



# Half Year Financial Report

1 January–30 June 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 Half Year Financial Report have not been audited.

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

- Turnover totalled EUR 167.2 (182.3) 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 136.8 (105.3) million. The profit includes EUR 67.5 (56.2) million in net valuation gain on the fair value assessment of investment properties and EUR 1.3 (-26.9) 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 106.0 (116.5) million, representing 63.4 (63.9) 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 96.6 (96.9) per cent during the review period.
- Gross investments during the period totalled EUR 129.4 (89.9) million. Gross investments were 77.4 (49.3) per cent of turnover.
- The fair value of investment properties was EUR 4.4 (3.6) billion. Return on investment was 7.6 (7.1) per cent.
- There were 1,835 (1,303) Lumo apartments under construction at the end of the review period.
- Kojamo owned 33,877 (32,736) rental apartments on 30 June 2017.

# Summary of April–June 2017 (comparison period 1 April–30 June 2016)

- Turnover totalled EUR 83.6 (86.4) million. Turnover decreased due to the divestment of rental apartments.
- Profit before taxes amounted to EUR 78.5 (51.0) million. The profit includes EUR 44.0 (42.1) million in net valuation gain on fair value assessment.
- Net rental income was EUR 53.4 (55.8) million, representing 63.8 (64.5) per cent of turnover. Net rental income decreased due to the divestment of rental apartments.
- The financial occupancy rate remained high, standing at 96.4 (97.0) per cent during the period.
- The Group's gross investments during the period totalled EUR 64.4 (46.2) million.

## Key indicators

	4-6/2017	4-6/2016	1-6/2017	1-6/2016	2016
Revenue, M €	83.6	86.4	167.2	182.3	351.5
Net rental income, M€	53.4	55.8	106.0	116.5	222.0
% revenue	63.8	64.5	63.4	63.9	63.2
Profit before taxes, M €	78.5	51.0	136.8	105.3	289.7
Operative result, M €	25.9	31.3	52.6	65.4	116.9
Investment properties, M € <sup>1)</sup>			4,423.0	3,607.8	4,298.9
Financial occupancy rate, %	96.4	97.0	96.6	96.9	97.4
Interest-bearing liabilities, M € <sup>2)</sup>			2,460.0	1,713.4	2,122.8
Return on equity, % (ROE)			11.5	9.8	12.9
Return on investments, % (ROI)			7.6	7.1	8.8
Equity ratio, %			38.8	43.6	40.7
Loan to Value, % <sup>2) 3)</sup>			46.6	38.9	47.1
Earnings per share, €	8.40	5.58	14.73	11.53	31.38
Equity per share, €			260.82	238.10	251.20
Gross investments, M€	64.4	46.2	129.4	89.9	696.0
Number of personnel, end of period			333	321	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

# Kojamo diversified its financing and continues on the path of strategic growth



**“We are increasingly investing in digital services, the customer experience and our corporate culture.”**

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

We are very pleased to have been able to acquire international financing to increase well-being in Finland. 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 subsequently issued a EUR 500 million unsecured bond that was listed on the official list of the Irish Stock Exchange and admitted for trading on its regulated market. Kojamo's first Eurobond was offered to a large number of European investors and oversubscribed in a matter of hours.

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

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. A good example of our digital services is the Lumo web stroe, which now accounts for the rental of more than 300 apartments 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.

I wish you a pleasant autumn in the urbanising Finland!

Jani Nieminen  
CEO

## Operating environment

### General operating environment

According to the Bank of Finland's estimate, global economic growth is expected to accelerate, but there is still uncertainty regarding the improvement of the growth prospects. Developing economies, in particular, are expected to maintain growth. In Europe, the expectation is that economic growth will be stronger and inflation will accelerate. However, political uncertainty still continues in Europe.

Global economic growth is also expected to substantially revitalise the Finnish economy. Confidence indices have improved significantly. In addition to consumption and investment, the positive development is supported by industry taking a turn to brisk growth.

### Industry 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.

## Outlook for 2017

### 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.

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.

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. A slight rise is expected in the prices of small, centrally located apartments. The prices of large apartments on the outskirts may fall slightly.

### Outlook for Kojamo

Kojamo estimates that in 2017, net rental income will be 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 operative result will 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.

## Business operations

Kojamo offers 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 stems 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 a pioneer in housing and the customer's number-one choice. 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 4.4 (3.6) billion. At the end of the review period, Kojamo Group owned 33,877 (32,736) rental apartments.

Kojamo makes it easier for people to move around 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 those other group companies in whose apartments the restrictions on the determination of rent, related to the ARAVA and interest subsidy legislation, 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 June 2017 amounted to EUR 167.2 (182.3) million.

The Lumo segment recorded a turnover of EUR 152.3 (138.4) million, and the VVO segment EUR 15.2 (44.6) million. Turnover is generated entirely by rental income.

### Result and profitability

The Group's net rental income totalled EUR 106.0 (116.5) million, representing 63.4

(63.9) per cent of turnover. The Lumo segment recorded a net rental income of EUR 97.7 (90.5) million, and the VVO segment EUR 8.5 (26.7) million.

The Group's profit before taxes amounted to EUR 136.8 (105.3) million. The profit includes EUR 67.5 (56.2) million in net valuation gain on the fair value assessment of investment properties and EUR 1.3 (-26.9) 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 -19.3 (-21.2) million. Financial income and expenses include EUR 1.6 (-2.9) 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 4,984.8 (4,053.8) million. Equity totalled EUR 1,930.7 (1,762.6) million. The equity ratio stood at 38.8 (43.6) per cent. Due to the financing arrangement, the company had an exceptionally high level of cash and cash equivalents, which reduced the Group's equity ratio by about two percentage points.

Equity per share was EUR 260.82 (238.10). The equity ratio of the Lumo segment stood at 38.7 (43.0) per cent. The Group's return on equity was 11.5 (9.8) per cent and return on investment 7.6 (7.1) per cent.

At the end of the review period, the Group's liquid assets totalled EUR 401.2 (310.4) million. The Group maintained good liquidity throughout the period. EUR 49.9 (175.5) million of the EUR 200 million commercial paper programme was outstanding at the end of the review period. In addition, the Group has committed credit facilities totalling EUR 270 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 2,460.0 (1,713.4) million, of which EUR 2,162.0 (1,382.9) million were market-based loans. At the end of the review period, the Group's Loan to Value was 46.6 (38.9) per cent.

Of the EUR 500 million bond issued by Kojamo plc, at least EUR 300 million will be used to repay secured loans. The loans will be repaid in stages in order to minimise repayment costs. Due to this, the company had an exceptional amount of liquid assets on 30 June 2017. By 30 June 2017, EUR 162.9 million of secured loans had been repaid. As at the date of publication of the Half Year Financial Report, the repayments of secured loans exceeded EUR 260 million.

The average interest rate of the loan portfolio stood at 1.9 (2.1) per cent, including interest rate derivatives. The average maturity of loans at the end of the review period was 5.7 (6.3) years.

Some of Kojamo plc's loan agreements include 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.

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

On 30 May 2017, Moody's Investor Service issued a long-term credit rating of Baa2 with a stable outlook for Kojamo plc. Kojamo plc issued an unsecured EUR 500 million Eurobond on 19 June 2017. The tenor of the unsecured euro-denominated bond is seven years and the maturity date is 19 June 2024. The bond carries a fixed annual coupon of 1.50 per cent.

The Irish Stock Exchange approved the bond prospectus on 15 June 2017. The bond has been approved for listing on the official list of the Irish Stock Exchange, and admitted for trading on the regulated market in question.

On 2 May 2017, Kojamo plc signed a new committed EUR 100 million revolving credit facility with Svenska Handelsbanken



AB (publ), Branch Operation in Finland. 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. The new credit facility replaced the EUR 30 million revolving credit facility from Handelsbanken maturing in autumn.

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. The credit facility was used for general corporate purposes.

## Real estate property and fair value

Kojamo Group owned a total of 33,877 (32,736) rental apartments at the end of the review period. The Lumo segment accounted for 30,512 (28,870) 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 (39) 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 4.4 (3.6) billion. During the review period, the fair value increased by EUR

124.1 (-391.4) million. The change includes EUR 67.5 (56.2) million in net valuation gain on the fair value assessment of investment properties. The fair value of the Group's investment properties is determined 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 June 2017. The criteria for determining fair value are presented in the Notes to the Half Year Financial Report.

At the end of the review period, the plot reserve held by the Group totalled about 107,000 floor sq m (137,000 floor sq m).

## 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 smaller apartments, that is, studios and one-bedroom apartments.

The financial occupancy rate remained at a good level, standing at 96.6 (96.9) per cent for the review period. At the end of the review period, 199 (255) apartments were vacant due to renovations. The tenant turnover rate, which includes internal transfers, increased slightly when compared to the corresponding period in the financial

year 2016 and was 17.7 (15.6) per cent.

The average rent for the Group's 29,935 (28,505) commercial Lumo apartments was 15.17 (14.44) per sq m per month at the end of the review period, and EUR 15.03 (14.30) 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 3,942 (4,231) non-commercial VVO apartments was EUR 13.34 (12.93) at the end of the review period, and EUR 13.24 (12.80) during the period on average.

The Lumo web store has seen strong growth, with some 2,500 tenancy agreements signed on the web store since its launch. All 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 stood at 1.2 (1.1) per cent at the end of the review period.

The world's largest innovation event for young people, InnoDay, was held during the review period. Organised by Innokampus, InnoDay brings together young people and companies to discuss innovations. Lumo

M €	30 Jun 2017	30 Jun 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	120.1	73.1	664.9
Modernisation investments	7.8	16.0	29.3
Disposals of investment properties	-72.8	-536.9	-559.0
Capitalised borrowing costs	1.6	0.8	1.7
Transfer to own use	0.0	-0.7	-0.7
Valuation gains/losses on fair value assessment	67.5	56.2	163.3
<b>Fair value of investment properties, at 30 June</b>	<b>4,423.0</b>	<b>3,607.8</b>	<b>4,298.9</b>

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



Homes participated in the event for the second time to support the development of new housing services.

## Investments, divestments and real estate development

Construction began on 611 (443) apartments during the review period. A total of 1,835 (1,303) Lumo apartments were under construction at the end of the period. Of the apartments under construction, 1,596 (1,059) are located in the Helsinki region and 239 (244) in other Finnish growth centres.

During the review period, Kojamo Group acquired 75 (0) apartments and sold 1,459 (8,724) apartments. This included the sale of 1,344 non-restricted rental apartments to a company managed by Avant Capital Partners on 31 January 2017. On 7 November 2016, Kojamo announced a preliminary agreement on the acquisition of seven properties currently occupied by Metropolia University of Applied Sciences. The tran-

saction has not yet been completed due to the continuation of negotiations.

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

Some 312 (329) new apartments were completed during the period. A total of 934 (567) apartments are estimated to be completed in 2017.

The Group's gross investments totalled EUR 129.4 (89.9) million. Total repair costs and modernisation investments during the review period amounted to EUR 25.4 (33.2) million, of which modernisation investments accounted for EUR 7.8 (16.0) million. The Lumo segment accounted for EUR 129.2 (89.8) 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 294.4 (333.6) million, of which EUR 134.2 (132.8) million is related to properties under construction. A total of 2,761 (2,264) new apartments will be built under the acquisition agreements, of which 1,835 (1,303) were under construction at the end of the review period.

## Personnel

At the end of the review period, Kojamo Group had a total of 333 (321) employees. The average number of personnel during the period was 306 (299).

Kojamo hired nearly 50 summer workers.

## Shareholders

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

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

Shareholders	Holding, %
Ilmarinen Mutual Pension Insurance Company	18.08
Varma Mutual Pension Insurance Company	16.98
Finnish Metalworker's 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](http://tilaajavastuu.fi) website.

Kojamo Group's estimated taxes and tax-like 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 Lumo-kotikeskus in Hämeenlinna became a Green Office audited by WWF Finland.

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 slopes-tyle), Henry Manni (wheelchair racing), Oskari Mörö (athletics), Nooralotta Neziri (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

There were no significant events in the Group after the review period.

# Consolidated income statement, IFRS

M €	Note	4-6/2017	4-6/2016	1-6/2017	1-6/2016	1-12/2016
<b>Total revenue</b>		<b>83.6</b>	<b>86.4</b>	<b>167.2</b>	<b>182.3</b>	<b>351.5</b>
Maintenance expenses		-19.9	-20.3	-43.6	-48.6	-90.3
Repair expenses		-10.4	-10.3	-17.6	-17.2	-39.1
<b>Net rental income</b>		<b>53.4</b>	<b>55.8</b>	<b>106.0</b>	<b>116.5</b>	<b>222.0</b>
Administrative expenses		-9.5	-7.7	-18.0	-17.4	-37.4
Other operating income		0.4	0.3	0.9	1.3	2.3
Other operating expenses		-0.1	-2.5	-1.0	-2.7	-3.1
Profit/loss on sales of investment properties		0.5	-27.9	1.3	-26.9	-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	44.0	42.1	67.5	56.2	163.3
Depreciation, amortisation and impairment losses		-0.3	-0.3	-0.6	-0.6	-1.2
<b>Operating profit / loss</b>		<b>88.5</b>	<b>59.8</b>	<b>156.1</b>	<b>126.6</b>	<b>335.6</b>
Financial income		1.2	0.4	2.6	0.8	2.4
Financial expenses		-11.2	-9.2	-21.9	-22.0	-48.4
<b>Total amount of financial income and expenses</b>		<b>-10.0</b>	<b>-8.8</b>	<b>-19.3</b>	<b>-21.2</b>	<b>-46.0</b>
Share of result from associated companies		0.0	0.0	0.0	0.0	0.1
<b>Profit before taxes</b>		<b>78.5</b>	<b>51.0</b>	<b>136.8</b>	<b>105.3</b>	<b>289.7</b>
Current tax expense		-4.8	-4.9	-17.3	-19.8	-35.4
Change in deferred taxes		-11.5	-4.8	-10.5	-0.2	-22.1
<b>Profit/loss for the period</b>		<b>62.2</b>	<b>41.3</b>	<b>109.0</b>	<b>85.3</b>	<b>232.3</b>
<b>Profit of the financial period attributable to</b>						
Shareholders of the parent company		62.2	41.3	109.0	85.3	232.3
Non-controlling interests		0.0	0.0	0.0	0.0	0.0
<b>Earnings per share based on profit attributable to equity holders of the parent company</b>						
Basic, euro		8.40	5.58	14.73	11.53	31.38
Diluted, euro		8.40	5.58	14.73	11.53	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 €	Liite	4-6/2017	4-6/2016	1-6/2017	1-6/2016	1-12/2016
<b>Profit/loss for the period</b>		<b>62.2</b>	<b>41.3</b>	<b>109.0</b>	<b>85.3</b>	<b>232.3</b>
<b>Other comprehensive income</b>						
Items that may be reclassified subsequently to profit or loss						
Cash flow hedges		6.6	-10.2	15.5	-30.5	-9.9
Available-for-sale financial assets		0.1	0.2	0.1	0.3	0.4
Deferred taxes		-1.3	2.0	-3.1	6.0	1.9
<b>Items that may be reclassified subsequently to profit or loss</b>		<b>5.3</b>	<b>-8.0</b>	<b>12.5</b>	<b>-24.2</b>	<b>-7.6</b>
<b>Total comprehensive income for the period</b>		<b>67.4</b>	<b>33.3</b>	<b>121.6</b>	<b>61.1</b>	<b>224.7</b>
<b>Total comprehensive income attributable to</b>						
Shareholders of the parent company		67.4	33.3	121.6	61.1	224.7
Non-controlling interests		0.0	0.0	0.0	0.0	0.0

# Consolidated balance sheet, IFRS

M €	Note	30 Jun 2017	30 Jun 2016	31 Dec 2016	M €	Note	30 Jun 2017	30 Jun 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	4,419.1	3,607.8	4,228.3	Share issue premium		35.8	35.8	35.8
Property, plant and equipment	4	31.1	31.3	31.0	Fair value reserve		-27.7	-56.8	-40.2
Investments in associated companies		1.2	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		1,846.7	1,707.7	1,788.0
Non-current receivables		5.8	3.2	5.6					
Derivatives	6, 7	5.4		2.0					
Deferred tax assets		12.7	18.7	15.4	<b>Equity attributable to shareholders of the parent company</b>		<b>1,930.7</b>	<b>1,762.6</b>	<b>1,859.5</b>
<b>Non-current assets total</b>		<b>4,476.2</b>	<b>3,663.5</b>	<b>4,284.8</b>	Non-controlling interests		0.0	0.0	0.0
Investment properties held for sale	9	3.9		70.7	<b>Total equity</b>		<b>1,930.7</b>	<b>1,762.6</b>	<b>1,859.5</b>
<b>Current assets</b>					<b>LIABILITIES</b>				
Trading properties		0.9	0.9	0.9	<b>Non-current liabilities</b>				
Derivatives	6, 7	0.1		0.3	Liabilities	5, 7	2,248.1	1,431.4	1,796.1
Current tax assets		5.1	2.6	7.7	Deferred tax liabilities		464.4	430.6	453.4
Trade and other receivables		13.2	11.8	6.8	Derivatives	6, 7	54.3	81.5	68.3
Financial assets		401.2	310.4	132.0	Provisions		1.2	0.8	1.0
<b>Current assets total</b>		<b>504.6</b>	<b>390.3</b>	<b>216.7</b>	Other non-current liabilities		6.9	6.9	7.1
<b>ASSETS TOTAL</b>		<b>4,984.8</b>	<b>4,053.8</b>	<b>4,572.2</b>	<b>Non-current liabilities total</b>		<b>2,774.9</b>	<b>1,951.3</b>	<b>2,325.9</b>
					Non-current liabilities total	9			1.0
					<b>Current liabilities</b>				
					Current liabilities	5, 7	211.9	282.0	326.8
					Derivatives	6, 7	0.6	1.6	0.9
					Current tax liabilities		15.9	15.8	9.9
					Trade and other payables		50.8	40.6	48.3
					<b>Current liabilities total</b>		<b>279.1</b>	<b>339.9</b>	<b>385.8</b>
					<b>Total liabilities</b>		<b>3,054.0</b>	<b>2,291.2</b>	<b>2,712.6</b>
					<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,984.8</b>	<b>4,053.8</b>	<b>4,572.2</b>

# Consolidated statement of cash flows, IFRS

M €	1-6/2017	1-6/2016	1-12/2016
<b>Cash flow from operating activities</b>			
Profit for the period	109.0	85.3	232.3
Adjustments	-20.8	-2.1	-46.6
Change in net working capital	2.1	-0.8	-1.8
Interest paid	-22.3	-21.9	-38.0
Interest received	0.2	0.3	0.7
Other financial items	-5.7	-0.7	-2.7
Taxes paid	-8.6	-14.8	-41.4
<b>Net cash flow from operating activities</b>	<b>53.9</b>	<b>45.3</b>	<b>102.4</b>
<b>Cash flow from investing activities</b>			
Acquisition of investment properties	-134.8	-96.7	-421.8
Acquisition of associated companies			0.0
Acquisition of property, plant and equipment and intangible assets	-0.5	0.0	-0.1
Proceeds from sale of investment properties	74.0	74.9	89.9
Proceeds from sale of associated companies		0.0	0.6
Proceed from sale of property, plant and equipment and intangible assets		0.6	0.0
Purchases of financial assets	-15.0	-13.0	-28.0
Proceeds from sale of financial assets	0.0	3.2	14.0
Non-current loans, granted		-0.4	-0.4
Repayments of non-current receivables	0.1	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>-76.1</b>	<b>-31.0</b>	<b>-345.1</b>
<b>Cash flow from financing activities</b>			
Non-current loans, raised	686.4	229.7	482.6
Non-current loans, repayments	-253.5	-81.4	-154.9
Current loans, raised	174.8	250.3	390.1
Current loans, repayments	-266.1	-184.1	-358.0
Dividends paid	-50.3	-37.0	-103.6
<b>Net cash flow from financing activities</b>	<b>291.4</b>	<b>177.5</b>	<b>256.1</b>
<b>Change in cash and cash equivalents</b>	<b>269.2</b>	<b>191.8</b>	<b>13.4</b>
<b>Cash and cash equivalents in the beginning of period</b>	<b>132.0</b>	<b>118.6</b>	<b>118.6</b>
<b>Cash and cash equivalents at the end of period</b>	<b>401.2</b>	<b>310.4</b>	<b>132.0</b>

# 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	0.0	1,859.5
Comprehensive income								
Cash flow hedging			12.4			12.4		12.4
Available-for-sale financial assets			0.1			0.1		0.1
Result for the financial period					109.0	109.0	0.0	109.0
<b>Total comprehensive income</b>			<b>12.5</b>		<b>109.0</b>	<b>121.6</b>	<b>0.0</b>	<b>121.6</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>0.0</b>	<b>-50.3</b>
Total change in equity			12.5		58.7	71.2	0.0	71.2
<b>Equity at 30 Jun 2017</b>	<b>58.0</b>	<b>35.8</b>	<b>-27.7</b>	<b>17.9</b>	<b>1,846.7</b>	<b>1,930.7</b>	<b>0.0</b>	<b>1,930.7</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	1,739.0
Comprehensive income								
Cash flow hedging			-24.4			-24.4		-24.4
Available-for-sale financial assets			0.2			0.2		0.2
Result for the financial period					85.3	85.3	0.0	85.3
<b>Total comprehensive income</b>			<b>-24.2</b>		<b>85.3</b>	<b>61.1</b>	<b>0.0</b>	<b>61.1</b>
Transactions with shareholders								
Dividend payment					-37.0	-37.0		-37.0
<b>Total transactions with shareholders</b>					<b>-37.0</b>	<b>-37.0</b>		<b>-37.0</b>
Changes in shareholdings							-0.6	-0.6
Total change in equity			-24.2		48.3	24.1	-0.6	23.6
<b>Equity at 30 Jun 2016</b>	<b>58.0</b>	<b>35.8</b>	<b>-56.8</b>	<b>17.9</b>	<b>1,707.7</b>	<b>1,762.6</b>	<b>0.0</b>	<b>1,762.6</b>

## Half Year Financial Report 1 January–30 June 2017

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 half year financial report

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

## 1. Accounting policies

### Basis for preparation

This half year financial report was prepared in accordance with IAS 34 Interim Financial Reporting. The half year financial report complies with IFRS standards.

The preparation of IFRS financial statements 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 financial year. Management has to make judgements also when applying the accounting policies of the Group. As the estimates and related assumptions are based on management's view at the time of the preparation of the half year financial report, they include risks and uncertainties. Actual results may differ from the estimates and assumptions used. Below are presented the most significant items of the half year financial report 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:

- Classification of properties in the Group's operating activities as well as classification of investment property acquisitions either as business combinations or asset acquisitions
- Recognition principle of deferred taxes
- Classification of financial instruments
- Classification of long-term leases into operating leases
- Fair value measurement of investment property: In the consolidated financial statements, the determination of the fair value of investment property is the key area that involves the most significant uncertainty factors arising from the estimates and assumptions that have been used. The determination of the fair value of investment property requires significant management discretion and assumptions, particularly with respect to market prices and amounts of future rental income. Kojamo Group uses valuation techniques that are appropriate

under those circumstances, and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The figures for the income statement and balance sheet are consolidated. The figures in the report are rounded, and consequently the sum of individual figures may deviate from the aggregate amount presented. The half year financial report is unaudited.

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.

### General recognition and measurement principles for investment property

Investment property refers to an asset (land, building or part of a building) that Kojamo Group retains to earn rental income or capital appreciation, or both. An investment property can be owned directly or through an entity. Properties used for administrative purposes are owner-occupied property

and included in the balance sheet line item "Property, plant and equipment". An investment property generates cash flows largely independently of the other assets held by an entity. This distinguishes investment property from owner-occupied property.

Investment property is measured initially at acquisition cost, including related transaction costs, such as transfer taxes and professional fees, as well as capitalised expenditure arising from eligible modernisation. The acquisition cost also includes related borrowing costs, such as interest costs and arrangement fees, directly attributable to the acquisition or construction of an investment property. The capitalisation of borrowing costs is based on the fact that an investment property is a qualifying asset, i.e., an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The capitalisation commences when the construction of a new building or extension begins and continues until such time as the asset is substantially ready for its intended use or sale. Capitalisable borrowing costs are either directly attributable costs accrued on the funds borrowed for a construction project or costs attributable to a construction project.

After initial recognition, investment property is carried at fair value. The resulting changes in fair values are recognised in profit or loss as they arise. Fair value gains and losses are presented netted as a separate line item in the income statement. According to IFRS13, 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 on the measurement date.

Some of the investment property is subject to legislative divestment and usage restrictions. 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, permanent restrictions on the company's operations, distribution of profit, lending and provision of collateral, and the divestment of investments. 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.

Kojamo's investment property portfolio incorporates the completed investment property, investment property under construction and under major renovation, and Kojamo Group's plot reserve. Properties classified as trading properties as well as properties classified as held for sale are included in the Group's property portfolio, but excluded from the balance sheet item "Investment properties". A property is

reclassified from "Investment properties" under "Trading properties" in the event of a change in the use of the property, and under "Investment property held for sale", when the sale of an investment property is deemed highly probable.

An investment property is derecognised from the balance sheet on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains and losses on disposals are presented netted as a separate line item in the income statement.

### Fair value hierarchy

Inputs used in determining fair values (used in the valuation techniques) are classified on three levels in the fair value hierarchy. The fair value hierarchy is based on the source of inputs.

- Level 1 inputs – Quoted prices (unadjusted) in active markets for identical investment property.
- Level 2 inputs – Inputs other than quoted prices included within Level 1 that are observable for the investment property, either directly or indirectly.
- Level 3 inputs – Unobservable inputs for investment property.

An investment property measured at fair value is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The fair value measu-

rement for all of the investment property of Kojamo Group has been categorised as a Level 3 fair value, as observable market information for the determination of fair values has not been available.

### Investment property held for sale

If the sale of an operative investment property is deemed highly probable, such a property is transferred from the balance sheet item "Investment property" to "Investment property held for sale". On that date, the carrying amount of the property is considered to be recovered principally through a sales transaction rather than through continuing use in rental. Reclassification requires that a sale is deemed highly probable, i.e:

- the investment property is available for immediate sale in its present condition subject to usual and customary terms
- management is committed to an active plan to sell the property and Kojamo has initiated a programme to locate a buyer and complete the plan
- the property is actively marketed for sale at a price that is reasonable in relation to its current fair value
- the sale should be expected to qualify for recognition as a completed sale within 12 months of the date of classification.

Investment property held for sale is recognised at fair value

### Trading properties

Trading properties include properties meant for sale that do not meet the objectives of the company due to their location, type or size. A property is reclassified from the balance sheet item "Investment properties" under "Trading properties" in the event of a change in the use of the property. This is evidenced by the commencement of development with a view to sale. If an investment property is being developed with a view to a sale, it will be accounted for as a trading property.

Trading properties are measured at the lower of the acquisition cost or the net realisation value. The net realisation value is the estimated selling price in the ordinary course of business deducted by the estimated costs necessary to make the sale. If the net realisation value is lower than the carrying amount, an impairment loss is recognised.

When a trading property becomes an investment property measured at fair value, the difference between the fair value on the transfer date and its previous carrying amount is recognised in the income statement under "Profit/loss on sales of trading properties".

Kojamo Group's trading properties include mainly single apartments ready for sale, business premises and parking facilities that are meant for sale but have not been sold by the end of the reporting period.

## 2. Segment information

M €	Lumo 1–6/2017	VVO 1–6/2017	Group consolidation methods	VVO Group Total 1-6/2017
Rental income	151.1	15.0	0.1	166.3
Sales income, other	1.0	0.1	-0.1	0.9
Internal income	0.3	0.0	-0.3	0.0
<b>Total revenue</b>	<b>152.3</b>	<b>15.2</b>	<b>-0.3</b>	<b>167.2</b>
Maintenance expenses	-39.5	-4.1	0.0	-43.6
Repair expenses	-15.1	-2.5		-17.6
<b>Net rental income</b>	<b>97.7</b>	<b>8.5</b>	<b>-0.3</b>	<b>106.0</b>
Administrative expenses	-16.4	-1.9	0.3	-18.0
Other operating income	0.9	0.1	0.0	0.9
Other operating expenses	-1.0	0.0	0.0	-1.0
Profit/loss on sales of investment properties	1.3			1.3
Fair value change of investment properties	67.5		0.0	67.5
Depreciation, amortisation and impairment losses	-0.6			-0.6
<b>Operating profit / loss</b>	<b>149.4</b>	<b>6.7</b>	<b>0.0</b>	<b>156.1</b>
Financial income				2.6
Financial expenses				-21.9
<b>Total amount of financial income and expenses</b>				<b>-19.3</b>
<b>Profit before taxes</b>				<b>136.8</b>
Current tax expense				-17.3
Change in deferred taxes				-10.5
<b>Profit/loss for the period</b>				<b>109.0</b>
<b>Investments</b>	<b>129.2</b>	<b>0.2</b>		<b>129.4</b>
Investment properties	4,293.4	124.8	0.9	4,419.1
Investments in associated companies	1.2			1.2
Investment properties held for sale	3.9			3.9
Liquid assets	370.1	31.1		401.2
Other assets	211.6	24.2	-76.3	159.5
<b>Total Assets</b>	<b>4,880.1</b>	<b>180.1</b>	<b>-75.5</b>	<b>4,984.8</b>
Interest bearing liabilities	2,413.6	121.9	-75.5	2,460.0
Other liabilities	580.5	13.4	0.1	594.0
<b>Total Liabilities</b>	<b>2,994.1</b>	<b>135.4</b>	<b>-75.5</b>	<b>3,054.0</b>

## Half Year Financial Report 1 January–30 June 2017

M €	Lumo 1–6/2016	VVO 1–6/2016	Group consolidation methods	VVO Group Total 1-6/2016
Rental income	137.1	44.2	0.3	181.6
Sales income, other	0.6	0.3	-0.3	0.7
Internal income	0.6	0.1	-0.7	0.0
<b>Total revenue</b>	<b>138.4</b>	<b>44.6</b>	<b>-0.7</b>	<b>182.3</b>
Maintenance expenses	-35.7	-13.0	0.1	-48.6
Repair expenses	-12.2	-4.9	0.0	-17.2
<b>Net rental income</b>	<b>90.5</b>	<b>26.7</b>	<b>-0.6</b>	<b>116.5</b>
Administrative expenses	-13.8	-4.3	0.6	-17.4
Other operating income	1.1	0.2	0.0	1.3
Other operating expenses	-0.3	-2.4		-2.7
Profit/loss on sales of investment properties	0.8	-28.4	0.7	-26.9
Profit/loss on sales of trading properties	0.1			0.1
Fair value change of investment properties	56.2		0.0	56.2
Depreciation, amortisation and impairment losses	-0.6			-0.6
<b>Operating profit / loss</b>	<b>134.1</b>	<b>-8.3</b>	<b>0.7</b>	<b>126.6</b>
Financial income				0.8
Financial expenses				-22.0
<b>Total amount of financial income and expenses</b>				<b>-21.2</b>
<b>Profit before taxes</b>				<b>105.3</b>
Current tax expense				-19.8
Change in deferred taxes				-0.2
<b>Profit/loss for the period</b>				<b>85.3</b>
<b>Investments</b>	<b>89.8</b>	<b>0.2</b>	<b>0.0</b>	<b>89.9</b>
Investment properties	3,472.7	134.2	0.9	3,607.8
Investments in associated companies	1.0			1.0
Liquid assets	219.8	90.6		310.4
Other assets	161.3	92.9	-119.7	134.5
<b>Total Assets</b>	<b>3,854.9</b>	<b>317.8</b>	<b>-118.8</b>	<b>4,053.8</b>
Interest bearing liabilities	1,653.4	178.2	-118.2	1,713.4
Other liabilities	544.1	34.3	-0.5	577.9
<b>Total Liabilities</b>	<b>2,197.5</b>	<b>212.4</b>	<b>-118.7</b>	<b>2,291.2</b>

## Half Year Financial Report 1 January–30 June 2017

M €	Lumo 1-12/2016	VVO 1-12/2016	Group consolidation methods	VVO 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	0.0	-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 Jun 2017	30 Jun 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	120.1	73.1	664.9
Modernisation investments	7.8	16.0	29.3
Disposals of investment properties	-72.8	-536.9	-559.0
Capitalised borrowing costs	1.6	0.8	1.7
Transfer to own use	0.0	-0.7	-0.7
Valuation gains/losses on fair value assessment	67.5	56.2	163.3
<b>Fair value of investment properties, at 31 Mar</b>	<b>4,423.0</b>	<b>3,607.8</b>	<b>4,298.9</b>

The above fair values include the investment properties classified as Non-current assets held for sale on 30 June 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-speci-

fic 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 of 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 based on 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 Jun 2017				
	-10 %	-5 %	0 %	5 %	10 %
<b>Properties measured at market values</b>					
Change in market prices (M€)	-347.9	-174		174	347.9
<b>Properties measured at yield values</b>					
Yield requirement (M€)	53.1	25.2		-22.8	-43.5
Lease income (M€)	-79.3	-39.7		39.7	79.3
Maintenance costs (M€)	28	14		-14	-28
<b>Financial Occupancy rate (change in percent points)</b>					
Rent income (M€)	-2%	-1%	0%	1%	2%
Rent income (M€)	-1.4	-0.7		0.7	1.4

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 Jun 2017	30 Jun 2016	31 Dec 2016
Book value, beginning of period	31.0	31.2	31.2
Increases	0.5	0.0	0.1
Decreases	0.0	-0.3	-0.3
Depreciations for accounting period	-0.4	-0.4	-0.7
Transfer from Investment properties	0.0	0.7	0.7
<b>Book value, end of period</b>	<b>31.1</b>	<b>31.3</b>	<b>31.0</b>

## 5. Interest-bearing liabilities

M €	30 Jun 2017	30 Jun 2016	31 Dec 2016
<b>Non-current</b>			
Interest subsidy loans	259.4	200.4	271.2
Annuity and mortgage loans	0.4	63.9	60.3
Market-based loans	1,985.6	1,163.5	1,461.2
Other loans	2.7	3.6	3.4
<b>Total</b>	<b>2,248.1</b>	<b>1,431.4</b>	<b>1,796.1</b>
<b>Current</b>			
Interest subsidy loans	28.6	54.0	53.6
Annuity and mortgage loans	0.1	1.5	1.3
Market-based loans	126.5	43.8	123.6
Other loans	6.9	7.1	7.0
Commercial papers	49.9	175.5	141.3
<b>Total</b>	<b>211.9</b>	<b>282.0</b>	<b>326.8</b>
<b>Total interest-bearing liabilities</b>	<b>2,460.0</b>	<b>1,713.4</b>	<b>2,122.8</b>

## 6. Derivative instruments

Fair values of derivative instruments M €	30 Jun 2017		30 Jun 2016		31 Dec 2016
	Positive	Negative	Net	Net	Net
Interest rate derivatives					
Interest rate swaps, cash flow hedges	5.4	-45.7	-40.2	-71.4	-56.9
Interest rate swaps, not in hedge accounting	0.0	-2.7	-2.7	-3.5	-3.0
Interest rate options, not in hedge accounting	0.0	-6.1	-6.1	-7.2	-6.5
Electricity derivatives	0.1	-0.5	-0.4	-1.0	-0.4
<b>Total</b>	<b>5.5</b>	<b>-54.9</b>	<b>-49.4</b>	<b>-83.1</b>	<b>-66.8</b>

### Nominal values of derivative instruments

M €	30 Jun 2017	30 Jun 2016	31 Dec 2016
Interest rate derivatives			
Interest rate swaps, cash flow hedges	1,035.9	905.0	1,107.0
Interest rate swaps, not in hedge accounting	19.1	10.0	61.6
Interest rate options, not in hedge accounting	104.7	28.0	104.7
<b>Total</b>	<b>1,159.7</b>	<b>943.0</b>	<b>1,273.3</b>
Electricity derivatives, MWh	164,588	239,022	196,367

The interest risk of the market loans and commercial papers are hedged with interest rate derivatives according to Kojamo Group's treasury policy. The targeted hedging ratio is 50–100%. The hedging ratio was 83 (74) per cent at the end of the review period and the average maturity of the interest rate derivatives was 6.3 (7.2) years.



## 7. Fair values of financial instruments

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

M €	Carrying value total	30 Jun 2017			Fair value total
		LEVEL 1	LEVEL 2	LEVEL 3	
<b>Financial assets</b>					
Measured at fair value					
Interest rate derivatives	5.4		5.4		5.4
Electricity derivatives	0.1	0.1			0.1
Available-for-sale financial assets	61.6	59.1	2.0	0.5	61.6
Measured at amortised cost					
Loans and receivables	23.2	23.2			23.2
Trade receivables	4.2				4.2
<b>Financial liabilities</b>					
Measured at fair value					
Interest rate derivatives	-54.4		-54.4		-54.4
Electricity derivatives	-0.5	-0.5			-0.5
Measured at amortised cost					
Other interest-bearing liabilities	1,666.7		1,667.3		1,667.3
Bond	793.3		800.0		800.0
Trade payables	9.1				9.1

The fair value of loans is the same as their nominal value. There have not been any 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 market prices for identical instruments quoted in an active market.

#### Level 2:

A market price quoted on the active market exists for similar instruments. The price may, however, be derived directly or indirectly from quoted price information.

#### 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 Jun 2017	31 Dec 2016
Beginning of period	0.6	0.5
Deductions	0.0	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 Jun 2017	30 Jun 2016	31 Dec 2016
Loans covered by pledges on property and shares as a collateral	1,837.7	1,541.7	1,986.5
Mortgages	2,124.6	1,846.6	2,446.2
Shares <sup>1)</sup>	320.3	247.2	312.0
<b>Pledged collaterals total</b>	<b>2,444.9</b>	<b>2,093.8</b>	<b>2,758.1</b>
<b>Other collaterals given</b>			
Mortgages and shares	5.9	6.9	5.8
Guarantees <sup>2)</sup>	389.7	414.9	479.9
Pledged deposits	0.0	0.0	0.2
<b>Other collaterals total</b>	<b>395.6</b>	<b>421.7</b>	<b>485.9</b>
M €	30 Jun 2017	30 Jun 2016	31 Dec 2016
New construction in-process	134.2	133.0	136.8
Preliminary agreements for new construction	160.3	200.6	206.0
Renovation	24.0	24.5	17.1
<b>Total</b>	<b>318.4</b>	<b>358.1</b>	<b>359.9</b>

<sup>1)</sup> Pledged mortgages and shares relate in some cases to same real estates.

<sup>2)</sup> Guarantees given are mainly absolute guarantees granted as collateral for group companies' loans and property pledges have also been given as collateral for these loans.

## 9. Non-current assets held for sale

M €	30 Jun 2017	30 Jun 2016	31 Dec 2016
Investment properties	3.9		70.6
Investments in associated companies			
Receivables			0.1
Liquid assets			
<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>0.0</b>		<b>1.0</b>
<b>Net asset value</b>	<b>3.9</b>		<b>69.7</b>

## Key figures and formulas used in their calculation

	4–6/2017	4–6/2016	1–6/2017	1–6/2016	2016
Revenue, M €	83.6	86.4	167.2	182.3	351.5
Net rental income, M€	53.4	55.8	106.0	116.5	222.0
% revenue	63.8	64.5	63.4	63.9	63.2
Profit before taxes, M €	78.5	51.0	136.8	105.3	289.7
Operative result, M €	25.9	31.3	52.6	65.4	116.9
Investment properties, M € <sup>1)</sup>			4,423.0	3,607.8	4,298.9
Financial occupancy rate, %	96.4	97.0	96.6	96.9	97.4
Interest-bearing liabilities, M € <sup>2)</sup>			2,460.0	1,713.4	2,122.8
Return on equity, % (ROE)			11.5	9.8	12.9
Return on investments, % (ROI)			7.6	7.1	8.8
Equity ratio, %			38.8	43.6	40.7
Loan to Value, % <sup>2) 3)</sup>			46.6	38.9	47.1
Earnings per share, €	8.40	5.58	14.73	11.53	31.38
Equity per share, €			260.82	238.10	251.20
Gross investments, M€	64.4	46.2	129.4	89.9	696.0
Number of personnel, end of period			333	321	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

## Half Year Financial Report 1 January–30 June 2017

Operative result =	Result for the period - gains/losses on sales of properties - fair value change in investment properties - taxes on the adjustments
Return on equity (ROE), % =	$\frac{\text{Profit for the period}}{\text{Total equity (average during the period)}} \times 100$
Return on investment (ROI), % =	$\frac{\text{Profit before taxes + interests and other financial expenses}}{\text{Balance sheet total - Non-interest-bearing liabilities (average during the period)}} \times 100$
Equity ratio, % =	$\frac{\text{Total equity}}{\text{Balance sheet total - Advanced received}} \times 100$
Loan to Value, % =	$\frac{\text{Interest-bearing liabilities - Cash}}{\text{Investment properties}} \times 100$
Earnings per share, € =	$\frac{\text{Earnings attributable to equity holders}}{\text{Number of shares at the end of the financial period}}$
Shareholders' equity per share, € =	$\frac{\text{Equity attributable to shareholders of the parent company}}{\text{Number of shares at the end of the financial period}}$



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