



Interim Report 1-3/2018

Kojamo plc



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Lumo business is increasing
Kojamo's value and total revenue

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and outlook

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Hernesaarencatu 17 inner yard,
Hernesaari, Helsinki



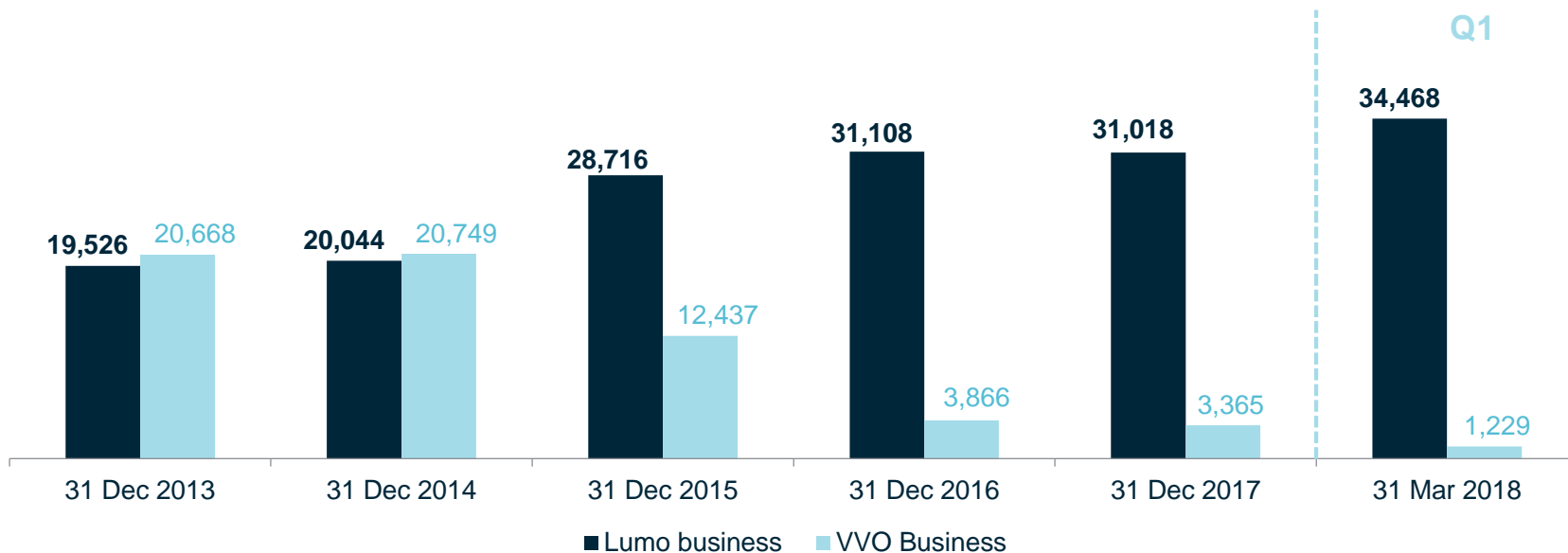
Lumo business is increasing Kojamo's value and total revenue

- In the first quarter, Kojamo has grown its Lumo business in Finnish growth centres with both newly constructed properties and purchases of existing apartments. In the first quarter, Kojamo completed the acquisition of 981 apartments from OP Financial Group's funds and signed an agreement for the sale of 1,594 apartments. A total of 483 new Lumo rental apartments were completed in the first quarter, especially in the Helsinki region.
- The financial occupancy rate was at a good level, however the increased number of new apartments completed in the market has temporarily increased the supply of rental apartments and created a balance between supply and demand.
- Urbanisation and the growing number of small households are key factors that are driving the demand for rental housing. We are investing in growth in the seven largest urban regions in Finland and in the customer experience in Lumo homes.
- In early April, we reached the number of 5,000 tenancy agreements signed via the web store.
- Over the last five years, Kojamo has invested EUR 1.7 billion in the Lumo segment in Finnish growth centres.
- On 7 March 2018, Kojamo issued an unsecured EUR 500 million bond that was listed on the Irish Stock Exchange.
- The examination into the possibility of listing the company on the stock exchange, launched by Kojamo's Board of Directors, is progressing well. As part of the process, the company is also holding preliminary meetings with potential new investors.



We are strongly focusing on commercial Lumo business

Number of apartments





Summary of January-March 2018 (1/2)



Total revenue totalled EUR 88.2 (83.6) million

Net rental income was EUR 55.5 (52.6) million, representing 62.9 (62.9) per cent of total revenue.

Profit before taxes amounted to EUR 56.3 (58.3) million. The profit includes EUR 20.7 (23.5) million in net valuation gain on the fair value assessment of investment properties, as well as EUR 0.6 (0.7) million in gains and losses on sales of investment properties.

Gross investments during the period totalled EUR 203.7 (65.0) million. Gross investments were 230.9 (77.8) per cent of total revenue.

The financial occupancy rate remained high, standing at 96.3 (96.8) per cent during the period under review.

Lumo apartments under construction totalled 1,251 (1,747)
At the end of the review period



Summary of January-March 2018 (2/2)



The fair value of investment properties was EUR 4.9 (4.3) billion, including EUR 96.4 (3.9) million of investment property held for sale.

Kojamo owned 35,697 (33,843) rental apartments at the end of the period.

EPRA NAV per share (net asset value) was EUR 344.42 (318.85).

Equity per share was EUR 275.61 (251.71), and return on equity was 8.8 (10.1) per cent. Return on investment was 6.0 (7.0) per cent.

Kojamo will change its dividend policy and the disclosure of the company's outlook. In future, the company will provide the outlook for total revenue (previously net rental income), funds from operations (FFO) (previously operative result) and gross investments.



Operating environment

Operating environment

Economy

- **World & EU**
According to a forecast by the Finnish Ministry of Finance, global economic growth is set to continue on a wide front. The Ministry of Finance says that strong growth in the euro area is continuing, confidence is high and investments are now almost at the same level as before the financial crisis.
- **Finland**
Finland's economic growth has been improving for a couple of years now. The Ministry of Finance forecasts that the Finnish GDP will grow by 2.6 per cent in 2018 and 2.2 per cent in 2019.
- **Interest rates**
According to the Bank of Finland, the key European Central Bank interest rates have been exceptionally low for a long time. The moderate rise in long-term rates continued in the first quarter of 2018, driven by the strong outlook for growth.

Construction

- **Construction volumes**
According to the Confederation of Finnish Construction Industries RT (CFCI), the number of building permits granted for apartments has ceased to grow during recent months in the largest cities.
- CFCI estimates that the construction of 23,400 privately financed apartments will begin in 2018 and that this figure will decrease to 18,700 the following year.
- **Commercial rental apartments**
Based on the demand created by urbanisation, CFCI expects the number of rental apartments constructed for investors to grow in 2018.
- **Construction costs**
CFCI projects that construction costs will increase by 2.5 per cent in 2018.

Housing

- **Apartment prices**
According to a forecast by Pellervo Economic Research (PTT), apartment prices have diverged considerably not only between regions but also between different-sized apartments. Demand is still strongest for small apartments in growth centres.
- According to Statistics Finland, apartment prices rose in January and February compared to the year before. The growth was 2.9 per cent in the Helsinki Metropolitan Area and 0.9 per cent in the whole of Finland on average.
- **Rents**
According to preliminary data, the rents of privately financed apartments rose by 1.8 per cent in 2017. Compared to the year before, increase in rents slowed. PTT forecasts that the rents of new and existing privately financed apartments will rise by 2.1 per cent in 2018.

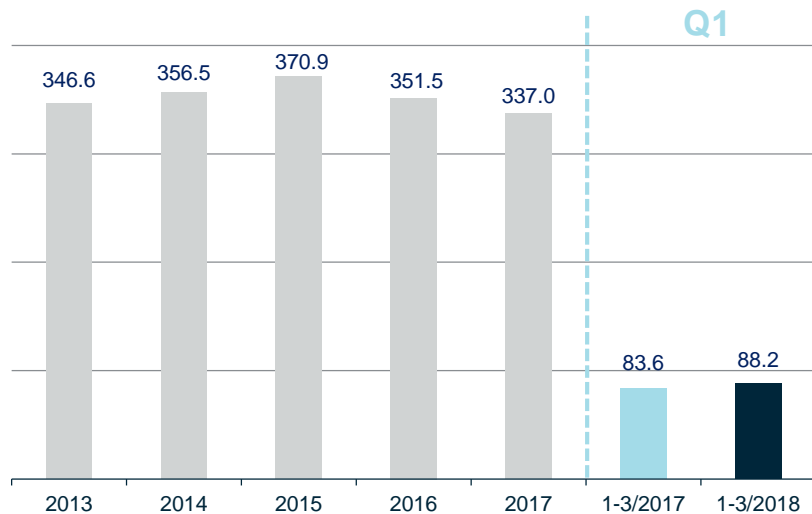


Business and strategy review

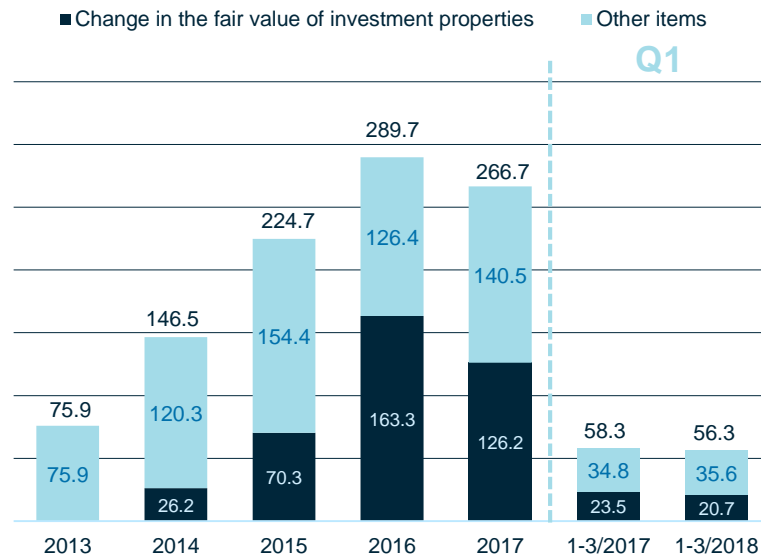


Total revenue increased year-on-year, profit remained on a good level

Total revenue , M€



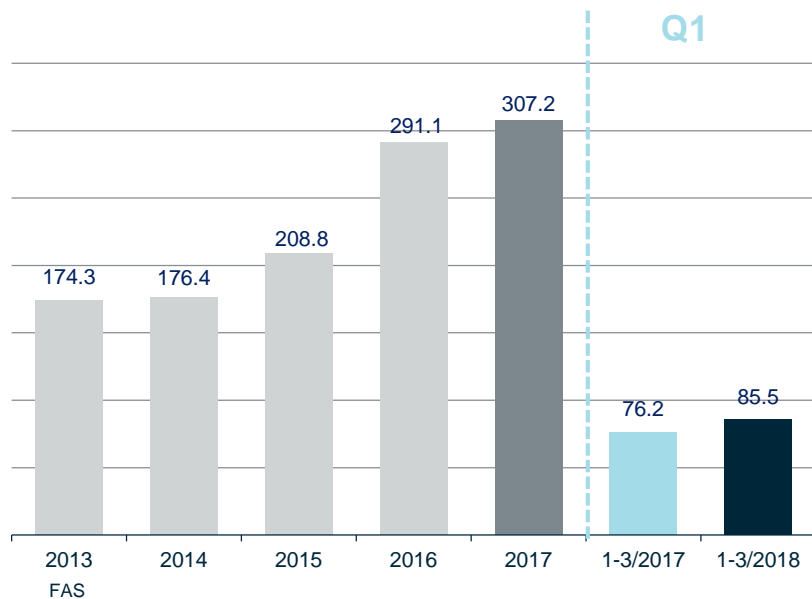
Profit before taxes, M€



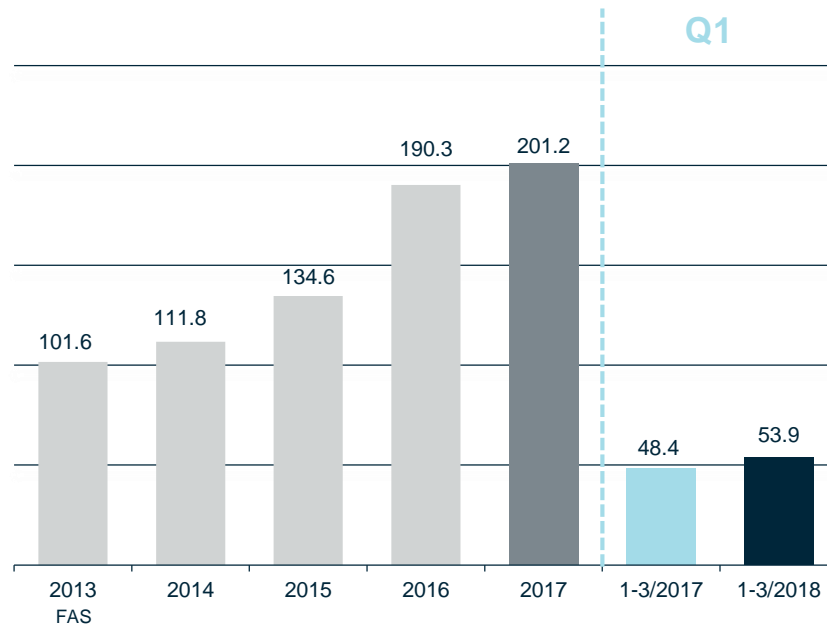


In Lumo Business, total revenue and net rental income increased year-on-year

Total revenue, Lumo business, M€



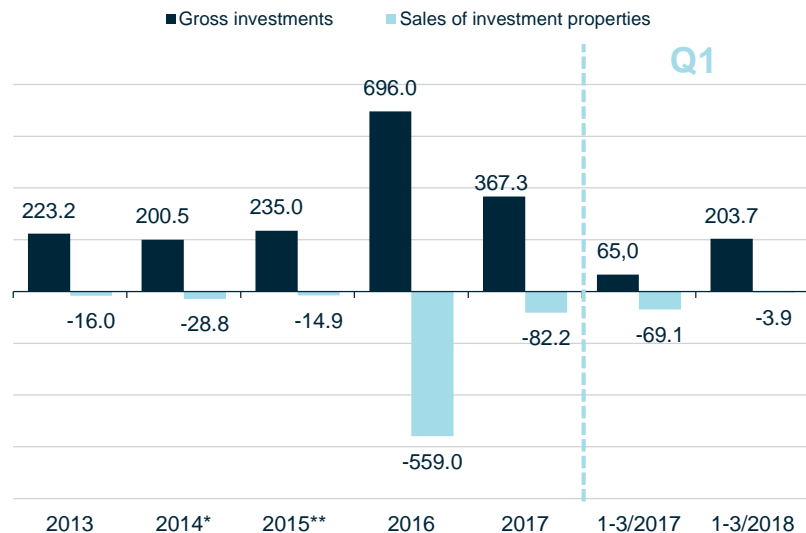
Net rental income, Lumo business, M€



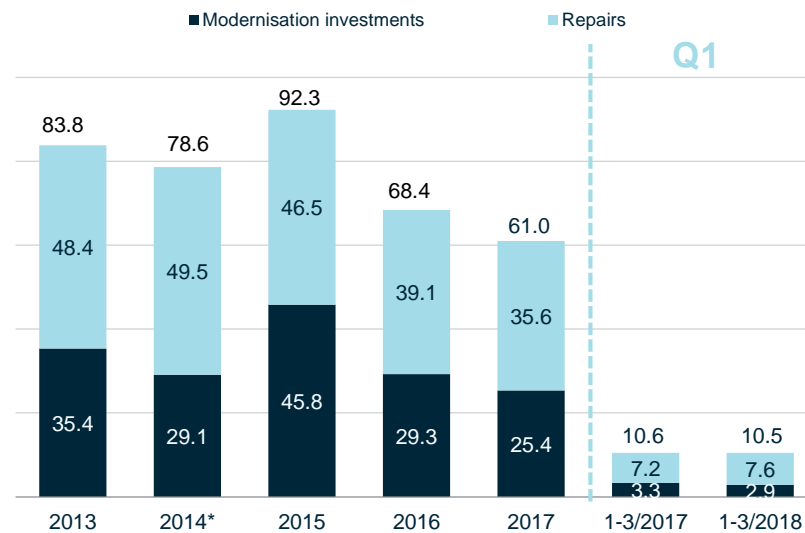


Investments in Lumo business operations continued

Gross investments and sales of investment properties, M€



Modernisation investments and repairs, M€



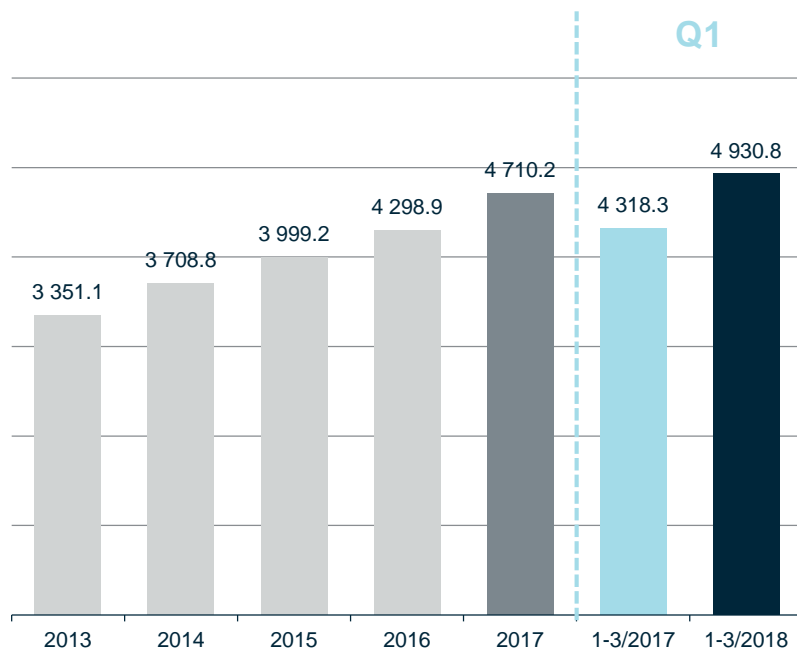
*As of 2014, the Group adopted IFRS for its financial reporting.

**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 of investment properties, M€



M€	31 Mar 2018	31 Mar 2017	Change	31 Dec 2017
Investment properties	4,834.4	4,314.4	519,9	4,706.5
Investment property held for sale	96.4	3.9	92.5	3.7
Fair value, total	4,930.8	4,318.3	612.5	4,710.2
Fair value measurement	20.7	23.5	-2.8	126.2



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

Helsinki region 55.6 %

Tampere region 13.7 %

Turku region 5.3 %

Oulu 6.4 %

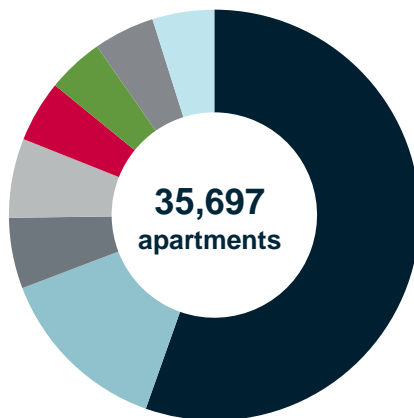
Kuopio region 4.8 %

Lahti region 4.4 %

Jyväskylä 4.6 %

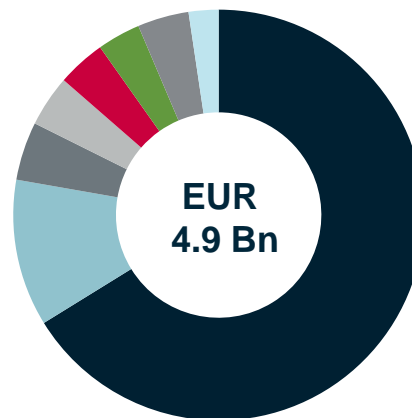
Others 5.3 %

Apartment distribution, %



Total number of apartments 35,697

Fair value distribution, %



Fair value of
investment properties
€ 4.9 Bn

Helsinki region 66.2 %

Tampere region 11.6 %

Turku region 4.6 %

Oulu 4.0 %

Kuopio region 3.8 %

Lahti region 3.4 %

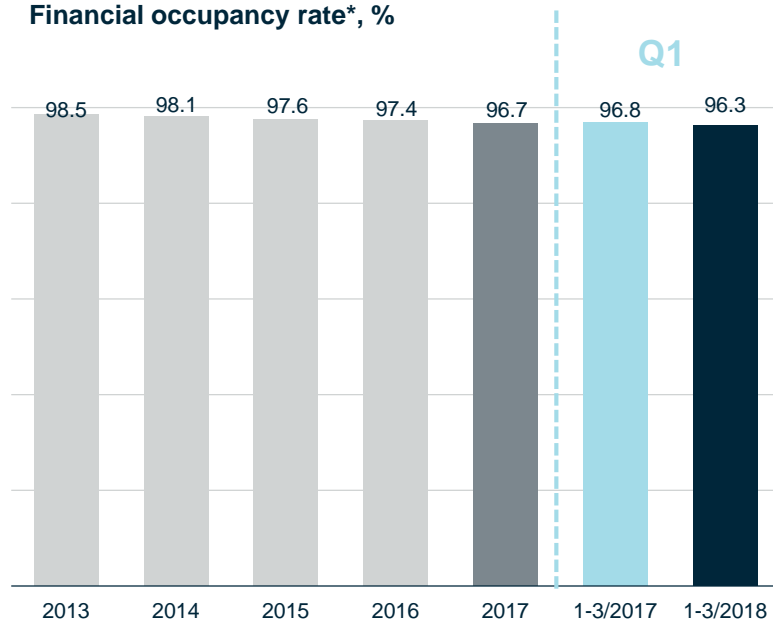
Jyväskylä 4.0 %

Others 2.3 %

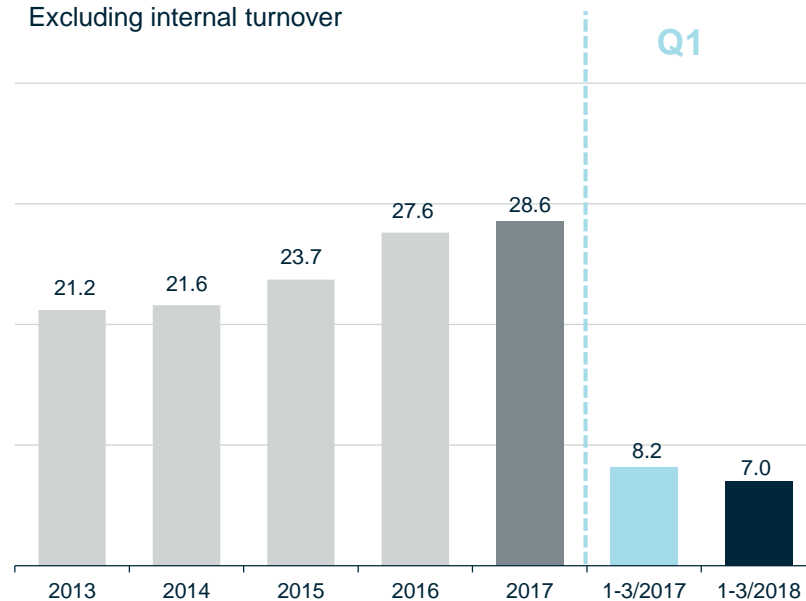


The occupancy rate remained high

Financial occupancy rate*, %



Tenant turnover**, %
Excluding internal turnover



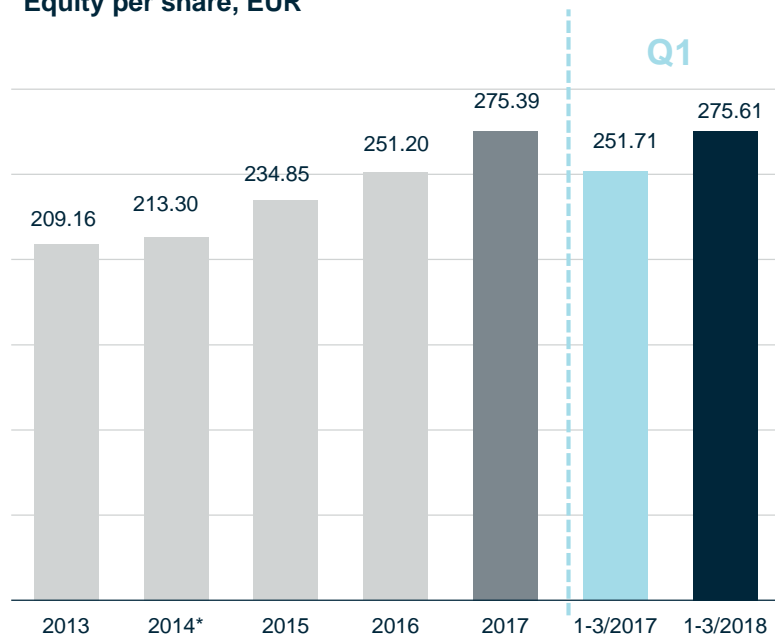
* Financial occupancy rate = (Rental income / potential rental income at full occupancy) x 100

** Tenant turnover = (terminated rental agreements under the period / number of apartments) x 100

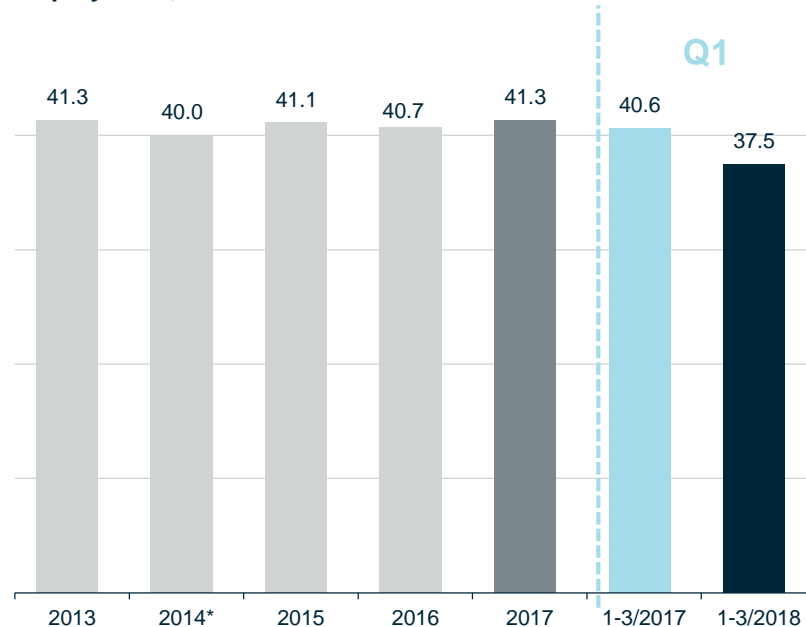


Equity ratio decreased due an exceptionally large amount of cash and cash equivalents

Equity per share, EUR



Equity ratio, %



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

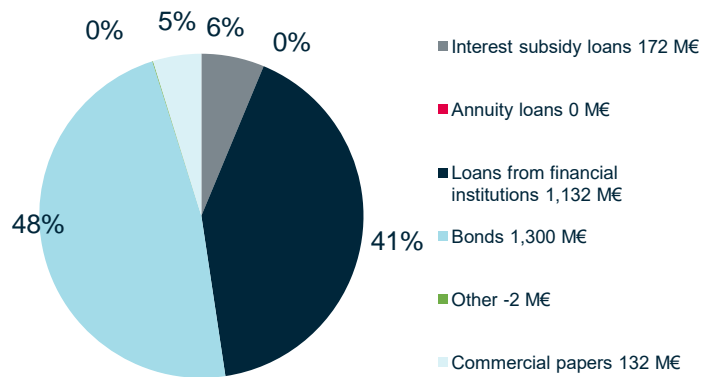


The percentage of bonds increased

The Group's loan distribution 31 Mar 2018

Loan portfolio structure

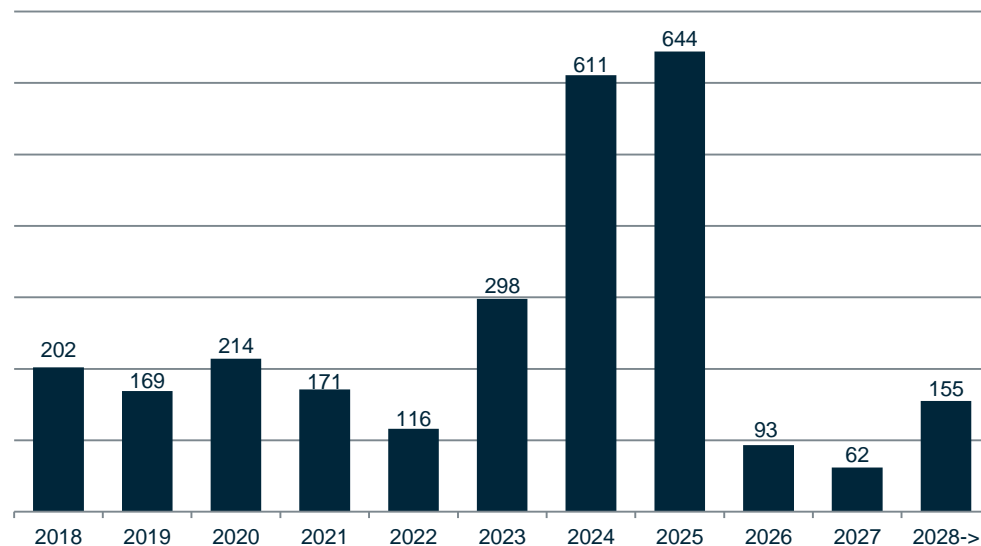
2,735 M€



Nominal values of the loans. Other item includes capitalized arrangement fees of the loans. Amounts include VVO –segment loans 34 M€ of which interest subsidy loans 30 M€ and loans from financial institutions 4 M€.

Distribution of loan maturities 31 Mar 2018

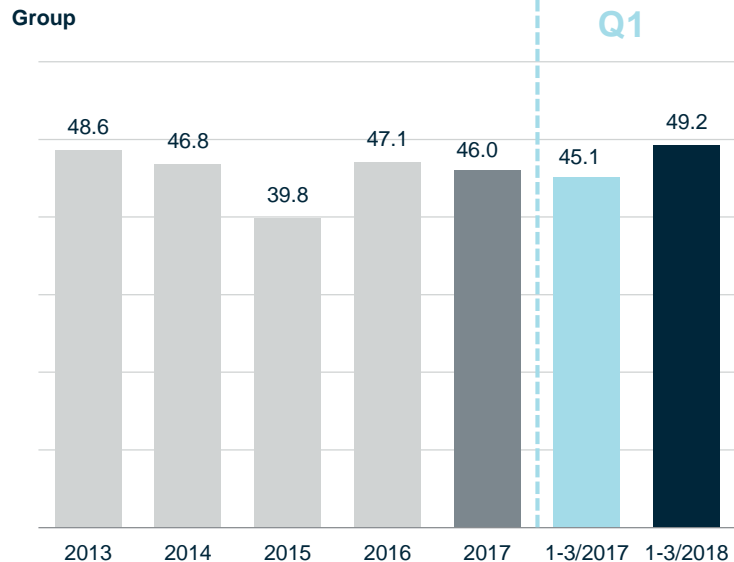
M€



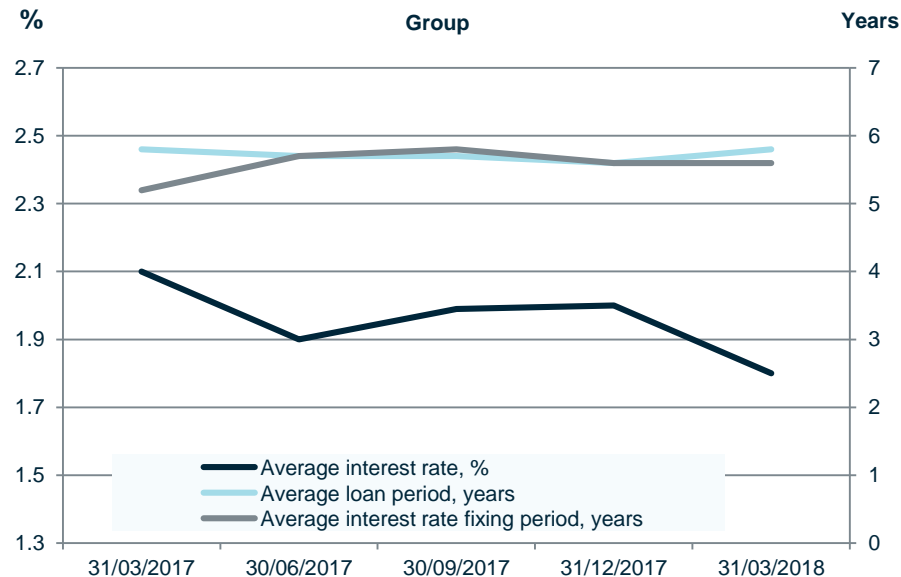


Moderate LTV and strong key figures

LTV (Loan to Value), %



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





Strategic key figures and outlook 2018

Strategic key figures

Strategic key figure	March 31, 2018	Goal 2021
Fair value of investment properties	EUR 4.9 billion	EUR 6.0 billion
Number of apartments	35,697	Approx. 38,000
Equity ratio, %	37.5	> 40
Loan to Value, %	49.2	< 50
FFO as a percentage of total revenue	33.1	> 32
Net Promoter Score (NPS)	33	40



Kojamo will change the disclosure of the company's outlook

In future, the company will provide the outlook for

- **total revenue**
(previously net rental income)
- **funds from operations (FFO)**
(previously operative result)
- **gross investments**

The company's assessment is that this new method will clarify the disclosure of the company's outlook.

The main difference between FFO and operative result concerns the treatment of the taxes to be paid.

The reconciliation to operative result is presented in the key figures section.



Outlook for Kojamo in 2018

- Kojamo estimates that in 2018, the Group's total revenue will grow by 3 to 9 per cent year-on-year. In addition, the company estimates that the Group's FFO for 2018 will amount to between EUR 103 and EUR 116 million, excluding one-off items. Investments in new development and housing stock acquisitions are forecast to exceed EUR 300 million.
- The outlook takes into account the effects of the housing divestments and acquisitions completed in 2018, the estimated occupancy rate and rises in rents, as well as the number of apartments to be completed. The outlook is based on the management's assessment of total revenue, net rental income, administrative expenses, financial expenses, taxes to be paid and new development to be completed, as well as the management's view on future developments in the operating environment.
- Additionally, the outlook is based on strong demand sustained by migration, which will increase like-for-like rental income. The management can influence total revenue and FFO through the company's business operations. In contrast, the management has no influence over market trends, the regulatory environment or the competitive landscape.



Dividend policy



Change in Kojamo's dividend policy

The Board of Directors has decided to change Kojamo's dividend policy.

Kojamo's objective is to be a stable dividend payer whose annual dividend payment will be at least 60 per cent of FFO, provided that the Group's equity ratio is 40 per cent or more and taking account of the company's financial position.





Appendix



Better urban housing for everyone



Kojamo's vision is to be the property market frontrunner and the number one choice for customers who value better urban housing. With our Lumo brand, we are transforming Finnish rental housing and making it more attractive.

We operate in the seven main urban regions of Finland, responding to increasing housing demand in urbanising Finland.

At the end of March 2018, Kojamo owned 35,697 rental apartments. The fair value of Kojamo's investment properties stood at EUR 4.9 billion.

Kojamo'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 the property market frontrunner and the number one choice for our customers.

Strategic focal points

- ▶ Delivering the best customer experience
- ▶ Generating long-term shareholder value
- ▶ Leading on sustainable development
- ▶ Dynamic and professional 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

Asuntojen jakauma 31.3.2018

Helsinki region
19,781

Tampere region
4,926

Turku region
1,989

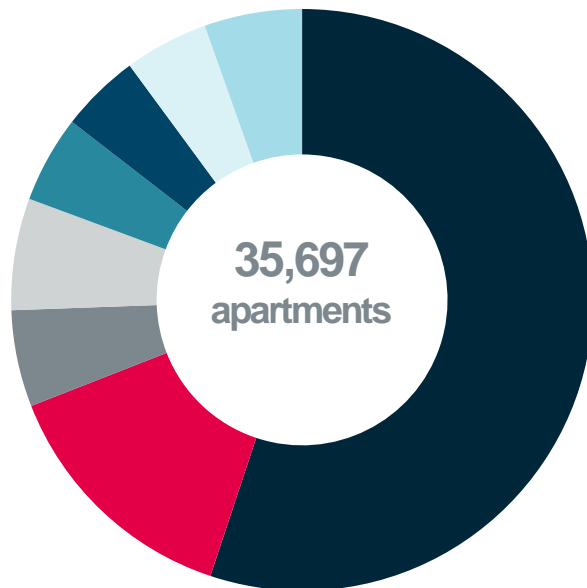
Oulu
2,229

Kuopio region
1,731

Lahti region
1,586

Jyväskylä
1,716

Others
1,739



Apartments
35,697



Average floor area
of apartments

55.5 m²



Properties
1,390



Residents
numbering nearly

55,000



Average age
of buildings
31.9 yrs



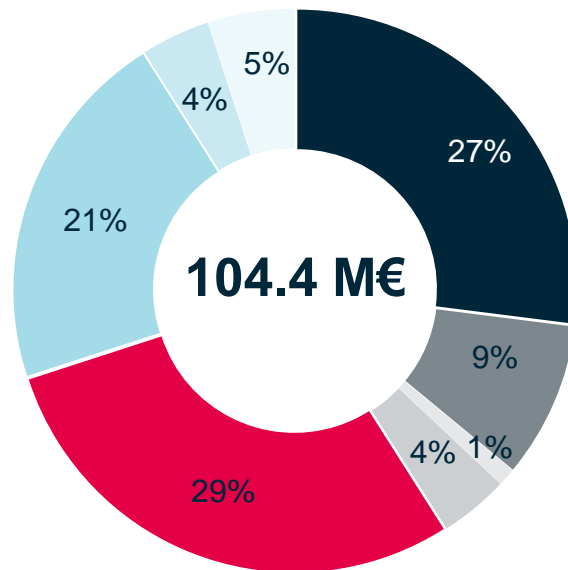
Apartments
**1,9 million
dwelling m²**



Nearly EUR 105 million in paid taxes and an indirect employment effect of nearly 7,000 years in Finland

Group's tax footprint in 2017

- Income taxes
- Property taxes
- Transfer taxes
- Employment payments
- VAT non-deductible included in investments
- VAT non-deductible included in other procurements
- VAT remitted
- Withholdings from salaries



Indirect employment effect in person-years **6,971.**



Responsibility is part of our operations

- According to the Personnel Satisfaction Survey, the satisfaction of Kojamo's employees is in AAA category, significantly better than the level in the industry. We have received the most inspiring jobs in Finland awards in 2017 and 2018, and placed first in the Responsible Summer Job campaign in 2017 in large companies' category.
- The anti-grey economy models used by Kojamo exceed legislative requirements in many respects.
- Kojamo's estimated taxes and similar charges amount to over EUR 104 million.
- Our climate and environmental management is goal-oriented. We are the Climate Partner of the City of Helsinki and the only Finnish real estate company in the Climate Leadership Coalition. Our largest offices are WWF's Green Office Certified.
- Kojamo joined the Rental Property Energy Efficiency Agreement (VAETS II) after reaching the targets of the plan that ended in 2016. Under the new agreement period that started in 2017, we pursue energy savings of 7.5 per cent by 2025.
- We follow the principles of sustainable development in our property portfolio. The energy monitoring and control covers all real estate. The advanced Leanheat system is in use at the 64 Lumo House and we are developing a new energy efficient residential building in the Kalasatama area in the SunZeb project in Helsinki. We provide our residents with services based on sharing economy, for example, sharing cars nationwide.



Consolidated income statement

M€	1-3/2018	1-3/2017	1-12/2017
Total revenue	88.2	83.6	337.0
Property maintenance costs	-25.2	-23.7	-85.4
Renovation and repairs	-7.6	-7.2	-35.6
Net rental income	55.5	52.6	216.0
Administrative costs	-9.1	-8.5	-37.2
Other operating income and costs	0.3	-0.4	0.7
Profit/loss on sales of investment properties	0.6	0.7	2.5
Profit/loss on sales of trading properties	0.0		0.0
Change in the fair value of investment properties	20.7	23.5	126.2
Amortisations and depreciation	-0.2	-0.3	-1.1
Operating profit	67.8	67.6	307.0
Financial income and expenses	-11.5	-9.3	-40.5
Share in profits of associated companies			0.1
Profit before taxes	56.3	58.3	266.7
Current tax	-7.1	-12.5	-28.6
Change in deferred taxes	-4.6	1.1	-25.1
Profit for the period	44.6	46.9	212.9



Balance sheet

M€	Group 31 Mar 2018	Group 31 Mar 2017	Group 31 December 2017
ASSETS			
Non-current assets			
Intangible assets	0.4	0.7	0.4
Investment properties	4,834.4	4,314.4	4,706.5
Property, plant and equipment	30.8	30.8	31.0
Share in associated companies	1.8	1.2	1.7
Financial assets	0.5	0.5	0.5
Non-current receivables	5.3	5.7	5.3
Derivative instruments	5.3	3.9	6.5
Deferred tax assets	9.6	13.9	10.9
Non-current assets, total	4,888.1	4,371.2	4,762.7
Non-current assets held for sale	96.7	3.9	3.7
Current assets			
Inventories	0.4	0.9	0.6
Derivative instruments	0.1	0.2	0.0
Current tax assets	5.0	10.2	0.5
Sales receivables and other receivables	19.0	15.7	8.8
Financial assets	85.7	49.1	49.3
Cash and cash equivalents	354.4	142.3	117.8
Current assets	464.6	218.3	177.0
ASSETS	5,449.4	4,593.4	4,943.5



Balance sheet

M€	Group 31 Mar 2018	Group 31 Mar 2017	Group 31 December 2017
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent company			
Share capital	58.0	58.0	58.0
Share premium	35.8	35.8	35.8
Fair value reserve	-16.6	-33.0	-23.7
Reserve for invested unrestricted equity	17.9	17.9	17.9
Retained earnings	1,945.2	1,784.6	1,950.6
Parent company shareholders' interest	2,040.2	1,863.3	2,038.6
Equity, total	2,040.2	1,863.3	2,038.6
Non-current liabilities			
Loans	2,513.7	1,871.8	2,109.8
Deferred tax liabilities	483.4	452.6	478.3
Derivative instruments	40.8	60.5	48.3
Statutory provisions	0.8	0.9	0.8
Other non-current liabilities	15.5	6.9	14.8
Non-current liabilities, total	3,054.1	2,392.7	2,652.0
Liabilities associated with non-current assets held for sale	0.2		
Current liabilities			
Loans, current	221.0	215.8	173.2
Derivative instruments	0.4	0.6	0.2
Profit-based tax liabilities	6.9	20.7	9.1
Trade payables and other debts	126.4	100.2	70.4
Current liabilities, total	354.8	337.3	252.9
Liabilities, total	3,409.2	2,730.1	2,904.9
SHAREHOLDERS' EQUITY AND LIABILITIES	5,449.4	4,593.4	4,943.5

Segment information

M€	Lumo 1-3/2018	Lumo 1-3/2017	VVO 1-3/2018	VVO 1-3/2017	Group 1-3/2018	Group 1-3/2017
Total revenue	85.5	76.2	2.8	7.5	88.2	83.6
Operating profit	67.5	64.2	1.2	3.4	67.8	67.6
Profit before taxes	56.1	55.6	1.1	2.8	56.3	58.3
Balance sheet	5,400.0	4,440.1	64.9	232.2	5,449.4	4,593.4
Equity	2,021.5	1,820.7	19.1	42.6	2,040.2	1,863.3
Equity ratio, %	37.5	41.1	29.5	18.4	37.5	40.6
Apartments	34,468	30,478	1,229	3,365	35,697	33,843
Rental occupancy rate, %	95.5	95.8	96.7	98.4	95.5	96.0
Financial occupancy rate, %	96.3	96.7	96.7	98.4	96.3	96.8
Tenant turnover, incl. internal turnover, %	9.1	9.4	5.0	5.9	8.9	9.1
Average number of personnel	303	271	13	24	316	295

Financial key figures

	Group					
	31 Mar 2018	31 Dec 2017	30 Sept .2017	30 June 2017	31 Mar 2017	31 Dec 2016
Equity ratio, %	37.5	41.3	40.2	38.8	40.6	40.7
Interest cover	4.2	4.2	4.1	4.2	4.5	4.8
LTV, %	49.2	46.0	45.9	46.1	45.1	47.1
Hedging ratio, %	87	111	88	83	79	77
Average interest rate, %	1.8	2.0	2.0	1.9	2.1	2.0
Average loan period, years	5.8	5.6	5.7	5.7	5.8	5.7
Average interest rate fixing period, years	5.6	5.6	5.8	5.7	5.2	5.2



Thank you !

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