

VVO-yhtymä Oyj
Interim Report 1 Jan.–30 Sep. 2016





Table of contents

- Key aspects of the review period
- Operating environment
- Business operations and strategy progress
- Outlook

Key aspects of the review period

- Turnover totalled EUR 266.8 million.
- Net rental income was EUR 172.4 million.
- Investments totalled EUR 609.4 million.
- There were 1,415 rental apartments under construction, of which 1,233 were in the Helsinki region.
- The Group had a total of 34,926 rental apartments.
- VVO Group's share of the entire rental housing market is approximately 4.4 per cent.
- We completed the divestment of 8,571 apartments to Y-Foundation.
- On 4 July 2016, we acquired ICECAPITAL Housing Fund II, which owns 2,274 rental apartments and, on 30 September 2016, we acquired a real estate development site in Helsinki's central business district.
- The number of Lumo kotinyt.fi tenancy agreements now exceeds 760.

Lumo



New secured bond

- VVO Group plc issued a new EUR 200 million secured bond after the review period on 17 October 2016.
- The transaction attracted a wide audience from investors in Finland, other Nordic countries and Europe and it was clearly oversubscribed, with subscriptions from more than 40 investors.
- The bond was listed on the Nasdaq Helsinki Ltd stock exchange on 21 October 2016.
- The company's goal is to diversify its funding sources in order to finance growth.

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.
- New construction clearly focused on privately financed rental apartments. The market situation for the construction of owner-occupied apartments facilitated contract project negotiations in rental housing development.
- Continuing urbanisation can be seen in the growing number of apartment blocks being built in growth centres.
- Slow zoning and the lack of suitable plots remain bottlenecks in operations.

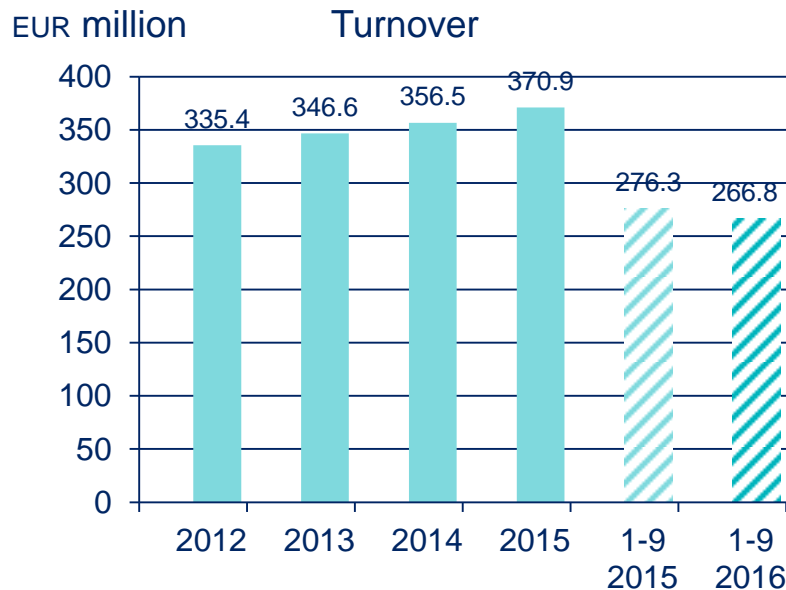


Malliasunto, Messenluksenkatu 1B, 3h, 79 m²

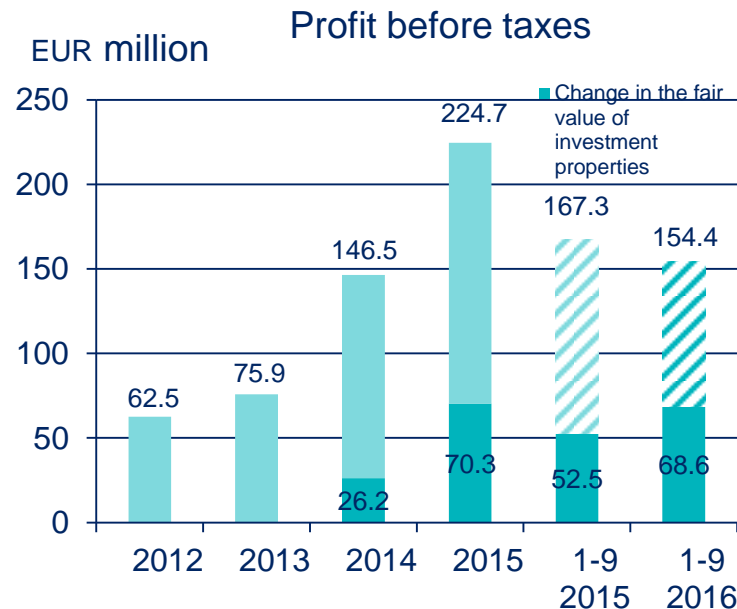
Business operations and strategy progress



Turnover and profit before taxes developed steadily

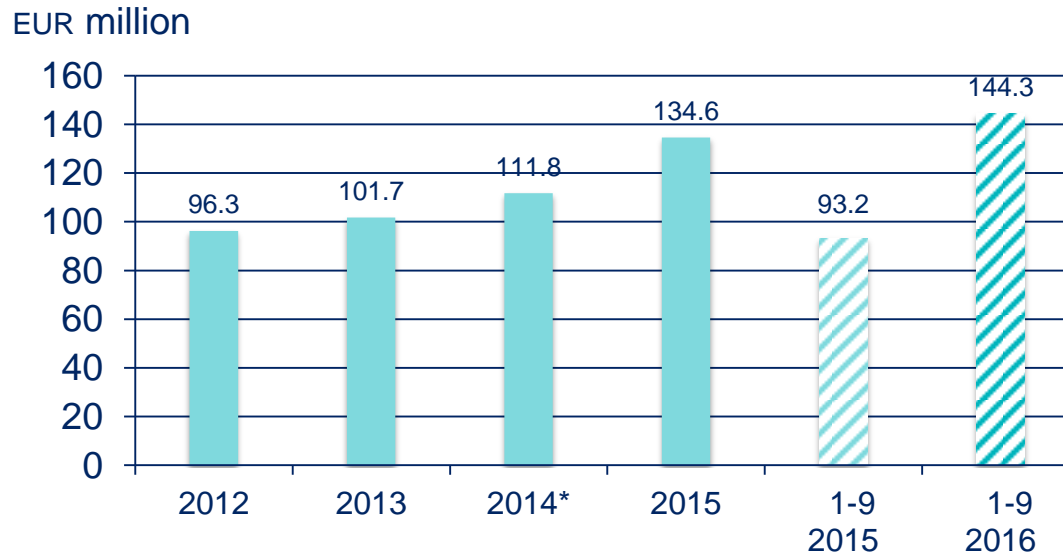


As of 2014, the Group adopted IFRS for its financial reporting.



Net rental income grew

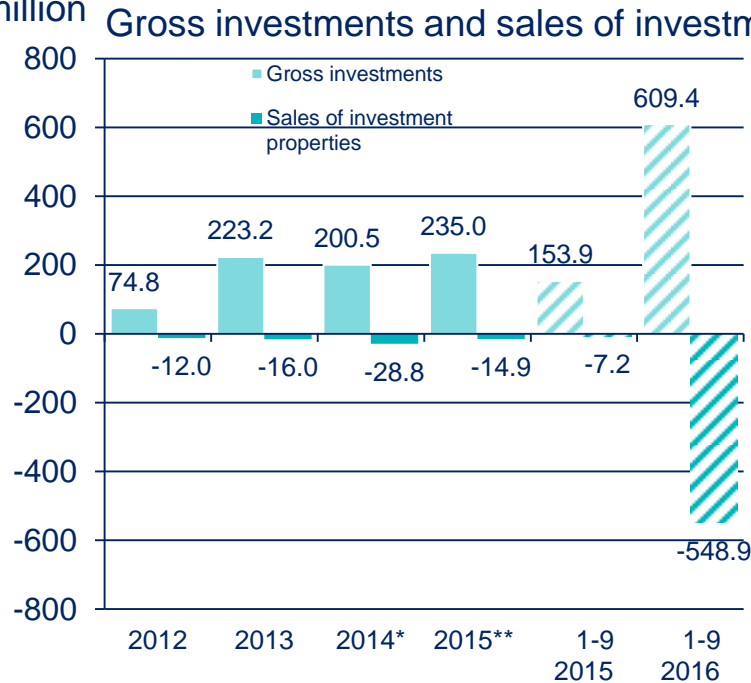
(Lumo segment)



*As of 2014, the Group adopted IFRS for its financial reporting.

Investments in Lumo business operations continued

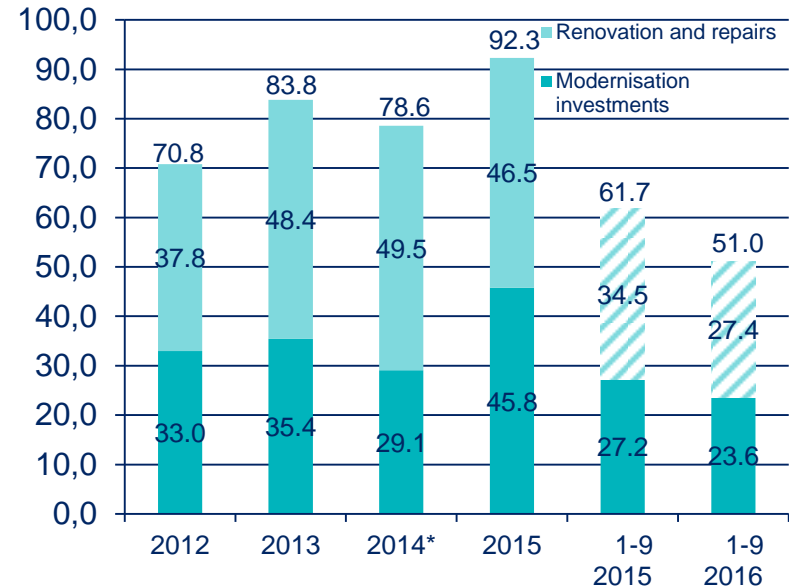
EUR million



Renovations

(Repairs & modernisation investments)

EUR million

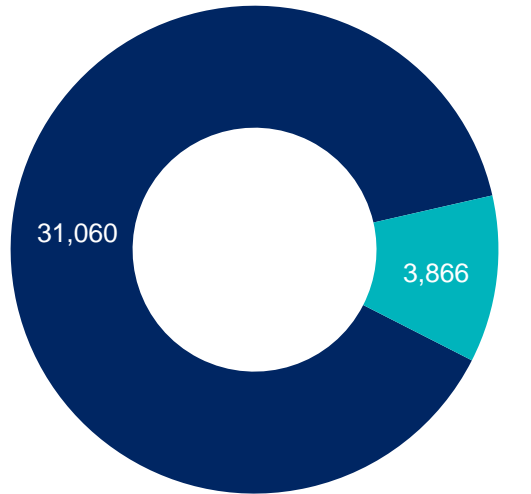


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**The calculation method of gross investments has been changed. Previously, gross investments in the cash flow were presented; starting from 31 Dec. 2015, investments on an accrual basis are presented.

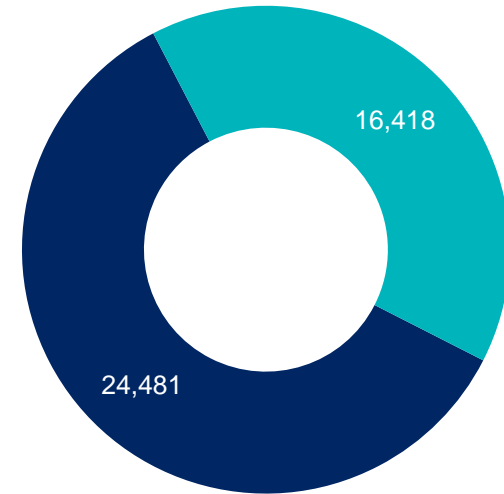
The Lumo segment represents nearly 90% of the Group's housing stock

30 September 2016



■ Lumo segment ■ VVO segment

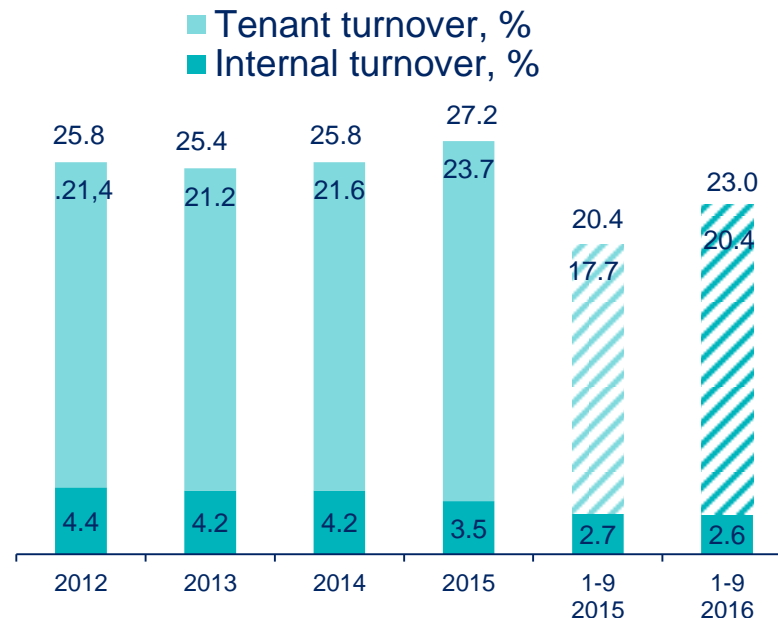
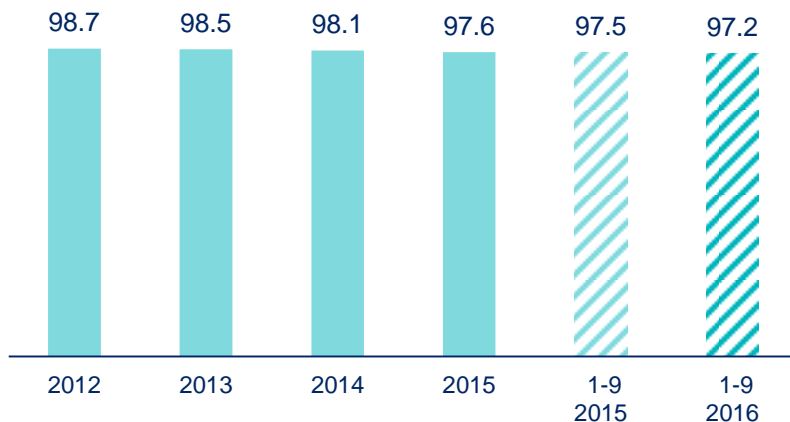
30 September 2015



■ Lumo segment ■ VVO segment

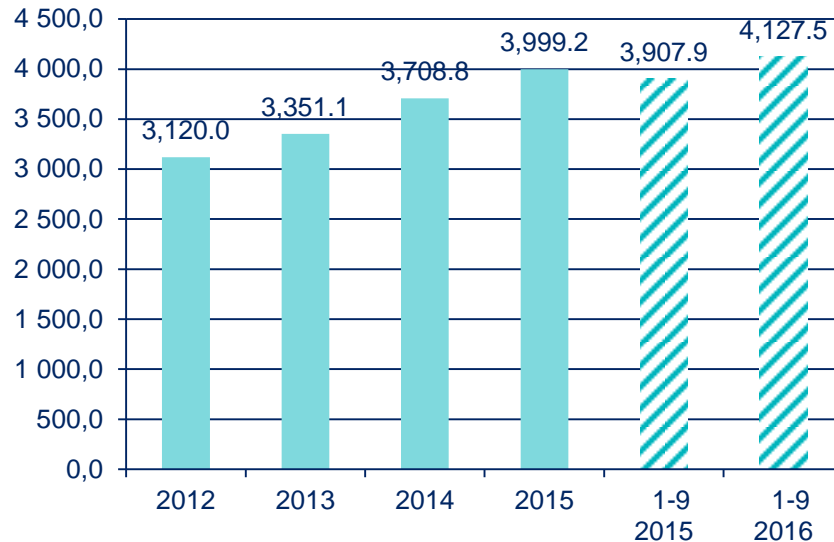
The financial occupancy rate remained stable

Financial occupancy rate, %



Housing stock developed in line with strategy

Fair value
EUR million

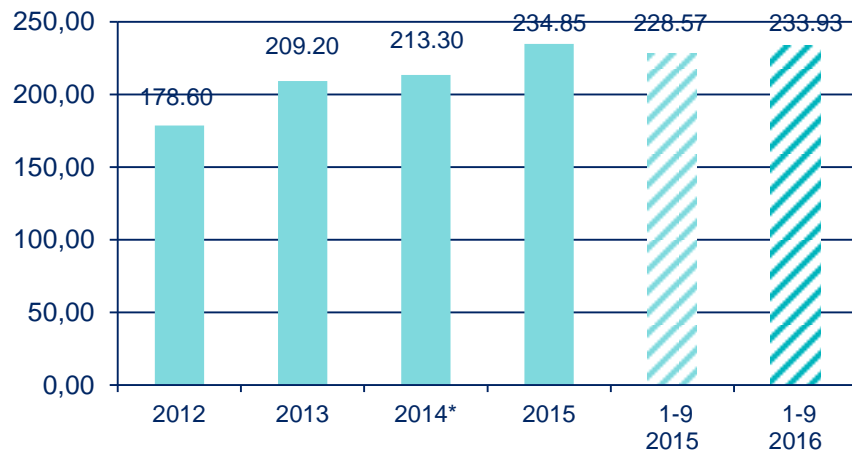


On 4 July 2016, VVO Group acquired ICECAPITAL Housing Fund II, which owns 2,274 apartments.

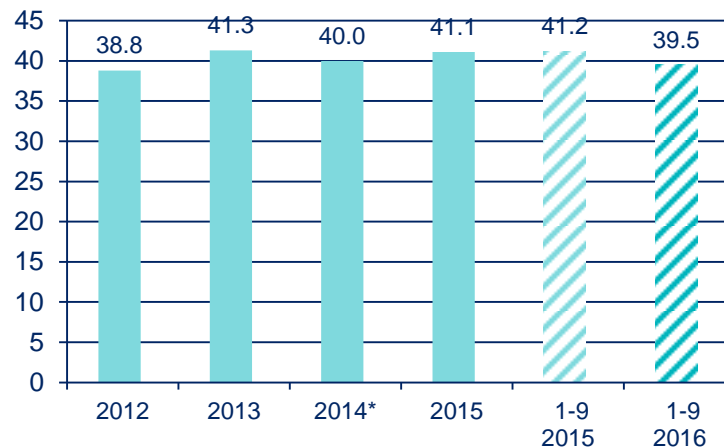
(EUR million)	FY 2015	YTD 2016	Change
Investment properties	3,464.9	4,127.5	662.6
Investment property held for sale	534.3	0.0	- 534.3
Fair value, total	3,999.2	4,127.5	128.3
Fair value measurement	70.3	68.6	

Equity ratio remained strong

Equity per share, EUR



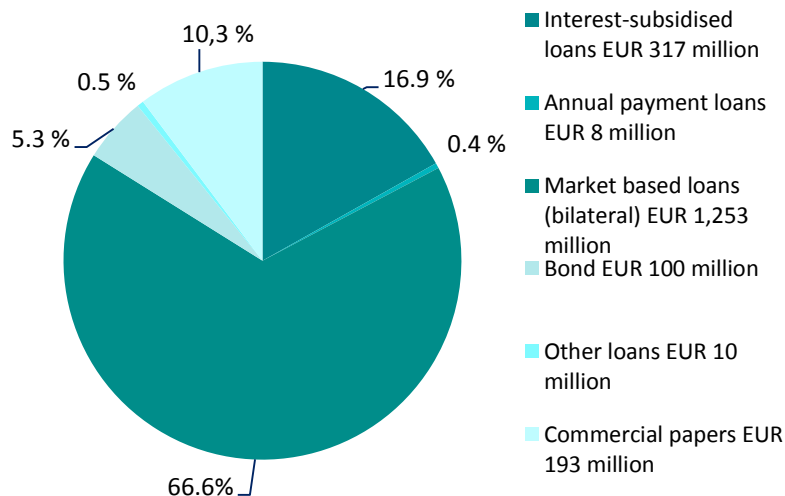
Equity ratio, %



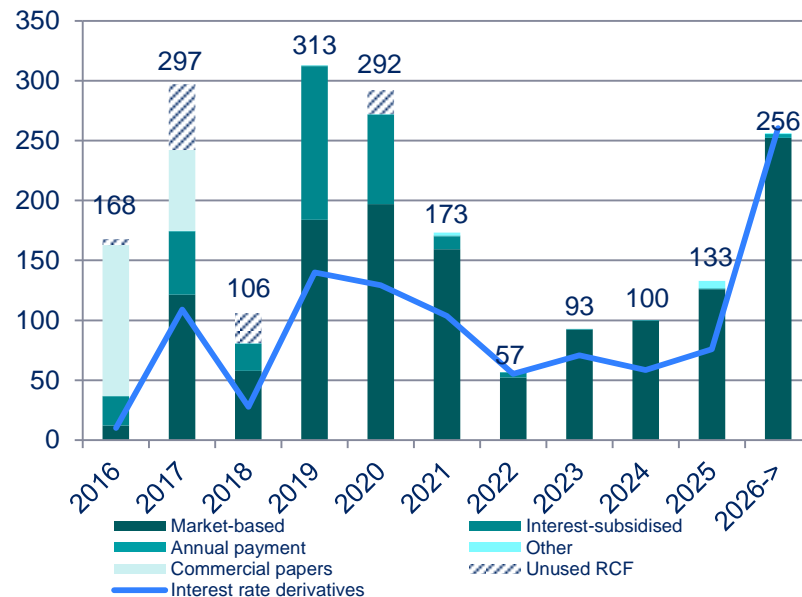
*As of 2014, the Group adopted IFRS for its financial reporting.

Loan portfolio structure and distribution of loan maturities, Lumo segment 30 September 2016

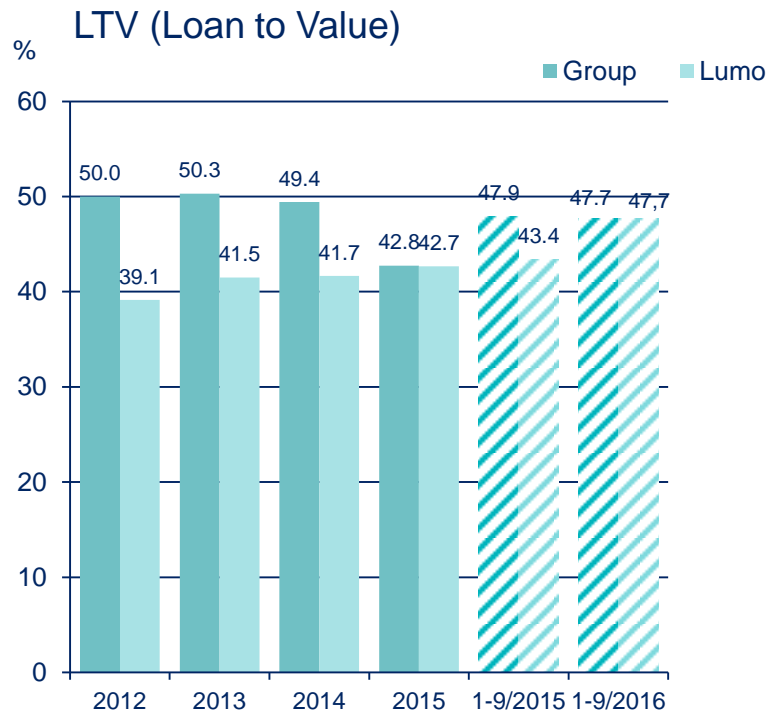
Loan portfolio structure (EUR 1,881 million)



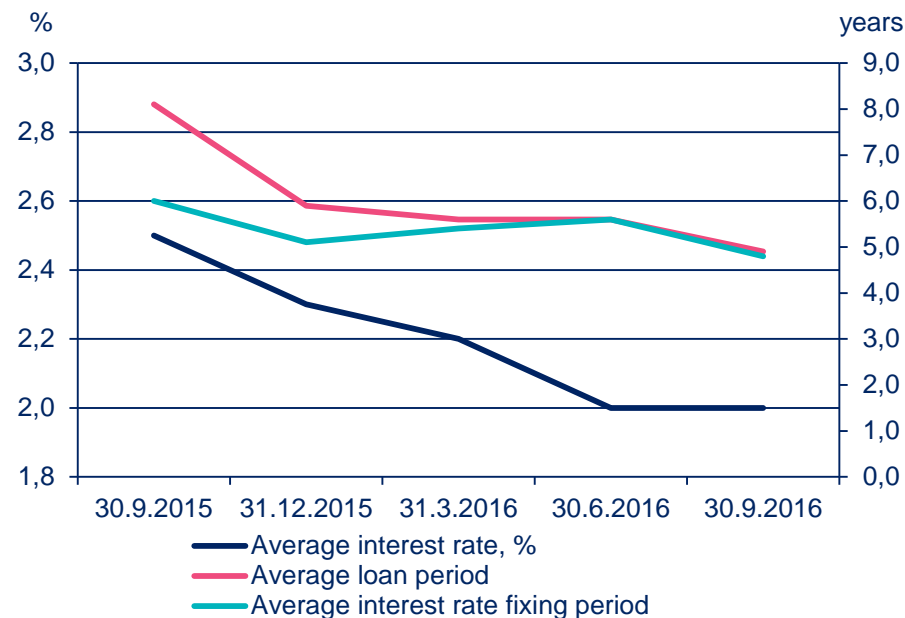
Distribution of loan maturities



LTV and loan development



Average interest rate, maturity and interest rate fixing period of loans (Lumo segment)



Strategic key figures

Key figure	Q3/2016	Goal 2021
Apartment assets	EUR 4.1 billion 34,926 apartments	EUR 5.8 billion 38,000 apartments
Operative result of the Lumo business as a percentage of turnover	37.3	32
Equity ratio of the Lumo business, %	38.8	40
Net promoter score	35	40

Outlook

Market outlook

- The development of the Finnish economy will remain slower compared with the rest of the euro zone.
- Demand for rental apartments in growth centres will remain strong.
- Differences between regions are increasing. In some regions, supply and demand are now well balanced.
- Urbanisation will increase demand for housing.
- Price trends in owner-occupied apartments will remain stable.
- Interest rates will remain low.

Outlook for VVO Group

- VVO Group specifies its outlook for 2016 with regard to investments.
- VVO Group estimates that net rental income will remain at the 2015 level. Investments are forecast to be approximately EUR 650 million (previous estimate: over EUR 600 million). The outlook takes into account the effects of the divestment of 8,571 apartments and the acquisition of 2,274 apartments, the estimated occupancy rate for the remainder of the year and the number of apartments under construction.
- VVO Group's financial occupancy rate is expected to remain at the current level throughout 2016, due to continuing stable demand for rental housing. The estimate is based on currently valid tenancy agreements and the stable demand in growth centres.

Appendices



Basic information of the company

VVO Group plc 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 VVO Group's investment properties at the end of the review period was EUR 4.1 (3.9) billion. At the end of the review period, VVO Group owned 34,926 (40,899) rental apartments.

VVO Group plc's strategy

The housing investment company VVO Group plc offers rental apartments and housing services in Finnish growth centres.

Megatrends:

Urbanisation & internationalisation



Ageing population & smaller family sizes



New technologies & digitalisation



Individuality & sense of community



Environment & sustainable development



Mission:

We create better urban housing.

Vision 2021:

We are a pioneer in housing and the customer's number-one choice.

Strategic focal points:

▶ The best customer experience

▶ A long-term development of shareholders' value

▶ A leader in sustainable development

▶ An energetic and the most competent place to work

Values:

Happy to serve



Strive for success



Courage to change



Country-wide operations in good locations

Distribution of apartments

Helsinki Area

18,243

Tampere Area

4,955

Turku Area

2,125

Oulu

2,217

Kuopio Area

1,697

Lahti Area

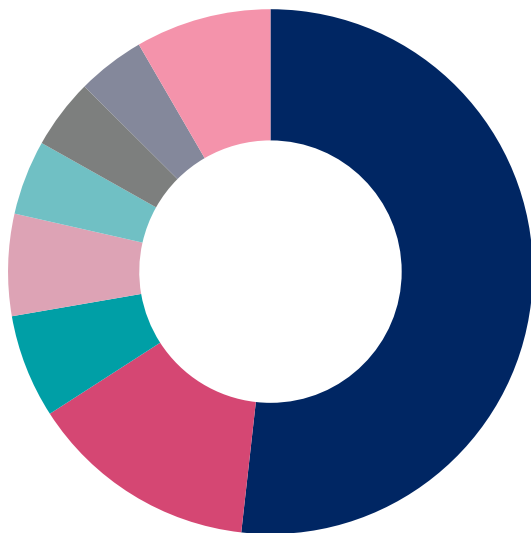
1,465

Jyväskylä

1,541

Other

2,683



Apartments

34,926



Average area
of apartments

56.1 m²



Properties

1,421



Residents numbering nearly

55,000



Average age of buildings

31.5 yrs

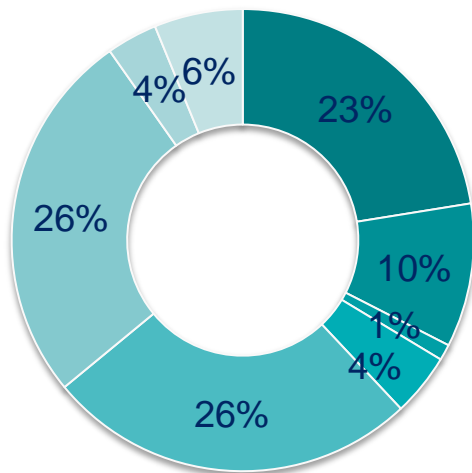


Apartments

2.0 million
dwelling m²

EUR 100 million in paid taxes in Finland

VVO Group's tax footprint in 2015



- Income taxes
- Property taxes
- Transfer taxes
- Employer payments

Indirect employment effect in person-years 3,760.

Responsibility is part of our operations

- The anti-grey economy models exceed legislative requirements. We 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.
- The Rental Property Action Plan (VAETS) targets for 2016 have already been achieved and, with regard to property electricity consumption, have even been exceeded.
- 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 decided to join the VAETS II agreement after the review period on 14 October 2016. During this agreement period, the housing investment company pursues energy savings of 7.5% by 2025.

Consolidated income statement

EUR 1,000	1–9/2016	1–9/2015	1–12/2015
Turnover	266,834	276,256	370,944
Property maintenance costs	-67,002	-71,244	-96,989
Renovation and repairs	-27,419	-34,487	-46,541
Net rental income	172,414	170,526	227,413
Administrative costs	-26,047	-29,356	-39,696
Other operating income and costs	-792	1,039	1,676
Profit/loss on sales of investment properties	-20,327	1,446	2,707
Profit/loss on sales of trading properties	135	-10	-4
Change in the fair value of investment properties	68,560	52,462	70,317
Amortisations and depreciation	-930	-884	-1,178
Operating profit	193,012	195,223	261,235
Financial income and expenses	-38,635	-27,919	-37,090
Share in profits of associated companies	0	0	555
Profit before taxes	154,378	167,304	224,701
Current tax	-26,069	-10,700	-22,103
Change in deferred taxes	-3,950	-22,607	-23,183
Profit for the period	124,358	133,997	179,415

Balance sheet

EUR 1,000	Group 30 September 2016	Group 30 September 2015	Group 31.12.2015
ASSETS			
Non-current assets			
Intangible assets	850	1,232	1,136
Investment properties	4,127,537	3,907,920	3,464,944
Property, plant and equipment	31,137	31,306	31,242
Share in associated companies	1,039	3,457	1,039
Financial assets	554	547	543
Non-current receivables	3,174	2,282	2,199
Deferred tax assets	21,001	13,362	11,966
Non-current assets, total	4,185,293	3,960,106	3,513,069
Non-current assets held for sale	0	0	541,003
Current assets			
Inventories	857	1,231	954
Current tax assets	4,997	3,236	1,740
Sales receivables and other receivables	24,522	16,052	8,759
Financial assets	62,850	54,588	54,579
Cash and cash equivalents	106,639	74,165	116,017
Current assets	199,865	149,272	182,049
ASSETS	4,385,158	4,109,378	4,236,120

Balance sheet

EUR 1,000	Group 30 Sep. 2016	Group 30 Sep. 2015	Group 31 Dec. 2015
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent company			
Share capital	58,025	58,025	58,025
Share premium	35,786	35,786	35,786
Contingency fund	17	17	17
Fair value reserve	-60,136	-33,718	-32,613
Reserve for invested unrestricted equity	17,856	17,856	17,856
Retained earnings	1,680,102	1,614,004	1,659,401
Parent company shareholders' interest	1,731,650	1,691,971	1,738,472
Non-controlling interest	0	562	583
Equity, total	1,731,650	1,692,533	1,739,055
Non-current liabilities			
Loans	1,684,029	1,709,938	1,259,823
Deferred tax liabilities	435,858	430,323	429,782
Derivative instruments	93,722	50,382	48,378
Statutory provisions	812	1,012	929
Other non-current liabilities	6,299	8,154	7,131
Non-current liabilities, total	2,220,721	2,199,809	1,746,042
Non-current liabilities held for sale	0	0	467,083
Current liabilities			
Loans, current	300,788	178,425	234,730
Derivative instruments	1,132	1,589	1,289
Profit-based tax liabilities	10,593	3,599	9,885
Trade payables and other debts	120,274	33,424	38,036
Current liabilities, total	432,787	217,036	283,940
Liabilities, total	2,653,507	2,416,845	2,497,065
SHAREHOLDERS' EQUITY AND LIABILITIES	4,385,158	4,109,378	4,236,120

Business operations

	Lumo 1–9/2016	Lumo 1–9/2015	VVO 1–9/2016	VVO 1–9/2015	Group 1–9/2016	Group 1–9/2015
Turnover, EUR million	214.8	141.4	53.0	138.0	266.8	276.3
Operating profit, EUR million	190.9	91.4	1.4	103.6	193.0	195.2
Profit before taxes, EUR million	157.6	81.7	-3.9	85.6	154.4	167.3
Balance sheet, EUR million	4,173.2	3,185.6	317.9	1,022.1	4,385.2	4,109.4
Equity, EUR million	1,619.1	1,437.5	112.7	259.3	1,731.7	1,692.5
Equity ratio, %	38.8	45.2	35.5	25.4	39.5	41.2
Apartments	31,060	24,481	3,866	16,418	34,926	40,899
Rental occupancy rate, %	95.9	95.6	98.0	97.1	96.1	96.2
Financial occupancy rate, %	97.1	97.0	98.5	98.3	97.2	97.5
Tenant turnover, %	23.8	22.3	16.5	17.4	23.0	20.4
Average number of personnel	243	194	59	172	302	366

Financial key figures

	Lumo segment					VVO segment				
	30 Sep. 2016	30 June 2016	31 Mar. 2016	31 Dec. 2015	30 Sep. 2015	30 Sep. 2016	30 June 2016	31 Mar. 2016	31 Dec. 2015	30 Sep. 2015
Equity ratio, %	38.8	43.0	44.4	45.7	45.2	35.5	33.9	23.4	13.4	25.4
Interest cover	5.0	4.9	4.6	4.4	4.1	5.2	5.3	5.4	5.0	4.4
Hedging ratio, %	71.0	74.0	72.0	72.0	71.0	-	-	-	-	-
Average interest rate, %**)	2.0	2.0	2.2	2.3	2.5	2.7	2.7	2.4	2.0	2.0
Average loan period, years**)	4.9	5.6	5.6	5.9	8.1	16.0	16.0	16.4	19.2	20.7
Average interest rate fixing period, years**)	4.8	5.6	5.4	5.1	6.0	0.5	0.5	0.9	0.4	0.8
Secured loans/fair value of properties, % **)	42	41	37	38	41	77	79	75	85	57
VVO Group	44	43	40	46	47					
Unencumbered assets***) / fair value of properties, % **)	41	45	48	46	44	0	0	0	0	8
VVO Group	39	42	39	31	31					

*) Calculated from FAS figures

**) According to the new segment division starting from 31 December 2015. Furthermore, in the future, the average loan period will be calculated also taking into account loan instalments according to plan

***) Unencumbered assets = fair value of properties – collateral given



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