



**Kojamo plc's**  
**Financial Statements Release**  
**1 January – 31 December 2019**





Unless otherwise stated, the comparison figures in brackets refer to the corresponding period of the previous year. The information in the financial statements release is based on the Kojamo Plc's audited financial statements for the year 2019. The quarterly figures are unaudited.

All statements made in this report regarding the company or its business are based on the views of the management, and the sections addressing the general macro-economic or industry situation are based on third-party information. If there are differences between different language versions of the Financial Statements Release the Finnish version is the official one.

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## **KOJAMO PLC'S FINANCIAL STATEMENTS RELEASE 1 JANUARY – 31 DECEMBER 2019**

### **SUCCESSFUL YEAR 2019, STRATEGY HAS BEEN UPDATED**

#### **SUMMARY OF OCTOBER–DECEMBER 2019**

- Total revenue increased by 4.3 per cent to EUR 95.1 (91.2) million
- Net rental income increased by 0.2 per cent, totalling EUR 60.1 (60.0) million. Net rental income represented 63.3 (65.8) per cent of revenue
- Profit before taxes was EUR 839.9 (77.7) million. The profit includes EUR 801.4 (40.0) million in net gain on valuation of investment properties at fair value and EUR -0.1 (0.1) million in profits and losses from the sale of investment properties. Earnings per share was EUR 2.72 (0.25).
- Funds From Operations (FFO) decreased by 0.1 per cent and amounted to EUR 34.6 (34.7) million
- Gross investments totalled EUR 84.3 (59.4) million, representing 88.7 (65.1) per cent of total revenue

#### **SUMMARY OF JANUARY–DECEMBER 2019**

- Total revenue increased by 4.6 per cent to EUR 375.3 (358.8) million.
- Net rental income increased by 5.7 per cent, totalling EUR 247.3 (234.0) million. Net rental income was 65.9 (65.2) per cent of revenue.
- Profit before taxes was EUR 1,031.3 (277.3) million. The profit includes EUR 872.4 (127.5) million in net gain on the valuation of investment properties at fair value and EUR 0.1 (1.0) million in profits and losses from the sale of investment properties. Earnings per share was EUR 3.34 (0.93).
- Funds From Operations (FFO) increased by 20.9 per cent and amounted to EUR 140.7 (116.4) million.
- The fair value of investment properties was EUR 6.3 (5.1) billion at the end of the financial year. Kojamo shifted from a transaction-based valuation technique to a yield-based valuation technique in the valuation of investment properties from 31 December 2019 onwards.



- The financial occupancy rate improved and stood at 97.2 (97.0) per cent during the financial year.
- Gross investments totalled EUR 259.9 (365.2) million, representing 69.2 (101.8) per cent of total revenue.
- Equity per share was EUR 12.51 (9.54) and return on equity was 30.3 (10.1) per cent. Return on investment was 20.5 (7.2) per cent.
- EPRA NAV per share (net asset value) grew by 32.5 per cent and amounted to EUR 15.49 (11.69).
- At the end of the financial year, there were 1,316 (1,064) Lumo apartments under construction.
- The Board of Directors' dividend proposal is EUR 0.34 per share.

Kojamo owned 35,272 (34,713) rental apartments at the end of the financial year. In 2019, Kojamo acquired 260 (1,049) apartments, completed 816 (1,258) apartments, sold 520 (1,908) apartments and demolished or otherwise altered 3 (-69) apartments.

## **KOJAMO'S UPDATED STRATEGY 2020–2023**

The Board of Directors has gone through a strategy process in 2019 and following that, updated Kojamo's strategy. No major changes were made to the strategy. The strategy period was extended until the end of 2023 and adjustments were made to the strategic focal points and targets. Previously, the strategy period lasted until the end of 2021.

Our mission is to create better urban housing and our vision is to be the property market frontrunner and the number one choice for our customers. We seek for strong growth by even more profitable business. This is supported by optimised financing structure. We have the capability to pursue growth with a multi-channel approach and quickly react to opportunities. We strongly invest in servitisation and utilize digital solutions in our operations.

The updated strategic focal points are

- 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

The previous focal points were delivering the best customer experience, generating long-term shareholder value, leading on sustainable development and dynamic and professional place to work.

The updated strategic targets 2020–2023 are the following:



<b>Strategic targets 2020–2023</b>	<b>Target</b>
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

The previous targets were fair value of investment properties EUR 6 billion, number of apartments approximately 38,000, equity ratio over 40 per cent, Loan to Value (LTV) below 50 per cent, Funds from Operations (FFO) as percentage of total revenue over 32 per cent and Net Promoter Score 40.

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

More information about the updated strategy is available at section Strategic targets and achievements.

## **OUTLOOK FOR KOJAMO IN 2020**

Kojamo estimates that in 2020, the Group's total revenue will increase by 2–6 per cent year-on-year. In addition, the company estimates that the Group's FFO for 2020 will amount to between EUR 142–156 million, excluding one-off items.

The outlook takes into account the effects of the completed housing divestments and acquisitions, the estimated occupancy rate and rises in rents, as well as the number of apartments to be completed. The outlook is based on the management's assessment of total revenue, net rental income, administrative expenses, financial expenses, taxes to be paid and new development to be completed, as well as the management's view on future developments in the operating environment.

Additionally, the outlook is based on strong demand sustained by migration, which will increase Like-for-Like rental income. The management can influence total revenue and FFO through the company's business operations. In contrast, the management has no influence over market trends, the regulatory environment or the competitive landscape.

**KEY FIGURES**

	10-12/2019	10-12/2018	Change %	2019	2018	Change %
Total revenue, M€	95.1	91.2	4.3	375.3	358.8	4.6
Net rental income, M€ <sup>1)</sup>	60.1	60.0	0.2	247.3	234.0	5.7
Net rental income margin, % <sup>1)</sup>	63.3	65.8		65.9	65.2	
Profit before taxes, M€ <sup>1)</sup>	839.9	77.7	980.5	1,031.3	277.3	271.9
EBITDA, M€ <sup>1)</sup>	851.5	89.9	847.1	1,083.1	325.1	233.2
EBITDA margin, % <sup>1)</sup>	895.7	98.6		288.6	90.6	
Adjusted EBITDA, M€ <sup>1)</sup>	50.0	49.7	0.7	210.3	196.5	7.0
Adjusted EBITDA margin, % <sup>1)</sup>	52.6	54.5		56.0	54.8	
Funds From Operations (FFO), M€ <sup>1)</sup>	34.6	34.7	-0.1	140.7	116.4	20.9
FFO margin, % <sup>1)</sup>	36.4	38.0		37.5	32.4	
FFO excluding one-off items, M€ <sup>1)</sup>	34.6	34.7	-0.1	140.7	117.3	20.0
Investment properties, M€				6,260.8	5,093.2	22.9
Financial occupancy rate, %				97.2	97.0	
Interest-bearing liabilities, M€ <sup>1)</sup>				2,674.2	2,485.5	7.6
Return on equity, % (ROE) <sup>1)</sup>				30.3	10.1	
Return on investment, % (ROI) <sup>1)</sup>				20.5	7.2	
Equity ratio, % <sup>1)</sup>				46.9	43.0	
Loan to Value (LTV), % <sup>1)</sup>				40.5	45.9	
EPRA NAV, M€				3,828.0	2,889.1	32.5
Gross investments, M€ <sup>1)</sup>	84.3	59.4	41.9	259.9	365.2	-28.8
Number of personnel, end of period				296	298	
<b>Key figures per share, € <sup>2)</sup></b>	<b>10-12/2019</b>	<b>10-12/2018</b>	<b>Change %</b>	<b>2019</b>	<b>2018</b>	<b>Change %</b>
FFO per share <sup>1)</sup>	0.14	0.14	0.0	0.57	0.49	16.3
Earnings per share	2.72	0.25	988.0	3.34	0.93	259.1
EPRA NAV per share				15.49	11.69	32.5
Equity per share				12.51	9.54	31.1
Dividend per share <sup>3)</sup>				0.34	0.29	17.2

<sup>1)</sup> In accordance with the guidelines issued by the European Securities and Markets Authority (ESMA), Kojamo provides an account of the Alternative Performance Measures used by the Group in the Key figures, the formulas used in their calculation, and reconciliation calculations in accordance with ESMA guidelines section of its financial statements.

1) The transition to IFRS 16 *Leases* had an effect of 0.6 percentage points on this key figure during the financial year.

2) Key figures per share have been adjusted to reflect the impact of the decision by the Extraordinary General Meeting of Shareholders on 25 May 2018 regarding the share split. In the share split the shareholders received 30 new shares per each existing share.

3) 2019: The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.34 per share be paid.



## CEO'S REVIEW

Our progress in the implementation of our strategy was in line with our plans in 2019. Total revenue grew by 4.6 per cent, net rental income by 5.7 per cent and Funds From Operations (FFO) by as much as 20.9 per cent. Our strong performance was supported by successful investments, higher Like-for-Like rental income and the success of our operating activities. At the end of the year, 98.8% of our apartments were located in the seven growth centres specified 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.

Competition remained intense in the investment market during the year. Nevertheless, we were able to achieve multi-channel growth. The reverse tendering process we initiated in the spring produced new agreements with SRV and Hausia on the construction of more than 900 apartments in the Helsinki region. Some of the apartments were already completed in the autumn, while the rest will support our growth in the coming years. In December, we acquired 143 apartments in Helsinki and Vantaa from the Valio Pension Fund and Valio Mutual Pension Insurance Fund. We have also been successful in buying individual properties on the market in key locations in Helsinki. We started construction on 1,066 rental apartments during the year. In addition, we sold a total of 520 non-strategic apartments.

Our financial occupancy rate rose to 97.2 per cent in 2019 in spite of a slight increase in tenant turnover. Our steady growth has been supported by the development of renting processes and the growth of our webstore. In 2019, half of all tenancy agreements were signed on the webstore. Our customer satisfaction is also at a high level. Our Net Promoter Score was 34 in 2019. At the beginning of the year, our customers were given access to the My Lumo mobile application. Among other things, the application can be used by Lumo residents to pay rent as well as submit fault reports and monitor their progress. A large proportion of our customers have started to use the service and we will continue to develop the platform with the aim of providing more services that make life easier 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 through investments as well as services and new initiatives that create added value for our customers. We provide easy and effortless services for our customers. Our strategy is supported by our optimised financing structure. We want to create competitiveness and profitability through industry-leading operating models. The key source of our renewal is the use of digital solutions in our business and in enhancing our own operations. We invest in highly competent personnel as well as a dynamic and results-driven corporate culture.

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. Late in the year, we announced that Fortum's carbon-neutral district heating has been introduced at some of our properties, reducing the carbon footprint of maintenance by 10 per cent. We have also introduced hydropower-certified property electricity at all of our properties, which also helps reduce our carbon footprint. More information on our responsibility-related efforts will be provided in our Annual Report, which 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.

Jani Nieminen  
CEO



## OPERATING ENVIRONMENT

### General operating environment

As Kojamo operates in the residential real estate sector, the company is affected particularly by urbanisation as well as 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.

<b>OPERATING ENVIRONMENT KEY FIGURES</b>	<b>2021e</b>	<b>2020e</b>
GDP growth forecast, %	1.1	1.0
Unemployment, %	6.4	6.5
Inflation, %	1.6	1.3

Source: Ministry of Finance, Economic survey 12/2019

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

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

1) Rolling 12 months, November 2019

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

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 declined substantially during last year. The majority of the drop in the volume of residential construction will take place in the latter half of this year. 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.

### Effects of urbanisation

AREA	Population growth forecast	Share of rental household-dwelling units	
	2019–2030	2010	2018
Helsinki	11.7%	47.1%	49.3%
Capital region <sup>1)</sup>	13.0%	41.9%	44.9%
Helsinki region <sup>2)</sup>	10.5%	37.7%	40.6%
Jyväskylä	7.1%	40.2%	43.8%
Kuopio	2.9%	36.5%	39.6%
Lahti	0.3%	37.3%	40.4%
Oulu	7.3%	36.7%	40.7%
Tampere	11.7%	42.2%	48.2%
Turku	8.5%	43.0%	48.3%
Other areas	-6.4%	23.8%	25.3%

1) Helsinki, Espoo, Kauniainen, Vantaa

2) Capital region, Hyvinkää, Järvenpää, Kerava, Kirkkonummi, Mäntsälä, Nurmijärvi, Pornainen, Porvoo, Riihimäki, Sipoo, Tuusula, Vihti

Sources: Statistics Finland, Dwellings and Housing Conditions 2018, Population forecast 2019

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 OPERATIONS**

Kojamo is the largest<sup>1</sup> private residential real estate company in Finland measured by the fair value of investment properties. Kojamo offers rental apartments and housing services for residents primarily in Finnish growth centres<sup>2</sup>. Kojamo's had 35,272 (34,713) rental apartments in its property portfolio at the end of the financial year. The fair value of Kojamo's investment properties amounted to EUR 6.3 (5.1) billion at the end of the financial year. Investment properties include completed apartments as well as development projects and land areas.

Measured at fair value on 31 December 2019, 98.8 per cent of Kojamo's rental apartments were located in the seven largest Finnish growth centres, 87.2 per cent in the Helsinki, Tampere and Turku regions and 72.9 per cent in the Helsinki region.

## **FINANCIAL DEVELOPMENT OCTOBER–DECEMBER 2019**

### **TOTAL REVENUE**

Kojamo's total revenue in October–December 2019 increased to EUR 95.1 (91.2) million. Total revenue is generated entirely by income from rental operations.

The increase in total revenue was mainly due to the completion of rental apartments in 2018 and during the review period as well as the Like-for-Like (LfL) growth of rental income.

### **RESULT AND PROFITABILITY**

Net rental income increased to EUR 60.1 (60.0) million, representing 63.3 (65.8) per cent of total revenue. The increase in net rental income was mainly due to the completion of rental apartments in 2018 and during the review period as well as the Like-for-Like (LfL) growth of rental income.

Profit before taxes amounted to EUR 839.9 (77.7) million. The profit includes EUR 801.4 (40.0) million in net gain on the valuation of investment properties at fair value and EUR -0.1 (0.1) million in profits and losses from the sale of investment properties. Profit before taxes and excluding the net valuation gain on the fair value assessment of investment properties increased by EUR 0.7 million.

Financial income and expenses were EUR -11.5 (-12.2) million. Financial income and expenses include EUR 1.3 (-0.1) million in unrealised changes in the fair value of derivatives.

Funds From Operations (FFO) amounted to EUR 34.6 (34.7) million.

## **FINANCIAL DEVELOPMENT JANUARY–DECEMBER 2019**

### **TOTAL REVENUE**

Kojamo's total revenue increased to EUR 375.3 (358.8) million. Total revenue is generated entirely by income from rental operations.

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<sup>1</sup> KTI Property Information Ltd: The Finnish property market 2019. Investment properties include apartments, ongoing projects, plots owned by the company and ownership of certain assets through shares, such as parking spaces. Fair value represents the fair value of investment properties and includes investment properties classified as non-current assets held for sale.

<sup>2</sup> Helsinki, Tampere, Turku, Kuopio and Lahti regions and the cities of Oulu and Jyväskylä.



The increase in total revenue was mainly due to the completion of rental apartments in 2018 and during the financial year as well as the Like-for-Like (LfL) growth of rental income. Like-for-Like growth is defined as the change of rental income for properties owned for two consecutive years in the past 12 months compared to the previous 12-month period.

## RESULT AND PROFITABILITY

Net rental income grew to EUR 247.3 (234.0) million, representing 65.9 (65.2) per cent of revenue. The increase in net rental income was mainly due to the completion of rental apartments in 2018 and during the financial year as well as the Like-for-Like (LfL) growth of rental income. Profit before taxes was EUR 1,031.3 (277.3) million. The profit includes EUR 872.4 (127.5) million in net gain on the valuation of investment properties at fair value and EUR 0.1 (1.0) million in profits and losses from the sale of investment properties. The net gain on the valuation of investment properties at fair value increased mainly due to the adoption of a new valuation technique. Profit before taxes and excluding the net valuation gain on the fair value assessment of investment properties increased by EUR 9.0 million.

Financial income and expenses totalled EUR -50.8 (-47.1) million. Financial income and expenses include EUR -2.0 (-0.4) million in unrealised changes in the fair value of derivatives. Financial income and expenses were EUR 3.7 million higher than in the comparison period due to an increase in the amount of interest-bearing liabilities. Kojamo adopted IFRS 16 Leases on 1 January 2019. The new standard affected net rental income by EUR 3.5 million, operating profit by EUR 2.5 million and financial income and expenses by EUR -2.5 million. The impact of IFRS 16 Leases adoption on the profit for the financial year was EUR 0.0 million. The profit in the comparison period included EUR 0.8 million in non-recurring costs arising from arrangements related to the Group's listing on the stock exchange and the issuing of shares.

Funds From Operations (FFO) amounted to EUR 140.7 (116.4) million. The increase in FFO during the financial year was attributable to the improved net rental income and the fact that FFO in the comparison period was reduced by taxes arising from portfolio sales.

## BALANCE SHEET, CASH FLOW AND FINANCING

	31 Dec 2019	31 Dec 2018
Balance sheet total, M€	6,590.4	5,485.4
Equity, M€	3,090.6	2,358.1
Equity per share, €	12.51	9.54
Equity ratio, %	46.9	43.0
Return on equity, % (ROE)	30.3	10.1
Return on investment, % (ROI)	20.5	7.2
Interest-bearing liabilities, M€	2,674.2	2,485.5
Loan to Value (LTV), %**)	40.5	45.9
Average interest rate of loan portfolio, % *)	1.8	1.8
Average loan maturity, years	4.7	5.5
Cash and cash equivalents, M€	137.3	150.1

\*) Includes interest rate derivatives

\*\*\*) IFRS 16 Leases had an effect of 0.6 percentage points on this key figure during the financial year.

Kojamo's liquidity was excellent in the financial year. At the end of the financial year, Kojamo's cash and cash equivalents stood at EUR 137.3 (150.1) million and liquid financial assets at EUR 132.1 (172.3) million.



EUR 50.0 (50.0) million of the EUR 250 million commercial paper programme was in use at the end of the financial year. In addition, Kojamo has committed credit facilities of EUR 300 million and an uncommitted credit facility of EUR 5 million that remained unused at the end of the financial year.

In June, Kojamo plc and OP Corporate Bank signed an agreement 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.

## REAL ESTATE PROPERTY AND FAIR VALUE

M€	31 Dec 2019	31 Dec 2018
Fair value of investment properties on 1 Jan	5,093.2	4,710.2
Acquisition of investment properties	227.3	338.9
Modernisation investments	30.7	23.7
Disposals of investment properties	-26.0	-109.6
Capitalised borrowing costs	1.9	2.6
Right-of-use assets *)	61.3	
Transfer to own use		0.0
Profit/loss on fair value of investment properties	872.4	127.5
<b>Fair value of investment properties at the end of the period</b>	<b>6,260.8</b>	<b>5,093.2</b>

\*) IFRS 16 Leases

Kojamo owned a total of 35,272 (34,713) rental apartments in 30 (32) municipalities at the end of the financial year. The company aims to divest its apartments outside the seven major growth centres in Finland.

Kojamo shifted from a transaction-based valuation technique to a yield-based valuation technique in the valuation of investment properties from 31 December 2019 onwards. This represents a change in accounting estimates and it was not applied retrospectively. The influence of the change on the fair value of investment properties was approximately EUR 800 million. The yield-based valuation technique will make the company more comparable with its relevant international peer group.

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. The criteria for determining fair value are presented in the Notes to the Financial Statements.

At the end of the financial year, the plot and real estate development reserve held by the Group totalled about 194,000 floor sq.m. (211,000 floor sq.m.). The fair value of the plot and real estate development reserve (including the Metropolia properties) was EUR 159 (185) million at the end of the financial year.



## RENTAL HOUSING

<b>Lumo brand</b>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
Number of apartments	34,677	33,058
Average rent, €/m <sup>2</sup> /month	16.13	15.69
Average rent, €/m <sup>2</sup> /month, yearly average	15.96	15.53
<b>VVO brand</b>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
Number of apartments	595	1,655
Average rent, €/m <sup>2</sup> /month	15.04	13.81
Average rent, €/m <sup>2</sup> /month, yearly average	14.62	13.74

Kojamo responds to the trends of urbanisation, digitalisation and communality in accordance with its strategy, providing its customers with apartments with good locations and services that make daily life easier, increase the attractiveness of housing and improve the sense of community. Our aim is to develop a networked service platform that will enable agile innovation implementation in cooperation with other operators. Kojamo's properties serve as a platform to which the new services can easily be connected. Demand for rental housing remained strong in growth centres during the financial year, and the urbanisation trend that supports long-term demand continued. Studios and one-bedroom apartments continued to be in highest demand during the financial year.

The number of tenancy agreements signed via the Lumo webstore continued to increase sharply during the financial year. By the end of the year, more than 15,000 tenancy agreements had been signed on the Lumo webstore. All Lumo rental apartments that become vacant are available for rent on the Lumo webstore, where customers can choose their preferred apartment.

Kojamo has adopted the practice of a separate water charge in its tenancy agreements. Previously, the water charge was included in the rent. The new practice will be implemented in all new tenancy agreements. Water charges for the financial year 2019 totalled EUR 6.2 (3.1) million.

<b>Rental housing key figures</b>	<b>1-12/2019</b>	<b>1-12/2018</b>
Financial occupancy rate, %	97.2	97.0
Tenant turnover rate, excluding internal turnover, %	29.6	28.8
Like-for-Like rental income growth, % *)	2.7	2.4
Rent receivables in proportion to revenue, %	1.3	1.4

\*) Change of rental income for properties owned for two consecutive years in the past 12 months compared to the previous 12-month period.

The financial occupancy rate increased during the year. The increase in the occupancy rate was supported by the successful development of rental processes and the growth of the Lumo webstore. At the end of the financial year, 101 (85) apartments were vacant due to renovations.



## Kojamo's property portfolio by region as at 31 December 2019

Region	Number of apartments, units	Number of commercial premises and other leased premises, units	Fair value, M€	Fair value, K€/unit	Fair value, €/sq.m.	Financial occupancy rate, %
Helsinki region	20,565	311	4,284	205	3,635	98.0
Tampere region	4,942	126	627	124	2,400	96.5
Turku region	1,848	17	213	114	1,977	97.7
Oulu	2,220	19	183	82	1,548	96.5
Jyväskylä	1,771	2	186	105	1,995	93.6
Kuopio region	1,674	47	163	95	1,773	94.5
Lahti region	1,436	4	149	103	1,843	95.1
Other	816	20	71	84	1,504	95.6
<b>Total</b>	<b>35,272</b>	<b>546</b>	<b>5,875<sup>1)</sup></b>	<b>164</b>	<b>2,970</b>	<b>97.2</b>
Other			386 <sup>2)</sup>			
<b>Total portfolio</b>	<b>35,272</b>	<b>546</b>	<b>6,261</b>			

1) The figures reflect income-generating portfolio assets, which excludes ongoing projects, plots owned by the company and ownership of certain assets through shares.

2) Fair value of ongoing projects, plots owned by the company and ownership of certain assets through shares and IFRS 16 right-of-use assets.

## INVESTMENTS, DIVESTMENTS AND REAL ESTATE DEVELOPMENT

Investments, M€	31 Dec 2019	31 Dec 2018
Acquired investment properties	227.3	338.9
Modernisation investments	30.7	23.7
Capitalised borrowing costs	1.9	2.6
<b>Total</b>	<b>259.9</b>	<b>365.2</b>
Repair expenses, M€	36.9	35.4
Number of apartments	31 Dec 2019	31 Dec 2018
Apartments at the start of the financial year	34,713	34,383
Divestments	-520	-1,908
Acquisitions	260	1,049
Completed	816	1,258
Demolished or altered	3	-69
Apartments at the end of the financial year	35,272	34,713
Started during the financial year	1,066	797
Under construction on 31 Dec	1,316	1,064
Preliminary agreements for new construction	930	380



A total of 260 apartments were acquired during the financial year. Kojamo signed an agreement on 30 April regarding the acquisition of the entire share capital of Kiinteistö Oy Helsingin Somerontie 14. Consisting of 83 apartments and one unit of business premises, the building is located in Helsinki's Vallila district in close proximity to good transportation connections and services. In addition, Kojamo signed an agreement on 1 July to acquire the entire share capital of the housing company Bostads Ab Fasanen i Helsingfors. Consisting of 18 apartments and one unit of business premises, the building is located in the centre of Helsinki. On 18 December, Kojamo signed an agreement with the Valio Pension Fund and the Valio Mutual Pension Insurance Fund on the acquisition of 143 apartments in Konala, Helsinki and Pähkinärinne, Vantaa.

In August, Kojamo sold 478 rental apartments in 12 locations across Finland to Olo Asunnot. In addition, a further 42 rental apartments were sold during the financial year. The divestments during the financial year were part of the implementation of Kojamo's strategy of focusing on Finland's seven largest growth centres.

On 30 August, Kojamo signed cooperation agreements with SRV and Hausia on the construction of 527 and 378 Lumo rental apartments respectively. The completion of individual projects under the agreements is subject to the customary terms and conditions. The first 42 apartments covered by the agreement signed with SRV were completed in September. Of the apartments covered by the agreement with Hausia, construction began in November on 47 apartments in Espoon keskus. Construction has not yet begun on the other apartments covered by the agreements.

On 9 December, Kojamo signed an agreement with Peab on the construction of 64 rental apartments in Sompasaari, Helsinki. On 2 September, Kojamo signed an agreement with Hartela on the construction of 94 apartments in Espoo's Niittykumpu district.

Of the apartments under construction, 1,260 (850) are located in the Helsinki region and 56 (214) in other Finnish growth centres. A total of 816 (1,258) apartments were completed in 2019.

Modernisation investments during the financial year amounted to EUR 30.7 (23.7) million and repair costs totalled EUR 36.9 (35.4) million.

<b>Binding acquisition agreements for new development, M€</b>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
Actual costs incurred from new construction in progress	166.8	90.3
Cost of completing new construction in progress	148.2	77.8
<b>Total</b>	<b>314.9</b>	<b>168.1</b>

<b>Plots and real estate development sites owned by the company</b>	<b>31 Dec 2019</b>		<b>31 Dec 2018</b>	
	<b>M€</b>	<b>1,000 fl.sq.m.</b>	<b>M€</b>	<b>1,000 fl.sq.m.</b>
Plots	45.9	75	60.1	83
Plots and existing residential building	27.6	42	30.0	43
Conversions	85.5	77	95.3	85
<b>Total <sup>1)</sup></b>	<b>159.0</b>	<b>194</b>	<b>185.4</b>	<b>211</b>

<b>Binding preliminary agreements and provisions for plots and real estate development</b>	<b>31 Dec 2019</b>		<b>31 Dec 2018</b>	
	<b>M€</b>	<b>1,000 fl.sq.m.</b>	<b>M€</b>	<b>1,000 fl.sq.m.</b>
Preliminary agreements for new construction <sup>2)</sup>	208.9		60.3	
Estimate of the share of plots of preliminary agreements for new development <sup>1)</sup>	32.4	53	18.1	23
Preliminary agreements and reservations for plots <sup>1)</sup>	42.1	68	65.9	97

1) The management's estimate of the fair value and building rights of the plots

2) Including plots



## **STRATEGIC TARGETS AND ACHIEVEMENTS**

### **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% (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 (LTV) 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 service platform, which provides our residents and partners with a platform 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 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 capacity to pursue 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 convenient services for our customers along with new added 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.

<b>Strategic targets 2020–2023</b>	<b>Target</b>
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

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

## SHARES AND SHAREHOLDERS

### Issued shares and share capital

Kojamo's share capital on 31 December 2019 was EUR 58,025,136 and the number of shares at the end of the financial year totalled 247,144,399.

Kojamo has a single series of shares, and each share entitles its holder to one vote in the general meeting of shareholders of the company. There are no voting restrictions related to the shares. The shares have no nominal value. The company shares belong to the book-entry system.

The trading code of the shares is KOJAMO and the ISIN code is FI4000312251.



## Trading in the company's share

Trading in Kojamo's shares commenced on the pre-list of Nasdaq Helsinki on 15 June 2018 and on the official list of Nasdaq Helsinki on 19 June 2018.

<b>Share price and trading*</b>	<b>1 January – 31 December 2019</b>	<b>15 June – 31 December 2018</b>
Lowest price, €	8.00	8.11
Highest price, €	16.48	9.75
Average price, €	13.48	8.65
Closing price, €	16.20	8.11
Market value of share capital, 31 Dec, M€	4,003.7	2,003.1
Share trading, million units	51.1	68.1
Share trading of total share stock, %	20.7	27.6
Share trading, M€	688.7	589.8

\*) Including the sale of shares related to the listing in 2018.

In addition to the Nasdaq Helsinki stock exchange, Kojamo shares were traded on other marketplaces, such as Cboe BXE, Cboe APA and Posit. During the period 1 January–31 December 2019, more than 60 million Kojamo shares were traded on alternative marketplaces, corresponding to approximately 50 per cent of the total trading volume (Sources: Fidessa, 1 January–26 July 2019, Reuters 29 July–31 December 2019).

## Own shares

Kojamo did not hold any of its own shares during or at the end of the review period.

## Dividend

In accordance with the Board of Directors' proposal, the Annual General Meeting on 14 March 2019 decided that a dividend of EUR 0.29 per share, or EUR 71,671,875.71 in total, be paid for the financial year 2018 and that EUR 325,310,236.78 be retained in unrestricted equity. The dividend payment date was 2 April 2019.

## Shareholders

At the end of the review period, the number of registered shareholders was 5,197, including nominee-registered shareholders. The proportion of nominee-registered and direct foreign shareholders was 33.3 per cent of the company's shares at the end of the financial year. The 10 largest shareholders owned in aggregate 58.7 per cent of Kojamo's shares at the end of the financial year.

The list of Kojamo's shareholders is based on information provided by Euroclear Finland Ltd (formerly the Finnish Central Securities Depository).

## The Board of Directors' authorisations

Kojamo's Annual General Meeting on 14 March 2019 authorised the Board of Directors to decide on the repurchase and/or acceptance as pledge of an aggregate maximum of 24,714,439 of the company's own shares according to the proposal of the Board of Directors. The proposed amount of shares corresponds to approximately 10 per cent of all the shares of the company. The



authorisation will remain in force until the closing of the next Annual General Meeting, however no longer than until 30 June 2020.

The Board of Directors was also authorised to decide on the issuance of shares and the issuance of special rights entitling to shares as referred to in Chapter 10, Section 1 of the Companies Act according to the proposal of the Board of Directors. The number of shares to be issued on the basis of the authorisation shall not exceed an aggregate maximum of 24,714,439 shares, which corresponds to approximately 10 per cent of all the shares of the company. The authorisation applies to both the issuance of new shares and the conveyance of own shares held by the company. The authorisation will remain in force until the closing of the next Annual General Meeting, however no longer than until 30 June 2020.

### **Flagging notifications**

#### *Flagging notification 28 October 2019*

On 28 October 2019, Kojamo received a notification pursuant to the Securities Market Act from Trade Union Pro. The holdings of Trade Union Pro in Kojamo's shares fell below 5 per cent on 25 October 2019. Following the transaction, Trade Union Pro's holdings in Kojamo plc amounted to 12,319,698 shares, corresponding to 4.9848 per cent of Kojamo plc's shares and votes.

#### *Flagging notification 25 April 2019*

On 25 April 2019, Kojamo received a notification pursuant to the Securities Markets Act from Service Union United PAM. The holdings of Service Union United PAM in Kojamo's shares fell below 5 per cent on 24 April 2019. Following the transaction, Service Union United PAM's holding in Kojamo plc amounted to 11,920,660 shares, corresponding to 4.82 per cent of Kojamo plc's shares and votes.

### **Managers' transactions and shareholding**

Managers' transactions at Kojamo in 2019 have been published as stock exchange releases and they are available on the Kojamo website at <https://kojamo.fi/en/news>.

The members of the Board of Directors or corporations over which they exercise control owned a total of 34,809 shares and share-based rights in the company or in companies belonging to the same Group as the company. The members of the Management Team or corporations over which they exercise control owned a total of 127,230 (96,286) shares and share-based rights in the company or in companies belonging to the same Group as the company. These shares represent 0.07 (0.04) per cent of the company's entire share capital.

## **GOVERNANCE**

### **Annual General Meeting**

Kojamo's Annual General Meeting on 14 March 2019 adopted the financial statements and discharged the members of the Board of Directors and the CEO from liability for the financial year 2018. The AGM also elected the members of the Board of Directors and decided on their remuneration. The AGM authorised the Board of Directors to resolve on one or more share issues or the issuance of special rights entitling to shares, as referred to in Chapter 10, Section 1 of the Companies Act. The minutes of the AGM are available at <https://kojamo.fi/en/investors/corporate-governance/annual-general-meeting/>.



## **Board of Directors and auditors**

The members of Kojamo's Board of Directors are Mikael Aro (Chairman), Mikko Mursula (Vice-Chairman), Matti Harjuniemi, Anne Leskelä, Minna Metsälä, Heli Puura and Reima Rytsölä. The company's auditor is KPMG Oy Ab, with Authorised Public Accountant Esa Kailiala as the auditor with principal responsibility.

## **Board committees**

Kojamo's Board of Directors has established two permanent committees, an Audit Committee and a Remuneration Committee. Anne Leskelä (Chairman), Matti Harjuniemi, Mikko Mursula and Heli Puura serve in the Audit Committee. Mikael Aro (Chairman), Minna Metsälä and Reima Rytsölä serve in the Remuneration Committee.

## **Nomination Board**

A stock exchange release was issued on 10 September 2019 announcing the composition of Kojamo plc's Nomination Board. Kojamo's three largest shareholders nominated the following members to the Shareholders' Nomination Board: Jouko Pölönen, CEO, Ilmarinen Mutual Pension Insurance Company; Risto Murto, CEO, Varma Mutual Pension Insurance Company; and Riku Aalto, President, Finnish Industrial Union. In addition, the Chairman of Kojamo's Board of Directors serves as an expert member of the Nomination Board.

The Shareholders' Nomination Board is a body established by the Annual General Meeting consisting of shareholders, with the task of annually preparing and presenting proposals for the General Meeting concerning the number, composition and Chairman of the Board of Directors, remuneration of the Board of Directors and remuneration of the members of the Board Committees.

## **CEO**

Jani Nieminen, M.Sc. (Tech.), MBA was CEO during the review period. The CEO's deputy was CFO Erik Hjelt, Licentiate in Laws, EMBA.

## **Management Team**

Chief Customer Officer Tiina Kuusisto and Chief Investment Officer Ville Raitio joined Kojamo's Management Team on 7 January 2019.

On 27 September 2019, Kojamo announced that Teemu Suila, Chief Development Officer and a member of the Management Team, was leaving Kojamo by mutual agreement and that his work obligation would end immediately. The responsibility for business development was transferred immediately to CEO Jani Nieminen for the transition period.

At the end of the financial year, the members of the Management Team were Jani Nieminen, CEO; Erik Hjelt, CFO; Irene Kantor, Marketing and Communications Director; Tiina Kuusisto, Chief Customer Officer; and Ville Raitio, Chief Investment Officer.

## **PERSONNEL**

At the end of 2019, Kojamo had a total of 296 (298) employees, of who 267 (274) were on permanent contracts and 29 (24) were on temporary contracts. The average number of personnel



during the year was 305 (319). The average length of service was 9.9 (10.0) years. Personnel turnover in 2019 was 14.6 (10.2) per cent. The company hired a total of 50 summer employees in 2019.

The salaries and fees paid during the financial year totalled EUR 16.4 (16.8) million.

### **Annual performance bonus and incentive system**

Kojamo's employees are included in an annual performance bonus system which is based on the achievement of the company's general targets as well as personal targets.

Kojamo also has a long-term share-based incentive plan for the Group's key personnel. The reward is based on reaching the targets set for Kojamo's key business criteria in relation to the Group's strategic goals. Three performance periods were ongoing at the end of the financial year: 2017–2019, 2018–2020, 2019–2021.

On 14 February 2019, Kojamo's Board of Directors resolved on the long-term incentive plan's performance period of 2019–2021. The possible rewards for the performance period are based on the Group's revenue, return on equity (%) and Funds From Operations (FFO) per share. The rewards to be paid on the basis of the performance period correspond to the value of a maximum total of 107,642 shares including the proportion to be paid in cash.

If the three ongoing earning periods were accrued in full, the maximum bonus would be a sum corresponding to 300,820 Kojamo shares, of which 50 per cent would be paid in Kojamo shares and 50 per cent in cash. More information on the long-term incentive plan is provided in Kojamo's Remuneration Statement for 2019.

## **SUSTAINABILITY**

Pursuing corporate responsibility is integral to Kojamo's operations and corporate culture. Kojamo focuses especially on responsibility towards its customers, its obligations as a contractor as well as clear communication to its shareholders about the company's corporate and social responsibility processes. Kojamo acts transparently and in an ethical manner and also requires responsible operations from its partners.

Kojamo is committed to developing new and modern construction solutions, housing services and ecological innovations related to energy-efficient housing solutions. All of Kojamo's new construction projects utilising the company's own plot reserves will be nearly zero-energy buildings in accordance with FInZEB concepts and guidelines. In addition, Kojamo will focus on managing the energy consumption of the buildings in its portfolio. Leanheat Oy's AI-based IoT solution already controls the indoor temperature of 29,000 Kojamo-owned apartments.

Kojamo is involved in several corporate responsibility programmes. After reaching the targets of the Rental Property Action Plan (VAETS) under the Property and Building Sector Energy Efficiency Agreement that ended in 2016, Kojamo joined the agreement's continuation period, VAETS II. Kojamo's energy saving target relating to the Rental Property Action Plan for the period 2017–2025 is to decrease energy consumption by 7.5 per cent from the 2015 level. All of Kojamo's properties use Helen's hydropower-certified electricity. In addition, carbon-neutral district heating which reduces carbon footprint of maintenance by 10 per cent was introduced in part of Kojamo's properties in Autumn 2019. Kojamo is also the only Finnish real estate company in the Climate Leadership Coalition.

The anti-grey economy models used by Kojamo exceed legislative requirements in many respects. The company continuously monitors the fulfilment of contractor obligations for all companies in its





supplier network through the Reliable Partner service on the tilaajavastuu.fi website. The taxes and tax-like charges of Kojamo totalled approximately EUR 90 million in 2019 and approximately EUR 106 million in 2018.

The residents of Lumo homes have the opportunity to enjoy eco-friendly motoring. Anyone living in a Lumo home can reserve a shared car. Starting from summer 2019, all of these shared cars are self-charging full hybrid vehicles.

Kojamo also works to promote its corporate culture and the well-being of its personnel. In February 2020, Kojamo was recognised by Corporate Spirit in the “Finland’s most inspiring workplaces” survey for the third consecutive time.

Kojamo’s sponsorship and grant programme provides financial support for young talents. The programme covers not only individual sports but also team sports. Personal grants are awarded to athletes aged 12–20 to encourage them in their sporting careers. Those living in Lumo and VVO homes are given priority. In 2019, the sponsored athletes are Anna Haataja (orienteering, long-distance running), Joonas Kangas (ski slopestyle), Henry Manni (wheelchair racing), Oskari Mörö (athletics), Emmi Parkkisenniemi (snowboarding) and Nooralotta Neziri (athletics). A total of 360 grants have been awarded since 2012.

Kojamo will publish a Sustainability Report as part of the 2019 Annual Report to describe our sustainability efforts and their results in more detail. Our report on the year 2019 will mark 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).

## **NEAR-TERM RISKS AND UNCERTAINTIES**

There were no significant changes in Kojamo’s near-term risks and uncertainties during the financial year.

Kojamo estimates that the risks and uncertainties in the current financial year are related, first and foremost, to the development of the Finnish economy. The economic development is reflected in both the housing and financial markets. These factors may have an impact on Kojamo’s profit and cash flow.

The general development of the economic climate in Finland may influence the fair value of the company’s apartments and the company’s cash flow.

The supply of rental apartments may increase locally in the main areas in which Kojamo operates, and the changes in supply and demand could have an impact on Kojamo’s tenant turnover or the financial occupancy rate and, thereby, rental income.

A more detailed description of the risks and uncertainties is presented in the 2019 financial statements.





## PROPOSAL BY THE BOARD OF DIRECTORS FOR THE DISTRIBUTION OF PROFITS

Kojamo plc's distributable unrestricted equity at 31 December 2019 was EUR 388,596,824.92, of which the profit for the financial year amounted to EUR 63,771,132.34. No significant changes have taken place in the company's financial position since the end of the financial year.

The Board of Directors proposes to the Annual General Meeting that the distributable funds be used as follows: a dividend of EUR 0.34 per share to be paid, totalling EUR 84,029,095.66, and EUR 304,567,729.26 to be retained in unrestricted equity.

Helsinki, 13 February 2020

Kojamo plc  
The Board of Directors

### **For more information, please contact:**

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**Erik Hjelt**, CFO, Kojamo plc, +358 20 508 3225

## NEWS CONFERENCE AND WEBCAST

Kojamo will hold a news conference for institutional investors, analysts and media on 13 February 2020 at 10:00 a.m. at its headquarters at Mannerheimintie 168A, Helsinki, Finland. The event will be held in English. After the event, the media has a possibility to ask questions in Finnish as well.

The event can be followed as a live webcast. A recording of the webcast will be available later at the company's website at <https://kojamo.fi/en/investors/releases-and-publications/financial-reports/>

The event will be accessible at <https://kojamo.videosync.fi/2019-q4-results>

You can also participate in the news conference by calling:

FI: +358 981 710 310  
SE: +46 856 642 651  
UK: +44 333 300 0804  
US: +1 855 857 0686

The participants joining the news conference will be asked to provide the following PIN code:  
76850107#



## EPRA performance measures

EPRA (European Public Real Estate Association) is an advocacy organisation for publicly listed European property investment companies. Kojamo is a member of EPRA. As part of its activities, the organisation promotes financial reporting in the industry and the adoption of best practices to ensure the quality of information provided to investors and improve comparability between companies. Kojamo follows EPRA recommendations in its reporting practices. This section covers EPRA performance measures and their calculation.

	10-12/2019	10-12/2018	2019	2018
EPRA Earnings, M€	34.6	34.5	144.0	130.3
EPRA Earnings per share (EPS), €	0.14	0.14	0.58	0.54
EPRA Net Asset Value (NAV), M€			3,828.0	2,889.1
EPRA NAV per share, €			15.49	11.69
EPRA Triple Net Asset Value (NNNAV), M€			3,030.1	2,375.2
EPRA NNNAV per share, €			12.26	9.61
EPRA Net Initial Yield (NIY), %			4.2	5.0
EPRA 'topped-up' NIY, %			4.2	5.0
EPRA Vacancy Rate, %			2.8	3.0
EPRA Cost Ratio (including direct vacancy costs), %	15.8	15.9	15.0	15.2
EPRA Cost Ratio (excluding direct vacancy costs), %	14.3	14.6	13.6	13.6

M€	10-12/2019	10-12/2018	2019	2018
Earnings per IFRS income statement	672.1	63.0	825.2	221.8
(i) Change in value of investment properties, development properties held for investment and other interests	-801.4	-40.0	-872.4	-127.5
(ii) Profits or losses on disposal of investment properties, development properties held for investment and other interest	0.1	-0.1	-0.1	-1.0
(iii) Profits or losses on sales of trading properties including impairment charges in respect of trading properties	-0.1	-0.1	-0.2	-0.1
(iv) Tax on profits or losses on disposals	0.1	0.3	3.3	15.4
(vi) Changes in fair value of financial instruments and associated close-out costs	-1.3	0.1	2.0	0.4
(viii) Deferred tax in respect of EPRA adjustments	165.1	11.3	186.2	21.4
<b>EPRA Earnings</b>	<b>34.6</b>	<b>34.5</b>	<b>144.0</b>	<b>130.3</b>
<b>EPRA Earnings per share (EPS), €</b>	<b>0.14</b>	<b>0.14</b>	<b>0.58</b>	<b>0.54</b>

M€	2019	2018
NAV per the financial statements	3,090.6	2,358.1
(iv) Fair value of financial instruments	69.5	42.5
(v.a) Deferred tax	667.9	488.4
<b>EPRA Net Asset Value (NAV)</b>	<b>3,828.0</b>	<b>2,889.1</b>
<b>EPRA NAV per share, €</b>	<b>15.49</b>	<b>11.69</b>



M€		2019	2018
EPRA NAV		3,828.0	2,889.1
(i) Fair value of financial instruments		-69.5	-42.5
(ii) Fair value of debt <sup>1)</sup>		-60.5	17.0
(iii) Deferred tax		-667.9	-488.4
<b>EPRA Triple Net Asset Value (NNNAV)</b>		<b>3,030.1</b>	<b>2,375.2</b>
<sup>1)</sup> Balance sheet at amortised cost and the fair value of interest-bearing loans and borrowings			
<b>EPRA NNNAV per share, €</b>		<b>12.26</b>	<b>9.61</b>

M€		2019	2018
Investment property		6,260.8	5,093.2
Trading property		0.1	0.4
Developments		-334.9	-248.6
<b>Completed property portfolio</b>		<b>5,926.1</b>	<b>4,845.0</b>
Allowance for estimated purchasers' costs		118.5	96.9
<b>Gross up completed property portfolio valuation</b>	<b>B</b>	<b>6,044.6</b>	<b>4,941.9</b>
Annualised cash passing rental income		385.3	375.6
Property outgoings		-128.9	-127.4
<b>Annualised net rents</b>	<b>A</b>	<b>256.4</b>	<b>248.2</b>
Notional rent expiration of rent free periods or other lease incentives		-	-
<b>Topped-up net annualised rent</b>	<b>C</b>	<b>256.4</b>	<b>248.2</b>
<b>EPRA Net Initial Yield (NIY), %</b>	<b>A/B</b>	<b>4.2</b>	<b>5.0</b>
<b>EPRA 'topped-up' NIY, %</b>	<b>C/B</b>	<b>4.2</b>	<b>5.0</b>

M€		2019	2018
Estimated rental value of vacant space <sup>1)</sup>	A	10.2	10.6
Estimated rental value of the whole portfolio <sup>1)</sup>	B	365.2	352.3
<b>EPRA Vacancy Rate, %</b>	<b>A/B</b>	<b>2.8</b>	<b>3.0</b>

1) Including rental value of apartments.



M€		10-12/2019	10-12/2018	2019	2018
Include:					
(i) Administrative expense line per IFRS income statement		10.4	10.3	38.7	38.6
(i) Maintenance expense line per IFRS income statement		22.1	21.9	91.1	89.5
(i) Repair expense line per IFRS income statement		12.8	9.3	36.9	35.4
(ii) Net service charge costs/fees		-1.9	-1.3	-6.9	-3.8
(iii) Management fees less actual/ estimated profit element		0.0	0.0	0.0	0.0
(iv) Other operating income/recharges intended to cover overhead expenses less any related profits		-0.1	0.0	-0.4	-0.2
Exclude:					
(vii) Ground rent costs		0.0	-0.9	0.1	-3.4
(viii) Service charge costs recovered through rents but not separately invoiced		-34.0	-29.9	-122.7	-120.9
<b>EPRA Costs (including direct vacancy costs)</b>	<b>A</b>	<b>9.3</b>	<b>9.4</b>	<b>36.8</b>	<b>35.1</b>
(ix) Direct vacancy costs		-0.9	-0.7	-3.6	-3.8
<b>EPRA Costs (excluding direct vacancy costs)</b>	<b>B</b>	<b>8.5</b>	<b>8.6</b>	<b>33.3</b>	<b>31.4</b>
(x) Gross Rental Income less ground rent costs - per IFRS		93.0	88.9	368.0	351.5
(xi) Service fee and service charge costs components of Gross Rental Income		-34.0	-29.9	-122.7	-120.9
<b>Gross Rental Income</b>	<b>C</b>	<b>59.0</b>	<b>59.1</b>	<b>245.3</b>	<b>230.5</b>
<b>EPRA Cost Ratio (including direct vacancy costs), %</b>	<b>A/C</b>	<b>15.8</b>	<b>15.9</b>	<b>15.0</b>	<b>15.2</b>
<b>EPRA Cost Ratio (excluding direct vacancy costs), %</b>	<b>B/C</b>	<b>14.3</b>	<b>14.6</b>	<b>13.6</b>	<b>13.6</b>



## CONDENSED STATEMENT OF COMPREHENSIVE INCOME

M€	Note	10-12/2019	10-12/2018	1-12/2019	1-12/2018
<b>Total revenue</b>		<b>95.1</b>	<b>91.2</b>	<b>375.3</b>	<b>358.8</b>
Maintenance expenses		-22.1	-21.9	-91.1	-89.5
Repair expenses		-12.8	-9.3	-36.9	-35.4
<b>Net rental income</b>		<b>60.1</b>	<b>60.0</b>	<b>247.3</b>	<b>234.0</b>
Administrative expenses		-10.4	-10.3	-38.7	-38.6
Other operating income		0.5	0.7	2.2	2.1
Other operating expenses		-0.2	-0.7	-0.5	-1.0
Profit/loss on sales of investment properties		-0.1	0.1	0.1	1.0
Profit/loss on sales of trading properties		0.1	0.1	0.2	0.1
Profit/loss on fair value of investment properties	3	801.4	40.0	872.4	127.5
Depreciation, amortisation and impairment losses		-0.3	-0.2	-1.1	-0.8
<b>Operating profit</b>		<b>851.2</b>	<b>89.7</b>	<b>1,081.9</b>	<b>324.2</b>
Financial income		0.4	0.2	2.6	3.2
Financial expenses		-11.9	-12.4	-53.4	-50.3
<b>Total amount of financial income and expenses</b>		<b>-11.5</b>	<b>-12.2</b>	<b>-50.8</b>	<b>-47.1</b>
Share of result from associated companies		0.2	0.2	0.2	0.2
<b>Profit before taxes</b>		<b>839.9</b>	<b>77.7</b>	<b>1,031.3</b>	<b>277.3</b>
Current tax expense		-2.7	-3.4	-19.9	-34.1
Change in deferred taxes		-165.1	-11.3	-186.2	-21.4
<b>Profit for the period</b>		<b>672.1</b>	<b>63.0</b>	<b>825.2</b>	<b>221.8</b>
<b>Profit for the financial period attributable to Shareholders of the parent company</b>		<b>672.1</b>	<b>63.0</b>	<b>825.2</b>	<b>221.8</b>
<b>Earnings per share based on profit attributable to shareholders of the parent company</b>					
Basic, €		2.72	0.25	3.34	0.93
Diluted, €		2.72	0.25	3.34	0.93
Average number of shares, million	8	247.1	247.1	247.1	239.2
<b>Other comprehensive income</b>					
Items that may be reclassified subsequently to profit or loss					
Cash flow hedges		20.6	-11.2	-26.0	0.5
Deferred taxes		-4.1	2.2	5.2	-0.1
<b>Items that may be reclassified subsequently to profit or loss</b>		<b>16.5</b>	<b>-8.9</b>	<b>-20.8</b>	<b>0.4</b>
<b>Total comprehensive income for the period</b>		<b>688.5</b>	<b>54.0</b>	<b>804.4</b>	<b>222.2</b>
<b>Total comprehensive income attributable to shareholders of the parent company</b>		<b>688.5</b>	<b>54.0</b>	<b>804.4</b>	<b>222.2</b>



## CONSOLIDATED BALANCE SHEET

M€	Note	31 Dec 2019	31 Dec 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets		0.2	0.2
Investment property	3	6,260.8	5,093.2
Property, plant and equipment	4	30.9	30.5
Investments in associated companies		2.4	2.2
Financial assets	7	0.7	0.6
Non-current receivables		3.2	5.3
Derivatives	6, 7	0.2	1.5
Deferred tax assets		14.4	10.8
<b>Non-current assets total</b>		<b>6,312.8</b>	<b>5,144.3</b>
<b>Current assets</b>			
Trading property		0.1	0.4
Derivatives		0.3	0.7
Current tax assets		0.1	9.3
Trade and other receivables		7.7	8.3
Financial assets	7	132.1	172.3
Cash and cash equivalents		137.3	150.1
<b>Current assets total</b>		<b>277.6</b>	<b>341.1</b>
<b>ASSETS TOTAL</b>		<b>6,590.4</b>	<b>5,485.4</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Equity attributable to shareholders of the parent company</b>			
Share capital		58.0	58.0
Share issue premium		35.8	35.8
Fair value reserve		-44.7	-23.9
Invested non-restricted equity reserve		164.4	164.4
Retained earnings		2,877.0	2,123.7
<b>Equity attributable to shareholders of the parent company</b>		<b>3,090.6</b>	<b>2,358.1</b>
<b>Total equity</b>		<b>3,090.6</b>	<b>2,358.1</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	5, 7	2,429.3	2,391.7
Deferred tax liabilities		683.8	499.0
Derivatives	6, 7	69.8	44.6
Provisions		0.5	0.6
Other non-current liabilities		5.1	14.0
<b>Non-current liabilities total</b>		<b>3,188.4</b>	<b>2,949.9</b>
<b>Current liabilities</b>			
Loans and borrowings	5, 7	244.9	93.9
Derivatives	6, 7	0.2	0.1
Current tax liabilities		2.0	13.5
Trade and other payables		64.3	69.9
<b>Current liabilities total</b>		<b>311.4</b>	<b>177.3</b>
<b>Total liabilities</b>		<b>3,499.8</b>	<b>3,127.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6,590.4</b>	<b>5,485.4</b>



## CONSOLIDATED STATEMENT OF CASH FLOWS

M€	1-12/2019	1-12/2018
<b>Cash flow from operating activities</b>		
Profit for the period	825.2	221.8
Adjustments	-614.5	-22.8
Change in net working capital		
Change in trade and other receivables	0.6	-1.6
Change in trading properties	0.3	0.2
Change in trade and other payables	-0.8	-1.6
Interest paid	-48.6	-40.5
Interest received	0.8	0.8
Other financial items	-0.0	-5.3
Income taxes paid	-22.2	-38.5
<b>Net cash flow from operating activities</b>	<b>140.8</b>	<b>112.4</b>
<b>Cash flow from investing activities</b>		
Acquisition of investment properties	-273.9	-366.6
Acquisition of associated companies		-0.3
Acquisition of property, plant and equipment and intangible assets	-0.2	-0.2
Proceeds from sale of investment properties	26.1	110.9
Proceeds from sale of property, plant and equipment and intangible assets	0.0	0.0
Purchases of financial assets	-111.1	-304.0
Proceeds from sale of financial assets	152.5	180.5
Non-current loans, granted	0.0	-0.2
Repayments of non-current loan receivables	0.4	0.2
Interest and dividends received on investments	0.3	0.2
<b>Net cash flow from investing activities</b>	<b>-206.0</b>	<b>-379.4</b>
<b>Cash flow from financing activities</b>		
Share issue		150.0
Items related to the share issue recorded in equity		-4.3
Non-current loans and borrowings, raised	289.8	500.0
Non-current loans and borrowings, repayments	-164.0	-292.9
Current loans and borrowings, raised	139.9	338.8
Current loans and borrowings, repayments	-139.9	-342.0
Repayments of lease liabilities	-1.6	
Dividends paid	-71.7	-50.3
<b>Net cash flow from financing activities</b>	<b>52.4</b>	<b>299.3</b>
<b>Change in cash and cash equivalents</b>	<b>-12.8</b>	<b>32.3</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>150.1</b>	<b>117.8</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>137.3</b>	<b>150.1</b>





## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

M€	Share capital	Share issue premium	Fair value reserve	Invested non-restricted equity reserve	Retained earnings	Equity attributable to shareholders of the parent company	Total equity
<b>Equity at 1 Jan 2019</b>	<b>58.0</b>	<b>35.8</b>	<b>-23.9</b>	<b>164.4</b>	<b>2,123.7</b>	<b>2,358.1</b>	<b>2,358.1</b>
Comprehensive income							
Cash flow hedging			-20.8			-20.8	-20.8
Profit for the period					825.2	825.2	825.2
<b>Total comprehensive income for the period</b>			<b>-20.8</b>		<b>825.2</b>	<b>804.4</b>	<b>804.4</b>
Transactions with shareholders							
Share-based incentive scheme					-0.3	-0.3	-0.3
Dividend payment					-71.7	-71.7	-71.7
<b>Total transactions with shareholders</b>					<b>-71.9</b>	<b>-71.9</b>	<b>-71.9</b>
Total change in equity			-20.8		753.3	732.5	732.5
<b>Equity at 31 Dec 2019</b>	<b>58.0</b>	<b>35.8</b>	<b>-44.7</b>	<b>164.4</b>	<b>2,877.0</b>	<b>3,090.6</b>	<b>3,090.6</b>

M€	Share capital	Share issue premium	Fair value reserve	Invested non-restricted equity reserve	Retained earnings	Equity attributable to shareholders of the parent company	Total equity
<b>Equity at 1 Jan 2018</b>	<b>58.0</b>	<b>35.8</b>	<b>-23.7</b>	<b>17.9</b>	<b>1,950.6</b>	<b>2,038.6</b>	<b>2,038.6</b>
Change in accounting policy			-0.5		0.3	-0.2	-0.2
<b>Restated equity at 1 Jan 2018</b>	<b>58.0</b>	<b>35.8</b>	<b>-24.3</b>	<b>17.9</b>	<b>1,950.9</b>	<b>2,038.3</b>	<b>2,038.3</b>
Comprehensive income							
Cash flow hedging			0.4			0.4	0.4
Profit for the period					221.8	221.8	221.8
<b>Total comprehensive income for the period</b>			<b>0.4</b>		<b>221.8</b>	<b>222.2</b>	<b>222.2</b>
Transactions with shareholders							
Share issue				150.0		150.0	150.0
Expenses related to the share issue				-4.3		-4.3	-4.3
Tax impact of share issue				0.9		0.9	0.9
Discount related to the share issue for personnel					0.2	0.2	0.2
Share-based incentive scheme					1.2	1.2	1.2
Dividend payment					-50.3	-50.3	-50.3
<b>Total transactions with shareholders</b>				<b>146.6</b>	<b>-49.0</b>	<b>97.6</b>	<b>97.6</b>
Total change in equity			-0.1	146.6	173.1	319.6	319.6
<b>Equity at 31 Dec 2018</b>	<b>58.0</b>	<b>35.8</b>	<b>-23.9</b>	<b>164.4</b>	<b>2,123.7</b>	<b>2,358.1</b>	<b>2,358.1</b>



# CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Basic information about the Group

Kojamo plc is Finland's largest market-based, private housing investment company that offers rental apartments and housing services in Finnish growth centres. Its range of apartments is extensive. On 31 December 2019, Kojamo owned a total of 35,272 rental apartments across Finland.

The Group's parent company, Kojamo plc, is a Finnish company domiciled in Helsinki. Its registered address is Mannerheimintie 168, 00300 Helsinki, Finland.

Trading in Kojamo's shares commenced on the pre-list of Nasdaq Helsinki on 15 June 2018 and on the official list of Nasdaq Helsinki on 19 June 2018. In addition, a bond issued by Kojamo in 2016 is listed on the official list of Nasdaq Helsinki Ltd. Two other bonds issued by the company have been listed on the official list of the Irish Stock Exchange. The Group has chosen Finland as its home state for the disclosure of periodic information pursuant to Chapter 7, Section 3 of the Finnish Securities Market Act.

Kojamo plc's Board of Directors approved this Financial Statements Release for publication at its meeting on 13 February 2020. Kojamo's Financial Statements and the Report of the Board of Directors as well as Corporate Governance Statement and Remuneration Statement 2019 will be published as a stock exchange release on 13 February 2020, since when the documents are available at Kojamo's website at [www.kojamo.fi/en](http://www.kojamo.fi/en).

## 1. ACCOUNTING POLICIES

### Basis for preparation

This financial statements release was prepared in accordance with IAS 34 *Interim Financial Reporting* as well as by applying the same accounting policies as in the previous annual financial statements, excluding the exceptions described below. The figures of the financial statements release have not been audited.

Previously Kojamo's business was divided into two segments: Lumo and VVO. Kojamo discontinued segment reporting from the beginning of 2019.

The figures for 2019 are based on Kojamo plc's audited financial statements for 2019. The bracketed figures refer to the corresponding period in 2018, and the comparison period is the corresponding period the year before, unless otherwise stated.

The preparation of financial statements release in accordance with IFRS requires application of judgement by Kojamo's management to make estimates and assumptions that affect the reported amounts of assets and liabilities on the balance sheet date and the reported amounts of income and expenses for the period. Management must also make judgements when applying the accounting policies of the Group. Actual results may differ from the estimates and assumptions used. The most significant items of this financial statements release where judgement has been applied by management, as well as the assumptions about the future and other key uncertainty factors in estimates at the end of the reporting period which create a significant risk of change in the carrying amounts of Kojamo's assets and liabilities within the next financial year, are the same as those presented in the consolidated financial statements for the 2019 financial year. Of these,



the most important are the determination of the fair values of investment properties and financial instruments.

Kojamo applies the new IFRS 16 Leases standard effective from 1 January 2019. Land lease contracts, which were previously treated as other leases in accordance with IAS 17, and other leases specified in the standard are included in the consolidated balance sheet under IFRS 16. Kojamo applies the simplified approach in the adoption of the standard, which means that the comparison figures have not been adjusted.

These changes in accounting policies are described in more detail in Note 10.

Kojamo has applied the interpretation IFRIC 21 *Levies* in accounting for property taxes for the review period. According to the interpretation, property taxes are recognised as expenses on the income statement when they are determined, and they are not accrued over the different quarters of the year.

### Share-based payments

Kojamo plc's incentive plans were converted into share-based plans in connection with the listing of the company on the stock exchange in 2018. The performance criteria remained unchanged. If the three ongoing earning periods were accrued in full, the maximum bonus would be a sum corresponding to 300,298 Kojamo shares, of which 50 per cent would be paid in Kojamo shares and 50 per cent in cash.

The Annual General Meeting on 14 March 2019 decided to change the remuneration practice of the members of the Board of Directors. Under the new practice, the annual fees of the members of the Board of Directors are paid as the company's shares and cash, with approximately 40 per cent of the annual fee paid as Kojamo plc shares and the rest paid in cash.

## 2. REVENUE

### Specification of revenue from contracts with customers:

M€	1-12/2019	1-12/2018
Rental income	367.9	354.8
Water fees	6.2	3.1
Sauna fees	0.6	0.7
<b>Total</b>	<b>374.8</b>	<b>358.6</b>

Revenue consists primarily of rental income based on tenancy agreements. In the Group's business, the scope of IFRS 15 includes maintenance and service revenue, which include use-based charges collected from tenants.

## 3. INVESTMENT PROPERTIES

### Change in valuation method

Kojamo shifted from a transaction-based valuation technique to a yield-based valuation technique in the valuation of investment properties from 31 December 2019 onwards. This represents a change in accounting estimates. The change is not applied retrospectively. The influence of the change on the fair value of investment properties was approximately EUR 800 million. The yield-



based valuation technique will make the company more comparable with its relevant international peer group.

M€	31 Dec 2019	31 Dec 2018
Fair value of investment properties on 1 Jan	5,093.2	4,710.2
Acquisition of investment properties <sup>*)</sup>	227.3	338.9
Modernisation investments	30.7	23.7
Disposals of investment properties	-26.0	-109.6
Capitalised borrowing costs	1.9	2.6
Right-of-use assets <sup>**)</sup>	61.3	
Transfer to own use		0.0
Profit/loss on fair value of investment properties <sup>**)</sup>	872.4	127.5
<b>Fair value of investment properties on 31 Dec</b>	<b>6,260.8</b>	<b>5,093.2</b>

<sup>\*)</sup> Includes the acquisition costs of completed housing stock and new properties under construction.

<sup>\*\*) IFRS 16 Leases: note 10, Profit/loss on fair value assessment includes EUR -1.1 million losses on fair value measurement of right-of-use assets</sup>

Modernisation investments are often significant and they are primarily related to repairs and renovations of plumbing, facades, roofs, windows and balconies. The expected average technical useful lives of the plumbing systems, facades, roofs and balconies of residential properties are taken into consideration in the planning of modernisation investments.

Capitalised borrowing costs totalled EUR 1.9 (2.6) million. The interest rate applied to capitalised borrowing costs was 2.2 (2.2) per cent.

Kojamo acquired a total of 260 rental apartments in 2019. This figure includes 143 rental apartments acquired from Valio Pension Fund and Valio Mutual Pension Insurance Fund. In 2018, Kojamo acquired 981 apartments from real estate funds belonging to the OP Group and 68 apartments in a transaction in which the seller was Henna and Pertti Niemistö Art Foundation ARS FENNICA sr.

#### Fair value of investment properties by valuation method

M€	31 Dec 2019	31 Dec 2018
Transaction value		4,384.7
Yield value 2018		293.4
Yield value 2019	5,740.7	
Acquisition cost	459.9	415.1
Right-of-use assets	60.2	
<b>Total</b>	<b>6,260.8</b>	<b>5,093.2</b>

Properties measured at yield value, DCF EUR 5,687.9 million, properties measured at yield value, acquisition value EUR 14.1 million and versatile modernisations EUR 38.7 million = property portfolio measured at yield value EUR 5,740.7 million.

#### Fair value of investment properties by valuation method

Number of apartments	31 Dec 2019	31 Dec 2018
Transaction value		28,169
Yield value 2018		2,857
Yield value 2019	32,286	
Acquisition cost	2,986	3,687
<b>Total</b>	<b>35,272</b>	<b>34,713</b>



Kojamo has used the following average parameters when applying yield-based valuation method in 2019:

<b>Investment properties</b>	<b>Capital region</b>	<b>Other regions of Finland</b>	<b>Group total</b>
<b>Unobservable inputs:</b>			
Yield requirement, weighted, %	3.84	5.05	4.25
Inflation assumption, %	1.5	1.5	1.5
Market rents, weighted by square metres, EUR/m <sup>2</sup> /month	18.70	14.48	16.58
Property maintenance expenses, repairs and modernisation investments EUR/m <sup>2</sup> /month	6.11	6.07	6.09
10-year average financial occupancy rate, %	98.0	96.4	97.1
Rent increase assumption, %	2.0	1.6	1.8
Expense increase assumption, %	2.0	2.0	2.0

### Sensitivity analysis for measuring the fair value of investment properties

<b>Properties measured at yield value *)</b>	<b>31 Dec 2019</b>				
	<b>-10%</b>	<b>-5%</b>	<b>0%</b>	<b>5%</b>	<b>10%</b>
<b>Change % (relative)</b>					
<b>Change, M€</b>					
Yield requirement	636.6	301.6		-273.8	-521.7
Market rents	-734.2	-366.7		365.9	732.6
Maintenance expenses	242.4	121.1		-122.0	-243.6
<b>Change % (absolute)</b>	<b>-2%</b>	<b>-1%</b>	<b>0%</b>	<b>1%</b>	<b>2%</b>
<b>Change, M€</b>					
Financial occupancy rate	-151.0	-75.3		75.0	149.8

\*) As at 31 December 2019 Kojamo uses cash flow based valuation method (DCF).

<b>Sensitivity analysis of investment properties</b>		<b>31 Dec 2018</b>				
<b>Change %</b>		<b>-10%</b>	<b>-5%</b>	<b>0%</b>	<b>5%</b>	<b>10%</b>
<b>Properties measured at transaction value, M€</b>						
Change in market prices		-438.5	-219.2		219.2	438.5
<b>Properties measured at yield value, M€</b>						
Yield requirement		32.0	15.2		-13.7	-26.2
Rental income		-49.8	-24.9		24.9	49.8
Maintenance expenses		19.0	9.5		-9.5	-19.0
<b>Financial occupancy rate for properties measured at yield value (change in percentage points)</b>						
Rental income, M€		-0.8	-0.4	0%	0.4	0.8



The weighted average yield requirement was 6.1 per cent for the 2,857 apartments included within the scope of the yield value method in 2018, and 9.3 per cent for the 414 business premises.

### **Fair value measurement of investment property:**

In Kojamo's consolidated financial statements, the determination of the fair value of investment property is the key area that involves the most significant uncertainty factors arising from the estimates and assumptions that have been used. The determination of the fair value of investment property requires significant management discretion and assumptions. Estimates and assumptions are particularly related to the future development of yield requirements, vacancy rates and rent levels.

Kojamo uses valuation techniques that are appropriate under those circumstances, and for which sufficient data is available to measure fair value. Kojamo aims to maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

### **Investment property**

Investment property refers to an asset (land, building or part of a building) that Kojamo retains to earn rental income or capital appreciation, or both. An investment property can be owned directly or through an entity. Properties used for administrative purposes are owner-occupied property and included in the balance sheet line item "Property, plant and equipment". An investment property generates cash flows largely independently of the other assets held by an entity. This distinguishes investment property from owner-occupied property.

Kojamo's investment property portfolio consists of the completed properties, properties under construction and renovation, leased plots (right-of-use assets) and the plot reserve. Properties classified as trading properties as well as properties classified as held for sale are included in the Group's property portfolio but excluded from the balance sheet item "Investment properties". A property is reclassified from "Investment properties" under "Trading properties" in the event of a change in the use of the property, and under "Investment property held for sale", when the sale of an investment property is deemed highly probable.

An investment property is derecognised from the balance sheet on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Capital gains and losses on disposals are presented netted as a separate line item in the income statement.

### **Restrictions on investment properties**

Some of the investment properties are subject to legislative divestment and usage restrictions. The so-called non-profit restrictions apply to the owning company, and the so-called property-specific restrictions apply to the investment owned. The non-profit restrictions include, among other things, permanent restrictions on the company's operations, distribution of profit, lending and provision of collateral, and the divestment of investments. The property-specific restrictions include fixed-term restrictions on the use of apartments, the selection of residents, the determination of rent and the divestment of apartments.

### **Measurement of investment property**

Investment property is measured initially at acquisition cost, including related transaction costs, such as transfer taxes and professional fees, as well as capitalised expenditure arising from eligible modernisation. The acquisition cost also includes related borrowing costs, such as interest costs and arrangement fees, directly attributable to the acquisition or construction of an investment



property. The capitalisation of borrowing costs is based on the fact that an investment property is a qualifying asset, i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The capitalisation commences when the construction of a new building or extension begins, and continues until such time as the asset is substantially ready for its intended use or sale. Capitalisable borrowing costs are either directly attributable costs accrued on the funds borrowed for a construction project or costs attributable to a construction project.

After initial recognition, investment property is measured at fair value and the changes in fair value are recognised through profit or loss in the period in which they are observed. Fair value gains and losses are presented netted as a separate line item in the income statement. Fair value refers to the price that would be received from selling an asset, or paid for transferring a liability, in an ordinary transaction between market participants on the measurement date. The valuation techniques used by Kojamo are described below.

The value of investment properties is assessed internally at Kojamo on a quarterly basis. The results of the assessment are reported to the Management Team, Audit Committee and Board of Directors. The measurement process, market conditions and other factors affecting the assessment of the fair value of properties are reviewed quarterly with the CEO and CFO in accordance with Kojamo's reporting schedule. Each quarter, an external independent expert issues a statement on the valuation methods applied in the valuation of rental apartments and business premises owned by Kojamo as well as on the quality and reliability of the valuation. The statement on the situation on 31 December 2019 is available at Kojamo's website.

### **Fair value hierarchy**

Inputs used in determining fair values (used in the valuation techniques) are classified on three levels in the fair value hierarchy. The fair value hierarchy is based on the source of inputs.

#### Level 1 inputs

Quoted prices (unadjusted) in active markets for identical investment property.

#### Level 2 inputs

Inputs other than quoted prices included within Level 1 that are observable for the investment property, either directly or indirectly.

#### Level 3 inputs

Unobservable inputs for investment property.

An investment property measured at fair value is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The fair value measurement for all of the investment property of Kojamo has been categorised as a Level 3 fair value, as observable market information for the determination of fair values has not been available.

### **Valuation techniques effective from 31 December 2019**

The fair values of investment properties measured by Kojamo are based on transaction value or balance sheet value (acquisition cost).





## Yield value

The measurement of value is based on 10-year discounted cash flow (DCF) calculations, in which the terminal value of the property is calculated based on direct primary ownership and net yield in year 11. The discount rate is the 10-year cash flow yield requirement plus inflation. On completion, newly developed properties are moved from balance sheet value measurement to yield value measurement in the quarter they are completed in. The development margin, if any, is recognised as income in connection with this transition.

Completed properties acquired by the Group are valued in their first quarter using the acquisition cost and subsequently using the yield value method.

The yield value method is used to measure the value of properties that are not subject to restrictions.

The yield value method is also used to measure the value of properties that can be sold as entire properties but not apartment by apartment due to restrictions stipulated by the legislation concerning state-subsidised rental housing. The disposal of such properties is only possible when the entire property is sold, and it must be sold to a party that will continue to use the property for the provision of rental housing until the restrictions expire. The rents for such properties can be set freely. The yield value method is used to measure the value of properties that belong to the following restriction groups: free of restrictions, subject to extension restrictions, 20-year interest subsidy, 10-year interest subsidy. The yield requirements are analysed on a quarterly basis in connection with valuation. The determination of the yield requirement is based on the size of the municipality. In larger cities, several area-specific yield requirements are determined while, in smaller cities, the yield requirement is set at the municipal level. The yield requirement for terraced houses is increased by 20 basis points. Properties with a particularly large proportion of premises that are not in residential use (in excess of 40% of the total floor area) are analysed separately.

Change in yield requirement based on the age of the property is the following: more than 15 years from completion or renovation +10.0%, more than 30 years from completion or renovation +20.0%.

### Provision for modernisation investments:

Age of the property or the number of years since the completion of the most recent renovation	Provision (€/m <sup>2</sup> /month)
0–10 years	0.25
11–30 years	1.00
30–40 years	1.50
>40 years	2.00





### Acquisition cost (balance sheet value)

The acquisition cost is used for the measurement of residential and commercial properties whose disposal price is restricted under the legislation governing state-subsidised rental properties, meaning that their disposal price cannot be determined freely. In addition, the setting of rents for such properties is, as a rule, based on the cost principle, which means that the rent levels cannot be determined freely.

The acquisition cost method is used to measure the value of properties that belong to the following restriction groups: ARAVA (state-subsidised rental properties), and 40-year interest subsidy.

The fair value of property development projects, the plot reserve and shares and holdings related to investment properties is their original acquisition cost.

### Valuation techniques used until 31 December 2019

Until 2018, the fair values of investment properties determined by Kojamo were based on transaction value, yield value or acquisition cost.

#### *Transaction value*

Transaction value measurement was used for properties that could be sold freely. The value as of the measurement date was based on the actual sales prices of comparable apartments for the two preceding years. The source of market data was the price tracking service provided by the Central Federation of Finnish Real Estate Agencies (KVKL), including pricing information on sales of individual apartments in Finland provided by real estate agents. The resulting transaction value was individually adjusted on the basis of the condition, location and other characteristics of the property.

The deductions and increases on transaction prices for the properties measured at transaction value were as follows:

Rental house reduction	
-5%	
Reduction based on the company structure of the property	-4%
Variables based on the location and condition of the building	-30% – +25%
Variables based on the condition of the apartments	-20% – +10%
Reduction based on the method of sale (outside growth centres)	-30% – 0%
Facade and HVAC repairs (planned -%; recently completed +%)	-15% – +8%

#### *Yield value*

Yield value was applied when a property was required to be kept in rental use based on state-subsidised loans (ARAVA loans) or interest subsidy loans, and the property could be sold only as a whole property and to a restricted group of buyers. In the yield value method, the fair value was determined by capitalising net rental income, using an area-specific required rate of net rental income. The method also considered the impact of future renovations and the present value of any interest subsidies.

#### *Acquisition cost (balance sheet value)*



Kojamo estimated that the acquisition cost of properties under construction, interest subsidised (long-term) rental properties and state-subsidised rental properties (ARAVA properties) approximated their fair values. State-subsidised and interest subsidised (long-term) rental properties were recognised at original acquisition cost, deducted by the depreciation accumulated up to the IFRS transition date and any impairment losses.

In the property valuation model, the properties within the scope of the acquisition cost and yield value methods were moved to the transaction value method after their property-specific restrictions ended. The change of the valuation technique affected the fair value of the property.

### Business combinations and asset acquisition

Acquisitions of investment properties by Kojamo are accounted for as an acquisition of asset or a group of assets, or a business combination within the scope of IFRS 3 Business Combinations. Reference is made to IFRS 3 to determine whether a transaction is a business combination. This requires the management's judgement.

IFRS 3 is applied to the acquisition of investment property when the acquisition is considered to constitute an entity that is treated as a business. Usually, a single property and its rental agreement does not constitute a business entity. To constitute a business entity, the acquisition of the property should include acquired operations and people carrying out these operations, such as marketing of properties, management of tenancies and property repairs and renovation.

The consideration transferred in the business combination and the detailed assets and accepted liabilities of the acquired entity are measured at fair value on the acquisition date. Goodwill is recognised at the amount of consideration transferred, interest of non-controlling shareholders in the acquiree and previously held interest in the acquiree minus Kojamo's share of the fair value of the acquired net assets. Goodwill is not amortised, but it is tested for impairment at least annually.

Acquisitions that do not meet the definition of business in accordance with IFRS 3 are accounted for as asset acquisitions. In this event, goodwill or deferred taxes, etc., are not recognised.

## 4. PROPERTY, PLANT AND EQUIPMENT

M€	31 Dec 2019	31 Dec 2018
Carrying value, beginning of period	30.5	31.0
Increases	0.1	0.2
Right-of-use asset	1.3	
Decreases	-0.1	
Depreciation for the period	-1.0	-0.7
<b>Carrying value, end of period</b>	<b>30.9</b>	<b>30.5</b>

Property, plant and equipment consist of assets held and used by the company, mainly buildings and land areas, as well as machinery and equipment. The right-of-use asset includes car leasing agreements in accordance with IFRS 16 Leases. These agreements are itemised below:

M€	Right-of-use asset
Carrying value on 1 Jan 2019	1.0
Increases	0.3
Depreciation for the period	-0.5
<b>Carrying value on 31 Dec 2019</b>	<b>0.9</b>



## 5. INTEREST-BEARING LIABILITIES

<b>Non-current liabilities</b>		
<b>M€</b>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
Bonds	1,191.8	1,289.7
Loans from financial institutions	1,135.8	995.2
Interest subsidy loans	39.2	104.0
Lease liability	60.0	
Other loans	2.4	2.8
<b>Total</b>	<b>2,429.3</b>	<b>2,391.7</b>

  

<b>Current liabilities</b>		
<b>M€</b>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
Bonds	100.0	
Loans from financial institutions	37.5	25.1
Interest subsidy loans	49.9	12.1
Other loans	6.5	6.7
Lease liability	1.1	
Commercial papers	50.0	50.0
<b>Total</b>	<b>244.9</b>	<b>93.9</b>

  

<b>Total interest-bearing liabilities</b>	<b>2,674.2</b>	<b>2,485.5</b>
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As a result of Kojamo's adoption of IFRS 16 Leases on 1 January 2019, land lease contracts previously treated as operating leases have been recognised as an increase in the value of the Group's investment properties and interest-bearing liabilities. The comparison figures have not been adjusted.

## 6. DERIVATIVE INSTRUMENTS

<b>Fair values of derivative instruments</b>	<b>31 Dec 2019</b>			<b>31 Dec 2018</b>
	<b>Positive</b>	<b>Negative</b>	<b>Net</b>	<b>Net</b>
<b>M€</b>				
Interest rate derivatives				
Interest rate swaps, cash flow hedging		-60.6	-60.6	-35.7
Interest rate swaps, not in hedge accounting		-9.3	-9.3	-8.2
Electricity derivatives	0.5	0.0	0.5	1.3
<b>Total</b>	<b>0.5</b>	<b>-70.0</b>	<b>-69.5</b>	<b>-42.5</b>



Nominal values of derivative instruments M€	31 Dec 2019	31 Dec 2018
Interest rate derivatives		
Interest rate swaps, cash flow hedges	970.0	948.3
Interest rate swaps, not in hedge accounting	42.6	48.9
<b>Total</b>	<b>1,012.6</b>	<b>997.2</b>
Electricity derivatives, MWh	135,960	162,167

**Items under hedge accounting**

M€	Nominal value		Fair value of derivatives			Effective portion	Ineffective portion
	Hedged loans	Interest rate derivatives	Positive	Negative	Net	Recognised in other comprehensive income	Recognised in the income statement
<b>31 Dec 2019</b>							
Cash flow hedging	937.2	970.0		-60.6	-60.6	-26.0	
<b>31 Dec 2018</b>							
Cash flow hedging	768.0	948.3	0.8	-36.5	-35.7	0.5	

During the financial year, EUR -26.0 (0.5) million was recognised in the fair value reserve from interest rate derivatives classified as cash flow hedges. A total of EUR 1.1 (0.9) million was transferred from cash flow hedging to be recognised through profit or loss. The interest rate derivatives mature between 2020 and 2035. At the balance sheet date, the average maturity of interest rate swaps was 5.7 (6.3) years. The electricity derivatives mature between 2020 and 2022.

**7. FINANCIAL ASSETS AND LIABILITIES BY VALUATION CATEGORY**

M€	31 Dec 2019				Fair value total
	Carrying value total	LEVEL 1	LEVEL 2	LEVEL 3	
<b>Financial assets</b>					
Measured at fair value					
Electricity derivatives	0.5	0.5			0.5
Financial assets recognised at fair value through profit or loss	132.8	129.6	2.5	0.7	132.8
Measured at amortised cost					
Cash and cash equivalents	137.3		137.3		137.3
Trade receivables	5.7				5.7
<b>Financial liabilities</b>					
Measured at fair value					
Interest rate derivatives	70.0		70.0		70.0
Electricity derivatives	0.0	0.0			0.0
Measured at amortised cost					
Other interest-bearing liabilities	1,382.4		1,385.2		1,385.2
Bonds	1,291.8	1,349.5			1,349.5
Trade payables	15.6				15.6



M€	Carrying value total	31 Dec 2018			Fair value total
		LEVEL 1	LEVEL 2	LEVEL 3	
<b>Financial assets</b>					
Measured at fair value					
Interest rate derivatives	0.8		0.8		0.8
Electricity derivatives	1.4	1.4			1.4
Financial assets recognised at fair value through profit or loss					
	173.0	165.3	7.0	0.6	173.0
Measured at amortised cost					
Cash and cash equivalents	150.1		150.1		150.1
Trade receivables	5.2				5.2
<b>Financial liabilities</b>					
Measured at fair value					
Interest rate derivatives	44.7		44.7		44.7
Electricity derivatives	0.0	0.0			0.0
Measured at amortised cost					
Other interest-bearing liabilities	1,195.9		1,192.2		1,192.2
Bonds	1,289.7	1,276.3			1,276.3
Trade payables	12.7				12.7

There were no transfers between the hierarchy levels in 2019. The fair value of floating rate loans is the same as their nominal value, as the margins of the loans correspond to the margins of new loans. The fair values of bonds are based on market price quotations. The fair value of other fixed-rate liabilities is based on discounted cash flows, in which market interest rates are used as input data.

If there is no active market for the financial instrument, judgement is required to determine fair value and impairment. External mark to market valuations may be used for some interest rate derivatives. Recognition of impairment is considered if the impairment is significant or long-lasting. If the amount of impairment loss decreases during a subsequent financial year and the decrease can be considered to be related to an event occurring after the recognition of impairment, the impairment loss will be reversed.

Financial assets and liabilities measured at fair value are classified into three fair value hierarchy levels in accordance with the reliability of the valuation technique:

**Level 1:**

The fair value is based on quoted prices for identical instruments in active markets.

**Level 2:**

A quoted market price exists in active markets for the instrument, but the price may be derived from directly or indirectly quoted market data. Fair values are measured using valuation techniques. Their inputs are based on quoted market prices, including e.g. market interest rates, credit margins and yield curves.

**Level 3:**

There is no active market for the instrument, the fair value cannot be reliably derived and input data used for the determination of fair value is not based on observable market data.



### Level 3 reconciliation

#### Financial assets recognised at fair value through profit or loss

M€	2019	2018
Beginning of period	0.6	0.5
Change	0.0	0.1
<b>End of period</b>	<b>0.7</b>	<b>0.6</b>

Investments measured at fair value through profit and loss on hierarchy level 3 are investments in unlisted securities and they are mainly measured at acquisition cost, as their fair value cannot be reliably measured in the absence of an active market. With regards to these items, it is evaluated that the acquisition cost is an appropriate estimate of fair value.

## 8. EARNINGS PER SHARE

	1-12/2019	1-12/2018
Profit for the period attributable to shareholders of the parent company, M€	825.2	221.8
Weighted average number of shares during the period (million)	247.1	239.2
Earnings per share		
Basic, €	3.34	0.93
Diluted, €	3.34	0.93

The company has no diluting instruments.

## 9. GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES

M€	31 Dec 2019	31 Dec 2018
Loans covered by pledges on property and shares as collateral	1,298.1	1,367.0
Pledges given	1,401.1	1,451.2
Shares *)	220.4	257.1
<b>Pledged collateral, total</b>	<b>1,621.5</b>	<b>1,708.3</b>
Other collaterals given		
Mortgages and shares	16.9	31.7
Guarantees **)	500.2	326.8
Pledged deposits	0.1	0.1
<b>Other collateral, total</b>	<b>517.1</b>	<b>358.6</b>

\*) Pledged mortgages and shares relate in some cases to the same properties.

\*\*\*) Guarantees given mainly relate to parent company guarantees given on behalf of Group companies' loans and these loans are also given mortgages as collaterals.



## 10. CHANGES TO ACCOUNTING POLICIES (IFRS 16)

Kojamo applies the new IFRS 16 Leases standard effective from 1 January 2019. Land lease contracts and car lease contracts, which were previously treated as other leases in accordance with IAS 17, are included in the consolidated balance sheet under IFRS 16. Kojamo applies the simplified approach in the adoption of the standard, which means that the comparison data has not been adjusted. The standard's entry into force did not give rise to changes in Kojamo's accounting treatment of leases in which Kojamo is the lessor.

Right-of-use assets have been recognised on the leases within the scope of the standard in the balance sheet items Investment properties and Property, plant and equipment. Right-of-use assets are measured at a value that corresponds to the value of the lease liability at the time of transition.

The right-of-use assets recognised in investment properties consist of land lease contracts measured at fair value. The fair value of land lease contracts is the present value of the lease payments for the remaining lease term discounted by the incremental borrowing rate. Kojamo's lease liability is measured by discounting the lease liabilities of the leases within the scope of the standard at their present value, using the management's estimate of Kojamo's incremental borrowing rate at the time of the standard's adoption as the discount factor. From 1 January 2019 onwards, the incremental borrowing rate will be determined on the commencement date of the lease. The lease liability amounted to EUR 60.5 million on 1 January 2019 and EUR 60.2 million on 31 December 2019. The weighted average incremental borrowing rate of the lease liability was 4.1 per cent on 1 January 2019 and 4.2 per cent on 31 December 2019.

The right-of-use assets recognised in property, plant and equipment are car leasing agreements. Depreciation on the right-of-use asset is recognised as straight-line depreciation over the lease term. The balance sheet items do not include the service components of leases or non-deductible value added taxes. The weighted average incremental borrowing rate of the lease liability was 1.34 per cent on 1 January 2019 and 1.34 per cent on 31 December 2019.

Expenses associated with right-of-use assets included in investment properties (leases for plots of land) are recognised in the income statement under Profit/loss on fair value of investment properties and the interest expenses allocated to the lease liability are recognised in financial expenses. The expenses associated with car leasing agreements are recognised in depreciation and financial expenses.





The adoption of the standard had the following effects on Kojamo's financial reporting for the financial year:

**Condensed consolidated income statement**

<b>M€</b>	<b>1-12/2019</b>
Maintenance expenses	3.5
<b>Net rental income</b>	<b>3.5</b>
Administrative expenses	0.5
Profit/loss on fair value of investment properties	-1.1
Depreciation, amortisation and impairment	-0.5
<b>Operating profit</b>	<b>2.5</b>
Financial expenses	-2.5
<b>Profit before taxes</b>	<b>0.0</b>
Change in deferred taxes	0.0
<b>Profit for the period</b>	<b>0.0</b>

**Condensed consolidated balance sheet**

<b>M€</b>	<b>31 Dec 2019</b>
<b>ASSETS TOTAL</b>	
<b>Non-current assets</b>	
Investment property	60.2
Property, plant and equipment	0.9
Deferred tax assets	0.0
<b>Non-current assets total</b>	<b>61.1</b>
<b>ASSETS TOTAL</b>	<b>61.1</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	
<b>Equity attributable to shareholders of the parent company</b>	
Profit/loss for the period	0.0
<b>LIABILITIES</b>	
<b>Non-current liabilities</b>	
Lease liabilities	60.0
<b>Non-current liabilities total</b>	<b>60.0</b>
<b>Current liabilities</b>	
Lease liabilities	1.1
<b>Current liabilities total</b>	<b>1.1</b>
<b>Total liabilities</b>	<b>61.1</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>61.1</b>

Lease liabilities presented on 31 December 2018 in accordance with IAS 17 amounted to EUR 137.9 million. At the time of the adoption of IFRS 16 on 1 January 2019, the discounted lease liability for these leases amounted to EUR 61.5 million.

## 11. EVENTS AFTER THE REVIEW PERIOD

### Stock exchange release 13 January 2020

Kojamo issued a stock exchange release on the Shareholders' Nomination Board's proposals to the Annual General Meeting. The Nomination Board proposes that Mikael Aro be elected as Chairman of the Board, and the current members Mikko Mursula, Matti Harjuniemi, Anne Leskelä, Minna Metsälä, Heli Puura and Reima Rytsölä be elected as members of the Board of Directors. The proposals will also be included in the notice convening the Annual General Meeting 2020.



## KEY FIGURES, THE FORMULAS USED IN THEIR CALCULATION, AND RECONCILIATION CALCULATIONS IN ACCORDANCE WITH ESMA GUIDELINES

	Formula	10-12/2019	10-12/2018	2019	2018
Total revenue, M€		95.1	91.2	375.3	358.8
Net rental income, M€	1	60.1	60.0	247.3	234.0
Net rental income margin, %	2	63.3	65.8	65.9	65.2
Profit before taxes, M€	3	839.9	77.7	1,031.3	277.3
EBITDA, M€	4	851.5	89.9	1,083.1	325.1
EBITDA margin, %	5	895.7	98.6	288.6	90.6
Adjusted EBITDA, M€	6	50.0	49.7	210.3	196.5
Adjusted EBITDA margin, %	7	52.6	54.5	56.0	54.8
Funds From Operations (FFO), M€	8	34.6	34.7	140.7	116.4
FFO margin, %	9	36.4	38.0	37.5	32.4
Funds From Operations (FFO) per share, € <sup>1)</sup>	10	0.14	0.14	0.57	0.49
FFO excluding one-off items, M€	11	34.6	34.7	140.7	117.3
Adjusted Funds From Operations (AFFO), M€	12	25.5	26.3	110.0	92.7
Investment properties, M€				6,260.8	5,093.2
Financial occupancy rate, %	22			97.2	97.0
Interest-bearing liabilities, M€	13			2,674.2	2,485.5
Return on equity, % (ROE)	14			30.3	10.1
Return on investment, % (ROI)	15			20.5	7.2
Equity ratio, %	16			46.9	43.0
Loan to Value (LTV), % <sup>2)</sup>	17			40.5	45.9
Earnings per share, € <sup>1)</sup>		2.72	0.25	3.34	0.93
Equity per share, € <sup>1)</sup>				12.51	9.54
Dividend/share, € <sup>1) 3)</sup>				0.34	0.29
Dividend/earnings, %	18			10.2	31.2
Price/Earnings ratio (P/E)	19			4.9	8.7
Effective dividend yield, %	20			2.1	3.6
Gross investments, M€	21	84.3	59.4	259.9	365.2
Number of personnel, end of period				296	298

1) Key figures per share have been adjusted to reflect the impact of the decision by the Extraordinary General Meeting of Shareholders on 25 May 2018 regarding the share split. In the share split the shareholders received 30 new shares per each existing share.

2) The transition to IFRS 16 Leases had an effect of 0.6 percentage points on this key figure during the financial year.

3) 2019: the Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.34 per share be paid.

Kojamo presents Alternative Performance Measures to illustrate the financial development of its business operations and improve comparability between reporting periods. The Alternative Performance Measures, i.e. performance measures that are not based on financial reporting standards, provide significant additional information for the management, investors, analysts and other parties. The Alternative Performance Measures should not be considered substitutes for IFRS performance measures.



## Formulas used in the calculation of the key figures

### Alternative Performance Measures (APM) based on ESMA guidelines

- 1) Net rental income = Total revenue - Maintenance expenses - Repair expenses  
Net rental income measures the profitability of the Group's rental business after the deduction of maintenance and repair costs.
- 2) Net rental income margin, % =  $\frac{\text{Net rental income}}{\text{Total revenue}} \times 100$   
This figure reflects the ratio between net rental income and total revenue.  
  
Net rental income - Administrative expenses + Other operating income - Other operating expenses +/- Profit/loss on sales of investment properties +/- Profit/loss on sales of trading properties +/- Profit/loss on fair value of investment properties - Depreciation, amortisation and impairment losses +/- Financial income and expenses +/- Share of result from associated companies  
Profit before taxes measures profitability after operative costs and financial expenses.
- 3) Profit before taxes = Net rental income - Administrative expenses + Other operating income - Other operating expenses +/- Profit/loss on sales of investment properties +/- Profit/loss on sales of trading properties +/- Profit/loss on fair value of investment properties - Depreciation, amortisation and impairment losses +/- Financial income and expenses +/- Share of result from associated companies  
Profit before taxes measures profitability after operative costs and financial expenses.
- 4) EBITDA = Profit for the period + Depreciation, amortisation and impairment losses +/- Financial income and expenses +/- Share of result from associated companies + Current tax expense + Change in deferred taxes  
EBITDA measures operative profitability before financial expenses, taxes and depreciation.
- 5) EBITDA margin, % =  $\frac{\text{EBITDA}}{\text{Total revenue}} \times 100$   
EBITDA margin discloses EBITDA in relation to net sales.
- 6) Adjusted EBITDA = Profit for the period + Depreciation, amortisation and impairment losses +/- Profit loss on sales of investment properties +/- Profit/loss on sales trading properties +/- Profit/loss on sales of other non-current assets +/- Profit/loss on fair value of investment properties +/- Financial income and expenses +/- Share of result from associated companies + Current tax expense + Change in deferred taxes  
Adjusted EBITDA measures the profitability of the Group's underlying rental operations excluding gains/losses on sale of properties and unrealised value changes of investment properties.
- 7) Adjusted EBITDA margin, % =  $\frac{\text{Adjusted EBITDA}}{\text{Total revenue}} \times 100$   
Adjusted EBITDA margin discloses adjusted EBITDA in relation to total revenue.
- 8) Funds From Operations (FFO) = Adjusted EBITDA - Adjusted net interest charges - Current tax expenses  
FFO measures cash flow before change in net working capital. The calculation of this APM takes into account financial expenses and current taxes but excludes items not directly connected to rental operations, such as unrealised value changes.



- 9) FFO margin, % =  $\frac{\text{FFO}}{\text{Total revenue}} \times 100$   
FFO margin discloses FFO in relation to total revenue.
- 10) FFO per share =  $\frac{\text{FFO}}{\text{Weighted average number of shares outstanding during the financial period}}$   
FFO per share illustrates FFO for an individual share.
- 11) FFO excluding non-recurring costs = FFO + non-recurring costs  
FFO measures cash flow before change in net working capital. The calculation of this APM takes into account financial expenses and current taxes but excludes items not directly connected to rental operations, such as unrealised value changes and non-recurring costs.
- 12) Adjusted Funds From Operations (AFFO) = FFO - Modernisation investments  
AFFO measures cash flow before change in net working capital, adjusted for modernisation investments. The calculation of this APM takes into account modernisation investments, financial expenses and current taxes but excludes items not directly connected to rental operations, such as unrealised value changes.
- 13) Interest-bearing liabilities = Non-current loans and borrowings + Current loans and borrowings  
Interest-bearing liabilities measures the Group's total debt.
- 14) Return on equity (ROE), % =  $\frac{\text{Profit for the period}}{\text{Total equity, average during the period}} \times 100$   
ROE measures the financial result in relation to equity. This APM illustrates Kojamo's ability to generate a return for the shareholders.
- 15) Return on investment (ROI), % =  $\frac{\text{Profit before taxes + Interests and other financial expenses}}{\text{Total assets - Non-interest-bearing liabilities (average during the period)}} \times 100$   
ROI measures the financial result in relation to invested capital. This APM illustrates Kojamo's ability to generate a return on the invested funds.
- 16) Equity ratio, % =  $\frac{\text{Total equity}}{\text{Balance sheet total - Advances received}} \times 100$   
Equity to assets is an APM for balance sheet structure that discloses the ratio of equity to total capital. This APM illustrates the Group's financing structure.



17) Loan to Value (LTV), % =  $\frac{\text{Interest-bearing liabilities} - \text{Cash and cash equivalents}}{\text{Investment property}} \times 100$

Loan to value discloses the ratio of net debt to investment properties. This APM illustrates the Group's indebtedness.

18) Dividend/earnings, % =  $\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$

Dividend/earnings measures the ratio of dividends to earnings. This APM illustrates how large a proportion of its earnings the Group distributes to its shareholders.

19) Price/Earnings ratio (P/E) =  $\frac{\text{Closing price of the share}}{\text{Earnings per share}}$

The P/E ratio illustrates the ratio between the share price and earnings per share. This APM illustrates the share's payback period based on the closing price and current earnings.

20) Effective dividend yield, % =  $\frac{\text{Dividend per share}}{\text{Closing price of the share}} \times 100$

Effective dividend yield illustrates the ratio between earnings per share and the share price.

21) Gross investments = Acquisition and development of investment properties + Modernisation investments + Capitalised borrowing costs

This APM illustrates total investments including acquisitions, development investments, modernisation investments and capitalised interest.

#### Other performance measures

22) Financial occupancy rate, % =  $\frac{\text{Rental income}}{\text{Potential rental income at full occupancy}} \times 100$

**Reconciliation of key indicators**

<b>M€</b>	<b>10-12/2019</b>	<b>10-12/2018</b>	<b>2019</b>	<b>2018</b>
Profit for the period	672.1	63.0	825.2	221.8
Depreciation, amortisation and impairment losses	0.3	0.2	1.1	0.8
Profit/loss on sales of investment properties	0.1	-0.1	-0.1	-1.0
Profit/loss on sales of trading properties	-0.1	-0.1	-0.2	-0.1
Profit/loss on sales of other non-current assets	0.0		0.0	0.0
Profit/loss on fair value of investment properties	-801.4	-40.0	-872.4	-127.5
Financial income	-0.4	-0.2	-2.6	-3.2
Financial expenses	11.9	12.4	53.4	50.3
Share of result from associated companies	-0.2	-0.2	-0.2	-0.2
Current tax expense	2.7	3.4	19.9	34.1
Change in deferred taxes	165.1	11.3	186.2	21.4
Adjusted EBITDA	50.0	49.7	210.3	196.5
Financial income and expenses	-11.5	-12.2	-50.8	-47.1
Profit/loss on fair value of financial assets	-1.3	0.6	1.1	1.2
Adjusted net interest charges	-12.7	-11.6	-49.7	-46.0
Current tax expense	-2.7	-3.4	-19.9	-34.1
FFO	34.6	34.7	140.7	116.4
One-off items				0.8
FFO excluding non-recurring costs	34.6	34.7	140.7	117.3
Total equity			3,090.6	2,358.1
Assets total			6,590.4	5,485.4
Advances received			-6.7	-6.1
Equity ratio, %			46.9	43.0