

A woman with glasses and a pink sweater sits on a tan leather sofa, holding an open red book. A man in a green shirt lies on his back on the sofa, smiling, with a long-haired dog resting its head on his chest. A dark-colored dog is in the foreground, looking up. A potted plant is on the left, and a small table with books is on the right. The background is a bright, minimalist room.

 **kojamo**

Annual Report


2019




The Financial Statements,
Board of Directors' Report,
Corporate Governance Statement
and Remuneration Statement
have been published at
kojamo.fi/annualreport2019.

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Unless otherwise noted, the figures in brackets refer to the corresponding period in the previous year.

Highlights of the year

EARLY 2019

We launched My Lumo, a new mobile application that enables Lumo residents to book and buy services as well as pay rent via a mobile device. Kojamo is ranked among Finland's most inspiring workplaces for the second time.

12 JULY

We agreed on the strategic sale of 478 apartments located outside growth centres. The transaction was finalised in August.

6 JUNE

We announced a change in the valuation technique used for our investment properties. The change took effect on 31 December 2019.

30 AUGUST

We signed cooperation agreements with SRV and Hausia on the construction of 905 rental apartments in the Helsinki region. The agreements were a result of the reverse tendering process carried out by Kojamo in the spring.

1 OCTOBER

All of Kojamo's properties switched to hydropower-certified electricity.

21 OCTOBER

We announced the appointment of Katri Harra-Salonen as Chief Digital Officer and a member of the Management Team effective from 7 January 2020.

8 NOVEMBER

We announced that Fortum's carbon-neutral district heating will be introduced at part of our properties, reducing the carbon footprint of maintenance by 10 per cent.

18 DECEMBER

Lumo Kodit Oy acquired 143 apartments in Helsinki and Vantaa from the Valio Pension Fund and Valio Mutual Pension Insurance Fund.

Key figures in 2019

TOTAL REVENUE

EUR **375.3** million
(EUR 358.8 MILLION, +4.6%)

NET RENTAL INCOME

EUR **247.3** million
(EUR 234.0 MILLION, +5.7%)

FUNDS FROM OPERATIONS (FFO)

EUR **140.7** million
(EUR 116.4 MILLION, +20.9%)

FAIR VALUE OF INVESTMENT PROPERTIES

EUR **6.3** billion
(EUR 5.1 BILLION, +22.9%)

GROSS INVESTMENTS

EUR **259.9** million
(EUR 365.2 MILLION, -28.8%)

PROFIT BEFORE TAXES

EUR **1,031.3** million
(EUR 277.3 MILLION, +271.9%)

Kojamo is Finland's largest private residential real estate company and a frontrunner in the housing business. Our mission is to create better urban housing. The Lumo brand provides easy, effortless and environmental-friendly housing and services in Finland's biggest growth centres.

We actively develop the value of our investment properties by developing new properties and our existing property portfolio. We want to be the property market frontrunner and the number one choice for our customers. Kojamo's shares are listed on the official list of Nasdaq Helsinki.

DURING 2019, we have made progress in implementing our strategy as planned and been able to create profitable growth. Our central key figures developed positively. Despite of competitive investment market, we have succeeded especially in multi-channel growth. Our apartment stock has grown as planned and we have even stronger presence in the seven growth centres that are included in our strategy.

AT THE END OF THE YEAR, we shifted from a transaction-based valuation technique to a yield-based valuation technique in the valuation of our investment properties. The change had a significant positive effect on the fair value of our investment properties and, subsequently, our result for the year. The change in valuation technique makes us more comparable with our European peers.

THE TREND OF urbanisation continues to be strong. Attitudes towards living are also changing: it is not necessary to own a home, and central location, good transportation connections and services are more important than square metres. We want to create homes, where services and connections are close by and every day life is easy and effortless. We strongly believe that our capability to serve customers conveniently on their terms is essential for our success.

OUR LUMO APARTMENTS offer much more than walls and a roof: they form a service platform where we can develop and test new services together with our customers and partners. At the beginning of the year we launched My Lumo mobile application to our customers. The application enables them to book different services, pay rent or make a fault report and follow its progress. Already over 60 per cent of Lumo households are using the service. Our webstore that is unique in our industry has become even more popular and in 2019 half of new tenant agreements were made in the webstore.

CEO's review

RESPONSIBILITY HAS always been at the heart of our operations and, during the year, we also took measures to develop environmentally friendly and sustainable solutions. During the year we introduced hydropower-certified property electricity at all of our properties and carbon-neutral district heating at some of our properties, which helps reduce our carbon footprint. This year will mark the first time that we apply the Global Reporting Initiative (GRI) framework and the European Public Real Estate Association's Sustainability Best Practices Recommendations.

OUR PERSONNEL has done excellent work during the year in achieving our goals. It is important to us to invest in dynamic and effective corporate culture, where our employees prosper and improve. We believe that an excellent customer experience is built by the way everyone at Kojamo works. We proceed together towards our target to be the property market frontrunner and the number one choice for our customers.

OUR STRATEGY has proved to be effective and we will continue to implement it going forward. We have extended our strategy period to 2023 and further specified our strategic focus areas and targets. We are seeking strong growth supported by operative excellence and renewal through digital solutions. We continue to invest in the best customer experience, the most competent personnel and a dynamic place to work and we operate in a responsible way and promote sustainability in our actions. We are in a good position to create better urban housing going forward as well.

Jani Nieminen
CEO

Urbanisation increases demand for apartments

Urbanisation is one of the most significant megatrends affecting Kojamo's business, and it also increases the popularity of and demand for rental housing. Migration from rural areas to cities and from smaller towns to larger urban centres has continued in Finland for several decades now.

Kojamo currently has more than 35,000 rental apartments in Finland's growth centres. The apartments are a response to the demand for rental housing. The trend of urbanisation presents Kojamo with opportunities to make investments and develop new services.

To carry out our mission of creating better ur-

ban housing for the residents of growth centres, we are constantly looking for new investment opportunities to complement our housing portfolio. Over the past five years, we have invested approximately two billion euros in new apartments and the development of the apartments we own.

We have a strong ambition and financial capacity to continue to invest in new apartments and the development of the housing portfolio in different ways, including the acquisition of finished apartments, new construction projects and various conversion projects. We acquire properties for long-term ownership, which means that the long-term development of their value and rental demand are key considerations.

A new feature of the trend of urbanisation is that

**Kojamo offers over
35,000 rental
apartments in the
largest growth
centres.**

city centres and their services are attracting city-dwellers to move right into the heart of the city. We have the ability to develop new apartments in densely built urban environments and city centres by converting old commercial properties into rental apartments, for example. In Helsinki, for instance, the supply of rental apartments in the city centre will be substantially improved in the coming years as Kojamo renovates the old teaching buildings of the Metropolia University of Applied Sciences and converts them into apartments.

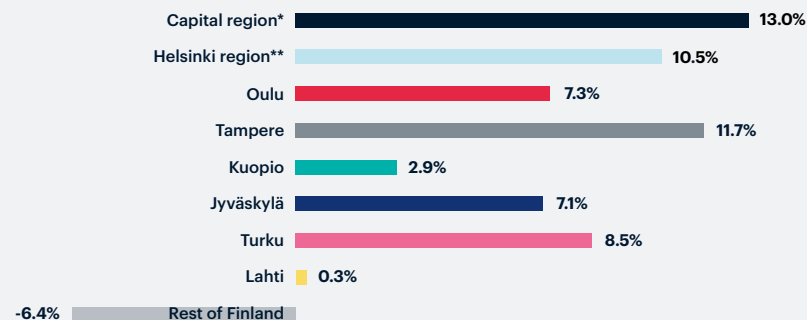
Rental housing is an easy, safe and flexible option for people who are moving for work or studies or due to a change in life circumstances as well as for those who are looking for high-quality rental apartments with excellent housing services for long-term living. In our investments, we consider the residents' housing-related preferences, such as micro-location, transport links, local services, the size and condition of the apartment and the services that

can be incorporated into the housing offering.

Convenience and services that make life easier are part of urban living. Lumo apartments offer excellent value for those who choose rental housing because, in addition to housing, they incorporate services that make daily life easier, such as modern shared facilities and car sharing.

As we enter the 2020s, rental housing has become an increasingly relevant option compared to owner-occupied housing. The number of people living in rental housing compared to owner-occupied housing has increased steadily, especially among young people and city-dwellers. In the Helsinki Metropolitan Area, more than half of the households already rent their homes. It has been predicted that more than 300,000 new residents will move to Helsinki and the surrounding municipalities by 2040. The trend of urbanisation is expected to remain strong in the future.

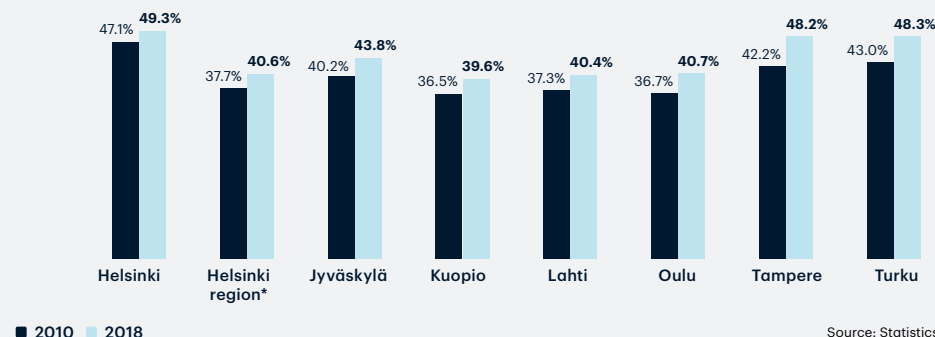
POPULATION GROWTH FORECAST IN 2019E-2030E



*Helsinki, Espoo, Vantaa, Kauniainen ** Capital region, Hyvinkää, Järvenpää, Kerava, Kirkkonummi, Mäntsälä, Nurmijärvi, Pornainen, Porvoo, Riihimäki, Sipoo, Tuusula, Vihti

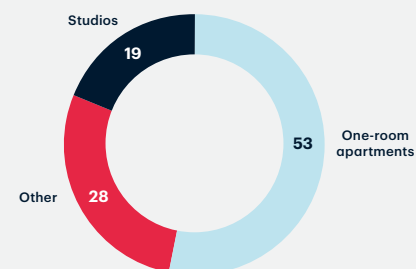
Source: Statistics Finland

DEVELOPMENT OF RENTAL HOUSEHOLDS-DWELLING UNITS, % OF ALL HOUSEHOLDS

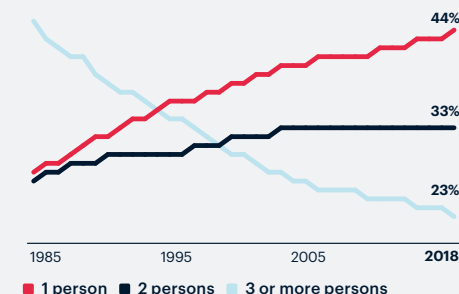


Source: Statistics Finland

BREAKDOWN OF THE KOJAMO HOUSING STOCK BY THE NUMBER OF ROOMS, %



DEVELOPMENT OF HOUSEHOLD SIZES, PERCENTAGE OF ALL HOUSEHOLDS



Source: Statistics Finland



JANI NIEMINEN
CEO of Kojamo

TIMO ARO
population researcher,
Lead Specialist at the Consultancy
for Regional Development MDI

Finland's urbanisation is only just beginning

"PEOPLE IN FINLAND do not yet understand the full extent of the changes that will be brought about by urbanisation," says population researcher Timo Aro.

Although urbanisation has been a topic of discussion in Finland for a long time, Aro says we are only at the beginning of the process.

"Finland saw the first wave of urbanisation in the 1970s when people moved to the nearest municipal population centres in search of a livelihood. This time, we are seeing a trend of spiritual urbanisation. People want to make individual choices, they want convenience in daily life and the opportunity to live life their way."

Instead of urbanisation, we could use the plural term urbanisations because it is a trend that can be seen at all levels from local population centres to the Helsinki Metropolitan Area.

THERE ARE MANY DRIVERS of urbanisation. "Young people are looking for work and study opportunities, while older people

are looking for services," says Jani Nieminen, CEO of Kojamo.

Finland's seven growth centres are now home to 54 per cent of the country's population. It is expected that, by 2040, more than 65 per cent of Finns will live in these growth centres. This represents a tremendous change, and the Helsinki Metropolitan Area will come under the most significant pressure among the growth centres.

City-dwellers favour convenience, which increases the demand for services and influences their choice of housing. The increasing use of rental housing in city centres is a global trend. In Finland, two out of three households live in owner-occupied housing but, in the largest cities, half of the population is already renting their homes. This means that urbanisation increases the demand for rental housing.

"In addition to the demand for rental housing, this trend provides us with opportunities for investments and new service development," Nieminen explains. "We can play a significant role in supporting urbanisation."

Both Aro and Nieminen hope that policymakers take a resident-oriented and data-driven approach to zoning decisions." Using data and customer preferences makes it possible to develop the different areas of a city to correspond to different wishes. Each area should be developed based on its characteristic pull factors," Nieminen points out.

MICRO-LOCATION will become an increasingly important factor in people's choice of where to live. Rail transport, for example, is tremendously significant. Housing and jobs are moving closer to rail lines and stations. The increasing density of the urban structure increases local purchasing power, supports the development and use of services and creates new jobs.

"Geographical differences will increase but, ideally, this can be a source of diversity. We need to offer choices to people rather than pushing the same solutions on everyone," Aro concludes.

Demand increases in the housing markets of growth centers

We operate in the seven largest growth centres in Finland: Helsinki region, Tampere, Turku, Kuopio and Lahti areas and the cities of Oulu and Jyväskylä. We operate purely in the residential real estate sector, which is affected particularly by the situation in the residential property market and development in Finnish growth centres. The company is also affected by macroeconomic factors, such as economic growth, employment, disposable income, inflation and population growth. The megatrend of urbanisation is supporting our operations strongly.

General operating environment: domestic demand maintains the growth

According to the Ministry of Finance's forecast, the situation in the world economy remains uncertain in spite of some signs of stabilisation. Domestic demand will maintain growth in the coming years, as the outlook for foreign trade is relatively weak. The growth of private consumption will continue at a steady rate. The growth of disposable household income will be supported by higher income levels and continued high employment. Inflation will remain moderate. Private investments

are predicted to decline next year. Investments in residential properties will decrease in particular. However, the decline in residential property investments is predicted to level off in 2022, which supports GDP growth. (Source: Ministry of Finance, Economic survey 12/2019)

Industry operating environment: polarisation of housing markets continues

According to the Confederation of Finnish Construction Industries (RT) business survey, the number of new residential projects is declining from record-high levels towards more normal production volumes in 2019 and 2020. Building permits granted for new apartments have declined substantially during last year. The majority of the drop in the volume of residential construction will take place in the latter half of year 2020. As the rate of economic growth declines, new construction will focus increasingly on the largest urban areas. In spite of slower economic growth, the continued trend of urbanisation will maintain the need for new apartments. According to the survey published by the Confederation of Finnish Construction Industries, the level of residential production will be sufficient in Finland's growth regions in 2019 and 2020, but



there are concerns regarding the adequacy of supply thereafter.

According to a forecast by Pellervo Economic Research (PTT), the polarisation of trends in apartment prices is becoming even more pronounced than before. In spite of economic growth, activity in the housing market has only picked up in the most significant growth centres, whereas apartment prices have continued to fall in smaller cities. Demand is growing in housing markets in growth centres: new apartments are being built at a high rate, the density of cities is increasing and apartment prices are rising. At the same time, problems are worsening in the housing markets in areas that are on the decline. In the capital region, residential construction activity has remained at a high level, which is keeping the housing market's focus of growth on new production.

The regional differences in the housing market are also evident in the rental

market. In spite of strong growth in supply, migration in particular is maintaining high demand for rental apartments. Demand is continuing to grow especially for apartments with good transport connections. Private investors, domestic housing funds and institutional investors are expected to maintain their position in the rental housing market. International residential real estate investors also continue to have a strong presence in the Finnish market.

Urbanisation is accelerating and living preferences are changing

According to Pellervo Economic Research (PTT), the trend of urbanisation has continued in Finland even stronger than expected, and rapid urbanisation is currently the most significant driving force behind the development of the housing market. People in cities want to live in city centres even if their job is

located outside the city centre. The significance of location and services is becoming increasingly highlighted in people's housing needs. Commuting from cities to rural areas for work is growing substantially.

Households living in rental homes outnumber those living in owner-occupied housing in Helsinki. The use of rental housing will also grow to exceed the use of owner-occupied housing in Tampere and Turku in the near future. This is a strong sign of the acceleration of urbanisation on the one hand and the change in housing preferences on the other hand. For younger generations, owning a home is not as significant as it was for previous generations. Owning a home is also no longer seen as the only way to accumulate wealth. Instead, people are increasingly attracted by the freedom provided by rental housing. This will support the development of the rental housing market for a long time to come.

BUSINESS ENVIRONMENT KEY FIGURES	2020E	2021E
GDP growth, %	1.0	1.1
Unemployment, %	6.5	6.4
Inflation, %	1.3	1.6

Source: Ministry of Finance, Economic Survey 12/2019

INDUSTRY KEY FIGURES	2019E	2020E
Residential start-ups, units	38,000	32,000
Building permits granted, annual, units ¹⁾	37,013	n/a
Construction costs, %	1.2	1.0
Prices of old dwellings in the whole country, change %	1.2	1.0
Prices of old dwellings in the capital region, change %	0.5–3.4	1.0–3.1
Rents of non-subsidised rental dwellings in the whole country, change, %	1.4	1.6
Rents of non-subsidised rental dwellings in the capital region, change, %	1.6–2.0	1.6–1.8

1) Rolling 12 months, November 2019

Sources: Confederation of Finnish Construction Industries RT's business survey, October 2019; Statistics Finland, Building and dwelling production 2019, November; Pellervo Economic Research, Housing market 2020 forecast

Housing start-ups on a high level in Finland: 38,000 units

Source: Confederation of Finnish Construction Industries RT, forecast 2019.



Strong progress made in the implementation of strategy in 2019

Kojamo had a very good year in 2019 and we made strong progress in all areas of our strategy. We were able to generate profitable growth and our key figures improved.

We were successful in increasing our Like-for-Like rental income in 2019. We also increased the fair value of our investment properties and rental income by making investments in line with our strategy. The investments and the change in the fair value of our investment properties meant that the fair value of our investment properties rose to EUR 6.3 billion at the end of the year. We owned 35,272 rental apartments at the end of the year.

Successful investments as part of the implementation of our strategy

We have successfully made investments in line with our strategy in spite of the competitive market. We developed our property portfolio

during the year and continued to focus on Finland's growth centres. We actively develop the value and number of our investment properties by developing new properties as well as by modernising, buying and selling existing properties.

Our strategy is supported by the trend of urbanisation, which creates demand for new apartments and provides a foundation for our profitable growth. We seek profitable growth in excess of the market growth rate by creating the best customer experience and through new initiatives under an optimised financing structure.

We achieved our strategic targets, which meant that our key figures showed positive development. We increased our total revenue, net rental income and Funds From Operations (FFO). Funds From Operations (FFO) relative to total revenue amounted to 37.5 per cent (target 2021: >32). The growth of like-for-like rental income also improved year-on-

year. Our balance sheet was strong at the end of the year, which enables future growth. Our balance sheet key figures were strong and in line with our strategy: Loan to Value was 40.5 (target 2021: <50) and the equity ratio was 46.9 (target 2021: >40).

A tendering process of EUR 100 million led to agreements on more than 900 apartments

We are able to implement our growth strategy through various approaches. In spring 2019, we started a reverse tendering process in which we requested construction companies to prepare proposals on investment initiatives of approximately EUR 100 million. As a result we announced new agreements with SRV and Hausia in August regarding the construction of more than 900 apartments in the Helsinki region. These agreements will support our growth in the coming years.

The first apartments covered by the

agreements were already completed in September 2019. We started construction on 1,066 apartments during the year, and we had 1,316 apartments under construction at the end of the year. This figure does not include the agreements with SRV and Hausia. At the beginning of September, we also signed an agreement with Hartela on the construction of nearly 100 apartments in Espoo.

In 2019, we were able to acquire a total of 260 apartments in key locations in the Helsinki Metropolitan Area through several transactions. In August, we completed the sale of 478 non-strategic apartments.

Digital services are popular among our customers

We have also achieved good success in our customer relationships. Supported by the development of the renting process and the growth of our webstore, the financial occupancy rate rose to 97.2 per cent. The number of apartments rented via the webstore exceeded 15,000 at the end of year. A growing proportion of tenancy agreements are signed online, and their share is now approximately 60 per cent in the Helsinki Metropolitan Area.

We made a significant leap forward in our service development by making the My Lumo mobile application available to all of our residents at the end of March. The service was well received and a large proportion of our residents started using it immediately. The application currently allows users to, for example, pay rent, send fault reports and monitor the progress of resolving the issues in real time. We intend to further expand and develop the application's features in the future.

My Lumo is a great example of Kojamo's digital services. It provides our residents and partners with an opportunity for developing and piloting new services. We strongly believe that our ability to serve our customers conveniently on their terms is essential for our success. Our customer satisfaction was also at a high level. Our Net Promoter Score stood at 34 at the end of the year (target 2021: 40).

We invest in servitisation and the convenience of housing and services. The appointment of Katri Harra-Salonen as Kojamo's Chief Digital Officer (CDO) and a member of the Management Team strengthens Kojamo's strategy implementation and the development of digital services.

We reviewed our strategic focal points

Our strategy has proved to be strong, and it will continue to

Our strategy 2020–2023

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

We are the property market frontrunner and the number one choice for our customers.

STRATEGIC FOCAL POINTS

- Delivering the best customer experience
 - Strong growth
 - Operational excellence
- Responsibility and sustainable development
 - The most competent personnel and a dynamic place to work
 - Renewal through digital solutions

VALUES



Happy to serve



Strive for success



Courage to change

serve as the basis of our operations going forward. We continued to work on our strategy in 2019 and the Board of Directors has approved our updated strategic targets and focal points for 2020–2023. Kojamo has six strategic focal points for the strategy period extending until the end of 2023. They are **delivering the best customer experience, strong growth, operational excellence, responsibility and sustainable development, the most competent personnel and a dynamic place to work and renewal through digital solutions.**

In accordance with our updated strategy for 2023, our total revenue will increase from one year to the next through the Like-for-Like growth of rental income as well as new investments. Our growth investments are allocated to new development, the conversion of properties to residential use and the acquisition of completed residential properties. We have the capability to pursue growth with a multi-channel approach and quickly react to opportunities thanks to our optimised financing structure. Our strong balance sheet key figures enable the execution of our growth strategy. We also support the growth of total revenue through services and new initiatives that generate added value for our customers.

In the area of digital development, our aim is to create easy and effortless services for our customers along with new value-added services, utilise technology in housing and property maintenance and implement solutions that make the work of our personnel easier. We will continue to improve our business and create added value for our customers and employees by taking advantage of solutions enabled by digitalisation. To be successful, we must have a strong understanding of our various customer segments, target our offering appropriately and effectively manage our network of partners. We want to deliver the best customer experience for our customers.

We want to create competitiveness and profitability through industry-leading operating models, which is summarised in our strategy as operational excellence. We aim to innovate and continuously improve our operations.

Responsibility is part of our DNA

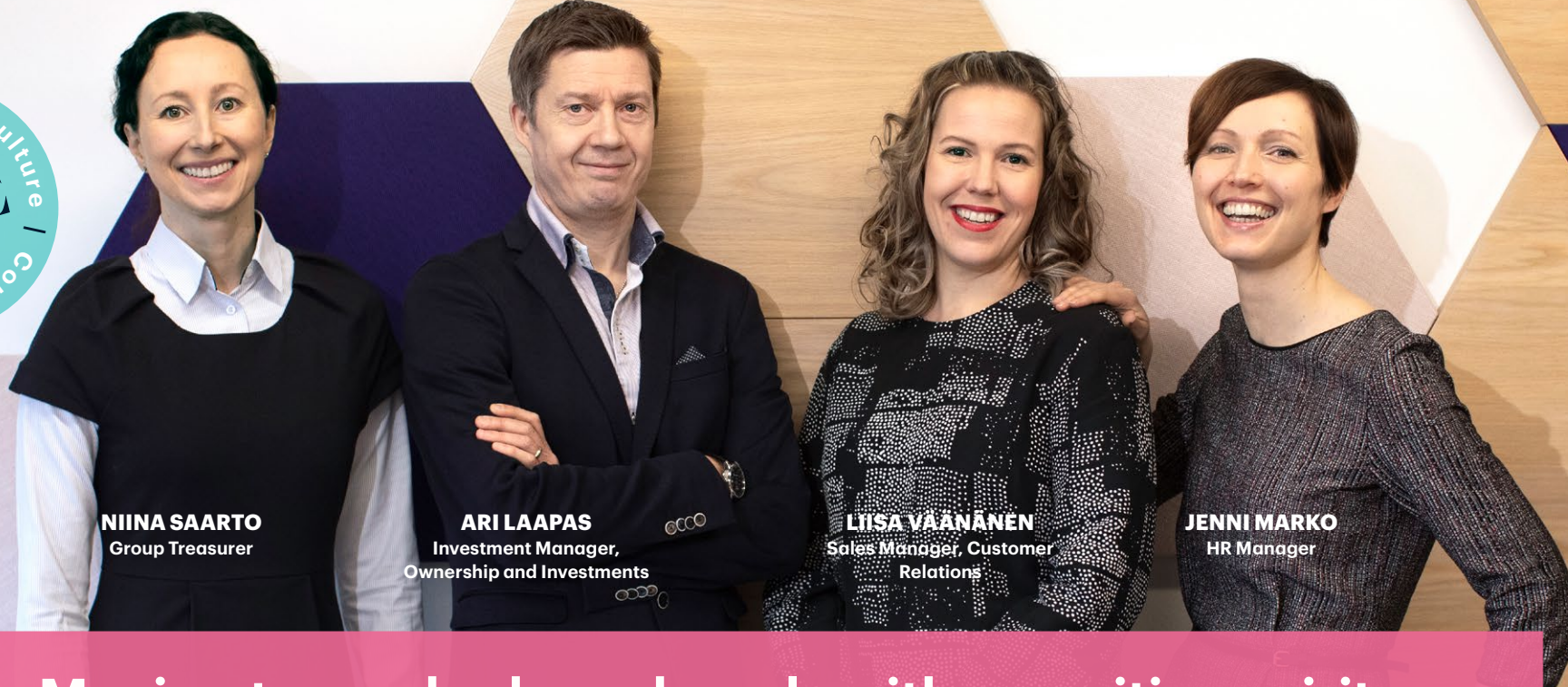
We want Kojamo to be known for its dynamic and effective corporate culture and for having responsibility as part of our DNA, which means that it plays an important role in the work of everyone at Kojamo. This is reflected on various levels of our operations, including our business operations, working conditions and the customer interface. For example, we take environmental impacts into account right from the property development phase, and all of our new construction projects utilising the company's own plot reserves will be nearly zero-energy buildings in accordance with FInZEB concepts and guidelines. All Kojamo offices are WWF Green Office certified. For our customers, we offer popular car-sharing services and extensive opportunities for recycling, among other things. We will continue to invest in responsible and innovative operating principles and transparent reporting. It is a priority for us to ensure our future competitiveness through competence development and to deliver an employee experience that attracts the best talent in the industry.

Our strategy has proved to be effective and we will continue to implement it going forward.



STRATEGIC TARGETS 2020–2023

STRATEGIC TARGETS 2020–2023	TARGET
Annual growth of total revenue, %	4–5%
Annual investments, M€	200–400 M€/year
FFO/total revenue, %	>36
Loan to Value (LTV), %	<50
Equity ratio, %	>40
Net Promoter Score (NPS)	40



NIINA SAARTO
Group Treasurer

ARI LAAPAS
Investment Manager,
Ownership and Investments

LIISA VÄÄNÄNEN
Sales Manager, Customer
Relations

JENNI MARKO
HR Manager

Moving towards shared goals with a positive spirit

THE PURPOSE OF our corporate culture is to support the execution of our strategy. We want every Kojamo employee to recognise the significance of their work and role as part of the bigger picture.

“Our corporate culture indicates what we value and how we operate in order to achieve our goals. A strong culture and jointly agreed operating methods free up energy and bring clarity to the way the workplace community operates,” says HR Manager Jenni Marko. “At Kojamo, the company’s strategy is very clearly communicated to the personnel,” adds Investment Manager Ari Laapas.

A POSITIVE ATMOSPHERE and nice colleagues are important parts of the corporate culture for Kojamo employees.

The significance of corporate culture is highlighted in daily life. “The most important thing is that you are happy to come to work every day. We try to exceed customer expectations every day and develop new ideas for improving the customer experience,” says Sales Manager Liisa Väänänen.

What is it like to work at Kojamo? All four of the interviewed Kojamo employees emphasise the company’s strong team spirit and service-oriented attitude towards customers and colleagues alike. “Being happy to serve creates feelings of success, which in turn makes you hungry to strive for success,” says Väänänen, who is constantly in touch with customers with her team.

KOJAMO’S VALUES come from the employees, which makes

them easy to internalise. “Our strong service-oriented attitude is evident in all of our encounters. In the Treasury team, rather than serving external customers, we serve our fellow Kojamo employees as well as banks and other financing partners,” explains Group Treasurer Niina Saarto. “Striving for success doesn’t only mean individual success. Everything starts from our shared goals.”

“We are a frontrunner whose reforms and innovations take the entire industry forward,” Laapas says. In addition to major innovations, creative thinking is encouraged in day-to-day work, and the personnel are active in making development suggestions. In addition, some Kojamo employees were assigned a sparring partner during the year, which has provided new perspectives on their work.

Our business operations are focused in largest growth centres

Kojamo is the largest private residential real estate company in Finland measured by the value of investment properties. We offer rental apartments and housing services for our residents. Our operations are focused on the Helsinki region, the Tampere, Turku, Kuopio and Lahti regions and the cities of Oulu and Jyväskylä, where the demand for rental apartments is growing due to urbanisation and the increasing popularity of rental housing. We respond to demand by developing new properties as well as by acquiring properties and developing our existing property portfolio. In particular, our offering represents a response to the demand for singles and two-room apartments, which has grown due to household sizes getting smaller.

We want to deliver the best customer experience for our customers. We continuously develop new and innovative services for our residents and we also offer opportunities to participate in the development of better urban living. We take advantage of digitalisation and servitisation solutions in our development efforts.

Our business model is to own the apartments we rent and to produce related services both in-house and with partners. Our own personnel are primarily responsible for investment activities, property development and customer relations. Our outsourced functions include construction, building maintenance and estate management, for example.

In order to deliver high-quality housing and services, it is essential that our properties and the related technology, information systems and services can be effectively combined with each other. To this end, we have ambitious quality and efficiency targets for our own operations as well as outsourced functions. We coordinate and monitor these activities to ensure that they enhance the customer experience.



KOJAMO'S VALUE CREATION MODEL

RESOURCES

FINANCIAL CAPITAL

- Equity
- Liabilities
- Fair value of the property portfolio

PRODUCTION CAPITAL

- Apartments, property portfolio and plot reserve
- Service and innovation platform
- Investments

HUMAN RESOURCES AND INTELLECTUAL CAPITAL

- Committed, motivated and skilled personnel
- Investments in well-being at work, training and skills

INTANGIBLE CAPITAL

- Brands and product development
- Customer and consumer insight
- Strong corporate culture, ways of working and service concepts that promote market differentiation

RELATIONSHIP CAPITAL

- Customer relationships, cooperation with residents
- Partner network, co-creation model with partners
- Investors and financiers
- Cooperation with the authorities
- Cooperation with the sector and other organisations

NATURAL RESOURCES

(SEE PAGES 25-26 & 32)

- Heating energy (nearly 100% carbon neutral district heating), water, electricity (real estate electricity is hydropower-certified and carbon-free)
- Construction materials

BUSINESS OPERATIONS

OUR VISION

We are the property market frontrunner and the number one choice for our customers.



STRATEGIC FOCAL POINTS

Delivering the best customer experience

Strong growth

Operational excellence

Responsibility and sustainable development

The most competent personnel and a dynamic place to work

Renewal through digital solutions

OUTPUT

CUSTOMERS

- Satisfied customers
- New customers

APARTMENTS

- A growing housing portfolio in good condition, located in Finland's seven growth centres, within the reach of public transport

SERVICES AND AGREEMENTS

- Rental services, webstore
- Housing-related services that make daily life easier
- Multi-channel customer service
- Tenancy agreements
- Agreements with suppliers and subcontractors

EMISSIONS AND WASTE

(SEE PAGES 25-26 & 32)

- Carbon dioxide emissions
- Waste

COMPANY VALUATION AND ECONOMIC RETURN

MARKET POSITION

- Finland's largest private residential real estate company

IMPACTS

ON CUSTOMERS

- High-quality living conditions, safe tenancy relationships
- Good customer experience, easy daily life

ON INVESTORS AND FINANCIERS

- Stable investment
- Dividends and increase in value

ON SUPPLIERS AND PARTNERS

- New business generated by the service and sharing economy
- Long-term partnerships, fair business operations
- Payments to service providers and subcontractors

ON PERSONNEL

- Salaries and remuneration
- A good place to work
- Professional development and growth

ON SOCIETY

- Employment, direct and indirect
- Payment of taxes, curbing the grey economy
- Increased vitality of cities
- Efficiency of a denser urban structure

ON THE ENVIRONMENT

- Properties and residential areas that promote sustainable development
- Creation of new technologies that increase the sustainability of housing
- The impact of a sustainable urban structure

Business operations in 2019

We made progress in accordance with our strategy in 2019 and continued on the path of profitable growth. In spite of the highly competitive market, we managed to increase our financial occupancy rate as well as sign significant cooperation agreements concerning investments.

Multi-channel growth

Interest in the Finnish residential real estate market was high during the year. In spite of this, we were successful during the year with respect to multi-channel growth in particular. A total of 816 apartments were completed during the year and a further 1,316 apartments were under construction at the end of the year.

We want to be a frontrunner in our industry, also by developing new and effective methods for identifying suitable investments. In the spring, we started a reverse tendering process in which we requested construction companies to prepare proposals on investment initiatives of approximately EUR 100 million. As a result, at the end of August, we announced new agreements with SRV and Hausia regarding the construction of more than 900 apartments in the Helsinki region. The first apartments covered by the agreements were completed in September and the rest will support our growth in the next years.

We also started construction on a number of rental apartments during the year, including 156 Lumo apartments to be built in Helsinki's Jätkäsaari district and 169 Lumo apartments in Jokiniemi, Vantaa. In September, we signed an agreement with Hartela on the construction of 94 apartments in Espoo's Niittykumpu district and,

in December, we signed an agreement with Peab on the construction of 64 apartments in Sompasaari, Helsinki.

In May, we acquired 83 apartments in Helsinki's Vallila district. In July, we acquired 18 apartments in Punavuori, Helsinki. In December, we acquired 143 apartments in Helsinki and Vantaa from the Valio Pension Fund and Valio Mutual Pension Insurance Fund.

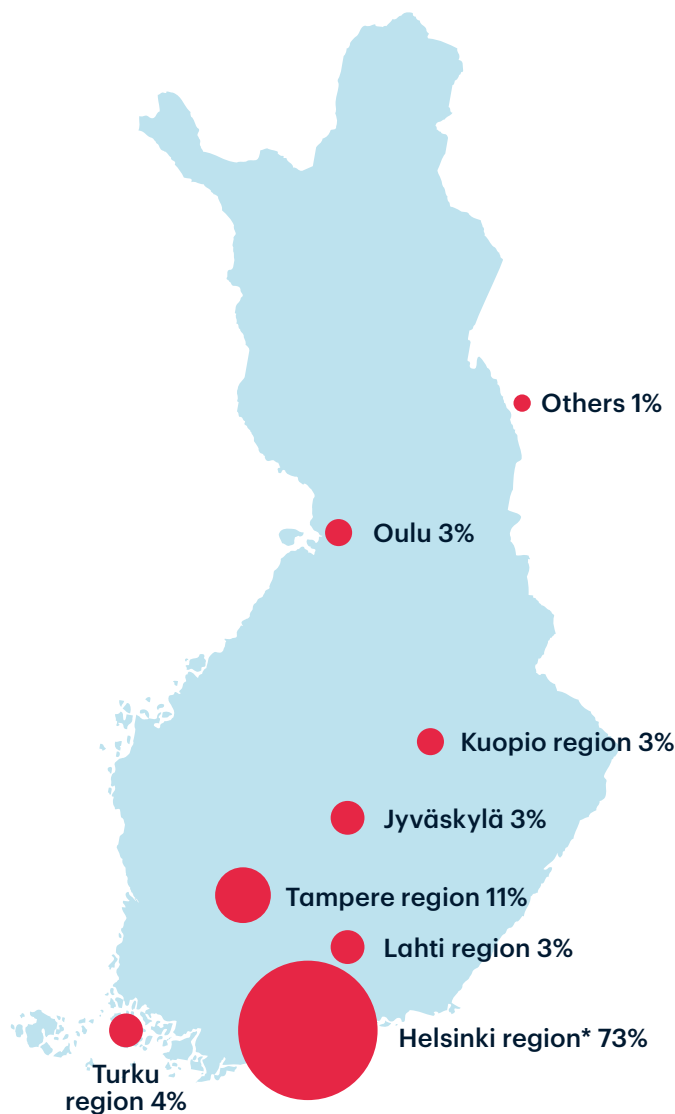
We also sold 478 apartments to Olo Asunnot in August. The sale was part of our strategy of focusing our operations on Finland's seven largest growth centres. Most of the sold apartments were located outside these areas.

Projects to convert commercial properties to residential use are also a significant source of growth in densely built urban environments. One ongoing significant conversion project concerns a set of properties used previously by the Metropolia University of Applied Sciences. Our aim is to convert the properties to residential use to develop as many as 1,000 new centrally located apartments in Helsinki. The project has progressed according to plan and the zoning of the properties began during the year. We expect the zoning phase to be completed in 2020.

Our financial occupancy rate increased

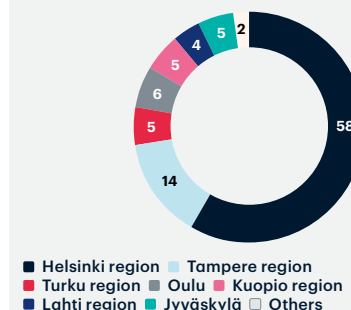
In spite of higher supply in the market, we were able to increase our financial occupancy rate. It stood at 97.2 per cent at the end of the year. This positive trend was supported by the development of our renting processes and our webstore. Resident turn-

KOJAMO'S BUSINESS ON FINLAND'S MAP (BY FAIR VALUE)

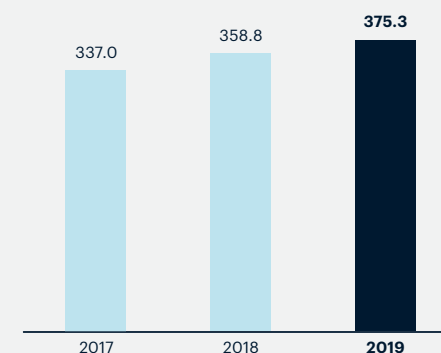


*The Helsinki region includes the following cities: Helsinki, Espoo, Vantaa, Kauniainen, Hyvinkää, Järvenpää, Kerava, Kirkkonummi, Mäntsälä, Nurmijärvi, Pornainen, Porvoo, Riihimäki, Sipoo, Tuusula and Vihti

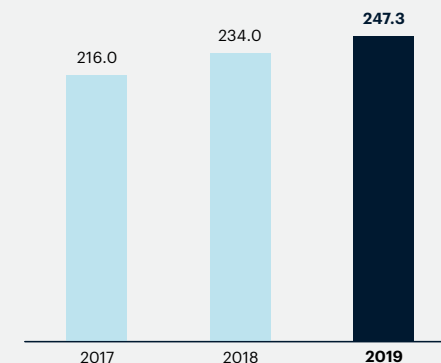
PROPERTY PORTFOLIO: geographical distribution of rental apartments by units, %



TOTAL REVENUE, EUR MILLION



NET RENTAL INCOME, EUR MILLION



over has remained stable and stood at 29.6 per cent at the end of the year.

Our Lumo webstore has become a well-established service in the rental housing market. The ability to rent an apartment through the webstore in as little as 15 minutes and move in as soon as the next day has seen the service achieve continued growth in popularity. Some 50 per cent of our tenancy agreements are now signed via the webstore. The percentage is even higher in Helsinki. We continued our service development efforts as planned during the year. We launched the My Lumo mobile application for use by our residents early in the year. Among other things, the application can be used to pay rent as well as submit fault reports and monitor their progress. We have piloted new services, such as a dog walking service, based on customer wishes. Our Net Promoter Score stood at 34 in 2019.

Our Lumo webstore has become a well-established service in the rental housing market.

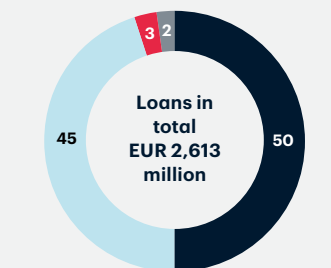
Diverse sources of financing

Our financial position remained strong throughout the year and we are in a good position to make investments when suitable opportunities are identified. Our key financial figures were strong and in line with our strategy: the equity ratio was 46.9 per cent and Loan to Value (LTV) was 40.5 per cent.

Our goal is to use diverse sources in our financing portfolio. We aim to further increase the share of bond financing and continue the transition to unsecured financing. At the end of the year, bonds accounted for 50 per cent of our borrowed capital, while loans from financial institutions accounted for 45 per cent. At the end of the year, the average interest rate of the loan portfolio stood at 1.8 per cent, including interest rate derivatives, and our hedging ratio was 88 per cent.

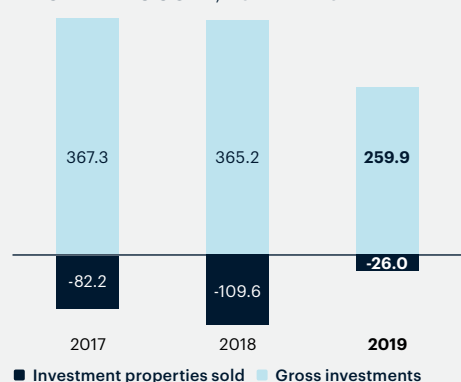
In June, we signed an agreement with OP Corporate Bank plc on an unsecured loan in the amount of EUR 100 million. The 7-year loan will be used for the Group's general financing purposes. At the end of the year, EUR 50 million of the EUR 250 million commercial paper programme was in use. In addition, Kojamo has committed credit facilities of EUR 300 million and an uncommitted credit facility of EUR 5 million that were unused at the end of the period.

THE GROUP'S LOAN DISTRIBUTION %, 31 DECEMBER 2019

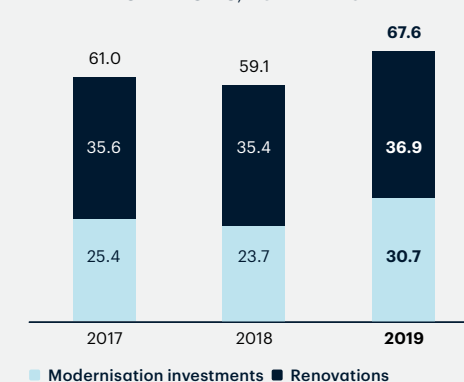


The average loan maturity was 4.7 years at the end of the year.

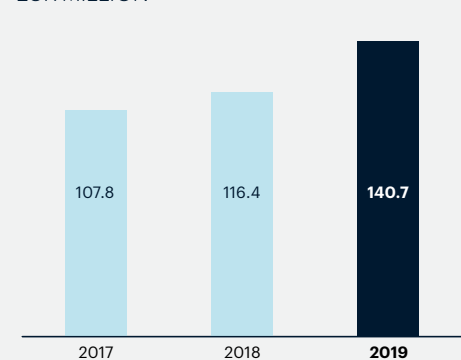
GROSS INVESTMENTS AND INVESTMENT PROPERTIES SOLD, EUR MILLION



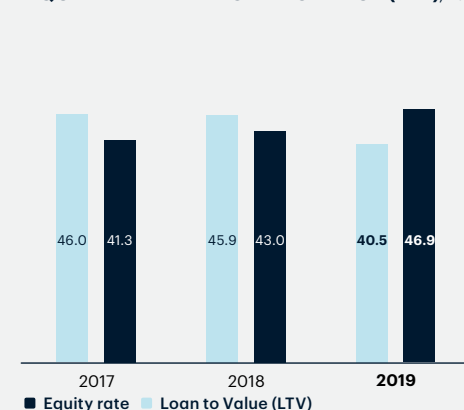
MODERNISATION INVESTMENTS AND RENOVATIONS, EUR MILLION



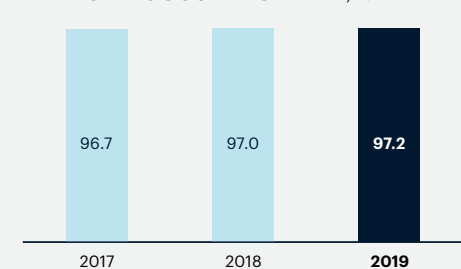
FUNDS FROM OPERATIONS (FFO), EUR MILLION



EQUITY RATE AND LOAN TO VALUE (LTV), %

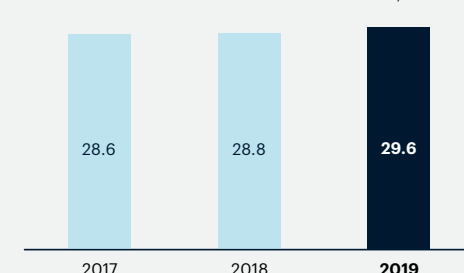


FINANCIAL OCCUPANCY RATE, %



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

TENANT TURNOVER RATE, EXCLUDING INTERNAL TURNOVER, %



Tenant turnover rate = (terminated rental agreements / total number of apartments) * 100



Favored by residents, My Lumo application makes living easier.

Housing becomes service-oriented

The home is no longer just the centre of one's life, but also a new platform for services that make daily life easier.

We want to create better urban housing and be a forerunner in the digital transformation of the Finnish housing sector. Servitisation has emerged as a new phenomenon in housing, and people are increasingly looking for convenience in housing. The home is the centre of one's life, and as such, it makes sense to also have the home as a platform for services that make daily life easier. Digital solutions present excellent opportunities for this. From our perspective, a home is more than walls and a ceiling: our Lumo apartments are a platform for innovation and services that enables us to work together with our partners to develop, pilot and provide various services for our residents.

A frontrunner in the property market

For the time being, the opportunities presented by the digital transformation have not been extensively utilised in our industry. We want to be an international frontrunner in our field, which is why we have sought to change prevailing practices as well as look for operating models from other industries.

One example of a solution that represents a step forward for our industry is the Lumo webstore launched in 2015. Instead of the traditional process of applying for a rental apartment, the webstore gives customers the freedom to choose the apartment they want, sign a tenancy agreement electronically and move in as soon as the next day. The webstore has been very popular: in 2019, tenancy agreements signed on the webstore accounted for half of all new agreements.



Services as part of a Lumo home

We want to provide housing as a service through a process that spans the search for an apartment, renting, services during residency and moving to a new apartment. Lumo homes already feature a wide range of services, such as broadband internet and car-sharing. In 2019, we launched the My Lumo mobile application for residents to manage housing-related affairs, such as paying rent and submitting fault reports. Examples of the future uses of the service include booking and buying home-delivered services, such as move services as well as booking shared club rooms or remote work.

A large proportion of our customers have already started to use the My Lumo application. Our customers also play a central role in new service development and we engage in joint development efforts with our residents. For example, during the past year we piloted a dog walking service in response to wishes expressed by our residents.

Digitalisation improves the comfort of living

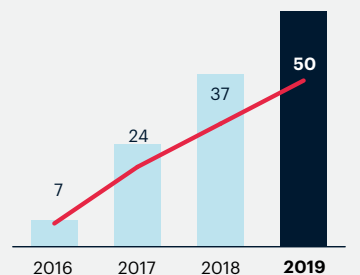
Digital solutions not only enable the provision of new services, they can also be used to improve the comfort of living. We invest in the use of technology and artificial intelligence in housing solutions and property maintenance. For example, we have implemented an artificial intelligence solution at approximately 29,000 of our apartments. The solution automatically adjusts the heating of each apartment based on factors such as actual temperature measurements and the weather forecast. The system helps maintain more stable indoor temperatures, prevents excessive heating and helps respond to potential problems as quickly as possible — often before the resident can even react to the situation. Optimising heating also helps decrease ener-

gy consumption, which in turn reduces the carbon footprint of the properties.

Renewal through digital solutions

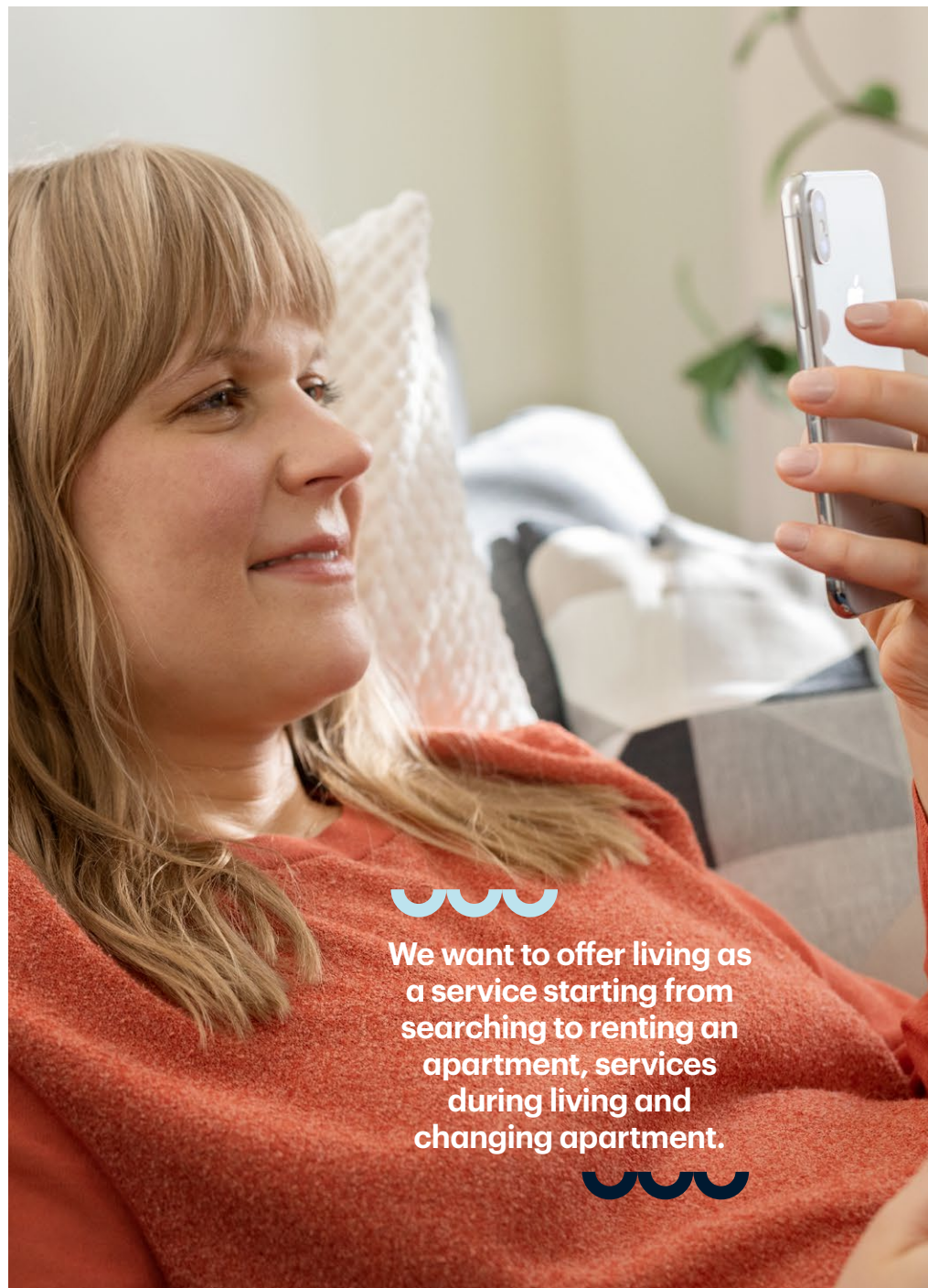
The digital transformation also presents us with opportunities to enhance and develop our operations, which is reflected in our ability to provide better service for our customers. In addition to creating new services for our customers and making use of technology in housing and property maintenance, we also want to provide our personnel with solutions that make their work easier. During the past year, we started to invest in data-driven management and, for example, began using artificial intelligence in pricing. Going forward, we will invest increasingly in servitisation and convenience of housing and service use. In autumn 2019, we announced the appointment of Katri Harra-Salonen as Kojamo's Chief Digital Officer (CDO) effective from 7 January 2020. Her appointment supports our goal of creating the best customer experience.

NEW RENTAL AGREEMENTS FROM WEBSTORE



■ New rental agreements from webstore, EUR
— Share of all agreements, %

The share has been calculated based on the value of the rental agreement (initial rent)



We want to offer living as a service starting from searching to renting an apartment, services during living and changing apartment.



PIIA HYVÄRINEN
Service Manager, Development &
Information Management

ELISE HASSELGREN
Service Manager,
Customer Relations

Customer feedback drives the development of the My Lumo service

“THE USE OF DIGITAL SERVICES enables us to deliver the best possible customer experience,” says Service Manager Piia Hyvärinen from the Information Management department. The launch of the My Lumo service in 2019 was an important step for Kojamo. Intense development efforts around digitalisation and servitisation will continue in the coming years.

Elise Hasselgren, the Service Manager in charge of the Customer Service Centre, points out that effective cooperation between Information Management and Customer Service was essential during the introduction of the My Lumo service. “Customer feedback provides us with information on how the service is working and how it should be developed going forward. The launch of the service was a great example of team-

work and Kojamo’s values: happy to serve, strive for success and courage to change,” Hasselgren says.

MY LUMO IS PRIMARILY a digital desktop for residents that is also easy to use on mobile devices. It makes daily life more convenient for residents by bringing together a wide range of housing-related information. It provides customers with access to bulletins and payment information as well as services for submitting fault reports and paying rent. “Customers whose identity has been verified can also use My Lumo to access a chat service to get answers to any questions they might have,” Hasselgren adds.

“My Lumo also includes a collection of frequently asked questions for residents to access at any time. We encourage

our customers to start using My Lumo, although we do still provide our services by phone as well,” Hasselgren points out. “The user volumes of My Lumo have been very good and they have exceeded our expectations,” Hyvärinen says.

The initial launch of the service was only the beginning. Right from the start, My Lumo was designed as a service platform that enables Kojamo and its partners to work together to offer a wide range of services for residents. Depending on the location of their apartment, My Lumo gives customers access to supplementary services such as car sharing, cleaning, key pickup and pet sitting.

“In the future, we will focus even more on the development and integration of supplementary services as well as creating a seamless customer path,” Hyvärinen concludes.

Responsibility is part of our DNA.

The core of responsibility is in our mission: We create better urban housing.

Responsibility is becoming increasingly significant to our stakeholders, which affects our operations directly through, for example, housing choices and the environmental regulations governing construction. Responsibility is part of Kojamo's DNA.

Our corporate responsibility is reflected in our mission of creating better urban housing. Responsibility is also one of our strategic priorities, which means that it is managed as part of day-to-day business at Kojamo.

During the past few years, we have made significant investments in responsible and innovative solutions. We are reducing the carbon footprint of housing in various ways, including the artificial intelligence solution, and by focusing on



ENVIRONMENT

Responsibility and sustainable development



CUSTOMERS

The best customer experience



PERSONNEL


The most competent personnel and a dynamic place to work



ECONOMIC RESPONSIBILITY

A responsible corporate citizen

STRONG GROWTH | OPERATIONAL EXCELLENCE | RENEWAL THROUGH DIGITAL SOLUTIONS



We want to disclose the results of our sustainability work to our stakeholders even more transparently.

selected growth centres with good transport links. We provide a dynamic and professional workplace for our personnel and we also have an indirect employment effect through our purchases and investments. We strive to reduce the negative impacts on society in many ways, including the implementation of effective anti-grey economy practices.

We revised our sustainability reporting practices

We have revised our sustainability reporting with the aim of communicating the results of our sustainability efforts to our stakeholders even more transparently than before. Our report on the year 2019 marks the first time that we have applied the Global Reporting Initiative (GRI) framework and the European Public Real Estate Association's Sustainability Best Practices Recommendations (EPRA sBPR, 3rd edition).

The report makes references to the GRI Standard 2016 reporting guidelines (GRI-Referenced). The key figures based on the mentioned reporting recommendations are presented on pages 32–35.

The sustainability themes we report on — the environment, the customer experience, economic responsibility and the personnel — are based on discussions and ongoing dialogue with our stakeholders as well as our own assessment of what our most material themes are. These stakeholders include customers, our personnel, shareholders, financing providers, cooperation partners, non-governmental organisations, local operators, the authorities, policymakers and the media.

We have also published a statement of non-financial information as part of the Board of Directors' report.

The continuous development of sustainability reporting will remain a key part of our corporate responsibility efforts in the years to come. We are always happy to receive feedback and suggestions regarding our sustainability efforts: info@kojamo.fi.

Kojamo's responsibility goals and results

PERSPECTIVE	KOJAMO'S OBJECTIVE	LONG-TERM GOALS	RESULTS 2019
Housing and the attractiveness of cities	Developing better urban housing	<ul style="list-style-type: none"> • Making the Lumo brand the property market frontrunner in urbanising Finland • Significantly increasing the offering of market-based rental apartments in growth centres 	<ul style="list-style-type: none"> • 816 (1,258) completed Lumo homes • 1,316 (1,064) apartments under construction • All newly constructed properties in growth centres, next to good transport links
Customers	Delivering the best customer experience	<ul style="list-style-type: none"> • Overall satisfaction Net Promoter Score (NPS) > 40 • Making the Lumo webstore the easiest way to rent a home • Bringing added value to housing with Lumo services 	<ul style="list-style-type: none"> • NPS=34 (35) • Already over 15,000 agreements signed via webstore • In 2019 already 50% of agreements were signed in webstore • My Lumo mobile service expanded the digital services
Personnel	The most competent personnel and a dynamic place to work	<ul style="list-style-type: none"> • High level of personnel satisfaction • The most attractive employer in the industry • Significant transformation of corporate culture • High level of summer employee satisfaction 	<ul style="list-style-type: none"> • We rose to AA+ level in the People Power employee satisfaction survey • Recognised as one of Finland's most inspiring places to work in 2019 for third consecutive time • Salaries and fees paid EUR 16.4 (16.8) million
Partners	Responsible purchasing, safe worksites and boosting the housing services platform	<ul style="list-style-type: none"> • The entire procurement chain committed to ethical conduct and combating the grey economy • High level of TR measurements • Offering the best customer experience in housing with the Lumo service platform 	<ul style="list-style-type: none"> • All suppliers are committed to Kojamo plc's purchasing principles • TR index 93.7% • Continuing to develop the innovation and service platform together with partners
The environment	Responsibility and sustainable development	<ul style="list-style-type: none"> • Increasing the efficiency of relative electricity, heat and water use in housing stock • Piloting energy-efficient technologies • Reducing the environmental impact of own operations 	<ul style="list-style-type: none"> • Heating energy consumption index, entire housing stock -1.4 (-3.7) % (GWh/year) • Relative use of property electricity 0 (-2.1) % (kWh/m³) • Specific water consumption -1.2 (+0.9) % (l/m³) • AI solutions to manage the temperature in approximately 29,000 apartments • All of new property development implemented on a developer contracting basis consist of nearly zero-energy buildings (nZEB) • All offices under WWF's Green Office certificate • Hydropower-certified electricity in all properties, carbon-neutral district heating in part of properties
Shareholders and investors	Generating long-term shareholder value and profitability	<ul style="list-style-type: none"> • Increasing apartment assets to EUR 6.0 billion (38,000 apartments) • Equity ratio > 40.0% • Loan to Value (LTV), < 50% • Funds from Operations (FFO) as percentage of total revenue > 32% • Net Promoter Score (NPS) > 40 • A stable dividend payer 	<ul style="list-style-type: none"> • EUR 6.3 billion and 35,272 apartments • Equity ratio 46.9% • Loan to Value (LTV) 40.5% • FFO as percentage of total revenue 37.5% • Net promote score 34 • The Board of Directors' dividend proposal EUR 0.34 per share
Society	Economic responsibility and positive indirect impact on national economy	<ul style="list-style-type: none"> • Responsible corporate citizenship 	<ul style="list-style-type: none"> • Taxes and tax-like charges approximately EUR 90 (106) million • Gross investments EUR 259.9 (365.2) million • Indirect employment effect 4,951 (4,491) person years

[THE ENVIRONMENT]

Smart energy conservation

Kojamo's most significant environmental impact arises from the energy consumption of our properties and the resulting carbon dioxide emissions. Our principle is to consume energy as sensibly and efficiently as possible, without compromising on the quality of housing and the conditions our residents live in. We are committed to developing new and modern construction solutions, housing services and eco-friendly innovations that improve the energy efficiency of apartments.

Our largest investment in energy efficiency was made in 2018 when we installed the AI-driven Leanheat system in approximately 80 per cent of our apartments. The system was installed at about 570 properties, corresponding to some 29,000 apartments. Our new construction projects have been implemented as nearly zero-energy buildings in accordance with the FInZEB concept and guidelines since 2017. By the end of the 2019 we had completed already 1,503 apartments according to the concept and 1,136 were under construction.

In our day-to-day work, energy efficiency is mainly influenced by continuous monitoring, maintenance and, where necessary, repairs. More than 90 per cent of Kojamo's properties are connected to a remote monitoring system for energy and water consumption.

Artificial intelligence optimises heating

We have implemented Leanheat, a Finnish solution that uses predictive artificial intelligence to automatically adjust heating in properties according to the actual temperature inside the apartments as well as the weather forecast, preventing excessive heating and enabling more effective control of the balance between apartments. It improves indoor air quality and comfort while reducing the energy consumption and carbon footprint of buildings.

The system was deployed in January–April 2019, and the average temperatures of apartments rose in some properties before the use of the system was optimised. For this reason, our heating energy



More than 90% of Kojamo's properties are connected to a remote monitoring system for energy and water consumption.

consumption for the past year does not yet reflect the full potential of the system. We expect that the energy consumption of our Leanheat properties will be optimised further in 2020.

Mild but rainy year

In 2019, the heat index for our property portfolio was 35.8 kWh/m³, and it decreased by 1.4 percent from the previous year. Regarding the weather conditions, the year was mild and only the first quarter of the year was exceptionally cold. Nevertheless, the year was rainier and windier than in average, which contributed to the energy consumption of our properties. Completion of energy efficient new production and realisation of stock with higher energy consumption improved energy efficiency of the whole property portfolio. Specific property electricity consumption remained on previous year's level. The whole energy consumption per cubic metres decreased by 1.2 percent from previous year. Specific water consumption decreased by 1.2 per cent as well.

During the year, we were able to decrease waste per household by 1.0 per cent. 42 per cent of the waste is reusable. We were also able to decrease our carbon footprint by 6 per cent.

Our property portfolio is 99% heated with district heating purchased from local district heating companies. Approximately 80 properties use district heating that is certified as being fully produced from renewable energy sources. District heating is usually generated in cities using efficient combined heat and power systems. Peak power plants are needed only during the coldest periods.

The electricity used in the shared facilities and outdoor areas of our properties was purchased from

Helen, and it was produced using CO₂-free energy sources. Our customers sign their own electricity agreements with their preferred energy company.

Achieving targets requires investments

We are committed to the Rental Property Action Plan Second Phase (VAETS II) target of reducing energy consumption by 7.5 per cent during the period 2017–2025. The programme covers properties completed by the end of 2016. Achieving this target will require other new investments alongside Leanheat. Examples of such investments include solutions that enable the reduction of warm water consumption and the recovery of exhaust heat.

In Helsinki's Kalasatama district, we are involved in the construction of the SunZEB block, which meets the high quality and energy efficiency requirements of the future. The block is the first of its kind in the world. The concept, which utilises the energy of the sun, is based on the innovative SunZeb model developed by VTT Technical Research Centre of Finland together with Helen Ltd. In the model, buildings are used as renewable energy sources.

We are a member of the Finnish Climate Leadership Coalition (CLC). CLC is a non-profit organisation that encourages its members as well as other companies and organisations to move towards operating methods that are carbon neutral and promote the sustainable use of natural resources.

All of our offices are WWF Green Office certified. The Green Office programme is aimed at reducing the environmental impact of offices, increasing environmental awareness among employees and achieving energy savings.



Carbon footprint
66,634 tonnes,
6.9 kg CO₂/m³

(2018: 70,995 TONNES,
7.9 KG CO₂/M³)

Responsibility key figures are
presented on pages 32–35.



REIMA KETTUNEN
Technical Manager

RIINA LINNAS
Head of Property Management

Bringing the circular economy into the daily life of residents

KOJAMO OFFERS many kinds of support to residents to help them sort waste and reduce food waste. We provide advice and guidance to residents, organise waste management according to the needs of each property and keep the waste facilities as tidy as possible. Depending on the property, residents may also be provided with biowaste bags, services to pick up waste for transportation to Sortti stations as well as recycling containers. In 2019, plastic collection containers were introduced at more than a hundred Kojamo properties.

"We want to make sorting and recycling as easy and convenient as possible for our residents, which will help reduce the volume of mixed waste, among other things," says Head of Property Management Riina Linnas.

To obtain information on the effectiveness of various measures, Kojamo participated in the Biorent project funded by the Ministry of the Environment. The project, which was completed at the end of 2019, was aimed at enhancing the sorting of biowaste

and reducing food waste at rental properties.

"Based on the project, the most important thing is to provide the residents with clear instructions and good facilities for sorting waste and to actively remind them about the significance of sorting," says Technical Manager Reima Kettunen, who was in charge of the Biorent project at Kojamo. "The biowaste recycling rate increased substantially at the properties whose residents were provided with breathable biowaste containers, high-quality paper biowaste bags and a copy of waste sorting instructions."

AT THE START OF THE PROJECT, waste was manually examined at the participating properties to determine what proportion of biowaste ended up in the biowaste container and how much biowaste ended up in mixed waste. The recycling rate at the properties was regularly monitored during the project.

At the participating housing companies, the residents were actively communicated with on topics such as how to sort biowaste and

how food waste can be reduced. In some of the properties, the lighting and general appearance of the waste collection point was improved. In some properties, new types of biowaste bags were distributed to the residents, an information event was arranged and the residents were invited to participate in a visit to a food waste restaurant.

IN THE HELSINKI REGION, the Helsinki Region Environmental Services Authority HSY uses biowaste to generate electricity and composting material. Improving the recycling rate of biowaste has an impact on the environment as well as the costs of waste management. "The collection of mixed waste is the most expensive part of waste collection, and the costs also affect the costs borne by the residents," Kettunen points out.

"We can provide assistance and encouragement to promote recycling but, ultimately, it comes down to the residents. The future will be brighter if we can minimise the amount of mixed waste," Kettunen adds.

[CUSTOMER EXPERIENCE]

Delivering the best customer experience starts with listening

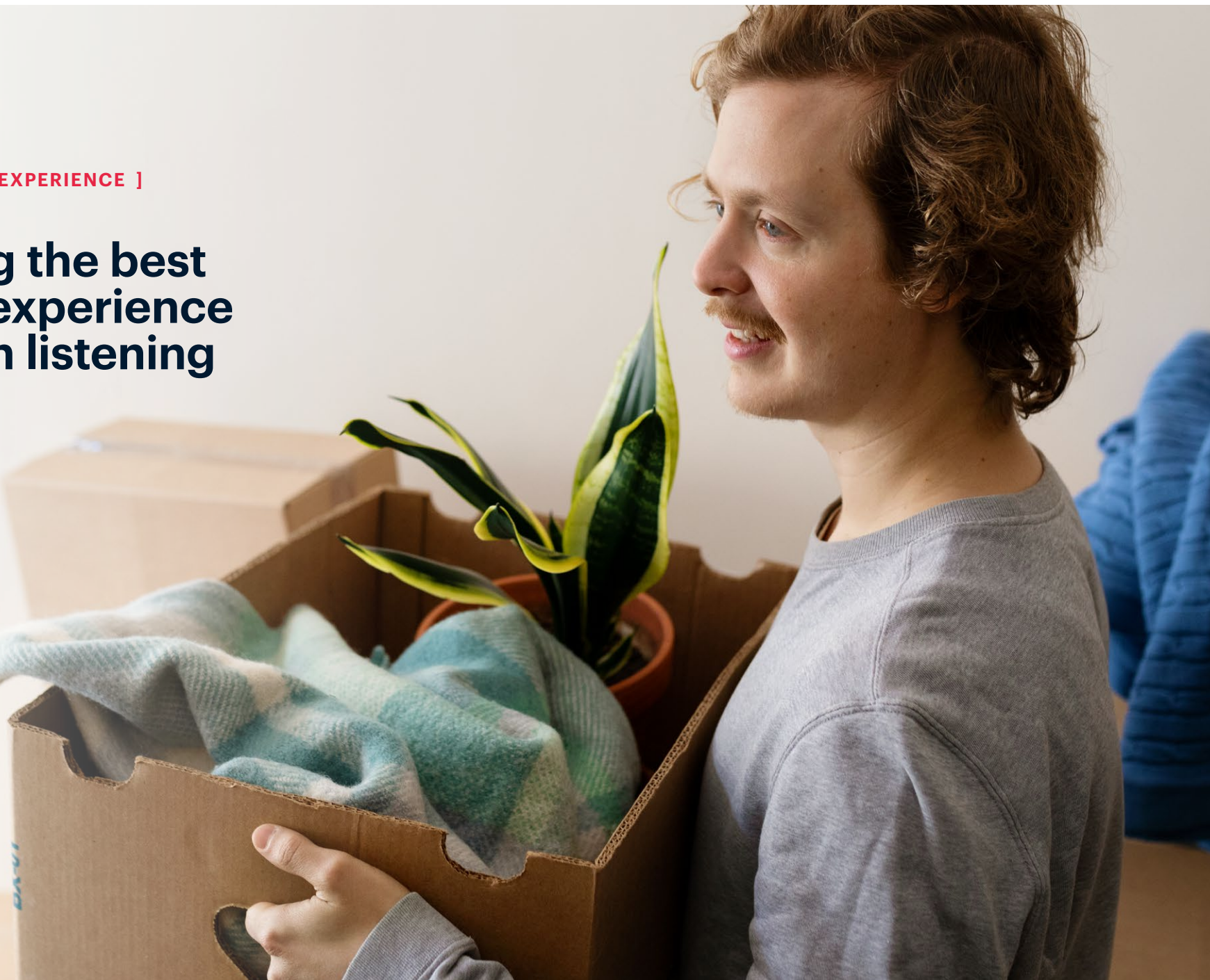
We want to be the property market front-runner and the number one choice for our customers. To this end, we are always looking to improve the way we listen to our customers and assess the factors that affect their satisfaction from their perspective.

In 2019, we had a strong focus on two objectives: to further improve the factors that have the most significant impact on the satisfaction of our residents and to increase our interaction with residents.

During the year, we created the Through the Customer's Eyes programme to develop a permanent operating model for improving the customer experience and measure the impact of the actions we take. The programme is aimed at creating better conditions for systematic action on issues that have a negative effect on the customers at our properties as well as improving the dialogue between Kojamo and customers.

Property maintenance is key

The satisfaction of residents is particularly influenced by the tidiness of common outdoor and indoor areas as well as waste



management. With this in mind, we have sought to further improve these aspects by developing systematic operating methods together with our partners. We actively develop our property maintenance and we intend to expand our use of the Lumo Caretaker concept, which has produced good results.

In 2019, we particularly sought to strengthen cooperation between building management and maintenance and promote the cooperative development of efficient and effective operating methods. Our goal is to continuously improve our reaction speed and, whenever possible, sort out our residents' problems in one go. This is also the aim of the caretakers focused on the indoor conditions of apartments, which is a new concept introduced in the Helsinki Metropolitan Area. With their help, we have substantially reduced our response time in resolving heating-related problems, and the necessary repairs have been completed in one go. We intend to further develop the service concept focused on indoor conditions by introducing AI-driven measurements of indoor conditions (see page 25 – 26), among other things, and we believe that this will further improve the customer experience.

Fostering a sense of community

Through our digital channels, we receive feedback from our residents on various issues, including what kind of sense of community they would like to see developed and what services could contribute to it.

For example, we develop shared-use facilities and yards to allow the residents to spend time with other residents or guests. Lumo teams, formerly known as house committees, are free to decide what kinds of activities to organise for the residents of their build-

ing. The teams are provided with Lumo funds to help them organise community activities.

During the year, we again organised popular events for residents at the Linnanmäki and Särkänniemi amusement parks as well as Christmas concerts in eight cities.

My Lumo service quickly embraced by customers

The My Lumo online application launched at the beginning of 2019 was made available to all Kojamo homes in April, and the user volumes saw very quick growth. By the end of the year, more than half of our residents had adopted this digital service that makes their daily life easier.

After customers have verified their identity on their first login, they can use the convenient My Lumo service to pay rent or submit fault reports, among other things. The

application also includes a wealth of information on services available to residents.

We have a long track record of being on the leading edge of introducing digital services. For example, our Lumo webstore was the first of its kind in the industry, giving the customer the freedom to choose and rent a new home. By the end of 2019, over 15,000 tenancy agreements had been signed on the Lumo webstore. Of the new tenancy agreements signed in 2019, 50 per cent were signed on the Lumo webstore.

During the year, we launched new services for use by our customers, including a moving-out cleaning service in the Helsinki Metropolitan Area as well as dog walking and pet sitting services at selected pilot locations. Among our existing services, the popularity of car sharing has grown in particular.

Net Promoter Score makes customer satisfaction visible

We regularly measure our customer satisfaction by customer satisfaction surveys and Net Promoter Score measurements.

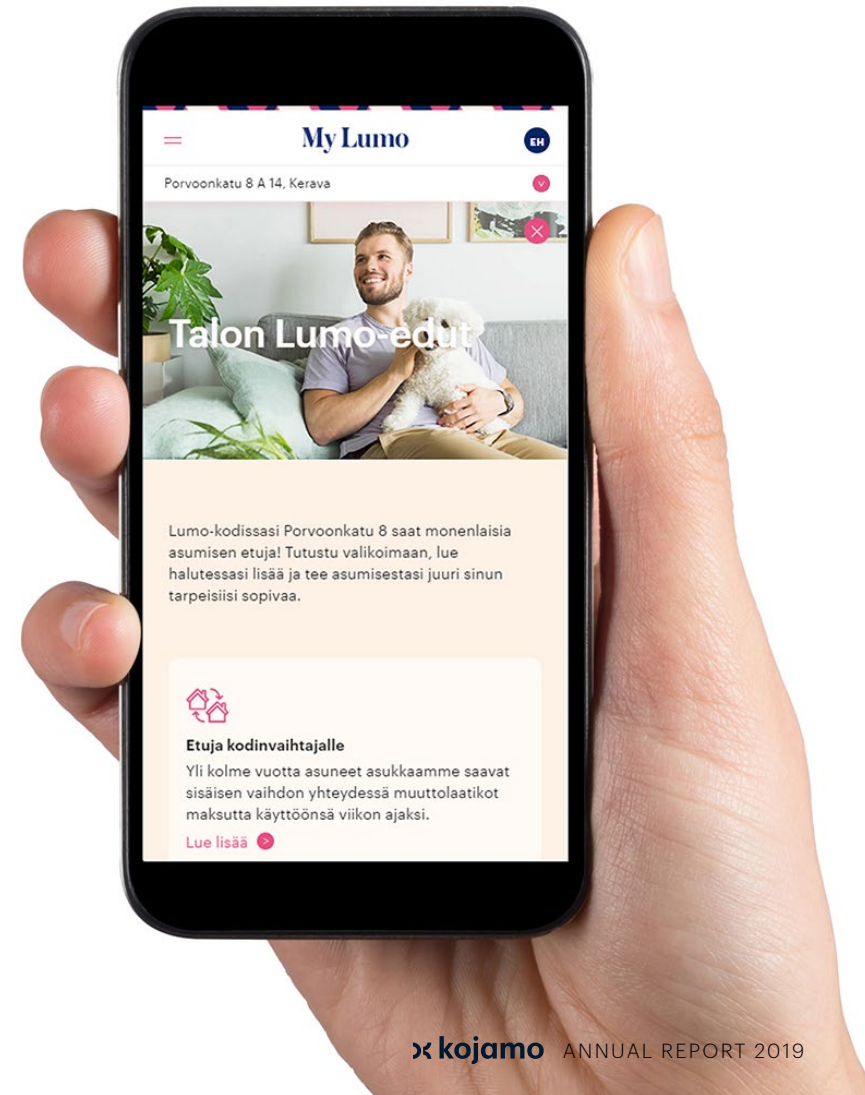
Net Promoter Score, or NPS, is one of our most important performance indicators, and our personnel can monitor it in real time. We measure NPS separately for different customer groups, such as new customers, existing customers and customers who are moving out. The company's overall NPS is a weighted average of these measurements. In 2019, our NPS was 34. Our long-term NPS target is 40 or higher.

Our goal is to deliver the best overall customer experience in housing under our Lumo brand, and we measure the achievement of this goal by customer satisfaction surveys as well as brand surveys. In 2019, the assisted brand awareness of Lumo was 84 per cent.

Responsibility key figures are presented on pages 32–35.



By the end of 2019, over 15,000 tenancy agreements had been signed on the Lumo webstore.



[PERSONNEL]

The most competent personnel and a dynamic place to work

Our corporate culture is based on our values: Happy to serve, Strive for success and Courage to change. An excellent customer experience is built by the way everyone at Kojamo works and serves customers.

During the year, the focus of our human resource management was on strategic leadership, the renewal of working methods and the development of well-being at work. Our efforts were reflected in positive development in the People Power personnel survey, with Kojamo's rating improving to AA+. Kojamo was also again recognised by Corporate Spirit as one of Finland's most inspiring workplaces.

Common direction

Our aim is for every Kojamo employee to enjoy their work and take pride in the results of their work. In 2019, we linked our personnel targets even more closely to Kojamo's strategic themes at the team and individual levels. This was reflected in our personnel survey, which indicated that Kojamo's values and goals are clear to our personnel.

It is important to us to have a common direction and that everyone has a clear role in achieving our goals. We also encourage our personnel to have the courage to change the way we work while also developing their own competencies. For example, we have introduced an electronic channel for posting new ideas and development suggestions. During the year, we developed our working methods and work environment to provide even better support for dialogue and cooperation. We also introduced a new sparring partner practice aimed at having colleagues share experiences of best practices between different

Home Centres and other operating locations and identify ways to further improve our operations. We will continue to develop our corporate culture, personnel competence and managerial work in the coming year.

We organised our traditional idea competition for our summer workers. The competition invites the summer workers to gather and think about Kojamo's future and it is intended to provide them with a direct route to have their ideas discussed by the Management Team. Kojamo is also one of the main partners of the Responsible Summer Job campaign, and we are committed to the campaign's principles concerning good summer jobs.

We take good care of our employees

Employees with a high level of well-being enjoy their work, are productive and support the atmosphere of the workplace. At Kojamo, the concept of well-being at work consists of five areas that are subject to continuous development: meaningful work, work ability, the workplace community, competence and leadership.

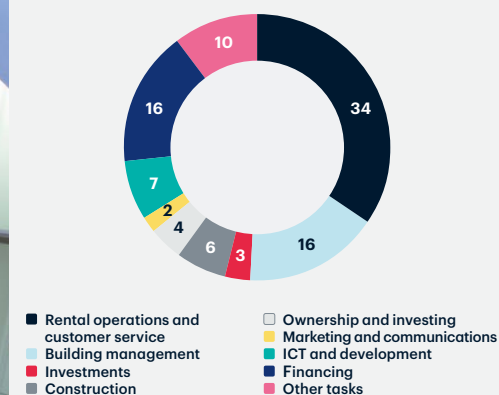
The results of our personnel survey indicate that employee commitment and motivation improved compared to the previous year. 91% of the employees who completed a health survey conducted by the occupational health care provider rate their work ability as good. During the year, we sought to improve the work ability of our personnel in many ways, including investments in workstation ergonomics and the provision of low-threshold exercise groups.

296

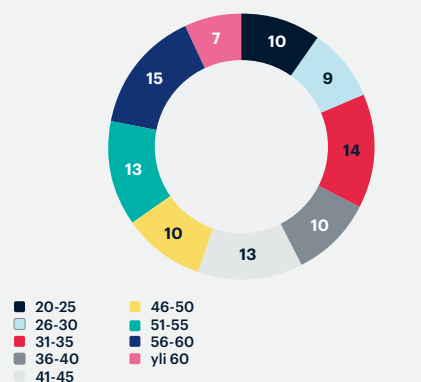
EXPERTS AT THE END OF 2019

(2018: 298)

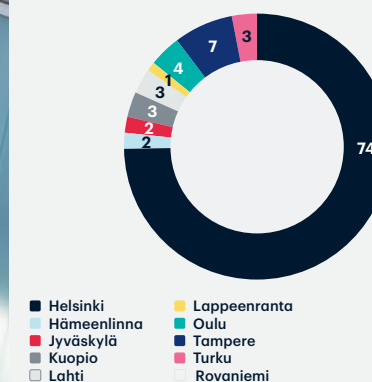
PERSONNEL DISTRIBUTION BY TASK, %



PERSONNEL DISTRIBUTION BY AGE, %



GEOGRAPHIC DISTRIBUTION OF PERSONNEL, %



Responsibility key figures are presented on pages 32–35.

[ECONOMIC RESPONSIBILITY]

Responsible corporate citizenship as a goal

Economic responsibility constitutes the foundation for successful business in the long term. We want to be a responsible corporate citizen in order to create better urban housing and develop our shareholder value in accordance with our strategy.

Positive impact on the national economy

Our business has several direct and indirect impacts on our society. We facilitate labor mobility by creating housing offering in growth centres. It is easy to rent an apartment via the webstore even from the other side of Finland. Kojamo is a significant taxpayer that pays all of its taxes to Finland. Our employment effect extends beyond our own operations to construction, renovation, property maintenance and cleaning partnerships, among other things.

As part of creating a good customer experience, we maintain good relationships with residents and look after our apartments and buildings.

We exceed the legislative requirements concerning anti-grey economy efforts

Working against the grey economy is an important aspect of Kojamo's risk management. The anti-grey economy models used by Kojamo exceed the legislative requirements in many respects.

Our procurement principles and guidelines define detailed practices for selecting

our business partners as well as for our purchases, both those made by us and those commissioned by us. We expect all of our permanent business partners and their procurement chains to commit to combating the grey economy and operating ethically in accordance with the Contractor's Obligations Act and our Ethical Code. We comply with the RAKLI ry guidelines on the prevention of financial crime and workplace health and safety.

Furthermore, we require all parties in the procurement chain that are involved in renovation, new construction and property maintenance to be members of the Tilaa-javastuu.fi register, to use legal labour, to take care of their statutory social obligations and to commit to achieving Kojamo's environmental objectives.

High-quality cooperation relationships

We strive to create and maintain long-term partnerships to promote the realisation of responsible operating methods. We treat our partners equally and ensure that no supplier's business is excessively dependent on Kojamo's purchases or the operations of any other single company.

At construction sites, we keep a close eye on the indicator of working conditions (TR indicator) to maintain a good level of occupational safety. The minimum level for the TR indicator is defined in the tender stage and the target level is determined together with the contractor when the work begins.

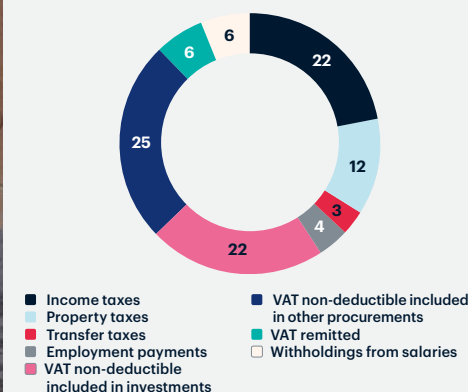
TAXES AND TAX-LIKE CHARGES

EUR **~90.0** million
(EUR ~105.7 MILLION)

GROSS INVESTMENTS

EUR **259.9** million
(EUR 365.2 MILLION)

GROUP'S TAX FOOTPRINT IN 2019, %



Responsibility key figures are presented on pages 32–35.

Responsibility key figures

In its sustainability reporting Kojamo applies the Global Reporting Initiative (GRI) framework and the European Public Real Estate Association's Sustainability Best Practices Recommendations (EPRA sBPR, 3rd edition). The report makes references to the GRI Standard 2016 reporting guidelines (GRI-Referenced).

ENVIRONMENTAL RESPONSIBILITY KEY FIGURES					
ENERGY	2019	2018	2017	GRI-STANDARD	EPRA-CODE
Building energy intensity (kWh/m²)	40.4	40.9	42.4	302-3	Energy-Int
Heating energy, total consumption (GWh)	302	307	302	302-1	DH&C-Abs
Heating energy, total consumption, Like-for-Like, (GWh)	279	286	301	302-1	DH&C-LfL
Heat index, entire housing stock (kWh/m²)	35.8	36.3	37.7		
Heat index, Like-for-Like (kWh/m²)	36.4	36.3	37.0		
Property electricity, total consumption (GWh)	41.1	39.9	41.2	302-1	Elec-Abs
Property electricity, total consumption, Like-for-Like, (GWh)	37.7	38.0	38.2	302-1	Elec-LfL
Specific property electricity consumption (kWh/m²)	4.6	4.6	4.7	302-3	
Specific property electricity consumption, Like-for-Like, (kWh/m²)	4.6	4.6	4.7	302-3	
Energy certificates (% of properties)	100%				Cert-Tot
Total energy includes property electricity, heating and cooling. Other types of energy are not reported as they are not used or they are not material. 99% of heating energy is from district heating.					
WATER	2019	2018	2017	GRI-STANDARD	EPRA-CODE
Water, total consumption (Mm³)	3.1	3.0	3.0	303-1	Water-Abs
Water, total consumption, Like-for-Like, (Mm³)	2.8	2.9	2.8		Water-LfL
Specific water consumption (l/m²)	343	347	344		Water-Int
Specific water consumption, Like-for-Like (l/m²)	347	348	340	303-1	Water-LfL
CARBON FOOTPRINT AND EMISSIONS	2019	2018	2017	GRI-STANDARD	EPRA-CODE
Carbon footprint (tonnes)	66,634	70,995		305-2	
Relative carbon footprint (kg, CO2/m²)	6.9	7.9		305-4	GHG-Int
Emissions (kg, CO2/day/apartment)	5.2	5.6		305-4	GHG-Int
Kojamo has not reported market and location based carbon footprint separately. Kojamo has renewed its calculation method for carbon footprint and comparison figure for 2017 is not available.					
WASTE	2019	2018	2017	GRI-STANDARD	EPRA-CODE
Waste by type, t				306-2	Waste-Abs
Hazardous waste	12	0			
Non-hazardous waste	13,697	13,294			
Landfill waste	7,899	7,497			
Biowaste	1,510	1,430			
Energy waste	975	1,224			
Material recovery waste	3,313	3,143			
Share of reusable waste, %	42%	44%			
Total waste, t	13,709	13,294		306-2	Waste-Abs
Waste per apartment (kg/apartment)	389	393			
Waste data covers approximately 96% of Kojamo's properties. Energy, water and carbon footprint key figures covers 100% of portfolio, excluding so called Metropolia development project. Intensity figures have been calculated according to building cubic metres.					

PERSONNEL RESPONSIBILITY KEY FIGURES

INFORMATION ON PERSONNEL	2019	2018	2017	GRI-STANDARD	EPRA-CODE
Personnel in total	296	298	316	102-8	
Type of employment (permanent / temporary)	267 / 29	274 / 24	284 / 32		
New employees (number and %)*	33 (12%)				Emp-Turnover
Turnover (%)*	14.6	10.2	8.6	401-1	Emp-Turnover
* Of permanent personnel Figures have been calculated based on the situation at year-end.					
DISTRIBUTION OF PERSONNEL	2019	2018	2017	GRI-STANDARD	EPRA-CODE
Distribution by gender, % (women/men)				405-1	Diversity-Emp
Total personnel	63 / 37	63 / 37	62 / 38	405-1	Diversity-Emp
Superiors	54 / 46			405-1	Diversity-Emp
Management team	40 / 60	25 / 75	14 / 86	405-1	Diversity-Emp
Board of Directors	43 / 57	29 / 71	13 / 87	405-1	Diversity-Emp
PERSONNEL DISTRIBUTION BY TASK, %					
Rental operations and customer service	34				
Building management	16				
Investments	3				
Construction	6				
Ownership and investing	4				
Marketing and communications	2				
ICT and development	7				
Financial management and financing	16				
Other tasks	10				
Task division has been updated in 2019 and comparison data is not available.					
PERSONNEL DISTRIBUTION BY AGE, %					
below 20	0	0	1		
20-25	10	6	6		
26-30	9	10	10		
31-35	14	12	13		
36-40	10	13	13		
41-45	13	12	12		
46-50	10	13	15		
51-55	13	13	13		
56-60	15	14	14		
over 60	7	5	3		

GEOGRAPHIC DISTRIBUTION, %	2019	2018	2017		
Helsinki	74	73	72		
Hämeenlinna	2	2	2		
Jyväskylä	2	3	3		
Kuopio	3	2	3		
Lahti	3	3	3		
Lappeenranta	1	1	1		
Oulu	4	4	4		
Rovaniemi	0	0	1		
Tampere	7	8	9		
Turku	3	2	3		
JOB SATISFACTION AND COMPETENCE DEVELOPMENT	2019	2018	2017	GRI-STANDARD	EPRA-CODE
Personnel satisfaction index (% of Kojamo / control group)	75 / 68	73 / 67	75/67		
Coverage of performance appraisals (% of personnel)	100%	100%	100%	404-3	Emp-Dev
Average training hours per person	12h 24 min			404-1	Emp-Training
OCCUPATIONAL HEALTH AND SAFETY	2019	2018	2017	GRI-STANDARD	EPRA-CODE
Work accidents	12				
Occupational diseases	0			403-2	H&S-Emp
Lost Day Rate, %	3.64			403-2	H&S-Emp
Work-related fatalities	0			403-2	H&S-Emp
Occupational safety index (TR measurement) at construction sites	93.7	94.3	93.2		
Some of the data is reported for the first time in 2019 and comparison figures are not available.					
CUSTOMER RESPONSIBILITY KEY FIGURES					
CUSTOMER SATISFACTION	2019	2018	2017	GRI-STANDARD	EPRA-CODE
Net Promoter Score	34	35	33		
DATA PROTECTION	2019	2018	2017	GRI-STANDARD	EPRA-CODE
Requests related to personal data processing					
- requests for information	6				
- requests for data correction	1				
- requests for data removal	7				
- requests for objecting data processing	4				
Refusals of automatic decision making	0				
Requests for clarification and information by supervisory authorities	0			418-1	
Personal data breach notifications	0			418-1	
Serious information security incidents	0			418-1	
Suspected or detected personal data breaches	0			418-1	
Audits	2				

ECONOMIC RESPONSIBILITY KEY FIGURES

TAXES	2019	2018	2017	GRI-STANDARD	EPRA-CODE
Group's tax footprint, EUR million	approx. 90	approx. 106	approx. 104	203-2	
Income taxes, %	22	32	27	203-2	
Property taxes, %	12	9	9	203-2	
Transfer taxes, %	3	5	1	203-2	
Employment payments, %	4	4	4	203-2	
VAT non-deductible included in investments	22	19	29	203-2	
VAT non-deductible included in other procurements	25	21	21	203-2	
VAT remitted	6	4	4	203-2	
Withholdings from salaries	6	5	5	203-2	
Taxes and tax-like charges in total, EUR million	approx. 90	approx. 106	approx. 104	201-1	
PREVENTION OF CORRUPTION	2019	2018	2017	GRI-STANDARD	EPRA-CODE
Risk assessments related to bribery and corruption	0			205-1	
Confirmed corruption cases and actions	0			205-3	
FINANCIAL IMPACT	2019	2018	2017	GRI-STANDARD	EPRA-CODE
Distribution and creation of direct economic added value, EUR million				201-1	
Total revenue	337.0	358.8	337.0	201-1	
Operating profit	1,081.9	324.2	307.0	201-1	
Gross investments	259.9	365.2	367.3	201-1	
Corporate tax	19.9	34.1	28.6	201-1	
Salaries and fees	16.4	16.8	15.3	201-1	
Material indirect economic impacts, EUR million				203-2	
Indirect employment effect (person years)	4,951	4,491	6,971	203-2	



Members of Board of Directors

Minna Metsälä Member of the Board

b. 1967, Finnish citizen
M.Sc. (Economic Sciences)
Member of the Board of Kojamo since 2018 and member of the Remuneration Committee since 2018.
Independent of the company and its significant shareholders.

Matti Harjuniemi Member of the Board

b. 1958, Finnish citizen
M.Sc.
Member of the Board of Kojamo since 2010 and member of the Audit Committee since 2010.
Independent of the company and its significant shareholders.

Mikko Mursula Member of the Board

b. 1966, Finnish citizen
M.Sc. (Economics and Business Administration)
Deputy Chairman and member of the Board of Kojamo since 2016, Chairman of the Audit Committee 2016–2018, member of the Audit Committee since 2019.
Independent of the company.

Heli Puura Member of the Board

b. 1965, Finnish citizen
Master of Laws
Member of the Board of Kojamo since 2019 and member of the Audit Committee since 2019.
Independent of the company and its significant shareholders.

Mikael Aro Chairman of the Board

b. 1965, Finnish citizen
eMBA
Chairman of the Board of Kojamo since 2019 and Chairman of the Remuneration Committee since 2019.
Independent of the company and its significant shareholders.

Anne Leskelä Member of the Board

b. 1962, Finnish citizen
M.Sc. (Business Administration)
Member of the Board of Kojamo since 2018, member of the Audit Committee since 2018 and Chairman of the Audit Committee since 2019.
Independent of the company and its significant shareholders.

Reima Rytsölä Member of the Board

b. 1969, Finnish citizen
M.Soc.Sc., CEFA, AMP
Member of the Board of Kojamo since 2014 and member of the Remuneration Committee since 2015. Rytsölä was a member of the Audit Committee in 2014–2015.
Independent of the company.

More information on the Board of Directors and its activities is available on Kojamo's website, Kojamo's Corporate Governance Statement and Kojamo's Remuneration Statement.



Management Team 31 December 2019

Irene Kantor
Marketing and
Communications Director
b. 1968,
M.Sc. (Arts), eMBA

Ville Raitio
Chief Investment Officer
(CIO)
b. 1978,
M.Sc. (Econ.)

Tiina Kuusisto
Chief Customer Officer
(CCO)
b. 1968,
M.Sc. (Econ.)

Jani Nieminen
CEO
b. 1968,
M.Sc. (Tech.), MBA

Erik Hjelt
CFO
b. 1961,
Licentiate in Laws, eMBA

In 2019, Kojamo's Management Team also included Chief Development Officer **Teemu Suila** until 27 September 2019. **Katri Harra-Salonen** was appointed as Kojamo's Chief Digital Officer at the end of the year, and she subsequently took up her post on 7 January 2020. More information on the Management Team is provided on Kojamo's website.

Information for shareholders and investors

KOJAMO WAS LISTED on the stock exchange in summer 2018. Trading in Kojamo shares commenced on the pre-list of Nasdaq Helsinki on 15 June 2018 and on the official list on 19 June 2018. The year 2019 was our first full year as a listed company. We were active in organising roadshows in Europe during the year. We also participated in several seminars aimed at institutional investors. In addition, we participated in events aimed at private investors in Finland, including evening events organised by the Finnish Foundation for Share Promotion in Oulu and Helsinki, the Sijoitus

Invest event in Helsinki and the online SijoitusSummit event. Following the publication of our results, we have arranged news conferences at Kojamo's head office, which have also been available as live webcasts and via telephone conferencing.

We also began publishing an investor newsletter during the year. Kojamo's investor newsletters are primarily published always after an Interim Report and the subsequent roadshow. The purpose of the newsletter is to discuss the topical issues and themes related to Kojamo's investments that are relevant for investors.

BASIC INFORMATION ON THE SHARE

Listing market Nasdaq Helsinki

Listing date 15 June 2018

Trading currency EUR

Market value segment Large Cap

Industry Real estate

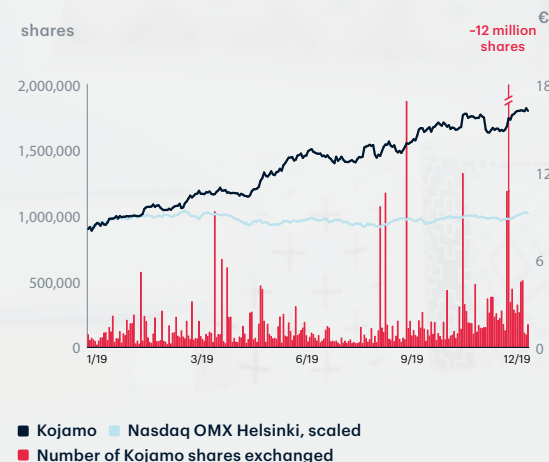
Trading code KOJAMO

ISIN code FI4000312251

Reuters symbol KOJAMO.HE

Bloomberg symbol KOJAMO:FH

KOJAMO'S SHARE PRICE DEVELOPMENT 1 JANUARY - 31 DECEMBER 2019



Kojamo's financial reporting in 2020

We published the 2019 Financial Statements Release, Financial Statements and The Board of Directors' Report on 13 February 2020. The 2020 Interim Reports and Half-Year Report will be published as follows:

- **Interim Report January–March 2020: 7 May 2020**
- **Half-Year Financial Report January–June 2020: 20 August 2020**
- **Interim Report January–September 2020: 5 November 2020**

The publications are preceded by a silent period, beginning 30 days prior to the publication of the next financial report. During the silent period, the representatives of the company do not meet with capital market representatives or issue statements regarding the company's business prospects, markets, financial performance or outlook to the media or other parties.

Analyst tracking

According to information we have received, the investment banks and stockbrokers listed below follow Kojamo on their own initiative. Kojamo does not assume responsibility for analysts' assessments.


- **Carnegie**
- **Goldman Sachs International**
- **JP Morgan Chase & Co.**
- **Kempen & Co**
- **Nordea Markets**
- **OP Corporate Bank**
- **SEB**

The analysts' up-to-date contact information is available on our website.

Investor relations

Maija Hongas, Manager, Investor Relations
tel. +358 20 508 3004
e-mail: maija.hongas@kojamo.fi

Flagging notifications are to be sent to: liputusilmoitukset@kojamo.fi. We aim to offer up-to-date and comprehensive information about Kojamo as an investment on our website.



KOJAMO'S LARGEST SHAREHOLDER 31 DECEMBER 2019		
Shareholders	Number of shares	% of share capital
1. Ilmarinen Mutual Pension Insurance Company	28,037,814	11.3
2. Varma Mutual Pension Insurance Company	26,862,375	10.9
3. Finnish Industrial Union	25,811,700	10.4
4. Trade Union of Education in Finland OAJ	15,081,498	6.1
5. Trade Union for the Public and Welfare Sectors JHL	13,097,020	5.3
6. Finnish Construction Trade Union	12,408,609	5.0
7. Trade Union PRO	10,460,270	4.2
8. Service Union United PAM	9,401,963	3.8
9. Åbo Akademi University Foundation	2,198,763	0.9
10. Elo Mutual Pension Insurance Company	1,595,345	0.7
Nominee registered and direct foreign shareholders	79,924,647	32.3
Other shareholders	22,264,395	9.0
Total	247,144,399	100.0



Glossary for investors

Gross investments

Gross investments illustrate the total volume of investments, including investments in new development and for example converting properties for residential purposes, housing stock acquisitions, modernisation investments and capitalised borrowing costs.

EPRA NAV

EPRA (European Public Real Estate Association) has developed performance measures for the comparable analysis of property investment companies.

The EPRA NAV performance measure is widely used in the real estate industry. NAV (Net Asset Value) roughly translates as the fair value of real estate properties, excluding net debt. EPRA NAV, on the other hand, represents the Group's net asset value, adjusted by items that are not expected to materialise while the company continues its operations. Such an item would be, for example, a deferred income tax liability that would become payable should the properties be sold. More information on the EPRA indicators is provided in the Financial Statements.

EPRA sBPR

EPRA supports the sustainability reporting of companies in the real estate industry and has created industry-specific sustainability indicators. Kojamo's report on 2019 is the first time the company is applying the EPRA sBPR reporting standard.

GRI

GRI (Global Reporting Initiative) has developed an internationally used standard for sustainability reporting. The reporting guidelines are aimed at describing operations from the perspectives of environmental responsibility, social responsibility and governance. Kojamo's report on 2019 is the first time the company is applying the GRI framework.

Carbon footprint

Our carbon footprint reflects the total carbon dioxide emissions generated by our operations in the area of property maintenance and ownership.

Funds From Operations (FFO)

Funds From Operations (FFO) is an indicator of business profitability. Unlike operating profit, FFO does not take into account changes in fair value or the gains and losses arising from asset sales. FFO is one of the two indicators used in our guidance for 2020. The dividend payment objective is also linked to this performance indicator.

Property maintenance and repair expenses

Property maintenance and repair expenses comprise the maintenance and repair costs arising from the regular and continuous maintenance of properties and they are recognised in the income statement above

net rental income. Maintenance expenses are primarily related to heating, electricity, waste management, water, estate management, property taxes, real estate insurance and other maintenance costs payable by Kojamo. Modernisation investments that improve the revenue-generating capacity of properties, such as pipe renovation projects, are recognised in gross investments and their impacts are reflected in fair value changes in the income statement.

Total revenue

Revenue consists of rental income and charges for utilities collected by Kojamo. Rental income is recognised monthly in accordance with the terms and conditions of valid tenancy agreements. Relating to the rental agreements, we collect utility charges, which mainly consist of water and sauna fees as well as fees for parking spaces. Total revenue is one of the two performance indicators referred to in our guidance for 2020.

Operating profit

Operating profit includes net rental income as well as other operating income and expenses, capital gains and losses, fair value changes and administrative expenses as well as depreciation and impairment.

Like for Like growth (Lfl)

Like for Like growth (Lfl) illustrates the



change in rental income for apartments owned for two consecutive years in the past 12 months compared to the previous 12-month period. LfL growth is influenced by changes in the financial occupancy rate, rent increases, the rents of new tenancy agreements compared to concluded agreements and the period of time between new and concluded tenancy agreements. LfL growth is also affected by changes in maintenance and repair expenses.

Loan to Value (LTV)

Loan to Value (LTV) (%) is an indicator of indebtedness. It is calculated by dividing net debt by the value of investment properties. The figure illustrates the amount of debt the Group has in relation to the fair value of its investment properties. Our strategic objective is to keep Loan to Value below 50 per cent.

Net rental income

Net rental income illustrates what is left of the rental income after deducting the maintenance and repair expenses of the properties.

Net Promoter Score (NPS)

NPS is an indicator of customer satisfaction. We ask customers at various stages of the customer relationship to indicate how likely they would be to recommend the company on a scale of 1–10. Scores of 1–6 have a negative effect on NPS, scores

of 7–8 have no effect and scores of 9–10 have a positive effect. The overall score thus obtained can range from -100 to 100. Our strategic objective is to achieve a Net Promoter Score of 40.

Specific consumption

Specific consumption measures the consumption of electricity or water, for example, per square metre. As the housing portfolio grows, specific consumption is a better illustration of the efficiency of electricity or water consumption.

Investment properties

Investment properties comprise apartments, business premises, land plots and ongoing projects and certain assets owned through shares, such as parking spaces, that are owned by us.

Fair value change of investment properties

The fair value of investment properties is changed by investment properties acquired and sold, modernisation investments, capitalised borrowing costs, transfers to own use and valuation gains or losses on fair value measurement.

TR index

TR index is a means of observing occupational safety at construction sites, with the

aim of monitoring key factors affecting on-site accidents.

Tax footprint

The tax footprint illustrates the distribution of the taxes and tax-like charges paid by the Group. Kojamo pays all of its taxes to Finland.

Valuation gains or losses on fair value measurement of investment properties

Investment properties are initially measured at their acquisition cost. Subsequently, they are measured at fair value, and the resulting changes in fair value are recognised in profit or loss as they arise. In our reporting, fair value refers to the price that would be received from selling an asset, or paid to transfer a liability, in an ordinary transaction between market participants on the measurement date. Fair value is determined quarterly. More information on fair value measurement principles is provided in the Financial Statements.

Financial occupancy rate

The financial occupancy rate is calculated by dividing actual rental income by potential rental income. In recent years, Kojamo's financial occupancy rate has been 96–98 per cent.

New yield-based valuation technique in the valuation of investment properties in use at the year-end 2019

IN SUMMER 2019 we announced that we will change from so-called transaction-based valuation technique to yield-based valuation technique in the valuation of our investment properties as of 31 December 2019. This is a change in accounting estimate by nature and not accounted for retrospectively. The impact of the change was recognised through profit or loss and it improved Kojamo's result for the financial year 2019.

Previously, majority of Kojamo's investment property portfolio was valued using transaction-based valuation technique. Our international peers, however, are mainly using yield-based valuation technique. The change makes Kojamo more comparable with its relevant international peer group.

The new valuation technique is based on 10-year discounted cash flow (DCF) calculations. The fair value of Kojamo'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 Kojamo's investment properties. The latest valuation statement was issued on 31 December 2019.



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