

VVO Group plc  
**Interim Report Q1/2016**



Main » Summary » Review period January–March 2015

## Summary of January-March 2016 (comparison period 1 Jan.–31 Mar. 2015)

- The Group's gross investments during the period totalled EUR 43.7 (53.3) million. Gross investments were 45.6 (58.6) per cent of turnover.
- The fair value of investment properties was EUR 3.7 (3.8) billion. Return on investment was 7.6 (8.5) per cent.
- The Group's turnover totalled EUR 95.9 (90.9) million. Turnover is entirely generated by rental income.
- Profit before taxes amounted to EUR 54.3 (60.4) million. The profit includes EUR 14.1 (26.0) million in net valuation gain on the fair value assessment of investment properties. Our favourable profit performance is based on changes in the fair value, low financial costs, a good rental occupancy rate and the successful management of maintenance costs
- Net rental income was EUR 60.8 (55.4) million, representing 63.4 (61.0) per cent of turnover. Net rental income was increased by completed new development, higher rental income and the successful management of maintenance and repair costs.
- The rental occupancy rate remained high, standing at 96.9 (97.4) per cent.
- There were 1,046 (1,324) rental apartments under construction at the end of the review period.
- The Group owned 37,293 (40,760) rental apartments on 31 March 2016.

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.

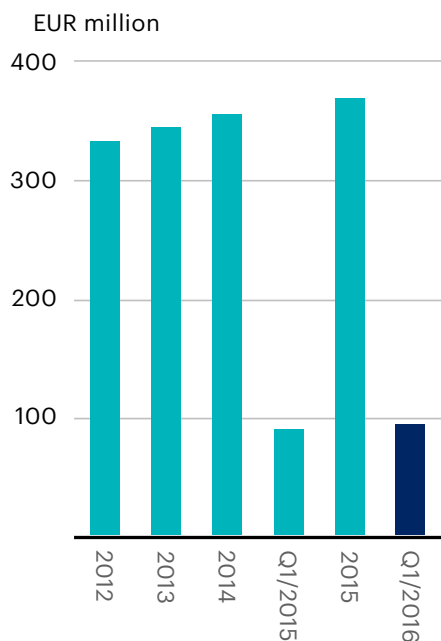
Main » Summary » Key indicators

## Key indicators

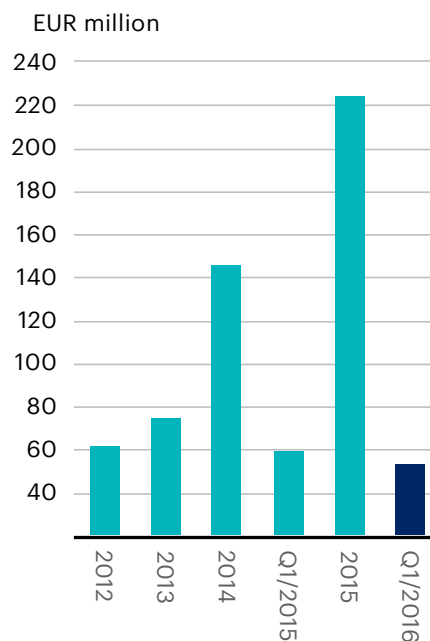
<b>VVO-group</b>	<b>1-3/2016</b>	<b>1-3/2015</b>	<b>1-12/2015</b>
Revenue, M€	95.9	90.9	370.9
Net rental income, M€	60.8	55.4	227.4
% revenue	63.4	61.0	61.3
Profit before taxes, M€	54.3	60.4	224.7
Earnings per share, €	5.95	6.50	24.23
Equity per share, €	233.61	216.64	234.85
Return on equity, % (ROE)	10.2	12.1	10.8
Return on investments, % (ROI)	7.6	8.5	7.6
Equity ratio, %	43.5	39.9	41.1
Financial Occupancy rate, %	96.9	97.4	97.6
Gross investments, M€	43.7	53.3	235.0
Investment properties, M€	3,705.3	3,782.1	3,999.2
Interest bearing liabilities, M€	1,506.7	1,856.1	1,494.6
Number of personnel, end of period	293	347	356

As of 2014, the Group's financial statements are given according to IFRS

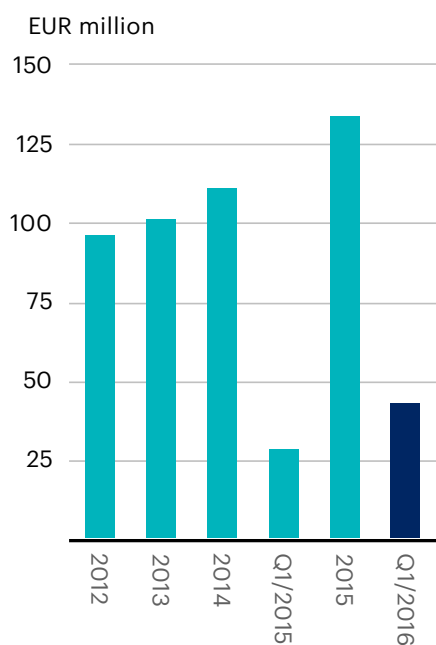
### Turnover



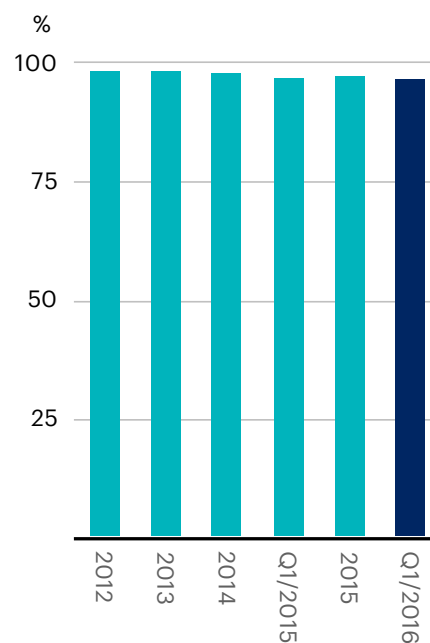
### Profit before taxes



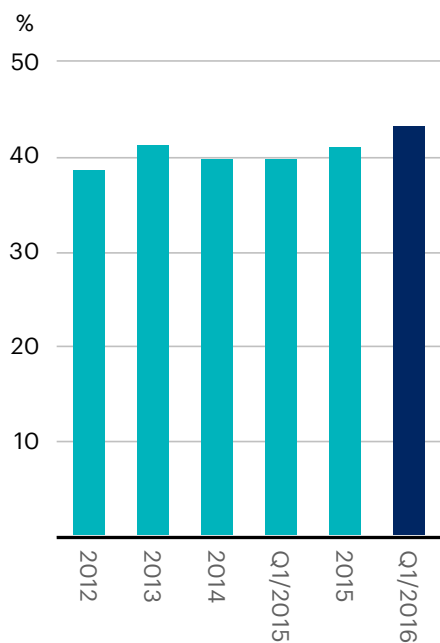
### Net rental income (Lumo segment)



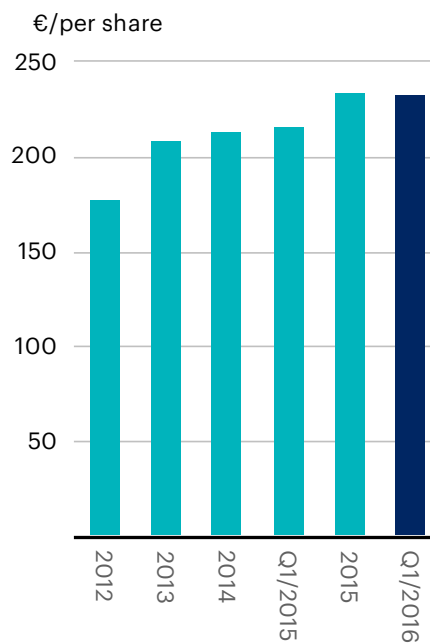
### Rental occupancy rate



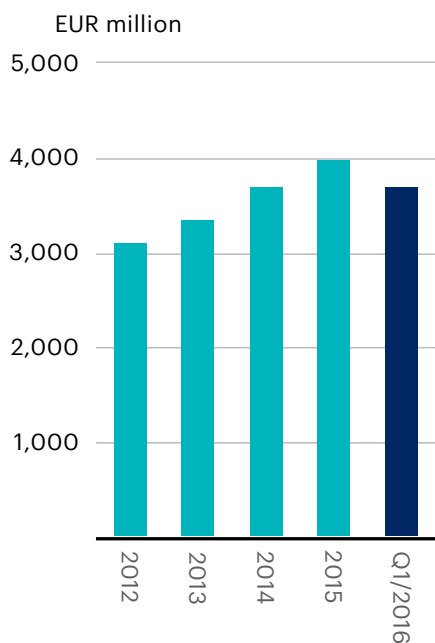
### Equity ratio



### Equity



### Value development

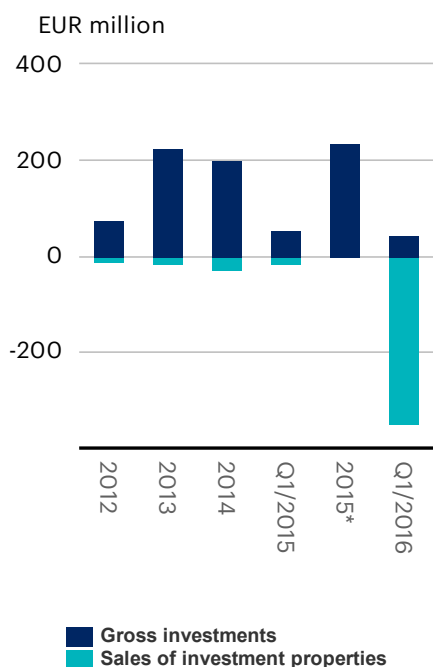


### Rental housing stock 31 March 2016



■ Lumo apartments 28,901  
■ VVO apartments 8,392

### Gross investments and sales of investment properties



\* The calculation method of gross investments has been changed. Previously, gross investments in the cash flow were presented; starting from 31 Dec. 2015, investments on an accrual basis are presented.

### The situation after the Y-Foundation transaction



Main » CEO's review



## Investments in Lumo business operations continued in growth centres

VVO Group's financial development remained good during the review period. We are also strongly future-oriented and increase the number of rental apartments in order to facilitate labour mobility to growth centres and to improve Finland's growth opportunities. In particular, we support the vitality of the Helsinki Metropolitan Area with our housing investments. In the future, VVO Group will offer Lumo rental apartments in 30 locations in Finland. Our investments during the review period totalled EUR 43.7 million.

Among other things, VVO Group signed an agreement with Pohjola Rakennus Oy Uusimaa on the construction of rental apartments in Helsinki, Vantaa and Hyvinkää, with a total value of nearly EUR 50 million. All in all, this agreement involves the construction of 263 Lumo rental apartments. In addition, the City of Espoo reserved an area for VVO Group and SRV for the planning of the Kivenlahti Metro Centre.



We signed a contract with a new financier, Swedbank AB, concerning a five-year secured loan worth EUR 100 million to be used for investments. VVO Group aims to invest heavily in the growth of Lumo apartments in the next three years by developing new properties and buying existing properties in its property portfolio. We currently have 28,901 Lumo rental apartments and our market share is 6.5 per cent of the market-based rental housing stock. A total of 1,046 Lumo apartments were under construction at the end of the period.

During the first months of the year, VVO Group invested EUR 43.7 million in rental apartments, which is estimated to have an employment effect of approximately 699\* person-years and to accrue taxes amounting to roughly EUR 18\*\* million. Last year's gross investments were EUR 235.0 million, equalling approximately 3,760 person-years, and accrued taxes of roughly EUR 96 million.

Car sharing that has been welcomed warmly by our residents has now been extended to Vantaa. Car sharing services are also available to the residents of certain properties in Tampere, Espoo, Jyväskylä, Helsinki and Turku. The Lumo kotinyt.fi apartment rental service, launched last autumn, has been well received: by the end of the review period, approximately 350 apartments had been selected and rented through the service.

Wishing you a great summer!

Jani Nieminen  
CEO

\*The calculation method is based on the calculation method used by VTT and the Confederation of Finnish Construction Industries RT: a EUR 1 million investment in construction generates 16 person-years of employment.

\*\*VTT, RT: a EUR 1 million investment in the construction of apartment blocks accrues tax revenue and tax-like charges by EUR 410,000.



Main » January-March » Outlook for 2016

# Outlook for 2016

## Market outlook

According to the Bank of Finland's forecast, economic growth in Finland in 2016 is expected to remain clearly slower compared with the rest of the euro zone. The outlook for the Finnish economy is influenced by factors such as weak exports, the structural change in industry, the decreased cost competitiveness and the contraction in the number of working-age population. The outlook for employment is weak.

The European Central Bank's measures are supporting the euro zone's economy, although the outlook weakened in the latter part of 2015. As a result of the ECB's policy, general interest rates are forecast to remain low.

Demand for rental housing is expected to remain strong in major growth centres. Differences between regions are increasing and in some regions, supply and demand are now equal. During the past few years, a great deal of privately financed rental apartments have been built. New development is expected to continue focusing on privately financed rental apartments.

Continuing urbanisation can be seen in the growing number of apartment blocks being built in major growth centres.

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

New start-ups by construction firms are at a relatively low level. The increase in renovation volume is expected to continue.

## **Outlook for VVO Group**

VVO Group's rental occupancy rate is expected to remain at the current level throughout 2016, due to continuing stable demand for rental housing. VVO Group estimates that net rental income adjusted with the effect of selling will increase. Investments are expected to exceed the 2015 level. The estimate is based on currently valid tenancy agreements and the stable demand in growth centres.

Main » January-March » Operating environment

# Operating environment

## General operating environment

In Europe, the economic situation improved slightly during the review period. The US economy developed favourably, as expected.

In Finland, economic development continued to be subdued. Export and industrial production have not picked up to a significant degree. The confidence of households and companies is weak. This was seen in, for example, demand for owner-occupied apartments and construction investments.

According to Statistics Finland, the prices of old apartments in apartment blocks and row houses rose somewhat throughout the country. In the Helsinki Metropolitan Area, the year-on-year increase in prices was higher than in other parts of the country.

## Industry operating environment

Demand for rental housing remained high. Business was good for small rental apartments and newly constructed locations, particularly in growth centres. There was still demand for new rental apartments in the Helsinki Metropolitan Area.

New construction clearly focused on privately financed rental apartments. There were no noticeable changes in the price level of either new construction or renovations. The market situation for the construction of owner-occupied apartments enabled better-than-average implementation of negotiated contracts for rental housing development.

The slowness of the zoning process and a lack of suitable plots, particularly in the Helsinki Metropolitan Area, made it harder to launch the construction of new rental apartments.

Main » January-March » Business operations

## Business operations

Under the Lumo and VVO brands, VVO Group Plc offers versatile and effortless rental solutions coupled with an extensive range of housing services for different life situations.

The fair value of VVO Group's investment properties at the end of the review period was EUR 3.7 (3.8) billion, including EUR 183.2 million classified into non-current assets held for sale. At the end of the review period, VVO Group owned 37,293 (40,760) rental apartments, including investment properties classified as held for sale.

The rental housing business is characterised by stability and predictability, which provide a good foundation for development. The nature of our business, our solid financial position, and our good financial performance enable us to make investments in different kinds of economic situations.

The details related to the selling of 8,631 of VVO Group's cost principle apartments have been further specified. The apartments are sold with a so-called direct property transaction to Kiinteistö Oy Y-Asunnot, which is part of the Y-Foundation group. The sales price is the transfer price confirmed by the Housing Finance and Development Centre of Finland (ARA), determined by ARA in phases. For the first phase, the transaction was executed on 31 March 2016 and the transfer price has now been de-termined. The determination of the transfer price for the remaining phase is estimated to be completed in the near future.

Main » January-March » Segment reporting

## Segment reporting

VVO Group's business operations are divided into two segments: Lumo (formerly VVO Non-subsidised) and VVO (formerly VVO State-subsidised). The segments were renamed as of the beginning of 2016. The changes have no effect on the reported figures.

The Lumo segment contains the Group's parent company VVO Group plc and the group companies VVO Kodit Oy, VVO 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 2017. 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 2017 belong to the VVO segment. The companies of the VVO segment are subject to the profit distribution restriction, and they can pay their owner an eight 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 million.

Main » January-March » Turnover

## Turnover

VVO Group had a turnover of EUR 95.9 (90.9) million for the period 1 January–31 March 2016. The Lumo segment recorded a turnover of EUR 68.5 (45.3) million, and the VVO segment EUR 27.8 (46.7) million. Turnover is entirely generated by rental income.

Main » January-March » Result and profitability

## Result and profitability

The Group's net rental income totalled EUR 60.8 (55.4) million, representing 63.4 (61.0) per cent of turnover. The Lumo segment recorded a net rental income of EUR 43.7 (28.9) million, and the VVO segment EUR 17.4 (27.1) million.

The Group's profit before taxes amounted to EUR 54.3 (60.4) million. The profit includes EUR 14.1 (26.0) million in net valuation gain on the fair value assessment of investment properties, and capital gains and losses of EUR 1.0 (0.9) million. Our favourable profit performance is based on changes in the fair value of investment properties, low financial costs, a good rental occupancy rate and the successful management of maintenance costs. Financial income and expenses totalled EUR -12.4 (-12.3) million.



Main » January-March » Balance sheet, cash flow and financing

## Balance sheet, cash flow and financing

At the end of the review period, the Group's balance sheet total was EUR 3,983.4 (4,031.3) million. Equity totalled EUR 1,729.9 (1,604.2) million. The equity ratio stood at 43.5 (39.9) per cent. Equity per share was EUR 233.61 (216.64). The equity ratio of the Lumo segment stood at 44.4 (45.1) per cent. The Group's return on equity was 10.2 (12.1) per cent and return on investment 7.6 (8.5) per cent.

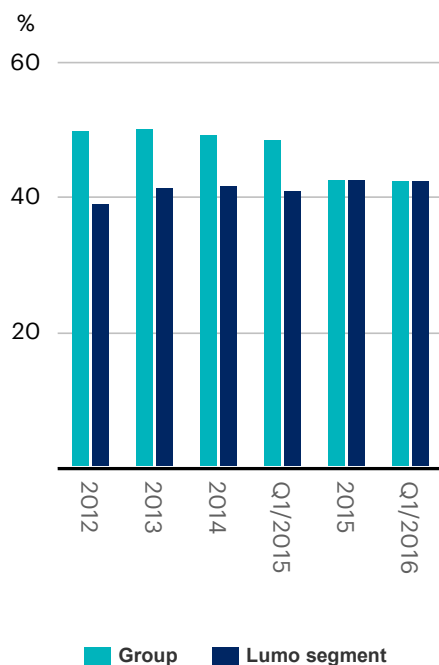
At the end of the review period, the Group's liquid assets totalled EUR 138.0 (108.5) million. The Group maintained good liquidity throughout the period. EUR 155.8 (69.8) million of the EUR 200 million commercial paper programme had been issued by the end of the review period. In addition, the Group has committed credit facilities of EUR 100 million and an uncommitted credit facility of EUR 5 million that remained unused at the end of the review period.

At period end, interest-bearing liabilities stood at EUR 1,506.7 (1,856.1) million, of which EUR 1,003.8 (905.1) million was accounted for by market-based loans. At the end of the review period, the Group's loan to value was 42.4 (48.6) per cent.

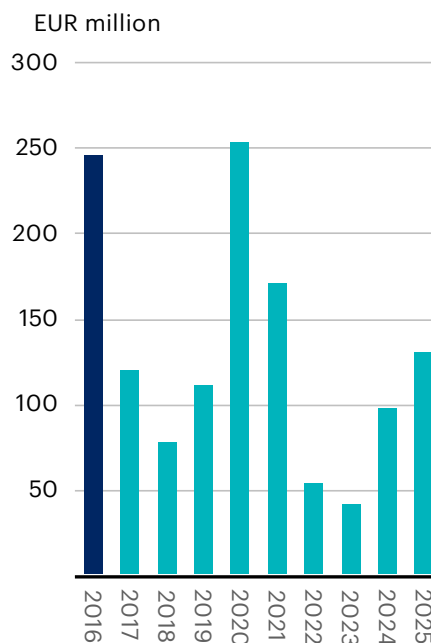
The average interest rate of the loan portfolio stood at 2.3 (2.5) per cent, including interest rate derivatives. The average maturity of loans at the end of the review period was 7.2 (10.5) years.

On 29 March 2016, VVO Kodit Oy signed a contract with Swedbank AB concerning a five-year secured loan worth EUR 100 million.

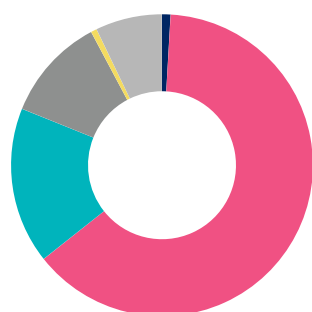
### Loan to Value



### Loan maturation



### Structure of debt portfolio 31 March 2016



- Annuity 13 M€
- Market-based 889 M€
- Interest-subsidised 235 M€
- Commercial papers 156 M€
- Other 9 M€
- Bond 100 M€

Main » January-March » Real estate property and fair value

## Real estate property and fair value

VVO Group owned a total of 37,293 (40,760) rental apartments at period end. The Lumo segment accounted for 28,901 (20,019) and the VVO segment for 8,392 (20,741) of these apartments. At the end of the review period, the Group owned apartments in 39 (42) municipalities.

At the end of the review period, the fair value of VVO Group's investment properties stood at EUR 3.7 (3.8) billion. The fair values include the portfolio held for sale, totalling EUR 183.2 (0.0) million. During the review period, the fair value decreased by EUR 293.9 (73.3) million, mainly due to the selling of investment properties. The change includes EUR 14.1 (26.0) million in net valuation gains 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 situation as on 31 March 2016. 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 147,000 floor sq m (115,000 floor sq m) and its fair value was approximately EUR 68.9 (40.5) million.

## Investment properties

<b>M€</b>	<b>31 Mar 2016</b>	<b>31 Mar 2015</b>	<b>31 Dec 2015</b>
Fair value of investment properties, beginning of period	<b>3,999.2</b>	<b>3,708.8</b>	<b>3,708.8</b>
Acquisition of investment properties *)	38.8	41.7	187.1
Other investments on investment properties	4.6	7.5	45.8
Disposals of investment properties	-351.0	-2.3	-14.9
Capitalised borrowing costs	0.4	0.4	2.0
Transfer to own use	-0.7	0.0	0.0
Valuation gains/losses on fair value assessment	14.1	26.0	70.3
<b>Fair value of investment properties, end of period</b>	<b>3,705.3</b>	<b>3,782.1</b>	<b>3,999.2</b>

\*) incl acquisition costs of the new construction projects

The fair values include the investment properties classified into Non-current assets held for sale, totalling EUR 183.2 (0.0) million.

Main » January-March » Rental housing

## 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 equal. As in previous years, the strongest demand focused on smaller apartments, that is, studios and one-bedroom apartments.

The rental occupancy rate remained at a good level, standing at 96.9 (97.4) per cent for the review period. At the end of the review period, 250 (527) 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 2015 and was 7.6 (6.8) per cent.

The average rent for the Group's 28,386 (26,808) market-based rental apartments (Lumo) was 14.40 (13.80) per sq m per month during the review period, and EUR 14.16 (13.52) at period end. The corresponding figures for the 8,907 (13,952) apartments rented at cost price (VVO) was EUR 12.93 (12.77) during the review period and EUR 12.73 (12.58) at period end.



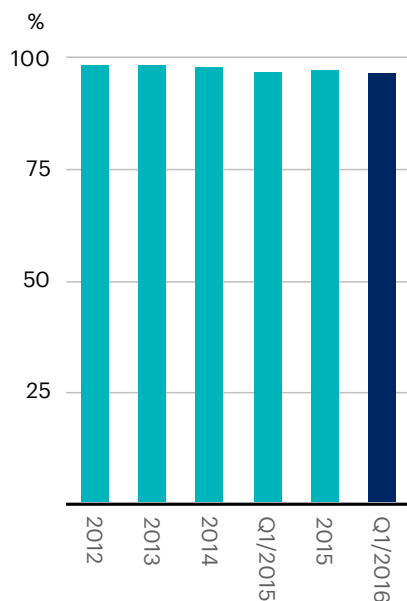
At the end of the review period, there were 13,735 (18,774) active applications. (Applications are active for three months.) The average number of active applications per rental agreement termination was 15.1 (19.0). A total of 12,742 (16,476) new rental housing applications were received during the review period.

The car sharing scheme for Lumo residents was extended to Vantaa. Car sharing services are also available in Tampere's Hervanta district, Espoo's Suurpelto district, Jyväskylä, Helsinki's Sörnäinen district and Turku. The Lumo kotinyt.fi service, launched last autumn, has been well received: by the end of the review period, approximately 350 apartments had been selected and rented through the service.



The average period of tenancy remained at an excellent level, 6.0 (5.9) years. 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 1.0 (1.2) per cent at the end of the review period.

**Rental occupancy rate**



**Rental housing stock 31 March 2016**



Main » January-March » Investments, divestments and real estate development



## Investments, divestments and real estate development

VVO Group launched construction of 98 (197) apartments during the review period. There were a total of 1,046 (1,324) apartments under construction at the end of the period, all of them privately financed. Of the apartments under construction, 815 (851) are located in the Helsinki region and 231 (473) in other Finnish growth centres.

During the review period, VVO Group acquired 0 (40) apartments and sold 4,076 (73) apartments. In addition, a binding preliminary agreement has been signed on the sale of 4,586 apartments.

241 (0) new apartments were completed during the period. An estimated 567 (670) apartments are scheduled for completion by the end of the year.

The Group's gross investments totalled EUR 43.7 (53.3) million. Total repair costs and modernisation investments during the review period amounted to EUR 11.4 (15.9) million, of which modernisation investments accounted for EUR 4.6 (7.5) million. The Lumo segment accounted for EUR 43.6 (51.8) million of gross investments, and the VVO segment for EUR 0.1 (1.5) million.

 **1,046**  
privately financed  
apartments under  
construction



At period end, there were binding acquisition agreements worth a total of 298.9 (269.1) million. A total of 1,934 new apartments will be built under the acquisition agreements, of which 1,046 were under construction at the end of the review period.



# 43.7

gross investments in EUR million

VVO Group signed an agreement with Pohjola Rakennus Oy Uusimaa on the construction of rental apartments in Helsinki, Vantaa and Hyvinkää, with a total value of nearly EUR 50 million. All in all, this agreement involves the construction of 263 Lumo rental apartments, most of which will be completed during the next two years.

The City of Espoo's Trade and Competitiveness Division reserved an area for VVO Group and SRV for the planning of the Kivenlahti Metro Centre. According to plans, the area would feature approximately 76,000 square metres of housing and roughly 56,000 square metres of business, office and service premises as well as a bus terminal and a park-and-ride car park. The total number of apartments to be built in the area is approximately 1,200.

During the review period, properties' consumption of heating energy was 121.9 (105.5) GWh.

Main » January-March » Annual general meeting

## Annual general meeting

At the Annual General Meeting of VVO Group plc held on 17 March 2016, Riku Aalto, Matti Harjuniemi, Olli Luukkainen, Jorma Malinen, Reima Rytsölä, Jan-Erik Saarinen, Ann Selin and new member Mikko Mursula were elected as members of the Board of Directors for the term that ends with the Annual General Meeting of 2017. Riku Aalto was elected Chairman of the Board of Directors.

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 20,000 for the Chairman of the Board of Directors, EUR 11,000 for the Deputy Chairman and EUR 8,000 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 chief auditor, was selected as the accountant for the company for the term lasting until the next Annual General Meeting.

At the Annual General Meeting it was decided, as proposed in the presentation of the Board of Directors, that for the financial year 2015, the company will pay a dividend of EUR 5.00 for every Series A share, a total of EUR 37,012,800.00, and EUR 151,710,864.19 will be retained in unrestricted shareholders' equity.

Main » January-March » Personnel

## Personnel

At the end of the review period, the VVO Group had a total of 293 (347) employees. The average number of personnel during the period was 290 (345). The decrease in the number of personnel was due to the fact that 66 employees transferred to Kiinteistö Oy Y-Asunnot in connection with the transaction concerning 8,631 rental apartments.

Main » January-March » Management and administration

## Management and administration

There were no changes in the composition of the Management Group during the first quarter.

Main » January-March » Shareholders

## Shareholders

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

### VVO Group Plc's 10 major shareholders on 31 March 2016

Shareholders	Holding, %
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	18.08
Keskinäinen työeläkevakuutusyhtiö Varma	16.98
Metallityöväen Liitto ry	9.70
Julkisten ja hyvinvointialojen liitto JHL ry	8.73
Rakennusliitto ry	8.31
Palvelualojen ammattiliitto PAM ry	7.49
Ammattiliitto Pro ry	7.49
Opetusalan Ammattijärjestö OAJ ry,	7.46
TEAM Teollisuusalojen ammattiliitto ry	5.99
Tehy ry Tehy rf	1.39
Others	8.38
<b>Total</b>	<b>100.00</b>

Main » January-March » Sustainability

## Sustainability

VVO Group plc's operations are based on the provision of a diverse range of safe, high-quality rental housing as well as housing services.

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](http://tilaajavastuu.fi) website.

VVO Group's estimated taxes and tax-like charges in 2016 amount to approximately EUR 100 million. As estimated on the basis of the 2014 performance in RT's/VTT's report, the share of taxes and tax-like charges in VVO Group's EUR 235 million investments in 2015 was 41 per cent; in the entire procurement chain, this amounts to approximately EUR 96 million. VVO Group's tax footprint was published [in the 2015 Annual Report](#).

VVO Group will continue its climate partnership agreement with the City of Helsinki. The Group has also committed to following the Rental Property Action Plan (VAETS), which has set a 2016 heating energy savings target of seven per cent compared to 2009. The Rental Property Action Plan savings targets for 2016 have already been achieved and, with regard to property electricity consumption, have even been exceeded.

VVO Group was the first company in Finland to pilot on-demand emptying of waste containers. The pilot project was carried out in five Lumo properties with measuring equipment developed by Enevo Oy.

The Virkeä programme is a cooperation programme between VVO Group and promising young athletes that supports young talents financially in their journey towards future success. This year, the programme covers not only individual sports but also team sports. VVO Group selected the FC Honka women's championship team and four girls' teams as the recipients of team sponsorship for the 2016–2017 season. In 2016, the Virkeä athletes are Lassi Etelätalo (athletics), Henry Manni (wheelchair racing), Nooralotta Neziri (athletics), Venla Paunonen (athletics), Tommi Pulli (speed skating), Mimosa Jallow (swimming) and Jenni Saarinen (figure skating). In addition, VVO Group annually selects 50 promising athletes of 12–20 years of age to receive sponsorship grants.



Main » January-March » Near-term risks and uncertainties

## Near-term risks and uncertainties

VVO estimates that the risks and uncertainties in the current financial year are first and foremost related to the development of the Finnish economy. The weak economic development is reflected in both the housing and financial markets. This may impair VVO Group's cash flow.

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

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

A more detailed description of risks and uncertainties can be found [in the 2015 financial statements](#).

Main » January-March » Events after the review period

## Events after the review period

After the review period, there have been no events that would have affected this Interim Report substantially.

Main » Financial statements » Consolidated income statement, IFRS

## Consolidated income statement, IFRS

M €	Note	1-3/2016	1-3/2015	1-12/2015
<b>Total revenue</b>		<b>95.9</b>	<b>90.9</b>	<b>370.9</b>
Maintenance expenses		-28.3	-27.0	-97.0
Repair expenses		-6.9	-8.5	-46.5
<b>Net rental income</b>		<b>60.8</b>	<b>55.4</b>	<b>227.4</b>
Administrative expenses		-9.7	-9.9	-39.7
Other operating income		1.0	0.5	2.1
Other operating expenses		-0.2	0.0	-0.4
Profit/loss on sales of investment properties		1.0	0.9	2.7
Profit/loss on sales of trading properties		0.1	0.0	0.0
Fair value change of investment properties	3	14.1	26.0	70.3
Depreciation, amortisation and impairment losses		-0.3	-0.3	-1.2
<b>Operating profit / loss</b>		<b>66.7</b>	<b>72.6</b>	<b>261.2</b>
Financial income		0.4	0.5	7.8
Financial expenses		-12.8	-12.7	-44.8
<b>Total amount of financial income and expenses</b>		<b>-12.4</b>	<b>-12.3</b>	<b>-37.1</b>
Share of result from associated companies		0.0	0.0	0.6
<b>Profit before taxes</b>		<b>54.3</b>	<b>60.4</b>	<b>224.7</b>
Current tax expense		-14.8	-4.3	-22.1
Change in deferred taxes		4.6	-8.0	-23.2
<b>Profit/loss for the period</b>		<b>44.0</b>	<b>48.1</b>	<b>179.4</b>
<b>Profit of the financial period attributable to</b>				
Shareholders of the parent company		44.0	48.1	179.3
Non-controlling interests		0.0	0.0	-0.1

**Earnings per share based on profit attributable to equity**

**holders of the parent company**

Basic, euro	5.95	6.50	24.23
Diluted, euro	5.95	6.50	24.23
Average number of the shares, millions	7.4	7.4	7.4

**CONSOLIDATED STATEMENT OF THE COMPREHENSIVE INCOME**

<b>M €</b>	<b>1-3/2016</b>	<b>1-3/2015</b>	<b>1-12/2015</b>
<b>Profit/loss for the period</b>	<b>44.0</b>	<b>48.1</b>	<b>179.4</b>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedgings	-20.3	-2.7	4.6
Available-for-sale financial assets	0.1	1.2	-1.6
Deferred taxes	4.1	0.3	-0.6
<b>Items that may be reclassified subsequently to profit or loss</b>	<b>-16.1</b>	<b>-1.2</b>	<b>2.4</b>
<b>Total comprehensive income for the period</b>	<b>27.9</b>	<b>47.0</b>	<b>181.8</b>
<b>Total comprehensive income attributable to</b>			
Shareholders of the parent company	27.9	47.0	181.7
Non-controlling interests	0.0	0.0	-0.1

Main » Financial statements » Consolidated balance sheet, IFRS

## Consolidated balance sheet, IFRS

M €	Note	31 Mar 2016	31 Mar 2015	31 Dec 2015
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets		1.0	1.3	1.1
Investment properties	3	3,522.1	3,782.1	3,464.9
Property, plant and equipment	4	31.5	31.6	31.2
Investments in associated companies		1.0	3.5	1.0
Financial assets	7	0.5	0.5	0.5
Non-current receivables		2.9	2.7	2.2
Deferred tax assets		16.6	12.7	12.0
<b>Non-current assets total</b>		<b>3,575.7</b>	<b>3,834.5</b>	<b>3,513.1</b>
Investment properties held for sale	9	187.3	0.0	541.0
<b>Current assets</b>				
Trading properties		0.9	2.6	1.0
Current tax assets		1.4	2.2	1.7
Trade and other receivables		13.5	16.5	8.8
Financial assets		66.7	67.1	54.6
Cash and cash equivalents		138.0	108.5	116.0
<b>Current assets total</b>		<b>220.4</b>	<b>196.9</b>	<b>182.0</b>
<b>ASSETS TOTAL</b>		<b>3,983.4</b>	<b>4,031.3</b>	<b>4,236.1</b>

<b>SHAREHOLDER' EQUITY AND LIABILITIES</b>				
<b>Equity attributable to equity holders of the parent company</b>				
Share capital		58.0	58.0	58.0
Share issue premium		35.8	35.8	35.8
Fair value reserve		-48.8	-36.2	-32.6
Invested non-restricted equity reserve		17.9	17.9	17.9
Non-controlling interests		1,666.4	1,528.2	1,659.4
<b>Total equity</b>		<b>1,729.3</b>	<b>1,603.7</b>	<b>1,738.5</b>
		0.6	0.5	0.6
<b>LIABILITIES</b>		<b>1,729.9</b>	<b>1,604.2</b>	<b>1,739.1</b>
<b>Non-current liabilities</b>				
Liabilities				
Deferred tax liabilities				
Derivatives	5, 7	1,247.3	1,662.5	1,259.8
Provisions		425.8	414.4	429.8
Other non-current liabilities	6, 7	71.3	58.0	48.4
<b>Non-current liabilities total</b>		<b>0.9</b>	<b>1.5</b>	<b>0.9</b>
Liabilities held for sale		6.7	7.5	7.1
<b>Current liabilities</b>		<b>1,752.0</b>	<b>2,143.8</b>	<b>1,746.0</b>
Current liabilities	9	137.0	0.0	467.1
Derivatives				
Current tax liabilities	5, 7	259.4	193.6	234.7
Trade and other payables	6, 7	1.6	1.1	1.3
<b>Current liabilities total</b>		<b>21.3</b>	<b>13.9</b>	<b>9.9</b>
<b>Total liabilities</b>		<b>82.1</b>	<b>74.6</b>	<b>38.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>364.5</b>	<b>283.3</b>	<b>283.9</b>
		<b>2,253.5</b>	<b>2,427.1</b>	<b>2,497.1</b>
		<b>3,983.4</b>	<b>4,031.3</b>	<b>4,236.1</b>

Main » Financial statements » Consolidated statement of cash flows, IFRS

## Consolidated statement of cash flows, IFRS

M €	1-3/2016	1-3/2015	1-12/2015
<b>Cash flow from operating activities</b>			
Profit for the period	44.0	48.1	179.4
Adjustments	-2.1	-2.3	9.0
Change in net working capital	1.2	0.1	0.0
Interest paid	-11.1	-12.2	-42.4
Interest received	0.2	0.2	0.6
Other financial items	-0.1	-0.2	-0.5
Taxes paid	-3.0	-3.4	-24.8
<b>Net cash flow from operating activities</b>	<b>29.1</b>	<b>30.4</b>	<b>121.3</b>
<b>Cash flow from investing activities</b>			
Acquisition of investment properties	-50.7	-48.3	-230.9
Acquisition of property, plant and equipment and intangible assets	0.0	-0.1	-0.5
Proceeds from sale of investment properties	45.3	3.2	15.4
Proceeds from sale of tangible and intangible assets	0.0		
Proceeds from sale of associated companies			0.0
Purchases of financial assets	-13.0	-1.0	-39.0
Proceeds from sale of financial assets	1.0	3.7	53.7
Non-current loans, granted	0.0		-0.2
Repayments of non-current receivables	0.0	0.0	0.5
Interest and dividends received on investments	0.1	0.2	1.3
<b>Net cash flow from investing activities</b>	<b>-17.2</b>	<b>-42.3</b>	<b>-199.8</b>



<b>Cash flow from financing activities</b>			
Non-current loans, raised	5.4	47.8	195.9
Non-current loans, repayments	-44.4	-46.6	-134.2
Current loans, raised	102.8	54.8	252.3
Current loans, repayments	-56.2	-49.9	-209.1
Dividends paid			-22.2
<b>Net cash flow from financing activities</b>	7.5	6.1	82.7
<b>Change in cash and cash equivalents</b>	19.4	-5.8	4.2
<b>Cash and cash equivalents in the beginning of period</b>	118.6	114.4	114.4
<b>Cash and cash equivalents at the end of period</b>	138.0	108.5	118.6

\*) 31 Dec 2015 includes liquid assets related to Assets held for sale EUR 2.6 million

Main » Financial statements » Consolidated statement of changes in shareholders' equity

## Consolidated statement of changes in shareholders' equity

M €	Share capital	Share issue premium	Fair value reserve	Invested non-restricted equity reserve	Retained earnings	Equity attributable to shareholders of the parent company	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								0.0
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	0.0	44.0
<b>Total comprehensive income</b>	<b>0.0</b>	<b>0.0</b>	<b>-16.1</b>	<b>0.0</b>	<b>44.0</b>	<b>27.9</b>	<b>0.0</b>	<b>27.9</b>
Transactions with shareholders								0.0
Dividend payment					-37.0	-37.0		-37.0
<b>Total transactions with shareholders</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-37.0</b>	<b>-37.0</b>	<b>0.0</b>	<b>-37.0</b>
Total change in equity	0.0	0.0	-16.1	0.0	7.0	-9.1	0.0	-9.1
<b>Equity at 31 Mar 2016</b>	<b>58.0</b>	<b>35.8</b>	<b>-48.8</b>	<b>17.9</b>	<b>1,666.4</b>	<b>1,729.3</b>	<b>0.6</b>	<b>1,729.9</b>

M €	Share capital	Share issue premium	Fair value reserve	Invested non-restricted equity reserve	Retained earnings	Equity attributable to shareholders of the parent company	Non-controlling interests	Total equity
Equity at 1 Jan 2015	58.0	35.8	-35.0	17.9	1,502.3	1,579.0	0.5	1,579.5
Comprehensive income								0.0
Cash flow hedging			-2.1			-2.1		-2.1
Available-for-sale financial assets			1.0			1.0		1.0
Result for the financial period					48.1	48.1	0.0	48.1
<b>Total comprehensive income</b>	<b>0.0</b>	<b>0.0</b>	<b>-1.2</b>	<b>0.0</b>	<b>48.1</b>	<b>47.0</b>	<b>0.0</b>	<b>47.0</b>
Transactions with shareholders								0.0
Dividend payment					-22.2	-22.2		-22.2
<b>Total transactions with shareholders</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-22.2</b>	<b>-22.2</b>	<b>0.0</b>	<b>-22.2</b>
Total change in equity	0.0	0.0	-1.2	0.0	25.9	24.8	0.0	24.8
<b>Equity at 31 Mar 2015</b>	<b>58.0</b>	<b>35.8</b>	<b>-36.2</b>	<b>17.9</b>	<b>1,528.2</b>	<b>1,603.7</b>	<b>0.5</b>	<b>1,604.2</b>

M €	Share capital	Share issue premium	Fair value reserve	Invested non-restricted equity reserve	Retained earnings	Equity attributable to shareholders of the parent company	Non-controlling interests	Total equity
Equity at 1 Jan 2015	58.0	35.8	-35.0	17.9	1,502.3	1,579.0	0.5	1,579.5
Comprehensive income								
Cash flow hedging			3.7			3.7		3.7
Available-for-sale financial assets			-1.3			-1.3		-1.3
Result for the financial period					179.3	179.3	0.1	179.4
<b>Total comprehensive income</b>	<b>0.0</b>	<b>0.0</b>	<b>2.4</b>	<b>0.0</b>	<b>179.3</b>	<b>181.7</b>	<b>0.1</b>	<b>181.8</b>
Transactions with shareholders								
Dividend payment					-22.2	-22.2		-22.2
<b>Total transactions with shareholders</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-22.2</b>	<b>-22.2</b>	<b>0.0</b>	<b>-22.2</b>
Total change in equity			2.4		157.1	159.5	0.1	159.6
<b>Equity at 31 Dec 2015</b>	<b>58.0</b>	<b>35.8</b>	<b>-32.6</b>	<b>17.9</b>	<b>1,659.4</b>	<b>1,738.5</b>	<b>0.6</b>	<b>1,739.1</b>

Main » Notes to the interim report



## Notes to the interim report

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

Main » Notes to the interim report » Accounting policies » Basis for preparation

## 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 VVO Group'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 VVO 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. VVO 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.

Main » Notes to the interim report » Accounting policies » General recognition and measurement principles for investment property

## General recognition and measurement principles for investment property

Investment property refers to an asset (land, building or part of a building) that VVO 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.

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

Main » Notes to the interim report » Accounting policies » Fair value hierarchy

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

Main » Notes to the interim report » Accounting policies » Investment property held for sale

## Investment property 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 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 VVO Group 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.

Main » Notes to the interim report » Accounting policies » Trading properties

## 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".

VVO 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.

Main » Notes to the interim report » Segment information

## Segment information

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
<b>Total revenue</b>	<b>68.5</b>	<b>27.8</b>	<b>-0.4</b>	<b>95.9</b>
Maintenance expenses	-19.9	-8.4	0.1	-28.3
Repair expenses	-4.9	-1.9	0.0	-6.9
<b>Net rental income</b>	<b>43.7</b>	<b>17.4</b>	<b>-0.3</b>	<b>60.8</b>
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
The inventory gains and losses	0.1	0.0	0.0	0.1
Fair value change of investment properties	14.0	0.0	0.0	14.1
Depreciation, amortisation and impairment losses	-0.3	0.0	0.0	-0.3
<b>Operating profit / loss</b>	<b>51.7</b>	<b>14.6</b>	<b>0.4</b>	<b>66.7</b>
Financial income				0.4
Financial expenses				-12.8
<b>Total amount of financial income and expenses</b>				<b>-12.4</b>
Share of result from associated companies				0.0
<b>Profit before taxes</b>				<b>54.3</b>
Current tax expense				-14.8
Change in deferred taxes				4.6
<b>Profit/loss for the period</b>				<b>44.0</b>
<b>Investments</b>	<b>43.6</b>	<b>0.1</b>	<b>0.0</b>	<b>43.7</b>

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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	0.0	187.6	-0.3	187.3
Liquid assets	16.2	121.7	0.0	138.0
Other assets	217.3	94.9	-177.2	135.0
<b>Total Assets</b>	<b>3,622.7</b>	<b>537.4</b>	<b>-176.7</b>	<b>3,983.4</b>
Interest bearing liabilities	1,448.6	231.4	-173.3	1,506.7
Liabilities held for sale	0.0	137.0	0.0	137.0
Other liabilities	568.2	44.4	-2.9	609.8
<b>Total Liabilities</b>	<b>2,016.9</b>	<b>412.8</b>	<b>-176.2</b>	<b>2,253.5</b>

M €	Lumo 1-3/2015	VVO 1-3/2015	Group consolidation methods	VVO Group Total 1-3/2015
Rental income	43.9	46.2	0.4	90.5
Sales income, other	0.5	0.3	-0.4	0.3
Internal income	0.9	0.2	-1.1	0.0
<b>Total revenue</b>	<b>45.3</b>	<b>46.7</b>	<b>-1.1</b>	<b>90.9</b>
Maintenance expenses	-13.2	-14.3	0.4	-27.0
Repair expenses	-3.2	-5.3	0.0	-8.5
<b>Net rental income</b>	<b>28.9</b>	<b>27.1</b>	<b>-0.6</b>	<b>55.4</b>
Administrative expenses	-5.2	-5.7	1.0	-9.9
Other operating income	0.3	0.6	-0.4	0.5
Other operating expenses	-0.1	0.0	0.1	0.0
Profit/loss on sales of investment properties	1.0	-0.1	0.0	0.9
Fair value change of investment properties	25.6	0.4	0.0	26.0
Depreciation, amortisation and impairment losses	-0.3	0.0	0.0	-0.3
<b>Operating profit / loss</b>	<b>50.2</b>	<b>22.4</b>	<b>0.1</b>	<b>72.6</b>
Financial income				0.5
Financial expenses				-12.7
<b>Total amount of financial income and expenses</b>				<b>-12.3</b>
Share of result from associated companies				0.0
<b>Profit before taxes</b>				<b>60.4</b>
Current tax expense				-4.3
Change in deferred taxes				-8.0
<b>Profit/loss for the period</b>				<b>48.1</b>
<b>Investments</b>	<b>48.2</b>	<b>1.3</b>	<b>0.0</b>	<b>49.6</b>
Investment properties	2,372.8	1,409.1	0.2	3,782.1
Investments in associated companies	0.9	2.6	0.0	3.5
Liquid assets	45.9	62.6	0.0	108.5
Other assets	157.3	65.8	-85.9	137.2
<b>Total Assets</b>	<b>2,577.0</b>	<b>1,540.0</b>	<b>-85.7</b>	<b>4,031.3</b>

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Interest bearing liabilities	986.0	949.1	-79.0	1,856.1
Other liabilities	429.7	143.2	-1.9	571.0
<b>Total Liabilities</b>	<b>1,415.7</b>	<b>1,092.3</b>	<b>-80.9</b>	<b>2,427.1</b>

<b>M €</b>	<b>Lumo 1-12/2015</b>	<b>VVO 1-12/2015</b>	<b>Group consolidation methods</b>	<b>VVO Group Total 1-12/2015</b>
Rental income	203.3	164.4	1.9	369.6
Sales income, other	1.9	1.0	-1.6	1.4
Internal income	3.6	0.4	-3.9	0.0
<b>Total revenue</b>	<b>208.8</b>	<b>165.8</b>	<b>-3.6</b>	<b>370.9</b>
Maintenance expenses	-53.5	-44.9	1.4	-97.0
Repair expenses	-20.6	-25.9	0.0	-46.5
<b>Net rental income</b>	<b>134.6</b>	<b>94.9</b>	<b>-2.2</b>	<b>227.4</b>
Administrative expenses	-24.1	-18.9	3.3	-39.7
Other operating income	1.3	1.9	-1.1	2.1
Other operating expenses	-0.4	-0.2	0.2	-0.4
Profit/loss on sales of investment properties	2.2	0.6	0.0	2.7
Fair value change of investment properties	32.7	38.4	-0.8	70.3
Depreciation, amortisation and impairment losses	-1.2	0.0	0.0	-1.2
<b>Operating profit / loss</b>	<b>145.1</b>	<b>116.7</b>	<b>-0.6</b>	<b>261.2</b>
Financial income				7.8
Financial expenses				-44.8
<b>Total amount of financial income and expenses</b>				<b>-37.1</b>
Share of result from associated companies				0.6
<b>Profit before taxes</b>				<b>224.7</b>
Current tax expense				-22.1
Change in deferred taxes				-23.2
<b>Profit/loss for the period</b>				<b>179.4</b>



<b>Investments</b>	<b>228.1</b>	<b>6.9</b>	<b>-0.1</b>	<b>235.0</b>
Investment properties	3,331.7	133.1	0.2	3,464.9
Investments in associated companies	1.0	0.0	0.0	1.0
Investment properties held for sale	0.0	541.0	0.0	541.0
Liquid assets	14.9	101.2	0.0	116.0
Other assets	213.5	81.3	-181.7	113.1
<b>Total Assets</b>	<b>3,561.2</b>	<b>856.5</b>	<b>-181.6</b>	<b>4,236.1</b>
Interest bearing liabilities	1,435.1	235.2	-175.7	1,494.6
Liabilities held for sale	0.0	467.1	0.0	467.1
Other liabilities	500.7	39.8	-5.1	535.4
<b>Total Liabilities</b>	<b>1,935.7</b>	<b>742.1</b>	<b>-180.8</b>	<b>2,497.1</b>

Main » Notes to the interim report » Investment properties

## Investment properties

<b>ME</b>	<b>31 Mar 2016</b>	<b>31 Mar 2015</b>	<b>31 Dec 2015</b>
Fair value of investment properties, beginning of period	<b>3,999.2</b>	<b>3,708.8</b>	<b>3,708.8</b>
Acquition of investment properties *)	38.8	41.7	187.1
Other investments on investment properties	4.6	7.5	45.8
Disposals of investment properties	-351.0	-2.3	-14.9
Capitalised borrowing costs	0.4	0.4	2.0
Transfer to own use	-0.7	0.0	0.0
Valuation gains/losses on fair value assessment	14.1	26.0	70.3
<b>Fair value of investment properties, end of period</b>	<b>3,705.3</b>	<b>3,782.1</b>	<b>3,999.2</b>

**\*) incl acquisition costs of the new construction projects**

The fair values include the investment properties classified into Non-current assets held for sale, totalling EUR 183.2 (0.0) 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 VVO Group is based on transaction value, income value and acquisition cost.

## **Transaction Value**

Properties of which apartments can be sold by VVO 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 VVO 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 just 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 Value

VVO 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.

## Fair Value Sensitivity Analysis for Investment Properties

EUR million	Change %				
	-10 %	-5 %	0 %	5 %	10 %
<b>Properties measured at transaction value</b>					
Change in market prices	-249.9	-125		125	249.9
<b>Properties measured at yield value</b>					
Yield requirement	74.9	35.5		-32.1	-61.3
Rental income	-116.1	-58		58	116.1
Maintenance costs	44.2	22.1		-22.1	-44.2
<b>Financial occupancy rate (change in percentage points)</b>					
	<b>-2 %</b>	<b>-1 %</b>	<b>0 %</b>	<b>1 %</b>	<b>2 %</b>
Rental income (EUR)	-2.4	-1.7		0.4	

All of VVO'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.

Main » Notes to the interim report » Property, plant and equipment

## Property, plant and equipment

<b>M€</b>	<b>31 Mar 2016</b>	<b>31 Mar 2015</b>	<b>31 Dec 2015</b>
Book value, beginning of period	31.2	31.7	31.7
Increases	0.0	0.0	0.3
Decreases	-0.3	0.0	0.0
Depreciations for accounting period	-0.2	-0.2	-0.7
Transfer from Investment properties	0.7	0.0	0.0
<b>Book value, end of period</b>	<b>31.5</b>	<b>31.6</b>	<b>31.2</b>

Main » Notes to the interim report » Interest-bearing liabilities

## Interest-bearing liabilities

<b>Non-current</b>			
<b>M €</b>	<b>31 Mar 2016</b>	<b>31 Mar 2015</b>	<b>31 Dec 2015</b>
Interest subsidy loans	217.6	529.6	223.4
Annuity and mortgage loans	67.5	254.6	68.3
Market-based loans	958.7	872.5	964.5
Other loans	3.6	5.8	3.6
<b>Total</b>	<b>1,247.3</b>	<b>1,662.5</b>	<b>1,259.8</b>
<b>Current</b>			
<b>M €</b>	<b>31 Mar 2016</b>	<b>31 Mar 2015</b>	<b>31 Dec 2015</b>
Interest subsidy loans	49.8	71.4	75.3
Annuity and mortgage loans	1.8	11.3	1.7
Market-based loans	45.0	32.6	41.6
Other loans	6.9	8.5	7.3
Commercial papers	155.8	69.8	108.8
<b>Total</b>	<b>259.4</b>	<b>193.6</b>	<b>234.7</b>
<b>Total interest-bearing liabilities</b>	<b>1,506.7</b>	<b>1,856.1</b>	<b>1,494.6</b>

Liabilities on 31 March 2016 do not include the liabilities related to Non-current assets held for sale, totalling EUR 135.1 million.

Main » Notes to the interim report » Derivative instruments

## Derivative instruments

### Fair values of derivative instruments

M€	31 Mar 2016		Net	31 Mar 2015		31 Dec 2015
	Positive	Negative		Net		Net
Interest rate derivatives						
Interest rate swaps, cash flow hedges	0.6	-61.8	-61.2	-48.1		-40.9
Interest rate options, cash flow hedges	0.0	0.0	0.0	0.0		0.0
Interest rate derivatives, not in hedge accounting	0.0	-10.1	-10.1	-10.0		-7.6
Electricity derivatives	0.4	-2.0	-1.6	-1.0		-1.2
<b>Total</b>	<b>1.0</b>	<b>-73.9</b>	<b>-72.9</b>	<b>-59.1</b>		<b>-49.7</b>

### Nominal values of derivative instruments

M€	31 Mar 2016	31 Mar 2015	31 Dec 2015
Interest rate derivatives			
Interest rate swaps, cash flow hedges	710.1	486.0	690.4
Interest rate options, cash flow hedges	0.0	0.0	0.0
Interest rate derivatives, not in hedge accounting	38.0	38.8	38.0
<b>Total</b>	<b>748.1</b>	<b>524.8</b>	<b>728.4</b>
Electricity derivatives, MWh	250,714	226,823	245,494



The interest risk of the market loans and commercial papers is hedged with interest rate derivatives according to VVO Group's treasury policy. The targeted hedging ratio is 50–100%. The hedging ratio was 72 (65) per cent at the end of the review period and the average maturity of the interest rate derivatives was 7.2 (5.5) years.

Main » Notes to the interim report » Fair values of financial instruments

## Fair values of financial instruments

31 Mar 2016						
M€	Carrying value total	LEVEL 1	LEVEL 2	LEVEL 3	Fair value total	
<b>Financial assets</b>						
Measured at fair value						
Interest rate derivatives	0.6	-	0.6	-	-	0.6
Electricity derivatives	0.4	0.4	-	-	-	0.4
Available-for-sale financial assets	41.8	39.3	2.0	0.5	-	41.8
Measured at amortised cost						
Held-to-maturity investments	6.2	2.0	4.2	-	-	6.2
Loans and other receivables	19.1	19.1	-	-	-	19.1
Trade receivables	3.9	-	-	-	-	3.9
<b>Financial liabilities</b>						
Measured at fair value						
Interest rate derivatives	-71.9	-	-71.9	-	-	-71.9
Electricity derivatives	-2.0	-2.0	-	-	-	-2.0
Measured at amortised cost						
Other interest-bearing liabilities	1407.1	-	1407.2	-	-	1407.2
Bond	99.6	-	100.0	-	-	100.0
Trade payables	4.0	-	-	-	-	4.0

M€	31 Dec 2015				Fair value total
	Carrying value total	LEVEL 1	LEVEL 2	LEVEL 3	
<b>Financial assets</b>					
Measured at fair value					
Interest rate derivatives	1.9	-	1.9	-	1.9
Electricity derivatives	0.8	0.8	-	-	0.8
Available-for-sale financial assets	29.7	27.3	2.0	0.5	29.7
Measured at amortised cost					
Held-to-maturity investments	6.2	2.0	4.2	-	6.2
Loans and other receivables	19.0	19.0	-	-	19.0
Trade receivables	3.6				3.6
<b>Financial liabilities</b>					
Measured at fair value					
Interest rate derivatives	-50.3	-	-50.3	-	-50.3
Electricity derivatives	-2.0	-2.0	-	-	-2.0
Measured at amortised cost					
Other interest-bearing liabilities	1395.0	-	1395.0	-	1395.0
Bond	99.6	-	100.0	-	100.0
Trade payables	10.6				10.6

The fair value of the loans is equal to the nominal amount of the loan. There has 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 instrument. 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 the fair value is not determined based on observable market data.

**Level 3 reconciliation**

**Available-for-sale financial assets**

<b>M€</b>	<b>31 Mar 2016</b>	<b>31 Dec 2015</b>
Beginning of period	0.5	0.6
Deductions	0.0	0.0
<b>End of period</b>	<b>0.5</b>	<b>0.5</b>

Available-for-sale financial assets at hierarchy level 3 are unquoted shares measured at historical cost less any impairment losses as their fair values cannot be measured reliably.

Main » Notes to the interim report » Collateral and contingent liabilities

## Collateral and contingent liabilities

M€	31 Mar 2016	31 Mar 2015	31 Dec 2015
Loans covered by pledges on property and shares as a collateral	1,487.0	1,788.2	1,849.7
Mortgages	2,027.3	2,534.4	2,551.5
Shares	216.9	212.5	213.6
<b>Pledged collaterals total</b>	<b>2,244.1</b>	<b>2,746.9</b>	<b>2,765.1</b>
Other collaterals given			
Pledges given	12.8	<b>23.0</b>	12.8
Guarantees given	428.0	338.50	433.3
<b>Other collaterals total</b>	<b>440.9</b>	<b>361.40</b>	<b>446.1</b>

The figures for 31 March 2016 include liabilities related to Non-current assets held for sale; Loans covered by pledges on property EUR 132.5 million; Collaterals given total EUR 289.6 million.

### Other liabilities

The most significant unrecognised acquisition agreements related to work in progress:

M€	31 Mar 2016	31 Mar 2015	31 Dec 2015
New construction	298.9	235.1	253.9
Renovation	29.4	34.0	22.5
<b>Total</b>	<b>328.3</b>	<b>269.1</b>	<b>276.4</b>

Main » Notes to the interim report » Non-current assets held for sale

## Non-current assets held for sale

<b>M €</b>	<b>31 Mar 2016</b>	<b>31 Dec 2015</b>
Investment properties	183.2	534.3
Investments in associated companies	3.0	3.0
Receivables	1.1	1.2
Liquid assets	0.0	2.6
<b>Assets total</b>	<b>187.3</b>	<b>541.0</b>
Liabilities	135.1	460.7
Trade and other payables	1.9	6.4
<b>Liabilities total</b>	<b>137.0</b>	<b>467.1</b>
Net asset value	50.2	73.9

The investment properties have been subsequently measured at fair value (fair value hierarchy level 3). The balance sheet value method was used as the valuation technique.

Main » Notes to the interim report » Key figures

## Key figures

<b>VVO Group</b>	<b>1-3/2016</b>	<b>1-3/2015</b>	<b>1-12/2015</b>
Revenue, M€	95.9	90.9	370.9
Net rental income, M€	60.8	55.4	227.4
% revenue	63.4	61.0	61.3
Profit before taxes, M€	54.3	60.4	224.7
Earnings per share, €	5.95	6.50	24.23
Equity per share, €	233.61	216.64	234.85
Return on equity, % (ROE)	10.2	12.1	10.8
Return on investments, % (ROI)	7.6	8.5	7.6
Equity ratio, %	43.5	39.9	41.1
Financial Occupancy rate, %	96.9	97.4	97.6
Gross investments, M€	43.7	53.3	235.0
Investment properties, M€	3,705.3	3,782.1	3,999.2
Interest bearing liabilities, M€	1,506.7	1,856.1	1,494.6
Number of personnel, end of period	293	347	356

Main » Notes to the interim report » Formulas used in the calculation of the key figures

## Formulas used in the calculation of the key figures

Return on equity, % =	$\frac{\text{Profit for the period}}{\text{Total equity (average during the period)}} \times 100$
Return on investment, % =	$\frac{\text{Profit before taxes + interests and other financial expenses}}{\text{Balance sheet total - Non-interest-bearing liabilities (average during the period)}} \times 100$
Equity ratio, % =	$\frac{\text{Total equity}}{\text{Balance sheet total - Advanced received}} \times 100$
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, € =	$\frac{\text{Equity attributable to shareholders of the parent company}}{\text{Number of shares at the end of the financial period}}$
Loan to Value, % =	$\frac{\text{Loan amount}}{\text{Value of guarantees for loans}} \times 100$