

**Kojamo plc's
Interim Report
1 January–31 March 2017**



Table of contents

SUMMARY OF JANUARY–MARCH 2017	3
KEY INDICATORS.....	3
CEO'S REVIEW	4
OPERATING ENVIRONMENT	4
General operating environment	4
Industry operating environment	5
OUTLOOK FOR 2017	5
Market outlook.....	5
Outlook for Kojamo.....	5
BUSINESS OPERATIONS	6
SEGMENT REPORTING	6
TURNOVER.....	6
RESULT AND PROFITABILITY	6
BALANCE SHEET, CASH FLOW AND FINANCING	7
REAL ESTATE PROPERTY AND FAIR VALUE	7
RENTAL HOUSING	8
INVESTMENTS, DIVESTMENTS AND REAL ESTATE DEVELOPMENT	9
ANNUAL GENERAL MEETING	10
PERSONNEL.....	11
SHAREHOLDERS	11
SUSTAINABILITY	11
NEAR-TERM RISKS AND UNCERTAINTIES	12
EVENTS AFTER THE REVIEW PERIOD	12
CONSOLIDATED INCOME STATEMENT, IFRS	14
CONSOLIDATED BALANCE SHEET, IFRS	15
CONSOLIDATED STATEMENT OF CASH FLOWS, IFRS	16
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, IFRS	17
NOTES TO THE INTERIM REPORT	17
1. Accounting policies.....	17
Basis for preparation.....	17
General recognition and measurement principles for investment property	18
Fair value hierarchy	19
Investment property held for sale	19
Trading properties.....	20
3. Investment properties	23
Measurement principles of investment property	23
Transaction value	23
Income value (yield value)	24
Acquisition cost.....	24
4. Property, plant and equipment.....	24
5. Interest-bearing liabilities	25

	3 (29)
6. Derivatives	25
7. Fair values of financial instruments.....	26
8. Collateral and contingent liabilities.....	27
9. Non-current assets held for sale	28
Key figures and formulas used in their calculation	28

Unless otherwise stated, the comparison figures in brackets refer to the corresponding period of the previous year. The figures in this Interim Report have not been audited.

SUMMARY OF JANUARY–MARCH 2017 (comparison period 1 January–31 March 2016)

- Gross investments during the period totalled EUR 65.0 (43.7) million. Gross investments were 77.8 (45.6) per cent of turnover.
- The fair value of investment properties was EUR 4.3 (3.7) billion. Return on investment was 7.0 (7.6) per cent.
- Turnover totalled EUR 83.6 (95.9) million. Turnover is entirely generated by rental income. Turnover decreased due to the divestment of 9,011 apartments during 2016.
- Profit before taxes amounted to EUR 58.3 (54.3) million. The profit includes EUR 23.5 (14.1) million in net valuation gain on the fair value assessment of investment properties and EUR 0.7 (1.0) million in capital gains and losses on investment properties. The profit increase resulted primarily from larger changes in the fair value and lower financial costs than in the comparison period.
- Net rental income was EUR 52.6 (60.8) million, representing 62.9 (63.4) per cent of turnover. Net rental income decreased due to the divestments of rental apartments in 2016.
- The financial occupancy rate remained high, standing at 96.8 (96.9) per cent during the review period.
- There were 1,747 (1,046) Lumo apartments under construction at the end of the review period.
- Kojamo owned 33,843 (37,293) rental apartments on 31 March 2017.

KEY INDICATORS

	1-3/2017	1-3/2016	2016
Revenue, M €	83.6	95.9	351.5
Net rental income, M€	52.6	60.8	222.0
% revenue	62.9	63.4	63.2
Profit before taxes, M €	58.3	54.3	289.7
Operative result, M €	26.6	34.0	116.9
Investment properties, M € ¹⁾	4,318.3	3,705.3	4,298.9
Financial occupancy rate, %	96.8	96.9	97.4
Interest-bearing liabilities, M € ²⁾	2,087.6	1,506.7	2,122.8
Return on equity, % (ROE)	10.1	10.2	12.9
Return on investments, % (ROI)	7.0	7.6	8.8
Equity ratio, %	40.6	43.5	40.7
Loan to Value, % ^{2) 3)}	45.2	38.5	46.7
Earnings per share, €	6.33	5.95	31.38
Equity per share, €	251.71	233.61	251.20
Gross investments, M€	65.0	43.7	696.0
Number of personnel, end of period	296	293	286

¹⁾ Including items held for sale

²⁾ Does not include items held for sale

³⁾ The calculation formula is changed 2016 and the comparative figures adjusted to correspond to the current calculation method

CEO'S REVIEW

The renewed company adopted a new name

Our new name is Kojamo plc. Stemming from the considerable renewal that has taken place in the company, the name change became valid on 27 March 2017. By changing its name, the company is clarifying its operations and enhancing its competitive strength. It is easier for customers and stakeholders to understand the Group's offering of commercial Lumo homes and non-commercial VVO homes.

Rental housing is associated with a large number of outdated mental images, and it takes courage to change this. A good example is the Lumo online store that has given the customer the power in choosing a rental apartment. We have included all Lumo rental apartments in the online store, and demand has been strong. A total of 1,500 tenancy agreements have already been signed in the Lumo online store.

We invest in ensuring that tenants have good experiences of living in our properties and develop services that make the residents' everyday lives easier. Residents of Lumo homes in Rastila, Helsinki, became the first to be offered the use of a shared van. The service is targeted especially at those who occasionally need the use of a van. Lumo also brought back caretakers to each property: a completely new kind of team of caretakers takes on responsibility for the property maintenance of Lumo buildings in the Helsinki Metropolitan Area, which makes the service run even smoother.

During the review period, we have been active in launching construction projects, focusing on the Helsinki Metropolitan Area. We are building Lumo apartments near the Urheilupuisto metro station in Espoo and in Katajanokka, Helsinki, among other locations. In addition, we are converting old office premises into apartments at Töölönkatu 11 and Eerikinkatu 7 in Helsinki.

In approximately five years' time, the company has invested nearly EUR 1.5 billion in market-based rental housing. We forecast that investments in new development and housing stock acquisitions will exceed EUR 300 million in 2017. At the end of the review period, there were 1,747 new rental apartments under construction, of which 1,473 were in the Helsinki region.

Have a nice spring!

Jani Nieminen
CEO

OPERATING ENVIRONMENT

General operating environment

The growth outlook for the world economy has improved although the outlook for trade is overshadowed by the possibility of protectionism. In many European countries, the increase of GDP is expected to become stronger. However, political uncertainty still continues in Europe.

The growing world economy also revitalises the Finnish economy. Confidence indices have taken a significant upward turn. In addition to consumption and construction, net exports are also expected to support moderate growth.

Industry operating environment

Demand for rental housing remained high in growth centres. However, differences between regions increased and, in some regions, supply and demand were in balance. The strongest demand focused on smaller apartments, that is, studios and one-bedroom apartments. The increase in rents slowed.

Urbanisation has continued strongly, which could be seen in the growing number of apartment buildings being built in growth centres. New construction clearly focused on privately financed rental apartments.

Slow zoning and the lack of suitable plots still restrict operations in the Helsinki Metropolitan Area.

OUTLOOK FOR 2017

Market outlook

The growth forecasts for the Finnish economy have been revised upwards during the past few months. Growth expectations are based on household consumption and construction as well as increasing exports.

The outlook for employment has improved slightly, and the competitiveness pact is expected to strengthen overall production, although with a delay. Interest rates have started 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.

Demand for rental housing is expected to remain strong in major growth centres, even if supply has increased significantly. Growing supply can also be seen in increasing tenant turnover. Continuing intensive urbanisation increases regional differences. Even in the Helsinki Metropolitan Area, differences between regions are increasing. New development is expected to continue focusing on privately financed rental apartments.

Price trends in owner-occupied apartments are expected to continue to be stable in growth centres. A slight rise is expected in the prices of small, centrally located apartments. The prices of large apartments on the outskirts may fall slightly.

Outlook for Kojamo

Kojamo estimates that in 2017, net rental income will be EUR 208–220 million. Investments in new development and housing stock acquisitions are forecast to exceed EUR 300 million. Kojamo estimates that in 2017, its operative result will be EUR 96–107 million. The outlook takes into account the effects of both the significant housing divestments carried out in 2016 and the housing divestments and acquisitions planned for 2017, the estimated occupancy rate and the number of apartments under construction.

BUSINESS OPERATIONS

Kojamo offers rental apartments and housing services in Finnish growth centres. The vision of the housing investment company is to be a pioneer in housing and the customer's number-one choice.

The fair value of Kojamo's investment properties at the end of the review period was EUR 4.3 (3.7) billion. At the end of the review period, Kojamo Group owned 33,843 (37,293) rental apartments.

Kojamo makes it easier for people to move around in pursuit of employment in urbanising Finland. The Group operates in the seven main urban regions of Finland, focusing on the demand for rental apartments especially in the Helsinki region. Kojamo's share of the entire rental housing market is approximately 4 per cent.

SEGMENT REPORTING

Kojamo Group'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 VVO 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 2018. 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 2018 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 return payable from the annual profits of companies subject to revenue recognition restrictions totals approximately EUR 1.2 million.

TURNOVER

Kojamo Group's turnover during the period 1 January–31 March 2017 amounted to EUR 83.6 (95.9) million.

The Lumo segment recorded a turnover of EUR 76.2 (68.5) million, and the VVO segment EUR 7.5 (27.8) million. Turnover is entirely generated by rental income.

RESULT AND PROFITABILITY

The Group's net rental income totalled EUR 52.6 (60.8) million, representing 62.9 (63.4) per cent of turnover. The Lumo segment recorded a net rental income of EUR 48.4 (43.7) million, and the VVO segment EUR 4.4 (17.4) million.

The Group's profit before taxes amounted to EUR 58.3 (54.3) million. The profit includes EUR 23.5 (14.1) million in net valuation gain on the fair value assessment of investment properties, and capital gains and losses of EUR 0.7 (1.0) million. The profit increase resulted primarily from larger changes in the fair value and lower financial costs than in the comparison period.

Financial income and expenses totalled EUR -9.3 (-12.4) million. Financial income and expenses include EUR 0.8 (-2.9) million in unrealised changes in the fair value of derivatives.

BALANCE SHEET, CASH FLOW AND FINANCING

At the end of the review period, the Group's balance sheet total was EUR 4,593.4 (3,983.4) million. Equity totalled EUR 1,863.3 (1,729.9) million. The equity ratio stood at 40.6 (43.5) per cent. Equity per share was EUR 251.71 (233.61). The equity ratio of the Lumo segment stood at 41.1 (44.4) per cent. The Group's return on equity was 10.1 (10.2) per cent and return on investment 7.0 (7.6) per cent.

At the end of the review period, the Group's liquid assets totalled EUR 122.3 (138.0) million. The Group maintained good liquidity throughout the period. EUR 87.9 (155.8) million of the EUR 200 million commercial paper programme had been issued by the end of the review period. In addition, the Group has committed credit facilities of EUR 200 million and an uncommitted credit facility of EUR 5 million that remained unused at the end of the review period.

At the end of the review period, interest-bearing liabilities stood at EUR 2,087.6 (1,506.7) million, of which EUR 1,697.4 (1,159.5) million were market-based loans. At the end of the review period, the Group's loan to value was 45.2 (38.5) per cent.

The average interest rate of the loan portfolio stood at 2.1 (2.3) per cent, including interest rate derivatives. The average maturity of loans at the end of the review period was 5.8 (7.2) years.

During the review period, 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 corporate purposes.

REAL ESTATE PROPERTY AND FAIR VALUE

Kojamo Group owned a total of 33,843 (37,293) rental apartments at period end. The Lumo segment accounted for 30,478 (28,901) and the VVO segment for 3,365 (8,392) of these apartments. At the end of the review period, the Group owned apartments in 35 (39) municipalities.

At the end of the review period, the fair value of Kojamo Group's investment properties stood at EUR 4.3 (3.7) billion. During the review period, the fair value increased by EUR 19.4 (-293.9) million. The change includes EUR 23.5 (14.1) million in net valuation gain on the fair value assessment of investment properties. The fair value of the Group'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 the Group's investment properties. The last valuation statement was issued on the situa-

tion as on 31 March 2017. The criteria for determining fair value are presented in the Notes to the Interim Report.

At period end, the plot reserve held by the Group totalled about 104,000 floor sq m (147,000 floor sq m) and its fair value was approximately EUR 44.4 (68.9) million.

M €	31 Mar 2017	31 Mar 2016	31 Dec 2016
Fair value of investment properties, at 1 Jan	4,298.9	3,999.2	3,999.2
Acquisition of investment properties	61.1	38.8	664.9
Modernisation investments	3.3	4.6	29.3
Disposals of investment properties	-69.1	-351.0	-559.0
Capitalised borrowing costs	0.6	0.4	1.7
Transfer to own use	0.0	-0.7	-0.7
Valuation gains/losses on fair value assessment	23.5	14.1	163.3
Fair value of investment properties, at 31 Mar	4,318.3	3,705.3	4,298.9

The above fair values include the investment properties classified into Non-current assets held for sale on 31 March 2017, totalling EUR 3.9 (183.2) million.

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, the strongest demand focused on smaller apartments, that is, studios and one-bedroom apartments.

The financial occupancy rate remained at a good level, standing at 96.8 (96.9) per cent for the review period. At the end of the review period, 189 (250) apartments were vacant due to renovations. The tenant turnover rate, which includes internal transfers, increased slightly when compared to the corresponding period of the financial year 2016 and was 9.1 (7.6) per cent.

The average rent for the Group's 29,817 (28,386) commercial Lumo apartments was EUR 14.88 (14.16) per sq m per month during the review period, and EUR 15.18 (14.40) at period 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 4,026 (8,907) non-commercial VVO apartments were EUR 13.14 (12.73) during the review period and EUR 13.34 (12.93) at period end.

A total of 1,500 tenancy agreements have been signed through the Lumo online store. During the review period, all Lumo rental apartments have been included in the online store where apartments can be rented immediately.

Thanks to successful rental control and our housing advisory service, the proportion of annual turnover from rental operations accounted for by rent receivables remained low and stood at 1.2 (1.0) per cent at the end of the review period.

Residents of Lumo homes in Rastila, Helsinki, became the first to be offered the use of a shared van. The shared van is an ecologically efficient driving concept. It is a cost-effective service for those who occasionally need the use of a passenger car or van.

Lumo and L&T brought back caretakers to each property: a completely new kind of team of caretakers takes on responsibility for the property maintenance of Lumo buildings in the Helsinki Metropolitan Area. For the residents of the buildings, the change means smoother and more professional property maintenance.

Lumo and Posti brought SmartPost parcel services directly to customers at Her-nesaarenkatu 17 in Helsinki. SmartPost is a new service for sending and receiving parcels and accessing other services using parcel collection points located in communal areas within apartment buildings.

INVESTMENTS, DIVESTMENTS AND REAL ESTATE DEVELOPMENT

Kojamo Group launched construction of 386 (98) apartments during the review period. There were a total of 1,747 (1,046) Lumo apartments under construction at the end of the period. Of the apartments under construction, 1,473 (815) are located in the Helsinki region and 274 (231) in other Finnish growth centres.

During the review period, Kojamo Group acquired 75 (0) apartments and sold 1,381 (4,076) 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 the approximately 2,000 non-strategic apartments in the next two years.

175 (241) new apartments were completed during the period. An estimated 934 (649) apartments are scheduled for completion by the end of the year.

The Group's gross investments totalled EUR 65.0 (43.7) million. Total repair costs and modernisation investments during the review period amounted to EUR 10.6 (11.4) million, of which modernisation investments accounted for EUR 3.3 (4.6) million. The Lumo segment accounted for EUR 65.0 (43.6) million of gross investments, and the VVO segment for EUR 0.0 (0.1) million.

At period end, binding acquisition agreements for new development totalled EUR 342.6 (298.9) million, of which EUR 154.9 (108.2) million is related to properties under construction. A total of 2,706 new apartments will be built under the acquisition agreements, of which 1,747 were under construction at the end of the review period.

Lumo Kodit Oy agreed on the following development projects during the review period:

A total of 100 rental apartments are being built at Reelinkikatu 2 and Saunalahdenkatu 2 in Espoo.

In addition, 94 Lumo rental apartments are under construction at Koivu-Mankkaantie 1b in Espoo, near the Urheilupuisto metro station.

In Katajanokka, Helsinki, 60 new Lumo apartments are being built.

A total of 31 Lumo rental apartments are being built for the housing company Asunto Oy Helsingin Tulisuontie 1.

Lumo Kodit Oy also announced that it will convert old office premises into apartments at Töölönkatu 11 and Eerikinkatu 7 in Helsinki.

The planning of the Lumo Kompakti concept was launched for Lauri Korpisen katu 8 in Vantaa. Lumo Kompakti is an apartment that is larger than its size suggests and has been designed especially for the needs of the Helsinki Metropolitan Area. With an affordable overall rent, this alternative is welcomed by many, such as those relocating due to work.

An apartment building constructed for Kojamo won the Finnish Concrete Structure Award. The winning site built at Retkeilijäntäti 1 in Rastila, Helsinki, had its innovative solutions developed in Big Room cooperation between the parties of the construction project. Betoniteollisuus ry awards the best concrete construction site every year.

ANNUAL GENERAL MEETING

At the Annual General Meeting of VVO Group plc held on 27 March 2017, Riku Aalto, Matti Harjuniemi, Olli Luukkainen, Jorma Malinen, Mikko Mursula, Reima Rytölä, 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.

Jarkko Eloranta, Ville-Veikko Laukkanen, Pasi Pesonen and Esko Torsti were elected as members of the Nomination Board.

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.

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 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 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.

PERSONNEL

At the end of the review period, Kojamo Group had a total of 296 (293) employees. The average number of personnel during the period was 295 (290).

Kojamo received recognition as one of Finland's most inspiring places to work (Suomen innostavimmat työpaikat 2017). The recognition is awarded to businesses that achieve the highest rating in the PeoplePower® personnel survey conducted by Corporate Spirit. The survey sought staff views on job satisfaction, team working, leadership and the employer organisation as a whole.

SHAREHOLDERS

No significant changes occurred in the company's ownership during the review period.

Kojamo plc's 10 major shareholders on 31 March 2017:

Shareholders	Holding, %
Ilmarinen Mutual Pension Insurance Company	18.08
Varma Mutual Pension Insurance Company	16.98
Finnish Metalworkers' Union	9.70
Trade Union for the Public and Welfare Sectors	8.73
Finnish Construction Trade Union	8.31
Service Union United PAM	7.49
Trade Union PRO	7.49
Trade Union of Education in Finland	7.46
Industrial Union TEAM	5.99
Union of Health and Social Care Professionals TEHY	1.39
Others	8.38
Total	100.00

SUSTAINABILITY

Kojamo plc's task is to create better urban housing. Kojamo plc will focus on real estate investments 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 the company 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 Group's estimated taxes and tax-like charges in 2017 amount to approximately EUR 100 million. Kojamo Group's tax footprint was published in the 2016 Annual Report: <http://annualreport2016.vvo.fi/business-operations/housing-investments-in-growth-centres/cooperation-network>

Kojamo Group 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 announced that it is planning, in cooperation with Asuntosäätiö, Fira and Helen Ltd, a diverse residential block in Kalasatama, Helsinki with the objective of taking energy efficiency to the level of future standards. The City of Helsinki reserved an entire block for the project. In the so-called SunZEB plus energy model, the excess heating load of the sun on the buildings is turned into a source of renewable energy. The construction of the first buildings will start in 2018.

The Virkeä programme is a cooperation programme between Kojamo and promising young athletes that supports young talents financially. This year, the programme covers not only individual sports but also team sports. The recipients of Virkeä team sponsorship for the 2016–2017 season are the FC Honka women's championship team and four girls' teams. In 2017, the Virkeä athletes are Anna Haataja (orienteering), Riikka Honkanen (alpine skiing), Joonas Kangas (ski slopestyle), Henry Manni (wheelchair racing), Oskari Mörö (athletics), Nooralotta Neziri (athletics) and Emmi Parkkisenniemi (snowboarding). The sponsorship grant may be awarded to a young athlete of 12–20 years of age who has shown commitment and desire to succeed in his/her sport. A total of 225 grants have been awarded since 2012.

NEAR-TERM RISKS AND UNCERTAINTIES

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

The development in the Finnish economy may bring on a fall in house prices, which could have an impact on the fair value of the Group's real estate property.

Disturbances in the financial market may impair the availability and costs of financing. This may influence the financing of Kojamo's growth.

A more detailed description of risks and uncertainties can be found in the 2016 financial statements.

EVENTS AFTER THE REVIEW PERIOD

Lumo Kodit Oy has 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. The credit facility will be used for general corporate purposes.

Kojamo plc has signed a new committed EUR 100 million Revolving Credit Facility with Svenska Handelsbanken AB (publ), Branch Operation in Finland. 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 commercial paper program and for general corporate purposes. The new credit facility replaces Handelsbanken's EUR 30 million secured revolving credit facility maturing in autumn.

There has not been any other significant events in the Group after the review period.

CONSOLIDATED INCOME STATEMENT, IFRS

M €	Note	1-3/2017	1-3/2016	1-12/2016
Total revenue		83.6	95.9	351.5
Maintenance expenses		-23.7	-28.3	-90.3
Repair expenses		-7.2	-6.9	-39.1
Net rental income		52.6	60.8	222.0
Administrative expenses		-8.5	-9.7	-37.4
Other operating income		0.5	1.0	2.3
Other operating expenses		-0.9	-0.2	-3.1
Profit/loss on sales of investment properties		0.7	1.0	-10.4
Profit/loss on sales of trading properties			0.1	0.1
Fair value change of investment properties	3	23.5	14.1	163.3
Depreciation, amortisation and impairment losses		-0.3	-0.3	-1.2
Operating profit / loss		67.6	66.7	335.6
Financial income		1.4	0.4	2.4
Financial expenses		-10.6	-12.8	-48.4
Total amount of financial income and expenses		-9.3	-12.4	-46.0
Share of result from associated companies				0.1
Profit before taxes		58.3	54.3	289.7
Current tax expense		-12.5	-14.8	-35.4
Change in deferred taxes		1.1	4.6	-22.1
Profit/loss for the period		46.9	44.0	232.3
Profit of the financial period attributable to				
Shareholders of the parent company		46.9	44.0	232.3
Non-controlling interests		0.0	0.0	0.0
Earnings per share based on profit attributable to equity holders of the parent company				
Basic, euro		6.33	5.95	31.38
Diluted, euro		6.33	5.95	31.38
Average number of the shares		7,402,560	7,402,560	7,402,560
CONSOLIDATED STATEMENT OF THE COMPREHENSIVE INCOME				
M €		1-3/2017	1-3/2016	1-12/2016
Profit/loss for the period		46.9	44.0	232.3
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Cash flow hedgings		9.0	-20.3	-9.9
Available-for-sale financial assets		0.1	0.1	0.4
Deferred taxes		-1.8	4.1	1.9
Items that may be reclassified subsequently to profit or loss		7.2	-16.1	-7.6
Total comprehensive income for the period		54.1	27.9	224.7
Total comprehensive income attributable to				
Shareholders of the parent company		54.1	27.9	224.7
Non-controlling interests		0.0	0.0	0.0

CONSOLIDATED BALANCE SHEET, IFRS

M €	Note	31 Mar 2017	31 Mar 2016	31 Dec 2016
ASSETS				
Non-current assets				
Intangible assets		0.7	1.0	0.8
Investment properties	3	4,314.4	3,522.1	4,228.3
Property, plant and equipment	4	30.8	31.5	31.0
Investments in associated companies		1.2	1.0	1.2
Financial assets	7	0.5	0.5	0.6
Non-current receivables		5.7	2.9	5.6
Derivatives	6, 7	3.9		2.0
Deferred tax assets		13.9	16.6	15.4
Non-current assets total		4,371.2	3,575.7	4,284.8
Investment properties held for sale		3.9	187.3	70.7
Current assets				
Trading properties		0.9	0.9	0.9
Derivatives	6, 7	0.2		0.3
Current tax assets		10.2	1.4	7.7
Trade and other receivables		15.7	13.5	6.8
Financial assets		69.1	66.7	69.0
Cash and cash equivalents		122.3	138.0	132.0
Current assets total		218.3	220.4	216.7
ASSETS TOTAL		4,593.4	3,983.4	4,572.2
SHAREHOLDER' EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent company				
Share capital		58.0	58.0	58.0
Share issue premium		35.8	35.8	35.8
Fair value reserve		-33.0	-48.8	-40.2
Invested non-restricted equity reserve		17.9	17.9	17.9
Retained earnings		1,784.6	1,666.4	1,788.0
Equity attributable to shareholders of the parent company		1,863.3	1,729.3	1,859.5
Non-controlling interests		0.0	0.6	0.0
Total equity		1,863.3	1,729.9	1,859.5
LIABILITIES				
Non-current liabilities				
Liabilities	5, 7	1,871.8	1,247.3	1,796.1
Deferred tax liabilities		452.6	425.8	453.4
Derivatives	6, 7	60.5	71.3	68.3
Provisions		0.9	0.9	1.0
Other non-current liabilities		6.9	6.7	7.1
Non-current liabilities total		2,392.7	1,752.0	2,325.9
Liabilities held for sale	9		137.0	1.0
Current liabilities				
Current liabilities	5, 7	215.8	259.4	326.8
Derivatives	6, 7	0.6	1.6	0.9
Current tax liabilities		20.7	21.3	9.9
Trade and other payables		100.2	82.1	48.3
Current liabilities total		337.3	364.5	385.8
Total liabilities		2,730.1	2,253.5	2,712.6
TOTAL EQUITY AND LIABILITIES		4,593.4	3,983.4	4,572.2

CONSOLIDATED STATEMENT OF CASH FLOWS, IFRS

M €	1-3/2017	1-3/2016	1-12/2016
Cash flow from operating activities			
Profit for the period	46.9	44.0	232.3
Adjustments	-3.3	-2.1	-46.6
Change in net working capital	-0.9	1.2	-1.8
Interest paid	-8.5	-11.1	-38.0
Interest received	0.1	0.2	0.7
Other financial items	-0.2	-0.1	-2.7
Taxes paid	-4.1	-3.0	-41.4
Net cash flow from operating activities	30.0	29.1	102.4
Cash flow from investing activities			
Acquisition of investment properties	-74.0	-50.7	-421.8
Acquisition of associated companies			0.0
Acquisition of property, plant and equipment and intangible assets	-0.1	0.0	-0.1
Proceeds from sale of investment properties	69.8	45.3	89.9
Proceeds from sale of associated companies		0.0	0.6
Proceed from sale of property, plant and equipment and intangible assets			0.0
Purchases of financial assets	0.0	-13.0	-28.0
Proceeds from sale of financial assets	0.0	1.0	14.0
Non-current loans, granted		0.0	-0.4
Repayments of non-current receivables	0.0	0.0	0.2
Interest and dividends received on investments	0.1	0.1	0.4
Net cash flow from investing activities	-4.2	-17.2	-345.1
Cash flow from financing activities			
Non-current loans, raised	87.0	5.4	482.6
Non-current loans, repayments	-69.3	-44.4	-154.9
Current loans, raised	34.0	102.8	390.1
Current loans, repayments	-87.3	-56.2	-358.0
Dividends paid			-103.6
Net cash flow from financing activities	-35.6	7.5	256.1
Change in cash and cash equivalents	-9.7	19.4	13.4
Cash and cash equivalents in the beginning of period	132.0	118.6	118.6
Cash and cash equivalents at the end of period	122.3	138.0	132.0

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	0.0	1,859.5
Comprehensive income								
Cash flow hedging			7.2			7.2		7.2
Available-for-sale financial assets			0.1			0.1		0.1
Result for the financial period					46.9	46.9		46.9
Total comprehensive income			7.2		46.9	54.1	0.0	54.1
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			7.2		-3.5	3.8	0.0	3.8
Equity at 31 Mar 2017	58.0	35.8	-33.0	17.9	1,784.6	1,863.3	0.0	1,863.3

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			-16.3			-16.3		-16.3
Available-for-sale financial assets			0.1			0.1		0.1
Result for the financial period					44.0	44.0		44.0
Total comprehensive income			-16.1		44.0	27.9		27.9
Transactions with shareholders								
Dividend payment					-37.0	-37.0		-37.0
Total transactions with shareholders					-37.0	-37.0		-37.0
Changes in shareholdings								
Total change in equity			-16.1		7.0	-9.1		-9.1
Equity at 31 Mar 2016	58.0	35.8	-48.8	17.9	1,666.4	1,729.3	0.6	1,729.9

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 INTERIM REPORT

Since 1 January 2015, Kojamo has prepared its consolidated financial statements, including the Interim Reports, in accordance with International Financial Reporting Standards (IFRSs).

1. Accounting policies

Basis for preparation

These interim financial statements are prepared in accordance with IAS 34 *Interim Financial Reporting* and IFRS standards.

The preparation of IFRS financial statements requires application of judgement by Kojamo's management to make estimates and assumptions that affect the reported

amounts of assets and liabilities on the balance sheet date and the reported amounts of income and expenses for the financial year. Management has to make judgements also when applying the accounting policies of the Group. As the estimates and related assumptions are based on management's view at the end of the interim period, they include risks and uncertainties. Actual results may differ from the estimates and assumptions used. Below are presented the most significant items of the interim financial statements where judgement has been applied by management, as well as the assumptions about the future and other key uncertainty factors in estimates at the end of the reporting period which create a significant risk of change in the carrying amounts of Kojamo Group's assets and liabilities within the next financial year.

- Classification of properties in the Group's operating activities as well as classification of investment property acquisitions either as business combinations or asset acquisitions
- Recognition principle of deferred taxes
- Classification of financial instruments
- Classification of long-term leases into operating leases
- Fair value measurement of investment property: In the 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 market prices and amounts of future rental income. Kojamo Group uses valuation techniques that are appropriate under those circumstances, and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The figures for the income statement and balance sheet are consolidated. The figures in the report are rounded, and consequently the sum of individual figures may deviate from the aggregate amount presented. The Interim Report is unaudited.

General recognition and measurement principles for investment property

Investment property refers to an asset (land, building or part of a building) that Kojamo Group 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 IFRS13, fair value refers to the price that would be received from selling an asset or paid for transferring a liability in an ordinary transaction between market participants on the measurement date.

Some of the investment property is 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 Group'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. Gains and losses on disposals are presented netted as a separate line item in the income statement.

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 Group has been categorised as a Level 3 fair value, as observable market information for the determination of fair values has not been available.

Investment property 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 sales transaction rather than through

continuing use in rental. Reclassification requires that a sale is deemed highly probable, i.e.

- 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 property held for sale is recognised 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 Group's trading properties include mainly single apartments ready for sale, business premises and parking facilities that are meant for sale but have not been sold by the end of the reporting period.

2. Segment information

M €	Lumo 1-3/2017	VVO 1-3/2017	Group consolidation methods	VVO Group Total 1-3/2017
Rental income	75.6	7.5	0.0	83.1
Sales income, other	0.5	0.0	0.0	0.5
Internal income	0.1	0.0	-0.1	0.0
Total revenue	76.2	7.5	-0.1	83.6
Maintenance expenses	-21.5	-2.2	0.0	-23.7
Repair expenses	-6.3	-0.9		-7.2
Net rental income	48.4	4.4	-0.1	52.6
Administrative expenses	-7.7	-1.0	0.1	-8.5
Other operating income	0.5	0.0		0.5
Other operating expenses	-0.9			-0.9
Profit/loss on sales of investment properties	0.7			0.7
Fair value change of investment properties	23.5			23.5
Depreciation, amortisation and impairment losses	-0.3			-0.3
Operating profit / loss	64.2	3.4	0.0	67.6
Financial income				1.4
Financial expenses				-10.6
Total amount of financial income and expenses				-9.3
Profit before taxes				58.3
Current tax expense				-12.5
Change in deferred taxes				1.1
Profit/loss for the period				46.9
Investments	65.0	0.0		65.0
Investment properties	4,188.9	124.6	0.9	4,314.4
Investments in associated companies	1.2			1.2
Investment properties held for sale	3.9			3.9
Liquid assets	38.7	83.6		122.3
Other assets	207.5	24.0	-79.9	151.6
Total Assets	4,440.1	232.2	-79.0	4,593.4
Interest bearing liabilities	1,990.6	176.1	-79.0	2,087.6
Other liabilities	628.9	13.6	0.0	642.5
Total Liabilities	2,619.4	189.6	-79.0	2,730.1

M €	Lumo 1-3/2016	VVO 1-3/2016	Group consolidation methods	VVO Group Total 1-3/2016
Rental income	67.9	27.5	0.1	95.5
Sales income, other	0.3	0.2	-0.1	0.4
Internal income	0.3	0.0	-0.4	0.0
Total revenue	68.5	27.8	-0.4	95.9
Maintenance expenses	-19.9	-8.4	0.1	-28.3
Repair expenses	-4.9	-1.9	0.0	-6.9
Net rental income	43.7	17.4	-0.3	60.8
Administrative expenses	-7.5	-2.5	0.3	-9.7
Other operating income	0.8	0.2	0.0	1.0
Other operating expenses	-0.2	0.0	0.0	-0.2
Profit/loss on sales of investment properties	1.0	-0.3	0.4	1.0
Profit/loss on sales of trading properties	0.1			0.1
Fair value change of investment properties	14.0		0.0	14.1
Depreciation, amortisation and impairment losses	-0.3			-0.3
Operating profit / loss	51.7	14.6	0.4	66.7
Financial income				0.4
Financial expenses				-12.8
Total amount of financial income and expenses				-12.4
Profit before taxes				54.3
Current tax expense				-14.8
Change in deferred taxes				4.6
Profit/loss for the period				44.0
Investments	43.6	0.1	0.0	43.7
Investment properties	3,388.1	133.1	0.9	3,522.1
Investments in associated companies	1.0	0.0	0.0	1.0
Investment properties held for sale		187.6	-0.3	187.3
Liquid assets	16.2	121.7		138.0
Other assets	217.3	94.9	-177.2	135.0
Total Assets	3,622.7	537.4	-176.7	3,983.4
Interest bearing liabilities	1,448.6	231.4	-173.3	1,506.7
Liabilities held for sale		137.0		137.0
Other liabilities	568.2	44.4	-2.9	609.8
Total Liabilities	2,016.9	412.8	-176.2	2,253.5

3. Investment properties

M €	31 Mar 2017	31 Mar 2016	31 Dec 2016
Fair value of investment properties, at 1 Jan	4,298.9	3,999.2	3,999.2
Acquisition of investment properties	61.1	38.8	664.9
Modernisation investments	3.3	4.6	29.3
Disposals of investment properties	-69.1	-351.0	-559.0
Capitalised borrowing costs	0.6	0.4	1.7
Transfer to own use	0.0	-0.7	-0.7
Valuation gains/losses on fair value assessment	23.5	14.1	163.3
Fair value of investment properties, at 31 Mar	4,318.3	3,705.3	4,298.9

The above fair values include the investment properties classified into Non-current assets held for sale on 31 March 2017, totalling EUR 3.9 (183.2) million.

The Group has acquisition agreements for new development and renovations, presented in Note 8.

Value development of investment property 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.

Measurement principles of investment property

Investment property is measured initially at its acquisition cost, including related transaction costs. Subsequently it is measured at fair value, and the resulting changes in fair values are recognised in profit or loss as they arise. Fair value refers to the price that would be received from selling an asset or paid for transferring a liability in an ordinary transaction between market participants at the measurement date.

The fair value of investment property determined by Kojamo Group is based on transaction value, income value and acquisition cost.

Transaction value

Properties of which apartments can be sold by Kojamo Group 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 Group 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. If necessary, the resulting transaction value is individually adjusted based on 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

Kojamo Group 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.

Sensitive analysis of investment properties		31 Mar 2017				
Change %		-10 %	-5 %	0 %	5 %	10 %
Properties measured at market values						
Change in market prices (M€)		-337.2	-168.6		168.6	337.2
Properties measured at yield values						
Yield requirement (M€)		57.2	27.1		-24.5	-46.8
Lease income (M€)		-85.3	-42.6		42.6	85.3
Maintenance costs (M€)		30.1	15.1		-15.1	-30.1
Financial Occupancy rate						
(change in procent points)		-2 %	-1 %	0 %	1 %	2 %
Rent income						
		-1.4	-0.7		0.7	1.4

All of Kojamo Group'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.

4. Property, plant and equipment

Property, plant and equipment			
M €	31 Mar 2017	31 Mar 2016	31 Dec 2016
Book value, beginning of period	31.0	31.2	31.2
Increases	0.0	0.0	0.1
Decreases		-0.3	-0.3
Depreciations for accounting period	-0.2	-0.2	-0.7
Transfer from Investment properties		0.7	0.7
Book value, end of period	30.8	31.5	31.0

5. Interest-bearing liabilities

Non-current			
M €	31 Mar 2017	31 Mar 2016	31 Dec 2016
Interest subsidy loans	271.6	217.6	271.2
Annuity and mortgage loans	59.3	67.5	60.3
Market-based loans	1,537.6	958.7	1,461.2
Other loans	3.3	3.6	3.4
Total	1,871.8	1,247.3	1,796.1
Current			
M €	31 Mar 2017	31 Mar 2016	31 Dec 2016
Interest subsidy loans	47.9	49.8	53.6
Annuity and mortgage loans	1.1	1.8	1.3
Market-based loans	71.9	45.0	123.6
Other loans	6.9	6.9	7.0
Commercial papers	87.9	155.8	141.3
Total	215.8	259.4	326.8
Total interest-bearing liabilities	2,087.6	1,506.7	2,122.8

6. Derivatives

Fair values of derivative instruments

M €	31 Mar 2017			31 Mar 2016	31 Dec 2016
	Positive	Negative	Net		Net
Interest rate derivatives					
Interest rate swaps, cash flow hedges	4.0	-51.4	-47.4	-61.2	-56.9
Interest rate swaps, not in hedge accounting	0.0	-2.8	-2.8	0.0	-3.0
Interest rate options, not in hedge accounting	0.0	-6.3	-6.3	-10.1	-6.5
Electricity derivatives	0.1	-0.7	-0.6	-1.6	-0.4
Total	4.1	-61.2	-57.1	-72.9	-66.8

Nominal values of derivative instruments

M €	31 Mar 2017	31 Mar 2016	31 Dec 2016
Interest rate derivatives			
Interest rate swaps, cash flow hedges	1,097.9	710.1	1,107.0
Interest rate swaps, not in hedge accounting	19.1	0.0	61.6
Interest rate options, not in hedge accounting	104.7	38.0	104.7
Total	1,221.7	748.1	1,273.3
Electricity derivatives, MWh	174,405	250,714	196,367

The interest risk of the market loans and commercial papers is hedged with interest rate derivatives according to Kojamo Group's treasury policy. The targeted hedging ratio is 50–100%. The hedging ratio was 79 (72) per cent at the end of the review period and the average maturity of the interest rate derivatives was 6.3 (7.2) years.

7. Fair values of financial instruments

Fair values of financial assets and liabilities by category

M €	31 Mar 2017				
	Carrying value total	LEVEL 1	LEVEL 2	LEVEL 3	Fair value total
Financial assets					
Measured at fair value					
Interest rate derivatives	4.0		4.0		4.0
Electricity derivatives	0.1	0.1			0.1
Available-for-sale financial assets	46.5	44.0	2.0	0.5	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	-60.4		-60.4		-60.4
Electricity derivatives	-0.7	-0.7			-0.7
Measured at amortised cost					
Other interest-bearing liabilities	1,789.6		1,790.0		1,790.0
Bond	298.0		300.0		300.0
Trade payables	7.3				7.3
31 Dec 2016					
M €	Carrying value total	LEVEL 1	LEVEL 2	LEVEL 3	Fair value total
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		1825.4		1825.4
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. There have not been any changes between fair value hierarchy levels during the reporting period.

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 market prices for identical instruments quoted in an active market.

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

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

Non-current 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.

8. Collateral and contingent liabilities

M€	31 Mar 2017	31 Mar 2016	31 Dec 2016
Loans covered by pledges on property and shares as a collateral	1,962.5	1,487.0	1,986.5
Mortgages	2,349.4	2,027.3	2,446.2
Shares*)	326.4	216.9	312.0
Pledged collaterals total	2,675.7	2,244.2	2,758.1
Other collaterals given			
Mortgages and shares	5.9	12.8	5.8
Guarantees**)	456.2	428.0	479.9
Pledged deposits	0.2		0.2
Other collaterals total	462.2	440.9	485.9

M€	31 Mar 2017	31 Mar 2016	31 Dec 2016
New construction in-process	154.9	108.2	136.8
Preliminary agreements for new construction	187.7	190.7	206.0
Renovation	21.2	29.4	17.1
Total	363.8	328.3	359.9

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

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

9. Non-current assets held for sale

M €	31 Mar 2017	31 Mar 2016	31 Dec 2016
Investment properties	3.9	183.2	70.6
Investments in associated companies		3.0	
Receivables		1.1	0.1
Liquid assets			
Assets total	3.9	187.3	70.7
Liabilities		135.1	0.1
Trade and other payables		1.9	0.9
Liabilities total	0.0	137.0	1.0
Net asset value	3.9	50.2	69.7

Key figures and formulas used in their calculation

	1-3/2017	1-3/2016	2016
Revenue, M €	83.6	95.9	351.5
Net rental income, M€	52.6	60.8	222.0
% revenue	62.9	63.4	63.2
Profit before taxes, M €	58.3	54.3	289.7
Operative result, M €	26.6	34.0	116.9
Investment properties, M € ¹⁾	4,318.3	3,705.3	4,298.9
Financial occupancy rate, %	96.8	96.9	97.4
Interest-bearing liabilities, M € ²⁾	2,087.6	1,506.7	2,122.8
Return on equity, % (ROE)	10.1	10.2	12.9
Return on investments, % (ROI)	7.0	7.6	8.8
Equity ratio, %	40.6	43.5	40.7
Loan to Value, % ^{2) 3)}	45.2	38.5	46.7
Earnings per share, €	6.33	5.95	31.38
Equity per share, €	251.71	233.61	251.20
Gross investments, M€	65.0	43.7	696.0
Number of personnel, end of period	296	293	286

¹⁾ Including items held for sale²⁾ Does not include items held for sale³⁾ The calculation formula is changed 2016 and the comparative figures adjusted to correspond to the current calculation method

Formulas used in the calculation of the key figures

Operative result	=	Result for the period - gains/losses on sales of properties - fair value change in investment properties - taxes on the adjustments	
Return on equity (ROE), %	=	$\frac{\text{Profit for the period}}{\text{Total equity (average during the period)}}$	x 100
Return on investment (ROI), %	=	$\frac{\text{Profit before taxes + interests and other financial expenses}}{\text{Balance sheet total - Non-interest-bearing liabilities (average during the period)}}$	x 100
Equity ratio, %	=	$\frac{\text{Total equity}}{\text{Balance sheet total - Advanced received}}$	x 100
Loan to Value, %	=	$\frac{\text{Interest-bearing liabilities - Cash}}{\text{Investment properties + Property, plant and equipment}}$	x 100
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, €	=	$\frac{\text{Equity attributable to shareholders of the parent company}}{\text{Number of shares at the end of the financial period}}$	