Board of Directors' Report and Financial Statements 2017

kojamo

Table of contents

The official Financial Statements are available on the company's website at kojamo.fi/raportit-ja-esitykset/

Board of Directors' Report

Kojamo plc in brief

As stated in our mission, we create better urban housing. Kojamo's aim is to be the frontrunner in rental housing and real estate investment and offer rental apartments and housing services in Finnish growth centres. The new name of Kojamo's parent company, Kojamo plc, came into effect on 27 March 2017. The name change was needed due to the major transformation of Kojamo.

We are investing heavily in digital services, the customer experience and our corporate culture. We also want 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.

Kojamo's total revenue in 2017 was EUR 337.0 (351.5) million. Kojamo's net rental income was EUR 216.0 (222.0) million, representing 64.1 (63.2) per cent of turnover. The financial occupancy rate was 96.7 (97.4) per cent. At year-end, the fair value of investment properties was EUR 4.7 (4.3) billion. The company owned 34,383 (34,974) rental apartments at the end of the financial year.

The amount of new development by the company was significant. Kojamo launched the construction of 972 (996) apartments, and at year-end, there were 1,525 (1,536) Lumo apartments under construction, of which 1,188 (1,220) in the Helsinki region.

Key facts and events in 2017

Kojamo's gross investments totalled EUR 367.3 million. The year-on-year decrease in gross investments was 47.2 per cent, or EUR 328.7 million. At year-end, the fair value of investment properties was EUR 4.7 billion, including EUR 3.7 million classified as non-current assets held for sale.

Total revenue totalled EUR 337 million, of which the Lumo segment accounted for EUR 307.2 (291.1) million. Year-on-year, Kojamo's total revenue decreased by 4.1 per cent, or EUR 14.5 million. The decrease was due to the divestments of 1,603 (9,011) rental apartments in 2016 and 2017, carried out as part of implementing our strategy of concentrating in the seven largest urban regions of Finland.

The financial occupancy rate remained high, standing at 96.7 per cent during the financial year. At year-end, there were 1,525 rental apartments under construction. Of these, 1,188 are located in the Helsinki region and 337 in other Finnish growth centres. Kojamo owned 34,383 rental apartments at the end of the financial year, of which the Lumo segment accounted for about 90 per cent.

Kojamo diversified its financing to ensure the achievement of strategic goals. The company's public credit rating (Moody's Baa2 with a stable outlook) and EUR 500 million bond listed on the Irish Stock Exchange support its goal of investing in Lumo homes in urbanising Finland.

To boost its strategic growth, Kojamo acquired the properties located 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. Kojamo's aim is to convert these into apartments.

The Lumo web store has transformed the customer's role in renting an apartment and established its position: more than 4,000 tenancy agreements have already been signed there to date.

Kojamo invited companies to develop new housing services and opened the Lumo brand as an innovation platform for service development. The idea is that digital housing services and the potential offered by smart homes will improve the comfort of living and the customer experience.

Strategy

Kojamo's mission is to create better urban housing. Kojamo's operational transformation aims to ensure future competitiveness in an environment where Finland is becoming increasingly urbanised, digitalisation is proceeding and people's housing preferences are developing rapidly.

The company's vision is to be the property market frontrunner and the number one choice for its customers. A further objective is to be a strongly performing housing investment company known for its excellent customer experience.

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 is about four per cent.

Kojamo continued to invest in better urban housing and the development of its corporate culture during the financial year. New rental apartments have been built particularly in the Helsinki Metropolitan Area. Continuing urbanisation is creating long-term demand for rental housing in growth centres. The housing investment company continued to focus on commercial operations and rental housing service design.

Kojamo is developing new properties and acquiring existing stock in the areas of major Finnish growth centres. The company wants to respond to the demand for rental housing, particularly in the Helsinki region, making it easier for people to move to find employment in urbanising Finland. By investing in profitable growth, Kojamo is building the future and believes that the Lumo brand and service design will lead the way in the housing sector.

Significant investments in Lumo apartments and service solutions facilitate work-related mobility in urbanising Finland. In five years, Kojamo has invested nearly EUR 1.7 billion in the Lumo business operations and, in addition to acquisitions, it has launched the construction of 4,400 privately financed rental apartments. During the strategy period, the company will divest properties that do not support Kojamo's strategy due to their characteristics or location.

Kojamo has developed its operations and innovated housing solutions and services, with the aim of delivering a better customer experience. During the financial year, Kojamo invited companies to develop new housing services and opened the Lumo brand as an innovation platform for service development.

The Lumo brand has achieved a strong position, and it already accounts for 90 per cent of Kojamo's business. The Lumo web store has transformed the customer's role in renting an apartment and established its position: more than 4,000 tenancy agreements have been signed there to date. On a monthly level, some 30 per cent of all new Lumo tenancy agreements are signed via the web store. For newly constructed properties, the figure is up to 80 per cent.

We have reformed our corporate culture, so that the value of the customer experience is emphasised in everything we do. The customer experience consists of our code of conduct, professional skill, our customer service attitude and our desire to solve the customer's problems all at once. The foundation of our corporate culture is created by our energetic, forward-looking values: Happy to serve, Strive for success and Courage to change.

The Group's strategic key indicators

	Actual 2017	Target 2021
Fair value of investment properties	EUR 4,7 billion	EUR 6,0 billion
Apartments	34,383	38,000
Operative result of the Lumo segment as percentage of total revenue	32.5	32.0
Equity ratio of the Lumo segment, %	41.2	40.0
Net promoter score	33	40

Summary of performance in 2017

- Total revenue totalled EUR 337.0 (351.5) million. Total revenue is generated entirely by rental income. Total revenue decreased due to the divestments of 1,603 non-strategic rental apartments in 2017 and 9,011 apartments in 2016.
- Net rental income was EUR 216.0 (222.0) million, representing 64.1 (63.2) per cent of turnover. Net rental income decreased due to the divestments of rental apartments in 2016 and early 2017. The decrease was reduced by lower maintenance and repair costs year-on-year.
- Profit before taxes amounted to EUR 266.7 (289.7) million. The profit includes EUR 126.2 (163.3) million in net valuation gain on the fair value assessment of investment properties and EUR 2.5 (-10.4) million in capital gains and losses on investment properties. The profit decrease resulted primarily from smaller changes in the fair value than in the comparison period.
- Equity per share was EUR 275.39 (251.20), return on equity was 10.9 (12.9) per cent and EPRA NAV per share (net asset value) was EUR 344.31 (319.56).
- The financial occupancy rate remained high, standing at 96.7 (97.4) per cent during the financial year.
- The fair value of investment properties was EUR 4.7 (4.3) billion. At year-end, the company owned 34,383 (34,974) rental apartments.
- Gross investments during the period totalled EUR 367.3 (696.0) million. Gross investments were 109.0 (198.0) per cent of turnover. Gross investments exceeded turnover. The decrease in gross investments resulted from a significant purchase of housing stock in the comparison period.
- At year-end, there were 1,525 (1,536) Lumo apartments under construction.

Operating environment

General operating environment

According to a forecast by the Finnish Ministry of Finance, global economic growth is set to continue on a wide front. Growth is being maintained by emerging economies in particular, but industrial countries are also growing more strongly. Economic growth has also accelerated in the eurozone. Nevertheless, there is uncertainty regarding economic development due to political risks. The Ministry of Finance forecast indicates that economic growth in the eurozone must firm up more permanently before conventional monetary policy can resume.

Interest rates have continued to rise in the United States. In the eurozone, interest rates are predicted to remain low even though it is estimated that the bottom of the interest rate cycle has now been passed. Measures taken by the ECB will have a significant impact on the development of interest rates in the eurozone. Interpretations of the ECB's future measures have already raised long-term interest rates.

Finland's economic growth has improved for a couple of years now. The Ministry of Finance forecasts that the Finnish GDP will grow by 2.4 per cent in 2018. According to economic forecasts collected by Finance Finland, the Finnish GDP could grow by up to 3 per cent in 2018. The Bank of Finland says growth will be seen in a wide range of sectors. Growth has also been based on private consumption, but the increase in purchasing power is beginning to slow down.

All types of investment are growing, including research and development. Major background factors for the continuation of private investments include the acceleration of Finland's economic growth, picking up of exports, continuing low interested rates and positive global developments. According to a forecast by the Finnish Ministry of Finance, housing construction will continue to grow rapidly. Inflation is estimated to remain moderate this year and next.

Industry operating environment

Driven by migration, the demand for rental housing is expected to remain strong in major growth centres. Supply has grown significantly, which is reflected in increasing tenant turnover in particular. Continuing intensive urbanisation increases regional differences. Even in the Helsinki Metropolitan Area, differences between regions are growing. New development is expected to continue focusing on privately financed rental apartments. Demand is still strongest for small apartments.

According to a forecast by Pellervo Economic Research, the increase in rents will continue in growth centres, but it will become more moderate.

According to Statistics Finland, apartment prices rose during the financial year compared to the year before. The rise was fastest in the Helsinki Metropolitan Area. Outside of growth centres, prices have decreased in the past few years. The increase in the Helsinki Metropolitan Area is attributable to the high demand for apartments and the low supply of plots.

Outlook for 2018

Kojamo estimates that in 2018, net rental income will amount to EUR 219–232 million. Investments in new development and housing stock acquisitions are forecast to exceed EUR 300 million. Kojamo estimates that in 2018, its operative result will be EUR 101–113 million. The outlook takes into account the effects of the housing divestments and acquisitions planned for 2018, the estimated occupancy rate and the number of apartments under construction.

Business operations

Kojamo operates in the seven main urban regions of Finland, focusing on demand for rental apartments especially in the Helsinki region. Kojamo owned 34,383 rental apartments at the end of the financial year, of which the Lumo segment accounted for about 90 per cent.

Segment reporting

Kojamo Group's business operations are divided into two segments: Lumo and VVO.

The Lumo segment comprises the Group's parent company Kojamo plc and Lumo Kodit Oy, Lumo Vuokratalot Oy and Kojamo Palvelut Oy as well as other group companies in whose apartments the restrictions on the determination of rent, related to the ARAVA and interest subsidy legislation, will end by the close of 2019. Some of the housing included in the Lumo segment is subject to property-specific restrictions in accordance with the ARAVA Act.

The group companies in whose apartments the restrictions on the determination of rent, related to the ARAVA and interest subsidy legislation, will end after 2019 belong to the VVO segment. The companies of the VVO segment are subject to the profit distribution restriction and they 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). The loans of VVOhousing 7 Oy, VVOhousing 10 Oy, VVOhousing 11 and VVOhousing 12 were repaid over the course of 2017, and the companies will be transferred to the Lumo segment on 1 January 2018.

The return payable from the annual profits of companies subject to revenue recognition restrictions totals approximately EUR 0.3 million.

Total revenue

Kojamo's total revenue in 1 January–31 December 2017 was EUR 337.0 (351.5) million. The Lumo segment recorded a total revenue of EUR 307.2 (291.1) million, and the VVO segment EUR 30.4 (61.5) million. Total revenue is generated entirely by rental income.

Result and profitability

Kojamo's net rental income was EUR 216.0 (222.0) million, representing 64.1 (63.2) per cent of turnover. The Lumo segment recorded a net rental income of EUR 201.2 (190.3) million, and the VVO segment EUR 15.4 (32.8) million.

Kojamo's profit before taxes amounted to EUR 266.7 (289.7) million. The profit includes EUR 126.2 (163.3) million in net valuation gain on the fair value assessment of investment properties, and capital gains and losses of EUR 2.5 (-10.4) million. The profit decrease resulted primarily from smaller changes in the fair value than in the comparison period.

Financial income and expenses totalled EUR -40.5 (-46.0) million. Financial income and expenses include EUR 2.7 (-7.3) million in unrealised changes in the fair value of derivatives.

Balance sheet, cash flow and financing

Kojamo's balance sheet total at year-end amounted to EUR 4,943.5 (4,572.2) million. Equity totalled EUR 2,038.6 (1,859.5) million. On 31 December 2017, the equity ratio stood at 41.3 (40.7) per cent. Equity per share on 31 December 2017 was EUR 275.39 (251.20). The equity ratio of the Lumo segment was 41.2 (40) per cent. Kojamo's return on equity was 10.9 (12.9) per cent and return on investment 7.5 (8.8) per cent.

At the end of the financial year, Kojamo's liquid assets totalled EUR 117.8 (132.0) million. Kojamo's liquidity remained good in the financial year. Of the EUR 250 million commercial paper programme, EUR 52.9 (141.3) million had been issued by 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.

At year-end, interest-bearing liabilities stood at EUR 2,283 (2,122.8) million, of which EUR 2,020.4 (1,726.1) million were market-based loans. At the end of the financial year, Kojamo's Loan to Value was 46.0 (47.1) per cent.

The average interest rate of the loan portfolio was 2.0 (2.0) per cent, including interest rate derivatives. The average maturity of loans at year-end was 5.6 (5.7) years.

On 30 May 2017, Moody's Investor Service issued a long-term credit rating of Baa2 with a stable outlook to Kojamo plc.

The company's objective is to increase the share of bond financing and shift to unsecured financing to a significant degree.

Kojamo plc raised the value of its domestic EUR 200 million commercial paper programme to EUR 250 million. Swedbank AB (publ), Finnish branch, joined the programme as a new organising the issue.

On 28 September 2017, Kojamo plc signed a new committed EUR 55 million revolving credit facility with Danske Bank. The revolving credit facility is unsecured and has a maturity of four years. The credit facility will be used as a back-up facility for the commercial paper programme and for general corporate purposes. The new credit facility replaced the secured EUR 25 million revolving credit facility from Danske Bank.

Kojamo plc issued an unsecured EUR 500 million bond on 19 June 2017. The bond has been approved for listing on the official list of the Irish Stock Exchange. The unsecured euro-denominated bond has a maturity of seven years and it will mature on 19 June 2024. The bond carries a fixed annual coupon of 1.5 per cent.

On 2 May 2017, Kojamo plc signed a new committed EUR 100 million revolving credit facility with the Finnish branch of Svenska Handelsbanken AB (publ). The revolving credit facility is unsecured and has a maturity of five years. The new credit facility replaced the previous EUR 30 million revolving credit facility from Handelsbanken.

On 20 April 2017, Lumo Kodit Oy signed a new EUR 50 million term loan facility with Nordea Bank AB (publ), Finnish Branch. The loan facility is secured and its maturity with extension options is 5.5 years.

On 30 March 2017, Kojamo plc signed a new committed EUR 100 million revolving credit facility with Swedbank AB (publ). The revolving credit facility is unsecured and has a maturity of five years. The credit facility will be used as a back-up facility for the commercial paper programme and for general financial purposes.

Real estate property and fair value

Kojamo owned a total of 34,383 (34,974) rental apartments at the end of the financial year. The Lumo segment accounted for 31,018 (31,108) and the VVO segment for 3,365 (3,866) of these apartments. At year-end, Kojamo owned apartments in 33 (40) municipalities.

The fair value of the investment properties owned by Kojamo was 4,710.2 (4,298.9) million at the end of the financial year, including the EUR 3.7 (70.6) million classified as non-current assets held for sale, of which about 98 per cent are located in the seven largest urban regions. During the financial year, the fair value increased by EUR 411.3 (299.7) million. The change includes EUR 126.2 (163.3) million in net valuation gain on the fair value assessment of investment properties. 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 2017. The criteria for determining fair value are presented in the Notes to the Financial Statements.

At the end of the financial year, the plot reserve held by Kojamo, including real estate development sites, totalled about 189,000 floor sqm (125,000 floor sqm). The fair value of the plot reserve stood at EUR 123 (63) million at year-end.

Rental housing

Demand for rental housing remained strong in growth centres. Differences between regions are increasing, and in some regions, supply and demand are now in balance. As in previous years, studios and one-bedroom apartments were in highest demand.

The financial occupancy rate remained at a good level, standing at 96.7 (97.4) per cent for the financial year. At year-end, 204 (161) apartments were vacant due to renovations. Tenant turnover, excluding internal transfers, increased slightly year-on-year and was 28.6 (27.6) per cent.

The average rent for commercial Lumo apartments, which totalled 32,152 (30,823) apartments on the basis of the brand division, was 15.03 (14.44) per sqm per month during the financial year and EUR 15.17 (14.63) at year-end. The average rent for Lumo apartments is increased by the renewal of the property portfolio due to strong investment activities. The corresponding figures for the 2,231 (4,151) non-commercial VVO apartments were EUR 13.30 (12.88) during the financial year and EUR 13.34 (12.96) at year-end.

The Lumo web store has seen strong growth, with more than 4,000 tenancy agreements already signed via the web store to date. The number of apartments rented via the web store is about 300 per month. On a monthly level, some 30 per cent of all new Lumo tenancy agreements are signed via the web store. For newly constructed properties, the figure is up to 80 per cent. All Lumo rental apartments that became vacant during the financial year were available for rent on the Lumo web store, where customers can choose their preferred apartment.

In cooperation with our customers, we developed Lumo home types, which determine the service content for different types of Lumo apartments. The home types, to be introduced in early 2018, clarify the service offering for customers.

We also invited companies to develop new housing services and opened the Lumo brand as an innovation platform for service development. The idea is that digital housing services and the potential offered by smart homes will further improve the comfort of living and the customer experience.

Thanks to successful rental control and our housing advisory service, the proportion of rent receivables to annual total revenue from rental operations remained low and was 1.4 (1.1) per cent at the end of the financial year.

Investments, divestments and real estate development

Kojamo launched the construction of 972 (996) apartments during the financial year. At year-end, there were a total of 1,525 (1,536) Lumo apartments under construction. Of these, 1,188 (1,220) are located in the Helsinki region and 337 (316) in other Finnish growth centres. During the financial year, 983 (649) new apartments were completed.

During the financial year, Kojamo acquired 75 (2,274) apartments and sold 1,603 (9,011) apartments. This included the sale of 1,344 non-restricted rental apartments to a company managed by Avant Capital Partners on 31 January 2017.

Kojamo's goal is to divest approximately 500 non-strategic apartments over the next two years.

Kojamo's gross investments totalled EUR 367.3 (696.0) million. Total repair costs and modernisation investments during the financial year amounted to EUR 61.0 (68.4) million, of which modernisation investments accounted for EUR 25.4 (29.3) million. The Lumo segment accounted for EUR 367.0 (695.6) million of gross investments and the VVO segment for EUR 0.3 (0.5) million.

At year-end, binding acquisition agreements for new development totalled EUR 201.2 (342.7) million, of which EUR 99.6 (133.7) million is related to properties under construction. A total of (2,028) (2,635) new apartments will be built under the acquisition agreements, of which 1,525 (1,536) were under construction at the end of the financial year.

To boost its strategic growth, Kojamo acquired the properties located 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. Kojamo's aim is to convert these into apartments.

During the financial year, the consumption of heating energy in properties amounted to 295 (310) GWh.

Personnel

At the end of 2017, Kojamo had a total of 316 (286) employees, of who 284 (267) were on permanent contracts and 32 (19) were on temporary contracts. The average number of personnel during the year was 310 (298). The average length of service was 10.0 (10.6) years. Personnel turnover in 2017 was 17.2 (16.3) per cent.

The salaries and fees paid during the financial year totalled EUR 15.3 (16.3) million.

Sustainability

Kojamo plc's mission is to create better urban housing. Kojamo plc focuses on real estate investment in Finland, renewing rental housing to make it increasingly attractive by developing new types of homes and services. The solutions promote work-related mobility in urbanising Finland, increase well-being and are environmentally friendly.

The anti-grey economy models used by Kojamo exceed legislative requirements in many respects. We continuously monitor the fulfilment of contractor obligations for all of the companies in our supplier network through the Reliable Partner service at the tilaajavastuu.fi website.

Kojamo's estimated taxes and similar charges in 2017 amount to approximately EUR 104 million.

Kojamo will continue its climate partnership agreement with the City of Helsinki. After reaching the targets of the plan that ended in 2016, Kojamo joined the Rental Property Action Plan (VAETS II): during the agreement period that started in 2017, the housing investment company pursues energy savings of 7.5 per cent by 2025.

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

The Leanheat system was deployed in 64 Lumo buildings in Espoo, Vantaa and Tampere. Leanheat also adjusts heating proactively and balances the buildings' need for energy, thereby decreasing the carbon footprint. The aim is to optimise building heating systems to reduce energy consumption and achieve comfortable and stable living conditions.

All of Kojamo's new development implemented on a developer contracting basis consists of nearly zero-energy buildings (nZEB).

The residents of Lumo homes have an opportunity to enjoy eco-friendly motoring. Anyone living in a Lumo home can reserve a shared car. There are both passenger cars and vans available.

The car sharing scheme makes it possible to reduce the number of parking places by 10 per cent.

Kojamo's sponsorship and grant programme (previously known as Virkeä) provides financial support for young talents. The programme covers not only individual sports but also team sports.

The individual athletes sponsored in 2017 were Anna Haataja (orienteering), Riikka Honkanen (alpine skiing), Joona Kangas (ski slopestyle), Henry Manni (wheelchair racing), Oskari Mörö (athletics), Nooralotta Neziri (athletics) and Emmi Parkkisenniemi (snowboarding). In 2017, grants were awarded to 50 young athletes. The grant recipients had to be aged 12–20 and be engaged in active sports as members of a sports club. Those living in Lumo and VVO homes were given priority. A total of 275 grants have been awarded since 2012.

The recipients of team sponsorship were the FC Honka women's football team and four girls' teams. In December, the following were chosen as the recipients of team sponsorship in 2018: the Helsinki Figure Skating Club's three synchronised skating teams competing at the national championships level (Helsinki Rockettes, Team Fintastic and Finettes) as well as five Academy groups.

At the end of the financial year, the programme was renamed in line with the Lumo brand.

Risks and risk management

Kojamo's risk management is based on the company's risk management 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 most notable risks associated with rental operations management relate to a potential drop in the financial occupancy rate, an increase in tenant turnover and an increase in rent receivables. Factors affecting these risks include economic fluctuations and shifts in demand, both nationally and locally. The financial occupancy rate of rental apartments, tenant turnover, the number of applicants, and the amount of rent receivables and changes thereto are monitored by region on a monthly basis.

Kojamo is developing its rental operations and the renovation activities of apartments and properties as well as strengthening its customer relations. These measures seek to maintain a high occupancy rate and decrease tenant turnover.

Ensuring that the value of Kojamo's housing stock continues to rise requires investments in growth centres and systematic renovations across all apartments and properties.

Apartment market price trends affect the fair value of real estate property.

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 treasury policy defines the objectives of Kojamo's financing activities, division of responsibilities, operating principles, financial risk management principles as well as monitoring and reporting principles. The objectives of Kojamo's treasury function are to ensure the availability of financing, maintain liquidity cost-efficiently at all times and manage financial risks.

The most significant financial risks are associated with the availability and costs of financing. The refinancing risk is mitigated by diversifying the financing sources and instruments in the loan portfolio, spreading the maturity of loans and maintaining a strong balance sheet structure. The interest rate risk associated with the loan portfolio is managed by dividing loans between fixed and floating rate loans, by different interest rate renewal periods and by the use of interest rate derivatives. The company's financial risks and risk management are described in more detail in Note 25 to the Financial Statements.

The most notable risks associated with properties are liability risks, such as water damage and fire. Liability risks are managed with appropriate preventive safety measures and by insuring properties against damage. Kojamo regularly reviews its insurance policies as part of overall risk management. The main insurance policies are property, liability, loss of profits, accident, travel and vehicle insurance.

Internal auditing

The company's internal auditing is an independent function with no operative responsibility. Internal auditing is carried out by one person. If necessary, the services of an external partner can be used for internal auditing. The job description, authorisations and responsibilities of internal auditing are defined in the operating instruction for internal auditing approved by the Board of Directors. Internal auditing is responsible for inspecting internal control and risk management and reports to the CEO and the Audit Committee.

Group structure and changes

At the end of the financial year, the legal Group comprised 294 (310) subsidiaries and 34 (33) associated companies. In addition, Kojamo plc has a holding of more than 50 per cent in 3 (2) 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 2017 Oy, Lumo 2018 Oy, Lumo 2019 Oy, Lumo 2020 Oy, Lumo 2021 Oy, VVOhousing 2 Oy, Lumohousing 5 Oy, Lumohousing 6 Oy, VVOhousing 7 Oy, VVOhousing 8 Oy, VVOhousing 9 Oy, VVOhousing 10 Oy, VVOhousing 11 Oy, VVOhousing 12 Oy, VVO Hoivakiinteistöt Oy, VVO Asunnot Oy, Kojamo Holding Oy, Kotinyt Oy and Kojamo Palvelut Oy.

The following companies merged with Lumo Kodit Oy on 1 April 2017: VVOhousing 4 Oy and VVO Korkotuki 2016 Oy.

Group structure 31 December 2017

	Subsidiaries	Associated companies
Kojamo plc	1) 22	2
Parent companies of sub-groups		
Lumo 2017 Oy	1	2
Lumo 2018 Oy	1	
Lumo 2020 Oy		1
Lumo 2021 Oy	1	
Lumo Kodit Oy	255	2) 29
Lumo Vuokratalot Oy	12	2) 3
Parking and maintenance companies	1	1
Kojamo Palvelut Oy	1	
Total	294	38

1) Includes the parent companies of the sub-group and other subsidiaries listed, excluding parking and maintenance companies
2) 4 of the associated companies are subsidiaries at Kojamo Group level

Events after the period

Kojamo has negotiated on the sale of 1,594 apartments. The deal will likely be closed in spring 2018, and it is not expected to have a material impact on Kojamo's results.

Kojamo and funds belonging to the OP Financial Group have entered into a preliminary agreement for Kojamo acquiring 981 rental apartments in Finnish growth centres. The parties intend to complete the deal in the first quarter of 2018. The total gross annual rent of the apartments to be acquired is EUR 9.7 million.

Administration 2017

Board of Directors

Until 27 March 2017, the Board of Directors consisted of Chairman Riku Aalto and Vice Chairman Mikko Mursula, with Matti Harjuniemi, Olli Luukkainen, Jorma Malinen, Reima Rytsölä, Jan-Erik Saarinen and Ann Selin as members.

Riku Aalto was elected Chairman of the Board of Directors for the term beginning on 27 March 2017. Matti Harjuniemi, Olli Luukkainen, Jorma Malinen, Mikko Mursula, Reima Rytsölä, Jan-Erik Saarinen and Ann Selin were elected as members. The Board selected Mikko Mursula as Vice Chairman.

Nomination Board

Until 27 March 2017, the Nomination Committee, now called the Nomination

Board, was chaired by Jarkko Eloranta and included Ville-Veikko Laukkanen, Pasi Pesonen and Esko Torsti as members. As of 27 March 2017, the Nomination Board was chaired by Jarkko Eloranta and included Ville-Veikko Laukkanen, Pasi Pesonen and Esko Torsti as members.

Board committees

The Board of Directors has two committees: the Remuneration Committee and the Audit Committee.

The Remuneration Committee was chaired by Riku Aalto and included Olli Luukkainen, Reima Rytsölä and Ann Selin as members.

Until 27 March 2017, the Audit Committee was chaired by Mikko Mursula and included Matti Harjuniemi, Jorma Malinen and Jan-Erik Saarinen as members. As of 27 March 2017, the Audit Committee was chaired by Mikko Mursula and included Matti Harjuniemi, Jorma Malinen and Jan-Erik Saarinen as members.

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 Group

Until 31 August 2017, the Kojamo Management Group was composed of CEO Jani Nieminen (Chairman), CFO Erik Hjelt, Director of Customer Relations Juha Heino, Investment Director Mikko Suominen, Real Estate Development Director Kim Jolkkonen, Marketing and Communications Director Irene Kantor, and ICT and Development Director Mikko Pöyry. On 1 September 2017, Teemu Suila took up the post of Kojamo's Development Director and joined the Management Group as a member. At the CEO's discretion, Jouni Heikkinen, the company's internal auditor, also attended Management Group meetings.

Auditor

The auditor is KPMG Oy Ab, with APA Esa Kailiala as the principal auditor.

Annual General Meeting

The Annual General Meeting of VVO Group plc was held on 27 March 2017. The Annual General Meeting adopted the Financial Statements and Board of Directors' Report for 2016.

The Annual General Meeting decided in accordance with the proposal of the Board of Directors that the company will pay a dividend of EUR 6.80 for every Series A share, for a total of EUR 50,337,408.00, and EUR 102,249,594.95 will be carried over in unrestricted shareholders' equity for the financial year 2016.

The Annual General Meeting discharged the members of the Board of Directors and the CEO from liability for the financial year ending on 31 December 2016. It was decided that the following annual fees will be paid to the members of the Board of Directors elected at the Annual General Meeting: EUR 26,000 for the Chairman of the Board of Directors, EUR 15,000 for the Deputy Chairman and EUR 9,000 for each of the members. In addition, it was decided that the attendance allowance for Board meetings will be EUR 600 per meeting.

Riku Aalto, Matti Harjuniemi, Olli Luukkainen, Jorma Malinen, Mikko Mursula, Reima Rytsölä, Jan-Erik Saarinen and Ann Selin were re-elected as members of the Board of Directors for the term that ends with the Annual General Meeting of 2018. Riku Aalto was elected Chairman of the Board of Directors.

The Annual General Meeting elected the following persons to the Nomination Board: Jarkko Eloranta (Chairman, Trade Union for the Public and Welfare Sectors), Ville-Veikko Laukkanen (Director, Varma Mutual Pension Insurance Company), Pasi Pesonen (President, Trade Union of Education in Finland OAJ), Esko Torsti (Director, Ilmarinen Mutual Pension Insurance Company). In addition, the Chairman of the Board, Riku Aalto, has the right to attend the meetings. The attendance allowance for the Nomination Board meetings is EUR 600 per meeting.

KPMG Oy Ab, with Esa Kailiala, APA, as its principal auditor, was elected the auditor for the company for the term lasting until the next Annual General Meeting.

The Annual General Meeting authorised the Board of Directors to decide on one or more share issues and the issuance of special rights entitling to shares, as referred to in chapter 10, section 1 of the Limited Liability Companies Act. Share issues and the issuance of special rights entitling to shares can be used to issue a maximum of 1,480,512 new Series A shares in the company, or transfer a maximum of 600,978 Series A shares currently held by the company. The authorisation is valid until the following Annual General Meeting.

The Annual General Meeting decided to change the company's business name to Kojamo Oyj in Finnish, Kojamo Abp in Swedish and Kojamo plc in English.

At its Organising Meeting after the Annual General Meeting, the Board of Directors elected Mikko Mursula Vice Chairman of the Board of Directors.

The following persons were elected to the Audit Committee: Mikko Mursula as Chair and Matti Harjuniemi, Jorma Malinen and Jan-Erik Saarinen as members.

The following persons were elected to the Remuneration Committee: Riku Aalto as the Chair and Olli Luukkainen, Reima Rytsölä and Ann Selin as members.

Description of corporate governance

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

Shares and shareholders

Share capital and shares

According to the Articles of Association of Kojamo plc, the company's minimum capital is EUR 30,000,000 and its maximum capital EUR 120,000,000, within which limits the share capital may be raised or lowered without amending the Articles of Association. Under the Articles of Association, the company's shares are divided into Series A and B shares. There may be no fewer than 1,000,000 and no more than 100,000,000 Series A shares. There may be no more than 100,000,000 Series B shares.

The company's paid-up share capital entered in the Trade Register on 31 December 2017 was EUR 58,025,136.00. The company has issued only Series A shares. The share has no nominal value. At the Annual General Meeting, a Series A share has 20 votes and a Series B share has one vote. The number of shares issued as at 31 December 2017 was 7,402,560.

	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
Share capital (€)	58,025,136.00	58,025,136.00	58,025,136.00	58,025,136.00	58,025,136.00
Shares, Series A (no.)	7,402,560	7,402,560	7,402,560	7,402,560	7,402,560

Board authorisations

The Annual General Meeting held on 27 March 2017 authorised the Board to decide within one year of the AGM on one or several share issues and/or issuing a convertible bond as specified in chapter 10, section 1(2) of the Limited Liability Companies Act, with a maximum of 1,480,512 new Series A shares in the company to be issued in the share issue or subscribed to with the convertible bond, and with a maximum of 600,978 Series A shares currently held by the company itself to be transferred in a share issue.

The authorisation entitles the Board to derogate from the shareholders' pre-emption right (directed share issue). A derogation may be made from the shareholders' pre-emption right if the company has a substantial financial reason for doing so, such as developing the capital structure of the company, financing real estate purchases and company acquisitions as well as enabling mergers and acquisitions or other corporate development. The authorisation entitles the Board to decide on all other terms and conditions of share issues and the issuance of special rights entitling to shares. The authorisation is valid until the following Annual General Meeting.

The Board of Directors had not exercised this authorisation.

Shareholdings

There are a total of 52 shareholders in Kojamo plc, the largest 10 being (share register as at 31 December 2017):

Shareholder	No. of Series A shares	Holding, %
Ilmarinen Mutual Pension Insurance Company	1,338,076	18.08%
Varma Mutual Pension Insurance Company	1,256,981	16.98%
The Finnish Industrial Union	717,780	9.70%
Trade Union for the Public and Welfare Sectors	646,320	8.73%
Finnish Construction Trade Union	615,300	8.31%
Trade Union PRO	554,591	7.49%
Service Union United PAM	554,180	7.49%
Trade Union of Education in Finland	552,482	7.46%
Industrial Union TEAM	443,270	5.99%
Union of Health and Social Care Professionals TEHY	102,560	1.39%
Others	621,020	8.38%
Total	**7 402 560**	**100.00%**

Distribution of shareholdings

Shares	No. of owners	Holding, %	No. Of shares	% of shares
1–1,000	8	15.38%	4,660	0.06
1,001–2,000	6	11.54%	9,998	0.14
2,001–20,000	18	34.62%	113,265	1.53
20,001–100,000	10	19.23%	493,097	6.66
100,001–200,000	1	1.92%	102,560	1.39
200,001–	9	17.31%	6,678,980	90.22
Total	**52**	**100.00%**	**7,402,560**	**100.00**

The members of Kojamo plc's Board of Directors, operational management and employees do not own company shares.

Proposal by the Board of Directors for the distribution of profits

The parent company Kojamo plc's distributable unrestricted shareholders' equity at 31 December 2017 was EUR 182,441,313.59, of which the profit for the financial year was EUR 80,191,718.64. 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 6.80 per share to be paid for every Series A share, totalling EUR 50,337,408.00, and EUR 132,103,905.59 to be retained in unrestricted shareholders' equity.

Consolidated income statement, IFRS

M€	Note	1–12/2017	1–12/2016
Total revenue		**337.0**	**351.5**
Maintenance expenses		-85.4	-90.3
Repair expenses		-35.6	-39.1
Net rental income		**216.0**	**222.0**
Administrative expenses	5, 7	-37.2	-37.4
Other operating income	4	2.0	2.3
Other operating expenses	4	-1.3	-3.1
Profit/loss on sales of investment properties	4	2.5	-10.4
Profit/loss on sales of trading properties		0.0	0.1
Fair value change of investment properties	11	126.2	163.3
Depreciation, amortisation and impairment losses	6	-1.1	-1.2
Operating profit		**307.0**	**335.6**
Financial income		5.0	2.4
Financial expenses		-45.5	-48.4
Total amount of financial income and expenses	8	**-40.5**	**-46.0**
Share of result from associated companies		0.1	0.1
Profit before taxes		**266.7**	**289.7**
Current tax expense	9	-28.6	-35.4
Change in deferred taxes	9	-25.1	-22.1
Profit for the period		**212.9**	**232.3**
Profit of the financial period attributable to			
Shareholders of the parent company		212.9	232.3
Non-controlling interests			0.0
Earnings per share based on profit attributable to equity holders of the parent company			
Basic, euro	10	28.77	31.38
Diluted, euro	10	28.77	31.38
Average number of the shares, millions	10	7.4	7.4

Consolidated statement of the comprehensive income

M€		1–12/2017	1–12/2016
Profit for the period		**212.9**	**232.3**
Other comprehensive income			
Items that may be reclassified subsequently to profit			
Cash flow hedgings	8	20.4	-9.9
Available-for-sale financial assets	8	0.2	0.4
Deferred taxes	9	-4.1	1.9
Items that may be reclassified subsequently to profit or loss		**16.5**	**-7.6**
Total comprehensive income for the period		**229.4**	**224.7**
Total comprehensive income attributable to			
Shareholders of the parent company		229.4	224.7
Non-controlling interests			0.0

Consolidated balance sheet, IFRS

M€	Note	31 Dec 2017	31 Dec 2016
ASSETS			
Non-current assets			
Intangible assets	13	0.4	0.8
Investment properties	11	4,706.5	4,228.3
Property, plant and equipment	12	31.0	31.0
Investments in associated companies		1.7	1.2
Financial assets	14	0.5	0.6
Non-current receivables	15	5.3	5.6
Derivatives	22	6.5	2.0
Deferred tax assets	16	10.9	15.4
Non-current assets total		**4,762.7**	**4,284.8**
Non-current assets held for sale	3, 11	3.7	70.7
Current assets			
Trading properties	17	0.6	0.9
Derivatives	22	0.0	0.3
Current tax assets		0.5	7.7
Trade and other receivables	18	8.8	6.8
Financial assets	14	49.3	69.0
Cash and cash equivalents	19	117.8	132.0
Current assets total		**177.0**	**216.7**
ASSETS TOTAL		**4,943.5**	**4,572.2**

M€	Note	31 Dec 2017	31 Dec 2016
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		-23.7	-40.2
Invested non-restricted equity reserve		17.9	17.9
Retained earnings		1,950.6	1,788.0
Equity attributable to shareholders of the parent company		**2,038.6**	**1 859,5**
Total equity	20	**2,038.6**	**1,859.5**
LIABILITIES			
Non-current liabilities			
Loans	21	2,109.8	1,796.1
Deferred tax liabilities	16	478.3	453.4
Derivatives	22	48.3	68.3
Provisions	23	0.8	1.0
Other non-current liabilites	23	14.8	7.1
Non-current liabilities total		**2,652.0**	**2,325.9**
Liabilities held for sale	3		1.0
Current liabilities			
Loans	21	173.2	326.8
Derivatives	22	0.2	0.9
Current tax liabilities		9.1	9.9
Trade and other payables	24	70.4	48.3
Current liabilities total		**252.9**	**385.8**
Total liabilities		**2,904.9**	**2,712.6**
TOTAL EQUITY AND LIABILITIES		**4,943.5**	**4,572.2**

Consolidated statement of cash flows, IFRS

M€	Note	1–12/2017	1–12/2016
Cash flow from operating activities			
Profit for the period		212.9	232.3
Adjustments	27	-33.5	-46.6
Change in net working capital		-0.4	-1.8
Interest paid		-39.7	-38.0
Interest received		0.6	0.7
Other financial items		-7.4	-2.7
Taxes paid		-22.1	-41.4
Net cash flow from operating activities		**110.4**	**102.4**
Cash flow from investing activities			
Acquisition of investment properties		-341.9	-421.8
Acquisition of associated companies		-0.4	0.0
Acquisition of property, plant and equipment and intangible assets		-0.8	-0.1
Proceeds from sale of investment properties		84.5	89.9
Proceeds from sale of associated companies			0.6
Proceeds from sale of property, plant and equipment and intangible assets			0.0
Purchases of financial assets		-322.5	-28.0
Proceeds from sale of financial assets		322.8	14.0
Non-current loans, granted		-1.8	-0.4
Repayments of non-current receivables		1.3	0.2
Interest and dividends received on investments		0.3	0.4
Net cash flow from investing activities		**-258.5**	**-345.1**

M€	Note	1–12/2017	1–12/2016
Cash flow from financing activities			
Non-current loans, raised		686.4	482.6
Non-current loans, repayments		-434.0	-154.9
Current loans, raised		267.8	390.1
Current loans, repayments		-355.9	-358.0
Dividends paid		-50.3	-103.6
Net cash flow from financing activities		**113.9**	**256.1**
Change in cash and cash equivalents		**-34.2**	**13.4**
Cash and cash equivalents in the beginning of period*		**152.0**	**118.6**
Cash and cash equivalents at the end of period		**117.8**	**132.0**

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

Consolidated statement of changes in shareholders' equity, IFRS

M€	Share capital	Share issue premium	Fair value reserve	Invested non-restricted equity reserve	Retained earnings	Equity attributable to shareholders of the parent company	Non-controlling interests	Total equity
Equity at 1 Jan 2017	**58.0**	**35.8**	**-40.2**	**17.9**	**1,788.0**	**1,859.5**		**1,859.5**
Comprehensive income								
Cash flow hedging			16.3			16.3		**16.3**
Available-for-sale financial assets			0.1			0.1		**0.1**
Result for the financial period					212.9	212.9		**212.9**
Total comprehensive income			**16.5**		**212.9**	**229.4**		**229.4**
Transactions with shareholders								
Dividend payment					-50.3	-50.3		**-50.3**
Total transactions with shareholders					**-50.3**	**-50.3**		**-50.3**
Changes in shareholdings								
Total change in equity			16.5		162.6	179.1	0.0	**179.1**
Equity at 31 Dec 2017	**58.0**	**35.8**	**-23.7**	**17.9**	**1,950.6**	**2,038.6**	**0.0**	**2,038.6**

M€	Share capital	Share issue premium	Fair value reserve	Invested non-restricted equity reserve	Retained earnings	Equity attributable to shareholders of the parent company	Non-controlling interests	Total equity
Equity at 1 Jan 2016	**58.0**	**35.8**	**-32.6**	**17.9**	**1,659.4**	**1,738.5**	**0.6**	**1,739.1**
Comprehensive income								
Cash flow hedging			-7.9			-7.9		**-7.9**
Available-for-sale financial assets			0.3			0.3		**0.3**
Result for the financial period					232.3	232.3	0.0	**232.3**
Total comprehensive income			**-7.6**		**232.3**	**224.7**	**0.0**	**224.7**
Transactions with shareholders								
Dividend payment					-103.6	-103.6		**-103.6**
Total transactions with shareholders					**-103.6**	**-103.6**	**0.0**	**-103.6**
Changes in shareholdings							-0.6	-0.6
Total change in equity			-7.6		128.6	121.0	-0.6	**120.5**
Equity at 31 Dec 2016	**58.0**	**35.8**	**-40.2**	**17.9**	**1,788.0**	**1,859.5**	**0.0**	**1,859.5**

Notes to the consolidated financial statements

1. Accounting policies for consolidated financial statements

Basic information of 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 2017, Kojamo owned 34,383 rental apartments across Finland. Of these, 31,018 are Lumo apartments and 3,365 are VVO apartments.

The Group's parent company, Kojamo plc, is a Finnish company domiciled in Helsinki. Its registered address is Mannerheimintie 168, 00300 Helsinki, Finland. The Board of Directors approved the financial statements for 2017 on 15 February 2018. A copy of the consolidated financial statements is available at www.kojamo.fi/en or the parent company's head office.

At its meeting on 15 February 2018, Kojamo plc's Board of Directors approved these financial statements to be published. 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 2017 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.

Investment properties, derivative instruments and available-for-sale financial assets 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.

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.

More detailed information on entities consolidated on the consolidated financial statements for 2017 is provided in Note 31 to the consolidated financial statements.

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 and non-controlling interests, and this allocation is presented in the income statement and comprehensive income. The result for the financial year and total comprehensive income are allocated to the owners of the parent company and to non-controlling interests even in situations where the allocation would result in the non-controlling interests' share being negative, unless non-controlling interests have an exemption not to meet obligations which exceed non-controlling interests' investment in the company. Equity attributable to non-controlling interests is presented on the balance sheet separate from equity attributable to shareholders of the parent company.

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.

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 judgment.

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.

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.

Investment properties

General recognition and measurement principles for 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.

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 carried at fair value. The resulting changes in fair values are recognised in profit or loss as they arise. Fair value gains and losses are presented netted as a separate line item in the income statement. According to IFRS 13, Fair value measurement, fair value refers to the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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.

Kojamo's investment property portfolio incorporates the completed investment property, investment property under construction and under major renovation and Kojamo's 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.

In the property measurement model, the properties within the scope of balance sheet value and income value methods will be moved to the transaction value method after their property-specific restrictions end. The change of the valuation technique affects the fair value of the property.

Valuation techniques

The fair value of investment property determined by Kojamo is based on market value, yield value and acquisition cost.

Transaction value

Properties in which apartments can be sold by Kojamo without restrictions are measured using transaction value. The value as of the measurement date is based on actual sales prices of comparable apartments for the two preceding years. The source of market data applied by Kojamo is 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 is individually adjusted on the basis of the condition, location and other characteristics of the property.

Income value (yield value)

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

Acquisition cost (Balance sheet value)
Kojamo estimates that the acquisition cost of properties under construction, interest subsidised (long-term) rental properties and state-subsidised rental properties (so-called ARAVA properties) approximate their fair values. State-subsidised and interest subsidised (long-term) rental properties are carried at original acquisition cost, deducted by the depreciation accumulated up to the IFRS transition date and any impairment losses.

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.

Investment properties classified as held for sale
If the sale of an operative 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. Reclassification requires that a sale is deemed highly probable and:

- the investment property is available for immediate sale in its present condition subject to usual and customary terms
- management is committed to an active plan to sell the property and Kojamo has initiated a programme to locate a buyer and complete the plan
- the property is actively marketed for sale at a price that is reasonable in relation to its current fair value
- the sale should be expected to qualify for recognition as a completed sale within 12 months of the date of classification.

Investment properties classified as held for sale are measured at fair value.

Trading properties
Trading properties include properties meant for sale which do not meet the objectives of the company 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.

Property, plant and equipment
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 according to plan, based on the 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	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.

Intangible assets

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 and property, plant and equipment

At least once a year, Kojamo carries out an assessment of the possible signs of impairment of intangible assets and 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. An impairment loss recognised for goodwill cannot be reversed under any circumstances.

Financial assets and liabilities

Kojamo applies the following principles to the classification of financial assets and liabilities and their recognition, derecognition and measurement.

The fair value hierarchy related to the fair value determination of financial assets and liabilities is similar to the hierarchy described in the Fair value hierarchy note to the consolidated financial statements.

Financial assets have been classified as follows for the determination of measurement principles:

Financial asset group	Instruments	Measurement principle
1. Financial assets recognised at fair value through profit or loss	Derivative instruments: interest rate and electricity, non-hedge accounting	Fair value, changes in value are recognised in the income statement
2. Available-for-sale financial assets	a) Investments in unlisted securities b) Investments in other instruments with a reliably determinable fair value: fund investments and investments in bonds	a) Original acquisition cost less impairment losses b) Fair value, changes in value are basically recognised through other comprehensive income less impairment losses
3. Loans and other receivables	Sales and loan receivables, fixed-term deposits and similar receivables	Amortised cost
4. Held-to-maturity investments	Bonds and similar assets	Amortised cost

The classification depends on the purpose for which the financial assets were acquired and takes place at initial recognition. Transaction costs are included in the original carrying amount of financial assets for items that are not measured at fair value through profit and loss. At the end of the financial year, Kojamo had no held-to-maturity investments. All purchases and sales of financial assets and liabilities are recognised on the transaction date, which is the date on which Kojamo undertakes to purchase or sell the financial instrument. Financial assets are derecognised from the balance sheet when Kojamo has lost its contractual right to the cash flows or when it has transferred a significant part of the risks and yield outside Kojamo.

Financial assets recognised at fair value through profit or loss

Kojamo uses derivative instruments only for hedging purposes. Those derivative instruments that do not meet the requirements of IAS 39 Financial instruments: Recognition and Measurement concerning the application of hedge accounting, or if Kojamo has decided not to apply hedge accounting to the instrument, are included in financial assets or liabilities recognised at fair value through profit and loss. These instruments are classified as held for trading.

Derivative instruments are initially recognised at fair value and are subsequently recognised at fair value on the last day of each reporting period.

Kojamo's derivative instruments consist of interest rate derivatives and electricity derivatives. Kojamo uses interest rate derivatives to hedge its interest rate risk exposure related to long-term loans. This refers to changes caused by fluctuating market interest rates to future interest payment cash flows (cash flow hedging) and resulting volatility in profits. The purpose of electricity derivatives is to limit fluctuations in Kojamo's result caused by changing electricity prices. The positive fair values of derivative instruments are recognised in the balance sheet under non-current or current receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated to this category or not classified in any other financial asset category. They are included in non-current assets, unless the investment matures or the company intends to dispose of the investment within 12 months of the reporting date.

Available-for-sale financial assets are measured at fair value. If the fair value cannot be reliably determined (unlisted securities), they are measured at cost less any impairment loss. The fair value is determined using quoted market rates and market prices and other appropriate valuation methods, such as recent transaction prices. Fair value changes of available-for-sale financial assets are recognised as other comprehensive income and presented in the fair value reserve net of tax. When a financial asset classified as available-for-sale is sold or an impairment is recognised on it, the cumulative change in fair value is transferred from equity and recognised through profit or loss.

Loans and other receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments. They do not have quoted market prices and they are not held for trading. Loans and other receivables include Kojamo's financial assets obtained by handing over cash, goods or services directly to a debtor. Kojamo's loans and other receivables consist of sales receivables and other receivables.

Loans and other receivables are initially measured at fair value and subsequently at amortised cost using the effective interest method. They are included in current financial assets if they mature within 12 months of the end of the reporting period. Otherwise, they are included in non-current financial assets.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or definable related payments. They mature on a given date and Kojamo firmly intends and is able to keep them until this date. They are measured at amortised cost less any impairment loss, using the effective interest method. They are included in non-current assets, providing that they do not mature within 12 months of the end of the reporting period.

Cash and cash equivalents

Cash and cash equivalents consist of cash and other liquid assets. Cash equivalents include bank deposits that can be raised on demand and other short-term highly liquid investments, such as interest securities. Items classified as cash equivalents mature within three months of the date of acquisition. They are readily convertible to a known amount of cash, and the risk of changes in value is insignificant. The cash and cash equivalents of non-profit companies are kept separate from those of other companies.

Impairment of financial assets

At the end of each reporting period, Kojamo assesses whether there is objective evidence of the impairment of any single financial asset or group of assets. 'Objective evidence' may refer to evidence such as a significant or long-lasting decrease in the value of an equity instrument, falling below the instrument's acquisition cost. 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.

Sales receivables are amounts that arise from renting our apartments. Kojamo recognises an impairment loss on an individual sales receivable when there is objective evidence that Kojamo will not be able to collect the full amount due. Credit losses are included in the maintenance costs of properties. Subsequent recoveries of amounts recognised as expenses are credited against other operating expenses in the income statement.

Financial liabilities are classified as follows:

Financial liability group	Instruments	Measurement principle
1. Financial liabilities recognised at fair value through profit and loss	Derivative instruments: interest rate and electricity, non-hedge accounting	Fair value, changes in value are recognised in the income statement
2. Financial liabilities measured at amortised cost (other financial liabilities)	Various debt instruments	Amortised cost

A financial liability is classified as current unless Kojamo has the unconditional right to defer the payment of the debt to at least 12 months from the end of the reporting period. Financial liabilities, or parts thereof, are not derecognised from the balance sheet until the debt has extinguished, i.e. once the contractually specified obligation is discharged or cancelled or expires.

Financial liabilities recognised at fair value through profit and loss

Financial liabilities recognised at fair value through profit and loss include electricity derivatives and those interest rate derivatives that are not subject to hedge accounting in accordance with IAS 39. Realised and unrealised gains and losses from changes in fair value are recognised in the income statement in the period in which they have arisen. In the balance sheet, the negative fair values of interest rate derivatives and electricity derivatives are included in non-current or current liabilities.

Financial liabilities measured at amortised cost (other financial liabilities)

Financial liabilities measured at amortised cost are initially recognised 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 financial cost through profit and loss over the loan period.

Derivative instruments and hedge accounting

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 IAS

39. 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 IAS 39, even though these instruments are used for hedging.

Derivative instruments are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently recognised at fair value.

At the beginning of the hedging relationship, Kojamo documents the relationships between each hedging instrument and hedged item as well as the objectives of risk management and the hedging strategy. The hedge effectiveness is assessed both at the beginning of and during hedging in all financial statements. This includes demonstrating whether the derivatives are effective in reversing the changes in the cash flows of the hedged items.

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 fair value reserve in equity. Interest payments arising from interest rate derivatives are recognised in interest costs. If market interest rates are negative, interest rate swap hedges may lead to a situation in which both fixed and variable interest must be paid, and both of these interests are recognised in interest costs. 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.

Government grants

Kojamo may receive various grants for its operations from different representatives of public administration. State-subsidised loans granted by the State Treasury constitute the most important form of government grants. Kojamo may receive a state-subsidised low-interest loan for specific properties supported by the government. The actual net interest rates of these loans may be lower than interest expenses of market-based loans. The interest advantage obtained through the support from government is therefore netted into interest expenses in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance and is not shown as a separate item in interest income.

Government grants are recognised only where it is reasonably certain that they will be received and Kojamo meets the criteria attached to the grant. Public grants are accounted for as part of the effective interest rate of the loan in question. The amount of government grants was low in the financial year.

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 Accounting policies for consolidated financial statements, in the section entitled General recognition and measurement principles for investment property.

Equity

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.

Provisions and contingent liabilities

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. Kojamo's provisions on 31 December 2017 consisted of ten-year guarantee reserves for Lumo Kodit Oy's (VVO Rakennuttaja Oy's) founder construction. Their amount is based on Kojamo's experience of costs arising from the realisation of such liabilities.

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.

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.

Total revenue and revenue recognition principles

Kojamo's total revenue consists of rental income and charges for utilities. The total revenue has been adjusted with indirect taxes and sales adjustment items. In addition, Kojamo recognises income for the selling of investment properties and financial income.

Kojamo's total revenue consists mainly of rental income from investment properties. Rental agreements of investment properties with Kojamo as the lessor are classified as other rental agreements, as Kojamo retains a substantial proportion of the risks and rewards of ownership. Most of the rental agreements are in force until further notice. Rental income accrued from other rental agreements is distributed evenly across the rental period. As a lessor, Kojamo does not have rental agreements that could be classified as financial leasing agreements.

Relating to the rental agreements, Kojamo collects utility charges, mainly water and sauna fees. This income is recognised on an accrual basis.

Interest income is recognised using the effective interest method, and dividend income is recognised when a right to receive payment has arisen.

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 selling property is presented in the income statement under Profit/loss on sales of investment properties.

Other operating income

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.

Net rental income

Net rental income is calculated by deducting property maintenance and repair costs from turnover. 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. Changes in the fair values of derivative instruments are included in the business result if they arise from items related to business operations; otherwise they are recognised in financial items.

Employee benefits

Kojamo's employee benefits include the following:

- short-term employee benefits
- post-employment benefits
- termination benefits (benefits provided in exchange for the termination of an employment)
- other long-term employee benefits.

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.

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. Kojamo has only defined contribution 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

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.

Operating leases

Kojamo as lessee

Leases in which the risks and rewards of ownership substantially remain with the lessee are accounted for as operating leases. Payments made under operating leases are recognised as expense through profit and loss as balance sheet items over the lease term. More information about Kojamo's operating leases is available in Note 26 to the consolidated financial statements (Operating leases).

Income tax

Recognition and measurement principles

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.

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 judgment-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:

Kojamo classifies its property portfolio into investment properties, trading properties and investment properties held for sale in accordance with the principles described hereinabove. For instance, determining when selling is considered to be very likely in different circumstances requires judgement from the management. The classification has an effect on the financial statements, as the character of the intended use of a property held by Kojamo affects the content of the required IFRS financial statements information.

Classification of long-term leases:
Long-term leases are classified as financial leases or operating leases. These leases signed by Kojamo with different municipalities have been analysed and, on the basis of the analyses, Kojamo has deemed them to be operating leases. This is based on the management's opinion that the significant risks and rewards associated with these lease arrangements are not transferred to Kojamo. More information about Kojamo's operating leases is available in Note 26 to the consolidated financial statements (Operating leases).

Business acquisitions and asset acquisitions:
Acquisitions of investment properties are classified either as acquisitions of asset or assets (IAS 40) or business combinations (IFRS 3). If the acquisition of an investment property involves other operations in addition to the property, it is considered to be a business combination.

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:
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. Therefore, the classification of property acquisitions described above has an effect on the recognition of deferred taxes.

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 continually 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.

Below are presented the most significant sections 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.

The key sources of estimation uncertainty concern the following sections of the financial statements:

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, particularly with respect to the comparability of transaction values in relation to the property being evaluated as well as the future development of return requirements, vacancy rates and rent levels. More information about the fair value determination for Kojamo's investment properties is available in Note 11 to the consolidated financial statements (Investment properties).

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.

Determination of the fair value and impairment of financial instruments:
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. More information about Kojamo's financial instruments is available in Note 14 to the consolidated financial statements (Values of financial assets and liabilities by category).

New and revised standards and interpretations 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 2018. 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. New IFRS 9 Financial Instruments (effective for financial years beginning on or after 1 January 2018): The standard replaces the existing standard IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments. This also covers a new expected credit loss model for determining impairment on financial assets. The requirements concerning general hedge accounting have also been revised. The requirements on recognition and derecognition of financial instruments from IAS 39 have been retained. Kojamo will apply the standard as of 1 January 2018; it will not be applied retrospectively.

In accordance with IFRS 9, financial assets will be classified based on the nature of cash flows and the specified business models. The implementation of the reclassification and measurement of financial assets will result in some changes in current recognition practices, but their impact on equity or the result will be minor. Changes in impairment principles will have a minor impact on the expected credit losses recorded for sales receivables.

The impact of the adoption of IFRS 9:
Kojamo has classified cash and cash equivalents as financial assets measured at amortised cost and as financial assets measured at fair value through profit and loss. The classification of financial assets is presented in the table below.

M€	Classification IAS 39	Classification IFRS 9	Carrying value 31 Dec 2017	Carrying value 1 Jan 2018
Financial assets				
Cash	Loans and receivables	Amortised cost	20.1	20.1
Investments				
Funds	Available-for-sale financial assets	Fair value recognised in profit and loss	46.1	46.1
Loans and receivables	Loans and receivables	Fair value recognised in profit and loss	3.1	3.1
Other shares	Available-for-sale financial assets	Fair value recognised in profit and loss	0.5	0.6
Financial assets total			**69.8**	**70.0**

Classification changes to income statement and comprehensive income statement items

INCOME STATEMENT, M€	IAS 39 1–12/2017	changes	IFRS 9 1–12/2017
Financial income	0.0	0.2	0.2
Financial expenses	0.0		0.0
Total financial income and expenses	0.0	0.2	0.2
Change in deferred tax		0.0	0.0
Profit/loss for the period	0.0	0.1	0.1
CONSOLIDATED STATEMENT OF THE COMPREHENSIVE INCOME, M€			
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Available-for-sale financial assets	0.2	-0.2	0.0
Deferred taxes	0.0	0.0	0.0
Comprehensive income total	0.1	-0.1	0.0

Classification changes to equity

	Share capital	Share issue premium	Fair value reserve	Invested non-restricted equity reserve	Retained earnings	Equity attributable to shareholders of the parent company	Total equity
Equity 31 Dec 2017	58.0	35.8	-23.7	17.9	1,950.6	2,038.6	2,038.6
Changes:							
Comprehensive income							
Available-for-sale financial assets			-0.5	0.5	0.0	0.0	0,0
Profit/loss for the period							
Available-for-sale financial assets				0.1	0.1	0.1	0,1
Receivables					0.3	0.3	0.3
Equity 1 Jan 2018	**58.0**	**35.8**	**-24.3**	**17.9**	**1,951.5**	**2,039.0**	**2,039.0**

New IFRS 15 *Revenue from Contracts with Customers* (effective for financial years beginning on or after 1 January 2018): The new standard replaces the current IAS 18 and IAS 11 standards and related interpretations. IFRS 15 includes a five-step model for recognising revenue: to which amount and when it is recognised. Revenue is recognised as control is passed, either over time or at a point in time. The standard also increases the number of notes presented. Kojamo has assessed the impact of the change by analysing the key concepts of IFRS 15 with regard to the company's cash flows. Due to the nature of the company's business, the change of the standard will not have a material impact on Kojamo's consolidated financial statements.

New IFRS 16 *Leases* (effective for financial years beginning on or after 1 January 2019): The standard replaces the currently applied IAS 17 standard and related interpretations. The IFRS 16 standard requires lessees to record leases in the balance sheet as a lease liability and a related asset. Recording in the balance sheet is highly similar to the accounting process for financial leasing in accordance with IAS 17. There are two exemptions to recording in the balance sheet, applicable to short-term leases with a lease term of 12 months or less and assets with a value of USD 5,000 or less. For lessors, the accounting process will largely remain as defined in the current

IAS 17. Kojamo has assessed the impact of the adoption of IFRS 16 Leases. Leases for plots of land, which are currently treated as other leases in accordance with IAS 17, will be included in the consolidated balance sheet under the new standard. Kojamo will adopt the standard as of 1 January 2019, resulting in an increase of approximately EUR 58 million in the value of the Group's investment properties and non-current liabilities. The assessment has been made taking into account the plot reserve at the balance sheet date and current contractual terms.

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

2. Operating segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. Separate financial information is available about it and Kojamo's chief operating decision-maker evaluates it on a regular basis in order to make decisions on the allocation of resources to the segment and to assess its performance.

Kojamo's business operations are divided into two segments: Lumo and VVO.

The Lumo segment contains the Group's parent company Kojamo plc and the group companies Lumo Kodit Oy, Lumo Vuokratalot Oy and Kojamo Palvelut Oy as well as those other group companies in whose apartments the restrictions on the determination of rent, related to the ARAVA and interest subsidy legislation, will end by the close of 2019. Some of the housing included in the Lumo segment is subject to property-specific restrictions in accordance with the ARAVA Act.

The group companies in whose apartments the restrictions on the determination of rent, related to the ARAVA and interest subsidy legislation, will end after 2019 belong to the VVO segment. The companies of the VVO segment are subject to the profit distribution restriction, and they 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). The loans of VVOhousing 7 Oy, VVOhousing 10 Oy, VVOhousing 11 and VVOhousing 12 were repaid over the course of 2017, and the companies will be transferred to the Lumo segment on 1 January 2018. The return payable from the annual profits of companies subject to revenue recognition restrictions totals approximately EUR 0.3 million. Some of the housing in the VVO segment is not subject to property-specific restrictions in accordance with the ARAVA Act.

The principles for preparing operating segment information are the same as the accounting principles for the Group.

Group consolidation measures include mainly expenses, assets and liabilities of the Group's joint operations.

M€	Lumo 1–12/2017	VVO 1–12/2017	Group consolidation methods	Group Total 1–12/2017
Rental income	304.8	30.0	0.3	335.1
Sales income, other	1.9	0.2	-0.3	1.9
Internal income	0.5	0.1	-0.6	0.0
Total revenue	**307.2**	**30.4**	**-0.6**	**337.0**
Maintenance expenses	-77.3	-8.1	0.1	-85.4
Repair expenses	-28.7	-6.9		-35.6
Net rental income	**201.2**	**15.4**	**-0.6**	**216.0**
Administrative expenses	-34.1	-3.7	0.6	-37.2
Other operating income	1.9	0.1		2.0
Other operating expenses	-1.3	0.0		-1.3
Profit/loss on sales of investment properties	2.5			2.5
Profit/loss on sales of trading properties	0.0			0.0
Fair value change of investment properties	126.2		0.0	126.2
Depreciation, amortisation and impairment losses	-1.1			-1.1
Operating profit/loss	**295.2**	**11.8**	**0.0**	**307.0**
Financial income				5.0
Financial expenses				-45.5
Total amount of financial income and expenses				**-40,5**
Share of result from associated companies				0.1
Profit before taxes				**266.7**
Current tax expense				-28.6
Change in deferred taxes				-25.1
Profit/loss for the period				**212.9**

M€	Lumo 1–12/2017	VVO 1–12/2017	Group consolidation methods	Group Total 1–12/2017
Investments	**367.0**	**0.3**		**367.3**
Investment properties	4,580.7	124.9	0.9	4,706.5
Investments in associated companies	1.7			1.7
Investment properties held for sale	3.7			3.7
Liquid assets	44.6	73.2		117.8
Other assets	204.7	13.5	-104.5	113.8
Total Assets	**4,835.5**	**211.6**	**-103.6**	**4,943.5**
Interest bearing liabilities	2,237.7	148.7	-103.4	2,283.0
Other liabilities	607.5	14.6	-0.2	621.9
Total Liabilities	**2,845.1**	**163.4**	**-103.6**	**2,904.9**

M€	Lumo 1–12/2016	VVO 1–12/2016	Group consolidation methods	Konserni 1–12/2016
Rental income	288.4	61.1	0.4	349.9
Sales income, other	1.7	0.3	-0.4	1.6
Internal income	1.0	0.1	-1.2	0.0
Total revenue	**291.1**	**61.5**	**-1.2**	**351.5**
Maintenance expenses	-72.3	-18.1	0.1	-90.3
Repair expenses	-28.5	-10.6		-39.1
Net rental income	**190.3**	**32.8**	**-1.0**	**222.0**
Administrative expenses	-31.7	-6.8	1.0	-37.4
Other operating income	1.8	0.5		2.3
Other operating expenses	-0.7	-2.5		-3.1
Profit/loss on sales of investment properties	-1.2	-10.0	0.7	-10.4
Profit/loss on sales of trading properties	0.1			0.1
Fair value change of investment properties	159.3	4.0	0.0	163.3
Depreciation, amortisation and impairment losses	-1.2			-1.2
Operating profit/loss	**316.8**	**18.1**	**0.7**	**335.6**
Financial income				2.4
Financial expenses				-48.4
Total amount of financial income and expenses				**-46,0**
Share of result from associated companies				0.1
Profit before taxes				**289.7**
Current tax expense				-35.4
Change in deferred taxes				-22.1
Profit/loss for the period				**232.3**

M€	Lumo 1–12/2016	VVO 1–12/2016	Group consolidation methods	Konserni 1–12/2016
Investments	**695.6**	**0.5**		**696.0**
Investment properties	4,088.9	138.5	0.9	4,228.3
Investments in associated companies	1.2			1.2
Investment properties held for sale	70.7			70.7
Liquid assets	30.3	101.7		132.0
Other assets	147.3	79.5	-86.8	140.0
Total Assets	**4,338.4**	**319.7**	**-86.0**	**4,572.2**
Interest bearing liabilities	2,028.8	178.0	-84.0	2,122.8
Liabilities held for sale	1.0			1.0
Other liabilities	573.6	17.0	-1.8	588.8
Total Liabilities	**2,603.4**	**195.0**	**-85.8**	**2,712.6**

3. Non-current assets held for sale

In 2017, Non-current assets held for sale consist of two individual plots.

In 2016, non-current assets held for sale consisted of 1,344 apartments sold to a company managed by Avant Capital Partners.

M€	31 Dec 2017	31 Dec 2016
Investment properties	3.7	70.6
Receivables		0.1
Assets total	3.7	70.7
Loans from financial institutions		0.1
Trade and other payables		0.9
Liabilities total		1.0
Net asset value	3.7	69.7

The investment properties have been subsequently measured at fair value in the financial statements (fair value hierarchy level 3).

The collateral and contingent liabilities related to the 2016 items are presented in Note 28.

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

Profit/loss on sales of investment properties

M€	1–12/2017	1–12/2016
Profit on sales of investment properties	3.0	36.8
Loss on sales of investment properties	-0.5	-47.2
Total	**2.5**	**-10.4**

The most significant investment property sales in 2017 were made to a company managed by Avant Capital Partners, a total of 1,344 apartments.

Other operating income

M€	1–12/2017	1–12/2016
Income from the sales of fixed assets	0.0	0.0
Income from construction contracting	0.2	0.1
Income from debt collection	1.5	1.5
Other	0.3	0.8
Total	**2.0**	**2.3**

Other operating expenses

M€	1–12/2017	1–12/2016
Costs on construction contracting	0.4	0.6
Loss on sales		2.5
Other operating expenses	0.9	
Total	**1.3**	**3.1**

Auditors fee

M€	1–12/2017	1–12/2016
KPMG Oy Ab		
Audit	0.2	0.2
Tax consultancy	0.1	0.4
Advisory services	0.1	0.1
Total	**0.3**	**0.7**

5. Employee benefits expense

M€	1–12/2017	1–12/2016
Salaries and wages	15.3	16.3
Defined contribution pension plans	3.1	3.1
Other social security costs	0.6	0.8
Total	**19.0**	**20.2**

The management's employee benefits are presented in Note 29, Related party transactions.

	31 Dec 2017	31 Dec 2016
Number of personnel, average	310	298

6. Amortisation, depreciation and impairment

Amortisation and depreciation by asset group

M€	1–12/2017	1–12/2016
Intangible assets	0.4	0.4
Property, plant and equipment	0.7	0.8
Total	**1.1**	**1.2**

No impairment has been recognised on intangible assets or property, plant and equipment.

7. Research and development expenditure

M€	1–12/2017	1–12/2016
Research and development	0.2	0.3
Total	**0.2**	**0.3**

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

8. Financial income and expenses

M€	1–12/2017	1–12/2016
Dividend income	0.1	0.0
Interest income	0.9	1.0
Financial assets recognized at fair value through profit and loss	3.7	1.3
Profit from Available-for-sale financial assets	0.3	0.1
Other financial income	0.1	0.1
Financial income, total	5.0	2.4
Interest expenses		
Interest expenses on liabilities recognised at amortised cost	-26.4	-24.8
Interest expenses from derivatives	-16.5	-14.3
Financial assets recognized at fair value through profit and loss	-1.0	-8.5
Loss from Available-for-sale financial assets	0.0	0.0
Other financial expences	-1.6	-0.8
Financial expenses, total	-45.5	-48.4
Financial income and expenses, total	**-40.5**	**-46.0**

Items of comprehensive income

M€	1–12/2017	1–12/2016
Cash flow hedges	20.4	-9.9
Available-for-sale financial assets	0.2	0.4
Total	**20.6**	**-9.5**

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

9. Income tax

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

M€	1–12/2017	1–12/2016
Current tax expense	28.6	35.4
Change in deferred taxes	25.1	22.1
Total	**53.7**	**57.5**

Tax effects relating to components of other comprehensive income:

2017 M€	Before taxes	Tax effect	After taxes
Cash flow hedges	20.4	-4.1	16.3
Available-for-sale financial assets	0.2	0.0	0.1
Total	**20.6**	**-4.1**	**16.5**

2016 M€	Before taxes	Tax effect	After taxes
Cash flow hedges	-9.9	2.0	-7.9
Available-for-sale financial assets	0.4	-0.1	0.3
Total	**-9.5**	**1.9**	**-7.6**

Reconciliation between tax expense shown in the income statement and tax calculated using the parent company's tax rate (tax rate 20 per cent):

M€	2017	2016
Profit before taxes	266.7	289.7
Taxes with current tax rate	53.3	57.9
Tax-exempt income / non-deductible costs	0.0	1.3
Utilization of previously unrecognized confirmed tax losses	-0.6	-0.9
Write-down of deferred tax assets previously recognised on confirmed tax losses	0.8	1.1
Taxes from the previous periods	0.0	-1.4
Share of result of associated companies	0.0	0.0
Acquired investment properties	0.0	0.2
Proceeds from sale of investment properties	-1.0	-0.9
Other	1.2	0.0
Adjustments total	**0.4**	**-0.5**
Taxes total recognised in profit and loss	**53.7**	**57.5**

10. Earnings per share

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.

M€	1–12/2017	1–12/2016
Profit of the financial period attributable to shareholders of the parent company	212.9	232.3
Average number of the shares during the period, millions	7.4	7.4
Earnings per share		
Basic, euro	28.77	31.38
Diluted, euro	28.77	31.38

The company has no diluting instruments.

11. Investment properties

M€	31/12/2017	31/12/2016
Fair value of investment properties, at 1 Jan	4,298.9	3,999.2
Acquisition of investment properties *)	338.6	664.9
Modernisation investments	25.4	29.3
Disposals of investment properties	-82.2	-559.0
Capitalised borrowing costs	3.3	1.7
Transfer to own use	0.0	-0.7
Valuation gains/losses on fair value assessment	126.2	163.3
Fair value of investment properties, at 31 Dec	**4,710.2**	**4,298.9**

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

The fair values include the investment properties classified as Non-current assets held for sale, totalling EUR 3.7 (70.6) million.

Kojamo has acquisition agreements for new development and renovations, presented in Note 28.

The change in the fair value of investment properties results from investments, changes in market prices and parameters used in valuation as well as from expiry of restrictions on some properties.

Some of the investment properties are subject to legislative divestment and usage restrictions. Usage and divestment restrictions are mainly related to balance sheet value properties and usage restrictions to yield value properties. 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.

Investment properties by valuation classes

M€	31/12/2017	31/12/2016
Properties measured at market value	3,787.1	3,287.7
Properties measured at yield value	395.3	602.9
Properties measured at acquisition method	527.8	408.3
Total	**4,710.2**	**4,298.9**

The above fair values include the investment properties classified as Non-current assets held for sale on 31 December 2017, totalling EUR 3.7 (70.6) million.

Measurement process of investment property

In the transaction value method, the measurement is performed with the help of 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 property-specific transaction value is individually adjusted based on the condition, location, and other characteristics of the rental property.

In the yield value method, the fair value is determined by capitalising net rental income, using a property-specific required rate of net rental income.

In the acquisition cost method, rental properties are carried at original acquisition cost, deducted by the depreciation accumulated up to the IFRS transition date and any impairment losses.

Kojamo performs intra-company measurement of investment property each quarter. The results of the assessment are reported to the Management Group, 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, Realia Management Oy, 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.

Sensitivity analysis of investment property fair value

Sensitivity analysis of investment properties	31/12/2017				
Change %	**-10%**	**-5%**	**0%**	**5%**	**10%**
Properties measured at market values					
Change in market prices (M€)	-378.7	-189.4		189.4	378.7
Properties measured at yield values					
Yield requirement (M€)	43.7	20.7		-18.7	-35.7
Rental income (M€)	-66.9	-33.5		33.5	66.9
Maintenance costs (M€)	25.2	12.6		-12.6	-25.2
Financial occupancy rate (change in procent points)	**-2%**	**-1%**	**0%**	**1%**	**2%**
Rental income	-0.8	-0.4		0.4	0.8

Sensitivity analysis of investment properties	31/12/2016				
Change %	**-10%**	**-5%**	**0%**	**5%**	**10%**
Properties measured at market values					
Change in market prices (M€)	-328.8	-164.4		164.4	328.8
Properties measured at yield values					
Yield requirement (M€)	66.4	31.4		-28.4	-54.3
Rental income (M€)	-99.7	-49.8		49.8	99.7
Maintenance costs (M€)	35.7	17.9		-17.9	-35.7
Financial occupancy rate for properties measured at yield value (change in percentage points)	**-2%**	**-1%**	**0%**	**1%**	**2%**
Rental income	-1.4	-0.7		0.7	1.4

All of Kojamo's investment properties are classified into the fair value hierarchy level 3 in accordance with IFRS 13. Hierarchy level 3 includes assets, the fair value of which is measured using input data concerning the asset that are not based on observable market data.

The weighted average for the return requirement was 6.1 (6.3) per cent for the 3,788 (5,957) rental homes included within the scope of the yield value method in 2017, and 9.4 (9.4) per cent for the 423 (431) business premises.

12. Property, plant and equipment

M€	Land areas	Connection fees	Buildings	Machinery and equipment	Other tangible assets	Total
Cost at 1 Jan 2017	5.5	0.2	28.2	3.7	1.6	39.0
Increases				0.7		0.7
Decreases				-0.9		-0.9
Cost at 31 Dec 2017	5.5	0.2	28.2	3.5	1.6	38.8
Accumulated depreciation 1 Jan 2017			-4.6	-3.4	-0.1	-8.1
Depreciation for the period			-0.4	-0.3	0.0	-0.7
Decreases				0.9		0.9
Accumulated depreciation 31 Dec 2017			-5.1	-2.8	-0.1	-7.9
Carrying value at 1 Jan 2017	5.5	0.2	23.5	0.3	1.5	31.0
Carrying value at 31 Dec 2017	**5.5**	**0.2**	**23.1**	**0.7**	**1.5**	**31.0**

M€	Land areas	Connection fees	Buildings	Machinery and equipment	Other tangible assets	Total
Cost at 1 Jan 2016	5.5	0.2	27.6	3.7	1.6	38.5
Increases				0.1		0.1
Decreases			-0.3	-0.1	0.0	-0.4
Transfer from investment properties	0.0	0.0	0.9	0.0	-0.1	0.9
Cost at 31 Dec 2016	5.5	0.2	28.2	3.7	1.6	39.0
Accumulated depreciation 1 Jan 2016			-4.0	-3.2	-0.1	-7.3
Depreciation for the period			-0.4	-0.3	0.0	-0.7
Decreases				0.1		0.1
Transfer from investment properties			-0.2	0.0		-0.2
Accumulated depreciation 31 Dec 2016			-4.6	-3.4	-0.1	-8.1
Carrying value at 1 Jan 2016	5.5	0.2	23.5	0.5	1.6	31.2
Carrying value at 31 Dec 2016	**5.5**	**0.2**	**23.5**	**0.3**	**1.5**	**31.0**

13. Intangible assets

M€	Intangible rights	Other intangible assets	Total
Cost at 1 Jan 2017	2.6	3.0	5.6
Increases	0.1	0.0	0.1
Decreases	-0.1	-0.7	-0.8
Cost at 31 Dec 2017	2.5	2.4	4.9
Accumulated amortisation 1 Jan 2017	-2.3	-2.5	-4.8
amortisation for the period	-0.1	-0.3	-0.4
Decreases	0.1	0.7	0.8
Accumulated amortisation 31 Dec 2017	-2.3	-2.1	-4.5
Carrying value at 1 Jan 2017	0.2	0.5	0.8
Carrying value at 31 Dec 2017	**0.1**	**0.3**	**0.4**

M€	Intangible rights	Other intangible assets	Total
Cost at 1 Jan 2016	2.5	3.0	5.5
Increases	0.1	0.0	0.1
Cost at 31 Dec 2016	2.6	3.0	5.6
Accumulated amortisation 1 Jan 2016	-2.2	-2.2	-4.4
amortisation for the period	-0.2	-0.3	-0.4
Accumulated amortisation 31 Dec 2016	-2.3	-2.5	-4.8
Carrying value at 1 Jan 2016	0.3	0.8	1.1
Carrying value at 31 Dec 2016	**0.2**	**0.5**	**0.8**

14. Values of financial assets and liabilities by category

	31 Dec 2017				
M€	Carrying value total	LEVEL 1	LEVEL 2	LEVEL 3	Fair value total
Financial assets					
Measured at fair value					
Interest rate derivatives	6.3		6.3		6.3
Electricity derivatives	0.2	0.2			0.2
Available-for-sale financial assets	46.6	44.1	2.0	0.5	46.6
Measured at amortised cost					
Loans and receivables	23.2	23.2			23.2
Trade receivables	6.7				6.7
Financial liabilities					
Measured at fair value					
Interest rate derivatives	-48.3		-48.3		-48.3
Electricity derivatives	-0.2	-0.2			-0.2
Measured at amortised cost					
Other interest-bearing liabilities	1,489.3		1,489.8		1,489.8
Bond	793.8		800.0		800.0
Trade payables	20.0				20.0

M€	Carrying value total	LEVEL 1	LEVEL 2	LEVEL 3	Fair value total
	31 Dec 2016				
Financial assets					
Measured at fair value					
Interest rate derivatives	2.2		2.2		2.2
Electricity derivatives	0.2	0.2			0.2
Available-for-sale financial assets	46.5	43.9	2.0	0.6	46.5
Measured at amortised cost					
Loans and receivables	23.1	23.1			23.1
Trade receivables	4.2				4.2
Financial liabilities					
Measured at fair value					
Interest rate derivatives	-68.6		-68.6		-68.6
Electricity derivatives	-0.5	-0.5			-0.5
Measured at amortised cost					
Other interest-bearing liabilities	1,824.9		1,825.4		1,825.4
Bond	297.9		300.0		300.0
Trade payables	19.3				19.3

The fair value of loans is the same as their nominal value. During the year, there were no transfers between the fair value hierarchy levels.

A more detailed analysis of the fair values of interest rate derivatives included and not included in hedge accounting is presented in Note 22.

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 market price quoted on the active market exists for similar instruments. The price may, however, be derived directly or indirectly from quoted price information.

Level 3:
There is no active market for the instrument, the fair value cannot be reliably derived and input data used for the determination of fair value is not based on observable market data.

Level 3 reconciliation
Available-for-sale financial assets

M€	31 Dec 2017	31 Dec 2016
Beginning of period	0.6	0.5
Deductions	-0.1	0.0
End of period	0.5	0.6

Non-current financial assets held for sale on hierarchy level 3 are investments in unlisted securities. They are measured at cost, as their fair value cannot be reliably measured in the absence of an active market.

15. Non-current receivables

M€	31 Dec 2017	31 Dec 2016
Loan receivables from associated companies	0.3	0.3
Other long-term receivables	1.6	3.1
Loan receivables from others	3.0	2.1
Non-current prepaid expenses and accrued income	0.4	
Total	**5.3**	**5.6**

16. Deferred tax assets and liabilities

Changes to deferred tax assets and liabilities in 2017 are as follows:

M €	1 Jan 2017	Recognised in profit and loss	Recognised in other comprehensive income	Other changes	31 Dec 2017
Deferred tax assets					
Confirmed losses	0.9	-0.3			0.6
Cash flow hedges	10.6		-3.3		7.3
Electricity derivatives measured at fair value	0.1	-0.1			0.0
Other items/transfers	3.8	-0.9		0.0	3.0
Total	**15.4**	**-1.2**	**-3.3**	**0.0**	**10.9**
Deferred tax liabilities					
Investment properties measured at fair value	452.6	23.9		0.1	476.7
Cash flow hedges	0.5		0.8		1.3
Financial instruments measured at fair value	0.1		0.0		0.1
Electricity derivatives measured at fair value	0.0	0.0			0.0
Other items/transfers	0.2	0.0			0.2
Total	**453.4**	**23.9**	**0.8**	**0.1**	**478.3**

M €	1 Jan 2016	Recognised in profit and loss	Recognised in other comprehensive income	Other changes	31 Dec 2016
Deferred tax assets					
Confirmed losses	1.3	-0.5			0.9
Cash flow hedges	8.2		2.5		10.6
Electricity derivatives measured at fair value	0.2	-0.1			0.1
Other items/transfers	2.2	1.6			3.8
Total	**12.0**	**1.0**	**2.5**		**15.4**
Deferred tax liabilities					
Investment properties measured at fair value	429.6	23.1		0.0	452.6
Cash flow hedges			0.5		0.5
Financial instruments measured at fair value	0.0		0.1		0.1
Other items/transfers	0.2	0.0			0.2
Total	**429.8**	**23.1**	**0.6**	**0.0**	**453.4**

Expiration years for unrecognised confirmed losses

Year of expiration	2018–2019	2020–2021	2022–2023	2024–2025	2026–2027	Total
Confirmed losses	0.2	0.7	1.2	0.7	1.4	4.2
Unrecognised defered tax	0.0	0.1	0.2	0.1	0.3	0.8

17. Trading properties

M€	31 Dec 2017	31 Dec 2016
Trading properties	0.6	0.9
Total	**0.6**	**0.9**

18. Trade receivables and other receivables

M€	31 Dec 2017	31 Dec 2016
Trade receivables	6.7	4.2
Receivables from associated companies	0.0	0.0
Loan receivables	0.6	0.9
Other receivables	0.2	0.7
Prepaid expenses and accrued income	1.3	0.9
Total	**8.8**	**6.8**

Specification of prepaid expenses and accrued income	31 Dec 2017	31 Dec 2016
Rental services	0.6	0.5
Prepayments	0.5	0.2
Interests	0.0	0.0
Other prepaid expenses and accrued income	0.2	0.2
Total	**1.3**	**0.9**

The term of notice for rental agreements is usually one month. The fair value of sales receivables and other receivables matches their carrying amount.

19. Cash and cash equivalents

M€	31 Dec 2017	31 Dec 2016
Cash and cash equivalents	117.8	132.0
Total	**117.8**	**132.0**

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

20. Share capital and other equity funds

M€	Number of shares (1,000)	Share capital	Share premium reserve	Fair value reserve	Invested non-restricted equity reserve	Total
1 Jan 2017	7,403	58.0	35.8	-40.2	17.9	71.5
Other comprehensive income				16.5		16.5
31 Dec 2017	**7,403**	**58.0**	**35.8**	**-23.7**	**17.9**	**87.9**

M€	Number of shares (1,000)	Share capital	Share premium reserve	Fair value reserve	Invested non-restricted equity reserve	Total
1 Jan 2016	7,403	58.0	35.8	-32.6	17.9	79.0
Other comprehensive income				-7.6		-7.6
31 Dec 2016	**7,403**	**58.0**	**35.8**	**-40.2**	**17.9**	**71.5**

Kojamo plc has one share class. The share has no nominal value. All issued shares have been paid for in full.

Description of equity funds:

Shares

- The number of Kojamo plc shares issued as at 31 December 2017 was 7,402,560.

Share premium reserve

- Kojamo plc has no such instruments in force that would accrue a share premium under the new 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 and the current available-for-sale financial assets.

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 6.80 per share was paid in 2017. After the balance sheet date, 31 December 2017, the Board of Directors has proposed that a dividend of EUR 6.80 be paid per share.

Non-controlling interest

Kojamo had no non-controlling interest in 2017.

In 2016, the non-controlling interest consisted of the result of Kiinteistö Oy Oulun Kotkankynsi. In 2016, Kojamo acquired the company's entire stock.

Restrictions related to Kojamo's equity

- Kojamo's retained earnings for 2017, EUR 1,950.6 (1,788.0) million, include a total of EUR 383.9 (521.8) 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.
- Some of the Group companies are subject to profit distribution restrictions under the non-profit provisions of housing legislation, according to which an entity cannot distribute funds to its owner more than the profit regulated by housing legislation.

21. Interest-bearing liabilities

Non-current

M€	31 Dec 2017	31 Dec 2016
Interest subsidy loans	187.7	271.2
Annuity and mortgage loans	0.4	60.3
Bonds	793.8	297.9
Loans from financial institutions	1,125.3	1,163.3
Other loans	2.6	3.4
Total	**2,109.8**	**1,796.1**

Current

M€	31 Dec 2017	31 Dec 2016
Interest subsidy loans	64.8	53.6
Annuity and mortgage loans	0.1	1.3
Loans from financial institutions	48.4	123.6
Other loans	7.0	7.0
Commercial papers	52.9	141.3
Total	**173.2**	**326.8**

Total interest-bearing liabilities	**2,283.0**	**2,122.8**

Changes in liabilities from financing activities

M€	31 Dec 2016	Cash flows	Non-cash items	31 Dec 2017
Non-current liabilities	1,796.1	252.3	61.5	2,109.8
Current liabilities	326.7	-88.1	-65.5	173.1
Total liabilities from financing activities	**2,122.8**	**164.2**	**-4.0**	**2,283.0**

Changes in non-current liabilities involving cash flows consist of EUR 686.4 million of loan withdrawals and EUR -434.0 million of loan repayments. Non-cash changes in non-current liabilities mainly consist of transfers to current liabilities. Changes in current liabilities involving cash flows mainly consist of EUR 267.8 million of withdrawals of commercial paper loans and EUR -355.9 million of loan repayments. Non-cash changes in current liabilities mainly consist of transfers of non-current liabilities to current liabilities.

On 19 June 2017, Kojamo plc issued an unsecured EUR 500 million bond which is listed on the Irish Stock Exchange. The bond was rated Baa2 by Moody's. The bond matures in 2024, and its fixed coupon rate is 1.50 per cent. Bonds also include the bonds issued in 2013 and 2016. The EUR 100 million secured bond issued in 2013 matures in 2020. The bond has a fixed annual interest rate of 3.25 per cent. In 2016, a EUR 200 million secured bond was issued and listed on Nasdaq Helsinki Ltd. The loan matures in 2023 and its fixed coupon rate is 1.625 per cent.

For short-term financing, Kojamo has a EUR 250 (200) million commercial paper programme, EUR 300 (100) million committed credit facility agreements and a EUR 5 (5) million non-committed credit facility agreement. At the balance sheet date, the committed and non-committed credit facility agreements remained unused.

Other long-term loans include the EUR 2.4 million capital loan received by Lumo Kodit Oy from the City of Tampere in 2001. The interest rate is six-month Euribor + 0.75 per cent. The loan is repaid in 20 years.

Liabilities do not include the liabilities related to Non-current assets held for sale, totalling EUR 0.0 (0.1) million.

22. Derivative instruments

Fair values of derivative instruments

		31 Dec 2017		31 Dec 2016
M€	**Positive**	**Negative**	**Net**	**Net**
Interest rate derivatives				
Interest rate swaps, cash flow hedges	6.3	-39.6	-33.3	-56.9
Interest rate swaps, not in hedge accounting		-8.7	-8.7	-3.0
Interest rate options, not in hedge accounting		0.0	0.0	-6.5
Electricity derivatives	0.2	-0.2	0.0	-0.4
Total	**6.5**	**-48.5**	**-42.0**	**-66.8**

M€	**31 Dec 2017**	**31 Dec 2016**
Interest rate derivatives		
Interest rate swaps, cash flow hedges	1,439.0	1,107.0
Interest rate swaps, not in hedge accounting	44.8	61.6
Interest rate options, not in hedge accounting	63.1	104.7
Total	**1,546.9**	**1,273.3**
Electricity derivatives, MWh	183,957	196,367

Nominal values of derivative instruments
During the financial year, EUR 20.4 (-9.9) million were recognised in the fair value reserve from interest rate derivatives classified into cash flow hedging. The interest rate derivatives hedge the loan portfolio interest flows against increases in market interest rates. The interest rate derivatives mature between 2018 and 2035. At the balance sheet date, the average maturity for interest rate swaps was 6.6 (6.2) years. Electricity derivatives hedge against increases in electricity prices and mature between 2018 and 2022. Electricity derivatives are not included in hedge accounting.

23. Provisions and other non-current liabilities

Provisions

M€	31 Dec 2017	31 Dec 2016
Provisions	0.8	1.0

Provisions include EUR 0.8 (1.0) million of 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

M€	31 Dec 2017	31 Dec 2016
Accrued expenses and deferred income	0.8	0.8
Collaretal payments	5.6	6.3
Other non-current liabilities	8.5	
Total	**14.8**	**7.1**

24. Trade payables and other debts

M€	31 Dec 2017	31 Dec 2016
Advances received	5.1	4.6
Trade payables	20.0	19.3
Other current liabilities	16.5	1.3
Accrued expenses and deferred income	28.7	23.1
Total	**70.4**	**48.3**

Specification of accrued expenses and deferred income

M€	31 Dec 2017	31 Dec 2016
Rental services	1.6	4.8
Investments	5.7	1.1
Personnel expenses	7.1	6.8
Interest	14.1	10.3
Other items	0.2	0.2
Total	**28.7**	**23.1**

25. 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 risks 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-rate loans and interest rate derivatives. The most significant interest rate risk is associated with loans from financial institutions. This risk is hedged with interest rate derivatives according to Kojamo's treasury policy. The targeted hedging ratio is 50–100 per cent. At the balance sheet date, the hedging ratio was 111 (77) per cent. The company estimates that the hedging ratio will be below 100 per cent in early 2018.

The interest rate risk associated with interest subsidy loans is decreased by the State's interest subsidy. Interest subsidy loans are not hedged with interest rate derivatives, with the exception of some

10-year interest subsidy loans. The interest rate of loans with annual payments is tied to changes in Finnish consumer prices, and the interest costs for the following year are known in the preceding autumn. Rent in properties with state-subsidised loans is determined according to the cost principle. Therefore, any changes in interest rates are transferred to rents. In accordance with its treasury policy, Kojamo does not hedge these loans 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 floating-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 market-based 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.

	31 Dec 2017				31 Dec 2016			
	Income Statement		Other Comprehensive Income		Income Statement		Other Comprehensive Income	
M€	**1%**	**-0.1%**	**1%**	**-0.1%**	**1%**	**-0.1%**	**1%**	**-0.1%**
Floating rate loans	-7.7	0.3			-10.2	0.6		
Interest rate derivatives	11.3	-1.2	94.1	-9.9	12.0	-1.2	71.2	-7.5
Total effect	**3.6**	**-0.8**	**94.1**	**-9.9**	**1.8**	**-0.7**	**71.2**	**-7.5**

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 supporting credit facility agreements. Cash flow from the rental business is stable, and the sufficiency of liquidity is monitored regularly with cash flow forecasts.

Kojamo's liquidity remained good in the financial year. In order to ensure its liquidity, Kojamo has a EUR 250 million parent company commercial paper programme, EUR 300 million committed credit facility agreements and a EUR 5 million non-committed credit facility agreement. A total of EUR 52.9 (141.3) 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 functioning of the money market has been affected by stricter bank regulation, which has reflected on 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.

The availability of financing is ensured by maintaining Kojamo's good reputation among financiers and by keeping the equity ratio at an appropriate level. The risk associated with the availability of financing is mitigated by diversifying the maturities and financial instruments in the loan portfolio and by expanding the financier base. Kojamo prepares for the maturing of large loans well in advance.

The following table shows the contractual repayment and interest cash flows of financial liabilities and derivative instruments.

31/12/2017 M€	**Within 1 year**	**2–5 years**	**6–10 years**	**11–15 years**	**Later**
Interest subsidy loans	67.0	159.6	3.2	4.2	25.4
Annuity and mortgage loans	0.1	0.3	0.1		
Bonds	14.0	149.5	718.3		
Loans from financial institutions	60.1	518.6	524.9	86.7	58.4
Other loans	0.1	2.7	6.2		
Commercial papers	53.0				
Interest rate derivatives	16.1	49.1	33.8	8.0	2.7
Total	**210.5**	**879.7**	**1,286.6**	**98.8**	**86.5**

31/12/2016 M€	**Within 1 year**	**2–5 years**	**6–10 years**	**11–15 years**	**Later**
Interest subsidy loans	55.8	242.3	7.1	4.0	27.8
Annuity and mortgage loans	3.9	15.8	20.2	27.3	42.2
Bonds	6.5	122.8	206.5		
Loans from financial institutions	136.3	545.7	480.4	146.8	61.8
Other loans	0.4	3.2	6.3	0.1	0.9
Commercial papers	141.5	0.0	0.0	0.0	0.0
Interest rate derivatives	15.8	49.6	33.1	9.0	3.9
Total	**360.2**	**979.4**	**753.5**	**187.2**	**136.7**

The figures do not include liabilities related to Non-current assets held for sale.

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 derivatives has been outsourced to an external expert. Electricity derivatives are not included in hedge accounting.

Kojamo's surplus cash may be invested in accordance with the approved principles of the Treasury policy. Available-for-sale financial assets are subject to a price risk that is mitigated through diversification of investment assets. The investments do not involve a currency risk.

The sensitivity of the electricity derivatives and available-for-sale financial assets to +/-10 per cent changes in the market price are shown in the table below.

	31 Dec 2017				31 Dec 2016			
	Income Statement		Other Comprehensive Income		Income Statement		Other Comprehensive Income	
M€	10%	-10%	10%	-10%	10%	-10%	10%	-10%
Electricity derivatives	0.3	-0.3			0.3	-0.3		
Available-for-sale financial assets			4.6	-4.6			4.6	-4.6
Total effect	**0.3**	**-0.3**	**4.6**	**-4.6**	**0.3**	**-0.3**	**4.6**	**-4.6**

Deferred tax effect is not included in the calculation.

Credit 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 application of rental deposits decreases the credit risk associated with rent receivables.

Age distribution of sales receivables

M€	31 Dec 2017		31 Dec 2016	
Less than a month	1.5	22.0%	1.2	28.2%
1–3 months	2.9	43.9%	2.5	59.2%
3–6 months	2.1	31.7%	0.3	8.1%
6–12 months	0.2	2.5%	0.1	2.9%
More than a year	0.0	0.1%	0.1	1.6%
Total	**6.7**	**100.0%**	**4.2**	**100.0%**

The activities related to financial investments and derivatives involve counterparty risk. The risk is managed by choosing financially sound counterparties and by sufficient diversification.

Currency risk

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

Management of capital structure

The objective of the management of Kojamo's capital structure is to optimise the capital structure in relation to the current market conditions. The aim is to achieve a capital structure that best ensures Kojamo's strategic long-term operations and promotes the company's growth targets.

In addition to the financial result, Kojamo's capital structure is affected by factors such as capital expenditure, asset sales, acquisitions, dividend payments, equity-based facilities and measurement at fair value.

Kojamo plc's Board of Directors has set the Lumo segment's long-term equity ratio target at 40 per cent.

On 31 December 2017, Kojamo's equity ratio stood at 41.3 (40.7) per cent. Kojamo's interest-bearing liabilities totalled EUR 2,283.0 (2,122.8) million. EUR 0.0 (0.1) million of interest-bearing liabilities have been transferred to Non-current assets held for sale. The equity ratio determination principle is presented in the financial statements under Formulas used in the calculation of the key figures.

Kojamo's unsecured financing agreements include financing covenants related to the solvency ratio, the proportion of secured loans and the capacity of the business to cover its interest liabilities. Kojamo fulfilled the terms of the agreements during the review period.

According to the terms and conditions

of certain credit facilities, the Group's Loan to Value (LTV) must be below 60 per cent and interest coverage ratio over 1.8. At the balance sheet date, Loan to Value was 46.0 (47.1) per cent and interest coverage ratio 4.2 (4.8).

According to the terms and conditions of Kojamo plc's unsecured bond, the Group's solvency ratio must be below 0.65, secured solvency ratio below 0.45 and interest coverage ratio 1.8 or over. At the balance sheet date, solvency ratio was 0.44 (0.44), secured solvency ratio 0.34 (0.43) and interest coverage ratio 4.2 (4.8).

M€	31 Dec 2017	31 Dec 2016
Interest-bearing liabilities	2,283.0	2,122.8
Cash and cash equivalents	117.8	132.0
Interest-bearing net liabilities	2,165.2	1,990.9
Shareholders' equity total	2,038.6	1,859.5
Balance sheet total	4,943.5	4,572.2
Equity ratio, %	41.3	40.7

26. Operating leases

Land lease contracts
Group as lessee

M€	31 Dec 2017	31 Dec 2016
The future minimum lease payable under operating leases		
During the following financial year	3.4	3.3
Due after following year and before five yeares	13.6	13.0
Due after five years	117.9	106.7
Total	**134.9**	**123.0**

Non-current assets held for sale include EUR 0.0 (0.9) million from rental agreement liabilities.

The rental agreements are mainly site leasehold agreements from municipalities and cities. The maximum durations of the remaining agreements are 99 years, the average being 29 years.

Operating leases, vehicles

M€	31 Dec 2017	31 Dec 2016
During the following financial year	0.7	0.6
Due in 2–5 years	1.2	0.9
Total	**1.9**	**1.5**

The operating leases are four-year car leases.

27. Adjustment to cash flow from operating activities

M€	31 Dec 2017	31 Dec 2016
Depreciation	1.1	1.2
Financial income and expenses	40.5	45.9
Income taxes	53.7	57.5
Share of result of associated companies	-0.1	-0.1
Profit/loss from investment properties measured at fair value	-126.2	-163.3
Profit/loss on sales of investment properties	-2.5	10.4
Other adjustments	-0.1	1.8
Total	**-33.5**	**-46.6**

28. Guarantees, commitments and contingent liabilities

M€	31.12.2017	31.12.2016
Loans covered by pledges on property and shares as a collateral	1,656.9	1,986.5
Mortgages	1,851.1	2,446.2
Shares*)	276.9	312.0
Pledged collaterals total	**2,127.9**	**2,758.1**
Other collaterals given		
Mortgages and shares	32.0	5.8
Guarantees**)	373.4	479.9
Pledged deposits		0.2
Other collaterals total	**405.4**	**485.9**

*) Pledged mortgages and shares relate in some cases to same real estates.
**) Guarantees given are mainly absolute guarantees granted as collateral for group companies' loans for which property pledges have also been given as collateral.

The figures for 31 December 2017 do not include liabilities related to Non-current assets held for sale:

Liabilities with EUR 0.0 (0.1) million of pledges given as a guarantee; the collateral given totals EUR 0.0 (0.4) million.

Other liabilities

Unrecognised acquisition agreements related to work in progress:

M€	31 Dec 2017	31 Dec 2016
New construction in-process	99.6	136.8
Preliminary agreements for new construction	101.5	206.0
Renovation	11.5	17.1
Total	**212.7**	**359.9**

Value added tax refund liabilities

M€	31 Dec 2017	31 Dec 2016
Value added tax refund liabilities	2.5	2.6

Land purchase liabilities

M€	31 Dec 2017	31 Dec 2016
Purchase prices for target building rights and draft plans	38.4	4.5
Liabilities for municipal infrastructure	4.1	4.3

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 sqm; and area 3 – -7,600 (7,600) floor sqm. 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 quarters 62007 and 62025 in Jokiniemi, Vantaa is subject to schedules for construction sanctioned with delay penalties. The construction liability is divided into various forms of financing and ownership.

A plot located in the City of Helsinki (92-70-118-5) is subject to a schedule for construction sanctioned with delay penalties.

A plot located in the City of Espoo (49-12-220-1) is subject to a schedule for construction sanctioned with delay penalties.

A plot located in the City of Helsinki (91-20-67-1) is subject to a schedule for construction sanctioned with delay penalties.

A plot located in the City of Helsinki (91-10-634-2) is subject to a schedule for construction sanctioned with delay 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.

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

Group companies have made commitments restricting the assignment and pledging of shares owned by them.

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.

29. Related party transactions

Related parties

Kojamo plc's related parties include its subsidiaries, associated companies and joint arrangements. Other related parties are the key management personnel, comprising the members of the Board of Directors and Management Group, 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 significant influence.

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

The relationships between the parent and subsidiaries in Kojamo are presented in Note 31.

Outstanding balances with related parties

M€	31 Dec 2017	31 Dec 2016
Other current liabilities	0.1	0.2

Management employee benefits

M€	31 Dec 2017	31 Dec 2016
Salaries and other short-term employee benefits	2.1	2.0

Salaries and wages to CEO and the Board of the Directors

1,000 €	31 Dec 2017	31 Dec 2016
Jani Nieminen, Chief executive officer	738.7	738.3
Board of Directors		
Riku Aalto	36.2	28.4
Mikko Mursula	22.2	17.6
Reima Rytsölä	18.0	14.0
Matti Harjuniemi	16.8	16.4
Olli Luukkainen	16.8	15.2
Jan-Erik Saarinen	16.8	16.4
Ann Selin	16.2	13.4
Jorma Malinen	15.6	15.8
Eloranta Jarkko	1.2	1.2
Laukkanen Ville-Veikko	1.2	1.2
Pesonen Pasi	1.2	1.2
Torsti Esko	1.2	1.2
Tomi Aimonen		1.2
Board of Directors total	163.4	143.2
Total	**902.1**	**881.5**

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

No shares or share derivatives were given to members of the Board of Directors during the financial year.

The retirement age for members of the Management Group is 63 years. Members of the Management Group 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 2017, the cost of the statutory pension plan for the CEO was EUR 0.5 (0.5) million, and payments to the voluntary pension plan amounted to EUR 0.1 (0.1) million.

In 2017, the cost of the statutory pension plan for the Management Group was EUR 1.2 (1.2) million, and payments to the voluntary pension plan amounted to EUR 0.2 (0.2) million.

The period of notice for terminating the CEO's employment relationship is twelve months.

30. Borrowing costs

M€	31 Dec 2017	31 Dec 2016
Capitalised borrowing costs	3.3	1.7
Total	**3.3**	**1.7**

Capitalisation, 2.2 (2.2) per cent

31. The Group's subsidiaries, joint arrangements and associated companies

Subsidiaries and joint arrangements	Kojamo plc holding %	Group holding %
Kojamo Oyj		
Kojamo Holding Oy	100.00%	100.00%
Kojamo Palvelut Oy	100.00%	100.00%
Lumo 2017 Oy	100.00%	100.00%
Lumo 2018 Oy	100.00%	100.00%
Lumo 2019 Oy	100.00%	100.00%
Lumo 2020 Oy	100.00%	100.00%
Lumo 2021 Oy	100.00%	100.00%
Lumo Kodit Oy	100.00%	100.00%
Lumo Vuokratalot Oy	100.00%	100.00%
Lumohousing 2 Oy	100.00%	100.00%
Lumohousing 5 Oy	100.00%	100.00%
Lumohousing 6 Oy	100.00%	100.00%
VVO Asunnot Oy	100.00%	100.00%
VVO Hoivakiinteistöt Oy	100.00%	100.00%
VVOhousing 7 Oy	100.00%	100.00%
VVOhousing 8 Oy	100.00%	100.00%
VVOhousing 9 Oy	100.00%	100.00%
VVOhousing 10 Oy	100.00%	100.00%
VVOhousing 11 Oy	100.00%	100.00%
VVOhousing 12 Oy	100.00%	100.00%
Kiinteistö osakeyhtiö Pikkuhirvas	100.00%	100.00%
Kotinyt Oy	100.00%	100.00%

Subsidiaries and joint arrangements	Kojamo plc holding %	Group holding %
Lumo Kodit Oy		
As Oy Kuopion Havuketo	100.00%	100.00%
As Oy Turun Puistokatu 12	100.00%	100.00%
As Oy Vantaan Junkkarinkaari 7	100.00%	100.00%
As. Oy Heinolan Korvenkaarre	66.90%	66.90%
As. Oy Helsingin Haapaniemenkatu 11	100.00%	100.00%
As. Oy Kuopion Kaarenkulma	100.00%	100.00%
As. Oy Malski 3, Lahti	100.00%	100.00%
As. Oy Pihavaahtera	100.00%	100.00%
Asunto Oy Espoon Henttaan Puistokatu C	100.00%	100.00%
Asunto Oy Espoon Henttaankaari A	100.00%	100.00%
Asunto Oy Espoon Kilonportti 3	100.00%	100.00%
Asunto Oy Espoon Klariksentie 6	100.00%	100.00%
Asunto Oy Espoon Koivu-Mankkaan tie 1 b	100.00%	100.00%
Asunto Oy Espoon Kulovalkeantie 21 B	100.00%	100.00%
Asunto Oy Espoon Likusterikatu A	100.00%	100.00%
Asunto Oy Espoon Marinkallio 4	100.00%	100.00%
Asunto Oy Espoon Marinkallio 6	100.00%	100.00%
Asunto Oy Espoon Marinkallio 8	100.00%	100.00%
Asunto Oy Espoon Nihtitorpankuja 3	100.00%	100.00%
Asunto Oy Espoon Rastasniityntie 1 A	100.00%	100.00%
Asunto Oy Espoon Rastasniityntie 1 B	100.00%	100.00%
Asunto Oy Espoon Reelinkikatu 2	100.00%	100.00%
Asunto Oy Espoon Saunalahdenkatu 2	100.00%	100.00%
Asunto Oy Espoon Servinkuja 3	100.00%	100.00%
Asunto Oy Espoon Soukanrinne	100.00%	100.00%
Asunto Oy Espoon Suurpelto 44	100.00%	100.00%
Asunto Oy Espoon Suurpelto 5	100.00%	100.00%
Asunto Oy Espoon Tietäjäntie 3	100.00%	100.00%
Asunto Oy Espoon Ulappakatu 1	100.00%	100.00%
Asunto Oy Espoon Uuno Kailaan katu 4	100.00%	100.00%
Asunto Oy Espoon Uuno Kailaan katu 5	100.00%	100.00%
Asunto Oy Espoon Uuno Kailaan katu 6	100.00%	100.00%
Asunto Oy Espoon Valakuja 8	100.00%	100.00%

Subsidiaries and joint arrangements	Kojamo plc holding %	Group holding %
Asunto Oy Hattulan Jukolankuja 3	79.46%	79.46%
Asunto Oy Helsigin Punahilkantie 6	100.00%	100.00%
Asunto Oy Helsingin Bahamankatu 8	100.00%	100.00%
Asunto Oy Helsingin Capellan puistotie 4	100.00%	100.00%
Asunto Oy Helsingin Eerik VII	100.00%	100.00%
Asunto Oy Helsingin Fregatti Dygdenin kuja	100.00%	100.00%
Asunto Oy Helsingin Haapsalunkuja 4	100.00%	100.00%
Asunto Oy Helsingin Hela-aukio 4	100.00%	100.00%
Asunto Oy Helsingin Helatehtaankatu 3	100.00%	100.00%
Asunto Oy Helsingin Henrik Borgströmin tie 2	100.00%	100.00%
Asunto Oy Helsingin Hesperiankatu 18	100.00%	100.00%
Asunto Oy Helsingin Hilapellontie 2c	100.00%	100.00%
Asunto Oy Helsingin Hilapellontie 2d	100.00%	100.00%
Asunto Oy Helsingin Hopeatie 9	100.00%	100.00%
Asunto Oy Helsingin Iso Roobertinkatu 30	100.00%	100.00%
Asunto Oy Helsingin Juhana Herttuan tie 8	100.00%	100.00%
Asunto Oy Helsingin Kadetintie 6	100.00%	100.00%
Asunto Oy Helsingin Kahvipavunkuja 3	100.00%	100.00%
Asunto Oy Helsingin Kahvipavunkuja 4	100.00%	100.00%
Asunto Oy Helsingin Kantelettarentie 15	100.00%	100.00%
Asunto Oy Helsingin Karavaanikuja 2	100.00%	100.00%
Asunto Oy Helsingin Karhulantie 13	100.00%	100.00%
Asunto Oy Helsingin Katariinankartano	100.00%	100.00%
Asunto Oy Helsingin Katariinankoski	100.00%	100.00%
Asunto Oy Helsingin Katontekijänkuja 1	100.00%	100.00%
Asunto Oy Helsingin Kauppakartanonkuja 3	100.00%	100.00%
Asunto Oy Helsingin Keinulaudankuja 2a	100.00%	100.00%
Asunto Oy Helsingin Kivensilmänkuja 3	100.00%	100.00%
Asunto Oy Helsingin Koirasaarentie 23	100.00%	100.00%
Asunto Oy Helsingin Kontulantie 19	100.00%	100.00%
Asunto Oy Helsingin Koskikartano	100.00%	100.00%
Asunto Oy Helsingin Kotkankatu 9	100.00%	100.00%
Asunto Oy Helsingin Kuuluttajankatu 2	100.00%	100.00%
Asunto Oy Helsingin Lauttasaarentie 27	100.00%	100.00%

Subsidiaries and joint arrangements	Kojamo plc holding %	Group holding %
Asunto Oy Helsingin Leikkikuja 2	100.00%	100.00%
Asunto Oy Helsingin Leonkatu 21	100.00%	100.00%
Asunto Oy Helsingin Luotsikatu 1a	100.00%	100.00%
Asunto Oy Helsingin Lönnrotinkatu 30	100.00%	100.00%
Asunto Oy Helsingin Maasälväntie 5 ja 9	100.00%	100.00%
Asunto Oy Helsingin Marjatanportti	100.00%	100.00%
Asunto Oy Helsingin Melkonkatu 12 B	100.00%	100.00%
Asunto Oy Helsingin Messeniuksenkatu 1B	100.00%	100.00%
Asunto Oy Helsingin Oulunkylän tori 1	100.00%	100.00%
Asunto Oy Helsingin Palmsenpolku 2	100.00%	100.00%
Asunto Oy Helsingin Pertunpellontie 6	100.00%	100.00%
Asunto Oy Helsingin Pertunpellontie 8	100.00%	100.00%
Asunto Oy Helsingin Plazankuja 5	100.00%	100.00%
Asunto Oy Helsingin Posetiivari	100.00%	100.00%
Asunto Oy Helsingin Punakiventie 13	100.00%	100.00%
Asunto Oy Helsingin Punakiventie 15	100.00%	100.00%
Asunto Oy Helsingin Pärnunkatu 6	100.00%	100.00%
Asunto Oy Helsingin Ratarinne	100.00%	100.00%
Asunto Oy Helsingin Retkeilijänkatu 1	100.00%	100.00%
Asunto Oy Helsingin Ristipellontie 6	100.00%	100.00%
Asunto Oy Helsingin Ristiretkeläistenkatu 19	100.00%	100.00%
Asunto Oy Helsingin Risupadontie 6	100.00%	100.00%
Asunto Oy Helsingin Sörnäistenkatu 12	100.00%	100.00%
Asunto Oy Helsingin Tilketori 2	93.06%	93.06%
Asunto Oy Helsingin Tulisuontie 1	100.00%	100.00%
Asunto Oy Helsingin Tuulensuunkuja 3	100.00%	100.00%
Asunto Oy Helsingin Valanportti	100.00%	100.00%
Asunto Oy Helsingin Von Daehnin katu 8	100.00%	100.00%
Asunto Oy Helsingin Vuorenpeikontie 5	100.00%	100.00%
Asunto Oy Helsingin Välimerenkatu 8	100.00%	100.00%
Asunto Oy Hilapellontie 4	100.00%	100.00%
Asunto Oy Hyvinkään Astreankatu 27	100.00%	100.00%
Asunto Oy Hyvinkään Merino	100.00%	100.00%
Asunto Oy Hyvinkään Mohair	100.00%	100.00%

Subsidiaries and joint arrangements	Kojamo plc holding %	Group holding %
Asunto Oy Hyvinkään Värimestarinkaari 3	100.00%	100.00%
Asunto Oy Hämeenlinnan Aurinkokatu 10	100.00%	100.00%
Asunto Oy Hämeenlinnan Hilpi Kummilantie 16	100.00%	100.00%
Asunto Oy Hämeenlinnan Kajakulma	73.97%	73.97%
Asunto Oy Hämeenlinnan Linnankatu 3	100.00%	100.00%
Asunto Oy Hämeenlinnan Turuntie 38	100.00%	100.00%
Asunto Oy Hämeenlinnan Uusi-Jukola	100.00%	100.00%
Asunto Oy Hämeentie 48	100.00%	100.00%
Asunto Oy Jyväskylän Heinämutka 5	100.00%	100.00%
Asunto Oy Jyväskylän Jontikka 4	100.00%	100.00%
Asunto Oy Jyväskylän Kelokatu 4	100.00%	100.00%
Asunto Oy Jyväskylän Kerkkäkatu 1	100.00%	100.00%
Asunto Oy Jyväskylän Honkaharjuntie 14b	100.00%	100.00%
Asunto Oy Jyväskylän Runkotie 3 B	100.00%	100.00%
Asunto Oy Jyväskylän Runkotie 5 C	100.00%	100.00%
Asunto Oy Jyväskylän Tellervonkatu 8	97.58%	97.58%
Asunto Oy Jyväskylän Tervalankatu 6	100.00%	100.00%
Asunto Oy Jyväskylän Tiilitehtaantie 46	100.00%	100.00%
Asunto Oy Jyväskylän Väinönkatu 15	100.00%	100.00%
Asunto Oy Järvenpään Antoninkuja 3	100.00%	100.00%
Asunto Oy Järvenpään Metallimiehenkuja 2	100.00%	100.00%
Asunto Oy Järvenpään Reki-Valko	100.00%	100.00%
Asunto Oy Järvenpään Rekivatro	100.00%	100.00%
Asunto Oy Järvenpään Sibeliuksenkatu 27	100.00%	100.00%
Asunto Oy Kalasääksentie 6	100.00%	100.00%
Asunto Oy Kauniaisten Asematie 10	100.00%	100.00%
Asunto Oy Kauniaisten Asematie 12-14	100.00%	100.00%
Asunto Oy Kauniaisten Bredantie 8	100.00%	100.00%
Asunto Oy Kauniaisten Kavallinterassit	100.00%	100.00%
Asunto Oy Kauniaisten Thurmaninpuistotie 2	100.00%	100.00%
Asunto Oy Kaustisenpolku 5	100.00%	100.00%
Asunto Oy Keravan Eerontie 3	100.00%	100.00%
Asunto Oy Keravan Palopolku 3	99.57%	99.57%
Asunto Oy Keravan Tapulikatu 30	100.00%	100.00%

Subsidiaries and joint arrangements	Kojamo plc holding %	Group holding %
Asunto Oy Keravan Tapulitori 1	100.00%	100.00%
Asunto Oy Keravan Tapulitori 2	100.00%	100.00%
Asunto Oy Kirkkonummen Vernerinkuja 5	100.00%	100.00%
Asunto Oy Kivivuorenkuja 1	100.00%	100.00%
Asunto Oy Kivivuorenkuja 3	100.00%	100.00%
Asunto Oy Konalantie 14	100.00%	100.00%
Asunto Oy Kuopion Itkonniemenkatu 4b	100.00%	100.00%
Asunto Oy Kuopion Kelkkailijantie 4	100.00%	100.00%
Asunto Oy Kuopion Sompatie 7	100.00%	100.00%
Asunto Oy Kuopion Sompatie 9	100.00%	100.00%
Asunto Oy Lahden Radanpää 6	100.00%	100.00%
Asunto Oy Lahden Sorvarinkatu 5	100.00%	100.00%
Asunto Oy Lahden Vanhanladonkatu 2	100.00%	100.00%
Asunto Oy Lahden Vihdinkatu 4	100.00%	100.00%
Asunto Oy Lahden Vihdinkatu 6	100.00%	100.00%
Asunto Oy Lappeenrannan Gallerianpolku	100.00%	100.00%
Asunto Oy Lappeenrannan Koulukatu 13	100.00%	100.00%
Asunto Oy Lappeenrannan Nurmelanpirtti	100.00%	100.00%
Asunto Oy Lappeenrannan Sammonkatu 3-5	100.00%	100.00%
Asunto Oy Lappeenrannan Upseeritie 12	100.00%	100.00%
Asunto Oy Lintukallionrinne 1	100.00%	100.00%
Asunto Oy Mäntsälän Hemmintie 2	100.00%	100.00%
Asunto Oy Mäntsälän Karhulantie 2	100.00%	100.00%
Asunto Oy Nurmijärven Mahlamäentie 16	100.00%	100.00%
Asunto Oy Nurmijärven Ratsutilantie 2	100.00%	100.00%
Asunto Oy Oulun Kitimenpolku 21	100.00%	100.00%
Asunto Oy Oulun Koskelantie 19	100.00%	100.00%
Asunto Oy Oulun Kurkelankuja 1 B	100.00%	100.00%
Asunto Oy Oulun Revonkuja 1	100.00%	100.00%
Asunto Oy Oulun Tervahanhi 1	98.65%	98.65%
Asunto Oy Oulun Tietolinja 11	100.00%	100.00%
Asunto Oy Pirtinketosato	63.55%	63.55%
Asunto Oy Pohtolan Kynnys	100.00%	100.00%
Asunto Oy Pohtolan Kytö	100.00%	100.00%

Subsidiaries and joint arrangements	Kojamo plc holding %	Group holding %
Asunto Oy Porin Kansankulma	100.00%	100.00%
Asunto Oy Rientolanhovi	100.00%	100.00%
Asunto Oy Riihimäen Mäkiraitti 17	68.58%	68.58%
Asunto Oy Rovaniemen Koskikatu 9	100.00%	100.00%
Asunto Oy Rovaniemen Tukkivartio	100.00%	100.00%
Asunto Oy Salamankulma	62.99%	62.99%
Asunto Oy Tampereen Keskisenkatu 4	100.00%	100.00%
Asunto Oy Tampereen Keskisenkatu 8 A	100.00%	100.00%
Asunto Oy Tampereen Koipitaipaleenkatu 9	100.00%	100.00%
Asunto Oy Tampereen Lentokonetehtaankatu 5	100.00%	100.00%
Asunto Oy Tampereen Meesakatu 2	100.00%	100.00%
Asunto Oy Tampereen Myrskynkatu 4	100.00%	100.00%
Asunto Oy Tampereen Nuolialantie 44	100.00%	100.00%
Asunto Oy Tampereen Pohtolan Pohja	100.00%	100.00%
Asunto Oy Tampereen Satakunnankatu 21	100.00%	100.00%
Asunto Oy Tampereen Tieteenkatu 3	100.00%	100.00%
Asunto Oy Tampereen Tuomiokirkonkatu 32	100.00%	100.00%
Asunto Oy Tampereen Tutkijankatu 7	100.00%	100.00%
Asunto Oy Toppilan Tuulentie 2	100.00%	100.00%
Asunto Oy Tuiran Komuntalo	100.00%	100.00%
Asunto Oy Turun Aurinkorinne	81.50%	81.50%
Asunto Oy Turun Riitasuonkatu 28	100.00%	100.00%
Asunto Oy Turun Työnjohtajankatu 1	100.00%	100.00%
Asunto Oy Turun Vänrikinkatu 2	100.00%	100.00%
Asunto Oy Tuusulan Bostoninkaari 2	100.00%	100.00%
Asunto Oy Tuusulan Kievarinkaari 4	100.00%	100.00%
Asunto Oy Tuusulan Metsontie 2	73.89%	73.89%
Asunto Oy Vantaan Antaksentie 3	100.00%	100.00%
Asunto Oy Vantaan Arinatie 10	100.00%	100.00%
Asunto Oy Vantaan Elmontie 11	100.00%	100.00%
Asunto Oy Vantaan Esikkotie 9	100.00%	100.00%
Asunto Oy Vantaan Hiiritornit	100.00%	100.00%
Asunto Oy Vantaan Kaivokselantie 5b	100.00%	100.00%
Asunto Oy Vantaan Keikarinkuja 3	100.00%	100.00%

Subsidiaries and joint arrangements	Kojamo plc holding %	Group holding %
Asunto Oy Vantaan Kilterinaukio 4	100.00%	100.00%
Asunto Oy Vantaan Kilterinkaari 2	100.00%	100.00%
Asunto Oy Vantaan Krassitie 8	97.70%	97.70%
Asunto Oy Vantaan Lauri Korpisen katu 10	100.00%	100.00%
Asunto Oy Vantaan Lauri Korpisen katu 8	100.00%	100.00%
Asunto Oy Vantaan Lehtikallio 4	100.00%	100.00%
Asunto Oy Vantaan Leinelänkaari 13	100.00%	100.00%
Asunto Oy Vantaan Leinelänkaari 14	100.00%	100.00%
Asunto Oy Vantaan Leineläntie 3	100.00%	100.00%
Asunto Oy Vantaan Martinlaaksonpolku 4	100.00%	100.00%
Asunto Oy Vantaan Neilikkapolku	100.00%	100.00%
Asunto Oy Vantaan Pyhtäänkorvenkuja 4 ja 6	100.00%	100.00%
Asunto Oy Vantaan Pyhtäänkorventie 25	100.00%	100.00%
Asunto Oy Vantaan Tammistonvuori	100.00%	100.00%
Asunto Oy Vantaan Tarhurintie 6	100.00%	100.00%
Asunto Oy Verkkotie 3	100.00%	100.00%
Asunto Oy Vähäntuvantie 6	100.00%	100.00%
Kiint. Oy Taivaskero 2	100.00%	100.00%
Kiinteistö Oy Helsingin Abrahaminkatu 1	100.00%	100.00%
Kiinteistö Oy Helsingin Agricolankatu 1	100.00%	100.00%
Kiinteistö Oy Helsingin Albertinkatu 40	100.00%	100.00%
Kiinteistö Oy Helsingin Bulevardi 31	100.00%	100.00%
Kiinteistö Oy Helsingin Eerikinkatu 36	100.00%	100.00%
Kiinteistö Oy Helsingin Kalevankatu 37	100.00%	100.00%
Kiinteistö Oy Helsingin Kalevankatu 39	100.00%	100.00%
Kiinteistö Oy Helsingin Kalevankatu 41	100.00%	100.00%
Kiinteistö Oy Helsingin Kalevankatu 43	100.00%	100.00%
Kiinteistö Oy Helsingin Lönnrotinkatu 34	100.00%	100.00%
Kiinteistö Oy Helsingin Onnentie 18	100.00%	100.00%
Kiinteistö Oy Helsingin Sofianlehdonkatu 5	100.00%	100.00%
Kiinteistö Oy Helsingin Tukholmankatu 10	100.00%	100.00%
Kiinteistö Oy Malminhaka	90.00%	90.00%
Kiinteistö Oy Mannerheimintie 168	82.61%	82.61%
Kiinteistö Oy Saarensahra	100.00%	100.00%

Subsidiaries and joint arrangements	Kojamo plc holding %	Group holding %
Kiinteistö Oy Saariniemenkatu 6	100.00%	100.00%
Kiinteistö Oy Siilinjärven Kirkkorinne	100.00%	100.00%
Kiinteistö Oy Tuureporin Liiketalo	100.00%	100.00%
Kiinteistö Oy Uuno Kailaan kadun pysäköinti	100.00%	100.00%
Kiinteistö Oy Vallikallion Toimistotalo	100.00%	100.00%
Kiinteistö Oy Vantaan Pyhtäänpolku	100.00%	100.00%
Kiinteistö Oy Ylä-Malmintori	100.00%	100.00%
Kiinteistöosakeyhtiö Näsilinnankatu 40	100.00%	100.00%
Kilterin Kehitys Oy	100.00%	100.00%
Lehtolantien Pysäköinti Oy	100.00%	100.00%
Lumo Eerikinkatu VII Holding 2 Oy	100.00%	100.00%
Lumo Hankeyhtiö 1 Oy	100.00%	100.00%
Lumo Hankeyhtiö 2 Oy	100.00%	100.00%
Lumo Hankeyhtiö 3 Oy	100.00%	100.00%
Lumo Hankeyhtiö 4 Oy	100.00%	100.00%
Lumo Holding 50 Oy	100.00%	100.00%
Rajalantien Pysäköinti Oy	55.86%	55.86%
Volaria Oy	100.00%	100.00%

Subsidiaries and joint arrangements	Kojamo plc holding %	Group holding %
Lumo Vuokratalot Oy		
Asunto Oy Espoon Asemakuja 1	100.00%	100.00%
Asunto Oy Espoon Piilipuuntie 25	100.00%	100.00%
Asunto Oy Espoon Piilipuuntie 31	100.00%	100.00%
Asunto Oy Helsingin Vaakamestarinpolku 2	100.00%	100.00%
Asunto Oy Kuopion Niemenkatu 5	100.00%	100.00%
Asunto Oy Oulun Jalohaukantie 1	100.00%	100.00%
Asunto Oy OulunTuiranmaja	100.00%	100.00%
Kiinteistö Oy Kanavanpirtti	100.00%	100.00%
Kiinteistö Oy Nummenperttu	100.00%	100.00%
Kiinteistö Oy Vehnäpelto	100.00%	100.00%
Tikantupa Oy	100.00%	100.00%
Kiinteistö Oy Vehnäpelto subsidiary:		
Kiinteistö Oy Viljapelto	55.56%	76.67%

Subsidiaries and joint arrangements	Kojamo plc holding %	Group holding %
Kojamo Palvelut Oy		
Kiinteistö Oy Mannerheimintie 168a	100.00%	100.00%

Subsidiaries and joint arrangements	Kojamo plc holding %	Group holding %
Lumo 2017 Oy		
Kiinteistö Oy Tampereen Kyllikinkatu 15	76.50%	100.00%

Subsidiaries and joint arrangements	Kojamo plc holding %	Group holding %
Lumo 2018 Oy		
Kiinteistö Oy Vantaan Karhunkierros 1 C	86.58%	86.58%

Subsidiaries and joint arrangements	Kojamo plc holding %	Group holding %
Lumo 2021 Oy		
Asunto Oy Kuopion Vilhelmiina	78.38%	100.00%

Subsidiaries and joint arrangements	Group holding %
Group holding	
Katajapysäköinti Oy	50.93%

Associated companies	Kojamo plc holding %	Group holding %
Kojamo Oyj		
Asunto Oy Nilsiän Ski	28.33%	28.33%
SV-Asunnot Oy	50.00%	50.00%
Lumo Vuokratalot Oy		
Asunto Oy Viljapelto	21.11%	76.67%
Kiinteistö Oy Keinulaudantie 4	41.62%	41.62%
Pajalan Parkki Oy	31.44%	44.06%
Lumo 2017 Oy		
Paavolan Parkki Oy	24.93%	24.93%
Virvatulentien Pysäköinti Oy	25.15%	25.15%
Lumo 2020 Oy		
Lintulammenkadun Pysäköintilaitos Oy	39.19%	39.19%

Associated companies	Kojamo plc holding %	Group holding %
Lumo Kodit Oy		
Asunto Oy Kuopion Vilhelmiina	21.62%	100.00%
Fastighets Ab Lovisa Stenborg Kiinteistö Oy	45.50%	45.50%
Hatanpäänhovin Pysäköinti Oy	41.88%	41.88%
Katajapysäköinti Oy	34.26%	50.93%
Kiinteistö Oy Bäckisåker	50.00%	50.00%
Kiinteistö Oy Jyväskylän Torikulma	42.63%	42.63%
Kiinteistö Oy Lappeenrannan Koulukatu 1	24.45%	24.45%
Kiinteistö Oy Mannerheimintie 40	29.42%	29.42%
Kiinteistö Oy Myllytullin Autotalo	24.39%	24.39%
Kiinteistö Oy Oulun Tullivahdin Parkki	33.60%	33.60%
Kiinteistö Oy Pohjois-Suurpelto	50.00%	50.00%
Kiinteistö Oy Tampereen Kyllikinkatu 15	23.50%	100.00%
Kiinteistö Oy Tampereen Tieteen Parkki	47.49%	47.49%
Marin autopaikat Oy	21.00%	21.00%
Mummunkujan pysäköinti Oy	26.51%	26.51%
Pihlajapysäköinti Oy	30.56%	30.56%
Ristikedonkadun Lämpö Oy	34.40%	34.40%
Ruukuntekijäntien paikoitus Oy	26.24%	26.24%
SKIPA Kiinteistöpalvelut Oy	20.63%	20.63%
Suurpellon Kehitys Oy	50.00%	50.00%
Asunto Oy Vantaan Lehtikallio 4: Kiinteistö Oy Lehtikallion pysäköinti	39.84%	39.84%
Asunto Oy Järvenpään Sibeliuksenkatu 27: Kiinteistö Oy Järvenpään Tupalantalli	33.33%	33.33%
Asunto Oy Vantaan Leinelänkaari 13: Leinelänkaaren Pysäköinti Oy	21.63%	21.63%
Asunto Oy Oulun Revonkuja 1: Kiinteistö Oy Revonparkki	20.37%	20.37%
Asunto Oy Tampereen Keskisenkatu 4: Kiinteistö Oy Tampereen Seponparkki	29.91%	45.98%
Asunto Oy Vantaan Arinatie 10: Kiinteistö Oy Arinaparkki Vantaa	25.59%	25.59%

Associated companies	Kojamo plc holding %	Group holding %
Asunto Oy Lahden Radanpää 6: Asemantaustan Pysäköinti Oy	39.76%	39.76%
Asunto Oy Helsingin Kantelettarentie 15: Kiinteistö Oy Sävelkorttelin Parkkihalli	47.38%	47.38%
Kiinteistö Oy Vallikallion Toimistotalo: Kiinteistö Oy Valliparkki	31.31%	31.31%

32. Events after the reporting period

Kojamo has negotiated on the sale of 1,594 apartments. The deal will likely be closed in spring 2018, and it is not expected to have a material impact on Kojamo's results.

Kojamo and funds belonging to the OP Financial Group have entered into a preliminary agreement for Kojamo acquiring 981 rental apartments in Finnish growth centres. The parties intend to complete the deal in the first quarter of 2018. The total gross annual rent of the apartments to be acquired is EUR 9.7 million.

Key figures, the formulas used in their calculation, and reconciliation calculations in accordance with ESMA guidelines

	2017	2016	2015	2014	2013 **)
Total revenue, M€	337.0	351.5	370.9	356.5	346.6
Net rental income, M€	216.0	222.0	227.4	210.0	198.4
% total revenue	64.1	63.2	61.3	58.9	57.2
Net financial expenses, M€	40.5	46.0	37.1	47.3	40.3
Profit before taxes, M€	266.7	289.7	224.7	146.5	75.9
Operative result, M€ *)	107.6	116.9	121.4	103.2	
Balance sheet total, M€	4,943.5	4,572.2	4,236.1	3,957.2	2,468.5
Investment properties, M€ 1) 5)	4,710.2	4,298.9	3,999.2	3,708.8	3,351.1
Financial occupancy rate, %	96.7	97.4	97.6	98.1	98.5
Tenant turnover, % 4)	28.6	27.6	23.7	21.6	21.2
Equity attributable to equity holders of the parent company, M€	2,038.6	1,859.5	1,738.5	1,579.0	497.9
Interest-bearing liabilities, M€ 2)	2,283.0	2,122.8	1,494.6	1,850.1	1,795.1
Return on equity, % (ROE) *)	10.9	12.9	10.8	7.2	15.5
Return on investments, % (ROI) *)	7.5	8.8	7.6	5.9	5.5
Equity ratio, % 1) *)	41.3	40.7	41.1	40.0	41.3
Loan to Value (LTV), % 1) 2) 3) *) 7)	46.0	47.1	39.8	46.8	48.6
Earnings per share, €	28.77	31.38	24.23	14.95	10.07
Equity per share, € 1)	275.39	251.20	234.85	213.30	209.16
Dividend per share, € 6)	6.80	15.80	5.00	3.00	2.20
Dividend per earnings, % *)	23.64	50.35	20.64	20.07	21.85
Gross investments, M€	367.3	696.0	235.0	200.5	223.2
Number of personnel, average	310	298	364	339	341

*) Disclosure on Alternative Performance Measurements based on ESMA guidelines is located on key figures section of the financial statements

**) As of 2014, the Group adopted IFRS for itsfinancial reporting. For 2013, figures are presented according to the FAS Financial Statements.

1) Calculated with FAS 2013 fair values
2) Does not include items held for sale
3) The calculation formula is changed 2017 and the comperative figures adjusted to correspond to the current calculation method
4) Excluding internal turnover
5) Including items held for sale
6) 2017: the Board of Directors proposed that a dividend of 6,80 € per share. 2016: including extra dividend 9.00 €
7) As of 1st of Jan 2017 20 M€ of investment funds have been reclassified from financial assets to cash and cash equivalents. Comparative period has not been restated.

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 and their definitions.

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

IFRS performance measures

Earnings per share, € = $\frac{\text{Earnings attributable to equity holders}}{\text{Number of shares at the end of the financial period}}$

Shareholders' equity per share, € = $\frac{\text{Equity attributable to shareholders of the parent company}}{\text{Number of shares at the end of the financial period}}$

Alternative Performance Measures (APM) based on ESMA guidelines

Operative result = Profit for the period - gains/losses on sales of properties - fair value changes - tax adjustments

Operative result measures profitability for Groups' operative rental busi-ness excluding value adjustments on investment properties and other similar non-operative items.

Return on equity (ROE), % = $\frac{\text{Profit for the period}}{\text{Total equity, average of opening and closing balances}} \times 100$

ROE measures financial result in relation to equity. APM illustrates Kojamo's ability to generate return for the shareholders.

Return on investment (ROI), % = $\frac{\text{Profit before taxes + Financial expenses}}{\text{(Assets total - Non-interest-bearing liabilities), average of opening and closing balances}} \times 100$

ROI measures financial result in relation to invested capital. APM illus-trates Kojamo's ability to generate return for the invested funds.

Equity ratio, % = $\frac{\text{Total equity}}{\text{Assets total - Advanced received}} \times 100$

Equity to assets is APM for balance sheet structure which discloses share of equity to total capital. APM illustrates Group's financing structure.

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

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

Dividend payout ratio, % = $\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$

Dividend payout ratio measures the ratio of dividends to earnings. APM illustrates the share of result that is distributed to Groups's shareholders

EPRA NAV per share = $\frac{\text{Equity attributable to shareholders of the parent company + fair value of derivatives + deferred tax related to fair value of investment properties and derivatives}}{\text{Number of shares at the end of the financial period}}$

EPRA NAV per share illustrates net asset value adjusted by items that are not expected to materialise under going concern assumption.

Other performance measures

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

Tenant turnover rate, % = $\frac{\text{Terminated rental agreements excluding internal transfers}}{\text{Total number of apartments, average}} \times 100$

Reconciliation of key indicators

M€	2017	2016	2015	2014	2013 *)
Profit for the period	212.9	232.3	179.4	110.8	
Profit/loss on sales of investment properties	-2.5	10.4	-2.7	4.6	
Profit/loss on sales of trading properties	0.0	-0.1	0.0	0.2	
Profit/loss on sales of fixed assets	0.0	2.5	-0.3	0.0	
Fair value change of investment properties	-126.2	-163.3	-70.3	-26.2	
Fair value change of financial assets	-2.7	7.3	-0.5	4.9	
Other items affecting comparability	0.9				
Tax adjustments	25.1	27.9	15.8	8.8	
Operative result	107.6	116.9	121.4	103.2	
Total equity 1)	2,038.6	1,859.5	1,739.1	1,579.5	1,559.6
Assets total 1)	4,943.5	4,572.2	4,236.1	3,957.2	3,781.5
Advances received	-5.1	-4.6	-5.6	-5.7	-5.7
Equity ratio, % 1)	41.3	40.7	41.1	40.0	41.3
Earnings attributable to equity holders	2,038.6	1,859.5			
Fair value of derivatives	42.0	66.8			
Deferred taxes	468.2	439.2			
EPRA NAV (Net Asset Value)	2,548.8	2,365.5			
EPRA NAV per share, €	344.31	319.56			

*) As of 2014, the Group adopted IFRS for itsfinancial reporting. For 2013, figures are presented according to the FAS financial statements.
1) Calculated with FAS 2013 fair values

Parent company’s financial statements

Parent company’s income statement, FAS

	Note	1–12/2017	1–12/2016
Rental income		441,650.13	536,614.76
Sales revenue from administration		11,365,930.00	10,920,069.06
Total revenue	1	**11,807,580.13**	**11,456,683.82**
Other operating income	2	15,183.61	2,599,941.17
Personnel costs	3	-2,962,858.05	-3,900,802.33
Amortisations and depreciation	4	-646,751.88	-651,832.41
Other operating costs	5, 6	-9,047,060.32	-9,179,151.49
Operating loss		**-833,906.51**	**324,838.76**
Investment income		200.00	210.00
Financial income		13,154,339.78	8,174,877.95
Value adjustments in investments held as non-current assets			
held as non-current assets		-21,715.67	
Financial expenses		-14,134,202.01	-5,965,969.12
Financial income and expenses	7	-1,001,377.90	2,209,118.83
Profit before appropriations and taxes		**-1,835,284.41**	**2,533,957.59**
Appropriations	8	102,071,057.04	81,872,123.73
Income tax	9	-20,044,053.99	-16,906,902.56
Profit for the period		**80,191,718.64**	**67,499,178.76**

Parent company's balance sheet, FAS

	Note	1–12/2017	1–12/2016
ASSETS			
Non-current assets			
Intangible assets	10		
Intangible rights		141,911.17	227,173.13
Other long-term expenses		101,887.63	365,743.75
Intangible assets, total		243,798.80	592,916.88
Tangible assets	11		
Land areas		4,613,051.32	4,921,252.20
Machinery and equipment		635,344.89	177,954.38
Other tangible assets		194,397.12	194,397.12
Tangible assets, total		5,442,793.33	5,293,603.70
Investments	12		
Shares in subsidiaries		82,571,717.75	82,568,937.75
Shares in associates		176,951.96	176,951.96
Other securities and shares		829,061.25	889,240.09
Investments, total		83,577,730.96	83,635,129.80
Non-current assets, total		**89,264,323.09**	**89,521,650.38**
Current assets			
Non-current receivables	13	997,473,396.75	571,438,639.84
Current receivables	14	106,543,860.71	87,610,283.83
Cash and cash equivalents		1,819,912.92	13,960,642.25
Current assets, total		**1,105,837,170.38**	**673,009,565.92**
ASSETS		**1,195,101,493.47**	**762,531,216.30**

	Note	1–12/2017	1–12/2016
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity	15		
Share capital		58,025,136.00	58,025,136.00
Share premium		35,786,180.04	35,786,180.04
Contingency fund		16,920.33	16,920.33
Reserve for invested unrestricted equity		17,856,000.00	17,856,000.00
Retained earnings		84,393,594.95	67,231,824.19
Profit for the period		80,191,718.64	67,499,178.76
Equity, total		**276,269,549.96**	**246,415,239.32**
Accumulated appropriations	16	**3,507.52**	**4,676.56**
Liabilities			
Non-current liabilities	17	831,802,204.50	336,475,339.76
Current liabilities	18	87,026,231.49	179,635,960.66
Total liabilities		**918,828,435.99**	**516,111,300.42**
SHAREHOLDERS' EQUITY AND LIABILITIES		**1,195,101,493.4**	**762,531,216.30**

Parent company's cash flow statement, FAS

	1–12/2017	1–12/2016
Cash flow from operating activities		
Profit before appropriations and taxes	-1,835,284.41	2,533,957.59
Adjustments:		
Depreciation according to plan and impairment	646,751.88	651,832.41
Asset purchase	9,071.64	700.00
Financial income and expenses	1,001,377.90	-2,209,118.83
Other adjustments	-6,483.66	-2,581,441.96
Cash flow from operating activities before change in working capital	**-184,566.65**	**-1,604,070.79**
Change in working capital:		
Change in sales receivables and other receivables	-1,248,875.23	-709,606.06
Change in accounts payable and other liabilities	-590,305.60	548,304.41
Cash flow from operating activities before financial items, provisions and taxes	**-2,023,747.48**	**-1,765,372.44**
Interest paid and payments on other operational financial costs	-14,052,157.43	-6,546,287.95
Financial income from operating activities	577,259.48	620,211.73
Direct taxes paid	-25,310,967.74	-11,492,559.56
Cash flow from operating activities	**-40,809,613.17**	**-19,184,008.22**
Cash flow from investing activities		
Investments in tangible and intangible assets	-754,834.31	-123,154.51
Capital gains from the disposal of tangible and intangible assets	314,684.54	2,876,000.00
Capital gains on other investments	38,463.17	
Long-term loans granted	-423,239,500.00	-229,550,000.00
Repayments on long-term loan receivables	214,373.91	18,000.00
Repayments on short-term loan receivables		31,350,000.00
Investments in tangible and intangible assets	-2,780.00	
Capital gains from financial securities	231,337.13	
Interest and dividends received on investments	12,324,166.27	9,476,769.93
Cash flow from investing activities	**-410,874,089.29**	**-185,952,384.58**

	1–12/2017	1–12/2016
Cash flow from financing activities		
Withdrawals of long-term loans	500,000,000.01	230,000,000.00
Repayments on long-term loans	-4,854,479.88	-428,877.28
Withdrawals of short-term loans	267,693,897.18	389,789,570.68
Repayments on short-term loans	-355,858,024.65	-357,675,101.36
Change in groups's in-house bank	1,027,548.47	19,058,789.86
Dividends paid	-50,337,408.00	-103,635,840.00
Group contributions received	81,871,440.00	39,000,000.00
Cash flow from financing activities	**439,542,973.13**	**216,108,541.90**
Change in cash and cash equivalents	**-12,140,729.33**	**10,972,149.10**
Cash and cash equivalents at beginning of period	**13,960,642.25**	**2,988,493.15**
Cash and cash equivalents at end of period	**1,819,912.92**	**13,960,642.25**

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.

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

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
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

	1–12/2017	1–12/2016
Intragroup revenue		
Plot rental income	322,816.77	474,643.52
Rental income, total	322,816.77	474,643.52
Central administration services	7,369,576.00	6,878,474.00
IT rental income	3,810,253.00	3,784,903.00
Other sales revenue from administration	186,101.00	256,692.06
Other sales revenue, total	11,365,930.00	10,920,069.06
Intragroup revenue total	11,688,746.77	11,394,712.58
Other revenue		
Plot rental income	116,703.36	61,611.24
Other rents	2,130.00	360.00
	118,833.36	61,971.24
Revenue, total	**11,807,580.13**	**11,456,683.82**

2. Other operating income

	1–12/2017	1–12/2016
Capital gains on fixed assets	13,730.57	2,581,441.96
Income from debt collection	1,263.04	832.59
Other operating income	190.00	17,666.62
Total	**15,183.61**	**2,599,941.17**

3. Personnel costs

	1–12/2017	1–12/2016
Wages, salaries and fees	2,391,848.65	3,157,870.00
Pension costs	496,878.95	604,829.50
Other employer contributions	74,130.45	138,102.83
Total	**2,962,858.05**	**3,900,802.33**

Salaries, fees and other benefits of the Group Exeutive Team

	1–12/2017	1–12/2016
CEO Jani Nieminen	738,662.12	738,285.00
Salaries of Bord Members and Commitee		
Riku Aalto	36,200.00	28,400.00
Matti Harjuniemi	16,800.00	16,400.00
Olli Luukkainen	16,800.00	15,200.00
Jorma Malinen	15,600.00	15,800.00
Mikko Mursula, 17 March 2016 onwards	22,200.00	17,600.00
Reima Rytsölä	18,000.00	14,000.00
Jan-Erik Saarinen	16,800.00	16,400.00
Ann Selin	16,200.00	13,400.00
Tomi Aimonen, until 17 March 2016		1,200.00
Eloranta Jarkko	1,200.00	1,200.00
Laukkanen Ville-Veikko	1,200.00	1,200.00
Pesonen Pasi	1,200.00	1,200.00
Torsti Esko	1,200.00	1,200.00
Total	**902,062.12**	**881,485.00**

Kojamo plc's CEO and members of the Management Group are paid in accordance with a total remuneration policy, and their retirement age is 63 years. Pension liability is covered with a pension insurance, 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 relationship is twelve months.

4. Depreciation according to plan

	1–12/2017	1–12/2016
Intangible assets	145,078.76	153,327.93
Other long-term expenses	262,115.89	268,547.69
Machinery and equipment	236,244.65	229,956.79
Other tangible assets	3,312.58	
Total	**646,751.88**	**651,832.41**

5. Other operating expenses

	1–12/2017	1–12/2016
Property tax	143,311.82	154,409.65
Rents and maintenance charges	436,863.22	429,448.47
Central administration	8,466,885.28	8,595,293.37
Total	**9,047,060.32**	**9,179,151.49**

6. Auditor's fee

	1–12/2017	1-12/2016
KPMG Oy Ab, authorised public accounting firm		
Audit fees	33,966.91	51,541.00
Statutory statements	2,267.50	
Tax advice	59,681.23	404,559.00
Advisory services	83,077.50	75,955.00
Total	**178,993.14**	**532,055.00**

7. Financial income and expenses

	1–12/2017	1–12/2016
Dividend income		
From others	200.00	210.00
Total	**200.00**	**210.00**

	1–12/2017	1–12/2016
Interest income		
From Group companies	12,853,780.01	8,173,447.73
From others	5,884.79	1,430.22
Other financial income	294,674.98	
Total	**13,154,339.78**	**8,174,877.95**
Dividend, interest and financial income total	**13,154,539.78**	**8,175,087.95**

	1–12/2017	1–12/2016
Value adjustments in investments		
Value adjustments in investments held as non-current assets	-21,715.67	
Total	**-21,715.67**	

	1–12/2017	1–12/2016
Interest and other financial expenses		
To others	-14,134,202.01	-5,965,969.12
Total	**-14,134,202.01**	**-5,965,969.12**
Total financial income and expenses	**-1,001,377.90**	**2,209,118.83**

8. Appropriations

	1–12/2017	1–12/2016
Group contributions, received	102,069,888.00	81,871,440.00
Depreciation difference for machinery and equipment	1,169.04	683.73
Total	**102,071,057.04**	**81,872,123.73**

9. Income tax

	1–12/2017	1–12/2016
Income tax on operational income	20,044,053.99	16,906,902.56
Total	**20,044,053.99**	**16,906,902.56**

10. Intangible assets

	Rights	Other long-term expenses	Total
Acquisition cost as at 1 Jan 2017	2,572,269.07	2,799,532.34	5,371,801.41
Increases	60,433.61		60,433.61
Decreases	-142,306.63	-657,698.34	-800,004.97
Acquisition cost as at 31 Dec 2017	2,490,396.05	2,141,834.00	4,632,230.05
Accumulated depreciation as at 1 Jan 2016	-2,345,095.94	-2,433,788.59	-4,778,884.53
Accumulated depreciation of decreases	141,689.82	655,958.11	797,647.93
Depreciation for the financial year	-145,078.76	-262,115.89	-407,194.65
Accumulated depreciation as at 31 Dec 2017	-2,348,484.88	-2,039,946.37	-4,388,431.25
Book value as at 31 Dec 2017	**141,911.17**	**101,887.63**	**243,798.80**

	Rights	Other long-term expenses	Total
Acquisition cost as at 1 Jan 2016	2,518,452.96	2,799,532.34	5,317,985.30
Increases	53,816.11		53,816.11
Acquisition cost as at 31 Dec 2016	2,572,269.07	2,799,532.34	5,371,801.41
Accumulated depreciation as at 1 Jan 2016	-2,191,768.01	-2,165,240.90	-4,357,008.91
Depreciation for the financial year	-153,327.93	-268,547.69	-421,875.62
Accumulated depreciation as at 31 Dec 2016	-2,345,095.94	-2,433,788.59	-4,778,884.53
Book value as at 31 Dec 2016	**227,173.13**	**365,743.75**	**592,916.88**

11. Tangible assets

	Land areas	Machinery and equipment	Other tangible assets	Total
Acquisition cost as at 1 Jan 2017	4,921,252.20	1,673,426.14	194,397.12	6,789,075.46
Increases		694,590.70		694,590.70
Decreases	-308,200.88	-901,037.48		-1,209,238.36
Acquisition cost as at 31 Dec 2017	4,613,051.32	1,466,979.66	194,397.12	6,274,428.10
Accumulated depreciation as at 1 Jan 2017		-1,495,471.76		-1 495 471,76
Depreciation for the financial year		-236,244.65		-236,244.65
Accumulated depreciation of decreases		900,081.94		900,081.94
Accumulated depreciation as at 31 Dec 2017		-831,634.47		-831 634,47
Book value as at 31 Dec 2017	**4,613,051.32**	**635,344.89**	**194,397.12**	**5,442,793.33**

	Land areas	Machinery and equipment	Other tangible assets	Total
Acquisition cost as at 1 Jan 2016	5,216,510.24	1,658,699.48	194,397.12	7,069,606.84
Increases		20,894.08		20,894.08
Decreases	-295,258.04	-6,167.42		-301,425.46
Acquisition cost as at 31 Dec 2016	4,921,252.20	1,673,426.14	194,397.12	6,789,075.46
Accumulated depreciation as at 1 Jan 2016		-1,271,682.39		-1,271,682.39
Depreciation for the financial year		-229,956.79		-229,956.79
Accumulated depreciation of decreases		6,167.42		6,167.42
Accumulated depreciation as at 31 Dec 2016		-1,495,471.76		-1,495,471.76
Book value as at 31 Dec 2016	**4,921,252.20**	**177,954.38**	**194,397.12**	**5,293,603.70**

12. Investments

	Shares in subsidiaries	Shares in associates	Other securities and shares	Total
Acquisition cost as at 1 Jan 2017	82,568,937.75	176,951.96	889,240.09	83,635,129.80
Increases	2,780.00			2,780.00
Decreases			-60,178.84	-60,178.84
Acquisition cost as at 31 Dec 2017	82,571,717.75	176,951.96	829,061.25	83,577,730.96
Book value as at 31 Dec 2017	**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 as at 1 Jan 2016	82,568,937.75	176,951.96	889,240.09	83,635,129.80
Acquisition cost as at 31 Dec 2016	82,568,937.75	176,951.96	889,240.09	83,635,129.80
Book value as at 31 Dec 2016	**82,568,937.75**	**176,951.96**	**889,240.09**	**83,635,129.80**

13. Non-current receivables

	31 Dec 2017	31 Dec 2016
Loan receivables from Group companies	992,057,030.08	569,602,982.52
Loan receivables from others		114,592.00
Accrued income	5,416,366.67	1,721,065.32
Total	**997,473,396.75**	**571,438,639.84**

	31 Dec 2017	31 Dec 2016
Bond issuance costs recorded in non-current receivables	5,012,386.70	1,721,065.32

14. Current receivables

	31 Dec 2017	31 Dec 2016
Accounts receivable	970.00	
From Group companies		
Accounts receivable	2,286,872.80	2,066,624.09
Loan receivables	586,078.53	
Other receivables	102,069,888.00	85,065,952.80
From Group companies, total	104,942,839.33	87,132,576.89
Loan receivables	174,129.44	67,836.90
Other receivables	272.56	1,101.08
Accrued income	1,425,649.38	408,768.96
Total	**106,543,860.71**	**87,610,283.83**

	31.12.2017	31.12.2016
Bond issuance costs recorded in current receivables	1,164,025.59	349,063.99

15. Equity

	31 Dec 2017	31 Dec 2016
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 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	17,856,000.00	17,856,000.00
Reserve for invested unrestricted equity as at 31 Dec	17,856,000.00	17,856,000.00
Other reserves at 31 Dec	**17,872,920.33**	**17,872,920.33**
Retained earnings as at 1 Jan	134,731,002.95	170,867,664.19
Dividend distribution	-50,337,408.00	-103,635,840.00
Retained earnings as at 31 Dec	84,393,594.95	67,231,824.19
Profit for the period	80,191,718.64	67,499,178.76
Total	**276,269,549.96**	**246,415,239.32**

Calculation on distributable equity

	31 Dec 2017	31 Dec 2016
Reserve for invested unrestricted equity	17,856,000.00	17,856,000.00
Retained earnings	84,393,594.95	67,231,824.19
Profit for the period	80,191,718.64	67,499,178.76
Total	**182,441,313.59**	**152,587,002.95**

The parent company's share capital by share class

Shares	31 Dec 2017	31 Dec 2016
Series A (20 votes per share)	7,402,560	7,402,560

16. Accumulated appropriations

	31 Dec 2017	31 Dec 2016
Accumulated depreciation difference		
Machinery and equipment	3,507.52	4,676.56
Total	**3,507.52**	**4,676.56**

17. Non-current liabilities

	31 Dec 2017	31 Dec 2016
Loans from financial institutions	31,280,728.34	35,932,373.56
Bonds	800,000,000.00	300,000,000.00
Accrued expenses, wages and salaries	521,476.16	542,966.20
Total	**831,802,204.50**	**336,475,339.76**

18. Current liabilities

	31 Dec 2017	31 Dec 2016
Loans from financial institutions, instalments in the next financial year	826,042.64	1,028,877.29
Trade payables	596,930.89	790,042.63
Liabilities to Group companies		
Trade payables	59,268.18	58,186.04
Other debts	20,730,379.00	22,898,527.46
Other debts	53,889,167.05	142,171,390.89
Accrued expenses		
Accrued financial liabilities	6,674,944.82	2,670,945.27
Payroll including social security contributions	1,112,347.46	1,613,925.88
Tax liabilities	3,137,151.45	8,404,065.20
Total	**87,026,231.49**	**179,635,960.66**

19. Derivative instruments

	31 Dec 2017	31 Dec 2016
Interest rate swaps		
Nominal value	581,600,000.00	86,428,437.23
Fair value	2,130,910.92	-851,675.83

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 2017	31 Dec 2016
Loans that mature in more than five years		
Market-based loans	727,438,998.40	228,238,998.40
Loans for which mortgage on and shares in property have been given as a guarantee		
Loans from financial institutions	2,038,998.40	2,238,998.40
Mortgages given	4,105,000.00	4,105,000.00
Guarantees given		
Counter-guarantee	242,849,892.30	191,668,371.13
Counter-guarantees for received external guarantees		8,083,893.86

21. Other liabilities

	31 Dec 2017	31 Dec 2016
Car leasing liabilities		
Payable during the next financial year	72,699.02	73,008.87
Payable later	137,795.19	33,478.78

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 2018–2022 was EUR 33,208.27 (-386,419.01) 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.

Signatures to the Board of Directors' Report and Financial Statements

Helsinki, 15 February 2018

Riku Aalto Chairman of the Board of Directors		Mikko Mursula Vice-Chairman of the Board of Directors
Matti Harjuniemi	Olli Luukkainen	Jorma Malinen
Reima Rytsölä	Jan-Erik Saarinen	Ann Selin

Jani Nieminen
CEO

A report on the audit has been issued today.

Helsinki, 15 February 2018
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

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 2017. The financial statements comprise the consolidated balance sheet, consolidated income statement, statement of comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, cash flow statement 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 4 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 notes 1 and 11 to the consolidated financial statements)

— Investment properties measured at fair value (EUR 4,707 million) represent 95% of the consolidated total assets as at 31 December 2017. Valuation of investment properties is considered a key audit matter due to management's estimates used in forecasts underlying the valuations, and significance of the carrying amounts involved. — The fair values of investment properties are determined a property-specific basis using the transaction value, income value or acquisition cost. Determining the underlying key assumptions requires management to make judgements in respect of return requirements, maintenance costs and choice of actual sales considered comparable, among others.	— 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 involved KPMG valuation specialists, to test the technical appropriateness of the calculations, and to compare the assumptions used to market and industry data, on a sample basis. — 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 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 notes 1, 4 and 11 to the consolidated financial statements)

— During the financial year, Kojamo carried one major property sale transaction. The Group acquired 75 apartments and sold 1,603 apartments. Furthermore, 983 apartments were completed in 2017 and 1,525 were under construction at the end of the financial year. The sale and purchase agreements for property acquisitions and disposals may have terms, which require judgement from management to consider the timing and amount of gains or losses arising from disposals.	— We evaluated the internal control environment and tested controls over the approval process for investment projects and property transactions. — Our substantive procedures included assessing 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 1, 21 and 22 to the consolidated financial statements)

— At the year-end 2017, Kojamo's interest-bearing liabilities totaled EUR 2,283 million, representing 46% of the consolidated balance sheet total. — In 2017 Kojamo plc issued an unsecured EUR 500 million bond. — The Group utilizes interest rate derivative contracts, measured at fair value. The nominal value of these derivatives totaled EUR 1,547 million as at 31 December 2017. 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 policies 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 assessed 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 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 Financial Statements

Our objectives are to obtain reasonable assurance on 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 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 April 2005, and our appointment represents a total period of uninterrupted engagement of 12 years. Kojamo plc became a public interest entity on 21 October 2016.

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 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 15 February 2018
KPMG OY AB

ESA KAILIALA
Authorised Public Accountant, KHT

Kojamo plc

Mannerheimintie 168a
P.O. Box 40, FI-00301 Helsinki
Tel. +358 20 508 3300
name.surname@kojamo.fi
www.kojamo.fi