	-24.3	-2.8	0.4	-26.7	Administrative expenses	-21.1	-5.8	0.9	-26.0
Other operating income	1.2	0.1		1.3	Other operating income	1.4	0.3		1.7
Other operating expenses	-1.1	0.0	0.0	-1.0	Other operating expenses	-0.1	-2.5		-2.5
Profit/loss on sales of investment properties	1.5			1.5	Profit/loss on sales of investment properties	-1.3	-19.7	0.7	-20.3
Profit/loss on sales of trading properties	0.0			0.0	Profit/loss on sales of trading properties	0.1			0.1
Fair value change of investment properties	100.8		0.0	100.8	Fair value change of investment properties	68.5		0.0	68.6
Depreciation, amortisation and impairment losses	-0.9			-0.9	Depreciation, amortisation and impairment losses	-0.9			-0.9
<b>Operating profit / loss</b>	<b>227.4</b>	<b>9.7</b>	<b>0.0</b>	<b>237.1</b>	<b>Operating profit / loss</b>	<b>190.9</b>	<b>1.4</b>	<b>0.7</b>	<b>193.0</b>
Financial income				3.9	Financial income				1.3
Financial expenses				-33.2	Financial expenses				-40.0
<b>Total amount of financial income and expenses</b>				<b>-29.3</b>	<b>Total amount of financial income and expenses</b>				<b>-38.6</b>
<b>Profit before taxes</b>				<b>207.8</b>	<b>Profit before taxes</b>				<b>154.4</b>
Current tax expense				-22.7	Current tax expense				-26.1
Change in deferred taxes				-21.2	Change in deferred taxes				-4.0
<b>Profit/loss for the period</b>				<b>164.0</b>	<b>Profit/loss for the period</b>				<b>124.4</b>
<b>Investments</b>	<b>193.5</b>	<b>0.2</b>		<b>193.7</b>	<b>Investments</b>	<b>609.2</b>	<b>0.2</b>		<b>609.4</b>
Investment properties	4,386.7	124.8	0.9	4,512.4	Investment properties	3,992.4	134.2	0.9	4,127.5
Investments in associated companies	1.3			1.3	Investments in associated companies	1.0			1.0
Investment properties held for sale	3.9			3.9	Liquid assets	22.8	83.9		106.6
Liquid assets	233.7	47.4		281.2	Other assets	157.0	99.8	-106.9	149.9
Other assets	216.5	14.0	-81.2	149.3	<b>Total Assets</b>	<b>4,173.2</b>	<b>317.9</b>	<b>-106.0</b>	<b>4,385.2</b>
<b>Total Assets</b>	<b>4,842.1</b>	<b>186.3</b>	<b>-80.3</b>	<b>4,948.1</b>	Interest bearing liabilities	1,917.8	171.1	-104.1	1,984.8
Interest bearing liabilities	2,307.3	125.5	-80.1	2,352.7	Other liabilities	636.3	34.1	-1.7	668.7
Other liabilities	594.5	13.8	-0.1	608.2	<b>Total Liabilities</b>	<b>2,554.0</b>	<b>205.2</b>	<b>-105.8</b>	<b>2,653.5</b>
<b>Total Liabilities</b>	<b>2,901.8</b>	<b>139.4</b>	<b>-80.3</b>	<b>2,960.9</b>					

## Interim Report 1 January–30 September 2017

M €	Lumo 1–12/2016	VVO 1–12/2016	Group consolidation methods	Group Total 1-12/2016
Rental income	288.4	61.1	0.4	349.9
Sales income, other	1.7	0.3	-0.4	1.6
Internal income	1.0	0.1	-1.2	0.0
<b>Total revenue</b>	<b>291.1</b>	<b>61.5</b>	<b>-1.2</b>	<b>351.5</b>
Maintenance expenses	-72.3	-18.1	0.1	-90.3
Repair expenses	-28.5	-10.6		-39.1
<b>Net rental income</b>	<b>190.3</b>	<b>32.8</b>	<b>-1.0</b>	<b>222.0</b>
Administrative expenses	-31.7	-6.8	1.0	-37.4
Other operating income	1.8	0.5	0.0	2.3
Other operating expenses	-0.7	-2.5		-3.1
Profit/loss on sales of investment properties	-1.2	-10.0	0.7	-10.4
Profit/loss on sales of trading properties	0.1			0.1
Fair value change of investment properties	159.3	4.0	0.0	163.3
Depreciation, amortisation and impairment losses	-1.2			-1.2
<b>Operating profit / loss</b>	<b>316.8</b>	<b>18.1</b>	<b>0.7</b>	<b>335.6</b>
Financial income				2.4
Financial expenses				-48.4
<b>Total amount of financial income and expenses</b>				<b>-46.0</b>
Share of result from associated companies				0.1
<b>Profit before taxes</b>				<b>289.7</b>
Current tax expense				-35.4
Change in deferred taxes				-22.1
<b>Profit/loss for the period</b>				<b>232.3</b>
<b>Investments</b>	<b>695.6</b>	<b>0.5</b>		<b>696.0</b>
Investment properties	4,088.9	138.5	0.9	4,228.3
Investments in associated companies	1.2			1.2
Investment properties held for sale	70.7			70.7
Liquid assets	30.3	101.7		132.0
Other assets	147.3	79.5	-86.8	140.0
<b>Total Assets</b>	<b>4,338.4</b>	<b>319.7</b>	<b>-86.0</b>	<b>4,572.2</b>
Interest bearing liabilities	2,028.8	178.0	-84.0	2,122.8
Liabilities held for sale	1.0			1.0
Other liabilities	573.6	17.0	-1.8	588.8
<b>Total Liabilities</b>	<b>2,603.4</b>	<b>195.0</b>	<b>-85.8</b>	<b>2,712.6</b>

## 3. Investment properties

M €	30 Sept 2017	30 Sept 2016	31 Dec 2016
Fair value of investment properties, at 1 Jan	4,298.9	3,999.2	3,999.2
Acquisition of investment properties	175.9	584.6	664.9
Modernisation investments	15.2	23.6	29.3
Disposals of investment properties	-77.0	-548.9	-559.0
Capitalised borrowing costs	2.6	1.2	1.7
Transfer to own use	0.0	-0.7	-0.7
Valuation gains/losses on fair value assessment	100.8	68.6	163.3
<b>Fair value of investment properties, at the end of period</b>	<b>4,516.3</b>	<b>4,127.5</b>	<b>4,298.9</b>

The above fair values include the investment properties classified as Non-current assets held for sale on 30 September 2017, totalling EUR 3.9 (0.0) million.

The Group has acquisition agreements for new development and renovations, presented in Note 8.

Value development of investment property results from investments, changes in market prices and parameters used in valuation as well as from expiry of restrictions on some properties.

Some of the investment properties are subject to legislative divestment and usage restrictions.

Usage and divestment restrictions are mainly related to balance sheet value properties and usage restrictions to yield value properties. The so-called non-profit restrictions apply to the owning company, and the so-called property-specific restrictions apply to the investment owned. The non-profit restrictions include, among other things, restrictions on the company's operations, distribution of profit, lending, and provision of collateral. The property-

specific restrictions include fixed-term restrictions on the use of apartments, the selection of residents, the determination of rent and the divestment of apartments.

### Measurement principles of investment property

Investment property is measured initially at its acquisition cost, including related transaction costs. Subsequently it is measured at fair value, and the resulting changes in fair values are recognised in profit or loss as they arise. Fair value refers to the price that would be received from selling an asset or paid for transferring a liability in an ordinary transaction between market participants at the measurement date.

The fair value of investment property determined by Kojamo Group is based on transaction value, income value and acquisition cost.

### Transaction value

Properties in which apartments can be sold by Kojamo Group without restrictions are measured using transaction value. The value as of the measurement date is based on actual sales prices of comparable apartments for the two preceding years. The source of market data applied by Kojamo Group is the price tracking service provided by the Central Federation of Finnish Real Estate Agencies (KVKL), including pricing information on sales of individual apartments in Finland provided by real estate agents. If necessary, the resulting transaction value is individually adjusted on the basis of the condition, location, and other characteristics of the property.

### Income value (yield value)

Yield value is applied when a property is required to be kept in rental use based on state-subsidised loans (so-called ARAVA loans) or interest subsidy loans, and it can be sold only as an entire property and to a restricted group of buyers. In the yield value method, the fair value is determined by capitalising net rental income, using a property-specific required rate of net rental income. The method also considers the impact of future renovations and the present value of any interest subsidies.

### Acquisition cost

Kojamo Group estimates that the acquisition cost of properties under construction, interest subsidised (long-term) rental properties and state-subsidised rental properties (so-called ARAVA properties) approximate their fair values. State-subsidised and interest subsidised (long-term) rental properties are carried at original acquisition cost, deducted by the depreciation accumulated up to the IFRS transition date and any impairment losses.

### Sensitive analysis of investment properties

Change %	30 Sept 2017				
	-10 %	-5 %	0 %	5 %	10 %
<b>Properties measured at market values</b>					
Change in market prices (M€)	-359.5	-179.7		179.7	359.5
<b>Properties measured at yield values</b>					
Yield requirement (M€)	50.8	24.1		-21.8	-41.6
Lease income (M€)	-75.8	-37.9		37.9	75.8
Maintenance costs (M€)	26.8	13.4		-13.4	-26.8
<b>Financial Occupancy rate (change in procent points)</b>					
Rent income (M€)	-2%	-1%	0%	1%	2%
Rent income (M€)	-1.4	-0.7		0.7	1.4

Change %	30 Sept 2016				
	-10 %	-5 %	0 %	5 %	10 %
<b>Properties measured at market values</b>					
Change in market prices (M€)	-314.5	-157.3		157.3	314.5
<b>Properties measured at yield values</b>					
Yield requirement (M€)	65.5	31.0		-28.1	-53.6
Lease income (M€)	-102.6	-51.3		51.3	102.6
Maintenance costs (M€)	39.7	19.8		-19.8	-39.7
<b>Financial Occupancy rate (change in procent points)</b>					
Rent income (M€)	-2%	-1%	0%	1%	2%
Rent income (M€)	-2.4	-1.7		0.4	0.0

All of Kojamo Group's investment properties are classified into the fair value hierarchy level 3 in accordance with IFRS 13. Hierarchy level 3 includes assets, the fair value of which is measured using input data concerning the asset that are not based on observable market data.

## 4. Property, plant and equipment

M €	30 Sept 2017	30 Sept 2016	31 Dec 2016
Book value, beginning of period	31.0	31.2	31.2
Increases	0.6	0.0	0.1
Decreases		-0.3	-0.3
Depreciations for accounting period	-0.5	-0.5	-0.7
Transfer from Investment properties		0.7	0.7
<b>Book value, end of period</b>	<b>31.1</b>	<b>31.1</b>	<b>31.0</b>

## 5. Interest-bearing liabilities

M €	30 Sept 2017	30 Sept 2016	31 Dec 2016
<b>Non-current</b>			
Interest subsidy loans	259.4	297.0	271.2
Annuity and mortgage loans	0.4	62.9	60.3
Market-based loans	1,966.0	1,320.7	1,461.2
Other loans	2.6	3.5	3.4
<b>Total</b>	<b>2,228.4</b>	<b>1,684.0</b>	<b>1,796.1</b>
<b>Current</b>			
Interest subsidy loans	24.3	52.6	53.6
Annuity and mortgage loans	0.1	1.6	1.3
Market-based loans	43.1	46.3	123.6
Other loans	6.9	7.0	7.0
Commercial papers	50.0	193.2	141.3
<b>Total</b>	<b>124.3</b>	<b>300.8</b>	<b>326.8</b>
<b>Total interest-bearing liabilities</b>	<b>2,352.7</b>	<b>1,984.8</b>	<b>2,122.8</b>

Some of Kojamo plc's loan agreements include financial covenants related to solvency, the proportion of secured loans and the ability to cover its interest liabilities. The Group fulfilled the terms of the agreements during the review period.

## 6. Derivative instruments

Fair values of derivative instruments M €	30 Sept 2017		30 Sept 2016		31 Dec 2016
	Positive	Negative	Net	Net	Net
Interest rate derivatives					
Interest rate swaps, cash flow hedges	4.8	-42.7	-37.9	-82.5	-56.9
Interest rate swaps, not in hedge accounting		-8.5	-8.5	-4.0	-3.0
Interest rate options, not in hedge accounting		0.0	0.0	-7.7	-6.5
Electricity derivatives	0.1	-0.3	-0.1	-0.7	-0.4
<b>Total</b>	<b>4.9</b>	<b>-51.5</b>	<b>-46.6</b>	<b>-94.9</b>	<b>-66.8</b>

### Nominal values of derivative instruments

M €	30 Sept 2017	30 Sept 2016	31 Dec 2016
Interest rate derivatives			
Interest rate swaps, cash flow hedges	990.8	1,007.2	1,107.0
Interest rate swaps, not in hedge accounting	48.0	61.6	61.6
Interest rate options, not in hedge accounting	76.7	104.7	104.7
<b>Total</b>	<b>1,115.52</b>	<b>1,173.5</b>	<b>1,273.3</b>
Electricity derivatives, MWh	168,762	218,123	196,367

The interest risk of the market loans and commercial papers is hedged with interest rate derivatives in accordance with Kojamo Group's treasury policy. The targeted hedging ratio is 50–100%. The hedging ratio was 88 (71) per cent at the end of the review period and the average maturity of the interest rate derivatives was 6.4 (6.3) years.

## 7. Fair values of financial instruments

### Fair values of financial assets and liabilities by category

M €	Carrying value total	30 Sept 2017			Fair value total
		LEVEL 1	LEVEL 2	LEVEL 3	
<b>Financial assets</b>					
Measured at fair value					
Interest rate derivatives	4.8		4.8		4.8
Electricity derivatives	0.1	0.1			0.1
Available-for-sale financial assets	69.2	66.7	2.0	0.5	69.2
Measured at amortised cost					
Loans and receivables	33.2	33.2	0.0		33.2
Trade receivables	4.5				4.5
<b>Financial liabilities</b>					
Measured at fair value					
Interest rate derivatives	-51.2		-51.2		-51.2
Electricity derivatives	-0.3	-0.3			-0.3
Measured at amortised cost					
Other interest-bearing liabilities	1,559.2		1,559.8		1,559.8
Bond	793.5		800.0		800.0
Trade payables	15.5				15.5

The fair value of loans is the same as their nominal value. There were no changes between fair value hierarchy levels during the reporting period.

Financial assets and liabilities measured at fair value are classified into three fair value hierarchy levels in accordance with the reliability of the valuation technique:

#### Level 1:

The fair value is based on quoted prices for identical instruments in active markets.

#### Level 2:

A quoted market price exists in active markets for an instrument on the same terms, but the price may be derived from directly or indirectly quoted market data.

#### Level 3:

There is no active market for the instrument, the fair value cannot be reliably derived and input data used for the determination of fair value is not based on observable market data.

M €	Carrying value total	31 Dec 2016			Fair value total
		LEVEL 1	LEVEL 2	LEVEL 3	
<b>Financial assets</b>					
Measured at fair value					
Interest rate derivatives	2.2		2.2		2.2
Electricity derivatives	0.2	0.2			0.2
Available-for-sale financial assets	46.5	43.9	2.0	0.6	46.5
Measured at amortised cost					
Loans and receivables	23.1	23.1			23.1
Trade receivables	4.2				4.2
<b>Financial liabilities</b>					
Measured at fair value					
Interest rate derivatives	-68.6		-68.6		-68.6
Electricity derivatives	-0.5	-0.5			-0.5
Measured at amortised cost					
Other interest-bearing liabilities	1,824.9		1,825.4		1,825.4
Bond	297.9		300.0		300.0
Trade payables	19.3				19.3

### Level 3 reconciliation

M €	30 Sept 2017	31 Dec 2016
Beginning of period	0.6	0.5
Deductions	-0.1	0.0
Transfer between items	0.0	0.0
End of period	0.5	0.6

Non-current assets held for sale on hierarchy level 3 are investments in unlisted securities. They are measured at cost, as their fair value cannot be reliably measured in the absence of an active market.

## 8. Collateral and contingent liabilities

M €	30 Sept 2017	30 Sept 2016	31 Dec 2016
Loans covered by pledges on property and shares as a collateral	1,730.3	1,796.9	1,986.5
Mortgages	1,938.4	2,175.8	2,446.2
Shares <sup>*)</sup>	282.2	357.5	312.0
<b>Pledged collaterals total</b>	<b>2,220.6</b>	<b>2,533.4</b>	<b>2,758.1</b>
<b>Other collaterals given</b>			
Mortgages and shares	5.9	5.8	5.8
Guarantees <sup>**)</sup>	388.4	499.7	479.9
Pledged deposits			0.2
<b>Other collaterals total</b>	<b>394.3</b>	<b>505.5</b>	<b>485.9</b>
M €	30 sept 2017	30 Sept 2016	31 Dec 2016
New construction in-process	118.0	143.5	136.8
Preliminary agreements for new construction	111.1	194.7	206.0
Renovation	17.7	20.0	17.1
<b>Total</b>	<b>246.8</b>	<b>358.2</b>	<b>359.9</b>

\*) Pledged mortgages and shares relate in some cases to same real estates.

\*\*) Guarantees given mainly relate to parent company guarantees given on behalf of Group companies' loans, and these loans are also given mortgages as collaterals.

## 9. Non-current assets held for sale

M €	30 Sept 2017	30 Sept 2016	31 Dec 2016
Investment properties	3,9		70,6
Receivables			0,1
<b>Assets total</b>	<b>3,9</b>		<b>70,7</b>
Liabilities			0,1
Trade and other payables			0,9
<b>Liabilities total</b>			<b>1,0</b>
<b>Net asset value</b>	<b>3,9</b>		<b>69,7</b>

## Key figures, formulas used in the calculation and reconciliation for APMs based on ESMA guidelines

	7-9/2017	7-9/2016	1-9/2017	1-9/2016	2016
Revenue, M€	84.0	84.6	251.3	266.8	351.5
Net rental income, M€	56.2	55.9	162.1	172.4	222.0
% revenue	66.8	66.1	64.5	64.6	63.2
Profit before taxes, M€	71.0	49.0	207.8	154.4	289.7
Operative result, M€ <sup>1)</sup>	27.4	29.8	79.9	95.2	116.9
Investment properties, M€ <sup>1)</sup>			4,516.3	4,127.5	4,298.9
Financial occupancy rate, %	96.9	97.8	96.7	97.2	97.4
Interest-bearing liabilities, M€ <sup>2)</sup>			2,352.7	1,984.8	2,122.8
Return on equity, % (ROE) <sup>1)</sup>			11.4	9.6	12.9
Return on investments, % (ROI) <sup>1)</sup>			7.7	7.0	8.8
Equity ratio, % <sup>1)</sup>			40.2	39.5	40.7
Loan to Value, % <sup>2)3)</sup>			45.9	45.5	47.1
Earnings per share, €	7.42	5.27	22.15	16.80	31.38
Equity per share, €			268.44	233.93	251.20
Gross investments, M€	64.3	519.5	193.7	609.4	696.0
Number of personnel, end of period			302	290	286

<sup>1)</sup> Including items held for sale

<sup>2)</sup> Does not include items held for sale

<sup>3)</sup> The calculation formula is changed 2017 and the comparative figures adjusted to correspond to the current calculation method

<sup>1)</sup> Disclosure on Alternative Performance Measurements based on ESMA guidelines is located on key figures section of this Interim Report

In accordance with the guidelines issued by the European Securities and Markets Authority (ESMA), Kojamo provides an account of the Alternative Performance Measures used by the Group and their definitions.

Kojamo presents Alternative Performance Measures to illustrate the financial development of its business operations and

improve comparability between reporting periods. The Alternative Performance Measures, i.e. performance measures that are not based on financial reporting standards, provide significant additional information for the management, investors, analysts and other parties. The Alternative Performance Measures should not be considered substitutes for IFRS performance measures.

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### IFRS performance measures

Earnings per share, € =	Earnings attributable to equity holders
	Number of shares at the end of the financial period

Shareholders' equity per share, € =	Equity attributable to shareholders of the parent company
	Number of shares at the end of the financial period

### Alternative Performance Measures (APM) based on ESMA guidelines

Operative result =	Result for the period - gains/losses on sales of properties - fair value changes - tax adjustments
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Operative result measures profitability for Group's operative rental business excluding value adjustments on investment properties and other similar non-operative items.

Return on equity (ROE), % =	Profit for the period	x 100
	Total equity (average during the period)	

OmROE measures financial result in relation to equity.  
APM illustrates Kojamo's ability to generate return for the shareholders.

Return on investment (ROI), % =	Profit before taxes + interests and other financial expenses	x 100
	Balance sheet total - Non-interest-bearing liabilities (average during the period)	

ROI measures financial result in relation to invested capital.  
APM illustrates Kojamo's ability to generate return for the invested funds.

Equity ratio, % =	Total equity	x 100
	Balance sheet total - Advanced received	

Equity to assets is APM for balance sheet structure which discloses share of equity to total capital. APM illustrates Group's financing structure.

Loan to Value, % =	Interest-bearing liabilities - Cash and cash equivalents	x 100
	Investment properties	

Loan to value discloses the ratio of net debt to investment properties.  
APM illustrates Group's indebtedness

### Other performance measures

Economical occupancy rate, % =	Rental income	x 100
	Potential rental income at full occupancy	

### Reconciliation for APMs

M €	7-9/2017	7-9/2016	1-9/2017	1-9/2016	1-12/2016
Result for the period	55.0	39.0	164.0	124.4	232.3
Gains/losses on sales of properties	0.2	6.6	1.5	-22.7	-12.8
Fair value changes	34.3	5.0	103.4	58.3	156.1
Other items affecting comparability	0.0	0.0	-0.9	0.0	0.0
Tax adjustments	-6.9	-2.4	-19.9	-6.4	-27.9
Operative result	27.4	29.8	79.9	95.2	116.9
Total equity			1,987.1	1,731.7	1,859.5
Balance sheet total			4,948.1	4,385.2	4,572.2
Advances received			5.0	4.9	4.6
Equity ratio, %			40.2	39.5	40.7



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