



# Half Year Financial Report 1 January–30 June 2017

Kojamo plc

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# We create better urban housing

## **We diversified our financing to ensure the achievement of our strategic goals.**

- Our public credit rating and the Eurobond listed on the Irish Stock Exchange support the company's goal of investing in Lumo homes in the urbanising Finland.
- Our objective is to increase un-secured financing to a significant degree.

## **We invest in rental housing to support, among other things, the migration of people in pursuit of employment in the urbanising Finland.**

- Kojamo has 1,835 Lumo apartments under construction.
- The focus of our operations is on the seven main urban regions of Finland and we respond to the demand for rental apartments especially in the Helsinki region.
- Kojamo's share of the entire rental housing market is approximately four per cent.
- In five years, we have invested nearly EUR 1.5 billion in the Lumo business operations.
- We believe that new ideas create better urban housing and generate well-being in our country.

## **We have a strong emphasis on the development of our operations.**

- We are increasingly investing in digital services, the customer experience and our corporate culture.
- The number of apartments rented via the Lumo web store now exceeds 300 per month.
- The objective of our company is to be a housing investment company known for its excellent customer experience and producing excellent financial results.
- We want to deliver an excellent customer experience every day. The customer experience consists of our code of conduct, our professional skill, our customer service attitude and our desire to solve the customer's problems all at once.

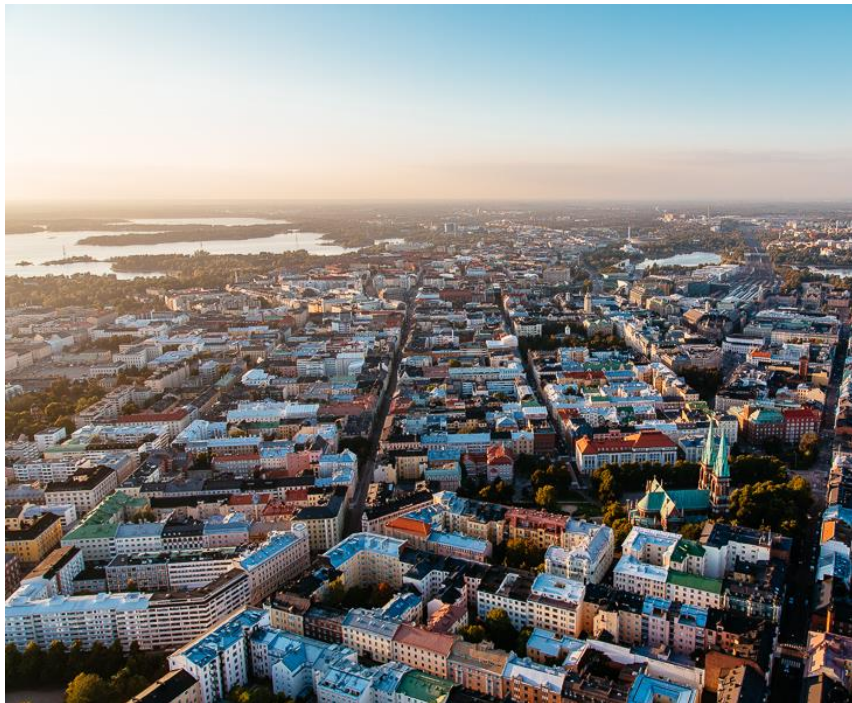


# Key figures for the review period



- Gross investments amounted to EUR 129.4 million.
- Turnover totalled EUR 167.2 million.
- Net rental income was EUR 106.0 million.
- The financial occupancy rate was 96.6 per cent.
- The Group had a total of 33,877 rental apartments and approximately 4% market share.
- There were 1,835 rental apartments under construction.
- We divested 1,459 apartments.
- Approximately 2,500 apartments have been rented via the Lumo web store.

## Operating environment



Urbanisation has continued strongly, which could be seen in the growing number of apartment buildings being built in growth centres. New construction clearly focused on privately financed rental apartments.

Urbanisation is expected to maintain demand in growth centres, while the higher supply offers increased alternatives to customers for the time being.

However, differences between regions increased and, in some regions, supply and demand were in balance. The strongest demand focused on smaller apartments, that is, studios and one-bedroom apartments. The increase in rents slowed.

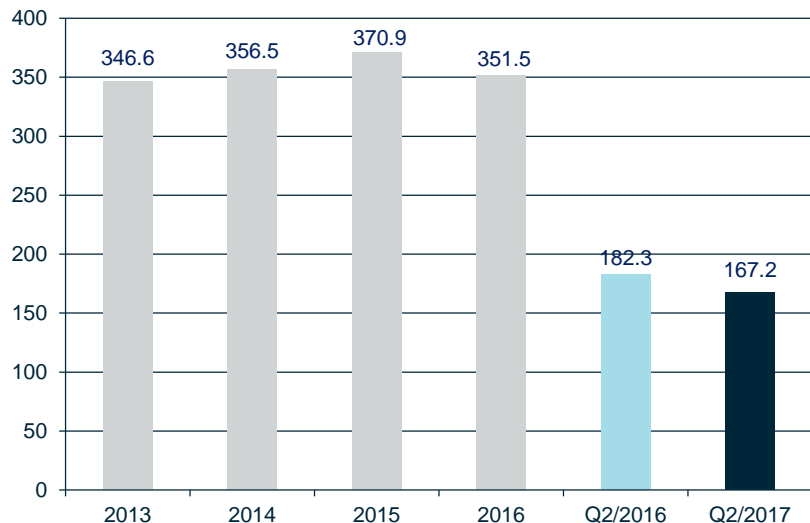


# Business operations and strategy progress

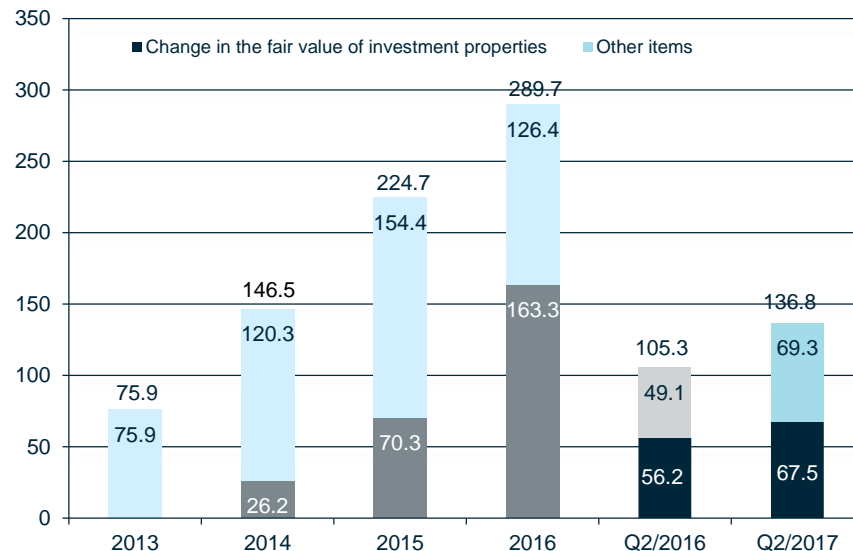


# Turnover and profit before taxes developed steadily

Turnover, EUR million



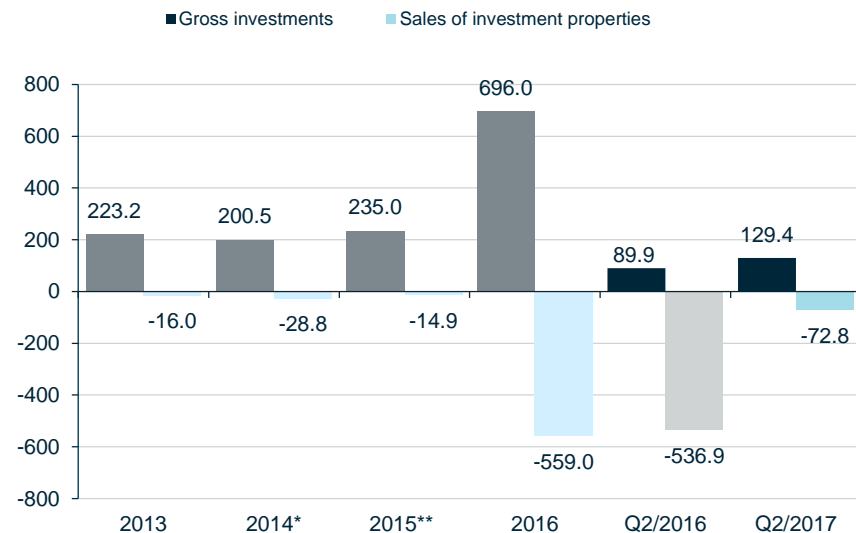
Profit before taxes, EUR million



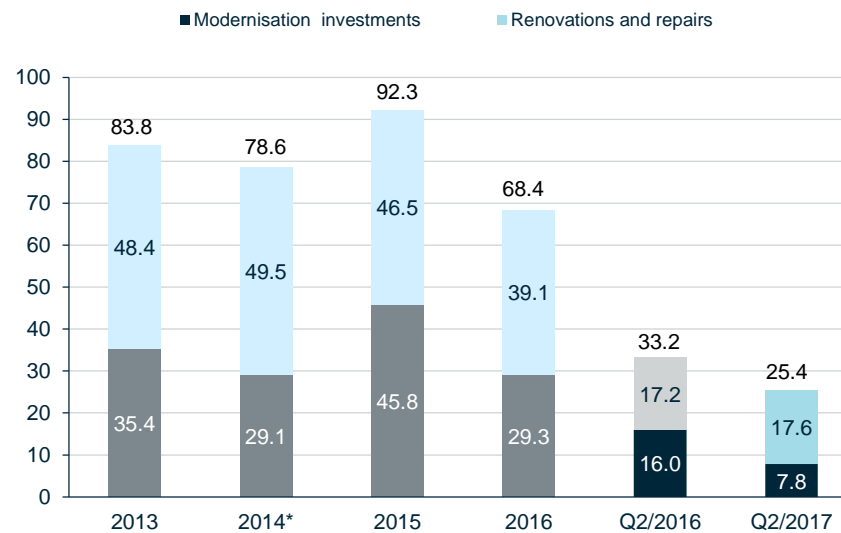


# Investments in Lumo business operations continued

## Gross investments and sales of investment properties, EUR million



## Renovations, EUR million



\*As of 2014, the Group adopted IFRS for its financial reporting.

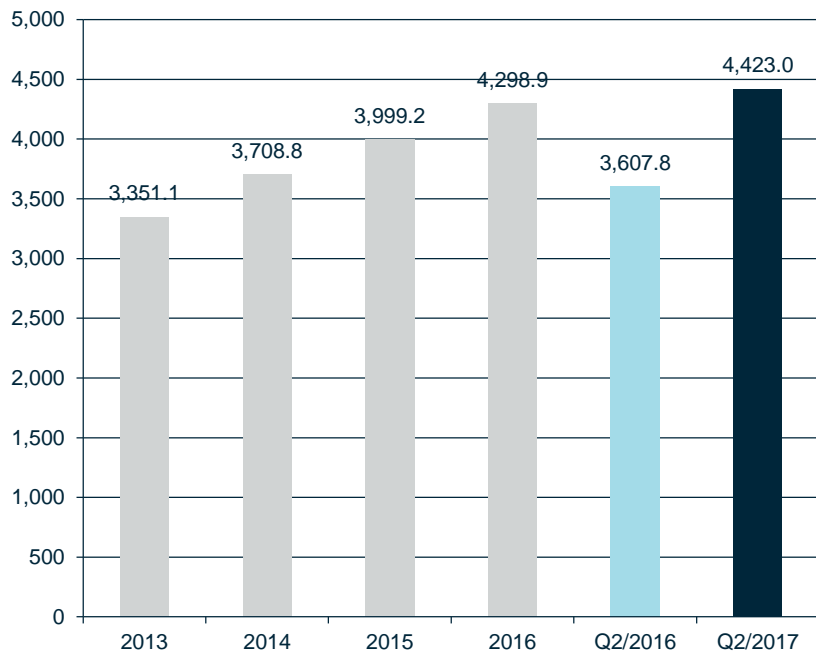
\*\*The calculation method of gross investments has been changed. Previously, gross investments in the cash flow were presented; starting from 31 Dec. 2015, investments on an accrual basis are presented.





# The value of investment properties developed in line with strategy

Fair value, EUR million

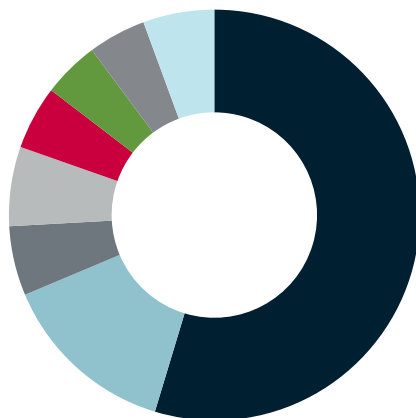
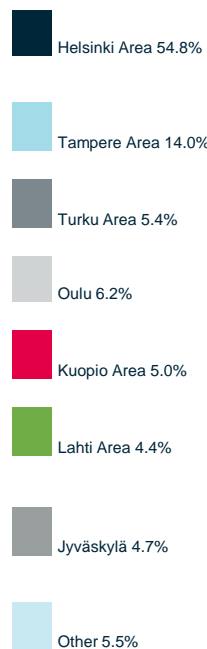


EUR million	Q2/2017	Q4/2016	Change
Investment properties	4,419.1	4,228.3	190.8
Investment property held for sale	3.9	70.6	-66.7
Fair value, total	4,423.0	4,298.9	124.1
Fair value measurement	67.5	163.3	



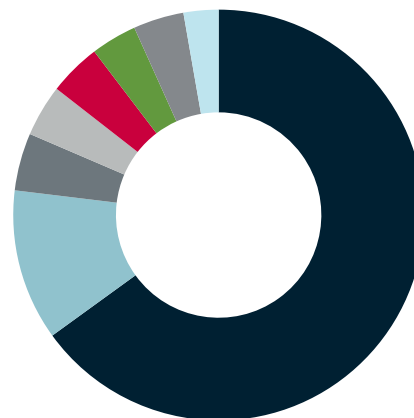
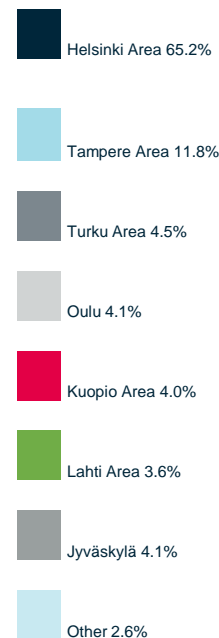
# The focus of our operations is on the seven main urban regions of Finland

## Apartments, %



Total number of apartments 33,877

## Fair value, %

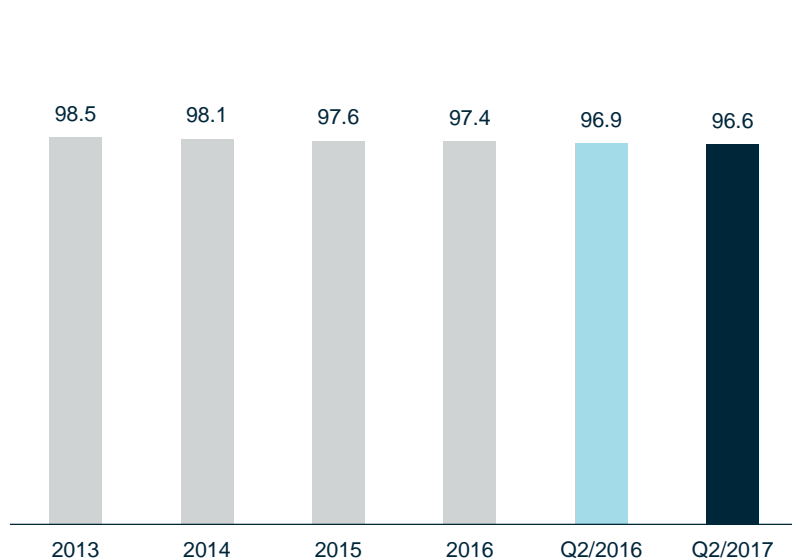


Fair value of apartments  
EUR 4.4 billion



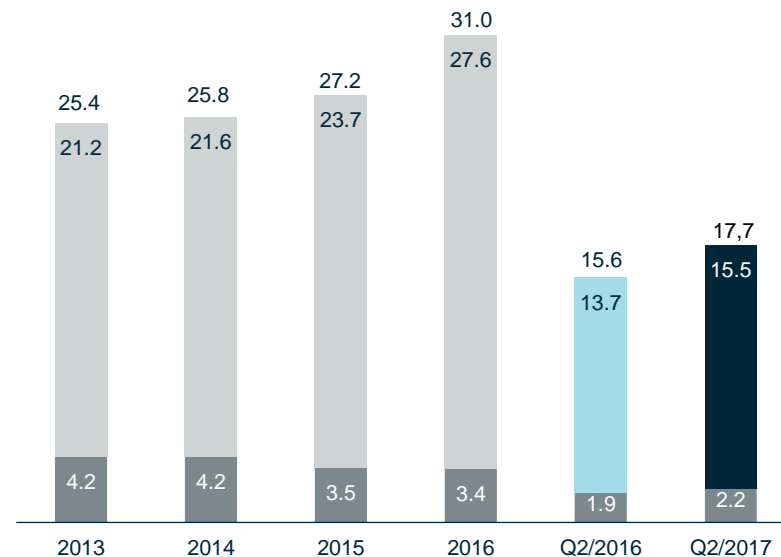
# The financial occupancy rate remained high

Financial occupancy rate, %



Tenant turnover%

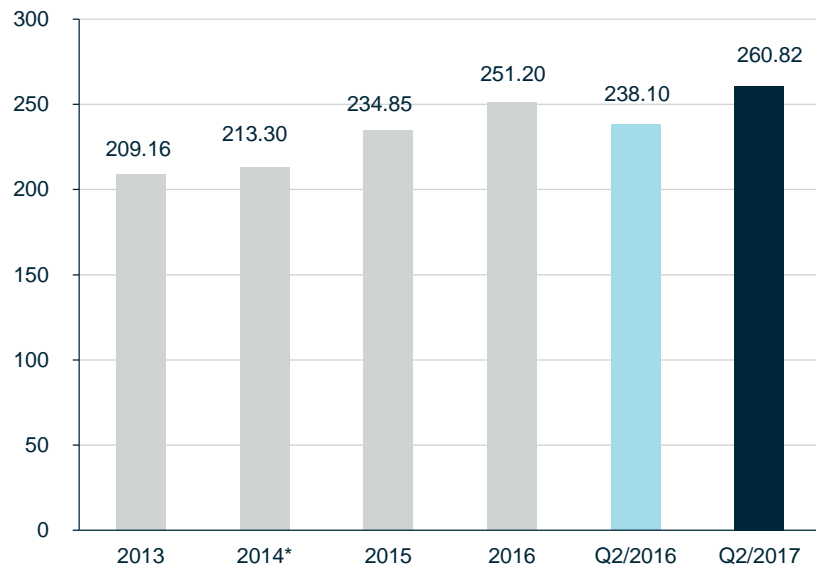
Internal turnover%





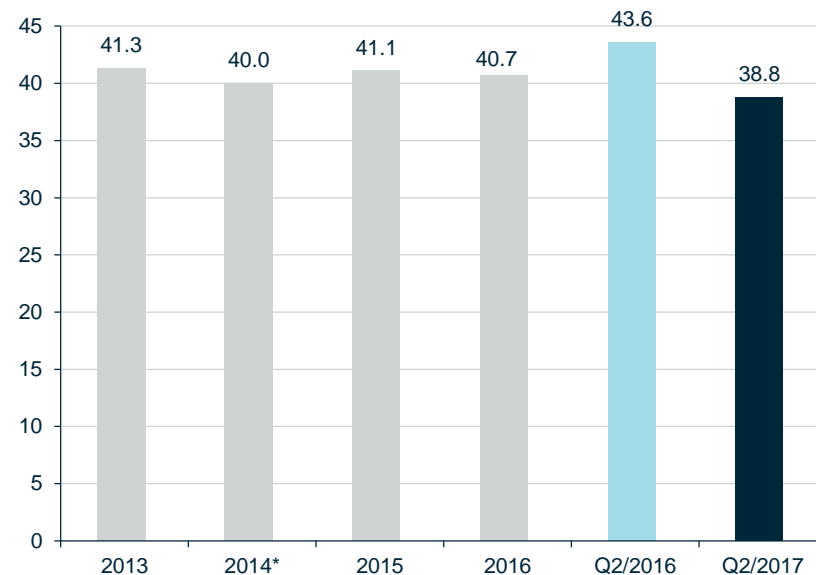
# Equity ratio remained strong

## Equity per share, EUR



\*As of 2014, the Group adopted IFRS for its financial reporting.

## Equity ratio, %



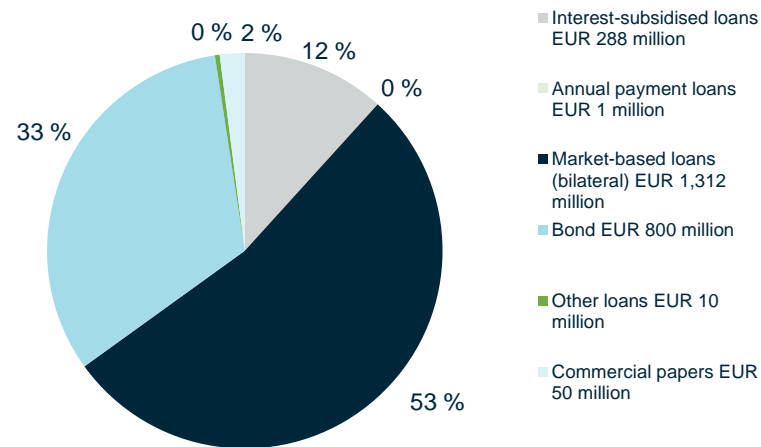
The company's surplus cash and cash equivalents reduced the equity ratio by approximately two percentage points in Q2/2017.



# We diversified our financing sources and maintained a balanced distribution of maturities

## The Group's loan distribution

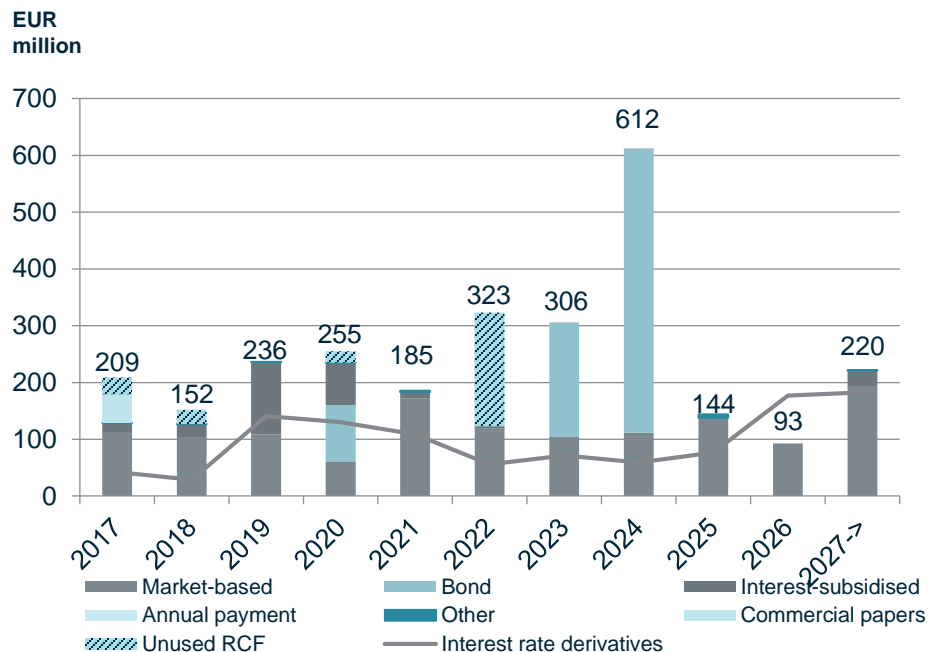
### Loan portfolio structure, EUR 2,460 million



Includes the VVO segment's loans, totalling EUR 46 million, of which EUR 32 million are interest-subsidised loans and EUR 14 million are market-based loans.

Kojamo plc's Half Year Financial Report 1 January–30 June 2017

## Distribution of loan maturities

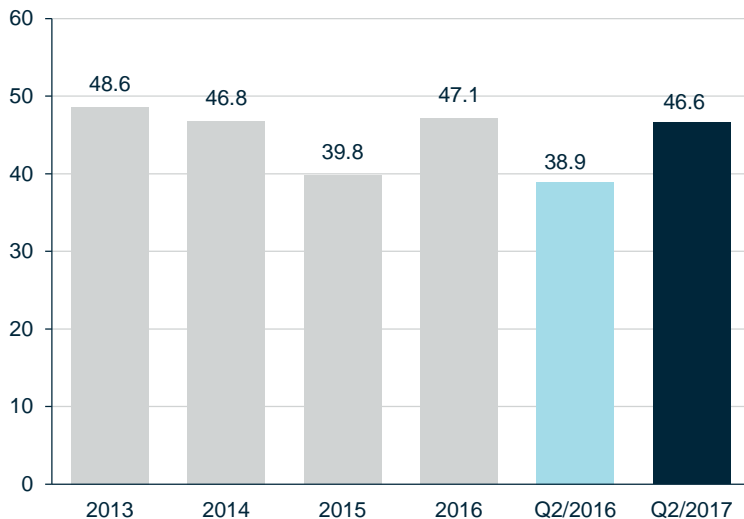




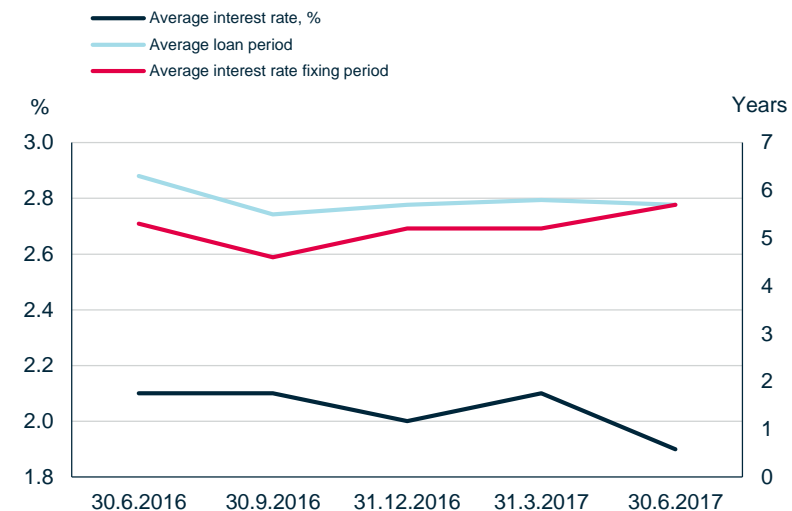
# Moderate LTV and strong key indicators

## LTV (Loan to Value), %

Group



## Average interest rate, maturity and interest rate fixing period of the Group's loans



# Strategic key indicators

Key indicator	Actual result Q2/2017	Goal 2021
Apartment assets	EUR 4.4 billion 33,877 apartments	EUR 6.0 billion 38,000 apartments
Operative result of the Lumo business as a percentage of turnover	31.7	32.0
Equity ratio of the Lumo business, %	38.7	40.0
Net promoter score	31	40



# Outlook

## Market outlook

- The growth forecasts for the Finnish economy have been revised upwards to well above two per cent (Ministry of Finance 6/2017: 2.4%). Growth expectations are based on household consumption and construction as well as growth in all major industries. The increase in private consumption is supported by improved employment.
- Driven by migration, the demand for rental housing is expected to remain strong in major growth centres, even if 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.
- Price trends in owner-occupied apartments are expected to continue to be stable in growth centres.

## Outlook for Kojamo Group in 2017

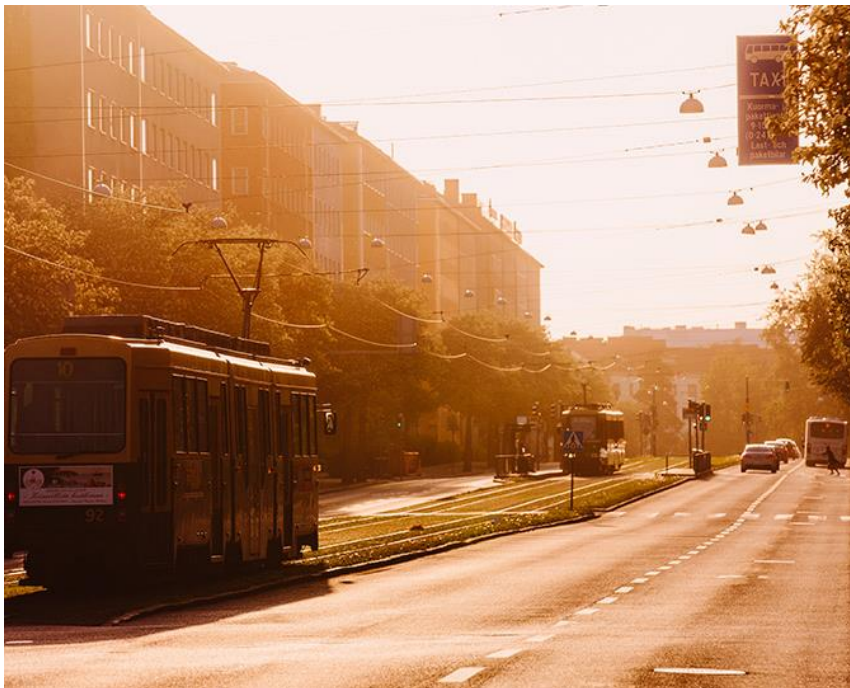
- Net rental income is estimated to amount to EUR 208–220 million.
- Investments are forecast to exceed EUR 300 million.
- The operative result is estimated to be EUR 96–107 million.
- The outlook takes into account the effects of both the significant housing divestments carried out in 2016 and the housing divestments and acquisitions planned for 2017, the estimated occupancy rate and the number of apartments under construction.





# Appendices

## Basic information of the company



Kojamo plc offers rental apartments and housing services in Finnish growth centres. Its mission is: We create better urban housing. The vision of the housing investment company is to be a pioneer in housing and the customer's number-one choice.

The fair value of Kojamo's investment properties at the end of the review period was EUR 4.4 (3.6) billion. At the end of the review period, Kojamo Group owned 33,877 (32,736) rental apartments.

# Kojamo plc's strategy

## Megatrends

Urbanisation & internationalisation



Ageing population & smaller family sizes



New technologies & digitalisation



Individuality & sense of community



Environment & sustainable development



## Mission

We create better urban housing.

## Vision 2021

We are a pioneer in housing and the customer's number-one choice.

## Strategic focal points

- ▶ The best customer experience
- ▶ Long-term development of shareholder value
- ▶ A leader in sustainable development
- ▶ An energetic and the most competent place to work

## Values



Happy to serve



Strive for success



Courage to change



# The focus of our operations is on the seven main urban regions of Finland

## Distribution of apartments

Helsinki Area  
**18,551**

Tampere Area  
**4,749**

Turku Area  
**1,827**

Oulu  
**2,114**

Kuopio Area  
**1,697**

Lahti Area  
**1,505**

Jyväskylä  
**1,587**

Other  
**1,847**



Apartments  
**33,877**



Average area of apartments

**55.8 m<sup>2</sup>**



Properties  
**1,364**



Residents numbering nearly

**55,000**



Average age of buildings  
**31.5 yrs**



Apartments  
**1.9 million dwelling m<sup>2</sup>**

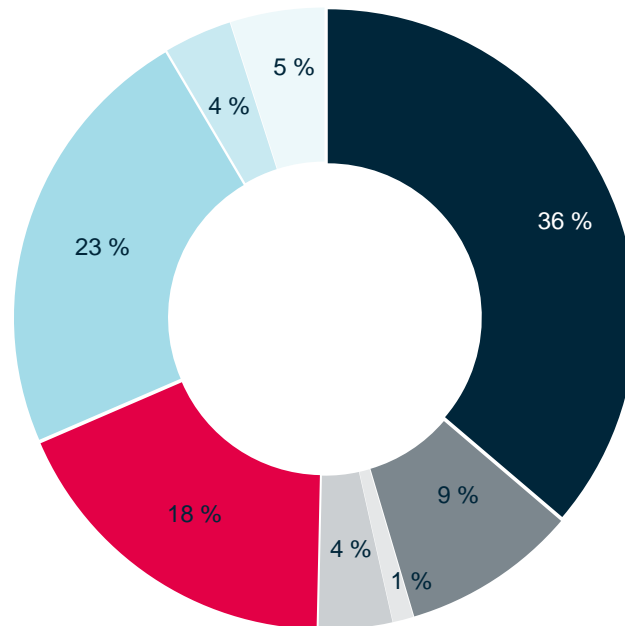


# EUR 100 million in paid taxes in Finland

## The Group's tax footprint in 2016

- Income taxes
- Property taxes
- Transfer taxes
- Employer payments
- VAT non-deductible included in investments
- VAT non-deductible included in other procurements
- VAT remitted
- Withholding tax for salaries

Indirect employment effect in person-years **5,111**.





# Responsibility is part of our operations

- The anti-grey economy models exceed legislative requirements.
- Kojamo Group's estimated taxes and tax-like charges in 2017 amount to approximately EUR 100 million.
- 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 VAETS II agreement period, 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.



# Consolidated income statement

EUR million	1–6/2017	1–6/2016	1–12/2016
<b>Turnover</b>	<b>167.2</b>	<b>182.3</b>	<b>351.5</b>
Property maintenance costs	-43.6	-48.6	-90.3
Renovation and repairs	-17.6	-17.2	-39.1
<b>Net rental income</b>	<b>106.0</b>	<b>116.5</b>	<b>222.0</b>
Administrative costs	-18.0	-17.4	-37.4
Other operating income and costs	-0.1	-1.4	-0.8
Profit/loss on sales of investment properties	1.3	-26.9	-10.4
Profit/loss on sales of trading properties		0.1	0.1
Change in the fair value of investment properties	67.5	56.2	163.3
Amortisations and depreciation	-0.6	-0.6	-1.2
<b>Operating profit</b>	<b>156.1</b>	<b>126.6</b>	<b>335.6</b>
Financial income and expenses	-19.3	-21.2	-46.0
Share in profits of associated companies			0.1
<b>Profit before taxes</b>	<b>136.8</b>	<b>105.3</b>	<b>289.7</b>
Current tax	-17.3	-19.8	-35.4
Change in deferred taxes	-10.5	-0.2	-22.1
<b>Profit for the period</b>	<b>109.0</b>	<b>85.3</b>	<b>232.3</b>



# Balance sheet

EUR million	Group 30 June 2017	Group 30 June 2016	Group 31 December 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	0.5	0.9	0.8
Investment properties	4,419.1	3,607.8	4,228.3
Property, plant and equipment	31.1	31.3	31.0
Share in associated companies	1.2	1.0	1.2
Financial assets	0.5	0.6	0.6
Non-current receivables	5.8	3.2	5.6
Derivative instruments	5.4		2.0
Deferred tax assets	12.7	18.7	15.4
<b>Non-current assets, total</b>	<b>4,476.2</b>	<b>3,663.5</b>	<b>4,284.8</b>
Non-current assets held for sale	3.9		70.7
<b>Current assets</b>			
Inventories	0.9	0.9	0.9
Derivative instruments	0.1		0.3
Current tax assets	5.1	2.6	7.7
Sales receivables and other receivables	13.2	11.8	6.8
Financial assets	84.2	64.6	69.0
Cash and cash equivalents	401.2	310.4	132.0
<b>Current assets</b>	<b>504.6</b>	<b>390.3</b>	<b>216.7</b>
<b>ASSETS</b>	<b>4,984.8</b>	<b>4,053.8</b>	<b>4,572.2</b>





# Balance sheet

EUR million	Group 31 December 2017	Group 30 June 2016	Group 31 December 2016
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Equity attributable to shareholders of the parent company</b>			
Share capital	58.0	58.0	58.0
Share premium	35.8	35.8	35.8
Fair value reserve	-27.7	-56.8	-40.2
Reserve for invested unrestricted equity	17.9	17.9	17.9
Retained earnings	1,846.7	1,707.7	1,788.0
<b>Parent company shareholders' interest</b>	<b>1,930.7</b>	<b>1,762.6</b>	<b>1,859.5</b>
Non-controlling interest			
<b>Equity, total</b>	<b>1,930.7</b>	<b>1,762.6</b>	<b>1,859.5</b>
<b>Non-current liabilities</b>			
Loans	2,248.1	1,431.4	1,796.1
Deferred tax liabilities	464.4	430.6	453.4
Derivative instruments	54.3	81.5	68.3
Statutory provisions	1.2	0.8	1.0
Other non-current liabilities	6.9	6.9	7.1
<b>Non-current liabilities, total</b>	<b>2,774.9</b>	<b>1,951.3</b>	<b>2,325.9</b>
Non-current liabilities held for sale			1.0
<b>Current liabilities</b>			
Loans, current	211.9	282.0	326.8
Derivative instruments	0.6	1.6	0.9
Profit-based tax liabilities	15.9	15.8	9.9
Trade payables and other debts	50.8	40.6	48.3
<b>Current liabilities, total</b>	<b>279.1</b>	<b>339.9</b>	<b>385.8</b>
<b>Liabilities, total</b>	<b>3,054.0</b>	<b>2,291.2</b>	<b>2,712.6</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>4,984.8</b>	<b>4,053.8</b>	<b>4,572.2</b>



# Business operations

	Lumo 1–6/2017	Lumo 1–6/2016	VVO 1–6/2017	VVO 1–6/2016	Group 1–6/2017	Group 1–6/2016
Turnover, EUR million	152.3	138.4	15.2	44.6	167.2	182.3
Operating profit, EUR million	149.4	134.1	6.7	-8.3	156.4	126.6
Profit before taxes, EUR million	131.4	117.6	5.4	-13.0	109.0	105.3
Balance sheet, EUR million	4,338.4	3,854.9	319.7	317.8	4,984.8	4,053.8
Equity, EUR million	1,735.0	1,657.4	124.7	105.4	1,930.7	1,762.6
Equity ratio, %	38.7	43.0	24.9	33.9	38.8	43.6
Apartments	30,512	28,870	3,365	3,866	33,877	32,736
Rental occupancy rate, %	95.5	95.7	98.2	97.9	95.7	95.9
Financial occupancy rate, %	96.5	96.8	98.2	98.4	96.6	96.9
Tenant turnover, %	18.3	16.2	11.9	11.2	17.7	15.6
Average number of personnel	281	234	25	65	306	299



# Financial key figures

	Group				
	30 June 2017	31 Mar. 2017	31 Dec. 2016	30 Sep. 2016	30 June 2016
Equity ratio, %	38.8*	40.6	40.7	39.5	43.6
Interest cover	4.2	4.5	4.8	5.0	5.1
Hedging ratio, %	83.0	79.0	77.0	71.0	74.0
Average interest rate, %	1.9	2.1	2.0	2.1	2.1
Average loan period, years	5.7	5.8	5.7	5.5	6.3
Average interest rate fixing period, years	5.7	5.2	5.2	4.6	5.3

\*The company's surplus cash and cash equivalents reduced the equity ratio by approximately two percentage points in Q2/2017.



# Thank you!

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