



Half Year Financial Report 1–6/2018

24 August 2018
Jani Nieminen, CEO
Erik Hjelt, CFO

Kojamo Plc



Agenda

- Summary of January–June 2018
- Financial development
- Outlook, financial targets and dividend policy



Saariniemenkatu 6, Helsinki



The half year financial report will be presented by



Jani Nieminen
CEO



Erik Hjelt
CFO



Summary of January–June 2018

Operating environment

General macroeconomic development

- **General operating environment**
Kojamo is affected by the situation on the Finnish housing market and related factors particularly in the Finnish growth centres, as well as macroeconomic factors.
- **Finland**
According to a forecast by the Finnish Ministry of Finance (June 2018), Finland's GDP is expected to grow by 2.9% in 2018 and 1.8% in 2019.
- Household consumption demand is limited by the weakening growth in real disposable income.

Urbanisation

- **Construction volumes**
According to the Confederation of Finnish Construction Industries RT (CFCI), the number of building permits granted for apartments continued to decrease in May 2018, decreasing by approximately a third in the spring from the previous year.
- According to CFCI, the number of residential building permits granted was 46,400 on an annual level, and the number of construction starts was over 48,000.
- **Commercial rental apartments**
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% in 2018.

Development of living habits and structure of households

- **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 increased during March–April 2018 by 1.3% in the Helsinki Metropolitan Region and by 0.6% in the whole country on average.
- **Rents**
According to preliminary data, the rents of privately financed apartments increased by 1.8% in 2017. Compared to the year before, increase in rents slowed down. PTT forecasts that the rents of privately financed apartments will increase by 2.1% in 2018.



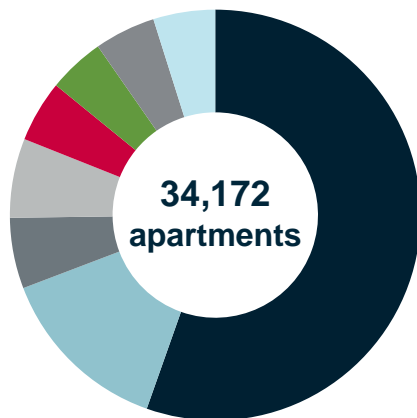
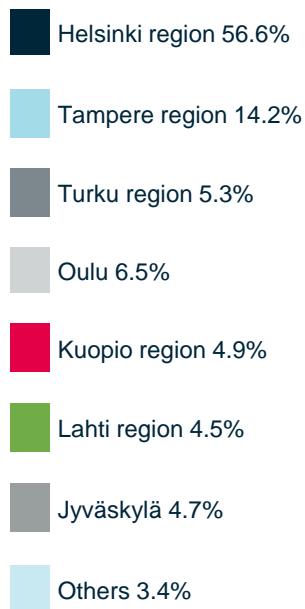
Strong operational development and increased investments during the review period

- **Total revenue** increased to EUR 178.0 (167.2) million, showing 6.4 per cent growth. Total revenue for the second quarter increased to EUR 89.8 (83.6) million, by 7.3 per cent.
- **Net rental income** increased to EUR 109.5 (101.1) million, representing 61.5 per cent of total revenue. In the second quarter, net rental income increased to EUR 61.4 (55.6) million, representing 68.4 per cent of total revenue.
- **Profit before taxes** was EUR 140.5 (132.0) million. Profit before taxes for the second quarter was EUR 91.5 (80.7) million.
- **The financial occupancy rate** remained high, standing at 96.5 (96.6) per cent. The financial occupancy rate improved during the second quarter.
- **The fair value of investment properties** was EUR 4.9 (4.4) billion at the end of review period.
- Strong investments in Lumo segment continued. **Gross investments** totaled EUR 243.2 (129.4) million. Kojamo acquired 981 apartments from OP Financial Group's funds. 689 new Lumo apartments were completed during the period.
- Use of the **Lumo web store** increased sharply: the number of tenancy agreements signed via web store exceeded 6,000 by the end of June.
- **Kojamo's listing** in June was an important milestone for the company.



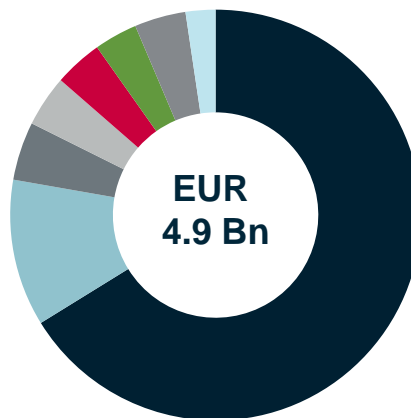
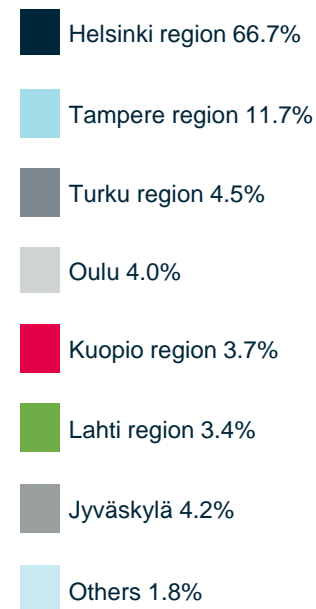
The focus of our operations is on the seven main urban regions of Finland

Apartment distribution, %



Total number of apartments 34,172

Fair value distribution, %

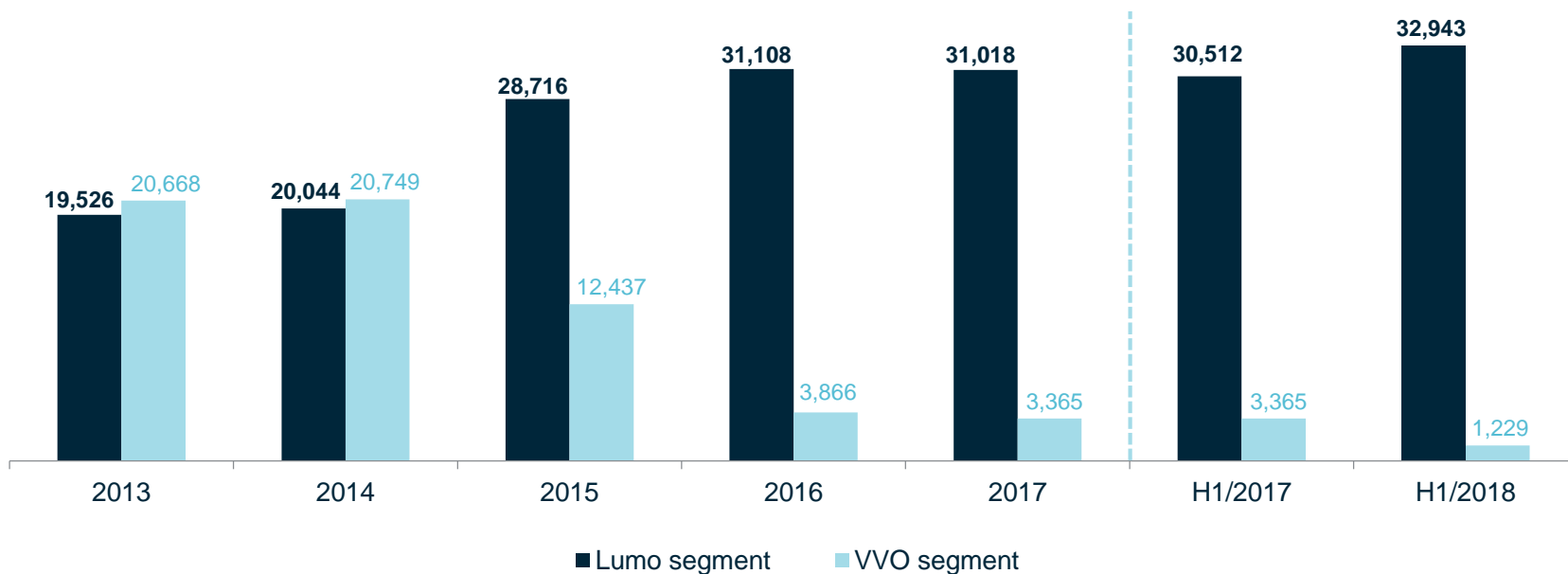


Fair value of investment properties EUR 4.9 Bn



The number of Lumo apartments increased in line with our strategy

- The number of Lumo apartments increased by 8 per cent year-on-year.
- At the end of the review period, the Lumo segment included 32,943 apartments.
- The number of apartments in the VVO segment decreased to 1,229.





Key figures

| | 4-6/2018 | 4-6/2017 | Change,% | 1-6/2018 | 1-6/2017 | Change, % | 2017 |
|--|----------|----------|----------|----------|----------|-----------|--------|
| Total revenue, M€ | 89.8 | 83.6 | 7.3 | 178.0 | 167.2 | 6.4 | 337.0 |
| Net rental income, M€ | 61.4 | 55.6 | 10.4 | 109.5 | 101.1 | 8.3 | 216.0 |
| Net rental income margin, % of total revenue | 68.4 | 66.5 | | 61.5 | 60.5 | | 64.1 |
| Profit before taxes, M€ | 91.5 | 80.7 | 13.3 | 140.5 | 132.0 | 6.4 | 266.7 |
| Gross investments, M€ | 39.5 | 64.4 | -38.7 | 243.2 | 129.4 | 87.9 | 367.3 |
| Funds From Operations (FFO), M€ | 17.6 | 31.0 | -43.1 | 39.5 | 44.9 | -12.1 | 107.8 |
| FFO per share, € | 0.08 | 0.14 | -43.9 | 0.17 | 0.20 | -12.7 | 0.47 |
| Financial occupancy rate, % | | | | 96.5 | 96.6 | | 96.7 |
| Fair value of investment properties, Bn€ | | | | 4.9 | 4.4 | 11.3 | 4.7 |
| Number of apartments | | | | 34,172 | 33,877 | | 34,383 |
| Lumo apartments under construction | | | | 1,214 | 1,835 | | 1,525 |
| EPRA NAV per share, € | | | | 11.17 | 10.59 | 5.5 | 11.11 |
| Equity ratio, % | | | | 41.6 | 38.7 | | 41.3 |
| Loan to Value (LTV), % | | | | 46.7 | 46.1 | | 46.0 |

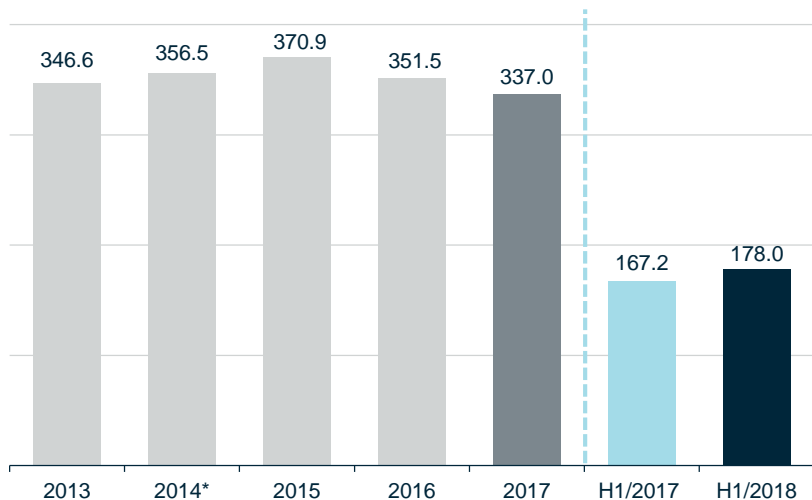


Financial development

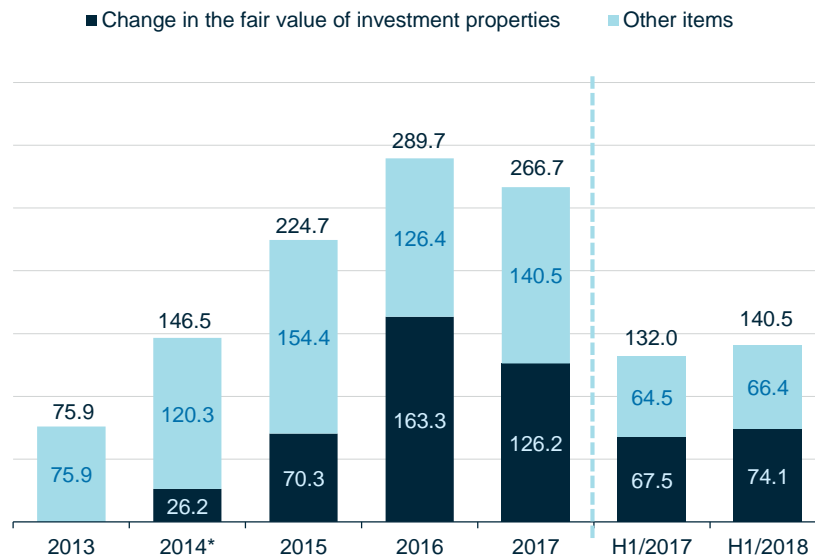


Total revenue increased in the first half of 2018, profit improved

Total revenue, M€



Profit before taxes, M€

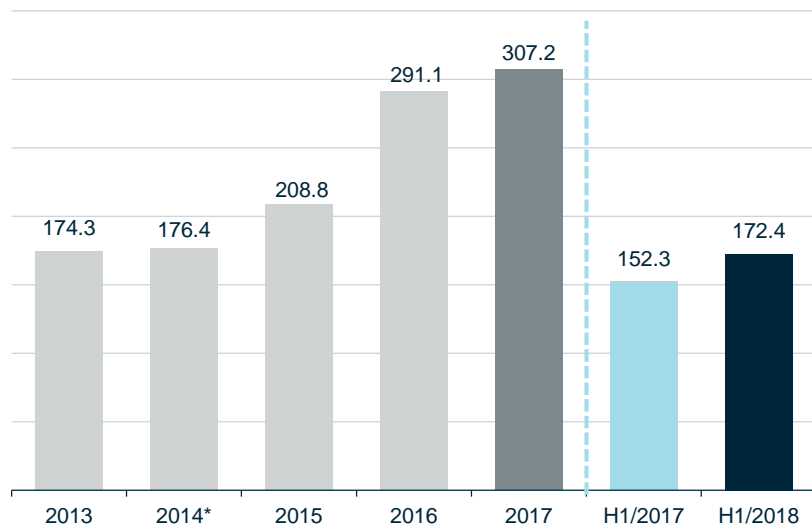


*As of 2014, the Group adopted IFRS for its financial reporting.

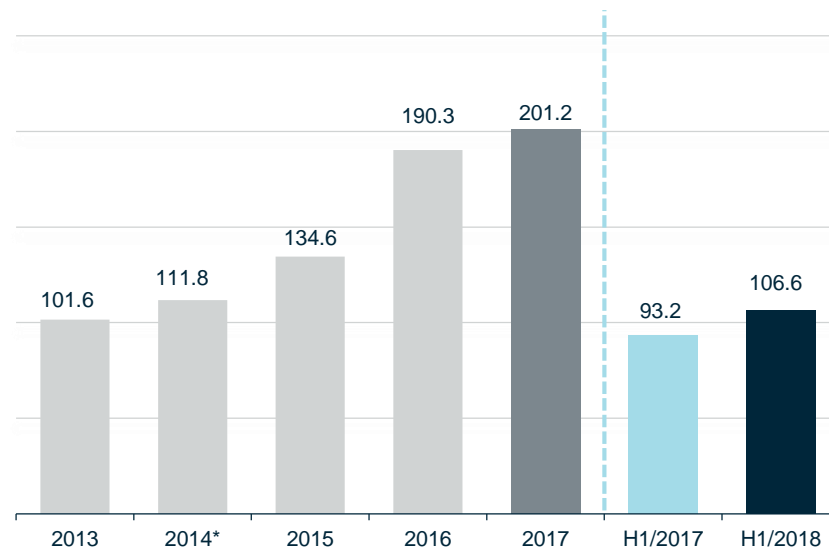


In Lumo segment, total revenue and net rental income increased year-on-year

Total revenue, Lumo segment, M€



Net rental income, Lumo segment, M€

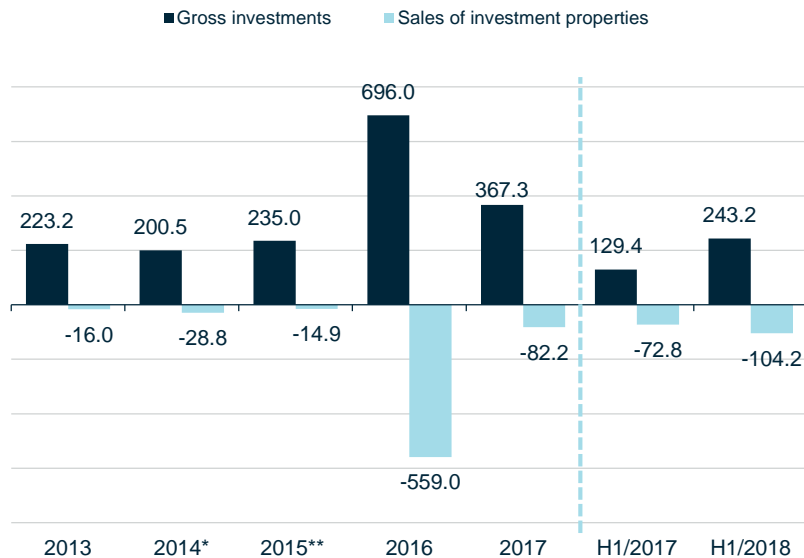


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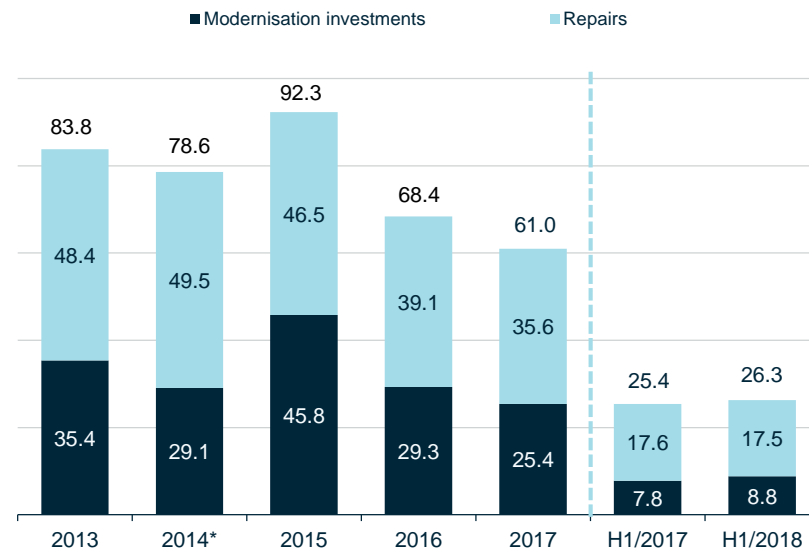


Investments in Lumo segment continued

Gross investments and sales of investment properties, M€



Modernisation investments and repairs, M€



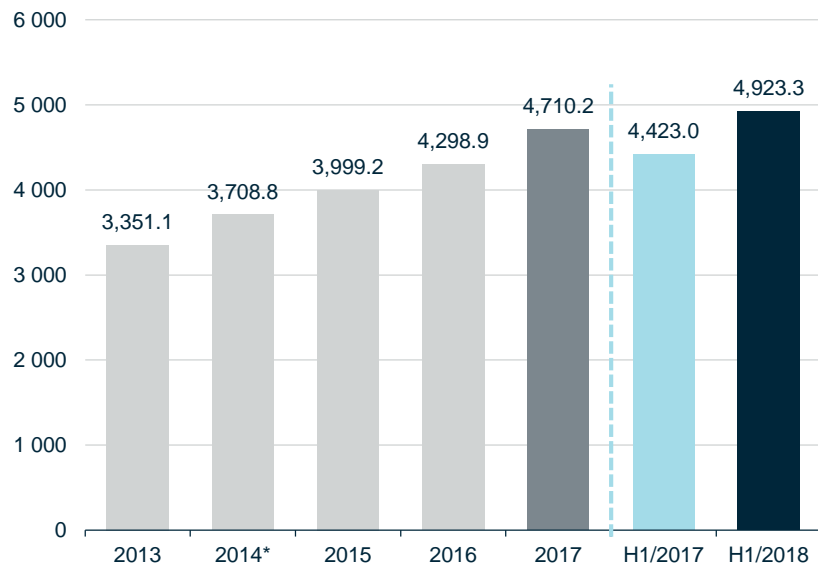
*As of 2014, the Group adopted IFRS for its financial reporting.

**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€ (at the end of the review period)



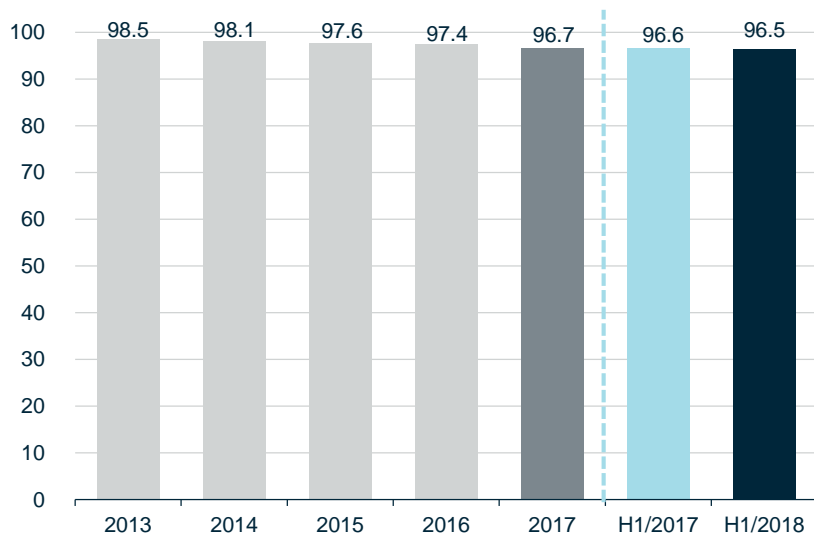
*As of 2014, the Group adopted IFRS for its financial reporting.

| M€ | 30 Jun 2018 | 30 Jun 2017 | 31 Dec 2017 |
|---|-------------|-------------|-------------|
| Fair value of investment properties 1 Jan | 4,710.2 | 4,298.9 | 4,298.9 |
| Acquisition of investment properties | 233.0 | 120.1 | 338.6 |
| Modernisation investments | 8.8 | 7.8 | 25.4 |
| Disposal of investment properties | -104.2 | -72.8 | -82.2 |
| Capitalised borrowing costs | 1.4 | 1.6 | 3.3 |
| Transfer to owner-occupied property | 0.0 | 0.0 | 0.0 |
| Valuation gains/losses on fair value measurement | 74.1 | 67.5 | 126.2 |
| Fair value of investment properties, at the end of period | 4,923.3 | 4,423.0 | 4,710.2 |

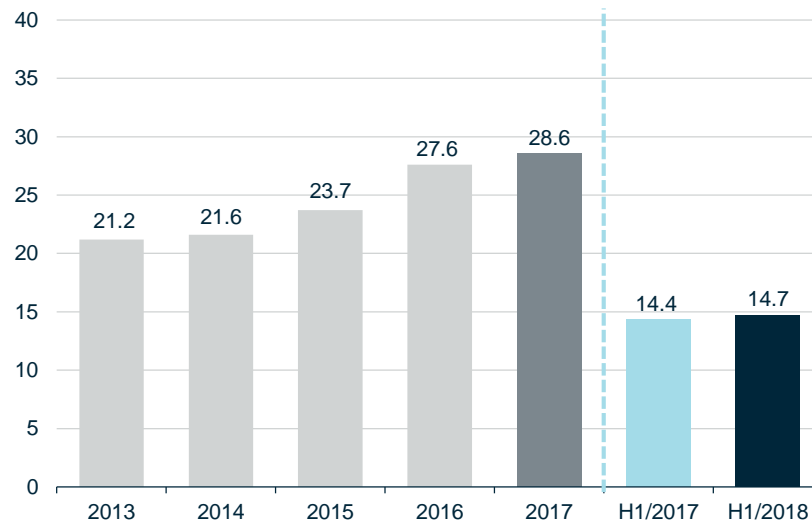


The occupancy rate remained high and increased during the second quarter

Financial occupancy rate, %



Tenant turnover, % Excluding internal turnover



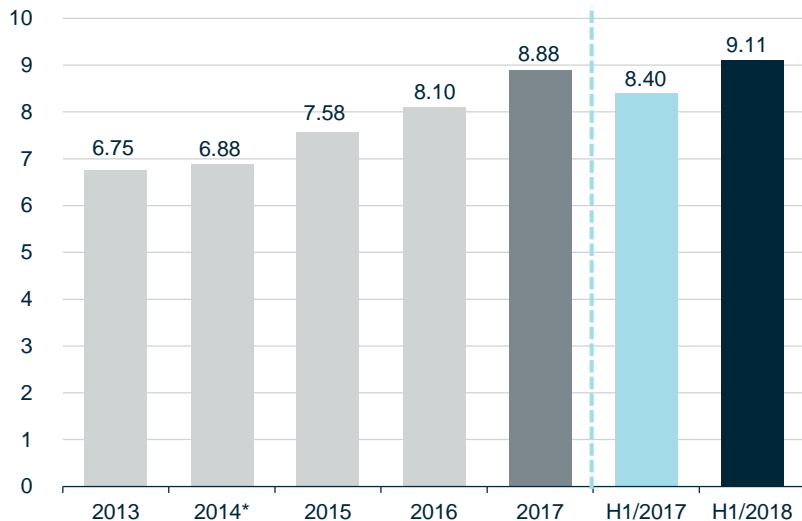
Financial occupancy rate = (Rental income / potential rental income at full occupancy) x 100. Financial occupancy rate does not include apartments under renovation.

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

The calculation method of tenant turnover has been changed starting from 1 January 2017. The comparison data has not been modified to reflect the new calculation method.

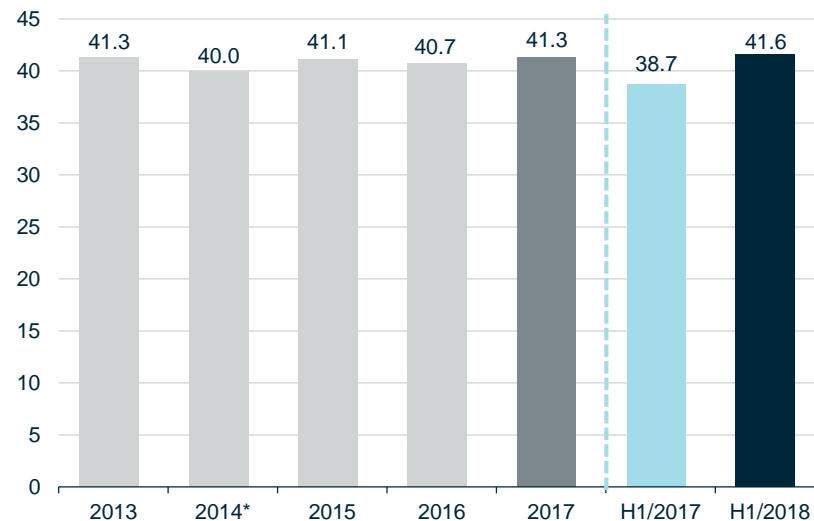
Equity ratio improved

Equity per share, €



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

Equity ratio, %



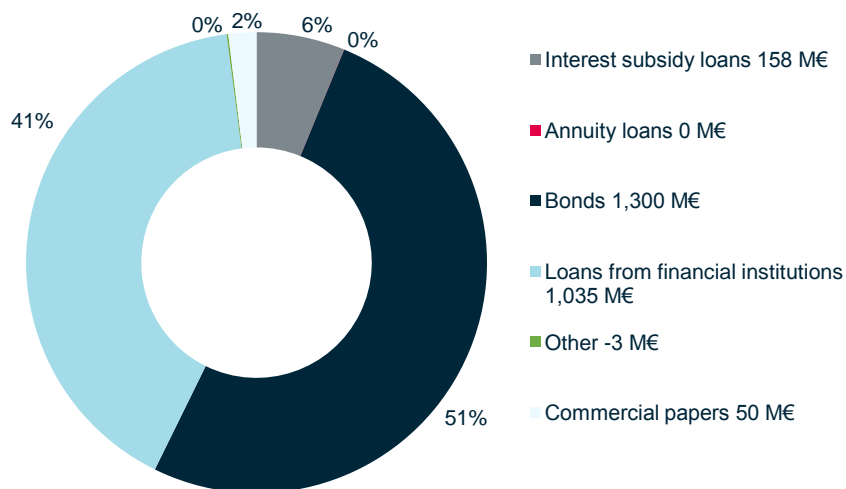
The share issue improved the equity ratio by 1.6 percentage points.



Versatile capital structure

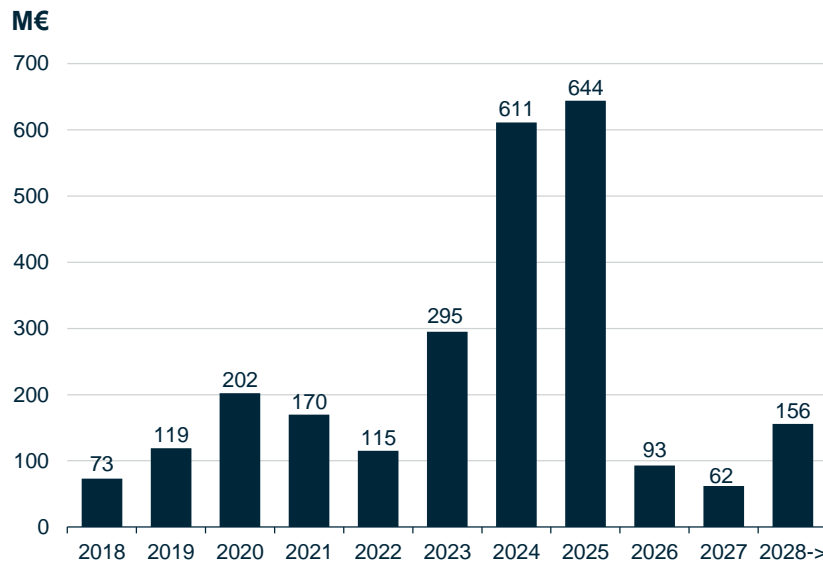
The Group's loan distribution 30 June 2018

Loan total EUR 2,540 million



Nominal values of the loans. 'Other' item includes capitalised arrangement fees of the loans. The amounts include VVO segment loans totalling 34 M€, of which interest subsidy loans represent 30 M€ and loans from financial institutions 4 M€.

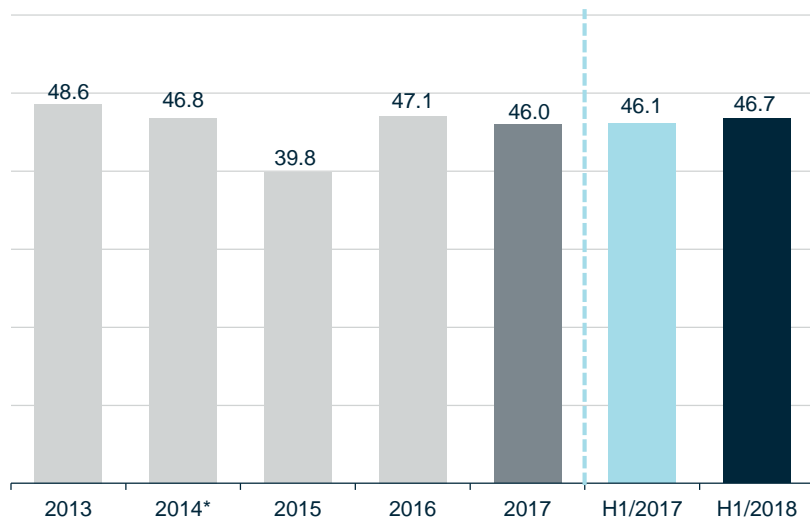
Distribution of the Group's loan maturities 30 June 2018: average maturity of 5.9 years





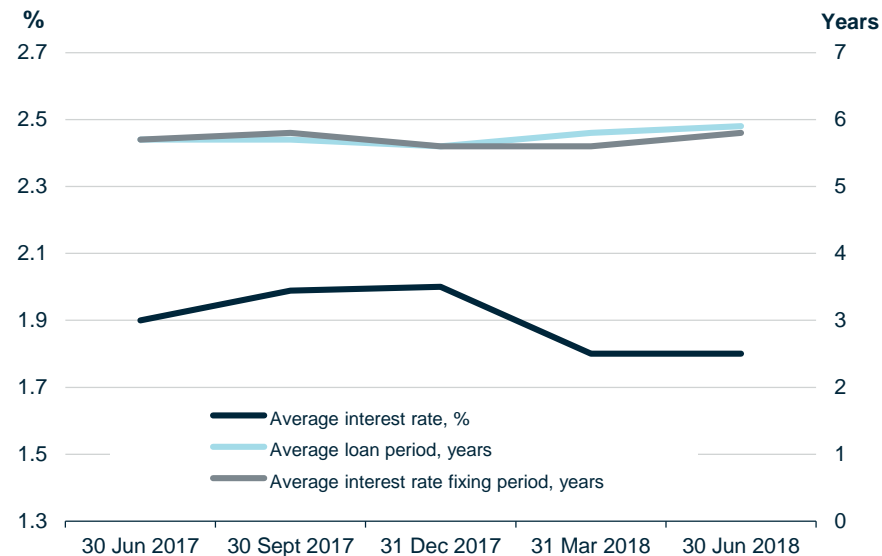
Strong financial key figures

Group's LTV, Loan to Value, %



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

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





Outlook, financial targets and dividend policy



We are progressing toward our strategic targets

| Strategic key figures | Goal 2021 | June 30 2018 |
|--------------------------------------|-----------------|-----------------|
| Fair value of investment properties | EUR 6.0 billion | EUR 4.9 billion |
| Number of apartments | About 38,000 | 34,172 |
| Equity ratio, % | > 40 | 41.6 |
| Loan to Value, % | < 50 | 46.7 |
| FFO as a percentage of total revenue | > 32 | 22.2* |
| Net Promoter Score (NPS) | 40 | 36 |

* Not adjusted with the change in property tax recognition.



Outlook for Kojamo in 2018 (unchanged)

- **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

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



Kojamo's ten largest shareholders (31 July 2018)

| Shareholder | Number of shares | % of shares |
|--|--------------------|--------------|
| 1. Ilmarinen Mutual Pension Insurance Company | 32,359,243 | 13.1 |
| 2. Varma Mutual Pension Insurance Company | 30,398,089 | 12.3 |
| 3. The Finnish Industrial Union | 28,954,557 | 11.7 |
| 4. Trade Union for the Public and Welfare Sectors | 15,630,222 | 6.3 |
| 5. Finnish Construction Trade Union | 14,880,053 | 6.0 |
| 6. Trade Union of Education in Finland | 14,164,742 | 5.7 |
| 7. Trade Union PRO | 13,460,270 | 5.4 |
| 8. Service Union United PAM | 13,401,963 | 5.4 |
| 9. The Finnish Electrical Workers' Union | 2,704,781 | 1.1 |
| 10. Union of Health and Social Care Professionals TEHY | 2,479,419 | 1.0 |
| Nominee-registered and direct foreign shareholders | 58,498,178 | 23.7 |
| Other Finnish shareholders | 20,212,882 | 8.2 |
| Total | 247,144,399 | 100.0 |

The number of shareholders after the completion of the Initial Public Offering was 2,700.

The number of registered shareholders on 31 July 2018 was 3,089.

The ten largest shareholders owned 68.2 per cent of Kojamo's shares after the IPO.

The proportion of nominee-registered and direct foreign shareholders was 23.7 per cent.



Consolidated income statement

| M€ | 4-6/2018 | 4-6/2017 | 1-6/2018 | 1-6/2017 | 2017 |
|--|--------------|-------------|--------------|--------------|--------------|
| Total revenue | 89.8 | 83.6 | 178.0 | 167.2 | 337.0 |
| Maintenance expenses | -18.4 | -17.6 | -50.9 | -48.5 | -85.4 |
| Repair expenses | -9.9 | -10.4 | -17.5 | -17.6 | -35.6 |
| Net rental income | 61.4 | 55.6 | 109.5 | 101.1 | 216.0 |
| Administrative expenses | -11.2 | -9.5 | -20.2 | -18.0 | -37.2 |
| Other operating income | 0.4 | 0.4 | 0.7 | -0.1 | 0.7 |
| Profit/loss on sales of investment properties | 0.4 | 0.5 | 1.0 | 1.3 | 2.5 |
| Profit/loss on sales of trading properties | 0.0 | | 0.0 | | 0.0 |
| Fair value change of investment properties | 53.4 | 44.0 | 74.1 | 67.5 | 126.2 |
| Depreciation, amortisation and impairment losses | -0.2 | -0.3 | -0.4 | -0.6 | -1.1 |
| Operating profit | 104.2 | 90.7 | 164.6 | 151.3 | 307.0 |
| Total amount of financial income and expenses | -12.7 | -10.0 | -24.1 | -19.3 | -40.5 |
| Share of result from associated companies | | | | | 0.1 |
| Profit before taxes | 91.5 | 80.7 | 140.5 | 132.0 | 266.7 |
| Current tax expense | -20.7 | -4.8 | -27.8 | -17.3 | -28.6 |
| Change in deferred taxes | 1.7 | -12.0 | -1.4 | -9.5 | -25.1 |
| Profit for the period | 72.5 | 64.0 | 111.2 | 105.2 | 212.9 |



Balance sheet

| M€ | Group 30 June 2018 | Group 30 June 2017 | Group 31 Dec 2017 |
|-------------------------------------|-----------------------|-----------------------|----------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | 0.3 | 0.5 | 0.4 |
| Investment properties | 4,923.3 | 4,419.1 | 4,706.5 |
| Property, plant and equipment | 30.7 | 31.1 | 31.0 |
| Investments in associated companies | 2.6 | 1.2 | 1.7 |
| Financial assets | 0.5 | 0.5 | 0.5 |
| Non-current receivables | 5.5 | 5.8 | 5.3 |
| Derivatives | 3.0 | 5.4 | 6.5 |
| Deferred tax assets | 11.1 | 13.6 | 10.9 |
| Total non-current assets | 4,977.0 | 4,477.2 | 4,762.7 |
| Non-current assets held for sale | | 3.9 | 3.7 |
| Current assets | | | |
| Trading properties | 0.4 | 0.9 | 0.6 |
| Derivatives | 0.5 | 0.1 | 0.0 |
| Current tax assets | 9.0 | 5.1 | 0.5 |
| Trade and other receivables | 11.0 | 8.4 | 8.8 |
| Financial assets | 180.6 | 64.1 | 49.3 |
| Cash and cash equivalents | 242.9 | 421.2 | 117.8 |
| Total current assets | 444.5 | 499.8 | 177.0 |
| Total assets | 5,421.5 | 4,980.9 | 4,943.5 |



Balance sheet

| M€ | Group 30 June 2018 | Group 30 June 2017 | Group 31 Dec 2017 |
|--|-----------------------|-----------------------|----------------------|
| EQUITY AND LIABILITIES | | | |
| Equity attributable to owners of the parent company | | | |
| Share capital | 58.0 | 58.0 | 58.0 |
| Share issue premium | 35.8 | 35.8 | 35.8 |
| Fair value reserve | -19.4 | -27.7 | -23.7 |
| Invested non-restricted equity reserve | 164.6 | 17.9 | 17.9 |
| Retained earnings | 2,013.4 | 1,842.9 | 1,950.6 |
| Equity attributable to owners of the parent company | 2,252.4 | 1,926.9 | 2,038.6 |
| Total equity | 2,252.4 | 1,926.9 | 2,038.6 |
| Non-current liabilities | | | |
| Loans and borrowings | 2,434.8 | 2,248.1 | 2,109.8 |
| Deferred tax liabilities | 480.2 | 464.4 | 478.3 |
| Derivatives | 41.1 | 54.3 | 48.3 |
| Provisions | 0.7 | 1.2 | 0.8 |
| Other non-current liabilities | 14.0 | 6.9 | 14.8 |
| Total non-current liabilities | 2,970.8 | 2,774.9 | 2,652.0 |
| Current liabilities | | | |
| Loans and borrowings | 105.4 | 211.9 | 173.2 |
| Derivatives | 0.4 | 0.6 | 0.2 |
| Current tax liabilities | 24.1 | 15.9 | 9.1 |
| Trade and other payables | 68.3 | 50.8 | 70.4 |
| Total current liabilities | 198.3 | 279.1 | 252.9 |
| Total liabilities | 3,169.1 | 3,054.0 | 2,904.9 |
| TOTAL EQUITY AND LIABILITIES | 5,421.5 | 4,980.9 | 4,943.5 |

Segment information

| | Lumo 1-6/2018 | Lumo 1-6/2017 | VVO 1-6/2018 | VVO 1-6/2017 | Group 1-6/2018 | Group 1-6/2017 |
|---|------------------|------------------|-----------------|-----------------|-------------------|-------------------|
| Total revenue, M€ | 172.4 | 152.3 | 5.7 | 15.2 | 178.0 | 167.2 |
| Operating profit, M€ | 106.6 | 93.2 | 3.1 | 8.2 | 109.5 | 101.1 |
| Balance sheet, M€ | 5,371.9 | 4,876.5 | 66.0 | 179.8 | 5,421.5 | 4,980.9 |
| Equity, M€ | 2,232.8 | 1,882.4 | 20.0 | 44.5 | 2,252.4 | 1,926.9 |
| Equity ratio, % | 41.6 | 38.6 | 30.3 | 24.8 | 41.6 | 38.7 |
| Apartments | 32,943 | 30,512 | 1,229 | 3,365 | 34,172 | 33,877 |
| Financial occupancy rate, % | 96.5 | 96.5 | 96.4 | 98.2 | 96.5 | 96.6 |
| Tenant turnover, excluding internal turnover, % | 14.9 | 14.9 | 8.1 | 9.7 | 14.7 | 14.4 |
| Average number of personnel | 312 | 281 | 13 | 25 | 325 | 306 |

Financial key figures

| | 30 Jun 2018 | 31 Mar 2018 | 31 Dec 2017 | 30 Sept 2017 | 30 Jun 2017 |
|--|-------------|-------------|-------------|--------------|-------------|
| Equity ratio, % | 41.6 | 37.4 | 41.3 | 40.2 | 38.7 |
| Interest cover | 4.2 | 4.2 | 4.2 | 4.1 | 4.2 |
| LTV, % | 46.7 | 49.2 | 46.0 | 45.9 | 46.1 |
| Hedging ratio, % | 92 | 87 | 111 | 88 | 83 |
| Average interest rate, % | 1.8 | 1.8 | 2.0 | 2.0 | 1.9 |
| Average loan period, years | 5.9 | 5.8 | 5.6 | 5.7 | 5.7 |
| Average interest rate fixing period, years | 5.8 | 5.6 | 5.6 | 5.8 | 5.7 |



Thank you!

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