



5 November 2018
Jani Nieminen, CEO
Erik Hjelt, CFO

Interim Report 1–9/2018

Kojamo plc



Agenda

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



Abrahaminkatu 1, Helsinki



The Interim Report will be presented by



Jani Nieminen
CEO



Erik Hjelt
CFO



Summary of January–September 2018

Operating environment

General operating environment

- Kojamo is affected particularly by the situation in the residential property market and development in the Finnish growth centres, as well as macro-economic factors.
- In the next few years, Finland's economic growth will be supported by both foreign trade and domestic demand.
- Export growth is expected to become more stable in accordance with the growth of global trade, with the impact of net export in boosting growth becoming weaker.
- Private consumption will be boosted by the increase in the earnings level and higher employment rate but the pick-up in inflation slows down the growth in real household disposable income.
- According to the Ministry of Finance, investment growth is forecasted to slow down clearly in 2019, which is caused especially by the downturn in new construction project start-ups.
- The GDP growth continuing to be reasonably rapid and the moderate development in real wages will maintain the labour demand in 2018–2020.

Business environment key figures	2019F	2018F
GDP growth forecast, %	1.7	3.0
Unemployment, %	6.9	7.4
Inflation, %	1.4	1.1

Source: Ministry of Finance Economic Survey, September 2018

Operating environment

Industry operating environment

Apartment prices

- Development of the housing markets and apartment prices continue to diverge considerably between cities. (Pellervo Economic Research (PTT) forecast)
 - Although the strong construction boom in growth centres and increased supply even out the differences somewhat.
 - Active residential transactions and strong increase in prices in the areas with population growth.

Industry key figures	2018	2017
Residential start-ups, units	44,000*)	43,586
Building permits granted, annual, units	45,000	43,937
Construction costs, %	2.5	0.3
Prices of dwellings in the whole country, %	0.0	1.5
Prices of dwellings in the capital region, %	2.2	2.8
Annual increase in rents of non-subsidised rental dwellings, %	2.4	1.7

Sources: Confederation of Finnish Construction Industries RT, Statistics Finland *) forecast



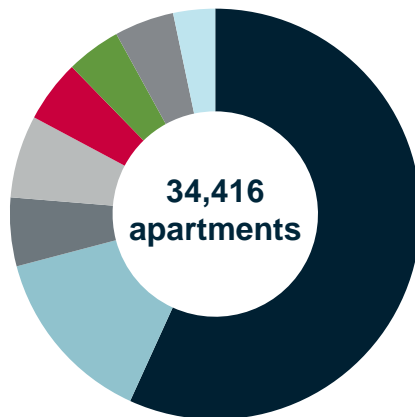
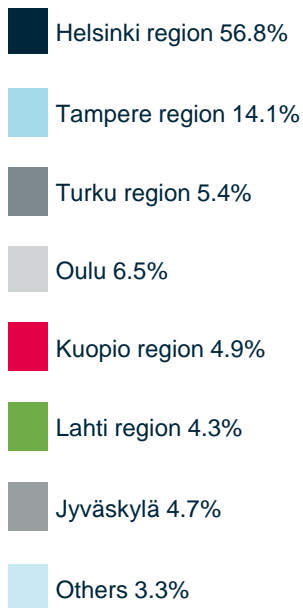
The implementation of the strategy advanced, driven by accelerated investments and service development

- **Total revenue** was EUR 267.7 (251.3) million, showing 6.5 per cent growth. Total revenue for the third quarter was EUR 89.7 (84.0) million, the revenue increased by 6.7 per cent.
- **Net rental income** increased to EUR 174.0 (159.7) million, representing 65.0 per cent of total revenue. In the third quarter, net rental income increased to EUR 64.5 (58.5) million, representing 71.9 per cent of total revenue.
- **Profit before taxes** was EUR 199.5 (205.4) million. Profit before taxes for the third quarter was EUR 59.1 (73.4) million.
- **FFO excluding one-off items** was EUR 82.6 (78.7) million, showing 4.9 per cent growth. In the third quarter, FFO excluding one-off items increased to EUR 42.2 (33.8) million.
- **The financial occupancy rate** remained high and was 96.8 (96.7) per cent. The financial occupancy rate improved during the third quarter.
- **The fair value of investment properties** was EUR 5.0 (4.5) billion at the end of review period.
- **Gross investments** totaled EUR 305.8 (193.7) million. Kojamo acquired 1,049 apartments, with 981 acquired from OP Financial Group's funds. 895 new Lumo apartments were completed during the period.
- Use of the **Lumo webstore** continued to increase sharply: the number of tenancy agreements signed via web store exceeded over 7,500.
- **Kojamo's listing** in June was an important milestone for the company.



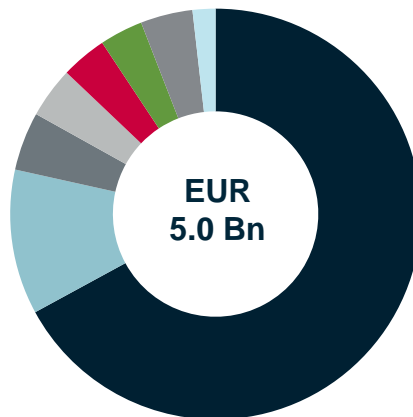
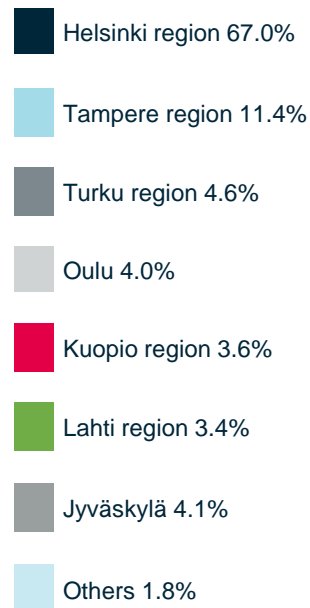
The focus of our operations is on the seven main urban regions of Finland

Apartment distribution, %



Total number of apartments 34,416

Fair value distribution, %

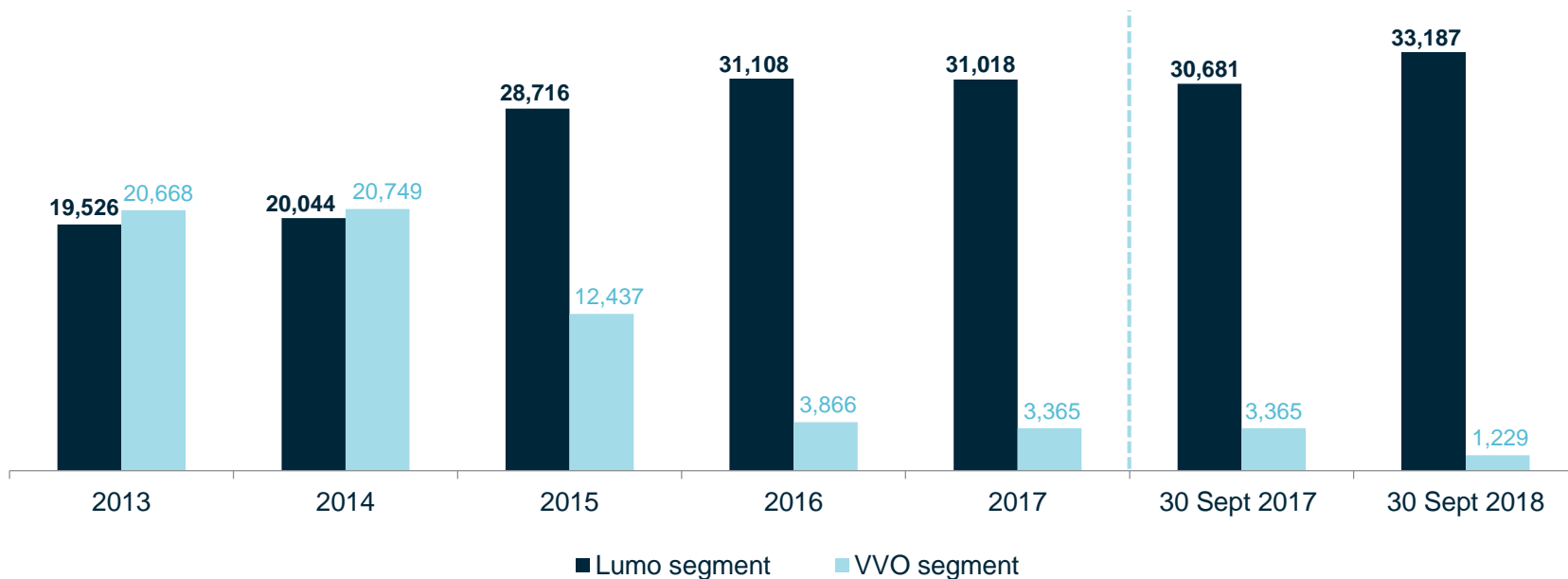


Fair value of investment properties EUR 5.0 Bn



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 33,187 apartments.
- The number of apartments in the VVO segment was 1,229.





Key figures

	7-9/2018	7-9/2017	Change,%	1-9/2018	1-9/2017	Change, %	2017
Total revenue, M€	89.7	84.0	6.7	267.7	251.3	6.5	337.0
Net rental income, M€	64.5	58.5	10.2	174.0	159.7	9.0	216.0
Net rental income margin of total revenue, %	71.9	69.6		65.0	63.6		64.1
Profit before taxes, M€	59.1	73.4	-19.5	199.5	205.4	-2.8	266.7
Gross investments, M€	62.6	64.3	-2.6	305.8	193.7	57.9	367.3
Funds From Operations (FFO), M€	42.3	33.8	25.1	81.8	78.7	3.9	107.8
FFO per share, €	0.17	0.15	13.3	0.35	0.34	2.9	0.47
Financial occupancy rate, %				96.8	96.7		96.7
Fair value of investment properties, Bn€				5.0	4.5	10.7	4.7
Number of apartments				34,416	34,046		34,383
Lumo apartments under construction				1,008	1,760		1,525
EPRA NAV per share, €				11.39	10.88	4.7	11.11
Equity ratio, %				42.2	40.2		41.3
Loan to Value (LTV), %				46.2	45.9		46.0

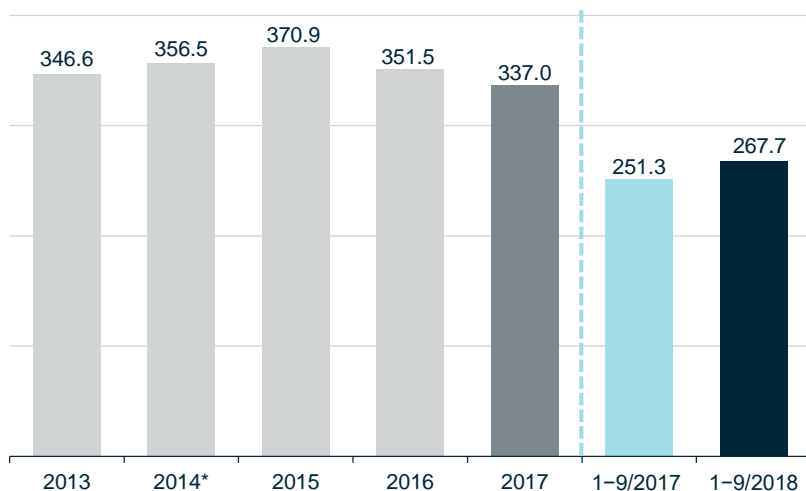


Financial development



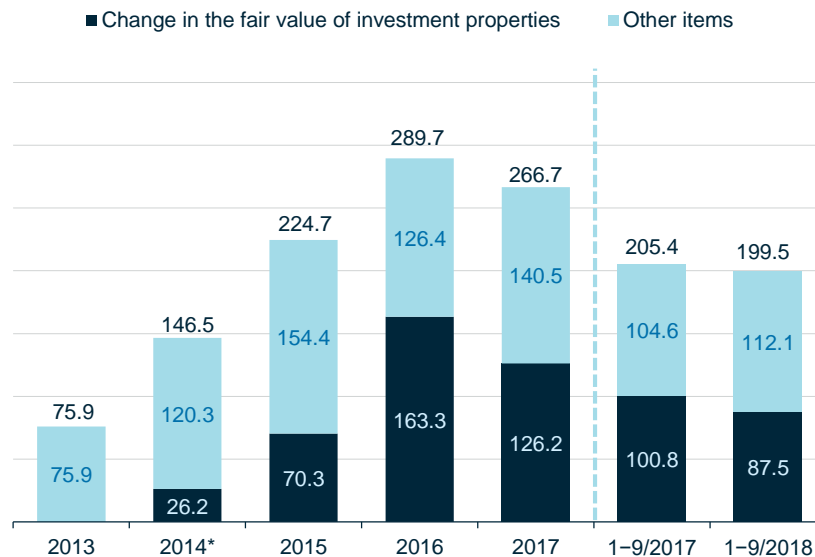
Total revenue increased, profit remained good

Total revenue, M€



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

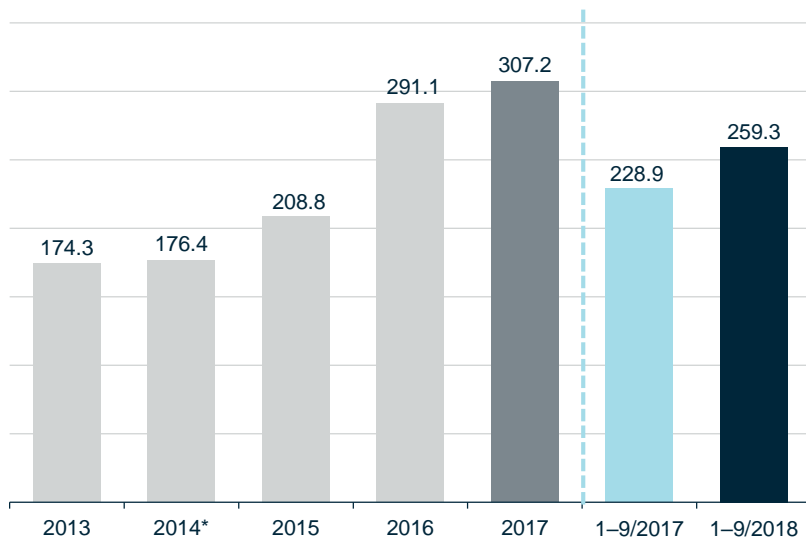
Profit before taxes, M€



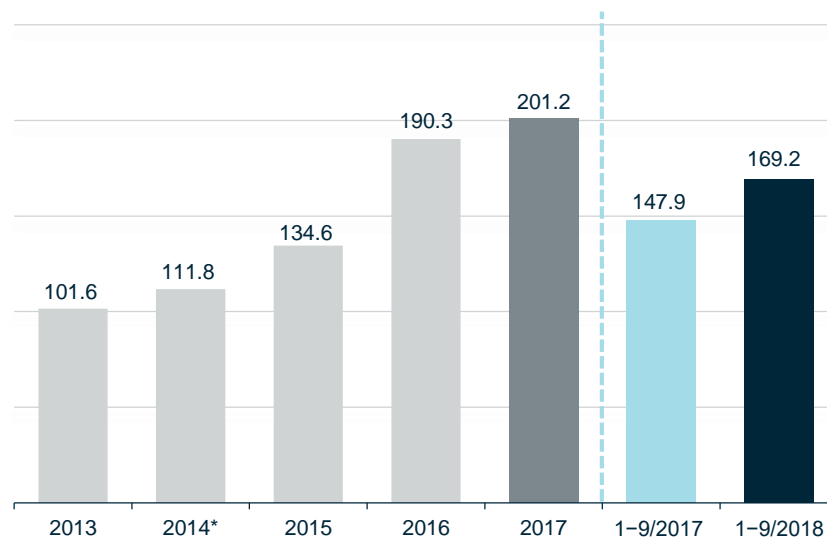


In Lumo segment, total revenue and net rental income increased

Total revenue, Lumo segment, M€



Net rental income, Lumo segment, M€

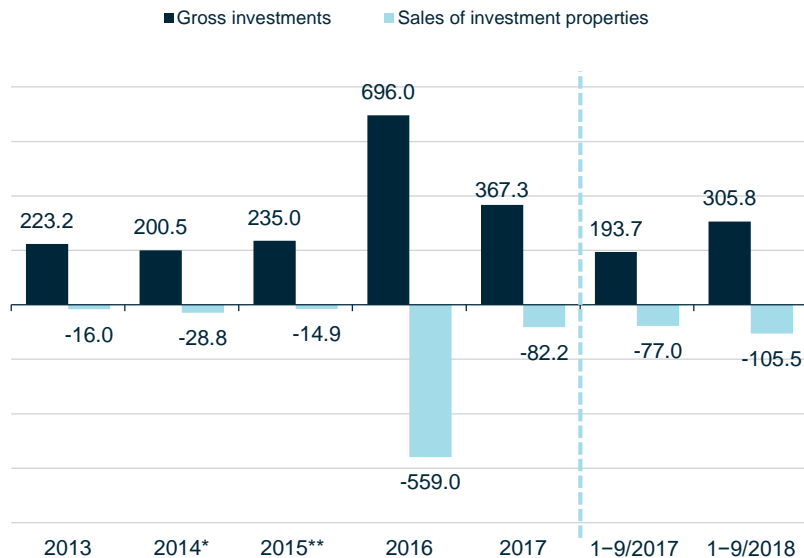


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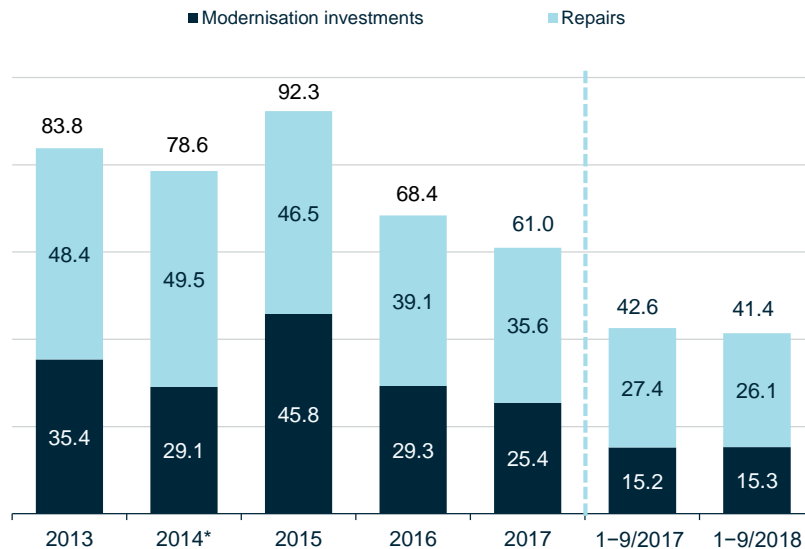


Investments in Lumo segment continued

Gross investments and sales of investment properties, M€



Modernisation investments and repairs, M€



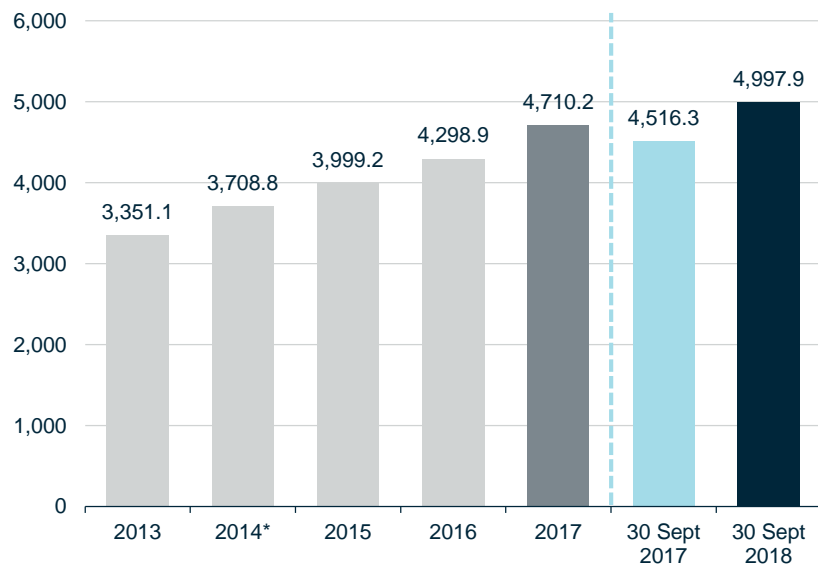
*As of 2014, the Group adopted IFRS for its financial reporting.

**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 increased in line with strategy

**Fair value of investment properties, M€
(at the end of the review period)**



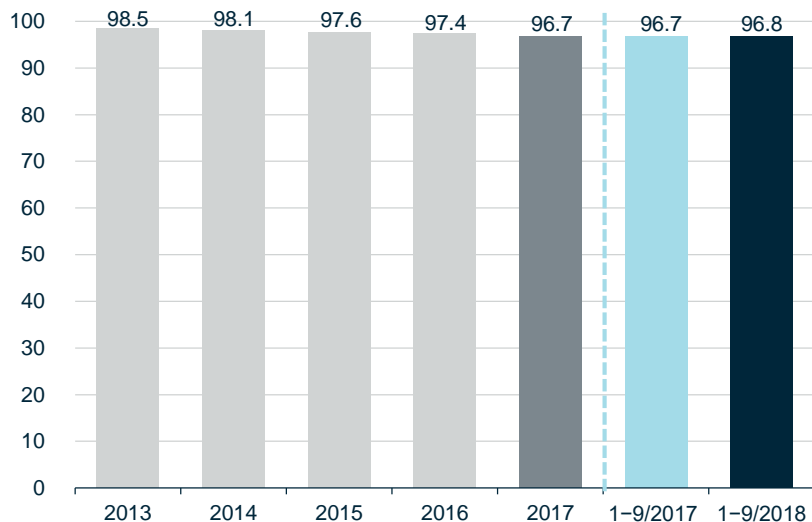
*As of 2014, the Group adopted IFRS for its financial reporting.

M€	30 Sept 2018	30 Sept 2017	31 Dec 2017
Fair value of investment properties 1 Jan	4,710.2	4,298.9	4,298.9
Acquisition of investment properties	288.3	175.9	338.6
Modernisation investments	15.3	15.2	25.4
Disposal of investment properties	-105.5	-77.0	-82.2
Capitalised borrowing costs	2.1	2.6	3.3
Transfer to own use	0.0	0.0	0.0
Valuation gains/losses on fair value measurement	87.5	100.8	126.2
Fair value of investment properties, at the end of period	4,997.9	4,516.3	4,710.2

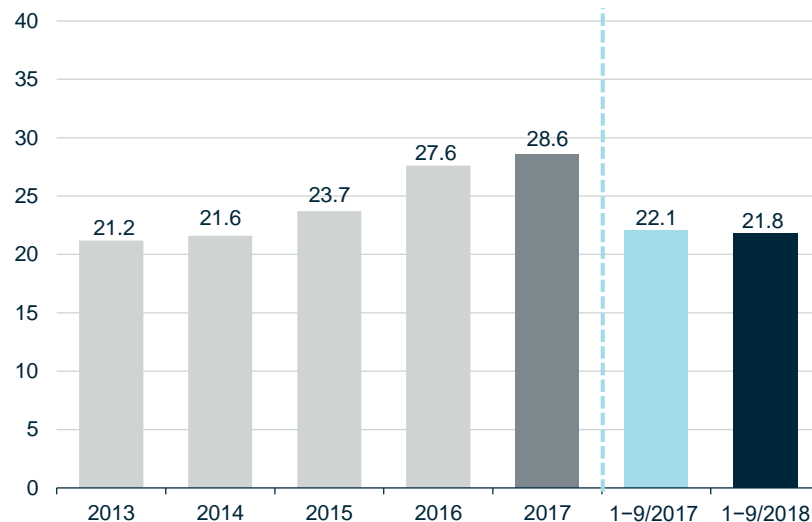


The occupancy rate remained high and increased during the third quarter

Financial occupancy rate, %



Tenant turnover, % excluding internal turnover



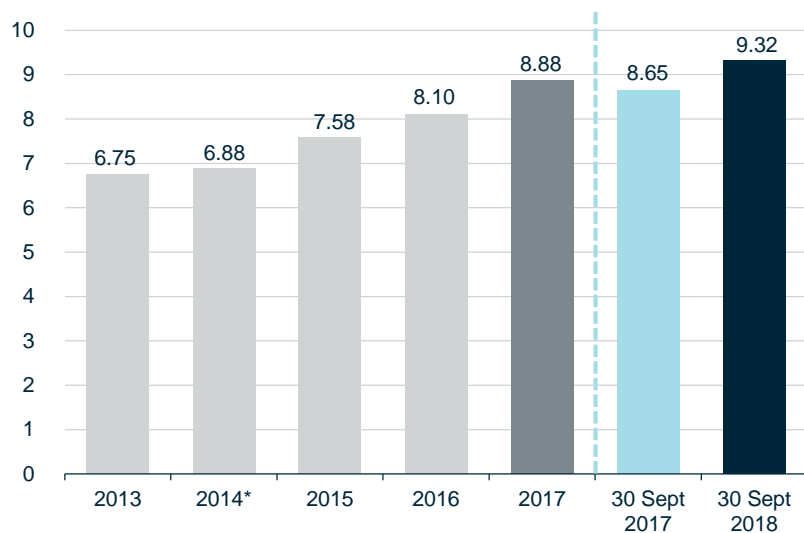
Financial occupancy rate = (Rental income / potential rental income at full occupancy) x 100. Financial occupancy rate does not include apartments under renovation.

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.

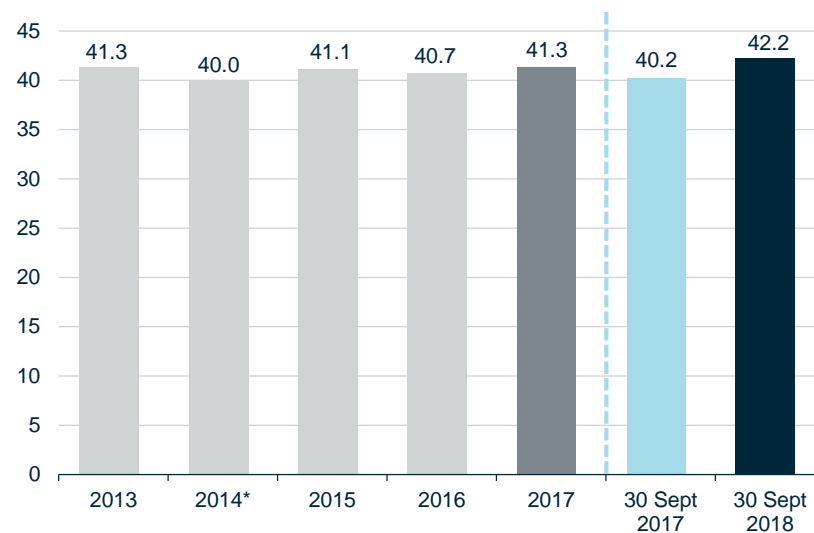
Equity ratio improved

Equity per share, €



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

Equity ratio, %



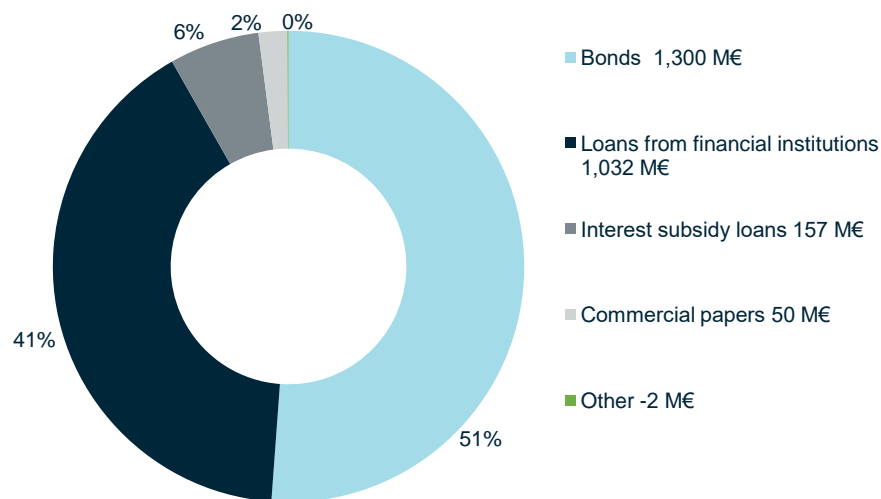
The share issue improved the equity ratio by 1.6 percentage points.



Versatile capital structure

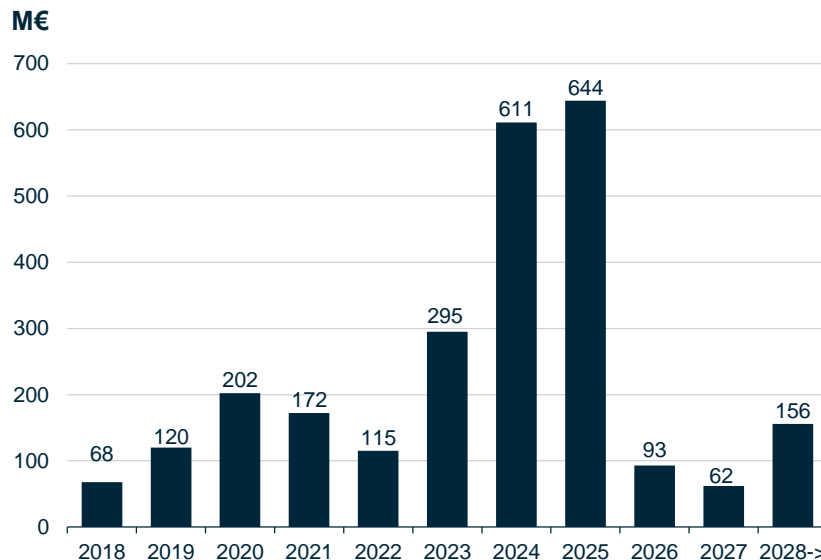
The Group's loan distribution 30 Sep 2018

Loan total EUR 2,538 million



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

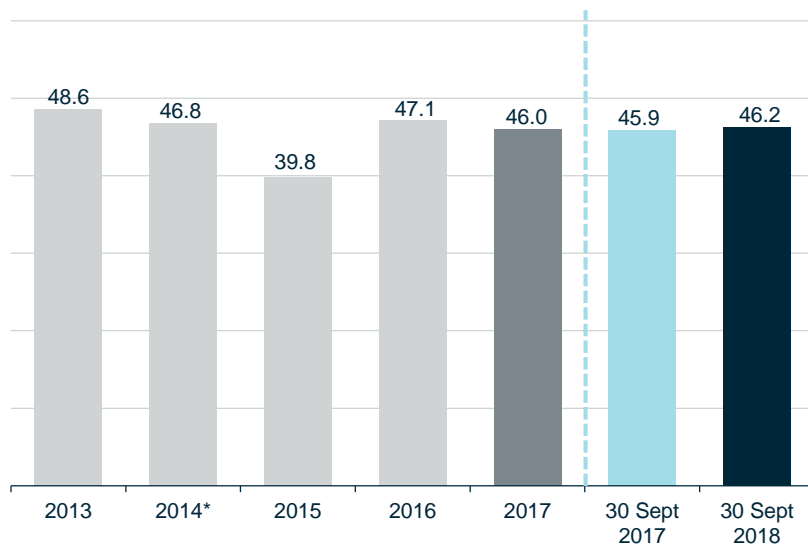
Distribution of the Group's loan maturities 30 Sep 2018: average maturity of 5.6 years





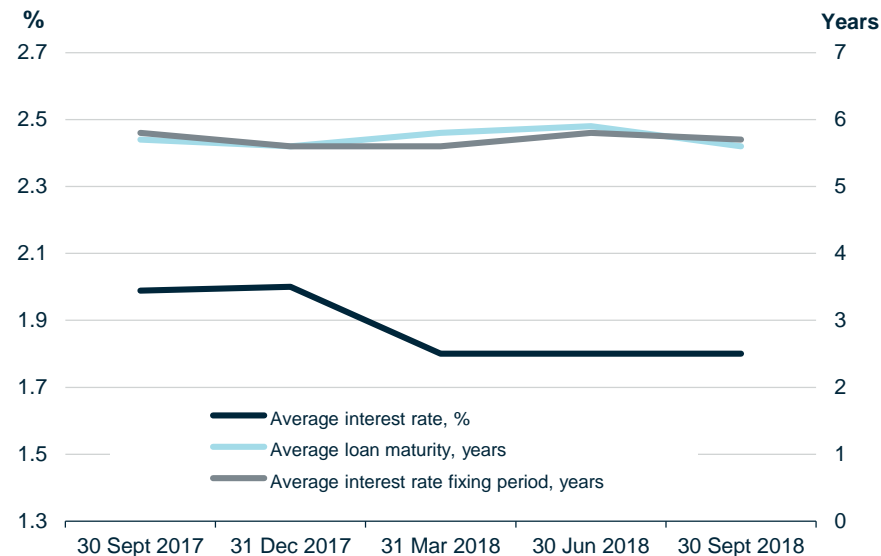
Strong financial key figures

Loan to Value (LTV), %



*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	30 Sept 2018	Goal 2021
Fair value of investment properties	EUR 5.0 billion	EUR 6.0 billion
Number of apartments	34,416	About 38,000
Equity ratio, %	42.2	> 40
Loan to Value, %	46.2	< 50
FFO as a percentage of total revenue	30.5 ^{*)}	> 32
Net Promoter Score (NPS)	36	40

* Not adjusted with the change in property tax recognition.



Outlook for Kojamo in 2018 (specified)

- **Kojamo estimates that in 2018, the Group's total revenue will increase by 5–8 per cent year-on-year (previously 3–9 per cent). In addition, the company estimates that the Group's FFO for 2018 will amount to between EUR 106 and 115 million, excluding one-off items (previously EUR 103-116 million). 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 plc's strategy

Megatrends

Urbanisation & internationalisation



Ageing population & smaller family sizes



New technologies & digitalisation



Individuality & sense of community



Environment & sustainable development



Mission

We create better urban housing.

Vision 2021

We are 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



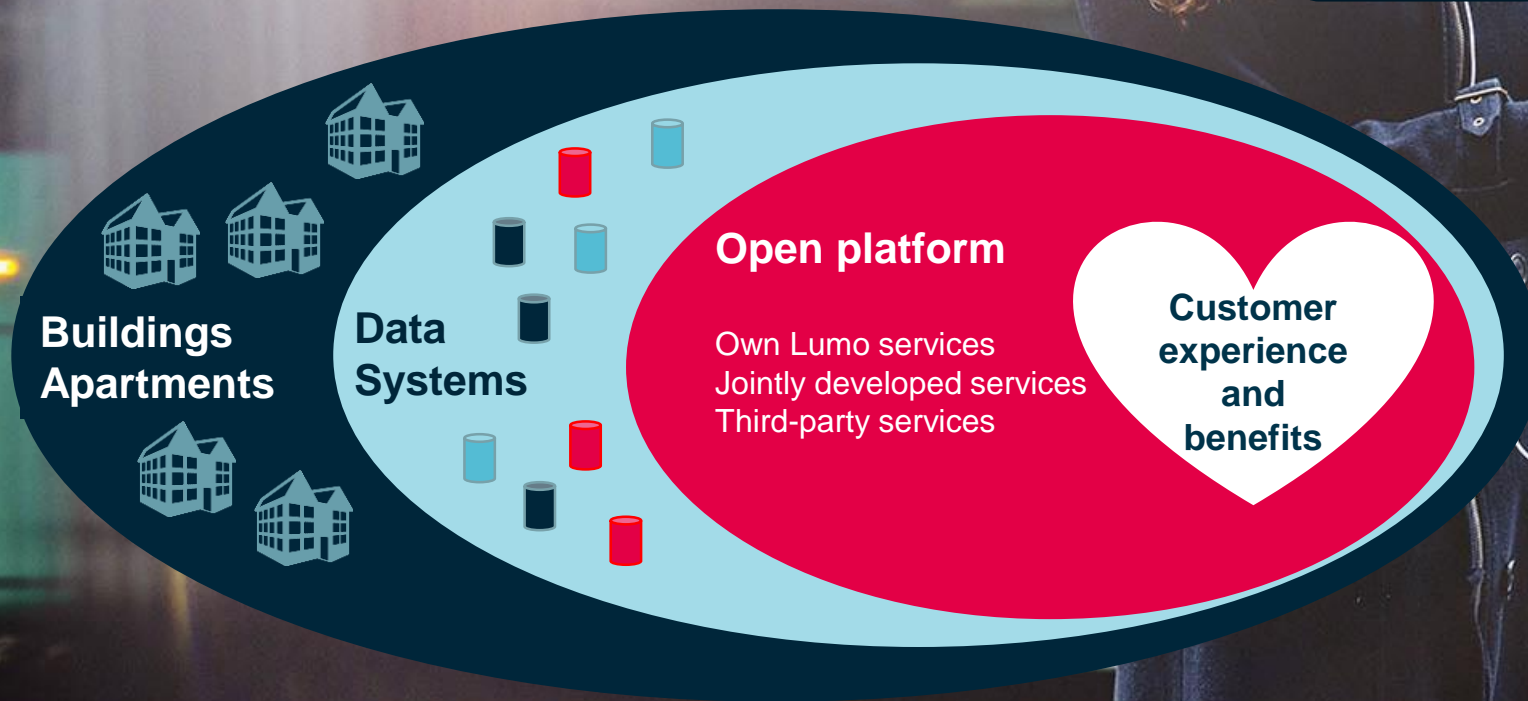
Strive for success



Courage to change

Customer experience at the center

Hello Lumo tenant,
how can I help you
today?



Openness

Compatibility

Trust



Responsibility is part of our operations

- Kojamo is committed to developing new and modern construction solutions, housing services and ecological innovations related to energy-efficient housing solutions. All of Kojamo's new construction projects utilising own plot reserves will be nearly zero-energy buildings in accordance with FInZEB concepts and guidelines. In addition, Kojamo will focus on managing the energy consumption of the buildings in its portfolio.
- Kojamo and Leanheat Oy, a provider of artificial intelligence solutions for controlling district heating, have signed an agreement to use Leanheat's AI-based IoT solution to control the indoor temperature of approximately 26,000 Kojamo-owned apartments. The agreement covers 80 per cent of the housing stock owned by Kojamo.
- Kojamo joined the Rental Property Energy Efficiency Agreement 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.
- 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.
- The residents of Lumo homes have an opportunity to enjoy eco-friendly motoring. Anyone living in a Lumo home can reserve a shared car.
- 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.



Kojamo's ten largest shareholders (30 Sept 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. Trade Union of Education in Finland	15,081,498	6.1
6. Finnish Construction Trade Union	14,880,053	6.0
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	58,489,582	23.7
Other Finnish shareholders	19,304,722	7.8
Total	247,144,399	100.0

The number of shareholders on 30 September 2018 was over 3,100.

The ten largest shareholders owned 68.5 per cent of Kojamo's shares at the end of September.

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



Consolidated income statement

M€	7-9/2018	7-9/2017	1-9/2018	1-9/2017	2017
Total revenue	89.7	84.0	267.7	251.3	337.0
Maintenance expenses	-16.7	-15.7	-67.6	-64.2	-85.4
Repair expenses	-8.6	-9.8	-26.1	-27.4	-35.6
Net rental income	64.5	58.5	174.0	159.7	216.0
Administrative expenses	-8.0	-8.7	-28.3	-26.7	-37.2
Other operating income	0.3	0.4	1.1	0.3	0.7
Profit/loss on sales of investment properties	-0.1	0.2	0.9	1.5	2.5
Profit/loss on sales of trading properties		0.0	0.0	0.0	0.0
Fair value change of investment properties	13.4	33.2	87.5	100.8	126.2
Depreciation, amortisation and impairment losses	-0.2	-0.3	-0.6	-0.9	-1.1
Operating profit	69.9	83.4	234.5	234.6	307.0
Total amount of financial income and expenses	-10.8	-10.0	-35.0	-29.3	-40.5
Share of result from associated companies					0.1
Profit before taxes	59.1	73.4	199.5	205.4	266.7
Current tax expense	-2.8	-5.4	-30.6	-22.7	-28.6
Change in deferred taxes	-8.6	-11.2	-10.1	-20.7	-25.1
Profit for the period	47.6	56.8	158.8	162.0	212.9



Balance sheet

M€	Group 30 Sept 2018	Group 30 Sept 2017	Group 31 Dec 2017
ASSETS			
Non-current assets			
Intangible assets	0.3	0.5	0.4
Investment properties	4,997.9	4,512.4	4,706.5
Property, plant and equipment	30.6	31.1	31.0
Investments in associated companies	2.0	1.3	1.7
Financial assets	0.5	0.5	0.5
Non-current receivables	5.4	6.5	5.3
Derivatives	4.3	4.9	6.5
Deferred tax assets	9.0	12.4	10.9
Total non-current assets	5,050.0	4,469.6	4,762.7
Non-current assets held for sale		3.9	3.7
Current assets			
Trading properties	0.4	0.6	0.6
Derivatives	0.4	0.0	0.0
Current tax assets	6.0	11.5	0.5
Trade and other receivables	10.6	7.6	8.8
Financial assets	164.8	71.7	49.3
Cash and cash equivalents	229.1	281.2	117.8
Total currents assets	411.3	372.6	177.0
TOTAL ASSETS	5,461.2	4,946.1	4,943.5



Balance sheet

M€	Group 30 Sep 2018	Group 30 Sep 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	-14.9	-26.2	-23.7
Invested non-restricted equity reserve	164.4	17.9	17.9
Retained earnings	2,060.5	1,899.7	1,950.6
Equity attributable to owners of the parent company	2,303.8	1,985.2	2,038.6
Total equity	2,303.8	1,985.2	2,038.6
Non-current liabilities			
Loans and borrowings	2,432.2	2,228.4	2,109.8
Deferred tax liabilities	488.1	474.7	478.3
Derivatives	35.8	51.2	48.3
Provisions	0.7	0.8	0.8
Other non-current liabilities	13.9	7.1	14.8
Total non-current liabilities	2,970.7	2,762.3	2,652.0
Current liabilities			
Loans and borrowings	105.5	124.3	173.2
Derivatives	0.3	0.3	0.2
Current tax liabilities	15.2	21.1	9.1
Trade and other payables	65.7	52.9	70.4
Total current liabilities	186.7	198.6	252.9
Total liabilities	3,157.4	2,960.9	2,904.9
TOTAL EQUITY AND LIABILITIES	5,461.2	4,946.1	4,943.5

Segment information

	Lumo 1–9/2018	Lumo 1–9/2017	VVO 1–9/2018	VVO 1–9/2017	Group 1–9/2018	Group 1–9/2017
Total revenue, M€	259.3	228.9	8.6	22.8	267.7	251.3
Net rental income, M€	169.2	147.9	5.0	12.2	174.0	159.7
Balance sheet, M€	5,411.7	4,840.2	66.7	186.1	5,461.2	4,946.1
Equity, M€	2,283.0	1,938.4	21.2	46.8	2,303.8	1,985.2
Equity ratio, %	42.2	40.1	31.9	25.2	42.2	40.2
Apartments	33,187	30,681	1,229	3,365	34,416	34,046
Financial occupancy rate, %	96.8	96.6	97.0	98.3	96.8	96.7
Tenant turnover, excluding internal turnover, %	22.2	20.6	11.2	14.1	21.8	22.1
Average number of personnel	312	284	13	26	325	310

Financial key figures

	30 Sept 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sept 2017
Equity ratio, %	42.2	41.6	37.4	41.3	40.2
Interest cover	4.3	4.2	4.2	4.2	4.1
Loan to Value (LTV), %	46.2	46.7	49.2	46.0	45.9
Hedging ratio, %	94	92	87	111	88
Average interest rate, %	1.8	1.8	1.8	2.0	2.0
Average loan maturity, years	5.6	5.9	5.8	5.6	5.7
Average interest rate fixing period, years	5.7	5.8	5.6	5.6	5.8



Thank you!

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