

Kojamo plc's
Board of Directors' Report and
Financial Statements
1 January – 31 December 2019



Table of contents

Board of Directors' Report	6
Kojamo plc in brief	6
Strategy	6
Summary of performance in 2019.....	7
Key figures	8
Outlook for Kojamo in 2020	9
Operating environment	9
Business operations	11
Total revenue	12
Result and profitability	12
Balance sheet, cash flow and financing	13
Real estate property and fair value	13
Rental housing	14
Investments, divestments and real estate development.....	15
Progress of strategy implementation and targets.....	17
Shares and shareholders.....	19
Issued shares and share capital	19
Trading in the company's share.....	19
Own shares	20
Dividend	20
Shareholders	20
The Board of Directors' authorisations.....	20
Flagging notifications.....	20
Managers' transactions and shareholdings.....	20
Shareholdings	21
Governance.....	22
Annual General Meeting.....	22
Board of Directors and auditors	22
Board committees.....	22
Nomination Board.....	22
CEO	23
Management Team	23
Description of corporate governance	23
Personnel	23
Annual performance bonus and incentive system.....	23

Statement of non-financial information.....	24
Near-term risks and uncertainties	31
Internal auditing.....	31
Group structure and changes therein.....	31
Events after the period.....	32
Proposal by the Board of Directors for the distribution of profits.....	32
EPRA performance measures	33
Financial Statements.....	36
Statement of comprehensive income.....	36
Consolidated balance sheet	37
Consolidated statement of cash flows.....	38
Consolidated statement of changes in equity.....	39
Notes to the consolidated financial statements	40
1. Basis for presentation of the Financial Statements.....	40
1.1 Basic information about the Group.....	40
2. Result	42
2.1 Specification of revenue from contracts with customers.....	43
2.2 Profit/loss on sales of investment properties and Other operating income and expenses	43
2.3 Employee benefits expenses.....	44
2.4 Depreciation, amortisation and impairment.....	45
2.5 Research and development expenditure.....	45
2.6 Earnings per share	46
3. Real estate property.....	46
3.1 Investment properties	46
3.2 Non-current assets held for sale	52
3.3 Trading properties	52
3.4 Commitments and contingent liabilities related to investment properties.....	53
4. Financing and equity	54
4.1 Equity	54
4.2 Financial income and expenses.....	56
4.3 Financial assets and liabilities by valuation category	57
4.4 Interest-bearing liabilities	60
4.5 Derivative instruments	61
4.6 Financial risk management.....	62
4.7 Collateral and contingent liabilities.....	66
5. Taxes.....	66
5.1 Income tax.....	66
5.2 Deferred tax assets and liabilities	68

6.	Other balance sheet items	69
6.1	Leases.....	69
6.2	Intangible assets.....	71
6.3	Property, plant and equipment.....	73
6.4	Non-current receivables.....	74
6.5	Current trade and other receivables.....	74
6.6	Provisions and other non-current liabilities.....	75
6.7	Current trade payables and other payables	75
6.8	Adjustments to cash flow from operating activities.....	76
7.	Other notes.....	76
7.1	Related party transactions	76
7.2	The Group's subsidiaries, joint arrangements and associated companies	78
7.3	Events after the financial year.....	88
	Key figures, the formulas used in their calculation, and reconciliation calculations in accordance with ESMA guidelines	89
	Parent company's financial statements.....	94
	Parent company's income statement, FAS	94
	Parent company's balance sheet, FAS.....	95
	Parent company's cash flow statement, FAS.....	96
	Parent company accounting policies.....	97
	Income related to rental operations and compensation for administration costs	97
	Valuation of fixed assets.....	97
	Development expenditure.....	97
	Valuation of financial assets	97
	Statutory provisions.....	97
	Accumulated appropriations	97
	Accrual of pension costs.....	97
	Accounting principles for the cash flow statement	97
	Items denominated in foreign currencies	98
	Derivative instruments	98
	Notes to the parent company financial statements.....	99
1.	Total revenue.....	99
2.	Other operating income.....	99
3.	Personnel costs	99
4.	Depreciation according to plan.....	100
5.	Other operating expenses.....	101
6.	Financial income and expenses	101
7.	Appropriations.....	102

8.	Income tax	102
9.	Intangible assets	102
10.	Tangible assets	103
11.	Investments	104
12.	Non-current receivables	104
13.	Current receivables	104
14.	Financial securities	105
15.	Equity	105
16.	Accumulated appropriations	106
17.	Non-current liabilities	106
18.	Current liabilities	106
19.	Derivative instruments	107
20.	Collateral and contingent liabilities.....	107
21.	Other liabilities.....	107
22.	Related party transactions	108
	Signatures to the Board of Directors' Report and Financial Statements	109

Board of Directors' Report

Kojamo plc in brief

Kojamo plc offers rental apartments and housing services in Finnish growth centres. The company's vision is to be the property market frontrunner and the number one choice for its customers. In accordance with our mission, we create better urban housing, using a long-term approach, focusing on the best customer experience as well as competent, energetic personnel and sustainable development. The goal is to create more offering and new service solutions in rental housing in order to make it easier to acquire rental apartments and to live in them.

Kojamo's vision is to be the property market frontrunner and the number one choice for customers who value better urban housing. With our Lumo brand, we are transforming Finnish rental housing and making it more attractive. We are promoting the competitiveness and well-being of urbanising Finland by facilitating work-related mobility.

We are investing heavily in digital services, the customer experience and our corporate culture. Our objective is to be a strongly performing housing investment company known for its excellent customer experience.

Delivering the best customer experience is a key strategic priority for us. That is why we are constantly developing new housing solutions and services. Our consumer brand, Lumo, is a housing solution that offers good rental housing and next-generation services in growth centres around Finland. Our non-commercial segment, VVO, offers homes whose rents are determined following the cost-price principle.

Strategy

The Board of Directors completed a strategy process in 2019. As part of the process, the Board updated Kojamo's strategy. No significant changes were made to the strategy. The strategy period was extended to 2023 and the company's strategic focal points and targets were specified further. The strategy update was published in the Financial Statements Release 2019 and it is discussed in more detail in the section *Progress of strategy implementation and targets*.

Kojamo's mission is to create better urban housing. The company's vision is to be the property market frontrunner and the number one choice for its customers. The company's 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; and renewal through digital solutions.

The Group aims to invest heavily in increasing its housing supply by developing new properties, buying existing properties and converting existing properties, such as office buildings, to residential use. Urbanisation and migration to growth centres provides the Group with good growth opportunities in the Finnish rental housing market.

Kojamo makes it easier for people to migrate in pursuit of employment in urbanising Finland. Kojamo operates in the seven main urban regions of Finland, focusing on demand for rental apartments especially in the Helsinki region. Kojamo's share of the entire rental housing market in Finland is about four per cent.

Kojamo also focuses on providing an excellent customer experience. It is generated by a versatile range of housing solutions, easy and effortless service, and user-friendly online services. The Lumo brand and its new housing services lead the way in rental living.

Operating in an efficient and responsible manner and attending to corporate social responsibility are integral to the way Kojamo does business. Kojamo engages in meaningful work to provide high-quality housing. The company continuously develops its operations to ensure its competitiveness. Kojamo has the skills and enthusiasm to discover even better construction solutions, housing services, ecological innovations and ways to provide good customer experiences. The company's energetic company culture creates a solid foundation for its work.

Kojamo has reformed its corporate culture to ensure that the value of the customer experience is emphasised in everything the company does. The customer experience consists of Kojamo's code of conduct, professional skill, customer service attitude and the desire to solve the customer's problems in one go. The foundation of the corporate culture is created by Kojamo's energetic, forward-looking values: Happy to serve, Strive for success and Courage to change.

Summary of performance in 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.

Key figures

	2019	2018	Change %
Total revenue, M€	375.3	358.8	4.6
Net rental income, M€ ¹⁾	247.3	234.0	5.7
Net rental income margin, % ¹⁾	65.9	65.2	
Profit before taxes, M€ ¹⁾	1,031.3	277.3	271.9
EBITDA, M€ ¹⁾	1,083.1	325.1	233.2
EBITDA margin, % ¹⁾	288.6	90.6	
Adjusted EBITDA, M€ ¹⁾	210.3	196.5	7.0
Adjusted EBITDA margin, % ¹⁾	56.0	54.8	
Funds From Operations (FFO), M€ ¹⁾	140.7	116.4	20.9
FFO margin, % ¹⁾	37.5	32.4	
FFO excluding one-off items, M€ 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€ ¹⁾	2,674.2	2,485.5	7.6
Return on equity (ROE), % ¹⁾	30.3	10.1	
Return on investment (ROI), % ¹⁾	20.5	7.2	
Equity ratio, % ¹⁾	46.9	43.0	
Loan to Value (LTV), % ^{1)*)}	40.5	45.9	
EPRA NAV, M€	3,828.0	2,889.1	32.5
Gross investments, M€ ¹⁾	259.9	365.2	-28.8
Number of personnel, end of the period	296	298	
Key figures per share, €	2019	2018	Change %
FFO per share ¹⁾	0.57	0.49	16.3
Earnings per share	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 ²⁾	0.34	0.29	17.2

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

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.

Operating environment

General operating environment

As Kojamo operates in the residential real estate sector, the company is affected particularly by the situation in the residential property market and development in Finnish growth centres. The company is also affected by macroeconomic factors, such as economic growth, employment, disposable income, inflation and population growth.

OPERATING ENVIRONMENT KEY FIGURES	2021e	2020e
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

INDUSTRY KEY FIGURES	2020e	2019
Residential start-ups, units	32,000	38,000
Building permits granted, annual, units ¹⁾	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 ¹⁾	13.0%	41.9%	44.9%
Helsinki region ²⁾	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 private residential real estate company in Finland measured by the fair value of investment properties¹. Kojamo offers rental apartments and housing services for residents primarily in Finnish growth centres². 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. Kojamo's share of the country's entire rental housing market is about four per cent.

¹ 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.

² Helsinki, Tampere, Turku, Kuopio and Lahti regions and the cities of Oulu and Jyväskylä.

Kojamo aims to create the best customer service experience for its customers, which is why the company has made significant investments in services. The Lumo webstore allows customers to rent a suitable apartment by paying the first month's rent, after which they can move into their new home as soon as the next day. Kojamo's resident cooperation model gives the residents an opportunity to influence the development of housing and Lumo services. Lumo apartments offer a range of different services, such as broadband internet connection included in the rent and a car sharing service.

Kojamo discontinued segment reporting between the Lumo business and the VVO business from the beginning of 2019 due to the decreasing scale of the VVO business.

Total revenue

Kojamo's total revenue increased to EUR 375.3 (358.8) 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 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
Fair value of investment properties at the end of the period	6,260.8	5,093.2

^{*)} 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

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

Rental housing key figures	1-12/2019	1-12/2018
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
Total	35,272	546	5,875¹⁾	164	2,970	97.2
Other			386 ²⁾			
Total portfolio	35,272	546	6,261			

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
Total	259.9	365.2
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.

Binding acquisition agreements for new development, M€	31 Dec 2019	31 Dec 2018		
Actual costs incurred from new construction in progress	166.8	90.3		
Cost of completing new construction in progress	148.2	77.8		
Total	314.9	168.1		
Plots and real estate development sites owned by the company	31 Dec 2019		31 Dec 2018	
	M€ 1,000 fl.sq.m.		M€ 1,000 fl.sq.m.	
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
Total ¹⁾	159.0	194	185.4	211
Binding preliminary agreements and provisions for plots and real estate development	31 Dec 2019		31 Dec 2018	
	M€ 1,000 fl.sq.m.		M€ 1,000 fl.sq.m.	
Preliminary agreements for new construction ²⁾	208.9		60.3	
Estimate of the share of plots of preliminary agreements for new development ¹⁾	32.4	53	18.1	23
Preliminary agreements and reservations for plots ¹⁾	42.1	68	65.9	9

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

2) Including plots.

Progress of strategy implementation and targets

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 growth with a multi-channel approach and quickly react to opportunities thanks to our optimised financing structure. Our strong balance sheet key figures enable the execution of our growth strategy. We also support the growth of total revenue through services and new initiatives that generate added value for our customers.

In the area of digital development, our aim is to create easy and 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.

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

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.

Information on the share and share capital^{*)}	2019	2018	2017
Share capital at the end of the financial year, €	58,025,136	58,025,136	58,025,136
Number of outstanding shares at the end of the financial year	247,144,399	247,144,399	229,479,360
Weighted average number of outstanding shares	247,144,399	239,158,833	229,479,360
Weighted average number of outstanding shares, diluted	247,144,399	239,158,833	229,479,360

*) The comparison figures for shares 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.

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. For this reason, comparison figures for the share price and trading are not available for 2017. The information presented below regarding the share price and trading in 2018 are for the period 15 June–31 December 2018.

Share price and trading*	2019	2018
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 financial year.

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 shareholdings

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.

Shareholdings

There are a total of 5,197 shareholders in Kojamo plc, the ten largest shareholders being (share register as at 31 December 2019):

Shareholder	No. of shares	Holding, %
Ilmarinen Mutual Pension Insurance Company	28,037,814	11.34
Varma Mutual Pension Insurance Company	26,862,375	10.87
The Finnish Industrial Union	25,811,700	10.44
Trade Union of Education in Finland	15,081,498	6.10
Trade Union for the Public and Welfare Sectors	13,097,020	5.30
Finnish Construction Trade Union	12,408,609	5.02
Trade Union PRO	10,460,270	4.23
Service Union United PAM	9,401,963	3.80
Åbo Akademi University Foundation	2,198,763	0.89
Elo Mutual Pension Insurance Company	1,595,345	0.65
Others	102,189,042	41.35
Total	247,144,399	100.00

Breakdown of share ownership

Shares	No. of owners	Holding, %	No. of shares	% of shares
1–100	2,107	40.54	113,143	0.05
101–500	2,036	39.18	560,070	0.23
501–1,000	481	9.26	389,711	0.16
1,001–5,000	397	7.64	882,046	0.36
5,001–10,000	52	1.00	361,864	0.15
10,001–50,000	47	0.90	1,151,232	0.47
50,001–100,000	21	0.40	1,469,073	0.59
100,001–500,000	27	0.52	6,312,411	2.55
500,001–	29	0.56	235,872,609	95.44
In joint accounts	0	0.00	32,240	0.01
Total	5,197	100.00	247,144,399	100.00

Ownership structure

Shareholders	No. of shares	% of shares
Public sector	57,789,021	23.38
Financial and insurance corporations	81,390,534	32.93
Households	2,231,304	0.90
Non-financial corporations	3,852,033	1.56
Non-profit institutions	97,796,070	39.57
Other countries	4,053,197	1.64
In joint accounts	32,240	0.02
Total	247,144,399	100.00
Nominee-registered	78,336,808	31.70

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 financial year. 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.

Description of corporate governance

A description of Kojamo's administration and the Corporate Governance Statement are publicly available on Kojamo's website at www.kojamo.fi/en.

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.

Statement of non-financial information

Kojamo plc offers rental apartments and housing services in Finnish growth centres. The company's vision is to be the property market frontrunner and the number one choice for its customers. In accordance with our mission, we create better urban housing, using a long-term approach, focusing on the best customer experience as well as competent, energetic personnel and sustainable development. Our goal is to create more offering and new service solutions in rental housing.

Key principles of corporate responsibility management

Pursuing corporate responsibility is integral to Kojamo's operations and corporate culture. Responsibility and sustainable development is one of Kojamo's strategic focal points. As such, it is managed as part of the company's day-to-day business. 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.

We are guided by our Group values and our operating principles: Good Governance, Ethical Code, Personnel and Data Security Policy, Procurement Policy and Fair Rental Practice. Kojamo also has guidelines for the prevention of money laundering and terrorism financing. For the purpose of monitoring the effectiveness of the governance and control system, Kojamo has a whistleblowing procedure for employees. The reports may concern, for example, violations or suspected violations of the rules and regulations pertaining to the financial market (actual or attempted insider dealing or market manipulation) or actual or suspected violations of Good Governance or the Ethical Code.

Reporting

The statement of non-financial information describes Kojamo's key operating principles and the results from the most material perspectives. The sustainability themes we report on are based on discussions and ongoing dialogue with our stakeholders as well as our own assessment of what our most material themes are. The areas covered by the statement include housing and the attractiveness of cities, the customer experience, responsibility for the personnel, occupational safety and the partner network, impacts on the environment and impacts on society. The statement also describes the management of data protection and information security at Kojamo as well as the key risks and their management.

We have revised our sustainability reporting with the aim of communicating the results of our sustainability efforts to our stakeholders even more transparently than before. In addition to this statement of non-financial information, 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). More information on our governance practices is published in Kojamo's Corporate Governance Statement and Remuneration Statement.

Housing and the attractiveness of cities

We want to create high-quality, sustainable, healthy and comfortable living environments for people. Our core mission is to create better urban housing. Increasing the supply of rental apartments in growth centres supports the vitality and economic activity of cities, thereby supporting well-being throughout society.

Key targets

We develop better urban housing. One our long-term goals is to make our Lumo brand the property market frontrunner in urbanising Finland. We also aim to significantly increase the offering of market-based rental apartments in growth centres where there is demand for apartments.

Results in 2019

A total of 816 (1,258) new Lumo homes were completed in 2019. A further 1,316 (1,064) apartments were under construction at the end of the year. All of our newly constructed properties are situated in growth centres, in locations with good transport links.

Delivering the best customer experience

We are a force of renewal in rental housing and we want to deliver the best customer experience for our customers.

Key targets

We measure customer satisfaction by taking Net Promoter Score (NPS) measurements at different stages of the customer path. Our target is an NPS above 40. We also aim to make the Lumo webstore the easiest way to rent a home. A further goal is that the Lumo services create added value in housing.

Results in 2019

At the end of 2019, Kojamo's Net Promoter Score was at a good level at 34 (35). Already over 15,000 tenancy agreements have been signed via the Lumo webstore. The agreements made in the webstore during the year, represented about 50 per cent of all new tenancy agreements. The My Lumo mobile application was launched for use by all of our customers at the beginning of the year, and a large proportion of the customers have started using it.

The most competent personnel and a dynamic place to work

Our corporate culture is based on our values: Happy to serve, Strive for success and Courage to change. An excellent customer experience is built by the way everyone at Kojamo works and serves customers. Our operations are based on Kojamo's personnel policy. Our operations are also guided by Kojamo's personnel and training plan, remuneration policy, equality and non-discrimination plan, substance abuse programme, action plan for work ability management, occupational healthcare action plan, "safe at work" orientation materials and customer service safety plan. Transparent operating models, fairness and sustainable solutions are at the core of responsible human resource management. We take good care of our personnel as a whole and our employees as individuals.

Key targets

We aim for a high level of personnel satisfaction. We measure this by conducting a People Power personnel satisfaction survey annually. We also have a particular focus on summer employees, with whom we also try to achieve a high level of job satisfaction. Kojamo is also one of the main partners of the Responsible Summer Job campaign, and we are committed to the campaign's principles concerning good summer jobs. We also want to be the most attractive employer in our industry. Our corporate culture ensures the effective implementation of the company's strategy and objectives, and our goal is to develop our corporate culture in accordance with our strategy.

Results in 2019

Our rating in the People Power personnel satisfaction survey improved to AA+ (AA), exceeding the average rating of our peer group. We also recognition as one of Finland's most inspiring places to work for the third consecutive year in 2019.

Responsible purchasing, safe worksites and boosting the housing services platform

We require a high standard of responsibility from all of our partners in all areas of operation, including real estate development, maintenance and services. Long-term partnerships promote the realisation of responsible operating methods. We treat our partners equally and ensure that no supplier's business is excessively dependent on Kojamo's purchases or the operations of any other single company.

We comply with the obligations of the Contractor's Obligations Act in our procurement activities, and any party in our procurement chain or in a permanent business relationship with us must also commit to compliance with the Act, as well as the other aspects of our Ethical Code. We require all parties in the procurement chain that are involved in renovation, new construction and property maintenance to be members of the tilaajavastuu.fi register, fulfil their statutory obligations and commit to the Group's environmental targets. We do not condone the use of illegal labour in our procurement chain. Kojamo has published the procurement principles that guide the Group's procurement activities on the company website.

Kojamo's anti-grey economy models exceed the legislative requirements in many respects. We continuously monitor the fulfilment of contractor obligations for all of the companies in our supplier network (maintenance, repairs, and construction) through the Reliable Partner service at the tilaajavastuu.fi website.

Our Lumo apartments serve as an innovation and service platform that our partners and residents can use for the co-creation and piloting of housing-related services.

Key targets

Our goal is for the entire procurement chain to be committed to ethical conduct and combating the grey economy. We monitor occupational safety by the TR indicator and aim to achieve a high TR score. Lumo apartments serve as a service platform through which we can develop and provide services to our residents in cooperation with our partners. Our goal is for the Lumo service platform to deliver the best customer experience for our customers. We invest in digital solutions in cooperation with our partners to create an even better customer experience.

Results in 2019

All of our suppliers are committed to Kojamo's procurement principles. In 2019, our TR index was 93.7% (94.3%). We continued to develop our innovation and service platform in cooperation with our partners during the year, and we launched the My Lumo mobile application to give our customers convenient access to various housing-related services.

Responsibility and sustainable development

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

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 is also the only Finnish real estate company in the Climate Leadership Coalition.

Key targets

Our goal is to increase the efficiency of the relative consumption of electricity, heating and water in our property portfolio. 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. We strive to find new energy-efficient technologies by piloting various solutions. We also aim to reduce the environmental impacts of our operations. We support our residents in sustainable living with regard to recycling, for example.

Results in 2019

The heating energy consumption index (kWh/m³ building volume) of our property portfolio decreased by -1.4% (-3.7%). The relative consumption of property electricity was largely unchanged from the previous year (-2.1%). Specific water consumption (l/m³ building volume) decreased by 1.2% (+0.9%)

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. An AI-driven solution controls the indoor temperature of 29,000 apartments owned by Kojamo. As of December 2019, all Kojamo offices are WWF Green Office certified. The purpose of the environmental management system is to reduce negative environmental impacts and increase environmental awareness among employees. We also offer extensive possibilities as well as guidance and knowledge of recycling.

During the year, we introduced Fortum's carbon-neutral district heating at part 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.

Responsible corporate citizenship

We want to create high-quality, sustainable, healthy and comfortable living environments for people. To this end, we take our stakeholders into consideration in everything we do, and we also want to influence other parties so that we can work together to create better urban housing.

Our business has several direct and indirect impacts on our society. Kojamo is a significant taxpayer that pays all of its taxes to Finland. Our employment effect extends beyond our own operations to construction, renovation, property maintenance and cleaning partnerships, among other things. We ensure our future operating conditions by managing the risks associated with our cooperation network, looking after the condition of our apartments, maintaining good tenancy relationships and developing innovative new services.

The Lumo sponsorship and grant programme supports top Finnish athletes as well as individual and team sports for young people. Launched in 2012, the programme promotes wellbeing through physical activity by awarding grants and sponsorship support to young, promising athletes.

Key targets

Our aim is to be a responsible corporate citizen that creates high-quality, sustainable, healthy and comfortable living environments.

Results in 2019

Kojamo's taxes and tax-like charges totalled approximately EUR 90 (106) million in 2019. Gross investments amounted to EUR 259.9 (365.2) million, while modernisation investments and repair costs totalled EUR 67.6 (59.1) million. Our indirect employment effect was 4,951 (4,491) person-years. The Lumo sponsorship and grant programme entered its eighth year.

Data protection and information security

Kojamo collects personal data from various sources. The data subjects include private customers, corporate customers, partners, stakeholders, supplies, employees and job applicants. On the internet, cookies and other online analytics can be used to collect data on website visitors. Personal data also changes and increases during a customer relationship, for example, or when the existing data is used and refined for the purpose of service customisation, for instance. We also ensure that the data is current and accurate by updating data using official sources and checking credit information from credit information registers.

Ensuring a high level of information security and data protection is of vital importance in all of Kojamo's operations. The risks associated with new products, services and systems are assessed before their implementation. Personal data is processed carefully, in accordance with the relevant legislative requirements and in compliance with good data processing practices. Kojamo has also taken steps to prepare for exceptional circumstances such as potential breaches of information security. Effective data protection is important not

only to fulfil legislative requirements but also to maintain a reliable reputation and a good customer experience. Kojamo complies with the provisions of the General Data Protection Regulation in all operations.

The Group's most significant ongoing project is related to establishing built-in data protection operating models and culture of data protection throughout the Group.

Key targets

The digital transformation has made information an increasingly valuable asset. Kojamo takes a particularly careful and responsible approach to managing this asset. To deliver the best customer experience, we are always looking for new ways to refine and use data. By knowing our customers we can respond to their needs by creating services that strengthen our position in the market. At the same time, we have an absolute obligation to look after the quality of customer data, its appropriate and responsible processing and data protection. As the operating environment becomes increasingly digital, regulation becomes more complex and stricter supervision is introduced, the importance of managing compliance risks and reputation risks is emphasised in all operations.

Results in 2019

Kojamo's data protection was audited in 2019 by the company's internal audit function and by an external consulting company. The audits did not reveal any issues that would have been classified as critical risks, but a few development measures were recommended.

The previously applied principles have been specified further and made more concrete in 2018–2019. For example, the provision of information has been made clearer and more transparent in contexts such as data protection statements and data collection, by ensuring that the rights of data subjects are realised, by drafting a data protection policy and data protection guidelines as well as drafting other documentation related to the management of data protection. Based on these, the Group has drafted data protection requirements that cover topics such as the rights of data subjects, the management of data and the use of customer data. The Group's general data protection competence has also been developed in 2018–2019 in many ways, including various kinds of training, appointing a data protection officer and starting a data protection group consisting of experts representing different business units.

No actual or suspected data protection violations or serious information security deviations were observed at Kojamo during the year.

Kojamo's most significant strategic risks and their management

Kojamo's risk management policy is based on the company's risk management policy and treasury policy, corporate governance and ethical guidelines as well as the risk assessments carried out in connection with the strategy and annual planning process. Risk assessments identify the most significant risks and define means to manage them. The company's risk management is described in more detail in the Corporate Governance Statement.

Kojamo's most significant strategic risks and their primary risk management methods are described below.

Risk	Causes of the risk	Risk management methods (the information is not exhaustive)
Operating environment risks		
General operating environment	The risk of the company's operating conditions deteriorating due to a decline in the general economic climate or the slowing down of the trend of urbanisation.	<ul style="list-style-type: none"> • Monitoring and analysing the operating environment • Regular risk assessments • Adapting operations to changes in the operating environment • Diversification of investments • Strong balance sheet structure
Legislation and other regulation	The risk of new regulations affecting the company's operating conditions and profitability.	<ul style="list-style-type: none"> • Monitoring legislative processes • Active dialogue with legislators • Preparing for changes • Training employees
New projects	The risk of not getting new projects started profitably due to higher construction costs, a lack of land suitable for construction, a lack of tenders or changes in regulations. The risk can also arise through growing supply.	<ul style="list-style-type: none"> • Effective plot acquisition • Design management • Ensuring the efficiency of project development • Ensuring the efficiency of plans and designs • Cooperation with partners • Ensuring the correct yield level
Financial risks		
Availability of capital	The risk of lower availability of capital or financing due to banking regulations and/or the domestic or international economic situation or a decline of the capital markets.	<ul style="list-style-type: none"> • Strong balance sheet structure • Diverse sources of financing • Balanced distribution of loan maturities • Diverse financial instruments
Rising market interest rates	The risk of significant changes in variable market interest rates and/or margins having a negative impact on the company's profitability.	<ul style="list-style-type: none"> • Strong balance sheet structure • High interest rate risk hedging ratio • Balanced distribution of loan maturities

Risks related to business operations		
Rental operations	The risk of apartments not matching demand in terms of location or quality, or services not matching customer needs.	<ul style="list-style-type: none"> • Monitoring and analysing the operating environment • Regular risk assessments • Adapting operations to changes in the operating environment • Cooperation with customers and service providers • Management of changes concerning properties • Repairs and modernisation projects • Collecting customer information and reacting to customer feedback
Value of assets	The risk of the value of the property assets declining due to lower investment demand and subsequently rising yield requirements.	<ul style="list-style-type: none"> • Monitoring and analysing the operating environment • Regular risk assessments • Diversification of investments • Strong balance sheet structure • Repairs and modernisation projects
Operational efficiency	The risk that operations are not efficient, doing the wrong things, doing things inconsistently or otherwise failing to engage in change management in the appropriate manner. The risk may also arise from the company not having the sufficient competencies.	<ul style="list-style-type: none"> • Management system • Active process development • Operating guidelines • Managing the partner network • Controller activities • Developing the corporate culture, competence surveys and personnel development
Network and partner cooperation	The risk of the network and partner cooperation not achieving the targets set for partners and cooperation.	<ul style="list-style-type: none"> • Management of the legal aspects of contracts • Anti-grey economy operating model • Selection and tendering of partners, requirements for partners • Operating model for the monitoring of cooperation partners
Reporting, the operations of a listed company and responsibility	The risk of the Group's financial and operational reporting not providing accurate and adequate information for the steering of operations and decision-making, or that the Group's operations do not fulfil the requirements set for listed companies. Risk can also arise from the Group not fulfilling the requirements concerning responsibility.	<ul style="list-style-type: none"> • Guidelines, operating principles, operating policies, process descriptions, Ethical Code and models • Technical competencies and expertise • Auditing • Systematic analysis of financial reports • Corporate Governance Code
Legal risks	The risk of incomplete or erroneous documentation failing to achieve the intended legal outcome.	<ul style="list-style-type: none"> • Ensuring legal competence • Maintaining standardised documentation and ensuring the appropriate training of personnel • Adequate legal resources • Using external advisers

Damage and information security risks, crime risks and accident risks	The risk of real estate, movable property or people suffering damage due to a fire, water damage, vandalism or other such circumstances, the company or its personnel being the victim of a crime, or the occurrence of accidents. The risk of attempted abuse of the company's systems or data, or failure of the GDPR practices related to the collection of customer data.	<ul style="list-style-type: none"> • Systematic maintenance and repair activities • Operating guidelines and models, auditing • Appropriate proactive safety efforts • Programmatic and technical security systems • Insurances
---	---	--

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.

Internal auditing

The internal audit is responsible for the independent evaluation and assurance function required of a listed company, which systematically examines and verifies the efficiency of risk management, control, management and governance. The Audit Committee of Kojamo's Board of Directors has confirmed the operating instructions for the internal audit function.

Kojamo's internal auditing was outsourced to the audit firm PricewaterhouseCoopers Oy in 2019 by a decision of the Board of Directors. Kojamo has designated the CFO and Group Controller to be in charge of coordinating the practical activities. Internal auditing operates under the authority of the CEO and the Audit Committee and reports its observations and recommendations to the Audit Committee, the CEO, the Management Team and the auditor. The auditing function covers all companies and functions in the Kojamo Group.

The auditing operations are based on risk analyses and conversations with the Group management related to risk management and control. Regular meetings with the auditor are set up in order to guarantee sufficient audit coverage and to avoid overlapping operations.

Internal auditing annually draws up an auditing plan that is approved by the CEO and the Audit Committee. The auditing plan is modified based on risks, if necessary.

In 2019, internal audits focused on the progress of the implementation of Kojamo's strategies as well as projects related to business operations, financial management, data protection and insider management.

The main focus areas of internal auditing operations in 2020 will be projects related to business operations, data security and digitalisation.

Group structure and changes therein

At the end of the financial year, the legal Group comprised 333 (319) subsidiaries and 39 (36) associated companies. In addition, Kojamo plc has a holding of more than 50 per cent in 3 (3) limited liability companies or real estate companies and a 50 per cent holding in SV-Asunnot Oy.

Subsidiaries wholly owned by Kojamo plc are Lumo Kodit Oy, Lumo Vuokratalot Oy, Lumo 2019 Oy, Lumo 2020 Oy, Lumo 2021 Oy, Lumohousing 2 Oy, Lumohousing 7 Oy, VVOhousing 8 Oy, VVOhousing 9 Oy, Lumohousing 10 Oy, Lumohousing 11 Oy, Lumohousing 12 Oy, VVO Hoivakiinteistöt Oy, Kojamo Holding Oy, Kotinyt Oy and Kojamo Palvelut Oy.

The following companies merged with Lumo Kodit Oy on 1 April 2019: Lumohousing 6 Oy and Lumo 2018 Oy.

Group structure 31 December 2019	Subsidiaries	Associated companies
Kojamo plc	¹⁾ 17	2
Parent companies of sub-groups		
Lumo 2019 Oy	2	
Lumo 2020 Oy	1	1
Lumo 2021 Oy	1	
Lumo Kodit Oy	300	²⁾ 36
Lumo Vuokratalot Oy	10	²⁾ 3
Parking and maintenance companies	1	
Kojamo Palvelut Oy	1	
Total	333	39

1) Includes the parent companies of the sub-groups and other subsidiaries listed, excluding parking and maintenance companies.

2) 3 of the associated companies are subsidiaries at Kojamo Group level.

Events after the 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 Rytölä be elected as members of the Board of Directors. The proposals will also be included in the notice convening the Annual General Meeting 2020.

Proposal by the Board of Directors for the distribution of profits

The parent company 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.

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.

	2019	2018
EPRA Earnings, M€	144.0	130.3
EPRA Earnings per share (EPS), €	0.58	0.54
EPRA 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), %	15.0	15.2
EPRA Cost Ratio (excluding direct vacancy costs), %	13.6	13.6

Operative result

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

Net Asset Value and adjusted Net Asset Value

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
EPRA Net Asset Value (NAV)	3,828.0	2,889.1
EPRA NAV per share, €	15.49	11.69

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 ¹⁾	-60.5	17.0
(iii) Deferred tax	-667.9	-488.4
EPRA Triple Net Asset Value (NNAV)	3,030.1	2,375.2
1) Balance sheet at amortised cost and the fair value of interest-bearing loans and borrowings.		
EPRA NNAV per share, €	12.26	9.61

EPRA Net Initial Yield % and EPRA “topped-up” Net Initial Yield %

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

EPRA Vacancy Rate, %

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

1) Including rental value of apartments.

Operating expenses relative to gross rental income (EPRA Cost Ratios)

M€		2019	2018
Include:			
(i) Administrative expense line per IFRS income statement		38.7	38.6
(i) Maintenance expense line per IFRS income statement		91.1	89.5
(i) Repair expense line per IFRS income statement		36.9	35.4
(ii) Net service charge costs/fees		-6.9	-3.8
(iii) Management fees less actual/ estimated profit element		0.0	0.0
(iv) Other operating income/recharges intended to cover overhead expenses less any related profits		-0.4	-0.2
Exclude:			
(vii) Ground rent costs		0.1	-3.4
(viii) Service charge costs recovered through rents but not separately invoiced		-122.7	-120.9
EPRA Costs (including direct vacancy costs)	A	36.8	35.1
(ix) Direct vacancy costs		-3.6	-3.8
EPRA Costs (excluding direct vacancy costs)	B	33.3	31.4
(x) Gross Rental Income less ground rent costs - per IFRS		368.0	351.5
(xi) Service fee and service charge costs components of Gross Rental Income		-122.7	-120.9
Gross Rental Income	C	245.3	230.5
EPRA Cost Ratio (including direct vacancy costs), %	A/C	15.0	15.2
EPRA Cost Ratio (excluding direct vacancy costs), %	B/C	13.6	13.6

EPRA Capital Expenditure (capex)

M€	2019	2018
Acquisitions	44.2	177.6
Developments	183.1	157.8
Like-for-Like portfolio	23.4	20.4
Capitalised interest	1.9	2.6
Other *)	7.3	6.7
EPRA Capital Expenditure (capex)	259.9	365.2

*) Other investments include modernisation investments on investment properties owned for less than two years and modernisation investments on renovation properties.

EPRA Like-for-Like

Like-for-Like properties consist of investment properties held for two consecutive years.

	2019	2018	Change	
	M€	M€	M€	%
Rental income	326.0	317.5	8.5	2.7
Net rental income	213.3	209.5	3.8	1.8
Like-for-Like investment properties	4,909.2	4,157.8		
	2018	2017	Change	
	M€	M€	M€	%
Rental income	320.8	313.4	7.4	2.4
Net rental income	208.9	203.6	5.3	2.6
Like-for-Like investment properties	4,107.5	3,979.9		

Financial Statements

Statement of comprehensive income

M€	Note	1-12/2019	1-12/2018
Total revenue		375.3	358.8
Maintenance expenses		-91.1	-89.5
Repair expenses		-36.9	-35.4
Net rental income		247.3	234.0
Administrative expenses	2.3	-38.7	-38.6
Other operating income	2.2	2.2	2.1
Other operating expenses	2.2	-0.5	-1.0
Profit/loss on sales of investment properties	2.2	0.1	1.0
Profit/loss on sales of trading properties		0.2	0.1
Profit/loss on fair value of investment properties	3.1	872.4	127.5
Depreciation, amortisation and impairment	2.4	-1.1	-0.8
Operating profit		1,081.9	324.2
Financial income		2.6	3.2
Financial expenses		-53.4	-50.3
Total amount of financial income and expenses	4.2	-50.8	-47.1
Share of result from associated companies		0.2	0.2
Profit before taxes		1,031.3	277.3
Current tax expense	5.1	-19.9	-34.1
Change in deferred taxes	5.2	-186.2	-21.4
Profit for the period		825.2	221.8
Profit for the financial period attributable to shareholders of the parent company		825.2	221.8
Earnings per share based on profit attributable to shareholders of the parent company	2.6		
Basic, €		3.34	0.93
Diluted, €		3.34	0.93
Average number of shares, million	2.6	247.1	239.2
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges	4.2	-26.0	0.5
Deferred taxes	5.2	5.2	-0.1
Items that may be reclassified subsequently to profit or loss		-20.8	0.4
Total comprehensive income for the period		804.4	222.2
Total comprehensive income attributable to shareholders of the parent company		804.4	222.2

Consolidated balance sheet

M€	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Intangible assets	6.2	0.2	0.2
Investment property	3.1, 6.1	6,260.8	5,093.2
Property, plant and equipment	6.1, 6.3	30.9	30.5
Investments in associated companies		2.4	2.2
Financial assets	4.3	0.7	0.6
Non-current receivables	6.4	3.2	5.3
Derivatives	4.5	0.2	1.5
Deferred tax assets	5.2	14.4	10.8
Non-current assets total		6,312.8	5,144.3
Current assets			
Trading property	3.3	0.1	0.4
Derivatives	4.5	0.3	0.7
Current tax assets		0.1	9.3
Trade and other receivables	6.5	7.7	8.3
Financial assets	4.3	132.1	172.3
Cash and cash equivalents		137.3	150.1
Current assets total		277.6	341.1
ASSETS TOTAL		6,590.4	5,485.4
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent company			
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
Equity attributable to shareholders of the parent company		3,090.6	2,358.1
Total equity	4.1	3,090.6	2,358.1
LIABILITIES			
Non-current liabilities			
Loans and borrowings	4.4, 6.1	2,429.3	2,391.7
Deferred tax liabilities	5.2	683.8	499.0
Derivatives	4.5	69.8	44.6
Provisions	6.6	0.5	0.6
Other non-current liabilities	6.6	5.1	14.0
Non-current liabilities total		3,188.4	2,949.9
Current liabilities			
Loans and borrowings	4.4, 6.1	244.9	93.9
Derivatives	4.5	0.2	0.1
Current tax liabilities		2.0	13.5
Trade and other payables	6.7	64.3	69.9
Current liabilities total		311.4	177.3
Total liabilities		3,499.8	3,127.2
TOTAL EQUITY AND LIABILITIES		6,590.4	5,485.4

Consolidated statement of cash flows

M€	Note	1-12/2019	1-12/2018
Cash flow from operating activities			
Profit for the period		825.2	221.8
Adjustments	6.8	-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
Taxes paid		-22.2	-38.5
Net cash flow from operating activities		140.8	112.4
Cash flow from investing activities			
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
Net cash flow from investing activities		-206.0	-379.4
Cash flow from financing activities			
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
Net cash flow from financing activities		52.4	299.3
Change in cash and cash equivalents		-12.8	32.3
Cash and cash equivalents at the beginning of the period		150.1	117.8
Cash and cash equivalents at the end of the period		137.3	150.1

Consolidated statement of changes in equity

M€	Note							Equity attributable to shareholders of the parent company	Total equity
		Share capital	Share issue premium	Fair value reserve	Invested non-restricted equity reserve	Retained earnings			
Equity at 1 Jan 2019	4.1	58.0	35.8	-23.9	164.4	2,123.7	2,358.1	2,358.1	
Comprehensive income									
Cash flow hedging				-20.8			-20.8	-20.8	
Profit for the period						825.2	825.2	825.2	
Total comprehensive income for the period				-20.8		825.2	804.4	804.4	
Transactions with shareholders									
Share-based incentive scheme						-0.3	-0.3	-0.3	
Dividend payment						-71.7	-71.7	-71.7	
Total transactions with shareholders						-71.9	-71.9	-71.9	
Total change in equity				-20.8		753.3	732.5	732.5	
Equity at 31 Dec 2019		58.0	35.8	-44.7	164.4	2,877.0	3,090.6	3,090.6	

M€	Note							Equity attributable to shareholders of the parent company	Total equity
		Share capital	Share issue premium	Fair value reserve	Invested non-restricted equity reserve	Retained earnings			
Equity at 1 Jan 2018	4.1	58.0	35.8	-23.7	17.9	1,950.6	2,038.6	2,038.6	
Change in accounting policy				-0.5		0.3	-0.2	-0.2	
Restated equity at 1 Jan 2018		58.0	35.8	-24.3	17.9	1,950.9	2,038.3	2,038.3	
Comprehensive income									
Cash flow hedging				0.4			0.4	0.4	
Profit for the period						221.8	221.8	221.8	
Total comprehensive income for the period				0.4		221.8	222.2	222.2	
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	
Total transactions with shareholders						146.6	-49.0	97.6	
Total change in equity				-0.1		146.6	319.6	319.6	
Equity at 31 Dec 2018		58.0	35.8	-23.9	164.4	2,123.7	2,358.1	2,358.1	

Notes to the consolidated financial statements

The order of presentation of the notes to the consolidated financial statements has been changed from the 2018 financial statements.

The notes to the consolidated financial statements have been grouped according to their nature. The notes contain the relevant financial information, the accounting policies and the key estimates and judgement-based decisions.

The following table presents the notes to Kojamo's financial statements and the related accounting policies. The table also indicates the IFRS standards on which the accounting policies are primarily based.

Accounting policy	Note	Number	IFRS
Income, other operating income and expenses, other receivables	Revenue from contracts with customers, other operating income and expenses, other receivables	2.1, 6.4, 6.5	IFRS 15, IFRS 9
Employee benefits and share-based payments	Employee benefits expenses	2.3, 7.1	IAS 19, IFRS 2
Earnings per share	Earnings per share	2.6	IAS 33
Investment property	Investment property	2.2, 3.1, 3.3, 3.4	IAS 40, IFRS 13
Non-current assets held for sale and discontinued operations	Non-current assets held for sale	3.2	IAS 40, IFRS 5
Equity and dividends	Equity	4.1	IAS 32, IAS 33
Interest income and expenses	Financial income and expenses	4.2	IFRS 7, IFRS 9, IAS 32
Financial assets and liabilities	Financial assets and liabilities by valuation category	4.3, 4.4, 4.6	IFRS 9, IFRS 7, IFRS 13, IAS 32
Derivative instruments and hedge accounting	Derivatives	4.5	IFRS 9, IFRS 7, IFRS 13, IAS 32
Income taxes and deferred taxes	Taxes	5	IAS 12
Leases	Leases	2.4, 6.1	IFRS 16
Intangible assets	Intangible assets	2.4, 6.2	IAS 36, IAS 38
Tangible assets	Property, plant and equipment	2.4, 6.3	IAS 16, IAS 36
Provisions	Provisions and other non-current liabilities	6.6	IAS 37
Subsidiary consolidation principles, joint arrangements and associated companies	The Group's subsidiaries, joint arrangements and associated companies	7.2	IFRS 10, IFRS 11
Related party information	Related party transactions	7.1	IAS 24

Accounting policies

The accounting policies are described under each note in sections 1–7.

1. Basis for presentation of the Financial Statements

1.1 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 35,272 rental apartments across Finland.

The Group's parent company, Kojamo plc, is a Finnish public company domiciled in Helsinki. Its registered address is Mannerheimintie 168, 00300 Helsinki, Finland. A copy of the consolidated financial statements is available at www.kojamo.fi/en or the parent company's head office.

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.

At its meeting on 13 February 2020, Kojamo plc's Board of Directors approved these financial statements for publication. According to the Finnish Limited Liability Companies Act, the shareholders may approve or reject the financial statements in a General Meeting held after the publication of the financial statements. Moreover, the General Meeting may make a decision on altering the financial statements.

Basis of preparation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs). All IFRSs and IASs as well as SIC and IFRIC interpretations in force on 31 December 2019 and endorsed by the EU have been applied in preparing the financial statements. The International Financial Reporting Standards refer to the standards and associated interpretations in the Finnish Accounting Act and in regulations issued under it that are endorsed by the EU in accordance with the procedure laid down in Regulation (EC) No. 1606/2002. Kojamo has not early adopted any standards or interpretations. The notes to the consolidated financial statements are also in accordance with the requirements of the Finnish accounting and corporate legislation supplementing the IFRS rules.

The figures in the consolidated financial statements are in euro, presented mainly as million euro. All the figures presented are rounded. Consequently, the sum of individual figures may deviate from the aggregate amount presented. The key figures have been calculated using exact values. The consolidated financial statements are presented for the calendar year, which is also the reporting period for the parent company and the Group. All statements made in these financial statements regarding the company or its business are based on the views of the management, and the sections addressing the general macroeconomic or industry situation are based on third-party information. If there are differences between different language versions of the financial statements, the Finnish version is the official one.

Investment properties, derivative instruments and financial assets measured at fair value through profit or loss are measured at fair value after initial recognition. In other respects, the consolidated financial statements are prepared on the basis of original acquisition cost, unless otherwise stated in the accounting policies.

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

Changes in IFRS standards and accounting policies

New standards and interpretations applied during the financial year 2019

Kojamo adopted the new standard IFRS 16 *Leases* at the beginning of the financial year.

IFRS 16 requires lessees to recognise leases on the balance sheet as a lease liability and a related right-of-use asset. Recognition on the balance sheet is highly similar to the accounting process for financial leasing under IAS 17.

Following the change, Kojamo has recognised its existing leases concerning land areas and cars on the balance sheet. Leases that satisfy the IFRS 16 criteria for recognition exemptions for short-term leases and leases for which the underlying asset is of low value constitute an exception. The comparison figures have not been adjusted. A more detailed account of the effects of the standard is provided in note 6.1.

Kojamo has evaluated the effects of the IFRIC 23 interpretation *Uncertainty over Income Tax Treatments*. The interpretation entered into effect on 1 January 2019 and it had no impact on Kojamo's consolidated financial statements.

New and revised standards to be applied in subsequent financial years

IASB has issued new and amended standards and interpretations, the application of which is mandatory in financial years beginning on or after 1 January 2020. Kojamo has not applied these standards and interpretations in preparing these consolidated financial statements. Kojamo will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

The adoption of the other amended standards and interpretations is not expected to have any material effects on Kojamo's financial statements.

Translation of foreign currency items

Transactions in foreign currency are recorded in EUR at the exchange rate on the transaction date. On the last date of the reporting period, monetary receivables and liabilities denominated in foreign currencies are translated into EUR at

the exchange rate of the last date of the reporting period. Gains and losses arising from transactions denominated in foreign currency and from translating monetary items are recognised in profit or loss, and they are included in financial income and expenses. Consolidated financial statements are presented in EUR, which is the functional and presentation currency of Kojamo's parent company.

Kojamo has very few transactions denominated in foreign currencies. Kojamo has no units abroad.

Accounting policies that require management's judgement and key sources of estimation uncertainty

Management's judgement related to the application of the accounting policies

The preparation of financial statements in accordance with the IFRS requires Kojamo's management to make judgement-based decisions on the application of the accounting policies, as well as estimates and assumptions that affect the amounts of reported assets, liabilities, income and expenses and the presented notes.

Management's judgement-based decisions affect the choice of accounting policies and their application. This particularly applies to cases for which the current IFRSs include alternative recognition, measurement or presentation methods.

Kojamo's management must make judgement-based decisions when applying the following accounting policies:

- Classification of properties: see note 3.1.
- Business acquisitions and asset acquisitions: see note 3.1.
- Deferred taxes: recognition principle (investment properties), exemption concerning initial recognition and recognition of deferred tax assets: see note 5.2.

Key sources of estimation uncertainty

The estimates and related assumptions are based on Kojamo's historical experience and other factors, such as expectations concerning future events. These are considered to represent the management's best understanding at the time of evaluation and believed to be reasonable considering the circumstances. The actual results may differ from the estimates and assumptions used in the financial statements. Estimates and related assumptions are regularly evaluated. Changes in accounting estimates are recorded for the period for which the estimate is being checked, if the change in the estimate concerns only that period. If the change in the estimate concerns both the period in question and later periods, the change in the estimate is recorded both for the period in question and the future periods.

The most significant section of the financial statements in which the judgement described hereinabove 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, concern fair value measurement of investment properties (see note 3.1).

2. Result

Revenue

Kojamo's revenue consists of rental income and charges for utilities. The revenue has been adjusted with indirect taxes and sales adjustment items.

Kojamo's revenue consists mainly of rental income from investment properties. Most of the tenancy agreements are non-fixed-term leases and they have a one-month notice period. Relating to the rental agreements, Kojamo collects utility charges, mainly water and sauna fees. This income is recognised on an accrual basis.

Net rental income

Net rental income is calculated by deducting property maintenance and repair costs from total revenue. These expenses comprise maintenance and annual repair costs arising from the regular and continuous maintenance of the properties and are recognised immediately in the income statement.

Operating profit

IAS 1 *Presentation of Financial Statements* does not define the concept of operating profit. At Kojamo, operating profit is defined as the net amount after adding other operating income to net rental income, then deducting sales and marketing expenses, administrative expenses and other operating expenses, the share in profits of associated companies and amortisation, depreciation and impairment, and then adding/deducting gains/losses from the disposal of investment properties, from assessment at fair value, and from the disposal of trading properties. All the other income statement items except those mentioned above are presented below operating profit.

Operating leases (financial year 2018)

Kojamo as lessee

Leases in which the risks and rewards of ownership substantially remain with the lessee were accounted for as operating leases. Payments made under operating leases were recognised as expense through profit and loss as items of equal size over the lease term.

2.1 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
Total	374.8	358.6

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.

2.2 Profit/loss on sales of investment properties and Other operating income and expenses

Profit/loss on sales of investment properties

M€	1-12/2019	1-12/2018
Profit on sales of investment properties	3.9	2.1
Losses on sales of investment properties	-3.7	-1.1
Total	0.1	1.0

A total of 520 rental apartments were sold during 2019. Of this total, 478 apartments were sold to Olo Asunnot. A total of 1,908 apartments were sold during 2018. Of this total, 1,594 apartments were sold to a real estate fund managed by Morgan Stanley Real Estate Investing, Renger Investment Management and Premico Group.

Other operating income

M€	1-12/2019	1-12/2018
Income from construction contracting	0.1	0.1
Income from the sales of fixed assets	0.0	0.0
Income from debt collection	2.0	1.8
Other	0.1	0.2
Total	2.2	2.1

Other operating expenses

M€	1-12/2019	1-12/2018
Costs on construction contracting	0.5	1.0
Other expense items	0.0	
Total	0.5	1.0

Auditor's fees

M€	1-12/2019	1-12/2018
KPMG Oy Ab		
Audit	0.2	0.3
Tax consultancy	0.0	
Advisory services	0.1	0.2
Total	0.3	0.4

Other operating income includes income not related to the actual business. It includes items such as sales profit from intangible assets and property, plant and equipment, as well as income from debt collection activities. Other operating expenses consist of expenses not related to the actual business. These items include costs related to construction contracting, for example.

An existing property owned by Kojamo is considered as sold once the substantial risks and rewards associated with ownership have been transferred from Kojamo to the buyer. This usually takes place when control over shares is transferred. Income from property sales is presented in the income statement under Profit/loss on sales of investment properties.

2.3 Employee benefits expenses

M€	1-12/2019	1-12/2018
Salaries and wages	16.0	16.8
Share-based incentive plan	0.4	
Defined contribution pension plans	3.1	4.2
Other social security costs	0.6	0.5
Total	20.1	21.5

	31 Dec 2019	31 Dec 2018
Number of personnel, average for the financial year	305	319

Information on the remuneration of key management personnel is provided in note 7.1 Related party transactions.

Kojamo's employee benefits include the following:

- short-term employee benefits
- post-employment benefits (pension plans)
- termination benefits (benefits provided in exchange for the termination of an employment)
- other long-term employee benefits and
- share-based payments.

Short-term employee benefits

Wages, salaries, fringe benefits, annual leave and bonuses are included in short-term employee benefits and are recognised in the period in which the work is performed. 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.

Post-employment benefits (pension plans)

Post-employment benefits are payable to employees after the completion of employment. At Kojamo, these benefits are related to pensions. Pension coverage at Kojamo is arranged through external pension insurance companies.

Pension schemes are classified as defined contribution and defined benefit plans. A defined contribution plan is a pension plan under which Kojamo pays fixed contributions into a separate entity. Kojamo has no legal or constructive obligations to pay further contributions if the payee does not hold sufficient assets to pay out all pension benefits. Pension plans that are not defined contribution plans are defined benefit plans. Payments made into defined contribution schemes are recognised through profit and loss in the periods that they concern.

Termination benefits (benefits provided in exchange for the termination of an employment)

Termination benefits are not based on work performance but the termination of employment. These benefits consist of severance payments. Termination benefits result either from Kojamo's decision to terminate the employment or the employee's decision to accept the benefits offered by Kojamo in exchange for the termination of employment.

Other long-term employee benefits

Kojamo has a remuneration scheme that covers the entire personnel, entitling them to benefits after a specific number of years of service. The discounted present value of the obligation resulting from the arrangement is recognised as a liability in the balance sheet on the last day of the reporting period.

Share-based payments

Kojamo has a long-term share-based incentive plan for the Group's management. The reward is based on reaching the targets set for Kojamo's key business criteria in relation to the Group's strategic goals. The reward is recognised in Kojamo's result for each earnings period, and an increase corresponding to the expensed amount is recognised in equity. More information on the arrangements is provided in note 7.1 Related party transactions.

2.4 Depreciation, amortisation and impairment

Amortisation and depreciation by asset group

M€	1-12/2019	1-12/2018
Intangible assets	0.1	0.2
Property, plant and equipment	0.6	0.7
Right-of-use assets	0.5	
Total	1.1	0.8

No impairment was recognised on intangible assets or property, plant and equipment in the financial years 2018 and 2019. Figures on the depreciation on leased assets have not been adjusted for the comparison year 2018.

2.5 Research and development expenditure

Research and development expenditure recognised as expenses totalled EUR 0.4 (0.1) million in 2019.

Kojamo has no capitalised development expenditure. Development activities focus on the development of product concepts, improvement of electronic services and renewal of information systems.

2.6 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.

Basic earnings per share is calculated by dividing the profit for the financial year attributable to equity holders of the parent company by the weighted average number of shares outstanding during the financial year.

3. Real estate property

Kojamo classifies its property portfolio into investment properties, trading properties and investment properties held for sale. Kojamo's property portfolio basically comprises completely of investment properties. The group has also a small amount of trading properties.

3.1 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 ^{*)}	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
Fair value of investment properties on 31 Dec	6,260.8	5,093.2

^{*)} Includes the acquisition costs of completed housing stock and new properties under construction.

^{**)} IFRS 16 Leases: note 6.1, Profit/loss on fair value assessment includes EUR -1.1 million losses on fair value measurement of right-of-use assets

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	
Total	6,260.8	5,093.2

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
Total	35,272	34,713

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

Investment properties	Capital region	Other regions of Finland	Group total
Unobservable inputs:			
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 ² /month	18.70	14.48	16.58
Property maintenance expenses, repairs and modernisation investments EUR/m ² /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

Properties measured at yield value *)	31 Dec 2019					
	Change % (relative)	-10%	-5%	0%	5%	10%
Change, M€						
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
Change % (absolute)		-2%	-1%	0%	1%	2%
Change, M€						
Financial occupancy rate		-151,0	-75,3		75,0	149,8

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

Sensitivity analysis of investment properties	31 Dec 2018					
	Change %	-10%	-5%	0%	5%	10%
Properties measured at transaction value, M€						
Change in market prices		-438.5	-219.2		219.2	438.5
Properties measured at yield value, M€						
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
Financial occupancy rate for properties measured at yield value (change in percentage points)		-2%	-1%	0%	1%	2%
Rental income, M€		-0.8	-0.4		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.

Kojamo has acquisition agreements related to new development and renovations, presented in note 3.4.

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 acquisition cost (balance sheet value).

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 ² /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.

3.2 Non-current assets held for sale

There were no non-current assets held for sale in 2018 and 2019.

If the sale of an operative rental investment property is deemed highly probable, such a property is transferred from the balance sheet item "Investment property" to "Investment property held for sale". On that date, the carrying amount of the property is considered to be recovered principally through a sale transaction rather than through continuing use in rental. For a property to be classified as held for sale, the sale must be deemed highly probable and the investment property must be immediately salable in its current condition under general and ordinary terms of sale, the management must be committed to an active plan to sell the property, Kojamo must have initiated a project to find a buyer and complete the plan, the property must be actively marketed at a price that is reasonable in relation to its fair value and the sale must be expected to be completed within 12 months of the classification.

Investment properties classified as held for sale are measured at fair value (fair value hierarchy level 3).

3.3 Trading properties

The value of Kojamo's shares in trading properties amounted to EUR 0.1 (0.4) million at the end of the financial year.

Trading properties include properties meant for sale that do not meet the objectives of Kojamo due to their location, type or size. A property is reclassified from the balance sheet item "Investment properties" under "Trading properties" in the event of a change in the use of the property. This is evidenced by the commencement of development with a view to sale. If an investment property is being developed with a view to a sale, it will be accounted for as a trading property.

Trading properties are measured at the lower of the acquisition cost or the net realisation value. The net realisation value is the estimated selling price in the ordinary course of business deducted by the estimated costs necessary to make the sale. If the net realisation value is lower than the carrying amount, an impairment loss is recognised.

When a trading property becomes an investment property measured at fair value, the difference between the fair value on the transfer date and its previous carrying amount is recognised in the income statement under "Profit/loss on sales of trading properties".

Kojamo's trading properties include mainly individual apartments ready for sale, business premises and parking facilities that are meant for sale but have not been sold by the balance sheet date.

3.4 Commitments and contingent liabilities related to investment properties

Acquisition agreements related to investments

Unrecognised acquisition agreements related to work in progress:

M€	31 Dec 2019	31 Dec 2018
New development under construction	148.2	77.8
Preliminary agreements for new construction	208.9	60.3
Renovation	23.7	21.2
Total	380.7	159.3

Other liabilities

Value added tax refund liabilities

M€	31 Dec 2019	31 Dec 2018
Value added tax refund liabilities	3.0	2.6

Land purchase liabilities

M€	31 Dec 2019	31 Dec 2018
Transaction prices based on target building rights and draft plans	14.2	19.2
Liabilities for municipal infrastructure	3.7	5.6

Information on collateral related to financing is presented in note 4.7.

Construction liability

The land use agreement related to the zoned areas Suurpelto I and II in Espoo is subject to schedules for construction sanctioned with delay penalties.

The zoned areas are divided into three execution areas in the agreement. Kojamo holds building rights in these areas as follows: area 2 – 18,217 (18,217) floor sq.m. and area 3 – 7,600 (7,600) floor sq.m. The agreement stipulates that all of the residential building rights have to be used up by November 2013 in area 2 and by November 2016 in area 3. This schedule has not been fully met. The delay penalty is graded based on the period of delay and can at most, if the delay has continued for at least five years, be equal to half of the land use payments in accordance with the agreement. According to the agreement, the City of Espoo may, should circumstances change, lower the penalty or waive it altogether.

The land use agreement related to block 62007 in Jokiniemi, Vantaa is subject to a schedule for construction sanctioned with delay penalties. The construction liability is divided into various forms of financing and ownership.

Certain plots are subject to a schedule for construction sanctioned with delay penalties. These plots are located in Espoo, Helsinki, Hyvinkää and Vantaa.

Some of the plots located in Vantaa include an obligation related to the form of ownership and financing sanctioned with contractual penalties.

Some plots located in the City of Helsinki are subject to an obligation to use them for rental housing. There is a contractual penalty for breaching this obligation.

Disputes

Kojamo has some individual disputes pending, but the company considers them to be of negligible value.

Other commitments

Lumo Kodit Oy, a subsidiary of Kojamo, finalised the purchase of properties located in Helsinki at Onnentie 18, Sofianlehdonkatu 5, Tukholmankatu 10, Agricolankatu 1–3, Albertinkatu 40–42, Abrahaminkatu 1–3 and Bulevardi 31 from the City of Helsinki on 16 October 2017. Under the terms of the agreement, the fixed sales price is set at EUR 80.9 million, as determined by a valuation based on existing building rights to develop further commercial provision. The sales price may be adjusted in the event that the building rights are amended following a revision of the local plan as applied for by the purchaser. An alteration of local plans was put in motion in 2019.

A contingent liability is a potential obligation resulting of past events and may be incurred depending on the outcome of an uncertain future event that is beyond the Group's control (such as the result of pending legal proceedings). In addition, an existing obligation that will probably not require meeting the liability to pay or the amount of which cannot be reliably determined is considered as a contingent liability. Contingent liabilities are presented in the notes.

4. Financing and equity

4.1 Equity

The following table shows changes in the number of shares and the changes in equity items:

M€	Number of shares (million)	Share capital	Share issue premium	Fair value reserve	Reserve for invested un-restricted equity	Retained earnings	Equity in total
1 Jan 2019	247.1	58.0	35.8	-23.9	164.4	2,123.70	2,358.10
Transactions with shareholders						-71.9	-71.9
Profit for the financial period						825.2	825.2
Other comprehensive income				-20.8			-20.8
31 Dec 2019	247.1	58.0	35.8	-44.7	164.4	2 877.00	3,090.60

M€	Number of shares (million)	Share capital	Share issue premium	Fair value reserve	Reserve for invested un-restricted equity	Retained earnings	Equity in total
1 Jan 2018	7.4	58.0	35.8	-23.7	17.9	1,950.60	2,038.6
Change in accounting policy				-0.5		0.3	-0.2
Transactions with shareholders	239.7				146.6	-49.0	97.6
Profit for the financial period						221.8	221.8
Other comprehensive income				0.4			0.4
31 Dec 2018	247.1	58.0	35.8	-23.9	164.4	2,123.70	2,358.1

Kojamo plc has one share class. The share has no nominal value. All issued shares have been paid for in full. The number of Kojamo plc shares issued as at 31 December 2019 was 247,144,399. Each share entitles its holder to one vote at the General Meeting of Shareholders. There are no voting restrictions related to the shares. All shares carry an equal right to dividends and other distribution of Kojamo plc's assets.

Kojamo was listed on the Nasdaq Helsinki Stock Exchange in June 2018. In connection with the listing, Kojamo issued 17,665,039 new shares and raised a total of approximately EUR 150 million in gross proceeds. The share issue increased the Group's equity by EUR 146.6 million. Kojamo's expenses related to the listing amounted to EUR 4.9 million, of which EUR 4.3 million was recognised as items related to the share issue in the invested non-restricted equity reserve in exchange for the assets received, deducted by a EUR 0.9 million deferred tax liability. In connection with the listing,

the Group employees subscribed to 179,800 shares in the Personnel Offering. The final offer price in the Personnel Offering, EUR 7.65, was 10 per cent lower than the final offer price in the public offering. The total discount received by the personnel, EUR 152,830.00, was recorded as a share-based payment in other personnel expenses with a corresponding entry to equity.

Description of equity funds:

Share premium reserve

- Kojamo plc has no such instruments in force that would accrue a share premium under the current Limited Liability Companies Act. The share premium was generated under the previous Limited Liability Companies Act.

Fair value reserve

- The fair value reserve contains the changes in fair values of the derivatives used to hedge cash flow.

Invested non-restricted equity reserve

- The reserve for invested unrestricted equity contains equity investments and that part of the share subscription price that has not specifically been allocated to share capital.

Dividends

- A dividend of EUR 0.29 per share was paid in 2019. After the balance sheet date, 31 December 2019, the Board of Directors has proposed that a dividend of EUR 0.34 be paid per share.

Restrictions related to Kojamo's equity

- Kojamo's retained earnings for 2019, EUR 2,877.0 (2,123.7) million, include a total of EUR 286.6 (299.6) million of equity subject to profit distribution restrictions relating to non-profit operations. Equity subject to profit distribution restrictions includes the measurement of investment property at fair value.

Current 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.

An equity instrument is any contract that demonstrates a residual interest in Kojamo's assets after deducting all of its liabilities. The share capital consists of the parent company's ordinary shares classified as equity. Transaction costs directly attributable to the issue of new shares are presented in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases parent company's shares (treasury shares), the consideration paid, including any directly attributable transaction costs (net of taxes), is deducted from equity attributable to the owners of the parent company, until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable transaction costs and net of taxes, is directly recognised in equity attributable to the owners of the parent company.

Dividend distribution to the parent company's shareholders is recognised as a liability in the consolidated balance sheet in the period in which the dividends are approved by the company's General Meeting of Shareholders.

Some of the Group companies are subject to revenue recognition restrictions under the non-profit provisions of housing legislation, according to which an entity cannot pay its owner more than the profit regulated by housing legislation. The companies in question can pay their owner a four per cent return on own funds invested in them that have been confirmed by the Housing Finance and Development Centre of Finland (ARA).

4.2 Financial income and expenses

Items recognised through profit or loss

M€	1–12/2019	1–12/2018
Dividend income	0.0	0.0
Interest income	1.1	1.0
Valuation changes on financial assets recognised at fair value through profit or loss	1.1	1.6
Gains on the disposal of financial assets recognised at fair value through profit or loss	0.3	0.4
Other financial income	0.2	0.2
Financial income, total	2.6	3.2
Interest expenses		
Interest expenses on financial liabilities measured at amortised cost	-33.3	-31.8
Interest expenses on interest rate derivatives	-13.4	-13.5
Interest expenses on lease agreements	-2.5	
Valuation changes on financial assets recognised at fair value through profit or loss	-2.2	-2.8
Losses on the disposal of financial assets recognised at fair value through profit or loss	0.0	0.0
Other financial expenses	-2.1	-2.3
Financial expenses, total	-53.4	-50.3
Financial income and expenses, total	-50.8	-47.1
Other comprehensive income		
M€	1–12/2019	1–12/2018
Cash flow hedges	-26.0	0.5
Total	-26.0	0.5

The changes to cash flow hedging come from interest rate derivatives.

Interest income

Interest income is recognised over time using the effective interest method.

Dividend income

Dividend income is recognised when the right to receive payment has arisen.

Borrowing costs

Borrowing costs are usually recognised as financial costs in the financial year during which they are incurred. However, borrowing costs attributable to qualifying assets, that is, mainly borrowing costs attributable to Kojamo's investment properties, such as interest costs and arrangement fees, directly resulting from the acquisition or construction of the above assets, are capitalised as part of the cost of the asset. The capitalisation principles of borrowing costs are described in more detail under the accounting policies concerning investment properties in section 3.1 Investment properties.

Transaction costs directly attributable to the acquisition of loans that can be allocated to a particular loan are included in the loan's original amortised cost and allocated as financial expenses using the effective interest method.

4.3 Financial assets and liabilities by valuation category

M€	31 Dec 2019				Fair value total
	Carrying value total	LEVEL 1	LEVEL 2	LEVEL 3	
Financial assets					
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
Financial liabilities					
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	
Financial assets					
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
Financial liabilities					
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

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.

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.

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
End of period	0.7	0.6

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.

Recognition and measurement

Financial assets and liabilities are classified in accordance with IFRS 9 and the classification of financial assets is based on the nature of cash flows and the business models specified for the assets in question. Kojamo applies the following principles to the classification of financial assets and liabilities and their recognition, derecognition and measurement. Financial assets and liabilities are presented as non-current items if the remaining maturity exceeds 12 months and as current items if the remaining maturity is less than 12 months.

Financial instruments are classified on initial recognition into the following measurement groups: measured at amortised cost, measured at fair value through profit or loss and financial assets and liabilities measured at fair value in other comprehensive income.

Measured at amortised cost

Financial assets measured at amortised cost are non-derivative financial assets with fixed or determinable payments. They are solely related to payments of principal and interest, and they are not held for trading.

Financial assets obtained by handing over cash, goods or services directly to a debtor are measured at amortised cost. Kojamo's financial assets measured at amortised cost consist of trade receivables and other receivables, loan receivables and other receivables, which include cash and cash equivalents. Fixed-term deposits with a maturity of three months at most are included in cash and cash equivalents.

Financial liabilities measured at amortised cost include issued bonds, other interest-bearing liabilities and trade payables. They are recognised initially at fair value. Transaction costs directly attributable to the acquisition of loans, such as arrangement fees that can be allocated to a particular loan, are deducted from the original amortised cost of the loan. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. The difference between the proceeds and the redemption value is recognised as a financial expense through profit or loss over the loan period.

Measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include fund investments, investments in unlisted shares and commercial papers as well as other investment instruments that are not deposits.

Financial assets and liabilities recognised at fair value through profit or loss include electricity derivatives and the interest rate derivatives that are not subject to hedge accounting in accordance with IFRS 9.

Realised and unrealised gains and losses from changes in fair value are recognised in the income statement in the period in which they arise.

Measured at fair value through other comprehensive income

Derivatives that meet the IFRS 9 criteria for hedge accounting are measured at fair value through other comprehensive income. A more detailed description of the recognition principles is provided in section 4.5 Derivative instruments.

Impairment of financial assets

The assessment of credit losses recognised in accordance with IFRS 9 is based on expected credit losses. The method takes into account a possible increase in credit risk. The impairment model is applied to financial assets recognised at amortised cost, the most significant item being sales receivables.

Impairment loss is immediately recognised in the income statement. If the value is later restored, the reversal of the impairment is recognised in equity for equity instruments and through profit or loss for other investments. The impairment model is based on credit losses estimated on the basis of experience.

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.

4.4 Interest-bearing liabilities

Non-current liabilities		
M€	31 Dec 2019	31 Dec 2018
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
Total	2,429.3	2,391.7
Current liabilities		
M€	31 Dec 2019	31 Dec 2018
Bonds	100.0	
Loans from financial institutions	37.5	25.1
Interest subsidy loans	49.9	12.1
Lease liability	1.1	
Other loans	6.5	6.7
Commercial papers	50.0	50.0
Total	244.9	93.9
Total interest-bearing liabilities	2,674.2	2,485.5

Bonds include an unsecured EUR 500 million bond issued by Kojamo plc in 2018 and listed on the official list of the Irish Stock Exchange. The bond will mature on 7 March 2025 and carries a fixed annual coupon of 1.625%. In 2017, Kojamo issued an unsecured EUR 500 million bond that is also listed on the Irish Stock Exchange. The bond matures on 19 June 2024 and its fixed coupon rate is 1.50%. Both of the bonds are rated Baa2 by Moody's. Bonds also include the secured bonds issued in 2013 and 2016. The EUR 100 million secured bond issued in 2013 matures on 29 May 2020. The bond carries a fixed annual coupon of 3.25%. The EUR 200 million bond issued in 2016 is listed on Nasdaq Helsinki. The bond matures on 17 October 2023 and its fixed coupon rate is 1.625%.

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. The impacts of IFRS 16 *Leases* are described in more detail in note 6.1.

Interest-bearing liabilities related to financing

M€	1 Jan 2019	IFRS 16 adoption	Cash flow	Other than cash changes	31 Dec 2019
Non-current interest-bearing liabilities	2,391.7		125.7	-148.1	2,369.3
Current interest-bearing liabilities	93.9			150.0	243.9
Lease liabilities		61.5	-1.6	1.2	61.1
Liabilities related to financing, total	2,485.5	61.5	124.1	3.1	2,674.2

M€	1 Jan 2018	Cash flow	Other than cash changes	31 Dec 2018
Non-current interest-bearing liabilities	2,109.8	207.1	74.7	2,391.7
Current interest-bearing liabilities	173.1	-3.2	-76.0	93.9
Liabilities related to financing, total	2,283.0	203.9	-1.3	2,485.5

In connection with the adoption of IFRS 16 *Leases*, the Group recognised a lease liability of EUR 61.5 million on 1 January 2019. The lease liability is included in non-current and current interest-bearing liabilities on the consolidated balance sheet. Changes arising from cash flow consist of the withdrawal and repayment of non-current loans, the withdrawal and repayment of short-term commercial papers and the repayment of lease liabilities. Changes not involving cash flows mainly consist of transfers to current liabilities.

4.5 Derivative instruments

Fair values of derivative instruments

M€	31 Dec 2019			31 Dec 2018
	Positive	Negative	Net	Net
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
Total	0.5	-70.0	-69.5	-42.5

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
Total	1,012.6	997.2
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
31 Dec 2019							
Cash flow hedging	937.2	970.0		-60.6	-60.6	-26.0	
31 Dec 2018							
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.

Kojamo uses derivative instruments only for hedging purposes. Kojamo uses interest rate derivatives to hedge its exposure to changes in future interest payment cash flows concerning long-term loans. The majority of interest rate derivatives is subject to cash flow hedge accounting in accordance with IFRS 9. Derivative instruments that do not meet the requirements concerning the application of hedge accounting, or instruments to which Kojamo has decided not to apply hedge accounting, are included in financial assets or liabilities measured at fair value through profit and loss. These instruments are classified as held for trading. Fluctuations in Kojamo's result caused by changing electricity prices are restricted by using electricity derivatives. Electricity derivatives are not subject to hedge accounting in accordance with IFRS 9, even though these instruments are used for hedging.

The unrealised gains and losses from the measurement of derivatives are presented on the balance sheet under current and non-current assets or under liabilities in the item Derivative instruments. The hedged items are presented on the balance sheet under Loans as non-current or current liabilities.

Changes in the fair values of derivatives within hedge accounting are recognised in components of other comprehensive income insofar as the hedging is effective. Changes in value are reported in the fair value reserve in equity. Interest payments arising from interest rate derivatives are recognised in interest expenses in the income statement. The ineffective portion of a hedge is immediately recognised in financial items in the income statement. The gains and losses accumulated in equity are recognised in the income statement at the same time with the hedged item.

Changes in value from derivatives not included in hedge accounting are recognised in financial items through profit and loss.

4.6 Financial risk management

The financial risks associated with Kojamo's business are managed in accordance with the treasury policy confirmed by Kojamo plc's Board of Directors. The objective is to protect Kojamo against unfavourable changes in the financial market. The management of financial risk is centralised in the Kojamo's Treasury unit.

Interest rate risk

The most significant financial risk is related to interest rate fluctuations affecting the loan portfolio. This risk is managed through fixed interest rates and interest rate derivatives. The greatest interest rate risk is associated with loans from financial institutions, bonds and commercial papers. These risks are hedged by using interest rate derivatives according to Kojamo's treasury policy. The targeted hedging ratio is 50–100 per cent. On the financial statements date, the proportion of fixed-rate loans and loans hedged with interest rate derivatives (the hedging ratio) was 88 (94) per cent.

The interest rate risk associated with interest subsidy loans is reduced by the state's interest subsidy. Interest subsidy loans are not hedged with interest rate derivatives.

The effects of changes in market interest rates on the income statement and equity are evaluated in the table below. The interest rate position affecting the income statement includes variable-rate loan and interest rate derivatives not included in hedge accounting. The effect on equity results from changes in the fair values of interest rate derivatives included in hedge accounting. Some loan agreements involve a condition of a minimum of zero reference rate. As the market interest rates are currently negative, interest rate swap hedges may lead to a situation in which both fixed and variable interest must be paid.

M€	31 Dec 2019				31 Dec 2018			
	Income statement		Comprehensive income		Income statement		Comprehensive income	
	1%	-0.1%	1%	-0.1%	1%	-0.1%	1%	-0.1%
Floating rate loans	-7.1	0.2			-5.9	0.2		
Interest rate derivatives	10.4	-1.1	54.9	-5.8	10.9	-1.1	59.7	-6.3
Total effect	3.3	-0.9	54.9	-5.8	4.9	-0.9	59.7	-6.3

The deferred tax effect is not included in the calculation.

Liquidity and refinancing risk

Kojamo secures its liquidity through sufficient cash funds, the commercial paper programme and related credit facility agreements. Cash flow from the rental business is stable, and the sufficiency of liquidity is monitored with regular cash flow forecasts.

Kojamo's liquidity was excellent in the financial year. At the end of the financial year, the Group's cash and cash equivalents stood at EUR 137.3 million and financial assets at EUR 132.1 million. In order to ensure its liquidity, Kojamo plc has a EUR 250 million commercial paper programme, EUR 300 million committed credit facility agreements and a EUR 5 million non-committed credit facility agreement. A total of EUR 50.0 million of the commercial paper programme had been issued at the end of the financial year. No credit facilities were in use at the balance sheet date.

The table below presents the expiration of the Group's committed unused credit facilities. The credit facilities are ready for withdrawal according to the Group's financing needs.

Expiration of the Group's committed credit facilities

M€	Within 1 year	1–2 years	2–5 years	Total
31 Dec 2019				
Undrawn committed credit facilities	20.0	55.0	225.0	300.0
31 Dec 2018				
Undrawn committed credit facilities		20.0	280.0	300.0

In the past few years, the functioning of the money market has been affected by stricter bank regulation, which has reflected on bank lending and the cost of financing. Due to Kojamo's strong financial position and stable cash flow, the risk associated with the availability of financing is not considered significant. Kojamo has been issued a credit rating of Baa2 with a stable outlook by Moody's.

The availability of financing is ensured by maintaining Kojamo's good reputation among financiers and by keeping the equity ratio and loan to value at an appropriate level. The refinancing risk is reduced by diversifying the loan portfolio with respect to financing sources, financial instruments and maturities. The maturity distribution of the financing portfolio is actively monitored and Kojamo prepares for the maturing of large loans well in advance.

The following table shows the cash flows of the contractual repayments and interest payments of the Group's financial liabilities.

31 Dec 2019 M€	Within 1 year	2–5 years	6–10 years	11–15 years	Later
Bonds	122.1	772.3	508.1		
Loans from financial institutions	48.9	577.9	511.4	81.7	17.7
Interest subsidy loans	50.4	12.8	3.1	3.9	22.9
Commercial papers	50.0				
Lease liabilities	4.0	17.7	16.9	16.6	73.0
Other loans	0.0	2.4	6.2		
Interest rate derivatives	13.8	47.5	24.7	7.0	0.4
Trade payables	15.6				
Total	304.8	1,430.5	1,070.5	109.3	114.1

31 Dec 2018 M€	Within 1 year	2–5 years	6–10 years	11–15 years	Later
Bonds	22.1	382.0	1,042.6		
Loans from financial institutions	35.2	490.7	447.9	66.8	50.8
Interest subsidy loans	12.8	75.6	3.4	4.4	25.4
Commercial papers	50.0				
Other loans	0.2	2.8	6.3		
Interest rate derivatives	12.8	47.3	30.7	7.5	1.4
Trade payables	12.7				
Total	145.7	998.4	1,530.9	78.7	77.6

Electricity derivatives are substantially related to the physical supply of electricity and their results are factored in the price of electricity purchased using electricity bills. Hence, they are not reported as part of the Group's financial liabilities cash flow table.

Price risk

Kojamo uses electricity derivatives to hedge against exposure to electricity price risk. The electricity derivatives hedge highly probable future electricity purchases, and the trading in electricity derivatives has been outsourced to an external expert. Electricity derivatives are not subject to hedge accounting in accordance with IFRS 9.

The sensitivity of the electricity derivatives to +/- 10% changes in the market price are shown in the tables below.

31 Dec 2019

M€	Income statement	
	10%	-10%
Electricity derivatives	0.3	-0.3

31 Dec 2018

M€	Income statement	
	10%	-10%
Electricity derivatives	0.4	-0.4

The deferred tax effect is not included in the calculation.

Kojamo's surplus cash may be invested in accordance with the principles approved in the financial policy. Financial assets measured at fair value through profit or loss are subject to a price risk that is mitigated through the diversification of investment assets. The investments do not involve a currency risk.

Kojamo's level 1 and 2 financial assets measured at fair value through profit or loss are low-risk investments in short-term interest rate funds or other highly liquid investments that can be redeemed on short notice and are therefore suitable for cash management. The effect of a one percentage point increase (decrease) on the income statement would be EUR 1.3 (-1.3) million. Financial assets classified at level 3 consist mostly of strategic investments in unlisted shares. The impact of one percentage point increase (decrease) of these prices on the financial statement would be EUR 0.1 (-0.1) million. The figures do not take the tax effect into account.

Credit risk and counterparty risk

Kojamo does not have any significant credit risk concentrations. The majority of sales receivables consists of rent receivables, which are efficiently diversified. In addition, the use of security deposits mitigates the credit risk associated with rent receivables. Credit risk is analysed based on the age distribution of trade receivables and by the degree of success of debt collection measures, and the risk is expected to remain at the current level.

Age distribution of sales receivables

	M€ 31 Dec 2019		M€ 1 Dec 2018	
Less than a month	3.1	54.6%	1.5	28.3%
1–3 months	1.3	22.5%	2.8	54.4%
3–6 months	0.6	10.6%	0.5	10.6%
6–12 months	0.7	11.6%	0.3	5.8%
More than a year	0.0	0.7%	0.0	0.9%
Total	5.7	100.0%	5.2	100.0%

Investments and derivative instruments involve a counterparty risk in financing activities. This risk is managed with a diverse portfolio of financially stable counterparties.

Financial assets include rent receivables and trade receivables as well as interest receivables that are not held for sale and that have been obtained by handing over cash, goods or services directly to a debtor. They are measured initially at fair value and subsequently at amortised cost. The balance sheet value is adjusted according to the amount of expected credit losses.

Impairment of financial assets

For financial assets, the loss allowance is recognised at an amount equal to the lifetime expected credit losses. The expected credit loss is recognised through profit or loss.

Currency risk

Kojamo's cash flows are euro-denominated, and the business does not involve any currency risk.

Management of capital structure

Kojamo's aim is to achieve a capital structure that best ensures Kojamo's strategic long-term operations, promotes the company's growth targets and is optimal with respect to the prevailing market situation. In addition to the financial result, Kojamo's capital structure is affected by factors such as capital expenditure, asset sales and acquisitions, dividend payments, equity-based facilities and measurement at fair value.

Kojamo's strategic targets include an equity ratio of more than 40 per cent, Loan to Value (LTV, a measure of net debt relative to the value of investment properties) of less than 50 per cent. Kojamo's equity ratio on 31 December 2019 was 46.9 (43.0) per cent, and Loan to Value (LTV) on 31 December 2019 was 40.5 (45.9) per cent. Kojamo's interest-bearing liabilities totalled EUR 2,674.2 (2,485.5) million at the end of the financial period.

Kojamo's unsecured financing agreements include financing covenants related to the gearing ratio, the proportion of secured loans of the balance sheet, the amount of unpledged assets and the capacity of the business to cover its interest liabilities. Kojamo fulfilled the terms of the covenants during the financial year.

According to the terms and conditions of certain credit agreements, the Group's Loan to Value (LTV) must be below 60 per cent and the interest coverage ratio over 1.8. On the financial statements date, the interest coverage ratio was 4.3 (4.3).

According to the terms and conditions of Kojamo plc's unsecured bonds, the Group's solvency ratio must be below 0.65, secured solvency ratio below 0.45 and interest coverage ratio 1.8 or over. On the balance sheet date, the solvency ratio was 0.39 (0.43), the secured solvency ratio 0.20 (0.25) and the interest coverage ratio 4.2 (4.3).

4.7 Collateral 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
Pledged collateral, total	1,621.5	1,708.3
Other collaterals given		
Mortgages and shares	16.9	31.7
Guarantees **)	500.2	326.8
Pledged deposits	0.1	0.1
Other collateral, total	517.1	358.6

*) 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.

Group companies have made commitments restricting the assignment and pledging of shares owned by them. The contingent liabilities related to investment properties are presented in note 3.4.

5. Taxes

5.1 Income tax

The tax expense in the income statement is broken down as follows:

M€	1-12/2019	1-12/2018
Current tax expense	19.9	34.1
Change in deferred taxes	186.2	21.4
Total	206.1	55.5

Tax effects relating to components of other comprehensive income:

2019	Before taxes	Tax effect	After taxes
M€			
Cash flow hedges	-26.0	5.2	-20.8
Total	-26.0	5.2	-20.8

2018	Before taxes	Tax effect	After taxes
M€			
Cash flow hedges	0.5	-0.1	0.4
Total	0.5	-0.1	0.4

Reconciliation between the tax expense shown in the income statement and tax calculated using the parent company's tax rate:

M€	1–12/2019	1–12/2018
Profit before taxes	1,031.3	277.3
Taxes calculated using the current tax rate (20%)	206.3	55.5
Tax-exempt income/non-deductible costs	0.0	-0.1
Utilisation of previously unrecognised confirmed tax losses	-1.2	-1.2
Change of deferred tax assets previously recognised on confirmed tax losses	1.1	0.5
Taxes from previous periods	0.0	0.0
Share of result of associated companies	0.0	0.0
Acquired investment properties and proceeds from the sale of investment properties	-0.1	-0.3
Other	0.0	1.2
Adjustments total	-0.2	0.0
Total taxes recognised in profit or loss	206.1	55.5

The tax expense in the income statement comprises current tax and the change in deferred tax liabilities and receivables. Income tax is recognised in profit and loss, except when income tax is related to items recognised directly in equity or components of other comprehensive income. In this event, the tax is also included in these items.

Current taxes are calculated from taxable profit determined in Finnish tax legislation with reference to a valid tax rate, or a tax rate that is in practice approved by the balance sheet date. Taxes are adjusted by possible taxes related to previous years.

As a rule, deferred tax assets and liabilities are recognised for all temporary differences between the carrying amounts and tax bases of assets and liabilities using the liability method. Acquisitions of individual assets as defined in IAS 12.15 b constitute an exception to this rule. At Kojamo, these assets include such investment property acquisitions that do not meet the criteria of business entities and are, therefore, classified as asset acquisitions.

The most significant temporary difference in the Group is the difference between the fair values and tax bases of investment properties owned by Kojamo. After the initial recognition, the investment property is measured at fair value through profit and loss at the end of the reporting period. Other temporary differences arise, for example, from the measurement of financial instruments at fair value.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available to Kojamo against which temporary differences can be utilised. The eligibility of the deferred tax asset for recognition is reassessed on the last day of each reporting period. Deferred tax liabilities are usually recognised in the balance sheet in full.

Deferred taxes are determined applying those tax rates (and tax laws) that will probably be valid at the time of paying the tax. Tax rates in force on the last day of the reporting period are used as the tax rate, or tax rates for the year following the financial year if they are in practice approved by the last day of the reporting period.

5.2 Deferred tax assets and liabilities

Changes to deferred tax assets and liabilities in 2019 and 2018 were as follows:

M€	1 Jan 2019	Recognised through profit or loss	Recognised in other comprehensive income	Other changes	31 Dec 2019
Deferred tax assets					
Confirmed losses	1.2	0.1			1.2
Cash flow hedges	7.3		4.8		12.1
Electricity derivatives measured at fair value	0.0	0.0			0.0
Other items/transfers	2.4	-1.3			1.1
Total	10.8	-1.2	4.8	0.0	14.4
Deferred tax liabilities					
Investment properties measured at fair value and residential building provisions	497.0	184.8		0.2	681.9
Cash flow hedges	1.3		-0.4		1.0
Electricity derivatives measured at fair value	0.3	-0.2			0.1
Other items/transfers	0.5	0.3			0.8
Total	499.0	184.9	-0.4	0.2	683.8

M€	1 Jan 2018	Recognised through profit or loss *)	Recognised in other comprehensive income	Other changes	31 Dec 2018
Deferred tax assets					
Confirmed losses	0.6	0.6			1.2
Cash flow hedges	7.3		0.0		7.3
Electricity derivatives measured at fair value	0.0	0.0			0.0
Other items/transfers	3.0	-0.7		0.1	2.4
Total	10.9	-0.2	0.0	0.1	10.8
Deferred tax liabilities					
Investment properties measured at fair value and residential building provisions	476.7	20.0		0.3	497.0
Cash flow hedges	1.3		0.1		1.3
Financial instruments measured at fair value	0.1			-0.1	
Electricity derivatives measured at fair value	0.0	0.2			0.3
Other items/transfers	0.2	0.1		0.2	0.5
Total	478.3	20.4	0.1	0.3	499.0

*) The EUR 0.9 million deferred tax liability related to the IPO costs was recognised in equity and is not included in deferred tax assets.

Distribution of confirmed losses by years

Year of expiration	2020–2021	2022–2023	2024–2025	2026–2027	2028–2029	Total
Confirmed losses	0.0	0.5	0.2	0.3	0.2	1.3
Unrecognised deferred tax	0.0	0.1	0.0	0.1	0.0	0.3

Recognition of deferred tax assets:

Determining whether to recognise a deferred tax asset on the balance sheet requires the management's judgement. A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available to Kojamo against which deductible temporary differences or tax losses carried forward can be utilised. A deferred tax asset recognised in a previous reporting period is recognised as an expense in the income statement, if Kojamo is not expected to accrue enough taxable income to utilise the temporary differences or unused losses that constitute the basis for the deferred tax asset.

Recognition principle of deferred taxes (investment properties):

As a rule, the deferred tax for investment properties measured at fair value is determined assuming that the temporary difference will reverse through selling. Kojamo can usually dispose of an investment property either by selling it in the form of property or by selling the shares in the company, such as a housing company.

Exception to the initial recognition of deferred taxes:

As a rule, deferred tax assets and liabilities are recognised for all temporary differences between the carrying amounts and tax bases of assets and liabilities. An exception to this principal rule is constituted by acquisitions of single investment properties, which are not considered to meet the definition of business according to IFRS 3. In this case, they are classified as asset acquisitions, for which no deferred tax is recorded in the balance sheet at initial recognition. As such, the classification of property acquisitions as business acquisitions and asset acquisitions (described in more detail in note 3.1) also affects the recognition of deferred taxes.

6. Other balance sheet items**6.1 Leases****IFRS 16 Leases**

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 (note 3.1) and Property, plant and equipment (note 6.3). 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

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

Condensed consolidated balance sheet

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

Reconciliation

M€	
Liabilities related to operating leases presented in note 26 “Operating leases” in the 2018 financial statements	137.9
Deduct:	
short-term leases recognised as expenses in equal instalments	-0.0
	137.9
Discounted by the Group’s average incremental borrowing rate 4.1%	-76.5
Lease liability recognised on 1 January 2019	61.5

The cash flows of the contractual repayments and interest payments of the Group’s financial liabilities are presented for lease liabilities in note 4.6 Financial risk management.

Plot leases in 2018**Group as lessee**

M€		31 Dec 2018
Minimum rents payable based on operating leases		
Within 1 year		3.6
Within 1–5 years		13.9
After five years		118.8
Total		136.4

The leases in 2018 were mainly site leasehold agreements from municipalities and cities. The maximum durations of the remaining agreements were 99 years, the average being 28 years.

Operating leases, cars

M€		31 Dec 2018
Payable during the next financial year		0.7
Payable in 2–5 years		1.0
Total		1.6

The operating leases were four-year car leases.

6.2 Intangible assets

M€	Intangible rights	Other intangible assets	Total
Acquisition cost 1 Jan 2019	2.4	2.4	4.8
Acquisition cost 31 Dec 2019	2.4	2.4	4.8
Accumulated depreciation 1 Jan 2019	-2.3	-2.2	-4.5
Depreciation for the financial year			-0.1
Accumulated depreciation 31 Dec 2019	-2.3	-2.3	-4.6
Carrying value 1 Jan 2019	0.1	0.2	0.2
Carrying value 31 Dec 2019	0.1	0.1	0.2

M€	Intangible rights	Other intangible assets	Total
Acquisition cost 1 Jan 2018	2.5	2.4	4.9
Decreases	-0.1		-0.1
Acquisition cost 31 Dec 2018	2.4	2.4	4.8
Accumulated depreciation 1 Jan 2018	-2.3	-2.1	-4.5
Decreases	0.1		0.1
Depreciation for the financial year	-0.1	-0.1	-0.2
Accumulated depreciation 31 Dec 2018	-2.3	-2.2	-4.5
Carrying value 1 Jan 2018	0.1	0.3	0.4
Carrying value 31 Dec 2018	0.1	0.2	0.2

Intangible assets are recognised in the balance sheet only in the event that the acquisition cost of the asset can be reliably determined and the expected future financial benefit related to the asset will probably benefit Kojamo. Any other costs are immediately recognised as expenses. Intangible assets are valued at acquisition cost less amortisation and any impairment loss. Kojamo's intangible assets consist of licences and IT systems. Intangible assets are amortised on a straight-line basis over their estimated useful lives. Intangible assets with a time limit are amortised over the life of the contract. The amortisation periods for intangible assets are four to five years.

Research costs are recognised as an expense as incurred. Development costs are recognised as intangible assets in the balance sheet, provided that they can be reliably determined, the product or process is technically and commercially feasible, it will probably generate financial benefit in the future and Kojamo has the resources required for completing the research work and for using or selling the intangible asset.

The residual value, useful life and amortisation method of the asset are checked at least at the end of each financial year. When necessary, they are adjusted to reflect changes in the expectations on financial benefit.

Kojamo's consolidated balance sheet did not include goodwill in the periods being presented.

Impairment of intangible assets

At least once a year, Kojamo carries out an assessment of the possible signs of impairment of intangible assets. In practice, this is usually an asset group-specific assessment. If any signs of impairment are detected, the recoverable amount of the asset is determined.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The value in use is based on the expected future net cash flows resulting from the asset, discounted to the present. The recoverable amount is compared with the asset's carrying amount. An impairment loss is recognised if the recoverable amount is lower than the carrying amount. Impairment losses are recognised in the statement of income. In connection with the recognition of the impairment loss, the useful life of the amortisable/depreciable asset is reassessed.

The impairment loss will be reversed later if the circumstances change and the recoverable amount has increased after the recognition of the impairment loss. However, reversal of impairment loss shall not exceed the asset's carrying amount less impairment loss. An impairment loss recognised for goodwill cannot be reversed under any circumstances.

6.3 Property, plant and equipment

M€	Land areas	Connection charges	Buildings	Machinery and equipment	Right-of-use assets	Other tangible assets	Total
Acquisition cost 1 Jan 2019	5.5	0.2	28.2	3.2	1.0	1.6	39.6
Increases				0.1	0.3	0.0	0.2
Decreases				-0.1			-0.1
Acquisition cost 31 Dec 2019	5.5	0.2	28.2	3.3	1.3	1.6	40.0
Accumulated depreciation 1 Jan 2019			-5.5	-2.6		-0.1	-8.1
Depreciation for the financial year			-0.3	-0.2	-0.5		-1.0
Accumulated depreciation 31 Dec 2019			-5.8	-2.8	-0.5	-0.1	-9.1
Carrying value 1 Jan 2019	5.5	0.2	22.7	0.6	1.0	1.5	31.5
Carrying value 31 Dec 2019	5.5	0.2	22.4	0.5	0.9	1.5	30.9

Right-of-use assets include car leasing agreements in accordance with IFRS 16 Leases effective from 1 January 2019 (the comparison figures have not been adjusted).

M€	Land areas	Connection charges	Buildings	Machinery and equipment	Other tangible assets	Total
Acquisition cost 1 Jan 2018	5.5	0.2	28.2	3.5	1.6	38.8
Increases				0.2		0.2
Acquisition cost 31 Dec 2018	5.5	0.2	28.2	3.6	1.6	39.0
Accumulated depreciation 1 Jan 2018			-5.1	-2.8	-0.1	-7.9
Depreciation for the financial year			-0.4	-0.3	0.0	-0.7
Accumulated depreciation 31 Dec 2018			-5.5	-3.0	-0.1	-8.5
Carrying value 1 Jan 2018	5.5	0.2	23.1	0.7	1.5	31.0
Carrying value 31 Dec 2018	5.5	0.2	22.7	0.6	1.5	30.5

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 assets include car leasing agreements in accordance with IFRS 16 Leases, which are described in more detail in note 6.1.

Property, plant and equipment are measured at their original acquisition cost, less accumulated depreciation and possible impairment losses, adding capitalised costs related to modernisations. Kojamo's property, plant and equipment consist mainly of buildings, land and machinery and equipment.

The acquisition cost includes costs that are directly attributable to the acquisition of the property, plant and equipment item. If the item consists of several components with different useful lives, they are treated as separate items of property, plant and equipment. In this case, costs related to the replacement of a component are capitalised, and any remaining carrying amount is derecognised from the balance sheet in connection with the replacement. Government grants received for the acquisition of property, plant and equipment are recorded as a reduction of the acquisition cost of said property, plant and equipment asset. The grants are recognised in income as lower depreciation charges over the useful life of the asset.

Costs that arise later as a result of additions, replacements of parts or maintenance, such as modernisation costs, are included in the carrying amount of the property, plant and equipment asset only in the event that the future

financial benefit related to the asset will probably benefit Kojamo and the acquisition cost can be reliably determined. Maintenance and repair expenses are recognised immediately through profit and loss.

Depreciation on property, plant and equipment is recognised as straight-line depreciation during the useful life. No depreciation is charged on land, as land is considered to have an indefinite useful life.

The depreciation periods based on economic useful life are as follows:

Buildings	67 years
Machinery and equipment in buildings	10–50 years
Intangible rights and long-term expenditure	10–20 years
Capitalised renovations and repairs	10–50 years
IT hardware and software	4–5 years
Office machinery and equipment	4 years
Cars (right-of-use assets)	4 years

Gains and losses from sales and disposals of property, plant and equipment are recognised in the income statement and presented as other operating income and expenses.

Impairment of property, plant and equipment

At least once a year, Kojamo carries out an assessment of the possible signs of impairment of property, plant and equipment. In practice, this is usually an asset group-specific assessment. If any signs of impairment are detected, the recoverable amount of the asset is determined.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The value in use is based on the expected future net cash flows resulting from the asset, discounted to the present. The recoverable amount is compared with the asset's carrying amount. An impairment loss is recognised if the recoverable amount is lower than the carrying amount. Impairment losses are recognised in the statement of income. In connection with the recognition of the impairment loss, the useful life of the amortisable/depreciable asset is reassessed.

The impairment loss will be reversed later if the circumstances change and the recoverable amount has increased after the recognition of the impairment loss. However, reversal of impairment loss shall not exceed the asset's carrying amount less impairment loss.

6.4 Non-current receivables

M€	31 Dec 2019	31 Dec 2018
Loan receivables from associated companies	0.2	0.2
Other non-current receivables	0.0	1.6
Loan receivables from others	2.8	3.1
Non-current accrued income	0.2	0.3
Total	3.2	5.3

6.5 Current trade and other receivables

M€	31 Dec 2019	31 Dec 2018
Trade receivables	5.7	5.2
Receivables from associated companies	0.0	0.0
Loan receivables	0.4	0.3
Other receivables	0.4	1.2
Prepaid expenses and accrued income	1.2	1.5
Total	7.7	8.3

Specification of prepaid expenses and accrued income	31 Dec 2019	31 Dec 2018
Rental services	0.6	0.4
Prepayments	0.1	0.2
Interest		0.0
Other prepaid expenses and accrued income	0.4	0.9
Total	1.2	1.5

The fair value of trade receivables and other receivables matches their carrying amount.

6.6 Provisions and other non-current liabilities

Provisions include EUR 0.5 (0.6) million in ten-year guarantee reserves for Lumo Kodit Oy's (VVO Rakennuttaja Oy's) founder construction, estimated on the basis of experience.

Other non-current liabilities	31 Dec 2019	31 Dec 2018
M€		
Accrued expenses and deferred income		0.0
Security deposits received	5.1	5.3
Other liabilities, investments		8.7
Total	5.1	14.0

Provisions are recognised in the balance sheet when all the following criteria are met:

- Kojamo has a present legal or constructive obligation as a result of past events
- it is probable that an outflow of resources will be required to settle the obligation
- the amount of the obligation can be reliably estimated.

Provisions may result from restructuring plans, onerous contracts or obligations related to the environment, legal action or taxes.

The amount recognised as provision is the management's best estimate of costs required for settling an existing obligation on the last day of the reporting period. Where it can be expected some of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

6.7 Current trade payables and other payables

M€	31 Dec 2019	31 Dec 2018
Advances received	6.7	6.1
Trade payables	15.6	12.7
Other debts	10.1	12.5
Accrued expenses and deferred income	31.8	38.6
Total	64.3	69.9

Specification of accrued expenses and deferred income	31 Dec 2019	31 Dec 2018
Rental services	0.9	3.2
Investments	5.1	10.3
Personnel expenses	5.4	6.0
Interest	20.3	18.9
Other items	0.1	0.2
Total	31.8	38.6

6.8 Adjustments to cash flow from operating activities

M€	1-12/2019	1-12/2018
Depreciation	1.1	0.8
Financial income and expenses	50.8	47.1
Income taxes	206.1	55.5
Share of result of associated companies	-0.2	-0.2
Profit/loss on fair value of investment properties	-872.4	-127.5
Profit/loss on the disposal of investment properties	-0.1	-1.0
Other adjustments	0.3	2.4
Total	-614.5	-22.8

7. Other notes

7.1 Related party transactions

Related parties

Kojamo plc's related parties include its subsidiaries, associated companies and joint arrangements as well as key management personnel, comprising the members of the Board of Directors and Management Team, the CEO and the close members of their families. Parties holding 20 per cent or more of the shares of Kojamo are always considered as related parties. Shareholders whose shareholding remains below 20 per cent are considered as related parties if they are otherwise considered to have considerable influence.

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

Kojamo's subsidiaries, joint arrangements and associated companies are presented in Note 7.2.

Employee benefits of key management personnel

M€	1–12/2019	1–12/2018
Wages and salaries to management		
CEO	0.5	0.9
Other members of the Management Team	1.0	1.5
Members of the Board and its committees	0.1	0.3
Total wages and salaries for the management	1.7	2.7
Share-based payments		
CEO	0.4	
Other members of the Management Team	0.3	
Members of the Board and its committees	0.2	
Share-based payments total	0.8	
Funded pension plans	0.2	0.6
Defined contribution pension plans	0.3	0.2
Total	3.0	3.4

Salaries and wages to the CEO, the Board of Directors and the Board's committees

1,000 €	1–12/2019	1–12/2018
Jani Nieminen, CEO	923.2	871.7
Board of Directors and its committees		
Mikael Aro	52.8	
Riku Aalto	16.2	59.5
Mikko Mursula	46.2	40.4
Reima Rytsölä	39.0	34.8
Anne Leskelä	44.7	21.1
Minna Metsälä	39.0	21.7
Heli Puura	30.9	
Matti Harjuniemi	40.2	31.8
Olli Luukkainen		9.0
Jan-Erik Saarinen	9.3	35.4
Ann Selin		9.6
Jorma Malinen		10.2
Jarkko Eloranta		4.2
Ville-Veikko Laukkanen		4.2
Pasi Pesonen		4.2
Esko Torsti		4.2
Board of Directors and its committees total	318.3	290.1
Total *)	1,241.5	1,161.8

*) The salaries and wages include share-based payments

For the 2019–2020 term of office, the Board of Directors has been paid fees totalling EUR 381.3 thousand, of which EUR 318.3 thousand is allocated to the financial year 2019.

Kojamo employees do not receive additional compensation for serving as Board members or the CEO of Group companies.

The management's pension commitments and severance payments

The retirement age for the CEO and the members of the Management Team is 63 years. The CEO and the members of the Management Team belong to a contribution-based pension system in which an insurance premium corresponding to two months' taxable income is paid annually into a group pension insurance plan. In accordance with the terms of the

insurance, the insurance savings can be withdrawn starting from the age of 63 or as a supplementary pension complementing earnings-related pension. The costs of the statutory pension plan for the CEO and the members of the Management Team were EUR 0.5 (0.6) million, and payments to the voluntary pension plan amounted to EUR 0.2 (0.2) million.

If the company terminates the CEO's contract, the period of notice is 12 months, during which time the CEO does not have an obligation to work. If the CEO terminates the contract, the period of notice is three months. No separate severance pay is stipulated by the CEO's contract.

If the Company terminates the contract of another member of the Management Team, the period of notice is six months, during which time they are under no obligation to work. If a member of the Management Team terminates the contract, the period of notice is three months. The severance payment corresponds to six months' salary.

Share-based incentive plan

Kojamo has a long-term share-based incentive plan for executives in effect. The remuneration is based on the realisation of Kojamo's key performance indicators in relation to the Group's strategic targets.

The potential incentives under the plan are based on:

- net rental income, operative result and return on capital employed for the performance period 2017–2019; and
- operative result and return on capital employed for the performance period 2018–2020.
- total revenue, funds from operations (FFO) per share and return on equity (%) for the performance period 2019–2021.

If the three ongoing earning periods were accrued in full, the maximum remuneration would be a sum corresponding to 300,820 Kojamo shares, of which half would be paid in Kojamo shares and half in cash. The fair value of the share-based rewards is measured based on Kojamo plc's share price of EUR 8.50 per share at the time of initiating the plan and taking into account the dividend estimates for the coming years. In the financial year 2019, the effect of the share-based incentive plan on Kojamo's result was EUR -0.7 million.

Other related party information

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 shares and share-based rights in the company or in companies belonging to the same Group as the company.

These shares represent 0.07 per cent of the company's entire share capital.

Kojamo had no related party transactions deviating from the company's normal business operations in 2018 and 2019.

7.2 The Group's subsidiaries, joint arrangements and associated companies

Consolidation policies

The consolidated financial statements include the parent company Kojamo plc, the subsidiaries, interests in joint arrangements (joint operations) and investments in associated companies.

Subsidiaries

Subsidiaries are companies that are under the parent company's control. Kojamo is considered to control an entity when Kojamo is exposed to, or has rights to, variable returns from its involvement in the entity and has the ability to affect those returns through its control over the entity. The control is usually based on the parent company's direct or indirect holding of more than 50 per cent of the voting rights in the subsidiary. Should facts or circumstances change in the future, Kojamo will reassess whether it continues to have control over the entity.

Mutual shareholdings are eliminated using the acquisition cost method. Subsidiaries acquired during the financial year are consolidated in the financial statements from the day of acquisition, when the Group gained control of the company. Divested subsidiaries are consolidated until the date of divestment, when control ceases. Intra-Group transactions, receivables, liabilities, essential internal margins and internal profit distribution have been eliminated in the consolidated financial statements.

The result for the financial year and total comprehensive income are allocated to the owners of the parent company, as Kojamo did not have any non-controlling interests in financial periods 2018 and 2019.

Joint arrangements

A joint arrangement is an arrangement in which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is either a joint operation or joint venture. In a joint operation, Kojamo has rights to the assets and obligations for the liabilities relating to the arrangement, whereas a joint venture is an arrangement in which Kojamo has rights to the net assets of the arrangement. All of Kojamo's joint arrangements are joint operations. They include those housing companies and mutual real estate companies in which Kojamo has a holding of less than 100 per cent. In these companies, the shares held by Kojamo carry entitlement to have control over specified premises.

Kojamo includes in its consolidated financial statements on a line-by-line basis and in proportion to its ownership its share of the assets and liabilities on the balance sheet related to joint operations as well as its share of any joint assets and liabilities. In addition, Kojamo recognises its income and expenses related to joint operations, including its share of the income and expenses from joint operations. Kojamo applies this proportional consolidation method to all the joint operations described hereinabove, regardless of Kojamo's holding. If the proportionally consolidated companies have such items on the consolidated comprehensive income statement or balance sheet that solely belong to Kojamo or other owners, these items are dealt with accordingly also in Kojamo's consolidated financial statements.

Associated companies

Associated companies are entities over which Kojamo has considerable influence. Considerable influence is basically defined as Kojamo holding 20–50 per cent of the votes in the company, or Kojamo as otherwise exercising considerable influence but not having control in the company. Holdings in associated companies are consolidated in the financial statements using the equity method from the date of acquiring considerable influence until the date when the considerable influence ends. The Group's share of the results of associated companies is shown in a separate line on the income statement.

Subsidiaries and joint arrangements		Parent company holding %	Group holding %
Kojamo plc			
Kiinteistö osakeyhtiö Pikkuhirvas	Inari	100.00%	100.00%
Kojamo Holding Oy	Helsinki	100.00%	100.00%
Kojamo Palvelut Oy	Helsinki	100.00%	100.00%
Kotinyt Oy	Helsinki	100.00%	100.00%
Lumo 2019 Oy	Helsinki	100.00%	100.00%
Lumo 2020 Oy	Helsinki	100.00%	100.00%
Lumo 2021 Oy	Helsinki	100.00%	100.00%
Lumo Kodit Oy	Helsinki	100.00%	100.00%
Lumo Vuokratalot Oy	Helsinki	100.00%	100.00%
Lumohousing 10 Oy	Helsinki	100.00%	100.00%
Lumohousing 11 Oy	Helsinki	100.00%	100.00%
Lumohousing 12 Oy	Helsinki	100.00%	100.00%
Lumohousing 2 Oy	Helsinki	100.00%	100.00%
Lumohousing 7 Oy	Helsinki	100.00%	100.00%
VVO Hoivakiinteistöt Oy	Helsinki	100.00%	100.00%
VVOhousing 8 Oy	Helsinki	100.00%	100.00%
VVOhousing 9 Oy	Helsinki	100.00%	100.00%

Subsidiaries and joint arrangements		Parent company holding %	Group holding %
Lumo Kodit Oy			
As Oy Helsingin Leikosaarenpuisto	Helsinki	98.64%	98.64%
As Oy Helsingin Vuopuisto	Helsinki	98.71%	98.71%
As Oy Kuopion Havuketo	Kuopio	100.00%	100.00%
As Oy Turun Puistokatu 12	Turku	100.00%	100.00%
As Oy Vantaan Junkkarinkaari 7	Vantaa	100.00%	100.00%
As. Oy Helsingin Haapaniemenkatu 11	Helsinki	100.00%	100.00%
As. Oy Kuopion Kaarenkulma	Kuopio	100.00%	100.00%
As. Oy Malski 3, Lahti	Lahti	100.00%	100.00%
Asunto Oy Espoon Ajurinkuja 1	Espoo	100.00%	100.00%
Asunto Oy Espoon Forstmestarinpiha 2	Espoo	100.00%	100.00%
Asunto Oy Espoon Henttaan Puistokatu 16	Espoo	100.00%	100.00%
Asunto Oy Espoon Henttaankaari A	Espoo	100.00%	100.00%
Asunto Oy Espoon Kilonportti 3	Espoo	100.00%	100.00%
Asunto Oy Espoon Kirkkojärventie 10 C	Espoo	100.00%	100.00%
Asunto Oy Espoon Klariksentie 6	Espoo	100.00%	100.00%
Asunto Oy Espoon Koivu-Mankkaan tie 1	Espoo	100.00%	100.00%
Asunto Oy Espoon Kulovalkeantie 21 B	Espoo	100.00%	100.00%
Asunto Oy Espoon Likusterikatu A	Espoo	100.00%	100.00%
Asunto Oy Espoon Marinkallio 4	Espoo	100.00%	100.00%
Asunto Oy Espoon Marinkallio 6	Espoo	100.00%	100.00%
Asunto Oy Espoon Marinkallio 8	Espoo	100.00%	100.00%
Asunto Oy Espoon Nihtitorpankuja 3	Espoo	100.00%	100.00%
Asunto Oy Espoon Niittykatu 15	Espoo	100.00%	100.00%
Asunto Oy Espoon Niittykummuntie 12 B	Espoo	100.00%	100.00%
Asunto Oy Espoon Niittykummuntie 12 E	Espoo	100.00%	100.00%
Asunto Oy Espoon Rastasniityntie 1 A	Espoo	100.00%	100.00%
Asunto Oy Espoon Rastasniityntie 1 B	Espoo	100.00%	100.00%
Asunto Oy Espoon Reelinkikatu 2	Espoo	100.00%	100.00%
Asunto Oy Espoon Saunalahdenkatu 2	Espoo	100.00%	100.00%
Asunto Oy Espoon Servinkuja 3	Espoo	100.00%	100.00%
Asunto OY Espoon Soukanrinne	Espoo	100.00%	100.00%
Asunto Oy Espoon Suurpelto 44	Espoo	100.00%	100.00%
Asunto Oy Espoon Suurpelto 5	Espoo	100.00%	100.00%
Asunto Oy Espoon Tietäjäntie 3	Espoo	100.00%	100.00%
Asunto Oy Espoon Ulappakatu 1	Espoo	100.00%	100.00%
Asunto Oy Espoon Uuno Kailaan katu 4	Espoo	100.00%	100.00%
Asunto Oy Espoon Uuno Kailaan katu 5	Espoo	100.00%	100.00%
Asunto Oy Espoon Uuno Kailaan katu 6	Espoo	100.00%	100.00%
Asunto Oy Espoon Valakuja 8	Espoo	100.00%	100.00%
Asunto Oy Hattulan Jukolankuja 3	Hattula	79.46%	79.46%
Asunto Oy Helsingin Annankatu 5	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Bahamankatu 8	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Capellan puistotie 4	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Eerik VII	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Fregatti Dygdenin kuja 5	Helsinki	100.00%	100.00%

Asunto Oy Helsingin Haapsalunkuja 4	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Hela-aukio 4	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Helatehtaankatu 3	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Henrik Borgströmin tie 2	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Hesperiankatu 18	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Hilapellontie 2c	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Hilapellontie 2d	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Hopeatie 9	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Höyrykatu 8	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Iso Roobertinkatu 30	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Juhana Herttuan tie 8	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Jätkänkallio	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Kadetintie 6	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Kahvipavunkuja 3	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Kahvipavunkuja 4	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Kantelettarentie 15	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Karavaanikuja 2	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Karhulantie 13	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Karibiankuja 4	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Katariinankartano	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Katariinankoski	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Katontekijänkuja 1	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Kauppakartanonkuja 3	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Kaustisenpolku 3	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Keinulaudantie 2c	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Kivensilmänkuja 3	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Koirasaarentie 23	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Kontulantie 19	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Koskikartano	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Kotkankatu 9	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Kuuluttajankatu 2	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Lauttasaarentie 27	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Leikkikuja 2	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Leonkatu 21	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Luotsikatu 1a	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Lönnrotinkatu 30	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Maasälväntie 5 ja 9	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Marjatanportti	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Melkonkatu 12 B	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Messeniuksenkatu 1B	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Oulunkylän tori 1	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Palmseenpolku 2	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Pasilan Ratapiha 1	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Pasilan Ratapiha 2	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Pertunpellontie 6	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Pertunpellontie 8	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Plazankuja 5	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Posetiivari	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Punahilkantie 6	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Punakiventie 13	Helsinki	100.00%	100.00%

Asunto Oy Helsingin Punakiventie 15	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Pärnunkatu 6	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Ratarinne	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Retkeilijänkatu 1	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Ristipellontie 6	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Ristiretkeläistenkatu 19	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Risupadontie 6	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Saariniemenkatu 6	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Sörnäistenkatu 12	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Tenderinlenkki 6	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Tenderinlenkki 8	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Tilketori 2	Helsinki	93.75%	93.75%
Asunto Oy Helsingin Tulisuantie 1	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Tuulensuunkuja 3	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Valanportti	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Vinsentinaukio 4	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Von Daehnin katu 8	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Vuorenpeikontie 5	Helsinki	100.00%	100.00%
Asunto Oy Helsingin Välimerenkatu 8	Helsinki	100.00%	100.00%
Asunto Oy Hilapellontie 4	Helsinki	100.00%	100.00%
Asunto Oy Hyvinkään Astreankatu 27	Hyvinkää	100.00%	100.00%
Asunto Oy Hyvinkään Merino	Hyvinkää	100.00%	100.00%
Asunto Oy Hyvinkään Mohair	Hyvinkää	100.00%	100.00%
Asunto Oy Hyvinkään Värimestarinkaari 3	Hyvinkää	100.00%	100.00%
Asunto Oy Hämeenlinnan Aurinkokatu 10	Hämeenlinna	100.00%	100.00%
Asunto Oy Hämeenlinnan Hallituskatu 14	Hämeenlinna	100.00%	100.00%
Asunto Oy Hämeenlinnan Hilpi Kummilantie 16	Hämeenlinna	100.00%	100.00%
Asunto Oy Hämeenlinnan Kajakulma	Hämeenlinna	73.97%	73.97%
Asunto Oy Hämeenlinnan Keilakatu 4	Hämeenlinna	100.00%	100.00%
Asunto Oy Hämeenlinnan Kummilantie 6	Hämeenlinna	100.00%	100.00%
Asunto Oy Hämeenlinnan Linnaniemenkatu 1	Hämeenlinna	100.00%	100.00%
Asunto Oy Hämeenlinnan Linnankatu 3b	Hämeenlinna	100.00%	100.00%
Asunto Oy Hämeenlinnan Pikkujärventie 9	Hämeenlinna	100.00%	100.00%
Asunto Oy Hämeenlinnan Uusi-Jukola	Hämeenlinna	100.00%	100.00%
Asunto Oy Hämeentie 48	Helsinki	100.00%	100.00%
Asunto Oy Jyväskylän Heinämutka 5	Jyväskylä	100.00%	100.00%
Asunto Oy Jyväskylän Honkaharjuntie 14b	Jyväskylä	100.00%	100.00%
Asunto Oy Jyväskylän Jontikka 4	Jyväskylä	100.00%	100.00%
Asunto Oy Jyväskylän Kelokatu 4	Jyväskylä	100.00%	100.00%
Asunto Oy Jyväskylän Kerkkäkatu 1	Jyväskylä	100.00%	100.00%
Asunto Oy Jyväskylän Keskisentie 1	Jyväskylä	100.00%	100.00%
Asunto Oy Jyväskylän Kilpisenkatu 14	Jyväskylä	100.00%	100.00%
Asunto Oy Jyväskylän Kyllikinkatu 5	Jyväskylä	100.00%	100.00%
Asunto Oy Jyväskylän Runkotie 3b	Jyväskylä	100.00%	100.00%

Asunto Oy Jyväskylän Runkotie 5 C	Jyväskylä	100.00%	100.00%
Asunto Oy Jyväskylän Tellervonkatu 8	Jyväskylä	98.13%	98.13%
Asunto Oy Jyväskylän Tervalankatu 6	Jyväskylä	100.00%	100.00%
Asunto Oy Jyväskylän Tiilitehtaantie 46	Jyväskylä	100.00%	100.00%
Asunto Oy Jyväskylän Väinönkatu 15	Jyväskylä	100.00%	100.00%
Asunto Oy Jyväskylän Yliopistonkatu 40b	Jyväskylä	100.00%	100.00%
Asunto Oy Järvenpään Antoninkuja 3	Järvenpää	100.00%	100.00%
Asunto Oy Järvenpään Metallimiehenkuja 2	Järvenpää	100.00%	100.00%
Asunto Oy Järvenpään Pajalantie 23 F	Järvenpää	100.00%	100.00%
Asunto Oy Järvenpään Reki-Valko	Järvenpää	100.00%	100.00%
Asunto Oy Järvenpään Rekivatro	Järvenpää	100.00%	100.00%
Asunto Oy Järvenpään Sibeliuksenkatu 27	Järvenpää	100.00%	100.00%
Asunto Oy Kalasääksentie 6	Espoo	100.00%	100.00%
Asunto Oy Kauniaisten Asematie 10	Kauniainen	100.00%	100.00%
Asunto Oy Kauniaisten Asematie 12-14	Kauniainen	100.00%	100.00%
Asunto Oy Kauniaisten Bredantie 8	Kauniainen	100.00%	100.00%
Asunto Oy Kauniaisten Kavallinterassit	Kauniainen	100.00%	100.00%
Asunto Oy Kauniaisten Thurmaninpuistotie 2	Kauniainen	100.00%	100.00%
Asunto Oy Kaustisenpolku 5	Helsinki	100.00%	100.00%
Asunto Oy Keravan Eerontie 3	Kerava	100.00%	100.00%
Asunto Oy Keravan Palopolku 3	Kerava	99.57%	99.57%
Asunto Oy Keravan Santaniitynkatu 17	Kerava	100.00%	100.00%
Asunto Oy Keravan Tapulikatku 30	Kerava	100.00%	100.00%
Asunto Oy Keravan Tapulitori 1	Kerava	100.00%	100.00%
Asunto Oy Keravan Tapulitori 2	Kerava	100.00%	100.00%
Asunto Oy Kirkkonummen Framnäsiintie	Kirkkonummi	100.00%	100.00%
Asunto Oy Kirkkonummen Vernerinkuja 5	Kirkkonummi	100.00%	100.00%
Asunto Oy Kivivuorenkuja 1	Vantaa	100.00%	100.00%
Asunto Oy Kivivuorenkuja 3	Vantaa	100.00%	100.00%
Asunto Oy Konalantie 14	Helsinki	100.00%	100.00%
Asunto Oy Kuopion Haapaniemenkatu 13	Kuopio	100.00%	100.00%
Asunto Oy Kuopion Itkonniemenkatu 4b	Kuopio	100.00%	100.00%
Asunto Oy Kuopion Kelkkailijantie 4	Kuopio	100.00%	100.00%
Asunto Oy Kuopion Sompatie 7	Kuopio	100.00%	100.00%
Asunto Oy Kuopion Sompatie 9	Kuopio	100.00%	100.00%
Asunto Oy Kuopion Tulliportinkatu 30	Kuopio	100.00%	100.00%
Asunto Oy Lahden Kauppakatu 38	Lahti	100.00%	100.00%
Asunto Oy Lahden Radanpää 6	Lahti	100.00%	100.00%
Asunto Oy Lahden Saimaankatu 60 a	Lahti	100.00%	100.00%
Asunto Oy Lahden Sorvarinkatu 5	Lahti	100.00%	100.00%
Asunto Oy Lahden Vanhanladonkatu 2	Lahti	100.00%	100.00%
Asunto Oy Lahden Vihdinkatu 4	Lahti	100.00%	100.00%
Asunto Oy Lahden Vihdinkatu 6	Lahti	100.00%	100.00%
Asunto Oy Lappeenrannan Gallerianpolku	Lappeenranta	100.00%	100.00%
Asunto Oy Lappeenrannan Koulukatu 13	Lappeenranta	100.00%	100.00%
Asunto Oy Lappeenrannan Sammonkatu 3-5 B	Lappeenranta	100.00%	100.00%

Asunto Oy Lappeenrannan Upseeritie 12	Lap- peenranta	100.00%	100.00%
Asunto Oy Lintukallionrinne 1	Vantaa	100.00%	100.00%
Asunto Oy Mäntsälän Hemmintie 2	Mäntsälä	100.00%	100.00%
Asunto Oy Mäntsälän Karhulantie 2	Mäntsälä	100.00%	100.00%
Asunto Oy Naantalin Palomäenkatu 5	Naantali	100.00%	100.00%
Asunto Oy Nurmijärven Mahlamäentie 16	Nurmijärvi	100.00%	100.00%
Asunto Oy Nurmijärven Ratsutilantie 2	Nurmijärvi	100.00%	100.00%
Asunto Oy Oulun Kitimenpolku 21	Oulu	100.00%	100.00%
Asunto Oy Oulun Koskelantie 19	Oulu	100.00%	100.00%
Asunto Oy Oulun Kurkelankuja 1 B	Oulu	100.00%	100.00%
Asunto Oy Oulun Revonkuja 1	Oulu	100.00%	100.00%
Asunto Oy Oulun Tervahanhi 1	Oulu	99.10%	99.10%
Asunto Oy Oulun Tietolinja 11	Oulu	100.00%	100.00%
Asunto Oy Pirtinketosato	Kuopio	63.55%	63.55%
Asunto Oy Pohtolan Kynnys	Espoo	100.00%	100.00%
Asunto Oy Pohtolan Kytö	Espoo	100.00%	100.00%
Asunto Oy Rientolanhovi	Tampere	100.00%	100.00%
Asunto Oy Riihimäen Mäkiraitti 17	Riihimäki	56.18%	56.18%
Asunto Oy Rovaniemen Koskikatu 9	Rovaniemi	100.00%	100.00%
Asunto Oy Rovaniemen Tukkivartio	Rovaniemi	100.00%	100.00%
Asunto Oy Salamankulma	Turku	62.99%	62.99%
Asunto Oy Tampereen Keskipolku 4	Tampere	100.00%	100.00%
Asunto Oy Tampereen Keskipolku 8 A	Tampere	100.00%	100.00%
Asunto Oy Tampereen Koipitaipaleenkatu 9	Tampere	100.00%	100.00%
Asunto Oy Tampereen Lentokonetehtaankatu 5	Tampere	100.00%	100.00%
Asunto Oy Tampereen Meesakatu 2	Tampere	100.00%	100.00%
Asunto Oy Tampereen Myrskynkatu 4	Tampere	100.00%	100.00%
Asunto Oy Tampereen Nuolialantie 44	Tampere	100.00%	100.00%
Asunto Oy Tampereen Pohtolan Pohja	Tampere	100.00%	100.00%
Asunto Oy Tampereen Satakunnankatu 21	Tampere	100.00%	100.00%
Asunto Oy Tampereen Tieteenkatu 3	Tampere	100.00%	100.00%
Asunto Oy Tampereen Tuomiokirkonkatu 32	Tampere	100.00%	100.00%
Asunto Oy Tampereen Tutkijankatu 7	Tampere	100.00%	100.00%
Asunto Oy Toppilan Tuulentie 2	Oulu	100.00%	100.00%
Asunto Oy Tuiran Komuntalo	Oulu	100.00%	100.00%
Asunto Oy Turun Ahterikatu 12	Turku	100.00%	100.00%
Asunto Oy Turun Aurinkorinne	Turku	81.50%	81.50%
Asunto Oy Turun Hippoksentie 31 G	Turku	100.00%	100.00%
Asunto Oy Turun Laivurinkatu 4	Turku	100.00%	100.00%
Asunto Oy Turun Riitasuonkatu 28	Turku	100.00%	100.00%
Asunto Oy Turun Työnjohtajankatu 1	Turku	100.00%	100.00%
Asunto Oy Turun Vänrikinkatu 2	Turku	100.00%	100.00%
Asunto Oy Tuusulan Bostoninkaari 2	Tuusula	100.00%	100.00%
Asunto Oy Tuusulan Kievarinkaari 4	Tuusula	100.00%	100.00%
Asunto Oy Vantaan Antaksentie 3	Vantaa	100.00%	100.00%
Asunto Oy Vantaan Arinatie 10	Vantaa	100.00%	100.00%
Asunto Oy Vantaan Elmontie 11	Vantaa	100.00%	100.00%
Asunto Oy Vantaan Esikkotie 9	Vantaa	100.00%	100.00%
Asunto Oy Vantaan Hiiritornit	Vantaa	100.00%	100.00%
Asunto Oy Vantaan Kaivokselantie 5 b	Vantaa	100.00%	100.00%

Asunto Oy Vantaan Kaivokselantie 5 f	Vantaa	100.00%	100.00%
Asunto Oy Vantaan Keikarinkuja 3	Vantaa	100.00%	100.00%
Asunto Oy Vantaan Kilterinaukio 4	Vantaa	100.00%	100.00%
Asunto Oy Vantaan Kilterinkaari 2	Vantaa	100.00%	100.00%
Asunto Oy Vantaan Krassitie 8	Vantaa	97.70%	97.70%
Asunto Oy Vantaan Lauri Korpisen katu 10	Vantaa	100.00%	100.00%
Asunto Oy Vantaan Lauri Korpisen katu 8	Vantaa	100.00%	100.00%
Asunto Oy Vantaan Lautamiehentie 11	Vantaa	100.00%	100.00%
Asunto Oy Vantaan Lautamiehentie 9	Vantaa	100.00%	100.00%
Asunto Oy Vantaan Lehtikallio 4	Vantaa	100.00%	100.00%
Asunto Oy Vantaan Leinelänkaari 13	Vantaa	100.00%	100.00%
Asunto Oy Vantaan Leinelänkaari 14	Vantaa	100.00%	100.00%
Asunto Oy Vantaan Leineläntie 10	Vantaa	100.00%	100.00%
Asunto Oy Vantaan Leineläntie 3	Vantaa	100.00%	100.00%
Asunto Oy Vantaan Martinlaaksonpolku 4	Vantaa	100.00%	100.00%
Asunto Oy Vantaan Liesikuja 8	Vantaa	100.00%	100.00%
Asunto Oy Vantaan Neilikkapolku	Vantaa	100.00%	100.00%
Asunto Oy Vantaan Pyhtäänkorvenkuja 4 ja 6	Vantaa	100.00%	100.00%
Asunto Oy Vantaan Pyhtäänkorventie 25	Vantaa	100.00%	100.00%
Asunto Oy Vantaan Pähkinämetsä	Vantaa	100.00%	100.00%
Asunto Oy Vantaan Pähkinäpolku	Vantaa	100.00%	100.00%
Asunto Oy Vantaan Ruukkupolku 14	Vantaa	100.00%	100.00%
Asunto Oy Vantaan Tammistonvuori	Vantaa	100.00%	100.00%
Asunto Oy Vantaan Tarhurintie 6	Vantaa	100.00%	100.00%
Asunto Oy Verkkotie 3	Hämeen- linna	100.00%	100.00%
Asunto Oy Vuorikummuntie 9	Helsinki	100.00%	100.00%
Asunto Oy Vähäntuvantie 6	Helsinki	100.00%	100.00%
Asunto-osakeyhtiö Helsingin Keinulaudantie 2a	Helsinki	100.00%	100.00%
Asunto-osakeyhtiö Helsingin Keinulaudantie 2b	Helsinki	100.00%	100.00%
Kiint. Oy Taivaskero 2	Vantaa	100.00%	100.00%
Kiinteistö Oy Helsingin Abrahaminkatu 1	Helsinki	100.00%	100.00%
Kiinteistö Oy Helsingin Agricolankatu 1	Helsinki	100.00%	100.00%
Kiinteistö Oy Helsingin Albertinkatu 40	Helsinki	100.00%	100.00%
Kiinteistö Oy Helsingin Bulevardi 31	Helsinki	100.00%	100.00%
Kiinteistö Oy Helsingin Eerikinkatu 36	Helsinki	100.00%	100.00%
Kiinteistö Oy Helsingin Kalevankatu 37	Helsinki	100.00%	100.00%
Kiinteistö Oy Helsingin Kalevankatu 39	Helsinki	100.00%	100.00%
Kiinteistö Oy Helsingin Kalevankatu 41	Helsinki	100.00%	100.00%
Kiinteistö Oy Helsingin Kalevankatu 43	Helsinki	100.00%	100.00%
Kiinteistö Oy Helsingin Lönnrotinkatu 34	Helsinki	100.00%	100.00%
Kiinteistö Oy Helsingin Onnentie 18	Helsinki	100.00%	100.00%
Kiinteistö Oy Helsingin Sofianlehdonkatu 5	Helsinki	100.00%	100.00%
Kiinteistö Oy Helsingin Somerontie 14	Helsinki	100.00%	100.00%
Kiinteistö Oy Helsingin Tukholmankatu 10	Helsinki	100.00%	100.00%
Kiinteistö Oy Lintulahdenpengeri	Helsinki	100.00%	100.00%
Kiinteistö Oy Malminhaka	Tampere	90.00%	90.00%
Kiinteistö Oy Mannerheimintie 168	Helsinki	82.61%	82.61%
Kiinteistö Oy Saarensahra	Tampere	100.00%	100.00%
Asunto Oy Helsingin Saariniemenkatu 6	Helsinki	100.00%	100.00%
Kiinteistö Oy Siilinjärven Kirkkorinne	Siilinjärvi	100.00%	100.00%

Kiinteistö Oy Tampereen Kyllikinkatu 15	Tampere	100.00%	100.00%
Kiinteistö Oy Tuureporin Liiketalo	Turku	100.00%	100.00%
Kiinteistö Oy Uuno Kailaan kadun Pysäköinti	Espoo	100.00%	100.00%
Kiinteistö Oy Vantaan Karhunkierros 1 C	Vantaa	100.00%	100.00%
Kiinteistö Oy Vantaan Pyhtäänpolku	Vantaa	100.00%	100.00%
Kiinteistö Oy Ylä-Malmintori	Helsinki	100.00%	100.00%
Kiinteistöosakeyhtiö Näsilinnankatu 40	Tampere	100.00%	100.00%
Kilterin Kehitys Oy	Helsinki	100.00%	100.00%
Lumo Eerikinkatu VII Holding 2 Oy	Helsinki	100.00%	100.00%
Lumo Hankeyhtiö 1 Oy	Helsinki	100.00%	100.00%
Lumo Hankeyhtiö 2 Oy	Helsinki	100.00%	100.00%
Lumo Hankeyhtiö 3 Oy	Helsinki	100.00%	100.00%
Lumo Hankeyhtiö 4 Oy	Helsinki	100.00%	100.00%
Lumo Holding 50 Oy	Helsinki	100.00%	100.00%
Volaria Oy	Helsinki	100.00%	100.00%
Asunto Oy Vantaan Martinlaaksonpolku 4:n tytär: Martinlaakson Kiinteistöt 1 Oy	Vantaa	100.00%	100.00%

Subsidiaries and joint arrangements		Parent company holding %	Group holding %
Lumo Vuokratalot Oy			
Asunto Oy Espoon Asemakuja 1	Espoo	100.00%	100.00%
Asunto Oy Espoon Piilipuuntie 25	Espoo	100.00%	100.00%
Asunto Oy Espoon Piilipuuntie 31	Espoo	100.00%	100.00%
Asunto Oy Helsingin Vaakamestarinpolku 2	Helsinki	100.00%	100.00%
Asunto Oy Kuopion Niemenkatu 5	Kuopio	100.00%	100.00%
Asunto Oy Oulun Jalohaukantie 1	Oulu	100.00%	100.00%
Asunto Oy Oulun Tuiranmaja	Oulu	100.00%	100.00%
Kiinteistö Oy Nummenperttu	Hämeenlinna	100.00%	100.00%
Kiinteistö Oy Vehnäpelto	Vantaa	100.00%	100.00%
Kiinteistö Oy Vehnäpelto's subsidiary: Kiinteistö Oy Viljapelto	Vantaa	55.56%	76.67%

Subsidiaries and joint arrangements		Parent company holding %	Group holding %
Lumo 2019 Oy			
Asunto Oy Oulun Peltolankaari 1	Oulu	100.00%	100.00%
Asunto Oy Turun Reelinkikatu 7	Turku	100.00%	100.00%

Subsidiaries and joint arrangements		Parent company holding %	Group holding %
Lumo 2020 Oy			
Asunto Oy Kuopion Vuorikatu 22	Kuopio	100.00%	100.00%

Subsidiaries and joint arrangements		Parent company holding %	Group holding %
--	--	---------------------------------	------------------------

87 (109)

Lumo 2021 Oy

Asunto Oy Kuopion Vilhelmiina	Kuopio	78.38%	100.00%
-------------------------------	--------	--------	---------

		Parent company holding %	Group holding %
Subsidiaries and joint arrangements Group			
Katajapysäköinti Oy	Tampere		50.93%

		Parent company holding %	Group holding %
Subsidiaries and joint arrangements Kojamo Palvelut Oy			
Kiinteistö Oy Mannerheimintie 168a	Helsinki	100.00%	100.00%

		Parent company holding %	Group holding %
Associated companies			

Kojamo plc

Asunto Oy Nilsian Ski	Nilsia	28.33%	28.33%
SV-Asunnot Oy	Helsinki	50.00%	50.00%

Lumo Vuokratalot Oy

Asunto Oy Viljapelto	Vantaa	21.11%	76.67%
Kiinteistö Oy Keinulaudantie 4	Helsinki	41.62%	41.62%
Pajalan Parkki Oy	Järvenpää	31.44%	44.06%

Lumo 2020 Oy

Lintulammenkadun Pysäköintilaitos oy	Kerava	39.19%	39.19%
--------------------------------------	--------	--------	--------

		Parent company holding %	Group holding %
Associated companies			

Lumo Kodit Oy

Asunto Oy Espoon Otsonkulma	Espoo	28.98%	28.98%
Asunto Oy Kuopion Vilhelmiina	Kuopio	21.62%	100.00%
Asunto Oy Tuusulan Metsontie 2	Tuusula	35.83%	35.83%
Fastighets Ab Lovisa Stenborg Kiinteistö Oy	Loviisa	45.50%	45.50%
Hatanpäänhovin Pysäköinti Oy	Tampere	41.88%	41.88%
Katajapysäköinti Oy	Tampere	34.26%	50.93%
Kiinteistö Oy Bäckisåker	Espoo	50.00%	50.00%
Kiinteistö Oy Jyväskylän Torikulma	Jyväskylä	42.63%	42.63%
Kiinteistö Oy Lappeenrannan Koulukatu 1	Lappeenranta	24.45%	24.45%
Kiinteistö Oy Mannerheimintie 40	Helsinki	29.42%	29.42%
Kiinteistö Oy Myllytullin Autotalo	Oulu	24.39%	24.39%
Kiinteistö Oy Oulun Tullivahdin Parkki	Oulu	33.60%	33.60%
Kiinteistö Oy Pohjois-Suurpelto	Espoo	50.00%	50.00%
Kiinteistö Oy Tampereen Tieteen Parkki	Tampere	41.71%	41.71%
Lehtolantien Pysäköinti Oy	Riihimäki	22.60%	22.60%
Leinelän Kehitys Oy	Vantaa	20.00%	20.00%
Marin autopaikat Oy	Espoo	21.00%	21.00%
Mummunkujan pysäköinti Oy	Tampere	26.51%	26.51%

Paavolan Parkki Oy	Lahti	24.93%	32.98%
Pihlajapysäköinti Oy	Tampere	30.56%	30.56%
Ristikedonkadun Lämpö Oy	Salo	34.40%	34.40%
Ruukinpuiston Pysäköinti Oy	Kerava	23.49%	23.49%
Ruukuntekijäntien paikoitus Oy	Vantaa	26.24%	26.24%
SKIPA Kiinteistöpalvelut Oy	Espoo	20.63%	20.63%
Suurpellon Kehitys Oy	Espoo	50.00%	50.00%
Virvatulentien Pysäköinti Oy	Helsinki	25.15%	25.15%
Asunto Oy Vantaan Lehtikallio 4: Kiinteistö Oy Lehtikallion pysäköinti	Vantaa	39.84%	39.84%
Asunto Oy Järvenpään Sibeliuksenkatu 27: Kiinteistö Oy Järvenpään Tupalantalli	Järvenpää	33.51%	33.51%
Asunto Oy Vantaan Leinelänkaari 13: Leinelänkaaren Pysäköinti Oy	Vantaa	21.63%	21.63%
Asunto Oy Oulun Revonkuja 1: Kiinteistö Oy Revonparkki	Oulu	20.37%	20.37%
Asunto Oy Tampereen Keskienskatu 4: Kiinteistö Oy Tampereen Seponparkki	Tampere	29.91%	45.98%
Asunto Oy Vantaan Arinatie 10: Kiinteistö Oy Arinaparkki Vantaa	Vantaa	25.59%	25.59%
Asunto Oy Lahden Radanpää 6: Asemantaustan Pysäköinti Oy	Lahti	39.76%	39.76%
Asunto Oy Helsingin Kantelettarentie 15: Kiinteistö Oy Sävelkorttelin Parkkihalli	Helsinki	47.38%	47.38%
Asunto Oy Espoon Ajurinkuja 1: Kiinteistö Oy Valliparkki	Espoo	31.31%	31.31%
Asunto Oy Vantaan Lautamiehentie 9: Sandbackan Autopaikat Oy	Vantaa	24.62%	44.23%

7.3 Events after the financial year

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 Rytölä 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	2019	2018	2017	2016	2015
Total revenue, M€		375.3	358.8	337.0	351.5	370.9
Net rental income, M€	1	247.3	234.0	216.0	222.0	227.4
Net rental income margin, %	2	65.9	65.2	64.1	63.2	61.3
Profit before taxes, M€	3	1,031.3	277.3	266.7	289.7	224.7
EBITDA, M€	4	1,083.1	325.1	308.2	336.8	262.4
EBITDA margin, %	5	288.6	90.6	91.5	95.8	70.7
Adjusted EBITDA, M€	6	210.3	196.5	179.5	186.3	189.1
Adjusted EBITDA margin, %	7	56.0	54.8	53.3	53.0	51.0
Funds From Operations (FFO), M€	8	140.7	116.4	107.8	112.2	129.4
FFO margin, %	9	37.5	32.4	32.0	31.9	34.9
Funds From Operations (FFO) per share, € ¹⁾	10	0.57	0.49	0.47	0.49	0.56
FFO excluding one-off items, M€	11	140.7	117.3	107.8	112.2	129.4
Adjusted Funds From Operations (AFFO), M€	12	110.0	92.7	82.3	82.9	83.6
Investment properties, M€ ²⁾		6,260.8	5,093.2	4,710.2	4,298.9	3,999.2
Financial occupancy rate, %	22	97.2	97.0	96.7	97.4	97.6
Interest-bearing liabilities, M€ ³⁾	13	2,674.2	2,485.5	2,283.0	2,122.8	1,494.6
Return on equity, % (ROE)	14	30.3	10.1	10.9	12.9	10.8
Return on investment, % (ROI)	15	20.5	7.2	7.5	8.8	7.6
Equity ratio, %	16	46.9	43.0	41.3	40.7	41.1
Loan to Value (LTV), % ^{4) 5) 6) 7)}	17	40.5	45.9	46.0	47.1	39.8
Earnings per share, € ¹⁾		3.34	0.93	0.93	1.01	0.78
Equity per share, € ¹⁾		12.51	9.54	8.88	8.10	7.58
Dividend/share, € ^{1) 8)}		0.34	0.29	0.22	0.51	0.16
Dividend/earnings, %	18	10.2	31.2	23.7	50.5	20.5
Price/Earnings ratio (P/E)	19	4.9	8.7			
Effective dividend yield, %	20	2.1	3.6			
Gross investments, M€	21	259.9	365.2	367.3	696.0	235.0
Average number of personnel		305	319	310	298	364

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) Contains Non-current assets held for sale

3) Does not include liabilities related to non-current assets held for sale.

4) Does not include non-current assets held for sale or liabilities related to non-current assets held for sale.

5) The formula used in the calculation was changed in 2017, and the comparison figures have been adjusted to reflect the current calculation method.

6) On 1 January 2017, EUR 20 million of liquid investments were reclassified to cash and cash equivalents. The comparative data have not been changed to correspond to the current classification.

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

8) 2019: the Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.34 per share be paid. 2016: includes an extra dividend of EUR 0.29 per share.

Alternative Performance Measures

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.
- 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, % = $\frac{\text{FFO}}{\text{Total revenue}} \times 100$

Total revenue

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

M€	2019	2018	2017	2016	2015
Profit for the period	825.2	221.8	212.9	232.3	179.4
Depreciation, amortisation and impairment	1.1	0.8	1.1	1.2	1.2
Profit/loss on sales of investment properties	-0.1	-1.0	-2.5	10.4	-2.7
Profit/loss on sales of trading properties	-0.2	-0.1	0.0	-0.1	0.0
Profit/loss on sales of other non-current assets	0.0	0.0	0.0	2.5	-0.3
Profit/loss on fair value of investment properties	-872.4	-127.5	-126.2	-163.3	-70.3
Financial income	-2.6	-3.2	-5.0	-2.4	-7.8
Financial expenses	53.4	50.3	45.5	48.4	44.8
Share of result from associated companies	-0.2	-0.2	-0.1	-0.1	-0.6
Current tax expense	19.9	34.1	28.6	35.4	22.1
Change in deferred taxes	186.2	21.4	25.1	22.1	23.2
Adjusted EBITDA	210.3	196.5	179.5	186.3	189.1
Financial income and expenses	-50.8	-47.1	-40.5	-46.0	-37.1
Profit/loss on fair value measurement of financial assets	1.1	1.2	-2.7	7.3	-0.5
Adjusted net interest charges	-49.7	-46.0	-43.1	-38.7	-37.6
Current tax expense	-19.9	-34.1	-28.6	-35.4	-22.1
FFO	140.7	116.4	107.8	112.2	129.4
One-off items		0.8			
FFO excluding non-recurring costs	140.7	117.3	107.8	112.2	129.4
Equity	3,090.6	2,358.1	2,038.6	1,859.5	1,739.1
Assets total	6,590.4	5,485.4	4,943.5	4,572.2	4,236.1
Advances received	-6.7	-6.1	-5.1	-4.6	-5.6
Equity ratio, %	46.9	43.0	41.3	40.7	41.1

Parent company's financial statements

Parent company's income statement, FAS

€	Note	1-12/2019	1-12/2018
Rental income		440,059.92	440,304.76
Sales revenue from administration		11,827,167.00	9,343,309.00
Total revenue	1	12,267,226.92	9,783,613.76
Other operating income	2	6,318.32	276,920.48
Personnel costs	3	-5,709,950.34	-5,459,733.36
Depreciation, amortisation and impairment	4	-248,252.18	-343,018.12
Other operating expenses	5	-10,249,486.70	-8,680,024.96
Operating profit		-3,934,143.98	-4,422,242.20
Investment income		19,380.00	1,080.00
Financial income		27,962,508.56	24,591,575.90
Value adjustments in investments held as current assets		365,648.21	-375,144.55
Financial expenses		-26,541,754.88	-29,139,856.11
Total amount of financial income and expenses	6	1,805,781.89	-4,922,344.76
Profit before appropriations and taxes		-2,128,362.09	-9,344,586.96
Appropriations	7	81,789,389.59	153,044,987.79
Income taxes	8	-15,889,895.16	-28,822,195.43
Profit for the period		63,771,132.34	114,878,205.40

Parent company's balance sheet, FAS

€	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Intangible assets	9		
Intangible rights		51,901.11	86,077.93
Other long-term expenses		190.80	26,462.10
Intangible assets, total		52,091.91	112,540.03
Tangible assets	10		
Land and water areas		4,520,734.02	4,520,734.02
Machinery and equipment		371,784.81	534,319.76
Other tangible assets		194,397.12	194,397.12
Tangible assets, total		5,086,915.95	5,249,450.90
Investments	11		
Shares in subsidiaries		82,571,717.75	82,571,717.75
Shares in associates		176,951.96	176,951.96
Other securities and shares		829,061.25	829,061.25
Investments, total		83,577,730.96	83,577,730.96
Non-current assets, total		88,716,738.82	88,939,721.89
Current assets			
Non-current receivables	12	1,435,930,898.93	1,426,410,472.18
Current receivables	13	275,338,608.01	187,559,897.87
Financial securities	14	110,922,575.83	146,685,164.09
Cash and cash equivalents		89,676,390.15	75,238,690.92
Current assets, total		1,911,868,472.92	1,835,894,225.06
ASSETS		2,000,585,211.74	1,924,833,946.95
SHAREHOLDERS' EQUITY AND LIABILITIES			
Comprehensive income			
Share capital	15	58,025,136.00	58,025,136.00
Share premium reserve		35,786,180.04	35,786,180.04
Contingency fund		16,920.33	16,920.33
Reserve for Invested unrestricted equity		167,856,001.50	167,856,001.50
Retained earnings		156,969,691.08	114,247,905.59
Profit for the period		63,771,132.34	114,878,205.40
Total equity		482,425,061.29	490,810,348.86
Accumulated appropriations	16	1,973.14	2,630.73
Liabilities			
Non-current liabilities	17	1,333,997,754.87	1,335,928,460.37
Current liabilities	18	184,160,422.44	98,092,506.99
Total liabilities		1,518,158,177.31	1,434,020,967.36
SHAREHOLDERS' EQUITY AND LIABILITIES		2,000,585,211.74	1,924,833,946.95

Parent company's cash flow statement, FAS

€	1-12/2019	1-12/2018
Cash flow from operating activities		
Profit before appropriations and taxes	-2,128,362.09	-9,344,586.96
Adjustments:		
Planned depreciation and impairment	248,252.18	343,018.12
Asset purchase	-111.34	-44,567.19
Financial income and expenses	-1,440,133.68	4,547,200.21
Other adjustments	-437,755.32	-218,664.70
Cash flow from operating activities before change in working capital	-3,758,110.25	-4,717,600.52
Change in working capital:		
Change in trade and other receivables	256,572.58	-484,616.12
Change in trade and other payables	-759,653.37	6,500,726.18
Cash flow from operating activities before financial items, provisions and taxes	-4,261,191.04	1,298,509.54
Interest paid and payments on other operational financial costs	-24,114,614.63	-25,394,209.47
Financial income from operating activities	2,085,858.05	1,257,486.59
Direct taxes paid	-28,513,135.94	-19,115,568.84
Cash flow from operating activities	-54,803,083.56	-41,953,782.18
Cash flow from investing activities		
Acquisition of property, plant and equipment and intangible assets	-89,154.47	-49,230.55
Capital gains from the disposal of tangible and intangible assets	11,142.00	300,000.00
Non-current loans, granted	-13,566,759.49	-430,892,754.61
Repayments of non-current loan receivables	1,614,592.00	5,571,078.53
Financial securities acquired	-111,471,670.44	-274,053,732.41
Capital gains from financial securities	147,475,400.73	127,333,372.48
Interest and dividends received on investments	25,654,890.57	23,333,876.09
Cash flow from investing activities	49,628,440.90	-548,457,390.47
Cash flow from financing activities		
Paid change in equity		150,000,001.50
Non-current loans and borrowings, raised	128,200,000.00	500,000,000.00
Non-current loans and borrowings, repayments	-29,026,042.64	-826,042.64
Current loans and borrowings, raised	139,861,492.73	338,481,103.18
Current loans and borrowings, repayments	-139,828,299.41	-341,747,151.78
Change in the Group's internal bank	-160,967,044.08	-33,810,439.61
Dividends paid	-71,671,875.71	-50,337,408.00
Group contributions received	153,044,111.00	102,069,888.00
Cash flow from financing activities	19,612,341.89	663,829,950.65
Change in cash and cash equivalents	14,437,699.23	73,418,778.00
Cash and cash equivalents at the beginning of the period	75,238,690.92	1,819,912.92
Cash and cash equivalents at the end of the period	89,676,390.15	75,238,690.92

Parent company accounting policies

Kojamo plc's financial statements have been prepared in accordance with the provisions of the Finnish Accounting Act and the Finnish Limited Liability Companies Act.

Income related to rental operations and compensation for administration costs

Income related to rental operations and compensation for administration costs are recognised on an accrual basis during the agreement period.

Valuation of fixed assets

Tangible and intangible assets are recognised in the balance sheet at original acquisition cost less depreciation according to plan and possible impairment. Depreciations according to plan are calculated as straight-line depreciation on the basis of the estimated useful life of the assets.

The depreciation periods according to plan, based on the useful life, are as follows:

IT hardware and software	4–5 years
Office machinery and equipment	4 years
Cars	4 years

Costs that arise later are included in the carrying amount of a tangible asset only if it is likely that the future economic benefit related to the asset will benefit the Group. Other repair and maintenance costs are recognised as incurred through profit and loss.

Capital gains from the sale of fixed assets are recorded under other operating income and losses under other operating expenses.

Development expenditure

Development costs are recognised as expenses in the income statement in the financial year in which they are generated.

Valuation of financial assets

Financial securities have been recognised at the lower of cost or market price on the balance sheet date.

Statutory provisions

Future costs and apparent losses with a reasonably estimable monetary value which will no longer generate future income and which Kojamo is obligated or committed to perform are recognised as expenses in the income statement and as statutory provisions in the balance sheet.

Accumulated appropriations

Appropriations consist of accumulated depreciation differences.

Accrual of pension costs

The pension cover of Group companies is handled by external pension insurance companies in all respects. Pension costs are recognised as costs in the income statement on an accrual basis.

Accounting principles for the cash flow statement

The cash flow statement has been compiled on the basis of the information in the income statement and balance sheet and their supplementary information.

Cash and cash equivalents include bank accounts, liquid deposit notes and certificates of deposit.

Items denominated in foreign currencies

All of the receivables and liabilities are euro-denominated.

Derivative instruments

Changes in the fair value of derivative instruments are presented in the notes to the financial statements.

Derivative instruments that hedge against the interest rate risks of long-term loans have not been entered into the balance sheet. They are reported in the notes to the financial statements.

The interest income and expenses based on derivative instruments are allocated over the agreement period and are used to adjust the interest rates of the hedged asset.

Notes to the parent company financial statements

1. Total revenue

€	1–12/2019	1–12/2018
Intragroup revenue		
Plot rental income	319,547.40	320,590.00
Rental income, total	319,547.40	320,590.00
Central administration services	8,306,796.00	5,972,184.00
IT rental income	3,520,371.00	3,371,125.00
Other sales revenue, total	11,827,167.00	9,343,309.00
Intragroup revenue, total	12,146,714.40	9,663,899.00
Other operating revenue		
Plot rental income	119,072.52	117,614.76
Other rental income	1,440.00	2,100.00
Other operating revenue, total	120,512.52	119,714.76
Revenue, total	12,267,226.92	9,783,613.76

2. Other operating income

€	1–12/2019	1–12/2018
Capital gains on fixed assets		218,664.70
Income from debt collection	3,540.91	1,495.61
Other operating income	2,777.41	56,760.17
Total	6,318.32	276,920.48

3. Personnel costs

€	1–12/2019	1–12/2018
Wages, salaries and fees	4,482,175.69	3,809,908.61
Pension costs	1,001,450.92	1,548,880.60
Other employer contributions	226,323.73	100,944.15
Total	5,709,950.34	5,459,733.36

The management's performance bonuses have been calculated based on the closing price on 30 December 2019.

Wages, salaries and fees paid to the CEO, the Board of Directors and the Board's committees

€	1–12/2019	1–12/2018
CEO Jani Nieminen	923,165.13	871,734.46
Fees paid to the Board of Directors and Board committees		
Riku Aalto	16,200.00	59,500.00
Matti Harjuniemi	40,200.00	31,750.00
Olli Luukkainen		9,000.00
Jorma Malinen		10,200.00
Mikko Mursula	46,200.00	40,350.00
Reima Rytsölä	39,000.00	34,750.00
Jan-Erik Saarinen	9,300.00	35,350.00
Ann Selin		9,600.00
Anne Leskelä	44,700.00	21,100.00
Minna Metsälä	39,000.00	21,700.00
Jarkko Eloranta		4,200.00
Ville-Veikko Laukkanen		4,200.00
Pasi Pesonen		4,200.00
Esko Torsti		4,200.00
Mikael Aro	52,800.00	
Heli Puura	30,900.00	
Total	1,241,465.13	1,161,834.46
	2019	2018
Average number of personnel	23	25

For the 2019–2020 term of office, the Board of Directors and the Board committees have been paid fees totalling EUR 381,300, of which EUR 318,300 is allocated to the financial year 2019. The annual fee paid for the term of office beginning from the Annual General Meeting of 14 March 2019 was paid 60% in cash and 40% as shares.

Kojamo plc's CEO and Management Team receive total pay and their retirement age is 63 years. The pension liability is offset by a pension insurance plan, in which an insurance premium corresponding to two months' taxable income is paid annually into a group pension insurance plan. The period of notice for terminating the CEO's employment is 12 months. In 2019, the cost of the Finnish statutory pension plan for the CEO was EUR 0.2 (0.2) million, and payments to the voluntary pension plan amounted to EUR 0.1 (0.1) million.

In 2019, the cost of the Finnish statutory pension plan for the Management Team was EUR 0.3 (0.4) million, and payments to the voluntary pension plan amounted to EUR 0.1 (0.1) million.

4. Depreciation according to plan

€	1–12/2019	1–12/2018
Intangible assets	34,176.82	55,833.24
Other long-term expenses	26,271.30	75,425.53
Machinery and equipment	187,804.06	211,759.35
Total	248,252.18	343,018.12

5. Other operating expenses

€	1-12/2019	1-12/2018
Property tax	144,413.31	142,929.51
Rents and maintenance charges	481,333.23	488,688.60
Central administration	9,623,740.16	8,048,406.85
Total	10,249,486.70	8,680,024.96
Audit fees		
€	1-12/2019	1-12/2018
KPMG Oy Ab		
Audit	68,569.38	290,657.26
Statutory statements	67,870.16	37,200.00
Advisory services	10,183.50	219,425.12
Total	146,623.04	547,282.38

6. Financial income and expenses

€	1-12/2019	1-12/2018
Dividend income		
From others	19,380.00	1,080.00
Total	19,380.00	1,080.00
	1-12/2019	1-12/2018
Interest income		
From Group companies	27,477,535.84	24,396,246.85
From others	111,772.16	76,049.39
Other financial income	373,200.56	119,279.66
Total	27,962,508.56	24,591,575.90
Dividend, interest and financial income total	27,981,888.56	24,592,655.90
	1-12/2019	1-12/2018
Value adjustments in investments		
Value adjustments in investments held as current assets	375,144.55	
Impairment of financial securities held as current assets	-9,496.34	-375,144.55
Total	365,648.21	-375,144.55
	1-12/2019	1-12/2018
Interest and other financial expenses		
To others	-26,541,754.88	-29,139,856.11
Total	-26,541,754.88	-29,139,856.11
Total financial income and expenses	1,805,781.89	-4,922,344.76

7. Appropriations

€	1–12/2019	1–12/2018
Group contributions, received	81,788,732.00	153,044,111.00
Depreciation difference for machinery and equipment	657.59	876.79
Total	81,789,389.59	153,044,987.79

8. Income tax

€	1–12/2019	1–12/2018
Income tax on operational income	15,890,082.56	28,822,202.20
Tax for earlier years	-187.40	-6.77
Total	15,889,895.16	28,822,195.43

9. Intangible assets

€	Rights	Other long-term expenses	Total
Acquisition cost 1 Jan 2019	2,389,414.34	2,135,779.66	4,525,194.00
Acquisition cost 31 Dec 2019	2,389,414.34	2,135,779.66	4,525,194.00
Accumulated depreciation 1 Jan 2019	-2,303,336.41	-2,109,317.56	-4,412,653.97
Depreciation for the financial year	-34,176.82	-26,271.30	-60,448.12
Accumulated depreciation 31 Dec 2019	-2,337,513.23	-2,135,588.86	-4,473,102.09
Carrying value 31 Dec 2019	51,901.11	190.80	52,091.91

€	Rights	Other long-term expenses	Total
Acquisition cost 1 Jan 2018	2,490,396.05	2,141,834.00	4,632,230.05
Decreases	-100,981.71	-6,054.34	-107,036.05
Acquisition cost 31 Dec 2018	2,389,414.34	2,135,779.66	4,525,194.00
Accumulated depreciation 1 Jan 2018	-2,348,484.88	-2,039,946.37	-4,388,431.25
Accumulated depreciation on decreases	100,981.71	6,054.34	107,036.05
Depreciation for the financial year	-55,833.24	-75,425.53	-131,258.77
Accumulated depreciation 31 Dec 2018	-2,303,336.41	-2,109,317.56	-4,412,653.97
Carrying value 31 Dec 2018	86,077.93	26,462.10	112,540.03

10. Tangible assets

€	Land areas	Machinery and equipment	Other tangible assets	Total
Acquisition cost 1 Jan 2019	4,520,734.02	1,149,266.19	194,397.12	5,864,397.33
Increases		83,199.99		83,199.99
Decreases		-101,555.93		-101,555.93
Acquisition cost 31 Dec 2019	4,520,734.02	1,130,910.25	194,397.12	5,846,041.39
Accumulated depreciation 1 Jan 2019		-614,946.43		-614,946.43
Depreciation for the financial year		-187,804.06		-187,804.06
Accumulated depreciation on decreases		43,625.05		43,625.05
Accumulated depreciation 31 Dec 2019		-759,125.44		-759,125.44
Carrying value 31 Dec 2019	4,520,734.02	371,784.81	194,397.12	5,086,915.95

€	Land areas	Machinery and equipment	Other tangible assets	Total
Acquisition cost 1 Jan 2018	4,613,051.32	1,466,979.36	194,397.12	6,274,427.80
Increases		110,734.22		110,734.22
Decreases	-92,317.30	-428,447.39		-520,764.69
Acquisition cost 31 Dec 2018	4,520,734.02	1,149,266.19	194,397.12	5,864,397.33
Accumulated depreciation 1 Jan 2018		-831,634.47		-831,634.47
Depreciation for the financial year		-211,759.35		-211,759.35
Accumulated depreciation on decreases		428,447.39		428,447.39
Accumulated depreciation 31 Dec 2018		-614,946.43		-614,946.43
Carrying value 31 Dec 2018	4,520,734.02	534,319.76	194,397.12	5,249,450.90

11. Investments

€	Shares in subsidiaries	Shares in associates	Other securities and shares	Total
Acquisition cost 1 Jan 2019	82,571,717.75	176,951.96	829,061.25	83,577,730.96
Acquisition cost 31 Dec 2019	82,571,717.75	176,951.96	829,061.25	83,577,730.96
Carrying value 31 Dec 2019	82,571,717.75	176,951.96	829,061.25	83,577,730.96

€	Shares in subsidiaries	Shares in associates	Other securities and shares	Total
Acquisition cost 1 Jan 2018	82,571,717.75	176,951.96	829,061.25	83,577,730.96
Acquisition cost 31 Dec 2018	82,571,717.75	176,951.96	829,061.25	83,577,730.96
Carrying value 31 Dec 2018	82,571,717.75	176,951.96	829,061.25	83,577,730.96

12. Non-current receivables

€	31 Dec 2019	31 Dec 2018
Loan receivables from Group companies	1,429,598,153.71	1,417,949,784.69
Loan receivables from others		114,592.00
Prepaid expenses and accrued income	6,332,745.22	8,346,095.49
Total	1,435,930,898.93	1,426,410,472.18

€	31 Dec 2019	31 Dec 2018
Amortized loan costs recognised in non-current receivables	6,146,682.14	8,020,173.25

13. Current receivables

€	31 Dec 2019	31 Dec 2018
Trade receivables	590.88	25,331.28
From Group companies		
Trade receivables	1,375,325.24	1,546,318.44
Loan receivables	15,000.00	15,000.00
Other receivables	271,394,106.29	183,075,260.75
From Group companies, total	272,784,431.53	184,636,579.19
Loan receivables	38,893.93	43,129.69
Other receivables	14,634.80	455,076.61
Prepaid expenses and accrued income	2,500,056.87	2,399,781.10
Total	275,338,608.01	187,559,897.87

€	31 Dec 2019	31 Dec 2018
Amortized loan costs recognised in current receivables	2,153,749.41	2,162,898.34

14. Financial securities

€	31 Dec 2019	31 Dec 2018
Financial securities		
Other securities and funds	110,922,575.83	146,685,164.09
Total	110,922,575.83	146,685,164.09

Financial securities include fund units, bonds, shares and other publicly listed investments.

15. Equity

€	31 Dec 2019	31 Dec 2018
Share capital as at 1 Jan	58,025,136.00	58,025,136.00
Share capital as at 31 Dec	58,025,136.00	58,025,136.00
Share premium as at 1 Jan	35,786,180.04	35,786,180.04
Share premium as at 31 Dec	35,786,180.04	35,786,180.04
Other reserves as at 1 Jan		
Contingency fund as at 1 Jan	16,920.33	16,920.33
Contingency fund as at 31 Dec	16,920.33	16,920.33
Reserve for invested unrestricted equity as at 1 Jan	167,856,001.50	17,856,000.00
Share issue		150,000,001.50
Reserve for invested unrestricted equity as at 31 Dec	167,856,001.50	167,856,001.50
Other reserves as at 1 Jan	167,872,921.83	167,872,921.83
Retained earnings as at 1 Jan	229,126,110.99	164,585,313.59
Dividend payment	-71,671,875.71	-50,337,408.00
Share-based incentive scheme	-484,544.20	
Retained earnings as at 31 Dec	156,969,691.08	114,247,905.59
Profit for the period	63,771,132.34	114,878,205.40
Total	482,425,061.29	490,810,348.86
Calculation on distributable equity		
	31 Dec 2019	31 Dec 2018
Reserve for invested unrestricted equity	167,856,001.50	167,856,001.50
Retained earnings	156,969,691.08	114,247,905.59
Profit for the period	63,771,132.34	114,878,205.40
Total	388,596,824.92	396,982,112.49
	31 Dec 2019	31 Dec 2018
The number of shares in Kojamo plc	247,144,399	247,144,399

In 2018, Kojamo plc raised a total of approximately EUR 150 million in gross proceeds in the initial public offering and issued a total of 17,665,039 new shares.

Kojamo plc's registered share capital is EUR 58,025,136 and the company has 247,144,399 shares. Kojamo has a single series of shares, and each share entitles its holder to one vote in the Annual General Meeting. There are no voting restrictions related to the shares. The shares have no nominal value. All shares carry an equal right to dividends and other distribution of Kojamo plc's assets. The company shares belong to the book-entry system.

16. Accumulated appropriations

€	31 Dec 2019	31 Dec 2018
Accumulated depreciation difference		
Machinery and equipment	1,973.14	2,630.73
Total	1,973.14	2,630.73

17. Non-current liabilities

€	31 Dec 2019	31 Dec 2018
Loans from financial institutions	129,038,998.42	30,454,685.70
Bonds	1,200,000,000.00	1,300,000,000.00
Accrued expenses, wages and salaries	1,357,641.00	741,175.32
Bond derivative profit periodisation	3,601,115.45	4,732,599.35
Total	1,333,997,754.87	1,335,928,460.37

18. Current liabilities

€	31 Dec 2019	31 Dec 2018
Loans from financial institutions, instalments in the next financial year	101,415,687.28	826,042.64
Trade payables	328,179.11	639,023.06
Liabilities to Group companies		
Trade payables	48,993.46	46,616.70
Other debts	15,133,901.13	16,949,108.87
Other debts	50,440,733.66	50,586,645.84
Accrued expenses and deferred income		
Accrued financial liabilities	13,745,558.87	13,323,575.12
Personnel expenses	1,625,589.40	1,745,199.50
Tax liabilities	220,537.26	12,843,778.04
Other items	68,725.05	
Bond derivative profit periodisation	1,132,517.22	1,132,517.22
Total	184,160,422.44	98,092,506.99

19. Derivative instruments

€	31 Dec 2019	31 Dec 2018
Interest rate derivatives		
Fair values of derivative instruments		
Interest rate derivatives		
Interest rate swap, cash flow hedging	-3,239,307.43	-806,335.19
	-3,239,307.43	-806,335.19
Nominal values of derivative instruments		
Interest rate derivatives		
Interest rate swap, cash flow hedging	158,200,000.00	108,800,000.00
	158,200,000.00	108,800,000.00

Hedge accounting is applied to interest rate swaps as their terms and conditions are similar to the terms and conditions of the hedged loan agreements. Interest rate swaps have not been recognised through profit and loss. If the duration of the derivative is longer than that of the loan, it is highly likely that the loan will be extended.

20. Collateral and contingent liabilities

€	31 Dec 2019	31 Dec 2018
Loans that mature in more than five years		
Market-based loans	625,838,998.40	1,026,638,998.40
Loans for which mortgage on and shares in property have been given as a guarantee		
Loans from financial institutions	1,638,998.40	1,838,998.40
Mortgages given	4,015,000.00	4,015,000.00
Guarantees given		
Counter-guarantee	286,519,512.20	210,232,681.66

21. Other liabilities

€	31 Dec 2019	31 Dec 2018
Car leasing liabilities		
Payable during the next financial year	121,462.00	108,510.71
Payable later	187,813.83	201,012.47

Electricity hedging

Electricity procurement was hedged with electricity derivatives quoted on the Nordic electricity exchange Nord Pool in accordance with the risk policy approved by Kojamo. The market value of the hedges for 2020–2022 was EUR 501,494.94 (EUR 1,344,333.85) at the balance sheet date. Unrealised changes in fair value have not been taken into account in the income statement or balance sheet of Kojamo plc.

22. Related party transactions

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 shares and share-based rights in the company or in companies belonging to the same Group as the company. These shares represent 0.07 per cent of the company's entire share capital.

The related party transactions were made on terms equivalent to those that prevail in arm's length transactions. Kojamo had no related party transactions deviating from the company's normal business operations in 2018 and 2019.

Signatures to the Board of Directors' Report and Financial Statements

Helsinki, 13 February 2020

Mikael Aro
Chairman of the Board of Directors

Mikko Mursula
Vice-Chairman of the Board of Directors

Matti Harjuniemi

Anne Leskelä

Minna Metsälä

Reima Rytsölä

Heli Puura

Jani Nieminen
CEO

A report on the audit has been issued today.

Helsinki, 13 February 2020
KPMG Oy Ab

Esa Kailiala, APA

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's Report

To the Annual General Meeting of Kojamo plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kojamo plc (business identity code 0116336-2) for the year ended 31 December 2019. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 2.2. to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Valuation of investment properties (refer to Note 3.1 to the consolidated financial statements)	
<ul style="list-style-type: none">— Investment properties measured at fair value (EUR 6,261 million) represent 95 % of the consolidated total assets as at 31 December 2019. Valuation of investment properties is considered a key audit matter due to management estimates used in forecasts underlying the valuations, and significance of the carrying amounts involved.— The gain on fair value measurement of investment properties was EUR 872 million. Kojamo shifted from a transaction-based valuation technique to a yield-based valuation technique in the valuation of investment properties at 31 December 2019. The impact of the change on the fair value of investment properties was approximately EUR 800 million.— The fair values of investment properties are determined a property-specific basis using the yield value or cost. Determining the underlying key assumptions requires management to make judgements in respect of return requirements, vacancy rate and future developments of rent level, among others.	<ul style="list-style-type: none">— We assessed the assumptions used requiring management judgement, as well as the grounds for substantial changes in fair values. We also tested controls in place in the company over the fair value accounting.— We examined the impacts on the information presented in the financial statements resulting from the change in the valuation method used for fair value accounting purposes.— We involved KPMG valuation specialists, to test the technical appropriateness of the calculations, and to compare the assumptions used to market and industry data.— We met with the external property valuer (Authorised Property Valuer, AKA) used by the Group, to evaluate the appropriateness of the valuation method applied by Kojamo.— We assessed the appropriateness of the disclosures provided on the investment properties.
Total revenue: recognition of rental income (refer to Note 2.1 to the consolidated financial statements)	

-
- The Group's total revenue consists almost solely of rental income from investment properties.
 - The industry is marked by a large lease portfolio with a substantial number of invoicing and payment transactions monthly.
 - We evaluated and tested controls over the accuracy of rental income, to assess the completeness and accuracy of total revenue.

Property acquisitions, divestments and investments (refer to note 3.1 to the consolidated financial statements)

- In the financial year 2019 the acquired investment properties and modernisation investments totaled EUR 258 million.
- The sale and purchase agreements for property acquisitions and disposals may have terms, which require judgement from management to consider the accounting treatment.
- We evaluated the internal control environment and tested controls over the approval process for investment projects and property transactions.
- Our substantive procedures included assessment of the appropriateness of the accounting treatment and the related documentation for major property transactions.

Accounting for interest-bearing liabilities and derivative instruments (refer to notes 4.4 and 4.5 to the consolidated financial statements)

- At the year-end 2019, Kojamo's interest-bearing liabilities totaled EUR 2,674 million, representing 41 % of the consolidated balance sheet total.
- The Group utilises interest rate derivative contracts, measured at fair value. The total nominal value of these derivatives was EUR 1,013 million as at 31 December 2019. Kojamo uses derivative contracts mainly to hedge its interest rate risk exposure. The Group applies hedge accounting to qualifying interest rate derivative instruments.
- Our audit procedures included evaluation of the appropriateness of the recognition and measurement principles for financial instruments, and testing of the controls relevant to the accuracy and measurement of financial instruments.
- We tested the accuracy of the measurements and the accruals for financial items, on a sample basis.
- We assessed the appropriateness of the hedge accounting as applied by Kojamo.
- We considered the appropriateness of the disclosures provided on the interest-bearing liabilities and derivative instruments.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 7.4.2005, and our appointment represents a total period of uninterrupted engagement of 14 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 13 February 2020

KPMG OY AB

ESA KAILIALA

Authorised Public Accountant, KHT