

Statement on the Valuation of Kojamo plc's Investment Properties

Date of Value
31st of December 2018

Sanna Laine
Henri Timperi
Timo Autio

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Assignment Description

Assignment

- In December 2012 Kojamo plc (Kojamo) and Realia Management Oy (Realia) have signed a contract of co-operation concerning the valuation of Kojamo plc's real estate investments.
- This report is ordered by CFO Erik Hjelt from Kojamo plc.
- The purpose of the statement is to confirm that the fair values determined by the appraisal model developed and used by Kojamo are market-based.
- Definition of the fair value:
 - The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
- This report is based on Kojamo's internal appraisal model and on Realia's knowledge about the real estate market, valuation expertise and experience.
- Kojamo's appraisal model gives the value of EUR 4,384.7 million for the properties valued by sales comparison approach and the value of EUR 293.4 million for the properties valued by income approach. Date of value is 31st of December 2018.

Structure of the report

- Assignment Description
- Auditing process of the appraisal model
- Notes from Realia

Portfolio Summary (Date of Value 31st of December 2018)

Restriction Group	No. Units	sq m
10 Year Interest Rate Subsidy	443	21,674
20 Year Interest Rate Subsidy	1,356	83,943
40 Year Interest Rate Subsidy	278	12,874
Arava	3,208	180,701
Continuation Restrictions	1,501	88,286
Partial Ownership	201	11,627
Free of Restrictions	27,724	1,514,310
Total	34,711	1,913,414

Valuation Method	No. Units	sq m
Sales Comparison Value	28,167	1,535,984
Balance Sheet Value (Acquisition Cost)	3,687	205,202
Income Value	2,857	172,228
Total	34,711	1,913,414

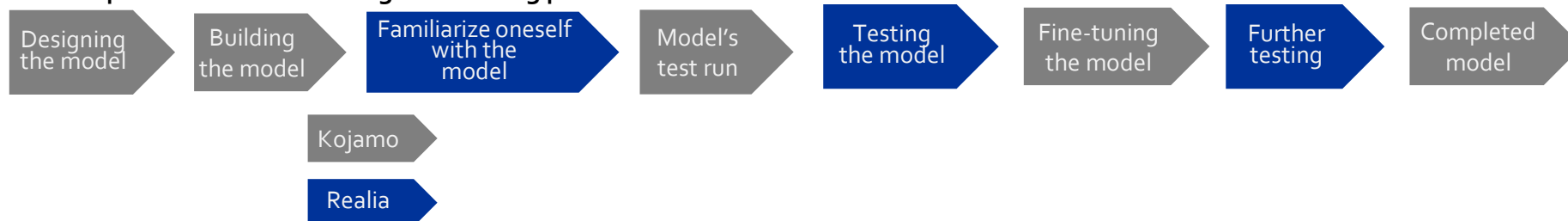
Valuation Method	Fair Value	Balance Sheet
	EUR Million	Value EUR Million
Sales Comparison Value	4,384.7	2,809.6
Balance Sheet Value (Acquisition Cost)	147.8	147.8
Income Value	293.4	158.0
Total	4,825.8	3,115.3

Auditing Process of the Appraisal Model

Description of the Kojamo's Internal Appraisal Model

- Kojamo determines a balance sheet value (acquisition cost), a sales comparison value and an income value for each of their properties in their internal valuation process.
 - Balance sheet values (acquisition costs) are determined by Kojamo. A balance sheet value (acquisition cost) is used as a fair value for properties, which are under Arava-restrictions and thus cannot be valued by sales comparison or income approach.
 - Sales comparison values are determined by Kojamo using their appraisal model (model developed by Kojamo), which Realia has audited and validated. Sales comparison approach is used for the properties that are free of all the restrictions and therefore can be sold without limitations.
 - Income values are determined by Kojamo using their appraisal model (model developed by Kojamo), which Realia has audited and validated. Income approach is used for the properties where selling is allowed only for limited group of buyers and without dividing the property to smaller units.
- Kojamo itself is responsible for the property information, inputting the calculation parameters to the model, and the correct processing of the information and the data.
- Kojamo itself has determined the market parameters and correction coefficients used in the calculations.

The description of the Realia's original auditing process



Realia's Validation of the Values

- In the original auditing process Realia has audited the functionality of Kojamo's appraisal model by comparing the model's resulting values to the sales comparison and income values determined by Realia asset by asset.
- Realia states that Kojamo's appraisal process and model fulfills the requirements of the IFRS, IVS and Finnish Valuation Best Practices.
- Realia has stated that the parameters used in the calculations are market-based and that the calculations meet the technical and methodological requirements.
- The parameters of income approach properties are partly moderate, but the impact of these properties on the total value of the portfolio is marginal.
- On this occasion 2018Q4 Realia has audited assets whose value combine about 20 % of the total fair value of sales comparison properties. Including both of the audited bonds the share mentioned above is about 25 %. This time the income properties parameters were not audited.

Realia's Notes and the Statement About the Model

Notes About the Kojamo's Model

- Kojamo has introduced to Realia the valuation principles of the appraisal model they have developed and we ascertain that the model's principles lead to market-based results.
- The Kojamo's income values are determined by using realized income and cost figures. Yield requirements are determined by Kojamo itself and the yield requirements have been audited by Realia. This time the income properties parameters were not audited.
- The Kojamo's sales comparison values are determined by using the detailed sales comparison dataset (Hintaseurantapalvelu) provided by the biggest real estate brokerage firms in Finland and other members of the KVKL ry (The Central Federation of Finnish Real Estate Agencies).
- The sales comparison assets have been audited by sampling. The accuracy of the appraisal model's results vary from property by property and can be weaker than average when the number of the comparable sales is low or when there are exceptional sales on the target area. Based on our experience the number of comparable sales is linked to the size of the target municipality. The impact of these properties to the total value of the portfolio is marginal since most of the Kojamo's investment properties are located in larger municipalities where the number and the quality of the comparable sales are adequate.

Statement About the Functionality of the Model and the Valuation

- The fair values of Kojamo's residential real estate properties, considering the aforementioned notes, on 31st of December 2018 are:

**Sales comparison approach properties approximately:
EUR 4,384.7 million**

Income approach properties approximately: EUR 293.4 million

- Sales comparison approach is used for the properties that are free of all the restrictions and income approach is used for the properties where selling is allowed only for a limited group of buyers and without dividing the property to smaller units. Our view is that the choices of the valuation methods are correct and the methods have been implemented appropriately.
- The property valuations of Kojamo fulfill the requirements of the IFRS, IVS, and are following the Finnish Valuation Best Practices and lead to acceptable values.

Helsinki 4th of February 2019
Realia Management Oy



Sanna Laine
Valuer, M.Sc (Tech)



Henri Timperi
Chief Valuer, M.Sc (Tech), KHK
Authorized Real Estate Valuer



Timo Autio
Real Estate Analyst, M.Sc (Econ)